



# Fourth Quarter Report 2015



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## Main figures

From the profit and loss account	2015		2014	
	NOKm	%	NOKm	%
Net interest income	1,872	1.46	1,790	1.52
Commission income and other income	1,545	1.20	1,512	1.28
Net return on financial investments	459	0.36	720	0.61
<b>Total income</b>	<b>3,876</b>	<b>3.02</b>	<b>4,021</b>	<b>3.41</b>
<b>Total operating expenses</b>	<b>1,931</b>	<b>1.50</b>	<b>1,789</b>	<b>1.52</b>
<b>Results before losses</b>	<b>1,945</b>	<b>1.52</b>	<b>2,232</b>	<b>1.89</b>
Loss on loans, guarantees etc	169	0.13	89	0.08
<b>Results before tax</b>	<b>1,776</b>	<b>1.38</b>	<b>2,143</b>	<b>1.82</b>
Tax charge	370	0.29	362	0.31
Result investment held for sale, after tax	-1	0.00	0	0.00
<b>Net profit</b>	<b>1,406</b>	<b>1.10</b>	<b>1,782</b>	<b>1.51</b>

Key figures	31 Dec 2015	31 Dec 2014
<b>Profitability</b>		
Return on equity <sup>1)</sup>	10.7 %	15.1 %
Cost-income ratio <sup>2)</sup>	50 %	44 %
<b>Balance sheet</b>		
Gross loans to customers	93,974	90,578
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	127,378	120,435
Deposits from customers	64,090	60,680
Deposit-to-loan ratio excl. SB1 Boligkreditt	68 %	67 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	5.8 %	7.3 %
Growth in deposits last 12 months	5.6 %	8.5 %
Average total assets	128,355	117,794
Total assets	131,914	126,047
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>		
Impairment losses ratio	0.14 %	0.08 %
Non-performing commitm. as a percentage of gross loans <sup>3)</sup>	0.13 %	0.22 %
Other doubtful commitm. as a percentage of gross loans	0.30 %	0.18 %
<b>Solidity</b>		
Capital adequacy ratio	18.3 %	15.7 %
Core capital ratio	15.6 %	13.0 %
Common equity tier 1	13.6 %	11.2 %
Core capital	13,988	12,382
Net equity and related capital	16,378	14,937
<b>Branches and staff</b>		
Number of branches	49	49
No. of full-time positions	1,208	1,192

Key figures ECC <sup>4)</sup>	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
ECC ratio	64.0 %	64.6 %	64.6 %	64.6 %	60.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	102.76
ECC price	50.50	58.50	55.00	34.8	36.31
Stock value (NOKM)	6,556	7,595	7,141	4,518	3,731
Booked equity capital per ECC (including dividend)	67.65	62.04	55.69	50.09	48.91
Profit per ECC, majority	7.02	8.82	6.92	5.21	6.06
Dividend per ECC	2.25	2.25	1.75	1.5	1.85
Price-Earnings Ratio	7.19	6.63	7.95	6.68	5.99
Price-Book Value Ratio	0.74	0.94	0.99	0.69	0.74

1) Net profit as a percentage of average equity

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

3) 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

4) The key figures are corrected for issues

# Report of the Board of Directors

## Preliminary annual accounts 2015

*(Consolidated figures. Figures in parentheses refer to 2014 unless otherwise stated).*

### Profit of NOK 1,406m after tax

- Profit before tax: NOK 1,776m (2,143m)
- Net profit: NOK 1,406m (1,782m)
- Return on equity: 10.7 per cent (15.1 per cent)
- CET1 ratio: 13.6 per cent (11.2 per cent)
- Growth in lending 5.8 per cent (7.3 per cent) and in deposits 5.6 per cent (8.5 per cent)
- Loan losses: NOK 169m (89m) of which NOK 82m (0m) reflects increased collectively assessed write-downs
- Earnings per equity certificate (EC): NOK 7.02 (8.82). Book value per EC, incl. recommended dividend for 2015: NOK 67.65 (62.04)
- Recommended dividend: NOK 2.25 per EC, and an allocation of NOK 40m to non-profit causes

### Fourth quarter 2015

- Profit before tax: NOK 388m (434m)
- Net profit: NOK 287m (375m)
- Return on equity: 8.4 per cent (12.1 per cent)
- Loan losses: NOK 56m (34m) of which NOK 51m (0m) reflects increased collectively assessed write-downs
- Earnings per EC: NOK 1.45 (1.85)

## Good profit performance in 2015, but marked by turbulent markets

### Highlights

- Good result for core business
- Profit was down NOK 376m on the same period of 2014 due to capital loss on the bond portfolio in 2015 and high capital gains on the disposal of shares in Nets in 2014
- Low loan losses. Collectively assessed write-downs increased by NOK 82m
- Low cost growth in keeping with plan
- Substantially stronger CET1 ratio
- Good growth in lending and deposits

SpareBank 1 SMN achieved a pre-tax profit of NOK 1,776m (2,143m) in 2015. Net profit was NOK 1,406m (1,782m) and return on equity was 10.7 per cent (15.1 per cent).

Operating income totalled NOK 3,417m (3,302m) in 2015, an increase of NOK 115m.

Return on financial assets was NOK 459m (720m), of which the profit share on owner interests in affiliates was NOK 448m (527m).

Operating expenses came to NOK 1,931m (1,789m) in 2015. A considerable portion of the increase is caused by the consolidation of SpareBank 1 Markets as a subsidiary in the second quarter 2015. Costs in 2014 include NOK 30m set aside for reorganisation at the parent bank. SpareBank 1 SMN has a goal of zero growth in the parent bank's operating expenses. When corrected for the reorganisation cost and the effect of SpareBank 1 Markets, growth in parent bank costs was 1.6 per cent.

Net losses on loans and guarantees came to NOK 169m (89m) of which NOK 82m (0m) comprises collectively assessed write-downs.

In 2015 SpareBank 1 SMN achieved lending growth of 5.8 per cent (7.3 per cent) and deposit growth of 5.6 per cent (8.5 per cent).

The CET1 ratio at 31 December 2015 was 13.6 per cent (11.2 per cent).

The bank's capital plan has drawn considerable attention in recent years. Up to December 2015 the target was a CET1 ratio of 13.5 per cent by 30 June 2016. In December 2015 the board of directors adopted a new CET1 ratio target of 14.5 per cent, to be reached by 31 December 2016. SpareBank 1 SMN had CET1 ratio of 13.6 per cent at 31 December 2015. The capital plan is further described in the section on financial strength.

At year-end the bank's EC was priced at NOK 50.50 (58.50). A cash dividend of NOK 2.25 per EC was paid in 2015 for the year 2014, representing a payout ratio of 25 per cent of the Group profit.

Earnings per EC were NOK 7.02 (8.82). Book value was NOK 67.65 (62.04) per EC including a recommended dividend of NOK 2.25.

Profit before tax in the fourth quarter in isolation was NOK 388m (434m). The quarter's figures reflect:

- Good net interest income
- Stable commission income
- Low individually assessed losses, but increased provision for collectively assessed write-downs
- Weak return on financial investments

### **Proposed distribution of profit**

Distribution of the profit for the year is done on the basis of the parent bank's accounts. The parent bank's profit includes dividends from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the group results.

<b>Difference between Group - Parent Bank (NOKm)</b>	<b>2015</b>
<b>Profit for the year, Group</b>	<b>1,406</b>
Profit, subsidiaries	-58
Dividend, subsidiaries	103
Profit, associated companies	-448
Dividend, associated companies	351
Elimination subsidiaries and associated companies	117
<b>Profit for the year, Parent bank</b>	<b>1,471</b>

<b>Distribution of profit (NOKm)</b>	<b>2015</b>
Profit for the year, Parent bank	1,471
Transferred to/from revaluation reserve	-66
<b>Profit for distribution</b>	<b>1,405</b>
Dividends	292
Equalisation fund	616
Saving Bank's fund	457
Gifts	40
<b>Total distributed</b>	<b>1,405</b>

The annual profit for distribution reflects changes of minus NOK 66m in the revaluation reserve, leaving the total amount for distribution at NOK 1,405m.

The profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

The board of directors recommends the supervisory board to set a cash dividend of NOK 2.25 per EC, altogether totalling NOK 292m. This gives a payout ratio of 32 per cent of the group profit. The board of directors further recommends the supervisory board to allocate NOK 40m as gifts to non-profit causes, representing a payout ratio of 8 per cent. NOK 616m and NOK 457m are added to the dividend equalisation fund and the ownerless capital respectively. The board of directors opts to dispense with the principle of equal payout between EC capital and ownerless capital in order to strengthen the financial position and in view of the fact that the price of the bank's EC is below the EC's book value. The proposed distribution reflects the need to increase the bank's core capital. Increasing the payout ratio to the EC holders to 32 per cent (25 per cent) is in keeping with the capital plan.

After distribution of the profit for 2015, the EC-holder ratio (EC holders' share of total equity) is 64.0 per cent.

### **Strengthened net interest income**

Net interest income strengthened compared with 2014, reaching NOK 1,872m (1,790m). The change compared with 2014 is ascribable to:

- Increased lending to, and deposits from, retail and corporate customers alike contributed to higher net interest income
- Reduced margins on home loan mortgages as a result of general interest rate reductions and other price pressures reduced the contribution from lending
- Reprising of deposits, for both retail and corporate customers, largely compensates for the income shortfall resulting from lower margins on mortgages

Net interest income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recorded as commission income. Commissions on loans sold to these two entities totalled NOK 334m in 2015 (427m).

Over the course of 2014 and 2015 five general interest rate reductions were carried out on loans to retail borrowers to adjust the mortgage rate to a falling interest rate level. Deposit rates to retail and corporate customers were also reduced over the same period.

### Increased commission income

Commission income and other operating income totalled NOK 1,545m (1,512m) in 2015, an increase of NOK 33m or 2 per cent.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt fell by NOK 93m due to reduced margins on retail lending. A uniformly positive trend is noted in other commission income, and overall growth came to NOK 126m or 11.7 per cent. The income increase of NOK 49m from Markets is a consequence of the consolidation of SpareBank 1 Markets.

Commission income (NOKm)	2015	2014	Change
Payment transfers	188	188	-1
Creditcard	56	50	6
Saving products	61	48	13
Insurance	156	138	18
Guarantee commission	72	57	15
Real estate agency	332	315	17
Accountancy services	183	172	10
Markets	64	14	49
Active management	21	20	1
Rent	50	45	5
Other commissions	28	36	-7
<b>Commissions ex SB1 Boligkreditt and SB1 Næringskreditt</b>	<b>1,211</b>	<b>1,084</b>	<b>126</b>
Commissions SB1 Boligkreditt	326	417	-91
Commissions SB1 Næringskreditt	8	10	-2
<b>Total commissions</b>	<b>1,545</b>	<b>1,512</b>	<b>34</b>

### Financial investments

Overall return on financial investments (excluding the bank's share of the profit of affiliates and joint ventures) was NOK 11m (193m) in 2015. Overall return breaks down as follows:

- Return on the group's equity portfolios: NOK 62m (202m)
- Net capital loss on bonds and derivatives in 2015: NOK 90m (66m). This is largely describable to increased credit margins on the liquidity portfolio
- Effect of changed valuation model for fixed rate loans: minus NOK 64m (0m)
- Net gain on forex, trading and derivatives Markets: NOK 102m (57m)

Capital gains/dividends, shares (NOKm)	2015	2014	Change
Capital gains/dividends, shares	62	202	-139
Bonds and derivatives	-90	-66	-24
Change in discount factor in fair value model for fixed interest loans	-64	-	-64
Net gain on forex, trading and derivatives Markets	102	57	45
<b>Net return on financial investments</b>	<b>11</b>	<b>193</b>	<b>-182</b>
SpareBank 1 Gruppen	251	358	-107
SpareBank 1 Boligkreditt	80	38	42
SpareBank 1 Næringskreditt	30	41	-11
SpareBank 1 Kredittkort	21	2	18
BN Bank	41	93	-51
Companies owned by SpareBank 1 SMN Invest	27	31	-3
Other companies	-2	-34	32
<b>Income from investment in related companies</b>	<b>448</b>	<b>527</b>	<b>-80</b>
<b>Total</b>	<b>458</b>	<b>720</b>	<b>-262</b>

### SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2015 was NOK 1,287m (1,849m). The insurance business was the main contributor to the profit performance, but the other product companies also showed satisfactory profit growth. SpareBank 1 Gruppen's profit was lower than in 2014 due to that year's excellent results after recognition of run-off gains in the insurance business. SpareBank 1 SMN's share of the profit for 2015 was NOK 251m (358m).

### SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1-alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs. As of 31 December 2015 the bank had sold loans worth a total of NOK 31.9bn (28.3bn) to SpareBank 1 Boligkreditt, corresponding to 39.6 per cent (38.3 per cent) of overall lending to the retail segment.

The bank's stake in SpareBank 1 Boligkreditt in 2015 was 17.7 per cent, and the bank's share of that company's profit in 2015 was NOK 80m (38m). The bank's stake reflects its relative share of home mortgage loans sold. The new stake as of 31 December 2015 is 19.0 per cent.

### SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. As of 31 December 2015, loans worth NOK 1.5bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN owns 33.6 per cent of the company, and the bank's share of the company's profit in 2015 was NOK 30m (41m). The bank's stake reflects its relative share of commercial property loans sold and its stake in BN Bank. 79.9 per cent of the loans residing in SpareBank 1 Næringskreditt have been transferred from BN Bank.

### BN Bank

SpareBank 1 SMN had a 33.0 per cent stake in BN Bank as of 31 December 2015.

The board of directors of BN Bank resolved in 2015 to cultivate the bank as a retail bank and to wind down the corporate business consisting of lending to commercial property. The backcloth to the resolution is capital adequacy rules specific to Norway under which return on equity on this activity is low. This reason is



that BN Bank's competitors in this low risk segment were largely foreign actors who set their prices under a more liberal regulatory regime and less stringent requirements on core capital. There is no prospect of any change in Norway's capital adequacy regime.

BN Bank's new strategy is to cultivate a retail market business and to be a bank for customers who prefer a self-service concept and hence favourable borrowing rates over time.

SpareBank 1 SMN's share of the profit of BN Bank in 2015 was NOK 41m (93m), yielding a return on equity of 3.5 per cent. The profit is affected by one-time effects related to the scaling back of the corporate portfolio and increased credit margins on the liquidity portfolio.

The bank has in recent years built up a substantial retail market business with satisfactory profits. The board of directors of BN Bank sees a major development potential in this business, and will channel all efforts to the retail market. The bank aspires to increased growth and increased profitability.

BN Bank will remain a part of the SpareBank 1-alliance. SpareBank 1 SMN will maintain its owner stake in BN Bank and will play its part in ensuring that the business change is carried through in a manner that safeguards creditors' interests.

The process of winding down the corporate banking business will be carried out in a controlled manner over time. For SpareBank 1 SMN this will in isolation reduce consolidated risk weighted assets, thereby improving capital adequacy. Of SpareBank 1 SMN's risk weighted balance sheet assets of NOK 89.5bn, about NOK 7.5bn relates to corporate exposures at BN Bank along with BN Bank's exposures sold to SpareBank 1 Næringskreditt. For SpareBank 1 SMN this amounts to about 1.1 percentage points of CET1 capital adequacy once the scaling back is completed. The process of winding down the corporate portfolio is well under way, and in the period September to December 2015 the portfolio was reduced by NOK 5.5bn or 17 per cent. The board of directors of BN Bank aims to have wound down 50 per cent of the corporate banking business by 31 December 2016.

### **SpareBank 1 Kredittkort**

The profit for 2015 was NOK 112m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN's stake is 18.4 per cent. SpareBank 1 SMN's share of the profit for 2015 was NOK 21m with a portfolio share of NOK 792m (715m). The company was in ordinary operation from 1 July 2014 onwards, entailing that no comparable financial results are available for earlier periods.

### **Limited cost growth**

Overall costs came to NOK 1,931m (1,789m) in 2015 and Group expenses rose by NOK 142m compared with 2014. Of the increase in Group expenses, NOK 122m relates to the consolidation of SpareBank 1 Markets as a subsidiary as from the second quarter of 2015. Excluding the effect of SpareBank 1 Markets and subtracting the reorganisation outlay in 2014 of NOK 30m, Group cost growth came to NOK 50m or 2.8 per cent.

The parent bank has reduced costs by NOK 18m over the past 12 months less the above-mentioned cost of reorganisation. With effect from the second quarter of 2015, SpareBank 1 SMN transferred its capital market activities to SpareBank 1 Markets. This represents a cost reduction of NOK 38m for the parent bank, and, taking this into account, parent bank costs rose by NOK 20m or 1.6 per cent compared with 2014. The reason for the increase is chiefly increased capital tax, write-down of intangible assets in the SpareBank 1 Banksamarbeidet, increased sponsor costs and a get-together for staff in Berlin which in aggregate

accounted for a cost increase of NOK 25m. Taking one-off costs and reorganisation costs into account, parent bank costs rose by 0.8 per cent.

Wide-ranging efficiency improvement measures have been set in train in the bank, with the aim of ensuring zero growth in costs. At the parent bank the number of permanent FTEs was reduced by 75 to 645 in 2015 (plus an additional reduction of 32 FTEs as a result of the transfer of capital market business to SpareBank 1 Markets).

Operating expenses measured 1.50 per cent (1.52 per cent) of average total assets. The Group's cost-income ratio was 50 per cent (44 per cent).

### **Low losses and low defaults, higher provision for collectively assessed write-downs**

Net loan losses came to NOK 169m (89m) for 2015, of which NOK 82m (0m) refers to increased provision for collectively assessed write-downs. This represents 0.14 per cent of total loans (0.08 per cent). Net losses in the fourth quarter in isolation were NOK 56m (34m) of which NOK 51m (0m) refers to increased collectively assessed write-downs.

Net losses of NOK 151m (81m) were recorded on loans to the group's corporate customers in 2015, including an increase of NOK 82m (0m) in collectively assessed impairment write-downs.

On the retail portfolio a net loss of NOK 18m (8m) was recorded in 2015.

Total individually assessed loan impairment write-downs came to NOK 183m (172m) as of 31 December 2015.

Total problem loans (defaulted and doubtful) came to NOK 604m (486m), or 0.47 per cent (0.40 per cent) of gross loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 205m (270m), measuring 0.16 per cent (0.22 per cent) of gross lending. Of total defaults, NOK 26m (67m) are loss provisioned, corresponding to 13 per cent (25 per cent).

Defaults break down to NOK 50m (114m) on corporate customers and NOK 155m (156m) on retail customers.

Other doubtful exposures totalled NOK 399m (216m), i.e. 0.31 per cent (0.18 per cent) of gross outstanding loans. NOK 157m (105m) or 39 per cent (49 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 350m (201m) to corporate customers and NOK 49m (16m) to retail customers.

### **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 do not capture the effects rapidly enough (e.g. macroeconomic factors)

In the third and fourth quarters of 2015 a basis was found for an increase in collectively assessed impairment write-downs by NOK 31m and NOK 51m respectively. The reason was an increased likelihood of loss in oil-related activity owing to a more challenging market situation. The aggregate volume of such

write-downs is now NOK 376m (295m), measuring 0.30 per cent (0.24 per cent) of total lending. Collectively assessed impairment write-downs break down to NOK 96m on retail customers and NOK 281m on corporate customers.

### Total assets of NOK 132bn

The bank's assets totalled NOK 132bn (126bn) at 31 December 2015, having risen by NOK 6bn or 4.7 per cent over the year. The rise in total assets is a consequence of increased lending and larger liquidity reserves.

As of 31 December 2015 loans worth a total of 33bn (30bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the bank's balance sheet. The comments covering lending growth do however include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

### Good growth in lending to retail segment, reduced growth in lending to corporates

Total outstanding loans rose by NOK 6.9bn (8.1bn) or 5.8 per cent (7.3 per cent) in 2015 to reach NOK 127.4bn (120.4m) as of 31 December 2015.

Lending to retail customers rose in 2015 by NOK 6.6bn (5.5bn) or 9.0 per cent (8.0 per cent) to reach NOK 80.7bn (74.1bn).

Growth in lending to corporates in 2015 was NOK 0.3bn (2.7bn) or 0.7 per cent (6.1 per cent). Overall loans to corporates totalled NOK 46.7bn (46.3bn) as of 31 December 2015. Loans to retail customers accounted for 63 per cent (62 per cent) of ordinary loans to customers at the end of 2015.

(For distribution by sector, see Note 5).

### Deposits

Customer deposits rose in 2015 by NOK 3.4bn (4.8bn) to reach NOK 64.1bn (60.7m) at 31 December 2015. This represents a growth of 5.6 per cent (8.5 per cent).

Retail customer deposits rose by NOK 1.8bn (2.6bn) or 6.9 per cent (10.9 per cent) to reach NOK 28.3bn, while deposits from corporates rose by NOK 1.6bn (2.1bn) or 4.6 per cent (6.7 per cent) to NOK 35.8bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 68 per cent as of 31 December 2015 (67 per cent).

(For distribution by sector, see Note 10).

### Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 6.6bn (6.2bn) at 31 December 2015. Compared with the previous year, values on equity funds are reduced, while active management has increased substantially.

<b>Saving products, customer portfolio (NOKm)</b>	<b>2015</b>	<b>2014</b>	<b>Change</b>
Equity funds	3,680	4,002	-322
Pension products	683	597	86
Active management	2,197	1,611	586
<b>Total</b>	<b>6,560</b>	<b>6,210</b>	<b>350</b>

## Insurance

The bank's insurance portfolio showed growth of 5.6 per cent in the last 12 months. Non-life insurance delivered 2.5 per cent per cent growth, personal insurance 9.8 per cent while growth in the occupational pensions portfolio came to 12.1 per cent.

Insurance, premium volume (NOKm)	2015	2014	Change
Non-life insurance	724	706	18
Personal insurance	269	245	24
Occupational pensions	195	174	21
<b>Total</b>	<b>1,188</b>	<b>1,125</b>	<b>63</b>

## Retail Banking

Operating income for 2015 was at about the same level as in 2014, totalling in aggregate NOK 1,663m with net interest income at NOK 948m and commission income at NOK 715m. Return on capital employed in the private banking segment was 15.8 per cent. Economic capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the group intends to reach by 30 June 2016.

The lending margin in 2015 was 2.07 per cent (2.39 per cent), while the deposit margin was minus 0.14 per cent (minus 0.42 per cent) measured against three-month NIBOR. Average three-month NIBOR was reduced by about 30 basis points over the course of 2015.

In the last 12 months, lending to retail customers rose by 8.4 per cent and deposits from the same segment by 6.2 per cent.

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

## Corporate Banking

Operating income totalled NOK 1,164m in 2015, having increased by 6 per cent from 2014. Net interest income was NOK 971m, while other income totalled NOK 193m.

Return on capital employed for the corporate banking segment was 12.4 per cent for 2105. Economic capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the group intends to reach by 30 June 2016.

The lending margin was 2.68 per cent (2.90 per cent) and the deposit margin was minus 0.34 per cent (minus 0.60 per cent) in 2015.

Growth in loans and deposits respectively in 2015 was 0.9 per cent and 6.9 per cent.

## Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 130.7m (124.6m) in 2015. The results are from the companies' financial statements.

Pre-tax profit (NOKm)	2015	2014	Change
EiendomsMegler 1 Midt-Norge	47.0	50.9	-3.9
SpareBank 1 Finans Midt-Norge	83.1	67.9	15.1
SpareBank 1 Regnskapshuset SMN	34.8	40.5	-5.7
Allegro Kapitalforvaltning	1.4	2.6	-1.2
SpareBank 1 SMN Invest	38.6	1.7	36.9
SpareBank 1 Markets (from second quarter 2015)	-84.1	-	-84.1
Other companies	9.8	-39.0	48.8
<b>Total</b>	<b>130.7</b>	<b>124.6</b>	<b>6.1</b>

**EiendomsMegler 1 Midt-Norge** leads the field in Trøndelag and in Møre og Romsdal with a market share of 40 per cent, and about 50 per cent in Trondheim. The company's pre-tax profit of NOK 47.0m (50.9m) for 2015 is satisfactory. The company brokered the sale of 6,615 dwellings in 2015 compared with 6,381 the previous year.

**SpareBank 1 Finans Midt-Norge** posted a pre-tax profit of NOK 83.1m (67.9m) in 2015 and shows positive profit growth due to increased incomes both from car loans and leasing. At year-end the company managed leases and car loan agreements worth a total of NOK 4.3bn of which leases accounted for NOK 2.1bn and car loans for NOK 2.2bn. In the first half-year the SpareBank 1 banks in Møre og Romsdal held a 9.1 per cent stake in SpareBank 1 Finans Midt-Norge. The other SamSpar banks became co-owners in June 2015. The SamSpar banks now hold a stake of 27.9 per cent in SpareBank 1 Finans Midt-Norge. This brings a substantial increase in the company's distributive power.

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 34.8m (40.5m) in 2015. The 2014 profit contains gains on share disposals, such that the underlying profit growth is positive.

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. The company caters to the SMB segment with its modern distribution model and a broad range of services.

**Allegro Kapitalforvaltning** is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are Allegro's distribution channel. The company posted a pre-tax profit of NOK 1.4m in 2015 (2.6m). The company manages a portfolio of NOK 5.4bn including management of the bank's pension fund worth NOK 0.7bn.

**SpareBank 1 SMN Invest** mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 38.6m in 2015 (1.7m). This figure is a consequence of value changes and realisation of losses or gains on the company's overall shareholding and accounts for NOK 11.5m of the profit. The company held owner interests in the property companies Grilstad Marina and Hommelvik Sjøside in 2015 which yielded a profit share of NOK 27.1m.

**SpareBank 1 Markets** is a subsidiary of SpareBank 1 SMN with effect from the second quarter of 2015 and is consolidated into the Group accounts in line with other subsidiaries as from the same date. SpareBank 1 SMN's capital market activities at the parent bank were transferred to SpareBank 1 Markets as part of the transaction. SpareBank 1 SMN's share is 73.4 per cent. SpareBank 1 Markets has its head office in Oslo and divisions in Trondheim and Ålesund. It has 109 employees.

SpareBank 1 Markets is an investment firm offering a complete range of products. The company aspires to be a profitable capital market operation which in collaboration with its owner banks can deliver all capital

market services. Both customer trading and own account trading are carried out in fixed income and forex instruments, bonds, equities and equity derivatives. Advisory services and facilitating internal and external equity finance for clients are also important product areas.

The company's post-tax profit in 2015 was minus NOK 102m (including the result for the first quarter). The substantial deficit in 2015 is mainly due to capital losses of NOK 76m related to increased credit margins on the bond portfolio. After profitability enhancement measures undertaken in 2015, SpareBank 1 Markets has strengthened its customer base and the basis for earnings on customer trading and own account trading alike. The company's income trend from underlying operations improved over the course of 2015.

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

**Other companies** show an overall profit of NOK 9.8m (deficit of 39.0m). These are mainly property companies that lease premises to SpareBank 1 SMN and other tenants.

### **mCASH**

The SpareBank 1 banks announced on 15 October the acquisition of the Norwegian arm of mCASH. The intention is to strengthen the bank's position on new mobile interfaces such as friend-to-friend payment and mobile payments in stores.

### **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 21bn and thus has the funding needed for 24 months of ordinary operation without fresh external finance.

The bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 86 per cent (87 per cent). The supply of market funding is satisfactory. However, the marginal cost of senior financing in the market was rising towards year-end.

SpareBank 1 Boligkreditt is the bank's chief source of funding, and as of 31 December 2015 loans totalling NOK 32bn had been sold to SpareBank 1 Boligkreditt.

### **Rating**

SpareBank 1 SMN has a rating of A1 (stable outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was upgraded by Moody's in May 2015, as were a number of other Norwegian banks.

### **Financial position**

The CET1 capital ratio was 13.6 per cent (11.2 per cent) at 31 December 2015. Since the third quarter of 2015 the CET1 ratio has risen by 0.4 percentage points. The change in the fourth quarter is due to:



- Increased equity capital as a result of profit retention. The effect strengthened in the fourth quarter as a result of a lower payout ratio than the ratio underlying the capital adequacy calculation in the first three quarters of 2015
- An unrealised gain at Visa Norge FLI as a result of the sale of Visa Europa to Visa Inc. strengthens the core capital position. SpareBank 1 SMN recognised NOK 74.1m as an unrealised value change for Visa Norge FLI against other comprehensive income (OCI) in the fourth quarter of 2015 (see note 2)
- Growth in risk weighted assets related to the transitional rules in the capital requirements regulations (the 'floor') weakens the core capital position somewhat

The regulatory requirement on CET1 capital as of 31 December 2015 was 11 per cent, including combined buffer requirements. The requirement will increase to 11.5 per cent as from 30 June 2016 due to the foreshadowed increase in the countercyclical buffer to 1.5 per cent.

The board of directors of SpareBank 1 SMN reviews the capital situation and future capital requirements on an ongoing basis.

SpareBank 1 SMN is engaged in a regular dialogue with Finanstilsynet (Norway's FSA) regarding its capital level. Finanstilsynet has communicated to the bank a capital expectation of 14.5 per cent CET1 capital by 31 December 2016. This was considered by the board in December and a new target of at least 14.5 per cent by 31 December 2016 was set. Finanstilsynet will not establish individual Pillar 2 add-ons for SpareBank 1 SMN prior to implementing the SREP (Supervisory Review and Evaluation Process) in 2016.

The assumption and expectation of SpareBank 1 SMN's board of directors is that implementing the bank's capital plan will ensure that the bank attains the capital requirements expected of it by the market and set by the authorities without carrying out a stock issue.

The board is accordingly planning for a CET1 capital ratio of 13.5 per cent by 30 June 2016 (including a countercyclical buffer of 1.5 per cent) and a further increase to at least 14.5 per cent by end-2016.

As of 31 December 2015 BN Bank's commercial property portfolio represents about NOK 7.5bn of SpareBank 1 SMN's risk weighted assets. Further winding down this portfolio will boost SMN's CET1 ratio by about 1.1 percentage point. As of 31 December 2015 SpareBank 1 SMN's share of BN Bank's risk weighted assets had been reduced by NOK 1.5bn since August 2015.

The following are the most important measures in the Group's capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments
- The dividend policy to entail an effective payout ratio of 25–35 per cent of the group profit
- Moderate growth in the bank's asset-intensive activities, with priority given to lending to households

#### **The bank's equity certificate (MING)**

The book value of the bank's EC as of 31 December 2015 including a recommended dividend of NOK 2.25 was NOK 67.65 (62.04), and earnings per EC were NOK 7.02 (8.82).

The Price / Income ratio was 7.19 (6.63), and the Price / Book ratio was 0.74 (0.94).

At year-end the EC was priced at NOK 50.50, and dividend of NOK 2.25 per EC was paid in 2015 for the year 2014.

**Risk factors**

The credit quality of the bank's loan portfolio is satisfactory, loss and default levels are low, and there are no concentrations in defaulted and problem exposures.

The bank anticipates a falling GDP growth rate as a result of reduced oil investment. A weaker Norwegian krone has had a beneficial effect on Norwegian export industry, and will partially offset some of these effects. The bank expects low growth in lending to mid-Norwegian business and industry ahead due to a limited level of investment.

Real wage growth will be low but, assuming persistent low interest rates, the bank considers that the risk of loss in the bank's retail market portfolio will be low. The main uncertainty is unemployment. The bank expects a slight increase in unemployment, but that unemployment will be relatively moderate in the bank's market areas as a whole.

Credit demand from Norwegian households has declined somewhat, but remains higher than wage growth and will to a large extent be affected by the development in house prices. The bank expects losses on mortgage lending to remain low. Should house prices stagnate, or fall, there will be a risk of an increase in the household saving rate, bringing reduced turnover and sales for parts of Norwegian business and industry.

The bank's results are affected directly and indirectly by the fluctuations in the securities markets. The indirect effect relates 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).

**Prospects**

The directors are well satisfied with the performance for 2015. This is despite the decline in profit from 2014 which is mainly due to substantial extraordinary revenues in 2014. The bank has achieved good growth in a highly competitive retail market and has strengthened its market position. Reduced loan demand from corporate borrowers in combination with a stronger focus on risk has prompted the bank to reduce lending growth in keeping with the assumptions underlying the capital plan. The bank's subsidiaries and affiliates are on satisfactory trend at the start of 2016.

Economic conditions at the start of 2016 are marked by a low oil price and challenging market conditions for oil-price-dependent manufacturing. At the end of 2015 the problems in the oil/offshore segment have however not brought signs of increased non-performance in the bank's loan portfolios. Unemployment in the bank's market areas as a whole has not risen significantly. Continued low oil prices mean that uncertainty regarding the bank's exposure to oil-related activity in Sunnmøre in particular is greater at the start of 2016 than one year ago. Defaults noted by the bank are at a very low level, which is the main explanation for very low individually assessed impairment write-downs. The uncertainty caused the bank to increase its collectively assessed impairment write-downs in the in the fourth quarter by NOK 51m earmarked for this sector. A similar provision of NOK 31m was made in the third quarter.

The target of a CET11 ratio of 13.5 per cent by 30 June 2016 was attained as of 31 December 2015. The board of directors has adopted a new target of 14.5 per cent to be attained by 31 December 2016. The



directors expect the target to be met with the instruments in the bank's capital plan. Chief among these are good current earnings, reduced growth in the corporate segment in particular, along with scaling back the loan portfolio at BN Bank. The bank has the space for action to meet government requirements without carrying out a stock issue. The board anticipates a gradual increase in dividends ahead.

With a view to strengthening the bank's competitive power, major change projects are under way in the areas of digitalisation, distribution and work processes. This will increase the efficiency of banking operations and enhance the quality of the bank's customer experience.

Even with the weaker prospects for the Norwegian economy, the board of directors expects 2016 to bring satisfactory earnings for SpareBank 1 SMN.

Trondheim, 2 February  
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal  
(Chair)

Bård Benum  
(Deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Venche Johnsen  
(Employee rep.)

Finn Haugan  
(Group CEO)

## Income statement

Parent bank					Group				
Q4 14	Q4 15	2014	2015	(NOKm)	Note	2015	2014	Q4 15	Q4 14
1,091	916	4,223	3,865	Interest income		4,031	4,265	962	1,103
647	490	2,578	2,161	Interest expenses		2,159	2,475	489	618
<b>444</b>	<b>426</b>	<b>1,644</b>	<b>1,703</b>	<b>Net interest</b>	1	<b>1,872</b>	<b>1,790</b>	<b>473</b>	<b>485</b>
262	257	1,031	1,005	Commission income		1,245	1,281	309	323
33	28	104	103	Commission expenses		135	113	38	33
12	10	47	220	Other operating income		435	344	107	81
<b>241</b>	<b>238</b>	<b>973</b>	<b>1,123</b>	<b>Commission income and other income</b>		<b>1,545</b>	<b>1,512</b>	<b>378</b>	<b>371</b>
-	1	311	471	Dividends		25	65	3	5
-	-	-	-	Income from investment in related companies		448	527	121	144
9	-33	197	-125	Net return on financial investments	1,2	-14	128	-15	-58
<b>9</b>	<b>-32</b>	<b>508</b>	<b>346</b>	<b>Net return on financial investments</b>		<b>459</b>	<b>720</b>	<b>109</b>	<b>91</b>
<b>694</b>	<b>633</b>	<b>3,125</b>	<b>3,172</b>	<b>Total income</b>		<b>3,876</b>	<b>4,021</b>	<b>959</b>	<b>947</b>
184	148	645	588	Staff costs	2	1,093	1,002	280	267
104	111	410	419	Administration costs		568	500	157	129
61	68	209	210	Other operating expenses		270	287	78	83
<b>349</b>	<b>327</b>	<b>1,265</b>	<b>1,217</b>	<b>Total operating expenses</b>	4	<b>1,931</b>	<b>1,789</b>	<b>515</b>	<b>479</b>
<b>344</b>	<b>306</b>	<b>1,860</b>	<b>1,955</b>	<b>Result before losses</b>		<b>1,945</b>	<b>2,232</b>	<b>444</b>	<b>467</b>
32	53	83	159	Loss on loans, guarantees etc.	2,6,7	169	89	56	34
<b>313</b>	<b>252</b>	<b>1,777</b>	<b>1,796</b>	<b>Result before tax</b>	3	<b>1,776</b>	<b>2,143</b>	<b>388</b>	<b>434</b>
60	75	330	325	Tax charge		370	362	100	60
-	-	-	-	Result investment held for sale, after tax	3	-1	0	-0	0
<b>253</b>	<b>177</b>	<b>1,447</b>	<b>1,471</b>	<b>Net profit</b>		<b>1,406</b>	<b>1,782</b>	<b>287</b>	<b>375</b>
<b>Attributable to:</b>									
Equity holders of parent company						1,410	1,772	291	372
Equity holders of non-controlling interests						-4	10	-4	2
Profit per ECC						7.00	8.87	1.44	1.87
Diluted profit per ECC						7.02	8.82	1.46	1.85

## Other comprehensive income

Parent bank					Group				
4Q 14	4Q 15	2014	2015	(NOKm)	2015	2014	4Q 15	4Q 14	
253	177	1,447	1,471	Net profit	1,406	1,782	287	375	
<b>Items that will not be reclassified to profit/loss</b>									
-23	109	-111	109	Actuarial gains and losses pensions	115	-117	114	-21	
5	-27	29	-27	Tax	-28	31	-28	6	
-	-	-	-	Share of other comprehensive income of associates and joint venture	36	-9	0	-12	
<b>-17</b>	<b>82</b>	<b>-82</b>	<b>82</b>	<b>Total</b>	<b>123</b>	<b>-94</b>	<b>88</b>	<b>-27</b>	
<b>Items that will be reclassified to profit/loss</b>									
-	75	-	75	Available-for-sale financial assets	78	-2	78	-2	
-	-	-	-	Share of other comprehensive income of associates and joint venture	1	0	1	0	
-	-1	-	-1	Tax	-1	-	-1	-	
-	-	<b>74</b>	<b>74</b>	<b>Total</b>	<b>78</b>	<b>-2</b>	<b>77</b>	<b>-2</b>	
<b>235</b>	<b>333</b>	<b>1,365</b>	<b>1,627</b>	<b>Total Comprehensive income</b>	<b>1,607</b>	<b>1,685</b>	<b>452</b>	<b>345</b>	
<b>Attributable to:</b>									
Equity holders of parent company						1,611	1,676	456	343
Equity holders of non-controlling interests						-4	10	-4	2

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1

## Key figures

Parent bank					Group			
4Q 14	4Q 15	2014	2015	Result as per cent of average total assets:	2015	2014	4Q 15	4Q 14
1.48	1.32	1.41	1.34	Net interest	1.46	1.52	1.45	1.59
0.80	0.74	0.84	0.89	Commission income and other income	1.20	1.28	1.16	1.22
0.03	-0.10	0.44	0.27	Net return on financial investments	0.36	0.61	0.33	0.30
1.16	1.02	1.09	0.96	Total operating expenses	1.50	1.52	1.58	1.58
1.15	0.95	1.60	1.54	Result before losses	1.52	1.89	1.36	1.54
0.11	0.17	0.07	0.13	Loss on loans, guarantees etc.	0.13	0.08	0.17	0.11
1.04	0.78	1.53	1.42	Result before tax	1.38	1.82	1.19	1.43
0.50	0.52	0.40	0.38	Cost -income ratio	0.50	0.44	0.54	0.51
		70 %	72 %	Loan-to-deposit ratio	68 %	67 %		
9.4 %	6.0 %	14.1 %	13 %	Return on equity	10.7 %	15.1 %	8.4 %	12.1 %

## Balance sheet

Parent bank			Group		
31 Dec 2014	31 Dec 2015	(NOKm)	Note	31 Dec 2015	31 Dec 2014
4,676	3,270	Cash and receivables from central banks		3,270	4,676
4,364	5,883	Deposits with and loans to credit institutions		2,407	1,289
86,920	90,129	Gross loans to customers before write-down	5,8	93,974	90,578
-164	-174	- Specified write-downs	6,7,8	-183	-172
-278	-358	- Write-downs by loan category	6	-376	-295
86,478	89,596	Net loans to and receivables from customers		93,415	90,112
14,177	15,752	Fixed-income CDs and bonds	15	15,752	14,177
7,972	7,606	Derivatives	14	7,524	7,877
257	337	Shares, units and other equity interests	2,15	1,485	708
3,361	3,624	Investment in related companies		5,522	5,129
2,490	2,927	Investment in group companies		-	-
101	222	Investment held for sale		16	45
447	447	Goodwill		528	526
297	431	Other assets	9	1,996	1,509
<b>124,619</b>	<b>130,095</b>	<b>Total assets</b>		<b>131,914</b>	<b>126,047</b>
9,123	8,155	Deposits from credit institutions		8,155	9,123
61,202	65,091	Deposits from and debt to customers	10	64,090	60,680
33,001	35,154	Debt created by issue of securities	11	35,154	33,001
6,252	5,366	Derivatives	15	5,414	6,252
846	868	Other liabilities	12	1,734	1,095
-	-	Investment held for sale		0	-
3,371	3,463	Subordinated loan capital	11	3,463	3,371
<b>113,795</b>	<b>118,097</b>	<b>Total liabilities</b>		<b>118,010</b>	<b>113,523</b>
2,597	2,597	Equity capital certificates		2,597	2,597
-0	-0	Own holding of ECCs		-21	-0
895	895	Premium fund		895	895
3,122	3,790	Dividend equalisation fund		3,790	3,122
292	290	Recommended dividends		292	292
160	40	Provision for gifts		40	160
3,619	4,105	Savings bank's reserve		4,105	3,619
139	279	Unrealised gains reserve		290	148
-	-	Other equity capital		1,597	1,620
		Non-controlling interests		318	72
<b>10,824</b>	<b>11,998</b>	<b>Total equity capital</b>	13	<b>13,904</b>	<b>12,524</b>
<b>124,619</b>	<b>130,095</b>	<b>Total liabilities and equity</b>		<b>131,914</b>	<b>126,047</b>

## Cash flow statement

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOKm)	31 Dec 2015	31 Dec 2014
1,447	1,471	Profit	1,406	1,782
40	70	Depreciations and write-downs on fixed assets	104	109
83	159	Losses on loans and guarantees	169	89
<b>1,569</b>	<b>1,700</b>	<b>Net cash increase from ordinary operations</b>	<b>1,678</b>	<b>1,980</b>
-3,395	224	Decrease/(increase) other receivables	-190	-3,333
3,123	-782	Increase/(decrease) short term debt	-112	3,058
-9,733	-3,277	Decrease/(increase) loans to customers	-3,472	-10,134
-362	-1,520	Decrease/(increase) loans credit institutions	-1,118	-97
4,819	3,889	Increase/(decrease) deposits to customers	3,410	4,753
2,542	-968	Increase/(decrease) debt to credit institutions	-968	2,542
2,761	-1,575	Increase/(decrease) in short term investments	-1,575	2,761
<b>1,324</b>	<b>-2,311</b>	<b>A) NET CASH FLOW FROM OPERATIONS</b>	<b>-2,351</b>	<b>1,529</b>
-32	-61	Increase in tangible fixed assets	-50	-83
-	1	Reductions in tangible fixed assets	1	-
-258	-821	Paid-up capital, associated companies	-98	-498
235	-6	Net investments in long-term shares and partnerships	-702	319
<b>-55</b>	<b>-887</b>	<b>B) NET CASH FLOW FROM INVESTMENTS</b>	<b>-849</b>	<b>-261</b>
51	93	Increase/(decrease) in subordinated loan capital	93	51
0	-1	Increase/(decrease) in equity	-1	0
-227	-292	Dividend cleared	-292	-227
-124	-160	Disbursed from gift fund	-160	-124
-1,085	2,153	Increase/(decrease) in other long term loans	2,153	-1,085
<b>-1,385</b>	<b>1,792</b>	<b>C) NET CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>1,792</b>	<b>-1,385</b>
<b>-117</b>	<b>-1,405</b>	<b>A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>-1,405</b>	<b>-117</b>
4,793	4,676	Cash and cash equivalents at 1.1	4,676	4,793
4,676	3,270	Cash and cash equivalents at end of quarter	3,270	4,676
<b>-117</b>	<b>-1,405</b>	<b>Net changes in cash and cash equivalents</b>	<b>-1,405</b>	<b>-117</b>

## Change in equity

Parent Bank (NOKm)	Issued equity			Earned equity			Unrealised gains reserve	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts		
<b>Equity capital at 1 January 2014</b>	<b>2,597</b>	<b>895</b>	<b>3,276</b>	<b>2,496</b>	<b>227</b>	<b>124</b>	<b>195</b>	<b>9,811</b>
Net profit	-	-	372	679	292	160	-57	1,447
<b>Other comprehensive income</b>								
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	1,365
<b>Transactions with owners</b>								
Dividend declared for 2013	-	-	-	0	-227	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-124
Purchase and sale of own ECCs	0	-	-	0	-	-	-	0
Total transactions with owners	0	-	-	0	-227	-124	-	-351
<b>Equity capital at 31 December 2014</b>	<b>2,597</b>	<b>895</b>	<b>3,619</b>	<b>3,122</b>	<b>292</b>	<b>160</b>	<b>139</b>	<b>10,824</b>
<b>Equity capital at 1 January 2015</b>	<b>2,597</b>	<b>895</b>	<b>3,619</b>	<b>3,122</b>	<b>292</b>	<b>160</b>	<b>139</b>	<b>10,824</b>
Net profit	-	-	457	616	292	40	66	1,471
<b>Other comprehensive income</b>								
Available-for-sale financial assets	-	-	-	-	-	-	74	74
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	82
Other comprehensive income	-	-	29	53	-	-	74	156
Total other comprehensive income	-	-	486	669	292	40	140	1,627
<b>Transactions with owners</b>								
Dividend declared for 2014	-	-	-	-	-292	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-1
Total transactions with owners	-	-	-	-1	-292	-160	-	-453
<b>Equity capital at 31 December 2015</b>	<b>2,597</b>	<b>895</b>	<b>4,105</b>	<b>3,790</b>	<b>292</b>	<b>40</b>	<b>279</b>	<b>11,998</b>

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					
<b>Equity capital at 1 January 2014</b>	<b>2,597</b>	<b>895</b>	<b>3,276</b>	<b>2,496</b>	<b>227</b>	<b>124</b>	<b>206</b>	<b>1,354</b>	<b>67</b>	<b>11,242</b>	
Net profit	-	-	372	679	292	160	-57	325	10	1,782	
<b>Other comprehensive income</b>											
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9	
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2	
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-3	-	-85	
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96	
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,686	
<b>Transactions with owners</b>											
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227	
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124	
Purchase and sale of own ECCs	-0	-	-0	-	-	-	-	-	-	0	
Direct recognitions in equity	-	-	-	-	-	-	-	-40	-	-40	
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8	
Aquisition of non-controlling interests	-	-	-	-	-	-	-	-	-5	-5	
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404	
<b>Equity capital at 31 December 2014</b>	<b>2,597</b>	<b>895</b>	<b>3,619</b>	<b>3,122</b>	<b>292</b>	<b>160</b>	<b>148</b>	<b>1,620</b>	<b>72</b>	<b>12,524</b>	

Group	Attributable to parent company equity holders						Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
	Issued equity	Earned equity				Dividend				
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
<b>Equity capital at 1 January 2015</b>	<b>2,597</b>	<b>895</b>	<b>3,619</b>	<b>3,122</b>	<b>292</b>	<b>160</b>	<b>148</b>	<b>1,620</b>	<b>72</b>	<b>12,524</b>
Net profit	-	-	457	616	292	40	66	-61	-4	1,406
<b>Other comprehensive income</b>										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	37	-	37
Available-for-sale financial assets	-	-	-	-	-	-	77	-	-	77
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	4	1	87
Other comprehensive income	-	-	29	53	-	-	77	41	1	201
Total other comprehensive income	-	-	489	669	292	40	142	-20	-3	1,607
<b>Transactions with owners</b>										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-	-	-1
Direct recognitions in equity	-	-	-	-	-	-	-	4	-	4
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-3	-	-3
Own ECC held by SB1 Markets*	-21	-	-	-	-	-	-	-5	-	-25
Aquisition of non-controlling interests	-	-	-	-	-	-	-	-	249	249
Total transactions with owners	-21	-	-	-1	-292	-160	-	-3	249	-227
<b>Equity capital at 31 December 2015</b>	<b>2,576</b>	<b>895</b>	<b>4,105</b>	<b>3,790</b>	<b>292</b>	<b>40</b>	<b>290</b>	<b>1,597</b>	<b>318</b>	<b>13,904</b>

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



## Equity capital certificate ratio

<b>(NOKm)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
ECC capital	2,597	2,597
Dividend equalisation reserve	3,790	3,122
Premium reserve	895	895
Unrealised gains reserve	179	90
<b>A. The equity capital certificate owners' capital</b>	<b>7,461</b>	<b>6,704</b>
Ownerless capital	4,105	3,619
Unrealised gains reserve	100	49
<b>B. The saving bank reserve</b>	<b>4,205</b>	<b>3,668</b>
To be disbursed from gift fund	40	160
Dividend declared	292	292
<b>Equity ex. profit</b>	<b>11,998</b>	<b>10,824</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>63.96 %</b>	<b>64.64 %</b>
Equity capital certificate ratio for distribution	63.96 %	64.64 %

## Results from quarterly accounts

Group (NOKm)	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	2015	2015	2015	2015	2014	2014	2014	2014	2013
Interest income	962	1,058	992	1,019	1,103	1,080	1,055	1,027	1,059
Interest expenses	489	593	525	552	618	617	625	615	624
<b>Net interest</b>	<b>473</b>	<b>466</b>	<b>467</b>	<b>467</b>	<b>485</b>	<b>463</b>	<b>430</b>	<b>412</b>	<b>436</b>
Commission income	309	317	313	306	323	314	326	318	323
Commission expenses	38	38	32	27	33	28	28	25	25
Other operating income	107	99	132	97	81	74	96	93	84
<b>Commission income and other income</b>	<b>378</b>	<b>378</b>	<b>413</b>	<b>377</b>	<b>371</b>	<b>361</b>	<b>394</b>	<b>385</b>	<b>382</b>
Dividends	3	0	22	0	5	0	14	46	0
Income from investment in related companies	121	78	120	129	144	170	131	82	98
Net return on financial investments	-15	-91	23	69	-58	1	56	129	58
<b>Net return on financial investments</b>	<b>109</b>	<b>-13</b>	<b>165</b>	<b>198</b>	<b>91</b>	<b>170</b>	<b>201</b>	<b>257</b>	<b>156</b>
<b>Total income</b>	<b>959</b>	<b>831</b>	<b>1,044</b>	<b>1,042</b>	<b>947</b>	<b>993</b>	<b>1,026</b>	<b>1,055</b>	<b>974</b>
Staff costs	280	264	283	267	267	235	245	254	222
Administration costs	157	137	147	126	129	122	126	123	134
Other operating expenses	78	65	66	61	83	68	72	64	110
<b>Total operating expenses</b>	<b>515</b>	<b>466</b>	<b>496</b>	<b>454</b>	<b>479</b>	<b>425</b>	<b>443</b>	<b>441</b>	<b>465</b>
<b>Result before losses</b>	<b>444</b>	<b>364</b>	<b>548</b>	<b>588</b>	<b>467</b>	<b>568</b>	<b>583</b>	<b>614</b>	<b>508</b>
Loss on loans, guarantees etc.	56	56	35	22	34	24	15	17	32
<b>Result before tax</b>	<b>388</b>	<b>309</b>	<b>513</b>	<b>567</b>	<b>434</b>	<b>545</b>	<b>568</b>	<b>597</b>	<b>476</b>
Tax charge	100	61	83	126	60	101	103	99	110
Result investment held for sale, after tax	-0	0	-0	-0	0	-1	-1	1	-4
<b>Net profit</b>	<b>287</b>	<b>248</b>	<b>430</b>	<b>441</b>	<b>375</b>	<b>443</b>	<b>464</b>	<b>500</b>	<b>361</b>

## Key figures from quarterly accounts

Group (NOKm)	Q4 2015	Q3 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013
<b>Profitability</b>									
Return on equity per quarter	8.4 %	7.4 %	13.4 %	14.1 %	12.1%	14.8 %	16.0 %	17.7 %	13.1 %
Cost-income ratio	54 %	56 %	47 %	44 %	51 %	43 %	43 %	42 %	48 %
<b>Balance sheet</b>									
Gross loans to customers	93,974	94,917	94,179	92,311	90,578	86,724	85,465	79,606	80,548
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	127,378	126,180	124,519	122,933	120,435	116,464	114,819	111,800	112,283
Deposits from customers	64,090	63,620	66,186	60,589	60,680	58,091	59,402	54,643	55,927
Total assets	131,914	129,237	130,888	123,687	126,047	117,194	118,758	111,609	115,360
Average total assets	130,575	130,063	127,288	124,867	121,620	117,976	115,184	113,485	113,668
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	5.8 %	8.3 %	8.4 %	10.0 %	7.3 %	5.4 %	5.1 %	4.4 %	6.8 %
Growth in deposits last 12 months	5.6 %	9.5 %	11.4 %	10.9 %	8.5 %	8.5 %	8.5 %	5.4 %	7.3 %
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>									
Impairment losses ratio	0.18 %	0.18 %	0.11 %	0.07 %	0.11 %	0.08 %	0.05 %	0.06 %	0.12 %
Non-performing commitm. as a percentage of gross loans	0.13 %	0.17 %	0.23 %	0.19 %	0.22 %	0.29 %	0.29 %	0.24 %	0.34 %
Other doubtful commitm. as a percentage of gross loans	0.30 %	0.36 %	0.30 %	0.18 %	0.18 %	0.18 %	0.18 %	0.21 %	0.14 %
<b>Solidity</b>									
Common equity tier 1	13.6 %	13.2 %	12.7 %	12.3 %	11.2 %	11.5 %	11.4 %	11.1 %	11.1 %
Core capital ratio	15.6 %	15.2 %	14.6 %	14.3 %	13.0 %	13.4 %	13.3 %	12.9 %	13.0 %
Capital adequacy ratio	18.3 %	17.9 %	17.3 %	17.0 %	15.7 %	16.1 %	15.0 %	14.8 %	14.7 %
Core capital	13,988	13,451	13,142	12,713	12,382	12,302	11,635	11,303	10,989
Net equity and related capital	16,378	15,886	15,577	15,147	14,937	14,826	13,164	12,893	12,417
<b>Key figures ECC *)</b>									
ECC price	50.50	54,00	65,50	59,50	58,50	59,25	54,25	53,75	55,00
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)	67.65	65,52	64,18	61,95	62,04	60,53	58,32	56,39	55,69
Profit per ECC, majority	1.45	1,26	2,13	2,18	1,85	2,19	2,29	2,48	1,79
Price-Earnings Ratio	8.71	10,72	7,70	6,81	7,89	6,75	5,91	5,42	7,68
Price-Book Value Ratio	0.74	0,82	1,02	0,96	0,94	0,98	0,93	0,95	0,99

\*) The key figures are corrected for issues

# Notes

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## Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2014. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

### **IFRIC 21 Levies**

#### **Wealth tax**

The interpretation addresses when to recognise a liability to pay levies. For SpareBank 1 SMN this brings a change in the treatment of wealth tax. Wealth tax is calculated on the bank's assets at year-end and is therefore recognised in December of the accounting year. In previous years this was done monthly on an accruals basis.

#### **Guarantee Fund levy**

The levy to the Banks' Guarantee Fund is normally based on previous quarters' average guaranteed deposits and average risk weighted assets. The question of whether withdrawing from the guarantee fund arrangement will entail a refund of levy paid in excess is not regulated. In practice a pro rata charge has been made upon enrolment. This practice and consistency of treatment suggest a pro rata approach upon withdrawal. The Ministry of Finance will settle the matter by administrative decision. This has a bearing on when the levy is to be recognised in the accounts. In 2015 SpareBank 1 SMN has continued its earlier practice of accrual on a monthly basis.

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

#### **Other changes**

The Group has changed its presentation of accrued interest as from the first quarter of 2015. Accrued interest is now presented together with the underlying financial instrument. It was previously presented as other assets and other liabilities. Historical figures for 2014 are similarly restated.

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

When preparing the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This consequently 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

A new calculation is available for the Group's pension obligations as of 31 December 2015. For a further description of the various pension schemes, see note 25 in the 2014 annual report. The Group's pension obligations are accounted for under IAS 19R. Estimate variances are therefore entered directly against equity capital and are presented under other income and expenses.

<b>Actuarial assumptions</b>	<b>31 Dec 2014</b>	<b>1 January 2015</b>	<b>31 Dec 2015</b>
Discount rate	2.30 %	2.30 %	2.70 %
Expected rate of return on plan assets	2.30 %	2.30 %	2.70 %
Expected future wage and salary growth	2.50 %	2.50 %	2.25 %
Expected adjustment on basic amount (G)	2.50 %	2.50 %	2.50 %
Expected increase in current pension	0.00 %	0.00 %	0.00 %
Employers contribution	14.10 %	14.10 %	14.10 %

### Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% to 50 year, 0% after 50 year

<b>Movement in net pension liability in the balance sheet Group (NOKm)</b>	<b>Funded</b>	<b>Unfunded</b>	<b>Total</b>
Net pension liability in the balance sheet 1.1	1	25	26
Actuarial gains/losses 1 January	-8	-	-8
Actuarial gains/losses 31 December	-107	-1	-108
Net defined-benefit costs in profit and loss account	32	2	34
Paid in pension premium, defined-benefit schemes	-36	-	-36
Paid in pension premium, defined-benefit plan	-	-1	-1
<b>Net pension liability in the balance sheet 31 December 2015</b>	<b>-119</b>	<b>25</b>	<b>-94</b>

<b>Net pension liability in the balance sheet Group (NOKm)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Net present value of pension liabilities in funded schemes	711	768
Estimated value of pension assets	-808	-746
Net pension liability in the balance sheet before employer's contribution	-97	22
Employers contribution	4	4
<b>Net pension liability in the balance sheet</b>	<b>-94</b>	<b>26</b>

<b>Pension cost Group (NOKm)</b>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Present value of pension accumulated in the year	28	26
Net interest income	-0	-2
Net pension cost related to defined plans, incl unfunded pension commitment	28	23
Employer's contribution subject to accrual accounting	5	4
Cost of defined contribution pension and early retirement pension scheme, new arrangement	42	35
<b>Total pension cost</b>	<b>75</b>	<b>62</b>

### Takeover of shares of SpareBank 1 Markets

Markets SpareBank 1 SMN integrated its markets business with SpareBank 1 Markets against settlement in shares on 1 April 2015. SpareBank 1 SMN accordingly owns 73.4 per cent (27.3 per cent) of the shares of SpareBank 1 Markets and the company is consolidated as from the second quarter of 2015. The stake was increased to 73.46 per cent in the fourth quarter as a result of a stock issue. Other owners are SpareBank 1 Nord-Norge (10.0 per cent), Samarbeidende Sparebanker (10.0 per cent), Sparebanken Hedmark (6.1 per cent)

and other owners (0.6 per cent). The owners wish to strengthen a fully-fledged range of products and services in their market segment, and to achieve coordination gains.

An acquisition analysis has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are valued at their fair value on the acquisition date. The difference between the Group's acquisition cost and the book value of the net assets of SpareBank 1 Markets results in an income recognition of about NOK 20 million in the Group accounts for the second quarter. In addition a new cost price is established for previous assets resulting in an income recognition of about NOK 16 million in the Group accounts. In the parent bank's accounts, sale of the markets business entails the recognition of NOK 183 million as income. In addition, the shareholding in SpareBank 1 SMN Markets is written down by NOK 28 million at the parent bank.

#### **Stake in SpareBank 1 Finans Midt-Norge reduced**

As of June 2015 the subsidiary SpareBank 1 Finans Midt-Norge acquired eight new SamSpar banks as new partners and owners. Sparebank 1 Nordvest and Sparebank 1 Søre Sunnmøre were already on the owner side, so that Samarbeidende Sparebanker now has a stake of 27.9 per cent. SpareBank 1 SMN reduced its holding in the company from 90.1 per cent to 72.1 per cent. With Samarbeidende Sparebanker on the owner side, the company has a presence in ten different counties dispersed across Mid- and South Norway, Nord-Trøndelag and Sør-Trøndelag, Møre and Romsdal, Sogn and Fjordane, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

#### **Unrealised gain at Visa Norge FLI as a result of sale of Visa Europa to Visa Inc**

On 2 November 2015 an agreement was announced between Visa Europe Ltd. and Visa Inc. whereby Visa Inc. acquires all shares of Visa Europe. The transaction comprises a cash consideration of EUR 11.5 billion, convertible preference shares estimated as of the announcement date at EUR 5.0 billion, and a contingent cash consideration of up to EUR 4.7 billion, to be disbursed four years after completion of the transaction. Completion of the transaction is subject to approval by the competition authorities of the EU and Jersey and will take place in the second quarter of 2016.

SpareBank 1 SMN is a member of the association Visa Norge FLI ("Visa Norge"), which is a shareholder of Visa Europe Ltd. If completed, the transaction will significantly increase the book value of Visa Norge's equity capital. SpareBank 1 SMN has received information from Visa Norge giving a preliminary estimate of expected proceeds of the sale accruing to Visa Norge. The estimate is uncertain and is based on various assumptions. The principle for allocating proceeds between members of Visa Norge has yet to be finally decided, but Visa Norge has clarified its intention to allocate the proceeds to its members, and indicated that the members' proportion of voting rights in Visa Norge can be used for estimation purposes.

Following completion of the transaction, Visa Norge will receive its part of the compensation for the sale of the share. Only after a resolution from the board of Visa Norge will it be possible to distribute assets to the members of the association. Such distribution can accordingly take place in the second quarter of 2016 at the earliest.

SpareBank 1 SMN has thoroughly reviewed the accounting treatment of the transaction, including assessments regarding the liquidity of the preference shares expected to be awarded, share price risk, foreign exchange risk, tax risk and implementation risk inherent in the transaction. The calculated fair value includes no value of the contingent cash consideration which may be disbursed four years after completion of the transaction since the conditions underlying any such future disbursement are thus far not known. The owner interest in Visa Norge FLI is deemed to be a financial asset and classified in the category 'available for sale'.

According to IAS 39.46, assets classified as available for sale shall be measured at fair value – but only if fair value can be reliably measured. SpareBank 1 SMN has recognised its share of the expected consideration as an unrealised change in fair value. The estimate of the consideration which will be received in the second quarter of 2016 is subject to great uncertainty and may change in the period to disbursement. SpareBank 1 SMN has recognised NOK 74.7 million as unrealised change in fair value of Visa Norge FLI against other comprehensive income (OCI) in the fourth quarter of 2015.

It is assumed that a distribution from Visa Norge to the participating banks will come under the exemption method such that the effect on other comprehensive income net of tax in the fourth quarter of 2015 will be NOK 74.1 million.

### Note 3 - Account by business line

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

The segment SB1 Markets comprises the subsidiary SpareBank 1 Markets as from the second quarter of 2015. SpareBank 1 Markets became a subsidiary on 1 April 2015 when SpareBank 1 SMN integrated its markets activity into SpareBank 1 Markets and at the same time increased its holding to 73.3 per cent. As a consequence, the result as of 31 December 2015 is solely the result for the second to fourth quarter. The stake was increased to 73.46 per cent in the fourth quarter as a result of a stock issue.

In the reporting on the first quarter of 2015 and previously, the segment Markets comprised SpareBank 1 SMN's own markets activity in the parent bank. The result for the first quarter of 2015 is now, in the second quarter, moved to the column 'uncollated'. For 2014 the segment Markets continues to comprise the bank's own markets activity.

#### Group 31 Dec 2015

Profit and loss account (NOKm)	RM	CM	SB1		SB 1	SB 1	SB1	BN	Uncollated	Total
			Markets	EM 1	Finans MN	Regnskaps- huset SMN				
Net interest	907	922	-2	4	154	-0	-	-	-112	1,872
Interest from the allocated capital	41	48	-	-	-	-	-	-	-89	-
<b>Total interest income</b>	<b>948</b>	<b>971</b>	<b>-2</b>	<b>4</b>	<b>154</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-202</b>	<b>1,872</b>
Commission income and other income	715	180	56	360	33	197	-	-	5	1,545
Net return on financial investments ***)	1	13	50	-	-	-	251	41	101	458
<b>Total income *</b>	<b>1,663</b>	<b>1,164</b>	<b>104</b>	<b>364</b>	<b>187</b>	<b>197</b>	<b>251</b>	<b>41</b>	<b>-96</b>	<b>3,876</b>
<b>Total operating expenses</b>	<b>779</b>	<b>353</b>	<b>188</b>	<b>317</b>	<b>97</b>	<b>162</b>	<b>-</b>	<b>-</b>	<b>35</b>	<b>1,931</b>
<b>Ordinary operating profit</b>	<b>884</b>	<b>810</b>	<b>-85</b>	<b>47</b>	<b>91</b>	<b>35</b>	<b>251</b>	<b>41</b>	<b>-131</b>	<b>1,945</b>
Loss on loans, guarantees etc.	11	151	-	-	8	-	-	-	-2	169
<b>Result before tax including held for sale</b>	<b>873</b>	<b>659</b>	<b>-85</b>	<b>47</b>	<b>83</b>	<b>35</b>	<b>251</b>	<b>41</b>	<b>-129</b>	<b>1,776</b>
<b>Post-tax return on equity **)</b>	<b>15.8%</b>	<b>12.4%</b>								<b>10.7%</b>
<b>Balance (NOKm)</b>										
Loans and advances to customers	84,981	37,226	-	-	4,376	-	-	-	796	127,378
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-32,061	-1,343	-	-	-	-	-	-	-	-33,404
Individual allowance for impairment on loan	-28	-146	-	-	-7	-	-	-	-2	-183
Group allowance for impairment on loan	-95	-264	-	-	-18	-	-	-	1	-376
Other assets	140	3	1,456	281	4	144	1,509	1,157	33,803	38,499
<b>Total assets</b>	<b>52,937</b>	<b>35,476</b>	<b>1,456</b>	<b>281</b>	<b>4,355</b>	<b>144</b>	<b>1,509</b>	<b>1,157</b>	<b>34,598</b>	<b>131,914</b>
Deposits to customers	33,534	30,367	-	-	-	-	-	-	188	64,090
Other liabilities and equity	19,402	5,108	1,456	281	4,355	144	1,509	1,157	34,410	67,824
<b>Total liabilities</b>	<b>52,937</b>	<b>35,476</b>	<b>1,456</b>	<b>281</b>	<b>4,355</b>	<b>144</b>	<b>1,509</b>	<b>1,157</b>	<b>34,598</b>	<b>131,914</b>



## Group 31 Dec 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB 1		SB 1		BN	Uncollated	Total
					Finans	MN	Regnskaps- huset SMN	SB1 Gruppen			
Net interest	873	840	-9	5	130		6	-	-	-55	1,790
Interest from the allocated capital	40	67	-0	-	-		-	-	-	-107	-
<b>Total interest income</b>	<b>913</b>	<b>906</b>	<b>-9</b>	<b>5</b>	<b>130</b>		<b>6</b>	-	-	<b>-162</b>	<b>1,790</b>
Commission income and other income	762	159	19	359	-4		182	-	-	35	1.512
Net return on financial investments (**)	1	29	27	-	-		-	358	93	212	720
<b>Total income *</b>	<b>1,675</b>	<b>1,095</b>	<b>37</b>	<b>364</b>	<b>126</b>		<b>188</b>	<b>358</b>	<b>93</b>	<b>85</b>	<b>4,021</b>
<b>Total operating expenses</b>	<b>809</b>	<b>318</b>	<b>58</b>	<b>313</b>	<b>50</b>		<b>148</b>	-	-	<b>93</b>	<b>1,789</b>
<b>Ordinary operating profit</b>	<b>867</b>	<b>777</b>	<b>-21</b>	<b>51</b>	<b>75</b>		<b>40</b>	<b>358</b>	<b>93</b>	<b>-7</b>	<b>2,232</b>
Loss on loans, guarantees etc.	6	77	-	-	8		-	-	-	-2	89
<b>Result before tax including held for sale</b>	<b>861</b>	<b>699</b>	<b>-21</b>	<b>51</b>	<b>68</b>		<b>40</b>	<b>358</b>	<b>93</b>	<b>-6</b>	<b>2,144</b>
<b>Post-tax return on equity **)</b>	<b>19.2%</b>	<b>10.0%</b>									<b>15.1%</b>
<b>Balance (NOKm)</b>											
Loans and advances to customers	78,388	36,872	-	-	3,637		-	-	-	1,537	120,435
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,490	-1,366	-	-	-		-	-	-	-1	-29,857
Individual allowance for impairment on loan	-25	-139	-	-	-8		-	-	-	-0	-172
Group allowance for impairment on loan	-90	-188	-	-	-16		-	-	-	-0	-295
Other assets	240	457	-	284	11		139	1,421	1,201	32,218	35,936
<b>Total assets</b>	<b>49,987</b>	<b>35,636</b>	-	<b>284</b>	<b>3,625</b>		<b>139</b>	<b>1,421</b>	<b>1,201</b>	<b>33,754</b>	<b>126,047</b>
Deposits to customers	31,589	28,463	-	-	-		-	-	-	629	60,680
Other liabilities and equity	18,398	7,173	-	284	3,625		139	1,421	1,201	33,125	65,367
<b>Total liabilities</b>	<b>49,987</b>	<b>35,636</b>	-	<b>284</b>	<b>3,625</b>		<b>139</b>	<b>1,421</b>	<b>1,201</b>	<b>33,754</b>	<b>126,047</b>

\*) A portion of capital market income (Markets) is distributed on RM and CM.

\*\*) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5 percent to be in line with the capital plan.

***) Specification of net return on financial investments including held for sale (NOKm)	2015	2014
Capital gains/dividends, shares	62	202
Bonds and derivatives	-90	-66
Change in discount factor in fair value model for fixed interest loans	-64	-
Forex and fixed income business, Markets	102	57
<b>Sum verdiendringer finansielle eiendeler</b>	<b>11</b>	<b>193</b>
SpareBank 1 Gruppen	251	358
SpareBank 1 Boligkreditt	80	38
SpareBank 1 Næringskreditt	30	41
BN Bank	41	93
SpareBank 1 Kredittkort	21	2
Companies owned by SpareBank 1 SMN Invest	27	31
Other companies	-2	-34
<b>Income from investment in related companies</b>	<b>448</b>	<b>527</b>
<b>Total</b>	<b>458</b>	<b>720</b>

## Note 4 - Operating expenses

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOKm)	31 Dec 2015	31 Dec 2014
645	588	Personnel expenses	1,093	1,002
199	194	IT costs	240	223
21	18	Postage and transport of valuables	22	25
44	55	Marketing	96	81
40	41	Ordinary depreciation	104	109
119	123	Operating expenses, real properties	100	93
66	68	Purchased services	105	78
131	129	Other operating expenses	171	178
<b>1,265</b>	<b>1,217</b>	<b>Total other operating expenses</b>	<b>1,931</b>	<b>1,789</b>

## Note 5 - Distribution of loans by sector/industry

Parent bank			Group	
31 Dec 2014	31 Dec 2015 (NOKm)		31 Dec 2015	31 Dec 2014
7,042	8,515	Agriculture, forestry, fisheries, hunting	8,674	7,158
1,213	1,485	Sea farming industries	1,807	1,367
2,069	2,387	Manufacturing	2,675	2,330
3,221	3,141	Construction, power and water supply	3,598	3,717
2,509	2,482	Retail trade, hotels and restaurants	2,666	2,671
5,616	6,043	Maritime sector	6,066	5,638
14,002	14,377	Property management	14,346	14,075
3,445	2,019	Business services	1,777	3,681
2,696	2,859	Transport and other services provision	3,355	3,141
280	192	Public administration	211	300
2,252	1,458	Other sectors	1,477	2,270
<b>44,347</b>	<b>44,958</b>	<b>Gross loans in retail market</b>	<b>46,653</b>	<b>46,348</b>
72,430	78,575	Wage earners	80,725	74,087
<b>116,777</b>	<b>123,533</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>127,378</b>	<b>120,435</b>
28,393	31,944	SpareBank 1 Boligkreditt	31,944	28,393
1,463	1,460	SpareBank 1 Næringskreditt	1,460	1,463
<b>86,920</b>	<b>90,129</b>	<b>Gross loans in balance sheet</b>	<b>93,974</b>	<b>90,578</b>

## Note 6 - Losses on loans and guarantees

## Parent bank

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Losses on loans and guarantees (NOKm)</b>						
Change in individual impairment losses provisions for the period	2	9	11	-4	18	14
+ Change in collective impairment losses provisions for the period	-	80	80	-	-	-
+ Actual loan losses on commitments for which provisions have been made	7	58	65	10	41	51
+ Actual loan losses on commitments for which no provision has been made	8	4	12	12	16	28
- Recoveries on commitments previously written-off	6	3	9	12	-2	10
<b>Losses of the year on loans and guarantees</b>	<b>11</b>	<b>148</b>	<b>159</b>	<b>6</b>	<b>77</b>	<b>83</b>

## Group

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Losses on loans and guarantees (NOKm)</b>						
Change in individual impairment losses provisions for the period	3	9	11	-9	8	-1
+ Change in collective impairment losses provisions for the period	2	80	82	-	-	-
+ Actual loan losses on commitments for which provisions have been made	8	59	67	14	51	66
+ Actual loan losses on commitments for which no provision has been made	13	7	21	15	20	35
- Recoveries on commitments previously written-off	8	4	12	13	-2	11
<b>Losses of the year on loans and guarantees</b>	<b>18</b>	<b>151</b>	<b>169</b>	<b>8</b>	<b>81</b>	<b>89</b>

## Note 7 – Write-downs for loss on loans and guarantees

### Parent bank

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Individual write-downs (NOKm)</b>						
Individual write-downs to cover loss on loans and guarantees at 1.1*	25	139	164	28	122	150
- Actual losses during the period for which provisions for individual impairment losses have been made previously	7	58	65	10	41	51
- Reversal of provisions from previous periods	2	40	43	6	13	19
+ Increased write-downs on provisions previously written down	1	21	22	1	0	2
+ Write-downs on provisions not previously written down	10	86	96	11	72	83
<b>Individual write-downs to cover loss and guarantees</b>	<b>27</b>	<b>148</b>	<b>174</b>	<b>25</b>	<b>139</b>	<b>164</b>

\*) Individually assessed impairment write-downs on guarantees, totalling NOK 1.4m, are shown in the balance sheet as a liability under 'Other liabilities'

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Collective write-downs (NOKm)</b>						
Collective write-downs to cover loss on loans, guarantees at 01.01	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	80	80	-	-	-
<b>Collective write-downs to cover loss on loans and guarantees</b>	<b>90</b>	<b>268</b>	<b>358</b>	<b>90</b>	<b>188</b>	<b>278</b>

### Group

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Individual write-downs (NOKm)</b>						
Individual write-downs to cover loss on loans and guarantees at 1.1*	27	145	172	36	137	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	59	67	14	51	66
- Reversal of provisions from previous periods	3	42	46	7	15	22
+ Increased write-downs on provisions previously written down	1	21	22	1	1	2
+ Write-downs on provisions not previously written down	13	88	101	11	73	84
<b>Individual write-downs to cover loss and guarantees</b>	<b>30</b>	<b>153</b>	<b>183</b>	<b>27</b>	<b>145</b>	<b>172</b>

\*) Individually assessed impairment write-downs on guarantees, totalling NOK 1.4m, are shown in the balance sheet as a liability under 'Other liabilities'

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Collective write-downs (NOKm)</b>						
Collective write-downs to cover loss on loans, guarantees at 1.1	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	2	80	82	-	-	-
<b>Collective write-downs to cover loss on loans and guarantees</b>	<b>96</b>	<b>281</b>	<b>376</b>	<b>94</b>	<b>201</b>	<b>295</b>

## Note 8 – Defaults and problem loans

## Parent bank

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Total defaults (NOKm)</b>						
Loans in default for more than 90 days *)	133	38	171	134	90	224
- Individual write-downs	15	8	23	18	45	63
<b>Net defaults</b>	<b>119</b>	<b>30</b>	<b>148</b>	<b>116</b>	<b>45</b>	<b>162</b>
Provison rate	11 %	22 %	13 %	13 %	50 %	28 %
<b>Problem loans</b>						
Problem loans (not in default)	45	341	387	15	193	208
- Individual write-downs	13	138	151	7	95	101
<b>Net problem loans</b>	<b>32</b>	<b>204</b>	<b>236</b>	<b>9</b>	<b>98</b>	<b>107</b>
Provison rate	29 %	40 %	39 %	43 %	49 %	49 %

\*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q4

## Group

	31 Dec 2015			31 Dec 2014		
	RM	CM	Total	RM	CM	Total
<b>Total defaults (NOKm)</b>						
Loans in default for more than 90 days *)	155	50	205	156	114	270
- Individual write-downs	17	9	26	21	46	67
<b>Net defaults</b>	<b>138</b>	<b>41</b>	<b>179</b>	<b>135</b>	<b>67</b>	<b>203</b>
Provison rate	11 %	18 %	13 %	13 %	41 %	25 %
<b>Problem loans</b>						
Problem loans (not in default)	49	350	399	16	201	216
- Individual write-downs	14	142	157	7	98	105
<b>Net problem loans</b>	<b>34</b>	<b>208</b>	<b>242</b>	<b>9</b>	<b>102</b>	<b>111</b>
Provison rate	30 %	41 %	39 %	43 %	49 %	49 %

\*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q4

## Note 9 - Other assets

Parent bank		(NOKm)	Group	
31 Dec 2014	31 Dec 2015		31 Dec 2015	31 Dec 2014
-	33	Deferred tax benefit	187	44
162	153	Fixed assets	1,065	1,120
31	23	Earned income not yet received	39	39
8	3	Accounts receivable, securities	200	8
6	124	Pensions	125	6
89	95	Other assets	381	292
<b>297</b>	<b>431</b>	<b>Total other assets</b>	<b>1,996</b>	<b>1,509</b>

## Note 10 - Distribution of customer deposits by sector/industry

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOKm)	31 Dec 2015	31 Dec 2014
2,354	2,541	Agriculture, forestry, fisheries, hunting	2,541	2,354
402	674	Sea farming industries	674	402
2,359	2,518	Manufacturing	2,518	2,359
2,117	2,164	Construction, power and water supply	2,164	2,117
4,221	4,116	Retail trade, hotels and restaurants	4,116	4,221
2,346	1,994	Maritime sector	1,994	2,346
4,051	4,295	Property management	4,099	3,919
4,540	4,836	Business services	4,836	4,540
4,488	4,643	Transport and other services provision	4,138	4,131
5,254	7,221	Public administration	7,221	5,254
2,574	1,755	Other sectors	1,454	2,542
<b>34,706</b>	<b>36,756</b>	<b>Total</b>	<b>35,754</b>	<b>34,184</b>
26,496	28,336	Wage earners	28,336	26,496
<b>61,202</b>	<b>65,091</b>	<b>Total deposits</b>	<b>64,090</b>	<b>60,680</b>



## Note 11 - Debt created by issue of securities

Parent bank			Group	
31 Dec 2014	31 Dec 2015 (NOKm)		31 Dec 2015	31 Dec 2014
820	-	Short-term debt instruments, nominal value	-	820
30,981	34,014	Bond debt, nominal value	34,014	30,981
830	775	Value adjustments	775	830
370	365	Accrued interest	365	370
<b>33,001</b>	<b>35,154</b>	<b>Total</b>	<b>35,154</b>	<b>33,001</b>

## Change in securities debt, subordinated debt and hybrid equity (NOKm)

	31 Dec 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Short-term debt instruments, nominal value	-	-	820	-	820
Bond debt, nominal value	34,014	8,392	6,320	961	30,981
Value adjustments	775	-	-	-55	830
Accrued interest	365	-	-	-4	370
<b>Total</b>	<b>35,154</b>	<b>8,392</b>	<b>7,140</b>	<b>902</b>	<b>33,001</b>

## Change in subordinated debt and hybrid equity (NOKm)

	31 Dec 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Ordinary subordinated loan capital, nominal value	1,660	-	-	102	1,558
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	89	-	-	-8	98
Accrued interest	14	-	-	-1	15
<b>Total</b>	<b>3,463</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>3,371</b>

## Note 12 - Other liabilities

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOKm)	31 Dec 2015	31 Dec 2014
32	-	Deferred tax	21	45
363	420	Payable tax	459	398
10	13	Capital tax	13	10
66	70	Accrued expenses and received, non-accrued income	303	190
79	78	Provision for accrued expenses and commitments	78	79
25	25	Pension liabilities	31	32
74	46	Drawing debt	46	74
5	6	Creditors	39	33
-	61	Debt from securities	145	-
-	-	Equity instruments	394	-
191	150	Other liabilities	204	234
<b>846</b>	<b>868</b>	<b>Total other liabilities</b>	<b>1,734</b>	<b>1,095</b>

## Note 13 - Capital adequacy

The Ministry of Finance adopted on 22 August 2014 amendments to regulations on capital requirements taking effect on 30 September 2014. The amendments bring Norwegian legislation into line with the EU's new capital requirements framework (CRR/CRD IV). This framework is for the present not incorporated into the EEA agreement, although its most important provisions have been incorporated in the Financial Institutions Act and the Securities Trading Act. The adjusted legislation entered into force on 1 July 2013, and requires a gradual increase in minimum requirements on Common Equity Tier 1 (CET1) capital in the period to 1 July 2016.

As of 31 December 2015 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3 per cent and countercyclical buffer is 1 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 per cent. The countercyclical buffer is announced to increase to 1.5 per cent with effect from 30 June 2016.

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

SpareBank 1 SMN has reviewed the intention for the bond portfolios and on that basis reclassified certain portfolios from trading to banking in the first quarter of 2015. This is reflected in reduced debt risk and increased credit risk under the standardised approach.

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30 per cent in 2015 and 10 per cent thereafter. As at 31 December 2015 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

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

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOKm)	31 Dec 2015	31 Dec 2014
2,597	2,597	Equity capital certificates	2,597	2,597
0	0	- Own holding of ECCs	-21	-0
895	895	Premium fund	895	895
3,122	3,790	Dividend equalisation fund	3,790	3,122
3,619	4,105	Savings bank's reserve	4,105	3,619
292	292	Recommended dividends	292	292
160	40	Provision for gifts	40	160
139	279	Unrealised gains reserve	290	148
-	-	- Other equity	1,597	1,620
-	-	- Minority interests	318	72
<b>10,824</b>	<b>11,998</b>	<b>Total book equity</b>	<b>13,904</b>	<b>12,524</b>
-447	-447	Deferred taxes, goodwill and other intangible assets	-662	-566
-	-	- Part of reserve for unrealised gains, associated companies	264	120
-452	-332	Deduction for allocated dividends and gifts	-332	-452
-	-	- Minority interests recognised in other equity capital	-318	-72
-	-	- Minority interests eligible for inclusion in CET1 capital	132	35
-4	-93	Surplus financing of pension obligations	-43	-
-31	-33	Value adjustments due to requirements for prudent valuation	-55	-45
-325	-164	Positive value of adjusted expected loss under IRB Approach	-239	-419
-	-	- Direct, indirect and synthetic investments in financial sector companies	-458	-451
<b>9,565</b>	<b>10,928</b>	<b>Total common equity Tier one</b>	<b>12,192</b>	<b>10,674</b>
1,449	950	Hybrid capital, core capital	1,310	1,716
-	495	Hybrid capital covered by transitional provisions	495	-
-	-	- Direct, indirect and synthetic investments in financial sector companies	-9	-9
<b>11,014</b>	<b>12,373</b>	<b>Total core capital</b>	<b>13,988</b>	<b>12,382</b>

		<b>Supplementary capital in excess of core capital</b>		
1,906	1,000	Subordinated capital	1,647	2,598
-	786	Subordinated capital covered by transitional provisions	786	-
-43	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-43
<b>1,864</b>	<b>1,743</b>	<b>Total supplementary capital</b>	<b>2,390</b>	<b>2,555</b>
<b>12,878</b>	<b>14,116</b>	<b>Net subordinated capital</b>	<b>16,378</b>	<b>14,937</b>
		<b>Minimum requirements subordinated capital</b>		
1,632	1,027	Involvement with specialised enterprises	1,213	1,887
1,331	1,049	Other corporations exposure	1,105	1,371
829	1,093	Mass market exposure, property	1,557	1,280
149	157	Mass market exposure, SMEs	167	159
49	38	Other retail exposure	40	51
1,111	1,221	Equity investments	0	0
<b>5,102</b>	<b>4,585</b>	<b>Total credit risk IRB</b>	<b>4,082</b>	<b>4,748</b>
397	64	Debt risk	64	397
-	-	- Equity risk	10	1
-	-	- Currency risk	-	0
292	316	Operational risk	457	416
849	922	Exposures calculated using the standardised approach	1,805	1,971
42	53	Credit value adjustment risk (CVA)	106	92
-	-	Transitional arrangements	634	-
<b>6,682</b>	<b>5,939</b>	<b>Minimum requirements subordinated capital</b>	<b>7,157</b>	<b>7,625</b>
<b>83,523</b>	<b>74,243</b>	<b>Risk weighted assets (RWA)</b>	<b>89,465</b>	<b>95,317</b>
3,759	3,341	Minimum requirement on CET1 capital, 4.5 per cent	4,026	4,289
		<b>Capital Buffers</b>		
2,088	1,856	Capital conservation buffer, 2.5 per cent	2,237	2,383
2,506	2,227	Systemic risk buffer, 3.0 per cent	2,684	2,860
	742	Countercyclical buffer, 1.0 per cent	895	
<b>4,594</b>	<b>4,826</b>	<b>Total buffer requirements on CET1 capital</b>	<b>5,815</b>	<b>5,242</b>
<b>1,212</b>	<b>2,761</b>	<b>Available CET1 capital after buffer requirements</b>	<b>2,351</b>	<b>1,143</b>
		<b>Capital adequacy</b>		
11.5 %	14.7 %	Common equity Tier one ratio	13.6 %	11.2 %
13.2 %	16.7 %	Core capital ratio	15.6 %	13.0 %
15.4 %	19.0 %	Capital adequacy ratio	18.3 %	15.7 %
8.3 %	9.1 %	Leverage Ratio	6.7 %	6.0 %

## Note 14 - Financial instruments and offsetting

The Bank has no financial instruments booked on a net basis in the financial statements.

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. Regarding financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of year- end 2015 the Bank has 26 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

In the case of securities and derivatives that are traded on the Oslo Stock Exchange, the subsidiary SpareBank 1 Markets DNB ASA is used as clearing agent vis-a-vis Oslo Clearing. Any margin collateral is paid to a DNB account. DNB operates as agent between SpareBank 1 Markets and Oslo Clearing. Hence Oslo Clearing is SpareBank 1 Markets' counterparty.

The table shows what the Parent Bank and the Group can offset in the event of bankruptcy or default.

### Parent Bank

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
31 Dec 2015	Derivatives	2,149
31 Dec 2014	Derivatives	1,980

### Group

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
31 Dec 2015	Derivatives	2,120
31 Dec 2014	Derivatives	1,980

## 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 December 2015:

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
-Derivatives	39	7,485	-	7,524
-Bonds and money market certificates	2,207	13,545	-	15,752
-Equity instruments	803	-	574	1,377
-Fixed interest loans	-	43	4,405	4,447
Financial assets available for sale				
-Equity instruments	-	-	108	108
<b>Total assets</b>	<b>3,048</b>	<b>21,073</b>	<b>5,087</b>	<b>29,207</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
-Derivatives	44	5,371	-	5,414
-Equity instruments	385	9	-	394
<b>Total liabilities</b>	<b>429</b>	<b>5,380</b>	<b>-</b>	<b>5,808</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:

<b>Assets (NOKm)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at fair value through profit/loss				
-Derivatives	326	7,551	-	7,877
-Bonds and money market certificates	3,859	10,318	-	14,177
-Equity instruments	48	-	625	673
-Fixed interest loans	-	43	3,277	3,320
Financial assets available for sale				
-Equity instruments	-	-	35	35
<b>Total assets</b>	<b>4,233</b>	<b>17,911</b>	<b>3,937</b>	<b>26,082</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
-Derivatives	324	5,928	-	6,252
<b>Total liabilities</b>	<b>324</b>	<b>5,928</b>	<b>-</b>	<b>6,252</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2015:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 15	3,277	625	35	3,937
Investment in periode	2,224	20		2,244
Disposals in the periode	-1,000	-63	-2	-1,065
Gain or loss on financial instruments	-33	-7	75	34
Change in discount factor in fair value model for fixed interest loans	-64	-	-	-64
<b>Closing balance 31 December 15</b>	<b>4,405</b>	<b>574</b>	<b>108</b>	<b>5,087</b>

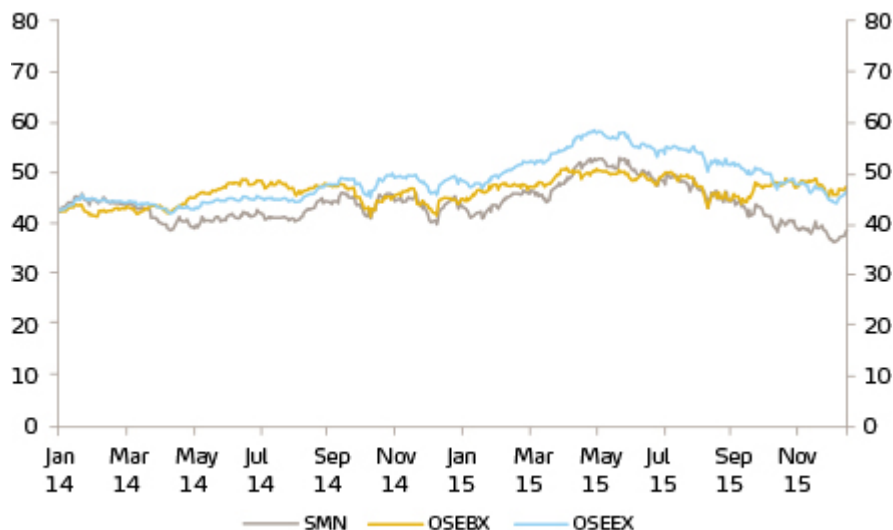
The following table presents the changes in the instruments classified in level 3 as at 31 December 2014:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 14	2,656	909	40	3,605
Investment in periode	946	38	3	987
Disposals in the periode	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
<b>Closing balance 31 December 14</b>	<b>3,277</b>	<b>625</b>	<b>35</b>	<b>3,937</b>

# Equity capital certificates

## Stock price compared with OSEBX and OSEEX

1 Jan 2014 to 31 Dec 2015

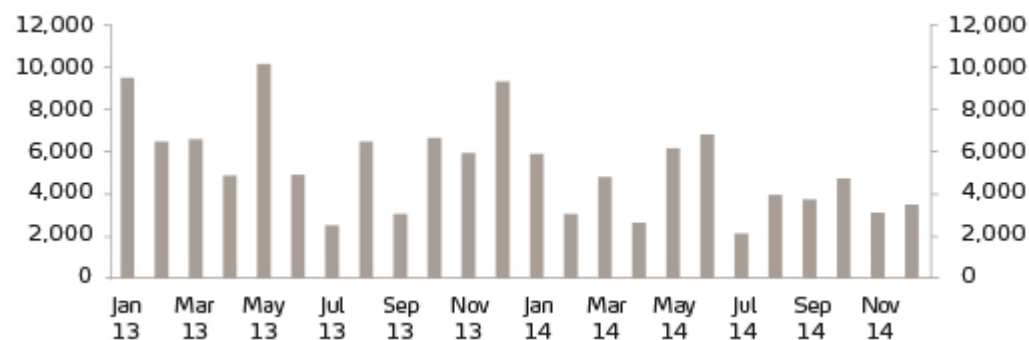


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSSEX = Oslo Stock Exchange ECC Index (rebased)

## Trading statistics

1 Jan 2014 to 31 Dec 2015



Total number of ECs traded (1000)



<b>20 largest ECC holders</b>	<b>Number</b>	<b>Share</b>
VPF Nordea Norge Verdi	4,810,413	3.70 %
Verdipapirfondet DNB Norge (IV)	4,147,494	3.19 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,826,686	2.95 %
State Street Bank and Trust CO (nominee)	3,472,091	2.67 %
VPF Odin Norden	3,363,290	2.59 %
VPF Pareto Aksje Norge	2,909,106	2.24 %
Vind LV AS	2,736,435	2.11 %
VPF Danske Invest Norske Aksjer Inst II	2,400,567	1.85 %
Wimoh Invest AS	2,359,388	1.82 %
The Bank of New York Mellon (nominee)	1,892,398	1.46 %
Pareto AS	1,821,202	1.40 %
MP Pensjon PK	1,792,160	1.38 %
Forsvarets Personellservice	1,674,646	1.29 %
JP Morgan Chase Bank (Nominee)	1,611,137	1.24 %
VPF Nordea Kapital	1,383,148	1.07 %
DNB Livsforsikring AS	1,355,550	1.04 %
State Street Bank and Trust CO (nominee)	1,329,561	1.02 %
Verdipapirfondet DNB Norge Selektiv (III)	1,325,444	1.02 %
VPF Danske Invest Norske Aksjer Inst. I	1,207,123	0.93 %
<b>The 20 largest ECC holders in total</b>	<b>49,383,230</b>	<b>38.03 %</b>
Others	80,453,213	61.97 %
<b>Total issued ECCs</b>	<b>129,836,443</b>	<b>100.00 %</b>

### 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.