

# Investor Relations

Supplementary information  
Second Quarter 2016



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**Information on the Internet**

SpareBank 1 SMN's home page [www.smn.no](http://www.smn.no)

ECC information in general [www.egenkapitalbevis.no](http://www.egenkapitalbevis.no)

**Financial Calendar 2016**

2nd quarter 2016 11 August 2016

3rd quarter 2016 28 October 2016

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# 1. SpareBank 1 SMN

## 1.1. Financial highlights

### First half 2016

(Consolidated figures. Figures in parentheses refer to the same period of 2015 unless otherwise stated).

- Profit before tax and inv. held for sale: NOK 930 million (NOK 1.080 million)
- Net profit: NOK 771 million (NOK 871 million)
- Return on equity: 10.9 per cent (13.7 per cent)
- 12-month growth in lending (incl. SB1 Boligkreditt and SB1 Næringskreditt): 6.5 per cent (8.4 per cent)
- 12-month growth in deposits: 1.3 per cent (11.4 per cent)
- Loan losses: NOK 287 million (NOK 56 million), including individual write downs of NOK 245 million (55 million), and collective write downs of NOK 42 million (1 million)
- Common equity tier 1 ratio: 14.1 per cent (12.7 per cent)
- Earnings per EC: NOK 3.71 (4.31)

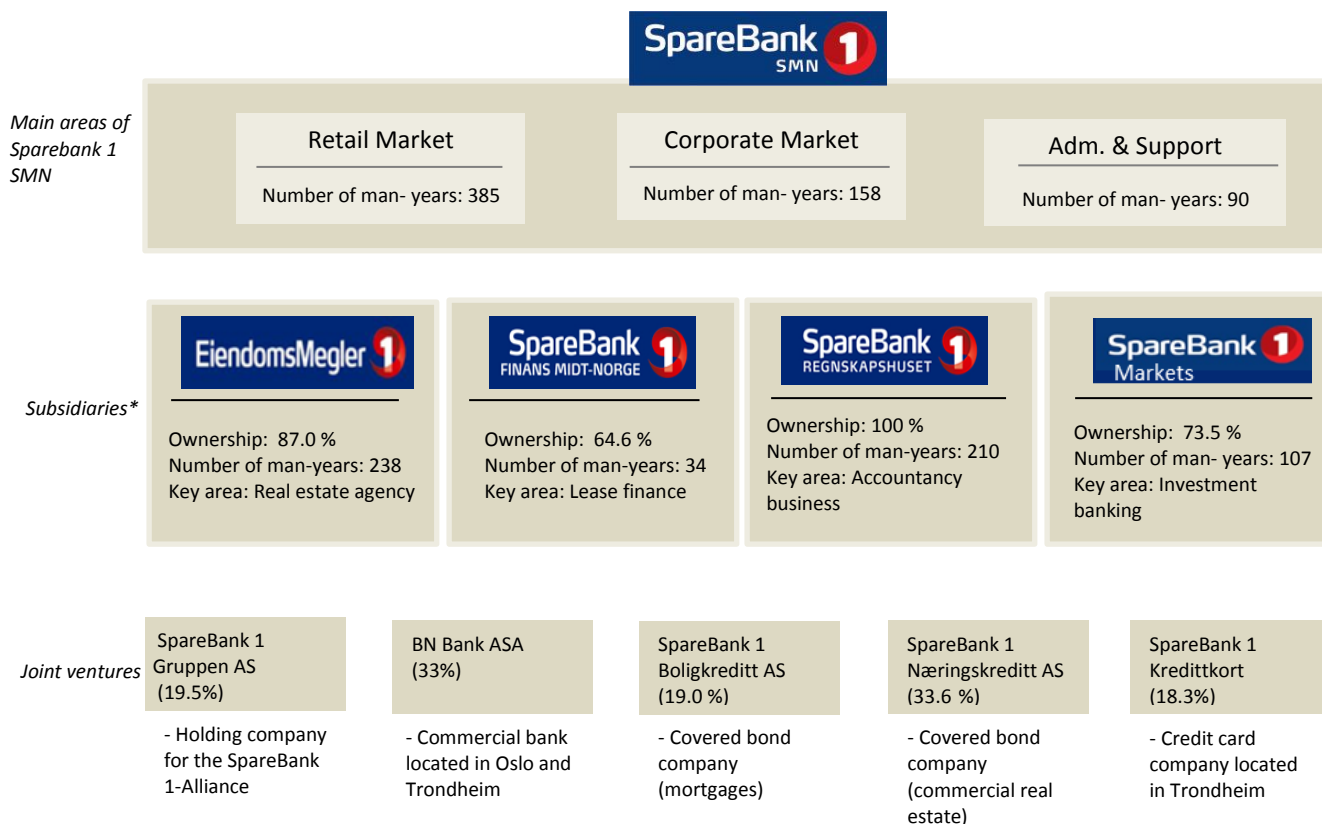
### Second quarter 2016

- Profit before tax and inv. held for sale: NOK 546 million (NOK 513 million)
- Net profit: NOK 460 million (NOK 430 million)
- Return on equity: 12.9 per cent (13.4 per cent)
- Loan losses: NOK 118 million (NOK 35 million), including individual write downs of NOK 226 million (33 million), and collective write downs of NOK -109 million (1 million)
- Earnings per EC: NOK 2.21 (NOK 2.13)

## 1.2. Business description

SpareBank 1 SMN is Mid-Norway's largest bank with assets totalling NOK 141 billion at the end of June 2016. Head office is in Trondheim. SpareBank 1 SMN employs 1,252 FTE, including subsidiaries, and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

### SpareBank 1 SMN's activities

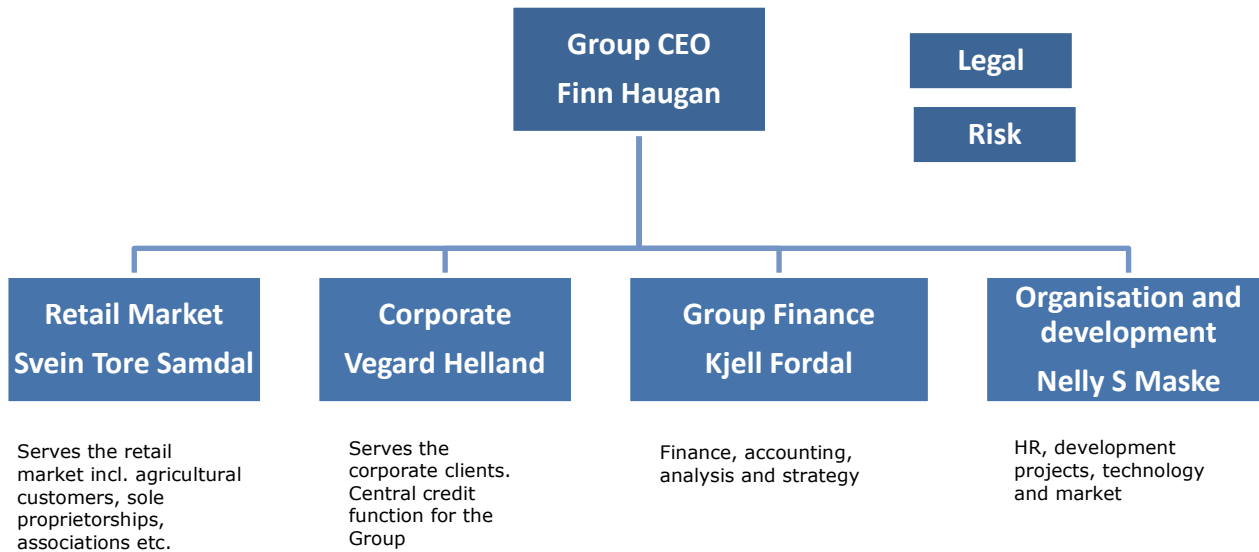


\*In addition SpareBank 1 SMN has subsidiaries with activities covering asset management, investments in regional seed corn, venture and private equity funds, property companies and car fleet management. These subsidiaries account for 31 man-years.

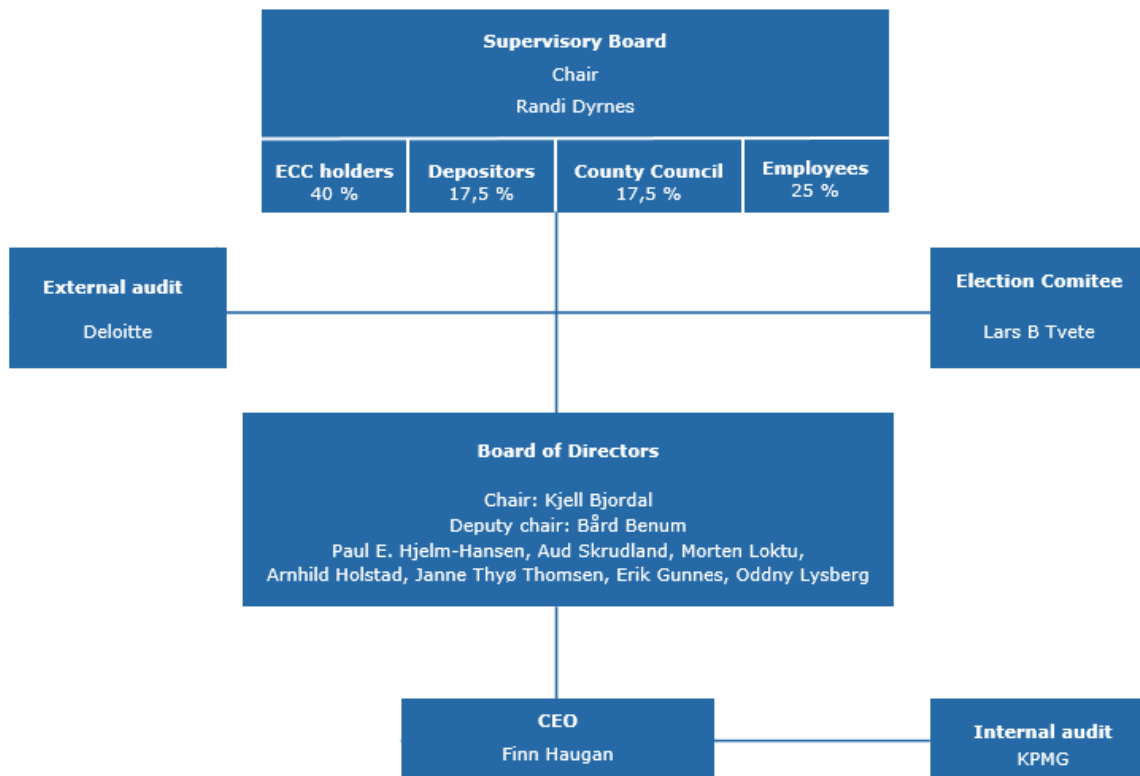


### Organisation of SpareBank 1 SMN

The Bank's operational structure is illustrated in the figure below

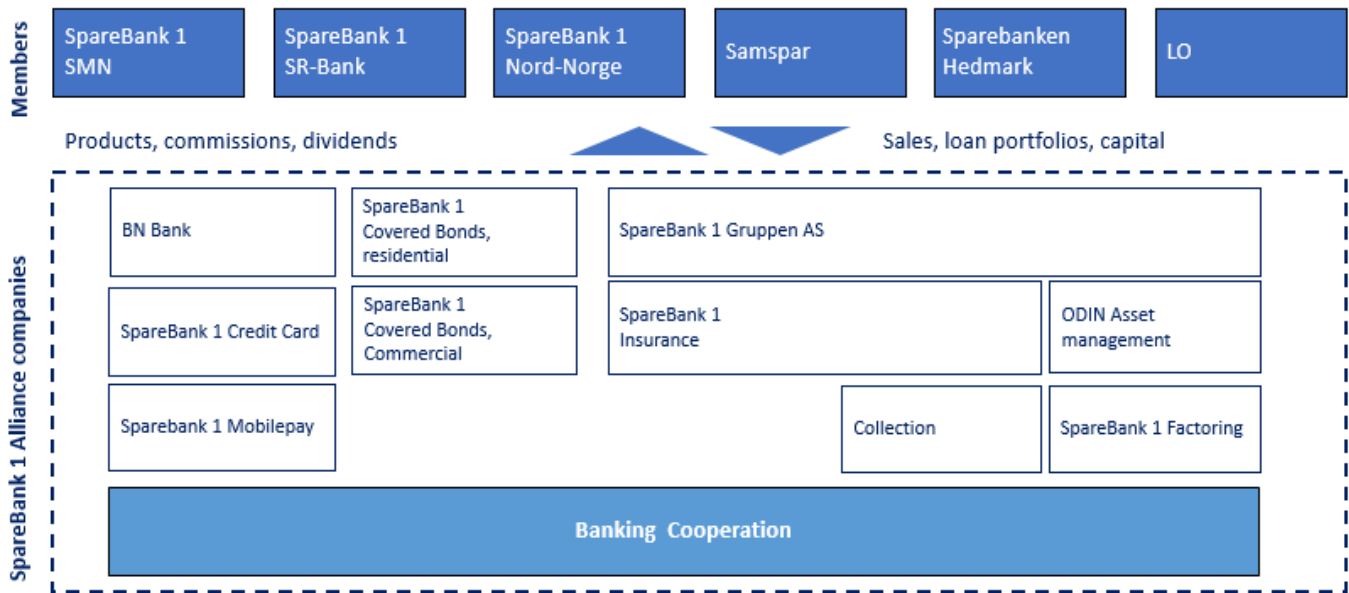


### Overview of governing and control bodies

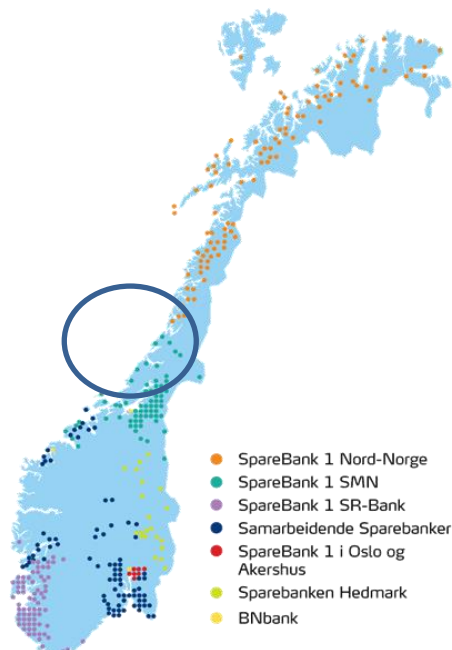


### SpareBank 1 Alliance

SpareBank 1 SMN was one of the founding partners of the SpareBank 1 Alliance ("the Alliance") in 1996. The Alliance consists of closely cooperating savings banks, all of them being independent and locally anchored banks. The purpose of the SpareBank 1 Alliance is for members to develop, procure and supply competitive financial services and products and to exploit economies of scale. The Alliance canalize a lot of its mutual interests through SpareBank 1 Gruppen AS, a holding company of life and non-life insurance, mutual funds, a broker-dealer and other companies. The Alliance is the 2<sup>nd</sup> largest Norwegian financial group with a wide distribution all over Norway.



\*) LO: The Norwegian Confederation of Trade Unions



### 1.3. Credit ratings

<i>Moody's</i>	<b>Todays rating</b>	<b>2015</b>	<b>2014</b>	<b>Year end</b>		<b>2011</b>	<b>2010</b>
				<b>2013</b>	<b>2012</b>		
Outlook	Stable	Stable	Negative	Stable	Rating(s) under review	Stable	Stable
Issuer Rating	A1	A1	A2	A2	A2	A1	A1
Bank Deposits	A1/P-1	A1/P-1	A2/P-1	A2/P-1	A2/P-1	A1/P-1	A1/P-1
Senior Unsecured	A1	A1	A2	A2	A2	A1	A1
Subordinate	Baa2	Baa2	Baa2	Baa3	Baa3	A2	A2

<i>Fitch</i>	<b>Todays rating</b>	<b>2015</b>	<b>2014</b>	<b>Year end</b>		<b>2011</b>	<b>2010</b>
				<b>2013</b>	<b>2012</b>		
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative
Long-term IDR	A-	A-	A-	A-	A-	A-	A
Short-term IDR	F2	F2	F2	F2	F2	F2	F1
Support rating	3	3	3	3	3	3	3



## 1.4. Equity capital certificate (MING)

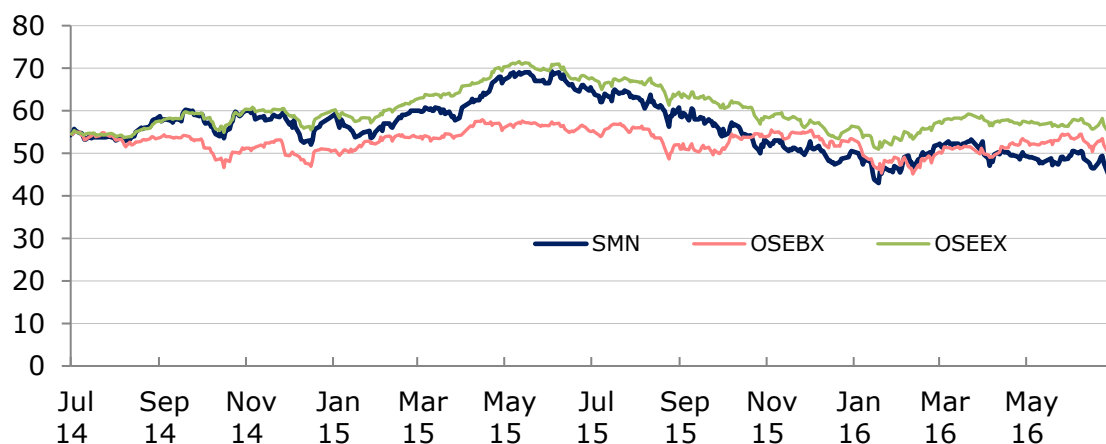
The key figures are corrected for issues.

30 June 2016 the price of the Bank's ECC was NOK 46.70 (NOK 65.50). Earnings per ECC were NOK 2.21 (NOK 2.13). Book value per ECC was NOK 69.18 (NOK 64.18) as of end of second quarter 2016.

### Key figures

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
ECC price	46.70	52.75	50.50	54.00	65.50	46.70	65.50	50.50	58.50
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (incl. dividend)	69.18	67.37	67.65	65.52	64.18	69.18	64.18	67.65	62.04
Adjusted profit per ECC	2.21	1.49	1.45	1.26	2.13	3.71	4.31	7.02	8.82
P/E per ECC	5.27	8.83	8.71	10.72	7.70	6.30	7.60	7.19	6.63
P/B equity capital	0.68	0.78	0.75	0.82	1.02	0.68	1.02	0.75	0.94

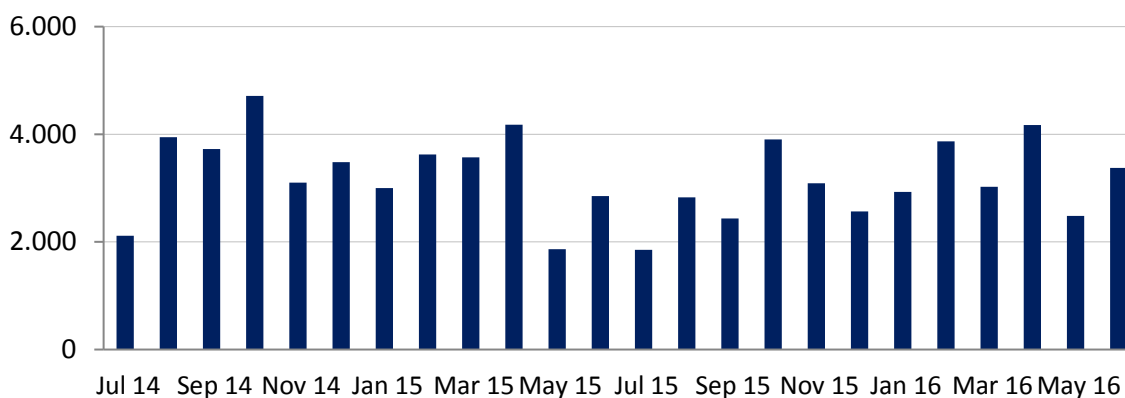
Stock price compared with OSEBX<sup>1)</sup> and OSEEX<sup>2)</sup>  
1 Jul 2014 to 30 Jun 2016



1) OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

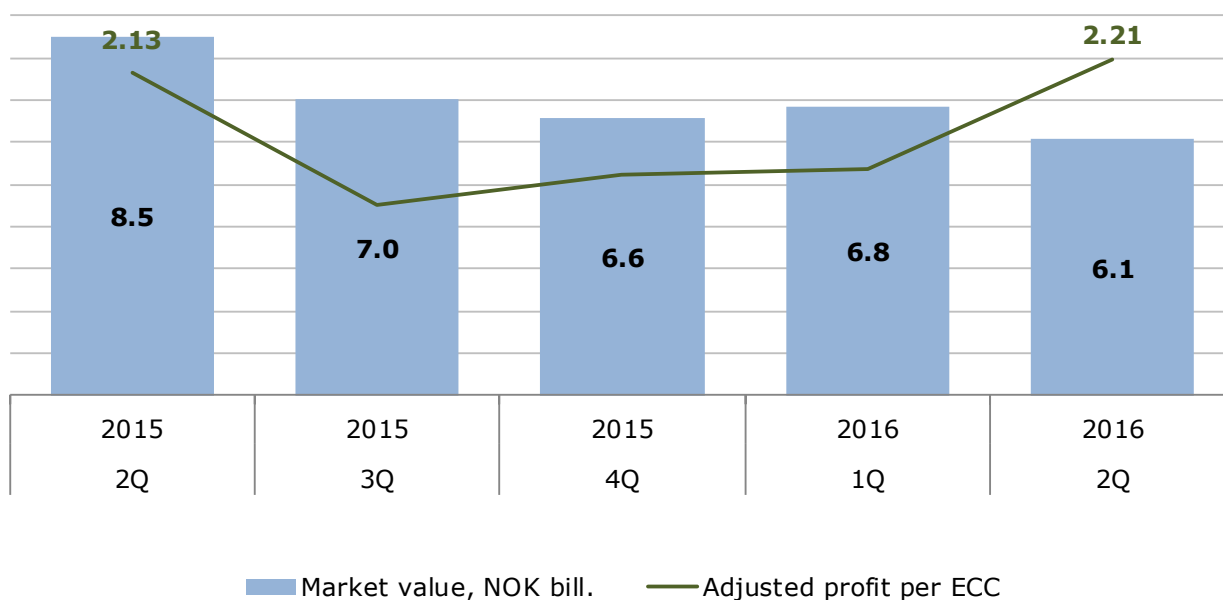
2) OSEEX = Oslo Stock Exchange ECC Index (rebased)

### Trading statistics<sup>1)</sup>



1) Total number of ECs traded (1,000)

### Market value and profit per ECC



### Equity certificates ratio (parent bank)

(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
ECC capital	2,597	2,597	2,597	2,597	2,597	2,597
Dividend equalisation reserve	3,790	3,790	3,790	3,122	3,122	3,122
Premium reserve	895	895	895	895	895	895
Unrealised gains reserve	142	179	179	90	90	90
Other equity	3	-	-	-	-	-
<b>A. The equity certificate owner's capital</b>	<b>7,428</b>	<b>7,461</b>	<b>7,461</b>	<b>6,704</b>	<b>6,704</b>	<b>6,704</b>
Saving bank reserve	4,105	4,105	4,105	3,619	3,619	3,619
Unrealised gains reserve	79	100	100	49	49	49
Other equity	2	-	-	-	-	-
<b>B. The saving bank reserve</b>	<b>4,186</b>	<b>4,205</b>	<b>4,205</b>	<b>3,668</b>	<b>3,668</b>	<b>3,668</b>
Provision for gifts	-	-	40	-	-	160
Recommended dividends	-	-	292	-	-	292
<b>Equity ex. profit</b>	<b>11,614</b>	<b>11,666</b>	<b>11,998</b>	<b>10,372</b>	<b>10,372</b>	<b>10,824</b>
Equity certificates ratio A/(A+B)	63.96 %	63.96 %	63.96 %	64.64 %	64.64 %	64.64 %
Equity certificates ratio for distribution	63.96 %	63.96 %	63.96 %	64.64 %	64.64 %	64.64 %

*20 largest ECC holders*

<b>Owner</b>	<b>Number</b>	<b>Ownership in %</b>
VPF Nordea Norge Verdi	5,222,288	4.02 %
Verdipapirfondet DNB Norge (IV)	4,102,874	3.16 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,826,686	2.95 %
State Street Bank and Trust CO (nominee)	3,247,830	2.50 %
VPF Danske Invest Norske Aksjer Inst. II	3,179,467	2.45 %
VPF Pareto Aksje Norge	2,870,827	2.21 %
Meteva AS	2,359,388	1.82 %
Pareto AS	1,821,202	1.40 %
MP Pensjon PK	1,792,160	1.38 %
The Bank of New York Mellon (nominee)	1,774,243	1.37 %
Forsvarets Personellservice	1,717,046	1.32 %
VPF Danske Invest Norske Aksjer Inst. I	1,598,523	1.23 %
JP Morgan Chase Bank (nominee)	1,511,137	1.16 %
DNB Livsforsikring AS	1,480,544	1.14 %
State Street Bank and Trust CO (nominee)	1,399,904	1.08 %
VPF Nordea Kapital	1,383,148	1.07 %
JP Morgan Chase Bank (nominee)	1,373,624	1.06 %
VPF DNB Norge selektiv	1,247,000	0.96 %
DNB Bank ASA	1,118,855	0.86 %
<b>Total 20 largest shareholders</b>	<b>46,992,137</b>	<b>36.19 %</b>
Others	82,844,306	63.81 %
<b>Total</b>	<b>129,836,443</b>	<b>100.00 %</b>

*ECC capital history*

<b>Year</b>	<b>Change</b>	<b>Change in ECC capital</b>	<b>Total ECC capital</b>	<b>No. of ECC's</b>
1991	Placing	525	525	5,250,000
1992	Placing	75	600	6,000,000
2000	Employee placing	5	605	6,053,099
2001	Employee placing	5	610	6,099,432
2002	Employee placing	5	614	6,148,060
2004	Bonus Issue	154	768	7,685,075
2005	Placing	217	986	9,859,317
2005	Employee placing	24	1,009	10,097,817
2005	Split	-	1,009	40,391,268
2005	Bonus Issue	253	1,262	50,489,085
2007	Dividend Issue	82	1,344	53,752,203
2007	Employee placing	5	1,349	53,976,003
2008	Dividend Issue	91	1,440	57,603,748
2008	Employee placing	6	1,447	57,861,806
2009	Bonus Issue	289	1,736	69,434,167
2010	Placing	624	2,360	94,397,474
2010	Employee placing	13	2,373	94,905,286
2011	Issue	1	2,373	94,930,286
2012	Placing	95	2,468	123,407,456
2012	Employee placing	16	2,484	124,218,466
2012	Private placement	112	2,597	129,836,443

## 2. Financial results

### 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), including IAS 34, Interim Financial Reporting. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts. Further, the Group has in this quarterly report mainly used the same accounting principles and calculation methods as in the latest annual report and accounts [Exceptions, see Note 1 – Accounting Principles in the Quarterly Report]. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2015.

### 2.1. Main figures\*\*

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Net interest	472	469	473	466	467	942	934	1,872	1,790
Commission income and other income	448	401	378	378	413	849	790	1,545	1,512
Net return on financial investments	271	172	109	-13	165	443	362	459	720
<b>Total income</b>	<b>1,191</b>	<b>1,042</b>	<b>959</b>	<b>831</b>	<b>1,044</b>	<b>2,234</b>	<b>2,086</b>	<b>3,876</b>	<b>4,021</b>
<b>Total operating expenses</b>	<b>528</b>	<b>489</b>	<b>515</b>	<b>466</b>	<b>496</b>	<b>1,016</b>	<b>950</b>	<b>1,931</b>	<b>1,789</b>
<b>Result before losses</b>	<b>664</b>	<b>553</b>	<b>444</b>	<b>364</b>	<b>548</b>	<b>1,217</b>	<b>1,137</b>	<b>1,945</b>	<b>2,232</b>
Loss on loans, guarantees etc.	118	170	56	56	35	287	56	169	89
<b>Result before tax</b>	<b>546</b>	<b>383</b>	<b>388</b>	<b>309</b>	<b>513</b>	<b>930</b>	<b>1,080</b>	<b>1,776</b>	<b>2,143</b>
Tax charge	85	72	100	61	83	157	209	370	362
Results investments held for sale, after tax	-1	0	0	0	0	-2	-1	-1	0
<b>Net profit</b>	<b>460</b>	<b>311</b>	<b>287</b>	<b>248</b>	<b>430</b>	<b>771</b>	<b>871</b>	<b>1,406</b>	<b>1,782</b>

### Balance sheet - condensed

Balance (in NOK million)	30 Jun.	31 Mar.	31 Dec.	30 Sept.	30 Jun.	31 Dec.
	2016	2016	2015	2015	2015	2014
Total assets	141,145	134,345	131,914	129,237	130,888	126,047
Average total assets (quarterly)	137,745	133,129	130,575	130,063	127,288	121,620
Gross loans to customers *	132,583	129,520	127,378	126,180	124,519	120,435
Deposits from customers	67,031	63,851	64,090	63,620	66,186	60,680
Total equity capital	14,460	14,051	13,904	13,455	13,191	12,524

\* Loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

\*\*As from the second quarter of 2015 SpareBank 1 Markets is consolidated as a subsidiary of SpareBank 1 SMN, bringing an increase in the Group's gross incomes and expenses

### Key figures

	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
Return on equity	12.9 %	8.9 %	8.4 %	7.4 %	13.4 %	10.9 %	13.7 %	10.7 %	15.1 %
Common Equity Tier 1 ratio	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %	14.1 %	12.7 %	13.6 %	11.2 %
Cost/income ratio group	44 %	47 %	54 %	56 %	47 %	46 %	46 %	50 %	44 %
Growth in loans incl Boligkreditt and Næringskreditt last 12 months	6.5 %	5.4 %	5.8 %	8.3 %	8.4 %	6.5 %	8.4 %	5.8 %	7.3 %
Growth in deposits last 12 months	1.3 %	5.4 %	5.6 %	9.5 %	11.4 %	1.3 %	11.4 %	5.6 %	8.5 %
Deposits-to-loan ratio incl Boligkreditt and Næringskreditt last 12 months	51 %	49 %	50 %	50 %	53 %	51 %	53 %	50 %	50 %
Impairment losses ratio	0.36 %	0.53 %	0.18 %	0.18 %	0.11 %	0.44 %	0.09 %	0.14 %	0.08 %
Non-performing commitm. as % of gross loans	0.19 %	0.16 %	0.16 %	0.17 %	0.23 %	0.19 %	0.23 %	0.16 %	0.22 %
ECC price	46.70	52.75	50.50	54.00	65.50	46.70	65.50	50.50	58.50
Booked equity capital per ECC (incl. dividend)	69.18	67.37	67.65	65.52	64.18	69.18	64.18	67.65	62.04
Adjusted profit per ECC	2.21	1.49	1.45	1.26	2.13	3.71	4.31	7.02	8.82

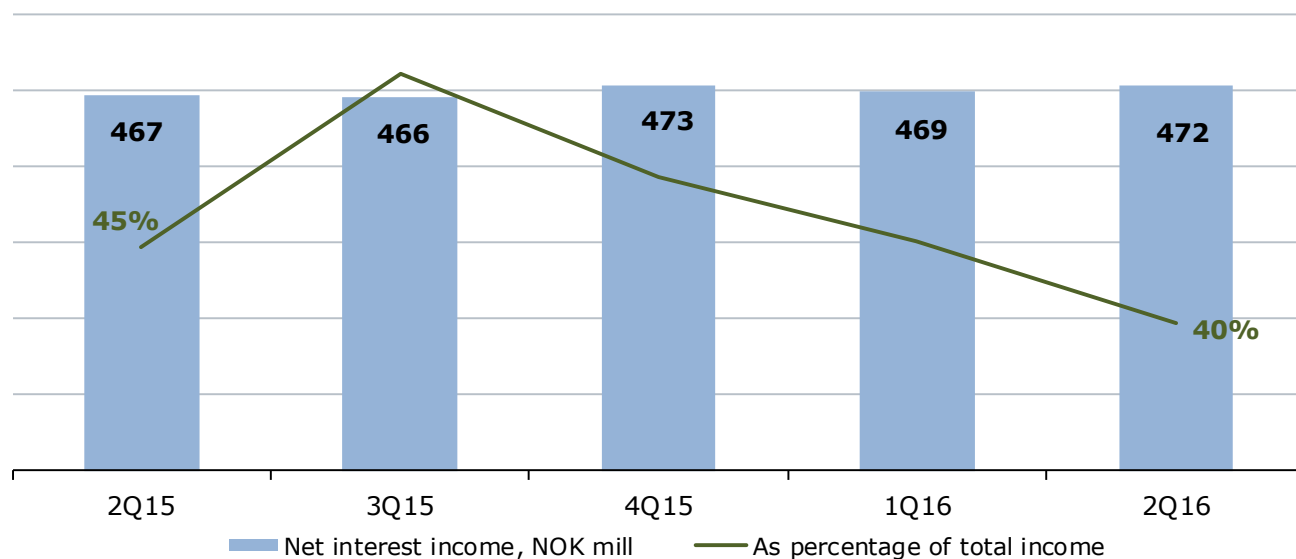
## 2.2. Net interest income\*)

### Net interest income

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
Interest income	896	910	962	1,058	992	1,806	2,011	4,031	4,265
Interest expences	424	441	489	593	525	864	1,077	2,159	2,475
<b>Net interest income</b>	<b>472</b>	<b>469</b>	<b>473</b>	<b>466</b>	<b>467</b>	<b>942</b>	<b>934</b>	<b>1,872</b>	<b>1,790</b>
<b>As percentage of total income</b>	<b>40 %</b>	<b>45 %</b>	<b>49 %</b>	<b>56 %</b>	<b>45 %</b>	<b>42 %</b>	<b>45 %</b>	<b>48 %</b>	<b>45 %</b>

\*) Margins on loans sold to Sparebank 1 Boligkreditt and Sparebank 1 Næringskreditt are recorded as commission income. See part 2.3. Commission Income

### Development in net interest income



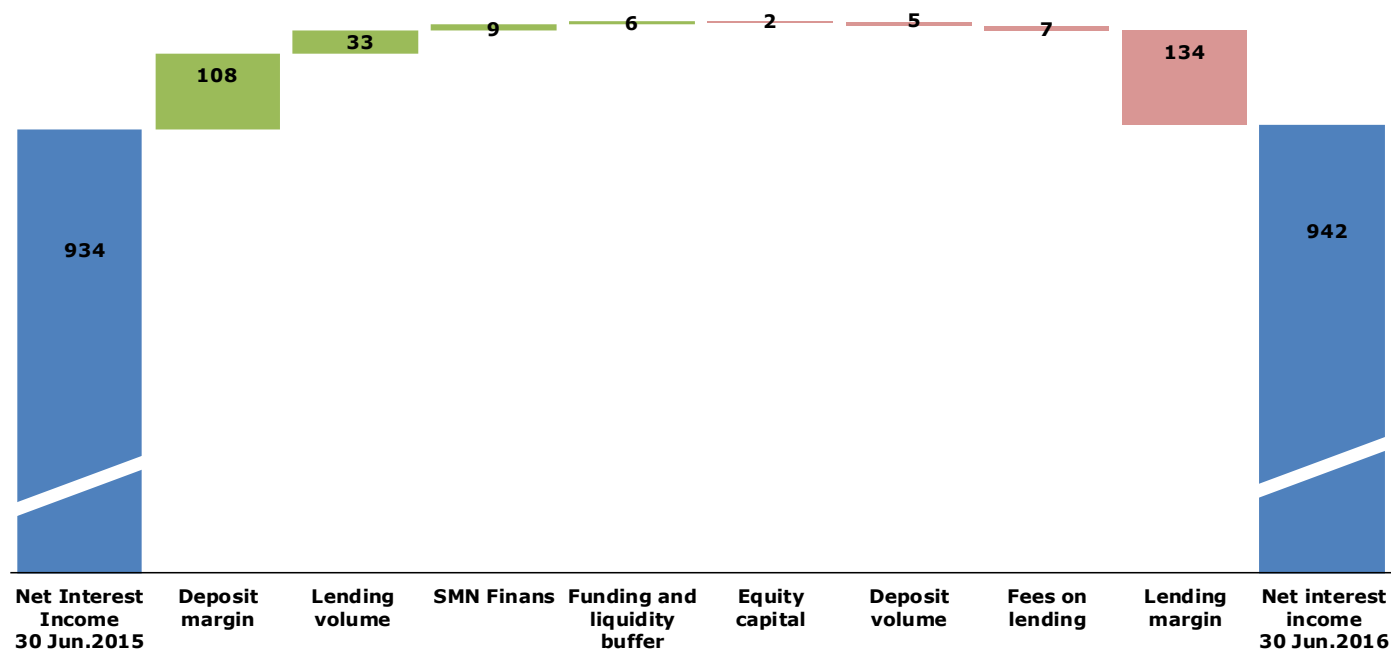


## Changes in interest income from lending and deposits, last 12 months

(in NOK million)	Volume	Margin	Total
Lending	33	-134	-101
Deposits	-5	108	103
<b>Total</b>	<b>28</b>	<b>-26</b>	<b>2</b>

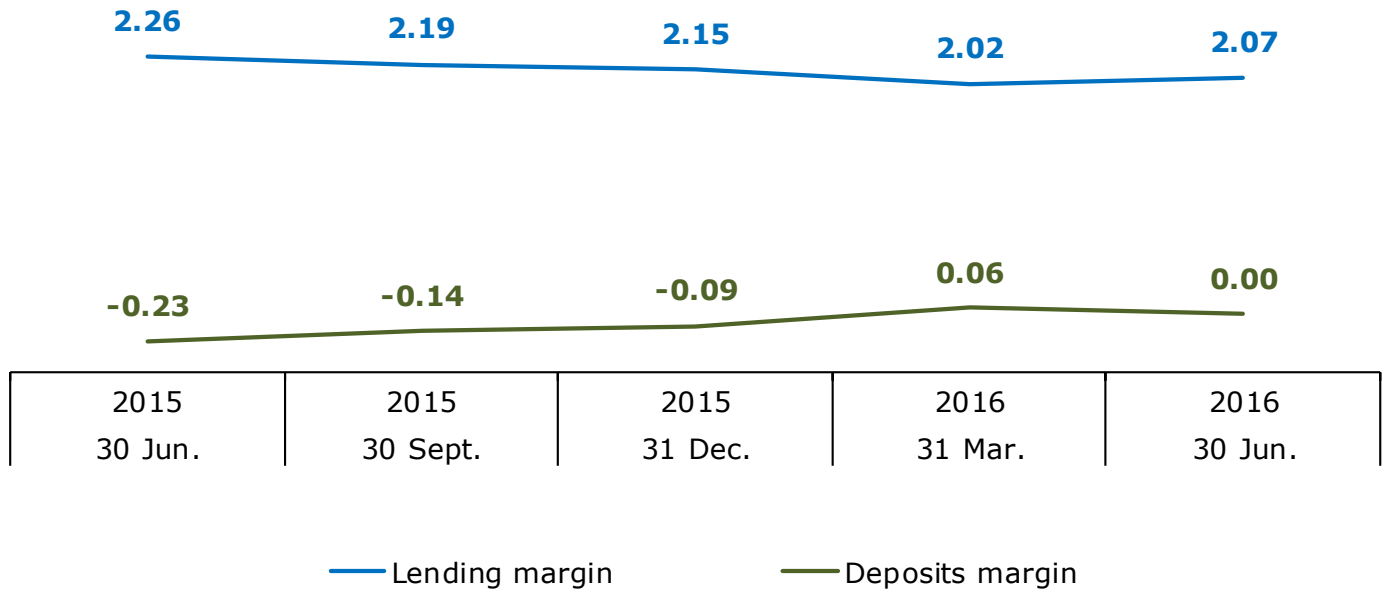
## Changes in net interest income

(in NOK million)	2016	30 Jun. Change	2015
<b>Net interest income</b>	<b>942</b>	<b>8</b>	<b>934</b>
Equity capital		-2	
Lending volume		33	
Fees on lending		-7	
Deposit margin		108	
SMN Finans		9	
Deposit volume		-5	
Lending margin		-134	
Funding and liquidity buffer		6	
<b>Change</b>		<b>8</b>	

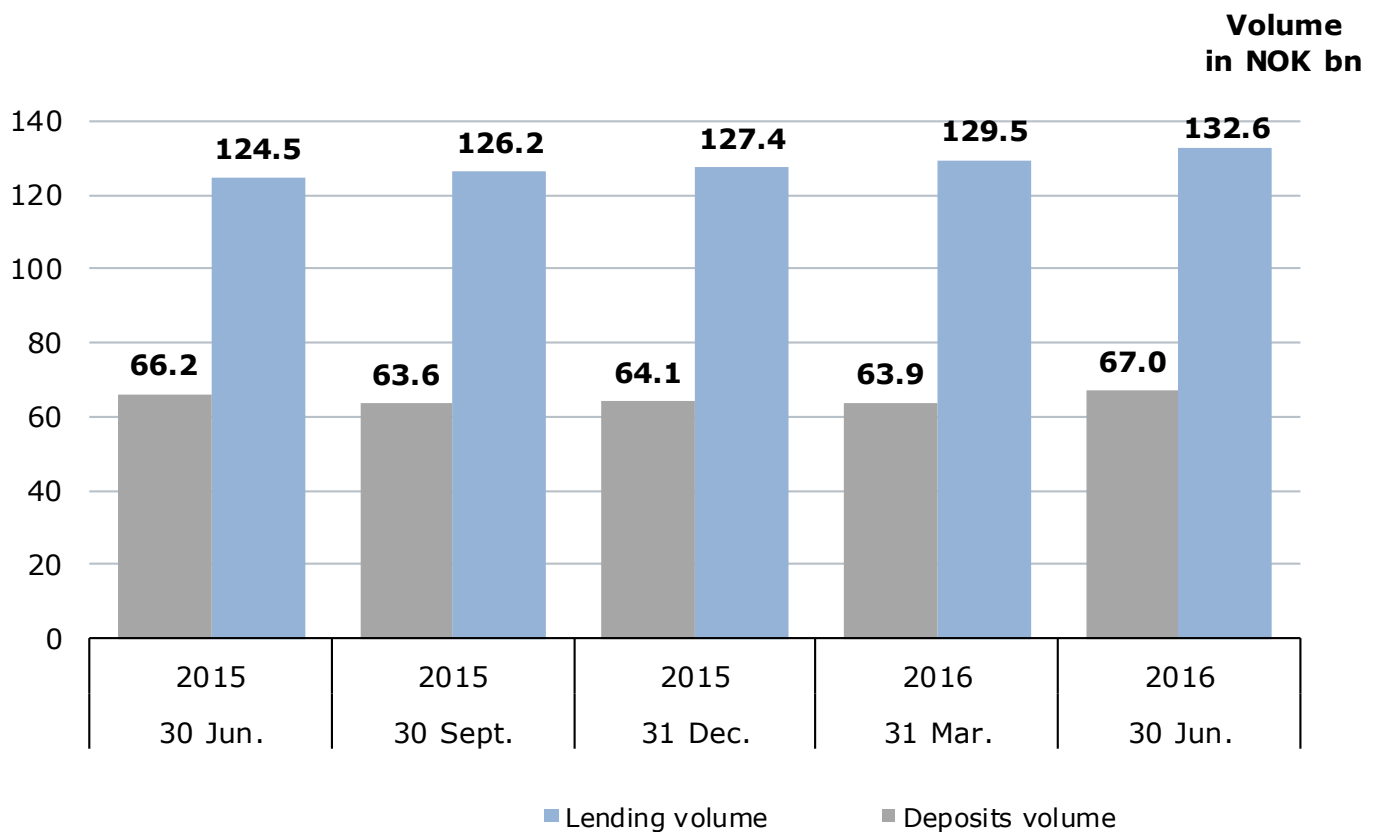


## Margin development

Definition margin: Average customer interest minus 3 months average nibor



## Volume development

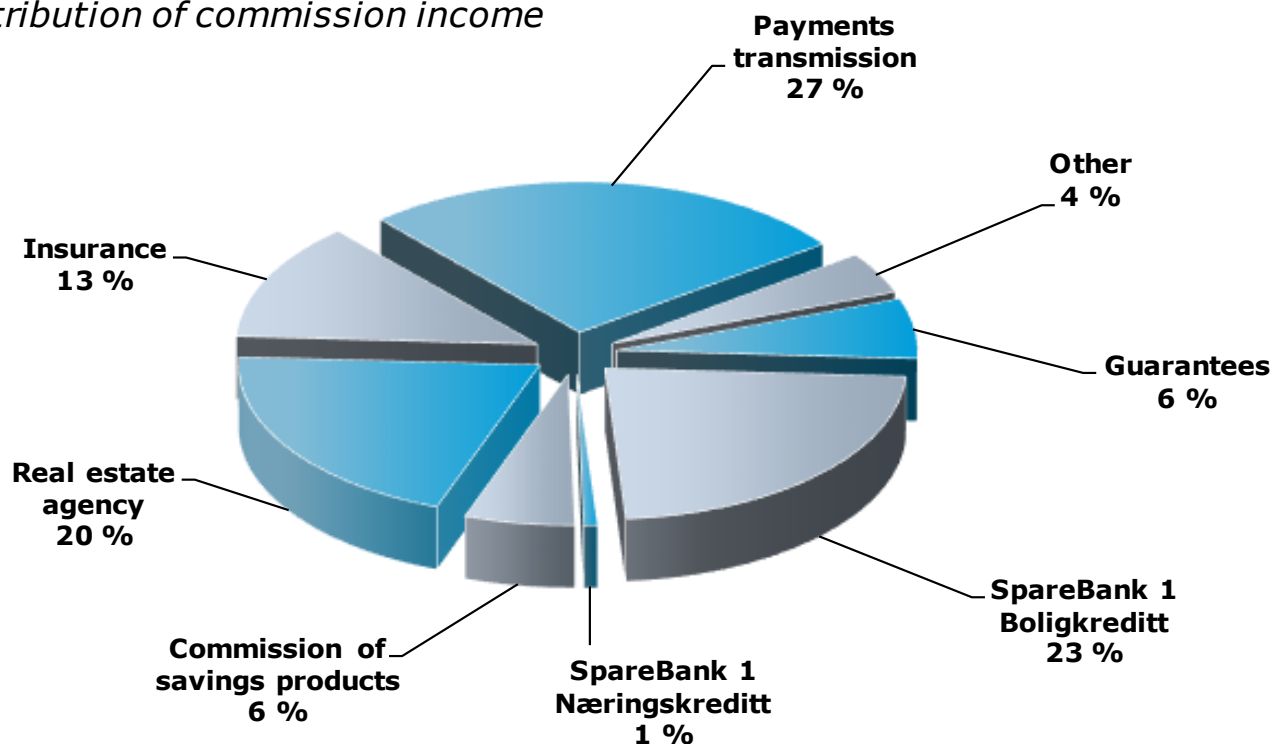


## 2.3. Commission income

### Total commission and other income

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun. 2016 2015		2015	2014
Guarantees	19	21	20	22	18	40	38	80	73
SpareBank 1 Boligkreditt	73	71	79	77	81	144	170	326	417
SpareBank 1 Næringskreditt	3	2	2	2	2	5	5	8	10
Commission of savings products	18	19	18	18	17	37	32	68	50
Real estate agency	74	53	45	52	60	127	114	212	223
Insurance	40	39	42	39	38	79	74	156	138
Payments transmission	88	78	90	93	82	166	161	344	328
Other	16	11	12	14	15	28	24	50	41
<b>Total commissions income</b>	<b>331</b>	<b>295</b>	<b>309</b>	<b>317</b>	<b>313</b>	<b>626</b>	<b>619</b>	<b>1,245</b>	<b>1,281</b>
Operating- and sales income real estate	38	25	22	27	33	63	59	108	82
Accounting services	69	50	39	33	57	119	110	182	171
Other operating income	47	59	46	39	43	105	61	145	91
<b>Total other operating income</b>	<b>154</b>	<b>134</b>	<b>107</b>	<b>99</b>	<b>132</b>	<b>287</b>	<b>230</b>	<b>435</b>	<b>344</b>
Commission expenses	36	28	38	38	32	64	59	135	113
<b>Total commissions and other income</b>	<b>448</b>	<b>401</b>	<b>378</b>	<b>378</b>	<b>413</b>	<b>849</b>	<b>790</b>	<b>1,545</b>	<b>1,512</b>
<b>As percentage of total income</b>	<b>38 %</b>	<b>38 %</b>	<b>39 %</b>	<b>45 %</b>	<b>40 %</b>	<b>38 %</b>	<b>38 %</b>	<b>40 %</b>	<b>38 %</b>

### Distribution of commission income



## Change in commission and other income

(in NOK million)	2016	30 Jun. Change	2015
<b>Total</b>	<b>849</b>	<b>59</b>	<b>790</b>
Real estate agency		13	
Other operating income		44	
Operating- and sales income real estate		5	
Accounting services		9	
Insurance		5	
Commission of savings products		5	
Commission expenses		-6	
Other		3	
Payments transmission		4	
Guarantees		2	
SpareBank 1 Boligkreditt		-26	
SpareBank 1 Næringskreditt		0	

## Net return on financial investments

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
Income from investment in related companies	<b>127</b>	<b>119</b>	<b>121</b>	<b>78</b>	<b>120</b>	<b>244</b>	<b>249</b>	<b>448</b>	<b>527</b>
<i>of which SpareBank 1 Gruppen AS</i>	80	61	68	56	68	141	128	251	358
<i>BN Bank ASA</i>	31	20	11	-4	17	51	35	41	93
<i>SpareBank 1 Boligkreditt AS</i>	-2	24	15	15	9	22	50	80	38
<i>SpareBank 1 Næringskreditt AS</i>	7	8	8	7	7	15	15	30	41
<i>Sparebank 1 Kredittkort</i>	8	6	5	6	6	14	10	21	2
<i>Comp. owned by Sparebank 1 SMN Invest</i>	6	6	14	0	13	13	13	27	31
<i>Other <sup>1)2)</sup></i>	-4	-6	0	0	0	-11	-2	-2	-34
Capital gains/dividends, shares and ECCs <sup>2)</sup>	<b>63</b>	<b>3</b>	<b>-17</b>	<b>8</b>	<b>61</b>	<b>65</b>	<b>70</b>	<b>62</b>	<b>202</b>
<i>of which dividends</i>	73	0	3	0	22	74	22	25	65
<i>capital gains on shares</i>	-11	2	-20	8	39	-9	48	37	137
Capital gains, bonds and derivatives	<b>53</b>	<b>25</b>	<b>-16</b>	<b>-116</b>	<b>32</b>	<b>78</b>	<b>43</b>	<b>-90</b>	<b>-66</b>
Forex and fixed income business, Markets	<b>28</b>	<b>26</b>	<b>20</b>	<b>18</b>	<b>16</b>	<b>54</b>	<b>64</b>	<b>102</b>	<b>57</b>
Change in discount factor in fair value model for fixed interest loans					<b>-64</b>		<b>-64</b>	<b>-64</b>	
<b>Net return on financial investments</b>	<b>271</b>	<b>172</b>	<b>109</b>	<b>-13</b>	<b>165</b>	<b>441</b>	<b>362</b>	<b>459</b>	<b>720</b>
<b>As percentage of total income</b>	<b>23 %</b>	<b>17 %</b>	<b>11 %</b>	<b>-2 %</b>	<b>16 %</b>	<b>20 %</b>	<b>17 %</b>	<b>12 %</b>	<b>18 %</b>

1) These companies were essentially established to handle corporate exposures taken over from other entities

2) 1Q 2015 and earlier: Income from SpareBank 1 Markets (as related company) is included in Other

3) Including net gain/losses from SpareBank 1 SMN Invest AS, which manages parts of the Bank's share portfolio

## Change in net return on financial investments

(in NOK million)	2016	30 Jun. Change	2015
<b>Total</b>	<b>441</b>	<b>79</b>	<b>362</b>
Capital gains from bonds and derivatives		35	
Forex and fixed income business, Markets		-10	
Capital gains/dividends on shares and ECC's		-5	
Change in discount factor in fair value model for fixed interest loans		64	
Income from investment in related companies, incl. inv. held for sale		-4	

## 2.4. Operating expenses

### Operating expenses

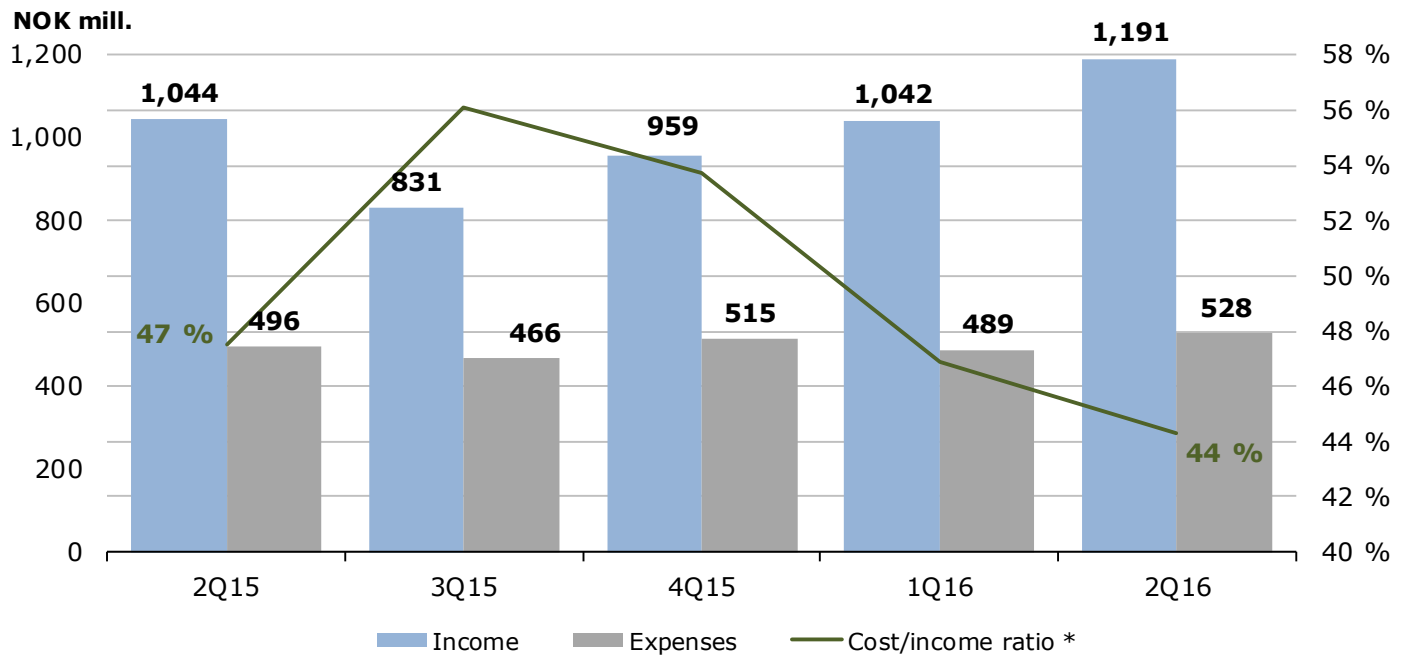
(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
Salary	259	228	203	202	222	488	427	833	786
Pension costs (defined benefit plan)	19	18	16	19	19	37	36	71	61
Employer's insurance contributions	4	4	3	4	4	7	7	14	14
Other personnel expenses	37	45	58	38	38	82	80	176	141
<b>Total personnel expenses</b>	<b>318</b>	<b>295</b>	<b>280</b>	<b>264</b>	<b>283</b>	<b>613</b>	<b>550</b>	<b>1093</b>	<b>1002</b>
EDP and telecommunication expenses	66	64	47	64	68	130	130	240	223
Postage and transportation services	6	6	6	5	5	12	11	22	25
Marketing	25	20	31	20	22	45	45	96	81
Operating exp. on properties and premises	27	25	25	26	26	52	50	100	93
Other external services	26	21	37	25	28	46	43	105	78
Other operating expenses	36	34	65	34	38	70	71	171	178
Depr./write-downs of fixed & intangible assets	24	24	25	28	25	48	51	104	109
<b>Other expenses</b>	<b>209</b>	<b>194</b>	<b>235</b>	<b>203</b>	<b>213</b>	<b>403</b>	<b>399</b>	<b>838</b>	<b>787</b>
<b>Total operating expenses</b>	<b>528</b>	<b>489</b>	<b>515</b>	<b>466</b>	<b>496</b>	<b>1,016</b>	<b>950</b>	<b>1,931</b>	<b>1,789</b>
Cost/income ratio	44 %	47 %	54 %	56 %	47 %	46 %	46 %	50 %	44 %
Cost/income ratio ex financial inv.	57 %	56 %	61 %	55 %	56 %	57 %	55 %	57 %	54 %
12-month cost growth*	6.4 %	7.7 %	7.5 %	9.6 %	11.9 %	7.0 %	7.4 %	7.9 %	3.9 %

\* The increase in 12 month cost growth is effected by the consolidation of SpareBank 1 Markets as a subsidiary

### Change in operating expenses

(in NOK million)	2016	30 Jun. Change	2015
<b>Total</b>	<b>1,016</b>	<b>67</b>	<b>950</b>
Total personnel expenses		63	
Depr./write-downs of fixed & intangible assets		-2	
EDP and telecommunication expenses		1	
Other operating expenses		-1	
Operating exp. on properties and premises		2	
Other external services		4	
Marketing		-0	
Postage and transportation services		1	

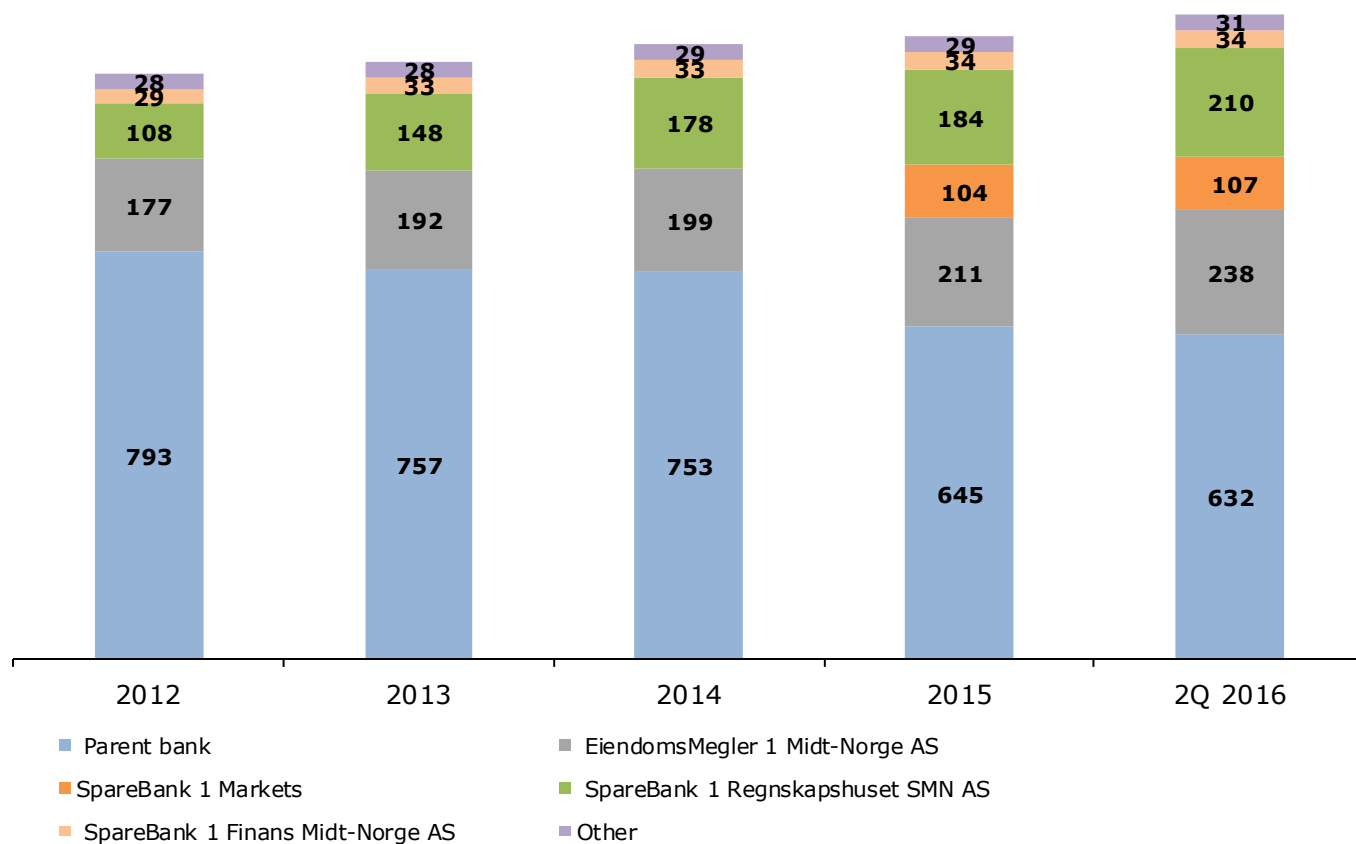
### Cost/income ratio



\* Total operating expences as a percentage of total operating income



### Employees in employment



SpareBank 1 Markets has been a subsidiary of SpareBank 1 SMN since 1 April 2015. SpareBank 1 SMN's capital market activities, including 32 FTEs, were transferred to SpareBank 1 Markets as part of the transaction.

The bank is reorganised as from 1 January 2013. Further adjustments were made in 2014. Figures for person-years worked in 2013 and 2014 in the parent bank are therefore not comparable with historical figures.

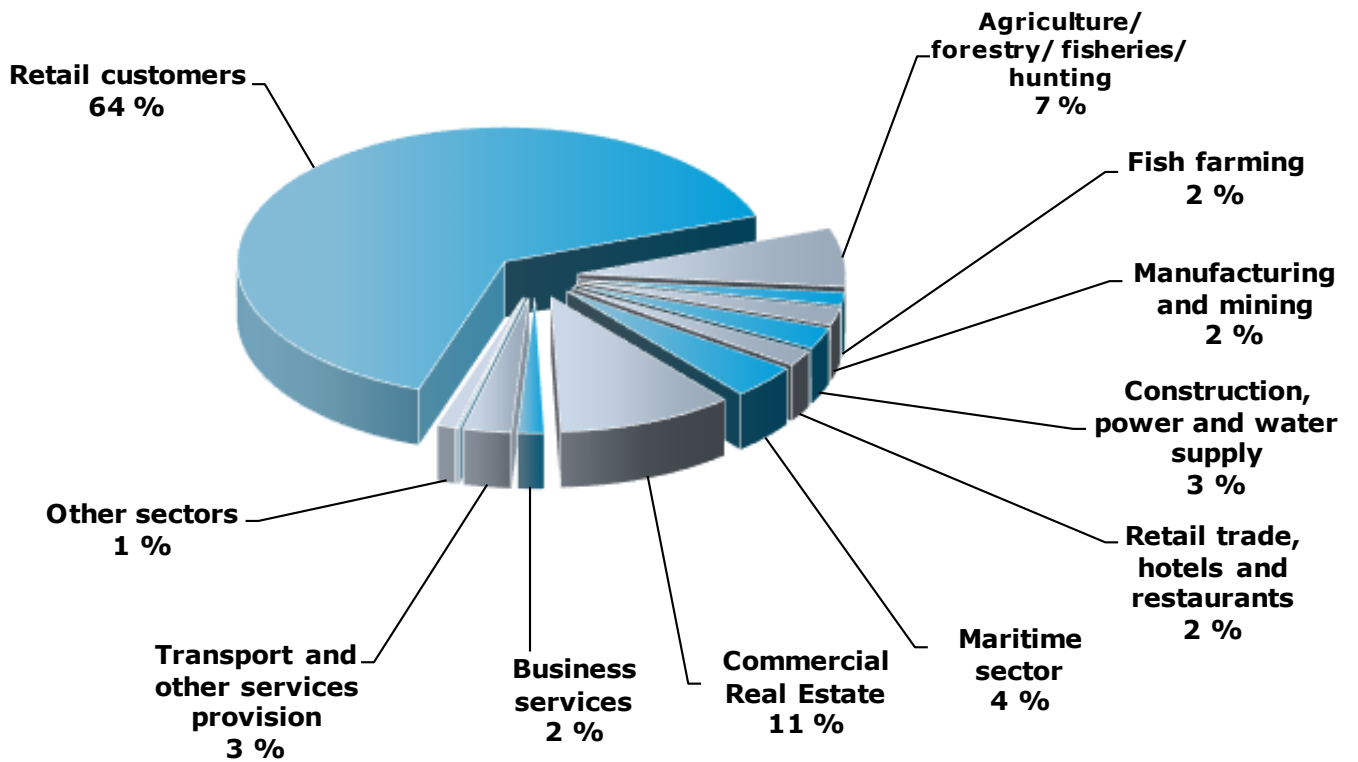
## 3. Loans to customers

### 3.1. Distribution of loans by industry

#### *Distribution of loans by industry*

(in NOK million)	<b>30 Jun. 2016</b>	<b>31 Mar. 2016</b>	<b>31 Dec. 2015</b>	<b>30 Sept. 2015</b>	<b>30 Jun. 2015</b>	<b>31 Dec. 2014</b>
Agriculture/ forestry/ fisheries/ hunting	9,357	9,222	8,674	8,313	8,152	7,158
Fish farming	2,044	1,715	1,807	1,581	1,798	1,367
Manufacturing and mining	2,823	2,806	2,675	2,517	2,333	2,330
Construction, power and water supply	3,432	3,391	3,598	3,707	4,247	3,717
Retail trade, hotels and restaurants	2,591	2,898	2,666	2,940	2,856	2,671
Maritime sector	5,407	5,631	6,066	6,097	6,024	5,638
Commercial Real Estate	14,110	14,390	14,346	14,142	14,167	14,075
Business services	2,119	1,822	1,777	1,698	1,681	3,681
Transport and other services provision	3,829	3,544	3,355	3,509	3,408	3,141
Public administration	186	212	211	225	208	300
Other sectors	1,512	1,583	1,477	2,587	2,342	2,270
<b>Gross loans in corporate market</b>	<b>47,411</b>	<b>47,214</b>	<b>46,653</b>	<b>47,315</b>	<b>47,215</b>	<b>46,348</b>
<b>Retail customers</b>	<b>85,171</b>	<b>82,307</b>	<b>80,725</b>	<b>78,864</b>	<b>77,304</b>	<b>74,087</b>
<b>Gross loans incl. Boligkr. and Næringskr.</b>	<b>132,583</b>	<b>129,520</b>	<b>127,378</b>	<b>126,180</b>	<b>124,519</b>	<b>120,435</b>
- Adv. of this Boligkreditt	32,952	32,676	31,944	29,894	28,965	28,393
- Adv. of this Næringskreditt	1,841	1,514	1,460	1,369	1,375	1,463
<b>Gross loans in balance sheet</b>	<b>97,790</b>	<b>95,331</b>	<b>93,974</b>	<b>94,917</b>	<b>94,179</b>	<b>90,578</b>
<b>Share of loans, corporate market</b>	<b>36 %</b>	<b>36 %</b>	<b>37 %</b>	<b>37 %</b>	<b>38 %</b>	<b>38 %</b>
<b>Share of loans, retail market</b>	<b>64 %</b>	<b>64 %</b>	<b>63 %</b>	<b>63 %</b>	<b>62 %</b>	<b>62 %</b>

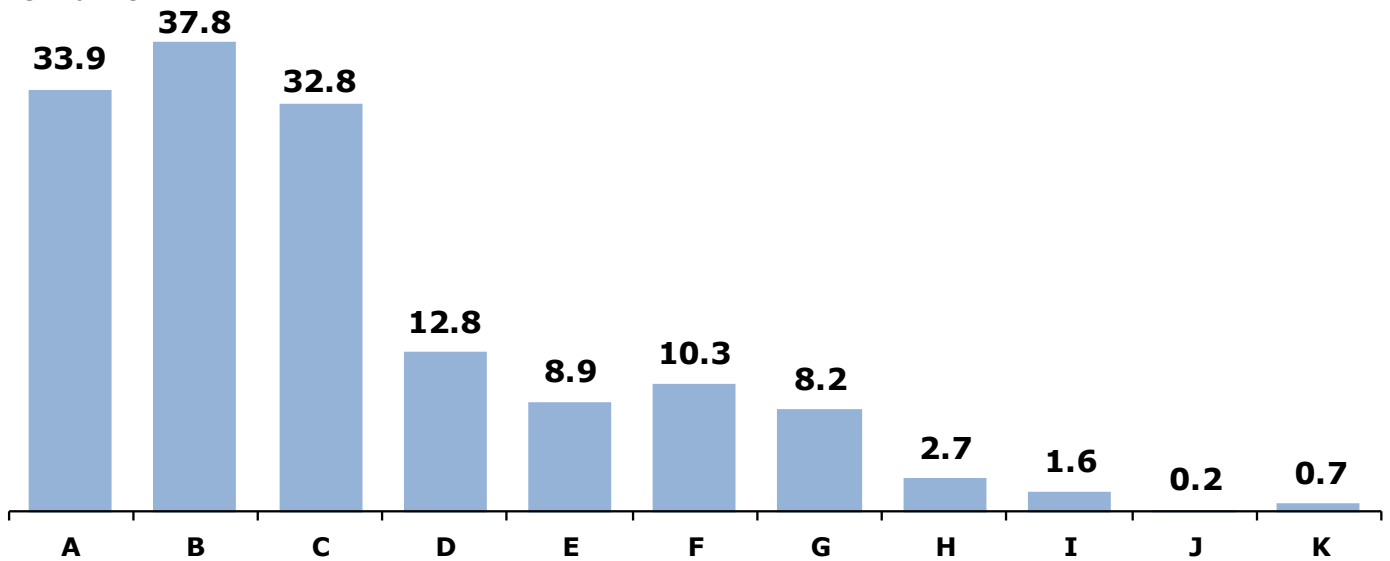
*Distribution of loans by industry*



### 3.2. Risk profile and write-downs

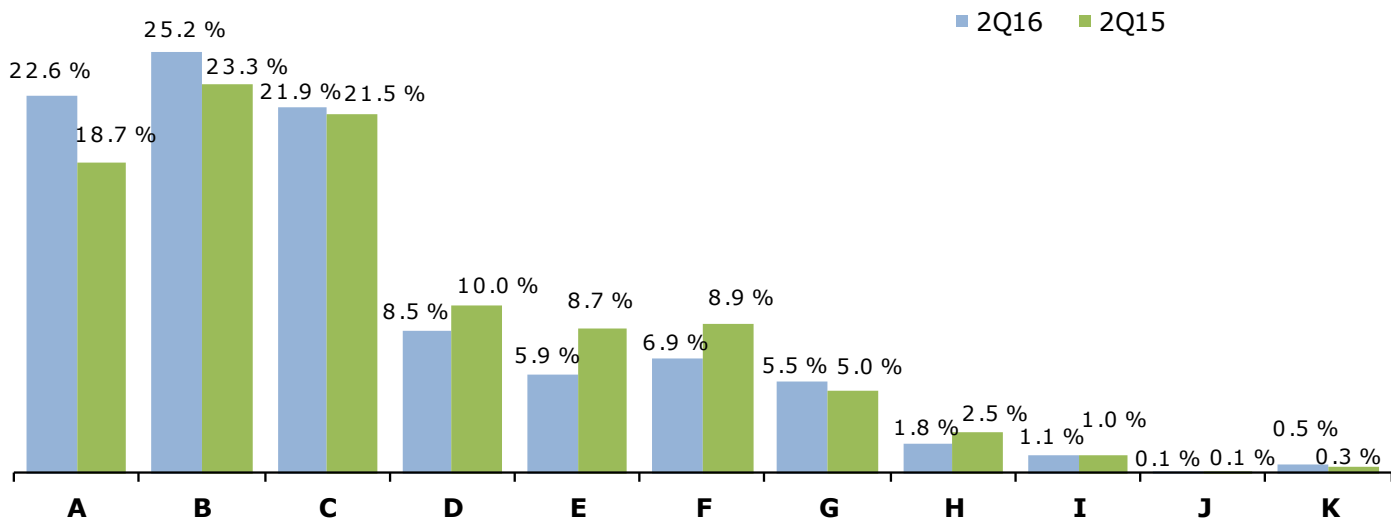
#### Actual risk profile, Exposure At Default

NOK billion



#### Actual risk profile, Exposure At Default

Per cent



## Risk classification in SpareBank 1 SMN

Risk class	PD* in percent		Corresponding ratingclass at Moody's
	Low	High	
A	0.01	0.10	AAA - A3
B	0.10	0.25	Baa1 - Baa2
C	0.25	0.50	Baa3
D	0.50	0.75	Ba1
E	0.75	1.25	Ba2
F	1.25	2.50	
G	2.50	5.00	Ba2 - B1
H	5.00	10.00	B1 - B2
I	10.00	99.99	B3 - caa3
J	Default		
K	Written down		

Risk class A represents the lowest risk and class K the highest risk.

\* Probability of default

### Write-downs on loans and guarantees

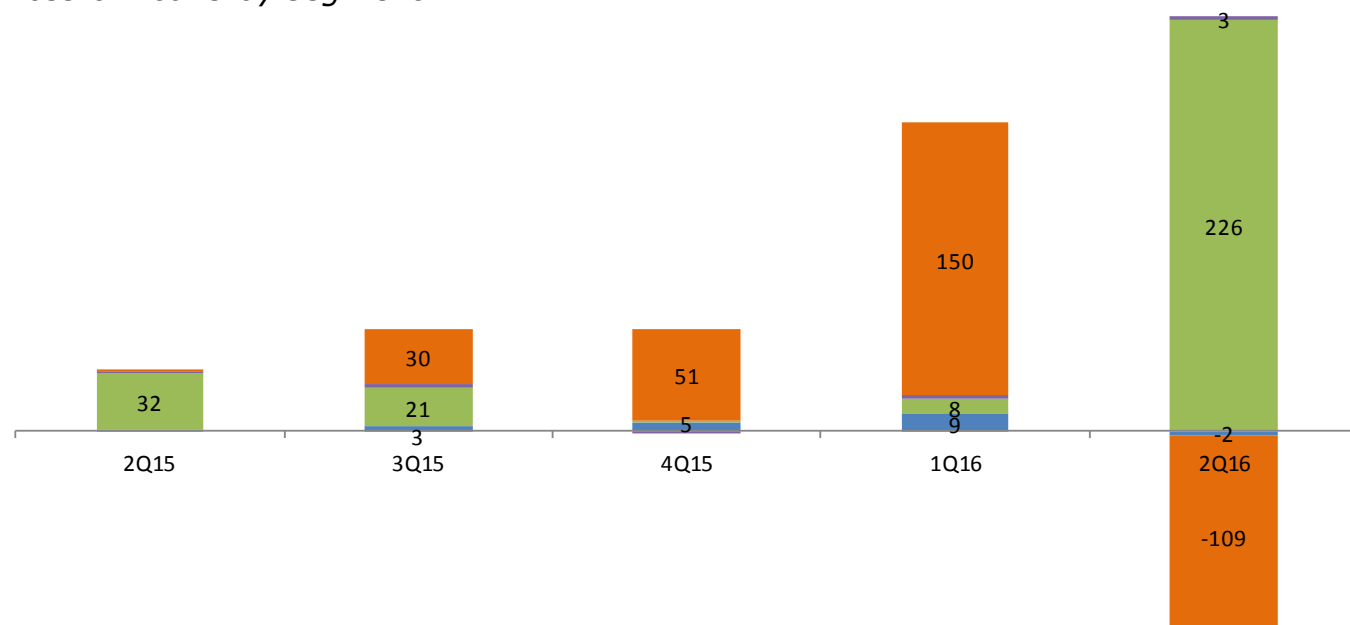
(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Increase in and new individual write-downs	215	16	-8	23	9	230	-4	11	-1
Reassessments and recoveries	-12	-4	-14	-3	-24	-16	-60	-76	-90
Total individual write-downs	226	19	6	26	33	246	56	87	89
Change in group write-downs on loans	-109	150	51	30	1	42	1	82	0
<b>Write-downs on loans and guarantees</b>	<b>118</b>	<b>170</b>	<b>56</b>	<b>56</b>	<b>34</b>	<b>287</b>	<b>56</b>	<b>169</b>	<b>89</b>
<b>As % of gross loans incl. Boligkreditt</b>	0.36 %	-0.53 %	0.18 %	0.18 %	0.11 %	0.44 %	0.09 %	0.14 %	0.08 %

### Loss on loans by segment

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	-2	9	5	3	1	7	3	11	6
Corporate	226	8	1	21	32	234	49	71	77
SMN Finans and other	3	2	0	2	1	5	3	6	6
Collective write downs*	-109	150	51	30	1	42	1	82	0
<b>Total loss on loans</b>	<b>118</b>	<b>170</b>	<b>56</b>	<b>56</b>	<b>34</b>	<b>287</b>	<b>56</b>	<b>169</b>	<b>89</b>

\* The change in collective write downs related to the Corporate portfolio includes NOK - 110 million in 2Q 2016, NOK 150 million in 1Q 2016, NOK 50 million in 4Q 2015 and NOK 30 million in 3Q 2015

### Loss on loans by segment



■ Retail ■ Corporate ■ SMN Finans and other ■ Collective write downs\*

### Individual and collective write-downs

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun. 2016	30 Jun. 2015	2015	2014
Individual write-downs to cover loss on loans, guarantees at start of period	200	184	192	169	161	184	173	173	174
Write downs of loans previously subject to individual write down	-3	11	17	0	0	8	4	22	2
Reversal of previous years' write downs	-5	-5	-14	-15	-14	-10	-17	-46	-22
Increase in write downs of commitments not previously subject to individual write down	229	14	-5	41	46	243	65	102	84
Confirmed losses in the period on loans, guarantees etc., prev. subject to ind. write down	-6	-4	-7	-3	-24	-10	-57	-67	-66
Individual write downs to cover loss	415	200	184	192	169	415	169	184	173
Collective write downs to cover loss on loans, guarantees at start of period	527	376	326	296	295	376	295	295	295
Period's collective write down to cover loss on loans, guarantees etc.	-109	150	51	30	1	42	1	82	0
Collective write downs to cover loss on loans, guarantees	418	527	376	326	296	418	296	376	295



### Loans and guarantees by industry

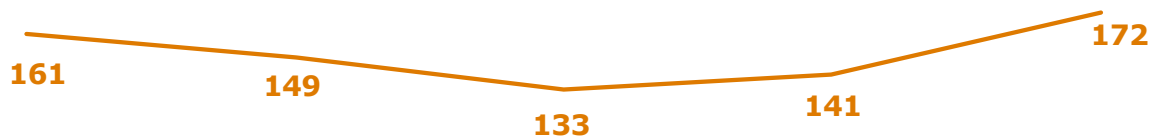
	Total	Very low risk	Low risk	Medium risk	High risk	Very high risk	Default and written down
Wage earners	87,617	74,403	8,348	3,132	733	769	233
Public administration	1,071	1,071	-	-	-	-	-
Agriculture and forestry	10,076	6,011	2,598	1,219	138	59	51
Sea farming industries	2,303	710	1,503	40	50	-	-
Manufacturing	3,969	387	891	2,489	122	67	13
Construction, power and water supply	5,099	1,777	1,286	1,640	308	35	52
Retail trade, hotels and restaurants	3,691	591	1,319	1,276	364	65	76
Maritime sector	616	51	265	200	100	-	-
Property management	15,186	7,947	2,795	3,319	501	574	49
Business services	3,883	956	459	2,335	68	30	34
Transport and other services provision	10,843	5,356	2,125	2,698	235	36	393
Finance	-	-	-	-	-	-	-
Other sectors	5,559	5,243	44	152	120	-	-
<b>2Q16</b>	<b>149,912</b>	<b>104,502</b>	<b>21,633</b>	<b>18,499</b>	<b>2,739</b>	<b>1,636</b>	<b>902</b>
<b>2015</b>	<b>148,680</b>	<b>97,588</b>	<b>25,632</b>	<b>19,231</b>	<b>3,838</b>	<b>1,746</b>	<b>645</b>
<b>2014</b>	<b>134,884</b>	<b>81,769</b>	<b>28,051</b>	<b>18,857</b>	<b>4,165</b>	<b>1,574</b>	<b>469</b>

### Write-down ratio

(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
Non-performing commitments (gross)	255	205	205	218	287	270
Impaired commitments (gross)	1,198	411	399	448	368	216
Gross non-performing and impaired commitments	1,453	616	604	667	655	486
Individual write-downs	415	200	184	192	169	173
Collective write-downs	418	527	376	326	296	295
Write-down ratio (%)	57.3 %	117.9 %	92.5 %	77.3 %	70.7 %	96.0 %

### Default in excess of 90 days

NOK million



2015 2Q	2015 3Q	2015 4Q	2016 1Q	2016 2Q
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— Retail > 90 d

### Default in excess of 90 days

NOK million



2015 2Q	2015 3Q	2015 4Q	2016 1Q	2016 2Q
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— Corporates\* > 90 d

## 4. Capital adequacy

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

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

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 be subject to a stepwise reduction of 40 per cent in 2016 and 10 per cent thereafter. As at 30 June 2016 SpareBank 1 SMN held hybrid capital worth NOK 450 m 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.

SpareBank 1 SMN's methods for calculating the minimum regulatory capital requirements are summarized below:

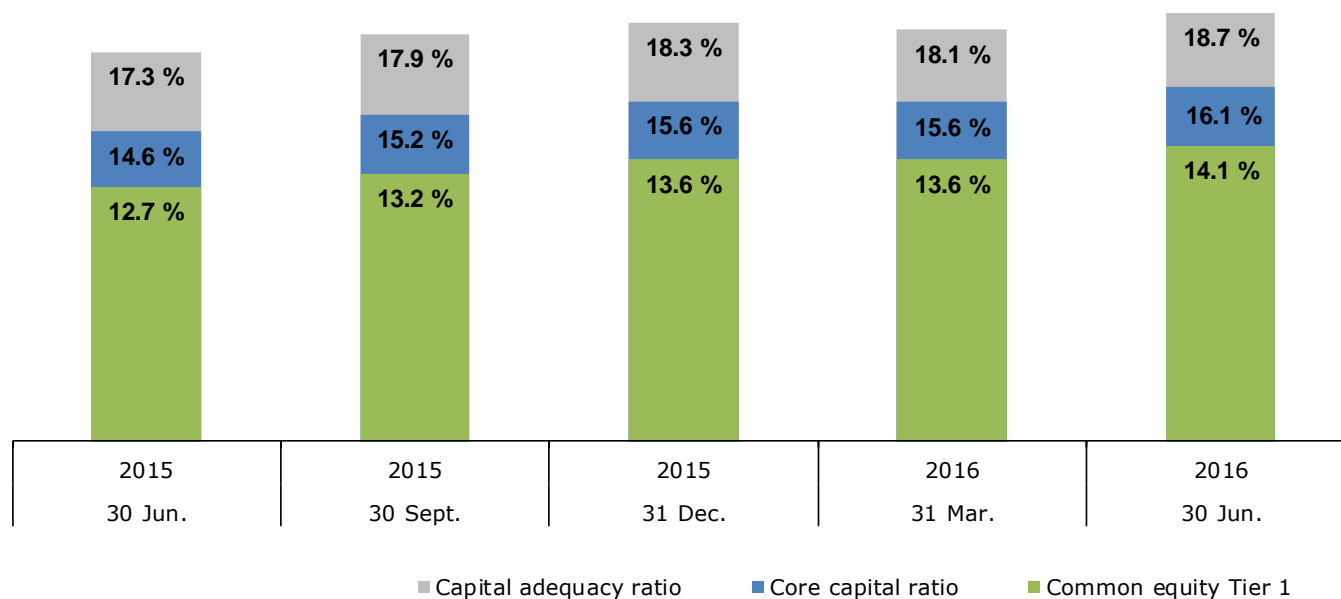
Type of risk	Portfolio	Regulatory method
Credit risk	States - parent bank	Standard method
	Institutions - parent bank	Standard method
	Housing cooperatives, clubs and associations - parent bank	Standard method
	Enterprises - parent bank	Advanced IRB approach
	Mass market - parent bank	IRB - mass market (advanced)
	Sparebank 1 Finans Midt-Norge AS	Standard method
	SpareBank 1 Invest	Standard method
	SpareBank 1 Allegro Kapitalforvaltning AS	Standard method
	Mass market - SpareBank 1 Boligkreditt AS	IRB- mass market (advanced)
	Enterprises - SpareBank 1 Næringskreditt AS	Standard method
	Enterprises - BN Bank AS	Advanced IRB approach
	Mass market - BN Bank AS	IRB - mass market (advanced)
Market risk	Equity risk - parent bank	Standard method
	Debt risk - parent bank	Standard method
	Currency risk - parent bank	Standard method
	Subsidiaries and part-owned companies	Standard method
Operational risk	SpareBank 1 SMN (parent bank)	Standardised approach
	Subsidiaries and part-owned companies	Basic Indicator Approach

## Capital Adequacy

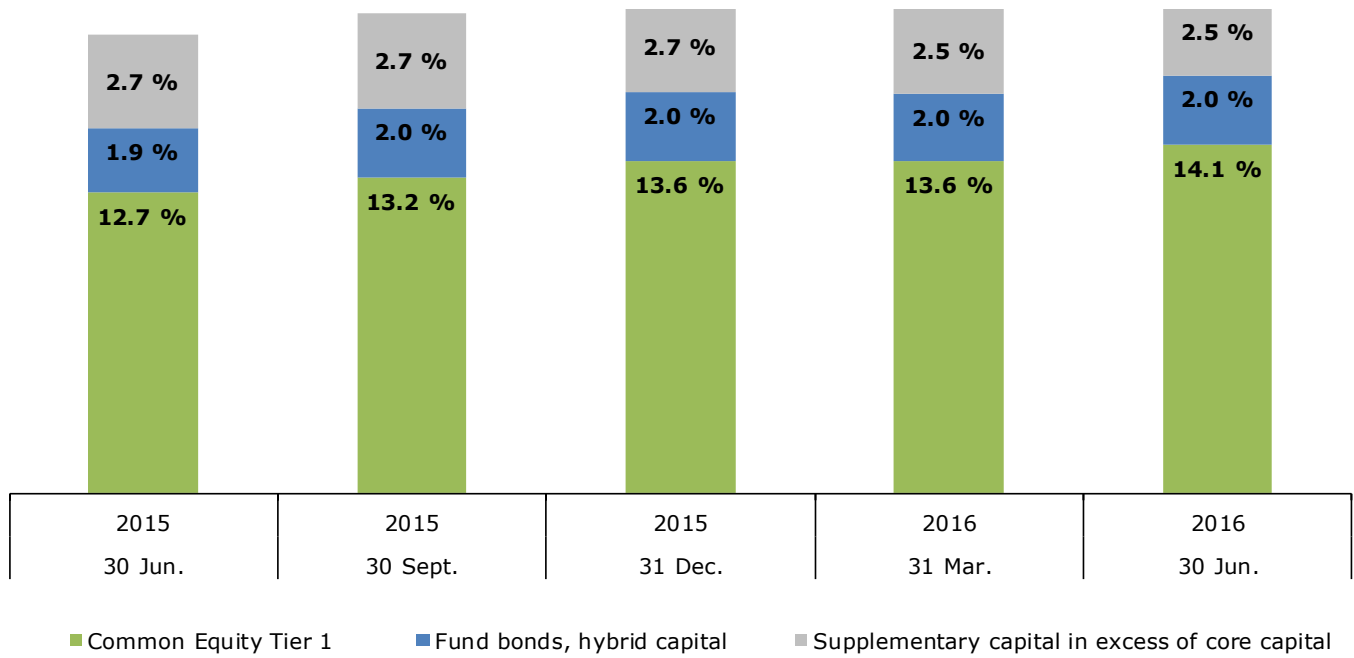
(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
Equity capital certificates	2,597	2,597	2,597	2,597	2,597	2,597
- Own holding of ECCs	-7	-6	-21	0	0	0
Premium fund	895	895	895	895	895	895
Dividend equalisation fund	3,783	3,782	3,790	3,122	3,122	3,122
Savings bank's reserve	4,105	4,105	4,105	3,619	3,619	3,619
Recommended dividends	0	0	292	0	0	292
Provision for gifts	0	0	40	0	0	160
Unrealised gains reserve	233	290	290	148	148	148
Other equity and minority interest	1,681	1,705	1,597	1,660	1,639	1,620
Minority interests	403	372	318	295	301	72
Net profit	771	311	0	1,119	871	0
<b>Total book equity</b>	<b>14,460</b>	<b>14,051</b>	<b>13,904</b>	<b>13,455</b>	<b>13,191</b>	<b>12,524</b>
Deferred taxes, goodwill and other intangible assets	-715	-668	-662	-679	-664	-566
Part of reserve for unrealised gains, associated companies	169	119	264	179	120	120
Deduction for allocated dividends and gifts	0	0	-332	0	0	-452
Minority interests recognised in other equity capital	-403	-372	-318	-295	-301	-72
Minority interests eligible for inclusion in CET1 capital	203	184	132	49	47	35
Surplus financing of pension obligations	-94	-43	-43	0	0	0
Net profit	-771	-311	0	-1,119	-871	0
Year-to-date profit included in core capital (73 per cent pre tax of group profit)	540	218	0	817	636	0
Value adjustments due to requirements for prudent valuation	-58	-57	-55	-49	-43	-45
Positive value of adjusted expected loss under IRB Approach	-187	-104	-239	-277	-318	-419
Direct, indirect and synthetic investments in financial sector companies	-389	-576	-458	-428	-355	-451
<b>Total common equity Tier one</b>	<b>12,757</b>	<b>12,440</b>	<b>12,192</b>	<b>11,652</b>	<b>11,443</b>	<b>10,674</b>
Hybrid capital, core capital	1,362	1,310	1,310	1,311	1,217	1,716
Hybrid capital covered by transitional provisions	493	496	495	496	491	
Direct, indirect and synthetic investments in financial sector companies	-9	-9	-9	-9	-9	-9
<b>Total core capital</b>	<b>14,604</b>	<b>14,237</b>	<b>13,988</b>	<b>13,451</b>	<b>13,142</b>	<b>12,382</b>
<b>Supplementary capital in excess of core capital</b>						
Fund bonds, hybrid capital in excess of 15 %						
Subordinated capital	1,647	1,648	1,647	1,692	1,692	2,598
Subordinated capital covered by transitional provisions	673	673	786	786	786	0
Direct, indirect and synthetic investments in financial sector companies	-43	-43	-43	-43	-43	-43
<b>Total supplementary capital</b>	<b>2,278</b>	<b>2,279</b>	<b>2,390</b>	<b>2,435</b>	<b>2,435</b>	<b>2,555</b>
<b>Net subordinated capital</b>	<b>16,882</b>	<b>16,516</b>	<b>16,378</b>	<b>15,886</b>	<b>15,577</b>	<b>14,937</b>

(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
Involvement with specialised enterprises	1,169	1,232	1,213	1,262	1,391	1,887
Other corporations exposure	1,143	1,086	1,105	1,058	965	1,371
Mass market exposure, SMBs	170	171	167	186	185	159
Mass market exposure, property	1,596	1,606	1,557	1,551	1,514	1,280
Other retail exposure	43	39	40	15	13	51
Equity investments, IRB	3	1	0	0	0	0
<b>Total credit risk IRB</b>	<b>4,123</b>	<b>4,135</b>	<b>4,082</b>	<b>4,073</b>	<b>4,068</b>	<b>4,748</b>
Debt risk	19	29	64	94	200	397
Equity risk	10	10	10	10	8	1
Currency risk	1	0	0	0	0	0
Operational risk	479	479	457	457	457	416
Exposures calculated using the standardised approach	1,931	1,893	1,805	1,827	1,926	1,971
CVA	90	91	106	92	71	92
Transitional arrangements	585	666	634	533	471	0
<b>Minimum requirements subordinated capital</b>	<b>7,237</b>	<b>7,303</b>	<b>7,157</b>	<b>7,087</b>	<b>7,201</b>	<b>7,625</b>
<b>Risk Weighted Assets (RWA)</b>	<b>90,464</b>	<b>91,286</b>	<b>89,465</b>	<b>88,586</b>	<b>90,010</b>	<b>95,317</b>
Minimum requirement on CET1 capital, 4.5 per cent	4,071	4,108	4,026	3,986	4,050	<b>4,289</b>
Capital conservation buffer, 2,5 per cent	2,262	2,282	2,237	2,215	2,250	<b>2,383</b>
Systemic risk buffer, 3.0 per cent	2,714	2,739	2,684	2,658	2,700	<b>2,860</b>
Countercyclical buffer, 1.5per cent (1.0 per cent)	1,357	913	895	886	900	
<b>Available CET1 capital after buffer requirements</b>	<b>2,354</b>	<b>2,399</b>	<b>2,351</b>	<b>1,908</b>	<b>1,542</b>	<b>1,143</b>
Common equity Tier 1	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %	11.2 %
Core capital ratio	16.1 %	15.6 %	15.6 %	15.2 %	14.6 %	13.0 %
Capital adequacy ratio	18.7 %	18.1 %	18.3 %	17.9 %	17.3 %	15.7 %
Leverage ratio	6.8 %	6.8 %	6.7 %	6.7 %	6.5 %	6.0 %

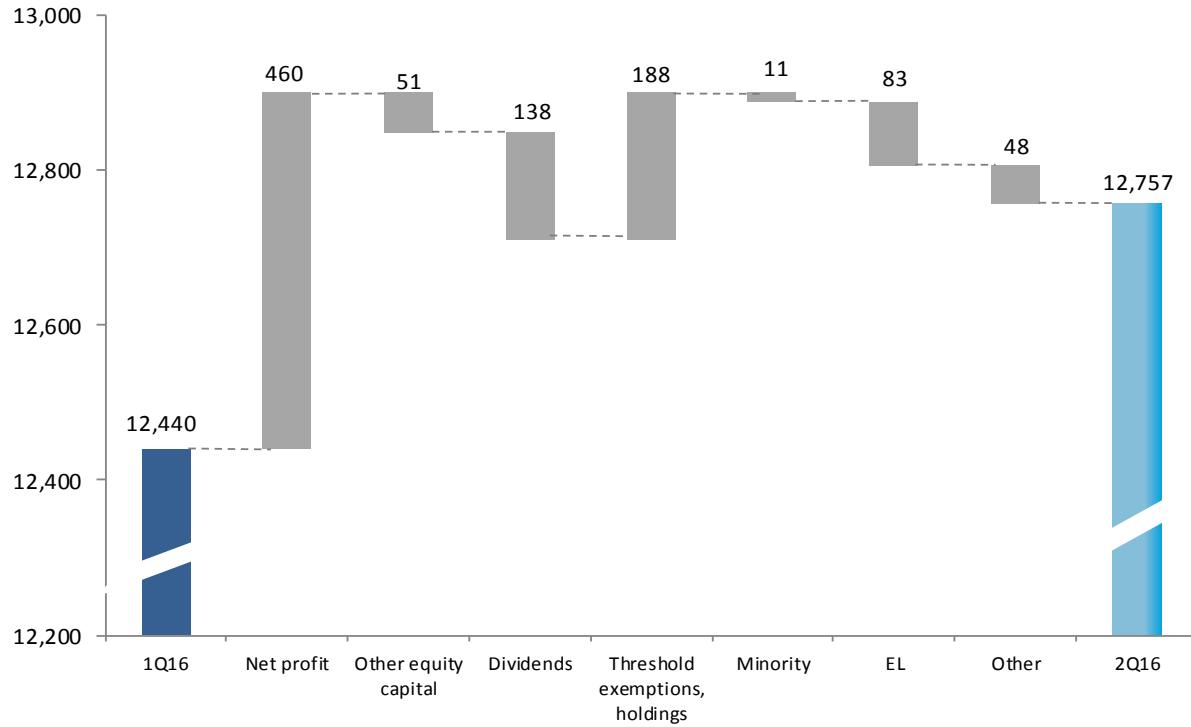
### Capital Adequacy



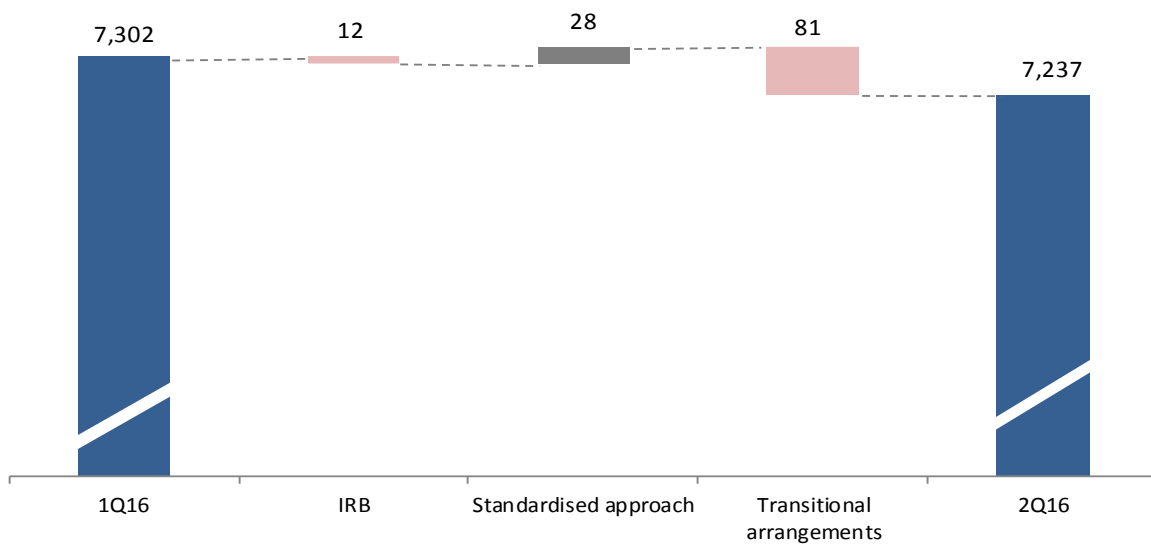
Capital Adequacy



Quarterly changes in Common equity Tier 1

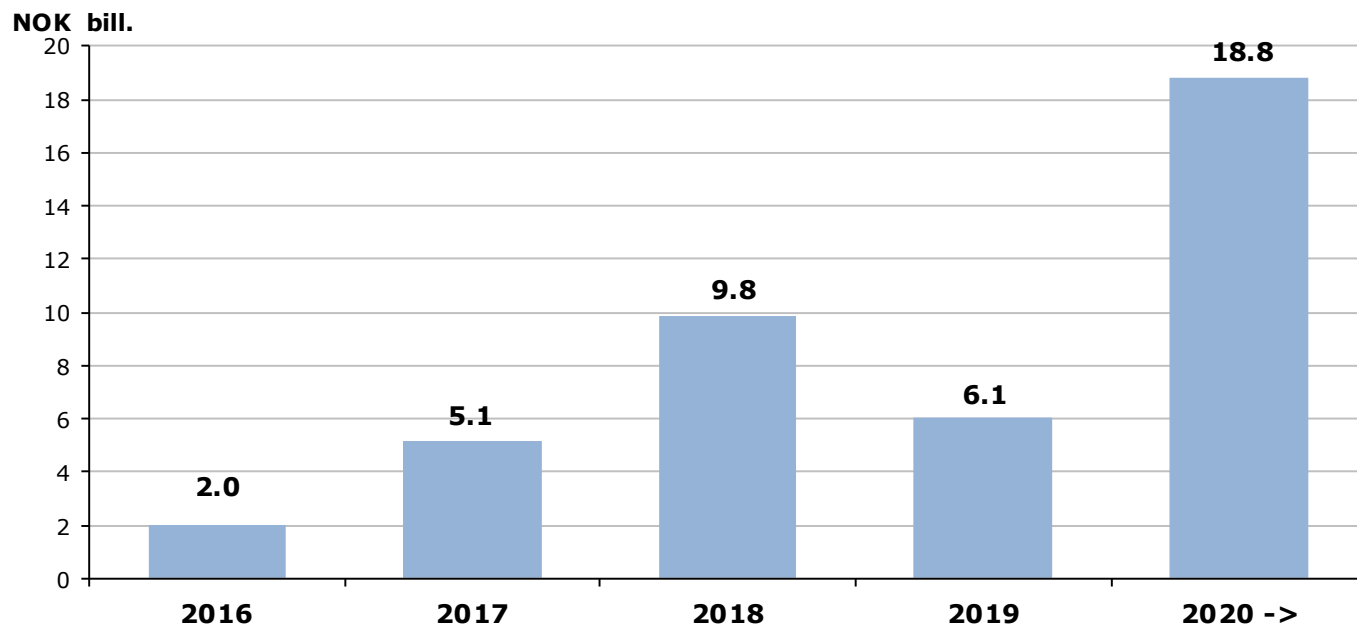


Quarterly changes in Minimum requirements subordinated capital

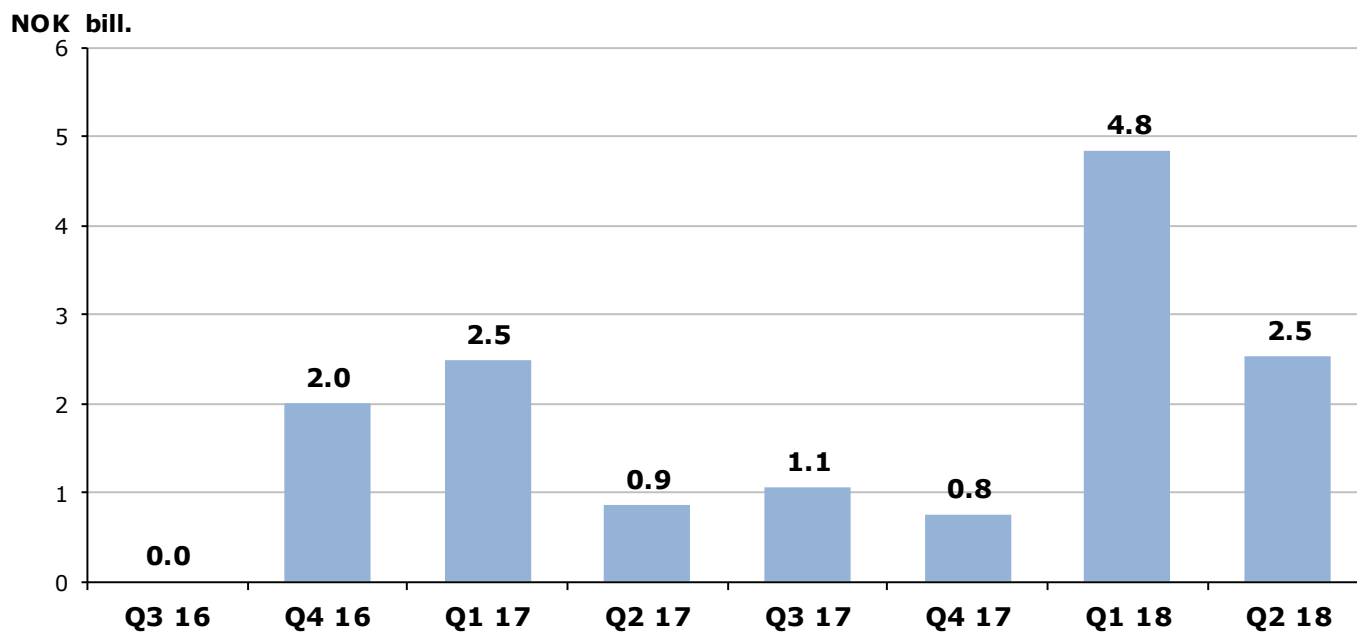


## 5. Funding

### *Funding maturity dates*



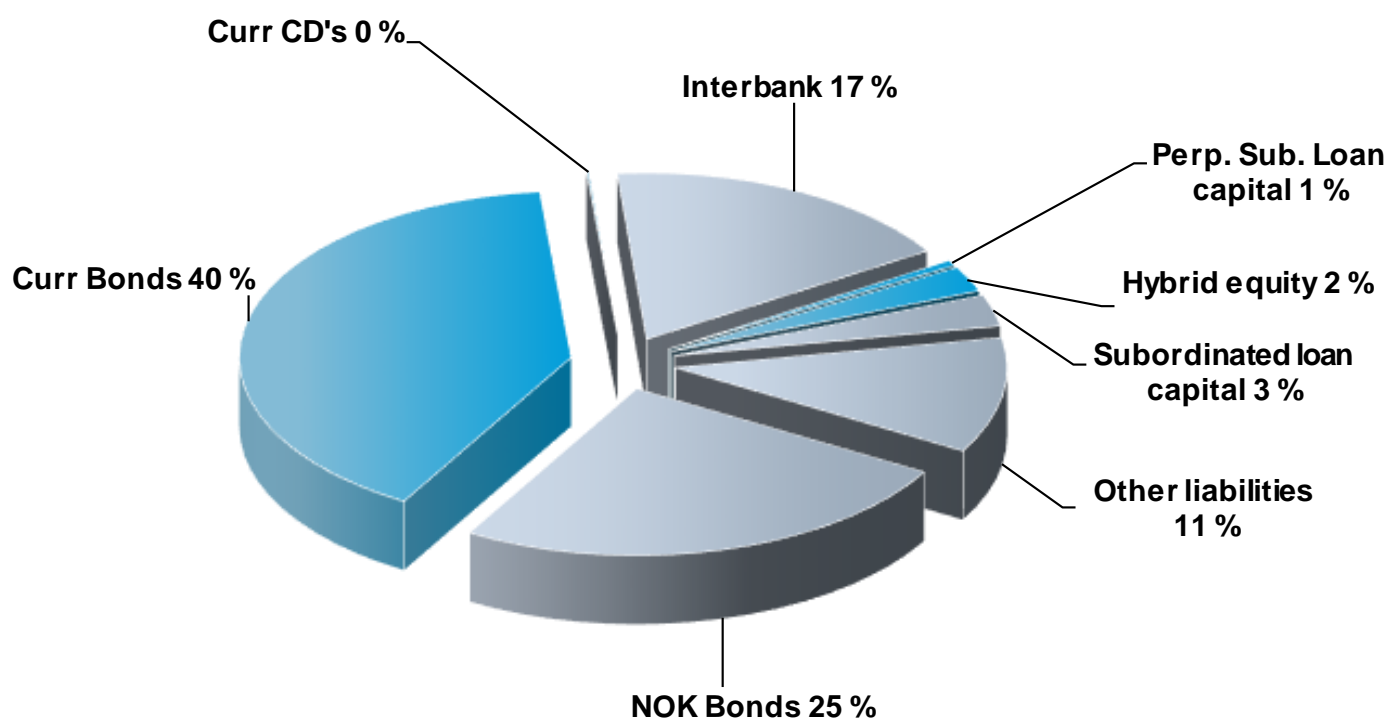
### *Funding maturity dates over the next eight quarters*





### Capital markets funding

(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
NOK Bonds	14,645	16,505	17,139	17,774	17,745	18,263
Curr Bonds	23,429	19,302	17,898	15,418	14,286	13,611
NOK CD's	-	-	-	403	1,155	820
Curr CD's	62	82	155	-	-	-
Interbank	10,212	8,549	8,155	8,324	8,684	7,572
Perp. Sub. Loan capital	300	299	299	299	299	307
Hybrid equity	1,443	1,446	1,445	1,446	1,441	1,449
Subordinated loan capital	1,793	1,740	1,719	1,707	1,641	1,607
Other liabilities	6,556	7,003	5,996	6,034	5,199	7,512
<b>Total</b>	<b>58,441</b>	<b>54,925</b>	<b>52,807</b>	<b>51,406</b>	<b>50,449</b>	<b>51,141</b>



## 6. Financial results

### Financial results

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Interest income	896	910	962	1,058	992	1,806	2,011	4,031	4,265
Interest expenses	424	441	489	593	525	864	1,077	2,159	2,475
<b>Net interest</b>	<b>472</b>	<b>469</b>	<b>473</b>	<b>466</b>	<b>467</b>	<b>942</b>	<b>934</b>	<b>1,872</b>	<b>1,790</b>
Commission income	331	295	309	317	313	626	619	1,245	1,281
Commission expenses	36	28	38	38	32	64	59	135	113
Other operating income	154	134	107	99	132	287	230	435	344
<b>Commission income and other income</b>	<b>448</b>	<b>401</b>	<b>378</b>	<b>378</b>	<b>413</b>	<b>849</b>	<b>790</b>	<b>1,545</b>	<b>1,512</b>
Dividends	73	0	3	0	22	74	22	25	65
Income from investment in related companies	127	119	121	78	120	246	248	448	527
Net return on financial investments	71	53	-15	-91	23	124	92	-14	128
<b>Net return on financial investments</b>	<b>271</b>	<b>172</b>	<b>109</b>	<b>-13</b>	<b>165</b>	<b>443</b>	<b>362</b>	<b>459</b>	<b>720</b>
<b>Total income</b>	<b>1,191</b>	<b>1,042</b>	<b>959</b>	<b>831</b>	<b>1,044</b>	<b>2,234</b>	<b>2,086</b>	<b>3,876</b>	<b>4,021</b>
Staff costs	318	295	280	264	283	613	550	1,093	1,002
Other operating expenses	209	194	235	203	213	403	399	838	787
<b>Total operating expenses</b>	<b>528</b>	<b>489</b>	<b>515</b>	<b>466</b>	<b>496</b>	<b>1,016</b>	<b>950</b>	<b>1,931</b>	<b>1,789</b>
<b>Result before losses</b>	<b>664</b>	<b>553</b>	<b>444</b>	<b>364</b>	<b>548</b>	<b>1,217</b>	<b>1,137</b>	<b>1,945</b>	<b>2,232</b>
Loss on loans, guarantees etc.	118	170	56	56	35	287	56	169	89
<b>Result before tax</b>	<b>546</b>	<b>383</b>	<b>388</b>	<b>309</b>	<b>513</b>	<b>930</b>	<b>1,080</b>	<b>1,776</b>	<b>2,143</b>
Tax charge	85	72	100	61	83	157	209	370	362
Results investments held for sale, after tax	-1	0	0	0	0	-2	-1	-1	0
<b>Net profit</b>	<b>460</b>	<b>311</b>	<b>287</b>	<b>248</b>	<b>430</b>	<b>771</b>	<b>871</b>	<b>1,406</b>	<b>1,782</b>
Majority share	449	303	291	253	427	752	866	1,410	1,772
Minority interest	11	8	-4	-5	3	19	5	-4	10

## Balance sheet

(in NOK million)	30 Jun. 2016	31 Mar. 2016	31 Dec. 2015	30 Sept. 2015	30 Jun. 2015	31 Dec. 2014
Cash and receivables from central banks	1,200	1,241	3,270	1,252	3,895	4,676
Deposits with and loans to credit institutions	6,013	2,324	2,407	2,807	2,520	1,289
Net loans to and receivables from customers	96,960	94,606	93,415	94,400	93,715	90,112
Fixed-income CDs and bonds at fair value	19,862	15,956	15,752	14,430	15,082	14,177
Derivatives	6,927	8,091	7,524	7,513	5,851	7,877
Shares, units and other equity interests	1,464	1,644	1,485	1,221	1,346	708
Investment in related companies	5,524	5,759	5,522	5,189	5,024	5,129
Investments held for sale	217	214	16	15	15	45
Intangible assets	583	566	562	552	552	548
Other assets	2,395	3,944	1,962	1,859	2,889	1,487
<b>Assets</b>	<b>141,145</b>	<b>134,345</b>	<b>131,914</b>	<b>129,237</b>	<b>130,888</b>	<b>126,047</b>
Deposits from credit institutions	10,227	8,549	8,155	8,324	8,684	9,123
Deposits from and debt to customers	67,031	63,851	64,090	63,620	66,186	60,680
Debt created by issue of securities	38,137	35,888	35,154	33,557	33,146	33,001
Derivatives	5,924	6,237	5,414	5,486	4,610	6,252
Other liabilities	1,772	2,279	1,734	1,342	1,690	1,095
Investments held for sale	16	5	0	0	0	0
Subordinated loan capital	3,579	3,485	3,463	3,453	3,380	3,371
<b>Total liabilities</b>	<b>126,685</b>	<b>120,294</b>	<b>118,010</b>	<b>115,782</b>	<b>117,697</b>	<b>113,523</b>
Equity capital certificate	2,597	2,597	2,597	2,597	2,597	2,597
Own holding of ECCs	-7	-6	-21	0	0	0
Premium fund	895	895	895	895	895	895
Dividend equalisation fund	3,783	3,782	3,790	3,122	3,122	3,122
Recommended dividends	0	0	292	0	0	292
Provision for gifts	0	0	40	0	0	160
Savings bank's reserve	4,105	4,105	4,105	3,619	3,619	3,619
Unrealised gains reserve	233	290	290	148	148	148
Other equity capital	1,681	1,705	1,597	1,660	1,639	1,620
Result of the period	771	311	0	1,119	871	0
Minority interests	403	372	318	295	301	72
<b>Total equity capital</b>	<b>14,460</b>	<b>14,051</b>	<b>13,904</b>	<b>13,455</b>	<b>13,191</b>	<b>12,524</b>
<b>Total liabilities and equity</b>	<b>141,145</b>	<b>134,345</b>	<b>131,914</b>	<b>129,237</b>	<b>130,888</b>	<b>126,047</b>

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.

## Key figures

	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun. 2016 2015		2015	2014
Return on equity	12.9 %	8.9 %	8.4 %	7.4 %	13.4 %	10.9 %	13.7 %	10.7 %	15.1 %
Cost/income ratio group	44 %	47 %	54 %	56 %	47 %	46 %	46 %	50 %	44 %
Cost/income ratio group, ex. financial inv.	57 %	56 %	61 %	55 %	56 %	57 %	55 %	57 %	54 %
12-month cost growth	6.4 %	7.7 %	7.5 %	9.6 %	11.9 %	7.0 %	7.4 %	7.9 %	3.9 %
Gross loans to customers*	132,583	129,520	127,378	126,180	124,519	132,583	124,519	127,378	120,435
Growth in loans last 12 months*	6.5 %	5.4 %	5.8 %	8.3 %	8.4 %	6.5 %	8.4 %	5.8 %	7.3 %
Growth in loans this period*	2.4 %	1.7 %	0.9 %	1.3 %	1.3 %	4.1 %	3.4 %	5.8 %	7.3 %
Deposits from customers	67,031	63,851	64,090	63,620	66,186	67,031	66,186	64,090	60,680
Growth in deposits last 12 months	1.3 %	5.4 %	5.6 %	9.5 %	11.4 %	1.3 %	11.4 %	5.6 %	8.5 %
Growth in deposits this period	5.0 %	-0.4 %	0.7 %	-3.9 %	9.2 %	4.6 %	9.1 %	5.6 %	8.5 %
Deposit-to-loan ratio*	51 %	49 %	50 %	50 %	53 %	51 %	53 %	50 %	50 %
Total assets	141,145	134,345	131,914	129,237	130,888	141,145	130,888	131,914	126,047
Average total assets (quarterly)	137,745	133,129	130,575	130,063	127,288	135,801	126,874	128,355	117,794
Employees in employment group	1,252	1,216	1,208	1,228	1,227	1,252	1,227	1,208	1,192
Employees in employment parent bank	632	642	645	663	673	632	673	645	753
Employees in employment subsidiaries	620	574	563	565	554	620	554	563	439
Number of branches	49	49	49	49	49	49	49	49	49
Lending margin	2.07	2.02	2.15	2.19	2.26	2.04	2.34	2.26	2.57
Deposit margin	0.00	0.06	(0.09)	(0.14)	(0.23)	0.03	(0.30)	(0.21)	(0.47)
Net other operating income of total income	38 %	38 %	39 %	45 %	40 %	38 %	38 %	40 %	38 %
Common Equity Tier 1 ratio	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %	14.1 %	12.7 %	13.6 %	11.2 %
Core capital ratio	16.1 %	15.6 %	15.6 %	15.2 %	14.6 %	16.1 %	14.6 %	15.6 %	13.0 %
Capital adequacy ratio	18.7 %	18.1 %	18.3 %	17.9 %	17.3 %	18.7 %	17.3 %	18.3 %	15.7 %
Total core capital	14,604	14,237	13,988	13,451	13,142	14,604	13,142	13,988	12,382
Net subordinated capital	16,882	16,516	16,378	15,886	15,577	16,882	15,577	16,378	14,937
Impairment losses ratio	0.36 %	0.53 %	0.18 %	0.18 %	0.11 %	0.44 %	0.09 %	0.14 %	0.08 %
Non-performing commitm. as % of gross loans	0.19 %	0.16 %	0.16 %	0.17 %	0.23 %	0.19 %	0.23 %	0.16 %	0.22 %
Other doubtful commitm. as % of gross loans	0.90 %	0.32 %	0.31 %	0.36 %	0.30 %	0.90 %	0.30 %	0.31 %	0.18 %
ECC price	46.70	52.75	50.50	54.00	65.50	46.70	65.50	50.50	58.50
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (incl. dividend)	69.18	67.37	67.65	65.52	64.18	69.18	64.18	67.65	62.04
Adjusted profit per ECC	2.21	1.49	1.45	1.26	2.13	3.71	4.31	7.02	8.82
P/E per ECC	5.27	8.83	8.71	10.72	7.70	6.30	7.60	7.19	6.63
P/B equity capital	0.68	0.78	0.75	0.82	1.02	0.68	1.02	0.75	0.94

\* Including Sparebank1 Boligkreditt and Sparebank 1 Næringskreditt

## 7. Segment Information

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. The stake was increased to 73.5 per cent in fourth quarter 2015 as a result of a stock issue.

In the reporting of 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 from the second quarter moved to the column "Uncollated".

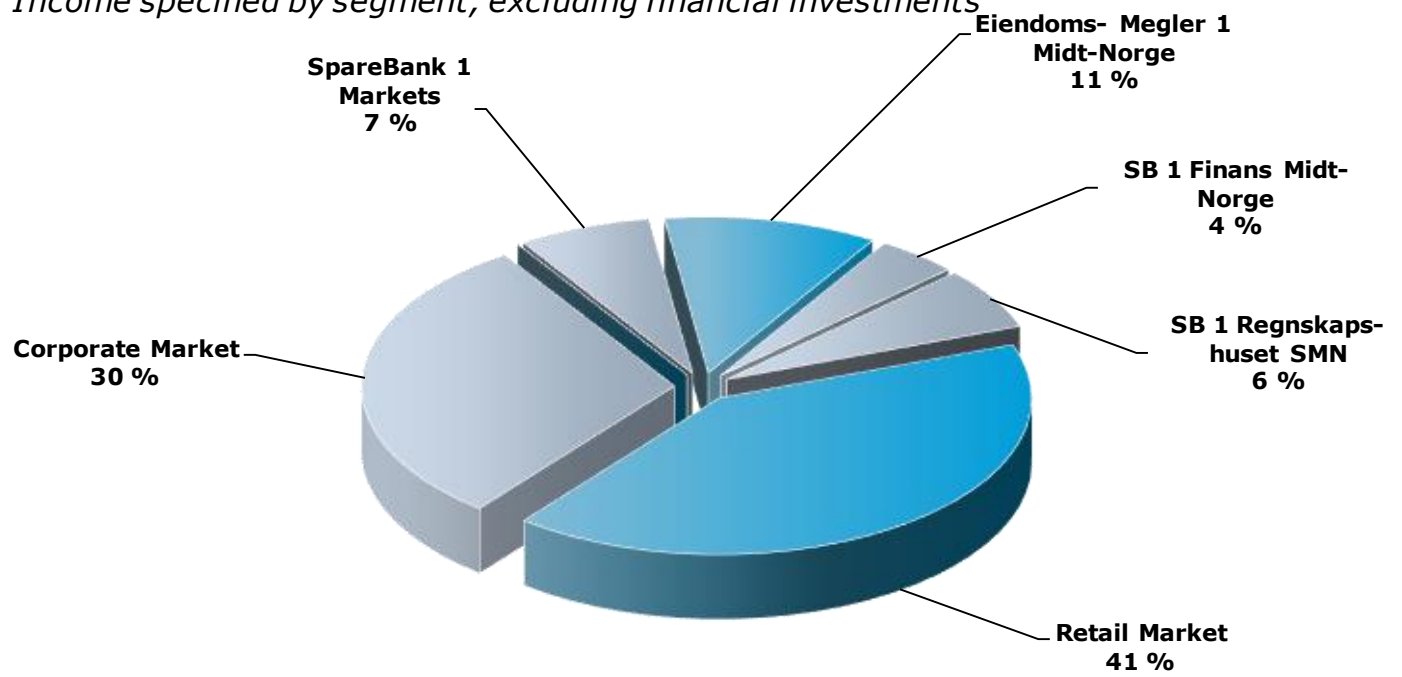
The Group has changed its presentation of accrued interest as from the first quarter of 2015. Accrued interest is now presented together with the underlying financial instrument. It was previously presented as other assets and other liabilities. Historical figures for 2014 are similarly restated.

### 7.1. Extract from income statement

Group (in NOK million) 30 Jun.2016	Retail Market	Corporate Market	SB 1 Markets	Eiendoms-Megler 1 Midt-Norge	SB 1 Finans Midt-Norge	SB 1 Regnskaps-huset SMN	SB 1 Gruppen	BN Bank	Un-collated	Total
Net interest	449	471	-4	2	88	-0	-	-	-64	942
Allocated	25	20	-	-	-	-	-	-	-46	-
<b>Total interest income</b>	<b>474</b>	<b>492</b>	<b>-4</b>	<b>2</b>	<b>88</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-110</b>	<b>942</b>
Commission income and other income	338	97	108	216	-5	126	-	-	-30	849
Net profit on financial investments	0	6	33	-	-	-	141	51	211	441
<b>Total income</b>	<b>812</b>	<b>594</b>	<b>136</b>	<b>217</b>	<b>83</b>	<b>126</b>	<b>141</b>	<b>51</b>	<b>71</b>	<b>2,232</b>
<b>Total operating expenses</b>	<b>401</b>	<b>182</b>	<b>129</b>	<b>174</b>	<b>29</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,016</b>
<b>Ordinary operating profit</b>	<b>412</b>	<b>412</b>	<b>7</b>	<b>43</b>	<b>54</b>	<b>26</b>	<b>141</b>	<b>51</b>	<b>71</b>	<b>1,217</b>
Loss on loans, guarantees etc.	7	274	2	-	6	-	-	-	-1	287
<b>Result before tax incl investments held for sale</b>	<b>405</b>	<b>138</b>	<b>5</b>	<b>43</b>	<b>48</b>	<b>26</b>	<b>141</b>	<b>51</b>	<b>71</b>	<b>928</b>
<b>Post-tax return on equity*</b>	<b>13.3 %</b>	<b>2.4 %</b>								<b>10.9 %</b>
<b>Balance sheet</b>										
Loans and advances to customers	89,299	37,454	-	-	4,933	-	-	-	896	132,583
adv. of this to Boligkreditt and Næringskreditt	-33,044	-1,749	-	-	-	-	-	-	0	-34,793
Individual allowance for impairment on loan	-23	-379	-	-	-8	-	-	-	-2	-412
Group allowance for impairment on loan	-95	-304	-	-	-19	-	-	-	1	-418
Other assets	213	7	1,604	296	13	220	1,508	1,153	39,172	44,185
<b>Total assets</b>	<b>56,349</b>	<b>35,029</b>	<b>1,604</b>	<b>296</b>	<b>4,919</b>	<b>220</b>	<b>1,508</b>	<b>1,153</b>	<b>40,066</b>	<b>141,145</b>
Deposits to customers	35,457	31,511	-	-	-	-	-	-	63	67,031
Other liabilities and equity	20,892	3,519	1,604	296	4,919	220	1,508	1,153	40,003	74,114
<b>Total liabilities</b>	<b>56,349</b>	<b>35,029</b>	<b>1,604</b>	<b>296</b>	<b>4,919</b>	<b>220</b>	<b>1,508</b>	<b>1,153</b>	<b>40,066</b>	<b>141,145</b>

\*) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 14.5 percent.

*Income specified by segment, excluding financial investments*



### Interest income, Retail Market and Corporate Market

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	227	222	236	230	221	449	442	907	873
Corporate	239	232	237	235	234	471	450	922	840
<b>Net interest income</b>	<b>466</b>	<b>454</b>	<b>473</b>	<b>465</b>	<b>455</b>	<b>920</b>	<b>892</b>	<b>1,829</b>	<b>1,712</b>

### Development in margin, Retail Market and Corporate Market

<b>Lending</b> (in percentage)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	1.81	1.78	1.92	2.00	2.06	1.79	2.17	2.07	2.39
Corporate	2.68	2.57	2.66	2.62	2.67	2.63	2.71	2.68	2.90
<b>Total</b>	<b>2.07</b>	<b>2.02</b>	<b>2.15</b>	<b>2.19</b>	<b>2.26</b>	<b>2.04</b>	<b>2.34</b>	<b>2.26</b>	<b>2.57</b>

<b>Deposits</b> (in percentage)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	0.17	0.24	0.05	-0.10	-0.15	0.21	-0.25	-0.14	-0.42
Corporate	-0.18	-0.15	-0.25	-0.19	-0.32	-0.17	-0.37	-0.29	-0.55
<b>Total</b>	<b>0.00</b>	<b>0.06</b>	<b>-0.09</b>	<b>-0.14</b>	<b>-0.23</b>	<b>0.03</b>	<b>-0.30</b>	<b>-0.21</b>	<b>-0.48</b>

\*Definition margin: Average customer interest minus 3 months average nibor

### Development in volume, Retail Market and Corporate Market

<b>Lending*</b> (in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	89,299	86,451	84,981	83,077	81,352	89,299	81,352	84,981	78,388
Corporate	37,454	37,479	37,226	37,781	38,090	37,454	38,090	37,226	36,872
<b>Total</b>	<b>126,753</b>	<b>123,930</b>	<b>122,206</b>	<b>120,857</b>	<b>119,441</b>	<b>126,753</b>	<b>119,441</b>	<b>122,206</b>	<b>115,260</b>

\* Gross loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

<b>Deposits</b> (in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	35,457	33,671	33,534	33,449	33,915	35,457	33,915	33,534	31,589
Corporate	31,511	29,655	30,367	29,567	31,552	31,511	31,552	30,367	28,463
<b>Total</b>	<b>66,968</b>	<b>63,325</b>	<b>63,902</b>	<b>63,016</b>	<b>65,467</b>	<b>66,968</b>	<b>65,467</b>	<b>63,902</b>	<b>60,052</b>

### Development in commission income, Retail Market and Corporate Market

(in NOK million)	2Q	1Q	4Q	3Q	2Q	30 Jun.		2015	2014
	2016	2016	2015	2015	2015	2016	2015		
Retail	172	166	185	182	175	338	348	715	763
Corporate	52	51	48	54	44	103	91	193	188
<b>Total</b>	<b>224</b>	<b>217</b>	<b>232</b>	<b>237</b>	<b>220</b>	<b>440</b>	<b>439</b>	<b>908</b>	<b>951</b>

## 7.2. Retail Market

The Retail Market is responsible for all activity directed at the region's retail customers. The Retail Market provides personal financial advice. The Retail Market aims to attract and retain customers by developing a strong product range, first class advisers, unique accessibility and excellent customer handling.

### Business description

<i>Facts about the business area</i>	<b>30 Jun. 2016</b>
Lending volume	89,299
Deposits volume	35,457
No. of active customers	211,108
FTEs	385

### Financial performance

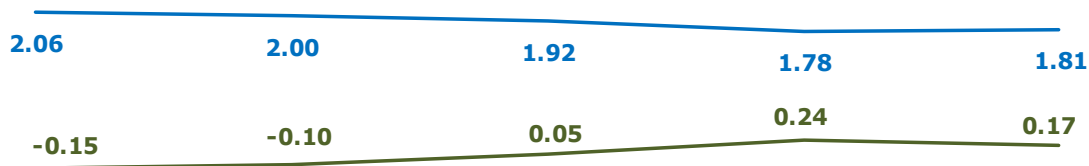
(in NOK million)	<b>2Q 2016</b>	<b>1Q 2016</b>	<b>4Q 2015</b>	<b>3Q 2015</b>	<b>2Q 2015</b>	<b>30 Jun. 2016 2015</b>		<b>2015</b>	<b>2014</b>
Net interest income lending	129	119	148	154	154	248	318	621	648
Net interest income deposits	98	103	88	75	67	201	124	286	224
Net interest income allocated capital	11	14	3	6	13	25	31	41	40
<b>Total interest income</b>	<b>238</b>	<b>236</b>	<b>239</b>	<b>236</b>	<b>234</b>	<b>474</b>	<b>473</b>	<b>948</b>	<b>913</b>
Net guarantee commission, incl. Boligkreditt	81	80	87	86	90	161	187	360	445
Net commission of savings products	16	12	16	16	13	29	23	55	42
Net commission insurance services	35	33	39	34	33	68	63	135	113
Net commission payment trans. services	40	40	43	47	39	80	75	165	161
Other commission income	0	0	-0	-0	-0	0	0	0	0
<b>Net fee and commission income</b>	<b>172</b>	<b>166</b>	<b>185</b>	<b>182</b>	<b>175</b>	<b>338</b>	<b>348</b>	<b>715</b>	<b>762</b>
Net profit on financial investments	0	0	0	0	0	0	0	1	1
<b>Total income</b>	<b>410</b>	<b>402</b>	<b>424</b>	<b>418</b>	<b>410</b>	<b>812</b>	<b>821</b>	<b>1,663</b>	<b>1,675</b>
<b>Total operating expenses*</b>	<b>202</b>	<b>198</b>	<b>214</b>	<b>195</b>	<b>171</b>	<b>401</b>	<b>370</b>	<b>779</b>	<b>809</b>
<b>Results</b>	<b>207</b>	<b>204</b>	<b>210</b>	<b>223</b>	<b>239</b>	<b>412</b>	<b>451</b>	<b>884</b>	<b>867</b>
Loss on loans, guarantees etc.	-2	9	5	3	1	7	3	11	6
<b>Results before tax</b>	<b>210</b>	<b>195</b>	<b>205</b>	<b>220</b>	<b>238</b>	<b>405</b>	<b>448</b>	<b>873</b>	<b>861</b>
*) Includes both direct and distributed expenses									
<b>Post-tax return on equity (annualized)**</b>						<b>13.3 %</b>	<b>17.0 %</b>	<b>15.8 %</b>	<b>19.2 %</b>

\*\*) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 14.5 %.



### Development in margin

Definition margin: Average customer interest minus 3 months average nibor



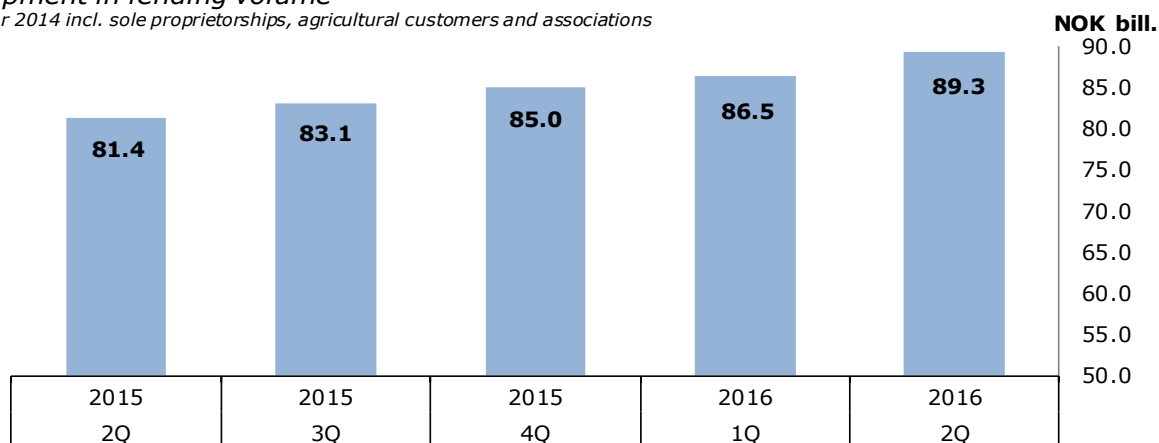
2015 2Q	2015 3Q	2015 4Q	2016 1Q	2016 2Q
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— Lending margin Retail

— Deposits margin Retail

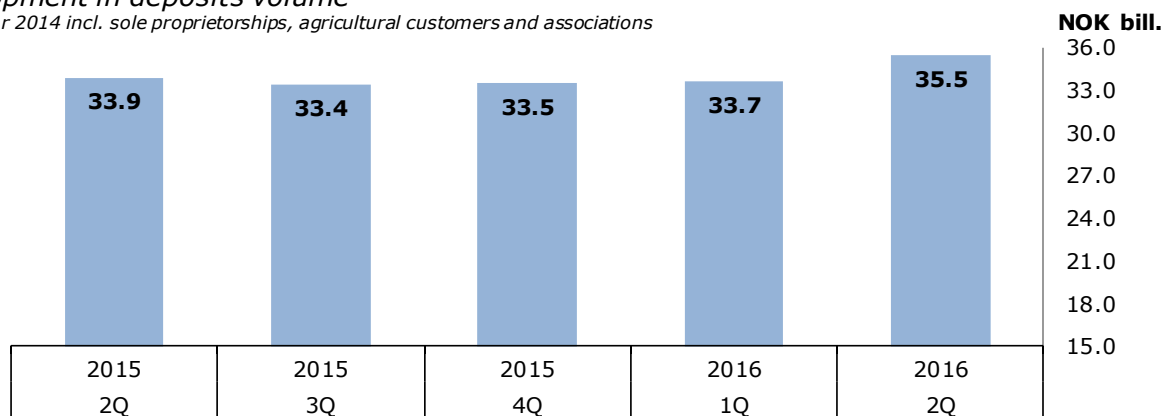
### Development in lending volume

Figures for 2014 incl. sole proprietorships, agricultural customers and associations



### Development in deposits volume

Figures for 2014 incl. sole proprietorships, agricultural customers and associations



## 7.3. Corporate

The Corporate segment is responsible for activity regarding the bank's corporate customers.

### Business description

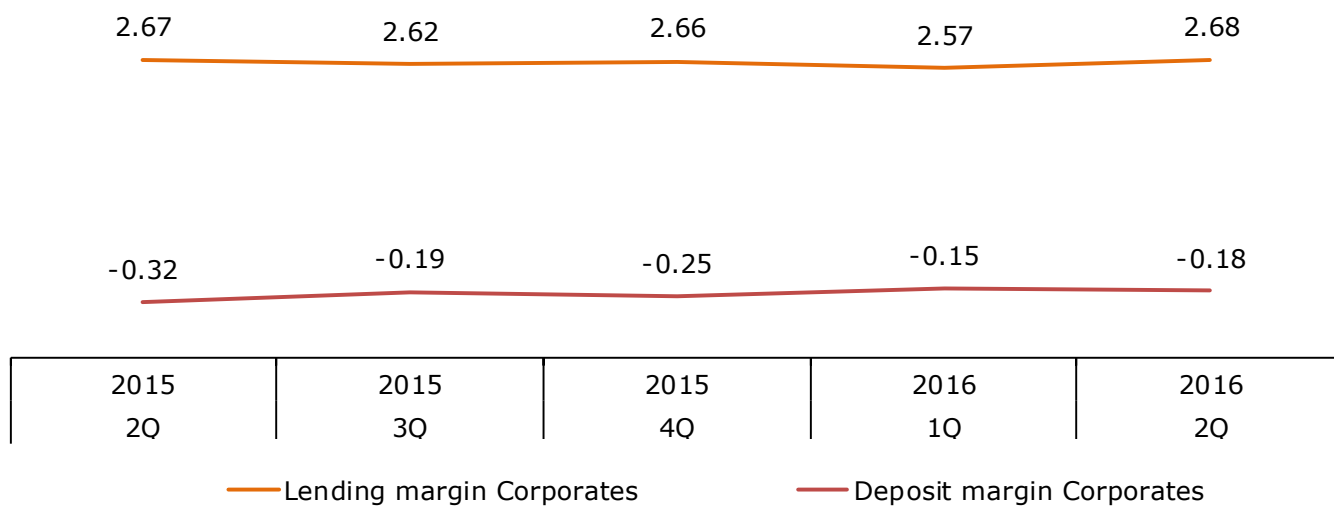
	<b>30 Jun. 2016</b>
<i>Facts about the business area</i>	
Lending volume	37,454
Deposits volume	31,511
No. of active customers	7,430
FTEs	158

<i>Financial performance</i>	<b>2Q</b>	<b>1Q</b>	<b>4Q</b>	<b>3Q</b>	<b>2Q</b>	<b>30 Jun.</b>			
(in NOK million)	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>
Net interest income lending	178	169	179	171	183	347	354	704	687
Net interest income deposits	62	63	58	64	51	124	96	218	153
Net interest income allocated capital	9	12	5	7	18	20	37	48	67
<b>Total interest income</b>	<b>248</b>	<b>243</b>	<b>242</b>	<b>242</b>	<b>252</b>	<b>492</b>	<b>487</b>	<b>971</b>	<b>906</b>
Net guarantee commission, incl. Boligkreditt	22	22	22	23	17	44	35	79	67
Net commission of savings products	-1	0	2	1	1	-1	2	5	4
Net commission insurance services	5	6	4	5	5	11	11	20	21
Net commission payment trans. services	22	20	19	20	19	42	36	75	67
Other commission income	0	0	0	1	0	0	0	1	0
<b>Net fee and commission income</b>	<b>48</b>	<b>49</b>	<b>45</b>	<b>50</b>	<b>42</b>	<b>97</b>	<b>84</b>	<b>180</b>	<b>159</b>
Net profit on financial investments	4	2	2	4	3	6	7	13	29
<b>Total income</b>	<b>300</b>	<b>294</b>	<b>289</b>	<b>297</b>	<b>296</b>	<b>594</b>	<b>578</b>	<b>1,164</b>	<b>1,095</b>
<b>Total operating expenses*</b>	<b>90</b>	<b>93</b>	<b>96</b>	<b>82</b>	<b>76</b>	<b>182</b>	<b>175</b>	<b>353</b>	<b>318</b>
<b>Results</b>	<b>211</b>	<b>202</b>	<b>194</b>	<b>214</b>	<b>220</b>	<b>412</b>	<b>403</b>	<b>810</b>	<b>777</b>
Loss on loans, guarantees etc.**	115	158	51	51	32	274	49	151	77
<b>Results before tax</b>	<b>95</b>	<b>44</b>	<b>142</b>	<b>163</b>	<b>188</b>	<b>138</b>	<b>354</b>	<b>659</b>	<b>699</b>
*) Includes both direct and distributed expenses									
**) Includes collective write downs of NOK - 110 million in 2Q 2016, NOK 150 million in 1Q 2016, NOK 51 million in 4Q 2015 and NOK 30 million in 3Q 2015									
<b>Post-tax return on equity (annualized)***</b>						<b>2.4 %</b>	<b>13.0 %</b>	<b>12.4 %</b>	<b>10.0 %</b>

\*\*\*) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 14.5 %.

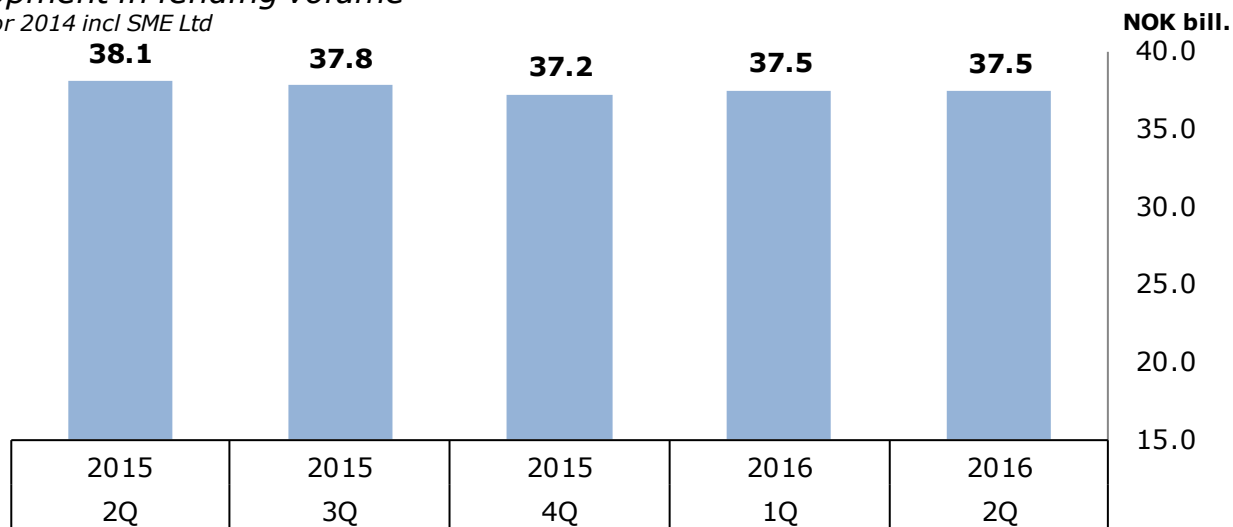
### Development in margin

Definition margin: Average customer interest minus 3 months average nibor.

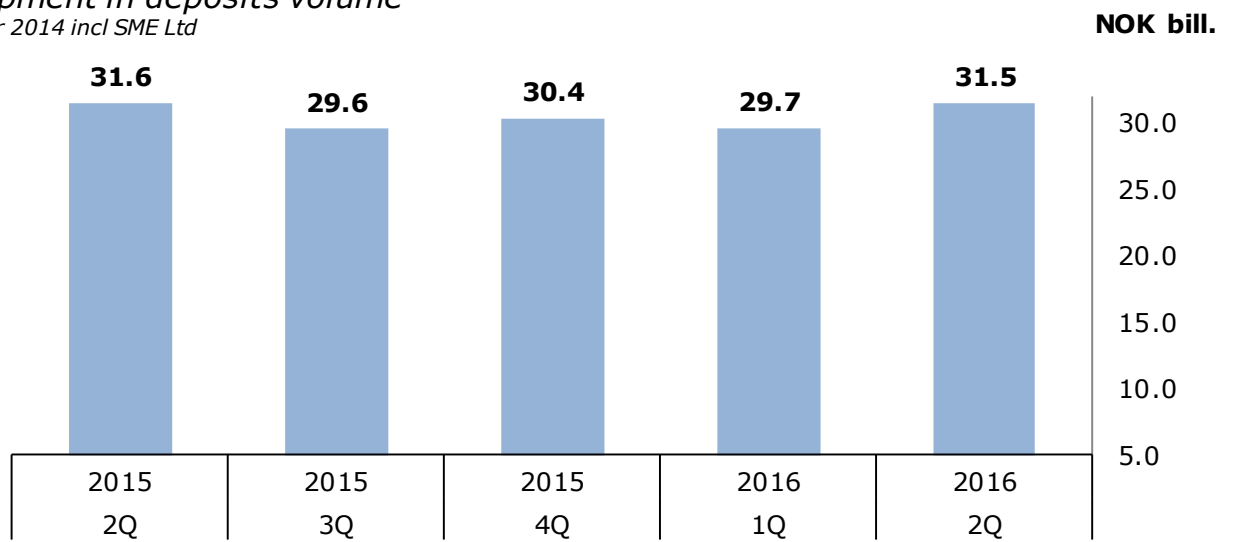


### Development in lending volume

Figures for 2014 incl SME Ltd



*Development in deposits volume*  
*Figures for 2014 incl SME Ltd*



## 7.4. Subsidiaries

### *EiendomsMegler 1 Midt-Norge AS*

EiendomsMegler 1 Midt-Norge is a real estate agency, and has a solid market- leader position in Nord-Trøndelag and Sør-Trøndelag as well as Møre og Romsdal. The company has specialized operations, which include separate units for project and commercial property broking. These operations complement its traditional residential agency business which to a greater degree will be a specialist function maintaining a local presence, co- located with banking, in various parts of Trondheim and the surrounding district.

The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

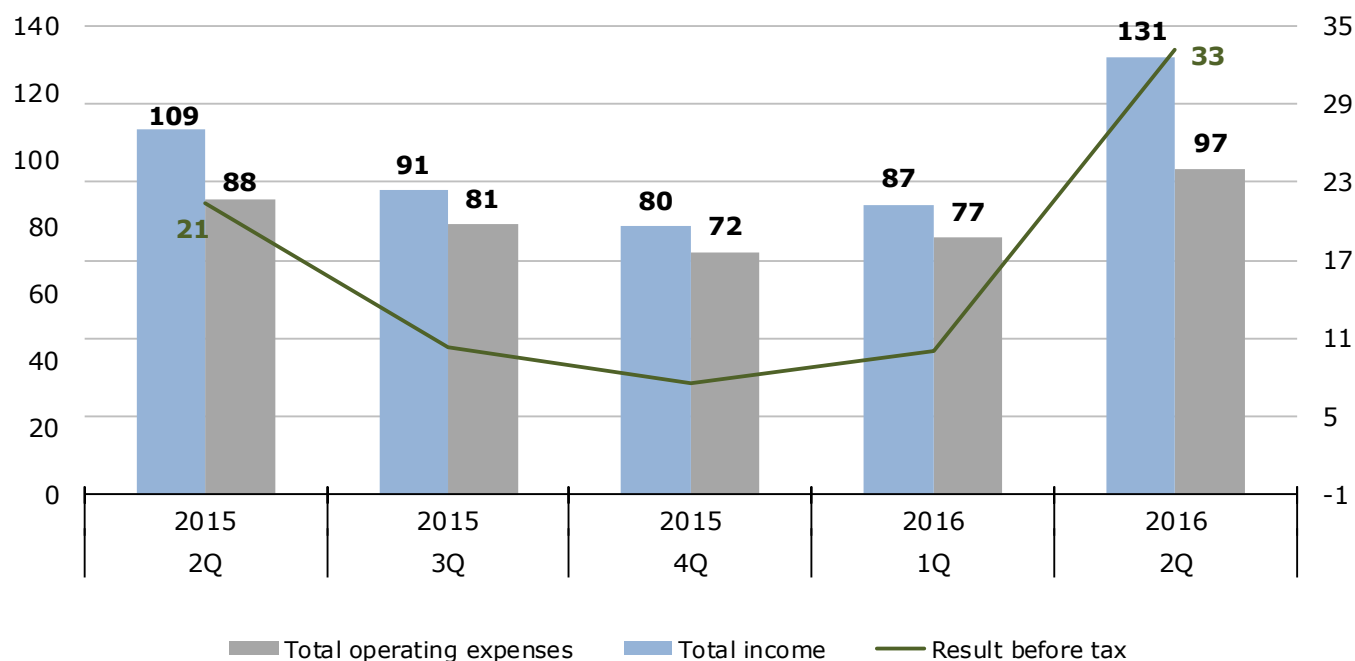
### *Business description EiendomsMegler 1 Midt-Norge AS*

#### *Financial performance*

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun. 2016 2015		2015	2014
Net interest	1	1	2	1	1	2	1	4	5
Commission income and other income	130	86	78	90	109	216	191	360	359
<b>Total income</b>	<b>131</b>	<b>87</b>	<b>80</b>	<b>91</b>	<b>109</b>	<b>217</b>	<b>193</b>	<b>364</b>	<b>364</b>
<b>Total operating expenses</b>	<b>97</b>	<b>77</b>	<b>72</b>	<b>81</b>	<b>88</b>	<b>174</b>	<b>164</b>	<b>317</b>	<b>313</b>
<b>Result before tax</b>	<b>33</b>	<b>10</b>	<b>8</b>	<b>10</b>	<b>21</b>	<b>43</b>	<b>29</b>	<b>47</b>	<b>51</b>

#### **Cost and income (NOK mill.)**

#### **Result before tax (NOK mill.)**



## SpareBank 1 Finans Midt-Norge AS

SpareBank 1 Finans Midt- Norge is the region's leading finance company and an active partner for businesses and private customers. SpareBank 1 Finans Midt- Norge offers car loans, boat loans, leasing and business loans to corporates and private individuals. The company services the market through its own sales operation and through the Bank's offices and other partners. The company's values are its easy access, prompt response, proactive stance, solution focus and probity.

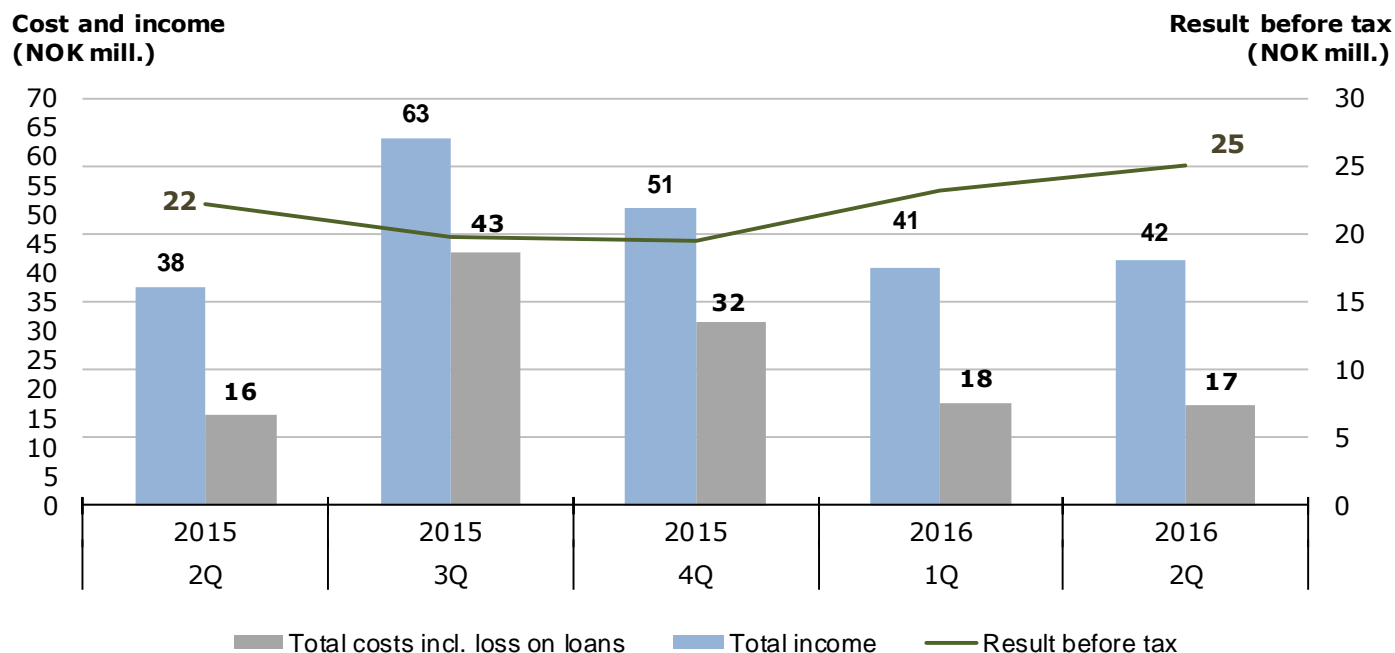
The company is owned by SpareBank 1 SMN (64.6 per cent), Samarbeidende Sparebanker (27.9 per cent) and SpareBanken Sogn og Fjordane (7.5 per cent). With Samarbeidende Sparebanker on the owner side, the company has a presence in ten different counties dispersed across Mid- and South Norway, Nord- and Sør-Trøndelag, Møre og Romsdal, Sogn og Fjordane, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

## Business description SpareBank1 Finans Midt-Norge AS

### Financial performance

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
<b>Total interest income</b>	<b>45</b>	<b>43</b>	<b>42</b>	<b>39</b>	<b>33</b>	<b>88</b>	<b>73</b>	<b>154</b>	<b>130</b>
Commission income and other income	-3	-2	9	24	5	-5	0	33	-4
<b>Total income</b>	<b>42</b>	<b>41</b>	<b>51</b>	<b>63</b>	<b>38</b>	<b>83</b>	<b>73</b>	<b>187</b>	<b>126</b>
<b>Total operating expenses</b>	<b>14</b>	<b>15</b>	<b>29</b>	<b>41</b>	<b>14</b>	<b>29</b>	<b>27</b>	<b>97</b>	<b>50</b>
<b>Ordinary operating profit</b>	<b>29</b>	<b>26</b>	<b>23</b>	<b>22</b>	<b>23</b>	<b>54</b>	<b>46</b>	<b>91</b>	<b>75</b>
Loss on loans, guarantees etc.	4	3	3	2	1	6	3	8	8
Total costs incl. loss on loans	17	18	32	43	16	35	30	105	58
<b>Result before tax</b>	<b>25</b>	<b>23</b>	<b>19</b>	<b>20</b>	<b>22</b>	<b>48</b>	<b>43</b>	<b>83</b>	<b>68</b>

### Cost and income (NOK mill.)



## SpareBank 1 Regnskapshuset SMN AS

SpareBank 1 Regnskapshuset SMN is an accountancy business, which has also built up a dedicated advisory/ technical department, comprising experts in tax, accountancy and governance. In collaboration with other SpareBank 1 banks, SpareBank 1 Regnskapshuset SMN has launched a nationwide drive in the accounting business through SpareBank 1 Regnskapshuset. SpareBank 1 Regnskapshuset intends to be one of Norway's leading actors in the accounting industry by building up a national accounting enterprise based on regional ownership, strong links to the owner banks and closeness to the market.

SpareBank 1 Regnskapshuset SMN took over six accounting firms in 2013. Four further accounting firms have been acquired in 2014, one in 2015 and three in 2016. The strategy of growth through acquisitions represents a consolidation of a fragmented accounting industry.

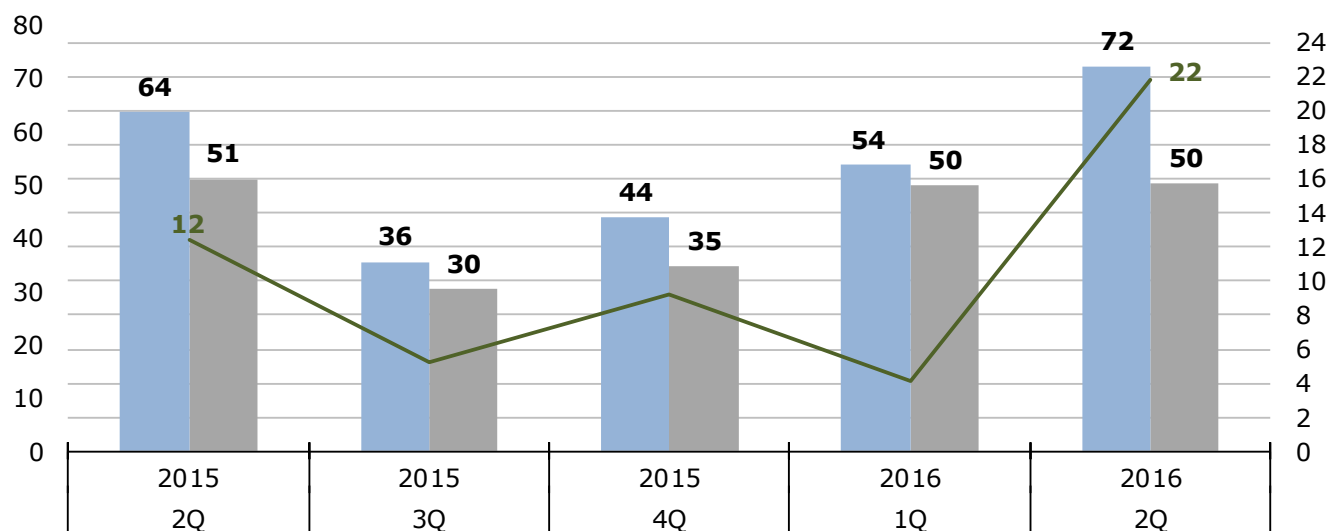
## Business description Regnskapshuset SMN AS

### Financial performance

(in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun.		2015	2014
						2016	2015		
Total interest income	0	-0	-	-0	-0	-0	-0	-0	6
Commission income and other income	72	54	44	36	64	126	117	197	182
<b>Total income</b>	<b>72</b>	<b>54</b>	<b>44</b>	<b>36</b>	<b>64</b>	<b>126</b>	<b>117</b>	<b>197</b>	<b>188</b>
<b>Total operating expenses</b>	<b>50</b>	<b>50</b>	<b>35</b>	<b>30</b>	<b>51</b>	<b>100</b>	<b>97</b>	<b>162</b>	<b>148</b>
<b>Result before tax</b>	<b>22</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>12</b>	<b>26</b>	<b>20</b>	<b>35</b>	<b>40</b>

Cost and income  
(NOK mill.)

Result before tax  
(NOK mill.)



■ Total operating expenses   ■ Total income   — Result before tax

## SpareBank 1 Markets

SpareBank 1 Markets AS is a Norwegian investment bank within the SpareBank 1 Alliance. The company provides research, financial advice, capital raising and stockbroking services, debt and fixed income products. Through the collaboration with the SpareBank 1 Alliance, SpareBank 1 Markets can offer a complete national capital structure service, and cover all customer segments, from retail clients and small and medium- sized businesses to large listed companies and institutional investors. The company has offices in Trondheim and Oslo.

SpareBank 1 Markets has been a subsidiary of SpareBank 1 SMN since 1 April 2015 and is consolidated in the Group accounts on a par with the other subsidiaries as from the same date. SpareBank 1 SMN's capital market activities were transferred to SpareBank 1 Markets as part of the transaction. Following the merger the company is owned by SpareBank 1 SMN (73.5 per cent), SpareBank 1 Nord-Norge (10.0 per cent), SamSpar (10.0 per cent), Sparebanken Hedmark (6.2 per cent) and others (0.4 per cent)

The table below shows the pro forma accounts for SpareBank 1 Markets, including numbers from SpareBank 1 SMN Markets. The numbers for 4Q, 3Q and 2Q 2015 show the financial performance of the restructured company, while the numbers referring to 30 June 2016 pro forma include the first quarter result of both SpareBank 1 Markets and the former capital market operations in SpareBank 1 SMN. Figures for SpareBank 1 Markets refer to the company accounts.

## SpareBank 1 Markets

<i>Financial performance</i> (in NOK million)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	30 Jun. 2016 2015		SMN Markets 1Q 2015	30 Jun.2015 proforma
Net interest	-3	-2	-1	-1	-1	-4	-1	-15	-16
Equities / High Yield	22	23	21	13	17	44	35	2	37
Fixed Income	6	2	-0	-23	-3	8	-2	-	-2
Corporate	19	32	8	10	8	51	16	-	16
Foreign exchange/ interest rate derivatives	22	10	19	5	27	33	27	43	70
Other commission income	2	2	1	2	2	4	2	1	3
<b>Total income</b>	<b>68</b>	<b>68</b>	<b>49</b>	<b>6</b>	<b>49</b>	<b>136</b>	<b>78</b>	<b>32</b>	<b>109</b>
<b>Total operating expenses</b>	<b>66</b>	<b>63</b>	<b>70</b>	<b>59</b>	<b>59</b>	<b>129</b>	<b>105</b>	<b>10</b>	<b>115</b>
<b>Results</b>	<b>2</b>	<b>5</b>	<b>-21</b>	<b>-53</b>	<b>-10</b>	<b>7</b>	<b>-27</b>	<b>21</b>	<b>-6</b>
Loss on loans, guarantees etc.	-	2	-	-	-	2	0	-	0
<b>Results before tax</b>	<b>2</b>	<b>3</b>	<b>-21</b>	<b>-53</b>	<b>-10</b>	<b>5</b>	<b>-27</b>	<b>21</b>	<b>-6</b>

The table below shows the financial performance as of March 31<sup>st</sup> 2015 for the former business line SpareBank 1 SMN Markets

## SpareBank 1 SMN Markets

<i>Financial performance</i> (in NOK million)	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	31 Mar. 2015 2014		2014
Net interest income	-15	-7	2	-1	-3	-15	-3	-9
Net interest income allocated capital	0	-1	0	0	0	0	0	-
<b>Total interest income</b>	<b>-15</b>	<b>-8</b>	<b>2</b>	<b>-1</b>	<b>-2</b>	<b>-15</b>	<b>-2</b>	<b>-9</b>
Net fee and commission income	3	4	3	4	8	3	8	19
Capital gain/Agio Securities	43	1	6	9	11	43	11	27
<b>Total income</b>	<b>32</b>	<b>-3</b>	<b>11</b>	<b>13</b>	<b>17</b>	<b>32</b>	<b>17</b>	<b>37</b>
<b>Total operating expenses</b>	<b>10</b>	<b>9</b>	<b>18</b>	<b>16</b>	<b>16</b>	<b>10</b>	<b>16</b>	<b>58</b>
<b>Results</b>	<b>21</b>	<b>-12</b>	<b>-7</b>	<b>-3</b>	<b>1</b>	<b>21</b>	<b>1</b>	<b>-21</b>
Loss on loans, guarantees etc.	-	-	-0	0	-	-	-	-
<b>Results before tax</b>	<b>21</b>	<b>-12</b>	<b>-7</b>	<b>-3</b>	<b>1</b>	<b>21</b>	<b>1</b>	<b>-21</b>



### *Other subsidiaries*

**Allegro Kapitalforvaltning:** The company is licensed to carry on active asset management. It manages assets for external public, private and institutional clients. The company's services are sold exclusively through external distributors that are licensed to engage in such activity. The company has distribution agreements with a number of banks in the SpareBank 1 Alliance.

**SpareBank 1 Bilplan:** The company delivers car fleet management solutions to the public and private sectors nationwide. The company services the market through its own sales operation and through cooperation with SpareBank 1 Finans Midt-Norge, SpareBank 1 SR-Finans, SpareBank 1 Finans Nord-Norge and through the Bank's office network.

**SpareBank 1 Invest:** The company's strategy is to carry out investments in regional seedcorn, venture and private equity funds and to invest directly in growth companies with national/ international market potential in the same market area.

**Property companies:** Their mission is to own, operate and develop property. Property companies: SpareBank 1 SMN Kvartalet, SpareBank 1 Bygget Steinkjer, Brannstasjonen SMN, St Olavs Plass 1 SMN, Jernbanegata 19 SMN, SpareBank 1 Bygget Trondheim, Bjerkeløkkja.

## 8. Development last ten years

### Financial results

(in NOK million)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net interest	1,024	1,139	1,350	1,325	1,317	1,392	1,477	1,616	1,790	1,872
Commission income and other income	580	671	610	756	855	919	1,139	1,463	1,512	1,545
Net return on financial investments	419	332	207	596	410	434	451	502	720	459
<b>Total income</b>	<b>2,022</b>	<b>2,142</b>	<b>2,167</b>	<b>2,677</b>	<b>2,582</b>	<b>2,746</b>	<b>3,067</b>	<b>3,580</b>	<b>4,021</b>	<b>3,876</b>
Staff costs	512	583	623	725	583	810	942	923	1,002	1,093
Other operating expenses	478	519	571	528	557	672	712	799	787	838
<b>Total operating expenses</b>	<b>990</b>	<b>1,102</b>	<b>1,194</b>	<b>1,253</b>	<b>1,140</b>	<b>1,482</b>	<b>1,654</b>	<b>1,722</b>	<b>1,789</b>	<b>1,931</b>
<b>Result before losses</b>	<b>1,032</b>	<b>1,039</b>	<b>975</b>	<b>1,424</b>	<b>1,441</b>	<b>1,264</b>	<b>1,414</b>	<b>1,859</b>	<b>2,232</b>	<b>1,945</b>
Loss on loans, guarantees etc.	-84	-6	202	277	132	27	58	101	89	169
<b>Result before tax</b>	<b>1,116</b>	<b>1,045</b>	<b>773</b>	<b>1,147</b>	<b>1,309</b>	<b>1,236</b>	<b>1,355</b>	<b>1,758</b>	<b>2,143</b>	<b>1,776</b>
Tax charge	219	200	156	210	260	255	295	388	362	370
Results investments held for sale, after tax					-27	43	16	30	0	(1)
<b>Net profit</b>	<b>898</b>	<b>846</b>	<b>617</b>	<b>937</b>	<b>1,022</b>	<b>1,024</b>	<b>1,077</b>	<b>1,400</b>	<b>1,782</b>	<b>1,406</b>

### Balance sheet\*

(in NOK million)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Cash and loans to and claims on credit institutions	2,323	3,878	4,548	1,260	2,532	4,075	4,091	5,984	5,965	5,677
CDs, bonds and other interest-bearing securities	5,602	7,246	12,036	19,302	22,948	21,485	25,614	26,358	27,891	30,282
Gross loans to customers before write-downs	52,819	59,178	64,016	61,782	69,847	73,105	74,943	80,548	90,578	93,974
- Specified write-downs	-147	-116	-215	-219	-222	-172	-144	-173	-172	-183
- Write-downs by loan category	-184	-185	-245	-289	-290	-290	-295	-295	-295	-376
Other assets	2,765	1,502	4,540	2,704	3,182	3,252	3,766	2,938	2,080	2,540
<b>Assets</b>	<b>63,178</b>	<b>71,503</b>	<b>84,679</b>	<b>84,541</b>	<b>97,997</b>	<b>101,455</b>	<b>107,975</b>	<b>115,360</b>	<b>126,047</b>	<b>131,914</b>
Deposits from credit institutions	2,766	5,346	9,000	11,310	13,062	9,118	7,410	6,581	9,123	8,155
Deposits from and debt to customers	30,136	32,434	35,280	37,227	42,786	47,871	52,252	55,927	60,680	64,090
Debt created by issue of securities	21,911	23,950	29,680	24,070	29,625	31,306	33,121	36,806	39,254	40,569
Other liabilities	1,799	2,265	2,045	1,876	1,922	2,122	2,070	1,485	1,095	1,734
Subordinated loan capital	2,383	2,648	3,156	3,875	2,758	2,690	3,040	3,319	3,371	3,463
Total equity capital	4,183	4,860	5,518	6,183	7,846	8,348	10,082	11,242	12,524	13,904
<b>Total liabilities and equity</b>	<b>63,178</b>	<b>71,503</b>	<b>84,679</b>	<b>84,541</b>	<b>97,997</b>	<b>101,455</b>	<b>107,975</b>	<b>115,360</b>	<b>126,047</b>	<b>131,914</b>

\*) 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 and 2013 are similarly restated, but earlier years have not been restated due to small changes

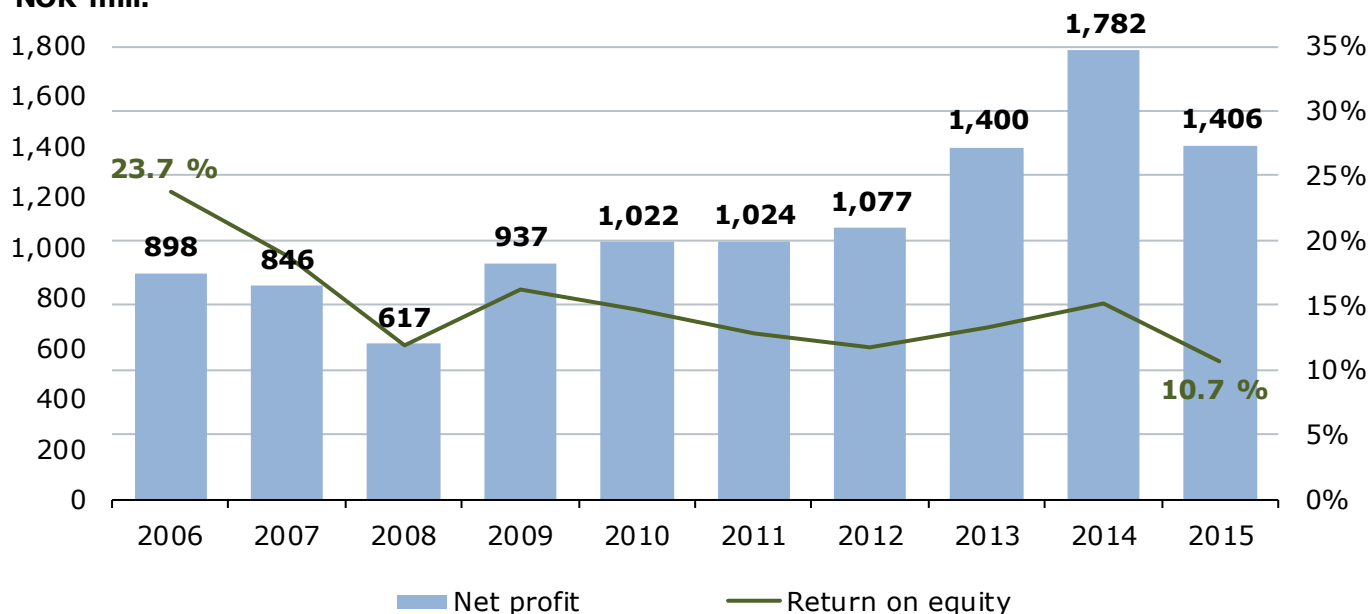
## Key figures

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Return on equity	23.7 %	18.9 %	11.9 %	16.2 %	14.6 %	12.8 %	11.7 %	13.3 %	15.1 %	10.7 %
Cost/income ratio group	49.0 %	51.7 %	55.0 %	46.8 %	44.2 %	54.0 %	53.9 %	48.1 %	44.5 %	49.8 %
Cost/income ratio group, ex. financial inv.	61.1 %	60.8 %	60.2 %	52.5 %	52.5 %	64.1 %	63.2 %	55.9 %	54.2 %	56.5 %
Cost/income ratio parent bank	47.6 %	52.4 %	55.3 %	47.2 %	40.2 %	50.5 %	47.5 %	40.2 %	40.5 %	38.0 %
12-month cost growth	9.3 %	11.8 %	7.9 %	4.9 %	-9.0 %	30.0 %	11.6 %	4.1 %	3.9 %	7.9 %
Gross loans to customers*	52,819	61,910	71,317	77,429	87,665	95,232	104,925	112,283	120,435	127,378
Gross loans in retail market	33,808	38,872	42,679	45,157	49,619	55,034	62,587	68,591	74,087	80,725
Gross loans in corporate market	19,011	23,038	28,638	32,272	38,046	40,198	42,322	43,692	46,348	46,653
Growth in loans last 12 months*	16.6 %	17.2 %	15.2 %	8.6 %	13.2 %	8.6 %	10.2 %	6.8 %	7.3 %	5.8 %
Deposits from customers	30,136	32,434	35,280	37,227	42,786	47,871	52,252	55,927	60,680	64,090
Deposits from retail market	14,707	16,070	17,566	17,898	19,052	20,860	22,279	23,891	26,496	28,336
Deposits from corporate market	15,429	16,363	17,715	19,330	23,734	27,011	29,973	32,036	34,184	35,754
Growth in deposits last 12 months	11.4 %	7.6 %	8.8 %	5.5 %	14.9 %	11.9 %	9.2 %	7.3 %	8.5 %	5.6 %
Deposit-to-loan ratio*	57.1 %	52.4 %	49.5 %	48.1 %	48.8 %	50.3 %	49.8 %	49.8 %	50.4 %	50.3 %
Total assets	63,178	71,503	84,679	84,541	97,997	102,479	107,975	115,360	126,047	131,914
Average total assets	56,434	67,202	75,820	86,679	91,317	98,465	105,372	111,843	117,794	128,355
Employees in employment group	841	931	982	1,016	1,035	1,098	1,135	1,159	1,192	1,208
Employees in employment parent bank	661	723	750	767	764	786	793	757	753	645
Employees in employment subsidiaries	180	208	232	250	271	312	342	402	439	563
Net other operating income of total income	28.7 %	31.3 %	28.2 %	28.2 %	33.1 %	33.5 %	37.1 %	40.8 %	38.0 %	40 %
Common Equity Tier 1 ratio	7.5 %	7.4 %	7.1 %	7.7 %	9.3 %	8.9 %	10.0 %	11.1 %	11.2 %	13.6 %
Capital adequacy ratio	11.9 %	12.1 %	11.9 %	13.6 %	13.0 %	12.0 %	13.3 %	14.7 %	15.7 %	18.3 %
Core capital ratio	8.6 %	8.4 %	8.1 %	10.4 %	10.9 %	10.4 %	11.3 %	13.0 %	13.0 %	15.6 %
Total core capital	3,614	4,019	4,967	6,730	7,283	7,856	9,357	10,989	12,382	13,988
Net subordinated capital	5,229	5,762	7,312	8,730	8,646	9,055	10,943	12,417	14,937	16,378
Impairment losses ratio	-0.03 %	-0.01 %	0.21 %	0.31 %	0.16 %	0.03 %	0.06 %	0.09 %	0.08 %	0.14 %
Non-perf. commitm. as % of gross loans	0.41 %	0.39 %	0.46 %	0.49 %	0.57 %	0.36 %	0.36 %	0.34 %	0.22 %	0.13 %
Other doubtful commitm. as % of gross loans	0.51 %	0.37 %	1.33 %	0.57 %	0.24 %	0.21 %	0.14 %	0.14 %	0.18 %	0.30 %

\* Gross loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

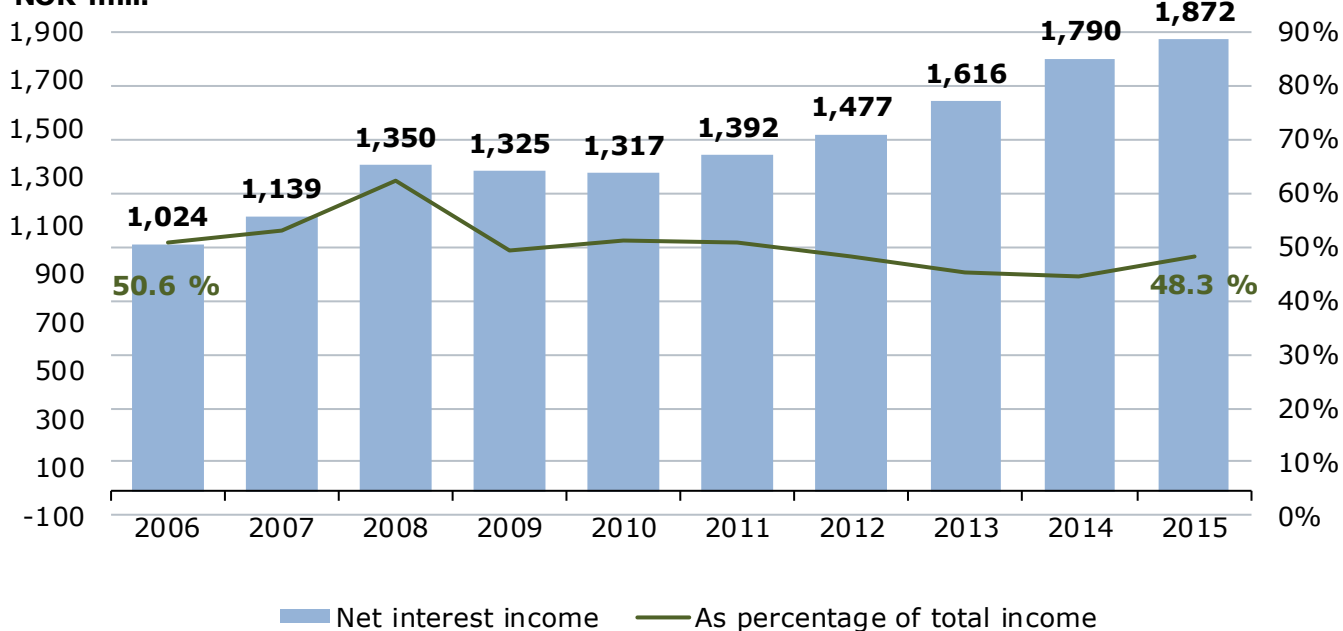
### Net profit and return on equity

NOK mill.

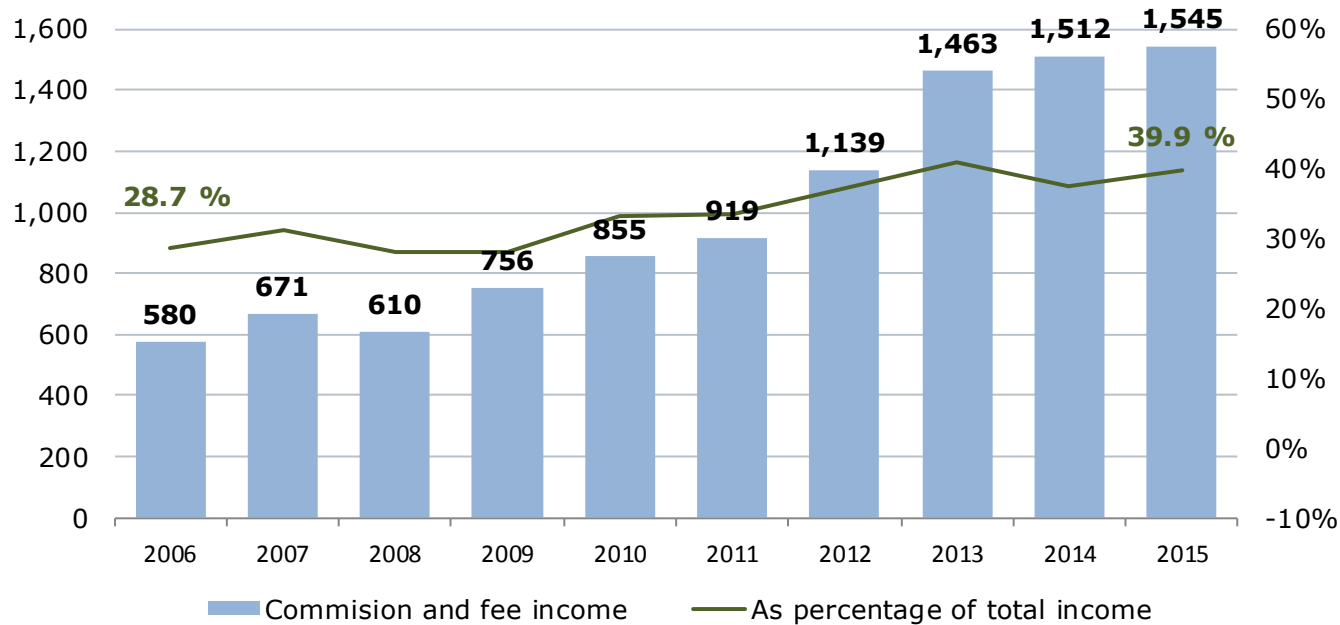


### Development in net interest income

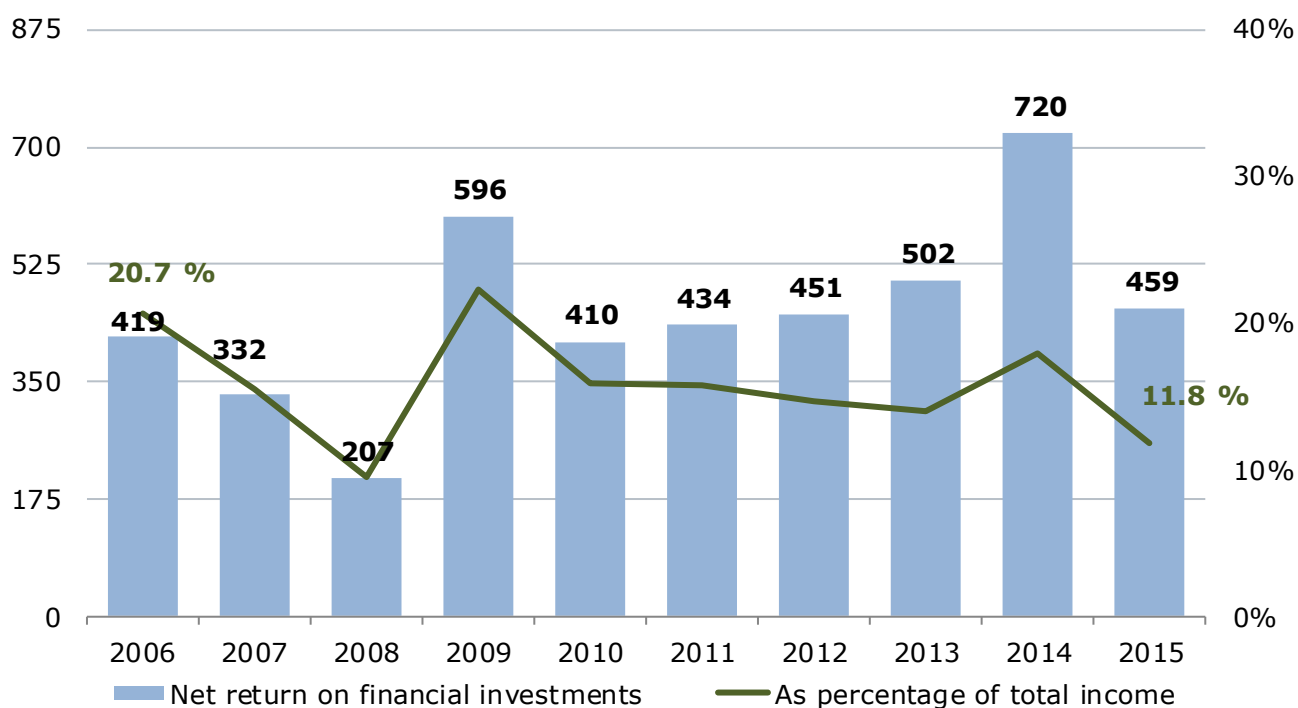
NOK mill.



### Development in commission income and other income

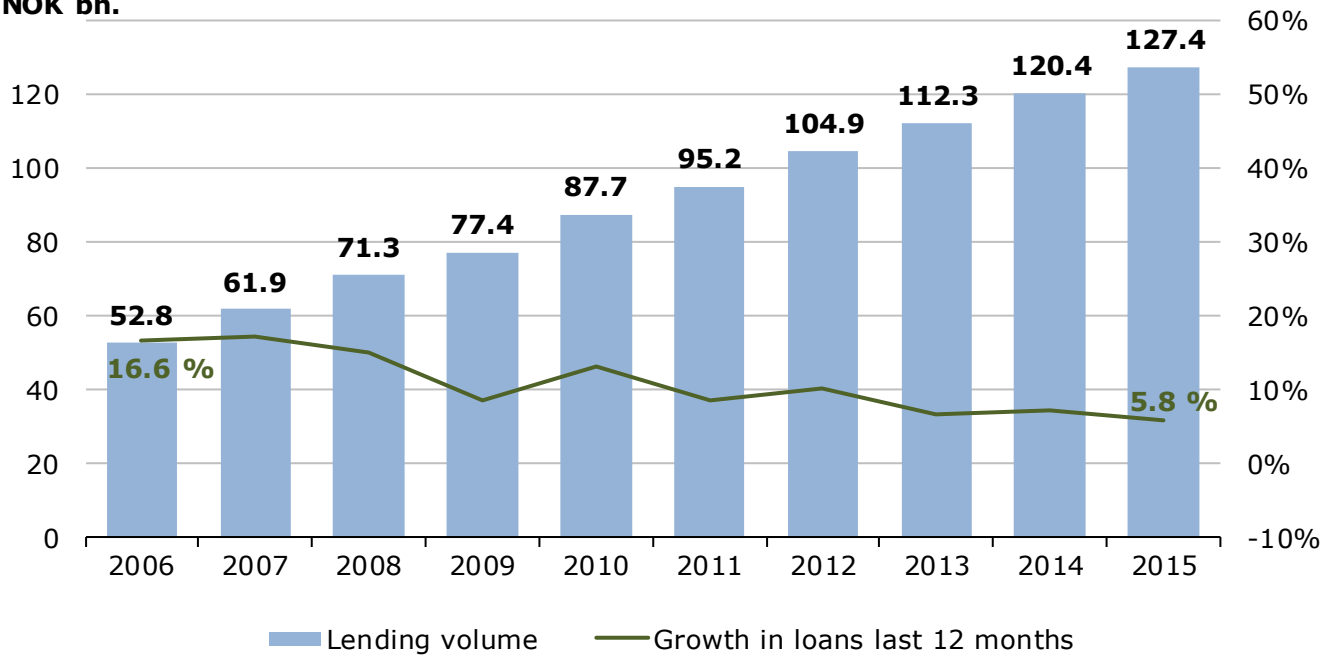


### Development in net return on financial investments



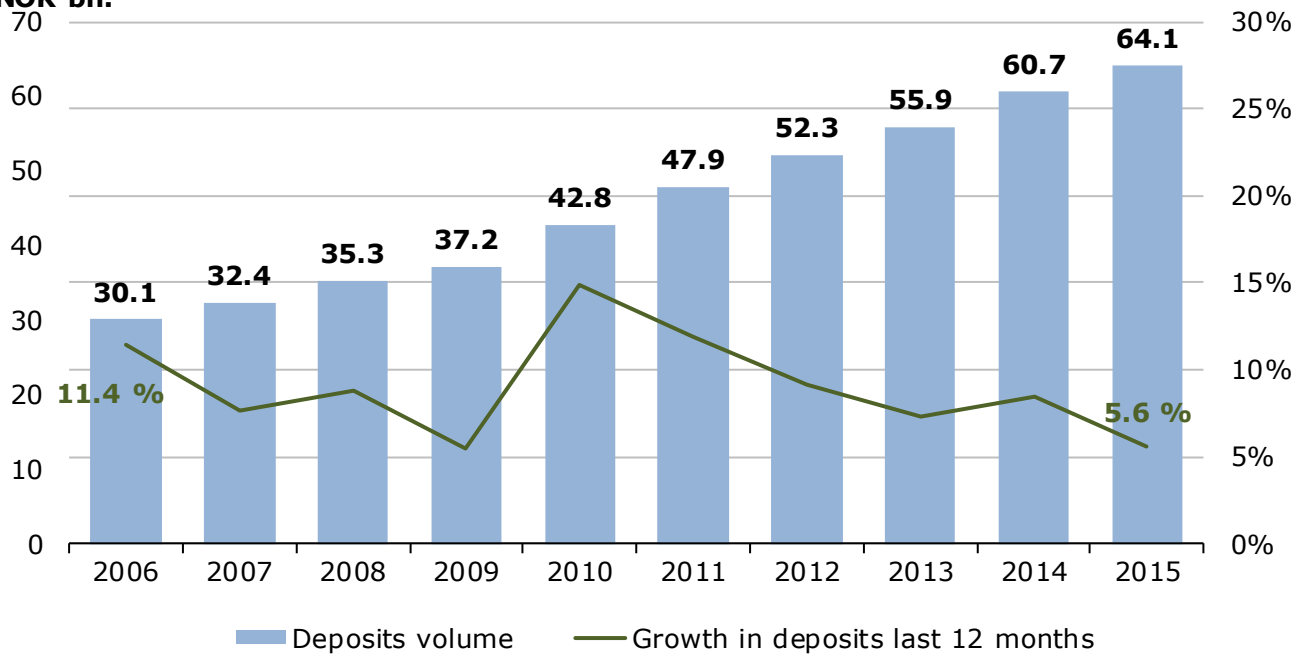
Volume development, Lending\*

NOK bn.



Volume development, Deposits\*

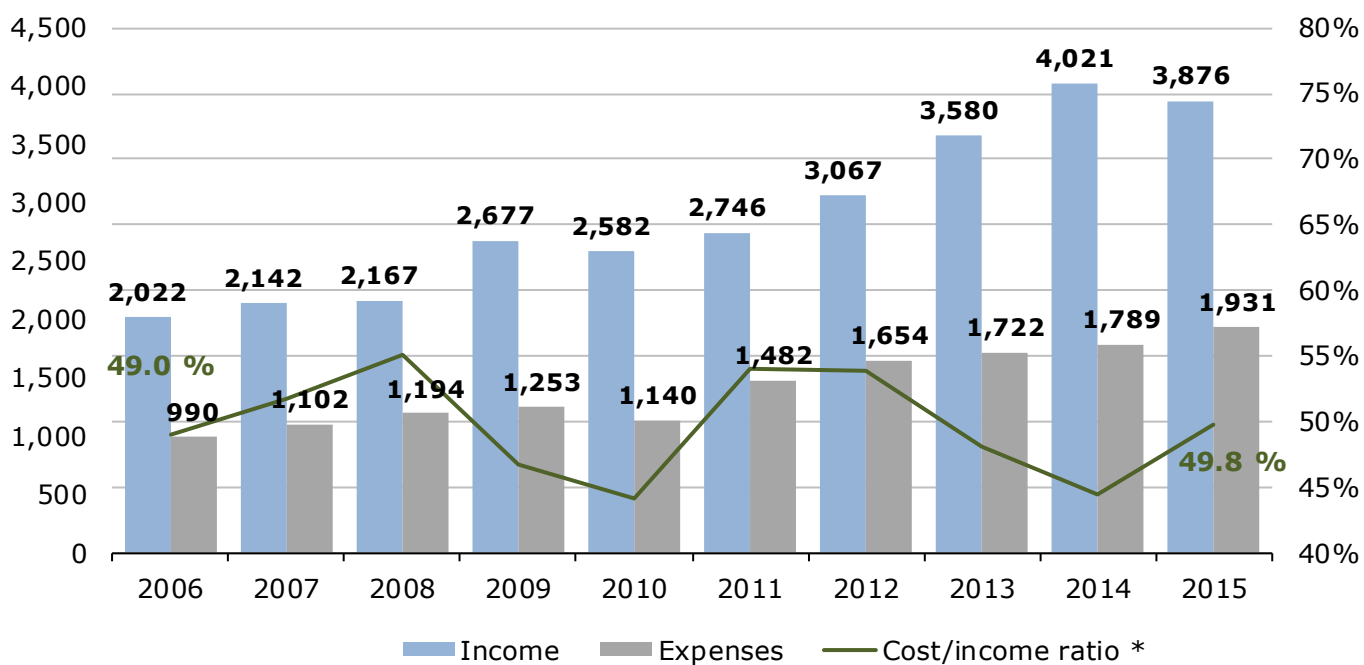
NOK bn.



\*)

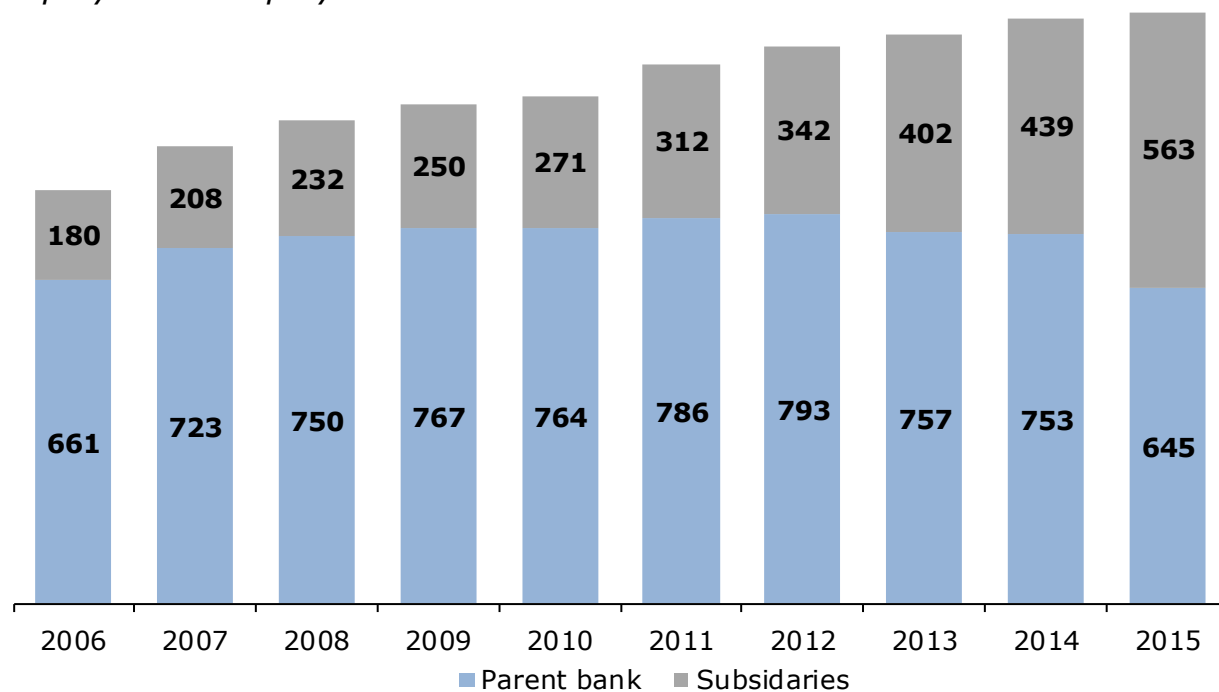
### Cost/income ratio

NOK mill.

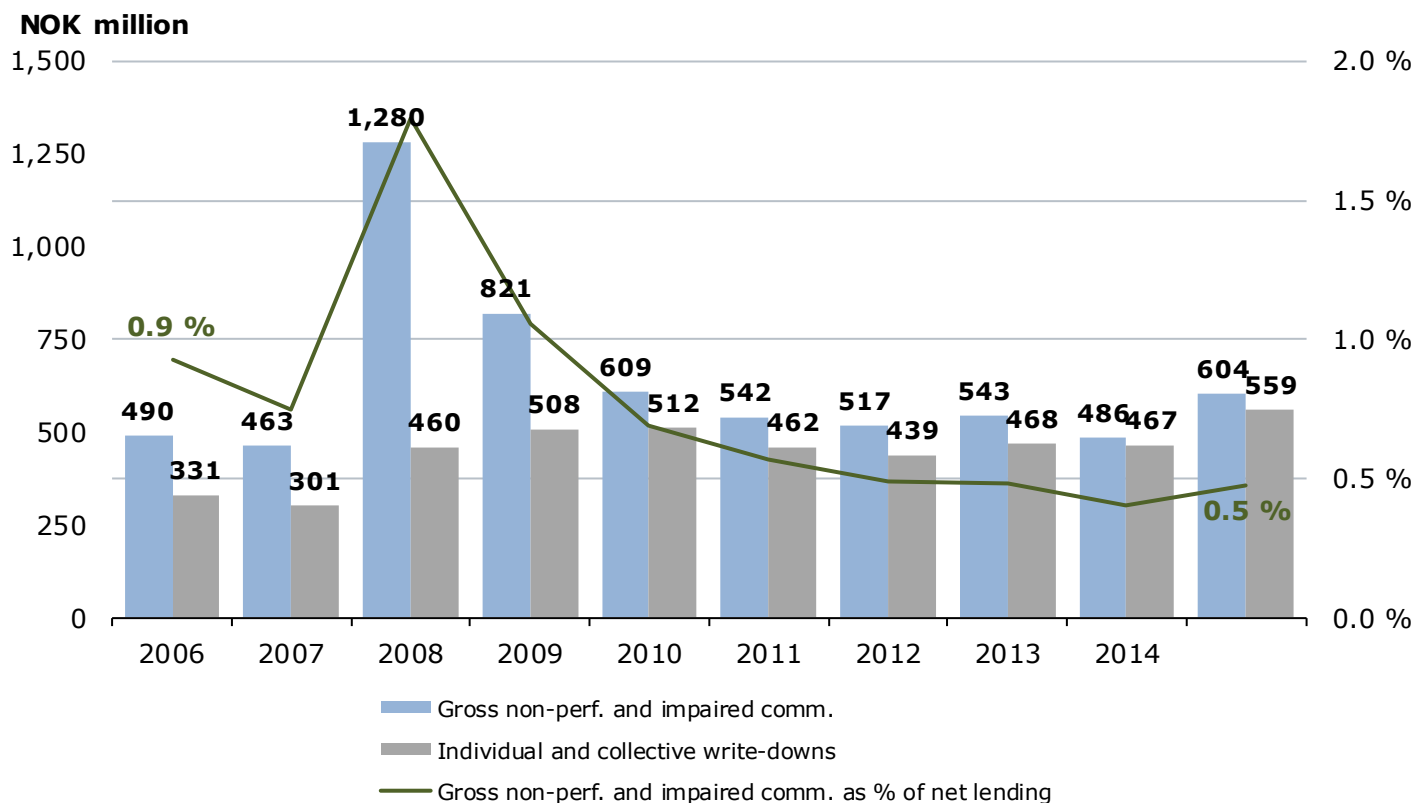


\* Total operating expenses as a percentage of total operating income

### Employees in employment



### Net non-performing and impaired commitments





Capital Adequacy

