

# Second Quarter Report 2017



## Contents

Main figures .....	3
Report of the Board of Directors .....	5
Income statement .....	18
Balance sheet .....	20
Cash flow statement .....	21
Change in equity .....	22
Notes .....	25
Equity capital certificate ratio .....	45
Results from quarterly accounts .....	46
Key figures from quarterly accounts .....	47
Statement in compliance with the securities trading act, section 5-6 .....	48
Equity capital certificates .....	49
Auditor's report .....	51

## Main figures

From the income statement	First half 2017		First half 2016		2016	
	NOKm	% 1)	NOKm	% 1)	NOKm	% 1)
Net interest	1,043	1.46	942	1.39	1,883	1.37
Net commission income and other income	993	1.39	849	1.25	1,674	1.22
Net return on financial investments	269	0.38	443	0.65	944	0.69
<b>Total income</b>	<b>2,306</b>	<b>3.22</b>	<b>2,234</b>	<b>3.29</b>	<b>4,502</b>	<b>3.28</b>
<b>Total operating expenses</b>	<b>1,169</b>	<b>1.63</b>	<b>1,016</b>	<b>1.50</b>	<b>2,003</b>	<b>1.46</b>
<b>Results before losses</b>	<b>1,137</b>	<b>1.59</b>	<b>1,217</b>	<b>1.79</b>	<b>2,499</b>	<b>1.82</b>
Loss on loans, guarantees etc	175	0.24	287	0.42	516	0.38
<b>Results before tax</b>	<b>961</b>	<b>1.34</b>	<b>930</b>	<b>1.37</b>	<b>1,983</b>	<b>1.45</b>
Tax charge	205	0.29	157	0.23	341	0.25
Result investment held for sale, after tax	2	0.00	-2	0.00	4	0.00
<b>Net profit</b>	<b>759</b>	<b>1.06</b>	<b>771</b>	<b>1.14</b>	<b>1,647</b>	<b>1.20</b>

Key figures	30 June 2017	30 June 2016	31 Dec 2016
<b>Profitability</b>			
Return on equity <sup>2)</sup>	9.9 %	10.9 %	11.3 %
Cost-income ratio <sup>3)</sup>	51 %	46 %	44 %
<b>Balance sheet figures</b>			
Gross loans to customers	107,358	97,790	102,325
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	143,800	132,583	137,535
Deposits from customers	75,559	67,031	67,168
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	70 %	69 %	66 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	53 %	51 %	49 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	8.5 %	6.5 %	8.0 %
Growth in deposits last 12 months	12.7 %	1.3 %	4.8 %
Average total assets	143,190	135,801	137,060
Total assets	149,449	141,145	138,080
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>			
Impairment losses ratio	0.25 %	0.44 %	0.39 %
Non-performing commitm. as a percentage of gross loans <sup>4)</sup>	0.18 %	0.19 %	0.16 %
Other doubtful commitm. as a percentage of gross loans <sup>4)</sup>	0.80 %	0.90 %	1.07 %
<b>Solidity</b>			
Capital adequacy ratio	19.1 %	18.7 %	19.4 %
Core capital ratio	16.9 %	16.1 %	17.0 %
Common equity tier 1 ratio	15.0 %	14.1 %	14.9 %
Core capital	15,622	14,604	15,069
Net equity and related capital	17,649	16,882	17,185
Liquidity Coverage Ratio (LCR)	160 %	149 %	129 %
Leverage Ratio	7.2 %	6.8 %	7.4 %
<b>Branches and staff</b>			
Number of branches	48	49	48
No. Of full-time positions	1,408	1,252	1,254

Key figures ECC <sup>5)</sup>	30 June 2017	30 June 2016	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013
ECC ratio	64.0 %	64.0 %	64.0 %	64.0 %	64.6 %	64.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83
ECC share price at end of period (NOK)	71.75	46.70	64.75	50.50	58.50	55.00
Stock value (NOKM)	9,316	6,063	8,407	6,556	7,595	7,141
Booked equity capital per ECC (including dividend)	73.85	69.18	73.26	67.65	62.04	55.69
Profit per ECC, majority	3.65	3.71	7.91	7.02	8.82	6.92
Dividend per ECC			3.00	2.25	2.25	1.75
Price-Earnings Ratio	9.82	6.30	8.19	7.19	6.63	7.95
Price-Book Value Ratio	0.97	0.68	0.88	0.75	0.94	0.99

1) Calculated as a percentage of average total assets

2) Net profit as a percentage of average equity

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

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

5) The key figures are corrected for issues

# Report of the Board of Directors

## First half 2017

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

- Pre-tax profit: NOK 961m (930m)
- Net profit: NOK 759m (771m)
- Return on equity: 9.9 per cent (10.9 per cent)
- Growth in lending: 8.5 per cent (6.5 per cent) and in deposits: 12.7 per cent (1.3 per cent) in the last 12 months
- Loan losses: NOK 175m (287m), 0.25 per cent (0.44 per cent) of gross loans
- CET1 capital ratio: 15.0 per cent (14.1 per cent)
- Earnings per equity certificate (EC): NOK 3.65 (3.71)

## Second quarter 2017

- Pre-tax profit: NOK 507m (546m)
- Net profit: NOK 401m (460m)
- Return on equity: 10.5 per cent (12.9 per cent)
- Loan losses: NOK 86m (118m), 0.24 per cent (0.36 per cent) of gross loans
- Earnings per equity certificate (EC): NOK 1.92 (2.21)

## Good result for the first half of 2017

### Main points:

- Strengthened operating profit
- Reduced losses on loans to the offshore segment
- Good results at subsidiaries and affiliates
- Strong financial position
- High customer influx and good growth
- The Group's income and cost base has increased as a result of the acquisition by SpareBank 1 SMN Regnskapshuset, increased activity at SpareBank 1 SMN Markets and the establishment of BN Bolig

In the first half of 2017 SpareBank 1 SMN achieved a pre-tax profit of NOK 961m (930m). The net profit was NOK 759m (771m) and return on equity was 9.9 per cent (10.9 per cent).

Profit in the second quarter was NOK 401m (460m), an improvement of NOK 43m on the first quarter. Return on equity in the quarter came to NOK 10.5 per cent (12.9 per cent).

The Group increased its operating income in the first half of 2017 by NOK 246m to NOK 2,036m (1,791m), both as a result of increased net interest income and increased commission income. SpareBank 1 SMN Regnskapshuset's acquisition and income growth at SpareBank 1 SMN Markets explain much of the increase.

Return on financial investments was NOK 269m (443m), of which income from owner interests accounted for NOK 165m (246m).

Operating expenses came to NOK 1,169m in the first half of 2017 (1,016m). The bank is well placed to attain its target of zero cost growth at the parent bank again in 2017. The Group's cost growth is due to cost increases at the subsidiaries.

First-half loan losses totalled NOK 175m (287m), corresponding to 0.25 per cent (0.44 per cent) of total lending. The losses are in all essentials in the offshore segment and are in keeping with the level expected.

Growth in lending and deposits in the last 12 months was 8.5 per cent (6.5 per cent) and 12.7 per cent (1.3 per cent) respectively. In the first half-year lending rose by 4.6 per cent (4.1 per cent) and deposits by 12.6 per cent (4.6 per cent).

As at 30 June 2017 the CET1 ratio was 15.0 per cent (14.1 per cent), in keeping with the Group's target.

Earnings per EC were NOK 3.65 (3.71) in the first half-year. The book value per EC as at 30 June 2017 was NOK 73.85 (69.18).

The EC's market price at the half-year mark was NOK 71.75 (46.70 at the turn of the year). A cash dividend of NOK 3.00 per EC was paid in the second quarter for the year 2016.

#### **Increased net interest income**

Net interest income came to NOK 1,043m (942m) in the first half of 2017. The increase of NOK 101m is in large measure ascribable to growth in lending and improved margins both on residential mortgage loans and loans to corporates. The margin improvement is a result of lower market interest rates and repricing of parts of the corporate portfolio.

In January 2017 a general interest rate increase of up to 20 basis points was effectuated on residential loans. After the rate increase, the average lending rate on residential loans is still at a lower level than in the same period of last year.

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in the first half of 2017 totalled NOK 166m (149m).

#### **Increased commission income**

Net commission and other operating income totalled NOK 993m (849m) in the first half of 2017, an increase of NOK 144m.

An increase of NOK 81m in income from accounting services is in large measure ascribable to the acquisition of Økonomisenteret with effect from January 2017. In addition, income at SpareBank 1 Markets has shown a positive trend, having increased by NOK 42m. Incomes from SpareBank 1 Boligkreditt and Næringskreditt have increased by 17m as a result of a higher volume of loans sold to these companies.

Commission income (NOKm)	January-June		Change
	2017	2016	
Payment transfers	103	94	8
Creditcard	29	30	-1
Saving products	44	42	2
Insurance	84	79	5
Guarantee commission	32	40	-8
Real estate agency	200	197	4
Accountancy services	200	119	81
Markets	106	64	42
Other commissions	29	37	-8
<b>Commissions ex SB1 Boligkreditt and SB1 Næringskreditt</b>	<b>827</b>	<b>701</b>	<b>125</b>
Commissions SB1 Boligkreditt	158	144	14
Commissions SB1 Næringskreditt	8	5	3
<b>Total commissions</b>	<b>993</b>	<b>850</b>	<b>143</b>

### Result for financial investments

Overall return on financial investments was NOK 100m (124m).

- A net gain of NOK 31m on equities and financial derivatives (gain of NOK 90m)
- Other financial instruments measured at fair value include value changes on the bank's portfolio of fixed rate loans, and have yielded a gain of NOK 15m (20m) in the period
- The Group's holding of commercial paper and bonds has yielded a gain of NOK 187m (3m)
- The prices of financial instruments used by the bank for hedging purposes are reduced, and the bank has recorded a loss of NOK 152m (17m) on hedging instruments of which NOK 93m (plus 4m) refers to losses on basis swaps

Result for financial investments (NOKm)	January-June		Change
	2017	2016	
Capital gains shares	34	69	-35
Gain/(loss) on derivatives	-3	21	-24
Gain/(loss) on other financial instruments at fair value (FVO)	15	20	-4
Foreign exchange gain / (loss)	19	28	-9
Gain/(Loss) on certificates and bonds	187	3	184
Gain/(loss) on financial instruments related to hedging	-152	-17	-135
<i>of which basis-swap</i>	-93	4	-98
<b>Net return on financial instruments</b>	<b>100</b>	<b>124</b>	<b>-23</b>

### Income from investment in associated companies

Income from investment in associated companies was NOK 165m (246m).

Income from investment in associated companies	January-June		Change
	2017	2016	
SpareBank 1 Gruppen	134	141	-7
SpareBank 1 Boligkreditt	-37	22	-59
SpareBank 1 Næringskreditt	13	15	-2
SpareBank 1 Kredittkort	7	14	-7
BN Bank	50	51	-1
SpareBank 1 Mobilbetaling	-14	-9	-5
Other companies	12	13	-1
<b>Income from investment in associated companies</b>	<b>165</b>	<b>246</b>	<b>-81</b>

**SpareBank 1 Gruppen**

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

SpareBank 1 Gruppen recorded a profit of NOK 711m in the first half of 2017 (694m). The profit growth is mainly ascribable to the non-life insurance business. The other companies report an approximately unchanged profit compared with 2016.

SpareBank 1 SMN's share of the first-half profit was NOK 134m (141m), down NOK 4m due to revisions between the preliminary and final accounts for 2016.

**SpareBank 1 Boligkreditt**

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to guarantee funding through the market for covered bonds. By selling their best secured residential mortgage loans to the company, the banks achieve reduced funding costs and more secure access to funding. As at 30 June 2017 the bank had sold loans totalling NOK 34bn (33bn) to SpareBank 1 Boligkreditt, corresponding to 36 per cent (39 per cent) of overall loans to wage earners.

The bank's stake in SpareBank 1 Boligkreditt is 19.1 per cent, and the bank's share of that company's profit in the first half of 2017 was minus NOK 37m (22m). The bank's holding reflects its relative share of total residential mortgage loans transferred to SpareBank 1 Boligkreditt by the end of 2016.

The profit share in the first half of 2017 is impaired by value changes of NOK 64m on the company's basis swaps. The portfolio of basis swaps is valued quarterly, and may produce wide profit/loss fluctuations from quarter to quarter. Key drivers are the currencies traded in, changes in exchange rates and issue maturities.

**SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 30 June 2017, loans worth NOK 2.3bn (1.8bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 36.5 per cent, and the bank's share of the company's profit for the first half of 2017 was NOK 13m (15m). The bank's holding reflects its relative share of sold loans to commercial property and its stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 78 per cent have been purchased from BN Bank.

**SpareBank 1 Kredittkort**

Profit for the first half of 2017 was NOK 39m (78m). SpareBank 1 Kredittkort (a credit card company) is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 17.9 per cent. SpareBank 1 SMN's share of the profit for the first half of 2017 was NOK 7m (14m), and the bank's share of the credit card portfolio is NOK 823m.



**BN Bank**

SpareBank 1 SMN owns 33.0 per cent of BN Bank. BN Bank recorded a first-half 2017 profit of NOK 144m (154m) SpareBank 1 SMN's share of the profit of BN Bank was NOK 50m (51m). Return on equity was 8.4 per cent (8.7 per cent).

In keeping with the decision to wind down the focus on financing of commercial property, the commercial portfolio has been reduced by NOK 18bn or 57 per cent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of the remaining corporate portfolio of BN Bank.

BN Bank's main focus is on the personal market.

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

**Vipps and SpareBank 1 Mobilbetaling (mCASH)**

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

Vipps is now assigned to a company in which DNB is the largest owner with about 50 per cent of the shares. The SpareBank 1 Alliance is the second largest owner with 25 per cent, other savings banks with 13 per cent and the Eika Alliance with 10 per cent. The mCASH brand will accordingly be taken off the market in the course of 2017.

The new Vipps will be a strong Norwegian company, well equipped to compete against large Nordic and international actors in the mobile payments area. The company will develop and deliver simple, secure services at the lowest possible cost. Uniting competence with technology in one strong Norwegian company will benefit the customers. SpareBank 1's 550,000 mCASH customers will be invited to join Vipps. The customers will have the same options available as they had as mCASH users.

SpareBank 1 Mobilbetaling recorded a deficit of NOK 34m in the first half of 2017 of which SpareBank 1 SMN's share is NOK 7m. SpareBank 1 SMN has in addition recognised minus NOK 7m as a correction to the 2016 result.

**Operating expenses**

Overall operating expenses came to NOK 1,169m (1,016m) in the first half of 2017. Of the increase of NOK 153m, NOK 74m is ascribable to SpareBank 1 SMN Regnskap's acquisition, NOK 40m to SpareBank 1 Markets and NOK 12m to the start-up of BN Bolig. BN Bolig is consolidated as a subsidiary of EiendomsMegler 1 Midt-Norge.

Parent bank costs rose by NOK 10m to NOK 613m. A reduction of FTEs has in isolation reduced personnel costs. A new tax on financial institutions, effective as from 2017, has increased costs by NOK 9m in the first half-year. Other growth in costs compared with the first half of 2016 relates to technological developments.

The number of FTEs has been reduced from 630 to 609 so far in 2017 and will be further reduced to 590 over the course of the year. This will reduce staffing at the parent bank by 130 FTEs since 2014. Changing customer behaviour and new technology set the stage for increased efficiency, and the target of zero cost growth is retained for 2017.

The Group cost-income ratio was 51 per cent (46 per cent).

### **Reduced losses and continued low default rate**

Losses on loans and guarantees totalled NOK 175m in the first half of 2017 (287m).

A net loss of NOK 81m was recorded on loans to corporates in the second quarter of 2017 (116m). So far this year net losses total NOK 168m (275m). As in 2016, losses in the first half of 2017 relate in all essentials to a small number of exposures in the offshore segment. All major offshore exposures in need of restructuring have now been restructured, and it is on this basis that the current year's offshore-related losses are expected to prove lower than in 2016. Future developments in this industry remain uncertain.

A net loss of NOK 7m was recorded on the retail banking portfolio in the first half of 2017.

Individually assessed write-downs on loans and guarantees totalled NOK 625m at 30 June 2017 (415m), an increase of NOK 187m over the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 1,409m (1,453m), or 0.98 per cent (1.10 per cent), of gross outstanding loans at the half-year mark.

Defaults in excess of 90 days totalled NOK 258m (255m), measuring 0.18 per cent (0.19 per cent) of gross lending. Defaults break down to NOK 85m (36m) on corporates and NOK 173m (219m) on retail borrowers. Individually assessed write-downs on non-performing exposures totalled NOK 55m (31m) corresponding to a share of 21 per cent (12 per cent).

Other doubtful exposures totalled NOK 1,151m (1,198m), breaking down to NOK 1,128m (1,171m) on corporates and NOK 23m (28m) on retail borrowers. Other doubtful exposures measure 0.80 per cent (0.90 per cent) of gross lending. Individually assessed write-downs on these exposures totalled NOK 570m (384m), corresponding to a share of 50 per cent (32 per cent).

### **Collectively assessed impairment write-downs**

The calculation of collectively assessed impairment write-downs is based on two factors:

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

Collectively assessed impairment write-downs connected to the offshore segment increased by NOK 10m in the first quarter of 2017 based on updated risk assessments of companies without individually assessed write-downs. No basis has been found for making changes in the second quarter of 2017. Overall collectively assessed impairment write-downs thus total NOK 351m (418m), measuring 0.25 per cent (0.41 per cent) of total loans. Collectively assessed write-downs break down to NOK 102m on retail exposures and NOK 249m

on corporates. Of the overall provision of NOK 249m on the corporate portfolio, the provision for oil-related activity accounts for NOK 70m. The remaining collectively assessed write-downs of NOK 179m on the corporate portfolio are fairly evenly spread across other sectors.

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

### **Total assets of NOK 149bn**

The Group's assets totalled NOK 149.4bn (141.1bn) at 30 June 2017, having risen by NOK 8.3bn or 6 per cent over the last 12 months. The increase is due primarily to lending growth.

As at 30 June 2017 residential mortgage loans totalling NOK 34.2bn (33.0bn) had been sold to SpareBank 1 Boligkreditt and commercial loans totalling NOK 2.3bn (1.4bn) to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

### **Good growth in residential mortgage lending**

(For distribution by sector – see note 5 and note 9).

Total outstanding loans have risen by NOK 11.2bn (8.1bn) or 8.5 per cent (6.5 per cent) in the last 12 months to reach NOK 143.8bn (including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the half-year mark. Growth in the first half-year was 4.6 per cent (4.1 per cent).

Lending to retail borrowers rose by NOK 8.9bn (7.9bn) in the last 12 months to reach NOK 94.1bn as at 30 June 2017. This represent a growth of 10.5 per cent (10.2 per cent). Growth in the first half-year was 5.3 per cent (5.5 per cent). With this growth the bank has increased its market share.

Lending to corporates increased by NOK 2.3bn (0.2bn) or 4.8 per cent (0.4 per cent) in the last 12 months. Overall lending to corporates came to NOK 49.7bn as at 30 June 2017. Lending to corporate borrowers grew by 3.3 per cent (1.6 per cent) in the first half-year.

Loans to retail borrowers accounted for 65 per cent (64 per cent) of ordinary loans to customers at the end of the first half of 2017.

### **Strong growth in deposits**

Customer deposits rose by NOK 8.5bn (0.8bn) in the last 12 months to reach NOK 75.6bn as at 30 June 2017. This represents a growth of 12.7 per cent (1.3 per cent). Deposits grew by NOK 12.5 per cent (4.6 per cent) in the first half-year.

Retail deposits rose by NOK 1.9bn (1.5bn) or 6.2 per cent (5.3 per cent) in the last 12 months to reach NOK 32.0bn at end-June 2017. Corporate deposits rose by NOK 6.7bn (fall of 0.7bn) or 18.0 per cent (fall of 1.8 per cent) to reach NOK 43.5bn in the last 12 months. In the first half of 2017 retail deposits rose by 7.6 per cent (6.4 per cent) and corporate deposits by 16.4 per cent (3.1 per cent).

### Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 9.7bn at 30 June 2017 (8.2bn), an increase of 17.5 per cent over the last 12 months. The growth is related to value changes on underlying securities and good sales, especially of active asset management products.

Saving products, customer portfolio (NOKm)	January-June		Change
	2017	2016	
Equity funds	5,970	5,177	793
Pension products	782	681	101
Active management	2,913	2,371	542
<b>Total</b>	<b>9,665</b>	<b>8,229</b>	<b>1,436</b>

### Insurance products

The bank's insurance portfolio grew by 5.7 per cent in the last 12 months and the overall premium volume as at 30 June 2017 came to NOK 1,292m (1,222m). Non-life insurance showed 3.0 per cent growth, personal insurance 11.2 per cent growth and occupational pensions 9.6 per cent growth. Overall income on the bank's insurance portfolio came to about NOK 160m in 2016 and growth is forecast again in 2017.

Insurance, premium volume (NOKm)	January-June		Change
	2017	2016	
Non-life insurance	753	731	22
Personal insurance	318	286	32
Occupational pensions	221	205	16
<b>Total</b>	<b>1,292</b>	<b>1,222</b>	<b>70</b>

### Retail Banking

Overall operating income came to NOK 894m (812m) of which net interest income accounted for NOK 529m (474m) and commission income for NOK 364m (338m). Incomes have risen in all product areas as a result of a good customer influx and an increase in the number of multi-product customers. Return on capital employed in the retail banking segment was 16.2 per cent (13.3 per cent). Regulatory capital of 15.0 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin in the first half of 2017 was 1.79 per cent (1.79 per cent), while the deposit margin was 0.21 per cent (0.21 per cent) (measured against three-month NIBOR). The average three-month NIBOR has fallen by about 50 basis points since the start of 2016.

In the last 12 months retail lending and retail deposits grew by 10.0 per cent (9.8 per cent) and 5.6 per cent (4.5 per cent) respectively.

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

### Corporate Banking

Operating income totalled NOK 645m in the first half of 2017 (594m). Net interest income was NOK 544m (492m) and commission income totalled NOK 101m (103m), including NOK 5m (6m) on fixed-income and forex business. Operating income in the corporate segment has risen due in all essentials to a strong increase in deposit volume and improved lending margins.

Overall losses in the corporate banking division came to NOK 166m (274m). The losses are in all essentials related to the challenges in the offshore segment.

Return on capital employed for the corporate banking segment in the first half of 2017 was 9.5 per cent (2.4 per cent). Regulatory capital of 15.0 per cent is used as capital employed in the first half of 2017, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.69 per cent (2.63 per cent) and the deposit margin was minus 0.17 per cent (minus 0.17 per cent) in the first half-year.

Lending grew by 2.4 per cent and deposits by 19.5 per cent in the last 12 months.

## Subsidiaries

The subsidiaries posted an overall first-half profit of NOK 164,3m (147m) before tax.

Pre-tax profit (NOKm)	January-June		Change
	2017	2016	
EiendomsMegler 1 Midt-Norge	23.5	43.3	-19.8
SpareBank 1 Finans Midt-Norge	57.6	48.5	9.1
SpareBank 1 Regnskapshuset SMN	35.7	25.9	9.8
Sparebank 1 Markets (proforma incl. Allegro)	20.4	9.9	6.7
SpareBank 1 SMN Invest	16.0	22.5	-6.5
Other companies	11.2	-3.4	14.5
<b>Total</b>	<b>164.3</b>	<b>146.7</b>	<b>13.8</b>

**EiendomsMegler 1 Midt-Norge** leads the field in Trøndelag and in Møre and Romsdal with a very strong market share throughout the market area, in particular in Trondheim. Its ambition is to continue to strengthen its market share in the region. The company has, in cooperation with BN Bank, established BN Bolig in which EiendomsMegler 1 and BN Bank each hold a 50 per cent stake. BN Bolig targets the estate agency market in Oslo and is designed to enhance income from estate agency and to contribute to stronger growth in residential lending for BN Bolig in this market.

EiendomsMegler 1 Midt-Norge's pre-tax profit in the first half of 2017 was NOK 23.5m (43.3m). Its profit performance is weakened by start-up costs of NOK 11.5m at BN Bolig in as much as EiendomsMegler 1 Midt-Norge fully consolidates BN Bolig's results as a subsidiary.

Dwellings sold in the first half of 2017 totalled 3,695 compared with 3,846 in the same period of 2016.

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 57.6m in the first half-year (48.5m), and shows positive profit growth thanks to strong income growth, limited growth in costs and sound risk management. The company manages leases and car loan agreements worth a total of NOK 5.7bn, of which leases account for NOK 2.7bn and car loans for NOK 3.0bn.

Sound growth is noted, particularly in car loans where growth in the last 12 months stands at 42 per cent. At the half-year mark the Samspar banks in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge and Sparebanken Sogn og Fjordane a stake of 7.5 per cent. SpareBank 1 SMN owns 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 35.7m (25.9m) in the first half of 2017. The profit growth is related to business acquisition effects and to good operations.

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

SpareBank 1 Regnskapshuset SMN acquired all shares of Økonomisenteret and about 110 employees with effect from 1 January 2017. This brings the company's workforce to 360 and annual turnover to NOK 360m. Improved profit figures were recorded in the first half-year along with a substantial increase in both income and costs.

**Sparebanken SMN Invest** invests in shares, mainly in regional businesses. The company posted a net profit of NOK 16.0m (22.5m) in the first half of 2017.

Value changes and realisation of losses or gains on the company's overall holding of shares represent NOK 3.2m of the company's result. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in the first half of 2017 was NOK 12.8m.

**SpareBank 1 Markets** is a subsidiary of SpareBank 1 SMN with a stake of 70.6 per cent. The company is headquartered in Oslo and has offices in Trondheim and Ålesund. It has a staff of 130.

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

SpareBank 1 Markets has acquired Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø from, respectively, SpareBank 1 SMN and Sparebank 1 Nord-Norge. The two companies are being merged to become a central element in SpareBank 1 Markets' new asset management venture with combined assets totalling NOK 10bn.

The company's pre-tax profit for the first half of 2017 was NOK 20.4m (9.9m). The company has recorded positive profit growth in recent quarters, in particular in equity and derivatives trading and in the external capital area. NOK 20.4m (9.9m) are pro forma figures that include profit figures for Allegro Kapitalforvaltning. Allegro's profit for the first half of 2017 was NOK 3.2m (4.4m).

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

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

### **Other companies**

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

### **Considering sale of Søndre gate 4-10 (head office complex)**

SpareBank 1 SMN is considering selling its entire head office complex, or parts of it, in Trondheim. The property is located in the city centre, at Søndre gate 4-10, and extends from Kongens gate to Dronningens gate. The complex, which was brought to completion in 2010, has a total floorage of about 22,000 sq.m. accommodating offices, shop premises and parking. In the event of a sale, the intention is to lease back the

floorage currently occupied by SpareBank 1 SMN and its subsidiaries. SpareBank 1 SMN has engaged SpareBank 1 Markets as adviser in this process.

### **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 28bn and thus has the funding needed for 32 months of ordinary operation without fresh external finance.

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

The LCR is calculated at 160 per cent as at 30 June 2017 (149 per cent).

The group's deposit-to-loan ratio as of 30. June 2017 has increased to 53 per cent (51 per cent) as a result of high growth in deposits.

The bank's funding sources and products are amply diversified. At the half-year mark the proportion of the bank's overall money market funding in excess of 1 year was 80 per cent (83 per cent).

### **Rating**

Moody's revised in July 2017 its outlook for SpareBank 1 SMN and other Norwegian banks from stable to negative. The change was triggered by expectations of the introduction of the EU's Bank Recovery and Resolution Directive, which will likely lessen the probability of support from government authorities to Norwegian banks.

### **Financial position**

The CET1 capital ratio at 30 June 2017 was 15.0 per cent (14.1 per cent). The change over the last 12 months is ascribable to:

- An increase of NOK 1.0bn, corresponding to 8 per cent, in CET1 capital. This is in all essentials retained profit
- The overall capital need has risen by NOK 139m, corresponding to 1.9 per cent, in the last 12 months. Lending to commercial property has been scaled back at BN Bank
- Residential mortgage lending growth has been relatively high at the parent bank
- Risk weighted assets calculated under IRB with respect to corporates are reduced somewhat, but this is in large measure offset by the added need for capital under the transitional arrangement

As at 30 June 2017 the regulatory requirement on CET1 capital is 11.5 per cent, including combined buffer requirements.

Finanstilsynet's (Norway's FSA) final assessment of the add-on for risks not adequately covered under Pillar 1 was set at 2.1 per cent. The add-on is mainly related to owner risk, market risk and credit concentration

risk. In December 2016 the Ministry of Finance decided that the countercyclical buffer should be increased by a further 0.5 per cent, to 2.0 per cent with effect from 31 December 2017. The board of directors has therefore decided to raise the capital target to 15 per cent to secure a sufficient buffer.

The board of directors of SpareBank 1 SMN assesses the capital situation and future capital requirements on a continuous basis.

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

The book value of the bank's EC as at 30 June 2017 was NOK 73.85 (69.18), and earnings per EC were NOK 3.65 (3.71).

As at 30 June 2017 the EC was priced at NOK 71.75 (46.70) and dividend of NOK 3.00 per EC has been paid in 2017 for the year 2016 (NOK 2.25).

The Price / Income ratio was 9.82 (6.30) and the Price / Book ratio was 0.97 (0.68) at end-June 2017.

### **Risk factors**

The Group's problem loans reflect the challenges connected to the offshore industry. As at 30 June 2017, loans to oil-related activity account for 4.1 per cent of the Group's overall lending. Credit quality in the bank's remaining loan portfolio is satisfactory, there have been no spillover effects from offshore to other industries, and no other concentrations in non-performing and doubtful exposures are in evidence.

Mainland (non-oil) GDP rose in the first quarter. A weaker Norwegian krone has impacted favourably on Norwegian exports. Real wage growth is expected to be low but positive. Combined with a persistent low interest rate level, the bank considers loss risk in the bank's retail portfolio to be low. Unemployment has fallen and the bank expects unemployment to be relatively moderate in the bank's market areas as a whole.

Credit demand from Norwegian households remains higher than wage growth and will be influenced by the trend in house prices. If house prices stagnate, or fall, there is a risk that the saving rate will rise among households with a high debt ratio, which could bring reduced turnover for parts of Norwegian business and industry. Following a very strong rise in house prices in Oslo, we are now observing a flattening in the market.

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

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

### **Outlook**

SpareBank 1 SMN has shown positive profit growth in 2017. A good trend is noted in all business areas with improved margins and growth. The banking business is making efficiency gains on a continuous basis.

The bank's loan losses amounted to a mere 0.25 per cent in the first half-year, in spite of the difficult situation in the offshore industry. This shows that the bank's loan portfolio is robust and amply diversified. The trend in the offshore industry is nonetheless a matter of uncertainty.



In order to attain the Group's profitability objectives, a number of measures have been set in train to put the use of capital on a more efficient and effective footing, improve risk pricing and increase the number of multi-product customers. The bank intends to achieve cost-effective operation by streamlining distribution and work processes. Use of new technology will contribute to increased selling power and to enhancing the efficiency and effectiveness of processes. SpareBank 1 SMN is aiming for zero growth in parent bank costs in 2017.

The bank expects to distribute 50 per cent of its profit for 2017 as dividend and donations.

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

Trondheim, 8. August 2017  
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

Erik Gunnes  
(employee rep.)

Venche Johnsen  
(employee rep.)

Finn Haugan  
(Group CEO)

# Income statement

Parent bank					Group						
		First half			First half						
2016	2Q 16	2Q 17	2016	2017	(NOKm)	Note	2017	2016	2Q 17	2Q 16	2016
3,401	849	883	1,714	1,759	Interest income		1,877	1,806	945	896	3,597
1,717	424	422	866	831	Interest expenses		833	864	424	424	1,714
<b>1,684</b>	<b>424</b>	<b>461</b>	<b>848</b>	<b>929</b>	<b>Net interest</b>	<b>10</b>	<b>1,043</b>	<b>942</b>	<b>521</b>	<b>472</b>	<b>1,883</b>
971	247	268	482	513	Commission income		658	626	349	331	1,251
85	23	24	41	45	Commission expenses		74	64	38	36	133
36	9	9	17	17	Other operating income		409	287	227	154	556
<b>922</b>	<b>233</b>	<b>253</b>	<b>458</b>	<b>485</b>	<b>Commission income and other income</b>		<b>993</b>	<b>849</b>	<b>538</b>	<b>448</b>	<b>1,674</b>
817	551	561	580	608	Dividends		4	74	3	73	88
-	-	-	-	-	Income from investment in related companies	3	165	246	94	127	423
188	26	25	63	33	Net return on financial investments	3	100	124	35	71	434
<b>1,006</b>	<b>577</b>	<b>586</b>	<b>643</b>	<b>641</b>	<b>Net return on financial investments</b>		<b>269</b>	<b>443</b>	<b>131</b>	<b>271</b>	<b>944</b>
<b>3,612</b>	<b>1,234</b>	<b>1,300</b>	<b>1,948</b>	<b>2,054</b>	<b>Total income</b>		<b>2,306</b>	<b>2,234</b>	<b>1,191</b>	<b>1,191</b>	<b>4,502</b>
536	152	150	300	302	Staff costs		706	613	362	318	1,159
615	161	158	304	311	Other operating expenses		463	403	236	209	844
<b>1,151</b>	<b>314</b>	<b>307</b>	<b>603</b>	<b>613</b>	<b>Total operating expenses</b>	<b>11</b>	<b>1,169</b>	<b>1,016</b>	<b>598</b>	<b>528</b>	<b>2,003</b>
<b>2,461</b>	<b>921</b>	<b>993</b>	<b>1,345</b>	<b>1,441</b>	<b>Result before losses</b>		<b>1,137</b>	<b>1,217</b>	<b>593</b>	<b>664</b>	<b>2,499</b>
502	113	80	281	167	Loss on loans, guarantees etc.	6,7	175	287	86	118	516
<b>1,959</b>	<b>807</b>	<b>913</b>	<b>1,064</b>	<b>1,274</b>	<b>Result before tax</b>	<b>3</b>	<b>961</b>	<b>930</b>	<b>507</b>	<b>546</b>	<b>1,983</b>
290	63	86	126	168	Tax charge		205	157	109	85	341
-13	-	-	-	-	Result investment held for sale, after tax	3	2	-2	3	-1	4
<b>1,655</b>	<b>745</b>	<b>826</b>	<b>938</b>	<b>1,106</b>	<b>Net profit</b>		<b>759</b>	<b>771</b>	<b>401</b>	<b>460</b>	<b>1,647</b>
Attributable to:											
Equity holders of parent company							742	752	390	449	1,606
Equity holders of non-controlling interests							17	19	11	11	41
Profit per ECC							3.65	3.71	1.92	2.21	7.91
Diluted profit per ECC							3.65	3.71	1.92	2.21	7.91

## Other comprehensive income

Parent bank					Group					
		First half			First half					
2016	2Q 16	2Q 17	2016	2017	(NOKm)	2017	2016	2Q 17	2Q 16	2016
1,655	745	826	938	1,106	Net profit	759	771	401	460	1,647
					<b>Items that will not be reclassified to profit/loss</b>					
-75	-	-	-	-	Actuarial gains and losses pensions	-	-	-	-	-77
19	-	-	-	-	- Tax	-	-	-	-	19
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	1	-23	-2	-23	-1
<b>-56</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>Total</b>	<b>1</b>	<b>-23</b>	<b>-2</b>	<b>-23</b>	<b>-58</b>
					<b>Items that will be reclassified to profit/loss</b>					
-52	-52	9	-52	9	Available-for-sale financial assets	9	-52	9	-52	-50
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	1	-17	1	-2	-7
-	-	-	-	-	- Tax	-	-	-	-	-
<b>-52</b>	<b>-52</b>	<b>9</b>	<b>-52</b>	<b>9</b>	<b>Total</b>	<b>10</b>	<b>-69</b>	<b>10</b>	<b>-55</b>	<b>-58</b>
<b>1,547</b>	<b>692</b>	<b>835</b>	<b>886</b>	<b>1,115</b>	<b>Total other comprehensive income</b>	<b>770</b>	<b>679</b>	<b>409</b>	<b>382</b>	<b>1,531</b>
					Attributable to:					
					Equity holders of parent company	753	661	398	372	1,490
					Equity holders of non-controlling interests	17	19	11	11	41

## Balance sheet

Parent bank				Group			
31 Dec 2016	30 June 2016	30 June 2017	(NOKm)	Note	30 June 2017	30 June 2016	31 Dec 2016
315	1,200	2,448	Cash and receivables from central banks		2,448	1,200	315
8,203	9,918	10,002	Deposits with and loans to credit institutions		4,997	6,013	3,892
96,499	92,724	100,733	Net loans to and receivables from customers	5	106,388	96,960	101,354
17,636	19,939	20,394	Fixed-income CDs and bonds	15	20,312	19,862	17,557
4,812	7,005	4,587	Derivatives	15	4,673	6,927	4,752
248	232	200	Shares, units and other equity interests	15	1,475	1,464	1,542
3,766	3,672	3,771	Investment in related companies		5,633	5,524	5,638
3,005	3,005	3,120	Investment in group companies		0	-	-
226	330	226	Investment held for sale		32	217	15
470	473	480	Intangible assets		709	583	639
882	734	991	Other assets	12	2,780	2,395	2,376
<b>136,062</b>	<b>139,231</b>	<b>146,952</b>	<b>Total assets</b>		<b>149,449</b>	<b>141,145</b>	<b>138,080</b>
10,299	10,212	9,261	Deposits from credit institutions		9,521	10,227	10,509
68,391	68,026	76,494	Deposits from and debt to customers	9	75,559	67,031	67,168
36,317	38,137	39,674	Debt created by issue of securities	14	39,674	38,137	36,317
3,973	5,831	3,750	Derivatives	15	3,761	5,924	4,074
731	937	913	Other liabilities	13	1,970	1,772	1,531
-	-	-	Investment held for sale		0	16	0
3,140	3,536	3,142	Subordinated loan capital	14	3,184	3,579	3,182
<b>122,850</b>	<b>126,680</b>	<b>133,234</b>	<b>Total liabilities</b>		<b>133,670</b>	<b>126,685</b>	<b>122,781</b>
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-6	-7	-4
895	895	895	Premium fund		895	895	895
4,487	3,790	4,487	Dividend equalisation fund		4,482	3,783	4,484
389	-	-	Recommended dividends		-	-	389
220	-	-	Provision for gifts		-	-	220
4,498	4,105	4,498	Savings bank's reserve		4,498	4,105	4,498
126	221	126	Unrealised gains reserve		139	233	139
-	5	9	Other equity capital		1,902	1,681	1,656
-	938	1,106	Profit for the period		759	771	-
			Non-controlling interests		514	403	425
<b>13,212</b>	<b>12,552</b>	<b>13,718</b>	<b>Total equity capital</b>		<b>15,780</b>	<b>14,460</b>	<b>15,299</b>
<b>136,062</b>	<b>139,231</b>	<b>146,952</b>	<b>Total liabilities and equity</b>		<b>149,449</b>	<b>141,145</b>	<b>138,080</b>

## Cash flow statement

Parent bank				Group		
First half				First half		
2016	2016	2017	(NOKm)	2017	2016	2016
1,655	938	1,106	Net profit	759	771	1,647
34	21	22	Depreciations and write-downs on fixed assets	49	48	98
502	281	167	Losses on loans and guarantees	175	287	516
<b>2,191</b>	<b>1,240</b>	<b>1,295</b>	<b>Net cash increase from ordinary operations</b>	<b>983</b>	<b>1,107</b>	<b>2,261</b>
2,310	308	109	Decrease/(increase) other receivables	-348	45	2,234
-1,586	534	-41	Increase/(decrease) short term debt	126	580	-1,601
-7,405	-3,408	-4,401	Decrease/(increase) loans to customers	-5,210	-3,832	-8,454
-2,318	-4,034	-1,800	Decrease/(increase) loans credit institutions	-1,105	-3,606	-1,485
3,299	2,935	8,104	Increase/(decrease) deposits to customers	8,391	2,941	3,078
2,144	2,058	-1,038	Increase/(decrease) debt to credit institutions	-988	2,073	2,354
-1,885	-4,187	-2,757	Increase/(decrease) in short term investments	-2,756	-4,110	-1,805
<b>-3,249</b>	<b>-4,555</b>	<b>-529</b>	<b>A) Net cash flow from operations</b>	<b>-906</b>	<b>-4,803</b>	<b>-3,418</b>
-26	-58	-26	Increase in tangible fixed assets	-97	17	-52
-223	-234	-121	Paid-up capital, associated companies	239	-89	33
36	52	57	Net investments in long-term shares and partnerships	146	38	-67
<b>-213</b>	<b>-240</b>	<b>-89</b>	<b>B) Net cash flow from investments</b>	<b>288</b>	<b>-34</b>	<b>-86</b>
-324	73	2	Increase/(decrease) in subordinated loan capital	2	116	-281
0	0	0	Increase/(decrease) in equity	0	0	0
-292	-292	-389	Dividend cleared	-389	-292	-292
-40	-40	-220	To be disbursed from gift fund	-220	-40	-40
1,162	2,983	3,358	Increase/(decrease) in other long term loans	3,358	2,983	1,162
<b>507</b>	<b>2,724</b>	<b>2,751</b>	<b>C) Net cash flow from financial activities</b>	<b>2,751</b>	<b>2,766</b>	<b>549</b>
<b>-2,955</b>	<b>-2,071</b>	<b>2,133</b>	<b>A) + B) + C) Net changes in cash and cash equivalents</b>	<b>2,133</b>	<b>-2,071</b>	<b>-2,955</b>
3,270	3,270	315	Cash and cash equivalents at 1.1	315	3,270	3,270
315	1,200	2,448	Cash and cash equivalents at end of quarter	2,448	1,200	315
<b>-2,955</b>	<b>-2,071</b>	<b>2,133</b>	<b>Net changes in cash and cash equivalents</b>	<b>2,133</b>	<b>-2,071</b>	<b>-2,955</b>

## Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity					Unrealised gains reserve	Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts				
<b>Equity at 1 January 2016</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>	
Net profit	-	-	411	730	389	220	-95	-	1,655	
<b>Other comprehensive income</b>										
Available-for-sale financial assets	-	-	2	3	-	-	-57	-	-52	
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	0	-	-56	
Other comprehensive income	-	-	-18	-33	-	-	-57	-	-108	
Total other comprehensive income	-	-	393	697	389	220	-152	-	1,547	
<b>Transactions with owners</b>										
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-292	
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40	
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0	
Total transactions with owners	0	-	-	0	-292	-40	-	-	-332	
<b>Equity at 31 December 2016</b>	<b>2,597</b>	<b>895</b>	<b>4,498</b>	<b>4,487</b>	<b>389</b>	<b>220</b>	<b>126</b>	-	<b>13,212</b>	
<b>Equity at 1 January 2017</b>	<b>2,597</b>	<b>895</b>	<b>4,498</b>	<b>4,487</b>	<b>389</b>	<b>220</b>	<b>126</b>	-	<b>13,212</b>	
Net profit	-	-	-	-	-	-	-	1,106	1,106	
<b>Other comprehensive income</b>										
Available-for-sale financial assets	-	-	-	-	-	-	-	9	9	
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	-	-	-	9	9	
Total other comprehensive income	-	-	-	-	-	-	-	1,115	1,115	
<b>Transactions with owners</b>										
Dividend declared for 2016	-	-	-	-	-389	-	-	-	-389	
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-220	
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0	
Total transactions with owners	0	-	-	0	-389	-220	-	-	-609	
<b>Equity at 30 June 2017</b>	<b>2,597</b>	<b>895</b>	<b>4,498</b>	<b>4,487</b>	-	-	<b>126</b>	<b>1,115</b>	<b>13,718</b>	

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

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

(NOKm)	Attributable to parent company equity holders									
	Issued equity			Earned equity						
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
<b>Equity at 1 January 2017</b>	<b>2,593</b>	<b>895</b>	<b>4,498</b>	<b>4,484</b>	<b>389</b>	<b>220</b>	<b>139</b>	<b>1,656</b>	<b>425</b>	<b>15,299</b>
Net profit	-	-	-	-	-	-	-	742	17	759
<b>Other comprehensive income</b>										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	2	-	2
Available-for-sale financial assets	-	-	-	-	-	-	-	9	-	9
Estimate deviation, pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	11	-	11
Total other comprehensive income	-	-	-	-	-	-	-	753	17	770
<b>Transactions with owners</b>										
Dividend declared for 2016	-	-	-	-	-389	-	-	-	-	-389
To be disbursed from gift fund	-	-	-	-	-	-220	-	-	-	-220
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	0	-	0
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	256	-	256
Own ECC held by SB1 Markets*)	-2	-	-	-2	-	-	-	-5	-	-8
Change in non-controlling interests	-	-	-	-	-	-	-	-	71	71
Total transactions with owners	-2	-	-	-2	-389	-220	-	252	71	-290
<b>Equity at 30 June 2017</b>	<b>2,591</b>	<b>895</b>	<b>4,498</b>	<b>4,482</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>2,661</b>	<b>514</b>	<b>15,780</b>

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



# Notes

## Contents

Note 1 - Accounting principles .....	26
Note 2 - Critical estimates and assessment concerning the use of accounting principles .....	27
Note 3 - Account by business line .....	28
Note 4 - Capital adequacy .....	30
Note 5 - Distribution of loans by sector/industry .....	32
Note 6 - Losses on loans and guarantees .....	33
Note 7 - Losses .....	34
Note 8 - Defaults and problem loans .....	35
Note 9 - Distribution of customer deposits by sector/industry .....	36
Note 10 - Net interest income .....	37
Note 11 - Operating expenses .....	38
Note 12 - Other assets .....	39
Note 13 - Other liabilities .....	40
Note 14 - Debt created by issue of securities and subordinated debt .....	41
Note 15 - Measurement of fair value of financial instruments .....	42
Note 16 - Liquidity risk .....	44

## Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2016. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

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

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

### **Pensions**

The Group has not obtained a new calculation of pensions as of 30 June since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 24 in the 2016 annual report.

### Note 3 - Account by business line

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

#### Group 30 June 2017

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

## Group 30 June 2016

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1	SB1	SB1	BN	Uncollated	Total
					Finans	Regnskaps-				
					MN	huset SMN	Gruppen	Bank		
Net interest	449	471	-4	2	88	-0	-	-	-64	942
Interest from allocated capital	25	20	-	-	-	-	-	-	-46	-
<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 return 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 including 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 (NOKm)</b>										
Loans and advances to customers	89,299	37,454	-	-	4,933	-	-	-	896	132,583
Adv. of this to SpareBank 1 Boligkreditt	-33,044	-1,749	-	-	-	-	-	-	0	-34,793
Individual allowance for impairment on loan	-23	-379	-	-	-8	-	-	-	-2	-412
Group allowance for impairment on loan	-95	-304	-	-	-19	-	-	-	1	-418
Other assets	213	7	1,604	296	13	220	1,508	1,153	39,172	44,185
<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>

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

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

## Note 4 - Capital adequacy

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

As of 30 June 2017 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 1.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11.5 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 13.6 per cent.

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

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

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 30 June 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 675 million. The financial supervisory authority may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

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

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

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

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



## Note 6 - Losses on loans and guarantees

### Parent Bank

	First half								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-4	-17	-20	-0	229	229	0	449	450
+ Change in collective impairment losses provisions for the period	-	10	10	-	40	40	-	-40	-40
+ Actual loan losses on commitments for which provisions have been made	5	165	170	6	4	9	8	34	42
+ Actual loan losses on commitments for which no provision has been made	2	7	9	3	2	5	10	49	59
- Recoveries on commitments previously written-off	-2	-0	-2	-1	-1	-2	-6	-3	-8
<b>Losses of the year on loans and guarantees</b>	<b>1</b>	<b>166</b>	<b>167</b>	<b>7</b>	<b>274</b>	<b>281</b>	<b>13</b>	<b>490</b>	<b>502</b>

### Group

	First half								
	2017			2016			2016		
Losses on loans and guarantees (NOKm)	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-4	-14	-18	-0	231	230	0	454	454
+ Change in collective impairment losses provisions for the period	2	10	12	2	39	42	4	-42	-38
+ Actual loan losses on commitments for which provisions have been made	5	165	170	6	4	10	8	36	44
+ Actual loan losses on commitments for which no provision has been made	5	8	13	6	2	8	14	50	64
- Recoveries on commitments previously written-off	-2	-0	-2	-1	-1	-2	-6	-3	-9
<b>Losses of the year on loans and guarantees</b>	<b>7</b>	<b>168</b>	<b>175</b>	<b>12</b>	<b>275</b>	<b>287</b>	<b>21</b>	<b>495</b>	<b>516</b>

## Note 7 - Losses

### Parent Bank

Individual write-downs (NOKm)	30 June 2017			30 June 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	28	597	625	28	148	176	28	148	176
- Actual losses during the period for which provisions for individual impairment losses have been made previously	5	165	170	6	4	9	8	34	42
- Reversal of provisions from previous periods	4	6	10	3	7	10	3	36	39
+ Increased write-downs on provisions previously written down	1	102	103	1	7	8	2	6	8
+ Write-downs on provisions not previously written down	0	62	62	3	237	240	4	518	523
<b>Individual write-downs to cover loss on loans and guarantees at period end *)</b>	<b>20</b>	<b>590</b>	<b>610</b>	<b>23</b>	<b>381</b>	<b>405</b>	<b>24</b>	<b>602</b>	<b>625</b>

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

Collective write-downs (NOKm)	30 June 2017			30 June 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	90	228	318	90	268	358	90	268	358
Period's collective write-downs to cover loss on loans, guarantees etc	-	10	10	-	40	40	-	-40	-40
<b>Collective write-downs to cover loss on loans and guarantees at period end</b>	<b>90</b>	<b>238</b>	<b>328</b>	<b>90</b>	<b>308</b>	<b>398</b>	<b>90</b>	<b>228</b>	<b>318</b>

### Group

Individual write-downs (NOKm)	30 June 2017			30 June 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	31	607	638	31	153	184	31	153	184
- Actual losses during the period for which provisions for individual impairment losses have been made previously	5	165	170	6	4	10	8	36	44
- Reversal of provisions from previous periods	4	6	10	4	7	10	3	36	39
+ Increased write-downs on provisions previously written down	1	102	103	1	7	8	2	6	8
+ Write-downs on provisions not previously written down	0	64	64	4	239	243	4	523	528
<b>Individual write-downs to cover loss on loans and guarantees at period end *)</b>	<b>23</b>	<b>602</b>	<b>625</b>	<b>27</b>	<b>388</b>	<b>415</b>	<b>27</b>	<b>611</b>	<b>638</b>

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

Collective write-downs (NOKm)	30 June 2017			30 June 2016			2016		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	100	239	339	96	281	376	96	281	376
Period's collective write-downs to cover loss on loans, guarantees etc	2	10	12	2	40	42	4	-42	-38
<b>Collective write-downs to cover loss on loans and guarantees at period end</b>	<b>102</b>	<b>249</b>	<b>351</b>	<b>97</b>	<b>321</b>	<b>418</b>	<b>100</b>	<b>239</b>	<b>339</b>

## Note 8 - Defaults and problem loans

### Parent Bank

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

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

### Group

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

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

## Note 9 - Distribution of customer deposits by sector/industry

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

## Note 10 - Net interest income

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

## Note 11 - Operating expenses

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

## Note 12 - Other assets

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

## Note 13 - Other liabilities

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



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

## Group

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

	30 June 2017	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2016
<b>Change in subordinated debt and hybrid equity (NOKm)</b>					
Ordinary subordinated loan capital, nominal value	1,717	600	600	13	1,704
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	53	-	-	-11	64
Accrued interest	14	-	-	-0	14
<b>Total</b>	<b>3,184</b>	<b>600</b>	<b>600</b>	<b>2</b>	<b>3,182</b>

## Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

### Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

### Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

### Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2017:

<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	2	4,672	-	4,673
- Bonds and money market certificates	3,225	17,087	-	20,312
- Equity instruments	992	-	413	1,405
- Fixed interest loans	-	43	3,631	3,673
Financial assets available for sale				
- Equity instruments	-	-	70	70
<b>Total assets</b>	<b>4,219</b>	<b>21,801</b>	<b>4,114</b>	<b>30,134</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	7	3,755	-	3,761
- Equity instruments	222	4	-	226
<b>Total liabilities</b>	<b>229</b>	<b>3,758</b>	<b>-</b>	<b>3,987</b>

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

<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	77	6,850	-	6,927
- Bonds and money market certificates	3,375	16,487	-	19,862
- Equity instruments	818	-	516	1,334
- Fixed interest loans	-	43	4,345	4,388
Financial assets available for sale				
- Equity instruments	44	-	87	131
<b>Total assets</b>	<b>4,314</b>	<b>23,379</b>	<b>4,948</b>	<b>32,640</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	92	5,832	-	5,924
- Equity instruments	284	6	-	290
<b>Total liabilities</b>	<b>376</b>	<b>5,837</b>	<b>-</b>	<b>6,214</b>

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

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

The following table presents the changes in the instruments classified in level 3 as at 30 June 2017:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,783	524	60	4,367
Investment in periode	219	11	-	230
Disposals in the periode	-386	-141	-	-528
Gain or loss on financial instruments	15	19	10	44
<b>Closing balance</b>	<b>3,631</b>	<b>413</b>	<b>70</b>	<b>4,114</b>

The following table presents the changes in the instruments classified in level 3 as at 30 June 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	148	15	31	194
Disposals in the periode	-230	-47	-3	-281
Gain or loss on financial instruments	22	-26	-49	-52
<b>Closing balance</b>	<b>4,345</b>	<b>516</b>	<b>87</b>	<b>4,948</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	770	28	1	799
Disposals in the periode	-1,347	-66	-	-1,413
Gain or loss on financial instruments	-44	-13	-50	-106
<b>Closing balance</b>	<b>3,783</b>	<b>524</b>	<b>60</b>	<b>4,367</b>

---

## Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the second quarter was 2.98 years. The overall LCR at the same point was 160 per cent and the average overall LCR in the quarter was 139 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 148 and 226 per cent respectively.

## Equity capital certificate ratio

(NOKm)	30 June 2017	31 Dec 2016
ECC capital	2,597	2,597
Dividend equalisation reserve	4,487	4,487
Premium reserve	895	895
Unrealised gains reserve	81	81
Other equity capital	6	-
<b>A. The equity capital certificate owners' capital</b>	<b>8,066</b>	<b>8,060</b>
Ownerless capital	4,498	4,498
Unrealised gains reserve	45	45
Other equity capital	3	-
<b>B. The saving bank reserve</b>	<b>4,546</b>	<b>4,543</b>
To be disbursed from gift fund	-	220
Dividend declared	-	389
<b>Equity ex. profit</b>	<b>12,612</b>	<b>13,212</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>63.95 %</b>	<b>63.95 %</b>
Equity capital certificate ratio for distribution	63.95 %	63.95 %

## Results from quarterly accounts

Group (NOKm)	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q	2Q
	2017	2017	2016	2016	2016	2016	2015	2015	2015
Interest income	945	931	917	874	896	910	962	1,058	992
Interest expenses	424	409	424	425	424	441	489	593	525
<b>Net interest</b>	<b>521</b>	<b>522</b>	<b>493</b>	<b>449</b>	<b>472</b>	<b>469</b>	<b>473</b>	<b>466</b>	<b>467</b>
Commission income	349	308	300	326	331	295	309	317	313
Commission expenses	38	35	35	34	36	28	38	38	32
Other operating income	227	182	149	120	154	134	107	99	132
<b>Commission income and other income</b>	<b>538</b>	<b>455</b>	<b>414</b>	<b>412</b>	<b>448</b>	<b>401</b>	<b>378</b>	<b>378</b>	<b>413</b>
Dividends	3	1	1	13	73	0	3	0	22
Income from investment in related companies	94	71	74	103	127	119	121	78	120
Net return on financial investments	35	66	153	157	71	53	-15	-91	23
<b>Net return on financial investments</b>	<b>131</b>	<b>138</b>	<b>228</b>	<b>274</b>	<b>271</b>	<b>172</b>	<b>109</b>	<b>-13</b>	<b>165</b>
<b>Total income</b>	<b>1,191</b>	<b>1,115</b>	<b>1,134</b>	<b>1,134</b>	<b>1,191</b>	<b>1,042</b>	<b>959</b>	<b>831</b>	<b>1,044</b>
Staff costs	362	345	251	294	318	295	280	264	283
Other operating expenses	236	227	231	210	209	194	235	203	213
<b>Total operating expenses</b>	<b>598</b>	<b>571</b>	<b>482</b>	<b>504</b>	<b>528</b>	<b>489</b>	<b>515</b>	<b>466</b>	<b>496</b>
<b>Result before losses</b>	<b>593</b>	<b>544</b>	<b>652</b>	<b>630</b>	<b>664</b>	<b>553</b>	<b>444</b>	<b>364</b>	<b>548</b>
Loss on loans, guarantees etc.	86	89	99	130	118	170	56	56	35
<b>Result before tax</b>	<b>507</b>	<b>454</b>	<b>553</b>	<b>500</b>	<b>546</b>	<b>383</b>	<b>388</b>	<b>309</b>	<b>513</b>
Tax charge	109	96	99	85	85	72	100	61	83
Result investment held for sale, after tax	3	-0	7	-1	-1	-0	-0	0	-0
<b>Net profit</b>	<b>401</b>	<b>358</b>	<b>462</b>	<b>414</b>	<b>460</b>	<b>311</b>	<b>287</b>	<b>248</b>	<b>430</b>

## Key figures from quarterly accounts

Group (NOKm)	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015
<b>Profitability</b>									
Return on equity per quarter	10.5 %	9.4 %	12.2 %	11.3 %	12.9 %	8.9 %	8.4 %	7.4 %	13.4 %
Cost-income ratio	50 %	51 %	43 %	44 %	44 %	47 %	54 %	56 %	47 %
<b>Balance sheet figures</b>									
Gross loans to customers	107,358	104,117	102,325	99,569	97,790	95,331	93,974	94,917	94,179
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	143,800	140,038	137,535	134,462	132,583	129,520	127,378	126,180	124,519
Deposits from customers	75,559	70,176	67,168	66,290	67,031	63,851	64,090	63,620	66,186
Total assets	149,449	142,042	138,080	139,815	141,145	134,345	131,914	129,237	130,888
Average total assets	145,746	140,061	138,948	140,480	137,745	133,129	130,575	130,063	127,288
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	8.5 %	8.1 %	8.0 %	6.6 %	6.5 %	5.4 %	5.8 %	8.3 %	8.4 %
Growth in deposits last 12 months	12.7 %	9.9 %	4.8 %	4.2 %	1.3 %	5.4 %	5.6 %	9.5 %	11.4 %
<b>Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>									
Impairment losses ratio	0.24 %	0.26 %	0.29 %	0.39 %	0.36 %	0.53 %	0.18 %	0.18 %	0.11 %
Non-performing commitm. as a percentage of gross loans	0.18 %	0.15 %	0.16 %	0.16 %	0.19 %	0.16 %	0.16 %	0.17 %	0.23 %
Other doubtful commitm. as a percentage of gross loans	0.80 %	0.77 %	1.07 %	1.01 %	0.90 %	0.32 %	0.31 %	0.36 %	0.30 %
<b>Solidity</b>									
Common equity tier 1	15.0 %	14.8 %	14.9 %	14.3 %	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %
Core capital ratio	16.9 %	16.8 %	17.0 %	16.3 %	16.1 %	15.6 %	15.6 %	15.2 %	14.6 %
Capital adequacy ratio	19.1 %	19.0 %	19.4 %	18.8 %	18.7 %	18.1 %	18.3 %	17.9 %	17.3 %
Core capital	15,622	15,254	15,069	14,736	14,604	14,237	13,988	13,451	13,142
Net equity and related capital	17,649	17,288	17,185	17,011	16,882	16,516	16,378	15,886	15,577
Liquidity Coverage Ratio (LCR)	160 %	136 %	129 %	138 %	149 %	110 %	118 %	76 %	102 %
Leverage Ratio	7.2 %	7.4 %	7.4 %	7.1 %	6.8 %	6.8 %	6.7 %	6.7 %	6.5 %
<b>Key figures ECC</b>									
ECC share price at end of period (NOK)	71.75	66.50	64.75	55.75	46.70	52.75	50.50	54.00	65.50
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	73.85	72.03	73.26	71.17	69.18	67.37	67.65	65.52	64.18
Profit per ECC, majority	1.92	1.73	2.21	2.00	2.21	1.49	1.45	1.26	2.13
Price-Earnings Ratio	9.34	9.59	7.34	6.98	5.27	8.83	8.71	10.72	7.70
Price-Book Value Ratio	0.97	0.92	0.88	0.78	0.68	0.78	0.75	0.82	1.02

# Statement in compliance with the securities trading act, section 5-6

## Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

Trondheim, 8. August 2017  
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

Erik Gunnes  
(employee rep.)

Venche Johnsen  
(employee rep.)

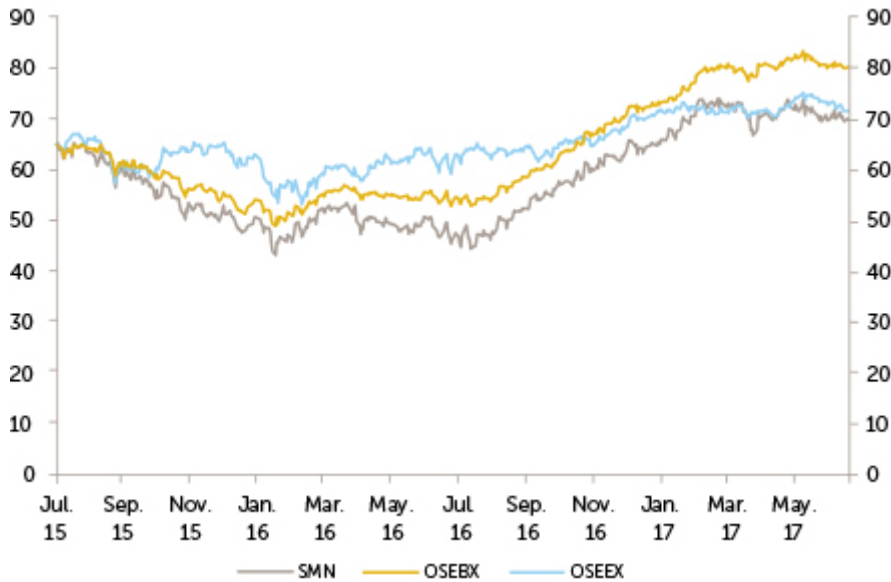
Finn Haugan  
(Group CEO)



# Equity capital certificates

## Stock price compared with OSEBX and OSEEX

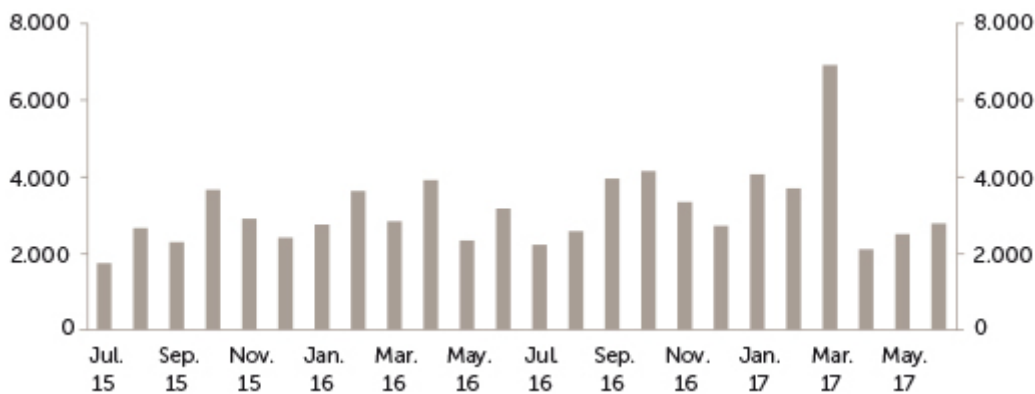
1 July 2015 to 30 June 2017



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

## Trading statistics

1 July 2015 to 30 June 2017



Total number of ECs traded (1000)

<b>20 largest ECC holders</b>	<b>Number</b>	<b>Share</b>
VPF Nordea Norge Verdi	6,641,381	5.12 %
Verdipapirfondet DNB Norge (IV)	4,189,925	3.23 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,826,686	2.95 %
VPF Danske Invest Norske Aksjer Inst. II	3,369,028	2.59 %
VPF Pareto Aksje Norge	2,620,377	2.02 %
VPF Alfred Berg Gambak	2,024,604	1.56 %
Pareto AS	1,821,202	1.40 %
State Street Bank and Trust CO (nominee)	1,723,618	1.33 %
Forsvarets Personellservice	1,717,046	1.32 %
VPF Danske Invest Norske Aksjer Inst. I	1,697,323	1.31 %
MSIP Equity	1,663,311	1.28 %
JP Morgan Chase Bank (nominee)	1,661,137	1.28 %
State Street Bank and Trust CO (nominee)	1,658,982	1.28 %
MP Pensjon PK	1,568,771	1.21 %
JP Morgan Chase Bank (nominee)	1,506,228	1.16 %
VPF Nordea Kapital	1,474,454	1.14 %
JP Morgan Chase Bank (nominee)	1,333,533	1.03 %
VPF Nordea Avkastning	1,289,111	0.99 %
State Street Bank and Trust CO (nominee)	1,235,165	0.95 %
<b>The 20 largest ECC holders in total</b>	<b>46,987,273</b>	<b>36.19 %</b>
Others	82,849,170	63.81 %
<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 about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.

## Auditor's report

**Deloitte.**Deloitte AS  
Postboks 5670 Sluppen  
NO-7485 Trondheim  
NorwayBesøksadresse:  
Dyre Halses gate 1ATel: +47 73 87 69 00  
www.deloitte.noTranslation from the original Norwegian  
version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN  
as of June 30 2017**

We have reviewed the accompanying balance sheet of the parent company and the group as of June 30 2017 for SpareBank 1 SMN and the related statements of income for the parent company and the group, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30 2017, and of its financial performance and its cash flows for the six month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim, 8 August 2017  
Deloitte ASMette Estenstad (Signed)  
State Authorised Public Accountant (Norway)

Deloitte relies to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and other related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.no](http://www.deloitte.no) for a more detailed description of DTTL and its member firms.

© Deloitte AS

Registert i Foretaksregisteret  
Medlemmer av Den norske Revisorforening  
Organisasjonsnummer: 980 211 282