

Second Quarter Report 2016



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	47
Results from quarterly accounts	48
Key figures from quarterly accounts	49
Statement in compliance with the securities trading act, section 5-6	50
Equity capital certificates	51
Auditor's report	53

Main figures

From the income statement	30 June 2016		30 June 2015		2015	
	NOKm	%	NOKm	%	NOKm	%
Net interest	942	1.39	934	1.47	1,872	1.46
Net commission income and other income	849	1.25	790	1.25	1,545	1.20
Net return on financial investments	443	0.65	362	0.57	459	0.36
Total income	2,234	3.29	2,086	3.29	3,876	3.02
Total operating expenses	1,016	1.50	950	1.50	1,931	1.50
Results before losses	1,217	1.79	1,137	1.79	1,945	1.52
Loss on loans, guarantees etc	287	0.42	56	0.09	169	0.13
Results before tax	930	1.37	1,080	1.70	1,776	1.38
Tax charge	157	0.23	209	0.33	370	0.29
Result investment held for sale, after tax	-2	0.00	-1	0.00	-1	0.00
Net profit	771	1.14	871	1.37	1,406	1.10

Key figures	30 June 2016	30 June 2015	2015
Profitability			
Return on equity ¹⁾	10.9 %	13.7 %	10.7 %
Cost-income ratio ²⁾	46 %	46 %	50 %
Balance sheet figures			
Gross loans to customers	97,790	94,179	93,974
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	132,583	124,519	127,378
Deposits from customers	67,031	66,186	64,090
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	69 %	70 %	68 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt	51 %	53 %	50 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt)	6.5 %	8.4 %	5.8 %
Growth in deposits last 12 months	1.3 %	11.4 %	5.6 %
Average total assets	135,801	126,874	128,355
Total assets	141,145	130,888	131,914
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.44 %	0.09 %	0.14 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.19 %	0.23 %	0.16 %
Other doubtful commitm. as a percentage of gross loans	0.90 %	0.30 %	0.31 %
Solidity			
Capital adequacy ratio	18.7 %	17.3 %	18.3 %
Core capital ratio	16.1 %	14.6 %	15.6 %
Common equity tier 1 ratio	14.1 %	12.7 %	13.6 %
Core capital	14,604	13,142	13,988
Net equity and related capital	16,882	15,577	16,378
Liquidity Coverage Ratio (LCR)	149 %	102 %	118 %
Branches and staff			
Number of branches	49	49	49
No. Of full-time positions	1,252	1,227	1,208

Key figures ECC ⁴⁾	30 June 2016	30 June 2015	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
ECC ratio	64.0 %	64.6 %	64.0 %	64.6 %	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)	46.70	65.50	50.50	58.50	55.00	34.80
Stock value (NOKM)	6,063	8,504	6,556	7,595	7,141	4,518
Booked equity capital per ECC (including dividend)	69.18	64.18	67.65	62.04	55.69	50.09
Profit per ECC, majority	3.71	4.31	7.02	8.82	6.92	5.21
Dividend per ECC			2.25	2.25	1.75	1.50
Price-Earnings Ratio	6.30	7.60	7.19	6.63	7.95	6.68
Price-Book Value Ratio	0.68	1.02	0.75	0.94	0.99	0.69

1) Net profit as a percentage of average equity

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

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

4) The key figures are corrected for issues

Report of the Board of Directors

First half 2016

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

- Pre-tax profit: NOK 930m (1,080m)
- Post-tax profit: NOK 771m (871m)
- Return on equity: 10.9 per cent (13.7 per cent)
- Growth in lending 6.5 per cent (8.4 per cent) in past 12 months
- Growth in deposits 1.3 per cent (11.4 per cent) in past 12 months
- Loan losses: NOK 287m (56m), 0.44 per cent (0.09 per cent) of gross loans
- CET1 capital ratio: 14.1 per cent (12.7 per cent)
- Earnings per equity certificate (EC): NOK 3.71 (4.31)

Second quarter 2016

- Pre-tax profit: NOK 546m (513m)
- Post-tax profit: NOK 460m (430m)
- Return on equity: 12.9 per cent (13.4 per cent)
- Loan losses: NOK 118m (35m), 0.36 per cent (0.11 per cent) of gross loans
- Earnings per equity certificate (EC): NOK 2.21 (2.13)

Good profit performance in first half 2016

Main points:

- Good underlying operations
- Increased loan losses reduce profit compared with first half 2015. Loss write-downs are in keeping with indications given in the first quarter
- Good profits at affiliates and high return on financial assets
- Strengthened financial position
- High customer influx and strong growth in home mortgage loans

In the first half of 2016 SpareBank 1 SMN achieved a pre-tax profit of NOK 930m (1,080m). Net profit was NOK 771m (871m) and return on equity was 10.9 per cent (13.7 per cent).

Profit in the second quarter was NOK 460m (430m) which is NOK 131m better than in the first quarter. Return on equity in the quarter was 12.9 per cent (13.4 per cent).

The Group increased its operating incomes in the first half of 2016 by NOK 67m to NOK 1,791m (1,724m), both as a result of increased net interest income and increased commission income.

Return on financial investments was NOK 443m (362m), of which income from owner interests accounted for NOK 246m (248m).

Group operating expenses came to NOK 1,016m in the first half of 2016 (950m). Of the increase of NOK 66m, the effect of the consolidation of SpareBank 1 Markets accounts for NOK 59m. The bank is well placed to reach its target of zero growth in parent bank costs in the period 2014 to 2016.

First-half loan losses totalled NOK 287m (56m) corresponding to 0.44 per cent (0.09 per cent) of overall lending. The losses break down to NOK 245m on individually assessed write-downs and NOK 42m on collectively assessed write-downs. The losses are attributed in their entirety to the restructuring of the bank's exposure to the oil/offshore industry.

At end-June 12-month lending growth was 6.5 per cent (8.4 per cent) and deposit growth was 1.3 per cent (11.4 per cent). In the first half-year lending rose by 4.1 per cent (3.4 per cent) and deposits by 4.6 per cent (9.1 per cent).

SpareBank 1 SMN has targeted a CET1 ratio of 14.5 per cent to be reached by 31 December 2016. The capital plan is further described in the section on financial position. At the end of the first half-year SpareBank 1 SMN's CET1 ratio was 14.1 per cent (12.7 per cent).

First-half earnings per EC were NOK 3.71 (4.31). The book value per EC at end-June 2016 was NOK 69.18 (64.18).

The market price at the same point was NOK 46.70 (65.50 at end-2015). Dividend of NOK 2.25 per EC was paid in the second quarter 2016 for the year 2015.

Increased net interest income

Net interest income came to NOK 942m (934m) in the first half of 2016. Net interest income has been relatively stable per quarter in 2015 and 2016, but is characterised by substantial gross movements:

- Increased lending to and deposits from retail and corporate customers
- Increased margins on deposits
- Reduced home mortgage lending margins

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 2016 totalled NOK 149m (175m).

Over the course of the last two years several general interest rate reductions were carried out on loans to retail customers in order to adjust home mortgage rates to the market level, and the latest interest rate reduction was effective as from June 2016. Deposit rates to retail and corporate customers were also reduced in the same period. Parts of the portfolio of loans to corporates are being repriced to better reflect various levels of credit risk. The aim is to increase interest margins on this portfolio.

Increased commission income

Net commission and other operating income totalled NOK 849m (790m) in the first half of 2016.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was reduced by NOK 26m due to lower margins on loans sold to SpareBank 1 Boligkreditt. The overall increase of NOK 85m in other commission income is in all essentials ascribable to SpareBank 1 Markets becoming a subsidiary of SpareBank 1 SMN as from the second quarter of 2015, and to an increase in income from estate agency

services. In addition, positive growth is noted in the other income types as a result of good sales of other financial products.

Commission income (NOKm)	First Half 2016	First Half 2015	Change
Payment transfers	94	94	0
Creditcard	30	27	3
Saving products and active management	42	35	7
Insurance	79	74	5
Guarantee commission	40	31	9
Real estate agency	197	179	18
Accountancy services	119	110	9
Markets	63	23	40
Rent	25	22	2
Other commissions	12	19	-7
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	700	616	85
Commissions SB1 Boligkreditt	144	170	-26
Commissions SB1 Næringskreditt	5	5	0
Total commissions	849	790	59

Return on financial investments

Overall return on financial investments (excluding the share of the profit/loss of associates and joint ventures) was NOK 197m (114m). Overall return breaks down as follows:

- Return and dividend on the group's equity portfolios totalled NOK 65m (70m). Of the amount of NOK 65m, NOK 63m refers to the sale of Visa Europa to Visa Inc. At the same time, NOK 52m of a previously recognised unrealised value change of Visa Norge FLI was reversed against other incomes and expenses (OCI). (See note 2)
- Capital gains on bonds and derivatives came to NOK 78m (-21m)
- Income on forex and fixed income transactions was NOK 54m (64m)

Return on financial investments (NOKm)	First Half 2016	First Half 2015	Change
Capital gains/dividends, shares	65	70	-5
Bonds and derivatives	78	-21	99
Income on forex and fixed income	54	64	-10
Net return on financial investments	197	114	84
SpareBank 1 Gruppen	141	128	13
SpareBank 1 Boligkreditt	22	50	-28
SpareBank 1 Næringskreditt	15	15	-0
SpareBank 1 Kredittkort	14	10	5
BN Bank	51	35	16
Companies owned by SpareBank 1 SMN Invest	13	13	-0
Other companies	-10	-2	-8
Income from investment in related companies	246	249	-3
Total	443	362	81

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first half of 2016 was NOK 694m (653m). The main contributors to the profit are the personal and non-life insurance arms, both of which are on a satisfactory trend. Odin Forvaltning also shows improved profit.

SpareBank 1 SMN's share of the profit for the first half of 2016 was NOK 141m (128m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to secure funding through the market for covered bonds. By selling their best secured home mortgage loans to the company, the banks achieve reduced funding costs and securer access to funding. As of 30 June 2016 the bank had sold loans worth NOK 33bn (29bn) to SpareBank 1 Boligkreditt, corresponding to 39 per cent (38 per cent) of overall loans to wage earners.

The bank's stake in SpareBank 1 Boligkreditt is 19.0 per cent, and the bank's share of that company's profit in the first half of 2016 was NOK 22m (50m). The bank's stake reflects the bank's relative share of total loans transferred to SpareBank 1 Boligkreditt as at end-2015.

Like the result for the first half of 2015, the result for the first half of 2016 is affected by unrealised gains on the company's basis swaps.

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 2016, loans worth NOK 1.8bn (1.4bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.6 per cent, and the bank's share of the company's profit in the first half of 2016 was NOK 15m (15m). The holding reflects the bank's relative share of sold loans to commercial property and the bank's stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 78 per cent were bought from BN Bank.

SpareBank 1 Kredittkort

Profit for the first half of 2016 was NOK 78m (52m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.3 per cent. SpareBank 1 SMN's share of the first half profit was NOK 14m (10m). The bank's share of the credit portfolio is NOK 823m.

BN Bank

SpareBank 1 SMN owns 33.0 per cent of BN Bank. Profit for the first half of 2016 was NOK 154m (105m). SpareBank 1 SMN's share of the profit of BN Bank in the first half of 2016 was NOK 51m (35m). Return on equity was 8.7 per cent (5.8 per cent).

The board of directors of BN Bank decided in 2015 to cultivate the bank as a retail bank and to wind down the corporate business consisting of lending to low-risk commercial property. BN Bank's new strategy is to cultivate the retail banking business.

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

The process of winding down the corporate banking business will be carried out in a controlled manner over time. By the end of the first half of 2016 the corporate portfolio had been reduced by NOK 11.5bn or 36 per cent since 30 June 2015. The board of directors of BN Bank aims to wind down 50 per cent of the corporate portfolio by 31 December 2016. Wind-down of the remaining corporate portfolio will strengthen CET1 capital adequacy of SpareBank 1 SMN by 0.6 percentage point.

SpareBank 1 Mobilbetaling (mCASH)

In the fourth quarter of 2015, the SpareBank 1 banks acquired the Norwegian arm of mCASH and established a mobile payments company, SpareBank 1 Mobilbetaling. The intention is to strengthen the bank's position on new mobile interfaces such as friend-to-friend payments and mobile payments in stores. Mid-February saw the start of nationwide marketing of mCASH through TV/digital advertising, and a substantial focus on events, along with associations. Nationally more than 1500 associations have taken mCASH into use as a payments solution. mCASH also offers solutions for internet commerce, stores and friend-to-friend payments.

The first-half result shows a deficit of NOK 63m of which SpareBank 1 SMN's share is NOK 9m. The deficit is a consequence of start-up costs and marketing of mCASH. The company is owned by the SpareBank 1 banks, and SpareBank 1 SMN's stake is 19.7 per cent.

Operating expenses

Overall operating expenses came to NOK 1,016m (950m) in the first half of 2016. Of the increase of NOK 66m, NOK 59m is ascribable to SpareBank 1 Markets' consolidation as a subsidiary as from the second quarter of 2015.

The parent bank reduced costs by NOK 3m to NOK 603m. Wide-ranging efficiency improvement measures have been initiated at the bank. Since 31 December 2014 the number of FTEs at the parent bank has been reduced from 720 to 632, i.e. by 88. This is in keeping with the bank's target of zero growth in costs in the period 2014 to 2016.

The development in the bank's costs is also related to changes at SpareBank 1 Markets, and the parent bank's operating expenses in the first half of 2015 include NOK 14m related to capital market activity at SpareBank 1 SMN.

In addition, NOK 14m was set aside for increased reorganisation costs related to severance agreements entered into in connection with planned downstaffing in 2016.

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

Increased losses but still low defaults

Losses on loans and guarantees totalled NOK 287m (56m) in the first half of 2016 of which NOK 42m (1m) is increased collectively assessed impairment write-downs.

Net individually assessed impairment write-downs of NOK 236m were recorded on loans to corporates in the first half of 2016. Of this increase NOK 200m relates to three exposures in the offshore segment. In the first quarter NOK 150m was set aside for collectively assessed impairment write-downs related to uncertainties in the same segment. In the second quarter NOK 110m of this provision was reversed as a consequence of the increase in individual impairment write-downs in the quarter. A net loss of NOK 12m was recorded on the retail customer portfolio in the first half of 2016.

Individually assessed write-downs on loans and guarantees at mid-2016 totalled NOK 415m (169m), an increase of NOK 246m over the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 1,453m (655m), or 1.10 per cent (0.53 per cent) of gross loans, at the half-year mark.

Defaults in excess of 90 days totalled NOK 255m (287m), measuring 0.19 per cent (0.23 per cent) of gross lending. Defaults on the corporate portfolio came to NOK 36m (105m) and on the retail portfolio to NOK 219m (182m). Individually assessed write-downs on non-performing exposures totalled NOK 31m (58m), corresponding to a share of 12 per cent (20 per cent).

Other doubtful exposures totalled NOK 1,198m (368m), breaking down to NOK 1,171m (357m) on the corporate portfolio and NOK 28m (11m) on the retail portfolio. The increase in doubtful corporate exposures refers to the same exposures as those that resulted in increased individually assessed losses. Other doubtful exposures account for 0.90 per cent (0.30 per cent) of gross outstanding loans. Individually assessed impairments on these exposures came to NOK 384m (111m), corresponding to a share of 32 per cent (30 per cent).

Much attention was given to the bank's exposure to the oil and offshore segment in the second quarter. The whole of this industry is now undergoing restructuring. This entails loss of equity capital, losses on bond debt and to some extent also write-downs of collateralised debt. Thus far this work has provided good results. Industrial actors that invest in this segment are of major significance. The solutions now being established for individual businesses can be expected to be of a lasting nature and to curb the bank's risk.

In SpareBank 1 SMN's assessment there is no basis for revising the loss estimates of NOK 400m – 500m for the current year that were announced at the presentation of the first quarter.

Collectively assessed impairment write-downs

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

- Events that have affected the bank's portfolio (causing migration between risk categories after granting of loans)
- Events that have not yet affected the portfolio since the bank's credit risk models do not capture the effects rapidly enough (e.g. significant shifts in macroeconomic factors)

Collectively assessed impairment write-downs were increased by NOK 150m in the first quarter. This was done on the basis that an increased probability of default and reduction in ship values entail a greater likelihood of loss in oil related activity in a challenging market situation. An increase in individually assessed impairment write-downs in the second quarter of 2016 related to this sector provide a basis for reducing the provision for collectively assessed write-downs, and the write-downs were reduced by NOK 110m in the second quarter.

Overall collectively assessed loss write-downs accordingly come to NOK 418m (296m), measuring 0.32 per cent (0.24 per cent) of total loans. Collectively assessed write-downs break down to NOK 97m on retail exposures and NOK 321m on corporates. Of the provision of NOK 321m on the corporate portfolio, the provision related to oil-related activity accounts for NOK 139m. Remaining collectively assessed loss write-downs of NOK 182m on the corporate portfolio are relatively evenly distributed across other sectors.

Total assets of NOK 141bn

The Group's assets totalled NOK 141.1bn at 30 June 2016 (130.9bn), having risen by NOK 10.2bn or 8 per cent over the preceding 12 months. The increase is primarily due to lending growth and an increased liquidity holding.

As at end-June 2016 home mortgage loans worth a total of 33.0bn (29.0bn) had been sold to SpareBank 1 Boligkreditt and corporate loans worth NOK 1.8bn to SpareBank 1 Næringskreditt (1.4bn). 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 home mortgage lending, virtually zero growth in lending to corporates over the last 12 months

(For distribution by sector, see note 5 and note 10).

In the 12 months to end-June total outstanding loans rose by NOK 8.1bn (9.7bn) or 6.5 per cent (8.4 per cent) to reach NOK 132.6bn (including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt). Growth in the first half in isolation was 4.1 per cent (3.4 per cent).

Loans to retail borrowers rose by NOK 7.9bn (6.0bn) to reach NOK 85.2bn in the last 12 months, equivalent to growth of 10.2 per cent (8.2 per cent). Growth in the first half-year was 5.5 per cent (4.3 per cent).

Growth in lending to corporates was NOK 0.2bn (3.7bn) or 0.4 per cent (8.6 per cent) in the 12 months to end-June. Overall lending to corporates was NOK 47.4bn at the half-year mark. Lending to corporates increased in the first half of 2016 by 1.6 per cent (1.9 per cent).

Loans to retail borrowers accounted for 64 per cent (62 per cent) of ordinary lending to customers as at end-June 2016.

Deposits

Customer deposits rose by NOK 0.8bn (6.8bn) over the last 12 months to reach NOK 67.0bn as at 30 June 2016. This represents a growth of 1.3 per cent (11.4 per cent). Deposit growth in the first half of 2016 was 4.6 per cent (9.1 per cent).

Retail deposits rose by NOK 1.5bn (1.4bn) or 5.3 per cent (9.1 per cent) to reach NOK 30.2bn, while corporate deposits fell by NOK 0.7bn (growth of 4.4bn) or 1.8 per cent (growth of 13.3 per cent) to NOK 36.9bn in the 12 months to end-June. In the first half-year deposits at Retail Banking and Corporate Banking rose by 6.4 per cent (8.1 per cent) and 3.1 per cent (9.8 per cent) respectively.

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 8.2bn (7.5bn) at 30 June 2016, an increase of 9.1 per cent on a 12-month basis. The increase is related to value changes in underlying securities along with good sales, in particular of active management products.

Saving products, customer portfolio (NOKm)	First Half 2016	First Half 2015	Change
Equity funds	5,177	5,001	176
Pension products	681	658	23
Active management	2,371	1,886	485
Total	8,229	7,545	684

Insurance products

The bank's insurance portfolio showed an increase of 5.5 per cent in the 12 months to end-June and the overall premium volume was NOK 1,122m at the half-year mark (1,158m). Non-life insurance delivered 2.5 per cent growth, personal insurance 10.9 per cent and occupational service pensions 9.6 per cent. Total income on the bank's insurance portfolio passed NOK 120m in 2015 and growth is also forecast for 2016.

Insurance, premium volume (NOKm)	First Half 2016	First Half 2015	Change
Non-life insurance	731	713	18
Personal insurance	286	258	28
Occupational pensions	205	187	18
Total	1,222	1,158	64

Retail Banking

Operating income in the first half-year totalled NOK 812m (821m) of which net interest income accounted for NOK 474m (473m) and commission income for NOK 338m (348m). Operating income has increased due to increased lending and improved deposit margins along with increased commission income from payments, savings and investment and insurance. At the same time reduced lending margins have in isolation reduced incomes, and overall income fell by NOK 9m. Return on capital employed in the retail banking segment was 13.3 per cent (17.0 per cent). Regulatory capital of 14.5 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio to be attained by 31 December 2016.

The lending margin in the first half of 2016 was 1.79 per cent (2.17 per cent), while the deposit margin was 0.21 per cent (minus 0.25 per cent) (measured against three-month NIBOR). The average three-month NIBOR has fallen by about 50 basis points since the start of 2015.

In the 12 months to end-June retail lending and retail deposits grew by 9.8 per cent (7.7 per cent) and 4.5 per cent (5.7 per cent) respectively.

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

Corporate Banking

Operating income totalled NOK 594m (578m) in the first half of 2016. Net interest income was NOK 492m (487m), while commission income totalled NOK 103m (91m) including NOK 6m (7m) on fixed income and forex business. Operating income in the corporate segment has increased due very largely to increased deposit margins and higher guarantee commissions.

Total losses recorded in the Corporate Banking Division were NOK 275m (50m) of which individually assessed write-downs accounted for NOK 236m and collectively assessed write-downs for NOK 39m. Losses are in all essentials related to the crisis in the oil and offshore segment.

Return on equity for the corporate banking segment was 2.4 per cent in the first half of 2016 (13.0 per cent). Regulatory capital of 14.5 per cent is used as capital employed, corresponding to the Group's CET1 capital ratio to be attained by 31 December 2016.

The lending margin was 2.63 per cent (2.71 per cent) and the deposit margin was minus 0.17 per cent (minus 0.37 per cent) in the first half-year.

Lending was reduced by 1.7 per cent and deposits by 0.1 per cent in the 12 months to end-June.

Subsidiaries

The subsidiaries posted an overall profit of NOK 147m (109m) before tax.

Pre-tax profit (NOKm)	First Half 2016	First Half 2015	Change
EiendomsMegler 1 Midt-Norge	43.3	29.2	14.1
SpareBank 1 Finans Midt-Norge	48.5	43.4	5.1
SpareBank 1 Regnskapshuset SMN	25.9	20.3	5.6
Allegro Kapitalforvaltning	4.4	1.3	3.0
SpareBank 1 SMN Invest	22.5	13.0	9.5
Sparebank 1 Markets	5.5	-	5.5
Other companies	-3.4	1.5	-4.9
Total	146.7	108.7	38.0

EiendomsMegler 1 Midt-Norge achieved its best ever results in the first half of 2016. The company leads the field in Trøndelag and in Møre and Romsdal with a market share of 40 per cent, and in Trondheim of about 50 per cent. The company's first half profit of NOK 43.3m (29.2m) is very good and is NOK 14.1m better than in the first half of 2015. The profit in the second quarter is as expected substantially better than in the first quarter. Good sales – in particular of new housing projects – explain much of the profit improvement, at the same time as the total number of dwellings sold also showed an increase. The number of dwelling units sold totalled 3,846 in the first half of 2016 compared with 3,615 in the first half of 2015.

SpareBank 1 Finans Midt-Norge reported a profit of NOK 48.5m in the first half-year (43.4m) and shows positive profit growth due to increased income from car loans in particular. The company manages leases and car loan agreements worth a total of NOK 4.6bn of which leases account for NOK 2.2bn and car loans for NOK 2.4bn.

Sound growth has been noted – in particular in car loans which show 40 per cent growth over the last 12 months. At last year-end the SamSpar banks participating in SpareBank 1 held a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge. Sparebanken Sogn og Fjordane joined as co-owners in January 2016 with a stake of 7.5 per cent, thereby further strengthening the company's distributive power. SpareBank 1 SMN now 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 25.9m (20.3m) for the first half of 2016. SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. In 2016 the company has acquired three businesses in Sunnmøre which were consolidated into the company at the half-year mark.

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

Allegro Kapitalforvaltning manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are the company's distribution channel. The company posted a pre-tax profit of NOK 4.4m in the first half of 2016 (1.3m). The company manages a portfolio worth NOK 5.9bn.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 22.5m (13.0m) in the first half of 2016.

Value changes and realisation of losses or gains on the company's overall shareholding represents NOK 9.7m of the overall profit. The company has in addition owner interests in the property company Grilstad Marina and its share of that company's profit in the first half of 2016 was NOK 12.8m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with a stake of 73.5 per cent. The company is headquartered in Oslo and has offices in Trondheim and Ålesund. It has a staff of 108.

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

The company's pre-tax profit in the first half of 2016 was NOK 5.5m. Results across all the company's business lines have been satisfactory. Underlying operations for these business lines are sound, with a solid customer base.

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

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 27bn and 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 banks' liquid assets relative to net liquidity outflow 30 days ahead in time given a stressed situation.

The LCR was extra high at the half-year mark due to expectations of seasonally large liquidity outflows in the third quarter, and is calculated at 149 per cent as at 30 June 2016. The bank has in addition funded parts of its refinancing needs for the second half-year in light of possible major financial market uncertainty. In June the bank raised a new five-year loan of EUR 500m in the Euro market. The loan was well received and attracted an order book of EUR 1000 million spread across 150 investors in Europe and Asia.

The bank's funding sources and products are amply diversified. At the half-year mark the proportion of money market funding in excess of 1 year was 87 per cent (83 per cent).

Rating

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

Financial position

The CET1 capital ratio at 30 June 2016 was 14.1 per cent (12.7 per cent). The change over the last 12 months is ascribable to:

- The CET1 ratio has risen by 1.4 percentage point to 14.1 per cent, and CET1 capital has risen by NOK 1.3bn. This is in all essentials ascribable to profit retention
- Risk weighted assets in terms of need for capital have increased by NOK 36bn or 0.5 per cent over the last 12 months. Low growth in risk weighted assets is due largely to reduced credit exposure to the business sector at BN Bank

As of 30 June 2016 the regulatory requirement on CET1 capital is 11.5 per cent, including combined buffer requirements. As from 30 June 2016 the countercyclical requirement rose to 1.5 per cent.

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

Finanstilsynet (Norway's FSA) has communicated a capital expectation of 14.5 per cent CET1 capital by 31 December 2016. This was considered by the bank's board of directors in December 2015 and a new CET1 target of at least 14.5 per cent, to be reached by 31 December 2016, was adopted. Finanstilsynet will not set individual Pillar 2 add-ons for SpareBank 1 SMN prior to Supervisory Review and Evaluation Process (SREP) in 2016.

The board of directors of SpareBank 1 SMN assumes and expects that carrying through the bank's capital plan will ensure that the bank attains the capital levels expected by the market and set by the authorities without need of a stock issue.

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

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments
- Moderate growth in the bank's asset-intensive activities, with priority given to lending to households
- Wind-down of the commercial property portfolio of BN Bank. By the end of the second quarter of 2016 the portfolio had been reduced by 36 per cent since 30 June 2015

The bank's equity certificate (MING)

The book value of the bank's EC at 30 June 2016 was NOK 69.18 (64.18), and earnings per EC were NOK 3.71 (4.31).

As at 30 June 2016 the EC was priced at NOK 46.70 (NOK 65.50), and dividend of NOK 2.25 per EC (NOK 2.25) has been paid in 2016 for the year 2015.

The Price / Income ratio was 6.30 (7.60) and the Price / Book ratio was 0.68 (1.02) at 30 June 2016.

Risk factors

The Group's problem loans have increased substantially, and individually assessed write-downs have been carried out on three offshore exposures. As at 30 June 2016 loans to oil-related activity accounted for 4.1 per cent of the Group's overall loan volume. The credit quality of the bank's remaining loan portfolio is satisfactory and, with the exception of oil-related activity, there are no concentrations in non-performing and problem exposures.

The bank expects a falling rate of GDP growth as a result of declining oil investment. A weaker Norwegian krone has impacted positively on export industries, and will partially offset some of these effects. The bank expects low growth in lending to mid-Norway's business sector ahead as a result of the low level of investment.

Real wage growth will be low, but with a lasting low interest rate level the bank considers the risk of loss on the bank's retail market portfolio to be low. Uncertainty relates above all to the trend in unemployment. The bank expects unemployment to show a slight increase, but to be relatively moderate in the bank's market areas as a whole.

Credit demand from Norwegian households has fallen somewhat, but remains higher than wage growth and will be heavily affected by the trend in house prices. The bank expects losses on home mortgage loans to remain low. If house prices stagnate, or fall, there is a risk that the household saving rate will quicken, which will result in reduced turnover for parts of Norwegian business and industry.

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

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

Outlook ahead

The directors are satisfied with the trend in the Group. A return on equity of 10.9 per cent despite a considerable increase in loan losses bears witness to a robust bank. The Group is experiencing growth and a stronger financial position. Progress is noted in all of the Group's business lines.

The board of directors notes that the work on restructuring the oil and offshore exposures is developing well and is pleased with the results of this process so far. There are still few signs to suggest that the challenges faced in oil-related activity have fed through to the economy in the bank's market area to any appreciable extent. The board maintain their expectation that overall loan losses for the whole of 2016 will be in the region of NOK 450m to 500m.

The board of directors is content with the development of the bank's CET1 capital position and assumes and expects the target of 14.5 per cent to be met by 31 December 2016 by means of the instruments set out in the bank's capital plan.

The board expects 2016 to be a good year for SpareBank 1 SMN.

Trondheim, 11. August 2016
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.)

Oddny Lysberg
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank						Group					
2015	2Q 15	2Q 16	First half 2015	First half 2016	(NOKm)	Note	First half 2016	First half 2015	2Q 16	2Q 15	2015
3,865	980	849	1,987	1,714	Interest income		1,806	2,011	896	992	4,031
2,161	553	424	1,133	866	Interest expenses		864	1,077	424	525	2,159
1,703	427	424	854	848	Net interest	10	942	934	472	467	1,872
1,005	245	247	492	482	Commission income		626	619	331	313	1,245
103	23	23	47	41	Commission expenses		64	59	36	32	135
220	192	9	202	17	Other operating income		287	230	154	132	435
1,123	415	233	648	458	Commission income and other income		849	790	448	413	1,545
471	361	551	466	580	Dividends		74	22	73	22	25
-	-	-	-	-	Income from investment in related companies	3	246	248	127	120	448
-125	-74	26	-7	63	Net return on financial investments	3	124	92	71	23	-14
346	288	577	459	643	Net return on financial investments		443	362	271	165	459
3,172	1,129	1,234	1,961	1,948	Total income		2,234	2,086	1,191	1,044	3,876
588	141	152	301	300	Staff costs		613	550	318	283	1,093
629	158	161	305	304	Other operating expenses		403	399	209	213	838
1,217	299	314	606	603	Total operating expenses	11	1,016	950	528	496	1,931
1,955	830	921	1,355	1,345	Result before losses		1,217	1,137	664	548	1,945
159	32	113	52	281	Loss on loans, guarantees etc.	2, 6, 7	287	56	118	35	169
1,796	798	807	1,302	1,064	Result before tax	3	930	1,080	546	513	1,776
325	70	63	185	126	Tax charge		157	209	85	83	370
-	-	-	-	-	Result investment held for sale, after tax	2, 3	-2	-1	-1	-0	-1
1,471	728	745	1,117	938	Net profit		771	871	460	430	1,406
					Attributable to:						
					Equity holders of parent company		752	866	449	427	1,410
					Equity holders of non-controlling interests		19	5	11	3	-4
					Profit per ECC		3.80	4.34	2.27	2.14	7.00
					Diluted profit per ECC		3.71	4.31	2.21	2.13	7.02

Other comprehensive income

Parent bank						Group				
2015	2Q 15	2Q 16	First half 2015	First half 2016	(NOKm)	First half 2016	First half 2015	2Q 16	2Q 15	2015
1,471	728	745	1,117	938	Net profit	771	871	460	430	1,406
					Items that will not be reclassified to profit/loss					
109	-	-	-	-	Actuarial gains and losses pensions	-	-	-	-	115
-27	-	-	-	-	Tax	-	-	-	-	-28
					Share of other comprehensive income of associates and joint venture					
-	-	-	-	-		-23	29	-23	-	36
82	-	-	-	-	Total	-23	29	-23	-	123
					Items that will be reclassified to profit/loss					
75	-	-52	-	-52	Available-for-sale financial assets	-52	-	-52	-	78
					Share of other comprehensive income of associates and joint venture					
-	-	-	-	-		-17	1	-2	-	1
-1	-	-	-	-	Tax	-	-	-	-	-1
74	-	-52	-	-52	Total	-69	1	-55	-	78
1,627	728	692	1,117	886	Total other comprehensive income	679	901	382	430	1,607
					Attributable to:					
					Equity holders of parent company	661	896	372	427	1,611
					Equity holders of non-controlling interests	19	5	11	3	-4

Balance sheet

Parent bank				Group			
31 Dec 2015	30 June 2015	30 June 2016	(NOKm)	Note	30 June 2016	30 June 2015	31 Dec 2015
3,270	3,895	1,200	Cash and receivables from central banks		1,200	3,895	3,270
5,883	5,573	9,918	Deposits with and loans to credit institutions		6,013	2,520	2,407
89,596	90,131	92,724	Net loans to and receivables from customers	5	96,960	93,715	93,415
15,752	15,082	19,939	Fixed-income CDs and bonds	15	19,862	15,082	15,752
7,606	5,884	7,005	Derivatives	15	6,927	5,851	7,524
337	258	232	Shares, units and other equity interests	2,15	1,464	1,346	1,485
3,624	3,294	3,672	Investment in related companies		5,524	5,024	5,522
2,927	2,853	3,005	Investment in group companies		-	-	-
222	222	330	Investment held for sale	2	217	15	16
466	463	473	Goodwill		583	552	562
411	1,234	734	Other assets	12	2,395	2,889	1,962
130,095	128,890	139,231	Total assets		141,145	130,888	131,914
8,155	8,684	10,212	Deposits from credit institutions		10,227	8,684	8,155
65,091	66,740	68,026	Deposits from and debt to customers	9	67,031	66,186	64,090
35,154	33,146	38,137	Debt created by issue of securities	14	38,137	33,146	35,154
5,366	4,564	5,831	Derivatives	15	5,924	4,610	5,414
868	887	937	Other liabilities	13	1,772	1,690	1,734
-	-	-	Investment held for sale	2	16	0	0
3,463	3,380	3,536	Subordinated loan capital	14	3,579	3,380	3,463
118,097	117,401	126,680	Total liabilities		126,685	117,697	118,010
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-7	-0	-21
895	895	895	Premium fund		895	895	895
3,790	3,122	3,790	Dividend equalisation fund		3,783	3,122	3,790
292	-	-	Recommended dividends		-	-	292
40	-	-	Provision for gifts		-	-	40
4,105	3,619	4,105	Savings bank's reserve		4,105	3,619	4,105
279	139	221	Unrealised gains reserve		233	148	290
-	-	5	Other equity capital		1,681	1,639	1,597
-	1,117	938	Profit for the period		771	871	-
			Non-controlling interests		403	301	318
11,998	11,489	12,552	Total equity		14,460	13,191	13,904
130,095	128,890	139,231	Total liabilities and equity		141,145	130,888	131,914

Cash flow statement

Parent bank				Group		
2015	First half 2015	First half 2016	(NOKm)	First half 2016	First half 2015	2015
1,471	1,117	938	Net profit	771	871	1,406
70	20	21	Depreciations and write-downs on fixed assets	48	51	104
159	52	281	Losses on loans and guarantees	287	56	169
1,700	1,189	1,240	Net cash increase from ordinary operations	1,107	978	1,678
224	1,124	308	Decrease/(increase) other receivables	45	590	-190
-782	-1,647	534	Increase/(decrease) short term debt	580	-1,047	-112
-3,277	-3,705	-3,408	Decrease/(increase) loans to customers	-3,832	-3,660	-3,472
-1,520	-1,209	-4,034	Decrease/(increase) loans credit institutions	-3,606	-1,231	-1,118
3,889	5,537	2,935	Increase/(decrease) deposits to customers	2,941	5,506	3,410
-968	-439	2,058	Increase/(decrease) debt to credit institutions	2,073	-439	-968
-1,575	-905	-4,187	Increase/(decrease) in short term investments	-4,110	-905	-1,575
-2,311	-55	-4,555	A) Net cash flow from operations	-4,803	-208	-2,349
-61	-10	-58	Increase in tangible fixed assets	17	-21	-50
-821	-418	-234	Paid-up capital, associated companies	-89	155	-98
-6	-1	52	Net investments in long-term shares and partnerships	38	-410	-702
-887	-428	-240	B) Net cash flow from investments	-34	-275	-849
93	10	73	Increase/(decrease) in subordinated loan capital	116	10	93
-1	0	0	Increase/(decrease) in equity	0	0	-1
-292	-292	-292	Dividend cleared	-292	-292	-292
-160	-160	-40	To be disbursed from gift fund	-40	-160	-160
2,153	145	2,983	Increase/(decrease) in other long term loans	2,983	145	2,153
1,792	-298	2,724	C) Net cash flow from financial activities	2,766	-298	1,792
-1,405	-781	-2,071	A) + B) + C) Net changes in cash and cash equivalents	-2,071	-781	-1,405
4,676	4,676	3,270	Cash and cash equivalents at 1.1	3,270	4,676	4,676
3,270	3,895	1,200	Cash and cash equivalents at end of quarter	1,200	3,895	3,270
-1,405	-781	-2,071	Net changes in cash and cash equivalents	-2,071	-781	-1,405

Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity at 1 January 2015	2,597	895	3,619	3,122	292	160	139	-	10,824
Net profit	-	-	457	616	292	40	66	-	1,471
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-	74	-	74
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	-	82
Other comprehensive income	-	-	29	53	-	-	74	-	156
Total other comprehensive income	-	-	486	669	292	40	140	-	1,627
Transactions with owners									
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-	-1
Total transactions with owners	-	-	-	-1	-292	-160	-	-	-453
Equity at 31 December 2015	2,597	895	4,105	3,790	292	40	279	-	11,998
Equity at 1 January 2016	2,597	895	4,105	3,790	292	40	279	-	11,998
Net profit	-	-	-	-	-	-	-	938	938
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-	-57	5	-52
Other comprehensive income	-	-	-	-	-	-	-57	5	-52
Total other comprehensive income	-	-	-	-	-	-	-57	943	886
Transactions with owners									
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-292	-40	-	-	-332
Equity at 30 June 2016	2,597	895	4,105	3,790	-	-	221	943	12,552

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total equity
Equity at 1 January 2015	2,597	895	3,619	3,122	292	160	148	1,620	72	12,524
Net profit	-	-	457	616	292	40	66	-61	-4	1,406
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	37	-	37
Available-for-sale financial assets	-	-	-	-	-	-	77	-	-	77
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	4	1	87
Other comprehensive income	-	-	29	53	-	-	77	41	1	201
Total other comprehensive income	-	-	486	669	292	40	142	-20	-3	1,607
Transactions with owners										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-	-	-1
Direct recognitions in equity	-	-	-	-	-	-	-	4	-	4
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	-3	-	-3
Own ECC held by SB1 Markets*)	-21	-	-	-	-	-	-	-5	-	-25
Change in non-controlling interests	-	-	-	-	-	-	-	-	249	249
Total transactions with owners	-21	-	-	-1	-292	-160	-	-3	249	-227
Equity at 31 December 2015	2,576	895	4,105	3,790	292	40	290	1,597	318	13,904

*) 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
Equity at 1 January 2016	2,576	895	4,105	3,790	292	40	290	1,597	318	13,904
Net profit	-	-	-	-	-	-	-	752	19	771
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-40	-	-40
Available-for-sale financial assets	-	-	-	-	-	-	-57	5	-	-52
Other comprehensive income	-	-	-	-	-	-	-57	-35	-	-92
Total other comprehensive income	-	-	-	-	-	-	-57	718	19	679
Transactions with owners										
Dividend declared for 2015	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Purchase and sale of own ECCs	0	-	-	0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-0	-	-0
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	139	-	139
Own ECC held by SB1 Markets*)	13	-	-	-7	-	-	-	-2	-	4
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66
Total transactions with owners	13	-	-	-7	-292	-40	-	137	66	-123
Equity at 30 June 2016	2,589	895	4,105	3,783	-	-	233	2,452	403	14,460

*) 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	29
Note 4 - Capital adequacy	31
Note 5 - Distribution of loans by sector/industry	33
Note 6 - Losses on loans and guarantees	34
Note 7 - Losses	35
Note 8 - Defaults and problem loans	36
Note 9 - Distribution of customer deposits by sector/industry	37
Note 10 - Net interest income	38
Note 11 - Operating expenses	39
Note 12 - Other assets	40
Note 13 - Other liabilities	41
Note 14 - Debt created by issue of securities and subordinated debt	42
Note 15 - Measurement of fair value of financial instruments	43
Note 16 - Financial instruments and offsetting	45
Note 17 - Liquidity risk	46

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 2015. 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.

Guarantee fund levy

After the implementation of IFRIC 21, there has been a discussion of whether the annual levy to the guarantee fund for 2015 and 2016 should be expensed in first quarter. The levy to the Banks' Guarantee Fund is normally based on previous quarters' average guaranteed deposits and average risk weighted assets. The question of whether withdrawing from the guarantee fund arrangement will entail a refund of levy paid in excess is not regulated. In practice a pro rata charge has been made upon enrolment. This practice and consistency of treatment suggest a pro rata approach upon withdrawal. The Ministry of Finance will settle the matter by administrative decision. This has a bearing on when the levy is to be recognised in the accounts. The financial supervisory Authority (FSA) concluded in their circular from 19 november 2015 that the guarantee fund levy should be fully expensed in first quarter every year, and expects that the banks change their practice from first quarter 2016. The Ministry of Finance has in a letter from 8 april 2016 asked that FSA prepare draft for changes to the regulation regarding the calculation of levy upon withdrawal where the banks will get the levy refunded for the part of the year the bank is no longer a member of the guarantee fund.

The FSA has now published hearing and draft for the new regulation. Sparebank 1 SMN has continued its earlier practice of accrual on a monthly basis.

The expense was 29 million in first half of 2016, compared to 29 million in first half of 2015. If the guarantee fund levy had been fully expensed in first quarter 2016, the interest expenses would increase by 29 million in first half of 2016 (25 million in 2015)

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 2015 annual report.

Companies held for sale

The strategy of SpareBank 1 SMN is that ownership in companies resulting from engagements in default should be of short duration, normally not more than a year. The investments are accounted for at fair value and classified as held for sale.

Assets and liabilities related to the company Brannstasjonen SMN AS have been presented as held for sale from Q1 2016 as group management and board has approved the sale of the company, and the process for sale has come to the point where it is highly likely that a transaction will be completed before 12 months. Brannstasjonen SMN AS was founded in 2012 after SMN acquired Kongensgt 2, the previous fire station. The purpose was to develop the property for own use since the bank at that point had a need for more office space driven by the growth strategy and the newly established credit card company in addition to the need to integrate SMN Regnskapshuset in the head quarter. Subsequently, it has been shown that the need for office space is less than anticipated due to the digitalisation and efficiency gains to be realised.

2016 Q2 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit/Loss	Ownership
Mavi XV AS group	15	0	0	0	-0	100 %
Brannstasjonen SMN AS	202	16	-	-1	-1	100 %
Total held for sale	217	16	0	-1	-1	-

Unrealised gain in Visa Norge FLI

On 2 November 2015 an agreement was announced between Visa Europe Ltd. and Visa Inc. whereby Visa Inc. acquires all shares of Visa Europa. The transaction comprises a cash consideration of EUR 11.5 billion, convertible preference shares estimated as of the announcement date at EUR 5.0 billion, and a conditional cash consideration of up to EUR 4.7 billion, to be disbursed four years after completion of the transaction

After the initial agreement between Visa Inc and Visa Europe Ltd an additional agreement has been made where the conditional consideration lapses and the parties have instead agreed on an additional cash consideration of € 1,12 mrd incl interest, to be paid three years after closing.

SpareBank 1 SMN is a member of the association Visa Norge FLI ("Visa Norge"), which is a shareholder of Visa Europe Ltd.

Visa Norge FLI held an owners meeting at 28 juni 2016 where the model for allocation of the proceeds to the members were decided. The transfer of the cash consideration was completed immediately after the meeting. The decision also stated that the same model for allocation will be used for later distributions related to this transaction (additional cash consideration and shares).

SpareBank 1 SMN has thoroughly reviewed the accounting treatment of the transaction, including assessments regarding the liquidity of the preference shares expected to be awarded, share price risk, foreign exchange risk and tax risk in the transaction. The owner interest in Visa Norge FLI is deemed to be a financial asset and classified in the category 'available for sale'.

According to IAS 39.46, assets classified as available for sale shall be measured at fair value – but only if fair value can be reliably measured.

SpareBank 1 SMN has received a cash consideration of 63 million in second quarter 2016. This has been recognised as dividends in profit and loss. At the same time previously recognised unrealised gain of Visa Norge FLI of 52 million has been reversed from other comprehensive income (OCI).

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 2016

Profit and loss account (NOKm)	RM	SB1 CM	SB1 Markets	SB1 EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	BN Uncollated	Total
Net interest	449	471	-4	2	88	-0	-	-	-64	942
Interest from allocated capital	25	20	-	-	-	-	-	-	-46	-
Total interest income	474	492	-4	2	88	-0	-	-	-110	942
Commission income and other income	338	97	108	216	-5	126	-	-	-30	849
Net return on financial investments **)	0	6	33	-	-	-	141	51	211	441
Total income	812	594	136	217	83	126	141	51	71	2.232
Total operating expenses	401	182	129	174	29	100	-	-	2	1.016
Ordinary operating profit	412	412	7	43	54	26	141	51	71	1.217
Loss on loans, guarantees etc.	7	274	2	-	6	-	-	-	-1	287
Result before tax including held for sale	405	138	5	43	48	26	141	51	71	928
Post-tax return on equity*)	13,3 %	2,4 %								10,9 %
Balance (NOKm)										
Loans and advances to customers	89.299	37.454	-	-	4.933	-	-	-	896	132.583
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33.044	-1.749	-	-	-	-	-	-	-	-34.793
Individual allowance for impairment on loan	-23	-379	-	-	-8	-	-	-	-2	-412
Group allowance for impairment on loan	-95	-304	-	-	-19	-	-	-	1	-418
Other assets	213	7	1.604	296	13	220	1.508	1.153	39.172	44.185
Total assets	56.349	35.029	1.604	296	4.919	220	1.508	1.153	40.066	141.145
Deposits to customers	35.457	31.511	-	-	-	-	-	-	63	67.031
Other liabilities and equity	20.892	3.519	1.604	296	4.919	220	1.508	1.153	40.003	74.114
Total liabilities	56.349	35.029	1.604	296	4.919	220	1.508	1.153	40.066	141.145

Group 30 June 2015

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	442	450	-1	1	73	-0	-	-	-32	934
Interest from allocated capital	31	37	-	-	-	-	-	-	-68	-
Total interest income	473	487	-1	1	73	-0	-	-	-100	934
Commission income and other income	348	84	23	191	0	117	-	-	26	790
Net return on financial investments **)	0	7	26	-	-	-	128	35	166	362
Total income	821	578	49	193	73	117	128	35	93	2,086
Total operating expenses	370	175	59	164	27	97	-	-	58	950
Ordinary operating profit	451	403	-10	29	46	20	128	35	35	1,137
Loss on loans, guarantees etc.	3	49	-	-	3	-	-	-	1	56
Result before tax including held for sale	448	354	-10	29	43	20	128	35	33	1,080
Post-tax return on equity*)	17.0 %	13.0 %								13.7 %

Balance (NOKm)

Loans and advances to customers	81,352	38,090	-	-	3,937	-	-	-	1,140	124,519
Adv. of this to SpareBank 1 Boligkreditt	-29,057	-1,283	-	-	-	-	-	-	-1	-30,340
Individual allowance for impairment on loan	-22	-136	-	-	-8	-	-	-	-2	-168
Group allowance for impairment on loan	-90	-188	-	-	-17	-	-	-	-0	-296
Other assets	171	8	1,471	264	18	144	1,381	1,149	32,570	37,174
Total assets	52,353	36,490	1,471	264	3,930	144	1,381	1,149	33,707	130,888
Deposits to customers	33,915	31,552	-	-	-	-	-	-	719	66,186
Other liabilities and equity	18,438	4,939	1,471	264	3,930	144	1,381	1,149	32,988	64,702
Total liabilities	52,353	36,490	1,471	264	3,930	144	1,381	1,149	33,707	130,888

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

** Specification of net return on financial investments incl. investment held for sale (NOKm)	First half 2016	First half 2015
Capital gains/dividends, shares	65	70
Bonds and derivatives	78	-21
Forex and fixed income business, Markets	54	64
Net return on financial investments	197	114
SpareBank 1 Gruppen	141	128
SpareBank 1 Boligkreditt	22	50
SpareBank 1 Næringskreditt	15	15
BN Bank	51	35
SpareBank 1 Kredittkort	14	10
Companies owned by SpareBank 1 SMN Invest	13	13
Other companies	-11	-2
Income from investment in associates and joint ventures	244	249
Total net return on financial investments	441	362

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

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 40 per cent in 2016 and 10 per cent thereafter. As at 30 June 2016 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

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

Parent Bank				Group		
31 Dec 2015	30 June 2015	30 June 2016	(NOKm)	30 June 2016	30 June 2015	31 Dec 2015
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-7	-0	-21
895	895	895	Premium fund	895	895	895
3,790	3,122	3,790	Dividend equalisation fund	3,783	3,122	3,790
4,105	3,619	4,105	Savings bank's reserve	4,105	3,619	4,105
292	-	-	- Recommended dividends	-	-	292
40	-	-	- Provision for gifts	-	-	40
279	139	221	Unrealised gains reserve	233	148	290
-	-	5	Other equity	1,681	1,639	1,597
-	-	-	- Non-controlling interests	403	301	318
-	1,117	938	Net profit	771	871	-
11,998	11,489	12,552	Total book equity	14,460	13,191	13,904
-447	-447	-473	Deferred taxes, goodwill and other intangible assets	-715	-664	-662
-	-	-	- Part of reserve for unrealised gains, associated companies	169	120	264
-332	-	-	- Deduction for allocated dividends and gifts	-	-	-332
-	-	-	- Non-controlling interests recognised in other equity capital	-403	-301	-318
-	-	-	- Non-controlling interests eligible for inclusion in CET1 capital	203	47	132
-93	-4	-93	Surplus financing of pension obligations	-94	-	-43
-	-1,117	-938	Net profit	-771	-871	-
-	882	707	Year-to-date profit included in core capital (73 per cent pre tax of group profit)	540	636	-
-33	-30	-36	Value adjustments due to requirements for prudent valuation	-58	-43	-55
-164	-240	-124	Positive value of adjusted expected loss under IRB Approach	-187	-318	-239
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-389	-355	-458
10,928	10,533	11,594	Total common equity Tier one	12,757	11,443	12,192
950	950	950	Hybrid capital, core capital	1,362	1,217	1,310
495	491	493	Hybrid capital covered by transitional provisions	493	491	495
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-9	-9
12,373	11,974	13,037	Total core capital	14,604	13,142	13,988
			Supplementary capital in excess of core capital			
1,000	1,000	1,000	Subordinated capital	1,647	1,692	1,647
786	786	673	Subordinated capital covered by transitional provisions	673	786	786

-43	-43	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-43	-43
1,743	1,743	1,631	Total supplementary capital	2,278	2,435	2,390
14,116	13,717	14,668	Net subordinated capital	16,882	15,577	16,378
Minimum requirements subordinated capital						
1,027	1,148	1,027	Involvement with specialised enterprises	1,169	1,391	1,213
1,049	927	1,095	Other corporations exposure	1,143	965	1,105
1,093	1,104	1,137	Mass market exposure, property	1,596	1,514	1,557
157	173	160	Mass market exposure, SMEs	170	185	167
38	13	39	Other retail exposure	43	13	40
1,221	1,148	1,238	Equity investments	3	0	0
4,585	4,513	4,696	Total credit risk IRB	4,123	4,068	4,082
64	199	18	Debt risk	19	200	64
-	-	-	Equity risk	10	8	10
-	-	-	Currency risk	1	0	-
316	316	334	Operational risk	479	457	457
922	1,001	1,033	Exposures calculated using the standardised approach	1,931	1,926	1,805
53	30	47	Credit value adjustment risk (CVA)	90	71	106
-	-	-	Transitional arrangements	585	471	634
5,939	6,060	6,127	Minimum requirements subordinated capital	7,237	7,201	7,157
74,243	75,746	76,592	Risk weighted assets (RWA)	90,464	90,010	89,465
3,341	3,409	3,447	Minimum requirement on CET1 capital, 4.5 per cent	4,071	4,050	4,026
Capital Buffers						
1,856	1,894	1,915	Capital conservation buffer, 2.5 per cent	2,262	2,250	2,237
2,227	2,272	2,298	Systemic risk buffer, 3.0 per cent	2,714	2,700	2,684
742	757	1,149	Countercyclical buffer, 1.5 per (1.0 per cent)	1,357	900	895
4,826	4,923	5,361	Total buffer requirements on CET1 capital	6,332	5,851	5,815
2,761	2,201	2,786	Available CET1 capital after buffer requirements	2,354	1,542	2,351
Capital adequacy						
14.7 %	13.9 %	15.1 %	Common equity Tier one ratio	14.1 %	12.7 %	13.6 %
16.7 %	15.8 %	17.0 %	Core capital ratio	16.1 %	14.6 %	15.6 %
19.0 %	18.1 %	19.2 %	Capital adequacy ratio	18.7 %	17.3 %	18.3 %
9.1 %	8.7 %	9.1 %	Leverage ratio	6.8 %	6.5 %	6.7 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2015	30 June 2015	30 June 2016	(NOKm)	30 June 2016	30 June 2015	31 Dec 2015
8,515	8,011	9,185	Agriculture, forestry, fisheries, hunting	9,357	8,152	8,674
1,485	1,582	1,667	Sea farming industries	2,044	1,798	1,807
2,387	2,043	2,546	Manufacturing	2,823	2,333	2,675
3,141	3,768	2,934	Construction, power and water supply	3,432	4,247	3,598
2,482	2,690	2,395	Retail trade, hotels and restaurants	2,591	2,856	2,666
6,043	5,999	5,370	Maritime sector	5,407	6,024	6,066
14,377	14,120	14,051	Property management	14,110	14,167	14,346
2,019	1,771	2,456	Business services	2,119	1,681	1,777
2,859	2,940	3,299	Transport and other services provision	3,829	3,408	3,355
192	188	170	Public administration	186	208	211
1,458	2,324	1,626	Other sectors	1,512	2,342	1,477
44,958	45,435	45,699	Gross loans in retail market	47,411	47,215	46,653
78,575	75,473	82,619	Wage earners	85,171	77,304	80,725
123,533	120,908	128,318	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	132,583	124,519	127,378
31,944	28,965	32,952	SpareBank 1 Boligkreditt	32,952	28,965	31,944
1,460	1,375	1,841	SpareBank 1 Næringskreditt	1,841	1,375	1,460
90,129	90,568	93,525	Gross loans in balance sheet	97,790	94,179	93,974
174	159	402	- Specified write-downs	412	168	183
358	278	398	- Collective write-downs	418	296	376
89,596	90,131	92,724	Net loans to and receivables from customers	96,960	93,715	93,415

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOKm)	First half 2016			First half 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-0	229	229	-2	-3	-5	2	9	11
+ Change in collective impairment losses provisions for the period	-	40	40	-	-	-	-	80	80
+ Actual loan losses on commitments for which provisions have been made	6	4	9	4	50	54	7	58	65
+ Actual loan losses on commitments for which no provision has been made	3	2	5	3	3	7	8	4	12
- Recoveries on commitments previously written-off	1	1	2	2	1	3	6	3	9
Losses of the period on loans and guarantees	7	274	281	3	49	52	11	148	159

Group

Losses on loans and guarantees (NOKm)	First half 2016			First half 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	-0	231	230	-2	-2	-4	3	9	11
+ Change in collective impairment losses provisions for the period	2	39	42	1	-	1	2	80	82
+ Actual loan losses on commitments for which provisions have been made	6	4	10	5	50	56	8	59	67
+ Actual loan losses on commitments for which no provision has been made	6	2	8	5	4	10	13	7	21
- Recoveries on commitments previously written-off	1	1	2	3	3	6	8	4	12
Losses of the period on loans and guarantees	12	275	287	6	50	56	18	151	169

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	28	148	176	25	140	165	25	140	165
- Actual losses during the period for which provisions for individual impairment losses have been made previously	6	4	9	4	51	55	7	58	65
- Reversal of provisions from previous periods	3	7	10	2	15	16	2	40	43
+ Increased write-downs on provisions previously written down	1	7	8	1	3	4	1	21	22
+ Write-downs on provisions not previously written down	3	237	240	3	59	62	12	85	96
Individual write-downs to cover loss on loans and guarantees	23	381	405	22	137	160	28	148	176

*) Individually assessed impairment write-downs on guarantees, totalling NOK 2.3m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 01.01	90	268	358	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	40	40	-	-	-	-	80	80
Collective write-downs to cover loss on loans and guarantees	90	308	398	90	188	278	90	268	358

Group

Individual write-downs (NOKm)	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	31	153	184	27	146	173	27	146	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	6	4	10	5	52	57	8	59	67
- Reversal of provisions from previous periods	4	7	10	2	15	17	3	42	46
+ Increased write-downs on provisions previously written down	1	7	8	1	3	4	1	21	22
+ Write-downs on provisions not previously written down	4	239	243	4	61	65	14	87	102
Individual write-downs to cover loss on loans and guarantees	27	388	415	25	144	169	31	153	184

*) Individually assessed impairment write-downs on guarantees, totalling NOK 2.3m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	96	281	376	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	2	40	42	1	-	1	2	80	82
Collective write-downs to cover loss on loans and guarantees	97	321	418	95	201	296	96	281	376

Note 8 - Defaults and problem loans

Parent Bank

	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	172	24	196	161	83	244	133	38	171
- Individual write-downs	15	12	26	17	34	51	15	8	23
Net defaults	158	12	169	144	50	193	119	30	148
Provision rate	8 %	51 %	14 %	11 %	41 %	21 %	11 %	22 %	13 %
Problem loans									
Problem loans (not in default)	28	1,163	1,190	11	349	361	45	341	387
- Individual write-downs	9	369	378	5	103	108	13	139	152
Net problem loans	19	793	812	6	246	252	32	202	234
Provision rate	32 %	32 %	32 %	45 %	30 %	30 %	29 %	41 %	39 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q2

Group

	30 June 2016			30 June 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	219	36	255	182	105	287	155	50	205
- Individual write-downs	18	13	31	20	38	58	17	9	26
Net defaults	201	23	223	162	68	230	138	41	179
Provision rate	8 %	36 %	12 %	11 %	36 %	20 %	11 %	18 %	13 %
Problem loans									
Problem loans (not in default)	28	1,171	1,198	11	357	368	49	350	399
- Individual write-downs	9	375	384	5	106	111	14	144	158
Net problem loans	19	796	815	6	251	257	34	206	241
Provision rate	32 %	32 %	32 %	46 %	30 %	30 %	30 %	41 %	40 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q2

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2015	30 June 2015	30 June 2016	(NOKm)	30 June 2016	30 June 2015	31 Dec 2015
2,541	2,464	2,660	Agriculture, forestry, fisheries, hunting	2,660	2,464	2,541
674	559	426	Sea farming industries	426	559	674
2,518	2,137	1,598	Manufacturing	1,598	2,137	2,518
2,164	2,007	1,977	Construction, power and water supply	1,977	2,007	2,164
4,116	3,297	3,590	Retail trade, hotels and restaurants	3,590	3,297	4,116
1,994	1,888	2,088	Maritime sector	2,088	1,888	1,994
4,295	4,783	4,970	Property management	4,754	4,604	4,099
4,836	4,713	5,282	Business services	5,282	4,713	4,836
4,643	4,743	4,949	Transport and other services provision	4,503	4,411	4,138
7,221	7,938	8,446	Public administration	8,446	7,938	7,221
1,755	3,572	1,886	Other sectors	1,554	3,530	1,454
36,756	38,102	37,873	Total	36,878	37,548	35,754
28,336	28,638	30,153	Wage earners	30,153	28,638	28,336
65,091	66,740	68,026	Total deposits	67,031	66,186	64,090

Note 10 - Net interest income

Parent bank			(NOK million)	Group		
2015	First half 2015	First half 2016		First half 2016	First half 2015	2015
			Interest income			
112	53	61	Interest income from loans to and claims on central banks and credit institutions	26	18	43
3,447	1,782	1,518	Interest income from loans to and claims on customers	1,637	1,835	3,669
304	151	135	Interest income from money market instruments, bonds and other fixed income securities	134	151	304
1	0	-	Other interest income	9	6	16
3,865	1,987	1,714	Total interest income	1,806	2,011	4,031
			Interest expense			
147	82	70	Interest expenses on liabilities to credit institutions	70	27	148
968	527	330	Interest expenses relating to deposits from and liabilities to customers	323	517	949
840	420	362	Interest expenses related to the issuance of securities	362	420	840
149	74	73	Interest expenses on subordinated debt	73	74	149
3	2	2	Other interest expenses	7	11	20
54	29	29	Guarantee fund levy	29	29	54
2,161	1,133	866	Total interest expense	864	1,077	2,159
1,703	854	848	Net interest income	942	934	1,872

Note 11 - Operating expenses

Parent bank				Group		
2015	First half 2015	First half 2016	(NOKm)	First half 2016	First half 2015	2015
588	301	300	Personnel expenses	613	550	1,093
194	110	104	IT costs	130	130	240
18	9	10	Postage and transport of valuables	12	11	22
55	23	26	Marketing	45	45	96
41	20	21	Ordinary depreciation	48	51	104
123	60	61	Operating expenses, real properties	52	50	100
68	30	32	Purchased services	46	43	105
129	53	50	Other operating expense	70	71	171
1,217	606	603	Total other operating expenses	1,016	950	1,931

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2015	30 June 2015	30 June 2016	(NOKm)	30 June 2016	30 June 2015	31 Dec 2015
33	-	33	Deferred tax asset	186	156	187
133	135	131	Fixed assets	944	1.063	1.031
23	20	25	Earned income not yet received	72	56	39
3	1.010	326	Accounts receivable, securities	651	1.209	200
124	6	124	Pensions	125	6	125
95	63	94	Other assets	416	398	381
411	1.234	734	Total other assets	2.395	2.889	1.962

Note 13 - Other liabilities

Parent Bank			(NOKm)	Group		
31 Dec 2015	30 June 2015	30 June 2016		30 June 2016	30 June 2015	31 Dec 2015
-	34	0	Deferred tax	22	48	21
420	127	222	Payable tax	269	167	459
10	13	-	Capital tax	13	10	13
70	99	80	Accrued expenses and received, non-accrued income	280	102	303
78	93	107	Provision for accrued expenses and commitments	107	93	78
25	17	25	Pension liabilities	31	32	31
46	58	61	Drawing debt	61	58	46
6	6	7	Creditors	53	50	39
61	216	145	Debt from securities	326	439	145
-	-	-	Equity Instruments	289	431	394
153	225	289	Other liabilities	321	261	204
868	887	937	Total other liabilities	1,772	1,690	1,734

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

Group

	30 June 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Change in securities debt (NOKm)					
Bond debt, nominal value	37,135	7,066	3,287	-658	34,014
Value adjustments	791	-	-	16	775
Accrued interest	211	-	-	-155	365
Total	38,137	7,066	3,287	-797	35,154

	30 June 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Change in subordinated debt and hybrid equity (NOKm)					
Ordinary subordinated loan capital, nominal value	1,776	43	-	73	1,660
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	89	-	-	-0	89
Accrued interest	14	-	-	-0	14
Total	3,579	43	-	73	3,463

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 2016:

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

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2015:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	32	5,820	-	5,851
Bonds and money market certificates	3,102	11,980	-	15,082
Equity instruments	700	-	607	1,307
Fixed interest loans	-	43	4,677	4,719
Financial assets available for sale				
Equity instruments	-	-	40	40
Total assets	3,833	17,842	5,324	26,999
Liabilities	Level 1	Level 2	Level 3	0
Financial liabilities through profit/loss				
Derivatives	32	4,579	-	4,610
Total liabilities	32	4,579	-	4,610

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4,405	574	108	5,087
Investment in periode	148	15	31	194
Disposals in the periode	-230	-47	-3	-281
Gain or loss on financial instruments	22	-26	-49	-52
Closing balance 30 June	4,345	516	87	4,948

The following table presents the changes in the instruments classified in level 3 as at 30 June 2015:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,277	625	35	3,937
Investment in periode	1,690	8	3	1,701
Disposals in the periode	-267	-22	-2	-291
Gain or loss on financial instruments	40	-4	3	40
Change in valuation model for fixed interest loans	-64	-	-	-64
Closing balance 30 June	4,677	607	40	5,324

Note 16 - Financial instruments and offsetting

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

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. Regarding financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 30 June 2016 the Bank has 27 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

SpareBank 1 SMN was registered as a GCM member of NASDAQ OMX Clearing AB in October 2015. The bank has since December 2015 offered customers clearing representation related to their trade in electricity and salmon derivatives on NASDAQ OMX Oslo ASA and Fish Pool ASA. Clearing representation entails that the bank substitutes itself in the place of the client as counterparty to NASDAQ OMX Clearing AB and takes on the obligation to NASDAQ to furnish margin collateral and to execute settlement of contracts and pay charges. For the bank's exposure as a GCM, clients will furnish collateral in the form of a deposit of cash and/or encumbrance of assets.

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

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

Parent Bank

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
30 June 2016	Derivatives	1,367
30 June 2015	Derivatives	1,416
31 Dec 2015	Derivatives	2,149

Group

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
30 June 2016	Derivatives	1,417
30 June 2015	Derivatives	1,416
31 Dec 2015	Derivatives	2,178

Note 17 - 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.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the second quarter was 2.95 years. The overall LCR at the same point was 149 per cent and the average overall LCR in the quarter was 123 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 141 and 466 per cent respectively.

Equity capital certificate ratio

(NOKm)	30 June 2016	31 Dec 2015
ECC capital	2,597	2,597
Dividend equalisation reserve	3,790	3,790
Premium reserve	895	895
Unrealised gains reserve	142	179
Other equity capital	3	-
A. The equity capital certificate owners' capital	7,428	7,461
Ownerless capital	4,105	4,105
Unrealised gains reserve	79	100
Other equity capital	2	-
B. The saving bank reserve	4,186	4,205
To be disbursed from gift fund	-	40
Dividend declared	-	292
Equity ex. profit	11,614	11,998
Equity capital certificate ratio A/(A+B)	63.96 %	63.96 %
Equity capital certificate ratio for distribution	63.96 %	63.96 %

Results from quarterly accounts

Group (NOKm)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014
Interest income	896	910	962	1,058	992	1,019	1,103	1,080	1,055
Interest expenses	424	441	489	593	525	552	618	617	625
Net interest	472	469	473	466	467	467	485	463	430
Commission income	331	295	309	317	313	306	323	314	326
Commission expenses	36	28	38	38	32	27	33	28	28
Other operating income	154	134	107	99	132	97	81	74	96
Commission income and other income	448	401	378	378	413	377	371	361	394
Dividends	73	0	3	0	22	0	5	0	14
Income from investment in related companies	127	119	121	78	120	129	144	170	131
Net return on financial investments	71	53	-15	-91	23	69	-58	1	56
Net return on financial investments	271	172	109	-13	165	198	91	170	201
Total income	1,191	1,042	959	831	1,044	1,042	947	993	1,026
Staff costs	318	295	280	264	283	267	267	235	245
Other operating expenses	209	194	235	203	213	186	212	190	198
Total operating expenses	528	489	515	466	496	454	479	425	443
Result before losses	664	553	444	364	548	588	467	568	583
Loss on loans, guarantees etc.	118	170	56	56	35	22	34	24	15
Result before tax	546	383	388	309	513	567	434	545	568
Tax charge	85	72	100	61	83	126	60	101	103
Result investment held for sale, after tax	-1	-0	-0	0	-0	-0	0	-1	-1
Net profit	460	311	287	248	430	441	375	443	464

Key figures from quarterly accounts

Group (NOKm)	2Q 2016	1Q 2016	4Q 2015	3Q 2015	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014
Profitability									
Return on equity per quarter	12.9 %	8.9 %	8.4 %	7.4 %	13.4 %	14.1 %	12.1 %	14.8 %	16.0 %
Cost-income ratio	44 %	47 %	54 %	56 %	47 %	44 %	51 %	43 %	43 %
Balance sheet figures									
Gross loans to customers	97,790	95,331	93,974	94,917	94,179	92,311	90,578	86,724	85,465
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	132,583	129,520	127,378	126,180	124,519	122,933	120,435	116,464	114,819
Deposits from customers	67,031	63,851	64,090	63,620	66,186	60,589	60,680	58,091	59,402
Total assets	141,145	134,345	131,914	129,237	130,888	123,687	126,047	117,194	118,758
Average total assets	137,745	133,129	130,575	130,063	127,288	124,867	121,620	117,976	115,184
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	6.5 %	5.4 %	5.8 %	8.3 %	8.4 %	10.0 %	7.3 %	5.4 %	5.1 %
Growth in deposits last 12 months	1.3 %	5.4 %	5.6 %	9.5 %	11.4 %	10.9 %	8.5 %	8.5 %	8.5 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.36 %	0.53 %	0.18 %	0.18 %	0.11 %	0.07 %	0.11 %	0.08 %	0.05 %
Non-performing commitm. as a percentage of gross loans	0.19 %	0.16 %	0.16 %	0.17 %	0.23 %	0.19 %	0.22 %	0.29 %	0.29 %
Other doubtful commitm. as a percentage of gross loans	0.90 %	0.32 %	0.31 %	0.36 %	0.30 %	0.18 %	0.18 %	0.18 %	0.18 %
Solidity									
Common equity tier 1	14.1 %	13.6 %	13.6 %	13.2 %	12.7 %	12.3 %	11.2 %	11.5 %	11.4 %
Core capital ratio	16.1 %	15.6 %	15.6 %	15.2 %	14.6 %	14.3 %	13.0 %	13.4 %	13.3 %
Capital adequacy ratio	18.7 %	18.1 %	18.3 %	17.9 %	17.3 %	17.0 %	15.7 %	16.1 %	15.0 %
Core capital	14,604	14,237	13,988	13,451	13,142	12,713	12,382	12,302	11,635
Net equity and related capital	16,882	16,516	16,378	15,886	15,577	15,147	14,937	14,826	13,164
Liquidity Coverage Ratio (LCR)	123 %	107 %	107 %	81 %	79 %	66 %	85 %	83 %	91 %
Key figures ECC *)									
ECC share price at end of period (NOK)	46.70	52.75	50.50	54.00	65.50	59.50	58.50	59.25	54.25
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)	69.18	67.37	67.65	65.52	64.18	61.95	62.04	60.53	58.32
Profit per ECC, majority	2.21	1.49	1.45	1.26	2.13	2.18	1.85	2.19	2.29
Price-Earnings Ratio	5.27	8.83	8.71	10.72	7.70	6.81	7.89	6.75	5.91
Price-Book Value Ratio	0.68	0.78	0.75	0.82	1.02	0.96	0.94	0.98	0.93

*) The key figures are corrected for issues

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 2016 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, 11. August 2016
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.)

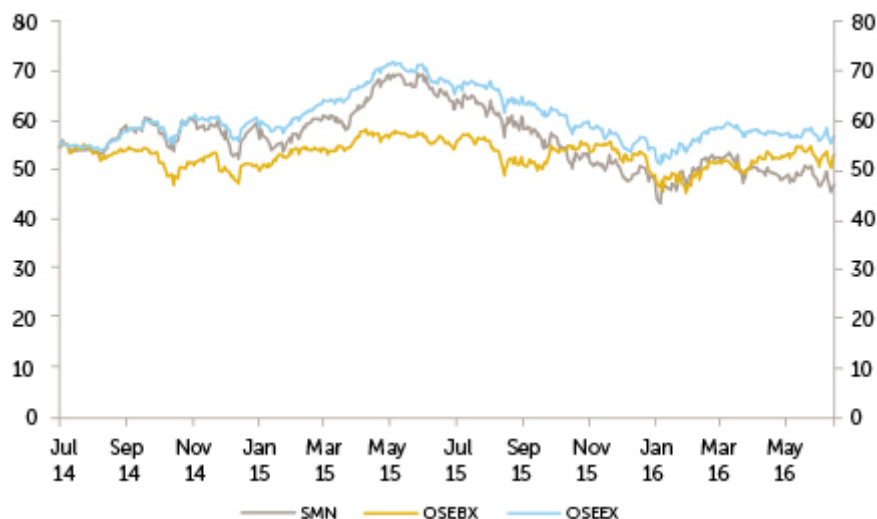
Oddny Lysberg
(employee rep.)

Finn Haugan
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2014 to 30 June 2016

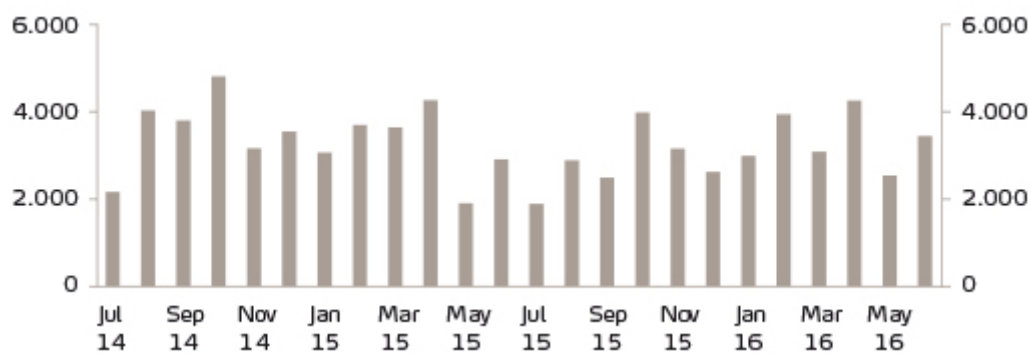


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 July 2014 to 30 June 2016



Total number of ECs traded (1000)

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

Dividend policy

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

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

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

Auditor's report

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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN
as of June 30 2016**

We have reviewed the accompanying balance sheet of the parent company and the group as of June 30 2016 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 2016, and of its financial performance and its cash flows for the six period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim, 11 August 2016
Deloitte AS



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

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