

## Equity capital certificates

At the end of 2015 SpareBank 1 SMN's equity certificate (EC) capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 20 each. At the turn of the year the bank had a treasury holding of ECs totalling NOK 128,620 distributed on 6,431 ECs.

### Dividend policy

A new act and regulations on equity certificates, which came into force on 1 July 2009, bring savings banks' ECs more into line with shares. The new legislation entails greater equality of treatment of savings banks' various owner groupings and minimises previous concerns related to dilution of EC holders upon payment of cash dividends.

In response to the new legislation, the following dividend policy was established in December 2009:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC 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 EC 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 ownerless 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 any need for CET1 capital.

### Distribution of profit

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

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

The Board of Directors recommends the bank's Supervisory Board to set a cash dividend of NOK 2.25 per EC, altogether totalling NOK 292m. This gives a payout ratio to the equity certificate holders of 32 per cent of the Group's profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m in gifts to non-profit causes, representing a payout ratio of 8 per cent. NOK 616m and NOK 457m are added to the dividend equalisation fund and the ownerless capital respectively. The board of directors opts to dispense with the principle of an equal payout ratio between owner capital and ownerless capital in order to strengthen the capital position and in view of the fact that the bank's equity certificate is priced below its book value. The proposed distribution of the profit reflects the need to strengthen the bank's CET1 capital. Increasing the payout ratio the EC holders to 32 per cent (25 per cent) is in keeping with the capital plan.

### Annual report 2014

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

<b>Distribution of profit</b>	<b>2015</b>	<b>2014</b>
Profit of the year, parent bank	1,471	1,447
Transferred from revaluation reserve	-66	57
<b>Profit for distribution</b>	<b>1,405</b>	<b>1,503</b>
Dividends	292	292
Equalisation fund	616	679
Ownerless capital	457	372
Gifts	40	160
<b>Total distributed</b>	<b>1,405</b>	<b>1,503</b>

### Investor policy

The bank attaches importance to correct, relevant and timely information on the bank's progress and financial performance as a means of instilling investor market confidence. Information is communicated to the market via quarterly investor presentations and press releases. Presentations for international partners, lenders and investors are also arranged on a regular basis.

Updated information for investors, the press and brokers is available at all times at [smn.no/ir](http://smn.no/ir).

### Financial calendar for 2016

- 1st quarter: 29 April
- 2nd quarter: 11 August
- 3rd quarter: 28 October

### Ownership

SpareBank 1 SMN aims for good EC liquidity and to achieve a good spread across EC holders representing customers, regional investors and Norwegian and foreign institutions.

The number of EC holders was reduced by 339 to 8,059 in the course of 2015. The Bank's 20 largest EC holders controlled 38 per cent of the bank's ECs at end-2015, and 38.8 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2015.

ECs owned by investors in the counties of South and North Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 18.4 (18.5) per cent of the total, other Norwegian investors account for 60.3 (61.0) per cent and foreign owners for 21.3 (20.5) per cent. Foreign owners make up 4.0 (3.0) per cent of the total number of owners as of 31 December 2015.

### Tax credit

In order to prevent double taxation of the bank and its EC holders, rules on tax credits apply (section 10–12 of the Tax Act, replacing previous 'RISK' rules). The tax credit, computed for each share/EC, equals the share's/EC's tax-credit base multiplied by a tax-free interest rate. The tax-credit base equals the share's/EC's opening value. The tax-free interest rate is determined by the Ministry of Finance in regulations. The tax credit is assigned to the holder of the share/EC on 31 December of the income year.

### Market trend for the bank's EC in 2015

At end-2015 the market price of SpareBank 1 SMN's EC (MING) was NOK 50.50. At end-2014 the price was NOK 58.50. With a cash dividend of NOK 2.25 for 2015, the direct return on the EC is 4.5 per cent.

Key figures and ratios	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Quoted price	50.50	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72
No. of ECs issued, million	129.83	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70
Market value (NOKm)	6,556	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140
EC capital (NOKm)	2,597	2,597	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262
Equalisation fund (NOKm)	3,790	3,122	2,496	1,889	1,457	1,159	877	768	675	624
EC premium reserve (NOKm)	895	895	895	895	183	182	0	236	138	0
Dividend per EC	2.25	2.25	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04
Direct return <sup>1)</sup>	4.5 %	3.8 %	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %
Dividend yield <sup>2)</sup>	-4.1 %	10.5 %	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %
Book value per EC <sup>3)</sup>	67.65	62.04	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31
Profit per EC <sup>4)</sup>	7.02	8.82	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24
Price-Earnings Ratio	7.19	6.63	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38
Price-Book Value Ratio	0.75	0.94	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76
Payout ratio <sup>5)</sup>	25 %	25 %	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %
EC fraction <sup>6)</sup>	64.0 %	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %

1) Dividend as per cent of quoted price at year-end.

2) Price rise over the year plus paid dividend as per cent of quoted price at start of year.

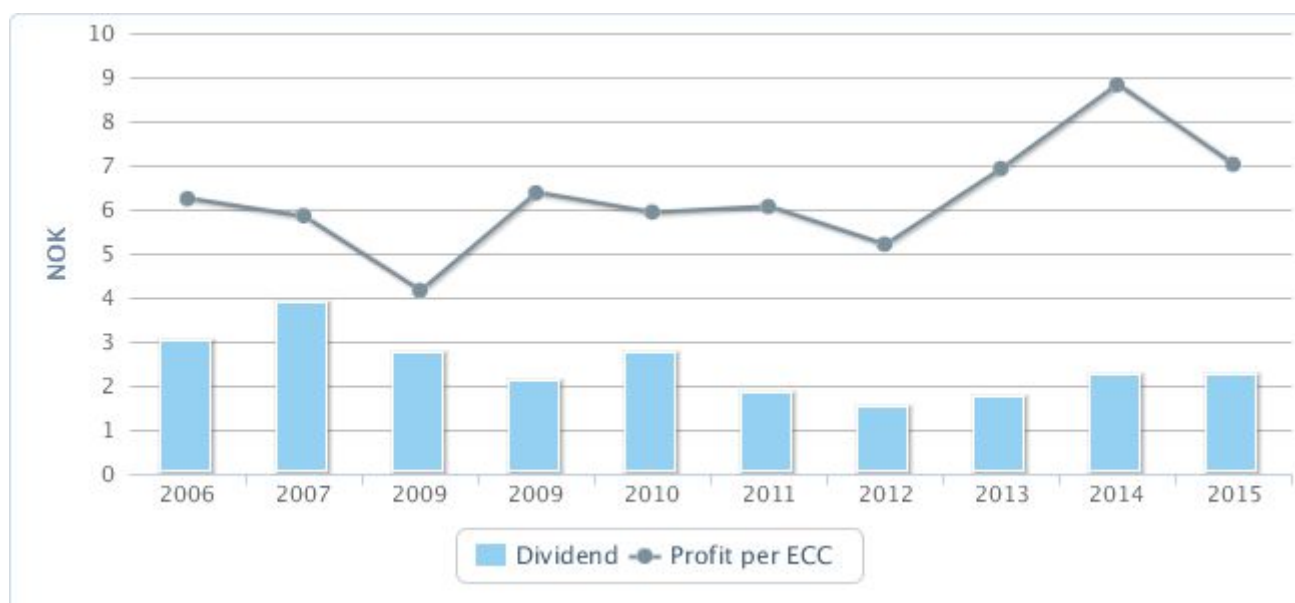
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

4) ECs' portion of the consolidated result (less own ECs).

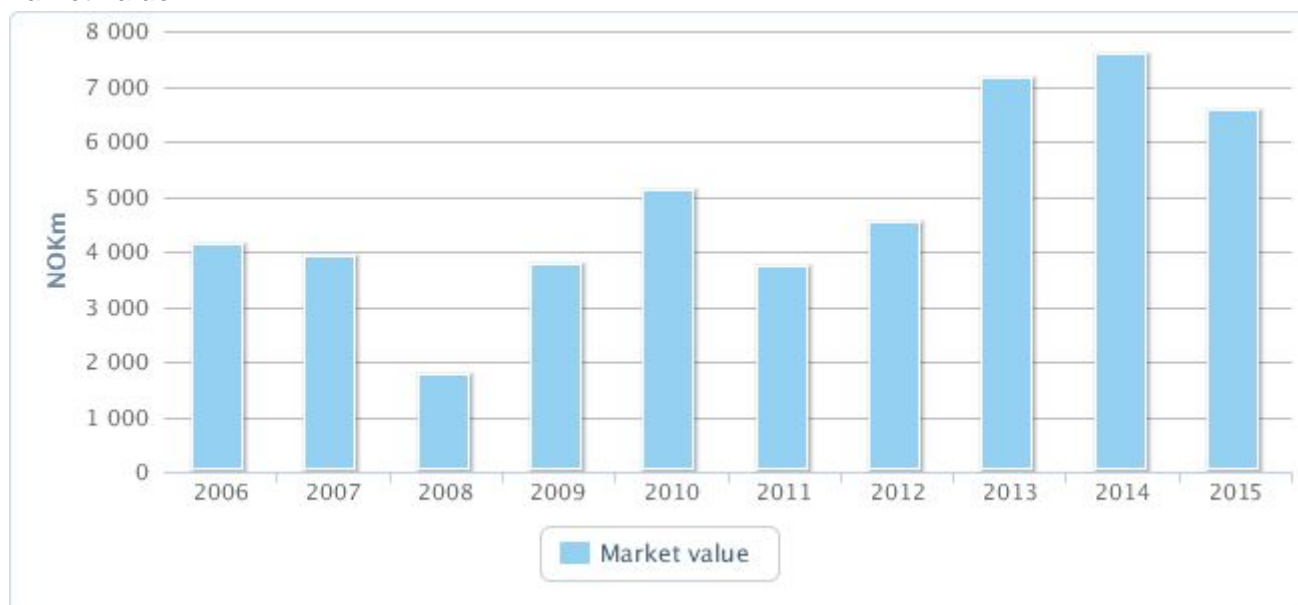
5) Dividend per EC as per cent of profit per EC.

6) Book equity of EC holders (after deduction of own ECs) as per cent of parent bank's equity at year-end (after deduction of own ECs and other equity). The rate applies as from 1 January the following year.

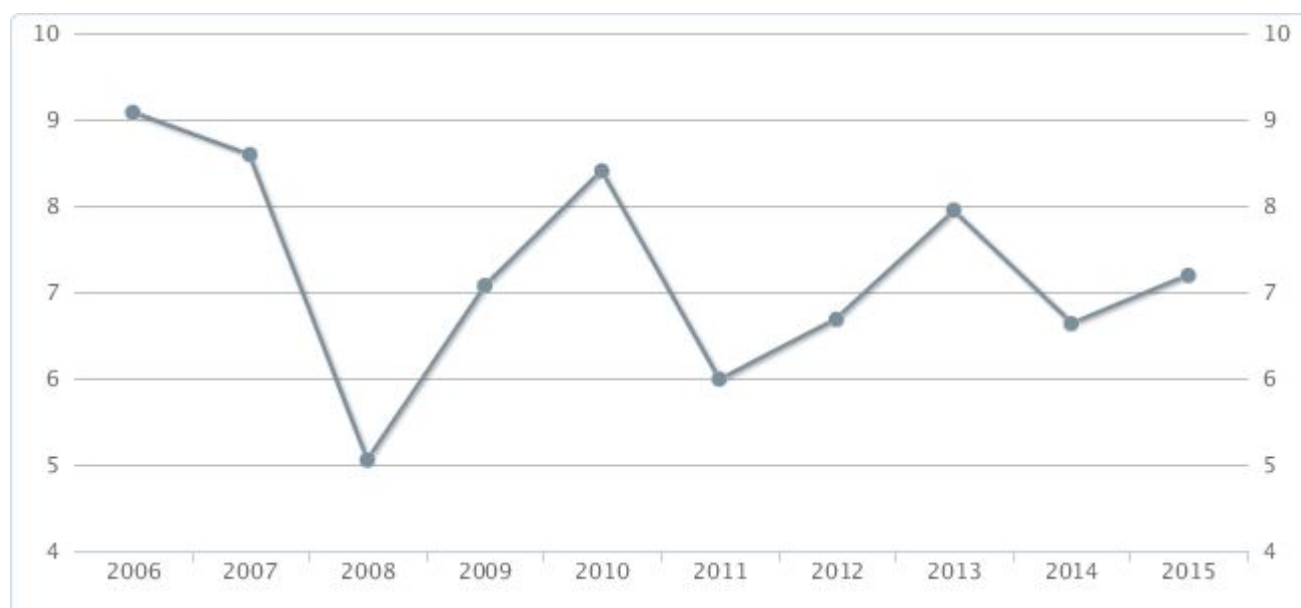
### Dividend and profit per ECC (NOK)



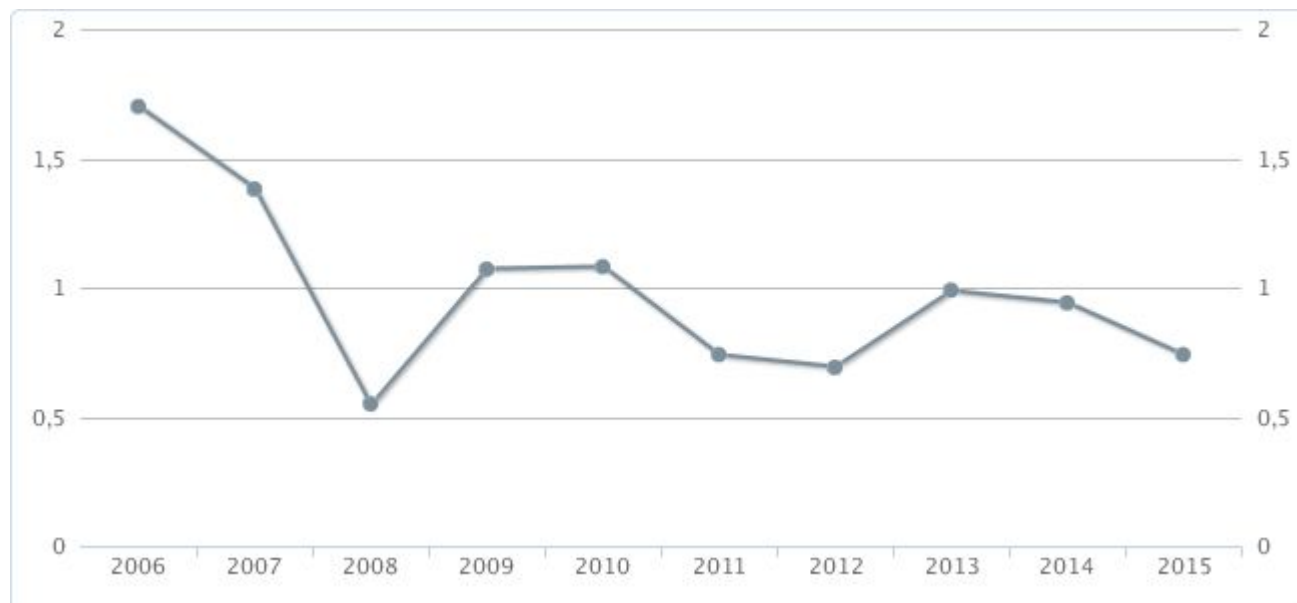
**Market value**



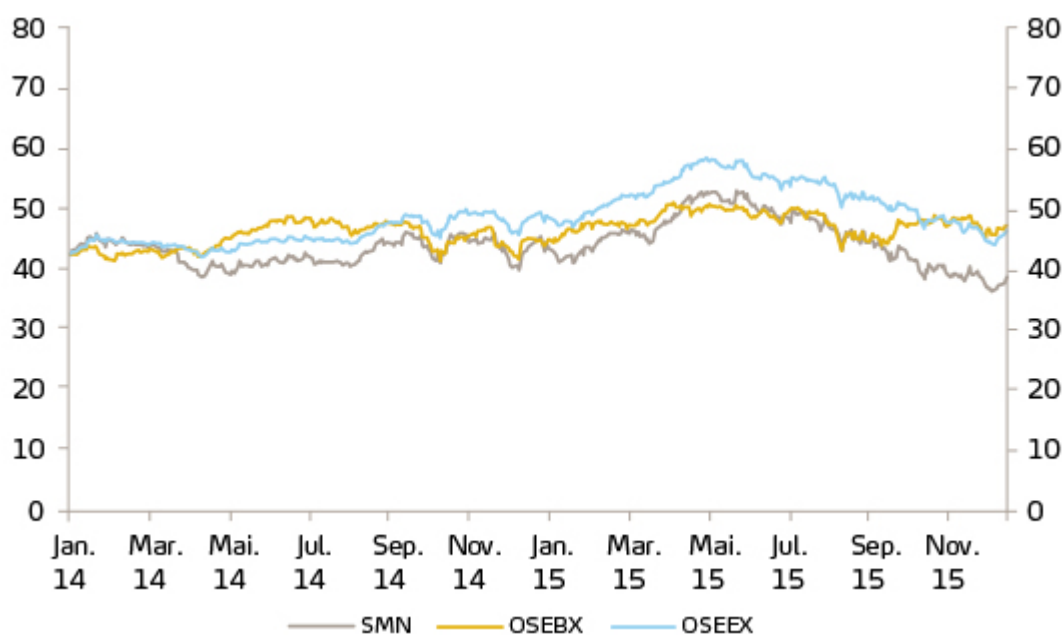
**Price/earnings**



**Price/book**



**Stock price compared with OSEBX and OSEEX**



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

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