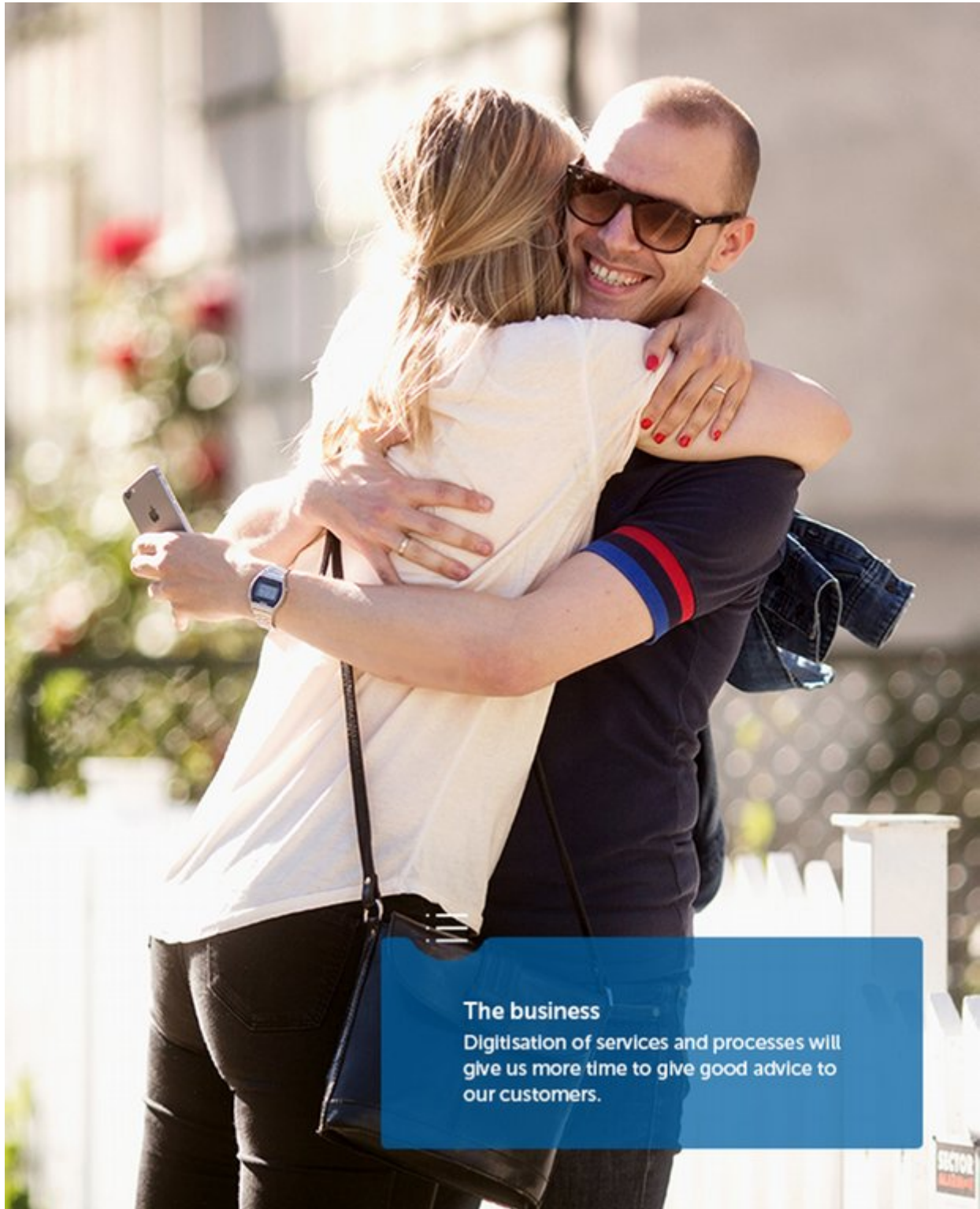


The business



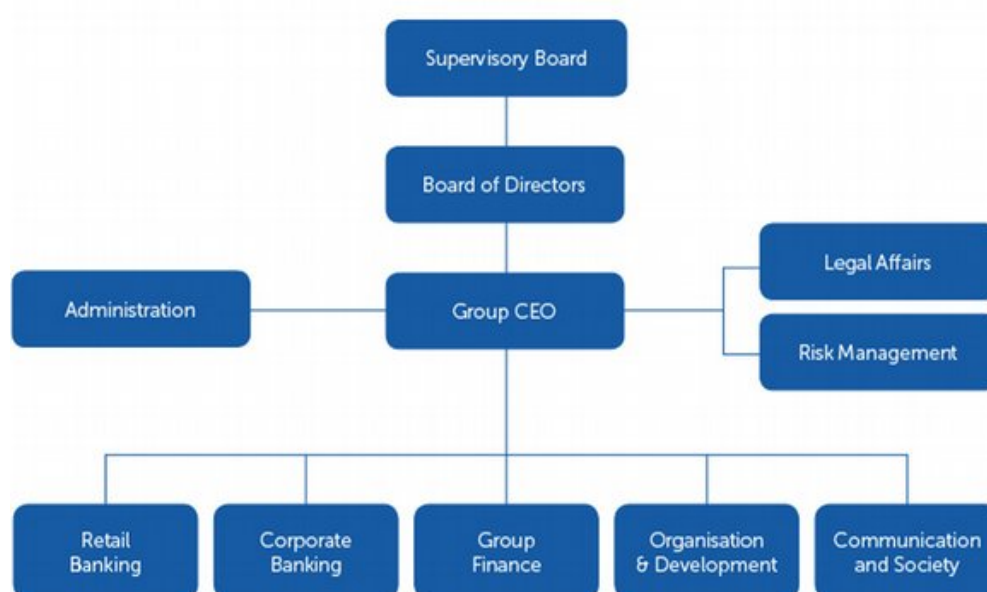
The business

Digitisation of services and processes will give us more time to give good advice to our customers.

Business description

SpareBank 1 SMN is the region's leading financial services group and one of six owners of the SpareBank 1 Alliance. Its head office is in Trondheim and the group and its subsidiaries employ just over 1,300 staff. SpareBank 1 SMN is a regional independent savings bank with a local footing. Through the SpareBank 1 Alliance and its own subsidiaries, SpareBank 1 SMN has secured access to competitive products in the fields of financing, savings and investment, insurance and payment services. The bank is organised under the following structure:

Organisational Structure



Financial Group SpareBank 1 SMN

Subsidiaries

EiendomsMegler 1 Midt-Norge 87 %	SpareBank 1 Regnskapshuset SMN 100 %
SpareBank 1 Finans Midt-Norge 65 %	Allegro Kapitalforvaltning 90 %
SpareBank 1 SMN Invest 100 %	SpareBank 1 Markets 73,5 %

Other associates

SpareBank 1 Gruppen 19,5 %	SpareBank 1 Boligkreditt 19 %
SpareBank 1 Næringskreditt 36,5 %	BN Bank 33 %
SpareBank 1 Kredittkort 18,3 %	SpareBank 1 Mobilbetaling 19,7 %

Retail Banking

The business area Retail Banking offers advice to retail customers, farm sector customers, clubs, associations and one-person businesses. Together with product suppliers and subsidiaries, the bank can offer all products that are important in making customer finances simpler and securer and in finding solutions together with the customer. Advice offered is based in the customer's needs. Although production tasks and solutions are becoming increasingly digital, we believe there is a large and unmet need for advice and a sense of security in financial choices among all customer groups of this business area.

Although our dialogue with the customer no longer involves a physical meeting, we see the value of decentral localisation that gives the customer an opportunity to meet us face to face, and to feel that that we are something more and different than the sum of our products.

In addition to following the industry's norms and requirements on good advisory practices, we must as a bank contribute knowledge and insight that continuously improve the quality and relevance of advisory content to our customers. Our hallmark is our ability to meet an ever larger part of our customers' needs for financial services in an industry in which many actors focus on selling individual products.

Customers and market position

In 2016 SpareBank 1 SMN has strengthened its position as the leading actor in all Retail Banking's customer groups, and all product areas. More than 52,000 planned customer advisory sessions have been completed in 2016, and this number is expected to increase further. The residential mortgage portfolio continues on a positive trend.

Our business has a strong standing among our customers, and shows an excellent trend in customer satisfaction. The interaction with subsidiaries, Corporate Banking and the Norwegian Confederation of Trade Unions (LO) is important in enabling Retail Banking to attain the division's goal of continued growth in activity and the customer base.

Financial developments

Retail Banking posted an overall pre-tax profit of NOK 850m.

The loan book shows high growth, but at consistently low risk. The increase in growth in 2015 is largely down to new borrowers coming from banks that have made structural changes, and no longer offer locally based advice. In addition to an unprecedented customer influx, we have also seen a good trend in sales across a broader range of products, and have positive expectations of growth in sales in 2017 too.

We anticipate greater uncertainty in the housing market in the period ahead, and this may have a bearing on risk in the industry. Back in March 2016 we made changes to our credit practice in order to be well prepared should house prices level off or fall. The region has a robust industry composition, and the bank has in addition focused its retail banking business on smaller loans and home financing. This makes for good risk diversification in the event of a turnaround in the economy.



More time for our customers

Simplification and automation of internal processes have freed up a lot of time for our staff. Even with fewer resources available we now have more time on hand to give sound advice to our customers.

Svein Tore Samdal, Executive director – Retail Banking

In 2016 we have devoted much attention to ensuring the right activity in all functions in all channels. For example, the number of meetings with customers and outgoing activity have shown an excellent trend. In 2016 we achieved an unprecedentedly high customer influx of 15,000 new customers. This, combined with a relatively low outflow of 5,500 customers, brought a creditable net growth in the customer base.

We achieved a lending growth of all of 10.7 per cent. What distinguishes last year's growth from more normal years is that a higher proportion of the growth is down to new customers. Some competitors' decision to close offices in parts of our region gave us an opportunity to bring in good, solid customers with good risk profiles – and we grasped that opportunity. The increased activity has also been devoted to enhancing product coverage across our 215,000 retail customers. A good trend in product sales across all channels was noted 2016.

We believe that maintaining a strong local presence with relations to our customers will give the bank a business edge. On a general level we will develop a splendid digital bank staffed by competent customer advisers in many, but cost-effective, locations across our region. Customer recruitment is one effect, but we also see that it has provided and will continue to provide us with even stronger advantages in terms of developing product coverage, long-lasting customer relationships, positive margins, ensuring a better basis for delivering services and relevant initiatives and achieving higher customer satisfaction. Our customer relationship strength also contributes to increased sales via the customer centre and digital channels.

We will further develop the interaction between the physical, digital and remote channels, focusing on removal of pain points for the customer and providing greatest possible value for the customer. This means simplification and delivering on the customer's expectations on all aspects from day-to-day banking, response time and service to relevant initiatives and competent advisory service. We will make it easier for customers to resolve their needs digitally, while having competent advisers available to customers as and when needed, and for advisers to identify customer needs and provide competent advice. We will continue to streamline internal processes with a view to cost effectiveness, but not least to free up time that can be devoted to customers.

The result, in the future as at present, will be that we recruit many, and appropriate, customers, strengthen cross-sales and synergies with other parts of the group, enhance product coverage, see little customer loss, deliver one service expectations, enjoy high customer satisfaction – and by this means the chief best profitability.

Retail Banking	2016	2015
Loans	34,9 bn	33,5 bn
Deposits	93,8 bn	85 bn
Customers (in 1000)	215	209
No. Of full-time positions	371	*
Pre-tax profit	850 NOK million	873 NOK million

* due to organisational changes, no FTE figures for end-2015 are stated

Corporate Banking

The business area Corporate Banking provides the bank with advice in investment and operations financing, domestic and foreign money transfers, fixed income and currency hedging, investment of surplus liquidity and insurance of individuals and buildings/operating equipment. Much of the business is in close cooperation with Retail Banking, SpareBank 1 Markets and with subsidiaries offering leasing, factoring and accountancy services. The business is physically located across the entire market area to secure proximity to customers combined with satisfactory competence units.

The bank is IRB approved and uses the advanced IRB approach to compute capital charges and credit risk. The bank has good credit scoring models, processes, tools along with its organisation of industry competence which ensures sound knowledge and management of the loan portfolio. This will assure that further growth is in keeping with the bank's responsibility as a market leader in the region, at the same time as risk exposure is consistent with the bank's credit strategy. Together with the other alliance banks, substantial resources are expended on continuously improving the credit scoring models.

Customers and market position

The bank services some 20,000 corporate clients including the public sector. In 2016 about 2000 new corporate clients were registered. SpareBank 1 SMN has a market share of about 35 per cent of the corporate market in the region. The bank also services a number of customers in business areas such as insurance, capital market, leasing, factoring and accounting. The business sector in Trøndelag and in Møre and Romsdal features a large number of small and medium-sized companies. This structure has a clear bearing on the bank's organisation of its business.

The Corporate Customer Centre is integrated into the bank's division for Business Development, Corporate Banking. This enables corporate customers to receive good follow up and relevant advice in selecting products and services and in the use of digital services. Customer satisfaction (CSI) hit an all-time high of 88 in 2016. This score takes into account competence, service, information and initiative.

Financial developments

The business area Corporate Banking increased its income by close to NOK 90m to NOK 1.2bn last year. The income is generated by a positive trend in all business areas, but in particular from increased deposit margins and higher guarantee commission. It is especially gratifying that income from insurance (general and life) is rising and that more and more businesses see the value of turning to a local provider with local competence in all product areas to meet all their financial service needs.

Growth in lending has been low and in keeping with the bank's capital plan, and ended at 0.7 per cent for the year, while deposit growth was excellent with an increase of 6.7 per cent. We anticipate low lending growth in 2017 as in 2016 but aspire to deposit growth of 5 per cent in the region.

In step with the digitalisation of our products and services, we have downsized our staff and thereby our costs in this business area. More focus will be given to digitalisation, improving the efficiency of processes and staff reductions in 2017.

The oil price fall has led to a significant deterioration of prospects for companies working in oil and offshore, and the business unit has accordingly recognised losses of NOK 490m in 2016. The write-downs are in all essentials related to a portfolio of offshore service vessels. Little spread of contagion from the low oil price to other industries is in evidence and losses and defaults in other parts of the portfolio are extremely low.



Corporate Banking has a systematic approach to attracting new customers, and all customer advisers have specific customer recruitment objectives for 2017. Continuous improvement is key to freeing up time for the customer advisers to enable them to carry out their primary task of taking care of existing customers and recruiting new ones. In 2017 we will continue to focus on the SMB segment with a view to reducing concentrations in industries or single name groupings.

The solution lies in having skilled advisers close at hand in the bank combined with development of new digitalised solutions that make day-to-day banking a simpler matter and that free up time and resources which can be devoted to good advisory services and to conceiving solutions tailored to the customer.

The bank's goal is to reduce losses from the levels seen in 2016. This, together with a profitability enhancement programme for the business area, will improve profit and the risk adjusted return. The bank remains prepared to take the action needed to meet any problems that may arise in the oil and offshore sector. It is working closely with customers to find solutions that safeguard shared interests in the economic situation prevailing at any time. Corporate Banking will accordingly maintain the capacity and competence needed for the bank to remain a readily accessible and capable provider of financial services in the long term. Although the macroeconomic picture is uncertain on a general level, differing challenges are faced in the sectors to which the bank's clients are exposed.

Again in 2016 the bank published its Economic Barometer which takes the pulse of the most important industries in the region and produces economic growth forecasts for our three counties. Corporate Banking attaches great importance to having advisers with a practical business understanding of important industries. Cooperation with other SpareBank 1 banks is close.

In 2016 the business area has focused purposefully on compliance, in particular on the anti-money laundering effort. This effort has produced good results and at year-end the business area has accomplished its aims. Further, we have launched a major project to build a new customer interface that combines information from the bank and accounts and permits third parties to deliver services to our customers. The new customer interface will be made available to the market in the course of 2017 and will enable increased digital sales and, not least, distribution of new products and services.

Corporate Banking	2016	2015
Loans	32,4 bn	30,4 bn
Deposits	38,9 bn	37,2 bn
Customers (in 1000)	20	18
No. Of full-time positions	158	*
Pre-tax profit	384 NOK million	659 NOK million

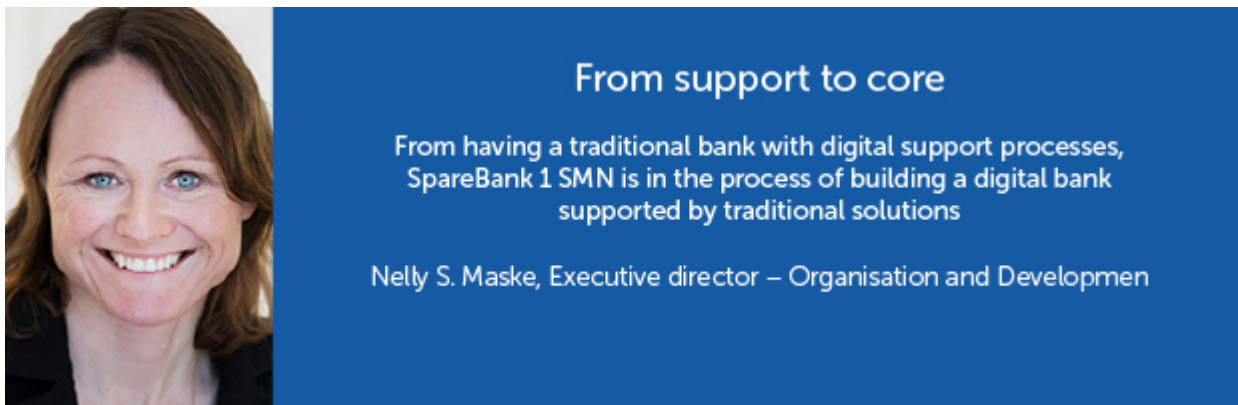
* due to organisational changes, no FTE figures for end-2015 are stated

Digital Trend

The serviced channel will work on the same digital interfaces, and ensure that our customers can always seek the advice and security available from an adviser who knows them.

Last year the bank launched a new functionality in its mobile and internet bank every other week on average, and expects to do so with even higher frequency in 2017. Several of our new purchasing solutions for the retail market have rapidly achieved a high number of transactions.

This shows that new solutions are being taken into use, and supports our hypothesis that our customers are ready for our digital solutions.



The bank is devoting sizeable investments to developing new complete, simple and intuitive purchasing solutions that make for higher sales and a good customer experience. In addition to new functionality, we will give priority to developing complete service solutions with good search engines, and a proactive facility enabling customers to chat with smart robots in the course of 2017.

The goal is a customer dialogue that meets the customer with the right message in the right channel at the right time. To succeed in this we are dependent on investing in underlying systems. With a large focus on data capture and advanced analysis models, the bank will become more personalised and relevant.

Technology provides new ways to enhance efficiency and effectiveness. In 2015 we accelerated our effort to digitalise internal work processes, and continued to do so in 2016 with the implementation of virtual robots. Ten or so work processes have been automated so far. Ahead, machine learning and artificial intelligence are expected to enable automation of more skill-demanding tasks as well.

The bank is undergoing major changes, and we are working closely with start-up founder and entrepreneurial entities in the region in order to impart and receive good insight and knowledge. There is a clear trend for declining development time, and for development to take place in open collaboration with partners. For the bank it is essential to be close to events in entrepreneurial circles and academia. We conduct innovation processes based on rapid cycles for testing and learning purposes.

The movement towards the category of customers that define themselves as digital has doubled in two years, a change that is stronger than we anticipated. We believe that the adoption of new solutions will be a rapid and powerful process in the period ahead. Payments is one of our areas that are undergoing major change, and the acceptance of payment solutions such as mCASH demonstrates how rapid such movements can be.

Developments ahead will to an ever increasing extent involve the creation of platforms offering services that are relevant to the customer and that feature more offerors building ecosystems that increase value for the customer. Digital service platforms and sharing economy have shown strong growth in recent years. This trend challenges our customer interfaces, but at the same time gives us many possibilities for developing and expanding our business models.

Associates and subsidiaries

EiendomsMegler 1 Midt-Norge

This company is the leading broker of new and existing homes in Trøndelag and in Møre og Romsdal, and reinforced this position in 2016. 5,800 existing homes and 1,600 new homes were sold, representing a market share of more than 40 per cent. In addition, specialised brokers service the market for sale and rental of commercial property. The pre-tax profit was NOK 67m.

EiendomsMegler 1 Midt-Norge has 30 offices co-located with SpareBank 1, and cooperates closely with local property actors. The company's vision is to be Norway's most profitable real estate agency for its customers, staff and owners alike. EiendomsMegler 1 Midt-Norge was in 2016 voted Norway's best employer by Great Place to Work, and Lean Business of the Year by Lean Forum Norway. The awards are confirmation of the company's focus on development.

The company is equipped for continued growth both in profit and in market shares. The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

SpareBank 1 Regnskapshuset SMN

In 2015 SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 43.1m on a turnover of NOK 234m. With 19.5 per cent turnover growth in 2015, the company has a market share of 14 per cent in Trøndelag and in Møre og Romsdal. SpareBank 1 Regnskapshuset SMN is now one of the three largest actors in the accountancy business in Norway with 239 staff at year-end.

SpareBank 1 Regnskapshuset SMN acquired in 2016 Areto Solutions, Regnskapsservice, Ørsta Rekneskap and SR Volda. The subsidiary SpareBank 1 Regnskapshuset Rørvik was absorbed by SpareBank 1 Regnskapshuset SMN in 2016.

The company has a strong ambition for further growth in the period to 2020, and to that end has signed agreements to purchase Økonomisenteret Kunderegnskap in Molde, PR Regnskap in Ulsteinvik and Data-samarbeid in Ørsta. The company has laid a sound foundation for further growth.

In conjunction with the other regional banks in the SpareBank 1 Alliance, the company is well on the way to building up a strong national player in the accounting business.

SpareBank 1 Markets

SpareBank 1 Markets is an analysis-based investment firm, and delivers all capital market services including customer trading and own account trading in fixed income and forex instruments, bonds and equities, advisory services and the facilitating of internal and external equity finance as well as securities administration services. SpareBank 1 SMN is the largest owner with a 73.4 per cent stake. The company recorded income of NOK 300m (133m) in 2016 and a profit of NOK 24.5m (-93m) after tax. It has 105 employees. SpareBank 1 Markets is headquartered in Oslo and has departments in Trondheim and Ålesund. The company is the leading capital market entity in SpareBank 1 SMN's market area.

The securities broking arm has its own customer base, built up over a number of years, as well as customers from the owner banks. In the other product areas, customer activities in collaboration with the owner banks' other business lines are the main business.

In February 2017 it became clear that SpareBank 1 Markets would be strengthening its competence by taking on about 20 experienced staff from Swedbank Norway. Concurrently the company is establishing asset management as a business area in its own right. The company is taking over Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø. It will also apply for a licence as a fund manager.

SpareBank 1 SMN Finans Midt-Norge

This company is the region's leading finance company, and offers loans and leasing to businesses along with car loans (vendor's lien) and consumer loans to private individuals in eleven counties across Trøndelag, Møre and Romsdal, Sogn og Fjordane, Hordaland, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

SpareBank 1 SMN Finans Midt-Norge is experiencing great success with distribution via its owner banks. This brought substantial results in 2016 with the total stock of leasing and loan agreements rising to NOK 5.4bn (4.3bn). The pre-tax profit was NOK 104.5m (83.1m).

The company has 34 employees in Trondheim, Steinkjer, Kristiansund, Molde and Ålesund. At year-end the company was owned by SpareBank 1 SMN (64.58 per cent), Sparebanken Sogn og Fjordane (7.50 per cent), SpareBank 1 Buskerud-Vestfold (4.98 per cent), SpareBank 1 Telemark (4.22 per cent), SpareBank 1 Østfold-Akershus (4.10 per cent), SpareBank 1 Nordvest (3.96 per cent), SpareBank 1 Søre Sunnmøre (3.96 per cent), SpareBank 1 Hallingdal Valdres (1.71 per cent), SpareBank 1 Nøtterøy-Tønsberg (1.51 per cent), SpareBank 1 Modum (1.37 per cent), SpareBank 1 Gudbrandsdal (1.17 per cent) and SpareBank 1 Lom og Skjåk (0.94 per cent).

BN Bank

SpareBank 1 SMN is the largest shareholder in BN Bank with 33 per cent of the shares. Other owners are SpareBank 1 SR-Bank (23.5 per cent), SpareBank 1 Nord-Norge (23.5 per cent) og SamSpar (20 per cent).

BN Bank is a nationwide, internet based bank, headquartered in Trondheim. Its strategy is to be a straightforward, efficient bank for the retail market offering deposit and loan services to small and medium-sized businesses against collateral in residential property, and to offer project finance and construction loans to corporate clients. BN Bank was among the growth winners in the retail market in 2016, as in the previous year, and saw growth of just over 13 per cent in residential mortgage lending. As at 31 December 2016 BN Bank had 108 FTEs, deposits totalling NOK 13.4bn and outstanding loans worth NOK 38.4bn (including loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt). Total group assets at the same point came to NOK 27.8bn.

As from the second quarter 2014 the bank started reporting corporate exposures under the advanced IRB approach, and in June 2015 was also granted permission to apply the advanced IRB approach to its residential mortgage portfolio.

Allegro Kapitalforvaltning

Is the largest asset management company in the region and is headquartered in Trondheim. It is owned by SpareBank 1 SMN (90.1 per cent) and the Reitan Group (9.9 per cent). The company is licensed to provide portfolio management and investment advisory services and manages assets for external public, private and institutional clients. The company's management services are sold through external distributors and the company has distribution agreements with a number of banks in the SpareBank 1 Alliance. Allegro Kapitalforvaltning has 12 employees and assets totalling some NOK 6.5bn. The company primarily offers

management services designed to capture the effect of changes in market conditions. Hence the portfolio array features asset allocation portfolios, where the company has the largest management volume.

The accounts for 2016 show a profit of NOK 9.8m before tax.

In february 2017 it became clear that SpareBank 1 Markets is taking over Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø. It will also apply for a licence as a fund manager.

SpareBank 1 Bilplan

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

SpareBank 1 Bilplan focuses on being close at hand and accessible to its customers. The company's main mission is to ensure problem-free car maintenance for its customers. The company's solutions give the customer a continuous overview and access to reporting from an overall level down to each individual car.

SpareBank 1 SMN Invest

The company's strategy is to carry out investments in regional seedcorn, venture and private equity funds and to invest directly in growth companies with national/international market potential in the same market area as that in which SpareBank 1 SMN operates. By this means the company will foster competence-based jobs and regional value creation. SpareBank 1 SMN Invest contributes capital, network and competence.

The company has two highly competent employees in Trondheim. The company reported a profit of 73.7m before tax for 2016.

The SpareBank 1 Alliance

The SpareBank 1 Alliance brings together the Norwegian SpareBank 1 banks in a collaboration on banking and products through their jointly owned companies SpareBank 1 Gruppen and SpareBank 1 Banksamarbeidet.

The SpareBank 1 Alliance

The SpareBank 1 Alliance is Norway's second largest financial services grouping. The Alliance consists of independent banks that are fully-fledged providers of financial products and services to private individuals, firms and organisations. The Alliance wants customers to feel that the SpareBank 1 Alliance is the best in terms of its closeness, local identity and competence. The Alliance has an overall workforce of about 7,000, of whom about 1,200 are attached to SpareBank 1 Gruppen and SpareBank 1 Banksamarbeidet with subsidiaries.

SpareBank 1 Gruppen and SpareBank 1 Banksamarbeidet make up the Alliansesamarbeidet. The purpose of the Alliansesamarbeidet is to deliver attractive products and services with a focus on good customer experience so as to contribute to the SpareBank 1 banks' competitiveness and profitability, enabling them to remain strong and independent. Alliansesamarbeidet's vision is: Attractive to the customers and the banks.

About SpareBank 1 Gruppen

SpareBank 1 Gruppen is wholly owned by SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO) as follows:

SpareBank 1 SR-Bank (19.5 per cent), SpareBank 1 Nord-Norge (19.5 per cent), SpareBank 1 SMN (19.5 per cent), Samarbeidende Sparebanker (19.5 per cent), Sparebanken Hedmark (11 per cent), SpareBank 1 Oslo Akershus (1.4 per cent) and the Norwegian Confederation of Trade Unions and associated unions (9.6 per cent).

SpareBank 1 Gruppen owns 100 per cent of the shares of the following subsidiaries

SpareBank 1 Forsikring, SpareBank 1 Medlemskort, SpareBank 1 Skadeforsikring, SpareBank 1 Gruppen Finans, ODIN Forvaltning, Conecto, and these companies develop and deliver products to the Alliance banks which offer the products their customers in their respective markets.

SpareBank 1 Banksamarbeidet

SpareBank 1 Banksamarbeidet is a general partnership owned by SpareBank 1 SR-Bank (18 per cent), SpareBank 1 Nord-Norge (18 per cent), SpareBank 1 SMN (18 per cent), Samarbeidende Sparebanker AS (18 per cent), Sparebanken Hedmark (11 per cent), SpareBank 1 Gruppen (10 per cent) and SpareBank 1 Oslo Akershus (7 per cent).

SpareBank 1 Banksamarbeidet delivers business platforms and joint management and development services to the Alliance banks as customers, and plays its part in ensuring that joint development and joint activities provide the banks with economies of scale and competence. The company also owns and manages the Alliance's intellectual property rights under the joint brand name SpareBank 1.

SpareBank 1 Banksamarbeidet DA owns 100 per cent of the shares of the following subsidiaries:

EiendomsMegler 1 Norge, SpareBank 1 Kundesenter, SpareBank 1 Verdipapirservice, SpareBank 1 ID and SpareBank 1 Axept.

The people - the bank's greatest asset

Behind the fine accounting figures lie favourable economic conditions and solid banking. But, the bank's definitively greatest asset is and will continue to be the skills and competence of its staff.

In an ever more digitalised society, the bank stands firm by its strategy to be at the forefront in the development of new digital solutions AND at the same time to maintain a network of skilled and service-minded advisers. People never go out of fashion.

Changes in customer behaviour and technological progress also influenced the work done on organisation development and management in 2016. Reorganisation, employee development and recruitment of new competence to build the bank of the future had high priority. There was also a strong focus on developing a new vision and new values to build a culture that makes the bank a good place to work and a good place to be a customer.

Vision and values

The process surrounding the new vision and new values has been one of great involvement and strong commitment. Employees and managers at all levels of the organisation have played their part and provided input. Here is the result:

Vision: Together we make things happen

Values: Wholehearted, responsible, likeable and capable

The vision is intended to convey meaning, direction and energy to us working at the bank. The values are intended to build our identity, to help us be clear and distinct and to form the basis for a culture in which the staff thrive and work each day to create results for the good of our customers and the bank.

Recruitment and employee attractiveness

SpareBank 1 SMN is among the region's most attractive employers and is met with great interest when job vacancies are to be filled. In 2016 many new, high-quality staff were recruited who, together with the organisation as a whole, will play an important part in adapting and developing the bank in step with the considerable changes we are facing.

We have a targeted focus on colleges and universities with a view to building relations with talented students. We attract many applicants and note a keen interest both in our mentor programme for business and economics students and in our summer project.

Reorganisation

Changing customer behaviour and technological opportunities call for adjustments to the organisation. Digitalisation and automation of customer and production processes lessen the need for people in parts of the business. Targeted reorganisation processes have been carried through in some parts of the organisation, and 53 severance packages were granted upon application in 2016.

Employee development

Our managers and staff are our most important resource and the most important factor in marking ourselves out from our competitors. That is why the bank attaches such importance to developing competence and skills. Internal training activities are arranged on a substantial scale, and many of our talented managers and staff are offered opportunities for professional and personal development on external courses and at educational institutions.

The bank works continuously to identify competence needs in the short and long term to assure our ability to offer our customers advisory and other services of the highest quality. 2016 saw an extra focus on security culture. A competence and awareness-building programme, Passopp, was carried out using nano-learning. The central theme was information security related to digital platforms and tools. The programme continues in 2017 with a new theme.

New pension scheme

As from 1 January 2017 all employees are members of a defined contribution pension scheme. Although the bank closed its defined benefit scheme in 2008, about half of employees were still on that scheme at the start of 2016. After a long and thoroughgoing process with the employees' representatives it was decided to transfer all employees to the defined contribution scheme. The bank also decided to increase the defined contribution rates from 7 per cent from 0 to 7.1 G* and to 15 per cent in the interval 7.1 to 12 G*.

Health, environment and safety

The bank has a close focus on measures designed to promote a good work environment, and substantial resources are devoted to encouraging good health through physical activity and keeping fit. The programme "Better Shape" stimulates individuals and departments to keep fit by holding competitions and awarding prizes, by subsidising fitness centre membership and by organising fitness activities at work.

Employees log their workouts in a digital fitness diary, and the share of employees who tracked their workouts in 2016 was 81 per cent. Sickness absence in 2016 was 3.9 per cent, with sickness absence reported by the employees and by a doctor accounting for 0.6 per cent and 3.3 per cent respectively.

Gender equality

SpareBank 1 SMN is concerned that women and men should have equal opportunities in terms of personal development, salary and career. At the pay settlement in 2016 correctives were applied to ensure that pay level imbalances between women and men were evened out. The gender distribution at the bank in 2016 was on a stable trend with 51.8 per cent women and 48.2 per cent men. The proportion of female managers was 41.2 per cent – a marked increase from 36 per cent the previous year. The group management team consists of six persons, of which one is a woman.

*G =SMN arbeider for å forhindre diskriminering. Aktivitetene omfatter blant annet rekruttering, lønns- og arbeidsvilkår, forfremmelse, utviklingsmuligheter og beskyttelse mot trakassering. SpareBank 1 SMN har som målsetting at de ansatte skal reflektere befolkningsstrukturen i regionen. the basic amount available under the Norway's national insurance scheme.

Discrimination

SpareBank 1 SMN works to prevent discrimination. This activity covers recruitment, pay and employment conditions, promotion, development opportunities and protection against harassment. SpareBank 1 SMN's aim is that its staff should reflect the region's population structure.

Society/social conditions	2016
No. of FTP equivalents	630
Sickness absence	3,90 %
Women's share of workforce	51,80 %
Women's share of senior positions	41,20 %
Average age	46 år
Employee satisfaction	NA

Ethics

The group's business activities are dependent on the confidence of its customers, the public authorities and the wider society. Staff at SpareBank 1 SMN must be recognised for their high ethical standards. To this end each of us, in any context where we are identified with SpareBank 1 SMN, must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed.

SpareBank 1 SMN's intention is to provide factual, correct information in an honest, trustworthy and open manner about the bank's business and services.

SpareBank 1 SMN has set up the following formalised, repeating review of the bank's ethical guidelines for the group's employees; this, in sum, constitutes the formal framework tool for the practical conduct of all staff of the bank:

- The ethical guidelines are a part of the staff handbook, and thus a part of the employment contract.
- The ethical guidelines are reviewed, with pertinent examples presented for discussion by all new staff.
- All new staff members undergo a compulsory module at the bank's educational facility featuring ethics as a theme.
- All authorised and approved advisers receive an annual competence update that includes an ethics session.