Financial results

Report of the Board of Directors

Macroeconomic conditions

Moderate growth in the world economy

The world economy again showed moderate growth in 2016. In the US growth quickened over the year. An improving labour market and more expansionary fiscal policy are likely to contribute to increased private and public demand ahead. In the euro area the moderate upturn is driven by sound growth in domestic demand. Receding growth in employment and higher consumer prices will probably dampen growth somewhat ahead. In Sweden the growth rate edged down in 2016, after high rates of growth in 2014 and 2015. Emerging economies account for a large share of the global growth. Growth is holding up in the Chinese economy, well supported by government measures. Further, developments in India, Brazil and Russia are likely to spur continued sound growth in emerging economies. International interest rates are very low, but expected key policy rates and long-term interest rates have picked up since last autumn.

Overall growth in the world economy is expected to pick up gradually. However, there are many risk factors that could weaken economic growth in the short or longer term. Political uncertainty is unusually large, related among other things to the risk of trade wars and increased protectionism, the UK's exit from the EU and possible election victories for populist parties in Europe. Continued high debt growth among Chinese companies is a further risk factor for global growth.

Somewhat brighter prospects for the Norwegian economy, but much uncertainty

The oil price fall and lower activity in the oil supplier industry have brought lower growth in the Norwegian economy in recent years, particularly in regions closely linked to the oil industry. Economic prospects are somewhat brighter, but uncertainty remains high. The oil price has risen after OPEC's and other countries' decision to curb oil production, and stood at USD 57 p/b at the end of 2016. The key policy interest rate was lowered from 0.75 per cent to 0.50 per cent in March 2016. The krone exchange rate has appreciated over the year.

Economic growth in Norway remains low. Mainland Norway's (non-oil) GDP rose by 0.8 per cent in 2016. Private consumption picked up towards year-end. Residential investments have risen sharply in 2015 and 2016, and are expected to remain high in the immediate future. Petroleum investments have fallen heavily in recent years. The fall in 2016 is estimated at 15 per cent, and a further fall of around 11 per cent is expected in 2017, before investments recover somewhat. Contacts in Norges Bank's (central bank) regional network reported in November that they expected production growth to quicken slightly in the next half-year. Unemployment is expected to remain fairly stable in the immediate future.

Overall, growth in the Norwegian economy is expected to pick up, but the upturn looks set to be a slow one. The negative drag from petroleum investments will gradually abate and growth will be supported by continued expansionary fiscal and monetary policy. However, the high house price and household debt growth is a risk factor for the Norwegian economy. House price growth quickened in 2016, and twelve-month growth in December was 12.8 per cent. Oslo and its surrounding areas are the main contributor to the rapid price growth, with twelve-month growth in Oslo in December 2016 at 23.3 per cent. Both house prices and the household debt burden are at very high levels in historical terms. This creates a vulnerability which can intensify the effects of a house price fall, income lapse or interest rate hike through a sudden shift in household demand for goods and services and lower residential investment.

Trøndelag and Møre og Romsdal faring well

Growth in house prices has also quickened through 2016, but at a more moderate level. Twelve-month growth in December 2016 was 9.9, 7.3 and 4.8 per cent in Sør-Trøndelag, Nord-Trøndelag and Møre og Romsdal respectively. Unemployment in the region is low. Unemployment rose somewhat in Møre og Romsdal through 2016, but declined in Trøndelag. The region's population is growing, and the towns in particular are on a good trend.

County-by-county forecasts prepared by Menon Economics for SpareBank 1 SMN's economic barometer show that value creation in Sør-Trøndelag will be stable, and somewhat above the national average, in the next couple of years. Growth in exports of fish and high residential investment are sustaining economic growth. In Nord-Trøndelag value creation is expected to be stable. Fish exports and high activity in manufacturing industry are making a positive contribution.

Møre og Romsdal is affected by the reduced activity in the oil-sector. Menon Economics expects virtually zero growth in the county in the current year and that growth will pick up substantially in the longer term. Sentio Research's annual corporate expectations barometer shows increased optimism among business leaders, including in Møre og Romsdal, and a considerable improvement from last year.

Annual accounts 2016

The annual accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

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

Post-tax profit of NOK 1,647m

- Pre-tax profit: NOK 1,983m (1,776m)
- Post-tax profit: NOK 1,647m (1,406m)
- Return on equity: 11.3 per cent (10.7 per cent)
- CET1 capital ratio: 14.9 per cent (13.6 per cent)
- Growth in lending: 8.0 per cent (5.8 per cent) and in deposits: 4.8 per cent (5.6 per cent)
- Loan losses: NOK 516m (169m)
- Earnings per equity certificate (EC): NOK 7.91 (7.02). Book value per EC, incl. dividend proposed for 2016: NOK 73.26 (67.65)
- Proposed dividend: NOK 3.00 per EC and NOK 220m to be allocated to non-profit causes

Good profit performance in 2016

Main points:

- Good profits from banking operations, subsidiaries and product companies alike
- Profit of NOK 241m better than in 2015 as a result of increased operating revenues and very good return on financial investments
- Good cost control. Costs reduced from 2015 to 2016 in real terms thanks to planned zero growth in costs at the parent bank
- Loan losses in keeping with forecast for the year
- Strengthened financial position
- High customer influx and high growth in all product areas

In 2016 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,983m (1,776m). Net profit was NOK 1,647m (1,406m) and return on equity was 11.3 per cent (10.7 per cent).

Overall operating revenues in 2016 come to NOK 3,558m (3,417m), an increase of NOK 140m.

Return on financial assets was NOK 944m (459m), of which the profit share from owner interests in associates and joint ventures accounted for NOK 423m (448m).

Operating expenses came to NOK 2,003m (1,931m) in 2016. The increase refers entirely to the bank's subsidiaries and is attributable to capacity expansion at Eiendomsmegler 1 and company acquisitions by SpareBank 1 Regnskapshuset SMN.

Net losses on loans and guarantees were NOK 516m (169m). These are in all essentials individually assessed loss write-downs in oil-related activity.

In 2016 SpareBank 1 SMN achieved a lending growth of 8.0 per cent (5.8 per cent) and deposit growth of 4.8 per cent (5.6 per cent).

As at 31 December 2016 the CET1 ratio was 14.9 per cent (13.6 per cent). The CET1 target set for end-2016 was 14.5 per cent was duly achieved in keeping with the bank's capital plan.

The market price of the bank's EC at year-end was NOK 64.75 (50.50). In 2016 a cash dividend of NOK 2.25 per EC was paid for the year 2015. This represents a payout ratio of 32 per cent of the consolidated net profit.

Earnings per EC were NOK 7.91 (7.02). The book value per EC was NOK 73.26 (67.65) incl. recommended dividend of NOK 3.00. The recommended dividend represents a payout ratio of 37 per cent.

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the parent bank's accounts. The parent bank's profit includes dividends from subsidiaries, associates and joint ventures.

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from associates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Difference between Group - Parent Bank	2016	2015
Profit for the year, Group	**1,647**	**1,406**
Profit, subsidiaries	-280	-58
Dividend, subsidiaries	147	103
Profit, associated companies	-423	-448
Dividend, associated companies	591	351
Elimination Group	-27	117
Profit for the year, Parent bank	**1,655**	**1,471**

Distribution of profit	2016	2015
Profit for the year, Parent bank	1,655	1,471
Transferred to/from revaluation reserve	95	-66
Profit for distribution	**1,750**	**1,405**
Dividends	389	292
Equalisation fund	730	616
Saving Bank's fund	411	457
Gifts	220	40
Total distributed	**1,750**	**1,405**

The annual profit for distribution reflects changes of NOK 95m in the revaluation reserve, leaving the total amount for distribution at NOK 1,750m.

The profit is distributed between the ownerless capital and the equity certificate (EC) capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.0 per cent of the distributed profit.

The board of directors recommends the supervisory board to set a cash dividend of NOK 3.00 per EC, altogether totalling NOK 389m. This gives the EC holders a payout ratio of 37 per cent of the group profit. The board of directors further recommends the supervisory board to allocate NOK 220m as gifts to non-profit causes, also representing a payout ratio of 37 per cent. Of this amount it is proposed that NOK 160m be transferred to the foundation SpareBank 1 Stiftelsen SMN and NOK 60m as gifts to non-profit causes. NOK 730m and NOK 411m are transferred to the dividend equalisation fund and the ownerless capital respectively.

After distribution of the profit for 2016, the ratio of EC capital to total equity remains 64.0 per cent.

Stable net interest income

Net interest income came to NOK 1,883m (1,872m). There are changes in the composition of net interest income compared with 2015:

- Increased lending to and deposits from retail and corporate customers
- Increased margins on deposits
- Reduced 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 2016 totalled NOK 282m (334m).

Competition in the home mortgage market is intense, and margins on these loans have fallen by 75 points over the last two years. In the same period deposit rates to retail and corporate customers have been lowered, so that increased deposit margins compensate for some of the margin lapse on home mortgages.

Home mortgage lending rates are subject to a general increase of up to 20 basis points with effect from 8 January 2017. The background to the increase is a rise in funding costs in the third and fourth quarter of 2016. Loans to corporates have also been repriced.

Increased commission income

Commission and other operating income totalled NOK 1,674m (1,545m), an increase of NOK 129m.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was reduced by NOK 52m due to reduced margins on retail lending. A consistently positive development is seen in other commission income, and overall growth came to NOK 173m, corresponding to 14 per cent. Growth is strongest in income from capital market activities, real estate agency and accounting services along with saving and investment and asset management.

An important element in the bank's strategy is to achieve high number of multi-product customers. The trend in incomes reflects good sales of a broad range of products both to retail and corporate customers.

Commission income (NOKm)	2016	2015	Change
Payment transfers	196	188	9
Creditcard	63	56	6
Saving products	97	82	15
Insurance	159	156	3
Guarantee commission	77	72	6
Real estate agency	391	332	59
Accountancy services	213	183	30
Brokerage income securities	126	64	62
Other commisions	69	78	-9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,392**	**1,211**	**182**
Commissions SB1 Boligkreditt	271	326	-55
Commissions SB1 Næringskreditt	12	8	3
Total commissions	**1,674**	**1,545**	**129**

Financial investments

Overall return on financial investments (excluding the share of the profit/loss of associates and joint ventures) was NOK 521m (10m) in 2016. This breaks down as follows:

- Return on the group's equity portfolios totalled NOK 149m (62m). Of this amount, NOK 65m refers to proceeds of the Visa transaction, while the remainder is mainly gains on equity portfolios at SpareBank 1 SMN Invest.
- Net capital gains on bonds and derivatives came to NOK 236m (loss of 90m) in 2016. This is largely ascribable to reduced credit margins on the liquidity portfolio.
- Income on forex and fixed income transactions was NOK 136m (102m). This is essentially income from SpareBank 1 Markets.

Net return on financial investments (NOKm)	2016	2015	Change
Capital gains/dividends, shares	149	62	87
Bonds and derivatives	236	-90	326
Change in discount factor in fair value model for fixed interest loans	-	-64	64
Income on forex and fixed income	136	102	34
Net return on financial investments	**521**	**10**	**511**
SpareBank 1 Gruppen	317	251	66
SpareBank 1 Boligkreditt	-17	80	-97
SpareBank 1 Næringskreditt	29	30	-1
SpareBank 1 Kredittkort	24	21	3
BN Bank	86	41	45
Companies owned by SpareBank 1 SMN Invest	15	27	-12
SpareBank 1 Mobilbetaling	-27	-	-27
Other companies	-4	-2	-2
Income from investment in associated companies	**423**	**448**	**-25**
Total	**944**	**458**	**486**

Product companies and other associates

The product companies deliver a broader range of services to the bank's customers and thus commission income. The product companies also provide the banks with good return on invested capital.

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2016 was NOK 1,575m (1,316m). SpareBank 1 Forsikring is the main contributor, delivering 90 per cent of the profit. Odin Forvaltning and SpareBank 1 Gruppen Finans contribute in all essentials the remainder. SpareBank 1 SMN's share of the profit for 2016 was NOK 317m (251m). SpareBank 1 Gruppen's profit growth is ascribable to very good financial results in the insurance business and satisfactory growth.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to draw benefit from the market for covered bonds. By selling their best secured home mortgage loans to the company, the banks achieve reduced funding costs. As of 31 December 2016 the bank had sold loans totalling NOK 33.1bn (31.9bn) to SpareBank 1 Boligkreditt, corresponding to 37.1 per cent (39.6 per cent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt in 2016 was 19.0 per cent, and the bank's share of that company's profit in 2016 was minus NOK 17m (plus 80m). The deficit in 2016 is ascribable to unrealised losses on the company's basis swaps compared with unrealised gains in previous years. The bank's stake reflects the bank's relative share of sold home mortgages. The new stake as of 31 December 2016 is 19.1 per cent.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 December 2016, loans worth NOK 2.1bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 36.5 per cent, and the bank's share of the company's profit for 2016 was NOK 29m (30m). The holding reflects the bank's relative share of transferred loans to commercial property and the bank' stake in BN Bank. Of aggregate loans at SpareBank 1 Næringskreditt, 79.9 per cent have been transferred from BN Bank.

SpareBank 1 Kredittkort

Profit for 2016 was NOK 128m (112m). SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.4 per cent. SpareBank 1 SMN's share of the profit for 2016 was NOK 24m, and the bank's share of the portfolio is NOK 829m (792m).

BN Bank

SpareBank 1 SMN owns 33.0 per cent of BN Bank as of 31 December 2016.

BN Bank recorded a profit of NOK 261m (125m) in 2016. SpareBank 1 SMN's share of the profit of BN Bank was NOK 86m (41m) providing a return on equity of 7.3 per cent (3.5 per cent). The profit growth is largely related to increased margins on loans to corporates, reduced operating expenses and good return on financial assets.

The board of directors of BN Bank decided in 2015 to wind down the focus on lending to commercial property and to carry out a reduction of the portfolio. As at 31 December 2016 the corporate portfolio has been reduced by NOK 16.6bn or 52 per cent since 30 June 2015. This has helped to improve SpareBank 1 SMN's financial position and to enhance the profitability of the remaining corporate portfolio of BN Bank.

BN Bank's main focus is on the personal market, as reflected in the strong growth of 13.4 per cent in home mortgage lending in 2016.

BN Bank has in 2016 resolved to strengthen its product platform through a cautious focus on consumer loans. In addition the company has, in collaboration with Eiendomsmegler 1 Midt-Norge established the company BN Bolig, in which BN Bank holds a 50 per cent stake. The focus on estate agency in the Oslo market is intended to strengthen home mortgage lending for BN Bank in this market. To support the focus on estate agency, the bank's board of directors have also adopted a new focus on funding of housing projects. This will involve a controlled, gradual build-up of the portfolio.

SpareBank 1 Mobilbetaling (mCASH)

SpareBank 1 Mobilbetaling is SpareBank 1's project to strengthen the SpareBank 1 banks' position in the mobile device field. mCASH has grown from a team of eight individuals into a business with an 18-strong staff along with advisers and sales organisation in the banks. As of 31 December 2016, 5,538 user sites are registered, of which 2,155 are clubs and associations, and close to 600,000 have downloaded the app. mCASH has a turnover totaling NOK 63 million. mCASH has achieved broad-based exposure and growth in the transport field, including Norwegian State Railways and the public transport company Ruter.

The company recorded a deficit of NOK 135m for 2016 of which SpareBank 1 SMN's share is NOK 27m. The deficit is a consequence of start-up costs and marketing and further development of mCASH. The company is owned by the SpareBank 1 banks, and SpareBank 1 SMN's stake is 19.7 per cent.

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

Vipps has so far been a part of the DNB Group, but will now be placed in an independent company whose largest owner will be DNB with about 52 per cent of the shares. The SpareBank 1 Alliance will own 25 per cent, the independent savings banks 12 per cent, the Eika Alliance 10 per cent and Sparebanken Møre 1 per cent. The mCASH brand will accordingly be removed from the market in the course of 2017. The new company will build further on SpareBank 1 Mobilbetaling, with new owners in keeping with the owner stakes outlined.

The new Vipps will be a strong Norwegian company and will be well placed in the competition with large Nordic and international actors in the mobile payments sphere. The company will develop and deliver simple, secure services at the lowest possible cost. Assembling competence and technology in a single Norwegian company will be of benefit to our customers.

SpareBank 1's 530,000 mCASH customers will be invited to the new company, where payment solutions developed by the respective banks will be taken on board. The customers will retain the same facilities they enjoyed as users of mCASH. The technology is being transferred to the new company, which will itself decide how to make the best use of that technology ahead.

Reduced operating expenses at the parent bank

Overall operating expenses came to NOK 2,003m (1,931m) in 2016. Of the increase of NOK 72m, NOK 59m is ascribable to SpareBank 1 Markets' consolidation as a subsidiary as from the second quarter of 2015.

Parent bank costs are reduced by NOK 66m to NOK 1,151m from 2015 to 2016. Parts of the change are explained by:

- The expensing of NOK 50m in reorganisation costs connected to downsizing in 2016 and 2017.
- The termination in the fourth quarter of 2016 of the defined benefit pension scheme for employees of the parent bank and subsidiaries and the transfer of all Group employees to a defined contribution scheme. New contribution rates were concurrently introduced for defined contribution pensions. The termination resulted in a settlement gain of NOK 90m, of which NOK 74m is in the parent bank and NOK 16m in the subsidiaries.

When corrected for the above factors, parent bank costs are reduced by NOK 28m or 2.3 per cent from 2015 to 2016. 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 by 90 from 720 to 630. The bank has accordingly achieved its target of zero growth in the period 2014 to 2016. Changing customer behaviour and new technology will set the stage for increasing efficiency in the period ahead, and the target of zero growth is retained for 2017.

When corrected for SpareBank 1 Markets and the pension settlement gain, cost growth among the subsidiaries was NOK 91m. The cost growth refers to Eiendomsmegler 1 (estate agency services) and SpareBank 1 Regnskapshuset SMN (accounting services). Eiendomsmegler 1 intensified its market drive through 2016 and SpareBank 1 Regnskapshuset SMN acquired businesses again in 2016, thereby increasing the cost base.

The Group cost-income ratio was 44 per cent (50 per cent).

Increased losses but low payment- defaults

Net loan losses totalled NOK 516m (169m) for 2016. Net loan losses measure 0.39 per cent of total outstanding loans (0.14 per cent). Net losses in the fourth quarter in isolation were NOK 99m (56m).

A net loss of NOK 495m (151m) was recorded on loans to corporates for 2016. Of this amount, NOK 464m refers to four exposures in the offshore segment.

A net loss of NOK 21m (18m) was recorded in the retail banking portfolio in 2016.

Individually assessed write-downs on loans and guarantees totalled NOK 638m (184m) at 31 December 2016.

Total problem loans (defaulted and doubtful) come to NOK 1,688m (604m), or 1.23 per cent (0.47 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 214m (205m), measuring 0.16 per cent (0.16 per cent) of gross lending. Of the overall default volume, NOK 39m (26m) is loss provisioned, corresponding to 18 per cent (13 per cent).

Defaults break down to NOK 38m (50m) on corporates and NOK 176m (155m) on retail borrowers.

Other doubtful exposures totalled NOK 1,474m (399m), i.e. 1.07 per cent (0.31 per cent) of gross outstanding loans. NOK 599m (158m) or 41 per cent (40 per cent) is written down.

Other doubtful exposures break down to NOK 1,455m (350m) on corporates and NOK 19m (49m) on retail borrowers.

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. macroeconomic factors).

Collectively assessed impairment write-downs were increased by NOK 150m in the first quarter of 2016. This was done on the basis that increased probability of default and reduced ship values entailed a greater likelihood of loss in oil-related activity due to a challenging market situation. An increase in individually assessed impairment write-downs as from the second quarter of 2016 connected to this sector provided a basis for reducing the provision for collectively assessed write-downs, and the write-downs were reduced by NOK 188m in this period.

Overall collectively assessed loss write-downs thus total NOK 339m (376m), measuring 0.25 per cent (0.30 per cent) of total loans. Collectively assessed write-downs break down to NOK 100m on retail exposures and NOK 239m on corporates. Of the overall provision of NOK 239m on the corporate portfolio, the provision related to oil-related activity accounts for NOK 60m. The remaining collectively assessed write-downs of NOK 179m on the corporate portfolio are fairly evenly spread across other sectors.

Total assets of NOK 138bn
The bank's assets totalled NOK 138bn at 31 December 2016 (132bn), having risen by NOK 6bn or 4.7 per cent. The increase in total assets is a consequence of increased lending.

As at 31 December 2016 home mortgage loans worth a total of NOK 35bn (33bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

High growth in home mortgage lending

Total outstanding loans have risen by NOK 10.2bn (6.9bn) or 8 per cent (5.8 per cent) in 2016 to reach NOK 137.5bn (127.4bn) at year-end.

Loans to retail borrowers rose in 2016 by NOK 8.7bn (6.6bn) to reach NOK 89.4bn (80.7bn), equivalent to an increase of 10.7 per cent (9.0 per cent).

Growth in lending to corporates in 2016 was NOK 1.5bn (0.3bn) or 3.2 per cent (0.7 per cent). Overall lending to corporates was NOK 48.1bn (46.7bn) as at 31 December 2016. Loans to retail accounted for 65 per cent (63 per cent) of ordinary loans to customers as at end-2016.

(For distribution by sector, see note 8).

Deposits

Customer deposits rose by NOK 3.1bn (3.4bn) in 2016 to reach NOK 67.2bn (64.1bn) as at 31 December 2016. This represents a growth of 4.8 per cent (5.6 per cent).

Retail deposits rose by NOK 1.4bn (1.8bn) or 5.1 per cent (6.9 per cent) to reach NOK 29.7bn, while corporate deposits rose by NOK 1.6bn (1.6bn) or 4.6 per cent (4.6 per cent) to NOK 36.6bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 66 per cent at 31 December 2016 (68 per cent).

(For distribution by sector, see note 35).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 10.2bn (9.4bn) at 31 December 2016. Active asset management has shown strong growth both as a result of value increases and good sales.

Saving products, customer portfolio (NOKm)	**2016**	**2015**	**Change**
Equity funds	6,612	6,540	72
Pension products	762	683	79
Active management	2.780	2,197	583
Total	**10,154**	**9,420**	**734**

Insurance

The bank's insurance portfolio showed growth of 5.6 per cent in the last 12 months. Growth has been strongest for personal insurance, at 12.6 per cent.

Insurance, premium volume (NOKm)	**2016**	**2015**	**Change**
Non-life insurance	738	724	14
Personal insurance	303	269	34
Occupational pensions	214	195	19
Total	**1,255**	**1,188**	**67**

Retail Banking

Operating income totalled NOK 1,633m (1,663m) of which net interest income accounted for NOK 953m (948m) and commission income for NOK 679m (715m). 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 30m. Return on capital employed in the retail banking segment was 13.8 per cent (15.8 per cent). Regulatory capital of 14.5 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin for 2016 was 1.72 per cent (2.07 per cent), while the deposit margin was 0.27 per cent (minus 0.14 per cent) (measured against three-month NIBOR). The average three-month NIBOR has fallen by about 30 basis points since the start of 2015.

In the last 12 months retail lending and retail deposits grew by 10.3 per cent (8.4 per cent) and 3.9 per cent (6.2 per cent) respectively.

Lending to retail borrowers consistently carries low risk, as reflected in continued very low losses. There are no indications of increased loss and default levels in the bank's 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 1,205m (1,164m) in 2016. Net interest income was NOK 1,000m (971m), while commission income totalled NOK 205m (193m). Operating income in the corporate segment has increased due very largely to increased deposit margins and increased guarantee commissions.

Overall net losses recorded in the Corporate Banking Division were NOK 490m (151m). The losses are in all essentials related to the challenges faced in the oil and offshore segment.

Return on capital employed for the corporate banking segment in 2016 was 6.9 per cent (12.4 per cent). Regulatory capital of 14.5 per cent is used as capital employed, corresponding to the Group's targeted CET1 capital ratio.

The lending margin was 2.66 per cent (2.68 per cent) and the deposit margin was minus 0.14 per cent (minus 0.29 per cent) as at end-December 2016.

Lending grew by 0.7 per cent (0.9 per cent) and deposits by 6.7 per cent (6.9 per cent) in 2016.

Subsidiaries

The subsidiaries posted an overall profit of NOK 326.8m (130.7m) before tax. The results below are from the respective company accounts.

Pre-tax profit (NOKm)	2016	2015	Change
EiendomsMegler 1 Midt-Norge	66.7	47.0	19.7
SpareBank 1 Finans Midt-Norge	103.4	83.1	20.4
SpareBank 1 Regnskapshuset SMN	42.9	34.8	8.1
Allegro Kapitalforvaltning	9.8	1.4	8.4
SpareBank 1 SMN Invest	73.7	38.6	35.2
Sparebank 1 Markets (from second quarter 2015)	9.9	-84.1	93.9
Other companies	20.4	9.8	10.6
Total	**326.8**	**130.7**	**196.2**

Eiendomsmegler 1 Midt-Norge leads the field in Trøndelag and in Møre og Romsdal with a market share of 40 per cent, and in Trondheim of about 50 per cent. The company's pre-tax profit of NOK 66.7m (47.0m) for 2016 is very good. Dwellings sold in 2016 totalled 7,439 compared with 6,612 in 2015.

SpareBank 1 Finans Midt-Norge also delivered a very good pre-tax profit of NOK 103.4m in 2016 (83.1m). Good sales of car loans in particular made a positive contribution, with growth of 35 per cent. The company's business areas are mainly car loans to retail customers and leasing to the SMB market. Car loans account for NOK 2.7bn and leasing for NOK 2.3bn. The company also offers consumer loans, and at year-end this portfolio was worth NOK 132m.

The SamSpar banks in SpareBank 1 hold a 27.9 per cent stake in SpareBank 1 Finans Midt-Norge. Sparebanken Sogn og Fjordane joined as co-owner in January 2016 with a stake of 7.5 per cent, thereby further strengthening the company's distributive power. SpareBank 1 SMN owns 64.6 per cent of the shares of SpareBank 1 Finans Midt-Norge.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 42.9m (34.8m) in 2016. SpareBank 1 Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. In 2016 the company acquired three businesses in Sunnmøre which were consolidated into the company at year-end.

The company caters to the SMB segment with a technologically modern distribution model and a broad range of services. In order to be better equipped to implement a major digital project and to modernise its accounting services, the company acquired the IT consultancy Areto Solutions in the third quarter. This company has 20 employees and offices in Trondheim.

SpareBank 1 Regnskapshuset SMN has in addition acquired all shares of Økonomisenteret Kunderegnskap in Molde along with about 110 employees with effect from 1 January 2017. SpareBank 1 Regnskapshuset SMN will now have 360 employees and an annual turnover of NOK 360m.

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 9.8m in 2016 (1.4m). The company manages a portfolio worth NOK 6.5bn.

Sparebanken SMN Invest invests in shares, mainly in regional businesses. The company posted a net profit of NOK 73.7m (38.6m) as per the fourth quarter of 2016.

Value changes and realisation of losses or gains on the company's overall holding of shares represent NOK 58.7m of the company's total income. The company has in addition ownership interests in the property company Grilstad Marina and its share of the latter's profit in 2016 was NOK 15.0m.

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 105.

SpareBank 1 Markets 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 parent banks.

The company's pre-tax profit for 2016 was NOK 9.9m compared with minus NOK 84.1m in 2015. 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 parent 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 22bn and has the funding needed for 25 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 is calculated at 129 per cent as at 31 December 2016.

In the second quarter the bank raised a new loan of EUR 500m in the Euromarket with a five-year term.

The bank's funding sources and products are amply diversified. At year-end the proportion of the bank's overall money market funding in excess of 1 year was 88 per cent (86 per cent).

Rating

SpareBank 1 SMN has a rating of A1 (outlook stable) with Moody's and a rating of A- (outlook stable) with Fitch Ratings.

Financial position

The CET1 capital ratio at 31 December 2016 was 14.9 per cent (13.6 per cent). The change over the last 12 months is ascribable to:

- An increase of NOK 1.1bn, or 9 per cent, in CET1 capital. This is in all essentials retained profit.

- Overall capital needs are reduced by NOK 0.7bn corresponding to 0.8 per cent over the last 12 months. The reduced need for capital is largely due to a reduction in lending to commercial property at BN Bank and a reduced need for capital related to transitional arrangements. In addition, lending growth has focused on home mortgages while growth in lending to corporates has been low.

SpareBank 1 SMN goal was to attain a CET1 capital ratio of at least 14.5 per cent by 31 December 2016. The Group has attained this target with launching a stock issue. The most important measures have been:

- Profit retention and a reduced level of dividend payouts
- Sound banking operations through efficiency enhancement and increased 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 2016 the portfolio had been reduced by 52 per cent since 30 June 2015.

As at 31 December 2016 the regulatory requirement on CET1 capital is 11.5 per cent, including combined buffer requirements.

Finanstilsynet's (Norway's FSA) final assessment of the add-on for risks not adequately covered under Pillar 1 was set at 2.1 per cent, down from 2.3 per cent in the preliminary assessment. The add-on is mainly related to owner risk, market risk and credit concentration risk. On 15 December the Ministry of Finance decided that the countercyclical buffer should be increased by a further 0.5 per cent, to 2.0 per cent. The increase will be effective as from 31 December 2017. The board of directors has therefore decided to raise the capital target to 15 per cent by the end of 2017 to ensure a sufficient management buffer. The capital build-up will take place without a stock issue.

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

The bank's equity certificate (MING)

The book value of the bank's EC as at 31 December 2016, including a recommended dividend of NOK 3.00, was NOK 73.26 (67.65), and earnings per EC were NOK 7.91 (7.02).

The Price / Income ratio was 8.19 (7.19) and the Price / Book ratio was 0.88 (0.74).

As at 31 December 2016 the EC was priced at NOK 64.75 and dividend of NOK 2.25 per EC was paid in 2016 for the year 2015.

With regard to placings with employees, the latter are invited to participate under given guidelines. In placings where discounts are granted, a lock-in period applies before any sale can take place. The rights to ECs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between EC holders that limit the opportunity to trade ECs or to exercise voting rights attached to ECs. See also the chapter Corporate Governance.

Risk factors

Losses and problem loans related to the offshore industry remain at a high level at the end of 2016. The increase in individually assessed write-downs and collectively assessed write-downs is in all essentials ascribable to customers in this market segment, as confirmed by reporting from Norges Bank's (Norway's central bank) Regional Network. The bank sees little evidence of contagion effects to the remainder of the loan portfolio. Credit quality in the rest of the portfolio is satisfactory, and loss and default levels in other portfolios are low.

The bank expects a continued low rate of GDP growth as a result of declining oil investment. The Norwegian krone has appreciated, thereby reducing some of the positive impact enjoyed by export industries, and will partially offset some of these effects. The bank also expects moderate growth in credit demand from mid-Norway's business sector ahead as a result of the continued low level of investment.

The bank expects unemployment to remain relatively low, and, given continued low interest rates, the bank considers that the risk of loss in the bank's retail banking portfolio will remain low.

Growth in credit demand from Norwegian households remains higher than wage growth and will be heavily affected by the trend in house prices. The Ministry of Finance has decided to increase the countercyclical buffer from 1.5 per cent to 2.0 per cent, with effect from 31 December 2017. In the bank's assessment, this increase will have only a marginal effect on households' credit demand and on the trend in house prices. If house prices stagnate, or fall, there is a risk that households' 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 is due 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).

Corporate social responsibility

SpareBank 1 SMN wishes to contribute to society's value creation through responsibly-minded banking operations that instil confidence in the populace.

Healthy growth provides the 'lift' that enables the Group to attract good customers and skilled staff and to contribute to the further development of the region of which the Group is a part.

SpareBank 1 SMN has established a corporate social responsibility (CSR) strategy comprising three main themes: financial, social and environmental. Under each theme we have defined key areas and set clear-cut goals for how the bank should contribute to responsible development.

This is described in greater detail in a separate chapter in the annual report, Corporate social responsibility (CSR), including compliance with the requirements of the Accounting Act section 3-3(c).

The people

Technological development and changing customer behaviour mean that the bank needs to adapt to a new everyday life and to rig up for the future. This has also impacted the work done on organisation and management in 2016.

Reorganisation, employee development and recruiting new competence in order to build a bank for the future were given high priority in the year behind us. The work on a new vision and a new set of values was also very much in focus, and will play its part in building a culture in which it is good to work and good to be a customer. Read more about this and the work environment, gender equality and other staff-related content in the chapter The people and in note 22 Personnel expenses.

This is described in greater detail in a separate chapter in the annual report, Corporate social responsibility (CSR), including compliance with the requirements of the Accounting Act section 3-3(c).

Outlook

SpareBank 1 SMN has, again in 2016, shown a satisfactory development with a strengthened market position and a strong profit performance.

The bank's distribution strategy involves a comprehensive focus on digitalisation of working processes and customer processes in combination with competent advisory services present across 48 localities in the market area. A wide-ranging effort to reduce costs related to the bank's branches was launched in 2016. This work continues and is being reinforced in 2017.

The bank has taken an active part in the work on restructuring businesses in the oil and offshore segment in 2016. Impairment write-downs have been made in this sector in keeping with the forecasts announced early in the year. How this sector will develop in 2017 remains uncertain. The board of directors expect the losses to continue, but at a lower level in 2017 than in 2016. The board is pleased that there is no noticeable spread of contagion effects from the problems in the oil and offshore segment to business and industry in general in the market area.

The bank's plan for zero cost growth at the parent bank has been carried through. The directors expect and assume that changing customer behaviour and new technology will pave the way for further efficiency gains ahead.

The board is pleased that the CET1 capital ratio has strengthened to 14.9 per cent. The Group's target of a CET1 ratio of 14.5 per cent by 31 December 2016 has been achieved and a new capital target of 15.0 per cent has been set.

The board is pleased with the Group's achievements and results for 2016.

Trondheim, 7. mars 2017
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen
Aud Skrudland	Morten Loktu	Janne Thyø Thomsen
Arnhild Holstad	Erik Gunnes (employee rep.)	Oddny Lysberg (employee rep.)
		Finn Haugan (Group CEO)

Income statement

Parent Bank				Group	
2015	2016	(NOK million)	Notes	2016	2015
3,865	3,401	Interest income	4,19	3,597	4,031
2,161	1,717	Interest expenses	4,19	1,714	2,159
1,703	**1,684**	**Net interest income**		**1,883**	**1,872**
1,005	971	Fee and commission income	4,20	1,251	1,245
103	85	Fee and commission expenses	4,20	133	135
220	36	Other operating income	4,20	556	435
1,123	**922**	**Net fee and commission income and other operating income**		**1,674**	**1,545**
471	817	Dividends	21,43	88	25
-	-	Income from associates and joint ventures	21,39	423	448
-125	188	Net return on financial investments	21	434	-14
346	**1,006**	**Net return on financial investments**		**944**	**459**
3,172	**3,612**	**Total income**		**4,502**	**3,876**
589	536	Staff costs	22,24	1,159	1,093
628	615	Other operating expenses	23,33	844	838
1,217	**1,151**	**Operating expenses**		**2,003**	**1,931**
1,955	**2,461**	**Result before losses**		**2,499**	**1,945**
159	502	Loss on loans, guarantees etc.	11	516	169
1,796	**1,959**	**Profit before income tax**		**1,983**	**1,776**
325	290	Tax charge	25	341	370
-	-13	Result investment held for sale, after tax		4	-1
1,471	**1,655**	**Profit for the year**		**1,647**	**1,406**
		Attributable to:			
		Equity holders of parent company		1,606	1,410
		Equity holders of non-controlling interests		41	-4
		Profit per ECC		8.11	7.00
		Diluted profit per ECC		7.91	7.02

Other comprehensive income

Parent Bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
1,471	1,655	Net profit	1,647	1,406
		Items that will not be reclassified to profit/loss		
109	-75	Actuarial gains and losses pensions	-77	115
-27	19	Tax	19	-28
-	-	Share of other comprehensive income of associates and joint venture	-1	36
82	-56	Total	-58	123
		Items that will be reclassified to profit/loss		
75	-52	Available-for-sale financial assets	-50	78
-	-	Share of other comprehensive income of associates and joint venture	-7	1
-1	-	Tax	-	-1
74	-52	Total	-58	78
1,627	**1,547**	**Total other comprehensive income**	**1,531**	**1,607**
		Attributable to:		
		Equity holders of parent company	1,490	1,611
		Equity holders of non-controlling interests	41	-4

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

Statement of Financial Position

Parent Bank				Group	
31 Dec 2015	**31 Dec 2016**	(NOK million)	Notes	**31 Dec 2016**	**31 Dec 2015**
		ASSETS			
3,270	315	Cash and balances with central banks	26	315	3,270
5,883	8,203	Loans and advances to credit institutions	*7,15,26,28*	3,892	2,407
90,129	*97,437*	*Loans and advances to customers*	*8,9,10,12,15,26,28*	*102,325*	*93,974*
-174	*-620*	*- Specified write-downs*	*8,11*	*-632*	*-183*
-358	*-318*	*- Write-downs by loan category*	*8,11*	*-339*	*-376*
89,596	96,499	Net loans to and receivables from customers		101,354	93,415
15,752	17,636	Fixed-income CDs and bonds	15,26,27,29	17,557	15,752
7,606	4,812	Derivatives	14,26,27,30	4,752	7,524
337	248	Shares, units and other equity interests	26,27,31	1,542	1,485
3,624	3,766	Investments in associates and joint ventures	39,40,41,43	5,638	5,522
2,927	3,005	Investment in group companies	39,41	-	-
153	121	Property, plant and equipment	33	906	1,064
222	226	Investment held for sale	31,39	15	16
447	470	Intangible assets	32	639	528
278	761	Other assets	24,25,34	1,470	933
130,095	**136,062**	**Total assets**	13,16,17	**138,080**	**131,914**
		LIABILITIES			
8,155	10,299	Deposits from credit institutions	7,26,28	10,509	8,155
65,091	68,391	Deposits from and debt to customers	26,28,35	67,168	64,090
35,154	36,317	Debt securities in issue	26,28,36	36,317	35,154
5,366	3,973	Derivatives	14,26,27,30	4,074	5,414
868	731	Other liabilities	24,26,27,37	1,531	1,734
-	-	Investment held for sale	39	0	0
3,463	3,140	Subordinated debt	26,28,38	3,182	3,463
118,097	**122,850**	**Total liabilities**	18	**122,781**	**118,010**
		EQUITY			
2,597	2,597	Equity capital certificates	42	2,597	2,597
-0	-0	Own holding of ECCs	42	-4	-21
895	895	Premium fund		895	895
3,790	4,487	Dividend equalisation fund		4,484	3,790
292	389	Allocated to dividends		389	292
40	220	Allocated to gifts		220	40
4,105	4,498	Ownerless capital		4,498	4,105
279	126	Unrealised gains reserve		139	290
-	-	Other reserves		1,656	1,597
		Non-controlling interests		425	318
11,998	**13,212**	**Total equity**	5,43	**15,299**	**13,904**
130,095	**136,062**	**Total liabilities and equity**	16,17	**138,080**	**131,914**

Statement of Changes in Equity

Parent Bank	Issued equity		Earned equity					
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	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	-	-	411	730	389	220	-95	1,655
Other comprehensive income								
Available-for-sale financial assets	-	-	2	3	-	-	-57	-52
Actuarial gains (losses), pensions	-	-	-20	-36	-	-	0	-56
Other comprehensive income	-	-	-18	-33	-	-	-57	-108
Total other comprehensive income	-	-	393	697	389	220	-152	1,547
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 31 December 2016	**2,597**	**895**	**4,498**	**4,487**	**389**	**220**	**126**	**13,212**

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								Non-controlling interests	Total equity
	Issued equity		Earned equity							
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity		
Equity at 1 January 2016	**2,576**	**895**	**4,105**	**3,790**	**292**	**40**	**290**	**1,597**	**318**	**13,904**
Net profit	-	-	411	730	389	220	-95	-49	41	1.647
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Available-for-sale financial assets	-	-	2	3	-	-	-56	-0	-	-50
Estimate deviation, pensions	-	-	-20	-36	-	-	-	-1	-0	-58
Other comprehensive income	-	-	-18	-33	-	-	-56	-9	-0	-116
Total other comprehensive income	-	-	393	697	389	220	-151	-58	41	1.531
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	-	-	-	-	-	-	-	-12	-	-12
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-	132	-	132
Own ECC held by SB1 Markets*)	17	-	-	-3	-	-	-	-2	-	11
Change in non-controlling interests	-	-	-	-	-	-	-	-	66	66
Total transactions with owners	17	-	-	-3	-292	-40	-	118	66	-135
Equity at 31 December 2016	**2,593**	**895**	**4,498**	**4,484**	**389**	**220**	**139**	**1,656**	**425**	**15,299**

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

Cash flow statement

Parent bank			Group	
2015	2016	(NOKm)	2016	2015
1,471	1,655	Net profit	1,647	1,406
70	34	Depreciations and write-downs on fixed assets	98	104
159	502	Losses on loans and guarantees	516	169
1,700	**2,191**	**Net cash increase from ordinary operations**	**2,261**	**1,678**
224	2,310	Decrease/(increase) other receivables	2,234	-190
-782	-1,586	Increase/(decrease) short term debt	-1,601	-112
-3,277	-7,405	Decrease/(increase) loans to customers	-8,454	-3,472
-1,520	-2,318	Decrease/(increase) loans credit institutions	-1,485	-1,118
3,889	3,299	Increase/(decrease) deposits to customers	3,078	3,410
-968	2,144	Increase/(decrease) debt to credit institutions	2,354	-968
-1,575	-1,885	Increase/(decrease) in short term investments	-1,805	-1,575
-2,311	**-3,249**	**A) Net cash flow from operations**	**-3,418**	**-2,351**
-61	-26	Increase in tangible fixed assets	-52	-50
1	-	Reductions in tangible fixed assets	-	1
-821	-223	Paid-up capital, associated companies	33	-98
-6	36	Net investments in long-term shares and partnerships	-67	-702
-887	**-213**	**B) Net cash flow from investments**	**-86**	**-849**
93	-324	Increase/(decrease) in subordinated loan capital	-281	93
-1	0	Increase/(decrease) in equity	0	-1
-292	-292	Dividend cleared	-292	-292
-160	-40	To be disbursed from gift fund	-40	-160
2.153	1,162	Increase/(decrease) in other long term loans	1,162	2,153
1,792	**507**	**C) Net cash flow from financial activities**	**549**	**1,792**
-1,405	**-2,955**	**A) + B) + C) Net changes in cash and cash equivalents**	**-2,955**	**-1,405**
4,676	3,270	Cash and cash equivalents at 1 Jan	3,270	4,676
3,270	315	Cash and cash equivalents at end of the year	315	3,270
-1,405	**-2,955**	**Net changes in cash and cash equivalents**	**-2,955**	**-1,405**

Notes

Note 1 - General information

Description of the business

See “Business description” presented in the annual report.

The SpareBank 1 SMN Group

SpareBank 1 SMN’s head office is in Trondheim, no. 4 Søndre gate. The Bank’s market areas are essentially Trøndelag and Nordvestlandet.

The Group accounts for 2016 were approved by the Board of Directors on 7 March 2017.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts
The Group accounts for 2016 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations. Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2016.

Implemented accounting standards and other relevant rule changes in 2016
The applied accounting principles are consistent with the principles applied in the preceding accounting period, with the exception of those changes to IFRS which have been implemented by the group in the current accounting period. Below is a list of amendments to IFRS with effect for the 2016 accounts that have been relevant, and the effect they have had on the group's annual accounts.

The following new and amended accounting standards and interpretations were applied for the first time in 2016:

IAS 1 Presentation of Financial Statements

The amendments made to IAS 1 are intended to encourage the application of professional judgement in deciding what information should be included in notes and how best to structure the financial statements, and are a part of IASB's disclosure initiative. The changes clarify inter alia the following:

- Materiality requirements of IAS 1
  Specific line items in the profit and loss statement, in the statement of other income and expenses and in the balance sheet may be disaggregated

- Entities have the flexibility to change the order of the notes to the financial statements
  The share of other income and expenses of associates and joint ventures, accounted for by the equity method, must be presented in aggregated form on one line, and classified between the items that will/will not be reclassified to the income statement in subsequent periods.

The changes apply from 1 January 2016. The bank has not made changes in its presentation as a result of the amendments to IAS 1.

Annual improvements project (2010-2012 and 2012-2014)

A number of minor amendments were made to standards, but none of these are considered to have a significant effect on the group's annual accounts.

Interim accounts:

Changes have been made to our interim reporting: the reference to interim periods has been removed, thus clarifying that further disclosures resulting from changes in set-off rules are not required in condensed financial accounts for interim periods unless such new note disclosures provide significant new information relative to the information given in the last annual accounts. The change is implemented retrospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies what is meant by disclosure of information "elsewhere in the interim report" (for example in the management's discussion), and states that the required information must be disclosed either in the interim accounts or "elsewhere in the interim report". Where required information is disclosed "elsewhere in the interim report" the entity shall include a cross reference between the condensed financial accounts for the interim period and the location of this information. The amendment is implemented retrospectively.

Presentation currency
The presentation currency is the Norwegian krone (NOK), which is also the bank's functional currency. All amounts are stated in millions of kroner unless otherwise specified.

Consolidation
The consolidated accounts include the Bank and all subsidiaries which are not due for divestment in the near future and are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as

subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated as of the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between the fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while any negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

All intra-group transactions are eliminated in the preparation of the consolidated accounts. The non-controlling interests' share of the group result is to be presented on a separate line under profit after tax in the income statement. In the statement of changes in equity, the non-controlling interests' share is shown as a separate item.

Associated companies

Associates are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 per cent or more. Associates are accounted for by the equity method in the consolidated accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for the change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the profit of the associated undertaking in its income statement. Associates are accounted for in the parent bank accounts by the cost method. See also note 39 Investments in owner interests.

Joint ventures

Joint ventures may take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities. Joint control entails that the Bank by agreement exercises control together with other participants. The Bank accounts for jointly controlled operations and jointly controlled assets by recognising the Bank's proportional share of assets and liabilities in the Bank's accounts. The governance structure for the SpareBank 1 collaboration is regulated by agreement between the owners. The group classifies its participation in some companies as investments in jointly controlled entities and accounts for them by the equity method. See also note 39 Investments in owner interests.

Loans and loan losses

Loans are measured at amortised cost in accordance with IAS 39. Amortised cost is acquisition cost less repayments of principal, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for any value fall or loss likelihood. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument's expected lifetime.

Fixed interest loans to customers are recognised at fair value. Gains and losses due to changes in fair value are recognised in the income statement as fair value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the group's view that recognising fixed interest loans at fair value provides more relevant information on carrying values.

Write-downs

Amounts recorded on the Bank's statement of financial position are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-downs are undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in the estimates used to compute the recoverable amount.

Individual write-downs on financial assets

Value impairment on loans is incurred if, and only if, there exists objective evidence of a value impairment which may entail reduced future cash flow to service the exposure. Value impairment must be a result of one or more events occurring after first-time recognition (a loss event), and it must be possible to measure the result of the loss event(s) reliably. Objective evidence of value impairment of a financial asset includes observable data which come to the group's knowledge on the following loss events:

- significant financial difficulties on the part of the issuer or borrower
- a not insignificant breach of contract, such as failure to pay instalments and interest
- the group grants the borrower special terms in light of financial or legal aspects of the borrower's situation
- the debtor is likely to start debt negotiation or other financial restructuring
- active markets for the financial asset are closed due to financial problems.

The group assesses first whether individual objective evidence exists that individually significant financial assets have suffered value impairment.

Where there is objective evidence of value impairment, the size of the impairment is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through a provision account and the loss is recognised in the income statement.

Assets that are individually tested for value impairment, and where value impairment is identified, or is still being identified, are not included in an overall assessment of value impairment.

Collective write-downs on loans
In the case of financial assets which are not individually significant, the objective evidence of value impairment is assessed on an individual or collective basis. Should the group decide that no objective evidence exists of value impairment of an individually assessed financial asset, significant or not, that asset is included in a group of financial assets sharing the same credit risk characteristics.

In the assessment of collective write-downs account is taken inter alia of the following:

- observable data indicating a measurable reduction in future cash flows from a group of financial assets since first-time recognition, even if the reduction cannot yet be fully identified to an individual financial asset in the group including:
- an unfavourable development in payment status for borrowers in the group
- national or local economic conditions correlating with defaults of assets in the group.

Value impairment of groups of financial assets is measured by the trend in rating for such groups. This is done by measuring negative migration and change in expected loss over the portfolio's lifetime.

Determining customer migration involves continuous assessment of the creditworthiness of each individual customer in the Bank's credit assessment systems.

In the case of events that have occurred but have yet to be reflected in the Bank's portfolio monitoring systems, the need for impairment write-downs is estimated group-wise using stress test models.

Non-performing/potential problem loans
The overall exposure to a customer is regarded as non-performing once instalment and interest payments are 90 days or more past due or credit lines are overdrawn by 90 days or more. Loans and other exposures which are not non-performing but where the customer's financial situation makes it likely that the group will incur loss, prompting an individually assessed write-down, are classified as potential problem loans.

Value impairment of loans recognised at fair value
At each balance sheet date the group assesses whether evidence exists that a financial asset or group of financial assets recognised at fair value is susceptible to value impairment. Losses due to value impairment are recognised in the income statement in the period in which they arise.

Actual losses
Where the balance of evidence suggests that the losses are permanent, the losses are classified as actual losses. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by loss provisions, as well as surpluses and deficits in relation to earlier loss provisions, are recognised in the income statement.

Repossessed assets
As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as collateral for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a

defaulted or written down exposure upon takeover is classified as a loan write-down. Repossessed assets are carried according to type. Upon final disposal, the deviation from carrying value is reported in profit or loss in accordance with the type of asset as per the accounts.

Non-current assets held for sale and discontinued operations
Assets which the board of directors of the bank has decided to sell are dealt with under IFRS 5 if it is highly likely that the asset will be sold within 12 months. This type of asset comprises for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. In the case of depreciable assets, depreciation ceases when a decision is taken to sell, and the asset is

measured at fair value in accordance with IFRS 5. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

Leases

Financial leases are entered under the main item ‘loans’ in the balance sheet and accounted for at amortised cost. All fixed revenues within the lease’s expected lifetime are included when computing the contract’s effective interest.

Securities and derivatives

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency, fixed income and equity instruments. Shares and units are classified either at fair value through profit/loss or as available for sale. Money market instruments and bonds are classified at fair value through profit/loss, loans and receivables or in the category held to maturity. Derivatives are invariably recognised at fair value through profit/loss unless they are part of a cash flow hedge. However the Bank does not avail itself of cash flow hedges.

All financial instruments classified at fair value through profit/loss are measured at fair value, and any change in value from the opening balance is recognised as revenue from other financial investments. Financial assets held for trading purposes are characterised by frequent trading and by positions being taken with the aim of short-term gain. Other such financial assets classified at fair value through profit/loss are investments defined upon first-time recognition as classified at fair value through profit/loss (fair value option).

Financial derivatives are presented as assets when fair value is positive, and as liabilities when fair value is negative.

Shares and units classified as available for sale are also measured at fair value, but any change in value from the opening balance is recognised in the comprehensive income statement and is accordingly included in the group’s other comprehensive income. Shares which cannot be reliably measured are valued at cost price under IAS 39.46 (c). Procedures for ongoing valuation of all equity investments have been established. These valuations are carried out at differing intervals in based on the size of the investment.

Money market instruments and bonds classified as loans and receivables or held to maturity are measured at amortised cost using the effective interest rate method; see the account of this method under the section on loans.

Intangible assets

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN Group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

Intangible assets acquired separately are carried at cost. Useful economic life is either finite or infinite. Intangible assets with a finite economic life are depreciated over their economic life and tested for impairment upon any indication of impairment. The depreciation method and period are assessed at least once each year.

Property, plant and equipment

Property, plant and equipment along with property used by the owner are accounted for under IAS 16. The investment is initially recognised at its acquisition cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example computers and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed on a group basis. Property used by the owner, according to the definition in IAS 40, is property that is mainly used by the Bank or its subsidiary for its own use.

Property, plant and equipment which are depreciated are subject to a depreciation test in accordance with IAS 36 when circumstances so indicate.

Property held in order to earn rentals or for capital appreciation is classified as investment property and is measured at fair value in accordance with IAS 40. The group has no investment properties.

Interest income and expenses

Interest income and expenses related to assets and liabilities which are measured at amortised cost are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime. In the case of interest-bearing instruments measured at fair value, the market value will be classified as income from other financial investments. In the case of interest-bearing instruments classified as loans and receivables or held to maturity and not utilised in hedging contexts, the premium/discount is amortised as interest income over the term of the contract.

Commission income and expenses

Commission income and expenses are generally accrued in step with the provision of the service. Charges related to interest-bearing instruments are not entered as commission, but are included in the calculation of effective interest and recognised in profit/loss accordingly. Consultancy fees accrue in accordance with a consultancy agreement, usually in step with the provision of the service. The same applies to ongoing management services. Fees and charges in connection with the sale or mediation of financial instruments, property or other investment objects which do not generate balance sheet items in the Bank's accounts are recognised in profit/loss when the transaction is completed. The Bank receives commission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponding to the difference between the interest on the loan and the funding cost achieved by SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. This shows as commission income in the Bank's accounts.

Transactions and holdings in foreign currency

Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

Hedge accounting

The Bank evaluates and documents the effectiveness of a hedge in accordance with IAS 39. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account when measuring hedge effectiveness. In the case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

Fair value option

The Parent Bank's fixed rate loans are recognised in profit/loss at fair value by using the fair value option, in accordance with IAS 39, and the Bank manages interest rate risk related to these loans through the use of derivatives.

Income taxes

Tax recorded in the income statement comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method under IAS 12. Calculation of deferred tax is done using the tax rate in effect at any time. Liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

A deferred tax asset is calculated on a tax loss carryforward. Deferred tax assets are recognised only to the extent that there is expectation of future taxable profits that enable use of the tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the group accounts under IAS 12.

Deposits from customers

Customer deposits are recognised at amortised cost.

Debt created by issuance of securities

Loans not included in hedge accounting are initially recognised at acquisition cost. This is the fair value of the compensation received after deduction of transaction fees. Loans are thereafter measured at amortised cost. Any difference between acquisition cost and settlement amount at maturity is accordingly accrued over the term of loan using the effective rate of interest on the loan. The fair value option is not applied in relation to the group's debt.

Subordinated debt and hybrid capital

Subordinated debt and hybrid capital are classified as liabilities in the statement of financial position and are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but

the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. See also note 3 for a closer description. The treatment of subordinated debt and hybrid capital in the calculation of the group's capital adequacy is described in note 5 Capital adequacy and capital management.

Contingent liabilities
The Bank issues financial guarantees as part of its ordinary business. Loss assessments are made as part of the assessment of loan losses, are based on the same principles and are reported together with loan losses. Provisions are made for other contingent liabilities

where there is a preponderant likelihood that the commitment will materialise and the financial consequences can be reliably measured. Information is disclosed on contingent liabilities which do not meet the criteria for recognition where such commitments are substantial. Restructuring expenses are provisioned in cases where the Bank has a contractual or legal obligation.

Pensions
The SpareBank 1 SMN Group has established various pension schemes for its staff. The pension schemes meet the requirements set for mandatory occupational pensions. The group applies IAS 19R Employee Benefits, and all actuarial gains and losses are recognised in other comprehensive income. See also note 24 on pensions.

Defined benefit scheme
In a defined benefit scheme the employer is obliged to pay a future pension of a specified size. The calculation of pension costs is based on a linear distribution of the pension earned against the probable accumulated liability at retirement. The costs are calculated on the basis of the pension rights accrued over the year less the return on the pension assets. The pension liability is calculated as the present value of estimated future pension benefits which per the accounts are deemed to have been earned as of the balance sheet date. When calculating the pension liability use is made of actuarial and economic assumptions with regard to longevity, wage growth and the proportion of employees likely to take early retirement. As from 2012, the interest rate on covered bonds is used as the discount rate in accordance with the recommendation of the Norwegian Accounting Standards Board.

Changes in pension plans are recognised at the time of the change. The pension cost is based on assumptions set at the beginning of the period and is presented as a personnel expense in the accounts. Employer's contribution is allocated on pension costs and pension liabilities.

The pension scheme is administered by a pension fund, and confers entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members. A board meeting in October 2016 resolved that employees remaining on the defined benefit scheme must transfer to the defined contribution scheme as from 1 January 2017.

Defined contribution scheme
Under a defined contribution pension scheme the group does not provide a future pension of a given size; instead the group pays an annual contribution to the employees' collective pension savings. The future pension will depend on the size of the contribution and the annual return on the pension savings. The group has no further obligations related to employees' labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed. Any pre-paid contributions are recognised as an asset (pension assets) to the extent the contribution can be refunded or reduce future inpayments.

Early retirement pension scheme ("AFP")
The banking and financial industry has established an agreement on an early retirement pension scheme ("AFP"). The scheme covers early retirement pension from age 62 to 67. The Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010. The Act on state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 per cent of pensionable income capped at 7.1G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1G and 7.1G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the group's de facto AFP obligation in the accounting year. This is because the office that coordinates the schemes run by the main employer and trade union organisations has yet to perform the necessary calculations.

Segment reporting

SpareBank 1 SMN has Retail Banking and Corporate Banking, along with the most important subsidiaries and associates as its primary reporting segments. The group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format. The group's segment reporting is in conformity with IFRS 8.

Dividends and gifts

Proposed dividends on equity certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the bank's supervisory board.

Events after the balance sheet date

The annual accounts are regarded as approved for publication once they have been considered by the board of directors. The supervisory board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the closing date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the board of directors this assumption was met at the time the accounts were approved for presentation.

The board of directors' proposal for dividends is set out in the directors' report and in the statement of changes in equity.

New or revised accounting standards approved but not implemented in 2016

Those standards and interpretations that have been adopted up to the date of presentation of the consolidated accounts, but whose entry into force is scheduled for a future date, are set out below. The group's intention is implement the relevant changes at the time of their entry into force, on the proviso that the EU approves the changes before presentation of the consolidated accounts.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 deals with recognition, classification, measurement and derecognition of financial assets and liabilities as well as hedge accounting. IFRS 9 will apply as from 1 January 2018 and is approved by the EU. Early application of the standard is permitted. SpareBank 1 SMN will not avail itself of that opportunity. SpareBank 1 SMN will not present comparable figures for earlier periods when implementing the standard on 1 January 2018.

In 2015 the SpareBank 1 Alliance put together a cross-disciplinary implementation team, drawing participants from all the banks that apply IFRS, which is preparing to carry through and implement IFRS 9 ('the Project'). The Project has a steering group and the following sub-groups:

1. Models and methodology
   Development of a computation solution and models with a view to establishing unbiased forward-looking estimates of expected losses.

2. Strategy, organisation and process
   Define how the ongoing work of accounting under IFRS 9 is to be organised between the collaborating banks

3. Accounting and reporting
   Concretise the actual accounting and notes incl. principles note and note templates.

4. Classification and measurement
   Map out the group's financial instruments and classify them into different categories.

Concurrently SpareBank 1 SMN has established a local-level project to resolve technical configuration of a new body of rules and to discuss and decide on adjustments and effects of new rules.

A description of new requirements under IFRS 9 and changes from earlier standards is set out below. That is followed by a description of the choices made by SpareBank 1 SMN and of the current status of the implementation project.

Classification and measurement

Financial assets

Under IFRS 9 financial assets are classified in three measurement categories: fair value with changes in fair value reported in profit/loss (FVPL), fair value with changes in fair value reported in other comprehensive income (OCI), and amortised cost. The measurement category is determined upon first-time recognition of the particular asset. For financial assets a distinction is drawn between debt instruments and equity instruments. The classification of financial assets is determined on the basis of contractual terms and conditions for the financial assets and the business model used to manage the portfolio of which the assets are a part.

Financial assets that are debt instruments

Debt instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is to receive contractual cash flows shall in principle be measured at amortised cost. Instruments with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model whose purpose is both to receive contractual cash flows and sales shall in principle be measured at fair value with changes over OCI, with interest income, currency conversion effects and any write-downs reported in ordinary profit/loss. Fair value changes over OCI shall be reclassified to profit/loss upon the sale or other disposal of the assets.

Other debt instruments shall be measured at fair value with changes reported in profit/loss. This applies to instruments with cash flows that are not only payment of normal interest (time value of money, credit margin and other normal margins related to loans and receivables) and principal, and instruments held in a business model whose main purpose is not that of receiving contractual cash flows. The preliminary assessment is that designation of financial instruments at fair value will be at about the same level as today.

Derivatives and investments in equity instruments

All derivatives shall be measured at fair value with changes reported in profit/loss, but derivatives designated as hedging instruments shall be accounted for in keeping with the principles for hedge accounting. Investments in equity instruments shall be measured in the balance sheet at fair value. Value changes shall as a main rule be reported in ordinary profit/loss, but an equity instrument which is not held for trading purposes and is not a contingent consideration following a business transfer can be designated as measured at fair value with changes reported in OCI. Where equity instruments are designated at fair value with value changes reported in OCI, ordinary proceeds shall be reported in profit/loss, whereas value changes shall not be reported in profit/loss either on an ongoing basis or upon disposal.

Financial liabilities

For financial liabilities the rules are essentially the same as under today's IAS 39. As a main rule financial liabilities shall continue to be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments forming part of a trading portfolio and financial liabilities accounted for at fair value with value changes recognised in profit/loss.

Hedge accounting

IFRS 9 simplifies the requirements on hedge accounting in that hedge effectiveness is linked more closely to the management's risk management and gives more scope for assessment. The requirement of hedge effectiveness of 80-125 per cent is removed and replaced with more qualitative requirements, including the requirement of an economic relation between the hedging instrument and the hedged object, and that credit risk shall not dominate the value changes in the hedging instrument. Under IFRS 9 a prospective effectiveness test is sufficient, whereas under IAS 39 hedge effectiveness must be considered both prospectively and retrospectively. Documentation of the hedging relationship is still required. The bank continues to assess the scope of hedge accounting, but the preliminary assessment is that hedge accounting will be continued to approximately the same extent as today.

Other matters

The bank will complete its assessment of the following selected issues with regard to classification:

- Variable rate loans
- Fixed rate loans permitting early repayment
- Sale of loans, part-owned mortgage companies
- Syndicated loans
- Loans with a large difference between reference interest rate and rate fixing frequency

The preliminary assessment is that for accounting purposes the classification will not entail significant consequences in balance-sheet or profit/loss terms. The reason why little effect is expected is that, based on the inherent risk present in the balance sheet items, there will be little difference in measurement between amortised cost and fair value.

Loan impairment write-downs

Under current rules, IAS 39, impairment write-downs shall only be made in cases where there is objective evidence that a loss event has occurred since first-time recognition. Under IFRS 9, on the other hand, loss provisions shall be recognised based on expected credit loss (ECL). Measurement of the provision for expected loss depends on whether credit risk has increased significantly since first-time recognition. Upon first-time recognition, and when credit risk has not increased significantly since first-time recognition, provision shall be made for a 12-month expected loss. If credit risk has risen significantly, provision shall be made for expected loss across the entire life. The methodology in the IFRS 9 standard entails somewhat larger volatility in write-downs, and write-downs are expected to be made at an earlier stage than under current practice. This will be particularly noticeable at the start of a cyclical downturn.

Further description of the bank's future impairment write-down model

Loss estimates are to be prepared quarterly, and will build on data in the data warehouse which has historical accounting and customer data for the entire credit portfolio. Loss estimates will be computed based on 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains historical data for observed PD and observed LGD. In keeping with IFRS 9 the bank groups its loans in three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have significantly higher credit risk than at first-time recognition receive a loss provision corresponding to 12 months' expected loss. All assets that are not transferred to stage 2 or 3 reside in this category.

Stage 2:

Stage 2 of the loss model encompasses assets that show a significant increase in credit risk since first-time recognition, but where objective evidence of loss is not present. For these assets a provision for expected loss over the entire lifetime is to be made. In this group we find accounts with a significant degree of credit deterioration, but which at the balance sheet date belong to customers classified as performing. As regards delineation against stage 1, the bank defines 'significant degree of credit deterioration' by taking a basis in whether the exposure's calculated probability of default shows a significant increase. SpareBank 1 SMN has tentatively decided to utilise both absolute and relative changes in PD as criteria for transfer to stage 2. In addition, customers with payments 30 days past due will be transferred to stage 2.

Stage 3:

Stage 3 of the loss model encompasses assets that show a significant increase in credit risk since loan approval and where there is objective evidence of loss at the balance sheet date. For these assets a provision shall be made for expected loss over the entire lifetime. These are assets which under current rules are defined as defaulted and written down.

Further development of the model

The model for write-downs remains under development. The bank is considering future-oriented information such as macroeconomic factors, e.g. unemployment, GDP growth, interest rates and house prices, and economic forecasts in order to provide forward-looking information that is as correct as possible. The model will calculate write-downs based on data at month-end.

Effect on financial reporting

Any implementation effects will be reflected in equity upon the transition to IFRS 9 on 1 January 2018. A preliminary review of future note disclosure requirements shows that there will be a number of changes in these requirements related to loss write-downs, but little effect regarding note disclosures related to financial instruments.

Quantitative effects of implementation of IFRS 9

Based on a preliminary review, significant effects related to the transition to IFRS 9 are not expected. This is true both of possible effects from changes in classification and measurement as well as from changes to the methodology for loss write-downs. The effect on capital adequacy will, according to our preliminary calculations, be limited due to capital deductions related to regulatory expected loss, since the group's aggregate write-downs are lower.

IFRS 15 Revenue from Contracts with Customers

The IASB and FASB have published a new converged standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers, which replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is that revenues are recognised in order to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the compensation the company expects to be entitled to in exchange for such goods or services. The standard applies, with a small number of exceptions, to all remunerative contracts with customers and includes a model for recognition and measurement of sales of individual non-financial assets (for example sales of property, plant and equipment). The group is also reviewing the clarifications made in IFRS 15 published by the IASB in April 2016 and will act on any further changes to the standard.

IFRS 15 will be implemented under either the full retrospective or modified retrospective method. The standard has accounting effect as from 1 January 2018. The standard is not expected to have a significant impact on the group's principles for revenue recognition.

IFRS 16 Leases

The IASB published IFRS 16 in January 2016. The standard requires lessees to recognise assets and liabilities for the majority of leases in the same way as financial leases are accounted for under IAS 17 Leases. The lessee accounts for a "right to use asset" and an associated liability in the balance sheet. The asset is depreciated over the term of the lease, and the liability is measured at amortised cost. For lessors there are small changes relative to today's accounting standard, IAS 17 Leases. SpareBank 1 SMN is assessing the effects of the standard. Thus far it is not possible to quantify the effect of implementation. The new standard must be taken into use as from 1 January 2019.

Note 3 - Critical estimates and assessments concerning the use of accounting principles

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that influence the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, income and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

Losses on loans and guarantees

The Bank rescores its loan portfolio monthly. Customers in a high risk class, payment defaults, negative migration or other objective criteria are assessed for individual write-down. Should the Bank's calculations show that the present value of the discounted cash flow based on the effective interest rate at the time of estimation is below the book value of the loan, an individual write-down will be carried out. Impaired loans are reviewed quarterly.

Individual write-down of retail market commitments is calculated based on the same principles. Write-down is considered in the case of exposures larger than NOK 250,000 that are in default, or where the Bank has other relevant objective information. Write-down needs are estimated with a basis in estimated future cash flows. Uncertainty attends these estimates.

Collective write-downs are calculated for groups of commitments subject to rising credit risk but where it is not possible to identify which commitment will entail loss. Calculation is based on increase in expected loss on portfolios which have migrated negatively since the date of approval.

Assessment of individual and group write-downs will invariably be a matter of discretionary judgement. The Bank uses historical data as a basis for estimating the need for write-downs.

In cases where collateral values are tied to specific objects or industries that are in crisis, collateral will have to be realised in illiquid markets, and in such cases assessment of collateral values may be encumbered with considerable uncertainty.

In the case of events that have taken place, but have yet to be reflected in the Bank's portfolio monitoring systems, the need for write-downs is estimated on a group basis using stress test models.

See also note 2 on accounting principles and note 6 on risk factors.

Fair value of equity capital interests

Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market for trading of similar products where willing buyers and sellers are present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and asked prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determined the value of the unlisted company. Such assets could be encumbered with uncertainty. Assets classified as available for sale will also be recognised at fair value through other comprehensive income. Market values will generally be based on valuations or the latest known trade of the share. Shares which cannot be reliably valued will be carried at cost.

Fair value of financial derivatives and other financial instruments

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments. For further information, see note 27 Measurement of fair value of financial instruments.

For options, volatilities will either be observed implicit volatilities or estimated volatilities based on historical movements in the price of the underlying instrument. In those cases where the Bank's risk position is approximately neutral, middle rates will be used. “Neutral risk position” is understood to mean for example that interest rate risk within a maturity band is virtually zero. Where market prices that are obtained are based on transactions with lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions over the period to maturity.

Pensions

Net pension liability and the pension cost for the year are based on a number of estimates, including: return on pension assets, future interest and inflation rates, wage trend, turnover, the basic state pension entitlement and the general trend in the number of disability pensioners, all of which are of major significance. Estimate changes resulting from changes in the parameters mentioned will in large measure be accrued over average remaining earning period and not be immediately charged to profit in the same way as other estimate changes. The Group follows the updated guidance on pension assumptions from the Norwegian Accounting Standards Board, adjusted for company-specific factors. Parameters employed are shown in the note on pensions. The defined benefit plan has been closed from 1. January 2017. The settlement gain has been treated as a change in the plan which in accordance with IAS 19 has been accounted for in 2016 at the time the decision was made.

Goodwill

The Group conducts tests to assess possible impairment of goodwill annually or in the event of indications of impairment. Assessment is based on the Group's value in use. The recoverable amount from cash flow generating units is established by calculating discounted future cash flows. The cash flows are based on historical earnings and expectations of future factors and include suppositions and estimates of uncertain factors. The outcome of the impairment tests depends on estimates of discount rates which are set on a discretionary basis based on information available on the balance sheet date.

Regarding goodwill related to Romsdals Fellesbank, the portfolio is regarded as integrated in the Bank's other lending and deposit operations, and, as from 2009, the lowest level for the cash generating unit is the Parent Bank level. A net cash flow is estimated based on earnings in the Bank's loan and deposit portfolio. Earnings are estimated based on average portfolio and margin, and average commission income. Allocated costs are calculated with reference to the Bank's cost ratio in relation to total assets. A five-year average is employed in the calculation since this is considered to provide the best estimate of future cash flows. Expected loss on the loan portfolio is also calculated (0.3 per cent).

The cash flow is calculated over 20 years and is discounted by the risk-free interest rate + risk premium for similar businesses (pre-tax interest rate 10 per cent). Calculations show that the value of discounted cash flows exceeds recognised goodwill by a good margin.

Other goodwill in the Group is calculated based on average earnings in the market area and is discounted at the risk-free interest rate + the risk premium for similar businesses (12-14 per cent).

Acquisitions

Acquisition of another company is accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at time of acquisition. Although some uncertainty invariably attends estimation items, they are supported by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40 on business acquisitions/business combinations.

Non-current assets held for sale (IFRS 5)

SpareBank 1 SMN's strategy is that ownership resulting from defaulted exposures should at the outset be of brief duration, normally not longer than one year. Work on selling such companies is continuously in progress, and for accounting purposes they are classified as held for sale. See also note 39 on investments in owner interests.

Sale of loan portfolios

In the sale of loan portfolios to Eksportfinans, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all sold portfolios were derecognised from the Parent Bank’s balance sheet. See also note 9 on derecognition of financial assets.

Classification of hybrid capital

Sparebank 1 SMN issued two hybrid capital instruments in 2013 where the terms satisfy the requirements in CRD-IV to be included in Common Equity Tier One. These have however been classified as a liability in the financial statements since the Bank consider the terms not to fulfill the conditions in IAS 32.16 to be classified as equity. See also note 5 Capital adequacy and capital management.

Note 4 - Segment information

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

Group 31 December 2016

Profit and loss account (NOKm)	**RM**	**CM**	**SB1 Markets**	**EM 1**	**SB1 Finans MN**	**SB1-Regnskaps-huset SMN**	**SB1-Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	906	960	-8	4	183	0	-	-	-163	1,883
Interest from allocated capital	47	40	-	-	-	-	-	-	-86	-
Total interest income	**953**	**1,000**	**-8**	**4**	**183**	**0**	**-**	**-**	**-249**	**1,883**
Commission income and other income	679	196	212	426	-11	234	-	-	-62	1,674
Net return on financial investments **)	1	9	88	-	-	-	317	86	448	949
Total income	**1,633**	**1,205**	**292**	**430**	**172**	**235**	**317**	**86**	**137**	**4,506**
Total operating expenses	**770**	**332**	**282**	**363**	**55**	**191**	**-**	**-**	**11**	**2,003**
Ordinary operating profit	**863**	**873**	**10**	**68**	**117**	**44**	**317**	**86**	**125**	**2,503**
Loss on loans, guarantees etc.	13	490	0	-	13	-	-	-	1	516
Result before tax including held for sale	**850**	**384**	**10**	**68**	**104**	**44**	**317**	**86**	**124**	**1,988**
Post-tax return on equity*)	**13.8 %**	**6.9 %**								**11.3 %**
Balance (NOKm)										
Loans and advances to customers	93,757	38,938	-	-	5,430	-	-	-	-590	137,535
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33,307	-1,903	-	-	-	-	-	-	-0	-35,211
Individual allowance for impairment on loan	-24	-596	-	-	-11	-	-	-	-2	-632
Group allowance for impairment on loan	-90	-228	-	-	-20	-	-	-	-0	-339
Other assets	177	35	1,702	322	16	218	1,476	1,186	31,594	36,726
Total assets	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**
Deposits from and debt to customers	34,856	32,401	-	-	-	-	-	-	-89	67,168
Other liabilities and equity	25,658	3,845	1,702	322	5,414	218	1,476	1,186	31,091	70,912
Total liabilites & Equity	**60,514**	**36,245**	**1,702**	**322**	**5,414**	**218**	**1,476**	**1,186**	**31,002**	**138,080**

Group 31 December 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	907	922	-2	4	154	-0	-	-	-112	1,872
Interest from allocated capital	41	48	-	-	-	-	-	-	-89	-
Total interest income	**948**	**971**	**-2**	**4**	**154**	**-0**	**-**	**-**	**-202**	**1,872**
Commission income and other income	715	180	56	360	33	197	-	-	5	1,545
Net return on financial investments **)	1	13	50	-	-	-	251	41	101	458
Total income	**1,663**	**1,164**	**104**	**364**	**187**	**197**	**251**	**41**	**-96**	**3,875**
Total operating expenses	**779**	**353**	**188**	**317**	**97**	**162**	**-**	**-**	**35**	**1,931**
Ordinary operating profit	**884**	**810**	**-85**	**47**	**91**	**35**	**251**	**41**	**-131**	**1,944**
Loss on loans, guarantees etc.	11	151	-	-	8	-	-	-	-2	169
Result before tax including held for sale	**873**	**659**	**-85**	**47**	**83**	**35**	**251**	**41**	**-129**	**1,776**
Post-tax return on equity*)	**15.8 %**	**12.4 %**								**10.7 %**
Balance (NOKm)										
Loans and advances to customers	84,981	37,226	-	-	4.376	-	-	-	796	127,378
Adv. of this to SpareBank 1 Boligkreditt	-32,061	-1,343	-	-	-	-	-	-	0	-33,404
Individual allowance for impairment on loan	-28	-146	-	-	-7	-	-	-	-2	-183
Group allowance for impairment on loan	-95	-264	-	-	-18	-	-	-	1	-376
Other assets	140	3	1,456	281	4	144	1,509	1,157	33,803	38,499
Total assets	**52,937**	**35,476**	**1,456**	**281**	**4,355**	**144**	**1,509**	**1,157**	**34,598**	**131,914**
Deposits from and debt to customers	33,534	30,367	-	-	-	-	-	-	188	64,090
Other liabilities and equity	19,402	5,108	1,456	281	4,355	144	1,509	1,157	34,410	67,824
Total liabilites & Equity	**52,937**	**35,476**	**1,456**	**281**	**4,355**	**144**	**1,509**	**1,157**	**34,598**	**131,914**

*) 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 as of 31 December 2016.

**) Specification of net return on financial investments incl. Investment held for sale (NOKm)	2016	2015
Capital gains/dividends, shares	149	62
Bonds and derivatives	236	-90
Change in discount factor in fair value model for fixed interest loan	-	-64
Forex and fixed income business, Markets	136	102
Net return on financial investments	**521**	**11**
SpareBank 1 Gruppen	317	251
SpareBank 1 Boligkreditt	-17	80
SpareBank 1 Næringskreditt	29	30
BN Bank	86	41
SpareBank 1 Kredittkort	24	21
Companies owned by SpareBank 1 SMN Invest	15	27
SpareBank 1 Mobilbetaling	-27	-2
Other companies	0	-2
Income from investment in associates and joint ventures	**427**	**448**
Total net return on financial investments	**949**	**458**

Note 5 - Capital adequacy and capital management

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

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

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

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and thereafter 10 per cent per year. As at 31 December 2016 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 661 million. The financial supervisory authority may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

Parent Bank			Group	
31 Dec 2015	**31 Dec 2016**	**(NOKm)**	**31 Dec 2016**	**31 Dec 2015**
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	- Own holding of ECCs	-4	-21
895	895	Premium fund	895	895
3,790	4,487	Dividend equalisation fund	4,484	3,790
4,105	4,498	Savings bank's reserve	4,498	4,105
292	389	Recommended dividends	389	292
40	220	Provision for gifts	220	40
279	126	Unrealised gains reserve	139	290
-	-	Other equity	1,656	1,597
-	-	Non-controlling interests	425	318
11,998	**13,212**	**Total book equity**	**15,299**	**13,904**
-447	-470	Deferred taxes, goodwill and other intangible assets	-741	-662
-	-	Part of reserve for unrealised gains, associated companies	117	264
-332	-609	Deduction for allocated dividends and gifts	-609	-332
-	-	Non-controlling interests recognised in other equity capital	-425	-318
-	-	Non-controlling interests eligible for inclusion in CET1 capital	220	132
-93	-	Surplus financing of pension obligations	-	-43
-33	-29	Value adjustments due to requirements for prudent valuation	-48	-55
-164	-190	Positive value of adjusted expected loss under IRB Approach	-248	-239
-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-337	-458
10,928	**11,913**	**Total common equity Tier one**	**13,229**	**12,192**
950	950	Hybrid capital, core capital	1,358	1,301
495	483	Hybrid capital covered by transitional provisions	483	495
12,373	**13,346**	**Total core capital**	**15,069**	**13,988**
		Supplementary capital in excess of core capital		
1,000	1,000	Subordinated capital	1,698	1,647
786	673	Subordinated capital covered by transitional provisions	673	786
-43	-256	Deduction for significant investments in financial institutions	-256	-43
1,743	**1,418**	**Total supplementary capital**	**2,116**	**2,390**

14,116	**14,764**	**Net subordinated capital**	**17,185**	**16,378**
		Minimum requirements subordinated capital		
1,027	1,065	Involvement with spesialised enterprises	1,206	1,213
1,049	1,064	Other corporations exposure	1,102	1,105
1,093	1,128	Mass market exposure, property	1,602	1,557
157	156	Mass market exposure, SMEs	166	167
38	71	Other retail exposure	74	40
1,221	1,223	Equity investments	3	0
4,585	**4,707**	**Total credit risk IRB**	**4,153**	**4,082**
64	35	Debt risk	36	64
-	-	Equity risk	5	10
-	-	Currency risk	1	-
316	334	Operational risk	479	457
922	898	Exposures calculated using the standardised approach	1,772	1,805
53	51	Credit value adjustment risk (CVA)	84	106
-	-	Transitional arrangements	574	634
5,939	**6,026**	**Minimum requirements subordinated capital**	**7,103**	**7,157**
74,243	**75,325**	**Risk weighted assets (RWA)**	**88,788**	**89,465**
3,341	3,390	Minimum requirement on CET1 capital, 4.5 per cent	3,995	4,026
		Capital Buffers		
1,856	1,883	Capital conservation buffer, 2.5 per cent	2,220	2,237
2,227	2,260	Systemic rick buffer, 3.0 per cent	2,664	2,684
742	1,130	Countercyclical buffer, 1.5 per (1.0 per cent)	1,332	895
4,826	**5,273**	**Total buffer requirements on CET1 capital**	**6,215**	**5,815**
2,761	**3,251**	**Available CET1 capital after buffer requirements**	**3,018**	**2,351**
		Capital adequacy		
14.7 %	15.8 %	Common equity Tier one ratio	14.9 %	13.6 %
16.7 %	17.7 %	Core capital ratio	17.0 %	15.6 %
19.0 %	19.6 %	Capital adequacy ratio	19.4 %	18.3 %
9.1 %	9.5 %	Leverage ratio	7.4 %	6.7 %

Note 6 - Risk factors

Risk Management

SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Group's financial position. The Group's risk profile is quantified through targets for rating, concentration, risk-adjusted return, loss ratios, expected loss, necessary economic capital, regulatory capital adequacy, and expected liquidity related regulatory requirements.

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the risk management policy. The Group gives much emphasis to identifying, measuring, managing and monitoring central risks in such a way that the Group progresses in line with its adopted risk profile and strategies.

Risk management within the Group is intended to support the Group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- A strong organisation culture featuring high risk-management awareness
- A sound understanding of the risks that drive earnings and risk costs, thereby creating a better basis for decision-making
- Striving for an optimal use of capital within the adopted business strategy
- Avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market

The Group's risk is quantified by calculating expected loss and the need for risk-adjusted capital (economic capital) needed to meet unexpected losses.

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Group defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the Group's Pillar III reporting which is available on the Parent Bank's website.

The Group's overall risk exposure and risk trend are followed up through periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are carried out by Risk Management which is independent of the Group's business areas.

Credit risk

Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group.

The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

Credit risk associated with the Group's lending activity is the largest area of risk facing the Group.

Through its annual review of the Parent Bank's credit strategy, the Board of Directors concretises the Group's risk appetite by establishing objectives and limits for the Parent Bank's credit portfolio. The Parent Bank's credit strategy and credit policy are derived from the Parent Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between Retail Banking and Corporate Banking, limits on the size of loan and loss ratio on single exposures, limits on maximum exposure to sectors, and limits on regulatory risk weighted assets for Retail Banking and Corporate Banking.

Compliance with credit strategy and limits adopted by the Board of Directors is monitored on a continual basis by Risk Management and reported quarterly to the Board of Directors.

The Parent Bank has approval to use internal models in its risk management and capital calculation (IRB), and in February 2015 was given permission to apply the advanced IRB approach.

The Parent Bank's risk classification system is designed to enable the Parent Bank's loan portfolio to be managed in conformity with the Parent Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

The Parent Bank has a division dedicated to credit support which assists in or takes over dealings with customers who are clearly unable, or are highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

The Group uses credit models for risk classification, risk pricing and portfolio management. The risk classification system builds on the following main components:

1. Probability of Default (PD)
The Group's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions.

Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

The models are validated on an ongoing basis and at least once per year both with respect to their ability to rank customers and to estimate PD levels. The validation results confirm that the models' accuracy meets internal criteria and international recommendations.

2. Exposure at Default (EAD)
EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty's default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The Group's EAD model takes account of differences both between products and customer types.

3. Loss Given Default (LGD)
The Group estimates the loss ratio for each loan based on expected recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models' reliability.

The three above-mentioned parameters (PD, EAD and LGD) underlie the Group's portfolio classification and statistical calculation of expected loss (EL) and need for economic capital/risk-adjusted capital (UL).

Counterparty risk
Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the Group's most used counterparties. ISDA contracts regulate settlements between financial counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Group will continue to enter CSA contracts with financial counterparties to manage counterparty risk. See note 14 Financial Instruments and offsetting for further description of these contracts.

Counterparty risk for customers is hedged through use of cash depots or other collateral which, at all times, have to exceed the market value of the customer's portfolio. Specific procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of the collateral.

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.

Market risk
Market risk is a generic term for the risk of loss and reduction of future incomes as a result of changes in observable rates or prices of financial instruments. Market risk arises at SpareBank 1 SMN mainly in connection with the Group's investments in bonds, CDs and shares, including funding. SpareBank 1 SMN has outsourced customer trading in fixed income and foreign currency instruments to SpareBank 1 Markets. This customer activity, and SpareBank 1 Markets' use of the Parent Bank's balance sheet, also affect the Group's market risk.

Market risk is managed through limits for investments in shares, bonds and positions in the fixed income and currency markets. The Group's strategy for market risk lays the basis for management reporting, control and follow-up of compliance with limits and guidelines.

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) models. Limits are reviewed at least once a year and adopted yearly by the Group's Board of Directors. Compliance with the limits is monitored by Risk Management and exposures relative to the adopted limits are reported monthly.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. The risk on all interest rate positions can be viewed in terms of the change in value of interest rate instruments resulting from a rate change of 1 basis point (0.01 percentage point). The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band and across all maturity bands as a whole. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss as a result of changes in market value/fair value of bonds due to general changes in credit spreads. The bond portfolio is managed based on an evaluation of the individual issuers. In addition, the Group has a separate limit for overall spread risk for all bonds. The Group calculates spread risk based on Finanstilsynet's module for market and credit risk. The loss potential for the individual credit exposure is calculated with a basis in rating and duration.

Exchange rate risk is the risk of loss resulting from exchange rate movements. The Group measures exchange rate risk on the basis of net positions in the various currencies. Limits on exchange rate risk are expressed in limits for the maximum aggregate foreign exchange position in individual currencies.

Equity risk is the risk of loss on positions as a result of changes in share prices. This risk is linked to positions in equity instruments as the underlying. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to refinance its debt or unable to finance increases in its assets.

The Group's most important source of finance is customer deposits. At end-2016 the Group's ratio of deposits to loans was 49 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 50 per cent at end-2015 (Group).

The Group reduces its liquidity risk by diversifying funding across a variety of markets, funding sources, maturities and instruments, and by employing long-term funding. Excessive concentration of maturities heightens vulnerability with regard to refinancing. The Group seeks to mitigate such risk by applying defined limits.

The Parent Bank's finance division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by Risk Management which reports monthly to the Board of Directors. The Group manages it liquidity on an overall basis by assigning responsibility for funding both the Parent Bank and the subsidiaries to the finance division.

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency plans have been drawn up both for the Group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two. An aim of the Group is to survive for 12 months of ordinary operation without fresh external funding. This assumes that the Parent Bank can continue to sell eligible loans to SpareBank 1 Boligkreditt, and that there will at all times be sufficient capacity in the stock of loans to cover a house price fall of up to 30 per cent and thus to maintain funding through the mortgage credit company. It also intends to succeed in surviving for 30 days under the most extreme crisis scenario. In such a scenario only the Parent Bank's holding of highly liquid assets may be utilised.

Access to capital has been satisfactory throughout 2016.

The Group's liquidity situation as of 31 December 2016 is considered satisfactory.

Operational risk
Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of IT- and other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Group's current activity.

Management of operational risk has acquired increased importance in the financial industry in recent years. Contributory factors are internationalisation, strong technological development and steadily growing demands from customers, public authorities and other interest groups. Many substantial loss events in the international financial industry have originated in failures in this risk area.

Identification, management and control of operational risk are an integral part of managerial responsibility at all levels of SpareBank 1 SMN. Managers' most important aids in this work are professional insight and leadership skills along with action plans, control routines and good follow-up systems. A systematic programme of risk assessments also contributes to increased knowledge and awareness of current needs for improvement in one's own unit. Any weaknesses and improvements are reported to higher levels in the organisation.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements in a framework for handling operational risk.

Management consider the Bank's IT –systems to be central for the operation, accounting and reporting of transactions in addition to providing the support for important estimates and calculations. The IT- systems are mainly standardised, and the management and operation has been outsourced to a service provider.

The Parent Bank has put to use a registration and monitoring tool (Risk Information System) for better structure and follow up of risk, events and areas for improvement in the Group.

Operational losses are reported to the Board of Directors. The Board of Directors receives each year from the internal audit and the statutory auditor an independent assessment of the Group's risk and of whether the internal control functions in an appropriate and adequate manner. The Board's assessement of the operational risk is moderate, including the risk related to the accounting and reporting process.

For further information see the Bank's Pilar III-report available at https://www.sparebank1.no/en/smn/about-us/investor/financial-info/capital-adequacy.html and notes:

Note 13: Maximum credit risk exposure

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to currency exposure

Note 7 - Credit institutions - loans and advances

Parent Bank		Loans and advances to credit institutions	Group	
31 Dec 15	31 Dec 16	(NOK million)	31 Dec 16	31 Dec 15
5,871	7,066	Loans and advances without agreed maturity or notice of withdrawal	2,756	2,395
12	1,136	Loans and advances with agreed maturity or notice of withdrawal	1,136	12
5,883	**8,203**	**Total**	**3,892**	**2,407**
		Specification of loans and receivables on key currencies		
23	2	CHF	2	23
10	8	DKK	8	10
1,148	1,466	EUR	1,466	1,148
104	101	GBP	101	104
0	19	ISK	19	0
33	25	JPY	25	33
4,156	6,059	NOK	1,749	678
180	365	USD	365	181
221	148	SEK	148	220
9	9	Other	9	9
5,883	**8,203**	**Total**	**3,892**	**2,407**
2.1 %	1.9 %	Average rate credit institutions	1.8 %	1.4 %

		Deposits from credit institutions		
31 Dec 15	31 Dec 16	(NOK million)	31 Dec 16	31 Dec 15
6,157	7,378	Deposits without agreed maturity or notice of withdrawal	7,588	6,157
1,998	2,920	Deposits with agreed maturity or notice of withdrawal	2,920	1,998
8,155	**10,299**	**Total**	**10,509**	**8,155**
		Specification of deposits on key currencies		
1,456	2,859	EUR	2,859	1,456
5	3	DKK	3	5
8	1	SEK	1	8
6,241	7,421	NOK	7,631	6,241
443	13	USD	13	443
1	2	Other	2	1
8,155	**10,299**	**Total**	**10,509**	**8,155**
1.1 %	0.6 %	Average rate credit institutions	0.6 %	1.1 %

Deposits from and loans to credit institutions with mainly floating interest.

The average interest rate is calculated based on the interest income/expense of the holding accounts' average balance for the given year. This is, however, limited to holdings in NOK denominated accounts.

SpareBank 1 SMN

Note 8 - Loans and advances to customers

Parent Bank			Group	
31 Dec 15	31 Dec 16	(NOK million)	31 Dec 16	31 Dec 15
		Loans specified by type		
-	-	Financial lease	2,421	2,166
11,164	11,635	Bank overdraft and operating credit	11,635	11,164
2,879	3,313	Building loan	3,313	2,879
76,086	82,489	Amortizing loan	84,956	77,765
90,129	**97,437**	**Gross loans to and receivables from customers**	**102,325**	**93,974**
-174	-620	Specified write-downs	-632	-183
-358	-318	Collectively assessed write-downs	-339	-376
89,596	**96,499**	**Net loans to and advances to customers**	**101,354**	**93,415**
		Lending specified by markets		
46,631	53,371	Retail market	56,260	48,782
43,306	43,793	Corporate market	45,777	44,981
192	273	Public sector	288	211
90,129	**97,437**	**Gross loans and advances**	**102,325**	**93,974**
		Write-downs specified by markets		
-36	-19	Retail market	-21	-38
-138	-600	Corporate market	-612	-145
-358	-318	Collectively assessed write-downs	-339	-376
89,596	**96,499**	**Net loans and advances**	**101,354**	**93,415**
		Adv. on this		
48	32	Subordinated loan capital other financial institutions	32	48
740	631	Loans to employees	1,123	1,202
		In addition:		
31,944	33,142	Loans sold to to SpareBank 1 Boligkreditt	33,142	31,944
745	779	Of which loans to employees	1,167	1,089
1,460	2,069	Loans sold to SpareBank 1 Næringskreditt	2,069	1,460

Interest rate subsidies on loans to employees are included in net interest income. The lending rate for employees is 75 per cent of the best mortgage rate for other customers.

Specified by risk group

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, financial strength and behaviour. Default probability is used as a basis for risk classification of the customer. Further, risk classification is used to assign each customer to a risk group. See note 12 on credit risk exposure for each internal risk rating.

Customers are rescored in the Bank's portfolio system on a monthly basis.

Exposures include gross loans, letters of credit, guarantees, unutilised credits and loan commitments.

Exposures are monitored with a basis in the exposure's size, risk and migration. Risk pricing of business exposures is done with a basis in expected loss and economic capital required for each exposure. Expected annual average net loss is calculated for the next twelve months. Expected loss is within the limits set for maximum expected loss by the Board of Directors.

Collectively assessed write-downs are calculated with a basis in customers who have shown negative migration since the loan approval date but for whom no individual write-down has been assessed.

The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Risk group default and written down consist of customers default by over 90 days and individual write-downs.

Parent Bank			Group	
31 Dec 15	31 Dec 16	Total contracts (NOK million)	31 Dec 16	31 Dec 15
60,945	74,780	Lowest risk	75,166	61,202
21,757	13,594	Low risk	15,033	22,821
19,305	19,319	Medium risk	21,339	20,925
3,708	2,659	High risk	3,335	4,222
1,680	1,922	Highest risk	2,607	2,285
558	1,627	Default and written down	1,627	604
107,953	**113,900**	**Total**	**119,107**	**112,060**

Parent Bank			Group	
31 Dec 15	31 Dec 16	Gross loans (NOK million)	31 Dec 16	31 Dec 15
52,516	66,543	Lowest risk	66,913	52,760
18,327	10,973	Low risk	12,313	19,325
13,997	14,652	Medium risk	16,539	15,495
3,173	1,931	High risk	2,565	3,657
1,600	1,873	Highest risk	2,530	2,175
516	1,466	Default and written down	1,466	563
90,129	**97,437**	**Total**	**102,325**	**93,974**

Parent Bank			Group	
2015	2016	Expected annual average net loss (NOK million)	2016	2015
26	26	Lowest risk	26	26
33	35	Low risk	36	33
114	122	Medium risk	126	118
77	52	High risk	55	79
51	69	Highest risk	84	62
30	22	Default and written down	29	36
331	**326**	**Total**	**356**	**355**

The best secured home mortgage loans are sold to SpareBank 1 Boligkreditt.Well secured business loans are sold to SpareBank 1 Næringskreditt. This is a measure designed to secure long-term funding on competitive terms. Commission (margin) on these loans is recognised in the income statement under commission income.

The table below shows the risk classification of these exposures.

Parent Bank			Group	
31 Dec 15	31 Dec 16	Total contracts sold to SpareBank 1 Boligkreditt (NOK million)	31 Dec 16	31 Dec 15
32,210	31,992	Lowest risk	31,992	32,210
3,460	2,982	Low risk	2,982	3,460
812	838	Medium risk	838	812
161	123	High risk	123	161
160	125	Highest risk	125	160
5	6	Default and written down	6	5
36,809	**36,066**	**Total**	**36,066**	**36,809**

Parent Bank			Group	
31 Dec 15	31 Dec 16	Gross loans sold to SpareBank 1 Boligkreditt (NOK million)	31 Dec 16	31 Dec 15
27,377	29,121	Lowest risk	29,121	27,377
3,437	2,940	Low risk	2,940	3,437
804	831	Medium risk	831	804
161	121	High risk	121	161

160	124	Highest risk	124	160
5	5	Default and written down	5	5
31,944	**33,142**	**Total**	**33,142**	**31,944**

Parent Bank			**Group**	
31 Dec 15	**31 Dec 16**	**Total contracts sold to SpareBank 1 Næringskreditt (NOK million)**	**31 Dec 16**	**31 Dec 15**
818	1,795	Lowest risk	1,795	818
543	273	Low risk	273	543
99	-	Medium risk	-	99
1,460	**2,069**	**Total**	**2,069**	**1,460**

Parent Bank			**Group**	
31 Dec 15	**31 Dec 16**	**Gross loans sold to SpareBank 1 Næringskreditt (NOK million)**	**31 Dec 16**	**31 Dec 15**
818	1,795	Lowest risk	1,795	818
543	273	Low risk	273	543
99	-	Medium risk	-	99
1,460	**2,069**	**Total**	**2,069**	**1,460**

Specified by sector and industry

Parent Bank			**Group**	
31 Dec 15	**31 Dec 16**	**Total contracts (NOK million)**	**31 Dec 16**	**31 Dec 15**
49,196	55,773	Wage earners	58,789	51,461
1,535	1,171	Public administration	1,186	1,555
9,645	11,319	Agriculture, forestry, fisheries and hunting	11,537	9,813
2,413	2,238	Sea farming industries	2,641	2,752
4,512	4,279	Manufacturing	4,576	4,816
5,035	5,482	Construction, power and water supply	6,058	5,517
3,782	3,676	Retail trade, hotels and restaurants	3,907	3,976
7,934	6,536	Maritime sector	6,536	7,958
14,718	13,301	Property management	12,804	14,690
3,190	3,297	Business services	3,558	2,985
3,805	4,174	Transport and other services provision	4,831	4,332
2,186	2,653	Other sectors	2,683	2,205
107,953	**113,900**	**Total**	**119,107**	**112,060**

Parent Bank			**Group**	
31 Dec 15	**31 Dec 16**	**Gross loans (NOK million)**	**31 Dec 16**	**31 Dec 15**
46,631	53,371	Wage earners	56,260	48,782
192	273	Public administration	288	211
8,515	10,290	Agriculture, forestry, fisheries and hunting	10,499	8,674
1,485	1,599	Sea farming industries	1,985	1,807
2,387	2,701	Manufacturing	2,985	2,675
3,141	2,980	Construction, power and water supply	3,532	3,598
2,482	2,288	Retail trade, hotels and restaurants	2,510	2,666
6,043	4,983	Maritime sector	4,983	6,066
12,917	11,619	Property management	11,675	12,885
2,019	2,442	Business services	2,072	1,777
2,859	3,220	Transport and other services provision	3,836	3,355
1,458	1,670	Other sectors	1,700	1,477
90,129	**97,437**	**Total**	**102,325**	**93,974**

Parent Bank			**Group**	
31 Dec 15	**31 Dec 16**	**Specified write-downs (NOK million)**	**31 Dec 16**	**31 Dec 15**
36	19	Wage earners	21	38
8	9	Agriculture, forestry, fisheries and hunting	10	9
-	-	Sea farming industries	-	0
3	17	Manufacturing	18	3
12	11	Construction, power and water supply	12	13

44	21	Retail trade, hotels and restaurants	23	46
55	519	Maritime and offshore sector	519	55
12	-	Property management	0	12
0	23	Business services	23	1
4	1	Transport and other services provision	5	5
-	-	Other sectors	2	2
174	**620**	**Total**	**632**	**183**

Parent Bank			**Group**	
2015	**2016**	**Expected annual average net loss (NOK million)**	**2016**	**2015**
65	67	Wage earners	81	73
0	0	Public administration	0	1
19	19	Agriculture, forestry, fisheries and hunting	21	21
2	3	Sea farming industries	6	4
25	22	Manufacturing	24	27
29	29	Construction, power and water supply	33	32
27	21	Retail trade, hotels and restaurants	22	29
25	26	Maritime sector	26	25
78	67	Property management	67	79
36	27	Business services	28	37
11	12	Transport and other services provision	14	13
13	33	Other sectors	33	14
331	**326**	**Total**	**356**	**355**

Specified by geographic area

Parent Bank			Group	
31 Dec 15	**31 Dec 16**	**Gross loans (NOK million)**	**31 Dec 16**	**31 Dec15**
33,724	37,056	Sør-Trøndelag	38,086	34,672
22,283	24,947	Nord-Trøndelag	26,126	23,464
19,952	20,832	Møre og Romsdal	21,930	20,925
499	665	Sogn og Fjordane	889	540
1,037	956	Nordland	1,031	1,106
4,608	4,700	Oslo	4,788	4,681
6,265	5,804	Rest of Norway	6,998	6,827
1,760	2,476	Abroad	2,476	1,760
90,129	**97,437**	**Total**	**102,325**	**93,974**

Parent Bank			Group	
31 Dec 15	**31 Dec 16**	**Gross loans sold to SpareBank1 Boligkreditt (NOK million)**	**31 Dec 16**	**31 Dec 15**
15,608	16,126	Sør-Trøndelag	16,126	15,608
7,529	7,649	Nord-Trøndelag	7,649	7,529
4,722	4,917	Møre og Romsdal	4,917	4,722
249	297	Sogn og Fjordane	297	249
92	111	Nordland	111	92
1,166	1,113	Oslo	1,113	1,166
1,763	1,756	Rest of Norway	1,756	1,763
816	1,172	Abroad	1,172	816
31,944	**33,142**	**Total**	**33,142**	**31,944**

Parent Bank			Group	
31 Dec 15	**31 Dec 16**	**Gross loans sold to SpareBank1 Næringskreditt (NOK million)**	**31 Dec 16**	**31 Dec 15**
358	769	Sør-Trøndelag	769	358
309	402	Nord-Trøndelag	402	309
543	541	Møre og Romsdal	541	543
250	250	Oslo	250	250
-	56	Rest of Norway	56	-
1,460	**2,069**	**Total**	**2,069**	**1,460**

Loans to and claims on customers related to financial leases (NOK million)	**2016**	**2015**
Gross advances related to financial leasing		
- Maturity less than 1 year	195	204
- Maturity more than 1 year but not more than 5 years	1,602	1,450
- Maturity more than 5 years	624	511
Total gross claims	**2,421**	**2,166**
Received income related to financial leasing, not yet earned	73	69
Net investments related to financial leasing	2,348	2,097
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	179	176
- Maturity more than 1 year but not more than 5 years	1,559	1,414
- Maturity more than 5 years	610	508
Total net claims	**2,348**	**2,097**

Note 9 - Derecognition of financial assets

In its ordinary business the Bank undertakes transactions that result in the sale of financial assets. The Bank transfers such financial assets mainly through sales of customers' home mortgage loans to SpareBank 1 Boligkreditt or commercial property loans to SpareBank 1 Næringskreditt.

Payment received for loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponds to book value and is deemed to equal the loans' fair value at the time of sale.

In accordance with the management agreement with the above mortgage companies, the Bank is responsible for management of the loans and maintains customer contact. The Bank receives payment in the form of commission for the obligations ensuing from management of the loans.

The above mortgage companies can sell the loans bought from the Bank, while the Bank's right to service the customers and receive commission continues to apply. Should the Bank be unable to service customers, its right to service and commission may lapse. The Bank may have the option to repurchase the loans under given conditions.

If the mortgage companies incur losses on purchased loans, they have a certain right to settle such loss against commissions from all banks that have sold the loans. Hence a limited residual involvement exists related to sold loans in the event of a possible limited settlement of loss against commission. However, this opportunity of settlement is not considered to be of such a nature as to alter the conclusion that the great majority of risk and advantages is transferred. The Bank's maximum exposure to loss is represented by the highest amount reimbursable under the agreements.

The Bank has considered the accounting implications such that great majority of risk and advantages related to the sold loans is transferred to the mortgage companies. This entails full derecognition of sold loans. The Bank recognises all right and obligations that are created or retained in connection with the sale separately as assets or liabilities.

SpareBank 1 Boligkreditt
SpareBank 1 Boligkreditt is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 19.09 per cent as of 31 December 2016 (18.97 per cent as of 31 December 2015). SpareBank 1 Boligkreditt acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2016 mortgage loans were bought and sold to a net value of NOK 1.2bn (3.5bn in 2015) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 33.1bn at the end of the financial year (NOK 31.9bn in 2015).

Liquidity facility
SpareBank 1 SMN has, together with the other owners of SpareBank 1 Boligkreditt, entered an agreement for the establishment of a liquidity facility for SpareBank 1 Boligkreditt. Under this agreement the Banks undertake to purchase covered bonds issued by the mortgage company limited to the overall value of amounts falling due over the next 12 months at SpareBank 1 Boligkreditt.

The liability is limited to the mortgage company's obligation to redeem issued covered bonds after the company's own holding of liquidity at the due date is subtracted. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited in Norges Bank and therefore entail no significant increase in risk for the Bank. Under its liquidity strategy, SpareBank 1 Boligkreditt holds liquidity in compliance with the Net Stable Funding Ratio requirements. This liquidity reserve is taken into account in assessing the Banks' liability. Hence it is only in cases where the company no longer has sufficient liquidity to meet amounts falling due over the next 12 months that the Bank will report any exposure in this regard.

Financial strength
Together with the other owners of SpareBank 1 Boligkreditt, SpareBank 1 SMN has also entered an agreement to ensure that SpareBank 1 Boligkreditt has at all times a common equity Tier 1 capital ratio of at least 9 per cent. The shareholders are required to supply sufficient core capital within 3 months of receiving a written request to do so, unless other initiatives are taken to reduce the capital need.

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. At year-end the company has about 16.5 per cent own funds, of which about 14.3 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 36.47 per cent as at 31. December 2016 (33.62 per cent as at 31.December 2015). SpareBank 1 Næringskreditt acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were increased by NOK 608m in 2016 (reduced by NOK 2.8m in 2015). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 2.0bn by the end of the financial year (NOK 1.5bn in 2015).

Liquidity facility

As described above with regard to SpareBank 1 Boligkreditt, a similar agreement has been entered with SpareBank 1 Næringskreditt.

Financial strength

An agreement to secure a core capital ratio of at least 9 per cent at SpareBank 1 Næringskreditt has been similarly entered into. See the above account concerning SpareBank 1 Boligkreditt.

Note 10 - Age breakdown of contracts fallen due but not written down

The table shows amounts fallen due on loans and overdrafts on credits/deposits by number of days past due date not caused by payment service delays. The entire loan exposure is included where parts of the exposure have fallen due.

Parent Bank

31 Dec 16

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	942	220	53	100	**1,315**
- Corporate market	134	8	2	2	**147**
Total	**1,076**	**229**	**56**	**102**	**1,463**

31 Dec 15

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	947	260	66	94	**1,368**
- Corporate market	90	4	1	22	**117**
Total	**1,038**	**265**	**67**	**116**	**1,486**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2016 was NOK 1,307 million (1,263 million).

Group

31 Dec 16

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	946	244	61	130	**1,380**
- Corporate market	139	38	6	33	**217**
Total	**1,085**	**282**	**67**	**163**	**1,597**

31 Dec 15

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	950	283	72	121	**1,426**
- Corporate market	95	18	2	45	**159**
Total	**1,045**	**301**	**73**	**166**	**1,585**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2016 was NOK 1,381 million (1,323 million)

Note 11 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOK million)	RM	2016 CM	Total	RM	2015 CM	Total
Period's change in individual write-downs	0	449	450	2	9	11
Period's change in collective write-downs	-	-40	-40	-	80	80
Actual losses on loans previously written down	8	34	42	7	58	65
Confirmed losses on loans not previously written down	10	49	59	8	4	12
Recoveries on previously written down loans, guarantees etc.	-6	-3	-8	-6	-3	-9
Total	**13**	**490**	**502**	**11**	**148**	**159**

Individual write-downs (NOK million)	RM	2016 CM	Total	RM	2015 CM	Total
Individual write-downs to cover loss on loans, guarantees etc. at 1 jan	28	148	176	25	140	165
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	8	34	42	7	58	65
- Reversal of previous years' write-downs	3	36	39	2	40	43
+ Increase in write-downs of commitments previously subject to individual write down	2	6	8	1	21	22
+ write-downs of loans not previously subject to individual write down	4	518	523	12	85	96
Individual write-downs to cover loss on loans, guarantees etc at 31 Dec *)	**24**	**602**	**625**	**28**	**148**	**176**

Collective write-downs (NOK million)	RM	2016 CM	Total	RM	2015 CM	Total
Collective write-downs to cover loss on loans, guarantees at 01.01	90	268	358	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 at 31 Dec	**90**	**228**	**318**	**90**	**268**	**358**

Losses specified by sector and industry (NOK million)	2016	2015
Agriculture, forestry, fisheries and hunting	6	0
Industry and mining	15	2
Building, construction, power and water supply	6	19
Wholesale and retail trade, hotel og restaurant industry	9	6
Other transport and communication	490	24
Financing, property management and business services	16	15
Private sector	1	12
Collective write-downs, corporate	-40	80
Collective write-downs, retail	-	-
Losses on loans to customers	**502**	**159**

Total defaults (NOKm)	RM	31 Dec 16 CM	Total	RM	31 Dec 15 CM	Total
Loans in default for more than 90 days	144	29	173	133	38	171
- Individual write-downs	17	18	36	15	8	23
Net defaults	**127**	**11**	**138**	**119**	**30**	**148**
Provison rate	12 %	62 %	21 %	11 %	22 %	13 %
Problem loans						
Problem loans (not in default)	19	1,435	1,453	45	341	387
- Individual write-downs	6	584	590	13	139	152
Net problem loans	**13**	**851**	**863**	**32**	**202**	**234**
Provison rate	33 %	41 %	41 %	29 %	41 %	39 %

Interest recognised on defaulted and doubtful exposures totals NOK 57.8 million for the parent bank (NOK 40.2 million).

The realisable value of the collateral backing individually written-down loans totals NOK 844.2 million(NOK 195.2 million) for the Parent bank at 31 December 2016

Group

	2016			2015		
Losses on loans and guarantees (NOK million)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Period's change in individual write-downs	0	454	454	3	9	11
Period's change in collective write-downs	4	-42	-38	2	80	82
Actual losses on loans previously written down	8	36	44	8	59	67
Confirmed losses on loans not previously written down	14	50	64	13	7	21
Recoveries on previously written down loans, guarantees etc.	-6	-3	-9	-8	-4	-12
Total	**21**	**495**	**516**	**18**	**151**	**169**

	2016			2015		
Individual write-downs (NOK million)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans, guarantees etc. at 1 Jan	31	153	184	27	146	173
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	8	36	44	8	59	67
- Reversal of previous years' write-downs	3	36	39	3	42	46
+ Increase in write-downs of commitments previously subject to individual write down	2	6	8	1	21	22
+ write-downs of loans not previously subject to individual write down	4	523	528	14	87	102
Individual write-downs to cover loss on loans and guarantees 31 Dec	**27**	**611**	**638**	**31**	**153**	**184**

	2016			2015		
Collective write-downs (NOK million)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 1 Jan	96	281	376	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	4	-42	-38	2	80	82
Collective write-downs to cover loss on loans and guarantees at 31.12	**100**	**239**	**339**	**96**	**281**	**376**

Losses specified by sector and industry (NOK million)	**2016**	**2015**
Agriculture, forestry, fisheries and hunting	6	0
Industry and mining	16	4
Building and construction, power and water supply	7	19
Wholesale and retail trade, hotel og restaurant industry	9	4
Other transport and communication	494	26
Financing, property management and business services	16	16
Abroad and others	1	2
Private sector	4	12
Collective write-downs, corporate	-42	84
Collective write-downs, retail	4	2
Losses on loans to customers	**516**	**169**

	31 Dec 16			31 Dec 15		
Total defaults (NOKm)	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days	176	38	214	155	50	205
- Individual write-downs	20	19	39	17	9	26
Net defaults	**156**	**18**	**174**	**138**	**41**	**179**
Provison rate	12 %	51 %	18 %	11 %	18 %	13 %
Problem loans						
Problem loans (not in default)	19	1,455	1,474	49	350	399
- Individual write-downs	6	592	599	14	144	158
Net problem loans	**13**	**863**	**875**	**34**	**206**	**241**
Provison rate	33 %	41 %	41 %	30 %	41 %	40 %

Interest taken to income on defaulted and doubtful exposures totals NOK 65.7 million (NOK 45.0 million) for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 853.6 million (NOK 200.7 million) for the Group at 31 December 2016

Note 12 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's. Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2010-2016. Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

	Probability of default						Collateral cover	
Credit quality step	**From**	**To**	**Moody's**	**Historical default**	**Default 2015**	**Collateral class**	**Lower limit**	**Upper limit**
A	0.00 %	0.10 %	Aaa-A3	0.02 %	0.01 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.07 %	0.05 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.16 %	0.10 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.41 %	0.24 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.58 %	0.41 %	5	40	60
F	1.25 %	2.50 %		1.35 %	1.01 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.12 %	1.50 %	7	0	20
H	5.00 %	10.00%	B1-B2	6.04 %	3.85 %			
I	10.00%	99.99%	B3-Caa3	16.22 %	11.27 %			
J	Default							
K	Written down							

The Bank's exposures are classified into risk groups based on credit quality step.

Credit quality step	**Risk groups**
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and written down

Parent Bank	**Averaged unhedged exposure**	**Total exposure**	**Averaged unhedged exposure**	**Total exposure**
(NOK million)	**31 Dec 16**	**31 Dec 16**	**31 Dec 15**	**31 Dec 15**
Lowest risk	12.3 %	74,780	9.0 %	60,945
Low risk	21.3 %	13,594	12.8 %	21,757
Medium risk	15.7 %	19,319	14.7 %	19,305
High risk	15.5 %	2,659	21.1 %	3,708
Highest risk	11.3 %	1,922	11.6 %	1,680
Default and written down	40.4 %	1,627	31.1 %	558
Total		**113,900**		**107,953**

Group	**Averaged unhedged exposure**	**Total exposure**	**Averaged unhedged exposure**	**Total exposure**
(NOK million)	**31 Dec 16**	**31 Dec 16**	**31 Dec 15**	**31 Dec 15**
Lowest risk	12.2 %	75,166	9.0 %	61,202
Low risk	19.2 %	15,033	12.4 %	22,821
Medium risk	14.2 %	21,339	14.0 %	20,925
High risk	12.3 %	3,335	19.8 %	4,222
Highest risk	8.3 %	2,607	15.1 %	2,285
Default and written down	40.4 %	1,627	30.7 %	604
Total		**119,107**		**112,060**

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn.

Note 13 - Maximum credit risk exposure

The table below shows maximum exposure to credit risk for balance sheet components, including derivatives. Exposures are shown on a gross basis before collateral and permitted set-offs.

Parent Bank

31 Dec 16 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral*)
Assets				
Balances with central banks	236	-	-	-
Loans and advances to credit institutions	8,203	-	-	-
Loans and advances to customers	96,499	74,519	1,595	15,426
Securities - designated at fair value through profit/loss	17,861	-	-	9,809
Derivatives	4,812	-	-	3,360
Securities - available for sale	24	-	-	-
Earned income, not yet recieved	37	-	-	-
Accounts receivable, securities	20	-	-	-
Total assets	**127,692**	**74,519**	**1,595**	**28,594**
Liabilities				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,337	4,917	213	1,919
Loan approvals	1,720	-	-	-
Total liabilities	**25,664**	**4,917**	**213**	**1,919**
Total credit risk exposure	**153,356**	**79,436**	**1,807**	**30,513**

31 Dec 15 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	3,153	-	-	-
Loans and advances to credit institutions	5,883	-	-	-
Loans and advances to customers	89,596	68,169	1,651	15,025
Securities - designated at fair value through profit/loss	16,013	-	-	7,437
Derivatives	7,606	-	-	4,726
Securities - available for sale	76	-	-	-
Earned income, not yet recieved	23	-	-	-
Accounts receivable, securities	3	-	-	-
Total assets	**122,353**	**68,169**	**1,651**	**27,189**
Liabilities				
Guarantee commitments and documentary credits	7,173	-	-	-
Unutilised credits	15,706	3,928	256	2,570
Loan approvals	1,513	-	-	-
Total liabilities	**24,392**	**3,928**	**256**	**2,570**
Total credit risk exposure	**146,745**	**72,097**	**1,907**	**29,759**

Group

31 Dec 16 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral*)
Assets				
Balances with central banks	236	-	-	-
Loans and advances to credit institutions	3,892	-	-	-
Loans and advances to customers	101,354	74,519	1,595	20,312
Securities - designated at fair value through profit/loss	19,039	-	-	9,809
Derivatives	4,752	-	18	3,360
Securities - available for sale	60	-	-	-
Earned income, not yet recieved	63	-	-	-
Accounts receivable, securities	220	-	33	167
Total assets	**129,616**	**74,519**	**1,645**	**33,648**
Liabilities				
Guarantee commitments and documentary credits	6,607	-	-	-
Unutilised credits	17,523	4,917	213	1,919
Loan approvals	1,957	-	-	-
Other exposures	41	-	-	-
Total liabilities	**26,128**	**4,917**	**213**	**1,919**
Total credit risk exposure	**155,744**	**79,436**	**1,858**	**35,598**

31 Dec 15 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	3,153	-	-	-
Loans and advances to credit institutions	2,407	-	-	-
Loans and advances to customers	93,415	68,169	1,651	15,025
Securities - designated at fair value through profit/loss	17,128	-	-	7,437
Derivatives	7,524	-	9	4,726
Securities - available for sale	108	-	-	-
Earned income, not yet recieved	39	-	-	-
Accounts receivable, securities	200	-	197	-
Total assets	**123,974**	**68,169**	**1,857**	**27,189**
Liabilities				
Guarantee commitments and documentary credits	7,173	-	-	-
Unutilised credits	15,858	3,928	256	2,570
Loan approvals	1,745	-	-	-
Other exposures	42	-	-	-
Total liabilities	**24,818**	**3,928**	**256**	**2,570**
Total credit risk exposure	**148,792**	**72,097**	**2,112**	**29,759**

*) Other collateral includes cash, movables, ship and guarantees received. For covered bonds the cover pool comprises loans to customers in the company that has issued the bond.

The Bank's maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements. The Bank has corresponding agreements with respect to the takeover of BN Bank's portfolio in Ålesund. The value of the guarantee agreements is not included in the tables above.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

Credit risk exposure related to financial assets distributed by geographical area

Parent Bank			Group	
31 Dec 2015	**31 Dec 2016**	**(NOK million)**	**31 Dec 2016**	**31 Dec 2015**
		Bank activities		
51,711	57,992	Sør-Trøndelag	54,776	49,177
25,585	28,986	Nord-Trøndelag	30,237	26,828
26,687	26,704	Møre og Romsdal	27,850	27,711
606	851	Sogn og Fjordane	1,084	649
1,070	997	Nordland	1,082	1,146
8,638	5,990	Oslo	6,398	9,098
6,813	6,475	Rest of Norway	7,797	7,469
1,941	2,664	Abroad	2,669	1,952
123,050	**130,659**	**Total**	**131,893**	**124,032**
		Financial instruments		
13,853	15,931	Norge	17,145	15,001
2,102	1,922	Europe/Asia	1,922	2,102
-	13	Oseania	13	-
133	19	North Amerika	19	133
7,606	4,812	Derivatives	4,752	7,524
23,695	**22,697**	**Total**	**23,851**	**24,760**
146,745	**153,356**	**Total distributed by geographical area**	**155,744**	**148,792**

Note 14 - 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. 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 31 December 2016 the Bank has 27 active CSA agreements. As from 1 March 2017 the Bank is required under the European market infrastructure regulation (EMIR) to have in place a CSA with daily exchange of margin collateral etc. with all financial counterparties with which the Bank deals domiciled (inter alia) in an EU member state. For Norwegian financial counterparties the CSA must be in place from the act’s entry into force in Norway; probably in second quarter 2017. 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.

The Emir regulation regulates OTC derivatives and entails inter alia that SpareBank 1 SMN will be entitled to clear certain derivatives transactions through a central counterparty. In the first instance the clearing obligation will be confined to interest rate derivatives in the major currencies (euro, US dollar, British pound and Japanese yen). A clearing obligation for interest rate derivatives in Norwegian kroner, along with Swedish kronor and Polish zloty, will come somewhat later. SpareBank 1 SMN has in the course of the third quarter of 2016 come into line with this regulation. Derivatives are cleared through London Clearing House as central counterparty where cash is the only collateral. SpareBank 1 SMN is not a direct member of London Clearing House, but has entered an agreement with Commerzbank as clearing broker. SpareBank 1 SMN is currently also conducting negotiations with a further clearing broker.

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 (NOK million)
31 Dec 2016	Derivatives	669
31 Dec 2015	Derivatives	2,149

Group

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default (NOK million)
31 Dec 2016	Derivatives	696
31 Dec 2015	Derivatives	2,178

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under note 6 Risk factors. The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system. The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

Parent Bank

2016 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**8,203**	**-**	**-**	**-**	**-**	**-**	**8,203**
Loans to and claims on customers	8							
Retail market		48,506	6,557	3,547	761	915	220	60,507
Corporate market		18,037	4,415	11,105	1,169	958	1,245	36,930
Total		**66,543**	**10,973**	**14,652**	**1,931**	**1,873**	**1,466**	**97,437**
Financial investments	29							
Quoted government bonds		4,220	-	-	-	-	-	4,220
Quoted other bonds		9,056	700	485	26	-	-	10,267
Unquoted government bonds		1,783	-	-	-	-	-	1,783
Unquoted bonds		1,240	105	21	-	-	-	1,366
Total		**16,300**	**805**	**506**	**26**	**-**	**-**	**17,636**
Total		**91,045**	**11,778**	**15,158**	**1,956**	**1,873**	**1,466**	**123,276**

2015 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**5,883**	**-**	**-**	**-**	**-**	**-**	**5,883**
Loans to and claims on customers	8							
Retail market		38,894	8,895	3,683	926	1,070	177	53,645
Corporate market		13,622	9,432	10,314	2,247	530	339	36,484
Total		**52,516**	**18,327**	**13,997**	**3,173**	**1,600**	**516**	**90,129**
Financial investments	29							
Quoted government bonds		4,032	-	-	-	-	-	4,032
Quoted other bonds		756	35	62	-	-	-	853
Unquoted government bonds		1,618	-	-	-	-	-	1,618
Unquoted bonds		7,220	1,224	696	83	27	-	9,250
Total		**13,626**	**1,259**	**757**	**83**	**27**	**-**	**15,752**
Total		**72,024**	**19,586**	**14,755**	**3,256**	**1,627**	**516**	**111,765**

Group

2016 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**3,892**	**-**	**-**	**-**	**-**	**-**	**3,892**
Loans to and claims on customers	8							
Retail market		48,607	7,320	5,181	994	1,236	250	63,588
Corporate market		18,302	4,978	11,331	1,563	1,287	1,276	38,737
Total		**66,909**	**12,298**	**16,512**	**2,557**	**2,522**	**1,527**	**102,325**
Financial investments	29							
Quoted government bonds		4,220	-	-	-	-	-	4,220
Quoted other bonds		9,056	700	485	26	-	-	10,267
Unquoted government bonds		1,783	-	-	-	-	-	1,783
Unquoted bonds		1,160	105	21	-	-	-	1,286
Total		**16,220**	**805**	**506**	**26**	**-**	**-**	**17,557**
Total		**87,020**	**13,103**	**17,018**	**2,583**	**2,522**	**1,527**	**123,774**

2015 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**2,407**	**-**	**-**	**-**	**-**	**-**	**2,407**
Loans to and claims on customers	8							
Retail market		38,961	9,480	4,316	1,107	1,313	202	55,379
Corporate market		13,799	9,845	11,179	2,550	862	361	38,595
Total		**52,760**	**19,325**	**15,495**	**3,657**	**2,175**	**563**	**93,974**
Financial investments	29							
Quoted government bonds		4,032	-	-	-	-	-	4,032
Quoted other bonds		756	35	62	-	-	-	853
Unquoted government bonds		1,618	-	-	-	-	-	1,618
Unquoted bonds		7,220	1,224	696	83	27	-	9,250
Total		**13,626**	**1,259**	**758**	**83**	**27**	**-**	**15,752**
Total		**68,792**	**20,584**	**16,253**	**3,740**	**2,202**	**563**	**112,133**

*) Guarantees furnished by the Guarantee Institute for Export Credit are not taken into account

Note 16 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31 December 2016. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage on all balance sheet items.

Interest rate risk has been low throughout 2015 and below the maximum limit of 600,000 basis Points at 31 December 2016 set by the Board of Directors. For further details regarding interest rate risk, please refer to Note 6 Risk Factors.

	Interest rate risk, 1 % change	
Basis risk Group (NOK million)	**2016**	**2015**
Currency		
NOK	-34	-20
EUR	2	1
USD	-1	-3
CHF	-1	-3
Other	0	0
Total interest rate risk, effect on result after tax	**-34**	**-25**

Total interest rate risk suggests that the Bank will have losses from an increase in the interest rate in 2016. This is the same effect as in 2015.

The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains and losses within the respective maturities.

	Interest rate risk, 1 % change	
Interest rate curve risk, Group (NOK million)	**2016**	**2015**
Maturity		
0 - 1 month	-11	-11
1 - 3 months	7	-1
3 - 6 months	-11	-10
6 - 12 months	10	9
1 - 2 years	-1	-3
2 - 3 years	-6	7
3 - 4 years	-5	-15
4 - 5 years	-5	-1
5 - 7 years	8	-1
7 - 10 years	-19	1
Total interest rate risk, effect on result before tax	**-34**	**-25**

Note 17 - Market risk related to currency exposure

Foreign exchange risk arises when there are differences between the Group's assets and liabilities in a given currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has established limits for net exposure in each individual currency, as well as for aggregate net foreign currency exposure (expressed as the highest of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, on a net basis, exceed NOK 85 million per individual currency or NOK 100 million on an aggregate basis.

Foreign exchange risk has been low throughout the year. For further details see note 6 on risk factors.

Parent Bank		Net foreign exchange exposure NOK	Group	
2015	**2016**	(NOK million)	**2016**	**2015**
-4	-15	EUR	-15	-4
-7	-4	USD	-4	-7
1	-11	SEK	-11	1
1	-4	Other	-4	1
-9	**-34**	**Total**	**-34**	**-9**
100	100	Overall currency limit	100	100
85	85	Total per currency	85	85
-0,3	1,0	Result effect of 3% change, after tax	1,0	-0,3

Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 on risk factors for a detailed description.

Group

At 31. Dec 2016 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	7,588	2,138	-	682	100	10,509
Deposits from and debt to customers	56,804	5,376	1,581	3,406	-	67,168
Debt created by issuance of securities	-	2,561	3,783	26,041	3,479	35,863
Derivatives - contractual cash flow out	-	783	7,216	21,313	2,389	31,701
Other commitments	2	886	524	120	-	1,531
Subordinated debt *	-	14	1,000	2,104	-	3,118
Total cash flow, liabilities	**64,394**	**11,759**	**14,104**	**53,666**	**5,969**	**149,891**
Contractual cash flows out	-	783	7,216	21,313	2,389	31,701
Contractual cash flows in	-	-363	-6,704	-21,181	-2,406	-30,654
Net contractual cash flows	**-**	**420**	**512**	**132**	**-17**	**1,047**

Group

At 31. Dec 2015 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	6,156	1,646	241	-	111	8,155
Deposits from and debt to customers	58,377	661	1,550	3,502	-	64,090
Debt created by issuance of securities	-	2,764	5,994	23,884	1,737	34,379
Derivatives - contractual cash flow out	-	549	3,051	7,289	678	11,566
Other commitments	47	1,003	613	70	-	1,734
Subordinated debt *)	-	14	300	3,060	-	3,374
Total cash flow, liabilities	**64,581**	**6,638**	**11,749**	**37,804**	**2,525**	**123,297**
Contractual cash flows out	-	549	3,051	7,289	678	11,566
Contractual cash flows in	-	-568	-3,518	-8,310	-793	-13,189
Net contractual cash flows	**-**	**-19**	**-467**	**-1,021**	**-115**	**-1,623**

Does not include value adjustments for financial instruments at fair value.
*) For subordinated debt the call date is used for cash settlement

Note 19 - Net interest income

Parent Bank			Group	
2015	2016	(NOK million)	2016	2015
		Interest income		
112	124	Interest income from loans to and claims on central banks and credit institutions	48	43
3,447	2,986	Interest income from loans to and claims on customers	3,240	3,669
304	292	Interest income from money market instruments, bonds and other fixed income securities	289	304
1	-	Other interest income	19	16
3,865	**3,401**	**Total interest income**	**3,597**	**4,031**
		Interest expense		
147	152	Interest expenses on liabilities to credit institutions	153	148
968	652	Interest expenses relating to deposits from and liabilities to customers	636	949
840	708	Interest expenses related to the issuance of securities	708	840
149	145	Interest expenses on subordinated debt	146	149
3	2	Other interest expenses	13	20
54	58	Guarantee fund levy	58	54
2,161	**1,717**	**Total interest expense**	**1,714**	**2,159**
1,703	**1,684**	**Net interest income**	**1,883**	**1,872**

Note 20 - Net commission income and other income

Parent Bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
		Commission income		
80	78	Guarantee commission	76	80
-	-	Broker commission	247	212
46	48	Portfolio commission, savings products	74	68
326	271	Commission from SpareBank 1 Boligkreditt	271	326
8	12	Commission from SpareBank 1 Næringskreditt	12	8
351	362	Payment transmission services	355	344
156	159	Commission from insurance services	159	156
38	42	Other commission income	57	50
1,005	**971**	**Total commission income**	**1,251**	**1,245**
		Commission expenses		
92	82	Payment transmission services	96	102
11	3	Other commission expenses	37	33
103	**85**	**Total commission expenses**	**133**	**135**
		Other operating income		
30	31	Operating income real property	29	28
-	-	Property administration and sale of property	121	108
-	-	Income from financial advice (Corporate)	-6	27
4	0	Securities trading	149	58
-	-	Accountant's fees	202	182
187	4	Other operating income	62	32
220	**36**	**Total other operating income**	**556**	**435**
1,123	**922**	**Total net commision income and other operating income**	**1,674**	**1,545**

Note 21 - Net profit/(loss) from financial assets and liabilities

Parent Bank 2015	Parent Bank 2016	(NOK million)	Group 2016	Group 2015
		Valued at fair value through profit/loss		
- 247	- 122	Value change in interest rate instruments	0	- 218
		Value change in derivatives/hedging		
- 7	- 1	Net value change in hedged bonds and derivatives	-59	-67
- 56	26	Net value change in hedged fixed rate loans and derivatives	26	-56
181	245	Other derivatives	33	159
		Income from equity instruments		
-	-	Income from owner interests	423	448
454	738	Dividend from owner instruments	-	-
-27	-36	Value change and gain/(loss) on owner instruments	-11	-10
17	79	Dividend from equity instruments	88	25
16	25	Value change and gain/(loss) on equity instruments	392	162
330	**955**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**893**	**443**
		Valued at amortised cost		
- 3	- 2	Value change in interest rate instruments held to maturity	- 2	- 3
- 3	**- 2**	**Total net income from financial assets and liabilities at amortised cost**	**- 2**	**- 3**
		Valued at fair value - available for sale		
0	3	Gain/(loss) on realisation of financial assets	3	0
0	**3**	**Total net income from financial assets available for sale**	**3**	**0**
19	**51**	**Total net gain from currency trading**	**51**	**19**
346	**1,006**	**Total net profit/(loss) from financial assets**	**944**	**459**

Note 22 - Personnel expenses and emoluments to senior employees and elected officers

All compensation arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act and with the Securities Trading Act with associated regulations concerning compensation arrangements at financial institutions, investment firms and mutual fund management companies.

The compensation committee conducts an annual review of compensation arrangements, and a written report is forwarded to the Board of Directors for scrutiny and approval. The compensation committee is required to ensure that the practising of the compensation arrangements is examined at least once yearly by independent control functions.

The Board of Directors is charged with approving and maintaining the compensation arrangements, and with ensuring that the documentation underlying decisions is safekept. The Board of Directors also approves any material change in or exception from the compensation arrangements.

The Group’s guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation

This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of one year, and the earning period shall not be less than one year.

SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank’s risk tolerance, ethical guidelines or which may contribute to conflicts of interest.

The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence, and reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group’s sanction system.

SpareBank 1 SMN's compensation arrangements also contain special rules for senior employees. Fore these groups the basis for variable renumeration related to undertaking's risk adjusted result is a period of at least two years. A minimum of 50 per cent of the variable renumeration is allocated in the form of equity certificates, which are tied and allocated in portions of one-third per year over three years.

An assessment has in addition been made of whether other employees with compensation corresponding to that of the above groups should be subject to special rules under the above criteria.

Parent Bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
496	534	Wages	1,137	954
49	-30	Pension costs (Note 24)	-22	77
43	32	Social costs	43	63
588	**536**	**Total personnel expenses**	**1,159**	**1,093**
739	680	Average number of employees	1,313	1,338
645	630	Number of man-labour years as at 31 December	1,254	1,208
689	675	Number of employees as at 31 December	1,328	1,298

Emoluments to Top Management

2016 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which share-based bonus payments	Pension contribution for salaries above 12G	Current value of pension liability 2)	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan Group CEO	6,542	-	2,297	14,788	165	8,883	200,658
Kjell Fordal Executive Director Group Finance	3,385	-	812	9,279	872	6,890	244,640
Vegard Helland Executive Director Corporate	2,705	-	328	1,228	151	1,969	33,530
Svein Tore Samdal 1) Executive Director Retail	2,916	-	366	-	83	8,551	22,836
Nelly Maske 1) Business Operation and Development	2,198	-	227	-	85	6,000	20,000
Rolf Jarle Brøske 1) Executive director Communications and Society	461	-	-	-	-	3,585	5,000

2015 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which share-based bonus payments	Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan Group CEO	6,445	56	2,297	16,856	167	10,252	197,906
Kjell Fordal Executive Director Group Finance	3,011	56	472	8,803	885	5,832	244,422
Wenche Margaretha Seljeseth 1) Business Operation and Development	2,251	-	231	-	66	2,271	-
Vegard Helland Executive Director Corporate	2,677	56	318	1,897	169	352	33,312
Svein Tore Samdal 1) Executive Director Retail	2,853	56	350	-	66	7,948	22,618
Nelly Maske 1) Business Operation and Development	1,978	56	161	-	66	5,397	20,000

1) Defined-contribution pension scheme, pension rights accrued is the paid amount.

2) The defined benefit pension scheme is terminated with effect from 1 January 2017 and the group management will receive paid-up policies in same manner as other members of the defined benefit scheme. See note 2 and note 24 for further information.

As a result of changes to the tax rules on top pensions, the Board of Directors decided to phase out the group pension scheme for salaries above 12G as from 1 January 2007. For that reason an individual top pension scheme was introduced in 2007 whereby employees with salaries above 12G receive a pension add-on of 16 per cent of salary above 12G. The pension add-on will go to pension saving in products delivered by SpareBank 1. To ensure equality with the phased-out scheme, compensation will be provided for tax on this pension add-on. A 12G arrangement has subsequently been established for a number of new managers. A condition is that the recipient undertakes not to dispose of these funds before reaching retirement age. The board of directors has at all times the right to check that pension saving of 12 times the basic amount available under the National Insurance Fund Scheme is carried out as intended.

An early retirement agreement has been entered with the CEO in the event of his stepping down before reaching age 67, entailing a pension equal to 68 percent of pensionable income.

The Bank's group occupational pension is included in the Bank's pension obligation to the Group CEO. The Group CEO also has an agreement on a dependants' benefit.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

The number of equity capital certificates includes equity capital certificates owned by related parties and companies over which the individual exercises substantial influence.

Emoluments to the Board of Directors and the Control Committee

2016 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Kjell Bjordal	Board chairman	425	32	6	-	110,000
Bård Benum	Deputy chair	225	75	6	4,000	-
Aud Skrudland	Board member	195	22	6	-	4,765
Arnhild Holstad	Board member	195	-	6	2,962	-
Paul E. Hjelm-Hansen	Board member	195	100	5	-	49,219
Venche Johnsen 1)	Board member, employee representative (parts of 2016)	48	-	667	-	24,716
Janne Thyø Thomsen	Board member	195	75	1	-	3,000
Morten Loktu	Board member	195	22	6	-	5,000
Erik Gunnes 1)	Board member, employee representative	178	-	760	1,025	230
Oddny Lysberg 1)	Board member, employee representative	146	-	512	2,605	634
Terje Lium 2)	Chair, Control Commitee	40	-	1	-	-
Anders Lian 2)	Deputy Chair, Control Committee	27	-	1	-	-
Terje Ruud 2)	Member, Control Committee	27	-	1	-	1,500

1) Other emoluments include salary in employment relationships.
2) The control committe was dispensed with as from March 2016

2015 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Kjell Bjordal	Board chairman	425	32	49	-	110,000
Bård Benum	Deputy chair	225	75	1	3,269	-
Aud Skrudland	Board member	195	22	1	-	2,765
Arnhild Holstad	Board member	195	-	8	2,421	-
Paul E. Hjelm-Hansen	Board member	195	100	3	-	49,219
Venche Johnsen 1)	Board member, employee representative	195	-	732	695	24,716
Janne Thyø Thomsen	Boardmember as from 1 April 2014	195	75	1	-	-
Morten Loktu	Board member	195	22	1	-	5,000
Terje Lium	Chair, Control Commitee	158	-	1	-	-
Anders Lian	Deputy Chair, Control Committee	106	-	1	-	-
Terje Ruud	Member, Control Committee	106	-	1	-	-

1) Other emoluments include salary in employment relationships.

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The number of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

Fees to the Supervisory Board

(thousands of NOK)	2016	2015
Randi Dyrnes, Supervisory Board Chair	78	86
Other members	288	580

Note 23 - Other operating expenses

Parent Bank			Group	
2015	2016	*(NOK million)*	2016	2015
194	197	IT costs	252	240
18	18	Postage and transport of valuables	22	22
55	55	Marketing	98	96
41	34	Ordinary depreciation (note 32 og 33)	98	104
123	124	Operating expenses, real properties	109	100
68	70	Purchased services	108	105
129	116	Other operating expense	156	171
628	**615**	**Total other operating expenses**	**844**	**838**
		Audit fees (NOK 1000)		
1,472	850	Financial audit	1,911	2,563
50	173	Other attestations	248	143
9	4	Tax advice	250	132
156	56	Other non-audit services	76	387
1,686	**1,084**	**Total incl. value added tax**	**2,485**	**3,225**

Note 24 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members. It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated as a settlement gain and reduces the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. At yearend 2016, the plan has net assets of 182 million.

The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 on personnel expenses and emoluments to senior employees and elected officers.

	2016		2015	
Actuarial assumptions	Costs	Commitment	Costs	Commitment
Discount rate	2.7%	2.6%	2.3%	2.7%
Expected rate of return on plan assets	2.7%	2.6%	2.3%	2.7%
Expected future wage and salary growth	2.3%	2.3%	2.5%	2.3%
Expected adjustment of basic amount (G)	2.3%	2.3%	2.5%	2.3%
Expected increase in current pension	0%/2.25%	0%/2.25%	0.0 %	0%/2.25%
Employers contribution	14.1%	14.1%	14.1%	14.1%
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %
Mortality base table	K2013BE			
Disability	IR73			

Parent Bank			Group	
1 Jan 15	**1 Jan 16**	**Net pension liability in the balance sheet (NOK million)**	**1 Jan 16**	**1 Jan 15**
737	662	Net present value of pension liabilities in funded schemes	711	768
-729	-753	Estimated value of pension assets	-797	-754
9	-12	Opening balance adjustment	-11	8
16	-103	Net pension liability in funded schemes	-97	22
3	3	Employer's contribution	4	4
0	-2	Settlement	-2	0
19	**-102**	**Net pension liability in the balance sheet**	**-96**	**26**

Distribution of liability between unfunded and funded pension scheme, Group

Group	**1 Jan 16**			**1 Jan 15**		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of pension liability in funded schemes	689	22	711	746	22	768
Fair value of pension assets	-797	-	-797	-754	-	-754
Opening balance adjustment	-11	0	-11	8	-	8
Net pension liability in the balance sheet before employer's contribution	-119	22	-97	0	22	22
Employer's contribution	1	3	4	1	3	4
Settlement	-2	0	-2			

Net pension liability in the balance sheet after employer's contribution	-121	25	-96	1	25	26

2015	2016	Pension cost for the year	2016	2015
24	20	Present value of pension accumulated in the year	23	28
0	-2	Interest cost of pension liabilities	-2	0
24	17	Net defined-benefit pension cost without employer's contribution	21	28
5	6	Employer's contribution - subject to accrual accounting	6	5
-	-74	Settlement	-90	0
29	-51	Net pension cost related to defined benefit plans *)	-63	33
7	7	Early retirement pension scheme, new arrangement	9	9
13	13	Cost of defined contribution pension	31	34
49	**-30**	**Total pension cost**	**-22**	**77**
2	0	*) Of which unfunded pension commitment	0	2

Other comprehensive income for the period	2016			2015		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	0	9	9	0	-46	-47
Change in other economic assumptions	-	-	-	0	-10	-10
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	0	4	5	-1	-13	-14
Change in other factors, pension assets	-	11	11	-	-46	-46
Other comprehensive income for the period	**0**	**24**	**24**	**-1**	**-115**	**-116**

2015	2016	Movement in net pension liability in the balance sheet	2016	2015
19	-100	Net pension liability in the balance sheet 1 Jan	-94	26
-109	23	Actuarial gains and losses for the year	24	-116
21	-51	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-63	34
-1	-1	Paid-in pension premium, defined-benefit schemes	-1	-1
-30	-44	Paid-in pension premium, defined-benefit plans	-48	-36
-100	**-172**	**Net pension liability in the balance sheet 31 Dec**	**-182**	**-94**

31 Dec 15	31 Dec 16	Financial status	31 Dec 16	31 Dec 15
662	602	Pension liability	641	711
-764	-778	Value of pension assets	-827	-808
-103	-176	Net pension liability before employer's contribution	-186	-97
3	4	Employer's contribution	4	4
-100	**-172**	**Net pension liability after employer's contribution**	**-182**	**-94**

* Presented gross in the Group accounts

Group	31 Dec 2016			31 Dec 15		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	619	22	641	689	22	711
Value of pension assets	-827	-	-827	-808	-	-808
Net pension liability before employer's contribution	**-208**	**22**	**-186**	**-120**	**22**	**-97**
Employer's contribution	-	4	4	1	3	4
Net pension liability after employer's contribution	**-208**	**26**	**-182**	**-119**	**25**	**-94**

Fair value of pension liability, Group	2016	2015
OB pension liability (PBO)	711	768
Present value of pension accumulated in the year	23	28
Payout/release from scheme	-29	-30

Interes costs of pension liability	18	17
Curtailment/ Settlement	-94	-3
Actuarial gain or loss	12	-69
CB pension liability (PBO)	**641**	**711**

Fair value of pension assets, Group	**2016**	**2015**
OB pension assets	797	754
Paid in	43	33
Payout/release from fund	-29	-30
Expected retur	21	17
Curtailment/ Settlement	-6	-3
Actuarial changes	0	38
CB market value of pension assets	**827**	**808**

	Discount rate		**Salary adjustment**		**Pension adjustment**
Sensitivity, Group	**+ 1 pp**	**- 1 pp**	**+1 pp**	**- 1 pp**	**+ 1 pp**
2016					
Change in accumulated pension rights in course of year	-4	6	4	-3	3
Change in pension liability	-82	103	0	0	105
2015					
Change in accumulated pension rights in course of year	-5	8	6	-4	4
Change in pension liability	-96	124	66	-54	84

2015	**2016**	**Members**	**2016**	**2015**
809	779	Numbers of persons included in pension scheme	815	847
307	265	of which active	298	341
502	514	of which retirees and disabled	517	506

Investment and pension assets in the pension fund	**2016**	**2015**
Current bonds	21 %	21 %
Bonds held to maturity	19 %	23 %
Money market	26 %	13 %
Equities	29 %	37 %
Real estate	6 %	6 %
Other	0 %	0 %
Total	**100 %**	**100 %**

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.

Note 25 - Income tax

Parent bank 2015	Parent bank 2016	(NOK million)	Group 2016	Group 2015
1,796	1,945	Result before tax	1,983	1,787
-492	-858	+/- permanent differences *)	-703	-359
251	-24	+/- change in temporary differences as per specification	236	218
-	-	+ deficit to be brought forward	-	55
1,556	**1,063**	**Year's tax base/taxable income**	**1,516**	**1,700**
420	266	Tax payable on profit for the year	319	459
-30	-	Tax effect of issue cost reflected in equity	0	-29
-65	25	+/- change in deferred tax	22	-60
325	**290**	**Tax charge for the year**	**341**	**370**
		Change in net deferred tax liability		
95	25	Deferred tax shown through profit/loss	22	-60
-30	-19	Deferred tax shown through equity	-19	-29
	-	Deferred tax assets acquired in business combination	1	-121
	-	Correction payable tax/deferred tax, previous years *	-	-59
65	**6**	**Total change in net deferred tax liability**	**4**	**-269**

*) Due to changes in temporary differences between presented annual accounts and final tax asessment papers

Parent bank Deferred tax in balance sheet 2015	Parent bank Deferred tax in balance sheet 2016	Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement (NOK Million)	Group Deferred tax in balance sheet 2016	Group Deferred tax in balance sheet 2015
		Temporary differences:		
-	-	- Business assets	212	51
-	-	- Leasing items	198	149
99	172	- Pension liability	186	103
125	24	- Securities	24	125
584	359	- Hedge derivatives	359	584
		- Other temporary differences	1	1
809	**556**	**Total tax-increasing temporary differences**	**979**	**1,013**
202	**139**	**Deffered tax**	**245**	**253**
		Temporary differences:		
-3	-6	- Business assets	-16	-20
	-	- Pension liability	-	-6
-124	-107	- Securities	-111	-124
-789	-494	- Hedge derivatives	-494	-789
-27	-58	- Other temporary differences	-454	-233
-	-	- Deficit carried forward	-561	-507
-942	**-665**	**Total tax-decreasing temporary differences**	**-1,636**	**-1,679**
-236	**-166**	**Deferred tax asset**	**-408**	**-420**
-33	**-27**	**Net deferred tax (-asset)**	**-162**	**-167**

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax:

	2016	2015

Tax benefit recorded 31.12	**196**	188
Deferred tax recorded 31.12	**-33**	-21

Parent bank Recognised in income statement			Group Recognised in income statement	
2015	**2016**	**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement (NOK Million)**	**2016**	**2015**
		Temporary differences:		
-7	4	- Business assets	-161	18
-	-	- Leasing items	-49	-36
-	-148	- Pension liability	-157	16
120	-17	- Securities	101	-4
-195	-295	- Hedge derivatives	225	459
-2	31	- Other temporary differences	0	2
-85	**-424**	**Total tax-increasing temporary differences**	**-40**	**455**
-23	**-106**	**Deffered tax**	**-10**	**123**
		Temporary differences:		
-	-	- Business assets	-4	4
-8	-	- Pension liability	-6	-20
-4	101	- Securities	-13	29
459	225	- Hedge derivatives	-295	-195
-	-	- Other temporary differences	221	66
-	-	- Deficit carried forward	53	-60
447	**326**	**Total tax-decreasing temporary differences**	**-43**	**-176**
121	**82**	**Deferred tax asset**	**-11**	**-48**
-3	-	Change in tax rate from 28 % to 27 %	-1	14
95	**-25**	**Net**	**-22**	**90**

2015	**2016**	**Reconciliation of tax charge for the period recognised against profit and loss to profit before tax**	**2015**	**2015**
485	486	25 % of profit before tax	496	482
-133	-215	Non-taxable profit and loss items (permanent differences) *)	-176	-97
30	19	Tax effect of issue cost reflected in equity	20	-29
3	-	Change in tax rate from 25 % to 24 %	1	14
385	**290**	**Tax for the period recognised in the income statement**	**341**	**370**
21 %	**15 %**	**Effective tax rate**	**17 %**	**21 %**

*) Includes non-deductible costs and and deduction for profit share related to associates and joint ventures (profit shares are taken out having already been taxed at the respective companies).

Note 26 - Categories of financial assets and financial liabilities

Group	Financial instruments at fair value				
2016 (mill kr)	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale	Financial instruments measured at amortised cost	Total
Assets					
Cash and receivables from central banks	-	-	-	315	**315**
Deposits with and loans to credit institutions	-	-	-	3,892	**3,892**
Loans to and receivables from customers	-	3,826	-	97,528	**101,354**
Shares, units and other equity interests	878	605	60	-	**1,542**
Fixed-income CDs and bonds	-	17,557	-	-	**17,557**
Derivatives	-	4,752	-	-	**4,752**
Total financial assets	**878**	**26,739**	**60**	**101,735**	**129,412**
Liabilities					
Deposits from credit institutions	-	-	-	10,509	**10,509**
Deposits from and debt to customers	-	-	-	67,168	**67,168**
Debt created by issue of securities	-	-	-	36,317	**36,317**
Derivatives	4,074	-	-	-	**4,074**
Subordinated loan capital	-	-	-	3,182	**3,182**
Equity instruments	181	-	-	-	**181**
Total financial liabilities	**4,255**	**-**	**-**	**117,175**	**121,430**

	Financial instruments at fair value				
2015 (mill kr)	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Available for sale	Financial instruments measured at amortised cost	Total
Assets					
Cash and receivables from central banks	-	-	-	3,270	3,270
Deposits with and loans to credit institutions	-	-	-	2,407	2,407
Loans to and receivables from customers	-	4,436	-	88,979	93,415
Shares, units and other equity interests	757	620	108	-	1,485
Fixed-income CDs and bonds	-	15,752	-	-	15,752
Derivatives	6,027	1,497	-	-	7,524
Total financial assets	**6,784**	**22,305**	**108**	**94,656**	**123,852**
Liabilities					
Deposits from credit institutions	-	-	-	8,155	8,155
Deposits from and debt to customers	-	-	-	64,090	64,090
Debt created by issue of securities	-	-	-	35,154	35,154
Derivatives	5,351	63	-	-	5,414
Subordinated loan capital	-	-	-	3,463	3,463
Equity instruments	394	-	-	-	394
Total financial liabilities	**5,745**	**63**	**-**	**110,862**	**116,670**

Note 27 - 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 31 December 2016:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	44	4,708	-	4,752
- Bonds and money market certificates	2,511	15,046	-	17,557
- Equity instruments	959	-	524	1,483
- Fixed interest loans	-	43	3,783	3,826
Financial assets avaliable for sale				
- Equity instruments	-	-	60	60
Total assets	**3,514**	**19,796**	**4,367**	**27,676**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	48	4,026	-	4,074
- Equity instruments	173	8	-	181
Total liabilities	**221**	**4,034**	**-**	**4,255**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2015:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	39	7,485	-	7,524
- Bonds and money market certificates	2,207	13,545	-	15,752
- Equity instruments	803	-	574	1,377
- Fixed interest loans	-	43	4,405	4,447
Financial assets avaliable for sale				
- Equity instruments	-	-	108	108
Total assets	**3,048**	**21,073**	**5,087**	**29,207**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	44	5,371	-	5,414
- Equity instruments	385	9	-	394
Total liabilities	**429**	**5,380**	**-**	**5,808**

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

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

The following table presents the changes in the instruments classified in level 3 as at 31 December 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	2,224	20	-	2,244
Disposals in the periode	-1,000	-63	-2	-1,065
Gain or loss on financial instruments	-33	-7	75	34
Change in valuation model for fixed interest loans	-64	-	-	-64
Closing balance	**4,405**	**574**	**108**	**5,087**

Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

The method for valuation of financial instruments in level 2 and 3 is described in the following:

Loans to customers (level 3)

The loans consist for the most part of fixed interest loans denominated in Norwegian kroner. The value of the fixed interest loans is determined such that agreed interest flows are discounted over the term of the loan by a discount factor that is adjusted for margin requirements. The discount factor is raised by 10 points when calculating sensitivity.

Short-term paper and bonds (level 2 and 3)

Valuation on level 2 is based for the most part on observable market information in the form of interest rate curves, exchange rates and credit margins for the individual credit and the bond's or certificate's characteristics. For paper valued under level 3 the valuation is based on indicative prices from a third party or comparable paper.

Equity instruments (level 3)

Shares that are classified to level 3 include essentially investments in unquoted shares. The owner interests in Nordito Property and Bank 1 Oslo Akershus are valued each quarter by SpareBank 1 Gruppen and distributed to all Alliance banks. The valuations are based on an average of five different methods in which the last known transaction price, earnings per share, dividend per share and EBITDA are inputs in the valuations. Determination of fair value for the shares of Polaris Media is based on valuation undertaken by SpareBank 1 Markets. The latter is based on value-adjusted equity capital.

Shares that are classified to level 3 also include a total of NOK 226 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

The owner interest in Visa Norge FLI is considered to be a financial asset and is classified to the category 'available for sale'. SpareBank 1 SMN has calculated the fair value of its portion of Visa Norge FLI at NOK 22.7 million. Sensitivity at level 3 measurement: Since the estimated value of Visa Norge is calculated by the association we do not have access to all significant inputs, but SpareBank 1 SMN has taken into account a liquidity discount on the shares of Visa Inc. of 20 per cent. Had this been adjusted to 25 per cent, the fair value measurement would have been 1 million lower.

Financial derivatives (level 2)

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual/underlying share and observable or calculated volatility.

Sensitivity analyses, level 3

(NOK million)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	3,783	-9
Equity instruments through profit/loss*)	524	-
Equity instruments available for sale	60	-1

*) As described above, the information to perform alternative calculations are not available

Note 28 - Fair value of financial instruments

Financial instruments measured at amortised cost

Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

Loans to and claims on customers

Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through collectively assessed impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

Bonds held to maturity

Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

Loans to and claims on credit institutions, Debt to credit institutions and debt to customers

For loans to and claims on credit institutions, as well as debt to credit institutions and deposits from customers, fair value is estimated equal to amortised cost.

Securities debt and subordinated debt

The calculation of fair value in level 2 is based on observable market values such as on interest rate and spread curves where available.

Parent Bank

		31 Dec 16		**31 Dec 15**	
(NOK million)	**Level 1)**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Assets					
Loans to and claims on credit institutions	2	8,203	8,203	5,883	5,883
Loans to and claims on customers at amortised cost	3	92,673	92,673	85,160	85,160
Total financial assets at amortised cost		**100,876**	**100,876**	**91,043**	**91,043**
Liabilities					
Debt to credit institutions	2	10,299	10,299	8,155	8,155
Deposits from and debt to customers	2	68,391	68,391	65,091	65,091
Securities debt at amortised cost	2	10,689	10,700	13,452	14,567
Securities debt, hedging	2	25,627	25,307	21,702	21,349
Subordinated debt at amortised cost	2	2,057	2,050	2,356	2,350
Subordinated debt, hedging	2	1,083	1,075	1,107	1,099
Total financial liabilities at amortised cost		**118,146**	**117,822**	**111,863**	**112,611**

Group

(NOK million)	Level 1)	31 Dec 16 Book value	31 Dec 16 Fair Value	31 Dec 15 Book value	31 Dec 15 Fair Value
Assets					
Loans to and claims on credit institutions	2	3,892	3,892	2,407	2,407
Loans to and claims on customers at amortised cost	3	97,528	97,528	88,979	88,979
Total financial assets at amortised cost		**101,420**	**101,420**	**91,385**	**91,385**
Liabilities					
Debt to credit institutions	2	10,509	10,509	8,155	8,155
Deposits from and debt to customers	2	67,168	67,168	64,090	64,090
Securities debt at amortised cost	2	10,689	10,700	13,452	14,567
Securities debt, hedging		25,627	25,307	21,702	21,349
Subordinated debt at amortised cost	2	2,099	2,093	2,356	2,350
Subordinated debt, hedging	2	1,083	1,075	1,107	1,099
Total financial liabilities at amortised cost		**117,175**	**116,852**	**110,862**	**111,609**

1) Fair value is determined by using different methods in three levels. See note 27 for a definition of the levels.

Note 29 - Money market certificates and bonds

Parent Bank		Money market certificates and bonds by issuer sector	Group	
31 Dec 15	31 Dec 16	(NOK million)	31 Dec 16	31 Dec 15
		State		
2,225	2,265	Nominal value	2,265	2,225
2,252	2,380	Book value	2,380	2,252
		Other public sector		
1,718	2,121	Nominal value	2,121	1,718
1,729	2,226	Book value	2,226	1,729
		Financial enterprises		
10,038	11,819	Nominal value	11,741	10,038
11,298	12,864	Book value	12,785	11,298
		Non-financial enterprises		
406	91	Nominal value	91	406
419	95	Book value	95	419
14,387	**16,295**	**Total fixed income securities, nominal value**	**16,218**	**14,387**
54	72	Accrued interest	71	54
15,752	**17,636**	**Total fixed income securities, booked value**	**17,557**	**15,752**

Note 30 - Financial derivatives

All derivatives are booked at real value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. This applies both to derivatives used for hedging purposes and held for trading purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

For a description of counterparty risk and market risk, see note 6 on risk factors. For further details concerning market risk linked to interest rate risk, see note 16 on market risk related to interest rate risk, and for market risk related to currency exposure, see note 17 on market risk related to currency exposure.

Parent Bank

Fair value through profit and loss (NOK million)	31 Dec 2016			31 Dec 2015		
	Contract	Fair values		Contract	Fair values	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	3,176	21	0	3,347	131	-1
Currency swaps	15,100	163	-5	11,999	453	-8
FX-options	36	0	-0	-	-	-
Total currency instruments	18,312	184	-5	15,346	585	-10
Interest rate instruments						
Interest rate swaps (including cross currency)	170,417	3,213	-3,282	145,309	4,425	-4,062
Short-term interest rate swaps (FRA)	50,423	101	-110	216,951	754	-766
Other interest rate contracts	124	-0	0	222	1	-1
Total interest rate instruments	220,964	3,314	-3,393	362,481	5,180	-4,828
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	109	14	-14	-	-	-
Total commodity-related contracts	109	14	-14	-	-	-
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	25,249	807	-127	21,626	1,213	-2
Total interest rate instruments	25,249	807	-127	21,626	1,213	-2
Total						
Total interest rate instruments	246,213	4,121	-3,520	384,107	6,393	-4,830
Total currency instruments	18,312	184	-5	15,346	585	-10
Total commodity-related contracts	109	14	-14	-	-	-
Accrued interest		493	-434		629	-526
Total financial derivatives	**264,634**	**4,812**	**-3,973**	**399,453**	**7,606**	**-5,366**

Group

Fair value through profit and loss (NOK million)	31 Dec 2016			31 Dec 2015		
	Contract	Fair values		Contract	Fair values	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	3,176	21	0	3,347	131	-1
Currency swaps	15,100	163	-5	11,999	453	-8
FX-options	36	0	-0	-	-	-
Total currency instruments	18,312	184	-5	15,346	585	-10
Interest rate instruments						
Interest rate swaps (including cross currency)	170,094	3,137	-3,282	144,906	4,337	-4,062
Short-term interest rate swaps (FRA)	50,423	101	-110	216,951	754	-766
Other interest rate contracts	124	-0	0	222	1	-1
Total interest rate instruments	220,640	3,239	-3,393	362,079	5,092	-4,828
Equity instruments						
Equity options	32	17	-14	30	7	-22
Equity forwards/futures	909	1	-87	1,004	2	-27
Total equity instruments	940	18	-101	1,034	9	-49
Commodity-related contracts						
Stock-exchange-traded standardised forwards and futures contracts	109	14	-14	-	-	-
Total commodity-related contracts	109	14	-14	-	-	-
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	25,249	807	-127	21,626	1,213	-2
Total interest rate instruments	25,249	807	-127	21,626	1,213	-2
Total						
Total interest rate instruments	245,890	4,046	-3,520	383,705	6,305	-4,830
Total currency instruments	18,312	184	-5	15,346	585	-10
Total equity instruments	940	18	-101	1,034	9	-49
Total commodity-related contracts	109	14	-14	-	-	-
Accrued interest		490	-434		625	-526
Total financial derivatives	**265,251**	**4,752**	**-4,074**	**400,085**	**7,524**	**-5,414**

Note 31 - Shares, units and other equity interests

The Group classifies shares in the categories fair value through profit or loss and available for sale. Securities that can be reliably measured, and which are reported internally at fair value, are recognised at fair value through profit and loss. Other shares are classified as available for sale.

Parent bank			Group	
		Shares and units		
31 Dec 15	**31 Dec 16**	(NOK million)	**31 Dec 16**	**31 Dec 15**
261	**225**	**At fair value through profit or loss**	**1,483**	**1,377**
44	43	Listed	1,109	803
218	182	Unlisted	373	574
76	**23**	**Available for sale**	**60**	**108**
76	23	Unlisted	60	108
337	**248**	**Total shares and units**	**1,542**	**1,485**
		Business held for sale - of which shares		
222	226	Unlisted	15	16
222	**226**	**Total shares held for sale (see note 39)**	**15**	**16**
44	43	Total listed companies	1,109	803
515	431	Total unlisted companies	447	698

Specification of Parent Bank

Listed companies	**Principle*)**	**Stake over 10 %**	**Our holding (no.)**	**Acquisition cost (NOK 1000)**	**Market value/book value (NOK 1000)**
Visa Inc. C-shares	FV		63,536	6,750	42,702
Total quoted shares				**6,750**	**42,702**
Unlisted companies					
Visa Norge FLI	AFS		-	-	22,749
Eksportfinans	FV		1,857	16,406	41,003
Molde Kunnskapspark	FV		2,000	2,030	2,083
Nordisk Areal Invest	FV		764,995	70,789	4,590
SPAMA	FV		2,305	-	1,563
Sunnmøre Golf	AFS		3	103	103
Swift EUR	FV		38	589	1,186
Sydvestor Vekst	AFS		5,200	228	228
Tangen Næringsbygg	FV		250	250	250
Torgkonserten	FV		50	300	300
Others				239	242
Total unquoted shares and units				**90,935**	**74,296**
SpareBank 1 Nordvest	FV		48,076	5,000	5,000
Sparebanken Hedmark	FV		1,713,942	107,978	126,489
Total unquoted financial corporations				**112,978**	**131,489**
Total shares, units and equity capital certificates, parent bank				**210,663**	**248,486**

Specification of Group

Listed companies	Principle*)	Stake over 10 %	Our holding (no.)	Acquisition cost (NOK 1000)	Market value/bookvalue (NOK 1000)
Axactor	FV		10,075,838	28,655	26,802
B2Holding	FV		3,000,000	40,500	46,050
Bonheur	FV		200,000	2,784	14,476
BW LPG	FV		325,000	17,792	11,807
Det norske oljeselskap	FV		900,668	15,394	50,954
Kongsberg Gruppen	FV		537,500	69,099	66,784
Norsk Hydro	FV		530,000	19,901	21,889
Norway Royal Salmon	FV		1,698,009	107,278	352,337
Norwegian Air Shuttle	FV		220,920	65,940	63,404
Orkla	FV		418,113	32,555	32,696
Polaris Media ASA	FV	11.3		159,041	150,782
Subsea 7	FV		95,000	7,678	10,384
Telenor	FV		254,202	33,756	32,792
XACT Derivat BEAR	FV		146,387	8,396	8,224
XACT Derivat Bull	FV		194,133	21,778	23,230
Yara International	FV		95,296	30,650	32,401
Others				71,397	66,695
Total quoted shares				**732,595**	**1,011,706**
DNB	FV		192,471	24,873	24,713
Skandiabanken	FV		350,000	20,304	24,500
SpareBank 1 Nord-Norge	FV		72,334	3,171	3,789
SpareBank 1 Østfold Akershus	FV		5,216	685	884
SpareBank 1 BV	FV		30,380	901	840
SpareBank 1 Ringerike Hadeland	FV		1,633	258	296
Total quoted credit institutions				**50,193**	**55,022**
Unlisted companies					
Angvik Areal	AFS	10.0	15,000	19,830	19,752
Aptomar	FV		171,568	7,673	403
Herkules Capital 3	FV		1	37,570	36,179
Moldekraft	AFS	12.94	10,545	11,600	14,890
Norsk Innovasjonskapital III	FV		600	10,200	13,342
Novelda	FV		18,280	6,143	5,814
Salvesen & Thams	FV		189	19,740	30,051
Viking Venture II (C-aksjer + venture 2 AS)	FV		200,000	19,584	3,248
Viking Venture III	FV	17.0	839,957	44,344	63,837
Others				53,468	39,532
Total unquoted shares and units				**230,152**	**227,049**
Total shares, units and equity capital certificates, Group				**1,223,604**	**1,542,263**

*) Explanation of accounting principle: FV - fair value through profit or loss, AFS - available for sale

Note 32 - Intangible assets

2016

Parent Bank: Other intangible assets	Parent Bank: Goodwill	Parent Bank: Total	(NOK million)	Group: Total	Group: Goodwill	Group: Other intangible assets
44	447	491	Cost of acquisition at 1 January	636	530	106
24	-	24	Acquisitions	118	43	75
-9	-	-9	Disposals	-17	-	-17
59	447	506	Cost of acquisition at 31 December	737	573	164
25	-	25	Accumulated depreciation and write-downs as at 1 January	74	2	72
15	-	15	Current period's depreciation	21	-	21
-	-	-	Current period's write-down	8	5	3
-4	-	-4	Disposals	-6	-	-6
36	-	36	Accumulated depreciation and write-down as at 31 December	97	7	90
23	**447**	**470**	**Book value as at 31 December**	**639**	**565**	**74**

2015

Parent Bank: Other intangible assets	Parent Bank: Goodwill	Parent Bank: Total	(NOK million)	Group: Total	Group: Goodwill	Group: Other intangible assets
33	447	480	Cost of acquisition at 1 January	584	527	57
12	-	12	Acquisitions	52	3	50
-0	-	-0	Disposals	-1	-	-1
44	447	491	Cost of acquisition at 31 December	636	530	106
18	-	18	Accumulated depreciation and write-downs as at 1 January	36	2	34
8	-	8	Current period's depreciation	13	-	13
-	-	-	Acquisitions	25	-	25
-0	-	-0	Disposals	-0	-	-0
25	-	25	Accumulated depreciation and write-down as at 31 December	74	2	72
19	**447**	**466**	**Book value as at 31 December**	**562**	**528**	**34**

NOK 447m of the parent bank’s balance sheet value refers to excess value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The amount at group level refers to the parent bank’s purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 Regnskapshuset SMN’s acquisitions of accounting firms. The year’s increase of NOK 38m at group level relates to further acquisitions undertaken in 2016.

Goodwill items are valued annually and written down if impairment tests imply reduction in value. EiendomsMegler 1 Midt-Norge made a write down of goodwill of NOK 5.2m in 2016.

See note 3 - Critical estimates and assessments concerning the use of accounting principles -for a description of the valuation model for goodwill.

Note 33 - Property, plant and equipment

2016

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**Total**	**Machinery, inventory and vehicles**	**Buildings and other real property**
117	205	322	Cost of acquisition at 1 January	1,503	252	1,251
4	23	27	Acquisitions	49	43	6
-4	-30	-34	Disposals	-121	-31	-91
-	-	-	Corrections	-	2	-2
117	198	315	Cost of acquisition at 31 December	1,431	266	1,164
50	139	189	Accumulated depreciation and write-downs as at 1 January	474	182	292
8	20	29	Current period's depreciation	78	26	53
-	-	-	Current period's write-down	2	0	2
-3	-20	-23	Disposals	-39	-20	-19
-	-	-	Reversal of accumulated depreciation and write-downs	10	10	-
55	140	194	Accumulated depreciation and write-down as at 31 December	525	198	327
63	**59**	**121**	**Book value as at 31 December**	**906**	**69**	**837**

2015

Parent Bank				Group		
Buildings and other real property	**Machinery, inventory and vehicles**	**Total**	**(NOK million)**	**Total**	**Machinery, inventory and vehicles**	**Buildings and other real property**
128	201	329	Cost of acquisition at 1 January	1,532	273	1,259
2	19	21	Acquisitions*	29	24	5
-11	-12	-22	Disposals*	-52	-41	-11
-2	-3	-5	Corrections	-5	-3	-2
117	205	322	Cost of acquisition at 31 December	1,503	252	1,251
53	129	182	Accumulated depreciation and write-downs as at 1 January	435	189	246
9	24	33	Current period's depreciation	88	32	56
0	1	1	Current period's write-down	4	1	3
-11	-11	-22	Disposals	-47	-36	-11
-2	-3	-5	Reversal of accumulated depreciation and write-downs*)	-5	-3	-2
50	139	189	Accumulated depreciation and write-down as at 31 December	474	182	292
68	**66**	**134**	**Book value as at 31 December**	**1,030**	**70**	**959**

*) Parts of acquisitions and disposals, and reversal of accumulated depreciations and write-downs are due to a redistribution of property, plant and equipment in the note.

DepreciationWith a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

- Technical installations and Means of transport 10 yrs
- Machinery and IT equipment 3 - 5 yrs
- Fixtures 5 - 10 yrs
- Buildings and other real property 25 - 33 yrs

Provision of security

The Group has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets with the exception of SpareBank 1 Markets which has pledged inter alia business assets to DNB Bank in connection with banking services related to the securities settlement.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2016 is NOK 127 million(NOK 98 million).

Gross value of non-current assets temporarily out of operation.

The Group has no significant non-current assets out of operation as at 31 December 2016.

Note 34 - Other assets

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
33	27	Deferred tax asset	196	187
133	121	Fixed assets	906	1,031
23	37	Earned income not yet received	63	39
3	20	Accounts receivable, securities	220	200
124	198	Assets	207	125
95	479	Other assets	785	381
411	**882**	**Total other assets**	**2,376**	**1,962**

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
31 Dec 15	31 Dec 16	Deposits from and liabilities to customers (NOK million)	31 Dec 16	31 Dec 15
59,382	58,027	Deposits from and liabilities to customers without agreed maturity	56,804	58,381
5,709	10,364	Deposits from and liabilities to customers with agreed maturity	10,364	5,709
65,091	**68,391**	**Total deposits from and liabilities to customers**	**67,168**	**64,090**
1.5 %	**1.0 %**	Average interest rate	**1.0 %**	**1.5 %**

Fixed interest deposits account for 2.7 per cent (0.9 per cent in 2015) of total deposits.

31 Dec 15	31 Dec 16	Deposits specified by sector and industry	31 Dec 16	31 Dec 15
28,336	29,769	Wage earners	29,769	28,336
7,221	8,627	Public administration	8,627	7,221
2,541	2,791	Agriculture, forestry, fisheries and hunting	2,791	2,541
674	420	Sea farming industries	420	674
2,518	1,727	Manufacturing	1,727	2,518
2,164	2,416	Construction, power and water supply	2,416	2,164
4,116	4,067	Retail trade, hotels and restaurants	4,067	4,116
1,994	1,740	Maritime sector	1,740	1,994
4,295	4,387	Property management	4,153	4,099
4,836	5,550	Business services	5,550	4,836
4,643	4,848	Transport and other services provision	4,339	4,138
1,755	2,048	Other sectors	1,569	1,454
65,091	**68,391**	**Total deposits from customers broken down by sector and industry**	**67,168**	**64,090**

31 Dec 15	31 Dec 16	Deposits specified by geographic area	31 Dec 16	31 Dec 15
24,657	26,338	Sør-Trøndelag	25,311	23,690
16,662	17,575	Nord-Trøndelag	17,575	16,662
13,412	14,028	Møre og Romsdal	14,028	13,412
1,300	1,657	Sogn og Fjordane	1,657	1,300
544	486	Nordland	486	544
4,861	5,109	Oslo	4,914	4,826
3,184	2,470	Other counties	2,470	3,184
472	728	Abroad	728	472
65,091	**68,391**	**Total deposits broken down by geographic area**	**67,168**	**64,090**

Note 36 - Debt securities in issue

Parent Bank			Group	
2015	2016	(NOK million)	2016	2015
35,154	36,317	Bond debt	36,317	35,154
35,154	**36,317**	**Total debt securities in issue**	**36,317**	**35,154**
2.5 %	1.9 %	Average interest, bond debt	1.9 %	2.5 %

2015	2016	Securities debt specified by maturity *)	2016	2015
5,077	-	2016	-	5,077
5,453	6,336	2017	6,336	5,453
9,749	9,414	2018	9,414	9,749
6,020	5,642	2019	5,642	6,020
4,938	3,956	2020	3,956	4,938
1,040	6,739	2021	6,739	1,040
375	375	2022	375	375
200	1,682	2023	1,682	200
-	482	2024	482	-
-	237	2025	237	-
400	400	2029	400	400
-	273	2031	273	-
251	-	2035	-	251
511	-	2044	-	511
53	31	Currency agio	31	53
722	422	Premium and discount, market value of structured bonds	422	722
365	328	Accrued interest	328	365
35,154	**36,317**	**Total securities debt**	**36,317**	**35,154**

*) Less own bonds. Total nominal own holding in 2016 comes to NOK 369 m (NOK 40 m)

2015	2016	Securities debt distributed on significant currencies	2016	2015
17,048	14,237	NOK	14,237	17,048
16,842	18,955	EUR	18,955	16,842
-	602	USD	602	-
1,264	2,522	Øvrige	2,522	1,264
35,154	**36,317**	**Total securities debt**	**36,317**	**35,154**

Parent Bank and Group

Change in securities debt (NOK million)	31 Dec 2016	Issued	Fallen due/ redeemed	Other changes	31 Dec 2015
Money market certificate debt, nominal value	-	-	-	-	-
Bond debt, nominal value	35,535	8,158	5,492	-1,145	34,014
Adjustments	453	-	-	-322	775
Accrued interest	328	-	-	-37	365
Total	**36,317**	**8,158**	**5,492**	**-1,504**	**35,154**

Change in securities debt (NOK million)	31 Dec 2015	Issued	Fallen due/ redeemed	Other changes	31 Dec 2015
Money market certificate debt, nominal value	-	-	820	-	820
Bond debt, nominal value	34,014	8,392	6,320	961	30,981
Adjustments	775	-	-	-55	830
Accrued interest	365	-	-	-4	370
Total	**35,154**	**8,392**	**7,140**	**902**	**33,001**

Note 37 - Other debt and liabilities

Parent Bank 31 Dec 15	Parent Bank 31 Dec 16	Other debt and recognised liabilities (NOK million)	Group 31 Dec 16	Group 31 Dec 15
6	3	Creditors	39	39
46	90	Drawing debt	90	46
61	0	Debt from securities	147	145
-	0	Deferred tax	33	21
420	266	Payable tax	319	459
13	8	Capital tax	8	13
25	26	Pension liabilities	26	31
78	118	Provisions	118	78
70	73	Accruals	367	303
-	-	Equity instruments	181	394
150	146	Other	203	204
868	**731**	**Total other debt and recognised liabilities**	**1,531**	**1,734**
		Guarantee commitments (agreed guarantee amounts)		
969	796	Payment guarantees	796	969
1,219	1,202	Performance guarantees	1,202	1,219
4,004	3,249	Loan guarantees	3,249	4,004
80	81	Guarantees for taxes	81	80
159	135	Other guarantee commitments	135	160
6,431	**5,464**	**Total guarnatee commitments**	**5,464**	**6,432**
		Other liabilities, not recognised		
15,706	17,337	Unutilised credits	17,523	15,888
1,513	1,720	Loan approvals (not discounted)	1,957	1,715
640	1,061	Unutilised guarantee commitments	1,061	640
102	82	Documentary credits	82	102
-	-	Other commitments	41	42
17,961	**20,199**	**Total other commitments**	**20,664**	**18,387**
25,260	**26,395**	**Total commitments**	**27,660**	**26,553**

Cash deposit	Total	Securities pledged	Total	Cash deposit
1,249	1,249	Securities pledged 31 Dec 16	1,275	1,275
1,249	1,249	Relevant liabilities 31 Dec 16	1,275	1,275
1,499	1,499	Securities pledged 31 Dec 15	1,528	1,528
1,628	1,628	Relevant liabilities 31 Dec 15	1,657	1,657

Ongoing lawsuits

The Group is not involved in legal disputes considered to be of substantial significance for the Group's financial position. No provision for loss has been made as of 31 December 2016.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

Regarding the bank's commitments to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, see note 9 on derecognition of financial assets.

Operational leases

The company has entered a number of different lease agreements regarding permises, car park, alarm systems, IT systems and software. Most of the agreements include a lease extension option.

Lease costs comprised:

Parent Bank			Group	
2015	2016	(NOK million)	2016	2015
95	98	Ordinary lease payments	75	69
27	28	Payment received from sub-lease	26	26
68	**70**	**Total lease costs**	**49**	**44**

Future minimum lease payments related to non-cancellable lease agreements fall due as follows:

	Parent Bank	Group
Within 1 year	88	105
1-5 years	388	427
Above 5 years	471	475
Total	**947**	**1,007**

Provisions

The group has made provisions for pension liabilities, see note 24, specified losses on guarantees, see note 11, restructuring and gifts. The provision for restructuring is made based on the downsizing plan. Provision on gifts is the part of previous year's profit to be allocated to non-profit causes. More on this topic in the section corporate social responsibility.

Parent Bank (NOK million)	Pension liabilities	Specified losses on guarantees	Restructuring provision	Gifts
Provisions at 1 Jan	25	1	25	51
Additional provisions in the period	1	5	51	40
Amounts used in the period	-1	-1	-17	-37
The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate	0	-	-	-
Provisions at 31 Dec	**26**	**6**	**59**	**54**

Group (NOK million)	Pension liabilities	Specified losses on guarantees	Restructuring provision	Gifts
Provisions at 1 Jan	31	1	25	51
Additional provisions in the period	1	5	51	40
Amounts used in the period	-1	-1	-17	-37
Amounts unused reversed in the period	-6	-	-	-
The increase during the period in the discounted amount that occurs over time, and the effect of any changes in the discount rate	0	-	-	-
Provisions at 31 Dec	**26**	**6**	**59**	**54**

Note 38 - Subordinated debt and hybrid equity issue

Parent bank 2015	Parent bank 2016	(NOK million)	Group 2016	Group 2015
		Dated subordinated debt		
1,000	1,000	2022 3 month Nibor + 2,75 % (Call 2017)	1,000	1,000
660	662	2036 fixed rate 2,94 %, JPY (Call 2018) *)	662	660
-	-	2026 Spb1 Finans Midt-Norge AS 16/26	43	-
32	22	Premium/discount/market value	22	32
13	9	Currency agio debt	9	13
2	2	Accrued interest	2	2
1,706	**1,695**	**Total dated subordniated debt**	**1,737**	**1,706**
		Perpetual non-call subordinated debt		
300	-	Perpetual non call 3 month Nibor + 0,85 % (Call 2016)	-	300
300	**-**	**Total perpetual non-call subordinated debt**	**-**	**300**
		Hybrid equity		
350	350	Hybrid capital10/99, fixed rate 8,25 % NOK (Call 2020) *)	350	350
100	100	Hybrid captial 10/99, floating rate NOK (Call 2020)	100	100
500	500	Hybrid capital 13/99, floating rate NOK (Call 2018)	500	500
450	450	Hybrid capital 13/99, floating rate NOK (Call 2018)	450	450
45	33	Discount perpetual hybrid equity	33	45
12	12	Accrued interest	12	12
1,457	**1,445**	**Total hybrid equity**	**1,445**	**1,457**
3,463	**3,140**	**Total subordinated loan capital and hybrid equity**	**3,182**	**3,463**
4.8 %	4.9 %	Average rate NOK	4.9 %	4.8 %
3.8 %	4.2 %	Average rate YEN	4.2 %	3.8 %

*) Fixed rate funding changed to floating rate by means of interest rate swaps

Group

Changes in subordinated debt and hybrid equity issue	**31 Dec 2016**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31 Dec 2015**
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	704	43	-	2	660
Perpetual subordinated debt, NOK	-	-	300	-	300
Hybrid capital loan, NOK	1,400	-	-	-	1,400
Adjustments	63	-	-	-26	89
Accrued interest	14	-	-	-	14
Total subordinated debt and hybrid equity issue	**3,182**	**43**	**300**	**-24**	**3,463**

Changes in subordinated debt and hybrid equity issue	**31 Dec 2015**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31 Dec 2015**
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	660	-	-	102	558
Perpetual subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	-	-	-	1,400
Adjustments	89	-	-	-8	98
Accrued interest	14	-	-	-1	15
Total subordinated debt and hybrid equity issue	**3,463**	**-**	**-**	**93**	**3,371**

Note 39 - Investments in owner interests

Subsidiaries, associates, joint ventures and companies held for sale.

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	64.6
SpareBank 1 SMN Invest AS	990961867	Trondheim	100.0
EiendomsMegler 1 Midt-Norge AS	936159419	Trondheim	87.0
SpareBank 1 SMN Kvartalet AS	990283443	Trondheim	100.0
SpareBank 1 Regnskapshuset SMN AS	936285066	Trondheim	100.0
Allegro Kapitalforvaltning ASA	980300609	Trondheim	90.1
SpareBank 1 Bygget Steinkjer AS	934352718	Trondheim	100.0
SpareBank 1 Bygget Trondheim AS	993471232	Trondheim	100.0
SpareBank 1 SMN Card Solutions AS	990222991	Trondheim	100.0
St. Olavs Plass 1 SMN AS	999263380	Trondheim	100.0
SpareBank 1 Bilplan AS	979945108	Trondheim	100.0
Jernbanegata 19 SMN AS	912514005	Trondheim	100.0
SpareBank 1 Markets AS	992999101	Oslo	73.5
SMB Lab AS	917143501	Trondheim	100.0
Shares owned by subsidiaries and sub-subsidiaries			
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
GMA Invest AS	994469096	Trondheim	100.0
Sentrumsgården AS	975856828	Leksvik	35.3
Aqua Venture AS	891165102	Trondheim	37.6
Maritech Systems AS	997929217	Averøy	23.1
Omega-3 Invest AS	996814262	Namsos	33.6
Tjeldbergodden Utvikling AS	979615361	Aure	23.0
Grilstad Marina AS	991340475	Trondheim	35.0
Grilstad Energi AS	998480639	Trondheim	30.0
GMN 4 AS	994254626	Trondheim	35.0
GMN 51 AS	996534316	Trondheim	30.0
GMN 52 AS	996534413	Trondheim	30.0
GMN 53 AS	996534502	Trondheim	30.0
GMN 6 AS	994254707	Trondheim	35.0
SpareBank 1 Capital Markets		USA	100.0
Investment in joint ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	17.7
Sparebank 1 Mobilbetaling AS	916389418	Oslo	19.7
BN Bolig AS	917463069	Oslo	50.0
Investment in associates			
BN Bank ASA	914864445	Trondheim	33.0
SpareBank1 Boligkreditt AS	988738387	Stavanger	19.1
SpareBank 1 Næringskreditt AS	894111232	Stavanger	36.5
SpareBank 1 Kredittkort AS	975966453	Trondheim	18.3
Bjerkeløkkja AS	998534976	Trondheim	40.7
Investment in companies held for sale			
Mavi XV AS	890899552	Trondheim	100.0
Mavi XI AS	990899568	Trondheim	100.0
Mavi XXIV AS	999211062	Trondheim	100.0
Mavi XXV AS	999239242	Trondheim	100.0
Mavi XXVI AS	999239331	Trondheim	100.0
Mavi XXVII AS	999239390	Trondheim	100.0
Mavi XXVIII AS	999239455	Trondheim	100.0

Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value.

2016 (NOK million)	Company's share capital (NOK 1000's)	No. Of shares	Nominal value (NOK 1000's)	Assets	Lia-bilities	Equity	NCI* of equity	Total income	Total expenses	Result	NCI* of profit or loss	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	534,290	53,429	10.0	5,414	4,651	-5	270	313	234	78	0	448
Total investments in credit institutions												**448**
SpareBank 1 SMN Invest AS	457,280	457,280	1.0	869	49	-	-	77	3	74	-	739
EiendomsMegler 1 Midt-Norge AS	57,803	4,788	10.5	322	112	0	27	426	377	49	0	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	10.8	765	92	-	-	44	34	10	-	919
SpareBank 1 Regnskapshuset SMN AS	17,136	238	72.0	216	59	-	-	235	192	43	-	121
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	50	14	-	4	63	54	10	-	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	48	1	-	-	4	3	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	193	8	-	-	31	27	4	-	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	7	1	-	-	6	5	1	-	9
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	77	1	-	-	7	6	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	123	123	0	-	9
Jernbanegata 19 SMN AS	1,000	10,000	0.1	10	0	-	-	2	3	-1	-	13
SpareBank1 Markets AS	378,347	2,265,553	167.0	1,702	1,234	0	124	306	282	25	0	363
SMB Lab AS	5,000	50,000	0.1	51	2	-	-	1	2	-1	-	50
Total investments in other subsidiaries												**2,557**
Total investments in Group companies, Parent Bank												**3,005**

2015 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Lia-bilities	Equity	NCI* of equity	Total income	Total expenses	Result	NCI* of profit or loss	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	284,040	28,404	10.0	4,356	3,740	617	172	150	88	62	13	404
Total investments in credit institutions												**404**
SpareBank 1 SMN Invest AS	457,280	457,280	1.0	834	49	-	-	43	5	38	-	739
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	10.5	281	87	194	25	360	326	34	4	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	10.8	772	106	-	-	43	39	4	-	919
SpareBank 1 Regnskapshuset SMN AS	14,280	238	60.0	144	50	-	-	195	170	26	-	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	38	8	-	3	47	46	1	0	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	49	0	-	-	5	4	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	192	8	-	-	31	27	3	-	75
SpareBank 1 SMN Card Solutions AS	200	2.000	0.1	8	2	-	-	7	6	1	-	9
Brannstasjonen SMN AS	10,000	100,000	0.1	179	108	-	-	1	4	-2	-	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	77	1	-	-	7	7	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	124	124	0	-	9
Jernbanegata 19 SMN AS	1,000	1.000.000,0	1.0	11	0	-	-	2	3	-1	-	13
SpareBank 1 Markets AS	378	2,265,553	167.0	1,456	1,013	444	118	135	222	-93	-21	363
Total investments in other subsidiaries												**2,523**
Total investments in Group companies, Parent Bank												**2,927**

* Non-controlling interests

Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

Parent Bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
3,361	3,624	As at 1 January	5,522	5,129
263	156	Acquisition/sale	186	191
-	-14	Reclassification	-3	0
-	-	Equity capital changes	101	106
-	-	Profit share	423	448
-	-	Dividend paid	-591	-351
3,624	**3,766**	**Book value as at 31 December**	**5,638**	**5,522**

Specification of year's change, Group	**Additions/ disposal**	**Equtiy change**
SpareBank 1 Gruppen AS	-	136
BN Bank ASA	-	-1
SpareBank 1 Boligkreditt AS	97	-1
SpareBank 1 Næringskreditt AS	55	-0
SpareBank 1 Kredittkort AS	-1	-8
Sparebank 1 Mobilbetaling AS	31	-3

Selskaper eiet av Sparebank 1 Regnskapshuset SMN AS	-	-0
Molde Kunnskapspark AS	-2	-
Utbyggingsselskaper eiet av SpareBank 1 SMN Invest AS	-13	-22
Bjerkeløkkja	-	0
BN Bolig AS	19	-
Sum	**186**	**101**

Income from investments in associates and joint ventures

Profit share from associates and joint ventures is specified in the table below. Badwill and amortisation effects related to acquisitions are included in the profit share.

Parent Bank			Group	
2015	**2016**	(NOK million)	**2016**	**2015**
		Profit share from:		
-	-	SpareBank 1 Gruppen AS	317	251
-	-	SpareBank 1 Boligkreditt AS	-17	80
-	-	SpareBank 1 Næringskreditt AS	29	30
-	-	BN Bank ASA	86	41
-	-	SpareBank 1 Markets AS	-	-4
-	-	SpareBank 1 Kredittkort AS	24	21
-	-	SpareBank 1 Mobilbetaling AS	-27	-
-	-	Development companies owned by SpareBank 1 SMN Invest	15	-
-	-	Other companies	-4	-0
		Dividends from:		
189	486	SpareBank 1 Gruppen AS	-486	-189
36	19	SpareBank 1 Boligkreditt AS	-19	-36
87	56	BN Bank ASA	-56	-87
39	30	SpareBank 1 Næringskreditt AS	-30	-39
1	-	Other companies	-	-1
352	**591**	**Total income from associates and joint ventures**	**-168**	**67**

Company information on the Group's stakes in associates and joint ventures.

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SMN Group's share. Booked value is the consolidated value in the SMN Group.

(NOK million)

2016 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Profit share**	**Book value 31.12**	**Ownership share**	**No. of shares**
SpareBank 1 Gruppen AS	63,089	55,300	14,077	12,479	317	1,476	19.5 %	364,728
BN Bank ASA	27,797	24,202	591	330	86	1,186	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	252,251	241,198	3,798	3,981	-17	1,904	19.1 %	12,081,960
SpareBank 1 Næringskreditt AS	13,642	11,559	353	269	29	696	36.5 %	5,325,271
SpareBank 1 Kredittkort AS	5,401	4,323	1,020	853	24	197	18.3 %	532,205
Other companies					-16	178		
Total					**423**	**5,638**		

Development companies owned by SpareBank 1 SMN Invest

Activity levels in 2016 were high at the development companies Grilstad Marina AS, GMN 51 AS, GMN 52 AS, GMN 53 AS , GMN 54 AS and GMN 6 AS. GMN 54 AS was sold in third quarter 2016.

The above development companies are booked in the Group accounts with the value of 67.4 NOK million at 31 December 2016.

2015 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Profit share**	**Book value 31.12**	**Ownership share**	**No. of shares**
SpareBank 1 Gruppen AS	58,021	50,063	12,212	10,925	251	1,509	19.5 %	364,728

BN Bank ASA	32,642	29,135	463	338	41	1,157	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	269,206	259,489	654	201	80	1,843	17.7 %	10,090,538
SpareBank 1 Næringskreditt AS	15,880	13,965	134	44	30	644	33.6 %	4,909,200
SpareBank 1 Kredittkort AS	5,248	4,256	755	643	21	183	18.4 %	530,134
SpareBank 1 Markets AS	1,456	1,013	135	222	-4	0	73.5 %	1,664,329
Other companies					-0	185		
Total					**419**	**5,522**		

Companies held for sale

SpareBank 1 SMN's strategy is that ownership duse to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts. In the Group accounts one-line consolidation is undertaken.

Assets and liabilities related to the company Brannstasjon SMN are classified as held for sale as from the first quarter of 2016 based on the Group management's and the board of directors' approval of the sale of the company. The shares of Brannstasjon SMN AS were sold in the fourth quarter of 2016, and the sale brought a gain of NOK 7m.

The tables below contain company or Group accounting figures on a 100 per cent share basis.

2016 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Company's result of the year**	**Ownership share**	**No. of shares**
Mavi XV AS Group	15	249	1	-2	-1	100 %	60,000
Brannstasjonen SMN AS	-	-	1	-3	-2	-	-

2015 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Company's result of the year**	**Ownership share**	**No. of shares**
Mavi XV AS Group	16	0	1	-2	-1	100 %	60,000

Note 40 - Business acquisitions/business combinations

General

Upon acquisition of businesses a purchase price analysis is prepared in accordance with IFRS 3 where identifiable assets and liabilities are recognised at fair value on the acquisition date.

Acquisition of accounting firms

SpareBank 1 Regnskapshuset SMN AS has in 2016 acquired SpareBank 1 Regnskapshuset Hareid AS (prev. Regnskapsservice AS), SpareBank1 Regnskapshuset Ørsta AS (prev. Ørsta Rekneskap AS), SpareBank 1 Regnskapshuset Volda AS (prev. SR Volda AS) and Areto Solutions AS. These businesses are fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2016. SpareBank 1 Regnskapshuset Rørvik AS has been merged into Sparebank1 Regnskapshuset SMN AS in 2016.

Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill. Effective from January 1, 2017 an agreement to acquire Økonomisenteret Kunderegnskap AS, Datainformasjon AS and PR Regnskap AS has been made.

Acquisition of business in real estate agency

The newly formed subsidiary Brauten Eiendom AS owned 100% by EiendomsMegler 1 Midt-Norge AS, has in 2016 acquired the business in former Brauten Eiendom AS. The acquisition included assets, rights and liabilities including all employees. Excess values have been allocated to intangible assets .

Note 41 - Significant transactions with related companies

In this context ‘related parties’ means subsidiaries, associated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank’s personal related parties. The Bank’s outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and note 22 on personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

	Subsidiaries		Other related companies	
Loans (NOK million)	**2016**	**2015**	**2016**	**2015**
Outstanding loans as at 1 Jan	3,951	3,265	4,541	1,662
Loans issued in the period	894	782	37	3,554
Repayments	65	0	431	197
Outstanding loans as at 31 Dec	**4,780**	**4,047**	**4,147**	**5,019**
Interest rate income	71	86	150	144
Bonds and subordinated loans as at 31 Dec	79	89	1,315	1,718
Deposits (NOK million)				
Deposits as at 1 Jan	1,079	1,235	1,932	2,476
Contribution received during the period	30,162	24,819	45,542	94,570
Withdrawals	29,827	24,975	43,643	95,004
Deposits as at 31 Dec	**1,413**	**1,079**	**3,831**	**2,042**
Interest rate expenses	21	24	9	11
Securities trading	-15	-	-213	468
Commission income SpareBank 1 Boligkreditt	-	-	250	326
Commission income SpareBank 1 Næringskreditt	-	-	12	8
Issued guarantees and amount guaranteed	110	137	91	35

*)SpareBank 1 Markets have been consolidated in the Group accounts from second quarter 2015

Loans and deposits
All loans and deposits for related parties are booked in the Parent Bank.

Securities trading
SpareBank 1 SMN's subsidiaries Sparebank 1 Markets and Sparebank 1 Finans Midt- Norge AS carry out a large number of transactions with the Bank's related companies. Transactions are executed on a ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes net investmens in derivatives, bond transactions and deposits.

Other transactions
SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests. The Group has in 2016 paid NOK 107 m in premium to SpareBank 1 SMN Pensjonskasse.

Note 42 - ECC capital and ownership structure

ECC capital

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2016 there was 8,498 ECC holders (8,059 as at 31 December 2015).

ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK)	Total ECC capital (NOK)	No. of ECCs
1991	Placing	525,000,000	525,000,000	5,250,000
1992	Placing	75,000,000	600,000,000	6,000,000
2000	Employee placing	5,309,900	605,309,900	6,053,099
2001	Employee placing	4,633,300	609,943,200	6,099,432
2002	Employee placing	4,862,800	614,806,000	6,148,060
2004	Bonus Issue	153,701,500	768,507,500	7,685,075
2005	Placing	217,424,200	985,931,700	9,859,317
2005	Employee placing	23,850,000	1,009,781,700	10,097,817
2005	Split	-	1,009,781,700	40,391,268
2005	Rights issue	252,445,425	1,262,227,125	50,489,085
2007	Dividend issue	81,752,950	1,343,980,075	53,752,203
2007	Employee placing	5,420,000	1,349,400,075	53,976,003
2008	Dividend issue	90,693,625	1,440,093,700	57,603,748
2008	Employee placing	6,451,450	1,446,545,150	57,861,806
2009	Bonus issue	289,309,025	1,735,854,175	69,434,167
2010	Employee placing	12,695,300	1,748,549,475	69,941,979
2010	Rights issue	624,082,675	2,372,632,150	94,905,286
2011	Rights issue	625,000	2,373,257,150	94,930,286
2012	Reduction in nominal value	-474,651,430	1,898,605,720	94,930,286
2012	Rights issue	569,543,400	2,468,149,120	123,407,456
2012	Employee placing	16,220,200	2,484,369,320	124,218,466
2012	Placing	112,359,540	2,596,728,860	129,836,443

Parent Bank (NOKm)	31 Dec 2016	31 Dec 2015
ECC capital	2.597	2.597
Dividend equalisation reserve	4.487	3.790
Premium reserve	895	895
Unrealised gains reserve	81	179
A. The equity capital certificate owners' capital	**8.060**	**7.461**
Ownerless capital	4.498	4.105
Unrealised gains reserve	45	100
B. The saving bank reserve	**4.543**	**4.205**
To be disbursed from gift fund	220	40
Dividend declared	389	292
Equity ex. profit	**13.212**	**11.998**
Equity capital certificate ratio A/(A+B)	**63,95 %**	**63,96 %**
Equity capital certificate ratio for distribution	63,95 %	63,96 %

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 %
VPF Danske Invest Norske Aksjer Inst. II	3,413,628	2.63 %
VPF Pareto Aksje Norge	2,790,615	2.15 %
State Street Bank and Trust CO (nominee)	2,778,421	2.14 %
Meteva AS	2,359,388	1.82 %
Pareto AS	1,821,202	1.40 %
MP Pensjon PK	1,782,160	1.37 %
Forsvarets Personellservice	1,717,046	1.32 %
VPF Alfred Berg Gambak	1,650,130	1.27 %
VPF Danske Invest Norske Aksjer Inst. I	1,618,823	1.25 %
State Street Bank and Trust CO (nominee)	1,591,191	1.23 %
VPF Nordea Kapital	1,540,475	1.19 %
DNB Livsforsikring AS	1,523,948	1.17 %
JP Morgan Chase Bank (nominee)	1,516,189	1.17 %
JP Morgan Chase Bank (nominee)	1,462,135	1.13 %
VPF DNB Norge selektiv	1,223,037	0.94 %
VPF Nordea Avkastning	1,090,099	0.84 %
The 20 largest ECC holders in total	**46,995,726**	**36.20 %**
Others	82,840,717	63.80 %
Total issued ECCs	**129,836,443**	**100.00 %**

Note 43 - Dividends from subsidiaries

Dividends (NOK million)	**2016**	**2015**
Dividends received from:		
SpareBank 1 Finans Midt-Norge AS	45	36
EiendomsMegler 1 Midt-Norge AS	29	32
SpareBank 1 Regnskapshuset SMN AS	26	25
Allegro Kapitalforvaltning ASA	1	4
SpareBank 1 SMN Invest AS	39	-
SpareBank 1 SMN Card Solutions AS	1	1
SpareBank 1 SMN Kvartalet AS	4	-
Sparebank 1 Bygget Trondheim AS	3	3
Sparebank 1 Bygget Steinkjer AS	1	1
Total dividends	**147**	**103**

Distributions (NOK million)	**2016**	**2015**
Profit for the year for distribution, Parent Bank	1,750	1,405
Allocated to dividends	389	292
Allocated to gifts	220	40
Transferred to equalisation fund	730	616
Transferred to ownerless capital	411	457
Total distributed	**1,750**	**1,405**

Note 44 - Subsequent events

On 13 February it was announced that DNB, the banks in the SpareBank 1 Alliance, the banks in the Eika Alliance, Sparebanken Møre and 15 independent savings banks, which are also co-owners of Frende Forsikring, have signed an agreement of intent to jointly further develop Vipps as the whole of Norway’s mobile wallet. The initiative takers represent altogether 106 Norwegian banks.

Vipps has so far formed part of the DNB Group, but will now be placed in an independent company whose largest owner will be DNB with about 52 per cent of the shares. The SpareBank 1 Alliance will own 25 per cent, the independent savings banks 12 per cent, the Eika Alliance 10 per cent and Sparebanken Møre 1 per cent. The mCASH brand will accordingly be removed from the market in the course of 2017. The new company will build further on SpareBank 1 Mobilbetaling, with new owners in keeping with the owner stakes outlined.

The collaborative venture requires approval by the Competition Authority and Finanstilsynet (Norway’s FSA).

A general meeting will be held to elect the new company’s Board of Directors as soon as the company has gained the supervisory authorities’ approval.

In light of the transaction the Board of SpareBank 1 Mobilbetaling considers it appropriate to write down intangible assets related to mCASH. For SpareBank 1 SMN’s part the writedown comes to NOK 7m, and will take place in the first quarter of 2017.

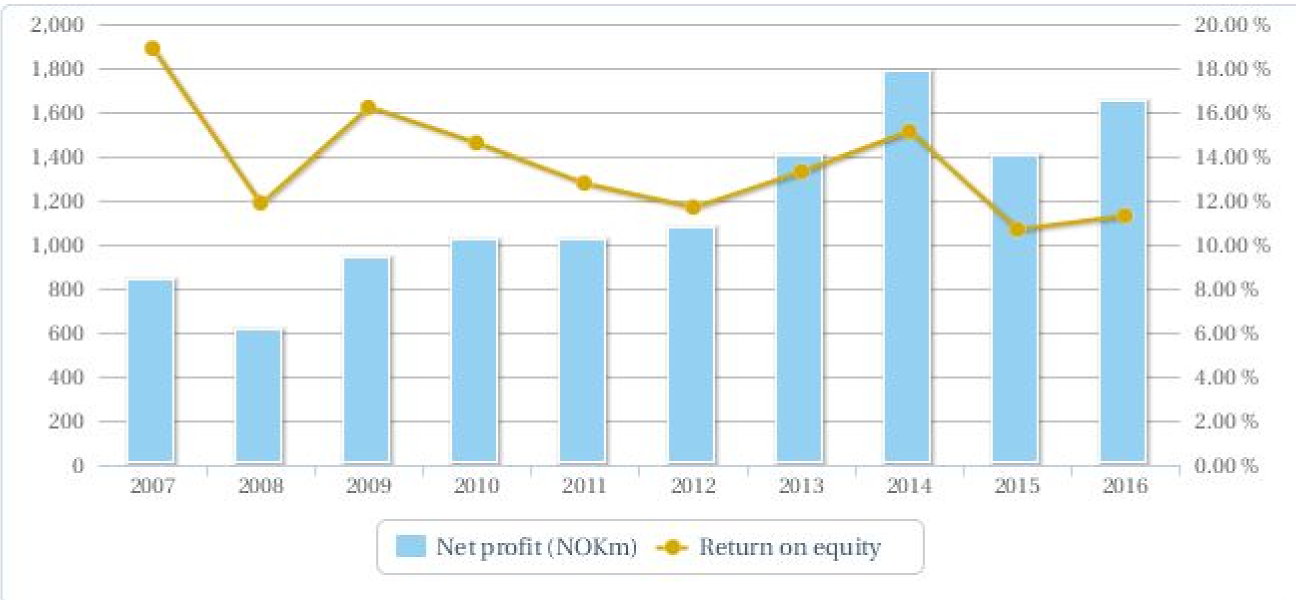
Financial summary (Group)

Income statement NOKm	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Interest income	3,597	4,031	4,265	4,118	3,928	3,891	3,422	3,462	4,827	3,484
Interest expenses	1,714	2,159	2,475	2,502	2,451	2,499	2,105	2,137	3,477	2,345
Net interest and credit comission income	**1,883**	**1,872**	**1,790**	**1,616**	**1,477**	**1,392**	**1,317**	**1,325**	**1,350**	**1,139**
Commision and fee income	1,674	1,545	1,512	1,463	1,139	919	855	756	610	671
Income from investment in related companies	423	448	527	355	244	248	276	349	393	233
Return on financial investements	521	11	193	147	207	186	133	247	-186	99
Total income	**4,502**	**3,876**	**4,021**	**3,580**	**3,067**	**2,746**	**2,582**	**2,677**	**2,167**	**2,142**
Salaries, fees and other personnel costs	1,159	1,093	1,002	914	924	810	583	725	623	583
Other operating expenses	844	838	787	807	730	672	557	528	571	519
Total costs	**2,003**	**1,931**	**1,789**	**1,722**	**1,654**	**1,482**	**1,140**	**1,253**	**1,194**	**1,103**
Operating profit before losses	**2,499**	**1,945**	**2,232**	**1,859**	**1,413**	**1,264**	**1,441**	**1,424**	**975**	**1,039**
Losses on loans and guarantees	516	169	89	101	58	27	132	277	202	-6
Operating profit	**1,983**	**1,776**	**2,143**	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**773**	**1,045**
Taxes	341	370	362	388	295	255	260	210	156	200
Held for sale	4	-1	0	30	16	43	-27			
Profit of the year	**1,647**	**1,406**	**1,782**	**1,400**	**1,077**	**1,024**	**1,022**	**937**	**617**	**846**
Dividend	**389**	**292**	**292**	**227**	**195**	**190**	**285**	**201**	**116**	**324**

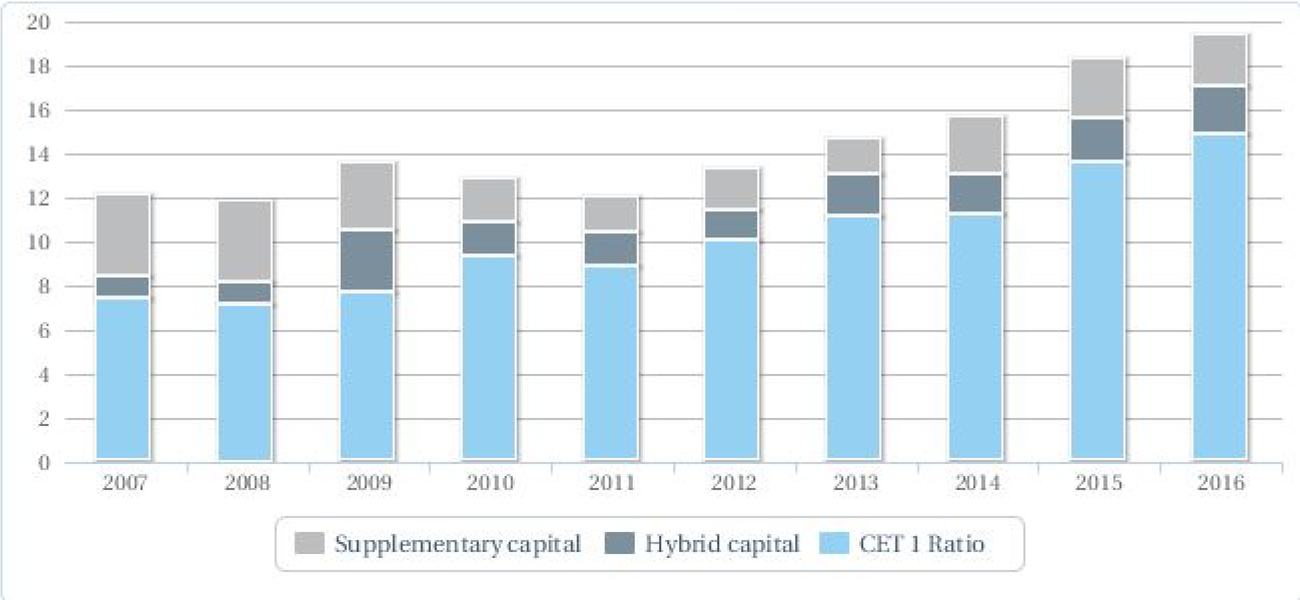
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	4,207	5,677	5,965	5,984	4,091	4,075	2,532	1,260	4,548	3,878
CDs, bonds and other interest-bearing securities	29,489	30,282	27,891	26,358	25,614	21,485	22,948	19,302	12,035	7,246
Loans before loss provisions	102,325	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016	59,178
- Specified loan loss provisions	632	183	172	173	144	172	222	219	215	116
- Unspecified loan loss provisions	339	376	295	295	295	290	290	289	245	185
Other assets	3,030	2,540	2,080	2,938	3,766	3,251	3,182	2,704	4,540	1,502
Total assets	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,679**	**71,503**
Debt to credit institutions	10,509	8,155	9,123	6,581	7,410	9,118	13,062	11,310	9,000	5,346
Deposits from and debt to customers	67,168	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280	32,434
Debt created by issuance of securities	40,390	40,569	39,254	36,806	33,121	31,306	29,625	24,070	29,680	23,950
Other debt and accrued expences etc.	1,532	1,734	1,095	1,485	2,070	2,122	1,922	1,876	2,045	2,265
Subordinated debt	3,182	3,463	3,371	3,319	3,040	2,690	2,756	3,875	3,156	2,648
Total equity	15,299	13,904	12,524	11,242	10,082	8,348	7,846	6,183	5,518	4,860
Total liabilities and equity	**138,080**	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,679**	**71,503**
Key figures										
Total assets	138,080	131,914	126,047	115,360	107,919	101,455	97,997	84,541	84,679	71,503
Average total assets	137,060	128,355	117,794	111,843	105,500	98,465	91,317	86,679	75,820	67,202
Gross loans to customers	102,325	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016	59,178
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	137,535	127,378	120,435	112,283	104,925	95,232	87,665	77,429	71,317	61,910
Gross loans in retail market	89,402	80,725	74,087	68,591	62,587	55,034	49,619	45,157	42,679	38,872
Gross loans in corporate market	48,133	46,653	46,348	43,692	42,322	40,198	38,046	32,272	28,638	23,038
Deposits from and debt to										

customers	67,168	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280	32,434
Deposits from retail market	29,769	28,336	26,496	23,891	22,279	20,860	19,052	17,898	17,566	16,070
Deposits from corporate market	37,398	35,754	34,184	32,036	29,973	27,011	23,734	19,330	17,715	16,363
Ordinary lending financed by ordinary deposits	66 %	68 %	67 %	69 %	70 %	65 %	61 %	60 %	55 %	55 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary deposits	49 %	50 %	50 %	50 %	50 %	50 %	49 %	48 %	49 %	52 %
Capital adequacy										
CET1 Capital	13,229	12,192	10,679	9,374	8,254	6,687	6,177	4,938	4,356	3,291
Core capital	15,069	13,988	12,382	10,989	9,357	7,856	7,286	6,730	4,967	3,703
Primary capital	17,185	16,378	14,937	12,417	10,943	9,055	8,646	8,730	7,312	5,560
Risk weighted volume	88,788	89,465	95,317	84,591	82,446	75,337	66,688	64,400	61,538	47,775
Minimum requirements subordinated capital	7,103	7,157	7,625	6,767	6,596	6,027	5,335	5,152	4,923	3,822
CET 1 Ratio	14.90 %	13.63 %	11.20 %	11.08 %	10.01 %	8.87 %	9.27 %	7.67 %	7.13 %	7.41 %
Core capital ratio	16.97 %	15.63 %	12.99 %	12.99 %	11.35 %	10.43 %	10.93 %	10.45 %	8.07 %	8.41 %
Capital ratio	19.36 %	18.31 %	15.67 %	14.68 %	13.27 %	12.02 %	12.97 %	13.56 %	11.88 %	12.06 %
Leverage ratio	7.42 %	6.69 %	6.03%							
Cost/income ratio	44 %	50 %	44 %	48 %	54 %	53 %	44 %	47 %	55 %	51 %
Losses on loans	0.39 %	0.14 %	0.08 %	0.09 %	0.06 %	0.03 %	0.16 %	0.31 %	0.21 %	-0.01 %
ROE	11.3 %	10.7 %	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %
Growth in lending (gross)	8.0 %	5.8 %	7.3 %	7.0 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %
Growth in deposits	4.8 %	5.6 %	8.5 %	7.0 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %
Number of staff	1,328	1,298	1,273	1,238	1,216	1,153	1,117	1,108	1,062	1,017
Number of FTEs	1,254	1,208	1,192	1,159	1,135	1,109	1,035	1,017	973	940
Number of branches	48	49	49	50	51	54	54	55	56	56

Net profit and return on equity

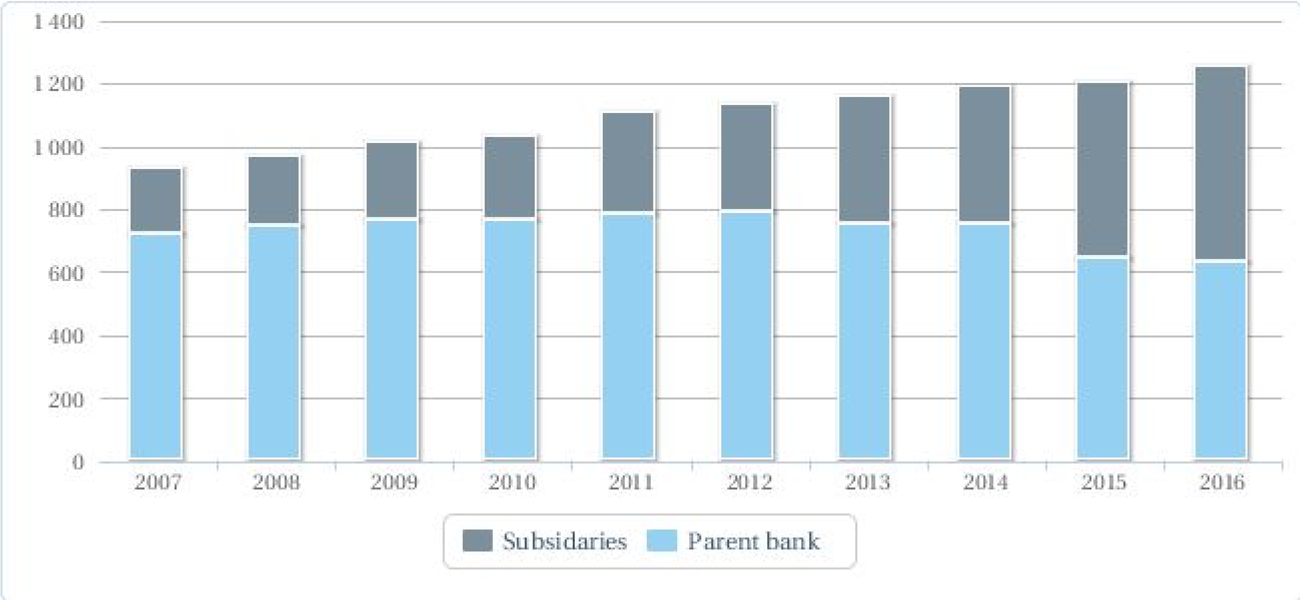


Capital ratio

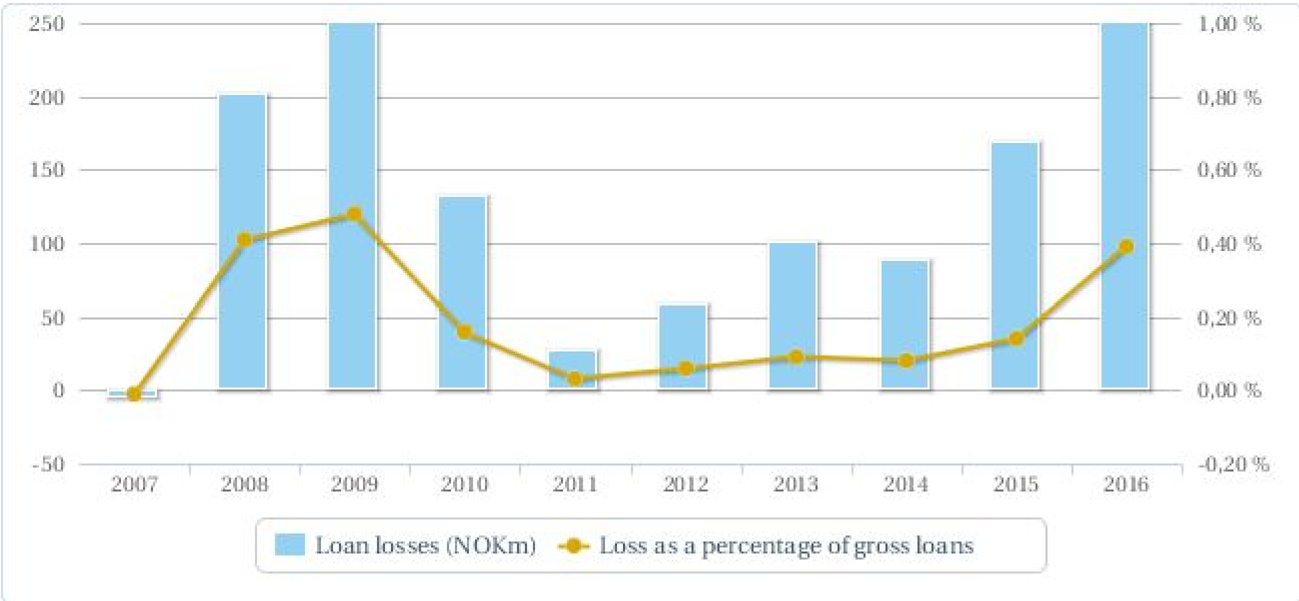


Loans and deposits (NOKbn)

FTEs



Loan losses



Dividend and profit per ECC (NOK)

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

Statement by the Board of Directors and the Group CEO

We hereby declare that to the best of our knowledge

- the financial statements for 2016 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group.

Trondheim, 7. march 2017
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen
Aud Skrudland	Morten Loktu	Janne Thyø Thomsen
Arnhild Holstad	Erik Gunnes (employee rep.)	Oddny Lysberg (employee rep.)
		Finn Haugan (Group CEO)

Auditor's report

Deloitte.

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To the Supervisory Board of SpareBank 1 SMN

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 SMN. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	*Procedures for key audit matters*
IT- systems and controls relevant to financial reporting	
SpareBank 1 SMN's IT systems are essential for accounting and reporting of completed transactions. It provides the basis for important estimates and calculations and provides relevant additional information. The IT systems are standardized, and management and operations are largely outsourced to service providers. A more detailed description of the development, management and operation of IT systems in SpareBank 1 SMN, see note 6 in the financial statements. Proper management and control of IT systems both at SpareBank 1 SMN and among service providers are paramount to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.	SpareBank 1 SMN has established overall governance model and internal control activities related to their IT systems. We have acquired an understanding of SpareBank 1 SMN's governance model for IT and the IT environment relevant to financial reporting. We have assessed and tested the design of internal control activities related to IT systems and control activities that are relevant to the financial reporting, including a sample of controls related to operations, change management, and information security. We tested the operating effectiveness for a sample of these controls in the reporting period. We assessed and tested the design of a sample of automated controls related to computations, reconciliations and the settlement of transactions, among others. For a sample of these controls we tested the operating effectiveness in the reporting period. We assessed the assurance report (ISAE 3402 report) issued by the independent auditor for SpareBank 1 SMN's service providers as to whether they had adequate internal controls in areas that may be significant for SpareBank 1 SMN's financial reporting. We have used Deloitte's IT specialists in efforts to understand the overall governance model for IT and in the evaluation and testing of internal control activities related to IT.
Impairment losses on loans within the corporate market	
The book value of loans at 31 December 2016 amounts to MNOK 102.325, individual write-downs amounts to MNOK 632 and group write-downs amounts to MNOK 339. See Note 7-15 for a discussion of credit risk and impairment losses on loans and guarantees. There is considerable judgement in the Bank's evaluation of the size of the write-downs, both for individual loans and groups of loans within the corporate market. As a result of the current market situation for oil-related activity there is a significant uncertainty related to impairment losses	SpareBank 1 SMN has established various internal activities related to write-downs on loans and provisions for losses on guarantees within segment industry. We assessed and tested the design of a sample key control activities related to the process for write-downs of loans within the corporate market.The control activities were related to the identification of bad loans and the assessment of cash flows for these loans. We tested the operating effectiveness for a sample of these controls in the reporting period.

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within this industry. Judgement is related to the evaluation of the probability of default and loss given default. Assumptions and estimates used in these evaluations are essential for the size of the write-downs and impairments in the corporate market, including oil-related activities. It is therefore a key audit matter.	For a sample of loans with individual write-downs, we tested whether the loss event was timely identified and assessed the cash flows that management had estimated, including that collateral was set on the basis of external appraisals. For write-downs on loans calculated using models we tested the models' technical calculations by recalculating a sample of the calculations. We further tested the accuracy of a sample of the input data used in the calculations by comparing it to the information from the bank's IT systems. We also assessed material assumptions used in the models by comparing it to our own expectations based on general knowledge of the market and the Bank's operations. We also considered whether the notes to the financial statements about write-downs on loans and guarantees in the segment business was adequate.
Note information on capital requirement	
SpareBank 1 SMN is subject to the regulations on capital requirement in Financial Enterprises Act and associated regulations. The accounting regulations for banks requires information on capital requirement in the notes to the financial statements. Note 5 to the financial statements provides information on, among other methods used, net capital, total calculation base and capital requirement. With the exception of engagements with governments and central banks, SpareBank 1 SMN utilizes internal measurement methods (IRB) for assessing credit risk. The use of IRB requires comprehensive standards regarding organization, competence, risk models and risk management systems. SpareBank 1 SMN must, at all times, satisfy the minimum capital requirement on entity and group level. The fact that compliance with the minimum capital requirement ratio is a condition for the Bank's operations and that the calculations are complex and based on a number of assumptions and estimates, makes it a key audit matter.	SpareBank 1 SMN has established various internal control activities related to the calculation of net subordinated capital, total calculation base and capital requirement. We have assessed and tested the design of the internal control activities that we deemed most significant. The internal control activities we tested were related to the completeness of the data transfer and the calculation of the risk-weighted calculation base. We tested the operating effectiveness for a sample of these controls in the reporting period. We assessed SpareBank 1 SMN's interpretations of the capital requirement framework in a sample of areas against the capital requirement regulations and practices in the industry. Furthermore, we controlled the accuracy of calculation of selected items included in regulatory capital. We also assessed whether other information in the note on capital requirement was adequate.

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Other information
Management is responsible for the other information. The other information comprises the Annual Report of 2016, but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 7 March 2017
Deloitte AS

Mette Estenstad
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.