Annual report 2011

Satisfied customers assure the future. We ensure good experiences for the customer through our products and services. SpareBank 1 SMN continues its effort to develop better and better solutions. In 2011 we launched a new version of our mobile banking service, the home finance product Starthjelp and a pocket-money card for youngsters, while, at our educational facility, a hundred or so of our colleagues were on course to become authorised financial advisers.

SpareBank 1 SMN

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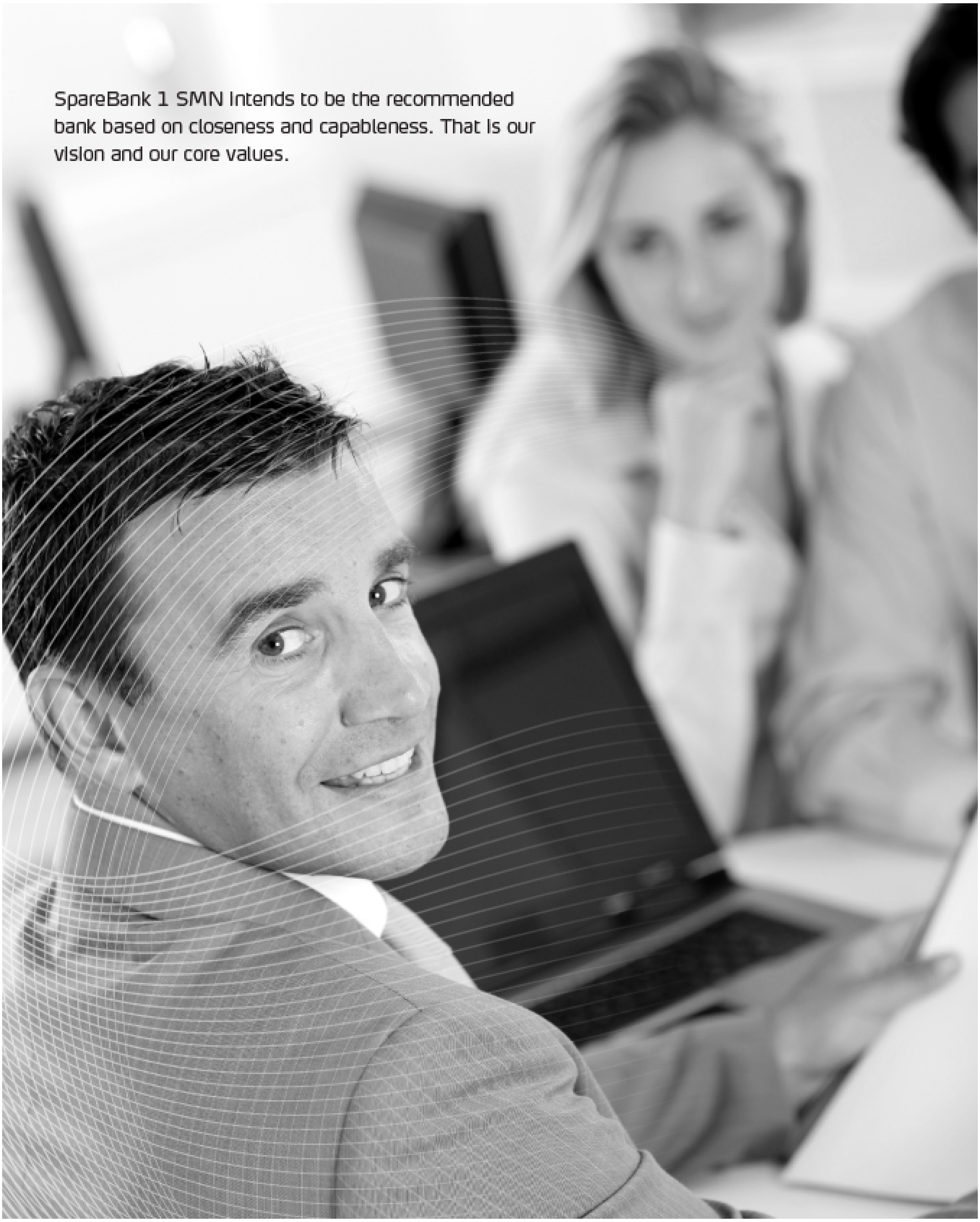
General information



This is SpareBank 1 SMN

SpareBank 1 SMN is the region's leading financial services group and one of six owners of the SpareBank 1 Alliance. Its Head Office is in Trondheim and the Group and its subsidiaries have more than 1,100 staff. SpareBank 1 SMN is a regional independent savings bank with a local footing. Closeness and competence characterise our relationship to the market.

The region's largest financial services group

- one of Norway´s oldest banks, founded in 1823
- present in 54 locations across 43 municipalities in both Trøndelag counties, Møre and Romsdal, and Sogn and Fjordane
- one-stop provider in the field of financing, saving and investment, insurance and payment service to retail customers and corporates
- 185,000 retail customers
- 13,000 corporate customers
- the region´s leading real estate agent, through EiendomsMegler 1
- the region´s leading leasing company, through SpareBank 1 SMN Finans
- the region´s only full-fledged investment firm through SpareBank 1 SMN Markets
- the region´s largest private contributor to business development and non-profit causes, through SpareBank 1 SMN Fondet

Financial summary, last ten years

From the income statement (mNOK)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net interest and credit commission income	1,281	1,210	1,279	1,345	1,125	1,008	961	864	864	896
Commision and fee income	919	855	756	610	671	580	537	443	332	282
Operating expenses	-1,482	-1,140	-1,253	-1,194	-1,103	-990	-906	-729	-733	-681
Operating profit before losses and return on financial investments	718	925	782	761	693	597	592	577	463	498
Income from investment in related companies	290	249	349	393	233	190	119	23	-5	-168
Return on financial investements	298	240	293	-181	113	245	170	55	81	-23
Loan losses and gains / write-downs on disposals of fixed assets	27	132	277	202	-6	-84	-38	81	229	229
Pre-tax operating profit	**1,279**	**1,282**	**1,147**	**771**	**1,045**	**1,116**	**919**	**574**	**311**	**77**
From the balance sheet (mNOK)										
Total assets	101,455	97,992	84,541	84,679	71,503	63,178	54,327	38,505	36,876	35,991
Outstanding loans (gross)	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226	32,553	31,089
Outstanding loans including transf. SpareBank 1 Boligkreditt (gross)	95,232	87,665	77,429	71,317	61,910					
Gross loans in retail market	55,034	49,619	45,157	42,679	38,872	33,898	29,032	21,491	20,008	17,961
Gross loans in corporate market	40,198	38,046	32,272	28,638	23,038	18,921	16,248	12,735	12,545	13,128
Deposits	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725	19,876	19,049
Deposits from retail market	20,860	19,052	17,898	17,566	16,070	14,707	14,080	11,256	11,252	10,981
Deposits from corporate market	27,011	23,734	19,330	17,715	16,363	13,967	12,968	9,469	8,624	8,068
Growth in lending, %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %	5.1 %	4.7 %	6.2 %
Growth in deposits, %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %	4.3 %	4.3 %	6.6 %
Key figures and ratios										
Return on equity	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %	20.0 %	10.2 %	0.4 %
Cost-income ratio	53.2 %	44.6 %	46.8 %	55.1 %	51.5 %	49.0 %	50.7 %	52.7 %	57.6 %	69.0 %
Core capital ratio	10.4 %	10.9 %	10.5 %	8.1 %	8.4 %	8.6 %	8.8 %	10.8 %	10.1 %	8.1 %
Capital adequacy ratio	12.0 %	13.0 %	13.6 %	11.9 %	12.1 %	11.9 %	10.9 %	12.7 %	13.9 %	11.1 %
No. of staff	1,153	1,117	1,108	1,062	1,017	950	898	772	772	825
No. of person-years worked	1,109	1,035	1,017	973	940	841	806	637	713	718
No. of branches	54	54	55	56	56	58	62	56	56	56
Key figures EC [1)]										
EC ratio	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %	51.4 %	53.0 %
EC price (NOK)	39.30	54.00	49.02	22.85	54.65	61.65	59.19	41.60	29.05	17.55
Market value (mNOK)	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113	1,476	891
Profit per EC (NOK)	6.61	6.43	6.73	4.49	6.16	6.57	5.63	2.91	2.34	0.66
Dividend per EC (NOK)	2.00	3.00	2.27	1.51	4.24	3.30	3.63	2.02	2.18	0.91
Booked equity capital per EC (including dividend)	54.44	50.61	44.89	40.03	38.35	35.06	31.85	26.31	24.05	22.69
P/E	5.94	8.40	7.29	5.09	8.87	9.38	10.52	14.28	12.43	26.67
Price / Booked equity capital	0.72	1.07	1.09	0.57	1.43	1.76	1.86	1.58	1.21	0.77

1) For definition of key figures for primary capital certificates, see chapter Equity capital certificates.

Key goals and strategies

Vision and values

Vision

We intend to be the recommended bank. This vision entails a weighty commitment to our customers, partners, staff and ECC holders. To fulfill this vision we must strive continuously to improve ourselves and to stay abreast of market and customer needs.

Values

We want our customers to perceive us as close at hand and capable. This means being close to our customers through personal contact, taking the initiative to meet the customer with the best advice and products, and being an active mainstay of the region. ‘Capable’ means offering a broad product range that is right for the times, and employing staff with solid professional competence and first rate skills. We aim to maintain a high ethical standard in everything we do, and want our customers to feel that their needs for financial advice and services are met in a professional manner. Our values of being close at hand and capable are our guiding principle, qualities we strive for every single day. They help us to achieve our goals and to make the right priorities.

Strategic ambition

At the end of the strategy period SpareBank 1 SMN will continue to be an independent, regional finance house – a powerhouse for development of the region. SpareBank 1 SMN will come across as profitable and known for excellent customer experience. SpareBank 1 SMN is unquestionably solid and its return on equity puts it among the three best banks in Norway. SpareBank 1 SMN has a strengthened market position and has significantly improved its market shares in Trondheim, Molde and Ålesund, as well as its position in the SMB market and the deposit market.

Our ambition is to **remain an independent, regional and profitable** bank that means more to firms and individuals in our market area than any other bank.

The SpareBank 1 Alliance is the bank’s strategic foundation and the basis for SpareBank 1 SMN’s regional business strategies and independence. SpareBank 1 SMN will play an active role in developing the SpareBank 1 Alliance as a leading financial services grouping.

Some main strategy themes in the run-up to 2015

- solid and profitable with a return on equity among the three best-performing comparable banks
- continued growth in market shares
- developing a position as bank with Excellent Customer Experience
- further develop and renew the brand and position in the market area
- further develop an organisation that generates commitment and good performances
- continuous improvement of work processes to create maximum customer value

Solid, with profitability ratios among the three best-performing comparable banks
Profitability ratios on a par with the three best-performing comparable banks. SpareBank 1 SMN intends to be unquestionably solid with funding that enables it to survive at least 12 months without access to money market finance. SpareBank 1 SMN has a good supply of deposit financing and aims to continue to increase shares in the savings and deposit markets.

Continued growth in market shares
SpareBank 1 SMN is a clear cut market leader in Trøndelag and Nordvestlandet, but sees further growth potentials in retail markets and the corporate market. Growth will be achieved by further developing customer portfolios across the Group and increasing customer migration from competitors. SpareBank 1 SMN sees potentials in further developing and strengthening the group's position in the larger towns and urban areas and in maintaining a very strong market position in the districts. Skilled advisers that meet customer needs by identifying the right product range and product coverage for the individual customer will promote continued sound growth for SpareBank 1 SMN.

Excellent Customer Experience
Based on an assessment of opportunities present in the market, the competitive situation and customers' expectations, the Bank will in the strategy period take measures to develop and take its place as the best bank Excellent Customer Experience. A strategic position in which the bank is regarded as a bank with "Excellent Customer Experience" is a position that affords competitive power and considerable potential for continued growth.

Further develop and renew the brand and position in the market area
SpareBank 1 SMN holds a prominent position and is the most familiar banking group to existing and potential customers in the Bank's market area and the one of which people are most aware. We see further potential for growth by strengthening the content of the SpareBank 1 SMN brand and the market's awareness of what it stands for.

Further develop an organisation that generates commitment and good performances
Further development of organisational and managerial capability will be a central area for development in the strategy period. Opportunities exist to strengthen and further develop customer relationships by profiling the competence and skills possessed by staff at SpareBank 1 SMN.

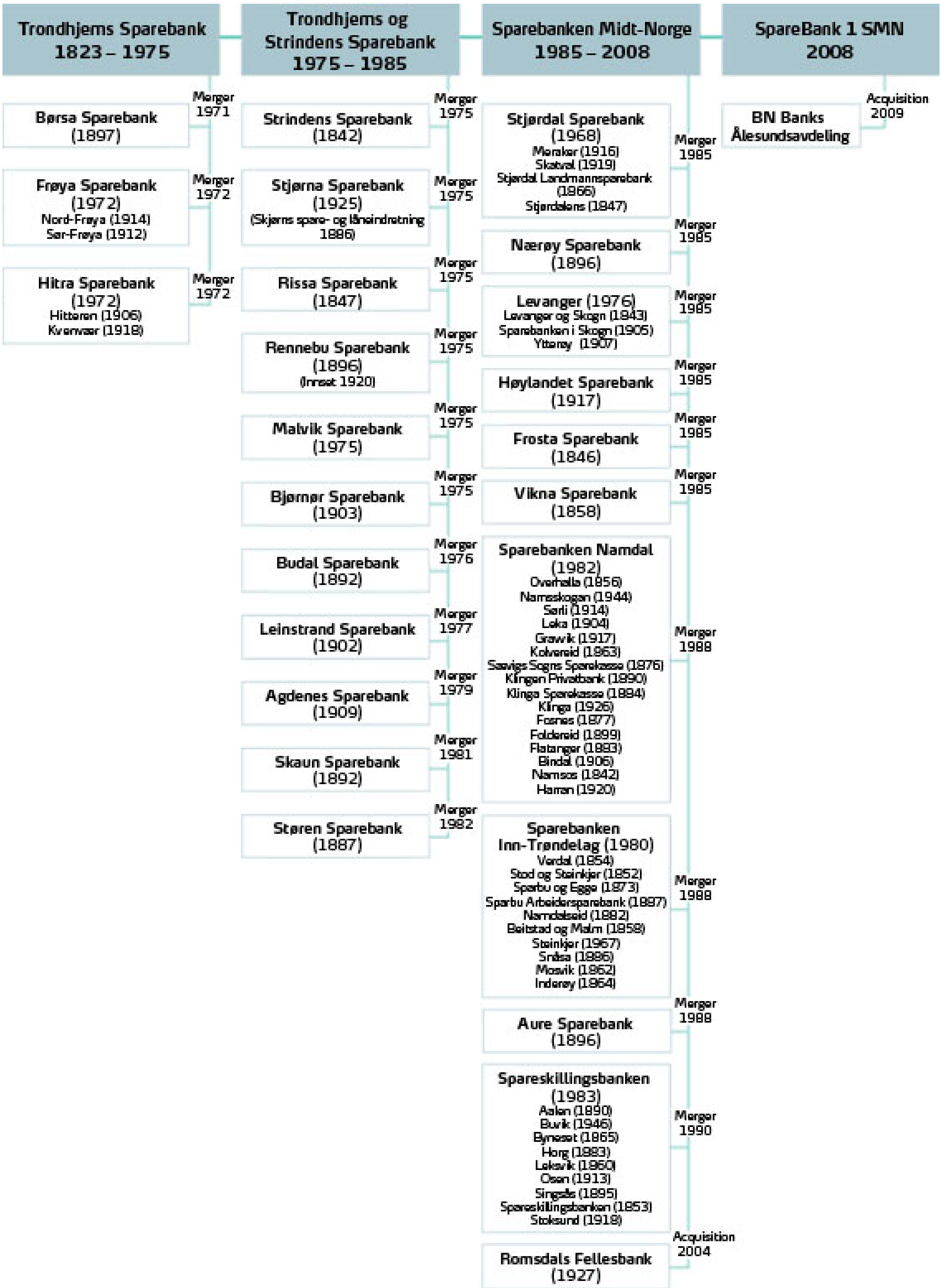
Coming across as service-minded and enthusiastic
SpareBank 1 SMN sees possibilities for and potentials in strengthening customers' experience of the bank and their meeting with the bank's staff. Through the programme "Excellent Customer Experience" we wish to generate a commitment and passion in the organisation that inspires us to turn every point of contact with the customer into an opportunity to confirm and reinforce their choice of SpareBank 1 SMN as their main bank.

Continuous improvement
Potential gains can be made by applying a structured approach to optimise, on a continuous basis, processes and tasks that create customer value. The Group will launch improvement projects designed to

create increased value for the customer, shorten delivery times and establish a consistent and predictable customer experience. SpareBank 1 SMN will escalate work on continuous improvement, developing processes to assure a constant effort to create maximum value for our customers.

The story of SpareBank 1 SMN

The first customers entered Trondhjems Sparebank in the year 1823. Our offering of financial services has evolved in keeping with society as a whole. Initially the Bank's goal was to combat poverty and give ordinary people the opportunity to save. Today SpareBank 1 SMN is one of Norway's largest banks and a complete financial department store.



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Business 2011

Robust customers combined with solid banking enabled SpareBank 1 SMN to post a net profit of NOK 1bn for the second year running.

Statement by the Group CEO

2011 proved another good year for SpareBank 1 SMN. A Group pre-tax profit of NOK 1,279m, a stable trend in the Bank's core business and sound growth in market shares confirm the Bank's solid position. The Bank is better equipped than ever to meet its customers' expectations and needs.

2011 was marked by the debt challenges facing a number of European states, while Norway, more clearly than for some time, has been the odd country out. Whereas the eurozone is rocked by financial turmoil, Norway appears relatively untouched. The housing market is breaking record after record, the oil price remains high and unemployment is very low. The Bank's market area – Trøndelag and Nordvestlandet – has been very little affected by the international turbulence. Both households and firms appear robust. This, in combination with the solid banking skills shown by our capable staff, has resulted in another good year for SpareBank 1 SMN.

Last year's profit of NOK 1,024m was unprecedented, and NOK 2m higher than the 2010 figure. Return on equity was 12.8 per cent (14.6 per cent). The annual accounts reflect well-run core business, a positive income trend, low losses, high return on financial assets, a good financial position, excellent lending growth in the retail market and high growth in both household and corporate deposits.

Profitable growth
SpareBank 1 SMN aims to achieve good growth in prioritised areas. The Bank has succeeded well in the retail market and the corporate market alike. This is largely due to the Bank's "sit tight" strategy, adopted in September 2008, which effectively meant maintaining normal lending activity in a period when most banks introduced lending restrictions. In autumn 2011 the Board of Directors opted to continue this strategy.

The Bank saw a good supply of customers in 2011, as previously, with a net growth of 2,600 new retail customers and 600 new corporate customers. We strengthened our market leader position in Trøndelag and Nordvestlandet over the course of the year. This is especially gratifying since our main competitor has in 2011 tried harder than ever to challenge our position as the clear-cut leading bank for business and industry, the public sector and retail customers. They will not succeed in this endeavour.

A large influx of new customers in combination with good customer follow-up and sales secures the Bank's economic base. This complements the Bank's high focus on risk management. The Bank's low level of defaults and losses confirms our first-rate credit skills. Continuous improvement of the Bank's ICAAP and good processes with regard to our forthcoming application for advanced IRB status will over time reinforce our work on risk management in the credit area and in all other relevant areas.

Money market funding
In 2011 as in 2010 we devoted much attention to maintaining access to money market funding. The debt crisis in Europe and the resulting challenges for the international banking and financial system have led to periods of poor access to ordinary senior funding, and funding costs have risen strongly over the year. We do not see our bank facing poorer access or higher costs than our competitors. Our chief funding source is still ordinary deposits. On that front we improved the Bank's competitive power and saw excellent deposit growth in 2011.

SpareBank 1 Boligkreditt, the Bank's residential mortgage arm, is an important source of funding, and by the end of 2011 we had transferred home mortgage loans worth NOK 22bn to this entity. A substantial potential for further transfers exists, indicating that Boligkreditt will be one our chief funding sources in 2012 as previously. Prices have also risen in the covered bond market. The increased cost of money market funding, both for the Bank directly and by way of Boligkreditt, suggests increased margins both for home loans and corporate loans in 2012.

The Board of Directors has affirmed the Bank's conservative liquidity strategy, and at the end of 2011 our liquidity reserve, including Boligkreditt, was sufficient for the Bank to maintain ordinary operations for upwards of 17 months. The minimum requirement under the liquidity strategy is 12 months.

Strong alliance
The SpareBank 1 Alliance showed a satisfactory trend in 2011, as previously. The results posted by the companies in SpareBank 1 Gruppen were marginally down on the 2010 figures. This is mainly due to a negative stock exchange trend and an increased number of major claims which diluted the performance of the non-life company. All product companies saw improved sales in 2011. Cooperation within the alliance is very good.

Structural adjustments are taking place, and mergers between alliance banks have been seen in 2011 and a small savings bank opted to merge with a bank outside the alliance. Further, several Terra banks have merged with Samspar banks, thereby strengthening Samspar as an alliance partner. Towards year-end Samspar showed renewed confidence in SpareBank 1 SMN by choosing to prolong its wholesale agreement with the Bank.

We are very pleased with our position as an alliance participant, and are doing what is necessary throughout to strengthen the Bank's relationship with SpareBank 1 Gruppen and the alliance banks.

Establishment of Sparebankstiftelsen SpareBank 1 SMN
The Supervisory Board resolved in May 2011 to establish a savings bank foundation named Sparebankstiftelsen SpareBank 1 SMN. The foundation's mission is to secure long-term ownership of SpareBank 1 SMN through participation in private placings. Based on the Supervisory Board's resolution, the foundation will be allotted portions of the provision for donations to non-profit causes. It is our assessment that this model best secures the Bank's long-term survival as an independent, regional savings bank by enabling portions of the added value assigned to the ownerless capital to be reinvested in the Bank. With this policy for gift allocations, the Bank will in good times concurrently be able to maintain contributions to social development through non-profit donations at a level sufficient to discharge our social responsibility in a sound manner. Although, over time, the foundation will also be in a position to distribute donations, it is considered indubitably best for this function to be discharged by the Bank and is viewed in conjunction with the Bank's ordinary business development.

Strengthening equity capital
At the time of writing the Board of Directors has made public its proposal to carry out an equity capital increase of up to NOK 1,010m. This is the outcome of the Board's strategy discussions in 2011 and meets the market's general expectations of increased equity capital in the financial sector.

The increase of capital will be achieved through an underwritten rights issue in favour of existing equity capital certificate (ECC) holders, a private placing of up to NOK 60m with employees of the Group and members of the Bank's Board of Directors, and a private placing of up to NOK 200m mainly with the foundation Sparebankstiftelsen SpareBank 1 SMN.

With its proposed stock issues the Bank intends to strengthen core capital and the financial basis for profitable growth and exploitation of business potentials in the market area. In line with the Bank's strategy behind the establishment of the foundation Sparebankstiftelsen SpareBank 1 SMN, a stock issue will be placed with the foundation. The foundation has been supplied with funds partly year-end appropriations for 2010 and partly by transferring to the foundation an unutilised gift provision from previous years.

SpareBank 1 SMN's aims for a tier 1 capital ratio of 11 per cent, rising to 12 per cent by 2015. This target was set in autumn 2011. The planned stock issues will raise the tier 1 ratio to up to 11.6 per cent, with common tier 1 equity at 10.1 per cent.

Most important resource

We are giving increasing focus to competence enhancement, and developing workforce skills and the organisation is becoming ever more important. Our employees are by far the Bank's most important resource. Without their commitment and teamworking ability, last year's record performance would not have been possible.

In order to assure well-being and development of both professional competence and the individual staff member's ability to foster customer relationships in a first-class manner, we will foster continuous improvement, healthful activities through the 'Better Shape' programme and training of authorised financial and insurance advisers.

In 2011 the Board of Directors adopted a new strategy for the period 2012 - 2015. The strategy is named "Excellent Customer Experience". We will implement a number of initiatives designed to assure a keen attention to the customer's experience in our sales and advisory activities. The Bank creates value through the interaction between adviser and customer. We believe a stronger focus on this interaction process and all deliveries to the customer adviser will enhance value creation and customer satisfaction and preference over time. This will consolidate the Bank's position and assure sound profitability for a long time ahead.

Administrative follow-up is assured by the recruitment of Wenche Seljeseth to the Bank's group management team to direct this programme. A key step in this work will be to initiate continuous improvement of all processes in the Group with a view to improving the customer's experience of the Bank and increasing the Group's cost-efficiency.

Concluding comment

At SpareBank 1 SMN we wish to create lasting values for our customers, owners, employees and society. We have a good year behind us. The Bank has acquired a solid market position and the SpareBank 1 Alliance is functioning well.

Our vision is to be the recommended bank. Our ambition is to consolidate our position as different. Different in the sense that we do not wish to be seen as a 'run of the mill' bank, but as a bank that means something extra for businesses and to most people in Trøndelag and Nordvestlandet. Our means to attain this ambition are first and foremost capable staff, good ongoing earnings and a strong financial position that enable responsibly-minded banking. By responsibly-minded banking we mean an approach to the profession that gives due weight to our social role as a leading provider of capital, custodian of savings and distributor of important savings and insurance products in our market area. We wish to make an extra effort when key firms face challenges we believe we can help to solve, likewise when vital social projects are to be carried through.

Moreover, we will contribute financially to afford our children optimal conditions for growing up and our young people a safe arena and a broad range of sports and cultural facilities, and we will play our part in enabling new businesses to emerge and grow. We are an active mainstay for the majority of major cultural events throughout our market area and view the Bank’s support as important and necessary to ensure that our region is an attractive one to live in. By the same token we also believe we are safeguarding the Bank’s future as a strong, leading and profitable institution much appreciated by its employees, owners, the society and its customers alike.

That is why we are confident that SpareBank 1 SMN will fare well and make progress in 2012 and the years ahead.

Important events in 2011

First quarter

- Profit of NOK 1,022m after tax in 2010
- Supervisory Board declares a dividend of NOK 3.00 per equity capital certificate for 2010
- Terje Skjønhals re-elected as chairman of the Supervisory Board for a one-year term
- Per Axel Koch re-elected as new chairman of the Board of Directors for a two-year term
- FAIBCI Property Award goes to SpareBank 1 SMN's new Head Office
- Trondheim Municipality's Energy Award goes to SpareBank 1 SMN's new Head Office
- Tæl ('Guts') Prize of Honour awarded in Molde to Professor Arild Hervik of Molde University College
- The Bank acquires 9.1m Polaris Media shares from the bankruptcy estate of Roll Severin

Second quarter

- Profit of NOK 255m after tax for the first quarter 2011
- Supervisory Board approves establishment of Sparebankstiftelsen SpareBank 1 SMN
- School for street children, supported by SpareBank 1 SMN, opens in Tacloban in the Philippines

Third quarter

- Profit of NOK 505m after tax for the first half 2011
- SpareBank 1 SMN JazZtipendiat scholarship goes to saxophonist Marius Neset
- The Bank celebrates 125 years' presence in Snåsa

Fourth quarter

- Profit of NOK 745m after tax for the first nine months of 2011
- Tæl ('Guts') Prize of Honour awarded in Trondheim to the municipality's overdose team
- The Bank is awarded the Prize of Honour at Trondheim Sports Gala for excellent work on the keep-fit programme 'Better Shape'
- SpareBank 1 SMN Regnskap acquires 40 per cent of the national accounting chain Consis

Business description

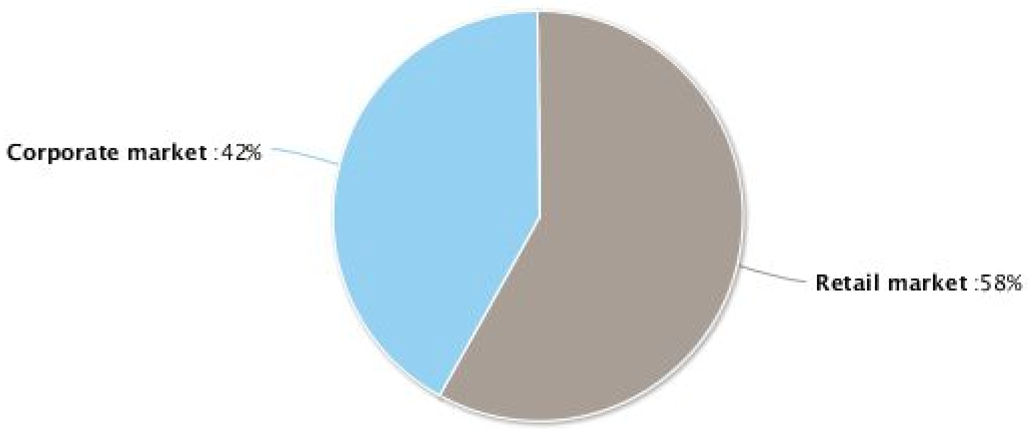
Overview

SpareBank 1 SMN is Trøndelag and Nordvestlandet's leading bank with assets totalling NOK 101bn at the end of 2011. The Head Office is in Trondheim and the Group employs about 1,150 staff. As one of six members of the SpareBank 1 Alliance, the Bank forms part of Norway's second largest financial services grouping. SpareBank 1 SMN is organised in divisions to secure a customer-oriented and cost-effective organisation while respecting the differing competencies required by the six divisions.

The Retail market, Corporate market and Capital markets Divisions focus on customer satisfaction and risk management alongside activity-based sales and advice. Business Support and Business Development focuses on cost-effective work processes and support enabling the customer-facing divisions to attain their goals, while the Finance Division provides an overall basis for decision making, risk management and financial and asset-liability management.

Through the SpareBank 1 Alliance and through its own subsidiaries, SpareBank 1 SMN is assured access to competitive products in the fields of financing, savings and investment, insurance and money transfer services.

Distribution of lending



Accessibility

A key aspect of SpareBank 1 SMN's strategy is to maintain a presence via a variety of office solutions in municipal and administrative centres in its natural catchment area. This, combined with round-the-clock access via the internet bank and mobile solutions and our customer centre, gives the Bank a unique competitive edge.

SpareBank 1 SMN has 54 offices in 43 municipalities. Its presence extends from Øvre Årdal in Sogn and Fjordane county in the south to Bindal in Nordland county in the north. The Bank's offices service the various customer categories via a variety of office solutions. A total of 54 offices provide retail customers with advisory services in all product areas. 33 of these offices provide advisory services to corporate customers. Payment services are provided via ordinary OTC and self-service facilities.

Retail market Division

The business

The Retail market Division is responsible for all activity directed at the region's retail customers. The Division provides personal financial advice. The Division aims to attract and retain customers by strengthening and developing first class products, competence and customer handling.

The Bank offers a broad-based and modern product range in the fields of financing, savings and investment, insurance and payment services. This enables the customer to meet all his financial needs in one spot, and makes it securer and simpler for the customer to keep tabs on and to manage his/her personal finances.

Taking our place as the recommended bank places high demands on our staff. The Bank has a continuous focus on developing competence, skills and good mindsets to meet the demands of today's financial market and to give the best possible assistance to our customers. The Bank operates a wide-ranging competence building programme and takes care to ensure that advice is provided in compliance with statutory requirements and good advisory practice.

The Bank's customer contact points comprise an extensive network of offices throughout its market area and a dedicated direct bank, putting our advisors within easy reach of the customer. We also offer self-service facilities giving extensive access to our banking services. Activity and contact with the customer are a prerequisite for meeting customer requirements and expectations. Our high activity level features thematic meetings on topical themes, and individual advisory sessions are a key element.

Basic facts	2010	2011
Loanable capital:	46.9 bn NOK	52.1 bn NOK
Deposits:	19.1 bn NOK	21.2 bn NOK
No. of debit cards:	138,143	144,174
No. of credit cards:	74,115	87,347
No. of internet bank customers:	122,750	133,632
No. of multi-relationship customers;	182,279	184,825
No. of person-years in the division:	378	392

Customers and market position

The Bank leads the retail market in its catchment area, with a strong position in all product areas and market segments. Three out of ten households in Trøndelag and Nordvestlandet report the Bank as their main bank. Despite the intense competition the Bank shows a positive market trend and has a growing customer base.

Financial developments

The Retail market Division achieved a return on equity of 21.3 per cent in 2011. The pre-tax profit was NOK 273m. The decline of NOK 168m compared with 2010 is largely attributable to the write-back of early retirement (AFP) liabilities in 2010.

Incomes were NOK 30m lower than in 2010. Lending margins in 2011 were tightly squeezed by intense competition and stable low interest rates, but were compensated for by high growth and an increased deposit margin. A net loss of NOK 7m was recorded, corresponding to 0.01 per cent of lending. Risk present in the loan portfolio is negligible.

Prospects for 2012

Good framework conditions for households remain in evidence at the start of 2012. Households' credit demand is closely tied to the trend in the housing market, indicating continued good demand for loans. Keen competition is expected to result in a flat margin trend. A continued moderate interest rate level will help to maintain debt servicing ability and to hold down losses and defaults. We anticipate a somewhat firmer trend in income from savings and investment products, insurance and payments as a result of an expanding market.

Retail market Division result overview (NOK m)	2011	% of total income	2010	% of total income
Loan contribution	215	24 %	324	35 %
Deposit contribution	296	34 %	216	24 %
Interest on allocated capital	29	3 %	11	1 %
Net interest income	**540**	**61 %**	**550**	**60 %**
SpareBank 1 Boligkreditt	76	9 %	108	12 %
Other financing income	4	0 %	2	0 %
Saving	52	6 %	49	5 %
Insurance	81	9 %	73	8 %
Payments transmission	123	14 %	130	14 %
Capital market	6	1 %	2	0 %
Other income	1	0 %	0	0 %
Commission income	**343**	**39 %**	**363**	**40 %**
Total income	**883**	**100 %**	**913**	**100 %**
Operating expenses *	**603**		**468**	
Result before loss and tax	**280**		**445**	
Loss on loans/guarantees	7		4	
Estimated tax	-76		-124	
Results after tax	**196**		**318**	

* Contains both direct and distributed expenses

Return on allocated capital	**21.3 %**		**25.5 %**	

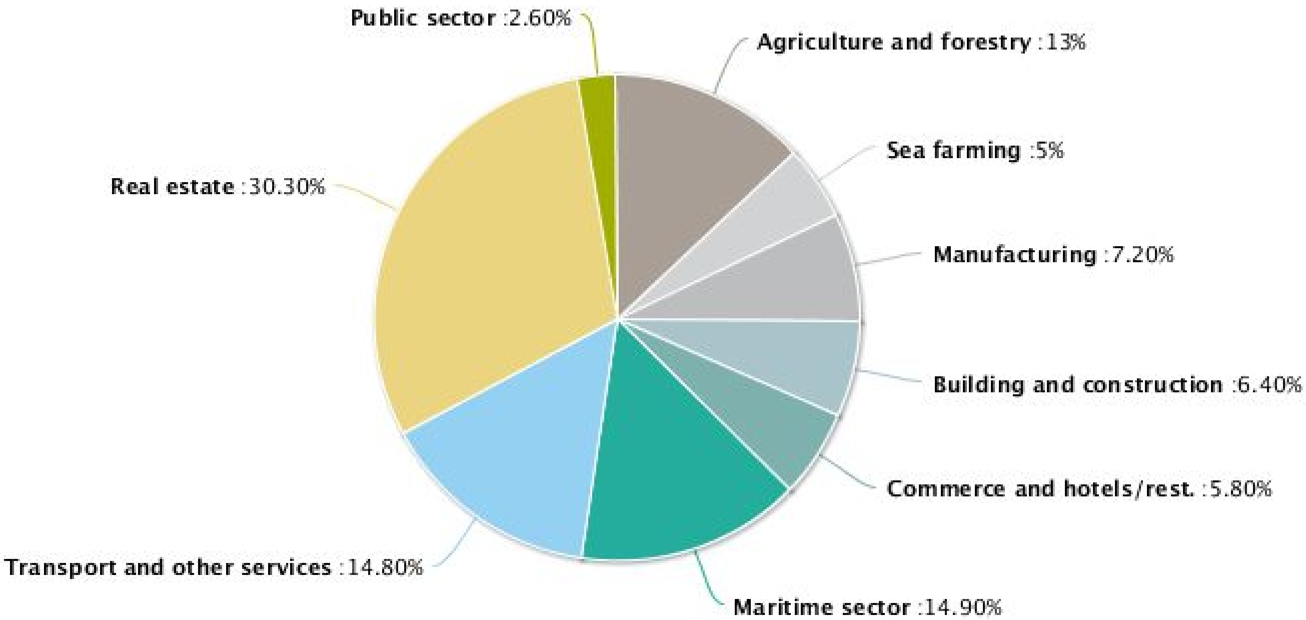
Corporate market Division

The business

The corporate market business focuses on financial counselling in investment and operations financing, insurance of individuals and buildings/operating equipment, investment of surplus liquidity and electronic and manual money transfers, domestic and foreign. Much of the business is in close cooperation with SpareBank 1 SMN Markets, SpareBank 1 SMN Finans and SpareBank 1 Factoring. The business is physically located across the entire market area to secure proximity to customers, while bearing in mind the need for competence units of sufficient size. The business is highly skills-intensive, and requires a continuous topping up of the individual staff member's competence. To this end the Bank has established an educational facility offering module-based training for all staff with particular emphasis on practical understanding of business and relevant banking skills.

The Bank is IRB approved and uses the IRB foundation approach to compute capital charges and credit risk. This, combined with excellent knowledge of the particular industry and local skills, will play its part in ensuring that further growth in the corporate market is in keeping with the Bank's responsibility as a regional market leader at the same time as risk exposure is in line with the Bank's credit policy.

Distribution of corporate lending by sector



Customers and market position

The Bank services around 13,200 multi-relationship customers, i.e. corporate customers, agricultural sector customers and customers in the public sector. SpareBank 1 SMN's share of this market segment in the region is about 35 per cent. The Bank also services a number of single-relationship customers in business areas including insurance, capital markets, leasing and factoring. The corporate sector in Trøndelag features a large number of small and mid-size companies in a variety of segments. This structure has a clear impact on the Bank's organisation of its corporate market operations.

SpareBank 1 SMN has a clear-cut ambition to retain its position as the leading regional bank for small and mid-size firms in Trøndelag and Nordvestlandet. This segment will be invited to replenish skills via a competence building programme ('PRO') at which the Bank in conjunction with BI Norwegian Business School will offer schooling in themes including innovation, marketing, financial management and leadership.

SpareBank 1 SMN has built up specialist competence in non-life insurance, asset allocation in addition to further developing its occupational pension solutions. In close conjunction with the Bank's business advisers, corporate clients in the region will have access to professional advice and solutions tailored to individual needs.

Basic facts	2010	2011
Loanable capital:	36.4 bn NOK	38.7 bn NOK
Deposits:	22.7 bn NOK	25.3 bn NOK
No. of multi-relationship customers:	13,163	13,235
No. of person-years in the division:	172	187

Financial developments

The Corporate market Division posted 13.8 per cent return on equity in 2011 compared with 12.0 per cent in 2010. The improvement is ascribed mainly to increased incomes and reduced loan losses. Overall operating income came to NOK 1,069m in 2011, an increase of NOK 148m over the previous year. Net interest income rose by NOK 130m and commission income by NOK 18m. The increase in net interest income is ascribed to a stable lending margin, increased loan and deposit volumes and high arrangement commissions. Commission income rose by NOK 18m; this is mainly income on currency transactions and a result of successful collaboration with the Bank's Capital market Division.

Prospects for 2012

Prospects for 2012 are uncertain and heavily affected by developments in the eurozone. This is especially true of export firms with exposure to Europe. There are however positive expectations in the maritime industry, offshore, aquaculture and the fisheries - segments in which SpareBank 1 SMN's market share is growing. But the Bank is still prepared to take requisite steps to meet any problems that arise, and works closely with customers to find solutions that support common interests in the business conditions prevailing at all times. The Corporate market Division will accordingly maintain its capacity and competence to ensure that the Bank remains close at hand with skilled financial services in the long term.

Corporate market Division result overview (NOK m)	2011	% of total income	2010	% of total income
Loan contribution	562	53 %	543	59 %
Deposit contribution	221	21 %	171	19 %
Interest on allocated capital	117	11 %	56	6 %
Net interest income	**900**	**84 %**	**770**	**84 %**
SpareBank 1 Boligkreditt	2	0 %	3	0 %
Other financing income	34	3 %	32	3 %
Saving	2	0 %	9	1 %
Insurance	25	2 %	24	3 %
Payments transmission	69	6 %	68	7 %
Capital market	36	3 %	16	2 %
Other income	1	0 %	1	0 %
Commission income	**169**	**16 %**	**151**	**16 %**
Total income	**1,069**	**100 %**	**921**	**100 %**
Operating expenses *	**352**		**278**	
Result before loss and tax	**717**		**643**	
Loss on loans/guarantees	5		104	
Estimated tax	-199		-151	
Results after tax	**513**		**388**	

* Contains both direct and distributed expenses

Return on allocated capital	**13.8 %**		**12.0 %**	

SpareBank 1 SMN Markets

The business

SpareBank 1 SMN Markets delivers a complete range of capital market products and services. The business comprises the following units: Fixed Income/Foreign Exchange, Risk, Securities and Corporate Finance.

The division has risk operations in the fixed income/forex and securities area. All risk business is carried out from Head Office in Trondheim, while activity in Molde and Ålesund is in the hands of customer brokers who primarily provide services in the fixed income and foreign exchange area.

SpareBank 1 SMN Markets' ambition is to be the leading capital market operation in Trøndelag and Nordvestlandet. This ambition will be achieved through a continuous focus on specialist competence and market knowledge. Our services are designed to meet individual customer needs.

The division collaborates closely with SpareBank 1 Markets in Oslo on delivery of analysis and settlement services in the securities field. We expect business collaboration in the securities area to expand in the years ahead. In the fixed income and foreign exchange area an agreement has been signed giving SpareBank 1 Markets the opportunity to become a substantial national actor in fixed income and foreign exchange trading.

Customers and market position

Our customers are mainly corporates situated in Trøndelag and Nordvestlandet. Most of them are existing corporate customers of the Bank. SpareBank 1 SMN Markets is a wholesale bank for Samarbeidende Sparebanker (Samspar) which currently comprises 11 savings banks affiliated to the SpareBank 1 Alliance. We are experiencing an increase in the number of customers and still see a considerable potential for a stronger market position for the division.

Financial developments

SpareBank 1 SMN Markets achieved total income of NOK 139m in 2011 compared with NOK 93m in 2010. Activity levels were high in all business areas, enabling substantial income growth the second half-year of 2011.

Prospects for 2012

SpareBank 1 SMN Markets strengthened its staff across all units in 2011. 'Risk' was a unit in its own right in 2011, and we will now evaluate the division of work in the fixed income and foreign exchange area to achieve the best possible work processes. We expect the collaboration with SpareBank 1 Markets and the staff increase to produce higher incomes across all units, enabling the division as a whole to post higher income in 2012 than in 2011.

SpareBank 1 SMN Markets (NOKm)	2010	2011
Currency trading	45.2	53.8
Fixed income products	16.5	42.2
Corporate	20	14.6
Securities, brokerage commission	12.7	17.4
Investments	-1.0	11.1
Total income	**93.4**	**139.1**

Affiliates and subsidiaries

The SpareBank 1 Alliance

The SpareBank 1 banks operate an alliance and develop product companies through the jointly owned holding company SpareBank 1 Gruppen.

The paramount objective of the SpareBank 1 Alliance is to assure the individual bank's independence and regional identity through strong competitiveness, profitability and financial soundness. The Alliance is among the largest providers of financial services in Norway and a fully-fledged alternative to traditional financial groups.

SpareBank 1 Alliance's vision

The Alliance's vision is for SpareBank 1 to be the recommended bank for private individuals and small and mid-sized businesses in Norway with a full product range. It wants customers to feel that we are the best in terms of our closeness, local identity and competence. Our key core values are closeness to the customer and capableness.

About SpareBank 1 Gruppen

SpareBank 1 Gruppen owns and develops companies that deliver financial services and products. It is owned by SpareBank 1 SR-Bank (19.5 per cent), SpareBank 1 Nord-Norge (19.5 per cent), SpareBank 1 SMN (19.5 per cent), Sparebanken Hedmark (12 per cent), Samarbeidende Sparebanker (19.5 per cent, comprising 11 savings banks in southeast and western Norway), and the Norwegian Confederation of Trade Unions and affiliated unions (10 per cent).

SpareBank 1 Gruppen owns 100 per cent of the shares of SpareBank 1 Livsforsikring (life insurer), SpareBank 1 Skadeforsikring (non-life insurer, includes Unison Forsikring), ODIN Forvaltning (fund manager) and SpareBank 1 Gruppen Finans (which includes Conecto and Actor Fordringsforvaltning). In addition SpareBank 1 Gruppen owns 93.4 per cent of SpareBank 1 Markets and is a partner in SpareBank 1 Utvikling DA.

SpareBank 1 Gruppen has administrative responsibility for collaborative processes within the SpareBank 1 Alliance in which technology, brand-building, communication, competence building, shared processes/exploitation of best practice and procurement are at centre stage. The Alliance is also engaged in development work through three competence centres for training (in Tromsø), the cash management area (in Trondheim) and the credit area (in Stavanger).

The SpareBank 1 banks also own SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Oslo Akershus, BN Bank and EiendomsMegler 1.

The SpareBank 1 Alliance consists of the following banks as of January 2012:

- SpareBank 1 Nord-Norge
- SpareBank 1 SMN
- SpareBank 1 SR-Bank
- Sparebanken Hedmark
- SpareBank 1 Ringerike Hadeland
- SpareBank 1 Østfold Akershus
- SpareBank 1 Hallingdal
- SpareBank 1 Buskerud-Vestfold
- SpareBank 1 Gudbrandsdal
- SpareBank 1 Nordvest
- SpareBank 1 Telemark
- SpareBank 1 Modum
- SpareBank 1 Lom og Skjåk
- SpareBank 1 Nøtterøy-Tønsberg
- SpareBank 1 Søre Sunnmøre
- SpareBank 1 Oslo Akershus
- BN Bank

BN Bank

SpareBank 1 SMN is the largest shareholder in BN Bank with a 33 per cent stake. BN Bank's strategy is to be a national direct bank in the retail market and a specialised bank in commercial real estate. In December 2008 the Ministry of Finance granted the SpareBank 1 banks a licence to purchase all the shares of Glitnir Bank. The bank concurrently changed its name to BNbank, and in November 2009 the spelling was changed to BN Bank.

The bank is owned by SpareBank 1 SMN (33 per cent), SpareBank 1 SR-Bank (23.5 per cent), SpareBank 1 Nord-Norge (23.5 per cent) and Samspar Bankinvest (20 per cent). The same owner structure applies at SpareBank 1 Næringskreditt.

BN Bank offers a broad array of bank services to firms and private individuals. The bank has its Head Office in Trondheim and a commercial real estate operation in Oslo. The bank services customers throughout the country via the internet and telephone facilities. BN Bank intends to be a leading niche bank for customers who prefer self-serviced products and solutions. In the corporate market BN Bank is at the forefront in financing commercial real estate in Norway. The bank aims to be an active and predictable partner and provider of debt capital instruments to selected actors in the field of commercial real estate with a focus on Oslo and southeast Norway. BN Bank will also, in collaboration with the various SpareBank 1 banks, be a stable and predictable provider of first mortgage loans for defined projects. As at 31 December 2011 BN Bank has 105 members of staff, deposits totalling NOK 16bn, loans of NOK 46bn (loans including SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt) and total assets worth NOK 41bn.

Subsidiaries

EiendomsMegler 1 Midt-Norge

EiendomsMegler 1 Midt-Norge has a solid market-leader position in Trøndelag and Nordvestlandet. This position was further reinforced in 2011.

The company delivered in 2011 a profit of NOK 75m before tax, representing a further improvement of NOK 24m from the previous year. The Bank's share was NOK 65m.

EiendomsMegler 1 Midt-Norge strengthened its position as on of the country's most profitable real estate agency for its customers, staff and owners. Its strategy of taking on, developing and retaining the best staff in the business was further reinforced in 2011, and the company took a great stride forward in the effort to create Norway's best workplace.

The company has specialised operations which include separate units for project and commercial property broking. These operations complement its traditional residential agency business, which is now a specialist function maintaining a local presence, co-located with banking, in various parts of Trondheim and the surrounding district. A new office was opened in Røros in 2011.

EiendomsMegler 1 Midt-Norge sold 6,150 properties in 2011, representing a market share of 40 per cent in the region. The company is equipped for further growth both in profit and market shares ahead. The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

SpareBank 1 SMN Regnskap

SpareBank 1 SMN Regnskap continued its strong growth in 2011. With 60 per cent turnover growth, the company's market share in Trøndelag has risen to 10 per cent. The company has more than 40 new staff, bringing the overall work force close to 120.

The company is experiencing a growing influx of new customers. In 2011 about 200 new customer agreements were established. While the bulk of the growth is in the corporate market, new customers are also being attracted in the other three customer segments – farm operators, housing cooperatives/co-ownerships and a variety of associations.

In 2011 SpareBank 1 SMN Regnskap took over and absorbed six accounting firms in Trøndelag: Sollie Regnskap, Ingrid Forseth Regnskapskontor, Status Regnskapskontor, Consis Namsos, Consis Steinkjer and Consis Trondheim. 50 per cent of the shares of Leksvik Regnskapskontor were also acquired. The operations of all acquired firms have been coordinated with the company's existing business.

In the past year SpareBank 1 SMN Regnskap collaborated closely with its alliance partner Sparebanken Hedmark on acquiring Consis, one of the country's largest providers of finance and accounting services with 33 offices, 350 staff and 6,500 customers.

From January 2012 onwards Sparebanken Hedmark and SpareBank 1 SMN Regnskap will share ownership of Consis on a 60-40 basis. Together with Sparebanken Hedmark and other banks in the region, the company will focus on building a strong national brand in the industry. This will be important with a view to consolidating and strengthening the company's position in the industry in Trøndelag and Nordvestlandet.

SpareBank 1 SMN Regnskap has a continuous focus on strengthening the company's organisation and competence. A comprehensive training plan for all staff and a special coaching programme for managers have been implemented. In the course of the autumn a new organisation plan was adopted which will significantly strengthen administrative and professional management alike. The company has thereby laid a platform for attaining growth and development targets for 2012.

The industry's framework conditions and the market for financial services are changing rapidly. Removal of the audit obligation for the smallest businesses and rapid technological development are changes that impact on the industry. SpareBank 1 SMN Regnskap's vision is to create a new division for financial services. This will require the company to invest substantial resources in order to offer customers forward-looking competence and ICT solutions. Inherent in this is a keen focus on quality improvements and quality controls.

The company posted a turnover of NOK 86m in and a profit of NOK 5.4m before tax in 2011. The profit figure is affected by the strong growth and investments made in order to turn the company into a forward-looking business that is ready for further growth.

SpareBank 1 SMN Finans

SpareBank 1 SMN Finans is the region's leading finance company and an active partner for businesses. SpareBank 1 SMN Finans emphasises local competence, and works for greater value creation in Trøndelag and Nordvestlandet. The company services the market through its own sales operation and through the Bank's offices and suppliers.

SpareBank 1 SMN Finans offers leasing and car fleet management services to corporate customers and the public sector, and vendor's liens mainly to private individuals. The organisation is distinctly sales- and customer-oriented, and is designed to be a close and accessible finance partner with short decision-making paths.

At year-end the company managed leasing and car finance agreements worth NOK 3bn, of which leases account for 65 per cent and car finance for the remainder. The company has 29 employees in Trondheim, Verdal, Molde and Ålesund. The company posted a profit of NOK 26m before tax in 2011.

Integration and a structured business approach together with the Retail market Division and Corporate market Division at SpareBank 1 SMN are reaping results. The company expanded the car loan portfolio in 2011, and the proportion of internet applications via our web channels is rising. However, the leasing portfolio showed no growth in 2011, due to a general reduction in investments in the business sector.

In 2011, as previously, the company targeted its efforts in an effective manner, for example making adjustments in the credit area, and launched loss-mitigating measures which reaped results. In late autumn the company established a cooperation agreement with the Norwegian Association of Heavy Equipment Contractors. Work was done on self-service loan and leasing applications integrated with our IT systems used by customers and in our cooperation with suppliers.

The business has highly motivated staff. The company is a wholly-owned subsidiary SpareBank 1 SMN.

SpareBank 1 SMN Finans owns the subsidiary SpareBank 1 Bilplan which specialises in car fleet management and offers one-stop solutions for industry and the public sector nationwide. The company has a distribution agreement with SpareBank 1 Finans Nord-Norge and SpareBank 1 SR Finans.

Allegro Finans

Allegro Finans, headquartered in Trondheim, is the largest management company in the region. The company is owned by SpareBank 1 SMN (90.1 per cent) and the Reitan Group (9.9 per cent). It is licensed to carry on active asset management. In addition to managing assets for its owners, it manages assets for private individuals and institutional clients. The company's services are sold exclusively through external distributors who are licensed to engage in such activity. The company has 10 employees and assets of just over NOK 2bn.

The company offers a broad range of services designed to capture changes in market conditions. The portfolio array includes both specialised portfolios and allocation portfolios. Management volumes are highest in the field of dynamic asset allocation portfolios and in direct share portfolios. The market for the company's portfolios has developed in keeping with the positive macroeconomic picture.

In 2011, as previously, the company delivered good returns relative to benchmark indexes in asset allocation and share portfolios alike. The accounts show a deficit of NOK 5.3m before tax, of which the Bank's share was NOK 4.7m.

SpareBank 1 SMN Card Solutions

In 2011 SpareBank 1 SMN purchased all the shares of Convenient Card, which changed name to SpareBank 1 SMN Card Solutions in the same year. SpareBank 1 SMN Card Solutions sells and operates prepaid cards based on the Visa and MasterCard networks. The company has established the SpendOn brand which is linked to prepaid card products. SpareBank 1 SMN Card Solutions has launched the SpendOn Visa gift card in Norway and the MasterCard SpendOn gift card in Sweden. The company posted a profit of NOK 2.3m before tax in 2011.

SpareBank 1 SMN Kvartalet

SpareBank 1 SMN Kvartalet was responsible for the construction of SpareBank 1 SMN's new Head Office in Søndre gate, Trondheim. The building was completed by 20 October 2010. The company owns 76 per cent of the Head Office (16,300m^2), after parts of the new building were demerged and merged with SpareBank 1 Bygget Trondheim, which already owned Kongens gt 4 (owns 5,100 m^2 all told). This company operates the conference centre in the head office under its own auspices, and has engaged Banken Restaurant to run the staff restaurant and cafeteria.

SpareBank 1 SMN Kvartalet is responsible for the operation, maintenance and cleaning of the entire head office complex. Subcontractors are Kjeldsberg Eiendomsforvaltning and Trøndelag Renholdservice. The company has no employees.

Further, a company has been formed to build a new office in Steinkjer, SpareBank 1 Bygget Steinkjer. This company is erecting an office building of about 1,800m^2 on the the station site in Steinkjer. The building will reach completion in May 2012, and will be rented to companies in the same group.

Corporate social responsibility

As a major regional bank, SpareBank 1 SMN shares a common destiny with the region. Ever since the Bank was established in 1823, further developing the society of which we are a part has been has been a central focus of our policy choices and dispositions. With our local knowledge and closeness to our customers we base our assessments not on economics and risk alone but also on a social perspective, and we work closely with customers and local communities to foster sound businesses and good living conditions.

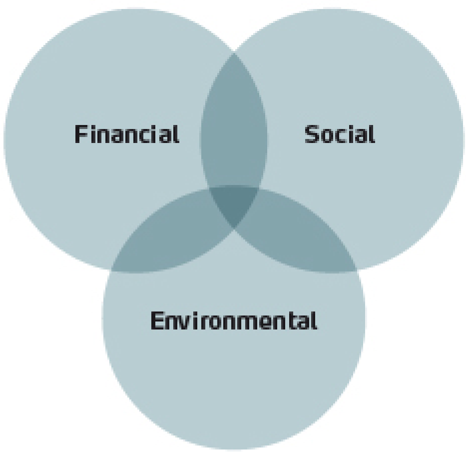
The Bank's focus on public issues is integrated in our ongoing planning work. This ensures that ethics, the environment and important social issues are on the agenda throughout. Through the Bank's gift fund we have for many years returned funds to the region we are a part of. This has been done through grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development in Trøndelag and Nordvestlandet.

An active interplay between research, development, education and the business sector is important for the region's development. Each year SpareBank 1 SMN devotes substantial resources to stimulating innovation and to bringing together industry, business and knowledge institutions. The collaboration with the Norwegian University of Science and Technology (NTNU) and the Foundation for Scientific and Industrial Research (SINTEF), both in Trondheim, along with iKuben in Molde and Aalesund University College, is key to this effort.

The three-part bottom line

Solid banking creates a foundation for responsible social development. As a basis for our work, we have sought a balance between the financial, social and environmental aspects of the three-part bottom line. Under each theme we have defined key areas on which we maintain a special focus, and goals and initiatives have been developed for each area.

Our thinking on social responsibility: basic structure



FINANCIAL	SOCIAL	ENVIRONMENTAL
Strategy and plans	Organisation, staff	Resource use
Financial key figures	Customers, market	Purchasing policy
Ethics, legislation	Suppliers	Energy
Relationship to owners	Social commitment	Pollution
Risk management	Technology, security	Waste management

CSR status and goal achievement 2007-2011

Parent company figures

		2007	2008	2009	2010	2011
Strategy/ financial	Group strategy	Established	Updated	Continued	Continued	Continued
	Develop CSR strategy	N/A	Established	Continued	Continued	Continued
	Pre-tax profit (NOKm)	1,045	778	1,147	1,282	1,279
	Total assets (NOKm)	71,503	84,670	84,541	97,992	101,455
	Return on equity	18.90 %	11.90 %	16.20 %	14.60 %	12.80 %
	Core capital ratio	8.40 %	8.10 %	10.40 %	10.90 %	10.43 %
	No. of ECCs issued (m)	53.98	57.9	69.43	94.9	94.9
	Quoted price 31.12	72.25	22.85	49.02	54.00	39.30
	Market capitalisation (NOKm) 31.12	3,900	1,750	3,749	5,124	3,731
	Direct return	8.29 %	5.10 %	4.60 %	5.6 %	5.1 %
	No. of owners	9,111	9,123	9,500	9,654	9,532
	Knowledge of bank's ethical rules at least 90 %	96 %	96 %	96 %	96 %	96 %
Society/ social conditions	No. of FTP equivalents	746	775	805	793	794
	Sickness absence	3.57 %	3.84 %	4.22 %	4.00 %	4.00 %
	Women's share of workforce	48.50 %	51.50 %	51.50 %	51 %	52 %
	Women's share of senior positions	22 %	26 %	28 %	28 %	27 %
	Average age	44.5 years	45 years	45 years	46 years	45.5 years
	Employee satisfaction	75	75	75	I/T	715 *
	Agreement on inclusive employment	Established	Continued	Continued	Continued	Continued
	Strategy on life phase policy	Established	Continued	Further developed	Further developed	Continued
	Managerial development programme	Established	Continued	Continued	Continued	Continued
	No. of offices	58	56	56	54	54
	No. of customers	191,000	192,000	194,000	194,500	196,500
	Share of internet banking customers	52 %	54 %	57 %	73 %	81 %
	Share of electronic bill payments	90 %	91 %	92 %	99 %	99 %
	Share allocated to culture	12 %	22 %	24 %	22 %	24 %
	Share allocated to sports	12 %	16 %	20 %	23 %	23 %
	Share allocated to humanitarian work	5 %	6 %	4 %	6 %	6 %
	Share allocated to business development	66 %	56 %	52 %	43 %	38 %
Environment	Purchase of paper **	40.4 tonnes	46,5 tonnes	35.9 tonnes	39.1 tonnes	35.7 tonnes
	Energy consumption ***	N/A	6,193,000 kWh	6,580,000 kWh	7,004,400 kWh	6,900,500 kWh
	No. of flights ****	4,324	3,984	3,585	3,816	3,910
	E-waste return scheme *****	6.10 tonnes	5.30 tonnes	2.90 tonnes	3.43 tonnes	3.40 tonnes
	Waste sorting at source	Established	Continued	Continued	Continued	Continued
	Printer and toner return scheme	Established	Continued	Continued	Continued	Continued
	No. of videoconferencing rooms	2	3	6	6	8
	Strategy/action plan for energy and the environment at the new head office	Established	Continued	Continued	Continued	Continued
	No. of offices certified under the 'Environmental Lighthouse' scheme	N/A	N/A	1	1	2

* New system for organisational analysis as from 2011
** Reduction of approx. 3.4 tonnes from 2010 to 2011 essentially due to switch to secure print and increased electronic communication
*** Reduction in 2011 due to a full year of operation in the new head office (a low-energy building)
**** Change due to increased travel related to customer activities in general and the enlargement of the bank's catchment area in particular
***** Volume due to procurement of new computers in 2010 and disposal at end-2010 and start-2011

Environment
The Group consistently implements measures designed to reduce consumption of electricity, paper and other resources and to ensure that limits are imposed on resource-demanding travel. Handling of e-waste and purchase of environment-friendly solutions also receives much attention. The Bank strives throughout to ensure the right procurement of technological equipment. To this end, energy and environmental requirements are included as specific assessment criteria.

All technological equipment is handled as special waste, and is thereby subject to environmentally correct disposal. In 2011 3.40 tonnes of technological waste were returned compared with 3.43 tonnes in 2000. Increased use of electronic communication and the introduction of new print solutions have reduced paper consumption from 39.1 tonnes in 2010 to 35.7 tonnes in 2011.

Growing use of technological solutions imposes greater demands on safety and personal protection. The following measures are being put in place to ensure a focus on, and competence in, safety.

- regular internal safety courses
- national safety exercises (disaster preparedness exercises)
- free-of-charge software for enhanced customer safety
- instructing older users in safe internet banking and in becoming more self-reliant bank customers

SpareBank 1 SMN made 3,910 business trips in 2011 compared with 3,816 in 2010. Increased customer activity and the Bank's involvement in committees and projects under the auspices of the SpareBank 1 Alliance are key factors behind the high travel frequency. Steps taken to reduce the number of air trips include greater use of video conferencing, telephone conferencing and digital tools to support teamworking and knowledge sharing.

Very low energy consumption at the new Head Office
SpareBank 1 SMN relocated to its new head office in Trondheim in autumn 2010. Our energy consumption target was an ambitious 85 kWh per square metre for the new office premises part of the building. The target was met by a good margin in the very first year of operation. Measurements show energy consumption below 60 kWh per square metre, which is far below the limit of 150 kWh per square metre set by the authorities. No other office building in Norway comes close to this figure. Compared with the 150 kWh per square metre consumed by the old bank building, the operating expense economies are substantial. The causes of the low energy consumption are numerous and complex, but the main individual factors are:

- a well isolated and efficient building envelope
- a highly energy-efficient ventilation system
- a sophisticated control and operation-monitoring system
- organisation of the workplace and monitoring by the building's users

Environmental lighthouse
SpareBank 1 SMN has opted for certification under 'Environmental Lighthouse', a national certification scheme catering to the private and public sectors. At end-2011 the Trondheim Head Office and the office in Ålesund had achieved certification. This meant that offices in which about 450 staff work on a daily basis were now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. In 2012 the offices in Stjørdal, Levanger, Steinkjer and Namsos will achieve certification and work will start on certification of Molde and Verdal.

Ethics

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

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

SpareBank 1 SMN has set up the following formalised and recurring review of the Bank's ethical guidelines vis-à-vis the Group's employees; this, in sum, constitutes the formal framework tool for the practical conduct of all staff of the Bank.

- the ethical guidelines are a part of the staff handbook, and thus a part of the employment contract
- the ethical guidelines are reviewed at induction sessions for new staff
- ethics is a module in its own right at the Bank's educational facility and must be successfully completed by all staff
- ethical guidelines are a central part of the Bank's managerial development programme

Organisation and staff

SpareBank 1 SMN intends to be an attractive and inclusive employer for staff in all age groups and life phases. The Bank sets the stage for all staff to experience a good balance between work, home and leisure. We also encourage staff to maintain good health by promoting physical activity. This is based on the belief that staff members whose needs are catered for put in a better performance in the best interest of themselves and the enterprise.

SpareBank 1 SMN has relatively low sickness absence, and we believe this is to some extent ascribable to staff who are motivated by challenging and stimulating work at the same time as many stay in shape through various types of activities.

We currently have a good gender and age balance. The Bank is working to raise the proportion of women in senior positions. Currently 27 per cent of senior positions are held by women (28 per cent in 2010).

The Group has established a robust framework in the trade union area:

- staff handbook, health, environment and safety (HES) handbook, inclusive employment agreement
- internal committees fixed by agreement: liaison committee, appointments committee and negotiating committee
- ethical guidelines, procedure for reporting concerns and procedure for handling conflicts
- management development programme
- adviser programme and educational facility
- framework for professional development sessions
- annual staff survey

- induction sessions for new staff
- phase-of-life policy

The Group has established a project known as ‘Better Shape’ to promote good health, increased motivation and well-being. The project is a targeted drive aimed at motivating staff to raise their level of physical activity.

SpareBank 1 SMN Fund

The SpareBank 1 SMN Fund bases its work on the precept that the Bank’s gifts should be non-profit, i.e. all financial support should be for the common good and benefit as many as possible. The Fund emphasises that all awards should contribute to building, supporting and developing the region. The Bank’s gifts to non-profit causes therefore make demands in the sense that the recipient also has to contribute to ensuring that the cause attains its goal. In order to create new assets and make the region an attractive place to live, the Fund employs two primary methods in its work:

- we apply a process-oriented approach in which individuals, ideas and resources are brought together to create the symbiosis that produces value creation
- we supply capital through donations to activities that promote our social objectives

We therefore impose the same ethical and environmental demands on our partners as on ourselves before, during and after implementation of projects and initiatives. In processes, and in the case of awards of some size, written agreements are established to ensure that our social requirements are complied with.

Business development:

- innovation
- competence transfer to the region’s business and industry
- assisting infrastructure development
- developing entrepreneurship
- start-up assistance (seedcorn and venture capital)

Culture/sports:

- cultural, sports, health, environmental, ethical and humanitarian purposes
- special focus on children and young people
- helping to strengthen the region’s identity and historical foundation based on the St. Olav tradition and legacy
- helping to stimulate talented individuals, young people and enthusiasts in the spheres of culture and sports

Governance

SpareBank 1 SMN bases its business on short decision-making paths, and strengthens its independence by being an alliance partner in SpareBank 1.

Group management

Finn Haugan (1953)
Group CEO

Business economist from the Norwegian School of Management (1977).

Joined SpareBank 1 SMN as CEO in 1991. Title changed to Group CEO in 2010. Experience from managerial positions at Fokus Bank, his final two years as Deputy CEO.

Chairman of the Norwegian Banks' Guarantee Fund and BN Bank. Board member and for several periods chairman of SpareBank 1 Gruppen. Board member of NETS, the Norwegian Savings Banks Association and Finance Norway (FNO). Chairman of Fotograf Schrøders Stiftelse and Foto Schrøder. Chairman of the Supervisory Board of Selskabet for Trondhjems Bys Vel.

Tore Haarberg (1966)
Deputy CEO and Executive Director, Retail market Division

Business economist from Heriot-Watt University, UK (1991). Authorised fixed income analyst, Norwegian Society of Financial Analysts (NFF) (1996).

Joined SpareBank 1 SMN in 2000. Appointed deputy CEO in 2003.

Held various positions with Arthur Andersen Business Consulting, BN Bank and Fokus Bank. Chairman of Eiendomsmegler 1 Midt-Norge, board member of ODIN Forvaltning, board member of SpareBank 1-alliansen and chairman of the Supervisory Board of BN Bank.

Vegard Helland (1975)
Executive Director, Corporate market Division

Business economist from the Bodø Graduate School of Business (1999), authorised financial analyst (AFA) from the Norwegian School of Economics and Business Administration (2007).

Joined SpareBank 1 SMN in 2003. Early on responsible for major clients. Head of the SpareBank 1 SMN's group credit committee since 2007. Previously with KPMG and the Centre for Aquaculture and Fishery.

Board member of SpareBank 1 SMN Finans and SpareBank 1 Gruppen Finans.

Kjell Fordal (1957)
Executive Director, Finance Division

Business economist from the Norwegian School of Management (1981) and Master of Management from the same institution (2004).

Joined SpareBank 1 SMN in 1982.

Chairman of SpareBank 1 SMN Regnskap, SpareBank 1 SMN Pensjonskasse, SpareBank 1 Næringskreditt, and SpareBank 1 Boligkreditt. Board member of SpareBank 1 Markets, SpareBank 1 SMN Invest, SpareBank 1 SMN Kvartalet, BN Boligkreditt, Bolig og næringskreditt and Prøven Eiendom.

Tina Steinsvik Sund (1970)
Executive Director, Business Support and Business Development

Graduate engineer, Industrial Economics, from the Norwegian University of Science and Technology (1995), MBA from INSEAD, France (2000).

Joined SpareBank 1 SMN in 2006. Previously with Accenture and Intel Capital. Board chair of SpareBank 1 SMN Invest, SpareBank 1 SMN Card Solutions, SpareBank 1 SMN Kvartalet, SpareBank 1 Bygget Trondheim and SpareBank 1 Bygget Steinkjer. Board member of ProVenture Seed.

Wenche Margaretha Seljeseth (1964)
Executive Director, Marketing and Public Relations

Law graduate, University of Oslo (1996). Bachelor of Business Administration, Norwegian School of Management (BI) (2002).

Joined SpareBank 1 SMN in 2008. Executive Director in 2011. Previously responsible for pensions and insurance in the Corporate market Division. Various senior positions with Vital Forsikring and Gjensidige.

Board member of SpareBank 1 Livsforsikring.

Board of Directors

Per Axel Koch (1961) Board chairman
Business economist from the Norwegian School of Economics and Business Administration, NHH (1985) and higher degree from the same institution (1987).

Board member since 1994, chairman since 2001.

Group CEO at Polaris Media since 2008.

Prior to that, ten years as Managing Director and three years as Group CEO with the Adresseavisen newspaper. Previously project consultant with Wilh. Wilhelmsen Ltd and consultant with Mckinsey. Chairman of Papirkjøp, Board member of FINN.no, Board member of Trønder-Avisa and member of the Supervisory Board of SpareBank 1 Gruppen.

Attended 15 of 18 meetings of the Board of Directors in 2011 (15 meetings convened owing to disqualifications at three meetings).

Owns 35,000 ECCs as of 31 December 2011.

Eli Arnstad (1962) Deputy Chair
Cand.mag degree.

Board member since 2001.

Adviser with experience from Trondheim City Council secretariat, and the Stiklestad National Culture Centre. Managing director of Enova 2001-2007. A number of political offices, among them as regularly attending Member of Parliament.

Board member of Vattenfall, Norway Post, the AF Group, Centre for Economic Research at the Norwegian University of Science and Technology (NTNU) Trondheim, Nidaros Domkirkes Restaureringsarbeider, Norwegian University of Life Sciences at Aas and Friskgården Stjørdal.

Attended 15 of 18 meetings of the Board of Directors in 2011 (15 meetings convened owing to disqualifications at three meetings).

Owns 4,000 ECCs as of 31 December 2011.

Bård Benum (1962)
Graduate of the Norwegian University of Science and Technology (NTNU) (1987).

Board member since March 2009.

Group CEO at Powel. Senior positions at Norsk Hydro, Statoil, Reitan Group. CEO at Cresco (1998-2000) and Vital Forsikring (2001-2007).

Attended 13 of 18 meetings of the Board of Directors in 2011.

Owns 0 ECCs as of 31 December 2011.

Kjell Bjordal (1953)
Business economist from the Norwegian School of Economics and Business Administration NHH (1976), law studies and Advanced Management Program at Wharton Business School (1989).

Board member since 2007.

CEO of EWOS Group and head of Cermaq's fish food division. Experience as director of Trøndelag Theatre, finance director and CEO of the Glamox Group and CEO of NorAqua.

Chairman of Florvaag Bruk Holding, Brødrene Dyrøy, Norsk Landbrukskjemi, EWOS Norway and EWOS Innovation.

Attended 17 of 18 meetings of the Board of Directors in 2011.

Owns 27,428 ECCs as of 31 December 2011.

Paul E. Hjelm-Hansen (1962)
MBA from the University of Denver, USA (1988), Certified European Financial Analyst (AFA) from the Norwegian School of Economics and Business Administration (1996) and Authorised Portfolio Manager (Norwegian Society of Financial Analysts/Norwegian School of Economics and Business Administration) (2001).

Board member and chairman of the Internal Audit Committee since 2008.

Private investor and self-employed financial adviser. Has held positions as financial analyst, as portfolio manager at Christiania Bank og Kreditkasse and Fokus Bank and as head of finance and finance director at Bachke & Co and Det norske oljeselskap respectively.

Chairman of Arild og Emilie Bachkes Fond, Trondhjems Kunstforenings legatstyre and Generalkonsul Adolf Øiens Donationsfond. Board member of Bachke & Co.

Attended 18 of 18 Board meetings in 2011.

Owns 37,536 ECCs as of 31 December 2011.

Arnhild Holstad (1963)
Cand.mag degree and journalist.

Board member since 2010.

Communication manager at Statskog since 2007. Political adviser at the Ministry of Labour and Social Inclusion (2005-2007). Project manager at Olav Duun Innovasjon (2003-2005). Journalist with the Namdalsavisa newspaper (1991-2003). Refugee advisor, Aukra municipality (1988-1989). Teacher at Oppegård upper secondary school (1987-1988). Deputy chair, Norwegian State Council on Disability. Board member of NTE Holding and Namsen Friidrettsforening.

Attended 17 of 18 Board meetings in 2011.

Owns 0 ECCs as of 31 December 2011.

Aud Skrudland (1959)
Veterinary doctor, Norwegian School of Veterinary Science, 1984. Specialist in fish diseases. Additional training in marketing and public law.

Board member since 2010.

Special inspector with the Norwegian Food Safety Authority. Experience from the fish farming industry in the fields of fish health and product development, marketing and sale of medicinal products for fish.

Former member of the Averøy municipal council and municipal executive board. Former member of the programme committee on aquaculture at the Research Council of Norway, the Board of Directors of Romsdals Fellesbank, and the Control Committee and the Supervisory Board of SpareBank 1 SMN.

Attended 18 of 18 Board meetings in 2011.

Owns 1,346 ECCs as of 31 December 2011.

Venche Johnsen (1952)
Varied education at Bankakademiet and at university college level.

Board member since 2004.

Group employee representative at the Finance Sector Union branch at SpareBank 1 SMN. 32 years' experience in various positions with SpareBank 1 SMN.

Attended 18 of 18 Board meetings in 2011.

Owns 16,706 ECCs as of 31 December 2011.

Bente Karin Trana (1959)
Business economist (1984), continuing education at the Norwegian University of Science and Technology (1996, 2009) and the Norwegian Defence University College (2002).

First alternate member to the Board of Directors since 2010.

Head of Department at the Norwegian Public Roads Administration since 2001, previously Head of Administration and Acting Regional Roads Director, Nord-Trøndelag. Thirteen years' experience of project management with Aker Verdal and Aker Engineering, Oslo. Experience from Nord-Trøndelag University College and the Norwegian Trade Council, Milan.

Board chairman of STAS, Steinkjer. Board member of Accretio, Namsos, and Forsvarets høgskoleforening, Oslo.

Attended 16 of 18 Board meetings in 2011.

Owns 0 ECCs as of 31 December 2011.

Jan Gunnar Kvam (1947)
Varied education at Bankakademiet.

Board member since 2004. Regularly attending alternate for the employees. Deputy head of Finance Sector Union branch at SpareBank 1 SMN.

41 years' experience in various positions with SpareBank 1 SMN.

Attended 17 of 18 Board meetings in 2011.

Owns 10,094 ECCs as of 31 December 2011.

Includes ECCs owned by the individual's close associates, by companies he/she controls and by companies on whose behalf he/she is appointed.

Elected officers

Supervisory Board

Members elected by the ECC holders	Domicilie	No. Of ECCs*
Alf E. Erevik	Hønefoss	327,842
Arne Lorentsen	Trondheim	200,394
Asbjørn Tronsgård	Sunndalsøra	28,364
Berit Tiller	Trondheim	444
Christian Sørensen	Trondheim	17,431
Erik Sture Larre	Oslo	865,013
Gunnar Heglund	Trondheim	629,357
Johan Brobakke	Trondheim	1,019
Jorunn Skjermo	Trondheim	36,130
Lars Bjarne Tvete	Trondheim	1,000
Odd Reitan	Trondheim	6,872,514
Olav Revhaug	Oslo	1,500,966
Stig Jakobsen	Angvik	21,991
Thor Arne Falkanger	Trondheim	160,966
Thor Christian Haugland	Stavanger	233,960
Tor Stigum	Trondheim	35,668
Widar Slemdal Andersen	Rælingen	10,583

Members elected by the depositors	Domicilie	No. Of ECCs*
Aage Rostad	Verdal	1,919
Anne Lise Aunaas	Trondheim	0
Terje Skjønhals, chair	Trondheim	19,989
Marit Dille	Abelvær	0
Per Brovold	Rissa	27,000
Ragnhild Amundsen	Isfjorden	0
Randi Borghild Dyrnes	Molde	0
Åshild Vang	Inderøy	0

Members elected by the country councils	Domicilie	No. Of ECCs*
Borgny Grande	Grong	0
Hans Martin Storø	Lund	7,548
Ingvild Kjerkol	Stjørdal	0
Randi Sollie Denstad	Rissa	0
Solveig Kvidal	Vikhammer	0
Yngve Brox	Trondheim	0
Ingrid Kvande	Molde	0
Jonny Meland	Sunndalsøra	0

Members elected by the employees	Domicilie	No. Of ECCs*
Alvhild Skogmo Jensen	Namsos	1,450
Ann Kristin Leirvik Sletnes	Torvikbukt	233
Ellinor Finserås	Trondheim	463
Greta Rønning	Trondheim	2,098
Gunn Lerstad Brenne	Ekne	3,836
Inge Lindseth	Trondheim	26,000
Jan Skogrand	Trondheim	760
Oddbjørn Kulseth	Stjørdal	5,293
Randi Selnes Herskedal	Fræna	7,498

Board of Directors

	Domicilie	No. Of ECCs*
Per Axel Koch, chair	Trondheim	35,000
Eli Arnstad, deputy chair	Skatval	4,000
Arnhild Holstad	Namsos	0
Aud Skrudland	Averøy	1,346
Bård Benum	Trondheim	0
Kjell Bjordal	Molde	27,428
Paul E. Hjelm-Hansen	Trondheim	37,536
Venche Johnsen	Trondheim	16,706
Bente Karin Trana (alternate)	Steinkjer	0
Jan Gunnar Kvam (alternate)	Trondheim	10,094
Morten Midjo (alternate)	Trondheim	0
Liv Thun (alternate)	Steinkjer	0

Control Committee

	Domicilie	No. Of ECCs*
Rolf Røkke	Trondheim	0
Anders Lian	Trondheim	0
Terje Ruud	Trondheim	0

Election Committee

	Domicilie	No. Of ECCs*
Widar Slemdal Andersen	Rælingen	10,583
Borgny Grande	Grong	0
Per Brovold	Rissa	27,000
Jan Skogrand	Trondheim	763

* Includes ECCs owned by the individual's close associates, by companies he/she controls and by companies on whose behalf he/she is appointed

Corporate governance

Corporate governance at SpareBank 1 SMN encompasses the goals and overarching principles by which the Group is governed and controlled with a view to long-term value creation in the best interests of ECC holders, employees and the community and society as a whole.

SpareBank 1 SMN presents – in accordance with the Accounting Act (Regnskapsloven) section 3-3b and the Norwegian Code of Practice for Corporate Governance of 21 October 2010 – a report on its policies and practice for corporate governance.

Accounting Act, section 3-3b, second paragraph
The following explains how the Accounting Act section 3-3b, second paragraph, is complied with at SpareBank 1 SMN. The numbering shows the numbering in the paragraph concerned.

1. “a statement of recommendations and rules for corporate governance which apply to the company or which it chooses to abide by”: policies and practice for corporate governance at SpareBank 1 SMN are based on Norwegian law and the group complies with the Norwegian Code of Practice for Corporate Governance to the extent appropriate to savings banks with equity capital certificates. Reference is made to point 1 of this report, Report on Corporate Governance, for further details.

2. “information on where recommendations and rules as mentioned in no. 1 are publicly available”: the Code of Practice for Corporate Governance is available at www.nues.no.

3. “a justification must be given for any deviation from recommendations and rules as mentioned in no. 1”: any deviations from the recommendation receive comment under the report on compliance with the Code of Practice below.

4. “a description of the main elements in the company’s and – for entities legally bound to maintain accounting records that prepare consolidated accounts, in the event also the group’s – systems for internal control and risk management associated with the financial reporting process”: reference is made to point 10 of the Norwegian Code of Practice for Corporate Governance below for a description of internal control and risk management associated with the financial reporting process.

5. “provisions of articles of association which in whole or in part expand or diverge from provisions of the Public Limited Companies Act chapter 5”: reference is made to point 6 under the Norwegian Code of Practice for Corporate Governance below for a description of SpareBank 1 SMN’s compliance.

6. “the composition of the board of directors, corporate assembly, supervisory board and control committee; any working committees for these bodies, and a description of the main elements of applicable instructions and guidelines for the work of these bodies and any committees”: see points 6, 7, 8 and 9 under the Norwegian Code of Practice for Corporate Governance below.

7. “provisions of articles of association which regulate the appointment and replacement of board members”: see the report regarding point 8 of the recommendation below.

8. “provisions of articles of association and authorisations which empower the board of directors to decide that the company shall repurchase or issue treasury shares or equity capital certificates”: see point 3 under the Norwegian Code of Practice for Corporate Governance below.

Norwegian Code of Practice for Corporate Governance
The following explains how the 15 points set out in the Norwegian Code of Practice for Corporate Governance of 21 October 2010 are complied with at SpareBank 1 SMN.

Report on corporate governance

(point 1 of the Code of Practice)

There are no significant deviations between the Code of Practice and implementation at SpareBank 1 SMN.

The Code of Practice applies to the extent appropriate to savings banks with equity capital certificates. Any deviations are explained below. SpareBank 1 SMN has adopted a corporate governance policy, and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the Bank aims to assure sound management of its assets and give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance at SpareBank 1 SMN encompasses the values, goals and overarching policies by which the bank is governed and controlled with a view to securing the interests of ECC holders, depositors and other stakeholder groups in the bank. The bank adheres to the “Norwegian Code of Practice for Corporate Governance” to the extent appropriate to savings banks with equity capital certificates.

The Bank gives special emphasis to:

- a structure assuring targeted and independent management and control
- systems assuring monitoring and accountability
- effective risk management
- full information and effective communication
- non-discrimination of ECC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

Staff at SpareBank 1 SMN must be recognised for their high ethical standards. To this end they must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed in contexts where the staff are identified with the Group. SpareBank 1 SMN’s ethical rules deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant finances of the individual. This body of rules applies to all employees and elected officers in governing bodies.

All staff and elected officers at SpareBank 1 SMN are obliged by external requirements and internal guidelines to regard as confidential any information about the Group’s or a customer’s circumstances which comes to their knowledge in the course of their work. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work. Further, no SpareBank 1 SMN staff may, via computer systems or by any other means, actively seek information about other colleagues or customers that is not necessary for their work. SpareBank 1 SMN’s ethical rules stipulate that a staff member must immediately inform his/her superior or other contact persons defined in a special whistleblowing procedure if he/she learns of circumstances that breach applicable external statutes and rules or constitute significant violations of internal provisions. Staff members who report misconduct in accordance with internal procedures will not be subjected to any burden associated with whistleblowing.

SpareBank 1 SMN wishes to contribute to sustainable social development through responsible business activities which includes safeguarding ethical, environmental and social considerations. To that end SpareBank 1 SMN has drawn up a separate strategy for administering the Bank's corporate social responsibility. Corporate social responsibility is an integral aspect of the Bank's operations and is expressed through the strategies, measures and activities we plan and execute. Corporate social responsibility is expressed through the way we manage the resources we dispose over and our through dialogue with employees, owners, customers, local communities and other stakeholders. Further, a procurement strategy has been established setting out the ethical framework, requirements on suppliers and the criteria applied by the Bank when making purchases.

Reference is also made to a separate chapter on corporate social responsibility in this annual report.

Deviations from point 1 of the Code of Practice: None

Operations

(point 2 of the Code of Practice)

SpareBank 1 SMN is an independent financial services group in the SpareBank 1 Alliance. The Bank's vision is to be the recommended bank. According to its articles of association, SpareBank 1 SMN's object is to promote saving by accepting deposits from depositors and to manage the funds at its disposal in a secure manner in accordance with the statutory rules applying at any and all times to savings banks. The Bank can transact all ordinary banking business and banking services in accordance with the legislation at any time in force. The articles of association can be found in extenso on the Bank's website.

The Bank's business mission is to provide financial advisory services to private individuals, enterprises and the public sector primarily in Trøndelag and Nordvestlandet, to enable them to realise their goals through the facilities it provides for investment, saving, payments and protection of lives and assets. We also provide real estate agency, asset management, leasing and accountancy services in the same geographical areas and to the same customer groups.

Our core values are closeness and capableness. That means being close to our customers through personal contact and taking the initiative to meet the customer with the best advice and products as well as being a pro-active mainstay in the region. Capableness entails offering a broad range of products that is right for the times, and having a professionally competent staff with high quality skills. We strive for high ethical standards in everything we do and want our customers to feel that their need for financial advice and services is met in a professional and expert manner. SpareBank 1 SMN's central goals and strategies are also described in a chapter in this annual report.

Deviations from point 2 of the Code of Practice: None

ECC capital and dividends

(point 3 of the Code of Practice)

The Board of Directors continuously assesses the capital situation in light of the company's goals, strategy and desired risk profile. As at 31 December 2011 SpareBank 1 SMN's equity capital totalled NOK 8.35 bn. Based on rules established for calculating financial institutions' capital adequacy, the company's total capital measured 12.0 per cent of risk weighted assets and tier 1 capital 10.4 per cent. The authorities' minimum requirements are 8 per cent and 4 per cent respectively. The Bank aims for a total capital ratio of 13 per cent and a tier 1 capital ratio of 11 per cent. These targets are in line with the Bank's goals, strategy and risk profile. The Bank has implemented a tool for measuring economic capital and risk-adjusted return in the credit area, but will not be adjusting its capital adequacy targets until further notice. For further reference to the capital adequacy framework (Basel II), see the chapter dealing with risk and capital allocation in this annual report.

Dividends

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

The net profit for the year will be distributed between the owner capital (the ECC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital. SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital. The Bank's Supervisory Board sets the annual dividend payout based on the Board of Directors' recommendation. The dividend policy is made available at smn.no/ir.

Deficits

Any deficit is to be covered by pro rata transfer from the ownerless capital, including the gift fund and any owner capital in excess of that stipulated in the articles of association, including the dividend equalisation fund. Any deficit not so covered will be covered by pro rata transfer from the ECC premium account and the compensation fund, thereafter by reduction of the ECC capital stipulated in the articles of association.

Acquisition of own equity capital certificates

SpareBank 1 SMN's Board of Directors are authorised to buy ECCs up to limit of 10 per cent of the Bank's owner capital, and such purchases must be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECCs held by the Bank and/or in which it has a consensual security interest may not exceed 10 per cent of the Bank's owner capital. Each ECC may be bought at prices between NOK 1 and NOK 200. The authorisation is valid for 13 months as from the decision was adopted at the Supervisory Board's meeting on 23 March 2011.

Increase of capital

Authorisations to the Board of Directors to increase the Bank's ECC capital are given for specific and defined purposes. As at 31 December 2011 no authorisation was available to the Board of Directors to increase the capital of SpareBank 1 SMN.

Deviations from point 3 of the Code of Practice: None

Non-discrimination of shareholders and transactions with related parties

(point 4 of the Code of Practice)

SpareBank 1 SMN has one class of ECCs. Through the articles of association, and in the work of the Board of Directors and management team, emphasis is given to equal treatment of all ECC holders and equal opportunity for them to wield influence. All ECCs confer an identical voting right. The Bank abides by the financial institutions act's provisions regulating holdings and voting rights insofar as these provisions apply to savings banks with equity capital certificates.

In the event of an increase of capital, existing ECC holders have pre-emptive rights unless special circumstances indicate that this rule should be deviated from. Any such deviation will be explained.

SpareBank 1 SMN has carried out placings with the employees at irregular intervals, and such increases of capital have been carried out to strengthen employees' stake in their own bank and their interest in the Bank's capital instrument. Any exercise by the Board of Directors of their authorisation to acquire the Bank's own equity capital certificates must be via purchases in the securities market via the Oslo Stock Exchange.

Transactions with related parties
Under instructions in force for the Board of Directors, a director is barred from participating in the consideration of, or decision in, any matter whose significance to himself or to any related party is such that the director is to be regarded as having, directly or indirectly, a particular personal or financial interest in that matter. The same follows from the SpareBank 1 SMN's ethical guidelines. Each director is obliged to personally verify that he or she is not disqualified from participating in the treatment of a matter. Any agreement between the Bank and a director or the Group CEO must be approved by the Board, as must any agreement between the Bank and a third party in which a director or the Group CEO has a particular interest. Directors are required to disclose on their own initiative any interest the individual or related party concerned may have in the decision taken in a matter. Unless the director him/herself opts to step back from the consideration or decision of a matter, the Board shall decide whether or not the director shall step back. In the assessment due importance must be given to all forms of personal, financial or other interests on the part of the director and to the bank's need for public confidence in its business activity. The Board's assessments of legal (in)capacity must be duly recorded.

Deviations from point 4 of the Code of Practice: None

Free transferability

(point 5 of the Code of Practice)

The Bank's equity capital certificate is quoted on the Oslo Stock Exchange and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

Governing and control bodies at SpareBank 1 SMN

General meeting

(point 6 of the Code of Practice)

General meeting (Supervisory Board)
A savings bank is basically a ‘self-owned’ institution, and its governance structure and the composition of its governing bodies differ from those of limited liability companies; see Section 7 of the Savings banks Act which sets outs the bodies which a savings bank must have – a Supervisory Board (also termed ‘Committee of Representatives’ or ‘Board of Trustees’), a Control Committee and a Board of Directors. The Bank’s paramount body is the Supervisory Board comprising ECC holders, depositors, employees and representatives of the public authorities.

The Supervisory Board sees to it that the Bank operates in line with its mission and in conformity with law, its articles of association and decisions of the Supervisory Board.

The Supervisory Board has 43 members and 32 alternates with the following representation:

- ECC holders: 17 members and 10 alternates
- county councils of Sør-Trøndelag, Nord-Trøndelag and Møre and Romsdal: 8 members with 8 alternates
- depositors: 8 members with 8 alternates
- employees: 10 members with 6 alternates

According to the legislation, elected members must in aggregate reflect the savings bank’s customer structure and other stakeholder groups and its role in society. At savings banks that have issued transferable ECCs, at least one-fifth and not more than two-fifths of the members of the Supervisory Board must be elected by the ECC holders. The Supervisory Board approves the Group's accounts, authorises the Board of Directors to raise subordinated capital and to undertake any increase of capital, and appoints the members of the Bank's Board of Directors, Control Committee and Election Committee. The Supervisory Board also fixes the remuneration for the above bodies. The members of the Board of Directors, the Group CEO, the Control Committee and the Auditor are summoned to meetings of the Bank's Supervisory Board. They may participate in the proceedings but are not entitled to vote. The Supervisory Board Chair presides over the meeting, or in the latter's absence, the Deputy Chair.

Notice of meetings of the Supervisory Board is sent to its members and is available on the bank's website at least 21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed and comprehensive to enable the members of the Supervisory Board to take a position on the matters to be considered. Minutes of the meetings of the Supervisory Board are also available on the Bank's website.

Each year an election meeting is held for the ECC holders where representatives are elected to the Supervisory Board and information is given about the Group's financial situation. All ECC holders with a known address receive notice in writing. Each equity capital certificate confers one voting right. All ECC holders may attend the meeting, and proxy voting is permitted.

A list of Supervisory Board members can be found at smn.no/ir.

Control Committee

The formal basis for the work of the Control Committee is section 13 of the savings banks act and standard instructions issued by Finanstilsynet (Norway's financial supervisory authority).

The Control Committee's mission is to oversee that the Bank conducts its business in an appropriate and satisfactory manner in accordance with laws and regulations, articles of association, guidelines established by the Supervisory Board and orders and recommendations issued by Finanstilsynet. Its remit covers the entire business, including subsidiaries. The Control Committee is an elected committee in its own right in the subsidiary SpareBank 1 SMN Finans.

In order to discharge its tasks the committee:

- reviews selected decisions and working documents of the Board of Directors and sees to it that the Board acts on its decisions
- monitors developments in central key figures
- obtains documentation of the Bank's control procedures and ensure that they function as intended
- review internal audit reports and the appointed Auditor's written approaches to the Bank and ensure that any remarks are properly responded to
- collaborate with the Chair of the Board of Directors and the company's Auditor on working plans and important observations; see section 5 of the instructions

Each year a record of the Control Committee's meetings is sent to the Bank's Board of Directors, the Supervisory Board Chair, the Internal Auditor and the Risk Manager. The Control Committee's minutes are also presented at the meetings of the Supervisory Board.

The Control Committee normally meets 11 times each year. The Group CEO attends these meetings. The committee also meets the Chair of the Board of Directors and the Chair of the Supervisory Board on an annual basis. The Control Committee is appointed by the Supervisory Board and has three members who are elected for a two-year term.

Deviations from point 6 of the Code of Practice: Where the composition of the Bank's bodies is concerned, SpareBank 1 SMN abides by the provisions of the Savings banks Act.

Election Committee

(point 7 of the Code of Practice)

Three Election Committees have been established in accordance with SpareBank 1 SMN's articles of association. An Election Committee has also been established for employees' election of Supervisory Board members.

Election Committee for the Supervisory Board
The Supervisory Board appoints an Election Committee from among the members of the Supervisory Board. The Election Committee comprises four members and four alternates. The committee comprises one representative from, respectively, each of the following: the ECC holders, the depositors, public appointees and the employees in addition to one alternate from each group. The ECC holders' representative on the Election Committee must be a member of the Election Committee for ECC holders' election of Supervisory Board members.

In connection with the elections the committee gives due attention to a composition based on competence and gender. The committee's task is to prepare the election of the chair and deputy chair of the Supervisory Board, the chair, deputy chair and other members and alternates of the Bank's Board of Directors and Control Committee, and members and alternates of the Election Committee for the Supervisory Board. The Election Committee is also charged with reviewing and recommending any changes to the fee structure for the Bank's elected officers.

Election Committee for depositors' election of Supervisory Board members
The depositor-elected members of the Supervisory Board appoint a separate Election Committee comprising three members and three alternates, with one member and one alternate from each of the three election districts. This Election Committee prepares the depositors' election of members and alternates to the Bank's Supervisory Board, and members and alternates to the Election Committee for depositors' election of Supervisory Board members.

Election Committee for ECC holders' election of Supervisory Board members
The ECC holders appoint an Election Committee at an ECC holders' meeting. The Election Committee has three members and two alternates. At least one of the members and one of the alternates must be members of the Supervisory Board. The Election Committee prepares the ECC holders' election of Supervisory Board members and alternates and the election of members and alternates to the Election Committee for ECC holders' election of Supervisory Board members.

Election Committee for employees' election of Supervisory Board members
According to the Savings banks Act this election is organised by an election board with representatives appointed by the Board of Directors. The Election Board comprises at least three members and both the

management and the employees are represented.

Deviations from point 7 of the Code of Practice: All members of the Election Committee for the Supervisory Board are appointed from among the Groups represented on the Supervisory Board, in accordance with regulations on Election Committees at savings banks. Thus far consideration has not been given to enlarging the committee with a member who is not a member of the Supervisory Board. As of 31 December 2011 the supervisory board has not established further guidelines for the Election Committee beyond what is set forth in law, regulations and articles of association.

Supervisory Board and Board of Directors, composition and independence

(point 8 of the Code of Practice)

See point 6 for information about the general meeting/Supervisory Board. The Board of Directors has eight regularly attending members of whom seven are appointed by the Supervisory Board and one by the employees. Four Board members are women of whom three are elected by the Supervisory Board and one is an employee representative. Meetings of the Board of Directors are also attended by a regularly attending alternate in addition to a regularly attending alternate for the employees. Members of the Board of Directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position. The Group CEO is not a member of the Board of Directors. None of the members of the Board of Directors appointed by the Supervisory Board are in any employment relationship or independent contractor relationship with the Group beyond their posts as elected officers. The Board members' independence is assessed and is shown under the presentation of the members of the Board. The chair and deputy chair are elected by the Supervisory Board at separate elections for one year at a time.

The Board of Directors is composed based on criteria of competence, capacity and diversity and in accordance with the Bank's articles of association. The individual director's background is described in the annual report and at smn.no/ir. The Election Committee has drawn up specification requirements for the composition of the Board of Directors. The Board meets at least 11 times each year, and the members' attendance at meetings of the Board of Directors is described in the annual report. The directors are encouraged to own the Bank's equity capital certificates, and their respective holdings of ECCs in SpareBank 1 SMN are shown under the presentation of the Board of Directors in the annual report and at smn.no/ir.

Deviations from point 8 of the Code of Practice: None

Work of the Board of Directors

(point 9 of the Code of Practice)

The Supervisory Board has adopted instructions for the Board of Directors that sets forth rules for the board's work and procedures. The Board of Directors manages the Bank's operations in compliance with laws, articles of association and resolutions of the Supervisory Board. The Board of Directors is responsible for ensuring that the assets at the Bank's disposal are managed in a safe and appropriate manner. The

Board of Directors is also required to ensure that accounting and asset management are subject to satisfactory control. The Board of Directors also adopts the Bank's strategy, budget and market and organisational objectives. The Board of Directors appoints and dismisses the Group CEO.

The Board of Directors receives periodical reports on profit performance, market developments, developments on the management, staff and organisational fronts, and developments in the Group's risk picture and risk exposure. The Board of Directors conducts an annual self-evaluation of its activity with regard to working method, case handling, meeting structure and prioritising of tasks, and this provides a basis for changes and measures needed. An evaluation is also made of the competence possessed by the Board.

Internal Audit Committee

The Board of Directors has appointed an Internal Audit Committee comprising three members of the Bank's Board of Directors, and the members are appointed for a two-year period. At least one member of the committee must have relevant accounting or auditing competency. The Internal Audit Committee is a preparatory and advisory working committee to the Board of Directors. The Internal Audit Committee's object, tasks and functions are established in accordance with international rules and the EU Statutory Audit Directive. The committee reviews the drafts of interim and annual financial statements before consideration by the Board of Directors, and as part of its review the committee holds discussions with the Bank's management team and the external auditor. The committee also appraises the internal control system, risk management system and internal audit to ensure their proper functioning and concurrently sees to it that SpareBank 1 SMN has an independent internal and external auditor. To this end the committee holds regular meetings with the internal and external auditors.

The committee meets at least five times yearly ahead of the Board of Directors' consideration of quarterly and annual reports.

The committee is a subcommittee of the Board of Directors and it is an assembled board that has overall responsibility and takes the final decision.

Compensation Committee

The Board of Directors has appointed a Compensation Committee comprising three directors. The Board Chair is a permanent member of the committee and also chairs the committee. The committee members are appointed by the Board of Directors for a two-year term.

The committee is a preparatory body to the Board of Directors in matters relating to the design and practice of guidelines and framework for the Group's compensation policy. The Group's compensation policy is intended to promote sound management and control of the Group's risk, discourage excessive risk taking, encourage a long-term perspective, contribute to avoidance of conflicts of interest and to be in compliance with applicable law and regulations.

The committee's tasks and responsibilities:

- The committee is to formulate a compensation policy in keeping with the legislation in force at any and all times. It also ensures follow up, updating and maintenance of the Group's various compensation arrangements.
- In formulating and maintaining the compensation policy the committee is to identify those employees and elected officers whose tasks are of major significance for the Bank's risk exposure.

- In determining the compensation, the relationship between fixed compensation and any variable compensation is to be determined in such a way as to be balanced.

The Compensation Committee makes a recommendation to the Board of Directors regarding compensation policy and regarding conditions applying to the Group CEO. The committee also established limits with regard to variable compensation, and approves compensation arrangements for all business areas and subsidiaries having compensation schemes. The committee can also be used as an advisory body to the Group CEO in the determination of conditions for the Group management.

The committee meets when convened by the chair, but at least twice yearly and otherwise as and when required. At least two members are required to attend.

The Board of Directors has established the Compensation Committee's mandate.

Deviations from point 9 of the Code of Practice: None

Risk management and internal control

(point 10 of the Code of Practice)

The Board of Directors reviews the Group's development in the main risk areas on a quarterly basis and reviews the internal control system on an annual basis. The Board of Directors of SpareBank 1 SMN has the main responsibility for setting limits to and monitoring the Group's risk exposure. The Bank's risks are measured and reported in accordance with the principles and policy adopted by the Board of Directors. Risk management at SpareBank 1 SMN underpins the Group's strategic development and goal achievement. Risk management is designed to assure financial stability and sound asset management.

Management at the various companies in the Group is responsible for risk management and internal control in the respective companies, and this is intended to ensure:

- targeted, safe, high-quality and cost-effective operations
- reliable and timely reporting
- observance of applicable laws and regulations as well as internal procedures and guidelines

Risk management is an integral part of the management's decision processes, and a central element in regard to organisation, procedures and systems. A separate risk management function has been established at SpareBank 1 SMN.

The Risk management Division is organised independently of the business units and reports directly to the Group CEO. The division is responsible for the Group's risk models and for further developing effective risk management systems. The division is responsible for independent risk assessment, risk reporting and overall risk monitoring in the Droup. The division reports periodically to the Group CEO and the Board of Directors on developments in the risk picture.

The Bank's most important profit objective is to achieve a competitive return on equity. This is done through increased focus on risk-adjusted return, and risk pricing is therefore key to achieving the Bank's goal of a satisfactory return on equity. The Group's principles and framework for internal control and risk management are enshrined in a risk management policy. This policy is the Group's internal framework for sound management and control, and sets out guidelines for the Group's overall approach to risk management and is designed to ensure that the Group has an effective and appropriate process to that end.

Internal control and risk management make up a process initiated and implemented by the Bank's Board of Directors, management team and staff that is designed to identify, handle and monitor risk and ensure that overall risk exposure is in line with the Bank's adopted risk profile. The Board of Directors receives annually an independent assessment from the internal auditor and statutory auditor of the Group's risk and of whether the internal control system functions appropriately and satisfactorily.

The Board of Directors monitors compliance with adopted frameworks, principles, and quality and risk objectives through:

- quarterly reports from the Group CEO and the risk management division
- four-monthly/annual report from the Internal Auditor

SpareBank 1 SMN uses the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Framework and the Control Objectives for Information and related Technology (CobiT) framework as a basis for its policies for internal control and risk management.

Internal control in relation to financial reporting

The Board of Directors of SpareBank 1 SMN has issued guidelines for the Group's financial reporting. They apply within the current requirements imposed by the authorities and are designed to ensure relevant, reliable, up to date and simultaneous information to the Bank's ECC holders and the securities market in general. The guidelines also include the Group's contact with investors other than those on the Supervisory Board. The Finance Division is headed by the Finance Director and is organised independently of the business areas. The division attends to financial reporting at both Parent-bank and Group level, and establishes guidelines for monthly, quarterly and annual reporting from the various business areas and subsidiaries in line with internal and external requirements. The Finance Director assesses the business areas' financial results and goal achievement on a continuous basis, and sees to it that all units perform in keeping with the group's overall financial objectives. The Finance Director reports directly to the group CEO.

The Bank's accounts and finance department is organised under the Finance Division and prepares financial reports for the SpareBank 1 SMN Group. The department sees to it that reports are made in conformity with applicable legislation, accounting standards, the Group's accounting policies and the Board of Directors' guidelines.

The division has established processes to ensure that financial reporting is quality assured and that any errors and deficiencies are followed up and rectified as and when they occur. A number of control measures have been established to ensure that all financial reporting is correct, complete and in conformity with law and regulations. These measures include reasonableness and probability checks at each individual place within the various business areas, as well as on a more aggregated level. In addition, detailed reconciliation checks are carried out on a daily and monthly basis. The Group has established sound measuring systems for use in all business areas in the Group where the most central target figures within each area are followed up. Each business area has responsibility for such monthly financial reporting and follow-up, and works closely with the finance division to develop and improve the measuring systems. Established control activities are evaluated regularly in terms of their design and effectiveness.

Each quarter the external auditor conducts a limited audit of the Group's interim financial statements. A full audit is conducted of the Group's annual financial statements.

Internal audit

The internal audit function is a tool used by the Board of Directors and the Administration to oversee that the risk management process is targeted, effective and functions as intended. Ernst & Young has delivered internal audit services to the group since 2004; as from 2012 this will be done by KPMG. The internal audit assignment covers the Parent Bank, subsidiaries subject to the risk management and internal control regulations and other significant subsidiaries. The internal audit function’s main task is to confirm that the established internal control system functions as intended, and to ensure that established risk management arrangements are adequate in relation to the Bank’s risk profile. The internal audit function reports on a four-monthly basis to the Board of Directors which adopts annual plans and budgets for the internal audit. The internal audit function’s reports and recommendations for improvements in the Bank’s risk management regime are reviewed and implemented on a continuous basis.

The internal iudit function carries out an operational audit of units and business areas in the SpareBank 1 SMN Group. The Internal Auditor does not conduct a financial audit, this being the remit of the external auditor. An audit plan is prepared which is discussed with the group management, considered by the audit committee and approved by the Board of Directors. The audit function’s risk assessments determine which areas are to be reviewed. Separate audit reports are prepared containing results and proposed measures which are presented to the responsible manager and the Group's management team. A summary of the reports is sent every four months to the audit committee and the Board of Directors. The Internal Auditor presents each year to the Board of Directors a plan for implementation of the audit work. Any consultancy services are provided within the standards and recommendations applying to internal auditors (Institute of Internal Auditors Norway).

Ethics and whistleblowing

Ethical guidelines have been drawn up for the Group and its employees and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the Group’s values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have been established for internal communication should any member of staff learn of circumstances that breach external or internal provisions or of other circumstances which are likely to harm the Group's reputation or financial situation. Rules have been made requiring employees to give the alert should they learn of circumstances that are counter to external or in-house provisions, or which harm the Group’s reputation.

For more information about risk management and internal control, see a special note in the annual report concerning financial risk management and a special chapter on risk management and capital allocation.

Deviations from point 10 of the Code of Practice: None

Remuneration to the Board of Birectors

(point 11 of the Code of Practice)

The Board members’ fees that are recommended by the Election Committee for the Supervisory Board and adopted by the Supervisory Board are not performance-related and no options are issued to the directors. The Board of Directors’ chair and deputy chair are remunerated separately, and directors participating in board committees receive additional remuneration for doing so. None of the directors appointed by the Supervisory Board perform tasks for the group beyond sitting on the Board of Directors. Further information on compensation to the Board of Directors, the Internal Audit committee and the Compensation Committee is disclosed in a note in this annual report.

Deviations from point 11 of the Code of Practice: None

Remuneration to senior employees

(point 12 of the Code of Practice)

The Board of Directors has appointed a Compensation Committee which acts as a preparatory body for the Board in cases relating to the assessment of, and compensation to, the Group CEO. The committee also recommends to the Board of Directors guidelines for remuneration to senior employees (the group management). The Board of Directors establishes the Compensation Committee's mandate. See also an account of the Board of Directors' Compensation Committee under point 9. Remuneration to the Group CEO and senior employees is disclosed in a note in this annual report.

Deviations from point 12 of the Code of Practice: None

Information and communication

(point 13 of the Code of Practice)

The Bank's information policy is based on full and effective communication in underpinning the relationship of trust between the Bank's ECC holders, Board of Directors and management, and in ensuring that the Bank's stakeholders are at all times able to assess and relate to the Bank. The Bank's information policy is based on active dialogue with respective stakeholder groups in which openness, predictability and transparency are at centre stage.

The open information practice is in conformity with the Bank's ethical guidelines and section 21 of the Savings banks Act, with the limitations following from the duty of confidentiality and stock exchange rules in effect at all times. Correct, relevant and timely information on the Bank's progress and performance aims to instil investor market confidence. Information is communicated to the market via quarterly investor presentations, an investor relations area on the Bank's website and stock exchange notifications. The Group's financial calendar is published on the Bank's website.

Presentations for international partners, lenders and investors are also arranged on a regular basis. The Board of Directors has adopted a communications strategy indicating who can make statements on behalf of SpareBank 1 SMN and on what subjects. SpareBank 1 SMN has received the Oslo Stock Exchange's information award for meeting specific requirements with regard to the scope and distribution of information.

Deviations from point 13 of the Code of Practice: None

Takeover

(point 14 of the Code of Practice)

SpareBank 1 SMN is a self-owning institution which cannot be taken over by others through acquisition. A savings bank's ownership structure is regulated by law and no-one may own more 10 per cent of a savings bank's owner capital. Finanstilsynet's approval is required for any larger acquisition. A list of the SpareBank 1 SMN's 20 largest ECC holders is available on the Bank's website at smn.no/ir.

Deviations from point 14 of the Code of Practice: Statutory limits on equity holdings

External auditor

(point 15 of the Code of Practice)

An external auditor is appointed by the Supervisory Board upon the recommendation of the audit committee. The Bank utilises the same auditor in the parent company and in all subsidiaries. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. The external auditor presents each year to the internal audit committee a plan for the audit work. The external auditor attends meetings of the Board of Directors at which the annual accounts are reviewed and also meetings of the internal audit committee where the financial statements are reviewed.

The Board of Directors holds at least one meeting each year with the external auditor without the Group CEO or others from the management team being present. No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the external auditor has not provided the Group with advisory services of significance in 2011. Any such services from the external auditor must comply with the Auditors Act section 4-5. The Board of Directors informs the Supervisory Board of the external auditor's remuneration for the audit and any other services.

The external auditor provides the Audit Committee with a description of the main elements of the audit of the preceding accounting year, including whether any significant weaknesses have been identified in the Bank's internal control related to financial reporting processes including any recommended improvements. In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group in the course of the accounting year.

Deviations from point 15 of the Code of Practice: No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the auditor reports on a yearly basis what services have been delivered to the Group in addition to ordinary audit.

Risk management and capital allocation

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

The principles underlying SpareBank 1 SMN's risk management are laid down in the Bank's risk management policy. The Bank gives much emphasis to identifying, measuring, managing and following up central risks to ensure 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 a high level of risk-management awareness
- a sound understanding of the risks that drive earnings and risk costs, thereby creating an improved 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 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 resolved 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 calculation none the less requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Bank defines risk management limits to ensure that the likelihood of an event occurring is extremely low.

Return on risk-adjusted capital is a key strategic target of internal management at SpareBank 1 SMN. It entails allocating capital to business areas based on the estimated risk attending the business concerned, and continuous monitoring of return on capital. Calculation of risk-adjusted capital makes it possible to compare risk across risk groups and business areas. Risk is also gauged and monitored by measuring positions relative to quantitative risk limits and key portfolio risk limits.

The Group's overall risk exposure and risk trend are monitored through periodic risk reports to the Administration and the Board of Directors. Overall risk monitoring and reporting are carried out by the Risk Management Division which is independent of the Group's business areas.

Responsibility for risk management and control

Risk management and control are part of SpareBank 1 SMN's corporate governance as described in the chapter on Corporate Governance. The Group's control and management model aims for independence in risk reporting, with due emphasis given to responsibilities and roles in the day-to-day risk management. SpareBank 1 SMN has for several years devoted substantial resources to developing effective risk management processes in order to identify, measure and manage risk.

In the risk and capital management process, organisation culture is the foundation on which the other elements are built. SpareBank 1 SMN's organisation culture comprises management philosophy, managerial style and the people making up the organisation with their individual qualities such as integrity, values, and ethical stance. A deficient organisation culture cannot be compensated for by imposing other oversight and control measures.

The Group attaches importance to a control and management structure that promotes targeted and independent management and control. The risk management process is three-tiered:

The **Board of Directors** of SpareBank 1 SMN is responsible for overseeing that the Group's own funds are satisfactory based on the adopted risk profile and requirements set by the authorities.

The Group Board establishes the overarching objectives such as risk profile, return targets and the distribution of capital on the respective risk areas. The Board also establishes overall limits, authorisations and guidelines for risk management within the Group, as well as all significant aspects of risk management models and decision-making processes.

The **Group CEO** is responsible for risk management. Hence he is responsible for seeing to the implementation of effective risk management systems in the Group, and for the monitoring of risk exposure. The Group CEO is also responsible for delegating authorisations and for reporting to the Board.

The **Divisions** are responsible for the day-to-day risk management within their respective business areas, and they must at all times see to it that risk management and risk exposure comply with the limits and overarching management principles established by the Board or the Group CEO.

The **Risk Management Division** is organised independently of the business units and reports directly to the Group CEO. This division is responsible for the Group's risk models and for the further development of effective risk management systems. It is also responsible for independent risk assessment, risk reporting and for overall monitoring of risk within the Group.

Credit Committees. The Group has two local-level credit committees for the corporate market along with a central-level Group Credit Committee. The two local-level credit committees cover the following areas:

- Trondheim and Møre and Romsdal
- Sør-Trøndelag and Nord-Trøndelag

The Credit Committees deliver an independent recommendation to the authorisation holder concerned. The recommendation:

- assesses loan and credit applications in accordance with the existing credit strategy, credit policy, lending regulations and credit processing routines
- gives particular emphasis to identifying risk related to the individual application and to providing an independent credit risk assessment
- clarifies the consequences for the Group of the various risks involved

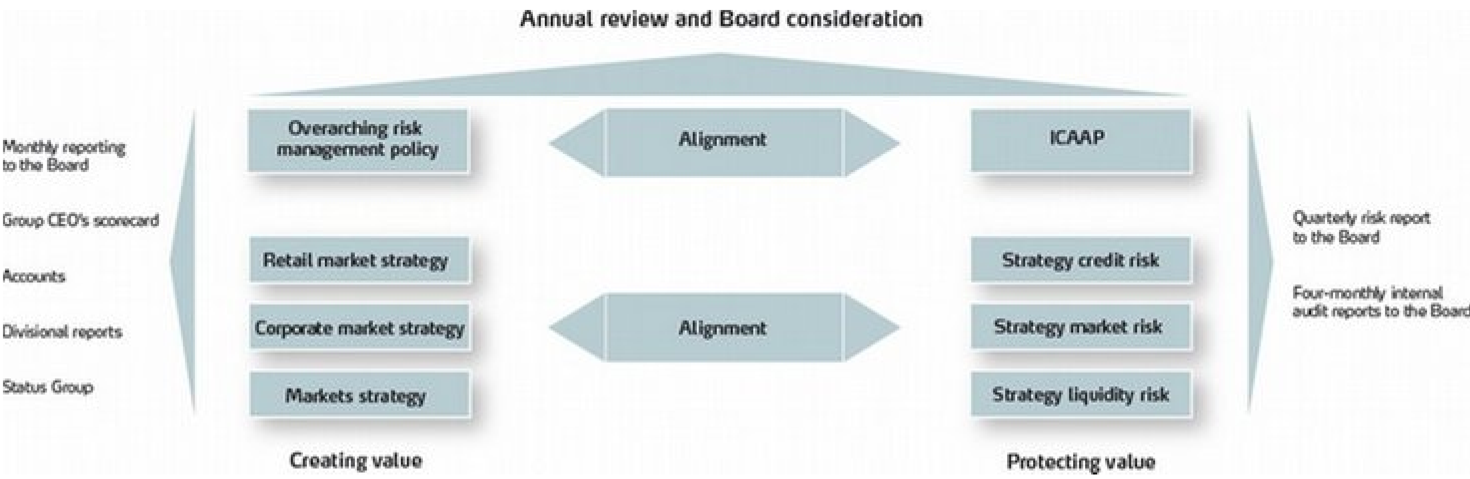
The **Balance Sheet Committee** is responsible for dealing with matters related to capital structure and liquidity risk, market risk, internal pricing of capital and compliance with limits established by the Board.

The **Credit Support Unit** 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.

Credit Watch Committee. This committee's main focus is on exposures at risk. The committee deals with exposures defined on a centralised watch list, mainly in excess in excess of NOK 50m.

The **Internal Audit** is a tool at the disposal of the Board of Directors and the Administration which oversees that the risk management process is targeted, effective and functions as intended. The Group's internal audit is carried out by an external provider, thereby assuring the required independence, competence and capacity. The Internal Audit function reports to the Board of Directors.

The Internal Audit function's reports and recommendations for improvements in Group risk management are continuously reviewed within the Group. The Internal Audit function reviews, regularly and at least annually, the IRB system, including the models underlying the calculation of risk parameters and the application of and compliance with the Capital Requirements Regulations.



Capital management

SpareBank 1 SMN applies a focused capital management process designed to assure:

- effective capital procurement and capital application in relation to the Group's strategic objectives and adopted business strategy
- satisfactory capital adequacy in relation to the chosen risk profile
- competitive returns
- competitive terms and good long-term access to capital market funding
- the Group's ability to maintain at minimum its present international ratings
- utilisation of growth potentials in the Group's defined market area
- that no individual events can seriously impair the Group's financial position

A long-term objective of the adopted business strategy is to ensure that the risk-adjusted capital is as far as possible allocated to those areas that yield the highest risk-adjusted return.

The capital management process must:

- be risk-driven and include all significant types of risk within the Group
- be an integral part of the business strategy, management process and decision-making structure
- be forward-looking and include stress testing
- be based on recognised and appropriate risk measurement methods and procedures
- be regularly reviewed, at least annually, by the Board

Financial projections. A five-year projection of financial developments is prepared with a basis in the strategic objectives and the business plan. A projection is also prepared of a serious economic downturn scenario. The projections are designed to compute how financial developments in business activities and the macroeconomy will impact on the Group's financial development, including return on equity, the funding situation and capital adequacy.

Basel II and the IRB system

Finanstilsynet (the Norwegian Financial Supervisory Authority) has granted SpareBank 1 SMN permission to apply the IRB foundation approach to account for credit risk. The Bank accordingly applies its own classification models when computing regulatory capital requirements. The Ministry of Finance resolved in December 2011 to prolong the transitional rules of section 49-2 subsection (11) of the capital requirements regulations. This entails a minimum capital requirement of at least 80 per cent of the requirement calculated under the old rules.

The IRB system includes models, processes, control mechanisms, IT systems and procedures and guidelines associated with classification and quantification of credit risk and with the extended management of credit risk. The IRB system and the models are validated quantitatively and qualitatively to ensure that the models have sufficient predictive ability and are in keeping with adopted guidelines.

In 2011 the Bank applied the basic indicator approach to quantify operational risk, and the standard approach to quantify market risk. SpareBank 1 SMN has established, as an integral part of its risk management policy, a capital allocation process (ICAAP) to ensure that the Bank at all times has adequate own funds in relation to its chosen risk profile. The process is also designed to assure efficient acquisition and application of capital.

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 Bank's organisation of and framework for management of credit risk is adapted to the Basel Committee's Sound Practices for the Management of Credit Risk and to Finanstilsynet's module for management and control of credit risk.

Credit risk arising from the Group's lending activity is the largest area of risk facing the Group. The Group incurs exposure to credit risk through lending and leasing products to retail and corporate customers and through the operations of the Bank's Markets and Finance Divisions.

Through its annual review of the Bank's credit strategy, the Board of Directors concretises the Bank's risk appetite by establishing objectives and limits for the Bank's credit portfolio.

The Bank's credit strategy and credit policy are derived from the Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the Retail and Corporate market Divisions respectively, maximum portfolio default probability (PD) and maximum economic capital (UL) allocated to the credit business. Concentration risk is managed by distribution of lending between the Retail market and Corporate market Divisions and within lines of business, limits to maximum application of economic capital within lines of business and requirements as to maximum exposure, credit quality and number of exposures above 10 per cent of own funds.

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

Credit risk is managed through:

a) The credit strategy is adopted annually by the Board of Directors

The credit strategy establishes the overarching principles for lending and for the management and pricing of credit risk at SpareBank 1 SMN. This includes the structuring of the Bank's management documents, organisation (distribution of responsibilities and roles) of the credit function, overarching principles for lending and credit strategy objectives.

Credit risk management at SpareBank 1 SMN is based on the principles recommended by the Basel Committee's paper entitled 'Principles for the Management of Credit Risk', new capital adequacy rules

(Basel II) and relevant statutes and regulations.

b) Guidelines for portfolio management

The guidelines describe the framework and guidelines applying to the management of SpareBank 1 SMN's credit portfolio. This applies to the distribution of responsibilities and roles in connection with the measurement and reporting of portfolio risk and profitability as well as measures suited to managing the portfolio within the framework defined in the credit strategy and credit policy.

The composition of the portfolio is managed through the establishment of principles and framework for the granting of new credits, or through changes in existing exposures.

c) Credit policy for the Corporate and Retail market Divisions

These documents describe how the Bank's credit strategy is to be implemented through the establishment of detailed lending criteria for, respectively, the Corporate market Division and the Retail market Division. The responsibility for the drawing up and maintenance of credit policy rests with the Group CEO.

d) Lending regulations – exercise of lending authorisations

All authorisations in the Retail market and Corporate market Divisions are personal. In the Corporate market Division, credit committees have in addition been set up at local and central level to advise the decision taker in major credit cases. Granting of credit must be in line with the Bank's credit strategy, credit policy, credit processing procedures and guidelines and must be characterised by completeness, high quality and professionalism. This is documented by way of the Bank's ordinary loan-officer system.

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

The Bank's risk classification system is designed to enable the Bank's loan portfolio to be managed in conformity with the Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates overall lending authorisation to the Group CEO and the divisional directors. The Group CEO can further delegate authorisations to lower levels.

Lending authorisations are graded by size of commitment and risk profile.

e) Credit models

The Bank's credit models build on three central components: probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Probability of default (PD)

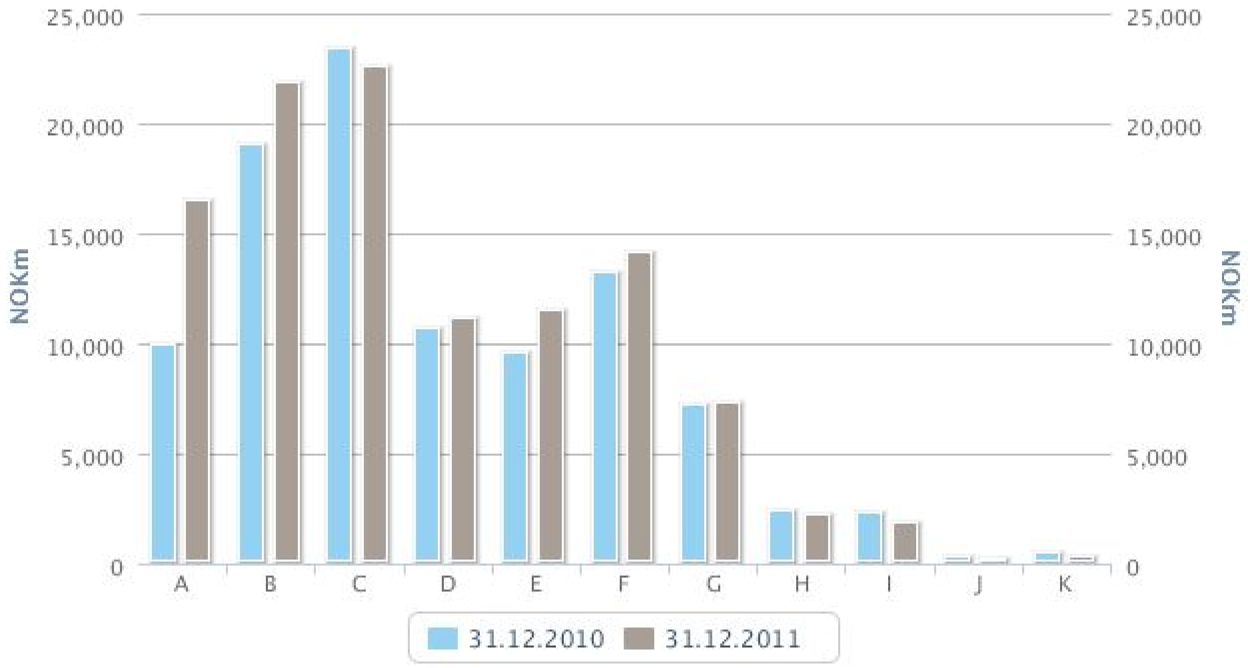
The Bank's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position along with internal and external behavioural data. The models are based partly on point-in-time ratings, and reflect the probability of default in the course of the next 12 months under the current economic conditions.

In order to group customers by probability of default, nine risk classes are employed (A-I). In addition the Bank has two risk classes (J and K) for customers whose loans are in default and/or written down. The following table shows the intervals employed for probability of default in each of the risk classes.

SpareBank 1 SMN's default classes

Risk classes	PD Lower	PD Upper
A	0.00 %	0.10 %
B	0.10 %	0.25 %
C	0.25 %	0.50 %
D	0.50 %	0.75 %
E	0.75 %	1.25 %
F	1.25 %	2.50 %
G	2.50 %	5.00 %
H	5.00 %	10.00 %
I	10.00 %	99.99 %
J (default)	100.00 %	100.00 %
K (written down)	100.00 %	100.00 %

The figure below shows the volume distribution of exposures within the various risk classes.



The Bank's PD models for the retail and corporate markets are validated annually within three dimensions.

- Suitability. The models are evaluated in terms of their suitability for the Bank's existing portfolio.
- Ranking ability. Through statistical methods (AUC) we estimate the models' ability to distinguish between customers with differing risk levels.
- Level. The models' accuracy with regard to level is evaluated on an ongoing basis, at minimum annually. Where the estimated PD level deviates from the observed default rate (DR), the level will be adjusted. The evaluation takes account of the current economic situation and the model's cyclical

characteristics.

The results of the validation confirm that the model's accuracy meets internal criteria and international recommendations.

Exposure at Default (EAD)

EAD is an estimate of the size of exposure in the event of default at a specific date in the future. 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. CF is validated monthly for drawing rights within the retail and corporate market. The Bank's EAD model takes account of differences both between products and customer types.

Loss Given Default (LGD)

The Bank estimates the loss ratio for each loan based on the expected realisable value (RE value) of the underlying collateral, the recovery rate on unsecured debt, as well as the direct costs of recovery.

In conformity with the Capital Requirements Regulations the estimates are downturn estimates. The values are determined based on fixed models and actual realisation values are validated to test the models' reliability. Based on collateral cover (realisable value divided by EAD), the exposure is assigned to one of seven classes, the best of which has collateral cover above 120 per cent and the lowest has collateral cover below 20 per cent.

Collateral class	Lower	Upper
1	120	
2	100	120
3	80	100
4	60	80
5	40	60
6	20	40
7	0	20

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

The portfolio classification is designed to provide information on the level and development of overall credit risk in the total portfolio. Total exposures to customers and other counterparties are shown in notes to the accounts. The LGD model and its components are validated at least annually against observed values from implemented realisations.

Counterparty risk

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the most used 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 Bank will continue to enter CSA contracts to manage counterparty risk.

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

Market risk

Market risk is a generic term for the risk of loss resulting from changes in rates or prices on financial instruments – in particular changes in share prices, bond rates, interest rates, exchange rates. Market risk also includes the risk of loss due to changes in the price of financial derivatives such as futures, options, and financial instruments based on items other than securities – for example commodities.

Market risk arises at SpareBank 1 SMN primarily in connection with the Bank's investments in bonds, short-term money market paper and shares, and as a result of activities designed to underpin banking operations such as funding, fixed income and currency trading.

Market risk is managed mainly through day-to-day monitoring of risk exposures against limits set by the Board of Directors and through ongoing analyses of outstanding positions. The Risk Management Division reports monthly to the Board of Directors on the position regarding compliance with the limits set by the Board. Detailed limits apply to investments in shares, bonds and positions in the fixed income and currency markets.

The Group defines limits on exposure to equity instruments using stress tests based on Finanstilsynet's scenarios. The limits are reviewed at least once a year and are adopted yearly by the Bank's Board of Directors. The limits are well within the maximum limits set by the authorities.

The Bank uses Finanstilsynet's models for market and credit risk to compute the Bank's market risk. These models stress test the Bank's market risk based on traditional risk measures with an addition for the risk factors risk diversification and market liquidity.

Interest rate risk is the risk of loss due to changes in interest rates. Interest rate risk arises mainly on fixed interest loans and funding in fixed interest securities. 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. 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. Exchange rate risk is the risk of loss due to changes in exchange rates. The Group measures exchange rate risk with a basis in net positions in the various currencies.

The limits on exchange rate risk are expressed as limits on the maximum aggregate currency position and on the maximum position in the individual currency.

Liquidity risk

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

Management

The Group's finance function is responsible for the Group's funding and liquidity management. Compliance with limits is monitored by the Risk Management Division which reports to the Board of Directors monthly. The Group manages its liquidity on an overall basis since the Finance Division is responsible for funding both the Bank and the subsidiaries.

Liquidity risk management is based in the Group's overall liquidity strategy which is reviewed and adopted by the Board of Directors at least once a year, and reflects the Group's moderate risk profile. As part of the strategy, a preparedness plan has been drawn up to handle the liquidity situation in periods of capital market turbulence with bank-specific and industry-related crisis outcomes and a combination of these. Liquidity management includes stress tests which simulate the liquidity effect of various market events. The results of such testing are taken on board in the preparedness plan developed for the Group's liquidity management regime.

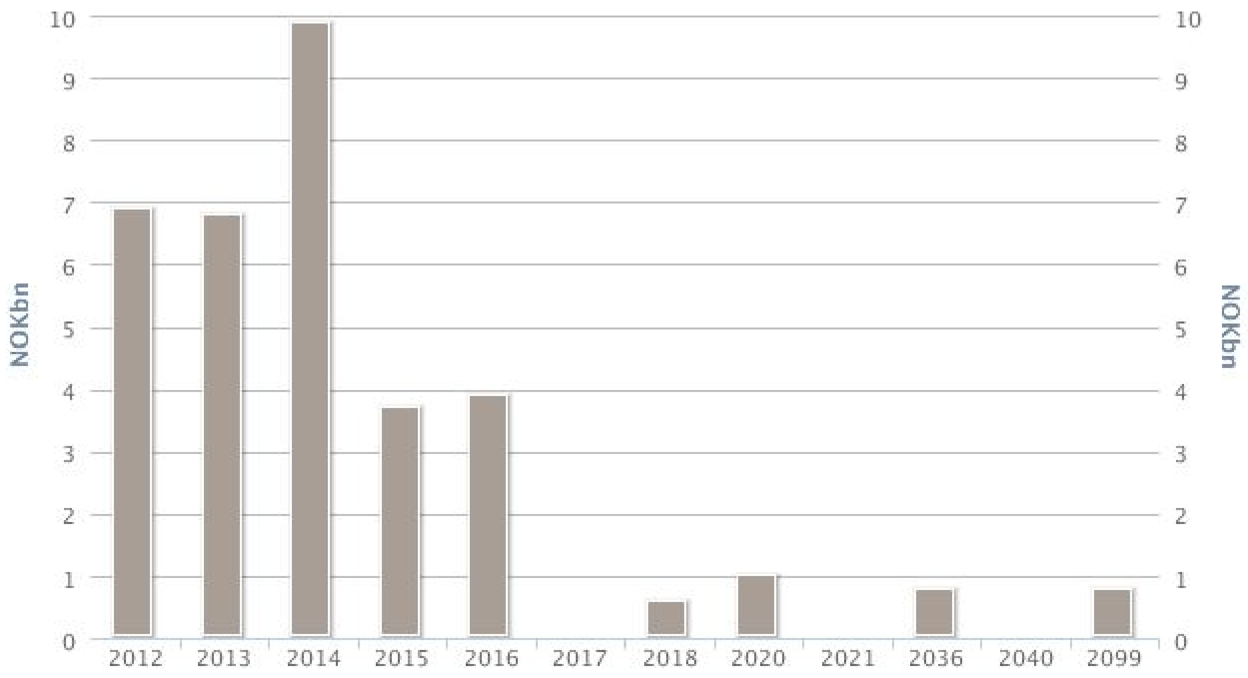
Risk measurement

The Board of Directors reviews the liquidity strategy annually and establishes a framework that promotes a long-term perspective and balance in liquidity procurement. This framework restricts the short-term maturity of the Groups's liabilities within various time periods. Moreover, an aim of the Group is to survive for 12 months with moderate growth without fresh external funding. New liquidity regulations entered into force on 1 January 2011. SpareBank 1 SMN adjusted the liquidity strategy in autumn 2010 to meet the new requirements.

The Group's most important source of finance is customer deposits. At end-2011 the ratio of deposits to loans was 65 per cent, as against 61 per cent at end-2010. The Group mitigates its liquidity risk by diversifying funding across a variety of markets, funding sources and instruments, and by use of long-term funding. Too high a concentration of maturities increases refinancing vulnerability. This risk is curbed through defined limits. SpareBank 1 SMN is rated by Moody's and Fitch Ratings to assure funding at acceptable prices in the money and capital markets.

SpareBank 1 SMN's liquidity position is satisfactory. The Group's liquidity is measured regularly against the liquidity indicator for a reference portfolio defined by Finanstilsynet. The Group's liquidity strategy specifies a maximum deviation against this portfolio. SpareBank 1 SMN stayed within this limit throughout 2011.

The figure below illustrates the funding portfolio's maturity structure as from end-2011.



Development over the past year

The Group was active in the funding market in 2011, and issued loans both domestically and abroad. Funding costs were somewhat higher at year-end than at the start of the year.

The Group's liquidity situation at end-2011 is satisfactory. The Group increased its liquid assets, in part through bonds deposited with Norges Bank in the course of the year. At year-end the Group's liquidity was satisfactory: NOK 1.5bn in cash and deposits with Norges Bank, NOK 2.6bn in loans and receivables from credit institutions and NOK 13bn in money market securities and bonds. The bulk of the securities portfolio can be used as collateral for loans from Norges Bank. Of the Group's total funding volume at year-end, about NOK 7bn is to be refinanced in 2012. By end-2011 SpareBank 1 SMN had moved NOK 22bn of its best-secured home mortgage loans to SpareBank 1 Boligkreditt and it is expected that Boligkreditt account for an important portion of the Group's financing in 2012.

In order to mitigate counterparty risk, the Group has signed agreements concerning provision of collateral in connection with derivative trades (CSA contracts) with central counterparties. This will substantially reduce exposure to the Group's key counterparties since the Group – or its counterparties – will be obliged to furnish collateral when the value of contracted business exceeds a pre-agreed threshold.

Operational risk

Operational risk is the risk of loss as a result of unsatisfactory or failing internal processes, systems, human error or external events. Examples of the foregoing include errors on the part of employees, possible flaws in products, processes or systems, or the Bank may incur losses due to fraud, fire and natural damage.

Operational risk is a risk category that captures the bulk of costs associated with quality failings in the Bank's ongoing business.

SpareBank 1 SMN is wishes to enhance its competence in operational risk management and is cooperating closely SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, SpareBank 1 Oslo Akershus, Sparebanken Hedmark and the University of Stavanger to further develop a framework for analysis of operational risk and to establish tools for improved quantification of operational risk exposure.

Identification, management and control of operational risk are an integral aspect of executive responsibility at all levels in SpareBank 1 SMN. Executives' most important aids in this respect are professional insight and managerial expertise along with action plans, control routines and good monitoring systems. A systematic focus on risk assessment also promotes knowledge and awareness of improvements needed in the particular unit. Any flaws found are reported to appropriate levels of the organisation along with recommended improvements.

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 of a framework for handling operational risk.

The Board of Directors is kept abreast of the operational risk position through quarterly risk reports, and the Board receives each year a report summarising the various risk assessments conducted by the divisions. In addition to a presentation of the most significant risks and associated control and improvement measures, the report contains a self-evaluation of the position regarding the respective divisions' ongoing management and control. Through the quarterly reports the Board of Directors is also kept abreast of operational losses arising in the various business areas.

The Board of Directors receives each year from the Internal Audit and the statutory auditor an independent assessment of Group risk and of whether the internal control system functions in an appropriate and satisfactory manner.

A system of registration and follow-up (Risk Information System) is used in the effort to ensure continuous improvement in all SpareBank 1 SMN's business activity. This system promotes better structures and follow-up of risk, events and areas needing improvement. Together with the reporting carried out, this system constitutes an important experience base with respect to operational risk. All operational events which could potentially entail loss or where losses have arisen are recorded in the base. Improvement measures are considered and set in train where appropriate.

The Group has a broad-based insurance programme designed to capture significant portions of losses incurred as a result of major events and disasters. Various liability and crime insurances have been taken out, along with property and contents insurances, with a view to such events. These highly cost-effective policies are primarily intended to cover major loss events.

In 2011 the Parent Bank recorded operational loss events involving a total loss of about NOK 23m.

For 2011 risk-adjusted capital in respect of operational risk was estimated at NOK 330m.

Owner risk

Owner risk is the risk that SpareBank 1 SMN will incur negative results on its holdings in strategically owned companies and/or must supply fresh equity to these companies. The companies concerned are defined in this context as companies in which SpareBank 1 SMN has a significant owner interest and influence.

SpareBank 1 Gruppen, SpareBank 1 Oslo Akershus, BN Bank, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt fall within this definition. While the risk posed by these companies is moderate, the Bank is indirectly exposed to increased market risk through its stake in SpareBank 1 Gruppen. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are primarily funding instruments for the core business operated by the owner banks. Their risk picture is relatively simple, and their appetite for market and liquidity risk is very low. Operational risk present in these companies is also low.

SpareBank 1 SMN exercises its control over the SpareBank 1 Gruppen, BN Bank and SpareBank 1 Oslo Akershus effectively through the formal governing bodies that have been established.

Business risk

Business risk is the risk of unexpected income fluctuations arising from factors other than credit risk, market risk and operational risk. It can materialise in various business or product segments and can arise from business cycle fluctuations and changed customer behaviour.

Business risk expresses itself in unexpected profit impairment. SpareBank 1 SMN constantly experiences changing framework conditions, both with regard to the competitive situation and the legislation affecting income models. The Bank's response to all such changes is to adjust its business model to compensate for any lapse in income, either by identifying other income areas or by adjusting costs to the new reality.

Sound strategic planning is the most important tool for mitigating business risk. Since business risk can arise from a variety of various risk factors, a broad set of tools (qualitative and quantitative) is employed to identify and report this type of risk.

Financial results

A net profit of NOK 1,024m, a stable trend in the Bank's core business and good growth in market shares confirm SpareBank 1 SMN's solid position.

Report of the Board of Directors

Macroeconomic conditions

World economy

Since the crisis in 2008 the world economy has been driven by expansionary fiscal and monetary policy. The price has been unprecedented levels of sovereign debt in many OECD countries. Where the peripheral eurozone countries are concerned, financial markets have begun to doubt the ability of some of them to service their debt. This has pushed up their sovereign debt rates, thereby further exacerbating the situation. A key risk factor in 2012 is that government interest rates in debt-burdened countries will rise further, potentially leading to bankruptcies, a banking crisis and departure from the euro.

Norway

After falling from about USD 150 to around 35 per barrel in 2008, the oil price rose substantially in 2009 and 2010. It stabilised at well over USD 100 per barrel in the course of 2011, with the result that the Norwegian economy was far less affected by the international economic slowdown than first feared. Annualised GDP growth in the third quarter of 2011 was 3.7 per cent compared with 0.7 per cent in 2010.

Inflation declined towards the end of 2011 and annual consumer price growth at year-end was 0.2 per cent. Employment levels are high in Norway and the jobless rate is currently 3.4 per cent, the same as at the end of 2010.

Trøndelag and Nordvestlandet

In the period 2007-2011 the counties of Sør-Trøndelag, Nord-Trøndelag, Møre and Romsdal and Sogn and Fjordane showed a substantial increase both in population and company numbers. In all the above counties the growth in company numbers was above the national average. Unemployment fell throughout 2011 as did the bankruptcy rate. House prices in the region have risen substantially in the past two years, partly due to insufficient new housing construction, particularly in Trondheim.

In terms of company turnover, Trondheim and Sunnmøre are the most significant areas accounting for about 60 per cent of overall turnover in the counties of Sør-Trøndelag, Nord-Trøndelag, Møre and Romsdal and Sogn and Fjordane.

Agriculture is a substantial sector in the two Trøndelag counties with an annual value creation of about NOK 3bn and employing about 10,000 persons.

The aquaculture sector is important for the region, and accounts for 30 per cent of total Norwegian production in the aquaculture industry, with a turnover of NOK 7.5bn. Export prices fell markedly in the course of summer 2011, and have hovered around NOK 22-25 per kg since then, largely the result of Chilean producers’ resumption of production after a halt due to disease. Prices are not expected to be cyclically dependent, and demand from emerging markets is expected to continue to rise in the years ahead.

Møre and Romsdal have greater exposure to the offshore sector than the Trøndelag counties, both through manufacturing activity and the sector’s substantial vessel fleet. The sector is benefiting from the record-high level of oil investments in 2011, which is expected to remain high for a long period. Long-term fundamentals point to a further rise in the oil price from the already high current levels.

The Trøndelag region has relatively low exposure to the export industry, and is protected by a large public sector. Retail turnover is fairly buoyant. Export businesses in the region's aquaculture and offshore segments could be affected by a long-lasting international economic contraction, but will probably handle this successfully in the long run.

Annual accounts 2011

Consolidated figures. Figures in parentheses refer to the same period of 2010 unless otherwise stated. The Group accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

All-time profit of NOK 1,024m after tax

- Profit before tax: NOK 1,279m (NOK 1,282m).
- Profit: NOK 1,024m (NOK 1,022m).
- Return on equity: 12.8 per cent (14.6 per cent).
- Tier 1 capital ratio: 10.4 per cent (10.9 per cent), common tier 1 ratio: 8.9 per cent (9.3 per cent).
- 12-month growth in lending: 8.6 per cent (13.2 per cent), 12-month growth in deposits: 11.9 per cent (14.9 per cent).
- Earnings per equity capital certificate (ECC): NOK 6.61 (NOK 6.43); book value per ECC, incl. dividend recommended for 2011: NOK 54.44 (NOK 50.60).
- Recommended dividend: NOK 2.00 per ECC.
- The Board of Directors recommends the launch of an underwritten rights issue of up to NOK 750m, a placing of up to NOK 200m, mainly with Sparebankstiftelsen SpareBank 1 SMN, and a placing of up to NOK 60m with employees.

Good result in 2011

- good underlying operations and positive income trend
- high return on financial investments
- strong financial position and satisfactory funding
- very good growth in lending to the retail market and high growth in deposits both from retail and corporate customers
- rise in costs due to one-time events and increased activity levels, particularly at subsidiaries

In 2011 SpareBank 1 SMN recorded a profit of NOK 1,024m (NOK 1,022m) and a return on equity of 12.8 per cent (14.6 per cent). Profit before tax was NOK 1,279m (NOK 1,282m). The good profit performance is ascribable to a positive income trend, reduced losses and high return on financial assets.

Operating income rose by 6.5 per cent in 2011 to a total of NOK 2,200m (NOK 2,065m).

Return on financial assets was NOK 588m (NOK 490m), of which the overall share of profits on owner interests in affiliates was NOK 290m (NOK 249m).

Operating expenses totalled NOK 1,482m in 2011 (NOK 1,140m). Of the growth, NOK 128m is due to the write-back of AFP (early retirement) provision in 2010.

A net loss of NOK 27m (NOK 132m) was recorded on loans and guarantees.

The Group achieved good growth in lending and deposits in 2011. Lending rose by 8.6 per cent (13.2 per cent) and deposits by 11.9 per cent (14.9 per cent). Both retail and corporate banking divisions saw a good supply of customers in 2011.

Tier 1 capital adequacy at end-2011 was 10.4 per cent (10.9 per cent) and total capital adequacy was 12.0 per cent (13.0 per cent). In a press release dated 8 December 2011 Finanstilsynet announced its support for the European Banking Authority's new requirement for banks to maintain a common tier 1 capital (tier 1 capital excluding hybrid capital) ratio of 9.0 per cent. At end-2011 SpareBank 1 SMN has a common tier 1 ratio of 8.9 per cent (9.3 per cent).

At year-end the Bank's equity capital certificate (ECC) was priced at NOK 39.30 (NOK 54.00). A cash dividend of NOK 3.00 per ECC was paid in 2011 for the year 2010 (NOK 2.27).

Earnings per ECC were NOK 6.61 (NOK 6.43). Book value per ECC was NOK 54.44 (NOK 50.61).

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.00 per ECC for 2011.

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, affiliates and joint ventures.

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

Difference between Group – Parent Bank	**2011**	**2010**
Profit of the year, Group	**1,024**	**1,022**
Profit, subsidiaries	-144	-42
Dividend and group contributions, subsidiaries	68	108
Profit share, affiliates	-290	-249
Dividend from affiliates	162	44
Profit for the year, Parent Bank	**820**	**882**

Annual profit for distribution reflects changes of NOK -25m in the revaluation reserve, leaving the total amount for distribution at NOK 795m.

The profit is distributed between the ownerless capital and the equity 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 61.3 per cent of the distributed profit.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.00 per equity capital certificate, altogether totalling NOK 190m. This gives a payout ratio of 40 per cent. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m as gifts to non-profit causes, representing a payout ratio of 13 per cent. NOK 297m and NOK 268m are added to the dividend equalisation fund and the ownerless capital respectively.

In light of new regulatory capital requirements and the expectation of more demanding market conditions, the Board of Directors has chosen to recommend lower payout ratios for 2011 than previous years.

The Board has further chosen to recommend a different payout ratio for the ownerless capital and the ECC capital this year in order to partially offset the equity dilution resulting from the proposed stock issue.

After distribution of the profit for 2011 the ECC-holder ratio (ECC-holders' share of total equity) is 60.6 per cent.

Distribution of profit, NOKm	2011	2010
Profit of the year, Parent Bank	820	882
Transferred from revaluation reserve	-25	65
Profit for distribution	**795**	**947**
Dividends	190	285
Equalisation fund	297	281
Ownerless capital	268	189
Gifts	40	192
Total distributed	**795**	**947**

Increased net interest income

Net interest income in 2011 was NOK 1,281m (NOK 1,210m), an increase of NOK 71m.

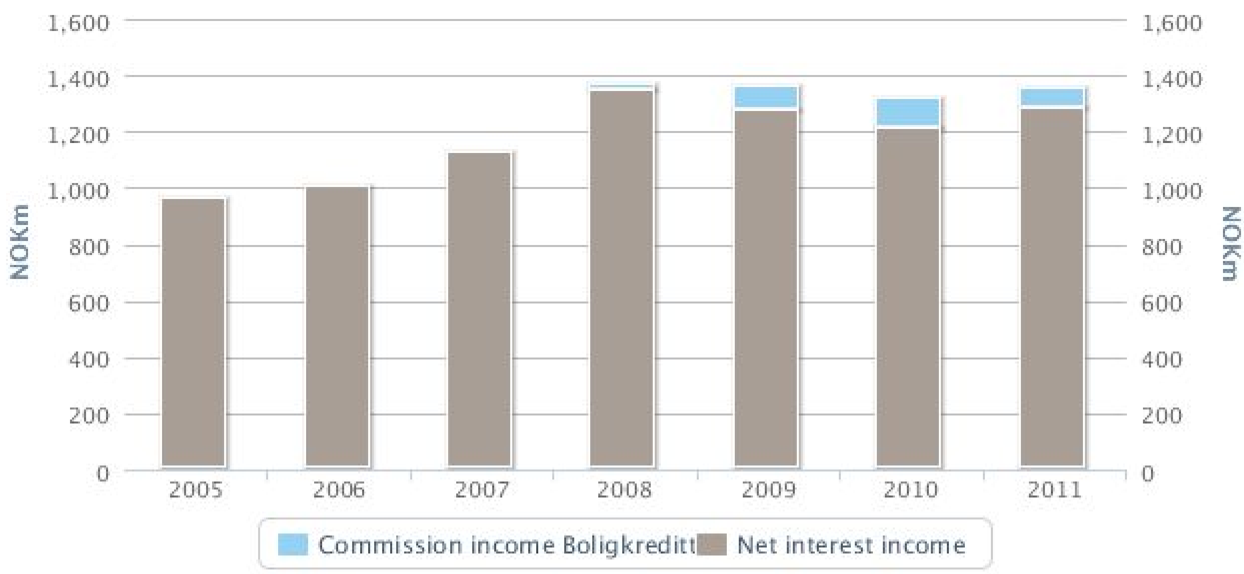
The increase is mainly due to

- higher loan and deposit volumes
- increased commissions on establishment of business loans
- Banks' exemption from payment of levies to the Banks' guarantee fund for 2011

The steadily rising cost of money market funding reduced the Bank's lending margins through the year. The Bank implemented a general interest rate increase on loans to retail and corporate customers alike in November 2011, and has chosen not to lower rates to customers after the reduction of market rates (NIBOR) at year-end.

Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, not as interest income. Commission income totalled NOK 71m in 2011 (NOK 107m).

As of end-2011 home mortgage loans transferred to SpareBank 1 SMN Boligkreditt amounted to NOK 22bn (NOK 18bn).



Increased commission income

Commission income and other operating income came to NOK 919m in 2011 (NOK 855m), an increase of 7.5 per cent. The main contributors to the increase are property broking, accounting services and insurance. In addition, the Group earns rental income on the Bank's new Head Office. A decline in commissions from SpareBank 1 Boligkreditt is ascribable to higher costs of funding in the market for residential mortgage bonds. The competitive situation has thus far made it demanding to pass on this extra cost to borrowers.

Commission inncome (NOKm)	End 2011	End 2010	Change
Payment transfers	195	198	-3
Savings	54	61	-7
Insurance	107	96	10
SpareBank 1 Boligkreditt	71	107	-36
Guarantee commissions	28	29	-1
Real estate agency	308	245	64
Accountancy services	79	51	29
Active management	12	19	-7
Rental income	34	13	21
Other commissions	32	38	-6
Total	**919**	**855**	**64**

Positive return on financial investments

Overall return on financial investments (excluding the Bank's share of the profit of affiliates and joint ventures) was NOK 298m (NOK 240m) in 2011.

Return on the Group's share portfolios totalled NOK 102m (NOK 122m).

SpareBank 1 SMN Invest, which manages parts of the Bank's share portfolio, posted net capital gains of NOK 92m (loss of NOK 19m). A substantial part of this comprises a rise in the value of the company's portfolio in Det Norske Oljeselskap in the second half-year.

Gains on bonds and derivatives in 2011 came to NOK 101m (NOK 73m). SpareBank 1 SMN focuses on investing in solid issuers with low market volatility. The Bank adopts a conservative approach to bond portfolio management with little exposure to bank bonds; the bulk of investment is in government bonds, government guaranteed bonds, municipal bonds and well-rated covered bonds. The Group's overall interest rate risk is kept to a low level.

Gains on forex and fixed income trading at SpareBank 1 SMN Markets totalled NOK 96m (NOK 39m) after a very good second half-year.

Return on financial investments, NOKm	End 2011	End 2010
Capital gains/dividends, shares	102	129
Bonds and derivatives	101	73
Forex and fixed income transactions, Markets	96	39
Value changes, financial investments	**298**	**241**
SpareBank 1 Gruppen	94	164
SpareBank 1 Boligkreditt	16	16
SpareBank 1 Næringskreditt	9	2
SpareBank 1 Oslo Akershus	15	37
BN Bank	89	59
Polaris Media	23	-
Other companies	43	-29
Affiliates	**290**	**249**
Total	**588**	**490**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's preliminary post-tax profit was NOK 482m (NOK 841m). SpareBank 1 Skadeforsikring and SpareBank 1 Livsforsikring are the main contributors to the profit growth.

SpareBank 1 SMN's share of the profit was NOK 94m (NOK 164m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. By transferring their highest quality residential mortgage loans to the company, the SpareBank 1 banks benefit from reduced funding costs. As of 31 December 2011 the Bank had transferred NOK 22bn to SpareBank 1 Boligkreditt, corresponding to 40 per cent of all loans to retail customers.

The Bank's equity stake in SpareBank 1 Boligkreditt at end-2011 was 17.8 per cent, and the Bank's share of the company's profit in 2011 was NOK 16.0m (NOK 16.0m).

SpareBank 1 Næringskreditt

In 2010 the SpareBank 1 banks established SpareBank 1 Næringskreditt along the same lines, and with the same administration, as SpareBank 1 Boligkreditt.

SpareBank 1 SMN owns 37 per cent of the company, and SpareBank 1 SMN's share of the company's profit in 2011 was NOK 9m (NOK 2m).

SpareBank 1 Oslo Akershus

SpareBank 1 SMN has a stake of 19.5 per cent in SpareBank 1 Oslo Akershus. SpareBank 1 SMN's share of the profit of SpareBank 1 Oslo Akershus was NOK 15m (NOK 37m) in 2011.

BN Bank

SpareBank 1 SMN's equity stake in BN Bank at end-2011 is 33 per cent.

SpareBank 1 SMN's share of the profit of BN Bank for 2011 was NOK 89m (NOK 59m), including amortisation effects.

Polaris Media

After acquiring 18.81 per cent of the shares of Polaris Media on 28 March 2011, the SpareBank 1 SMN Group owns 23.45 per cent of the shares of the company. The company is therefore classified as an affiliate of SpareBank 1 SMN.

The book value of the shares at end-2011 is NOK 332m. This includes SpareBank 1 SMN's estimated share of the profit from the date of acquisition of the shares, amounting to NOK 22.9m.

Other companies

These companies were essentially established to handle corporate exposures taken over from other entities. The positive result of NOK 43m essentially represents a tax benefit related to loss carried forward at the companies concerned.

Venture in Ålesund

SpareBank 1 SMN took over BN Bank's operation in Ålesund in 2009. The loan portfolio was at the outset guaranteed by BN Bank against a guarantee commission, and at the end of 2011 customers representing total loans of NOK 3.1bn were covered by the guarantee.

On 1 February 2012 an agreement was signed with BN Bank whereby BN Bank waived its guarantee in respect of NOK 2.4bn of the portfolio, with the consequent lapse of the guarantee commission for this part of the portfolio with effect from the same date. This leaves NOK 0.7bn in the guarantee portfolio. The guarantee will run for three years.

The BN Bank portfolio forms the basis for the Bank's operation in Sunnmøre.

Higher costs after increase in market activity

Overall costs came to NOK 1,482m (NOK 1,140m) in 2011, an increase of NOK 342m. Of the increase, the write-back in 2010 of pension liabilities accumulated under the AFP (early retirement) scheme accounts for NOK 128m.

Other staff and operating expenses in the Group grew by NOK 214m or 17 per cent compared with 2010 (2010 figures corrected for AFP).

Of the growth of NOK 214m, NOK 67m or 21 per cent comprises growth at the Bank's subsidiaries. The growth in costs is essentially ascribable to

- Increased activity at Eiendomsmegler 1 Midt-Norge. NOK 30m of the growth at the subsidiaries is a result of a substantial increase in activity at Eiendomsmegler 1 Midt-Norge. The pre-tax profit of NOK 76m posted in 2011 was the best ever reported by the company.
- Increased costs at SpareBank 1 SMN Regnskap as a result of the acquisition of several local accounting firms in 2011. This has increased Group operating expenses by NOK 27m. Turnover rose by NOK 30m in 2011.

Parent Bank costs rose by NOK 146m or 15 per cent. Much of the growth is related to increased customer-facing activity. The growth roughly breaks down as follows (figures in millions of NOK):

Wage growth	35
IT and telephony	31
Premises, mainly new Head Office	27
Other operating expenses	33
Total	**126**

In addition an operational loss of NOK 20m related to a customer exposure in the Group's capital market business was recorded as a cost.

Operating expenses were 1.50 per cent of average total assets (1.39 per cent). The Group's cost-income ratio was 53 per cent (50 per cent, 2010 figures corrected for the effect of AFP).

Very low losses and low defaults

In 2011 net loan losses came to NOK 27m (NOK 132m). There has been no cause to revise collectively assessed impairment write-downs in 2011. Net loan losses in the fourth quarter were NOK 26m.

A net loss of NOK 20m was recorded in 2011 on the Group's corporate customers (NOK 128m). Of this, losses at SpareBank 1 SMN Finans came to NOK 15m (NOK 25m). A net loss of NOK 7m was recorded on the retail portfolio (NOK 4m).

Individually assessed impairment write-downs came to NOK 172m (NOK 222m), a fall of NOK 50m in the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 542m (NOK 710m), or 0.57 per cent (0.81 per cent) of gross outstanding loans.

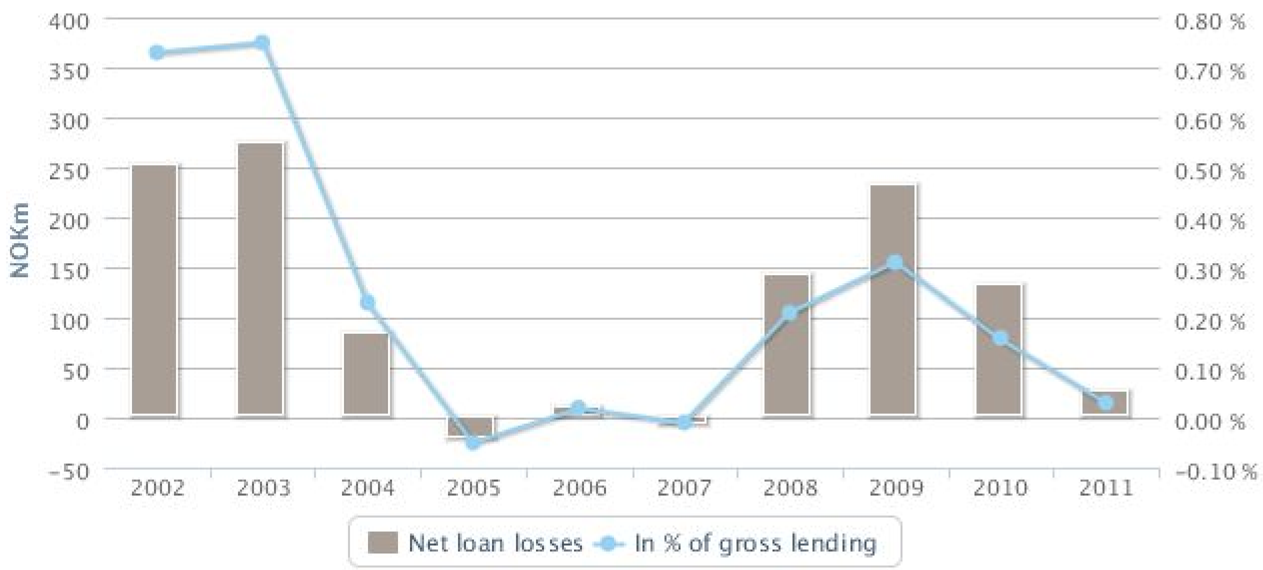
Defaults in excess of 90 days came to NOK 338m (NOK 499m). Defaults measure 0.36 per cent (0.57 per cent) of gross lending. Of overall defaults, NOK 89m (NOK 100m) or 26 per cent (20 per cent) are loss provisioned.

Other doubtful exposures totalled NOK 204m (NOK 211m), or 0.21 per cent (0.24 per cent) of gross lending. NOK 83m (NOK 122m) or 41 per cent (58 per cent) are loss provisioned.

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

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

At end-2011 no basis has been found for revising collectively assessed write-downs. The aggregate volume of such write-downs is NOK 290m (NOK 290m).



Total assets of NOK 101bn
The Bank's assets totalled NOK 101bn as of end-2011 (NOK 98bn), having risen by NOK 3bn or 3.6 per cent. The increase in total assets is a consequence of lending growth.

As of end-2011, loans worth a total of NOK 22bn (NOK 18bn) had been transferred by SpareBank 1 SMN to

SpareBank 1 Boligkreditt. These loans do not figure as lending in the Bank's balance sheet. However, the comments dealing with growth in lending include loans transferred to SpareBank 1 Boligkreditt.

Strong growth in retail lending, slower growth in corporate lending

Total outstanding loans rose by NOK 7.6bn (NOK 10.2bn) or 8.6 per cent (13.2 per cent) in 2011 to reach NOK 95.2bn at end-2011.

Demand for home mortgage loans has been heavy, and lending to retail customers rose by NOK 5.4bn (NOK 4.5bn) to NOK 55.0bn in 2011, equivalent to growth of 10.9 per cent (9.9 per cent). SpareBank 1 SMN is gaining shares in the home loan market in its market area. Growth in credit to norwegian households in 2011 look set to reach about 7.2 per cent.

Growth in lending to corporates has slowed, with an increase of NOK 2.2bn (NOK 5.8bn) in 2011, equivalent to 5.7 per cent (17.9 per cent). Overall lending to corporates came to NOK 40.2bn at end-2011.

Lending to retail customers accounted for 58 per cent (57 per cent) of ordinary loans to customers as at end-2011.

High growth in both retail and corporate customer deposits

In the last 12 months customer deposits rose by NOK 5.1bn (NOK 5.6bn) or 11.9 per cent (14.9 per cent) to NOK 47.9bn as of end-2011.

Retail customer deposits rose by NOK 1.8bn (NOK 1.2bn) or 9.5 per cent (6.5 per cent) to NOK 20.9bn, while deposits from corporates rose by NOK 3.3bn (NOK 4.4bn) or 14.1 per cent (22.8 per cent) to NOK 27.0bn. Substantially higher corporate deposits are ascribable to an increased focus on institutions and foundations.

Reduced portfolio of investment products

Off-balance sheet investment products totalled NOK 4.6bn (NOK 5.1bn) at end-2011. Some decline was seen in portfolio values during the autumn, bringing the total decline since 2010 to NOK 473m.

Investment products, customer portfolio, NOKm	End 2011	End 2010	Change
Equity funds	2,284	2,416	-132
Pension products	711	876	-165
Active management	941	1,018	-77
Energy fund management	218	317	-99
Property funds	447	447	0
Totalt	**4,601**	**5,074**	**-473**

Sound growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 9 per cent in the last 12 months, with a rise of 10 per cent for non-life and 13 per cent for personal insurance. A 3 per cent increase was recorded on the occupational pensions portfolio.

Insurance, premium volume, NOKm	End 2011	End 2010	Change
Non-life insurance	621	567	54
Personal insurance	175	155	20
Occupational pensions	129	125	4
Total	**925**	**847**	**78**

Profitability and growth in the retail market
The retail market business achieved a return on equity of 21.3 per cent (25.5 per cent) in 2011.

Operating income came to NOK 883m (NOK 913m) in 2011. Net interest income totalled NOK 551m (NOK 592m) and commission income NOK 333m (NOK 321m). The lending margin is under heavy pressure from intense competition and stable low interest rates, but is partly compensated for by high growth and an increased deposit margin.

The lending margin in 2011 was 1.2 per cent (1.43 per cent), while the deposit margin was 0.73 per cent (0.54 per cent). The margin is defined as the average customer interest rate minus the three-month moving average of three-month NIBOR.

In the last 12 months lending to retail customers rose by 10.9 per cent (8.7 per cent) and deposits from the same segment by 10.9 per cent (4.3 per cent).

The high cost growth from 2010 to 2011 is largely a result of the write-back of early retirement (AFP) liabilities in 2010.

Lending to retail borrowers generally carries low risk, as reflected in continued low losses. Losses and defaults are expected to remain low. The loan portfolio is secured by residential property, and the trend in house prices has been satisfactory throughout the market area.

Retail market (NOKm)	**End 2011**	**End 2010**	**Change**
Net interest income	551	592	-42
Commission and other income	333	321	12
Total income	883	913	-30
Operating expenses	603	468	135
Pre-loss profit	280	445	-165
Losses	7	4	3
Profit before tax	**273**	**441**	**-168**
ROE after tax	**21.3 %**	**25.5 %**	
Allocated capital (NOKm)	890	1,031	
Loans (NOKbn)	52.1	46.9	5.1
Deposits (NOKbn)	21.2	19.1	2.1

The Retail market Division is part of the Parent Bank, and therefore does not include figures for the Bank's subsidiaries.

Income growth, low losses and reduced growth in lending to corporates
The Corporate market Division reported a return on equity of 13.8 per cent (12.0 per cent). The improvement is due mainly to increased income and reduced loan losses.

Total operating income came to NOK 1,069m in 2011 (NOK 921m).

Lending and deposit margins in the division were, respectively, 2.12 per cent (2.14 per cent) and 0.20 per cent (0.26 per cent). The margins are measured with reference to three-month NIBOR. Lending grew by 6.3 per cent (20.7 per cent) and deposits by 11.5 per cent (22.1 per cent).

Net interest income totalled NOK 900m (NOK 770m), while commission income came to NOK 169m (NOK 151m). The increase in net interest income is ascribable to a stable lending margin, higher loan and deposit volumes and high establishment commissions.

Commission incomes rose by NOK 18m. The increase is mainly related to incomes from forex transactions and to fruitful collaboration with the Bank's capital markets division.

The high cost growth from 2010 to 2011 is largely a result of the write-back of early retirement (AFP) liabilities in 2010.

Corporate market (NOKm)	End 2011	End 2010	Change
Net interest income	900	770	130
Commission income	169	151	18
Total income	1,069	921	148
Operating expenses	352	278	73
Pre-loss profit	717	642	75
Losses	5	104	-99
Profit before tax	**712**	**539**	**174**
ROE after tax	**13.8 %**	**12.0 %**	
Allocated capital (NOKm)	2,873	2,869	
Loans (NOKbn)	38.7	36.4	2.3
Deposits (NOKbn)	25.3	22.7	2.6

The Corporate market Division is part of the Parent Bank, and therefore does not include figures for the Bank's subsidiaries.

Income growth for SpareBank 1 SMN Markets

SpareBank 1 Markets reported total income of NOK 139.1m (NOK 93.4m) in 2011. Activity was high in all business areas, resulting in substantial income growth especially in the second half-year.

SpareBank 1 SMN Markets delivers a complete range of capital market products and services, and has strengthened staffing in its forex and corporate finance areas. It has also set up in Ålesund.

Markets (NOKm)	End 2011	End 2010	Change
Currency trading	53.8	45.2	8.6
Fixed income products	42.2	16.5	25.7
Corporate	14.6	20.0	-5.4
Securities trading, CSD, misc.	17.4	12.7	4.7
Investments	11.1	-1.0	12.1
Total income	**139.1**	**94.4**	**33.6**

Of gross income of NOK 139m, a total of NOK 36m and NOK 6m respectively was transferred to the corporate market and retail market divisions. These figures are the respective divisions' share of incomes from forex and fixed income transaction on their own customers.

Subsidiaries

The Bank's subsidiaries posted an aggregate pre-tax profit of NOK 167.8m (NOK 73.9m) in 2011.

Pre-tax profit (NOKm)	End 2011	End 2010	Change
EiendomsMegler 1 Midt-Norge	75.6	50.8	24.8
SpareBank 1 SMN Finans	26.3	35.1	-8.8
SpareBank 1 SMN Regnskap	5.0	11.4	-6.4
Allegro Finans	-5.3	2.2	-7.5
SpareBank 1 SMN Invest	87.5	-21.6	109.1
Property companies	-21.3	-4.0	-17.3
Total	**167.8**	**73.9**	**93.9**

Eiendomsmegler 1 Midt-Norge leads the field in its market area with a market share of some 40 per cent. Profit growth in 2011, as previously, was very good, with a pre-tax profit of NOK 75.6m (NOK 50.8m) in 2011.

SpareBank 1 SMN Finans posted a pre-tax profit of NOK 26.3m in 2011 (NOK 35.1m). At year-end the company managed leases and car loan agreements worth a total of NOK 2.9bn of which leases accounted for NOK 1.9bn.

SpareBank 1 SMN Regnskap posted a pre-tax profit of NOK 5.0m (NOK 11.4m). The company increased its turnover by NOK 32m to NOK 83m compared with 2010. The acquisition of several local accounting firms in 2011 explains much of the increase. SpareBank 1 SMN Regnskap wrote back AFP (early retirement scheme) liabilities worth NOK 5.9m in 2010. In 2012 the company has acquired 40 per cent of the shares of the accounting chain Consis. The remaining 60 per cent are owned by Sparebanken Hedmark.

Allegro Finans reported a loss of NOK 5.3m (profit of NOK 2.2m) before tax in 2011. The company has a portfolio of about NOK 2bn under active management.

The mission of **SpareBank 1 SMN Invest** is to invest in shares, mainly in regional businesses. The company posted a profit of NOK 87.5m in 2011 (loss of NOK 21.6m) as a result of capital gains on its share portfolio, the main contributor being the rise in the market price of Det Norske Oljeselskap (included in net change in the value of financial assets in the Group's income statement).

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. This strategy stresses the importance of maintaining liquidity reserves sufficient to ensure the Bank's ability to conduct ordinary operations for a period of 12 months without recourse to new external funding.

The Bank has liquidity reserves of NOK 17bn, which corresponds to the funding needed for 18 months including expected lending growth and ordinary operations in general.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of one year was 81 per cent (79 per cent).

SpareBank 1 Boligkreditt is the Bank's chief funding source, and in 2011 loans totalling NOK 4.3bn were transferred to this residential mortgage company. As of end-2011 loans totalling NOK 22bn had been transferred to SpareBank 1 Boligkreditt.

Good financial position

As of end-2011 the tier 1 capital ratio was 10.4 per cent (10.9 per cent) and the total capital ratio was 12.0 per cent (13.0 per cent).

The Group aims for a tier 1 capital ratio of 11 per cent and a total capital ratio of 12 per cent. The tier 1 target was revised in autumn 2011 inlight of the foreshadowed increase in regulatory capital requirements. The tier 1 ratio target was previously 9 per cent.

The Bank is IRB approved and uses the IRB foundation approach to compute capital charges for credit risk.

Figures in NOKm	End 2011	End 2010
Tier 1 capital	7,856	7,283
Subordinated debt	1,199	1,360
Own funds	**9,055**	**8,643**
Capital requirement	**6,027**	**5,335**
Tier 1 capital ratio	**10.4 %**	**10.9 %**
Total capital ratio	**12.0 %**	**13.0 %**

The Bank's primary capital certificate (MING)

The book value of the Bank's ECC was NOK 54.44 (NOK 50.60) at end-2011, and earnings per ECC were NOK 6.61 (NOK 6.43).

The Price / Income ratio was 5.94 (8.40), and the Price / Book ratio 0.72 (1.07).

The price at year-end was NOK 39.30, and a dividend of NOK 3.00 per ECC was paid in 2011 for the year 2010.

SpareBank 1 SMN's articles of association do not impose trading restrictions on its ECC holders.

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 sale can take place. The rights to ECCs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between ECC holders that limit the opportunity to trade ECCs or to exercise voting rights attached to ECCs.

See also the chapter Corporate Governance

Sparebankstiftelsen SpareBank 1 SMN

The Supervisory Board resolved in May 2011 to establish a savings bank foundation named Sparebankstiftelsen SpareBank 1 SMN. The foundation's mission is to secure long-term ownership of SpareBank 1 SMN through participation in private placings. Based on the Supervisory Board's resolution, the foundation will be allotted portions of the provision for donations to non-profit causes.

Stock issues

The Bank's Board of Directors has resolved to recommend the Supervisory Board to approve a rights issue of up to NOK 750m in favour of existing owners and a placing of up to NOK 60m with employees of the Group .

The Board of Directors also recommends the launch of a placing of NOK 200m with Sparebankstiftelsen SpareBank 1 SMN.

The Bank intends through these proposed stock issues to strengthen its core capital and the financial basis for profitable growth and for exploiting business potentials in its market area. The Bank considers it valuable for employees of the Group to have the opportunity to subscribe for equity capital certificates through a private placing. A private placing with the foundation is in keeping with the' Banks strategy behind the establishment of Sparebankstiftelsen SpareBank 1 SMN.

The issues will strengthen the Group's tier 1 capital ratio by about 1.2 per centage points to 11.6 per cent. The common tier 1 ratio excluding hybrid capital will approach 10.1 per cent after the issues.

The Board of Directors recommends transferring parts of the ECC capital prescribed by the articles of association to the Bank's ECC premium reserve through lowering the nominal value of the Bank's ECC from NOK 25 to NOK 20. This will facilitate stock issues on market terms and a more appropriate distribution of the savings bank's ECC capital. Changing the nominal value will not affect the 'owner fraction' (ratio of ECC capital to total equity capital) or the market value of the ECC.

Risk factors

The international financial crisis affected the economy of Norway as of other countries. Unemployment subsided in 2010 and into 2011, but showed signs of levelling out in summer 2011. Forecasts indicate continued low unemployment ahead. This, together with an expectation of continued low interest rates, suggests little risk of increased losses on the retail market.

The Bank's results are affected directly and indirectly by securities market fluctuations. The indirect effect relates essentially to the Bank's equity stake in SpareBank 1 Gruppen where both the insurance business and mutual fund management activities are affected by the fluctuations.

The Bank is also exposed to risk with regard to access to external funding. This is reflected in the Bank's conservative liquidity strategy (see also the preceding section on funding and liquidity).

The credit quality of the Bank's loan portfolio is satisfactory, and loss and default levels are low. The cooling of the Norwegian economy as from 2008 brought increased loss levels among Norwegian financial institutions, but the last two years have again shown falling loss levels among banks.

The continuing turmoil in global financial markets makes economic framework conditions increasingly uncertain, and growth impulses from a debt-stricken EU are very weak which, although offset by domestic growth, will make for low export growth. Mid-Norwegian businesses anticipate reduced growth.

Although Norwegian banks are negligibly exposed to the PIIGS countries, the disquiet associated with European banks' loss risk may cause lack of confidence to feed through to Norwegian banks. New tier 1 capital requirements from the European Banking Authority are prompting substantial stock issues in Europe, at the same time as financial institutions are likely to deleverage in order to meet the new capital targets. There is a risk that deleveraging will compound uncertainty and volatility, and that the Bank's ability to access foreign funding will continue to be affected in the period ahead.

Corporate social responsibility

The Bank wishes to contribute to society's value creation by assuring profitable and sound banking, prudent capital allocation and sustainable management of inputs. Healthy growth provides the 'lift' that enables the Bank to attract good customers and skilled staff and to contribute to the further development of the region of which we are a part.

SpareBank 1 SMN wishes to balance financial growth against the need for rational use of inputs and resources consumed by the Bank.

SpareBank 1 SMN has established a strategy for its social responsibility that brings together three themes: finance, social responsibility and environment. Under each main theme important work areas are defined and clear targets are set for the Bank's contribution to responsible development.

The Bank's commitment to its customers, the region and its staff pervades its business activity. The Bank is involved with its customers and their success, it is concerned with the region's development and believes its staff should enjoy interesting and career-developing work. The Bank's focus on public issues is integrated in our ongoing planning work to ensure that ethics, the environment and important social questions are themes to which we give consideration on a continuous basis.

As an independent local bank, SpareBank 1 SMN shares a community of interests with the region. In recent years SpareBank 1 SMN has taken a number of steps to give something back to the society of which it is a part. They include grants to talented individuals in the arts and sports, support for local associations and organisations, and building up commercial foundations in Trøndelag and Nordvestlandet that will lay a basis for value creation and new jobs.

SpareBank 1 SMN is working to create added value in areas touching on the environment and energy. The Group consistently implements measures designed to reduce consumption of electricity, paper and other resources and to ensure that limits are imposed on resource-demanding travel. Handling of e-waste and purchase of environment-friendly solutions also receives much attention.

SpareBank 1 SMN relocated to its new Head Office in Trondheimin autumn 2010. Our energy consumption target for the new office premises part of the building was 85 kWh per square metre. After the first year of operation energy consumption is below 60 kWh per square metre. No other office building in Norwaycan match these results.

By end-2011 the Trondheim Head Office and the office in Ålesund had achieved certification under the 'Environmental Lighthouse' scheme. Offices in which about 450 staff work on a daily basis are now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. Further offices will achieve certification in the course of 2012.

Any pollution of the external environment by SpareBank 1 SMN is negligible.

For further information, see the chapter Corporate Social Responsibility.

Leadership and competence

SpareBank 1 SMN is a competence-intensive business. The combined competence of each staff member and department, and of the organisation, is accordingly a key factor in securing sound value creation at all levels. The Bank's advisers are the core of the business and our most important competitive advantage in combination with our precepts of closeness to the customer and competence.

Appointment policy in tune with the market

At end-2011 the Parent Bank had 828 employees, distributed on 786 FTEs. Women account for 51 per cent of total staff and 27 per cent of managerial staff. 64 new staff were appointed in 2011 while 49 left.

Main figures, Parent Bank	2011	2010
No. of FTEs	786	764
No. of staff	828	825
Turnover	5.9 %	6.9 %
Female managers	27 %	28 %
New staff	64	51
Average age	46 yrs	46 yrs
Sickness absence rate	4.0 %	4.0 %

Demographic data for the Parent Bank

Attractive employer

Vacancy announcement have attracted many applicants and keen interest in the Bank's company presentations, and recruitment agencies report unequivocally that the Bank has a good reputation in the labour market. The Bank is continuously engaged in developing and improving its appointment policy with a view to ensuring the recruitment of staff with the right knowledge, skills and mindsets and to coming across as an attractive employer in the labour market.

SpareBank 1 SMN's website gives existing and new colleagues a concise picture of all the positive aspects of working at the Bank. Active use is made of these web pages in preparing presentations and they put future jobseekers in a good position to judge whether SpareBank 1 SMN is the right employer for them.

The Bank's staff turnover rate

The staff turnover rate was 5.9 per cent as of 31 December 2011. In the Bank's view, a balanced replacement of staff benefits the organisation by adding new competencies and experience. It indicates that SMN staff are attractive and competitive in the labour market.

The Group's internal labour market

Job changes across divisions and subsidiaries are needed to promote circulation of competencies and experience within the organisation, at the same time as staff seeking in-house openings are attended to. 54 staff members went to new jobs within the Group in 2011.

The overall aim of the internal recruitment processes is to get the right person into the right job at the right time and at the right salary. Inherent in this objective is the clear-cut aim of a good gender balance at all levels of the organisation. A healthy gender equality perspective is a precept of the Bank's HR policy.

The Group's remuneration policy

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

The Group's guidelines for variable remuneration 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 remuneration arrangements are formulated in such a way as to ensure that neither individuals nor the organisation takes unacceptable risk in order to maximise the variable remuneration.

For further information, see note 9 Personnel expenses and emoluments to senior employees.

Non-discrimination

SpareBank 1 SMN works to prevent discrimination in spheres including recruitment, pay and employment conditions, promotion, career development, and protection against harassment. SpareBank 1 SMN aims to reflect the population structure in its catchment area.

Knowledge, skills and mindsets

SpareBank 1 SMN makes heavy demands on its advisers to ensure that customers experience the best the market has to offer in terms of personal financial and corporate financial advice. The SpareBank 1 Alliance has jointly developed a comprehensive certification programme for advisers. The programme meets the competence requirements set for financial advice by the industry. The approval scheme for non-life insurance and the authorisation scheme for financial advisers were key activities in 2010. At the end of 2011 the Bank's advisers are now approved non-life insurance advisers, and the Bank is well into the process of authorising advisers in the field of financial advice.

SpareBank 1 SMN is well placed to adapt to new industry requirements. The Bank has developed good training arenas for the its advisers and maintains a continuous focus on professional development and on improvement of customer processes.

Manager 1 – the Group's focus on leadership

Manager 1 has in the period 2009-2011 been the Group's tailor-made manager development programme. The programme has several goals over and above promoting development of the individual manager:

- to heighten manager quality in the Bank
- to improve coherence between the various manager levels
- to contribute to increased change and implementation capacity
- to promote cross-disciplinary sharing of competence and experience among the Group's managers

'Practical management' is the Bank's arena for continuous focus on HR-related themes. Annual seminars are held for the Bank's managers, and are facilitated by the HR Division.

Health, environment and safety

Collaboration for a common goal

SpareBank 1 SMN's vision is to be the recommended bank. This vision entails a weighty commitment on the part of the Bank to its customers, partners, staff and owners, and requires competent and healthy staff. The Pentagon project is a collaboration model bringing together MOT, Aktimed and SpareBank 1 SMN. Its object is reduced sickness absence to 3.4 per cent in 2012. MOT's philosophy and focus on attitude-moulding work will reinforce the effort to further develop a healthy corporate culture.

Sickness absence

The Bank's overall sickness absence has been fairly stable in the past two years, and was 4.0 per cent in 2011 (4.0 per cent). Sickness absence at SpareBank 1 SMN is lower than in the banking industry for all types of sickness absence, and the Bank aspires to maintain a stable low rate of such absence. Seasonal variations in sickness absence have levelled off somewhat. Self-reported absence has stabilised at a lower level, while short-term doctor-reported absence is marginally rising. Long-term doctor-reported absence remains low.

Key measures:

Corporate initiatives

- procedures and frameworks
- ‘Better Shape’ keep fit programme
- AktiMed’s corporate health service
- targeted health follow-up (ergonomics, work environment, health)
- organisation analysis, TNS Gallup

Individual initiatives

- more and more staff turning to healthful leisure activities
- substantial support for company sports activities

Sickness absence across the Group is fairly evenly distributed between women and men.

Outlook ahead

The outlook for the international economy is demanding. Consequences for business in the Bank’s market area have thus far been limited, as reflected by low levels of defaults and losses in the Bank’s portfolio.

The Board of Directors is prepared for possible changes in the situation. However, unemployment is low and there are few signs in the region’s macroeconomy in isolation of any change in the risk picture for 2012.

The Bank is seeking to strengthen its already sound core capital situation by means of planned stock issues which will position it to exploit business opportunities. Moreover, the Bank’s funding situation is robust.

The Bank has a strong market position. To reinforce this position the Board of Directors will launch a programme designed to further strengthen the Group’s customer orientation.

The Board of Directors is satisfied with the Group’s profit performance in 2011. SpareBank 1 SMN has a sound basis for achieving another good performance in 2012.

Trondheim, 20 February 2012

The Board of Directors of SpareBank 1 SMN

Per Axel Koch Chair	Eli Arnstad Deputy chair	Paul E. Hjelm-Hansen	Aud Skrudland
Bård Benum	Kjell Bjordal	Arnhild Holstad	Venche Johnsen Employee rep.
			Finn Haugan Group CEO

Income statement

Parent Bank					Group		
2009	2010	2011	(NOK million)	Notes	2011	2010	2009
3,314	3,226	3,713	Interest income	5,6	3,780	3,315	3,416
2,142	2,110	2,502	Interest expenses	5,6	2,499	2,105	2,137
1,172	**1,116**	**1,211**	**Net interest income**		**1,281**	**1,210**	**1,279**
524	573	544	Fee and commission income	5,7	778	766	706
78	74	75	Fee and commission expenses	5,7	83	81	84
17	24	39	Other operating income	5,7	224	170	134
463	**524**	**508**	**Net fee and commission income and other operating income**		**919**	**855**	**756**
163	191	260	Dividends	8,37	36	43	6
-	-	-	Income from associates and joint ventures	8,24	290	249	349
294	221	177	Net return on financial investments	8	262	197	287
457	**411**	**437**	**Net return on financial investments**		**588**	**490**	**642**
2,092	**2,051**	**2,156**	**Total income**		**2,789**	**2,555**	**2,677**
536	376	528	Staff costs	9,10,33	810	583	725
453	449	560	Other operating expenses	10,27	672	557	528
988	**825**	**1,089**	**Operating expenses**		**1,482**	**1,140**	**1,253**
1,104	**1,226**	**1,068**	**Result before losses**		**1,306**	**1,414**	**1,424**
254	108	12	Loss on loans, guarantees etc.	15	27	132	277
850	**1,118**	**1,055**	**Profit before income tax**		**1,279**	**1,282**	**1,147**
180	235	235	Tax charge	11	255	260	210
669	**882**	**820**	**Profit for the year**		**1,024**	**1,022**	**937**
			Majority interests		1,016	1,017	931
			Minority interests		8	5	6
			Profit per ECC, in NOK		6.61	6.43	6.73
			Diluted profit per ECC, in NOK		6.56	6.40	6.69

Other comprehensive income

2009	2010	2011	(NOK million)	2011	2010	2009
669	882	820	Net profit	1,024	1,022	937
-	-	-	Available-for-sale financial assets	-6	7	-
-	-	-	Share of other comprehensive income of associates and joint venture	-19	-29	16
-	-	-	Other comprehensive income	-25	-22	16
669	**882**	**820**	**Total comprehensive income**	**999**	**1,000**	**953**
			Majority share of comprehensive income	991	994	947
			Minority interest of comprehensive income	8	5	6

Balance sheet

Parent Bank					Group		
2009	2010	2011	(NOK million)	Notes	2011	2010	2009
			ASSETS				
1,107	2,112	1,519	Cash and balances with central banks		1,519	2,112	1,107
2,477	2,894	5,033	Loans and advances to credit institutions	12,23	2,557	420	153
59,304	67,443	70,793	Loans and advances to customers	13,14,16,18, 23	73,105	69,847	61,782
-193	-186	-151	Individual allowance for impairment on loan and advances to customers	13,15	-172	-222	-219
-273	-273	-273	Group allowance for impairment on loan and advances to customers	13,15	-290	-290	-289
58,838	66,983	70,369	Net loans to and receivables from customers		72,643	69,336	61,275
14,751	17,036	12,918	Fixed-income CDs and bonds	19,22,23	12,918	16,980	14,727
1,150	1,825	3,698	Financial derivatives	20,22,23	3,697	1,825	1,149
563	625	546	Shares, units and other equity interests	21,22,23	611	618	505
1,914	2,156	2,822	Investments in associates and joint ventures	24,25,26,37	4,259	3,526	2,921
858	969	1,203	Investment in group companies	24,26	-	-	-
136	131	151	Property, plant and equipment	27	1,109	1,027	819
447	447	447	Goodwill	28	471	460	460
820	1,213	991	Other assets	29,33	1,670	1,696	1,393
83,060	**96,390**	**99,697**	**Total assets**	**17,38,40,41**	**101,455**	**97,997**	**84,509**
			LIABILITIES				
6,992	8,743	6,232	Deposits from credit institutions	12,23	6,232	8,743	6,992
4,318	4,318	2,886	Funding, "swap" arrangement with the government	23	2,886	4,318	4,318
37,382	43,028	48,114	Deposits from and debt to customers	23,30	47,871	42,786	37,227
23,358	27,941	28,148	Debt securities in issue	22,23,31	28,148	27,941	23,358
712	1,684	3,158	Financial derivatives	20,22,23	3,158	1,684	712
1,346	1,337	1,544	Other liabilities	32,33	2,122	1,922	1,843
3,875	2,758	2,690	Subordinated debt	22,23,34	2,690	2,758	3,875
77,984	**89,809**	**92,773**	**Total liabilities**	**38,39**	**93,107**	**90,152**	**78,326**
			EQUITY				
1,736	2,373	2,373	Equity capital certificates	36	2,373	2,373	1,736
-2	-0	-0	Own holding of ECCs	36	-0	-0	-2
-	182	183	Premium fund		183	182	-
877	1,159	1,457	Dividend equalisation fund		1,457	1,159	877
174	285	190	Allocated to dividends		190	285	174
27	192	40	Allocated to gifts		40	192	27
2,155	2,345	2,611	Ownerless capital		2,611	2,345	2,155
110	45	70	Unrealised gains reserve		85	66	124
-	-	-	Other reserves		1,274	1,147	1,052
			Minority interests		135	97	42
5,076	**6,581**	**6,924**	**Total equity**	**35,37**	**8,348**	**7,846**	**6,183**
83,060	**96,390**	**99,697**	**Total liabilities and equity**	**40,41**	**101,455**	**97,997**	**84,509**

Trondheim, 20 February 2012

The Board of Directors of SpareBank 1 SMN

Per Axel Koch Chair	Eli Arnstad Deputy chair	Paul E. Hjelm-Hansen	Aud Skrudland
Bård Benum	Kjell Bjordal	Arnhild Holstad	Venche Johnsen Employee rep.
			Finn Haugan Group CEO

Change of equity

Parent Bank

(NOK million)	Issued equity EC capital	Premium fund	Ownerless capital	Earned equity Equalisation fund/dividend	Gifts	Unrealised gains reserve	Total equity
Equity capital at 1 January 2009	**1,445**	**236**	**1,899**	**884**	**178**	**59**	**4,700**
Net Profit	-	-	243	348	27	51	669
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	243	348	27	51	669
Transactions with owners							
Bond issued	289	-236	-	-53	-	-	0
Dividend declared for 2008	-	-	-	-116	-	-	-116
To be disbursed from gift fund	-	-	-	-	-178	-	-178
Sale of own ECCs	-0	-	-	-	-	-	0
Correction to privious years' distribution	-	-	13	-13	-	-	-
Total transactions with owners	289	-236	13	-182	-178	-	-294
Equity capital at 31 December 2009	**1,734**	**0**	**2,155**	**1,050**	**27**	**110**	**5,076**
Equity capital at 1 January 2010	**1,734**	**0**	**2,155**	**1,050**	**27**	**110**	**5,076**
Net Profit	-	-	189	566	192	-65	882
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	189	566	192	-65	882
Transactions with owners							
Dividend declared for 2009	-	-	-	-174	-	-	-174
To be disbursed from gift fund	-	-	-	-	-27	-	-27
Rights issue	624	178	-	-	-	-	803
Employee placing	13	4	-	-	-	-	17
Sale of own ECCs	2	-	-	2	-	-	4
Total transactions with owners	639	182	-	-172	-27	-	622
Equity capital at 31 December 2010	**2,373**	**182**	**2,345**	**1,444**	**192**	**45**	**6,581**
Equity capital at 1 January 2011	**2,373**	**182**	**2,345**	**1,444**	**192**	**45**	**6,581**
Net Profit			268	487	40	25	820
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	268	487	40	25	820
Transactions with owners							
Dividend declared for 2010	-	-	-	-285	-	-	-285
To be disbursed from gift fund	-	-	-	-	-192	-	-192
Issue	1	0	-1	-	-	-	-
Total transactions with owners	1	0	-1	-285	-192	-	-476
Equity capital at 31 December 2011	**2,373**	**183**	**2,611**	**1,647**	**40**	**70**	**6,924**

Group

(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund/dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
	Majority share								
	Issued equity		Earned equity						
Equity capital at 1 January 2009	**1,445**	**236**	**1,899**	**884**	**178**	**73**	**768**	**36**	**5,518**
Net Profit	-	-	243	348	27	51	262	6	937
Other comprehensive income									
Available-for-sale financial assets									
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	16	-	16
Other comprehensive income	-	-	-	-	-	-	16	-	16
Total other comprehensive income	-	-	243	348	27	51	278	6	953
Transactions with owners									
Bond issued	289	-236	-	-53	-	-	-	-	0
Dividend declared for 2008	-	-	-	-116	-	-	-	-	-116
To be disbursed from gift fund	-	-	-	-	-178	-	-	-	-178
Purchase of own ECC's	-0	-	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	6	-	6
Correction to privious years' distribution	-	-	13	-13	-	-	-	-	-
Equity capital at 31 December 2009	**1,734**	**-0**	**2,155**	**1,050**	**27**	**124**	**1,052**	**42**	**6,183**
Equity capital at 1 January 2010	**1,734**	**-0**	**2,155**	**1,050**	**27**	**124**	**1,052**	**42**	**6,183**
Net Profit	-	-	189	566	192	-65	134	5	1,022
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	7	-	-	7
Share of other comprehensive income of									-
associates and joint venture	-	-	-	-	-	-	-29	-	-29
Other comprehensive income	-	-	-	-	-	7	-29	-	-22
Total other comprehensive income	-	-	189	566	192	-58	105	5	1,000

Transactions with owners									
Dividend declared for 2009	-	-	-	-174	-	-	-	-	-174
To be disbursed from gift fund	-	-	-	-	-27	-	-	-	-27
Rights issue	624	178	-	-	-	-	-	-	803
Employee placing	13	4	-	-	-	-	-	-	17
Sale of own ECCs	2	-	-	2	-	-	-	-	4
Direct recognitions in equity	-	-	-	-	-	-	-10	-	-10
Change in minority share	-	-	-	-	-	-	-	50	50
Equity capital at 31 December 2010	**2,373**	**182**	**2,345**	**1,444**	**192**	**66**	**1,147**	**97**	**7,845**
Equity capital at 1 January 2011	**2,373**	**182**	**2,345**	**1,444**	**192**	**66**	**1,147**	**97**	**7,845**
Net Profit	-	-	268	487	40	25	196	8	1,024
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	-19	-	-19
Other comprehensive income	-	-	-	-	-	-6	-19	-	-25
Total other comprehensive income	-	-	268	487	40	19	177	8	999
Transactions with owners									
Dividend declared for 2010	-	-	-	-285	-	-	-	-	-285
To be disbursed from gift fund					-192				-192
Direct recognitions in equity		-	-	-	-	-	-50	-	-50
Change in minority share								30	30
Issue	1	0	-1	-	-	-	-	-	-
Equity capital at 31 December 2011	**2,373**	**183**	**2,611**	**1,647**	**40**	**85**	**1,274**	**135**	**8,348**

Cash flow statement

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**	**(NOK million)**	**31.12.11**	**31.12.10**	**31.12.09**
669	882	820	Profit	1,024	1,022	937
44	31	38	Depreciations and write-downs on fixed assets	88	47	51
254	108	12	Losses on loans and guarantees	27	132	277
968	1,022	870	Net cash increase from ordinary opertions	1,140	1,201	1,266
2,318	-1,032	-1,656	Decrease/(increase) other receivables	-1,851	-959	2,164
-534	981	1,687	Increase/(decrease) short term debt	1,679	1,013	-364
1,956	-8,254	-3,398	Decrease/(increase) loans to customers	-3,335	-8,193	2,004
-38	-417	-2,139	Decrease/(increase) loans credit institutions	-2,137	-267	122
1,990	5,646	5,086	Increase/(decrease) deposits and debt to customers	5,086	5,558	1,947
2,310	1,751	-3,944	Increase/(decrease) debt to credit institutions	-3,944	1,751	2,310
-6,260	-2,285	4,118	Increase/(decrease) in short term investments	4,062	-2,252	-6,236
2,711	**-2,587**	**624**	**A) NET CASH FLOW FROM OPERATIONS**	**699**	**-2,148**	**3,214**
-56	-107	-59	Increase in tangible fixed assets	-184	-265	-391
12	-	1	Reductions in tangible fixed assets	2	2	12
-783	-353	-900	Paid-up capital, associated companies	-734	-605	-984
-59	-37	79	Net investments in long-term shares and partnerships	7	-87	-46
-886	**-497**	**-879**	**B) NET CASH FLOW FROM INVESTMENTS**	**-909**	**-955**	**-1,410**
-531	133	-68	Increase/(decrease) in subordinated loan capital	-68	133	-531
1,250	-1,250	-	Hybrid equity State Finance Fund	-	-1,250	1,250
0	823	-	Increase/(decrease) in equity	-	823	0
-116	-173	-285	Dividend cleared	-285	-173	-116
-178	-27	-192	To be disbursed from gift fund	-192	-27	-178
-	-	-	Correction of equity capital	-45	19	21
-5,416	4,583	207	Increase/(decrease) in other long term loans	207	4,583	-5,416
-4,990	**4,089**	**-338**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-383**	**4,107**	**-4,970**
-3,166	**1,005**	**-593**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-593**	**1,005**	**-3,166**
4,273	1,107	2,112	Cash and cash equivalents at 01.01	2,112	1,107	4,273
1,107	2,112	1,519	Cash and cash equivalents at end of quarter	1,519	2,112	1,107
3,166	**-1,005**	**593**	**Net changes in cash and cash equivalents**	**593**	**-1,005**	**3,166**

Notes

Contents

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.

Between February 2008 and October 2010 the Bank was temporarily headquartered at Rosten in Trondheim pending completion of the new head office in Søndre gate.

The Group accounts for 2011 were approved by the Board of Directors on 20 February 2012.

Note 2 - IFRS accounting principles

Basis for preparing the consolidated annual accounts

The group accounts for 2011 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 2011.

Implemented accounting standards and other relevant rule changes in 2011
As from January 2011 the Group has implemented new requirements in IAS 34 Interim Financial Reporting as regards changes in business or financial factors that affect fair value measurement of an entity's financial assets and liabilities, and as regards transfer between levels in the fair value hierarchy used to measure the fair value of financial instruments. In addition there is the possible reclassification of financial assets resulting from a change in the purpose or application of these assets. The Group has also implemented IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, and the new IAS 24 Related Party Disclosures. None of these standards has entailed any essential change in Group reporting.

New or revised accounting standards approved but not implemented in 2011
IAS 1 – "Other comprehensive income" takes effect for accounting periods starting on 1 July 2012 or later. In the presentation of other comprehensive income items a distinction must be drawn between income items that will subsequently be reversed and those that will not be reversed.

IAS 19 – Employee Benefits was amended in June 2011. As a result, all deviations from estimates must be recognised in other comprehensive income as and when they arise (i.e. the corridor method is eliminated), and all costs of previous periods' accumulation of pension rights must be immediately recognised in income. In addition, interest expenses and expected return on pension assets are replaced by a net amount of interest calculated by applying the discount rate to the net pension obligation (asset). The Group has yet to complete its analysis of the consequences of the amendments to IAS 19. This standard takes effect for accounting periods starting on 1 January 2013 or later.

IFRS 9 – Financial Instruments regulates the classification, measurement and accounting with regard to financial assets and financial liabilities and replaces the present IAS 39. According to the new standard financial assets will be split into two categories based on measurement method: fair value or amortised cost. For financial liabilities the requirements are largely identical to the current standard. The Group plans to apply IFRS 9 once the standard takes effect and is approved by the EU, probably for accounting periods starting on 1 January 2015 or later.

IFRS 10 – Consolidation is based on the present approach of applying the principle of control to determine whether a company is to be included in the group accounts of the parent company. The standard is expected to become applicable for accounting periods starting on 1 January 2013 and later.

IFRS 12 – Disclosure of Interests in Other Entities. The Group has not assessed the full impact of IFRS 12. The standard is likely to be implemented for accounting periods starting on 1 January 2013 or later.

IFRS 13 – Fair Value Measurement defines what is meant by fair value when the term is applied under IFRS, provides a uniform description of how fair value is determined under IFRS and defines the need for additional disclosure in the use of fair value. The standard does not expand the scope of fair value accountiong. The Group uses fair value as measuring criterion for certain assets and liabilities. The Group has not assessed the consequence of the new standard. IFRS 13 is expected to come into force for accounting periods starting on 1 January 2012 or later.

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 NOK unless otherwise specified.

Consolidation
The group accounts include the Bank and all subsidiaries which are not due for divestment in the near future and which 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 at 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. Apositive difference between fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while a negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

The Bank has not applied IFRS 3 retrospectively to business combinations carried out prior to 1 January 2004.

All intra-group transactions are eliminated in the preparation of the group accounts. The minority's share of the group result is presented on a separate line under pro fit after tax in the income statement. In the equity capital, the minority's share is shown as a separate item.

Associated companies

Associated companies 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. Associated companies are accounted for by the equity capital method in the group accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for change in the bank's share of the associated undertaking's net assets. The bank recognises its share of the result of the associated undertaking in its income statement. Associated companies are accounted for in the company accounts by the cost method.

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, liabilities and balance sheet items in the Bank's accounts. Jointly controlled entities are accounted for by the equity capital method.

The Bank owns 17.74 per cent of Alliansesamarbeidet SpareBank 1 DA, the remaining ownership being divided between the SpareBank 1 Alliance and SpareBank 1 Gruppen.

SpareBank 1 Gruppen is owned by SpareBank 1 SR-Bank, SpareBank 1 SMN, Sparebank 1 Nord-Norge and Samarbeidende Sparebanker, each with a 19.5 per cent stake. Other owners are Sparebanken Hedmark (12 per cent) and the Norwegian Federation of Trade Unions (10 per cent). Bank 1 Oslo Akershus was demerged from SpareBank 1 Gruppen in 2010 and has the same ownership structure as SpareBank 1 Gruppen.

The Bank also owns 17.84 per cent of SpareBank 1 Boligkreditt and 37.3 per cent of SpareBank 1 Næringskreditt.

SpareBank 1 SMN owns 33 per cent of BN Bank. Other owners are SpareBank 1 Nord-Norge (23.5 per cent), SpareBank 1 SR-Bank (23.5 per cent) and Samarbeidende Sparebanker Bankinvest AS (20 per cent).

The governance structure for SpareBank 1 collaboration is regulated by an agreement between the owners. The Group classifies its participation in the above-mentioned companies as investments in jointly controlled entities and accounts for them by the equity method.

Loans and loan losses

Loans are measured at amortised cost in keeping with IAS 39. Amortised cost is acquisition cost less repayments of principle, 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 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 balance sheet values.

Repossessed assets

As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as security 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 entered in profit or loss based on the asset's type in 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. This type of asset is for the most part assets taken over in connection with bad loans, and investment in subsidiaries held for sale. In the case of assets which are initially depreciated, depreciation ceases when a decision is taken to sell. In the case of acquired limited companies, assets and liabilities are incorporated in the balance sheet under ‘other assets’ and ‘other liabilities’ and are specified in notes. Profit/loss is included under ‘other operating income’. Amounts that are significant are presented on a separate line as held for sale.

Valuation of loan impairments

At each balance sheet date the Group considers whether objective evidence exists that a financial asset or group of financial assets have suffered value impairment.

The value of individual financial assets has been impaired if, and only if, objective evidence of value impairment exists which is likely to reduce future cash flows 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
- 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
- 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

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

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.

Determining customer migration involves continuous assessment of the creditworthiness of every single 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.

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.

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.

Non-performing/potential problem loans

The overall exposure to a customer is regarded as non-performing and is included in the Group’s lists of non-performing exposures 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, are classified as potential problem loans.

Value impairment of loans recognised at fair value

At each balance sheet date of 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 losses are permanent, 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.

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 effective interest.

Securities and derivatives

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency and interest-rate 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 earmarked as hedging instruments.

All financial instruments classified at fair value through profit/loss are measured at fair value, and 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 initial recognition as classified at fair value through profit/loss (fair value option).

Shares and units classified as available for sale are also measured at fair value, but the change in value from the opening balance is recognised in the comprehensive income statement and is accordingly included in other comprehensive income. Shares which cannot be reliably measured are valued at cost price under IAS 39.46 c). Routines for ongoing valuation of all share investments have been established. These valuations are carried out at differing intervals in relation to 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. The Bank has availed itself of the opportunity to reclassify parts of the bond portfolio from fair value through profit/loss to the category held to maturity as of 1 July 2008. This is in accordance with the changes in IAS 39 and IFRS 7 adopted by IASB in October 2008. The write-downs undertaken are reversed over the portfolio’s residual maturity and recognised as interest income in addition to current coupon interest. See also the note on bonds.

Norwegian State Finance Fund

Hybrid capital raised through the State Finance Fund, and redeemed in 2010, is presented together with other subordinated debt.

Swap arrangement

The government stimulus package allowing residential bonds to be exchanged for government securities is presented on a gross basis in accordance with IAS 32.

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.

Property, plant and equipment

Property, plant and equipment – apart from investment properties and owner-occupied properties – are initially recognised at acquisition cost and thereafter depreciated on a linear basis over expected lifetime. When a depreciation plan is set up, the individual assets are, to the extent necessary, split up into components with differing lifetimes, and account is taken of estimated residual value. Property, plant and equipment which are individually of minor significance, for example PCs and other office equipment, are not valued individually for residual value, lifetime or value impairment, but are valued as groups. According to the definition in IAS 40, owner-occupied property is property which is mainly utilised by the Bank or its subsidiaries for their own purposes. Owner-occupied property is accounted for by the cost method, in keeping with IAS 16.

Property, plant and equipment which are depreciated are subject to a depreciation test in keeping 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 keeping with IAS 40. The calculation of fair value is updated at each closing of the accounts and is based on discounted cash flows. The required rate of return takes into account the interest rate level, general risk present in the real estate market and risk that is specific to the individual property. Rentals and operating expenses and the effect of value changes related to investment properties are presented separately in a note to the accounts. Where investment properties are concerned, the value change from the opening balance is recognised in other operating income.

Write-down

Amounts recorded on the Bank's balance sheet 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 are computed on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-down is 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 estimates used to compute the recoverable amount.

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 (HTM) 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 Boligkreditt and 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, unless they are recognised directly in equity based on hedging principles. 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 when first entered in the balance sheet. 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 in respect of hedge effectiveness. The Bank's fixed-interest loans are market valued based on the fair value option in IAS 39. Hedging of these loans is dealt with at portfolio level and credit spread is taken into account in the market valuation of the hedged object and the hedging instrument. 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.

Income taxes

Tax recorded in the profit and loss account 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 in keeping with IAS12. In the case of deferred tax, 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.

In the case of deferred tax an asset is calculated on a tax loss carryforward. Assets in the case of deferred tax are recognised only to the extent that there is expectation of future taxable profits that enable use of the appurtenant tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the Group accounts in conformity with 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 group debt.

Subordinated debt and hybrid capital

Subordinated debt ranks behind all other liabilities. Dated subordinated loans are eligible at 50 per cent of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans are eligible at up to 100 per cent of tier 1 capital. Subordinated loans are classified as a liability in the balance sheet and are measured at amortised cost in the same way as other long-term loans.

Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate. Hybrid capital is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. Finanstilsynet (Norway FSA) can require hybrid capital to be written down in proportion with equity capital should the Bank's tier 1 capital adequacy fall below 5 per cent or total capital adequacy falls below 6 per cent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

Uncertain commitments

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 uncertain commitments where there is a preponderant likelihood that the commitment will materialise and the financial consequences can be reliably calculated. Information is disclosed on uncertain commitments which do not meet the criteria for recognition in equity 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.

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 obligation 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 likely to take early retirement. The 10-year government bond rate, possibly corrected for relevant maturity of the liability, is used as the discount rate.

The Group uses a 'corridor' approach whereby estimate deviations are recognised over the average residual qualifying period if the deviation exceeds the higher of 10 per cent of the pension assets or 10 per cent of the pension liabilities.

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 classified as a staff cost in the accounts. Employer's contribution is allocated on pension costs and pension liabilities.

The 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 per cent of final salary up to 12G. The defined benefit scheme is closed to new members.

Defined contribution

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 the employees' collection pension savings. The Group has no further obligations regarding the 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.

The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

Early retirement pension scheme ("AFP")

The banking and financial industry has established an agreement on an early retirement pension scheme ("AFP") for employees from age 62. 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 relating to 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 7.1 G 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 1 G and 7.1 G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the Group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

Segment reporting

The Bank has the corporate market, retail market and capital markets, as well as the key subsidiaries, as its primary reporting format. 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

Dividends on equity capital 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 balance sheet 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 equity capital statement.

Note 3 - 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 Bank's financial position. The Bank's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The principles underlying SpareBank 1 SMN's risk management are laid down in the Bank's risk management policy. The Bank 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 standing 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 calculation none the less requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the bank defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the bank's Pillar III reporting which is available on the 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 the Risk Management Division 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 Bank's credit strategy, the Board of Directors concretises the Bank's risk appetite by establishing objectives and limits for the Bank's credit portfolio. The Bank's credit strategy and credit policy are derived from the Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum economic capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between the retail and corporate market divisions, limits on loan size and loss given default on individual exposures, limits to maximum application of economic capital within lines of business and special requirements as to maximum exposure, credit quality and number of exposures above 10 per cent of own funds.

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

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

The Bank has a division dedicated to credit support which 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 Bank 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 Bank'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 along with internal and external behavioural data. The models are based on point-in-time ratings, and reflect the probability of default in the course of the next 12 months under current economic conditions. The Bank's estimates for probability of default in the loan portfolio were recalibrated in 2011 to reflect a long-term outcome.

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 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 estimate of the size of exposure in the event of default at a specific date in the future. 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. CF is validated monthly for drawing rights in the retail and corporate market. The Bank's EAD model takes account of differences both between products and customer types.

3. Loss Given Default (LGD)
The Bank estimates the loss ratio for each loan based on expected 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 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 Bank will continue to enter CSA contracts to manage counterparty risk.

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

Market risk
Market risk is the risk of loss resulting from changes in observable market prices such as interest rates, exchange rates and securities prices.

Market risk arises at SpareBank 1 SMN primarily in connection with the Bank's investments in bonds, short-term money market paper and shares, and as a result of activities designed to underpin banking operations such as funding, fixed income and currency trading.

Market risk is managed through detailed limits for investments in shares, bonds and positions in the fixed income and currency markets.

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

Interest rate risk is the risk of loss resulting from interest rate movements. Interest rate risk arises mainly on fixed interest loans and funding in fixed interest securities. 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. 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.

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. Foreign exchange risk is regarded as low.

Securities price risk is the risk of loss resulting from changes in the value of bonds, money market instruments and equity securities in which the Group has invested. The Group's risk exposure to this type of risk is regulated via limits on maximum investments in the various portfolios.

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 Bank's most important source of finance is customer deposits. At end-2011 the bank's ratio of deposits to loans was 65 per cent, compared with 61 per cent at end-2010 (Group).

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

The Bank's Finance Division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by the Risk Management Division which reports monthly to the Board of Directors. The Group manages it liquidity on an overall basis by assigning responsibility for funding both the 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 part of the strategy a contingency plan has been prepared to handle the liquidity situation in periods of turbulent capital markets featuring bank-specific and industry-related crisis scenarios. The Bank's objective is to survive for 12 months with moderate growth without fresh external funding.

The turbulence in international and domestic financial markets has affected the funding situation of most actors in 2011. Access to long-term funding has still not fully normalised.

The Group's liquidity situation as of 31 December 2011 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 ICT or 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 Bank'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.

The 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 receives each year from the internal audit function and statutory auditor an independent assessment of the Group's risk and of whether the internal control systems functions as intended and is adequate.

For further information see Risk and Capital Management and notes:

Note 17: Max. credit risk exposure, excluding collateral furnished
Note 40: Market risk related to interest rate risk
Note 41: Market risk related to currency exposure

Note 4 - 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, incomes 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.

The Bank has so far not been significantly affected by the financial turbulence affecting the global economy since autumn 2008. However, turbulence in the capital markets adds increased uncertainty to some of the assumptions and expectations underlying the preparation of the various accounting estimates. 2012 is also expected to be affected by some uncertainty related to the trend in the Norwegian and international economies.

Losses on loans and guarantees

The Bank rescores its loan portfolio monthly. Customers in a poor risk class, payment defaults, negative migration or other objective criteria are assessed for individual write-down. Individual write-down is calculated as the difference between the loan's book value and the present value of discounted cash flow based on the effective interest rate at the time specified losses were initially determined.

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 3 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 price.

Fair value of derivatives

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.

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. If this is not the case, the relevant bid or offer price is used to determine the net position. For derivatives where the counterparty has a weaker credit rating than the Bank, the price will reflect the underlying credit risk.

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.

Intangible assets
Write-down tests of intangible assets are largely based on discounting of expected future cash flows. Cash flow estimates will invariably be subject to substantial uncertainty, and in some cases the methods used to assign cash flows to different assets will also be encumbered with uncertainty.

Pensions
Net pension commitments 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. Uncertainty largely relates to the gross commitment and not to the net commitment shown in the balance sheet. 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. As from 1 January 2008 the defined contribution pension scheme is closed to new members. As from the same date the Group is offering its employees a defined contribution scheme, thereby reducing the extent of uncertainty attending the Group's pension scheme. 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.

Goodwill
The Group conducts tests to assess possible impairments of goodwill values annually or in the event of indications of value 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 hurdle rates which are set on a discretionary basis based on information available on the balance sheet date.

As regards the impairment test of 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 11 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 (14 per cent).

Significant acquisitions
Acquisition of another company must be 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). Under IFRS 3 point 62 the PPA may be considered provisional or final.

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 as fully as possible by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 25.

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 by one line consolidation. The Group also classifies the stake in SpareBank 1 Private Equity I as held for sale. See also note 24.

Transfer of loan portfolios

In the transfer 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 transferred portfolios were derecognised from the Parent Bank’s balance sheet.

Note 5 - Segment information

Management have made an assessment of which business areas are deemed reportable with respect to form of distribution, products and customers. The primary reporting format takes as a starting point risk and yield profiles of various assets, and reporting is divided into private customers, (including independent business operators), the corporate market, capital markets and subsidiaries. The bank's own investing activities are not a separate segment and appear under the item "unallocated" together with activities which cannot be allocated to either private or business segments.

The Bank operates in a limited geographical area and reporting along the lines of geographic secondary segments provides little additional information.

Significant types of assets (loan) allocated geographically in a separate note under loans.

2011 (NOK million)	RM	CM	Spare-Bank 1 SMN Markets	Eiendoms-Megler 1	Spare-Bank 1 SMN Finans	Allegro Finans	Spare-Bank 1 SMN Regnskap	Unall-ocated 4)	Total
Profit and loss account									
Net interest	521	783	10	5	94	1	-0	-132	1,281
Allocated	29	117	3	-	-	-	-	-150	-
Total interest income	**551**	**900**	**13**	**5**	**94**	**1**	**-0**	**-281**	**1,281**
Net fee and commission income 1)	327	132	24	308	-1	12	79	38	919
Net return on financial investments 3)	6	36	64	-0	-1	-	-	483	588
Total income	**883**	**1,069**	**101**	**313**	**92**	**12**	**79**	**239**	**2,789**
Total operating expenses	**603**	**352**	**99**	**237**	**50**	**18**	**74**	**49**	**1,482**
Ordinary operating profit	**280**	**717**	**2**	**76**	**42**	**-5**	**5**	**189**	**1,306**
Net losses on loans and guarantees 2)	7	5	-	-	15	-	-	-0	27
Result before tax	**273**	**712**	**2**	**76**	**27**	**-5**	**5**	**189**	**1,279**
Post-tax return on equity	**21.3%**	**13.8%**							**12.8 %**
Balance									
Loans and advances to customers	52,055	38,655	-	-	2,941	-	-	1,580	95,232
Adv. of this to Boligkreditt	-21,079	-257	-	-	-	-	-	-790	-22,126
Individual allowance for impairment on loan	-31	-120	-	-	-22	-	-	-	-172
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	265	609	-	146	-2,461	17	18	30,216	28,812
Total assets	**31,210**	**38,888**	**-**	**146**	**443**	**17**	**18**	**30,732**	**101,455**
Deposits to customers	21,185	25,345	-	-	-	-	-	1,340	47,871
Other liabilities and equity	10,025	13,543	-	146	443	17	18	29,392	53,584
Total liabilites	**31,210**	**38,888**	**-**	**146**	**443**	**17**	**18**	**30,732**	**101,455**

2010 (NOK million)	RM	CM	Spare-Bank 1 SMN Markets	Eiendoms-Megler 1	Spare-Bank 1 SMN Finans	Allegro Finans	Spare-Bank 1 SMN Regnskap	Unall-ocated 4)	Total
Profit and loss account									
Net interest	579	714	18	4	93	1	0	-198	1,210
Allocated	13	56	1	-	-	-	-	-70	-
Total interest income	**592**	**770**	**19**	**4**	**93**	**1**	**0**	**-269**	**1,210**
Net fee and commission income 1)	319	135	30	245	5	19	51	51	855
Net return on financial investments 3)	2	16	19	-	1	-	-0	452	490
Total income	**913**	**921**	**68**	**249**	**99**	**20**	**51**	**235**	**2,555**
Total operating expenses	**468**	**278**	**67**	**198**	**39**	**18**	**40**	**32**	**1,140**
Ordinary operating profit	**445**	**642**	**1**	**51**	**60**	**2**	**11**	**203**	**1,414**

Net losses on loans and guarantees [2)]	4	104	-	-	24	-	-	0	132
Result before tax	**441**	**539**	**1**	**51**	**35**	**2**	**11**	**203**	**1,282**
Post-tax return on equity	**25.5%**	**12.0%**							**14.6 %**
Balance									
Loans and advances to customers	46,932	36,379	-	-	2,965	-	-	1,389	87,665
Adv. of this to Boligkreditt	-16,906	-239	-	-	-	-	-	-672	-17,818
Individual allowance for impairment on loan	-32	-155	-	-	-	-	-	-36	-222
Group allowance for impairment on loan	-	-	-	-	-	-	-	-290	-290
Other assets	249	160	-	97	-2,458	3	13	30,598	28,662
Total assets	**30,243**	**36,145**	**-**	**97**	**507**	**3**	**13**	**30,989**	**97,997**
Deposits to customers	19,098	22,709	-	-	-	-	-	979	42,786
Other liabilities and equity	11,145	13,437	-	97	507	3	13	30,010	55,212
Total liabilites	**30,243**	**36,145**	**-**	**97**	**507**	**3**	**13**	**30,989**	**97,997**

2009 (NOK million)	**RM**	**CM**	**Spare-Bank 1 SMN Markets**	**Eiendoms-Megler 1**	**Spare-Bank 1 SMN Finans**	**Allegro Finans**	**Spare-Bank 1 SMN Regnskap**	**Unall-ocated 4)**	**Total**
Profit and loss account									
Net interest	606	596	34	3	104	1	0	-65	1,279
Allocated	15	43	1	-	-	-	-	-59	-
Total interest income	**621**	**639**	**35**	**3**	**104**	**1**	**0**	**-124**	**1,279**
Net fee and commission income [1)]	321	111	10	197	6	45	45	20	756
Net return on financial investments [3)]	2	25	55	-	-3	0	-	563	642
Total income	**944**	**775**	**101**	**199**	**107**	**46**	**45**	**460**	**2,677**
Total operating expenses	**586**	**312**	**75**	**154**	**41**	**25**	**42**	**17**	**1,253**
Ordinary operating profit	**357**	**464**	**26**	**46**	**66**	**21**	**3**	**442**	**1,424**
Net losses on loans and guarantees [2)]	15	202	-4	-	23	-	-	41	277
Result before tax	**342**	**262**	**30**	**46**	**43**	**21**	**3**	**401**	**1,147**
Post-tax return on equity	**25.2%**	**6.7 %**							**16.2 %**
Balance									
Loans and advances to customers	43,166	30,143	-	-	2,850	-	-	1,270	77,429
Adv. of this to Boligkreditt	-14,972	261	-	-	-	-	-	-936	-15,647
Individual allowance for impairment on loan	-43	-150	-	-	-26	-	-	-	-219
Group allowance for impairment on loan	-108	-165	-	-	-15	-	-	-	-289
Other assets	266	136	-	92	34	48	11	22,646	23,234
Total assets	**28,308**	**30,225**	**-**	**92**	**2,843**	**48**	**11**	**22,981**	**84,509**
Deposits to customers	18,307	18,592	-	-	-	-	-	328	37,227
Other liabilities and equity	10,001	11,633	-	92	2,843	48	11	22,653	47,282
Total liabilites	**28,308**	**30,225**	**-**	**92**	**2,843**	**48**	**11**	**22,981**	**84,509**

1) A portion of the capital market incomes (Markets) is distributed on RM and CM.

2) Collectively assessed write-downs for the Parent Bank are not distributed on RM and CM under "Loss on loans and guarantees".

3) Specification of net return on financial investments

(NOK million)	2011	2010	2009
Incomes on ownership interests	290	249	349
Of which SpareBank 1 Gruppen	96	164	161
Of which BN Bank	89	59	172
Of which Bank 1 Oslo Akershus	15	37	-
Of which SpareBank 1 Boligkreditt	16	16	17
Of which SpareBank 1 Næringskreditt	9	2	1
Of which Polaris Media	23	-	-
Capital gains and dividends on shares	101	129	72
Of which SpareBank 1 SMN Invest	92	-12	2
Capital gains on other securities	100	72	123
Capital gain SpareBank 1 SMN Markets exc. shares	96	39	86
Net return on financial investments	**588**	**490**	**642**

4) "Unallocated" comprises the Bank's own investment activities which cannot be allocated to the Retail Division, Corporate Division, Markets or subsidiaries. It includes profit shares from associates and joint ventures, and the Bank's subsidiaries which are not reported as separate segments. See also note 24.

Note 6 - Net interest income

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011	(NOK million)	Group 2011	Group 2010	Group 2009
			Interest income			
127	122	158	Interest and similar income from loans to and claims on credit institutions	134	98	89
2,857	2,793	3,182	Interest and similar income from loans to and claims on customers	3,265	2,900	2,990
330	310	370	Interest and similar income from money market instruments, bonds and other fixed income securities	370	309	329
0	1	3	Other interest income	11	9	8
3,314	**3,226**	**3,713**	**Total interest income**	**3,780**	**3,315**	**3,416**
			Interest expense			
282	339	345	Interest and similar expenses on liabilities to credit institutions	345	338	281
863	811	1,071	Interest and similar expenses relating to deposits from and liabilities to customers	1,057	799	855
820	734	916	Interest and similar expenses related to the issuance of securities	916	734	820
131	148	125	Interest and similar expenses on subordinated debt	125	148	131
45	48	-	Levies paid to the Banks' Guarantee Fund	-	48	45
1	30	45	Other interest expenses and similar expenses	56	39	5
2,142	**2,110**	**2,502**	**Total interest expense**	**2,499**	**2,105**	**2,137**
1,172	**1,116**	**1,211**	**Net interest income**	**1,281**	**1,210**	**1,279**

Note 7 - Net commission income and other income

Parent Bank				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
			Commission income			
29	29	28	Guarantee commission	28	29	29
-	-	-	Broker commission	221	170	133
40	43	40	Portfolio commission, savings products	33	36	34
18	8	5	Sales commission, savings products	23	34	70
82	107	71	Commission from SpareBank 1 Boligkreditt	71	107	82
266	279	275	Payment transmission services	275	279	265
82	96	105	Commission from insurance services	105	96	82
6	11	19	Other commission income	20	16	9
524	**573**	**544**	**Total commission income**	**778**	**766**	**706**
			Commission expenses			
78	73	74	Payment transmission services	75	73	78
0	1	0	Other commission expenses	8	8	6
78	**74**	**75**	**Total commission expenses**	**83**	**81**	**84**
			Other operating income			
0	2	22	Operating income real property	20	1	1
-	-	-	Property administration and sale of property	82	73	62
6	15	14	Income from financial advice (Corporate)	14	15	6
2	7	4	Securities trading	4	7	2
-	-	-	Accountant's fees	78	50	44
10	0	0	Other operating income	27	23	19
17	**24**	**39**	**Total other operating income**	**224**	**170**	**134**
463	**524**	**508**	**Total net commision income and other operating income**	**919**	**855**	**756**

Note 8 - Net profit/(loss) from financial assets

The note shows net return on financial investments by type of financial instrument in the various classification categories.

Parent Bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
			Valued at fair value through profit/loss			
116	105	95	**Value change in interest rate instruments**	95	105	116
			Value change in derivatives/hedging			
36	-14	-17	Net value change in hedged bonds and derivatives	-17	-14	36
3	0	36	Net value change in hedged fixed rate loans and derivatives	36	0	3
0	-9	42	Other derivatives	41	-9	-3
			Income from equity instruments			
161	108	206	Income from owner interests	269	249	349
2	83	54	Dividend from equity instruments	57	43	2
81	102	-20	Value change in equity instruments	66	78	77
398	**377**	**394**	**Total net income from financial assets and liabilities at fair value throug profit/(loss)**	**546**	**455**	**579**
			Valued at amortised cost			
			Value change in interest rate instruments			
-	3	0	Value change in interest rate instruments held to maturity	0	3	-
-	-	5	Value change in interest rate instruments, loans and receivables	5	-	-
-	**3**	**5**	**Total net income from financial assets and liabilities at amortised cost**	**5**	**3**	**-**
			Valued at fair value - available for sale			
			Income from equity instruments			
0	-	-	Dividend from equity instruments	-	-	4
0	1	-1	Gain/(loss) on realisation of financial assets	-1	1	0
0	**1**	**-1**	**Total net income from financial assets available for sale**	**-1**	**1**	**4**
58	**34**	**39**	**Total net gain from currency trading**	**39**	**34**	**58**
457	**411**	**437**	**Total net profit/(loss) from financial assets**	**588**	**490**	**642**

Note 9 - 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. To this end the basis for variable compensation based on the entity's risk-adjusted result must be a period of at least one year, and the qualifying period shall not be shorter 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.

The following employee groups are covered by the arrangement:

Category 1: CEO and members of the Bank's management team
Category 2: Senior employees
Category 3: Employees with tasks of material significance for the Bank's risk exposure
Category 4: Employees with compensation corresponding to that of senior employees
Category 5: Employees with control functions

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		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
451	447	480	Wages	749	653	638
59	-95	24	Pension costs (Note 33)	32	-97	59
25	24	25	Social costs	29	27	28
536	**376**	**528**	**Total personnel expenses**	**810**	**583**	**725**
800	825	820	Average number of employees	1,125	1,109	1,070
767	764	786	Number of man-labour years as at 31 December	1,109	1,035	1,017
834	825	828	Number of employees as at 31 December	1,153	1,117	1,108

Emoluments to Top Management
2011 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Of which bonuses 1)	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan	Group CEO	4,964	494	1,337	-	15,846	627	7,268	126,902
Tore Haarberg	Executive Director, Retail Division (Deputy Group CEO)	2,510	251	305	-	1,942	158	5,640	3,640
Wenche Seljeseth	Executive Director, Marketing and Public Relations	1,035	-	10	11	-	58	2,240	2,463
Vegard Helland 3)	Executive Director, Corporate Division	1,888	117	161	-	1,250	128	1,554	5,254
Kjell Fordal	Executive Director, Finance	2,460	267	332	-	5,108	741	2,320	243,896
Tina Steinsvik Sund 4)	Executive Director, Business Operations	2,066	233	197	-	-	58	4,788	4,205

2010 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Of which bonuses 1)	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan	Group CEO	4,429	-	1,337	170	12,457	610	7,465	126,902
Tore Haarberg	Executive Director, Retail Division (Deputy Group CEO)	2,247	-	284	127	1,545	144	5,818	27,640
Reidar Stokke 2)	Executive Director, Corporate Division	1,887	-	184	127	1,032	111	3,002	81,495
Vegard Helland 3)	Executive Director, Corporate Division	1,396	-	83	20	917	93	2,236	5,254
Kjell Fordal	Executive Director, Finance	2,111	-	297	127	3,704	979	3,543	243,896
Tina Steinsvik Sund 4)	Executive Director, Business Operations	1,755	-	162	127	-	55	2,670	4,205

2009 (thousands of NOK)

Name	Title	Salary and other short-term benefits	Of which bonuses 1)	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan	Group CEO	4,623	542	1,289	-	12,416	215	7,639	89,154
Tore Haarberg	Executive Director, Retail Division (Deputy Group CEO)	2,252	194	274	-	1,429	229	4,130	24,166
Reidar Stokke 2)	Executive Director, Corporate Division	1,948	219	184	-	1,097	307	2,930	56,890
Kjell Fordal	Executive Director, Finance	2,026	219	261	-	2,978	164	3,480	176,509
Tina Steinsvik Sund 4)	Executive Director, Business Operations	1,608	184	117	-	-	52	2,810	1,800

1) Paid bonuses for previous year.
2) Appointed Executive Director, Corporate market Division, up to and including 31 July 2010. Benefits stated are for the entire accounting year.
3) Appointed Executive Director, Corporate market Division, as from 1 August 2010. Benefits stated are for the entire accounting year.
4) Defined-contribution pension scheme.
5) Appointed Executive Director, Marketing and Public Relations, as from December 2011. Benefits stated are for the entire accounting year.

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. The Board has adopted virtually identical pension rights for all employees. 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.

Under the employment agreement with the Group CEO, the Bank undertakes to pay salary and other benefits for up to 24 months. The Group CEO is entitled to retire at age 60 on a pension of 68 per cent 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. The Group CEO has a contractual bonus which is dependent on goal achievement with reference to specific criteria set by the Board of Directors compensation committee.

The Executive Directors have bonus agreements which are dependent on goal achievement with reference to specific criteria set by the Board of Directors compensation committee. The Executive Directors have agreement on post-employment salary of between 1 - 24 months, reduced however by any salary earned in other employment.

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

2011 (thousands of NOK)

Name	Title	Fee	Fees to audit and renumeration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Per Axel Koch	Board chairman	330	16	16	-	35,000
Eli Arnstad	Deputy chair	180	71	17	2,380	4,000
Kjell Bjordal	Board member	155	-	18	-	27,428
Aud Skrudland	Board member as from April 2010	155	-	18	239	1,346
Arnhild Holstad	Board member as from April 2010	155	-	17	2,282	-
Paul E. Hjelm-Hansen	Board member	155	70	16	-	37,536
Bård Benum	Board member	155	68	1	-	-
Venche Johnsen	Board member, employee representative	155	-	611	399	16,706
Rolf Røkke	Chair, Control Committee	135	-	0	-	-
Tone Valmot	Member, Control Committee to end March 2011	26	-	-	-	8,012
Anders Lian	Deputy Chair, Control Committee	90	-	-	-	-
Terje Ruud	Member, Control Committee as from April 2011	71	-	-	-	-

2010 (thousands of NOK)

Name	Title	Fee	Fees to audit and renumeration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Per Axel Koch	Board chairman	320	15	2	-	26,000
Eli Arnstad	Deputy chair	175	75	2	2,201	4,000
Anne-Brit Skjetne	Board member to end-March 2010	38	-	1	-	5,109
Christel Borge	Board member to end-March 2010	38	-	-	-	-
Kjell Bjordal	Board member	150	-	3	-	27,428
Aud Skrudland	Board member as from April 2010	113	-	7	349	1,346
Odd Tore Finnøy	Board member to end-March 2010	75	-	1	-	-
Paul E. Hjelm-Hansen	Board member	150	78	2	-	37,536
Bård Benum	Board member	150	75	-	-	-
Venche Johnsen	Board member, employee representative	150	-	524	544	16,473
Arnhild Holstad	Board member as from April 2010	113	-	2	2,344	-
Rolf Røkke	Chair, Control Committee	130	-	2	-	-
Tone Valmot	Member, Control Committee	85	-	8	-	8,012
Anders Lian	Member, Control Committee	85	-	-	-	-

2009 (thousands of NOK)

Name	Title	Fee	Fees to audit and renumeration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Per Axel Koch	Board chairman	320	3	-	-	18,000
Eli Arnstad	Deputy chair	175	37	0	2,002	-
Anne-Brit Skjetne	Board member	140	-	1	0	3,727
Christel Borge	Board member	140	-	-	-	-
Kjell Bjordal	Board member	140	-	2	-	20,000
Kjell Eriksen	Board member to end-March 2009	35	12	-	-	2,400
Odd Tore Finnøy	Board member	140	-	2	-	-
Paul E. Hjelm-Hansen	Board member	198	52	0	-	27,600
Bård Benum	Board member as from April 2009	105	12	-	-	-
Venche Johnsen	Board member, employee representative	140	-	513	685	11,944
Rolf Røkke	Chair, Control Committee	130	-	-	-	-
Tone Valmot	Member, Control Committee	85	-	12	-	5,886
Anders Lian	Member, Control Committee	85	-	-	-	-

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The no. of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

Emoluments to Supervisory Board (thousands of NOK)	**2011**	**2010**	**2009**
Supervisory Board chair Terje Skjønhals	77	67	55
Other members	670	607	690

Note 10 - Other operating expenses

Parent Bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
536	376	528	Personnel expenses	810	711	725
143	140	167	IT costs	185	156	158
25	24	23	Postage and transport of valuables	27	27	28
31	36	38	Marketing	50	43	38
45	31	38	Ordinary depreciation (note 27 and 28)	87	48	51
67	78	119	Operating expenses, real properties	95	94	80
31	42	47	Purchased services	55	52	39
111	99	129	Other operating expense	173	138	135
988	**825**	**1,089**	**Total other operating expenses before write-back of early retirement liabilities (AFP) in 2010**	**1,482**	**1,268**	**1,253**
-	-117	-	Write-back of early retirement liabilities (AFP) in 2010	-	-128	-
988	**825**	**1,089**	**Total other operating expenses**	**1,482**	**1,140**	**1,253**
			Audit fees (NOK 1000)			
1,663	1,281	1,331	Financial audit	1,989	1,839	2,259
255	189	119	Other attestations	284	206	331
249	959	451	Tax advice	960	1,185	778
276	215	316	Other non-audit services	714	355	710
2,443	**2,644**	**2,218**	**Total incl. value added tax**	**3,946**	**3,585**	**4,078**

Note 11 - Income tax

The following is a specification of the difference between the accounting profit before tax, the year's tax base and the year's tax charge. Wealth tax is classified as other operating expenses in conformity with IAS 12.

Parent Bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
850	1,118	1,055	Result before tax	1,279	1,282	1147
-208	-237	-191	+/-permanent differences *	-342	-314	-397
-	-65	-26	+/-Group contributions	-26	-65	-
-154	-178	-69	+/- change in temporary differences as per specification	-31	-184	-207
-	-	-	- of which reflected directly in equity	-	-	-
-	-	-	+ correction income to be brought forward	28	-37	51
-	-	-	+ deficit to be brought forward	-34	18	6
488	**637**	**770**	**Year's tax base/taxable income**	**874**	**699**	**600**
136	178	215	Of which payable tax at 28 %	245	196	168
136	**178**	**215**	**Payable tax in the balance sheet**	**245**	**196**	**168**
1	32	-1	(Excess)/short tax provision last year	-1	32	1
137	210	215	Year' change in payable tax	244	228	169
136	178	215	Tax payable on profit for the year	245	196	168
-	-3	-	Tax effect of Group contributions	-	-3	-
-	8	-	Tax effect of issue cost reflected in equity	-	8	-
43	3	19	+/- change in deferred tax	13	10	41
1	47	-1	+/- too much/too little set aside for payable tax in previous years	-4	47	1
-	2	1	+ withholding tax	1	2	-
180	**235**	**235**	**Tax charge for the year**	**255**	**260**	**210**

			Change in net deferred tax liability			
39	3	19	Deferred tax shown through profit/loss	13	22	37
-	47	-	Correction payable tax/deferred tax, previous years **	-	47	-
39	**50**	**19**	**Total change in net deferred tax liability**	**13**	**68**	**37**

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

Deferred tax in balance sheet				Deferred tax in balance sheet		
2009	2010	2011	Composition of deferred tax carried in the balance sheet and defferred tax recognised in the income statement	2011	2010	2009
			Temporary differences:			
-	-	-	- Business assets	140	123	80
-	-	-	- Leasing items	171	219	268
14	-	-	- Loans	-	0	14
-	42	42	- Pension liability	45	42	-
245	121	161	- Securities	161	121	245
213	275	445	- Hedge derivatives	445	275	213
-	0	-	- Other temporary differences	2	2	4
471	**437**	**649**	**Total tax-increasing temporary differences**	**964**	**781**	**823**
132	**122**	**182**	**Deffered tax**	**270**	**219**	**230**
			Temporary differences:			
-37	-13	-22	- Business assets	-26	-25	-38
-	-	-	- Loans	-	-0	-
-93	-	-	- Pension liability	-6	-6	-110
-28	-29	-26	- Securities	-26	-29	-28
-242	-314	-455	- Hedge derivatives	-455	-314	-242
-7	-6	-2	- Other temporary differences	-63	-72	-88
-	-	-	- Deficit carried forward	-257	-249	-309
-407	**-362**	**-505**	**Total tax-decreasing temporary differences**	**-833**	**-696**	**-815**
-114	**-101**	**-141**	**Deferred tax asset**	**-233**	**-195**	**-228**
18	**21**	**40**	**Net**	**37**	**24**	**2**

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:

Tax benefit recorded 31.12	**19**	**7**	**21**
Deferred tax recorded 31.12	**55**	**31**	**24**

Recognised in income statement			Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	Recognised in income statement		
2009	2011	2010		2011	2010	2009
			Temporary differences:			
-	-	-	- Business assets	-17	44	-
-	-	-	- Leasing items	48	-49	44
-44	-14	-	- Loans	-	-14	-43
-	42	0	- Pension liability	-3	42	-
152	-124	-41	- Securities	-41	-124	152
-169	62	-170	- Hedge derivatives	-170	62	-169
-	0	-	- Other temporary differences	0	-2	-4
-62	**-34**	**-212**	**Total tax-increasing temporary differences**	**-184**	**-42**	**-21**
-17	**-10**	**-59**	**Deffered tax**	**-52**	**-12**	**-7**
			Temporary differences:			
-18	25	9	- Business assets	1	13	-17
-	-	-	- Loans	-	-	-
-26	93	-	- Pension liability	-1	104	-18
1	-1	-3	- Securities	-3	-1	1
231	-72	141	- Hedge derivatives	141	-72	232
12	1	-4	- Other temporary differences	-9	16	31
-	-	-	- Deficit carried forward	8	60	-70
200	**45**	**143**	**Total tax-decreasing temporary differences**	**137**	**119**	**159**
56	**13**	**40**	**Deferred tax asset**	**38**	**33**	**44**
39	**3**	**-19**	**Net**	**13**	**22**	**37**

2009	2010	2011	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2011	2010	2009
238	313	296	28 % of profit before tax	358	359	321
-58	-85	-61	Non-taxable profit and loss items (permanent differences) *	-104	-109	-111
-1	-	-	Recognised deferred tax previous years	1	3	-1
-	8	-	Tax effect of items reflected directly in equity	-	8	-
-	2	1	Withholding tax	1	2	-
1	-3	-1	Too much/little tax provision previous years	-1	-3	1
180	**235**	**235**	**Tax for the period recognised in the income statement**	**255**	**260**	**210**
21 %	**21 %**	**22 %**	**Effective tax rate**	**20 %**	**20 %**	**18 %**

* 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 12 - Credit institutions - loans and advances

Parent Bank			Loans and advances to credit institutions	Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
2,477	2,872	3,962	Loans and advances without agreed maturity or notice of withdrawal	1,486	397	143
-	22	1,070	Loans and advances with agreed maturity or notice of withdrawal	1,070	22	10
2,477	**2,894**	**5,033**	**Total**	**2,557**	**420**	**153**
			Specification of loans and receivables on key currencies			
4	16	52	USD	52	16	4
16	9	17	EUR	17	9	16
-	22	22	ISK	22	22	-
2,374	2,827	4,921	NOK	2,445	353	50
83	20	20	Other	20	20	83
2,477	**2,894**	**5,033**	**Total**	**2,557**	**420**	**153**
3.0 %	3.0 %	3.4 %	**Average rate credit institutions**	2.7 %	3.0 %	3.0 %

			Deposits from credit institutions			
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
5,649	4,084	2,624	Loans and deposits from credit institutions without agreed maturity or notice of withdrawal	2,624	4,084	5,649
1,343	4,660	3,608	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	3,608	4,660	1,343
6,992	**8,743**	**6,232**	**Total**	**6,232**	**8,743**	**6,992**
4,318	4,318	2,886	Funding from central govt. via swap arrangement with agreed term or notice period	2,886	4,318	4,318
4,318	**4,318**	**2,886**	**Total**	**2,886**	**4,318**	**4,318**
11,310	**13,062**	**9,118**	**Total**	**9,118**	**13,062**	**11,310**
			Specification of debt on key currencies			
85	1,028	556	USD	556	1,028	85
414	544	358	EUR	358	544	414
10,794	11,118	7,837	NOK	7,837	11,118	10,794
17	372	366	Other	366	372	17
11,310	**13,062**	**9,118**	**Total**	**9,118**	**13,062**	**11,310**
2.5 %	2.7 %	2.9 %	**Average rate credit institutions**	2.9 %	2.7 %	2.5 %

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

The average interest rate is calculated with a basis in interest income/interest expense in relation to the holding accounts' average balance for the year concerned. Limited, however, to holdings in accounts denominated in NOK.

Note 13 - Loans and advances to customers

Parent bank				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
			Loans specified by type			
-	-	-	Financial lease	1,920	2,078	2,187
7,760	10,171	10,697	Bank overdraft and operating credit	10,697	10,171	7,388
1,840	2,596	3,065	Building loan	2,486	2,036	1,840
49,704	54,675	57,030	Amortizing loan	58,001	55,562	50,367
59,304	**67,443**	**70,793**	**Gross loans to and receivables from customers**	**73,105**	**69,847**	**61,782**
-466	-460	-424	Impairments	-462	-512	-507
58,838	**66,983**	**70,369**	**Net loans to and advances to customers (amortised cost)**	**72,643**	**69,336**	**61,275**
			Lending specified by markets			
29,117	31,187	32,165	Retail market	33,141	32,020	29,745
30,158	36,194	38,565	Corporate market	39,872	37,726	31,974
28	61	63	Public sector	92	101	64
59,304	**67,443**	**70,793**	**Gross loans and advances**	**73,105**	**69,847**	**61,782**
-466	-460	-424	Impairments	-462	-512	-507
58,838	**66,983**	**70,369**	**Net loans and advances**	**72,643**	**69,336**	**61,275**
			Of this subordinated loan capital			
48	48	48	Subordinated loan capital other financial institutions	48	48	48
48	**48**	**48**	**Subordinated loan capital shown under loans to customers**	**48**	**48**	**48**
			Adv. on this			
661	511	572	Loans to employees	715	634	804
			In addition:			
15,647	17,818	22,126	Loans transferred to SpareBank 1 Boligkreditt	22,126	17,818	15,647
342	562	693	Of which loans to employees	869	708	447

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. It does this on the basis of key figures on earnings, impairment 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 16 for risk class classification.

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

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 12 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.

Historical data are restated in accordance with new calculations of estimated defaults. See note 3, Risk factors, and the section on probability of default.

Parent bank				Group		
2009	**2010**	**2011**	**Total contracts**	**2011**	**2010**	**2009**
29,758	35,521	39,296	Lowest risk	39,478	35,847	31,369
18,056	18,030	20,185	Low risk	20,891	17,994	18,832
14,722	20,675	21,743	Medium risk	22,177	21,876	14,376
4,206	2,364	2,063	High risk	2,494	2,781	4,311
1,745	2,500	1,811	Highest risk	2,168	2,961	1,854
710	595	463	Default and written down *	542	710	820
69,197	**79,685**	**85,561**	**Total**	**87,750**	**82,170**	**71,562**

Parent bank				Group		
2009	**2010**	**2011**	**Gross loans**	**2011**	**2010**	**2009**
25,049	29,106	32,390	Lowest risk	32,571	29,412	26,558
15,796	15,508	16,826	Low risk	17,524	15,431	16,523
12,493	17,783	17,496	Medium risk	18,069	19,028	12,432
3,624	2,086	1,903	High risk	2,329	2,477	3,722
1,655	2,373	1,723	Highest risk	2,078	2,810	1,756
687	586	455	Default and written down *	534	689	791
59,304	**67,443**	**70,793**	**Total**	**73,105**	**69,847**	**61,782**

* Exposures subject to individual impairment write down are placed in default category.

Parent bank				Group		
2009	**2010**	**2011**	**Expected annual average net loss**	**2011**	**2010**	**2009**
5	4	5	Lowest risk	5	5	6
22	15	17	Low risk	18	15	23
50	86	77	Medium risk	79	88	51
73	25	20	High risk	23	27	74
35	54	47	Highest risk	53	62	48
21	100	25	Default and written down	34	115	42
207	**285**	**190**	**Total**	**211**	**312**	**244**

The best secured home mortgage loans are transferred to SpareBank 1 Boligkreditt, established by the banks in the SpareBank 1 Alliance. Commission (margin) on these loans is taken to income in the income statement under commission income.

The table below shows the risk classification of these exposures.

Parent bank				Group		
2009	2010	2011	Total contracts SpareBank 1 Boligkreditt	2011	2010	2009
10,193	10,752	21,681	Lowest risk	21,681	10,752	10,193
5,977	7,339	2,409	Low risk	2,409	7,339	5,977
1,051	1,508	596	Medium risk	596	1,508	1,051
94	148	136	High risk	136	148	94
67	86	76	Highest risk	76	86	67
-	2	2	Default and written down	2	2	-
17,382	**19,836**	**24,901**	**Total**	**24,901**	**19,836**	**17,382**

Parent bank				Group		
2009	2010	2011	Gross loans SpareBank 1 Boligkreditt	2011	2010	2009
8,962	9,295	18,927	Lowest risk	18,927	9,295	8,962
5,523	6,843	2,393	Low risk	2,393	6,843	5,523
1,002	1,446	593	Medium risk	593	1,446	1,002
93	146	136	High risk	136	146	93
66	86	76	Highest risk	76	86	66
-	2	2	Default and written down	2	2	-
15,647	**17,818**	**22,126**	**Total**	**22,126**	**17,818**	**15,647**

Specified by sector and industry

Parent bank				Group		
2009	2010	2011	Total contracts	2011	2010	2009
31,457	33,751	34,864	Wage earners	35,851	34,641	32,127
967	960	830	Public administration	859	1,003	1,005
4,511	4,979	5,532	Agriculture, forestry, fisheries and hunting	5,724	5,248	4,839
2,010	3,012	3,112	Sea farming industries	3,257	3,133	2,109
3,062	4,222	5,159	Manufacturing	5,399	4,509	3,323
2,821	3,337	3,390	Construction, power and water supply	3,853	3,165	2,663
3,326	3,353	3,350	Retail trade, hotels and restaurants	3,543	3,584	3,676
576	5,874	7,282	Maritime sector	7,287	5,877	579
12,808	14,333	14,820	Property management	14,179	14,440	12,878
3,263	3,499	4,764	Business services	5,061	3,847	3,592
4,307	2,161	2,236	Transport and other services provision	2,514	2,519	4,681
89	203	221	Other sectors	223	205	90
69,197	**79,685**	**85,561**	**Total**	**87,750**	**82,170**	**71,562**

Parent bank				Group		
2009	2010	2011	Gross loans	2011	2010	2009
29,117	31,187	32,165	Wage earners	33,141	32,020	29,745
28	61	63	Public administration	92	101	64
4,211	4,580	4,965	Agriculture, forestry, fisheries and hunting	5,155	4,832	4,518
1,225	1,790	1,880	Sea farming industries	2,024	1,904	1,318
2,080	2,503	2,641	Manufacturing	2,878	2,772	2,324
1,733	1,992	2,070	Construction, power and water supply	2,528	2,476	2,229
2,108	2,264	2,126	Retail trade, hotels and restaurants	2,316	2,480	2,435
2,205	5,240	5,974	Maritime sector	5,978	5,242	2,209
11,627	13,465	12,651	Property management	12,167	13,004	11,321
2,930	2,778	3,570	Business services	3,865	3,104	3,238
1,842	1,245	1,720	Transport and other services provision	1,989	1,573	2,184
198	337	969	Other sectors	971	339	199
59,304	**67,443**	**70,793**	**Total**	**73,105**	**69,847**	**61,782**

Parent bank 2009	Parent bank 2010	Parent bank 2011	Individual impairment	Group 2011	Group 2010	Group 2009
37	30	41	Wage earners	43	30	40
-	-	-	Public administration	-	0	0
8	5	2	Agriculture, forestry, fisheries and hunting	2	8	9
1	1	21	Sea farming industries	21	1	1
34	78	18	Manufacturing	30	100	47
21	14	10	Construction, power and water supply	14	18	28
14	13	12	Retail trade, hotels and restaurants	13	18	14
-	-	-	Maritime sector	-	0	0
41	35	29	Property management	29	35	41
21	5	2	Business services	3	6	22
8	6	16	Transport and other services provision	17	6	9
9	-	-	Other sectors	-	0	9
193	**186**	**151**	**Total**	**172**	**222**	**219**

Parent bank 2009	Parent bank 2010	Parent bank 2011	Expected annual average net loss	Group 2011	Group 2010	Group 2009
35	28	21	Lønnstakere o.l	23	30	37
0	0	0	Offentlig forvaltning	0	0	0
8	7	9	Jordbruk,skogbruk, fiske og fangst	13	12	11
1	3	3	Havbruk	3	3	2
5	17	31	Industri og bergverk	32	19	14
8	4	16	Bygg og anlegg	22	9	18
6	5	10	Hotell og handel	11	9	16
1	2	23	Sjøfart	23	2	1
39	105	41	Eiendomsdrift	41	108	39
17	21	33	Forretningsmessig tjenesteyting	36	24	18
7	13	3	Transport og annen tjenesteytende virksomhet	5	17	8
-	2	1	Øvrige sektorer	1	2	0
126	**206**	**190**	**Total**	**211**	**234**	**163**

Specified by geographic area

Parent bank 2009	Parent bank 2010	Parent bank 2011	Gross loans	Group 2011	Group 2010	Group 2009
24,504	25,588	26,627	Sør-Trøndelag	27,178	26,237	25,515
15,214	15,989	15,116	Nord-Trøndelag	16,050	16,931	16,120
10,070	14,094	15,040	Møre og Romsdal	15,542	14,533	10,342
273	499	335	Sogn og Fjordane	348	508	505
479	499	542	Nordland	581	533	520
4,754	5,061	8,111	Oslo	8,147	5,061	4,754
3,656	5,207	4,069	Rest of Norway	4,306	5,539	3,673
353	506	953	Abroad	953	506	353
59,304	**67,443**	**70,793**	**Total**	**73,105**	**69,847**	**61,782**

The best secured home mortgage loans are transferred to SpareBank 1 Boligkreditt, established by the banks in the SpareBank 1 Alliance.

The table below shows the geographic classification of these exposures.

Parent bank				Group		
2009	2010	2011	**Gross loans transferred to SpareBank1 Boligkreditt**	2011	2010	2009
7,406	8,462	10,327	Sør-Trøndelag	10,327	8,462	7,406
4,566	4,750	5,850	Nord-Trøndelag	5,850	4,750	4,566
2,118	2,711	3,513	Møre og Romsdal	3,513	2,711	2,118
7	18	55	Sogn og Fjordane	55	18	7
78	67	70	Nordland	70	67	78
505	650	830	Oslo	830	650	505
906	1,091	1,392	Landet for øvrig	1,392	1,091	906
61	68	89	Utlandet	89	68	61
15,647	**17,818**	**22,126**	**Total gross loans transferred to SpareBank1 Boligkreditt**	**22,126**	**17,818**	**15,647**

	Group		
Loans to and claims on customers related to financial leases	**2011**	**2010**	**2009**
Gross advances related to financial leasing			
- Maturity less than 1 year	252	363	304
- Maturity more than 1 year but not more than 5 years	1,536	1,518	1,695
- Maturity more than 5 years	203	266	262
Total gross claims	**1,990**	**2,147**	**2,261**
Received income related to financial leasing, not yet earned	70	69	74
Net investments related to financial leasing	1,920	2,078	2,187
Net investments in financial leasing can be broken down as follows:			
- Maturity less than 1 year	231	333	269
- Maturity more than 1 year but not more than 5 years	1,489	1,481	1,658
- Maturity more than 5 years	201	264	261
Total net claims	**1,920**	**2,078**	**2,187**

Note 14 - 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

2011

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	542	181	24	74	821
- Corporate market	219	42	21	60	343
Total	**762**	**223**	**45**	**135**	**1,164**

2010

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	639	223	27	67	956
- Corporate market	300	70	3	31	404
Total	**939**	**293**	**30**	**98**	**1360**

2009

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	578	191	11	96	877
- Corporate market	188	167	6	57	418
Total	**766**	**359**	**17**	**153**	**1,295**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2011 was NOK 414 million.

Group

2011

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	543	193	28	82	846
- Corporate market	225	75	28	65	392
Total	**768**	**268**	**55**	**147**	**1,238**

2010

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	640	238	30	75	983
- Corporate market	307	113	38	55	513
Total	**947**	**350**	**67**	**130**	**1495**

2009

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	579	203	13	108	903
- Corporate market	193	222	47	84	546
Total	**772**	**425**	**60**	**192**	**1,449**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2011 was NOK 519 million.

Note 15 - Losses on loans and guarantees

Parent bank (NOK million)

Losses on loans and guarantees	2011 RM	2011 CM	2011 Total	2010 RM	2010 CM	2010 Total	2009 RM	2009 CM	2009 Total
Period's change in individual write downs	0	-36	**-36**	-11	5	**-7**	3	-3	**-0**
+ Period's change in collective write downs	-10	10	**-**	-	-	**-**	17	24	**41**
+ Actual losses on loans previously written down	5	70	**75**	11	28	**39**	7	75	**81**
+ Confirmed losses on loans not previously written down	8	2	**9**	10	74	**84**	13	138	**152**
- Incomings on previously written down loans, guarantees etc.	6	31	**37**	6	3	**8**	-9	-12	**-20**
Total	**-3**	**15**	**12**	**4**	**104**	**108**	**32**	**222**	**254**

Individual write downs	2011 RM	2011 CM	2011 Total	2010 RM	2010 CM	2010 Total	2009 RM	2009 CM	2009 Total
Individual write downs to cover loss on loans, guarantees etc. at 01.01.	31	155	**186**	46	147	**193**	42	151	**193**
- Confirmed losses in the period on loans, guarantees etc. not previously	-5	-69	**-75**	-11	-28	**-39**	-7	-75	**-81**
- Reversal of previous years' write downs	-3	-23	**- 26**	-9	-13	**-21**	-6	-2	**-8**
+ Increase in write downs of commitments not previously subject to individual write down	6	50	**56**	3	21	**24**	2	2	**4**
+ Write downs of loans not previously subject to individual write down	2	7	**9**	5	24	**29**	14	71	**85**
Individual write downs to cover loss on loans, guarantees etc at 31.12	**31**	**120**	**151**	**34**	**152**	**186**	**46**	**147**	**193**

Collective write downs	2011 RM	2011 CM	2011 Total	2010 RM	2010 CM	2010 Total	2009 RM	2009 CM	2009 Total
Collective write downs to cover loss on loans, guarantees at 01.01	83	190	**273**	83	190	**273**	66	166	**232**
Period's collective write down to cover loss on loans, guarantees etc	-10	10	**-**	-	-	**-**	17	24	**41**
Groupwise write down to cover loss on loans and guarantees at 31.12	**73**	**200**	**273**	**83**	**190**	**273**	**83**	**190**	**273**

Losses specified by sector and industry	2011	2010	2009
Agriculture, forestry, fisheries and hunting	0	1	6
Fish farming	5	0	1
Industry and mining	0	83	12
Building and construction, power and water supply	0	19	9
Wholesale and retail trade; hotel og restaurant industry	1	6	109
Other transport and communication	2	0	0
Financing, property management and business services	-1	-8	54
Abroad and others	0	-	-
Private sector	6	7	22
Groupwise write down, corporate	10	-	17
Groupwise write down, retail	-10	-	24
Losses on loans to customers	**12**	**108**	**254**

Non-performing more than 90 days and potential problem loans	2011	2010	2009	2008	2007
Non-performing loans	272	397	298	284	209
Other potential problem loans	191	198	412	891	228
Total non-performing and potential problem loans	**463**	**595**	**710**	**1,175**	**437**
Individual write downs	151	186	193	193	113
Net non-performing and potential problem loans	**312**	**409**	**517**	**982**	**324**

Interest taken to income on defaulted and doubtful exposures totals NOK 18 million for the parent bank.

The realisable value of the collateral backing individually written-down loans totals NOK 679 million for the Parent bank at 31 December 2011.

Group (NOK million)

	2011			2010			2009		
Losses on loans and guarantees	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Period’s change in individual write downs	-2	-49	**-51**	-6	9	**3**	3	0	**3**
+ Period’s change in collective write downs	-10	10	**-**	-	1	**1**	18	26	**44**
+ Actual losses on loans previously written down	7	84	**91**	11	35	**46**	7	82	**89**
+ Confirmed losses on loans not previously written down	11	14	**25**	13	79	**92**	15	146	**161**
- Incomings on previously written down loans, guarantees etc.	6	33	**39**	6	4	**10**	-9	-12	**-21**
Total	**0**	**27**	**27**	**13**	**120**	**132**	**35**	**242**	**277**

	2011			2010			2009		
Individual write downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write downs to cover loss on loans, guarantees etc. at 01.01.	31	191	**222**	47	172	**219**	43	172	**215**
- Confirmed losses in the period on loans, guarantees etc. not previously	-5	-85	**-90**	-11	-35	**-46**	-7	-82	**-89**
- Reversal of previous years’ write downs	-3	-25	**-28**	-9	-14	**-22**	-6	-4	**-10**
+ Increase in write downs of commitments not previously subject to individual write down	6	51	**57**	3	30	**34**	2	7	**9**
+ Write downs of loans not previously subject to individual write down	2	10	**12**	7	30	**38**	15	79	**94**
Individual write downs to cover loss on loans, guarantees etc at 31.12	**31**	**142**	**172**	**37**	**185**	**222**	**47**	**172**	**219**

	2011			2010			2009		
Collective write downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Collective write downs to cover loss on loans, guarantees at 01.01	87	203	**290**	87	202	**289**	69	176	**244**
Period’s collective write down to cover loss on loans, guarantees etc	-10	10	**-**	-	1	**1**	18	26	**44**
Groupwise write down to cover loss on loans and guarantees at 31.12	**77**	**213**	**290**	**87**	**203**	**290**	**87**	**202**	**289**

Losses specified by sector and industry	2011	2010	2009
Agriculture, forestry, fisheries and hunting	1	2	7
Fish farming	5	0	1
Industry and mining	1	90	18
Building and construction, power and water supply	4	21	13
Wholesale and retail trade; hotel og restaurant industry	2	11	111
Other transport and communication	4	3	1
Financing, property management and business services	2	-8	58
Abroad and others	-	0	0
Private sector	8	12	24
Groupwise write down, corporate	10	1	19
Groupwise write down, retail	-10	-	25
Losses on loans to customers	**27**	**132**	**277**

Non-performing more than 90 days and potential problem loans	2011	2010	2009	2008	2007
Non-performing loans	338	499	379	330	231
Other potential problem loans	204	211	442	950	232
Total non-performing and potential problem loans	**542**	**710**	**820**	**1,280**	**463**
Individual write downs	172	222	219	215	116
Net non-performing and potential problem loans	**370**	**488**	**602**	**1,064**	**347**

Interest taken to income on defaulted and doubtful exposures totals NOK 33 million for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 702 million for the Group at 31 December 2011.

Note 16 - 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 2006-2011.

Historical data are restated in accordance with new calculations of estimated defaults. See note 3, Risk factors, and the section on probability of default.

	Probability of default					Collateral cover	
Credit quality step	From	To	Moody's	Historical default	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.04 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.10 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.23 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.56 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.68 %	5	40	60
F	1.25 %	2.50 %		1.57 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.67 %	7	0	20
H	5.00 %	10.00 %	B1-B2	6.97 %			
I	10.00 %	99.99 %	B3-Caa3	19.61 %			
J	Default						
K	Written down						

The Bank's exposures are classified into one of five risk groups based on credit quality step. Previously this was a combination of credit quality step and collateral class. "Defaulted and written down" is also present. See the table below.

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 (NOK million)	Averaged unhedged exposure 2011	Total exposure 2011	Averaged unhedged exposure 2010	Total exposure 2010	Averaged unhedged exposure 2009	Total exposure 2009
Lowest risk	4.6 %	39,296	5.2 %	35,521	6.4 %	29,758
Low risk	8.1 %	20,185	7.5 %	18,030	11.1 %	18,056
Medium risk	12.5 %	21,743	15.7 %	20,676	13.5 %	14,722
High risk	9.3 %	2,063	10.8 %	2,364	26.1 %	4,206
Highest risk	10.0 %	1,811	9.6 %	2,500	8.8 %	1,745
Default and written down	29.1 %	463	27.4 %	595	21.4 %	710
Total		**85,561**		**79,685**		**69,197**

Group (NOK million)	Averaged unhedged exposure 2011	Total exposure 2011	Averaged unhedged exposure 2010	Total exposure 2010	Averaged unhedged exposure 2009	Total exposure 2009
Lowest risk	4.5 %	39,478	5.2 %	35,847	6.4 %	31,369
Low risk	7.5 %	20,891	7.5 %	17,994	11.1 %	18,832
Medium risk	11.8 %	22,177	15.7 %	21,876	13.5 %	14,376
High risk	9.3 %	2,494	10.8 %	2,781	26.1 %	4,311
Highest risk	10.0 %	2,168	9.6 %	2,961	8.8 %	1,854
Default and written down	29.1 %	542	27.4 %	710	21.4 %	820
Total		**87,750**		**82,170**		**71,562**

Note 17 - Maximum credit risk exposure, disregarding collateral

Maximum credit risk exposure, disregarding collateral

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				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
			Assets			
1,107	2,112	1,519	Cash and claims on central banks	1,519	2,112	1,107
2,477	2,894	5,033	Loans to and claims on credit institutions	2,557	420	153
58,838	66,983	70,369	Loans to and claims on customers	72,643	69,336	61,275
9,420	12,582	10,421	Securities - held for trading	10,418	12,507	9,308
1,150	1,825	3,698	Securities - designated at fair value through profit/loss	3,697	1,825	1,149
1	1	1	Derivatives	56	64	55
2,409	1,562	583	Securities - available for sale	583	1,562	2,409
3,484	3,516	2,460	Securities - held to maturity	2,473	3,460	3,460
4,174	4,915	5,614	Other assets	7,510	6,712	5,593
83,060	**96,390**	**99,697**	**Total**	**101,455**	**97,997**	**84,509**
			Liabilities			
2,108	3,532	3,857	Conditional liabilities	3,857	3,532	2,108
7,311	8,837	10,578	Unutilised credits	10,578	8,837	7,311
1,223	1,090	470	Loan approvals	500	1,291	1,418
474	629	813	Other exposures	940	629	474
11,116	**14,088**	**15,717**	**Total**	**15,875**	**14,289**	**11,311**
94,176	**110,478**	**115,413**	**Total credit risk exposure**	**117,330**	**112,281**	**95,852**

Credit risk exposure related to financial assets distributed by geographical area

Parent bank				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
			Bank activities			
32,826	35,131	37,678	Sør-Trøndelag	37,212	32,560	32,319
18,021	19,053	17,776	Nord-Trøndelag	18,708	20,056	19,125
12,806	18,047	19,807	Møre og Romsdal	20,308	18,541	13,204
273	658	479	Sogn og Fjordane	491	665	505
555	582	695	Nordland	734	618	613
7,571	10,037	12,939	Oslo	13,333	10,037	7,571
4,263	6,480	6,687	Rest of Norway	7,128	7,479	4,701
1,396	1,004	2,190	Abroad	2,188	1,005	1,400
77,712	**90,992**	**98,251**	**Total**	**100,104**	**92,859**	**79,470**
			Financial instruments			
14,216	16,704	12,769	Norway	12,826	16,631	14,135
1,037	949	695	Europe, Asia	704	959	1,037
61	7	0	USA	0	7	61
1,150	1,825	3,698	Derivatives	3,697	1,825	1,149
16,464	**19,486**	**17,162**	**Total**	**17,226**	**19,423**	**16,382**
94,176	**110,478**	**115,413**	**Total distributed by geographical area**	**117,330**	**112,281**	**95,852**

Financial effect of collateral for credit risk, parent bank

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 table below.

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

	Collaterlan Pledged (NOKm)
Corporate market	26,656
Retail market	31,299
Covered bonds	6,685
Financial institutions using CSA	147
Customers trading and hedging	2,152

Note 18 - 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 3 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.

Historical data are restated in accordance with new calculations of estimated defaults. See note 3, Risk factors, and the section on probability of default.

Parent bank

2011 (NOK million)		Neither defaulted nor written down					Defaulted or written down *	Total
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	**5,033**	**-**	**-**	**-**	**-**	**-**	**5,033**
Loans to and claims on customers	13							
Retail market		22,676	5,572	2,252	461	496	173	**31,629**
Corporate market		9,714	11,254	15,244	1,443	1,228	282	**39,164**
Total		**32,390**	**16,826**	**17,496**	**1,903**	**1,723**	**455**	**70,793**
Financial investments	19							
Quoted government bonds		2,896	-	-	-	-	-	**2,896**
Quoted other bonds		6,302	467	39	-	-	-	**6,808**
Unquoted bonds		1,787	904	523	-	-	-	**3,214**
Total		**10,985**	**1,371**	**562**	**-**	**-**	**-**	**12,918**
Total		**48,408**	**18,197**	**18,058**	**1,903**	**1,723**	**455**	**88,744**

2010 (NOK million)		Neither defaulted nor written down					Defaulted or written down *	Total
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	**2,894**	**-**	**-**	**-**	**-**	**-**	**2,894**
Loans to and claims on customers	13							
Retail market		20,678	6,591	2,497	530	600	160	**31,056**
Corporate market		8,428	9,319	14,885	1,556	1,773	426	**36,387**
Total		**29,106**	**15,910**	**17,381**	**2,086**	**2,373**	**586**	**67,443**
Financial investments	19							
Quoted government bonds		5,044	-	-	-	-	-	**5,044**
Quoted other bonds		5,461	1,208	81	-	-	-	**6,751**
Unquoted bonds		2,880	1,778	583	-	-	-	**5,241**
Total		**13,385**	**2,986**	**665**	**-**	**-**	**-**	**17,036**
Total		**45,386**	**18,494**	**18,447**	**2,086**	**2,373**	**586**	**87,372**

2009 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	**2,477**	**-**	**-**	**-**	**-**	**-**	**2,477**
Loans to and claims on customers	13							
Retail market		18,430	6,090	2,867	707	632	190	**28,916**
Corporate market		6,619	9,707	9,626	2,917	1,022	497	**30,388**
Total		**25,049**	**15,796**	**12,493**	**3,624**	**1,655**	**687**	**59,304**
Financial investments	19							
Quoted government bonds		4,408	-	-	-	-	-	**4,408**
Quoted other bonds		4,598	994	179	-	-	-	**5,771**
Unquoted bonds		2,147	242	2,183	-	-	-	**4,572**
Total		**11,153**	**1,236**	**2,362**	**-**	**-**	**-**	**14,751**
Total		**38,679**	**17,032**	**14,854**	**3,624**	**1,655**	**687**	**76,532**

Group 2011 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	2,557	-	-	-	-	-	**2,557**
Loans to and claims on customers	13							
Retail market		22,739	5,816	2,670	610	620	194	**32,650**
Corporate market		9,831	11,707	15,400	1,719	1,458	340	**40,456**
Total		**32,571**	**17,524**	**18,069**	**2,329**	**2,078**	**534**	**73,105**
Financial investments	19							
Quoted government bonds		2,896	-	-	-	-	-	**2,896**
Quoted other bonds		6,302	467	39	-	-	-	**6,808**
Unquoted bonds		1,787	904	523	-	-	-	**3,214**
Total		**10,985**	**1,371**	**562**	**-**	**-**	**-**	**12,918**
Total		**46,113**	**18,895**	**18,631**	**2,329**	**2,078**	**534**	**88,580**

2010 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	420	-	-	-	-	-	**420**
Loans to and claims on customers	13							
Retail market		20,742	6,435	2,893	605	680	178	**31,533**
Corporate market		8,670	8,996	16,135	1,872	2,130	511	**38,314**
Total		**29,412**	**15,431**	**19,028**	**2,477**	**2,810**	**689**	**69,847**
Financial investments	19							
Quoted government bonds		5,044	-	-	-	-	-	**5,044**
Quoted other bonds		5,461	1,208	81	-	-	-	**6,751**
Unquoted bonds		2,880	1,778	527	-	-	-	**5,185**
Total		**13,385**	**2,986**	**609**	**-**	**-**	**-**	**16,980**
Total		**43,217**	**18,417**	**19,636**	**2,477**	**2,810**	**689**	**87,247**

2009 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	12	153	-	-	-	-	-	**153**
Loans to and claims on customers	13							
Retail market		18,868	6,174	2,928	721	660	227	**29,579**
Corporate market		7,690	10,348	9,504	3,002	1,096	564	**32,203**
Total		**26,558**	**16,523**	**12,432**	**3,722**	**1,756**	**791**	**61,782**
Financial investments	19							
Quoted government bonds		4,408	-	-	-	-	-	**4,408**
Quoted other bonds		4,598	994	179	-	-	-	**5,771**
Unquoted bonds		2,147	242	2,159	-	-	-	**4,548**
Total		**11,153**	**1,236**	**2,338**	**-**	**-**	**-**	**14,727**
Total		**37,864**	**17,758**	**14,770**	**3,722**	**1,756**	**791**	**76,662**

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

Note 19 - Money market certificates and bonds

Bonds and money market instruments are classified in the categories fair value through profit/loss, heldt to maturity and loans and receivables. Measurement at fair value reflects market value, while the category held to maturity and loans and receivables are measured at amortised cost. Bonds recalssified to held to maturity as of 1 july 2008 as a result of changes in IAS 39 and IFRS 7 in October 2008 are included below.

Parent Bank				Group		
			Money market certificates and bonds by issuer sector			
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
4,456	5,089	3,077	**State (nominal)**	3,077	5,089	4,456
4,408	5,044	3,059	- fair value	3,059	5,044	4,408
-	-	-	- valued at amortised cost (held to maturity, loans and receivables)	-	-	-
4,408	**5,044**	**3,059**	**Book value, state**	**3,059**	**5,044**	**4,408**
611	985	939	**Other public sector (nominal)**	939	985	611
437	906	904	- fair value	904	906	437
177	77	39	- valued at amortised cost (held to maturity, loans and receivables)	39	77	177
613	**983**	**943**	**Book value, other public issuer**	**943**	**983**	**613**
8,557	10,044	8,580	**Financial enterprises (nominal)**	8,580	9,988	8,533
4,014	5,957	5,763	- fair value	5,763	5,957	4,014
5,716	5,001	3,003	- valued at amortised cost (held to maturity, loans and receivables)	3,003	4,945	5,693
9,730	**10,959**	**8,766**	**Book value, financial enterprises**	**8,766**	**10,903**	**9,707**
-	50	150	**Non-financial enterprises (nominal)**	150	50	-
-	50	150	- fair value	150	50	-
-	-	-	- valued at amortised cost (held to maturity, loans and receivables)	-	-	-
-	**50**	**150**	**Book value, non-financial enterprises**	**150**	**50**	**-**
13,624	**16,168**	**12,746**	**Total fixed income securities, nominal value**	**12,746**	**16,112**	**13,600**
14,751	**17,036**	**12,918**	**Total fixed income securities, booked value**	**12,918**	**16,980**	**14,727**

For further specification of risk related to fixed income securities, see note 40 Market risk related to interest rate.

Due to extraordinary market conditions in autumn 2008, parts of the bank's portfolio of current assets became illiquid. After changes made in international accounting standards in October 2008, the Group opted to reclassify parts of the bond portfolio as of 1 July 2008 from the category "Fair value with a value changes reflected in profit/loss" to the category "Held to maturity". We no longer have trading as a goal and these securities are not expected to be sold before maturity.

The “Held to maturity” portfolio comprises quoted bonds and is valued at amortised cost using the effective interest rate method. Previously carried out write-downs will, after reclassification, be reversed over the portfolio’s residual maturity. This will be recognised under net interest income in addition to current coupon interest. In the period 30 September - 31 December 2011, NOK 0.7 million has been amortised, and total this year NOK 3.8 million. At the end of the fourth quarter of 2011 the average residual maturity is 0.9 years.

Had reclassification not been carried out, the Group would have expensed NOK 42 million in the second half of 2008 as unrealised losses owing to increased credit spreads. In the absence of reclassification the Group have expensed NOK 0.5 million in unrealised captail losses related to this bond portfolio in the fourth quarter 2011, and total this year NOK 0.9 million in unrealised capital losses.

Unrealised agio losses related to this portfolio have been taken to expence in an amount of NOK 2.8 million in the fourth quarter 2011, and total this year NOK 0.7 million.

No write-downs have been carried out on the basis of lasting portfolio value falls as of 31 December 2011.

Parent Bank			Held to maturity	Group		
31.12.09	31.12.10	31.12.11	(NOK million)	31.12.11	31.12.10	31.12.09
2,409	1,562	583	Book value of bonds in the category "held to maturity"	583	1,562	2,409
2,430	1,568	585	Nominal value	585	1,568	2,430
2,426	1,570	584	Theoretical market value incl. Exchange rate changes	584	1,570	2,426

Note 20 - 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, and to derivatives not used, for hedge purposes. The Bank does not employ cash flow hedging.

Group

This note is virtually identical for the Parent Bank and the Group.
NOK million.

Fair value through profit and loss	**2011**			**2010**			**2009**		
	Contract	Fair values		Contract	Fair values		Contract	Fair values	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	2,318	47	-58	1,475	8	-61	1,170	5	-93
Currency swaps	19,534	410	-280	20,358	394	-229	12,084	237	-117
FX-options	60,391	313	-310	2,834	22	-22	332	1	-1
Total currency instruments	82,243	770	-648	24,667	424	-311	13,586	244	-211
Fixed income instruments									
Interest rate swaps (including cross currency)	133,065	2,840	-2,771	96,329	1,303	-1,282	65,187	736	-683
Short-term interest rate swaps (FRA)	5,000	2	-1	5,450	4	-10	7,180	1	-1
OTC options	-	-	-	-	-	-	40	-	-
Other interest rate contracts	1,329	48	-45	1,710	28	-28	878	9	-9
Total non-standardised contracts	139,394	2,890	-2,817	103,489	1,335	-1,319	73,285	746	-692
Hedging									
Interest rate instruments									
Interest rate swaps (including cross currency)	17,474	650	-231	19,280	500	-319	16,211	441	-7
Other interest rate contracts	-	-	-	-	-	-	-	-	-
Total non-standardised contracts	17,474	650	-231	19,280	500	-319	16,211	441	-7
Total foreign exchange and fixed income instruments									
Total interest rate derivatives	**156,867**	**3,540**	**-3,049**	**122,769**	**1,835**	**-1,639**	**89,496**	**1,187**	**-699**
Total currency derivatives	**82,243**	**770**	**-648**	**24,667**	**424**	**-311**	**13,586**	**244**	**-211**
Total financial derivatives	**239,110**	**4,310**	**-3,697**	**147,436**	**2,260**	**-1,950**	**103,082**	**1,431**	**-910**

The market value of currency swaps and forward foreign exchange contracts is carried net under 'other assets' in the balance sheet.

Note 21 - Shares, units and other equity interests

The Bank classifies shares in the categories fair value 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. Investments in subordinated loans are booked at amortised cost.

Parent bank				Group		
			Shares and units			
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
562	**624**	**546**	**At fair value through profit or loss**	**536**	**550**	**438**
69	85	38	Listed	132	169	168
494	540	507	Unlisted	404	381	270
1	**1**	**1**	**Available for sale**	**63**	**64**	**55**
-	-	-	Listed	11	-	-
1	1	1	Unlisted	51	64	55
-	**-**	**-**	**At amortised cost**	**13**	**4**	**12**
-	-	-	Unlisted	13	4	12
563	**625**	**546**	**Total shares and units**	**611**	**618**	**505**
69	**85**	**38**	**Total listed companies**	**143**	**169**	**168**
494	**540**	**508**	**Total unlisted companies**	**468**	**449**	**337**

Specification of Parent Bank **Listed companies**	**Principle ***	**Stake over 10 % (%)**	**Our holding (no.)**	**Acquisiton cost (NOK 1000)**	**Market value/ book value (NOK 1000)**
Visa Inc. C-shares	FV		15,884	6,750	9,157
Total quoted shares				**6,750**	**9,157**
Helgeland Sparebank	FV		660,000	31,185	20,130
Klepp Sparebank	FV		5,000	550	265
Nøtterø Sparebank	FV		30,876	3,250	2,501
SpareBank 1 SR-Bank	FV		156,433	5,747	6,367
Total quoted equity capital certificates				**40,732**	**29,263**
Total quoted shares and equity capital certificates				**47,482**	**38,419**
Unlisted companies					
Eksportfinans	FV		1,857	16,406	22,581
Nets Holding	FV		4,028,773	174,768	197,370
Nordisk Areal Invest	FV	12.7	754,972	91,649	61,530
Nordito Property	FV		487,761	1,273	8,767
Sparebank1 Private Equity I	FV	65.6	2,034,621	203,473	215,466
Sparebankmateriell A/S Spama, A-shares	FV		2,305	0	1,563
Tangen Næringsbygg	AFS		250	250	250
Others				727	369
Total unquoted shares and units				**488,547**	**507,897**
Total shares, units and equity capital certificates, parent bank				**536,029**	**546,316**

Specification of Group Listed companies	Principle *	Stake over 10 % (%)	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Det norske oljeselskap	FV		1,061,762	49,562	93,170
Norway Royal Salmon	AFS		1,531,663	12,877	11,457
Total quoted shares				**62,439**	**104,626**
Unlisted companies					
Allegro Balansert Trippel***	FV			2,300	1,777
Angvik Investor	AFS	10.0	12,000	19,830	20,112
Aptomar	FV		28,224	5,750	5,750
Aqua Venture	FV	37.6	187,374	17,565	14,053
Aqualyng, subordinated loan	**			3,230	3,230
Arctic Energy Fund	FV		12,740	10,179	8,216
ASTI AS Trøndelag Industriel	FV		2,000	740	740
Bachke & Co	AFS		4,815	164	265
Bruhagen Sentrumsbygg	AFS		350	350	350
Crosshair Embedded	FV		125,000	5,000	5,000
Hommelvik Sjøside	FV	40.0	1,600	1,608	1,632
Hommelvik Sjøside, subordinated loan	**			7,720	7,720
Infond	AFS		4,900	262	262
Kunnskapsparken Nord-Trøndelag	AFS		10	250	250
Mavi XV	HFS	100.0	60,000	6,020	6,020
Moldekraft	AFS	14.4	10,545	11,600	18,981
Moldekvartalet	AFS		2,500	2,501	2,501
Moldekvartalet, subordinated loan	**			800	800
North Bridge Property	FV		5,134	8,261	9,251
Omega-3 Invest	FV	33.6	618,244	5,451	5,450
Opplev Oppdal	FV		250,000	750	251
Proventure Seed, A-shares	FV		352,812	389	494
Proventure Seed, subordinated loan	**			775	775
RBK Investor	FV	20.0	2,000	2,500	2,500
Real Estate Central Europe	FV		3,000	5,500	6,348
Sentrumsbyen Molde	FV		500	500	500
Sentrumsgården	AFS	35.3	2,115	2,115	2,115
Såkorninvest Midt-Norge	FV	16.9	81,749	5,962	3,200
Tjeldbergodden Utvikling	FV	23.0	28,649	1,000	1,000
Viking Venture	FV	13.2	267,878	25,445	8,733
Viking Venture II	FV		232,875	22,305	11,484
Viking Venture II B	FV		13,875	2,047	2,206
Viking Venture III	FV		145,050	19,422	19,208
Wellcem	FV		31,664	3,706	3,800
Others				915	744
Total unquoted shares and units				**202,911**	**175,719**
Total shares, units and equity capital certificates, Group				**265,350**	**280,345**
SpareBank 1 Private Equity I eliminated at Group level				-203,473	-215,466
Total shares, units and equity capital certificates, Group				**597,905**	**611,195**
Other shares in the Group are entered as held for sale					
Havila Shipping	FV		916,475	48,115	31,618

* Explanation of accounting principle: FV - fair value, AFS - available for sale, HFS - held for sale

** Booked at amortised cost

*** Allegro Balansert Trippel is a fund in fund in which Key Select Asia, Key Select Europe and Key Select Hedge are underlying funds

Note 22 - Measurement of fair value of financial instruments

With effect from 1 January 2009 the Group has implemented the changes in IFRS 7 related to financial instruments measured at fair value on the balance sheet date. The changes require presentation of fair-value measurements at the following levels of inputs:

- Prices quoted for similar instruments in an active market (level 1)
- Directly observable market inputs, either direct (price) or indirect (price-derived), other than Level 1 inputs (level 2)
- Inputs not based on observable market data (level 3)

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2011:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	-	3,697	-	3,697
- Bonds and money market certificates	2,896	6,980	-	9,875
- Equity instruments	143	-	417	560
- Fixed interest loans	-	1,281	-	1,281
Financial assets avaliable for sale				
- Equity instruments	-	-	51	51
Total assets	**3,039**	**11,957**	**468**	**15,464**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	-	3,158	-	3,158
- Securities debt	-	15,704	-	15,704
- Subordinated debt	-	1,754	-	1,754
Total liabilities	**-**	**20,616**	**-**	**20,616**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2010:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	-	1,825	-	1,825
- Bonds and money market certificates	5,044	6,913	-	11,958
- Equity instruments	169	-	384	554
- Fixed interest loans	-	1,845	-	1,845
Financial assets avaliable for sale				
- Equity instruments	-	-	64	64
Total assets	**5,213**	**10,583**	**449**	**16,245**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	-	1,684	-	1,684
- Securities debt	-	16,940	-	16,940
- Subordinated debt	-	1,677	-	1,677
Total liabilities	**-**	**20,301**	**-**	**20,301**

The fair value of financial instruments that are traded in an active market is based on the market price on the balance sheet date. A market is regarded as active if the market prices are easily and regularly available from a stock exchange, trader, broker, industrial classification, quotation service or regulatory authority, and these prices represent actual and regularly occurring arms-length market transactions. The market price utilised for financial assets is the applicable buy price, for financial liabilities the applicable sell price is used. These instruments are included in level 1. Instruments included in level 1 are exclusively equity instruments quoted on the Oslo Stock Exchange and classified as held for trading or available for sale, and Treasury bills.

The fair value of financial instruments that are not traded in an active market (for example some OTC derivatives) is determined by means of valuation methods. These valuation methods maximise the use of observable data where such data are available, and rely as little as possible on the Group’s own estimates. If all significant data that are needed in order to determine the fair value of an instrument are observable data, the instrument is included in level 2.

If one or several significant data items are not based on observable market data, the instrument is included in level 3.

Special valuation methods used to value financial instruments include:

- market prices or trader prices quoted for similar instruments
- fair value of interest rate swaps is calculated as the current value of estimated future cash flow based on observable yield curves
- fair value of forward contracts in foreign currency is determined by reference to the current value of the difference between the agreed forward price and forward price on the balance sheet date
- other techniques, such as the multiplier model, are used to determine fair value of the remaining financial instruments

The following table presents the changes in the instruments classified in level 3 as at 31 December 2011:

	Equity instruments	Total
Opening balance 1 January	449	**449**
Transferred to level 1 or 2	-23	**-23**
Investments in the period	43	**43**
Disposals in the period (at book value)	-1	**-1**
Gain or loss entered in income statement	-5	**-5**
Gain or loss recognised directly in comprehensive income	**5**	**5**
Closing balance 31 December	**468**	**468**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2010:

	Equity instruments	Total
Opening balance 1 January	339	**339**
Investments in the period	15	**15**
Disposals in the period (at book value)	-5	**-5**
Gain or loss entered in income statement	91	**91**
Gain or loss recognised directly in comprehensive income	8	**8**
Closing balance 31 December	**449**	**449**

The total gain and loss for the period applies to assets owned on the balance sheet date.

Note 23 - Fair value of financial instruments

Financial instruments measured at fair value

Financial instruments that are booked at fair value comprise shares, parts of the money market certificate and bond portfolio (classified at fair value), derivatives, and debt included in hedge accounting. For further details, note 2 IFRS Accounting principles, and note 4 Critical estimates and assessments concerning the use of accounting principles.

Financial instruments measured at amortised cost

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

Measurement at fair value will invariably be encumbered with uncertainty.

Measurement at fair value for items carried at amortised cost

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.

Fixed interest loan in NOK are already valued at fair value in the accounts, and are not included in the estimates described above.

Bonds held to maturity and bonds for lending and claim purpose

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 insitutions and Debt to credit institutions

For loans to and claims on credit institutions, as well as debt to credit institutions, fair value is estimated as equal to book value.

Securities debt and subordinated debt

Securities debt and subordinated debt are valued against valuation of market value based on interest rate and spread curves.

Parent bank

(NOK million)	Book value 31.12.11	Fair value 31.12.11	Book value 31.12.10	Fair value 31.12.10	Book value 31.12.09	Fair value 31.12.09
Assets						
Loans to and claims on credit institutions	5,033	5,033	2,894	2,894	2,477	2,477
Loans to and claims on customers at amortised cost	68,357	68,357	65,138	65,138	56,925	56,925
Loans to and claims on customers at fair value	2,012	2,012	1,845	1,845	1,912	1,912
Shares	546	546	625	625	563	563
Bonds at fair value	9,875	9,875	11,958	11,958	8,858	8,858
Bonds held to maturity	583	584	1,562	1,570	2,409	2,426
Bonds for lending and claim purpose	2,460	2,451	3,516	3,511	3,484	3,497
Derivatives	3,698	3,698	1,825	1,825	1,150	1,150
Total financial assets	**92,564**	**92,557**	**89,363**	**89,366**	**77,779**	**77,808**
Liabilities						
Debt to credit institutions	6,232	6,232	8,743	8,743	6,992	6,992
Debt related to "swap" arrangement with the government	2,886	2,886	4,318	4,318	4,318	4,318
Deposits from and debt to customers	48,114	48,114	43,028	43,028	37,382	37,382
Securities debt at amortised cost	12,444	11,266	11,001	10,966	7,663	7,735
Securities debt at fair value	15,704	15,704	16,940	16,940	15,695	15,695
Derivatives	3,158	3,158	1,684	1,684	712	712
Subordinated debt at amortised cost	936	884	1,081	1,045	2,676	2,623
Subordinated debt at fair value	1,754	1,754	1,677	1,677	1,200	1,200
Total financial liabilities	**91,228**	**89,998**	**88,473**	**88,401**	**76,637**	**76,657**

Group

(NOK million)	Book value 31.12.11	Fair value 31.12.11	Book value 31.12.10	Fair value 31.12.10	Book value 31.12.09	Fair value 31.12.09
Assets						
Loans to and claims on credit institutions	2,557	2,557	420	420	153	153
Loans to and claims on customers at amortised cost	71,363	71,363	67,491	67,491	59,362	59,362
Loans to and claims on customers at fair value	1,281	1,281	1,845	1,845	1,912	1,912
Shares	611	611	618	618	505	505
Bonds at fair value	9,875	9,875	11,958	11,958	8,858	8,858
Bonds held to maturity	583	584	1,562	1,570	2,409	2,426
Bonds for lending and claim purpose	2,460	2,451	3,460	3,454	3,460	3,474
Derivatives	3,697	3,697	1,825	1,825	1,149	1,149
Total financial assets	**92,426**	**92,419**	**89,178**	**89,179**	**77,809**	**77,840**
Liabilities						
Debt to credit institutions	6,232	6,232	8,743	8,743	6,992	6,992
Debt related to "swap" arrangement with the government	2,886	2,886	4,318	4,318	4,318	4,318
Deposits from and debt to customers	47,871	47,871	42,786	42,786	37,227	37,227
Securities debt at amortised cost	12,444	11,266	11,001	10,966	7,663	7,735
Securities debt at fair value	15,704	15,704	16,940	16,940	15,695	15,695
Derivatives	3,158	3,158	1,684	1,684	712	712
Subordinated debt at amortised cost	936	884	1,081	1,045	2,676	2,623
Subordinated debt at fair value	1,754	1,754	1,677	1,677	1,200	1,200
Total financial liabilities	**90,985**	**89,755**	**88,230**	**88,159**	**76,483**	**76,503**

Note 24 - Investments in owner interests

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

Company	Registered office	Stake in per cent
Investment in significant subsidiaries		
Shares owned by Parent Bank		
SpareBank 1 SMN Finans AS	Trondheim	100.0
SpareBank 1 SMN Invest AS	Trondheim	100.0
EiendomsMegler 1 Midt-Norge AS	Trondheim	87.0
SpareBank 1 SMN Kvartalet AS	Trondheim	100.0
SpareBank 1 SMN Regnskap AS	Trondheim	100.0
Allegro Finans ASA	Trondheim	90.1
SpareBank 1 Bygget Steinkjer AS	Trondheim	100.0
SpareBank 1 Bygget Trondheim AS	Trondheim	100.0
SpareBank 1 SMN Card Solutions AS	Trondheim	100.0
Shares owned by subsidiaries and sub-subsidiaries		
SpareBank 1 Bilplan AS	Trondheim	100.0
Berg Data AS (owned by SpareBank 1 Bilplan AS)	Trondheim	80.0
GMA Invest AS (owned by SpareBank 1 SMN Invest AS)	Trondheim	100.0
Investment in jont ventures		
SpareBank 1 Gruppen AS	Tromsø	19.5
BN Bank ASA	Trondheim	33.0
Bank 1 Oslo Akershus AS	Oslo	19.5
Alliansesamarbeidet SpareBank 1 DA	Oslo	17.7
SpareBank1 Boligkreditt AS	Stavanger	17.8
SpareBank 1 Næringskreditt AS	Stavanger	37.3
Investment in associates		
PAB Consulting AS	Ålesund	34.0
Molde Kunnskapspark AS	Molde	20.0
Sandvika Fjellstue AS	Verdal	50.0
Grilstad Marina AS	Trondheim	35.0
GMN 1 AS	Trondheim	35.0
GMN 4 AS	Trondheim	35.0
GMN 51 AS	Trondheim	35.0
GMN 52 AS	Trondheim	35.0
GMN 53 AS	Trondheim	35.0
GMN 54 AS	Trondheim	35.0
GMN 6 AS	Trondheim	35.0
Hommelvik Sjøside AS	Malvik	40.0
Polaris Media ASA	Trondheim	23.5
Investment in companies held for sale		
SpareBank 1 Private Equity I AS	Trondheim	65.6
Miljøtek Hasopor AS	Meråker	100.0
Mavi XV AS Group	Trondheim	100.0
Has Holding AS	Trondheim	100.0
Mavi XIV AS	Trondheim	100.0
Havship II AS	Trondheim	100.0
Mavi XVII AS	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.

2011	Company's share capital (NOK 000's)	No. of shares	Nominal value (NOK 000's)	Assets	Liabilities	Total income	Total expenses	Company's result of the year	Book value 31.12
SpareBank 1 SMN Finans AS Group	245,000	24,500	10.0	2,872	2,531	93	74	19	323
Total investments in credit institutions									**323**
SpareBank 1 SMN Invest AS	307,280	307,280	1.0	377	2	93	5	89	358
EiendomsMegler 1 Midt-Norge AS	41,288	5,505	6.0	266	106	354	300	54	73
SpareBank 1 SMN Kvartalet AS	196,200	30,200	6.5	751	565	54	70	-15	240
SpareBank 1 SMN Regnskap AS	7,140	140	51.0	44	17	83	79	4	34
Allegro Finans ASA	6,000	6,000	1.0	37	6	20	24	-4	11
SpareBank 1 Bygget Steinkjer AS (prev. Midt-Norge Fonds AS)	6,000	100	60.0	39	34	0	0	0	9
SpareBank 1 Bygget Trondheim AS	54,236	100,000	0.5	187	61	26	29	-2	131
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	13	4	16	12	3	18
Total investments in other subsidiaries									**874**
Total investments in Group companies, Parent Bank									**1,197**

2010	Company's share capital (NOK 000's)	No. of shares	Nominal value (NOK 000's)	Assets	Liabilities	Total income	Total expenses	Company's result of the year	Book value 31.12
SpareBank 1 SMN Finans AS Group	195,000	19,500	10.0	2,881	2,640	99	74	25	218
Total investments in credit institutions									**218**
SpareBank 1 SMN Invest AS	250,000	250,000	1.0	293	1	3	24	-22	301
EiendomsMegler 1 Midt-Norge AS	33,030	5,505	6.0	192	68	285	248	36	57
SpareBank 1 SMN Kvartalet AS	302,000	30,200	10.0	887	581	10	14	-5	345
SpareBank 1 SMN Regnskap AS	7,000	140	50.0	27	13	53	45	8	7
Allegro Finans ASA	6,000	6,000	1.0	47	10	28	27	1	11
SpareBank 1 Bygget Steinkjer AS (prev. Midt-Norge Fonds AS)	100	100	1.0	2	3	0	1	-1	3
SpareBank 1 Bygget Trondheim AS	10,000	100,000	0.1	78	53	3	1	2	25
Total investments in other subsidiaries									**750**
Total investments in Group companies, Parent Bank									**968**

2009	Company's share capital (NOK 000's)	No. of shares	Nominal value (NOK 000's)	Assets	Liabilities	Total income	Total expenses	Company's result of the year	Book value 31.12
SpareBank 1 SMN Finans AS Group	195,000	19,500	10.0	2,830	2,635	104	75	30	218
Total investments in credit institutions									**218**
SpareBank 1 SMN Invest AS	250,000	250,000	1.0	273	24	9	8	1	301
EiendomsMegler 1 Midt-Norge AS	21,015	5,505	3.8	137	50	238	206	33	21
SpareBank 1 SMN Kvartalet AS	302,000	30,200	10.0	736	426	0	3	-2	302
SpareBank 1 SMN Regnskap AS	1,000	20	50.0	28	18	47	45	2	1
Allegro Finans ASA	6,000	6,000	1.0	73	38	53	38	15	11
SpareBank 1 Bygget Steinkjer AS (prev. Midt-Norge Fonds AS)	100	100	1.0	4	0	0	-1	1	3
Total investments in other subsidiaries									**639**
Total investments in Group companies, Parent Bank									**857**

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		
2009	**2010**	**2011**	**(NOK million)**	**2011**	**2010**	**2009**
1,135	1,914	2,156	As at 1 January	3,526	2,921	1,937
779	242	666	Acquisition/sale	727	398	779
-	-	-	Equity capital changes	-80	-29	16
-	-	-	Profit share	248	279	351
-	-	-	Dividend paid	-163	-42	-161
1,914	**2,156**	**2,822**	**Book value as at 31 December**	**4,259**	**3,526**	**2,921**

Specification of year's change, Group	Additions/ disposal	Equtiy change
SpareBank 1 Gruppen AS	86	-77
BN Bank ASA	50	-
Bank 1 Oslo Akershus AS	-	-3
SpareBank 1 Boligkreditt AS	82	-
SpareBank 1 Næringskreditt AS	200	-
Polaris Media ASA 1)	310	-
Sum	**727**	**-80**

1) Additions include a reclassified amount at the subsidiary SpareBank 1 SMN Invest AS upon the takeover of Polaris Media ASA

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

Income from investments in associates and joint ventures

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011	(NOK million)	Group 2011	Group 2010	Group 2009
			Profit share from:			
-	-	-	SpareBank 1 Gruppen Group	96	164	161
-	-	-	Bank 1 Oslo Akershus AS	15	37	0
-	-	-	SpareBank1 Boligkreditt AS	16	16	17
-	-	-	BN Bank ASA	89	59	171
-	-	-	SpareBank 1 Næringskreditt AS	9	2	-
-	-	-	Polaris Media ASA	23	0	-
-	-	-	Other minor companies	0	0	0
			Dividends from:			
156	23	86	SpareBank 1 Gruppen AS	-86	-23	-156
5	19	16	SpareBank 1 Boligkreditt AS	-16	-19	-5
-	-	50	BN Bank ASA	-50	-	-
-	-	7	Bank 1 Oslo Akershus AS	-7	-	-
-	-	3	SpareBank 1 Næringskreditt AS	-3	-	-
-	-	14	Polaris Media ASA	-	-	-
-	-0	1	Other minor companies	-1	0	-
161	**42**	**176**	**Total income from associates and joint ventures**	**86**	**236**	**188**

Company information on the Group's stakes in affiliates and joint ventures.
The tables below contain company or Group accounting figures on a 100 % share basis, except for profit share which is stated as the SpareBank 1 SMN Group's share. Booked value is the consolidated value in the SpareBank 1 SMN Group.
(NOK million)

2011	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen Group	41,992	37,097	8,972	8,493	96	959	20 %	364,728
Bank 1 Oslo Akershus AS	28,193	26,606	793	713	15	285	20 %	665,759
Alliansesamarbeidet SpareBank 1 DA	548	202	577	576	2	20	18 %	2
SpareBank 1 Boligkreditt AS	147,660	141,918	148	65	16	1,026	18 %	6,725,178
PAB Consulting AS	2	1	7	6	0	1	34 %	340
BN Bank ASA	40,732	37,576	488	334	89	1,023	33 %	4,286,149
Molde Kunnskapspark AS	11	1	3	3	0	2	20 %	2,000
SpareBank 1 Næringskreditt AS	9,317	8,113	45	21	9	449	33 %	3,523,200
Sandvika Fjellstue AS	9	1	1	-1	-1	6	50 %	6,000
Polaris Media ASA (Numbers per Q3-11)	1,950	1,204	1,368	1,270	23	332	23 %	11,464,508
Total					**250**	**4,104**		

Investment in associates with limited activity in the accounting year

Activity gradually picked up in 2011 at the development companies Grilstad Marina AS, GMN 1 AS, GMN 4 AS, GMN 51 AS, GMN 52 AS, GMN 53 AS og GMN 54 AS, GMN 6 AS and Hommelvik Sjøside AS. Start-up of the residential area at Hommelvik Sjøside AS went ahead in the second half of 2011 and completion is expected in summer 2013. Construction start of the commercial area at GMN 1 AS is expected in the first quarter of 2012 with completion scheduled for summer 2013.

The Group's stakes in the Grilstad Marina companies and Hommelvik Sjøside remain 35 per cent and 40 per cent respectively.

The above development companies are booked in the Group accounts at NOK 155.7m as at 31 December 2011.

2010	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen Group	40,561	35,762	10,240	9,418	164	940	20 %	347,568
Bank 1 Oslo Akershus AS	26,931	25,403	851	662	37	280	20 %	665,759
Alliansesamarbeidet SpareBank 1 DA	381	277	419	418	0	20	18 %	2
SpareBank 1 Boligkreditt AS	105,079	100,274	130	54	16	943	20 %	6,176,629
PAB Consulting AS	6	3	10	8	0	1	34 %	340
BN Bank ASA	41,279	38,277	472	330	59	934	33 %	4,085,509
Molde Kunnskapspark AS	10	1	3	3	0	2	20 %	2,000
SpareBank 1 Næringskreditt AS	8,357	7,618	16	8	2	244	33 %	1,927,200
Sandvika Fjellstue AS	12	0	3	3	0	6	50 %	6,000
Total					**279**	**3,370**		

2009	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen Group	61,378	56,011	10,817	9,936	161	1,026	20 %	347,568
Alliansesamarbeidet SpareBank 1 DA	316	197	506	522	0	20	18 %	2
SpareBank1 Boligkreditt AS	84,236	80,553	137	52	17	743	20 %	4,821,695
PAB Consulting AS	3	1	5	5	0	1	34 %	340
BN Bank ASA	47,549	44,665	507	372	172	882	33 %	4,085,509
Molde Kunnskapspark AS	0	0	0	0	0	2	20 %	2,000
SpareBank 1 Næringskreditt AS	8,288	7,556	7	5	1	241	33 %	1,927,200
Sandvika Fjellstue AS	11	1	2	3	0	6	50 %	6,000
Total					**351**	**2,921**		

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. In addition to ownership acquired as a result of default, the Group classifies the stake in SpareBank 1 Private Equity I AS held for sale.

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

2011	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
SpareBank 1 Private Equity I AS	326	3	5	3	2	66 %	2,034,621
Miljøtek Hasopor AS	23	19	2	-9	11	100 %	100
Mavi XV AS Group	155	148	3	-23	26	100 %	9,400
Has Holding AS	7	0	0	-7	7	100 %	100
Mavi XIV AS	16	23	0	-6	6	100 %	1,000
Havship II AS	15	16	0	-7	7	100 %	100,000
Mavi XVII AS	6	1	0	-9	9	100 %	1,000
Other minor companies	11	11	1	2	0	100 %	-

2010	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
SpareBank 1 Private Equity I AS	322	3	6	1	5	76 %	2,345,732
Mavi XV AS Group	93	131	9	43	-34	100 %	9,400
Has Holding AS	3	5	3	0	2	100 %	100
Miljøtek Hasopor AS	9	28	6	21	-14	100 %	100
Mavi XIV AS konsern	14	28	0	10	-10	100 %	1,000
Partsrederiet Havship II DA	243	221	20	37	-17	50 %	-
Havship II AS konsern	22	30	0	5	-5	100 %	100,000
Partsrederiet Havship DA	244	210	32	39	-7	50 %	-
Mavi XVII AS konsern	7	12	0	4	-4	100 %	1,000
Partsrederiet Havship III DA	302	275	38	52	-14	26 %	-
Other minor companies	27	28	0	1	-1	100 %	-

2009	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
SpareBank 1 Private Equity I AS	319	4	0	4	3	90 %	2,803,152
Has Holding AS	4	6	0	3	-3	100 %	100
Mavi XV AS Group	83	84	14	15	-1	100 %	9,400
Miljøtek Hasopor AS	19	24	25	29	-4	100 %	12,000
Mavi XIV AS konsern	26	30	-6	2	-1	100 %	1,000
Partsrederiet Havship II DA	261	222	11	23	-11	50 %	-
Havship II AS konsern	27	30	-4	1	-3	100 %	100,000
Partsrederiet Havship DA	263	222	28	36	-9	50 %	-
Mavi XVII AS konsern	0	-1	-1	0	-1	100 %	1,000
Partsrederiet Havship III DA	307	267	1	6	-5	26 %	-

Note 25 - Business acquisitions/business combinations

Takeover of shares in Polaris Media ASA

On 28 March 2011 SpareBank 1 SMN took over 18.81 per cent of the shares of Polaris Media ASA. The shares, which had been posted as security for debt, were acquired by the Bank as a result of the debtor's bankruptcy. The SpareBank 1 SMN Group accordingly holds 23.45 per cent of the shares of Polaris Media ASA, with voting rights up to 20 per cent. The Group consequently classifies this ownership interest as an affiliate and accounts for the investment using the equity method.

The shares were taken over at a value of NOK 27 per share, plus dividend of NOK 1.50. Dividend payout is received in the second quarter.

A purchase analysis has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are measured at fair value at the time of acquisition. The difference between the Group's acquisition cost and the book value of net assets in Polaris Media ASA is allocated in the consolidated accounts to the shares of Finn.no AS, Avisa Nordland AS, business properties and future pension liabilities. The analysis builds on valuations conducted by external parties.

SpareBank 1 SMN recognises its portion of the financial result of Polaris Media ASA with effect from the date of acquisition. Polaris Media ASA's quarterly financial statements have not been available to the Bank when preparing the accounts for SpareBank 1 SMN. The Bank's profit share is therefore estimated against the background of assessments made by external brokers and is consequently encumbered with uncertainty. In addition, amortisation effects from the purchase analysis are taken into account.

Acquisition of SpareBank 1 SMN Card Solutions AS (previously Convenient Card AS)

SpareBank 1 SMN acquired all the shares of Convenient Card, now SpareBank 1 SMN Card Solutions, on 9 September 2011. A purchase price analysis was prepared in accordance with IFRS 3 in which identifiable assets and liabilities are measured at fair value as at the acquisition date. The difference between the Group's acquisition cost and the book value of net assets is allocated to time-limited intangible assets which are amortised over three years. The company is consolidated in the group accounts as from the fourth quarter 2011.

Acquisition of accounting firm

SpareBank 1 SMN Regnskap acquired six accounting firms situated in Trondheim, Steinkjer and Namsos. All are merged and integrated into the parent company's business. Purchase price analyses were prepared in accordance with IFRS 3 in which identifiable assets and liabilities are measured at fair value as at the acquisition date. The difference between the Group's acquisition cost and the book value of net assets is allocated to goodwill. In addition, an agreement has been signed regarding takeover of 40 per cent of Consis AS with effect from 1 January 2012.

Note 26 - Significant transactions with related companies

	Subsidiaries			Other related companies		
Loans (NOK million)	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Outstanding loans as at 1.1.	2,955	2,612	1,131	827	171	100
Loans issued in the period	79	343	1,481	529	67	99
Repayments				127	39	28
Outstanding loans as at 31.12.	**3,034**	**2,955**	**2,612**	**1,229**	**198**	**171**
Interest rate income	107	86	58	35	163	1
Losses on loans	-	-	-	2	25	0
Bonds and subordinated loans as at 31.12	90	145	113	3,947	6,203	6,268
Deposits (NOK million)						
Deposits as as 1.1.	304	236	159	2,363	1,219	2,332
Contribution received during the period	2,821	2,987	1,770	5,210	41,121	36,752
Withdrawals	2,812	2,964	1,693	5,438	41,906	37,865
Deposits as at 31.12.	**314**	**259**	**236**	**2,136**	**433**	**1,219**
Interest rate expenses	9	14	10	34	29	58
Securities trading	-	-	-	250	389	5,254
Commission income SpareBank 1 Boligkreditt	-	-	-	71	107	82
Issued guarantees and amount guaranteed	-	-	-	67	120	-
Committed credit	-	-	-	610	-	-

Loans and deposits

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

Securities trading

SpareBank 1 SMN's Markets and Finance divisions 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.

SpareBank 1 Næringskreditt

Together with the other owners of SpareBank 1 Næringskreditt, SpareBank 1 SMN has in the second quarter signed an agreement to establish a liquidity facility for SpareBank 1 Næringskreditt. Under this agreement the banks commit to purchasing commercial mortgage bonds limited to the overall value of 12 month maturities at SpareBank 1 Næringskreditt. Each owner is principally liable for his share of the required amount, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited with Norges Bank and accordingly entail no significant risk for the bank.

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 24 on investment in owner interests.

In 2011 SpareBank 1 Kvartalet spun off block A of the bank building to a value of NOK 105m. The spun off section was thereafter employed as a contribution in kind in SpareBank 1 Bygget Trondheim.

Note 27 - Property, plant and equipment

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
59	307	366	Cost of acquisition at 1 January 2009	759	352	407
19	36	56	Acquisitions	391	40	351
17	1	18	Disposals	18	1	17
61	342	404	Cost of acquisition at 31 December 2009	1,132	391	740
11	218	230	Accumulated depreciation and write-downs as at 1 January 2009	267	247	21
1	41	43	Current period's depreciation	50	49	1
1	-	2	Current period's write-down	2	-	1
6	-	6	Reversal of accumulated depreciation and write downs	6	-	6
8	260	268	Accumulated depreciation and write-down as at 31 December 2009	313	296	17
54	**82**	**136**	**Book value as at 31 December 2009**	**819**	**96**	**724**
78	341	419	Cost of acquisition at 1 January 2010 [1)]	1,130	385	745
37	70	107	Acquisitions	266	88	179
-	-	-	Decomposition, SpareBank 1 Kvartalet AS	-	9	-9
97	84	181	Disposals	96	86	10
19	327	345	Cost of acquisition at 31 December 2010	1,300	396	904
23	278	302	Accumulated depreciation and write-downs as at 1 January 2010 [1)]	334	310	23
2	25	27	Current period's depreciation	44	33	10
-	4	4	Current period's write-down	4	4	-
21	97	118	Reversal of accumulated depreciation and write downs	108	98	9
4	210	215	Accumulated depreciation and write-down as at 31 December 2010	274	249	25
14	**116**	**131**	**Book value as at 31 December 2010**	**1,027**	**147**	**880**
19	327	345	Cost of acquisition at 1 January 2011	1,300	396	904
6	53	59	Acquisitions	172	87	85
-	10	10	Disposals	21	21	-
24	370	394	Cost of acquisition at 31 December 2011	1,451	462	989
4	210	215	Accumulated depreciation and write-downs as at 1 January 2011	274	249	25
1	36	37	Current period's depreciation	86	49	38
-	1	1	Current period's write-down	2	2	-
-	9	10	Reversal of accumulated depreciation and write downs	20	19	-
5	238	243	Accumulated depreciation and write-down as at 31 December 2011	342	280	62
19	**132**	**151**	**Book value as at 31 December 2011**	**1,109**	**182**	**927**

Depreciation

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

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

Provision of security

The Bank has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2011 is NOK 94 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 2011.

1) The opening balance is not comparable with the closing balance in last year's note.

Note 28 - Goodwill

Parent Bank				Group		
2009	2010	2011	(NOK million)	2011	2010	2009
			Goodwill			
447	447	447	Acquisition cost at 1.1	460	460	460
-	-	-	Additions/Disposals	12	-	-
447	447	447	Acquisition cost at 31.12	472	460	460
-	-	-	Accumulated write downs 1.1	-	-	-
-	-	-	Write downs for the year	-	-	-
-	-	-	Accumulated write downs 31.12	-	-	-
447	**447**	**447**	**Goodwill shown in balance sheet 31.12**	**472**	**460**	**460**

The balance sheet value in the Parent Bank comprises excess value in connection with the acquisition of 100 per cent of Romsdals Fellesbank in 2005. Goodwill items are measured annually and are written down if there is a basis for doing so. There was no write down of goodwill in 2011.

Additions of NOK 12m in 2011 at Group level refer primarily to SpareBank 1 SMN Regnskap's acquisition of six accounting firms to a value of NOK 11m.The remaining amount at group level relates to the Parent Bank's acquisition of Romsdals Fellesbank as mentioned above, and the merger and acquisition of an estate agency from EiendomsMegler 1 Midt-Norge.

See note 4 for a description of the valuation model for goodwill.

Note 29 - Other assets

Parent Bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
-	-	-	Deferred tax asset (see note 11)	19	7	21
-	-	-	Assets held for sale (see note 24)	481	415	406
728	959	956	Earned income not yet received	948	967	731
75	54	4	Accounts receivable, securities	4	54	75
17	200	30	Other debtors	218	252	159
820	**1,213**	**991**	**Other assets**	**1,670**	**1,696**	**1,393**

Note 30 - Deposits from and liabilities to customers

Parent Bank			(NOK million)	Group		
2009	**2010**	**2011**	**Deposits from and liabilities to customers**	**2011**	**2010**	**2009**
34.357	38.032	41.074	Deposits from and liabilities to customers without agreed maturity	40.831	37.789	34.203
3.025	4.997	7.040	Deposits from and liabilities to customers with agreed maturity	7.040	4.997	3.025
37.382	**43.028**	**48.114**	**Total deposits from and liabilities to customers**	**47.871**	**42.786**	**37.227**
2,3 %	**2,1 %**	**2,4 %**	Average interest rate	**2,3 %**	**2,0 %**	**2,3 %**

Fixed interest deposits account for 9,62 per cent of total deposits.

2009	**2010**	**2011**	**Deposits specified by sector and industry**	**2011**	**2010**	**2009**
17.898	19.052	20.860	Wage earners	20.860	19.052	17.898
3.545	4.401	3.920	Public administration	3.920	4.401	3.545
1.374	1.572	1.757	Agriculture, forestry, fisheries and hunting	1.757	1.572	1.374
189	404	402	Sea farming industries	402	404	189
1.425	1.113	1.079	Manufacturing	1.079	1.113	1.425
1.220	1.213	1.420	Construction, power and water supply	1.420	1.213	1.220
2.900	3.337	3.517	Retail trade, hotels and restaurants	3.517	3.337	2.900
73	447	1.103	Maritime sector	1.103	447	73
2.332	2.600	3.545	Property management	3.517	2.533	2.326
3.330	4.044	5.103	Business services	5.103	4.044	3.330
2.809	3.037	3.231	Transport and other services provision	3.036	2.886	2.684
288	1.809	2.178	Other sectors	2.157	1.784	265
37.382	**43.028**	**48.114**	**Total deposits from customers broken down by sector and industry**	**47.871**	**42.786**	**37.227**

2009	**2010**	**2011**	**Deposits specified by geographic area**	**2011**	**2010**	**2009**
16.501	17.924	19.171	South Trøndelag	18.928	17.682	16.346
11.089	12.025	13.503	North Trøndelag	13.503	12.025	11.089
5.373	6.094	7.291	Møre og Romsdal	7.291	6.094	5.373
45	62	97	Sogn og Fjordane	97	62	45
265	287	287	Nordland	287	287	265
2.652	4.213	4.525	Oslo	4.525	4.213	2.652
1.114	2.061	2.847	Other counties	2.847	2.061	1.114
343	362	393	Abroad	393	362	343
37.382	**43.028**	**48.114**	**Total deposits broken down by geographic area**	**47.871**	**42.786**	**37.227**

Note 31 - Debt securities in issue

Parent Bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
187	235	220	Money market instrument and other short-term borrowings	220	235	187
23,171	27,707	27,928	Bond debt	27,928	27,707	23,171
23,358	**27,941**	**28,148**	**Total debt securities in issue**	**28,148**	**27,941**	**23,358**
6.8 %	4.8 %	5.2 %	Average interest, money market certificates	5.2 %	4.8 %	6.8 %
3.1 %	3.0 %	3.4 %	Average interest, bond debt	3.4 %	3.0 %	3.1 %

Average interest rate calculated on basis of actual interest expense in the year including any interest rate and currency swaps in per cent of average securities holding.

2009	2010	2011	Securities debt specified by maturity [1)]	2011	2010	2009
4,159	-	-	2010	-	-	4,159
6,527	5,251	-	2011	-	5,251	6,527
5,002	5,051	4,873	2012	4,873	5,051	5,002
4,111	4,932	5,673	2013	5,673	4,932	4,111
2,625	7,130	8,647	2014	8,647	7,130	2,625
-	3,152	3,752	2015	3,752	3,152	-
750	1,600	3,881	2016	3,881	1,600	750
-	700	1,075	2020	1,075	700	-
83	-	-	2035	-	-	83
0	-1	-1	Currency agio	-1	-1	0
100	126	248	Premium and discount, market value of structured bonds	248	126	100
23,358	**27,941**	**28,148**	**Total securities debt**	**28,148**	**27,941**	**23,358**

1) Less own bonds. Total nominal own holding in 2011 comes to NOK 845m (2010: NOK 111m, 2009: NOK 0).

2009	2010	2011	Securities debt distributed on significant currencies	2011	2010	2009
12,307	16,766	19,345	NOK	19,345	16,766	12,307
11,051	10,956	8,065	EUR	8,065	10,956	11,051
-	219	738	Other	738	219	-
23,358	**27,941**	**28,148**	**Total securities debt**	**28,148**	**27,941**	**23,358**

Parent Bank and Group

Change in securities debt	31.12.2011	Issued	Fallen due/ redeemed	Other changes	31.12.2010
Money market certificate debt, nominal value	219	219	235	-	235
Bond debt, nominal value	27,681	5,827	5,809	81	27,581
Adjustments	248	-	-	123	126
Total	**28,148**	**6,046**	**6,044**	**204**	**27,941**

Change in securities debt	31.12.2010	Issued	Fallen due/ redeemed	Other changes	31.12.2009
Money market certificate debt, nominal value	235	235	187	-1	187
Bond debt, nominal value	27,581	10,385	5,339	-535	23,070
Adjustments	126	-	-	26	100
Total	**27,941**	**10,620**	**5,526**	**-511**	**23,358**

Change in securities debt	31.12.2009	Issued	Fallen due/ redeemed	Other changes	31.12.2008
Money market certificate debt, nominal value	187	187	1,957	-	1,958
Bond debt, nominal value	23,070	2,480	6,058	-	26,649
Adjustments	100	-	-	-68	168
Total	**23,358**	**2,667**	**8,015**	**-68**	**28,774**

Note 32 - Other debt and liabilities

Parent Bank 2009	Parent Bank 2010	Parent Bank 2011	Other debt and recognised liabilities (NOK million)	Group 2011	Group 2010	Group 2009
93	-	-	Pension liabilities (note 33)	7	6	110
10	11	10	Creditors	38	26	33
57	73	113	Drawing debt	113	73	57
39	82	20	Debt from securities	20	82	39
-	-	-	Debt available for sale	151	134	94
18	21	40	Deferred tax	55	31	25
141	178	215	Payable tax	244	196	171
199	182	101	Provisions	102	182	200
712	676	913	Accruals	1,213	1,057	969
77	114	130	Other	177	135	145
1,346	**1,337**	**1,544**	**Total other debt and recognised liabilities**	**2,122**	**1,922**	**1,843**
			Guarantee commitments (agreed guarantee amounts)			
1,084	1,062	957	Payment guarantees	957	1,062	1,084
755	729	703	Performance guarantees	703	729	755
-	1,102	1,945	Loan guarantees	1,945	1,102	-
64	87	92	Guarantees for taxes	92	87	64
139	142	160	Other guarantee commitments	160	142	139
71	33	-	Garantee vis-a-vis Banks' Guarantee Fund	-	33	71
2,114	**3,155**	**3,857**	**Total guarantee commitments**	**3,857**	**3,155**	**2,114**
			Other liabilities, not recognised			
7,311	8,837	10,578	Unutilised credits	10,578	8,837	7,311
1,223	1,090	470	Loan approvals (not discounted)	500	1,291	1,418
434	601	664	Unutilised guarantee commitments	664	601	434
105	119	148	Documentary credits	148	119	105
-	-	-	Investments in private equity funds	128	168	251
9,074	**10,647**	**11,860**	**Total other commitments**	**12,018**	**11,016**	**9,520**
12,566	**15,133**	**17,261**	**Total commitments**	**17,996**	**16,087**	**13,509**

Cash Deposit	Securities	Total	Securities pledged	Total	Securities	Cash Deposit
953	7,900	8,853	Securities pledged in 2011	8,853	7,900	953
-	-	-	Relevant liability 2011	-	-	-
306	9,578	9,884	Securities pledged in 2010	9,884	9,578	306
-	-	-	Relevant liability 2010	-	-	-
-	8,365	8,365	Securities pledged in 2009	8,365	8,365	-
-	-	-	Relevant liability 2009	-	-	-

Ongoing lawsuits

The Group is involved in legal disputes not considered to be of substantial significance for the Group's financial position. Provision for loss has been made where appropriate.

Operational leases

The Group has an annual liability of about NOK 147 million related to operational leases.

SpareBank 1 Næringskreditt AS

Together with the other owners of SpareBank 1 Næringskreditt, SpareBank 1 SMN has in the second quarter signed an agreement to establish a liquidity facility for SpareBank 1 Næringskreditt. Under this agreement the banks commit to purchasing commercial mortgage bonds limited to the overall value of 12 month maturities at SpareBank 1 Næringskreditt. Each owner is principally liable for his share of the required amount, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited with Norges Bank and accordingly entail no significant risk for the Bank.

Note 33 - Pension

General description of the company's pension obligations

Pensions

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 per cent of final salary up to 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme
Under the defined contribution pension scheme the Group does not provide a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. Future pension will depend on the size of the contribution and the annual return on the pension savings. The Group has no further obligations with regard to the employee's labour contribution after the employer's annual contribution has been paid. Defined contribution schemes are directly expensed. The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

Early retirement pension scheme
The banking and financial industry has established an agreement on a contractual early retirement pension scheme ("AFP") for employees 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.

Early retirement pension scheme, new arrangement
The Act relating to state subsidies in respect of employees who take out contractual early retirement pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out contractual early retirement 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. The employer's premium is determined 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 in the financial year for the group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 9 on personnel expenses.

	2011		**2010**		**2009**	
Actuarial assumptions	Costs	Commitment	Costs	Commitment	Costs	Commitment
Discount rate	4.0 %	2.6 %	4.4 %	4.0 %	4.0 %	4.4 %
Expected rate of return on plan assets	5.7 %	4.1 %	6.3 %	5.7 %	6.0 %	6.3 %
Expected future wage and salary growth	3.5 %	3.3 %	4.0 %	3.5 %	4.5 %	4.0 %
Expected adjustment of basic amount (G)	3.8 %	3.3 %	4.3 %	3.8 %	4.0 %	4.3 %
Expected increase in current pension	2.0 %	0.4 %	2.0 %	2.0 %	3.6 %	2.0 %
Employers contribution	14.1 %	14.1 %	14.1 %	14.1 %	14.1 %	14.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %	50/100 %	25/50 %

Parent Bank				Group		
2009	**2010**	**2011**	**Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.**	**2011**	**2010**	**2009**
795	653	609	Net present value of pension liabilities in funded schemes	633	679	843
-530	-600	-656	Estimated value of pension assets	-675	-615	-549
264	53	-47	Net pension liability in funded schemes	-42	64	294
-234	26	0	Estimated discrepancies not incl in profit and loss account	2	31	-254
-1	-1	-1	Non-recorded effect of plan change	-1	-1	-1
30	78	48	Net pension liability in the balance sheet before employer's contribution	-41	94	39
37	15	5	Employer's contribution	5	16	41
67	**93**	**-43**	**Net pension liability in the balance sheet**	**-36**	**110**	**81**

Distribution of liability between unfunded and funded pension scheme, Group

Group	**2011**			**2010**			**2009**		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of pension liability in funded schemes	599	34	633	569	110	679	673	170	843
Fair value of pension assets	-675	-	-675	-615	-	-615	-549	-	-549
Net pension liability in funded schemes	-76	34	-42	-46	110	64	124	170	294
Unrecognised estimate variance (possible actuarial gain/loss)	-9	11	2	-33	64	31	-230	-24	-254
Unrecognised previous periods' accrual	-1	0	-1	-1	-	-1	-1	-	-1
Net pension liability in the balance sheet before employer's contribution	-86	45	-41	-81	174	94	-107	146	39
Employer's contribution	1	5	5	1	16	16	18	24	41
Net pension liability in the balance sheet after employer's contribution	-85	49	**-36**	-80	190	**110**	-89	170	**81**

2009	2010	2011	Pension cost for the year	2011	2010	2009
42	27	26	Present value of pension accumulated in the year	29	29	49
31	27	24	Interest cost of pension liabilities	25	28	33
-32	-38	-36	Expected rate of return on plan assets	-37	-39	-33
-	-14	-2	Actuarial gains or losses	-2	-15	-
14	8	-	Previous periods' accrual recognised in the period	-	8	15
56	9	12	Net defined-benefit pension cost without employer's contribution	14	10	64
6	4	0	Employer's contribution - subject to accrual accounting	1	4	7
-	-27	-	Curtailment (transition to defined contribution pension)	-	-30	-4
-	-81	-	Settlement (transition to defined contribution pension)	-	-90	-1
-	-	-	Effect (phase-out of the scheme)	-	-	2
62	-96	12	Net pension cost related to defined benefit plans	14	-105	68
-	-	4	Early retirement pension scheme, new arrangement	4	-	-
5	6	8	Cost of defined contribution pension	13	13	9
67	**-90**	**24**	**Total pension cost**	**32**	**-92**	**77**
19	**-116**	**2**	**Of which unfunded pension commitment**	**2**	**-128**	**21**

2009	2010	2011	Movement in net pension liability in the balance sheet	2011	2010	2009
67	93	-43	Net pension liability in the balance sheet 1.1	-36	110	81
-	-	-	Curtailment/Settlement	14	-	-
62	-96	12	Net defined-benefit costs in profit and loss account incl. curtailment/settlement	-	-105	68
-36	-38	-12	Paid-in pension premium, defined-benefit schemes	-14	-40	-39
93	**-42**	**-42**	**Net pension liability in the balance sheet 31.12**	**-35**	**-35**	**110**

2009	2010	2011	Financial status 31.12	2011	2010	2009
602	611	679	Pension liability	706	633	627
-567	-640	-670	Value of pension assets	-690	-657	-582
46	-17	-56	Deferred loss/gain	-57	-16	52
-1	-1	-1	Previous periods' accrual recognised in the period	-1	-1	-1
80	-47	-48	Net pension liability before employer’s contribution	-41	-41	96
12	5	5	Employer’s contribution	6	5	14
93	**-42**	**-42**	**Net pension liability after employer's contribution ***	**-35**	**-35**	**110**

* Presented gross in the Group accounts

Breakdown of financial status 31.12 between secured and unsecured pension scheme, Group

Group	2011			2010			2009		
	Funded	Unfunded	Total	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	668	38	706	599	34	633	534	93	627
Value of pension assets	-690	-	-690	-657	-	-656	-582	-	-582
Deferred loss/gain	-53	-4	-57	-26	11	-16	-32	84	52
Deferred plan change	-1	-	-1	-1	-	-1	-1	-	-1
Net pension liability before employer’s contribution	-75	34	**-41**	-86	45	**-40**	-81	177	**96**
Employer’s contribution	1	5	6	1	5	5	1	13	14
Net pension liability after employer's contribution	-74	39	**-35**	-85	49	**-35**	-80	190	**110**

2009	2010	2011	Members	2011	2010	2009
961	975	921	Number of persons included in pension scheme	952	1,005	1,025
606	623	560	of which active	588	650	663
355	352	361	of which retirees and disabled	364	355	362

Investment og pension assets in the pension fund	2011	2010	2009
Current bonds	142	157	127
Bonds held to maturity	275	255	264
Money market	32	40	27
Equities	177	230	193
Real estate	16	15	14
Total	**641**	**697**	**625**

Note 34 - Subordinated debt and hybrid equity issue

For a description of subordinated debt and hybrid capital and how they affect capital adequacy, see note 2 accounting principles IFRS.

Parent bank				Group		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
			Dated			
450	-	-	2015 3 month Nibor + 0.43 % (Call 2010)	-	-	450
112	112	112	2018 fixed rate 6.65 % (Call 2013) *	112	112	112
538	538	538	2018 3 month Nibor + 1.25 % (Call 2013)	538	538	538
563	563	563	2036 fixed rate 2.94 %, JPY (Call 2018) *	563	563	563
52	60	59	- Premium/discount/market value	59	60	52
9	85	164	- Currency agio debt	164	85	9
1,725	**1,358**	**1,436**	**Total dated**	**1,436**	**1,358**	**1,725**
			Perpetual non-call			
144	144	-	Perpetual non call 3 month Libor + 1 % , USD 25 mill. (Call 2011)	-	144	144
300	300	300	Perpetual non call 3 month Nibor + 0.85 % (Call 2016)	300	300	300
-7	17	-2	- Discount perpetual subordinated debt	-2	17	-7
-	2	-	- Perpetual non-call currency agio	-	2	-
438	**464**	**298**	**Total perpetual non-call**	**298**	**464**	**438**
			Hybrid equity			
1,250	-	-	Hybrid capital from State Finance Fund, 5.5% over six-month treasury bill rate	-	-	1,250
433	433	433	Hybrid capital 30 years, fixed rate 6.5 %, USD 75 mill. (Call 2013) *	433	433	433
-	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	-
36	53	58	- Discount perpetual hybrid equity	58	53	36
-6	0	15	- Hybrid equity currency agio	15	0	-6
1,712	**936**	**956**	**Total hybrid equity**	**956**	**936**	**1,712**
3,875	**2,758**	**2,690**	**Total subordinated loan capital and hybrid equity**	**2,690**	**2,758**	**3,875**
5.7 %	5.0 %	5.5 %	Average rate NOK	5.5 %	5.0 %	5.7 %
4.4 %	4.0 %	5.3 %	Average rate USD	5.3 %	4.0 %	4.4 %

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

Parent Bank and Group

Changes in subordinated debt and hybrid equity issue	31.12.2011	Issued	Fallen due/ redeemed	Other changes	31.12.2010
Ordinary subordinated debt, NOK	650	-	-	-	650
Ordinary subordinated debt, Currency	699	-	-	51	649
Perpetual, subordinated debt, NOK	300	-	-	-	300
Perpetual, subordinated debt, Currency	-	-	144	-3	147
Hybrid capital loan, NOK	450	-	-	-	450
Hybrid capital loan, Currency	452	-	-	12	440
Adjustments	139	-	-	16	123
Total subordinated debt and hybrid equity issue	**2,690**	**-**	**144**	**76**	**2,758**

Changes in subordinated debt and hybrid equity issue	31.12.2010	Issued	Fallen due/ redeemed	Other changes	31.12.2009
Ordinary subordinated debt, NOK	650	-	450	-	1,100
Ordinary subordinated debt, Currency	649	-	-	85	563
Perpetual, subordinated debt, NOK	300	-	-	-	300
Perpetual, subordinated debt, Currency	147	-	-	2	144
Hybrid capital, State Finance Fund, NOK	-	-	1,250	-	1,250
Hybrid capital loan, NOK	450	450	-	-	-
Hybrid capital loan, Currency	440	-	-	7	433
Adjustments	123	-	-	38	85
Total subordinated debt and hybrid equity issue	**2,758**	**450**	**1,700**	**133**	**3,875**

Changes in subordinated debt and hybrid equity issue	31.12.2009	Issued	Fallen due/ redeemed	Other changes	31.12.2008
Ordinary subordinated debt, NOK	1,100	-	100	-	1,200
Ordinary subordinated debt, Currency	563	-	134	-	698
Perpetual, subordinated debt, NOK	300	3	-	-	297
Perpetual, subordinated debt, Currency	144	-	31	-	175
Hybrid capital, State Finance Fund, NOK	1,250	1,250	-	-	-
Hybrid capital loan, Currency	433	-	92	-	525
Adjustments	85	-	-	-176	261
Total subordinated debt and hybrid equity issue	**3,875**	**1,253**	**357**	**-176**	**3,156**

Note 35 - Capital adequacy and capital management

New capital adequacy rules were introduced in Norway as from 1 January 2007 (Basel II - the EU's new directive on capital adequacy). SpareBank1 SMN applied to and received permission from Finanstilsynet (Financial Supervisory Authority of Norway) to use internal rating methods (Internal Rating Based Approach - Foundation) to calculate charges for credit risk from 1 January 2007 onwards. This will make the statutory minimum capital adequacy requirement more risk-sensitive, so that it better reflects the risk in the underlying portfolios. Using IRB demands high standards of the Bank’s organisation, competence, risk models and risk management systems. Under interim regulations issued by Finanstilsynet, IRB banks are not yet seeing the full effect of the reduced capital requirements. As from 2009, a 20 per cent reduction of the risk-weighted basis of calculation was allowed.

The Norwegian State Finance Fund has in a period to 30 September 2009 offered tier 1 capital to solid Norwegian banks to help them meet tighter capital adequacy requirements and improve their lending capacity. SpareBank 1 SMN applied for, and was granted, a capital infusion which was disbursed from the State Finance Fund in the form of hybrid equity worth NOK 1.25 billion as of 30 September 2009. In March 2010, with Finanstilsynet’s approval, this was partially redeemed in an amount of NOK 450 million, and the remainder is repaid in April 2010.

Subordinated debt and hybrid capital

Subordinated debt ranks behind all other liabilities. Dated subordinated loans cannot constitute more than 50 per cent of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans cannot constitute more than 100 per cent of tier 1 capital. Subordinated loans are classified as a liability in the balance sheet and are measured at amortised cost in the same way as other long-term loans.

Hybrid capital denotes bonds with a nominal interest rate, but the bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate. Hybrid capital is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. Finanstilsynet (Norway’s FSA) can require hybrid capital to be written down in proportion with equity capital should the bank’s tier 1 capital adequacy fall below 5 per cent or total capital adequacy falls below 6 per cent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

For detailed information regarding subordinated debt and hybrid capital, see note 34.

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
1,736	2,373	2,373	Equity capital certificates	2,373	2,373	1,736
-2	0	0	- Own holding of ECCs	0	0	-2
0	182	183	Premium fund	183	182	0
889	1,159	1,457	Dividend equalisation fund	1,457	1,159	889
2,142	2,345	2,611	Savings bank's reserve	2,611	2,345	2,142
201	285	190	Recommended dividends	190	285	201
27	192	40	Provision for gifts	40	192	27
110	45	70	Unrealised gains reserve	85	66	124
-	-	-	Other equity and minority interest	1,409	1,244	1,052
5,075	**6,581**	**6,924**	**Total book equity**	**8,348**	**7,846**	**6,183**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-692	-466	-482
-	-	-	Part of reserve for unrealised gains, associated companies	64	65	0
-201	-477	-230	Deduction for allocated dividends and gifts	-230	-477	-201
-373	-348	-387	50 % deduction for subordinated capital in other financial institutions	-	-	-
-182	-208	-137	50 % deduction for expected losses on IRB, net of write-downs	-147	-216	-189
-	-	-	50 % capital adequacy reserve	-656	-571	-373
-	-	-	Share of non-performing, non-amortizsed estimate deviations	-	-	-
462	936	956	Hybrid capital, core capital	1,170	1,106	542
1,130	0	0	State Finance Fund, core capital	0	0	1,250
5,465	**6,037**	**6,680**	**Total core capital**	**7,856**	**7,283**	**6,730**

			Supplementary capital in excess of core capital			
0	0	0	Hybrid capital, supplementary capital	0	0	0
120	-	-	State Finance Fund, supplementary capital	-	-	-
450	466	326	Perpetual subordinated capital	328	466	450
1,716	1,358	1,409	Non-perpetual subordinated capital	1,674	1,680	2,112
-373	-348	-387	50 % deduction for subordinated capital in other financial institutions	-	-	-
-182	-208	-137	50 % deduction for expected losses on IRB, net of write-downs	-147	-216	-189
-	-	-	50 % capital adequacy reserve	-656	-571	-373
1,731	**1,268**	**1,211**	**Total supplementary capital**	**1,199**	**1,360**	**2,001**
7,196	**7,305**	**7,891**	**Net subordinated capital**	**9,055**	**8,643**	**8,730**
			Minimum requirements subordinated capital, Basel II			
1,295	1,386	1,456	Involvement with spesialised enerprises	1,456	1,386	1,295
998	1,115	1,313	Other corporations exposure	1,313	1,120	1,000
55	66	40	SME exposure	42	68	57
311	311	324	Retail morgage exposure	513	451	429
51	33	31	Other retail exposure	33	34	56
644	496	653	Equity investments	-	-	476,00
3,356	**3,406**	**3,818**	**Total credit risk IRB**	**3,358**	**3,058**	**3,314**
-	165	182	Debt risk	182	165	-
50	46	49	Equity risk	16	15	15
-	-	-	Currency risk	-	-	-
256	275	293	Operational risk	400	331	296
348	537	653	Exposures calculated using the standardised approach	2,184	1,864	1,594
-62	-59	-65	Deductions	-111	-98	-67
-	-	-	Transitional arrangements	-	-	-
3,947	**4,371**	**4,930**	**Minimum requirements subordinated capital**	**6,027**	**5,335**	**5,152**
			Capital adequacy			
11,08 %	11,05 %	10,84 %	Core capital ratio	10,43 %	10,93 %	10,45 %
14,59 %	13,37 %	12,81 %	Capital adequacy ratio	12,02 %	12,97 %	13,56 %

Note 36 - ECC capital and ownership structure

ECC capital

The Bank's ECC capital totals NOK 2,373,257,150 distributed on 94,930,286 equity capital certificates (ECCs), each with a face value of NOK 25.

As at 31 December 2011 there was 9,531 ECC holders (9,654 as at 31 December 2010 and 9,526 as at 31 December 2009).

ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK million)	Total ECC capital	No. of ECCs
1991	Placing	525	525	5,250,000
1992	Placing	75	600	6,000,000
2000	Employee placing	5	605	6,053,099
2001	Employee placing	5	610	6,099,432
2002	Employee placing	5	614	6,148,060
2004	Bonus Issue	154	768	7,685,075
2005	Placing	217	986	9,859,317
2005	Employee placing	24	1,009	10,097,817
2005	Split	-	1,009	40,391,268
2005	Rights issue	253	1,262	50,489,085
2007	Dividend issue	82	1,344	53,752,203
2007	Employee placing	5	1,349	53,976,003
2008	Dividend issue	91	1,440	57,603,748
2008	Employee placing	6	1,447	57,861,806
2009	Bonus issue	289	1,736	69,434,167
2010	Employee placing	13	1,749	69,941,979
2010	Rights issue	624	2,373	94,905,286
2011	Rights issue	1	2,373	94,930,286

Parent Bank (NOK million)	**2011**	**2010**	**2009**
ECC capital	2,373	2,372	1,734
Dividend equalisation reserve	1,457	1,160	876
Premium reserve	183	182	-0
Unrealised gains reserve	43	28	62
A. The equity capital certificate owners' capital	4,056	3,742	2,671
Ownerless capital	2,611	2,345	2,155
Unrealised gains reserve	27	17	48
B. The saving bank reserve	2,638	2,362	2,203
Other equity	40	192	27
Dividend declared	190	285	174
Equity ex. profit	6,924	6,581	5,076
Equity capital certificate ratio A/(A+B)	**60.6 %**	**61.3 %**	**54.8 %**
Average of ratio	61.3 %	59.7 %	55.7 %

20 largest ECC holders	No. of ECCs	Holding
Reitangruppen AS	6,872,514	7.24 %
Aker ASA / The Resource Group TRG	2,860,966	3.01 %
Odin Norge	2,648,658	2.79 %
Odin Norden	2,145,049	2.26 %
Rasmussengruppen AS	2,130,000	2.24 %
Vind LV AS	2,085,151	2.20 %
MP Pensjon PK	1,442,774	1.52 %
Frank Mohn AS	1,442,236	1.52 %
Citibank N.A New York Branch (nominee)	1,357,933	1.43 %
Morgan Stanley & Co.	1,097,718	1.16 %
I.K. Lykke, T.Lykke m.fl.	891,567	0.94 %
Stiftelsen Uni	879,552	0.93 %
Tonsenhagen Forretningssentrum AS	865,013	0.91 %
Forsvarets personellservice	788,092	0.83 %
The Northern Trust Co. (nominee)	767,163	0.81 %
Nordea Bank Norge ASA	759,915	0.80 %
KLP Aksje Norden VPF	744,475	0.78 %
VPF Nordea Norge Verdi	674,523	0.71 %
State Street Bank & Trust Company (nominee)	638,395	0.67 %
Odin Europa SMB	633,251	0.67 %
The 20 largest ECC holders in total	**31,724,945**	**33.42 %**
Others	63,205,341	66.58 %
Total issued ECCs	**94,930,286**	**100 %**

Note 37 - Dividends/groups contributions from subsidiaries

Dividends/group contributions (NOKm)	**2011**	**2010**	**2009**
Dividends received from:			
EiendomsMegler 1 Midt-Norge AS	31	36	-
SpareBank 1 SMN Regnskap AS	7	6	-
SpareBank 1 Bygget Steinkjer AS	3	-	-
Group contributions received from:			
SpareBank 1 SMN Finans AS	24	52	-
Allegro Finans ASA	2	14	-
Total dividends/group contributions	**68**	**108**	**-**

Distributions (NOKm)	**2011**	**2010**	**2009**
Profit for the year for distribution, Parent Bank	795	947	618
Allocated to dividends	190	285	174
Allocated to gifts	40	192	27
Transferred to equalisation fund	297	281	174
Transferred to ownerless capital	268	189	243
Total distributed	**795**	**947**	**618**

Note 38 - Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities maturing one year or otherwise after the balance sheet date. Overdraft facilities and consumer credit incl. flexi-loans are included under the interval "below 3 months".

Parent bank

2011 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Assets						
Cash and claims on central banks	1,519	-	-	-	-	1,519
Loans and claims on credit institutions	3,407	1,515	-	22	89	5,033
Loans to and claims on customers	163	14,153	7,623	13,472	35,383	70,793
- Individual write down of loans to and claims on customers	-	-	-151	-	-	-151
- Groupwise write down of loans to and claims on customers	-	-	-273	-	-	-273
Net loans to customers	**163**	**14,153**	**7,199**	**13,472**	**35,383**	**70,369**
Securities - held for trading	546	1,112	2,968	5,396	399	10,421
Securities - designated at fair value through profit/loss	-	3,698	-	-	-	3,698
Derivatives	1	-	-	-	-	1
Securities - held to maturity	-	245	224	114	-	583
Securities - loans and receivables	-	-	-	2,460	-	2,460
Investment in associates and joint ventures	4,025	-	-	-	-	4,025
Intangible assets	-	-	-	-	447	447
Property, plant and equipment	151	-	-	-	-	151
Other assets	35	730	97	130	-	991
Total assets	**9,845**	**21,452**	**10,487**	**21,594**	**36,318**	**99,697**
Liabilities						
Debt to credit institutions	2,624	1,158	15	2,184	251	6,232
Funding, "swap" arrangement with the government	-	333	280	2,273	-	2,886
Deposits from and debt to customers *)	41,074	490	4,306	2,244	-	48,114
Debt created by issuance of securities	-	3,321	1,565	22,149	1,113	28,148
Derivatives	-	3,158	-	-	-	3,158
Liabilities in connection with period tax	-	22	221	0	-	243
Liabilities in connection with deferred tax	-	-	-	40	-	40
Other liabilities	125	993	102	40	-	1,261
Subordinated debt **)	-	-	-	481	2,209	2,690
Total debt	**43,824**	**9,475**	**6,489**	**29,411**	**3,574**	**92,773**

Group

2011 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Assets						
Cash and claims on central banks	1,519	-	-	-	-	1,519
Loans and claims on credit institutions	1,008	1,527	-	22	-	2,557
Loans to and claims on customers	163	13,542	7,771	15,381	36,249	73,105
- Individual write down of loans to and claims on customers	-	-	-172	-	-	-172
- Groupwise write down of loans to and claims on customers	-	-	-290	-	-	-290
Net loans to customers	**163**	**13,542**	**7,309**	**15,381**	**36,249**	**72,643**
Securities - held for trading	542	1,112	2,968	5,396	399	10,418
Securities - designated at fair value through profit/loss	-	3,697	-	-	-	3,697
Derivatives	56	-	-	-	-	56
Securities - held to maturity	-	245	224	114	-	583
Securities - loans and receivables	13	-	-	2,460	-	2,473
Investment in associates and joint ventures	4,259	-	-	-	-	4,259
Intangible assets	-	-	-	-	471	471
Property, plant and equipment	1,109	-	-	-	-	1,109
Other assets	702	722	97	149	-	1,670
Total assets	**9,372**	**20,845**	**10,598**	**23,522**	**37,119**	**101,455**
Liabilities						
Debt to credit institutions	2,624	1,158	15	2,184	251	6,232
Funding, "swap" arrangement with the government	-	333	280	2,273	-	2,886
Deposits from and debt to customers *)	40,831	490	4,306	2,244	-	47,871
Debt created by issuance of securities	-	3,321	1,565	22,149	1,113	28,148
Derivatives	-	3,158	-	-	-	3,158
Liabilities in connection with period tax	-	38	250	-	-	288
Liabilities in connection with deferred tax	-	-	-	55	-	55
Other liabilities	125	1,480	126	48	-	1,778
Subordinated debt **)	-	-	-	481	2,209	2,690
Total debt	**43,581**	**9,978**	**6,542**	**29,433**	**3,574**	**93,107**

*) The customer deposits portfolio is mainly classified in the category "on demand". Based on empirical experience, customer deposits may grow in the period ahead. The growth in this deposit portfolio was 11.9 per cent in 2011. A deposit guarantee for deposits of up to NOK 2m has been established in accordance with the Act on guarantee schemes for banks.

**) The maturity structure for subordinated debt is based on final maturity.

Note 39 - 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 3 Risk factors for a detailed description.

Group At 31.12.2011 (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	2,624	1,491	296	4,457	251	9,118
Deposits from and debt to customers	40,831	490	4,306	2,244	-	47,871
Debt created by issuance of securities	-	3,318	1,555	22,052	1,075	27,999
Derivatives - contractual cash flow out	-	159	379	1,573	301	2,412
Other commitments	125	1,518	375	103	-	2,122
Subordinated debt	-	-	-	1,402	1,149	2,552
Total cash flow, liabilities	**43,581**	**6,975**	**6,911**	**31,831**	**2,776**	**92,073**
Contractual cash flows out	-	159	379	1,573	301	2,412
Contractual cash flows in	-	-167	-485	-1,831	-426	-2,909
Net contractual cash flows	**-**	**-8**	**-106**	**-259**	**-125**	**-497**

Group At 31.12.2010 (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	4,084	394	-	6,467	2,117	13,061
Deposits from and debt to customers	37,790	-	3,856	1,141	-	42,786
Debt created by issuance of securities	-	3,564	1,687	20,265	2,300	27,816
Derivatives - contractual cash flow out	-	570	409	1,610	317	2,906
Other commitments	8	1,493	308	32	81	1,922
Subordinated debt	-	-	-	552	2,083	2,635
Total cash flow, liabilities	**41,881**	**6,020**	**6,259**	**30,067**	**6,898**	**91,126**
Contractual cash flows out	-	570	409	1,610	317	2,906
Contractual cash flows in	-	-629	-401	-1,889	-458	-3,377
Net contractual cash flows	**-**	**-60**	**8**	**-279**	**-141**	**-471**

Group At 31.12.2009 (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	4,149	327	922	5,415	498	11,310
Deposits from and debt to customers	34,203	90	2,182	752	-	37,227
Debt created by issuance of securities	-	3,073	1,087	18,265	833	23,258
Derivatives - contractual cash flow out	-	2,752	259	830	67	3,908
Other commitments	94	1,095	246	330	78	1,843
Subordinated debt	-	-	-	545	3,246	3,790
Total cash flow, liabilities	**38,446**	**7,337**	**4,696**	**26,136**	**4,722**	**81,337**
Contractual cash flows out	-	2,752	259	830	67	3,908
Contractual cash flows in	-	-2,894	-243	-1,254	-140	-4,531
Net contractual cash flows	**-**	**-142**	**16**	**-424**	**-73**	**-623**

Does not include value adjustments for financial instruments at fair value.

Note 40 - Market risk related to interest rate risk

This note is a sensitivity analysis carried out with a basis in relevant balance sheet items as of 31 December and onwards in time for the year concerned. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift of 1 percentage point for the entire interest rate curve on all balance sheet items.

Throughout 2011 risk was low and within the overal limit of NOK 40 million set by the Bank's Board of Directors. For further details regarding interest rate risk, see note 3.

	Interest rate risk, 1 % change		
Basis risk Group (NOK million)	**2011**	**2010**	**2009**
Currency			
NOK	7	6	-5
EUR	-1	-6	0
USD	0	-1	0
CHF	-2	0	-2
Other	-2	-1	0
Total interest rate risk, effect on result after tax	**3**	**-2**	**-7**

Total interest rate risk shows for 2011 that the Bank will gain from an interest rate increase. For 2010 and 2009 a loss. The table below shows how the interest rate curve shifts within the various time intervals with an associated gain and loss within the respective maturities.

	Interest rate risk, 1 % change		
Interest rate curve risk, Group (NOK million)	**2011**	**2010**	**2009**
0 - 1 month	-11	3	4
1 - 3 months	19	-10	-36
3 - 6 months	-5	1	12
6 - 12 months	10	5	25
1 - 2 years	9	3	-18
2 - 3 years	-7	-1	2
3 - 4 years	-1	-2	7
4 - 5 years	2	-2	-4
5 - 7 years	7	2	2
7 - 10 years	-20	0	-1
Total interest rate risk, effect on result after tax	**3**	**-2**	**-7**

Note 41 - Market risk related to currency exposure

Foreign exchange risk arises where there are differences between the Group's assets and liabilities in the particular 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 drawn up limits for net exposure in each individual currency, as well as limits for aggregate net foreign currency exposure (expressed as the higher 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 175 million on an aggregate basis.

Foreign exchange risk was low throughout the year and within the overall limits. For further details see note 3 on financial risk management.

Parent bank			**Net foreign exchange exposure NOK**	**Group**		
2009	**2010**	**2011**	(NOK million)	**2011**	**2010**	**2009**
0	3	-6	EUR	-6	3	0
0	13	1	USD	1	13	0
18	-8	-10	Other	-10	-8	18
19	**8**	**-15**	**Total**	**-15**	**8**	**19**
175	167	175	Overall currency limit	175	167	175
85	81	85	Total per currency	85	81	85
0.6	0.7	0.5	Result effect of 3 % change	0.5	0.7	0.6

Note 42 - Subsequent events

Guarantee agreement with BN Bank

On 1 February 2012 an agreement was signed whereby BN Bank waived its guarantee in respect of NOK 2.4bn of the portfolio, with the consequent lapse of the guarantee commission for this part of the portfolio with effect from the same date. This leaves NOK 0.7bn in the guarantee portfolio. The guarantee will run for three years.

Stock issues

The Bank's Board of Directors has resolved to recommend the Supervisory Board to approve a rights issue of up to NOK 750m in favour of existing owners, a placing of up to NOK 60m with employees of the Group and a placing of up to NOK 200m mainly with the foundation Sparebankstiftelsen SpareBank 1 SMN. The Board of Directors also recommends transferring parts of the ECC capital prescribed by the articles of association to the Bank's ECC premium reserve by way of a change in the nominal value of the Bank's ECC from NOK 25 to NOK 20.

Investment in real estate

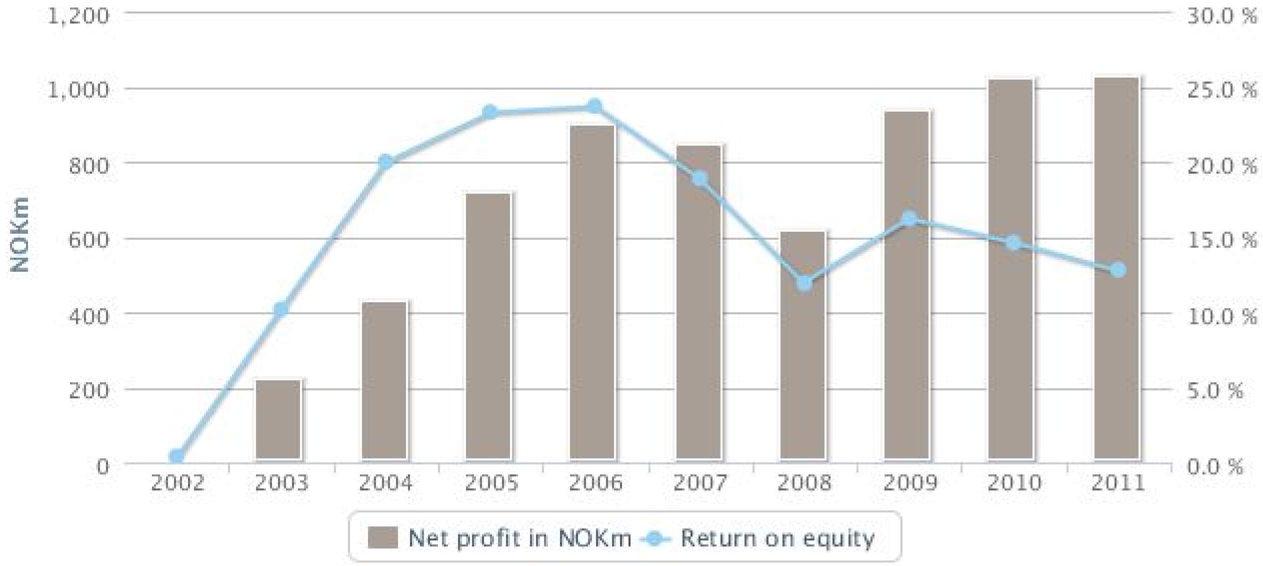
SpareBank 1 SMN has signed an agreement to purchase Kongensgate no. 2 in Trondheim for NOK 71m plus overheads. The seller is Trondheim municipality and the takeover date is 1 March 2012. The property is being purchased for the Group's own use, but will be rented to Trondheim municipality for a period.

Financial summary (Group)

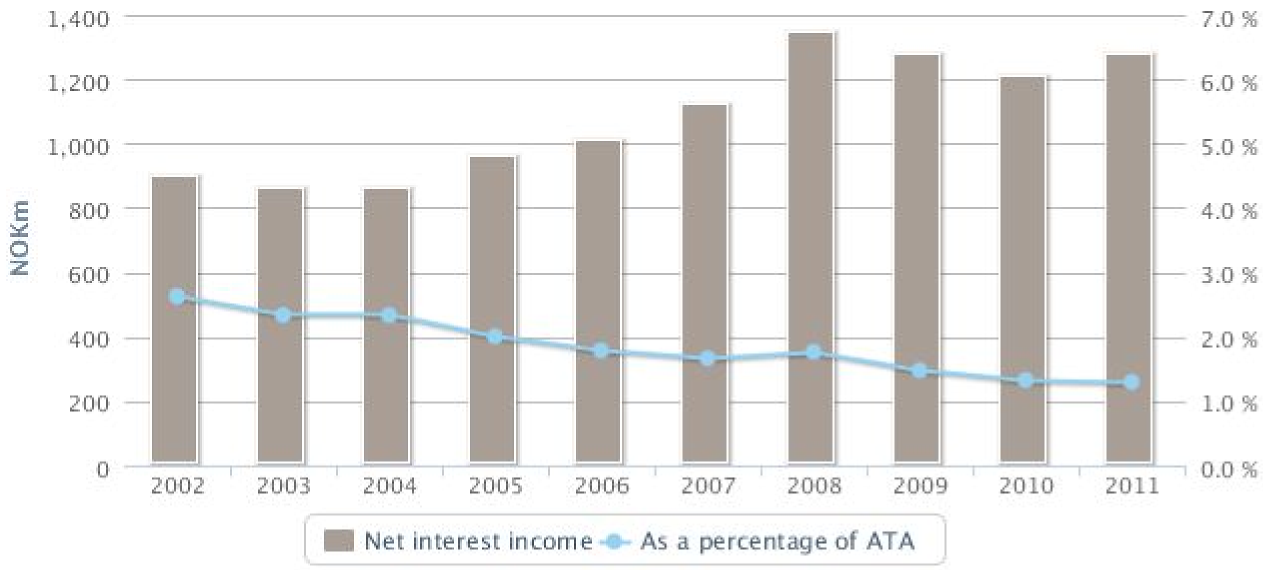
Income statement NOKm	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Interest income	3,780	3,315	3,416	4,822	3,470	2,376	1,916	1,596	2,249	2,707
Interest expenses	2,499	2,105	2,137	3,477	2,345	1,369	955	732	1,385	1,811
Net interest and credit comission income	**1,281**	**1,210**	**1,279**	**1,345**	**1,125**	**1,008**	**961**	**864**	**864**	**896**
Commision and fee income	919	855	756	610	671	580	537	443	332	282
Income from investment in related companies	290	249	349	393	233	190	119	23	-5	-168
Return on financial investements	298	240	293	-181	113	245	170	55	81	-23
Total income	**2,789**	**2,555**	**2,677**	**2,167**	**2,142**	**2,022**	**1,787**	**1,385**	**1,273**	**987**
Salaries, fees and other personnel costs	810	583	725	623	583	512	485	379	368	331
Other operating expenses	672	557	528	571	524	478	421	350	365	350
Total costs	**1,482**	**1,140**	**1,253**	**1,194**	**1,107**	**990**	**906**	**729**	**733**	**681**
Operating profit before losses	**1,306**	**1,414**	**1,424**	**975**	**1,035**	**1,032**	**881**	**655**	**540**	**306**
Losses on loans and guarantees	27	132	277	202	-6	-84	-38	81	229	229
Operating profit	**1,279**	**1,282**	**1,147**	**773**	**1,041**	**1,116**	**919**	**574**	**311**	**77**
Taxes	255	260	210	156	195	219	199	144	89	70
Profit of the year	**1,024**	**1,022**	**937**	**617**	**846**	**898**	**720**	**430**	**222**	**7**
Dividend	**190**	**285**	**201**	**116**	**324**	**303**	**278**	**152**	**109**	**46**
As a percentage of average total assets										
Net interest and credit comission income	1.30 %	1.33 %	1.48 %	1.77 %	1.67 %	1.79 %	2.01 %	2.34 %	2.34 %	2.63 %
Commision and fee income	0.93 %	0.94 %	0.87 %	0.80 %	1.00 %	1.03 %	1.12 %	1.20 %	0.90 %	0.83 %
Income from investment in related companies	0.29 %	0.27 %	0.40 %	0.52 %	0.35 %	0.34 %	0.25 %	0.06 %	-0.01 %	-0.49 %
Return on financial investements	0.30 %	0.27 %	0.34 %	-0.24 %	0.17 %	0.43 %	0.36 %	0.15 %	0.22 %	-0.07 %
Total costs	1.51 %	1.25 %	1.45 %	1.57 %	1.64 %	1.76 %	1.90 %	1.97 %	1.99 %	1.99 %
Operating profit before losses	**1.33 %**	**1.55 %**	**1.64 %**	**1.29 %**	**1.55 %**	**1.83 %**	**1.84 %**	**1.77 %**	**1.46 %**	**0.90 %**
Losses on loans and guarantees	0.03 %	0.15 %	0.32 %	0.27 %	-0.01 %	-0.15 %	-0.08 %	0.22 %	0.62 %	0.67 %
Operating profit	**1.30 %**	**1.40 %**	**1.32 %**	**1.02 %**	**1.56 %**	**1.98 %**	**1.92 %**	**1.55 %**	**0.84 %**	**0.23 %**
Taxes	0.26 %	0.28 %	0.24 %	0.21 %	0.30 %	0.39 %	0.42 %	0.39 %	0.24 %	0.21 %
Profit of the year	**1.04 %**	**1.12 %**	**1.08 %**	**0.81 %**	**1.26 %**	**1.59 %**	**1.51 %**	**1.16 %**	**0.60 %**	**0.02 %**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	4,075	2,532	1,260	4,548	3,878	2,323	2,123	1,541	1,417	2,033
CDs, bonds and other interest-bearing securities	21,485	22,949	19,302	12,035	7,246	5,602	4,133	2,566	2,481	2,342
Loans before loss provisions	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226	32,553	31,089
- Specified loan loss provisions	172	222	219	215	116	147	236	290	380	531
- Unspecified loan loss provisions	290	290	289	245	185	184	278	314	318	364
Other assets	3,251	3,177	2,704	4,540	1,502	2,765	3,304	775	1,123	1,422
Total assets	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**	**38,505**	**36,876**	**35,991**

Debt to credit institutions	6,232	8,743	11,310	9,000	5,346	2,766	1,029	48	1,114	2,131
Deposits from and debt to customers	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725	19,876	19,049
Debt created by issuance of securities	34,192	33,943	24,070	29,680	23,950	21,911	18,036	13,048	11,361	10,778
Other debt and accrued expences etc.	2,122	1,917	1,876	2,045	2,265	1,799	2,876	822	769	863
Subordinated debt	2,690	2,758	3,875	3.156	2,648	2,383	1,667	1,347	1,560	1.064
Total equity	8,348	7,846	6,183	5,518	4,860	4,183	3,671	2,515	2,196	2.106
Total liabilities and equity	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**	**38,505**	**36,876**	**35.991**
Key figures										
Total assets	101,455	97,992	84,541	84,679	71,503	63,178	54,327	38,505	36,876	35,991
Average total assets	98,465	91,317	86,679	75,820	67,202	56,434	47,753	36,965	36,862	34,140
Gross loans to customers	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226	32,553	31,089
Gross loans to customers incl. SpareBank 1 Boligkreditt	95,232	87,665	77,429	71,317	61,910	52,819	45,280	34,226	32,553	31,089
Gross loans in retail market	55,034	49,619	45,157	42,679	38,872	33,808	29,032	21,491	20,008	17,961
Gross loans in corporate market	40,198	38,046	32,272	28,638	23,038	19,011	16,248	12,735	12,545	13,128
Deposits from and debt to customers	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725	19,876	19,049
Deposits from retail market	20,860	19,052	17,898	17,566	16,070	15,408	14,080	11,256	11,252	10,981
Deposits from corporate market	27,011	23,734	19,330	17,715	16,363	13,967	12,968	9,469	8,624	8,068
Ordinary lending financed by ordinary deposits	65 %	61 %	60 %	55 %	55 %	57 %	60 %	61 %	61 %	61 %
Core capital	7,856	7,286	6,730	4,967	4,019	3,614	3,073	2,773	2,474	2,049
Primary capital	9,055	8,646	8,730	7,312	5,762	5,229	3,808	3,239	3,407	2,802
Risk weighted volume	75,337	66,688	64,400	61,538	47,775	40,473	34,873	25,562	24,483	25,223
Minimum requirements subordinated capital	6,027	5,335	5,152	4,923	3,822					
Capital ratio	12.02 %	12.97 %	13.56 %	11.88 %	12.06 %	11.88 %	10.92 %	12.67 %	13.92 %	11.11 %
Of which core capital ratio	10.43 %	10.93 %	10.45 %	8.07 %	8.41 %	8.64 %	8.81 %	10.85 %	10.10 %	8.12 %
Cost/income ratio	53 %	45 %	47 %	55 %	52 %	49 %	51 %	53 %	58 %	69 %
Losses on loans	0.03 %	0.16 %	0.4 %	0.3 %	0.0 %	-0.2 %	-0.1 %	0.2 %	0.7 %	0.7 %
ROE	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %	20.0 %	10.2 %	0.4 %
EC price (NOK)	39.30	54.00	49.02	22.85	54.65	61.65	59.19	41.60	29.05	17.55
Growth in lending (gross)	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %	5.1 %	4.7 %	6.2 %
Growth in deposits	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %	4.3 %	4.3 %	6.6 %

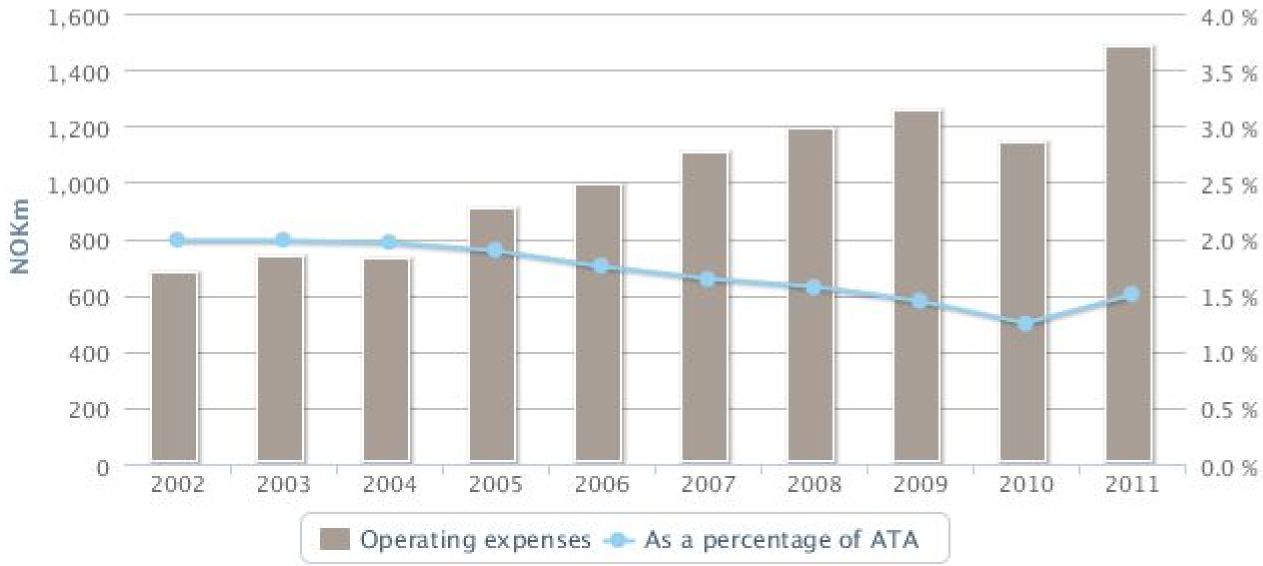
Net profit and return on equity



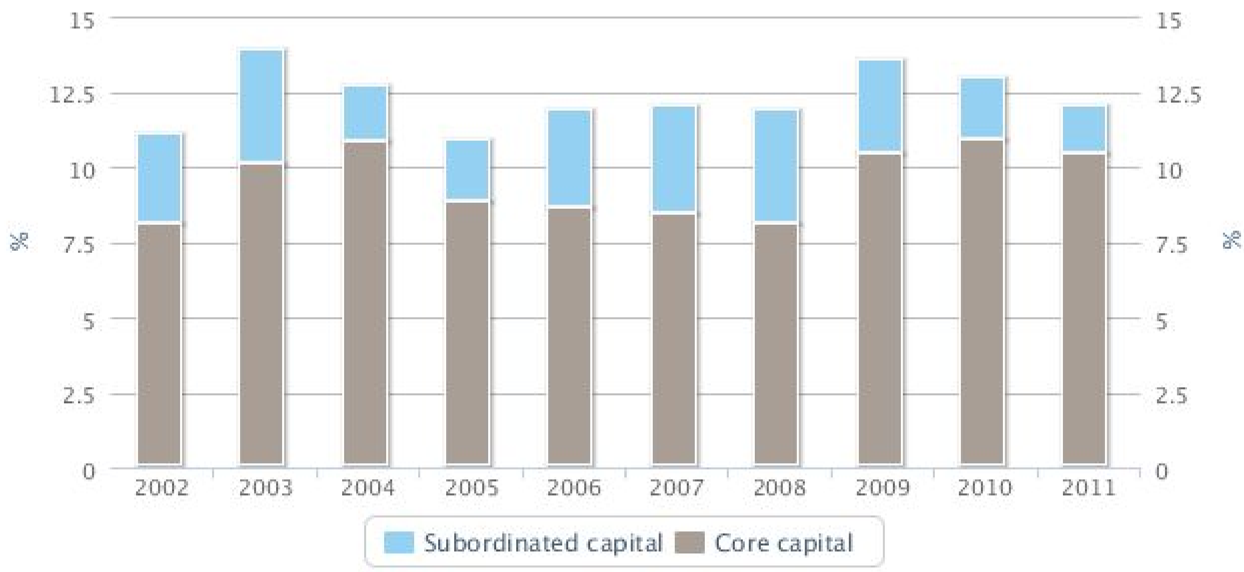
Net interest income



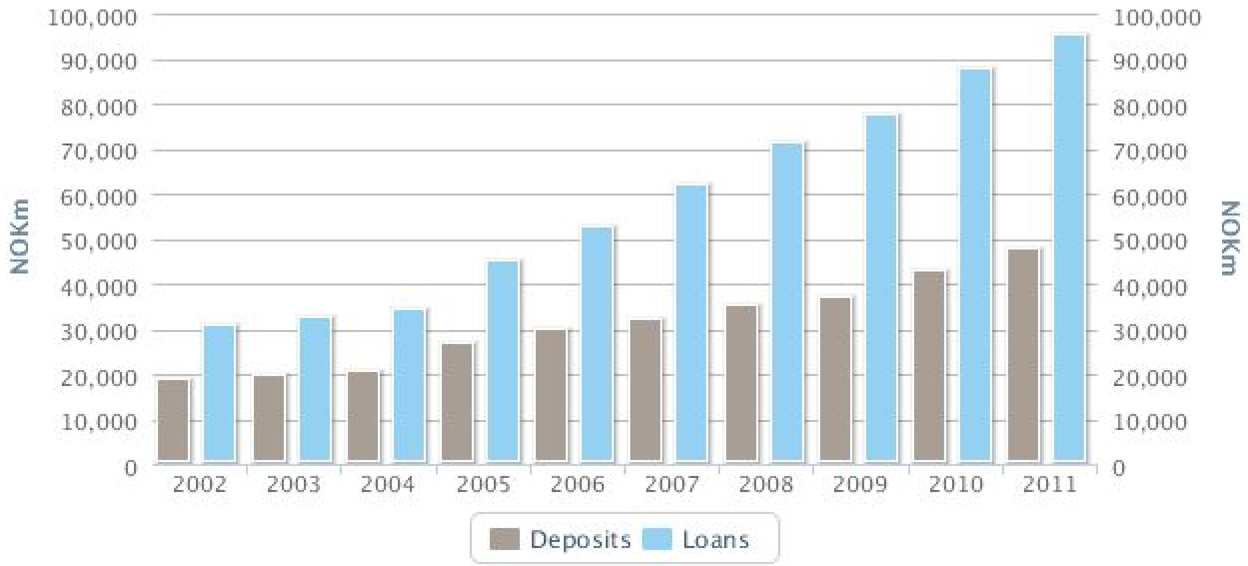
Operating expenses



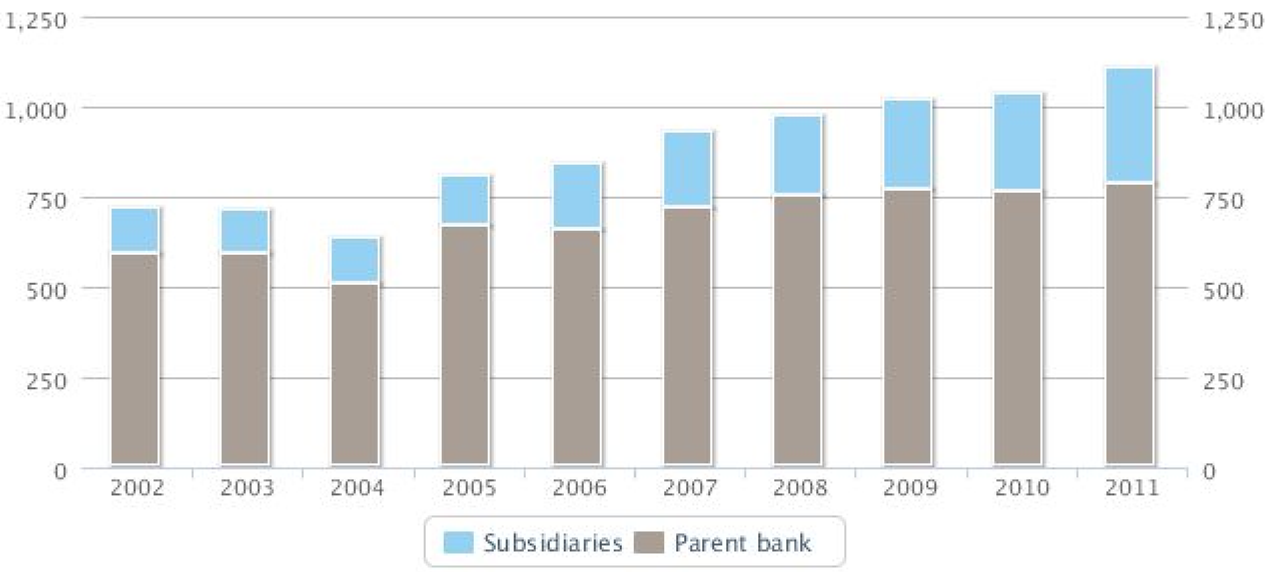
Capital ratio



Loans and deposits



Person-years worked



Equity capital certificates

At end-2011 SpareBank 1 SMN's ECC capital totalled NOK 2,373m distributed on 94,905,280 ECCs with a nominal value of NOK 25 each. The Bank has an own holding of ECCs totalling NOK 0.2m distributed on 6,388 ECCs.

Dividend policy

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

In view of the new legislation, the following dividend policy was established in December 2009:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide ECC holders with a good, stable and competitive return in the form of dividend and a rising value of the Bank's equity capital certificate.
- The net profit for the year will be distributed between the owner capital (the ECC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital.
- SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for theyear should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditionsand any need for tier 1 capital.

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 received from subsidiaries, affiliates and joint ventures.

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

Annual profit for distribution reflects changes of NOK -25m in the revaluation reserve, leaving the total amount for distribution at NOK 795m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends to the dividend equalisation fund constitute 61.3 per cent of the distributed profit.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 2 per ECC, altogether totalling NOK 190m. This gives a payout ratio of 40 per cent. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m as gifts to non-profit causes, representing a payout ratio of 13 per cent. NOK 297m and NOK 268m are added to the dividend equalisation fund and the ownerless capital respectively.

In light of new regulatory capital requirements and the expectation of more demanding market conditions, the Board of Directors has chosen to recommend lower payout ratios for 2011 than previous years.

The Board has further chosen to recommend a different payout ratio for the ownerless capital and the owner capital this year in order to partially offset the equity dilution resulting from the proposed stock issue.

After distribution of the profit for 2011 the ECC-holder ratio (ECC-holders' share of total equity) is 60.6 per cent.

Distribution of profit, NOKm	**2011**	**2010**
Profit of the year, Parent Bank	820	882
Transferred from revaluation reserve	-25	65
Profit for distribution	**795**	**947**
Dividends	190	285
Dividend equalisation fund	297	281
Equalisation fund	268	189
Gifts	40	192
Total distributed	**795**	**947**

Stock issues

The Bank's Board of Directors is authorised by the Supervisory Board to launch a rights issue of up to NOK 750m in favour of existing owners.

The Board of Directors is also authorised to

- launch a placing of up to NOK 200m with the foundation, Sparebankstiftelsen SpareBank 1 SMN
- launch a placing of up to NOK 60m with employees of the Group

The Bank intends through these issue proposals to strengthen its core capital and the financial basis for profitable growth and for exploiting business potentials in its market area. The Bank considers it valuable for employees of the Group to have the opportunity to subscribe for equity capital certificates through a private placing. A placing in favour of the foundation is In keeping with the Bank's strategy behind the establishment of Sparebankstiftelsen SpareBank 1 SMN.

The subscription period for the rights issue is 12-23 March 2012.

The Board of Directors recommends transferring parts of the ECC capital prescribed by the articles of association to the Bank's ECC premium reserve by way of a reduction in the nominal value of the Bank's ECC from NOK 25 to NOK 20. This will facilitate stock issues on market terms and a more appropriate distribution of the savings bank's ECC capital. Changing the nominal value will not affect the 'owner fraction' (ratio of ECC capital to total equity capital) or the market value of the ECCs.

Investor policy

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

Updated information for investors, the press and brokers is available at all times at smn.no/ir.

Other financial information can be found at huginonline.no

Financial calendar for 2012

- 1st quarter: 2 May 2012
- 2nd quarter: 9 August 2012
- 3rd quarter: 26 October 2012

Ownership

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

The number of ECC holders was reduced by 122 to 9,532 inthe course of 2011. The Bank's 20 largest ECC holders controlled 32.8 per cent of the Bank's ECCs at year-end, and 22. million ECCs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2011.

ECCs owned by investors in Sør- and Nord-Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 30 (31) per cent of the total, other Norwegian investors account for 56 (54) per cent and foreign owners for 13 (15) per cent. Foreign owners make up 2 per cent of the total number of owners as of 31 December 2011.

Tax credit

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

Market trend for the Bank's ECC in 2011

At year-end the market price of SpareBank 1 SMN's ECC (MING) was NOK 39.30. At end-2010 the price was NOK 54.00. With a cash dividend of NOK 2.00 for 2011, the direct return on the ECC is 5.1 per cent.

Key figures and ratios	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Quoted price	39.30	54.00	49.02	22.85	54.65	61.65	59.19	41.60	29.05	17.55
No. of ECs issued, million	94.92	94.90	69.43	57.86	71.36	50.49	50.49	38.43	38.43	38.43
Market value (NOKm)	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113	1,476	891
EC capital (NOKm)	2,373	2,373	1,734	1,445	1,349	1,262	1,262	769	607	603
Equalisation fund (NOKm)	1,457	1,159	877	768	675	624	581	400	482	472
EC premium reserve (NOKm)	183	182	0	236	138	0	0	10	10	10
Dividend per EC	2.00	3.00	2.27	1.51	4.24	3.30	3.63	2.02	2.18	0.91
Direct return 1)	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %	4.8 %	7.5 %	5.2 %
Dividend yield 2)	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %	50.2 %	77.9 %	-23.4 %
Book value per EC 3)	54.44	50.61	44.89	40.03	38.35	35.06	31.85	26.31	24.05	22.69
Profit per EC 4)	6.61	6.43	6.73	4.49	6.16	6.57	5.63	2.91	2.34	0.66
Price-Earnings Ratio	5.94	8.40	7.29	5.09	8.87	9.38	10.52	14.28	12.43	26.67
Price-Book Value Ratio	0.72	1.07	1.09	0.57	1.43	1.76	1.86	1.58	1.21	0.77
Payout ratio 5)	30 %	47 %	34 %	34 %	69 %	50 %	65 %	69 %	93 %	138 %
EC fraction 6)	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %	51.4 %	53.0 %
RISK-amount							2.39	2.26	0.37	-0.52

The key figures are corrected for issues. No change in number of ECCs

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

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

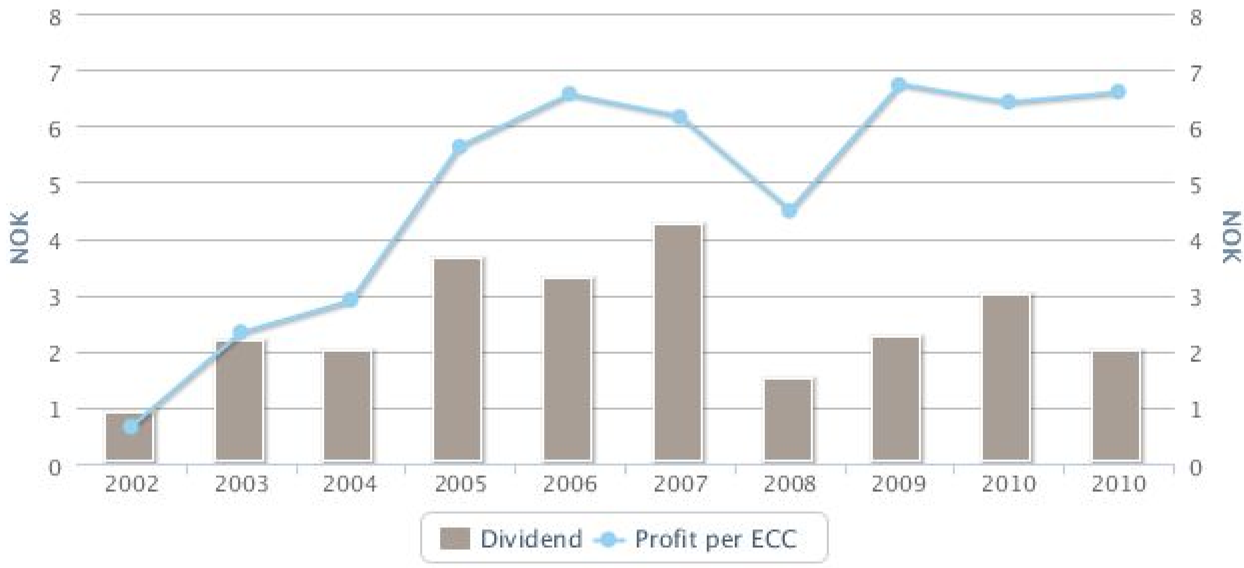
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

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

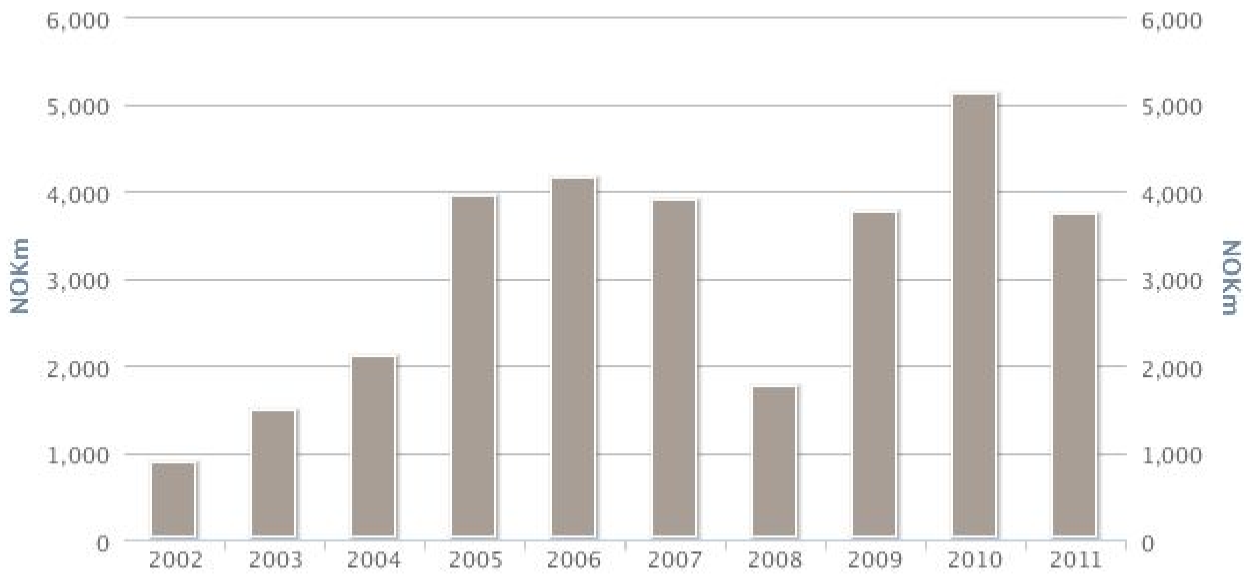
5) Dividend per EC as per cent of profit per EC.

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

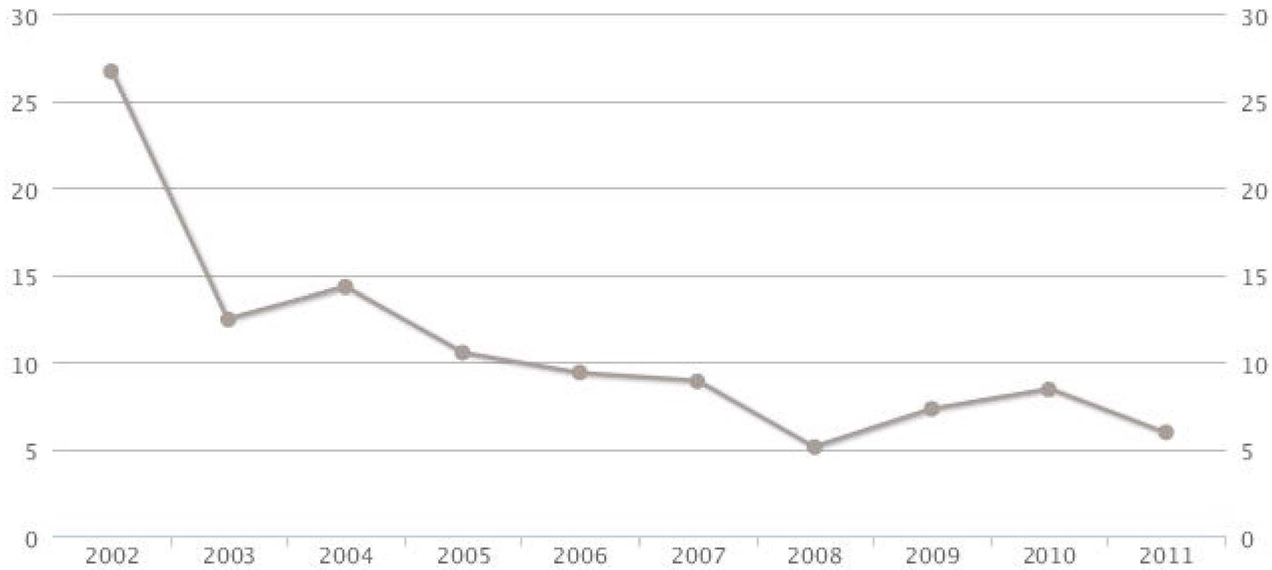
Dividend and profit per ECC (NOK)



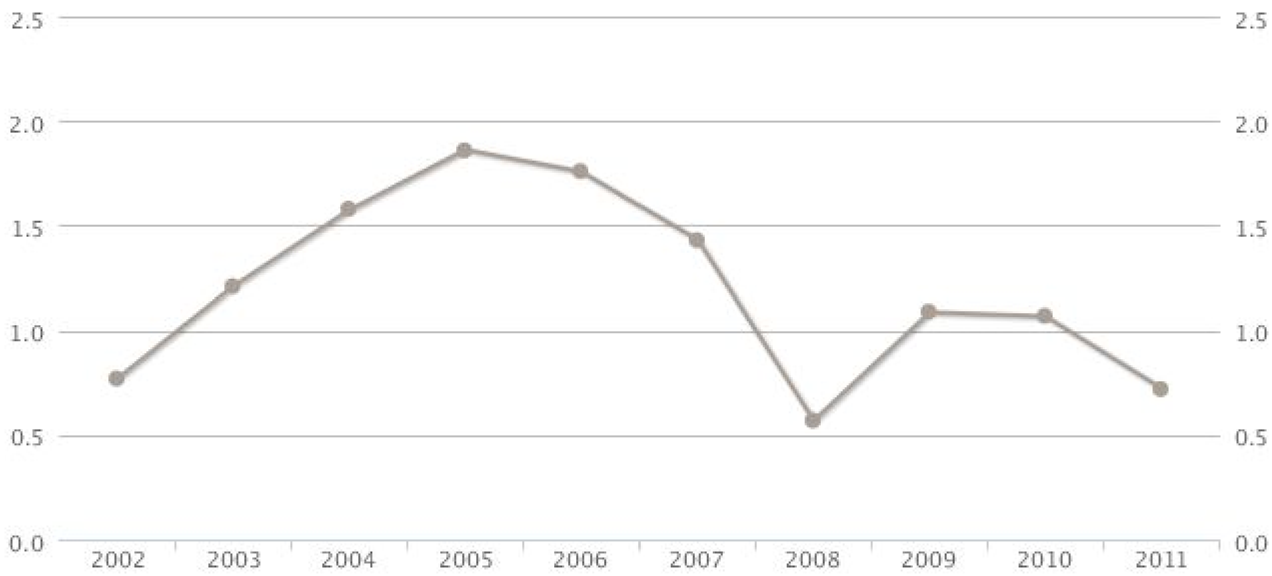
Market value



Price/ earnings



Price/book



Stock price compared with OSEBX and OSEEX

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

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

Statement by the Board of Directors and the Group CEO

We herby declare that to the best of our knowledge

- The financial statements for 2011 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, 20 February 2012

The Board of Directors of SpareBank 1 SMN

Per Axel Koch Chair	Eli Arnstad Deputy Chair	Paul E. Hjelm-Hansen	Aud Skrudland
Bård Benum	Kjell Bjordal	Arnhild Holstad	Venche Johnsen Staff rep.
			Finn Haugan Group CEO

Auditor's report

Deloitte.

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N-7485 Trondheim
Norway

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Translation from the original Norwegian version

To the supervisory Board of SpareBank1 SMN

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank1 SMN, which comprise the financial statements for the parent company and the financial statements for the group. The financial statements comprise the statement of income as at December 31, 2011, the statement of comprehensive income, the balance sheet, the statement of changes in equity, cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

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www.deloitte.no

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SpareBank1 SMN and of the group as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report, the statement of corporate governance principles and practices and the allocation of the profit

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 the statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit complies with the law and regulations and that the information is consistent with the financial statements.

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 the company's 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, 20.02.2012
Deloitte AS

Per Kr. Forseth
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

Control committee's report

To

the Supervisory Board

of SpareBank 1 SMN

Statement of the Control Committee for 2011

The Control Committee has discharged its duties in accordance with the (Norwegian) Savings Banks Act and the instructions for the committee.

The Bank's activities in 2011 were in conformity with the (Norwegian) Savings Banks Act, and other provisions with which the Bank is obliged to comply. The annual reports and accounts have been submitted in accordance with the provisions of the (Norwegian) Savings Banks Act and the Financial Supervisory Authority of Norway.

The Supervisory Board may adopt the income statement and the balance sheet as the Bank's financial statements for 2011.

Trondheim, 21 February 2012

The Control Committee

of

SpareBank 1 SMN

Rolf Røkke	Anders Lian	Terje Ruud
(Chair)		