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.

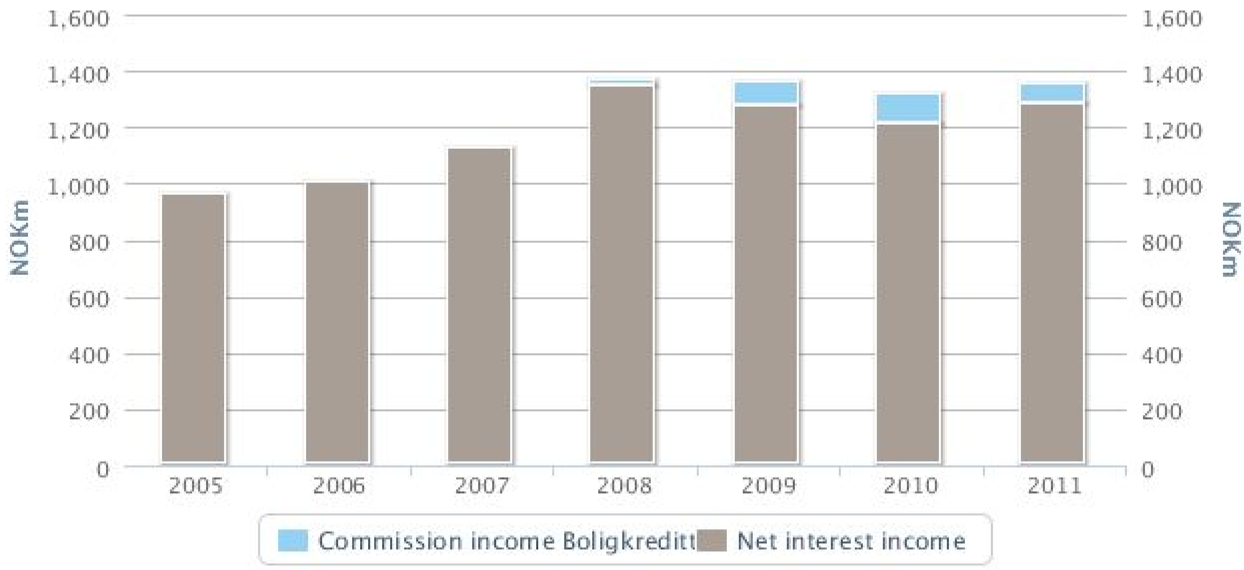
The increase is mainly due to

- 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.

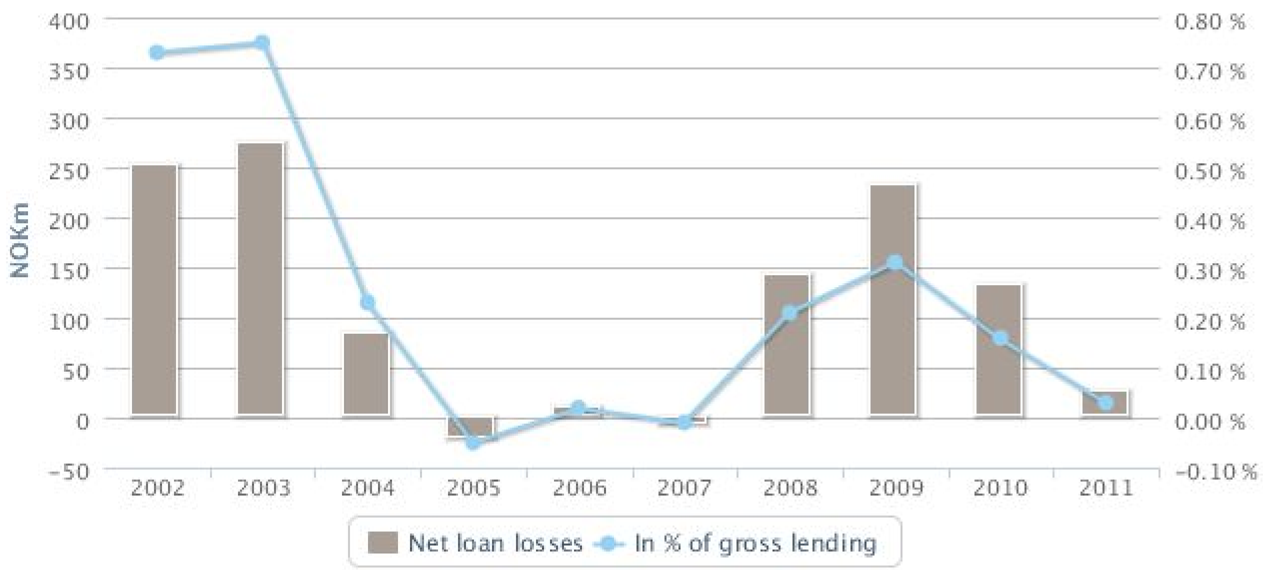
Defaults in excess of 90 days came to NOK 338m (NOK 499m). Defaults measure 0.36 per cent (0.57 per cent) of gross lending. Of overall defaults, NOK 89m (NOK 100m) or 26 per cent (20 per cent) are loss provisioned.

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

SpareBank 1 SMN

Change of equity

Parent Bank

(NOK million)	Issued equity: EC capital	Issued equity: Premium fund	Earned equity: Ownerless capital	Earned equity: Equalisation fund/dividend	Earned equity: 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**

SpareBank 1 SMN

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**

SpareBank 1 SMN

Notes

Note 1 - General information

Description of the business

See Business description presented in the annual report.

The SpareBank 1 SMN Group

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

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**

SpareBank 1 SMN

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**	**SpareBank 1 SMN Markets**	**Eiendoms-Megler 1**	**SpareBank 1 SMN Finans**	**Allegro Finans**	**SpareBank 1 SMN Regnskap**	**Unallocated [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				Group		
2009	2010	2011	(NOK million)	2011	2010	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				**Recognised in income statement**		
2009	**2011**	**2010**	**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement**	**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				Group		
2009	2010	2011	Individual impairment	2011	2010	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				Group		
2009	2010	2011	Expected annual average net loss	2011	2010	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				Group		
2009	2010	2011	Gross loans	2011	2010	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**

Loans to and claims on customers related to financial leases	**2011**	**Group 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)

	2011			2010			2009		
Losses on loans and guarantees	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**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**

	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	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**

	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	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)

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	-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**

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	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**

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	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			
Credit quality step	**From**	**To**	**Moody's**	**Historical default**
A	0.00 %	0.10 %	Aaa-A3	0.04 %
B	0.10 %	0.25 %	Baa1-Baa2	0.10 %
C	0.25 %	0.50 %	Baa3	0.23 %
D	0.50 %	0.75 %	Ba1	0.56 %
E	0.75 %	1.25 %	Ba2	0.68 %
F	1.25 %	2.50 %		1.57 %
G	2.50 %	5.00 %	Ba2-B1	3.67 %
H	5.00 %	10.00 %	B1-B2	6.97 %
I	10.00 %	99.99 %	B3-Caa3	19.61 %
J	Default			
K	Written down			

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

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	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
(NOK million)	**2011**	**2011**	**2010**	**2010**	**2009**	**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 ***	
	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		**Total**
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 ***	
	Notes	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**		**Total**
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				Group		
			Held to maturity			
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		**Stake**	**Our**	**Acquisiton**	**Market value/**
		over 10 %	**holding**	**cost**	**book value**
Listed companies	**Principle ***	**(%)**	**(no.)**	**(NOK 1000)**	**(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		**Stake**	**Our**	**Acquisiton**	**Market value/**
		over 10 %	**holding**	**cost**	**book value**
Listed companies	**Principle ***	**(%)**	**(no.)**	**(NOK 1000)**	**(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				Group		
2009	**2010**	**2011**	**(NOK million)**	**2011**	**2010**	**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				Group		
2009	**2010**	**2011**	**Other debt and recognised liabilities (NOK million)**	**2011**	**2010**	**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**

SpareBank 1 SMN

			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.

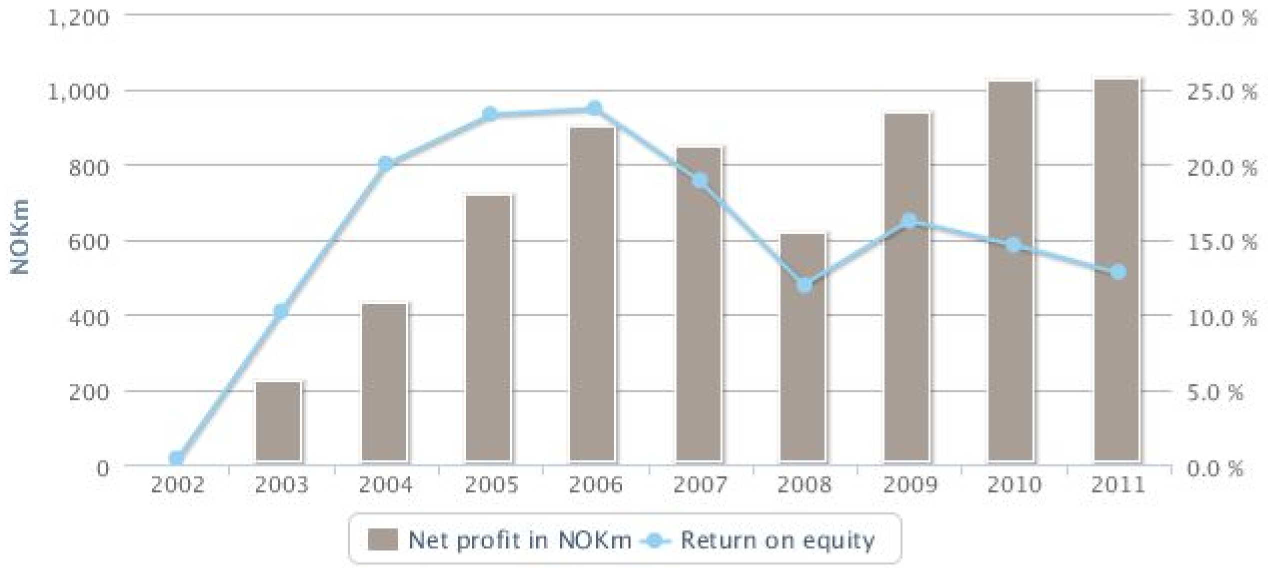
SpareBank 1 SMN

Financial summary (Group)

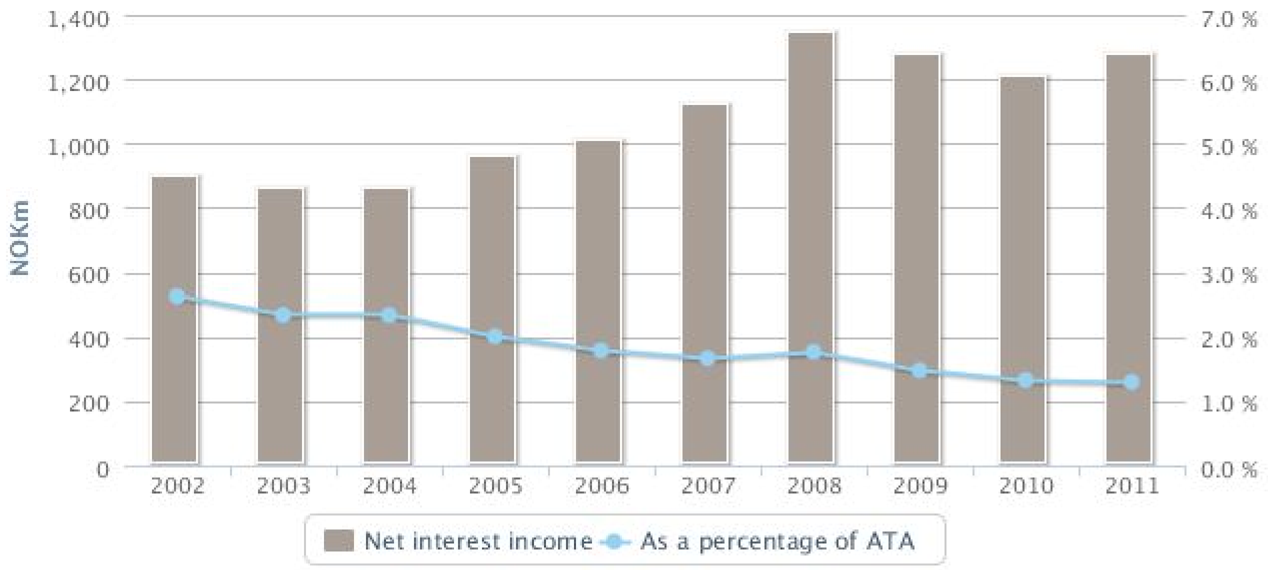
Income statement NOKm	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Interest income	3,780	3,315	3,416	4,822	3,470	2,376	1,916	1,596	2,249	2,707
Interest expenses	2,499	2,105	2,137	3,477	2,345	1,369	955	732	1,385	1,811
Net interest and credit comission income	**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 %

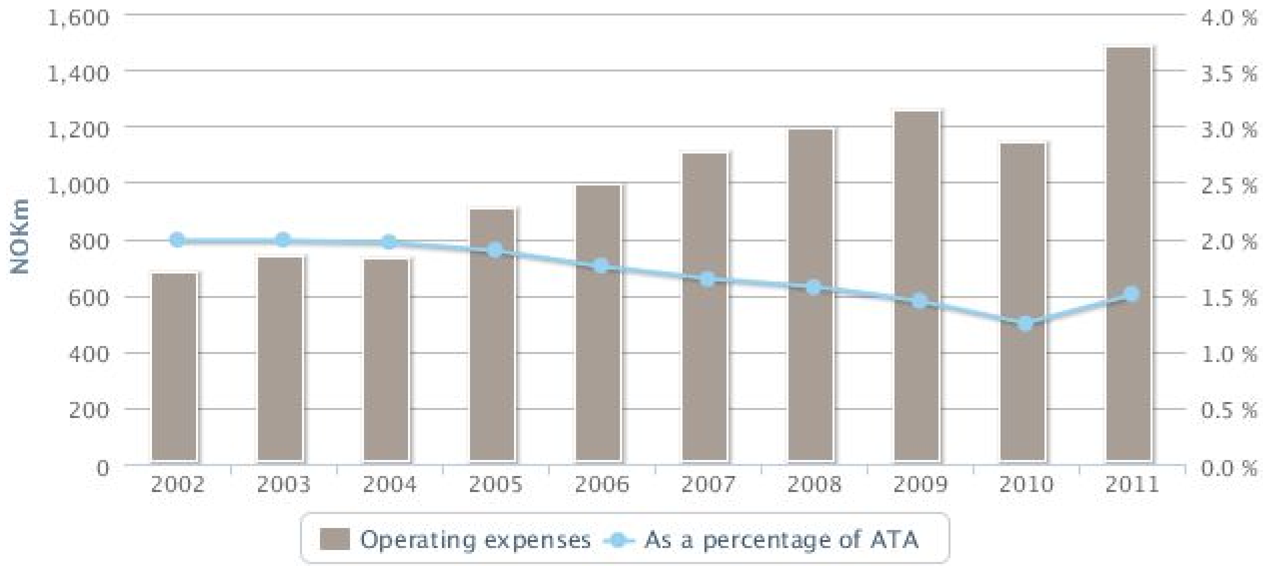
Net profit and return on equity



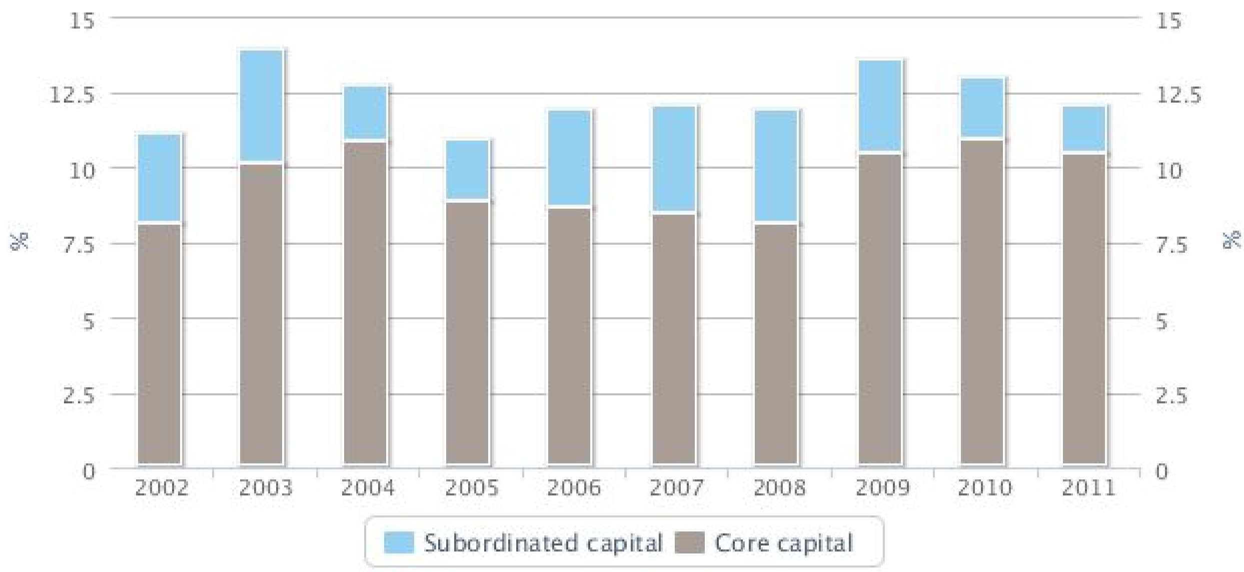
Net interest income



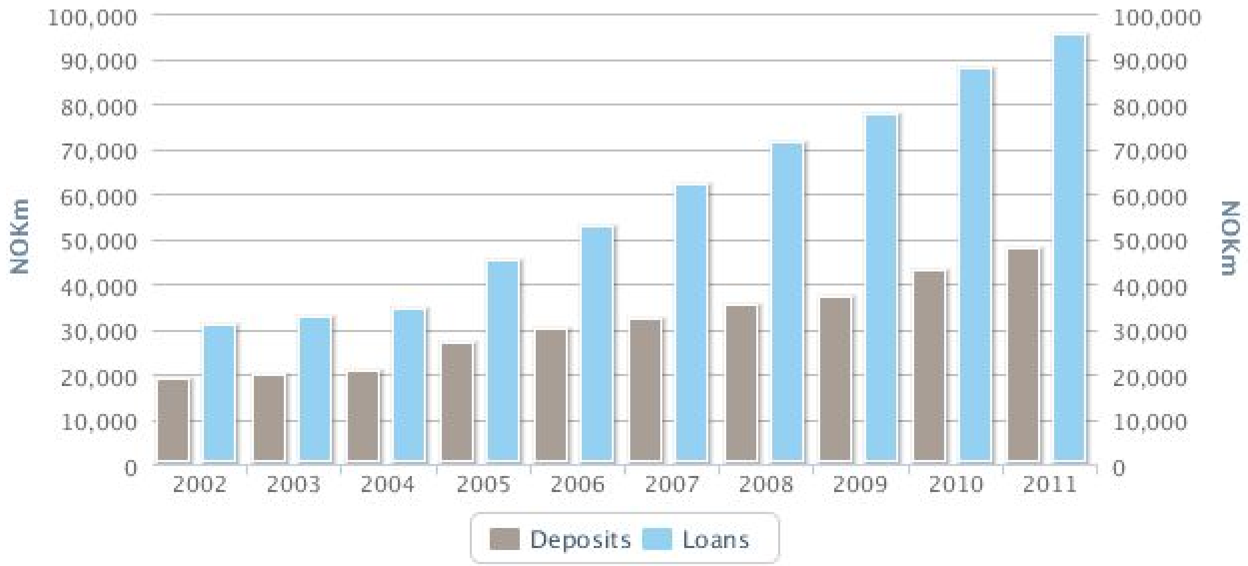
Operating expenses



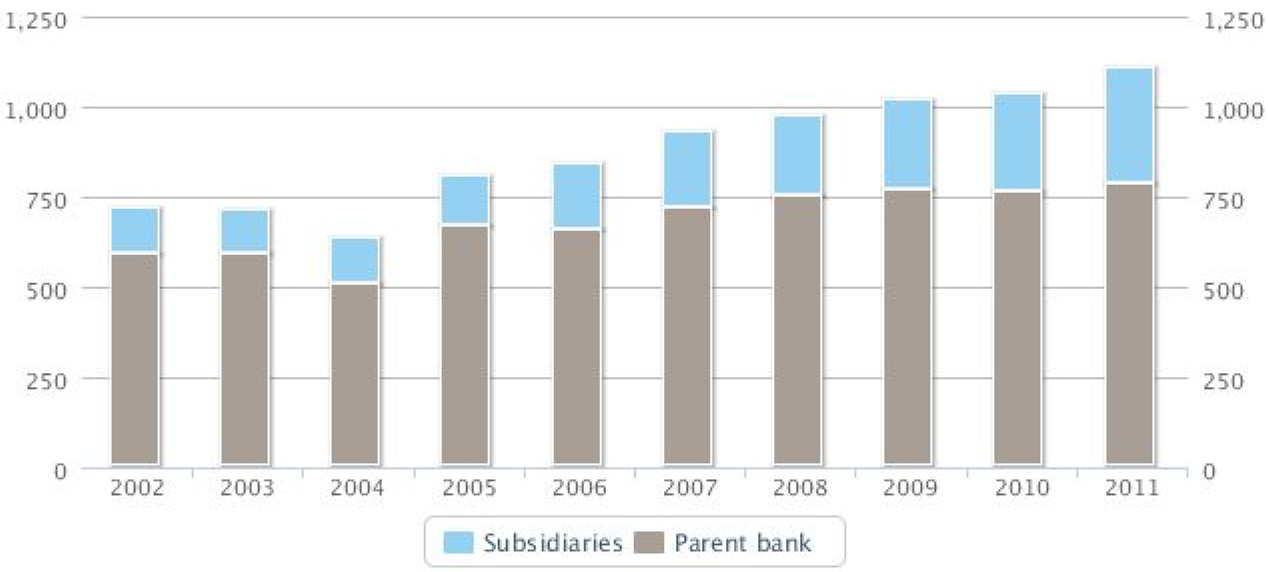
Capital ratio



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.

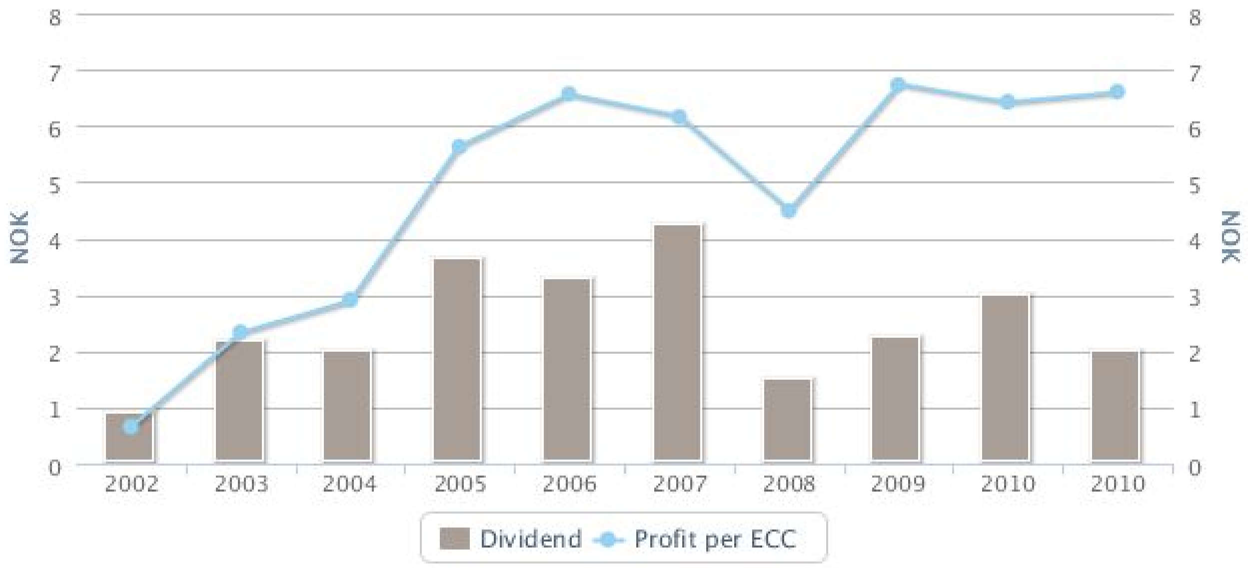
Key figures and ratios	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Quoted price	39.30	54.00	49.02	22.85	54.65	61.65	59.19	41.60	29.05	17.55
No. of ECs issued, million	94.92	94.90	69.43	57.86	71.36	50.49	50.49	38.43	38.43	38.43
Market value (NOKm)	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113	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

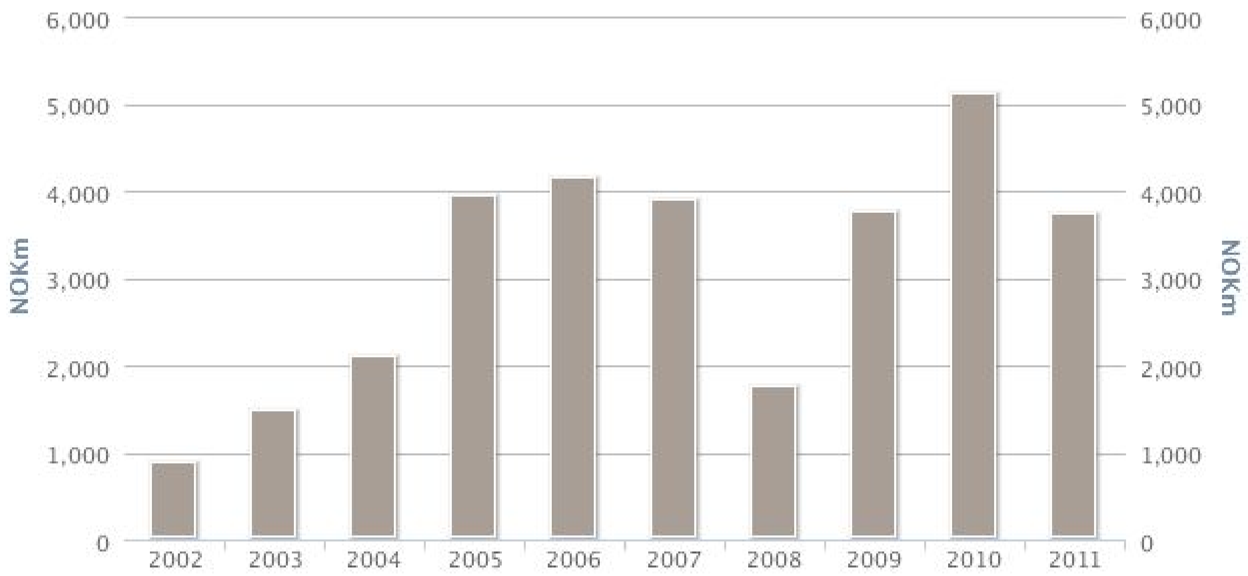
The key figures are corrected for issues. No change in number of ECCs

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.

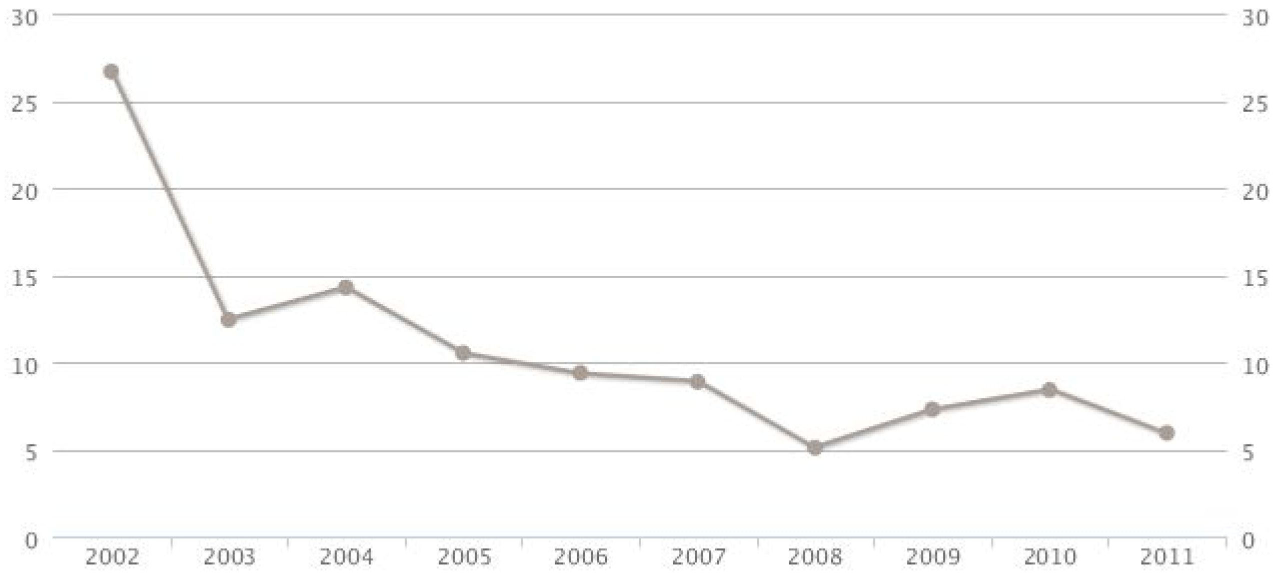
Dividend and profit per ECC (NOK)



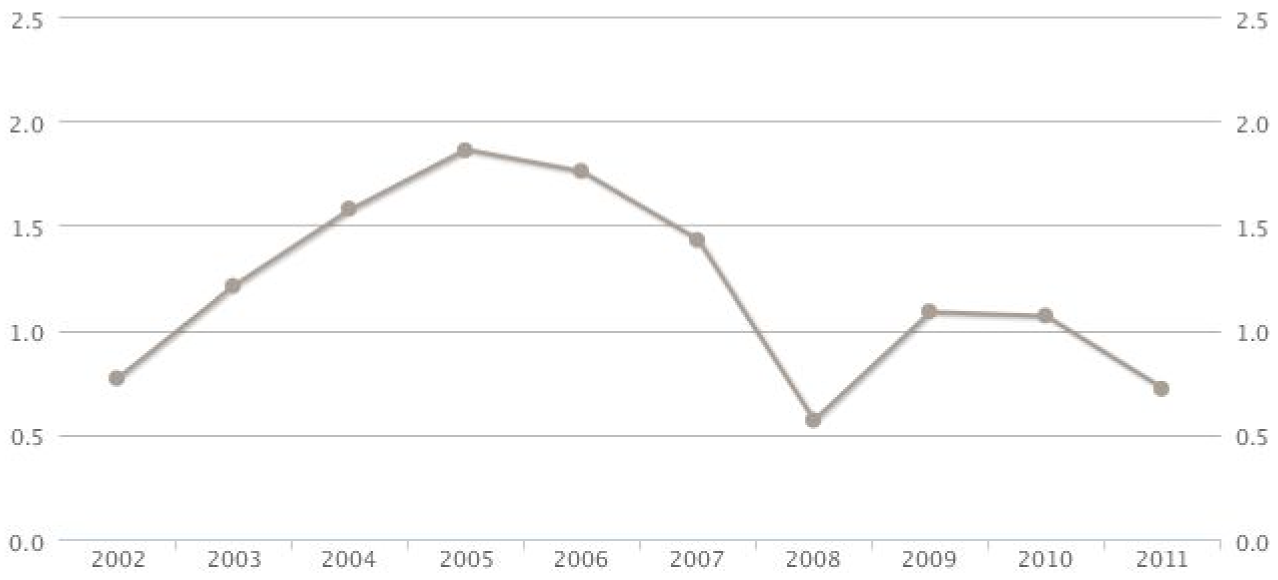
Market value



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

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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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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)		