

Notes

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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 accounting. 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. A positive 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 its 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 rescues 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 determine 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	Unallocated 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 liabilities	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	Unallocated ⁴⁾	Total
Profit and loss account									
Net interest	579	714	18	4	93	1	0	-198	1,210
Allocated	13	56	1	-	-	-	-	-70	-
Total interest income	592	770	19	4	93	1	0	-269	1,210
Net fee and commission income ¹⁾	319	135	30	245	5	19	51	51	855
Net return on financial investments ³⁾	2	16	19	-	1	-	-0	452	490
Total income	913	921	68	249	99	20	51	235	2,555
Total operating expenses	468	278	67	198	39	18	40	32	1,140
Ordinary operating profit	445	642	1	51	60	2	11	203	1,414

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

2009 (NOK million)	RM	CM	Spare-Bank 1 SMN Markets	Eiendoms-Megler 1	Spare-Bank 1 SMN Finans	Allegro Finans	Spare-Bank 1 SMN Regnskap	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 liabilities	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 commission 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 through 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			(NOK million)	Group		
2009	2010	2011		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 remuneration 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 remuneration 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 remuneration 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 Skjønhal	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			(NOK million)	Group		
2009	2010	2011		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

Parent Bank			(NOK million)	Group		
2009	2010	2011		2011	2010	2009
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 assessment papers

Deferred tax in balance sheet

Deferred tax in balance sheet

Parent Bank			Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	Group		
2009	2010	2011		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	Deferred tax	270	219	230

			Temporary differences:			
-37	-13	-22	- Business assets	-26	-25	-38
-	-	-	- Loans	-	-0	-
-93	-	-	- Pension liability	-6	-6	-110
-28	-29	-26	- Securities	-26	-29	-28
-242	-314	-455	- Hedge derivatives	-455	-314	-242
-7	-6	-2	- Other temporary differences	-63	-72	-88
-	-	-	- Deficit carried forward	-257	-249	-309
-407	-362	-505	Total tax-decreasing temporary differences	-833	-696	-815
-114	-101	-141	Deferred tax asset	-233	-195	-228
18	21	40	Net	37	24	2

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

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

Recognised in income statement			Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	Recognised in income statement		
2009	2011	2010		2011	2010	2009
			Temporary differences:			
-	-	-	- Business assets	-17	44	-
-	-	-	- Leasing items	48	-49	44
-44	-14	-	- Loans	-	-14	-43
-	42	0	- Pension liability	-3	42	-
152	-124	-41	- Securities	-41	-124	152
-169	62	-170	- Hedge derivatives	-170	62	-169
-	0	-	- Other temporary differences	0	-2	-4
-62	-34	-212	Total tax-increasing temporary differences	-184	-42	-21
-17	-10	-59	Deferred 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 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			(NOK million)	Group		
2009	2010	2011		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			Total contracts	Group		
2009	2010	2011		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 Boligkredit, 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 Boligkredit	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 Boligkredit	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			Total contracts	Group		
2009	2010	2011		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			Gross loans	Group		
2009	2010	2011		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			Individual impairment	Group		
2009	2010	2011		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			Expected annual average net loss	Group		
2009	2010	2011		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			Gross loans	Group		
2009	2010	2011		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			Gross loans transferred to SpareBank1 Boligkreditt	Group		
2009	2010	2011		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
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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)

Losses on loans and guarantees	2011			2010			2009		
	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

Individual write downs	2011			2010			2009		
	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

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

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

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

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

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

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

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

Note 16 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are parent bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2006-2011.

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

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

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

Credit quality step	Risk groups					
A - C	Lowest risk					
D - E	Low risk					
F - G	Medium risk					
H	High risk					
I	Highest risk					
J - K	Default and written down					
Parent bank (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	2011	2011	2010	2010	2009	2009
Lowest risk	4.6 %	39,296	5.2 %	35,521	6.4 %	29,758
Low risk	8.1 %	20,185	7.5 %	18,030	11.1 %	18,056
Medium risk	12.5 %	21,743	15.7 %	20,676	13.5 %	14,722
High risk	9.3 %	2,063	10.8 %	2,364	26.1 %	4,206
Highest risk	10.0 %	1,811	9.6 %	2,500	8.8 %	1,745
Default and written down	29.1 %	463	27.4 %	595	21.4 %	710
Total		85,561		79,685		69,197

Group (NOK million)	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure	Averaged unhedged exposure	Total exposure
	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			(NOK million)	Group		
2009	2010	2011		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			(NOK million)	Group		
2009	2010	2011		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.

	Collateral 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 guidelines for credit ratings. See section entitled credit risk under Note 3 Risk factors.

The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system. The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

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

Parent bank 2011 (NOK million)		Neither defaulted nor written down					Defaulted or written down *	Total
Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on credit institutions	12	5,033	-	-	-	-	-	5,033
Loans to and claims on customers	13							
Retail market		22,676	5,572	2,252	461	496	173	31,629
Corporate market		9,714	11,254	15,244	1,443	1,228	282	39,164
Total		32,390	16,826	17,496	1,903	1,723	455	70,793
Financial investments	19							
Quoted government bonds		2,896	-	-	-	-	-	2,896
Quoted other bonds		6,302	467	39	-	-	-	6,808
Unquoted bonds		1,787	904	523	-	-	-	3,214
Total		10,985	1,371	562	-	-	-	12,918
Total		48,408	18,197	18,058	1,903	1,723	455	88,744
2010 (NOK million)		Neither defaulted nor written down					Defaulted or written down *	Total
Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on credit institutions	12	2,894	-	-	-	-	-	2,894
Loans to and claims on customers	13							
Retail market		20,678	6,591	2,497	530	600	160	31,056
Corporate market		8,428	9,319	14,885	1,556	1,773	426	36,387
Total		29,106	15,910	17,381	2,086	2,373	586	67,443
Financial investments	19							
Quoted government bonds		5,044	-	-	-	-	-	5,044
Quoted other bonds		5,461	1,208	81	-	-	-	6,751
Unquoted bonds		2,880	1,778	583	-	-	-	5,241
Total		13,385	2,986	665	-	-	-	17,036
Total		45,386	18,494	18,447	2,086	2,373	586	87,372

2009 (NOK million)		Neither defaulted nor written down					Defaulted or written down *	Total
Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on credit institutions	12	2,477	-	-	-	-	-	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)		Neither defaulted nor written down					Defaulted or written down *	Total
Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on credit institutions	12	2,557	-	-	-	-	-	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)		Neither defaulted nor written down					Defaulted or written down *	Total
Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk			
Loans to and claims on credit institutions	12	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, held 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 reclassified 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			Money market certificates and bonds by issuer sector (NOK million)	Group		
2009	2010	2011		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 capital 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 expense 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		
31.12.09	31.12.10	31.12.11	Held to maturity (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 amount	Fair values Assets Liabilities		Contract amount	Fair values Assets Liabilities		Contract amount	Fair values Assets Liabilities	
Currency instruments									
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			Shares and units (NOK million)	Group		
2009	2010	2011		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	Principle *	Stake over 10 % (%)	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Listed companies					
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
Sparebankmaterieil 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	Principle *	Stake over 10 % (%)	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Listed companies					
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 available 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 available 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 institutions 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	Fair value	Book value	Fair value	Book value	Fair value
	31.12.11	31.12.11	31.12.10	31.12.10	31.12.09	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	Book	Fair	Book	Fair	Book	Fair
	value	value	value	value	value	value
(NOK million)	31.12.11	31.12.11	31.12.10	31.12.10	31.12.09	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 joint ventures		
SpareBank 1 Gruppen AS	Tromsø	19.5
BN Bank ASA	Trondheim	33.0
Bank 1 Oslo Akershus AS	Oslo	19.5
Allianse samarbeidet 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	Equity 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			(NOK million)	Group		
2009	2010	2011		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 Kunnskapsark 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 due 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

Loans (NOK million)	Subsidiaries			Other related companies		
	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 at 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 an 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 investments 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			(NOK million)	Total	Group		
Buildings and other real property	Machinery, inventory and vehicles	Total			Machinery, inventory and vehicles	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
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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.

Actuarial assumptions	2011		2010		2009	
	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			Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	Group		
2009	2010	2011		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 capital 10/99, fixed rate 8.25% NOK (Call 2020) *	350	350	-
-	100	100	Hybrid capital 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-amortised estimate deviations	-	-	-
462	936	956	Hybrid capital, core capital	1,170	1,106	542
1,130	0	0	State Finance Fund, core capital	0	0	1,250
5,465	6,037	6,680	Total core capital	7,856	7,283	6,730

			Supplementary capital in excess of core capital			
0	0	0	Hybrid capital, supplementary capital	0	0	0
120	-	-	State Finance Fund, supplementary capital	-	-	-
450	466	326	Perpetual subordinated capital	328	466	450
1,716	1,358	1,409	Non-perpetual subordinated capital	1,674	1,680	2,112
-373	-348	-387	50 % deduction for subordinated capital in other financial institutions	-	-	-
-182	-208	-137	50 % deduction for expected losses on IRB, net of write-downs	-147	-216	-189
-	-	-	50 % capital adequacy reserve	-656	-571	-373
1,731	1,268	1,211	Total supplementary capital	1,199	1,360	2,001
7,196	7,305	7,891	Net subordinated capital	9,055	8,643	8,730
			Minimum requirements subordinated capital, Basel II			
1,295	1,386	1,456	Involvement with specialised enterprises	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 mortgage 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
11,08 %	11,05 %	10,84 %	Capital adequacy	10,43 %	10,93 %	10,45 %
14,59 %	13,37 %	12,81 %	Core capital 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 overall limit of NOK 40 million set by the Bank's Board of Directors. For further details regarding interest rate risk, see note 3.

Basis risk Group (NOK million)	Interest rate risk, 1 % change		
	2011	2010	2009
<i>Currency</i>			
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 curve risk, Group (NOK million)	Interest rate risk, 1 % change		
	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.