2014

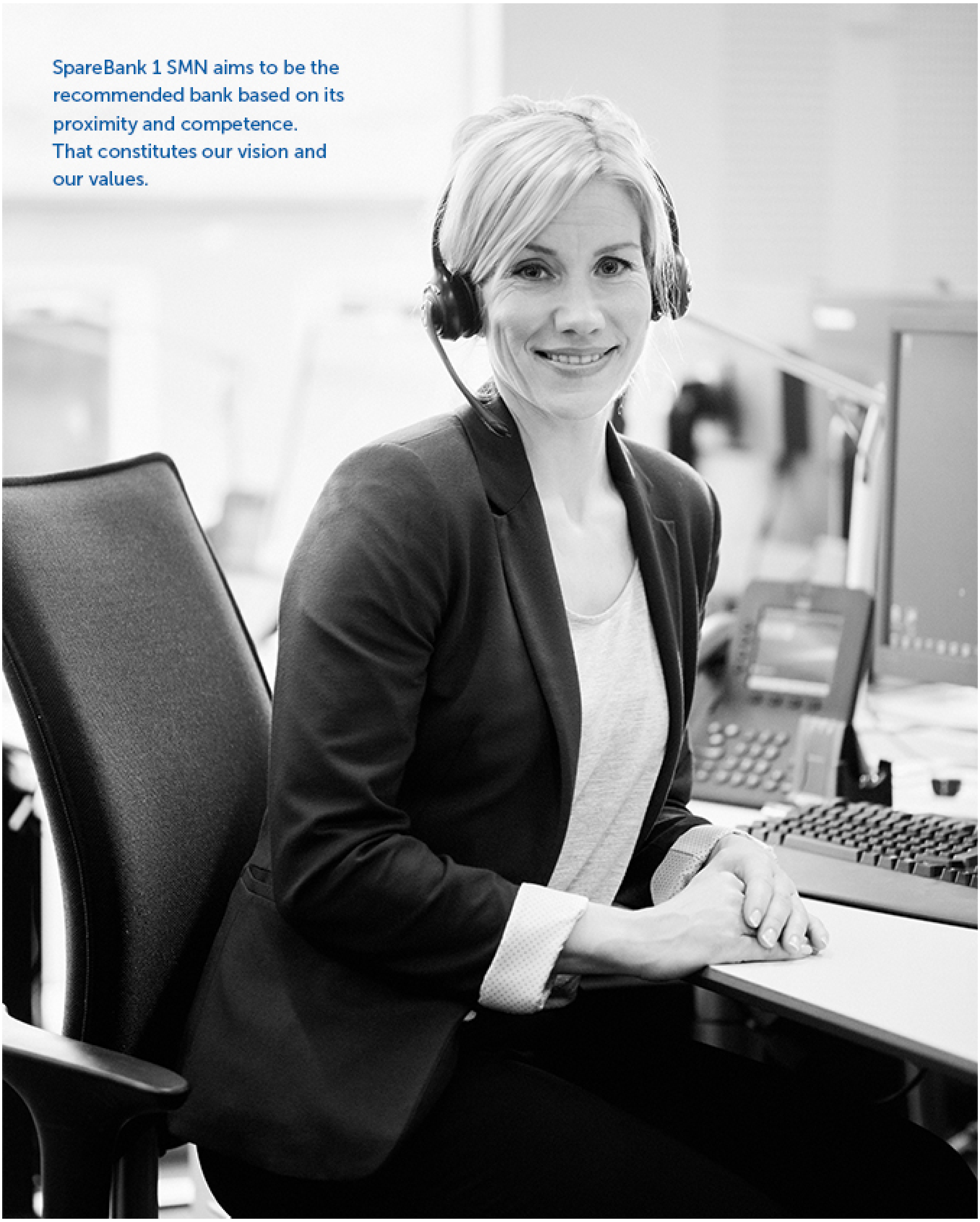
ANNUAL REPORT

Best for customer experience.
That is SpareBank 1 SMN's strategic goal.

SpareBank 1 SMN

Contents

General information

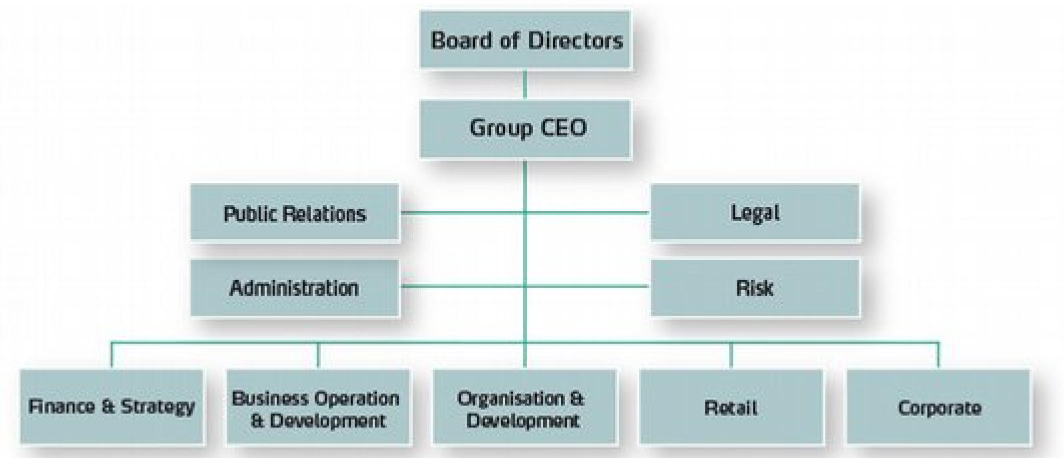


This is SpareBank 1 SMN

SpareBank 1 SMN is the region’s leading financial services group and one of six owners of the SpareBank 1 Alliance. The head office is in Trondheim and the group and its subsidiaries employ a total of 1,200 staff.
SpareBank 1 SMN is a regional independent bank with a local footing. Closeness and capability are the hallmarks of our relationship to the market.

The region’s largest financial services group

- Present in 48 locations across 42 municipalities in both Trøndelag counties, Møre og Romsdal along with Sogn og Fjordane
- One-stop provider to households and firms in the fields of financing, savings and investment, insurance and payment services
- 203,000 retail customers
- 16,000 corporate customers
- The region´s leading real estate agent - EiendomsMegler 1 Midt-Norge
- The region´s leading leasing company - SpareBank 1 Finans Midt-Norge
- The region´s only full-fledged investment firm - SpareBank 1 SMN Markets
- The region’s largest private contributor to business development and non-profit causes through SpareBank 1 SMN’s donation work



Main figures, last ten years

From the income statement (mNOK)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net interest and credit commission income	1,790	1,616	1,477	1,392	1,317	1,325	1,350	1,139	1,024	974
Commision and fee income	1,512	1,463	1,139	919	855	756	610	671	580	537
Operating expenses	-1,789	-1,722	-1,654	-1,482	-1,140	-1,253	-1,194	-1,103	-990	-906
Operating profit before losses and return on financial investments	1,513	1,357	962	829	1,032	828	766	707	613	605
Income from investment in related companies	527	355	244	248	276	349	393	233	190	119
Return on financial investements	193	147	207	186	133	247	-186	99	229	157
Loan losses and gains / write-downs on disposals of fixed assets	89	101	58	27	132	277	202	-6	-84	-38
Pre-tax operating profit	**2,143**	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**771**	**1,045**	**1,116**	**919**
From the balance sheet (mNOK)										
Total assets	126,047	115,360	107,919	101,455	97,992	84,541	84,679	71,503	63,178	54,327
Outstanding loans (gross)	90,339	80,303	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280
Outstanding loans including transf. SpareBank 1 Boligkreditt (gross)	120,196	112,038	95,232	95,232	87,665	77,429	71,317	61,910		
Gross loans in retail market	74,004	68,515	55,034	55,034	49,619	45,157	42,679	38,872	33,898	29,032
Gross loans in corporate market	46,192	43,523	40,198	40,198	38,046	32,272	28,638	23,038	18,921	16,248
Deposits	60,655	55,879	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048
Deposits from retail market	26,479	23,865	20,860	20,860	19,052	17,898	17,566	16,070	14,707	14,080
Deposits from corporate market	34,176	32,015	27,011	27,011	23,734	19,330	17,715	16,364	15,429	12,968
Growth in lending, %	7.3 %	6.8 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %
Growth in deposits, %	8,5 %	7.3 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %
Key figures and ratios										
Return on equity	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %
Cost-income ratio	44.5 %	48.1 %	54.0 %	53.2 %	44.2 %	46.8 %	55.1 %	51.5 %	49.0 %	50.7 %
CET 1 Capital	11.2 %	11.1 %	10.0 %	8.9 %	9.3 %	7.7 %	7.1 %	7.4 %	7.5 %	7.5 %
Core capital ratio	13.0 %	13.0 %	11.4 %	10.4 %	10.9 %	10.5 %	8.1 %	8.4 %	8.6 %	8.8 %
Capital adequacy ratio	15.7 %	14.7 %	13.3 %	12.0 %	13.0 %	13.6 %	11.9 %	12.1 %	11.9 %	10.9 %
No. of staff	1,273	1,238	1,216	1,153	1,117	1,108	1,062	1,017	950	898
No. of person-years worked	1,192	1,135	1,135	1,109	1,035	1,017	973	940	841	806
No. of branches	48	50	51	54	54	55	56	56	58	62
Key figures EC [1)]										
EC ratio	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %
Number of Ecs issued (m)	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70	71.70
EC price (NOK)	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46
Market value (mNOK)	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951
Profit per EC (NOK)	8.82	6.92	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26
Dividend per EC (NOK)	2.25	1.75	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35
Booked equity capital per EC (including dividend)	62.04	55.69	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34
P/E	6.63	7.95	6.68	5.99	8.40	7.07	5.05	8.59	9.08	10.19
Price/Booked equity capital	0.94	0.99	0.69	0.74	1.08	1.07	0.55	1.38	1.70	1.80

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

Key goals and strategies

Vision and values

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

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

Strategic ambition
SpareBank 1 SMN will continue to be an independent, regional finance house, a powerhouse for development of the region. SpareBank 1 SMN will be profitable and best for customer experience. SpareBank 1 SMN is unquestionably solid and its return on equity puts it among the three best banks in Norway. In 2015 SpareBank 1 SMN will have strengthened its market position and significantly improved market shares in particular in the towns of Trondheim, Molde and Ålesund, as well as its position in the SMB market and the deposit market.

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

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

Main strategy themes in the period 2013 - 2015

- Solid and profitable with a return on equity among the three best-performing comparable banks
- A common equity tier 1 capital ratio of 13.5 per cent by July 2016
- Continued growth in market shares
- Developing a position as best for customer experience
- Further develop and renew the brand and position in the market area
- Further develop an organisation that generates commitment and good performances
- Continuous improvement of efficiency and work processes to create maximum customer value

SpareBank 1 SMN intends to be unquestionably solid with funding that enables it to survive at least 12 months without access to external funding. SpareBank 1 SMN has ample access to deposit financing and aims to continue to increase its market shares in savings and deposits.

Continued growth in market shares

SpareBank 1 SMN leads the market in Trøndelag and in Møre og Romsdal, but sees further potentials for growth in market shares on the retail and corporate front alike. Growth will be achieved by further developing customer portfolios across the group and by increasing the influx of new customers. SpareBank 1 SMN sees potentials in further developing and strengthening the group's position in the larger towns and urban areas and in maintaining a very strong market position in the districts. Skilled advisers that meet customer needs by identifying the right product range and product coverage for the individual customer will promote continued sound growth for SpareBank 1 SMN.

Best for customer experience

A strategic position whereby the Bank is regarded as the best for customer experience is a position that affords competitive power and considerable potential for continued growth.

Coming across as service-minded and enthusiastic

SpareBank 1 SMN sees possibilities for and potentials in enhancing customers' experience of the Bank and their meeting with the Bank's staff. Through the programme "Best for customer experience" we wish to generate a commitment and passion in the organisation that inspires us to turn every point of contact with the customer into an opportunity to confirm and reinforce their choice of SpareBank 1 SMN as their main bank.

Further develop and renew the brand and position in the market area

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

Further develop an organisation that generates commitment and good performances

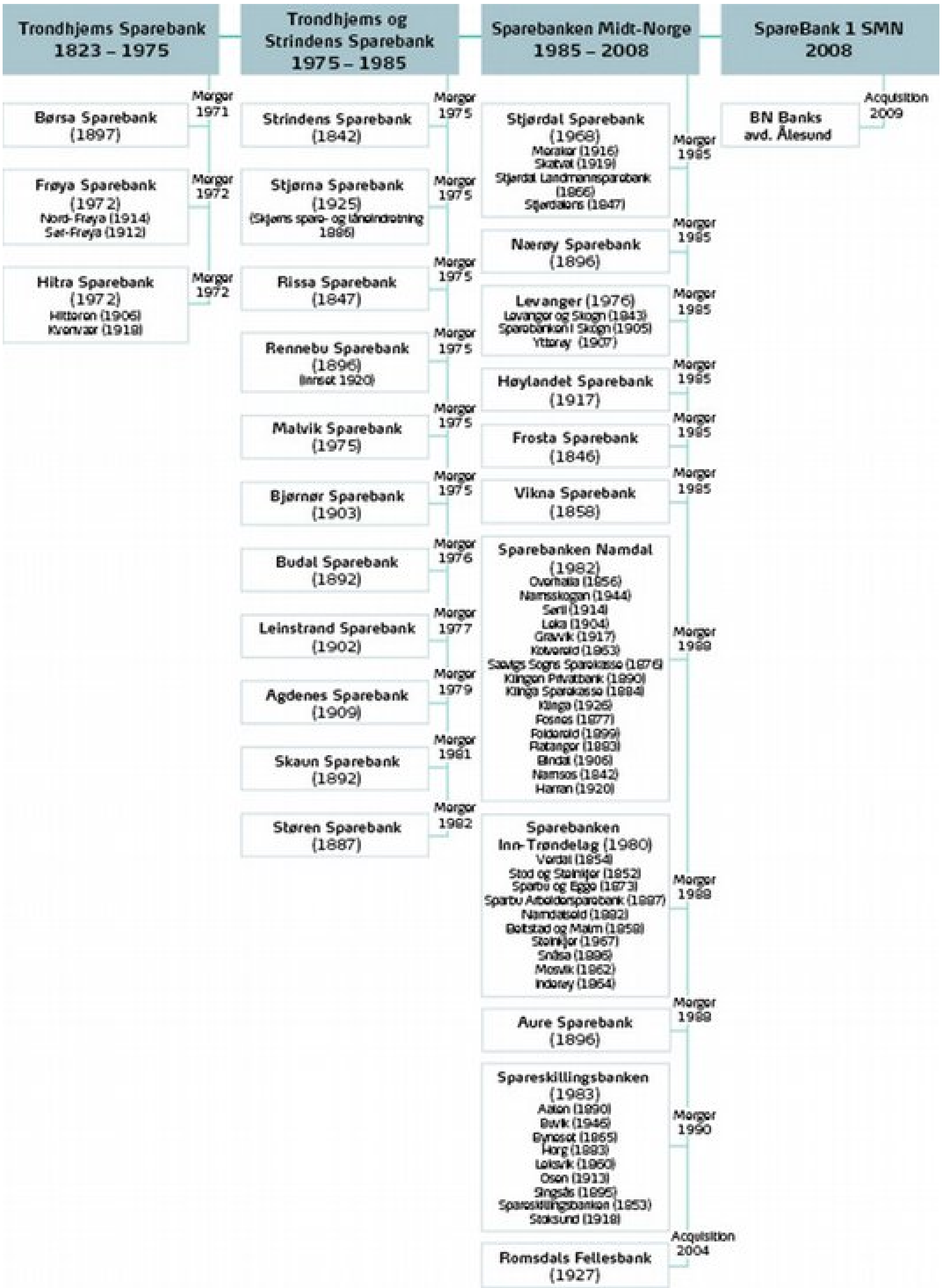
Further development of organisational and managerial capability will be a central area for development in the strategy period. The Bank will further develop customer relationships by highlighting the competence and skills possessed by staff at SpareBank 1 SMN.

Continuous improvement

The group will launch improvement projects designed to create increased value for the customer, shorten delivery times and establish a consistent and predictable customer experience. By intensifying its effort to continuously improve, SpareBank 1 SMN will develop processes to assure a constant effort to create maximum value for its customers.

The story of SpareBank 1 SMN

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



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Business 2014

Statement by the Group CEO

2014 was another good year for SpareBank 1 SMN. The Bank's core business, the bank's subsidiaries and SpareBank 1 Gruppen along with other associated companies all reported a good performance from 2013.

SpareBank 1 SMN achieved a post-tax profit of NOK 1,782m in 2014, an increase of NOK 382m over the previous year. Return on equity was 15.1 per cent, an improvement of 1.8 percentage points from 2013. This is the Bank's best profit performance ever in terms of kroner.

The annual financial statements reflect strengthened core business with increased net interest income and limited cost growth, low loan losses and defaults, high growth in deposits and loans, good return on financial investments and good profit figures for SpareBank 1 Gruppen.

More and more people are turning to SpareBank 1 SMN. In 2014 we acquired 9,700 new retail customers and 1,300 new corporate clients. Growth in the corporate market is somewhat higher than allowed for by the Bank's capital plan. In 2015 we are planning for lower growth that will better reflect the general demand among the Bank's SMB clients.

At the same time we are living up to our ambition to be the best bank as regards losses. In addition to being among the Norwegian banks that incur the very lowest losses and defaults, our ambition involves finding good, socially responsible solutions in demanding situations for our customers. Since the financial crisis in 2008 we have focused even more closely on credit quality because we wish to be well prepared should a weakened economic climate affect our market area. We are still not seeing clear signs of change in the Bank's default figures, but will intensify portfolio monitoring.

In 2014 the Board of Directors and the management team focused on the Bank's capital plan which targets a CET1 ratio of a minimum of 13.5 per cent by 30 June 2016. At end-2014 this ratio stood at 11.2 per cent. The plan to attain this target without launching an ordinary stock issue stands firm. On 24 February this year Finanstilsynet informed the Bank that it was being granted permission to apply the advanced IRB approach to calculate regulatory capital charges for credit risk posed by corporate clients. With this authorisation SpareBank 1 SMN will be able to use internal models to calculate capital to be tied up by such charges. This is a sign of quality and in itself represents a growth of 0.8 percentage points in the Bank's common equity Tier 1 capital.

The Board of Directors adopted new targets for the Bank's cost trend in autumn 2014. This was done to adapt the Bank to a digital world and to strengthen its competitive power. Our new cost strategy aims for zero growth in the Bank's nominal costs in 2015 and 2016. This requires effectiveness and efficiency enhancements at the Bank. The work on continuous improvement is being intensified, and in the course of 2014 we received verification that the majority of SMN's internal labour-intensive work processes can be digitalised. Improving efficiency also means reducing staff levels, and we are in the process of elucidating a new distribution model.

In an increasingly technology-based world, the Bank is standing by its strategy of staying at the forefront of new digital solution developments while at the same time maintaining a network of bank offices staffed by capable and service-minded advisers. Our strategies and our thinking rest on an important precept: that the customer will in the future as in the past prefer access to skilled advisers when this is called for in important situations. The combination of a first-rate digital platform and having the best advisers available to our customers in their own locations will be a winning concept.

Our vision for 2020 is for SpareBank 1 SMN to have in place digital solutions at least on a par with those of our competitors while at the same time offering locally available advisory competence and continuing to demonstrate that we care about businesses, people in general and the wider community and society. This is how we will stand out. This is how we will remain at the forefront in terms of delivering a good customer experience, and this is how we will maintain and further develop a good level of earnings and a good financial position for SpareBank 1 SMN.

Working at an enterprise in a continuous change process is demanding. Reorganisation and staff reductions are painful and can affect the focus on customer and sales. I feel this has not happened in our Group. I commend all my 1200 colleagues at the Parent Bank and subsidiaries for their splendid commitment and firm belief that SpareBank 1 SMN is and will remain the preferred financial services provider in Trøndelag and in Møre og Romsdal.

The Bank anticipates a slight weakening of the economic climate in 2015, driven mainly by lower oil prices and tenuous international impulses to growth. Our market area appears to be less vulnerable than is the case for Norway as a whole. The Bank has only limited credit exposure to oil service related activities, i.e. about 4 per cent of overall outstanding loans. After close scrutiny of this portfolio, no basis has been found either for individual impairment write-downs on exposures to the sector or for changes in collectively assessed write-downs.

We are optimists as regards 2015, and I feel assured that we will attain our objectives for 2020 as well.

Important events in 2014

First quarter

- Profit of NOK 500m after tax in the first quarter 2014
- Supervisory Board sets dividend of NOK 1.75 per EC after 2013
- Bård Benum appointed new deputy chair of the Board of Directors at the Bank, while Janne T. Thomsen becomes a new member of the Board of Directors
- Randi Dyrnes re-elected chair of the Supervisory Board

Second quarter

- Profit of NOK 463m after tax in the second quarter 2014
- The Bank celebrates 150 years' presence in Inderøy municipality
- SpareBank 1 SMN becomes Rosenborg Ballklub's (RBK's) new main sponsor

Third quarter

- Profit of NOK 443m after tax in the third quarter 2014
- The Bank opens a new office at Lerkendal in Trondheim

Fourth quarter

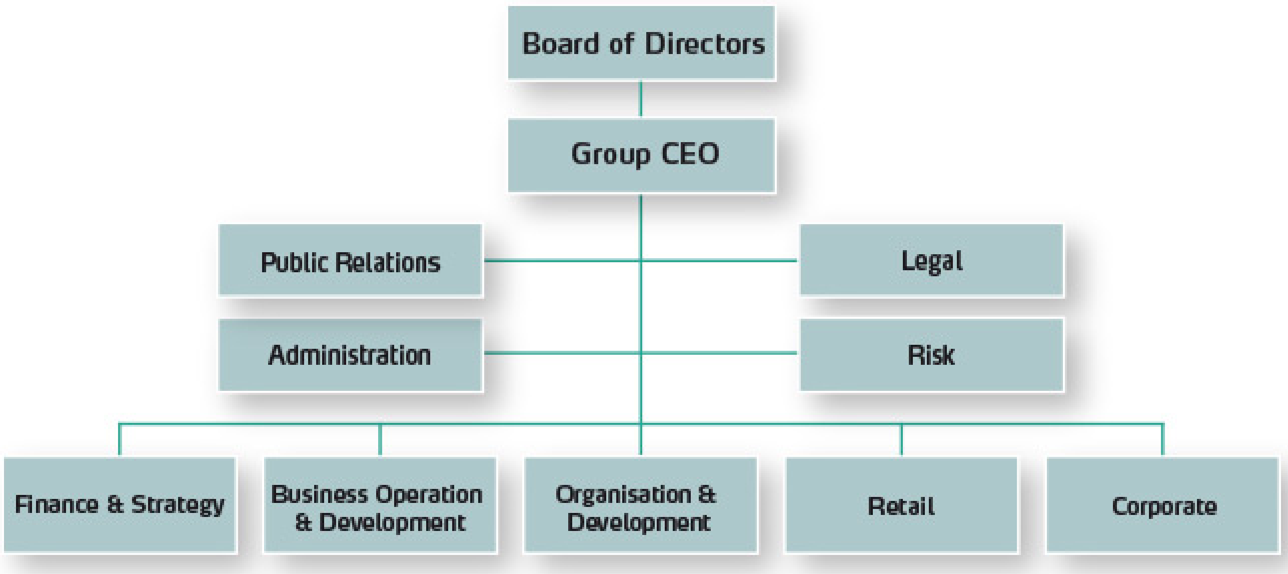
- Profit of NOK 375m after tax in the fourth quarter 2014
- Tæl Prize of Honour awarded to the Opera School in Stjørdal
- Nelly S Maske (39) appointed new executive director at the Bank with responsibility for organisation and development

Business description

SpareBank 1 SMN is the leading bank in Trøndelag and Møre og Romsdal with total assets of NOK 126bn at the end of 2014. The head office is in Trondheim and the group and its subsidiaries employ 1,200 staff. As one of six members of the SpareBank 1 Alliance, the Bank is part of Norway's second largest financial services grouping.

Through the SpareBank 1 Alliance and it's own subsidiaries, SpareBank 1 SMN has secured access to competitive products in the fields of financing, savings and investment, insurance and payment services.

The new model builds on the following structure:



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

SpareBank 1 SMN is present in 48 localities in 42 municipalities. It's presence extends from Øvre Årdal in Sogn og Fjordane in the south to Vikna in Nord-Trøndelag in the north. The Bank's offices service the various customer categories via a variety of office solutions.

SMN Retail

The business
Through its business area SMN Retail, the Bank offers advice to retail customers, farm sector customers, pools/associations and one-person businesses. We offer personal financial advice tailored to customer needs and a broad range of products in our core areas of financing, savings and investment, insurance and payment services. Our products and service concept aim to improve and simplify everyday life for our customers.

Our bank offices are situated throughout our market area, putting our advisers within easy reach of the customer on a face to face or remote basis. The most important banking services are self-service, while the direct bank offers advice to the customer on a remote basis.

At SpareBank 1 SMN we keep a continuous focus on developing our expertise and skills to enable us to meet the demands of today's financial market in the best possible manner. We have a responsibility for ensuring that advice is provided in compliance with legal requirements and good advisory practices, and we aim to give our customers the best possible assistance in their financial everyday life.

Facts as at 31.12.2014	SMN Retail
Loanable capital (NOKm)	78,321
Deposit capital (NOKm)	31,569
No. of multi-relationship customers	201,918

Customers and market position

SpareBank 1 SMN leads the retail market in Trøndelag and in Møre og Romsdal, with a strong position in all product areas and market segments. The region's business sector features a large number of small and medium companies, and the business areas SMN Retail and SMN Corporate work together closely to maintain competitiveness. Despite the intense competition, the Bank shows a positive market trend and growth in volume and customer base.

Financial developments

SMN Retail posted a return of 19.2 per cent on equity in 2014. Overall pre-tax profit was NOK 861m. Operating income and return on equity were down on the 2013 figures due to reduced margins on home mortgage loans and tighter regulatory requirements set by the authorities. Risk in the loan portfolio is generally low, as reflected in continued low losses. Net losses in 2014 totalled NOK 5.5m.

Prospects for 2015

2014 ended well on a highly positive trend with growth in lending to retail customers and the agricultural segment. Housing demand was strong throughout 2014 and we have positive expectations of 2015. The macroeconomy is being closely monitored after a fall in the Norwegian krone exchange rate and a lower oil price than for many years. Over the course of 2014 adjustments were made to come into line with regulatory changes in the European financial sector, and new regulatory requirements were introduced during the year. This has affected profitability and will impact significantly on the Bank's results in 2015.

SMN Corporate

The business

The business area SMN Corporate focuses on financial counselling in the fields of investment and operations financing, domestic and foreign money transfers, fixed income and currency hedging, investment of surplus liquidity and insurance of individuals and buildings/operating equipment. Much of the business is in close cooperation with SMN Retail, SpareBank 1 Markets and with subsidiaries offering leasing, factoring and accountancy services.

The business is physically located across the entire market area to secure proximity to customers combined with satisfactory competence units. The business is skills-intensive, and much emphasis is given to training in practical understanding of business in segments to which the Bank is heavily exposed such as real estate, sea farming, agriculture, fishery, offshore, energy, retail trade and the public sector.

The Bank is IRB approved and uses IRB foundation approaches to compute capital charges and credit risk. IRB approval granted by Finanstilsynet (Norway's FSA) has led to improved scoring models, processes, tools, organisation and – not least – industry competence which ensures sound knowledge and management of the loan portfolio. This will assure that further growth is in keeping with the Bank's responsibility as a regional actor, at the same time as exposed risk is consistent with the Bank's credit policy. Substantial resources are expended, together with the other alliance banks, on continuously improving the scoring models.

Customers and market position

The Bank services 16,000 corporate clients and customers in the public sector. SpareBank 1 SMN has a market share of close to 40 per cent in this segment in Trøndelag and in Møre og Romsdal. The Bank also services a number of customers in business areas such as insurance, capital market, leasing, factoring and accounting. The business sector in Trøndelag and in Møre og Romsdal features a large number of small and medium companies. This structure has a clear impact on the Bank's organisation of its business.

Again in 2014, the Bank held two sizeable business ("NæringsDriv") conferences. The Bank also published its own economic barometer which takes the pulse of the most important business lines and industries in the region and produces economic growth forecasts for the three counties constituting our region.

SpareBank 1 SMN has a clear ambition to retain its position as the region's leading bank for small and medium businesses in Trøndelag and in Møre and Romsdal. Combined with ready access to skilled advisers in the Bank, new digitalised solutions are being developed to facilitate everyday banking transactions and to free up time and resources for provision of good advice and tailor-made solutions in all business areas.

Facts as at 31.12.2014	SMN Corporate
Loanable capital (NOKm)	37,350
Deposit capital (NOKm)	28,052
No. of multi-relationship customers	16,800

Financial developments

SMN Corporate recorded operating income of NOK 1,095m in 2014. The growth in sales of non-life insurance and pension solutions is especially gratifying. More and more businesses are seeing the value of turning to a local provider for all their financial services.

Prospects for 2015

Prospects for 2015 are uncertain and affected by developments in the EU, oil prices and currency turbulence. There are however still positive expectations in the maritime industry, offshore, aquaculture and the fisheries – segments in which SpareBank 1 SMN's market share is growing. The oil price fall has led to lower activity on the Norwegian shelf, with consequent depreciation of the Norwegian krone. Suppliers to the petroleum industry already feel the effects, but the Bank has a broad exposure to less cyclically sensitive industries and is less vulnerable to oil price developments.

The Bank is still prepared to take the action needed to meet any financial challenges that may arise. It is working closely with customers to find solutions that safeguard common interests in the economic situation prevailing at all times. The corporate banking business will accordingly maintain capacity and competence to ensure that the Bank will be readily accessible and a capable provider of financial services in the long term.

Digital trend

The goal is offer customers effective and efficient solutions in their preferred channels. In the years immediately ahead the Bank will invest in the further development and renewal of solutions in digital channels. This will promote greater freedom of choice and customer satisfaction. More and more customers are opting to place their orders/purchases of bank products via digital channels. Digital channel traffic continued to grow strongly in terms of customer numbers and usage in 2014, with the mobile bank showing particularly strong growth figures. There are more logons per month to the mobile bank than to the internet bank, while the internet bank is maintaining stable visiting figures. We note that mobile bank customers are making more frequent use of the Bank and log on up to 20 to 30 times per month. The Bank will do more to develop good models to analyse customer needs and ensure a customer dialogue that is tailored to customer needs and provides the customer with the right content in the right channel at the right time. Investments in system platforms for analysis and customer dialogue will assure the Bank’s ability to contact the customer with greater accuracy and offer the customer relevant solutions in the channels the customer prefers to use to meet his or her needs. Customer needs and customer behaviour will determine the further development of the Bank’s digital solutions. The combination of a strong physical distribution through an efficient branch network and good self-service solutions gives SpareBank 1 SMN a strong strategic position. This provide a robust basis for good customer relationships.

SpareBank 1 SMN Markets

SpareBank 1 SMN Markets has a staff of 34 in the following departments: fixed income/foreign exchange, securities and operations. Operations performs settlement services and control tasks for the Bank in addition to Markets. The corporate business was transferred to SpareBank 1 Markets as from 1 October 2013. SpareBank 1 SMN Markets has a market making unit employed at Head Office in Trondheim which conducts risk operations in fixed income derivatives, forward contracts, forex and securities. This makes it possible to offer customers competitive trade prices without price-raising intermediaries. Activity at the offices in Ålesund is in the hands of customer brokers who primarily provide services in the fixed income and foreign exchange area. Customers in region Romsdal are now serviced by customer brokers in Ålesund following closure of the Molde office.

SpareBank 1 SMN Markets’ ambition is to be the leading capital market operation in Trøndelag and in Møre og Romsdal. This ambition will be achieved through a continuous focus on specialist competence and knowledge of customer needs in close interaction with advisers affiliated to SMN Corporate at the Bank.

In August 2014 it was decided to integrate the business of SpareBank 1 SMN Markets into SpareBank 1 Markets. Integration was effective as from 1 January 2015. The integrated company offers a full range of services to meet the Alliance banks’ and their customers’ need for capital market services.

Customers and market position
Our customers comprise a large number of small and medium businesses situated in Trøndelag and in Møre og Romsdal. Most of them report SpareBank 1 SMN as their main bank. SpareBank 1 SMN Markets also delivers capital market services to customers of eleven SpareBank 1 banks affiliated to Samarbeidende Sparebanker (Samspar). SpareBank 1 SMN Markets strengthened its customer base in 2014 and sees further potentials to strengthen its market position.

Financial developments

SpareBank 1 SMN Markets recorded total income of NOK 82m in 2014, a decline of NOK 18m on 2013. The income decline is mainly due to capital losses in the bond portfolio as a result of increased credit spreads. Incomes from customer trading and risk refinement in fixed income and forex instruments were somewhat lower than in the preceding year. Operating profit in in 2014 was NOK 21.5m.

Prospects for 2015

Positive income effects are anticipated from the integration with SpareBank 1 Markets. This will apply in the fixed income/forex and the securities area alike. We have strengthened advisory capacity by offering risk analysis to fixed income/forex clients. Electronic currency trading was introduced stepwise in the fourth quarter of 2014, and we anticipate increased incomes from clients’ forex trading in 2015.

Affiliates and subsidiaries

The SpareBank 1 Alliance

The Norwegian SpareBank 1 banks operate an alliance and develop products through the jointly owned companies SpareBank 1 Gruppen (the “SpareBank 1 grouping”) and Alliansesamarbeidet SpareBank 1 (“the “SpareBank 1 collaborative alliance").

The SpareBank 1 Alliance is Norway’s second largest financial services grouping. The Alliance consists of independent banks that are fully-fledged providers of financial products and services to private individuals and firms.

The Alliance wants customers to feel that SpareBank 1 is the best in terms of its closeness, local identity and competence. It has an overall workforce of about 6,500, of whom about 1,200 are attached to SpareBank 1 Gruppen and the latter’s subsidiaries.

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

About SpareBank 1 Gruppen

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

SpareBank 1 Gruppen owns 100 per cent of the shares of:

- SpareBank 1 Forsikring (insurer)
- SpareBank 1 Skadeforsikring (mon-life insurer)
- ODIN Forvaltning (fund manager)
- SpareBank 1 Medlemskort
- SpareBank 1 Gruppen Finans
- Conecto

About the SpareBank 1 Collaborative Alliance

The Alliance is owned by the SpareBank 1 banks and SpareBank 1 Gruppen. This company’s mission is to develop and deliver joint IT and mobile solutions, brand-building and marketing concepts, business concepts, products and services, competence, analyses, processes, best practices and procurement. The company also comprises three competence centres: Cash Management in Trondheim, Credit in Stavanger and Training in Tromsø. The following subsidiaries also form part of the Alliance:

- EiendomsMegler 1 Norge (real estate agency)
- SpareBank 1 Kundesenter (customer service centre)
- SpareBank 1 Verdipapirservice (securities services)

Companies directly owned by the majority of the banks and LO with varying holdings:

- Bank 1 Oslo Akershus
- BN Bank
- SpareBank 1 Boligkreditt
- SpareBank 1 Kredittkort
- SpareBank 1 Næringskreditt
- SpareBank 1 Markets

The SpareBank 1 Alliance consists of the following banks:

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

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

BN Bank operates nationwide serving corporate and retail customers. Its strategy is to be a straightforward and effective bank catering to selected segments. In the corporate market BN Bank is a specialist in financing commercial property. In the retail market BN Bank is an offering for customers who prefer simple and efficient banking services. BN Bank is seen to be competent, prompt and predictable. This strategy makes BN Bank the country's most cost-effective bank, a bank that provides its customers with competitive terms and its owners with good return over time.

As at 31 December 2014 BN Bank had 112 FTEs, deposits totalling NOK 14.4bn and loans worth NOK 49bn (including loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt). Total assets of the BN Bank Group at the same point came to NOK 35.8bn. Thanks to its good credit and risk skills, BN Bank was in 2014 granted permission to apply the advanced IRB approach to corporate the exposures of BN Bank ASA and Bolig- og Næringskreditt AS.

Subsidiaries

EiendomsMegler 1 Midt-Norge
The estate agency firm EiendomsMegler 1 Midt-Norge is the leading broker of new and existing homes in Trøndelag and in Møre og Romsdal, and reinforced this position in 2014.

The company delivered in 2014 a profit of NOK 50.9m before tax.

In 2014 the company came second on the Great Place to Work's list of Norway's best employers. The company has a very high customer satisfaction rating, enjoys high preference among housing stakeholders, and can safely vouch for its vision of being Norway's most profitable real estate agency for its customers, staff and owners alike.

EiendomsMegler 1 Midt-Norge's strategy of taking on, developing and retaining the best staff in the business was reinforced in 2014, and person-years worked rose substantially over the year, in keeping with the company's growth strategy.

The company has specialised operations which include separate units for project and commercial property broking. These operations complement its traditional residential estate agency business which performs a specialist function through its local presence, co-located with banking, in various parts of Trondheim and the surrounding district.

EiendomsMegler 1 Midt-Norge sold 6,383 properties in 2014, representing a market share of 38.7 per cent in our region. The company is equipped for continued growth both in profit and in market shares. The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

SpareBank 1 SMN Finans Midt-Norge
SpareBank 1 SMN Finans Midt-Norge is the region's leading finance company and an active partner for businesses and private individuals. The company attaches importance to local competence, and works for greater value creation in Trøndelag and in Møre og Romsdal.

SpareBank 1 SMN offers loans and leasing to businesses along with car loans (vendor's lien) and consumer loans to private individuals. The company services the market through its own sales operation and through the owner banks' offices and other partners.

The company's values are its easy access, prompt response, proactive stance, solution focus and probity.

At year-end the company managed leasing and loan agreements worth NOK 3.6bn. The company has 33 employees in Trondheim, Steinkjer, Kristiansund, Molde and Ålesund. The company posted a profit of NOK 67.9m before tax in 2014.

Structured collaboration with the Bank is reaping results. In 2014 the company substantially expanded its portfolio of vendor's lien loans, and the proportion of customers using our self-service facilities rose steeply. The corporate leasing portfolio also expanded due a number of new large contracts in 2014.

SpareBank 1 Finans Midt-Norge has established a clear vision and strategy as a guide for its activities in the period to 2019.

The company is owned by SpareBank 1 SMN (90.1 per cent), SpareBank 1 Nordvest (4.95 per cent) and SpareBank 1 Søre Sunnmøre (4.95 per cent).

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

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

The company has twelve employees, all working out of Trondheim. The business has high competence and highly motivated staff. In 2014 the company recorded a loss of NOK 24,000 before tax. The company is wholly owned by SpareBank 1 SMN.

SpareBank 1 Regnskapshuset SMN

In 2014 SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 40.5m on a turnover of NOK 182m. With 37 per cent turnover growth, the company has a market share of 11 per cent in Trøndelag. SpareBank 1 Regnskapshuset SMN is now one of the three largest actors in the accountancy business in Norway with 210 staff at year-end.

The company is seeing a growing influx of new customers. In 2014 204 new customer agreements were established. While the bulk of the growth is in the corporate market, new customers are also noted in the following customer segments: farming, housing cooperatives/co-ownerships and pools/associations.

Over the course of 2014 the senior management was strengthened, and the company increased its development capacity. The company has a strong ambition for further growth in the period to 2020, and in 2014 established its new vision to be the accounting firm of the future. New core values have been implemented.

In 2014 the company acquisition GWG Regnskap & Admin AS was absorbed into SpareBank 1 Regnskapshuset SMN. In the current year the company has taken over the customer portfolio and staff of Trønder Regnskap & Data and acquired all the shares of Merkantilservice, Vekstra Rørvik and Økopartner Ålesund. These businesses are to be integrated into SpareBank 1 Regnskapshuset SMN in 2015.

In 2014 SpareBank 1 Regnskapshuset SMN sold its 40 per cent stake in SpareBank 1 Regnskapshuset Østlandet. SpareBank 1 Regnskapshuset SMN holds 50 per cent of the shares of Leksvik Regnskapskontor.

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

Allegro Kapitalforvaltning

Allegro Kapitalforvaltning, headquartered in Trondheim, is the largest management company in the region. The company is owned by SpareBank 1 SMN (90.1 per cent) and the Reitan Group (9.9 per cent). The company is licensed to carry on active asset management. It manages assets for external public, private and institutional clients. The company’s services are sold exclusively through external distributors that are licensed to engage in such activity. The company has distribution agreements with a number of banks in the SpareBank 1 Alliance.

The company has 11 employees and assets totalling a little over NOK 4bn.

The company primarily offers management services designed to capture the effect of changes in market conditions. Hence the portfolio array mainly comprises asset allocation portfolios, where the company has the largest business volume. The company's allocation portfolios performed better than their benchmarks in 2014.

The accounts show a profit of NOK 2.6m before tax.

SpareBank 1 SMN Card Solutions

SpareBank 1 SMN Card Solutions sells and administrates prepaid cards based on the Visa and MasterCard payment networks. The company is a wholly-owned subsidiary of SpareBank 1 SMN and operates under the trademark SpendOn in Norway and Sweden.

The company sells its payment products and services principally through convenience stores and grocery stores in Norway and Sweden.

The company delivered a profit of NOK 13,000 before tax in 2014.

SpareBank 1 SMN Invest
SpareBank 1 SMN Invest's vision is to be a preferred partner in the capitalisation of local equity funds and single investments, and thereby contribute to regional value creation in the same market area as the Bank. SpareBank 1 SMN Invest will contribute capital, network and competence.

The company's strategy is to carry out investments in regional seedcorn, venture and private equity funds and to invest directly in growth companies with national/international market potential in the same market area. By this means the company will contribute competence-based jobs, attractive new customers for the Bank and regional value creation. It will in addition facilitate an increased supply of risk capital to the region in collaboration with the business area Corporate Banking and SpareBank 1 SMN Markets as well as positioning ahead of stock exchange listings.

The company has two employees in Trondheim. The business has highly qualified staff and ample competence. The company reports a profit of 1.7m before tax for 2014.

Property companies
SpareBank 1 SMN Kvartalet has as its mission to own, develop and manage real property. The company was in charge of the construction of SpareBank 1 SMN's new head office in Søndre gate, Trondheim. The building was completed on 20 October 2010. The new head office is a low energy building certified in energy class A.

SpareBank 1 Bygget Steinkjer has as its mission to own and manage the new bank building on the station site in Steinkjer. The company completed in May 2012 a new office building of about 1,800 sq.m.for the Group in Steinkjer. The building is on lease to SpareBank 1 SMN which subleases it to EiendomsMegler 1 and SpareBank 1 Regnskapshuset SMN.

Brannstasjonen SMN has as its mission to own, develop and manage property. The company acquired Trondheim Brannstasjon (fire station) at Kongens gate 2 from the City of Trondheim. The building was erected in two stages in 1943 and 1948/49 with a total area of about 5,733 sq.m. distributed over eight floors, of which two floors are below ground. After partitioning, the owned site measures about 900 sq.m. The fire station is classified as a building of high antiquarian value. The property will be rehabilitated to a modern office/commercial building standard. A turnkey contract has been signed for renovation of the property with completion scheduled for August 2016.

St Olavs Plass 1 SMN was founded for the purpose of owning, developing and managing property. The company acquired the St Olavs Plass 1 property in Ålesund in October 2012. The building measures about 3,979 sq.m. distributed over six floors, of which one floor is below ground. The building was erected in 1907 and extended in 1963 and 1996. In addition to SpareBank 1 SMN, the following undertakings are tenants in the building: Innovation Norway, Salmar Sales and Golden Energy Offshore Management.

Jernbanegata 19 SMN has as its mission to own, develop and manage property. The company acquired the property in September 2013. The building measures 2,407 sq.m. distributed over four floors, of which one floor is below ground. The building was erected in 1983. In addition to SpareBank 1 SMN, the following are tenants in the building: Attorney-at-Law Marcus Amdahl, Dental Practitioner Kjetil Kroglund, Dental Practitioner Otto Indgul and Dental Practitioner Unni Walberg.

SpareBank 1 Bygget Trondheim owns, operates and leases parts of the property at Søndre gate in Trondheim. Parts of the building are leased to SpareBank 1 SMN which it turn subleases to EiendomsMegler 1 Midt-Norge, SpareBank 1 SMN Markets, SpareBank 1 Bygget Trondheim and SpareBank 1 Regnskapshuset SMN. The company operates a dedicated conference centre and is responsible for the staff canteen and the reception at the Head Office.

Corporate social responsibility

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

Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3 which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. By this means we ensure that ethics, the environment and important social issues are on the agenda throughout.

Through the Bank's gift fund we have for many years returned funds to the region of which we are a part. We can mention grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development in Trøndelag and in Møre og Romsdal.

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

The three-part bottom line

Solid banking creates a foundation for responsible social development. We seek a balance between the financial, social and environmental aspects of the three-part bottom line. Under each theme we have defined key areas in which specific initiatives have been developed.

CSR status and goal achievement 2009 - 2014

	2009	2010	2011	2012	2013	2014
Strategy/financial						
Group strategy	Continued	Continued	Continued	Continued	Continued	Continued
Develop CSR strategy	Continued	Continued	Continued	Continued	Continued	Continued
Pre-tax profit (NOKm)	1,147	1,282	1,279	1,355	1,758	2,143
Total assets (NOKm)	84,541	97,992	101,455	107,919	115,630	126,047
Return on equity	16.2 %	14.6 %	12.8 %	11.7 %	13.3 %	15,1 %
CET1 ratio	7,8 %	9,3 %	8,9 %	10,0 %	11,1 %	11,2 %
No. of ECs issued (millions)	82.78	102.74	102.76	129.83	129.83	129.83
Quoted price 31.12	45.06	49.89	36.31	34.80	55.00	58.50
Market capitalisation (NOKm) 31.12	3,749	5,124	3,731	4,518	7,141	7,595
Direct return	4.6 %	5.6 %	5.1 %	4.3 %	3.2 %	3,8 %
No. of owners	9,500	9,654	9,532	9,749	8,741	8,398
Society/social conditions						
No. of FTP equivalents	805	793	794	819	758	753
Sickness absence	4,22 %	4,00 %	4,00 %	4,60 %	4.08 %	3,20 %
Women's share of workforce	51.5 %	51.0 %	52.0 %	51.9 %	51.0 %	48,0 %
Women's share of senior positions	28.0 %	28.0 %	27.0 %	28.7 %	31.6 %	32,0 %
Average age	45 yrs	46 yrs	46 yrs	46 yrs	46 yrs	46 yrs
Employee satisfaction	75	I/T	715*	730*	756*	768*
Agreement on inclusive employment	Continued	Continued	Continued	Continued	Continued	Continued
Strategy on life phase policy	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices	56	54	54	51	50	48
No. of customers	194,000	194,500	196,500	200,900	201,500	203,000
Share allocated to culture	24 %	22 %	24 %	17 %	21 %	28 %
Share allocated to sports	20 %	23 %	23 %	21 %	15 %	26 %
Share allocated to humanitarian work	4 %	6 %	6 %	12 %	5 %	7 %
Share allocated to business development	52 %	43 %	38 %	35 %	59 %	39 &
Environment						
Purchase of paper (tonnes)**	35.90	39.10	35.70	26.90	35.80	26.50
Energy consumption (kWh)	6,580,000	7,004,400	6,900,500	6,135,000	6,134,600	5,965,100
No. of flights	3,585	3,816	3,910	3,524	3,517	3,626
E-waste return scheme (tonnes)	2.90	3.43	3.40	3.25	3.10	3,15
Waste sorting at source	Continued	Continued	Continued	Continued	Continued	Continued
Printer and toner return scheme	Continued	Continued	Continued	Continued	Continued	Continued
No. of videoconferencing rooms	6	6	8	10	10	10
Strategy/action plan for energy and the environment at the new head office	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices certified under the 'Environmental Lighthouse' scheme	1	1	2	4	4	15

* New system for organisational analysis as from 2011

Ethics

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

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

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

- The ethical guidelines are a part of the staff handbook, and thus a part of the employment contract
- The ethical guidelines are reviewed, with pertinent examples presented for discussion by all new staff
- Ethics is a compulsory module at the Bank's educational facility and a test must be passed by all staff once every three years

Organisation and staff

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

SpareBank 1 SMN has relatively low rate of sickness absence, 3.2 per cent in 2014, and we believe this can to some extent be ascribed to staff that are motivated by challenging and stimulating work at the same time as many stay in shape through various forms of physical activity.

We have a good gender and age balance. The Bank is working to raise the proportion of women in senior positions. In 2014 women held 32.0 per cent of senior positions compared with 31.6 per cent in 2012.

The Group has established a robust framework in the organisational area:

- staff handbook, health, environment and safety (HES) handbook, inclusive employment agreement
- internal committees fixed by agreement: liaison committee, appointments committee and negotiating committee
- ethical guidelines, procedure for reporting concerns and procedure for handling conflicts
- induction programme and gatherings for new staff members
- targeted competence development through adviser training and the educational facility
- framework for personal professional development sessions
- annual staff survey and follow-up
- phase-of-life policy

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

Corruption and internal illegalities

Corruption is defined as giving/offering or demanding/receiving/accepting an improper advantage in relation to a position, office or assignment.

Internal illegalities include acts whereby a staff member, substitute, elected officer or member of a governing body of SpareBank 1 SMN knowingly and unjustifiably commits an act that leads to personal or financial gain for the individual concerned or for others. This may be by means of embezzlement, theft, forgery, breach of financial trust, fraud, selling information or withholding information. Irregularities can include breaches of applicable instructions, code of ethics, procedures, authorisations or agreements.

The Group's sanctions system is designed to assure uniform responses, reporting, archiving and follow-up of censurable circumstances among staff across the Group. The object of the sanctions system is to have in place an effective set of rules that ensures compliance with the established code of business conduct while safeguarding staff members' security under the law.

Disclosure of corruption and other illegalities at an enterprise is generally known as whistleblowing. Everyone has a social responsibility and no-one should keep quiet about criminal offences. SpareBank 1 SMN has a keen awareness of this issue and takes precautionary measures against, and uncovers, cases of corruption and illegalities and investigates any suspicion of illegality or wrongdoing.

Money laundering and financing of terrorism

SpareBank 1 SMN works systematically to uncover and combat economic crime. The know-your-customer principle is widened in the new money laundering legislation to include both know-your-customer and know-your-customer's business. This means that we as a financial institution are required to know what transactions are normal for the particular customer to carry out if we are to be able to uncover unusual or suspicious transactions. Requirements on financial institutions are tightened with regard to identity verification and customer due diligence and to recording information about the customer.

Authorities, customers and competitors must have confidence in SpareBank 1 SMN's professionality and honesty. By maintaining vigilance at all levels of the organisation we make our contribution to ensuring that products and services are not exploited to criminal ends, including money laundering and terrorist financing. We are required to investigate all suspicious transactions. These are handled by a dedicated system and are reported under special criteria to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). Authorities both nationally and internationally have sharpened their focus on economic crime and financing of terrorism, and further requirements are anticipated for the financial industry.

As an institution subject to the reporting obligation, SpareBank 1 SMN is required to make a concrete review of the risk of money laundering and terrorist financing facing its business. The risk analysis is revised annually. For the year 2014 the risk of money laundering and terrorist financing to SpareBank 1 SMN is considered to be at a moderate/low level given the procedures and measures established by the Bank. The internal procedures ensure that SpareBank 1 SMN complies with all relevant rules related to anti-money laundering and anti-terrorist financing measures, and all procedures have been prepared against the background of a concrete risk-based review of the business.

As required by the legislation, SpareBank 1 SMN has designated an anti-money laundering officer within the Group management team. The day-to-day central exercise of this function and the associated reporting is assigned to the Security Department. The Bank has also established an internal anti-money laundering group drawing staff from all relevant customer segments and areas of the banks business.

Staff members are required at specific intervals to undergo mandatory e-training with regard to money laundering and terrorist financing. The Security Department held 28 courses for a total of 331 staff as part of their training in combating various forms of economic crime.

Environment

The Group implements measures designed to reduce consumption of energy, paper and other resources. We are also reducing resource-demanding travel by replacing travel with video conferencing. Handling of e-waste and purchase of environment-friendly solutions also receives much attention. The Bank strives throughout to ensure the right procurement of technological equipment, and to this end includes energy and environmental requirements as specific assessment criteria. This is set out in a procurement guide, and our Environmental Lighthouse action plans

All technological equipment is handled as special waste, and is delivered to an approved e-waste disposal facility. In 2014 a good three tonnes of technological waste were delivered to such a facility. Increased use is made of electronic work processes, and the introduction of new copy and print solutions has reduced paper consumption. The growing use of electronic processes imposes greater demands on safety and personal protection. The following measures are being put in place to ensure a focus on, and competence in, safety.

- Regular internal safety courses
- National safety exercises (disaster preparedness exercises)

SpareBank 1 SMN made 3,626 business trips in 2014 compared with 3,517 in 2013. Despite increased customer activity and the Bank’s involvement in committees and projects under the auspices of the SpareBank 1 Alliance, air travel is on a stable trend. Videoconferencing, telephone conferencing and digital tools to support teamworking and knowledge sharing are on the increase. We also encourage employees to take public transport or, preferably, to walk or cycle to and from work. Paper consumption was reduced by 25 per cent from 2013 to 2014.

Very low energy consumption at the new head office

SpareBank 1 SMN relocated to its new head office in autumn 2010. Our energy consumption and indoor climate targets were ambitious. The energy consumption target for the new office premises section of the building was 85 kWh per square metre per year. This target was met by an ample margin in the first year. After three years of operation, energy consumption in this section was 77 kWh per square metre, which is far below the limit of 144 kWh per square metre set by the authorities. Concrete measures to reduce energy consumption in 2014, along with lower winter temperatures, have enabled an overall saving of some 170,000 kWh compared with 2013. Consumption in the offices premises section stands at about 60kWh. The reasons for the low energy consumption are numerous and complex, but the main individual factors are:

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

Work on energy-reducing measures is in progress at all offices undergoing environmental certification.

Environmental lighthouse

SpareBank 1 SMN has opted for certification under 'Environmental Lighthouse', a national certification scheme catering to the private and public sectors. We gain certification under the head office model. At the start of 2014 the Trondheim head office and the offices in Ålesund, Stjørdal and Steinkjer were certified. A further 11 offices are now certified. Our subsidiaries SpareBank 1 Finans Midt-Norge and SpareBank 1 Bilplan are also certified. This means that offices in which about 700 staff work on a daily basis are now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. Certification of a further 11 offices starts in 2015. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS ("Green Dot Norway plc").

SpareBank 1 SMN's monetary gifts

Contributions to the community and society should be non-profit and benefit as many as possible. We consider it highly important that our contributions should build, support and develop the region. We contribute competence and capital to enable the creation of new value and to make the region an attractive place to live.

- We work to bring together individuals, ideas and resources in a process that fosters value creation
- We supply capital to activities that promote social objectives

We impose the same ethical and environmental demands on our partners as on ourselves. In processes, and in the case of awards of some size, written agreements are established to ensure that our social requirements are complied with. Our main focal areas are the following:

Business development:

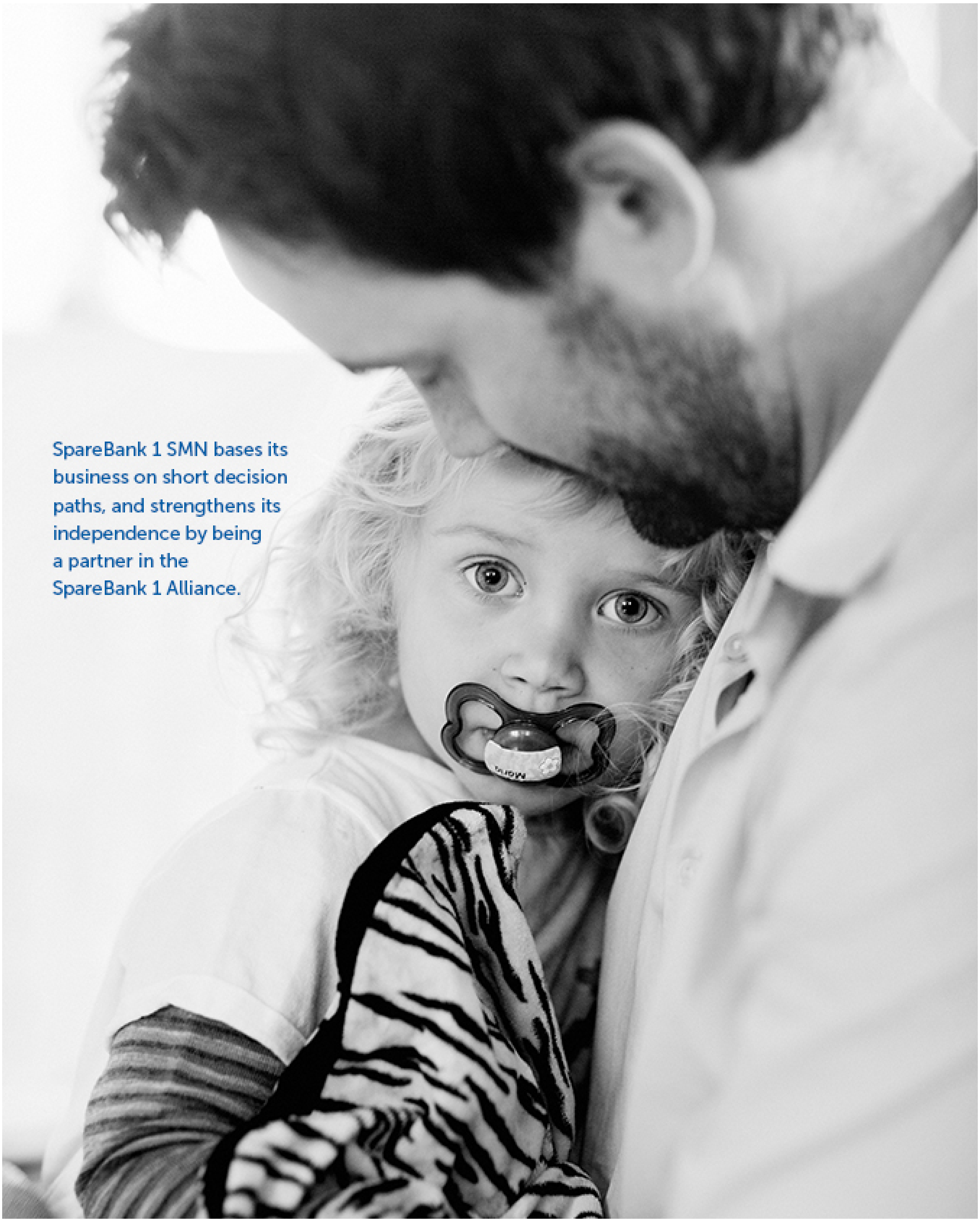
- innovation
- competence transfer to the region's business and industry
- assisting infrastructure development
- developing entrepreneurship
- start-up assistance (seedcorn and venture capital)

Culture/sports:

- special focus on children and young people
- helping to strengthen the region's identity and historical foundation based on the St. Olav tradition and legacy
- helping to stimulate talented individuals, young people and enthusiasts in the spheres of culture and sports, in particular through the Tæl Prize of Honour

SpareBank 1 SMN disbursed just over NOK 50m to non-profit causes in 2014.

Governance


SpareBank 1 SMN bases its business on short decision paths, and strengthens its independence by being a partner in the SpareBank 1 Alliance.

Group management

Finn Haugan (1953)

Group CEO

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

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

Chairman of BN Bank, Deputy Chairman of Finance Norway (FNO) and Board member of Norwegian Savings Banks Association. Board member of SpareBank 1 Gruppen, NETS and Bank 1 Oslo Akershus. Chairman of EiendomsMegler 1 Midt-Norge, SpareBank 1 Markets, Fotograf Schrøders Stiftelse and chairman of the Supervisory Board of Selskabet for Trondhjems Bys Vel.

Vegard Helland (1975)

Executive director – SMN Corporate

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

Joined SpareBank 1 SMN in 2003. Primarily responsible for major clients. Head of the SpareBank 1 SMN's Corporate market Division since August 2010. Head of the SpareBank 1 SMN's group credit committee since 2007. Previously with KPMG and the Centre for Aquaculture and Fishery.

Chairman of SpareBank 1 Finans Midt-Norge and board member of SpareBank 1 Gruppen Finans, Conecto and Mavi XV. Alternate board member of SpareBank 1 SMN Card Solutions.

Kjell Fordal (1957)

Executive Director – Finance and Strategy

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

Joined SpareBank 1 SMN in 1982.

Chairman of SpareBank 1 Regnskapshuset SMN, SpareBank 1 SMN Pensjonskasse, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt, SpareBank 1 SMN Invest, GMA Invest and Prøven Eiendom. Board member of SpareBank 1 Markets, SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt and SpareBank 1 Kredittkort.

Nelly S. Maske (1975)

Executive director – Organisation and Development

Joined SpareBank 1 SMN in 2013.

Master of Science from South Bank University in London 2000, Bachelor's degree in business and administration from Sør-Trøndelag University College (previously TØH) 1998.

Broad experience from the professional services firm Ernst & Young, latterly as director at Ernst & Young Advisory from 2010 to 2013.

Wenche Margaretha Seljeseth (1964)

Executive Director – Product, Processes and Production

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

Joined SpareBank 1 SMN in 2008. Executive Director in 2011. Various senior positions with Vital Forsikring and Gjensidige.

Board member of SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, SpareBank 1 Bilplan, Allegro Kapitalforvaltning and Brannstasjonen SMN.

Svein Tore Samdal (1971)

Executive Director – SMN Retail

Master's degree in Political Science, Norwegian University of Science and Technology (1999).

Joined SpareBank 1 SMN in 2013. Has held senior positions at Eiendomsmegler 1 Midt-Norge since that firm in 2006. Previously Sports Director of the women's national cross-country ski team at the Norwegian Ski Federation, 2001-2006.

Board positions with Aktimed Nord-Trøndelag, Retro, Lounge and KG Treningssenter.

Board of Directors

Kjell Bjordal (1953) Board Chairman

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

Board member since 2007 and board chair since 2013. Member of the remuneration committee since 2012 and chair since 2013.

Self-employed.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. Finance director and CEO of the Glamox Group, CEO of NorAqua and director of Trøndelag Theatre. Chairman of Axess, Brødrene Dyrøy, Norsk Landbrukskjemi. Board member of Entra Eiendom, Pharmaq and Florvaag Bruk Holding.

Attended 19 of 19 meetings of the Board of Directors in 2014.

Bård Benum (1962) Vice-chairman

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

Board member since March 2009 and vice-chairman since 2013. Member of the Audit comitee (of the Board) since 2009 and mebmber of the Risk comitee (of the board 2013).

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

Attended 17 of 19 meetings of the Board of Directors in 2014.

Paul E. Hjelm-Hansen (1962)

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

Board member and chairman of the Audit Committee (of the Board) since 2008. Head of the Risk Committee (of the Board) since 2013.

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

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

Attended 19 of 19 meetings of the Board of Directors in 2014.

Arnhild Holstad (1963)

Cand.mag degree and journalist.

Board member since 2010.

Communication manager at Statskog since 2007. Political adviser at the Ministry of Labour and Social Inclusion (2005-2007). Project manager at Olav Duun Innovasjon (2003-2005). Journalist with the Namdalsavisa newspaper (1991-2003). Refugee advisor, Aukra municipality (1988-1989). Teacher at Oppegård upper secondary school (1987-1988).

Board member of NTE Holding.

Attended 17 of 19 meetings of the Board of Directors in 2014.

Aud Skrudland (1959)

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

Board member since 2010. Member of the remuneration committee since 2012.

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

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

Attended 17 of 19 meetings of the Board of Directors in 2014.

Morten Loktu (1960)

Master of Science, Norwegian University of Science and Technology (1984).

Board member since 2013. Member of the remuneration committee since 2013.

Area director, Statoil's production and development activity off Mid-Norway. Joined Statoil in 1985 and has held various posts including in research and development. In charge of Statoil's technology organisation 2000-2002. Senior Vice President, research and development at Statoil, 2005-2010.

Group CEO, SINTEF Group, 2002-2004. Previously board member at the Norwegian University of Science and Technology, board member at Rosenborg Ballklub, RBK.

Attended 16 of 19 meetings of the Board of Directors in 2014.

Venche Johnsen (1952)

Varied education at Bankakademiet and at university college level.

Board member since 2004.

Group employee representative at the Finance Sector Union's branch at SpareBank 1 SMN. 36 years' experience in various positions with SpareBank 1 SMN.

Attended 18 of 19 meetings of the Board of Directors in 2014.

Janne Thyø Thomsen (1957)

Education in economics and law.

Board member since 2014.

Consultant and adviser at JT Targeting in Denmark. Previously senior vice president at Moody's rating agency from 1997-2012. Prior to that with Yamaichi International (Europe) Limited from 1987-1995, with the Ministry of Finance, Government Debt Office from 1984-1987 and with the Export Credit Council, Ministry of Industry from 1981-1984.

Attended 14 of 14 meetings of the Board of Directors in 2014.

Erik Gunnes (1966)

Three-year business school. Bank-related training at Bankakademiet and BI Norwegian Business School.

Alternate Board member since 2014. Regularly attending alternate for the employees.

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

Board member of the Finance Sector Union in Trøndelag 2010-2010.

Attended 13 of 14 meetings of the Board of Directors in 2014.

Elected officers

Supervisory Board

Members elected by the equity certificate holders	Residence	Number of equity certificates held*
Asbjørn Tronsgård	Sunndalsøra	37,222
Anne-Brit Skjetne	Levanger	3,972,032
Berit Tiller	Trondheim	1,039
Jorunn Skjermo	Trondheim	0
Lars Bjarne Tvete (deputy chair)	Trondheim	1,600
Marit Collin	Trondheim	3,555
Odd Reitan	Trondheim	0
Stig Jakobsen	Angvik	21,991
Thor Arne Falkanger	Trondheim	209,255
Thor Christian Haugland	Stavanger	153,970
Torgeir Svae	Oslo	2,736,435
Widar Slemdal Andersen	Rælingen	13,886
Kjell Hagan	Trondheim	150
Ragnhild Tokstad Bergsmyr	Trondheim	200
Therese Bjørstad Karlsen	Trondheim	170
Knut Vardal	Ålesund	62,400
Egil Stenshagen	Oslo	721,384

Members elected by the depositors	Residence	Number of equity certificates held*
Anne Lise Aunaas	Trondheim	0
Jan-Yngvar Kiel	Trondheim	0
Leif Helge Kongshaug	Averøy	0
Marit Dille	Kolvereid	700
Randi Bakken	Trondheim	0
Randi Borghild Dyrnes (leder)	Molde	0
Aage Rostad	Verdal	2,494
Ingunn Kjeldstad	Levanger	7,713

Members elected by the county councils	Residence	Number of equity certificates held*
Anne Sophie Hundstad	Trondheim	0
Elin Agdestein	Steinkjer	0
Gunn Iversen Stokke	Buvik	0
Hans Martin Storø	Nærøy	9,728
Jonny Meland	Sunndalsøra	0
Torgeir Dahl	Molde	0
Torhild Aarbergsbotten	Brekstad	0
Trine Hallem	Verdal	0

Members elected by the employees	Residence	Number of equity certificates held*
Alvhild Skogmo Jensen	Namsos	2,000
Ann Kristin Leirvik Sletnes	Torvikbukt	3
Ellinor Finserås	Trondheim	601
Linda Leer	Trondheim	2,357
Rolf Bratlie	Trondheim	1,963
Oddbjørn Kulseth	Stjørdal	7,293
Hege Karina Bøe	Molde	1,560
Randi Selnes Herskedal	Fræna	8,343
Anders Skrove	Steinkjer	458
Bjørn Larsen	Trondheim	2,426

Board of Directors

	Residence	Number of equity certificates held*
Kjell Bjordal, chair	Molde	100,000
Bård Benum, deputy chair	Trondheim	0
Arnhild Holstad	Namsos	0
Aud Skrudland	Averøy	2765
Morten Loktu	Trondheim	5,000
Paul E. Hjelm-Hansen	Trondheim	49,219
Venche Johnsen	Trondheim	24,716
Janne Thyø Thomsen	Danmark	0
Bente Karin Trana (alternate)	Steinkjer	0
Erik Gunnes (alternate)	Trondheim	230
Pål Hofstad (alternate)	Verdal	0

Control Committee

	Residence	Number of equity certificates held*
Terje Lium	Trondheim	0
Anders Lian	Trondheim	0
Terje Ruud	Trondheim	0

Election Committee

	Residence	Number of equity certificates held*
Lars Bjarne Tvete	Trondheim	1,600
Jonny Meland	Sunndalsøra	0
Marit Dille	Kolvereid	700
Alvhild Skogmo Jensen	Namsos	2,000

* Number of equity certificates held as of 31 December 2014 includes equity certificates held by the EC holder's related parties, by companies under the EC holder's control and by companies on whose behalf the EC holder is elected.

Corporate governance

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

Each year SpareBank 1 SMN reviews its corporate governance policies and how they function across the Group. SpareBank 1 SMN presents – in accordance with the Accounting Act (Regnskapsloven) section 3-3b and the Norwegian Code of Practice for Corporate Governance – a report on its policies and practice for corporate governance.

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

The report on corporate governance policies and practice pursuant to the first paragraph must at least contain the following information:

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

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

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

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

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

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

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

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

Norwegian Code of Practice for Corporate Governance
The following explains how the 15 points set out in the Norwegian Code of Practice for Corporate Governance of 30 October 2014 are complied with at SpareBank 1 SMN.

Report on corporate governance

(point 1 of the Code of Practice)

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

The Code of Practice applies to the extent appropriate to savings banks with equity certificates. Any deviations are explained below.

SpareBank 1 SMN has adopted a corporate governance policy, and will further develop this policy within the framework of applicable laws and in keeping with recommendations emanating from influential sources.

Through its corporate governance policy the Bank aims to assure sound management of its assets and give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance at SpareBank 1 Midt-Norge encompasses the values, goals and overarching policies by which the Bank is governed and controlled with a view to securing the interests of EC holders, depositors and other stakeholder groups in the Bank. The Bank adheres to the “Norwegian Code of Practice for Corporate Governance” to the extent appropriate to savings banks with equity certificates. The Code of Practice is available at nues.no.

The Bank gives special emphasis to:

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

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

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

SpareBank 1 SMN wishes to contribute to sustainable social development through responsible business activities which includes safeguarding ethical, environmental and social considerations. To that end SpareBank 1 SMN has drawn up a separate strategy for administering the Bank's corporate social responsibility.

Corporate social responsibility is an integral aspect of the Bank's operations and is expressed through the strategies, measures and activities the Bank plans and executes. Corporate social responsibility is expressed through the way we manage the resources we dispose over and through our dialogue with employees, owners, customers, local communities and other stakeholders. Further, a procurement strategy has been established setting out the ethical framework, requirements on suppliers and the criteria applied by the Bank when making purchases.

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

Deviations from point 1 of the Code of Practice: None

Operations

(point 2 of the Code of Practice)

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

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

It is important that our customers should view us as close at hand and capable. That means being close to our customers through personal contact and taking the initiative to meet the customer with the best advice and products as well as being a pro-active mainstay in the region. Capableness entails offering a broad range of products that is right for the times, and having a professionally competent staff with high quality skills. We strive for high ethical standards in everything we do and want our customers to feel that their need for financial advice and services is met in a professional and expert manner.

Deviations from point 2 of the Code of Practice: None

EC capital and dividends

(point 3 of the Code of Practice)

The Board of Directors continuously assesses the capital situation in light of the company's goals, strategy and desired risk profile. As at 31 December 2014 SpareBank 1 SMN's equity capital totalled NOK 12.5bn**.** As of the same date the Tier 1 ratio was 13.0 per cent and the common equity tier 1 (CET1) ratio was 11.2 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report, and for a further account of the rules governing capital adequacy and the principles on which SpareBank 1 SMN bases its assessment of capital need, see the Group's Pillar 3 report published at smn.no, and the chapter dealing with risk and capital allocation in this annual report.

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

The net profit for the year will be distributed between the owner capital (the EC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital.

SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to the foundation Sparebankstiftelsen SMN. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, of external framework conditions and of the need for tier 1 capital. The Bank's Supervisory Board sets the annual dividend payout based on the Board of Directors' recommendation. The dividend policy is available at the Bank's website.

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

Acquisition of treasury equity certificates
SpareBank 1 SMN's Board of Directors are authorised to buy treasury ECs for up to 10 per cent of the Bank's owner capital, and such purchases must be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the Bank and/or in which it has a consensual security interest may not exceed 10 per cent of the Bank's owner capital. Each EC may be bought at prices between

NOK 1 and NOK 200. The authorisation is valid for 13 months as from the adoption of the resolution at the Supervisory Board's meeting on 26 March 2014.

Increase of capital
Authorisations to the Board of Directors to increase the Bank's EC capital are given for specific and defined purposes. As at 31 December 2014 no authorisation is available to the Board of Directors to increase the capital of SpareBank 1 SMN.

Deviations from point 3 of the Code of Practice: None

Non-discrimination of shareholders and transactions with related parties

(point 4 of the Code of Practice)

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

In the event of an increase of capital, existing EC holders have pre-emptive rights unless special circumstances indicate that this rule should be deviated from. Any such deviation will be explained. SpareBank 1 SMN has at irregular intervals launched private placings with the employees, and such increases of capital have been designed to strengthen employees' ownership of the Bank and interest in the Bank's capital instrument. Any exercise of the Board of Directors' authorisation to acquire treasury certificates must made by trading on the securities market via the Oslo Stock Exchange.

Transactions with related parties
Under instructions in force for the Board of Directors, a director is barred from participating in the consideration of, or decision in, any matter whose significance to himself or to any related party is such that the director is to be regarded as having, directly or indirectly, a particular personal or financial interest in that matter. The same follows from the SpareBank 1 SMN's ethical guidelines. Each director is obliged to personally verify that he or she is not disqualified from participating in the treatment of a matter.

Any agreement between the Bank and a director or the Group CEO must be approved by the Board, as must any agreement between the Bank and a third party in which a director or the Group CEO has a particular interest. Directors are required to disclose on their own initiative any interest the individual or related party concerned may have in the decision taken in a matter. Unless the director him/herself opts to step back from the consideration or decision of a matter, the Board shall decide whether or not the director shall step back. In the assessment due importance must be given to all forms of personal, financial or other interests on the part of the director and to the Bank's need for public confidence in its business activity. The Board's assessments of legal (in)capacity must be duly recorded.

*Devia*tions from point 4 of the Code of Practice: None

Free transferability

(point 5 of the Code of Practice)

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

Deviations from point 5 of the Code of Practice: None

General meeting

(point 6 of the Code of Practice)

General meeting (Supervisory Board)
A savings bank is basically a 'self-owned' institution, and its governance structure and the composition of its governing bodies differ from those of limited liability companies; see Section 7 of the Savings Banks Act which sets outs the bodies which a savings bank must have – a Supervisory Board (also termed 'committee of representatives' or 'board of trustees'), a control committee and a Board of Directors. The Bank's highest body is the Supervisory Board comprising EC holders, depositors, employees and representatives of the public authorities.

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

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

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

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

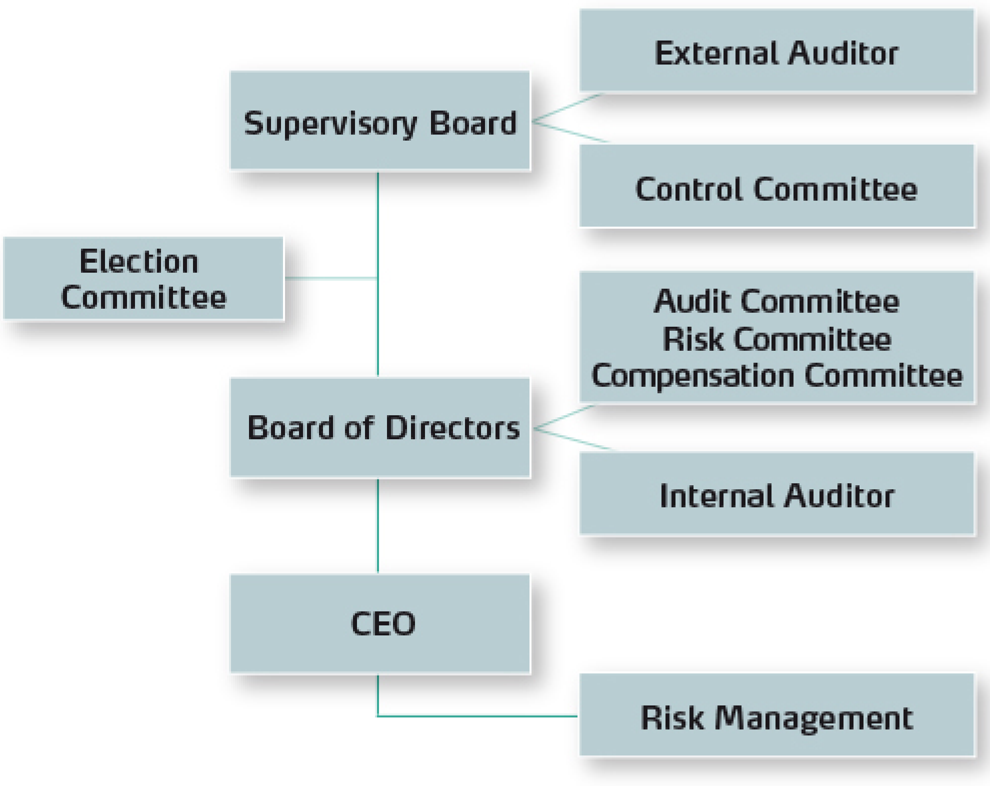
Notice of meetings of the Supervisory Board is sent to its members and is available on the Bank's website at least 21 days ahead of the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed and comprehensive to enable the members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

Board to take a position on the matters to be considered. Minutes of the meetings of the Supervisory Board are also available on the Bank's website.

Each year one election meeting is held for the EC holders where representatives are elected to the Supervisory Board and information is given about the Group's financial situation. In addition, members of the election committee for EC holders' election of Supervisory Board members are elected.

Each equity certificate confers one voting right. All EC holders may attend the meeting, and proxy voting is permitted.

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



Governing and control bodies at SpareBank 1 SMN

Control committee
The formal basis for the work of the control committee is section 13 of the Savings Banks Act and standard instructions issued by Finanstilsynet (Norway's financial supervisory authority).

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

In order to discharge its tasks the committee:

- Reviews selected decisions and working documents of the Board of Directors and sees to it that the Board acts on its decisions
- Monitors developments in central key figures and ratios

- Obtains documentation of the bank's control procedures and ensures that they function as intended
- Reviews internal audit reports and the appointed auditor's written approaches to the Bank and ensures that any remarks are properly responded to
- Collaborates with the chair of the Board of Directors and the company's auditor on working plans and important observations; see section 5 of the instructions

Each year the control committee reports on its work to Finanstilsynet. The committee submits a report on its work to the Supervisory Board, and issues a statement to the Supervisory Board on the annual accounts and the directors' report.

A record of the control committee's meetings is sent to the Bank's Board of Directors, the Supervisory Board chair, the internal auditor and the risk manager. The control committee's minutes are also presented at the meetings of the Supervisory Board.

The control committee normally meets eight times each year. The Group CEO attends these meetings. The committee also meets the chair of the Board of Directors, the chair of the Audit and Risk committees and the chair of the Supervisory Board on an annual basis. The control committee is appointed by the Supervisory Board and has three members and two alternates who are elected for a two-year term.

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

Election committees

(point 7 of the Code of Practice)

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

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

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

Election committee for depositors' election of supervisory board members
The depositor-elected members of the Supervisory Board appoint a separate election committee comprising

three members and three alternates, with one member and one alternate from each of the three election districts. This election committee prepares the depositors' election of members and alternates to the Bank's supervisory board, and members and alternates to the election committee for depositors' election of Supervisory Board members.

Election Committee for EC holders' election of supervisory board members
The EC holders appoint an election committee at an EC holders' meeting. The election committee has three members and two alternates. At least one of the members and one of the alternates must be members of the supervisory board. The election committee prepares the EC holders' election of supervisory board members and alternates and the election of members and alternates to the election committee for EC holders' election of supervisory board members.

Election Committee for employees' election of supervisory board members
According to the Savings Banks Act this election shall be organised by an election board with representatives appointed by the Board of Directors. The election board comprises at least three members and both the management and the employees shall be represented.

Deviations from point 7 of the Code of Practice: All members of the election committee for the Supervisory Board are appointed from among the Groups represented on the Supervisory Board, in accordance with Regulations on election committees at savings banks. Thus far consideration has not been given to enlarging the committee with a member who is not a member of the Supervisory Board. As of 31 December 2014 the supervisory board has not established further guidelines for the election committee beyond what is set forth in law, regulations and articles of association.

Supervisory Board and Board of Directors, composition and independence

(point 8 of the Code of Practice)

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

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

Deviations from point 8 of the Code of Practice: None

Work of the Board of Directors

(point 9 of the Code of Practice)

The Supervisory Board has adopted instructions for the Board of Directors that set forth rules for the Board's work and procedures. The Board of Directors manages the Bank's operations in compliance with laws, articles of association and resolutions of the Supervisory Board. The Board of Directors is responsible for ensuring that the assets at the Bank's disposal are managed in a safe and appropriate manner. The Board of Directors is also required to ensure that accounting and asset management are subject to satisfactory control. The Board of Directors also adopts the Bank's strategy, budget and market and organisational objectives. The Board of Directors appoints and dismisses the Group CEO.

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

Audit committee and Risk committee

The Board of Directors has appointed an audit committee and a risk committee comprising three members of the Bank's Board of Directors, and the members are appointed for a two-year period. The Audit committee and Risk committee are preparatory and advisory working committees to the Board of Directors. Their mission is to conduct assessments of designated areas and thereby prepare matters for consideration by the Board. The Board of Directors establishes instructions for the Audit committee and the Risk committee.

Pursuant to the Savings Banks Act section 17(d), the Audit committee's tasks are to:

- prepare the Board of Directors' follow-up of the financial reporting process
- monitor the internal control and risk management systems and, where such function is established, the Bank's internal audit
- have ongoing contact with the Bank's appointed auditor regarding the audit of the annual accounts
- assess and monitor the auditor's independence, ref. auditors act chapter 4, including in particular the extent to which non-audit services delivered by the auditor pose a threat to the auditor's independence

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

The Risk committee's tasks are regulated in the Financial Institutions Act section 2-9(b) and the Capital Requirements Regulations section 47-4. The risk committee's task is to ensure that risk management and capital allocation within the group support the Group's strategic development and goal attainment, and at the same time ensure financial stability and sound asset management. The Risk committee shall ensure that the Group's management and control arrangements are appropriate to the risk level and volume of the business.

The Risk committee meets at least five times yearly.

Compensation committee

The Board of Directors has appointed a compensation committee comprising at least three directors. The Board chair is a permanent member of the committee and also chairs the committee. The committee members are appointed by the Board of Directors for a two-year term.

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

The committee's tasks and responsibilities are to:

- formulate a compensation policy in keeping with the legislation in force at any time. It also ensures follow up, updating and maintenance of the Group's various compensation arrangements
- in formulating and maintaining the compensation policy the committee is to identify those employees and elected officers whose tasks are of major significance for the Bank's risk exposure
- in determining the compensation, the relationship between fixed compensation and any variable compensation is to be determined in such a way as to be balanced

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

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

The Board of Directors has established the compensation committee's mandate.

Deviations from point 9 of the Code of Practice: None

Risk management and internal control

(point 10 of the Code of Practice)

Sound risk and capital management are central to SpareBank 1 SMN long-term value creation. Internal control shall help to ensure efficient operation and proper management of risks of significance for attaining the Group's business goals.

The Group's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital allocation and capital calculation. This report is available at smn.no.

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

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

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

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

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

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

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

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

- quarterly reports from the Group CEO and the risk management division
- quarterly reports/annual report from the internal auditor

SpareBank 1 SMN uses the Committee of Sponsoring Organizations of the Treadway Commission's

(COSO) Framework and the Control Objectives for Information and Related Technology (CobiT) framework as a basis for its policies for internal control and risk management.

Internal control in relation to financial reporting

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

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

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

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

Internal audit

The internal audit function is a tool used by the Board of Directors and the administration to oversee that the risk management process is targeted, effective and functions as intended. Internal audit services are delivered to the Group by KPMG and these services cover the Parent Bank, subsidiaries subject to the risk management and internal control regulations, and other significant subsidiaries. The internal audit function's main task is to confirm that the established internal control system functions as intended, and to ensure that established risk management arrangements are adequate in relation to the Bank's risk profile. The internal audit function reports quarterly to the Board of Directors which adopts annual plans and budgets for the internal audit. The internal audit function's reports and recommendations for improvements in the Bank's risk management regime are reviewed and implemented on a continuous basis.

The internal audit function carries out an operational audit of units and business areas in the SpareBank 1

SMN Group. The internal auditor does not conduct a financial audit of the Group. An audit plan is prepared which is discussed with the Group management, considered by the Risk committee and approved by the Board of Directors. The audit function's risk assessments determine which areas are to be reviewed. Separate audit reports are prepared containing results and proposed measures which are presented to the responsible manager and the Group's management team. A summary of the reports is sent quarterly to the Risk committee and the Board of Directors. The internal auditor presents each year to the Board of Directors a plan for implementation of the audit work. Any consultancy services are provided within the standards and recommendations applying to internal auditors (Institute of Internal Auditors Norway).

Ethics and whistleblowing

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

For more information about risk management and internal control, see note 6 on in the annual report concerning financial risk management and a special chapter on risk management and capital allocation.

Deviations from point 10 of the Code of Practice: None

Remuneration to the Board of Directors

(point 11 of the Code of Practice)

The Board members' fees that are recommended by the election committee for the Supervisory Board and adopted by the Supervisory Board are not performance-related and no options are issued to the directors. The Board of Directors' chair and deputy chair are remunerated separately, and directors participating in board committees receive additional remuneration for doing so. None of the directors appointed by the Supervisory Board perform tasks for the Group beyond being on the Board of Directors. Further information on compensation to the Board of Directors, the Audit committee (of the Board) and the compensation committee is disclosed in note 23 in this annual report.

Deviations from point 11 of the Code of Practice: None

Remuneration to senior employees

(point 12 of the Code of Practice)

The Group has established a remuneration policy that is in accordance with the Group's overarching objectives, risk tolerance and long-term interests and promotes and incentivises good management and control of the Group's risk, counters excessive or undesired risk-taking, helps to avoid conflicts of interest and is in accordance with applicable law and regulations. The Group's remuneration policy has special rules for senior employees, for other employees and elected officers with control tasks; see the requirements of

Regulations of 1 December 201 on remuneration schemes at financial institutions, investment firms and fund management companies.

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

A description of remuneration to the Group CEO and senior employees is given in note 23 to this annual report. In addition, information is published on SpareBank 1 SMN's remuneration arrangement, including information on the main principles for determining remuneration, criteria for determining variable remuneration, and quantitative information on the remuneration of senior employees, employees with work tasks of material significance for the institution's risk exposure, other employees and elected officers with corresponding remuneration, and employees with control tasks at smn.no.

Deviations from point 12 of the Code of Practice: None

Information and communication

(point 13 of the Code of Practice)

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

The open information practice is in conformity with the bank's ethical guidelines and section 21 of the Savings Banks Act, with such limitations as follow from the duty of confidentiality and stock exchange rules in effect at all times.

Correct, relevant and timely information on the Bank's progress and performance aims to instil investor market confidence. Information is communicated to the market via quarterly investor presentations, an investor relations area on the Bank's website and stock exchange notices. The Group's financial calendar is published on the Bank's website.

Presentations for international partners, lenders and investors are also arranged on a regular basis. The Board of Directors has adopted a communications strategy indicating who can make statements on behalf of SpareBank 1 SMN and on what subjects.

Deviations from point 13 of the Code of Practice: None

Takeover

(point 14 of the Code of Practice)

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

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

External auditor

(point 15 of the Code of Practice)

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

The Board of Directors holds at least one meeting each year with the external auditor without the Group CEO or others from the management team being present. No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the external auditor has not provided the Group with advisory services of significance in 2014. Any such services from the external auditor must comply with the Auditors Act section 4–5. The Board of Directors informs the Supervisory Board of the external auditor's remuneration for the audit and any other services.

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

Deviations from point 15 of the Code of Practice: No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the auditor reports on a yearly basis what services have been delivered to the Group in addition to ordinary audit and such services shall at all times be within the scope of section 4-5 of the Auditors Act.

Risk management and capital allocation

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

The principles underlying SpareBank 1 SMN's risk management are laid down in the Bank's risk management policy. The Bank gives much emphasis to identifying, measuring, managing and following up central risks to ensure that the Group progresses in line with its adopted risk profile and strategies.

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

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

The Group's risk is quantified by calculating expected loss and the risk-adjusted capital (economic capital) needed to meet unexpected losses. Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to cover the actual risk incurred by the Group. The Board has resolved that the risk-adjusted capital should cover 99.9% 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 home page.

Return on risk-adjusted capital is a key strategic profit measure in the internal management of SpareBank 1 SMN. It involves allocation of capital to business areas based on the estimated risk attending the business concerned, and continuous monitoring of return on capital. Calculation of risk-adjusted capital enables comparison of risk across risk groups and business areas. To this end the Bank has implemented EVA calculations (Economic Value Added) in order to monitor risk-adjusted profitability in the respective areas. Risk is also gauged and monitored by measuring positions relative to quantitative risk limits and key portfolio risk measures.

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

Responsibility for risk management and control

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

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

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

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

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

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

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

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

Credit Committees. The Group has a central-level group credit committee and a credit committee for SMB customers. The credit committees deliver an independent recommendation to the authorisation holder concerned. The recommendation:

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

Special exposures. The Bank has a separate department for special exposures 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.

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

Validation Committee. This committee reviews, at minimum annually, the validation of the Bank's IRB models. The committee also considers proposals for implementation of newly and further developed versions of the Bank's IRB models. The committee submits recommendations to the Bank's Board of Directors, which makes the final decision.

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

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

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

Capital management

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

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

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

The capital management process must:

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

Financial projections

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

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 its claims on customers and counterparties. While the Group is mainly exposed through ordinary lending operations and leasing activities, the Group's credit risk is also related to the liquidity reserve portfolio and through counterparty risk arising through interest rate and foreign exchange derivatives.

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

Credit risk arising from the Group's lending activity is the largest area of risk facing the Group. 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 Retail Banking and Corporate Banking respectively, maximum portfolio default probability (PD) and maximum economic and regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by:

- limits on the size of loans and loss given default on individual exposures,
- limits on maximum exposure and application of economic capital within lines of business
- limits on regulatory risk weighted assets for Retail Banking and Corporate Banking

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

Credit risk is managed through:

a) Organisation of management and control of credit risk, established annually by the Board of Directors

The document establishes the overarching principles for lending. This includes the structuring of the Bank's management documents, the organisation (distribution of responsibilities and roles) of the credit function and the overarching principles for lending.

b) The credit strategy, adopted annually by the Board of Directors

The credit strategy establishes priority areas, credit strategy limits and targets and how credit risk is to be priced at SpareBank 1 SMN

Credit risk management at SpareBank 1 SMN is based on principles recommended by the Basel Committee's paper entitled 'Principles for the Management of Credit Risk', capital adequacy rules (Basel II) and relevant statutes and regulations.

c) Guidelines for portfolio management

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

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

d) Credit policy for Retail Banking and Corporate Banking

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

e) Lending regulations – exercise of lending authorisations

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

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

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

f) Credit models

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

Probability of default (PD)

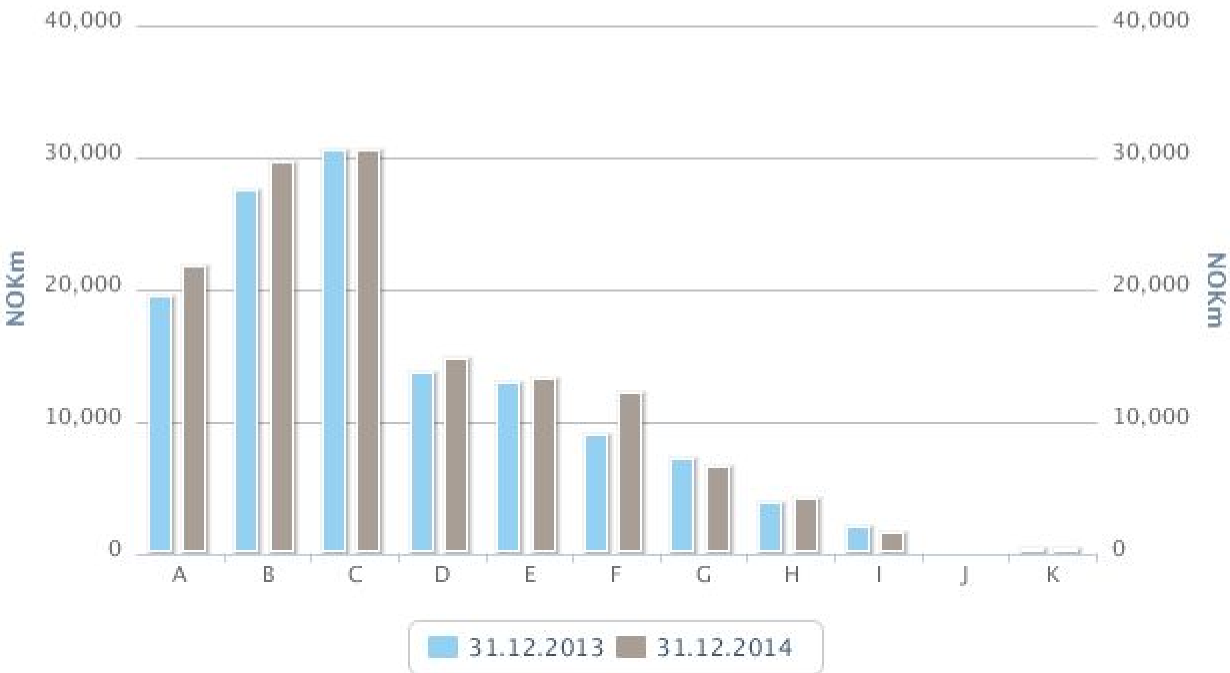
The Bank's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position along with internal and external behavioural data. The models are based partly on point-in-time ratings, and reflect the probability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

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

SpareBank 1 SMN's default classes

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

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



The Bank's PD models for Retail Banking and Corporate Banking are validated on an ongoing basis and at minimum annually within three dimensions:

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

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

Exposure at Default (EAD)

EAD is an estimate of the size of exposure in the event of any 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 after default. CF is validated monthly for drawing rights within Retail Banking and Corporate Banking. The Bank's EAD model takes account of differences both between products and customer types.

Loss Given Default (LGD)

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

Values are determined using standard models, and actual realised values are validated to test the models' reliability.

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

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

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

The portfolio classification is designed to provide information on the level and development of overall credit risk in the total portfolio. Total exposures to customers and other counterparties are shown in notes to the accounts.

Counterparty risk

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the Bank's most used counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Bank will continue to enter CSA contracts to manage counterparty risk.

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

The Bank has in recent years made system changes to prepare the ground for the forthcoming EMIR Regulation. Due to challenges in the EEA body of rules, this Regulation has not been implemented in Norwegian law.

Market risk

Market risk is a generic term for the risk of loss and reduction of future incomes arising as a result of changes in observable rates or prices on financial instruments – in particular changes in share prices, interest rates (including credit spreads) and exchange rates. Market risk also includes the risk of loss due to changes in the market price of financial derivatives such as futures, options, and financial instruments based on items other than securities – for example commodities.

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

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

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

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

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. 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 in addition to a separate limit for overall interest rate risk. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss due to changes in the market value/realistic value of bonds as a consequence of increased risk mark-ups in the pricing of these bonds. Credit risk in the bond portfolio is managed based on an evaluation of the respective issuers. In addition the Bank has a separate limit for overall spread risk for all bonds. The Bank computes spread risk with a basis in Finanstilsynet's module for market and credit risk where overall loss potential is the sum of loss potentials calculated for each individual credit risk exposure. The loss potential for the individual credit exposure is computed with a basis in rating and duration. Bond risk is considered to be moderate.

Exchange rate risk is the risk of loss due to changes in exchange rates. The Group measures exchange rate risk with a basis in net positions in the various currencies.

The limits on exchange rate risk are expressed as limits on the maximum aggregate currency position and on the maximum position in the individual currency. Exchange rate risk is considered to be low.

Equity risk is the risk of loss due to changes in share prices. This risk is linked to positions in equity instruments, including derivatives with equity instruments as the underlying. Equity risk is considered to be moderate.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations and/or finance increases in assets without extra costs in the form of falling prices of assets which must be realised or in the form of extra costly financing.

Management

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

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

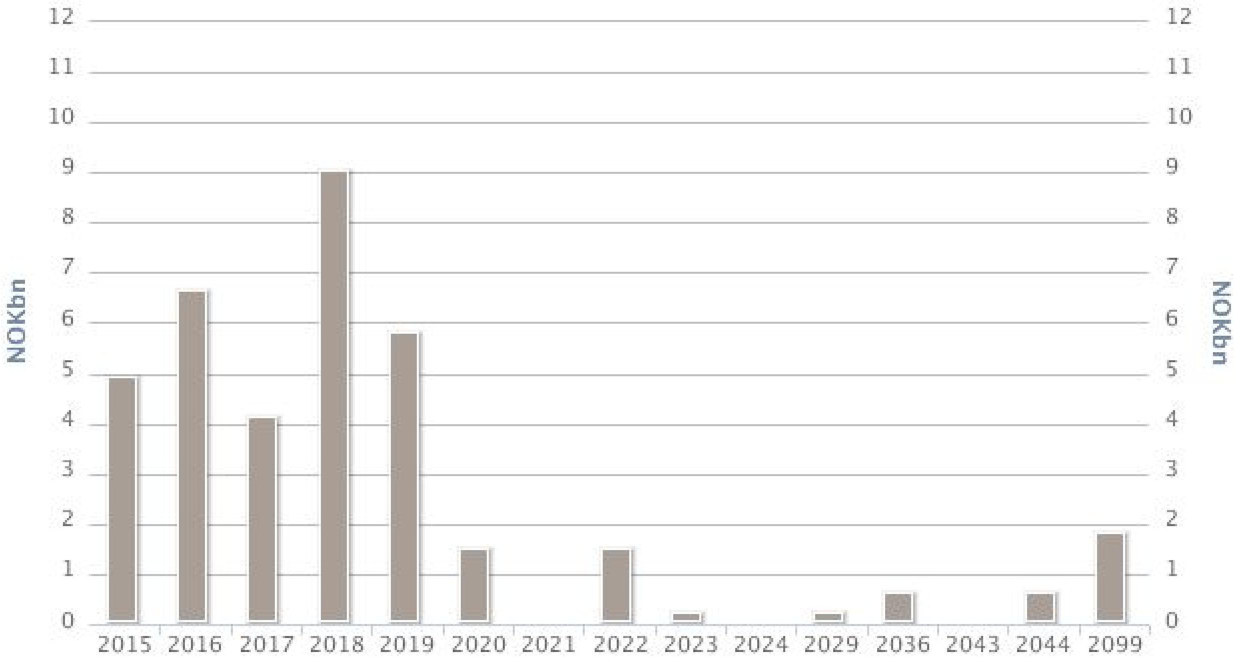
Risk measurement

The Bank's Board of Directors reviews the liquidity strategy annually and establishes a framework that promotes a long-term perspective and balance in liquidity procurement. The Bank's overall aim is to survive 12 months of ordinary operations without fresh external funding.

The Bank's most important source of finance is customer deposits. At end-2014 the Bank's ratio of deposits to loans was 69 per cent. The Bank mitigates its liquidity risk by diversifying funding across a variety of markets, funding sources and instruments, and by use of long-term funding. Too high a concentration of maturities increases refinancing vulnerability. This risk is curbed through defined limits. The Bank is rated by Moody's and Fitch Ratings to assure funding at acceptable prices in the money and capital markets.

SpareBank 1 SMN's liquidity position is satisfactory. The Bank's liquidity is measured regularly against the liquidity indicator for a reference portfolio defined by Finanstilsynet. The Bank's liquidity strategy specifies a maximum deviation against this portfolio. The Bank kept within this limit throughout 2014. In addition the Bank has established its own internal measures for coming Regulations in the liquidity area: the liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The figure below illustrates the funding portfolio's maturity structure as from end-2014.



Development over the past year

The Bank was active in the funding market in 2014, and issued loans both domestically and abroad. The Group's liquidity situation at end-2014 is satisfactory. The Group increased its liquid assets, in part through bonds deposited with Norges Bank in the course of the year. At year-end the Bank's liquidity was satisfactory: NOK 4.5bn in cash and deposits with Norges Bank, and NOK 14bn in money market securities and bonds. The bulk of the securities portfolio can be used as collateral for loans from Norges Bank. Of the Group's total funding volume at year-end, about NOK 5bn is to be refinanced in 2015. By end-2014 the Bank had moved NOK 29.9bn of its best-secured home mortgage loans to SpareBank 1 Boligkreditt. The Bank expects Boligkreditt to account for an important portion of the Bank's funding in 2015.

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

Operational risk

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

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

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

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

The Board of Directors is kept abreast of the operational risk position through quarterly risk reports and the yearly internal control report.

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

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

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

In 2014 the Parent Bank recorded operational loss events involving a total loss of about NOK 4.5m.

Owner risk

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

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

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

Business risk

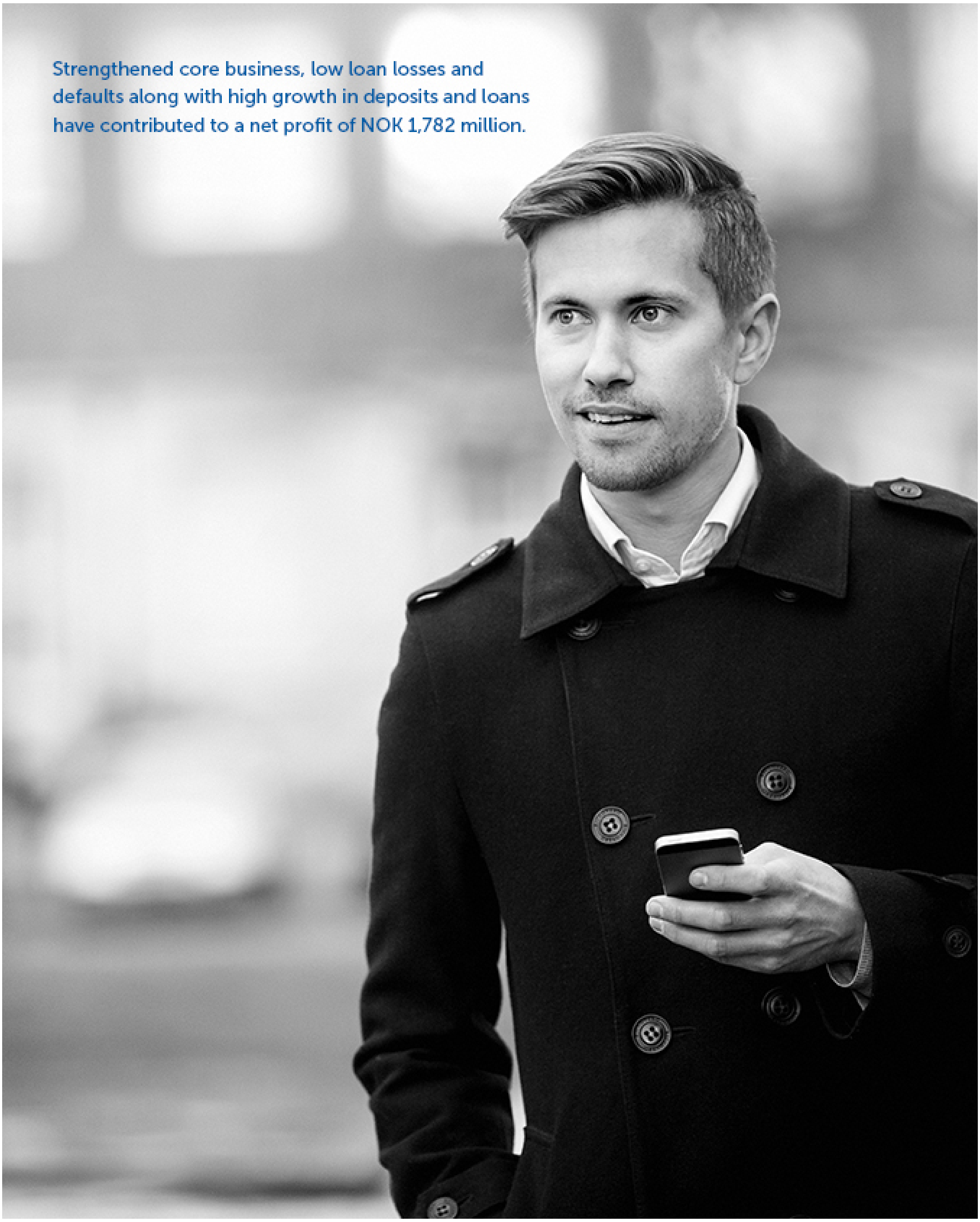
Business risk is the risk of unexpected income fluctuations arising from factors other than credit risk, market risk and operational risk. It can materialise in various business or product segments and can arise from business cycle fluctuations and changed customer behaviour.

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

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

Attention is also drawn to the Bank's Pillar III reporting which is available at smn.no for further information on SpareBank 1 SMN's risk management and capital allocation.

Financial results



Report of the Board of Directors

Macroeconomic conditions

International

The recovery witnessed in the world economy in 2014 was moderate. Growth picked up sharply over the course of spring and summer. Investments and consumption have picked up, and unemployment has declined. Sweden and the UK show positive developments, but inflation is low. In the euro area high debt and continued high unemployment are holding down consumption and investment. Inflation is low. In China the pace of growth remains high, albeit somewhat dampened compared to previously.

Growth in the world economy is expected to pick up gradually ahead. But uncertainty about the future, especially in the euro area, is substantial. The European Central Bank (ECB) has this year launched quantitative easing measures (bond purchases)

Norway

The oil price fell sharply in the second half of 2014. At year-end the price was USD 57.5 per barrel, a halving of the level in effect at the end of the first half-year. Market interest rates have fallen, and the Norwegian krone has depreciated.

GDP growth in mainland (non-oil) Norway was 2.3 per cent in 2014 (preliminary figures). Growth in house prices was high throughout the year, after levelling off in autumn 2013. Debt growth was a fairly stable throughout the year. The key policy interest rate was lowered to 1.25 per cent in December 2014. Unemployment has risen somewhat but remains at a relatively low level. The underlying price growth (CPI-JAE – consumer price index adjusted for taxes and energy prices) was 2.4 per cent in 2014. The household debt burden is substantial. This creates a vulnerability which could intensify the impact of a weaker economic trend in Norway.

We must expect increased spillover effects of the oil price fall to the Norwegian economy ahead. Prospects for the Norwegian economy in 2015 are therefore weaker than witnessed in recent years. However, high activity levels among our trading partners and a relatively weak krone exchange rate could dampen the effects of the oil price fall.

Trøndelag and Nordvestlandet

The number of bankruptcies in Sør-Trøndelag and Møre og Romsdal declined compared with the previous year, while the figure for Nord-Trøndelag showed no change. Population growth in the region remains buoyant. Like the rest of the country, house prices in the region showed a relatively high rate of growth through 2014. Contacts in the central bank's regional network (mid-Norway region) reported in autumn 2014 expectations of somewhat lower production growth ahead.

Measured in corporate turnover, the Trondheim region and Sunnmøre are the most significant areas in the region, accounting for about 60 per cent of the total (Economic Barometer 2014). Retail trade along with manufacturing are the largest industries in the region, accounting for just under 40 per cent of overall turnover. The region's industry structure shows wide geographical variation. In Møre og Romsdal much of the activity is export-oriented, whereas the two Trøndelag counties. Agriculture is largest in Nord-Trøndelag, shipyards and shipbuilding and the furniture industry are largest in Møre og Romsdal, while wholesale and retail trade and construction are largest in Sør-Trøndelag/Trondheim. In Møre og Romsdal much of the business activity is export-oriented whereas the Trøndelag counties have little exposure to the export industry and are protected by a relatively large public sector.

The region has moderate exposure to the consequence of lower continental shelf investments. The business sector in Nord-Trøndelag is centred around primary industries and trade and commerce. Overall growth prospects for the economy of Sør-Trøndelag shadow the national trend. In Møre og Romsdal overall growth is likely to edge down, after high growth for several years.

Annual accounts 2014

Consolidated figures. Figures in parentheses refer to the same period of 2013 unless otherwise stated. The Group accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

Profit of NOK 1,782m after tax

- Profit before tax and assets held for sale: NOK 2,143m (1,758m)
- Net profit: NOK 1,782 m (1,400m)
- Return on equity: 11.2 per cent (11.1 per cent)
- CET1 ratio: 11.2 per cent (11.1 per cent)
- Growth in lending 7.3 per cent (6.8 per cent) and deposits 8.5 per cent (7.3 per cent)
- Loan losses: NOK 89 m (101 m)
- Earnings per equity certificate (EC): NOK 8.82 (6.92)
- Book value per EC: NOK 62.04 (55.69), incl. recommended dividend for 2014
- Recommended dividend: NOK 2.25 per EC. Allocation to non-profit causes: NOK 160m

Highlights

- Profit improvement of NOK 382m compared with 2013
- Strengthened core business with increased net interest income and limited cost growth
- Low loan losses and low default rate
- Good return on financial investments, mainly from a gain on the disposal of the Bank’s stake in Nets Holding
- Excellent results at affiliates, largely thanks to run-off gains in insurance
- CET1 ratio of 11.2 per cent
- Relatively high growth in lending and deposits both to businesses and retail customers

In 2013 SpareBank 1 SMN achieved a post-tax profit of NOK 1,782m (1,400m) and a return on equity of 15.1 per cent (13.3 per cent). Profit before tax and assets held for sale was NOK 2,143m (1,758m).

In 2014 operating income increased by 12 per cent to reach an overall NOK 4,021m (3,580m). Income rose both at the Parent Bank and the subsidiaries.

Return on financial assets was NOK 720m (502m), of which the profit share on owner interests in affiliates was NOK 527m (355m) and the gain on disposal of the Bank’s stake in Nets Holding was NOK 165m.

Operating expenses came to NOK 1,789m (1,721m) in 2014, or 3.9 per cent higher than in 2013. Costs for 2014 include NOK 30m set aside at the Parent Bank for reorganisation scheduled for 2015 and 2016.

Net losses on loans and guarantees were NOK 89m (101m).

Lending growth was 7.3 per cent (6.8 per cent) and deposit growth was 8.5 per cent (7.3 per cent).

Capital adequacy is measured under the new Capital Requirements Directive (CRD IV), described more fully in note 5 on capital Adequacy and capital management. CET1 capital adequacy at 31 December 2014 was 11.2 per cent (11.1 per cent).

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

At year-end the Bank's EC was priced at NOK 58.50 (55.00). A cash dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

Earnings per EC were NOK 8.82 (6.92). Book value was NOK 62.04 (55.69) per EC included recommended dividend of NOK 2.25.

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends from subsidiaries, affiliates and joint ventures.

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

Difference between Group - Parent Bank (NOKm)	**2014**	**2013**
Profit for the year, Group	**1,782**	**1,400**
Profit, subsidiaries	-92	-112
Dividend, subsidiaries	117	111
Profit, associated companies	-527	-355
Dividend, associated companies	182	328
Elimination subsidiaries and associated companies	-15	-24
Profit for the year, Parent Bank	**1,447**	**1,348**

Annual profit for distribution reflects changes of a positive NOK 57m in the revaluation reserve, leaving the total amount for distribution at NOK 1,503m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

In keeping with the Bank's capital plan, the Board of Directors has opted to recommend a lower payout ratio than allowed for by the dividend policy.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.25 per equity certificate, altogether totalling NOK 292m. This gives a payout ratio of 25.4 per cent of the Group profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 160m as gifts to non-profit causes, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 40m will be allocated to non-profit causes and NOK 120m donated to the foundation Sparebankstiftelsen SMN. NOK 679m and NOK 372m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the Bank's capital plan and reflects the need to increase the Bank's core capital through continuation of a relatively low dividend payout ratio.

After distribution of the profit for 2014 the EC-holder ratio (EC-holders' share of total equity) remains 64.6 per cent.

Distribution of profit (NOKm)	2014	2013
Profit for the year, Parent Bank	1,447	1,348
Transferred to/from revaluation reserve	57	-89
Profit for distribution	**1,503**	**1,259**
Dividends	292	227
Equalisation fund	679	587
Saving Bank's fund	372	321
Gifts	160	124
Total distributed	**1,503**	**1,259**

Strengthened net interest income

Net interest income in 2014 came to NOK 1,790m (1,616m). The improvement is ascribable to interest rate increases on loans to retail and corporate customers alike in the first half of 2013 as a result of higher capital requirements and relatively high growth in lending and deposits in 2014. Margins on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recorded as commission income, and commissions on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled NOK 427m (422m) as of the fourth quarter of 2014.

Two general interest rate cuts on loans to retail customers were carried out in 2014 (June and December), and the Bank has thereby adjusted its mortgage lending rates to the competitive situation. Over the year there have been several repricings of deposits both to retail and corporate clients, while the costs of money market funding were also reduced over the year.

Increased commission income

Commission income and other operating income rose to NOK 1,512m (1,463m) in 2014, an increase of NOK 49m or 3.4 per cent. The growth in income is mainly ascribable to a positive trend in incomes from accounting services, insurance and payments.

Commission income (NOKm)	2014	2013	Change
Payment transfers	239	233	6
Savings	48	50	-2
Insurance	138	124	14
Guarantee commission	57	56	1
Real estate agency	315	319	-4
Accountancy services	172	125	47
Active management	20	30	-10
Rent	45	45	0
Other commissions	50	59	-9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,084**	**1,041**	**44**
Commissions SB1 Boligkreditt and SB1 Næringskreditt	427	422	6
Total commissions	**1,512**	**1,463**	**49**

Financial investments

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 193m (147m) in 2014. Overall return breaks down as follows:

- Return on the Group's share portfolios totalled NOK 202m (114m), of which the gain on the disposal of and dividend on the Bank's stake in Nets Holding accounted for NOK 165m
- Net capital loss on bonds and derivatives of NOK 66m in 2014 (40m). Of this amount, the booking of negative value related to an interest rate swap at SpareBank 1 SMN Kvartalet accounts for NOK 26m after tax. The interest rate swap was originally connected to the construction of the Bank's head office in Søndre gate no. 4
- Capital gains on forex and fixed income trading at SpareBank 1 SMN Markets came to NOK 57m (73m)

Capital gains/dividends, shares (NOKm)	2014	2013	Change
Capital gains/dividends, shares	202	114	87
Bonds and derivatives	-66	-40	-26
SpareBank 1 SMN Markets	57	73	-16
Net return on financial investments	**193**	**147**	**46**
SpareBank 1 Gruppen	358	210	148
SpareBank 1 Markets	-32	-1	-30
SpareBank 1 Boligkreditt	38	40	-3
SpareBank 1 Næringskreditt	41	8	33
SpareBank 1 Kredittkort	2	-	2
BN Bank	93	91	2
Companies owned by SpareBank 1 SMN Invest	31	14	17
Other companies including held for sale	-3	23	26
Income from investment in related companies	**527**	**384**	**143**
Total	**720**	**531**	**189**

Excellent result for SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2014 was NOK 1,849m (1,110m). The main contributor to the profit performance is the insurance business. The profit performance by the non-life arm is particularly creditable due to reduced claims payments and revenue recognition of run-off gains. SpareBank 1 SMN's share of the profit in 2014 was NOK 358m (210m).

SpareBank 1 Markets

SpareBank 1 SMN has a stake of 27.3 per cent in SpareBank 1 Markets. The company recorded a deficit of NOK 120m in 2014, of which SpareBank 1 SMN's share was minus NOK 32m.

SpareBank 1 SMN has undergone a restructuring. The company has carried out extensive enhancement measures resulting in a halving of the cost level since 2012-13, while adjustments to the business model have brought lower market risk. SpareBank 1 SMN will integrate its capital market activities with SpareBank 1 SMN Markets by agreement with the remaining owners, after which SpareBank 1 SMN's stake will stand at 73.3 per cent. The other owners are SpareBank 1 Nord-Norge (10.0 per cent), SamSpar, i.e. Samarbeidende Sparebanker (10.0 per cent), SpareBanken Hedmark (6.1 per cent) and the Norwegian Confederation of Trade Unions and employee shareholders (0.6 per cent). This is described in further detail in Note 40 – Business acquisitions/business combinations.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs. As of 31 December 2014 the Bank had sold loans worth a total of NOK 28.4bn (30.5bn) to SpareBank 1 Boligkreditt, corresponding to 38 per cent (44 per cent) of overall loans to the retail market.

The Bank's stake in SpareBank 1 Boligkreditt AS at 31 December 2014 was 17.67 per cent, and the Bank's share of that company's profit in 2014 was NOK 38m (40m). The bank's holding reflects the Bank's relative share of home mortgage loans sold.

The Board of Directors of SpareBank 1 SMN has, like that of the other alliance banks, decided to apply for a licence for a wholly owned residential mortgage company. This entity will be a supplement to SpareBank 1 Boligkreditt, which will remain the alliance banks' main tool for raising loans through covered bonds. The residential mortgage company will be able to make use of loans outside the scope of SpareBank 1 Boligkreditt's credit policy. Moreover, the establishment of a wholly owned residential mortgage company will eliminate issue posed by the regulations governing large exposures which regulate the maximum permitted intercompany balance between SpareBank 1 SMN and SpareBank 1 Boligkreditt.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. As of 31 December 2014, loans worth NOK 1.5bn (1.2bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN owns 33.62 per cent of the company, and the bank's share of the company's profit in 2014 was NOK 41m (8m). The Bank's stake reflects its relative share of commercial property loans sold and its stake in BN Bank. The profit growth is ascribable to the change in the interest rate applied between SpareBank 1 Næringskreditt and BN Bank. This rate reflects the capital cost for BN Bank's loans sold to SpareBank 1 Næringskreditt.

SpareBank 1 Kredittkort

The company was in ordinary operation from 1 July 2014, and achieved a net profit of NOK 12m for the year. SpareBank 1 SMN share of the profit was NOK 2m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.36 per cent. In June SpareBank 1 Kredittkort carried out a successful conversion of the SpareBank 1 banks' credit card portfolio from Entercard. SpareBank 1 SMN's share of the portfolio is NOK 715m.

BN Bank

SpareBank 1 SMN had a 33 per cent stake in BN Bank as of 31 December 2014.

SpareBank 1 SMN's share of the profit of BN Bank for 2014 was NOK 93m (91m), yielding a return on equity of 7.8 per cent. The result is affected by the change in the interest rate mentioned in the section on SpareBank 1 Næringskreditt.

BN Bank's focus is on implementing profitability-enhancing measures, and it achieved increased income and reduced losses in 2014. Work continues on further internal measures with a view to profitability enhancement. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in April 2014. This resulted in a CET1 ratio of 14.9 per cent at end-2014.

Affiliates of SpareBank 1 SMN Invest

The overall profit for 2014 came to NOK 31m (14m). These companies are mainly engaged in the construction and sale of dwellings and commercial property in Sør-Trøndelag.

Assets held for sale

A profit of NOK 0.2m (29.5m) was recorded on assets held for sale in 2014.

Limited cost growth

Overall costs came to NOK 1,789m (1,721m) in 2014. Group expenses have thus risen by NOK 68m or 3.9 per cent.

Parent Bank cost growth rose by NOK 68m. This includes a provision of NOK 30m for reorganisation. Excluding this provision, Parent Bank costs grew NOK 38m or 3.1 per cent in 2014, in keeping with the Bank's objective.

As a result of changing customer behaviour involving far greater use of self-service solutions, the Board of Directors has adopted a goal of unchanged costs up to 2017. The number of FTEs will be reduced by up to 100 in the period to end-2016 by means of efficiency improvements at the Parent Bank. The cost of reorganisation reflects restructuring costs.

Operating expenses measured 1.52 per cent (1.54 per cent) of average total assets. The Group's cost-income ratio was 44 per cent (48 per cent).

Low losses and low defaults

Net loan losses came to NOK 89m (101m) for 2014. This represents 0.08 per cent of total loans (0.09 per cent).

Net losses of NOK 83m (95m) were recorded on loans to the Group's corporate customers, including losses of 6m (20m) at SpareBank 1 Finans Midt-Norge. The retail portfolio saw a net loss of NOK 6m (7m) in 2014.

Total individually assessed loan impairment write-downs came to NOK 172m (173m) as at 31 December 2014.

Total problem loans (defaulted and doubtful) came to NOK 486m (544m), or 0.40 per cent (0.49 per cent) of gross loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 270m (387m), measuring 0.22 per cent (0.35 per cent) of gross lending. Of total defaults, NOK 67m (87m) are loss provisioned, corresponding to 25 per cent (23 per cent).

Defaults break down to NOK 136m (246m) on corporate customers and NOK 134m (140m) on retail customers.

Other doubtful exposures totalled NOK 216m (157m), i.e. 0.18 per cent (0.14 per cent) of gross outstanding loans. NOK 105m (86m) or 48 per cent (55 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 201m (139m) to corporate customers and NOK 15m (18m) to retail customers.

Collectively assessed impairment write-downs
Collective assessment of impairment write-downs is based on two factors:

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

For 2014 no basis is found for any change in collectively assessed impairment write-downs. The aggregate volume of such write-downs is NOK 295m (295m). Collectively assessed impairment write-downs break down to NOK 90m on retail customers, NOK 188m on corporate customers and NOK 16m on SpareBank 1 Finans Midt-Norge.

Total assets of NOK 126bn
The Bank's assets totalled NOK 126bn (115bn) at 31 December 2014, having risen by NOK 9bn or 9.3 per cent over the year. The rise in total assets is a consequence of increased lending.

As of 31 December 2014 loans worth a total of 30bn (32bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank's balance sheet. The comments covering lending growth do however include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending
In the last 12 months, total outstanding loans rose by NOK 8.1bn (7.1bn) or 7.3 per cent (6.8 per cent) to reach NOK 120.2bn (112.0m) as of 31 December 2014.

Lending to retail customers rose by NOK 5.5bn (5.9bn) or 8.0 per cent (9.5 per cent) to reach NOK 74.0bn in 2014.

Growth in lending to corporates in 2014 was NOK 2.7bn (1.2bn) or 6.1 per cent (2.8 per cent). Overall loans to corporates totalled NOK 46.2bn (43.5bn) as of 31 December 2014. This growth is slightly above the figure allowed for by the capital plan, and lending to corporates will reflect thus in 2015.

Loans to retail customers accounted for 62 per cent (61 per cent) of ordinary loans to customers at the end of 2014.

(For distribution by sector, see Note 8 on loans and advances to customers).

Deposits
Customer deposits rose in 2014 by NOK 4.8bn (3.8bn) to reach NOK 62.2bn (56.1m) at 31 December 2014. This represents a growth of 8.5 per cent (7.3 per cent).

Retail customer deposits rose by NOK 2.6bn (1.6bn) or 11.0 per cent (9.5 per cent) to reach NOK 26.5bn, while deposits from corporates rose by NOK 2.2bn (2.2bn) or 6.8 per cent (7.5 per cent) to NOK 34.2bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 69 per cent as of 31 December 2014 (70 per cent).

(For distribution by sector, see Note 35 on deposits from and liabilities to customers).

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 6.2bn (5.2bn) at 31 December 2014. Compared with the previous year, there are higher values on equity funds and active management, largely due to increased stock exchange values and good sales.

Saving products, customer portfolio (NOKm)	2014	2013	Change
Equity funds	4,002	3,367	635
Pension products	597	555	42
Active management	1,611	1,240	371
Total	**6,210**	**5,162**	**1,048**

Insurance

The Bank's insurance portfolio showed growth of 2.4 per cent in 2014. Non-life insurance delivered 1.6 per cent growth, personal insurance 10.4 per cent while growth in the occupational pensions portfolio declined by 4.4 per cent.

Insurance, premium volume (NOKm)	2014	2013	Change
Non-life insurance	706	695	11
Personal insurance	245	222	23
Occupational pensions	174	182	-8
Total	**1,125**	**1,099**	**26**

Retail banking segment and corporate banking segment, Parent Bank

As from 2014 an organisational adjustment was carried through. The retail banking segment now covers agricultural customers, associations etc and sole proprietorships. In 2013 these customers were part of the SMB segment. Other customers in the SMB segment are as from 2014 included in the corporate banking segment. Historical data for the retail segment and the corporate segment are therefore incomplete and no comparison is made with the previous year's figures. Economic capital is used to calculate return on capital employed from and including the third quarter of 2014.

Results (NOKm)	Retail Market	Corporate Market
Net interest	873	840
Interest from allocated capital	40	67
Total interest income	**913**	**906**
Commission income and other income	762	159
Net return on financial investments	1	29
Total income	**1,675**	**1,095**
Total operating expenses	809	318
Ordinary operating profit	**867**	**777**
Loss on loans, guarantees etc.	6	77
Result before tax including held for sale	**861**	**699**
Post-tax return on equity	**19.2 %**	**10.0 %**

Retail Banking

Operating income has increased due to increased margins on home loans and growth in lending and deposits, and totalled NOK 1,675m in 2014. Net interest income came to NOK 913m and commission income to NOK 762m. Return on capital employed in the private banking segment was 19.2 per cent. Economic capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the Group intends to reach by 30 June 2016.

The lending margin in 2014 was 2.38 per cent (2.32 per cent), while the deposit-to-loan ratio was -0.55 per cent (-0.52 per cent) measured against three-month NIBOR.

In 2014 lending to retail customers rose by 7.5 per cent and deposits from the same segment by 8.5 per cent.

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. There are no indications of a higher loss and default levels in the Bank's home mortgage loan portfolio. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory across the market area as a whole.

Corporate Banking

Operating income totalled NOK 1,095m in 2014. Net interest income was NOK 906m, while other income totalled NOK 188m.

Return on capital employed for the corporate banking segment was 10.0 per cent for 2014. Regulatory capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the Group intends to reach by 30 June 2016.

The lending margin was 2.90 per cent (2.94 per cent) and the deposit margin was -0.55 per cent (-0.52 per cent) in 2014.

Growth in loans and deposits respectively in 2014 was 6.3 per cent and 8.8 per cent.

Incomes SpareBank 1 SMN Markets

SpareBank 1 Markets delivers a complete range of capital market products and is an integral part of SMN's Parent Bank operation.

SpareBank 1 Markets posted total income of NOK 68.0m (103.0m) in 2014. Issuer services income and other income in 2013 include income from the corporate business which was transferred to SpareBank 1 Markets as from the fourth quarter of 2013.

Markets (NOKm)	2014	2013	Change
Currency trading	75.8	68.3	7.5
Securities, brokerage commission	0.9	21.6	-20.7
SpareBank 1 Markets	-14.8	3.1	-17.9
VPS and other income	4.0	17.4	-13.4
Investments	2.1	-7.4	9.5
Total income	**68.0**	**103.0**	**-35.0**

Of gross income of NOK 68m, a total of NOK 29m is transferred to Corporate Banking and NOK 1m to Retail Banking. These amounts are the respective entities' share of income on forex and fixed income business derived from their own customers.

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Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 124.6m (157.3m) in 2014. The results are from the companies' financial statements.

Pre-tax profit (NOKm)	2014	2013	Change
EiendomsMegler 1 Midt-Norge	50.9	60.7	-9.8
SpareBank 1 Finans Midt-Norge	67.9	50.7	17.3
SpareBank 1 Regnskapshuset SMN	40.5	14.4	26.1
Allegro Kapitalforvaltning	2.6	9.3	-6.7
SpareBank 1 SMN Invest	1.7	46.6	-45.0
Other companies	-39.0	-24.4	-14.6
Total	**124.6**	**157.3**	**-32.7**

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. The company recorded a sound profit in 2014, but a slower market at the start of the year and increased price competition contributed to a weaker pre-tax profit than in 2013. The profit was NOK 50.9m (60.7m). The company arranged the sale of 6,383 dwellings in 2014 compared with 6,229 the previous year.

SpareBank 1 Finans Midt-Norge posted a profit of NOK 67.9m (50.7m) in 2014. The profit growth is ascribable to increased income from car loans and reduced losses in the leasing business. At year-end the company managed leases and car loan agreements worth a total of NOK 3.6bn of which leases accounted for NOK 1.9bn and car loans for NOK 1.7bn.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 40.5m (14.4m) excluding income of NOK -0.5m from affiliates. Of this, NOK 7m comprises a gain on the sale of a 40 per cent stake in SpareBank 1 Regnskapshuset Østlandet.

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. This represents a consolidation of a fragmented accounting industry. A further four accounting firms were acquired in 2014.

Allegro Kapitalforvaltning is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are Allegro's distribution channel. The company posted a profit of NOK 2.6m in 2014 (9.3m).

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 1.7m in 2014 (profit of 46.6m). This profit is a consequence of value changes and realisation of losses or gains on the company's overall shareholding, and is the profit shown in the company's financial statements. In addition the company recorded profits totalling NOK 31m (14m) from owner interests in the property companies Grilstad Marina and Homelvik Sjøside in 2014.

Other companies have an overall deficit of NOK 39.0m (deficit of 24.4m). These are mainly property companies that lease premises to SpareBank 1 SMN and other tenants.

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the bank's ability to survive 12 months of ordinary operation without need of fresh external funding.

The Bank has liquidity reserves of NOK 19bn and thus has the funding needed for 24 months of ordinary operation without fresh external finance.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 87 per cent (72 per cent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and as of 31 December 2014 loans totalling NOK 28bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A2 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The Bank was placed on negative outlook by Moody's in May 2014, as were a number of other Norwegian and European banks.

Financial position

After distribution of the profit for 2014, the CET1 capital ratio is 11.2 per cent (11.1 per cent) as at 31 December 2014. Through 2014 the CET1 ratio strengthened thanks to a good profit performance, but concurrently weakened by an increase in risk weighted assets.

The minimum requirement on CET1 capital as of 31 December 2014 was 10 per cent, of which aggregate buffer requirements made up 5.5 per cent. CET1 capital is core capital excluding hybrid capital.

(NOKm)	2014	2013
Tier 1 capital	10,674	9,374
Hybrid capital	1,707	1,615
Subordinated loan	2,555	1,428
Capital base	**14,937**	**12,417**
Required subordinated debt	7,625	6,767
Risk weigheted assets	**95,317**	**84,591**
Tier 1 capital ratio	11.2 %	11.1 %
Core capital ratio	13.0 %	13.0 %
Capital adequacy ratio	15.7 %	14.7 %

Increased home loan weights brought a substantial increase in risk weighted assets in the first quarter of 2014. In addition, further new capital requirements have been introduced in connection with CRD IV which have adversely affected the Group's risk weighted assets. The Group has shifted lending growth from Corporate Banking over to Retail Banking to counteract these effects.

A countercyclical buffer of 1 per cent will be introduced at the end of the second quarter of 2015. The Ministry of Finance decided in December that no change would be made to the countercyclical buffer. The normal period of notification for an increase is 12 months.

The Board of Directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The Board considers it important for the Group to be sufficiently capitalised to fulfil all regulatory requirements, as well as market expectations. The practical consequence is that the Bank's CET1 capital target remained unchanged, even though SMN was not defined as a SIFI. The Board of directors is planning for a CET1 ratio of 13.5 per cent including a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

SpareBank 1 SMN applied in June 2013 for permission to apply the advanced IRB approach to its corporate portfolio. Finanstilsynet (Norway's FSA) had yet to issue a decision regarding approval at the end of the fourth quarter of 2014. The net effect of such approval will be curbed by the transitional rules (the “floor”).

The following are the most important measures in the Group's capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments.
- The dividend policy to entail an effective payout ratio of 25–35 per cent of the Group profit.
- Moderate growth in the Bank's asset-intensive activities, including priority given to lending to the retail and corporate segments in the Bank's catchment area

The Group's capital plan presupposes that SpareBank 1 SMN's application for permission to apply the advanced IRB approach receives approval.

SpareBank 1 SMN currently has no plans to issue equity capital, and the Board of Directors is of the view that other measures are sufficient to attain the goal of a CET1 ratio of 13.5 per cent by 30 June 2016.

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

The Bank's equity certificate (MING)
The book value of the Bank's EC as of 31 December 2014 including a recommended dividend of NOK 2.25 was NOK 62.04 (55.69), and earnings per EC were NOK 8.82 (6.92).

The Price / Income ratio was 6.63 (7.95), and the Price / Book ratio was 0.94 (0.99).

At year-end the EC was priced at NOK 58.50, and dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

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

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

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

See also the chapter Corporate Governance.

Risk factors
In the second half of 2014 the oil price fell substantially, and firms' expectations are weaker than previously. This is so far not reflected in the Group's loss and default levels, which remain low. The directors consider the credit quality of the Bank's loan portfolio to be satisfactory.

The Bank expects low oil prices to affect various industries differently, and export-oriented industries will stand to benefit from a weakened krone exchange rate in relation to the most important export markets. Cyclical developments are uncertain, and the directors expect that the economic climate may be somewhat weaker than previously assumed. This is down to moderate activity growth due to very weak international growth impulses. The region's industry structure has little direct exposure to oil-related activities.

The Bank has limited credit exposure to oil service related activity (about 4 per cent of aggregate lending), an industry that is seeing weaker demand. No basis has been found for individually assessed impairment write-downs on exposures to this sector. The directors also consider contract coverage and LTV values in the portfolio to be of such quality that at the end of 2014 no need has been found to increase collectively assessed impairment write-downs either. This assessment could change should oil prices remain low for a protracted period.

Unemployment in Norway is expected to remain at a low level, but employment growth is expected to be somewhat lower ahead. A continued low interest rate level is anticipated, and the Bank accordingly expects the risk of loss in the retail banking portfolio to remain low. Credit demand from Norwegian households continues to outstrip wage growth, which could provide a basis for increased risk in the longer term. The Bank reviews its credit policy on a continuous basis to ensure no increase in the level of risk.

Steadily rising capital requirements combined with uncertainty particularly in relation to the handling of the countercyclical buffer, suggest that Norwegian banks will pursue a more conservative credit policy towards business and industry.

The Bank's results are affected directly and indirectly by the fluctuations in the securities markets. The indirect effect relates above all to the Bank's stake in SpareBank 1 Gruppen, where both the insurance business and fund management activities are affected by the fluctuations.

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

Corporate social responsibility

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

SpareBank 1 SMN aims to balance financial growth against the need for rational use of inputs and resources consumed by the Bank. Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3c which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. This ensures that ethics, the environment and important social issues are on the agenda throughout.

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

This is further described in the chapter Corporate Social Responsibility in this annual report, which includes meeting the requirements of the Accounting Act section 3-3c.

HR and competence

SpareBank 1 SMN is a competence-intensive business. This means that the individual staff member's, department's and the organisation's combined competence are key inputs for securing sound value creation at all levels. The Bank's advisers are the core of the business and the most important competitive advantage in combination with the values 'close at hand' and 'capable'.

Knowledge, skills and mindsets

SpareBank 1 SMN makes heavy demands on its advisers to ensure that customers experience the best the market has to offer in terms of personal financial and corporate financial advice. The Bank has developed good training arenas for its advisers and has a continual focus on professional development, improvement of customer processes and a high standard of ethics among all members of staff. The SpareBank 1 Alliance has jointly developed a comprehensive certification programme for advisers and is thus well placed to adapt

to new industry requirements. At the end of 2014 all the Bank's advisers were approved non-life insurance advisers, and all advisers have completed or are undergoing authorisation as financial advisers. Twenty-nine advisers became authorised financial advisers in the course of 2014, and annual updating of previously authorised advisers was carried out.

Attractive employer

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

The Bank collaborates with relevant educational institutions in our market area and participates both in company presentations and as a mentor enterprise for certain lines of study.

The Group's internal labour market

Job changes are facilitated across business areas and subsidiaries to stimulate circulation of competencies and experience in the organisation, and career development for our staff. Twenty-one staff members went to new jobs within the Group in 2014.

Internal career models have been established for the various business areas. This lends clarity to requirements and expectations in various roles and indicates possibilities for professional career development.

The overarching objective of the internal recruiting processes is to get the right person into the right job and to offer interesting development opportunities for our staff. Inherent in this objective is a clear-cut aim of a good gender balance at all levels of the organisation. A healthy gender equality perspective is a precept of the Bank's HR policy.

Staff turnover at the Bank

The Bank's staff turnover rate in 2014 was 4.9 per cent. This is excluding staff that have retired. In the Bank's view, a balanced replacement of staff adds new competencies and experience. It also indicates that the Bank's staff are attractive and competitive in the labour market.

Sickness absence

The Bank' overall sickness absence was 4.1 per cent in 2013 compared with 4.6 per cent in 2012. The Bank makes an active effort to keep sickness absence as low as possible. Initiatives at various levels have been important and are viewed as key explanations for our relatively moderate rate of sickness absence.

Corporate initiatives

- ‘Better Shape’ workout/activities programme
- close cooperation with the corporate health service
- targeted health follow-up (ergonomics, work environment, health)
- organisation analysis

Individual initiatives

- more and more staff turning to healthful leisure activities
- substantial support for company sports activities
- close follow-up of staff on sick leave

Main figures, Parent Bank	2014	2013
No. of FTEs 31/12	753	757
No. of staff 31/12	789	805
Turnover	4.9 %	8.4 %
Share of female managers	32.0 %	31.6 %
New staff	53	38
Average age	46 yrs	46 yrs
Sickness absence rate	3.2 %	4.1 %

Demographic data for the Parent Bank.

Non-discrimination

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

The Group’s remuneration policy

All remuneration arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act, and with the Securities Trading Act with associated Regulations on Remuneration Arrangements at Financial Institutions, Investment Firms and Fund Management Companies.

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

For further information, see note 23 on personnel expenses and emoluments to senior employees and elected officers.

Prospects

The directors are highly pleased with the performance for 2014. The core business has achieved good income growth while at the same time cost growth is moderate and losses are being kept to very low levels. The directors are highly satisfied with the employees' achievement in 2014.

The Bank strengthened its market position in the retail segment in 2014, and shows sound growth in all business areas.

Growth in lending to business and industry was higher in 2014 than allowed for in the capital plan, and lending to this segment in 2015 will reflect this. The intention is to attain the CET1 target of 13.5 per cent in 2016 by moderate lending growth, profit retention and without carrying out an ordinary equity capital issue. On February 24th 2015 the Financial Supervisory Authority of Norway informed SpareBank 1 SMN that the Bank was given permission to use the advanced IRB approach, effective from 1st quarter 2015.

The falling oil price and a somewhat more negative economic situation have focused greater attention on Banks' loan exposure. Defaults at SpareBank 1 SMN are at a very low level, and no basis has been found for increasing individually or collectively assessed impairment write-downs.

The Board of Directors expect another good performance in 2015.

Changing customer behaviour with increasing use of digital channels and fewer visits to bank branches create a need for a new design of distribution of the Bank's products and services. The Bank will optimise resource use between the channels and will continuously adjust the distribution model to fit the Bank's distribution to customer behaviour and customers' use of the channels. An efficient and effective branch structure staffed by competent advisers, combined with a customer-oriented direct bank and good self-service solutions will help to ensure that customers can meet their needs in their preferred manner.

SpareBank 1 SMN has through the SpareBank 1 Alliance a good platform on which to implement the system adjustments needed in a cost-efficient manner.

Necessary investments will be made in technology in tandem with efficiency enhancements at the Bank.

The board of directors has established a new target for the Parent Bank's cost trend which requires unchanged costs in the period to 2017.

Through the project SMN 2020, new service concepts are being developed and the cost level adapted to ensure that SpareBank 1 SMN is seen to be best for customer experience, thereby maintaining its competitive power.

Trondheim, 3 March 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Janne Thyø Thomsen	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Income statement

Parent Bank 2013	Parent Bank 2014	(NOK million)	Notes	Group 2014	Group 2013
4,092	4,223	Interest income	4,20	4,265	4,118
2,604	2,578	Interest expenses	4,20	2,475	2,502
1,487	**1,644**	**Net interest income**		**1,790**	**1,616**
970	1,031	Fee and commission income	4,21	1,281	1,230
81	104	Fee and commission expenses	4,21	113	94
57	47	Other operating income	4,21	344	327
946	**973**	**Net fee and commission income and other operating income**		**1,512**	**1,463**
371	311	Dividends	22,43	65	41
-	-	Income from associates and joint ventures	22,39	527	355
176	197	Net return on financial investments	22	128	106
547	**508**	**Net return on financial investments**		**720**	**502**
2,981	**3,125**	**Total income**		**4,021**	**3,580**
592	645	Staff costs	23,24,25	1,002	923
605	620	Other operating expenses	24,33	787	798
1,197	**1,265**	**Operating expenses**		**1,789**	**1,721**
1,783	**1,860**	**Result before losses**		**2,232**	**1,859**
82	83	Loss on loans, guarantees etc.	11	89	101
1,701	**1,777**	**Profit before income tax**		**2,143**	**1,758**
358	330	Tax charge	26	362	388
6	-	Result investment held for sale, after tax		0	30
1,348	**1,447**	**Profit for the year**		**1,782**	**1,400**
		Majority share		1,772	1,390
		Minority interests		10	10
		Profit per ECC, in NOK		8.87	6.97
		Diluted profit per ECC, in NOK		8.82	6.92

Other comprehensive income

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
1,348	1,447	Net profit	1,782	1,400
		Items that will not be reclassified to profit/loss		
-9	-111	Actuarial gains and losses pensions	-117	-11
3	29	Tax	31	3
-	-	Share of other comprehensive income of associates and joint venture	-9	11
-7	-82	Total	-94	3
		Items that will be reclassified to profit/loss		
-	-	Available-for-sale financial assets	-2	-6
-	-	Share of other comprehensive income of associates and joint venture	0	14
-	-	Tax	-	-
-	-	Total	-2	8
1,342	**1,365**	**Total other comprehensive income**	**1,685**	**1,411**
		Majority share of comprehensive income	1,676	1,401
		Minority interest of comprehensive income	10	10

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

Balance sheet

Parent Bank				Group	
31.12.13	**31.12.14**	(NOK million)	Notes	**31.12.14**	**31.12.13**
		ASSETS			
4,793	4,676	Cash and balances with central banks		4,676	4,793
4,000	4,362	Loans and advances to credit institutions	7,28	1,287	1,189
77,030	*86,687*	*Loans and advances to customers*	*8,9,10,12,15,28*	*90,339*	*80,317*
-150	*-164*	*- Specified write-downs*	*8,11*	*-172*	*-173*
-278	*-278*	*- Write-downs by loan category*	*8,11*	*-295*	*-295*
76,602	86,245	Net loans to and receivables from customers		89,872	79,849
16,887	14,110	Fixed-income CDs and bonds	15,27,28,29	14,110	16,887
3,051	6,766	Financial derivatives	14,27,28,30	6,674	3,050
492	257	Shares, units and other equity interests	27,28,31	708	1,016
3,138	3,361	Investments in associates and joint ventures	39,40,41,43	5,129	4,624
2,442	2,490	Investment in group companies	39,41	-	-
169	162	Property, plant and equipment	33	1,120	1,176
114	101	Investment held for sale	31,39	45	113
447	447	Goodwill	32	526	495
1,940	1,642	Other assets	25,26,34	1,899	2,167
114,074	**124,619**	**Total assets**	13,16,17,19	**126,047**	**115,360**
		LIABILITIES			
5,354	9,118	Deposits from credit institutions	7,28	9,118	5,354
1,220	-	Funding, "swap" arrangement with the government	28	-	1,220
56,336	61,177	Deposits from and debt to customers	28,35	60,655	55,879
33,762	32,632	Debt securities in issue	27,28,36	32,632	33,762
2,295	5,722	Financial derivatives	14,27,28,30	5,722	2,295
1,992	1,790	Other liabilities	25,37	2,040	2,303
3,304	3,356	Subordinated debt	28,38	3,356	3,304
104,263	**113,795**	**Total liabilities**	18,19	**113,523**	**104,118**
		EQUITY			
2,597	2,597	Equity capital certificates	42	2,597	2,597
-0	-0	Own holding of ECCs	42	-0	-0
895	895	Premium fund		895	895
2,496	3,122	Dividend equalisation fund		3,122	2,496
227	292	Allocated to dividends		292	227
124	160	Allocated to gifts		160	124
3,276	3,619	Ownerless capital		3,619	3,276
195	139	Unrealised gains reserve		148	206
-	-	Other reserves		1,620	1,354
		Minority interests		72	67
9,811	**10,824**	**Total equity**	5,43	**12,524**	**11,242**
114,074	**124,619**	**Total liabilities and equity**	16,17	**126,047**	**115,360**

Trondheim, 3 March 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Janne Thyø Thomsen	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Change of equity

Parent Bank

(NOKm)	Issued equity EC capital	Premium fund	Owner-less capital	Earned equity Equali-sation fund	Divi-dend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Net profit	-	-	321	587	227	124	89	-	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Reduction of nominal value per equity certificate	0	-	-	-0	-	-	-	-	0
Total transactions with owners	0	-	-	-0	-195	-30	-	-	-225
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**-**	**9,811**
Equity capital at 1 January 2014	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**-**	**9,811**
Net profit	-	-	372	679	292	160	-57	-	1,447
Other comprehensive income									
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	-	1,365
Transactions with owners									
Dividend declared for 2013	-	-	-	0	-227	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-0
Total transactions with owners	-0	-	-0	0	-227	-124	-	-	-351
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**-**	**10,824**

Group

(NOKm)	Majority share: Issued equity: EC capital	Premium fund	Ownerless capital	Earned equity: Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,342**	**67**	**10,082**
Net profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**

Group

(NOKm)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Divi-dend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
	Majority share									
	Issued equity		Earned equity							
Equity capital at 1 January 2014	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**
Net profit	-	-	372	679	292	160	-57	325	10	1,782
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,685
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-40	-	-40
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**148**	**1,620**	**72**	**12,524**

Cash flow statement

Parent Bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
1,348	1,447	Profit before tax	1,782	1,400
53	40	+ Depreciation and write-downs	109	118
82	83	+ Losses on loans and guarantees	89	101
1,484	**1,569**	**Net cash increase from ordinary operations**	**1,980**	**1,619**
-587	-3,417	Decrease/(increase) other receivables	-3,356	-652
-121	3,225	Increase/(decrease) short term debt	3,164	-244
-4,627	-13,926	Decrease/(increase) loans to customers	-14,326	-5,433
1,620	3,837	Decrease/(increase) loans to credit institutions	4,102	1,824
3,344	6,193	Increase/(decrease) deposits and debt to customers	6,127	3,822
-1,031	1,193	Increase/(decrease) debt to credit institutions	1,193	-1,031
277	2,777	Increase/(decrease) in short term investments	2,777	277
358	**1,451**	**A) Net cash flow from operations**	**1,660**	**182**
-22	-33	Increase in tangible fixed assets	-83	-31
-	-	Reductions in tangible fixed assets	-	-
-58	-258	Paid-up capital, associated companies	-437	250
-137	235	Net investments in long-term shares and partnerships	322	-253
-217	**-56**	**B) Net cash flow from investment**	**-198**	**-34**
264	52	Increase/(decrease) in subordinated loan capital	52	264
-	-	Increase/(decrease) in equity	-	-
-195	-227	Dividends paid	-227	-195
-30	-124	Gift awards decided	-124	-30
31	-82	Adjustment of equity	-148	25
3,503	-1,130	Increase/(reduction), other long-term debt	-1,130	3,503
3,573	**-1,512**	**C) Net cash flow from financial activities**	**-1,579**	**3,566**
3,714	**-117**	**A) + B) + C) Net changes in cash and cash equivalents**	**-117**	**3,714**
1,079	4,793	Cash and cash equivalents at 01.01	4,793	1,079
4,793	4,676	Cash and cash equivalents at 31.12	4,676	4,793
3,714	**-117**	**Net changes in cash and cash equivalents**	**-117**	**3,714**

Notes

Note 1 - General information

Description of the business
See “Business description” presented in the annual report.

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

The Group accounts for 2014 were approved by the Board of Directors on 3 March 2015.

Note 2 - IFRS accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2014 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 2014.

Implemented accounting standards and other relevant rule changes in 2014

IFRS 10 - Consolidated Financial Statements. This standard deals with defining "subsidiary", and gives more weight to actual control than earlier rules. Control exists only where an investor has power over relevant activities of the investee, exposure to variable returns, and in addition the ability to use its power to affect the investee's returns. In cases where loan terms are breached, the Bank will consider whether it has achieved genuine power under IFRS 10.

IFRS 11 - Joint Arrangements replaces IAS 31 and SIC-13. IFRS 11 removes the opportunity to apply proportional consolidation for jointly-controlled entities. The Bank has considered the effect of the new standard, in particular in relation to SpareBank 1 Bankssamarbeidet DA, and concluded that it will not be of essential significance for the Group's reporting.

IFRS 12 - Disclosure of Interests in Other Entities. This standard extends the disclosure requirement in the annual accounts as regards investments in subsidiaries, associates, jointly controlled entities and structured entities.

Revised IAS 27 - Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. Due to the introduction of IFRS 10, 11 and 12, IASB have revised IAS 27 and IAS 28 which coordinate the standards with the new accounting standards. After the revision, IAS 27 only regulates investments in associates and joint ventures to be accounted for using the equity method, while IAS 28 regulates investments in both associates and joint ventures that are to be accounted for using the equity method.

Amendments to IAS 32 – Set-off of financial assets and liabilities. The change to the standard concerns presentation of financial assets and liabilities and does not entail significant changes in the offsetting of financial assets and liabilities in the financial statements.

The above standards are implemented as from 1 January 2014.

New or revised accounting standards approved but not implemented in 2014

IFRS 9 - Financial Instruments regulates the classification, measurement and recognition of financial assets and financial liabilities and replaces the existing IAS 39. Under the new standard, financial assets are to be divided into two categories based on measurement method: fair value or amortised cost. For financial liabilities the requirements are broadly identical to the current standard. For the Bank we expect the changes in the treatment of losses on loans and guarantees to be of greater significance, but the scale involved has thus far not been clarified. The Group plans to apply IFRS 9 once the standard enters into force and has been approved by the EU. The probable implementation date is 1 January 2018.

IFRS 15 - Revenue from Contracts with Customers. This is a new common standard for revenue recognition and replaces all existing standards and interpretations for recognition. The standard applies to all revenue contracts and contains a model for recognition and sale of certain non-financial assets. The standard is not considered to be of material significance for the Group's revenue recognition principles. Expected implementation: 1 January 2017 at the earliest.

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.

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 profit 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 percent 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. See also note 39 on investments in owner interest.

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. The governance structure for SpareBank 1-collaboration is regulated by an agreement between the owners. The Group classifies its participation in some companies as investments in jointly controlled entities and accounts for them by the equity method. See also note 39 on investments in owner interest.

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.

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 for goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use. 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.

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

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

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

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

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

Collective write-downs on loans

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

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

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

Determining customer migration involves continuous assessment of the creditworthiness of 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.

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, and an individually assessed impairment write-down has accordingly been made, 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.

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 investments in subsidiaries held for sale. In the case of assets which are initially depreciated, depreciation ceases when a decision is taken to sell. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

Leases

Financial leases are entered under the main item "loans" in the balance sheet and accounted for at amortised cost. All fixed revenues within the lease's expected lifetime are included when computing the 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 part of a cash flow hedge. However the Bank does not avail itself of cash flow hedges.

All financial instruments classified at fair value through profit/loss are measured at fair value, and 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 39.46c. 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.

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

Property, plant and equipment which are depreciated are subject to a depreciation test in 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 Group has no investment properties.

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

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

Transactions and holdings in foreign currency
Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss, 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 rate of tax in effect at all times is employed when calculating deferred tax. 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 case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

Fair value option
The Bank's fixed rate loans are recognised at fair value when using the fair value option, in accordance with IAS 39, and the Bank controls interest rate risk attached to these loans through the use of derivatives.

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 IAS 12. The rate of tax in effect at all times is employed when calculating deferred tax. 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 and hybrid capital are classified as liabilities in the balance sheet and are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. The treatment of subordinated debt and hybrid capital in the calculation of the Group's capital adequacy is described in note 5 on capital adequacy and capital management.

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. The Group applies IAS 19R Employee Benefits, and all estimate deviations are entered in the statement of other revenues and expenses. See also note 25 on pensions.

Defined benefit scheme
In a defined benefit scheme the employer is obliged to pay a future pension of a specified size. The calculation of pension costs is based

on a linear distribution of the pension earned against the probable accumulated liability at retirement. The costs are calculated on the basis of the pension rights accrued over the year less the return on the pension assets. The pension 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. As from 2012, the interest rate on covered bonds is used as the discount rate in accordance with the recommendation of the Norwegian Accounting Standards Board.

Changes in pension plans are recognised at the time of the change. The pension cost is based on assumptions set at the beginning of the period and is 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 percent 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 to the employees' collection pension savings. The future pension will depend on the size of the contribution and annual return on the 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.

In connection with the closing of the defined benefit scheme in 2007 the Group established a defined contribution scheme for its employees.

Early retirement pension scheme ("AFP")
The Banking and financial industry has established an agreement on an early retirement pension scheme ("AFP") for employees covering age 62 to 67. The Bank pays 100 percent of the pension paid from age 62 to 64 and 60 percent 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 percent of pensionable income capped at 7.1G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

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

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the Group's de facto AFP obligation. 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
SpareBank 1 SMN has Retail Market, Group Customers, SMBs and Markets, along with the most important subsidiaries and associates 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 - 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.

Losses on loans and guarantees

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

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

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

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

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

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

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

Fair value of equity capital interests

Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market for trading of similar products where willing buyers and sellers are present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and asked prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determined the value of the unlisted company. Such assets could be encumbered with uncertainty. Assets classified as available for sale will also be recognised at fair value through other comprehensive income. Market values will generally be based on valuations or the latest known trade of the share. Shares which cannot be reliably valued will be carried at cost 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. 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. 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. In accordance to IAS 19R all estimate deviations shall be entered in the statement on other comprehensive income.

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 10 per cent). Calculations show that the value of discounted cash flows exceeds recognised goodwill by a good margin.

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

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 40 on business acquisitions/business combinations.

Non-current assets held for sale (IFRS 5)

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

Sale 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. See also note 9 on derecognition of financial assets.

Note 4 - Segment information

As from 1 January 2014 the Bank's SMB portfolio is split up and assigned to Retail Banking and Corporate Banking respectively. Limited companies are transferred to Corporate Banking. Sole proprietorships, agricultural customers and associations etc are transferred to Retail Banking. Historical data have not been reworked owing to the difficulty of reconstructing such data at a sufficiently precise level.

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

Group 31 December 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	873	840	-9	5	130	6	-	-	-55	1,790
Interest from allocated capital	40	67	-0	-	-	-	-	-	-107	-
Total interest income	**913**	**906**	**-9**	**5**	**130**	**6**	**-**	**-**	**-162**	**1,790**
Commission income and other income	762	159	19	359	-4	182	-	-	35	1,512
Net return on financial investments ***)	1	29	27	-	-	-	358	93	212	720
Total income *)	**1,675**	**1,095**	**37**	**364**	**126**	**188**	**358**	**93**	**85**	**4,021**
Total operating expenses	**809**	**318**	**58**	**313**	**50**	**148**	**-**	**-**	**93**	**1,789**
Ordinary operating profit	**867**	**777**	**-21**	**51**	**75**	**40**	**358**	**93**	**-7**	**2,232**
Loss on loans, guarantees etc.	6	77	-	-	8	-	-	-	-2	89
Result before tax including held for sale	**861**	**699**	**-21**	**51**	**68**	**40**	**358**	**93**	**-6**	**2,144**
Post-tax return on equity)**	**19.2 %**	**10.0 %**								**15.1 %**
Balance (NOKm)										
Loans and advances to customers	78,322	37,205	-	-	3,637	-	-	-	1,032	120,196
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,490	-1,366	-	-	-	-	-	-	-1	-29,857
Individual allowance for impairment on loan	-25	-139	-	-	-8	-	-	-	-0	-172
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-0	-295
Other assets	270	124	-	284	11	139	1,421	1,201	32,723	36,175
Total assets	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**
Deposits to customers	31,571	28,181	-	-	-	-	-	-	902	60,655
Other liabilities and equity	18,416	7,454	-	284	3,625	139	1,421	1,201	32,852	65,392
Total liabilites	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**

Group 31 December 2013

Profit and loss account (NOKm)	RM	SME	Group Corporates	Markets	EM1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	630	284	695	5	7	118	-0	-	-	-122	1,616
Interest from allocated capital	11	3	34	-1	-	-	-	-	-	-47	-
Total interest income	**641**	**286**	**729**	**4**	**7**	**118**	**-0**	**-**	**-**	**-170**	**1,616**
Commission income and other income	704	79	91	29	368	-3	133	-	-	62	1,463
Net return on financial investments ***)	1	1	49	40	-	0	-0	210	91	141	531
Total income *)	**1,346**	**366**	**869**	**73**	**375**	**116**	**132**	**210**	**91**	**33**	**3,610**
Total operating expenses	**641**	**156**	**257**	**85**	**314**	**45**	**118**	**-**	**-**	**103**	**1,722**
Ordinary operating profit	**705**	**210**	**612**	**-13**	**61**	**70**	**14**	**210**	**91**	**-71**	**1,888**
Loss on loans, guarantees etc.	6	5	71	-	-	20	-	-	-	-1	101
Result before tax including held for sale	**699**	**205**	**541**	**-13**	**61**	**51**	**14**	**210**	**91**	**-70**	**1,788**
Post-tax return on equity)**	**31.6 %**	**24.0 %**	**10.5 %**	**1,1 %**							**13.3 %**
Balance (NOKm)											
Loans and advances to customers	64,156	9,055	31,920	-	-	3,291	-	-	-	3,631	112,052
Adv. of this to SpareBank 1 Boligkreditt	-30,204	-421	-1,110	-	-	-	-	-	-	0	-31,735
Individual allowance for impairment on loan	-28	-15	-122	-	-	-23	-	-	-	15	-173
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	501	35	306	-	291	12	105	1,113	1,188	31,961	35,511
Total assets	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**
Deposits to customers	24,459	8,734	21,544	-	-	-	-	-	-	1,143	55,879
Other liabilities and equity	9,893	-111	9,274	-	291	3,264	105	1,113	1,188	34,464	59,481
Total liabilites	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**

*) A portion of capital market income (Markets) is distributed on RM and CM.

**) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5% to be in line with the capital plan. Figures for 2013 are not adjusted as a result of this.

***) Specification of net return on financial investments (NOKm).	31 Dec 2014	31 Dec 2013
Capital gains/dividends, shares	202	114
Bonds and derivatives	-66	-40
Forex and fixed income business, Markets	57	73
Net return on financial investments	**193**	**147**
SpareBank 1 Gruppen	358	210
SpareBank 1 Boligkreditt	38	40
SpareBank 1 Næringskreditt	41	8
BN Bank	93	91
SpareBank 1 Markets	-32	-1
SpareBank 1 Kredittkort	2	-
Companies owned by SpareBank 1 SMN Invest	31	14
Other companies	-3	23
Income from investment in related companies	**527**	**384**
Total	**720**	**531**

Note 5 - Capital adequacy and capital management

The Ministry of Finance adopted on 22 August 2014 amendments to regulations on capital requirements taking effect on 30 September 2014. The amendments bring Norwegian legislation into line with the EU's new capital requirements framework (CRR/CRD IV). This framework is for the present not incorporated into the EEA agreement, although its most important provisions have been incorporated in the Financial Institutions Act and the Securities Trading Act. The adjusted legislation entered into force on 1 July 2013, and requires a gradual increase in minimum requirements on Common Equity Tier 1 (CET1) capital in the period to 1 July 2016.

As of 31 December 2014 the capital conservation buffer requirement is 2.5 per cent and the systemic risk requirement is 3 per cent. The systemic risk buffer rose by 1 percentage point as from 1 July 2014. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 10 per cent. On 30 June 2015 a countercyclical buffer requirement of 1 percentage point will become effective, bringing the overall minimum CET1 requirement to 11 per cent.

Norwegian authorities have chosen to continue the Basel 1 floor as a floor for risk weighted assets.

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the Bank's organisational set-up, competence, risk models and risk management systems. In June 2013 the Bank applied for approval to switch to Advanced IRB for those corporation portfolios currently reported under the IRB Foundation Approach.

<u>The most central changes in connection with the new rules</u>:

- Deductions in own funds will primarily reduce CET1 capital, whereas previously CET1 capital and supplementary capital were reduced equally on a 50-50 basis
- Changes in deductions in respect of assets in other financial institutions. A distinction is drawn between significant and non-significant assets, and deductions are to be made in the same asset class as that to which the owned asset belongs. The limit for deductions in respect of assets in other financial institutions is raised from 2 per cent of the other institution's own funds to 10 per cent ownership. The deductions are limited to 10 per cent of own CET1 capital, and all assets below 10 per cent are part of risk weighted assets. The previous capital adequacy reserve no longer applies
- Deferred tax benefit related to temporary differences within 10 per cent own CET1 capital will now not be deductible, but will instead be risk weighted at 250 per cent. Deferred tax benefit above 10 per cent will be deductible from CET1 capital
- The sum of deferred tax benefit and significant assets that are deducted from CET1 capital cannot constitute more than 17.65 per cent of own CET1 capital
- Introduction of Additional Value Adjustments (AVA deductions) – requirement for prudent valuation
- Introduction of Credit Value Adjustments (CVA) for derivative positions
- Changes in rules governing risk weighting of exposures to covered bonds and rated institutions, will now be risk weighted based on the institution's own rating

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30 per cent in 2015 and 10 per cent thereafter. As at 31 December 2014 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the Bank's CET1 capital ratio falls below 5.125 per cent.

As from the second quarter 2013 the measurement of operational risk switched from the Basic Indicator Approach to the Standardised Approach. At group level the Basic Indicator Approach still applies to subsidiaries.

Comparatives have not been restated.

Parent Bank 2013	Parent Bank 2014	(NOK million)	Group 2014	Group 2013
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	- Own holding of ECCs	-0	-0
895	895	Premium fund	895	895
2,496	3,122	Dividend equalisation fund	3,122	2,496
3,276	3,619	Savings bank's reserve	3,619	3,276
227	292	Recommended dividends	292	227
124	160	Provision for gifts	160	124
195	139	Unrealised gains reserve	148	206
-	-	Other equity and minority interest	1,620	1,354
-	-	Minority interests	72	67
9,811	**10,824**	**Total book equity**	**12,524**	**11,242**
-447	-447	Deferred taxes, goodwill and other intangible assets	-566	-582
-	-	Part of reserve for unrealised gains, associated companies	120	98
-352	-452	Deduction for allocated dividends and gifts	-452	-361
-401	-	50 % deduction for subordinated capital in other financial institutions	-	-106
-240	-	50 % deduction for expected losses on IRB, net of write-downs	-	-214
-	-	50 % capital adequacy reserve	-	-595
-	-	Minority interests recognised in other equity capital	-72	-
-	-	Minority interests eligible for inclusion in CET1 capital	35	-
-109	-4	Surplus financing of pension obligations	-	-107
-	-31	Value adjustments due to requirements for prudent valuation	-45	-
-	-325	Positive value of adjusted expected loss under IRB Approach	-419	-
-	-	Direct, indirect and synthetic investments in financial sector companies	-451	-
8,262	**9,565**	**Total common equity Tier one**	**10,674**	**9,374**
1,431	1,449	Hybrid capital, core capital	1,716	1,615
-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-
9,693	**11,014**	**Total core capital**	**12,382**	**10,989**
		Supplementary capital in excess of core capital		
-	-	Fund bonds, hybrid capital in excess of 15 %	-	31
1,873	1,906	Subordinated capital	2,598	2,313
-401	-	50 % deduction for subordinated capital in other financial institutions	-	-106
-240	-	50 % deduction for expected losses on IRB, net of write-downs	-	-214
-	-	50 % capital adequacy reserve	-	-595
-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-
1,231	**1,864**	**Total supplementary capital**	**2,555**	**1,428**
10,924	**12,878**	**Net subordinated capital**	**14,937**	**12,417**
		Minimum requirements subordinated capital		
1,573	1,632	Involvement with spesialised enterprises	1,887	1,573
1,478	1,331	Other corporations exposure	1,371	1,479
363	829	Mass market exposure, property	1,280	628
70	149	Mass market exposure, SMBs	159	74
28	49	Other retail exposure	51	33
1,157	1,111	Equity investments	0	-
4,669	**5,102**	**Total credit risk IRB**	**4,748**	**3,787**
224	397	Debt risk	397	224
8	-	Equity risk	1	10
-	-	Currency risk	0	-
297	292	Operational risk	416	398
560	849	Exposures calculated using the standardised approach	1,971	2,151
-67	-	Deductions	-	-119
-	42	Credit value adjustment risk (CVA)	92	-
-	-	Transitional arrangements	-	316
5,690	**6,682**	**Minimum requirements subordinated capital**	**7,625**	**6,767**
71,130	**83,523**	**Risk weigheted assets (RWA)**	**95,317**	**84,591**

	3,759	Minimum requirement on CET1 capital, 4.5 %	4,289	
		Capital Buffers		
	2,088	Capital conservation buffer, 2.5 %	2,383	
	2,506	Systemic rick buffer, 3.0 %	2,860	
	4,594	**Total buffer requirements on CET1 capital**	**5,242**	
	1,212	**Available CET1 capital after buffer requirements**	**1,143**	
		Capital adequacy		
11.6 %	11.5 %	Common equity Tier one ratio	11.2 %	11.1 %
13.6 %	13.2 %	Core capital ratio	13.0 %	13.0 %
15.4 %	15.4 %	Capital adequacy ratio	15.7 %	14.7 %

Note 6 - Risk factors

Risk Management

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

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the 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 reputation in the market

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

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the 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 market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum regulatory capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between the retail market and corporate market, limits on the size of loans and loss given default on individual exposures, limits on maximum exposure and application of economic capital within lines of business, limits on regulatory risk weighted assets for the retail market and the corporate market 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 has approval to use internal models in its risk management and capital calculation (IRB), and has applied to Finanstilsynet for permission to use the advanced approach for its loans to corporates. As of end-2014 the Bank had not received a reply to its application.

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 executive directors. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

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

The 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 and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

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

2. Exposure at Default (EAD)
EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty's default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The 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 recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models' reliability.

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

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

SpareBank 1 SMN is working actively to put in place further measures to reduce counterparty risk by entering an agreement with one or more counterparties. The EMIR Directive, which covers clearing and settlement of derivatives, has been given effect across the EU. Due to issues concerning the EEA Directive this has so far not been implemented in Norwegian law, but expectations suggest that this may happen in the course of 2016. As a result SpareBank 1 SMN will clear its derivatives with financial counterparties and large customer trades though a central counterparty (CCP) and will have counterparty risk against this CCP instead of the respective counterparty. Settlement with the CCP will be on a daily basis.

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

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

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

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) models. Limits are reviewed at least once a year and adopted yearly by the 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.

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

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

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

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

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

The Bank's most important source of finance is customer deposits. At end-2014 the Bank's ratio of deposits to loans was 52 per cent, compared with 48 per cent at end-2013 (Group).

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

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

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

A consultation document for national systemically important Banks was published in November 2013, and SpareBank 1 SMN is defined in this document as a national systemically important Bank. The consultation document plans for early introduction of the quantitative Liquidity Coverage Ratio (NSFR) and higher requirements on long-term funding. SpareBank 1 SMN has taken this into account in its liquidity strategy and is adjusting to these requirements. Monitoring and reporting is done by Risk Management.

Access to captial has been satisfactory throughout 2013.

The Group's liquidity situation as of 31 December 2013 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.

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

For further information see Risk management and capital allocation and notes:

Note 13: Maximum credit risk exposure, disregarding collateral

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to foreign exchange risk

Note 7 - Credit institutions - loans and advances

Parent Bank 2013	Parent Bank 2014	Loans and advances to credit institutions (NOK million)	Group 2014	Group 2013
3,932	4,175	Loans and advances without agreed maturity or notice of withdrawal	1,100	1,121
68	187	Loans and advances with agreed maturity or notice of withdrawal	187	68
4,000	**4,362**	**Total**	**1,287**	**1,189**
		Specification of loans and receivables on key currencies		
13	14	CHF	14	13
4	12	DKK	12	4
844	840	EUR	840	844
10	13	GBP	13	10
11	28	JPY	28	11
3,047	3,419	NOK	343	236
65	23	USD	23	65
5	14	Other	14	5
4,000	**4,362**	**Total**	**1,287**	**1,189**
2.7 %	2.6 %	**Average rate credit institutions**	1.5 %	1.6 %

2013	2014	Deposits from credit institutions (NOK million)	2014	2013
4,160	7,696	Loans and deposits from credit institutions without agreed maturity or notice of withdrawal	7,696	4,160
1,194	1,422	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	1,422	1,194
5,354	**9,118**	**Total**	**9,118**	**5,354**
1,220	-	Funding from central govt. via swap arrangement with agreed term or notice period	-	1,220
1,220	**-**	**Total**	**-**	**1,220**
6,574	**9,118**	**Total**	**9,118**	**6,574**
		Specification of debt on key currencies		
223	2,015	EUR	2,015	223
9	10	DKK	10	9
6,321	7,067	NOK	7,067	6,321
7	25	SEK	25	7
13	0	USD	0	13
1	1	Andre	1	1
6,574	**9,118**	**Total**	**9,118**	**6,574**
1.9 %	1.2 %	**Average rate credit institutions**	1.2 %	1.9 %

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

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

Note 8 - Loans and advances to customers

Parent Bank 2013	Parent Bank 2014	(NOK million)	Group 2014	Group 2013
		Loans specified by type		
-	-	Financial lease	1,937	1,877
11,547	12,523	Bank overdraft and operating credit	12,523	11,547
3,277	2,855	Building loan	2,855	3,274
62,207	71,309	Amortizing loan	73,025	63,619
77,030	**86,687**	**Gross loans to and receivables from customers**	**90,339**	**80,317**
-428	-442	Impairments	-467	-468
76,602	**86,245**	**Net loans to and advances to customers (amortised cost)**	**89,872**	**79,849**
		Lending specified by markets		
36,632	43,959	Retail market	45,610	38,724
40,129	42,448	Corporate market	44,430	41,301
269	280	Public sector	300	291
77,030	**86,687**	**Gross loans and advances**	**90,339**	**80,317**
-428	-442	Impairments	-467	-468
76,602	**86,245**	**Net loans and advances**	**89,872**	**79,849**
		Of this subordinated loan capital		
48	48	Subordinated loan capital other financial institutions	48	48
48	**48**	**Subordinated loan capital shown under loans to customers**	**48**	**48**
		Adv. on this		
820	890	Loans to employees	1,187	1,044
		In addition:		
30,514	28,393	Loans transferred to SpareBank 1 Boligkreditt	28,393	30,514
765	830	Of which loans to employees	1,052	972
1,221	1,463	Loans transferred to SpareBank 1 Næringskreditt	1,463	1,221

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

Specified by risk group

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, 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 12 on credit risk exposure for each internal risk rating.

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

Exposures consist of gross loans, total guarantee commitments, unutilised credits, and total letter of credit obligations.

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

Collectively assessed write-downs are calculated with a basis in customers who have shown negative migration since the loan approval date but for whom no individual write-down has been assessed. The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Parent Bank			Group	
2013	2014	**Total contracts**	2014	2013
46,680	52,394	Lowest risk	52,724	46,927
22,631	24,969	Low risk	25,809	23,418
16,275	18,846	Medium risk	20,520	17,831
3,644	3,972	High risk	4,416	4,008
1,988	1,484	Highest risk	1,868	2,321
457	432	Default and written down*	520	543
91,676	**102,098**	**Total**	**105,858**	**95,047**

Parent Bank			Group	
2013	2014	**Gross loans**	2014	2013
40,120	45,760	Lowest risk	46,077	40,363
19,132	20,934	Low risk	21,739	19,907
12,210	14,729	Medium risk	16,381	13,709
3,108	3,429	High risk	3,855	3,464
2,023	1,436	Highest risk	1,801	2,352
438	399	Default and written down*	487	523
77,030	**86,687**	**Total**	**90,339**	**80,317**

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

Parent Bank			Group	
2013	2014	**Expected annual average net loss**	2014	2013
15	14	Lowest risk	14	15
29	32	Low risk	33	30
79	90	Medium risk	93	82
67	49	High risk	51	69
46	32	Highest risk	39	53
25	16	Default and written down	25	32
262	**233**	**Total**	**256**	**281**

Historical data are compiled based on new reduction factor rates for valuation of collateral items. This entails increased probability of default and thereby an increase in expected annual average losses.

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

Parent Bank			Group	
2013	2014	**Total contracts SpareBank 1 Boligkreditt**	2014	2013
30,583	28,781	Lowest risk	28,781	30,583
3,302	2,966	Low risk	2,966	3,302
1,029	927	Medium risk	927	1,029
190	193	High risk	193	190
182	124	Highest risk	124	182
2	2	Default and written down	2	2
35,288	**32,992**	**Total**	**32,992**	**35,288**

Parent Bank			Group	
2013	2014	**Gross loans SpareBank 1 Boligkreditt**	2014	2013
25,845	24,212	Lowest risk	24,212	25,845
3,278	2,943	Low risk	2,943	3,278
1,017	924	Medium risk	924	1,017
190	188	High risk	188	190
182	124	Highest risk	124	182
2	2	Default and written down	2	2
30,514	**28,393**	**Total**	**28,393**	**30,514**

Parent Bank			Group	
2013	**2014**	**Total contracts SpareBank 1 Boligkreditt**	**2014**	**2013**
307	592	Lowest risk	592	307
657	116	Low risk	116	657
257	754	Medium risk	754	257
1,221	**1,463**	**Total**	**1,463**	**1,221**

Parent Bank			Group	
2013	**2014**	**Gross loans SpareBank 1 Næringskreditt**	**2014**	**2013**
307	592	Lowest risk	592	307
657	116	Low risk	116	657
257	754	Medium risk	754	257
1,221	**1,463**	**Total**	**1,463**	**1,221**

Specified by sector and industry

Parent Bank			Group	
2013	**2014**	**Total contracts**	**2014**	**2013**
39,479	47,410	Wage earners	49,102	40,867
805	594	Public administration	615	828
6,838	7,685	Agriculture, forestry, fisheries and hunting	7,804	6,992
3,239	2,341	Sea farming industries	2,498	3,371
3,031	3,432	Manufacturing	3,699	3,229
4,698	5,534	Construction, power and water supply	6,044	5,228
3,695	3,646	Retail trade, hotels and restaurants	3,812	3,864
7,712	7,410	Maritime sector	7,432	7,719
12,859	13,703	Property management	13,778	12,930
5,844	6,715	Business services	6,974	6,083
3,440	3,626	Transport and other services provision	4,081	3,881
35	1	Other sectors	19	54
91,676	**102,098**	**Total**	**105,858**	**95,047**

Parent Bank			Group	
2013	**2014**	**Gross loans**	**2014**	**2013**
36,632	43,959	Wage earners	45,610	38,724
269	280	Public administration	300	291
6,208	7,021	Agriculture, forestry, fisheries and hunting	7,137	6,455
2,334	1,212	Sea farming industries	1,366	2,238
1,946	2,060	Manufacturing	2,321	2,156
2,693	3,211	Construction, power and water supply	3,706	3,375
2,275	2,501	Retail trade, hotels and restaurants	2,663	2,409
5,395	5,614	Maritime sector	5,636	5,626
10,957	12,497	Property management	12,570	11,602
3,646	3,435	Business services	3,671	4,670
2,284	2,648	Transport and other services provision	3,093	2,719
2,391	2,249	Other sectors	2,267	51
77,030	**86,687**	**Total**	**90,339**	**80,317**

Parent Bank			Group	
2013	**2014**	**Individual impairment**	**2014**	**2013**
37	36	Wage earners	38	46
-	-	Public administration	-	-
-	-	Agriculture, forestry, fisheries and hunting	1	1
14	-	Sea farming industries	-	14
9	18	Manufacturing	18	10
32	36	Construction, power and water supply	36	33
8	20	Retail trade, hotels and restaurants	22	11
-	-	Maritime sector	-	-
19	-	Property management	0	19
22	2	Business services	2	22
8	52	Transport and other services provision	53	16
-	-	Other sectors	-	-
150	**164**	**Total**	**172**	**173**

Parent Bank			Group	
2013	**2014**	**Expected annual average net loss**	**2014**	**2013**
48	52	Wage earners	58	56
0	0	Public administration	1	0
24	17	Agriculture, forestry, fisheries and hunting	20	25
4	3	Sea farming industries	3	5
12	11	Manufacturing	12	14
22	24	Construction, power and water supply	27	25
23	19	Retail trade, hotels and restaurants	20	24
29	15	Maritime sector	15	29
57	50	Property management	51	58
32	32	Business services	33	34
10	11	Transport and other services provision	15	13
0	0	Other sectors	-	0
262	**233**	**Total**	**256**	**281**

Historical data are compiled based on new reduction factor rates for valuation of collateral items. This entails increased probability of default and thereby an increase in expected annual average losses.

Specified by geographic area

Parent Bank			Group	
2013	**2014**	**Gross loans**	**2014**	**2013**
29,497	33,220	Sør-Trøndelag	34,627	30,791
17,998	20,410	Nord-Trøndelag	21,384	18,943
17,006	18,894	Møre og Romsdal	19,733	17,688
494	706	Sogn og Fjordane	752	534
658	1,212	Nordland	1,268	714
5,337	6,174	Oslo	6,222	5,375
5,153	5,654	Rest of Norway	5,938	5,386
886	416	Abroad	416	886
77,030	**86,687**	**Total**	**90,339**	**80,317**

Parent Bank			Group	
2013	**2014**	**Gross loans transferred to SpareBank1 Boligkreditt**	**2014**	**2013**
14,966	14,371	Sør-Trøndelag	14,371	14,966
7,895	7,070	Nord-Trøndelag	7,070	7,895
4,626	4,104	Møre og Romsdal	4,104	4,626
127	166	Sogn og Fjordane	166	127
100	86	Nordland	86	100
1,128	1,024	Oslo	1,024	1,128
1,622	1,534	Rest of Norway	1,534	1,622
50	39	Abroad	39	50
30,514	**28,393**	**Total**	**28,393**	**30,514**

Parent Bank			Group	
2013	2014	**Gross loans transferred to SpareBank1 Næringskreditt**	2014	2013
381	369	Sør-Trøndelag	369	381
332	338	Nord-Trøndelag	338	332
296	546	Møre og Romsdal	546	296
150	150	Oslo	150	150
63	61	Rest of Norway	61	63
1,221	**1,463**	**Total**	**1,463**	**1,221**

	Group	
Loans to and claims on customers related to financial leases	**2014**	**2013**
Gross advances related to financial leasing		
- Maturity less than 1 year	178	157
- Maturity more than 1 year but not more than 5 years	1,378	1,512
- Maturity more than 5 years	381	208
Total gross claims	**1,937**	**1,877**
Received income related to financial leasing, not yet earned	65	47
Net investments related to financial leasing	1,880	1,830
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	138	124
- Maturity more than 1 year but not more than 5 years	1,357	1,499
- Maturity more than 5 years	385	207
Total net claims	**1,880**	**1,830**

Note 9 - Derecognition of financial assets

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

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

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

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

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

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

SpareBank 1 Boligkreditt
SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 17.67 per cent as of 31 December 2014 (17.48 per cent as of 31 December 2013). SpareBank 1 Boligkreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2014 mortgage loans were bought and sold to a net value of minus NOK 2.1bn (1.2bn in 2013) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 28.4bn at the end of the financial year (NOK 30.5bn in 2013). The reduction in volume is due to instalment payments and repurchases.

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

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

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

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. At year-end the company has about 14 per cent own funds, of which about 12 per cent is core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt AS is owned by savings banks making up the SpareBank 1 Alliance. The Bank has a stake of 33.62 per cent as at 31 December 2014 (34.05 per cent as at 31 December 2013). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

In 2014 commercial property loans were sold to a net value of NOK 242m to SpareBank 1 Næringskreditt (NOK 600m in 2013). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.5bn by the end of the financial year (NOK 1.2bn in 2013).

Liquidity facility

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

Financial strength

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

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

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

Parent Bank

2014

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	1,069	279	45	88	1,481
- Corporate market	180	4	2	23	209
Total	**1,249**	**283**	**47**	**111**	**1,690**

2013

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	739	222	40	91	1091
- Corporate market	760	63	97	77	997
Total	**1499**	**285**	**137**	**168**	**2,089**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2014 was NOK 1,643 million.

Group

2014

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	1,144	292	48	105	1,589
- Corporate market	312	25	3	33	373
Total	**1,456**	**317**	**51**	**138**	**1,963**

2013

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	740	238	43	110	1131
- Corporate market	763	99	102	91	1054
Total	**1503**	**336**	**145**	**201**	**2,185**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2014 was NOK 1,701 million.

Note 11 - Losses on loans and guarantees

Parent Bank (NOK million)

	2014			2013		
Losses on loans and guarantees	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Period's change in individual write-downs	-4	18	14	-0	22	22
+ Period's change in collective write-downs	-	-	-	-	-	-
+ Actual losses on loans previously written down	10	41	51	8	26	34
+ Confirmed losses on loans not previously written down	12	16	28	4	34	39
- Recoveries on previously written down loans, guarantees etc.	12	-2	10	-6	-6	-13
Total	**6**	**77**	**83**	**6**	**76**	**82**

	2014			2013		
Individual write-downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans, guarantees etc. at 01.01	28	122	150	28	101	129
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	10	41	51	-8	-26	-34
- Reversal of previous years' write-downs	6	13	19	-4	-12	-16
+ Increase in write-downs of commitments not previously subject to individual write down	1	0	2	1	11	12
+ write-downs of loans not previously subject to individual write down	11	72	83	11	48	59
Individual write-downs to cover loss on loans, guarantees etc. at 31.12	**25**	**139**	**164**	**28**	**122**	**150**

	2014			2013		
Collective write-downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 01.01	73	205	278	73	205	278
Period's collective write-downs to cover loss on loans, guarantees etc.	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees at 31.12	**73**	**205**	**278**	**73**	**205**	**278**

Losses specified by sector and industry	**2014**	**2013**
Agriculture, forestry, fisheries and hunting	5	-0
Fish farming	-	2
Industry and mining	6	23
Building, construction, power and water supply	12	28
Wholesale and retail trade, hotel og restaurant industry	16	4
Other transport and communication	19	2
Financing, property management and business services	14	14
Abroad and others		-
Private sector	11	10
Collective write-downs, corporate	-	-
Collective write-downs, retail	-	-
Losses on loans to customers	**83**	**82**

Non-performing more than 90 days and potential problem loans	**2014**	**2013**
Non-performing loans	224	311
- Individual write-downs	63	73
Net non-performing loans	**162**	**238**
Potential problem loans	208	146
- Individual write-downs	101	76
Net potential problem loans	**107**	**70**

Interest taken to income on defaulted and doubtful exposures totals NOK 36,6 million for the Parent Bank (NOK 39,6 million).

The realisable value of the collateral backing individually written-down loans totals NOK 189,8 million (NOK 167,3 million) for the Parent Bank at 31 December 2014.

Group (NOK million)

Losses on loans and guarantees	2014 RM	2014 CM	2014 Total	2013 RM	2013 CM	2013 Total
Period’s change in individual write-downs	-9	8	**-1**	2	28	**29**
+ Period’s change in collective write-downs	-	-	**-**	-	-	**-**
+ Actual losses on loans previously written down	14	51	**66**	8	32	**40**
+ Confirmed losses on loans not previously written down	15	20	**35**	8	37	**45**
- Recoveries on previously written down loans, guarantees etc.	13	-2	**11**	-6	-7	**-14**
Total	**8**	**81**	**89**	**12**	**89**	**101**

Individual write-downs	2014 RM	2014 CM	2014 Total	2013 RM	2013 CM	2013 Total
Individual write-downs to cover loss on loans, guarantees etc. at 01.01.	33	139	**173**	31	113	**144**
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	14	51	**66**	-8	-32	**-40**
- Reversal of previous years’ write-downs	7	15	**22**	-4	-14	**-18**
+ Increase in write-downs of commitments not previously subject to individual write down	1	1	**2**	1	14	**15**
+ write-downs of loans not previously subject to individual write down	11	73	**84**	13	58	**72**
Individual write-downs to cover loss on loans, guarantees etc at 31.12	**24**	**147**	**172**	**33**	**140**	**173**

Collective write-downs	2014 RM	2014 CM	2014 Total	2013 RM	2013 CM	2013 Total
Collective write-downs to cover loss on loans, guarantees at 01.01	77	218	**295**	77	218	**295**
Period’s collective write-downs to cover loss on loans, guarantees etc	-	-	**-**	-	-	**-**
Collective write-downs to cover loss on loans and guarantees at 31.12	**77**	**218**	**295**	**77**	**218**	**295**

Losses specified by sector and industry	2014	2013
Agriculture, forestry, fisheries and hunting	6	-0
Fish farming	-	2
Industry and mining	6	25
Building and construction, power and water supply	13	31
Wholesale and retail trade, hotel og restaurant industry	15	6
Other transport and communication	21	12
Financing, property management and business services	15	14
Abroad and others	-	0
Private sector	13	10
Collective write-downs, corporate	-	-
Collective write-downs, retail	-	-
Losses on loans to customers	**89**	**101**

Non-performing more than 90 days and potential problem loans	2014	2013
Non-performing loans	270	387
- Individual write-downs	67	87
Net non-performing loans	**202**	**299**
Potential problem loans	216	157
- Individual write-downs	105	86
Net potential problem loans	**112**	**71**

Interest taken to income on defaulted and doubtful exposures totals NOK 43,8 million (NOK 55.3 million) for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 196.2 million (NOK 185.4 million) for the Group at 31 December 2014.

Note 12 - Credit risk exposure for each internal risk rating

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

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2006-2014.

	Probability of default				Collateral cover		
Credit quality step	**From**	**To**	**Moody's**	**Historical default**	**Collateral class**	**Lower limit**	**Upper limit**
A	0.00 %	0.10 %	Aaa-A3	0.03 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.08 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.18 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.45 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.59 %	5	40	60
F	1.25 %	2.50 %		1.42 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.33 %	7	0	20
H	5.00 %	10.00 %	B1-B2	6.35 %			
I	10.00 %	99.99 %	B3-Caa3	16.87 %			
J	Default						
K	Written down						

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

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

Parent Bank (NOK million)	**Averaged unhedged exposure 2014**	**Total exposure 2014**	**Averaged unhedged exposure 2013**	**Total exposure 2013**
Lowest risk	6.0 %	52,394	5.8 %	46,680
Low risk	9.0 %	24,969	6.1 %	22,631
Medium risk	17.2 %	18,846	8.8 %	16,275
High risk	9.8 %	3,972	12.2 %	3,644
Highest risk	7.1 %	1,484	3.8 %	1,988
Default and written down	32.1 %	432	20.5 %	457
Total		**102,098**		**91,676**

Group (NOK million)	**Averaged unhedged exposure 2014**	**Total exposure 2014**	**Averaged unhedged exposure 2013**	**Total exposure 2013**
Lowest risk	6.0 %	52,724	6.2 %	46,927
Low risk	8.7 %	25,809	8.6 %	23,418
Medium risk	14.4 %	20,520	18.8 %	17,816
High risk	8.8 %	4,416	16.3 %	4,008
Highest risk	5.7 %	1,868	11.4 %	2,321
Default and written down	19.3 %	520	34.5 %	543
Total		**105,858**		**95,033**

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn. For example, collateral furnished in the form of negative pledge and unquoted equities in accordance with the Group's internal guidelines will not be assigned any realisation value and will thus appear unsecured. The conservative assessment entails that the realisation value that is actually attained may prove higher than the estimated realisation value.

Note 13 - 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

2014 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	4,498	-	-	-
Loans and advances to credit institutions	4,362	-	-	-
Loans and advances to customers	86,245	64,351	2,015	13,656
Securities - designated at fair value through profit/loss	14,363	-	-	-
Derivatives	6,766	-	-	4,402
Securities - available for sale	4	-	-	-
Earned income, not yet recieved	1,536	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	**117,782**	**64,351**	**2,015**	**18,058**
Liabilities				
Guarantee commitments and documentary credits	5,126	-	-	-
Unutilised credits	10,284	2,616	83	1,719
Loan approvals	1,230	-	-	-
Other exposures	-	-	-	-
Total liabilities	16,640	2,616	83	1,719
Total credit risk exposure	**134,422**	**66,967**	**2,098**	**19,777**

2013 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	4,608	-	-	-
Loans and advances to credit institutions	4,000	-	-	-
Loans and advances to customers	76,602	56,224	1,571	18,154
Securities - designated at fair value through profit/loss	16,032	-	-	-
Derivatives	3,051	-	-	3,311
Securities - available for sale	1	-	-	-
Securities - held to maturity	-	-	-	-
Securities - loans and receiveables	1,345	-	-	-
Earned income, not yet recieved	1,568	-	-	-
Accounts receivable, securities	207	-	-	-
Total assets	**107,414**	**56,224**	**1,571**	**21,465**
Liabilities				
Guarantee commitments and documentary credits	4,904	-	-	-
Unutilised credits	9,716	2,168	74	1,802
Loan approvals	1,146	-	-	-
Other exposures	-	-	-	-
Total liabilities	15,766	2,168	74	1,802
Total credit risk exposure	**123,179**	**58,392**	**1,645**	**23,266**

Group

2014 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	4,498	-	-	-
Loans and advances to credit institutions	1,287	-	-	-
Loans and advances to customers	89,872	64,351	2,015	16,942
Securities - designated at fair value through profit/loss	14,783	-	-	-
Derivatives	6,674	-	-	4,402
Securities - available for sale	35	-	-	-
Earned income, not yet recieved	1,546	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	**118,704**	**64,351**	**2,015**	**21,345**
Liabilities				
Guarantee commitments and documentary credits	5,126	-	-	-
Unutilised credits	10,311	2,616	83	1,736
Loan approvals	1,319	-	-	-
Other exposures	38	-	-	-
Total liabilities	16,794	2,616	83	1,736
Total credit risk exposure	**135,498**	**66,967**	**2,098**	**23,081**

2013 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
Assets				
Balances with central banks	4,608	-	-	-
Loans and advances to credit institutions	1,189	-	-	-
Loans and advances to customers	79,849	56,224	1,571	21,080
Securities - designated at fair value through profit/loss	16,518	-	-	-
Derivatives	3,050	-	-	3,311
Securities - available for sale	40	-	-	-
Securities - held to maturity	-	-	-	-
Securities - loans and receiveables	1,345	-	-	-
Earned income, not yet recieved	1,591	-	-	-
Accounts receivable, securities	207	-	-	-
Total assets	**108,397**	**56,224**	**1,571**	**24,391**
Liabilities				
Guarantee commitments and documentary credits	4,904	-	-	-
Unutilised credits	9,753	2,168	74	1,824
Loan approvals	1,193	-	-	-
Other exposures	69	-	-	-
Total liabilities	15,919	2,168	74	1,824
Total credit risk exposure	**124,317**	**58,392**	**1,645**	**26,215**

*) Other collateral includes cash, movables, ship and guarantees recived.

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

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

Credit risk exposure related to financial assets distributed by geographical area

Parent Bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
		Bank activities		
38,076	45,543	Sør-Trøndelag	43,950	36,659
21,305	24,846	Nord-Trøndelag	25,860	22,292
22,483	25,212	Møre og Romsdal	26,080	23,171
610	954	Sogn og Fjordane	1,003	653
764	1,456	Nordland	1,514	825
11,113	7,459	Oslo	7,484	11,128
6,185	7,168	Rest of Norway	7,465	6,426
2,214	651	Abroad	649	2,209
102,750	**113,288**	**Total**	**114,005**	**103,364**
		Financial instruments		
16,357	13,902	Norge	14,354	16,882
952	433	Europa/Asia	433	952
68	31	USA	31	68
3,051	6,766	Derivater	6,674	3,050
20,429	**21,133**	**Total**	**21,493**	**20,953**
123,179	**134,422**	**Total distributed by geographical area**	**135,498**	**124,317**

Note 14 - Financial instruments and offsetting

The Bank has no financial instruments booked on a net basis in the financial statements.

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of 31 December 2014 the Bank has 25 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
31 Dec 2014	Derivatives	1,980
31 Dec 2013	Derivatives	1,488

Parent Bank and Group are identical.

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under Note 6 on 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 6 on risk factors, and the section on probability of default.

Parent Bank

2014 (NOK million)		Neither defaulted nor written down						
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**4,362**	**-**	**-**	**-**	**-**	**-**	**4,362**
Loans to and claims on customers	8							
Retail market		34,855	9,292	4,324	962	1,053	180	**50,666**
Corporate market		10,904	11,643	10,405	2,467	411	191	**36,021**
Total		**45,760**	**20,934**	**14,729**	**3,429**	**1,464**	**371**	**86,687**
Financial investments	29							
Quoted government bonds		4,642	-	-	-	-	-	**4,642**
Quoted other bonds		4,020	2,234	1,010	85	34	-	**7,383**
Unquoted government bonds		1,215	-	-	-	-	-	**1,215**
Unquoted bonds		244	450	141	24	13	-	**871**
Total		**10,120**	**2,684**	**1,151**	**108**	**47**	**-**	**14,110**
Total		**60,242**	**23,618**	**15,880**	**3,538**	**1,511**	**371**	**105,159**

2013 (NOK million)		Neither defaulted nor written down						
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**4,000**	**-**	**-**	**-**	**-**	**-**	**4,000**
Loans to and claims on customers	8							
Retail market		26,143	6,762	2,833	639	769	209	**37,355**
Corporate market		13,977	12,370	9,377	2,469	1,254	229	**39,675**
Total		**40,120**	**19,132**	**12,210**	**3,108**	**2,023**	**438**	**77,030**
Financial investments	29							
Quoted government bonds		150	-	-	-	-	-	**150**
Quoted other bonds		9,150	94	-	25	45	-	**9,314**
Unquoted government bonds		2,416	-	-	-	-	-	**2,416**
Unquoted bonds		1,533	1,984	1,437	14	39	-	**5,007**
Total		**13,249**	**2,077**	**1,437**	**39**	**84**	**-**	**16,887**
Total		**57,369**	**21,209**	**13,647**	**3,147**	**2,107**	**438**	**97,917**

Group 2014 (NOK million)	Notes	Neither defaulted nor written down Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**1,287**	**-**	**-**	**-**	**-**	**-**	**1,287**
Loans to and claims on customers	8							
Retail market		34,900	9,727	5,253	1,118	1,165	203	**52,365**
Corporate market		11,186	12,037	11,069	2,750	648	284	**37,974**
Total		**46,086**	**21,764**	**16,322**	**3,867**	**1,813**	**487**	**90,339**
Financial investments	29							
Quoted government bonds		4,642	-	-	-	-	-	**4,642**
Quoted other bonds		4,020	2,234	1,010	85	34	-	**7,383**
Unquoted government bonds		1,215	-	-	-	-	-	**1,215**
Unquoted bonds		244	450	141	24	13	-	**871**
Total		**10,120**	**2,684**	**1,151**	**108**	**47**	**-**	**14,110**
Total		**57,493**	**24,448**	**17,473**	**3,976**	**1,860**	**487**	**105,736**

2013 (NOK million)	Notes	Neither defaulted nor written down Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**1,189**	**-**	**-**	**-**	**-**	**-**	**1,189**
Loans to and claims on customers	8							
Retail market		26,194	7,140	3,614	756	831	235	**38,769**
Corporate market		14,176	12,761	10,148	2,713	1,461	288	**41,548**
Total		**40,369**	**19,901**	**13,762**	**3,468**	**2,292**	**523**	**80,317**
Financial investments	29							
Quoted government bonds		150	-	-	-	-	-	**150**
Quoted other bonds		9,150	94	-	25	45	-	**9,314**
Unquoted government bonds		2,416	-	-	-	-	-	**2,416**
Unquoted bonds		1,533	1,984	1,437	14	39	-	**5,007**
Total		**13,249**	**2,077**	**1,437**	**39**	**84**	**-**	**16,887**
Total		**54,808**	**21,979**	**15,199**	**3,508**	**2,376**	**523**	**98,393**

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

Note 16 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31 December 2014. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percetage on all balance sheet items.

Interest rate risk has been low throughout 2014 and below the maximum limit of 800.000 set by the Board of Directors. For further details regarding interest rate risk, please refer to note 6 on risk factors.

	Interest rate risk, 1 % change	
Basis risk Group (NOK million)	**2014**	**2013**
Currency		
NOK	-15	42
EUR	-1	1
USD	-5	5
CHF	-5	-6
Other	-1	-33
Total interest rate risk, effect on result after tax	**-26**	**8**

Total interest rate risk suggests that the Bank will have losses from an increase in the interest rate in 2014. The bank would have a gain in 2013.

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

	Interest rate risk, 1 % change	
Interest rate curve risk, Group (NOK million)	**2014**	**2013**
0 - 1 month	-14	-17
1 - 3 months	2	25
3 - 6 months	-8	4
6 - 12 months	9	12
1 - 2 years	-4	-72
2 - 3 years	2	9
3 - 4 years	4	-16
4 - 5 years	-10	42
5 - 7 years	-4	10
7 - 10 years	-3	13
Total interest rate risk, effect on result after tax	**-26**	**8**

Note 17 - 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 100 million on an aggregate basis.

Foreign exchange risk was low throughout the year and within the maximum limit of NOK 24 million. For further details see note 6 on risk factors.

Parent Bank		**Net foreign exchange exposure NOK**	**Group**	
2013	**2014**	(NOK million)	**2014**	**2013**
-25	1	EUR	1	-25
32	-5	USD	-5	32
-9	-16	SEK	-16	-9
-15	-16	Other	-16	-15
-17	**-36**	**Total**	**-36**	**-17**
100	100	Overall currency limit	100	100
85	85	Total per currency	85	85
2.4	1.1	Result effect of 3% change	1.1	2.4

Note 18 - Liquidity risk

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

Group

At 31.12.2014 (NOK million)	On demand	Below 3 months	3-12 months	1-5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	7,696	1,301	-	-	121	9,118
Deposits from and debt to customers	54,893	1,358	1,429	2,975	-	60,655
Debt created by issuance of securities	-	3,621	1,245	24,419	2,578	31,863
Derivatives - contractual cash flow out	-	904	748	7,703	1,555	10,910
Other commitments	37	1,370	537	96	-	2,040
Subordinated debt	-	-	-	2,808	450	3,258
Total cash flow, liabilities	**62,626**	**8,555**	**3,959**	**38,001**	**4,704**	**117,844**
Contractual cash flows out	-	904	748	7,703	1,555	10,910
Contractual cash flows in	-	-938	-902	-8,055	-1,744	-11,639
Net contractual cash flows	**-**	**-33**	**-154**	**-352**	**-189**	**-729**

Group

At 31.12.2013 (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	4,161	87	1,143	1,052	131	6,573
Deposits from and debt to customers	50,039	1,385	1,486	2,969	-	55,879
Debt created by issuance of securities	-	4,965	4,698	21,622	2,400	33,685
Derivatives - contractual cash flow out	-	1,584	845	5,443	1,429	9,301
Other commitments	34	1,595	608	66	-	2,303
Subordinated debt	-	-	-	2,772	450	3,222
Total cash flow, liabilities	**54,234**	**9,616**	**8,780**	**33,924**	**4,410**	**110,964**
Contractual cash flows out	-	1,584	845	5,443	1,429	9,301
Contractual cash flows in	-	-1,578	-1,004	-6,039	-1,646	-10,267
Net contractual cash flows	**-**	**6**	**-159**	**-596**	**-217**	**-966**

Does not include value adjustments for financial instruments at fair value.

Note 19 - 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

2014 (NOK million)	**On demand**	**Below 3 months**	**3-12 months**	**1-5 yrs**	**Above 5 yrs**	**Total**
Assets						
Cash and claims on central banks	4,676	-	-	-	-	4,676
Loans and claims on credit institutions	3,167	1,107	-	-	89	4,362
Loans to and claims on customers		*15,836*	*2,078*	*11,322*	*57,452*	*86,687*
- Individual write down of loans to and claims on customers	-	-	*-164*	-	-	*-164*
- Groupwise write down of loans to and claims on customers	-	-	*-278*	-	-	*-278*
Net loans to customers	-	15,836	1,635	11,322	57,452	86,245
Securities - designated at fair value through profit/loss	253	2,474	2,385	5,727	3,525	14,363
Derivatives	-	99	905	4,207	1,554	6,766
Securities- available for sale	4	-	-	-	-	4
Securities - held to maturity	-	-	-	-	-	0
Securities - loans and receivables	-	-	-	-	-	0
Investment in associates and joint ventures	5,851	-	-	-	-	5,851
Intangible assets	-	-	-	-	447	447
Property, plant and equipment	162	-	-	-	-	162
Other assets	207	1,361	144	31	-	1,743
Total assets	**14,320**	**20,877**	**5,069**	**21,286**	**63,066**	**124,619**
Liabilities						
Debt to credit institutions	7,696	1,301	-	-	121	9,118
Funding, "swap" arrangement with the government	-	-	-	-	-	0
Deposits from and debt to customers *)	55,415	1,358	1,429	2,975	-	61,177
Debt created by issuance of securities	-	3,621	1,260	24,824	2,927	32,632
Derivatives	-	53	638	2,928	2,103	5,722
Liabilities in connection with period tax	-	22	373	-	-	395
Liabilities in connection with deferred tax	-	-	-	32	-	32
Other liabilities	37	1,198	85	45	-	1,364
Subordinated debt **)	-	-	-	-	3,356	3,356
Total debt	**63,148**	**7,553**	**3,785**	**30,803**	**8,507**	**113,795**

Group

2014 (NOK million)	**On demand**	**Below 3 months**	**3-12 months**	**1 - 5 yrs**	**Above 5 yrs**	**Total**
Assets						
Cash and claims on central banks	4,676	-	-	-	-	4,676
Loans and claims on credit institutions	177	1,110	-	-	-	1,287
Loans to and claims on customers	-	*15,855*	*2,181*	*13,519*	*58,783*	*90,339*
- Individual write down of loans to and claims on customers	-	-	*-172*	-	-	*-172*
- Groupwise write down of loans to and claims on customers	-	-	*-295*	-	-	*-295*
Net loans to customers	-	15,855	1,715	13,519	58,783	89,872
Securities - designated at fair value through profit/loss	673	2,474	2,385	5,727	3,525	14,783
Derivatives	-	99	872	4,205	1,497	6,674
Securities- available for sale	35	-	-	-	-	35
Securities - held to maturity	-	-	-	-	-	-
Securities -at cost	-	-	-	-	-	0
Securities - loans and receivables	-	-	-	-	-	0
Investment in associates and joint ventures	5,129	-	-	-	-	5,129
Intangible assets	-	-	-	-	526	526
Property, plant and equipment	1,120	-	-	-	-	1,120
Other assets	354	1,371	144	75	-	1,944
Total assets	**12,164**	**20,910**	**5,115**	**23,527**	**64,331**	**126,047**
Liabilities						
Debt to credit institutions	7,696	1,301	-	-	121	9,118
Funding, "swap" arrangement with the government	-	-	-	-	-	0
Deposits from and debt to customers *)	54,893	1,358	1,429	2,975	-	60,655
Debt created by issuance of securities	-	3,621	1,260	24,824	2,927	32,632
Derivatives	-	53	638	2,928	2,103	5,722
Liabilities in connection with period tax	-	44	408	-	-	452
Liabilities in connection with deferred tax	-	-	-	45	-	45
Other liabilities	37	1,326	129	51	-	1,543
Subordinated debt **)	-	-	-	-	3,356	3,356
Total debt	**62,626**	**7,703**	**3,864**	**30,823**	**8,507**	**113,523**

*) 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 10.9 per cent (7.3 per cent) in 2014. A deposit guarantee for deposits of up to NOK 2 million 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 20 - Net interest income

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
		Interest income		
112	138	Interest income from loans to and claims on central banks and credit institutions	58	34
3,515	3,699	Interest income from loans to and claims on customers	3,810	3,614
455	381	Interest income from money market instruments, bonds and other fixed income securities	381	454
10	5	Other interest income	17	15
4,092	**4,223**	**Total interest income**	**4,265**	**4,118**
		Interest expense		
202	189	Interest expenses on liabilities to credit institutions	91	117
1,197	1,240	Interest expenses relating to deposits from and liabilities to customers	1,216	1,160
994	931	Interest expenses related to the issuance of securities	931	994
149	157	Interest expenses on subordinated debt	157	149
62	61	Other interest expenses	81	81
2,604	**2,578**	**Total interest expense**	**2,475**	**2,502**
1,487	**1,644**	**Net interest income**	**1,790**	**1,616**

Note 21 - Net commission income and other income

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
		Commission income		
67	73	Guarantee commission	73	67
-	-	Broker commission	223	224
38	37	Portfolio commission, savings products	50	55
2	-	Sales commission, savings products	0	2
414	417	Commission from SpareBank 1 Boligkreditt	417	414
8	10	Commission from SpareBank 1 Næringskreditt	10	8
283	322	Payment transmission services	328	300
124	138	Commission from insurance services	138	124
35	34	Other commission income	41	37
970	**1,031**	**Total commission income**	**1,281**	**1,230**
		Commission expenses		
70	88	Payment transmission services	82	70
11	16	Other commission expenses	31	25
81	**104**	**Total commission expenses**	**113**	**94**
		Other operating income		
28	28	Operating income real property	31	31
-	-	Property administration and sale of property	82	17
14	1	Income from financial advice (Corporate)	1	14
13	13	Securities trading	13	13
-	-	Accountant's fees	171	122
2	4	Other operating income	45	131
57	**47**	**Total other operating income**	**344**	**327**
946	**973**	**Total net commision income and other operating income**	**1,512**	**1,463**

Note 22 - 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	
2013	2014	(NOK million)	2014	2013
		Valued at fair value through profit/loss		
-32	77	Value change in interest rate instruments	77	-32
		Value change in derivatives/hedging		
-6	1	Net value change in hedged bonds and derivatives	0	-6
-11	1	Net value change in hedged fixed rate loans and derivatives	1	-11
72	-64	Other derivatives	-101	72
		Income from equity instruments		
-	-	Income from owner interests	527	355
340	299	Dividend from owner instruments	-	-
-	-13	Value change and gain/(loss) on owner instruments	-14	-
30	12	Dividend from equity instruments	65	41
142	188	Value change and gain/(loss) on equity instruments	158	68
534	**501**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**713**	**486**
		Valued at amortised cost		
		Value change in interest rate instruments		
-22	-9	Value change in interest rate instruments held to maturity	-9	-22
4	4	Value change in interest rate instruments, loans and receivables	4	4
-18	**-5**	**Total net income from financial assets and liabilities at amortised cost**	**-5**	**-18**
		Valued at fair value - available for sale		
		Income from equity instruments		
-	-	Dividend from equity instruments	-	0
2	0	Gain/(loss) on realisation of financial assets	0	4
2	**0**	**Total net income from financial assets available for sale**	**0**	**4**
30	**12**	**Total net gain from currency trading**	**12**	**30**
547	**508**	**Total net profit/(loss) from financial assets**	**720**	**502**

Note 23 - Personnel expenses and emoluments to senior employees and elected officers

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

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

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

The Group’s guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation. This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of at least two years, and the earning period shall not be less than one year.

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

SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank’s risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence, and reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group’s sanction system.

The following employee groups are covered by the arrangement:

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

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

Parent Bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
522	-60	Wages	893	834
38	46	Pension costs (Note 25)	62	52
31	110	Social costs	47	37
592	**95**	**Total personnel expenses**	**1,002**	**923**
790	798	Average number of employees	1,241	1,195
757	753	Number of man-labour years as at 31 December	1,192	1,159
805	789	Number of employees as at 31 December	1,273	1,238

Emoluments to Top Management

2014 (thousands of NOK)

Name and title	Salary and other short term benefits*	*Of which bonuses 1)	Of which share-based bonus payments	*Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12	No. of equity capital certificates
Finn Haugan Group CEO	6,609	399	200	2,297	16,156	640	10,619	177,906
Kjell Fordal Executive Director Group Finance	3,073	243	121	460	8,138	744	6,438	224,422
Wenche Margaretha Seljeseth 2) Executive Director products, processes and production	2,335	180	90	223	-	65	2,696	8,139
Tina Steinsvik Sund 2) Executive Director Performance Development, HR and Digital Channels	937	189	95	59	-	16	6,713	11,606
Vegard Helland Executive Director Corporate	2,733	206	103	307	1,946	130	2,357	13,312
Svein Tore Samdal Executive Director Retail	2,654	69	35	378	-	65	4,634	2,618

2013 (thousands of NOK)

Name and title	Salary and other short term benefits*	*Of which bonuses 1)	Of which share-based bonus payments	*Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12	No. of equity capital certificates
Finn Haugan Group CEO	5,707	260	190	1,722	16,025	682	6,696	173,351
Kjell Fordal Executive Director Group Finance	2,729	173	87	393	6,131	708	5,767	222,259
Wenche Margaretha Seljeseth 2) Executive Director products, processes and production	2,028	107	53	181	-	62	2,131	6,535
Tina Steinsvik Sund 2) Executive Director Performance Development, HR and Digital Channels	2,221	140	70	241	-	62	6,736	9,922
Vegard Helland Executive Director Group Customers	2,469	164	82	254	1,371	93	3,175	11,477
Svein Tore Samdal Executive Director Offices	2,084	-	0	44	-	21	5,052	2,000
Tore Haarberg Executive Director Products and Processes to end 31 August 2013	2,041	178	89	269	-	126	5,430	9,563

1) Paid bonuses for previous year

2) Defined-contribution pension scheme.

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

An early retirement agreement has been entered with the CEO in the event of his stepping down before reaching age 67, entailing a pension equal to 68% 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 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 severance packages of 12 or 24 months in which are reduced by any salary earned in other employment. In all cases, maximum severance pay without any reduction is 12 months. 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
2014 (thousands of NOK)

Name	Title	Fee	Fees to the Audit, Risk and Remuneration committees	Other benefits	Loans as of 31.12	No. of equity capital certificates
Kjell Bjordal	Board chairman	370	30	8	-	100,000
Bård Benum	Deputy chair	200	76	2	-	-
Aud Skrudland	Board member	173	20	2	-	2,765
Arnhild Holstad	Board member	173	41	3	2,507	-
Paul E. Hjelm-Hansen	Board member	173	95	2	-	49,219
Venche Johnsen 1)	Board member, employee representative	173	-	689	108	24,716
Janne Thyø Thomsen	Boardmember as from 1 April 2014	130	36	1	-	-
Morten Loktu	Board member	173	20	4	-	5,000
Terje Lium	Chair, Control Commitee	150	-	2	-	-
Anders Lian	Deputy Chair, Control Committee	100	-	2	-	-
Terje Ruud	Member, Control Committee	100	-	2	-	-

1) Other emoluments include salary in employment relationships.

2013 (thousands of NOK)

Name	Title	Fee	Fees to the Audit and Remuneration committee	Other benefits	Loans as of 31.12	No. of equity capital certificates
Kjell Bjordal	Board chairman as from 1 April 2013	306	18	116	-	100,000
Bård Benum	Deputy chair	182	55	1	-	-
Aud Skrudland	Board member	162	18	4	0	1,765
Arnhild Holstad	Board member	162	29	2	2,583	-
Paul E. Hjelm-Hansen	Board member	162	73	1	0	49,219
Venche Johnsen 1)	Board member, employee representative	162	-	671	235	24,716
Bente Karin Trana	Alternate	148	-	2	-	-
Morten Loktu	Board member as from 1 April 2013	122	7	1	-	-
Eldbjørg Gui Standal	Board member to end 31 January 2013	41	18	1	-	-
Per Axel Koch	Board chairman to end 31 March 2013	86	14	121	-	50,000
Rolf Røkke	Chair, Control Committee to end 31 March 2013	35	-	1	-	-
Terje Lium	Chair, Control Committee as from 1 April 2013	105	-	1	-	-
Anders Lian	Deputy Chair, Control Committee	94	-	1	-	-
Terje Ruud	Member, Control Committee	94	-	1	-	-

1) Other emoluments include salary in employment relationships.

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

Fees to the Supervisory Board

(thousands of NOK)	2014	2013
Randi Dyrnes, Supervisory Board Chair	78	73
Other members	452	385

Note 24 - Other operating expenses

Parent Bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
587	645	Personnel expenses	1,002	914
187	312	IT costs	198	206
24	11	Postage and transport of valuables	25	29
38	45	Marketing	82	58
53	40	Ordinary depreciation (note 32 og 33)	109	118
120	119	Operating expenses, real properties	93	118
58	13	Purchased services	64	70
130	81	Other operating expenses	216	207
1,197	**1,265**	**Total other operating expenses**	**1,789**	**1,722**
		Audit fees (NOK 1000)		
2,030	1,327	Financial audit	2,315	3,170
218	259	Other attestations	389	270
73	22	Tax advice	52	76
13	303	Other non-audit services	627	213
2,334	**1,911**	**Total incl. value added tax**	**3,383**	**3,729**

Note 25 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

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 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 IFRS accounting principles and Note 23 on personnel expenses and emoluments to senior employees and elected officers.

IAS 19R Benefits to employees

As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension cost. All estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. As of 31 December 2013 the Group has utilised the new mortality base table K2013 established by Finanstilsynet on 8 March 2013 (K2013FT) as the basis for its calculations. This is then adjusted for an initial mortality rate and a mortality decline. In its table Finanstilsynet utilised an initial mortality rate of 12 per cent, whereas the Group employs 5 per cent. The decline in mortality is also somewhat adjusted compared with Finanstilsynet's table, but without significantly affecting the liability. Hence the safety margins in the mortality table utilised, K2013BE, are somewhat lower than K2013FT, but in the Group's assessment the table that is used gives the best estimate of the pension liability on the balance sheet date.

	2014		**2013**	
Actuarial assumptions	Costs	Commitment	Costs	Commitment
Discount rate	4.0 %	2.3 %	3.9 %	4.0 %
Expected rate of return on plan assets	4.0 %	2.3 %	3.9 %	4.0 %
Expected future wage and salary growth	3.5 %	2.5 %	3.3 %	3.5 %
Expected adjustment of basic amount (G)	3.5 %	2.5 %	3.3 %	3.5 %
Expected increase in current pension	0.6 %	0.0 %	0.2 %	0.6 %
Employers contribution	14.1 %	14.1 %	14.1 %	14.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %

Mortality base table	K2013BE
Disability	IR73

Parent Bank			Group	
2013	**2014**	**Net pension liability in the balance sheet (NOK million). Financial position 1 Jan**	**2014**	**2013**
553	**613**	Net present value of pension liabilities in funded schemes	**638**	573
-630	**-703**	Estimated value of pension assets	**-726**	-649
-	**4**	Opening balance adjustment	**5**	-
-77	**-85**	Net pension liability in funded schemes	**-83**	-76
4	**3**	Employer's contribution	**4**	5
-73	**-82**	**Net pension liability in the balance sheet**	**-79**	**-72**

Distribution of liability between unfunded and funded pension scheme, Group 1.1

Group	**2014**			**2013**		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of pension liability in funded schemes	614	24	638	542	31	573
Fair value of pension assets	-726	-	-726	-649	-	-649
Opening balance adjustment	5	0	5	-	-	-
Net pension liability in the balance sheet before employer's contribution	-107	24	-83	-107	31	-76
Employer's contribution	0	3	4	0	4	5
Net pension liability in the balance sheet after employer's contribution	-107	27	**-79**	-107	35	**-72**

2013	**2014**	**Pension cost for the year**	**2014**	**2013**
20	24	Present value of pension accumulated in the year	26	22
-3	-2	Interest cost of pension liabilities	-2	-4
17	21	Net defined-benefit pension cost without employer's contribution	23	18
4	4	Employer's contribution - subject to accrual accounting	4	4
21	25	Net pension cost related to defined benefit plans *	27	22
6	8	Early retirement pension scheme, new arrangement	9	7
12	13	Cost of defined contribution pension	26	22
38	**46**	**Total pension cost**	**62**	**52**
3	**2**	*** Of which unfunded pension commitment**	**2**	**3**

Other comprehensive income for the period	**Unfunded**		**Funded**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Change in discount rate	**1**	0	**207**	-8	**208**	-8
Change in other economic assumptions	**0**	0	**-68**	29	**-68**	29
Change in mortality table	**-**	0	**-**	47	**-**	47
Change in other demographic assumptions	**-**	0	**-**	-6	**-**	-6
Changing other factors, DBO	**-1**	-3	**-18**	-6	**-19**	-9
Change in other factors, pension assets	**-**	-	**-8**	-43	**-8**	-43
Other comprehensive income for the period	**1**	**-2**	**112**	**13**	**113**	**10**

2013	2014	Movement in net pension liability in the balance sheet	2014	2013
-73	-82	Net pension liability in the balance sheet 1.1	-79	-72
9	109	OCI accounting for the year	113	10
21	25	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	27	22
-8	-5	Paid-in pension premium, defined-benefit schemes	-5	-8
-30	-28	Paid-in pension premium, defined-benefit plans	-30	-32
-82	**19**	**Net pension liability in the balance sheet 31.12**	**26**	**-79**

2013	2014	Financial status 31.12	2014	2013
613	737	Pension liability	768	638
-698	-721	Value of pension assets	-746	-721
-85	16	Net pension liability before employer's contribution	22	-83
3	3	Employer's contribution	4	4
-82	**19**	**Net pension liability after employer's contribution**	**26**	**-79**

* Presented gross in the Group accounts

Distribution of financial status between unfunded and funded pension scheme, Group 31.12

Group	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	746	22	768	614	24	638
Value of pension assets	-746	-	-746	-721	-	-721
Net pension liability before employer's contribution	**0**	**22**	**22**	**-107**	**24**	**-83**
Employer's contribution	1	3	4	0	3	4
Net pension liability after employer's contribution	**1**	**25**	**26**	**-107**	**27**	**-79**

Fair value of pension liability, Group	2014	2013
OB pension liability (PBO)	638	573
Present value of pension accumulated in the year	26	22
Payout/release from scheme	-45	-32
Interes costs of pension liability	24	22
Actuarial gain or loss	125	53
CB pension liability (PBO)	**768**	**638**

Fair value of pension assets, Group	2014	2013
OB pension assets	726	649
Paid in	31	36
Payout/release from fund	-45	-32
Expected retur	26	25
Actuarial changes	8	43
CB market value of pension assets	**746**	**721**

Sensitivity, Group	+ 1 pp discount rate	- 1 pp discount rate	+1 pp salary adjustment	- 1 pp salary adjustment	+ 1 pp pension adjustment
2014					
Change in accumulated pension rights in cours of year	-4	6	4	-4	3
Change in pension liability	-111	143	77	-67	93
2013					
Change in accumulated pension rights in cours of year	-4	5	4	-3	3
Change in pension liability	-86	108	58	-52	71

2013	2014	Members	2014	2013
889	845	Numbers of persons included in pension scheme	869	913
479	416	of which active	437	500
410	429	of which retirees and disabled	432	413

Investment and pension assets in the pension fund	2014	2013
Current bonds	17 %	20 %
Bonds held to maturity	27 %	31 %
Money market	13 %	14 %
Equities	34 %	31 %
Real estate	6 %	2 %
Other	2 %	2 %
Total	**100 %**	**100 %**

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

Note 26 - Income tax

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

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
1,701	1,777	Result before tax	2,143	1,758
-426	-566	+/- permanent differences *	-813	-375
290	133	+/- change in temporary differences as per specification	161	379
-	-	+ correction income to be brought forward	-	-46
-	-	+ deficit to be brought forward	-15	-14
1,566	**1,344**	**Year's tax base/taxable income**	**1,476**	**1,701**
438	363	Of which payable tax	398	476
438	**363**	**Payable tax in the balance sheet**	**398**	**476**
0	-22	(Excess)/short tax provision last year	-22	0
439	341	Year' change in payable tax	377	477
438	363	Tax payable on profit for the year	398	476
-	27	Tax effect of issue cost reflected in equity	28	-
-78	-36	+/- change in deferred tax	-40	-86
0	-22	+/- too much/too little set aside for payable tax in previous years	-23	-1
-2	-1	+ withholding tax	-1	-2
358	**330**	**Tax charge for the year**	**362**	**388**
		Change in net deferred tax liability		
-78	-36	Deferred tax shown through profit/loss	-40	-86
12	-27	Deferred tax shown through equity	-28	12
-	78	Correction payable tax/deferred tax, previous years *	73	-
-66	**15**	**Total change in net deferred tax liability**	**5**	**-74**

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

Deferred tax in balance sheet			Deferred tax in balance sheet	
2013	2014	**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement**	2014	2013
		Temporary differences:		
-	-	- Business assets	69	94
-	-	- Leasing items	113	74
82	-	- Pension liability	3	84
195	122	- Securities	122	195
488	1,043	- Hedge derivatives	1,043	488
56	1	- Other temporary differences	3	56
820	**1,166**	**Total tax-increasing temporary differences**	**1,353**	**991**
221	**315**	**Deffered tax**	**365**	**269**
		Temporary differences:		
-20	-11	- Business assets	-16	-24
-	-19	- Pension liability	-26	-2
-263	-4	- Securities	-95	-263
-474	-984	- Hedge derivatives	-984	-474
-	-30	- Other temporary differences	-168	-136
-	-	- Deficit carried forward	-62	-74
-757	**-1,048**	**Total tax-decreasing temporary differences**	**-1,350**	**-974**
-204	**-283**	**Deferred tax asset**	**-365**	**-263**
17	**32**	**Net**	**1**	**6**

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:

	2014	2013
Tax benefit recorded 31.12	**44**	18
Deferred tax recorded 31.12	**45**	23

Recognised in income statement			Recognised in income statement	
2013	**2014**	**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement**	**2014**	**2013**
		Temporary differences:		
-	-9	- Business assets	25	22
-	-	- Leasing items	-39	46
-61	-	- Pension liability	-32	-60
-34	-67	- Securities	73	48
-92	-555	- Hedge derivatives	-555	129
-	-	- Other temporary differences	-1	2
-187	**-631**	**Total tax-increasing temporary differences**	**-529**	**187**
-52	**-170**	**Deffered tax**	**-143**	**52**
		Temporary differences:		
5	-	- Business assets	-8	6
-	101	- Pension liability	24	-3
343	124	- Securities	22	262
129	510	- Hedge derivatives	510	-92
-	30	- Other temporary differences	41	81
-	-	- Deficit carried forward	-12	-118
477	**765**	**Total tax-decreasing temporary differences**	**575**	**134**
134	**206**	**Deferred tax asset**	**155**	**38**
-3	-	Change in tax rate from 28 % to 27 %	-	-4
78	**36**	**Net**	**13**	**86**

2013	**2014**	**Reconciliation of tax charge for the period recognised against profit and loss to profit before tax**	**2014**	**2013**
476	480	27 (28 last year) % of profit before tax	579	492
-119	-153	Non-taxable profit and loss items (permanent differences) *	-220	-105
-	-	Recognised deferred tax previous years	0	-1
-	27	Tax effect of issue cost reflected in equity	28	-
3	-	Change in tax rate from 28 % to 27 %	-	4
-2	-1	Withholding tax	-1	-2
0	-22	Too much/little tax provision previous years	-23	-1
358	**330**	**Tax for the period recognised in the income statement**	**363**	**388**
21 %	**19 %**	**Effective tax rate**	**17 %**	**22 %**

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

Note 27 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data
Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	326	6,348	-	6,674
Bonds and money market certificates	3,825	10,286	-	14,110
Equity instruments	48	-	625	673
Fixed interest loans	-	43	3,268	3,310
Financial assets avaliable for sale				
Equity instruments	-	-	35	35
Total assets	**4,199**	**16,676**	**3,928**	**24,803**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	324	5,398	-	5,722
Total liabilities	**324**	**5,398**	**-**	**5,722**

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	111	2,939	-	3,050
Bonds and money market certificates	4,003	11,539	-	15,542
Equity instruments	67	-	909	976
Fixed interest loans	-	43	2,648	2,690
Financial assets avaliable for sale				
Equity instruments	-	-	40	40
Total assets	**4,181**	**14,520**	**3,597**	**22,299**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	334	1,961	-	2,295
Total liabilities	**334**	**1,961**	**-**	**2,295**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2014:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,648	909	40	**3,597**
Investment in periode	946	41	3	**990**
Disposals in the periode	-389	-343	-4	**-735**
Gain or loss on financial instruments	63	19	-4	**78**
Closing balance 31 December	**3,268**	**625**	**35**	**3,928**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	**3,231**
Investment in periode	413	388	-	**801**
Disposals in the periode	-343	-151	-	**-495**
Gain or loss on financial instruments	-6	72	-6	**61**
Closing balance 31 December	**2,648**	**909**	**40**	**3,597**

Note 28 - 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, bond portfolio (classified at fair value) and derivatives. For further details, note 2 on IFRS Accounting principles, and note 3 on critical estimates and assessments concerning the use of accounting principles.

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

Financial instruments that are in a hedging relationship are recorded at fair value excluding credit risk.

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 loans in NOK are recognised at fair value, please refer to note 2 on IFRS accounting principles, 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.

Parent Bank

(NOK million)	2014 Book value	2014 Fair value	2013 Book value	2013 Fair value
Assets				
Loans to and claims on credit institutions	4,362	4,362	4,000	4,000
Loans to and claims on customers at amortised cost	83,377	83,377	74,340	74,340
Loans to and claims on customers at fair value	3,310	3,310	2,690	2,690
Shares	257	257	492	492
Bonds at fair value	14,110	14,110	15,542	15,542
Bonds for lending and claim purpose	-	-	1,345	1,352
Derivatives	6,766	6,766	3,051	3,051
Total financial assets	**112,182**	**112,182**	**101,459**	**101,466**
Liabilities				
Debt to credit institutions	9,118	9,118	5,354	5,354
Debt related to "swap" arrangement with the government	-	-	1,220	1,220
Deposits from and debt to customers	61,177	61,177	56,336	56,336
Securities debt at amortised cost	11,610	11,710	14,738	14,874
Securities debt, hedging	21,022	21,333	19,024	18,984
Derivatives	5,722	5,722	2,295	2,295
Subordinated debt at amortised cost	2,349	2,406	2,349	2,377
Subordinated debt, hedging	1,006	1,021	955	954
Total financial liabilities	**112,005**	**112,486**	**102,271**	**102,393**

Group

(NOK million)	2014 Book value	2014 Fair value	2013 Book value	2013 Fair value
Assets				
Loans to and claims on credit institutions	1,287	1,287	1,189	1,189
Loans to and claims on customers at amortised cost	87,029	87,029	77,612	77,612
Loans to and claims on customers at fair value	3,310	3,310	2,690	2,690
Shares	708	708	1,030	1,030
Bonds at fair value	14,110	14,110	15,542	15,542
Bonds for lending and claim purpose	-	-	1,345	1,352
Derivatives	6,674	6,674	3,050	3,050
Total financial assets	**113,119**	**113,119**	**102,458**	**102,465**
Liabilities				
Debt to credit institutions	9,118	9,118	5,354	5,354
Debt related to "swap" arrangement with the government	-	-	1,220	1,220
Deposits from and debt to customers	60,655	60,655	55.879	55.879
Securities debt at amortised cost	11,610	11,710	14,738	14,874
Securities debt, hedging	21,022	21,333	19,024	18,984
Derivatives	5,722	5,722	2,295	2,295
Subordinated debt at amortised cost	2,349	2,406	2,349	2,377
Subordinated debt, hedging	1,006	1,021	955	954
Total financial liabilities	**111,483**	**111,964**	**101,815**	**101,937**

Note 29 - Money market certificates and bonds

Bonds and money market instruments are classified in the categories fair value through profit/loss, heldt to maturity and loans and receivables. Measurement at fair value reflects market value, while the category held to maturity and loans and receivables are measured at amortised cost.

Parent Bank			Group	
		Money market certificates and bonds by issuer sector		
2013	**2014**	(NOK million)	**2014**	**2013**
4,294	3,799	**State (nominal)**	3,799	4,294
4,269	3,825	fair value	3,825	4,269
4,269	**3,825**	**Book value, state**	**3,825**	**4,269**
2,683	1,678	**Other public sector (nominal)**	1,678	2,683
2,706	1,702	fair value	1,702	2,706
2,706	**1,702**	**Book value, other public issuer**	**1,702**	**2,706**
9,087	7,567	**Financial enterprises (nominal)**	7,567	9,087
8,331	8,306	fair value	8,306	8,331
1,345	-	valued at amortised cost (held to maturity, loans and receivables)	-	1,345
9,676	**8,306**	**Book value, financial enterprises**	**8,306**	**9,676**
228	243	**Non-financial enterprises (nominal)**	243	228
236	278	fair value	278	236
236	**278**	**Book value, non-financial enterprises**	**278**	**236**
16,292	**13,287**	**Total fixed income securities, nominal value**	**13,287**	**16,292**
16,887	**14,110**	**Total fixed income securities, booked value**	**14,110**	**16,887**

For further specification of risk related to fixed income securities, see note 16 Market risk related to interest rate.

Note 30 - Financial derivatives

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

The contract amount shows absolute values for all contracts.

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

Group

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

Fair value through profit and loss (NOK million)	**2014**			**2013**		
	Contract	Fair values		Contract	Fair values	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	2,939	213	-89	2,337	76	-15
Currency swaps	20,653	946	-422	30,085	516	-344
FX-options	87	0	-0	11	0	-0
Total currency instruments	23,679	1,159	-512	32,433	592	-358
Fixed income instruments						
Interest rate swaps (including cross currency)	122,204	4,187	-4,264	109,576	1,996	-1,939
Short-term interest rate swaps (FRA)	517,704	1,271	-1,281	619,860	233	-231
Other interest rate contracts	281	0	-0	342	0	0
Total non-standardised contracts	640,189	5,458	-5,545	729,778	2,229	-2,170
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	20,495	985	-	18,171	634	-13
Total non-standardised contracts	20,495	985	-	18,171	634	-13
Total foreign exchange and fixed income instruments						
Total interest rate derivatives	660,684	6,443	-5,545	747,949	2,863	-2,183
Total currency derivatives	23,679	1,159	-512	32,433	592	-358
Total financial derivatives	**684,363**	**7,602**	**-6,057**	**780,382**	**3,455**	**-2,541**

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

Note 31 - Shares, units and other equity interests

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

Parent Bank			Group	
2013	**2014**	**Shares and units (NOK million)**	**2014**	**2013**
491	**253**	**At fair value through profit or loss**	**673**	**976**
22	31	Listed	199	218
469	222	Unlisted	474	758
1	**4**	**Available for sale**	**35**	**40**
1	4	Unlisted	35	40
492	**257**	**Total shares and units**	**708**	**1,016**
		Business held for sale - of which shares		
114	101	Unlisted	45	113
114	**101**	**Total shares held for sale (see note 39)**	**45**	**113**
22	**31**	**Total listed companies**	**199**	**218**
584	**327**	**Total unlisted companies**	**554**	**912**

Specification of Parent Bank			**Our**	**Acquisiton**	**Market value/**
		Stake	**holding**	**cost**	**book value**
Listed companies	**Principle ***	**over 10 %**	**(no.)**	**(NOK 1000)**	**(NOK 1000)**
Visa Inc. C-shares	FV		15,884	6,750	31,350
Total quoted shares				**6,750**	**31,350**
Unlisted companies					
Bank 1 Oslo Akershus	FV		218,841	78,000	136,854
Bank Axept	AFS		4,941	2,471	2,471
Eksportfinans	FV		1,857	16,406	37,471
Nordisk Areal Invest	FV		764,995	81,499	39,015
Nordito Property	FV		487,761	1,273	1,902
Sparebankmateriell A/S SPAMA, A-shares	FV		2,305	-	1,563
Tangen Næringsbygg	AFS		250	250	250
Torgkonserten	AFS		50	300	300
Others				1,159	612
Total unquoted shares and units				**181,359**	**220,437**
SpareBank 1 Nordvest	FV		48,076	5,000	5,000
Total unquoted equity capital certificates				**5,000**	**5,000**
Total shares, units and equity capital certificates, Parent Bank				**193,109**	**256,787**

Specification of Group Listed companies	Principle *	Stake over 10 %	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Det Norske Oljeselskap	FV		429,791	20,062	17,136
Polaris Media	FV		5,584,508	159,041	150,782
Total quoted shares				**179,103**	**167,917**
Unlisted companies					
Angvik Investor	AFS	10.0	1,200	19,830	16,272
Aptomar	FV		48,861	7,550	7,550
Avxxin	FV		16,786	2,208	2,219
Bachke & Co	AFS		4,815	164	265
Bruhagen Sentrumsbygg	AFS		350	350	350
Geneseque	FV		100,000	1,000	500
Herkules	FV		1	81,189	90,692
Moldekraft	AFS	12.9	10,545	11,600	14,731
NFDS Offshore 1	FV		1,237,500	4,950	4,950
NFDS Offshore 2	FV		618,750	2,475	2,475
Norsk Innovasjonskapital III	FV		600	10,200	10,200
North Bridge Nordic Property II	FV		51,340	1,996	1,746
North Bridge Property	FV		51,340	3,235	1,988
Novelda	FV		7,790	2,478	2,478
NTNU Accel	FV		37	370	370
Numascale	FV		2,000,000	3,000	3,000
Optosense	FV		50,208	1,071	1,105
Proventure Seed A-shares	FV		851,345	948	850
RBK Investor	FV	16.7	2,000	2,500	1,000
Real Estate Central Europe	FV		3,000	5,500	6,348
Sentrumsbyen Molde	FV		1,000	1,000	1,000
Sintef Venture IV	FV		4,500	881	881
Tango 2012	FV		1,200,000	1,599	1,100
Thams Invest	FV		174	17,640	20,184
Viking Venture	FV	13.2	267,878	25,445	7,795
Viking Venture II	FV		250,000	19,123	7,100
Viking Venture II B	FV		23,519	2,495	2,472
Viking Venture III	FV	17.0	186,312	59,285	71,140
Wellcem	FV		22,508	2,687	2,620
Others				19,176	401
Total unquoted shares and units				**311,945**	**283,781**
Total shares, units and equity capital certificates, Group				**684,157**	**708,486**

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

Note 32 - Goodwill

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
		Goodwill		
447	447	Acquisition cost at 1.1	495	482
-	-	Additions/Disposals	31	14
447	447	Acquisition cost at 31.12	526	495
447	**447**	**Goodwill shown in balance sheet 31.12**	**526**	**495**

Balance sheet value in the Parent Bank, NOK 447m, refers to added value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The remaining amount at Group level refers to the Parent Bank's purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 SMN Regnskap's acquisitions of accounting firms. The year's increase of NOK 31m at group level relates to further acquisitions undertaken in 2014.

Goodwill is valued annually and written down if impairment tests imply reduction in value. There was no write down of goodwill in 2014.

See note 3 on critical estimates and assessments concerning the use of accounting principlesfor a description of the valuation model for goodwill.

Note 33 - Property, plant and equipment

2014

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
60	314	374	Cost of acquisition at 1 January	1.604	427	1.177
118	28	146	Acquisitions*	166	34	132
0	114	114	Disposals*	122	122	0
178	229	407	Cost of acquisition at 31 December	1.648	339	1.309
10	195	205	Accumulated depreciation and write-downs as at 1 January	428	274	154
8	31	39	Current period's depreciation	105	48	57
0	1	1	Current period's write-down	3	3	0
-85	85	0	Reversal of accumulated depreciation and write-downs*	8	93	-85
103	141	245	Accumulated depreciation and write-down as at 31 December	528	232	296
75	**88**	**162**	**Book value as at 31 December**	**1.120**	**107**	**1.013**

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

2013

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
56	334	390	Cost of acquisition at 1 January	1.624	436	1.188
5	18	23	Acquisitions	43	31	13
1	38	39	Disposals	63	40	23
60	314	374	Cost of acquisition at 31 December	1.604	427	1.177
6	183	190	Accumulated depreciation and write-downs as at 1 January	347	243	104
3	42	45	Current period's depreciation	110	61	49
-	8	8	Current period's write-down	8	8	-
0	37	37	Reversal of accumulated depreciation and write-downs	37	37	0
10	195	205	Accumulated depreciation and write-down as at 31 December	428	274	154
50	**119**	**169**	**Book value as at 31 December**	**1.176**	**152**	**1.024**

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 2014 is NOK 90 million (NOK 102 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 2014.

Note 34 - Other assets

Parent Bank			Group	
2013	**2014**	(NOK million)	**2014**	**2013**
-	-	Deferred tax asset (see note 26)	44	18
1,568	1,536	Earned income not yet received	1,546	1,591
207	8	Accounts receivable, securities	8	207
82	6	Pensions	6	82
83	92	Other assets	294	269
1,940	**1,642**	**Other assets**	**1,899**	**2,167**

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
2013	2014	Deposits from and liabilities to customers (NOK million)	2014	2013
50,496	55,415	Deposits from and liabilities to customers without agreed maturity	54,893	50,039
5,840	5,762	Deposits from and liabilities to customers with agreed maturity	5,762	5,840
56,336	**61,177**	**Total deposits from and liabilities to customers**	**60,655**	**55,879**
2.2 %	**2.1 %**	**Average interest rate**	**2.1 %**	**2.2 %**

Fixed interest deposits account for 2.2 per cent (4.2 per cent) of total deposits.

2013	2014	Deposits specified by sector and industry	2014	2013
23,865	26,479	Wage earners	26,479	23,865
4,723	5,254	Public administration	5,254	4,723
2,059	2,353	Agriculture, forestry, fisheries and hunting	2,353	2,059
406	402	Sea farming industries	402	406
1,239	2,357	Manufacturing	2,357	1,239
1,808	2,117	Construction, power and water supply	2,117	1,808
4,313	4,220	Retail trade, hotels and restaurants	4,220	4,313
2,150	2,346	Maritime sector	2,346	2,150
4,142	4,050	Property management	3,918	4,033
4,885	4,539	Business services	4,539	4,885
4,320	4,487	Transport and other services provision	4,130	3,999
2,426	2,574	Other sectors	2,541	2,399
56,336	**61,177**	**Total deposits from customers broken down by sector and industry**	**60,655**	**55,879**

2013	2014	Deposits specified by geographic area	2014	2013
23,206	23,460	Sør-Trøndelag	22,938	22,750
14,273	14,358	Nord-Trøndelag	14,358	14,273
9,707	11,514	Møre og Romsdal	11,514	9,707
435	826	Sogn og Fjordane	826	435
323	388	Nordland	388	323
5,065	5,667	Oslo	5,667	5,065
3,327	4,966	Other counties	4,966	3,327
1	-	Abroad	-	1
56,336	**61,177**	**Total deposits broken down by geographic area**	**60,655**	**55,879**

Note 36 - Debt securities in issue

Parent Bank 2013	Parent Bank 2014	(NOK million)	Group 2014	Group 2013
2,750	820	Money market instrument and other short-term borrowings	820	2,750
31,012	31,812	Bond debt	31,812	31,012
33,762	**32,632**	**Total debt securities in issue**	**32,632**	**33,762**
1.6 %	1.9 %	Average interest, money market certificates	1.9 %	1.6 %
3.1 %	3.0 %	Average interest, bond debt	3.0 %	3.1 %

2013	2014	Securities debt specified by maturity 1)	2014	2013
9,662	-	2014	-	9,662
5,660	4,867	2015	4,867	5,660
5,009	6,891	2016	6,891	5,009
2,919	3,567	2017	3,567	2,919
7,862	8,510	2018	8,510	7,862
459	5,389	2019	5,389	459
1,322	1,325	2020	1,325	1,322
375	375	2022	375	375
200	200	2023	200	200
-	478	2024	478	-
-	200	2029	200	-
-0	33	Currency agio	33	-0
294	797	Premium and discount, market value of structured bonds	797	294
33,762	**32,632**	**Total securities debt**	**32,632**	**33,762**

1) Less own bonds. Total nominal own holding in 2014 comes to NOK 288 m (2013: NOK 418 m).

2013	2014	Securities debt distributed on significant currencies	2014	2013
22,311	18,988	NOK	18,988	22,311
9,439	11,744	EUR	11,744	9,439
456	371	USD	371	456
1,556	1,529	Other	1,529	1,556
33,762	**32,632**	**Total securities debt**	**32,632**	**33,762**

Parent Bank and Group

Change in securities debt	31.12.2014	Issued	Fallen due/ redeemed	Other changes	31.12.2013
Money market certificate debt, nominal value	820	1,120	3,050	-	2,750
Bond debt, nominal value	30,981	8,180	8,600	684	30,718
Adjustments	830	-	-	537	294
Total	**32,632**	**9,300**	**11,650**	**1,220**	**33,762**

Change in securities debt	31.12.2013	Issued	Fallen due/ redeemed	Other changes	31.12.2012
Money market certificate debt, nominal value	2,750	2,785	741	0	706
Bond debt, nominal value	30,718	7,788	7,120	860	29,190
Adjustments	294	0	0	-70	364
Total	**33,762**	**10,573**	**7,861**	**790**	**30,259**

Note 37 - Other debt and liabilities

Parent Bank			Group	
2013	2014	Other debt and recognised liabilities (NOK million)	2014	2013
7	5	Creditors	33	29
73	74	Drawing debt	74	73
339	-	Debt from securities	0	339
17	32	Deferred tax	45	23
438	363	Payable tax	398	476
8	10	Capital tax	10	8
-	25	Pension liabilities	32	2
48	49	Provisions	49	48
883	967	Accruals	1,091	1,091
179	266	Other	309	213
1,992	**1,790**	**Total other debt and recognised liabilities**	**2,040**	**2,303**
		Guarantee commitments (agreed guarantee amounts)		
1,105	671	Payment guarantees	671	1,105
993	1,391	Performance guarantees	1,391	993
2,147	2,614	Loan guarantees	2,614	2,147
123	160	Guarantees for taxes	160	123
391	99	Other guarantee commitments	99	391
4,758	**4,936**	**Total guarantee commitments**	**4,936**	**4,758**
		Other liabilities, not recognised		
9,158	9,685	Unutilised credits	9,685	9,158
1,146	1,230	Loan approvals (not discounted)	1,319	1,193
558	599	Unutilised guarantee commitments	626	595
146	192	Documentary credits	192	146
-	-	Other commitments	38	69
11,007	**11,705**	**Total other commitments**	**11,859**	**11,161**
17,758	**18,431**	**Total commitments**	**18,835**	**18,223**

Cash Deposit	Securities	Total	Securities pledged	Total	Securities	Cash Deposit
1,542	-	1,542	Securities pledged in 2014	1,542	-	1,542
1,592	-	1,592	Relevant liability 2014	1,592	-	1,592
996	1,351	2,347	Securities pledged in 2013	2,347	1,351	996
949	1,220	2,169	Relevant liability 2013	2,169	1,220	949

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 162 million related to operational leases.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

As regards the Bank’s liabilities related to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, see note 9 on derecognition of financial assets.

Note 38 - Subordinated debt and hybrid equity issue

Parent Bank 2013	Parent Bank 2014	(NOK million)	Group 2014	Group 2013
		Dated subordinated debt		
1,000	1,000	2022 3 month Nibor + 2,75 % (Call 2017)	1,000	1,000
522	558	2036 fixed rate 2,94 %, JPY (Call 2018) 1)	558	522
47	41	Premium/discount/market value	41	47
5	8	Currency agio debt	8	5
1,574	**1,607**	**Total dated subordinated debt**	**1,607**	**1,574**
		Perpetual non-call subordinated debt		
300	300	Perpetual non call 3 month Nibor + 0,85 % (Call 2016)	300	300
-1	-1	Discount perpetual subordinated debt	-1	-1
299	**299**	**Total perpetual non-call subordinated debt**	**299**	**299**
		Hybrid equity		
350	350	Hybrid capital10/99, fixed rate 8,25 % NOK (Call 2020) 1)	350	350
100	100	Hybrid captial 10/99, floating rate NOK (Call 2020)	100	100
500	500	Hybrid capital 13/99, floating rate NOK (Call 2018)	500	500
450	450	Hybrid capital 13/99, floating rate NOK (Call 2018)	450	450
31	49	Discount perpetual hybrid equity	49	31
1,431	**1,449**	**Total hybrid equity**	**1,449**	**1,431**
3,304	**3,356**	**Total subordinated loan capital and hybrid equity**	**3,356**	**3,304**
5.5 %	5.2 %	Average rate NOK	5.2 %	5.5 %
3.3 %	3.5 %	Average rate YEN	3.5 %	3.3 %
5.6 %	-	Average rate USD	-	5.6 %

1) Fixed rate funding changed to floating rate by means ofinterest rate swaps

Parent Bank and Group

Changes in subordinated debt and hybrid equity issue	**31.12.2014**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31.12.2013**
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	558	-	-	36	522
Perpetual, subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	-	-	-	1,400
Adjustments	98	-	-	16	82
Total subordinated debt and hybrid equity issue	**3,356**	**-**	**-**	**52**	**3,304**

Changes in subordinated debt and hybrid equity issue	**31.12.2013**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31.12.2012**
Ordinary subordinated debt, NOK	1,000	-	-169	-	1,169
Ordinary subordinated debt, Currency	522	-	-	-62	584
Perpetual, subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	950	-	-	450
Hybrid capital loan, Currency	-	-	-521	102	419
Adjustments	82	-	-	-36	118
Total subordinated debt and hybrid equity issue	**3,304**	**950**	**-690**	**4**	**3,040**

Note 39 - Investments in owner interests

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

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	90.1
SpareBank 1 SMN Invest AS	990961867	Trondheim	100.0
EiendomsMegler 1 Midt-Norge AS	936159419	Trondheim	87.0
SpareBank 1 SMN Kvartalet AS	990283443	Trondheim	100.0
SpareBank 1 Regnskapshuset SMN AS	936285066	Trondheim	100.0
Allegro Kapitalforvaltning ASA	980300609	Trondheim	90.1
SpareBank 1 Bygget Steinkjer AS	934352718	Trondheim	100.0
SpareBank 1 Bygget Trondheim AS	993471232	Trondheim	100.0
SpareBank 1 SMN Card Solutions AS	990222991	Trondheim	100.0
Brannstasjonen SMN AS	998042577	Trondheim	100.0
St. Olavs Plass 1 SMN AS	999263380	Trondheim	100.0
SpareBank 1 Bilplan AS	979945108	Trondheim	100.0
Jernbanegata 19 SMN AS	912514005	Trondheim	100.0
Shares owned by subsidiaries and sub-subsidiaries			
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
SpareBank 1 Regnskapshuset Merkantilservice AS	983622461	Trondheim	100.0
SpareBank 1 Regnskapshuset Ålesund AS	966323191	Ålesund	100.0
SpareBank 1 Regnskapshuset Rørvik AS	951016071	Vikna	100.0
GMA Invest AS	994469096	Trondheim	100.0
Sentrumsgården AS	975856828	Leksvik	35.3
Aqua Venture AS	891165102	Trondheim	37.6
Maritech Systems AS	997929217	Averøy	23.1
Omega-3 Invest AS	996814262	Molde	33.6
Tjeldbergodden Utvikling AS	979615361	Aure	23.0
Grilstad Marina AS	991340475	Trondheim	35.0
GMN 51 AS	996534316	Trondheim	30.0
GMN 52 AS	996534413	Trondheim	30.0
GMN 53 AS	996534502	Trondheim	30.0
GMN 54 AS	996534588	Trondheim	30.0
GMN 6 AS	994254707	Trondheim	35.0
Grilstad Energi AS	998480639	Trondheim	30.0
Hommelvik Sjøside AS	992469943	Malvik	40.0
Investment in jont ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	17.7
Investment in associates			
BN Bank ASA	914864445	Trondheim	33.0
SpareBank1 Boligkreditt AS	988738387	Stavanger	17.5
SpareBank 1 Næringskreditt AS	894111232	Stavanger	34.1
SpareBank 1 Kredittkort AS	975966453	Trondheim	18.1
SpareBank 1 Markets AS	992999101	Oslo	23.8
PAB Consulting AS	967171344	Ålesund	34.0
Molde Kunnskapspark AS	981036093	Molde	20.0
Bjerkeløkkja AS	998534976	Trondheim	40.7
Investment in companies held for sale			
Mavi XV AS	890899552	Trondheim	100.0
Norway Cod AS	979380127	Bindal	100.0
Mavi XI AS	990899568	Trondheim	100.0
Mavi XXIV AS	999211062	Trondheim	100.0
Mavi XXV AS	999239242	Trondheim	100.0
Mavi XXVI AS	999239331	Trondheim	100.0
Mavi XXVII AS	999239390	Trondheim	100.0
Mavi XXVIII AS	999239455	Trondheim	100.0

Shares in subsidiaries, Parent Bank

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

2014 (NOK million)	Company's share capital (NOK 1000)	No. Of shares	Nominal value (NOK 1000)	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	271,920	27,192	10	3,625	3,188	126	76	50	368
Total investments in credit institutions									**368**
SpareBank 1 SMN Invest AS Group	457,280	457,280	1	786	62	42	9	33	720
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	11	284	87	359	322	37	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	11	760	117	45	72	-28	899
SpareBank 1 Regnskapshuset SMN AS Group	14,280	238	60	139	46	182	151	31	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1	41	11	36	34	2	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61	49	0	5	4	1	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	1	192	8	31	28	3	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0	9	3	22	21	1	9
Brannstasjonen SMN AS	10,000	100,000	0	82	9	3	3	0	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0	75	1	7	7	0	75
SpareBank 1 Bilplan AS	5,769	41,206	0	32	28	133	133	0	9
Jernbanegata 19 SMN AS	1,000	1,000,000	1	12	1	2	4	-1	13
Total investments in other subsidiaries									**2,122**
Total investments in Group companies, Parent Bank									**2,490**

2013 (NOK million)	Company's share capital (NOK 1000)	No. Of shares	Nominal value (NOK 1000)	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
SpareBank 1 Finans Midt-Norge AS	271,920	27,192	10	3,264	2,889	116	79	36	323
Total investments in credit institutions									**323**
SpareBank 1 SMN Invest AS konsern	457,280	457,280	1	796	74	60	11	48	720
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	11	294	90	369	326	43	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	11	743	33	52	70	-18	899
SpareBank 1 Regnskapshuset SMN AS konsern	14,280	238	60	105	33	133	123	10	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1	47	11	41	34	7	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61	48	0	4	4	0	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	1	188	7	30	28	2	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0	28	20	30	28	2	19
Brannstasjonen SMN AS	10,000	100,000	0	74	1	3	3	0	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0	76	0	7	7	1	75
SpareBank 1 Bilplan AS	5,769	41,206	0	35	31	121	122	-1	9
Total investments in other subsidiaries									**2,119**
Total investments in Group companies, Parent Bank									**2,442**

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	
2013	**2014**	**(NOK million)**	**2014**	**2013**
3,115	3,138	As at 1 January	4,624	4,573
89	223	Acquisition/sale	176	19
-66	-	Reclassification	0	-105
-	-	Equity capital changes	-17	12
-	-	Profit share	527	355
-	-	Dividend paid	-182	-229
3,138	**3,361**	**Book value as at 31 December**	**5,129**	**4,624**

Specification of year's change, Group	Additions/disposal	Equity change
SpareBank 1 Gruppen AS	-	-16
BN Bank ASA	-	-0
SpareBank 1 Boligkreditt AS	68	-0
SpareBank 1 Næringskreditt AS	35	-
SpareBank 1 Markets AS	31	-
SpareBank 1 Kredittkort AS	107	-
SpareBank 1 Kundesenter AS	-0	-
SpareBank 1 Verdipapirservice AS	-14	-
Companies owned by sparebank Regnskapshuset SMN AS	-19	-
Molde Kunnskapspark AS	-0	-
Development companies owned by SpareBank 1 SMN Invest	-30	-
Total	**176**	**-17**

Income from investments in associates and joint ventures

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.

Parent Bank			Group	
2013	**2014**	**(NOK million)**	**2014**	**2013**
		Profit share from:		
-	-	SpareBank 1 Gruppen Group	360	210
-	-	Bank 1 Oslo Akershus AS	-	2
-	-	SpareBank1 Boligkreditt AS	38	40
-	-	BN Bank ASA	93	91
-	-	SpareBank 1 Markets AS	-32	-1
-	-	SpareBank 1 Næringskreditt AS	41	8
-	-	SpareBank 1 Verdipapirservice AS	-	-3
-	-	SpareBank 1 Kredittkort AS	2	-4
-	-	Development companies owned by SpareBank 1 SMN Invest	31	14
-	-	Other companies	-5	-1
		Dividends from:		
134	33	SpareBank 1 Gruppen AS	-33	-134
26	58	SpareBank 1 Boligkreditt AS	-58	-26
62	79	BN Bank ASA	-79	-62
7	11	SpareBank 1 Næringskreditt AS	-11	-7
0	-	Other companies	-0	-0
229	**182**	**Total income from associates and joint ventures**	**345**	**126**

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

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SpareBank 1 SMN Group's share. Booked value is the consolidated value in the SpareBank 1 SMN Group.

2014 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen konsern	55,408	48,013	12,623	10,775	360	1,421	19.5 %	364,728
SpareBank 1 Boligkreditt AS	227,594	219,117	317	110	38	1,498	17.7 %	9,284,830
BN Bank ASA	35,787	32,146	647	366	93	1,201	33.0 %	4,658,389
SpareBank 1 Markets AS	566	380	108	221	-32	25	27.3 %	14,333
SpareBank 1 Næringskreditt AS	18,161	16,217	174	56	41	653	33.6 %	4,909,200
SpareBank 1 Kredittkort AS	4,772	3,992	420	408	2	143	18.4 %	125,877
Other companies						32		
Total						**4,974**		

Development companies owned by SpareBank 1 SMN Invest (not included in the foregoing table)

Activity levels in 2014 were high at the development companies Grilstad Marina AS, GMN 51 AS, GMN 52 AS, GMN 53 AS , GMN 54 AS, GMN 6 AS and Hommelvik Sjøside AS. Further, in 2014 Hommelvik Sjøside AS completed and handed over the third and fourth construction stage, and Grilstad Marina AS completed and handed over the second construction stage.

The above development companies are booked in the Group accounts at NOK 154.8m as at 31 December 2014.

2013 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen konsern	50,702	44,899	12,733	11,633	210	1,113	19.5 %	364,728
SpareBank 1 Boligkreditt AS	206,166	197,884	332	116	40	1,451	17.7 %	9,737,324
BN Bank ASA	37,505	33,904	693	441	91	1,188	33.0 %	4,658,389
SpareBank 1 Markets AS	674	495	194	271	-1	26	23.8 %	14,333
SpareBank 1 Næringskreditt AS	15,767	14,031	54	25	8	590	34.1 %	4,645,000
SpareBank 1 Verdipapirservice AS	88	38	4	14	-3	14	27.9 %	332,568
SpareBank 1 Kredittkort AS	208	18	0	23	-4	34	18.1 %	125,877
Other companies						54		
Total						**4,470**		

Companies held for sale

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

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

2014 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
Mavi XV AS Group	45	0	6	-6	0	100 %	60,000
Norway Cod AS (Skei Marinfisk AS)	47	18	3	5	-1	100 %	2,000
Other minor companies	6	1	1	1	-1	100 %	

2013 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
Mavi XV AS Group	100	40	33	9	24	100 %	60,000
Ranheim Eiendomsutvikling AS	8	1	0	0	0	100 %	100
Norway Cod AS (Skei Marinfisk AS)	50	20	0	0	0	100 %	2,000
Other minor companies	55	20	32	9	24	100 %	

Note 40 - Business acquisitions/business combinations

General

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

SpareBank 1 SMN has entered an agreement regarding full integration of SpareBank 1 SMN Markets in Trondheim into SpareBank 1 Markets AS. This will increase SpareBank 1 SMN's stake in SpareBank 1 SMN Markets from 27.3 to 73.3 per cent. The transaction is expected to be implemented in the first quarter of 2015, subject to regulatory approval and final consideration by the Board of Directors.

Acquisition of accounting firms

SpareBank 1 Regnskapshuset SMN AS has in 2014 taken over the customer portfolio and staff of Trønder Regnskap & Data AS, and acquired all shares of SpareBank1 Merkantilservice AS (prev. Merkantilservice AS), Sparebank 1 Regnskapshuset Ålesund AS (prev. Økopartner AS) and SpareBank 1 Regnskapshuset Rørvik AS (prev. Vekstra Rørvik AS). These businesses are to be fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2015. GWG Regnskap & Admin AS was in 2014 absorbed by SpareBank 1 Regnskapshuset SMN AS.

Purchase price analyses have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill.

An agreement regarding the takeover of Avito Regnskap AS in Rørvik has been signed, effective as from 1 January 2015.

Note 41 - Significant transactions with related companies

In this context 'related parties' means subsidiaries, affiliated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank's personal related parties. The Bank's outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and note 23 on personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

	Subsidiaries		Other related companies	
Loans (NOK million)	**2014**	**2013**	**2014**	**2013**
Outstanding loans as at 1.1	2,738	3,316	1,875	2,603
Loans issued in the period	271	11	495	558
Repayments	0	589	400	1,276
Outstanding loans as at 31.12	**3,009**	**2,738**	**1,971**	**1,885**
Interest rate income	84	89	36	79
Actual losses	-	-	-	-
Bonds and subordinated loans as at 31.12	89	89	1,526	2,708
Deposits (NOK million)				
Deposits as at 1.1	1,838	2,161	969	2,885
Contribution received during the period	21,892	21,740	22,753	5,017
Withdrawals	22,497	22,066	21,206	6,968
Deposits as at 31.12	**1,232**	**1,836**	**2,517**	**934**
Interest rate expenses	32	50	8	20
Securities trading	-	-	-491	553
Commission income SpareBank 1 Boligkreditt	-	-	417	414
Commission income SpareBank 1 Næringskreditt	-	-	10	8
Issued guarantees and amount guaranteed	137	-	75	59
Committed credit	-	-	-	108

Loans and deposits

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

Securities trading

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

Other transactions

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests. The Group has in 2014 paid NOK 26.3m in premium to SpareBank 1 SMN Pensjonskasse.

Note 42 - ECC capital and ownership structure

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equiry capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2014 there was 8,395 ECC holders (8,741 as at 31 December 2013).

ECC capital has been raised by the following means:

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

Parent Bank (NOK million)	2014	2013
ECC capital	2,597	2,597
Dividend equalisation reserve	3,122	2,496
Premium reserve	895	895
Unrealised gains reserve	90	126
A. The equity capital certificate owners' capital	**6,704**	**6,114**
Ownerless capital	3,619	3,276
Unrealised gains reserve	49	69
B. The saving bank reserve	**3,668**	**3,345**
Other equity	160	124
Dividend declared	292	227
Equity ex. profit	**10,824**	**9,811**
Equity capital certificate ratio A/(A+B)	**64.64 %**	**64.64 %**
Average of ratio	64.64 %	64.64 %

20 largest ECC holders at 31 Dec 2014	No. of ECCs	Holding
Verdipapirfondet DNB Norge (IV)	4,309,928	3.32 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Odin Norge	3,823,131	2.94 %
VPF Nordea Norge Verdi	3,538,004	2.72 %
Pareto Aksje Norge	3,302,488	2.54 %
The Bank of New York Mellon (nominee)	3,118,007	2.40 %
Odin Norden	2,854,979	2.20 %
Vind LV AS	2,736,435	2.11 %
State Street Bank and Trust CO (nominee)	2,609,428	2.01 %
Wimoh Invest AS	2,359,388	1.82 %
MP Pensjon PK	2,058,415	1.59 %
Danske Invest Norske Aksjer Inst. II	2,003,167	1.54 %
Forsvarets Personellservice	1,491,146	1.15 %
DNB Livsforsikring AS	1,472,982	1.13 %
Pareto Aktiv	1,412,325	1.09 %
Pareto AS	1,330,202	1.02 %
VPF Nordea Kapital	1,222,189	0.94 %
Danske Invest Norske Aksjer Instit. I	1,110,223	0.86 %
Fondsfinans Spar	1,075,000	0.83 %
Verdipapirfondet Handelsbanken	1,050,000	0.81 %
The 20 largest ECC holders in total	**46,842,828**	**36.08 %**
Others	82,993,615	63.92 %
Total issued ECCs	**129,836,443**	**100.00 %**

Note 43 - Dividends from subsidiaries

Dividends (NOKm)	2014	2013
Dividends received from:		
SpareBank 1 Finans Midt-Norge AS	33	57
EiendomsMegler 1 Midt-Norge AS	37	47
SpareBank 1 Regnskapshuset SMN AS	10	5
Allegro Kapitalforvaltning ASA	6	-
SpareBank 1 SMN Invest AS	27	-
Brannstasjonen SMN AS	-	0
SpareBank 1 SMN Card Solutions AS	2	2
St. Olavs Plass 1 SMN AS	0	-
Jernbanegata 19 SMN AS	0	-
Total dividends	**117**	**111**

Distributions (NOKm)	2014	2013
Profit for the year for distribution, Parent Bank	1,503	1,259
Allocated to dividends	292	227
Allocated to gifts	160	124
Transferred to equalisation fund	679	587
Transferred to ownerless capital	372	321
Total distributed	**1,503**	**1,259**

Note 44 - Subsequent events

No significant events affecting the Bank's accounts have been recorded after the balance sheet date.

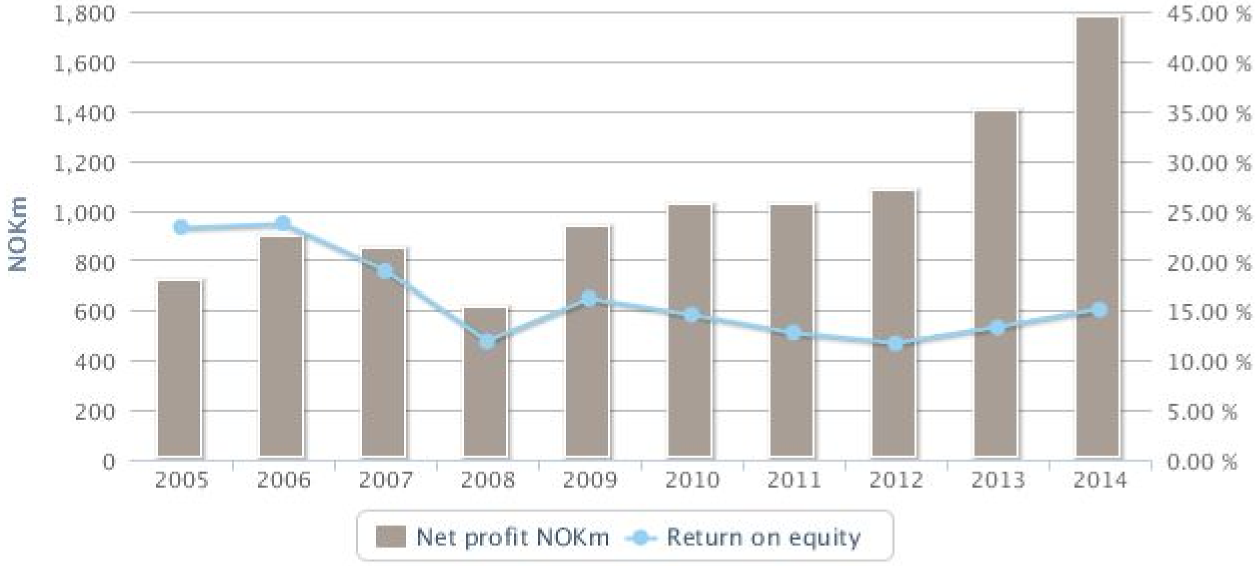
For information about the take over of SpareBank 1 Markets, see note 40 on business acquisitions/business combinations and the stock exchange notice of 11 August 2014.

Financial summary (Group)

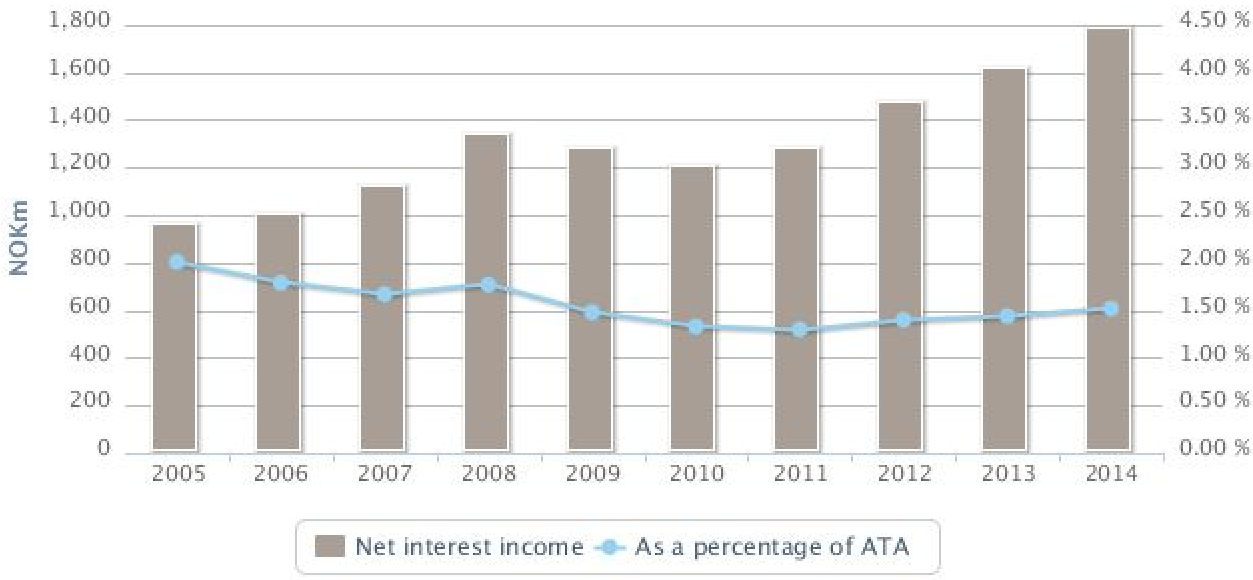
Income statement NOKm	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Interest income	4,265	4,118	3,928	3,891	3,422	3,462	4,827	3,484	2,392	1,929
Interest expenses	2,475	2,502	2,451	2,499	2,105	2,137	3,477	2,345	1,369	955
Net interest and credit comission income	**1,790**	**1,616**	**1,477**	**1,392**	**1,317**	**1,325**	**1,350**	**1,139**	**1,024**	**974**
Commision and fee income	1,512	1,463	1,139	919	855	756	610	671	580	537
Income from investment in related companies	527	355	244	248	276	349	393	233	190	119
Return on financial investements	193	147	207	186	133	247	-186	99	229	157
Total income	**4,021**	**3,580**	**3,067**	**2,746**	**2,582**	**2,677**	**2,167**	**2,142**	**2,022**	**1,787**
Salaries, fees and other personnel costs	1,002	914	924	810	583	725	623	583	512	485
Other operating expenses	787	807	730	672	557	528	571	519	478	421
Total costs	**1,789**	**1,722**	**1,654**	**1,482**	**1,140**	**1,253**	**1,194**	**1,103**	**990**	**906**
Operating profit before losses	**2,232**	**1,859**	**1,413**	**1,264**	**1,441**	**1,424**	**975**	**1,039**	**1,032**	**881**
Losses on loans and guarantees	89	101	58	27	132	277	202	-6	-84	-38
Operating profit	**2,143**	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**773**	**1,045**	**1,116**	**919**
Taxes	362	388	295	255	260	210	156	200	219	199
Held for sale	0	30	16	43	-27					
Profit of the year	**1,782**	**1,400**	**1,077**	**1,024**	**1,022**	**937**	**617**	**846**	**898**	**720**
Dividend	**292**	**227**	**195**	**190**	**285**	**201**	**116**	**324**	**303**	**278**
As a percentage of average total assets										
Net interest and credit comission income	1.52 %	1.44 %	1.40 %	1.30 %	1.33 %	1.48 %	1.77 %	1.67 %	1.79 %	2.01 %
Commision and fee income	1.28 %	1.31 %	1.08 %	0.86 %	0.86 %	0.84 %	0.80 %	0.99 %	1.01 %	1.11 %
Income from investment in related companies	0.45 %	0.32 %	0.23 %	0.23 %	0.28 %	0.39 %	0.52 %	0.34 %	0.33 %	0.25 %
Return on financial investements	0.16 %	0.13 %	0.20 %	0.17 %	0.13 %	0.28 %	-0.24 %	0.15 %	0.40 %	0.32 %
Total costs	1.52 %	1.54 %	1.57 %	1.39 %	1.15 %	1.40 %	1.57 %	1.62 %	1.73 %	1.87 %
Operating profit before losses	1.89 %	1.66 %	1.34 %	1.18 %	1.45 %	1.59 %	1.28 %	1.53 %	1.80 %	1.82 %
Losses on loans and guarantees	0.08 %	0.09 %	0.06 %	0.03 %	0.13 %	0.31 %	0.27 %	-0.01 %	-0.15 %	-0.08 %
Operating profit	1.82 %	1.57 %	1.28 %	1.16 %	1.32 %	1.28 %	1.02 %	1.54 %	1.95 %	1.90 %
Taxes	0.31 %	0.35 %	0.28 %	0.24 %	0.26 %	0.23 %	0.21 %	0.29 %	0.38 %	0.41 %
Held for sale	0.00 %	0.03 %	0.02 %	0.04 %	-0.03 %					
Profit of the year	**1.51 %**	**1.25 %**	**1.02 %**	**0.96 %**	**1.03 %**	**1.04 %**	**0.81 %**	**1.24 %**	**1.57 %**	**1.49 %**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	5,963	5,981	4,091	4,075	2,532	1,260	4,548	3,878	2,323	2,123
CDs, bonds and other interest-bearing securities	26,622	25,577	26,100	21,485	22,949	19,302	12,035	7,246	5,602	4,133
Loans before loss provisions	90,339	80,317	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280
- Specified loan loss provisions	172	173	144	172	222	219	215	116	147	236
- Unspecified loan loss provisions	295	295	295	290	290	289	245	185	184	278
Other assets	3,590	3,952	3,224	3,251	3,177	2,704	4,540	1,502	2,765	3,304
Total assets	**126,047**	**115,360**	**107,919**	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**
Debt to credit institutions	9,118	5,354	5,137	6,232	8,743	11,310	9,000	5,346	2,766	1,029
Deposits from and debt to customers	60,655	55,879	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048

Debt created by issuance of securities	38,354	37,277	35,322	34,192	33,943	24,070	29,680	23,950	21,911	18,036
Other debt and accrued expences etc.	2,040	2,303	2,126	2,122	1,917	1,876	2,045	2,265	1,799	2,876
Subordinated debt	3,356	3,304	3,040	2,690	2,758	3,875	3,156	2,648	2,383	1,667
Total equity	12,524	11,242	10,042	8,348	7,846	6,183	5,518	4,860	4,183	3,671
Total liabilities and equity	**126,047**	**115,360**	**107,919**	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**
Key figures										
Total assets	126,047	115,360	107,919	101,455	97,992	84,541	84,679	71,503	63,178	54,327
Average total assets	117,794	111,843	105,500	98,465	91,317	86,679	75,820	67,202	56,434	47,753
Gross loans to customers	90,339	80,317	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280
Gross loans to customers incl. SpareBank 1 Boligkreditt	120,196	112,038	104,909	95,232	87,665	77,429	71,317	61,910	52,819	45,280
Gross loans in retail market	74,004	68,515	62,587	55,034	49,619	45,157	42,679	38,872	33,808	29,032
Gross loans in corporate market	46,192	43,523	42,322	40,198	38,046	32,272	28,638	23,038	19,011	16,248
Deposits from and debt to customers	60,655	55,879	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048
Deposits from retail market	26,479	23,865	22,279	20,860	19,052	17,898	17,566	16,070	15,408	14,080
Deposits from corporate market	34,176	32,015	29,973	27,011	23,734	19,330	17,715	16,363	13,967	12,968
Ordinary lending financed by ordinary deposits	67 %	70 %	70 %	65 %	61 %	60 %	55 %	55 %	57 %	60 %
Core capital	12,382	10,989	9,357	7,856	7,286	6,730	4,967	3,703	3,498	3,073
Primary capital	14,937	12,417	10,943	9,055	8,646	8,730	7,312	5,560	4,809	3,808
Risk weighted volume	95,317	84,591	82,446	75,337	66,688	64,400	61,538	47,775	40,473	34,873
Minimum requirements subordinated capital	7,625	6,767	6,596	6,027	5,335	5,152	4,923	3,822	3,238	2,790
Capital ratio	15.67 %	14.68 %	13.27 %	12.02 %	12.97 %	13.56 %	11.88 %	12.06 %	11.88 %	10.92 %
CET 1 Ratio	11.20 %	11.08 %	10.01 %	8.87 %	9.27 %	7.67 %	7.13 %	7.41 %	7.52 %	7.48 %
Core capital ratio	12.99 %	12.99 %	11.35 %	10.43 %	10.93 %	10.45 %	8.07 %	8.41 %	8.64 %	8.81 %
Cost/income ratio	44 %	48 %	54 %	53 %	44 %	47 %	55 %	51 %	49 %	51 %
Losses on loans	0.08 %	0.09 %	0.06 %	0.03 %	0.16 %	0.3 %	0.2 %	0.0 %	-0.2 %	-0.1 %
ROE	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %
EC price (NOK)	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46
Growth in lending (gross)	7.3 %	6.8 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %
Growth in deposits	8.5 %	7.3 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %

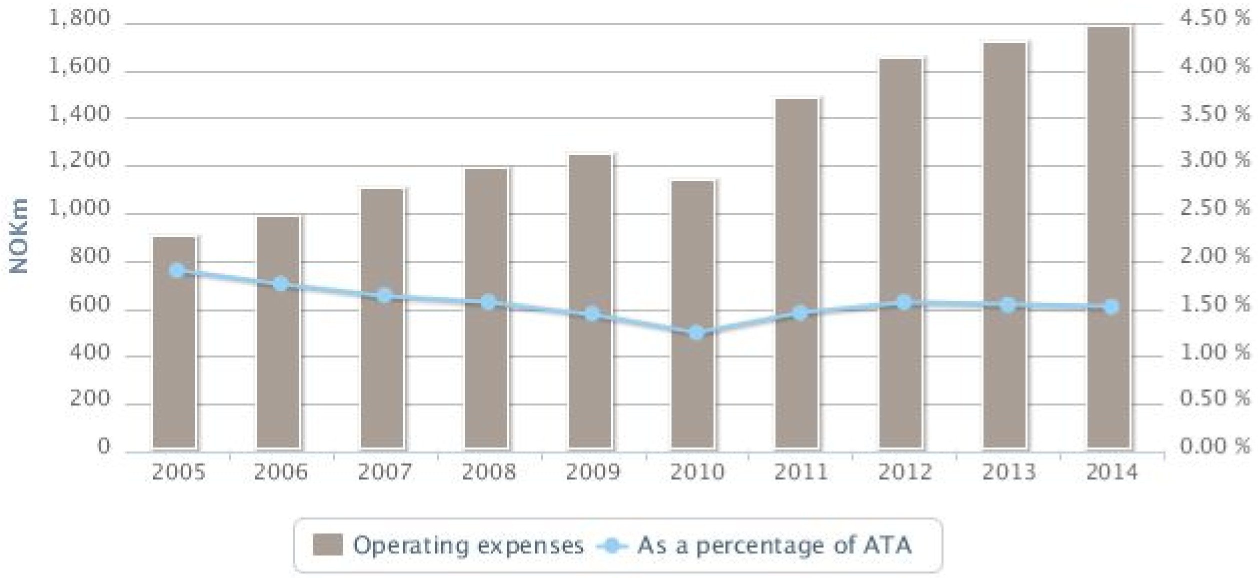
Net profit and return on equity



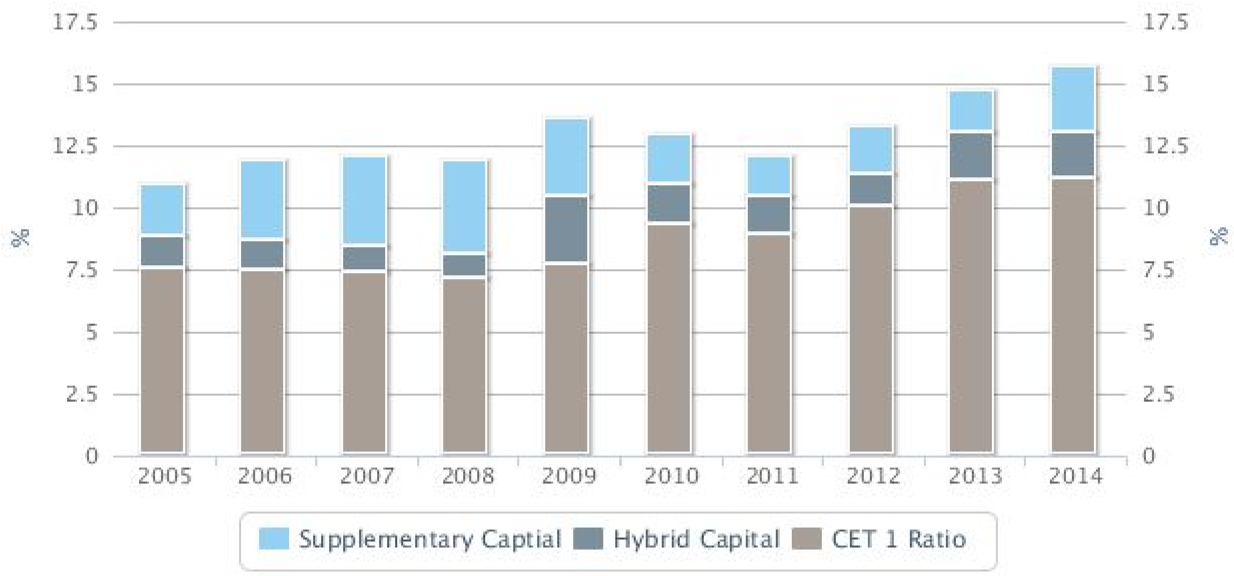
Net interest income



Operating expenses

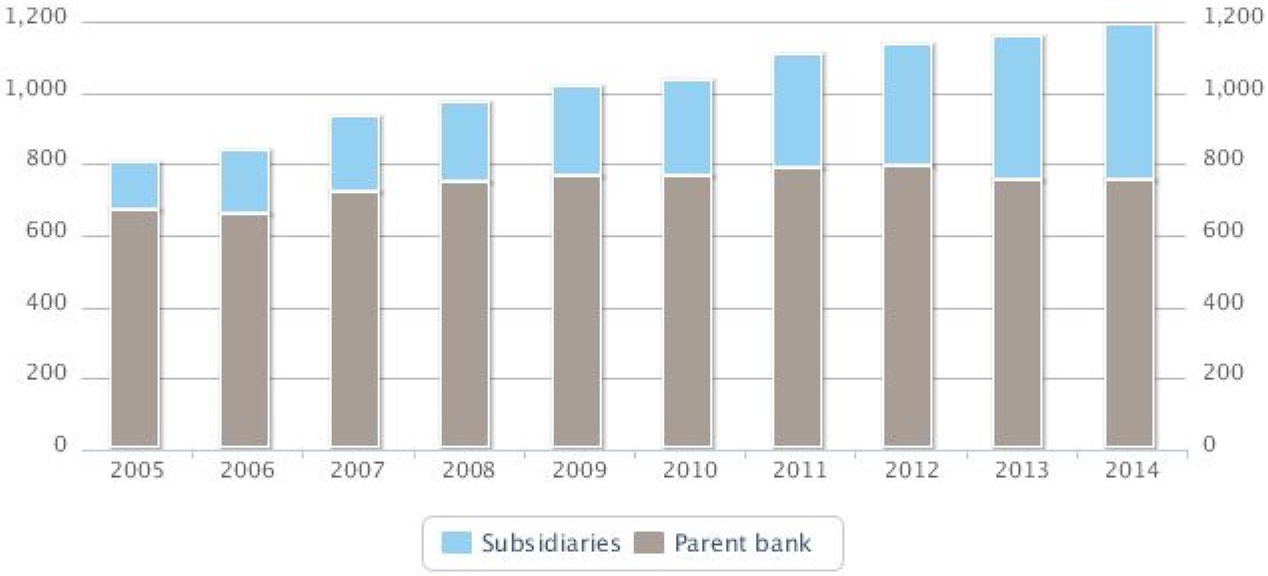


Capital ratio



Loans and deposits

FTEs



Equity capital certificates

At end-2014 SpareBank 1 SMN's EC capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 20 each. At the turn of 2014 the Bank had a treasury holding of ECs totalling NOK 0.125m distributed on 6,431 ECs.

Dividend policy

A new act and regulations on equity certificates, which came into force on 1 July 2009, bring savings banks' ECs more into line with shares. They entail greater equality of treatment of savings banks' various owner groupings and minimises previous concerns related to dilution of EC holders upon payment of cash dividends.

In view of the new legislation, the following dividend policy was established in December 2009:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC holders with a good, stable and competitive return in the form of dividend and a rising value of the Bank's equity certificate.
- the net profit for the year will be distributed between the owner capital (the EC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital.
- SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and any need for tier 1 capital.

Distribution of profit

Distribution of the profit for the year is done on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends received from subsidiaries, affiliates and joint ventures.

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

Annual profit for distribution reflects changes of +NOK 57m in the unrealised gains reserve, leaving the total amount for distribution at NOK 1,503m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

In keeping with the Bank's capital plan, the Board of Directors has opted to recommend a lower payout ratio than allowed for by the dividend policy.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 2.25 per EC, altogether totalling NOK 292m. This gives a payout ratio of 25.4 per cent of the Group's profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 160m as gifts, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 40m will be allocated to non-profit causes and NOK 120m donated to the foundation Sparebankstiftelsen SMN. NOK 679m and NOK 372m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the Bank's capital plan and reflects the need to increase the Bank's core capital through continuation of a relatively low dividend payout ratio.

After distribution of the profit for 2014 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

Distribution of profit, NOKm	**2014**	**2013**
Profit of the year, Parent Bank	1,447	1,348
Transferred from revaluation reserve	57	-89
Profit for distribution	**1,503**	**1,259**
Dividends	292	227
Equalisation fund	679	587
Ownerless capital	372	321
Gifts	160	124
Total distributed	**1,503**	**1,259**

Investor policy

The Bank attaches considerable importance to correct, relevant and timely information on the Bank's progress and performance as a means of instilling investor market confidence. Information is communicated to the market via quarterly investor presentations and press releases. Presentations for international partners, lenders and investors are also arranged on a regular basis.

Updated information for investors, the press and brokers is available at all times at smn.no/ir.

Financial calendar for 2015

- 1st quarter: 8 May 2015
- 2nd quarter: 12 August 2015
- 3rd quarter: 30 October 2015

Ownership

SpareBank 1 SMN aims for good EC liquidity and to achieve a good spread across EC holders representing customers, regional investors and Norwegian and foreign institutions.

The number of EC holders was reduced by 346 to 8,395 in the course of 2014. The Bank's 20 largest EC holders controlled 35.3 per cent of the Bank's ECs at end-2014, and 50.4 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2014.

ECs owned by investors in Sør- og Nord-Trøndelag, Møre og Romsdal and Sogn og Fjordane account for 18 per cent (20) of the total, other Norwegian investors account for 61 per cent (60) and foreign owners for 21 per cent (20). Foreign owners make up 3.0 per cent of the total number of owners as of 31 December 2014.

Tax credit

In order to prevent double taxation of the Bank and its EC holders, rules on tax credits have been introduced (section 10–12 of the Tax Act, replacing previous 'RISK' rules). The tax credit, computed for each share/EC, equals the share's/EC's tax-credit base multiplied by a tax-free interest rate. The tax-credit base equals the share's/EC's opening value. The tax-free interest rate is determined by the Ministry of Finance in regulations. The tax credit is assigned to the holder of the share/EC on 31 December of the income year.

Market trend for the Bank's EC in 2014

At end-2014 the market price of SpareBank 1 SMN's EC (MING) was NOK 58.50. At end-2013 the price was NOK 35.00. With a cash dividend of NOK 2.25 for 2014, the direct return on the EC is 3.8 per cent.

Key figures and ratios	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Quoted price	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46
No. of ECs issued, million	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.6958	71.6958
Market value (NOKm)	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951
EC capital (NOKm)	2,597	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262	1,262
Equalisation fund (NOKm)	3,122	2,496	1,889	1,457	1,159	877	768	675	624	581
EC premium reserve (NOKm)	895	895	895	183	182	0	236	138	0	0
Dividend per EC	2.25	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34
Direct return 1)	3.8 %	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %
Dividend yield 2)	10.5 %	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %
Book value per EC 3)	62.04	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26
Profit per EC 4)	8.82	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35
Price-Earnings Ratio	6.63	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38	10.52
Price-Book Value Ratio	0.94	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76	1.86
Payout ratio 5)	25 %	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %	65 %
EC fraction 6)	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %

1) Dividend as per cent of quoted price at year-end.

2) Price rise over the year plus paid dividend as per cent of quoted price at start of year.

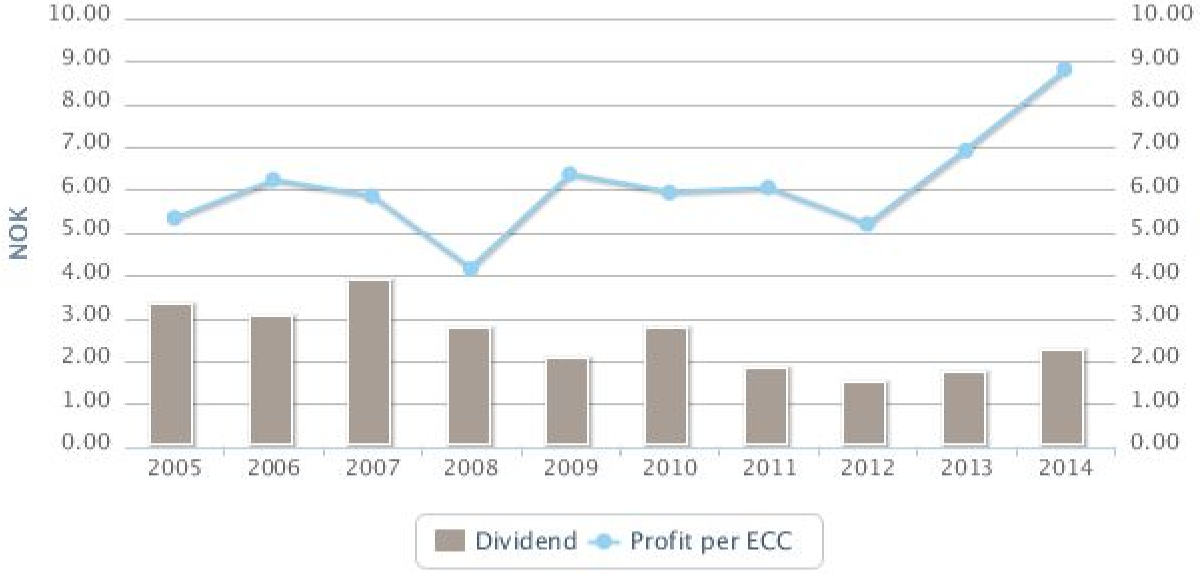
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

4) ECs' portion of the consolidated result (less own ECs).

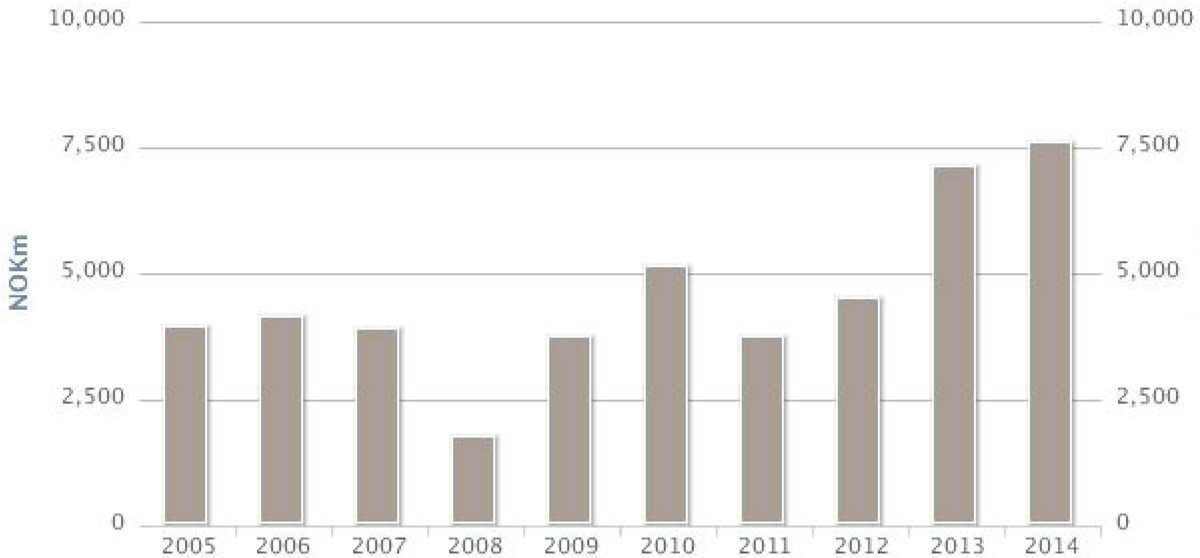
5) Dividend per EC as per cent of profit per EC.

6) Book equity of EC holders (after deduction of own ECs) as per cent of parent bank's equity at year-end (after deduction of own ECs and other equity). The rate applies as from 1 January the following year.

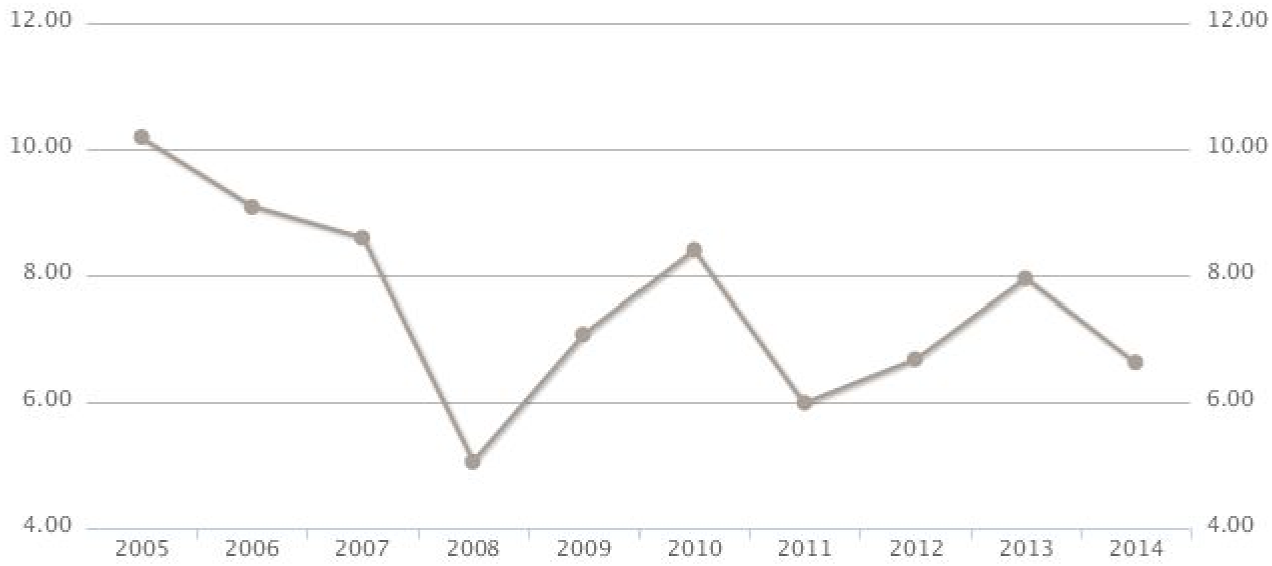
Dividend and profit per ECC (NOK)



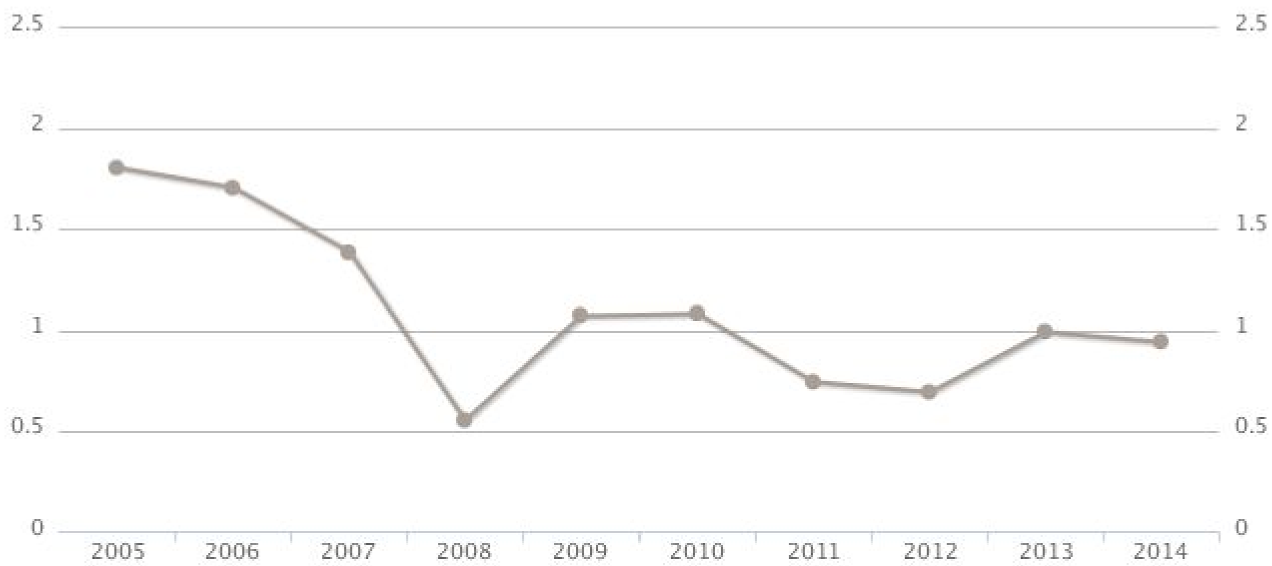
Market value



Price/ earnings



Price/book



Stock price compared with OSEBX and OSEEX

OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
OSEEX = Oslo Stock Exchange ECC Index (rebased)

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

Statement by the Board of Directors and the Group CEO

We hereby declare that to the best of our knowledge

- the financial statements for 2014 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group.

Trondheim, 3 March 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Janne Thyø Thomsen	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Auditor's report

Deloitte.

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NO-7485 Trondheim
Norway

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Tlf.: +47 73 87 69 00
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To the Supervisory Board of SpareBank 1 SMN

Translation from the original Norwegian version

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 SMN, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the statement of financial position as at 31.12.2014, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of SpareBank 1 SMN and of the group as at 31.12.2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

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

Trondheim, 3 March 2015
Deloitte AS

Mette Estenstad (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

Control committee's report

To
the Supervisory Board
of SpareBank 1 SMN

Statement of the Control Committee for 2014

The Control Committee has discharged its duties in accordance with the (Norwegian) Savings Banks Act and the instructions for the committee.

The Bank's activities in 2014 were in conformity with the (Norwegian) Savings Banks Act, and other provisions with which the Bank is obliged to comply. The annual reports and accounts have been submitted in accordance with the provisions of the (Norwegian) Savings Banks Act and the Financial Supervisory Authority of Norway.

The Supervisory Board may adopt the income statement and the balance sheet as the Bank's financial statements for 2014.

Trondheim, 3 March 2014

The Control Committee of
SpareBank 1 SMN

Terje Lium Chair	Anders Lian	Terje Ruud