2015

ANNUAL REPORT

Digital – still local

SpareBank 1 SMN

Contents

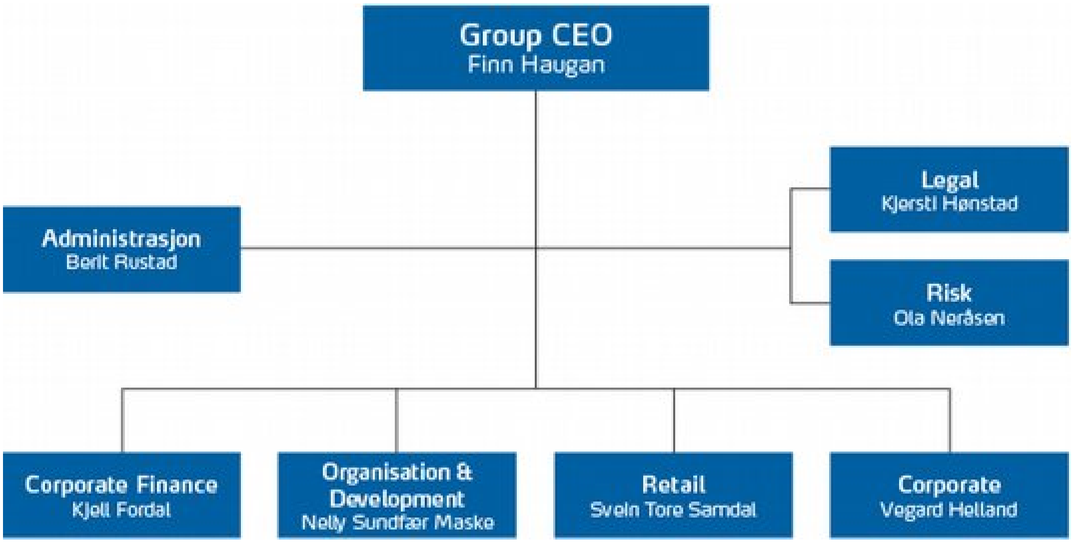
General information

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
- 209,000 retail customers
- 20,000 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



SpareBank 1 SMN

Main figures, last ten years

From the income statement (mNOK)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net interest and credit commission income	1,872	1,790	1,616	1,477	1,392	1,317	1,325	1,350	1,139	1,024
Commision and fee income	1,545	1,512	1,463	1,139	919	855	756	610	671	580
Operating expenses	-1,931	-1,789	-1,722	-1,654	-1,482	-1,140	-1,253	-1,194	-1,103	-990
Operating profit before losses and return on financial investments	1,486	1,513	1,357	962	829	1,032	828	766	707	613
Income from investment in related companies	448	527	355	244	248	276	349	393	233	190
Return on financial investements	11	193	147	207	186	133	247	-186	99	229
Loan losses and gains / write-downs on disposals of fixed assets	169	89	101	58	27	132	277	202	-6	-84
Pre-tax operating profit	**1,776**	**2,143**	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**771**	**1,045**	**1,116**
From the balance sheet (mNOK)										
Total assets	131,914	126,047	115,360	107,919	101,455	97,992	84,541	84,679	71,503	63,178
Outstanding loans (gross)	93,974	90,339	80,317	74,943	73,105	69,847	61,782	64,016	59,178	52,819
Outstanding loans including transf. SpareBank 1 Boligkreditt (gross)	127,378	120,196	112,038	104,909	95,232	87,665	77,429	71,317	61,910	
Gross loans in retail market	80,725	74,004	68,515	62,587	55,034	49,619	45,157	42,679	38,872	33,898
Gross loans in corporate market	46,653	46,192	43,523	42,322	40,198	38,046	32,272	28,638	23,038	18,921
Deposits	64,090	60,655	56,074	52,252	47,871	42,786	37,227	35,280	32,434	30,136
Deposits from retail market	28,336	26,479	23,865	22,279	20,860	19,052	17,898	17,566	16,070	14,707
Deposits from corporate market	35,754	34,176	32,209	29,973	27,011	23,734	19,330	17,715	16,364	15,429
Growth in lending, %	5.8 %	7.3 %	6.8 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %
Growth in deposits, %	5.60 %	8.20 %	7.30 %	9.20 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %
Key figures and ratios										
Return on equity	10.7 %	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %
Cost-income ratio	49.8 %	44.5 %	48.1 %	54.0 %	53.2 %	44.2 %	46.8 %	55.1 %	51.5 %	49.0 %
CET 1 Capital	13.6 %	11.2 %	11.1 %	10.0 %	8.9 %	9.3 %	7.7 %	7.1 %	7.4 %	7.5 %
Core capital ratio	15.6 %	13.0 %	13.0 %	11.4 %	10.4 %	10.9 %	10.5 %	8.1 %	8.4 %	8.6 %
Capital adequacy ratio	18.3 %	15.7 %	14.7 %	13.3 %	12.0 %	13.0 %	13.6 %	11.9 %	12.1 %	11.9 %
No. of staff	1,273	1,273	1,238	1,216	1,153	1,117	1,108	1,062	1,017	950
No. of person-years worked	1,208	1,192	1,192	1,135	1,109	1,035	1,017	973	940	841
No. of branches	49	49	50	51	54	54	55	56	56	58
Key figures EC										
EC ratio	64.0 %	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %
Number of Ecs issued (m)	129.83	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.7
EC price (NOK)	50.5	58.5	55	34.8	36.31	49.89	45.06	21	50.28	56.72
Market value (mNOK)	6,556	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140
Profit per EC (NOK)	7.02	8.82	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24
Dividend per EC (NOK)	2.25	2.25	1.75	1.5	1.85	2.77	2.1	2.77	3.9	3.04
Booked equity capital per EC (including dividend)	67.65	62.04	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31
P/E	7.19	6.63	7.95	6.68	5.99	8.4	7.29	5.09	8.87	9.38
Price/Booked equity capital	0.75	0.94	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76

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.

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

- Solid and profitable with a return on equity among the three best-performing comparable banks.
- A common equity tier 1 capital ratio of 14.5 per cent by 31 December 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

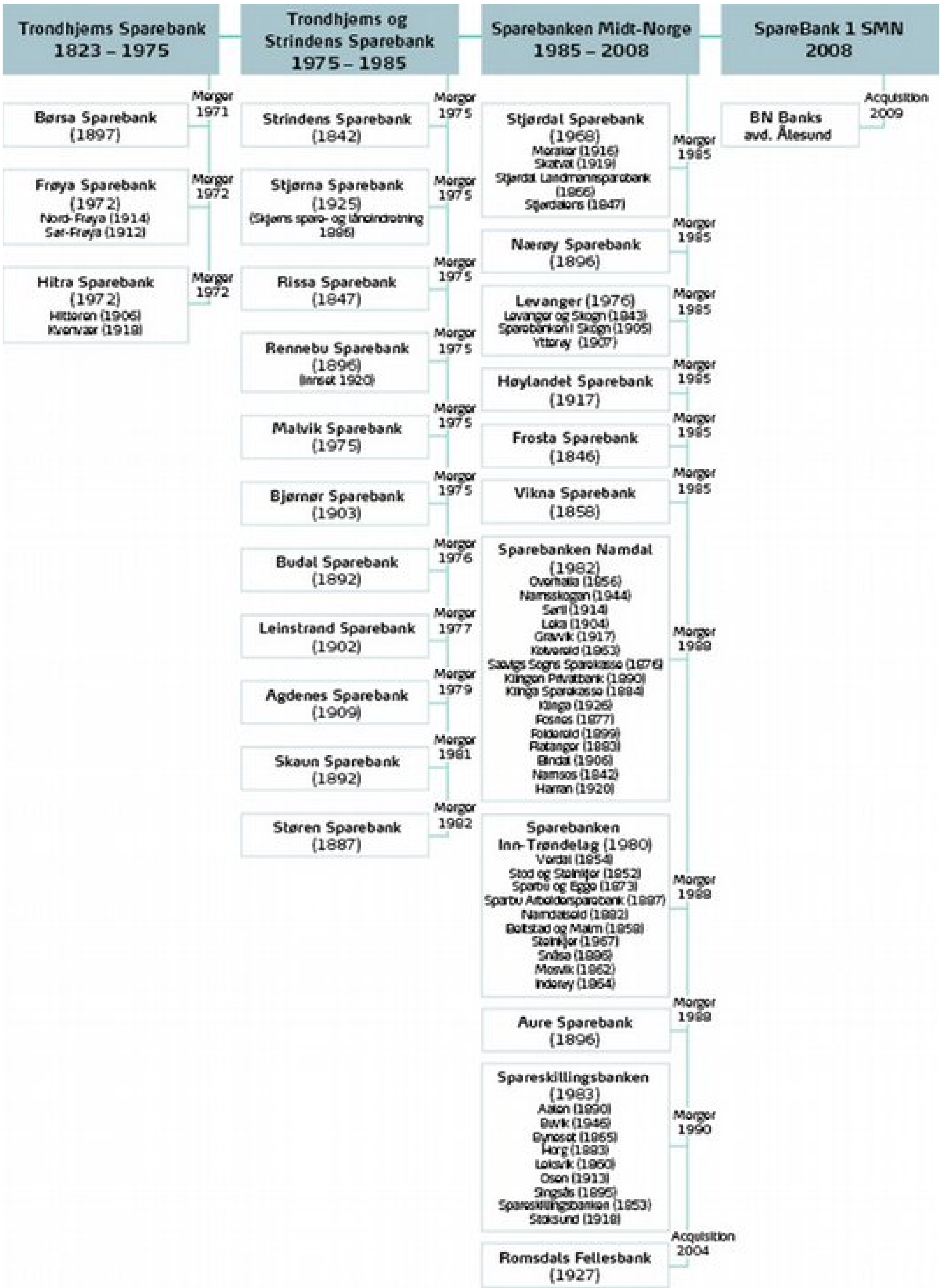
Further development of organisational and managerial capability will be a central area for development in the strategy period. The Bank will further develop customer relationships by highlighting the competence and skills possessed by staff at SpareBank 1 SMN.

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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The business

Statement by the Group CEO

SpareBank 1 SMN can look back at another good year. Over the course of 2015 CET1 capital rose by NOK 1.5bn to NOK 12.2bn. At year-end the CET1 ratio stood at 13.6 per cent.

The initial CET1 ratio target of 13.5 per cent by 30 June 2016 has been met. Before Christmas the board of directors adopted a new target in keeping with Finanstilsynet's (Norway's FSA) expectations, i.e. a CET1 ratio of 14.5 per cent by the end of 2016.

Last year will be particularly remembered on two counts. In 2015 Norway's oil price dependence was brought into relief by a steep price fall. From a level in excess of USD 100 per barrel which remained stable for a number of years up to end-December 2014, the oil price dropped to USD 35 per barrel at last year-end. For SpareBank 1 SMN and most banks and other listed companies this brought a decline in stock values suggesting that the market sees a virtually complete correlation between oil price and bank performances and, not least, possible losses.

2015 will also be remembered as the year we as consumers truly accepted the digitalisation of a large number of central social functions. Behaviour has changed markedly. At SpareBank 1 SMN we have given much attention to digitalising customer services, and we have come a long way compared with our competitors. Digitalisation will have far-reaching consequences for resource use in the financial industry.

SpareBank 1 SMN presents a good set of financial statements for 2015, as previously. Despite somewhat bleaker prospects, losses are relatively low. A very low default rate indicates that the loss challenges ahead will be readily manageable. Among equity certificate holders and analysts there is a strong focus on our loan book in the oil and offshore segment. This segment accounts for five per cent of the bank's overall lending, and is in all essentials concentrated in ship financing. Our assessment thus far is that the owners behind these companies are financially robust and show a strong willingness and ability to take the steps needed to shepherd their companies through a demanding period of low oil prices. Our funding ratio in relation to new valuations of the vessels we finance is low throughout, and a large majority of them are in operation. We have nonetheless opted to increase the bank's collectively assessed impairment write-downs in order to make allowance for the uncertainty implicit in this part of the loan portfolio.

The loan book, both in Corporate Banking and Retail Banking, is characterised by good debt servicing ability and a low default rate. Thus far there are no clear indications of a problematic fall in house prices, and in Trondheim in particular a high property turnover rate and continued price growth are noted.

It is pleasing to note the success of the bank's diversification strategy, adopted in 1996. Our subsidiaries are performing well, with solid growth and earnings. In addition, we are reaping increasing success on the sales front, in particular in the retail segment. The result of this so far is that balance-sheet-independent revenues now account for 31 per cent of the group's overall revenues. In particular, Eiendomsmegler 1 Midt-Norge, SpareBank 1 Regnskapshuset SMN and SpareBank 1 Finans Midt-Norge have again performed at a high level. SpareBank 1 SMN Invest should also be singled out for having, again in 2015, made substantial gains on its investments.

We have good growth in the retail segment, and are also showing strong competitive power in the market for small and medium-sized businesses. However, the regulatory climate remains a challenge. Because of various regulatory requirements imposed specifically on Norwegian financial institutions, we, like other Norwegian banks, are losing market shares in the low risk segment to foreign peers. This is particularly true of commercial property financing. Our co-owned subsidiary BN Bank is particularly affected, and for that reason wound down its commercial property portfolio in 2015.

Competition-distorting regulation is a theme which I in my capacity as Finance Norway's Board Chairman have addressed vis-à-vis regulatory authorities and politicians. It is gratifying that the Ministry of Finance now appears to be taking up this issue with Finanstilsynet, and a growing awareness from all parliamentary political parties is also in evidence.

The SpareBank 1 alliance resolved last year to reorganise the business of the co-owned SpareBank 1 Gruppen. We opted to take the consequence of the complexity and scope of the company's activities. Two equal organisational units, each reporting to its own board, respectively SpareBank 1 Banksamarbeidet and SpareBank 1 Gruppen, were established. It is satisfying to note the good progress made in the projects on which the SpareBank 1 banks are collaborating and, not least, the excellent results of our product companies.

SpareBank 1 SMN's organisation was, in 2015 as previously, marked by a substantial willingness to adapt and by commitment on the part of staff at all levels. There is a strong expectation that the pace of change will rise in keeping with digitalisation and that the competitive climate will require further cost reductions. This was the main theme when virtually all of the group's 1,200 employees met at a Group-wide get-together in Berlin in October. My experience is that the entire organisation is prepared for changes and is doing its utmost to ensure SpareBank 1 SMN's success and continued status as one of the absolutely leading banks in Norway. I am very proud of the Groups' staff who despite great uncertainty regarding the future are performing at a very high level and showing strong loyalty to their employer.

Given a well-functioning organisation, capable staff and relatively low exposure to segments that at present appear to pose a particular challenge, I am also optimistic for 2016.

Important events in 2015

First quarter

- Profit of NOK 441m after tax in the first quarter 2015
- Supervisory Board sets dividend of NOK 2.25 per EC for 2014
- Kjell Bordal re-elected as chair of the Board of Directors for a two-year term
- The bank receives go-ahead to apply IRB approach to corporate exposures
- SpareBank 1 Alliance becomes new main sponsor of Norway's cross country Ski Federation

Second quarter

- Profit of NOK 430m after tax in the second quarter 2015
- Moody's Investor Service upgrades the bank's rating from A2 to A1
- Fitch affirms the bank's credit rating

Third quarter

- Profit of NOK 248m after tax in the third quarter 2015

Fourth quarter

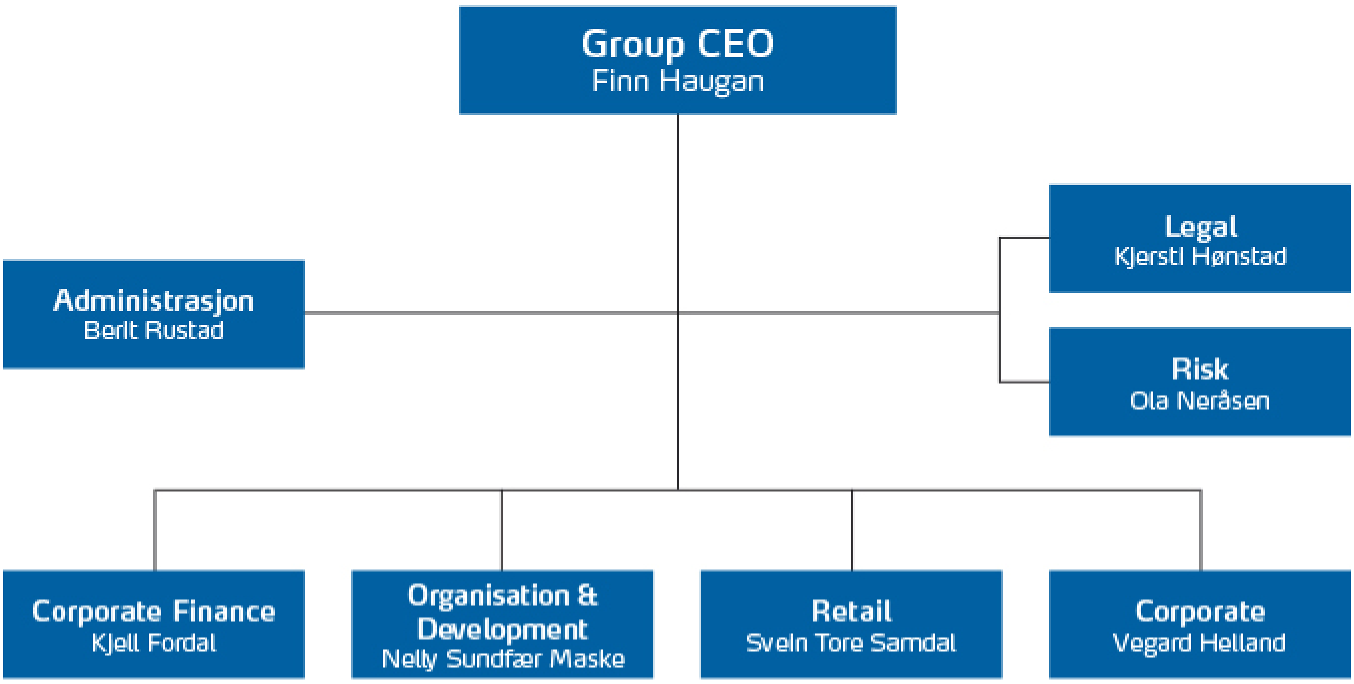
- Profit of NOK 287m after tax in the fourth quarter 2015
- The bank celebrates 150 years' presence in Ålen, Sør-Trøndelag
- Fitch affirms the bank's credit rating

Business description

SpareBank 1 SMN is the leading bank in Trøndelag and Møre og Romsdal with total assets of NOK 132bn at the end of 2015. The head office is in Trondheim and the Group and its subsidiaries employ 1,300 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 its own subsidiaries, SpareBank 1 SMN has secured access to competitive products in the fields of financing, savings and investment, insurance and payment services.

The bank is organised under 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 internet banking and mobile solutions along with direct banking, gives the bank a unique competitive edge.

SpareBank 1 SMN is present in 48 localities across 42 municipalities. Its 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.

Retail Banking

The business

Through its business area Retail Banking, 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 located throughout our market area, putting our advisers within easy reach of the customer on a face-to-face or digital/remote basis. More and more of the bank's offerings are now 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 Dec 2015	Retail Banking
Loanable capital (NOKm)	84,980
Deposit capital (NOKm)	35,647
No. of multi-relationship customers	209,238

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-sized companies, and the business areas Retail Banking and Corporate Banking work together closely to maintain competitiveness. In an intensely competitive climate, the bank shows a positive market trend and growth in volume and customer base.

Financial developments

Retail Banking posted a return of 15.8 per cent on equity in 2015. Overall pre-tax profit was NOK 873m. Operating income and return on equity were down on the 2014 figures due to reduced margins on home mortgage loans and tighter regulatory requirements set by the authorities. Risk in the loan portfolio is consistently low, as reflected in continued low losses. Net losses in 2015 totalled NOK 11m.

Prospects for 2016

2015 was a good year with a highly positive trend and growth in lending to the retail segment and agriculture. Over the course of the year the number of multi-relationship customers increased – in particular in the insurance and savings/investment area. Housing demand was strong throughout 2015 and we have positive expectations of 2016, although the low oil price and the weakened Norwegian krone make for some uncertainty. In 2015 adjustments were made to come into line with regulatory changes in the European financial sector, and new domestic regulatory requirements were introduced. A higher level of capital tie-up has affected profitability.

Corporate Banking

The business

The business area Corporate Banking 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 Retail Banking, 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, construction, sea farming, agriculture, fisheries, shipbuilding, offshore, energy, retail trade and the public sector.

The bank is IRB approved and uses the advanced IRB approach to compute capital charges and credit risk. The bank has good credit 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 market leader in the region, at the same time as risk exposure is consistent with the bank’s credit policy. Substantial resources are expended, together with the other alliance banks, on continuously improving the credit scoring models.

Customers and market position

The bank services some 20,000 corporate clients including the public sector. SpareBank 1 SMN has a market share of about 35 per cent in this segment in the region. 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-sized companies. This structure has a clear bearing on the bank’s organisation of its business.

Again in 2015 the bank published its 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-sized businesses in the region. 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 Dec 2015	Corporate Banking
Loanable capital (NOKm)	37,388
Deposit capital (NOKm)	28,431
No. of clients	20,944

Financial developments

The business area Corporate Banking recorded operating income of NOK 1,164m in 2015, of which NOK 971m was net interest income and NOK 193m was commission income and income from forex and fixed income business. The pre-tax profit was NOK 659m which yielded a return of 12.4 per cent on capital employed. The income is generated from a positive trend in all business areas; financing, cash management, insurance and capital market services. 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 2016

Prospects for 2016 are uncertain and are affected by international developments with falling oil prices. There are however still positive expectations in 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 and consequent depreciation of the Norwegian krone. Suppliers to the petroleum industry are already feeling the effects, but the bank has a broad exposure to less cyclically sensitive industries and sound diversification of credit risk.

The bank remains 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 a readily accessible and capable provider of financial services in the long term.

Digital trend

The goal is offer customers effective and efficient solutions in their preferred channels. 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 2015, with the mobile bank showing particularly strong growth figures. There are more logons per month to the mobile bank than to the internet bank, at the same time as 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 20 to 30 times per month.

The bank is undergoing a long period of investment with a view to renewing solutions in digital channels and underlying core systems. With a keen focus on data capture and advanced analysis the bank has developed good models to analyse customer needs. The goal is a customer dialogue that provides the customer with the right content in the right channel at the right time. We are working on process improvement, digitalisation, automation and new system solutions that support our strategic objectives in the retail banking and corporate banking segments alike. Moreover, new technology is enabling the creation of new digital business models that we are testing in the market.

The combination of a strong physical distribution through an efficient branch network and good self-service solutions based on holistic data analysis across all inputs gives SpareBank 1 SMN a strong strategic position.

Associates 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 and Alliansesamarbeidet SpareBank 1.

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 6,800, 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 Alliansesamarbeidet. The purpose of the Alliansesamarbeidet 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. Alliansesamarbeidet's vision is: Attractive to the customers and the banks.

About SpareBank 1 Gruppen

SpareBank 1 Gruppen is wholly owned by SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO) as follows:

SpareBank 1 SR-Bank (19.5 per cent), SpareBank 1 Nord-Norge (19.5 per cent), SpareBank 1 SMN (19.5 per cent), Sparebanken Hedmark (12 per cent), Samarbeidende Sparebanker AS (19.5 per cent), SpareBank 1 Oslo Akershus (1.4 per cent) and the Norwegian Confederation of Trade Unions and associated unions (9.6 per cent).

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

- SpareBank 1 Forsikring
- SpareBank 1 Skadeforsikring
- ODIN Forvaltning
- SpareBank 1 Medlemskort
- SpareBank 1 Gruppen Finans
- Conecto

SpareBank 1 Gruppen also has administrative responsibility for collaborative processes and service deliveries to the SpareBank 1 alliance through the limited partnership SpareBank 1 Banksamarbeidet DA.

SpareBank 1 Banksamarbeidet is a limited partnership owned by SpareBank 1 Gruppen AS, Samarbeidende Sparebanker and SpareBank 1 Oslo Akershus with varying stakes.

SpareBank 1 Banksamarbeidet develops and delivers joint IT and mobile solutions, brand-building and marketing concepts, business concepts, products and services, competence, analyses, processes, best practices and procurement.

The company is also engaged in development work through three competence centres: Training (Tromsø), Cash Management (Trondheim) and Credit (Stavanger). SpareBank 1 Banksamarbeidet owns the following subsidiaries:

- Eiendomsmegler 1 Norge
- SpareBank 1 Kundesenter
- SpareBank 1 Verdipapirservice

The SpareBank 1 Alliance banks and the LO hold direct stakes in the following companies:

- BN Bank
- SpareBank 1 Boligkreditt
- SpareBank 1 Næringskreditt
- SpareBank 1 Markets
- Bank 1 Oslo Akershus*
- SpareBank 1 Mobilbetaling**

* In 2015 Sparebanken Hedmark purchased 100 per cent of the shares of SpareBank 1 Oslo Akershus with effect from 2016

** SpareBank 1 Mobilbetaling was established in 2015

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).

The Board of Directors of BN Bank resolved in August 2015 to wind down the financing of commercial property in which the bank has been a substantial actor for many years. The wind-down is prompted by a capital adequacy regime specific to Norway.

BN Bank is being cultivated as a nationwide, internet- and telephone-based bank. Its strategy is to be a straightforward and effective bank for the retail market offering deposit and loan services to small and medium-sized businesses against collateral in residential property.

BN Bank was among the growth winners in 2015, and saw growth of more than 14 per cent in residential mortgages.

As at 31 December 2015 BN Bank had 117 FTEs, deposits totalling NOK 14.8bn and loans worth NOK 46.5bn (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 32.6bn.

As from the second quarter 2014 the bank started reporting corporate exposures under the advanced IRB approach, and in June was granted permission to apply the advanced IRB approach to its home loan portfolio.

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 2015.

The company delivered in 2015 a profit of NOK 47m before tax.

In 2015 the company came fourth 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 2015, 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 6,615 properties in 2015, representing a market share of 40 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. 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 the owner banks' offices, other partners and its own sales operation.

SpareBank 1 SMN Finans maintains a presence in ten counties across Midt- og Sør-Norge; Nord og Sør-Trøndelag, Møre og Romsdal, Sogn og Fjordane, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

At year-end the company managed leasing and loan agreements worth NOK 4.3bn. The company has 35 employees in Trondheim, Steinkjer, Kristiansund, Molde and Ålesund. The company posted a pre-tax profit of NOK 83.1m in 2015.

SpareBank 1 SMN Finans's values are its easy access, prompt response, proactive stance, solution focus and probity.

The company has developed a leading concept for distribution via its owner banks. This brought substantial results in 2015 with the establishment in June of cooperation agreements with a further eight SpareBank 1 banks for distribution of the company's products. The agreement entailed that the banks concerned acquired an owner stake of 20 per cent in SpareBank 1 Finans. The expansion of distribution capacity has resulted in a steep increase in the portfolio of vendor's lien loans and in leasing.

At year-end the company was owned by SpareBank 1 SMN (72.08 per cent), SpareBank 1 Buskerud-Vestfold (4.98 per cent), SpareBank 1 Telemark (4.22 per cent), SpareBank 1 Østfold-Akershus (4.10 per cent), SpareBank 1 Nordvest (3.96 per cent), SpareBank 1 Søre Sunnmøre (3.96 per cent), SpareBank 1 Hallingdal Valdres (1.71 per cent), SpareBank 1 Nøtterøy-Tønsberg (1.51 per cent), SpareBank 1 Modum (1.37 per cent), SpareBank 1 Gudbrandsdal (1.17 per cent) and SpareBank 1 Lom og Skjåk (0.94 per cent).

In November a cooperation agreement was also entered with Sparebanken Sogn og Fjordane for sale of the company's products. Under the agreement Sparebanken Sogn og Fjordane becomes the next largest owner of SpareBank 1 Finans with a stake of 7.5 per cent. Settlement is through the sale of shares and is scheduled for January 2016. SpareBank 1 SMN remains the largest shareholder, now with a stake of 64.6 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 is located in Trondheim. The business has good competence and motivated staff. In 2015 the company recorded a loss of NOK 485,000 before tax. The company is wholly owned by SpareBank 1 SMN.

SpareBank 1 Regnskapshuset SMN

In 2015 SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 34.8m on a turnover of NOK 196m. With 7.4 per cent turnover growth in 2015, the company has a market share of 10 per cent in Midt-Norge. SpareBank 1 Regnskapshuset SMN is now one of the three largest actors in the accountancy business in Norway with 201 staff at year-end.

The company is seeing a growing influx of new customers. In 2015, 367 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.

The company has a strong ambition for further growth in the period to 2020, and to that end has signed a strategic cooperation agreement with the IT company Areto Solutions. This agreement is part of Regnskapshuset's focus on digitalisation.

SpareBank 1 Regnskapshuset SMN acquired in 2015 the subsidiary Avito Regnskap which it absorbed along with the subsidiaries SpareBank 1 Regnskapshuset Merkantilservice and SpareBank 1 Regnskapshuset Ålesund.

In conjunction 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 12 employees and assets totalling some NOK 5.5bn.

The company offers primarily 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 2015.

The accounts show a profit of NOK 1.4m before tax.

SpareBank 1 SMN Card Solutions

SpareBank 1 SMN Card Solutions sells and administrates prepaid cards. The company is a wholly-owned subsidiary of SpareBank 1 SMN. It primarily sells and administrates the SpendOn card. It also performs services for the bank in regard to the bank's closed loop gift card solutions and Visa prepaid cards.

The company sells cards to the corporate and private segments in grocery stores in Norway.

The company delivered a profit of NOK 1.5m before tax in 2015.

SpareBank 1 SMN Invest

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 in which SpareBank 1 SMN operates. By this means the company will foster competence-based jobs and regional value creation. SpareBank 1 SMN Invest contributes capital, network and competence.

The company has two employees in Trondheim. The business has highly qualified staff and ample competence. The company reported a profit of 38.9m before tax for 2015.

SpareBank 1 Markets

SpareBank 1 Markets is an analysis-based investment firm. The company aspires to be a profitable capital market operation which in collaboration with its owner banks can deliver all capital market services including customer trading and own account trading in fixed income and forex instruments, bonds and equities, advisory services and the facilitating of internal and external equity finance as well as securities administration services.

The largest owners are SpareBank 1 SMN (73.4 per cent), SpareBank 1 Nord-Norge (9.9 per cent), Samarbeidende Sparebanker (9.9 per cent) and Sparebanken Hedmark (6.1 per cent).

In 2015 the company delivered a profit of minus NOK 93m after tax. The company has 109 employees. The company is the leading capital market entity in SpareBank 1 SMN's market area. SpareBank 1 Markets is headquartered in Trondheim and has departments in Trondheim and Ålesund.

Customers and market position

SpareBank 1 Markets' main focus is on clients where the company itself has a strong competitive position alone or in collaboration with its owner banks.

The securities broking arm has its own customer base, built up over a number of years, as well as customers from the owner banks.

In the other product areas, customer activities in collaboration with the owner banks' other business lines are the main business, combining specialist competence with local knowledge and understanding. Own account trading is intended to support customer servicing with products and prices.

Property companies

SpareBank 1 SMN Kvartalet's purpose 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's purpose is to own, develop 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's purpose is to own, develop and manage property. The company acquired Trondheim Brannstasjon (fire station) at Kongens gate 2 from the City of Trondheim in 2012. The building was erected in two stages in 1943 and 1948/49 with a total area of about 680 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 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's purpose is to own, develop and manage property in Verdal. 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 in 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.

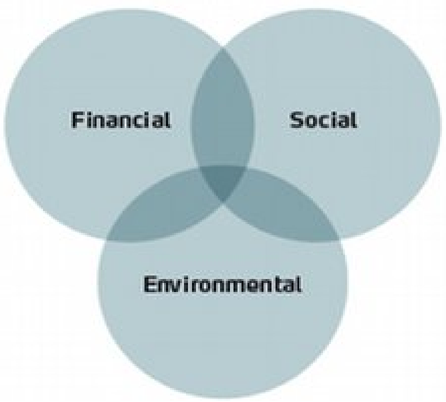
Through the bank's gift fund we have for many years returned funds to the region of which we are a part. We can mention grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development 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 good balance between financial, social and environmental aspects. Under each theme we have defined key areas in which specific initiatives have been developed.

Our thinking on social responsibility: basic structure



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

CSR status and goal achievement 2009 - 2015

	2015	2014	2013	2012	2011	2010	2009
Strategy/financial							
Group strategy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Develop CSR strategy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Pre-tax profit (NOKm)	1 776	2 143	1 758	1 355	1 279	1 282	1 147
Total assets (NOKm)	131 914	126 047	115 630	107 919	101 455	97 992	84 541
Return on equity	10,70 %	15,10 %	13,30 %	11,70 %	12,80 %	14,60 %	16,20 %
CET1 ratio	13,60 %	11,20 %	11,10 %	10,00 %	8,90 %	9,30 %	7,80 %
No. of ECs issued (millions)	129,83	129,83	129,83	129,83	102,76	102,74	82,78
Quoted price 31.12	50,50	58,50	55,00	34,80	36,31	49,89	45,06
Market capitalisation (NOKm) 31.12	6 556	7 595	7 141	4 518	3 731	5 124	3 749
Direct return	4,50 %	3,80 %	3,20 %	4,30 %	5,10 %	5,60 %	4,60 %
No. of owners	8 059	8 398	8 741	9 749	9 532	9 654	9 500
Society/social conditions							
No. of FTP equivalents	645	753	758	819	794	793	805
Sickness absence	4,20 %	3,20 %	4,10 %	4,60 %	4,00 %	4,00 %	4,20 %
Women's share of workforce	53,00 %	48,00 %	51,00 %	51,90 %	52,00 %	51,00 %	51,50 %
Women's share of senior positions	36,00 %	32,00 %	31,60 %	28,70 %	27,00 %	28,00 %	28,00 %
Average age	46 yrs	46 yrs	46 yrs	46 yrs	46 yrs	46 yrs	45 yrs
Employee satisfaction	NA**	768*	756*	730*	715*	I/T	750
Agreement on inclusive employment	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Strategy on life phase policy	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices	48	48	50	51	54	54	56
No. of customers	209 200	203 000	201 500	200 900	196 500	194 500	194 000
Share allocated to culture	27 %	28 %	21 %	20 %	27 %	26 %	24 %
Share allocated to sports	30 %	26 %	15 %	22 %	26 %	27 %	20 %
Share allocated to humanitarian work	8 %	7 %	5 %	12 %	7 %	7 %	4 %
Share allocated to business development	35 %	39 %	59 %	46 %	40 %	40 %	52 %
Environment							
Purchase of paper (tonnes)**	19,8	26,5	35,8	35,8	35,7	39,1	35,9
Energy consumption (kWh)	4 522 914	5 965 100	6 134 600	6 135 000	6 900 500	7 004 400	6 580 000
No. of flights	3 660	3 626	3 517	3 524	3 910	3 816	3 585
E-waste return scheme (tonnes)	0,30	3,15	3,10	3,25	3,40	3,43	2,90
Waste sorting at source	Continued	Continued	Continued	Continued	Continued	Continued	Continued
Printer and toner return scheme	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of videoconferencing rooms	11	10	10	10	8	6	6
Strategy/action plan for energy and the environment at the new head office	Continued	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices certified under the 'Environmental Lighthouse' scheme	15	15	4	4	2	1	1

* New system of organisation analysis as from 2011

** Organisation analysis not conducted in 2015

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
- all authorised and approved advisers receive an annual competence update that includes an ethics session

Organisation and staff

SpareBank 1 SMN aims 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, 4.17 per cent in 2015, and we believe this can to some extent be ascribed to a workforce that is 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 2015 women held 36 per cent of senior positions compared with 32 per cent in 2014.

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. Illegalities 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 known as whistleblowing. Everyone has a social responsibility and no-one should keep quiet about a criminal offence. SpareBank 1 SMN has a keen awareness of this issue and takes precautionary measures against, and uncovers, corruption and irregularities and investigates any suspicion of illegality or irregularity.

Money laundering and financing of terrorism

"Know-your-customer" and "know-your-customer's business" are important principles of Norway's Money Laundering Act. Alongside the societal trend of increasing exposure to risk, the bank sees a regulatory regime and international standards that are constantly evolving. Increased requirements are imposed throughout, as well as more specific and stringent requirements on customer due diligence and customer follow up.

SpareBank 1 SMN works systematically to uncover and combat economic crime. As an institution subject to the reporting obligation, SpareBank 1 SMN is required to undertake a concrete review of the risk of money laundering and terrorist financing facing its business. Our risk assessment involves identifying and assessing risk associated with customers, customer relationships, products and transactions. Customer due diligence measures must be tailored to the identified risk.

Knowledge of our business and of our customers is important when applying a risk based approach under the requirements imposed on us by legislation. This means that SpareBank 1 SMN needs 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. The bank must to that end be able to demonstrate that its due diligence measures are tailored to the risk in question. Authorities, customers and competitors must have confidence in SpareBank 1 SMN's professionality and integrity. By maintaining vigilance at all levels of the organisation the bank plays its part in ensuring that products and services are not exploited to criminal ends.

The threat picture has changed where economic crime is concerned, not least in terms of the increased volume of organised cross-border crime. The bank is witness to ever more sophisticated attempts to launder money, and also an increase in cross-border transactions, as well as in foreign customers. We further note more widespread fraud and attempted fraud against our customers. Customers are lured into making payments to recipients abroad, for example in connection with internet dating, investment fraud, holiday property rentals, bogus e-mails etc.

In the past two years SpareBank 1 SMN has increased its number of reports to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) by 90% compared with previous years. The bank elucidated and reported 114 cases in 2015. A significant portion of reported cases were prompted by frequent and/or large cash deposits via cash deposit machines that are often used for transfers to other countries; extraordinary loan repayments; mixing of personal and business activities etc, along with other suspicious account movements and large cash withdrawals.

All staff members are required at specific intervals to undergo mandatory e-training with respect to money laundering and terrorist financing. In addition 20-25 courses/training in combating money laundering are held annually for a large number staff.

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 2015 a good 300 kg of technological waste were delivered to such a facility. Paper consumption amounted to 19.8 tonnes compared with 26.5 tonnes in 2014. Increased use is made of electronic work processes, bringing greater demands on safety and personal protection. The following measures are 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 3,660 flights in 2015 compared with 3,626 in 2014. 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 cycle or walk to and from work if feasible.

Very low energy consumption at the 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 office premises section of the building was 85 kWh per square metre per year. This target was met by an ample margin in the very 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, 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 factors are:

- a well-insulated and efficient building envelope
- a highly energy-efficient ventilation system
- a good 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. By the start of 2015 the Trondheim head office and the offices in Ålesund, Stjørdal and Steinkjer were certified. A further 12 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 the remaining officesstarts in 2016. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS.

SpareBank 1 SMN's monetary gifts

Contributions to the community and society are non-profit and they 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 Prize of Honour

SpareBank 1 SMN disbursed a good NOK 30m to activities of benefit to the community through its gift institute in 2015.

Governance


SpareBank 1
SpareBank 1
SpareBank
SpareBank 1
eBank 1
SKI GO Roller
SKI GO Roller
SPAR
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, Finance Norway (FNO) and Board member of Norwegian Savings Banks Association. Board member of SpareBank 1 Gruppen and Bank 1 Oslo Akershus. Chairman of EiendomsMegler 1 Midt-Norge, SpareBank 1 Markets, chairman of the Supervisory Board of Selskabet for Trondhjems Bys Vel and Board member of Stiftelse Til Nevrovitenskaplig Forskning (Kavli Stiftelsen).

Vegard Helland (1975)

Executive director – 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 (aquaculture and fisheries).

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.

Board member of SpareBank 1 Mobilbetaling AS (under establishment).

Svein Tore Samdal (1971)

Executive Director – 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.

Chairman of Allegro Kapitalforvaltning AS and Board member of Lounge AS.

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. CEO of NorAqua, finance director and CEO of the Glamox Group and director at Trøndelag Theatre.

Board chairman of Axess, Axess Holding, Brødrene Dyrøy and Norsk Landbrukskjemi. Board member of Entra Eiendom, Novela and Florvaag Bruk Holding.

Attended 13 of 13 meetings of the Board of Directors in 2015.

Bård Benum (1962) Vice-chairman

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

Board member since March 2009, and deputy chair since 2013. Member of the internal audit committee since 2009 and member of the risk committee since 2013.

Group CEO at Powel.

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

Attended 12 of 13 meetings of the Board of Directors in 2015.

Paul E. Hjelm-Hansen (1962)

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

Board member and chairman of the internal audit committee since 2008. Head of the risk committee 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 13 of 13 meetings of the Board of Directors in 2015.

Arnhild Holstad (1963)

Cand.mag. degree and journalist.

Board member since 2010.

Chief executive officer, Namsos municipality.

Communication manager at Statskog 2007-2015. 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 12 of 13 meetings of the Board of Directors in 2015.

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 on the staff of the director of the mid-Norway region, Norwegian Food Safety Authority.

Experience from the fish farming industry in the fields of fish health and product development, marketing and sale of medicinal products for fish.

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 and the control committee and the supervisory board of SpareBank 1 SMN.

Attended 12 of 13 meetings of the Board of Directors in 2015.

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 and North 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).

Attended 12 of 13 meetings of the Board of Directors in 2015.

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

Attended 13 of 13 meetings of the Board of Directors in 2015.

Janne Thyø Thomsen (1957)

Cand. Jur. (law) degree, University of Copenhagen (1981). Graduate Diploma in Business Administration, Copenhagen Business School (1986).

Board member since 2014. Member of the audit and risk committee since 2014.

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

Attended 13 of 13 meetings of the Board of Directors in 2015.

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.

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

Board member of the Finance Sector Union in Trøndelag (2010–2012).

Attended 13 of 13 meetings of the Board of Directors in 2015.

Elected officers

Supervisory Board

Members elected by the equity certificate holders	Residence	Number of equity held*
Asbjørn Tronsgård	Sunndalsøra	37,222
Anne-Brit Skjetne	Levanger	3,982,032
Berit Tiller	Trondheim	1,039
Lars Bjarne Tvete (nestleder)	Trondheim	1,600
Marit Collin	Trondheim	3,555
Ragnar Lyng	Vanvikan	53,122
Stig Jakobsen	Angvik	21,991
Thor Arne Falkanger	Trondheim	209,255
Thor Christian Haugland	Stavanger	153,685
Torgeir Svae	Oslo	2,736,435
Knut Solberg	Trondheim	365,449
Kjell Hagan	Trondheim	1,968
Ragnhild Tokstad Bergsmyr	Trondheim	200
Therese Bjørstad Karlsen	Trondheim	170
Knut Vardal	Ålesund	62,400
Egil Stenshagen	Oslo	0
Trond B. Brekke	Trondheim	196,667

Members elected by the depositors	Residence	Number of equity 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 held*
Anne Sophie Hundstad	Trondheim	0
Frode Revhaug	Frosta	0
Gunn Iversen Stokke	Buvik	0
Hans Martin Storø	Nærøy	5,179
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 held*
Alvhild Skogmo Jensen	Namsos	0
Ann Kristin Leirvik Sletnes	Torvikbukt	3
Ellinor Finserås	Trondheim	601
Linda Leer	Trondheim	2,357
Rolf Bratlie	Trondheim	4,000
Oddbjørn Kulseth	Stjørdal	3,793
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 held*
Kjell Bjordal, leder	Molde	110,000
Bård Benum, nestleder	Trondheim	0
Arnhild Holstad	Namsos	0
Aud Skrudland	Averøy	2,765
Morten Loktu	Trondheim	5,000
Paul E. Hjelm-Hansen	Trondheim	49,219
Venche Johnsen	Trondheim	24,719
Janne Thyø Thomsen	Danmark	3,000
Bente Karin Trana (varamedlem)	Steinkjer	0
Erik Gunnes (varamedlem)	Trondheim	230
Pål Hofstad (varamedlem)	Verdal	0

Controll Committee

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

Election Commitee

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

* Number of equity certificates held as of 31 December 2015 includes 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

Each year the management team and board of directors of SpareBank 1 SMN review its corporate governance policies and how they function across the group. The corporate governance policies and practice are prepared and presented in conformity with the Accounting Act (Regnskapsloven) section 3-3b and the Norwegian Code of 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.

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. The group abides by the Norwegian Code of Practice for Corporate Governance. Reference is made to point 1 of the Code of Practice below.

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 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 undertaking's and – for entities that are under the obligation to maintain accounting records and that prepare consolidated accounts – in the event also the group's systems for internal control and risk management associated with the financial reporting process. See the report regarding point 10 of the Code of Practice below.

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. See the report regarding point 6 of the Code of Practice below.

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 the report regarding points 6, 7, 8 and 9 of the Code of Practice below.

7. Provisions of articles of association which regulate the appointment and replacement of board members. See the report regarding point 8 of the Code of Practice 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 the report regarding point 3 of the Code of Practice 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.

Point 1: Report on corporate governance
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.

Against the background of amendments to laws and regulations in force as from 1 January 2016, certain changes and adjustments are made to the group's governing and control bodies. Of particular significance is the entry into force of the new Financial Undertakings Act (finansforetaksloven). The amendments are taken into account in revised articles of association which are effective as of 2016. This report is based on the group's organisation in 2015, except where specifically stated otherwise.

SpareBank 1 SMN has a distinct 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 to give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance 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.

Through its corporate governance 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

The staff 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. The ethical rules deal inter alia with legal (in)capacity; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant financial circumstances 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 to regard knowledge of the group's or a customer's circumstances as confidential. 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 member may, via computer systems or by any other means, retrieve information about other colleagues or customers that is not necessary for their work. The bank's ethical rules stipulate that a staff member must immediately inform his/her superior or other contact persons if he/she learns of circumstances that breach applicable statutes and rules or constitute significant violations of internal provisions. SpareBank 1 SMN wishes to contribute to sustainable social development through responsible business activities which includes safeguarding ethical, environmental and social considerations. A distinct strategy for managing the bank's corporate social responsibility has been established.

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

See also the chapter on corporate social responsibility in this annual report.

Deviations from point 1 of the Code of Practice: None

Point 2: Operations

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 them 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 North and South Trøndelag, Møre and Romsdal, and Sogn and Fjordane, to enable them to realise their goals through 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 dedicated manner.

Deviations from point 2 of the Code of Practice: None

Point 3: EC capital and dividends

The board of directors continuously assesses the capital situation in light of the group's goals, strategy and desired risk profile. As at 31 December 2015 SpareBank 1 SMN's equity capital totalled NOK 13.9bn. As of the same date the tier 1 ratio was 15.6 per cent and the common equity tier 1 (CET1) ratio was 13.6 per cent.

For detailed information on capital adequacy, see the relevant note in the annual report. 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 management 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 published on 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 owner 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 shall 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 27 March 2015.

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 2015 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

Point 4: Non-discrimination of shareholders and transactions with related parties

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 Undertakings 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 call for deviation this rule. 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 shall be 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 him/herself 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 group'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 of directors, 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. Unless the director him/herself opts to step back from the consideration of or decision in a matter, the board of directors shall decide whether or not the director shall step back. The board's assessments of legal (in)capacity must be duly recorded.

Deviations from point 4 of the Code of Practice: None

Point 5: Free transferability
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

Point 6: General meeting
Supervisory board
A savings bank is basically a 'self-owned' institution. Its governance structure and the composition of its governing bodies differ from those of limited liability companies; see the Financial Institutions Act and what bodies a savings bank is required to have. The bank's highest body is the supervisory board comprising EC holders, customers, employees and representatives of the public authorities.

The supervisory board shall see 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
- the county councils of Sør-Trøndelag, Nord-Trøndelag and Møre og Romsdal: 8 members and 8 alternates
- customers: 8 members and 8 alternates
- employees: 10 members and 6 alternates

According to the legislation, it is important that elected members should reflect the savings bank's customer structure, other stakeholder groups and its role in society. The supervisory board approves the group's annual 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 and election committee. The supervisory board also fixes the remuneration for the above bodies. The members of the board of directors, the group CEO and the auditor are also 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 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 made available on the bank's website.

A list of supervisory board members can be found at smn.no.

Control committee

The supervisory board has resolved to dispense with the control committee as from 1 January 2016. The following is a description of the committee's mission and tasks in 2015.

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

Each year the control committee reports on its work to Finanstilsynet and the supervisory board. The committee also 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 management director. 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 laws and provisions that regulate financial undertakings.

Point 7: Election committee
The supervisory board resolved as from 1 January 2016 that elections at SpareBank 1 SMN are to be run by an election committee in addition to the employees' election committee. In accordance with the articles of association for 2015 there were three election committees and an election committee for employees' elections of supervisory board members. Their tasks were as follows:

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
This election committee comprises three members and three alternates, with one member and one alternate from each of the three election districts. The 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 shall comprise 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 the Regulations on election committees at savings banks.

Point 8: Supervisory board and board of directors, composition and independence
See point 6 for information about the supervisory board. As of 31 December 2015 the board of directors had eight regularly attending members of whom one represented the employees. Meetings of the board of directors are also attended by one regularly attending alternate for the employees. Four members of the board of directors are women. 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. As from the first election held after 1 January 2016 the board of directors has nine members of who two represent the employees. 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 a one-year term.

The composition of the board of directors shall be based on the bank's articles of association. In the election of board members the criteria of competence, capacity and diversity are in focus. The individual director's background is described in the annual report and at smn.no. The board of directors meets at least 11 times each year, and the members' attendance at meetings of the board 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

Point 9: Work of the board of directors

The board of directors' work and procedures are regulated by board instructions, and annual plans are prepared for the work of the board. 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. In addition the board of directors adopts the bank's strategy, budget and market and organisational objectives. It is the board of directors that appoints and dismisses the group CEO.

The board of directors receives reports on profit performance and market developments, and on developments in the group's risk picture. The board of directors conducts an annual evaluation of its work and its competence. It reviews working method, case handling, meeting structure and prioritising of tasks, and this provides a basis for any changes and measures needed.

Audit committee

The board of directors has appointed an audit committee and a risk committee comprising three members of the bank's board of directors. The members are appointed for a two-year term. The audit committee and risk committee are preparatory and advisory working committees to the board of directors. The board of directors establishes instructions for the committees.

Pursuant to the Financial Undertakings Act section 8-19 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 the bank's internal audit and issue an opinion on the election of the auditor,
- have ongoing contact with the bank's appointed auditor regarding the audit of the annual accounts,
- assess and monitor the auditor's independence; ref. the Auditors Act chapter 4

The audit committee meets at least five times yearly ahead of the board of directors' consideration of quarterly and annual reports.

Risk committee
The risk committee's tasks are regulated in the Financial Undertakings Act section 13-6 (4) and the Capital Requirements Regulations section 47-4. The risk committee's task is to ensure that risk and capital management 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 committee shall

- ensure that risk management is in keeping with best practice and the board of directors' level of ambition
- review risk management strategies and policies as preparation for consideration by the board of directors
- ensure that the group's capital adequacy is satisfactory within the adopted group strategy
- ensure that laws and regulations and internal rules that regulate the group are identified, implemented, complied with and overseen.

The risk committee meets at least five times yearly.

Compensation committee
The board of directors has appointed a compensation committee that shall comprise 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 be in compliance with applicable law and regulations.

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. 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. The attendance of at least two members is required.

The board of directors has established the compensation committee's mandate.

Deviations from point 9 of the Code of Practice: None

Point 10: Risk management and internal control
Sound risk and capital management are central to SpareBank 1 SMN long-term value creation. Internal control aims to ensure efficient operation and proper management of risks of significance for the attainment of business goals.

The group's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital management 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 attainment. Managements at the various companies in the group are responsible for risk management and internal control, and this is intended to ensure:

- targeted, safe, high-quality and cost-effective operations
- reliable and timely reporting
- compliance with 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 risk management department has been established at SpareBank 1 SMN.

The risk management department is organised independently of the business units and reports directly to the group CEO. The department is responsible for the group's risk models and for further developing effective risk management systems. The department 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.

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. Principles and framework for internal control and risk management are enshrined in a risk management policy. This policy 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.

The board of directors receives annually from the internal auditor and external auditor an independent assessment of the group's risk and internal control function. The board monitors compliance with adopted frameworks, principles, and quality and risk objectives through:

- quarterly reports from the group CEO and the risk management department
- 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. Group Finance 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. 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 Group Finance and prepare financial reports for the 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.

Group Finance 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, valid and complete.

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.

For further information on risk management and internal control, see note 6 in the annual report concerning financial risk management and a separate chapter on Risk and capital management.

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 by KPMG and these services cover the parent bank and subsidiaries subject to the risk management and internal control regulations. The internal audit function's main task is to confirm that the established internal control system functions as intended, and to ensure that risk management measures are adequate to the bank's risk profile. The internal audit function reports quarterly to the board of directors and the internal audit's reports and recommendations are reviewed and improvements implemented on a continuous basis. The board of directors adopts annual plans and budgets for the internal audit function.

The internal audit function carries out the operational audit of units and business areas, and does not conduct a financial audit of the group. Annual audit plans are prepared which are 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 improvement 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. Any consultancy services are provided within the scope of 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 regulatory provisions or of other circumstances which are likely to harm the group's reputation or financial situation.

Deviations from point 10 of the Code of Practice: None

Point 11: Remuneration to the board of directors
The board members' fees that are recommended by the election committee 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 serving on the board of directors. Further information on compensation to the board of directors and board committees is shown in note 22 in this annual report.

Deviations from point 11 of the Code of Practice: None

Point 12: Remuneration to senior employees
The group has established a remuneration policy that is in accordance with the group's overarching objectives, risk tolerance and long-term interests. This policy is designed to promote and incentivise good management and control of the group's risk, to counter excessive or undesired risk-taking, to pre-empt conflicts of interest and to be in accordance with applicable law and regulations. See the requirements of Regulations on remuneration schemes at financial institutions, investment firms and fund management companies. The remuneration policy has special rules for senior employees. These rules also apply to other

employees and elected officers with work tasks of material significance for the group's risk exposure and to employees and elected officers with control tasks.

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). See also the 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 22 to this annual report. A further description of the bank's remuneration scheme is available on the bank's home page.

Deviations from point 12 of the Code of Practice: None

Point 13: Information and communication

The bank's information policy is designed to underpin the relationship of trust between the bank's EC holders, board of directors and management, and to ensure 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 in which openness, predictability and transparency are at centre stage.

The open information practice is in conformity with the bank's internal and external guidelines, 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 in what areas.

Deviations from point 13 of the Code of Practice: None

Point 14: Takeover

SpareBank 1 SMN is a partly 'self-owning' institution which cannot be taken over by others through acquisition without consideration of the matter by the bank's bodies. A savings bank's ownership structure is regulated by law and no-one may own more 10 per cent of the 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 limit on equity holdings

Point 15: External auditor

An external auditor is appointed by the supervisory board upon the recommendation of the audit committee and nomination by the board of directors, and the auditor is identical for all companies in the group. 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 accounts 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 day-to-day management team being present. Guidelines have been established for the day-to day management team's right to utilise the external auditor for non-audit services. Any such services from the external auditor must at all times be within the scope of the Auditors Act. 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, including whether any significant weaknesses have been identified in the bank's internal control related to financial reporting processes. In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group over the course of the accounting year.

Deviations from point 15 of the Code of Practice: None

Risk and capital management

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 shall 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 application 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 of directors 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 department 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 control and governance measures.

The group attaches importance to a control and management structure that promotes targeted and independent management and control.

The board of directors of SpareBank 1 SMN is responsible for overseeing that the group's own funds are satisfactory relative to 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 group 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.

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, including exposure renewals, 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

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.

A credit watch committee has been established whose main focus is on exposures at risk. The committee deals with exposures defined on a centralised watch list, mainly in excess of NOK 50m.

The validation 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 performed by an external provider, thereby assuring the required independence, competence and capacity.

The internal audit function reports to the board of directors. The reports and any recommendations for improvements in the group's risk management are continuously reviewed. 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.

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, it also incurs credit risk through the liquidity reserve portfolio and through counterparty risk arising from interest rate and foreign exchange derivatives.

The bank's organisation of and framework for management of credit risk is geared 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 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 department 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 structuring of the bank's management documents, organisation (distribution of responsibilities and roles) of the credit function and 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 policies governing the management of SpareBank 1 SMN's credit portfolio. They distribute responsibilities and roles with respect to measuring and reporting portfolio risk and profitability in the portfolio 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 the 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 processing 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. 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)

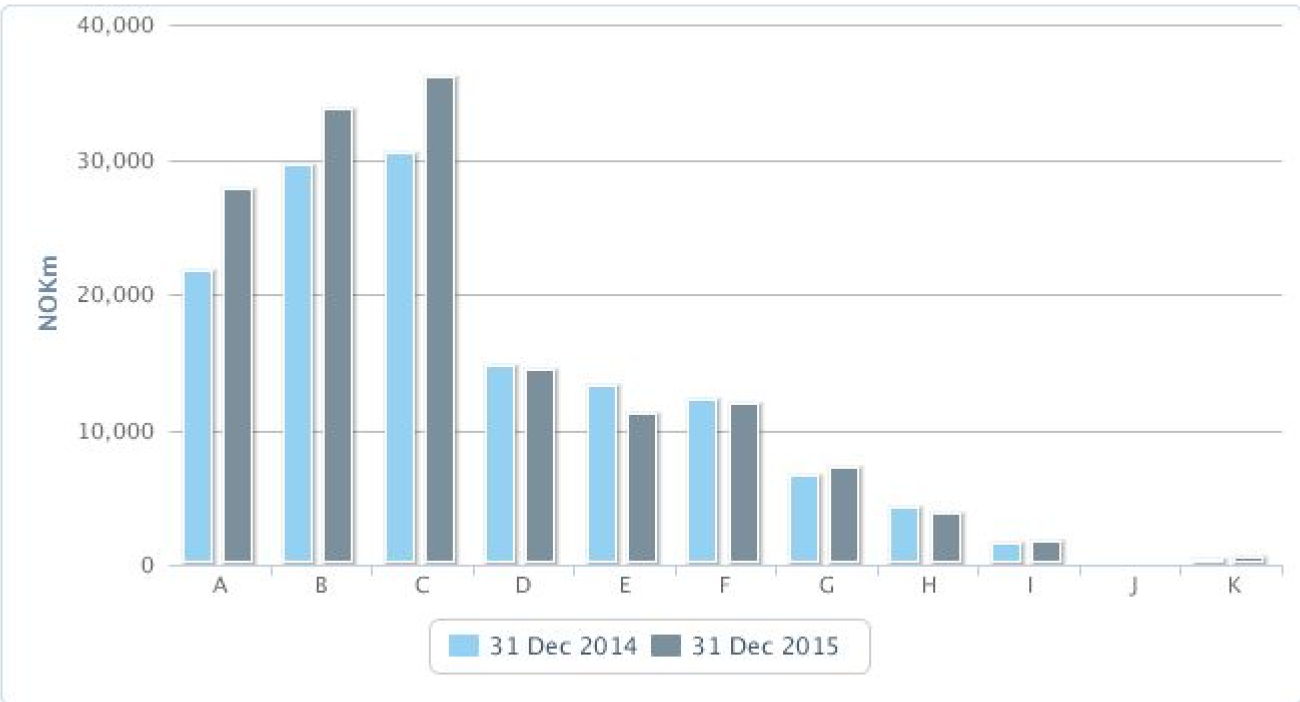
The bank's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position along with internal and external behavioural data. The models are based partly on point-in-time ratings, and reflect the probability of default over 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 borrowers 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.

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 derivatives 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 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 add-on 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 incurring 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 department is responsible for the group’s funding and liquidity management. Compliance with limits is monitored by the risk management department which reports to the board of directors monthly. The group manages its liquidity on an overall basis since the finance department is responsible for funding both the bank and the subsidiaries.

Liquidity management is based in the group’s overall liquidity strategy which reflects the group’s moderate risk profile. As part of the strategy, preparedness plans have been drawn up to handle the liquidity situation in periods of capital market turbulence featuring both bank-specific and industry-related crisis outcomes and a combination of the two. 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 be able to survive 12 months of ordinary operations without fresh external funding.

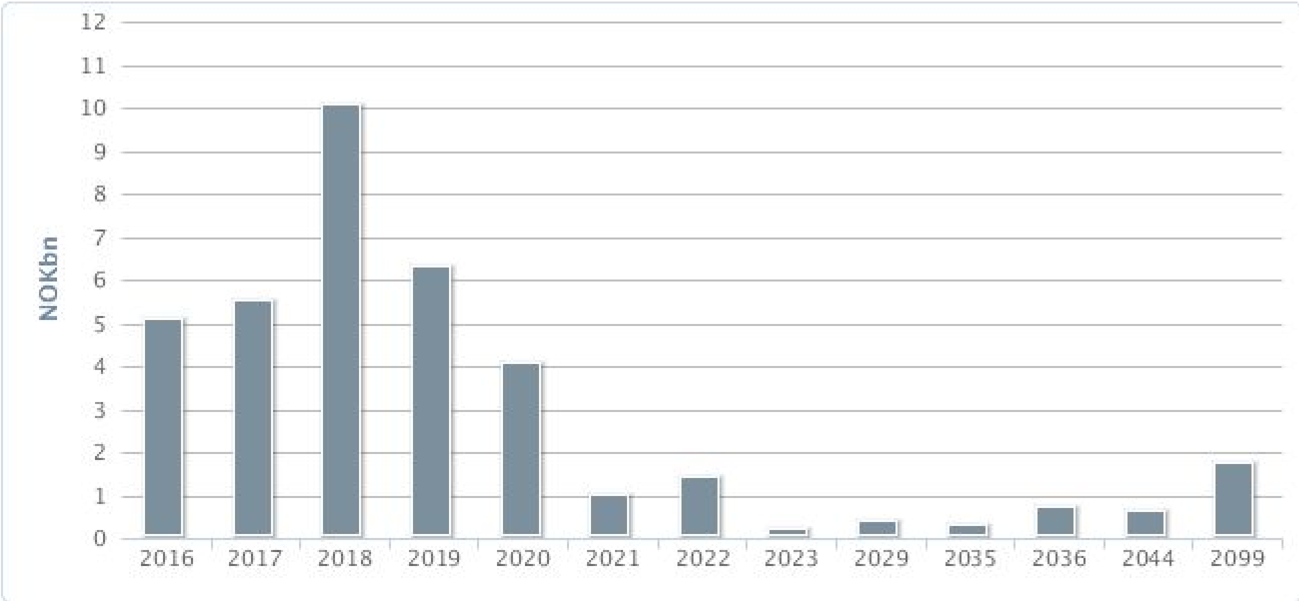
The bank’s most important source of finance is customer deposits. The bank mitigates its liquidity risk by diversifying funding across a variety of markets, funding sources and instruments, and by use of long-term funding. Too high a concentration of maturities increases refinancing vulnerability. This 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. The bank established its own residential mortgage company in 2015, and was granted a licence by Finanstilsynet (Norway's FSA) in autumn 2015. The company is not operational, but will be a part of the bank's preparedness plan. SpareBank 1 Boligkreditt remains the bank's preferred instrument for home financing.

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 2015.

The Ministry of Finance set new quantitative requirements for banks' liquidity reserves on 25 November 2015. The LCR requirement obliges undertakings to maintain a liquidity reserve of at least 100 per cent at all times, i.e. their holdings of liquid assets shall at minimum correspond to net liquidity outflow in a given stressed period of 30 calendar days. The bank can phase in the liquidity reserve requirement as follows: 70 per cent as from 31 December 2015, 80 per cent as from 31 December 2016 and 100 per cent as from 31

December 2017.

The figure below illustrates the funding portfolio's maturity structure as from end-2015.



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 annual internal control report. In addition the board of directors receives each year from the internal auditor an independent assessment of the group's risk position 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.

A broad-based insurance programme is in place that will 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 2015 operational loss events were recorded involving a total loss of about NOK 2.8m.

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.

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:

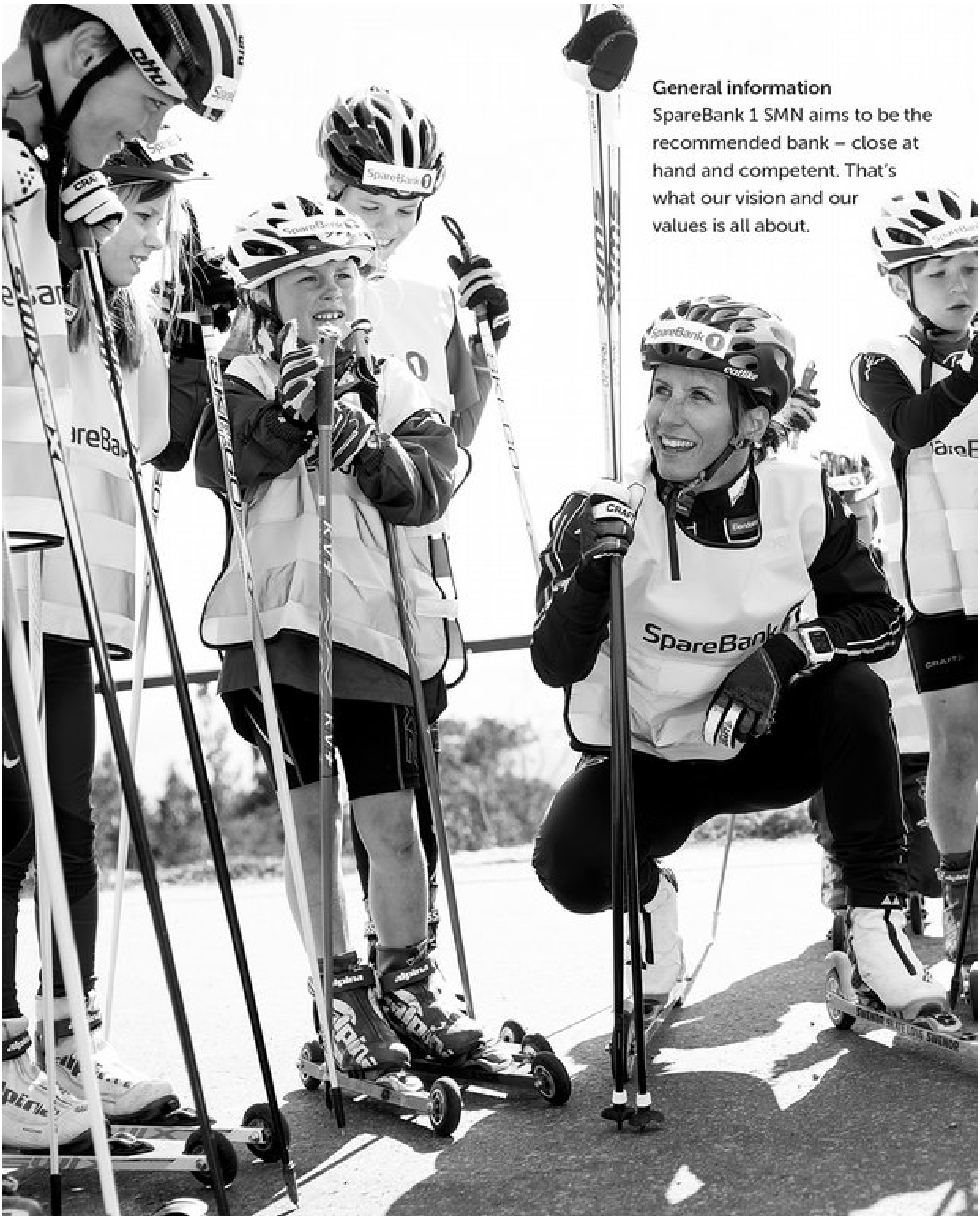
- be risk-driven and include all significant types of risk within the group
- be an integral part of the business strategy, management process and decision-making structure
- be forward-looking and include stress testing
- be based on recognised and appropriate risk measurement methods and procedures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

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.

See also the bank's Pillar III reporting, available at smn.no for further information on SpareBank 1 SMN's risk and capital management.

Financial results



Report of the Board of Directors

Macroeconomic conditions

International

Moderate growth was seen in the world economy in 2015, and good growth in domestic demand in the industrialised countries. In the euro area the growth is driven by an improvement in the labour market, increased growth in real wages and continued expansionary economic policies. The US saw a strong trend in private consumption. The Federal Reserve has started to raise its base rate and has signalled a further increase in the interest rate level ahead. In Sweden too, growth has been driven by strong domestic demand, while low global demand for investment goods has dampened exports. The export sector in several countries has been burdened by weaker demand from emerging economies.

China accounts for a large portion of the global growth, but shows a subdued rate of growth compared with previously. Growth has subsided in manufacturing production and investments in particular. China's adjustment to a more consumer-driven economy has contributed to lower demand for commodities, which above all has hit commodity exporters.

Growth in the world economy is expected to pick up gradually. But uncertainty about the future, especially as regards developments in China, is substantial.

Norway

The oil price fell sharply in the second half of 2014. After a slight increase at the start of 2015 the oil price continued to fall and stood at USD 36 per barrel at the end of 2015. Market interest rates fell, and the Norwegian krone depreciated. The key policy interest rate was lowered from 1.25 to 0.75 per cent over the course of 2015.

GDP growth in Mainland (non-oil) Norway was 1.0 per cent in 2015, down from 2.3 per cent in 2014. The halving of growth in the Norwegian economy is mainly attributable to falling demand from the petroleum sector. A bifurcation was seen in the Norwegian economy, both regionally and nationally, with the oil-related sector on the one side and the remainder of the country's economy performing quite well on the other.

Growth in house prices slowed throughout the year, and twelve-month growth in December 2015 for the country as a whole was five per cent. However, there are wide regional differences in the price trend and in some regions house prices fell in 2015. A weak trend in the Norwegian economy and rising unemployment may contribute to lower growth in house prices ahead, whereas low interest rates may pull in the opposite direction. Unemployment rose over the year, in particular in South and West Norway. Debt growth was fairly stable over the year. Households' debt burden is high. This creates vulnerability which may intensify the effects of a weaker economic trend in Norway through a sudden shift household demand for goods and services.

Norges Bank's Regional Network reported in autumn 2015 that were signs that the effects of the oil price fall and the decline in oil investment were spreading to sectors where growth has so far been maintained. At the same time consumer confidence has continued to fall, and there are prospects of slightly weaker growth in private consumption. The outlook for the Norwegian economy in 2016 is accordingly weaker than witnessed in recent years. Increased activity among our trading partners, expansionary monetary policy and a relatively weak Norwegian krone could however dampen the effects of the oil price fall.

Trøndelag and Nordvestlandet

The number of bankruptcies in Sør-Trøndelag declined from 232 to 221 from 2014 to 2015, while the figure for Nord-Trøndelag of 95 showed no change. Møre og Romsdal showed an increase from 204 to 219 from 2014 to 2015. House price growth in the region slowed through 2015, and twelve-month growth in December 2015 was, respectively, 3.8 per cent, 0.1 per cent and 2.9 per cent in Sør-Trøndelag, Nord-Trøndelag and Møre og Romsdal. Unemployment in the Group’s market areas as a whole showed no significant increase.

With falling oil investments and a more cooled-down housing market, a brake on activity can be expected in SpareBank 1 SMN’s catchment area. However, there are wide differences in industry structure in the region. Greatest uncertainty and risk attaches to developments in Møre og Romsdal, much of whose employment is in petroleum-related industries. The supplier industry is substantial, but much of the activity in the county is also export-oriented. County-wise forecasts prepared by Menon for SpareBank 1 SMN’s economic barometer show that both Trøndelag counties will manage fairly well through 2016 with moderate GDP growth, whereas for Møre og Romsdal the forecast shows zero growth and danger of negative growth.

Annual accounts 2015

Consolidated figures. Figures in parentheses refer to the same period of 2014 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 1,406m after tax

- Profit before tax: NOK 1,776m (2,143m)
- Net profit: NOK 1,406 m (1,782m)
- Return on equity: 10.7 per cent (15.1 per cent)
- CET1 ratio: 13.6 per cent (11.2 per cent)
- Growth in lending 5.8 per cent (7.3 per cent) and deposits 5.6 per cent (8.5 per cent)
- Loan losses: NOK 169m (89m), of which NOK 82m (0m) refers to increased collectively assessed write-downs
- Earnings per equity certificate (EC): NOK 7.02 (8.82). Book value per EC: NOK 67.65 (62.04), incl. recommended dividend for 2015
- Recommended dividend: NOK 2.25 per EC; allocation as gifts to non-profit causes: NOK 40m

Highlights

- Good profit performance from core business
- Profit NOK 376m lower than in the same period of 2014 due to capital losses on the bond portfolio in 2015 and high capital gains on the sale of Nets in 2014
- Low loan losses. Collectively assessed loss write-downs up by NOK 82m
- Low cost growth in line with plan
- Substantially strengthened CET1 capital
- Good growth in lending and deposits

In 2015 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,776m (2,143m), a net profit of NOK 1,406m (1,782m) and a return on equity of 10.7 per cent (15.1 per cent).

Overall operating income came to NOK 3,147m in 2015 (3,302m), an increase of NOK 115m.

Return on financial assets was NOK 459m (720m), of which the profit share on owner interests in associates was NOK 448m (527m).

Operating expenses came to NOK 1,931m (1,789m) in 2015. A substantial portion of the cost growth is a consequence of the consolidation of SpareBank 1 Markets as a subsidiary as from the second quarter of 2015. Costs in 2014 include NOK 30m set aside at the parent bank for reorganisation. SpareBank 1 SMN has set a goal of zero growth for the parent bank's operating expenses. Adjusted for the cost of reorganisation and the effect of SpareBank 1 Markets, cost growth at the parent bank was 1.6%.

Net losses on loans and guarantees were NOK 169m (89m), of which NOK 82m (0m) refers to collectively assessed write-downs.

SpareBank 1 SMN achieved a lending growth of 5.8 per cent (7.3 per cent) and a deposit growth of 5.6 per cent (8.5 per cent) in 2015.

CET1 capital adequacy at 31 December 2015 was 13.6 per cent (11.2 per cent).

In recent years considerable work has been put into attaining the targets in the Group's capital plan. In December 2015 the Board of Directors adopted a new CET1 target of 14.5 per cent, to be met by 31 December 2016. At 31 December 2015 the Group had a CET1 ratio of 13.6 per cent. The capital plan is further described in the section on financial position.

At year-end the Bank's EC was priced at NOK 50.50 (58.50). A cash dividend of NOK 2.25 per EC was paid in 2015 for the year 2014.

Earnings per EC were NOK 7.02 (8.82). Book value was NOK 67.65 (62.04) 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, associates and joint ventures.

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

Difference between Group - Parent Bank (NOK million)	**2015**
Profit for the year, Group	**1,406**
Profit, subsidiaries	-58
Dividend, subsidiaries	103
Profit from associated companies	-448
Dividend from associated companies	351
Elimination subsidiaries and associated companies	117
Profit for the year, Parent Bank	**1,471**

Distribution of profit (NOK million)	**2015**
Profit for the year, Parent Bank	1,471
Transferred to/from revaluation reserve	-66
Profit for distribution	**1,405**
Dividends	292
Equalisation fund	616
Saving Bank's fund	457
Gifts	40
Total distributed	**1,405**

Annual profit for distribution reflects changes of minus NOK 66m in the revaluation reserve, leaving the total amount for distribution at NOK 1,405m.

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

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.25 per EC, altogether totalling NOK 292m. This represents a payout of 32 per cent of the Group profit to the EC holders. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m as gifts to non-profit causes, representing a payout ratio of 8 per cent. NOK 616m and NOK 457m are added to the dividend equalisation fund and the ownerless capital respectively. The Board of Directors opts to dispense with the principle of equal payout between EC capital and ownerless capital in order to strengthen the financial position and in view of the fact that the price of the bank's EC is below the EC's book value. The proposed distribution reflects the need to increase the bank's CET1 capital. Increasing the payout ratio to the EC holders to 32 per cent (25 per cent) is in keeping with the capital plan.

After distribution of the profit for 2015, the EC-holder ratio (EC holders' share of total equity) is 64.0 per cent.

Strengthened net interest income

Net interest income strengthened compared with 2014, reaching NOK 1,872m (1,790m). The change compared with 2014 is ascribable to:

- Increased lending to, and deposits from, retail and corporate customers alike contributed to higher net interest income
- Reduced margins on home loan mortgages as a result of general interest rate reductions and other price pressures reduced the contribution from lending.
- Reprising of deposits, for both retail and corporate customers, largely compensates for the income shortfall resulting from lower margins on mortgages.

Net interest income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recorded as commission income. Commissions on loans sold to these two entities in 2015 totalled NOK 334m (427m).

Over the course of 2014 and 2015 five general interest rate reductions were carried out on loans to retail borrowers to adjust the mortgage rate to a falling interest rate level. Deposit rates to retail and corporate customers were also reduced over the same period.

Increased commission income

Commission income and other operating income totalled NOK 1,545m (1,512m) in 2015, an increase of NOK 33m or 2 per cent.

Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt fell by NOK 93m due to reduced margins on retail lending. A uniformly positive trend is noted in other commission income, and overall growth came to NOK 126m or 11.7 per cent. The income increase of NOK 49m from Markets is a consequence of the consolidation of SpareBank 1 Markets.

Commission income (NOK million)	**2015**	**2014**	**Change**
Payment transfers	188	188	-1
Credit card	56	50	6
Saving products	61	48	13
Insurance	156	138	18
Guarantee commission	72	57	15
Real estate agency	332	315	17
Accountancy services	183	172	10
Markets	64	14	49
Active management	21	20	1
Rent	50	45	5
Other commissions	28	36	-7
Commissions ex SB1 Boligkreditt og SB1 Næringskreditt	**1,211**	**1,084**	**126**
Commissions SB1 Boligkreditt	326	417	-91
Commissions SB1 Næringskreditt	8	10	-2
Total commissions	**1,545**	**1,512**	**34**

Financial investments

Overall return on financial investments (excluding the bank's share of the profit of associates and joint ventures) was NOK 11m (193m) in 2015. Overall return breaks down as follows:

- Return on the Group's equity portfolios: NOK 62m (202m)
- Net capital loss on bonds and derivatives: NOK 90m (66m). This is largely ascribable to increased credit margins on the liquidity portfolio
- Effect of changed valuation model for fixed rate loans: minus NOK 64m (0m)
- Income on forex and fixed income business: NOK 102m (57m).

Capital gains/dividends, shares (NOK million)	**2015**	**2014**	**Change**
Capital gains/dividends, shares	62	202	-139
Bonds and derivatives	-90	-66	-24
Change in discount factor in fair value model for fixed interest loans	-64	-	-64
SpareBank 1 SMN Markets	102	57	45
Net return on financial investments	**11**	**193**	**-182**
SpareBank 1 Gruppen	251	358	-107
SpareBank 1 Boligkreditt	80	38	42
SpareBank 1 Næringskreditt	30	41	-11
SpareBank 1 Kredittkort	21	2	18
BN Bank	41	93	-51
Companies owned by SpareBank 1 SMN Invest	27	31	-3
Other companies	-2	-34	32
Income from investment in associates and joint ventures	**448**	**527**	**-80**
Total	**458**	**720**	**-262**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2015 was NOK 1,287m (1,849m). The insurance business was the main contributor to the profit performance, but the other product companies also showed satisfactory profit growth. SpareBank 1 Gruppen's profit was lower than in 2014 due to that year's excellent results after recognition of run-off gains in the insurance business. SpareBank 1 SMN's share of the profit for 2015 was NOK 251m (358m).

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs. As of 31 December 2015 the bank had sold loans worth a total of NOK 31.9bn (28.3bn) to SpareBank 1 Boligkreditt, corresponding to 39.6 per cent (38.3 per cent) of overall lending to the retail segment.

The bank's stake in SpareBank 1 Boligkreditt in 2015 was 17.7 per cent, and the Group's share of that company's profit in 2015 was NOK 80m (38m). The parent bank's stake reflects the bank's relative share of home mortgage loans sold. The new stake as of 31 December 2015 is 19.0 per cent.

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 2015, loans worth NOK 1.5bn (1.5bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN owns 33.6 per cent of the company, and the Group's share of the company's profit in 2015 was NOK 30m (41m). The parent bank's stake reflects the bank's relative share of commercial property loans sold and its stake in BN Bank. 79.9 per cent of the loans residing in SpareBank 1 Næringskreditt have been transferred from BN Bank.

BN Bank

SpareBank 1 SMN had a 33.0 per cent stake in BN Bank as of 31 December 2015.

The Board of Directors of BN Bank resolved in 2015 to cultivate the bank as a retail bank and to wind down the corporate business consisting of lending to commercial property. The backcloth to the resolution is capital adequacy rules specific to Norway under which return on equity on this activity is low. This reason is that BN Bank's competitors in this low risk segment were largely foreign actors who set their prices under a more liberal regulatory regime and less stringent requirements on core capital. There is no prospect of any change in Norway's capital adequacy regime.

BN Bank's new strategy is to cultivate a retail market business and to be a bank for customers who prefer a self-service concept and hence favourable borrowing rates over time.

SpareBank 1 SMN's share of the profit of BN Bank in 2015 was NOK 41m (93m), yielding a return on equity of 3.5 per cent. The profit reflects one-time effects related to the scaling back of the corporate portfolio and increased credit margins on the liquidity portfolio.

The bank has in recent years built up a substantial retail market business with satisfactory profits. The Board of Directors of BN Bank sees a major development potential in this business, and will channel all efforts to the retail market. The bank aspires to increased growth and increased profitability.

BN Bank will remain a part of the SpareBank 1 Alliance. SpareBank 1 SMN will maintain its owner stake in BN Bank and will play its part in ensuring that the business change is carried through in a manner that safeguards creditors' interests.

The process of winding down the corporate banking business will be carried out in a controlled manner over time. For SpareBank 1 SMN this will in isolation reduce consolidated risk weighted assets, thereby improving capital adequacy. Of SpareBank 1 SMN's risk weighted balance sheet assets of NOK 89.5bn, about NOK 7.5bn relates to corporate exposures at BN Bank along with BN Bank's exposures sold to SpareBank 1 Næringskreditt. For SpareBank 1 SMN this amounts to about 1.1 percentage points of CET1 capital adequacy once the scaling back is completed. The process of winding down the corporate portfolio is well under way, and in the period September to December 2015 the portfolio was reduced by NOK 5.5bn or 17 per cent. The board of directors of BN Bank aims to have wound down 50 per cent of the corporate banking business by 31 December 2016.

SpareBank 1 Kredittkort

The profit for 2015 was NOK 112m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN's stake is 18.4 per cent. SpareBank 1 SMN's share of the profit for 2015 was NOK 21m with a portfolio share of NOK 792m (715m). Since the company was in ordinary operation from 1 July 2014 onwards, no comparable financial statements are available for earlier periods.

Limited cost growth

Overall costs came to NOK 1,931m (1,789m) in 2015 and Group expenses rose by NOK 142m compared with 2014. Of the increase in Group expenses, NOK 122m relates to the consolidation of SpareBank 1 Markets as a subsidiary as from the second quarter of 2015. Excluding the effect of SpareBank 1 Markets, and subtracting the reorganisation cost of NOK 30m in 2014, Group cost growth came to NOK 50m or 2.8 per cent.

The parent bank has reduced costs by NOK 18m over the past 12 months less the above-mentioned cost of reorganisation. With effect from the second quarter of 2015, SpareBank 1 SMN transferred its capital market activities to SpareBank 1 Markets. This represents a cost reduction of NOK 38m for the parent bank in 2015, and, taking this into account, parent bank costs rose by NOK 20m or 1.6 per cent compared with 2014. The reason for the increase is chiefly increased capital tax, write-down of intangible assets in SpareBank 1 Banksamarbeidet, increased sponsor costs and a get-together for staff in Berlin which in aggregate accounted for a cost increase of NOK 25m. Taking one-off costs and reorganisation costs into account, parent bank costs rose by 0.8 per cent.

Wide-ranging efficiency improvement measures were have been set in train in the parent bank, with the aim of ensuring zero growth in costs. The number of permanent FTEs was reduced by 75 to 645 in 2015 (plus an additional reduction of 32 FTEs as a result of the transfer of capital market business to SpareBank 1 Markets).

Operating expenses measured 1.50 per cent (1.52 per cent) of average total assets. The Group's cost-income ratio was 50 per cent (44 per cent).

Low losses and low defaults, higher provision for collectively assessed write-downs

Net loan losses came to NOK 169m (89m) for 2015, of which NOK 82m (0m) refers to increased provision for collectively assessed write-downs. This represents 0.14 per cent of total loans (0.08 per cent). Net losses in the fourth quarter in isolation were NOK 56m (34m) of which NOK 51m (0m) refers to increased collectively assessed write-downs.

Net losses of NOK 151m (81m) were recorded on loans to the Group's corporate customers in 2015, including an increase of NOK 82m (0m) in collectively assessed impairment write-downs.

On the retail portfolio a net loss of NOK 18m (8m) was recorded in 2015.

Total individually assessed loan impairment write-downs came to NOK 183m (172m) as of 31 December 2015.

Total problem loans (defaulted and doubtful) came to NOK 604m (486m), or 0.47 per cent (0.40 per cent) of gross loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 205m (270m), measuring 0.16 per cent (0.22 per cent) of gross lending. Of total defaults, NOK 26m (67m) are loss provisioned, corresponding to 13 per cent (25 per cent).

Defaults break down to NOK 50m (114m) on corporate customers and NOK 155m (156m) on retail customers.

Other doubtful exposures totalled NOK 399m (216m), i.e. 0.31 per cent (0.18 per cent) of gross outstanding loans. NOK 157m (105m) or 39 per cent (49 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 350m (201m) to corporate customers and NOK 49m (16m) 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).

In 2015 a basis was found for increasing collectively assessed impairment write-downs by NOK 82m. The reason was an increased likelihood of loss in oil-related activity owing to a more challenging market situation. The aggregate volume of such write-downs is now NOK 376m (295m), representing 0.30 per cent (0.24 per cent) of total lending. Collectively assessed impairment write-downs break down to NOK 96m on retail customers and NOK 281m on corporate customers.

Total assets of NOK 132bn

The Group's assets totalled NOK 132bn (126bn) at 31 December 2015, having risen by NOK 6bn or 4.7 per cent over the year. The rise in total assets is a consequence of increased lending and larger liquidity reserves.

As of 31 December 2015 loans worth a total of 33bn (30bn) 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 sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Good growth in lending to retail segment, reduced growth in lending to corporates

Total outstanding loans rose by NOK 6.9bn (8.1bn) or 5.8 per cent (7.3 per cent) in 2015 to reach NOK 127.4bn (120.4bn) as of 31 December 2015.

Lending to retail customers rose in 2015 by NOK 6.6bn (5.5bn) or 9.0 per cent (8.0 per cent) to reach NOK 80.7bn (74.1bn).

Growth in lending to corporates in 2015 was NOK 0.3bn (2.7bn) or 0.7 per cent (6.1 per cent). Overall loans to corporates totalled NOK 46.7bn (46.3bn) as of 31 December 2015. Loans to retail customers accounted for 63 per cent (62 per cent) of ordinary loans to customers at the end of 2015.

(For distribution by sector, see Note 8).

Deposits

Customer deposits rose in 2015 by NOK 3.4bn (4.8bn) to reach NOK 64.1bn (60.7m) at 31 December 2015. This represents a growth of 5.6 per cent (8.5 per cent).

Retail customer deposits rose by NOK 1.8bn (2.6bn) or 6.9 per cent (10.9 per cent) to reach NOK 28.3bn, while deposits from corporates rose by NOK 1.6bn (2.1bn) or 4.6 per cent (6.7 per cent) to NOK 35.8bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 68 per cent as of 31 December 2015 (67 per cent).

(For distribution by sector, see Note 35).

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 6.6bn (6.2bn) at 31 December 2015. Compared with the previous year, values on equity funds are reduced, while active management has increased substantially.

Saving products, customer portfolio (NOK million)	**2015**	**2014**	**Change**
Equity funds	3,680	4,002	-322
Pension products	683	597	86
Active management	2,197	1,611	586
Total	**6,560**	**6,210**	**350**

Insurance

The Group's insurance portfolio showed growth of 5.6 per cent in the last 12 months. Non-life insurance delivered 2.5 per cent growth, personal insurance 9.8 per cent while growth in the occupational pensions portfolio came to 12.1 per cent.

Insurance, premium volume (NOK million)	**2015**	**2014**	**Change**
Non-life insurance	724	706	18
Personal insurance	269	245	24
Occupational pensions	195	174	21
Total	**1,188**	**1,125**	**63**

Retail Banking

Operating income for 2015 was at about the same level as in 2014, totalling in aggregate NOK 1,663m with net interest income at NOK 948m and commission income at NOK 715m. Return on capital employed in the private banking segment was 15.8 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 2015 was 2.07 per cent (2.39 per cent), while the deposit margin was -0.14 per cent (-0.42 per cent) measured against three-month NIBOR. Average three-month NIBOR was reduced by about 30 basis points over the course of 2015.

In the last 12 months, lending to retail customers rose by 8.4 per cent and deposits from the same segment by 6.2 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 Group's home mortgage loan portfolio. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory the market area as a whole.

Corporate Banking

Operating income totalled NOK 1,164m in 2015, having increased by 6% from 2014. Net interest income was NOK 971m, while other income totalled NOK 193m.

Return on capital employed for the corporate banking segment was 12.4 per cent for 2105. 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 2106.

The lending margin was 2.68 per cent (2.90 per cent) and the deposit margin was -0.29 per cent (-0.55 per cent) in 2015.

Growth in loans and deposits respectively in 2015 was 0.9 per cent and 6.9 per cent in the last 12 months.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 130.7m (124.6m) in 2015. The results are from the companies' financial statements.

Pre-tax profit (NOK million)	**2015**	**2014**	**Change**
EiendomsMegler 1 Midt-Norge	47.0	50.9	-3.9
SpareBank 1 Finans Midt-Norge	83.1	67.9	15.1
SpareBank 1 Regnskapshuset SMN	34.8	40.5	-5.7
Allegro Kapitalforvaltning	1.4	2.6	-1.2
SpareBank 1 SMN Invest	38.6	1.7	36.9
SpareBank 1 Markets (from second quarter 2015)	-84.1	-	-84.1
Other companies	9.8	-39.0	48.8
Total	**130.7**	**124.6**	**6.1**

Eiendomsmegler 1 Midt-Norge leads the field in Trøndelag and in Møre og Romsdal with a market share of 40 per cent, and in Trondheim about 50 per cent. The company's pre-tax profit of NOK 47.0m (50.9m) for 2015 is satisfactory. A total of 6,615 dwelling units were sold in 2015 compared with 6,381 in 2014.

SpareBank 1 Finans Midt-Norge posted a pre-tax profit of NOK 83.1m (67.9m) in 2015, and shows positive profit growth due to increased incomes both from car loans and leasing. At year-end the company managed leases and car loan agreements worth a total of NOK 4.3bn of which leases accounted for NOK 2.1bn and car loans for NOK 2.2bn. In the first half-year the SpareBank 1 banks in Møre og Romsdal held a 9.1 per cent stake in SpareBank 1 Finans Midt-Norge. The other SamSpar banks became co-owners in June 2015. The SamSpar banks now hold a stake of 27.9 per cent in SpareBank 1 Finans Midt-Norge. This brings a substantial increase in the company's distributive power.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 34.8m (40.5m) in 2015. The 2014 profit contains gains on share disposals, such that the underlying profit growth is positive.

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. The company caters to the SMB segment with its modern distribution model and a broad range of services.

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 pre-tax profit of NOK 1.4m in 2015 (2.6m). The company manages a portfolio of NOK 5.4bn including management of the bank's pension fund worth NOK 0.7bn.

SpareBank 1 SMN Invest's purpose is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 38.6m in 2015 (1.7m). This figure is a consequence of value changes and realisation of losses or gains on the company's overall shareholding and accounts for NOK 11.5m of the profit. The company held owner interests in the property companies Grilstad Marina and Hommelvik Sjøside in 2015 which delivered a profit share of NOK 27.1m.

SpareBank 1 Markets is a subsidiary of SpareBank 1 SMN with effect from the second quarter of 2015, and was consolidated into the Group accounts on a par with the other subsidiaries as of 1 April 2015. SpareBank 1 SMN's capital market activities at the parent bank were transferred to SpareBank 1 Markets as part of the transaction. SpareBank 1 SMN's stake is 73.4 per cent. SpareBank 1 Markets has its head office in Oslo and divisions in Trondheim and Ålesund. It has 109 employees.

SpareBank 1 Markets AS is an investment firm offering a complete range of products. The company aspires to be a profitable capital market operation which in collaboration with its owner banks can deliver all capital market services. Both customer trading and own account trading are carried out in fixed income and forex instruments, bonds, equities and equity derivatives. Advisory services and facilitating internal and external equity finance for clients are also important product areas.

The company's post-tax profit in 2015 was minus NOK 102m (including the result for the first quarter). The substantial deficit in 2015 is mainly due to a capital loss of NOK 76m related to increased credit margins on the bond portfolio. After profitability-enhancing measures taken in 2015, SpareBank 1 Markets strengthened its customer base and the basis for earnings on both customer trading and own account trading. The company's income from underlying operations improved over the course of 2015.

The company is the leading capital market operation in SpareBank 1 SMN's market area. SpareBank 1 Markets' main focus is on clients where the company itself holds a strong competitive position alone or in collaboration with its owner banks.

Other companies show an overall profit of NOK 9.8m (deficit of 39.0m). These are mainly property companies that lease premises to SpareBank 1 SMN and other tenants.

mCASH

The SpareBank 1 banks announced on 15 October the acquisition of the Norwegian arm of mCASH, thereby acquiring 100,000 users, more than 600 retailers and technological platform. The intention is to strengthen the bank's position as regards new mobile interfaces such as friend-to-friend payments and mobile payments in stores and on the Internet in addition to simplify payment solutions for clubs and associations. With this acquisition SpareBank1 banks are well positioned to meet the digitalisation and change in customer behavior.

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 21bn 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 86 per cent (87 per cent). The supply of funding in the market is satisfactory. However, the marginal cost of senior funding in the market was on the rise towards year-end.

SpareBank 1 Boligkreditt is the bank's chief source of funding, and as of 31 December 2015 loans totalling NOK 32bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A1 (outlook stable) with Moody's and a rating of A- (outlook stable) with Fitch Ratings. The bank was upgraded by Moody's in May 2015, as were a number of other Norwegian banks.

Financial position

The CET1 capital ratio was 13.6 per cent (11.2 per cent) at 31 December 2015. In 2015 the CET1 ratio rose by 2.4 percentage points.

Key reasons for improvements in 2015:

- Introduction of the advanced IRB approach
- Retention of profit for 2015
- An unrealised gain at Visa Norge FLI as a result of the sale of Visa Europa to Visa Inc. (See note 2)
- Actuarial gains in the calculation of pensions
- Wind-down of BN Bank's corporate portfolio

On the other hand the CET1 ratio is weakened by growth in risk weighted assets related to the transitional rules in the capital requirements regulations (the 'floor').

The regulatory requirement on CET1 capital as of 31 December 2015 was 11.0 per cent, including combined buffer requirements. The requirement will increase to 11.5 per cent as from 30 June 2016 due to the foreshadowed increase of the countercyclical buffer to 1.5 per cent.

The Board of Directors of SpareBank 1 SMN reviews the capital situation and future capital requirements on an ongoing basis.

SpareBank 1 SMN is engaged in a regular dialogue with Finanstilsynet (Norway's FSA) regarding its capital level. Finanstilsynet has communicated to the bank a capital expectation of 14.5 per cent CET1 capital by 31 December 2016. This was considered by the Board of Directors in December and a new target of minimum 14.5 per cent by 31 December 2016 was set. Finanstilsynet will establish individual Pillar 2 add-ons for SpareBank 1 SMN when implementing the SREP (Supervisory Review and Evaluation Process) in 2016.

The assumption and expectation of SpareBank 1 SMN's Board of Directors is that implementing the bank's capital plan will ensure that the bank attains the capital requirements expected of it by the market and set by the authorities without carrying out a stock issue.

The Board is accordingly planning for a CET1 capital ratio of 13.5 per cent by 30 June 2016 (including a countercyclical buffer of 1.5 per cent) and a further increase to at least 14.5 per cent by end-2016.

As of 31 December 2015 BN Bank's commercial property portfolio accounts for about NOK 7.5bn of SpareBank 1 SMN's risk weighted assets. Further winding down this portfolio will boost SMN's CET1 ratio by about 1.1 percentage point. As of 31 December 2015 SpareBank 1 SMN's share of BN Bank's risk weighted assets had been reduced by NOK 1.5bn in the period since August 2015.

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, with priority given to lending to households

The bank's equity certificate (MING)

The book value of the bank's EC as of 31 December 2015 including a recommended dividend of NOK 2.25 was NOK 67.65 (62.04), and earnings per EC were NOK 7.02 (8.82).

The Price / Income ratio was 7.19 (6.63), and the Price / Book ratio was 0.74 (0.94).

At year-end the EC was priced at NOK 50.50, and dividend of NOK 2.25 per EC was paid in 2015 for the year 2014.

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

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

See also the chapter Corporate Governance.

Risk factors

The credit quality of the Group's loan portfolio is satisfactory, loss and default levels are low, and there are no concentrations in defaulted or problem exposures.

The Group anticipates a falling GDP growth rate as a result of reduced oil investment. A weaker Norwegian krone has had a beneficial effect on Norwegian export industry, and will partially offset some of these effects. The Group expects low growth in lending to mid-Norwegian business and industry ahead due to a limited level of investment.

Real wage growth will be low but, assuming persistent low interest rates, the Group considers that the risk of loss in the bank's retail market portfolio will be low. The main uncertainty is unemployment. The bank expects a slight increase in unemployment, but that unemployment will be relatively moderate in the bank's market areas as a whole.

Credit demand from Norwegian households has declined somewhat, but remains higher than wage growth and will to a large extent be affected by the trend in house prices. The Group expects losses on home mortgage loans to remain low. Should house prices stagnate, or fall, there will be a risk of a higher household saving rate, bringing reduced sales for parts of Norwegian business and industry.

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

Corporate social responsibility

SpareBank 1 SMN wishes to contribute to society's value creation by assuring profitable and sound banking, prudent capital allocation and sustainable management of inputs. Healthy growth provides the 'lift' that enables the Group to attract good customers and skilled staff and to contribute to the further development of the region of which the Group is a part.

SpareBank 1 SMN 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 the Group's 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 are 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 2015 all the bank's advisers that provide personal guidance regarding customers' financial assets, and advisers that sell and provide advice on non-life insurance, were approved under the Authorisation Scheme. New staff members or advisers who intend to provide advisory services undergo authorisation and/or learning trajectories under the Authorisation Scheme. Eighteen advisers became authorised under the Authorisation Scheme for financial advisers in the course of 2015. Eighteen advisers gained authorisation under the Authorisation Scheme for sellers and advisers in non-life insurance.

Attractive employer

Vacancy announcements and the Group's company presentations have attracted much interest, and recruitment agencies report unequivocally that the Group has a positive reputation in the labour market. The Group 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 Group 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 2015.

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.

Planned reduction of FTEs at the parent bank

Wide-ranging efficiency improvement measures have been set in train at the parent bank in order to strengthen competitive power. The aim is zero growth in costs. The number of permanent FTEs at the parent bank was reduced by 75 to 645 in 2015, of which 29 were new retirees. Plans have been made for a further reduction to 600 FTEs in the course of 2016.

Sickness absence

Overall rate of sickness absence was 4.2 per cent in 2015 compared with 3.2 per cent in 2014. The Group 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 surveys

Initiatives aimed at the individual

- 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	2015	2014
No. of FTEs 31 Dec	645	753
No. of staff 31 Dec	689	789
Share of female managers	36.0 %	32.0 %
New staff	10	53
Average age	46 yrs	46 yrs
Sickness absence rate	4.2 %	3.2 %

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's aim is that its workforce should reflect the population structure in the region.

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 22 Personnel expenses and emoluments to senior employees and elected officers.

Prospects

The directors are satisfied with the performance for 2015. This is despite the decline in profit from 2014 which is mainly due to substantial extraordinary revenues in 2014. The Group achieved good growth in a highly competitive retail market and strengthened its market position. Reduced loan demand from the corporate segment in combination with a stronger focus on risk has enabled the bank to reduce lending growth in keeping with the assumptions of the capital plan. Subsidiaries and associates are on satisfactory trend at the start of 2016.

The economic climate at the start of 2016 is marked by a low oil price and challenging market conditions for oil-price-dependent manufacturing. At the end of 2015 the problems in the oil/offshore segment have however not brought signs of increased non-performance in the Group's loan portfolios. Unemployment in the Group's market areas as a whole has not risen significantly. Continued low oil prices mean that uncertainty regarding the Group's exposure to oil-related activity in Sunnmøre in particular is greater at the start of 2016 than one year ago. Defaults are at a very low level, which is the main explanation for very low individually assessed impairment write-downs. The uncertainty caused the bank to increase its collectively assessed impairment write-downs in the second half-year by NOK 80m earmarked for this sector.

The target of a CET1 ratio of 13.5 per cent by 30 June 2016 was attained as of 31 December 2015. The Board of Directors has adopted a new target of 14.5 per cent to be attained by 31 December 2016. The Board assumes and expects the target to be met with the instruments in the bank's capital plan. Chief among these are good current earnings, reduced growth in the corporate segment in particular, along with the wind-down of the loan portfolio at BN Bank. The bank has the space for action needed to meet government requirements without carrying out a stock issue. The board anticipates a gradual increase in dividends ahead.

The banks adaption to changed customer behavior is a prioritised task. The bank has therefore started a number of initiatives in the areas of digitalisation, distribution and work processes. This will increase the efficiency of banking operations and improve the customer experiences.

Even with weakened outlook for the Norwegian economy, the Board of Directors expects 2016 to be another year of satisfactory earnings for SpareBank 1 SMN.

Trondheim, 7 March 2016

The Board of Directors of SpareBank 1 SMN

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

Income statement

Parent bank 2014	Parent bank 2015	(NOK million)	Notes	Group 2015	Group 2014
4,223	3,865	Interest income	*4,19*	4,031	4,265
2,578	2,161	Interest expenses	*4,19*	2,159	2,475
1,644	**1,703**	**Net interest income**		**1,872**	**1,790**
1,031	1,005	Commission income	*4,20*	1,245	1,281
104	103	Commission expenses	*4,20*	135	113
47	220	Other operating income	*4,20*	435	344
973	**1,123**	**Commission income and other operating income**		**1,545**	**1,512**
311	471	Dividends	*21,43*	25	65
-	-	Income from investment in related companies	*21,39*	448	527
197	-125	Net return on financial instruments	*21*	-14	128
508	**346**	**Net return on financial assets and liabilities**		**459**	**720**
3,125	**3,172**	**Total income**		**3,876**	**4,021**
645	588	Staff costs	*22,23,24*	1,093	1.002
620	629	Other operating expenses	*23,33*	838	787
1,265	**1,217**	**Operating expenses**		**1,931**	**1,789**
1,860	**1,955**	**Result before losses**		**1,945**	**2,232**
83	159	Loss on loans, guarantees etc.	*11*	169	89
1,777	**1,796**	**Profit before tax**		**1,776**	**2,143**
330	325	Tax charge	*25*	370	362
-	-	Result investment held for sale, after tax		-1	0
1,447	**1,471**	**Profit for the year**		**1,406**	**1,782**
		Attributable to:			
		Equity holders of parent company		1,410	1,772
		Equity holders of non-controlling interests		-4	10
		Profit per ECC		7.00	8.87
		Diluted profit per ECC		7.02	8.82

Other comprehensive income

Parent bank				Group	
2014	**2015**	(NOK million)	Notes	**2015**	**2014**
1,447	1,471	Profit for the year		1,406	1,782
		Items that will not be reclassified to profit/loss			
-111	109	Actuarial gains and losses pensions	*24*	115	-117
29	-27	Tax		-28	31
-	-	Share of other comprehensive income of associates and joint venture		36	-9
-82	82	Total		123	-94
		Items that will be reclassified to profit/loss			
-	75	Available-for-sale financial assets	*3,31*	78	-2
-	-	Share of other comprehensive income of associates and joint venture		1	0
-	-1	Tax		-1	-
-	74	Total		78	-2
1,365	**1,627**	**Total Comprehensive income**		**1,607**	**1,685**
		Attributable to:			
		Equity holders of parent company		1,611	1,676
		Equity holders of non-controlling interests		-3	10

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

Statement of Financial Position

Parent bank				Group	
31 Dec 2014	**31 Dec 2015**	(NOKm)	Notes	**31 Dec 2015**	**31 Dec 2014**
		ASSETS			
4,676	3,270	Cash and receivables from central banks	*26*	3,270	4,676
4,364	5,883	Loans and advances to credit institutions	*7,15,26,28*	2,407	1,289
86,920	*90,129*	*Gross loans to customers before write-down*	*8,9,10,12,26,28*	*93,974*	*90,578*
-164	*-174*	*- Specified write-downs*	*8,11*	*-183*	*-172*
-278	*-358*	*- Collective write-downs*	*8,11*	*-376*	*-295*
86,478	89,596	Net loans to and receivables from customers		93,415	90,112
14,177	15,752	Fixed-income CDs and bonds	*15,26,27,29*	15,752	14,177
7,972	7,606	Financial derivatives	*14,26,27,30*	7,524	7,877
257	337	Shares, units and other equity interests	*26,27,31*	1,485	708
3,361	3,624	Investment in related companies	*39,40,41,43*	5,522	5,129
2,490	2,927	Investment in group companies	*39,41*	-	-
162	153	Property, plant and equipment	*33*	1,064	1,120
101	222	Investment held for sale	*31,39*	16	45
447	447	Goodwill	*32*	528	526
297	431	Other assets	*24,25,34*	933	389
124,619	**130,095**	**Total assets**	*13,16,17*	**131,914**	**126,047**
		LIABILITES			
9,123	8,155	Deposits from credit institutions	*7,26,28*	8,155	9,123
61,202	65,091	Deposits from and debt to customers	*26,28,35*	64,090	60,680
33,001	35,154	Debt created by issue of securities	*26,28,36*	35,154	33,001
6,252	5,366	Financial derivatives	*14,26,27,30*	5,414	6,252
846	868	Other liabilities	*24,27,37*	1,734	1,095
-	-	Investment held for sale	*39*	0	-
3,371	3,463	Subordinated debt	*26,28,38*	3,463	3,371
113,795	**118,097**	**Total liabilities**	*18*	**118,010**	**113,523**
		EQUITY CAPITAL			
2,597	2,597	Equity capital certificates	*42*	2,597	2,597
-0	-0	Own holding of ECCs	*42*	-21	-0
895	895	Premium fund		895	895
3,122	3,790	Dividend equalisation fund		3,790	3,122
292	292	Allocated to dividends		292	292
160	40	Allocated to gifts		40	160
3,619	4,105	Savings bank's reserve		4,105	3,619
139	279	Unrealised gains reserve		290	148
-	-	Other equity capital		1,597	1,620
		Non-controlling interests		318	72
10,824	**11,998**	**Total equity capital**	*5,43*	**13,904**	**12,524**
124,619	**130,095**	**Total liabilities and equity**	*16,17*	**131,914**	**126,047**

Trondheim, 7 March 2016

The Board of Directors of SpareBank 1 SMN

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

Statement of Changes in Equity

Parent Bank	Issued equity		Earned equity					
(NOK million)	**EC capital**	**Premium fund**	**Ownerless capital**	**Equalisation fund**	**Dividend**	**Gifts**	**Unrealised gains reserve**	**Total equity**
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								
Actuarial gains (losses), 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
Purchase and sale of own ECCs	-0	-	-	0	-	-	-	0
Total transactions with owners	-0	-	-	0	-227	-124	-	-351
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**10,824**
Equity capital at 1 January 2015	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**10,824**
Net profit	-	-	457	616	292	40	66	1,471
Other comprehensive income								
Available-for-sale financial assets	-	-	-	-	-	-	74	74
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	82
Other comprehensive income	-	-	29	53	-	-	74	156
Total other comprehensive income	-	-	486	669	292	40	140	1,627
Transactions with owners								
Dividend declared for 2014	-	-	-	-	-292	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-1
Total transactions with owners	-	-	-	-1	-292	-160	-	-453
Equity capital at 31 December 2015	**2,597**	**895**	**4,105**	**3,790**	**292**	**40**	**279**	**11,998**

Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOK million)	EC capital	Premium fund	Ownerless capital	Equali-sation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Non-controlling interests	Total 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										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Actuarial gains (losses), pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,686
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Purchase and 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 non-controlling interests	-	-	-	-	-	-	-	-	-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**

SpareBank 1 SMN

Group	Issued equity		Earned equity						Non-controlling interests	Total equity
	Attributable to parent company equity holders									
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity		
Equity capital at 1 January 2015	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**148**	**1,620**	**72**	**12,524**
Net profit	-	-	457	616	292	40	66	-61	-4	1,406
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	37	-	37
Available-for-sale financial assets	-	-	-	-	-	-	77	-	-	77
Actuarial gains (losses), pensions	-	-	29	53	-	-	-	4	1	87
Other comprehensive income	-	-	29	53	-	-	77	41	1	201
Total other comprehensive income	-	-	486	669	292	40	142	-20	-3	1,607
Transactions with owners										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Purchase and sale of own ECCs	-	-	-	-1	-	-	-	-	-	-1
Direct recognitions in equity	-	-	-	-	-	-	-	4	-	4
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-3	-	-3
Own ECC held by SB1 Markets*)	-21	-	-	-	-	-	-	-5	-	-25
Change in non-controlling interests	-	-	-	-	-	-	-	-	249	249
Total transactions with owners	-21	-	-	-1	-292	-160	-	-3	249	-227
Equity capital at 31 December 2015	**2,576**	**895**	**4,105**	**3,790**	**292**	**40**	**290**	**1,597**	**318**	**13,904**

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

Cash flow statement

Parent bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
1,447	1,471	Profit	1,406	1,782
40	70	Depreciations and write-downs on fixed assets	104	109
83	159	Losses on loans and guarantees	169	89
1,569	**1,700**	**Net cash increase from ordinary operations**	**1,678**	**1,980**
-3,395	224	Decrease/(increase) other receivables	-190	-3,333
3,123	-782	Increase/(decrease) short term debt	-112	3,058
-9,733	-3,277	Decrease/(increase) loans to customers	-3,472	-10,134
-362	-1,520	Decrease/(increase) loans credit institutions	-1,118	-97
4,819	3,889	Increase/(decrease) deposits to customers	3,410	4,753
2,542	-968	Increase/(decrease) debt to credit institutions	-968	2,542
2,761	-1,575	Increase/(decrease) in fixed-income CDs and bonds	-1,575	2,761
1,324	**-2,311**	**A) Net cash flow from operations**	**-2,349**	**1,529**
-32	-61	Increase in tangible fixed assets	-50	-83
-	1	Reductions in tangible fixed assets	1	-
-258	-821	Paid-up capital, associated companies	-98	-498
235	-6	Net investments in long-term shares and partnerships	-702	319
-55	**-887**	**B) Net cash flow from investments**	**-849**	**-261**
51	93	Increase/(decrease) in subordinated loan capital	93	51
0	-1	Increase/(decrease) in equity	-1	0
-227	-292	Dividend cleared	-292	-227
-124	-160	Disbursed from gift fund	-160	-124
-1,085	2,153	Increase/(decrease) in other long term loans	2,153	-1,085
-1,385	**1,792**	**C) Net cash flow from financial activites**	**1,792**	**-1,385**
-117	**-1,405**	**A) + B) + C) Net changes in cash and cash equivalents**	**-1,405**	**-117**
4.793	4,676	Cash and cash equivalents at 1 Jan	4,676	4,793
4.676	3,270	Cash and cash equivalents at end of year	3,270	4,676
-117	**-1,405**	**Net changes in cash and cash equivalents**	**-1,405**	**-117**

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 2015 were approved by the Board of Directors on 7 March 2016.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2015 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 2015.

Implemented accounting standards and other relevant rule changes in 2015

IFRIC 21 Levies

IFRIC 21 Levies clarifies that the obligating event that gives rise to a liability to pay a levy is the activity defined in the relevant legislation that triggers the payment of the levy. In addition, IFRIC 21 states that the obligation to pay a levy is recognised progressively if the obligating event occurs over time (i.e. if the activity that triggers payment of the levy in accordance with the legislation occurs over time). If an obligation to pay a levy is triggered on reaching a minimum threshold, the liability is recognised when this minimum threshold is reached. IFRIC 21 shall be implemented retrospectively.

For SpareBank1 SMN the intepretation has changed the accounting treatment for wealth tax. Wealth tax is calculated on the bank's assets at year-end and is therefore recognised in December of the accounting year. In previous years this was done monthly on an accruals basis.

Guarantee Fund levy

The levy to the Banks' Guarantee Fund is normally based on previous quarters' average guaranteed deposits and average risk weighted assets. The question of whether withdrawing from the guarantee fund arrangement will entail a refund of levy paid in excess is not regulated. In practice a pro rata charge has been made upon enrolment. This practice and consistency of treatment suggest a pro rata approach upon withdrawal. The Ministry of Finance will settle the matter by administrative decision. This has a bearing on when the levy is to be recognised in the accounts. In 2015 SpareBank 1 SMN has continued its earlier practice of accrual on a monthly basis.

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

Annual Improvements 2011-2013 Cycle

These amendments apply to annual accounts that started on 1 January 2015 or later. The Group has applied the amendments for the first time in the financial statements for 2015. The amendments cover:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies the exceptions from the scope of IFRS 3:

- The formation of joint arrangements, not only joint ventures, is outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is implemented prospectively and clarifies that the portfolio exception in IFRS 13 can not only be applied to financial assets and financial liabilities, but also to other contracts which fall under the scope of IAS 39.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (within the scope of IAS 16). The amendment, which shall be applied prospectively, clarifies that IFRS 3, and not the description of ancillary services in IAS 40, shall be used in order to determine whether a transaction constitutes a business combination or the purchase of individual assets.

New or revised accounting standards approved but not implemented in 2015

IFRS 9 Financial Instruments

IASB published the final version of IFRS 9 Financial Instruments in July 2014. IFRS 9 will replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 results in changes to classification and measurement, hedge accounting and impairment. The standard will be applicable for periods starting on or after January 1, 2018. Early adoption is permitted, but the standard has not yet been approved by EU. The standard shall be implemented retrospectively, with the exception of hedge accounting, but it is not a requirement to prepare comparative figures. The rules for hedge accounting shall mainly be implemented prospectively, with certain few exceptions.

The Group has no plans regarding early implementation of the standard, and will implement IFRS from January 1, 2018. In 2015 the Group have performed an overall assessment of the implementation effects. The preliminary assessment is based on the information available at the time, and may change as more detailed analyses or more information is made available in the future. The Group does not expect significant effects on the financial position or equity as a consequense of the implementation, except the effect of applying the standard for impairment on loans. New principles for impairment will possibly give increased losses, which will impact equity negatively. The bank will in 2016 perform a detailed assessment to be able to determine the accrual for losses more exact.

IFRS 15 Revenue from Contracts with Customers is a new converged standard for revenue recognition which replaces all existing standards and interpretations relating to revenue recognition. The standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets. The Group does not expect IFRS 15 to have a significant impact on its principles for revenue recognition. Expected implementation is January 1, 2017 at the earliest.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the statement of financial position. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. SpareBank 1 SMN is currently assessing the impact of IFRS 16 and it is not practicable to quantify the effect as at the date of the publication of these financial statements.

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 non-controlling interests' share of the Group result is presented on a separate line under profit after tax in the income statement. In the statement of changes in equity, the non-controlling interests' share is shown as a separate item.

Associated companies

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 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 profit of the associated undertaking in its income statement. Associated companies are accounted for in the Parent bank accounts by the cost method. See also note 39 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 and liabilities 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 Investments in owner interest.

Loans and loan losses

Loans are measured at amortised cost in accordance 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 fair value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the Group's view that recognising fixed interest loans at fair value provides more relevant information on carrying values.

Write-down

Amounts recorded on the Bank's statement of financial position are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date recoverable amounts on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-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.

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 are classified as potential problem loans.

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

Actual losses
Where the balance of evidence suggests that 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 equity, 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).

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

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

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

Intangible assets
Intangible assets mainly comprise goodwill in the 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 accordance with IAS 36 when circumstances so indicate.

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

Interest income and expenses

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

Commission income and expenses

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

Transactions and holdings in foreign currency

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

Hedge accounting

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

Fair value option

The Bank's fixed rate loans are recognised at fair value by 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 acccordance with IAS 12. 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.

Deferred tax asset is calculated on a tax loss carryforward. Deferred tax assets are recognised only to the extent that there is expectation of future taxable profits that enable use of the tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the Group accounts 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 statement of financial position and are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. The treatment of subordinated debt and hybrid capital in the calculation of the Group's capital adequacy is described in note 5 Capital adequacy and capital management.

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

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

Defined benefit scheme
In a defined benefit scheme the employer is obliged to pay a future pension of a specified size. The calculation of pension costs is based on a linear distribution of the pension earned against the probable accumulated liability at retirement. The costs are calculated on the basis of the pension rights accrued over the year less the return on the pension assets. The pension 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 presented as a personnel expense in the accounts. Employer's contribution is allocated on pension costs and pension liabilities.

The pension scheme is administered by a pension fund 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 the employees' collection pension savings. The Group has no further obligations regarding the labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed.

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

Early retirement pension scheme ("AFP")
The Banking and financial industry has established an agreement on an early retirement pension scheme ("AFP") for employees from age 62. The Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

The Act relating to state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 percent of pensionable income capped at 7.1 G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

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

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

Segment reporting

SpareBank 1 SMN has Retail Market and Corporate Market, 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 statement of changes in equity.

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

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

Losses on loans and guarantees

The Bank rescores its loan portfolio monthly. Customers in a 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. Impaired loans are reviewed quarterly.

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

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

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

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

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

Fair value of equity capital interests

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

Fair value of 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. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments.

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

Pensions

Net pension liability and the pension cost for the year are based on a number of estimates, including: return on pension assets, future interest and inflation rates, wage trend, turnover, the basic state pension entitlement and the general trend in the number of disability pensioners, all of which are of major significance. Estimate changes resulting from changes in the parameters mentioned will in large measure be accrued over average remaining earning period and not be immediately charged to profit in the same way as other estimate changes. The Group follows the updated guidance on pension assumptions from the Norwegian Accounting Standards Board, adjusted for company-specific factors. Parameters employed are shown in the note 24 on pensions.

Goodwill

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

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

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

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

Acquisitions

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

Non-current assets held for sale (IFRS 5)

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

Sale of loan portfolios

In the 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.

Unrealised gain at Visa Norge FLI as a result of sale of Visa Europa to Visa Inc

On 2 November 2015 an agreement was announced between Visa Europe Ltd. and Visa Inc. whereby Visa Inc. acquires all shares of Visa Europa. The transaction comprises a cash consideration of EUR 11.5 billion, convertible preference shares estimated as of the announcement date at EUR 5.0 billion, and a conditional cash consideration of up to EUR 4.7 billion, to be disbursed four years after completion of the transaction. Actual completion is subject to approval by the competition authorities of the EU and Jersey and will take place in the second quarter of 2016.

SpareBank 1 SMN is a member of the association Visa Norge FLI (“Visa Norge”), which is a shareholder of Visa Europe Ltd. If completed, the transaction will increase the book value of Visa Norge’s equity capital by a substantial margin. SpareBank 1 SMN has received information from Visa Norge giving a preliminary estimate of expected proceeds of the sale accruing to Visa Norge. The estimate is uncertain and is based on various assumptions. The principle for allocating proceeds between members of Visa Norge has yet to be finally clarified, but Visa Norge has clarified its intention to allocate the proceeds to its members, and indicated that the members’ proportion of voting rights in Visa Norge can be employed for estimation purposes.

Following completion of the transaction, Visa Norge will receive its part of the compensation for the sale of the share. Only after a resolution from the board of Visa Norge will it be possible to distribute assets to the members of the association. Such distribution can accordingly take place in the second quarter of 2016 at the earliest.

SpareBank 1 SMN has thoroughly reviewed the accounting treatment of the transaction, including assessments regarding the liquidity of the preference shares expected to be awarded, share price risk, foreign exchange risk, tax risk and implementation risk inherent in the transaction. The calculation includes no estimation of value of the conditional cash consideration which may be disbursed four years after completion of the transaction since the conditions underlying any such future disbursement are thus far not known. The owner interest in Visa Norge FLI is deemed to be a financial asset and classified in the category ‘available for sale’.

According to IAS 39.46, assets classified as available for sale shall be measured at fair value – but only if fair value can be reliably measured. SpareBank 1 SMN has recognised its share of the expected consideration as an unrealised value change. The estimate of the consideration which will be received in the second quarter of 2016 is subject to great uncertainty and may change in the period to disbursement.

SpareBank 1 SMN has recognised NOK 74.7 million as unrealised value change of Visa Norge FLI against other comprehensive income (OCI) in the fourth quarter of 2015. It is assumed that a distribution from Visa Norge to the participating banks will come under the exemption method such that the net effect on other comprehensive income net of tax in the fourth quarter of 2015 will be NOK 74.1 million.

Note 4 - Segment information

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

Group 31 Dec 15

Profit and loss account (NOK million)	**RM**	**CM**	**SB1 Markets**	**EM 1**	**SB 1 Finans MN**	**SB 1 Regnskaps-huset SMN**	**SB1 Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	907	922	-2	4	154	-0	-	-	-112	1,872
Interest from the allocated capital	41	48	-	-	-	-	-	-	-89	-
Total interest income	**948**	**971**	**-2**	**4**	**154**	**-0**	**-**	**-**	**-202**	**1,872**
Commission income and other income	715	180	56	360	33	197	-	-	5	1,545
Net return on financial investments ***)	1	13	50	-	-	-	251	41	101	458
Total income *)	**1,663**	**1,164**	**104**	**364**	**187**	**197**	**251**	**41**	**-96**	**3,876**
Total operating expenses	**779**	**353**	**188**	**317**	**97**	**162**	**-**	**-**	**35**	**1,931**
Ordinary operating profit	**884**	**810**	**-85**	**47**	**91**	**35**	**251**	**41**	**-131**	**1,945**
Loss on loans, guarantees etc.	11	151	-	-	8	-	-	-	-2	169
Result before tax including held for sale	**873**	**659**	**-85**	**47**	**83**	**35**	**251**	**41**	**-129**	**1,776**
Post-tax return on equity **)	**15.8%**	**12.4%**								**10.7%**
Balance (NOK million)										
Loans and advances to customers	84,981	37,226	-	-	4,376	-	-	-	796	127,378
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-32,061	-1,343	-	-	-	-	-	-	-	-33,404
Individual allowance for impairment on loan	-28	-146	-	-	-7	-	-	-	-2	-183
Group allowance for impairment on loan	-95	-264	-	-	-18	-	-	-	1	-376
Other assets	140	3	1,456	281	4	144	1,509	1,157	33,803	38,499
Total assets	**52,937**	**35,476**	**1,456**	**281**	**4,355**	**144**	**1,509**	**1,157**	**34,598**	**131,914**
Deposits to customers	33,534	30,367	-	-	-	-	-	-	188	64,090
Other liabilities and equity	19,402	5,108	1,456	281	4,355	144	1,509	1,157	34,410	67,824
Total liabilities and equity	**52,937**	**35,476**	**1,456**	**281**	**4,355**	**144**	**1,509**	**1,157**	**34,598**	**131,914**

Group 31 Dec 14

Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SB 1 Finans MN**	**SB 1 Regnskaps-huset SMN**	**SB1 Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	873	840	-9	5	130	6	-	-	-55	1,790
Interest from the 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 (NOK million)										
Loans and advances to customers	78,388	36,872	-	-	3,637	-	-	-	1,537	120,435
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	240	457	-	284	11	139	1,421	1,201	32,182	35,936
Total assets	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**
Deposits to customers	31,589	28,463	-	-	-	-	-	-	629	60,680
Other liabilities and equity	18,398	7,173	-	284	3,625	139	1,421	1,201	33,125	65,367
Total liabilities and equity	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**

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

**) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5 percent to be in line with the capital plan.

***) Specification of net return on financial investments including held for sale (NOK million)	**2015**	**2014**
Capital gains/dividends, shares	62	202
Bonds and derivatives	-90	-66
Change in discount factor in fair value model for fixed interest loans	-64	-
Forex and fixed income business, Markets	102	57
Net return on financial investments	**11**	**193**
SpareBank 1 Gruppen	251	358
SpareBank 1 Boligkreditt	80	38
SpareBank 1 Næringskreditt	30	41
BN Bank	41	93
SpareBank 1 Kredittkort	21	2
Companies owned by SpareBank 1 SMN Invest	27	31
Other companies	-2	-34
Income from investment in associates and joint ventures	**448**	**527**
Total net return on financial investments	**458**	**720**

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 2015 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3 per cent and countercyclical buffer is 1 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11 per cent. The countercyclical buffer is announced to increase to 1.5 per cent with effect from 30 June 2016.

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 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

SpareBank 1 SMN has reviewed the intention for the bond portfolios and on that basis reclassified certain portfolios from trading to banking in 2015. This is reflected in reduced debt risk and increased credit risk under the standardised approach.

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 2015 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.

The parent bank calculates capital charges against operational risk using the standardised approach. In the case of subsidiaries, the basic indicator approach is applied.

Parent bank			Group	
31 Dec 14	**31 Dec 15**	(NOKm)	**31 Dec 15**	**31 Dec 14**
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	Own holding of ECCs	-21	-0
895	895	Premium fund	895	895
3,122	3,790	Dividend equalisation fund	3,790	3,122
3,619	4,105	Savings bank's reserve	4,105	3,619
292	292	Recommended dividends	292	292
160	40	Provision for gifts	40	160
139	279	Unrealised gains reserve	290	148
-	-	Other equity	1,597	1,620
-	-	Non-controlling interests	318	72
10,824	**11,998**	**Total book equity**	**13,904**	**12,524**
-447	-447	Deferred taxes, goodwill and other intangible assets	-662	-566
-	-	Part of reserve for unrealised gains, associated companies	264	120
-452	-332	Deduction for allocated dividends and gifts	-332	-452
-	-	Non-controlling interests recognised in other equity capital	-318	-72
-	-	Non-controlling interests eligible for inclusion in CET1 capital	132	35
-4	-93	Surplus financing of pension obligations	-43	-
-31	-33	Value adjustments due to requirements for prudent valuation	-55	-45
-325	-164	Positive value of adjusted expected loss under IRB Approach	-239	-419
-	-	Direct, indirect and synthetic investments in financial sector companies	-458	-451
9,565	**10,928**	**Total common equity Tier one**	**12,192**	**10,674**
1,449	950	Hybrid capital, core capital	1,310	1,716
-	495	Hybrid capital covered by transitional provisions	495	-
-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-9
11,014	**12,373**	**Total core capital**	**13,988**	**12,382**

		Supplementary capital in excess of core capital		
1,906	1,000	Subordinated capital	1,647	2,598
-	786	Subordinated capital covered by transitional provisions	786	-
-43	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-43
1,864	**1,743**	**Total supplementary capital**	**2,390**	**2,555**
12,878	**14,116**	**Net subordinated capital**	**16,378**	**14,937**
		Minimum requirements subordinated capital		
1,632	1,027	Involvement with spesialised enterprises	1,213	1,887
1,331	1,049	Other corporations exposure	1,105	1,371
829	1,093	Mass market exposure, property	1,557	1,280
149	157	Mass market exposure, SMEs	167	159
49	38	Other retail exposure	40	51
1,111	1,221	Equity investments	0	0
5,102	**4,585**	**Total credit risk IRB**	**4,082**	**4,748**
397	64	Debt risk	64	397
-	-	Equity risk	10	1
-	-	Currency risk	-	0
292	316	Operational risk	457	416
849	922	Exposures calculated using the standardised approach	1,805	1,971
42	53	Credit value adjustment risk (CVA)	106	92
-	-	Transitional arrangements	634	-
6,682	**5,939**	**Minimum requirements subordinated capital**	**7,157**	**7,625**
83,523	**74,243**	**Risk weighted assets (RWA)**	**89,465**	**95,317**
3,759	3,341	Minimum requirement on CET1 capital, 4.5 per cent	4,026	4,289
		Capital Buffers		
2,088	1,856	Capital conservation buffer, 2.5 per cent	2,237	2,383
2,506	2,227	Systemic rick buffer, 3.0 per cent	2,684	2,860
	742	Countercyclical buffer, 1.0 per cent	895	
4,594	**4,826**	**Total buffer requirements on CET1 capital**	**5,815**	**5,242**
1,212	**2,761**	**Available CET1 capital after buffer requirements**	**2,351**	**1,143**
		Capital adequacy		
11.5 %	14.7 %	Common equity Tier one ratio	13.6 %	11.2 %
13.2 %	16.7 %	Core capital ratio	15.6 %	13.0 %
15.4 %	19.0 %	Capital adequacy ratio	18.3 %	15.7 %
8.3 %	9.1 %	Leverage Ratio	6.7 %	6.0 %

Note 6 - Risk factors

Risk Management

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

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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

The Parent Bank's risk classification system is designed to enable the Parent Bank's loan portfolio to be managed in conformity with the

Parent Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

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

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

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

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

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

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

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

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

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

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.

In the case of securities and derivatives that are traded on the Oslo Stock Exchange, the subsidiary SpareBank 1 Markets DNB ASA is used as clearing agent vis-a-vis Oslo Clearing. Any margin collateral is paid to a DNB account. DNB operates as agent between SpareBank 1 Markets and Oslo Clearing. Hence Oslo Clearing is SpareBank 1 Markets' counterparty.

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

SpareBank 1 Markets. This customer activity, and SpareBank 1 Markets' use of the Parent Bank's balance sheet, also affect the Group's market risk.

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

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

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

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

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

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

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

The Group's most important source of finance is customer deposits. At end-2015 the Group's ratio of deposits to loans was 50 per cent, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, compared with 50 per cent at end-2014 (Group).

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

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

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

Access to captial has been satisfactory throughout 2015.

The Group's liquidity situation as of 31 December 2015 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 Group's current activity.

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

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

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

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

Operational losses are reported to the Board of Directors.

The Board of Directors receives each year from the internal audit and the statutory auditor an independent assessment of the Group's risk and of whether the internal control functions in an appropriate and adequate manner.

For further information see Risk and capital management and notes:

Note 13: Maximum credit risk exposure
Note 14: Financial instruments and offsetting
Note 16: Market risk related to interest rate risk
Note 17: Market risk related to currency exposure
Note 18: Liquidity risk

Note 7 - Credit institutions - loans and advances

Parent Bank		Loans and advances to credit institutions	Group	
31 Dec 14	31 Dec 15	(NOK million)	31 Dec 15	31 Dec 14
4,354	5,871	Loans and advances without agreed maturity or notice of withdrawal	2,395	1,279
10	12	Loans and advances with agreed maturity or notice of withdrawal	12	10
4,364	**5,883**	**Total**	**2,407**	**1,289**
		Specification of loans and receivables on key currencies		
14	23	CHF	23	14
12	10	DKK	10	12
840	1,148	EUR	1,148	840
13	104	GBP	104	13
28	33	JPY	33	28
3,421	4,156	NOK	678	345
23	180	USD	181	23
-	221	SEK	220	-
14	9	Other	9	14
4,364	**5,883**	**Total**	**2,407**	**1,289**
2.6 %	2.1 %	Average rate credit institutions	1.4 %	1.5 %

		Deposits from credit institutions		
31 Dec 14	31 Dec 15	(NOK million)	31 Dec 15	31 Dec 14
7,697	6,157	Deposits without agreed maturity or notice of withdrawal	6,157	7,697
1,426	1,998	Deposits with agreed maturity or notice of withdrawal	1,998	1,426
9,123	**8,155**	**Total**	**8,155**	**9,123**
		Specification of deposits on key currencies		
2,015	1,456	EUR	1,456	2,015
10	5	DKK	5	10
25	8	SEK	8	25
7,072	6,241	NOK	6,241	7,072
0	443	USD	443	0
1	1	Other	1	1
9,123	**8,155**	**Total**	**8,155**	**9,123**
1.2 %	1.1 %	Average rate credit institutions	1.1 %	1.2 %

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			Group	
31 Dec 14	31 Dec 15	(NOK million)	31 Dec 15	31 Dec 14
		Loans specified by type		
-	-	Financial lease	2,166	1,937
12,527	11,164	Bank overdraft and operating credit	11,164	12,527
2,860	2,879	Building loan	2,879	2,860
71,534	76,086	Amortizing loan	77,765	73,255
86,920	**90,129**	**Gross loans to and receivables from customers**	**93,974**	**90,578**
-164	-174	Specified write-downs	-183	-172
-278	-358	Group allowance for impairment	-376	-295
86,478	**89,596**	**Net loans to and advances to customers**	**93,415**	**90,112**
		Lending specified by markets		
44,037	46,631	Retail market	48,782	45,693
42,604	43,306	Corporate market	44,981	44,585
280	192	Public sector	211	300
86,920	**90,129**	**Gross loans and advances**	**93,974**	**90,578**
		Write-downs specified by markets		
-36	-36	Retail market	-38	-38
-128	-138	Corporate market	-145	-133
-278	-358	Group allowance for impairment	-376	-295
86,478	**89,596**	**Net loans and advances to customers**	**93,415**	**90,112**
		Whereof		
48	48	Subordinated loan capital other financial institutions	48	48
890	740	Loans to employees	1,202	1,187
		In addition		
28,393	31,944	Loans sold to SpareBank 1 Boligkreditt	31,944	28,393
830	745	- of which loans to employees	1,089	1,052
1,463	1,460	Loans sold to SpareBank 1 Næringskreditt	1,460	1,463

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

Specified by risk group

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

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

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

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

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

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

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

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Total exposure allocated to risk groups** (NOK million)	**31 Dec 15**	**31 Dec 14**
52,644	60,945	Lowest risk	61,202	52,975
25,097	21,757	Low risk	22,821	25,938
18,122	19,305	Medium risk	20,925	19,798
3,998	3,708	High risk	4,222	4,443
1,502	1,680	Highest risk	2,285	1,922
432	558	Default and written down	604	486
101,796	**107,953**	**Total**	**112,060**	**105,563**

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Gross loans allocated to risk groups** (NOK million)	**31 Dec 15**	**31 Dec 14**
45,384	52,516	Lowest risk	52,760	45,701
21,398	18,327	Low risk	19,325	22,204
14,830	13,997	Medium risk	15,495	16,484
3,455	3,173	High risk	3,657	3,882
1,455	1,600	Highest risk	2,175	1,855
399	516	Default and written down	563	452
86,920	**90,129**	**Total**	**93,974**	**90,578**

Parent bank			Group	
2014	**2015**	**Expected annual average net loss allocated to risk groups** (NOK million)	**2015**	**2014**
20	26	Lowest risk	26	20
46	33	Low risk	33	46
125	114	Medium risk	118	128
70	77	High risk	79	72
44	51	Highest risk	62	52
20	30	Default and written down	36	29
325	**331**	**Total**	**355**	**348**

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

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Total exposures sold to SpareBank 1 Boligkreditt** (NOK million)	**31 Dec 15**	**31 Dec 14**
28,781	32,210	Lowest risk	32,210	28,781
2,966	3,460	Low risk	3,460	2,966
927	812	Medium risk	812	927
193	161	High risk	161	193
124	160	Highest risk	160	124
2	5	Default and written down	5	2
32,992	**36,809**	**Total exposure allocated to risk groups**	**36,809**	**32,992**

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Gross loans sold to SpareBank 1 Boligkreditt** (NOK million)	**31 Dec 15**	**31 Dec 14**
24,212	27,377	Lowest risk	27,377	24,212
2,943	3,437	Low risk	3,437	2,943
924	804	Medium risk	804	924
188	161	High risk	161	188
124	160	Highest risk	160	124
2	5	Default and written down	5	2
28,393	**31,944**	**Total gross loans allocated to risk groups**	**31,944**	**28,393**

Parent bank			Group	
31 Dec 14	31 Dec 15	**Total exposures sold to** SpareBank 1 Næringskreditt (NOK million)	31 Dec 15	31 Dec 14
592	818	Lowest risk	818	592
116	543	Low risk	543	116
754	99	Medium risk	99	754
1,463	**1,460**	**Total**	**1,460**	**1,463**

Parent bank			Group	
31 Dec 14	31 dec 15	**Gross loans sold to SpareBank 1 Næringskreditt** (NOK million)	31 Dec 15	31 Dec 14
592	818	Lowest risk	818	592
116	543	Low risk	543	116
754	99	Medium risk	99	754
1,463	**1,460**	**Total**	**1,460**	**1,463**

Specified by sector and industry

Parent bank			Group	
31 Dec 14	31 Dec 15	**Total exposure allocated to sector and industry** (NOK million)	31 Dec 15	31 Dec 14
46,631	49,196	Wage earners	51,461	48,328
1,002	1,535	Public administration	1,555	1,023
7,593	9,645	Agriculture, forestry, fisheries and hunting	9,813	7,712
2,342	2,413	Sea farming industries	2,752	2,499
3,091	4,512	Manufacturing	4,816	3,358
5,319	5,035	Construction, power and water supply	5,517	5,829
3,738	3,782	Retail trade, hotels and restaurants	3,976	3,904
7,185	7,934	Maritime and offshore sector	7,958	7,207
13,731	14,718	Property management	14,690	13,805
4,785	3,190	Business services	2,985	5,044
3,411	3,805	Transport and other services provision	4,332	3,866
2,969	2,186	Other sectors	2,205	2,988
101,796	**107,953**	**Total**	**112,060**	**105,563**

Parent bank			Group	
31 Dec 14	31 Dec 15	**Gross loans allocated to sector and industry** (NOK million)	31 Dec 15	31 Dec 14
44,037	46,631	Wage earners	48,782	45,693
280	192	Public administration	211	300
7,042	8,515	Agriculture, forestry, fisheries and hunting	8,674	7,158
1,213	1,485	Sea farming industries	1,807	1,367
2,069	2,387	Manufacturing	2,675	2,330
3,221	3,141	Construction, power and water supply	3,598	3,717
2,509	2,482	Retail trade, hotels and restaurants	2,666	2,671
5,616	6,043	Maritime and offshore sector	6,066	5,638
12,539	12,917	Property management	12,885	12,612
3,445	2,019	Business services	1,777	3,681
2,696	2,859	Transport and other services provision	3,355	3,141
2,252	1,458	Other sectors	1,477	2,270
86,920	**90,129**	**Total**	**93,974**	**90,578**

Parent bank			Group	
31 Dec 14	31 Dec 15	**Individual impairment allocated to sector and industry** (NOK million)	31 Dec 15	31 Dec 14
36	36	Wage earners	38	38
-	8	Agriculture, forestry, fisheries and hunting	9	1
-	-	Sea farming industries	-	0

18	3	Manufacturing	3	18
36	12	Construction, power and water supply	13	36
20	44	Retail trade, hotels and restaurants	46	22
42	55	Maritime and offshore sector	55	42
-	12	Property management	12	0
2	0	Business services	1	2
10	4	Transport and other services provision	5	12
-	-	Other sectors	2	-
164	**174**	**Total**	**183**	**172**

Parent bank			Group	
2014	**2015**	**Expected annual average net loss allocated to sector and industry** (NOK million)	**2015**	**2014**
69	65	Wage earners	73	75
0	0	Public administration	1	1
23	19	Agriculture, forestry, fisheries and hunting	21	26
4	2	Sea farming industries	4	4
12	25	Manufacturing	27	13
38	29	Construction, power and water supply	32	41
25	27	Retail trade, hotels and restaurants	29	26
20	25	Maritime and offshore sector	25	20
73	78	Property management	79	74
33	36	Business services	37	34
15	11	Transport and other services provision	13	19
14	13	Other sectors	14	14
325	**331**	**Total**	**355**	**348**

Specified by geographic area

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Gross loans** (NOK million)	**31 Dec 15**	**31 Dec 14**
33,305	33,724	Sør-Trøndelag	34,672	34,713
20,338	22,283	Nord-Trøndelag	23,464	21,314
18,859	19,952	Møre og Romsdal	20,925	19,700
934	499	Sogn og Fjordane	540	979
1,208	1,037	Nordland	1,106	1,264
6,152	4,608	Oslo	4,681	6,200
5,710	6,265	Rest of Norway	6,827	5,994
415	1,760	Abroad	1,760	415
86,920	**90,129**	**Total**	**93,974**	**90,578**

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Gross loans sold to SpareBank1 Boligkreditt** (NOK million)	**31 Dec 15**	**31 Dec 14**
14,371	15,608	Sør-Trøndelag	15,608	14,371
7,070	7,529	Nord-Trøndelag	7,529	7,070
4,104	4,722	Møre og Romsdal	4,722	4,104
166	249	Sogn og Fjordane	249	166
86	92	Nordland	92	86
1,024	1,166	Oslo	1,166	1,024
1,534	1,763	Rest of Norway	1,763	1,534
39	816	Abroad	816	39
28,393	**31,944**	**Total**	**31,944**	**28,393**

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Gross loans sold to SpareBank1 Næringskreditt** (NOK million)	**31 Dec 15**	**31 Dec 14**
369	358	Sør-Trøndelag	358	369
338	309	Nord-Trøndelag	309	338
546	543	Møre og Romsdal	543	546
150	250	Oslo	250	150
61	-	Rest of Norway	-	61
1,463	**1,460**	**Total**	**1,460**	**1,463**

	Group	
Loans to and claims on customers related to financial leases (NOK million)	**31 Dec 15**	**31 Dec 14**
Gross advances related to financial leasing		
- Maturity less than 1 year	204	178
- Maturity more than 1 year but not more than 5 years	1,450	1,378
- Maturity more than 5 years	511	381
Total gross claims	**2,166**	**1,937**
Received income related to financial leasing, not yet earned	69	65
Net investments related to financial leasing	2,097	1,880
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	176	138
- Maturity more than 1 year but not more than 5 years	1,414	1,357
- Maturity more than 5 years	508	385
Total net claims	**2,097**	**1,880**

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 18.97 per cent as of 31 December 2015 (17.67 per cent as of 31 December 2014). 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 2015 mortgage loans were bought and sold to a net value of minus NOK 3.5bn (-2.1bn in 2014) to SpareBank 1 Boligkreditt. In total, mortgage loans to SpareBank 1 Boligkreditt were derecognised in an amount of NOK 31.9bn at the end of the financial year (NOK 28.4bn in 2014).

Liquidity facility

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

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

Financial strength

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

The shareholders' undertaking to supply such core capital is on a pro rata rather than a solitary basis, and is based on each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is liable principally for its share of the need, subsidiarily for twice the primary liability under the same agreement. At year-end the company has about 16 per cent own funds, of which about 13.9 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 in the SpareBank 1 Alliance. The Bank has a stake of 33.62 per cent as at 31.12.2015 (33.62 per cent as at 31.12.2014). 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.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 2,8m in 2015 (Increased by NOK 242m in 2014). 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 1.5bn in 2014).

Liquidity facility

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

Financial strength

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

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

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

Parent bank

31 Dec 15

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

31 Dec 14

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	1069	279	45	88	1,481
Corporate market	180	4	2	23	209
Total	**1,249**	**283**	**47**	**111**	**1,690**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2015 was NOK 1,263 million (1,643 million).

Group

31 Dec 15

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

31 Dec 14

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	1144	292	48	105	1,589
Corporate market	312	25	3	33	373
Total	**1,456**	**317**	**51**	**138**	**1,963**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2015 was NOK 1,323 million (1,701 million).

Note 11 - Losses on loans and guarantees

Parent bank

Losses on loans and guarantees (NOK million)	2015			2014		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Period's change in individual write-downs	2	9	11	-4	18	14
+ Period's change in collective write-downs	-	80	80	-	-	-
+ Actual losses on loans previously written down	7	58	65	10	41	51
+ Confirmed losses on loans not previously written down	8	4	12	12	16	28
- Recoveries on previously written down loans, guarantees etc.	6	3	9	12	-2	10
Total	**11**	**148**	**159**	**6**	**77**	**83**

Individual write-downs (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans, guarantees etc. at 1 Jan	25	139	164	28	122	150
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	7	58	65	10	41	51
- Reversal of previous years' write-downs	2	40	43	6	13	19
+ Increase in write-downs of commitments previously subject to individual write down	1	21	22	1	0	2
+ write-downs of loans not previously subject to individual write down	10	86	96	11	72	83
Individual write-downs to cover loss on loans, guarantees etc at 31 Dec	**27**	**148**	**174**	**25**	**139**	**164**

Collective write-downs (NOK million)	31 Dec 15			31 Dec 14		
	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1 Jan	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	80	80	-	-	-
Collective write-downs to cover loss on loans and guarantees at 31 Dec	**90**	**268**	**358**	**90**	**188**	**278**

Losses specified by sector and industry (NOK million)	**2015**	**2014**
Agriculture, forestry, fisheries and hunting	0	5
Industry and mining	2	6
Building, construction, power and water supply	19	12
Wholesale and retail trade, hotel og restaurant industry	6	16
Other transport and communication	24	19
Financing, property management and business services	15	14
Wage earners	12	11
Collective write-downs, corporate	80	-
Losses on loans to customers	**159**	**83**

Total defaults (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days	133	38	171	134	90	224
- Individual write-downs	15	8	23	18	45	63
Net defaults	119	30	148	116	45	162
Provison rate	11 %	22 %	13 %	13 %	50 %	28 %

Problem loans (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Problem loans (not in default)	45	341	387	15	193	208
- Individual write-downs	13	138	151	7	95	101
Net problem loans	32	204	236	9	98	107
Provison rate	29 %	40 %	39 %	43 %	49 %	49 %

Interest taken to income on defaulted and doubtful exposures totals NOK 40.2 million for the parent bank (NOK 36.6 million).

The realisable value of the collateral backing individually written-down loans totals NOK 195.2 million (NOK 189.8 million) for the Parent bank at 31 December 2015.

Group

Losses on loans and guarantees (NOK million)	2015			2014		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Period's change in individual write-downs	3	9	11	-9	8	-1
+ Period's change in collective write-downs	2	80	82	-	-	-
+ Actual losses on loans previously written down	8	59	67	14	51	66
+ Confirmed losses on loans not previously written down	13	7	21	15	20	35
- Recoveries on previously written down loans, guarantees etc.	8	4	12	13	-2	11
Total	**18**	**151**	**169**	**8**	**81**	**89**

Individual write-downs (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans, guarantees etc. at 1 Jan	27	145	172	36	137	173
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	8	59	67	14	51	66
- Reversal of previous years' write-downs	3	42	46	7	15	22
+ Increase in write-downs of commitments previously subject to individual write down	1	21	22	1	1	2
+ write-downs of loans not previously subject to individual write down	13	88	101	11	73	84
Individual write-downs to cover loss on loans, guarantees etc at 31 Dec	**30**	**153**	**183**	**27**	**145**	**172**

Collective write-downs (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 1 Jan	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	2	80	82	-	-	-
Collective write-downs to cover loss on loans and guarantees at 31 Dec	**96**	**281**	**376**	**94**	**201**	**295**

Losses specified by sector and industry (NOK million)	**2015**	**2014**
Agriculture, forestry, fisheries and hunting	0	6
Industry and mining	4	6
Building and construction, power and water supply	19	13
Wholesale and retail trade, hotel og restaurant industry	4	15
Other transport and communication	26	21
Financing, property management and business services	16	15
Abroad and others	2	-
Wage earners	12	13
Collective write-downs, corporate	84	-
Collective write-downs, retail	2	-
Losses on loans to customers	**169**	**89**

Total defaults (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Loans in default for more than 90 days	155	50	205	156	114	270
- Individual write-downs	17	9	26	21	46	67
Net defaults	138	41	179	135	67	203
Provison rate	11 %	18 %	13 %	13 %	41 %	25 %

Problem loans (NOK million)	31 Dec 15			31 Dec 14		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**
Problem loans (not in default)	49	350	399	16	201	216
- Individual write-downs	14	142	156	7	98	105
Net problem loans	34	208	243	9	102	111
Provison rate	30 %	41 %	39 %	43 %	49 %	49 %

Interest taken to income on defaulted and doubtful exposures totals NOK 45.0 million (NOK 43.8 million) for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 200.7 million (NOK 196.2 million) for the Group at 31 December 2015.

Note 12 - Credit risk exposure for each internal risk rating

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

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2010-2015.

Collateral cover represents the expected realisation value (RE value) of underlying collaterals. The value are determined using fixed models, and actual realisation value are validated to test their reliability of the model. In accordance with the capital requirements regulations the estimates are downturn estimates. Based on the collateral cover (RE value / EAD) the exposure is classified to one of seven classes, the best of which has a collateral cover above 120 per cent, and the lowest has a collateral cover below 20 per cent.

	Probability of default					Collateral cover		
Credit quality step	**From**	**To**	**Moody's**	**Historical default**	**Default 2015**	**Collateral class**	**Lower limit**	**Upper limit**
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.01 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.03 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.07 %	0.07 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.24 %	0.17 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.36 %	0.52 %	5	40	60
F	1.25 %	2.50 %		0.89 %	0.68 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.33 %	2.25 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.52 %	4.07 %			
I	10.00 %	99.99 %	B3-Caa3	11.01 %	12.25 %			
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 31 Dec 15**	**Total exposure 31 Dec 15**	**Averaged unhedged exposure 31 Dec 14**	**Total exposure 31 Dec 14**
Lowest risk	9.0 %	60,945	9.9 %	52,644
Low risk	12.8 %	21,757	13.1 %	25,097
Medium risk	14.7 %	19,305	21.1 %	18,122
High risk	21.1 %	3,708	15.0 %	3,998
Highest risk	11.6 %	1,680	10.8 %	1,502
Default and written down	31.1 %	558	29.0 %	432
Total		**107,953**		**101,796**

Group (NOK million)	**Averaged unhedged exposure 31 Dec 15**	**Total exposure 31 Dec 15**	**Averaged unhedged exposure 31 Dec 14**	**Total exposure 31 Dec 14**
Lowest risk	9.0 %	61,202	5.9 %	52,975
Low risk	12.4 %	22,821	8.9 %	25,938
Medium risk	14.0 %	20,925	15.2 %	19,798
High risk	19.8 %	4,222	10.3 %	4,443
Highest risk	15.1 %	2,285	10.5 %	1,922
Default and written down	30.7 %	604	23.6 %	486
Total		**112,060**		**105,563**

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

Note 13 - Maximum credit risk exposure

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

Parent Bank

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

31 Dec 14 (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	4,364	-	-	-
Loans and advances to customers	86,478	64,351	2,015	13,656
Securities - designated at fair value through profit/loss	14,430	-	-	5,049
Derivatives	7,972	-	-	4,402
Securities - available for sale	4	-	-	-
Earned income, not yet recieved	31	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	**117,784**	**64,351**	**2,015**	**23,107**
Liabilities				
Guarantee commitments and documentary credits	5,126	-	-	-
Unutilised credits	10,284	2,616	83	1,719
Loan approvals	1,230	-	-	-
Total liabilities	**16,640**	**2,616**	**83**	**1,719**
Total credit risk exposure	**134,424**	**66,967**	**2,098**	**24,826**

Group

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

31 Dec 14 (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	1,289	-	-	-
Loans and advances to customers	90,112	64,351	2,015	16,942
Securities - designated at fair value through profit/loss	14,850	-	-	5,049
Derivatives	7,877	-	-	4,402
Securities - available for sale	35	-	-	-
Earned income, not yet recieved	39	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	**118,707**	**64,351**	**2,015**	**26,394**
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	**135,501**	**66,967**	**2,098**	**28,129**

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

The Group'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 Group has corresponding agreements with respect to the takeover of BN Bank's portfolio in Ålesund. The value of the guarantee agreements is not included in the tables above.

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

Credit risk exposure related to financial assets distributed by geographical area

Parent Bank			Group	
31 Dec 2014	**31 Dec 2015**	(NOK million)	**31 Dec 2015**	**31 Dec 2014**
		Bank activities		
44,984	51,711	Sør-Trøndelag	49,177	41,646
24,387	25,585	Nord-Trøndelag	26,828	24,359
24,824	26,687	Møre og Romsdal	27,711	24,727
1,210	606	Sogn og Fjordane	649	1,209
1,429	1,070	Nordland	1,146	1,425
7,411	8,638	Oslo	9,098	11,622
7,130	6,813	Rest of Norway	7,469	7,133
642	1,941	Abroad	1,952	619
112,017	**123,050**	**Total**	**124,032**	**112,740**
		Financial instruments		
13,969	13,853	Norway	15,001	14,420
340	2,102	Europe/Asia	2,102	340
125	133	USA	133	125
7,972	7,606	Derivatives	7,524	7,877
22,406	**23,695**	**Total**	**24,760**	**22,762**
134,424	**146,745**	**Total distributed by geographical area**	**148,792**	**135,501**

Note 14 - Financial instruments and offsetting

The Group 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. Regarding financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of year- end 2015 the Bank has 26 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.

In the case of securities and derivatives that are traded on the Oslo Stock Exchange, the subsidiary SpareBank 1 Markets uses DNB ASA as clearing agent vis-a-vis Oslo Clearing. Any margin collateral is paid to a DNB account. DNB operates as agent between SpareBank 1 Markets and Oslo Clearing. Hence Oslo Clearing is SpareBank 1 Markets' counterparty.

The table shows what the Parent Bank and the Group can offset in the event of bankruptcy or default.

Parent Bank

Period	**Type of financial instrument**	**Amounts which can only be netted upon bankruptcy or default** (NOK millon)
31 Dec 2015	Derivatives	2,149
31 Dec 2014	Derivatives	1,980

Group

Period	**Type of financial instrument**	**Amounts which can only be netted upon bankruptcy or default** (NOK million)
31 Dec 2015	Derivatives	2,120
31 Dec 2014	Derivatives	1,980

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under note 6 Risk factors.

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

Parent Bank

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

		Neither defaulted nor written down					Defaulted	
31 Dec 14 (NOK million)	**Notes**	**Lowest risk**	**Low risk**	**Medium risk**	**High risk**	**Highest risk**	**or written down *)**	**Total**
Loans to and claims on credit institutions	*7*	**4,364**	**-**	**-**	**-**	**-**	**-**	**4,364**
Loans to and claims on customers	*8*							
Retail market		34,175	9,343	4,419	970	1,025	157	50,088
Corporate market		11,209	12,055	10,411	2,485	430	242	36,832
Total		**45,384**	**21,398**	**14,830**	**3,455**	**1,455**	**399**	**86,920**
Financial investments	*29*							
Quoted government bonds		4,680	-	-	-	-	-	4,680
Quoted other bonds		4,026	2,248	1,013	85	34	-	7,406
Unquoted government bonds		1,217	-	-	-	-	-	1,217
Unquoted bonds		245	450	142	24	13	-	873
Total		**10,168**	**2,699**	**1,155**	**109**	**47**	**-**	**14,177**
Total		**59,916**	**24,097**	**15,985**	**3,564**	**1,502**	**399**	**105,461**

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

Group

31 Dec 15 (NOK million)	Notes	Neither defaulted nor written down: Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	*7*	**2,407**	**-**	**-**	**-**	**-**	**-**	**2,407**
Loans to and claims on customers	*8*							
Retail market		38,961	9,480	4,316	1,107	1,313	202	55,379
Corporate market		13,799	9,846	11,179	2,550	862	361	38,595
Total		**52,760**	**19,326**	**15,495**	**3,657**	**2,175**	**563**	**93,974**
Financial investments	*29*							
Quoted government bonds		4,032	-	-	-	-	-	4,032
Quoted other bonds		756	35	62	-	-	-	853
Unquoted government bonds		1,618	-	-	-	-	-	1,618
Unquoted bonds		7,220	1,224	696	83	27	-	9,250
Total		**13,626**	**1,259**	**757**	**83**	**27**	**-**	**15,752**
Total		**68,792**	**20,585**	**16,253**	**3,740**	**2,202**	**563**	**112,133**

31 Dec 14 (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*	**1,289**	**-**	**-**	**-**	**-**	**-**	**1,289**
Loans to and claims on customers	*8*							
Retail market		34,210	9,754	5,347	1,114	1,188	192	51,805
Corporate market		11,491	12,450	11,138	2,768	667	259	38,773
Total		**45,701**	**22,204**	**16,484**	**3,882**	**1,855**	**452**	**90,578**
Financial investments	*29*							
Quoted government bonds		4,680	-	-	-	-	-	4,680
Quoted other bonds		4,026	2,248	1,013	85	34	-	7,406
Unquoted government bonds		1,217	-	-	-	-	-	1,217
Unquoted bonds		245	450	142	24	13	-	873
Total		**10,168**	**2,699**	**1,155**	**109**	**47**	**-**	**14,177**
Total		**57,158**	**24,903**	**17,639**	**3,990**	**1,902**	**452**	**106,043**

*) 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 2015. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage on all balance sheet items.

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

	Interest rate risk, 1 % change	
Basis risk Group (NOK million)	**2015**	**2014**
Currency		
NOK	-20	-15
EUR	1	-1
USD	-3	-5
CHF	-3	-5
Other	0	-1
Total interest rate risk, effect on result before tax	**-25**	**-26**

Total interest rate risk suggests that the Bank will have losses from an increase in the interest rate in 2015. This is the same effect as in 2014.

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)	**2015**	**2014**
0 - 1 month	-11	-14
1 - 3 months	-1	2
3 - 6 months	-10	-8
6 - 12 months	9	9
1 - 2 years	-3	-4
2 - 3 years	7	2
3 - 4 years	-15	4
4 - 5 years	-1	-10
5 - 7 years	-1	-4
7 - 10 years	1	-3
Total interest rate risk, effect on result before tax	**-25**	**-26**

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 12 million as of 31 December 2015. For further details see note 6 on risk factors.

Parent Bank		**Net foreign exchange exposure NOK**	**Group**	
2014	**2015**	(NOK million)	**2015**	**2014**
1	-4	EUR	-4	1
-5	-7	USD	-7	-5
-16	1	SEK	1	-16
-16	1	Other	1	-16
-36	**-9**	**Total**	**-9**	**-36**
100	100	Overall currency limit	100	100
85	85	Total per currency	85	85
1.1	-0.3	Result effect of 3% change, after tax	-0.3	1.1

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

31 Dec 15 (NOK million)	**On demand**	**Below 3 months**	**3-12 months**	**1 - 5 yrs**	**Above 5 yrs**	**Total**
Cash flows related to liabilities						
Debt to credit institutions	6,156	1,646	241	-	111	8,155
Deposits from and debt to customers	58,377	661	1,550	3,502	-	64,090
Debt created by issuance of securities	-	2,764	5,994	23,884	1,737	34,379
Derivatives - contractual cash flow out	-	549	3,051	7,289	678	11,566
Other commitments	47	1,003	613	70	-	1,734
Subordinated debt *)	-	14	300	3,060	-	3,374
Total cash flow, liabilities	**64,581**	**6,638**	**11,749**	**37,804**	**2,525**	**123,297**
Contractual cash flows out	-	549	3,051	7,289	678	11,566
Contractual cash flows in	-	-568	-3,518	-8,310	-793	-13,189
Net contractual cash flows	**-**	**-19**	**-467**	**-1,021**	**-115**	**-1,623**

Group

31 Dec 14 (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	1,306	-	-	121	9,123
Deposits from and debt to customers	54,893	1,364	1,429	2,994	-	60,680
Debt created by issuance of securities	-	3,991	1,245	24,419	2,578	32,233
Derivatives - contractual cash flow out	-	904	748	7,703	1,555	10,910
Other commitments	37	975	537	77	-	1,625
Subordinated debt *)	-	15	-	2,808	450	3,273
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**

Does not include value adjustments for financial instruments at fair value.

*) For subordinated debt the call date is used for cash settlement

Note 19 - Net interest income

Parent Bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
		Interest income		
138	112	Interest income from loans to and claims on central banks and credit institutions	43	58
3,699	3,447	Interest income from loans to and claims on customers	3,669	3,810
381	304	Interest income from money market instruments, bonds and other fixed income securities	304	381
5	1	Other interest income	16	17
4,223	**3,865**	**Total interest income**	**4,031**	**4,265**
		Interest expense		
189	147	Interest expenses on liabilities to credit institutions	148	91
1,240	968	Interest expenses relating to deposits from and liabilities to customers	949	1,216
931	840	Interest expenses related to the issuance of securities	840	931
157	149	Interest expenses on subordinated debt	149	157
61	58	Other interest expenses	74	81
2,578	**2,161**	**Total interest expense**	**2,159**	**2,475**
1,644	**1,703**	**Net interest income**	**1,872**	**1,790**

Note 20 - Net commission income and other income

Parent Bank 2014	Parent Bank 2015	(NOK million)	Group 2015	Group 2014
		Commission income		
73	80	Guarantee commission	80	73
-	-	Broker commission	212	223
37	46	Portfolio commission, savings products	68	50
-	-	Sales commission, savings products	-	0
417	326	Commission from SpareBank 1 Boligkreditt	326	417
10	8	Commission from SpareBank 1 Næringskreditt	8	10
322	351	Payment transmission services	344	328
138	156	Commission from insurance services	156	138
34	38	Other commission income	50	41
1,031	**1,005**	**Total commission income**	**1,245**	**1,281**
		Commission expenses		
88	92	Payment transmission services	102	82
16	11	Other commission expenses	33	31
104	**103**	**Total commission expenses**	**135**	**113**
		Other operating income		
28	30	Operating income real property	28	31
-	-	Property administration and sale of property	108	82
1	0	Income from financial advice (Corporate)	27	1
13	4	Securities trading	58	13
-	-	Accountant's fees	182	171
4	187	Other operating income	32	45
47	**220**	**Total other operating income**	**435**	**344**
973	**1,123**	**Total net commision income and other operating income**	**1,545**	**1,512**

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

Parent Bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
		Valued at fair value through profit/loss		
77	- 247	Value change in interest rate instruments	- 218	77
		Value change in derivatives/hedging		
1	- 7	Net value change in hedged bonds and derivatives	- 67	0
1	- 56	Net value change in hedged fixed rate loans and derivatives	- 56	1
- 64	181	Other derivatives	159	- 101
		Income from equity instruments		
-	-	Income from owner interests	448	527
299	454	Dividend from owner instruments	0	-
-13	- 27	Value change and gain/(loss) on owner instruments	- 10	-14
12	17	Dividend from equity instruments	25	65
188	16	Value change and gain/(loss) on equity instruments	162	158
501	**330**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**443**	**713**
		Valued at amortised cost		
		Value change in interest rate instruments		
- 9	- 3	Value change in interest rate instruments held to maturity	- 3	- 9
4	-	Value change in interest rate instruments, loans and receivables	-	4
- 5	**- 3**	**Total net income from financial assets and liabilities at amortised cost**	**- 3**	**- 5**
		Valued at fair value - available for sale		
		Income from equity instruments		
0	0	Gain/(loss) on realisation of financial assets	0	0
0	**0**	**Total net income from financial assets available for sale**	**0**	**0**
12	**19**	**Total net gain from currency trading**	**19**	**12**
508	**346**	**Total net profit/(loss) from financial assets and liabilities**	**459**	**720**

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

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

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

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

The Group’s guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation. This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of at least one year, and the earning period shall not be less than one year. SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank’s risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence.

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

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

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.

Parent Bank			**Group**	
2014	**2015**	(NOK million)	**2015**	**2014**
569	496	Wages	954	893
46	49	Pension costs (Note 24)	77	62
31	43	Social costs	63	47
645	**588**	**Total personnel expenses**	**1,093**	**1,002**
798	739	Average number of employees	1,922	1,241
753	645	Number of man-labour years as at 31 December	1,208	1,192
789	689	Number of employees as at 31 December	1,298	1,273

Emoluments to Top Management

2015 (thousands of NOK)

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

2014 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which bonuses *)	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**) Executive Director Business Operation and Development	2,335	180	90	223	-	65	2,696	8,139
Tina Steinsvik Sund**) 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

*) Paid bonuses for previous year. The bonus arrangement was cancelled in 2015 and replaced share-based bonus arrangement.

**) Defined-contribution pension scheme. The pension rights earned is the payment for the year.

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

An early retirement agreement has been entered with the CEO in the event of his stepping down before reaching age 67, entailing a pension equal to 68 percent of pensionable income. The Bank's group occupational pension is included in the Bank's pension obligation to the Group CEO. The Group CEO also has an agreement on a dependants' benefit.

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

2015 (thousands of NOK)

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

*) Other emoluments include salary in employment relationships.

2014 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Kjell Bjordal	Board chairman	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 *)	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	-	-

*) Other emoluments include salary in employment relationships.

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

Fees to the Supervisory Board

(thousands of NOK)	2015	2014
Randi Dyrnes, Supervisory Board Chair as from April 2012	86	78
Other members	580	452

Note 23 - Other operating expenses

Parent Bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
645	588	Personnel expenses	1,093	1,002
199	194	IT costs	240	223
21	18	Postage and transport of valuables	22	25
44	55	Marketing	96	81
40	41	Ordinary depreciation (note 33)	104	109
119	123	Operating expenses, real properties	100	93
66	68	Purchased services	105	78
131	129	Other operating expense	171	178
1,265	**1,217**	**Total other operating expenses**	**1,931**	**1,789**
		Audit fees (NOK 1000)		
1,327	1,472	Financial audit	2,563	2,315
259	50	Other attestations	143	389
22	9	Tax advice	132	52
303	156	Other non-audit services	387	627
1,911	**1,686**	**Total incl. value added tax**	**3,225**	**3,383**

Note 24 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme

Under the defined contribution pension scheme the Group does not provide a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. Future pension will depend on the size of the contribution and the annual return on the pension savings. The Group has no further obligations with regard to the employee's labour contribution after the employer's annual contribution has been paid. Defined contribution schemes are directly expensed. The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

Early retirement pension scheme

The banking and financial industry has established an agreement on a contractual early retirement pension scheme ("AFP") for employees from age 62 to 67. The Group responsibility is 100 per cent of pension pais between age 62 and 64 and 60 per cent of pension paid between the age 65 and 67. Admission of new retirees ceased with effect from 31 December 2010.

Early retirement pension scheme, new arrangement

The Act relating to state subsidies in respect of employees who take out contractual early retirement pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out contractual early retirement with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. The employer's premium is determined as a percentage of salary payments between 1G and 7.1G. In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made in the financial year for the group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 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 actuorial gain and losses shall according to IAS 19R be entered in the statement on other comprehensive income. As of 31 December 2015 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.

Actuarial assumptions	2015 Costs	2015 Liability	2014 Costs	2014 Liability
Discount rate	2.3 %	2.7 %	4.0 %	2.3 %
Expected rate of return on plan assets	2.3 %	2.7 %	4.0 %	2.3 %
Expected future wage and salary growth	2.5 %	2.3 %	3.5 %	2.5 %
Expected adjustment of basic amount (G)	2.5 %	2.3 %	3.5 %	2.5 %
Expected increase in current pension	0.0 %	0%/2.25%	0.6 %	0.0 %
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 2014	Parent Bank 2015	**Net pension liability** (NOK million). **Financial position 1 Jan**	Group 2015	Group 2014
613	737	Net present value of pension liabilities in funded schemes	768	638
-703	-729	Estimated value of pension assets	-754	-726
4	9	Opening balance adjustment	8	5
-85	16	Net pension liability in funded schemes	22	-83
3	3	Employer’s contribution	4	4
-82	**19**	**Net pension liability**	**26**	**-79**

Distribution of liability between unfunded and funded pension scheme, Group 1 Jan

Group (NOK million)	2015			2014		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of pension liability in funded schemes	746	22	768	614	24	638
Fair value of pension assets	-754	-	-754	-726	-	-726
Opening balance adjustment	8	0	8	5	-	5
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

2014	2015	**Pension cost for the year** (NOK million)	2015	2014
24	24	Present value of pension accumulated in the year	28	26
-2	0	Interest cost of pension liabilities	0	-2
21	24	Net defined-benefit pension cost without employer's contribution	28	23
4	5	Employer's contribution - subject to accrual accounting	5	4
25	29	Net pension cost related to defined benefit plans *)	33	27
8	7	Early retirement pension scheme, new arrangement	9	9
13	13	Cost of defined contribution pension	34	26
46	**49**	**Total pension cost**	**77**	**62**
2	2	*) Of which unfunded pension commitment, old arrangement	2	2

Actuarial gains/losses recognised in other comprehensive income for the period (NOK million)	2015			2014		
	Unfunded	**Funded**	**Total**	**Unfunded**	**Funded**	**Total**
Change in discount rate	-0	-46	-47	1	207	208
Change in other economic assumptions	-0	-10	-10	0	-68	-68
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-1	-13	-14	-1	-18	-19
Change in other factors, pension assets	-	-46	-46	-	-8	-8
Actuarial gains/losses recognised in other comprehensive income for the period	**-1**	**-115**	**-116**	**1**	**112**	**113**

2014	2015	**Movement in net pension liability**	2015	2014
-82	19	Net pension liability 1 Jan	26	-79
109	-109	Actuarial gains and losses for the year	-116	113
25	21	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	34	27
-5	-1	Pension payments	-1	-5
-28	-30	Paid-in pension premium, defined-benefit plans	-36	-30
19	**-100**	**Net pension liability 31 Dec**	**-94**	**26**

2014	2015	**Financial status 31 Dec**	2015	2014
737	662	Pension liability	711	768
-721	-764	Value of pension assets	-808	-746
16	-103	Net pension liability before employer's contribution	-97	22
3	3	Employer's contribution	4	4
19	**-100**	**Net pension liability after employer's contribution*)**	**-94**	**26**

*) Presented gross in the Group accounts

Distribution of financial status between unfunded and funded pension scheme, Group

Group (NOK million)	**31 Dec 2015**			**31 Dec 2014**		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Pension liability	689	22	711	746	22	768
Value of pension assets	-808	-	-808	-746	-	-746
Net pension liability before employer's contribution	**-120**	**22**	**-97**	**0**	**22**	**22**
Employer's contribution	1	3	4	1	3	4
Net pension liability after employer's contribution	**-119**	**25**	**-94**	**1**	**25**	**26**

Fair value of pension liability, Group (NOK million)	**31 Dec 2015**	**31 Dec 2014**
OB pension liability (PBO)	768	638
Present value of pension accumulated in the year	28	26
Payout/release from scheme	-30	-45
Interest costs of pension liability	17	24
Curtailment/ Settlement	-3	-
Actuarial gain or loss	-69	125
CB pension liability (PBO)	**711**	**768**

Fair value of pension assets, Group (NOK million)	**31 Dec 2015**	**31 Dec 2014**
OB pension assets	754	726
Paid in	33	31
Payout/release from fund	-30	-45
Expected return	17	26
Curtailment/ Settlement	-3	-
Actuarial changes	38	8
CB market value of pension assets	**808**	**746**

	Discount rate		**Salary adjustment**		**Pension adjustment**
Sensitivity, Group	**+ 1 pp**	**- 1 pp**	**+1 pp**	**- 1 pp**	**+ 1 pp**
2015					
Change in accumulated pension rights in course of year	-5	8	6	-4	4
Change in pension liability	-96	124	66	-54	84
2014					
Change in accumulated pension rights in course of year	-4	6	4	-4	3
Change in pension liability	-111	143	77	-67	93

31 Dec 2014	**31 Dec 2015**	**Members**	**31 Dec 2015**	**31 Dec 2014**
834	809	Numbers of persons included in pension scheme	847	871
361	307	of which active	341	395
473	502	of which retirees and disabled	506	476

Investment and pension assets in the pension fund	2015	2014
Current bonds	21 %	17 %
Bonds held to maturity	23 %	27 %
Money market	13 %	13 %
Equities	37 %	34 %
Real estate	6 %	6 %
Other	0 %	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 25 - Income tax

Parent Bank 2014	Parent Bank 2015	(NOK million)	Group 2015	Group 2014
1,777	1,796	Result before tax	1,787	2,143
-566	-492	+/- permanent differences *)	-359	-813
133	251	+/- change in temporary differences as per specification	218	161
-	-	+ deficit to be brought forward	55	-15
1,344	**1,556**	**Year's tax base/taxable income**	**1,700**	**1,476**
363	420	Of which payable tax	459	398
-22	-	(Excess)/short tax provision last year	-	-22
341	420	Total taxes payable	459	377
363	420	Tax payable on profit for the year	459	398
27	-30	Tax effect of other comprehensive income	-30	28
-36	-65	+/- change in deferred tax	-60	-40
-22	-	+/- too much/too little set aside for payable tax in previous years	-	-23
-1	-	+ withholding tax	-	-1
330	**325**	**Tax charge for the year**	**370**	**362**
		Change in net deferred tax liability		
-36	95	Deferred tax shown through profit/loss	90	-40
-27	-30	Deferred tax shown through equity	-30	-28
-	-	Deferred tax assets acquired in business combination	121	-
78	-	Correction payable tax/deferred tax, previous years *)	-	73
15	**65**	**Total change in net deferred tax liability**	**181**	**5**

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

Deferred tax 31 Dec 2014	Deferred tax 31 Dec 2015	**Composition of deferred tax carried in the statement of financial position** (NOK million)	Deferred tax 31 Dec 2015	Deferred tax 31 Dec 2014
		Temporary differences:		
-	-	- Fixed assets	51	69
-	-	- Leasing items	149	113
-	99	- Pension liability	103	3
122	125	- Securities	125	122
1,043	584	- Hedge derivatives	584	1,043
1	-	- Other temporary differences	1	3
1,166	**809**	**Total tax-increasing temporary differences**	**1,013**	**1,353**
315	**202**	**Deferred tax**	**253**	**365**
		Temporary differences:		
-11	-3	- Fixed assets	-20	-16
-19	-	- Pension liability	-6	-26
-4	-124	- Securities	-124	-95
-984	-789	- Hedge derivatives	-789	-984
-30	-27	- Other temporary differences	-233	-168
-	-	- Deficit carried forward	-507	-62
-1,048	**-942**	**Total tax-decreasing temporary differences**	**-1,679**	**-1,350**
-283	**-236**	**Deferred tax asset**	**-420**	**-365**
32	**-33**	**Net deferred tax (-asset)**	**-167**	**1**

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:

	31 Dec 2015	31 Dec 2014
Tax benefit recorded 31.12	**188**	44
Deferred tax recorded 31.12	**-21**	45

Recognised in income statement 2014	Recognised in income statement 2015	**Composition of deferred tax recognised in the income statement** (NOK million)	Recognised in income statement 2015	Recognised in income statement 2014
		Temporary differences:		
-9	-7	- Fixed assets	18	25
-	-	- Leasing items	-36	-39
-	-	- Pension liability	16	-32
-67	120	- Securities	-4	73
-555	-195	- Hedge derivatives	459	-555
-	-2	- Other temporary differences	2	-1
-631	**-85**	**Total tax-increasing temporary differences**	**455**	**-529**
-170	**-23**	**Deferred tax**	**123**	**-143**
		Temporary differences:		
-	-	- Fixed assets	4	-8
101	-8	- Pension liability	-20	24
124	-4	- Securities	29	22
510	459	- Hedge derivatives	-195	510
30	-	- Other temporary differences	66	41
-	-	- Deficit carried forward	-60	-12
765	**447**	**Total tax-decreasing temporary differences**	**-176**	**575**
206	**121**	**Deferred tax asset**	**-48**	**155**
-	-3	Change in tax rate from 27 % to 25 %	14	-
36	**95**	**Net**	**90**	**13**

2014	2015	**Reconciliation of tax charge recognised for the period to profit before tax**	2015	2014
480	485	27 % of profit before tax	482	579
-153	-133	Non-taxable profit and loss items (permanent differences) *)	-97	-220
27	-30	Tax effect of other comprehensive income	-29	28
-	3	Change in tax rate from 27 % to 25 %	14	-
-1	-	Withholding tax	-	-1
-22	-	Too much/little tax provision previous years	-	-23
330	**325**	**Tax for the period recognised in the income statement**	**370**	**362**
19 %	**18 %**	**Effective tax rate**	**21 %**	**17 %**

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

Note 26 - Categories of financial assets and financial liabilities

Group	Financial instruments at fair value					
31 Dec 2015 (NOK million)	**Held for trading in acc with IAS 39**	**Designated as such upon initial recognition**	**Held-to-maturity investments**	**Available for sale**	**Financial instruments measured at amortised cost**	**Total**
Assets						
Cash and receivables from central banks	-	-	-	-	3,270	**3,270**
Deposits with and loans to credit institutions	-	-	-	-	2,407	**2,407**
Loans to and receivables from customers	-	4,436	-	-	88,979	**93,415**
Shares, units and other equity interests	757	620	-	108	-	**1,485**
Fixed-income CDs and bonds	-	15,752	-	-	-	**15,752**
Derivatives	6,027	1,497	-	-	-	**7,524**
Total financial assets	**6,784**	**22,305**	**-**	**108**	**94,656**	**123,852**
Liabilities						
Deposits from credit institutions	-	-	-	-	8,155	**8,155**
Deposits from and debt to customers	-	-	-	-	64,090	**64,090**
Debt created by issue of securities	-	-	-	-	35,154	**35,154**
Derivatives	5,351	63	-	-	-	**5,414**
Subordinated loan capital	-	-	-	-	3,463	**3,463**
Total financial liabilities	**5,351**	**63**	**-**	**-**	**110,862**	**116,276**

31 Dec 2014 (NOK million)	**Financial instruments at fair value** Held for trading in acc with IAS 39	Designated as such upon initial recognition	Held-to-maturity investments	Available for sale	Financial instruments measured at amortised cost	Total
Assets						
Cash and receivables from central banks	-	-	-	-	4,676	**4,676**
Deposits with and loans to credit institutions	-	-	-	-	1,289	**1,289**
Loans to and receivables from customers	-	3,277	-	-	86,835	**90,112**
Shares, units and other equity interests	-	673	-	35	-	**708**
Fixed-income CDs and bonds	-	14,177	-	-	-	**14,177**
Derivatives	6,374	1,503	-	-	-	**7,877**
Total financial assets	**6,374**	**19,630**	**-**	**35**	**92,799**	**118,838**
Liabilities						
Deposits from credit institutions	-	-	-	-	9,123	**9,123**
Deposits from and debt to customers	-	-	-	-	60,680	**60,680**
Debt created by issue of securities	-	-	-	-	33,001	**33,001**
Derivatives	167	6,085	-	-	-	**6,252**
Subordinated loan capital	-	-	-	-	3,371	**3,371**
Total financial liabilities	**167**	**6,085**	**-**	**-**	**106,175**	**112,427**

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 2015:

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

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

The following table presents the 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	7,551	-	7,877
-Bonds and money market certificates	3,859	10,318	-	14,177
-Equity instruments	48	-	625	673
-Fixed interest loans	-	43	3,277	3,320
Financial assets available for sale				
-Equity instruments	-	-	35	35
Total assets	**4,233**	**17,911**	**3,937**	**26,082**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
-Derivatives	324	5,928	-	6,252
Total liabilities	**324**	**5,928**	**-**	**6,252**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2015:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 15	3,277	625	35	3,937
Investment in period	2,224	20	-	2,244
Disposals in the period	-1,000	-63	-2	-1,065
Gain or loss on financial instruments	-33	-7	75	34
Change in discount factor in fair value model for fixed interest loans	-64	-	-	-64
Closing balance 31 December 15	**4,405**	**574**	**108**	**5,087**

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 14	2,656	909	40	3,605
Investment in period	946	38	3	987
Disposals in the period	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
Closing balance 31 December 14	**3,277**	**625**	**35**	**3,937**

Valuation method

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

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

Loans to customers (level 3)

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

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

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

Equity instruments (level 3)

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

Shares that are classified to level 3 also include a total of NOK 389 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

The owner interest in Visa Norge FLI is considered to be a financial asset and is classified to the category ‘available for sale’. SpareBank 1 SMN has calculated the fair value of its portion of Visa Norge FLI at NOK 74.7 million. Sensitivity at level 3 measurement: Since the estimated value of Visa Norge is calculated by the association we do not have access to all significant inputs, but SpareBank 1 SMN has taken into account a liquidity discount on the shares of Visa Inc. of 20 per cent. Had this been adjusted to 25 per cent, the fair value measurement would have been 1 million lower.

Financial derivatives (level 2)

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

Sensitivity analyses, level 3

(NOK million)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,405	-11
Equity instruments through profit/loss*)	574	-
Equity instruments available for sale	108	-1

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

Note 28 - Fair value of financial instruments

Financial instruments measured at amortised cost

Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment. Amortised cost will not always be equal to the values that are in line with the market assessment of the same financial instruments. This is due to different perceptions of market conditions, risk and discount rates.

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

Loans to and claims on customers

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

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

Bonds held to maturity

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

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

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

Securities debt and subordinated debt

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

Parent Bank

		31 Dec 2015		31 Dec 2014	
(NOK million)	**Level *)**	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Assets					
Loans to and claims on credit institutions	2	5,883	5,883	4,364	4,364
Loans to and claims on customers at amortised cost	3	85,160	85,160	83,168	83,168
Total financial assets at amortised cost		**91,043**	**91,043**	**87,532**	**87,532**
Liabilities					
Debt to credit institutions	2	8,155	8,155	9,123	9,123
Deposits from and debt to customers	2	65,091	65,091	61,202	61,202
Securities debt at amortised cost	2	13,452	14,567	11,624	11,724
Securities debt, hedging	2	21,702	21,349	21,378	21,688
Subordinated debt at amortised cost	2	2,356	2,350	2,364	2,421
Subordinated debt, hedging	2	1,107	1,099	1,006	1,021
Total financial liabilities at amortised cost		**111,863**	**112,611**	**106,697**	**107,178**

Group

(NOK million)	Level *)	31 Dec 2015 Book value	31 Dec 2015 Fair Value	31 Dec 2014 Book value	31 Dec 2014 Fair Value
Assets					
Loans to and claims on credit institutions	2	2,407	2,407	1,289	1,289
Loans to and claims on customers at amortised cost	3	88,979	88,979	86,835	86,835
Total financial assets at amortised cost		**113,119**	**113,119**	**88,123**	**88,123**
Liabilities					
Debt to credit institutions	2	8,155	8,155	9,123	9,123
Deposits from and debt to customers	2	64,090	64,090	60,680	60,680
Securities debt at amortised cost	2	13,452	14,567	11,624	11,724
Securities debt, hedging		21,702	21,349	21,378	21,688
Subordinated debt at amortised cost	2	2,356	2,350	2,364	2,421
Subordinated debt, hedging	2	1,107	1,099	1,006	1,021
Total financial liabilities at amortised cost		**110,862**	**111,609**	**106,175**	**106,656**

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

Note 29 - Money market certificates and bonds

Parent Bank			Group	
31 Dec 14	31 Dec 15	**Money market certificates and bonds by issuer sector** (NOK million)	31 Dec 15	31 Dec 14
		State		
3,799	2,225	Nominal value	2,225	3,799
3,825	2,252	Book value	2,252	3,825
		Other public sector		
1,678	1,718	Nominal value	1,718	1,678
1,702	1,729	Book value	1,729	1,702
		Financial enterprises		
7,567	10,038	Nominal value	10,038	7,567
8,306	11,298	Book value	11,298	8,306
		Non-financial enterprises		
243	406	Nominal value	406	243
278	419	Book value	419	278
13,287	**14,387**	**Total fixed income securities, nominal value**	**14,387**	**13,287**
67	54	Accrued interest	54	67
14,177	**15,752**	**Total fixed income securities, booked value**	**15,752**	**14,177**

Note 30 - Financial derivatives

All derivatives are booked at fair 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 Group does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

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

Parent Bank

Fair value through profit and loss (NOK million)	**31 Dec 15**			**31 Dec 14**		
	Contract	**Fair values**		**Contract**	**Fair values**	
Currency instruments	**amount**	**Assets**	**Liabilities**	**amount**	**Assets**	**Liabilities**
Foreign exchange derivatives (forwards)	3,347	220	-90	2,939	213	-89
Currency swaps	11,999	628	-185	20,653	946	-422
FX-options	-	-	-	87	0	-0
Total currency instruments	15,346	848	-276	23,679	1,159	-512
Fixed income instruments						
Interest rate swaps (including cross currency)	145,309	4,419	-4,046	122,624	4,279	-4,264
Short-term interest rate swaps (FRA)	216,951	754	-766	517,704	1,271	-1,281
Other interest rate contracts	222	1	-1	281	0	-0
Total non-standardised contracts	362,481	5,174	-4,813	640,609	5,550	-5,545
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	21,626	1,213	-2	20,495	985	-
Total non-standardised contracts	21,626	1,213	-2	20,495	985	-
Total currency and fixed income instruments						
Total interest rate derivatives	384,107	6,387	-4,815	661,104	6,535	-5,545
Total currency derivatives	15,346	848	-276	23,679	1,159	-512
Total financial derivatives	**399,453**	**7,234**	**-5,091**	**684,783**	**7,694**	**-6,057**

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

Group

Fair value through profit and loss (NOK million)	**31 Dec 15**			**31 Dec 14**		
	Contract	**Fair values**		**Contract**	**Fair values**	
Currency instruments	**amount**	**Assets**	**Liabilities**	**amount**	**Assets**	**Liabilities**
Foreign exchange derivatives (forwards)	3,347	220	-90	2,939	213	-89
Currency swaps	11,999	628	-185	20,653	946	-422
FX-options	-	-	-	87	0	-0
Total currency instruments	15,346	848	-276	23,679	1,159	-512
Fixed income instruments						
Interest rate swaps (including cross currency)	144,906	4,334	-4,046	122,204	4,187	-4,264
Short-term interest rate swaps (FRA)	216,951	754	-766	517,704	1,271	-1,281
Other interest rate contracts	222	1	-1	281	0	-0
Total non-standardised contracts	362,079	5,089	-4,813	640,189	5,458	-5,545
Equity instruments						
Equity options	30	7	-22	-	-	-
Equity forwards/futures	1,004	2	-27	-	-	-
Total equity instruments	1,034	9	-49	-	-	-
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	21,626	1,213	-2	20,495	985	-
Total non-standardised contracts	21,626	1,213	-2	20,495	985	-
Total currency, fixed income and equity instruments						
Total interest rate derivatives	383,705	6,302	-4,815	660,684	6,443	-5,545
Total currency derivatives	15,346	848	-276	23,679	1,159	-512
Total equity derivatives	1,034	9	-49	-	-	-
Total financial derivatives	**400,085**	**7,159**	**-5,139**	**684,363**	**7,602**	**-6,057**

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

Note 31 - Shares, units and other equity interests

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

Parent bank			Group	
31 Dec 14	**31 Dec 15**	**Shares and units** (NOK million)	**31 Dec 15**	**31 Dec 14**
253	**261**	**At fair value through profit or loss**	**1,377**	**673**
31	44	Listed	803	199
222	218	Unlisted	574	474
4	**76**	**Available for sale**	**108**	**35**
4	76	Unlisted	108	35
257	**337**	**Total shares and units**	**1,485**	**708**
		Business held for sale - of which shares		
101	222	Unlisted	16	45
101	**222**	**Total shares held for sale (see note 39)**	**16**	**45**
31	**44**	**Total listed companies**	**803**	**199**
327	**515**	**Total unlisted companies**	**698**	**554**

Specification of Parent Bank

Listed companies	**Principle** *)	**Stake over 10 %**	**Our holding** (no.)	**Acquisition cost** (NOK 1000)	**Market value/book value** (NOK 1000)
Visa Inc. C-shares	FV		63,536	6,750	43,592
Total quoted shares				**6,750**	**43,592**
Unlisted companies					
Visa Norge (see note 3)	AFS		-	-	74,739
Eksportfinans	FV		1,857	16,406	39,368
Nordisk Areal Invest	FV		764,995	74,614	24,097
Spama	FV		2,305	-	1,563
Swift EUR	FV		38	589	1,256
Torgkonserten	AFS		50	300	300
Tangen Næringsbygg	FV		250	250	250
Sydvestor Vekst	AFS		5,200	228	228
Sunnmøre Golf	AFS		3	103	103
Others				239	242
Total unquoted shares and units				**92,730**	**142,147**
Bank 1 Oslo Akershus	FV		218,841	78,000	145,989
SpareBank 1 Nordvest	FV		48,076	5,000	5,000
Total unquoted financial corporations				**83,000**	**150,989**
Total shares, units and equity capital certificates, parent bank				**182,480**	**336,728**

Specification of Group

Listed companies	**Principle** *)	**Stake over 10 %**	**Our holding** (no.)	**Acquisition cost** (NOK 1000)	**Market value/book value** (NOK 1000)
Norway Royal Salmon	FV		4,101,381	260,996	328,110
Polaris Media AS	FV		5,584,508	159,041	150,782
Marine Harvest	FV		482,428	53,485	57,698
Kongsberg Gruppen	FV		300,000	39,301	43,500
Norwegian Air Shuttle	FV		122,637	39,171	39,698
Norsk Hydro	FV		1,056,544	36,595	35,003
Det Norske Oljeselskap	FV		480,021	22,067	26,521
Statoil	FV		166,447	21,374	20,589
BW LPG	FV		203,907	11,847	14,885
XACT Derivat BULL	FV		140,631	13,661	13,823
Telenor	FV		91,883	14,271	13,626
Subsea 7	FV		195,000	14,276	12,295
NRC Group	FV		210,000	9,051	11,760
Opera Software	FV		171,222	11,572	8,655
Ganger Rolf	FV		175,000	12,513	8,138
XACT derivat BEAR	FV		86,565	7,309	7,187
Nordic Semiconductor	FV		132,550	5,465	5,733
Ocean Yield	FV		65,418	4,570	4,481
Petroleum Geo-Services	FV		105,000	6,030	3,817
Yara International	FV		9,225	3,618	3,532
Others				29,972	24,989
Total quoted shares				**776,186**	**834,822**
DNB	FV		345,728	38,708	37,961
SpareBank 1 Nord-Norge	FV		426,176	16,174	15,641
Storebrand	FV		321,120	10,137	10,282
Gjensidige Forsikring	FV		25,000	3,126	3,553
SpareBank 1 BV	FV		180,313	3,275	3,444
SpareBank 1 SR-Bank	FV		55,774	2,954	2,192
SpareBank 1 Østfold Akershus	FV		7,680	928	948
SpareBank 1 Ringerike Hadeland	FV		3,211	504	564
SpareBank 1 Nøtterøy-Tønsberg	FV		4,372	463	446
Total quoted credit institutions				**76,269**	**75,030**
Unlisted companies					
Viking Venture III	FV	17.0	186,312	42,594	55,886
Herkules	FV		1	48,346	45,486
Thams Invest	FV		174	17,640	26,970
Angvik Investor	AFS	10.00	1,200	19,830	17,448
Moldekraft	AFS	12.94	10,545	11,600	16,714
Norsk Innovasjonskapital III	FV		600	10,200	13,342
Viking Venture	FV	13.17	267,878	25,445	8,706
Aptomar	FV		48,861	7,550	7,550
Real Estate Central Europe	FV		3,000	5,500	6,348
NFDS Offshore 1	FV		1,237,500	4,950	4,950
Numascale	FV		2,666,667	4,000	4,000
Viking Venture II	FV		250,000	19,220	3,765
Wellcem	FV		12,508	1,523	3,127
Others			3,362,300	50,163	23,824
Total unquoted shares and units				**268,561**	**238,115**
Total shares, units and equity capital certificates, Group				**1,303,496**	**1,484,695**

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

Note 32 - Goodwill

Parent Bank			Group	
31 Dec 14	**31 Dec 15**	(NOK million)	**31 Dec 15**	**31 Dec 14**
447	447	Acquisition cost at 1 Jan	526	495
-	-	Additions/Disposals	2	31
447	447	Acquisition cost at 31 Dec	528	526
447	**447**	**Goodwill at 31 Dec**	**528**	**526**

Carrying value in the parent bank, NOK 447m, refers to excess 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 Regnskapshuset SMN's acquisitions of accounting firms. The year's increase of NOK 2m at group level relates to further acquisitions undertaken in 2015, see note 40 Business acquisitions/business combinations.

Goodwill is valued annually and written down if impairment tests imply reduction in value. There was no write down of goodwill in 2015.

See note 3 for a description of the valuation model for goodwill.

SpareBank 1 SMN

Note 33 - Property, plant and equipment

2015

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
128	234	362	Cost of acquisition at 1 January	1,588	329	1,259
2	31	33	Acquisitions	54	49	5
-11	-12	-23	Disposals	-28	-17	-11
-2	-3	-5	Corrections	-5	-3	-2
117	250	367	Cost of acquisition at 31 December	1,609	358	1,251
53	146	200	Accumulated depreciation and write-downs as at 1 January	469	223	246
9	31	40	Current period's depreciation	100	44	56
0	1	1	Current period's write-down	4	1	3
-11	-11	-22	Disposals	-22	-11	-11
-2	-3	-5	Reversal of accumulated depreciation and write-downs	-5	-3	-2
50	164	214	Accumulated depreciation and write-down as at 31 December	546	254	292
68	**85**	**153**	**Book value as at 31 December**	**1,064**	**104**	**959**

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
124	206	329	Cost of acquisition at 1 January	1,543	303	1,240
4	29	33	Acquisitions*)	53	34	19
-0	-0	-0	Disposals*)	8	8	-0
128	234	362	Cost of acquisition at 31 December	1,588	329	1,259
45	115	160	Accumulated depreciation and write-downs as at 1 January	369	181	188
8	31	39	Current period's depreciation	105	48	57
-	1	1	Current period's write-down	3	3	-
-	-	-	Reversal of accumulated depreciation and write-downs*)	8	8	0
53	146	200	Accumulated depreciation and write-down as at 31 December	469	223	246
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.

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

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2015 is NOK 98 million (NOK 90 million).

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

The Group has no significant non-current assets temporarily out of operation as at 31 December 2015.

Note 34 - Other assets

Parent Bank			Group	
31 Dec 14	**31 Dec 15**	(NOK million)	**31 Dec 15**	**31 Dec 14**
-	33	Deferred tax asset (see note 25)	187	44
31	23	Earned income not yet received	39	39
8	3	Accounts receivable, securities	200	8
6	124	Pensions	125	6
89	95	Other assets	382	292
135	**278**	**Other assets**	**933**	**389**

Note 35 - Deposits from and liabilities to customers

Parent Bank			Group	
31 Dec 14	**31 Dec 15**	**Deposits from and liabilities to customers** (NOK million)	**31 Dec 15**	**31 Dec 14**
55,418	59,382	Deposits from and liabilities to customers without agreed maturity	58,381	54,895
5,785	5,709	Deposits from and liabilities to customers with agreed maturity	5,709	5,785
61,202	**65,091**	**Total deposits from and liabilities to customers**	**64,090**	**60,680**
2.1 %	1.5 %	Average interest rate	1.5 %	2.1 %

Fixed interest deposits account for 0.9 per cent (2.2 per cent) of total deposits.

31 Dec 14	31 Dec 15	Deposits specified by sector and industry	31 Dec 15	31 Dec 14
26,496	28,336	Wage earners	28,336	26,496
5,254	7,221	Public administration	7,221	5,254
2,354	2,541	Agriculture, forestry, fisheries and hunting	2,541	2,354
402	674	Sea farming industries	674	402
2,359	2,518	Manufacturing	2,518	2,359
2,117	2,164	Construction, power and water supply	2,164	2,117
4,221	4,116	Retail trade, hotels and restaurants	4,116	4,221
2,346	1,994	Maritime sector	1,994	2,346
4,051	4,295	Property management	4,099	3,919
4,540	4,836	Business services	4,836	4,540
4,488	4,643	Transport and other services provision	4,138	4,131
2,574	1,755	Other sectors	1,454	2,542
61,202	**65,091**	**Total deposits from customers broken down by sector and industry**	**64,090**	**60,680**

31 Dec 14	31 Dec 15	Deposits specified by geographic area	31 Dec 15	31 Dec 14
23,468	24,657	Sør-Trøndelag	23,690	22,946
14,366	16,662	Nord-Trøndelag	16,662	14,366
11,518	13,412	Møre og Romsdal	13,412	11,518
826	1,300	Sogn og Fjordane	1,300	826
388	544	Nordland	544	388
5,668	4,861	Oslo	4,826	5,668
4,969	3,184	Other counties	3,184	4,969
0	472	Abroad	472	0
61,202	**65,091**	**Total deposits broken down by geographic area**	**64,090**	**60,680**

Note 36 - Debt securities in issue

Parent Bank 31 Dec 2014	31 Dec 2015	(NOK million)	Group 31 Dec 2015	31 Dec 2014
821	-	Money market instrument and other short-term borrowings	-	821
32,180	35,154	Bond debt	35,154	32,180
33,001	**35,154**	**Total debt securities in issue**	**35,154**	**33,001**
1.9 %	1.5 %	Average interest, money market certificates	1.5 %	1.9 %
3.0 %	2.5 %	Average interest, bond debt	2.5 %	3.0 %

2014	2015	Securities debt specified by maturity *)	2015	2014
4,867	-	2015	-	4,867
6,891	5,077	2016	5,077	6,891
3,567	5,453	2017	5,453	3,567
8,510	9,749	2018	9,749	8,510
5,389	6,020	2019	6,020	5,389
1,325	4,938	2020	4,938	1,325
-	1,040	2021	1,040	-
375	375	2022	375	375
200	200	2023	200	200
478	-	2024	-	478
200	400	2029	400	200
-	251	2035	251	-
-	511	2044	511	-
33	53	Currency agio	53	33
797	722	Premium and discount, market value of structured bonds	722	797
370	365	Accrued interest	365	370
33,001	**35,154**	**Total securities debt**	**35,154**	**33,001**

*) Less own bonds. Total nominal own holding in 2015 comes to NOK 40 m (NOK 288 m).

31 Dec 2014	31 Dec 2015	Securities debt distributed on significant currencies	31 Dec 2015	31 Dec 2014
19,212	17,048	NOK	17,048	19,212
11,886	16,842	EUR	16,842	11,886
371	-	USD	-	371
1,533	1,264	SEK	1,264	1,533
33,001	**35,154**	**Total securities debt**	**35,154**	**33,001**

Parent Bank and Group

Change in securities debt (NOK million)	31 Dec 2015	Issued	Fallen due/ redeemed	Other changes	31 Dec 2014
Money market certificate debt, nominal value	-	-	820	-	820
Bond debt, nominal value	34,014	8,392	6,320	961	30,981
Adjustments	775	-	-	-55	830
Accrued interest	365	-	-	-4	370
Total	**35,154**	**8,392**	**7,140**	**902**	**33,001**

Change in securities debt (NOK million)	31 Dec 2014	Issued	Fallen due/ redeemed	Other changes	31 Dec 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
Accrued interest	370	-	-	45	324
Total	**33,001**	**9,300**	**11,650**	**1,265**	**34,086**

Note 37 - Other debt and liabilities

Parent Bank			Group	
31 Dec 14	31 Dec 15	**Other debt and recognised liabilities** (NOK million)	31 Dec 15	31 Dec 14
5	6	Creditors	39	33
74	46	Drawing debt	46	74
-	61	Debt from securities	145	-
32	-	Deferred tax	21	45
363	420	Payable tax	459	398
10	13	Wealth tax	13	10
25	25	Pension liabilities	31	32
79	78	Provisions	78	79
66	70	Accruals	303	190
-	-	Equity instruments	394	-
191	150	Other	204	234
846	**868**	**Total other debt and recognised liabilities**	**1,734**	**1,095**
		Guarantee commitments (agreed guarantee amounts)		
671	969	Payment guarantees	969	671
1,391	1,219	Performance guarantees	1,219	1,391
2,614	4,004	Loan guarantees	4,004	2,614
160	80	Guarantees for taxes	80	160
99	159	Other guarantee commitments	160	99
4,936	**6,431**	**Total guarantee commitments**	**6,432**	**4,936**
		Other liabilities, not recognised		
9,685	15,706	Unutilised credits	15,858	9,685
1,230	1,513	Loan approvals (not discounted)	1,745	1,319
599	640	Unutilised guarantee commitments	640	626
192	102	Documentary credits	102	192
-	-	Other commitments	42	38
11,705	**17,961**	**Total other commitments**	**18,387**	**11,859**
17,486	**25,260**	**Total commitments**	**26,553**	**17,890**

Cash deposit	Total	Securities pledged	Total	Cash deposit
1,499	1,499	Securities pledged 31 Dec 15	1,528	1,528
1,628	1,628	Relevant liabilities 31 Dec 15	1,657	1,657
1,542	1,542	Securities pledged 31 Dec 14	1,542	1,542
1,592	1,592	Relevant liabilities 31 Dec 14	1,592	1,592

Ongoing lawsuits

The Group is not involved in legal disputes considered to be of substantial significance for the Group's financial position. No provision for loss has been made as of 31 December 2015.

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.

Operational leases

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

Lease costs comprised:

Parent Bank			Group	
2014	**2015**	(NOK million)	**2015**	**2014**
92	95	Ordinary lease payments	69	62
25	27	Payment received from sub-lease	26	28
67	**68**	**Total lease costs**	**44**	**34**

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

	Parent Bank	Group
Within 1 year	163	172
1-5 years	386	424
Above 5 years	449	460
Total	**998**	**1,055**

Note 38 - Subordinated debt and hybrid equity issue

Parent bank			Group	
31 Dec 2014	31 Dec 2015	(NOK million)	31 Dec 2015	31 Dec 2014
		Dated subordinated debt		
1,000	1,000	2022 3 month Nibor + 2,75 % (Call 2017)	1,000	1,000
558	660	2036 fixed rate 2,94 %, JPY (Call 2018) *)	660	558
41	32	Premium/discount/market value	32	41
8	13	Currency agio debt	13	8
2	2	Accrued interest	2	2
1,609	**1,706**	**Total dated subordinated debt**	**1,706**	**1,609**
		Perpetual non-call subordinated debt		
300	300	Perpetual non call 3 month Nibor + 0,85 % (Call 2016)	300	300
-1	0	Discount perpetual subordinated debt	-0	-1
0	0	Accrued interest	0	0
300	**300**	**Total perpetual non-call subordinated debt**	**300**	**300**
		Hybrid equity		
350	350	Hybrid capital10/99, fixed rate 8,25 % NOK (Call 2020) *)	350	350
100	100	Hybrid captial 10/99, floating rate NOK (Call 2020)	100	100
500	500	Hybrid capital 13/99, floating rate NOK (Call 2018)	500	500
450	450	Hybrid capital 13/99, floating rate NOK (Call 2018)	450	450
49	45	Discount perpetual hybrid equity	45	49
13	12	Accrued interest	12	13
1,462	**1,457**	**Total hybrid equity**	**1,457**	**1,462**
3,371	**3,463**	**Total subordinated loan capital and hybrid equity**	**3,463**	**3,371**
5.2 %	4.8 %	Average rate NOK	4.8 %	5.2 %
3.5 %	3.8 %	Average rate YEN	3.8 %	3.5 %

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

Parent Bank and Group

Changes in subordinated debt and hybrid equity issue	31 Dec 2015	Issued	Fallen due/ redeemed	Other changes	31 Dec 2014
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	660	-	-	102	558
Perpetual subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	-	-	-	1,400
Adjustments	89	-	-	-8	98
Accrued interest	14	-	-	-1	15
Total subordinated debt and hybrid equity issue	**3,463**	**-**	**-**	**93**	**3,371**

Changes in subordinated debt and hybrid equity issue	31 Dec 2014	Issued	Fallen due/ redeemed	Other changes	31 Dec 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
Accrued interest	15	-	-	-0	15
Total subordinated debt and hybrid equity issue	**3,371**	**-**	**-**	**51**	**3,319**

Note 39 - Investments in owner interests

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

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	72.1
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
SpareBank 1 Markets AS	992999101	Oslo	73.5
Shares owned by subsidiaries and sub-subsidiaries			
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
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
Investment in joint ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	17.7
Sparebank 1 Mobilbetaling AS		Trondheim	19.7
Investment in associates			
BN Bank ASA	914864445	Trondheim	33.0
SpareBank1 Boligkreditt AS	988738387	Stavanger	17.7
SpareBank 1 Næringskreditt AS	894111232	Stavanger	33.6
SpareBank 1 Kredittkort AS	975966453	Trondheim	18.4
Molde Kunnskapspark AS	981036093	Molde	21.0
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 expenses include tax charge. The book value of subsidiaries in the tables below is the Parent Bank's book value.

2015 (NOK million)	**Company's share capital** (NOK 1000's)	**No. Of shares**	**Nominal value** (NOK 1000's)	**Assets**	**Liabilities**	**Equity**	**Non-controlling interests of equity**	**Total income**	**Total expenses**	**Profit or loss**	**Non-controlling interests of profit or loss**	**Book value 31 Dec**
SpareBank 1 Finans Midt-Norge AS	284,040	28,404	10.0	4,356	3,740	617	172	150	88	62	13	404
Total investments in credit institutions												**404**
SpareBank 1 SMN Invest AS	457,280	457,280	1.0	834	49	-	-	43	5	38	-	739
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	10.5	281	87	194	25	360	326	34	4	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	10.8	772	106	-	-	43	39	4	-	919
SpareBank 1 Regnskapshuset SMN AS	14,280	238	60.0	144	50	-	-	195	170	26	-	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	38	8	-	-	47	46	1	-	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	49	0	-	-	5	4	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	192	8	-	-	31	27	3	-	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	8	2	-	-	7	6	1	-	9
Brannstasjonen SMN AS	10,000	100,000	0.1	179	108	-	-	1	4	-2	-	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	77	1	-	-	7	7	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	124	124	0	-	9
Jernbanegata 19 SMN AS	1,000	1,000,000	1.0	11	0	-	-	2	3	-1	-	13
SpareBank1 Markets AS	378	2,265,553	167.0	1,456	1,013	444	118	135	222	-93	-21	363
Total investments in other subsidiaries												**2,523**
Total investments in Group companies, Parent Bank												**2,927**

2014 (NOK million)	**Company's share capital** (NOK 1000's)	**No. Of shares**	**Nominal value** (NOK 1000's)	**Assets**	**Liabilities**	**Equity**	**Non-controlling interests of equity**	**Total income**	**Total expenses**	**Profit or loss**	**Non-controlling interests of profit or loss**	**Book value 31 Dec**
SpareBank 1 Finans Midt-Norge AS	271,920	27,192	10.0	3,625	3,188	437	43	126	76	50	5	368
Total investments in credit institutions												**368**
SpareBank 1 SMN Invest AS	457,280	457,280	1.0	786	62	-	-	42	9	33	-	720
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	10.5	284	87	197	26	359	322	37	5	120
SpareBank 1 SMN Kvartalet AS	326,160	30,200	10.8	760	117	-	-	45	72	-28	-	899
SpareBank 1 Regnskapshuset SMN AS	14,280	238	60.0	139	46	-	-	182	151	31	-	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	41	11	30	3	36	34	2	0	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	49	0	-	-	5	4	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	192	8	-	-	31	28	3	-	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	9	3	-	-	22	21	1	-	9
Brannstasjonen SMN AS	10,000	100,000	0.1	82	9	-	-	3	3	0	-	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	75	1	-	-	7	7	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	133	133	0	-	9
Jernbanegata 19 SMN AS	1,000	1,000,000	1.0	12	1	-	-	2	4	-1	-	13
Total investments in other subsidiaries												**2,122**
Total investments in Group companies, Parent Bank												**2,490**

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	
31 Dec 2014	31 Dec 2015	(NOK million)	31 Dec 2015	31 Dec 2014
3,138	3,361	Book value as at 1 January	5,129	4,624
223	263	Acquisition/sale	191	176
-	-	Reclassification	0	-
-	-	Equity capital changes	106	-17
-	-	Profit share	448	527
-	-	Dividend paid	-351	-182
3,361	**3,624**	**Book value as at 31 December**	**5,522**	**5,129**

Specification of year's change, Group	Additions/ disposal	Equity change
SpareBank 1 Gruppen AS	-	26
BN Bank ASA	-	2
SpareBank 1 Boligkreditt AS	242	60
SpareBank 1 Næringskreditt AS	-	-0
SpareBank 1 Markets AS	-24	-
SpareBank 1 Kredittkort AS	1	18
Sparebank 1 Mobilbetaling AS	16	-
Development companies owned by SpareBank 1 SMN Invest AS	-44	-
PAB Consulting	-0	-
Total	**191**	**106**

Income from investments in associates and joint ventures

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

Parent Bank			Group	
2014	2015	(NOK million)	2015	2014
		Profit share from:		
-	-	SpareBank 1 Gruppen AS	251	360
-	-	SpareBank 1 Boligkreditt AS	80	38
-	-	SpareBank 1 Næringskreditt AS	30	41
-	-	BN Bank ASA	41	93
-	-	SpareBank 1 Markets AS	-4	-32
-	-	SpareBank 1 Kredittkort AS	21	2
-	-	Development companies owned by SpareBank 1 SMN Invest AS	-	31
-	-	Other companies	-0	-5
		Dividends from:		
33	189	SpareBank 1 Gruppen AS	-189	-33
58	36	SpareBank 1 Boligkreditt AS	-36	-58
79	87	BN Bank ASA	-87	-79
11	39	SpareBank 1 Næringskreditt AS	-39	-11
-	1	Other companies	-1	0
182	**352**	**Total income from associates and joint ventures**	**67**	**345**

The Group's stakes in associates and joint ventures

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

2015 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Profit share**	**Book value 31.12**	**Ownership share**	**No. of shares**
SpareBank 1 Gruppen AS	58,021	50,063	12,212	10,925	251	1,509	19.5 %	364,728
BN Bank ASA	32,642	29,135	463	338	41	1,157	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	269,206	259,489	654	201	80	1,843	17.7 %	10,090,538
SpareBank 1 Næringskreditt AS	15,880	13,965	134	44	30	644	33.6 %	4,909,200
SpareBank 1 Kredittkort AS	5,248	4,256	755	643	21	183	18.4 %	530,134
SpareBank 1 Markets AS	1,456	1,013	135	222	-4	0	73.5 %	1,664,329
Other companies					-0	10		
Total					**419**	**5,347**		

Development companies owned by SpareBank 1 SMN Invest (not included in the foregoing table)

Activity levels in 2015 were high at the development companies Grilstad Marina AS, GMN 51 AS, GMN 52 AS, GMN 53 AS , GMN 54 AS and GMN 6 AS. Grilstad Marina AS completed and handed over the third construction stage in 2015. 40 percent of Hommelvik Sjøside was sold in third quarter 2015. The above development companies are booked in the Group accounts with the value of 84.5 NOK million at 31 December 2015.

2014 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Profit share**	**Book value 31.12.**	**Ownership share**	**No. of shares**
SpareBank 1 Gruppen AS	55,408	48,013	12,623	10,775	360	1,421	19.5 %	364,728
BN Bank ASA	35,787	32,146	647	366	93	1,201	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	227,594	219,117	317	110	38	1,498	17.7 %	9,737,324
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 %	470,922
SpareBank 1 Markets AS	566	380	108	221	-32	25	27.3 %	14,333
Other companies					25	32		
Total					**528**	**4,974**		

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.

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

2014 (NOK million)	**Assets**	**Liabilities**	**Total income**	**Total costs**	**Company's profit or loss of the year**	**Ownership share**	**No. of shares**
Mavi XV AS Group	45	0	6	-6	0	100 %	60,000

Note 40 - Business acquisitions/business combinations

General

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

Takeover of shares in SpareBank 1 Markets

SpareBank 1 SMN integrated its markets business with SpareBank 1 Markets against settlement in shares on 1 April 2015. SpareBank 1 SMN accordingly owns 73.4 per cent (27.3 per cent) of the shares of SpareBank 1 Markets and the company is consolidated as from the second quarter of 2015. Other owners are SpareBank 1 Nord-Norge (10.0 per cent), Samarbeidende Sparebanker (10.0 per cent), Sparebanken Hedmark (6.1 per cent) and other owners (0.6 per cent). The owners wish to strengthen a fully-fledged range of products and services in their market segment and to achieve coordination gains.

An purchase price allocation has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are valued at their fair value on the acquisition date. The difference between the Group's acquisition cost and the book value of the net assets of SpareBank 1 Markets results in an gain of about NOK 20 million in the Group accounts for the second quarter. In addition a new cost price is established for a previous asset resulting in income recognition of about NOK 16 million in the Group accounts. In the parent bank's accounts, sale of the markets business entails recognition of NOK 183 million as income. In addition, the shareholding in SpareBank 1 SMN Markets is written down by NOK 28 million at the parent bank.

Acquisition of accounting firms

SpareBank 1 Regnskapshuset SMN AS has in 2015 acquired SpareBank1 Regnskapshuset Avito AS (prev. Avito Regnskap AS) at Rørvik. This business is fully fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2015. SpareBank1 Regnskapshuset Merkantilservice AS, Sparebank 1 Regnskapshuset Ålesund AS and SpareBank 1 Regnskapshuset Avito AS have been merged into Sparebank1 Regnskapshuset SMN AS in 2015. Purchase price allocations have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group’s acquisition cost and book value of net assets is allocated to goodwill.

Note 41 - Significant transactions with related companies

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

	Subsidiaries		Other related companies	
Loans (NOK million)	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Outstanding loans as at 1 Jan*)	3,265	2,738	1,662	1,875
Loans issued in the period	782	271	3,554	495
Repayments	0	0	197	400
Outstanding loans as at 31 Dec	**4,047**	**3,009**	**5,019**	**1,971**
Interest rate income	86	84	144	36
Bonds and subordinated loans as at 31 Dec	89	89	1,718	1,526
Deposits (NOK million)				
Deposits as at 1 Jan	1,235	1,838	2,476	969
Contribution received during the period	24,819	21,892	94,570	22,753
Withdrawals	24,975	22,497	95,004	21,206
Deposits as at 31 Dec	**1,079**	**1,232**	**2,042**	**2,517**
Interest rate expenses	24	32	11	8
Securities trading	-	-	468	-491
Commission income SpareBank 1 Boligkreditt	-	-	326	417
Commission income SpareBank 1 Næringskreditt	-	-	8	10
Issued guarantees and amount guaranteed	137	137	35	75

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

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

Securities trading
SpareBank 1 SMN's subsidiaries Sparebank 1 Markets and Sparebank 1 Finans Midt-Norge 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 2015 paid NOK 26.2m in premium to SpareBank 1 SMN Pensjonskasse.

SpareBank 1 SMN

Note 42 - ECC capital and ownership structure

ECC capital

The Bank's ECC capital totals NOK 2,596,600,239 distributed on 129,836,443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2015 there was 8,059 ECC holders (8,395 as at 31 December 2014).

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)	**2015**	**2014**
ECC capital	2,597	2,597
Dividend equalisation reserve	3,790	3,122
Premium reserve	895	895
Unrealised gains reserve	179	90
A. The equity capital certificate owners' capital	**7,461**	**6,704**
Ownerless capital	4,105	3,619
Unrealised gains reserve	100	49
B. The saving bank reserve	**4,205**	**3,668**
Gifts	40	160
Dividend declared	292	292
Equity ex. profit for the period	**11,998**	**10,824**
Equity capital certificate ratio A/(A+B)	**63.96 %**	**64.64 %**
Average of ratio for distribution of profit	63.96 %	64.64 %

20 largest ECC holders at 31 Dec 2015	No. of ECCs	Holding
VPF Nordea Norge Verdi	4,810,413	3.70 %
Verdipapirfondet DNB Norge (IV)	4,147,494	3.19 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,826,686	2.95 %
State Street Bank and Trust CO (nominee)	3,472,091	2.67 %
VPF Odin Norden	3,363,290	2.59 %
VPF Pareto Aksje Norge	2,909,106	2.24 %
Vind LV AS	2,736,435	2.11 %
VPF Danske Invest Norske Aksjer Inst. II	2,400,567	1.85 %
Wimoh Invest AS	2,359,388	1.82 %
The Bank of New York Mellon (nominee)	1,892,398	1.46 %
Pareto AS	1,821,202	1.40 %
MP Pensjon PK	1,792,160	1.38 %
Forsvarets Personellservice	1,674,646	1.29 %
JP Morgan Chase Bank (Nominee)	1,611,137	1.24 %
VPF Nordea Kapital	1,383,148	1.07 %
DNB Livsforsikring AS	1,355,550	1.04 %
State Street Bank and Trust CO (nominee)	1,329,561	1.02 %
Verdipapirfondet DNB Norge Selektiv (III)	1,325,444	1.02 %
VPF Danske Invest Norske Aksjer Inst. I	1,207,123	0.93 %
The 20 largest ECC holders in total	**49,383,230**	**38.03 %**
Others	80,453,213	61.97 %
Total issued ECCs	**129,836,443**	**100.00 %**

Note 43 - Dividends from subsidiaries

Dividends (NOK million)	**2015**	**2014**
Dividends received from:		
SpareBank 1 Finans Midt-Norge AS	36	33
EiendomsMegler 1 Midt-Norge AS	32	37
SpareBank 1 Regnskapshuset SMN AS	25	10
Allegro Kapitalforvaltning ASA	4	6
SpareBank 1 SMN Invest AS	-	27
SpareBank 1 SMN Card Solutions AS	1	2
St. Olavs Plass 1 SMN AS	-	0
Sparebank 1 Bygget Trondheim AS	3	-
Sparebank 1 Bygget Steinkjer AS	1	-
Total dividends	**103**	**117**

Distributions (NOK million)	**2015**	**2014**
Profit for the year for distribution, Parent Bank	1,405	1,503
Allocated to dividends	292	292
Allocated to gifts	40	160
Transferred to equalisation fund	616	679
Transferred to ownerless capital	457	372
Total distributed	**1,405**	**1,503**

Note 44 - Subsequent events

No significant events affecting the Bank's accounts for 2015 have been recorded after the balance sheet date.

Financial summary (Group)

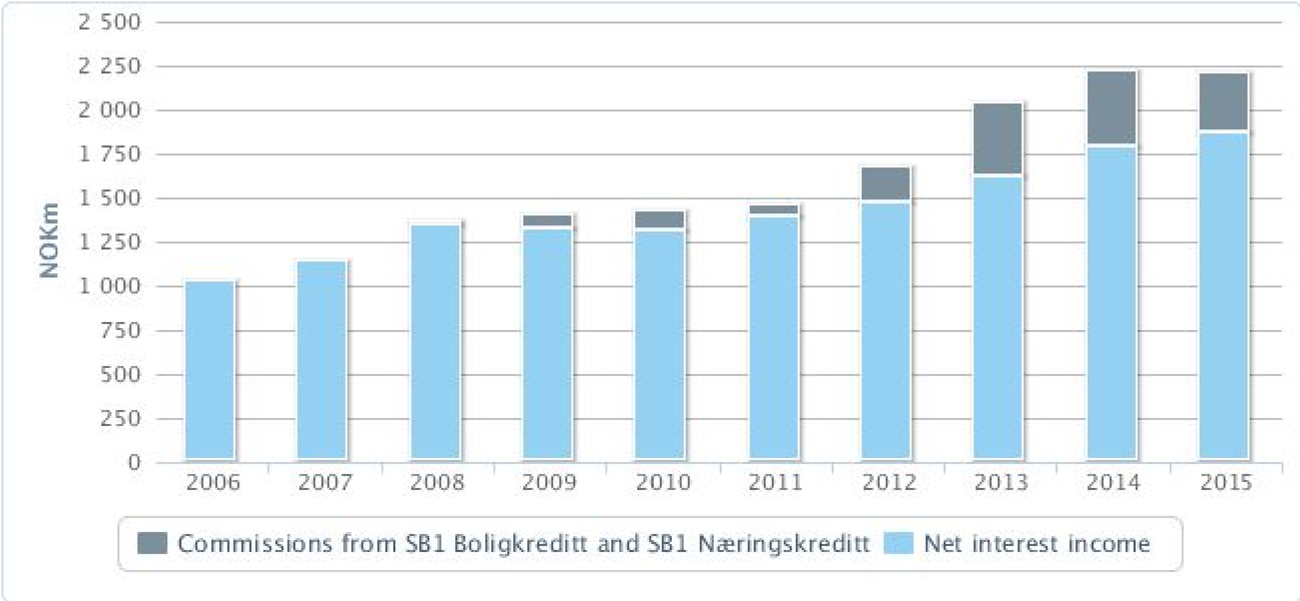
Income statement NOKm	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Interest income	4,031	4,265	4,118	3,928	3,891	3,422	3,462	4,827	3,484	2,392
Interest expenses	**2,159**	**2,475**	**2,502**	**2,451**	**2,499**	**2,105**	**2,137**	**3,477**	**2,345**	**1,369**
Net interest and credit comission income	**1,872**	**1,790**	**1,616**	**1,477**	**1,392**	**1,317**	**1,325**	**1,350**	**1,139**	**1,024**
Commision and fee income	1,545	1,512	1,463	1,139	919	855	756	610	671	580
Income from investment in related companies	448	527	355	244	248	276	349	393	233	190
Return on financial investements	11	193	147	207	186	133	247	-186	99	229
Total income	**3,876**	**4,021**	**3,580**	**3,067**	**2,746**	**2,582**	**2,677**	**2,167**	**2,142**	**2,022**
Salaries, fees and other personnel costs	1,093	1.002	914	924	810	583	725	623	583	512
Other operating expenses	838	787	807	730	672	557	528	571	519	478
Total costs	**1,931**	**1,789**	**1,722**	**1,654**	**1,482**	**1,140**	**1,253**	**1,194**	**1,103**	**990**
Operating profit before losses	**1,945**	**2,232**	**1,859**	**1,413**	**1,264**	**1,441**	**1,424**	**975**	**1,039**	**1,032**
Losses on loans and guarantees	169	89	101	58	27	132	277	202	-6	-84
Operating profit	**1,776**	**2,143**	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**773**	**1,045**	**1,116**
Taxes	370	362	388	295	255	260	210	156	200	219
Held for sale	-1	0	30	16	43	-27				
Profit of the year	**1,406**	**1,782**	**1,400**	**1,077**	**1,024**	**1,022**	**937**	**617**	**846**	**898**
Dividend	**292**	**292**	**227**	**195**	**190**	**285**	**201**	**116**	**324**	**303**
As a percentage of average total assets	**128,355**	**117,794**	**111,843**	**105,500**	**106,996**	**99,023**	**89,796**	**76,102**	**68,038**	**57,296**
Net interest and credit comission income	1.46 %	1.52 %	1.44 %	1.40 %	1.30 %	1.33 %	1.48 %	1.77 %	1.67 %	1.79 %
Commision and fee income	1.20 %	1.28 %	1.31 %	1.08 %	0.86 %	0.86 %	0.84 %	0.80 %	0.99 %	1.01 %
Income from investment in related companies	0.35 %	0.45 %	0.32 %	0.23 %	0.23 %	0.28 %	0.39 %	0.52 %	0.34 %	0.33 %
Return on financial investements	0.01 %	0.16 %	0.13 %	0.20 %	0.17 %	0.13 %	0.28 %	-0.24 %	0.15 %	0.40 %
Total costs	1.50 %	1.52 %	1.54 %	1.57 %	1.39 %	1.15 %	1.40 %	1.57 %	1.62 %	1.73 %
Operating profit before losses	1.52 %	1.89 %	1.66 %	1.34 %	1.18 %	1.45 %	1.59 %	1.28 %	1.53 %	1.80 %
Losses on loans and guarantees	0.13 %	0.08 %	0.09 %	0.06 %	0.03 %	0.13 %	0.31 %	0.27 %	-0.01 %	-0.15 %
Operating profit	1.38 %	1.82 %	1.57 %	1,28 %	1.16 %	1.32 %	1.28 %	1.02 %	1.54 %	1.95 %
Taxes	0.29 %	0.31 %	0.35 %	0.28 %	0.24 %	0.26 %	0.23 %	0.21 %	0.29 %	0.38 %
Held for sale	0.00 %	0.00 %	0.03 %	0.02 %	0.04 %	-0.03 %				
Profit of the year	**1.10 %**	**1.51 %**	**1.25 %**	**1.02 %**	**0.96 %**	**1.03 %**	**1.04 %**	**0.81 %**	**1.24 %**	**1.57 %**
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	5,677	5,965	5,984	4,091	4,075	2,532	1,260	4,548	3,878	2,323

CDs, bonds and other interest-bearing securities	30,282	27,891	26,358	25,614	21,485	22,948	19,302	12,035	7,246	5,602
Loans before loss provisions	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016	59,178	52,819
- Specified loan loss provisions	183	172	173	144	172	222	219	215	116	147
- Unspecified loan loss provisions	376	295	295	295	290	290	289	245	185	184
Other assets	2,540	2,080	2,938	3,766	3,251	3,182	2,704	4,540	1,502	2,765
Total assets	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,679**	**71,503**	**63,178**
Debt to credit institutions	8,155	9,123	6,581	7,410	9,118	13,062	11,310	9,000	5,346	2,766
Deposits from and debt to customers	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280	32,434	30,136
Debt created by issuance of securities	40,569	39,254	36,806	33,121	31,306	29,625	24,070	29,680	23,950	21,911
Other debt and accrued expences etc.	1,734	1,095	1,485	2,070	2,122	1,922	1,876	2,045	2,265	1,799
Subordinated debt	3,463	3,371	3,319	3,040	2,690	2,756	3,875	3,156	2,648	2,383
Total equity	13,904	12,524	11,242	10,082	8,348	7,846	6,183	5,518	4,860	4,183
Total liabilities and equity	**131,914**	**126,047**	**115,360**	**107,975**	**101,455**	**97,997**	**84,541**	**84,679**	**71,503**	**63,178**
Key figures										
Total assets	131,914	126,047	115,360	107,919	101,455	97,997	84,541	84,679	71,503	63,178
Average total assets	128,355	117,794	111,843	105,500	98,465	91,317	86,679	75,820	67,202	56,434
Gross loans to customers	93,974	90,578	80,548	74,943	73,105	69,847	61,782	64,016	59,178	52,819
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	127,378	120,435	112,283	104,925	95,232	87,665	77,429	71,317	61,910	52,819
Gross loans in retail market	80,725	74,087	68,591	62,587	55,034	49,619	45,157	42,679	38,872	33,808
Gross loans in corporate market	46,653	46,348	43,692	42,322	40,198	38,046	32,272	28,638	23,038	19,011
Deposits from and debt to customers	64,090	60,680	55,927	52,252	47,871	42,786	37,227	35,280	32,434	30,136
Deposits from retail market	28,336	26,496	23,891	22,279	20,860	19,052	17,898	17,566	16,070	15,408
Deposits from corporate market	35,754	34,184	32,036	29,973	27,011	23,734	19,330	17,715	16,363	13,967
Ordinary lending financed by ordinary deposits	68 %	67 %	69 %	70 %	65 %	61 %	60 %	55 %	55 %	57 %
Ordinary lending incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt financed by ordinary deposits	50 %	50 %	50 %	50 %	50 %	49 %	48 %	49 %	52 %	57 %
Capital adequacy										
CET1 Capital	12,192	10,679	9,374	8,254	6,687	6,177	4,938	4,356	3,291	3,043
Core capital	13,988	12,382	10,989	9,357	7,856	7,286	6,730	4,967	3,703	3,498
Primary capital	16,378	14,937	12,417	10,943	9,055	8,646	8,730	7,312	5,560	4,809
Risk weighted volume	89,465	95,317	84,591	82,446	75,337	66,688	64,400	61,538	47,775	40,473

Minimum requirements subordinated capital	7,157	7,625	6,767	6,596	6,027	5,335	5,152	4,923	3,822	3,238
CET 1 Ratio	13.63 %	11.20 %	11.08 %	10.01 %	8.87 %	9.27 %	7.67 %	7.13 %	7.41 %	7.52 %
Core capital ratio	15.63 %	12.99 %	12.99 %	11.35 %	10.43 %	10.93 %	10.45 %	8.07 %	8.41 %	8.64 %
Capital ratio	18.31 %	15.67 %	14.68 %	13.27 %	12.02 %	12.97 %	13.56 %	11.88 %	12.06 %	11.88 %
Cost/income ratio	50 %	44 %	48 %	54 %	53 %	44 %	47 %	55 %	51 %	49 %
Losses on loans	0.14 %	0.08 %	0.09 %	0.06 %	0.03 %	0.16 %	0.31 %	0.21 %	-0.01 %	-0.16 %
ROE	10.7 %	15.1 %	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %
EC price (NOK)	50.50	58,50	55,00	34,80	36,31	49,89	45,06	21,00	50,28	56,72
Growth in lending (gross)	5.8 %	7.3 %	7.0 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %
Growth in deposits	5.6 %	8.5 %	7.0 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %

Net profit and return on equity

Net interest income and commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt


2 500
2 250
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750
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250
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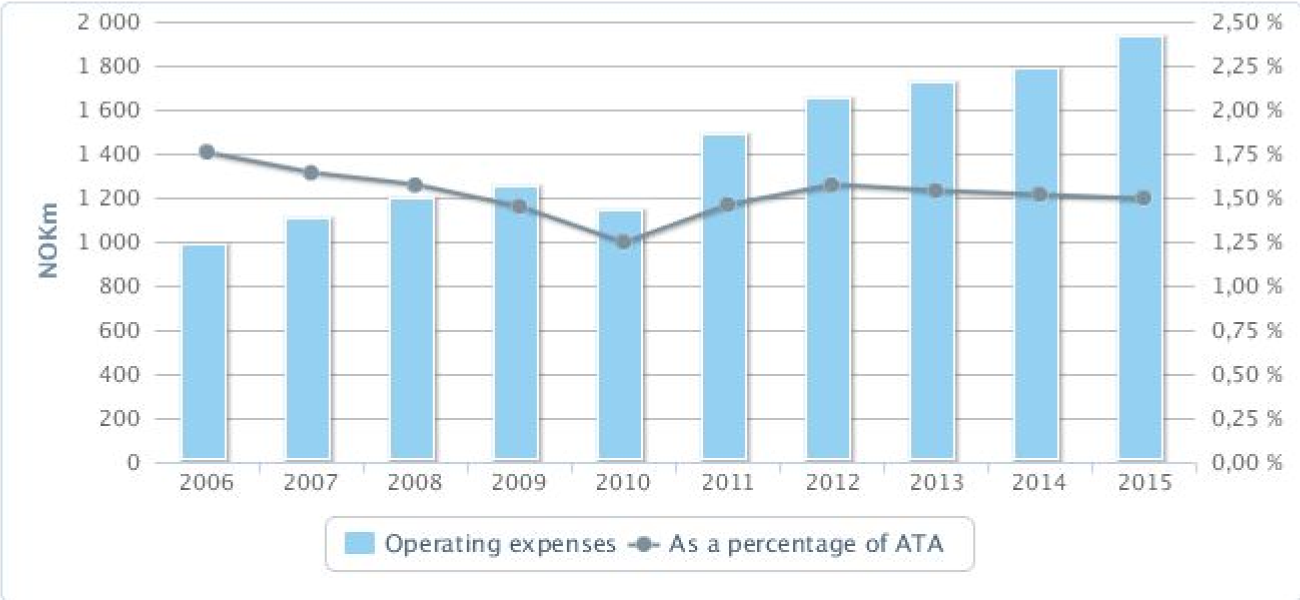
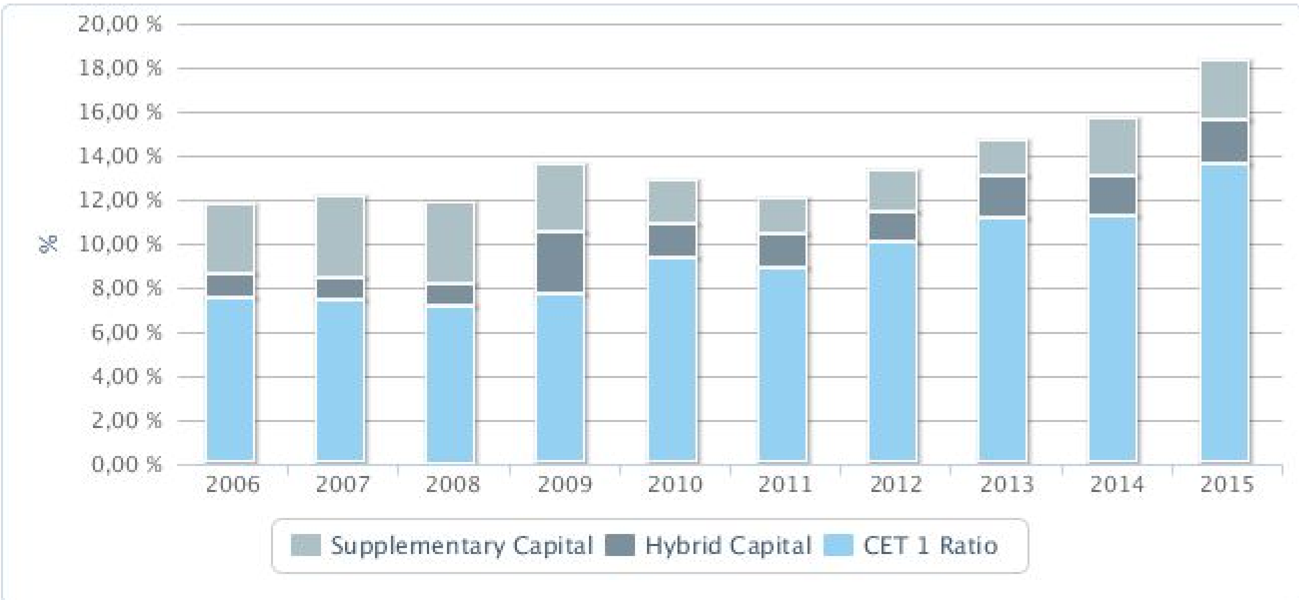
NOKm
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Commissions from SB1 Boligkreditt and SB1 Næringskreditt
Net interest income

Operating expenses

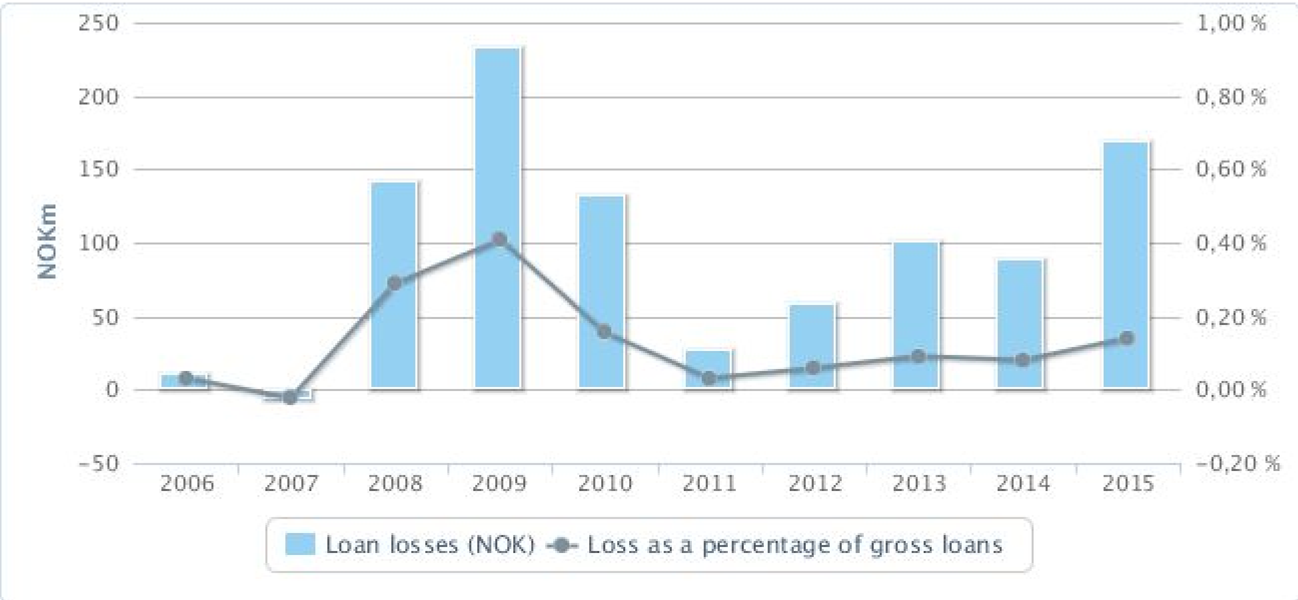


Capital ratio

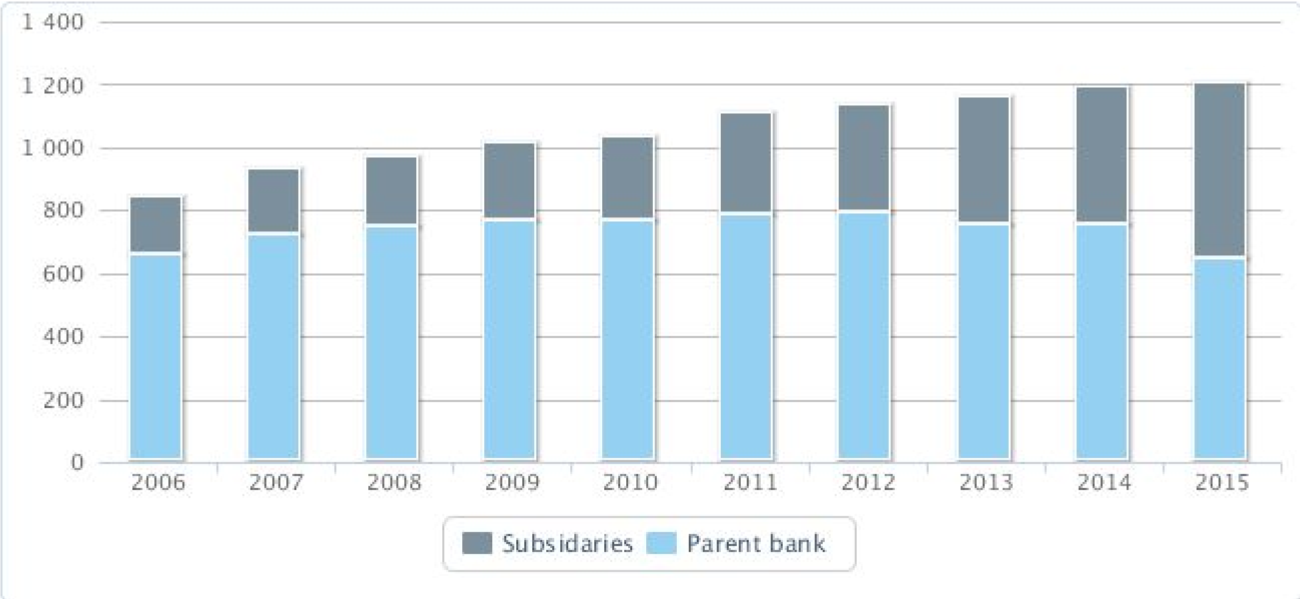


Loans and deposits

Loan losses



FTEs


1 400
1 200
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800
600
400
200
0
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
Subsidaries
Parent bank

Equity capital certificates

At the end of 2015 SpareBank 1 SMN's equity certificate (EC) capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 20 each. At the turn of the year the bank had a treasury holding of ECs totalling NOK 128,620 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. The new legislation entails 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 response to 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 CET1 capital.

Distribution of profit

Annual profit for distribution reflects changes of minus NOK 66m in the revaluation reserve, leaving the total amount for distribution at NOK 1,405m.

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.

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 to the equity certificate holders of 32 per cent of the Group's profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m in gifts to non-profit causes, representing a payout ratio of 8 per cent. NOK 616m and NOK 457m are added to the dividend equalisation fund and the ownerless capital respectively. The board of directors opts to dispense with the principle of an equal payout ratio between owner capital and ownerless capital in order to strengthen the capital position and in view of the fact that the bank's equity certificate is priced below its book value. The proposed distribution of the profit reflects the need to strengthen the bank's CET1 capital. Increasing the payout ratio the EC holders to 32 per cent (25 per cent) is in keeping with the capital plan.

Annual report 2014

After distribution of the profit for 2015, the EC holder ratio (EC holders' share of total equity) is 64.0 per cent.

Distribution of profit	2015	2014
Profit of the year, parent bank	1,471	1,447
Transferred from revaluation reserve	-66	57
Profit for distribution	**1,405**	**1,503**
Dividends	292	292
Equalisation fund	616	679
Ownerless capital	457	372
Gifts	40	160
Total distributed	**1,405**	**1,503**

Investor policy

The bank attaches importance to correct, relevant and timely information on the bank's progress and financial 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 2016

- 1st quarter: 29 April
- 2nd quarter: 11 August
- 3rd quarter: 28 October

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 339 to 8,059 in the course of 2015. The Bank's 20 largest EC holders controlled 38 per cent of the bank's ECs at end-2015, and 38.8 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2015.

ECs owned by investors in the counties of South and North Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 18.4 (18.5) per cent of the total, other Norwegian investors account for 60.3 (61.0) per cent and foreign owners for 21.3 (20.5) per cent. Foreign owners make up 4.0 (3.0) per cent of the total number of owners as of 31 December 2015.

Tax credit

In order to prevent double taxation of the bank and its EC holders, rules on tax credits apply (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.

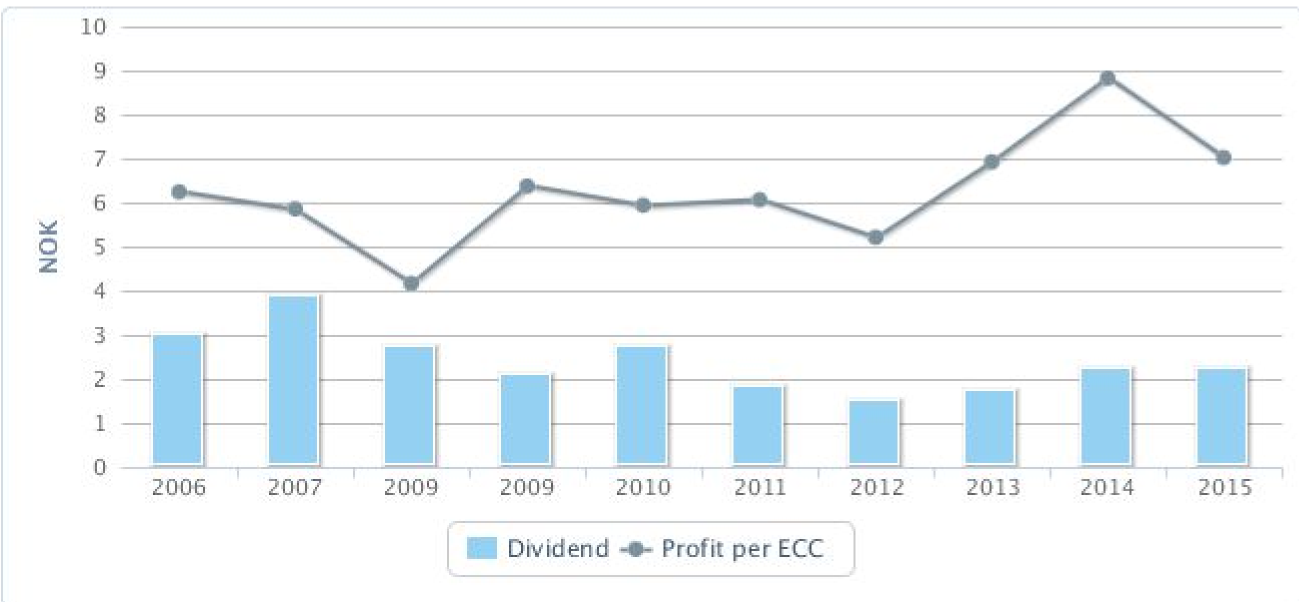
Market trend for the bank's EC in 2015

At end-2015 the market price of SpareBank 1 SMN's EC (MING) was NOK 50.50. At end-2014 the price was NOK 58.50. With a cash dividend of NOK 2.25 for 2015, the direct return on the EC is 4.5 per cent.

Key figures and ratios	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Quoted price	50.50	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72
No. of ECs issued, million	129.83	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70
Market value (NOKm)	6,556	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140
EC capital (NOKm)	2,597	2,597	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262
Equalisation fund (NOKm)	3,790	3,122	2,496	1,889	1,457	1,159	877	768	675	624
EC premium reserve (NOKm)	895	895	895	895	183	182	0	236	138	0
Dividend per EC	2.25	2.25	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04
Direct return [1]	4.5 %	3.8 %	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %
Dividend yield [2]	-4.1 %	10.5 %	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %
Book value per EC [3]	67.65	62.04	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31
Profit per EC [4]	7.02	8.82	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24
Price-Earnings Ratio	7.19	6.63	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38
Price-Book Value Ratio	0.75	0.94	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76
Payout ratio [5]	25 %	25 %	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %
EC fraction [6]	64.0 %	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %

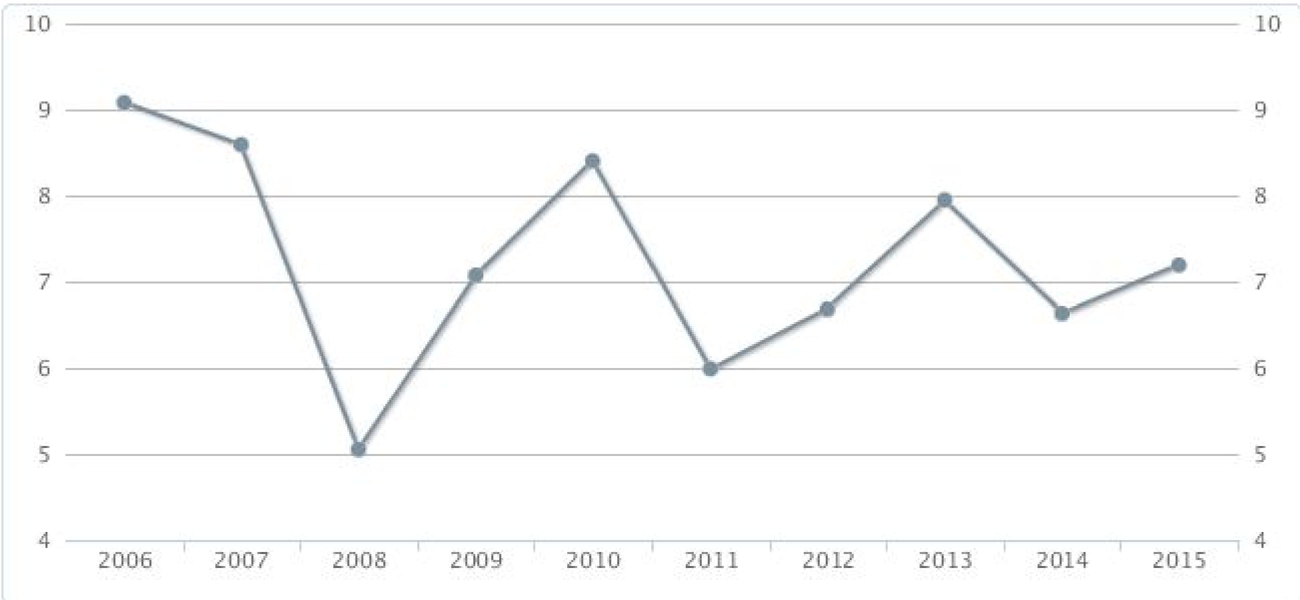
1) Dividend as per cent of quoted price at year-end.
2) Price rise over the year plus paid dividend as per cent of quoted price at start of year.
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.
4) ECs' portion 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)

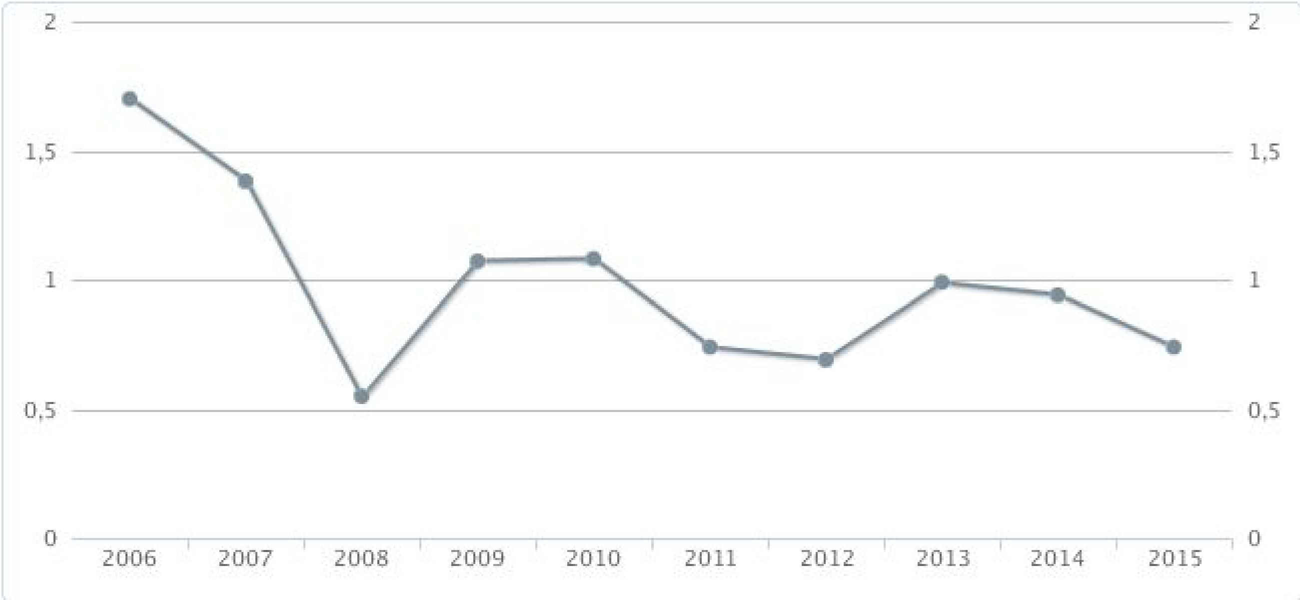


Market value

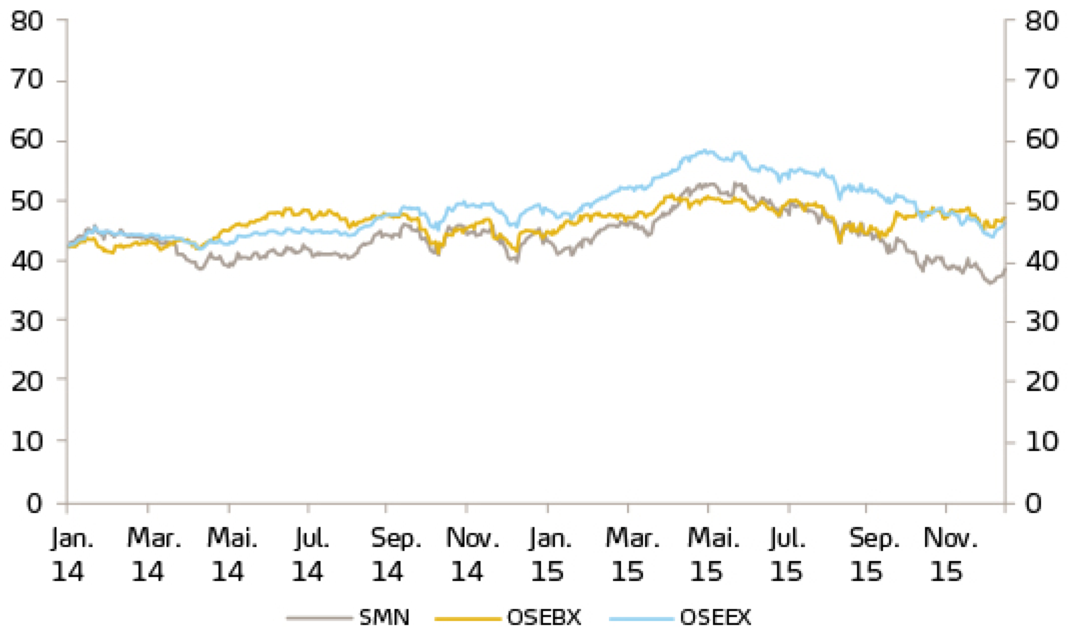
Price/earnings



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 2015 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group.

Trondheim, 7 March 2016
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
www.deloitte.no

Translation from the original Norwegian version

To the Supervisory Board of Sparebank 1 SMN

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 balance sheet as at December 31, 2015, the income statement and other comprehensive income, statement of changes in equity and statement of cash flows 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

December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report 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 concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit/coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Trondheim, 7 March 2016
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 2015

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 2015 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 2015.

Trondheim, 4 March 2016

The Control Committee of
SpareBank 1 SMN

Terje Lium Chair	Anders Lian Deputy Chair	Terje Ruud