

Notes

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Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2015. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts.

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

Guarantee fund levy

After the implementation of IFRIC 21, there has been a discussion of whether the annual levy to the guarantee fund for 2015 and 2016 should be expensed in first quarter. 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. The financial supervisory Authority (FSA) concluded in their circular from 19.november 2015 that the guarantee fund levy should be fully expensed in first quarter every year, and expects that the banks change their practice from first quarter 2016. The Ministry of Finance has in a letter from 8.april 2016 asked that FSA prepare draft for changes to the regulation regarding the calculation of levy upon withdrawal where the banks will get the levy refunded for the part of the year the bank is no longer a member of the guarantee fund. The Ministry of Finance requests that the consequences for the guarantee fund and other parties be assessed in the hearing, included the effect for the members' accounting for the levy. Due date for the response was set to 1.june 2016. Awaiting the FSA response, Sparebank 1 SMN has continued its earlier practice of accrual on a monthly basis.

The expense was 14,5 million in first quarter 2016, compared to 14,4 million in first quarter 2015. If the guarantee fund levy had been fully expensed in first quarter 2016, the interest expenses would increase by 43,6 million (42,9 million in 2015)

Pensions

The Group has not obtained a new calculation of pensions as of 31 March since no factors have been identified that significantly alter the pension liability.

For a further description of the various pension schemes, see note 24 - Pension in the 2015 annual report.

Companies held for sale

The strategy of SpareBank 1 SMN is that ownership in companies resulting from engagements in default should be of short duration, normally not more than a year. The investments are accounted for at fair value and classified as held for sale.

Assets and liabilities related to the company Brannstasjonen SMN AS have been presented as held for sale from 1Q 2016 as group management and board has approved the sale of the company, and the process for sale has come to the point where it is highly likely that a transaction will be completed before 12 months. Brannstasjonen SMN AS was founded in 2012 after SMN acquired Kongensgt 2, the previous fire station. The purpose was to develop the property for own use since the bank at that point had a need for more office space driven by the growth strategy and the newly established credit card company in addition to the need to integrate SMN Regnskapshuset in the head quarter. Subsequently, it has been shown that the need for office space is less than anticipated due to the digitalisation and efficiency gains to be realised.

2016 1Q (mill. kr)	Assets	Liabilities	Revenue	Expenses	Profit/Loss	Ownership
Mavi XV AS group	19	0	0	-0	-0	100 %
Brannstasjonen SMN AS	195	5	-	-0	-0	100 %
Total Held for sale	214	5	0	-1	-0	-

Stake in SpareBank 1 Finans Midt-Norge reduced

From 18. january 2016 the subsidiary SpareBank 1 Finans Midt-Norge has had Sparebanken Sogn og Fjordane as new owner and partner, as SpareBank 1 SMN reduced its ownership in the company by 7,5 prosent from 72,1 per cent to 64,6 per cent.

Note 3 - Account by business line

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.

The segment SB1 Markets comprises the subsidiary SpareBank 1 Markets as from the second quarter of 2015. SpareBank 1 Markets became a subsidiary on 1 April 2015 when SpareBank 1 SMN integrated its markets activity into SpareBank 1 Markets and at the same time increased its holding to 73.3 per cent.

In the reporting on the first quarter of 2015 and previously, the segment Markets comprised SpareBank 1 SMN's own markets activity in the parent bank. The result for the first quarter of 2015 moved to the column 'uncollated'.

Group 31 March 2016

Profit and loss account (NOKm)	RM	CM	SB1		SB1		SB1	BN	Uncollated	Total
			Markets	EM 1	Finans	Regnskaps-				
					huset	SMN	Gruppen	Bank		
Net interest	222	232	-2	1	43	-0	-	-	-26	469
Interest from allocated capital	14	12	-	-	-	-	-	-	-26	-
Total interest income	236	243	-2	1	43	-0	-	-	-52	469
Commission income and other income	166	49	59	86	-2	54	-	-	-11	401
Net return on financial investments **)	0	2	10	-	-	-	61	20	79	172
Total income	402	294	67	87	41	54	61	20	15	1,042
Total operating expenses	198	93	63	77	15	50	-	-	-6	489
Ordinary operating profit	204	202	5	10	26	4	61	20	22	553
Loss on loans, guarantees etc.	9	158	2	-	3	-	-	-	-2	170
Result before tax including held for sale	195	44	3	10	23	4	61	20	23	383
Post-tax return on equity*)	12.9 %	3.1 %								8.9 %
Balance (NOKm)										
Loans and advances to customers	86,451	37,479	-	-	4,603	-	-	-	987	129,520
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-32,769	-1,421	-	-	-	-	-	-	0	-34,190
Individual allowance for impairment on loan	-34	-155	-	-	-8	-	-	-	-2	-198
Group allowance for impairment on loan	-95	-414	-	-	-18	-	-	-	1	-527
Other assets	213	8	1,669	283	8	145	1,705	1,180	34,528	39,739
Total assets	53,767	35,497	1,669	283	4,585	145	1,705	1,180	35,515	134,345
Deposits to customers	33,671	29,655	-	-	-	-	-	-	525	63,851
Other liabilities and equity	20,096	5,842	1,669	283	4,585	145	1,705	1,180	34,989	70,494
Total liabilities	53,767	35,497	1,669	283	4,585	145	1,705	1,180	35,515	134,345

Group 31 March 2015

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1	SB1	SB1	BN	Uncollated	Total
					Finans	Regnskaps-				
					MN	huset SMN	Gruppen	Bank		
Net interest	221	216	-15	1	40	0	-	-	4	467
Interest from allocated capital	18	19	0	-	-	-	-	-	-36	-
Total interest income	239	235	-15	1	40	0	-	-	-32	467
Commission income and other income	173	43	3	83	-5	53	-	-	28	377
Net return on financial investments (**)	0	4	43	0	0	-	59	18	72	197
Total income	411	282	32	83	35	53	59	18	67	1,042
Total operating expenses	199	99	10	76	13	45	-	-	11	454
Ordinary operating profit	212	183	21	8	23	8	59	18	56	588
Loss on loans, guarantees etc.	3	17	-	-	2	-	-	-	-	22
Result before tax including held for sale	209	165	21	8	21	8	59	18	56	566
Post-tax return on equity*)	15.5 %	11.9 %								14.1 %

Balance (NOKm)

Loans and advances to customers	79,184	38,606	-	-	3,638	-	-	-	1,504	122,933
Adv. of this to SpareBank 1 Boligkreditt	-29,250	-1,371	-	-	-	-	-	-	-1	-30,622
Individual allowance for impairment on loan	-26	-125	-	-	-8	-	-	-	-2	-160
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-	-295
Other assets	224	5	-	283	4	123	1,482	1,220	28,491	31,831
Total assets	50,042	36,926	-	283	3,619	123	1,482	1,220	29,993	123,687
Deposits to customers	31,782	28,219	-	-	-	-	-	-	588	60,589
Other liabilities and equity	18,260	8,708	-	283	3,619	123	1,482	1,220	29,404	63,098
Total liabilities	50,042	36,926	-	283	3,619	123	1,482	1,220	29,993	123,687

*) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 14.5 percent to be in line with the capital plan.

**) Specification of net return on financial investments incl. investment held for sale (NOKm)

	1Q 2016	1Q 2015
Capital gains/dividends, shares	3	10
Bonds and derivatives	25	11
Forex and fixed income business, Markets	26	48
Net return on financial investments	53	69
SpareBank 1 Gruppen	61	59
SpareBank 1 Boligkreditt	24	41
SpareBank 1 Næringskreditt	8	8
BN Bank	20	18
SpareBank 1 Kredittkort	6	4
Companies owned by SpareBank 1 SMN Invest	6	-
Other companies	-6	-2
Income from investment in associates and joint ventures	119	128
Total net return on financial investments	172	197

Note 4 - Capital adequacy

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. As from 31 March 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.

As of 31 March 2016 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.

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 40 per cent in 2016 and 10 per cent thereafter. As at 31 March 2016 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 2015	31 Mar 2015	31 Mar 2016	(NOKm)	31 Mar 2016	31 Mar 2015	31 Dec 2015
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-6	-0	-21
895	895	895	Premium fund	895	895	895
3,790	3,122	3,790	Dividend equalisation fund	3,782	3,122	3,790
4,105	3,619	4,105	Savings bank's reserve	4,105	3,619	4,105
292	-	-	- Recommended dividends	-	-	292
40	-	-	- Provision for gifts	-	-	40
279	139	279	Unrealised gains reserve	290	148	290
-	-	-	- Other equity	1,705	1,622	1,597
-	-	-	- Non-controlling interests	372	78	318
-	389	193	Net profit	311	441	-
11,998	10,761	11,859	Total book equity	14,051	12,521	13,904
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-668	-569	-662
-	-	-	- Part of reserve for unrealised gains, associated companies	119	120	264
-332	-	-	- Deduction for allocated dividends and gifts	-	-	-332
-	-	-	- Non-controlling interests recognised in other equity capital	-372	-78	-318
-	-	-	- Non-controlling interests eligible for inclusion in CET1 capital	184	36	132
-93	-4	-93	Surplus financing of pension obligations	-43	-	-43
-	-389	-193	Net profit	-311	-441	-
-	270	100	Year-to-date profit included in core capital (73 per cent pre tax of group profit)	218	322	-
-33	-30	-35	Value adjustments due to requirements for prudent valuation	-57	-44	-55
-164	-277	-32	Positive value of adjusted expected loss under IRB Approach	-104	-381	-239
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-576	-477	-458
10,928	9,884	11,159	Total common equity Tier one	12,440	11,008	12,192
950	950	950	Hybrid capital, core capital	1,310	1,217	1,310
495	497	496	Hybrid capital covered by transitional provisions	496	497	495
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-9	-9
12,373	11,331	12,605	Total core capital	14,237	12,713	13,988

Supplementary capital in excess of core capital						
1,000	1,000	1,000	Subordinated capital	1,648	1,692	1,647
786	786	673	Subordinated capital covered by transitional provisions	673	786	786
-43	-43	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-43	-43
1,743	1,743	1,631	Total supplementary capital	2,279	2,435	2,390
14,116	13,074	14,236	Net subordinated capital	16,516	15,147	16,378
Minimum requirements subordinated capital						
1,027	1,258	1,063	Involvement with specialised enterprises	1,232	1,506	1,213
1,049	987	1,040	Other corporations exposure	1,086	1,038	1,105
1,093	1,089	1,134	Mass market exposure, property	1,606	1,447	1,557
157	141	162	Mass market exposure, SMEs	171	149	167
38	54	37	Other retail exposure	39	54	40
1,221	1,160	1,235	Equity investments	1	0	0
4,585	4,689	4,671	Total credit risk IRB	4,135	4,194	4,082
64	199	27	Debt risk	29	200	64
-	-	-	Equity risk	10	2	10
-	-	-	Currency risk	-	0	-
316	316	334	Operational risk	479	452	457
922	911	947	Exposures calculated using the standardised approach	1,893	2,025	1,805
53	42	45	Credit value adjustment risk (CVA)	91	97	106
-	-	-	Transitional arrangements	666	163	634
5,939	6,158	6,024	Minimum requirements subordinated capital	7,303	7,134	7,157
74,243	76,969	75,295	Risk weighted assets (RWA)	91,286	89,171	89,465
3,341	3,464	3,388	Minimum requirement on CET1 capital, 4.5 per cent	4,108	4,013	4,026
Capital Buffers						
1,856	1,924	1,882	Capital conservation buffer, 2.5 per cent	2,282	2,229	2,237
2,227	2,309	2,259	Systemic risk buffer, 3.0 per cent	2,739	2,675	2,684
742	-	753	Countercyclical buffer, 1.0 per cent	913	-	895
4,826	4,233	4,894	Total buffer requirements on CET1 capital	5,934	4,904	5,815
2,761	2,187	2,877	Available CET1 capital after buffer requirements	2,399	2,091	2,351
Capital adequacy						
14.7 %	12.8 %	14.8 %	Common equity Tier one ratio	13.6 %	12.3 %	13.6 %
16.7 %	14.7 %	16.7 %	Core capital ratio	15.6 %	14.3 %	15.6 %
19.0 %	17.0 %	18.9 %	Capital adequacy ratio	18.1 %	17.0 %	18.3 %
9.1 %	8.7 %	9.2 %	Leverage ratio	6.8 %	6.3 %	6.7 %

Note 5 - Distribution of loans by sector/industry

Parent Bank				Group		
31 Dec 2015	31 Mar 2015	31 Mar 2016	(NOKm)	31 Mar 2016	31 Mar 2015	31 Dec 2015
8,515	7,557	9,061	Agriculture, forestry, fisheries, hunting	9,222	7,694	8,674
1,485	1,137	1,351	Sea farming industries	1,715	1,322	1,807
2,387	1,920	2,537	Manufacturing	2,806	2,190	2,675
3,141	3,571	2,917	Construction, power and water supply	3,391	4,048	3,598
2,482	2,774	2,705	Retail trade, hotels and restaurants	2,898	2,937	2,666
6,043	5,995	5,609	Maritime sector	5,631	6,017	6,066
14,377	14,312	14,327	Property management	14,390	14,375	14,346
2,019	3,389	2,125	Business services	1,822	3,594	1,777
2,859	2,892	3,037	Transport and other services provision	3,544	3,344	3,355
192	266	194	Public administration	212	286	211
1,458	1,951	1,688	Other sectors	1,583	1,969	1,477
44,958	45,765	45,550	Gross loans in retail market	47,214	47,776	46,653
78,575	73,445	79,988	Wage earners	82,307	75,157	80,725
123,533	119,210	125,538	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	129,520	122,933	127,378
31,944	29,165	32,676	SpareBank 1 Boligkreditt	32,676	29,165	31,944
1,460	1,457	1,514	SpareBank 1 Næringskreditt	1,514	1,457	1,460
90,129	88,587	91,348	Gross loans in balance sheet	95,331	92,311	93,974
174	151	188	- Specified write-downs	198	160	183
358	278	508	- Collective write-downs	527	295	376
89,596	88,158	90,652	Net loans to and receivables from customers	94,606	91,855	93,415

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOKm)	1Q 16			1Q 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	6	9	15	1	-14	-13	2	9	11
+ Change in collective impairment losses provisions for the period	-	150	150	-	-	-	-	80	80
+ Actual loan losses on commitments for which provisions have been made	4	0	4	1	32	33	7	58	65
+ Actual loan losses on commitments for which no provision has been made	0	-0	0	2	0	2	8	4	12
- Recoveries on commitments previously written-off	0	1	1	1	1	1	6	3	9
Losses of the year on loans and guarantees	9	158	167	3	17	20	11	148	159

Group

Losses on loans and guarantees (NOKm)	1Q 16			1Q 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Change in individual impairment losses provisions for the period	6	10	16	1	-14	-13	3	9	11
+ Change in collective impairment losses provisions for the period	0	150	150	-	-	-	2	80	82
+ Actual loan losses on commitments for which provisions have been made	4	0	4	2	32	34	8	59	67
+ Actual loan losses on commitments for which no provision has been made	1	0	1	2	0	2	13	7	21
- Recoveries on commitments previously written-off	0	1	1	1	1	1	8	4	12
Losses of the year on loans and guarantees	11	159	170	4	18	22	18	151	169

Note 7 - Losses

Parent Bank

Individual write-downs (NOKm)	31 Mar 16			31 Mar 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	28	148	176	25	140	165	25	140	165
- Actual losses during the period for which provisions for individual impairment losses have been made previously	4	0	4	1	32	33	7	58	65
- Reversal of provisions from previous periods	2	3	5	1	1	2	2	40	43
+ Increased write-downs on provisions previously written down	7	4	11	1	4	4	1	21	22
+ Write-downs on provisions not previously written down	4	8	12	2	15	17	12	85	96
Individual write-downs to cover loss on loans and guarantees	34	157	190	26	126	152	28	148	176

*) Individually assessed impairment write-downs on guarantees, totalling NOK 1.8m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Mar 16			31 Mar 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 01.01	90	268	358	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	150	150	-	-	-	-	80	80
Collective write-downs to cover loss on loans and guarantees	90	418	508	90	188	278	90	268	358

Group

Individual write-downs (NOKm)	31 Mar 16			31 Mar 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1*	31	153	184	27	146	173	27	146	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	4	0	4	2	32	34	8	59	67
- Reversal of provisions from previous periods	2	3	5	1	1	2	3	42	46
+ Increased write-downs on provisions previously written down	7	4	11	1	4	4	1	21	22
+ Write-downs on provisions not previously written down	5	9	14	3	17	20	14	87	102
Individual write-downs to cover loss on loans and guarantees	37	163	200	28	133	161	31	153	184

*) Individually assessed impairment write-downs on guarantees, totalling NOK 1.8m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	31 Mar 16			31 Mar 15			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	96	281	376	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	0	150	150	-	-	-	2	80	82
Collective write-downs to cover loss on loans and guarantees	96	431	527	94	201	295	96	281	376

Note 8 - Defaults and problem loans

Parent Bank

	31 Mar 2016			31 Mar 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	141	28	169	142	82	224	133	38	171
- Individual write-downs	14	13	27	18	39	58	15	8	23
Net defaults	127	15	142	123	43	166	119	30	148
Provison rate	10 %	47 %	16 %	13 %	48 %	26 %	11 %	22 %	13 %
Problem loans									
Problem loans (not in default)	50	348	399	14	211	225	45	341	387
- Individual write-downs	20	143	163	7	87	94	13	139	152
Net problem loans	31	205	236	7	124	131	32	202	234
Provison rate	39 %	41 %	41 %	49 %	41 %	42 %	29 %	41 %	39 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q1

Group

	31 Mar 2016			31 Mar 2015			2015		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)									
Loans in default for more than 90 days *)	164	41	205	155	107	262	155	50	205
- Individual write-downs	15	15	31	20	42	61	17	9	26
Net defaults	148	26	174	135	65	200	138	41	179
Provison rate	9 %	37 %	15 %	13 %	39 %	23 %	11 %	18 %	13 %
Problem loans									
Problem loans (not in default)	56	356	411	15	219	234	49	350	399
- Individual write-downs	22	148	169	8	92	100	14	144	158
Net problem loans	34	208	242	7	127	134	34	206	241
Provison rate	39 %	41 %	41 %	54 %	42 %	43 %	30 %	41 %	40 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q1

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank				Group		
31 Dec 2015	31 Mar 2015	31 Mar 2016	(NOKm)	31 Mar 2016	31 Mar 2015	31 Dec 2015
2,541	2,548	2,661	Agriculture, forestry, fisheries, hunting	2,661	2,548	2,541
674	524	534	Sea farming industries	534	524	674
2,518	2,177	2,221	Manufacturing	2,221	2,177	2,518
2,164	2,092	1,733	Construction, power and water supply	1,733	2,092	2,164
4,116	3,764	3,331	Retail trade, hotels and restaurants	3,331	3,764	4,116
1,994	2,129	2,196	Maritime sector	2,196	2,129	1,994
4,295	4,282	4,311	Property management	4,105	4,138	4,099
4,836	4,610	5,185	Business services	5,185	4,610	4,836
4,643	4,714	5,183	Transport and other services provision	4,714	4,346	4,138
7,221	5,232	7,079	Public administration	7,079	5,232	7,221
1,755	2,572	2,050	Other sectors	1,761	2,536	1,454
36,756	34,645	36,485	Total	35,520	34,096	35,754
28,336	26,493	28,330	Wage earners	28,330	26,493	28,336
65,091	61,137	64,815	Total deposits	63,851	60,589	64,090

Note 10 - Net interest income

Parent bank			Group		
2015	1Q 15	1Q 16 (NOK million)	1Q 16	1Q 15	2015
Interest income					
112	28	31	14	10	43
3,447	901	766	824	929	3,669
304	77	68	68	77	304
1	0	-	4	3	16
3,865	1,007	865	910	1,019	4,031
Interest expense					
147	46	33	33	18	148
968	269	169	165	264	949
840	212	189	189	212	840
149	38	36	36	38	149
0	1	1	3	5	17
57	14	15	15	14	57
2,161	580	442	441	552	2,159
1,703	427	423	469	467	1,872

Note 11 - Operating expenses

Parent bank				Group		
2015	1Q 15	1Q 16	(NOKm)	1Q 16	1Q 15	2015
588	160	148	Personnel expenses	295	267	1,093
194	56	51	IT costs	64	62	240
18	5	5	Postage and transport of valuables	6	6	22
55	11	11	Marketing	20	23	96
41	10	10	Ordinary depreciation	24	25	104
123	30	30	Operating expenses, real properties	25	23	100
68	12	13	Purchased services	21	15	105
129	23	21	Other operating expenses	34	33	171
1,217	307	290	Total operating expenses	489	454	1,931

Note 12 - Other assets

Parent Bank				Group		
31 Dec 2015	31 Mar 2015	31 Mar 2016	(NOKm)	31 Mar 2016	31 Mar 2015	31 Dec 2015
33	-	33	Deferred tax asset	187	30	187
153	156	156	Fixed assets	992	1,098	1,065
23	33	6	Earned income not yet received	52	55	39
3	26	2,037	Accounts receivable, securities	2,353	26	200
124	6	124	Pensions	125	6	125
95	192	66	Other assets	274	371	381
431	412	2,421	Total other assets	3,982	1,587	1,996

Note 13 - Other liabilities

Parent Bank				Group		
31 Dec 2015	31 Mar 2015	31 Mar 2016	(NOKm)	31 Mar 2016	31 Mar 2015	31 Dec 2015
-	32	-	Deferred tax	21	45	21
420	238	315	Payable tax	363	265	459
13	10	13	Capital tax	13	10	13
70	553	370	Accruals	543	464	303
78	224	107	Provisions	107	224	78
25	25	25	Pension liabilities	31	32	31
46	137	40	Drawing debt	40	137	46
6	19	2	Creditors	59	67	39
61	59	249	Debt from securities	503	59	145
-	-	-	Equity Instruments	386	-	394
150	167	174	Other liabilities	212	194	204
868	1,463	1,294	Total other liabilities	2,279	1,495	1,734

Note 14 - Debt created by issue of securities and subordinated debt

Parent Bank					Group		
31 Dec 2015	31 Mar 2015	31 Mar 2016	(NOKm)		31 Mar 2016	31 Mar 2015	31 Dec 2015
-	2,305	-	Short-term debt instruments, nominal value		-	2,305	-
34,014	28,519	34,759	Bond debt, nominal value		34,759	28,519	34,014
775	824	813	Value adjustments		813	824	775
365	323	317	Accrued interest		317	323	365
35,154	31,971	35,888	Total		35,888	31,971	35,154

Change in securities debt (NOKm)

	31 Mar 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Bond debt, nominal value	34,759	2,438	1,300	-393	34,014
Value adjustments	813	-	-	38	775
Accrued interest	317	-	-	-49	365
Total	35,888	2,438	1,300	-404	35,154

Change in subordinated debt and hybrid instruments (NOKm)

	31 Mar 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Ordinary subordinated loan capital, nominal value	1,667	-	-	6	1,661
Perpetual subordinated loan capital, nominal value	299	-	-	-	299
Hybrid instruments, nominal value	1,400	-	-	-	1,400
Value adjustments	92	-	-	2	89
Accrued interest	27	-	-	13	14
Total	3,485	-	-	22	3,463

Note 15 - 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.

For a further description of the valuation methods, see note 27 in the annual accounts for 2015.

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2016:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	66	8,025	-	8,091
- Bonds and money market certificates	2,762	13,194	-	15,956
- Equity instruments	948	-	588	1,536
- Fixed interest loans	-	43	4,345	4,388
Financial assets available for sale				
- Equity instruments	-	-	108	108
Total assets	3,775	21,262	5,041	30,078
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	88	6,149	-	6,237
Equity instruments	380	7	-	387
Total liabilities	468	6,156	-	6,624

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2015:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	377	6,964	-	7,340
- Bonds and money market certificates	3,170	10,784	-	13,954
- Equity instruments	53	-	611	664
- Fixed interest loans	-	43	3,991	4,034
Financial assets available for sale				
- Equity instruments	-	-	35	35
Total assets	3,600	17,791	4,637	26,027
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	375	5,721	-	6,096
Total liabilities	375	5,721	-	6,096

The following table presents the changes in the instruments classified in level 3 as at 31 March 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 16	4,405	574	108	5,087
Investment in periode	148	11	-	159
Disposals in the periode	-230	-3	-	-233
Gain or loss on financial instruments	22	5	-	28
Closing balance	4,345	588	108	5,041

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

(NOKm)	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 periode	828	4	-	833
Disposals in the periode	-157	-20	-	-177
Gain or loss on financial instruments	43	2	-	45
Closing balance	3,991	611	35	4,637

Note 16 - Financial instruments and offsetting

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

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. 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 31. March 2016 the Bank has 27 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.

SpareBank 1 SMN was registered as a GCM member of NASDAQ OMX Clearing AB in October 2015. The bank has since December 2015 offered customers clearing representation related to their trade in electricity and salmon derivatives on NASDAQ OMX Oslo ASA and Fish Pool ASA. Clearing representation entails that the bank substitutes itself in the place of the client as counterparty to NASDAQ OMX Clearing AB and takes on the obligation to NASDAQ to furnish margin collateral and to execute settlement of contracts and pay charges. For the bank's exposure as a GCM, clients will furnish collateral in the form of a deposit of cash and/or encumbrance of assets.

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.

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 (NOKm)
31 Mar 2016	Derivatives	1.634
31 Mar 2015	Derivatives	1.407
31 Dec 2015	Derivatives	2.149

Group

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default (NOKm)
31 Mar 2016	Derivatives	1.612
31 Mar 2015	Derivatives	1.407
31 Dec 2015	Derivatives	2.120