# Notes

# Note 1 - General information

**Description of the business**

See “Business description” presented in the annual report.

**The SpareBank 1 SMN Group**

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

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

# Note 2 - IFRS accounting principles

**Basis for preparing the consolidated annual accounts**

The Group accounts for 2014 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the Parent Bank and Group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2014.

**Implemented accounting standards and other relevant rule changes in 2014**

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

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

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

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

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

The above standards are implemented as from 1 January 2014.

**New or revised accounting standards approved but not implemented in 2014**

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

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

**Presentation currency**

The presentation currency is the Norwegian krone (NOK), which is also the Bank's functional currency. All amounts are stated in millions of NOK unless otherwise specified.

**Consolidation**

The Group accounts include the Bank and all subsidiaries which are not due for divestment in the near future and which are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking's financial and operational principles with the intention of achieving benefits from the undertaking's activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated at the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while a negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

All intra-group transactions are eliminated in the preparation of the Group accounts. The minority's share of the Group result is presented on a separate line under profit after tax in the income statement. In the equity capital, the minority's share is shown as a separate item.

**Associated companies**
Associated companies are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 percent or more. Associated companies are accounted for by the equity capital method in the Group accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the result of the associated undertaking in its income statement. Associated companies are accounted for in the company accounts by the cost method. See also note 39 on investments in owner interest.

**Joint ventures**
Joint ventures may take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities. Joint control entails that the Bank by agreement exercises control together with other participants. The Bank accounts for jointly controlled operations and jointly controlled assets by recognising the Bank's proportional share of assets, liabilities and balance sheet items in the Bank's accounts. The governance structure for SpareBank 1-collaboration is regulated by an agreement between the owners. The Group classifies its participation in some companies as investments in jointly controlled entities and accounts for them by the equity method. See also note 39 on investments in owner interest.

**Loans and loan losses**
Loans are measured at amortised cost in keeping with IAS 39. Amortised cost is acquisition cost less repayments of principle, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for any value fall or loss likelihood. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument's expected lifetime.

Fixed interest loans to customers are recognised at fair value. Gains and losses due to changes in fair value are recognised in the income statement as value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the Group's view that recognising fixed interest loans at fair value provides more relevant information on balance sheet values.

**Write-down**
Amounts recorded on the Bank's balance sheet are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount. Each year on the balance sheet date, recoverable amounts are computed for goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use. Write-down is undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in estimates used to compute the recoverable amount.

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

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

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

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

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

**Collective write-downs on loans**

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

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

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

Determining customer migration involves continuous assessment of the creditworthiness of every single customer in the Bank's credit assessment systems.

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

**Non-performing/potential problem loans**

The overall exposure to a customer is regarded as non-performing and is included in the Group's lists of non-performing exposures once instalment and interest payments are 90 days or more past due or credit lines are overdrawn by 90 days or more. Loans and other exposures which are not non-performing but where the customer's financial situation makes it likely that the Group will incur loss, and an individually assessed impairment write-down has accordingly been made, are classified as potential problem loans.

**Value impairment of loans recognised at fair value**

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

**Actual losses**

Where the balance of evidence suggests that losses are permanent, losses are classified as actual losses. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by loss provisions, as well as surpluses and deficits in relation to earlier loss provisions, are recognised in the income statement.

**Repossessed assets**

As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as security for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Repossessed assets are carried according to type. Upon final disposal, the deviation from carrying value is entered in profit or loss based on the asset's type in the accounts.

**Non-current assets held for sale and discontinued operations**

Assets which the Board of Directors of the Bank has decided to sell are dealt with under IFRS 5. This type of asset is for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. In the case of assets which are initially depreciated, depreciation ceases when a decision is taken to sell. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

**Leases**

Financial leases are entered under the main item "loans" in the balance sheet and accounted for at amortised cost. All fixed revenues within the lease's expected lifetime are included when computing the effective interest.

**Securities and derivatives**

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency and interest-rate instruments. Shares and units are classified either at fair value through profit/loss or as available for sale. Money market instruments and bonds are classified at fair value through profit/loss, loans and receivables or in the category held to maturity. Derivatives are invariably recognised at fair value through profit/loss unless they are part of a cash flow hedge. However the Bank does not avail itself of cash flow hedges.

All financial instruments classified at fair value through profit/loss are measured at fair value, and change in value from the opening balance is recognised as revenue from other financial investments. Financial assets held for trading purposes are characterised by frequent trading and by positions being taken with the aim of short-term gain. Other such financial assets classified at fair value through profit/loss are investments defined upon initial recognition as classified at fair value through profit/loss (fair value option).

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

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

**Swap arrangement**

The government stimulus package allowing residential bonds to be exchanged for government securities is presented on a gross basis in accordance with IAS 32.

**Intangible assets**

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

**Property, plant and equipment**

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

Property, plant and equipment which are depreciated are subject to a depreciation test in keeping with IAS 36 when circumstances so indicate.

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

**Interest income and expenses**

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

**Commission income and expenses**

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

**Transactions and holdings in foreign currency**

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

**Hedge accounting**

The rate of tax in effect at all times is employed when calculating deferred tax. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account in respect of hedge effectiveness. The case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

**Fair value option**

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

**Income taxes**

Tax recorded in the profit and loss account comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method in keeping with IAS 12. The rate of tax in effect at all times is employed when calculating deferred tax. In the case of deferred tax, liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

In the case of deferred tax an asset is calculated on a tax loss carryforward. Assets in the case of deferred tax are recognised only to the extent that there is expectation of future taxable profits that enable use of the appurtenant tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the Group accounts in conformity with IAS 12.

**Deposits from customers**

Customer deposits are recognised at amortised cost.

**Debt created by issuance of securities**

Loans not included in hedge accounting are initially recognised at acquisition cost. This is the fair value of the compensation received after deduction of transaction fees. Loans are thereafter measured at amortised cost. Any difference between acquisition cost and settlement amount at maturity is accordingly accrued over the term of loan using the effective rate of interest on the loan. The fair value option is not applied in relation to group debt.

**Subordinated debt and hybrid capital**

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

**Uncertain commitments**

The Bank issues financial guarantees as part of its ordinary business. Loss assessments are made as part of the assessment of loan losses, are based on the same principles and are reported together with loan losses. Provisions are made for other uncertain commitments where there is a preponderant likelihood that the commitment will materialise and the financial consequences can be reliably calculated. Information is disclosed on uncertain commitments which do not meet the criteria for recognition in equity where such commitments are substantial. Restructuring expenses are provisioned in cases where the Bank has a contractual or legal obligation.

**Pensions**

The SpareBank 1 SMN Group has established various pension schemes for its staff. The pension schemes meet the requirements set for mandatory occupational pensions. The Group applies IAS 19R Employee Benefits, and all estimate deviations are entered in the statement of other revenues and expenses. See also note 25 on pensions.

**Defined benefit scheme**

In a defined benefit scheme the employer is obliged to pay a future pension of a specified size. The calculation of pension costs is based on a linear distribution of the pension earned against the probable accumulated liability at retirement. The costs are calculated on the basis of the pension rights accrued over the year less the return on the pension assets. The pension obligation is calculated as the present value of estimated future pension benefits which per the accounts are deemed to have been earned as of the balance sheet date. When calculating the pension liability use is made of actuarial and economic assumptions with regard to longevity, wage growth and the proportion likely to take early retirement. As from 2012, the interest rate on covered bonds is used as the discount rate in accordance with the recommendation of the Norwegian Accounting Standards Board.

Changes in pension plans are recognised at the time of the change. The pension cost is based on assumptions set at the beginning of the period and is classified as a staff cost in the accounts. Employer's contribution is allocated on pension costs and pension liabilities.

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

**Defined contribution**

Under a defined contribution pension scheme the Group does not provide a future pension of a given size; instead the Group pays an annual contribution to the employees' collection pension savings. The future pension will depend on the size of the contribution and annual return on the pension savings. The Group has no further obligations regarding the labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed.

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

**Early retirement pension scheme ("AFP")**

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

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

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

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

**Segment reporting**

SpareBank 1 SMN has Retail Market, Group Customers, SMBs and Markets, along with the most important subsidiaries and associates as its primary reporting format. The Group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format. The Group's segment reporting is in conformity with IFRS 8.

**Dividends and gifts**

Dividends on equity capital certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the Bank's Supervisory Board.

**Events after the balance sheet date**

The annual accounts are regarded as approved for publication once they have been considered by the Board of Directors. The Supervisory Board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the balance sheet date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the Board of Directors this assumption was met at the time the accounts were approved for presentation.

The Board of Directors' proposal for dividends is set out in the Directors' report and in the equity capital statement.

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

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

**Losses on loans and guarantees**

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

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

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

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

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

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

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

**Fair value of equity capital interests**

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

**Fair value of derivatives**

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market.

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

**Intangible assets**

Write-down tests of intangible assets are largely based on discounting of expected future cash flows. Cash flow estimates will invariably be subject to substantial uncertainty, and in some cases the methods used to assign cash flows to different assets will also be encumbered with uncertainty.

### Pensions

Net pension commitments and the pension cost for the year are based on a number of estimates, including: return on pension assets, future interest and inflation rates, wage trend, turnover, the basic state pension entitlement and the general trend in the number of disability pensioners, all of which are of major significance. Estimate changes resulting from changes in the parameters mentioned will in large measure be accrued over average remaining earning period and not be immediately charged to profit in the same way as other estimate changes. As from 1 January 2008 the defined contribution pension scheme is closed to new members. As from the same date the Group is offering its employees a defined contribution scheme, thereby reducing the extent of uncertainty attending the Group's pension scheme. The Group follows the updated guidance on pension assumptions from the Norwegian Accounting Standards Board, adjusted for company-specific factors. Parameters employed are shown in the note on pensions. In accordance to IAS 19R all estimate deviations shall be entered in the statement on other comprehensive income.

### Goodwill

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

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

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

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

### Significant acquisitions

Acquisition of another company must be accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). Under IFRS 3 point 62 the PPA may be considered provisional or final.

The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at time of acquisition. Although some uncertainty invariably attends estimation items, they are supported as fully as possible by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40 on business acquisitions/business combinations.

### Non-current assets held for sale (IFRS 5)

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

### Sale of loan portfolios

In the transfer of loan portfolios to Eksportfinans, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all transferred portfolios were derecognised from the Parent Bank’s balance sheet. See also note 9 on derecognition of financial assets.

# Note 4 - Segment information

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

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

**Group 31 December 2014**

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

**Group 31 December 2013**

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

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

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

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

## Note 5 - Capital adequacy and capital management

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

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

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

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

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

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

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

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

Comparatives have not been restated.

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

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

# Note 6 - Risk factors

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

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

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

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

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

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

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

**Credit risk**
Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group. The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

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

Concentration risk is managed by distribution between the retail market and corporate market, limits on the size of loans and loss given default on individual exposures, limits on maximum exposure and application of economic capital within lines of business, limits on regulatory risk weighted assets for the retail market and the corporate market and special requirements as to maximum exposure, credit quality and number of exposures above 10 per cent of own funds.

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

The Bank has approval to use internal models in its risk management and capital calculation (IRB), and has applied to Finanstilsynet for permission to use the advanced approach for its loans to corporates. As of end-2014 the Bank had not received a reply to its application.

The Bank's risk classification system is designed to enable the Bank's loan portfolio to be managed in conformity with the Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO and the executive directors. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

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

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

**1. Probability of Default (PD)**
The Bank's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Liquidity risk**

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

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

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

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

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

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

Access to captial has been satisfactory throughout 2013.

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

**Operational risk**

Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of ICT or other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Bank's current activity.

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

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

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

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

Operational losses are reported to the Board of Directors.

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

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

Note 13: Maximum credit risk exposure, disregarding collateral

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to foreign exchange risk

## Note 7 - Credit institutions - loans and advances

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

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

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

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

# Note 8 - Loans and advances to customers

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

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

**Specified by risk group**

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

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

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

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

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

| Parent Bank 2013 | Parent Bank 2014 | Total contracts | Group 2014 | Group 2013 |
|---|---|---|---|---|
| 46,680 | 52,394 | Lowest risk | 52,724 | 46,927 |
| 22,631 | 24,969 | Low risk | 25,809 | 23,418 |
| 16,275 | 18,846 | Medium risk | 20,520 | 17,831 |
| 3,644 | 3,972 | High risk | 4,416 | 4,008 |

| | | | | |
|---|---|---|---|---|
| 1,988 | 1,484 | Highest risk | 1,868 | 2,321 |
| 457 | 432 | Default and written down* | 520 | 543 |
| **91,676** | **102,098** | **Total** | **105,858** | **95,047** |

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

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

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

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

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

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

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

| **Parent Bank** | | | **Group** | |
|---|---|---|---|---|
| **2013** | **2014** | **Total contracts SpareBank 1 Boligkreditt** | **2014** | **2013** |
| 307 | 592 | Lowest risk | 592 | 307 |
| 657 | 116 | Low risk | 116 | 657 |

| | | | | |
|---|---|---|---|---|
| 257 | 754 | Medium risk | 754 | 257 |
| **1,221** | **1,463** | **Total** | **1,463** | **1,221** |

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

**Specified by sector and industry**

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

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

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

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

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

**Specified by geographic area**

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

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

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

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

## Note 9 - Derecognition of financial assets

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

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

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

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

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

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

**SpareBank 1 Boligkreditt**

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

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

*Liquidity facility*

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

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

*Financial strength*

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

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

**SpareBank 1 Næringskreditt**

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

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

*Liquidity facility*

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

*Financial strength*

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

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

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

**Parent Bank**

**2014**

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

**2013**

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

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

**Group**

**2014**

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

**2013**

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

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

## Note 11 - Losses on loans and guarantees

**Parent Bank (NOK million)**

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

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

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

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

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

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

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

**Group (NOK million)**

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

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

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

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

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

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

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

## Note 12 - Credit risk exposure for each internal risk rating

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

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

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

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

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

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

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

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

## Note 13 - Maximum credit risk exposure, disregarding collateral

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

**Parent Bank**

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

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

**Group**

| 2014 (NOK million) | Maximum exposure to credit risk | Collateral in property | Collateral in securities | Other collateral *) |
|---|---|---|---|---|
| **Assets** | | | | |
| Balances with central banks | 4,498 | - | - | - |

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

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

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

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

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

**Credit risk exposure related to financial assets distributed by geographical area**

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

## Note 14 - Financial instruments and offsetting

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

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

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

Parent Bank and Group are identical.

## Note 15 - Credit quality per class of financial assets

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

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

Historical data are restated in accordance with new calculations of estimated defaults. See note 6 on risk factors, and the section on probability of default.

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

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

| Group<br>2014 (NOK million) | | Neither defaulted nor written down | | | | | Defaulted or | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Lowest risk | Low risk | Medium risk | High risk | Highest risk | written down *) | Total |

| | Notes | Lowest risk | Low risk | Medium risk | High risk | Highest risk | Defaulted or written down *) | Total |
|---|---|---|---|---|---|---|---|---|
| **Loans to and claims on credit institutions** | 7 | **1,287** | **-** | **-** | **-** | **-** | **-** | **1,287** |
| **Loans to and claims on customers** | 8 | | | | | | | |
| Retail market | | 34,900 | 9,727 | 5,253 | 1,118 | 1,165 | 203 | **52,365** |
| Corporate market | | 11,186 | 12,037 | 11,069 | 2,750 | 648 | 284 | **37,974** |
| **Total** | | **46,086** | **21,764** | **16,322** | **3,867** | **1,813** | **487** | **90,339** |
| **Financial investments** | 29 | | | | | | | |
| Quoted government bonds | | 4,642 | - | - | - | - | - | **4,642** |
| Quoted other bonds | | 4,020 | 2,234 | 1,010 | 85 | 34 | - | **7,383** |
| Unquoted government bonds | | 1,215 | - | - | - | - | - | **1,215** |
| Unquoted bonds | | 244 | 450 | 141 | 24 | 13 | - | **871** |
| **Total** | | **10,120** | **2,684** | **1,151** | **108** | **47** | **-** | **14,110** |
| **Total** | | **57,493** | **24,448** | **17,473** | **3,976** | **1,860** | **487** | **105,736** |

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

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

## Note 16 - Market risk related to interest rate risk

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

Interest rate risk has been low throughout 2014 and below the maximum limit of 800.000 set by the Board of Directors. For further details regarding interest rate risk, please refer to note 6 on risk factors.

| | Interest rate risk, 1 % change | |
|---|---|---|
| **Basis risk Group (NOK million)** | **2014** | **2013** |
| *Currency* | | |
| NOK | -15 | 42 |
| EUR | -1 | 1 |
| USD | -5 | 5 |
| CHF | -5 | -6 |
| Other | -1 | -33 |
| **Total interest rate risk, effect on result after tax** | **-26** | **8** |

Total interest rate risk suggests that the Bank will have losses from an increase in the interest rate in 2014. The bank would have a gain in 2013.

The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains and losses within the respective maturities.

| | Interest rate risk, 1 % change | |
|---|---|---|
| **Interest rate curve risk, Group (NOK million)** | **2014** | **2013** |
| 0 - 1 month | -14 | -17 |
| 1 - 3 months | 2 | 25 |
| 3 - 6 months | -8 | 4 |
| 6 - 12 months | 9 | 12 |
| 1 - 2 years | -4 | -72 |
| 2 - 3 years | 2 | 9 |
| 3 - 4 years | 4 | -16 |
| 4 - 5 years | -10 | 42 |
| 5 - 7 years | -4 | 10 |
| 7 - 10 years | -3 | 13 |
| **Total interest rate risk, effect on result after tax** | **-26** | **8** |

## Note 17 - Market risk related to currency exposure

Foreign exchange risk arises where there are differences between the Group's assets and liabilities in the particular currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has drawn up limits for net exposure in each individual currency, as well as limits for aggregate net foreign currency exposure (expressed as the higher of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, on a net basis, exceed NOK 85 million per individual currency or NOK 100 million on an aggregate basis.

Foreign exchange risk was low throughout the year and within the maximum limit of NOK 24 million. For further details see note 6 on risk factors.

| **Parent Bank** | | **Net foreign exchange exposure NOK** | **Group** | |
|---|---|---|---|---|
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| -25 | 1 | EUR | 1 | -25 |
| 32 | -5 | USD | -5 | 32 |
| -9 | -16 | SEK | -16 | -9 |
| -15 | -16 | Other | -16 | -15 |
| **-17** | **-36** | **Total** | **-36** | **-17** |
| | | | | |
| 100 | 100 | Overall currency limit | 100 | 100 |
| 85 | 85 | Total per currency | 85 | 85 |
| | | | | |
| 2.4 | 1.1 | Result effect of 3% change | 1.1 | 2.4 |

# Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 on risk factors for a detailed description.

**Group**

| At 31.12.2014 (NOK million) | On demand | Below 3 months | 3-12 months | 1-5 yrs | Above 5 yrs | Total |
|---|---|---|---|---|---|---|
| **Cash flows related to liabilities** | | | | | | |
| Debt to credit institutions | 7,696 | 1,301 | - | - | 121 | 9,118 |
| Deposits from and debt to customers | 54,893 | 1,358 | 1,429 | 2,975 | - | 60,655 |
| Debt created by issuance of securities | - | 3,621 | 1,245 | 24,419 | 2,578 | 31,863 |
| Derivatives - contractual cash flow out | - | 904 | 748 | 7,703 | 1,555 | 10,910 |
| Other commitments | 37 | 1,370 | 537 | 96 | - | 2,040 |
| Subordinated debt | - | - | - | 2,808 | 450 | 3,258 |
| **Total cash flow, liabilities** | **62,626** | **8,555** | **3,959** | **38,001** | **4,704** | **117,844** |
| | | | | | | |
| Contractual cash flows out | - | 904 | 748 | 7,703 | 1,555 | 10,910 |
| Contractual cash flows in | - | -938 | -902 | -8,055 | -1,744 | -11,639 |
| **Net contractual cash flows** | **-** | **-33** | **-154** | **-352** | **-189** | **-729** |

**Group**

| At 31.12.2013 (NOK million) | On demand | Below 3 months | 3-12 months | 1-5 yrs | Above 5 yrs | Total |
|---|---|---|---|---|---|---|
| **Cash flows related to liabilities** | | | | | | |
| Debt to credit institutions | 4,161 | 87 | 1,143 | 1,052 | 131 | 6,573 |
| Deposits from and debt to customers | 50,039 | 1,385 | 1,486 | 2,969 | - | 55,879 |
| Debt created by issuance of securities | - | 4,965 | 4,698 | 21,622 | 2,400 | 33,685 |
| Derivatives - contractual cash flow out | - | 1,584 | 845 | 5,443 | 1,429 | 9,301 |
| Other commitments | 34 | 1,595 | 608 | 66 | - | 2,303 |
| Subordinated debt | - | - | - | 2,772 | 450 | 3,222 |
| **Total cash flow, liabilities** | **54,234** | **9,616** | **8,780** | **33,924** | **4,410** | **110,964** |
| | | | | | | |
| Contractual cash flows out | - | 1,584 | 845 | 5,443 | 1,429 | 9,301 |
| Contractual cash flows in | - | -1,578 | -1,004 | -6,039 | -1,646 | -10,267 |
| **Net contractual cash flows** | **-** | **6** | **-159** | **-596** | **-217** | **-966** |

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

## Note 19 - Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities maturing one year or otherwise after the balance sheet date. Overdraft facilities and consumer credit incl. flexi-loans are included under the interval "below 3 months".

**Parent Bank**

| 2014 (NOK million) | On demand | Below 3 months | 3-12 months | 1-5 yrs | Above 5 yrs | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and claims on central banks | 4,676 | - | - | - | - | 4,676 |
| Loans and claims on credit institutions | 3,167 | 1,107 | - | - | 89 | 4,362 |
| *Loans to and claims on customers* | | *15,836* | *2,078* | *11,322* | *57,452* | *86,687* |
| *- Individual write down of loans to and claims on customers* | - | - | *-164* | - | - | *-164* |
| *- Groupwise write down of loans to and claims on customers* | - | - | *-278* | - | - | *-278* |
| Net loans to customers | - | 15,836 | 1,635 | 11,322 | 57,452 | 86,245 |
| Securities - designated at fair value through profit/loss | 253 | 2,474 | 2,385 | 5,727 | 3,525 | 14,363 |
| Derivatives | - | 99 | 905 | 4,207 | 1,554 | 6,766 |
| Securities- available for sale | 4 | - | - | - | - | 4 |
| Securities - held to maturity | - | - | - | - | - | 0 |
| Securities - loans and receivables | - | - | - | - | - | 0 |
| Investment in associates and joint ventures | 5,851 | - | - | - | - | 5,851 |
| Intangible assets | - | - | - | - | 447 | 447 |
| Property, plant and equipment | 162 | - | - | - | - | 162 |
| Other assets | 207 | 1,361 | 144 | 31 | - | 1,743 |
| **Total assets** | **14,320** | **20,877** | **5,069** | **21,286** | **63,066** | **124,619** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Debt to credit institutions | 7,696 | 1,301 | - | - | 121 | 9,118 |
| Funding, "swap" arrangement with the government | - | - | - | - | - | 0 |
| Deposits from and debt to customers *) | 55,415 | 1,358 | 1,429 | 2,975 | - | 61,177 |
| Debt created by issuance of securities | - | 3,621 | 1,260 | 24,824 | 2,927 | 32,632 |
| Derivatives | - | 53 | 638 | 2,928 | 2,103 | 5,722 |
| Liabilities in connection with period tax | - | 22 | 373 | - | - | 395 |
| Liabilities in connection with deferred tax | - | - | - | 32 | - | 32 |
| Other liabilities | 37 | 1,198 | 85 | 45 | - | 1,364 |
| Subordinated debt **) | - | - | - | - | 3,356 | 3,356 |
| **Total debt** | **63,148** | **7,553** | **3,785** | **30,803** | **8,507** | **113,795** |

**Group**

| 2014 (NOK million) | On demand | Below 3 months | 3-12 months | 1 - 5 yrs | Above 5 yrs | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and claims on central banks | 4,676 | - | - | - | - | 4,676 |
| Loans and claims on credit institutions | 177 | 1,110 | - | - | - | 1,287 |
| *Loans to and claims on customers* | - | *15,855* | *2,181* | *13,519* | *58,783* | *90,339* |
| *- Individual write down of loans to and claims on customers* | - | - | *-172* | - | - | *-172* |
| *- Groupwise write down of loans to and claims on customers* | - | - | *-295* | - | - | *-295* |
| Net loans to customers | - | 15,855 | 1,715 | 13,519 | 58,783 | 89,872 |
| Securities - designated at fair value through profit/loss | 673 | 2,474 | 2,385 | 5,727 | 3,525 | 14,783 |
| Derivatives | - | 99 | 872 | 4,205 | 1,497 | 6,674 |
| Securities- available for sale | 35 | - | - | - | - | 35 |
| Securities - held to maturity | - | - | - | - | - | - |
| Securities -at cost | - | - | - | - | - | 0 |
| Securities - loans and receivables | - | - | - | - | - | 0 |
| Investment in associates and joint ventures | 5,129 | - | - | - | - | 5,129 |
| Intangible assets | - | - | - | - | 526 | 526 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 1,120 | - | - | - | - | 1,120 |
| Other assets | 354 | 1,371 | 144 | 75 | - | 1,944 |
| **Total assets** | **12,164** | **20,910** | **5,115** | **23,527** | **64,331** | **126,047** |
| | | | | | | |
| **Liabilities** | | | | | | |
| Debt to credit institutions | 7,696 | 1,301 | - | - | 121 | 9,118 |
| Funding, "swap" arrangement with the government | - | - | - | - | - | 0 |
| Deposits from and debt to customers *) | 54,893 | 1,358 | 1,429 | 2,975 | - | 60,655 |
| Debt created by issuance of securities | - | 3,621 | 1,260 | 24,824 | 2,927 | 32,632 |
| Derivatives | - | 53 | 638 | 2,928 | 2,103 | 5,722 |
| Liabilities in connection with period tax | - | 44 | 408 | - | - | 452 |
| Liabilities in connection with deferred tax | - | - | - | 45 | - | 45 |
| Other liabilities | 37 | 1,326 | 129 | 51 | - | 1,543 |
| Subordinated debt **) | - | - | - | - | 3,356 | 3,356 |
| **Total debt** | **62,626** | **7,703** | **3,864** | **30,823** | **8,507** | **113,523** |

*) The customer deposits portfolio is mainly classified in the category "on demand". Based on empirical experience, customer deposits may grow in the period ahead. The growth in this deposit portfolio was 10.9 per cent (7.3 per cent) in 2014. A deposit guarantee for deposits of up to NOK 2 million has been established in accordance with the Act on guarantee schemes for banks.

**) The maturity structure for subordinated debt is based on final maturity.

## Note 20 - Net interest income

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| | | **Interest income** | | |
| 112 | 138 | Interest income from loans to and claims on central banks and credit institutions | 58 | 34 |
| 3,515 | 3,699 | Interest income from loans to and claims on customers | 3,810 | 3,614 |
| 455 | 381 | Interest income from money market instruments, bonds and other fixed income securities | 381 | 454 |
| 10 | 5 | Other interest income | 17 | 15 |
| **4,092** | **4,223** | **Total interest income** | **4,265** | **4,118** |
| | | **Interest expense** | | |
| 202 | 189 | Interest expenses on liabilities to credit institutions | 91 | 117 |
| 1,197 | 1,240 | Interest expenses relating to deposits from and liabilities to customers | 1,216 | 1,160 |
| 994 | 931 | Interest expenses related to the issuance of securities | 931 | 994 |
| 149 | 157 | Interest expenses on subordinated debt | 157 | 149 |
| 62 | 61 | Other interest expenses | 81 | 81 |
| **2,604** | **2,578** | **Total interest expense** | **2,475** | **2,502** |
| **1,487** | **1,644** | **Net interest income** | **1,790** | **1,616** |

# Note 21 - Net commission income and other income

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| | | **Commission income** | | |
| 67 | 73 | Guarantee commission | 73 | 67 |
| - | - | Broker commission | 223 | 224 |
| 38 | 37 | Portfolio commission, savings products | 50 | 55 |
| 2 | - | Sales commission, savings products | 0 | 2 |
| 414 | 417 | Commission from SpareBank 1 Boligkreditt | 417 | 414 |
| 8 | 10 | Commission from SpareBank 1 Næringskreditt | 10 | 8 |
| 283 | 322 | Payment transmission services | 328 | 300 |
| 124 | 138 | Commission from insurance services | 138 | 124 |
| 35 | 34 | Other commission income | 41 | 37 |
| **970** | **1,031** | **Total commission income** | **1,281** | **1,230** |
| | | **Commission expenses** | | |
| 70 | 88 | Payment transmission services | 82 | 70 |
| 11 | 16 | Other commission expenses | 31 | 25 |
| **81** | **104** | **Total commission expenses** | **113** | **94** |
| | | **Other operating income** | | |
| 28 | 28 | Operating income real property | 31 | 31 |
| - | - | Property administration and sale of property | 82 | 17 |
| 14 | 1 | Income from financial advice (Corporate) | 1 | 14 |
| 13 | 13 | Securities trading | 13 | 13 |
| - | - | Accountant's fees | 171 | 122 |
| 2 | 4 | Other operating income | 45 | 131 |
| **57** | **47** | **Total other operating income** | **344** | **327** |
| **946** | **973** | **Total net commision income and other operating income** | **1,512** | **1,463** |

## Note 22 - Net profit/(loss) from financial assets

The note shows net return on financial investments by type of financial instrument in the various classification categories.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| | | **Valued at fair value through profit/loss** | | |
| -32 | 77 | Value change in interest rate instruments | 77 | -32 |
| | | Value change in derivatives/hedging | | |
| -6 | 1 | Net value change in hedged bonds and derivatives | 0 | -6 |
| -11 | 1 | Net value change in hedged fixed rate loans and derivatives | 1 | -11 |
| 72 | -64 | Other derivatives | -101 | 72 |
| | | Income from equity instruments | | |
| - | - | Income from owner interests | 527 | 355 |
| 340 | 299 | Dividend from owner instruments | - | - |
| - | -13 | Value change and gain/(loss) on owner instruments | -14 | - |
| 30 | 12 | Dividend from equity instruments | 65 | 41 |
| 142 | 188 | Value change and gain/(loss) on equity instruments | 158 | 68 |
| **534** | **501** | **Total net income from financial assets and liabilities at fair value through profit/(loss)** | **713** | **486** |
| | | **Valued at amortised cost** | | |
| | | Value change in interest rate instruments | | |
| -22 | -9 | Value change in interest rate instruments held to maturity | -9 | -22 |
| 4 | 4 | Value change in interest rate instruments, loans and receivables | 4 | 4 |
| **-18** | **-5** | **Total net income from financial assets and liabilities at amortised cost** | **-5** | **-18** |
| | | **Valued at fair value - available for sale** | | |
| | | Income from equity instruments | | |
| - | - | Dividend from equity instruments | - | 0 |
| 2 | 0 | Gain/(loss) on realisation of financial assets | 0 | 4 |
| **2** | **0** | **Total net income from financial assets available for sale** | **0** | **4** |
| **30** | **12** | **Total net gain from currency trading** | **12** | **30** |
| **547** | **508** | **Total net profit/(loss) from financial assets** | **720** | **502** |

## Note 23 - Personnel expenses and emoluments to senior employees and elected officers

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

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

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

The Group's guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation. This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of at least two years, and the earning period shall not be less than one year.

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

SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence, and reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group's sanction system.

The following employee groups are covered by the arrangement:

Category 1: CEO and members of the Bank's management team
Category 2: Senior employees
Category 3: Employees with tasks of material significance for the Bank's risk exposure
Category 4: Employees with compensation corresponding to that of senior employees
Category 5: Employees with control functions

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

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| 522 | -60 | Wages | 893 | 834 |
| 38 | 46 | Pension costs (Note 25) | 62 | 52 |
| 31 | 110 | Social costs | 47 | 37 |
| **592** | **95** | **Total personnel expenses** | **1,002** | **923** |
| | | | | |
| 790 | 798 | Average number of employees | 1,241 | 1,195 |
| 757 | 753 | Number of man-labour years as at 31 December | 1,192 | 1,159 |
| 805 | 789 | Number of employees as at 31 December | 1,273 | 1,238 |

**Emoluments to Top Management 2014 (thousands of NOK)**

| Name and title | Salary and other short term benefits* | *Of which bonuses 1) | Of which share-based bonus payments | *Pension contribution for salaries above 12G | Current value of pension liability | Pension rights accrued in past year | Loans at 31.12 | No. of equity capital certificates |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Finn Haugan Group** CEO | 6,609 | 399 | 200 | 2,297 | 16,156 | 640 | 10,619 | 177,906 |
| **Kjell Fordal** Executive Director Group Finance | 3,073 | 243 | 121 | 460 | 8,138 | 744 | 6,438 | 224,422 |
| **Wenche Margaretha Seljeseth** 2) Executive Director products, processes and production | 2,335 | 180 | 90 | 223 | - | 65 | 2,696 | 8,139 |
| **Tina Steinsvik Sund** 2) Executive Director Performance Development, HR and Digital Channels | 937 | 189 | 95 | 59 | - | 16 | 6,713 | 11,606 |
| **Vegard Helland** Executive Director Corporate | 2,733 | 206 | 103 | 307 | 1,946 | 130 | 2,357 | 13,312 |
| **Svein Tore Samdal** Executive Director Retail | 2,654 | 69 | 35 | 378 | - | 65 | 4,634 | 2,618 |

**2013 (thousands of NOK)**

| Name and title | Salary and other short term benefits* | *Of which bonuses 1) | Of which share-based bonus payments | *Pension contribution for salaries above 12G | Current value of pension liability | Pension rights accrued in past year | Loans at 31.12 | No. of equity capital certificates |
|---|---|---|---|---|---|---|---|---|
| **Finn Haugan** Group CEO | 5,707 | 260 | 190 | 1,722 | 16,025 | 682 | 6,696 | 173,351 |
| **Kjell Fordal** Executive Director Group Finance | 2,729 | 173 | 87 | 393 | 6,131 | 708 | 5,767 | 222,259 |
| **Wenche Margaretha Seljeseth** 2) Executive Director products, processes and production | 2,028 | 107 | 53 | 181 | - | 62 | 2,131 | 6,535 |
| **Tina Steinsvik Sund** 2) Executive Director Performance Development, HR and Digital Channels | 2,221 | 140 | 70 | 241 | - | 62 | 6,736 | 9,922 |
| **Vegard Helland** Executive Director Group Customers | 2,469 | 164 | 82 | 254 | 1,371 | 93 | 3,175 | 11,477 |
| **Svein Tore Samdal** Executive Director Offices | 2,084 | - | 0 | 44 | - | 21 | 5,052 | 2,000 |
| **Tore Haarberg** Executive Director Products and Processes to end 31 August 2013 | 2,041 | 178 | 89 | 269 | - | 126 | 5,430 | 9,563 |

1) Paid bonuses for previous year

2) Defined-contribution pension scheme.

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

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

The Executive Directors have bonus agreements which are dependent on goal achievement with reference to specific criteria set by the Board of Directors compensation committee. The Executive Directors have severance packages of 12 or 24 months in which are reduced by any salary earned in other employment. In all cases, maximum severance pay without any reduction is 12 months. An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

The number of equity capital certificates includes equity capital certificates owned by related parties and companies over which the individual exercises substantial influence.

**Emoluments to the Board of Directors and the Control Committee**

**2014 (thousands of NOK)**

| Name | Title | Fee | Fees to the Audit, Risk and Remuneration committees | Other benefits | Loans as of 31.12 | No. of equity capital certificates |
|---|---|---|---|---|---|---|
| Kjell Bjordal | Board chairman | 370 | 30 | 8 | - | 100,000 |
| Bård Benum | Deputy chair | 200 | 76 | 2 | - | - |
| Aud Skrudland | Board member | 173 | 20 | 2 | - | 2,765 |
| Arnhild Holstad | Board member | 173 | 41 | 3 | 2,507 | - |
| Paul E. Hjelm-Hansen | Board member | 173 | 95 | 2 | - | 49,219 |
| Venche Johnsen 1) | Board member, employee representative | 173 | - | 689 | 108 | 24,716 |
| Janne Thyø Thomsen | Boardmember as from 1 April 2014 | 130 | 36 | 1 | - | - |
| Morten Loktu | Board member | 173 | 20 | 4 | - | 5,000 |
| | | | | | | |
| Terje Lium | Chair, Control Commitee | 150 | - | 2 | - | - |
| Anders Lian | Deputy Chair, Control Committee | 100 | - | 2 | - | - |
| Terje Ruud | Member, Control Committee | 100 | - | 2 | - | - |

1) Other emoluments include salary in employment relationships.

**2013 (thousands of NOK)**

| Name | Title | Fee | Fees to the Audit and Remuneration committee | Other benefits | Loans as of 31.12 | No. of equity capital certificates |
|---|---|---|---|---|---|---|
| Kjell Bjordal | Board chairman as from 1 April 2013 | 306 | 18 | 116 | - | 100,000 |
| Bård Benum | Deputy chair | 182 | 55 | 1 | - | - |
| Aud Skrudland | Board member | 162 | 18 | 4 | 0 | 1,765 |
| Arnhild Holstad | Board member | 162 | 29 | 2 | 2,583 | - |
| Paul E. Hjelm-Hansen | Board member | 162 | 73 | 1 | 0 | 49,219 |
| Venche Johnsen 1) | Board member, employee representative | 162 | - | 671 | 235 | 24,716 |
| Bente Karin Trana | Alternate | 148 | - | 2 | - | - |
| Morten Loktu | Board member as from 1 April 2013 | 122 | 7 | 1 | - | - |
| Eldbjørg Gui Standal | Board member to end 31 January 2013 | 41 | 18 | 1 | - | - |
| Per Axel Koch | Board chairman to end 31 March 2013 | 86 | 14 | 121 | - | 50,000 |
| | | | | | | |
| Rolf Røkke | Chair, Control Committee to end 31 March 2013 | 35 | - | 1 | - | - |
| Terje Lium | Chair, Control Committee as from 1 April 2013 | 105 | - | 1 | - | - |
| Anders Lian | Deputy Chair, Control Committee | 94 | - | 1 | - | - |
| Terje Ruud | Member, Control Committee | 94 | - | 1 | - | - |

1) Other emoluments include salary in employment relationships.

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The no. of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

**Fees to the Supervisory Board**

| (thousands of NOK) | 2014 | 2013 |
|---|---|---|
| Randi Dyrnes, Supervisory Board Chair | 78 | 73 |
| Other members | 452 | 385 |

## Note 24 - Other operating expenses

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| 587 | 645 | Personnel expenses | 1,002 | 914 |
| 187 | 312 | IT costs | 198 | 206 |
| 24 | 11 | Postage and transport of valuables | 25 | 29 |
| 38 | 45 | Marketing | 82 | 58 |
| 53 | 40 | Ordinary depreciation (note 32 og 33) | 109 | 118 |
| 120 | 119 | Operating expenses, real properties | 93 | 118 |
| 58 | 13 | Purchased services | 64 | 70 |
| 130 | 81 | Other operating expenses | 216 | 207 |
| **1,197** | **1,265** | **Total other operating expenses** | **1,789** | **1,722** |
| | | | | |
| | | **Audit fees (NOK 1000)** | | |
| 2,030 | 1,327 | Financial audit | 2,315 | 3,170 |
| 218 | 259 | Other attestations | 389 | 270 |
| 73 | 22 | Tax advice | 52 | 76 |
| 13 | 303 | Other non-audit services | 627 | 213 |
| **2,334** | **1,911** | **Total incl. value added tax** | **3,383** | **3,729** |

# Note 25 - Pension

**Defined benefit scheme**

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

**Defined contribution scheme**

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

**Early retirement pension scheme**

The banking and financial industry has established an agreement on a contractual early retirement pension scheme ("AFP") for employees from age 62 to 67  Admission of new retirees ceased with effect from 31 December 2010.

**Early retirement pension scheme, new arrangement**

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

For further details of the Group's pension schemes see Note 2 on IFRS accounting principles and Note 23 on personnel expenses and emoluments to senior employees and elected officers.

**IAS 19R Benefits to employees**

As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension cost. All estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. As of 31 December 2013 the Group has utilised the new mortality base table K2013 established by Finanstilsynet on 8 March 2013 (K2013FT) as the basis for its calculations. This is then adjusted for an initial mortality rate and a mortality decline. In its table Finanstilsynet utilised an initial mortality rate of 12 per cent, whereas the Group employs 5 per cent. The decline in mortality is also somewhat adjusted compared with Finanstilsynet's table, but without significantly affecting the liability. Hence the safety margins in the mortality table utilised, K2013BE, are somewhat lower than K2013FT, but in the Group's assessment the table that is used gives the best estimate of the pension liability on the balance sheet date.

| | **2014** | | **2013** | |
|---|---|---|---|---|
| Actuarial assumptions | Costs | Commitment | Costs | Commitment |
| Discount rate | 4.0 % | 2.3 % | 3.9 % | 4.0 % |
| Expected rate of return on plan assets | 4.0 % | 2.3 % | 3.9 % | 4.0 % |
| Expected future wage and salary growth | 3.5 % | 2.5 % | 3.3 % | 3.5 % |
| Expected adjustment of basic amount (G) | 3.5 % | 2.5 % | 3.3 % | 3.5 % |
| Expected increase in current pension | 0.6 % | 0.0 % | 0.2 % | 0.6 % |
| Employers contribution | 14.1 % | 14.1 % | 14.1 % | 14.1 % |
| Expected voluntary exit before/after 50 yrs | 2/0 % | 2/0 % | 2/0 % | 2/0 % |
| Estimated early retirement outtake at age 62/64 | 25/50 % | 25/50 % | 25/50 % | 25/50 % |
| | | | | |
| Mortality base table | K2013BE | | | |
| Disability | IR73 | | | |

| **Parent Bank** | | | **Group** | |
|---|---|---|---|---|
| **2013** | **2014** | **Net pension liability in the balance sheet (NOK million). Financial position 1 Jan** | **2014** | **2013** |

| | | | | |
|---|---|---|---|---|
| 553 | **613** | Net present value of pension liabilities in funded schemes | **638** | 573 |
| -630 | **-703** | Estimated value of pension assets | **-726** | -649 |
| - | **4** | Opening balance adjustment | **5** | - |
| -77 | **-85** | Net pension liability in funded schemes | **-83** | -76 |
| 4 | **3** | Employer's contribution | **4** | 5 |
| **-73** | **-82** | **Net pension liability in the balance sheet** | **-79** | **-72** |

**Distribution of liability between unfunded and funded pension scheme, Group 1.1**

| **Group** | **2014** | | | **2013** | | |
|---|---|---|---|---|---|---|
| | **Funded** | **Unfunded** | **Total** | **Funded** | **Unfunded** | **Total** |
| Present value of pension liability in funded schemes | 614 | 24 | 638 | 542 | 31 | 573 |
| Fair value of pension assets | -726 | - | -726 | -649 | - | -649 |
| Opening balance adjustment | 5 | 0 | 5 | - | - | - |
| Net pension liability in the balance sheet before employer's contribution | -107 | 24 | -83 | -107 | 31 | -76 |
| Employer's contribution | 0 | 3 | 4 | 0 | 4 | 5 |
| **Net pension liability in the balance sheet after employer's contribution** | -107 | 27 | **-79** | -107 | 35 | **-72** |

| **2013** | **2014** | **Pension cost for the year** | **2014** | **2013** |
|---|---|---|---|---|
| 20 | 24 | Present value of pension accumulated in the year | 26 | 22 |
| -3 | -2 | Interest cost of pension liabilities | -2 | -4 |
| 17 | 21 | Net defined-benefit pension cost without employer's contribution | 23 | 18 |
| 4 | 4 | Employer's contribution - subject to accrual accounting | 4 | 4 |
| 21 | 25 | Net pension cost related to defined benefit plans * | 27 | 22 |
| 6 | 8 | Early retirement pension scheme, new arrangement | 9 | 7 |
| 12 | 13 | Cost of defined contribution pension | 26 | 22 |
| **38** | **46** | **Total pension cost** | **62** | **52** |
| **3** | **2** | *** Of which unfunded pension commitment** | **2** | **3** |

| **Other comprehensive income for the period** | **Unfunded** | | **Funded** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** | **2014** | **2013** |
| Change in discount rate | **1** | 0 | **207** | -8 | **208** | -8 |
| Change in other economic assumptions | **0** | 0 | **-68** | 29 | **-68** | 29 |
| Change in mortality table | **-** | 0 | **-** | 47 | **-** | 47 |
| Change in other demographic assumptions | **-** | 0 | **-** | -6 | **-** | -6 |
| Changing other factors, DBO | **-1** | -3 | **-18** | -6 | **-19** | -9 |
| Change in other factors, pension assets | **-** | - | **-8** | -43 | **-8** | -43 |
| **Other comprehensive income for the period** | **1** | **-2** | **112** | **13** | **113** | **10** |

| **2013** | **2014** | **Movement in net pension liability in the balance sheet** | **2014** | **2013** |
|---|---|---|---|---|
| -73 | -82 | Net pension liability in the balance sheet 1.1 | -79 | -72 |
| 9 | 109 | OCI accounting for the year | 113 | 10 |
| 21 | 25 | Net defined-benefit costs in profit and loss account incl. Curtailment/settlement | 27 | 22 |
| -8 | -5 | Paid-in pension premium, defined-benefit schemes | -5 | -8 |
| -30 | -28 | Paid-in pension premium, defined-benefit plans | -30 | -32 |
| **-82** | **19** | **Net pension liability in the balance sheet 31.12** | **26** | **-79** |

| 2013 | 2014 | Financial status 31.12 | 2014 | 2013 |
|---|---|---|---|---|
| 613 | 737 | Pension liability | 768 | 638 |
| -698 | -721 | Value of pension assets | -746 | -721 |
| -85 | 16 | Net pension liability before employer's contribution | 22 | -83 |
| 3 | 3 | Employer's contribution | 4 | 4 |
| **-82** | **19** | **Net pension liability after employer's contribution** | **26** | **-79** |

* Presented gross in the Group accounts

**Distribution of financial status between unfunded and funded pension scheme, Group 31.12**

| Group | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Funded | Unfunded | Total | Funded | Unfunded | Total |
| Pension liability | 746 | 22 | 768 | 614 | 24 | 638 |
| Value of pension assets | -746 | - | -746 | -721 | - | -721 |
| **Net pension liability before employer's contribution** | **0** | **22** | **22** | **-107** | **24** | **-83** |
| Employer's contribution | 1 | 3 | 4 | 0 | 3 | 4 |
| **Net pension liability after employer's contribution** | **1** | **25** | **26** | **-107** | **27** | **-79** |

| Fair value of pension liability, Group | 2014 | 2013 |
|---|---|---|
| OB pension liability (PBO) | 638 | 573 |
| Present value of pension accumulated in the year | 26 | 22 |
| Payout/release from scheme | -45 | -32 |
| Interes costs of pension liability | 24 | 22 |
| Actuarial gain or loss | 125 | 53 |
| **CB pension liability (PBO)** | **768** | **638** |

| Fair value of pension assets, Group | 2014 | 2013 |
|---|---|---|
| OB pension assets | 726 | 649 |
| Paid in | 31 | 36 |
| Payout/release from fund | -45 | -32 |
| Expected retur | 26 | 25 |
| Actuarial changes | 8 | 43 |
| **CB market value of pension assets** | **746** | **721** |

| Sensitivity, Group | + 1 pp discount rate | - 1 pp discount rate | +1 pp salary adjustment | - 1 pp salary adjustment | + 1 pp pension adjustment |
|---|---|---|---|---|---|
| **2014** | | | | | |
| Change in accumulated pension rights in cours of year | -4 | 6 | 4 | -4 | 3 |
| Change in pension liability | -111 | 143 | 77 | -67 | 93 |
| **2013** | | | | | |
| Change in accumulated pension rights in cours of year | -4 | 5 | 4 | -3 | 3 |
| Change in pension liability | -86 | 108 | 58 | -52 | 71 |

| 2013 | 2014 | Members | 2014 | 2013 |
|---|---|---|---|---|
| 889 | 845 | Numbers of persons included in pension scheme | 869 | 913 |
| 479 | 416 | of which active | 437 | 500 |
| 410 | 429 | of which retirees and disabled | 432 | 413 |

| Investment and pension assets in the pension fund | 2014 | 2013 |
|---|---|---|
| Current bonds | 17 % | 20 % |

| | | |
|---|---|---|
| Bonds held to maturity | 27 % | 31 % |
| Money market | 13 % | 14 % |
| Equities | 34 % | 31 % |
| Real estate | 6 % | 2 % |
| Other | 2 % | 2 % |
| **Total** | **100 %** | **100 %** |

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian banks.

# Note 26 - Income tax

The following is a specification of the difference between the accounting profit before tax, the year's tax base and the year's tax charge. Wealth tax is classified as other operating expenses in conformity with IAS 12.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| 1,701 | 1,777 | Result before tax | 2,143 | 1,758 |
| -426 | -566 | +/- permanent differences * | -813 | -375 |
| 290 | 133 | +/- change in temporary differences as per specification | 161 | 379 |
| - | - | + correction income to be brought forward | - | -46 |
| - | - | + deficit to be brought forward | -15 | -14 |
| **1,566** | **1,344** | **Year's tax base/taxable income** | **1,476** | **1,701** |
| | | | | |
| 438 | 363 | Of which payable tax | 398 | 476 |
| **438** | **363** | **Payable tax in the balance sheet** | **398** | **476** |
| 0 | -22 | (Excess)/short tax provision last year | -22 | 0 |
| 439 | 341 | Year' change in payable tax | 377 | 477 |
| | | | | |
| 438 | 363 | Tax payable on profit for the year | 398 | 476 |
| - | 27 | Tax effect of issue cost reflected in equity | 28 | - |
| -78 | -36 | +/- change in deferred tax | -40 | -86 |
| 0 | -22 | +/- too much/too little set aside for payable tax in previous years | -23 | -1 |
| -2 | -1 | + withholding tax | -1 | -2 |
| **358** | **330** | **Tax charge for the year** | **362** | **388** |
| | | | | |
| | | **Change in net deferred tax liability** | | |
| -78 | -36 | Deferred tax shown through profit/loss | -40 | -86 |
| 12 | -27 | Deferred tax shown through equity | -28 | 12 |
| - | 78 | Correction payable tax/deferred tax, previous years * | 73 | - |
| **-66** | **15** | **Total change in net deferred tax liability** | **5** | **-74** |

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

| Deferred tax in balance sheet | | | Deferred tax in balance sheet | |
|---|---|---|---|---|
| **2013** | **2014** | **Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement** | **2014** | **2013** |
| | | Temporary differences: | | |
| - | - | - Business assets | 69 | 94 |
| - | - | - Leasing items | 113 | 74 |
| 82 | - | - Pension liability | 3 | 84 |
| 195 | 122 | - Securities | 122 | 195 |
| 488 | 1,043 | - Hedge derivatives | 1,043 | 488 |
| 56 | 1 | - Other temporary differences | 3 | 56 |
| **820** | **1,166** | **Total tax-increasing temporary differences** | **1,353** | **991** |
| **221** | **315** | **Deffered tax** | **365** | **269** |
| | | | | |
| | | Temporary differences: | | |
| -20 | -11 | - Business assets | -16 | -24 |
| - | -19 | - Pension liability | -26 | -2 |
| -263 | -4 | - Securities | -95 | -263 |
| -474 | -984 | - Hedge derivatives | -984 | -474 |
| - | -30 | - Other temporary differences | -168 | -136 |
| - | - | - Deficit carried forward | -62 | -74 |
| **-757** | **-1,048** | **Total tax-decreasing temporary differences** | **-1,350** | **-974** |
| **-204** | **-283** | **Deferred tax asset** | **-365** | **-263** |
| **17** | **32** | **Net** | **1** | **6** |

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

| | 2014 | 2013 |
|---|---|---|
| **Tax benefit recorded 31.12** | **44** | 18 |
| **Deferred tax recorded 31.12** | **45** | 23 |

| Recognised in income statement 2013 | Recognised in income statement 2014 | Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement | Recognised in income statement 2014 | Recognised in income statement 2013 |
|---|---|---|---|---|
| | | Temporary differences: | | |
| - | -9 | - Business assets | 25 | 22 |
| - | - | - Leasing items | -39 | 46 |
| -61 | - | - Pension liability | -32 | -60 |
| -34 | -67 | - Securities | 73 | 48 |
| -92 | -555 | - Hedge derivatives | -555 | 129 |
| - | - | - Other temporary differences | -1 | 2 |
| **-187** | **-631** | **Total tax-increasing temporary differences** | **-529** | **187** |
| **-52** | **-170** | **Deffered tax** | **-143** | **52** |
| | | Temporary differences: | | |
| 5 | - | - Business assets | -8 | 6 |
| - | 101 | - Pension liability | 24 | -3 |
| 343 | 124 | - Securities | 22 | 262 |
| 129 | 510 | - Hedge derivatives | 510 | -92 |
| - | 30 | - Other temporary differences | 41 | 81 |
| - | - | - Deficit carried forward | -12 | -118 |
| **477** | **765** | **Total tax-decreasing temporary differences** | **575** | **134** |
| **134** | **206** | **Deferred tax asset** | **155** | **38** |
| -3 | - | Change in tax rate from 28 % to 27 % | - | -4 |
| **78** | **36** | **Net** | **13** | **86** |

| 2013 | 2014 | Reconciliation of tax charge for the period recognised against profit and loss to profit before tax | 2014 | 2013 |
|---|---|---|---|---|
| 476 | 480 | 27 (28 last year) % of profit before tax | 579 | 492 |
| -119 | -153 | Non-taxable profit and loss items (permanent differences) * | -220 | -105 |
| - | - | Recognised deferred tax previous years | 0 | -1 |
| - | 27 | Tax effect of issue cost reflected in equity | 28 | - |
| 3 | - | Change in tax rate from 28 % to 27 % | - | 4 |
| -2 | -1 | Withholding tax | -1 | -2 |
| 0 | -22 | Too much/little tax provision previous years | -23 | -1 |
| **358** | **330** | **Tax for the period recognised in the income statement** | **363** | **388** |
| **21 %** | **19 %** | **Effective tax rate** | **17 %** | **22 %** |

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

# Note 27 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

**Level 1:** Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

**Level 2:** Valuation based on observable market data
Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

**Level 3:** Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

**The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:**

| **Assets (NOK million)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at fair value through profit/loss | | | | |
| Derivatives | 326 | 6,348 | - | 6,674 |
| Bonds and money market certificates | 3,825 | 10,286 | - | 14,110 |
| Equity instruments | 48 | - | 625 | 673 |
| Fixed interest loans | - | 43 | 3,268 | 3,310 |
| Financial assets avaliable for sale | | | | |
| Equity instruments | - | - | 35 | 35 |
| **Total assets** | **4,199** | **16,676** | **3,928** | **24,803** |

| **Liabilities** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial liabilities through profit/loss | | | | |
| Derivatives | 324 | 5,398 | - | 5,722 |
| **Total liabilities** | **324** | **5,398** | **-** | **5,722** |

**The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:**

| **Assets (NOK million)** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial assets at fair value through profit/loss | | | | |
| Derivatives | 111 | 2,939 | - | 3,050 |
| Bonds and money market certificates | 4,003 | 11,539 | - | 15,542 |
| Equity instruments | 67 | - | 909 | 976 |
| Fixed interest loans | - | 43 | 2,648 | 2,690 |
| Financial assets avaliable for sale | | | | |
| Equity instruments | - | - | 40 | 40 |
| **Total assets** | **4,181** | **14,520** | **3,597** | **22,299** |

| **Liabilities** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| Financial liabilities through profit/loss | | | | |
| Derivatives | 334 | 1,961 | - | 2,295 |
| **Total liabilities** | **334** | **1,961** | **-** | **2,295** |

**The following table presents the changes in the instruments classified in level 3 as at 31 December 2014:**

| (NOK million) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|---|---|---|---|---|
| Opening balance 1 January | 2,648 | 909 | 40 | **3,597** |
| Investment in periode | 946 | 41 | 3 | **990** |
| Disposals in the periode | -389 | -343 | -4 | **-735** |
| Gain or loss on financial instruments | 63 | 19 | -4 | **78** |
| **Closing balance 31 December** | **3,268** | **625** | **35** | **3,928** |

**The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:**

| (NOK million) | Fixed interest loans | Equity instruments through profit/loss | Equity instruments available for sale | Total |
|---|---|---|---|---|
| Opening balance 1 January | 2,585 | 601 | 46 | **3,231** |
| Investment in periode | 413 | 388 | - | **801** |
| Disposals in the periode | -343 | -151 | - | **-495** |
| Gain or loss on financial instruments | -6 | 72 | -6 | **61** |
| **Closing balance 31 December** | **2,648** | **909** | **40** | **3,597** |

## Note 28 - Fair value of financial instruments

**Financial instruments measured at fair value**
Financial instruments that are booked at fair value comprise shares, parts of the money market certificate, bond portfolio (classified at fair value) and derivatives. For further details, note 2 on IFRS Accounting principles, and note 3 on critical estimates and assessments concerning the use of accounting principles.

**Financial instruments measured at amortised cost and in a hedging relationship**
Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 on IFRS Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Financial instruments that are in a hedging relationship are recorded at fair value excluding credit risk.

Measurement at fair value will invariably be encumbered with uncertainty.

**Measurement at fair value for items carried at amortised cost**
Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

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

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

Fixed interest loans in NOK are recognised at fair value, please refer to note 2 on IFRS accounting principles, and are not included in the estimates described above.

*Bonds held to maturity and bonds for lending and claim purpose*
Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

*Loans to and claims on credit institutions and Debt to credit institutions*
For loans to and claims on credit institutions, as well as debt to credit institutions, fair value is estimated as equal to book value.

**Parent Bank**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| (NOK million) | Book value | Fair value | Book value | Fair value |
| **Assets** | | | | |
| Loans to and claims on credit institutions | 4,362 | 4,362 | 4,000 | 4,000 |
| Loans to and claims on customers at amortised cost | 83,377 | 83,377 | 74,340 | 74,340 |
| Loans to and claims on customers at fair value | 3,310 | 3,310 | 2,690 | 2,690 |
| Shares | 257 | 257 | 492 | 492 |
| Bonds at fair value | 14,110 | 14,110 | 15,542 | 15,542 |
| Bonds for lending and claim purpose | - | - | 1,345 | 1,352 |
| Derivatives | 6,766 | 6,766 | 3,051 | 3,051 |
| **Total financial assets** | **112,182** | **112,182** | **101,459** | **101,466** |
| | | | | |
| **Liabilities** | | | | |
| Debt to credit institutions | 9,118 | 9,118 | 5,354 | 5,354 |
| Debt related to "swap" arrangement with the government | - | - | 1,220 | 1,220 |
| Deposits from and debt to customers | 61,177 | 61,177 | 56,336 | 56,336 |
| Securities debt at amortised cost | 11,610 | 11,710 | 14,738 | 14,874 |
| Securities debt, hedging | 21,022 | 21,333 | 19,024 | 18,984 |
| Derivatives | 5,722 | 5,722 | 2,295 | 2,295 |
| Subordinated debt at amortised cost | 2,349 | 2,406 | 2,349 | 2,377 |
| Subordinated debt, hedging | 1,006 | 1,021 | 955 | 954 |

| | | | | |
|---|---|---|---|---|
| **Total financial liabilities** | **112,005** | **112,486** | **102,271** | **102,393** |

**Group**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| (NOK million) | Book value | Fair value | Book value | Fair value |
| **Assets** | | | | |
| Loans to and claims on credit institutions | 1,287 | 1,287 | 1,189 | 1,189 |
| Loans to and claims on customers at amortised cost | 87,029 | 87,029 | 77,612 | 77,612 |
| Loans to and claims on customers at fair value | 3,310 | 3,310 | 2,690 | 2,690 |
| Shares | 708 | 708 | 1,030 | 1,030 |
| Bonds at fair value | 14,110 | 14,110 | 15,542 | 15,542 |
| Bonds for lending and claim purpose | - | - | 1,345 | 1,352 |
| Derivatives | 6,674 | 6,674 | 3,050 | 3,050 |
| **Total financial assets** | **113,119** | **113,119** | **102,458** | **102,465** |
| | | | | |
| **Liabilities** | | | | |
| Debt to credit institutions | 9,118 | 9,118 | 5,354 | 5,354 |
| Debt related to "swap" arrangement with the government | - | - | 1,220 | 1,220 |
| Deposits from and debt to customers | 60,655 | 60,655 | 55.879 | 55.879 |
| Securities debt at amortised cost | 11,610 | 11,710 | 14,738 | 14,874 |
| Securities debt, hedging | 21,022 | 21,333 | 19,024 | 18,984 |
| Derivatives | 5,722 | 5,722 | 2,295 | 2,295 |
| Subordinated debt at amortised cost | 2,349 | 2,406 | 2,349 | 2,377 |
| Subordinated debt, hedging | 1,006 | 1,021 | 955 | 954 |
| **Total financial liabilities** | **111,483** | **111,964** | **101,815** | **101,937** |

## Note 29 - Money market certificates and bonds

Bonds and money market instruments are classified in the categories fair value through profit/loss, heldt to maturity and loans and receivables. Measurement at fair value reflects market value, while the category held to maturity and loans and receivables are measured at amortised cost.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| | | **Money market certificates and bonds by issuer sector** | | |
| **2013** | **2014** | (NOK million) | **2014** | **2013** |
| 4,294 | 3,799 | **State (nominal)** | 3,799 | 4,294 |
| 4,269 | 3,825 | fair value | 3,825 | 4,269 |
| **4,269** | **3,825** | **Book value, state** | **3,825** | **4,269** |
| 2,683 | 1,678 | **Other public sector (nominal)** | 1,678 | 2,683 |
| 2,706 | 1,702 | fair value | 1,702 | 2,706 |
| **2,706** | **1,702** | **Book value, other public issuer** | **1,702** | **2,706** |
| 9,087 | 7,567 | **Financial enterprises (nominal)** | 7,567 | 9,087 |
| 8,331 | 8,306 | fair value | 8,306 | 8,331 |
| 1,345 | - | valued at amortised cost (held to maturity, loans and receivables) | - | 1,345 |
| **9,676** | **8,306** | **Book value, financial enterprises** | **8,306** | **9,676** |
| 228 | 243 | **Non-financial enterprises (nominal)** | 243 | 228 |
| 236 | 278 | fair value | 278 | 236 |
| **236** | **278** | **Book value, non-financial enterprises** | **278** | **236** |
| **16,292** | **13,287** | **Total fixed income securities, nominal value** | **13,287** | **16,292** |
| **16,887** | **14,110** | **Total fixed income securities, booked value** | **14,110** | **16,887** |

For further specification of risk related to fixed income securities, see note 16 Market risk related to interest rate.

## Note 30 - Financial derivatives

All derivatives are booked at real value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. This applies both to derivatives used, and to derivatives not used, for hedge purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

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

**Group**

This note is virtually identical for the Parent Bank and the Group.

| **Fair value through profit and loss (NOK million)** | **2014** | | | **2013** | | |
|---|---|---|---|---|---|---|
| | Contract | Fair values | | Contract | Fair values | |
| **Currency instruments** | amount | Assets | Liabilities | amount | Assets | Liabilities |
| Foreign exchange derivatives (forwards) | 2,939 | 213 | -89 | 2,337 | 76 | -15 |
| Currency swaps | 20,653 | 946 | -422 | 30,085 | 516 | -344 |
| FX-options | 87 | 0 | -0 | 11 | 0 | -0 |
| Total currency instruments | 23,679 | 1,159 | -512 | 32,433 | 592 | -358 |
| | | | | | | |
| **Fixed income instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 122,204 | 4,187 | -4,264 | 109,576 | 1,996 | -1,939 |
| Short-term interest rate swaps (FRA) | 517,704 | 1,271 | -1,281 | 619,860 | 233 | -231 |
| Other interest rate contracts | 281 | 0 | -0 | 342 | 0 | 0 |
| Total non-standardised contracts | 640,189 | 5,458 | -5,545 | 729,778 | 2,229 | -2,170 |
| | | | | | | |
| **Hedging** | | | | | | |
| **Interest rate instruments** | | | | | | |
| Interest rate swaps (including cross currency) | 20,495 | 985 | - | 18,171 | 634 | -13 |
| Total non-standardised contracts | 20,495 | 985 | - | 18,171 | 634 | -13 |
| | | | | | | |
| **Total foreign exchange and fixed income instruments** | | | | | | |
| Total interest rate derivatives | 660,684 | 6,443 | -5,545 | 747,949 | 2,863 | -2,183 |
| Total currency derivatives | 23,679 | 1,159 | -512 | 32,433 | 592 | -358 |
| **Total financial derivatives** | **684,363** | **7,602** | **-6,057** | **780,382** | **3,455** | **-2,541** |

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

## Note 31 - Shares, units and other equity interests

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

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | Shares and units (NOK million) | 2014 | 2013 |
| **491** | **253** | **At fair value through profit or loss** | **673** | **976** |
| 22 | 31 | Listed | 199 | 218 |
| 469 | 222 | Unlisted | 474 | 758 |
| **1** | **4** | **Available for sale** | **35** | **40** |
| 1 | 4 | Unlisted | 35 | 40 |
| **492** | **257** | **Total shares and units** | **708** | **1,016** |
| | | **Business held for sale - of which shares** | | |
| 114 | 101 | Unlisted | 45 | 113 |
| **114** | **101** | **Total shares held for sale (see note 39)** | **45** | **113** |
| **22** | **31** | **Total listed companies** | **199** | **218** |
| **584** | **327** | **Total unlisted companies** | **554** | **912** |

| **Specification of Parent Bank** | | | **Our** | **Acquisiton** | **Market value/** |
|---|---|---|---|---|---|
| | | **Stake** | **holding** | **cost** | **book value** |
| **Listed companies** | **Principle *** | **over 10 %** | **(no.)** | **(NOK 1000)** | **(NOK 1000)** |
| Visa Inc. C-shares | FV | | 15,884 | 6,750 | 31,350 |
| **Total quoted shares** | | | | **6,750** | **31,350** |
| | | | | | |
| **Unlisted companies** | | | | | |
| Bank 1 Oslo Akershus | FV | | 218,841 | 78,000 | 136,854 |
| Bank Axept | AFS | | 4,941 | 2,471 | 2,471 |
| Eksportfinans | FV | | 1,857 | 16,406 | 37,471 |
| Nordisk Areal Invest | FV | | 764,995 | 81,499 | 39,015 |
| Nordito Property | FV | | 487,761 | 1,273 | 1,902 |
| Sparebankmateriell A/S SPAMA, A-shares | FV | | 2,305 | - | 1,563 |
| Tangen Næringsbygg | AFS | | 250 | 250 | 250 |
| Torgkonserten | AFS | | 50 | 300 | 300 |
| Others | | | | 1,159 | 612 |
| **Total unquoted shares and units** | | | | **181,359** | **220,437** |
| | | | | | |
| SpareBank 1 Nordvest | FV | | 48,076 | 5,000 | 5,000 |
| **Total unquoted equity capital certificates** | | | | **5,000** | **5,000** |
| | | | | | |
| **Total shares, units and equity capital certificates, Parent Bank** | | | | **193,109** | **256,787** |

| **Specification of Group** | | | **Our** | **Acquisiton** | **Market value/** |
|---|---|---|---|---|---|
| | | **Stake** | **holding** | **cost** | **book value** |
| **Listed companies** | **Principle *** | **over 10 %** | **(no.)** | **(NOK 1000)** | **(NOK 1000)** |
| Det Norske Oljeselskap | FV | | 429,791 | 20,062 | 17,136 |
| Polaris Media | FV | | 5,584,508 | 159,041 | 150,782 |
| **Total quoted shares** | | | | **179,103** | **167,917** |
| | | | | | |
| **Unlisted companies** | | | | | |
| Angvik Investor | AFS | 10.0 | 1,200 | 19,830 | 16,272 |

| | | | | | |
|---|---|---|---|---|---|
| Aptomar | FV | | 48,861 | 7,550 | 7,550 |
| Avxxin | FV | | 16,786 | 2,208 | 2,219 |
| Bachke & Co | AFS | | 4,815 | 164 | 265 |
| Bruhagen Sentrumsbygg | AFS | | 350 | 350 | 350 |
| Geneseque | FV | | 100,000 | 1,000 | 500 |
| Herkules | FV | | 1 | 81,189 | 90,692 |
| Moldekraft | AFS | 12.9 | 10,545 | 11,600 | 14,731 |
| NFDS Offshore 1 | FV | | 1,237,500 | 4,950 | 4,950 |
| NFDS Offshore 2 | FV | | 618,750 | 2,475 | 2,475 |
| Norsk Innovasjonskapital III | FV | | 600 | 10,200 | 10,200 |
| North Bridge Nordic Property II | FV | | 51,340 | 1,996 | 1,746 |
| North Bridge Property | FV | | 51,340 | 3,235 | 1,988 |
| Novelda | FV | | 7,790 | 2,478 | 2,478 |
| NTNU Accel | FV | | 37 | 370 | 370 |
| Numascale | FV | | 2,000,000 | 3,000 | 3,000 |
| Optosense | FV | | 50,208 | 1,071 | 1,105 |
| Proventure Seed A-shares | FV | | 851,345 | 948 | 850 |
| RBK Investor | FV | 16.7 | 2,000 | 2,500 | 1,000 |
| Real Estate Central Europe | FV | | 3,000 | 5,500 | 6,348 |
| Sentrumsbyen Molde | FV | | 1,000 | 1,000 | 1,000 |
| Sintef Venture IV | FV | | 4,500 | 881 | 881 |
| Tango 2012 | FV | | 1,200,000 | 1,599 | 1,100 |
| Thams Invest | FV | | 174 | 17,640 | 20,184 |
| Viking Venture | FV | 13.2 | 267,878 | 25,445 | 7,795 |
| Viking Venture II | FV | | 250,000 | 19,123 | 7,100 |
| Viking Venture II B | FV | | 23,519 | 2,495 | 2,472 |
| Viking Venture III | FV | 17.0 | 186,312 | 59,285 | 71,140 |
| Wellcem | FV | | 22,508 | 2,687 | 2,620 |
| Others | | | | 19,176 | 401 |
| **Total unquoted shares and units** | | | | **311,945** | **283,781** |
| | | | | | |
| **Total shares, units and equity capital certificates, Group** | | | | **684,157** | **708,486** |

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

## Note 32 - Goodwill

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| | | **Goodwill** | | |
| 447 | 447 | Acquisition cost at 1.1 | 495 | 482 |
| - | - | Additions/Disposals | 31 | 14 |
| 447 | 447 | Acquisition cost at 31.12 | 526 | 495 |
| **447** | **447** | **Goodwill shown in balance sheet 31.12** | **526** | **495** |

Balance sheet value in the Parent Bank, NOK 447m, refers to added value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The remaining amount at Group level refers to the Parent Bank's purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 SMN Regnskap's acquisitions of accounting firms. The year's increase of NOK 31m at group level relates to further acquisitions undertaken in 2014.

Goodwill is valued annually and written down if impairment tests imply reduction in value. There was no write down of goodwill in 2014.

See note 3 on critical estimates and assessments concerning the use of accounting principlesfor a description of the valuation model for goodwill.

## Note 33 - Property, plant and equipment

**2014**

| Parent Bank: Buildings and other real property | Parent Bank: Machinery, inventory and vehicles | Parent Bank: Total | (NOK million) | Group: Total | Group: Machinery, inventory and vehicles | Group: Buildings and other real property |
|---|---|---|---|---|---|---|
| 60 | 314 | 374 | Cost of acquisition at 1 January | 1.604 | 427 | 1.177 |
| 118 | 28 | 146 | Acquisitions* | 166 | 34 | 132 |
| 0 | 114 | 114 | Disposals* | 122 | 122 | 0 |
| 178 | 229 | 407 | Cost of acquisition at 31 December | 1.648 | 339 | 1.309 |
| | | | | | | |
| 10 | 195 | 205 | Accumulated depreciation and write-downs as at 1 January | 428 | 274 | 154 |
| 8 | 31 | 39 | Current period's depreciation | 105 | 48 | 57 |
| 0 | 1 | 1 | Current period's write-down | 3 | 3 | 0 |
| -85 | 85 | 0 | Reversal of accumulated depreciation and write-downs* | 8 | 93 | -85 |
| 103 | 141 | 245 | Accumulated depreciation and write-down as at 31 December | 528 | 232 | 296 |
| **75** | **88** | **162** | **Book value as at 31 December** | **1.120** | **107** | **1.013** |

*Parts of acquisitions and disposals, and reversal of accumulated depreciations and write-downs are due to a redistribution of property, plant and equipment in the note.

**2013**

| Parent Bank: Buildings and other real property | Parent Bank: Machinery, inventory and vehicles | Parent Bank: Total | (NOK million) | Group: Total | Group: Machinery, inventory and vehicles | Group: Buildings and other real property |
|---|---|---|---|---|---|---|
| 56 | 334 | 390 | Cost of acquisition at 1 January | 1.624 | 436 | 1.188 |
| 5 | 18 | 23 | Acquisitions | 43 | 31 | 13 |
| 1 | 38 | 39 | Disposals | 63 | 40 | 23 |
| 60 | 314 | 374 | Cost of acquisition at 31 December | 1.604 | 427 | 1.177 |
| | | | | | | |
| 6 | 183 | 190 | Accumulated depreciation and write-downs as at 1 January | 347 | 243 | 104 |
| 3 | 42 | 45 | Current period's depreciation | 110 | 61 | 49 |
| - | 8 | 8 | Current period's write-down | 8 | 8 | - |
| 0 | 37 | 37 | Reversal of accumulated depreciation and write-downs | 37 | 37 | 0 |
| 10 | 195 | 205 | Accumulated depreciation and write-down as at 31 December | 428 | 274 | 154 |
| **50** | **119** | **169** | **Book value as at 31 December** | **1.176** | **152** | **1.024** |

**Depreciation**

With a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

Technical installations 10 yrs
Machinery 3 - 5 yrs
Fixtures 5 - 10 yrs
IT equipment 3 - 5 yrs
Means of transport 10 yrs
Buildings and other real property 25 - 33 yrs

**Provision of security**

The Bank has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets.

**Acquisition cost of depreciated assets**

The acquisition cost of fully depreciated assets still in use in the Bank in 2014 is NOK 90 million (NOK 102 million).

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

The Group has no significant non-current assets out of operation as at 31 December 2014.

## Note 34 - Other assets

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| - | - | Deferred tax asset (see note 26) | 44 | 18 |
| 1,568 | 1,536 | Earned income not yet received | 1,546 | 1,591 |
| 207 | 8 | Accounts receivable, securities | 8 | 207 |
| 82 | 6 | Pensions | 6 | 82 |
| 83 | 92 | Other assets | 294 | 269 |
| **1,940** | **1,642** | **Other assets** | **1,899** | **2,167** |

# Note 35 - Deposits from and liabilities to customers

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | **Deposits from and liabilities to customers (NOK million)** | **2014** | **2013** |
| 50,496 | 55,415 | Deposits from and liabilities to customers without agreed maturity | 54,893 | 50,039 |
| 5,840 | 5,762 | Deposits from and liabilities to customers with agreed maturity | 5,762 | 5,840 |
| **56,336** | **61,177** | **Total deposits from and liabilities to customers** | **60,655** | **55,879** |
| | | | | |
| **2.2 %** | **2.1 %** | **Average interest rate** | **2.1 %** | **2.2 %** |

Fixed interest deposits account for 2.2 per cent (4.2 per cent) of total deposits.

| 2013 | 2014 | Deposits specified by sector and industry | 2014 | 2013 |
|---|---|---|---|---|
| 23,865 | 26,479 | Wage earners | 26,479 | 23,865 |
| 4,723 | 5,254 | Public administration | 5,254 | 4,723 |
| 2,059 | 2,353 | Agriculture, forestry, fisheries and hunting | 2,353 | 2,059 |
| 406 | 402 | Sea farming industries | 402 | 406 |
| 1,239 | 2,357 | Manufacturing | 2,357 | 1,239 |
| 1,808 | 2,117 | Construction, power and water supply | 2,117 | 1,808 |
| 4,313 | 4,220 | Retail trade, hotels and restaurants | 4,220 | 4,313 |
| 2,150 | 2,346 | Maritime sector | 2,346 | 2,150 |
| 4,142 | 4,050 | Property management | 3,918 | 4,033 |
| 4,885 | 4,539 | Business services | 4,539 | 4,885 |
| 4,320 | 4,487 | Transport and other services provision | 4,130 | 3,999 |
| 2,426 | 2,574 | Other sectors | 2,541 | 2,399 |
| **56,336** | **61,177** | **Total deposits from customers broken down by sector and industry** | **60,655** | **55,879** |

| 2013 | 2014 | Deposits specified by geographic area | 2014 | 2013 |
|---|---|---|---|---|
| 23,206 | 23,460 | Sør-Trøndelag | 22,938 | 22,750 |
| 14,273 | 14,358 | Nord-Trøndelag | 14,358 | 14,273 |
| 9,707 | 11,514 | Møre og Romsdal | 11,514 | 9,707 |
| 435 | 826 | Sogn og Fjordane | 826 | 435 |
| 323 | 388 | Nordland | 388 | 323 |
| 5,065 | 5,667 | Oslo | 5,667 | 5,065 |
| 3,327 | 4,966 | Other counties | 4,966 | 3,327 |
| 1 | - | Abroad | - | 1 |
| **56,336** | **61,177** | **Total deposits broken down by geographic area** | **60,655** | **55,879** |

# Note 36 - Debt securities in issue

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | **(NOK million)** | **2014** | **2013** |
| 2,750 | 820 | Money market instrument and other short-term borrowings | 820 | 2,750 |
| 31,012 | 31,812 | Bond debt | 31,812 | 31,012 |
| **33,762** | **32,632** | **Total debt securities in issue** | **32,632** | **33,762** |
| | | | | |
| 1.6 % | 1.9 % | Average interest, money market certificates | 1.9 % | 1.6 % |
| 3.1 % | 3.0 % | Average interest, bond debt | 3.0 % | 3.1 % |

| 2013 | 2014 | Securities debt specified by maturity [1)] | 2014 | 2013 |
|---|---|---|---|---|
| 9,662 | - | 2014 | - | 9,662 |
| 5,660 | 4,867 | 2015 | 4,867 | 5,660 |
| 5,009 | 6,891 | 2016 | 6,891 | 5,009 |
| 2,919 | 3,567 | 2017 | 3,567 | 2,919 |
| 7,862 | 8,510 | 2018 | 8,510 | 7,862 |
| 459 | 5,389 | 2019 | 5,389 | 459 |
| 1,322 | 1,325 | 2020 | 1,325 | 1,322 |
| 375 | 375 | 2022 | 375 | 375 |
| 200 | 200 | 2023 | 200 | 200 |
| - | 478 | 2024 | 478 | - |
| - | 200 | 2029 | 200 | - |
| -0 | 33 | Currency agio | 33 | -0 |
| 294 | 797 | Premium and discount, market value of structured bonds | 797 | 294 |
| **33,762** | **32,632** | **Total securities debt** | **32,632** | **33,762** |

1) Less own bonds. Total nominal own holding in 2014 comes to NOK 288 m (2013: NOK 418 m).

| 2013 | 2014 | Securities debt distributed on significant currencies | 2014 | 2013 |
|---|---|---|---|---|
| 22,311 | 18,988 | NOK | 18,988 | 22,311 |
| 9,439 | 11,744 | EUR | 11,744 | 9,439 |
| 456 | 371 | USD | 371 | 456 |
| 1,556 | 1,529 | Other | 1,529 | 1,556 |
| **33,762** | **32,632** | **Total securities debt** | **32,632** | **33,762** |

**Parent Bank and Group**

| Change in securities debt | 31.12.2014 | Issued | Fallen due/ redeemed | Other changes | 31.12.2013 |
|---|---|---|---|---|---|
| Money market certificate debt, nominal value | 820 | 1,120 | 3,050 | - | 2,750 |
| Bond debt, nominal value | 30,981 | 8,180 | 8,600 | 684 | 30,718 |
| Adjustments | 830 | - | - | 537 | 294 |
| **Total** | **32,632** | **9,300** | **11,650** | **1,220** | **33,762** |

| Change in securities debt | 31.12.2013 | Issued | Fallen due/ redeemed | Other changes | 31.12.2012 |
|---|---|---|---|---|---|
| Money market certificate debt, nominal value | 2,750 | 2,785 | 741 | 0 | 706 |
| Bond debt, nominal value | 30,718 | 7,788 | 7,120 | 860 | 29,190 |
| Adjustments | 294 | 0 | 0 | -70 | 364 |
| **Total** | **33,762** | **10,573** | **7,861** | **790** | **30,259** |

## Note 37 - Other debt and liabilities

| Parent Bank | | | Group | |
|---|---|---|---|---|
| **2013** | **2014** | **Other debt and recognised liabilities (NOK million)** | **2014** | **2013** |
| 7 | 5 | Creditors | 33 | 29 |
| 73 | 74 | Drawing debt | 74 | 73 |
| 339 | - | Debt from securities | 0 | 339 |
| 17 | 32 | Deferred tax | 45 | 23 |
| 438 | 363 | Payable tax | 398 | 476 |
| 8 | 10 | Capital tax | 10 | 8 |
| - | 25 | Pension liabilities | 32 | 2 |
| 48 | 49 | Provisions | 49 | 48 |
| 883 | 967 | Accruals | 1,091 | 1,091 |
| 179 | 266 | Other | 309 | 213 |
| **1,992** | **1,790** | **Total other debt and recognised liabilities** | **2,040** | **2,303** |
| | | | | |
| | | **Guarantee commitments (agreed guarantee amounts)** | | |
| 1,105 | 671 | Payment guarantees | 671 | 1,105 |
| 993 | 1,391 | Performance guarantees | 1,391 | 993 |
| 2,147 | 2,614 | Loan guarantees | 2,614 | 2,147 |
| 123 | 160 | Guarantees for taxes | 160 | 123 |
| 391 | 99 | Other guarantee commitments | 99 | 391 |
| **4,758** | **4,936** | **Total guarantee commitments** | **4,936** | **4,758** |
| | | | | |
| | | **Other liabilities, not recognised** | | |
| 9,158 | 9,685 | Unutilised credits | 9,685 | 9,158 |
| 1,146 | 1,230 | Loan approvals (not discounted) | 1,319 | 1,193 |
| 558 | 599 | Unutilised guarantee commitments | 626 | 595 |
| 146 | 192 | Documentary credits | 192 | 146 |
| - | - | Other commitments | 38 | 69 |
| **11,007** | **11,705** | **Total other commitments** | **11,859** | **11,161** |
| | | | | |
| **17,758** | **18,431** | **Total commitments** | **18,835** | **18,223** |

| Cash Deposit | Securities | Total | Securities pledged | Total | Securities | Cash Deposit |
|---|---|---|---|---|---|---|
| 1,542 | - | 1,542 | Securities pledged in 2014 | 1,542 | - | 1,542 |
| 1,592 | - | 1,592 | Relevant liability 2014 | 1,592 | - | 1,592 |
| | | | | | | |
| 996 | 1,351 | 2,347 | Securities pledged in 2013 | 2,347 | 1,351 | 996 |
| 949 | 1,220 | 2,169 | Relevant liability 2013 | 2,169 | 1,220 | 949 |

**Ongoing lawsuits**

The Group is involved in legal disputes not considered to be of substantial significance for the Group's financial position. Provision for loss has been made where appropriate.

**Operational leases**

The Group has an annual liability of about NOK 162 million related to operational leases.

**SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt**

As regards the Bank’s liabilities related to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, see note 9 on derecognition of financial assets.

# Note 38 - Subordinated debt and hybrid equity issue

| Parent Bank 2013 | Parent Bank 2014 | (NOK million) | Group 2014 | Group 2013 |
|---|---|---|---|---|
| | | **Dated subordinated debt** | | |
| 1,000 | 1,000 | 2022 3 month Nibor + 2,75 % (Call 2017) | 1,000 | 1,000 |
| 522 | 558 | 2036 fixed rate 2,94 %, JPY (Call 2018) 1) | 558 | 522 |
| 47 | 41 | Premium/discount/market value | 41 | 47 |
| 5 | 8 | Currency agio debt | 8 | 5 |
| **1,574** | **1,607** | **Total dated subordinated debt** | **1,607** | **1,574** |
| | | **Perpetual non-call subordinated debt** | | |
| 300 | 300 | Perpetual non call 3 month Nibor + 0,85 % (Call 2016) | 300 | 300 |
| -1 | -1 | Discount perpetual subordinated debt | -1 | -1 |
| **299** | **299** | **Total perpetual non-call subordinated debt** | **299** | **299** |
| | | **Hybrid equity** | | |
| 350 | 350 | Hybrid capital10/99, fixed rate 8,25 % NOK (Call 2020) 1) | 350 | 350 |
| 100 | 100 | Hybrid captial 10/99, floating rate NOK (Call 2020) | 100 | 100 |
| 500 | 500 | Hybrid capital 13/99, floating rate NOK (Call 2018) | 500 | 500 |
| 450 | 450 | Hybrid capital 13/99, floating rate NOK (Call 2018) | 450 | 450 |
| 31 | 49 | Discount perpetual hybrid equity | 49 | 31 |
| **1,431** | **1,449** | **Total hybrid equity** | **1,449** | **1,431** |
| **3,304** | **3,356** | **Total subordinated loan capital and hybrid equity** | **3,356** | **3,304** |
| 5.5 % | 5.2 % | Average rate NOK | 5.2 % | 5.5 % |
| 3.3 % | 3.5 % | Average rate YEN | 3.5 % | 3.3 % |
| 5.6 % | - | Average rate USD | - | 5.6 % |

1) Fixed rate funding changed to floating rate by means ofinterest rate swaps

**Parent Bank and Group**

| Changes in subordinated debt and hybrid equity issue | 31.12.2014 | Issued | Fallen due/ redeemed | Other changes | 31.12.2013 |
|---|---|---|---|---|---|
| Ordinary subordinated debt, NOK | 1,000 | - | - | - | 1,000 |
| Ordinary subordinated debt, Currency | 558 | - | - | 36 | 522 |
| Perpetual, subordinated debt, NOK | 300 | - | - | - | 300 |
| Hybrid capital loan, NOK | 1,400 | - | - | - | 1,400 |
| Adjustments | 98 | - | - | 16 | 82 |
| **Total subordinated debt and hybrid equity issue** | **3,356** | **-** | **-** | **52** | **3,304** |

| Changes in subordinated debt and hybrid equity issue | 31.12.2013 | Issued | Fallen due/ redeemed | Other changes | 31.12.2012 |
|---|---|---|---|---|---|
| Ordinary subordinated debt, NOK | 1,000 | - | -169 | - | 1,169 |
| Ordinary subordinated debt, Currency | 522 | - | - | -62 | 584 |
| Perpetual, subordinated debt, NOK | 300 | - | - | - | 300 |
| Hybrid capital loan, NOK | 1,400 | 950 | - | - | 450 |
| Hybrid capital loan, Currency | - | - | -521 | 102 | 419 |
| Adjustments | 82 | - | - | -36 | 118 |
| **Total subordinated debt and hybrid equity issue** | **3,304** | **950** | **-690** | **4** | **3,040** |

## Note 39 - Investments in owner interests

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

| Company | Company number | Registered office | Stake in per cent |
|---|---|---|---|
| **Investment in significant subsidiaries** | | | |
| SpareBank 1 Finans Midt-Norge AS | 938521549 | Trondheim | 90.1 |
| SpareBank 1 SMN Invest AS | 990961867 | Trondheim | 100.0 |
| EiendomsMegler 1 Midt-Norge AS | 936159419 | Trondheim | 87.0 |
| SpareBank 1 SMN Kvartalet AS | 990283443 | Trondheim | 100.0 |
| SpareBank 1 Regnskapshuset SMN AS | 936285066 | Trondheim | 100.0 |
| Allegro Kapitalforvaltning ASA | 980300609 | Trondheim | 90.1 |
| SpareBank 1 Bygget Steinkjer AS | 934352718 | Trondheim | 100.0 |
| SpareBank 1 Bygget Trondheim AS | 993471232 | Trondheim | 100.0 |
| SpareBank 1 SMN Card Solutions AS | 990222991 | Trondheim | 100.0 |
| Brannstasjonen SMN AS | 998042577 | Trondheim | 100.0 |
| St. Olavs Plass 1 SMN AS | 999263380 | Trondheim | 100.0 |
| SpareBank 1 Bilplan AS | 979945108 | Trondheim | 100.0 |
| Jernbanegata 19 SMN AS | 912514005 | Trondheim | 100.0 |
| **Shares owned by subsidiaries and sub-subsidiaries** | | | |
| Leksvik Regnskapskontor AS | 980491064 | Leksvik | 50.0 |
| SpareBank 1 Regnskapshuset Merkantilservice AS | 983622461 | Trondheim | 100.0 |
| SpareBank 1 Regnskapshuset Ålesund AS | 966323191 | Ålesund | 100.0 |
| SpareBank 1 Regnskapshuset Rørvik AS | 951016071 | Vikna | 100.0 |
| GMA Invest AS | 994469096 | Trondheim | 100.0 |
| Sentrumsgården AS | 975856828 | Leksvik | 35.3 |
| Aqua Venture AS | 891165102 | Trondheim | 37.6 |
| Maritech Systems AS | 997929217 | Averøy | 23.1 |
| Omega-3 Invest AS | 996814262 | Molde | 33.6 |
| Tjeldbergodden Utvikling AS | 979615361 | Aure | 23.0 |
| Grilstad Marina AS | 991340475 | Trondheim | 35.0 |
| GMN 51 AS | 996534316 | Trondheim | 30.0 |
| GMN 52 AS | 996534413 | Trondheim | 30.0 |
| GMN 53 AS | 996534502 | Trondheim | 30.0 |
| GMN 54 AS | 996534588 | Trondheim | 30.0 |
| GMN 6 AS | 994254707 | Trondheim | 35.0 |
| Grilstad Energi AS | 998480639 | Trondheim | 30.0 |
| Hommelvik Sjøside AS | 992469943 | Malvik | 40.0 |
| **Investment in jont ventures** | | | |
| SpareBank 1 Gruppen AS | 975966372 | Tromsø | 19.5 |
| SpareBank 1 Banksamarbeidet DA | 986401598 | Oslo | 17.7 |
| **Investment in associates** | | | |
| BN Bank ASA | 914864445 | Trondheim | 33.0 |
| SpareBank1 Boligkreditt AS | 988738387 | Stavanger | 17.5 |
| SpareBank 1 Næringskreditt AS | 894111232 | Stavanger | 34.1 |
| SpareBank 1 Kredittkort AS | 975966453 | Trondheim | 18.1 |
| SpareBank 1 Markets AS | 992999101 | Oslo | 23.8 |
| PAB Consulting AS | 967171344 | Ålesund | 34.0 |
| Molde Kunnskapspark AS | 981036093 | Molde | 20.0 |
| Bjerkeløkkja AS | 998534976 | Trondheim | 40.7 |
| **Investment in companies held for sale** | | | |
| Mavi XV AS | 890899552 | Trondheim | 100.0 |
| Norway Cod AS | 979380127 | Bindal | 100.0 |
| Mavi XI AS | 990899568 | Trondheim | 100.0 |
| Mavi XXIV AS | 999211062 | Trondheim | 100.0 |
| Mavi XXV AS | 999239242 | Trondheim | 100.0 |
| Mavi XXVI AS | 999239331 | Trondheim | 100.0 |
| Mavi XXVII AS | 999239390 | Trondheim | 100.0 |
| Mavi XXVIII AS | 999239455 | Trondheim | 100.0 |

**Shares in subsidiaries, Parent Bank**

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value. The respective companys result of the year is shown in the resultcolumn below.

| 2014 (NOK million) | Company's share capital (NOK 1000) | No. Of shares | Nominal value (NOK 1000) | Assets | Liabilities | Total income | Total expenses | Result | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Finans Midt-Norge AS | 271,920 | 27,192 | 10 | 3,625 | 3,188 | 126 | 76 | 50 | 368 |
| **Total investments in credit institutions** | | | | | | | | | **368** |
| SpareBank 1 SMN Invest AS Group | 457,280 | 457,280 | 1 | 786 | 62 | 42 | 9 | 33 | 720 |
| EiendomsMegler 1 Midt-Norge AS | 57,803 | 5,505 | 11 | 284 | 87 | 359 | 322 | 37 | 120 |
| SpareBank 1 SMN Kvartalet AS | 326,160 | 30,200 | 11 | 760 | 117 | 45 | 72 | -28 | 899 |
| SpareBank 1 Regnskapshuset SMN AS Group | 14,280 | 238 | 60 | 139 | 46 | 182 | 151 | 31 | 64 |
| Allegro Kapitalforvaltning ASA | 6,000 | 6,000 | 1 | 41 | 11 | 36 | 34 | 2 | 11 |
| SpareBank 1 Bygget Steinkjer AS | 6,100 | 100 | 61 | 49 | 0 | 5 | 4 | 1 | 53 |
| SpareBank 1 Bygget Trondheim AS | 94,236 | 100,000 | 1 | 192 | 8 | 31 | 28 | 3 | 75 |
| SpareBank 1 SMN Card Solutions AS | 200 | 2,000 | 0 | 9 | 3 | 22 | 21 | 1 | 9 |
| Brannstasjonen SMN AS | 10,000 | 100,000 | 0 | 82 | 9 | 3 | 3 | 0 | 73 |
| St. Olavs Plass 1 SMN AS | 10,000 | 100,000 | 0 | 75 | 1 | 7 | 7 | 0 | 75 |
| SpareBank 1 Bilplan AS | 5,769 | 41,206 | 0 | 32 | 28 | 133 | 133 | 0 | 9 |
| Jernbanegata 19 SMN AS | 1,000 | 1,000,000 | 1 | 12 | 1 | 2 | 4 | -1 | 13 |
| **Total investments in other subsidiaries** | | | | | | | | | **2,122** |
| **Total investments in Group companies, Parent Bank** | | | | | | | | | **2,490** |

| 2013 (NOK million) | Company's share capital (NOK 1000) | No. Of shares | Nominal value (NOK 1000) | Assets | Liabilities | Total income | Total expenses | Result | Book value 31.12 |
|---|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Finans Midt-Norge AS | 271,920 | 27,192 | 10 | 3,264 | 2,889 | 116 | 79 | 36 | 323 |
| **Total investments in credit institutions** | | | | | | | | | **323** |
| SpareBank 1 SMN Invest AS konsern | 457,280 | 457,280 | 1 | 796 | 74 | 60 | 11 | 48 | 720 |
| EiendomsMegler 1 Midt-Norge AS | 57,803 | 5,505 | 11 | 294 | 90 | 369 | 326 | 43 | 120 |
| SpareBank 1 SMN Kvartalet AS | 326,160 | 30,200 | 11 | 743 | 33 | 52 | 70 | -18 | 899 |
| SpareBank 1 Regnskapshuset SMN AS konsern | 14,280 | 238 | 60 | 105 | 33 | 133 | 123 | 10 | 64 |
| Allegro Kapitalforvaltning ASA | 6,000 | 6,000 | 1 | 47 | 11 | 41 | 34 | 7 | 11 |
| SpareBank 1 Bygget Steinkjer AS | 6,100 | 100 | 61 | 48 | 0 | 4 | 4 | 0 | 53 |
| SpareBank 1 Bygget Trondheim AS | 94,236 | 100,000 | 1 | 188 | 7 | 30 | 28 | 2 | 75 |
| SpareBank 1 SMN Card Solutions AS | 200 | 2,000 | 0 | 28 | 20 | 30 | 28 | 2 | 19 |
| Brannstasjonen SMN AS | 10,000 | 100,000 | 0 | 74 | 1 | 3 | 3 | 0 | 73 |
| St. Olavs Plass 1 SMN AS | 10,000 | 100,000 | 0 | 76 | 0 | 7 | 7 | 1 | 75 |
| SpareBank 1 Bilplan AS | 5,769 | 41,206 | 0 | 35 | 31 | 121 | 122 | -1 | 9 |
| **Total investments in other subsidiaries** | | | | | | | | | **2,119** |
| **Total investments in Group companies, Parent Bank** | | | | | | | | | **2,442** |

### Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| 3,115 | 3,138 | As at 1 January | 4,624 | 4,573 |
| 89 | 223 | Acquisition/sale | 176 | 19 |
| -66 | - | Reclassification | 0 | -105 |
| - | - | Equity capital changes | -17 | 12 |
| - | - | Profit share | 527 | 355 |
| - | - | Dividend paid | -182 | -229 |
| **3,138** | **3,361** | **Book value as at 31 December** | **5,129** | **4,624** |

| Specification of year's change, Group | Additions/disposal | Equity change |
|---|---|---|
| SpareBank 1 Gruppen AS | - | -16 |
| BN Bank ASA | - | -0 |
| SpareBank 1 Boligkreditt AS | 68 | -0 |
| SpareBank 1 Næringskreditt AS | 35 | - |
| SpareBank 1 Markets AS | 31 | - |
| SpareBank 1 Kredittkort AS | 107 | - |
| SpareBank 1 Kundesenter AS | -0 | - |
| SpareBank 1 Verdipapirservice AS | -14 | - |
| Companies owned by sparebank Regnskapshuset SMN AS | -19 | - |
| Molde Kunnskapspark AS | -0 | - |
| Development companies owned by SpareBank 1 SMN Invest | -30 | - |
| **Total** | **176** | **-17** |

### Income from investments in associates and joint ventures

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

| Parent Bank | | | Group | |
|---|---|---|---|---|
| 2013 | 2014 | (NOK million) | 2014 | 2013 |
| | | Profit share from: | | |
| - | - | SpareBank 1 Gruppen Group | 360 | 210 |
| - | - | Bank 1 Oslo Akershus AS | - | 2 |
| - | - | SpareBank1 Boligkreditt AS | 38 | 40 |
| - | - | BN Bank ASA | 93 | 91 |
| - | - | SpareBank 1 Markets AS | -32 | -1 |
| - | - | SpareBank 1 Næringskreditt AS | 41 | 8 |
| - | - | SpareBank 1 Verdipapirservice AS | - | -3 |
| - | - | SpareBank 1 Kredittkort AS | 2 | -4 |
| - | - | Development companies owned by SpareBank 1 SMN Invest | 31 | 14 |
| - | - | Other companies | -5 | -1 |
| | | | | |
| | | **Dividends from:** | | |
| 134 | 33 | SpareBank 1 Gruppen AS | -33 | -134 |
| 26 | 58 | SpareBank 1 Boligkreditt AS | -58 | -26 |
| 62 | 79 | BN Bank ASA | -79 | -62 |
| 7 | 11 | SpareBank 1 Næringskreditt AS | -11 | -7 |
| 0 | - | Other companies | -0 | -0 |
| **229** | **182** | **Total income from associates and joint ventures** | **345** | **126** |

**Company information on the Group's stakes in affiliates and joint ventures**

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SpareBank 1 SMN Group's share. Booked value is the consolidated value in the SpareBank 1 SMN Group.

| 2014 (NOK million) | Assets | Liabilities | Total income | Total costs | Profit share | Book value 31.12 | Ownership share | No. of shares |
|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Gruppen konsern | 55,408 | 48,013 | 12,623 | 10,775 | 360 | 1,421 | 19.5 % | 364,728 |
| SpareBank 1 Boligkreditt AS | 227,594 | 219,117 | 317 | 110 | 38 | 1,498 | 17.7 % | 9,284,830 |
| BN Bank ASA | 35,787 | 32,146 | 647 | 366 | 93 | 1,201 | 33.0 % | 4,658,389 |
| SpareBank 1 Markets AS | 566 | 380 | 108 | 221 | -32 | 25 | 27.3 % | 14,333 |
| SpareBank 1 Næringskreditt AS | 18,161 | 16,217 | 174 | 56 | 41 | 653 | 33.6 % | 4,909,200 |
| SpareBank 1 Kredittkort AS | 4,772 | 3,992 | 420 | 408 | 2 | 143 | 18.4 % | 125,877 |
| Other companies | | | | | | 32 | | |
| **Total** | | | | | | **4,974** | | |

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

Activity levels in 2014 were high at the development companies Grilstad Marina AS, GMN 51 AS, GMN 52 AS, GMN 53 AS , GMN 54 AS, GMN 6 AS and Hommelvik Sjøside  AS. Further, in 2014 Hommelvik Sjøside AS completed and handed over the third and fourth construction stage, and Grilstad Marina AS completed and handed over the second construction stage.

The above development companies are booked in the Group accounts at NOK 154.8m as at 31 December 2014.

| 2013 (NOK million) | Assets | Liabilities | Total income | Total costs | Profit share | Book value 31.12 | Ownership share | No. of shares |
|---|---|---|---|---|---|---|---|---|
| SpareBank 1 Gruppen konsern | 50,702 | 44,899 | 12,733 | 11,633 | 210 | 1,113 | 19.5 % | 364,728 |
| SpareBank 1 Boligkreditt AS | 206,166 | 197,884 | 332 | 116 | 40 | 1,451 | 17.7 % | 9,737,324 |
| BN Bank ASA | 37,505 | 33,904 | 693 | 441 | 91 | 1,188 | 33.0 % | 4,658,389 |
| SpareBank 1 Markets AS | 674 | 495 | 194 | 271 | -1 | 26 | 23.8 % | 14,333 |
| SpareBank 1 Næringskreditt AS | 15,767 | 14,031 | 54 | 25 | 8 | 590 | 34.1 % | 4,645,000 |
| SpareBank 1 Verdipapirservice AS | 88 | 38 | 4 | 14 | -3 | 14 | 27.9 % | 332,568 |
| SpareBank 1 Kredittkort AS | 208 | 18 | 0 | 23 | -4 | 34 | 18.1 % | 125,877 |
| Other companies | | | | | | 54 | | |
| **Total** | | | | | | **4,470** | | |

**Companies held for sale**

SpareBank 1 SMN's strategy is that ownership duse to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts. In the Group accounts one-line consolidation is undertaken.

The tables below contain company or Group accounting figures on a 100 per cent  share basis.

| 2014 (NOK million) | Assets | Liabilities | Total income | Total costs | Company's result of the year | Ownership share | No. of shares |
|---|---|---|---|---|---|---|---|
| Mavi XV AS Group | 45 | 0 | 6 | -6 | 0 | 100 % | 60,000 |
| Norway Cod AS (Skei Marinfisk AS) | 47 | 18 | 3 | 5 | -1 | 100 % | 2,000 |
| Other minor companies | 6 | 1 | 1 | 1 | -1 | 100 % | |

| 2013 (NOK million) | Assets | Liabilities | Total income | Total costs | Company's result of the year | Ownership share | No. of shares |
|---|---|---|---|---|---|---|---|
| Mavi XV AS Group | 100 | 40 | 33 | 9 | 24 | 100 % | 60,000 |
| Ranheim Eiendomsutvikling AS | 8 | 1 | 0 | 0 | 0 | 100 % | 100 |
| Norway Cod AS (Skei Marinfisk AS) | 50 | 20 | 0 | 0 | 0 | 100 % | 2,000 |
| Other minor companies | 55 | 20 | 32 | 9 | 24 | 100 % | |

# Note 40 - Business acquisitions/business combinations

**General**

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

SpareBank 1 SMN has entered an agreement regarding full integration of SpareBank 1 SMN Markets in Trondheim into SpareBank 1 Markets AS. This will increase SpareBank 1 SMN's stake in SpareBank 1 SMN Markets from 27.3 to 73.3 per cent. The transaction is expected to be implemented in the first quarter of 2015, subject to regulatory approval and final consideration by the Board of Directors.

**Acquisition of accounting firms**

SpareBank 1 Regnskapshuset SMN AS has in 2014 taken over the customer portfolio and staff of Trønder Regnskap & Data AS, and acquired all shares of SpareBank1 Merkantilservice AS (prev. Merkantilservice AS), Sparebank 1 Regnskapshuset Ålesund AS (prev. Økopartner AS) and SpareBank 1 Regnskapshuset Rørvik AS (prev. Vekstra Rørvik AS). These businesses are to be fully integrated into SpareBank 1 Regnskapshuset SMN AS in 2015. GWG Regnskap & Admin AS was in 2014 absorbed by SpareBank 1 Regnskapshuset SMN AS.

Purchase price analyses have been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill.

An agreement regarding the takeover of Avito Regnskap AS in Rørvik has been signed, effective as from 1 January 2015.

## Note 41 - Significant transactions with related companies

In this context ‘related parties’ means subsidiaries, affiliated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank’s personal related parties. The Bank’s outstanding accounts with employees and members of the Board of Directors are shown in note 8 on loans and advances to customers and note 23 on personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

| | Subsidiaries | | Other related companies | |
|---|---|---|---|---|
| **Loans (NOK million)** | **2014** | **2013** | **2014** | **2013** |
| Outstanding loans as at 1.1 | 2,738 | 3,316 | 1,875 | 2,603 |
| Loans issued in the period | 271 | 11 | 495 | 558 |
| Repayments | 0 | 589 | 400 | 1,276 |
| **Outstanding loans as at 31.12** | **3,009** | **2,738** | **1,971** | **1,885** |
| | | | | |
| Interest rate income | 84 | 89 | 36 | 79 |
| Actual losses | - | - | - | - |
| | | | | |
| Bonds and subordinated loans as at 31.12 | 89 | 89 | 1,526 | 2,708 |
| | | | | |
| **Deposits (NOK million)** | | | | |
| Deposits as at 1.1 | 1,838 | 2,161 | 969 | 2,885 |
| Contribution received during the period | 21,892 | 21,740 | 22,753 | 5,017 |
| Withdrawals | 22,497 | 22,066 | 21,206 | 6,968 |
| **Deposits as at 31.12** | **1,232** | **1,836** | **2,517** | **934** |
| | | | | |
| Interest rate expenses | 32 | 50 | 8 | 20 |
| | | | | |
| Securities trading | - | - | -491 | 553 |
| Commission income SpareBank 1 Boligkreditt | - | - | 417 | 414 |
| Commission income SpareBank 1 Næringskreditt | - | - | 10 | 8 |
| Issued guarantees and amount guaranteed | 137 | - | 75 | 59 |
| Committed credit | - | - | - | 108 |

**Loans and deposits**

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

**Securities trading**

SpareBank 1 SMN's Markets and Finance divisions carry out a large number of transactions with the Bank's related companies. Transactions are executed on a ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes  net investmens in derivatives, bond transactions and deposits.

**Other transactions**

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests. The Group has in 2014 paid NOK 26.3m in premium to SpareBank 1 SMN Pensjonskasse.

## Note 42 - ECC capital and ownership structure

The Bank's ECC capital totals NOK 2,596,728,860 distributed on 129,836,443 equiry capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2014 there was 8,395 ECC holders (8,741 as at 31 December 2013).

ECC capital has been raised by the following means:

| Year | Change | Change in ECC capital (NOK) | Total ECC capital (NOK) | No. of ECCs |
|---|---|---|---|---|
| 1991 | Placing | 525,000,000 | 525,000,000 | 5,250,000 |
| 1992 | Placing | 75,000,000 | 600,000,000 | 6,000,000 |
| 2000 | Employee placing | 5,309,900 | 605,309,900 | 6,053,099 |
| 2001 | Employee placing | 4,633,300 | 609,943,200 | 6,099,432 |
| 2002 | Employee placing | 4,862,800 | 614,806,000 | 6,148,060 |
| 2004 | Bonus Issue | 153,701,500 | 768,507,500 | 7,685,075 |
| 2005 | Placing | 217,424,200 | 985,931,700 | 9,859,317 |
| 2005 | Employee placing | 23,850,000 | 1,009,781,700 | 10,097,817 |
| 2005 | Split | - | 1,009,781,700 | 40,391,268 |
| 2005 | Rights issue | 252,445,425 | 1,262,227,125 | 50,489,085 |
| 2007 | Dividend issue | 81,752,950 | 1,343,980,075 | 53,752,203 |
| 2007 | Employee placing | 5,420,000 | 1,349,400,075 | 53,976,003 |
| 2008 | Dividend issue | 90,693,625 | 1,440,093,700 | 57,603,748 |
| 2008 | Employee placing | 6,451,450 | 1,446,545,150 | 57,861,806 |
| 2009 | Bonus issue | 289,309,025 | 1,735,854,175 | 69,434,167 |
| 2010 | Employee placing | 12,695,300 | 1,748,549,475 | 69,941,979 |
| 2010 | Rights issue | 624,082,675 | 2,372,632,150 | 94,905,286 |
| 2011 | Rights issue | 625,000 | 2,373,257,150 | 94,930,286 |
| 2012 | Reduction in nominal value | -474,651,430 | 1,898,605,720 | 94,930,286 |
| 2012 | Rights issue | 569,543,400 | 2,468,149,120 | 123,407,456 |
| 2012 | Employee placing | 16,220,200 | 2,484,369,320 | 124,218,466 |
| 2012 | Placing | 112,359,540 | 2,596,728,860 | 129,836,443 |

| **Parent Bank (NOK million)** | **2014** | **2013** |
|---|---|---|
| ECC capital | 2,597 | 2,597 |
| Dividend equalisation reserve | 3,122 | 2,496 |
| Premium reserve | 895 | 895 |
| Unrealised gains reserve | 90 | 126 |
| **A. The equity capital certificate owners' capital** | **6,704** | **6,114** |
| | | |
| Ownerless capital | 3,619 | 3,276 |
| Unrealised gains reserve | 49 | 69 |
| **B. The saving bank reserve** | **3,668** | **3,345** |
| | | |
| Other equity | 160 | 124 |
| Dividend declared | 292 | 227 |
| **Equity ex. profit** | **10,824** | **9,811** |
| | | |
| **Equity capital certificate ratio A/(A+B)** | **64.64 %** | **64.64 %** |
| | | |
| Average of ratio | 64.64 % | 64.64 % |

| **20 largest ECC holders at 31 Dec 2014** | **No. of ECCs** | **Holding** |
|---|---|---|
| Verdipapirfondet DNB Norge (IV) | 4,309,928 | 3.32 % |
| Sparebankstiftelsen SpareBank 1 SMN | 3,965,391 | 3.05 % |
| Odin Norge | 3,823,131 | 2.94 % |
| VPF Nordea Norge Verdi | 3,538,004 | 2.72 % |
| Pareto Aksje Norge | 3,302,488 | 2.54 % |
| The Bank of New York Mellon (nominee) | 3,118,007 | 2.40 % |

| | | |
|---|---|---|
| Odin Norden | 2,854,979 | 2.20 % |
| Vind LV AS | 2,736,435 | 2.11 % |
| State Street Bank and Trust CO (nominee) | 2,609,428 | 2.01 % |
| Wimoh Invest AS | 2,359,388 | 1.82 % |
| MP Pensjon PK | 2,058,415 | 1.59 % |
| Danske Invest Norske Aksjer Inst. II | 2,003,167 | 1.54 % |
| Forsvarets Personellservice | 1,491,146 | 1.15 % |
| DNB Livsforsikring AS | 1,472,982 | 1.13 % |
| Pareto Aktiv | 1,412,325 | 1.09 % |
| Pareto AS | 1,330,202 | 1.02 % |
| VPF Nordea Kapital | 1,222,189 | 0.94 % |
| Danske Invest Norske Aksjer Instit. I | 1,110,223 | 0.86 % |
| Fondsfinans Spar | 1,075,000 | 0.83 % |
| Verdipapirfondet Handelsbanken | 1,050,000 | 0.81 % |
| **The 20 largest ECC holders in total** | **46,842,828** | **36.08 %** |
| Others | 82,993,615 | 63.92 % |
| | | |
| **Total issued ECCs** | **129,836,443** | **100.00 %** |

# Note 43 - Dividends from subsidiaries

| **Dividends (NOKm)** | **2014** | **2013** |
|---|---|---|
| *Dividends received from:* | | |
| SpareBank 1 Finans Midt-Norge AS | 33 | 57 |
| EiendomsMegler 1 Midt-Norge AS | 37 | 47 |
| SpareBank 1 Regnskapshuset SMN AS | 10 | 5 |
| Allegro Kapitalforvaltning ASA | 6 | - |
| SpareBank 1 SMN Invest AS | 27 | - |
| Brannstasjonen SMN AS | - | 0 |
| SpareBank 1 SMN Card Solutions AS | 2 | 2 |
| St. Olavs Plass 1 SMN AS | 0 | - |
| Jernbanegata 19 SMN AS | 0 | - |
| **Total dividends** | **117** | **111** |

| **Distributions (NOKm)** | **2014** | **2013** |
|---|---|---|
| Profit for the year for distribution, Parent Bank | 1,503 | 1,259 |
| | | |
| Allocated to dividends | 292 | 227 |
| Allocated to gifts | 160 | 124 |
| Transferred to equalisation fund | 679 | 587 |
| Transferred to ownerless capital | 372 | 321 |
| **Total distributed** | **1,503** | **1,259** |

## Note 44 - Subsequent events

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

For information about the take over of SpareBank 1 Markets, see note 40 on business acquisitions/business combinations and the stock exchange notice of 11 August 2014.