Note 8 - Loans and advances to customers

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

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

Specified by risk group

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

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

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

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

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

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

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

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

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

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

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

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

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

Parent Bank 2013	Parent Bank 2014	Total contracts SpareBank 1 Boligkreditt	Group 2014	Group 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 2013	Parent Bank 2014	Gross loans SpareBank 1 Næringskreditt	Group 2014	Group 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 2013	Parent Bank 2014	Total contracts	Group 2014	Group 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 2013	Parent Bank 2014	Gross loans	Group 2014	Group 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**