

Notes

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Note 1 - General information

Description of the business

See "Business description" presented in the annual report.

The SpareBank 1 SMN Group

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

The Group accounts for 2015 were approved by the Board of Directors on 7 March 2016.

Note 2 - Accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2015 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2015.

Implemented accounting standards and other relevant rule changes in 2015

IFRIC 21 Levies

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

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

Guarantee Fund levy

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

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

Annual Improvements 2011-2013 Cycle

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

IFRS 3 Business Combinations

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

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

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

New or revised accounting standards approved but not implemented in 2015

IFRS 9 Financial Instruments

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

The Group has no plans regarding early implementation of the standard, and will implement IFRS from January 1, 2018. In 2015 the Group have performed an overall assessment of the implementation effects. The preliminary assessment is based on the information

available at the time, and may change as more detailed analyses or more information is made available in the future. The Group does not expect significant effects on the financial position or equity as a consequence of the implementation, except the effect of applying the standard for impairment on loans. New principles for impairment will possibly give increased losses, which will impact equity negatively. The bank will in 2016 perform a detailed assessment to be able to determine the accrual for losses more exact.

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

IFRS 16 Leases

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

Presentation currency

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

Consolidation

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

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

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

Associated companies

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

Joint ventures

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

Loans and loan losses

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

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

Write-down

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

Individual write-downs on financial assets

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

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

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

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

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

Collective write-downs on loans

In the case of financial assets which are not individually significant, the objective evidence of value impairment is assessed on an individual or collective basis. Should the Group decide that no objective evidence exists of value impairment of an individually assessed financial asset, significant or not, that asset is included in a group of financial assets sharing the same credit risk characteristics such as observable data indicating a measurable reduction in future cash flows from a group of financial assets since first-time recognition, even if the reduction cannot yet be fully identified to an individual financial asset in the Group including:

- an unfavourable development in payment status for borrowers in the Group
- national or local economic conditions correlating with defaults of assets in the Group

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

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

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

Non-performing/potential problem loans

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

Value impairment of loans recognised at fair value

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

Actual losses

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

Repossessed assets

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

Non-current assets held for sale and discontinued operations

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

Leases

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

Securities and derivatives

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

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

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

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

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

Intangible assets

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

Property, plant and equipment

Property, plant and equipment along with property used by the owner are accounted for in accordance with IAS 16. The investment is initially measured at its cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation

plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example PCs, and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed as groups. Property used by the owner's, according to the definition in IAS 40, property that is mainly used by the Bank or its subsidiary for its own use.

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

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

Interest income and expenses

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

Commission income and expenses

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

Transactions and holdings in foreign currency

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

Hedge accounting

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

Fair value option

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

Income taxes

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

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

Deposits from customers

Customer deposits are recognised at amortised cost.

Debt created by issuance of securities

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

Subordinated debt and hybrid capital

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

Uncertain commitments

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

Pensions

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

Defined benefit scheme

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

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

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

Defined contribution

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

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

Early retirement pension scheme ("AFP")

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

The Act relating to state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 percent of pensionable income capped at 7.1 G up to age 62. Accumulation under

the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

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

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

Segment reporting

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

Dividends and gifts

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

Events after the balance sheet date

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

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

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

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

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

Losses on loans and guarantees

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

Write-down is considered in the case of exposures larger than NOK 250,000 that are in default, or where the Bank has other relevant objective information. Collective write-downs are calculated for groups of commitments subject to rising credit risk but where it is not possible to identify which commitment will entail loss. Calculation is based on increase in expected loss on portfolios which have migrated negatively since the date of approval.

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

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

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

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

Fair value of equity capital interests

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

Fair value of derivatives

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market. When measuring financial instruments for which observable market data are not available, the Group makes assumptions regarding what market participants would use as the basis for valuing similar financial instruments. The valuations require application of significant judgment when calculating liquidity risk, credit risk and volatility among others. Changes in these factors would affect the estimated fair value of the Group's financial instruments.

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

Pensions

Net pension liability and the pension cost for the year are based on a number of estimates, including: return on pension assets, future interest and inflation rates, wage trend, turnover, the basic state pension entitlement and the general trend in the number of disability pensioners, all of which are of major significance. Estimate changes resulting from changes in the parameters mentioned will in large measure be accrued over average remaining earning period and not be immediately charged to profit in the same way as other estimate

changes. The Group follows the updated guidance on pension assumptions from the Norwegian Accounting Standards Board, adjusted for company-specific factors. Parameters employed are shown in the note 24 on pensions.

Goodwill

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

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

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

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

Acquisitions

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

Non-current assets held for sale (IFRS 5)

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

Sale of loan portfolios

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

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

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

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

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

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

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

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

Note 4 - Segment information

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

Group 31 Dec 15											
Profit and loss account (NOK million)	RM	CM	SB1 Markets	EM 1	SB 1 Finans MN	SB 1 Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated		Total
Net interest	907	922	-2	4	154	-0	-	-	-112		1,872
Interest from the allocated capital	41	48	-	-	-	-	-	-	-89		-
Total interest income	948	971	-2	4	154	-0	-	-	-202		1,872
Commission income and other income	715	180	56	360	33	197	-	-	5		1,545
Net return on financial investments ^{***)}	1	13	50	-	-	-	251	41	101		458
Total income ^{*)}	1,663	1,164	104	364	187	197	251	41	-96		3,876
Total operating expenses	779	353	188	317	97	162	-	-	35		1,931
Ordinary operating profit	884	810	-85	47	91	35	251	41	-131		1,945
Loss on loans, guarantees etc.	11	151	-	-	8	-	-	-	-2		169
Result before tax including held for sale	873	659	-85	47	83	35	251	41	-129		1,776
Post-tax return on equity ^{**)}	15.8%	12.4%									10.7%
Balance (NOK million)											
Loans and advances to customers	84,981	37,226	-	-	4,376	-	-	-	796		127,378
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-32,061	-1,343	-	-	-	-	-	-	-		-33,404
Individual allowance for impairment on loan	-28	-146	-	-	-7	-	-	-	-2		-183
Group allowance for impairment on loan	-95	-264	-	-	-18	-	-	-	1		-376
Other assets	140	3	1,456	281	4	144	1,509	1,157	33,803		38,499
Total assets	52,937	35,476	1,456	281	4,355	144	1,509	1,157	34,598		131,914
Deposits to customers	33,534	30,367	-	-	-	-	-	-	188		64,090
Other liabilities and equity	19,402	5,108	1,456	281	4,355	144	1,509	1,157	34,410		67,824
Total liabilities and equity	52,937	35,476	1,456	281	4,355	144	1,509	1,157	34,598		131,914

Group 31 Dec 14

Profit and loss account (NOK million)					SB 1		SB 1				Total
	RM	CM	Markets	EM 1	Finans MN	Regnskaps- huset SMN	SB1 Gruppen	BN Bank	Uncollated		
Net interest	873	840	-9	5	130	6	-	-	-55	1,790	
Interest from the allocated capital	40	67	-0	-	-	-	-	-	-107	-	
Total interest income	913	906	-9	5	130	6	-	-	-162	1,790	
Commission income and other income	762	159	19	359	-4	182	-	-	35	1,512	
Net return on financial investments ***)	1	29	27	-	-	-	358	93	212	720	
Total income *)	1,675	1,095	37	364	126	188	358	93	85	4,021	
Total operating expenses	809	318	58	313	50	148	-	-	93	1,789	
Ordinary operating profit	867	777	-21	51	75	40	358	93	-7	2,232	
Loss on loans, guarantees etc.	6	77	-	-	8	-	-	-	-2	89	
Result before tax including held for sale	861	699	-21	51	68	40	358	93	-6	2,144	
Post-tax return on equity **)	19.2%	10.0%								15.1%	
Balance (NOK million)											
Loans and advances to customers	78,388	36,872	-	-	3,637	-	-	-	1,537	120,435	
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,490	-1,366	-	-	-	-	-	-	-1	-29,857	
Individual allowance for impairment on loan	-25	-139	-	-	-8	-	-	-	-0	-172	
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-0	-295	
Other assets	240	457	-	284	11	139	1,421	1,201	32,182	35,936	
Total assets	49,987	35,636	-	284	3,625	139	1,421	1,201	33,754	126,047	
Deposits to customers	31,589	28,463	-	-	-	-	-	-	629	60,680	
Other liabilities and equity	18,398	7,173	-	284	3,625	139	1,421	1,201	33,125	65,367	
Total liabilities and equity	49,987	35,636	-	284	3,625	139	1,421	1,201	33,754	126,047	

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

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

***) Specification of net return on financial investments including held for sale (NOK million)

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

Note 5 - Capital adequacy and capital management

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

As of 31 December 2015 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3 per cent and countercyclical buffer is 1 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 11 per cent. The countercyclical buffer is announced to increase to 1.5 per cent with effect from 30 June 2016.

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. In 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

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

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

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

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

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

Note 6 - Risk factors

Risk Management

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

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

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

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

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

1. Probability of Default (PD)

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

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

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

2. Exposure at Default (EAD)

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

3. Loss Given Default (LGD)

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

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

Counterparty risk

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

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

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

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

Market risk

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

Access to capital has been satisfactory throughout 2015.

The Group's liquidity situation as of 31 December 2015 is considered satisfactory.

Operational risk

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

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities

- Systems: Failure of ICT or other systems
- External causes: Criminality, natural disaster, other external causes

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

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

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

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

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

Operational losses are reported to the Board of Directors.

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

For further information see Risk and capital management and notes:

Note 13: Maximum credit risk exposure

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to currency exposure

Note 18: Liquidity risk

Note 7 - Credit institutions - loans and advances

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

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

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

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

Note 8 - Loans and advances to customers

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

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

Specified by risk group

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Specified by sector and industry

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

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

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

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

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

Specified by geographic area

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

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

Parent bank			Group	
31 Dec 14	31 Dec 15	Gross loans sold to SpareBank1 Næringskreditt (NOK million)	31 Dec 15	31 Dec 14
369	358	Sør-Trøndelag	358	369

338	309	Nord-Trøndelag	309	338
546	543	Møre og Romsdal	543	546
150	250	Oslo	250	150
61	-	Rest of Norway	-	61
1,463	1,460	Total	1,460	1,463

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

Note 9 - Derecognition of financial assets

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

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

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

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

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

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

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS is owned by savings banks participating in the SpareBank 1 Alliance. The Bank has a stake of 18.97 per cent as of 31 December 2015 (17.67 per cent as of 31 December 2014). SpareBank 1 Boligkreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Boligkreditt are secured on dwellings at up to 75 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Boligkreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

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

Liquidity facility

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

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

Financial strength

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

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

core capital. Viewed in light of the mortgage company's very low risk profile, the Bank considers it unlikely that capital will be called up under this agreement and has opted not to maintain reserves to that end.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt AS is owned by savings banks in the SpareBank 1 Alliance. The Bank has a stake of 33.62 per cent as at 31.12.2015 (33.62 per cent as at 31.12.2014). SpareBank 1 Næringskreditt AS acquires loans secured on dwellings and issues covered bonds within the applicable rules that were established in 2007. Loans sold to SpareBank 1 Næringskreditt are secured on commercial property at up to 60 per cent of property valuation. Sold loans are legally owned by SpareBank 1 Næringskreditt and the Bank has, over and above the right to be responsible for management and receipt of commission, and the right to take over written-down loans in whole or in part, no right to make use of the loans. The Bank is responsible for management of the sold loans and receives commission based on the net of the return on the loans that the Bank has sold and the mortgage company costs.

Commercial property loans sold to SpareBank 1 Næringskreditt were reduced by NOK 2,8m in 2015 (Increased by NOK 242m in 2014). In total, mortgage loans to SpareBank 1 Næringskreditt were derecognised in an amount of NOK 1.5bn by the end of the financial year (NOK 1.5bn in 2014).

Liquidity facility

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

Financial strength

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

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

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

Parent bank 31 Dec 15 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	947	260	66	94	1,368
Corporate market	90	4	1	22	117
Total	1,038	265	67	116	1,486

31 Dec 14 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	1069	279	45	88	1,481
Corporate market	180	4	2	23	209
Total	1,249	283	47	111	1,690

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

Group 31 Dec 15 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	950	283	72	121	1,426
Corporate market	95	18	2	45	159
Total	1,045	301	73	166	1,585

31 Dec 14 (NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
Retail market	1144	292	48	105	1,589
Corporate market	312	25	3	33	373
Total	1,456	317	51	138	1,963

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

Note 11 - Losses on loans and guarantees

Parent bank

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

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

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

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

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

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

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

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

Group

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

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

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

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

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

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

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

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

Note 12 - Credit risk exposure for each internal risk rating

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

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

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

Credit quality step	Probability of default			Historical default		Collateral cover		
	From	To	Moody's	Historical default	Default 2015	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.01 %	0.01 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.04 %	0.03 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.07 %	0.07 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.24 %	0.17 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.36 %	0.52 %	5	40	60
F	1.25 %	2.50 %		0.89 %	0.68 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	2.33 %	2.25 %	7	0	20
H	5.00 %	10.00 %	B1-B2	4.52 %	4.07 %			
I	10.00 %	99.99 %	B3-Caa3	11.01 %	12.25 %			
J	Default							
K	Written down							

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

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

Parent Bank (NOK million)	Averaged unhedged exposure		Averaged unhedged exposure	
	31 Dec 15	Total exposure 31 Dec 15	31 Dec 14	Total exposure 31 Dec 14
Lowest risk	9.0 %	60,945	9.9 %	52,644
Low risk	12.8 %	21,757	13.1 %	25,097
Medium risk	14.7 %	19,305	21.1 %	18,122
High risk	21.1 %	3,708	15.0 %	3,998
Highest risk	11.6 %	1,680	10.8 %	1,502
Default and written down	31.1 %	558	29.0 %	432
Total		107,953		101,796

Group (NOK million)	Averaged unhedged exposure		Averaged unhedged exposure	
	31 Dec 15	Total exposure 31 Dec 15	31 Dec 14	Total exposure 31 Dec 14
Lowest risk	9.0 %	61,202	5.9 %	52,975

Low risk	12.4 %	22,821	8.9 %	25,938
Medium risk	14.0 %	20,925	15.2 %	19,798
High risk	19.8 %	4,222	10.3 %	4,443
Highest risk	15.1 %	2,285	10.5 %	1,922
Default and written down	30.7 %	604	23.6 %	486
Total		112,060		105,563

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

Note 13 - Maximum credit risk exposure

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

Parent Bank				
	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
31 Dec 15 (NOK million)				
Assets				
Balances with central banks	3,153	-	-	-
Loans and advances to credit institutions	5,883	-	-	-
Loans and advances to customers	89,596	68,169	1,651	15,025
Securities - designated at fair value through profit/loss	16,013	-	-	7,437
Derivatives	7,606	-	-	4,726
Securities - available for sale	76	-	-	-
Earned income, not yet recieved	23	-	-	-
Accounts receivable, securities	3	-	-	-
Total assets	122,353	68,169	1,651	27,189
Liabilities				
Guarantee commitments and documentary credits	7,173	-	-	-
Unutilised credits	15,706	3,928	256	2,570
Loan approvals	1,513	-	-	-
Total liabilities	24,392	3,928	256	2,570
Total credit risk exposure	146,745	72,097	1,907	29,759
31 Dec 14 (NOK million)				
Assets				
Balances with central banks	4,498	-	-	-
Loans and advances to credit institutions	4,364	-	-	-
Loans and advances to customers	86,478	64,351	2,015	13,656
Securities - designated at fair value through profit/loss	14,430	-	-	5,049
Derivatives	7,972	-	-	4,402
Securities - available for sale	4	-	-	-
Earned income, not yet recieved	31	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	117,784	64,351	2,015	23,107
Liabilities				
Guarantee commitments and documentary credits	5,126	-	-	-
Unutilised credits	10,284	2,616	83	1,719
Loan approvals	1,230	-	-	-
Total liabilities	16,640	2,616	83	1,719
Total credit risk exposure	134,424	66,967	2,098	24,826
Group				
	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral *)
31 Dec 15 (NOK million)				
Assets				
Balances with central banks	3,153	-	-	-
Loans and advances to credit institutions	2,407	-	-	-
Loans and advances to customers	93,415	68,169	1,651	15,025
Securities - designated at fair value through profit/loss	17,128	-	-	7,437
Derivatives	7,524	-	9	4,726

Securities - available for sale	108	-	-	-
Earned income, not yet recieved	39	-	-	-
Accounts receivable, securities	200	-	197	-
Total assets	123,974	68,169	1,857	27,189
Liabilities				
Guarantee commitments and documentary credits	7,173	-	-	-
Unutilised credits	15,858	3,928	256	2,570
Loan approvals	1,745	-	-	-
Other exposures	42	-	-	-
Total liabilities	24,818	3,928	256	2,570
Total credit risk exposure	148,792	72,097	2,112	29,759

31 Dec 14 (NOK million)	Maximum exposure to credit risk	Collateral in property	Collateral in securities	Other collateral ^{*)}
Assets				
Balances with central banks	4,498	-	-	-
Loans and advances to credit institutions	1,289	-	-	-
Loans and advances to customers	90,112	64,351	2,015	16,942
Securities - designated at fair value through profit/loss	14,850	-	-	5,049
Derivatives	7,877	-	-	4,402
Securities - available for sale	35	-	-	-
Earned income, not yet recieved	39	-	-	-
Accounts receivable, securities	8	-	-	-
Total assets	118,707	64,351	2,015	26,394
Liabilities				
Guarantee commitments and documentary credits	5,126	-	-	-
Unutilised credits	10,311	2,616	83	1,736
Loan approvals	1,319	-	-	-
Other exposures	38	-	-	-
Total liabilities	16,794	2,616	83	1,736
Total credit risk exposure	135,501	66,967	2,098	28,129

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

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

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

Credit risk exposure related to financial assets distributed by geographical area

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

Note 14 - Financial instruments and offsetting

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

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. Regarding financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of year- end 2015 the Bank has 26 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

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

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

Parent Bank

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

Group

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

Note 15 - Credit quality per class of financial assets

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

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

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

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

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

Group		Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
31 Dec 15 (NOK million)	Notes							
Loans to and claims on credit institutions	7	2,407	-	-	-	-	-	2,407
Loans to and claims on customers	8							

Retail market	38,961	9,480	4,316	1,107	1,313	202	55,379
Corporate market	13,799	9,846	11,179	2,550	862	361	38,595
Total	52,760	19,326	15,495	3,657	2,175	563	93,974
Financial investments	29						
Quoted government bonds	4,032	-	-	-	-	-	4,032
Quoted other bonds	756	35	62	-	-	-	853
Unquoted government bonds	1,618	-	-	-	-	-	1,618
Unquoted bonds	7,220	1,224	696	83	27	-	9,250
Total	13,626	1,259	757	83	27	-	15,752
Total	68,792	20,585	16,253	3,740	2,202	563	112,133

31 Dec 14 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	1,289	-	-	-	-	-	1,289
Loans to and claims on customers	8							
Retail market		34,210	9,754	5,347	1,114	1,188	192	51,805
Corporate market		11,491	12,450	11,138	2,768	667	259	38,773
Total		45,701	22,204	16,484	3,882	1,855	452	90,578
Financial investments	29							
Quoted government bonds		4,680	-	-	-	-	-	4,680
Quoted other bonds		4,026	2,248	1,013	85	34	-	7,406
Unquoted government bonds		1,217	-	-	-	-	-	1,217
Unquoted bonds		245	450	142	24	13	-	873
Total		10,168	2,699	1,155	109	47	-	14,177
Total		57,158	24,903	17,639	3,990	1,902	452	106,043

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

Note 16 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31 December 2015. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of one percentage on all balance sheet items.

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

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

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

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

Interest rate curve risk, Group (NOK million)	Interest rate risk, 1 % change	
	2015	2014
0 - 1 month	-11	-14
1 - 3 months	-1	2
3 - 6 months	-10	-8
6 - 12 months	9	9
1 - 2 years	-3	-4
2 - 3 years	7	2
3 - 4 years	-15	4
4 - 5 years	-1	-10
5 - 7 years	-1	-4
7 - 10 years	1	-3
Total interest rate risk, effect on result before tax	-25	-26

Note 17 - Market risk related to currency exposure

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

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

Foreign exchange risk was low throughout the year and within the maximum limit of NOK 12 million as of 31 December 2015. For further details see note 6 on risk factors.

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

Note 18 - Liquidity risk

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

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

Group						
31 Dec 14 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	7,696	1,306	-	-	121	9,123
Deposits from and debt to customers	54,893	1,364	1,429	2,994	-	60,680
Debt created by issuance of securities	-	3,991	1,245	24,419	2,578	32,233
Derivatives - contractual cash flow out	-	904	748	7,703	1,555	10,910
Other commitments	37	975	537	77	-	1,625
Subordinated debt *)	-	15	-	2,808	450	3,273
Total cash flow, liabilities	62,626	8,555	3,959	38,001	4,704	117,844
Contractual cash flows out	-	904	748	7,703	1,555	10,910
Contractual cash flows in	-	-938	-902	-8,055	-1,744	-11,639
Net contractual cash flows	-	-33	-154	-352	-189	-729

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

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

Note 19 - Net interest income

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

Note 20 - Net commission income and other income

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

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

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

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

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

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

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

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

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

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

Reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group's sanction system.

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

Emoluments to Top Management

2015 (thousands of NOK)

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

Svein Tore Samdal**) Executive Director Retail	2,853	-	56	350	-	66	7,948	22,618
Nelly Maske**) Executive Director Organisation and Development	1,978	-	56	161	-	66	5,397	20,000

2014 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which bonuses *)	Of which share-based bonus payments	Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan Group CEO	6,609	399	200	2,297	16,156	640	10,619	177,906
Kjell Fordal Executive Director Group Finance	3,073	243	121	460	8,138	744	6,438	224,422
Wenche Margaretha Seljeseth**) Executive Director Business Operation and Development	2,335	180	90	223	-	65	2,696	8,139
Tina Steinsvik Sund**) Executive Director Performance Development, HR and Digital Channels	937	189	95	59	-	16	6,713	11,606
Vegard Helland Executive Director Corporate	2,733	206	103	307	1,946	130	2,357	13,312
Svein Tore Samdal**) Executive Director Retail	2,654	69	35	378	-	65	4,634	2,618

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

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

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

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

The Executive Directors have severance packages of 12 or 24 months in which are reduced by any salary earned in other employment. In all cases, maximum severance pay without any reduction is 12 months.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

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

Emoluments to the Board of Directors and the Control Committee
2015 (thousands of NOK)

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Kjell Bjordal	Board chairman	425	32	49	-	110,000
Bård Benum	Deputy chair	225	75	1	3,269	-
Aud Skrudland	Board member	195	22	1	-	2,765
Arnhild Holstad	Board member	195	-	8	2,421	-

Paul E. Hjelm-Hansen	Board member	195	100	3	-	49,219
Venche Johnsen *)	Board member, employee representative	195	-	732	695	24,716
Janne Thyø Thomsen	Board member	195	75	1	-	3,000
Morten Loktu	Board member	195	22	1	-	5,000
Terje Lium	Chair, Control Committee	158	-	-	-	-
Anders Lian	Deputy Chair, Control Committee	106	-	1	-	-
Terje Ruud	Member, Control Committee	106	-	1	-	-

*) Other emoluments include salary in employment relationships.

2014 (thousands of NOK)

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

*) Other emoluments include salary in employment relationships.

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

Fees to the Supervisory Board

(thousands of NOK)

	2015	2014
Randi Dyrnes, Supervisory Board Chair as from April 2012	86	78
Other members	580	452

Note 23 - Other operating expenses

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

Note 24 - Pension

Defined benefit scheme

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

Defined contribution scheme

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

Early retirement pension scheme

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

Early retirement pension scheme, new arrangement

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

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 on personnel expenses and emoluments to senior employees and elected officers.

IAS 19R Benefits to employees

As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension cost. All actuarial gain and losses shall according to IAS 19R be entered in the statement on other comprehensive income. As of 31 December 2015 the Group has utilised the new mortality base table K2013 established by Finanstilsynet on 8 March 2013 (K2013FT) as the basis for its calculations. This is then adjusted for an initial mortality rate and a mortality decline. In its table Finanstilsynet utilised an initial mortality rate of 12 per cent, whereas the Group employs 5 per cent. The decline in mortality is also somewhat adjusted compared with Finanstilsynet's table, but without significantly affecting the liability. Hence the safety margins in the mortality table utilised, K2013BE, are somewhat lower than K2013FT, but in the Group's assessment the table that is used gives the best estimate of the pension liability on the balance sheet date.

Actuarial assumptions	2015		2014	
	Costs	Liability	Costs	Liability
Discount rate	2.3 %	2.7 %	4.0 %	2.3 %
Expected rate of return on plan assets	2.3 %	2.7 %	4.0 %	2.3 %
Expected future wage and salary growth	2.5 %	2.3 %	3.5 %	2.5 %
Expected adjustment of basic amount (G)	2.5 %	2.3 %	3.5 %	2.5 %
Expected increase in current pension	0.0 %	0%/2.25%	0.6 %	0.0 %
Employers contribution	14.1 %	14.1 %	14.1 %	14.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %
Mortality base table	K2013BE			

Disability

IR73

Parent Bank			Group	
2014	2015	Net pension liability (NOK million). Financial position 1 Jan	2015	2014
613	737	Net present value of pension liabilities in funded schemes	768	638
-703	-729	Estimated value of pension assets	-754	-726
4	9	Opening balance adjustment	8	5
-85	16	Net pension liability in funded schemes	22	-83
3	3	Employer's contribution	4	4
-82	19	Net pension liability	26	-79

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

Group (NOK million)	2015			2014		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	746	22	768	614	24	638
Fair value of pension assets	-754	-	-754	-726	-	-726
Opening balance adjustment	8	0	8	5	-	5
Net pension liability before employer's contribution	0	22	22	-107	24	-83
Employer's contribution	1	3	4	0	3	4
Net pension liability after employer's contribution	1	25	26	-107	27	-79

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

Actuarial gains/losses recognised in other comprehensive income for the period (NOK million)

	2015			2014		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-0	-46	-47	1	207	208
Change in other economic assumptions	-0	-10	-10	0	-68	-68
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-1	-13	-14	-1	-18	-19
Change in other factors, pension assets	-	-46	-46	-	-8	-8

Actuarial gains/losses recognised in other comprehensive income for the period	-1	-115	-116	1	112	113
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2014	2015	Movement in net pension liability	2015	2014
-82	19	Net pension liability 1 Jan	26	-79
109	-109	Actuarial gains and losses for the year	-116	113
25	21	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	34	27
-5	-1	Pension payments	-1	-5
-28	-30	Paid-in pension premium, defined-benefit plans	-36	-30
19	-100	Net pension liability 31 Dec	-94	26

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

^{*)} Presented gross in the Group accounts

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

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

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

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

Actuarial changes	38	8
CB market value of pension assets	808	746

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

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

Investment and pension assets in the pension fund	2015	2014
Current bonds	21 %	17 %
Bonds held to maturity	23 %	27 %
Money market	13 %	13 %
Equities	37 %	34 %
Real estate	6 %	6 %
Other	0 %	2 %
Total	100 %	100 %

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

Note 25 - Income tax

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

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

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

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

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

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

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

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

Note 26 - Categories of financial assets and financial liabilities

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

Group	Financial instruments at fair value				Financial instruments measured at amortised cost	Total
	Held for trading in acc with IAS 39	Designated as such upon initial recognition	Held-to-maturity investments	Available for sale		
31 Dec 2014 (NOK million)						
Assets						
Cash and receivables from central banks	-	-	-	-	4,676	4,676
Deposits with and loans to credit institutions	-	-	-	-	1,289	1,289
Loans to and receivables from customers	-	3,277	-	-	86,835	90,112
Shares, units and other equity interests	-	673	-	35	-	708
Fixed-income CDs and bonds	-	14,177	-	-	-	14,177
Derivatives	6,374	1,503	-	-	-	7,877
Total financial assets	6,374	19,630	-	35	92,799	118,838
Liabilities						
Deposits from credit institutions	-	-	-	-	9,123	9,123

Deposits from and debt to customers	-	-	-	-	60,680	60,680
Debt created by issue of securities	-	-	-	-	33,001	33,001
Derivatives	167	6,085	-	-	-	6,252
Subordinated loan capital	-	-	-	-	3,371	3,371
Total financial liabilities	167	6,085	-	-	106,175	112,427

Note 27 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

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

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
-Derivatives	39	7,485	-	7,524
-Bonds and money market certificates	2,207	13,545	-	15,752
-Equity instruments	803	-	574	1,377
-Fixed interest loans	-	43	4,405	4,447
Financial assets available for sale				
-Equity instruments	-	-	108	108
Total assets	3,048	21,073	5,087	29,207
Liabilities				
Financial liabilities through profit/loss				
-Derivatives	44	5,371	-	5,414
-Equity instruments	385	9	-	394
Total liabilities	429	5,380	-	5,808

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

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
-Derivatives	326	7,551	-	7,877
-Bonds and money market certificates	3,859	10,318	-	14,177
-Equity instruments	48	-	625	673
-Fixed interest loans	-	43	3,277	3,320
Financial assets available for sale				
-Equity instruments	-	-	35	35
Total assets	4,233	17,911	3,937	26,082
Liabilities				
Financial liabilities through profit/loss				
-Derivatives	324	5,928	-	6,252
Total liabilities	324	5,928	-	6,252

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

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

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

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January 14	2,656	909	40	3,605
Investment in period	946	38	3	987
Disposals in the period	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
Closing balance 31 December 14	3,277	625	35	3,937

Valuation method

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

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

Loans to customers (level 3)

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

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

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

Equity instruments (level 3)

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

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

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

Financial derivatives (level 2)

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

Sensitivity analyses, level 3

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

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

Note 28 - Fair value of financial instruments

Financial instruments measured at amortised cost

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

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

Loans to and claims on customers

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

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

Bonds held to maturity

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

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

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

Securities debt and subordinated debt

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

Parent Bank

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

Group

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

Subordinated debt at amortised cost	2	2,356	2,350	2,364	2,421
Subordinated debt, hedging	2	1,107	1,099	1,006	1,021
Total financial liabilities at amortised cost		110,862	111,609	106,175	106,656

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

Note 29 - Money market certificates and bonds

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

Note 30 - Financial derivatives

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

The contract amount shows absolute values for all contracts.

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

Parent Bank

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

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

Group

Fair value through profit and loss (NOK million)	31 Dec 15			31 Dec 14		
	Contract amount	Fair values		Contract amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Currency instruments						
Foreign exchange derivatives (forwards)	3,347	220	-90	2,939	213	-89
Currency swaps	11,999	628	-185	20,653	946	-422
FX-options	-	-	-	87	0	-0
Total currency instruments	15,346	848	-276	23,679	1,159	-512
Fixed income instruments						
Interest rate swaps (including cross currency)	144,906	4,334	-4,046	122,204	4,187	-4,264
Short-term interest rate swaps (FRA)	216,951	754	-766	517,704	1,271	-1,281
Other interest rate contracts	222	1	-1	281	0	-0
Total non-standardised contracts	362,079	5,089	-4,813	640,189	5,458	-5,545

Equity instruments						
Equity options	30	7	-22	-	-	-
Equity forwards/futures	1,004	2	-27	-	-	-
Total equity instruments	1,034	9	-49	-	-	-
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	21,626	1,213	-2	20,495	985	-
Total non-standardised contracts	21,626	1,213	-2	20,495	985	-
Total currency, fixed income and equity instruments						
Total interest rate derivatives	383,705	6,302	-4,815	660,684	6,443	-5,545
Total currency derivatives	15,346	848	-276	23,679	1,159	-512
Total equity derivatives	1,034	9	-49	-	-	-
Total financial derivatives	400,085	7,159	-5,139	684,363	7,602	-6,057

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

Note 31 - Shares, units and other equity interests

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

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

Specification of Parent Bank

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

Specification of Group

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

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

Note 32 - Goodwill

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

Carrying value in the parent bank, NOK 447m, refers to excess value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The remaining amount at Group level refers to the parent bank's purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 Regnskapshuset SMN's acquisitions of accounting firms. The year's increase of NOK 2m at group level relates to further acquisitions undertaken in 2015, see note 40 Business acquisitions/business combinations.

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

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

Note 33 - Property, plant and equipment

2015

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

2014

Parent Bank				Group		
Buildings and other real property	Machinery, inventory and vehicles	Total	(NOK million)	Total	Machinery, inventory and vehicles	Buildings and other real property
124	206	329	Cost of acquisition at 1 January	1,543	303	1,240
4	29	33	Acquisitions ^{*)}	53	34	19
-0	-0	-0	Disposals ^{*)}	8	8	-0
128	234	362	Cost of acquisition at 31 December	1,588	329	1,259
45	115	160	Accumulated depreciation and write-downs as at 1 January	369	181	188
8	31	39	Current period's depreciation	105	48	57
-	1	1	Current period's write-down	3	3	-
-	-	-	Reversal of accumulated depreciation and write-downs ^{*)}	8	8	0
53	146	200	Accumulated depreciation and write-down as at 31 December	469	223	246
75	88	162	Book value as at 31 December	1,120	107	1,013

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

Depreciation

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

Technical installations 10 yrs

Machinery 3 - 5 yrs

Fixtures 5 - 10 yrs

IT equipment 3 - 5 yrs

Means of transport 10 yrs

Buildings and other real property 25 - 33 yrs

Provision of security

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

Acquisition cost of depreciated assets

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

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

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

Note 34 - Other assets

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

Note 35 - Deposits from and liabilities to customers

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

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

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

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

Note 36 - Debt securities in issue

Parent Bank			Group		
31 Dec 2014	31 Dec 2015	(NOK million)	31 Dec 2015	31 Dec 2014	
821	-	Money market instrument and other short-term borrowings	-	821	
32,180	35,154	Bond debt	35,154	32,180	
33,001	35,154	Total debt securities in issue	35,154	33,001	
1.9 %	1.5 %	Average interest, money market certificates	1.5 %	1.9 %	
3.0 %	2.5 %	Average interest, bond debt	2.5 %	3.0 %	
2014	2015	Securities debt specified by maturity ^{*)}	2015	2014	
4,867	-	2015	-	4,867	
6,891	5,077	2016	5,077	6,891	
3,567	5,453	2017	5,453	3,567	
8,510	9,749	2018	9,749	8,510	
5,389	6,020	2019	6,020	5,389	
1,325	4,938	2020	4,938	1,325	
-	1,040	2021	1,040	-	
375	375	2022	375	375	
200	200	2023	200	200	
478	-	2024	-	478	
200	400	2029	400	200	
-	251	2035	251	-	
-	511	2044	511	-	
33	53	Currency agio	53	33	
797	722	Premium and discount, market value of structured bonds	722	797	
370	365	Accrued interest	365	370	
33,001	35,154	Total securities debt	35,154	33,001	

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

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

Parent Bank and Group

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

Change in securities debt (NOK million)	31 Dec 2014	Issued	Fallen due/ redeemed	Other changes	31 Dec 2013
Money market certificate debt, nominal value	820	1,120	3,050	-	2,750
Bond debt, nominal value	30,981	8,180	8,600	684	30,718
Adjustments	830	-	-	537	294
Accrued interest	370	-	-	45	324

Total	33,001	9,300	11,650	1,265	34,086
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Note 37 - Other debt and liabilities

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

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

Ongoing lawsuits

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

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

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

Operational leases

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

Lease costs comprised:

Parent Bank		(NOK million)	Group	
2014	2015		2015	2014

92	95	Ordinary lease payments	69	62
25	27	Payment received from sub-lease	26	28
67	68	Total lease costs	44	34

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

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

Note 38 - Subordinated debt and hybrid equity issue

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

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

Parent Bank and Group

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

Changes in subordinated debt and hybrid equity issue	31 Dec 2014	Issued	Fallen due/ redeemed	Other changes	31 Dec 2013
Ordinary subordinated debt, NOK	1,000	-	-	-	1,000
Ordinary subordinated debt, Currency	558	-	-	36	522
Perpetual subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	-	-	-	1,400
Adjustments	98	-	-	16	82
Accrued interest	15	-	-	-0	15
Total subordinated debt and hybrid equity issue	3,371	-	-	51	3,319

Note 39 - Investments in owner interests

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

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	72.1
SpareBank 1 SMN Invest AS	990961867	Trondheim	100.0
EiendomsMegler 1 Midt-Norge AS	936159419	Trondheim	87.0
SpareBank 1 SMN Kvartalet AS	990283443	Trondheim	100.0
SpareBank 1 Regnskapshuset SMN AS	936285066	Trondheim	100.0
Allegro Kapitalforvaltning ASA	980300609	Trondheim	90.1
SpareBank 1 Bygget Steinkjer AS	934352718	Trondheim	100.0
SpareBank 1 Bygget Trondheim AS	993471232	Trondheim	100.0
SpareBank 1 SMN Card Solutions AS	990222991	Trondheim	100.0
Brannstasjonen SMN AS	998042577	Trondheim	100.0
St. Olavs Plass 1 SMN AS	999263380	Trondheim	100.0
SpareBank 1 Bilplan AS	979945108	Trondheim	100.0
Jernbanegata 19 SMN AS	912514005	Trondheim	100.0
SpareBank 1 Markets AS	992999101	Oslo	73.5
Shares owned by subsidiaries and sub-subsidiaries			
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
SpareBank 1 Regnskapshuset Rørvik AS	951016071	Vikna	100.0
GMA Invest AS	994469096	Trondheim	100.0
Sentrumsgården AS	975856828	Leksvik	35.3
Aqua Venture AS	891165102	Trondheim	37.6
Maritech Systems AS	997929217	Averøy	23.1
Omega-3 Invest AS	996814262	Molde	33.6
Tjeldbergodden Utvikling AS	979615361	Aure	23.0
Grilstad Marina AS	991340475	Trondheim	35.0
GMN 51 AS	996534316	Trondheim	30.0
GMN 52 AS	996534413	Trondheim	30.0
GMN 53 AS	996534502	Trondheim	30.0
GMN 54 AS	996534588	Trondheim	30.0
GMN 6 AS	994254707	Trondheim	35.0
Grilstad Energi AS	998480639	Trondheim	30.0
Investment in joint ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
SpareBank 1 Banksamarbeidet DA	986401598	Oslo	17.7
Sparebank 1 Mobilbetaling AS		Trondheim	19.7
Investment in associates			
BN Bank ASA	914864445	Trondheim	33.0
SpareBank1 Boligkreditt AS	988738387	Stavanger	17.7
SpareBank 1 Næringskreditt AS	894111232	Stavanger	33.6
SpareBank 1 Kredittkort AS	975966453	Trondheim	18.4
Molde Kunnskapspark AS	981036093	Molde	21.0
Bjerkeløkkja AS	998534976	Trondheim	40.7
Investment in companies held for sale			
Mavi XV AS	890899552	Trondheim	100.0
Norway Cod AS	979380127	Bindal	100.0
Mavi XI AS	990899568	Trondheim	100.0
Mavi XXIV AS	999211062	Trondheim	100.0
Mavi XXV AS	999239242	Trondheim	100.0
Mavi XXVI AS	999239331	Trondheim	100.0
Mavi XXVII AS	999239390	Trondheim	100.0
Mavi XXVIII AS	999239455	Trondheim	100.0

Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total expenses include tax charge. The book value of subsidiaries in the tables below is the Parent Bank's book value.

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

2014 (NOK million)	Company's share capital (NOK 1000's)	No. Of shares	Nominal value (NOK 1000's)	Assets	Liabilities	Equity	Non- controlling interests of equity	Total income	Total expenses	Profit or loss	Non- controlling interests of profit or loss	Book value 31 Dec
SpareBank 1												
Finans												
Midt-Norge AS	271,920	27,192	10.0	3,625	3,188	437	43	126	76	50	5	368
Total investments in credit institutions												368
SpareBank 1												
SMN Invest AS												
SMN Invest AS	457,280	457,280	1.0	786	62	-	-	42	9	33	-	720
EiendomsMegler												
1 Midt-Norge AS	57,803	5,505	10.5	284	87	197	26	359	322	37	5	120
SpareBank 1												
SMN Kvartalet												
AS	326,160	30,200	10.8	760	117	-	-	45	72	-28	-	899

SpareBank 1 Regnskapshuset SMN AS	14,280	238	60.0	139	46	-	-	182	151	31	-	64
Allegro Kapitalforvaltning ASA	6,000	6,000	1.0	41	11	30	3	36	34	2	0	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	49	0	-	-	5	4	1	-	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	192	8	-	-	31	28	3	-	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	9	3	-	-	22	21	1	-	9
Brannstasjonen SMN AS	10,000	100,000	0.1	82	9	-	-	3	3	0	-	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	75	1	-	-	7	7	0	-	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	32	28	-	-	133	133	0	-	9
Jernbanegata 19 SMN AS	1,000	1,000,000	1.0	12	1	-	-	2	4	-1	-	13
Total investments in other subsidiaries												2,122
Total investments in Group companies, Parent Bank												2,490

Shares in associates and joint ventures

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

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

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

Income from investments in associates and joint ventures

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

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

The Group's stakes in associates and joint ventures

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

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

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

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

2014 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12.	Ownership share	No. of shares
SpareBank 1 Gruppen AS	55,408	48,013	12,623	10,775	360	1,421	19.5 %	364,728
BN Bank ASA	35,787	32,146	647	366	93	1,201	33.0 %	4,658,389
SpareBank 1 Boligkreditt AS	227,594	219,117	317	110	38	1,498	17.7 %	9,737,324
SpareBank 1 Næringskreditt AS	18,161	16,217	174	56	41	653	33.6 %	4,909,200
SpareBank 1 Kredittkort AS	4,772	3,992	420	408	2	143	18.4 %	470,922
SpareBank 1 Markets AS	566	380	108	221	-32	25	27.3 %	14,333
Other companies					25	32		
Total					528	4,974		

Companies held for sale

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

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

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

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

Note 40 - Business acquisitions/business combinations

General

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

Takeover of shares in SpareBank 1 Markets

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

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

Acquisition of accounting firms

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

Note 41 - Significant transactions with related companies

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

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

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

Loans and deposits

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

Securities trading

SpareBank 1 SMN's subsidiaries Sparebank 1 Markets and Sparebank 1 Finans Midt-Norge carry out a large number of transactions with the Bank's related companies. Transactions are executed on an 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 investments in derivatives, bond transactions and deposits.

Other transactions

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on investment in owner interests. The Group has in 2015 paid NOK 26.2m in premium to SpareBank 1 SMN Pensjonskasse.

Note 42 - ECC capital and ownership structure

ECC capital

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

ECC capital has been raised by the following means:

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

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

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

Note 43 - Dividends from subsidiaries

Dividends (NOK million)	2015	2014
Dividends received from:		
SpareBank 1 Finans Midt-Norge AS	36	33
EiendomsMegler 1 Midt-Norge AS	32	37
SpareBank 1 Regnskapshuset SMN AS	25	10
Allegro Kapitalforvaltning ASA	4	6
SpareBank 1 SMN Invest AS	-	27
SpareBank 1 SMN Card Solutions AS	1	2
St. Olavs Plass 1 SMN AS	-	0
Sparebank 1 Bygget Trondheim AS	3	-
Sparebank 1 Bygget Steinkjer AS	1	-
Total dividends	103	117
Distributions (NOK million)	2015	2014
Profit for the year for distribution, Parent Bank	1,405	1,503
Allocated to dividends	292	292
Allocated to gifts	40	160
Transferred to equalisation fund	616	679
Transferred to ownerless capital	457	372
Total distributed	1,405	1,503

Note 44 - Subsequent events

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