

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

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

Pensions

A new calculation is available for the Group's pension obligations as of 31 December 2015. For a further description of the various pension schemes, see note 25 in the 2014 annual report. The Group's pension obligations are accounted for under IAS 19R. Estimate variances are therefore entered directly against equity capital and are presented under other income and expenses.

Actuarial assumptions	31 Dec 2014	1 January 2015	31 Dec 2015
Discount rate	2.30 %	2.30 %	2.70 %
Expected rate of return on plan assets	2.30 %	2.30 %	2.70 %
Expected future wage and salary growth	2.50 %	2.50 %	2.25 %
Expected adjustment on basic amount (G)	2.50 %	2.50 %	2.50 %
Expected increase in current pension	0.00 %	0.00 %	0.00 %
Employers contribution	14.10 %	14.10 %	14.10 %

Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% to 50 year, 0% after 50 year

Movement in net pension liability in the balance sheet Group (NOKm)	Funded	Unfunded	Total
Net pension liability in the balance sheet 1.1	1	25	26
Actuarial gains/losses 1 January	-8	-	-8
Actuarial gains/losses 31 December	-107	-1	-108
Net defined-benefit costs in profit and loss account	32	2	34
Paid in pension premium, defined-benefit schemes	-36	-	-36
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 31 December 2015	-119	25	-94

	31 Dec 2015	31 Dec 2014
Net pension liability in the balance sheet Group (NOKm)		
Net present value of pension liabilities in funded schemes	711	768
Estimated value of pension assets	-808	-746
Net pension liability in the balance sheet before employer's contribution	-97	22
Employers contribution	4	4
Net pension liability in the balance sheet	-94	26

	31 Dec 2015	31 Dec 2014
Pension cost Group (NOKm)		
Present value of pension accumulated in the year	28	26
Net interest income	-0	-2
Net pension cost related to defined plans, incl unfunded pension commitment	28	23
Employer's contribution subject to accrual accounting	5	4
Cost of defined contribution pension and early retirement pension scheme, new arrangement	42	35
Total pension cost	75	62

Takeover of shares of SpareBank 1 Markets

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. The stake was increased to 73.46 per cent in the fourth quarter as a result of a stock issue. 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 acquisition analysis 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 income recognition of about NOK 20 million in the Group accounts for the second quarter. In addition a new cost price is established for previous assets resulting in an income recognition of about NOK 16 million in the Group accounts. In the parent bank's accounts, sale of the markets business entails the 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.

Stake in SpareBank 1 Finans Midt-Norge reduced

As of June 2015 the subsidiary SpareBank 1 Finans Midt-Norge acquired eight new SamSpar banks as new partners and owners. Sparebank 1 Nordvest and Sparebank 1 Søre Sunnmøre were already on the owner side, so that Samarbeidende Sparebanker now has a stake of 27.9 per cent. SpareBank 1 SMN reduced its holding in the company from 90.1 per cent to 72.1 per cent. With Samarbeidende Sparebanker on the owner side, the company has a presence in ten different counties dispersed across Mid- and South Norway, Nord-Trøndelag and Sør-Trøndelag, Møre and Romsdal, Sogn and Fjordane, Oppland, Buskerud, Telemark, Akershus, Vestfold and Østfold.

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 Europe. 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 contingent cash consideration of up to EUR 4.7 billion, to be disbursed four years after completion of the transaction.

Completion of the transaction 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 significantly increase the book value of Visa Norge's equity capital. 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 decided, 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 used 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 calculated fair value includes no value of the contingent 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 change in fair value. 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 change in fair value 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 effect on other comprehensive income net of tax in the fourth quarter of 2015 will be NOK 74.1 million.