

Notes

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Note 1 - Accounting principles

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

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

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

Pensions

Sparebank1 SMN Group has two different pension arrangements; defined benefit and defined contribution plan. For a further description of the various pension schemes, see note 24 in the 2015 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund.

The change has entailed a reduction in the pension liabilities which entails a one-time gain of NOK 74 million for the parent bank and NOK 90 million for the Group in the accounts for the fourth quarter.

A new calculation of the Group's pension liabilities has been carried out as per 31 December 2016.

Actuarial assumptions	31 Dec 2016	1 January 2016	31 Dec 2015
Discount rate	2.60 %	2.70 %	2.70 %
Expected rate of return on plan assets	2.60 %	2.70 %	2.70 %
Expected future wage and salary growth	2.25 %	2.25 %	2.25 %
Expected adjustment on basic amount (G)	2.25 %	2.25 %	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	-119	25	-94
OCI accounting 1 Jan	11	-	11
OCI accounting 31 December	13	0	14
Net defined-benefit costs in profit and loss account	-63	1	-62
Paid in pension premium, defined-benefit schemes	-48		-48
Benefits paid	-	-1	-1
Net pension liability in the balance sheet 31 December 2016	-207	26	-181

	31 Dec 2016	31 Dec 2015
Net pension liability in the balance sheet Group (NOKm)		
Net present value of pension liabilities	641	711
Estimated value of pension assets	-826	-808
Net pension liability in the balance sheet before employer's contribution	-185	-97
Employers contribution	4	4
Net pension liability in the balance sheet	-181	-94
Pension cost Group (NOKm)	31 Dec 2016	31 Dec 2015
Present value of pension accumulated in the year	23	28
Net interest income	-2	-0
Settlement gain	-90	-
Net pension cost related to defined benefit plans, incl unfunded pension commitment	-69	28
Employer's contribution subject to accrual accounting	6	5
Cost of defined contribution pension and early retirement pension scheme	46	42
Total pension cost in the period	-17	75

Note 3 - Account by business line

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

Group 31 December 2016

Profit and loss account (NOKm)	RM	CM	SB1 Markets	EM 1	SB1 Finans MN	SB1- Regnskaps- huset SMN	SB1- Gruppen	BN Bank	Uncollated	Total
Net interest	906	960	-8	4	183	0	-	-	-163	1.883
Interest from allocated capital	47	40	-	-	-	-	-	-	-86	-
Total interest income	953	1.000	-8	4	183	0	-	-	-249	1.883
Commission income and other income	679	196	212	426	-11	234	-	-	-62	1.674
Net return on financial investments **)	1	9	88	-	-	-	317	86	448	949
Total income	1.633	1.205	292	430	172	235	317	86	137	4.506
Total operating expenses	770	332	282	363	55	191	-	-	11	2.003
Ordinary operating profit	863	873	10	68	117	44	317	86	125	2.503
Loss on loans, guarantees etc.	13	490	0	-	13	-	-	-	1	516
Result before tax including held for sale	850	384	10	68	104	44	317	86	124	1.988
Post-tax return on equity*)	13,8 %	6,9 %								11,3 %
Balance (NOKm)										
Loans and advances to customers	93.757	38.938	-	-	5.430	-	-	-	-590	137.535
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-33.307	-1.903	-	-	-	-	-	-	-0	-35.211
Individual allowance for impairment on loan	-24	-596	-	-	-11	-	-	-	-2	-632
Group allowance for impairment on loan	-90	-228	-	-	-20	-	-	-	-0	-339
Other assets	177	35	1.702	322	16	218	1.476	1.186	31.594	36.726
Total assets	60.514	36.245	1.702	322	5.414	218	1.476	1.186	31.002	138.080
Deposits from and debt to customers	34.856	32.401	-	-	-	-	-	-	-89	67.168
Other liabilities and equity	25.658	3.845	1.702	322	5.414	218	1.476	1.186	31.091	70.912
Total liabilities & Equity	60.514	36.245	1.702	322	5.414	218	1.476	1.186	31.002	138.080

Group 31 December 2015

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1- Finans MN	SB1- Regnskaps- huset SMN	SB1- Gruppen	BN Bank	Uncollated	Total
Net interest	907	922	-2	4	154	-0	-	-	-112	1.872
Interest from 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	3.875
Total operating expenses	779	353	188	317	97	162	-	-	35	1.931
Ordinary operating profit	884	810	-85	47	91	35	251	41	-131	1.944
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 (NOKm)

Loans and advances to customers	84.981	37.226	-	-	4.376	-	-	-	796	127.378
Adv. of this to SpareBank 1 Boligkreditt	-32.061	-1.343	-	-	-	-	-	-	0	-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 from and debt 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 & Equity	52.937	35.476	1.456	281	4.355	144	1.509	1.157	34.598	131.914

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

**) Specification of net return on financial investments incl. Investment held for sale (NOKm)	2016	2015
Capital gains/dividends, shares	149	62
Bonds and derivatives	236	-90
Change in discount factor in fair value model for fixed interest loan	-	-64
Forex and fixed income business, Markets	136	102
Net return on financial investments	521	11
SpareBank 1 Gruppen	317	251
SpareBank 1 Boligkreditt	-17	80
SpareBank 1 Næringskreditt	29	30
BN Bank	86	41
SpareBank 1 Kredittkort	24	21
Companies owned by SpareBank 1 SMN Invest	15	27
SpareBank 1 Mobilbetaling	-27	-2
Other companies	0	-2
Income from investment in associates and joint ventures	427	448
Total net return on financial investments	949	458

Note 4 - Capital adequacy

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

As of 31 December 2016 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 1.5 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 11.5 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 13.6 per cent.

The countercyclical buffer increased to 1.5 per cent from 1.0 per cent with effect from 30 June 2016. The Ministry of Finance has decided to increase the buffer by 0.5 per cent to 2.0 per cent with effect from 31 December 2017.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2016 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For groups, the risk-weighted countercyclical capital buffer is 1.5 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and thereafter 10 per cent per year. As at 31 December 2016 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 661 million. The financial supervisory authority 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.

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	- Own holding of ECCs	-4	-21
895	895	Premium fund	895	895
3,790	4,487	Dividend equalisation fund	4,484	3,790
4,105	4,498	Savings bank's reserve	4,498	4,105
292	389	Recommended dividends	389	292
40	220	Provision for gifts	220	40
279	126	Unrealised gains reserve	139	290
-	-	- Other equity	1,656	1,597
-	-	- Non-controlling interests	425	318
11,998	13,212	Total book equity	15,299	13,904
-447	-470	Deferred taxes, goodwill and other intangible assets	-741	-662
-	-	- Part of reserve for unrealised gains, associated companies	117	264
-332	-609	Deduction for allocated dividends and gifts	-609	-332
-	-	- Non-controlling interests recognised in other equity capital	-425	-318
-	-	- Non-controlling interests eligible for inclusion in CET1 capital	220	132
-93	-	- Surplus financing of pension obligations	-	-43
-33	-29	Value adjustments due to requirements for prudent valuation	-48	-55
-164	-190	Positive value of adjusted expected loss under IRB Approach	-248	-239
-	-	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-337	-458
10,928	11,913	Total common equity Tier one	13,229	12,192
950	950	Hybrid capital, core capital	1,358	1,301
495	483	Hybrid capital covered by transitional provisions	483	495
12,373	13,346	Total core capital	15,069	13,988
Supplementary capital in excess of core capital				
1,000	1,000	Subordinated capital	1,698	1,647
786	673	Subordinated capital covered by transitional provisions	673	786
-43	-256	Deduction for significant investments in financial institutions	-256	-43
1,743	1,418	Total supplementary capital	2,116	2,390

14,116	14,764	Net subordinated capital	17,185	16,378
		Minimum requirements subordinated capital		
1,027	1,065	Involvement with specialised enterprises	1,206	1,213
1,049	1,064	Other corporations exposure	1,102	1,105
1,093	1,128	Mass market exposure, property	1,602	1,557
157	156	Mass market exposure, SMEs	166	167
38	71	Other retail exposure	74	40
1,221	1,223	Equity investments	3	0
4,585	4,707	Total credit risk IRB	4,153	4,082
64	35	Debt risk	36	64
-	-	Equity risk	5	10
-	-	Currency risk	1	-
316	334	Operational risk	479	457
922	898	Exposures calculated using the standardised approach	1,772	1,805
53	51	Credit value adjustment risk (CVA)	84	106
-	-	Transitional arrangements	574	634
5,939	6,026	Minimum requirements subordinated capital	7,103	7,157
74,243	75,325	Risk weighted assets (RWA)	88,788	89,465
3,341	3,390	Minimum requirement on CET1 capital, 4.5 per cent	3,995	4,026
		Capital Buffers		
1,856	1,883	Capital conservation buffer, 2.5 per cent	2,220	2,237
2,227	2,260	Systemic risk buffer, 3.0 per cent	2,664	2,684
742	1,130	Countercyclical buffer, 1.5 per (1.0 per cent)	1,332	895
4,826	5,273	Total buffer requirements on CET1 capital	6,215	5,815
2,761	3,251	Available CET1 capital after buffer requirements	3,018	2,351
		Capital adequacy		
14.7 %	15.8 %	Common equity Tier one ratio	14.9 %	13.6 %
16.7 %	17.7 %	Core capital ratio	17.0 %	15.6 %
19.0 %	19.6 %	Capital adequacy ratio	19.4 %	18.3 %
9.1 %	9.5 %	Leverage ratio	7.4 %	6.7 %

Note 5 - Distribution of loans by sector/industry

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
8,515	10,290	Agriculture, forestry, fisheries, hunting	10,499	8,674
1,485	1,599	Sea farming industries	1,985	1,807
2,387	2,701	Manufacturing & Mining	2,985	2,675
3,141	2,980	Construction, power and water supply	3,532	3,598
2,482	2,288	Retail trade, hotels and restaurants	2,510	2,666
6,043	4,983	Maritime sector	4,983	6,066
14,377	13,688	Property management	13,744	14,346
2,019	2,442	Business services	2,072	1,777
2,859	3,220	Transport and other services provision	3,836	3,355
192	273	Public administration	288	211
1,458	1,670	Other sectors	1,700	1,477
44,958	46,135	Gross loans in retail market	48,133	46,653
78,575	86,513	Wage earners	89,402	80,725
123,533	132,648	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	137,535	127,378
31,944	33,142	SpareBank 1 Boligkreditt	33,142	31,944
1,460	2,069	SpareBank 1 Næringskreditt	2,069	1,460
90,129	97,437	Gross loans in balance sheet	102,325	93,974
174	620	- Specified write-downs	632	183
358	318	- Collective write-downs	339	376
89,596	96,499	Net loans to and receivables from customers	101,354	93,415

Note 6 - Losses on loans and guarantees

Parent Bank

	January- December					
	2016			2015		
	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)						
Change in individual impairment losses provisions for the period	0	449	450	2	9	11
Change in collective impairment losses provisions for the period	-	-40	-40	-	80	80
Actual loan losses on commitments for which provisions have been made	8	34	42	7	58	65
Actual loan losses on commitments for which no provision has been made	10	49	59	8	4	12
Recoveries on commitments previously written-off	-6	-3	-8	-6	-3	-9
Losses of the year on loans and guarantees	13	490	502	11	148	159

Group

	January- December					
	2016			2015		
	RM	CM	Total	RM	CM	Total
Losses on loans and guarantees (NOKm)						
Change in individual impairment losses provisions for the period	0	454	454	3	9	11
Change in collective impairment losses provisions for the period	4	-42	-38	2	80	82
Actual loan losses on commitments for which provisions have been made	8	36	44	8	59	67
Actual loan losses on commitments for which no provision has been made	14	50	64	13	7	21
Recoveries on commitments previously written-off	-6	-3	-9	-8	-4	-12
Losses of the year on loans and guarantees	21	495	516	18	151	169

Note 7 - Losses

Parent Bank

January- December

Individual write-downs (NOKm)	2016			2015		
	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	28	148	176	25	140	165
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	34	42	7	58	65
- Reversal of provisions from previous periods	3	36	39	2	40	43
+ Increased write-downs on provisions previously written down	2	6	8	1	21	22
+ Write-downs on provisions not previously written down	4	518	523	12	85	96
Individual write-downs to cover loss on loans and guarantees at period end *)	24	602	625	28	148	176

*) Individually assessed impairment write-downs on guarantees, totalling NOK 5.6m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	2016			2015		
	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	90	268	358	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	-40	-40	-	80	80
Collective write-downs to cover loss on loans and guarantees at period end	90	228	318	90	268	358

Group

January- December

Individual write-downs (NOKm)	2016			2015		
	RM	CM	Total	RM	CM	Total
Individual write-downs to cover loss on loans and guarantees at 1.1	31	153	184	27	146	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	8	36	44	8	59	67
- Reversal of provisions from previous periods	3	36	39	3	42	46
+ Increased write-downs on provisions previously written down	2	6	8	1	21	22
+ Write-downs on provisions not previously written down	4	523	528	14	87	102
Individual write-downs to cover loss on loans and guarantees at period end *)	27	611	638	31	153	184

*) Individually assessed impairment write-downs on guarantees, totalling NOK 5.6m, are shown in the balance sheet as a liability under 'Other liabilities'

Collective write-downs (NOKm)	2016			2015		
	RM	CM	Total	RM	CM	Total
Collective write-downs to cover loss on loans, guarantees at 1.1	96	281	376	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	4	-42	-38	2	80	82
Collective write-downs to cover loss on loans and guarantees at period end	100	239	339	96	281	376

Note 8 - Defaults and problem loans

Parent Bank

	31. Dec 2016			31. Dec 2015		
	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)						
Loans in default for more than 90 days *)	144	29	173	133	38	171
- Individual write-downs	17	18	36	15	8	23
Net defaults	127	11	138	119	30	148
Provision rate	12 %	62 %	21 %	11 %	22 %	13 %
Problem loans						
Problem loans (not in default)	19	1,435	1,453	45	341	387
- Individual write-downs	6	584	590	13	139	152
Net problem loans	13	851	863	32	202	234
Provision rate	33 %	41 %	41 %	29 %	41 %	39 %

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

Group

	31 Dec 2016			31 Dec 2015		
	RM	CM	Total	RM	CM	Total
Total defaults (NOKm)						
Loans in default for more than 90 days *)	176	38	214	155	50	205
- Individual write-downs	20	19	39	17	9	26
Net defaults	156	18	174	138	41	179
Provision rate	12 %	51 %	18 %	11 %	18 %	13 %
Problem loans						
Problem loans (not in default)	19	1,455	1,474	49	350	399
- Individual write-downs	6	592	599	14	144	158
Net problem loans	13	863	875	34	206	241
Provision rate	33 %	41 %	41 %	30 %	41 %	40 %

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

Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
2,541	2,791	Agriculture, forestry, fisheries, hunting	2,791	2,541
674	420	Sea farming industries	420	674
2,518	1,727	Manufacturing & Mining	1,727	2,518
2,164	2,416	Construction, power and water supply	2,416	2,164
4,116	4,067	Retail trade, hotels and restaurants	4,067	4,116
1,994	1,740	Maritime sector	1,740	1,994
4,295	4,387	Property management	4,153	4,099
4,836	5,550	Business services	5,550	4,836
4,643	4,848	Transport and other services provision	4,339	4,138
7,221	8,627	Public administration	8,627	7,221
1,755	2,048	Other sectors	1,569	1,454
36,756	38,621	Total	37,398	35,754
28,336	29,769	Wage earners	29,769	28,336
65,091	68,391	Total deposits	67,168	64,090

Note 10 - Net interest income

Parent bank		(NOK million)	Group	
January- December	2016		January- December	2015
2015	2016		2016	2015
		Interest income		
112	124	Interest income from loans to and claims on credit institutions	48	43
3,447	2,986	Interest income from loans to and claims on customers	3,240	3,669
304	292	Interest income from money market instruments, bonds and other fixed income securities	289	304
1	-	Other interest income	19	16
3,865	3,401	Total interest income	3,597	4,031
		Interest expense		
147	152	Interest expenses on liabilities to credit institutions	153	148
968	652	Interest expenses relating to deposits from and liabilities to customers	636	949
840	708	Interest expenses related to the issuance of securities	708	840
149	145	Interest expenses on subordinated debt	146	149
3	2	Other interest expenses	13	20
54	58	Guarantee fund levy	58	54
2,161	1,717	Total interest expense	1,714	2,159
1,703	1,684	Net interest income	1,883	1,872

Note 11 - Operating expenses

Parent bank			Group		
January-December			January-December		
2015	2016	(NOKm)	2016	2015	
588	536	Personnel expenses	1,159	1,093	
194	197	IT costs	252	240	
18	18	Postage and transport of valuables	22	22	
55	55	Marketing	98	96	
41	34	Ordinary depreciation	98	104	
123	124	Operating expenses, real properties	109	100	
68	70	Purchased services	108	105	
129	116	Other operating expense	156	171	
1,217	1,151	Total other operating expenses	2,003	1,931	

Note 12 - Other assets

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
33	27	Deferred tax asset	196	187
133	121	Fixed assets	906	1,031
23	37	Earned income not yet received	63	39
3	20	Accounts receivable, securities	220	200
124	198	Assets	207	125
95	479	Other assets	785	381
411	882	Total other assets	2,376	1,962

Note 13 - Other liabilities

Parent Bank			Group	
31 Dec 2015	31 Dec 2016	(NOKm)	31 Dec 2016	31 Dec 2015
-	0	Deferred tax	33	21
420	266	Payable tax	319	459
13	8	Capital tax	8	13
70	73	Accrued expenses and received, non-accrued income	367	303
78	118	Provision for accrued expenses and commitments	118	78
25	26	Pension liabilities	26	31
46	90	Drawing debt	90	46
6	3	Creditors	39	39
61	0	Debt from securities	147	145
-	-	Equity Instruments	181	394
150	146	Other liabilities	203	204
868	731	Total other liabilities	1,531	1,734

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

Group

Change in securities debt (NOKm)	31 Dec 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Bond debt, nominal value	35,535	8,158	5,492	-1,145	34,014
Value adjustments	453	-	-	-322	775
Accrued interest	328	-	-	-37	365
Total	36,317	8,158	5,492	-1,504	35,154

Change in subordinated debt and hybrid instruments (NOKm)	31 Dec 2016	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2015
Ordinary subordinated loan capital, nominal value	1,704	43	-	2	1,660
Perpetual subordinated loan capital, nominal value	-	-	300	-	300
Hybrid instruments, nominal value	1,400	-	-	-	1,400
Value adjustments	64	-	-	-26	89
Accrued interest	14	-	-	0	14
Total	3,182	43	300	-24	3,463

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

Level 2: Valuation based on observable market data

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

Level 3: Valuation based on other than observable data

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

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	44	4.708	-	4.752
- Bonds and money market certificates	2.511	15.046	-	17.557
- Equity instruments	959	-	524	1.483
- Fixed interest loans	-	43	3.783	3.826
Financial assets available for sale				
- Equity instruments	-	-	60	60
Total assets	3.514	19.796	4.367	27.676
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	48	4.026	-	4.074
- Equity instruments	173	8	-	181
Total liabilities	221	4.034	-	4.255

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

Assets (NOKm)	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	Level 1	Level 2	Level 3	Total
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 changes in the instruments classified in level 3 as at 31 December 2016:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	4.405	574	108	5.087
Investment in periode	770	28	1	799
Disposals in the periode	-1.347	-66	-	-1.413
Gain or loss on financial instruments	-44	-13	-50	-106
Closing balance	3.783	524	60	4.367

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3.277	625	35	3.937
Investment in periode	2.224	20	-	2.244
Disposals in the periode	-1.000	-63	-2	-1.065
Gain or loss on financial instruments	-33	-7	75	34
Change in valuation model for fixed interest loans	-64	-	-	-64
Closing balance	4.405	574	108	5.087

Note 16 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group mitigates liquidity risk by diversifying its funding across different markets, funding sources, maturities and instruments and through the use of long-term funding. Contingency plans exist both for the group and the SpareBank 1 alliance for managing the liquidity situation in periods of capital market turbulence. These plans address both bank-specific and systemic crises and a combination of the two. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding.

The average residual maturity on the portfolio of senior bonds and covered bonds at the end of the fourth quarter was 2.84 years. The overall LCR at the same point was 129 per cent and the average overall LCR in the quarter was 115 per cent. The LCR in Norwegian kroner and the euro at quarter-end was 101 and 132 per cent respectively.