

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

When preparing the group accounts, the management team employs estimates and discretionary assessments and makes assumptions that impact on the effect of the accounting policies that are applied. This will accordingly influence amounts recognised for assets, liabilities, incomes and expenses. Note 3 - Critical estimates and assessments concerning the use of accounting principles- in last year's annual accounts gives an account of important estimates and assumptions.

Pensions

SpareBank 1 SMN has two types of pension agreement – defined benefit and defined contribution. For further details of the two types of pension plans, see note 25 in the 2015 annual report.

The group's pension liabilities are accounted for under IAS 19R. Variance from estimates is therefore entered directly against equity capital and presented under other incomes and expenses.

The decision to terminate the defined benefit pension plan was taken at a board meeting on 21 October 2016. Employees in the defined benefit pension plan will switch to a defined contribution pension plan as from 1 January 2017. This will entail a reduction in the pension liability resulting in a one-time gain estimated to NOK 85 million for the parent bank and NOK 91 million for the group in the fourth quarter accounts. Updated assumptions for calculating the liability will have the opposite effect on the liability with NOK 54 million for the parent bank and NOK 59 million for the group. Both these effects will be included in the accounts for the fourth quarter.

Companies held for sale

SpareBank 1 SMN's strategy is that ownership resulting from exposure defaults should in principle be of short duration, normally no longer than one year. Investments are recognised at fair value in the parent bank's accounts, and are classified as held for sale.

Assets and debt related to the company Brannstasjonen SMN AS are classified as held for sale from the first quarter of 2016 based on the group management team's and board of directors' go-ahead for the sale of the company, and the fact that the process has reached the stage where it is highly likely that the sale will be completed within 12 months. Brannstasjonen SMN AS was founded in 2012 after SMN's purchase of Kongensgt 2 which was formerly a fire station. The purpose of the purchase was to develop the property for SMN's own use since there was a need for additional space at that point, driven by a strategy for growth and the establishment of a credit card company as well as a need to integrate SMN Regnskapshuset in the bank's head office. In retrospect it turns out that the need for more space was redundant due to the substantial efficiency gains provided by digitalisation in the longer term. The shares of Brannstasjonen SMN AS, of which the property with cadastral number 401 BNR 383 ("Brannstasjonen") was the main asset, were transferred to Aberdeen Eiendomsfond Norge I AS with effect from 1 October 2016. Disposal of the shares will entail a gain of NOK 7 million for the Group which will be recognised in the fourth quarter of 2016.

2016 Q3 (NOKm)	Assets	Liabilities	Revenue	Expenses	Profit/Loss	Ownership
Mavi XV AS group	13	0	1	-2	-1	100 %
Brannstasjonen SMN AS	204	11	1	-3	-2	100 %
Total held for sale	217	11	2	-5	-3	-