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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), including IAS 34, Interim Financial Reporting. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts. As from the first quarter of 2012, return on treasury bills is to be presented as net interest income instead of, as previously, capital gains or losses. Historical data have been correspondingly restated.

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 2012. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

IAS 1 Presentation of Financial Statements
As from the first quarter the statement of other income and expenses displays items that are reclassified to profit/loss and items not reclassified to profit/loss separately from each other.

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 costs. The Group has previously utilised the corridor approach to account for unamortised estimate deviations. The corridor approach is no longer permitted, and all estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. Previously return on pension assets was calculated by applying long-term expected return on pension assets. As a result of the application of IAS 19R the period’s net interest expense is calculated by applying the discount rate for the liability at the start of the period to the net liability. Net interest cost consists therefore of interest on the liability and return on the assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium payments and disbursement of pensions are taken into account. The difference between actual return on pension assets and the booked return is accounted for continuously against other income and expenses.

The corridor as of 1 January 2012 is calculated anew in accordance with the principles set out in IAS 19R by, in part, setting the return on assets for 2012 equal to the discount rate.

Implementation has had the following balance sheet effects (Group):

(NOKm)	Original balance sheet value	Change on implementation	New balance sheet value
First quarter 2012 (1.1.2012)			
Overfunded defined benefit pension plan (other assets)	35	-35	0
Underfunded defined benefit pension plan (other liabilities)	0	77	77
Deferred tax	10	-31	-21
Other equity capital	1,268	-81	1,187
31 December 2012			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343
First quarter 2013 (impl. 1.1.13)			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital *)	1,303	41	1,343

*) Entered in the accounts as a strengthening of the Group’s equity capital as of first quarter 2013, NOK 57m minus deferred tax NOK 16m.

The balance sheet has been reworked as shown above.

Under the previous principle, the pension cost in 2012 amounted to NOK 32m. Due to the change in the principle for dealing with unamortised estimate deviations and calculating net interest expense, the booked pension cost increased to NOK 37m. Comparatives for profits/loss have not been reworked since the change is considered to be insignificant. Capital adequacy, EC-holder ratio (EC-holders' share of total equity) and other key figures and ratios have not been reworked for previous periods.

IFRS 7 Offsetting of financial instruments

The Group has implemented the change in IFRS 7 entailing an extended note disclosure requirement relating to, respectively, netting of financial instruments and set-off arrangements related to financial instruments. See note 14.

IFRS 13 Fair value measurement

The Group has implemented IFRS 13 on the fair value measurement of financial instruments. The note disclosures build largely on corresponding notes in the last annual accounts. See note 15.

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 4 Critical estimates and assessments concerning the use of accounting principles.

Pensions

The banking and financial industry has established an agreement on contractual early retirement (AFP) for employees reaching the age of 62. The Bank's contribution comprises the National Insurance Scheme's accumulation of disbursed pension for employees availing themselves of AFP. From age 62 to 64 the Bank's liability is 100 percent and 60 percent 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 1 G and 7.1 G.

At year end no provision was made for the Group's de facto AFP (early retirment scheme) liability. The reason is that the Joint Office for the LO/NHO Schemes has not done the required calculations. Similarly, the year's AFP cost of the new scheme has not been booked. This is in keeping with the recommendation of the Norwegian Accounting Standards Board.

The Group has in the first quarter implemented IAS 19R on benefits to employees. See note 1 on accounting principles.

Note 3 - Account by business line

The Bank was reorganised as from 1 January 2013. It was therefore natural to revise the segment structure.

As from 1 January 2013 the corporate market segment is split up and reports as two separate segments: Large corporates and SME. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Large corporates and SMBs must be viewed collectively in relation to 2012. This will apply to each quarter of 2013. In organisation terms, SMBs are a part of Offices which also handles Retail Customers.

Since Allegro accounts for a minimal part of the Group’s profits, it is no longer reported as a separate segment. It is now added in the column for “others”.

Group 31 March 2013

Profit and loss account (NOK million)	**RM**	**SME**	**Large Corporates**	**Markets**	**EM 1**	**SMN Finans**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	134	69	148	-5	1	30	0	-33	343
Interest from allocated capital	3	-	8	-	-	-	-	-11	-
Total interest income	**137**	**69**	**156**	**-5**	**1**	**30**	**0**	**-44**	**343**
Commission income and other income	137	19	20	7	73	-3	33	31	317
Net return on financial investments **)	0	1	4	21	-	-	-	143	169
Total income *)	**274**	**88**	**180**	**23**	**74**	**26**	**33**	**130**	**829**
Total operating expenses	**164**	**34**	**61**	**21**	**63**	**10**	**29**	**31**	**414**
Ordinary operating profit	**110**	**54**	**119**	**2**	**11**	**16**	**3**	**100**	**414**
Loss on loans, guarantees etc.	3	2	10	0	-	2	-	1	17
Result before tax	**107**	**53**	**109**	**2**	**11**	**14**	**3**	**99**	**398**
Post-tax return on equity	**25.2 %**	**33.8 %**	**10.1 %**	**3.0 %**					**12.7 %**
Balance (NOK million)									
Loans and advances to customers	59,155	8,602	32,569	-	-	3,170	-	-27,071	76,425
Adv. of this to SpareBank 1 Boligkreditt	-29,441	-386	-578	-	-	-	-	-	-30,405
Individual allowance for impairment on loan	-25	-18	-85	-	-	-15	-	0	-143
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-0	-295
Other assets	89	318	46	-	89	-2,921	37	67,528	65,187
Total assets	**29,705**	**8,486**	**31,777**	**-**	**89**	**218**	**37**	**40,456**	**110,769**
Deposits to customers	22,799	8,768	18,990	-	-	-	0	2,045	52,603
Other liabilities and equity	6,906	-282	12,788	-	89	218	37	38,411	58,166
Total liabilites	**29,705**	**8,486**	**31,777**	**-**	**89**	**218**	**37**	**40,456**	**110,769**

Group 31 March 2012

Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**Allegro**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	125	214	1	1	30	0	-0	-19	351
Interest from allocated capital	1	4	0	-	-	-	-	-5	-
Total interest income	**126**	**218**	**1**	**1**	**30**	**0**	**-0**	**-24**	**351**
Commission income and other income	89	32	2	72	-1	3	26	13	235
Net return on financial investments **)	0	7	18	-	0	-	1	142	160
Total income *)	**215**	**257**	**21**	**73**	**30**	**3**	**27**	**130**	**746**
Total operating expenses	**163**	**100**	**21**	**59**	**13**	**4**	**22**	**17**	**398**
Ordinary operating profit	**52**	**157**	**0**	**14**	**16**	**-1**	**6**	**114**	**349**
Loss on loans, guarantees etc.	-1	-8	-	0	2	0	-	0	-8

Result before tax	**53**	**149**	**0**	**14**	**14**	**-1**	**6**	**106**	**340**
Post-tax return on equity	**16.4 %**	**11.6 %**	**0.0 %**						**13.0 %**
Balance (NOK million)									
Loans and advances to customers	53,538	39,295	-	-	2,968	-	-	1,587	97,387
Adv. of this to SpareBank 1 Boligkreditt	-24,215	-617	-	-	-	-	-	-874	-25,706
Individual allowance for impairment on loan	-30	-112	-	-	-22	-	-	-0	-164
Group allowance for impairment on loan	-73	-200	-	-	-16	-	-	-	-290
Other assets	247	565	-	98	-2,463	6	38	29,278	27,769
Total assets	**29,467**	**38,931**	**-**	**98**	**466**	**6**	**38**	**29,991**	**98,996**
Deposits to customers	21,386	25,458	-	-	-	-	-	1,027	47,871
Other liabilities and equity	8,154	13,673	-	98	466	6	38	28,690	51,125
Total liabilites	**29,540**	**39,131**	**-**	**98**	**466**	**6**	**38**	**29,717**	**98,996**

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

**) Specification of net return on financial investments (NOKm)	31 Mar 2013	31 Mar 2012
Income from investment in related companies	108	99
adv. of this from SpareBank1 Gruppen	61	47
adv. of this from BN Bank ASA	26	15
adv. of this from Bank 1 Oslo Akershus AS	-	11
adv. of this SpareBank 1 Boligkreditt	12	14
adv. of this SpareBank 1 Næringskreditt	2	3
adv. of this Polaris Media	-	2
Net gain and dividends on securities	25	3
adv. of this from SpareBank 1 SMN Invest	16	4
Net gain on bonds	20	34
Net gain on trading and derivatives SMN Markets	17	23
Net return on financial investments	169	160

Note 4 - Operating expenses

Parent bank				Group		
2012	31.3.12	31.3.13		31.3.13	31.3.12	2012
618	164	154	Personnel expenses	236	232	924
166	41	44	IT costs	50	46	187
23	6	6	Postage and transport of valuables	7	7	28
39	9	9	Marketing	11	12	49
43	10	13	Ordinary depreciation	30	23	102
128	28	31	Operating expenses, real properties	24	21	101
55	8	9	Purchased services	11	10	66
132	28	29	Other operating expense	46	46	199
1,206	**295**	**295**	**Total other operating expenses**	**414**	**398**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
5,964	5,390	5,870	Agriculture/forestry/fisheries/hunting	6,031	5,568	6,129
2,325	1,516	2,075	Sea farming industries	2,226	1,654	2,447
2,123	2,334	2,180	Manufacturing	2,396	2,574	2,349
2,967	3,392	2,922	Construction, power and water supply	3,446	3,856	3,504
2,625	2,021	2,536	Retail trade, hotels and restaurants	2,715	2,206	2,804
5,734	5,737	5,768	Maritime sector	5,774	5,744	5,739
12,232	11,774	12,580	Property management	12,056	11,272	11,710
3,063	3,355	3,533	Business services	3,776	3,584	3,258
2,037	2,283	2,201	Transport and other services provision	2,519	2,620	2,364
189	35	203	Public administration	230	64	215
1,795	1,411	1,757	Other sectors	1,763	1,428	1,801
41,052	**39,248**	**41,624**	**Gross loans in retail market**	**42,930**	**40,571**	**42,322**
61,377	55,808	62,655	Wage earners	63,900	56,816	62,587
102,430	**95,056**	**104,279**	**Gross loans incl. Boligkreditt / Næringskreditt**	**106,830**	**97,387**	**104,909**
29,348	25,433	29,789	Boligkreditt	29,789	25,433	29,348
618	273	616	Næringskreditt	616	273	618
72,464	**69,350**	**73,874**	**Gross loans in balance sheet**	**76,425**	**71,681**	**74,943**

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Note 6 - Losses on loans and guarantees

Parent bank				Group		
2012	**31 Mar 2012**	**31 Mar 2013**		**31 Mar 2013**	**31 Mar 2012**	**2012**
-22	-9	-1	Change in individual impairment losses provisions for the period	-2	-8	-28
5	-	-	Change in collective impairment losses provisions for the period	-	-	5
51	35	18	Actual loan losses on comm. for which provisions have been made	21	35	63
54	6	0	Actual loan losses on commitments for which no provision has been made	1	8	57
-37	-26	-3	Recoveries on commitments previously written-off	-3	-27	-38
51	**7**	**15**	**Losses of the year on loans and guarantees**	**17**	**8**	**58**

Note 7 - Losses

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
151	151	129	Individual write-downs to cover loss on loans at 01.01	144	172	173
4	24	3	+ Increased write-downs on provisions previously written down	3	24	4
13	4	3	- Reversal of provisions from previous periods	4	4	13
37	6	18	+ Write-downs on provisions not previously written down	19	7	43
51	35	18	- Actual losses during the period for which provisions for individual impairment losses have been made previously	21	35	63
129	**142**	**128**	**Specification of loss provisions at end of period**	**143**	**164**	**144**
104	41	18	Actual losses	21	43	119

Note 8 - Defaults

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
			Total defaults			
298	265	316	Loans in default for more than 90 days *)	388	318	374
72	87	61	- individual write-downs	71	94	83
226	178	255	Net defaults	317	224	291
24 %	33 %	19 %	Provision rate	18 %	30 %	22 %
			Problem Loans			
119	154	138	Problem loans (not in default)	160	183	143
57	55	67	- individual write-downs	72	70	62
63	99	71	Net problem loans	87	113	81
48 %	36 %	49 %	Provision rate	45 %	38 %	43 %

*) The defaults that relates to loans in the guarantee portfolio taken over from BN Bank ASA accounts for a total of NOK 0.1m per Q1 2013.

Any default in this portfolio will not entail loss for SpareBank 1 SMN.

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Note 9 - Other assets

Parent bank				Group		
31.12.12	31.3.12	31.3.13		31.3.13	31.3.12	31.12.12
-	-	-	Deferred tax benefit	13	7	13
201	162	195	Fixed assets	1,242	1,179	1,277
1,009	881	1,174	Earned income not yet received	1,182	875	1,026
46	101	17	Accounts receivable, securities	17	101	46
283	0	399	Other assets	489	158	437
1,538	**1,145**	**1,785**	**Total other assets**	**2,942**	**2,320**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
2,002	2,055	2,159	Agriculture/forestry/fisheries/hunting	2,159	2,055	2,002
138	511	157	Sea farming industries	157	511	138
891	960	1,376	Manufacturing	1,376	960	891
1,715	1,530	1,705	Construction, power and water supply	1,705	1,530	1,715
3,923	2,878	3,566	Retail trade, hotels and restaurants	3,566	2,878	3,923
1,166	943	1,101	Maritime sector	1,101	943	1,166
4,865	3,278	4,768	Property management	4,143	3,201	4,256
4,802	5,263	4,783	Business services	4,783	5,263	4,802
3,575	3,592	3,840	Transport and other services provision	3,670	3,432	3,360
4,354	3,689	4,288	Public administration	4,288	3,689	4,354
3,477	3,493	2,929	Other sectors	2,821	3,482	3,366
30,908	**28,193**	**30,672**	**Total**	**29,769**	**27,945**	**29,973**
22,279	21,029	22,833	Wage earners	22,833	21,029	22,279
53,187	**49,222**	**53,506**	**Total deposits**	**52,603**	**48,974**	**52,252**

Note 11 - Debt created by issue of securities

Parent bank				Group		
2012	**31 Mar 2012**	**31 Mar 2013**		**31 Mar 2013**	**31 Mar 2012**	**2012**
706	228	653	Short-term debt instruments, nominal value	653	228	706
29,190	25,126	31,317	Bond debt, nominal value	31,317	25,126	29,190
364	215	377	Value adjustments	377	215	364
30,259	**25,569**	**32,347**	**Total**	**32,347**	**25,569**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

	31 Mar 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	653	13	66	0	706
Bond debt, nominal value	31,317	3,858	1,965	235	29,190
Value adjustments	377	-	-	14	364
Total	32,347	3,871	2,031	248	30,259

	31 Mar 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,554	-	169	-30	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	887	-	-	18	869
Value adjustments	110	-	-	-8	118
Total	2,850	-	169	-21	3,040

Note 12 - Other liabilities

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
83	40	98	Deferred tax	107	55	93
248	20	256	Payable tax	295	40	290
800	741	1,066	Accrued expenses and received, non-accrued income	1,349	1,036	1,124
74	127	80	Provision for accrued expenses and commitments	80	127	74
87	104	173	Drawing debt	173	104	87
9	97	1	Creditors	38	149	40
73	781	526	Debt from securities	526	781	73
241	291	256	Other liabilities	297	280	290
1,615	**2,202**	**2,456**	**Total other liabilites**	**2,865**	**2,572**	**2,070**

Note 13 - Capital adequacy

New capital adequacy rules were introduced in Norway as from 1 January 2007 (Basel II - the EU's new directive on capital adequacy). SpareBank1 SMN applied to and received permission from Finanstilsynet (Financial Supervisory Authority of Norway) to use internal rating methods (Internal Rating Based Approach - Foundation) to calculate charges for credit risk from 1 January 2007 onwards. This will make the statutory minimum capital adequacy requirement more risk-sensitive, so that it better reflects the risk in the underlying portfolios. Using IRB demands high standards of the Bank's organisation, competence, risk models and risk management systems. Under interim regulations issued by Finanstilsynet, IRB banks are not yet seeing the full effect of the reduced capital requirements. As from 2009, a 20% reduction of the risk-weighted basis of calculation was allowed.

Subordinated debt and hybrid capital

Subordinated debt ranks behind all other liabilities. Dated subordinated loans cannot constitute more than 50 per cent of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans cannot constitute more than 100 per cent of tier 1 capital. Subordinated loans are classified as a liability in the balance sheet and are measured at amortised cost in the same way as other long-term loans.

Hybrid capital denotes bonds with a nominal interest rate, but the bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate.

Hybrid capital is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. Finanstilsynet (Norway's FSA) can require hybrid capital to be written down in proportion with equity capital should the bank's tier 1 capital adequacy fall below 5 per cent or total capital adequacy falls below 6 per cent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

For detailed information regarding subordinated debt and hybrid capital, see note 5 in the Bank's annual report.

Parent bank				Group		
2012	31 Mar 2012	31 Mar 2013		31 Mar 2013	31 Mar 2012	2012
2,597	2,373	2,597	Equity capital certificates	2,597	2,373	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	183	895	Premium fund	895	183	895
1,889	1,457	1,889	Dividend equalisation fund	1,889	1,457	1,889
2,944	2,611	2,944	Savings bank's reserve	2,944	2,611	2,944
195	-	-	Recommended dividends	-	-	195
30	-	-	Provision for gifts	-	-	30
106	70	106	Unrealised gains reserve	123	92	123
0	0	38	Other equity and minority interest	1,402	1,404	1,370
-	173	231	Net profit	321	272	-
8,656	**6,867**	**8,700**	**Total book equity**	**10,170**	**8,393**	**10,042**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-531	-678	-674
-	-	-	Part of reserve for unrealised gains, associated companies	57	64	57
-225	-0	-	Deduction for allocated dividends and gifts	-6	-	-238
-448	-403	-448	50 % deduction for subordinated capital in other financial institutions	-2	-	-2
-165	-146	-178	50 % deduction for expected losses on IRB, net of write-downs	-193	-158	-179
-	-	-	50 % capital adequacy reserve	-734	-651	-703
-55	-82	-109	Surplus financing of pension obligations	-107	-74	-49
-	-173	-231	Net profit	-321	-272	-
-	87	169	Year-to-date profit included in core capital (as from. 2013 73 % pre tax - previous 50 % pre tax)	234	136	-
7,316	**5,703**	**7,455**	**Total common equity Tier one**	**8,568**	**6,759**	**8,254**
918	927	932	Hybrid capital, core capital	1,118	1,143	1,103
8,234	**6,630**	**8,387**	**Total core capital**	**9,686**	**7,902**	**9,357**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	31	-	31
312	316	308	Perpetual subordinated capital	308	318	312
1,810	1,333	1,610	Non-perpetual subordinated capital	1,875	1,598	2,127
-448	-403	-448	50 % deduction for subordinated capital in other financial institutions	-2	-	-2

-165	-146	-178	50 % deduction for expected losses on IRB, net of write-downs	-193	-158	-179
-	-	-	50 % capital adequacy reserve	-734	-651	-703
1,509	**1,100**	**1,292**	**Total supplementary capital**	**1,285**	**1,107**	**1,586**
9,742	**7,730**	**9,679**	**Net subordinated capital**	**10,971**	**9,008**	**10,943**
			Minimum requirements subordinated capital, Basel II			
1,654	1,466	1,661	Involvement with spesialised enterprises	1,661	1,466	1,654
1,470	1,519	1,505	Other corporations exposure	1,505	1,519	1,470
39	40	52	SME exposure	56	43	42
316	306	326	Retail morgage exposure	583	518	560
28	30	26	Other retail exposure	28	32	30
1,118	832	1,108	Equity investments	-	-	-
4,625	**4,192**	**4,678**	**Total credit risk IRB**	**3,833**	**3,578**	**3,756**
205	206	257	Debt risk	257	206	205
14	49	14	Equity risk	15	16	15
-	-	-	Currency risk	-	-	-
315	315	337	Operational risk	438	420	420
553	506	545	Exposures calculated using the standardised approach	2,086	2,018	2,074
-75	-67	-75	Deductions	-125	-110	-120
-	-	-	Transitional arrangements	102	-	246
5,637	**5,200**	**5,756**	**Minimum requirements subordinated capital**	**6,606**	**6,127**	**6,596**
70,468	65,003	71,951	Risk weigheted assets (RWA)	82,578	76,590	82,446
			Capital adequacy			
10.4 %	8.8 %	10.4 %	Common equity Tier one ratio	10.4 %	8.8 %	10.0 %
11.7 %	10.2 %	11.7 %	Core capital ratio	11.7 %	10.3 %	11.3 %
13.8 %	11.9 %	13.5 %	Capital adequacy ratio	13.3 %	11.8 %	13.3 %

Note 14 - Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The Bank 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. As regards 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 the first quarter 2013 the Bank has eighteen 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.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
31.03.2013	Derivatives	1,626
31.03.2012	Derivatives	1,075

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

In connection with implementation of IFRS 13, interim financial statements are required to present fair value measurements per level with the following division into levels for fair value measurement:

- quoted price in an active market for an identical asset or liability (level 1)
- valuation based on other observable inputs either directly (price) or indirectly (derived from prices) than quoted price (used in level 1) for the asset or liability (level 2)
- valuation based on inputs not taken from observable markets (unobservable inputs) (level 3)

For further details, see Note 26 Measurement of fair value of financial instruments in the annual accounts, and note 27 Fair value of financial instruments.

Shares held for sale are not included in the tables below.

The following table presents the Group's assets and liabilities measured at fair value as of 31 March 2013:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	110	3,002	-	3,113
- Bonds and money market certificates	3,778	14,040	-	17,818
- Equity capital instruments	112	-	603	715
- Fixed-rate loans	-	2,746	-	2,746
Financial assets avaliable for sale				
- Equity capital instruments	-	-	46	46
Total assets	**4,001**	**19,788**	**649**	**24,438**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit/loss				
- Derivatives	75	2,639	-	2,714
Total liabilities	**75**	**2,639**	**-**	**2,714**

The following table presents the Group's assets and liabilities measured at fair value as of 31 March 2012:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	1	3,644	-	3,645
- Bonds and money market certificates	2,567	7,913	-	10,480
- Equity capital instruments	122	-	438	560
- Fixed interest loans	-	2,329	-	2,329
Financial assets avaliable for sale				
- Equity capital instruments	-	-	65	65
Total assets	**2,690**	**13,886**	**502**	**17,078**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit/loss				
- Derivatives	0	3,120	-	3,120
Total liabilities	**0**	**3,120**	**-**	**3,120**

The following table presents the Group's assets and liabilities measured at fair value as of 31 December 2012:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	61	3,039	-	3,100
- Bonds and money market certificates	3,764	10,825	-	14,590
- Equity capital instruments	131	-	601	731
- Fixed interest loans	-	2,585	-	2,585
Financial assets avaliable for sale				

	Level 1	Level 2	Level 3	Total
- Equity capital instruments	-	-	46	46
Total assets	**3,956**	**16,450**	**646**	**21,051**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	62	2,728	-	2,790
Total liabilities	**62**	**2,728**	**-**	**2,790**

The valuation of equity capital instruments classified in level 3 is done at the individual group company – in the main SpareBank 1 SMN Invest AS and SpareBank 1 SMN. Routines have been established for ongoing valuation of all share investments and the valuation is done using various intervals in relation to the size of the investment.

For participations seedcorn funds and venture funds, use is made of valuations from the managers of the various funds. These valuations are based on guidelines either from the European Venture Capital Association (EVCA) or the International Private Equity (IPEV) guidelines. Other funds such as property funds, normally use external broker's estimates. Funds or companies with few participants use the original cost or market price if transactions have been carried out at the company.

The owner interests in Nets Holding and Nordito Property are valued each quarter by SpareBank 1 Gruppen AS and distributed to all Alliance banks. This valuation is based on an average of five different methods where the last known transaction price, profit per share, dividends per share and EBITDA are inputs to the assessments.

Effect on result of financial instruments belonging to level 3

	31 Mar 2013	**31 Mar 2012**	**31 Dec 2012**
Realised gain/loss	-	-	0
Change in unrealised gain/loss	3	1	-11
Total effect on result	**3**	**1**	**-11**