Fourth quarter report 2013

SpareBank 1 SMN

Contents

Main figures

From the profit and loss account	2013 NOKm	2013 %	2012 NOKm	2012 %
Net interest	1,616	1.44	1,477	1.40
Commission income and other income	1,463	1.31	1,139	1.08
Net return on financial investments	502	0.45	451	0.43
Total income	**3,580**	**3.20**	**3,067**	**2.91**
Total operating expenses	**1,722**	**1.54**	**1,654**	**1.57**
Results	**1,859**	**1.66**	**1,414**	**1.34**
Loss on loans, guarantees etc	101	0.09	58	0.06
Results before tax	**1,758**	**1.57**	**1,355**	**1.29**
Tax charge	388	0.35	295	0.28
Result investment held for sale, after tax	30	0.03	16	0.02
Net profit	**1,400**	**1.25**	**1,077**	**1.02**

Key figures	2013	2012
Profitability		
Return on equity 1)	13.3 %	11.7 %
Cost-income ratio 2)	48 %	54 %
Balance sheet		
Gross loans to customers	80,303	74,943
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	112,038	104,909
Deposits from customers	56,074	52,252
Deposit-to-loan ratio ex. SB1 Boligkreditt	70 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	6.8 %	10.2 %
Growth in deposits	7.3 %	9.2 %
Average total assets	111,843	105,372
Total assets	115,360	107,919
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt		
Impairment losses ratio	0.09 %	0.06 %
Non-performing commitm. as a percentage of gross loans 3)	0.34 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.14 %	0.14 %
Solidity		
Capital adequacy ratio	14.7 %	13.3 %
Core capital ratio	13.0 %	11.3 %
Common equity tier 1	11.1 %	10.0 %
Core capital	10,989	9,357
Net equity and related capital	12,417	10,943
Branches and staff		
Number of branches	50	51
No. Of full-time positions	1,159	1,135

Key figures ECC 4)	2013	2012	2011	2010	2009
ECC ratio	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %
Number of certificates issued, millions	129.83	129.83	102.76	102.74	82.78
ECC price	55.00	34.80	36.31	49.89	45.06
Stock value (NOKM)	7,141	4,518	3,731	5,124	3,749
Booked equity capital per ECC (including dividend)	55.69	50.09	48.91	46.17	42.11
Profit per ECC, majority	6.92	5.21	6.06	5.94	6.37
Dividend per ECC	1.75	1.50	1.85	2.77	2.10
Price-Earnings Ratio	7.95	6.68	5.99	8.40	7.07
Price-Book Value Ratio	0.99	0.69	0.74	1.08	1.07

1) Net profit as a percentage of average equity

2) Total operating expenses as a percentage of total operating income

[3)] Defaults and doubtful loans are reported on the basis of gross lending, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, and guarantees drawn

[4)] The key figures are corrected for issues

Report of the Board of Directors

Preliminary annual accounts 2013

(Consolidated figures. Figures in parentheses refer to 2012 unless otherwise stated)

Profit of NOK 1,400m after tax

- Profit before tax and assets held for sale: NOK 1,758m (1,355m)
- Net profit: NOK 1,400 m (1,077m)
- Return on equity: 13.3 per cent (11.7 per cent)
- CET1 ratio: 11.1 per cent (10.0 per cent)
- Growth in lending 6.8 per cent (10.2 per cent) and deposits 7.3 per cent (9.2 per cent) over past 12 months
- Loan losses: NOK 101m (58m)
- Earnings per equity certificate (EC): NOK 6.92 (5.21). Book value per EC, incl. recommended dividend for 2013: NOK 55.69 (50.09)
- Recommended dividend: NOK 1.75 per EC. Allocation to non-profit causes: NOK 124m

Fourth quarter 2013

- Profit before tax and assets held for sale: NOK 476m (302m)
- Net profit: NOK 361m (260m)
- Return on equity: 13.1 per cent (10.5 per cent)
- Loan losses: NOK 32m (17m)
- Earnings per EC: NOK 1.79 (1.29)
- Improved financial position; CET1 ratio: 11.1 per cent (10.0 per cent)

Excellent profit performance in 2013

Highlights

- Profit improvement of NOK 323m, or 30 per cent, compared with 2012
- Core business strengthened. Increased margins on lending both to retail customers and businesses
- Low cost growth
- Low loan losses
- Improved financial position through 2013 and ample funding
- Reduced lending growth as planned, but growth in home mortgage loans remains higher than the growth in the market

In 2013 SpareBank 1 SMN achieved a post-tax profit of NOK 1,400m (1,077m) and a return on equity of 13.3 per cent (11.7 per cent). Profit before tax and assets held for sale was NOK 1,758m (1,355m).

Profit before tax and assets held for sale in the fourth quarter in isolation was NOK 476m (302m). The quarter's figures reflect:

- High margins on lending and good net interest income
- Increased commission income
- Increased costs as a result of one-off outlay on buyout of leases
- Low losses and low rate of defaults

In 2013 operating income increased by 18 per cent to reach an overall NOK 3,079m (2,616m). Income rose both at the parent bank and the subsidiaries.

Return on financial assets was NOK 502m (451m), of which the profit share on owner interests in associates was NOK 355m (244m).

Operating expenses came to NOK 1,722m (1,654m) in 2013, i.e. NOK 68m, or 4.1 per cent, higher than in 2012. Parent bank costs were reduced by NOK 9m in 2013.

Net losses on loans and guarantees were NOK 101m (58m).

Lending growth was 6.8 per cent (10.2 per cent) and deposit growth was 7.3 per cent (9.2 per cent).

CET1 capital adequacy at 31 December 2013 was 11.1 per cent (10.0 per cent). SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

At year-end the bank's EC was priced at NOK 55.00 (34.80 at 31 December 2012). A cash dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

Earnings per EC were NOK 6.92 (5.21), and book value was NOK 55.69 (50.09).

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the parent bank's accounts. The parent bank's profit includes dividends from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the group results.

Difference between Group - Parent Bank	**2013**	**2012**
Profit for the year, Group	**1,400**	**1,077**
Profit, subsidiaries	-112	-76
Dividend, subsidiaries	111	126
Profit, associated companies	-355	-264
Dividend, associated companies	328	163
Elimination Bank 1 Oslo Akershus	-24	0
Profit for the year, Parent bank	**1,348**	**1,026**

Annual profit for distribution reflects changes of NOK -89m in the revaluation reserve, leaving the total amount for distribution at NOK 1,259m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.6 per cent of the distributed profit. The percentage used for the purpose of distribution is an average of the EC-holder ratio (EC-holders' share of total equity) over the year.

Based on the Bank's capital plan, the board of directors has opted to recommend a relatively low level of dividends and gift allocation.

The Board of Directors recommends the supervisory board to set a cash dividend of NOK 1.75 per equity certificate, altogether totalling NOK 227m. This gives a payout ratio of 25 per cent of the Group profit. The Board of Directors further recommends the supervisory board to allocate NOK 124m as gifts to non-profit causes, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 35m will be allocated to non-profit causes and NOK 89m donated to the foundation Sparebankstiftelsen SMN. NOK 587m and NOK 321m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the bank's capital plan and reflects the need to increase the bank's core capital through a reduction in the payout ratio.

After distribution of the profit for 2013 the ECC-holder ratio (ECC-holders' share of total equity) remains 64.6 per cent.

Distribution of profit	**2013**	**2012**
Profit for the year, Parent bank	1,348	1,026
Transferred to/from revaluation reserve	-89	-36
Profit for distribution	**1,259**	**990**
Dividends	227	195
Equalisation fund	587	432
Saving Bank's fund	321	333
Gifts	124	30
Total distributed	**1,259**	**990**

Increased net interest income

Net interest income in 2013 came to NOK 1,616m (1,477m).

Net interest income strengthened substantially through 2013 as a result of interest rates increases on loans to retail and corporate customers alike. Income from loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recorded as commission income, not as interest income. Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were also repriced, and commissions totalled NOK 422m (205m) in 2013.

Lending margins rose due to increased capital requirements for Norwegian banks. As a result more equity is needed to back each interest-earning krone loaned.

By the end of 2013 home mortgage loans worth NOK 30.5bn (30bn) had been sold to SpareBank 1 Boligkreditt. Of total loans to retail customers 45 per cent is sold to SpareBank 1 Boligkreditt. Sales of loans to SpareBank 1 Næringskreditt started in 2012, and as of 31 December 2013 NOK 1.2bn had been sold to the entity.

As from 2013 banks are required to pay a levy to the Banks' Guarantee Fund. For SpareBank 1 SMN this amounted to NOK 54m in 2013.

Increased commission income

Commission income and other operating income rose to NOK 1,463m (1,139m) in 2013, an increase of NOK 324m or 28 per cent.

The increase in income from SpareBank 1 Boligkreditt is due to higher margins on home mortgage loans.

Other growth in incomes is mainly ascribable to a positive trend in incomes from payment services, accounting services and guarantee commissions. Reduced income from estate agency services is due to a slower and more uncertain market in the second half of 2013.

Commission income, NOKm	2013	2012	Change
Payment transfers	233	197	36
Savings	50	48	2
Insurance	124	122	2
Guarantee commission	56	30	26
Real estate agency	319	336	-17
Accountancy services	125	100	25
Active management	30	11	19
Rental income	45	37	7
Other commissions	59	53	7
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,041**	**934**	**107**
Commissions SB1 Boligkreditt and SB1 Næringskreditt	422	205	217
Total commissions	**1,463**	**1,139**	**324**

Positive return on financial investments, including the result for assets held for sale

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 147m (207m) in 2013. Overall return breaks down as follows:

Return on financial investments	2013	2012
Capital gains/dividends, shares	114	24
Bonds and derivatives	-40	57
SpareBank 1 SMN Markets	73	126
Net return on financial investments	**147**	**207**
SpareBank 1 Gruppen	210	94
SpareBank 1 Boligkreditt	40	44
SpareBank 1 Næringskreditt	8	8
BN Bank	91	72
Other jointly controlled companies	6	25
Income from investment in related companies	355	244
Total	**502**	**451**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2013 was NOK 1,110m (443m). The main contributors to the profit performance are SpareBank 1 Livsforsikring (life insurer) and SpareBank 1 Skadeforsikring (non-life insurer). The value of shares of SpareBank 1 Markets was written down in the second quarter by NOK 122m (see section below).

SpareBank 1 SMN's share of the profit was NOK 210m (94m).

Strengthened owner focus at SpareBank 1 Markets

As from 30 September 2013, SpareBank 1 Markets, whose previous main shareholder was SpareBank 1 Gruppen, acquired a new owner structure following SpareBank 1 Gruppen's disposal of its stake in the company. SpareBank 1 Markets is now owned directly by SpareBank 1 SMN (24 per cent), SpareBank 1 Nord Norge (24 per cent), SpareBanken Hedmark (15 per cent), SamSpar (24 per cent), the Norwegian Confederation of Trade Unions (12 per cent) and employees (2 per cent).

In connection with the change in owner structure, SpareBank 1 Gruppen wrote down its holding in SpareBank 1 Markets by NOK 122m in the second quarter of 2013. SpareBank 1 SMN's share of this write-down was NOK 23.8m.

In the final quarter of 2013 SpareBank 1 Markets reported a deficit of NOK 11.5m of which SpareBank 1 SMN's share was NOK 2.8m.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs.

The bank's stake in SpareBank 1 Boligkreditt at 31 December 2013 was 17.48 per cent, and the Bank's share of that company's profit in 2013 was NOK 40m (44m). The Bank's holding reflects the Bank's relative share of home mortgage loans sold.

SpareBank 1 Næringskreditt

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2010 along the same lines, and with the same administration, as SpareBank 1 Boligkreditt.

As of 31 December 2013, SpareBank 1 SMN's stake in the company is 34.05 per cent, and the bank's share of the company's profit in 2013 was NOK 8m (8m). The Bank's ownership interest reflects its relative share of commercial property loans sold and its stake in BN Bank.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 31 December 2013. BN Bank achieved in 2013 a profit of NOK 251m and a return on equity of 6.2 per cent.

SpareBank 1 SMN's share of the profit of BN Bank for 2013 was NOK 91m (72m), including amortisation effects. The amortisation effect in 2013 increased the profit by NOK 7m (11m). In 2013 BN Bank has taken steps to improve profitability which have brought a considerable increase in lending margins and reduced expenses. Post-tax profit rose from NOK 188m to NOK 252m. Loan losses are higher than the expected long-term level due to specific factors related to a small number of exposures in the corporate market portfolio and losses in BN
Bank's earlier portfolio in Ålesund (guarantee portfolio). Work is in progress both on structural solutions and further internal measures with a view to profitability improvements and to a reduction of risk-weighted assets. The application for permission to use the advanced IRB approach is one of these measures.

Other companies

The profit in 2012 mainly comprised SpareBank 1 SMN's profit shares in Bank 1 Oslo and Polaris Media, which after disinvestment in 2013 are no longer classified as owner interests.

Assets held for sale

A profit of NOK 30m (16m) was recorded on assets held for sale in 2013. The 2013 figure relates mainly to the gain realised on the sale of shares in an offshore vessel.

Reduced cost growth

Overall costs came to NOK 1,722m (1,654m) in 2013. Group expenses have thus risen by NOK 68m or 4.1 per cent.

Parent bank cost growth was reduced by NOK 9m, well within the bank's cost ambition which is to limit cost growth to 3 per cent per year up to and including 2015.

In the fourth quarter the Group recognised a one-off amount of NOK 25m less tax related to buyout of leases.

For the subsidiaries, overall cost growth was NOK 51m or 11.5 per cent. The increase is largely attributable to an expanded cost base at SpareBank 1 Regnskapshuset SMN following acquisition of local accountancy firms. This is in keeping with the company's adopted strategy plan.

Operating expenses measured 1.54 per cent (1.57 per cent) of average total assets. The Group's cost-income ratio was 48 per cent (54 per cent).

Low losses and low defaults

Net loan losses came to NOK 101m (58m) for 2013. This represents 0.09 per cent of total loans (0.06 per cent). Net losses in the fourth quarter in isolation were NOK 32m (17m).

Losses of NOK 95m (57m) were recorded on the Group's corporate customers, including losses at SpareBank 1 SMN Finans of NOK 20m (9m). On the retail portfolio a net loss of NOK 7m (1m) was recorded in 2013.

Total individually assessed loan impairment write-downs came to NOK 173m (144m) as of 31 December 2013, an increase of NOK 29m over the year.

Total problem loans (defaulted and doubtful) came to NOK 543m (517m), or 0.48 per cent (0.49 per cent) of gross outstanding loans.

Defaults in excess of 90 days totalled NOK 386m (374m), measuring 0.34 per cent (0.36 per cent) of gross lending. Of total defaults, NOK 87m (83m) are loss provisioned, corresponding to 23 per cent (22 per cent).

Defaults break down to NOK 246m (226m) on corporate customers and NOK 140m (148m) on retail customers.

Other doubtful exposures totalled NOK 157m (143m), i.e. 0.14 per cent (0.14 per cent) of gross outstanding loans. NOK 86m (62m) or 55 per cent (43 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 139m (131m) to corporate customers and NOK 18m (12m) to retail customers.

Collectively assessed impairment write-downs

Collective assessment of impairment write-downs is based on two factors:

- events that have affected the bank's portfolio (causing migration between risk categories)
- events that have not yet affected the portfolio since the bank's credit risk models do not capture the effects rapidly enough (e.g. macroeconomic factors)

For 2013 no basis is found for any change in collectively assessed impairment write-downs. The aggregate volume of such write-downs is NOK 295m (295m).

Total assets of NOK 115bn

The bank's assets totalled NOK 115bn (108bn) at 31 December 2013, having risen by NOK 7bn or 6.5 per cent over the year. The rise in total assets is a consequence of increased lending and higher liquidity reserves.

As of 31 December 2013 loans worth 32bn (30bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank’s balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced growth in keeping with the capital plan

In the last 12 months, total outstanding loans rose by NOK 7.1bn (9.7bn) or 6.8 per cent (10.2 per cent) to reach NOK 112.0bn (104.9m) as of 31 December 2013.

Lending to retail customers rose by NOK 5.9bn (7.6bn) or 9.5 per cent (13.7 per cent) to reach NOK 68.5bn in 2013.

Growth in lending to corporates in 2013 was NOK 1.2bn (2.1bn) or 2.8 per cent (5.3 per cent). Overall loans to corporates totalled NOK 43.5bn (42.3bn) at 31 December 2013.

Loans to retail customers accounted for 61 per cent (60 per cent) of ordinary loans to customers at the end of 2013.

Deposits

Customer deposits rose in 2013 by NOK 3.8bn (4.4bn) to reach NOK 56.1bn (52.3m) at 31 December 2013. This represents a growth of 7.3 per cent (9.2 per cent).

Retail customer deposits rose by NOK 1.6bn (1.4bn) or 7.1 per cent (9.5 per cent) to reach NOK 23.9bn, while deposits from corporates rose by NOK 2.2bn (3.0bn) or 7.5 per cent (11.0 per cent) to NOK 32.2bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 70 per cent as of 31 December 2013.

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 5.2bn (4.4bn) at 31 December 2013. Compared with the previous year, higher values on equity funds and active management largely relate to increased stock exchange values. Energy funds are not attracting new buyers, and the portfolio is diminishing.

Saving products, customer portfolio, NOKm	2013	2012	Change
Equity funds	3,367	2,570	797
Pension products	555	653	-98
Active management	1,240	1,012	228
Energy fund management	67	139	-72
Total	**5,229**	**4,374**	**855**

Good growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 6.6 per cent in 2013. Non-life insurance showed 2.2 per cent growth, personal insurance 20.1 per cent and the occupational pensions portfolio 9.6 per cent growth.

Insurance, premium volume, NOKm	2013	2012	Change
Non-life insurance	695	680	15
Personal insurance	222	184	37
Occupational pensions	182	166	16
Total	**1,098**	**1,030**	**68**

Offices (Retail Market and SMBs)

As from 2013 the retail market business and the SMB segment comprise a unit in their own right. SMBs were previously a part of the corporate business. The retail market and SMBs are each commented on separately. The SMB segment consists of corporate customers with an exposure size of up to about NOK 8m and agricultural customers. Due to the reorganisation, historical data for the SMB segment are incomplete and no comparison is made with the previous year's figures. Return on equity as of 31 December 2013 for the retail business and SMB segment in total was 35.4 per cent with 38.7 per cent (22.6 per cent) posted by the retail business and 29.4 per cent by the SMB segment. Return on the retail market business is calculated using existing risk weights on home mortgage loans as at 31 December 2013.

	Retail-customers	SMEs	Large corporates
Net interest	630	284	695
Interest from allocated capital	11	3	34
Total interest income	**641**	**286**	**729**
Commission income and other income	704	79	91
Net return on financial investments	1	1	49
Total income	**1,346**	**366**	**869**
Total operating expenses	641	156	257
Ordinary operating profit	**705**	**210**	**612**
Loss on loans, guarantees etc.	6	5	71
Result before tax including held for sale	**699**	**205**	**541**
Post-tax return on equity	**38.7 %**	**29.4 %**	**12.8 %**

Retail Market

Operating income – and return on equity – have increased substantially as a result of increased margins on home mortgage loans, both on loans on the Bank's own books and on home mortgages sold to SpareBank 1 Boligkreditt, and totalled NOK 1,322m (1,037m) in 2013. Net interest income came to NOK 641m (552m) and commission income to NOK 691m (485m), including commissions from SpareBank 1 Boligkreditt and income on forex and fixed income business.

The lending margin in 2013 was 2.51 per cent (1.86 per cent), while the deposit-to-loan ratio was -0.37 per cent (0.10 per cent) (measured against three-month NIBOR).

In the last 12 months, lending to retail customers rose by 9.5 per cent (13.7 per cent) and deposits from the same segment by 7.1 per cent (9.5 per cent).

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. Losses and defaults are expected to remain low. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory throughout the market area.

SMB segment
Operating income totalled NOK 380m comprising net interest income of NOK 286m and commission income of NOK 94m.

The lending margin measured against three-month Nibor in 2013 was 3.40 per cent and the deposit margin was -0.29 per cent.

SMB customers have loan capital totalling NOK 9.1bn and deposit capital totalling NOK 8.7bn. Growth in loans and deposits respectively in 2013 was 6.4 per cent and 1.9 per cent.

Group customers
In connection with the reorganisation of the bank as from 2013, SMB customers have been detached from the former corporate market division and the segment has changed name to Group Customers. Group customers are mainly customers with exposure sizes in excess of NOK 8m. Given the organisation changes, historical data on group customers are incomplete.

Return on equity for group customers was 12.8 per cent in 2013. For the entire corporate market business (SMBs and Group Customers), return on equity in 2013 was 15.4 per cent (14.4 per cent).

Total operating income for Group Customers was NOK 869m in 2013. Net interest income was NOK 729m, while commission income was NOK 91m. In addition, net return of NOK 49m was posted on financial investments.

Lending and deposit margins for Group Customers were, respectively, 2.83 per cent and -0.66 per cent. Lending growth for Group Customers in 2013 was -0.8 per cent and deposit growth was 16.5 per cent. For corporates overall (SMBs and Group Customers) the lending margin was 2.95 per cent (2.45 per cent) and the deposit margin was -0.54 per cent (-0.10 per cent).

Growth in lending to corporates overall (SMBs and Group Customers) was 0.7 per cent (3.5 per cent) and deposit growth was 12.5 per cent (-5.7 per cent).

Income SpareBank 1 SMN Markets
SpareBank 1 SMN Markets is an integral part of SMN's parent bank operation.

SpareBank 1 SMN Markets posted total income of NOK 100m (116m) in 2013. Income increased in the securities and corporate segments compared with 2012, while a decline was seen for fixed income and forex. As from the fourth quarter 2013, SpareBank 1 SMN's corporate business was transferred to SpareBank 1 Markets.

Markets (NOKm)	2013	2012	Change
Currency trading	67.3	86.1	-18.8
Corporate	10.6	7.6	3.0
Securities, brokerage commission	26.8	17.0	9.8
SpareBank 1 Markets	3.1	16.2	-13.1
Investments	-7.4	-10.6	3.2
Total income	**100.4**	**116.3**	**-15.9**

Of gross income of NOK 100m, a total of NOK 25m is transferred to Group Customers, NOK 1m to the SMB segment and NOK 1m to Retail Market. These amounts are the respective entities' share of income on forex and fixed income business derived from their own customers.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 147.6m (116.1m) in 2013.

Pre-tax profit, NOKm	2013	2012	Change
EiendomsMegler 1 Midt-Norge	60.7	76.2	-15.5
SpareBank 1 Finans Midt-Norge	50.7	55.8	-5.1
SpareBank 1 Regnskapshuset SMN	14.0	13.8	0.2
SpareBank 1 SMN Invest	46.6	-15.0	61.6
Other	-24.4	-14.7	-9.7
Total	**147.6**	**116.1**	**31.5**

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. Profit was weaker in 2013 than in 2012 as a result of a weaker market in the second half-year. Pre-tax profit was NOK 60.7m (76.2m) in 2013.

SpareBank 1 Finans Midt-Norge posted a profit of NOK 50.7m (55.8m) as of 31 December 2013. The company posted good income growth in 2013 although increased losses brought a net profit impairment.

At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.3bn (3.1bn) of which leases account for NOK 1.9bn (1.9bn) and car loans for NOK 1.4bn (1.2bn).

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 14.0m (13.8m) and turnover growth of 27 per cent. With a growth rate far higher than the industry average, the company leads the market in mid-Norway and is a leading accounting services entity in Norway as a whole.

SpareBank 1 Regnskapshuset SMN took over six accounting firms in 2013 and aspires to continued strong growth.

In collaboration with other SpareBank 1 banks, SpareBank 1 Regnskapshuset SMN has launched a nationwide drive in the accounting business through SpareBank 1 Regnskapshuset. SpareBank 1 Regnskapshuset intends to be one of Norway's leading actors in the accounting industry by building up a national accounting enterprise based on regional ownership, strong links to the owner banks and closeness to the market.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 46.6m in 2013 (loss of 15.0m).

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the Bank's ability to survive for 12 months carrying on ordinary operations without need of fresh external funding.

The Bank has liquidity reserves of NOK 18bn and thus has the funding needed for 24 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 72 per cent (80 per cent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and as of 31 December 2013 loans totalling NOK 30bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A2 (stable) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The Bank was downgraded by Moody's from A1 to A2 (under review) in December 2012. In the first quarter of 2013 this was changed to A2 (stable).

Strengthened capital adequacy

After distribution of the profit for 2013, the CET1 capital ratio is 11.1 per cent (10.0 per cent). In the year's last quarter the CET1 ratio was improved thanks to a good profit performance and a reduction in risk weighted assets.

The Group has shifted lending growth more over to the retail market segment which, in isolation, is positive for the Bank's capital charges. Due to the transitional rules in the capital requirements regulations, this has resulted in higher regulatory minimum capital requirements.

Tier 1 capital adequacy is strengthened as a result of hybrid capital worth NOK 500m raised in June 2013 and NOK 450m raised in October 2013.

Figures in NOKm	**2013**	**2012**
Tier 1 capital	9,374	8,254
Hybrid capital	1,615	1,103
Subordinated loan	**1,428**	**1,586**
Capital base	**12,417**	**10,943**
Required subordinated debt	**6,767**	**6,596**
Risk weigheted assets	**84,591**	**82,446**
Tier 1 capital ratio	**11.1 %**	**10.0 %**
Core capital ratio	**13.0 %**	**11.3 %**
Capital adequacy ratio	**14.7 %**	**13.3 %**

In the fourth quarter 2013 several matters related to future capital requirements were clarified. Risk weights on home loans would be adjusted with effect from 1 January 2014. The effect of this will be partly offset by the Basel 1 floor. A countercyclical buffer of 1 per cent will be introduced at the end of the second quarter 2015. In its statement on systemically important financial institutions (SIFIs), Finanstilsynet (Norway's FSA) has recommended that SpareBank 1 SMN be defined as an SIFI bank on account of its importance for the region. This is in keeping with the Group's own assessments, and implies no change in capital requirements in relation to the levels on which SpareBank 1 SMN has based its capital plan.

The Board of Directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The Board considers it important for the Group to be sufficiently capitalised to fulfil all regulatory requirements. The Board of Directors is planning for common equity tier 1 (CET1) ratio of 13.5 per cent, comprising 12 per cent plus a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

The Group's expectation is that the applications of both BN Bank and SpareBank 1 SMN to use the advanced IRB approach will be granted. This will in isolation strengthen capital adequacy by about 0.9 per cent.

The following are the most important measures in the Group's capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments. Increased capital requirements for all banks provide a market basis for increased margins on lending
- The dividend policy to entail an effective payout ratio of 25–35 per cent

- Moderate growth in the Bank's asset-intensive businesses, giving priority to loans to households and firms in the Bank's catchment area.
- Introduction of the advanced IRB approach at SpareBank 1 SMN and BN Bank

SpareBank 1 SMN currently has no plans to issue equity capital, and the Board of Directors is of the view that other measures are sufficient to attain the goal of a CET1 ratio of 13.5 per cent by 30 June 2016.

The bank is IRB approved and uses the IRB foundation approach to compute capital charges for credit risk.

In June 2013 SpareBank 1 SMN applied to Finanstilsynet for permission to use the advanced IRB approach to compute capital charges. Preparatory work on the application was done in conjunction with the other banks in the SpareBank 1 alliance.

The bank's equity certificate (MING)

The book value of the bank's EC was NOK 55.69 (50.09) at 31 December 2013, and earnings per EC were NOK 6.92 (5.21).

The Price / Income ratio was 7.95 (6.68), and the Price / Book ratio was 0.99 (0.69).

At year-end the EC was priced at NOK 55.00, and dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

Risk factors

A weaker krone exchange rate in the second half of 2013 has had a positive effect for Norwegian export industries, but this effect is limited by weak growth in the euro area. Very solid government finances and high demand in the petroleum industry lead us to expect Norwegian GDP to remain higher than GDP for Europe as a whole. Unemployment remains low, and households are experiencing real wage growth. This, combined with continued low interest rates, means that loss risk posed by the retail market remains low. Growth in house prices has been negative in the last quarter, but houses are still in short supply compared with expected population growth.

The Bank's results are affected directly and indirectly by fluctuations in the securities markets. The indirect effect relates above all to the Bank's stake in SpareBank 1 Gruppen, where capital management connected with the insurance business and fund management activities are both affected by the fluctuations.

The Bank is also exposed to risk related to access to external funding. This is reflected in the Bank's conservative liquidity strategy (see the above section on funding and liquidity).

The credit quality of the Bank's loan portfolio is satisfactory, and loss and default levels are very low in historical terms.

Much uncertainty attends the pace of the announced regulatory changes for the European financial sector, but Norwegian authorities are signalling a clear ambition to introduce new requirements at an early stage. This may affect Norwegian banks' competitiveness relative to other banks. This challenge is compounded by non-uniform approaches to the capital adequacy rules which creates uncertainty about Norwegian banks' financial strength compared with Nordic competitors.

Outlook ahead

The profit performance for 2013 was excellent and confirms that measures implemented under the Group's capital plan are having a good effect. The directors are particularly pleased by the trend in the core business with increased margins on lending, reduced cost growth and continued low losses. This shows that the Group is in a position to generate satisfactory return on the increased capital.

SpareBank 1 SMN still sees no indications that the business sector in Trøndelag and in Møre og Romsdal faces a significant change in the economic climate. The key industries in the Bank's market area show rising activity levels and sound profits, and the prospects for 2013 appear good. Unemployment is low, and there are few signs in the regional macroeconomy in isolation to suggest major changes in the risk picture for the first half of 2014.

The Board of Directors notes the growing competition in the financial market, but expects SpareBank 1 SMN to perform well with competitive products and first-rate customer service.

The Board of Directors are keen for the Bank to be a good partner for households and firms in the region. At the same time it is assumed that the group will now meet the capital requirements set without ordinary share issues. The Board of Directors may consider a private placing with the foundation Sparebankstiftelsen SMN. The Board of Directors are satisfied with the result for 2013 and assume that 2014 also will be a good year for SpareBank 1 SMN.

Trondheim, 4 February 2014
The Board of Directors of SpareBank 1 SMN

Kjell Bordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen	Aud Skrudland
Morten Loktu	Bente Karin Trana	Arnhild Holstad	Venche Johnsen (employee rep.)
			Finn Haugan (Group CEO)

Income statement

Parent bank						Group			
4Q 12	4Q 13	2012	2013	(NOK million)	Note	2013	2012	4Q 13	4Q 12
988	1,053	3,904	4,092	Interest income		4,118	3,928	1,059	941
621	651	2,532	2,604	Interest expenses		2,502	2,451	624	543
367	**402**	**1,373**	**1,487**	**Net interest**	1	**1,616**	**1,477**	**436**	**399**
213	261	707	970	Commission income		1,230	968	323	280
25	21	86	81	Commission expenses		94	96	25	28
21	11	51	57	Other operating income		327	267	84	69
209	**252**	**672**	**946**	**Commission income and other income**		**1,463**	**1,139**	**382**	**321**
-16	0	290	371	Dividends		41	12	0	2
-	-	-	-	Income from investment in related companies		355	244	98	3
56	50	205	176	Net return on financial investments	1	106	195	58	32
40	**50**	**495**	**547**	**Net return on financial investments**		**502**	**451**	**156**	**37**
615	**704**	**2,540**	**2,981**	**Total income**		**3,580**	**3,067**	**974**	**756**
156	145	618	587	Staff costs	2	914	924	224	234
94	108	342	362	Administration costs		456	419	134	113
73	58	245	248	Other operating expenses		352	311	107	90
323	**311**	**1,206**	**1,197**	**Total operating expenses**	4	**1,722**	**1,654**	**465**	**437**
293	**393**	**1,334**	**1,783**	**Result before losses**		**1,859**	**1,414**	**508**	**319**
13	25	51	82	Loss on loans, guarantees etc.	2,6,7	101	58	32	17
279	**368**	**1,283**	**1,701**	**Result before tax**	3	**1,758**	**1,355**	**476**	**302**
62	108	262	358	Tax charge		388	295	110	69
7	-	4	6	Result investment held for sale, after tax		30	16	-4	27
225	**260**	**1,025**	**1,348**	**Net profit**		**1,400**	**1,077**	**361**	**260**
				Majority share		1,390	1,068	359	257
				Minority interest		10	9	2	4
				Profit per ECC		6.97	5.25	1.80	1.31
				Diluted profit per ECC		6.92	5.21	1.79	1.29

Other comprehensive income

Parent bank					Group			
4Q 12	4Q 13	2012	2013	(NOK million)	2013	2012	4Q 13	4Q 12
225	260	1,025	1,348	Net profit	1,400	1,077	361	260
				Items that will not be reclassified to profit/loss				
160	-9	160	-9	Actuarial gains and losses pensions	-11	169	-11	169
-45	3	-45	3	Tax	3	-47	3	-47
-	-	-	-	Share of other comprehensive income of associates and joint venture	11	-	11	-
115	**-7**	**115**	**-7**	**Total**	**3**	**121**	**3**	**121**
				Items that will be reclassified to profit/loss				
-	-	-	-	Available-for-sale financial assets	-6	12	-6	4
-	-	-	-	Share of other comprehensive income of associates and joint venture	14	10	6	3
-	-	-	-	Tax	-	-	-	-
-	**-**	**-**	**-**	**Total**	**8**	**22**	**1**	**7**
340	**253**	**1,140**	**1,342**	**Total other comprehensive income**	**1,411**	**1,221**	**365**	**388**
				Majority share of comprehensive income	1,401	1,212	363	385
				Minority interest of comprehensive income	10	9	2	4

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

Key figures

Parent bank					Group			
4Q 12	**4Q 13**	**2012**	**2013**	**Result as per cent of average total assets:**	**2013**	**2012**	**4Q 13**	**4Q 12**
1.36	1.43	1.32	1.34	Net interest	1.44	1.40	1.53	1.46
0.77	0.90	0.65	0.85	Commission income and other income	1.31	1.08	1.34	1.17
0.15	0.18	0.48	0.49	Net return on financial investments	0.45	0.43	0.55	0.13
1.19	1.11	1.16	1.08	Total operating expenses	1.54	1.57	1.64	1.60
1.08	1.40	1.28	1.61	Result before losses	1.66	1.34	1.79	1.17
0.05	0.09	0.05	0.07	Loss on loans, guarantees etc.	0.09	0.06	0.11	0.06
1.03	1.31	1.23	1.54	Result before tax	1.57	1.29	1.67	1.11
0.52	0.44	0.47	0.40	Cost -income ratio	0.48	0.54	0.48	0.58
		73 %	73 %	Loan-to-deposit ratio	70 %	70 %		
10.5 %	10.7 %	13.2 %	14.7 %	Return on equity	13.3 %	11.7 %	13.1 %	10.5 %

Balance sheet

Parent bank					Group		
01 Jan 2012	31 Dec 2012	31 Dec 2013	(NOK million)	Note	31 Dec 2013	31 Dec 2012	01 Jan 2012
1,519	1,079	593	Cash and receivables from central banks		593	1,079	1,519
5,033	5,619	8,200	Deposits with and loans to credit institutions		5,389	3,012	2,557
70,793	72,464	77,030	Gross loans to customers before write-down	5,8	80,303	74,943	73,105
-151	-129	-150	- Specified write-downs	6,7,8	-173	-144	-172
-273	-278	-278	- Write-downs by loan category	6	-295	-295	-290
70,369	72,057	76,602	Net loans to and receivables from customers		79,836	74,504	72,643
12,918	17,164	16,887	Fixed-income CDs and bonds	15	16,887	17,164	12,918
3,698	3,101	3,051	Derivatives	14	3,050	3,100	3,697
331	354	492	Shares, units and other equity interests	2,15	1,030	777	611
2,816	3,115	3,138	Investment in related companies		4,624	4,573	4,259
1,203	2,181	2,442	Investment in group companies		-	-	-
222	340	114	Investment held for sale		113	486	481
447	447	447	Goodwill		495	482	471
1,100	1,538	2,110	Other assets	9	3,344	2,798	2,264
99,655	**106,995**	**114,074**	**Total assets**		**115,360**	**107,975**	**101,420**
6,232	5,137	5,159	Deposits from credit institutions		5,159	5,137	6,232
2,886	2,273	1,220	Funding, "swap" arrangement with the government		1,220	2,273	2,886
48,114	53,187	56,531	Deposits from and debt to customers	10	56,074	52,252	47,871
28,148	30,259	33,762	Debt created by issue of securities	11	33,762	30,259	28,148
3,158	2,790	2,295	Derivatives	15	2,295	2,790	3,158
1,579	1,615	1,992	Other liabilities	12	2,303	2,070	2,017
-	-	-	Investment held for sale		-	72	151
2,690	3,040	3,304	Subordinated loan capital	11	3,304	3,040	2,690
92,808	**98,302**	**104,263**	**Total liabilities**		**104,118**	**97,892**	**93,153**
2,373	2,597	2,597	Equity capital certificates		2,597	2,597	2,373
-0	-0	-0	Own holding of ECCs		-0	-0	-0
183	895	895	Premium fund		895	895	183
1,457	1,889	2,496	Dividend equalisation fund		2,496	1,889	1,457
190	195	227	Recommended dividends		227	195	190
40	30	124	Provision for gifts		124	30	40
2,611	2,944	3,276	Savings bank’s reserve		3,276	2,944	2,611
70	106	195	Unrealised gains reserve		206	123	85
-77	38	-0	Other equity capital		1,354	1,343	1,193
-	-	-	Minority interests		67	67	135
6,847	**8,694**	**9,811**	**Total equity capital**	13	**11,242**	**10,082**	**8,267**
99,655	**106,995**	**114,074**	**Total liabilities and equity**		**115,360**	**107,975**	**101,420**

Cash flow statement

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOK million)	31 Dec 2013	31 Dec 2012
1,025	1,348	Profit	1,400	1,077
43	53	Depreciations and write-downs on fixed assets	118	102
51	82	Losses on loans and guarantees	101	58
1,119	1,484	Net cash increase from ordinary opertions	1,619	1,237
284	-587	Decrease/(increase) other receivables	-652	802
-293	-121	Increase/(decrease) short term debt	-244	-436
-1,738	-4,627	Decrease/(increase) loans to customers	-5,433	-1,919
-586	-2,580	Decrease/(increase) loans credit institutions	-2,376	-456
5,073	3,344	Increase/(decrease) deposits and debt to customers	3,822	4,381
-1,708	-1,031	Increase/(decrease) debt to credit institutions	-1,031	-1,708
-4,246	277	Increase/(decrease) in short term investments	277	-4,246
-2,096	**-3,842**	**A) NET CASH FLOW FROM OPERATIONS**	**-4,018**	**-2,760**
-92	-22	Increase in tangible fixed assets	-31	-279
-	-	Reductions in tangible fixed assets	-	-
-1,611	-58	Paid-up capital, associated companies	250	-728
192	-137	Net investments in long-term shares and partnerships	-253	-166
-1,512	**-217**	**B) NET CASH FLOW FROM INVESTMENTS**	**-34**	**-1,173**
350	264	Increase/(decrease) in subordinated loan capital	264	350
936	-	Increase/(decrease) in equity	-	936
-190	-195	Dividend cleared	-195	-190
-40	-30	To be disbursed from gift fund	-30	-40
-	31	Correction of equity capital	25	-89
2,112	3,503	Increase/(decrease) in other long term loans	3,503	2,112
3,168	**3,573**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**3,566**	**3,079**
-440	**-486**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-486**	**-440**
1,519	1,079	Cash and cash equivalents at 1.1	1,079	1,519
1,079	593	Cash and cash equivalents at end of quarter	593	1,079
440	**486**	**Net changes in cash and cash equivalents**	**486**	**440**

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**70**	**-**	**6,924**
Reset of estimate deviation, pensions IAS 19R	-	-	-	-	-	-	-	-77	-77
Net Profit	-	-	333	432	195	30	36	-	1,025
Estimate deviation, pensions	-	-	-	-	-	-	-	115	115
Other comprehensive income	-	-	-	-	-	-	-	115	115
Total other comprehensive income	-	-	333	432	195	30	36	115	1,140
Transactions with owners									
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-
Total transactions with owners	224	713	-	-	-190	-40	-	-	706
Equity capital at 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Net Profit	-	-	321	587	227	124	89	-	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-195	-30	-	-	-225
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**0**	**9,811**

Group	Majority share: Issued equity		Earned equity							
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**85**	**1,274**	**135**	**8,348**
Reset of estimate deviation, pensions IAS 19R	-	-	-	-	-	-	-	-81	-	-81
Net Profit	-	-	333	432	195	30	36	43	9	1,077
Other comprehensive income										
Estimate deviation, pensions	-	-	-	-	-	-	-	121	-	121
Available-for-sale financial assets	-	-	-	-	-	-	1	12	-	13
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	10	-	10
Other comprehensive income	-	-	-	-	-	-	1	143	-	145
Total other comprehensive income	-	-	333	432	195	30	37	186	9	1,221
Transactions with owners										
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-	-36	-	-36
Change in minority share	-	-	-	-	-	-	-	-	-77	-77
Total transactions with owners	224	713	-	-	-190	-40	-	-36	-77	594
Equity capital at 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**

Group	Majority share										
	Issued equity			Earned equity							
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**
Net profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**

Equity capital certificate ratio

(NOK million)	31 Dec 2013	31 Dec 2012
ECC capital	2,597	2,597
Dividend equalisation reserve	2,496	1,889
Premium reserve	895	895
Unrealised gains reserve	126	69
A. The equity capital certificate owners' capital	**6,114**	**5,449**
Ownerless capital	3,276	2,944
Unrealised gains reserve	69	38
B. The saving bank reserve	**3,345**	**2,982**
To be disbursed from gift fund	124	30
Dividend declared	227	195
Equity ex. profit	**9,811**	**8,656**
Equity capital certificate ratio A/(A+B)	**64.64 %**	**64.64 %**
Equity capital certificate ratio for distribution	64.64 %	63.33 %

Results from quarterly accounts

Group in NOKm	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011
Interest income	1,059	1,068	1,036	954	941	989	989	1,009	1,029
Interest expenses	624	634	633	611	543	630	619	659	691
Net interest	**436**	**434**	**403**	**343**	**399**	**358**	**369**	**351**	**338**
Commission income	323	323	323	262	280	252	240	196	188
Commission expenses	25	28	21	20	28	25	22	21	25
Other operating income	84	72	95	75	69	68	71	60	69
Commission income and other income	**382**	**367**	**396**	**317**	**321**	**294**	**288**	**235**	**232**
Dividends	0	11	30	1	2	0	9	0	2
Income from investment in related companies	98	120	36	101	3	91	59	92	71
Net return on financial investments	58	5	-17	61	32	86	17	60	81
Net return on financial investments	**156**	**135**	**49**	**162**	**37**	**177**	**85**	**153**	**153**
Total income	**974**	**937**	**849**	**822**	**756**	**829**	**742**	**739**	**723**
Staff costs	224	220	234	236	234	235	223	232	196
Administration costs	134	103	120	99	113	112	98	97	114
Other operating expenses	107	84	82	79	90	75	76	69	103
Total operating expenses	**465**	**406**	**436**	**414**	**437**	**421**	**398**	**398**	**412**
Result before losses	**508**	**530**	**413**	**407**	**319**	**408**	**345**	**342**	**311**
Loss on loans, guarantees etc.	32	30	21	17	17	16	17	8	26
Result before tax	**476**	**501**	**391**	**390**	**302**	**392**	**328**	**333**	**285**
Tax charge	110	98	102	77	69	77	81	68	54
Result investment held for sale, after tax	-4	31	-4	7	27	-9	-9	7	49
Net profit	**361**	**433**	**285**	**321**	**260**	**306**	**238**	**272**	**279**

Key figures from quarterly accounts

Group in NOKm	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011
Profitability									
Return on equity per quarter	13.1%	16.3%	11.1%	12.7%	10.5%	12.8%	10.7%	13.0%	13.6%
Cost-income ratio	48 %	43%	51%	50%	58%	51%	54%	53%	53%
Balance sheet									
Gross loans to customers	80,303	79,842	78,976	76,425	74,943	75,357	73,595	71,681	73,105
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	112,038	110,237	108,968	106,830	104,909	103,274	100,552	97,387	95,232
Deposits from customers	56,074	53,423	55,268	52,603	52,252	50,836	51,504	48,974	47,871
Total assets	115,360	111,977	113,190	110,769	107,919	110,605	107,780	99,031	102,479
Average total assets	113,668	112,583	111,979	109,344	109,279	109,227	103,422	100,242	100,732
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months	6.8 %	6.7 %	8.4 %	9.7 %	10.2 %	11.4 %	10.6 %	9.9 %	8.6 %
Growth in deposits last 12 months	7.3 %	5.1 %	7.3 %	7.4 %	9.2 %	10.5 %	12.0 %	14.2 %	11.9 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.12 %	0.11 %	0.08 %	0.06 %	0.06 %	0.06 %	0.07 %	0.04 %	0.11 %
Non-performing commitm. as a percentage of gross loans	0.34 %	0.35 %	0.38 %	0.36 %	0.36 %	0.39 %	0.34 %	0.33 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.14 %	0.19 %	0.13 %	0.15 %	0.14 %	0.16 %	0.20 %	0.19 %	0.21 %
Solidity									
Common equity tier 1	11.1 %	10.7 %	10.3 %	10.4 %	10.0 %	9.3 %	9.5 %	8.8 %	8.9 %
Core capital ratio	13.0 %	12.6 %	12.2 %	11.7 %	11.3 %	10.6 %	11.0 %	10.3 %	10.4 %
Capital adequacy ratio	14.7 %	14.2 %	13.8 %	13.3 %	13.3 %	11.9 %	12.4 %	11.8 %	12.0 %
Core capital	10,989	10,707	10,508	9,686	9,357	8,826	8,722	7,902	7,856
Net equity and related capital	12,417	12,053	11,894	10,971	10,943	9,891	9,900	9,008	9,055
Key figures ECC *)									
ECC price	55.00	45.70	46.50	46.90	34.80	37.00	32.10	36.60	36.31
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	124.21	124.21	102.76
Booked equity capital per ECC (including dividend)	55.69	53.76	51.66	50.32	50.09	49.00	47.97	46.82	48.91
Profit per ECC, majority	1.79	2.18	1.43	1.55	1.29	1.54	1.22	1.41	1.65
Price-Earnings Ratio	7.68	5.23	8.13	7.55	6.74	6.09	6.58	6.49	5.50
Price-Book Value Ratio	0.99	0.85	0.90	0.93	0.69	0.76	0.67	0.78	0.74

*) The key figures are corrected for issues

Notes

Contents

SpareBank 1 SMN

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. 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 effect (Group):

(NOKm)

First quarter 2012 (1.1.2012)	Original balance sheet value	Change on implementation	New balance sheet value
Overfunded defined benefit pension plan (other assets)	35	-35	-
Underfunded defined benefit pension plan (other liabilities)	-	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)	-	-	-
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)	-	-	-
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 per cent 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 per cent 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.

The year's AFP cost of the new scheme has not been booked. The reason is that the Joint Office for the LO/NHO Schemes has not done the required calculations 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.

Business acquisition

SpareBank 1 SMN took over 23.89 per cent of the shares of SpareBank 1 Markets in the third quarter. The bank previously indirectly owned 19.23 per cent of SpareBank 1 Markets through its ownership in SpareBank 1 Gruppen. A final acquisition analysis has been conducted in accordance with IFRS 3 in which the acquisition price, NOK 35.3 million, is allocated to fair value of assets and liabilities. The previous owner interest is carried forward to continuity. The difference between identifiable net assets and acquisition cost of the increased asset, NOK 1.5 million, is taken to income in the third quarter in accordance with IAS 28.

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: Group Customers and Small and Mid-size Enterprises. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Group Customers and SMEs must be viewed collectively in relation to 2012. This will apply to each quarter of 2013. In organisation terms, SMEs are a part of Offices which also handles Retail Customers.

Since Allegro accounts for a very limited part of the Group’s profits, it is no longer reported on as a separate segment that is added in the column for “others”. As from second quarter 2013 the joint ventures SpareBank 1 Gruppen and BN Bank are being treated as separate segments. The rationale is that each of these entities accounts for a substantial portion of the consolidated profit while at the same time being of significance in the capital requirement context. Consequently the companies receive much focus in the Group's internal corporate governance. As from the third quarter of 2013 companies held for sale are reported under the Corporate Customer segment. 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 2013

Profit and loss account (NOK million)	RM	SME	Group Corporates	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	630	284	695	5	7	118	-0	-	-	-122	1,616
Interest from allocated capital	11	3	34	-1	-	-	-	-	-	-47	-
Total interest income	**641**	**286**	**729**	**4**	**7**	**118**	**-0**	**-**	**-**	**-170**	**1,616**
Commission income and other income	704	79	91	29	368	-3	133	-	-	62	1,463
Net return on financial investments **)	1	1	49	40	-	0	-0	210	91	141	531
Total income *)	**1,346**	**366**	**869**	**73**	**375**	**116**	**132**	**210**	**91**	**33**	**3,610**
Total operating expenses	**641**	**156**	**257**	**85**	**314**	**45**	**118**	**-**	**-**	**103**	**1,722**
Ordinary operating profit	**705**	**210**	**612**	**-13**	**61**	**70**	**14**	**210**	**91**	**-71**	**1,888**
Loss on loans, guarantees etc.	6	5	71	-	-	20	-	-	-	-1	101
Result before tax including held for sale	**699**	**205**	**541**	**-13**	**61**	**51**	**14**	**210**	**91**	**-70**	**1,788**
Post-tax return on equity	**38.7 %**	**29.4 %**	**12.8 %**								**13.3 %**
Balance (NOK million)											
Loans and advances to customers	63,518	9,055	31,920	-	-	3,291	-	-	-	4,255	112,038
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-30,204	-421	-1,110	-	-	-	-	-	-	-	-31,735
Individual allowance for impairment on loan	-28	-15	-122	-	-	-23	-	-	-	15	-173
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	501	35	306	-	291	12	105	1,113	1,188	31,975	35,525
Total assets	**33,713**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**36,245**	**115,360**
Deposits to customers	24,185	8,734	21,544	-	-	-	-	-	-	1,611	56,074
Other liabilities and equity	9,528	-111	9,274	-	291	3,264	105	1,113	1,188	34,634	59,286
Total liabilites	**33,713**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**36,245**	**115,360**

Group 31 Dec 2012

Profit and loss account (NOK million)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	540	905	-21	5	108	3	-	-	-62	1,477
Interest from allocated capital	11	98	4	-	-	-	-	-	-113	-
Total interest income	**552**	**1,003**	**-18**	**5**	**108**	**3**	**-**	**-**	**-175**	**1,477**
Commission income and other income	484	137	24	380	-3	105	-	-	13	1,139
Net return on financial investments **)	1	68	87	-	-1	-	94	72	145	467
Total income *)	**1,037**	**1,207**	**93**	**385**	**104**	**107**	**94**	**72**	**-17**	**3,084**
Total operating expenses	**653**	**399**	**94**	**309**	**40**	**93**	**-**	**-**	**66**	**1,654**
Ordinary operating profit	**384**	**809**	**-1**	**76**	**65**	**14**	**94**	**72**	**-82**	**1,430**
Loss on loans, guarantees etc.	1	45	-	-	9	-	-	-	4	58
Result before tax including held for sale	**383**	**764**	**-1**	**76**	**56**	**14**	**94**	**72**	**-86**	**1,371**
Post-tax return on equity	**22.6 %**	**14.4 %**	**-0.4 %**							**11.7 %**
Balance (NOK million)										
Loans and advances to customers	58,892	40,671	-	-	3,146	-	-	-	2,200	104,909
Adv. of this to SpareBank 1 Boligkreditt	-28,029	-976	-	-	-	-	-	-	-960	-29,966
Individual allowance for impairment on loan	-28	-101	-	-	-15	-	-	-	-0	-144
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-	-278	-295
Other assets	391	1,061	-	299	19	68	1,064	1,095	29,474	33,471
Total assets	**31,225**	**40,655**	**-**	**299**	**3,133**	**68**	**1,064**	**1,095**	**30,436**	**107,975**
Deposits to customers	22,440	27,064	-	-	-	-	-	-	2,747	52,252
Other liabilities and equity	8,784	13,591	-	299	3,133	68	1,064	1,095	27,688	55,723
Total liabilites	**31,225**	**40,655**	**-**	**299**	**3,133**	**68**	**1,064**	**1,095**	**30,436**	**107,975**

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

**) Specification of net return on financial investments (NOKm)	31 Dec 2013	31 Dec 2012
Capital gains/dividends, shares	114	24
Bonds and derivatives	-40	57
SpareBank 1 SMN Markets	73	126
Net return on financial investments	**147**	**207**
SpareBank 1 Gruppen	210	94
SpareBank 1 Boligkreditt	40	44
SpareBank 1 Næringskreditt	8	8
BN Bank	91	72
Other jointly controlled companies	36	42
Income from investment in related companies	**384**	**260**
Total	**531**	**467**

Note 4 - Operating expenses

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOKm)	31 Dec 2013	31 Dec 2012
618	587	Personnel expenses	914	924
166	187	IT costs	206	187
23	24	Postage and transport of valuables	29	28
39	38	Marketing	58	49
43	53	Ordinary depreciation	118	102
128	120	Operating expenses, real properties	118	101
55	58	Purchased services	70	66
132	130	Other operating expense	207	199
1,206	**1,197**	**Total other operating expenses**	**1,722**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank			Group	
31 Dec 2012	**31 Dec 2013**	**(NOKm)**	**31 Dec 2013**	**31 Dec 2012**
5,964	6,208	Agriculture, forestry, fisheries, hunting	6,359	6,129
2,325	2,334	Sea farming industries	2,463	2,447
2,123	1,946	Manufacturing	2,142	2,349
2,967	2,693	Construction, power and water supply	3,207	3,504
2,625	2,275	Retail trade, hotels and restaurants	2,442	2,804
5,734	5,395	Maritime sector	5,402	5,739
12,232	12,048	Property management	12,118	11,710
3,063	3,646	Business services	3,867	3,258
2,037	2,284	Transport and other services provision	2,706	2,364
189	400	Public administration	423	215
1,795	2,391	Other sectors	2,395	1,801
41,052	**41,619**	**Gross loans in retail market**	**43,523**	**42,322**
61,377	67,146	Wage earners	68,515	62,587
102,430	**108,765**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**112,038**	**104,909**
29,348	30,514	SpareBank 1 Boligkreditt	30,514	29,348
618	1,221	SpareBank 1 Næringskreditt	1,221	618
72,464	**77,030**	**Gross loans in balance sheet**	**80,303**	**74,943**

Note 6 - Losses on loans and guarantees

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOKm)	31 Dec 2013	31 Dec 2012
-22	22	Change in individual impairment losses provisions for the period	29	-28
5	-	Change in collective impairment losses provisions for the period	-	5
51	34	Actual loan losses on commitments for which provisions have been made	40	63
54	39	Actual loan losses on commitments for which no provision has been made	45	57
-37	-13	Recoveries on commitments previously written-off	-14	-38
51	**82**	**Losses of the year on loans and guarantees**	**101**	**58**

Note 7 - Losses

Parent bank			Group	
31 Dec 2012	**31 Dec 2013**	**(NOKm)**	**31 Dec 2013**	**31 Dec 2012**
151	129	Individual write-downs to cover loss on loans at 01.01*	144	172
4	12	+ Increased write-downs on provisions previously written down	15	4
13	16	- Reversal of provisions from previous periods	18	13
37	59	+ Write-downs on provisions not previously written down	71	43
51	34	- Actual losses during the period for which provisions for individual impairment losses have been made previously	40	63
129	**150**	**Specification of loss provisions at end of period**	**173**	**144**
104	73	Actual losses	85	119

*) Individually assessed impairment write-downs on guarantees, totalling NOK 1m, are shown in the balance sheet as a liability under 'Other liabilities'.

Note 8 - Defaults

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOKm)	31 Dec 2013	31 Dec 2012
		Total defaults		
298	311	Loans in default for more than 90 days *)	386	374
72	73	- individual write-downs	87	83
226	238	Net defaults	299	291
24 %	24 %	Provision rate	23 %	22 %
		Problem Loans		
119	146	Problem loans (not in default)	157	143
57	76	- individual write-downs	86	62
63	70	Net problem loans	71	81
48 %	52 %	Provision rate	55 %	43 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q4.
Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOKm)	31 Dec 2013	31 Dec 2012
-	-	Deferred tax benefit	18	13
201	169	Fixed assets	1,176	1,277
1,009	1,568	Earned income not yet received	1,591	1,026
46	207	Accounts receivable, securities	207	46
21	82	Pensions	82	21
262	84	Other assets	270	416
1,538	**2,110**	**Total other assets**	**3,344**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank			Group	
31 Dec 2012	31 Dec 2013	(NOKm)	31 Dec 2013	31 Dec 2012
2,002	2,059	Agriculture, forestry, fisheries, hunting	2,059	2,002
138	406	Sea farming industries	406	138
891	1,239	Manufacturing	1,239	891
1,715	1,808	Construction, power and water supply	1,808	1,715
3,923	4,313	Retail trade, hotels and restaurants	4,313	3,923
1,166	2,150	Maritime sector	2,150	1,166
4,865	4,142	Property management	4,033	4,256
4,802	4,885	Business services	4,885	4,802
3,575	4,320	Transport and other services provision	3,999	3,360
4,354	4,723	Public administration	4,723	4,354
3,477	2,620	Other sectors	2,594	3,366
30,908	**32,666**	**Total**	**32,209**	**29,973**
22,279	23,865	Wage earners	23,865	22,279
53,187	**56,531**	**Total deposits**	**56,074**	**52,252**

SpareBank 1 SMN

Note 11 - Debt created by issue of securities

Parent bank			Group	
31 Dec 2012	**31 Dec 2013**	**(NOKm)**	**31 Dec 2013**	**31 Dec 2012**
706	2,750	Short-term debt instruments, nominal value	2,750	706
29,190	30,718	Bond debt, nominal value	30,718	29,190
364	294	Value adjustments	294	364
30,259	**33,762**	**Total**	**33,762**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

	31 Dec 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	2,750	2,785	741	-	706
Bond debt, nominal value	30,718	7,788	7,120	860	29,190
Value adjustments	294	-	-	-70	364
Total	33,762	10,573	7,861	790	30,259

	31 Dec 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,522	-	169	-62	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	950	522	102	869
Value adjustments	82	-	-	-36	118
Total	3,304	950	691	4	3,040

Note 12 - Other liabilities

Parent bank			Group	
31 Dec 2012	**31 Dec 2013**	**(NOKm)**	**31 Dec 2013**	**31 Dec 2012**
83	17	Deferred tax	23	93
248	438	Payable tax	476	290
8	8	Capital tax	8	8
800	883	Accrued expenses and received, non-accrued income	1,091	1,124
74	48	Provision for accrued expenses and commitments	48	74
87	73	Drawing debt	73	87
9	7	Creditors	29	40
73	339	Debt from securities	339	73
233	179	Other liabilities	215	276
1,615	**1,992**	**Total other liabilites**	**2,303**	**2,070**

Note 13 - Capital adequacy

SpareBank 1 SMN has used IRB (Internal Rating Approach – Foundation) to calculate charges for credit risk since January 2007. Using IRB imposes wide-ranging requirements on the bank's organisation, competence, risk models and risk management systems. In June 2013 the bank applied for permission to switch to Advanced IRB for enterprise portfolios currently reported using the foundation approach. The effect of the risk weights under IRB is limited due to transitional rules set out in regulations issued by Finanstilsynet.

As from second quarter 2013 the measurement method for operational risk was changed from the basic approach to the standardised approach at the parent bank. At the group level, subsidiaries are still measured using the basic approach.

As from 1 July 2013 new buffer requirements have been introduced; see the Financial Institutions Act section 2-9e. As of 31 December 2013 the capital conservation buffer requirement is 2.5 per cent and the systemic risk buffer requirement is 2 per cent. These requirements are in addition to the requirement that own funds should constitute at least 4.5 per cent common equity tier 1 (CET1) capital, bringing the overall minimum CET1 requirement to 9 per cent.

Over the course of 2014 the systemic risk buffer requirement will increase by a further 1 percentage point, bringing the overall CET1 requirement as of 30 June 2014 to 10 per cent. As of 30 June 2015, a countercyclical buffer requirement of 1 percentage point will be applicable.

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 characterised by moderate repayment incentives is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. If, on the other hand, hybrid capital has no fixed term to maturity and has no repayment incentives, it may be included as an element of core capital up to limit of 15 per cent of aggregate core 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 8 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 recognised as other long-term debt at amortised cost.

In connection with change requirements regarding the conditions for hybrid capital, hybrid capital that does not satisfy the new requirements over time will not be eligible for inclusion in other core capital. Such hybrid capital will be reduced by 20 per cent in 2014 and 10 per cent thereafter. As of 31 December 2013, SpareBank 1 SMN held NOK 450m in hybrid capital which will be subject to reduction.

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.

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

Parent bank			Group	
31 Dec 2012	**31 Dec 2013**	**(NOKm)**	**31 Dec 2013**	**31 Dec 2012**
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	- Own holding of ECCs	-0	-0
895	895	Premium fund	895	895
1,889	2,496	Dividend equalisation fund	2,496	1,889
2,944	3,276	Savings bank's reserve	3,276	2,944
195	227	Recommended dividends	227	195
30	124	Provision for gifts	124	30
106	195	Unrealised gains reserve	206	123
0	-	Other equity and minority interest	1,421	1,370
8,656	**9,811**	**Total book equity**	**11,242**	**10,042**
-447	-447	Deferred taxes, goodwill and other intangible assets	-582	-674
-	-	Part of reserve for unrealised gains, associated companies	98	57
-225	-352	Deduction for allocated dividends and gifts	-361	-238
-448	-401	50 % deduction for subordinated capital in other financial institutions	-106	-2
-165	-240	50 % deduction for expected losses on IRB, net of write-downs	-214	-179
-	-	50 % capital adequacy reserve	-595	-703
-55	-109	Surplus financing of pension obligations	-107	-49
7,316	**8,262**	**Total common equity Tier one**	**9,374**	**8,254**
918	1,431	Hybrid capital, core capital	1,615	1,103
8,234	**9,693**	**Total core capital**	**10,989**	**9,357**
		Supplementary capital in excess of core capital		
-	-	Tier 2 capital - excees of 15 per cent additional Tier 1 capital	31	31
312	304	Perpetual subordinated capital	363	312
1,810	1,569	Non-perpetual subordinated capital	1,950	2,127
-448	-401	50 % deduction for subordinated capital in other financial institutions	-106	-2
-165	-240	50 % deduction for expected losses on IRB, net of write-downs	-214	-179
-	-	50 % capital adequacy reserve	-595	-703
1,509	**1,231**	**Total supplementary capital**	**1,428**	**1,586**
9,742	**10,924**	**Net subordinated capital**	**12,417**	**10,943**
		Minimum requirements subordinated capital, Basel II		
1,654	1,573	Involvement with spesialised enterprises	1,573	1,654
1,470	1,478	Other corporations exposure	1,479	1,470
39	70	SME exposure	74	42
316	363	Retail morgage exposure	628	560
28	28	Other retail exposure	33	30
1,118	1,157	Equity investments	-	-
4,625	**4,669**	**Total credit risk IRB**	**3,787**	**3,756**
205	224	Debt risk	224	205
14	8	Equity risk	10	15
-	-	Currency risk	-	-
315	297	Operational risk	398	420
553	560	Exposures calculated using the standardised approach	2,151	2,074
-75	-67	Deductions	-119	-120
-	-	Transitional arrangements	316	246
5,637	**5,690**	**Minimum requirements subordinated capital**	**6,767**	**6,596**
70,468	71,130	Risk weigheted assets (RWA)	84,591	82,446
		Capital adequacy		
10.4 %	11.6 %	Common equity Tier one ratio	11.1 %	10.0 %
11.7 %	13.6 %	Core capital ratio	13.0 %	11.3 %
13.8 %	15.4 %	Capital adequacy ratio	14.7 %	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 fourth quarter 2013 the Bank has 22 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 Dec 2013	Derivatives	1,488
31 Dec 2012	Derivatives	562

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:

Level 1: quoted price in an active market for an identical asset or liability

Level 2: 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 3: valuation based on inputs not taken from observable markets (unobservable inputs)

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.

As of second quarter fixed-rate loans are classified in level 3.

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 December 2013:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	111	2,939	-	3,050
Bonds and money market certificates	4,003	11,539	-	15,542
Equity capital instruments	67	-	905	972
Fixed-rate loans	-	-	2,648	2,648
Financial assets avaliable for sale				
Equity capital instruments	-	-	40	40
Total assets	**4,181**	**14,477**	**3,593**	**22,252**

Liabilities (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit/loss				
Derivatives	334	1,961	-	2,295
Total liabilities	**334**	**1,961**	**-**	**2,295**

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

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	34	3,066	-	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				
Equity capital instruments	-	-	46	46
Total assets	**3,929**	**13,892**	**3,231**	**21,051**

Liabilities (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
Derivatives	33	2,757	-	2,790
Total liabilities	**33**	**2,757**	**-**	**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 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 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. As from the second quarter the same valuation is applied to the shares of Bank 1 Oslo Akershus.

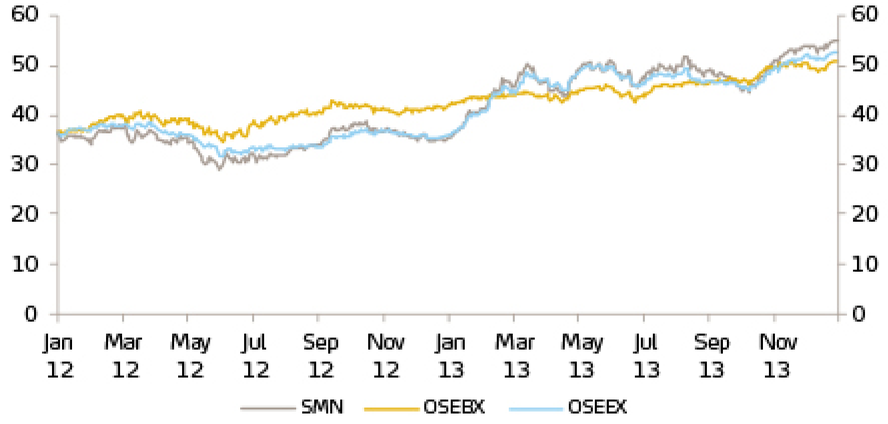
Effect on result of financial instruments belonging to level 3

(NOKm)	31 Dec 2013	31 Dec 2012
Financial assets at fair value through profit/loss		
Realised gain/loss	8	-
Change in unrealised gain/loss	60	11
Financial assets avaliable for sale		
Change in unrealised gain/loss	-6	-
Fixed interest loans		
Net gain/loss	-25	55
Total effect on result	**37**	**66**

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 January 2012 to 31 December 2013

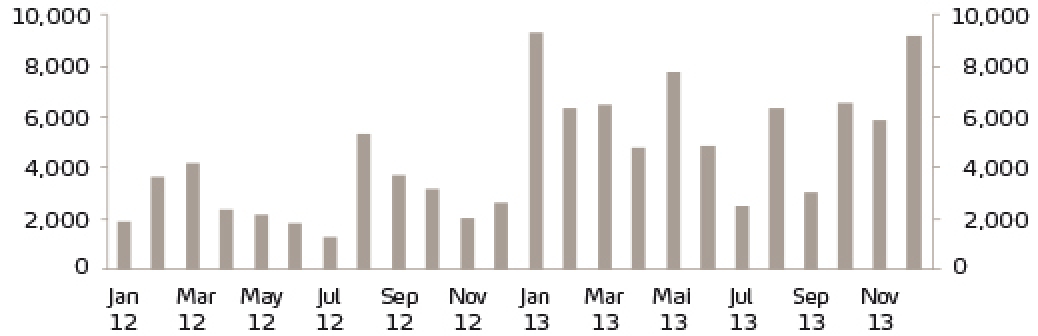


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 January 2012 to 31 December 2013



20 largest ECC holders	Number	Share
Odin Norge	4,168,311	3.21 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Pareto Aksje Norge	3,382,000	2.60 %
Verdipapirfondet DNB Norge (IV)	2,936,033	2.26 %
Frank Mohn AS	2,876,968	2.22 %
Odin Norden	2,854,979	2.20 %
Vind LV AS	2,736,435	2.11 %
MP Pensjon PK	2,058,415	1.59 %
Danske Invest Norske Aksjer Inst. II	1,857,667	1.43 %
Stenshagen Invest	1,693,384	1.30 %
State Street Bank and Trust CO (nominee)	1,666,916	1.28 %
Verdipapirfondet Fondsfinans Spar	1,645,090	1.27 %
Pareto Aktiv	1,424,600	1.10 %
Forsvarets Personellservice	1,406,446	1.08 %
Odin Europa SMB	1,326,937	1.02 %
The Bank of New York Mellon (nominee)	1,326,445	1.02 %
VPF Nordea Norge Verdi	1,265,234	0.97 %
DNB Livsforsikring ASA	1,260,767	0.97 %
Citibank N.A New York Branch (nominee)	1,212,494	0.93 %
Danske Invest Norske Aksjer Instit. I	1,148,845	0.88 %
The 20 largest ECC holders in total	**42,213,357**	**32.51 %**
Others	87,623,086	67.49 %
Total issued ECCs	**129,836,443**	**100.00 %**

Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.