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Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. 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)

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	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.

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.

Since there has been no significant change in the discount rate or other assumptions underlying the defined benefit scheme so far this year, the Group has not obtained a new actuarial calculation. The latest actuarial calculation is dated 31 December 2012.

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 Businesses. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Group Customers 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 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 Q2 2013 the related companies 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.

					Group 30 Jun 2013						
Profit and loss account (NOK million)	**RM**	**SME**	**Group Corporates**	**Markets**	**EM 1**	**SMN Finans**	**SMN Regnskap**	**SB1 Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	285	139	325	-2	2	63	-0	-	-	-66	746
Interest from allocated capital	5	1	19	-0	-	-	-	-	-	-25	-
Total interest income	**291**	**140**	**344**	**-2**	**2**	**63**	**-0**	**-**	**-**	**-91**	**746**
Commission income and other income	310	38	42	19	174	-7	73	-	-	64	713
Net return on financial investments **)	0	1	11	11	-	0	-	79	43	68	214
Total income *)	**601**	**179**	**397**	**28**	**176**	**56**	**73**	**79**	**43**	**42**	**1,673**
Total operating expenses	**325**	**67**	**138**	**41**	**134**	**21**	**61**			**61**	**850**
Ordinary operating profit	**277**	**112**	**259**	**-13**	**42**	**35**	**12**	**79**	**43**	**-20**	**823**
Loss on loans, guarantees etc.	6	3	24	0	-	6	-	-	-	0	38
Result before tax	**270**	**109**	**235**	**-13**	**42**	**29**	**12**	**79**	**43**	**-19**	**785**
Post-tax return on equity	**31.9 %**	**31.5 %**	**10.0 %**								**11.7 %**
Balance (NOK million)											
Loans and advances to customers	60,832	8,827	32,420	-	-	3,224	-	-	-	-26,327	78,976
Adv. of this to SpareBank 1 Boligkreditt	-29,014	-402	-577	-	-	-	-	-	-	-	-29,992
Individual allowance for impairment on loan	-27	-18	-95	-	-	-13	-	-	-	0	-153
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	254	28	171	-	190	-2,736	49	957	1,136	64,606	64,654
Total assets	**31,972**	**8,405**	**31,744**	**-**	**190**	**458**	**49**	**957**	**1,136**	**38,279**	**113,190**
Deposits to customers	24,186	8,640	20,601	-	-	-	5			1,836	55,268
Other liabilities and equity	7,787	-235	11,143	-	190	458	44	957	1,136	36,442	57,922
Total liabilites	**31,972**	**8,405**	**31,744**	**-**	**190**	**458**	**49**	**957**	**1,136**	**38,279**	**113,190**

Group 30 Jun 2012										
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**SMN Regnskap**	**SB1 Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	251	433	-1	2	58	-0	-	-	-22	720
Interest from allocated capital	8	56	2	-	-	-	-	-	-66	-
Total interest income	**259**	**489**	**1**	**2**	**58**	**-0**	**-**	**-**	**-88**	**720**
Commission income and other income	204	64	10	166	-6	52	-	-	34	524
Net return on financial investments **)	1	17	41	-0	-	1	60	27	89	236
Total income *)	464	570	52	168	51	53	60	27	35	1,480
Total operating expenses	**320**	**196**	**45**	**126**	**20**	**44**			**45**	**795**
Ordinary operating profit	**144**	**374**	**8**	**42**	**31**	**9**	**60**	**27**	**-10**	**684**
Loss on loans, guarantees etc.	2	22	0	-	1	-	-	-	0	25
Result before tax	**142**	**351**	**8**	**42**	**31**	**9**	**60**	**27**	**-10**	**659**
Post-tax return on equity	**16.2 %**	**13.8 %**								**11.7 %**
Balance (NOK million)										
Loans and advances to customers	55,338	40,163	-	72	2,997	8	-	-	1,975	100,552
Adv. of this to SpareBank 1 Boligkreditt	-24,921	-1,077	-	-	-	-	-	-	-959	-26,958
Individual allowance for impairment on loan	-31	-124	-	-	-11	-	-	-	-	-166
Group allowance for impairment on loan	-73	-200	-	-	-16	-	-	-	-	-290
Other assets	201	579	-	187	-2,544	51	1,019	1,050	34,098	34,641
Total assets	**30,513**	**39,341**	**-**	**259**	**425**	**59**	**1,019**	**1,050**	**35,114**	**107,780**
Deposits to customers	22,644	25,871	-	-	-	-			2,990	51,504
Other liabilities and equity	7,870	13,470	-	259	425	59	1,019	1,050	32,124	56,275
Total liabilites	**30,513**	**39,341**	**-**	**259**	**425**	**59**	**1,019**	**1,050**	**35,114**	**107,780**

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

**) Specification of net return on financial investments (NOKm)	**30 Jun 2013**	**30 Jun 2012**
Capital gains/dividends, shares	26	-10
Bonds and derivatives	5	38
SpareBank 1 SMN Markets	42	59
Net return on financial investments	**74**	**87**
SpareBank 1 Gruppen	79	60
SpareBank 1 Boligkreditt	13	25
SpareBank 1 Næringskreditt	3	5
BN Bank	43	27
Other jointly controlled companies	3	32
Income from investment in related companies	**140**	**149**
Total	**214**	**236**

Note 4 - Operating expenses

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
618	312	306	Personnel expenses	470	455	924
166	81	93	IT costs	103	92	187
23	12	11	Postage and transport of valuables	14	13	28
39	17	18	Marketing	26	23	49
43	20	25	Ordinary depreciation	57	48	102
128	61	62	Operating expenses, real properties	49	48	101
55	19	24	Purchased services	31	23	66
132	61	62	Other operating expense	101	93	199
1,206	**583**	**601**	**Total other operating expenses**	**850**	**795**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2012	**30 Jun 2012**	**30 Jun 2013**		**30 Jun 2013**	**30 Jun 2012**	**2012**
5,964	5,476	5,862	Agriculture/forestry/fisheries/hunting	6,025	5,652	6,129
2,325	1,966	2,024	Sea farming industries	2,175	2,096	2,447
2,123	3,099	2,225	Manufacturing	2,435	3,329	2,349
2,967	2,574	3,041	Construction, power and water supply	3,571	3,063	3,504
2,625	2,138	2,518	Retail trade, hotels and restaurants	2,694	2,324	2,804
5,734	5,939	5,553	Maritime sector	5,561	5,946	5,739
12,232	12,381	12,585	Property management	12,052	11,877	11,710
3,063	3,375	3,447	Business services	3,687	3,678	3,258
2,037	1,826	2,416	Transport and other services provision	2,737	2,164	2,364
189	27	169	Public administration	195	32	215
1,795	1,560	1,983	Other sectors	1,989	2,646	1,801
41,052	**40,362**	**41,823**	**Gross loans in retail market**	**43,123**	**42,807**	**42,322**
61,377	57,718	64,548	Wage earners	65,846	57,746	62,587
102,430	**98,079**	**106,371**	**Gross loans incl. Boligkreditt / Næringskreditt**	**108,968**	**100,552**	**104,909**
29,348	26,208	29,382	Boligkreditt	29,382	26,208	29,348
618	749	611	Næringskreditt	611	749	618
72,464	**71,121**	**76,379**	**Gross loans in balance sheet**	**78,976**	**73,595**	**74,943**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
-22	4	12	Change in individual impairment losses provisions for the period	10	-6	-28
5	-	-	Change in collective impairment losses provisions for the period	-	-	5
51	38	21	Actual loan losses on comm. for which provisions have been made	25	49	63
54	10	4	Actual loan losses on commitments for which no provision has been made	8	11	57
-37	-28	-4	Recoveries on commitments previously written-off	-4	-29	-38
51	**24**	**33**	**Losses of the year on loans and guarantees**	**38**	**25**	**58**

Note 7 - Losses

Parent bank 2012	Parent bank 30 Jun 2012	Parent bank 30 Jun 2013		Group 30 Jun 2013	Group 30 Jun 2012	Group 2012
151	151	129	Individual write-downs to cover loss on loans at 01.01	144	172	173
4	25	10	+ Increased write-downs on provisions previously written down	10	25	4
13	6	6	- Reversal of provisions from previous periods	7	7	13
37	23	29	+ Write-downs on provisions not previously written down	32	24	43
51	38	22	- Actual losses during the period for which provisions for individual impairment losses have been made previously	26	49	63
129	**155**	**139**	**Specification of loss provisions at end of period**	**153**	**166**	**144**
104	48	25	Actual losses	33	60	119

Note 8 - Defaults

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
			Total defaults			
298	278	381	Loans in default for more than 90 days *)	413	338	374
72	92	84	- individual write-downs	89	99	83
226	186	297	Net defaults	324	239	291
24 %	33 %	22 %	Provision rate	22 %	29 %	22 %
			Problem Loans			
119	183	128	Problem loans (not in default)	146	199	143
57	62	56	- individual write-downs	64	67	62
63	121	72	Net problem loans	82	132	81
48 %	34 %	44 %	Provision rate	44 %	34 %	43 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank ASA.

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

Note 9 - Other assets

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
-	-	-	Deferred tax benefit	13	3	13
201	183	192	Fixed assets	1,227	1,199	1,277
1,009	1,043	1,295	Earned income not yet received	1,307	1,027	1,026
46	402	101	Accounts receivable, securities	101	402	46
283	521	395	Other assets	443	772	437
1,538	**2,148**	**1,982**	**Total other assets**	**3,090**	**3,404**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
2,002	2,101	2,128	Agriculture/forestry/fisheries/hunting	2,128	2,101	2,002
138	272	258	Sea farming industries	258	272	138
891	1,915	1,252	Manufacturing	1,252	1,915	891
1,715	1,623	1,532	Construction, power and water supply	1,532	1,623	1,715
3,923	3,209	3,085	Retail trade, hotels and restaurants	3,085	3,209	3,923
1,166	899	1,687	Maritime sector	1,687	899	1,166
4,865	4,218	4,872	Property management	4,234	3,589	4,256
4,802	4,867	4,889	Business services	4,889	4,867	4,802
3,575	3,515	3,823	Transport and other services provision	3,558	3,446	3,360
4,354	3,164	5,350	Public administration	5,350	3,164	4,354
3,477	4,014	2,927	Other sectors	2,900	3,985	3,366
30,908	**29,797**	**31,805**	**Total**	**30,874**	**29,071**	**29,973**
22,279	22,433	24,394	Wage earners	24,394	22,433	22,279
53,187	**52,231**	**56,198**	**Total deposits**	**55,268**	**51,504**	**52,252**

Note 11 - Debt created by issue of securities

Parent bank				Group		
2012	**30 Jun 2012**	**30 Jun 2013**		**30 Jun 2013**	**30 Jun 2012**	**2012**
706	1,230	107	Short-term debt instruments, nominal value	107	1,230	706
29,190	26,851	30,558	Bond debt, nominal value	30,558	26,851	29,190
364	260	271	Value adjustments	271	260	364
30,259	**28,341**	**30,936**	**Total**	**30,936**	**28,341**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

	30 Jun 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	107	-473	126	-	706
Bond debt, nominal value	30,558	3,923	3,248	693	29,190
Value adjustments	271	-	-	-92	364
Total	30,936	3,450	3,373	601	30,259

	30 Jun 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,550	-	169	-34	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,404	500	-	35	869
Value adjustments	91	-	-	-27	118
Total	3,345	500	169	-26	3,040

Note 12 - Other liabilities

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
83	40	98	Deferred tax	107	50	93
248	91	282	Payable tax	321	118	290
800	926	962	Accrued expenses and received, non-accrued income	1,234	1,278	1,124
74	112	69	Provision for accrued expenses and commitments	69	112	74
87	96	107	Drawing debt	107	96	87
9	1	4	Creditors	51	41	40
73	171	88	Debt from securities	88	171	73
241	382	228	Other liabilities	258	427	290
1,615	**1,819**	**1,837**	**Total other liabilites**	**2,236**	**2,292**	**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 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.

As from Q2 2013, operational risk at the parent bank is measured using the standardised approach instead of the basic indicator approach. At group level, operational risk at subsidiaries continues to be measured using the basic indicator approach.

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
2,597	2,484	2,597	Equity capital certificates	2,597	2,484	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	813	895	Premium fund	895	813	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	90	123
0	0	38	Other equity and minority interest	1,386	1,400	1,370
-	614	830	Net profit	606	510	-
8,656	**8,050**	**9,299**	**Total book equity**	**10,439**	**9,365**	**10,042**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-531	-670	-674
-	-	-	Part of reserve for unrealised gains, associated companies	57	64	57
-225	-0	-	Deduction for allocated dividends and gifts	-	-	-238
-448	-460	-381	50 % deduction for subordinated capital in other financial institutions	-93	-2	-2
-165	-139	-203	50 % deduction for expected losses on IRB, net of write-downs	-219	-153	-179
-	-	-	50 % capital adequacy reserve	-500	-682	-703
-55	-82	-109	Surplus financing of pension obligations	-107	-74	-49
-	-614	-830	Net profit	-606	-510	-
-	307	606	Year-to-date profit included in core capital (as from 2013 73% pre tax - previous 50% pre tax)	442	255	-
7,316	**6,614**	**7,935**	**Total common equity Tier one**	**8,882**	**7,592**	**8,254**
918	950	1,441	Hybrid capital, core capital	1,625	1,130	1,103
8,234	**7,564**	**9,376**	**Total core capital**	**10,508**	**8,722**	**9,357**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	31	37	31
312	324	307	Perpetual subordinated capital	307	325	312
1,810	1,388	1,598	Non-perpetual subordinated capital	1,861	1,653	2,127
-448	-460	-381	50 % deduction for subordinated capital in other financial institutions	-93	-2	-2
-165	-139	-203	50 % deduction for expected losses on IRB, net of write-downs	-219	-153	-179
-	-	-	50 % capital adequacy reserve	-500	-682	-703
1,509	**1,112**	**1,320**	**Total supplementary capital**	**1,386**	**1,178**	**1,586**
9,742	**8,676**	**10,696**	**Net subordinated capital**	**11,894**	**9,900**	**10,943**
			Minimum requirements subordinated capital, Basel II			
1,654	1,584	1,672	Involvement with spesialised enterprises	1,672	1,584	1,654
1,470	1,511	1,504	Other corporations exposure	1,504	1,511	1,470
39	38	63	SME exposure	68	41	42
316	318	348	Retail morgage exposure	613	541	560
28	28	32	Other retail exposure	37	30	30
1,118	1,008	1,139	Equity investments	-	-	-
4,625	**4,487**	**4,758**	**Total credit risk IRB**	**3,895**	**3,707**	**3,756**
205	223	255	Debt risk	255	223	205
14	48	12	Equity risk	13	15	15
-	-	-	Currency risk	-	-	-
315	315	297	Operational risk	398	420	420
553	609	544	Exposures calculated using the standardised approach	2,106	2,121	2,074
-75	-76	-64	Deductions	-102	-115	-120
-	-	-	Transitional arrangements	322	-	246
5,637	**5,607**	**5,803**	**Minimum requirements subordinated capital**	**6,886**	**6,371**	**6,596**
70,468	70,083	72,536	Risk weigheted assets (RWA)	86,079	79,635	82,446
			Capital adequacy			
10.4 %	9.4 %	10.9 %	Common equity Tier one ratio	10.3 %	9.5 %	10.0 %
11.7 %	10.8 %	12.9 %	Core capital ratio	12.2 %	11.0 %	11.3 %
13.8 %	12.4 %	14.7 %	Capital adequacy ratio	13.8 %	12.4 %	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 second 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
30 Jun 2013	Derivatives	738
30 Jun 2012	Derivatives	683
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:

- 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.

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 30 June 2013:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	101	2,683	-	2,784
Bonds and money market certificates	4,260	12,682	-	16,942
Equity capital instruments	98	-	821	919
Fixed-rate loans	-	-	2,752	2,752
Financial assets avaliable for sale				
Equity capital instruments	-	-	46	46
Total assets	**4,459**	**15,365**	**3,619**	**23,444**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit/loss				
Derivatives	100	2,188	-	2,288
Total liabilities	**100**	**2,188**	**-**	**2,288**

The following table presents the Group's assets and liabilities measured at fair value as of 30 June 2012:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	22	4,221	-	4,243
Bonds and money market certificates	4,942	9,414	-	14,355
Equity capital instruments	108	-	422	530
Fixed interest loans	-	-	2,389	2,389
Financial assets avaliable for sale				
Equity capital instruments	-	-	63	63
Total assets	**5,072**	**13,634**	**2,874**	**21,580**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit/loss				
Derivatives	24	4,073	-	4,097
Total liabilities	**24**	**4,073**	**-**	**4,097**

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				
Equity capital instruments	-	-	46	46
Total assets	**3,956**	**13,865**	**3,231**	**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 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.

Effect on result of financial instruments belonging to level 3

	30 Jun 2013	30 Jun 2012	31 Dec 2012
Realised gain/loss	-	0	-0
Change in unrealised gain/loss	-25	-15	11
Total effect on result	**-25**	**-14**	**11**