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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 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	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.

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

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.

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 the 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 as well as book value of the investment at group level.

Group 30 Sep 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	457	213	509	10	3	89	-	-	-	-101	1,180
Interest from allocated capital	7	2	20	-0	-	-	-	-	-	-28	-
Total interest income	**464**	**214**	**529**	**9**	**3**	**89**	**-**	**-**	**-**	**-129**	**1,180**
Commission income and other income	505	58	58	25	289	-2	102	-	-	46	1,081
Net return on financial investments **)	1	1	47	31	-	0	-	153	75	73	380
Total income *)	**969**	**273**	**634**	**66**	**292**	**87**	**102**	**153**	**75**	**-10**	**2,641**
Total operating expenses	**474**	**98**	**185**	**63**	**239**	**33**	**90**	**-**	**-**	**75**	**1,256**
Ordinary operating profit	**496**	**175**	**449**	**3**	**53**	**54**	**12**	**153**	**75**	**-85**	**1,384**
Loss on loans, guarantees etc.	6	6	49	0	-	11	-	-	-	-4	68
Result before tax including held for sale	**490**	**169**	**400**	**3**	**53**	**43**	**12**	**153**	**75**	**-81**	**1,316**
Post-tax return on equity	**37.0 %**	**31.4 %**	**13.8 %**	**1.1 %**							**13.3 %**
Balance (NOK million)											
Loans and advances to customers	62,233	9,124	31,775	-	-	3,308	-	-	-	3,797	110,237
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-29,125	-400	-869	-	-	-	-	-	-	-	-30,394
Individual allowance for impairment on loan	-27	-16	-107	-	-	-18	-	-	-	-0	-168
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	252	26	212	-	305	14	79	1,029	1,168	29,511	32,597
Total assets	**33,261**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**33,308**	**111,977**
Deposits to customers	23,880	8,641	19,330	-	-	-	-	-	-	1,571	53,423
Other liabilities and equity	9,380	63	11,505	-	305	3,288	79	1,029	1,168	31,737	58,554
Total liabilites	**33,261**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**33,308**	**111,977**

Group 30 Sep 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	399	653	9	2	80	-	-	-	-64	1,079
Interest from allocated capital	9	74	4	-	-	-	-	-	-87	-
Total interest income	**408**	**726**	**13**	**2**	**80**	**-**	**-**	**-**	**-150**	**1,079**
Commission income and other income	332	97	16	286	-2	82	-	-	7	818
Net return on financial investments **)	1	17	41	-0	0	2	104	41	198	403
Total income *)	**740**	**840**	**70**	**288**	**78**	**84**	**104**	**41**	**55**	**2,300**
Total operating expenses	**488**	**290**	**59**	**231**	**29**	**71**	**-**	**-**	**48**	**1,217**
Ordinary operating profit	**252**	**550**	**10**	**57**	**48**	**13**	**104**	**41**	**7**	**1,084**
Loss on loans, guarantees etc.	3	35	-	-	5	-	-	-	-1	42
Result before tax including held for sale	**249**	**516**	**10**	**57**	**43**	**13**	**104**	**41**	**8**	**1,042**
Post-tax return on equity	**19.5 %**	**12.8 %**	**5.6 %**							**11.7 %**
Balance (NOK million)										
Loans and advances to customers	56,916	41,080	-	-	3,112	-	-	-	2,167	103,274
Adv. of this to SB1 Boligkreditt	-26,984	-934	-	-	-	-	-	-	0	-27,917
Individual allowance for impairment on loan	-31	-106	-	-	-12	-	-	-	0	-148
Group allowance for impairment on loan	-73	-205	-	-	-16	-	-	-	-0	-295
Other assets	200	782	-	287	43	49	1,064	1,064	32,201	35,691
Total assets	**30,028**	**40,618**	**-**	**287**	**3,127**	**49**	**1,064**	**1,064**	**34,367**	**110,605**
Deposits to customers	22,335	24,910	-	-	-	-	-	-	3,591	50,836
Other liabilities and equity	7,694	15,708	-	287	3,127	49	1,064	1,064	30,776	59,770
Total liabilites	**30,028**	**40,618**	**-**	**287**	**3,127**	**49**	**1,064**	**1,064**	**34,367**	**110,605**

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

**) Specification of net return on financial investments (NOKm)	30 Sep 2013	30 Sep 2012
Capital gains/dividends, shares	45	22
Bonds and derivatives	-14	56
SpareBank 1 SMN Markets	58	95
Net return on financial investments	**90**	**173**
SpareBank 1 Gruppen	153	104
SpareBank 1 Boligkreditt	25	37
SpareBank 1 Næringskreditt	5	8
BN Bank	75	41
Other jointly controlled companies	32	41
Income from investment in related companies	**290**	**231**
Total	**380**	**404**

Note 4 - Operating expenses

Parent bank				Group		
2012	30 Sept 2012	30 Sept 2013	(NOKm)	30 Sept 2013	30 Sept 2012	2012
618	462	442	Personnel expenses	690	690	924
166	129	134	IT costs	149	145	187
23	17	17	Postage and transport of valuables	21	20	28
39	27	27	Marketing	38	36	49
43	30	36	Ordinary depreciation	85	74	102
128	93	93	Operating expenses, real properties	73	73	101
55	37	38	Purchased services	46	43	66
132	87	100	Other operating expense	153	136	199
1,206	**883**	**886**	**Total other operating expenses**	**1,256**	**1,217**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2012	**30 Sep 2012**	**30 Sep 2013**	**(NOKm)**	**30 Sep 2013**	**30 Sep 2012**	**2012**
5,964	5,862	6,054	Agriculture/forestry/fisheries/hunting	6,210	6,035	6,129
2,325	2,258	2,336	Sea farming industries	2,479	2,378	2,447
2,123	3,196	1,948	Manufacturing	2,145	3,426	2,349
2,967	2,601	2,993	Construction, power and water supply	3,525	3,121	3,504
2,625	2,161	2,294	Retail trade, hotels and restaurants	2,464	2,340	2,804
5,734	5,547	5,339	Maritime sector	5,347	5,554	5,739
12,232	12,279	11,907	Property management	11,978	11,769	11,710
3,063	3,532	3,407	Business services	3,636	3,809	3,258
2,037	2,094	2,499	Transport and other services provision	2,899	2,423	2,364
189	129	224	Public administration	252	156	215
1,795	1,779	1,946	Other sectors	1,952	1,785	1,801
41,052	**41,440**	**40,947**	**Gross loans in retail market**	**42,887**	**42,795**	**42,322**
61,377	59,333	66,000	Wage earners	67,350	60,479	62,587
102,430	**100,773**	**106,946**	**Gross loans incl. Boligkreditt / Næringskreditt**	**110,237**	**103,274**	**104,909**
29,348	27,294	29,502	Boligkreditt	29,502	27,294	29,348
618	623	892	Næringskreditt	892	623	618
72,464	**72,856**	**76,552**	**Gross loans in balance sheet**	**79,842**	**75,357**	**74,943**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
2012	**30 Sep 2012**	**30 Sep 2013**	**(NOKm)**	**30 Sep 2013**	**30 Sep 2012**	**2012**
-22	-14	22	Change in individual impairment losses provisions for the period	25	-24	-28
5	5	-	Change in collective impairment losses provisions for the period	-	5	5
51	42	33	Actual loan losses on commitments for which provisions have been made	38	54	63
54	34	12	Actual loan losses on commitments for which no provision has been made	16	37	57
-37	-29	-9	Recoveries on commitments previously written-off	-11	-30	-38
51	**38**	**58**	**Losses of the year on loans and guarantees**	**68**	**42**	**58**

Note 7 - Losses

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
151	151	129	Individual write-downs to cover loss on loans at 01.01*)	144	173	173
4	8	10	+ Increased write-downs on provisions previously written down	11	8	4
13	7	10	- Reversal of provisions from previous periods	11	8	13
37	27	54	+ Write-downs on provisions not previously written down	62	29	43
51	42	33	- Actual losses during the period for which provisions for individual impairment losses have been made previously	38	54	63
129	**137**	**150**	**Specification of loss provisions at end of period**	**168**	**148**	**144**
104	76	45	Actual losses	54	91	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		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
			Total defaults			
298	351	322	Loans in default for more than 90 days *)	391	398	374
72	80	66	- individual write-downs	79	86	83
226	271	256	Net defaults	312	312	291
24 %	23 %	21 %	Provision rate	20 %	22 %	22 %
			Problem Loans			
119	136	193	Problem loans (not in default)	209	163	143
57	57	84	- individual write-downs	89	62	62
63	78	109	Net problem loans	119	101	81
48 %	42 %	43 %	Provision rate	43 %	38 %	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 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
-	-	-	Deferred tax benefit	14	6	13
201	190	184	Fixed assets	1,217	1,196	1,277
1,009	1,209	1,503	Earned income not yet received	1,507	1,202	1,026
46	452	503	Accounts receivable, securities	503	452	46
21	42	74	Pensions	74	42	21
262	166	237	Other assets	279	478	416
1,538	**2,060**	**2,501**	**Total other assets**	**3,593**	**3,376**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
2,002	2,016	2,004	Agriculture/forestry/fisheries/hunting	2,004	2,016	2,002
138	163	202	Sea farming industries	202	163	138
891	1,146	1,298	Manufacturing	1,298	1,146	891
1,715	1,402	1,636	Construction, power and water supply	1,636	1,402	1,715
3,923	2,969	3,053	Retail trade, hotels and restaurants	3,053	2,969	3,923
1,166	1,011	1,970	Maritime sector	1,970	1,011	1,166
4,865	4,324	4,117	Property management	4,014	3,729	4,256
4,802	4,429	4,879	Business services	4,879	4,429	4,802
3,575	3,721	3,829	Transport and other services provision	3,524	3,529	3,360
4,354	4,748	4,609	Public administration	4,609	4,748	4,354
3,477	3,525	2,486	Other sectors	2,458	3,497	3,366
30,908	**29,456**	**30,083**	**Total**	**29,647**	**28,639**	**29,973**
22,279	22,196	23,776	Wage earners	23,776	22,196	22,279
53,187	**51,652**	**53,859**	**Total deposits**	**53,423**	**50,836**	**52,252**

Note 11 - Debt created by issue of securities

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
706	934	110	Short-term debt instruments, nominal value	110	934	706
29,190	28,797	29,250	Bond debt, nominal value	29,250	28,797	29,190
364	353	232	Value adjustments	232	353	364
30,259	**30,085**	**29,592**	**Total**	**29,592**	**30,085**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

(NOKm)	30 Sep 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	110	35	630	-	706
Bond debt, nominal value	29,250	4,286	5,190	964	29,190
Value adjustments	232	-	-	-131	364
Total	29,592	4,321	5,821	832	30,259

(NOKm)	30 Sep 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,554	-	169	-30	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,402	500	-	32	869
Value adjustments	86	-	-	-32	118
Total	3,341	500	169	-30	3,040

Note 12 - Other liabilities

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
83	40	98	Deferred tax	106	49	93
248	161	375	Payable tax	423	189	290
8	6	14	Capital tax	14	6	8
800	1,092	1,056	Accrued expenses and received, non-accrued income	1,352	1,466	1,124
74	94	59	Provision for accrued expenses and commitments	59	94	74
87	87	52	Drawing debt	52	87	87
9	9	4	Creditors	41	51	40
73	1,476	2,150	Debt from securities	2,150	1,476	73
233	388	714	Other liabilities	666	435	282
1,615	**3,353**	**4,522**	**Total other liabilites**	**4,862**	**3,853**	**2,070**

Note 13 - Capital adequacy

SpareBank 1 SMN has used the IRB - Foundation approach for credit risk since January 2007. Use of IRB makes wide ranging demands on the Bank's organisation, competence, risk models and risk management systems. The effect of the risk weights under IRB is limited by transitional rules laid down in regulations issued by Finanstilsynet (Norway's FSA). The transitional rules are assumed to apply to the end of 2017.

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

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 however hybrid capital does not have a fixed term and is without repayment incentives, it can be included as an element of up to a limit of 35 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 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.

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

As from second quarter 2013 the method of quantifying operational risk was changed from the basic indicator approach to the standardised approach at the parent bank. At Group level the basic indicator approach is still applied to subsidiaries.

Finanstilsynet announced in May 2013 changed capital requirements with effect from 1 July 2013. The new requirements are a common equity tier 1 ratio of 9 per cent, a tier 1 ratio of 10.5 per cent and a total capital ratio of 12.5 per cent.

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	896	895	Premium fund	895	896	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	94	123
0	-	38	Other equity and minority interest	1,377	1,295	1,370
-	801	1,089	Net profit	1,038	816	-
8,656	**8,431**	**9,557**	**Total book equity**	**10,863**	**9,765**	**10,042**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-589	-701	-674
-	-	-	Part of reserve for unrealised gains, associated companies	57	64	57
-225	-	-	Deduction for allocated dividends and gifts	-	-	-238
-448	-460	-399	50 % deduction for subordinated capital in other financial institutions	-90	-2	-2
-165	-199	-234	50 % deduction for expected losses on IRB, net of write-downs	-210	-211	-179
-	-	-	50 % capital adequacy reserve	-554	-714	-703
-55	-82	-109	Surplus financing of pension obligations	-107	-74	-49
-	-801	-1,089	Net profit	-1,038	-816	-
-	400	795	Year-to-date profit included in core capital (as from 2013 73% pre tax - previous 50% pre tax)	758	408	-
7,316	**6,843**	**8,075**	**Total common equity Tier one**	**9,089**	**7,717**	**8,254**
918	931	1,431	Hybrid capital, core capital	1,619	1,108	1,103
8,234	**7,773**	**9,506**	**Total core capital**	**10,707**	**8,826**	**9,357**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	28	37	31
312	325	307	Perpetual subordinated capital	307	323	312
1,810	1,368	1,602	Non-perpetual subordinated capital	1,866	1,633	2,127
-448	-460	-399	50 % deduction for subordinated capital in other financial institutions	-90	-2	-2
-165	-199	-234	50 % deduction for expected losses on IRB, net of write-downs	-210	-211	-179
-	-	-	50 % capital adequacy reserve	-554	-714	-703
1,509	**1,033**	**1,277**	**Total supplementary capital**	**1,346**	**1,066**	**1,586**
9,742	**8,807**	**10,783**	**Net subordinated capital**	**12,053**	**9,891**	**10,943**
			Minimum requirements subordinated capital, Basel II			
1,654	1,647	1,592	Involvement with spesialised enterprises	1,592	1,647	1,654
1,470	1,686	1,442	Other corporations exposure	1,443	1,686	1,470
39	38	70	SME exposure	76	41	42
316	309	336	Retail morgage exposure	591	532	560
28	28	31	Other retail exposure	35	30	30
1,118	1,087	1,076	Equity investments	-	-	-
4,625	**4,796**	**4,548**	**Total credit risk IRB**	**3,736**	**3,937**	**3,756**
205	209	225	Debt risk	225	209	205
14	14	11	Equity risk	13	15	15
-	-	-	Currency risk	-	-	-
315	315	297	Operational risk	398	420	420
553	659	590	Exposures calculated using the standardised approach	2,135	2,178	2,074
-75	-76	-67	Deductions	-110	-121	-120
-	-	-	Transitional arrangements	403	-	246
5,637	**5,916**	**5,604**	**Minimum requirements subordinated capital**	**6,802**	**6,638**	**6,596**
70,468	73,950	70,051	Risk weigheted assets (RWA)	85,019	82,976	82,446
			Capital adequacy			
10.4 %	9.3 %	11.5 %	Common equity Tier one ratio	10.7 %	9.3 %	10.0 %
11.7 %	10.5 %	13.6 %	Core capital ratio	12.6 %	10.6 %	11.3 %
13.8 %	11.9 %	15.4 %	Capital adequacy ratio	14.2 %	11.9 %	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 third quarter 2013 the Bank has 19 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 Sep 2013	Derivatives	1,186
30 Sep 2012	Derivatives	650
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.

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 September 2013:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	151	2,458	-	2,609
Bonds and money market certificates	346	18,696	-	19,042
Equity capital instruments	100	-	832	932
Fixed-rate loans	-	-	2,701	2,701
Financial assets avaliable for sale				
Equity capital instruments	-	-	46	46
Total assets	**596**	**21,154**	**3,579**	**25,329**

Liabilities (NOKm)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	144	1,831	-	1,975
Total liabilities	**144**	**1,831**	**-**	**1,975**

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	46	4,825	-	4,872
Bonds and money market certificates	4,559	11,993	-	16,552
Equity capital instruments	101	-	564	666
Fixed interest loans	-	-	2,480	2,480
Financial assets avaliable for sale				
Equity capital instruments	-	-	66	66
Total assets	**4,706**	**16,818**	**3,111**	**24,635**

Liabilities (NOKm)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	46	4,492	-	4,538
Total liabilities	**46**	**4,492**	**-**	**4,538**

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	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 (NOKm)	**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. As from the second quarter the same valuation is applied to the shares of Bank 1 Oslo Akershus AS.

Effect on result of financial instruments belonging to level 3

(NOKm)	**30 Sep 2013**	**30 Sep 2012**	**31 Dec 2012**
Realised gain/loss	-4	2	-0
Change in unrealised gain/loss	-2	-0	11
Total effect on result	**-5**	**2**	**11**