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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.

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 2013. 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:

IFRS 10 – Consolidated Financial Statements. This standard deals with defining “subsidiary”, and gives more weight to actual control than earlier rules. Control exists only where an investor has power over relevant activities of the investee, exposure to variable returns, and in addition the ability to use its power to affect the investee’s returns. In cases where loan terms are breached, the Bank will consider whether it has achieved genuine power under IFRS 10. The standard is implemented from 1 January 2014.

IFRS 11 – Joint Arrangements replaces IAS 31 and SIC-13. IFRS 11 removes the opportunity to apply proportional consolidation for jointly-controlled entities. The Bank has considered the effect of the new standard, in particular in relation to the alliance SpareBank 1 Banksamarbeidet DA, and concluded that it will not be of essential significance for the Group’s reporting. The standard is implemented from 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities. This standard extends the disclosure requirement in next year’s annual accounts as regards investments in subsidiaries, associates, jointly controlled entities and structured entities. The standard is implemented from 1 January 2014.

Amended IAS 27 – Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. Due to the introduction of IFRS 10, 11 and 12, the IASB has revised IAS 27 and IAS 28 which coordinate the standards with the new accounting standards. Following the revision, IAS 27 only regulates separate financial statements, while IAS 28 regulates investments in both associates and joint ventures that are to be accounted for using the equity method.

Amendments to IAS 32 - offsetting financial assets and financial liabilities. The amendment to this standard concerns the presentation of financial assets and liabilities and does not entail significant changes in the offsetting of financial assets and liabilities in the financial statements.

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.

Nets Holding AS

SpareBank 1 SMN sold its stake in Nets Holding AS in July 2014. The stake was 2.2 per cent, corresponding to 4,028,773 shares. The shares were recognised at fair value through profit and loss. The realised capital gain including agio was NOK 155.6m. In addition, received dividends worth NOK 8.8m were taken to income.

Pensions

A new calculation has been done of the group's pension liabilities as at 31 December 2014. For a further description of the various pension schemes, see note 25 in the 2013 annual report. The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other incomes and expenses.

Actuarial assumptions	**31 Dec 2013**	**1 January 2014**	**31 Dec 2014**
Discount rate	4.00 %	4.00 %	2.30 %
Expected rate of return on plan assets	4.00 %	4.00 %	2.30 %
Expected future wage and salary growth	3.50 %	3.50 %	2.50 %
Expected adjustment on basic amount (G)	3.50 %	3.50 %	2.50 %
Expected increase in current pension	0.60 %	0.60 %	0.00 %
Employers contribution	14.10 %	14.10 %	14.10 %

Demographic assumptions:	
Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2 % til 50 year, 0 % after 50 year

Movement in net pension liability in the balance sheet Group (NOKm)	**Funded**	**Unfunded**	**Total**
Net pension liability in the balance sheet 1.1	-107	27	-79
OCI accounting 1 Jan	-5	-	-5
OCI accounting 30 June	117	1	118
Net defined-benefit costs in profit and loss account	25	2	27
Paid in pension premium, defined-benefit schemes	-30	-	-30
Paid in pension premium, defined-benefit plan	-	-5	-5
Net pension liability in the balance sheet 31 December 2014	**1**	**25**	**26**

Net pension liability in the balance sheet Group (NOKm)	**31 Dec 2014**	**31 Dec 2013**
Net present value of pension liabilities in funded schemes	768	638
Estimated value of pension assets	-746	-721
Net pension liability in the balance sheet before employer's contribution	22	-83
Employers contribution	4	4
Net pension liability in the balance sheet	**26**	**-79**

Pension cost 30 December 2014 Group (NOKm)	**31 Dec 2014**	**31 Dec 2013**
Present value of pension accumulated in the year	26	22
Net interest income	-2	-4
Net pension cost related to defined plans, incl unfunded pension commitment	23	18
Empolyer's contribution subject to accrual accounting	4	4
Cost of defined contribution pension and early retirement pension scheme, new arrangement	35	30
Total pension cost	**62**	**52**

Note 3 - Account by business line

As from 1 January 2014 the Bank's SMB portfolio is split up and assigned to Retail Banking and Corporate Banking respectively. Limited companies are transferred to Corporate Banking. Sole proprietorships, agricultural customers and associations etc are transferred to Retail Banking. Historical data have not been reworked owing to the difficulty of reconstructing such data at a sufficiently precise level.

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 December 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	873	840	-9	5	130	6	-	-	-55	1,790
Interest from allocated capital	40	67	-0	-	-	-	-	-	-107	-
Total interest income	**913**	**906**	**-9**	**5**	**130**	**6**	**-**	**-**	**-162**	**1,790**
Commission income and other income	762	159	19	359	-4	182	-	-	35	1,512
Net return on financial investments ***)	1	29	27	-	-	-	358	93	212	720
Total income *)	**1,675**	**1,095**	**37**	**364**	**126**	**188**	**358**	**93**	**85**	**4,021**
Total operating expenses	**809**	**318**	**58**	**313**	**50**	**148**	**-**	**-**	**93**	**1,789**
Ordinary operating profit	**867**	**777**	**-21**	**51**	**75**	**40**	**358**	**93**	**-7**	**2,232**
Loss on loans, guarantees etc.	6	77	-	-	8	-	-	-	-2	89
Result before tax including held for sale	**861**	**699**	**-21**	**51**	**68**	**40**	**358**	**93**	**-6**	**2,144**
Post-tax return on equity)**	**19.2 %**	**10.0 %**								**15.1 %**
Balance (NOKm)										
Loans and advances to customers	78,322	37,205	-	-	3,637	-	-	-	1,032	120,196
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,490	-1,366	-	-	-	-	-	-	-1	-29,857
Individual allowance for impairment on loan	-25	-139	-	-	-8	-	-	-	-0	-172
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-0	-295
Other assets	270	124	-	284	11	139	1,421	1,201	32,723	36,175
Total assets	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**
Deposits to customers	31,571	28,181	-	-	-	-	-	-	2,449	62,201
Other liabilities and equity	18,416	7,454	-	284	3,625	139	1,421	1,201	31,305	63,846
Total liabilites	**49,987**	**35,636**	**-**	**284**	**3,625**	**139**	**1,421**	**1,201**	**33,754**	**126,047**

Group 31 December 2013

Profit and loss account (NOKm)	RM	SME	Group Corporates	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps-huset 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)**	**31.6 %**	**24.0 %**	**10.5 %**	**1.1 %**							**13.3 %**
Balance (NOKm)											
Loans and advances to customers	64,156	9,055	31,920	-	-	3,291	-	-	-	3,631	112,052
Adv. of this to SpareBank 1 Boligkreditt	-30,204	-421	-1,110	-	-	-	-	-	-	0	-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	31,961	35,511
Total assets	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**
Deposits to customers	24,459	8,734	21,544	-	-	-	-	-	-	1,337	56,074
Other liabilities and equity	9,893	-111	9,274	-	291	3,264	105	1,113	1,188	34,270	59,286
Total liabilites	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**

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

**) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5% to be in line with the capital plan. Figures for 2013 are not adjusted as a result of this.

***) Specification of net return on financial investments (NOKm)	31 Dec 2014	31 Dec 2013
Capital gains/dividends, shares	202	114
Bonds and derivatives	-66	-40
Forex and fixed income business, Markets	57	73
Net return on financial investments	**193**	**147**
SpareBank 1 Gruppen	358	210
SpareBank 1 Boligkreditt	38	40
SpareBank 1 Næringskreditt	41	8
BN Bank	93	91
SpareBank 1 Markets	-32	-1
SpareBank 1 Kredittkort	2	-
Companies owned by SpareBank 1 SMN Invest	31	14
Other companies	-3	23
Income from investment in related companies	**527**	**384**
Total	**720**	**531**

Note 4 - Operating expenses

Parent bank			Group	
31 Dec 2013	31 Dec 2014	(NOKm)	31 Dec 2014	31 Dec 2013
592	645	Personnel expenses	1,002	923
187	199	IT costs	223	206
24	21	Postage and transport of valuables	25	29
38	44	Marketing	81	58
53	40	Ordinary depreciation	109	118
120	119	Operating expenses, real properties	93	118
58	66	Purchased services	78	71
125	131	Other operating expense	178	199
1,197	**1,265**	**Total other operating expenses**	**1,789**	**1,721**

Note 5 - Distribution of loans by sector/industry

Parent bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
6,208	7,021	Agriculture, forestry, fisheries, hunting	7,137	6,359
2,334	1,212	Sea farming industries	1,366	2,463
1,946	2,060	Manufacturing	2,321	2,142
2,693	3,211	Construction, power and water supply	3,706	3,207
2,275	2,501	Retail trade, hotels and restaurants	2,663	2,442
5,395	5,614	Maritime sector	5,636	5,402
12,048	13,960	Property management	14,033	12,118
3,646	3,435	Business services	3,671	3,867
2,284	2,648	Transport and other services provision	3,093	2,706
400	280	Public administration	300	423
2,391	2,249	Other sectors	2,267	2,409
41,620	**44,191**	**Gross loans in retail market**	**46,192**	**43,537**
67,146	72,353	Wage earners	74,004	68,515
108,765	**116,544**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**120,196**	**112,052**
30,514	28,393	SpareBank 1 Boligkreditt	28,393	30,514
1,221	1,463	SpareBank 1 Næringskreditt	1,463	1,221
77,030	**86,687**	**Gross loans in balance sheet**	**90,339**	**80,317**

Note 6 - Losses on loans and guarantees

Parent bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
22	14	Change in individual impairment losses provisions for the period	-1	29
-	-	Change in collective impairment losses provisions for the period	-	-
34	51	Actual loan losses on commitments for which provisions have been made	66	40
39	28	Actual loan losses on commitments for which no provision has been made	35	45
-13	-10	Recoveries on commitments previously written-off	-11	-14
82	**83**	**Losses of the year on loans and guarantees**	**89**	**101**

Note 7 – Losses

Parent bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
129	150	Individual write-downs to cover loss on loans at 1.1*	173	144
12	2	+ Increased write-downs on provisions previously written down	2	15
16	19	- Reversal of provisions from previous periods	22	18
59	83	+ Write-downs on provisions not previously written down	84	72
34	51	- Actual losses during the period for which provisions for individual impairment losses have been made previously	66	40
150	**164**	**Specification of loss provisions at end of period**	**172**	**173**
73	79	Actual losses	101	85

*) 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 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
		Total defaults		
311	224	Loans in default for more than 90 days *)	270	387
73	63	- individual write-downs	67	87
238	162	Net defaults	202	299
24 %	28 %	Provision rate	25 %	23 %
		Problem Loans		
146	208	Problem loans (not in default)	216	157
76	101	- individual write-downs	105	86
70	107	Net problem loans	112	71
52 %	49 %	Provision rate	48 %	55 %

*) 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.

SpareBank 1 SMN

Note 9 - Other assets

Parent bank			Group	
31 Dec 2013	31 Dec 2014	(NOKm)	31 Dec 2014	31 Dec 2013
-	-	Deferred tax benefit	44	18
170	162	Fixed assets	1,120	1,177
1,568	1,536	Earned income not yet received	1,546	1,591
207	8	Accounts receivable, securities	8	207
82	6	Pensions	6	82
83	92	Other assets	294	269
2,110	**1,804**	**Total other assets**	**3,019**	**3,344**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
2,059	2,353	Agriculture, forestry, fisheries, hunting	2,353	2,059
406	402	Sea farming industries	402	406
1,239	2,357	Manufacturing	2,357	1,239
1,808	2,117	Construction, power and water supply	2,117	1,808
4,313	4,220	Retail trade, hotels and restaurants	4,220	4,313
2,150	2,346	Maritime sector	2,346	2,150
4,142	4,050	Property management	3,918	4,033
4,885	4,539	Business services	4,539	4,885
4,320	4,487	Transport and other services provision	4,130	3,999
4,723	5,254	Public administration	5,254	4,723
2,620	4,120	Other sectors	4,087	2,594
32,666	**36,245**	**Total**	**35,722**	**32,209**
23,865	26,479	Wage earners	26,479	23,865
56,531	**62,723**	**Total deposits**	**62,201**	**56,074**

Note 11 - Debt created by issue of securities

Parent bank			Group	
31 Dec 2013	31 Dec 2014	(NOKm)	31 Dec 2014	31 Dec 2013
2,750	820	Short-term debt instruments, nominal value	820	2,750
30,718	30,981	Bond debt, nominal value	30,981	30,718
294	830	Value adjustments	830	294
33,762	**32,632**	**Total**	**32,632**	**33,762**

Change in securities debt, subordinated debt and hybrid equity (NOKm)

	31 Dec 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Short-term debt instruments, nominal value	820	1,120	3,050	-	2,750
Bond debt, nominal value	30,981	8,180	8,600	684	30,718
Value adjustments	830	-	-	537	294
Total	**32,632**	**9,300**	**11,650**	**1,220**	**33,762**

	31 Dec 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Ordinary subordinated loan capital, nominal value	1,558	-	-	36	1,522
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	98	-	-	16	82
Total	**3,356**	**-**	**-**	**52**	**3,304**

Note 12 - Other liabilities

Parent bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
17	32	Deferred tax	45	23
438	363	Payable tax	398	476
8	10	Capital tax	10	8
883	967	Accrued expenses and received, non-accrued income	1,090	1,091
48	49	Provision for accrued expenses and commitments	49	48
-	25	Pension liabilities	32	2
73	74	Drawing debt	74	73
7	5	Creditors	33	29
339	-	Debt from securities	-	339
179	266	Other liabilities	309	213
1,992	**1,790**	**Total other liabilites**	**2,040**	**2,303**

Note 13 - Capital adequacy

The Ministry of Finance adopted on 22 August 2014 amendments to regulations on capital requirements taking effect on 30 September 2014. The amendments bring Norwegian legislation into line with the EU's new capital requirements framework (CRR/CRD IV). This framework is for the present not incorporated into the EEA agreement, although its most important provisions have been incorporated in the Financial Institutions Act and the Securities Trading Act. The adjusted legislation entered into force on 1 July 2013, and requires a gradual increase in minimum requirements on Common Equity Tier 1 (CET1) capital in the period to 1 July 2016.

As of 31 December 2014 the capital conservation buffer requirement is 2.5 per cent and the systemic risk requirement is 3 per cent. The systemic risk buffer rose by 1 percentage point as from 1 July 2014. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 10 per cent. On 30 June 2015 a countercyclical buffer requirement of 1 percentage point will become effective, bringing the overall minimum CET1 requirement to 11 per cent.

Norwegian authorities have chosen to continue the Basel 1 floor as a floor for risk weighted assets.

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. In June 2013 the bank applied for approval to switch to Advanced IRB for those portfolios currently reported under the IRB Foundation Approach.

The most central changes in connection with the new rules:

- Deductions in own funds will primarily reduce CET1 capital, whereas previously CET1 capital and supplementary capital were reduced equally on a 50-50 basis
- Changes in deductions in respect of assets in other financial institutions. A distinction is drawn between significant and non-significant assets, and deductions are to be made in the same asset class as that to which the owned asset belongs. The limit for deductions in respect of assets in other financial institutions is raised from 2 per cent of the other institution's own funds to 10 per cent ownership. The deductions are limited to 10 per cent of own CET1 capital, and all assets below 10 per cent are part of risk weighted assets. The previous capital adequacy reserve no longer applies
- Deferred tax benefit related to temporary differences within 10 per cent own CET1 capital will now not be deductible, but will instead be risk weighted at 250 per cent. Deferred tax benefit above 10 per cent will be deductible from CET1 capital
- The sum of deferred tax benefit and significant assets that are deducted from CET1 capital cannot constitute more than 17.65 per cent of own CET1 capital
- Introduction of Additional Value Adjustments (AVA deductions) – requirement for prudent valuation
- Introduction of Credit Value Adjustments (CVA) for derivative positions
- Changes in rules governing risk weighting of exposures to covered bonds and rated institutions, will now be risk weighted based on the institution's own rating

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30 per cent in 2015 and 10 per cent thereafter. As at 31 December 2014 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

As from the second quarter 2013 the measurement of operational risk switched from the Basic Indicator Approach to the Standardised Approach. At group level the Basic Indicator Approach still applies to subsidiaries.

Capital adequacy figures are stated in accordance with the new reporting requirements as from 30 September 2014. Comparatives have not been restated.

Parent Bank			Group	
31 Dec 2013	**31 Dec 2014**	**(NOKm)**	**31 Dec 2014**	**31 Dec 2013**
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
2,496	3,122	Dividend equalisation fund	3,122	2,496
3,276	3,619	Savings bank's reserve	3,619	3,276
227	292	Recommended dividends	292	227
124	160	Provision for gifts	160	124
195	139	Unrealised gains reserve	148	206
-	-	Other equity and minority interest	1,620	1,354

-	-	Minority interests	72	67
9,811	**10,824**	**Total book equity**	**12,524**	**11,242**
-447	-447	Deferred taxes, goodwill and other intangible assets	-566	-582
-	-	Part of reserve for unrealised gains, associated companies	120	98
-352	-452	Deduction for allocated dividends and gifts	-452	-361
-401	-	50 % deduction for subordinated capital in other financial institutions	-	-106
-240	-	50 % deduction for expected losses on IRB, net of write-downs	-	-214
-	-	50 % capital adequacy reserve	-	-595
-	-	Minority interests recognised in other equity capital	-72	-
-	-	Minority interests eligible for inclusion in CET1 capital	35	-
-109	-4	Surplus financing of pension obligations	-	-107
-	-31	Value adjustments due to requirements for prudent valuation	-45	-
-	-325	Positive value of adjusted expected loss under IRB Approach	-419	-
-	-	Direct, indirect and synthetic investments in financial sector companies	-451	-
8,262	**9,565**	**Total common equity Tier one**	**10,674**	**9,374**
1,431	1,449	Hybrid capital, core capital	1,716	1,615
-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-
9,693	**11,014**	**Total core capital**	**12,382**	**10,989**
		Supplementary capital in excess of core capital		
-	-	Fund bonds, hybrid capital in excess of 15 per cent	-	31
1,873	1,906	Subordinated capital	2,598	2,313
-401	-	50 % deduction for subordinated capital in other financial institutions	-	-106
-240	-	50 % deduction for expected losses on IRB, net of write-downs	-	-214
-	-	50 % capital adequacy reserve	-	-595
-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-
1,231	**1,864**	**Total supplementary capital**	**2,555**	**1,428**
10,924	**12,878**	**Net subordinated capital**	**14,937**	**12,417**
		Minimum requirements subordinated capital		
1,573	1,632	Involvement with spesialised enterprises	1,887	1,573
1,478	1,331	Other corporations exposure	1,371	1,479
363	829	Mass market exposure, property	1,280	628
70	149	Mass market exposure, SMBs	159	74
28	49	Other retail exposure	51	33
1,157	1,111	Equity investments	0	-
4,669	**5,102**	**Total credit risk IRB**	**4,748**	**3,787**
224	397	Debt risk	397	224
8	-	Equity risk	1	10
-	-	Currency risk	0	-
297	292	Operational risk	416	398
560	849	Exposures calculated using the standardised approach	1,971	2,151
-67	-	Deductions	-	-119
-	42	Credit value adjustment risk (CVA)	92	-
-	-	Transitional arrangements	-	316
5,690	**6,682**	**Minimum requirements subordinated capital**	**7,625**	**6,767**
71,130	**83,523**	**Risk weigheted assets (RWA)**	**95,317**	**84,591**
	3,759	Minimum requirement on CET1 capital, 4.5 per cent	4,289	
		Capital Buffers		
	2,088	Capital conservation buffer, 2,5 per cent	2,383	
	2,506	Systemic rick buffer, 3.0 per cent	2,860	
	4,594	**Total buffer requirements on CET1 capital**	**5,242**	
	1,212	**Available CET1 capital after buffer requirements**	**1,143**	
		Capital adequacy		
11.6 %	11.5 %	Common equity Tier one ratio	11.2 %	11.1 %
13.6 %	13.2 %	Core capital ratio	13.0 %	13.0 %
15.4 %	15.4 %	Capital adequacy ratio	15.7 %	14.7 %

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 forth quarter 2014 the Bank has 25 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 2014	Derivatives	1,980
31 Dec 2013	Derivatives	1,488

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market
Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data
Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data
If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2014:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	326	6,348	-	6,674
Bonds and money market certificates	3,825	10,286	-	14,110
Equity instruments	48	-	626	675
Fixed interest loans	-	-	3,268	3,268
Financial assets avaliable for sale				
Equity instruments	-	-	34	34
Total assets	**4,199**	**16,633**	**3,928**	**24,760**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
Derivatives	324	5,398	-	5,722
Total liabilities	**324**	**5,398**	**-**	**5,722**

The following table presents the Group's assets and liabilities measured at fair value at 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 instruments	67	-	909	976
Fixed interest loans	-	-	2,648	2,648
Financial assets avaliable for sale				
Equity instruments	-	-	40	40
Total assets	**4,181**	**14,477**	**3,597**	**22,256**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
Derivatives	334	1.961	-	2,295
Total liabilities	**334**	**1.961**	**-**	**2,295**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2014:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,648	909	40	3,597
Investment in periode	946	41	0	987
Disposals in the periode	-389	-343	-3	-734
Gain or loss on financial instruments	63	19	-4	78
Closing balance 31 December 14	**3,268**	**626**	**34**	**3,928**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	3,231
Investment in periode	413	388	-	801
Disposals in the periode	-343	-151	-	-495
Gain or loss on financial instruments	-6	72	-6	61
Closing balance 31 December 13	**2,648**	**909**	**40**	**3,597**

Note 16 - Subsequent events

No significant events affecting the bank's accounts have been recorded after the balance sheet date.

Previous reporting:
On 11 August 2014 SpareBank 1 SMN announced that SpareBank 1 SMN Markets in Trondheim is to be fully integrated with SpareBank 1 Markets. This will increase SpareBank 1 SMN's stake in SpareBank 1 Markets.

SpareBank 1 SMN will integrate its markets operation into SpareBank 1 Markets. The settlement will be in SpareBank 1 Markets shares. Consequently, SpareBank 1 SMN will become the principal shareholder in the combined company. Following the merger and a equity issue of MNOK 65 in September 2014, the ownership structure in SpareBank 1 Markets will be as follows:

SpareBank 1 SMN: 73,3 per cent (27,0 per cent)
SpareBank 1 Nord-Norge: 10,0 per cent (27,0 per cent)
SamSpar: 10,0 per cent (27,0 per cent)
Sparebanken Hedmark: 6,1 per cent (16,6 per cent)
Other shareholders: 0,6 per cent (2,2 per cent)

The operations of the two companies will primarily continue as-is, with 70 employees in Oslo and 40 employees in Trondheim. The merged company will be led by Stein Husby. The business area 'Foreign Exchange and Derivatives', as well as certain supporting functions, will be located in Trondheim.

The transaction is expected to be completed within first quarter of 2015, (delay from 4 (th) quarter), subject to regulatory approval and final Board approvals. For further information see the stock exchange notice of 11 August 2014.