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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 Alliansesamarbeidet SpareBank 1 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.

SpareBank 1 SMN

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 has entered an agreement to sell its stake in Nets Holding AS. The stake is 2.2 per cent, corresponding to 4,028,773 shares. The sale requires the approval of the regulatory authorities. The shares are measured at fair value via profit/loss and are valued at the end of the second quarter at the agreed sale price in Danish kroner converted using the exchange rate in effect on the balance sheet date. Unrealised gain including agio is recognised in an amount of NOK 156.2m. In addition, received dividend is recognised in an amount of NOK 8.8m. The transaction is completed in July 2014.

Pensions

The Group has obtained a new pension calculation as of 30 June 2014. For a description of the various pension schemes, see note 25 in annual report for 2013.

The Group's pension liabilities are accounted for under IAS 19R. Deviations from estimates are therefore reflected directly in equity capital and are presented under other income and expenses.

Actuarial assumptions	**31 Dec 2013**	**1 January 2014**	**30 June 2014**
Discount rate	4.00 %	4.00 %	3.25 %
Expected rate of return on plan assets	4.00 %	4.00 %	3.25 %
Expected future wage and salary growth	3.50 %	3.50 %	3.50 %
Expected adjustment on basic amount (G)	3.50 %	3.50 %	3.50 %
Expected increase in current pension	0.60 %	0.60 %	0.60 %
Employers contribution	14.10 %	14.10 %	14.10 %

Demographic assumptions:	
Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2 % up to 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	98	1	99
Net defined-benefit costs in profit and loss account	12	1	13
Paid in pension premium, defined-benefit schemes	-28	-	-28
Paid in pension premium, defined-benefit plan	-	-3	-3
Net pension liability in the balance sheet 30 June 14	**-29**	**27**	**-3**

Net pension liability in the balance sheet Group (NOKm)	30 June 2014	31 Dec 2013
Net present value of pension liabilities in funded schemes	729	638
Estimated value of pension assets	-736	-721
Net pension liability in the balance sheet before employer's contribution	-7	-83
Employers contribution	4	4
Net pension liability in the balance sheet	**-3**	**-79**

Pension cost 30 June 14 Group (NOKm)	30 June 2014	31 Dec 2013
Present value of pension accumulated in the year	12	22
Net interest income	-2	-4
Net pension cost related to defined plans, incl unfunded pension commitment	10	18
Empolyer's contribution subject to accrual accounting	4	4
Cost of defined contribution pension and early retirement pension scheme, new arrangement	14	30
Total pension cost	**27**	**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 30 June 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	404	411	-3	1	62	-0	-	-	-33	843
Interest from allocated capital	21	33	0	-	-	-	-	-	-54	-
Total interest income	**425**	**444**	**-3**	**1**	**62**	**-0**	**-**	**-**	**-87**	**843**
Commission income and other income	383	80	12	177	-2	106	-	-	25	780
Net return on financial investments **)	0	13	20	-	-	-	150	55	219	459
Total income *)	**809**	**537**	**30**	**178**	**60**	**106**	**150**	**55**	**156**	**2,081**
Total operating expenses	**380**	**150**	**31**	**152**	**26**	**87**	**-**	**-**	**57**	**884**
Ordinary operating profit	**428**	**387**	**-2**	**26**	**34**	**19**	**150**	**55**	**99**	**1,197**
Loss on loans, guarantees etc.	1	28	0	-	3	-	-	-	0	32
Result before tax including held for sale	**427**	**359**	**-2**	**26**	**32**	**19**	**150**	**55**	**99**	**1,165**
Post-tax return on equity	**39.3 %**	**18.0 %**								**16.8 %**
Balance (NOKm)										
Loans and advances to customers	75,490	34,656	-	-	3,511	-	-	-	903	114,561
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,208	-1,146	-	-	-	-	-	-	-1	-29,355
Individual allowance for impairment on loan	-28	-134	-	-	-13	-	-	-	-0	-176
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-	-295
Other assets	239	134	-	256	12	138	1,228	1,164	30,851	34,023
Total assets	**47,403**	**33,322**	**-**	**256**	**3,494**	**138**	**1,228**	**1,164**	**31,753**	**118,758**
Deposits to customers	32,150	25,872	-	-	-	-	-	-	1,386	59,408
Other liabilities and equity	15,253	7,450	-	256	3,494	138	1,228	1,164	30,367	59,351
Total liabilites	**47,403**	**33,322**	**-**	**256**	**3,494**	**138**	**1,228**	**1,164**	**31,753**	**118,758**

Group 30 June 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	285	139	325	-2	2	58	-0	-	-	-61	746
Interest from allocated capital	5	1	19	-0	-	-	-	-	-	-25	-
Total interest income	**291**	**140**	**344**	**-2**	**2**	**58**	**-0**	**-**	**-**	**-86**	**746**
Commission income and other income	310	38	42	19	174	-1	73	-	-	58	713
Net return on financial investments **)	0	1	11	27	-	-	-	79	43	53	214
Total income *)	**601**	**179**	**397**	**44**	**176**	**57**	**73**	**79**	**43**	**25**	**1,673**
Total operating expenses	**325**	**67**	**138**	**41**	**134**	**21**	**61**	**-**	**-**	**61**	**850**
Ordinary operating profit	**277**	**112**	**259**	**2**	**42**	**35**	**12**	**79**	**43**	**-36**	**823**
Loss on loans, guarantees etc.	6	3	24	-	-	6	-	-	-	-1	38
Result before tax including held for sale	**270**	**109**	**235**	**2**	**42**	**29**	**12**	**79**	**43**	**-35**	**785**
Post-tax return on equity	**31.9 %**	**31.5 %**	**10.0 %**								**11.9 %**
Balance (NOKm)											
Loans and advances to customers	63,875	8,827	32,420	-	-	3,224	-	-	-	622	108,968
Adv. of this to SpareBank 1 Boligkreditt	-30,485	-402	-577	-	-	-	-	-	-	1,471	-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	12	49	957	1,136	32,278	35,074
Total assets	**33,544**	**8,405**	**31,744**	**-**	**190**	**3,207**	**49**	**957**	**1,136**	**33,958**	**113,190**
Deposits to customers	24,695	8,640	20,601	-	-	-	5	-	-	1,354	55,294
Other liabilities and equity	8,850	-235	11,143	-	190	3,207	44	957	1,136	32,604	57,896
Total liabilites	**33,544**	**8,405**	**31,744**	**-**	**190**	**3,207**	**49**	**957**	**1,136**	**33,958**	**113,190**

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

**) Specification of net return on financial investments (NOKm)	30 Jun 2014	30 Jun 2013
Capital gains/dividends, shares	214	26
Bonds and derivatives	-3	5
Forex and fixed income business, Markets	34	42
Net return on financial investments	**245**	**74**
SpareBank 1 Gruppen	150	79
SpareBank 1 Boligkreditt	12	13
SpareBank 1 Næringskreditt	20	3
BN Bank	55	43
SpareBank 1 Markets	-18	-
Other jointly controlled companies	-6	2
Income from investment in related companies	**214**	**140**
Total	**459**	**214**

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2013	30 Jun 2013	30 Jun 2014	(NOKm)	30 Jun 2014	30 Jun 2013	31 Dec 2013
592	310	313	Personnel expenses	500	477	923
187	93	106	IT costs	119	103	206
24	11	10	Postage and transport of valuables	13	14	29
38	18	21	Marketing	40	26	58
53	25	19	Ordinary depreciation	55	57	118
120	62	58	Operating expenses, real properties	45	49	118
58	24	25	Purchased services	31	31	71
125	57	58	Other operating expense	82	94	199
1,197	**601**	**611**	**Total other operating expenses**	**884**	**850**	**1,722**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
6,208	5,862	6,406	Agriculture, forestry, fisheries, hunting	6,552	6,025	6,359
2,334	2,024	1,361	Sea farming industries	1,497	2,175	2,463
1,946	2,225	1,804	Manufacturing	2,056	2,435	2,142
2,693	3,041	2,681	Construction, power and water supply	3,201	3,571	3,207
2,275	2,518	2,320	Retail trade, hotels and restaurants	2,473	2,694	2,442
5,395	5,553	4,954	Maritime sector	4,961	5,561	5,402
12,048	12,585	12,549	Property management	12,622	12,052	12,118
3,646	3,447	3,715	Business services	3,954	3,687	3,867
2,284	2,416	2,282	Transport and other services provision	2,701	2,737	2,706
400	169	201	Public administration	220	195	423
2,391	1,983	3,074	Other sectors	3,075	1,989	2,395
41,619	**41,823**	**41,346**	**Gross loans in retail market**	**43,312**	**43,123**	**43,523**
67,146	64,548	69,721	Wage earners	71,249	65,846	68,515
108,765	**106,371**	**111,067**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**114,561**	**108,968**	**112,038**
30,514	29,382	28,128	SpareBank 1 Boligkreditt	28,128	29,382	30,514
1,221	611	1,227	SpareBank 1 Næringskreditt	1,227	611	1,221
77,030	**76,379**	**81,712**	**Gross loans in balance sheet**	**85,206**	**78,976**	**80,303**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
22	12	12	Change in individual impairment losses provisions for the period	3	10	29
-	-	-	Change in collective impairment losses provisions for the period	-	-	-
34	21	17	Actual loan losses on commitments for which provisions have been made	23	25	40
39	4	10	Actual loan losses on commitments for which no provision has been made	16	8	45
-13	-4	-10	Recoveries on commitments previously written-off	-11	-4	-14
82	**33**	**29**	**Losses of the year on loans and guarantees**	**32**	**38**	**101**

Note 7 - Losses

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
129	129	150	Individual write-downs to cover loss on loans at 1.1*	173	144	144
12	10	10	+ Increased write-downs on provisions previously written down	10	10	15
16	6	13	- Reversal of provisions from previous periods	18	7	18
59	29	33	+ Write-downs on provisions not previously written down	35	32	71
34	22	17	- Actual losses during the period for which provisions for individual impairment losses have been made previously	23	26	40
150	**139**	**162**	**Specification of loss provisions at end of period**	**176**	**153**	**173**
73	25	27	Actual losses	39	33	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	30 Jun 2013	30 Jun 2014	(NOKm)	30 Jun 2014	30 Jun 2013	31 Dec 2013
			Total defaults			
311	381	274	Loans in default for more than 90 days *)	334	413	386
73	84	79	- individual write-downs	86	89	87
238	297	195	Net defaults	248	324	299
24 %	22 %	29 %	Provision rate	26 %	22 %	23 %
			Problem Loans			
146	128	189	Problem loans (not in default)	206	146	157
76	56	84	- individual write-downs	90	64	86
70	72	105	Net problem loans	116	82	71
52 %	44 %	44 %	Provision rate	44 %	44 %	55 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q2.
Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
-	-	7	Deferred tax benefit	25	13	18
169	190	165	Fixed assets	1,139	1,225	1,176
1,568	1,295	1,504	Earned income not yet received	1,521	1,307	1,591
207	101	238	Accounts receivable, securities	238	101	207
82	-	11	Pensions	11	74	82
84	396	160	Other assets	447	371	270
2,110	**1,982**	**2,085**	**Total other assets**	**3,380**	**3,090**	**3,344**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
2,059	2,128	2,202	Agriculture, forestry, fisheries, hunting	2,202	2,128	2,059
406	258	641	Sea farming industries	641	258	406
1,239	1,252	1,463	Manufacturing	1,463	1,252	1,239
1,808	1,532	1,706	Construction, power and water supply	1,706	1,532	1,808
4,313	3,085	3,481	Retail trade, hotels and restaurants	3,481	3,085	4,313
2,150	1,687	1,605	Maritime sector	1,605	1,687	2,150
4,142	4,872	3,858	Property management	3,740	4,234	4,033
4,885	4,889	4,037	Business services	4,037	4,915	4,885
4,320	3,823	4,399	Transport and other services provision	4,149	3,558	3,999
4,723	5,350	6,900	Public administration	6,900	5,350	4,723
2,620	2,927	3,318	Other sectors	3,285	2,900	2,594
32,666	**31,805**	**33,609**	**Total**	**33,208**	**30,900**	**32,209**
23,865	24,394	26,200	Wage earners	26,200	24,394	23,865
56,531	**56,198**	**59,808**	**Total deposits**	**59,408**	**55,294**	**56,074**

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2013	30 Jun 2013	30 Jun 2014	(NOKm)	30 Jun 2014	30 Jun 2013	31 Dec 2013
2,750	107	775	Short-term debt instruments, nominal value	775	107	2,750
30,718	30,558	30,337	Bond debt, nominal value	30,337	30,558	30,718
294	271	555	Value adjustments	555	271	294
33,762	**30,936**	**31,667**	**Total**	**31,667**	**30,936**	**33,762**

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

	30 Jun 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Short-term debt instruments, nominal value	775	-	1.977	2	2.750
Bond debt, nominal value	30,337	5,995	6,317	-58	30,718
Value adjustments	555	-	-	261	294
Total	**31,667**	**5,995**	**8,295**	**205**	**33,762**

	30 Jun 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Ordinary subordinated loan capital, nominal value	1,547	-	-	25	1,522
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	91	-	-	9	82
Total	**3,338**	**-**	**-**	**34**	**3,304**

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2013	**30 Jun 2013**	**30 Jun 2014**	**(NOKm)**	**30 Jun 2014**	**30 Jun 2013**	**31 Dec 2013**
17	98	-	Deferred tax	6	107	23
438	282	251	Payable tax	294	321	476
8	12	8	Capital tax	8	12	8
883	962	1,042	Accrued expenses and received, non-accrued income	1,177	1,208	1,091
48	69	65	Provision for accrued expenses and commitments	65	69	48
-	-	-	Pensions	7	2	2
73	107	67	Drawing debt	67	107	73
7	4	8	Creditors	43	51	29
339	88	244	Debt from securities	244	88	339
179	217	314	Other liabilities	311	246	213
1,992	**1,837**	**1,999**	**Total other liabilites**	**2,222**	**2,210**	**2,303**

Note 13 - Capital adequacy

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

As from Q2 2013 the measurement method for operational risk was changed from the basic approach to the standardised approach at the Parent Bank. At the Group level, subsidiaries are still measured using the basic approach.

As from 1 July 2013 new buffer requirements have been introduced; see the Financial Institutions Act section 2-9e. As of 30 June 2014 the capital conservation buffer requirement is 2.5 per cent and the systemic risk buffer requirement is 2 per cent. These requirements are in addition to the requirement that own funds should constitute at least 4.5 per cent common equity tier 1 (CET1) capital, bringing the overall minimum CET1 requirement to 9 per cent. The systemic risk buffer requirement will increase by a further 1 percentage point from 1 July, bringing the overall CET1 to 10 per cent. As of 30 June 2015, a countercyclical buffer requirement of 1 percentage point will be applicable.

BN Bank received approval for use of the advanced IRB approach for its corporate portfolio in April 2014.

Hybrid capital denotes bonds with a nominal interest rate, but the bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate. Hybrid capital characterised by moderate repayment incentives is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. If, on the other hand, hybrid capital has no fixed term to maturity and has no repayment incentives, it may be included as an element of core capital up to limit of 35 per cent of aggregate core capital.

Finanstilsynet (Norway's FSA) can require hybrid capital to be written down in proportion with equity capital should the bank's tier 1 capital adequacy fall below 5 per cent or total capital adequacy falls below 8 per cent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is recognised as other long-term debt at amortised cost.

In connection with change requirements regarding the conditions for hybrid capital, hybrid capital that does not satisfy the new requirements over time will not be eligible for inclusion in other core capital. Such hybrid capital will be reduced by 20 per cent in 2014 and 10 per cent thereafter. As of 30 June 2014, SpareBank 1 SMN held NOK 450m in hybrid capital which will be subject to reduction.

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

For detailed information regarding subordinated detbt and hybrid captial, see note 38 in the banks's annual report.

Parent Bank				Group		
31 Dec 2013	30 Jun 2013	30 Jun 2014	(NOKm)	30 Jun 2014	30 Jun 2013	31 Dec 2013
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	895	895	Premium fund	895	895	895
2,496	1,889	2,496	Dividend equalisation fund	2,496	1,889	2,496
3,276	2,944	3,276	Savings bank's reserve	3,276	2,944	3,276
227	-	-	Recommended dividends	-	-	227
124	-	-	Provision for gifts	-	-	124
195	106	195	Unrealised gains reserve	206	123	206
-	38	-65	Other equity and minority interest	1,347	1,386	1,421
-	830	942	Net profit	963	606	-
9,811	**9,299**	**10,337**	**Total book equity**	**11,780**	**10,439**	**11,242**
-447	-447	-454	Deferred taxes, goodwill and other intangible assets	-620	-531	-582
-	-	-	Part of reserve for unrealised gains, associated companies	98	57	98
-352	-	-	Deduction for allocated dividends and gifts	-	-	-361
-401	-381	-442	50 % deduction for subordinated capital in other financial institutions	-101	-93	-106
-240	-203	-251	50 % deduction for expected losses on IRB, net of write-downs	-246	-219	-214
-	-	-	50 % capital adequacy reserve	-685	-500	-595
-109	-109	-28	Surplus financing of pension obligations	-21	-107	-107
-	-830	-942	Net profit	-963	-606	-
-	606	688	Year-to-date profit included in core capital (73% pre tax)	703	442	-
8,262	**7,935**	**8,908**	**Total common equity Tier one**	**9,945**	**8,882**	**9,374**
1,431	1,441	1,439	Hybrid capital, core capital	1,690	1,625	1,615
9,693	**9,376**	**10,347**	**Total core capital**	**11,635**	**10,508**	**10,989**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	-	31	31
304	307	306	Perpetual subordinated capital	306	307	363
1,569	1,598	1,593	Non-perpetual subordinated capital	2,254	1,861	1,950
-401	-381	-442	50 % deduction for subordinated capital in other financial institutions	-101	-93	-106
-240	-203	-251	50 % deduction for expected losses on IRB, net of write-downs	-246	-219	-214
-	-	-	50 % capital adequacy reserve	-685	-500	-595
1,231	**1,320**	**1,206**	**Total supplementary capital**	**1,529**	**1,386**	**1,428**
10,924	**10,696**	**11,553**	**Net subordinated capital**	**13,164**	**11,894**	**12,417**
			Minimum requirements subordinated capital, Basel II			
1,573	1,672	1,576	Involvement with spesialised enterprises	1,863	1,672	1,573
1,478	1,504	1,394	Other corporations exposure	1,472	1,504	1,479
70	63	138	SME exposure	146	68	74
363	348	765	Retail morgage exposure	1,170	613	628
28	32	41	Other retail exposure	43	37	33
1,157	1,139	1,241	Equity investments	27	-	-
4,669	**4,758**	**5,155**	**Total credit risk IRB**	**4,722**	**3,895**	**3,787**
224	255	307	Debt risk	308	255	224
8	12	-	Equity risk	1	13	10
-	-	-	Currency risk	-	-	-
297	297	292	Operational risk	416	398	398
560	544	617	Exposures calculated using the standardised approach	1,682	2,106	2,151
-67	-64	-73	Deductions	-130	-102	-119
-	-	-	Transitional arrangements	-	322	316
5,690	**5,803**	**6,297**	**Minimum requirements subordinated capital**	**6,998**	**6,886**	**6,767**
71,130	72,536	78,712	Risk weigheted assets (RWA)	87,477	86,079	84,591
			Capital adequacy			
11.6 %	10.9 %	11.3 %	Common equity Tier one ratio	11.4 %	10.3 %	11.1 %
13.6 %	12.9 %	13.1 %	Core capital ratio	13.3 %	12.2 %	13.0 %
15.4 %	14.7 %	14.7 %	Capital adequacy ratio	15.0 %	13.8 %	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 second quarter 2014 the Bank has 26 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 2014	Derivatives	1,249
30 Jun 2013	Derivatives	738
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 30 June 2014:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
- Derivatives	227	4,139	-	4,366
- Bonds and money market certificates	3,711	11,945	-	15,655
- Equity instruments	49	-	1,038	1,087
- Fixed interest loans	-	-	2,522	2,522
Financial assets avaliable for sale				
- Equity instruments	-	-	36	36
Total assets	**3,987**	**16,084**	**3,596**	**23,667**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
- Derivatives	763	2,806	-	3,569
Total liabilities	**763**	**2,806**	**-**	**3,569**

The following table presents the Group's assets and liabilities measured at fair value at 30 June 2013:

Assets (NOKm)	**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 instruments	98	-	821	919
- Fixed interest loans	-	-	2,752	2,752
Financial assets avaliable for sale				
- Equity instruments	-	-	46	46
Total assets	**4,459**	**15,365**	**3,619**	**23,444**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities 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 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 30 June 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	21	16	-	37
Disposals in the periode	-153	-80	-	-233
Gain or loss on financial instruments	6	192	-3	195
Closing balance 30 June 14	**2,522**	**1,038**	**36**	**3,596**

The following table presents the changes in the instruments classified in level 3 as at 30 June 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	330	249	-	579
Disposals in the periode	-166	-4	-	-170
Gain or loss on financial instruments	3	-24	-	-21
Closing balance 30 June 13	**2,752**	**821**	**46**	**3,619**

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

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 planned 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 4(th) quarter of 2014, subject to regulatory approval and final Board approvals. For further information see the stock exchange notice of 11 August 2014.