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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

The Group has not obtained a new calculation of pensions as of 30 September since no factors have been identified that significantly alter the pension liability. The calculation of pensions applying as of 30 June 2014 is therefore shown below.

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 % til 50 year, 0 % etter 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 Jun 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 Jun 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**

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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 September 2014

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	629	621	-1	2	95	-0	-	-	-55	1,305
Interest from allocated capital	33	51	1	-	-	-	-	-	-84	-
Total interest income	**661**	**672**	**-1**	**2**	**95**	**-0**	**-**	**-**	**-139**	**1,305**
Commission income and other income	568	121	15	270	-3	141	-	-	44	1,140
Net return on financial investments ***)	1	20	26	-	-	-	259	78	245	628
Total income *)	**1,230**	**812**	**41**	**272**	**92**	**141**	**259**	**78**	**149**	**3,074**
Total operating expenses	**596**	**226**	**49**	**230**	**37**	**117**	**-**	**-**	**54**	**1,310**
Ordinary operating profit	**634**	**586**	**-9**	**42**	**55**	**24**	**259**	**78**	**95**	**1,765**
Loss on loans, guarantees etc.	7	44	-	-	5	-	-	-	-1	55
Result before tax including held for sale	**626**	**542**	**-9**	**42**	**50**	**24**	**259**	**78**	**96**	**1,709**
Post-tax return on equity **)	**19,8 %**	**10,7 %**								**16.1 %**
Balance (NOKm)										
Loans and advances to customers	76,773	34,891	-	-	3,600	-	-	-	961	116,225
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-28,609	-1,130	-	-	-	-	-	-	-1	-29,740
Individual allowance for impairment on loan	-28	-142	-	-	-11	-	-	-	0	-182
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-0	-295
Other assets	249	132	-	280	10	128	1,341	1,187	27,857	31,185
Total assets	**48,296**	**33,563**	**-**	**280**	**3,582**	**128**	**1,341**	**1,187**	**28,816**	**117,194**
Deposits to customers	31,632	24,747	-	-	-	-	-	-	1,621	58,000
Other liabilities and equity	16,664	8,816	-	280	3,582	128	1,341	1,187	27,196	59,194
Total liabilites	**48,296**	**33,563**	**-**	**280**	**3,582**	**128**	**1,341**	**1,187**	**28,816**	**117,194**

Group 30 September 2013

Profit and loss account (NOKm)	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	-	-	-	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	-	-	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 %**								**13.3 %**
Balance (NOKm)											
Loans and advances to customers	65,418	9,124	31,775	-	-	3,308	-	-	-	612	110,237
Adv. of this to SpareBank 1 Boligkreditt	-29,125	-400	-869	-	-	-	-	-	-	402	-29,992
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	29,109	32,195
Total assets	**36,446**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**30,123**	**111,977**
Deposits to customers	24,450	8,641	19,330	-	-	-	-	-	-	1,052	53,474
Other liabilities and equity	11,996	63	11,505	-	305	3,288	79	1,029	1,168	29,071	58,503
Total liabilites	**36,446**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**30,123**	**111,977**

*) 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 including held for sale (NOKm)	30 Sep 2014	30 Sep 2013
Capital gains/dividends, shares	216	45
Bonds and derivatives	-18	-14
Forex and fixed income business, Markets	46	58
Net return on financial investments	**245**	**90**
SpareBank 1 Gruppen	259	153
SpareBank 1 Boligkreditt	23	25
SpareBank 1 Næringskreditt	30	5
BN Bank	78	75
SpareBank 1 Markets	-22	-
Companies owned by SpareBank 1 SMN Invest	18	-
Other companies	-3	32
Income from investment in related companies	**383**	**290**
Total	**629**	**380**

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2013	30 Sept 2013	30 Sept 2014	(NOKm)	30 Sept 2014	30 Sept 2013	31 Dec 2013
592	449	461	Personnel expenses	735	701	923
187	134	159	IT costs	177	149	206
24	17	15	Postage and transport of valuables	19	21	29
38	27	31	Marketing	59	38	58
53	36	29	Ordinary depreciation	80	85	118
120	93	88	Operating expenses, real properties	68	73	118
58	38	43	Purchased services	51	46	71
125	93	90	Other operating expenses	122	143	199
1,197	**886**	**916**	**Total other operating expenses**	**1,310**	**1,256**	**1,722**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
6,208	6,054	6,617	Agriculture, forestry, fisheries, hunting	6,761	6,210	6,359
2,334	2,336	1,244	Sea farming industries	1,385	2,479	2,463
1,946	1,948	2,033	Manufacturing	2,305	2,145	2,142
2,693	2,993	2,741	Construction, power and water supply	3,241	3,525	3,207
2,275	2,294	2,699	Retail trade, hotels and restaurants	2,861	2,464	2,442
5,395	5,339	4,764	Maritime sector	4,777	5,347	5,402
12,048	11,907	12,660	Property management	12,739	11,978	12,118
3,646	3,407	3,347	Business services	3,580	3,636	3,867
2,284	2,499	2,567	Transport and other services provision	2,992	2,899	2,706
400	224	252	Public administration	272	252	423
2,391	1,946	2,830	Other sectors	2,833	1,952	2,395
41,619	**40,947**	**41,754**	**Gross loans in retail market**	**43,746**	**42,887**	**43,523**
67,146	66,000	70,870	Wage earners	72,479	67,350	68,515
108,765	**106,946**	**112,624**	**Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt**	**116,225**	**110,237**	**112,038**
30,514	29,502	28,518	SpareBank 1 Boligkreditt	28,518	29,502	30,514
1,221	892	1,222	SpareBank 1 Næringskreditt	1,222	892	1,221
77,030	**76,552**	**82,884**	**Gross loans in balance sheet**	**86,485**	**79,842**	**80,303**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
31 Dec 2013	**30 Sep 2013**	**30 Sep 2014**	**(NOKm)**	**30 Sep 2014**	**30 Sep 2013**	**31 Dec 2013**
22	22	20	Change in individual impairment losses provisions for the period	9	25	29
-	-	-	Change in collective impairment losses provisions for the period	-	-	-
34	33	27	Actual loan losses on commitments for which provisions have been made	34	38	40
39	12	16	Actual loan losses on commitments for which no provision has been made	25	16	45
-13	-9	-12	Recoveries on commitments previously written-off	-12	-11	-14
82	**58**	**51**	**Losses of the year on loans and guarantees**	**55**	**68**	**101**

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Note 7 - Losses

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
129	129	150	Individual write-downs to cover loss on loans at 1.1 *)	173	144	144
12	10	5	+ Increased write-downs on provisions previously written down	7	11	15
16	10	15	- Reversal of provisions from previous periods	23	11	18
59	54	57	+ Write-downs on provisions not previously written down	59	62	71
34	33	27	- Actual losses during the period for which provisions for individual impairment losses have been made previously	34	38	40
150	**150**	**170**	**Specification of loss provisions at end of period**	**182**	**168**	**173**
73	45	43	Actual losses	59	54	85

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

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Note 8 - Defaults

Parent bank				Group		
31 Dec 2013	**30 Sep 2013**	**30 Sep 2014**	**(NOKm)**	**30 Sep 2014**	**30 Sep 2013**	**31 Dec 2013**
			Total defaults			
311	322	268	Loans in default for more than 90 days *)	338	391	386
73	66	85	- Individual write-downs	92	79	87
238	256	183	Net defaults	246	312	299
24 %	21 %	32 %	Provision rate	27 %	20 %	23 %
			Problem Loans			
146	193	194	Problem loans (not in default)	206	209	157
76	84	85	- Individual write-downs	90	89	86
70	109	109	Net problem loans	117	119	71
52 %	43 %	44 %	Provision rate	43 %	43 %	55 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q3.
Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
-	-	7	Deferred tax benefit	25	14	18
170	182	161	Fixed assets	1,128	1,214	1,176
1,568	1,503	1,244	Earned income not yet received	1,258	1,507	1,591
207	503	346	Accounts receivable, securities	346	503	207
82	74	11	Pensions	11	74	82
83	240	152	Other assets	429	282	270
2,110	**2,501**	**1,921**	**Total other assets**	**3,198**	**3,593**	**3,344**

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Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2013	**30 Sep 2013**	**30 Sep 2014**	**(NOKm)**	**30 Sep 2014**	**30 Sep 2013**	**31 Dec 2013**
2,059	2,004	2,347	Agriculture, forestry, fisheries, hunting	2,347	2,004	2,059
406	202	328	Sea farming industries	328	202	406
1,239	1,298	1,577	Manufacturing	1,577	1,298	1,239
1,808	1,636	1,596	Construction, power and water supply	1,596	1,636	1,808
4,313	3,053	3,227	Retail trade, hotels and restaurants	3,227	3,053	4,313
2,150	1,970	1,691	Maritime sector	1,691	1,970	2,150
4,142	4,117	4,189	Property management	4,065	4,014	4,033
4,885	4,879	4,540	Business services	4,540	4,930	4,885
4,320	3,829	4,319	Transport and other services provision	4,050	3,524	3,999
4,723	4,609	4,977	Public administration	4,977	4,609	4,723
2,620	2,486	3,688	Other sectors	3,655	2,458	2,594
32,666	**30,083**	**32,480**	**Total**	**32,053**	**29,698**	**32,209**
23,865	23,776	25,947	Wage earners	25,947	23,776	23,865
56,531	**53,859**	**58,427**	**Total deposits**	**58,000**	**53,474**	**56,074**

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
2,750	110	300	Short-term debt instruments, nominal value	300	110	2,750
30,718	29,250	29,564	Bond debt, nominal value	29,564	29,250	30,718
294	232	627	Value adjustments	627	232	294
33,762	**29,592**	**30,491**	**Total**	**30,491**	**29,592**	**33,762**

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

	30 Sep 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Short-term debt instruments, nominal value	300	300	2,750	-	2,750
Bond debt, nominal value	29,564	6,427	7,064	-517	30,718
Value adjustments	627	-	-	333	294
Total	**30,491**	**6,727**	**9,814**	**-184**	**33,762**

	30 Sep 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Ordinary subordinated loan capital, nominal value	1,528	-	-	6	1,522
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	87	-	-	5	82
Total	**3,315**	**-**	**-**	**11**	**3,304**

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 2013	31 Dec 2013
17	98	-	Deferred tax	7	106	23
438	375	342	Payable tax	395	423	476
8	14	8	Capital tax	8	14	8
883	1,056	1,028	Accrued expenses and received, non-accrued income	1,175	1,301	1,091
48	59	57	Provision for accrued expenses and commitments	57	59	48
-	-	-	Pension liabilities	7	2	2
73	52	53	Drawing debt	53	52	73
7	4	8	Creditors	42	41	29
339	2,150	1,490	Debt from securities	1,490	2,150	339
179	714	386	Other liabilities	421	665	213
1,992	**4,522**	**3,372**	**Total other liabilites**	**3,656**	**4,812**	**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 30 September 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 30 September 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 September2014. Comparatives have not been restated.

Parent Bank				Group		
31 Dec 2013	30 Sep 2013	30 Sep 2014	(NOKm)	30 Sep 2014	30 Sep 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	1,282	1,312	1,354
-	-	-	Minority interests	69	65	67
-	1,089	1,194	Net profit	1,407	1,038	-
9,811	**9,557**	**10,588**	**Total book equity**	**12,228**	**10,863**	**11,242**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-565	-589	-582
-	-	-	Part of reserve for unrealised gains, associated companies	131	57	98
-352	-	-	Deduction for allocated dividends and gifts	-	-	-361
-401	-399	-	50 % deduction for subordinated capital in other financial institutions	-	-90	-106
-240	-234	-	50 % deduction for expected losses on IRB, net of write-downs	-	-210	-214
-	-	-	50 % capital adequacy reserve	-	-554	-595
-	-	-	Minority interests recognised in other equity capital	-69	-	-
-	-	-	Minority interests eligible for inclusion in CET1 capital	34	-	-
-109	-109	-28	Surplus financing of pension obligations	-21	-107	-107
-	-1,089	-1,194	Net profit	-1,407	-1,038	-
-	795	872	Year-to-date profit included in core capital (73 per cent pre tax)	1,027	758	-
-	-	-27	Value adjustments due to requirements for prudent valuation	-36	-	-
-	-	-300	Positive value of adjusted expected loss under IRB Approach	-367	-	-
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-349	-	-
8,262	**8,075**	**9,465**	**Total common equity Tier one**	**10,605**	**9,089**	**9,374**
1,431	1,431	1,440	Hybrid capital, core capital	1,707	1,619	1,615
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-	-
9,693	**9,506**	**10,905**	**Total core capital**	**12,302**	**10,707**	**10,989**
			Supplementary capital in excess of core capital			
-	-	-	Fund bonds, hybrid capital in excess of 15 per cent	-	28	31
1,873	1,910	1,875	Subordinated capital	2,566	2,173	2,313
-401	-399	-	50 % deduction for subordinated capital in other financial institutions	-	-90	-106
-240	-234	-	50 % deduction for expected losses on IRB, net of write-downs	-	-210	-214
-	-	-	50 % capital adequacy reserve	-	-554	-595
-	-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-	-
1,231	**1,277**	**1,833**	**Total supplementary capital**	**2,523**	**1,346**	**1,428**
10,924	**10,783**	**12,738**	**Net subordinated capital**	**14,826**	**12,053**	**12,417**
			Minimum requirements subordinated capital			
1,573	1,592	1,482	Involvement with spesialised enterprises	1,732	1,592	1,573
1,478	1,442	1,328	Other corporations exposure	1,375	1,443	1,479
363	336	790	Mass market exposure, property	1,233	591	628
70	70	138	Mass market exposure, SMBs	147	76	74
28	31	40	Other retail exposure	42	35	33
1,157	1,076	1,105	Equity investments	0	-	-
4,669	**4,548**	**4,884**	**Total credit risk IRB**	**4,529**	**3,736**	**3,787**

224	225	440	Debt risk	440	225	224
8	11	-	Equity risk	2	13	10
-	-	-	Currency risk	-	-	-
297	297	292	Operational risk	416	398	398
560	590	778	Exposures calculated using the standardised approach	1,860	2,135	2,151
-67	-67	-	Deductions	-	-110	-119
-	-	31	Credit value adjustment risk (CVA)	116	-	-
-	-	-	Transitional arrangements	-	403	316
5,690	**5,604**	**6,425**	**Minimum requirements subordinated capitl**	**7,364**	**6,802**	**6,767**
71,130	**70,051**	**80,315**	**Risk weigheted assets (RWA)**	**92,045**	**85,019**	**84,591**
		3,614	Minimum requirement on CET1 capital, 4.5 per cent	4,142		
			Capital Buffers			
		2,008	Capital conservation buffer, 2,5 per cent	2,301		
		2,409	Systemic rick buffer, 3.0 per cent	2,761		
		4,417	**Total buffer requirements on CET1 capital**	**5,062**		
		1,434	**Available CET1 capital after buffer requirements**	**1,400**		
			Capital adequacy			
11.6 %	11.5 %	11.8 %	Common equity Tier one ratio	11.5 %	10.7 %	11.1 %
13.6 %	13.6 %	13.6 %	Core capital ratio	13.4 %	12.6 %	13.0 %
15.4 %	15.4 %	15.9 %	Capital adequacy ratio	16.1 %	14.2 %	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 third 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
30 Sep 2014	Derivatives	890
30 Sep 2013	Derivatives	1,186
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 September 2014:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	269	4,211	-	4,480
Bonds and money market certificates	4,111	11,124	-	15,235
Equity instruments	46	-	615	661
Fixed interest loans	-	-	2,624	2,624
Financial assets avaliable for sale				
Equity instruments	-	-	33	33
Total assets	**4,426**	**15,335**	**3,273**	**23,034**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	265	3,600	-	3,866
Total liabilities	**265**	**3,600**	**-**	**3,866**

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	68	2,541	-	2,609
Bonds and money market certificates	346	18,696	-	19,042
Equity instruments	100	-	832	932
Fixed interest loans	-	-	2,701	2,701
Financial assets avaliable for sale				
Equity instruments	-	-	46	46
Total assets	**514**	**21,237**	**3,579**	**25,329**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	66	1,908	-	1,975
Total liabilities	**66**	**1,908**	**-**	**1,975**

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 September 2014:

(NOKm)	**Fixed interest loans**	**Equity instruments through profit/loss**	**Equity instruments available for sale**	**Total**
Opening balance 1 January	2,648	909	40	3,598
Investment in periode	241	28	-	268
Disposals in the periode	-263	-329	-4	-596
Gain or loss on financial instruments	-1	8	-3	4
Closing balance 30 September 2014	**2,624**	**615**	**33**	**3,273**

The following table presents the changes in the instruments classified in level 3 as at 30 September 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	369	249	-	618
Disposals in the periode	-242	-12	-	-254
Gain or loss on financial instruments	-11	-6	-	-17
Closing balance 30 September 2013	**2,701**	**832**	**46**	**3,579**

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 2013	**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 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.