Annual report 2013

A little better each day. That will make SpareBank 1 SMN the best bank for customer experience by 2015.

SpareBank 1 SMN

Contents

General information

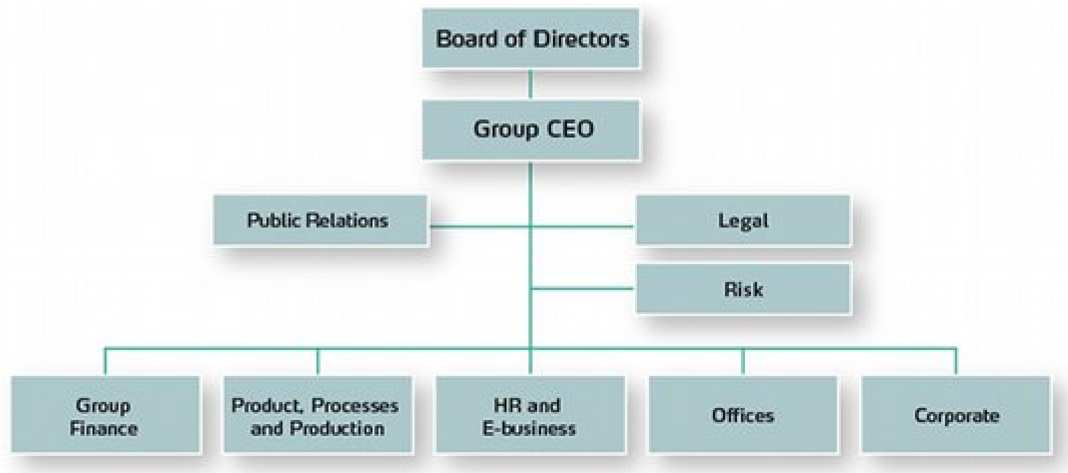
SpareBank 1 SMN aims to be the recommended bank based on being close at hand and its competence. That constitutes our vision and our values.

This is SpareBank 1 SMN

SpareBank 1 SMN is the region's leading financial services group and one of six owners of the SpareBank 1 Alliance. Its Head Office is in Trondheim and the Group and its subsidiaries have 1,200 staff. SpareBank 1 SMN is a regional independent savings bank with a local footing. Closeness and competence characterize our relationship to the market.

The region's largest financial services group

- Present in 50 locations across 42 municipalities in both Trøndelag counties, Møre and Romsdal, and Sogn and Fjordane
- One-stop provider in the field of financing, saving and investment, insurance and payment service to retail customers and corporates
- 189,000 retail customers
- 13,000 corporate customers
- The region´s leading real estate agent through EiendomsMegler 1 Midt-Norge
- The region´s leading leasing company through SpareBank 1 Finans Midt-Norge
- The region´s only full-fledged investment firm through SpareBank 1 SMN Markets
- The region´s largest private contributor to business development and non-profit causes, through SpareBank 1 SMN's monetary gift work



Main figures, last ten years

From the income statement (mNOK)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net interest and credit commission income	1,616	1,477	1,392	1,317	1,325	1,350	1,139	1,024	974	877
Commission and fee income	1,463	1,139	919	855	756	610	671	580	537	443
Operating expenses	-1,722	-1,654	-1,482	-1,140	-1,253	-1,194	-1,103	-990	-906	-729
Operating profit before losses and return on financial investments	1,357	962	829	1,032	828	766	707	613	605	590
Income from investment in related companies	355	244	248	276	349	393	233	190	119	23
Return on financial investements	147	207	186	133	247	-186	99	229	157	42
Loan losses and gains/write-downs on disposals of fixed assets	101	58	27	132	277	202	-6	-84	-38	81
Pre-tax operating profit	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**771**	**1,045**	**1,116**	**919**	**574**
From the balance sheet (mNOK)										
Total assets	115,360	107,919	101,455	97,992	84,541	84,679	71,503	63,178	54,327	38,505
Outstanding loans (gross)	80,303	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226
Outstanding loans including transf. SpareBank 1 Boligkreditt (gross)	112,038	95,232	95,232	87,665	77,429	71,317	61,910			
Gross loans in retail market	68,515	55,034	55,034	49,619	45,157	42,679	38,872	33,898	29,032	21,491
Gross loans in corporate market	43,523	40,198	40,198	38,046	32,272	28,638	23,038	18,921	16,248	12,735
Deposits	56,074	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725
Deposits from retail market	23,865	20,860	20,860	19,052	17,898	17,566	16,070	14,707	14,080	11,256
Deposits from corporate market	32,209	27,011	27,011	23,734	19,330	17,715	16,364	15,429	12,968	9,469
Growth in lending, %	6.8 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %	5.1 %
Growth in deposits, %	7.3 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %	4.3 %
Key figures and ratios										
Return on equity	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %	20.0 %
Cost-income ratio	48.1 %	54.0 %	53.2 %	44.2 %	46.8 %	55.1 %	51.5 %	49.0 %	50.7 %	52.7 %
CET 1 Capital	11.1 %	10.0 %	8.9 %	9.3 %	7.7 %	7.1 %	7.4 %	7.5 %	7.5 %	8.8 %
Core capital ratio	13.0 %	11.4 %	10.4 %	10.9 %	10.5 %	8.1 %	8.4 %	8.6 %	8.8 %	10.8 %
Capital adequacy ratio	14.7 %	13.3 %	12.0 %	13.0 %	13.6 %	11.9 %	12.1 %	11.9 %	10.9 %	12.7 %
No. of staff	1,238	1,216	1,153	1,117	1,108	1,062	1,017	950	898	772
No. of person-years worked	1,135	1,135	1,109	1,035	1,017	973	940	841	806	637
No. of branches	50	51	54	54	55	56	56	58	62	56
Key figures EC 1)										
EC ratio	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %
Number of Ecs issued (m)	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70	71.70	54.57
EC price (NOK)	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46	38.27
Market value (mNOK)	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113
Profit per EC (NOK)	6.92	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26	24.99
Dividend per EC (NOK)	1.75	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35	2.77
Booked equity capital per EC (including dividend)	55.69	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34	1.85
P/E	7.95	6.68	5.99	8.40	7.07	5.05	8.59	9.08	10.19	13.83
Price / Booked equity capital	0.99	0.69	0.74	1.08	1.07	0.55	1.38	1.70	1.80	1.53

1) For definition of key figures for primary capital certificates, se Equity capital certificates.

Key goals and strategies

Vision and values

Vision
We intend to be the recommended bank. This vision entails a weighty commitment to our customers, partners, staff and EC holders. To fulfil this vision we must strive continuously to improve ourselves and to stay abreast of market and customer needs.

Values
We want our customers to perceive us as close at hand and capable. This means being close to our customers through personal contact, taking the initiative to meet the customer with the best advice and products, and being an active mainstay of the region. ‘Capable’ means offering a broad product range that is right for the times, and employing staff with solid professional competence and first rate skills. We aim to maintain a high ethical standard in everything we do, and want our customers to feel that their needs for financial advice and services are met in a professional manner. Our values of being close at hand and capable are our guiding principle, qualities we strive for every single day. They help us to achieve our goals and to make the right priorities.

Strategic ambition
SpareBank 1 SMN will continue to be an independent, regional finance house, a powerhouse for development of the region. SpareBank 1 SMN will be profitable and best for customer experience. SpareBank 1 SMN is unquestionably solid and its return on equity puts it among the three best banks in Norway. In 2015 SpareBank 1 SMN will have strengthened its market position and significantly improved market shares in Trondheim, Molde and Ålesund, as well as its position in the SMB market and the deposit market.

Our ambition is to remain an independent, regional, profitable bank that means more to firms and individuals in our market area than any other bank.

The SpareBank 1 Alliance is the bank’s strategic foundation and the basis for SpareBank 1 SMN’s regional business strategies and independence. SpareBank 1 SMN will play an active role in developing the SpareBank 1 Alliance as a leading financial services grouping.

Main strategy themes in the period 2012 - 2015

- Solid and profitable with a return on equity among the three best-performing comparable banks
- A common equity tier 1 capital ratio of at least 13.5 per cent by July 2016
- Continued growth in market shares
- Developing a position as best for customer experience
- Further develop and renew the brand and position in the market area
- Further develop an organisation that generates commitment and good performances
- Continuous improvement of efficiency and work processes to create maximum customer value

SpareBank 1 SMN intends to be unquestionably solid with funding that enables it to survive at least 12 months without access to external funding. SpareBank 1 SMN has a good supply of deposit financing and aims to continue to increase shares in the savings and deposit markets.

Continued growth in market shares

SpareBank 1 SMN is the clear cut market leader in Trøndelag and in Møre and Romsdal but sees further growth potentials in retail markets and the corporate market. Growth will be achieved by further developing customer portfolios across the Group and increasing customer migration. SpareBank 1 SMN sees potentials in further developing and strengthening the group's position in the larger towns and urban areas and in maintaining a very strong market position in the districts. Skilled advisers that meet customer needs by identifying the right product range and product coverage for the individual customer will promote continued sound growth for SpareBank 1 SMN.

Best for customer experience

A strategic position in which the bank is regarded as the best for customer experience is a position that affords competitive power and considerable potential for continued growth.

Coming across as service-minded and enthusiastic

SpareBank 1 SMN sees possibilities for and potentials in strengthening customers' experience of the bank and their meeting with the bank's staff. Through the programme "Best for customer experience" we wish to generate a commitment and passion in the organisation that inspires us to turn every point of contact with the customer into an opportunity to confirm and reinforce their choice of SpareBank 1 SMN as their main bank.

Further develop and renew the brand and position in the market area

SpareBank 1 SMN holds a prominent position and is the most familiar banking group to existing and potential customers in the bank's market area and the one of which people are most aware. We see further potential for growth by strengthening the content of the SpareBank 1 SMN brand and the market's awareness of what it stands for.

Further develop an organisation that generates commitment and good performances

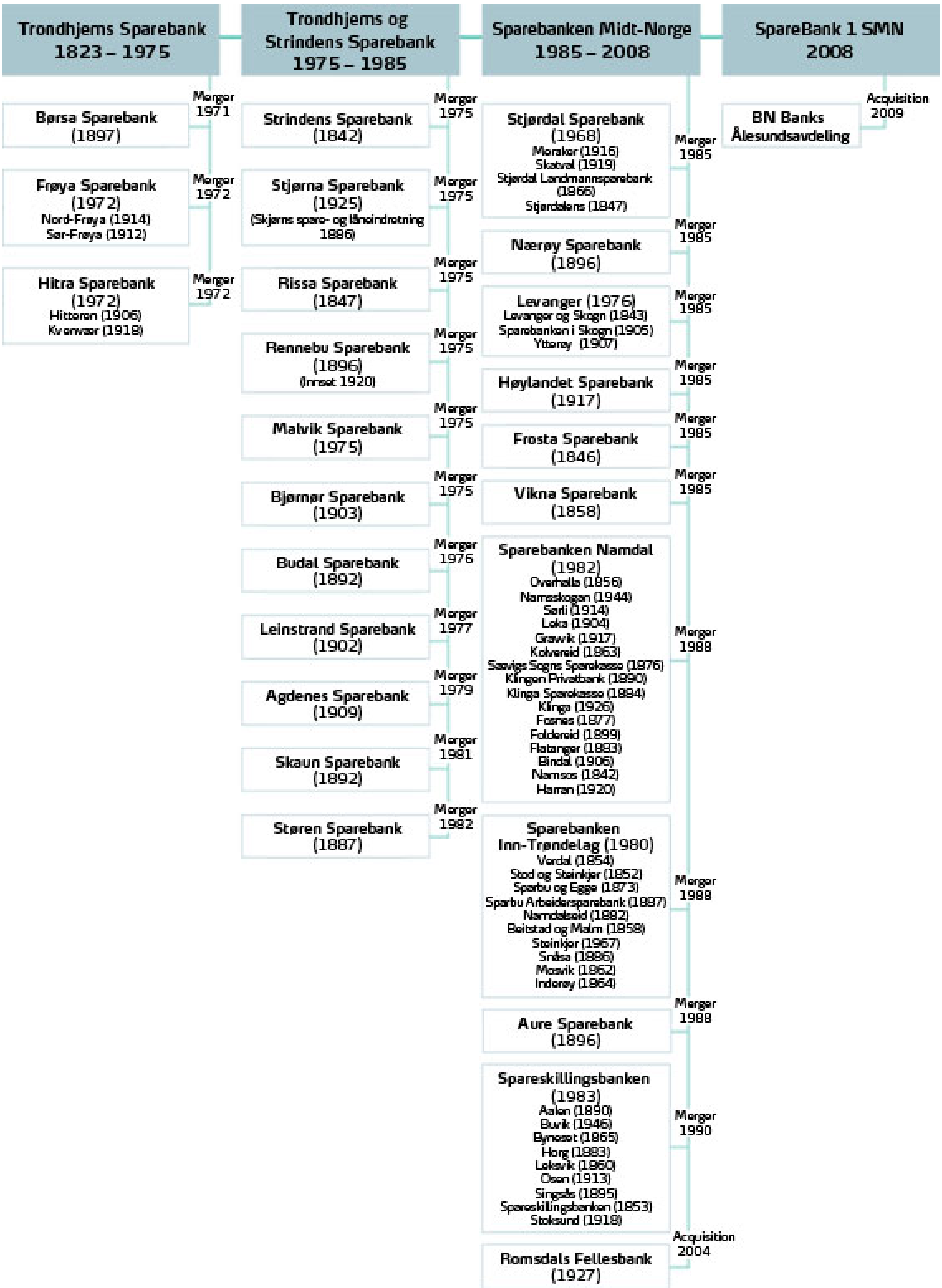
Further development of organisational and managerial capability will be a central area for development in the strategy period. Strengthen and further develop customer relationships by profiling the competence and skills possessed by staff at SpareBank 1 SMN.

Continuous improvement

The Group will launch improvement projects designed to create increased value for the customer, shorten delivery times and establish a consistent and predictable customer experience. By intensifying its effort to continuously improve, SpareBank 1 SMN will develop processes to assure a constant effort to create maximum value for our customers.

The story of SpareBank 1 SMN

The first customers entered Trondhjems Sparebank in the year 1823. Our offering of financial services has evolved in keeping with society as a whole. Initially the Bank's goal was to combat poverty and give ordinary people the opportunity to save. Today SpareBank 1 SMN is one of Norway's largest banks and a complete financial department store.



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Business 2013

Robust customers combined with good banking skills have enabled SpareBank 1 SMN to exceed a net profit of NOK 1 billion for the fourth year in a row.

Statement by the Group CEO

2013 proved to be another good year for SpareBank 1 SMN. We achieved a profit of NOK 1,400m, an increase of NOK 323m from the previous year. Return on equity was 13.3 per cent, an improvement of 1.6 percentage points from 2012.

In 2013 the board of directors and the management team focused on the capital plan that was adopted in 2012. An important element of the plan is to secure earnings that make it likely that we will be in a position to deliver a return on equity in the region of 12 per cent on a very high level of equity capital. This poses a challenge, but the profit achieved in 2013 gives grounds for optimism.

Two factors left their mark on the financial industry last year. One is all the implications of new regulatory requirements which the banks have to square up to. Last year the strongest focus was on new requirements on common tier 1 equity. The other is the definitive breakthrough for banking applications on mobile phones and tablets. SpareBank 1 SMN tackled both challenges well.

In January 2014 the board of directors of SpareBank 1 SMN adopted a revised capital plan whereby the bank plans for a common equity tier 1 ratio of at least 13.5 per cent by 30 June 2016. At the end of 2013 this ratio stands at 11.1 per cent. Over the past five years the bank has built up NOK 4.5bn of common equity tier 1 capital. We need to add a further NOK 2bn to 3bn to succeed with our capital plan. We expect and intend to reach our goal without need for an ordinary equity issue. The target was set in light of the fact that the finance minister in December 2013 limited the countercyclical buffer to 1.0 per cent, leaving an overall common tier 1 ratio requirement of 13.0 per cent.

A profit of NOK 1,400m is needed in order to service a rapidly growing volume of equity capital and thereby meet the authorities' requirements. Gaining an understanding of this among the general public has not been easy. Our responsibility is to ensure that SpareBank 1 SMN meets the challenge through a combination of improved banking operations, reduced expenses, moderate growth, lower dividend pay-outs and disposal of assets outside our core business.

Last summer our customers reached a new milestone. For the first time we registered more logins to the bank's mobile banking facility than via PC to the internet bank. A new digital step had been taken. Since then the trend towards mobile-based solutions has grown even clearer. In an ever increasingly technology-based environment the bank stands firm by its strategy of staying at the forefront in the development of new digital solutions, while at the same time maintaining a network of bank offices staffed by capable, helpful advisers. At our bank we believe that people will never go out of fashion. Customers are doing more and more of their banking digitally, but what above all will single us out from our competitors is our capable advisers and staff who are becoming ever more determined to deliver a good customer experience.

Just over a year ago we set ourselves the goal of becoming the best bank for customer experience. The main principles here are a vigorous customer orientation externally and effective interaction internally, putting the adviser at centre-stage, introducing a flatter organisation structure with fewer managers and transferring power from head office to the local level. The improvement project has uncovered a major potential for increased market shares and thereby continued income growth through an increased focus on an organisation that promotes good adviser performances. We are on course for our goal, and in 2014 we are stepping up the pace by a further margin.

SpareBank 1 SMN holds a leading market position in Trøndelag and in Møre and Romsdal, a position that was strengthened in 2013. More and more customers are turning to us to service their financial needs. Last year we saw an influx of 13,000 new retail customers and 700 new corporate customers. Lending growth outstripped general market growth, particularly as regards home mortgage lending. At the same time we have lived up to our ambition of being the best bank in terms of losses. In addition to being among Norwegian banks with the absolutely lowest losses and default rate, our ambition entails creating sound, socially responsible solutions in demanding situations for our customers. New, good examples were seen in 2013.

We believe that 2014 will be another good year for the bank. We see few indications that business and industry in Trøndelag and in Møre and Romsdal face a change in the economic climate. Businesses in the region largely show good profits and prospects appear promising. This, in combination with solid banking skills, makes us optimistic for the future. We expect a high activity level and continued good demand for home mortgage loans and somewhat lower growth in the corporate market.

Uncertainty regarding future capital requirements made us somewhat more cautious in 2013, in particular towards new customers. The requirements have now been clarified and we have established a capital plan that enables us to restore normal credit activity.

We look forward to achieving further progress in 2014.

Important events in 2013

First quarter

- Profit of NOK 321m after tax in the first quarter 2013
- Supervisory Board sets dividend of NOK 1.50 per EC after 2012
- Kjell Bjordal appointed new chair of the Board of Directors at the Bank. Bård Benum moves up to new deputy chair, while Morten Loktu is appointed new member of the Board of Directors
- Randi Dyrnes re-elected chair of the Supervisory Board
- The Bank becomes joint owner of the re-established investment company Salvesen & Thams

Second quarter

- Profit of NOK 285m after tax in the second quarter 2013
- A number of SpareBank 1 banks, including SpareBank 1 SMN, unite around a nationwide venture at SpareBank 1 Regnskaphuset
- The bank celebrates 150 years' presence in Nærøy municipality

Third quarter

- Profit of NOK 433m after tax in the third quarter 2013
- Svein Tore Samdal appointed new executive director with responsibility for Offices
- SpareBank 1 SMN voted Norway's best bank by Euromoney, the global business and investment magazine

Fourth quarter

- Profit of NOK 361m after tax in the fourth quarter 2013
- Tæl Prize of Honour awarded to arts luminary Arnulf Haga from Verdal
- The Bank awards a total of five prizes to "Årets kremmer" on the basis of profit and growth
- The Bank contributes up to NOK 50m to a new seedcorn fund
- The Bank decides to open an office at Brekstad in Ørland municipality
- Opening of the Bank's new course and conference centre, Bjerkeløkkja, in Oppdal

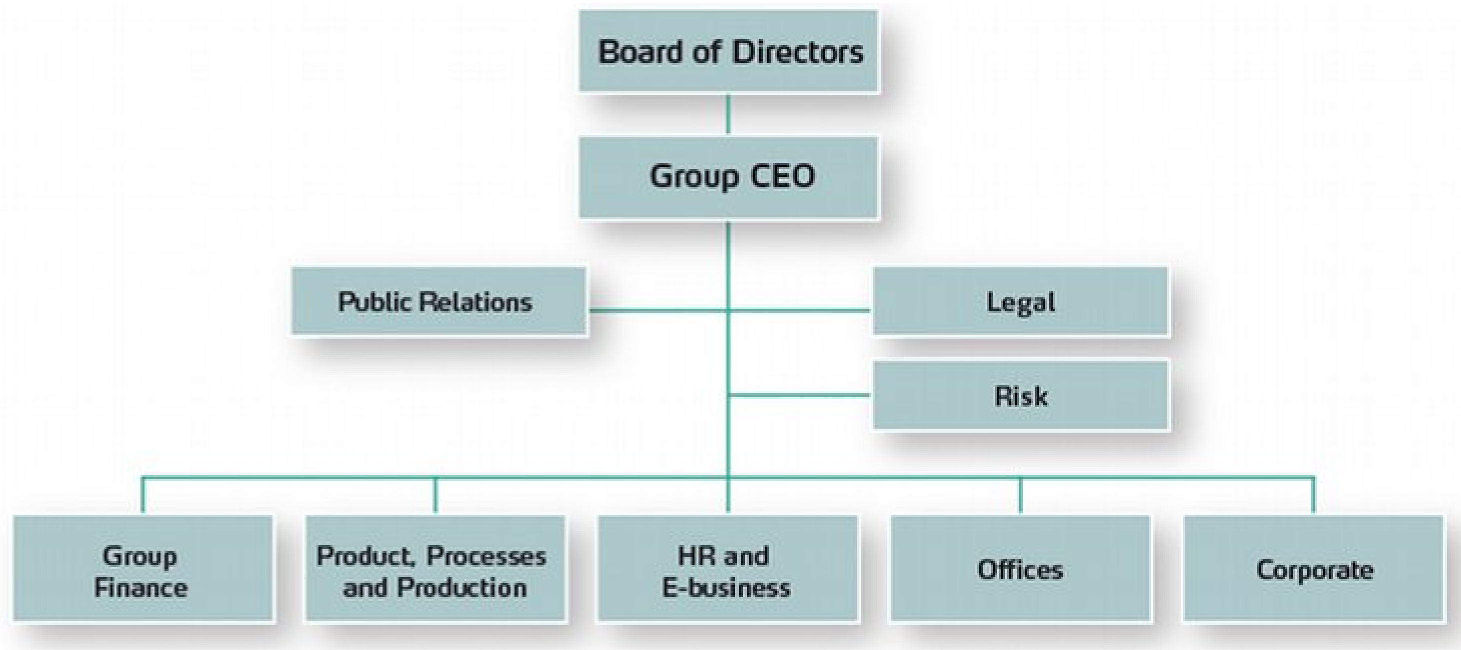
Business description

SpareBank 1 SMN is the leading bank in Trøndelag and Møre and Romsdal with total assets of NOK 147bn at the end of 2013. The head office is in Trondheim and the group employs 1,200 staff. As one of six members of the SpareBank 1 Alliance, the bank forms part of Norway's second largest financial services grouping.

Through the SpareBank 1 Alliance and its own subsidiaries, SpareBank 1 SMN has secured access to competitive products in the fields of financing, savings and investment, insurance and money transfer services.

As from 1 January 2013 the bank is organised on a new model. The organisational change is in keeping with the bank's aim of being the best for customer experience by 2015. The new model starts out from our 189,000 retail customers and 13,000 corporate customers, and power and authority will as far as possible to transferred to our 50 offices and advisers, i.e. closer to the customer than in the previous organisational set-up. The office network is the very bedrock of our distribution; we will now give the offices even more impetus. It is here that value is created, and it is here that we have the greatest potential to enhance our performance.

The new model builds on the following structure:



Accessibility

A key aspect of SpareBank 1 SMN's strategy is to maintain a presence via a variety of office solutions in municipal and administrative centres in the bank's natural catchment area. This, combined with round-the-clock access via the internet bank and mobile solutions along with the direct banking facility, gives the bank a unique competitive edge.

SpareBank 1 SMN is present in 50 localities in 42 municipalities. Its presence extends from Øvre Årdal in Sogn and Fjordane county in the south to Bindal in Nordland county in the north. The bank's offices service the various customer categories via a variety of office solutions.

Offices

The business

At its business area Offices the bank offers advice to retail customers, farm sector customers, pools/associations, one-person businesses and small and medium businesses (the latter organised in SMN Corporate as from 1 January 2014). We offer a broad-based product range in the fields of financing, savings and investment, insurance and payment services. This enables the customer to meet all his or her financial needs in one place, and provides a basis for good management and overview of personal finances.

Our bank offices are situated throughout our market area, putting our advisers within easy reach of the customer in the office network. The bank has developed self-service facilities giving extensive access to our most important banking services and the direct bank which offers financial advice to the customer by telephone. Dialogue with the customer is a prerequisite for meeting customer requirements and expectations, and individual advisory sessions are a key element of customer contact.

At SpareBank 1 SMN we keep a continuous focus on developing our expertise and skills to enable us to meet the demands of today's financial market in the best possible manner. We have a responsibility for ensuring that advice is provided in compliance with legal requirements and good advisory practices, and we aim to give our customers the best possible assistance when providing financial advice.

The table below includes farm sector customers, pools/associations, one-person businesses and small and medium businesses.

Facts as at 31.12.2013	SME	Retail market
Loanable capital (NOKm)	9,055	63,518
Deposit capital (NOKm)	8,734	24,185
No. of multi-relationship customers	9,681	188,871

Customers and market position

The bank leads the retail market in Trøndelag and in Møre and Romsdal, with a strong position in all product areas and market segments. The region's features a large number of small and medium companies, and the business areas Offices and SMN Corporate work closely to be competitive in a market featuring a large number of participants. Despite the intense competition the bank shows a positive market trend and growth in volume and customer base. Growth is particularly strong in the retail market.

Financial developments

Offices achieved an overall return on equity of 35,4 per cent in 2013, comprising 38,7 per cent for Retail Market and 29,4 per cent for the SME segment. Overall pre-tax profit for Offices was NOK 904m comprising NOK 705m for Retail Market and NOK 210m for SMBs.

For Retail Market, operating income and return on equity have risen substantially due to increased margins on home mortgage loans. Risk on loans to retail borrowers is generally low, as reflected in continued low losses. Net losses in 2013 totalled NOK 6m.

Overall operating income in the SMB segment was NOK 366m with net interest income of NOK 286m and commission income of NOK 94m. Customers in this segment have total loanable capital NOK 9.1bn and deposit capital of 8.7bn.

Prospects for 2014

Key industries in the bank's core area are showing activity growth and sound profits, and there are currently no strong signs that the region's business sector faces a change in the economic climate. Housing demand levelled off over the course of 2013, and there are reports in particular of lower growth in retail trade. Low unemployment and no clear macroeconomic indications for the region nonetheless provide a basis for positive expectations at the start of 2014.

Uncertainty remains regarding the announced regulatory changes for the European financial sector. Norwegian authorities have previously signalled an early introduction of new requirements, which will affect Norwegian banks' competitiveness relative to other banks. Credit quality in the bank's loan portfolio is satisfactory and the risk of loss is therefore low.

Corporate

The business

The business area Corporate focuses on financial counselling in investment and operations financing, domestic and foreign money transfers, fixed income and currency hedging, investment of surplus liquidity and insurance of individuals and buildings/operating equipment. Much of the business is in close cooperation with Retail Market, Markets and with subsidiaries offering leasing, factoring and accountancy services.

The business is physically located across the entire market area to secure proximity to customers, while bearing in mind the need for competence units of sufficient size. The business is skills-intensive, and much emphasis is given to training in practical understanding of business in segments in which the bank is heavily exposed such as real estate, sea farming, fishery, offshore, energy, retail trade and the public sector.

The bank is IRB approved and uses IRB foundation approaches to compute capital charges and credit risk. This, combined with high knowledge of relevant industries and local expertise, will assure that further growth is in keeping with the bank's responsibility as a regional actor, at the same time as exposed risk is consistent with the bank's credit policy. Substantial resources are expended, together with the other alliance banks, on continuously improving the scoring models.

Customers and market position

The bank services around 12,600 corporate customers, farm sector customers, sole proprietorships, pools/associations and customers in the public sector (farm sector customers, sole proprietorships and pools/associations are organised in Offices as from 1 January 2014). SpareBank 1 SMN's share of this market segment in the region is close to 40 per cent. The bank also services a number of customers in business areas such as insurance, capital market, leasing and factoring. The business sector in Trøndelag and in Møre and Romsdal features a large number of small and medium companies. This structure has a clear impact on the bank's organisation of its business.

SpareBank 1 SMN has built up specialist competence in non-life insurance, asset allocation in addition to further developing its occupational pension solutions. In close conjunction with the bank's business advisers, business clients in the region will have access to professional advice and solutions tailored to individual needs.

Facts as at 31.12.2013	Large corporates
Loanable capital (NOKm)	31,920
Deposit capital (NOKm)	21,544
No. of multi-relationship customers	2,918

Financial developments

The Large Corporate business line achieved a total income of NOK 869m in 2013. The increase is ascribeble to a positive trend in all business areas: financing, cash management, capital market services. The growth in sales of non-life insurance and pension solutions is especially gratifying. More and more businesses are seeing the value of turning to a local provider for all their financial services.

Prospects for 2014

Prospects for 2014 are uncertain and heavily affected by developments in the EU. This is especially true of export firms with exposure to Europe. There are however still positive expectations in the maritime industry, offshore, aquaculture and the fisheries – segments in which SpareBank 1 SMN's market share is growing. The Ministry of Finance decided in December 2013 to require the banks to set aside 1 per cent of loans granted to a countercyclical capital buffer with a view to harder times. This is somewhat less than expected. At the same time the period allowed for attaining the capital adequacy requirement has been lengthened somewhat, making room to accommodate more of the demand for borrowing. The bank is working closely with customers to find solutions that safeguard common interests in the economic situation prevailing at all times. The corporate market business will accordingly maintain capacity and competence to ensure that the bank at all times comes across as a readily accessible and capable provider of financial services.

E-business

E-business comprises the direct bank, which handles incoming and outgoing approaches from retail customers and corporate clients, and a department for the development of solutions and content for the Bank's digital channels. The aim is to offer customers effective solutions in the channels they wish to use. In the years immediately ahead the Bank will invest in further development and renewal of solutions in digital channels with a view to increased freedom of choice and customer satisfaction.

SpareBank 1 SMN notes a large increase in customers' use of direct banking and digital channels. In 2013 the direct bank handled more than half a million approaches, an increase of about 30 per cent over the last two years. The Bank offers access to the direct bank from 0700hrs to 2400hrs. Customers are increasingly opting to order and buy bank products via the direct bank and digital channels. The mobile bank has shown strong growth in customer numbers over the course of 2013. The number of logins per month is now larger at the mobile bank than at the internet bank. We note that mobile bank customers use the bank more frequently, and log in up to 20 times per month.

Customer needs and customer behaviour will lead the way in the development of the Bank's digital solutions. The combination of a strong physical distribution through an efficient and effective office network and good self-service solutions gives SpareBank 1 SMN a strong strategic position. This provides a robust basis for good customer relationships.

SpareBank 1 SMN Markets

The business

SpareBank 1 SMN Markets has a staff of 34 in the following departments: fixed income/foreign exchange, securities and operations. The corporate business has carried on at SpareBank 1 Markets as from 1 October 2013. Markets has four staff members employed at Head Office in Trondheim who conduct risk operations in fixed income derivatives, forward contracts, forex and securities. This makes it possible to offer customers competitive trade prices without price-raising intermediaries. Activity at the offices in Molde and Ålesund is in the hands of customer brokers who primarily provide services in the fixed income and foreign exchange area.

SpareBank 1 SMN Markets' ambition is to be the leading capital market operation in Trøndelag and in Møre and Romsdal. This ambition will be achieved through a continuous focus on specialist competence and knowledge of customer needs in close interaction with advisers affiliated to Corporate at the bank.

Customers and market position

The customers are mainly small and medium businesses situated in Trøndelag and in Møre and Romsdal. Most of them report SpareBank 1 SMN as their main bank. SpareBank 1 Markets also delivers capital market services to customers of eleven SpareBank 1 banks affiliated to Samarbeidende Sparebanker (Samspar). The unit notes an increase in customer numbers and sees a considerable potential for strengthening the regional market position.

Financial developments

SpareBank 1 SMN Markets recorded total income of NOK 100m in 2013, a decline of NOK 16m compared with the previous year. Incomes are dominated by customer trading and risk refinement in fixed income and forex instruments. The securities business has achieved an increase in incomes from bond trading.

Prospects for 2014

Strengthening advisory capacity in the risk analysis field for customer trades for hedging purposes is expected to provide a positive effect. An increased focus on bond trading will likely strengthen income from securities further in 2014. The introduction of electronic currency trading is expected to have a positive effect on incomes as a result of increased customer trading.

Affiliates and subsidiaries

The SpareBank 1 Alliance

The Norwegian SpareBank 1 banks operate an alliance and develop products through the jointly owned companies SpareBank 1 Gruppen and Alliansesamarbeidet SpareBank 1.

The SpareBank 1 Alliance is Norway's second largest financial services grouping. The Alliance consists of independent banks that are fully-fledged providers of financial products and services to private individuals and firms.

The Alliance wants customers to feel that SpareBank 1 is the best in terms of its closeness, local identity and competence. It has an overall workforce of about 6,500, of whom about 1,300 are attached to SpareBank 1 Gruppen and the latter's subsidiaries.

SpareBank 1 Gruppen and Alliansesamarbeidet SpareBank 1 make up the Collaborative Alliance. The mission of the Alliance is to deliver attractive products and services with a focus on good customer experience in order to contribute to the SpareBank 1 banks' competitiveness and profitability, enabling them to remain strong and independent. The Collaborative Alliance's vision is: Attractive to the customers and the banks!

About SpareBank 1 Gruppen

SpareBank 1 Gruppen is owned by SpareBank 1 SR-Bank (19.5 per cent), SpareBank 1 Nord-Norge (19.5 per cent), SpareBank 1 SMN (19.5 per cent), Sparebanken Hedmark (12 per cent), Samarbeidende Sparebanker (19.5 per cent), and the Norwegian Confederation of Trade Unions (LO) and affiliated unions (10 per cent).

SpareBank 1 Gruppen owns 100 per cent of the shares of:

- SpareBank 1 Forsikring (life insurer)
- ODIN Forvaltning (fund manager)
- SpareBank 1 Medlemskort
- SpareBank 1 Gruppen Finans
- Conecto

About the SpareBank 1 Collaborative Alliance

The Alliance is owned by the SpareBank 1 banks and SpareBank 1 Gruppen. This company's mission is to develop and deliver joint IT and mobile solutions, brand-building and marketing concepts, business concepts, products and services, competence, analyses, processes, best practices and procurement. The company also comprises three competence centres: Cash Management in Trondheim, Credit in Stavanger and Training in Tromsø. The following subsidiaries are included as from 1 January 2014:

- EiendomsMegler 1 Norge (real estate agency)
- SpareBank 1 Kundesenter (customer service centre)
- SpareBank 1 Verdipapirservice (securities services)

Companies directly owned by the majority of the banks and LO with varying holdings

- Bank 1 Oslo Akershus
- BN Bank
- SpareBank 1 Boligkreditt
- SpareBank 1 Kredittkort
- SpareBank 1 Næringskreditt
- SpareBank 1 Markets

The SpareBank 1 Alliance consists of the following banks:

- SpareBank 1 Nord-Norge
- SpareBank 1 SMN
- SpareBank 1 SR-Bank
- Sparebanken Hedmark
- SpareBank 1 Ringerike Hadeland
- SpareBank 1 Østfold Akershus
- SpareBank 1 Hallingdal Valdres
- SpareBank 1 Buskerud-Vestfold
- SpareBank 1 Gudbrandsdal
- SpareBank 1 Nordvest
- SpareBank 1 Telemark
- SpareBank 1 Modum
- SpareBank 1 Lom og Skjåk
- SpareBank 1 Nøtterøy-Tønsberg
- SpareBank 1 Søre Sunnmøre
- Bank 1 Oslo Akershus
- BN Bank

BN Bank
SpareBank 1 SMN is the largest shareholder in BN Bank with a 33 per cent stake. Other owners are SpareBank 1 SR-Bank (23.5 per cent), SpareBank 1 Nord-Norge (23.5 per cent) and SamSpar Bankinvest (20 per cent). The SpareBank 1 banks have owned BN Bank since December 2008 when the Ministry of Finance authorised the SpareBank 1 banks' purchase of all shares of Glitnir Bank, which changed its name to BN Bank.

BN Bank's strategy is to be an effective specialised bank in selected segments. BN Bank operates nationwide, but has most of its customers in Trondheim, Oslo and southeast Norway. In the retail market BN Bank is a specialised self-service bank for customers who want efficient, straightforward and predictable banking services on mobile, tablet and internet. In the corporate market BN Bank is a specialised bank in the field of commercial real estate finance. The bank is an efficient, competent, prompt and predictable partner for its customers. Specialisation and self-service will make BN Bank the country's most cost-effective bank. This will ensure competitive terms for the customers and good return for the owners over time.

As at 31 December 2013 BN Bank had 126 employees, deposits totalling NOK 15bn and loans worth NOK 29bn (including loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt). Total assets at the same point came to NOK 38bn including loans transferred to SpareBank 1 Næringskreditt and SpareBank 1 Boligkreditt.

Subsidiaries

EiendomsMegler 1 Midt-Norge
EiendomsMegler 1 Midt-Norge has a solid market-leader position in Trøndelag and in Møre and Romsdal. This position was reinforced in 2013.

The company delivered in 2013 a profit of NOK 60.7m before tax.

In 2013 the company came third on Great Place to Work's list of Norway's best employers, and number eight in Europe. The company has a very high customer satisfaction rating, enjoys high preference among housing stakeholders, and can safely vouch for its vision of being Norway's most profitable real estate agency for its customers, staff and owners alike.

Its strategy of taking on, developing and retaining the best staff in the business was reinforced in 2013, and person-years worked rose substantially over the year, in keeping with a strategy of growth.

The company has specialised operations which include separate units for project and commercial property broking. These operations complement its traditional residential agency business which to a greater degree will be a specialist function maintaining a local presence, co-located with banking, in various parts of Trondheim and the surrounding district.

EiendomsMegler 1 Midt-Norge sold 6,237 properties in 2013, representing a market share of more than 40 per cent in our region. The company is equipped for continued growth both in profit and market shares ahead. The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

SpareBank 1 Finans Midt-Norge

SpareBank 1 Finans Midt-Norge is the region's leading finance company and an active partner for businesses and private individuals. SpareBank 1 SMN Finans emphasises local competence, and works for greater value creation in Trøndelag and in Møre and Romsdal.

SpareBank 1 Finans Midt-Norge offers car loans, boat loans, leasing and business loans to corporates and private individuals. The company services the market through its own sales operation and through the Bank's offices and other partners. The company's values are its easy access, prompt response, proactive stance, solution focus and probity.

At year-end the company managed leasing and loan agreements worth NOK 3.3bn. The company has 33 employees in Trondheim, Steinkjer, Kristiansund, Molde and Ålesund. The company posted a profit of NOK 50,7m before tax in 2013.

Structured collaboration with the Bank is reaping results. In 2013, as in 2012, the company expanded its loan portfolio and the proportion of internet applications is rising. The leasing portfolio was unchanged from the start of 2013. SpareBank 1 Finans Midt-Norge has established both a new vision and a new value set, a new set of objectives and a new strategy for the period to 2019.

The company is owned by SpareBank 1 SMN (90.1 per cent), SpareBank 1 Nordvest (4.95 per cent) and SpareBank 1 Søre Sunnmøre (4.95 per cent).

SpareBank 1 Bilplan

SpareBank 1 Bilplan delivers car fleet management solutions to the public and private sectors nationwide. The company services the market through its own sales operation and through cooperation with SpareBank 1 Finans Midt-Norge, SpareBank 1 SR-Finans, SpareBank 1 Finans Nord-Norge and through the Bank's office network.

The organisation's focus is on being close at hand and accessible to customers. SpareBank 1 Bilplan's main mission is to ensure problem-free car maintenance for its customers. SpareBank 1 Bilplan's solutions give the customer a continuous overview of and access to reporting from the overall level down to each individual car.

The company has twelve employees, all working out of Trondheim. The business has high competence and highly motivated staff. In 2013 the company recorded a loss of NOK 1,4m before tax. The company is entirely owned by SpareBank 1 SMN.

SpareBank 1 Regnskapshuset SMN

In 2013 SpareBank 1 Regnskapshuset SMN achieved a pre-tax profit of NOK 14m on a turnover of NOK

133m. With 13 per cent turnover growth, the company has a market share in Trøndelag of 13 per cent. SpareBank 1 Regnskapshuset SMN is now one of the three largest actors in the accountancy business in Norway with close to 200 staff at year-end.

The company is experiencing a growing influx of new customers. In 2013 221 new customer agreements were established. While the bulk of the growth is in the corporate market, new customers are also being attracted in the following customer segments: farm operators, housing cooperatives/co-ownerships and pools/associations.

Over the course of 2013 the business has built up a dedicated advisory/technical department, comprising experts in tax, accountancy and governance. This strengthening of competence enables an increased customer influx, increased specialist competence in-house and a strengthening of the company's position in the market. In 2013 it intensified its focus on competence-building throughout the company, for example through theme days arranged for the entire staff and a special advisory programme.

In 2013 the company acquisitions Interdata Berkåk and Widar Nyheim were absorbed, along with the subsidiaries Røros Regnskap and Calculus, by SpareBank 1 Regnskapshuset SMN.

In the current year the company has taken over the customer portfolio and staff of Snåsa Regnskapslag, Consis Røros and Accountor Stjørdal and acquired all the shares of GWG Regnskap and Admin in Verdal. These businesses are to be integrated into SpareBank 1 Regnskapshuset SMN in 2014. Further, agreements have been signed to acquire Merkantilservicegruppen in Trondheim and Økopartner in Ålesund with takeover scheduled for 1 January 2014. All together these acquisitions have increased the number of custsomers with 740.

SpareBank 1 Regnskapshuset SMN owns 40 per cent of the shares of SpareBank 1 Regnskapshuset Østlandet. SpareBank 1 Regnskapshuset SMN also owns 50 per cent of the shares of Leksvik Regnskapskontor.

In conjunction with other banks in the SpareBank 1 Alliance in the region, the company intends to build up a strong national actor in the accounting industry. In June 2013 the SpareBank 1 Alliance launched SpareBank 1 Regnskapshuset as the brand name for this joint venture. This will play its part in consolidating and strengthening SpareBank 1 Regnskapshuset SMN's position in Trøndelag and in Møre and Romsdal.

Allegro Finans

Allegro Finans, headquartered in Trondheim, is the largest management company in the region. The company is owned by SpareBank 1 SMN (90.1 per cent) and the Reitan Group (9.9 per cent). The company is licensed to carry on active asset management. It manages assets for external public, private and institutional clients. The company's services are sold exclusively through external distributors that are licensed to engage in such activity. The company has distribution agreements with a number of banks in the SpareBank 1 Alliance.

The company has 10 employees and assets totalling about NOK 3bn.

The company primarily offers management services designed to capture the effect of changes in market conditions. Hence the portfolio array mainly comprises asset allocation portfolios, where the company has the largest business volume. The company's allocation portfolios performed better than their benchmarks in 2013. The accounts show a profit of NOK 9.3m before tax.

SpareBank 1 SMN Card Solutions
SpareBank 1 SMN Card Solutions sells and operates prepaid cards based on the Visa and MasterCard payment networks. The company is a wholly-owned subsidiary of SpareBank 1 SMN and operates under the trademark SpendOn in Norway, Sweden and Denmark. In addition the company offers operating services related to the issue of prepaid cards for actors in the retail, telecoms, banking/finance and public sector fields.

The company sells its payment products and services principally through convenience stores and grocery stores throughout Scandinavia. The market for prepaid cards in Scandinavia is rapidly expanding and promises sound growth in the years ahead.

The company delivered a profit of NOK 2.9m before tax in 2013.

SpareBank 1 Invest
SpareBank 1 Invest's vision is to be a preferred partner in the capitalisation of local equity funds and single investments, and thereby contribute to regional value creation in the same market area as the Bank. SpareBank 1 SMN Invest will contribute capital, network and competence. The company will by virtue of its position exploit acquired knowledge that is unavailable to an ordinary equity certificate holder.

The company's strategy is to carry out investments in regional seedcorn, venture and private equity funds and to invest directly in growth companies with national/international market potential in the same market area. By this means the company will contribute competence-based jobs, attractive new customers for the Bank and regional value creation. It will in addition facilitate an increased supply of risk capital to the region in collaboration with the business area Corporate and SpareBank 1 Markets as well as positioning ahead of stock exchange listings.

The company has two employees in Trondheim. The business has highly qualified staff and ample competence. The company reports a profit of 46,6m before tax for 2013.

Property companies
SpareBank 1 SMN Kvartalet has as its mission to own, develop and manage built-up real property. The company was in charge of the construction of SpareBank 1 SMN's new head office in Søndre gate, Trondheim. The building was completed on 20 October 2010. The head office is a low energy building certified in energy class A.

SpareBank 1 Bygget Steinkjer has as its mission to own and manage the new bank building on the station site in Steinkjer. The company completed in May 2012 a new office building of about 1,800m^2 for the Group in Steinkjer. The building is on lease to SpareBank 1 SMN which subleases it to EiendomsMegler 1 Midt-Norge and SpareBank 1 Regnskapshuset SMN.

Brannstasjonen SMN has as its mission to own, operate and develop property. The company acquired Trondheim Brannstasjon (fire station) at Kongens gate 2 from the City of Trondheim. The building was erected in two stages in 1943 and 1948/49 with a total area of about 5,733 sq.m. distributed over eight floors, of which two floors are below ground. After partitioning, the owned site measures about 900 sq.m. The fire station is classified as a building of high antiquarian value. The property will be rehabilitated to a modern office/commercial building.

St Olavs Plass 1 SMN was founded on 26 November 2012 for the purpose of owning, operating and developing property. The company acquired the St Olavs Plass 1 property in Ålesund in October 2012. The building measures about 3,979 sq.m. distributed over six floors, of which one floor is below ground. The building was erected in 1907 and extended in 1963 and 1996. In addition to SpareBank 1 SMN, the following undertakings are tenants in the building: Innovation Norway, Salmar Sales and Golden Energy Offshore Management.

Jernbanegata 19 SMN has as its mission to own, operate and develop property. The company acquired the property in September 2013. The building measures 2,407 sq.m. distributed over four floors, of which one floor is below ground. The building was erected in 1983. In addition to SpareBank 1 SMN, the following are tenants in the building: Attorney-at-Law Marcus Amdahl, Dental Practitioner Kjetil Kroglund, Dental Practitioner Otto Indgul and Dental Practitioner Unni Walberg.

SpareBank 1 Bygget Trondheim owns, operates and leases parts of the property at Søndre gate in Trondheim. Parts of the building are leased to SpareBank 1 SMN, which subleases to EiendomsMegler 1 Midt-Norge, SpareBank 1 Markets, SpareBank 1 Bygget Trondheim and SpareBank 1 Regnskapshuset SMN. The company operates a conference centre and is responsible for the staff canteen and reception at Head Office. The company is wholly owned by SpareBank 1 SMN.

Corporate social responsibility

As a major regional bank, SpareBank 1 SMN lives in close community with the region. Ever since the Bank was established in 1823, further development of the society of which we are a part has been a central focus of our policy choices and dispositions. With our local knowledge and closeness to our customers, we base our assessments not on economics and risk alone but also on a social perspective, and we work closely with our customers and local communities to foster sound businesses and good living conditions.

Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3 which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. This ensures that ethics, the environment and important social issues are on the agenda throughout.

Through the Bank's gift fund we have for many years returned funds to the region of which we are a part. We can mention grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development in Trøndelag and in Møre and Romsdal.

An active interplay between research, development, education and the business sector is important for the region's development. Each year SpareBank 1 SMN devotes substantial resources to stimulating innovation and to bringing together industry, business and knowledge institutions. Our collaboration with the Norwegian University of Science and Technology (NTNU) and the Foundation for Scientific and Industrial Research (SINTEF), both in Trondheim, along with iKuben in Molde and Aalesund University College, is key to this effort.

The three-part bottom line

Solid banking creates a foundation for responsible social development. As a basis for our work, we have sought a balance between the financial, social and environmental aspects of the three-part bottom line. Under each theme we have defined key areas on which we maintain a special focus, and goals and initiatives have been developed for each area.

CSR status and goal achievement 2008 - 2013

	2008	2009	2010	2011	2012	2013
Strategy/financial						
Group strategy	Updated	Continued	Continued	Continued	Continued	Continued
Develop CSR strategy	Established	Continued	Continued	Continued	Continued	Continued
Pre-tax profit (NOKm)	778	1,147	1,282	1,279	1,355	1,758
Total assets (NOKm)	84,670	84,541	97,992	101,455	107,919	115,630
Return on equity	11.90 %	16.20 %	14.60 %	12.80 %	11.70 %	13.30 %
Core capital ratio	8.10 %	10.40 %	10.90 %	10.43 %	11.34 %	13.00 %
No. of ECs issued (millions)	82.41	82.78	102.74	102.76	129.83	129.83
Quoted price 31.12	38.07	45.06	49.89	36.31	34.80	55.00
Market capitalisation (NOKm) 31.12	1,750	3,749	5,124	3,731	4,518	7,141
Direct return	5.10 %	4.60 %	5.60 %	5.10 %	4.30 %	3.20 %
No. of owners	9,123	9,500	9,654	9,532	9,749	8,741
Knowledge of bank's ethical rules at least 90 %	96 %	96 %	96 %	96 %	96 %	96 %
Society/social conditions						
No. of FTP equivalents	775	805	793	794	819	758
Sickness absence	3,84 %	4,22 %	4,00 %	4,00 %	4,60 %	4.08 %
Women's share of workforce	51.5 %	51.5 %	51.0 %	52.0 %	51.9 %	51.0 %
Women's share of senior positions	26.0 %	28.0 %	28.0 %	27.0 %	28.7 %	31.6 %
Average age	45 år	45 år	46 år	46 år	46 år	46 år
Employee satisfaction	75	75	I/T	715*	730*	756*
Agreement on inclusive employment	Videreført	Videreført	Videreført	Videreført	Videreført	Videreført
Strategy on life phase policy	Videreført	Videreutviklet	Videreutviklet	Videreført	Videreført	Videreført
Managerial development programme	Videreført	Videreført	Videreført	Videreført	Ikke gjennomført	Ikke gjennomført
No. of offices	56	56	54	54	51	50
No. of customers	192,000	194,000	194,500	196,500	200,900	201,500
Share of internet banking customers	54 %	57 %	73 %	81 %	95 %	95 %
Share of electronic bill payments	91 %	92 %	99 %	99 %	99 %	99 %
Share allocated to culture	22 %	24 %	22 %	24 %	17 %	21 %
Share allocated to sports	16 %	20 %	23 %	23 %	21 %	15 %
Share allocated to humanitarian work	6 %	4 %	6 %	6 %	12 %	5 %
Share allocated to business development	56 %	52 %	43 %	38 %	35 %	59 %
Environment						
Purchase of paper (tonnes)**	46.50	35.90	39.10	35.70	26.90	35.80
Energy consumption (kWh)	6,193,000	6,580,000	7,004,400	6,900,500	6,135,000	6134 600
No. of flights	3,984	3,585	3,816	3,910	3,524	3,517
E-waste return scheme (tonnes)	5.30	2.90	3.43	3.40	3.25	3.10
Waste sorting at source	Continued	Continued	Continued	Continued	Continued	Continued
Printer and toner return scheme	Continued	Continued	Continued	Continued	Continued	Continued
No. of videoconferencing rooms	3	6	6	8	10	10
Strategy/action plan for energy and the environment at the new head office	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices certified under the 'Environmental Lighthouse' scheme	I/T	1	1	2	4	4

* New system for organisational analysis as from 2011

** Slight increase in paper consumption from 2012 to 2013 due to increased customer base.

Ethics

The Group's business activities are dependent on the confidence of its customers, the public authorities and the wider society. Staff at SpareBank 1 SMN must be recognised for their high ethical standards. To this end each of us, in any context where we are identified with SpareBank 1 SMN, must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed.

SpareBank 1 SMN intends to provide factual, correct information in an honest, trustworthy and open manner about the Bank's business and services.

SpareBank 1 SMN has set up the following formalised, repeating review of the Bank's ethical guidelines for the Group's employees; this, in sum, constitutes the formal framework tool for the practical conduct of all staff of the Bank.

- The ethical guidelines are a part of the staff handbook, and thus a part of the employment contract
- The ethical guidelines are reviewed, with pertinent examples presented for discussion by all new staff
- Ethics is a compulsory module at the Bank's educational facility and must be successfully completed by all staff once every three years

Organisation and staff

SpareBank 1 SMN intends to be an attractive and inclusive employer for staff in all age groups and life phases. The Bank sets the stage for all staff to experience a good balance between work, home and leisure. We also encourage staff to maintain good health by promoting physical activity. This is based on the belief that staff members whose needs are catered for put in a better performance in the best interest of themselves and the business.

SpareBank 1 SMN has relatively low rate of sickness absence of 4.08 per cent. We believe this can to some extent be ascribed to staff that are motivated by challenging and stimulating work at the same time as many stay in shape through various types of physical activity.

We have a good gender and age balance. The Bank is working to raise the proportion of women in senior positions. In 2013 women held 31.6 per cent of senior positions compared with 28 per cent in 2012.

The Group has established a robust framework in the organisational area:

- staff handbook, health, environment and safety (HES) handbook, inclusive employment agreement
- internal committees fixed by agreement: liaison committee, appointments committee and negotiating committee
- ethical guidelines, procedure for reporting concerns and procedure for handling conflicts
- induction programme and gatherings for new staff members
- targeted competence development through adviser training and the educational facility
- framework for personal professional development sessions
- annual staff survey and follow-up
- phase-of-life policy

The Group has established a project known as ‘Better Shape’ to promote good health, increased motivation and well-being. The project is a targeted drive aimed at motivating staff to increase their physical activity.

Corruption and internal illegalities

Corruption is defined as giving/offering or demanding/receiving/accepting an improper advantage in relation to a position, office or assignment.

Internal illegalities include acts whereby a staff member, substitute, elected officer or member of a governing body of SpareBank 1 SMN knowingly and unjustifiably commits an act that leads to personal or financial gain for the individual concerned or for others. This may be by means of embezzlement, theft, forgery, breach of financial trust, fraud, selling information or withholding information. Irregularities can include breaches of applicable instructions, code of ethics, procedures, authorisations or agreements.

The Group’s sanctions system is designed to assure uniform responses, reporting, archiving and follow-up of censurable circumstances among staff across the Group. The object of the sanctions system is to have in place an effective set of rules that ensures compliance with the established code of business conduct while safeguarding staff members’ security under the law.

Disclosure of corruption and other illegalities at an enterprise is generally termed “whistleblowing”. Everyone has a social responsibility and no-one should keep quiet about criminal offences. SpareBank 1 SMN has a keen awareness of this issue and takes precautionary measures against, and uncovers, cases of corruption and illegalities and investigates any suspicion of illegality or wrongdoing.

Money laundering and financing of terrorism

SpareBank 1 SMN works systematically to uncover and combat economic crime. The know-your-customer principle is widened in the new money laundering legislation to include both know-your-customer and know-your-customer’s business. This means that we as a financial institution are required to know what transactions are normal for the particular customer to carry out if we are to be able to uncover unusual or suspicious transactions. Requirements on financial institutions are tightened with regard to identity verification and customer due diligence and to recording information about the customer.

Authorities, customers and competitors must have confidence in SpareBank 1 SMN’s professionality and honesty. By maintaining vigilance at all levels of the organisation we make our contribution to ensuring that products and services are not exploited to criminal ends, including money laundering and terrorist financing. We are required to investigate all suspicious transactions. These are handled by a dedicated system and are reported under special criteria to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim).

As an institution subject to the reporting obligation, SpareBank 1 SMN is required to make a concrete review of the risk of money laundering and terrorist financing facing its business. The risk analysis is revised annually. For the year 2013 the risk of money laundering and terrorist financing to SpareBank 1 SMN is considered to be at a moderate/low level given the procedures and measures adopted by the Bank. The internal procedures ensure that SpareBank 1 SMN fulfils all relevant rules related to anti-money laundering and anti-terrorist financing measures, and all procedures have been prepared against the background of a concrete risk-based review of the business.

As required by the legislation, SpareBank 1 SMN has created an anti-money laundering function within the Group management team. The day-to-day central exercise of this function and the associated reporting is assigned to the Security Department. The Bank has also established an internal anti-money laundering group drawing staff from all relevant customer segments and areas of the banks' business.

All staff members are required at specific intervals to undergo mandatory e-training with regard to money laundering and terrorist financing. In 2013, 237 staff members underwent such training. The Security Department held 12 presentations for a total of some 300 staff as part of their training in combating various forms of economic crime.

Environment

The Group consistently implements measures designed to reduce consumption of electricity, paper and other resources. We are also reducing resource-demanding travel by replacing travel with video conferencing. Handling of e-waste and purchase of environment-friendly solutions also receives much attention. The Bank strives throughout to ensure the right procurement of technological equipment, and to this end includes energy and environmental requirements as specific assessment criteria. This is set out in a procurement guide, and our Environmental Lighthouse action plans

All technological equipment is handled as special waste, and is delivered to an approved e-waste disposal facility. In 2013 3 tonnes of technological waste were delivered to such a facility. Increased use is made of electronic work processes, and the introduction of new copy and print solutions has reduced paper consumption. The growing use of electronic processes imposes greater demands on safety and personal protection. The following measures are being put in place to ensure a focus on, and competence in, safety.

- Regular internal safety courses
- National safety exercises (disaster preparedness exercises)
- Free-of-charge software for enhanced customer safety
- Instructing older users in safe internet banking and mobile banking

SpareBank 1 SMN made 3,517 business trips in 2013 compared with 3,524 in 2012. Despite increased customer activity and the Bank's involvement in committees and projects under the auspices of the SpareBank 1 Alliance, air travel has been reduced. Videoconferencing, telephone conferencing and digital tools to support teamworking and knowledge sharing are the main factors behind the reduced travel activity. We also encourage employees to take public transport or, preferably, to walk or cycle to and from work.

Very low energy consumption at the new head office

SpareBank 1 SMN relocated to its new head office in Trondheim in autumn 2010. Our energy consumption and indoor climate targets were ambitious. The energy consumption target for the new office premises section of the building was 85 kWh per square metre. This target was met by an ample margin in the first year. After three years of operation, energy consumption in this section has stabilised at 77 kWh per square metre, which is far below the limit of 144 kWh per square metre set by the authorities. Savings on operating expenses are therefore substantial. In spring 2012 our office in Steinkjer moved into new premises based on the same energy principles as the new head office. This building also has a very low energy requirement. The reasons for the low energy consumption are numerous and complex, but the main individual factors are:

- a well isolated and efficient building envelope
- a highly energy-efficient ventilation system
- a sophisticated control and operation-monitoring system
- organisation of the workplace and monitoring by the building's users

Work on energy-reducing measures is in progress at all offices undergoing environmental certification.

Environmental lighthouse
SpareBank 1 SMN has opted for certification under 'Environmental Lighthouse', a national certification scheme catering to the private and public sectors. We gain certification using the head office model. At end-2013 the Trondheim head office and the offices in Ålesund, Stjørdal and Steinkjer were certified. Our subsidiaries SpareBank 1 Finans Midt-Norge and SpareBank 1 Bilplan are also certified. This means that offices in which about 600 staff work on a daily basis are now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. The offices in Verdal, Inderøy and Snåsa have been enrolled for certification in the first quarter of 2014. Certification of seven offices continues in 2014, and work is to start on a further 15 offices. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS ("Green Dot Norway plc").

SpareBank 1 SMN's monetary gifts

SpareBank 1 SMN's gift work is based on the precept that the Bank's monetary gifts should be non-profit, i.e. all financial support should be for the common good and benefit as many as possible. The emphasis is on awards that contribute to building, supporting and developing the region. We contribute competence and capital to enable the creation of new value and to make the region an attractive place to live.

- We apply a process-oriented approach in which individuals, ideas and resources are brought together to create a symbiosis that fosters value creation
- We supply capital to activities that promote social objectives

We impose the same ethical and environmental demands on our partners as on ourselves. In processes, and in the case of awards of some size, written agreements are established to ensure that our social requirements are complied with. Our main focal areas are the following:

Business development:

- innovation
- competence transfer to the region's business and industry
- assisting infrastructure development
- developing entrepreneurship
- start-up assistance (seedcorn and venture capital)

Culture/sports:

- cultural, sports, health, environmental, ethical and humanitarian purposes
- special focus on children and young people

- helping to strengthen the region's identity and historical foundation based on the St. Olav tradition and legacy
- helping to stimulate talented individuals, young people and enthusiasts in the spheres of culture and sports

SpareBank 1 SMN disbursed about NOK 50m to non-profit causes in 2013.

Governance

SpareBank 1 SMN builds its business on short decision-making paths, and strengthens its independence by being a SpareBank 1 Alliance partner.

Group management

Finn Haugan (1953)
Group CEO

Business economist from the Norwegian School of Management (1977).

Joined SpareBank 1 SMN as CEO in 1991. Title changed to Group CEO in 2010. Experience from managerial positions at Fokus Bank, his final two years as Deputy CEO.

Chairman of BN Bank, Deputy Chairman of Finance Norway (FNO) and Board member of Norwegian Savings Banks Association. Board member of SpareBank 1 Gruppen, NETS and Bank 1 Oslo Akershus.

Chairman of Fotograf Schrøders Stiftelse and Foto Schrøder. Chairman of the Supervisory Board of Selskabet for Trondhjems Bys Vel.

Vegard Helland (1975)
Executive Director Corporate

Business economist from the Bodø Graduate School of Business (1999), authorised financial analyst (AFA) from the Norwegian School of Economics and Business Administration (2007).

Joined SpareBank 1 SMN in 2003. Primarily responsible for major clients. Head of the SpareBank 1 SMN's Corporate market Division since August 2010. Head of the SpareBank 1 SMN's group credit committee since 2007. Previously with KPMG and the Centre for Aquaculture and Fishery.

Chairman of SpareBank 1 Finans Midt-Norge and Board member of SpareBank 1 Gruppen Finans, Conecto and Mavi XV. Deputy Chair of SpareBank 1 SMN Card Solutions.

Kjell Fordal (1957)
Executive Director Finance

Business economist from the Norwegian School of Management (1981) and Master of Management from the same institution (2004).

Joined SpareBank 1 SMN in 1982.

Chairman of SpareBank 1 Regnskapshuset SMN, SpareBank 1 SMN Pensjonskasse, SpareBank 1 Næringskreditt, SpareBank 1 Boligkreditt and Prøven Eiendom. Board member of SpareBank 1 Markets, SpareBank 1 Kredittkort, SpareBank 1 SMN Invest, SpareBank 1 SMN Kvartalet, BN Boligkreditt and Bolig- og Næringskreditt.

Tina Steinsvik Sund (1970)
Executive Director E-business and HR

Graduate engineer, Industrial Economics, from the Norwegian University of Science and Technology (1995), MBA from INSEAD, France (2000).

Joined SpareBank 1 SMN in 2006. Previously with Accenture and Intel Capital.

Board chair of SpareBank 1 SMN Invest, SpareBank 1 SMN Card Solutions and SpareBank 1 Bygget Trondheim. Board member of ProVenture Seed and Argentum Fondsinvesteringer.

Wenche Margaretha Seljeseth (1964)
Executive Director Product, Processes and Production

Law graduate, University of Oslo (1996). Bachelor of Business Administration, Norwegian School of Management (BI) (2002).

Joined SpareBank 1 SMN in 2008. Executive Director in 2011. Various senior positions with Vital Forsikring and Gjensidige.

Board member of SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, SpareBank 1 Bilplan, Allegro Finans and Brannstasjonen SMN.

Svein Tore Samdal (1971)
Executive Director Offices

Master's degree in Political Science, Norwegian University of Science and Technology (1999).

Joined SpareBank 1 SMN in 2013. Has held senior positions at Eiendomsmegler 1 Midt-Norge since starting in 2006.

Previously Sports Director of the women's national cross-country ski team at the Norwegian Ski Federation, 2001-2006.

Board position with Aktimed Nord-Trøndelag, Retro, Lounge and KG Treningssenter.

Board of Directors

Kjell Bjordal (1953) Board Chairman
Business economist from the Norwegian School of Economics and Business Administration NHH (1976), law studies and Advanced Management Program at Wharton Business School (1989).

Board member since 2007.

Self-employed.

Experience as CEO of EWOS Group and head of Cermaq's fish food division. Finance director and CEO of the Glamox Group, CEO of NorAqua and director of Trøndelag Theatre. Chairman of Axess, Brødrene Dyrøy, Norsk Landbrukskjemi and Florvaag Bruk Holding. Board member of Entra Eiendom and Pharmaq.

Attended 17 of 17 meetings of the Board of Directors in 2013.

Bård Benum (1962)
Graduate of the Norwegian University of Science and Technology (NTNU) (1987).

Board member since March 2009.

Group CEO at Powel. Senior positions at Norsk Hydro, Statoil, Reitan Group. CEO at Cresco (1998-2000) and Vital Forsikring (2001-2007).

Attended 16 of 17 meetings of the Board of Directors in 2013.

Paul E. Hjelm-Hansen (1962)
MBA from the University of Denver, USA (1988), Certified European Financial Analyst (AFA) from the Norwegian School of Economics and Business Administration (1996) and Authorised Portfolio Manager (Norwegian Society of Financial Analysts/Norwegian School of Economics and Business Administration) (2001).

Board member and chairman of the Internal Audit Committee since 2008. Head of Risk Committee since 2013.

Private investor and self-employed financial adviser. Has held positions as financial analyst, as portfolio manager at Christiania Bank og Kreditkasse and Fokus Bank and as head of finance and finance director at Bachke & Co and Det norske oljeselskap respectively.

Chairman of Arild og Emilie Bachkes Fond, Trondhjems Kunstforenings legatstyre and Generalkonsul Adolf Øiens Donationsfond. Board member of Bachke & Co.

Attended 17 of 17 Board meetings in 2013.

Arnhild Holstad (1963)
Cand.mag degree and journalist.

Board member since 2010.

Communication manager at Statskog since 2007. Political adviser at the Ministry of Labour and Social Inclusion (2005-2007). Project manager at Olav Duun Innovasjon (2003-2005). Journalist with the Namdalsavisa newspaper (1991-2003). Refugee advisor, Aukra municipality (1988-1989). Teacher at Oppegård upper secondary school (1987-1988). Deputy chair, Norwegian State Council on Disability. Board member of NTE Holding.

Attended 17 of 17 Board meetings in 2013.

Aud Skrudland (1959)
Veterinary doctor, Norwegian School of Veterinary Science (1984). Specialist in fish diseases. Additional training in marketing and public law.

Board member since 2010.

Special inspector with the Norwegian Food Safety Authority, Steinkjer. Experience from the fish farming industry in the fields of fish health and product development, marketing and sale of medicinal products for fish.
Member of the programme committee on aquaculture at the Research Council of Norway. Former member of the Averøy municipal council and municipal executive board, the Board of Directors of Romsdals Fellesbank, the Control Committee and the Supervisory Board of SpareBank 1 SMN.

Attended 16 of 17 Board meetings in 2013.

Morten Loktu (1960)
Master of Science, Norwegian University of Science and Technology (1984).

Board member since 2013.

Area director, Statoil's production and development activity off Mid-Norway. Joined Statoil in 1985 and has held various posts including in research and development. In charge of Statoil's technology organisation, 2000-2002. Senior Vice President, research and development at Statoil, 2005-2010. Group CEO, SINTEF Group, 2002-2004.

Previously board member at the Norwegian University of Science and Technology, board member at Rosenborg Ballklub, RBK.

Attended 8 of 12 Board meetings in 2013.

Venche Johnsen (1952)
Varied education at Bankakademiet and at university college level.

Board member since 2004.

Group employee representative at the Finance Sector Union branch at SpareBank 1 SMN. 35 years' experience in various positions with SpareBank 1 SMN.
Attended 16 of 17 Board meetings in 2013.

Bente Karin Trana (1959)
Business economist (1984), continuing education at the Norwegian University of Science and Technology (1996, 2009) and the Norwegian Defence University College (2002).

First alternate member to the Board of Directors since 2010.

Head of Department at the Norwegian Public Roads Administration since 2001, previously Head of Administration and Acting Regional Roads Director, Nord-Trøndelag. Thirteen years' experience of project management with Aker Verdal and Aker Engineering, Oslo. Experience from Nord-Trøndelag University College and the Norwegian Trade Council, Milan.

Board chairman of STAS, Steinkjer. Previous Board member of Accretio, Namsos. Deputy chair Forsvarets høgskoleforening, Oslo.

Attended 14 of 17 Board meetings in 2013.

Jan Gunnar Kvam (1947)
Varied education at Bankakademiet.

Board member since 2004. Regularly attending alternate for the employees. Deputy head of Finance Sector Union branch at SpareBank 1 SMN.

43 years' experience in various positions with SpareBank 1 SMN.

Attended 16 of 17 Board meetings in 2013.

Elected officers

Supervisory Board

Members elected by the ECC holders	**Domicilie**	**No. Of ECCs***
Alf E. Erevik	Hønefoss	210,248
Arne Lorentsen	Trondheim	160,367
Asbjørn Tronsgård	Sunndalsøra	37,222
Anne-Berit Skjetne	Levanger	3,972,032
Berit Tiller	Trondheim	877
Erik Sture Larre	Oslo	1,135,193
Gunnar Heglund	Trondheim	825,931
Jorunn Skjermo	Trondheim	0
Lars Bjarne Tvete (deputy chair)	Trondheim	1,600
Marit Collin	Trondheim	3,555
Odd Reitan	Trondheim	0
Olav Revhaug	Oslo	0
Stig Jakobsen	Angvik	21,991
Thor Arne Falkanger	Trondheim	209,255
Thor Christian Haugland	Stavanger	234,777
Torgeir Svae	Oslo	2,736,435
Widar Slemdal Andersen	Rælingen	13,886

Members elected by the depositors	**Domicilie**	**No. Of ECCs***
Anne Lise Aunaas	Trondheim	0
Jan-Yngvar Kiel	Bosberg	0
Leif Helge Kongshaug	Averøy	0
Marit Dille	Abelvær	2,000
Randi Bakken	Trondheim	0
Randi Borghild Dyrnes (chair)	Molde	0
Aage Rostad	Verdal	2,494
Ingunn Kjeldstad	Levanger	0

Members elected by the country councils	**Domicilie**	**No. Of ECCs***
Anne Sophie Hundstad	Trondheim	0
Elin Agdestein	Steinkjer	0
Gunn Iversen Stokke	Buvik	0
Hans Martin Storø	Lund	5,179
Jonny Meland	Sunndalsøra	0
Torgeir Dahl	Molde	0
Torhild Aarbergsbotten	Brekstad	0
Trine Hallem	Verdal	0

Members elected by the employees	Domicilie	No. Of ECCs*
Alvhild Skogmo Jensen	Namsos	2,000
Ann Kristin Leirvik Sletnes	Torvikbukt	3
Ellinor Finserås	Trondheim	601
Greta Rønning	Trondheim	0
Gunn Lerstad Brenne	Ekne	5,836
Inge Lindseth	Trondheim	25,119
Rolf Bratlie	Trondheim	0
Oddbjørn Kulseth	Stjørdal	7,293
Hege Karina Bøe	Molde	1,560
Randi Selnes Herskedal	Fræna	8,343

Board of Directors

	Domicilie	No. Of ECCs*
Kjell Bjordal (chair)	Trondheim	100,000
Bård Benum (deputy chair)	Trondheim	0
Arnhild Holstad	Namsos	0
Aud Skrudland	Averøy	1,765
Morten Loktu	Trondheim	0
Paul E. Hjelm-Hansen	Trondheim	49,219
Venche Johnsen	Trondheim	24,716
Bente Karin Trana (alternate)	Steinkjer	0
Jan Gunnar Kvam (alternate)	Trondheim	16,245
Pål Hofstad (alternate)	Verdal	0
Randi Sollie Denstad (alternate)	Rissa	0

Control Committee

	Domicilie	No. Of ECCs*
Terje Lium	Trondheim	0
Anders Lian	Trondheim	0
Terje Ruud	Trondheim	0

Election Committee

	Domicilie	No. Of ECCs*
Lars Bjarne Tvete	Trondheim	1,600
Jonny Meland	Sunndalsøra	0
Marit Dille	Abelvær	2,000
Alvhild Skogmo Jensen	Namsos	2,000

* Includes ECCs owned by the individual’s close associates, by companies he/she controls and by companies on whose behalf he/she is appointet

Corporate governance

Corporate governance at SpareBank 1 SMN encompasses the values, goals and overarching principles by which the Group is governed and controlled, and forms the foundation of long-term value creation in the best interests of EC holders, employees and the community and society as a whole.

SpareBank 1 SMN presents, in accordance with the Accounting Act (Regnskapsloven) § 3-3b and the Norwegian Code of Practice for Corporate Governance of 23 October 2012, a report on its policies and practices for corporate governance.

Accounting Act, § 3-3b, second subsection
The following explains how the Accounting Act section 3-3b, second subsection, is complied with at SpareBank 1 SMN. The numbering represents the equivalent numbering in the subsection concerned.

The outline of principles and practices associated with corporate governance must, according to the first subsection, as a minimum include the following:

1. "A statement of recommendations and rules for corporate governance which apply to the company or which it chooses to abide by": policies and practices for corporate governance at SpareBank 1 SMN are based on Norwegian law and the group complies with the Norwegian Code of Practice for Corporate Governance to the extent appropriate to savings banks with equity certificates. Reference is made to point 1 of this report, Report on Corporate Governance, for further details.

2. "Information on where recommendations and rules as mentioned in no. 1 are publicly available": the Code of Practice for Corporate Governance is available at nues.no.

3. "A justification must be given for any deviation from recommendations and rules as mentioned in no. 1": any deviations from recommendations and rules are commented under the report on compliance with the Code of Practice below.

4. "A description of the main elements in the company's and – for entities legally bound to maintain accounting records that prepare consolidated accounts – in the event also the group's systems for internal control and risk management associated with the financial reporting process": reference is made to point 10 of the Norwegian Code of Practice for Corporate Governance below for a description of internal control and risk management associated with the financial reporting process.

5. "Provisions of articles which, in whole or in part, expand or diverge from provisions of the Public Limited Companies Act chapter 5": reference is made to point 6 under the Norwegian Code of Practice for Corporate Governance below for a description of SpareBank 1 SMN's compliance.

6. "The composition of the board of directors, corporate assembly, supervisory board and control committee; any working committees for these bodies, and a description of the main elements of applicable instructions and guidelines for the work of these bodies and any committees": refer to points 6, 7, 8 and 9 under the Norwegian Code of Practice for Corporate Governance below.

7. "Provisions of articles of association which regulate the appointment and replacement of board members":

refer to point 8 below for an outline of the recommendation.

8. “Provisions of articles of association and authorisations which empower the board of directors to decide if the company shall repurchase or issue treasury shares or equity certificates”: see point 3 under the Norwegian Code of Practice for Corporate Governance below.

Norwegian Code of Practice for corporate governance
The following explains how the 15 points set out in the Norwegian Code of Practice for Corporate Governance of 21 October 2010 are complied with at SpareBank 1 SMN.

Report on corporate governance

(Point 1 of the Code of Practice)

There are no significant deviations between the Code of Practice and compliance with the Code of Practice at SpareBank 1 SMN.

The Code of Practice applies to the extent appropriate to savings banks with equity certificates. Any deviations are explained below.

SpareBank 1 SMN has established its own corporate governance policy, and will further develop this policy within the framework of applicable laws and recommendations emanating from leading environments.

Through its corporate governance policy, the bank aims to ensure sound management of its assets and give added assurance that its stated goals and strategies will be attained and realised. Good corporate governance at SpareBank 1 SMN encompasses the values, goals and overarching policies by which the bank is governed and controlled with a view to secure the interests of EC holders, depositors and other stakeholders in the bank. The bank adheres to the “Norwegian Code of Practice for Corporate Governance” to the extent appropriate to savings banks with equity certificates.

The bank gives special emphasis to:

- a structure assuring targeted and independent management and control
- systems ensuring monitoring and accountability
- effective risk management
- full information and effective communication
- non-discrimination of EC holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

Staff at SpareBank 1 SMN must be recognised for their high ethical standards. This means that they must display a conduct that is perceived as confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed in contexts where the staff is identified with the Group. SpareBank 1 SMN’s ethical rules encompasses impartiality, relationships with customers, suppliers and competitors; securities trading; insider rules and relevant finances of the individual. This body of rules applies to all employees and elected officers in governing bodies.

All staff and elected officers at SpareBank 1 SMN are obliged by external requirements and internal guidelines to regard as confidential any information about the Group’s or a customer’s circumstances which comes to their knowledge in the course of their work. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work. Further, no SpareBank 1 SMN staff may, via computer systems or by any other means, actively seek information about other colleagues or customers that is not necessary for their work. SpareBank 1 SMN's ethical rules stipulate that a staff member must immediately inform his/her superior or other contact persons defined in a special whistleblowing procedure if he/she learns of circumstances that breach applicable external statutes and rules or constitute significant violations of internal provisions. Staff members who report misconduct in accordance with internal procedures will not be subjected to any retaliatory action as a result of the disclosure.

SpareBank 1 SMN wishes to contribute to sustainable social development through responsible business activities which includes safeguarding ethical, environmental and social considerations. As a result, SpareBank 1 SMN has developed a separate strategy for administering the bank's corporate social responsibility (CSR).

Corporate social responsibility is an integral aspect of the bank's operations and expressed through the strategies, measures and activities we plan and execute. Corporate social responsibility is expressed through the way we manage our resources and dialogue with employees, owners, customers, local communities and other stakeholders. Further, a procurement strategy has been established in which outlines the ethical framework, requirements for suppliers and criteria applied by the bank when making purchases.

Reference is also made to a separate chapter on corporate social responsibility in this annual report.

Deviations from point 1 of the Code of Practice: None

Operations

(Point 2 of the Code of Practice)

SpareBank 1 SMN is an independent financial services group in the SpareBank 1 Alliance. The bank's vision is to be the recommended bank. According to its articles of association, SpareBank 1 SMN's goal is to promote savings by accepting deposits from depositors and manage the funds at its disposal in a secure manner in accordance with the statutory rules applying at any and all times to savings banks. The bank can transact all ordinary banking business and banking services in accordance with the prevailing legislation. The articles of association can be found on the bank's website.

The bank's business mission is to provide financial advisory services to private individuals, enterprises and public sector primarily in North and South Trøndelag, Møre and Romsdal, and Sogn and Fjordane, to enable them realising their goals through the facilities it provides for investments, saving, payments and protection of lives and assets. The group also provides real estate agency, asset management, leasing and accountancy services in the same geographical areas and to the same customer groups.

Our core values are closeness and capableness. That means being close to our customers through personal contact and taking the initiative to meet the customer with the best advice and products as well as being a pro-active mainstay in the region. Capableness entails offering a broad range of products that is right for the times, and having a professional competent staff with high quality skills. We strive for high ethical standards in everything we do and want our customers to feel that their need for financial advice and services is met in a professional and expert manner.

Deviations from point 2 of the Code of Practice: None

EC capital and dividends

(Point 3 of the Code of Practice)

The Board of Directors continuously assesses the capital situation in light of the company's goals, strategy and desired risk profile. As of 31 December 2013 SpareBank 1 SMN's equity capital totaled to NOK 11,2 bn. As of the same date the Tier 1 ratio was 13,0 per cent and common equity tier 1 (CET1) ratio 11,1 per cent.

For detailed information on capital adequacy, refer to the relevant note in the annual report. For a further description of the rules governing capital adequacy and principles on which SpareBank 1 SMN bases its assessment of capital need, refer to the Group's Pillar 3 report published at smn.no, and the chapter concerning risk and capital allocation in this annual report.

Dividends
SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC holders with a good, stable and competitive return in the form of dividends and a rising value of the bank's EC.

The net profit for the year will be distributed between the owner capital (the EC holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to the foundation Sparebankstiftelsen SMN. This assumes that capital adequacy is at a satisfactory level. When determining dividend payout, the profit trend expected in a normal market situation, external framework conditions and the need for tier 1 capital will be taken into account. The bank's supervisory board sets the annual dividend payout based on the Board of Directors' recommendation. The dividend policy is available at the bank's website.

Deficits
Any deficit is to be covered by pro rata transfer from the ownerless capital, including the gift fund and any owner capital in excess of that stipulated in the articles of association, including the dividend equalisation fund. Deficit that is still not covered will be so by pro rata transfer from the EC premium account and compensation fund, thereafter by reduction of the EC capital stipulated in the articles of association.

Acquisition of treasury equity certificates
SpareBank 1 SMN's Board of Directors are authorised to buy treasury ECs for up to 10 per cent of the bank's owner capital, and such purchases must be made by trading on the securities market via the Oslo Stock Exchange. The total volume of ECs held by the bank and/or in which it has a consensual security interest may not exceed 10 per cent of the bank's owner capital. Each EC may be bought at prices between NOK 1 and NOK 200. The authorisation is valid for 13 months from the adoption of the resolution at the supervisory board's meeting on 21 March 2013.

Increase of capital
Authorisations to the Board of Directors to increase the bank's EC capital are given for specific and defined purposes. As at 31 December 2013 there are no authorisation for the Board of Directors to increase the capital of SpareBank 1 SMN.

Deviations from point 3 of the Code of Practice: None

Non-discrimination of shareholders and transactions with related parties

(Point 4 of the Code of Practice)

SpareBank 1 SMN has one class of ECs. Through the articles of association and Board of Directors, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an identical voting right. The bank abides by the financial institutions act's provisions regulating holdings and voting rights insofar as these provisions apply to savings banks with equity certificates.

In the event of an increase of capital, existing EC holders have pre-emptive rights unless special circumstances indicate that this rule should be deviated from. Such deviation will be explained. SpareBank 1 SMN has at irregular intervals launched private placings with the employees. Such increases of capital have been designed to strengthen employees' ownership of the bank and interest in the bank's capital instrument. Any exercise of the Board of Directors' authorisation to acquire treasury certificates must be made by trading on the securities market via the Oslo Stock Exchange.

Transactions with related parties
Under instructions in force for the Board of Directors, a director is barred from participating in the consideration of, or decision in, any matter whose significance to himself or to any related party is such that the director is to be regarded as having, directly or indirectly, a particular personal or financial interest in that matter. The same follows from the SpareBank 1 SMN's ethical guidelines. Each director is obliged to personally verify that he or she is not disqualified from participating in the treatment of a matter. Any agreement between the bank and a director or the Group CEO must be approved by the Board, as must any agreement between the bank and a third party in which a director or the Group CEO has a particular interest. Directors are required to disclose on their own initiative any interest the individual or related party concerned may have in the decision taken in a matter. Unless the director him/herself opts to step back from the consideration or decision of a matter, the Board shall decide whether or not the director shall step back. In the assessment due importance must be given to all forms of personal, financial or other interests on the part of the director and to the bank's need for public confidence in its business activity. The Board's assessments of legal (in)capacity must be duly recorded.

Deviations from point 4 of the Code of Practice: None

Free transferability

(Point 5 of the Code of Practice)

The bank's equity certificate is quoted on the Oslo Stock Exchange with the ticker MING and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice: None

General meeting (supervisory board)

(Point 6 of the Code of Practice)

A savings bank is basically a 'self-owned' institution, and its governance structure and the composition of its governing bodies differ from those of limited liability companies; see Section 7 of the Savings Banks Act which sets outs the bodies which a savings bank must have – a supervisory board (also termed 'committee of representatives' or 'board of trustees'), control committee and board of directors. The bank's highest body is the supervisory board comprising EC holders, depositors, employees and representatives of the public authorities.

The supervisory board sees to it that the bank operates in line with its mission and in conformity with law, its articles of association and decisions of the supervisory board.

The supervisory board has 43 members and 32 alternates with the following representation:

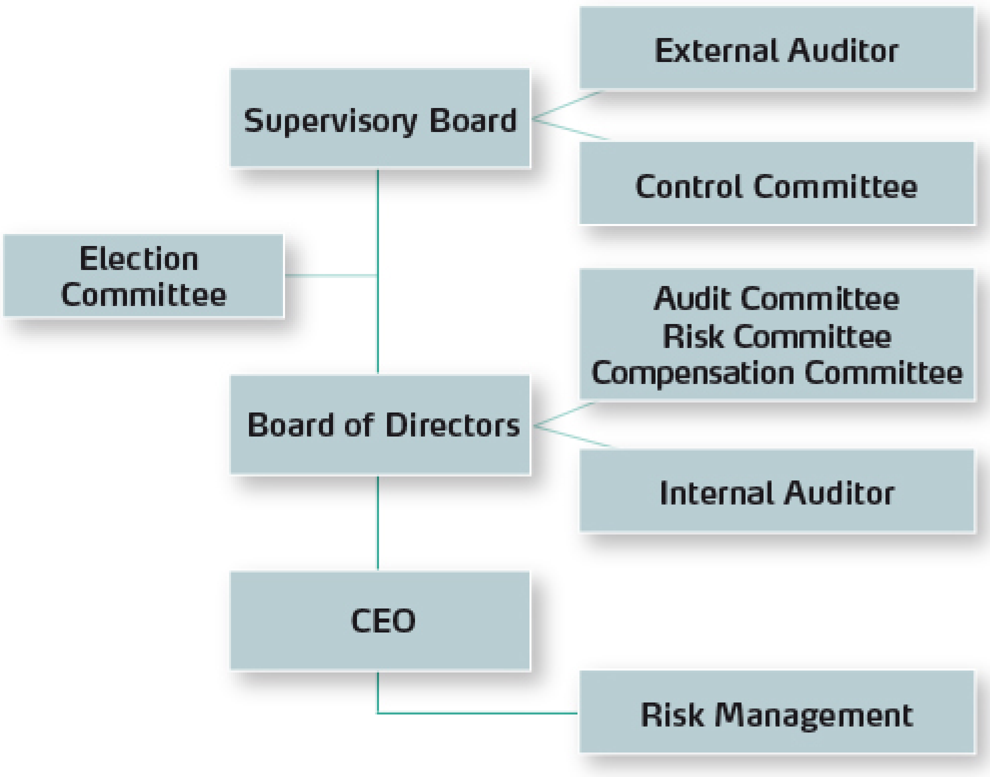
- EC holders: 17 members and 10 alternates
- county councils of South Trøndelag, North Trøndelag and Møre and Romsdal: 8 members with 8 alternates
- depositors: 8 members with 8 alternates
- employees: 10 members with 6 alternates

According to the legislation, elected members must in aggregate reflect the savings bank's customer structure and other stakeholder groups and its role in society. At savings banks that have issued transferable ECs, at least one-fifth and not more than two-fifths of the members of the supervisory board must be elected by the EC holders. The supervisory board approves the Group's accounts, authorises the board of directors to raise subordinated capital and to undertake any increase of capital, and appoints the members of the bank's board of directors, control committee and election committee. The supervisory board also decides the remuneration for the above bodies. The members of the board of directors, group CEO, control committee and auditor are summoned to meetings of the bank's supervisory board. They may participate in the proceedings but are not entitled to vote. The supervisory board chair presides over the meeting or, in the latter's absence, the deputy chair.

Notice of meetings of the supervisory board is sent to its members and available on the bank's website at least 21 days prior to the meeting. The intention is that proposals for resolutions and case documents that are dispatched should be sufficiently detailed and comprehensive to enable the members of the supervisory board to take a position on the matters to be considered. Minutes of the meetings of the supervisory board are also available on the bank's website.

Each year one election meeting is held for the EC holders where representatives are elected to the supervisory board and information is given about the Group's financial situation. In addition, members of the election committee for EC holders' election of supervisory board members are elected. Each equity certificate confers one voting right. All EC holders may attend the meeting, and proxy voting is permitted.

A list of supervisory board members can be found at smn.no.



Governing and control bodies at SpareBank 1 SMN

Control committee

The formal basis for the work of the control committee is section 13 of the savings banks act and standard instructions issued by Finanstilsynet (Norway's financial supervisory authority).

The control committee's oversees that the bank conducts its business in an appropriate and satisfactory manner in accordance with laws and regulations, articles of association and orders and recommendations issued by Finanstilsynet. Its remit covers the entire business, including subsidiaries. The control committee is an elected committee in its own right in the subsidiary SpareBank 1 Finans Midt-Norge.

In order to perform its tasks the committee:

- reviews selected decisions and working documents of the board of directors and sees to that the board acts on its decisions
- monitors developments in central key figures and ratios
- obtains documentation of the bank's control procedures and ensures that they function as intended
- reviews internal audit reports and the appointed auditor's written approaches to the bank and ensures that any remarks are properly responded to
- collaborates with the chair of the board of directors and the company's auditor on working plans and important observations; see section 5 of the instructions.

Each year the control committee reports on its work to Finanstilsynet. The committee submits a report on its work to the supervisory board, and issues a statement to the supervisory board on the annual accounts and the directors' report.

A record of the control committee's meetings is sent to the bank's board of directors, the supervisory board chair, the internal auditor and the risk manager. The control committee's minutes are also presented at the meetings of the supervisory board.

The control committee normally meets eight times each year. The Group CEO attends these meetings. The committee also meets the chair of the board of directors, the chair of the audit and risk committees and the chair of the supervisory board on an annual basis. The control committee is appointed by the supervisory board and has three members and two alternates who are elected for a two-year term.

Deviations from point 6 of the Code of Practice: Where the composition of the bank's bodies is concerned, SpareBank 1 SMN abides by the provisions of the Savings banks Act.

Election committees

(Point 7 of the Code of Practice)

In accordance with SpareBank 1 SMN's articles of association it has been established three election committees. An election committee has also been established for employees' election of supervisory board members.

Election committee for the supervisory board
The supervisory board appoints an election committee from among the members of the supervisory board. The election committee comprises four members and four alternates. The committee comprises one representative from each of the following: the EC holders, the depositors, public appointees and employees in addition to one alternate from each group. The EC holders' representative on the election committee must be a member of the election committee for EC holders' election of supervisory board members.

In connection with the elections the committee aims for a composition based on competence and gender. The committee's task is to prepare the election of the chair and deputy chair of the supervisory board, the chair, deputy chair and other members and alternates of the bank's board of directors and control committee, and members and alternates of the election committee for the supervisory board. The election committee is also charged with reviewing and recommending any changes to the fee structure for the bank's elected officers.

Election committee for depositors' election of supervisory board members
The depositor-elected members of the supervisory board appoint a separate election committee comprising three members and three alternates, with one member and one alternate from each of the three election districts. This election committee prepares the depositors' election of members and alternates to the bank's supervisory board, and members and alternates to the election committee for depositors' election of supervisory board members.

Election Committee for EC holders' election of supervisory board members
The EC holders appoint an election committee at an EC holders' meeting. The election committee has three members and two alternates. At least one of the members and one of the alternates must be members of the supervisory board. The election committee prepares the EC holders' election of supervisory board members

and alternates and the election of members and alternates to the election committee for EC holders' election of supervisory board members.

Election Committee for employees' election of supervisory board members
According to the Savings banks Act this election shall be organised by an election board with representatives appointed by the board of directors. The election board comprises at least three members and both the management and the employees shall be represented.

Deviations from point 7 of the Code of Practice: All members of the election committee for the supervisory board are appointed from among the groups represented on the supervisory board, in accordance with Regulations on election committees at savings banks. Thus far consideration has not been given to enlarging the committee with a member who is not a member of the supervisory board. As of 31 December 2013 the supervisory board has not established further guidelines for the election committee beyond what is set forth in law, regulations and articles of association.

Supervisory board and board of directors, composition and independence

(Point 8 of the Code of Practice)

Refer to point 6 for information about the general meeting/supervisory board. The board of directors has eight regularly attending members of whom seven are appointed by the supervisory board and one by the employees. Four board members are women of whom three are elected by the supervisory board and one is an employee representative. Meetings of the board of directors are also attended by one regularly attending alternate for the employees. Members of the board of directors are appointed for two years at a time and can hold office for a maximum of 20 years, but not more than 12 years continuously in the same position. The Group CEO is not a member of the board of directors. None of the members of the board of directors appointed by the supervisory board are in any employment relationship or independent contractor relationship with the Group beyond their posts as elected officers. The board members' independence has been assessed by the election committee and the board members are deemed to be independent, with the exception of the board members elected by the employees. The chair and deputy chair are elected by the supervisory board at separate elections for one year at a time.

The board of directors is composed based on criteria of competence, capacity and diversity and in accordance with the bank's articles of association. The individual director's background is described in the annual report and at smn.no. The election committee has established specific requirements for the composition of the board of directors. The board meets at least 11 times each year, and the members' attendance at meetings of the board of directors is described in the annual report. The directors are encouraged to own the bank's equity certificates, and their respective holdings of ECs in SpareBank 1 SMN are shown under the presentation of the board of directors in the annual report.

Deviations from point 8 of the Code of Practice: None

Work of the board of directors

(Point 9 of the Code of Practice)

The supervisory board has adopted instructions for the board of directors that set forth rules for the board's work and procedures. The board of directors manages the bank's operations in compliance with laws, articles of association and resolutions of the supervisory board. The board of directors is responsible for ensuring that the assets at the bank's disposal are managed in a safe and appropriate manner. The board of directors is also required to ensure that accounting and asset management are subject to satisfactory control. In addition, the board of directors adopts the bank's strategy, budget and market and organisational objectives. The board of directors appoints and dismisses the group CEO.

The board of directors receives periodical reports on profit performance, market developments, developments in management, staff and organisation , and developments in the Group's risk picture and risk exposure. The board of directors conducts an annual self-evaluation of its activity regarding to working methods, case handling, meeting structure and prioritising of tasks. These evaluations provide a basis for changes and measures needed. An evaluation is also made of the competence possessed by the board.

Audit committee and risk committee

The board of directors has appointed an audit committee and a risk committee comprising three members of the bank's board of directors. The members are appointed for a two-year period. The audit committee and risk committee are preparatory and advisory working committees to the board of directors. Their mission is to conduct assessments of designated areas and thereby prepare matters for consideration by the board.

Pursuant the Savings Banks Act section 17(d), the audit committee's tasks are to:

- prepare the board of directors' follow-up of the financial reporting process,
- monitor the internal control and risk management systems and, where such function is established, the bank's internal audit,
- have ongoing contact with the bank's appointed auditor regarding the audit of the annual accounts,
- assess and monitor the auditor's independence, ref. auditors act chapter 4, including in particular the extent to which non-audit services delivered by the auditor pose a threat to the auditor's independence.

The audit committee meets at least five times yearly prior to the board of directors' consideration of quarterly and annual reports.

The risk committee's tasks are regulated in the financial institutions act section 2-9(b). The risk committee's task is to ensure that risk management and capital allocation within the group support the group's strategic development and goal attainment, and at the same time ensure financial stability and sound asset management. The risk committee shall ensure that the group's management and control arrangements are in proportion to the risk level and volume of the business.

The risk committee meets as often as it deems necessary, but at least five times yearly.

The audit committee and the risk committee are subcommittees of the board of directors and it is the assembled board that has overall responsibility and takes the final decision.

Compensation committee
The board of directors has appointed a compensation committee comprising at least three directors. The board chair is a permanent member of the committee and also chairs the committee. The committee members are appointed by the board of directors for a two-year term.

The committee is a preparatory body to the board of directors in matters relating to the design and practice of guidelines and framework for the group's compensation policy. The group's compensation policy is intended to promote sound management and control of the group's risk, discourage excessive risk taking, encourage a long-term perspective, contribute to avoidance of conflicts of interest and to be in compliance with applicable law and regulations.

The committee's tasks and responsibilities are:

- to formulate a compensation policy that comply with the prevailing legislation at any time. It also ensures following up, updating and maintenance of the group's various compensation arrangements.
- in formulating and maintaining the compensation policy, the committee is to identify those employees and elected officers whose tasks are of major significance for the bank's risk exposure.
- in determining the compensation, the relationship between fixed compensation and any variable compensation is to be determined in such a way as to be balanced.

The compensation committee makes a recommendation to the board of directors regarding compensation policy and conditions applying to the group CEO. The committee also establishes limits regarding variable compensation, and approves compensation arrangements for all business areas and subsidiaries that have compensation schemes. The committee can also be used as an advisory body to the group CEO in the determination of conditions for the group management.

The committee meets when convened by the chair, but at least once yearly and otherwise as and when required. At least two members are required to attend.

The board of directors has established the compensation committee's mandate.

Deviations from point 9 of the Code of Practice: None

Risk management and internal control

(Point 10 of the Code of Practice)

Sound risk and capital management are central to SpareBank 1 SMN long-term value creation. Internal control should help ensure efficient operation and proper management of significant risks for attaining the group's business goals.

The group's report on capital requirements and risk management, the Pillar 3 Report, contains a description of risk management, capital allocation and capital calculation. This report is available at smn.no.

SpareBank 1 SMN aims to maintain a moderate risk profile and apply risk monitoring of such high quality that no single event will significantly impair the bank's financial position. The bank's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The board of directors reviews the group's development in the main risk areas on a quarterly basis and the internal control system on an annual basis. The board of directors of SpareBank 1 SMN has the main responsibility for setting limits to and monitoring the group's risk exposure. The bank's risks are measured and reported in accordance with the principles and policy adopted by the board of directors. Risk management at SpareBank 1 SMN underpins the group's strategic development and goal achievement. Risk management is designed to assure financial stability and sound asset management.

Management at the various companies in the group is responsible for risk management and internal control in the respective companies, and this is intended to ensure:

- targeted, safe, high-quality and cost-effective operations
- reliable and timely reporting
- observance of applicable laws and regulations as well as internal procedures and policies

Risk management is an integral part of the management's decision processes, and a central element in regard to organisation, procedures and systems. A separate risk management function has been established at SpareBank 1 SMN.

The risk management division is organised independently of the business units and reports directly to the group CEO. The division is responsible for the group's risk models and for further developing effective risk management systems. The division is responsible for independent risk assessment, risk reporting and overall risk monitoring in the group and reports periodically to the group CEO and the board of directors on developments in the risk picture.

The bank's most important profit objective is to achieve a competitive return on equity. This is achieved through increased focus on risk-adjusted return, and risk pricing is therefore key to achieving the bank's goal of a satisfactory return on equity. The Group's principles and framework for internal control and risk management are enshrined in a risk management policy. This policy is the Group's internal framework for sound management and control, and sets out guidelines for the Group's overall approach to risk management. It is also designed to ensure that the Group has an effective and appropriate process to that end.

Internal control and risk management constitute a process initiated and implemented by the bank's board of directors, management team and staff that is designed to identify, manage and follow up risks areas to ensure that overall risk exposure is in accordance with the bank's adopted risk profile. The board of directors receives annually an independent assessment from the internal auditor and the statutory auditor of the group's risk and whether the intern control functions appropriately and satisfactorily.

The board of directors monitors compliance with adopted frameworks, principles, and quality and risk objectives through:

- quarterly reports from the Group CEO and the risk management division
- quarterly reports/annual report from the internal auditor

SpareBank 1 SMN uses the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) Framework and the Control Objectives for Information and Related Technology (CobiT) framework as a basis for its policies for internal control and risk management.

Internal control in relation to financial reporting

The board of directors of SpareBank 1 SMN has established guidelines for the group's financial reporting. The guidelines apply within the current requirements imposed by the authorities and are designed to ensure relevant, reliable, up to date and identical information to the bank's EC holders and the securities market in general. The guidelines also include the group's contact with investors other than those on the supervisory board. The finance unit is headed by the finance director and organised independently of the business areas. The unit attends to financial reporting at both parent-bank and group level, and establishes guidelines for monthly, quarterly and annual reporting from the various business areas and subsidiaries in line with internal and external requirements. The finance director assesses the business areas' financial results and goal achievement on a continuous basis, and sees to it that all units perform in line with the group's overall financial objectives. The finance director reports directly to the group CEO.

The bank's accounts and finance department is organised under Finance and prepares financial reports for the SpareBank 1 SMN Group. The department sees to that reports are made in conformity with applicable legislation, accounting standards, the Group's accounting policies and the board of directors' guidelines.

Finance has established processes to ensure that financial reporting is quality assured and that any errors and deficiencies are followed up and rectified as and when they occur. A number of control measures have been established to ensure that all financial reporting is correct, complete and in conformity with law and regulations. These measures include reasonableness and probability checks at each individual locale within the various business areas, as well as on a more aggregated level. In addition, detailed reconciliation checks are carried out on a daily and monthly basis. The group has established sound measuring systems for use in all business areas in the group where the most central target figures within each area are followed up. Each business area is responsible for such monthly financial reporting and follow-up, and works closely with Finance to develop and improve the measuring systems. Established control activities are evaluated regularly in terms of their design and effectiveness.

Each quarter the external auditor conducts a limited audit of the Group's interim financial statements. A full audit is conducted of the Group's annual financial statements.

Internal audit

The internal audit function is a tool used by the board of directors and the administration to oversee that the risk management process is targeted, effective and function as intended. Internal audit services are delivered to the group by KPMG and these services cover the parent bank, subsidiaries subject to the risk management and internal control regulations, and other significant subsidiaries. The internal audit function's main task is to confirm that the established internal control system functions as intended, and to ensure that established risk management arrangements are adequate in relation to the bank's risk profile. The internal audit function reports quarterly to the board of directors which adopts annual plans and budgets for the internal audit. The internal audit function's reports and recommendations for improvements in the bank's risk management regime are reviewed and implemented on a continuous basis.

The internal audit function carries out an operational audit of units and business areas in the SpareBank 1 SMN Group. The internal auditor does not conduct a financial audit, this being the remit of the external auditor. An audit plan is prepared which is discussed with the group management, considered by the risk committee and approved by the board of directors. The audit function's risk assessments determine which areas are to be reviewed. Separate audit reports are prepared containing results and proposed measures which are presented to the responsible manager and the group's management team. A summary of the reports is sent quarterly to the risk committee and the board of directors. The internal auditor presents each year to the board of directors a plan for implementation of the audit work. Any consultancy services are provided within the standards and recommendations applying to internal auditors (Institute of Internal Auditors Norway).

Ethics and whistleblowing
Ethical guidelines for the Group and its employees have been established, and ethics is a standard topic at seminars for all new staff members. This helps to ensure that the Group's values and ethical guidelines are properly communicated and made known throughout the organisation. Clear-cut guidelines have also been introduced for internal communication should any member of staff learn of circumstances that breach external or internal provisions or of other circumstances which are likely to harm the Group's reputation or financial situation. Rules that require employees to give the alert if they learn of circumstances that are counter to external or in-house provisions, or which harm the Group's reputation, have been made

For more information about risk management and internal control, see note 6 in the annual report concerning financial risk management and a special chapter on risk management and capital allocation.

Deviations from point 10 of the Code of Practice: None

Remuneration to the board of directors

(Point 11 of the Code of Practice)

The board members' fees that are recommended by the election committee for the supervisory board and adopted by the supervisory board are not performance-related, and no options are issued to the directors. The board of directors' chair and deputy chair are remunerated separately, and directors participating in board committees receive additional remuneration for doing so. None of the directors appointed by the supervisory board perform tasks for the group beyond being on the board of directors. Further information on compensation to the board of directors, the internal audit committee and the compensation committee is disclosed in note 23 in this annual report.

Deviations from point 11 of the Code of Practice: None

Remuneration to senior employees

(Point 12 of the Code of Practice)

The Group has established a remuneration policy that is in accordance with the Group's overarching objectives, risk tolerance and long-term interests. The policy also promotes and give incentives to good management and control of the Group's risk, counters excessive or undesired risk-taking, helps avoid conflicts of interest and is in accordance with applicable law and regulations. The Group's remuneration policy has special rules for senior employees, for other employees and elected officers with control tasks; see the requirements of Regulations of 1 December 2010 on remuneration schemes at financial institutions, investment firms and fund management companies.

The Board of Directors has appointed a compensation committee which acts as a preparatory body for the board in cases relating to the assessment of, and compensation to, the group CEO. The committee also recommends to the board of directors guidelines for remuneration to senior employees (the group management). The board of directors establishes the compensation committee's mandate. See also an account of the board of directors' compensation committee under point 9.

A description of remuneration to the group CEO and senior employees is given in note 23 to this annual report. In addition, information is published at smn.no on SpareBank 1 SMN's remuneration arrangement, including information on the main principles for determining remuneration, criteria for determining variable remuneration, and quantitative information on the remuneration of senior employees, employees with work tasks of material significance for the institution's risk exposure, other employees and elected officers with corresponding remuneration, and employees with control tasks.

Deviations from point 12 of the Code of Practice: None

Information and communication

(Point 13 of the Code of Practice)

The bank's information policy is based on complete and effective communication in underpinning the relationship of trust between the bank's EC holders, board of directors and management, and in ensuring that the bank's stakeholders are at all times able to assess and relate to the bank. The bank's information policy is based on active dialogue with respective stakeholder groups in which openness, predictability and transparency are in focus.

The open information practice is in conformity with the bank's ethical guidelines and section 21 of the Savings Banks Act, with the limitations following from the duty of confidentiality and stock exchange rules in effect at all times.

Correct, relevant and timely information regarding the bank's progress and performance aims to instil investor market confidence. Information is communicated to the market via quarterly investor presentations, an investor relations area on the bank's website and stock exchange notices. The group's financial calendar is published on the bank's website.

Presentations for international partners, lenders and investors are also arranged on a regular basis. The board of directors has adopted a communications strategy indicating who can make statements on behalf of SpareBank 1 SMN and on what subjects.

Deviations from point 13 of the Code of Practice: None

Takeover

(Point 14 of the Code of Practice)

SpareBank 1 SMN is a self-owning institution which cannot be taken over by others through acquisition. A savings bank's ownership structure is regulated by law and no-one may own more 10 per cent of a savings bank's owner capital. Finanstilsynet's approval is required for any larger acquisition. A list of the SpareBank 1 SMN's 20 largest EC holders is available on the bank's website at smn.no.

Deviations from point 14 of the Code of Practice: Statutory limits on equity holdings

External auditor

(Point 15 of the Code of Practice)

An external auditor is appointed by the supervisory board upon the recommendation of the audit committee. The bank utilises the same auditor in the parent company and all subsidiaries. The external auditor performs the statutory confirmation of the financial information provided by the companies in their public financial statements. The external auditor presents each year to the audit committee a plan for the audit work. The external auditor attends meetings of the Board of Directors at which the annual accounts are reviewed and also meetings of the audit committee where the financial statements are reviewed.

The board of directors holds at least one meeting each year with the external auditor without the group CEO or others from the management team being present. No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the external auditor has not provided the group with advisory services of significance in 2013. Any such services from the external auditor must comply with the Auditors Act section 4-5. The board of directors informs the supervisory board of the external auditor's remuneration for the audit and any other services.

The external auditor provides the audit committee with a description of the main elements of the audit of the preceding accounting year, including whether any significant weaknesses have been identified in the bank's internal control related to financial reporting processes including any recommended improvements. In addition the auditor confirms his independence and discloses whether any services other than statutory audit have been delivered to the group in the course of the accounting year.

Deviations from point 15 of the Code of Practice: No guidelines have been established for the management team's right to utilise the external auditor for non-audit services, but the auditor reports on a yearly basis what services have been delivered to the group in addition to ordinary audit. Such services shall at all times be within the scope of section 4-5 of the Auditors Act.

Risk management and capital allocation

SpareBank 1 SMN aims to maintain a moderate risk profile and employ risk monitoring of such high quality that no single event will significantly impair the Bank's financial position. The Bank's risk profile is quantified through targets for rating, risk-adjusted return, expected loss, necessary economic capital and regulatory capital adequacy.

The principles underlying SpareBank 1 SMN's risk management are outlined in the Bank's risk management policy. The Bank gives much emphasis to identifying, measuring, managing and following up central risks to ensure that the Group progresses in line with its adopted risk profile and strategies.

Risk management in the Group supports the Group's strategic development and target attainment. Risk management will also ensure financial stability and prudent asset management. This will be achieved through:

- a strong organisation culture featuring a high level of risk-management awareness
- a sound understanding of the risks that drive earnings and risk costs, and thereby creating an improved basis for decision-making
- striving for an optimal use of capital within the adopted business strategy
- avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market.

The Group's risk is quantified by calculating expected loss and the risk-adjusted capital (economic capital) needed to meet unexpected losses. Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group believes it needs to meet the actual risk incurred by the Group. The Board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses.

Statistical methods are employed to compute expected loss and risk-adjusted capital. However, in some instances expert assessments are required. For risk types where no recognised methods of calculating capital needs are available, the Bank defines risk management limits to ensure that the likelihood of an event occurring is extremely low.

Return on risk-adjusted capital is a key strategic target of internal management at SpareBank 1 SMN. It entails allocating capital to business areas based on the estimated risk associated with the given business area, and continuously monitoring the return on capital. Calculation of risk-adjusted capital makes it possible to compare risk across risk groups and business areas. Risk is also gauged and monitored by measuring positions relative to quantitative risk limits and key portfolio risk limits.

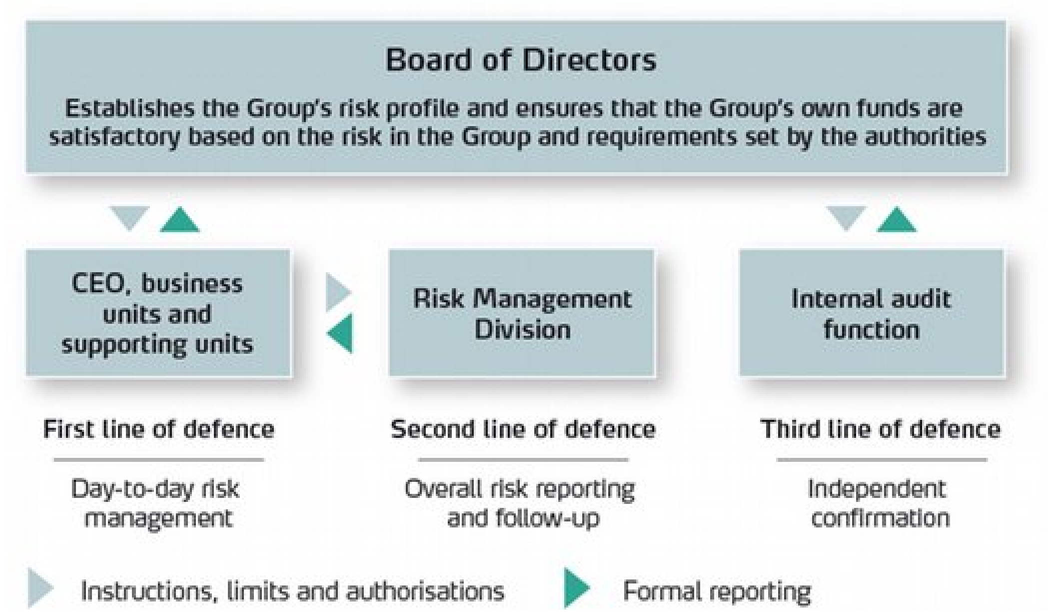
The Group's overall risk exposure and risk trend are monitored through periodic risk reports to the Administration and the Board of Directors. Overall risk monitoring and reporting are carried out by the Risk Management Division which is independent of the Group's business areas.

Responsibility for risk management and control

Risk management and control are part of SpareBank 1 SMN's corporate governance as described in the chapter on Corporate Governance. The Group's control and management model aims for independence in risk reporting, with due emphasis given to responsibilities and roles in the day-to-day risk management. SpareBank 1 SMN has for several years devoted substantial resources to developing effective risk management processes in order to identify, measure and manage risk.

In the risk and capital management process, organisation culture is the foundation on which the other elements are built. SpareBank 1 SMN's organisation culture comprises management philosophy, managerial style and the people making up the organisation with their individual qualities such as integrity, values, and ethical stance. A deficient organisation culture cannot be compensated for by imposing other management and control measures.

The Group emphasises a control and management structure that promotes targeted and independent management and control. The risk management process is three-tiered:



The **Board of Directors** of SpareBank 1 SMN is responsible for overseeing that the Group's own funds are satisfactory based on the adopted risk profile and requirements set by the authorities.

The Group Board establishes the overarching objectives such as risk profile, return targets and the distribution of capital on the respective risk areas. The Board also establishes overall limits, authorisations and guidelines for risk management within the Group as well as all significant aspects of risk management models and decision-making processes.

The **Group CEO** is responsible for risk management hence monitoring risk exposure and the implementation of effective risk management systems in the Group. The Group CEO is also responsible for delegating authorisations and reporting to the Board.

The **business areas** are responsible for the day-to-day risk management within their respective areas, and they must at all times see to it that risk management and risk exposure comply with the limits and overarching management principles established by the Board or the Group CEO.

The **Risk Management Department** is organised independently of the business units and reports directly to the Group CEO. This department is responsible for the Group's risk models and the further development of effective risk management systems. It is also responsible for independent risk assessments, risk reporting and for overall risk monitoring within the Group.

Credit Committees. The Group has one central-level Group Credit Committee and one Credit Committee for SMB customers.

The Credit Committees are responsible for delivering an independent recommendation to the authorisation holder concerned. The recommendation:

- assesses loan and credit applications according to the existing credit strategy, credit policy, lending regulations and credit processing routines
- gives particular emphasis to identifying risk related to the individual application and provides an independent credit risk assessment
- clarifies the consequences for the Group of the various risks involved

Special exposures. The Bank has a separate department for special exposures which takes over dealings with customers who are clearly unable, or highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

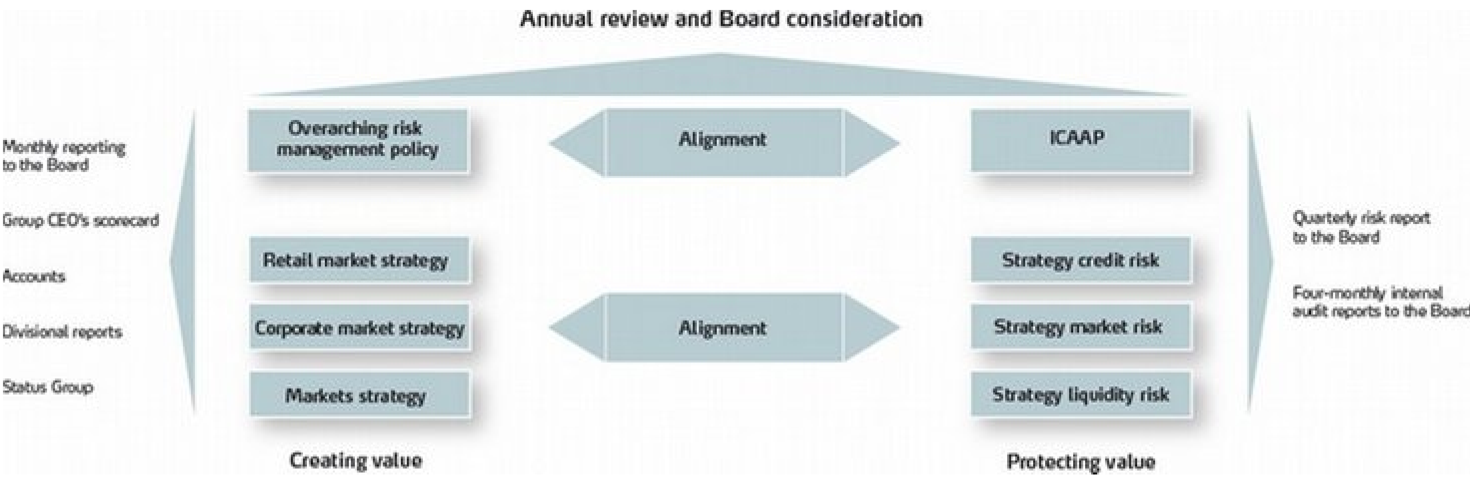
Credit Watch Committee. This committee's main focus is on exposures at risk. The committee deals with exposures defined on a centralised watch list, mainly in excess of NOK 50m.

Validation Committee. This committee reviews, at minimum annually, the validation of the Bank's IRB models. The committee also considers proposals for implementation of newly and further developed versions of the Bank's IRB models. The committee submits recommendations to the Bank's Board of Directors, which makes the final decision.

The **Balance Sheet Committee** is responsible for matters related to capital structure and liquidity risk, market risk, internal pricing of capital and compliance with limits established by the Board.

The **Internal Audit** is a tool for the Board of Directors and the Administration to oversee that the risk management process is targeted, effective and functions as intended. The Group's internal audit is carried out by an external provider, thereby assuring the required independence, competence and capacity. The Internal Audit function reports to the Board of Directors.

The Internal Audit function's reports and recommendations for improvements in Group risk management are continuously reviewed within the Group. The Internal Audit function reviews, regularly and at least annually, the IRB system, including the models underlying the calculation of risk parameters and application of and compliance with the Capital Requirements Regulations.



Capital management

SpareBank 1 SMN applies a focused capital management process designed to assure:

- effective capital procurement and capital application in relation to the Group's strategic objectives and adopted business strategy
- satisfactory capital adequacy in relation to the chosen risk profile
- competitive returns
- competitive terms and good long-term access to capital market funding
- utilisation of growth potentials in the Group's defined market area
- that no individual events can significantly impair the Group's financial position.

A long-term objective of the adopted business strategy is to ensure that the risk-adjusted capital, to the extent it is possible, is allocated to those areas that yield the highest risk-adjusted return.

The capital management process has to:

- be risk-driven and include all significant types of risk within the Group
- be an integral part of the business strategy, management process and decision-making structure
- be forward-looking and include stress testing
- be based on recognised and appropriate risk measurement methods and procedures
- be regularly reviewed, at least annually, by the Board

Financial projections

Based on the strategic objectives and business plan, a four-year projection of financial developments is prepared. A projection is also made for a serious economic downturn scenario. The projections are designed to compute how financial developments in business activities and macroeconomy will impact on the Group's financial development, including return on equity, the funding structure and capital adequacy.

Basel II and the IRB system

Finanstilsynet (the Norwegian Financial Supervisory Authority) has authorised SpareBank 1 SMN to use the IRB foundation approach for credit risk. The Bank applies accordingly its own classification models when computing regulatory capital requirements. The minimum capital requirement is 80 per cent of the requirement calculated under the old rules.

The IRB system includes models, processes, control mechanisms, IT systems and procedures and policies associated with classification and quantification of credit risk and with the extended management of credit risk. The IRB system and the models are validated quantitatively and qualitatively to ensure that the models have sufficient predictive ability and are aligned with adopted guidelines.

The Bank is authorised to use internal models in its risk management and capital calculations (IRB), and has applied to Finanstilsynet for permission to apply the advanced approach to its corporate loans. A response from Finanstilsynet is expected in mid-2014.

In 2013 SpareBank 1 SMN applied the standardised operational risk approach to quantify operational risk for the Parent Bank, and the standardised market risk approach to quantify market risk. SpareBank 1 SMN has established, as an integral part of its risk management policy, a capital allocation process (ICAAP) to ensure that the Bank at all times has adequate own funds in relation to its chosen risk profile. The process is also designed to ensure efficient acquisition and application of capital.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of customers or counterparties to honour their commitments to the Group. The Bank's organisation of and framework for management of credit risk is adapted to the Basel Committee's Sound Practices for the Management of Credit Risk and to Finanstilsynet's module for management and control of credit risk.

Credit risk arising from the Group's lending activity is the largest area of risk facing the Group. The Group incurs exposure to credit risk through lending and leasing products to retail and corporate customers and through the operations of the Bank's Markets and Finance Divisions.

Through its annual review of the Bank's credit strategy, the Board of Directors concretises the Bank's risk appetite by establishing objectives and limits for the Bank's credit portfolio.

The Bank's credit strategy and credit policy are derived from the Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for SMN Retail market and SMN Corporate market respectively, maximum portfolio default probability (PD) and maximum economic and regulatory capital (UL) allocated to the credit business. Concentration risk is managed by:

- limits on the size of loans and loss given default on individual exposures,
- limits on maximum exposure and application of economic capital within lines of business,
- limits on regulatory risk weighted assets (RWA) for Retail and Corporate markets and
- requirements regarding maximum exposure, credit quality and number of exposures above 10 per cent of own funds.

Compliance with credit strategy and limits set by the Board of Directors is monitored on a continual basis by the Risk Management and reported quarterly to the Board of Directors.

Credit risk is managed through:

a) Organisation of management and control of credit risk, established annually by the Board of Directors

The document establishes the overarching principles for lending. This includes the structuring of the Bank's management documents, the organisation (distribution of responsibilities and roles) of the credit function and the overarching principles for lending.

b) The credit strategy, adopted annually by the Board of Directors

The credit strategy establishes priority areas, credit strategy limits and targets and how credit risk is to be priced at SpareBank 1 SMN

Credit risk management at SpareBank 1 SMN is based on the principles recommended by the Basel Committee's paper entitled 'Principles for the Management of Credit Risk', capital adequacy rules (Basel II) and relevant statutes and regulations.

c) Guidelines for portfolio management

The guidelines describe the framework and guidelines that apply to the management of SpareBank 1 SMN's credit portfolio. This applies to the distribution of responsibilities and roles in connection with the measurement and reporting of portfolio risk and profitability as well as measures suited to manage the portfolio within the framework defined in the credit strategy and credit policy.

The composition of the portfolio is managed through the establishment of principles and framework for the granting of new credits, or through changes in existing exposures.

d) Credit policy for the Retail and Corporate markets.

These documents describe how the Bank's credit strategy is to be implemented through the establishment of detailed lending criteria for the Corporate and the Retail. The responsibility for developing and maintaining the credit policy rests with the Group CEO.

e) Lending regulations – exercise of lending authorisations

All authorisations within the Retail and Corporate markets are personal. In the Corporate market, credit committees have in addition been set up at local and central level to advise the decision maker in major credit cases. Granting of credit must be in line with the Bank's credit strategy, credit policy, credit processing procedures and guidelines, and must be characterised by completeness, high quality and professionalism. This is documented in the Bank's ordinary loan-officer system.

The Bank's risk classification system is designed to enable the Bank's loan portfolio to be managed in conformity with the Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates overall lending authorisation to the Group CEO and the divisional directors. The Group CEO can further delegate authorisations to lower levels.

Lending authorisations are graded by size of commitment and risk profile.

f) Credit models

The Bank's credit models are based on three central components: probability of default (PD), exposure at default (EAD) and loss given default (LGD).

Probability of default (PD)

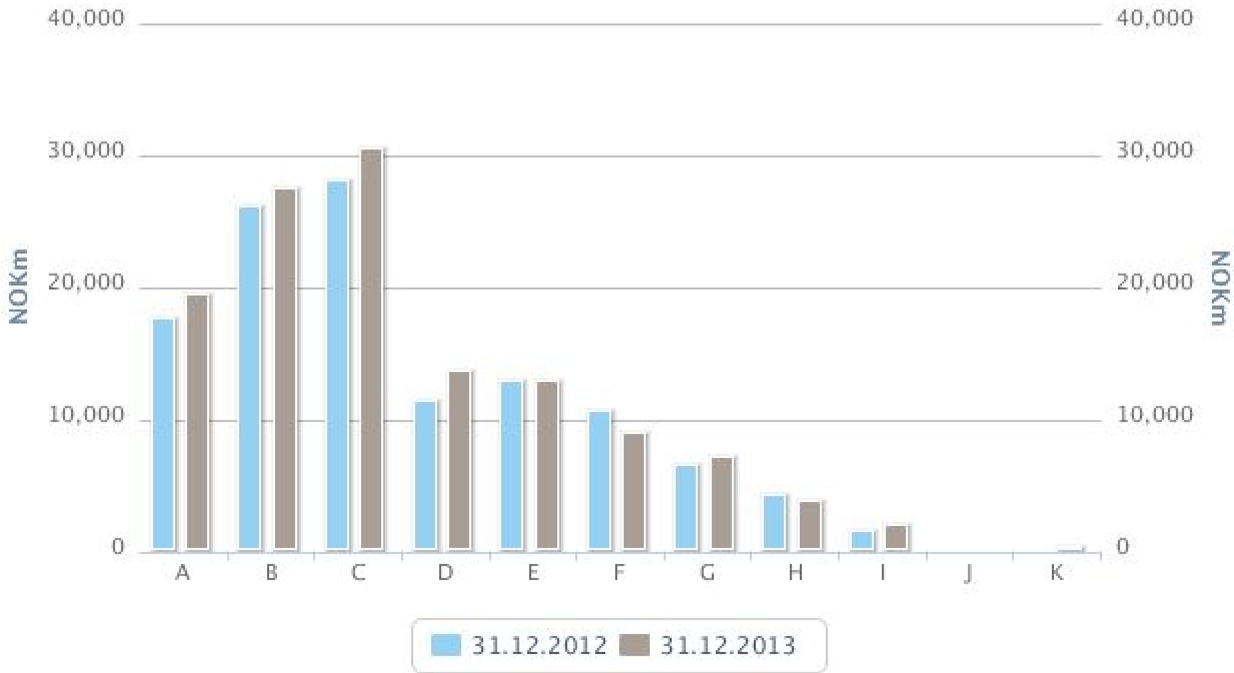
The Bank's credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position along with internal and external behavioural data. The models are based partly on point-in-time ratings and reflect the probability of default in the course of the next 12 months under the current economic conditions.

In order to group customers by probability of default, nine risk classes are employed (A-I). In addition the Bank has two risk classes (J and K) for customers whose loans are in default and/or written down. The following table shows the intervals employed for probability of default in each of the risk classes.

SpareBank 1 SMN's default classes

Risk classes	PD Lower	PD Upper
A	0.00 %	0.10 %
B	0.10 %	0.25 %
C	0.25 %	0.50 %
D	0.50 %	0.75 %
E	0.75 %	1.25 %
F	1.25 %	2.50 %
G	2.50 %	5.00 %
H	5.00 %	10.00 %
I	10.00 %	99.99 %
J (default)	100.00 %	100.00 %
K (written down)	100.00 %	100.00 %

The figure below shows the volume distribution of exposures within the various risk classes.



The Bank's PD models for Retail and Corporate markets are validated on an ongoing basis and at minimum annually within three dimensions.

- Suitability. The models are evaluated in terms of their suitability for the Bank's existing portfolio.
- Ranking ability. Through statistical methods (AUC) the models' ability to distinguish between customers

with differing risk levels is evaluated.

- Level. The models' accuracy with regard to level is evaluated on an ongoing basis, at minimum annually. Where the estimated PD level deviates from the observed default rate (DR), the level will be adjusted. The evaluation takes into account the current economic situation and the model's cyclical characteristics.

The results of the validation confirm that the model's accuracy meets internal criteria and international recommendations.

Exposure at Default (EAD)

EAD is an estimate of the size of exposure in the event of any default at a specific date in the future. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will be utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear after default. CF is validated monthly for drawing rights within the Retail and Corporate markets. The Bank's EAD model takes into account the differences between products and customer types.

Loss Given Default (LGD)

The Bank estimates the loss ratio for each loan based on the expected realisable value (RE value) of the underlying collateral, the recovery rate on unsecured debt as well as the direct costs of recovery. The LGD model and its components are validated at least annually against observed values from actual realisations.

In conformity with the Capital Requirements Regulations the estimates are downturn estimates. The values are determined based on defined models. Based on collateral cover (realisable value divided by EAD), the exposure is assigned to one of seven classes, the best of which has collateral cover above 120 per cent and the lowest has collateral cover below 20 per cent.

Collateral class	Lower	Upper
1	120	
2	100	120
3	80	100
4	60	80
5	40	60
6	20	40
7	0	20

The three parameters above (PD, EAD and LGD) underlie the Group's portfolio classification and statistical calculation of expected loss (EL) and necessary economic capital/risk-adjusted capital (UL).

The portfolio classification is designed to provide information on the level and development of overall credit risk in the total portfolio. Total exposures to customers and other counterparties are shown in notes to the accounts.

Counterparty risk

Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the most used counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Bank will continue to enter into CSA contracts to manage counterparty risk.

For customers, counterparty risk is hedged through use of cash depots or other collateral which must at all times exceed the market value of the customer's portfolio. Special procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of collateral values.

Market risk

Market risk is a generic term for the risk of loss and reduction of future incomes as a result of changes in observable rates or prices of financial instruments – in particular changes in share prices, bond rates, interest rates and exchange rates. Market risk also includes the risk of loss due to changes in the price of financial derivatives such as futures, options, and financial instruments based on items other than securities – for example commodities.

Market risk arises at SpareBank 1 SMN primarily as a results of the Bank's investments in bonds, short-term money market papers and shares, and as a result of activities designed to underpin banking operations such as funding, fixed income and currency trading.

Market risk is managed through day-to-day monitoring of risk exposures against limits set by the Board of Directors and through ongoing analyses of outstanding positions. Risk Management reports monthly to the Board of Directors regarding compliance with the limits set by the Board. Detailed limits apply to investments in shares, bonds, positions in the fixed income and currency markets and limits to spread risk.

The Group defines limits on exposure to equity instruments using stress tests based on Finanstilsynet's scenarios. The limits are reviewed at least once a year and are adopted yearly by the Bank's Board of Directors.

The Bank uses Finanstilsynet's models for market and credit risk to compute the Bank's market risk. These models stress test the Bank's market risk and are based on traditional risk measures with an addition for the risk factors risk diversification and market liquidity. Risk factors are reviewed annually.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. Interest rate risk arises mainly on fixed interest loans and funding in fixed interest securities. The risk on all interest rate positions expresses the change in value of interest rate instruments resulting from a rate change of 1 basis point. The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band in addition to a separate limit for overall interest rate risk. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss due to changes in the market value/realistic value of bonds. Bond risk is managed through an evaluation of the respective issuers. In addition the Bank has a separate limit for overall spread risk for all bonds. The Bank computes spread risk based on Finanstilsynet's module for market and credit risk where overall loss potential is the sum of loss potentials for each individual credit risk exposure. The loss potential for the individual credit exposure is computed with a basis in rating and duration. Bond risk is considered to be moderate.

Exchange rate risk is the risk of loss due to changes in exchange rates. The Group measures exchange rate risk with a basis in net positions in the various currencies.

The limits on exchange rate risk are expressed as limits on the maximum aggregate currency position and on the maximum position in the individual currency. Exchange rate risk is considered to be low.

Equity risk is the risk of loss due to changes in share prices. This risk is linked to positions in equity instruments, including derivatives with equity instruments as the underlying. Equity risk is considered to be moderate.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its obligations and/or finance increases in assets without extra costs in the form of falling prices of assets which must be realised or in the form of extra costly financing.

Management
The Bank's finance function is responsible for the Group's funding and liquidity management. Compliance with limits is monitored by the Risk Management Division which monthly reports to the Board of Directors. The Group manages its liquidity on an overall basis since the Finance Division is responsible for funding both the Bank and the subsidiaries.

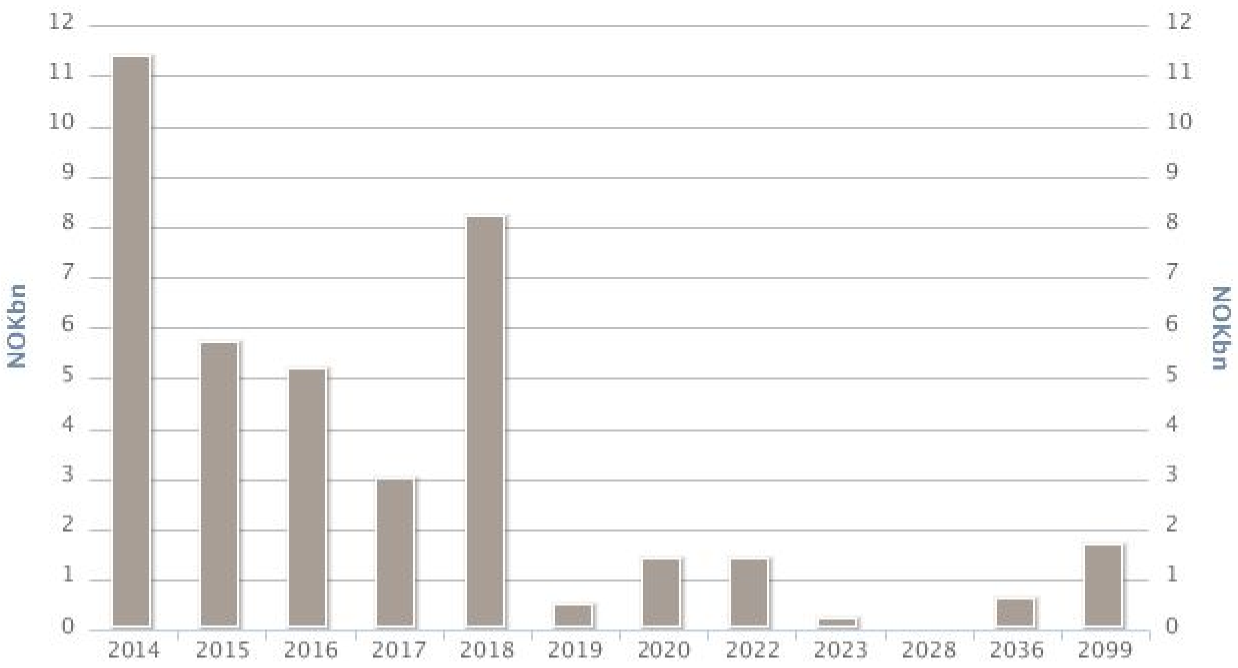
Liquidity risk management is based in the Group's overall liquidity strategy which reflects the Group's moderate risk profile. As part of the strategy, a preparedness plan has been developed to handle the liquidity situation in periods of capital market turbulence with bank-specific and industry-related crisis outcomes separately and combined. Liquidity management includes stress tests which simulate the liquidity effect of various market events. The results of such testing are included in the preparedness plans developed for the Group's and the alliance's liquidity management regime.

Risk measurement
The Bank's Board of Directors reviews the liquidity strategy annually and establishes a framework that promotes a long-term perspective and balance in liquidity procurement. This framework restricts the short-term maturity of the Bank's liabilities within various time periods. Moreover, an aim of the Bank is to survive for 12 months with ordinary growth without fresh external funding.

The Bank's most important source of finance is customer deposits. At end-2013 the Bank's ratio of deposits to loans was 70 per cent. The Bank mitigates its liquidity risk by diversifying funding across a variety of markets, funding sources and instruments, and by using long-term funding. Too high concentration of maturities increases refinancing vulnerability. This risk is curbed through defined limits. The Bank is rated by Moody's and Fitch to assure funding at acceptable prices in the money and capital markets.

SpareBank 1 SMN's liquidity position is satisfactory. The Bank's liquidity is measured regularly against the liquidity indicator for a reference portfolio defined by Finanstilsynet. The Bank's liquidity strategy specifies a maximum deviation against this portfolio. The Bank stayed within this limit throughout 2013.

The figure below illustrates the funding portfolio's maturity structure as from end-2013.



Development over the past year

The Bank was active in the funding market in 2013, and issued loans both domestically and abroad. The Group's liquidity situation at end-2013 is satisfactory. The Group increased its liquid assets, in part through bonds deposited with Norges Bank in the course of the year. At year-end the Bank's liquidity was satisfactory: NOK 5.3bn in cash and deposits with Norges Bank, NOK 1.8bn in loans and receivables from credit institutions and NOK 17bn in money market securities and bonds. The bulk of the securities portfolio can be used as collateral for loans from Norges Bank. Of the Group's total funding volume at year-end, about NOK 11bn is to be refinanced in 2014. By end-2013 the Bank had moved NOK 31.7bn of its best-secured home mortgage loans to SpareBank 1 Boligkreditt. The Bank expects Boligkreditt to account for an important portion of the Bank's financing in 2014.

In order to mitigate counterparty risk, the Bank has signed agreements concerning provision of collateral in connection with derivative trades (CSA contracts) with central counterparties. This will substantially reduce exposure to the Bank's key counterparties since the Bank – or its counterparties – will be obliged to furnish collateral when the value of contracted business exceeds a pre-agreed threshold.

Operational risk

Operational risk is the risk of loss as a result of unsatisfactory or failing internal processes, systems, human errors or external events. Examples include errors on the part of employees, possible flaws in products, processes or systems, or the Bank may incur losses due to fraud, fire and natural damage.

Operational risk is a risk category that captures the bulk of costs associated with quality failings in the Bank's ongoing business.

SpareBank 1 SMN wants to enhance its competence in operational risk management and closely cooperates with SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, Bank 1 Oslo Akershus, Sparebanken Hedmark and the University of Stavanger to further develop a framework for analysing operational risk and establish tools for improving quantification of operational risk exposures.

Identification, management and control of operational risk are integral aspects of executive responsibility at all levels in SpareBank 1 SMN. Executives' most important aids in this respect are professional insight and managerial expertise along with action plans, control routines and good monitoring systems. A systematic focus on risk assessment also promotes knowledge and awareness of improvements needed in the particular unit. Any flaws found are reported to appropriate levels of the organisation along with recommended improvements.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements of a framework for handling operational risk.

The Board of Directors is kept abreast of the operational risk position through quarterly risk reports and the yearly internal control report.

In addition the Board of Directors receives each year from the internal auditor an independent assessment of Group risk and whether the internal control system functions in an appropriate and satisfactory manner.

A system of registration and follow-up (Risk Information System) is used in the effort to ensure continuous improvement in all SpareBank 1 SMN's business activities. This system promotes better structures and follow-up of risk, events and areas needing improvement. Together with the reporting carried out, this system constitutes an important experience base with respect to operational risk. All operational events which could potentially entail loss or where losses have arisen are recorded in the base. Improvement measures are considered and implemented where appropriate.

The Group has a broad-based insurance programme designed to capture significant portions of losses incurred as a result of major events and disasters. Various liability and crime insurances have established, along with property and contents insurances. These highly cost-effective policies are primarily intended to cover major loss events.

In 2013 the Parent Bank recorded operational loss events amounting to a total loss of about NOK 6m.

Owner risk

Owner risk is the risk that SpareBank 1 SMN will incur negative results on its holdings in strategically owned companies and/or must supply fresh equity to these companies. The companies concerned are defined in this context as companies in which SpareBank 1 SMN has a significant owner interest and influence.

SpareBank 1 Gruppen, BN Bank, SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt fall within this definition. While the risk posed by these companies is moderate, the Bank is indirectly exposed to increased market risk through its stake in SpareBank 1 Gruppen. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are primarily funding instruments for the core business operated by the owner banks. Their risk picture is relatively simple, and their appetite for market and liquidity risk is very low. Operational risk present in these companies is also low.

SpareBank 1 SMN exercises its control over the SpareBank 1 Gruppen and BN Bank effectively through the formal governing bodies that have been established.

Business risk

Business risk is the risk of unexpected income fluctuations arising from factors other than credit risk, market risk and operational risk. It can materialise in various business or product segments and can arise from business cycle fluctuations and changed customer behaviour.

Business risk is expresses through unexpected profit impairment. SpareBank 1 SMN constantly experiences changing framework conditions, both with regard to the competitive situation and the legislation affecting income models. The Bank’s response to all such changes is to adjust its business model to compensate for any lapse in income, either by identifying other income areas or adjusting costs to the new reality.

Sound strategic planning is the most important tool for mitigating business risk. Since business risk can arise from a variety of risk factors a broad set of tools (qualitative and quantitative) is employed to identify and report this type of risk.

Financial results

A strong profit trend for the Bank's core business, low cost growth and low losses have contributed to a net profit of NOK 1,400 million.

Report of the Board of Directors

Macroeconomic conditions

World economy

International growth picked up somewhat in 2013, but remains at moderate levels. In the US, hefty public budget tightening and higher taxes contributed to weaker growth in the first half-year. However, growth picked up substantially in the second half-year, and several economic indicators show an underlying improvement in the economy. The Federal Reserve decided in December to start scaling back its monthly bond purchases. Some improvement is also in evidence in the euro area, but unemployment remains high and uncertainties are still felt regarding the economy ahead. Through the OMT (outright monetary transactions) programme the European Central Bank has dampened the risk of sovereign defaults, thereby improving access to capital for banks and firms. Growth in the emerging economies has held up relatively well, but volatile capital flows have caused some unease. The recovery abroad remains fragile, and both growth and interest rates could remain low for a long time.

Norway

Growth in the Norwegian economy slowed in 2013. Mainland Norway's GDP rose by 2.0 per cent in 2013, compared with 3.4 per cent in 2012. Household consumption growth was weak while the saving rate was very high. Through 2013 companies in Norges Bank's regional network reported smaller capacity problems than previously and lower expected growth ahead. Price growth in the housing market fell in the last half-year, after several years of vigorous growth. Debt growth remained fairly stable last year, and the key policy rate stood unchanged at 1.5 per cent. Unemployment continues at a stable low level. The krone exchange rate weakened through 2013, while underlying price growth (CPI-JAE – consumer price index adjusted for taxes and energy prices) picked up somewhat compared with the previous year. The oil price was USD 111 per barrel at the end of 2013.

Trøndelag and Møre and Romsdal

Trøndelag and Møre and Romsdal show a good, stable trend in population growth and unemployment is at low levels.

As elsewhere in Norway, house prices in the region showed a declining rate of growth through 2013. The number of bankruptcies in South Trøndelag and Møre and Romsdal rose compared with the previous year, whereas a decline was seen in North Trøndelag. Businesses in the region reported a more moderate outlook for the future to the regional network than at the same point of 2012.

Measured in corporate turnover, the Trondheim region and Sunnmøre are the most significant areas in the region with about 62 per cent of the total (based on 2012 figures). Wholesale and retail trade along with manufacturing are the largest industries in the region, accounting for about 40 per cent of overall turnover. The region's industry structure shows wide geographical variation. Agriculture is relatively largest in North Trøndelag, shipyards and shipbuilding and the furniture industry are largest in Møre and Romsdal, while wholesale and retail trade and construction are largest in South Trøndelag/Trondheim. In Møre and Romsdal much of the business activity is export-oriented whereas the Trøndelag counties are little exposed to the export industry and are protected by a relatively large public sector.

Annual accounts 2013

Consolidated figures. Figures in parentheses refer to the same period of 2012 unless otherwise stated. The Group accounts are presented on the going-concern assumption, and the Board of Directors hereby confirms the basis for continued operation.

Profit of NOK 1,400m after tax

- Profit before tax and assets held for sale: NOK 1,758m (1,355m)
- Net profit: NOK 1,400 m (1,077m)
- Return on equity: 13.3 per cent (11.7 per cent)
- CET1 ratio: 11.1 per cent (10.0 per cent)
- Growth in lending 6.8 per cent (10.2 per cent) and deposits 7.3 per cent (9.2 per cent) over past 12 months
- Loan losses: NOK 101m (58m)
- Earnings per equity certificate (EC): NOK 6.92 (5.21). Book value per EC: NOK 55.69 (50.09), incl. recommended dividend for 2013
- Recommended dividend: NOK 1.75 per EC. Allocation to non-profit causes: NOK 124m

Highlights

- Profit improvement of NOK 323m, or 30 per cent, compared with 2012
- Core business strengthened. Increased margins on lending both to retail customers and businesses
- Low cost growth
- Low loan losses
- Improved financial position through 2013 and ample funding
- Reduced lending growth as planned, but growth in home mortgage loans remains higher than growth in the market

In 2013 SpareBank 1 SMN achieved a post-tax profit of NOK 1,400m (1,077m) and a return on equity of 13.3 per cent (11.7 per cent). Profit before tax and assets held for sale was NOK 1,758m (1,355m).

In 2013 operating income increased by 18 per cent to reach an overall NOK 3,079m (2,616m). Income rose both at the Parent Bank and the subsidiaries.

Return on financial assets was NOK 502m (451m), of which the profit share on owner interests in associates was NOK 355m (244m).

Operating expenses came to NOK 1,722m (1,654m) in 2013, i.e. NOK 68m, or 4.1 per cent, higher than in 2012. Parent Bank costs were reduced by NOK 9m in 2013.

Net losses on loans and guarantees were NOK 101m (58m).

Lending growth was 6.8 per cent (10.2 per cent) and deposit growth was 7.3 per cent (9.2 per cent).

CET1 capital adequacy at 31 December 2013 was 11.1 per cent (10.0 per cent). SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

At year-end the Bank's EC was priced at NOK 55.00 (34.80 at 31 December 2012). A cash dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

Earnings per EC were NOK 6.92 (5.21), and book value was NOK 55.69 (50.09).

Proposed distribution of profit

Distribution of the profit for the year is done on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the Group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Difference between Group - Parent Bank (NOKm)	**2013**	**2012**
Profit of the year, Group	1,400	1,077
Profit, subsidiaries	-112	-76
Dividend and group contributions, subsidiaries	111	126
Profit share, affiliates	-355	-264
Dividend from affiliates	328	163
Elimination Bank 1 Oslo Akershus	-24	0
Profit of the year, Parent Bank	**1,348**	**1,025**

Annual profit for distribution reflects changes of NOK -89m in the revaluation reserve, leaving the total amount for distribution at NOK 1,259m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.6 per cent of the distributed profit. The percentage used for the purpose of distribution is an average of the EC-holder ratio (EC-holders' share of total equity) over the year.

In keeping with the Bank's capital plan, the Board of Directors has opted to recommend a relatively low level of dividends and gift allocation.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 1.75 per equity certificate, altogether totalling NOK 227m. This gives a payout ratio of 25 per cent of the Group profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 124m as gifts to non-profit causes, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 35m will be allocated to non-profit causes and NOK 89m donated to the foundation Sparebankstiftelsen SMN. NOK 587m and NOK 321m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the Bank's capital plan and reflects the need to increase the Bank's core capital through a reduction in the payout ratio.

After distribution of the profit for 2013 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

Distribution of profit, NOKm	2013	2012
Profit of the year, Parent Bank	1,348	1,025
Transferred from revaluation reserve	-89	-36
Profit for distribution	**1,259**	**990**
Dividends	227	195
Equalisation fund	587	432
Ownerless capital	321	333
Gifts	124	30
Total distributed	**1,259**	**990**

Increased net interest income

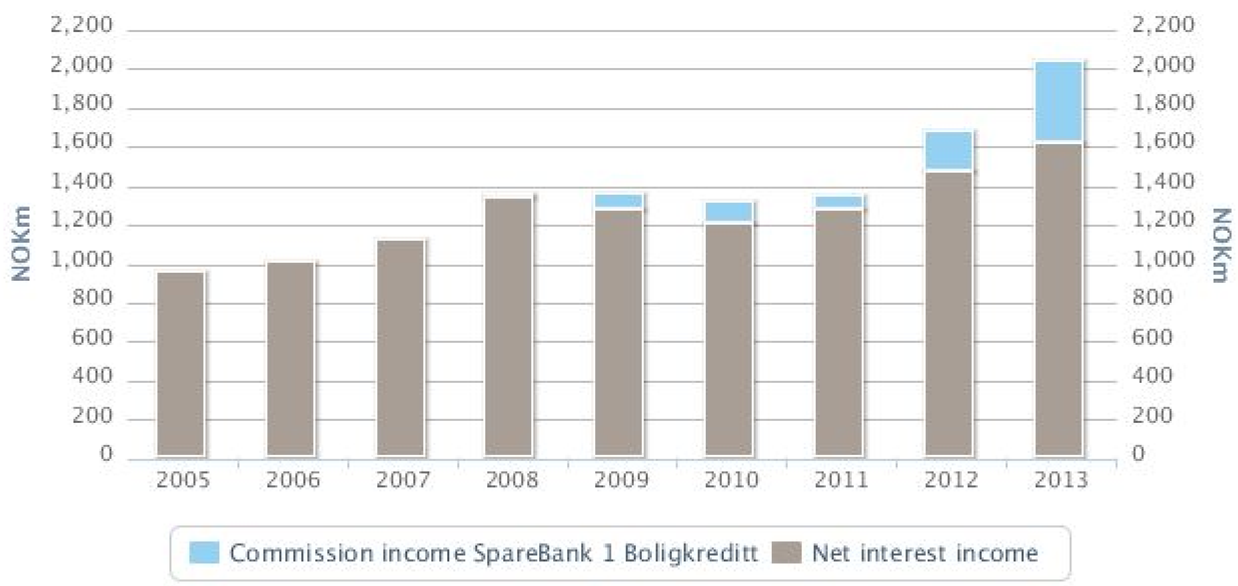
Net interest income in 2013 came to NOK 1,616m (1,477m).

Net interest income strengthened substantially through 2013 as a result of interest rates increases on loans to retail and corporate customers alike. Income from loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recorded as commission income, not as interest income. Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were also repriced, and commissions totalled NOK 422m (205m) in 2013.

Lending margins rose due to increased capital requirements for Norwegian banks. As a result more equity is needed to back each interest-earning krone loaned.

By the end of 2013 home mortgage loans worth NOK 30.5bn (30bn) had been sold to SpareBank 1 Boligkreditt. Of the total mortgage loans to customers, 45 per cent have been sold to SpareBank 1 Boligkreditt. Sales of loans to SpareBank 1 Næringskreditt started in 2012, and as of 31 December 2013 NOK 1.2bn had been sold to the entity.

As from 2013 banks are required to pay a levy to the Banks' Guarantee Fund. For SpareBank 1 SMN this amounted to NOK 54m in 2013.



Increased commission income

Commission income and other operating income rose to NOK 1,463m (1,139m) in 2013, an increase of NOK 324m or 28 per cent.

The increase in income from SpareBank 1 Boligkreditt is due to higher margins on home mortgage loans.

Other growth in incomes is mainly ascribable to a positive trend in incomes from payment services, accounting services and guarantee commissions. Reduced income from estate agency services is due to a slower, more uncertain market in the second half of 2013.

Commission income, NOKm	2013	2012	Change
Payment transfers	233	197	36
Savings	50	48	2
Insurance	124	122	2
Guarantee commission	56	30	26
Real estate agency	319	336	-17
Accountancy services	125	100	25
Active management	30	11	19
Rent	45	37	7
Other commissions	59	53	7
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,041**	**934**	**107**
Commissions SB1 Boligkreditt and SB1 Næringskreditt	422	205	217
Total commissions	**1,463**	**1,139**	**324**

Positive return on financial investments, including the result for assets held for sale

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 147m (207m) in 2013. Overall return breaks down as follows:

Return on financial investments, NOKm	2013	2012
Capital gains/dividends, shares	114	24
Bonds and derivatives	-40	57
Forex and fixed income transactions, Markets	73	126
Value changes, financial investments	**147**	**207**
SpareBank 1 Gruppen	210	94
SpareBank 1 Boligkreditt	40	44
SpareBank 1 Næringskreditt	8	8
BN Bank	91	72
Other companies	6	25
Affiliates	**355**	**264**
Total	**502**	**467**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2013 was NOK 1,110m (443m). The main contributors to the profit performance are SpareBank 1 Livsforsikring (life insurer) and SpareBank 1 Skadeforsikring (non-life insurer). The value of shares of SpareBank 1 Markets was written down in the second quarter by NOK 122m (see section below).

SpareBank 1 SMN's share of the profit was NOK 210m (94m).

Strengthened owner focus at SpareBank 1 Markets

As from 30 September 2013, SpareBank 1 Markets, whose previous main shareholder was SpareBank 1 Gruppen, acquired a new owner structure following SpareBank 1 Gruppen's disposal of its stake in the company. SpareBank 1 Markets is now owned directly by SpareBank 1 SMN (24 per cent), SpareBank 1 Nord-Norge (24 per cent), Sparebanken Hedmark (15 per cent), Samspar (24 per cent), the Norwegian Confederation of Trade Unions (12 per cent) and employees (2 per cent).

In connection with the change in owner structure, SpareBank 1 Gruppen wrote down its holding in SpareBank 1 Markets by NOK 122m in the second quarter of 2013. SpareBank 1 SMN's share of this write-down was NOK 23.8m.

For the period after the change in owner structure SpareBank 1 Markets reported a deficit of NOK 11.5m of which SpareBank 1 SMN's share was NOK 2.8m.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs.

The Bank's stake in SpareBank 1 Boligkreditt at 31 December 2013 was 17.48 per cent, and the Bank's share of that company's profit in 2013 was NOK 40m (44m). The Bank's holding reflects the Bank's relative share of home mortgage loans sold.

SpareBank 1 Næringskreditt

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2010 along the same lines, and with the same administration, as SpareBank 1 Boligkreditt.

As of 31 December 2013, SpareBank 1 SMN's stake in the company is 34.05 per cent, and the Bank's share of the company's profit in 2013 was NOK 8m (8m). The Bank's ownership interest reflects its relative share of commercial property loans sold and its stake in BN Bank.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 31 December 2013. BN Bank achieved in 2013 a profit of NOK 251m and a return on equity of 6.2 per cent.

SpareBank 1 SMN's share of the profit of BN Bank for 2013 was NOK 91m (72m), including amortisation effects. The amortisation effect in 2013 increased the profit by NOK 7m (11m). In 2013 BN Bank took steps to improve profitability which have brought a large increase in lending margins and reduced costs. The profit after tax rose from NOK 188m to NOK 252m. Loan losses are than the expected long-term level due to specific aspects of a minority of loans in the corporate portfolio and losses on BN Bank's earlier portfolio in Ålesund (the guarantee portfolio). Work is under way both on structural solutions and further internal measures with a view to profit improvement and to a reduction of risk-weighted balance sheet assets. An application to for permission to use the advanced IRB approach is one such measure.

Other companies

After disinvestment in 2013, Bank 1 Oslo Akershus and Polaris Media are no longer classified as owner interests. The profit in 2012 largely comprises SMN's profit shares from these companies.

Assets held for sale

A profit of NOK 30m (16m) was recorded on assets held for sale in 2013. The 2013 figure relates mainly to the gain realised on the sale of shares in an offshore vessel.

Reduced cost growth

Overall costs came to NOK 1,722m (1,654m) in 2013. Group expenses have thus risen by NOK 68m or 4.1

per cent.

Parent Bank cost growth was reduced by NOK 9m, well within the Bank's cost ambition which is to limit cost growth to 3 per cent per year up to and including 2015.

In the fourth quarter the Group recognised a one-off amount of NOK 25m less tax related to buyout of leases.

For the subsidiaries, overall cost growth was NOK 51m or 11.5 per cent. The increase is largely attributable to an expanded cost base at SpareBank 1 Regnskapshuset SMN following acquisition of local accountancy firms. This is in keeping with the company's adopted strategy plan.

Operating expenses measured 1.54 per cent (1.57 per cent) of average total assets. The Group's cost-income ratio was 48 per cent (54 per cent).

Low losses and low defaults
Net loan losses came to NOK 101m (58m) for 2013. This represents 0.09 per cent of total loans (0.06 per cent).

Losses of NOK 95m (57m) were recorded on the Group's corporate customers, including losses at SpareBank 1 Finans Midt-Norge of NOK 20m (9m). On the retail portfolio a net loss of NOK 7m (1m) was recorded in 2013.

Total individually assessed loan impairment write-downs came to NOK 173m (144m) as of 31 December 2013, an increase of NOK 29m over the year.

Total problem loans (defaulted and doubtful) came to NOK 543m (517m), or 0.48 per cent (0.49 per cent) of gross outstanding loans.

Defaults in excess of 90 days totalled NOK 386m (374m), measuring 0.34 per cent (0.36 per cent) of gross lending. Of total defaults, NOK 87m (83m) are loss provisioned, corresponding to 23 per cent (22 per cent).

Defaults break down to NOK 246m (226m) on corporate customers and NOK 140m (148m) on retail customers.

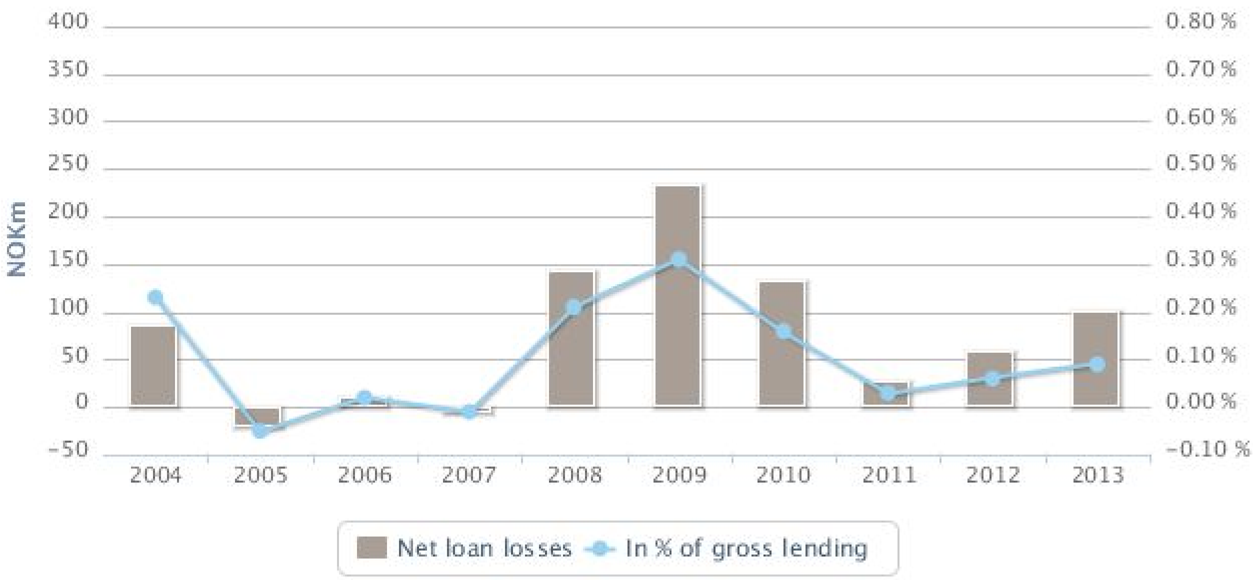
Other doubtful exposures totalled NOK 157m (143m), i.e. 0.14 per cent (0.14 per cent) of gross outstanding loans. NOK 86m (62m) or 55 per cent (43 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 139m (131m) to corporate customers and NOK 18m (12m) to retail customers.

Collectively assessed impairment write-downs
Collective assessment of impairment write-downs is based on two factors:

- events that have affected the Bank's portfolio (causing migration between risk categories)
- events that have not yet affected the portfolio since the Bank's credit risk models do not capture the effects rapidly enough (e.g. macroeconomic factors).

For 2013 no basis is found for any change in collectively assessed impairment write-downs. The aggregate volume of such write-downs is NOK 295m (295m).



Total assets of NOK 115bn

The Bank's assets totalled NOK 115bn (108bn) at 31 December 2013, having risen by NOK 7bn or 6.5 per cent over the year. The rise in total assets is a consequence of increased lending and higher liquidity reserves.

As of 31 December 2013 loans worth 32bn (30bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank's balance sheet. The comments covering lending growth do however include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced growth in keeping with the capital plan

In the last 12 months, total outstanding loans rose by NOK 7.1bn (9.7bn) or 6.8 per cent (10.2 per cent) to reach NOK 112.0bn (104.9m) as of 31 December 2013.

Lending to retail customers rose by NOK 5.9bn (7.6bn) or 9.5 per cent (13.7 per cent) to reach NOK 68.5bn in 2013.

Growth in lending to corporates in 2013 was NOK 1.2bn (2.1bn) or 2.8 per cent (5.3 per cent). Overall loans to corporates totalled NOK 43.5bn (42.3bn) at 31 December 2013.

Loans to retail customers accounted for 61 per cent (60 per cent) of ordinary loans to customers at the end of 2013.

Deposits

Customer deposits rose in 2013 by NOK 3.8bn (4.4bn) to reach NOK 56.1bn (52.3m) at 31 December 2013. This represents a growth of 7.3 per cent (9.2 per cent).

Retail customer deposits rose by NOK 1.6bn (1.4bn) or 7.1 per cent (9.5 per cent) to reach NOK 23.9bn, while deposits from corporates rose by NOK 2.2bn (3.0bn) or 7.5 per cent (11.0 per cent) to NOK 32.2bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 70 per cent as of 31 December 2013 (70 per cent). When loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are included, the deposit-to-loan ratio was 50 per cent (50 per cent).

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 5.2bn (4.4bn) at 31 December 2013. Compared with the previous year, the higher values on equity funds and active management are largely ascribable to increased stock exchange values. Energy funds are not attracting new buyers, and the portfolio is diminishing.

Investment products, customer portfolio, NOKm	2013	2012	Change
Equity fund	3,367	2,570	797
Pension products	555	653	-98
Active management	1,240	1,012	228
Energy fund management	67	139	-72
Total	**5,229**	**4,374**	**855**

Good growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 6.6 per cent in 2013. Non-life insurance showed 2.2 per cent growth, personal insurance 20.1 per cent and the occupational pensions portfolio 9.6 per cent growth.

Insurance, premium volume, NOKm	2013	2012	Change
Non-life insurance	695	680	15
Personal insurance	222	184	37
Occupational pensions	182	166	16
Total	**1,098**	**1,030**	**68**

Profit centres at the Parent Bank

Offices (Retail market and SMEs)

As from 2013 the Retail market business and the SME segment comprise a unit in their own right. SMEs were previously a part of the corporate business. The Retail market and SMEs are each commented on separately. The SME segment consists of corporate customers with an exposure size of up to about NOK 8m and agricultural customers. Due to the reorganisation, historical data for the SME segment are incomplete and no comparison is made with the previous year's figures. Return on equity as of 31 December 2013 for the retail business and SME segment in total was 35.4 per cent with 38.7 per cent (22.6 per cent) posted by the Retail business and 29.4 per cent by the SME segment. Return on the retail market business is calculated using existing risk weights on home mortgage loans as at 31 December 2013.

	Retail-customers	SMEs	Large corporates
Net interest	630	284	695
Interest from allocated capital	11	3	34
Total interest income	**641**	**286**	**729**
Commission income and other income	704	79	91
Net return on financial investments	1	1	49
Total income	**1,346**	**366**	**869**
Total operating expenses	641	156	257
Ordinary operating profit	**705**	**210**	**612**
Loss on loans, guarantees etc.	6	5	71
Result before tax including held for sale	**699**	**205**	**541**
Post-tax return on equity	**38.7 %**	**29.4 %**	**12.8 %**

Retail market

Operating income – and return on equity – have increased substantially as a result of increased margins on home mortgage loans, both on loans on the Bank's own books and on home mortgages sold to SpareBank 1 Boligkreditt, and totalled NOK 1,346m (1,037m) in 2013. Net interest income came to NOK 641m (552m) and commission income to NOK 705m (485m), including commissions from SpareBank 1 Boligkreditt and income on forex and fixed income business.

The lending margin in 2013 was 2.51 per cent (1.86 per cent), while the deposit-to-loan ratio was -0.37 per cent (0.10 per cent)(measured against three-month NIBOR).

In the last 12 months, lending to retail customers rose by 9.5 per cent (13.7 per cent) and deposits from the same segment by 7.1 per cent (9.5 per cent).

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. Losses and defaults are expected to remain low. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory throughout the market area.

SME segment

Operating income totalled NOK 380m comprising net interest income of NOK 286m and commission income of NOK 80m.

The lending margin measured against three-month Nibor in 2013 was 3.40 per cent and the deposit margin was -0.29 per cent.

SME customers have loan capital totalling NOK 9.1bn and deposit capital totalling NOK 8.7bn. Growth in loans and deposits respectively in 2013 was 6.4 per cent and 1.9 per cent.

Group customers

In connection with the reorganisation of the Bank as from 2013, SME customers have been detached from the former corporate market division and the segment has changed name to Group Customers. Group customers are mainly customers with exposure sizes in excess of NOK 8m. Given the organisation changes, historical data on group customers are incomplete.

Return on equity for group customers was 12.8 per cent in 2013. For the entire corporate market business (SMEs and Group Customers), return on equity in 2013 was 15.4 per cent (14.4 per cent).

Total operating income for Group Customers was NOK 869m in 2013. Net interest income was NOK 729m, while commission income was NOK 91m. In addition, a net return of NOK 49m was posted on financial investments.

Lending and deposit margins for Group Customers were, respectively, 2.83 per cent and -0.66 per cent. Lending growth for Group Customers in 2013 was -0.8 per cent and deposit growth was 16.5 per cent. For corporates overall (SMEs and Group Customers) the lending margin was 2.95 per cent (2.45 per cent) and the deposit margin was -0.54 per cent (-0.10 per cent).

Growth in lending to corporates overall (SMEs and Group Customers) was 0.7 per cent (3.5 per cent) and deposit growth was 12.5 per cent (-5.7 per cent).

Income SpareBank 1 SMN Markets

SpareBank 1 Markets is an integral part of SMN's Parent Bank operation, and posted total income of NOK 100m (116m) in 2013. Income increased in the securities and corporate segments compared with 2012, while a decline was seen for fixed income and forex. As from the fourth quarter 2013, SpareBank 1 SMN's corporate business was transferred to SpareBank 1 Markets.

Markets (NOKm)	2013	2012	Change
Currency trading	67.3	86.1	-18.8
Corporate	10.6	7.6	3.0
Securities, brokerage commission	26.8	17.0	9.8
SpareBank 1 Markets	3.1	16.2	-13.1
Investments	-7.4	-10.6	3.2
Total income	**100.4**	**116.3**	**-15.9**

Of gross income of NOK 100m, a total of NOK 25m is transferred to Group customers, NOK 1m to the SME segment and NOK 1m to Retail market. These amounts are the respective entities' share of income on forex and fixed income business derived from their own customers. The Retail market is part of the Parent Bank, and therefore does not include figures for the Bank's subsidiaries.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 147.6m (116.1m) in 2013.

Pre-tax profit, NOKm	2013	2012	Change
EiendomsMegler 1 Midt-Norge	60.7	76.2	-15.5
SpareBank 1 Finans Midt-Norge	50.7	55.8	-5.1
SpareBank 1 Regnskapshuset SMN	14.0	13.8	0.6
SpareBank 1 SMN Invest	46.6	-15.0	61.6
Other companies	-24.4	-14.7	-9.7
Total	**147.6**	**116.1**	**31.9**

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. Profit was weaker in 2013 than in 2012 as a result of a weaker market in the second half-year. Pre-tax profit was NOK 60.7m (76.2m) in 2013.

SpareBank 1 Finans Midt-Norge posted a profit of NOK 50.7m (55.8m) as of 31 December 2013. The company posted good income growth in 2013 although increased losses brought a net profit impairment.

At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.3bn (3.1bn) of which leases account for NOK 1.9bn (1.9bn) and car loans for NOK 1.4bn (1.2bn).

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 14.0m (13.8m) and turnover growth of 27 per cent. With a growth rate far higher than the industry average, the company leads the market in mid-Norway and is a leading accounting services entity in Norway as a whole.

SpareBank 1 Regnskapshuset SMN took over six accounting firms in 2013 and aspires to continued strong growth.

In collaboration with other SpareBank 1 banks, SpareBank 1 Regnskapshuset SMN has launched a nationwide drive in the accounting business through SpareBank 1 Regnskapshuset. SpareBank 1 Regnskapshuset intends to be one of Norway's leading actors in the accounting industry by building up a national accounting enterprise based on regional ownership, strong links to the owner banks and closeness to the market.

SpareBank 1 SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 46.6m in 2013 (loss of 15.0m).

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the Bank's ability to survive for 12 months carrying on ordinary operations without need of fresh external funding.

The Bank has liquidity reserves of NOK 18bn and thus has the funding needed for 24 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 72 per cent (80 per cent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and as of 31 December 2013 loans totalling NOK 30bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A2 (stable) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The Bank was downgraded by Moody's from A1 to A2 (under review) in December. In the first quarter of 2013 this was changed to A2 (stable).

Stronger financial position

After distribution of the profit for 2013, the CET1 capital ratio is 11.1 per cent (10.0 per cent).

The Group has shifted lending growth more over to the retail market segment which, in isolation, is positive for the Bank's capital charges. Due to the transitional rules in the capital requirements regulations, this has resulted in higher regulatory minimum capital requirements.

Tier 1 capital adequacy is strengthened as a result of hybrid capital worth NOK 500m raised in June 2013 and NOK 450m raised in October 2013.

Figures in NOKm	**2013**	**2012**
Tier 1 capital	9,374	8,254
Hybrid capital	1,615	1,103
Subordinated loan	1,428	1,586
Capital base	**12,417**	**10,943**
Required subordinated debt	**6,767**	**6,596**
Risk weigheted assets	**84,591**	**82,446**
Tier 1 capital ratio	**11.1 %**	**10.0 %**
Core capital ratio	13.0 %	11.3 %
Capital adequacy ratio	14.7 %	13.3 %

In the fourth quarter 2013 several matters related to future capital requirements were clarified. Finanstilsynet increased the LGD floor to 20 per cent with effect from 1 January. As a result the risk weights for home mortgage loans under IRB will increase. The effect of this will be partly offset by the Basel 1 floor. The Ministry of Finance decided that countercyclical buffer of 1 per cent is to be introduced at the end of the second quarter of 2015. The countercyclical buffer can be increased if the authorities find this necessary. In its statement on systemically important financial institutions (SIFIs), Finanstilsynet (Norway's FSA) has recommended that SpareBank 1 SMN be defined as an SIFI bank on account of its importance for the region. This is in keeping with the Group's own assessments, and implies no change in capital requirements in relation to the levels on which SpareBank 1 SMN has based its capital plan.

The Board of Directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The board considers it important for the Group to be sufficiently capitalised to fulfil all regulatory requirements. The Board of Directors are planning for a CET1 requirement of 13.5 per cent, comprising 12 per cent plus a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

The Group's expectation is that the applications of both BN Bank and SpareBank 1 SMN to use the advanced IRB approach will be granted. This will in isolation strengthen capital adequacy by about 0.9 per cent.

The following are the most important measures in the Group's capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments. Increased capital requirements for all banks provide a market basis for increased margins on lending
- The dividend policy to entail an effective payout ratio of 25-35 per cent
- Moderate growth in the Bank's asset-intensive activities, including lending to the retail and corporate segments by the Parent Bank and BN Bank
- Introduction of the advanced IRB approach at SpareBank 1 SMN and BN Bank
- Strong focus on profitability with a return-on-equity target of 12-14 per cent.

The Board of Directors expects SpareBank 1 SMN to attain the target of a 13.5 per cent CET1 ratio by 30 June 2016 without ordinary stock issues. The Board may consider a private placing with the foundation Sparebankstiftelsen SMN.

The Bank is IRB approved and uses the IRB foundation approach to compute capital charges for credit risk.

In June 2013 SpareBank 1 SMN applied to Finanstilsynet for permission to use the advanced IRB approach to compute capital charges. Preparatory work on the application was done in conjunction with the other banks in the SpareBank 1 alliance.

The Bank's equity certificate (MING)

The book value of the Bank's EC was NOK 55.69 (50.09) at 31 December 2013, and earnings per EC were NOK 6.92 (5.21).

The Price / Income ratio was 7.95 (6.68), and the Price / Book ratio was 0.99 (0.69).

At year-end the EC was priced at NOK 55.00, and dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

SpareBank 1 SMN's articles of association do not impose trading restrictions on its EC holders. With regard to placings with employees, the latter are invited to participate under given guidelines. In placings where discounts are granted, a lock-in period applies before sale can take place. The rights to ECs issued in placings with employees cannot be transferred.

SpareBank 1 SMN is not aware of any agreements between EC holders that limit the opportunity to trade ECs or to exercise voting rights attached to ECs.

See also the chapter Corporate Governance.

Risk factors

A weaker krone exchange rate in the second half of 2013 has had a positive effect for Norwegian export industries, but this effect is limited by weak growth in the euro area. Very solid government finances and high demand in the petroleum industry lead us to expect Norwegian GDP to remain higher than GDP for Europe as a whole. Unemployment remains low, and households are experiencing real wage growth. This, combined with continued low interest rates, means that loss risk posed by the retail market remains low. House prices are levelling off, but houses are still in short supply in relation to expected population growth.

The Bank's results are affected directly and indirectly by fluctuations in the securities markets. The indirect effect relates above all to the Bank's stake in SpareBank 1 Gruppen, where capital management connected with the insurance business and fund management activities are both affected by the fluctuations.

The Bank is also exposed to risk related to access to external funding. This is reflected in the Bank's conservative liquidity strategy (see the above section on funding and liquidity).

The credit quality of the Bank's loan portfolio is satisfactory, and loss and default levels are very low in historical terms.

Much uncertainty attends the pace of the announced regulatory changes for the European financial sector, but Norwegian authorities are signalling a clear ambition to introduce new requirements at an early stage. This may affect Norwegian banks' competitiveness relative to other banks. This challenge is compounded by non-uniform approaches to the capital adequacy rules which creates uncertainty about Norwegian banks' financial strength compared with Nordic competitors.

Corporate social responsibility

The Bank aims to contribute to society's value creation by assuring profitable and sound banking, prudent capital allocation and sustainable management of inputs. Healthy growth provides the 'lift' that enables the Bank to attract good customers and skilled staff and to contribute to the further development of the region of which we are a part.

SpareBank 1 SMN aims to balance financial growth against the need for rational use of inputs and resources consumed by the Bank. Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3 which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. This ensures that ethics, the environment and important social issues are on the agenda throughout.

SpareBank 1 SMN has established a strategy for its corporate social responsibility that brings together three themes: finance, social responsibility and environment. Under each main theme, important areas are defined and clear targets are set for the Bank's contribution to responsible development.

This is further described in the chapter Corporate Social Responsibility in this annual report, which includes meeting the requirements of the Accounting Act section 3-3C.

HR and competence

SpareBank 1 SMN is a competence-intensive business. This means that the individual staff member's, department's and the organisation's combined competence are key inputs for securing sound value creation at all levels. The Bank's advisers are the core of the business and the most important competitive advantage in combination with the values 'close at hand' and 'capable'.

Knowledge, skills and mindsets

SpareBank 1 SMN makes heavy demands on its advisers to ensure that customers experience the best the market has to offer in terms of personal financial and corporate financial advice. The Bank has developed good training arenas for its advisers and has a continual focus on professional development, improvement of customer processes and a high standard of ethics among all members of staff. The SpareBank 1 Alliance has jointly developed a comprehensive certification programme for advisers and is thus well placed to adapt to new industry requirements. At the end of 2013 all the Bank's advisers were approved non-life insurance advisers, and the Bank is well into the process of authorisation of advisers in the field of financial advice. A further 48 advisers were authorised over the course of 2013, and annual updating of previously authorised advisers was completed.

Attractive employer

Vacancy announcements have attracted many applicants and keen interest is shown in the Bank's company presentations, and recruitment agencies report unequivocally that the Bank has a positive reputation in the labour market. The Bank is continuously engaged in developing and improving its appointment policy to ensure the recruitment of staff with the right knowledge, skills and mindsets and to come across as an attractive employer in the labour market. In 2013 this was especially in focus through the development of an employer branding strategy in collaboration with the banks in the SpareBank 1 Alliance.

The Bank collaborates with relevant educational institutions in our market area and participates both in company presentations and as a mentor enterprise for certain lines of study.

The Group's internal labour market

Job changes are facilitated across business areas and subsidiaries to stimulate circulation of competencies and experience in the organisation. Twenty-seven staff members went to new jobs within the Group in 2013.

The overarching objective of the internal recruiting processes is to get the right person into the right job and to offer interesting development opportunities for our staff. Inherent in this objective is a clear-cut aim of a good gender balance at all levels of the organisation. A healthy gender equality perspective is a precept of the Bank's HR policy.

Staff turnover at the Bank

The Bank's staff turnover rate in 2013 was 8.4 per cent. This is excluding staff that have retired. In the Bank's view, a balanced replacement of staff adds new competencies and experience. It also indicates that the Bank's staff are attractive and competitive in the labour market.

Staff 2012-2013

At the end of 2013 the Parent Bank had 805 employees, distributed on 757 FTEs. Women account for 51 per cent of total staff and 32 per cent of managerial staff.

Sickness absence

The Bank' overall sickness absence was 4.1 per cent in 2013 compared with 4.6 per cent in 2012. The Bank makes an active effort to keep sickness absence as low as possible. Initiatives at various levels have been important and are viewed as key explanations for our relatively moderate rate of sickness absence.

Corporate initiatives

- 'Better Shape' workout/activities programme
- close cooperation with the corporate health service
- targeted health follow-up (ergonomics, work environment, health)
- organisation analysis (TNS Gallup)

Individual initiatives

- more and more staff turning to healthful leisure activities
- substantial support for company sports activities
- close follow-up of staff on sick leave

Main figures, Parent Bank	2013	2012
No. of FTEs	757	793
No. of staff	805	838
Turnover	8.4 %	8.7 %
Female managers	31.6 %	29.0 %
New staff	38	63
Average age	46 year	46 year
Sickness absence rate	4.1 %	4.6 %

Demographic data for the Parent Bank

Non-discrimination

SpareBank 1 SMN works to prevent discrimination in spheres including recruitment, pay and employment conditions, promotion, career development, and protection against harassment. SpareBank 1 SMN aims to reflect the population structure in its catchment area.

The Group's remuneration policy

All remuneration arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act, and with the Securities Trading Act with associated regulations on remuneration arrangements at financial institutions, investment firms and fund management companies.

The Group's guidelines for variable remuneration are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The remuneration arrangements are formulated in such a way as to ensure that neither individuals nor the organisation will take unacceptable risk in order to maximise the variable remuneration.

For further information, see note 23 Personnel expenses and emoluments to senior employees.

Prospects

The profit performance for 2013 was excellent and confirms that measures implemented under the Group's capital plan are having a good effect. The Directors are particularly pleased by the trend in the core business with increased operating income, reduced cost growth and continued low losses. This shows that the Group is in a position to generate satisfactory return on the increased capital.

SpareBank 1 SMN still sees no indications that the business sector in Trøndelag and in Møre and Romsdal faces a change in the economic climate. The key industries in the Bank's market area show rising activity levels and sound profits, and prospects for 2014 appear good. Unemployment is low, and there are few signs in the regional macroeconomy to suggest major changes in the risk picture for the first half of 2014.

The Directors see growing competition in the financial market, but expect SpareBank 1 SMN to make a good showing with competitive products and first-rate customer service.

The Directors are concerned that the Bank should be a good partner for households and businesses in the region. At the same time they expect the Group to meet the capital requirements set without ordinary stock issues. The Directors may consider a private placing with the foundation Sparebankstiftelsen SMN. The Directors are well pleased with the profit performance for 2013 and expect 2014 to be another good year for SpareBank 1 SMN.

Trondheim, 3 March 2014
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum Deputy chair	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Bente Karin Trana Alternate	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Income statement

Parent Bank				Group	
2012	2013	(NOK million)	Notes	2013	2012
3,904	4,092	Interest income	4,20	4,118	3,928
2,532	2,604	Interest expenses	4,20	2,502	2,451
1,373	**1,487**	**Net interest income**		**1,616**	**1,477**
707	970	Fee and commission income	4,21	1,230	968
86	81	Fee and commission expenses	4,21	94	96
51	57	Other operating income	4,21	327	267
672	**946**	**Net fee and commission income and other operating income**		**1,463**	**1,139**
290	371	Dividends	22,43	41	12
-	-	Income from associates and joint ventures	23,39	355	244
205	176	Net return on financial investments	22	106	195
495	**547**	**Net return on financial investments**		**502**	**451**
2,540	**2,981**	**Total income**		**3,580**	**3,067**
618	587	Staff costs	23,24,25	914	924
587	611	Other operating expenses	24,33	807	730
1,206	**1,197**	**Operating expenses**		**1,722**	**1,654**
1,334	**1,783**	**Result before losses**		**1,859**	**1,414**
51	82	Loss on loans, guarantees etc.	11	101	58
1,283	**1,701**	**Profit before income tax**		**1,758**	**1,355**
262	358	Tax charge	26	388	295
4	6	Result investment held for sale, after tax		30	16
1,025	**1,348**	**Profit for the year**		**1,400**	**1,077**
		Majority share		1,390	1,068
		Minority interests		10	9
		Profit per ECC, in NOK		6.97	5.25
		Diluted profit per ECC, in NOK		6.92	5.21

Other comprehensive income

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
1,025	1,348	Net profit	1,400	1,077
		Items that will not be reclassified to profit/loss		
160	-9	Actuarial gains and losses pensions	-11	169
-45	3	Tax	3	-47
-	-	Share of other comprehensive income of associates and joint venture	11	-
115	-7	Total	3	121
		Items that will be reclassified to profit/loss		
-	-	Available-for-sale financial assets	-6	12
-	-	Share of other comprehensive income of associates and joint venture	14	10
-	-	Total	8	22
1,140	**1,342**	**Total other comprehensive income**	**1,411**	**1,220**
		Majority share of comprehensive income	1,401	1,090
		Minority interest of comprehensive income	10	9

Balance sheet

Parent Bank					Group		
01.01.12	31.12.12	31.12.13	(NOK million)	Notes	31.12.13	31.12.12	01.01.12
			ASSETS				
1,519	1,079	4,793	Cash and balances with central banks		4,793	1,079	1,519
5,033	5,619	4,000	Loans and advances to credit institutions	7,28	1,189	3,012	2,557
70,793	72,464	77,030	Loans and advances to customers	8,9,10,12,15,28	80,303	74,943	73,105
-151	-129	-150	- Specified write-downs	8,11	-173	-144	-172
-273	-278	-278	- Write-downs by loan category	8,11	-295	-295	-290
70,369	72,057	76,602	Net loans to and receivables from customers		79,836	74,504	72,643
12,918	17,164	16,887	Fixed-income CDs and bonds	27,28,29	16,887	17,164	12,918
3,698	3,101	3,051	Financial derivatives	14,27,28,30	3,050	3,100	3,697
331	354	492	Shares, units and other equity interests	27,28,31	1,030	777	611
2,816	3,115	3,138	Investments in associates and joint ventures	39,40,41,43	4,624	4,573	4,259
1,203	2,181	2,442	Investment in group companies	39,41	-	-	-
151	201	169	Property, plant and equipment	33	1,176	1,277	1,109
222	340	114	Investment held for sale	31,39	113	486	481
447	447	447	Goodwill	32	495	482	471
949	1,337	1,940	Other assets	25,34	2,167	1,521	1,154
99,655	**106,995**	**114,074**	**Total assets**	**13,16,17,19**	**115,360**	**107,975**	**101,420**
			LIABILITIES				
6,232	5,137	5,159	Deposits from credit institutions	7,28	5,159	5,137	6,232
2,886	2,273	1,220	Funding, "swap" arrangement with the government	28	1,220	2,273	2,886
48,114	53,187	56,531	Deposits from and debt to customers	28,35	56,074	52,252	47,871
28,148	30,259	33,762	Debt securities in issue	27,28,36	33,762	30,259	28,148
3,158	2,790	2,295	Financial derivatives	14,27,28,30	2,295	2,790	3,158
1,579	1,615	1,992	Other liabilities	25,37	2,303	2,070	2,017
-	-	-	Investment held for sale	39	-	72	151
2,690	3,040	3,304	Subordinated debt	27,28,38	3,304	3,040	2,690
92,808	**98,302**	**104,263**	**Total liabilities**	**18,19**	**104,118**	**97,892**	**93,153**
			EQUITY				
2,373	2,597	2,597	Equity capital certificates	42	2,597	2,597	2,373
-0	-0	-0	Own holding of ECCs	42	-0	-0	-0
183	895	895	Premium fund		895	895	183
1,457	1,889	2,496	Dividend equalisation fund		2,496	1,889	1,457
190	195	227	Allocated to dividends		227	195	190
40	30	124	Allocated to gifts		124	30	40
2,611	2,944	3,276	Ownerless capital		3,276	2,944	2,611
70	106	195	Unrealised gains reserve		206	123	85
-77	38	-	Other reserves		1,354	1,343	1,193
			Minority interests		67	67	135
6,847	**8,694**	**9,811**	**Total equity**	**5,43**	**11,242**	**10,082**	**8,267**
99,655	**106,995**	**114,074**	**Total liabilities and equity**	**16,17**	**115,360**	**107,975**	**101,420**

Trondheim, 3 March 2014
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum Deputy chair	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Bente Karin Trana Alternate	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Change of equity

Parent Bank	Issued equity			Earned equity					
(NOK million)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Divi-dend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**70**	**-**	**6,924**
Reset of estimate deviation, pensions IAS 19R	-	-	-	-	-	-	-	-77	-77
Net Profit	-	-	333	432	195	30	36	-	1,025
Estimate deviation, pensions	-	-	-	-	-	-	-	115	115
Other comprehensive income	-	-	-	-	-	-	-	115	115
Total other comprehensive income	-	-	333	432	195	30	36	115	1,140
Transactions with owners									
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-
Total transactions with owners	224	713	-	-	-190	-40	-	-	706
Equity capital at 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Net Profit	-	-	321	587	227	124	89	-	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-195	-30	-	-	-225
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**0**	**9,811**

Group (NOK million)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Divi-dend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
	Majority share									
	Issued equity		Earned equity							
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**85**	**1,274**	**135**	**8,348**
Reset of estimate deviation, pensions IAS 19R	-	-	-	-	-	-	-	-81	-	-81
Net Profit	-	-	333	432	195	30	36	43	9	1,077
Other comprehensive income										
Estimate deviation, pensions	-	-	-	-	-	-	-	121	-	121
Available-for-sale financial assets	-	-	-	-	-	-	1	12	-	13
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	10	-	10
Other comprehensive income	-	-	-	-	-	-	1	143	-	145
Total other comprehensive income	-	-	333	432	195	30	37	186	9	1,221
Transactions with owners										
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-	-36	-	-36
Change in minority share	-	-	-	-	-	-	-	-	-77	-77
Total transactions with owners	224	713	-	-	-190	-40	-	-36	-77	594
Equity capital at 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**

Group	Majority share									
	Issued equity		Earned equity							
(NOK million)	EC capital	Premium fund	Owner-less capital	Equali-sation fund	Divi-dend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**
Net profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**

Cash flow statement

Parent bank			Group	
2012	**2013**	(NOK million)	**2013**	**2012**
1,025	1,348	Profit before tax	1,400	1,077
43	53	+ Depreciation and write-downs	118	102
51	82	+ Losses on loans and guarantees	101	58
1,119	**1,484**	**Net cash increase from ordinary operations**	**1,619**	**1,237**
284	-587	Decrease/(increase) other receivables	-652	802
-293	-121	Increase/(decrease) short term debt	-244	-436
-1,738	-4,627	Decrease/(increase) loans to customers	-5,433	-1,919
-586	-2,580	Decrease/(increase) loans credit institutions	-2,376	-456
5,073	3,344	Increase/(decrease) deposits and debt to customers	3,822	4,381
-1,708	-1,031	Increase/(decrease) debt to credit institutions	-1,031	-1,708
-4,246	277	Increase/(decrease) in short term investments	277	-4,246
-2,096	**-3,842**	**A) Net cash flow from operations**	**-4,018**	**-2,347**
-92	-23	Increase in tangible fixed assets	-32	-279
-	1	Reductions in tangible fixed assets	1	-
-1,611	-58	Paid-up capital, associated companies	250	-728
192	-137	Net investments in long-term shares and partnerships	-253	-166
-1,512	**-217**	**B) Net cash flow from investment**	**-34**	**-1173**
350	264	Increase/(decrease) in subordinated loan capital	264	350
936	-	Increase/(decrease) in equity	-	936
-190	-195	Dividends paid	-195	-190
-40	-30	Gift awards decided	-30	-40
-	31	Adjustment of equity	25	-89
2,112	3,503	Increase/(reduction), other long-term debt	3,503	2,112
3,168	**3,573**	**C) Net cash flow from financial activities**	**3,566**	**3,080**
-440	**-486**	**A) + B) + C) Net changes in cash and cash equivalents**	**-486**	**-440**
1,519	1,079	Cash and cash equivalents at 01.01	1,079	1,519
1,079	593	Cash and cash equivalents at 31.12	593	1,079
440	**486**	**Net changes in cash and cash equivalents**	**486**	**440**

Notes

Note 1 - General information

Description of the business

See “Business description” presented in the annual report.

The SpareBank 1 SMN Group

SpareBank 1 SMN’s head office is in Trondheim, no. 4 Søndre gate. The Bank’s market areas are essentially Trøndelag and Nordvestlandet.

The Group accounts for 2013 were approved by the Board of Directors on 3 March 2014.

Note 2 - IFRS accounting principles

Basis for preparing the consolidated annual accounts

The Group accounts for 2013 for SpareBank 1 SMN have been prepared in conformity with International Financial Reporting Standards (IFRS) which have been given effect in Norway. These include interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC). The measurement base for both the parent bank and group accounts is historical cost with the modifications described below. The accounts are presented based on IFRS standards and interpretations mandatory for accounts presented as at 31 December 2013.

Implemented accounting standards and other relevant rule changes in 2013

IAS 1 - Presentation of Financial Statements where the statement of other items of income and expense is split into, respectively, items reclassified to profit or loss and items not reclassified to profit or loss.

IAS 19R - Employee Benefits. As a result of this standard, the Group has changed the basis for calculating pension liabilities and pension costs. For details of IAS 19R, see note 25 on pensions.

IFRS 7 - Financial Instruments - Disclosures. The Group has implemented the change in IFRS requiring extended disclosure of netting of financial instruments and offsetting related to financial instruments.

IFRS 13 - Fair Value Measurement. The Group has implemented IFRS 13 on fair value measurement of financial instruments.

The above standards are implemented as from 1 January 2013.

New or revised accounting standards approved but not implemented in 2013

IFRS 9 - Financial Instruments regulates the classification, measurement and recognition of financial assets and financial liabilities and replaces the existing IAS 39. Under the new standard, financial assets are to be divided into two categories based on measurement method: fair value or amortised cost. For financial liabilities the requirements are broadly identical to the current standard. For the Bank we expect the changes in the treatment of losses on loans and guarantees to be of greater significance, but the scale involved has thus far not been clarified since the standard is still under preparation. The Group plans to apply IFRS 9 once the standard enters into force and has been approved by the EU. The probable implementation date will be after 2015.

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 and 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 to be implemented on 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 to be implemented on 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. Implementation is due on 1 January 2014.

Presentation currency

The presentation currency is the Norwegian krone (NOK), which is also the Bank’s functional currency. All amounts are stated in millions of NOK unless otherwise specified.

Consolidation

The Group accounts include the Bank and all subsidiaries which are not due for divestment in the near future and which are therefore to be classified as held for sale under IFRS 5. All undertakings controlled by the Bank, i.e. where the Bank has the power to control the undertaking’s financial and operational principles with the intention of achieving benefits from the undertaking’s activities, are regarded as subsidiaries. Subsidiaries are consolidated from the date on which the Bank has taken over control, and are deconsolidated at the date on which the Bank relinquishes control. Mutual balance sheet items and all significant profit elements are eliminated.

Upon takeover of control of an enterprise (business combination), all identifiable assets and liabilities are recognised at fair value in accordance with IFRS 3. A positive difference between fair value of the consideration and the fair value of identifiable assets and liabilities is recorded as goodwill, while a negative difference is taken to income upon purchase. Accounting for goodwill after first-time recognition is described under the section on intangible assets.

The Bank has not applied IFRS 3 retrospectively to business combinations carried out prior to 1 January 2004.

All intra-group transactions are eliminated in the preparation of the Group accounts. The minority's share of the Group result is presented on a separate line under pro fit after tax in the income statement. In the equity capital, the minority's share is shown as a separate item.

Associated companies
Associated companies are companies in which the Bank has substantial influence. As a rule, influence is substantial where the Bank has an ownership interest of 20 percent or more. Associated companies are accounted for by the equity capital method in the Group accounts. The investment is initially recognised at acquisition cost and subsequently adjusted for change in the Bank's share of the associated undertaking's net assets. The Bank recognises its share of the result of the associated undertaking in its income statement. Associated companies are accounted for in the company accounts by the cost method. See also note 39 Investments in owner interest.

Joint ventures
Joint ventures may take the form of jointly controlled operations, jointly controlled assets or jointly controlled entities. Joint control entails that the Bank by agreement exercises control together with other participants. The Bank accounts for jointly controlled operations and jointly controlled assets by recognising the Bank's proportional share of assets, liabilities and balance sheet items in the Bank's accounts. The governance structure for SpareBank 1 collaboration is regulated by an agreement between the owners. The Group classifies its participation in some companies as investments in jointly controlled entities and accounts for them by the equity method. See also note 39 Investments in owner interest.

Loans and loan losses
Loans are measured at amortised cost in keeping with IAS 39. Amortised cost is acquisition cost less repayments of principle, plus or minus cumulative amortisation resulting from the effective interest rate method, with deductions for any value fall or loss likelihood. The effective interest rate is the interest rate which precisely discounts estimated future cash in- or out-payments over the financial instrument's expected lifetime.

Fixed interest loans to customers are recognised at fair value. Gains and losses due to changes in fair value are recognised in the income statement as value changes. Accrued interest and premiums/discounts are recognised as interest. Interest rate risk on fixed interest loans is managed through interest rate swaps which are recognised at fair value. It is the Group's view that recognising fixed interest loans at fair value provides more relevant information on balance sheet values.

Write-down
Amounts recorded on the Bank's balance sheet are reviewed on the balance sheet date for any indications of value impairment. Should such indications be present, an estimate is made of the asset's recoverable amount.Each year on the balance sheet date recoverable amounts are computed on goodwill, assets with unlimited useful lifetime, and intangible assets not yet available for use, are computed. Write-down is undertaken when the recorded value of an asset or cash-flow-generating entity exceeds the recoverable amount. Write-downs are recognised in profit/loss. Write-down of goodwill is not reversed. In the case of other assets, write-downs are reversed where there is a change in estimates used to compute the recoverable amount.

Individual write-downs on financial assets
Value impairment on loans is incurred if, and only if, there exists objective evidence of a value impairment which may entail reduced future cash flow to service the exposure. Value impairment must be a result of one or more events occurring after first-time recognition (a loss event), and it must be possible to measure the result of the loss event(s) reliably. Objective evidence of value impairment of a financial asset includes observable data which come to the Group's knowledge on the following loss events:

- significant financial difficulties on the part of the issuer or borrower
- not insignificant breach of contract, such as failure to pay instalments and interest
- the Group grants the borrower special terms in light of financial or legal aspects of the borrower's situation
- the debtor is likely to start debt negotiation or other financial restructuring
- active markets for the financial asset are closed due to financial problems.

The Group assesses first whether individual objective evidence exists that individually significant financial assets have suffered value impairment.

Where there is objective evidence of value impairment, the size of the impairment is measured as the difference between the asset's carrying value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced through a provision account and the loss is recognised in the income statement.

Assets that are individually tested for value impairment, and where value impairment is identified, or is still being identified, are not included in an overall assessment of value impairment.

Collective write-downs on loans

In the case of financial assets which are not individually significant, the objective evidence of value impairment is assessed on an individual or collective basis. Should the Group decide that no objective evidence exists of value impairment of an individually assessed financial asset, significant or not, that asset is included in a group of financial assets sharing the same credit risk characteristics such as:

- observable data indicating a measurable reduction in future cash flows from a group of financial assets since first-time recognition, even if the reduction cannot yet be fully identified to an individual financial asset in the Group including:
- an unfavourable development in payment status for borrowers in the Group
- national or local economic conditions correlating with defaults of assets in the Group

Value impairment of groups of financial assets is measured by the trend in rating for such groups. This is done by measuring negative migration and change in expected loss.

Determining customer migration involves continuous assessment of the creditworthiness of every single customer in the Bank's credit assessment systems.

In the case of events that have occurred but have yet to be reflected in the Bank's portfolio monitoring systems, the need for impairment write-downs is estimated group-wise using stress test models.

Non-performing/potential problem loans

The overall exposure to a customer is regarded as non-performing and is included in the Group's lists of non-performing exposures once instalment and interest payments are 90 days or more past due or credit lines are overdrawn by 90 days or more. Loans and other exposures which are not non-performing but where the customer's financial situation makes it likely that the Group will incur loss are classified as potential problem loans.

Value impairment of loans recognised at fair value

At each balance sheet date of the Group assesses whether evidence exists that a financial asset or group of financial assets recognised at fair value is susceptible to value impairment. Losses due to value impairment are recognised in the income statement in the period in which they arise.

Actual losses

Where the balance of evidence suggests that losses are permanent, losses are classified as actual losses. Actual losses covered by earlier specified loss provisions are reflected in such loss provisions. Actual losses not covered by loss provisions, as well as surpluses and deficits in relation to earlier loss provisions, are recognised in the income statement.

Repossessed assets

As part of its treatment of defaulted loans and guarantees, the Bank in a number of cases takes over assets furnished as security for such exposures. Upon repossession the assets are valued at their presumed realisable value. Any deviation from the carrying value of a defaulted or written down exposure upon takeover is classified as a loan write-down. Repossessed assets are carried according to type. Upon final disposal, the deviation from carrying value is entered in profit or loss based on the asset's type in the accounts.

Non-current assets held for sale and discontinued operations

Assets which the Board of Directors of the Bank has decided to sell are dealt with under IFRS 5. This type of asset is for the most part assets taken over in connection with bad loans, and investments in subsidiaries held for sale. In the case of assets which are initially depreciated, depreciation ceases when a decision is taken to sell. The result of such activity and appurtenant assets and liabilities are presented on a separate line as held for sale.

Leases

Financial leases are entered under the main item “loans” in the balance sheet and accounted for at amortised cost. All fixed revenues within the lease's expected lifetime are included when computing the effective interest.

Securities and derivatives

Securities and derivatives comprise shares and units, money market instruments and bonds, and derivative currency and interest-rate instruments. Shares and units are classified either at fair value through profit/loss or as available for sale. Money market instruments and bonds are classified at fair value through profit/loss, loans and receivables or in the category held to maturity. Derivatives are invariably recognised at fair value through profit/loss unless they are earmarked as hedging instruments. However the Bank does not avail itself of cash flow hedges.

All financial instruments classified at fair value through profit/loss are measured at fair value, and change in value from the opening balance is recognised as revenue from other financial investments. Financial assets held for trading purposes are characterised by frequent trading and by positions being taken with the aim of **short-term** gain. Other such financial assets classified at fair value through profit/loss are investments defined upon initial recognition as classified at fair value through profit/loss (fair value option).

Shares and units classified as available for sale are also measured at fair value, but the change in value from the opening balance is recognised in the comprehensive income statement and is accordingly included in other comprehensive income. Shares which cannot be reliably measured are valued at cost price under IAS 39.46 c). Routines for ongoing valuation of all share investments have been established. These valuations are carried out at differing intervals in relation to the size of the investment.

Money market instruments and bonds classified as loans and receivables or held to maturity are measured at amortised cost using the effective interest rate method; see the account of this method under the section on loans. The Bank has availed itself of the opportunity to reclassify parts of the bond portfolio from fair value through profit/loss to the category held to maturity as of 1 July 2008. This is in accordance with the changes in IAS 39 and IFRS 7 adopted by IASB in October 2008. The write-downs undertaken are reversed over the portfolio's residual maturity and recognised as interest income in addition to current coupon interest. See also the note on bonds

Swap arrangement

The government stimulus package allowing residential bonds to be exchanged for government securities is presented on a gross basis in accordance with IAS 32.

Intangible assets

Intangible assets mainly comprise goodwill in the SpareBank 1 SMN group. Other intangible assets will be recognised once the conditions for entry in the balance sheet are present. Goodwill arises as the difference between the fair value of the consideration upon purchase of a business and the fair value of identifiable assets and liabilities; see description under Consolidation. Goodwill is not amortised, but is subject to an annual depreciation test with a view to revealing any impairment, in keeping with IAS 36. Testing for value impairment is done at the lowest level at which cash flows can be identified.

Property, plant and equipment

Property, plant and equipment along with property used by the owner are accounted for in accordance with IAS 16. The investment is initially measured at its cost and is thereafter depreciated on a linear basis over its expected useful life. When establishing a depreciation plan, the individual assets are to the necessary extent split up into components with differing useful life, with account being taken of estimated residual value. Property, plant and equipment items which individually are of little significance, for example PCs, and other office equipment, are not individually assessed for residual value, useful lifetime or value loss, but are assessed as groups. Property used by the owner's, according to the definition in IAS 40, property that is mainly used by the Bank or its subsidiary for its own use.

Property, plant and equipment which are depreciated are subject to a depreciation test in keeping with IAS 36 when circumstances so indicate.

Property held in order to earn rentals or for capital appreciation is classified as investment property and is measured at fair value in keeping with IAS 40. The Group has no investment properties.

Interest income and expenses

Interest income and expenses related to assets and liabilities which are measured at amortised cost are recognised in profit/loss on an ongoing basis using the effective interest rate method. Charges connected to interest-bearing funding and lending are included in the computation of effective interest rate and are amortised over expected lifetime. In the case of interest-bearing instruments measured at fair value, the market value will be classified as income from other financial investments. In the case of interest-bearing instruments classified as loans and receivables or held to maturity and not utilised in hedging contexts, the premium/discount is amortised as interest income over the term of the contract.

Commission income and expenses

Commission income and expenses are generally accrued in step with the provision of the service. Charges related to interest-bearing instruments are not entered as commission, but are included in the calculation of effective interest and recognised in profit/loss accordingly. Consultancy fees accrue in accordance with a consultancy agreement, usually in step with the provision of the service. The same applies to ongoing management services. Fees and charges in connection with the sale or mediation of financial instruments, property or other investment objects which do not generate balance sheet items in the Bank's accounts are recognised in profit/loss when the transaction is completed. The Bank receives commission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt corresponding to the difference between the interest on the loan and the funding cost achieved by Boligkreditt and Næringskreditt. This shows as commission income in the Bank's accounts.

Transactions and holdings in foreign currency
Transactions in foreign currency are converted to Norwegian kroner at the transaction exchange rate. Gains and losses on executed transactions or on conversion of holdings of monetary items on the balance sheet date are recognised in profit/loss, unless they are recognised directly in equity based on hedging principles. Gains and losses on conversion of items other than monetary items are recognised in the same way as the appurtenant balance sheet item.

Hedge accounting
The Bank evaluates and documents the effectiveness of a hedge when first entered in the balance sheet. The Bank employs fair value hedging to manage its interest rate risk. In its hedging operations the Bank protects against movements in the market interest rate. Changes in credit spread are not taken to account in respect of hedge effectiveness. the case of fair value hedging, both the hedging instrument and the hedged object are recorded at fair value, and changes in these values from the opening balance are recognised in profit/loss.

Fair value option
The Bank's fixed rate loans are recognised at fair value when using the fair value option, in accordance with IAS 39, and the Bank controls interest rate risk attached to these loans through the use of derivatives.

Income taxes
Tax recorded in the profit and loss account comprises tax in the period (payable tax) and deferred tax. Period tax is tax calculated on the taxable profit for the year. Deferred tax is accounted for by the liability method in keeping with IAS 12. In the case of deferred tax, liabilities or assets are calculated on temporary differences i.e. the difference between balance-sheet value and tax-related value of assets and liabilities. However, liabilities or assets are not calculated in the case of deferred tax on goodwill for which there is no deduction for tax purposes, nor on first-time-recognised items which affect neither the accounting nor the taxable profit.

In the case of deferred tax an asset is calculated on a tax loss carryforward. Assets in the case of deferred tax are recognised only to the extent that there is expectation of future taxable profits that enable use of the appurtenant tax asset. Withholding tax is presented as period tax. Wealth tax is presented as an operating expense in the Group accounts in conformity with IAS 12.

Deposits from customers
Customer deposits are recognised at amortised cost.

Debt created by issuance of securities
Loans not included in hedge accounting are initially recognised at acquisition cost. This is the fair value of the compensation received after deduction of transaction fees. Loans are thereafter measured at amortised cost. Any difference between acquisition cost and settlement amount at maturity is accordingly accrued over the term of loan using the effective rate of interest on the loan. The fair value option is not applied in relation to group debt.

Subordinated debt and hybrid capital
Subordinated debt and hybrid capital are classified as liabilities in the balance sheet and are measured at amortised cost like other long-term loans. Subordinated debt ranks behind all other debt. Hybrid capital denotes bonds with a nominal interest rate, but the Bank is not obliged to pay interest in a period in which no dividend is paid, nor does the investor subsequently have a right to interest that has not been paid, i.e. the interest does not accumulate. The treatment of subordinated debt and hybrid capital in the calculation of the Group's capital adequacy is described in note 5 Capital adequacy and capital management.

Uncertain commitments
The Bank issues financial guarantees as part of its ordinary business. Loss assessments are made as part of the assessment of loan losses, are based on the same principles and are reported together with loan losses. Provisions are made for other uncertain commitments where there is a preponderant likelihood that the commitment will materialise and the financial consequences can be reliably calculated. Information is disclosed on uncertain commitments which do not meet the criteria for recognition in equity where such commitments are substantial. Restructuring expenses are provisioned in cases where the Bank has a contractual or legal obligation.

Pensions
The SpareBank 1 SMN Group has established various pension schemes for its staff. The pension schemes meet the requirements set for mandatory occupational pensions.

Defined benefit scheme

In a defined benefit scheme the employer is obliged to pay a future pension of a specified size. The calculation of pension costs is based on a linear distribution of the pension earned against the probable accumulated liability at retirement. The costs are calculated on the basis of the pension rights accrued over the year less the return on the pension assets. The pension obligation is calculated as the present value of estimated future pension benefits which per the accounts are deemed to have been earned as of the balance sheet date. When calculating the pension liability use is made of actuarial and economic assumptions with regard to longevity, wage growth and the proportion likely to take early retirement. As from 2012, the interest rate on covered bonds is used as the discount rate in accordance with the recommendation of the Norwegian Accounting Standards Board.

As from 1 January 2013 the Group has applied IAS 19R Employee Benefits and has changed its basis for calculating pension liabilities and pension costs. The Group has previously utilised the corridor method to account for unamortised estimate variance. The corridor approach is no longer permitted, and all estimate variance must under IAS 19R be entered in the statement of other income and expenses. See also note 25 on pensions.

Changes in pension plans are recognised at the time of the change. The pension cost is based on assumptions set at the beginning of the period and is classified as a staff cost in the accounts. Employer's contribution is allocated on pension costs and pension liabilities.

The pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

Defined contribution

Under a defined contribution pension scheme the Group does not provide a future pension of a given size; instead the Group pays an annual contribution the employees' collection pension savings. The Group has no further obligations regarding the labour contribution after the annual contribution has been paid. There is no allocation for accrued pension obligations under such schemes. Defined contribution schemes are directly expensed.

The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

Early retirement pension scheme ("AFP")

The Banking and financial industry has established an agreement on an early retirement pension scheme ("AFP") for employees from age 62. The Bank pays 100 percent of the pension paid from age 62 to 64 and 60 percent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

The Act relating to state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 percent of pensionable income capped at 7.1 G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1G and 7.1 G.

In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made for the Group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

Segment reporting

SpareBank 1 SMN has Retail Market, Group Customers, SMBs and Markets, along with the most important subsidiaries and associates as its primary reporting format. The Group presents a sectoral and industry distribution of loans and deposits as its secondary reporting format.The Group's segment reporting is in conformity with IFRS 8.

Dividends and gifts

Dividends on equity capital certificates and gifts are recognised as equity capital in the period to the declaration of dividends by the Bank's

Supervisory Board.

Events after the balance sheet date
The annual accounts are regarded as approved for publication once they have been considered by the Board of Directors. The Supervisory Board and regulatory authorities can thereafter refuse to approve the accounts, but not to change them. Events up to the time at which the accounts are approved for publication, and which relate to circumstances already known on the balance sheet date, will be included in the information base for accounting estimates and thus be fully reflected in the accounts. Events concerning circumstances that were not known on the balance sheet date will be illuminated if significant.

The accounts are presented on the going-concern assumption. In the view of the Board of Directors this assumption was met at the time the accounts were approved for presentation.

The Board of Directors' proposal for dividends is set out in the Directors' report and in the equity capital statement.

Note 3 - Critical estimates and assessments concerning the use of accounting principles

In the preparation of the Group accounts the management makes accounting estimates, discretionary assessments and assumptions that influence the effect of the application of the accounting principles and hence the amounts booked for assets, liabilities, incomes and expenses. Estimates and discretionary assessments are evaluated continuously and are based on empirical experience and expectations of events which, as of the balance sheet date, are deemed likely to occur in the future.

Losses on loans and guarantees

The Bank rescores its loan portfolio monthly. Customers in a poor risk class, payment defaults, negative migration or other objective criteria are assessed for individual write-down. Should the Bank's calculations show that the present value of the discounted cash flow based on the effective interest rate at the time of estimation is below the book value of the loan, an individual write-down will be carried out. Written-down loans are reviewed quarterly.

Individual write-down of retail market commitments is calculated based on the same principles. Write-down is considered in the case of exposures larger than NOK 250,000 that are in default, or where the Bank has other relevant objective information. Write-down needs are estimated with a basis in estimated future cash flows. Uncertainty attends these estimates.

Collective write-downs are calculated for groups of commitments subject to rising credit risk but where it is not possible to identify which commitment will entail loss. Calculation is based on increase in expected loss on portfolios which have migrated negatively since the date of approval.

Assessment of individual and group write-downs will invariably be a matter of discretionary judgement. The Bank uses historical data as a basis for estimating the need for write-downs.

In cases where collateral values are tied to specific objects or industries that are in crisis, collateral will have to be realised in illiquid markets, and in such cases assessment of collateral values may be encumbered with considerable uncertainty.

In the case of events that have taken place, but have yet to be reflected in the Bank's portfolio monitoring systems, the need for write-downs is estimated on a group basis using stress test models.

See also note 2 on accounting principles and note 6 on risk factors.

Fair value of equity capital interests

Assets recognised at fair value through profit and loss will mainly be securities traded in an active market. An active market is defined as a market for trading of similar products where willing buyers and sellers are present at all times, and where prices are accessible to the general public. Shares quoted in a regulated market place fit in with the definition of an active market. A market with a large spread between bid and asked prices and where trading is quiet may pose a challenge. Some key shares will be based on in-house valuations, transaction prices or external analyses of the company. Such shares are valued using acknowledged valuation techniques. These include the use of discounted cash flows or comparative pricing where similar, listed, companies are used (multiple pricing) to determined the value of the unlisted company. Such assets could be encumbered with uncertainty. Assets classified as available for sale will also be recognised at fair value through other comprehensive income. Market values will generally be based on valuations or the latest known trade of the share. Shares which cannot be reliably valued will be carried at cost price.

Fair value of derivatives

Fair value of derivatives is usually determined using valuation models where the price of the underlying, for example interest rates or exchange rates, is obtained in the market.

For options, volatilities will either be observed implicit volatilities or estimated volatilities based on historical movements in the price of the underlying instrument. In those cases where the Bank's risk position is approximately neutral, middle rates will be used. “Neutral risk position” is understood to mean for example that interest rate risk within a maturity band is virtually zero.

Where market prices that are obtained are based on transactions with lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions over the period to maturity.

Intangible assets

Write-down tests of intangible assets are largely based on discounting of expected future cash flows. Cash flow estimates will invariably be subject to substantial uncertainty, and in some cases the methods used to assign cash flows to different assets will also be encumbered with uncertainty.

Pensions
Net pension commitments and the pension cost for the year are based on a number of estimates, including: return on pension assets, future interest and inflation rates, wage trend, turnover, the basic state pension entitlement and the general trend in the number of disability pensioners, all of which are of major significance. Uncertainty largely relates to the gross commitment and not to the net commitment shown in the balance sheet. Estimate changes resulting from changes in the parameters mentioned will in large measure be accrued over average remaining earning period and not be immediately charged to profit in the same way as other estimate changes. As from 1 January 2008 the defined contribution pension scheme is closed to new members. As from the same date the Group is offering its employees a defined contribution scheme, thereby reducing the extent of uncertainty attending the Group's pension scheme. The Group follows the updated guidance on pension assumptions from the Norwegian Accounting Standards Board, adjusted for company-specific factors. Parameters employed are shown in the note on pensions. As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension costs. The Group has previously utilised the corridor approach to account for unamortised estimate deviations. The corridor approach is no longer permitted, and all estimate deviations shall according to IAS 19R be entered in the statement on other comprehensive income.

Goodwill
The Group conducts tests to assess possible impairments of goodwill values annually or in the event of indications of value impairment. Assessment is based on the Group's value in use. The recoverable amount from cash flow generating units is established by calculating discounted future cash flows. The cash flows are based on historical earnings and expectations of future factors and include suppositions and estimates of uncertain factors. The outcome of the impairment tests depends on estimates of hurdle rates which are set on a discretionary basis based on information available on the balance sheet date.

As regards the impairment test of goodwill related to Romsdals Fellesbank, the portfolio is regarded as integrated in the Bank's other lending and deposit operations, and, as from 2009, the lowest level for the cash generating unit is the Parent Bank level. A net cash flow is estimated based on earnings in the Bank's loan and deposit portfolio. Earnings are estimated based on average portfolio and margin, and average commission income. Allocated costs are calculated with reference to the Bank's cost ratio in relation to total assets. A five-year average is employed in the calculation since this is considered to provide the best estimate of future cash flows. Expected loss on the loan portfolio is also calculated (0.3 per cent).

The cash flow is calculated over 20 years and is discounted by the risk-free interest rate + risk premium for similar businesses (pre-tax interest rate 11 per cent). Calculations show that the value of discounted cash flows exceeds recognised goodwill by a good margin.

Other goodwill in the Group is calculated based on average earnings in the market area and is discounted at the risk-free interest rate + the risk premium for similar businesses (14-16 per cent).

Significant acquisitions
Acquisition of another company must be accounted for by the acquisition method. This method requires a full purchase price allocation (PPA) in which the purchase price is allocated to identified assets and liabilities in the acquired company. Excess values beyond those allocated to identified assets and liabilities are booked as goodwill. Any deficit values are, after careful assessment, recognised as income through profit/loss in the year of the acquisition (badwill). Under IFRS 3 point 62 the PPA may be considered provisional or final.

The analyses contain both concrete calculations and use of best judgement in arriving at the fairest possible value of the acquired companies at time of acquisition. Although some uncertainty invariably attends estimation items, they are supported as fully as possible by determinations of expected cash flows, comparable transactions in previous periods etc. See also note 40.

Non-current assets held for sale (IFRS 5)
SpareBank 1 SMN's strategy is that ownership resulting from defaulted exposures should at the outset be of brief duration, normally not longer than one year. Work on selling such companies is continuously in progress, and for accounting purposes they are classified as held for sale by one line consolidation. See also note 39.

Sale of loan portfolios
In the transfer of loan portfolios to Eksportfinans and SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the Group considers whether the criteria for derecognition under IAS 39 are met. At the end of the accounting year all transferred portfolios were derecognised from the parent bank’s balance sheet. See also note 9.

Note 4 - Segment information

The Bank was reorganised as from 1 January 2013. The corporate market segment is split up and reports as two separate segments: Group Customers and Small and Mid-size Enterprises. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Group Customers and SMEs must be viewed collectively in relation to 2012. In organisation terms, SMEs are a part of Offices which also handles Retail Customers.

Since Allegro accounts for a very limited part of the Group's profits, it is no longer reported on as a separate segment that is added in the column for "others". As from second quarter 2013 the joint ventures SpareBank 1 Gruppen and BN Bank are being treated as separate segments. The rationale is that each of these entities accounts for a substantial portion of the consolidated profit while at the same time being of significance in the capital requirement context. Consequently the companies receive much focus in the Group's internal corporate governance. As from the third quarter of 2013 companies held for sale are reported under the Corporate Customer segment. For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the group's profit share is stated, after tax, as well as book value of the investment at group level.

Group 2013

Profit and loss account (NOK million)	**RM**	**SME**	**Group Corp-orates**	**Markets**	**EM1**	**SB1 Finans MN**	**SB1 Regnskaps -huset SMN**	**SB1 Gruppen**	**BN Bank**	**Un-collated**	**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	**38.7 %**	**29.4 %**	**12.8 %**								**13.3 %**
Balance (NOK million)											
Loans and advances to customers	63,518	9,055	31,920	-	-	3,291	-	-	-	4,255	112,038
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-30,204	-421	-1,110	-	-	-	-	-	-	-	-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	31,975	35,525
Total assets	**33,713**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**36,245**	**115,360**
Deposits to customers	24,185	8,734	21,544	-	-	-	-	-	-	1,611	56,074
Other liabilities and equity	9,528	-111	9,274	-	291	3,264	105	1,113	1,188	34,634	59,286
Total liabilites and equity	**33,713**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**36,245**	**115,360**

Group 2012

Profit and loss account (NOK million)	RM	CM	Markets	EM1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Un-collated	Total
Net interest	540	905	-21	5	108	3	-	-	-62	1,477
Interest from allocated capital	11	98	4	-	-	-	-	-	-113	-
Total interest income	**552**	**1,003**	**-18**	**5**	**108**	**3**	**-**	**-**	**-175**	**1,477**
Commission income and other income	484	137	24	380	-3	105	-	-	13	1,139
Net return on financial investments **)	1	68	87	-	-1	-	94	72	145	467
Total income *)	**1,037**	**1,207**	**93**	**385**	**104**	**107**	**94**	**72**	**-17**	**3,084**
Total operating expenses	**653**	**399**	**94**	**309**	**40**	**93**	**-**	**-**	**66**	**1,654**
Ordinary operating profit	**384**	**809**	**-1**	**76**	**65**	**14**	**94**	**72**	**-82**	**1,430**
Loss on loans, guarantees etc.	1	45	-	-	9	-	-	-	4	58
Result before tax including held for sale	**383**	**764**	**-1**	**76**	**56**	**14**	**94**	**72**	**-86**	**1,371**
Post-tax return on equity	**22.6 %**	**14.4 %**	**-0.4 %**							**11.7 %**
Balance (NOK million)										
Loans and advances to customers	58,892	40,671	-	-	3,146	-	-	-	2,200	104,909
Adv. of this to SpareBank 1 Boligkreditt	-28,029	-976	-	-	-	-	-	-	-960	-29,966
Individual allowance for impairment on loan	-28	-101	-	-	-15	-	-	-	-0	-144
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-	-278	-295
Other assets	391	1,061	-	299	19	68	1,064	1,095	29,474	33,471
Total assets	**31,225**	**40,655**	**-**	**299**	**3,133**	**68**	**1,064**	**1,095**	**30,436**	**107,975**
Deposits to customers	22,440	27,064	-	-	-	-	-	-	2,747	52,252
Other liabilities and equity	8,784	13,591	-	299	3,133	68	1,064	1,095	27,688	55,723
Total liabilites and equity	**31,225**	**40,655**	**-**	**299**	**3,133**	**68**	**1,064**	**1,095**	**30,436**	**107,975**

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

**) Specification of net return on financial investments (NOK million)	2013	2012
Capital gains/dividends, shares	114	24
Bonds and derivatives	-40	57
SpareBank 1 SMN Markets	73	126
Net return on financial investments	**147**	**207**
SpareBank 1 Gruppen	210	94
SpareBank 1 Boligkreditt	40	44
SpareBank 1 Næringskreditt	8	8
BN Bank	91	72
Other jointly controlled companies	36	42
Income from investment in related companies	**384**	**260**
Total	**531**	**467**

Note 5 - Capital adequacy and capital management

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 31 December 2013 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.

Over the course of 2014 the systemic risk buffer requirement will increase by a further 1 percentage point, bringing the overall CET1 requirement as of 30 June 2014 to 10 per cent. As of 1 July 2015, a countercyclical buffer requirement of 1 percentage point will be applicable.

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 31 December 2013, 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 Subordinated debt and hybrid equity issue.

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
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
1,889	2,496	Dividend equalisation fund	2,496	1,889
2,944	3,276	Savings bank's reserve	3,276	2,944
195	227	Recommended dividends	227	195
30	124	Provision for gifts	124	30
106	195	Unrealised gains reserve	206	123
0	-	Other equity and minority interest	1,421	1,370
8,656	**9,811**	**Total book equity**	**11,242**	**10,042**
-447	-447	Deferred taxes, goodwill and other intangible assets	-582	-674
-	-	Part of reserve for unrealised gains, associated companies	98	57
-225	-352	Deduction for allocated dividends and gifts	-361	-238
-448	-401	50 % deduction for subordinated capital in other financial institutions	-106	-2
-165	-240	50 % deduction for expected losses on IRB, net of write-downs	-214	-179
-	-	50 % capital adequacy reserve	-595	-703
-55	-109	Surplus financing of pension obligations	-107	-49
7,316	**8,262**	**Total common equity Tier one**	**9,374**	**8,254**
918	1,431	Hybrid capital, core capital	1,615	1,103
8,234	**9,693**	**Total core capital**	**10,989**	**9,357**
		Supplementary capital in excess of core capital		
-	-	Tier 2 capital - excees of 15 per cent additional Tier 1 capital	31	31
312	304	Perpetual subordinated capital	363	312
1,810	1,569	Non-perpetual subordinated capital	1,950	2,127
-448	-401	50 % deduction for subordinated capital in other financial institutions	-106	-2
-165	-240	50 % deduction for expected losses on IRB, net of write-downs	-214	-179
-	-	50 % capital adequacy reserve	-595	-703
1,509	**1,231**	**Total supplementary capital**	**1,428**	**1,586**
9,742	**10,924**	**Net subordinated capital**	**12,417**	**10,943**
		Minimum requirements subordinated capital, Basel II		
1,654	1,573	Involvement with spesialised enterprises	1,573	1,654
1,470	1,478	Other corporations exposure	1,479	1,470
39	70	SME exposure	74	42
316	363	Retail morgage exposure	628	560
28	28	Other retail exposure	33	30
1,118	1,157	Equity investments	-	-
4,625	**4,669**	**Total credit risk IRB**	**3,787**	**3,756**
205	224	Debt risk	224	205
14	8	Equity risk	10	15
-	-	Currency risk	-	-
315	297	Operational risk	398	420
553	560	Exposures calculated using the standardised approach	2,151	2,074
-75	-67	Deductions	-119	-120
-	-	Transitional arrangements	316	246
5,637	**5,690**	**Minimum requirements subordinated capital**	**6,767**	**6,596**
70,468	**71,130**	**Risk weigheted assets (RWA)**	**84,591**	**82,446**
		Capital adequacy		
10.4 %	11.6 %	Common equity Tier one ratio	11.1 %	10.0 %
11.7 %	13.6 %	Core capital ratio	13.0 %	11.3 %
13.8 %	15.4 %	Capital adequacy ratio	14.7 %	13.3 %

Note 6 - Risk factors

Risk Management

SpareBank 1 SMN aims to maintain a moderate risk profile and to apply risk monitoring of such high quality that no single event will seriously impair the Bank's financial position. The Bank's risk profile is quantified through targets for rating, concentration, risk-adjusted return, loss ratios, expected loss, necessary economic capital and regulatory capital adequacy.

The principles underlying SpareBank 1 SMN's Risk Management are laid down in the Bank's risk management policy. The Bank gives much emphasis to identifying, measuring, managing and monitoring central risks in such a way that the Group progresses in line with its adopted risk profile and strategies.

Risk management within the Group is intended to support the Group's strategic development and target attainment. The risk management regime is also designed to ensure financial stability and prudent asset management. This will be achieved through:

- A strong organisation culture featuring high risk-management awareness
- A sound understanding of the risks that drive earnings and risk costs, thereby creating a better basis for decision-making
- Striving for an optimal use of capital within the adopted business strategy
- Avoiding unexpected negative events which could be detrimental to the Group's operations and reputation in the market

The Group's risk is quantified by calculating expected loss and the need for risk-adjusted capital (economic capital) needed to meet unexpected losses.

Expected loss is the amount which statistically can be expected to be lost in a 12-month period. Risk-adjusted capital is the volume of capital the Group considers it needs to meet the actual risk incurred by the Group. The board has decided that the risk-adjusted capital should cover 99.9 per cent of all possible unexpected losses. Statistical methods are employed to compute expected loss and risk-adjusted capital, but the calculation requires expert assessments in some cases. In the case of risk types where no recognised methods of calculating capital needs are available, the Bank defines risk management limits to ensure that the likelihood of an event occurring is extremely low. For further details see the Bank's Pillar III reporting which is available on the Bank's website.

The Group's overall risk exposure and risk trend are followed up through periodic risk reports to the administration and the board of directors. Overall risk monitoring and reporting are carried out by the Risk Management Division which is independent of the Group's business areas.

Credit risk

Credit risk is the risk of loss resulting from the inability or unwillingness of customers or counterparties to honour their commitments to the Group. The Group is exposed to credit risk through all customer and counterparty receivables. The main exposure is through ordinary lending and leasing activities, but the Group's credit risk also has a bearing on the liquidity reserve portfolio through counterparty risk arising from interest rate and foreign exchange derivatives.

Credit risk associated with the Group's lending activity is the largest area of risk facing the Group. Through its annual review of the Bank's credit strategy, the Board of Directors concretises the Bank's risk appetite by establishing objectives and limits for the Bank's credit portfolio. The Bank's credit strategy and credit policy are derived from the Bank's main strategy, and contain guidelines for the risk profile, including maximum expected loss (EL) for the retail market and corporate market divisions respectively, maximum portfolio default probability (PD) and maximum economic capital (UL) allocated to the credit business.

Concentration risk is managed by distribution between the retail market and corporate market, limits on the size of loans and loss given default on individual exposures, limits on maximum exposure and application of economic capital within lines of business, limits on regulatory risk weighted assets for the retail market and the corporate market and special requirements as to maximum exposure, credit quality and number of exposures above 10 per cent of own funds.

Compliance with credit strategy and limits adopted by the Board of Directors is monitored on a continual basis by the Risk Management Division and reported quarterly to the Board of Directors.

The bank has approval to use internal models in its risk management and capital calculation (IRB), and has applied to Finanstilsynet for permission to use the advanced approach for its loans to corporates. A reply from Finanstilsynet is expected in mid-2014.

The Bank's risk classification system is designed to enable the Bank's loan portfolio to be managed in conformity with the Bank's credit strategy and to secure the risk-adjusted return. The Board of Directors delegates lending authorisation to the Group CEO and the executive directors. The Group CEO can further delegate authorisations to levels below executive director level. Lending authorisations are graded by size of commitment and risk profile.

The Bank has a division dedicated to credit support which takes over dealings with customers who are clearly unable, or are highly likely to become unable, to service their debts unless action is taken beyond ordinary follow-up.

The Bank uses credit models for risk classification, risk pricing and portfolio management. The risk classification system builds on the following main components:

1. Probability of Default (PD)
The Bank’s credit models are based on statistical computations of probability of default. The calculations are based on scoring models that take into account financial position and behavioural data. The models are partly point-in-time oriented, and reflect the probability of default in the course of the next 12 months under current economic conditions. Customers are assigned to one of nine risk classes based on PD, in addition to two risk classes for exposures in default and/or subject to individual impairment write down.

The models are validated on an ongoing basis and at least once per year both with respect to their ability to rank customers and to estimate PD levels. The validation results confirm that the models’ accuracy meets internal criteria and international recommendations.

2. Exposure at Default (EAD)
EAD is an estimation of the size of an exposure in the event of, and at the time of, a counterparty’s default. For drawing rights, a conversion factor (CF) is used to estimate how much of the present unutilised credit ceiling will have been utilised at a future default date. For guarantees, CF is used to estimate what portion of issued guarantees will be brought to bear upon default. CF is validated monthly for drawing rights in the retail market and corporate market. The Bank’s EAD model takes account of differences both between products and customer types.

3. Loss Given Default (LGD)
The Bank estimates the loss ratio for each loan based on expected recovery rate, realisable value of the underlying collateral, recovery rate on unsecured debt, as well as direct costs of recovery. Values are determined using standard models, and actual realised values are validated to test the models’ reliability.

The three above-mentioned parameters (PD, EAD and LGD) underlie the Group’s portfolio classification and statistical calculation of expected loss (EL) and need for economic capital/risk-adjusted capital (UL).

Counterparty risk
Counterparty risk in derivatives trading is managed through ISDA and CSA contracts set up with financial institutions that are the most used counterparties. ISDA contracts regulate settlements between financial counterparties. The CSA contracts limit maximum exposure through market evaluation of the portfolio and margin calls when the change in portfolio value exceeds the maximum agreed limit or threshold amount. The Bank will continue to enter CSA contracts with financial counterparties to manage counterparty risk.

SpareBank 1 SMN is working actively to put in place further measures to reduce counterparty risk by entering an agreement with one or more counterparties. In the future this will be regulated by law, the forthcoming EMIR Directive. As a result SpareBank 1 SMN will clear its derivatives with financial counterparties and large customer trades though a central counterparty (CCP) and will have counterparty risk against this CCP instead of the respective counterparty. Settlement with the CCP will be on a daily basis.

Counterparty risk for customers is hedged through use of cash depots or other collateral which, at all times, have to exceed the market value of the customer’s portfolio. Specific procedures have been established for calling for further collateral or to close positions if market values exceed 80 per cent of the collateral.

Market risk
Market risk is a generic term for the risk of loss arising as a result of changes in rates or prices on financial instruments. Market risk also includes the risk of loss due to changes in the price of financial derivatives such as futures, options, and financial instruments based on items other than securities, for example commodities.

Market risk arises at SpareBank 1 SMN primarily in connection with the Bank’s investments in bonds, short-term money market paper and shares, and as a result of activities designed to underpin banking operations such as funding, fixed income and currency trading. Customer activity generated through the Bank’s Markets division and SpareBank 1 Markets' use of the Bank’s balance sheet also affects the Bank’s market risk.

Market risk is managed through limits for investments in shares, bonds and positions in the fixed income and currency markets. The Bank’s strategy for market risk lays the basis for management reporting, control and follow-up of compliance with limits and guidelines.

The Group defines limits on exposure to equity instruments with a basis in stress tests employed in Finanstilsynet's (Financial Supervisory Authority of Norway) scenarios. Limits are reviewed at least once a year and adopted yearly by the Bank’s Board of Directors. Compliance with the limits is monitored by the Risk Management Division, and exposures relative to the adopted limits are reported monthly.

Interest rate risk is the risk of loss due to changes in interest rates in financial markets. The risk on all interest rate positions can be viewed in terms of the change in value of interest rate instruments resulting from a rate change of 1 basis point (0.01 percentage point). The Group utilises analyses showing the effect of this change for various maturity bands, with separate limits applying to interest rate exposure within each maturity band and across all maturity bands as a whole. Interest rate lock-ins on the Group's instruments are essentially short, and the Group's interest rate risk is low to moderate.

Spread risk is the risk of loss as a result of changes in market value/realistic value of bonds due to general changes in credit spreads. Bond risk is managed based on an evaluation of the individual issuers. In addition, the Bank has a separate limit for overall spread risk for all bonds. The Bank calculates spread risk based on Finanstilsynet's module for market and credit risk. The loss potential for the individual credit exposure is calculated with a basis in rating and duration.

Exchange rate risk is the risk of loss resulting from exchange rate movements. The Group measures exchange rate risk on the basis of net positions in the various currencies. Limits on exchange rate risk are expressed in limits for the maximum aggregate foreign exchange position in individual currencies.

Equity risk is the risk of loss on positions as a result of changes in share prices. This risk is linked to positions in equity instruments as the underlying. Investments in equity funds and combination funds are included in the equity risk assessment. Shares in subsidiaries and shares forming part of a consolidated or strategic assessment are not included.

Liquidity risk
Liquidity risk is the risk that the Group will be unable to refinance its debt or unable to finance increases in its assets.

The Bank's most important source of finance is customer deposits. At end-2013 the Bank's ratio of deposits to loans was 48 per cent, compared with 50 per cent at end-2012 (Group).

The Bank reduces its liquidity risk by diversifying funding across a variety of markets, funding sources, maturities and instruments, and by employing long-term funding. Excessive concentration of maturities heightens vulnerability with regard to refinancing. The Bank seeks to mitigate such risk by applying defined limits.

The Bank's finance division is responsible for the Group's financing and liquidity management. Compliance with limits is monitored by the Risk Management Division which reports monthly to the Board of Directors. The Group manages it liquidity on an overall basis by assigning responsibility for funding both the Bank and the subsidiaries to the finance division.

Governance is based in the Group's overall liquidity strategy which is reviewed and adopted by the board at least once each year. The liquidity strategy reflects the Group's moderate risk profile. As a part of the strategy, emergency plans have been drawn up both for the Group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. These take into account periods of both bank-specific and system-related crisis scenarios as well as a combination of the two. An aim of the Bank is to survive for 12 months of ordinary operation without fresh external funding. It also intends to succeed in surviving for 30 days under the most extreme crisis scenario. In such a scenario only the Bank's holding of highly liquid assets may be utilised.

A consultation document for national systemically important banks was published in November 2013, and SpareBank 1 SMN is defined in this document as a national systemically important bank. The consultation document plans for early introduction of the quantitative Liquidity Coverage Ratio (NSFR) and higher requirements on long-term funding. SpareBank 1 SMN has taken this into account in its liquidity strategy and is adjusting to these requirements. Monitoring and reporting is done by Risk Management.

Access to captial has been satisfactory throughout 2013.

The Group's liquidity situation as of 31 December 2013 is considered satisfactory.

Operational risk
Operational risk can be defined as the risk of loss resulting from:

- People: Breaches of routines/guidelines, inadequate competence, unclear policy, strategy or routines, internal irregularities
- Systems: Failure of ICT or other systems
- External causes: Criminality, natural disaster, other external causes

Operational risk is a risk category that captures the great majority of costs associated with quality lapses in the Bank's current activity.

Management of operational risk has acquired increased importance in the financial industry in recent years. Contributory factors are internationalisation, strong technological development and steadily growing demands from customers, public authorities and other interest groups. Many substantial loss events in the international financial industry have originated in failures in this risk area.

Identification, management and control of operational risk are an integral part of managerial responsibility at all levels of SpareBank 1 SMN. Managers' most important aids in this work are professional insight and leadership skills along with action plans, control routines and good follow-up systems. A systematic programme of risk assessments also contributes to increased knowledge and awareness of current needs for improvement in one's own unit. Any weaknesses and improvements are reported to higher levels in the organisation.

SpareBank 1 SMN attaches importance to authorisation structures, good descriptions of procedures and clear definition of responsibilities in supply contracts between the respective divisions as elements in a framework for handling operational risk.

The Bank has put to use a registration and monitoring tool (Risk Information System) for better structure and follow up of risk, events and areas for improvement in the Group.

Operational losses are reported to the board of directors.

Each year, The Board of Directors receives an independent assessment of Group risk from the Internal Audit and the statutory auditor. The assessment also evaluates whether the internal control system functions in an appropriate and satisfactory manner.

For further information see Risk management and capital allocation and notes:

Note 13: Maximum credit risk exposure, disregadring collateral

Note 14: Financial instruments and offsetting

Note 16: Market risk related to interest rate risk

Note 17: Market risk related to foreign exchange risk

Note 7 - Credit institutions - loans and advances

Parent Bank		Loans and advances to credit institutions	Group	
2012	2013	(NOK million)	2013	2012
4,982	3,932	Loans and advances without agreed maturity or notice of withdrawal	1.121	2,375
637	68	Loans and advances with agreed maturity or notice of withdrawal	68	637
5,619	**4.000**	**Total**	**1.189**	**3,012**
		Specification of loans and receivables on key currencies		
55	65	USD	65	55
1,455	844	EUR	844	1,455
22	0	ISK	0	22
3,847	3,047	NOK	236	1,240
240	44	Other	44	240
5,619	**4,000**	**Total**	**1,189**	**3,012**
3.1 %	2.7 %	Average rate credit institutions	1.6 %	2.5 %

		Deposits from credit institutions		
2012	2013	(NOK million)	2013	2012
2,521	3,966	Loans and deposits from credit institutions without agreed maturity or notice of withdrawal	3,966	2,521
2,616	1,194	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	1,194	2,616
5,137	**5,159**	**Total**	**5,159**	**5,137**
2,273	1,220	Funding from central govt. via swap arrangement with agreed term or notice period	1,220	2,273
2,273	**1,220**	**Total**	**1,220**	**2,273**
7,410	**6,379**	**Total**	**6,379**	**7,410**
		Specification of debt on key currencies		
706	0	USD	0	706
225	28	EUR	28	225
6,064	6,321	NOK	6,321	6,064
415	30	Other	30	415
7,410	**6,379**	**Total**	**6,379**	**7,410**
2.2 %	1.9 %	**Average rate credit institutions**	1.9 %	2.2 %

Deposits from and loans institutions with mainly floating interest.

The average interest rate is calculated based on the interest income/expense of the holding accounts' average balance for the given year. This is, however, limited to holdings in NOK denominated accounts.

Note 8 - Loans and advances to customers

Parent Bank 2012	Parent Bank 2013	(NOK million)	Group 2013	Group 2012
		Loans specified by type		
-	-	Financial lease	1,877	1,901
10,250	11,547	Bank overdraft and operating credit	11,547	10,250
3,759	3,277	Building loan	3,274	3,153
58,455	62,207	Amortizing loan	63,605	59,639
72,464	**77,030**	**Gross loans to and receivables from customers**	**80,303**	**74,943**
-407	-428	Impairments	-467	-439
72,057	**76,602**	**Net loans to and advances to customers (amortised cost)**	**79,836**	**74,504**
		Lending specified by markets		
32,618	36,632	Retail market	38,724	33,828
39,760	40,129	Corporate market	41,287	41,002
87	269	Public sector	291	113
72,464	**77,030**	**Gross loans and advances**	**80,303**	**74,943**
-407	-428	Impairments	-467	-439
72,057	**76,602**	**Net loans and advances**	**79,836**	**74,504**
		Of this subordinated loan capital		
48	48	Subordinated loan capital other financial institutions	48	48
48	**48**	**Subordinated loan capital shown under loans to customers**	**48**	**48**
		Adv. on this		
565	820	Loans to employees	1,044	713
		In addition:		
29,348	30,516	Loans transferred to SpareBank 1 Boligkreditt	30,516	29,348
848	765	Of which loans to employees	972	1,069
618	1,221	Loans transferred to SpareBank 1 Næringskreditt	1,221	618

Interest rate subsidies on loans to employees are included in net interest income. The lending rate for employees is 75 per cent of the best mortgage rate for other customers.

Specified by risk group

The Bank calculates default probabilities for all customers in the loan portfolio at the loan approval date. This is done on the basis of key figures on earnings, impairment and behaviour. Default probability is used as a basis for risk classification of the customer. Further, risk classification is used to assign each customer to a risk group. See note 12 for risk class classification.

Customers are rescored in the Bank’s portfolio system on a monthly basis.

Exposures consist of gross loans, total guarantee commitments, unutilised credits, and total letter of credit obligations.

Exposures are monitored with a basis in the exposure’s size, risk and migration. Risk pricing of business exposures is done with a basis in expected loss and economic capital required for each exposure. Expected annual average net loss is calculated for the next 12 months. Expected loss is within the limits set for maximum expected loss by the Board of Directors.

Collectively assessed write-downs are calculated with a basis in customers who have shown negative migration since the loan approval date but for whom no individual write-down has been assessed.The Bank uses macro-based stress tests to estimate write-downs required as a result of objective events that were not reflected in portfolio quality at the time of measurement.

Historical data are restated in accordance with new calculations of estimated defaults. See note 6, Risk factors, and the section on probability of default.

Parent Bank			Group	
2012	**2013**	**Total contracts**	**2013**	**2012**
42,325	46,680	Lowest risk	46,927	42,635
20,920	22,631	Low risk	23,418	21,646
17,697	16,275	Medium risk	17,816	18,456
4,230	3,644	High risk	4,008	4,580
1,563	1,988	Highest risk	2,321	1,910
417	457	Default and written down*	543	517
87,152	**91,676**	**Total**	**95,033**	**89,744**

Parent Bank			Group	
2012	**2013**	**Gross loans**	**2013**	**2012**
35,681	40,120	Lowest risk	40,363	35,982
17,760	19,132	Low risk	19,907	18,453
13,986	12,210	Medium risk	13,695	14,693
3,178	3,108	High risk	3,464	3,518
1,464	2,023	Highest risk	2,352	1,803
394	438	Default and written down*	523	494
72,464	**77,030**	**Total**	**80,303**	**74,943**

*) Exposures subject to individual impairment write down are placed in default category.

Parent Bank			Group	
2012	**2013**	**Expected annual average net loss**	**2013**	**2012**
7	9	Lowest risk	9	7
20	15	Low risk	15	20
48	49	Medium risk	51	51
33	40	High risk	42	35
30	17	Highest risk	24	36
17	14	Default and written down	21	23
155	**144**	**Total**	**163**	**173**

The best secured home mortgage loans are sold to SpareBank 1 Boligkreditt. Well secured business loans are sold to SpareBank 1 Næringskreditt. This is a measure designed to secure long-term funding on competitive terms. Commission (margin) on these loans is taken to income in the income statement under commission income.

The table below shows the risk classification of these exposures.

Parent Bank			Group	
2012	**2013**	**Total contracts SpareBank 1 Boligkreditt**	**2013**	**2012**
29,420	30,583	Lowest risk	30,583	29,420
3,228	3,302	Low risk	3,302	3,228
868	1,029	Medium risk	1,029	868
144	190	High risk	190	144
115	182	Highest risk	182	115
13	2	Default and written down	2	13
33,789	**35,288**	**Total**	**35,288**	**33,789**

Parent Bank			Group	
2012	**2013**	**Gross loans SpareBank 1 Boligkreditt**	**2013**	**2012**
25,013	25,846	Lowest risk	25,846	25,013
3,199	3,278	Low risk	3,278	3,199
863	1,017	Medium risk	1,017	863
144	190	High risk	190	144
115	182	Highest risk	182	115
13	2	Default and written down	2	13
29,348	**30,516**	**Total**	**30,516**	**29,348**

Parent Bank			Group	
2012	2013	Total contracts SpareBank 1 Boligkreditt	2013	2012
150	307	Lowest risk	307	150
157	657	Low risk	657	157
311	257	Medium risk	257	311
618	**1,221**	**Total**	**1,221**	**618**

Parent Bank			Group	
2012	2013	Gross loans SpareBank 1 Næringskreditt	2013	2012
150	307	Lowest risk	307	150
157	657	Low risk	657	157
311	257	Medium risk	257	311
618	**1,221**	**Total**	**1,221**	**618**

Specified by sector and industry

Parent Bank			Group	
2012	2013	Total contracts	2013	2012
34,433	39,479	Wage earners	40,867	35,674
568	805	Public administration	828	595
6,974	6,838	Agriculture, forestry, fisheries and hunting	6,992	7,144
3,157	3,239	Sea farming industries	3,371	3,282
3,180	3,031	Manufacturing	3,229	3,412
4,778	4,698	Construction, power and water supply	5,228	5,329
4,437	3,695	Retail trade, hotels and restaurants	3,864	4,620
7,874	7,712	Maritime sector	7,719	7,880
14,044	12,859	Property management	12,930	13,526
4,361	5,844	Business services	6,083	4,594
2,944	3,440	Transport and other services provision	3,881	3,279
401	35	Other sectors	40	407
87,152	**91,676**	**Total**	**95,033**	**89,744**

Parent Bank			Group	
2012	2013	Gross loans	2013	2012
32,618	36,632	Wage earners	38,724	33,828
86	269	Public administration	291	113
6,081	6,208	Agriculture, forestry, fisheries and hunting	6,455	6,246
2,166	2,334	Sea farming industries	2,238	2,288
2,072	1,946	Manufacturing	2,156	2,298
3,074	2,693	Construction, power and water supply	3,375	3,611
2,577	2,275	Retail trade, hotels and restaurants	2,409	2,756
5,964	5,395	Maritime sector	5,626	5,970
12,261	10,957	Property management	11,602	11,740
3,108	3,646	Business services	4,670	3,304
2,057	2,284	Transport and other services provision	2,719	2,384
401	2,391	Other sectors	37	407
72,464	**77,030**	**Total**	**80,303**	**74,943**

Parent Bank			Group	
2012	2013	Individual impairment	2013	2012
38	37	Wage earners	46	41
-	-	Public administration	-	-
2	-	Agriculture, forestry, fisheries and hunting	1	3
14	14	Sea farming industries	14	14
13	9	Manufacturing	10	16
16	32	Construction, power and water supply	33	20
5	8	Retail trade, hotels and restaurants	11	6
-	-	Maritime sector	-	-
17	19	Property management	19	17
11	22	Business services	22	12
13	8	Transport and other services provision	16	15
-	-	Other sectors	-	-
129	**150**	**Total**	**173**	**144**

Parent Bank			Group	
2012	2013	Expected annual average net loss	2013	2012
21	17	Wage earners	25	25
-	0	Public administration	0	0
11	10	Agriculture, forestry, fisheries and hunting	11	14
2	2	Sea farming industries	3	2
17	9	Manufacturing	10	18
20	12	Construction, power and water supply	15	24
11	16	Retail trade, hotels and restaurants	17	13
21	20	Maritime sector	20	21
30	24	Property management	25	30
18	26	Business services	27	21
3	6	Transport and other services provision	8	5
1	0	Other sectors	0	1
155	**144**	**Total**	**163**	**173**

Specified by geographic area

Parent Bank			Group	
2012	2013	Gross loans	2013	2012
28,295	29,497	Sør-Trøndelag	30,776	28,996
16,433	17,998	Nord-Trøndelag	18,943	17,332
15,992	17,006	Møre og Romsdal	17,688	16,527
335	494	Sogn og Fjordane	534	366
481	658	Nordland	714	528
5,261	5,337	Oslo	5,375	5,291
4,797	5,153	Rest of Norway	5,386	5,033
870	886	Abroad	886	870
72,464	**77,030**	**Total**	**80,303**	**74,943**

Parent Bank			Group	
2012	2013	Gross loans sold to SpareBank 1 Boligkreditt	2013	2012
14,354	14,968	Sør-Trøndelag	14,968	14,354
7,676	7,895	Nord-Trøndelag	7,895	7,676
4,457	4,626	Møre og Romsdal	4,626	4,457
100	127	Sogn og Fjordane	127	100
104	100	Nordland	100	104
1,007	1,128	Oslo	1,128	1,007
1,596	1,622	Rest of Norway	1,622	1,596
54	50	Abroad	50	54
29,348	**30,516**	**Total**	**30,516**	**29,348**

Parent Bank			Group	
2012	**2013**	**Gross loans sold to SpareBank 1 Næringskreditt**	**2013**	**2012**
36	381	Sør-Trøndelag	381	36
285	332	Nord-Trøndelag	332	285
297	296	Møre og Romsdal	296	297
-	150	Oslo	150	-
-	63	Rest of Norway	63	-
618	**1,221**	**Total**	**1,221**	**618**

	Group	
Loans to and claims on customers related to financial leases	**2013**	**2012**
Gross advances related to financial leasing		
- Maturity less than 1 year	157	285
- Maturity more than 1 year but not more than 5 years	1,512	1,531
- Maturity more than 5 years	208	151
Total gross claims	**1,877**	**1,967**
Received income related to financial leasing, not yet earned	47	66
Net investments related to financial leasing	1,830	1,901
Net investments in financial leasing can be broken down as follows:		
- Maturity less than 1 year	124	266
- Maturity more than 1 year but not more than 5 years	1,499	1,485
- Maturity more than 5 years	207	150
Total net claims	**1,830**	**1,901**

Note 9 - Derecognition of financial assets

In its ordinary business the Bank undertakes transactions that result in the sale of financial assets. The Bank transfers such financial assets mainly through sales of customers' home mortgage loans to SpareBank 1 Boligkreditt or commercial property loans to SpareBank 1 Næringskreditt.

SpareBank 1 Boligkreditt
The Bank can invite the mortgage company to purchase home mortgage loans that meet the requirements of the entity's credit policy. SpareBank 1 Boligkreditt issues bonds to investors with security in the purchased mortgage loans. In 2013 the Bank sold home mortgage loans to a net value of NOK 1.2bn. The loans are sold at balance sheet value.

Home mortgage loans sold to SpareBank 1 Boligkreditt were derecognised in an amount totalling NOK 30.5bn by the end of the financial year.

Set-off against commission income
The Bank receives commission on the sold home mortgage loans for the obligations accompanying the agreement on loan management. The commission payment corresponds to the interest income on the loans reduced by average funding cost at SpareBank 1 Boligkreditt, administrative expenses and any losses incurred limited upwards to one year's commission. The interest rate is determined by the residential mortgage company. The company calculates and records collectively assessed write-downs on the purchased loans. These write-downs are not deducted from the commission payment made.

If a credit loss or margin shortfall arises on the loans sold, SpareBank 1 Boligkreditt may reduce the Bank's commission, limited however to the calendar year's aggregate commission. Commission for 2013 totalled about NOK 414m compared with NOK 200m in 2012. No loss has been recognised in the portfolio since the transfer. Portfolio maturity averages about three years.

The transferred loans must have an LTV below 75 per cent at the time of sale. The average LTV for the loans sold by SpareBank 1 SMN is below 52 per cent.

The Bank has neither transferred nor retained all benefits or risks attached to the loans sold. Significant rights and obligations that are created or retained in connection with the sale, are recognised separately as assets or liabilities. No asset or liability in this regard was entered in the balance sheet for the financial year 2013.

Liquidity facility
Together with the other owners of SpareBank 1 Boligkreditt, SpareBank 1 SMN has signed an agreement to establish a liquidity facility for SpareBank 1 Boligkreditt. Under this agreement the banks commit to buying mortgage credit bonds capped at the overall value of 12 months' due payments at SpareBank 1 Boligkreditt. Each owner is principally liable for its share of the need, subsidiarily for double the amount that is the primary liability under the same agreement. The bonds can be deposited with Norges Bank (the central bank) and thus entail no significant increase in risk for the Bank. In line with its liquidity strategy, SpareBank 1 Boligkreditt maintains liquidity for the next 12 months' due payments. This is taken into account when determining the banks' liability. Hence it is only if the undertaking no longer has sufficient liquidity for the next 12 months' due payments that the Bank will report any exposure in this regard.

Financial position
SpareBank 1 SMN has together with the other owners of SpareBank 1 Boligkreditt, also signed an agreement to ensure that SpareBank 1 Boligkreditt at all times has a tier 1 capital ratio of at least 9 per cent. The shareholders are obliged to supply sufficient tier 1 capital within three months of receiving a written request to do so. The shareholders' obligation to supply such tier 1 capital is pro rata and is not joint and several, and shall be in proportion to each shareholder's pro rata portion of the shares of SpareBank 1 Boligkreditt. Each owner is principally liable for its share of the need, subsidiarily for double the amount that is the primary liability under the same agreement.

SpareBank 1 Næringskreditt
The Bank can invite SpareBank 1 Næringskreditt to purchase commercial property loans that meet the requirements of the entity's credit policy. SpareBank 1 Næringskreditt issues bonds to investors with security in the purchased commercial property loans. In 2013 commercial property loans were sold to a net value of NOK 600m. The loans are sold at balance sheet value. Loans sold to SpareBank 1 Næringskreditt have been derecognised in an amount totalling NOK 1.2bn by the end of the financial year.

Set-off against commission income
An agreement corresponding to the agreement with SpareBank 1 Boligkreditt has been signed on set-off against commission income; see above.

If a credit loss or margin shortfall arises on the loans sold, SpareBank 1 Næringskreditt may reduce the Bank's commission, limited however to the calendar year's aggregate commission. Commission for 2013 totalled about NOK 7m compared with NOK 4m in 2012. No loss has been recognised in the portfolio since the transfer.

The transferred loans must have an LTV below 60 per cent at the time of transfer. The bank has neither transferred nor retained all benefits or risks attached to the loans sold. Significant rights and obligations that are created or retained in connection with the sale are recognised separately as assets or liabilities. No asset or liability in this regard has been entered in the balance sheet for the financial year 2013.

Liquidity facility
As described above with regard to SpareBank 1 Boligkreditt, a similar agreement has been entered into with SpareBank 1 Næringskreditt.

Financial position
In the same manner an agreement has been entered into to ensure that SpareBank 1 Næringskreditt at all times has a tier 1 capital ratio of at least 9 per cent. See the above account of SpareBank 1 Boligkreditt.

Note 10 - Age breakdown of contracts fallen due but not written down

The table shows amounts fallen due on loans and overdrafts on credits/deposits by number of days past due date not caused by payment service delays. The entire loan exposure is included where parts of the exposure have fallen due.

Parent Bank

2013

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	739	222	40	91	1,091
- Corporate market	760	63	97	77	997
Total	**1,499**	**285**	**137**	**168**	**2,089**

2012

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	634	222	23	99	978
- Corporate market	259	58	48	113	477
Total	**893**	**279**	**71**	**212**	**1,455**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2013 was NOK 2,261 million.

Group

2013

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	740	238	43	110	1,131
- Corporate market	763	99	102	91	1,054
Total	**1,503**	**336**	**145**	**201**	**2,185**

2012

(NOK million)	Up to 30 days	31 - 60 days	61 - 90 days	Over 91 days	Total
Loans to and receivables from customers					
- Retail market	635	235	32	116	1,018
- Corporate market	263	86	57	109	514
Total	**897**	**321**	**89**	**225**	**1,532**

Of the total amount of gross loans fallen due but not written down, the realisable value of the associated collateral at 31 December 2013 was NOK 2,357 million.

Note 11 - Losses on loans and guarantees

Parent Bank (NOK million)

	2013			2012		
Losses on loans and guarantees	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Period's change in individual write-downs	-0	22	22	-3	-19	-22
+ Period's change in collective write-downs	0	0	0	0	5	5
+ Actual losses on loans previously written down	8	26	34	4	46	51
+ Confirmed losses on loans not previously written down	4	34	39	6	48	54
- Recoveries on previously written down loans, guarantees etc.	-6	-6	-13	6	30	37
Total	**6**	**76**	**82**	**1**	**50**	**51**

	2013			2012		
Individual write-downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Individual write-downs to cover loss on loans, guarantees etc. at 01.01	28	101	129	31	120	151
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	-8	-26	-34	-4	-46	-50
- Reversal of previous years' write-downs	-4	-12	-16	-4	-9	-13
+ Increase in write-downs of commitments not previously subject to individual write down	1	11	12	1	3	4
+ Write-downs of loans not previously subject to individual write down	11	48	59	4	33	37
Individual write-downs to cover loss on loans, guarantees etc at 31.12 *)	**28**	**122**	**150**	**28**	**101**	**129**

	2013			2012		
Collective write-downs	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Collective write-downs to cover loss on loans, guarantees at 01.01	73	205	278	73	200	273
Period's collective write down to cover loss on loans, guarantees etc	-	-	-	-	5	5
Collective write-downs to cover loss on loans and guarantees at 31.12	**73**	**205**	**278**	**73**	**205**	**278**

Losses specified by sector and industry	**2013**	**2012**
Agriculture, forestry, fisheries and hunting	-0	1
Fish farming	2	13
Industry and mining	23	1
Building and construction, power and water supply	28	10
Wholesale and retail trade; hotel og restaurant industry	4	-0
Other transport and communication	2	5
Financing, property management and business services	14	12
Private sector	10	4
Collective write-downs, corporate	-	5
Collective write-downs, retail	-	0
Losses on loans to customers	**82**	**51**

Non-performing more than 90 days and potential problem loans	**2013**	**2012**
Non-performing loans	311	298
- Individual write-downs	73	72
Net non-performing loans	**238**	**226**
Potential problem loans	146	119
- Individual write-downs	76	57
Net potential problem loans	**70**	**63**

Interest taken to income on defaulted and doubtful exposures totals NOK 39,6 million for the parent bank.
The realisable value of the collateral backing individually written-down loans totals NOK 167,3 millions for the Parent bank at 31 December 2013.

Group (NOK million)

Losses on loans and guarantees	2013 RM	2013 CM	2013 Total	2012 RM	2012 CM	2012 Total
Period’s change in individual write-downs	2	28	29	-5	-23	-28
+ Period’s change in collective write-downs	-	-	-	-	5	5
+ Actual losses on loans previously written down	8	32	40	8	54	63
+ Confirmed losses on loans not previously written down	8	37	45	7	50	57
- Recoveries on previously written down loans, guarantees etc.	-6	-7	-14	6	32	38
Total	**12**	**89**	**101**	**4**	**54**	**59**

Individual write-downs	2013 RM	2013 CM	2013 Total	2012 RM	2012 CM	2012 Total
Individual write-downs to cover loss on loans, guarantees etc. at 01.01.	31	113	144	36	136	172
- Confirmed losses in the period on loans, guarantees etc. previously subject to individual write down	-8	-32	-40	-8	-54	-62
- Reversal of previous years’ write-downs	-4	-14	-18	-4	-9	-13
+ Increase in write-downs of commitments not previously subject to individual write down	1	14	15	1	3	4
+ Write-downs of loans not previously subject to individual write down	13	58	71	6	37	43
Individual write-downs to cover loss on loans, guarantees etc at 31.12	**33**	**140**	**172**	**31**	**113**	**144**

Collective write-downs	2013 RM	2013 CM	2013 Total	2012 RM	2012 CM	2012 Total
Collective write-downs to cover loss on loans, guarantees at 01.01	77	218	295	77	213	290
Period’s collective write down to cover loss on loans, guarantees etc	-	-	-	-	5	5
Collective write-downs to cover loss on loans and guarantees at 31.12	**77**	**218**	**295**	**77**	**218**	**295**

Losses specified by sector and industry	2013	2012
Agriculture, forestry, fisheries and hunting	-0	1
Fish farming	2	13
Industry and mining	25	0
Building and construction, power and water supply	31	12
Wholesale and retail trade; hotel og restaurant industry	6	0
Other transport and communication	12	8
Financing, property management and business services	14	13
Abroad and others	0	-
Private sector	10	6
Collective write-downs, corporate	-	5
Collective write-downs, retail	-	0
Losses on loans to customers	**101**	**58**

Non-performing more than 90 days and potential problem loans	2013	2012
Non-performing loans	386	374
- Individual write-downs	87	83
Net non-performing loans	**299**	**291**
Potential problem loans	157	143
- Individual write-downs	86	62
Net potential problem loans	**71**	**81**

Interest taken to income on defaulted and doubtful exposures totals NOK 55,3 million for the Group.

The realisable value of the collateral backing individually written-down loans totals NOK 185,4 million for the Group at 31 December 2013.

Note 12 - Credit risk exposure for each internal risk rating

The Bank uses a special classification system for monitoring credit risk in the portfolio. Risk classification is based on each individual exposure's probability of default. In the table below this classification is collated with corresponding rating classes at Moody's.

Historical default data are Parent Bank figures showing the default ratio (DR) per credit quality step. The figures are an unweighted average of customers with normal scores in the period 2006-2013.

	Probability of default				Collateral cover		
Credit quality step	From	To	Moody's	Historical default	Collateral class	Lower limit	Upper limit
A	0.00 %	0.10 %	Aaa-A3	0.03 %	1	120	
B	0.10 %	0.25 %	Baa1-Baa2	0.09 %	2	100	120
C	0.25 %	0.50 %	Baa3	0.19 %	3	80	100
D	0.50 %	0.75 %	Ba1	0.51 %	4	60	80
E	0.75 %	1.25 %	Ba2	0.68 %	5	40	60
F	1.25 %	2.50 %		1.57 %	6	20	40
G	2.50 %	5.00 %	Ba2-B1	3.47 %	7	0	20
H	5.00 %	10.00 %	B1-B2	6.67 %			
I	10.00 %	99.99 %	B3-Caa3	18.31 %			
J	Default						
K	Written down						

The Bank's exposures are classified into one of five risk groups based on credit quality step. "Defaulted and written down" is also present.

Credit quality step	Risk groups
A - C	Lowest risk
D - E	Low risk
F - G	Medium risk
H	High risk
I	Highest risk
J - K	Default and written down

Parent Bank (NOK million)	Averaged unhedged exposure 2013	Total exposure 2013	Averaged unhedged exposure 2012	Total exposure 2012
Lowest risk	5.8 %	46,680	3.7 %	42,325
Low risk	6.1 %	22,631	8.1 %	20,920
Medium risk	8.8 %	16,275	10.1 %	17,697
High risk	12.2 %	3,644	9.8 %	4,230
Highest risk	3.8 %	1,988	9.3 %	1,563
Default and written down	20.5 %	457	33.5 %	417
Total		**91,676**		**87,152**

Group (NOK million)	Averaged unhedged exposure 2013	Total exposure 2013	Averaged unhedged exposure 2012	Total exposure 2012
Lowest risk	6.2 %	46,927	4.1 %	42,635
Low risk	8.6 %	23,418	10.8 %	21,646
Medium risk	18.8 %	17,816	19.2 %	18,456
High risk	16.3 %	4,008	13.7 %	4,580
Highest risk	11.4 %	2,321	17.4 %	1,910
Default and written down	34.5 %	543	46.7 %	517
Total		**95,033**		**89,744**

The realisation value of furnished collateral is determined such that they, on a conservative assessment, reflect the presumed realisation value in an economic downturn. For example, collateral furnished in the form of negative pledge and unquoted equities in accordance with the Group's internal guidelines will not be assigned any realisation value and will thus appear unsecured. The conservative assessment entails that the realisation value that is actually attained may prove higher than the estimated realisation value.

Note 13 - Maximum credit risk exposure, disregarding collateral

Maximum credit risk exposure, disregarding collateral

The table below shows maximum exposure to credit risk for balance sheet components, including derivatives. Exposures are shown on a gross basis before collateral and permitted set-offs.

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
		Assets		
1,079	4,793	Cash and claims on central banks	4,793	1,079
5,619	4,000	Loans to and claims on credit institutions	1,189	3,012
72,057	76,602	Loans to and claims on customers	79,836	74,504
14,943	16,032	Securities - designated at fair value through profit/loss	16,518	15,296
3,101	3,051	Derivatives	3,050	3,100
1	1	Securities - available for sale	40	70
114	-	Securities - held to maturity	-	114
2,460	1,345	Securities - loans and receiveables	1,359	2,460
7,621	8,250	Other assets	8,577	8,339
106,995	**114,074**	**Total assets**	**115,360**	**107,975**
		Liabilities		
5,213	4,758	Conditional liabilities	4,758	5,213
8,688	9,158	Unutilised credits	9,158	8,688
1,539	1,146	Loan approvals	1,193	1,652
788	704	Other exposures	810	915
16,228	**15,766**	**Total liabilities**	**15,919**	**16,467**
123,223	**129,839**	**Total credit risk exposure**	**131,280**	**124,442**

Credit risk exposure related to financial assets distributed by geographical area

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
		Bank activities		
40,367	41,186	Sør-Trøndelag	39,578	38,831
19,612	21,423	Nord-Trøndelag	22,401	20,554
21,862	23,049	Møre og Romsdal	23,733	22,414
474	691	Sogn og Fjordane	734	505
554	765	Nordland	828	606
8,614	11,176	Oslo	11,182	9,052
7,528	8,902	Rest of Norway	9,645	7,846
3,592	2,216	Abroad	2,212	3,593
102,604	**109,410**	**Total**	**110,313**	**103,402**
		Financial instruments		
16,435	16,357	Norway	16,896	16,851
1,069	952	Europe, Asia	952	1,076
13	68	USA/other	68	13
3,101	3,051	Derivatives	3,050	3,100
20,619	**20,429**	**Total**	**20,967**	**21,040**
123,223	**129,839**	**Total distributed by geographical area**	**131,280**	**124,442**

Financial effect of collateral for credit risk, Parent Bank

The Bank's maximum credit exposure is shown in the above table. SpareBank 1 SMN provides wholesale banking services to BN Bank and the Samspar banks. In this connection a guarantee agreement has been established which assures full settlement for exposures connected to these agreements. The Bank has corresponding agreements with respect to the takeover of BN Bank's portfolio in Ålesund. The value of the guarantee agreements is not included in the table below.

The collateral is measured at fair value, limited to maximum credit exposure for the individual counterparty.

Collaterlan Pledged (NOKm)	2013	2012
Corporate market	44,047	44,880
Retail market	38,231	32,756
Covered bonds	5,422	7,268
Financial institutions using CSA	106	205
Customers trading and hedging	3,205	2,860

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 fourth quarter 2013 the Bank has 22 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 2013	Derivatives	1,488
31 Dec 2012	Derivatives	562

Parent Bank and Group are identical.

Note 15 - Credit quality per class of financial assets

The Bank handles the credit quality of financial assets by means of its internal guidlines for credit ratings. See section entitled credit risk under Note 6 Risk factors.

The table below shows credit quality per class of assets for loan-related assets in the balance sheet, based on the Bank's own credit rating system .The entire loan exposure is included when parts of the exposure are defaulted. Non-performance is defined in the note as default of payment of NOK 1,000 or more for more than 90 days.

Historical data are restated in accordance with new calculations of estimated defaults. See note 6, Risk factors, and the section on probability of default.

Parent Bank

2013 (NOK million)		Neither defaulted nor written down						
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**4,000**	**-**	**-**	**-**	**-**	**-**	**4,000**
Loans to and claims on customers	8							
Retail market		26,143	6,762	2,833	639	769	209	37,355
Corporate market		13,977	12,370	9,377	2,469	1,254	229	39,675
Total		**40,120**	**19,132**	**12,210**	**3,108**	**2,023**	**438**	**77,030**
				-	-	-	-	
Financial investments	29							
Quoted government bonds		150	-	-	-	-	-	150
Quoted other bonds		9,150	94	-	25	45	-	9,314
Unquoted government bonds		2,416	-	-	-	-	-	2,416
Unquoted bonds		1,533	1,984	1,437	14	39	-	5,007
Total		**13,249**	**2,077**	**1,437**	**39**	**84**	**-**	**16,887**
Total		**61,569**	**21,209**	**13,647**	**3,147**	**2,107**	**438**	**97,917**

2012 (NOK million)		Neither defaulted nor written down						
	Notes	Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
Loans to and claims on credit institutions	7	**5,619**	**-**	**-**	**-**	**-**	**-**	**5,619**
Loans to and claims on customers	8							
Retail market		22,256	5,976	3,043	584	590	168	32,618
Corporate market		13,425	11,783	10,943	2,594	875	226	39,846
Total		**35,681**	**17,760**	**13,986**	**3,178**	**1,465**	**394**	**72,464**
Financial investments	29							
Quoted government bonds		50	17	-	-	-	-	67
Quoted other bonds		10,858	147	39	-	-	-	11,045
Unquoted government bonds		2,381	5	-	-	-	-	2,386
Unquoted bonds		1,252	1,180	1,235	-	-	-	3,667
Total		**14,541**	**1,349**	**1,274**	**-**	**-**	**-**	**17,164**
Total		**55,841**	**19,109**	**15,260**	**3,178**	**1,465**	**394**	**95,247**

Group

2013 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	**1,189**	-	-	-	-	-	1,189
Loans to and claims on customers	8							
Retail market		26,194	7,140	3,614	756	831	235	38,769
Corporate market		14,176	12,761	10,134	2,713	1,461	288	41,534
Total		**40,369**	**19,901**	**13,748**	**3,468**	**2,292**	**523**	**80,303**
Financial investments	29							
Quoted government bonds		150	-	-	-	-	-	150
Quoted other bonds		9,150	94	-	25	45	-	9,314
Unquoted government bonds		2,416	-	-	-	-	-	2,416
Unquoted bonds		1,533	1,984	1,437	14	39	-	5,007
Total		**13,249**	**2,077**	**1,437**	**39**	**84**	**-**	**16,887**
Total		**54,008**	**21,979**	**15,185**	**3,508**	**2,376**	**523**	**98,379**

2012 (NOK million)	Notes	Neither defaulted nor written down					Defaulted or written down *)	Total
		Lowest risk	Low risk	Medium risk	High risk	Highest risk		
Loans to and claims on credit institutions	7	**3,012**	-	-	-	-	-	3,012
Loans to and claims on customers	8							
Retail market		22,303	6,311	3,676	680	695	199	33,863
Corporate market		13,682	12,125	11,017	2,847	1,113	295	41,079
Total		**35,795**	**18,436**	**14,693**	**3,526**	**1,809**	**494**	**74,943**
				-	-	-	-	
Financial investments	29							
Quoted government bonds		50	17	-	-	-	-	67
Quoted other bonds		10,858	147	39	-	-	-	11,045
Unquoted government bonds		2,381	5	-	-	-	-	2,386
Unquoted bonds		1,252	1,180	1,235	-	-	-	3,667
Total		**14,541**	**1,349**	**1,274**	**-**	**-**	**-**	**17,164**
Total		**53,538**	**19,795**	**15,967**	**3,526**	**1,809**	**494**	**95,119**

*) Guarantees furnished by the Guarantee Institute for Export Credit are not taken into account

Note 16 - Market risk related to interest rate risk

This note is a sensitivity analysis based on relevant balance sheet items as of 31. December 2013. The Bank's interest rate risk is calculated by simulating a parallel interest rate shift for the entire interest rate curve of 1 percetage on all balance sheet items.

Interest rate risk has been low throughout 2013 and below the maximum limit of 800.000 basis points set by the Board of Directors. For further details regarding interest rate risk, please refer to Note 6 Risk Factors.

	Interest rate risk, 1 % change	
Basis risk Group (NOK million)	**2013**	**2012**
Currency		
NOK	42	-10
EUR	1	25
USD	5	0
CHF	-6	0
Other	-33	-1
Total interest rate risk, effect on result after tax	**8**	**13**

Total interest rate risk suggests that the Bank will gain from an increase in the interest rate in 2013. This is also the case for 2012 and 2011. The table below shows the effect of an interest rate curve shift on various time intervals and the associated gains and losses within the respective maturities.

	Interest rate risk, 1 % change	
Interest rate curve risk, Group (NOK million)	**2013**	**2012**
0 - 1 month	-17	-13
1 - 3 months	25	9
3 - 6 months	4	-20
6 - 12 months	12	47
1 - 2 years	-72	-27
2 - 3 years	9	20
3 - 4 years	-16	-10
4 - 5 years	42	-8
5 - 7 years	10	21
7 - 10 years	13	-7
Total interest rate risk, effect on result after tax	**8**	**13**

Note 17 - Market risk related to currency exposure

Foreign exchange risk arises where there are differences between the Group's assets and liabilities in the particular currency. Currency trading must at all times be conducted within adopted limits and authorisations. The Group's limits define quantitative measures for maximum net foreign currency exposure, measured in Norwegian kroner.

The Group has drawn up limits for net exposure in each individual currency, as well as limits for aggregate net foreign currency exposure (expressed as the higher of the sum of long and short positions). Overnight exchange rate risk for spot trading in foreign currency must not, on a net basis, exceed NOK 85 million per individual currency or NOK 100 million on an aggregate basis.

Foreign exchange risk was low throughout the year and within the maximum limit of NOK 40 million. For further details see note 6 Risk factors.

Parent Bank		**Net foreign exchange exposure NOK**	**Group**	
2012	**2013**	(NOK million)	**2013**	**2012**
-15	-25	EUR	-25	-15
15	32	USD	32	15
-16	-24	Other	-24	-16
-17	**-17**	**Total**	**-17**	**-17**
100	100	Overall currency limit	100	100
85	85	Total per currency	85	85
1.4	2.4	Result effect of 3% change	2.4	1.4

Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or unable to finance increases in its assets. See note 6 Risk factors for a detailed description.

Group

At 31.12.2013 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	3,966	87	1,143	1,052	131	6,379
Deposits from and debt to customers	50,234	1,385	1,486	2,969	-	56,074
Debt created by issuance of securities	-	4,965	4,698	21,622	2,400	33,685
Derivatives - contractual cash flow out	-	1,584	845	5,443	1,429	9,301
Other commitments	34	1,595	608	66	-	2,303
Subordinated debt	-	-	-	2,772	450	3,222
Total cash flow, liabilities	**54,234**	**9,616**	**8,780**	**33,924**	**4,410**	**110,964**
Contractual cash flows out	-	1,584	845	5,443	1,429	9,301
Contractual cash flows in	-	-1,578	-1,004	-6,039	-1,646	-10,267
Net contractual cash flows	**-**	**6**	**-159**	**-596**	**-217**	**-966**

Group

At 31.12.2012 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Cash flows related to liabilities						
Debt to credit institutions	2,521	225	1,069	3,367	228	7,410
Deposits from and debt to customers	44,109	1,488	3,163	3,492	-	52,252
Debt created by issuance of securities	-	1,340	3,917	19,936	4,950	30,143
Derivatives - contractual cash flow out	-	162	498	3,753	2,141	6,553
Other commitments	126	1,462	427	110	-	2,124
Subordinated debt	-	169	415	1,300	1,034	2,918
Total cash flow, liabilities	**46,756**	**4,845**	**9,489**	**31,957**	**8,353**	**101,400**
Contractual cash flows out	-	162	498	3,753	2,141	6,553
Contractual cash flows in	-	-135	-664	-4,229	-2,348	-7,375
Net contractual cash flows	**-**	**27**	**-166**	**-476**	**-207**	**-822**

Does not include value adjustments for financial instruments at fair value.

Note 19 - Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities maturing one year or otherwise after the balance sheet date. Overdraft facilities and consumer credit incl. flexi-loans are included under the interval "below 3 months".

Parent Bank

2013 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Assets						
Cash and claims on central banks	593	4,200	-	-	-	4,793
Loans and claims on credit institutions	2,744	1,157	10	-	89	4,000
Loans to and claims on customers	186	14,448	3,026	15,242	44,129	77,030
- Individual write down of loans to and claims on customers	-	-	-150	-	-	-150
- Groupwise write down of loans to and claims on customers	-	-	-278	-	-	-278
Net loans to customers	**3,523**	**19,804**	**2,608**	**15,242**	**44,218**	**85,394**
Securities - designated at fair value through profit/loss	491	582	4,410	9,041	1,509	16,032
Derivatives	-	245	218	1,483	1,105	3,051
Securities- available for sale	1	-	-	-	-	1
Securities - held to maturity	-	-	88	1,257	-	1,345
Investment in associates and joint ventures	5,580	-	-	-	-	5,580
Intangible assets	-	-	-	-	447	447
Property, plant and equipment	169	-	-	-	-	169
Other assets	482	876	128	568	-	2,054
Total assets	**10,246**	**21,508**	**7,451**	**27,591**	**47,278**	**114,074**
Liabilities						
Debt to credit institutions	3,966	10	-	1,052	131	5,159
Funding, "swap" arrangement with the government	-	77	1,143	-	-	1,220
Deposits from and debt to customers *)	50,691	1,385	1,486	2,969	-	56,531
Debt created by issuance of securities	-	4,967	4,697	21,635	2,462	33,762
Derivatives	-	43	177	1,284	792	2,295
Liabilities in connection with period tax	-	24	446	-	-	470
Liabilities in connection with deferred tax	-	-	-	17	-	17
Other liabilities	34	1,348	83	40	-	1,505
Subordinated debt **)	-	-	-	-	3,304	3,304
Total debt	**54,690**	**7,854**	**8,032**	**26,998**	**6,689**	**104,263**

Group

2013 (NOK million)	On demand	Below 3 months	3-12 months	1 - 5 yrs	Above 5 yrs	Total
Assets						
Cash and claims on central banks	593	4,200	-	-	-	4,793
Loans and claims on credit institutions	22	1,157	10	-	-	1,189
Loans to and claims on customers	191	14,463	3,143	17,317	45,189	80,303
- Individual write down of loans to and claims on customers	-	-	-173	-	-	-173
- Groupwise write down of loans to and claims on customers	-	-	-295	-	-	-295
Net loans to customers	**806**	**19,820**	**2,685**	**17,317**	**45,189**	**85,817**
Securities - designated at fair value through profit/loss	976	582	4,410	9,041	1,509	16,518
Derivatives	-	245	217	1,483	1,105	3,050
Securities- available for sale	40	-	-	-	-	40
Securities - loans and receivables	-	-	88	1,257	-	1,345
Securities -at cost	14	-	-	-	-	14
Investment in associates and joint ventures	4,624	-	-	-	-	4,624
Intangible assets	-	-	-	-	495	495
Property, plant and equipment	1,176	-	-	-	-	1,176

Other assets	667	900	128	586	-	2,280
Total assets	**8,303**	**21,547**	**7,529**	**29,684**	**48,298**	**115,360**
Liabilities						
Debt to credit institutions	3,966	10	-	1,052	131	5,159
Funding, "swap" arrangement with the government	-	77	1,143	-	-	1,220
Deposits from and debt to customers *)	50,234	1,385	1,486	2,969	-	56,074
Debt created by issuance of securities	-	4,967	4,697	21,635	2,462	33,762
Derivatives	-	43	177	1,284	792	2,295
Liabilities in connection with period tax	-	33	484	-	-	517
Liabilities in connection with deferred tax	-	-	-	23	-	23
Other liabilities	34	1,562	124	43	-	1,763
Subordinated debt **)	-	-	-	-	3,304	3,304
Total debt	**54,234**	**8,077**	**8,111**	**27,007**	**6,689**	**104,118**

*) The customer deposits portfolio is mainly classified in the category "on demand". Based on empirical experience, customer deposits may grow in the period ahead. The growth in this deposit portfolio was 7.3 per cent in 2013. A deposit guarantee for deposits of up to NOK 2m has been established in accordance with the Act on guarantee schemes for banks.

**) The maturity structure for subordinated debt is based on final maturity.

Note 20 - Net interest income

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
		Interest income		
144	112	Interest income from loans to and claims on central banks and credit institutions	34	59
3,396	3,515	Interest income from loans to and claims on customers	3,614	3,498
362	455	Interest income from money market instruments, bonds and other fixed income securities	454	362
3	10	Other interest income	15	9
3,904	**4,092**	**Total interest income**	**4,118**	**3,928**
		Interest expense		
235	202	Interest expenses on liabilities to central banks and credit institutions	117	162
1,163	1,197	Interest expenses relating to deposits from and liabilities to customers	1,160	1,139
1,001	994	Interest expenses related to the issuance of securities	994	1,001
122	149	Interest expenses on subordinated debt	149	122
12	62	Other interest expenses	81	27
2,532	**2,604**	**Total interest expense**	**2,502**	**2,451**
1,373	**1,487**	**Net interest income**	**1,616**	**1,477**

Note 21 - Net commission income and other income

Parent Bank 2012	Parent Bank 2013	(NOK million)	Group 2013	Group 2012
		Commission income		
37	67	Guarantee commission	67	37
-	-	Broker commission	224	239
36	38	Portfolio commission, savings products	55	29
4	2	Sales commission, savings products	2	21
201	414	Commission from SpareBank 1 Boligkreditt	414	201
4	8	Commission from SpareBank 1 Næringskreditt	8	4
273	283	Payment transmission services	300	282
121	124	Commission from insurance services	124	121
32	35	Other commission income	37	33
707	**970**	**Total commission income**	**1,230**	**968**
		Commission expenses		
79	70	Payment transmission services	70	79
7	11	Other commission expenses	25	16
86	**81**	**Total commission expenses**	**94**	**96**
		Other operating income		
28	28	Operating income real property	31	26
-	-	Property administration and sale of property	17	91
13	14	Income from financial advice (Corporate)	14	12
7	13	Securities trading	13	7
-	-	Accountant's fees	122	99
4	2	Other operating income	131	41
51	**57**	**Total other operating income**	**327**	**276**
672	**946**	**Total net commision income and other operating income**	**1,463**	**1,139**

Note 22 - Net profit/(loss) from financial assets

The note shows net return on financial investments by type of financial instrument in the various classification categories.

Parent Bank 2012	Parent Bank 2013	(NOK million)	Group 2013	Group 2012
		Valued at fair value through profit/loss		
76	-51	Value change in interest rate instruments	-51	76
		Value change in derivatives/hedging		
-4	-49	Net value change in hedged bonds and derivatives	-49	-4
14	-11	Net value change in hedged fixed rate loans and derivatives	-11	14
68	112	Other derivatives	112	68
		Income from equity instruments		
175	286	Income from owner interests	355	247
115	85	Dividend from equity instruments	41	10
32	142	Value change and gain/(loss) on equity instruments	31	22
476	**512**	**Total net income from financial assets and liabilities at fair value through profit/(loss)**	**426**	**433**
		Valued at amortised cost		
		Value change in interest rate instruments		
0	-	Value change in interest rate instruments held to maturity	-	0
-	4	Value change in interest rate instruments, loans and receivables	4	-
0	**4**	**Total net income from financial assets and liabilities at amortised cost**	**4**	**0**
		Valued at fair value - available for sale		
		Income from equity instruments		
0	0	Dividend from equity instruments	0	0
-1	2	Gain/(loss) on realisation of financial assets	41	-1
-1	**2**	**Total net income from financial assets available for sale**	**41**	**-1**
19	**30**	**Total net gain from currency trading**	**30**	**19**
495	**547**	**Total net profit/(loss) from financial assets**	**502**	**451**

Note 23 - Personnel expenses and emoluments to senior employees and elected officers

All compensation arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act and with the Securities Trading Act with associated regulations concerning compensation arrangements at financial institutions, investment firms and mutual fund management companies.

The compensation committee conducts an annual review of compensation arrangements, and a written report is forwarded to the Board of Directors for scrutiny and approval. The compensation committee is required to ensure that the practising of the compensation arrangements is examined at least once yearly by independent control functions.

The Board of Directors is charged with approving and maintaining the compensation arrangements, and with ensuring that the documentation underlying decisions is safekept. The Board of Directors also approves any material change in or exception from the compensation arrangements.

The Group's guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation.

This entails inter alia that the basis for variable remuneration related to the entity's performance must be a period of a minimum of two years for senior employees. Variable remuneration can be accumulated annually, based on assessments of financial and non-financial performances over a minimum of two years. SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence, and reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group's sanction system.

The following employee groups are covered by the arrangement:
Category 1: CEO and members of the Bank's management team
Category 2: Senior employees
Category 3: Employees with tasks of material significance for the Bank's risk exposure
Category 4: Employees with compensation corresponding to that of senior employees
Category 5: Employees with control functions

An assessment has in addition been made of whether other employees with compensation corresponding to that of the above groups should be subject to special rules under the above criteria.

Parent Bank			Group	
2012	**2013**	(NOK million)	**2013**	**2012**
548	519	Wages	830	837
42	38	Pension costs (note 25)	52	55
28	29	Social costs	32	31
618	**587**	**Total personnel expenses**	**914**	**924**
837	790	Average number of employees	1,195	1,176
793	757	Number of man-labour years as at 31 December	1,159	1,135
838	805	Number of employees as at 31 December	1,238	1,216

Emoluments to Top Management

2013 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which bonuses[1)]	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan Group CEO	5,707	70	1,722	190	16,025	682	6,696	173,351
Kjell Fordal Executive Director Group Finance	2,729	87	393	87	6,131	708	5,767	222,259
Wenche M. Seljeseth[2)] Executive Director Products, Processes and Production	2,028	53	181	53	-	62	2,131	6,535
Tina Steinsvik Sund[2)] Executive Director Performance Development, HR and Digital Channels	2,221	70	241	70	-	62	6,736	9,922
Vegard Helland Executive Director Group Customers	2,469	82	254	82	1,371	93	3,175	11,477
Svein Tore Samdal Executive Director Offices as from 1 September 2013	2,084	-	44	-	-	21	5,052	2,000
Tore Haarberg Executive Director Product and Prosesses to end 31 August 2013	2,041	89	269	89	-	126	5,430	9,563

2012 (thousands of NOK)

Name and title	Salary and other short-term benefits	Of which bonuses[1)]	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12.	No. of equity capital certificates
Finn Haugan Group CEO	6,022	527	2,027	-	16,319	718	6,914	169,536
Tore Haarberg Executive Director, Retail Division (Deputy Group CEO)	2,716	263	333	-	1,546	173	5,552	7,775
Wenche M. Seljeseth[2)] Executive Director, Marketing and Public Relations	1,607	92	82	-	-	60	1,950	5,463
Vegard Helland Executive Director, Corporate Division	2,385	244	224	-	888	146	3,609	9,830
Kjell Fordal Executive Director, Finance	2,682	251	367	-	5,145	764	6,804	270,518
Tina Steinsvik Sund[2)] Executive Director, Business Operations	2,246	219	228	-	-	60	6,759	8,517

1) Paid bonuses for previous year

2) Defined-contribution pension scheme.

As a result of changes to the tax rules on top pensions, the Board of Directors decided to phase out the group pension scheme for salaries above 12G as from 1 January 2007. For that reason an individual top pension scheme was introduced in 2007 whereby employees with salaries above 12G receive a pension add-on of 16 per cent of salary above 12G. The pension add-on will go to pension saving in products delivered by SpareBank 1. To ensure equality with the phased-out scheme, compensation will be provided for tax on this pension add-on. A 12G arrangement has subsequently been established for a number of new managers.

Under the employment agreement with the Group CEO, the Bank undertakes to pay salary and other benefits for up to 24 months. The Group CEO is entitled to retire at age 60 on a pension of 68 per cent of pensionable income. The Bank's group occupational pension is included in the Bank's pension obligation to the Group CEO. The Group CEO also has an agreement on a dependants' benefit. The Group CEO has a contractual bonus which is dependent on goal achievement with reference to specific criteria set by the Board of Directors compensation committee.

The Executive Directors have bonus agreements which are dependent on goal achievement with reference to specific criteria set by the

Board of Directors compensation committee. The Executive Directors have agreement on post-employment salary of between 12 - 24 months, reduced however by any salary earned in other employment.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

The number of equity capital certificates includes equity capital certificates owned by related parties and companies over which the individual exercises substantial influence.

Emoluments to the Board of Directors and the Control Committee

2013 (thousands of NOK)

Name	Title	Fee	Fees to audit and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Kjell Bjordal	Board chairman as from 1 April 2013	306	18	116	-	100,000
Bård Benum	Deputy chair	182	55	1	-	-
Aud Skrudland	Board member	162	18	4	0	1,765
Arnhild Holstad	Board member	162	29	2	2,583	-
Paul E. Hjelm-Hansen	Board member	162	73	1	0	49,219
Venche Johnsen1)	Board member, employee representative	162	-	671	235	24,716
Bente Karin Trana	Alternate	148	-	2	-	-
Morten Loktu	Board member as from 1 April 2013	122	7	1	-	-
Eldbjørg Gui Standal	Board member to end 31 January 2013	41	18	1	-	-
Per Axel Koch	Board chairman to end 31 March 2013	86	14	121	-	50,000
Rolf Røkke	Chair, Control Committee to end 31 March 2013	35	-	1	-	-
Terje Lium	Chair, Control Committee as from 1 April 2013	105	-	1	-	-
Anders Lian	Deputy Chair, Control Committee	94	-	1	-	-
Terje Ruud	Member, Control Committee	94	-	1	-	-

1) Other emoluments include salary in employment relationships.

2012 (thousands of NOK)

Name	Title	Fee	Fees to audit and remuneration committee	Other benefits	Loans as of 31.12.	No. of equity capital certificates
Per Axel Koch	Board chairman	345	14	31	-	45,930
Eli Arnstad	Deputy Chair to end March 2012	47	27	501	2,379	5,200
Kjell Bjordal	Deputy Chair as from April 2012	207	11	36	0	50,000
Aud Skrudland	Board member	162	7	33	0	1,765
Arnhild Holstad	Board member	162	-	33	2,517	-
Paul E. Hjelm-Hansen	Board member	162	78	32	0	49,219
Bård Benum	Board member	162	69	2	-	-
Venche Johnsen1)	Board member, employee representative	162	-	711	342	24,716
Eldbjørg Gui Standal	Board member	122	23	1	-	-
Rolf Røkke	Chair, Control Committee	140	-	1	-	-
Anders Lian	Deputy Chair, Control Committee	94	-	1	-	-
Terje Ruud	Member, Control Committee	94	-	1	-	-

1) Other emoluments include salary in employment relationships.

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The no. of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

Fees to the Supervisory Board

(thousands of NOK)	2013	2012
Randi Dyrnes, Supervisory Board Chair as from April 2012	73	61
Terje Skjønhals, Supervisory Board Chair to end March 2012	-	26
Other members	385	549

Note 24 - Other operating expenses

Parent Bank			Group	
2012	**2013**	(NOK million)	**2013**	**2012**
618	587	Personnel expenses	914	924
166	187	IT costs	206	187
23	24	Postage and transport of valuables	29	28
39	38	Marketing	58	49
43	53	Ordinary depreciation (note 32 og 33)	118	102
128	120	Operating expenses, real properties	118	101
55	58	Purchased services	70	66
132	130	Other operating expense	207	199
1,206	**1,197**	**Total other operating expenses**	**1,722**	**1,654**
		Audit fees (NOK 1000)		
1,006	2,030	Financial audit	3,170	1,929
144	218	Other attestations	270	237
87	73	Tax advice	76	99
273	13	Other non-audit services	213	1,024
1,604	**2,334**	**Total incl. value added tax**	**3,729**	**3,289**

Note 25 - Pension

Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

Defined contribution scheme

Under the defined contribution pension scheme the Group does not provide a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. Future pension will depend on the size of the contribution and the annual return on the pension savings. The Group has no further obligations with regard to the employee's labour contribution after the employer's annual contribution has been paid. Defined contribution schemes are directly expensed. The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

Early retirement pension scheme

The banking and financial industry has established an agreement on a contractual early retirement pension scheme ("AFP") for employees from age 62 to 67. The Bank pays 100 percent of the pension paid from age 62 to 64 and 60 percent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

Early retirement pension scheme, new arrangement

The Act relating to state subsidies in respect of employees who take out contractual early retirement pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out contractual early retirement with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. The employer's premium is determined as a percentage of salary payments between 1G and 7.1G. In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made in the financial year for the group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 23 on personnel expenses.

IAS 19R Benefits to employees

As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension costs. The Group has previously utilised the corridor approach to account for unamortised estimate deviations. The corridor approach is no longer permitted, and all estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. Previously return on pension assets was calculated by applying long-term expected return on pension assets. As a result of the application of IAS 19R the period's net interest expense is calculated by applying the discount rate for the liability at the start of the period to the net liability. Net interest cost consists therefore of interest on the liability and return on the assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium payments and disbursement of pensions are taken into account. The difference between actual return on pension assets and the booked return is accounted for continuously against other comprehensive income.

The corridor as of 1 January 2012 is calculated anew in accordance with the principles set out in IAS 19R by, in part, setting the return on assets for 2012 equal to the discount rate, se tabel below.

As of 31 December 2013 the Group has utilised the new mortality base table K2013 established by Finanstilsynet on 8 March 2013 (K2013FT) as the basis for its calculations. This is then adjusted for an initial mortality rate and a mortality decline. In its table Finanstilsynet utilised an initial mortality rate of 12 per cent, whereas the Group employs 5 per cent. The decline in mortality is also somewhat adjusted compared with Finanstilsynet's table, but without significantly affecting the liability. Hence the safety margins in the mortality table utilised, K2013BE, are somewhat lower than K2013FT, but in the Group's assessment the table that is used gives the best estimate of the pension liability on the balance sheet date.

Implementation has had the following balance sheet effects (Group) (NOK million):

1 January 2012	Original balance sheet value	Change on implementation	New balance sheet value
Overfunded defined benefit pension plan (other assets)	35	-35	0
Underfunded defined benefit pension plan (other liabilities)	0	77	77
Deferred tax	10	-31	-21
Other equity capital	1,268	-81	1,187
31 December 2012			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343
First quarter 2013 (impl. 1.1.13)			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343

*) Entered in the accounts as a strengthening of the Group’s equity capital as of first quarter 2013, NOK 57m minus deferred tax NOK 16m.

The balance sheet has been reworked as shown above.

Under the previous principle, the pension cost in 2012 amounted to NOK 32m. Due to the change in the principle for dealing with unamortised estimate deviations and calculating net interest expense, the booked pension cost increased to NOK 37m. Comparatives for profits/loss have not been reworked since the change is considered to be insignificant. Capital adequacy, EC-holder ratio (EC-holders’ share of total equity) and other key figures and ratios have not been reworked for previous periods.

	2013		2012		01.01.2012
Actuarial assumptions	Costs	Commitment	Costs	Commitment	Commitment
Discount rate	3.9 %	4.0 %	2.6 %	3.9 %	2.6 %
Expected rate of return on plan assets	3.9 %	4.0 %	2.6 %	3.9 %	2.6 %
Expected future wage and salary growth	3.3 %	3.5 %	3.3 %	3.3 %	3.3 %
Expected adjustment of basic amount (G)	3.3 %	3.5 %	3.3 %	3.3 %	3.3 %
Expected increase in current pension	0.2 %	0.6 %	0.4 %	0.2 %	0.4 %
Employers contribution	14.1 %	14.1 %	14.1 %	14.1 %	14.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %	25/50 %

Mortality base table	K2013BE
Disability	IR2003

Parent Bank			Group	
2012	2013	**Net pension liability in the balance sheet (NOK million). Financial position**	2013	2012
681	553	Net present value of pension liabilities in funded schemes	573	706
-623	-630	Estimated value of pension assets	-649	-639
58	-77	Net pension liability in the balance sheet before employer's contribution	-76	67
8	4	Employer's contribution	5	9
66	**-73**	**Net pension liability in the balance sheet**	**-72**	**77**

Distribution of liability between unfunded and funded pension scheme, Group 1.1

Group	2013			2012		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Present value of pension liability in funded schemes	542	31	573	668	38	706
Fair value of pension assets	-649	-	-649	-639	-	-639
Net pension liability in the balance sheet before employer's contribution	-107	31	-76	30	38	67
Employer's contribution	0	4	5	4	5	9
Net pension liability in the balance sheet after employer's contribution	-107	35	**-72**	34	43	**77**

2012	2013	**Pension cost for the year**	2013	2012
34	20	Present value of pension accumulated in the year	22	36
-8	-3	Net interest income	-4	-8
26	17	Net defined-benefit pension cost without employer's contribution	18	28
3	4	Employer's contribution - subject to accrual accounting	4	3
29	21	Net pension cost related to defined benefit plans *	22	31
5	6	Early retirement pension scheme, new arrangement	7	5
10	12	Cost of defined contribution pension	22	19
43	**38**	**Total pension cost**	**52**	**55**
4	**3**	*** Of which unfunded pension commitment**	**3**	**4**

Other comprehensive income for the period	**Unfunded**		**Funded**		**Total**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Change in discount rate	**0**	-1	**-8**	-124	**-8**	-125
Change in other economic assumptions	**0**	0	**29**	-11	**29**	-11
Change in mortality table	**0**	0	**47**	0	**47**	0
Change in other demographic assumptions	**0**	0	**-6**	0	**-6**	0
Changing other factors, DBO	**-3**	-1	**-6**	-19	**-9**	-19
Change in other factors, pension assets	**0**	0	**-43**	-13	**-43**	-13
Other comprehensive income for the periode	**-2**	**-2**	**13**	**-166**	**10**	**-169**

2012	2013	Movement in net pension liability in the balance sheet	2013	2012
66	-73	Net pension liability in the balance sheet 1.1	-72	77
-165	9	OCI accounting for the year	10	-174
34	21	Net defined-benefit costs in profit and loss account incl. curtailment/settlement	22	37
-9	-8	Paid-in pension premium, defined-benefit schemes	-8	-9
-	-30	Paid-in pension premium, defined benefit plans	-32	-2
-74	**-82**	**Net pension liability in the balance sheet 31.12**	**-79**	**-72**

2012	2013	Financial status 31.12	2013	2012
554	613	Pension liability	638	573
-632	-698	Value of pension assets	-721	-649
-78	-85	Net pension liability before employer's contribution	-83	-76
4	3	Employer's contribution	4	5
-74	**-82**	**Net pension liability after employer's contribution ***	**-79**	**-72**

* Presented gross in the Group accounts

Breakedown of financial status 31 December between secured and unsecured pension scheme, Group

Group	2013			2012		
	Funded	**Unfunded**	**Total**	**Funded**	**Unfunded**	**Total**
Pension liability	614	24	638	542	31	573
Value of pension assets	-721	-	-721	-649	-	-649
Net pension liability before employer's contribution	**-107**	**24**	**-83**	**-107**	**30**	**-76**
Employer's contribution	0	3	4	0	4	5
Net pension liability after employer's contribution	**-107**	**27**	**-79**	**-49**	**34**	**-72**

Fair value of pension liability, Group	2013	2012
OB pension liability (PBO)	573	704
Present value of pension accumulated in the year	22	31
Payout/release from scheme	-32	-29
Interest cost of pension liability	22	18
Actuarial gain or loss	53	-153
CB pension liability (PBO)	**638**	**573**

Fair value of pension assets, Group	2013	2012
OB pension assets	649	639
Paid in	36	10
Payout/release from fund	-32	-29
Expected return	25	16
Actuarial changes	43	13
CB market value of pension assets	**721**	**649**

Historical information, Group	2013	2012	1.1.2012
Present value of pension liability	-638	-573	-715
Fair value of pension assets	**721**	**649**	**639**
Net surplus/deficit (-)	**83**	**76**	**-77**

Sensitivity, Group	+ 1pp discount rate	- 1pp discount rate	+ 1pp salary adjustment	- 1pp salary adjustment	+ 1 pp pension adjustment
2013					
Change in accumulated pension rights in course of year	-4	5	4	-3	3
Change in pension liability	-86	108	58	-52	71
2012					
Change in accumulated pension rights in course of year	-6	8	5	-5	4
Change in pension liability	-73	91	50	-45	59
01.01.2012					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-99	126	71	-64	79

01.01.2012	2012	2013	Members	2013	2012	01.01.2012
915	890	889	Numbers of persons included in pension scheme	913	914	941
533	479	479	of which active	500	500	556
382	411	410	of which retirees and disabled	413	414	385

Investment and pension assets in the pension fund	2013	2012	01.01.2012
Current bonds	20 %	15 %	22 %
Bonds held to maturity	31 %	41 %	43 %
Money market	14 %	11 %	5 %
Equities	31 %	30 %	28 %
Real estate	2 %	2 %	2 %
Other	2 %	0 %	0 %
Total	**100 %**	**100 %**	**100 %**

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian banks.

Note 26 - Income tax

The following is a specification of the difference between the accounting profit before tax, the year's tax base and the year's tax charge. Wealth tax is classified as other operating expenses in conformity with IAS 12.

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
1,283	1,701	Result before tax	1,758	1,355
-302	-426	+/-permanent differences *	-375	-255
-20	0	+/-Group contributions	0	-20
-75	290	+/- change in temporary differences as per specification	379	-14
-	-	+ correction income to be brought forward	-46	-27
-	-	+ deficit to be brought forward	-14	-2
886	**1,566**	**Year's tax base/taxable income**	**1,701**	**1,036**
248	438	Of which payable tax at 28%	476	290
248	**438**	**Payable tax in the balance sheet**	**476**	**290**
-6	0	(Excess)/short tax provision last year	0	-6
242	439	Year' change in payable tax	477	284
248	438	Tax payable on profit for the year	476	290
21	-78	+/- change in deferred tax	-86	12
-6	0	+/- too much/too little set aside for payable tax in previous years	-1	-6
-1	-2	+ withholding tax	-2	-1
262	**358**	**Tax charge for the year**	**388**	**295**
		Change in net deferred tax liability		
21	-78	Deferred tax shown through profit/loss	-86	12
	12	Deferred tax shown through equity	12	
22	-	Correction payable tax/deferred tax, previous years **	-	31
43	**-66**	**Total change in net deferred tax liability**	**-74**	**43**

** Due to changes in temporary differences between presented annual accounts and final tax asessment papers

Deferred tax in balance sheet			Deferred tax in balance sheet	
2012	2013	**Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement**	2013	2012
		Temporary differences:		
-	-	- Business assets	94	116
-	-	- Leasing items	74	120
21	82	- Pension liability	84	24
243	195	- Securities	195	243
617	488	- Hedge derivatives	488	617
-	56	- Other temporary differences	56	2
880	**820**	**Total tax-increasing temporary differences**	**991**	**1,122**
247	**221**	**Deffered tax**	**269**	**315**
		Temporary differences:		
-15	-20	- Business assets	-24	-19
-	-	- Pension liability	-2	-6
-1	-263	- Securities	-263	-1
-567	-474	- Hedge derivatives	-474	-567
0	-	- Other temporary differences	-136	-55
-	-	- Deficit carried forward	-74	-192
-583	**-757**	**Total tax-decreasing temporary differences**	**-974**	**-840**
-163	**-204**	**Deferred tax asset**	**-263**	**-235**
83	**17**	**Net**	**6**	**80**

The above table comprises temporary differences from all consolidated companies shown gross. At the company level tax-increasing and tax-reducing temporary differences are shown net. At the group level recognition is on a gross basis in conformity with IAS 12 with each company being presented separately in the calculation of the Group's tax benefit and deferred tax:

	2013	2012
Tax benefit recorded 31.12	**18**	13
Deferred tax recorded 31.12	**23**	93

Recognised in income statement 2012	Recognised in income statement 2013	Composition of deferred tax carried in the balance sheet and deferred tax recognised in the income statement	2013	2012
		Temporary differences:		
-	-	- Business assets	22	24
-	-	- Leasing items	46	51
22	-61	- Pension liability	-60	21
-23	-34	- Securities	48	-81
-172	-92	- Hedge derivatives	129	-172
-	-	- Other temporary differences	2	0
-174	**-187**	**Total tax-increasing temporary differences**	**187**	**-157**
-49	**-52**	**Deffered tax**	**52**	**-44**
		Temporary differences:		
-10	5	- Business assets	6	-7
-	-	- Pension liability	-3	0
-3	343	- Securities	262	-25
112	129	- Hedge derivatives	-92	112
-	-	- Other temporary differences	81	-8
-	-	- Deficit carried forward	-118	-65
99	**477**	**Total tax-decreasing temporary differences**	**134**	**7**
28	**134**	**Deferred tax asset**	**38**	**2**
-	**-3**	**Change in tax rate from 28 % to 27 %**	**-4**	**-**
-21	**78**	**Net**	**86**	**-42**

2012	2013	Reconciliation of tax charge for the period recognised against profit and loss to profit before tax	2013	2012
359	476	28 % of profit before tax	492	379
-90	-119	Non-taxable profit and loss items (permanent differences) *	-105	-77
-	-	Recognised deferred tax previous years	-1	-1
-	3	Change in tax rate from 28 % to 27 %	4	-
-1	-2	Withholding tax	-2	-1
-6	0	Too much/little tax provision previous years	-1	-6
262	**358**	**Tax for the period recognised in the income statement**	**388**	**295**
20 %	**21 %**	**Effective tax rate**	**22 %**	**22 %**

* Includes non-deductible costs and and deduction for profit share related to associates and joint ventures (profit shares are taken out having already been taxed at the respective companies).

Note 27 - 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 2013:

Assets (NOK million)	**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 Group's assets and liabilities measured at fair value at 31 December 2012:

Assets (NOK million)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	34	3,066	-	3,100
Bonds and money market certificates	3,764	10,825	-	14,590
Equity instruments	131	-	601	731
Fixed interest loans	-	-	2,585	2,585
Financial assets avaliable for sale				
Equity instruments	-	-	46	46
Total assets	**3,929**	**13,892**	**3,231**	**21,051**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
Derivatives	33	2,757	-	2,790
Total liabilities	**33**	**2,757**	**-**	**2,790**

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

(NOK million)	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	**2,648**	**909**	**40**	**3,597**

The following table presents the changes in the instruments classified in level 3 as at 31 December 2012:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,012	422	46	**2,480**
Investment in periode	814	174	-	**988**
Disposals in the periode	-293	-6	-	**-299**
Gain or loss on financial instruments	51	11	-	**62**
Closing balance 31 December	**2,585**	**601**	**46**	**3,231**

Note 28 - Fair value of financial instruments

Financial instruments measured at fair value
Financial instruments that are booked at fair value comprise shares, parts of the money market certificate, bond portfolio (classified at fair value) and derivatives. For further details, note 2 IFRS Accounting principles, and note 3 Critical estimates and assessments concerning the use of accounting principles.

Financial instruments measured at amortised cost in a heding relationship
Financial instruments that are not measured at fair value are recognised at amortised cost or are in a hedging relationship. For further details, see note 2 IFRS Accounting principles. Amortised cost entails valuing balance sheet items after initially agreed cash flows, adjusted for impairment.

Financial instruments that are in a hedging relationship are recorded at fair value excluding credit risk.

Measurement at fair value will invariably be encumbered with uncertainty.

Measurement at fair value for items carried at amortised cost.
Methods underlying the determination of fair value of financial instruments that are measured at amortised cost are described below:

Loans to and claims on customers
Current-rate loans are exposed to competition in the market, indicating that possible excess value in the portfolio will not be maintained over a long period. Fair value of current-rate loans is therefore set to amortised cost. The effect of changes in credit quality in the portfolio is accounted for through collectively assessed impairment write-downs, therefore giving a good expression of fair value in that part of the portfolio where individual write-down assessments have not been made.

Individual write-downs are determined through an assessment of future cash flow, discounted by effective interest rate. Hence the discounted value gives a good expression of the fair value of these loans.

Fixed interest loan in NOK are already valued at fair value in the accounts, see note 2 and are not included in the estimates described above.

Bonds held to maturity and bonds for lending and claim purpose
Change to fair value is calculated by reference to a theoretical valuation of market value based on interest rate and spread curves.

Loans to and claims on credit institutions and Debt to credit institutions
For loans to and claims on credit institutions, as well as debt to credit institutions, fair value is estimated as equal to book value.

Parent Bank

(NOK million)	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
Assets				
Loans to and claims on credit institutions	4,000	4,000	5,619	5,619
Loans to and claims on customers at amortised cost	74,340	74,340	69,836	69,836
Loans to and claims on customers at fair value	2,690	2,690	2,627	2,627
Shares	492	492	354	354
Bonds at fair value	15,542	15,542	14,590	14,590
Bonds held to maturity	-	-	114	114
Bonds for lending and claim purpose	1,345	1,352	2,460	2,473
Derivatives	3,051	3,051	3,101	3,101
Total financial assets	**101,459**	**101,466**	**98,702**	**98,715**
Liabilities				
Debt to credit institutions	5,159	5,159	5,137	5,137
Debt related to "swap" arrangement with the government	1,220	1,220	2,273	2,273
Deposits from and debt to customers	56,531	56,531	53,187	53,187
Securities debt at amortised cost	14,738	14,874	14,968	15,084
Securities debt, hedging	19,024	18,984	15,292	15,044
Derivatives	2,295	2,295	2,790	2,790
Subordinated debt at amortised cost	2,349	2,377	1,470	1,449
Subordinated debt, hedging	955	954	1,570	1,572
Total financial liabilities	**102,271**	**102,393**	**96,687**	**96,536**

Group

(NOK million)	2013 Book value	2013 Fair value	2012 Book value	2012 Fair value
Assets				
Loans to and claims on credit institutions	1,189	1,189	3,012	3,012
Loans to and claims on customers at amortised cost	77,612	77,612	72,316	72,316
Loans to and claims on customers at fair value	2,690	2,690	2,627	2,627
Shares	1,030	1,030	777	777
Bonds at fair value	15,542	15,542	14,590	14,590
Bonds held to maturity	-	-	114	114
Bonds for lending and claim purpose	1,345	1,352	2,460	2,473
Derivatives	3,050	3,050	3,100	3,100
Total financial assets	**102,458**	**102,465**	**98,996**	**99,009**
Liabilities				
Debt to credit institutions	5,159	5,159	5,137	5,137
Debt related to "swap" arrangement with the government	1,220	1,220	2,273	2,273
Deposits from and debt to customers	56,074	56,074	52,252	52,252
Securities debt at amortised cost	14,738	14,874	14,968	15,084
Securities debt, hedging	19,024	18,984	15,292	15,044
Derivatives	2,295	2,295	2,790	2,790
Subordinated debt at amortised cost	2,349	2,377	1,470	1,449
Subordinated debt, hedging	955	954	1,570	1,572
Total financial liabilities	**101,815**	**101,937**	**95,751**	**95,600**

Note 29 - Money market certificates and bonds

Bonds and money market instruments are classified in the categories fair value through profit/loss, heldt to maturity and loans and receivables. Measurement at fair value reflects market value, while the category held to maturity and loans and receivables are measured at amortised cost.

Parent Bank		Money market certificates and bonds by issuer sector	Group	
2012	**2013**	(NOK million)	**2013**	**2012**
4,178	4,294	**State (nominal)**	4,294	4,178
4,111	4,269	fair value	4,269	4,111
4,111	**4,269**	**Book value, state**	**4,269**	**4,111**
1,649	2,683	**Other public sector (nominal)**	2,683	1,649
1,672	2,706	fair value	2,706	1,672
39	-	valued at amortised cost (held to maturity, loans and receivables)	-	39
1,711	**2,706**	**Book value, other public issuer**	**2,706**	**1,711**
11,142	9,087	**Financial enterprises (nominal)**	9,087	11,142
8,735	8,331	fair value	8,331	8,735
2,535	1,345	valued at amortised cost (held to maturity, loans and receivables)	1,345	2,535
11,270	**9,676**	**Book value, financial enterprises**	**9,676**	**11,270**
72	228	**Non-financial enterprises (nominal)**	228	72
71	236	fair value	236	71
71	**236**	**Book value, non-financial enterprises**	**236**	**71**
17,040	**16,292**	**Total fixed income securities, nominal value**	**16,292**	**17,040**
17,164	**16,887**	**Total fixed income securities, booked value**	**16,887**	**17,164**

For further specification of risk related to fixed income securities, see note 16 Market risk related to interest rate.

Note 30 - Financial derivatives

All derivatives are booked at real value through profit and loss. Gains are carried as assets and losses as liabilities in the case of all interest rate derivatives. This applies both to derivatives used, and to derivatives not used, for hedge purposes. The Bank does not employ cash flow hedging.

The contract amount shows absolute values for all contracts.

For a description of counterparty risk and market risk, see note 6 on risk factors. For further details concerning market risk linked to interest rate risk, see note 16, and for market risk related to currency exposure, see note 17.

Group

This note is virtually identical for the Parent Bank and the Group.

Fair value through profit and loss (NOK million)	**2013**			**2012**		
	Contract	Fair values		Contract	Fair values	
Currency instruments	amount	Assets	Liabilities	amount	Assets	Liabilities
Foreign exchange derivatives (forwards)	2,337	76	-15	1,478	42	-61
Currency swaps	30,085	516	-344	19,273	282	-144
FX-options	11	0	0	15	0	0
Total currency instruments	32,433	592	-358	20,765	323	-205
Fixed income instruments						
Interest rate swaps (including cross currency)	109,576	1,996	-1,939	95,214	2,343	-2,267
Short-term interest rate swaps (FRA)	619,860	233	-231	134,500	27	-29
Other interest rate contracts	342	0	0	1,247	62	-62
Total non-standardised contracts	729,778	2,229	-2,170	230,961	2,432	-2,357
Hedging						
Interest rate instruments						
Interest rate swaps (including cross currency)	18,171	634	-13	12,545	515	-319
Other interest rate contracts	-	-	-	-	-	-
Total non-standardised contracts	18,171	634	-13	12,545	515	-319
Total foreign exchange and fixed income instruments						
Total interest rate derivatives	747,949	2,863	-2,183	243,505	2,948	-2,677
Total currency derivatives	32,433	592	-358	20,765	323	-205
Total financial derivatives	**780,382**	**3,455**	**-2,541**	**264,271**	**3,271**	**-2,882**

The market value of currency swaps and forward foreign exchange contracts is carried net under 'other assets' in the balance sheet.

Note 31 - Shares, units and other equity interests

The Bank classifies shares in the categories fair value and available for sale. Securities that can be reliably measured, and which are reported internally at fair value, are recognised at fair value through profit and loss. Other shares are classified as available for sale. Investments in subordinated loans are booked at amortised cost.

Parent Bank		Shares and units	Group	
2012	2013	(NOK million)	2013	2012
353	**491**	**At fair value through profit or loss**	**976**	**691**
42	22	Listed	218	106
312	469	Unlisted	758	585
1	**1**	**Available for sale**	**40**	**70**
-	-	Listed	-	25
1	1	Unlisted	40	46
-	**-**	**At amortised cost**	**14**	**16**
-	-	Unlisted	14	16
354	**492**	**Total shares and units**	**1,030**	**777**
		Business held for sale - of which shares		
239	**-**	Listed	**-**	320
101	**114**	Unlisted	**113**	-
340	**114**	**Total shares held for sale**	**113**	**320**
281	**22**	**Total listed companies**	**218**	**451**
414	**584**	**Total unlisted companies**	**925**	**646**

Specification of Parent Bank

Listed companies	Principle *	Stake over 10 %(%)	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Visa Inc. C-aksjer	VV		15,884	6,750	21,472
Total quoted shares				**6,750**	**21,472**
Klepp Sparebank	VV		1,295	142	83
Total quoted equity capital certificates				**142**	**83**
Total quoted shares and equity capital certificates				**6,893**	**21,556**
Unlisted companies					
Bank 1 Oslo Akershus	VV		218,841	78,000	119,246
Eksportfinans	VV		1,857	16,406	33,487
Nets Holding	VV		4,028,773	174,768	264,282
Nordisk Areal Invest	VV		754,995	91,649	43,790
Nordito Property	VV		487,761	1,273	1,717
Sparebankmateriell A/S SPAMA, A-Aksjer	VV		2,305	-	1,563
Tangen Næringsbygg	TFS		250	250	250
Diverse selskap				1,209	662
Total unquoted shares and units				**363,556**	**464,998**
SpareBank 1 Nordvest			48,076	5,000	5,000
Total unquoted equity capital certificates				**5,000**	**5,000**
Total shares, units and equity capital certificates, parent bank				**375,448**	**491,553**

Specification of Group

Listed companies	Principle *	Stake over 10 % (%)	Our holding (no.)	Acquisiton cost (NOK 1000)	Market value/ book value (NOK 1000)
Det Norske Oljeselskap	VV		679,791	31,732	45,342
Polaris Media	VV		5,584,508	159,041	150,782
Total quoted shares				**190,773**	**196,124**
Unlisted companies					
Angvik Investor	TFS	10.00	1,200	19,830	19,591
Aptomar	VV		43,667	6,550	6,550
Aqua Venture	VV	37.64	238,747	21,995	14,003
Avxxin	VV		11,345	1,500	1,512
Bachke & Co	TFS		4,815	164	265
Bruhagen Sentrumsbygg	TFS		350	350	350
Fram Exploration, ansvarlig lån	**			2,000	2,000
FSV Group	VV		5,910	2,417	2,417
Geneseque	VV		100,000	1,000	1,000
Havila Shipping	VV		916,475	22,820	29,785
Herkules	VV		1	67,749	68,522
Hommelvik Sjøside	VV	40.00	1,600	1,608	5,398
Hommelvik Sjøside, ansvarlig lån	**			7,720	8,462
Infond	TFS		4,900	262	262
Kunnskapsparken Nord Trøndelag	TFS		10	250	250
Maritech Systems/Fishvare	VV	23.12	317,936	5,300	5,300
Moldekraft	TFS	12.94	10,545	11,600	14,731
Moldekvartalet	TFS	20.00	2,500	2,501	1,722
Moldekvartalet, ansvarlig lån	**			880	880
NFDS Offshore 1	VV		1,237,500	4,950	4,950
Norsk Innovasjonskapital III	VV		600	10,200	10,200
North Bridge Nordic Property II	VV		51,340	2,304	2,100
North Bridge Propert	VV		51,340	4,262	3,661
Omega-3 Invest	VV	33.55	971,969	5,804	5,798
Omega-3 Invest, ansvarlig lån	**			602	602
Proventure Seed A-aksjer	VV		851,345	906	1,022
Proventure Seed, ansvalig lån	**			1,505	1,505
RBK Investor	VV	16.67	2,000	2,500	1,000
Real Estate Central Europe	VV		3,000	5,500	6,348
Sentrumsbyen Molde	VV		500	500	500
Sentrumsgården	TFS	35.28	2,115	2,115	2,221
Tango 2012	VV		1,200,000	1,200	600
Thams Invest	VV		174	17,640	20,706
Tjeldbergodden Utvikling	VV	22.95	28,649	1,000	1,430
Verdane Technology	VV		35,242	8,000	8,000
Viking Venture	VV	13.17	267,878	25,445	6,349
Viking Venture II	VV		250,000	19,123	7,300
Viking Venture II B	VV		23,519	2,216	2,469
Viking Venture III	VV	16.95	186,312	54,185	69,601
Wellcem	VV		22,508	2,687	2,620
Others				11,324	365
Total unquoted shares and units				**360,466**	**342,347**
Total shares, units and equity capital certificates, Group				**926,688**	**1,030,024**

*Explanation of accounting principle: FV - fair value, AFS - available for sale, HFS - held for sale

**Booked at amortised cost

Note 32 - Goodwill

Parent Bank			Group	
2012	**2013**	**Goodwill** (NOK million)	**2013**	**2012**
447	447	Acquisition cost at 1.1	482	472
-	-	Additions/Disposals	14	10
447	447	Acquisition cost at 31.12	495	482
447	**447**	**Goodwill shown in balance sheet 31.12**	**495**	**482**

Balance sheet value in the Parent Bank, NOK 447m, refers to added value in connection with the purchase of 100 per cent of Romsdals Fellesbank in 2005. The remaining amount at Group level refers to the parent bank's purchase of Romsdals Fellesbank as described above, the merger and acquisition of estate agencies from EiendomsMegler 1 Midt-Norge, and SpareBank 1 SMN Regnskap's acquisitions of accounting firms. The year's increase of NOK 14m at group level relates to further acquisitions undertaken in 2013.

Goodwill is valued annually and written down if impairment tests imply reduction in value. There was no write down of goodwill in 2013.

See note 3 for a description of the valuation model for goodwill.

Note 33 - Property, plant and equipment

2013

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
56	334	390	Cost of acquisition at 1 January	1,624	436	1,188
5	18	23	Acquisitions	43	31	13
1	38	39	Disposals	63	40	23
60	314	374	Cost of acquisition at 31 December	1,604	427	1,177
6	183	190	Accumulated depreciation and write-downs as at 1 January	347	243	104
3	42	45	Current period's depreciation	110	61	49
-	8	8	Current period's write-down	8	8	-
0	37	37	Reversal of accumulated depreciation and write-downs	37	37	0
10	195	205	Accumulated depreciation and write-down as at 31 December	428	274	154
50	**119**	**169**	**Book value as at 31 December**	**1,176**	**152**	**1,024**

2012

Parent Bank: Buildings and other real property	Parent Bank: Machinery, inventory and vehicles	Parent Bank: Total	(NOK million)	Group: Total	Group: Machinery, inventory and vehicles	Group: Buildings and other real property
24	370	394	Cost of acquisition at 1 January	1,451	462	989
32	65	97	Acquisitions	279	76	203
-	101	101	Disposals	107	102	5
56	334	390	Cost of acquisition at 31 December	1,624	436	1,188
5	238	243	Accumulated depreciation and write-downs as at 1 January	342	280	62
2	40	42	Current period's depreciation	101	58	42
-	1	1	Current period's write-down	1	1	-
-	96	96	Reversal of accumulated depreciation and write-downs	96	96	-
6	183	190	Accumulated depreciation and write-down as at 31 December	347	243	104
50	**151**	**201**	**Book value as at 31 December**	**1,277**	**193**	**1,083**

Depreciation

With a basis in acquisition cost less any residual value, assets are depreciated on a straight-line basis over expected lifetime as follows:

Technical installations 10 yrs
Machinery 3 - 5 yrs
Fixtures 5 - 10 yrs
IT equipment 3 - 5 yrs
Means of transport 10 yrs
Buildings and other real property 25 - 33 yrs

Provision of security

The Bank has not provided security or accepted any other infringements on its right of disposal of its fixed tangible assets.

Acquisition cost of depreciated assets

The acquisition cost of fully depreciated assets still in use in the Bank in 2013 is NOK 102 million.

Gross value of non-current assets temporarily out of operation.

The Group has no significant non-current assets out of operation as at 31 December 2013.

Note 34 - Other assets

Parent Bank			Group	
2012	**2013**	(NOK million)	**2013**	**2012**
-	-	Deferred tax asset (see note 26)	18	13
1,009	1,568	Earned income not yet received	1,591	1,026
46	207	Accounts receivable, securities	207	46
21	82	Pensions	82	21
262	84	Other assets	270	416
1,337	**1,940**	**Other assets**	**2,167**	**1,521**

Note 35 - Deposits from and liabilities to customers

Parent Bank		(NOK million)	Group	
2012	**2013**	**Deposits from and liabilities to customers**	**2013**	**2012**
45,044	50,691	Deposits from and liabilities to customers without agreed maturity	50,234	44,109
8,143	5,840	Deposits from and liabilities to customers with agreed maturity	5,840	8,143
53,187	**56,531**	**Total deposits from and liabilities to customers**	**56,074**	**52,252**
2.2 %	**2.2 %**	**Average interest rate**	**2.2 %**	**2.3 %**

Fixed interest deposits account for 4,24 per cent of total deposits.

2012	2013	Deposits specified by sector and industry	2013	2012
22,279	23,865	Wage earners	23,865	22,279
4,354	4,723	Public administration	4,723	4,354
2,002	2,059	Agriculture, forestry, fisheries and hunting	2,059	2,002
138	406	Sea farming industries	406	138
891	1,239	Manufacturing	1,239	891
1,715	1,808	Construction, power and water supply	1,808	1,715
3,923	4,313	Retail trade, hotels and restaurants	4,313	3,923
1,166	2,150	Maritime sector	2,150	1,166
4,865	4,142	Property management	4,033	4,256
4,802	4,885	Business services	4,885	4,802
3,575	4,320	Transport and other services provision	3,999	3,360
3,477	2,620	Other sectors	2,594	3,366
53,187	**56,531**	**Total deposits from customers broken down by sector and industry**	**56,074**	**52,252**

2012	2013	Deposits specified by geographic area	2013	2012
22,299	23,206	Sør-Trøndelag	22,750	21,364
13,800	14,273	Nord-Trøndelag	14,273	13,800
7,995	9,707	Møre og Romsdal	9,707	7,995
211	435	Sogn og Fjordane	435	211
303	323	Nordland	323	303
4,441	5,065	Oslo	5,065	4,441
3,517	3,522	Other counties	3,522	3,517
621	1	Abroad	1	621
53,187	**56,531**	**Total deposits broken down by geographic area**	**56,074**	**52,252**

Note 36 - Debt securities in issue

Parent Bank			Group	
2012	**2013**	**(NOK million)**	**2013**	**2012**
706	2,750	Money market instrument and other short-term borrowings	2,750	706
29,553	31,012	Bond debt	31,012	29,553
30,259	**33,762**	**Total debt securities in issue**	**33,762**	**30,259**
1.9 %	1.6 %	Average interest, money market certificates	1.6 %	1.9 %
3.5 %	3.1 %	Average interest, bond debt	3.1 %	3.5 %

2012	2013	Securities debt specified by maturity[1)]	2013	2012
5,258	-	2013	-	5,258
7,971	9,662	2014	9,662	7,971
4,050	5,660	2015	5,660	4,050
4,952	5,009	2016	5,009	4,952
2,732	2,919	2017	2,919	2,732
2,000	7,862	2018	7,862	2,000
250	459	2019	459	250
1,309	1,322	2020	1,322	1,309
375	375	2022	375	375
1,000	200	2023	200	1,000
-1	-0	Currency agio	-0	-1
364	294	Premium and discount, market value of structured bonds	294	364
30,259	**33,762**	**Total securities debt**	**33,762**	**30,259**

1) Less own bonds. Total nominal own holding in 2013 comes to NOK 418 m (2012: NOK 566 m).

2012	2013	Securities debt distributed on significant currencies	2013	2012
23,317	22,311	NOK	22,311	23,317
5,458	9,439	EUR	9,439	5,458
-	456	USD	456	-
1,485	1,556	Other	1,556	1,485
30,259	**33,762**	**Total securities debt**	**33,762**	**30,259**

Parent Bank and Group

Change in securities debt	31.12.2013	Issued	Fallen due/ redeemed	Other changes	31.12.2012
Money market certificate debt, nominal value	2,750	2,785	741	-	706
Bond debt, nominal value	30,718	7,788	7,120	860	29,190
Adjustments	294	-	-	-70	364
Total	**33,762**	**10,573**	**7,861**	**790**	**30,259**

Change in securities debt	31.12.2012	Issued	Fallen due/ redeemed	Other changes	31.12.2011
Money market certificate debt, nominal value	706	839	352	0	219
Bond debt, nominal value	29,190	9,284	7,480	-294	27,681
Adjustments	364	-	-	115	248
Total	**30,259**	**10,122**	**7,832**	**-179**	**28,148**

Note 37 - Other debt and liabilities

Parent Bank			Group	
2012	2013	Other debt and recognised liabilities (NOK million)	2013	2012
9	7	Creditors	29	40
87	73	Drawing debt	73	87
73	339	Debt from securities	339	73
83	17	Deferred tax	23	93
248	438	Payable tax	476	290
8	8	Capital tax	8	8
74	48	Provisions	48	74
800	883	Accruals	1,091	1,124
233	179	Other	215	282
1,615	**1,992**	**Total other debt and recognised liabilities**	**2,303**	**2,070**
		Guarantee commitments (agreed guarantee amounts)		
1,082	1,105	Payment guarantees	1,105	1,082
926	993	Performance guarantees	993	926
2,946	2,147	Loan guarantees	2,147	2,946
100	123	Guarantees for taxes	123	100
158	391	Other guarantee commitments	391	158
5,213	**4,758**	**Total guarantee commitments**	**4,758**	**5,213**
		Other liabilities, not recognised		
8,688	9,158	Unutilised credits	9,158	8,688
1,539	1,146	Loan approvals (not discounted)	1,193	1,621
633	558	Unutilised guarantee commitments	595	664
155	146	Documentary credits	146	155
-	-	Other commitments	69	99
11,016	**11,007**	**Total other commitments**	**11,161**	**11,227**
17,843	**17,758**	**Total commitments**	**18,223**	**18,510**

Cash Deposit	Securities	Total	Securities pledged	Total	Securities	Cash Deposit
943	1,351	2,295	Securities pledged in 2013	2,295	1,351	943
-	-	-	Relevant liability 2013	-	-	-
1,526	3,120	4,646	Securities pledged in 2012	4,646	3,120	1,526
-	-	-	Relevant liability 2012	-	-	-

Ongoing lawsuits

The Group is involved in legal disputes not considered to be of substantial significance for the Group's financial position. Provision for loss has been made where appropriate.

Operational leases

The Group has an annual liability of about NOK 156 million related to operational leases.

SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

As regards the Bank’s liabilities related to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, see note 9 on transfer of financial assets.

Note 38 - Subordinated debt and hybrid equity issue

Parent Bank 2012	Parent Bank 2013	(NOK million)	Group 2013	Group 2012
		Dated		
97	-	2018 fixed rate 6.65 % (Call 2013) *	-	97
72	-	2018 3 month Nibor + 1.25 % (Call 2013)*	-	72
1,000	1,000	2022 3 month Nibor + 2.75 % (Call 2017)	1,000	1,000
470	522	2036 fixed rate 2.94 %, JPY (Call 2018) *	522	470
57	47	Premium/discount/market value	47	57
128	5	Currency agio debt	5	128
1,824	**1,574**	**Total dated**	**1,574**	**1,824**
		Perpetual non-call		
300	300	Perpetual non call 3 month Nibor + 0.85 % (Call 2016)	300	300
-2	-1	Discount perpetual subordinated debt	-1	-2
-	-	Perpetual non-call currency agio	-	-
298	**299**	**Total perpetual non-call**	**299**	**298**
		Hybrid equity		
522	-	Hybrid capital 30 years, fixed rate 6.5 %, USD 75 mill. (Call 2013) *	-	522
350	350	Hybrid capital10/99, fixed rate 8.25 % NOK (Call 2020) *	350	350
100	100	Hybrid captial 10/99, floating rate NOK (Call 2020)	100	100
-	500	Hybrid capital 13/99, floating rate NOK (Call 2018)	500	-
-	450	Hybrid capital 13/99, floating rate NOK (Call 2018)	450	-
56	31	Discount perpetual hybrid equity	31	56
-110	-	Hybrid equity currency agio	-	-110
918	**1,431**	**Total hybrid equity**	**1,431**	**918**
3,040	**3,304**	**Total subordinated loan capital and hybrid equity**	**3,304**	**3,040**
4.9 %	5.5 %	Average rate NOK	5.5 %	4.9 %
3.9 %	3.3 %	Average rate YEN	3.3 %	3.9 %
5.2 %	5.6 %	Average rate USD	5.6 %	5.2 %

* Fixed rate funding changed to floating rate by means of interest rate swaps

Parent Bank and Group

Changes in subordinated debt and hybrid equity issue	**31.12.2013**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31.12.2012**
Ordinary subordinated debt, NOK	1,000	-	-169	-	1,169
Ordinary subordinated debt, Currency	522	-	-	-62	584
Perpetual subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	1,400	950	-	-	450
Hybrid capital loan, Currency	-	-	-521	102	419
Adjustments	82	-	-	-36	118
Total subordinated debt and hybrid equity issue	**3,304**	**950**	**-690**	**4**	**3,040**

Changes in subordinated debt and hybrid equity issue	**31.12.2012**	**Issued**	**Fallen due/ redeemed**	**Other changes**	**31.12.2011**
Ordinary subordinated debt, NOK	1,169	1,000	481	-	650
Ordinary subordinated debt, Currency	584	-	-	-115	699
Perpetual subordinated debt, NOK	300	-	-	-	300
Hybrid capital loan, NOK	450	-	-	-	450
Hybrid capital loan, Currency	419	-	-	-33	452
Adjustments	118	-	-	-21	139
Total subordinated debt and hybrid equity issue	**3,040**	**1,000**	**481**	**-169**	**2,690**

Note 39 - Investments in owner interests

Subsidiaries, affiliates, joint ventures and companies held for sale.

Company	Company number	Registered office	Stake in per cent
Investment in significant subsidiaries			
SpareBank 1 Finans Midt-Norge AS	938521549	Trondheim	90.1
SpareBank 1 SMN Invest AS	990961867	Trondheim	100.0
EiendomsMegler 1 Midt-Norge AS	936159419	Trondheim	87.0
SpareBank 1 SMN Kvartalet AS	990283443	Trondheim	100.0
SpareBank 1 Regnskapshuset SMN AS	936285066	Trondheim	100.0
Allegro Finans ASA	980300609	Trondheim	90.1
SpareBank 1 Bygget Steinkjer AS	934352718	Trondheim	100.0
SpareBank 1 Bygget Trondheim AS	993471232	Trondheim	100.0
SpareBank 1 SMN Card Solutions AS	990222991	Trondheim	100.0
Brannstasjonen SMN AS	998042577	Trondheim	100.0
St. Olavs Plass 1 SMN AS	999263380	Trondheim	100.0
SpareBank 1 Bilplan AS	979945108	Trondheim	100.0
Shares owned by subsidiaries and sub-subsidiaries			
Leksvik Regnskapskontor AS	980491064	Leksvik	50.0
GWG Regnskap og Admin AS	989664301	Verdal	100.0
SpareBank 1 Regnskapshuset Østlandet AS	967661643	Hamar	40.0
GMA Invest AS	994469096	Trondheim	100.0
Moldekvartalet AS	986754 083	Molde	20.0
Sentrumsgården AS	975856828	Leksvik	35.3
Aqua Venture AS	891165102	Trondheim	37.6
Maritech Systems AS	997929217	Averøy	23.1
Omega-3 Invest AS	996814262	Molde	33.6
Tjeldbergodden Utvikling AS	979615361	Aure	23.0
Grilstad Marina AS	991340475	Trondheim	35.0
GMN 4 AS	994254626	Trondheim	35.0
GMN 51 AS	996534316	Trondheim	30.0
GMN 52 AS	996534413	Trondheim	30.0
GMN 53 AS	996534502	Trondheim	30.0
GMN 54 AS	996534588	Trondheim	30.0
GMN 6 AS	994254707	Trondheim	35.0
Grilstad Energi AS	998 480639	Trondheim	30.0
Hommelvik Sjøside AS	992469943	Malvik	40.0
Investment in jont ventures			
SpareBank 1 Gruppen AS	975966372	Tromsø	19.5
BN Bank ASA	914864445	Trondheim	33.0
SpareBank1 Boligkreditt AS	988738387	Stavanger	17.5
SpareBank 1 Næringskreditt AS	894111232	Stavanger	34.1
SpareBank 1 Kundesenter AS	998830214	Stavanger	18.7
SpareBank 1 Verdipapirservice AS	998240603	Oslo	27.9
SpareBank 1 Kredittkort AS	975966453	Trondheim	18.1
SpareBank 1 Markets AS	992999101	Oslo	23.8
Investment in associates			
Alliansesamarbeidet SpareBank 1 DA	986401598	Oslo	17.7
PAB Consulting AS	967171344	Ålesund	34.0
Molde Kunnskapspark AS	981036093	Molde	20.0
Bjerkeløkkja AS	998534976	Trondheim	40.7

Investment in companies held for sale			
Mavi VIII AS	989350188	Trondheim	100.0
Brattørgata 10-12 AS	995470144	Trondheim	100.0
Jernbanegata 19 SMN AS	912514005	Trondheim	100.0
Mavi XV AS	890899552	Trondheim	100.0
Ranheim Eiendomsutvikling AS	990873267	Trondheim	100.0
Norway Cod AS	979380127	Bindal	100.0
Norway Salmon AS	933555410	Bindal	100.0
Mavi XIII AS	990899592	Trondheim	100.0
Mavi XVI AS	994344927	Trondheim	100.0
Mavi XI AS	990899568	Trondheim	100.0
Mavi XXIV AS	999211062	Trondheim	100.0
Mavi XXV AS	999239242	Trondheim	100.0
Mavi XXVI AS	999239331	Trondheim	100.0
Mavi XXVII AS	999239390	Trondheim	100.0
Mavi XXVIII AS	999239455	Trondheim	100.0

Shares in subsidiaries, Parent Bank

Recorded at acquisition cost in the Parent Bank. Full consolidation in the Group accounts. Total costs include tax charge. The booked value of subsidiaries in the tables below is the Parent Bank's booked value. The respective companys result of the year is shown in the resultcolumn below.

2013 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
SpareBank 1 SMN Finans AS	271,920	27,192	10.0	3,264	2,889	116	79	36	323
Total investments in credit institutions									**323**
SpareBank 1 SMN Invest AS Group	457,280	457,280	1.0	796	74	60	11	48	720
EiendomsMegler 1 Midt-Norge AS	57,803	5,505	10.5	294	90	369	326	43	120
SpareBank 1 SMN Kvartalet AS	326,160	30200	10.8	743	33	52	70	-18	899
SpareBank 1 Regnskapshuset SMN AS Group	14,280	238	60	105	33	133	123	10	64
Allegro Finans ASA	6,000	6,000	1.0	47	11	41	34	7	11
SpareBank 1 Bygget Steinkjer AS	6,100	100	61.0	48	0	4	4	0	53
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	188	7	30	28	2	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	28	20	30	28	2	19
Brannstasjonen SMN AS	10,000	100,000	0.1	74	1	3	3	0	73
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	76	0	7	7	1	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	35	31	121	122	-1	9
Total investments in other subsidiaries									**2,119**
Total investments in Group companies, Parent Bank									**2,442**

2012 (NOK million)	Company's share capital (NOK 000's)	No. Of shares	Nominal value (NOK 000's)	Assets	Liabilities	Total income	Total expenses	Result	Book value 31.12
SpareBank 1 SMN Finans AS	271,920	27,192	10.0	3,133	2,732	127	64	63	323
Total investments in credit institutions									**323**
SpareBank 1 SMN Invest AS Group	307,280	307,280	1.0	562	156	-10	3	-13	358
EiendomsMegler 1 Midt-Norge AS	49,545	5,505	9.0	299	112	380	326	54	96
SpareBank 1 SMN Kvartalet AS	302,000	30,200	10.0	1,280	577	51	63	-12	874
SpareBank 1 SMN Regnskap AS Group	12,138	238	51.0	68	31	105	94	10	34
Allegro Finans ASA	6,000	6,000	1.0	35	6	19	22	-3	11
SpareBank 1 Bygget Steinkjer AS	6,000	100	60.0	49	45	3	3	-1	9
SpareBank 1 Bygget Trondheim AS	94,236	100,000	0.9	185	6	26	23	3	75
SpareBank 1 SMN Card Solutions AS	200	2,000	0.1	16	9	16	13	2	19
Oppistu AS	3,000	30,000	0.1	20	8	-	0	0	12
Brannstasjonen SMN AS	10,000	100,000	0.1	74	0	3	2	1	73
TKR Invest AS	2,031	2,030,621	0.0	213	0	3	2	1	212
St. Olavs Plass 1 SMN AS	10,000	100,000	0.1	75	0	-	0	0	75
SpareBank 1 Bilplan AS	5,769	41,206	0.1	40	35	167	168	-1	9
Total investments in other subsidiaries									**1,858**
Total investments in Group companies, Parent Bank									**2,181**

Shares in associates and joint ventures

Associates and joint ventures are recorded at acquisition cost in the Parent Bank. Group figures are presented by the equity method.

Parent Bank			Group	
2012	**2013**	**(NOK million)**	**2013**	**2012**
2,822	3,115	AS at 1 January	4,573	4,259
292	89	Acquisition/sale	19	224
-	-66	Reclassification	-105	-
-	-	Equity capital changes	12	-2
-	-	Profit share	355	246
-	-	Dividend paid	-229	-154
3,115	**3,138**	**Book value as at 31 December**	4,624	**4,573**

Specification of year's change, Group	Additions/ disposal	Equity change
SpareBank 1 Gruppen AS	8	7
BN Bank ASA	62	3
Bank 1 Oslo Akershus AS	-235	2
SpareBank 1 Boligkreditt AS	6	-0
SpareBank 1 Næringskreditt AS	140	-
SpareBank 1 Markets Oslo AS	28	-
SpareBank 1 Kredittkort AS	9	-
SpareBank 1 Verdipapirservice AS	7	-
SpareBank 1 Regnskapshuset Østlandet AS	3	-
Development companies owned by SpareBank 1 SMN Invest	-8	
Total	**19**	**12**

Income from investments in associates and joint ventures

Profit share from affiliates and joint ventures is specified in the table below. Badwill and amortisation effects related to acquisitions are included in the profit share.

Parent Bank			Group	
2012	2013	(NOK million)	2013	2012
		Profit share from:		
-	-	SpareBank 1 Gruppen Group	210	94
-	-	Bank 1 Oslo Akershus AS	2	26
-	-	SpareBank 1 Boligkreditt AS	40	44
-	-	BN Bank ASA	91	72
-	-	SpareBank 1 Markets AS	-1	0
-	-	SpareBank 1 Næringskreditt AS	8	8
-	-	SpareBank 1 Verdipapirservice AS	-3	-
-	-	SpareBank 1 Kredittkort AS	-4	0
-	-	Development companies owned by SpareBank 1 SMN Invest	14	-
-	-	Other companies	-1	2
		Dividends from:		
85	134	SpareBank 1 Gruppen AS	-134	-85
16	26	SpareBank 1 Boligkreditt AS	-26	-16
31	62	BN Bank ASA	-62	-31
14	-	Bank 1 Oslo Akershus AS	0	-14
9	7	SpareBank 1 Næringskreditt AS	-7	-9
-	0	Other companies	0	0
154	**229**	**Total income from associates and joint ventures**	**126**	**92**

Company information on the Group's stakes in affiliates and joint ventures.

The tables below contain company or Group accounting figures on a 100 per cent share basis, except for profit share which is stated as the SMN Group's share. Booked value is the consolidated value in the SMN Group.

2013 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen Group	50,702	44,899	12,733	11,633	210	1,113	19.5 %	36,728
SpareBank 1 Boligkreditt AS	206,166	197,884	332	116	40	1,451	17.5 %	9,284.830
BN Bank ASA	37,505	33,904	693	441	91	1,188	33.0 %	4,658,389
SpareBank 1 Markets AS	674	495	194	271	-1	26	23.8 %	14,333
SpareBank 1 Næringskreditt AS	15,767	14,031	54	25	8	590	34.1 %	4,645,000
SpareBank 1 Verdipapirservice AS	88	38	4	14	-3	14	27.9 %	332,568
SpareBank 1 Kredittkort AS	208	18	0	23	-4	34	18.1 %	125,877
Other companies						54		
Total						**4,470**		

Development companies owned by SpareBank 1 SMN Invest (not included in the foregoing table)
Activity picked up in 2013 at the development companies Grilstad Marina AS, GMN 1 AS, GMN 4 AS, GMN 51 AS, GMN 52 AS, GMN 53 AS , GMN 54 AS, GMN 6 AS and Hommelvik Sjøside AS. Start-up of the residential area at Hommelvik Sjøside AS went ahead in the second half of 2011 and the first construction stage was handed over in December 2012. The second construction stage was handed over in the third quarter of 2013. The third construction stage is expected to be handed over in summer 2014. The first part of the residential area at Grilstad Marina AS was started in the second half of 2011 and reached completion in summer 2013. The second part is expected to reach completion in autumn 2014. Construction of the commercial area at GMN 1 AS started in the first quarter of 2012 and reached completion in summer 2013. The Group sold its entire stake (35 per cent) in GMN 1 in December 2013.

The above development companies are booked in the Group accounts at NOK 154.7m (NOK 152.8m) as at 31 December 2013.

2012 (NOK million)	Assets	Liabilities	Total income	Total costs	Profit share	Book value 31.12	Ownership share	No. of shares
SpareBank 1 Gruppen Group	46,702	41,341	11,640	11,188	94	1,022	19.5 %	364,728
Bank 1 Oslo Akershus AS	29,201	27,436	984	878	26	342	15.2 %	694,484
SpareBank 1 Boligkreditt AS	186,653	178,862	376	128	44	1,356	18.4 %	8,748,411
BN Bank ASA	41,732	38,391	634	448	72	1,095	33.0 %	4,411,549
SpareBank 1 Næringskreditt AS	12,031	10,704	48	26	8	524	33.8 %	4,022,610
SpareBank 1 Kundesenter AS	1	0	2	2	0	0	18.7 %	1,866
SpareBank 1 Verdipapirservice AS	35	2	-	-	-	9	27.9 %	18,414
SpareBank 1 Kredittkort AS	163	10	0	3	0	30	19.6 %	98,252
Other companies	-	-	-	-	2	42	-	-
Total					**246**	**4,420**		

Companies held for sale

SpareBank 1 SMN's strategy is that ownership duse to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts. In the Group accounts one-line consolidation is undertaken.

The tables below contain company or Group accounting figures on a 100 per cent share basis.

2013 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
Mavi XV AS Group	100	40	33	9	24	100 %	60,000
Ranheim Eiendomsutvikling AS	8	1	0	0	0	100 %	100
Norway Cod AS (Skei Marinfisk AS)	50	20	-		0	100 %	2,000
Other minor companies	55	20	32	9	24	100 %	

2012 (NOK million)	Assets	Liabilities	Total income	Total costs	Company's result of the year	Ownership share	No. of shares
Polaris Media ASA (Per 3. kvartal 2012)	1,855	1,088	1,368	1,277	91	24 %	2,034,621
Mavi XV AS Group	188	72	14	-19	33	100 %	9,400
Ranheim Eiendomsutvikling AS	7	0	0	0	0	100 %	100
Skei Marinfisk AS	52	15	22	-19	40	100 %	2,000
Other minor companies	129	56	-8	-1	-7	100 %	

Note 40 - Business acquisitions/business combinations

General

Upon acquisition of businesses a purchase price analysis is prepared in accordance with IFRS 3 where identifiable assets and liabilities are recognised at fair value on the acquisition date.

Acquisition of accounting firms

In 2013 SpareBank 1 Regnskapshuset SMN AS has acquired one accounting firm situated in Verdal. GWG Regnskap og Admin was acquired on 1 April 2013. Purchase price analyses were prepared in accordance with IFRS 3 in which identifiable assets and liabilities were recognised at fair value on the acquisition date. The difference between the group's acquisition cost and book value of net assets is allocated to goodwill.

SpareBank 1 Regnskapshuset SMN AS has signed an agreement regarding the takeover of Merkantilservice AS and Økopartner AS with effect from 1 January 2014.

Other acquisitions

SpareBank 1 SMN took over 23.89 per cent of the shares of SpareBank 1 Markets in the third quarter. The bank previously indirectly owned 19.23 per cent of SpareBank 1 Markets through its ownership in SpareBank 1 Gruppen. A final acquisition analysis has been conducted in accordance with IFRS 3 in which the acquisition price, NOK 35.3 million, is allocated to fair value of assets and liabilities. The previous owner interest is carried forward to continuity. The difference between identifiable net assets and acquisition cost of the increased asset, NOK 1.5 million, is taken to income in the third quarter in accordance with IAS 28.

Note 41 - Significant transactions with related companies

In this context ‘related parties’ means subsidiaries, affiliated companies, joint ventures and companies held for sale over which the Bank exercises substantial influence, as well as SpareBank 1 SMN Pensjonskasse (pension fund) and companies owned by the Bank’s personal related parties. The Bank’s outstanding accounts with employees and members of the Board of Directors are shown in note 8 Loans and advances to customers and note 23 Personnel expenses and emoluments to senior employees and elected officers. The opening balance may differ from the previous year's closing balance as the opening balance includes companies that during the fiscal year have been classified as related partied of the Bank.

	Subsidiaries		Other related companies	
Loans (NOK million)	**2013**	**2012**	**2013**	**2012**
Outstanding loans as at 1.1.	3,316	3,017	2,603	822
Loans issued in the period	11	355	558	2,363
Repayments	589	50	1,276	78
Outstanding loans as at 31.12.	**2,738**	**3,322**	**1,885**	**3,107**
Interest rate income	89	102	79	88
Actual losses	-	-	-	25
Bonds and subordinated loans as at 31.12	89	89	2,708	4,551
Deposits (NOK million)				
Deposits as at 1.1.	2,161	853	2,885	1,985
Contribution received during the period	21,740	20,855	5,017	7,002
Withdrawals	22,066	19,464	6,968	5,976
Deposits as at 31.12.	**1,836**	**2,244**	**934**	**3,011**
Interest rate expenses	50	28	20	13
Securities trading	-	-	554	2,014
Commission income SpareBank 1 Boligkreditt	-	-	414	201
Commission income SpareBank 1 Næringskreditt	-	-	8	4
Issued guarantees and amount guaranteed	-	1	59	81
Committed credit	-	-	108	-

Loans and deposits

All loans and deposits for related parties are booked in the Parent Bank.

Securities trading

SpareBank 1 SMN's Markets and Finance divisions carry out a large number of transactions with the Bank's related companies. Transactions are executed on a ongoing basis in the fixed income and forex area, payments transmission, bond trading etc. These transactions are part of ordinary bank operations and all agreements are contracted on market terms. Numbers above includes net investmens in derivatives, bond transactions and deposits.

Other transactions

SpareBank 1 SMN has signed supply agreements with several related companies in order to safeguard ordinary banking operations and further development of the SpareBank 1 Alliance. This includes development of data-technical solutions for alliance collaboration, commission from insurance and savings and investment products, administrative services, leasing of premises etc. The agreements are considered to be on market terms. In addition the Bank participates in increases of capital in related companies; see note 39 on Investment in owner interests.

SpareBank 1 SMN took over 23.89 per cent of the shares of SpareBank 1 Markets in 2013. The bank previously indirectly owned 19.23 per cent of SpareBank 1 Markets through its ownership in SpareBank 1 Gruppen. For detailed information see note 40 Business acquisitions/business combinations.

Two stock exchange listed companies were sold in 2013 by the Bank to the subsidiary SpareBank 1 SMN Invest in a total amount of NOK 112m.

Note 42 - ECC capital and ownership structure

The Bank's ECC capital totals NOK 2,596,729 distributed on 129 836 443 equity capital certificates (ECCs), each with a face value of NOK 20. As at 31 December 2013 there was 8 741 ECC holders (9 443 as at 31 December 2012). ECC capital has been raised by the following means:

Year	Change	Change in ECC capital (NOK million)	Total ECC capital	No. of ECCs
1991	Placing	525	525	5,250,000
1992	Placing	75	600	6,000,000
2000	Employee placing	5	605	6,053,099
2001	Employee placing	5	610	6,099,432
2002	Employee placing	5	614	6,148,060
2004	Bonus Issue	154	768	7,685,075
2005	Placing	217	986	9,859,317
2005	Employee placing	24	1,009	10,097,817
2005	Split	-	1,009	40,391,268
2005	Rights issue	253	1,262	50,489,085
2007	Dividend issue	82	1,344	53,752,203
2007	Employee placing	5	1,349	53,976,003
2008	Dividend issue	91	1,440	57,603,748
2008	Employee placing	6	1,447	57,861,806
2009	Bonus issue	289	1,736	69,434,167
2010	Employee placing	13	1,749	69,941,979
2010	Rights issue	624	2,373	94,905,286
2011	Rights issue	1	2,373	94,930,286
2012	Reduction in nominal value	-475	1,898	94,930,286
2012	Rights issue	570	2,468	123,407,456
2012	Employee placing	16	2,484	124,218,466
2012	Placing	112	2,596	129,836,443

Parent Bank (NOK million)	**2013**	**2012**
ECC capital	2,597	2,597
Dividend equalisation reserve	2,496	1,889
Premium reserve	895	895
Unrealised gains reserve	126	69
A. The equity capital certificate owners' capital	**6,114**	**5,449**
Ownerless capital	3,276	2,944
Unrealised gains reserve	69	38
B. The saving bank reserve	**3,345**	**2,982**
Other equity	124	30
Dividend declared	227	195
Equity ex. profit	**9,811**	**8,656**
Equity capital certificate ratio A/(A+B)	**64.64 %**	**64.64 %**
Average of ratio	64.64 %	63.33 %

20 largest ECC holders	No. of ECCs	Holding
Odin Norge	4,168,311	3.21 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Pareto Aksje Norge	3,382,000	2.60 %
Verdipapirfondet DNB Norge (IV)	2,936,033	2.26 %
Frank Mohn AS	2,876,968	2.22 %
Odin Norden	2,854,979	2.20 %
Vind LV AS	2,736,435	2.11 %
MP Pensjon PK	2,058,415	1.59 %
Danske Invest Norske Aksjer Inst. II	1,857,667	1.43 %
Stenshagen Invest	1,693,384	1.30 %
State Street Bank and Trust CO (nominee)	1,666,916	1.28 %
Verdipapirfondet Fondsfinans Spar	1,645,090	1.27 %
Pareto Aktiv	1,424,600	1.10 %
Forsvarets Personellservice	1,406,446	1.08 %
Odin Europa SMB	1,326,937	1.02 %
The Bank of New York Mellon (nominee)	1,326,445	1.02 %
VPF Nordea Norge Verdi	1,265,234	0.97 %
DNB Livsforsikring ASA	1,260,767	0.97 %
Citibank N.A New York Branch (nominee)	1,212,494	0.93 %
Danske Invest Norske Aksjer Instit. I	1,148,845	0.88 %
The 20 largest ECC holders in total	**42,213,357**	**32.51 %**
Others	87,623,086	67.49 %
Total issued ECCs	**129,836,443**	**100.00 %**

Note 43 - Dividends/groups contributions from subsidiaries

Dividends/group contributions(NOKm)	**2013**	**2012**
Dividends received from:		
SpareBank 1 Finans Midt-Norge AS	57	-
EiendomsMegler 1 Midt-Norge AS	47	47
SpareBank 1 Regnskapshuset SMN AS	5	-
SpareBank 1 SMN Invest AS	-	58
Brannstasjonen SMN AS	0	-
SpareBank 1 SMN Card Solutions AS	2	-
Group contributions received from:		
SpareBank 1 Midt-Norge Finans AS	-	20
Total dividends/group contributions	**111**	**126**

Distributions (NOKm)	**2013**	**2012**
Profit for the year for distribution, Parent Bank	1,259	990
Allocated to dividends	227	195
Allocated to gifts	124	30
Transferred to equalisation fund	587	432
Transferred to ownerless capital	321	333
Total distributed	**1,259**	**990**

Note 44 - Subsequent events

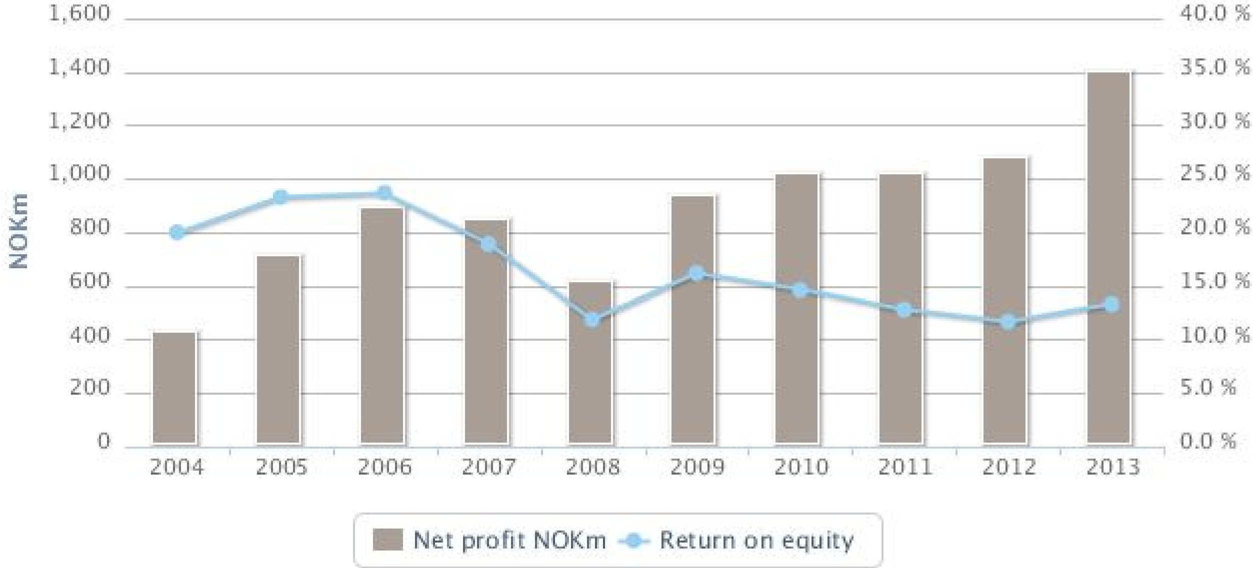
No significant events affecting the bank's accounts have been recorded after the balance sheet date.

Financial summary (Group)

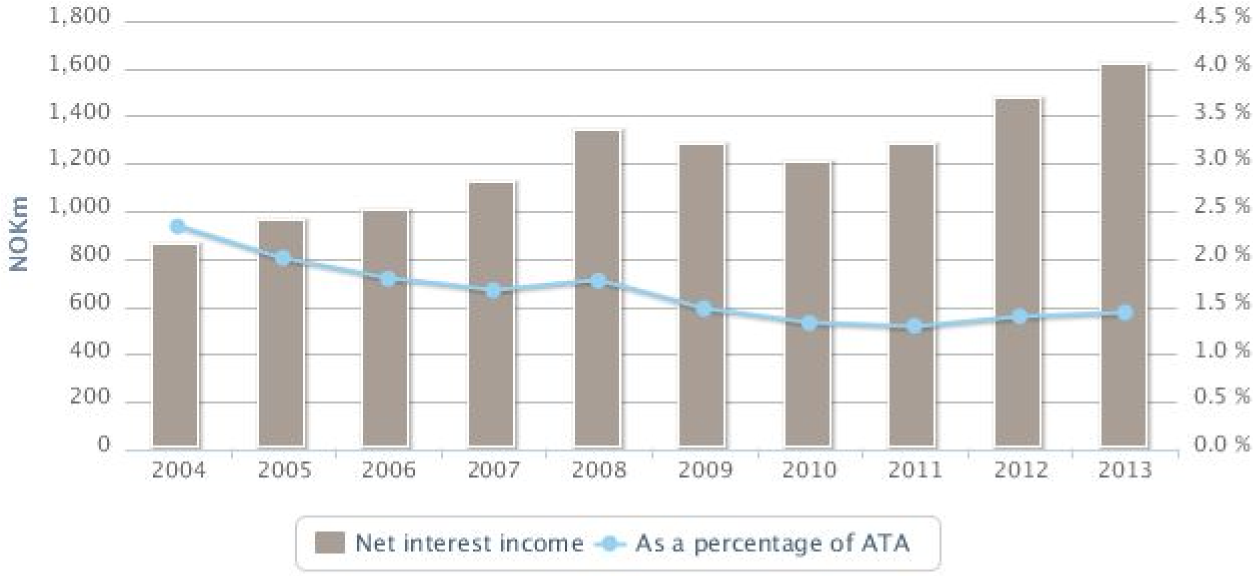
Income statement NOKm	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Interest income	4,118	3,928	3,891	3,422	3,462	4,827	3,484	2,392	1,929	1,609
Interest expenses	2,502	2,451	2,499	2,105	2,137	3,477	2,345	1,369	955	732
Net interest and credit comission income	**1,616**	**1,477**	**1,392**	**1,317**	**1,325**	**1,350**	**1,139**	**1,024**	**974**	**877**
Commision and fee income	1,463	1,139	919	855	756	610	671	580	537	443
Income from investment in related companies	355	244	248	276	349	393	233	190	119	23
Return on financial investements	147	207	186	133	247	-186	99	229	157	42
Total income	**3,580**	**3,067**	**2,746**	**2,582**	**2,677**	**2,167**	**2,142**	**2,022**	**1,787**	**1,385**
Salaries, fees and other personnel costs	914	924	810	583	725	623	583	512	485	379
Other operating expenses	807	730	672	557	528	571	519	478	421	350
Total costs	**1,722**	**1,654**	**1,482**	**1,140**	**1,253**	**1,194**	**1,103**	**990**	**906**	**729**
Operating profit before losses	**1,859**	**1,413**	**1,264**	**1,441**	**1,424**	**975**	**1,039**	**1,032**	**881**	**655**
Losses on loans and guarantees	101	58	27	132	277	202	-6	-84	-38	81
Operating profit	**1,758**	**1,355**	**1,236**	**1,309**	**1,147**	**773**	**1,045**	**1,116**	**919**	**574**
Taxes	388	295	255	260	210	156	200	219	199	144
Held for sale	30	16	43	-27	-	-	-	-	-	-
Profit of the year	**1,400**	**1,077**	**1,024**	**1,022**	**937**	**617**	**846**	**898**	**720**	**430**
Dividend	**277**	**195**	**190**	**285**	**201**	**116**	**324**	**303**	**278**	**152**
As a percentage of average total assets										
Net interest and credit comission income	1.44 %	1.40 %	1.30 %	1.33 %	1.48 %	1.77 %	1.67 %	1.79 %	2.01 %	2.34 %
Commision and fee income	1.31 %	1.08 %	0.86 %	0.86 %	0.84 %	0.80 %	0.99 %	1.01 %	1.11 %	1.18 %
Income from investment in related companies	0.32 %	0.23 %	0.23 %	0.28 %	0.39 %	0.52 %	0.34 %	0.33 %	0.25 %	0.06 %
Return on financial investements	0.13 %	0.20 %	0.17 %	0.13 %	0.28 %	-0.24 %	0.15 %	0.40 %	0.32 %	0.11 %
Total costs	1.54 %	1.57 %	1.39 %	1.15 %	1.40 %	1.57 %	1.62 %	1.73 %	1.87 %	1.94 %
Operating profit before losses	1.66 %	1.34 %	1.18 %	1.45 %	1.59 %	1.28 %	1.53 %	1.80 %	1.82 %	1.75 %
Losses on loans and guarantees	0.09 %	0.06 %	0.03 %	0.13 %	0.31 %	0.27 %	-0.01 %	-0.15 %	-0.08 %	0.22 %
Operating profit	1.57 %	1.28 %	1.16 %	1.32 %	1.28 %	1.02 %	1.54 %	1.95 %	1.90 %	1.53 %
Taxes	0.35 %	0.28 %	0.24 %	0.26 %	0.23 %	0.21 %	0.29 %	0.38 %	0.41 %	0.38 %
Held for sale	0.03 %	0.02 %	0.04 %	-0.03 %	-	-	-	-	-	-
Profit of the year	1.25 %	1.02 %	0.96 %	1.03 %	1.04 %	0.81 %	1.24 %	1.57 %	1.49 %	1.15 %
Balance sheet NOKm										
Cash and loans to and claims on credit institutions	5,981	4,091	4,075	2,532	1,260	4,548	3,878	2,323	2,123	1,541
CDs, bonds and other interest-bearing securities	25,591	26,100	21,485	22,949	19,302	12,035	7,246	5,602	4,133	2,566

Loans before loss provisions	80,303	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226
- Specified loan loss provisions	173	144	172	222	219	215	116	147	236	290
- Unspecified loan loss provisions	295	295	290	290	289	245	185	184	278	314
Other assets	3,952	3,224	3,251	3,177	2,704	4,540	1,502	2,765	3,304	775
Total assets	**115,360**	**107,919**	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**	**38,505**
Debt to credit institutions	5,159	5,137	6,232	8,743	11,310	9,000	5,346	2,766	1,029	48
Deposits from and debt to customers	56,074	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725
Debt created by issuance of securities	37,277	35,322	34,192	33,943	24,070	29,680	23,950	21,911	18,036	13,048
Other debt and accrued expences etc.	2,303	2,126	2,122	1,917	1,876	2,045	2,265	1,799	2,876	822
Subordinated debt	3,304	3,040	2,690	2,758	3,875	3,156	2,648	2,383	1,667	1,347
Total equity	11,242	10,042	8,348	7,846	6,183	5,518	4,860	4,183	3,671	2,515
Total liabilities and equity	**115,360**	**107,919**	**101,455**	**97,992**	**84,541**	**84,679**	**71,503**	**63,178**	**54,327**	**38,505**
Key figures										
Total assets	115,360	107,919	101,455	97,992	84,541	84,679	71,503	63,178	54,327	38,505
Average total assets	111,843	105,500	98,465	91,317	86,679	75,820	67,202	56,434	47,753	36,965
Gross loans to customers	80,303	74,943	73,105	69,847	61,782	64,016	59,178	52,819	45,280	34,226
Gross loans to customers incl. SpareBank 1 Boligkreditt	112,038	104,909	95,232	87,665	77,429	71,317	61,910	52,819	45,280	34,226
Gross loans in retail market	68,515	62,587	55,034	49,619	45,157	42,679	38,872	33,808	29,032	21,491
Gross loans in corporate market	43,523	42,322	40,198	38,046	32,272	28,638	23,038	19,011	16,248	12,735
Deposits from and debt to customers	56,074	52,252	47,871	42,786	37,227	35,280	32,434	30,136	27,048	20,725
Deposits from retail market	23,865	22,279	20,860	19,052	17,898	17,566	16,070	15,408	14,080	11,256
Deposits from corporate market	32,209	29,973	27,011	23,734	19,330	17,715	16,363	13,967	12,968	9,469
Ordinary lending financed by ordinary deposits	70 %	70 %	65 %	61 %	60 %	55 %	55 %	57 %	60 %	61 %
Core capital	10,989	9,357	7,856	7,286	6,730	4,967	3,703	3,498	3,073	2,773
Primary capital	12,417	10,943	9,055	8,646	8,730	7,312	5,560	4,809	3,808	3,239
Risk weighted volume	84,591	82,446	75,337	66,688	64,400	61,538	47,775	40,473	34,873	25,562
Minimum requirements subordinated capital	6,676	6,596	6,027	5,335	5,152	4,923	3,822	3,238	2,790	2,045
Capital ratio	14.68 %	13.27 %	12.02 %	12.97 %	13.56 %	11.88 %	12.06 %	11.88 %	10.92 %	12.67 %
CET 1 ratio	11.08 %	10.01 %	8.87 %	9.27 %	7.67 %	7.13 %	7.41 %	7.52 %	7.48 %	8.79 %
Core captial ratio	12.99 %	11.35 %	10.43 %	10.93 %	10.45 %	8.07 %	8.41 %	8.64 %	8.81 %	10.85 %
Cost/income ratio	48 %	54 %	53 %	44 %	47 %	55 %	51 %	49 %	51 %	53 %
Losses on loans	0.09 %	0.06 %	0.03 %	0.16 %	0.3 %	0.2 %	0.0 %	-0.2 %	-0.1 %	0.2 %
ROE	13.3 %	11.7 %	12.8 %	14.6 %	16.2 %	11.9 %	18.9 %	23.7 %	23.3 %	20.0 %
EC price (NOK)	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46	38.27
Growth in lending (gross)	6.08 %	10.2 %	8.6 %	13.2 %	8.6 %	15.2 %	17.2 %	16.6 %	32.3 %	5.1 %
Growth in deposits	7.3 %	9.2 %	11.9 %	14.9 %	5.5 %	8.8 %	7.6 %	11.4 %	30.5 %	4.3 %

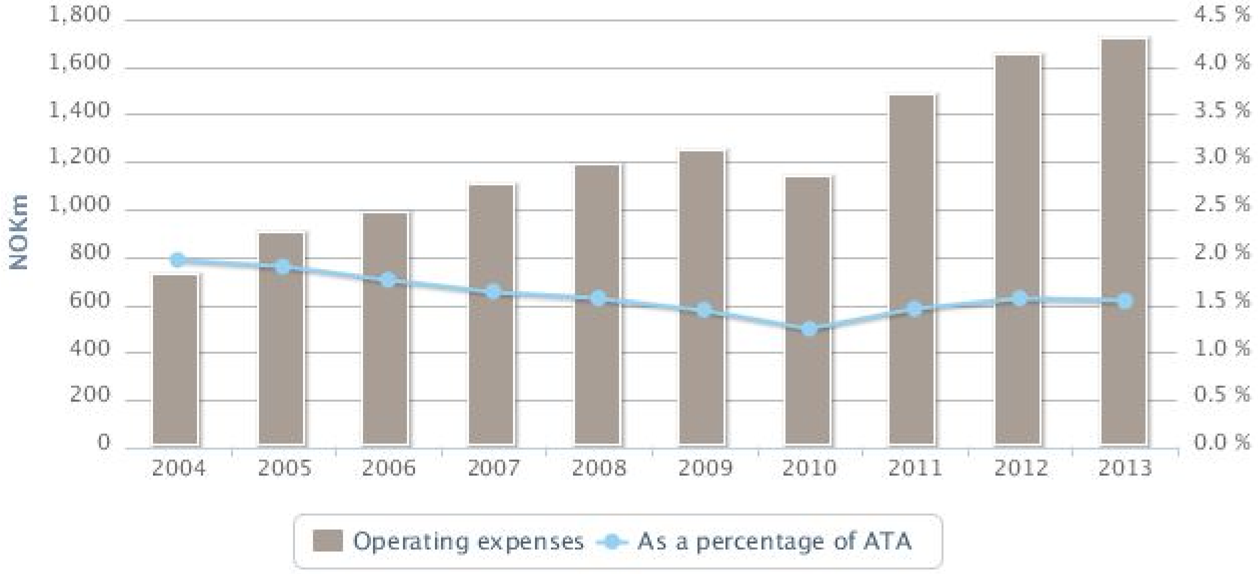
Net profit and return on equity



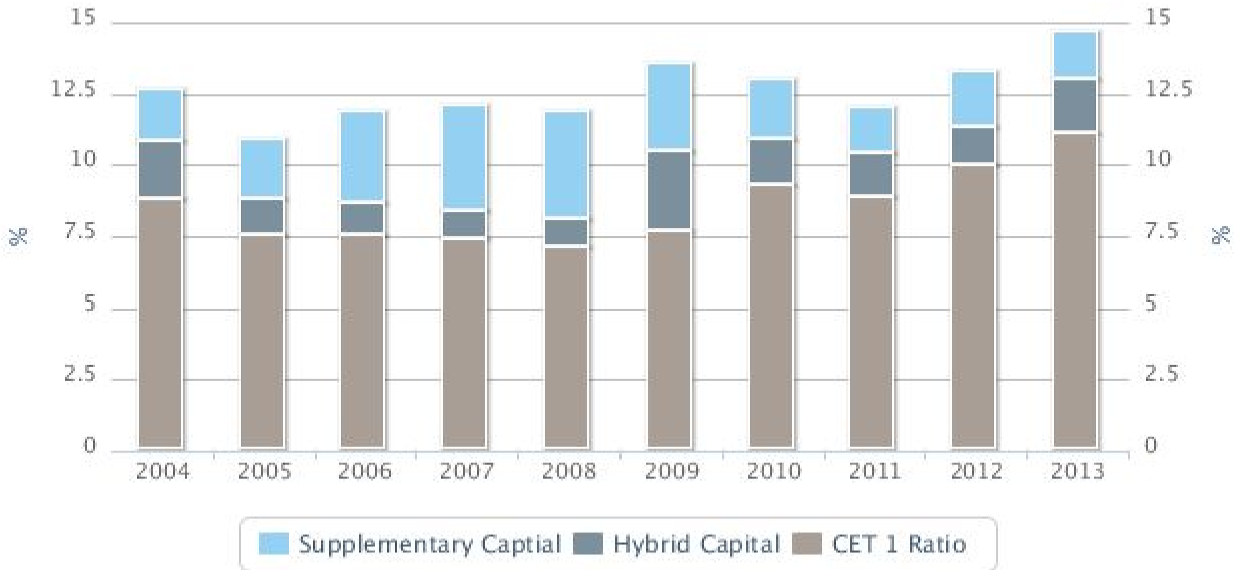
Net interest income



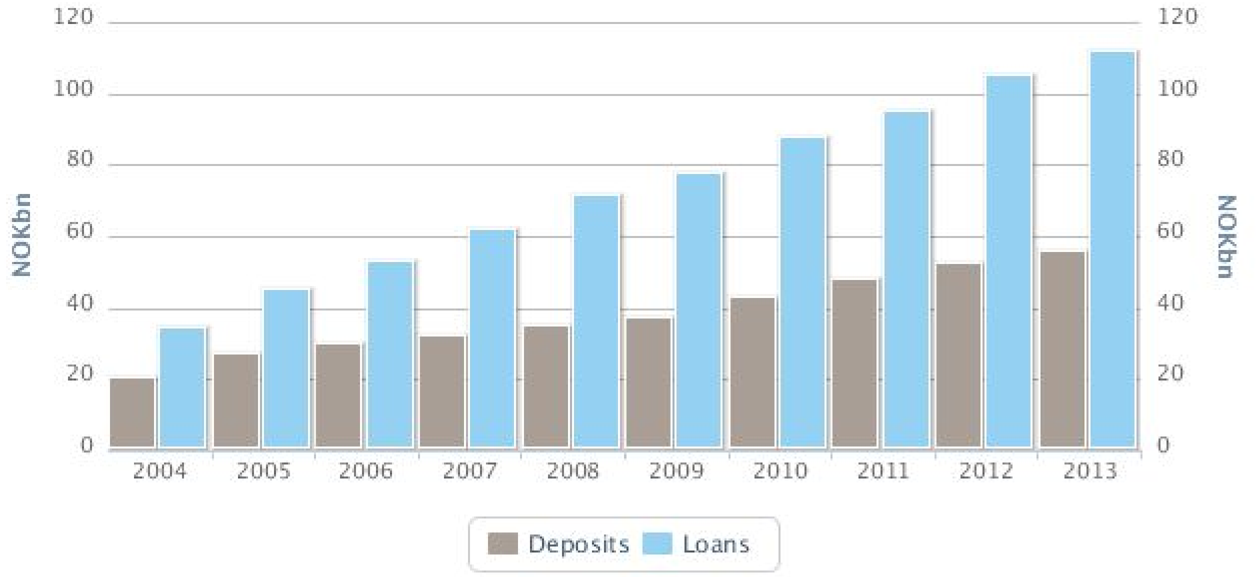
Operating expenses



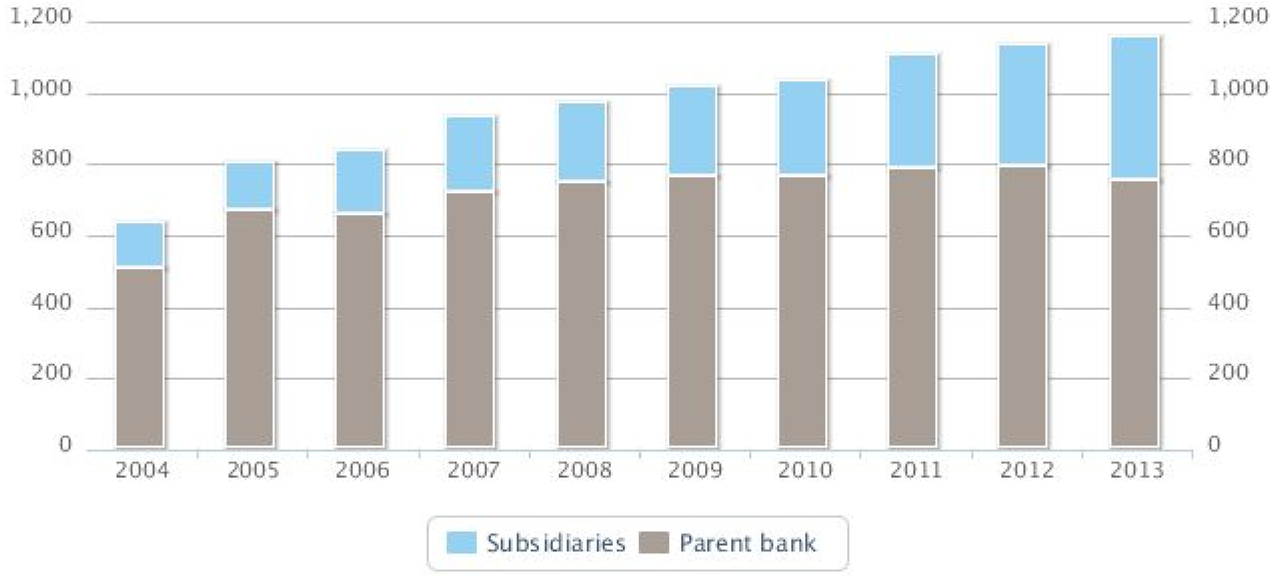
Capital ratio



Loans and deposits



FTEs



Equity capital certificates

At end-2013 SpareBank 1 SMN's EC capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 20 each. At the turn of 2013 the Bank had a treasury holding of ECs totalling NOK 0.125m distributed on 6,255 ECs.

Dividend policy

A new act and regulations on equity certificates, which came into force on 1 July 2009, bring savings banks' ECs more into line with shares. They entail greater equality of treatment of savings banks' various owner groupings and minimises previous concerns related to dilution of EC holders upon payment of cash dividends.

In view of the new legislation, the following dividend policy was established in December 2009:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC holders with a good, stable and competitive return in the form of dividend and a rising value of the Bank's equity certificate.
- the net profit for the year will be distributed between the owner capital (the EC holders) and the ownerless capital in accordance with their respective shares of the Bank's total equity capital.
- SpareBank 1 SMN's intention is that up to one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the ownerless capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and any need for tier 1 capital.

Distribution of profit

Distribution of the profit for the year is done on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends received from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the Group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Annual profit for distribution reflects changes of -NOK 89m in the unrealised gains reserve, leaving the total amount for distribution at NOK 1,259m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

In keeping with the Bank's capital plan, the Board of Directors has decided to recommend a relatively low level of dividend payout and gift allocation.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 1.75 per EC, altogether totalling NOK 227m. This gives a payout ratio of 25 per cent of the Group's profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 124m as gifts, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 35m will be allocated to non-profit causes and NOK 89m donated to the foundation Sparebankstiftelsen SMN. NOK 587m and NOK 321m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the Bank's capital plan and reflects the need to increase the Bank's core capital through a reduction in the payout ratio.

After distribution of the profit for 2013 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

Distribution of profit, NOKm	2013	2012
Profit of the year, Parent Bank	1,348	1,025
Transferred from revaluation reserve	-89	-36
Profit for distribution	**1,259**	**990**
Dividends	227	195
Equalisation fund	587	432
Ownerless capital	321	333
Gifts	124	30
Total distributed	**1,259**	**990**

Investor policy

The Bank attaches considerable importance to correct, relevant and timely information on the Bank's progress and performance as a means of instilling investor market confidence. Information is communicated to the market via quarterly investor presentations and press releases. Presentations for international partners, lenders and investors are also arranged on a regular basis.

Updated information for investors, the press and brokers is available at all times at smn.no/ir.

Financial calendar for 2014

- 1st quarter: 7 May 2014
- 2nd quarter: 13 August 2014
- 3rd quarter: 30 October 2014

Ownership

SpareBank 1 SMN aims for good EC liquidity and to achieve a good spread across EC holders representing customers, regional investors and Norwegian and foreign institutions.

The number of EC holders was reduced by 702 to 8,741 in the course of 2013. The Bank's 20 largest EC holders controlled 32.5 per cent of the Bank's ECs at end-2013, and 73.96 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2013.

ECs owned by investors in South and North Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 20 per cent (30) of the total, other Norwegian investors account for 60 per cent (56) and foreign owners for 20 per cent (13). Foreign owners make up 2.55 per cent of the total number of owners as of 31 December 2013.

Tax credit

In order to prevent double taxation of the Bank and its EC holders, rules on tax credits have been introduced (section 10–12 of the Tax Act, replacing previous 'RISK' rules). The tax credit, computed for each share/EC, equals the share's/EC's tax-credit base multiplied by a tax-free interest rate. The tax-credit base equals the share's/EC's opening value. The tax-free interest rate is determined by the Ministry of Finance in regulations. The tax credit is assigned to the holder of the share/EC on 31 December of the income year.

Market trend for the Bank's EC in 2013

At end-2013 the market price of SpareBank 1 SMN's EC (MING) was NOK 55.00. At end-2012 the price was NOK 34.80. With a cash dividend of NOK 1.75 for 2013, the direct return on the EC is 3.2 per cent.

Key figures and ratios	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Quoted price	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46	38.27
No. of ECs issued, million	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70	71.70	54.57
Market value (NOKm)	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113
EC capital (NOKm)	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262	1,262	769
Equalisation fund (NOKm)	2,496	1,889	1,457	1,159	877	768	675	624	581	400
EC premium reserve (NOKm)	895	895	183	182	0	236	138	0	0	10
Dividend per EC	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34	1.85
Direct return 1)	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %	4.8 %
Dividend yield 2)	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %	50.2 %
Book value per EC 3)	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26	24.99
Profit per EC 4)	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35	2.77
Price-Earnings Ratio	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38	10.52	14.28
Price-Book Value Ratio	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76	1.86	1.58
Payout ratio 5)	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %	65 %	69 %
EC fraction 6)	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %

1) Dividend as per cent of quoted price at year-end.

2) Price rise over the year plus paid dividend as per cent of quoted price at start of year.

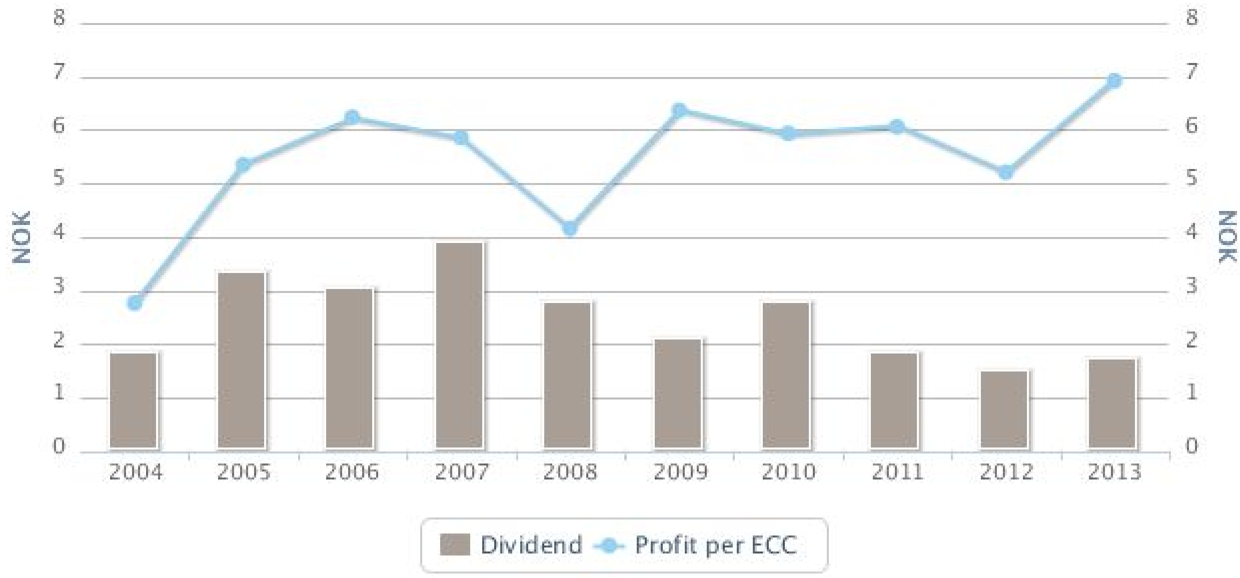
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

4) ECs' portion of the consolidated result (less own ECs).

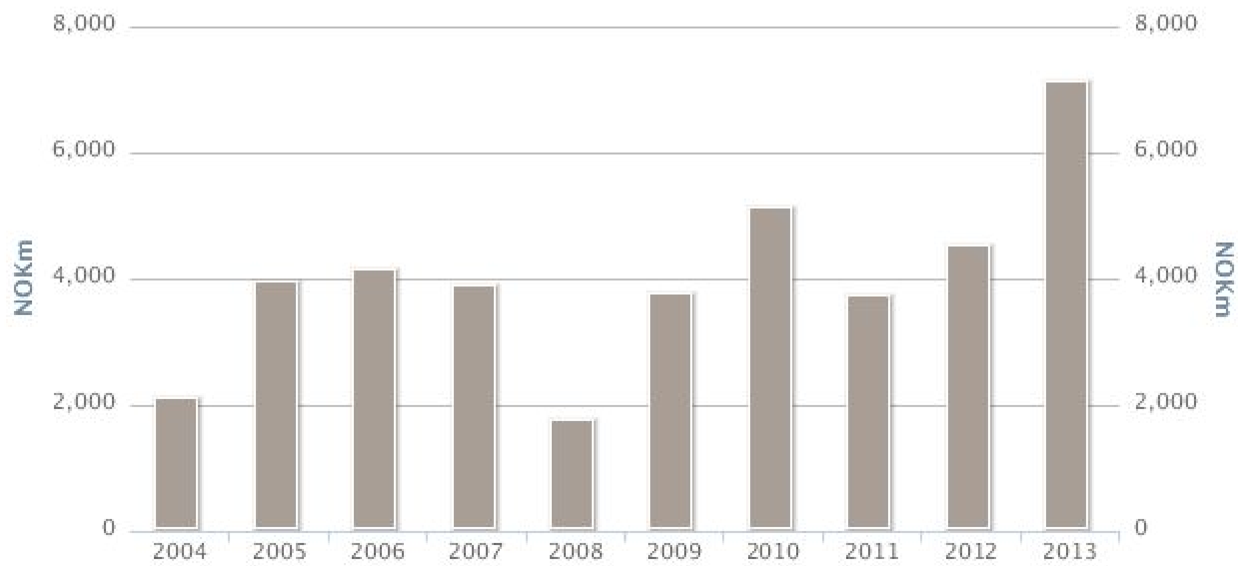
5) Dividend per EC as per cent of profit per EC.

6) Book equity of EC holders (after deduction of own ECs) as per cent of parent bank's equity at year-end (after deduction of own ECs and other equity). The rate applies as from 1 January the following year.

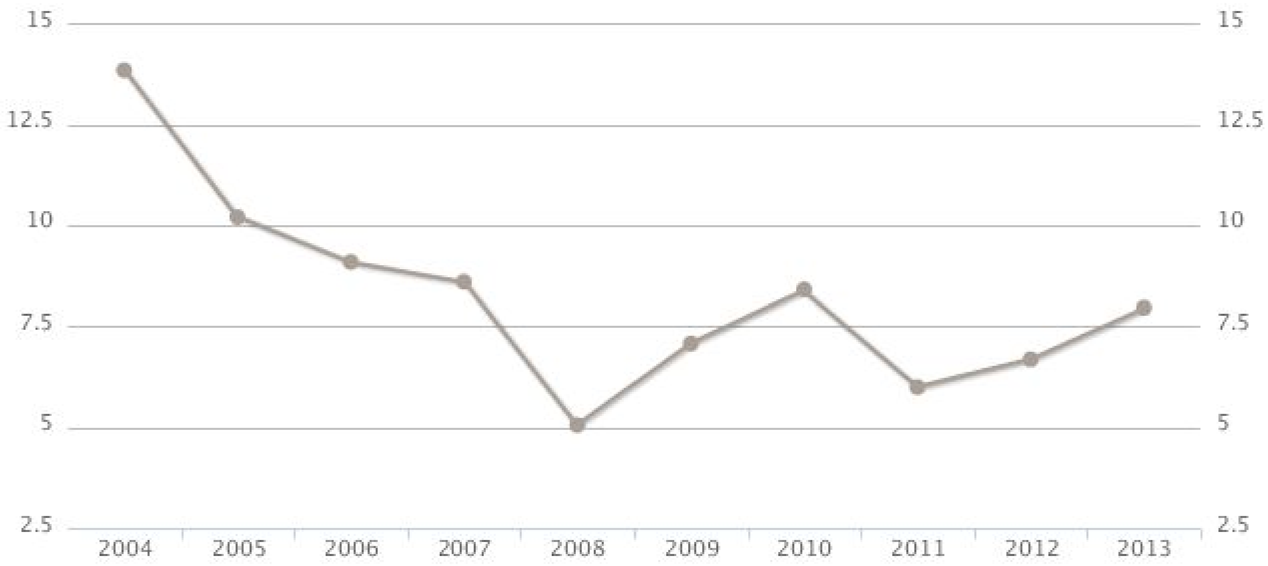
Dividend and profit per ECC (NOK)



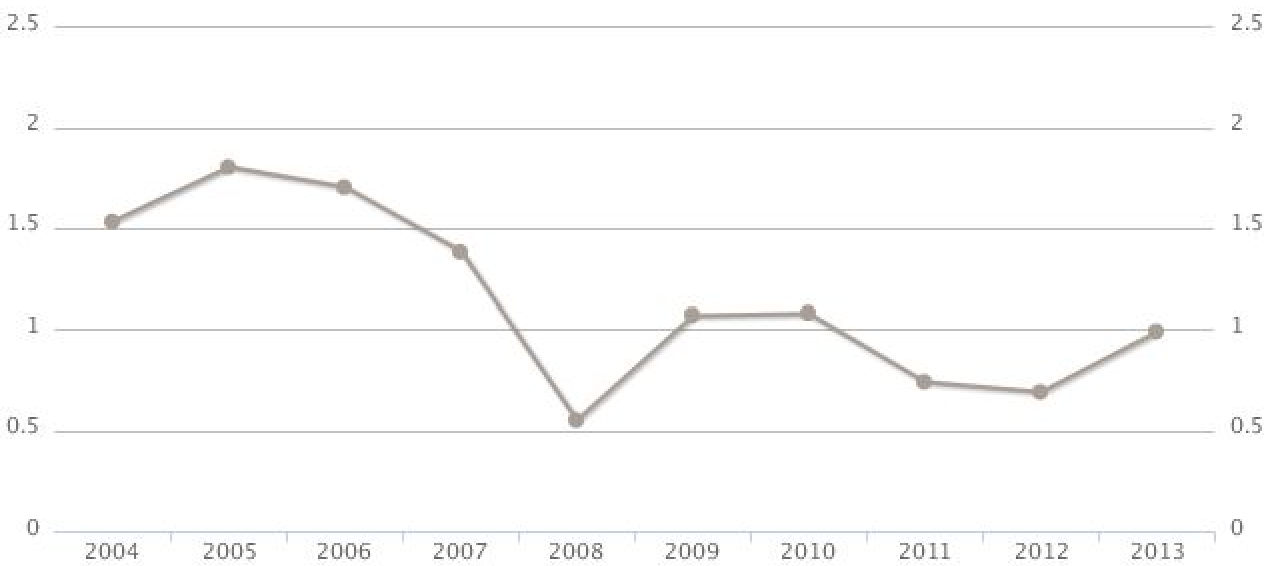
Market value



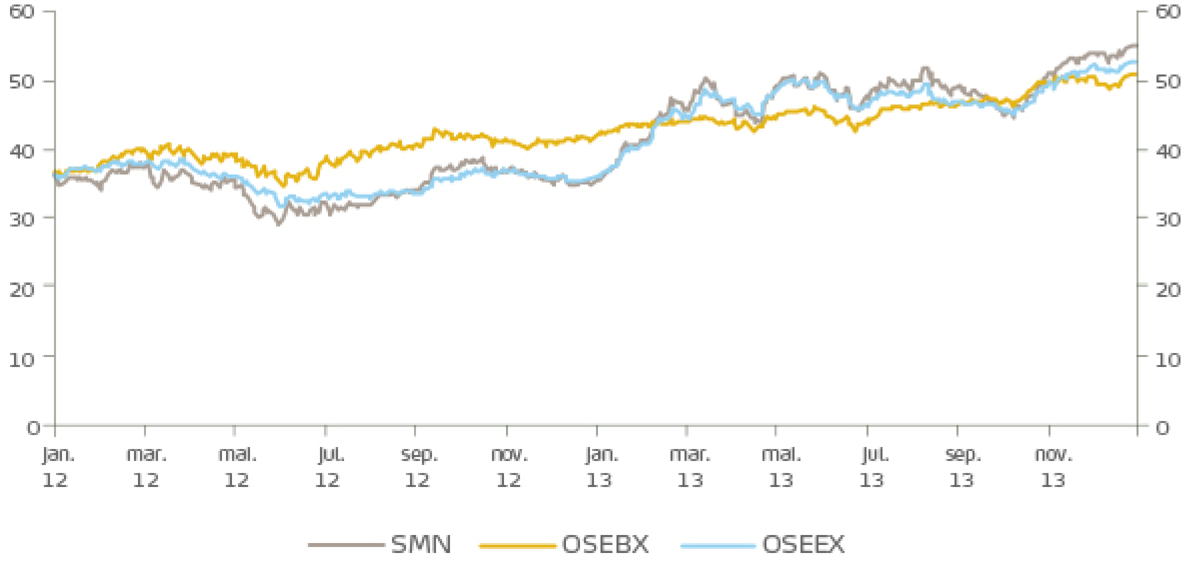
Price/ earnings



Price/book



Stock price compared with OSEBX and OSEEX



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Statement in compliance with the securities trading act, section 5-5

Statement by the Board of Directors and the Group CEO

We herby declare that to the best of our knowledge

- the financial statements for 2013 for the Parent Bank and the Group have been prepared in conformity with IFRS as determined by the EU, with such additional information as required by the Accounting Act.
- the accounting information gives a true and fair view of the assets, liabilities, financial position and profit/loss of the Parent Bank and the Group taken as a whole, and that
- the Directors' report gives a fair review of developments, profit/loss and position of the Parent Bank and the Group, together with a description of the principal risks and uncertainties facing the Group.

Trondheim, 3 March 2014
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal Board chair	Bård Benum Deputy chair	Paul E. Hjelm-Hansen	Arnhild Holstad
Aud Skrudland	Bente Karin Trana Alternate	Morten Loktu	Venche Johnsen Employee representative
			Finn Haugan Group CEO

Auditor's report

Deloitte.

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NO-7485 Trondheim
Norway

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Tlf.: +47 73 87 69 00
www.deloitte.no

To the Supervisory Board of SpareBank 1 SMN

Translation from the original Norwegian version

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of SpareBank 1 SMN, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the statement of financial position as at 31.12.2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of SpareBank 1 SMN and of the group as at 31.12.2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 3 March 2014
Deloitte AS

Mette Estenstad (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]

Control committee's report

To

the Supervisory Board

of SpareBank 1 SMN

Statement of the Control Committee for 2013

The Control Committee has discharged its duties in accordance with the (Norwegian) Savings Banks Act and the instructions for the committee.

The Bank's activities in 2013 were in conformity with the (Norwegian) Savings Banks Act, and other provisions with which the Bank is obliged to comply. The annual reports and accounts have been submitted in accordance with the provisions of the (Norwegian) Savings Banks Act and the Financial Supervisory Authority of Norway.

The Supervisory Board may adopt the income statement and the balance sheet as the Bank's financial statements for 2013.

Trondheim, 24 February 2014

The Control Committee
of
SpareBank 1 SMN

Terje Lium (Chair)	Anders Lian	Terje Ruud