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			Group	
2012	2013	(NOK million)	2013	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.

SpareBank 1 SMN

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 Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
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 Lowest risk	Low risk	Medium risk	High risk	Highest risk	Defaulted or written down *)	Total
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			Group	
2012	2013	(NOK million)	2013	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 Johnsen[1)]	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 Johnsen[1)]	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

SpareBank 1 SMN

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

	2013		**2012**	
(NOK million)	Book value	Fair value	Book value	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

	Stake over 10 %	**Our holding**	**Acquisiton cost**	**Market value/ book value**

Listed companies	Principle *	(%)	(no.)	(NOK 1000)	(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 2012	Parent Bank 2013	(NOK million)	Group 2013	Group 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**

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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 joint 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 equiry 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.