Fourth Quarter Report 2014

Contents

Main figures

From the profit and loss account	2014 NOKm	2014 %	2013 NOKm	2013 %
Net interest	1,790	1.52	1,616	1.44
Commission income and other income	1,512	1.28	1,463	1.31
Net return on financial investments	720	0.61	502	0.45
Total income	**4,021**	**3.41**	**3,580**	**3.20**
Total operating expenses	**1,789**	**1.52**	**1,721**	**1.54**
Results	**2,232**	**1.89**	**1,859**	**1.66**
Loss on loans, guarantees etc	89	0.08	101	0.09
Results before tax	**2,143**	**1.82**	**1,758**	**1.57**
Tax charge	362	0.31	388	0.35
Result investment held for sale, after tax	0	0.00	30	0.03
Net profit	**1,782**	**1.51**	**1,400**	**1.25**

Key figures	2014	2013
Profitability		
Return on equity [1)]	15.1 %	13.3 %
Cost-income ratio [2)]	44 %	48 %
Balance sheet		
Gross loans to customers	90,339	80,317
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	120,196	112,052
Deposits from customers	62,201	56,074
Deposit-to-loan ratio	69 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	7.3 %	6.8 %
Growth in deposits	10.9 %	7.3 %
Average total assets	117,794	111,843
Total assets	126,047	115,360
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt		
Impairment losses ratio	0.08 %	0.09 %
Non-performing commitm. as a percentage of gross loans [3)]	0.22 %	0.34 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.14 %
Solidity		
Capital adequacy ratio	15.7 %	14.7 %
Core capital ratio	13.0 %	13.0 %
Common equity tier 1	11.2 %	11.1 %
Core capital	12,382	10,989
Net equity and related capital	14,937	12,417
Branches and staff		
Number of branches	49	50
No. Of full-time positions	1,192	1,159

Key figures ECC [4)]	2014	2013	2012	2011	2010
ECC ratio	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %
Number of certificates issued, millions	129.83	129.83	129.83	102.76	102.74
ECC price	58.50	55.00	34.80	36.31	49.89
Stock value (NOKM)	7,595	7,141	4,518	3,731	5,124
Booked equity capital per ECC (including dividend)	62.04	55.69	50.09	48.91	46.17
Profit per ECC, majority	8.82	6.92	5.21	6.06	5.94
Dividend per ECC	2.25	1.75	1.50	1.85	2.77
Price-Earnings Ratio	6.63	7.95	6.68	5.99	8.40
Price-Book Value Ratio	0.94	0.99	0.69	0.74	1.08

1) Net profit as a percentage of average equity
2) Total operating expenses as a percentage of total operating income
3) Defaults and doubtful loans are reported on the basis of gross lending, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, and guarantees drawn
4) The key figures are corrected for issues

Report of the Board of Directors

Preliminary annual accounts 2014

Consolidated figures. Figures in parentheses refer to 2013 unless otherwise stated

Profit of NOK 1,782m after tax

- Profit before tax and assets held for sale: NOK 2,143m (1,758m)
- Net profit: NOK 1,782m (1,400m)
- Return on equity: 15.1 per cent (13.3 per cent)
- CET1 ratio: 11.2 per cent (11.1 per cent)
- Growth in lending 7.3 per cent (6.8 per cent) and in deposits 10.9 per cent (7.3 per cent)
- Loan losses: NOK 89m (101m)
- Earnings per equity certificate (EC): NOK 8.82 (6.92). Book value per EC, incl. recommended dividend for 2014: NOK 62.04 (55.69)
- Recommended dividend: NOK 2.25 per EC. Allocation to non-profit causes: NOK 160m

Fourth quarter 2014

- Profit before tax: NOK 434m (476m)
- Net profit: NOK 375m (361m)
- Return on equity: 12.1 per cent (13.1 per cent)
- Loan losses: NOK 34m (32m)
- Earnings per EC: NOK 1.85 (NOK 1.79)

Excellent performance in 2014

Highlights

- Profit improvement of NOK 382m over 2013. Core business strengthened with increased net interest income and limited cost growth
- Low loan losses and low default rate
- Good return on financial investments, mainly from gain on sale of the bank's stake in Nets Holding
- Excellent profit performance at affiliates, largely due to run-off gains in insurance
- CET1 ratio: 11.2 per cent
- Relatively high growth in lending to and deposits by corporates and retail customers alike

In 2014 SpareBank 1 SMN achieved a post-tax profit of NOK 1,782m (1,400m) and a return on equity of 15.1 per cent (13.3 per cent). Profit before tax was NOK 2,143m (1,758m).

In 2014 operating income increased by 12 per cent to reach an overall NOK 4,021m (3,580m). Incomes rose both at the parent bank and the subsidiaries.

Return on financial assets was NOK 720m (502m), of which the profit share on owner interests in associated accounted for NOK 527m (355m) and a gain on the sale of, and dividend on, the bank's stake in Nets Holding accounted for NOK 165m.

Operating expenses came to NOK 1,789m (1,721m) in 2014, i.e. NOK 68m, or 3.9 per cent, higher than in 2013. Costs for 2014 include NOK 30m set aside at the parent bank for a reorganisation scheduled for implementation in 2015 and 2016.

Net losses on loans and guarantees were NOK 89m (101m).

Lending growth was 7.3 per cent (6.8 per cent) and deposit growth was 10.9 per cent (7.3 per cent).

Capital adequacy is calculated according to the new capital requirements directive (CRD IV), described in greater detail in Note 13 – Capital adequacy. CET1 capital adequacy at 31 December 2014 was 11.2 per cent (11.1 per cent).

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 per cent by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength.

At year-end the bank's EC was priced at NOK 58.50 (55.00). A cash dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

Earnings per EC were NOK 8.82 (6.92). Book value was NOK 62.04 (55.69) per EC including a recommended dividend of NOK 2.25.

Profit before tax in the fourth quarter in isolation was NOK 434m (476m). The quarter's figures reflect:

- Good net interest income
- Stable commission income
- Provision for reorganisation
- Low losses and low rate of defaults
- Good results at associated

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

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

Difference between Group - Parent Bank (NOKm)	2014	2013
Profit for the year, Group	**1,782**	**1,400**
Profit, subsidiaries	-92	-112
Dividend, subsidiaries	117	111
Profit, associated companies	-527	-355
Dividend, associated companies	182	328
Elimination subsidiaries and associated companies	-15	-24
Profit for the year, Parent bank	**1,447**	**1,348**

The annual profit for distribution reflects changes of plus NOK 57m in the revaluation reserve, leaving the total amount for distribution at NOK 1,503m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

In keeping with the bank's capital plan, the board of directors recommends a relatively low dividend payout ratio.

The board of directors recommends the supervisory board to set a cash dividend of NOK 2.25 per equity certificate, altogether totalling NOK 292m. This gives a payout ratio of 25.4 per cent of the group profit. The board of directors further recommends the supervisory board to allocate NOK 160m as gifts to non-profit causes, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 40m will be allocated to non-profit causes and NOK 120m donated to the foundation Sparebankstiftelsen SMN. NOK 679m and NOK 372m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the bank's capital plan and reflects the need to increase the bank's core capital by maintaining a relatively low payout ratio.

After distribution of the profit for 2014 the EC-holder ratio (EC-holders' share of total equity) remains 64.6 per cent.

Distribution of profit (NOKm)	2014	2013
Profit for the year, Parent bank	1,447	1,348
Transferred to/from revaluation reserve	57	-89
Profit for distribution	**1,503**	**1,259**
Dividends	292	227
Equalisation fund	679	587
Saving Bank's fund	372	321
Gifts	160	124
Total distributed	**1,503**	**1,259**

Strengthened net interest income

Net interest income in 2014 came to NOK 1,790m (1,616m). The improvement is ascribable to interest rate increases on loans to retail and corporate customers alike in the first half of 2013 as a result of increased capital requirements, and relatively high growth in loans and deposits in 2014. Net interest income for the fourth quarter was NOK 485m, an increase of NOK 22m from the third quarter. The increase in the fourth quarter is mainly ascribable to repricing of deposit products. Margins on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recorded as commission income, and commissions on loans sold to these two entities totalled NOK 427m (422m) as of the fourth quarter of 2014.

In the course of 2014 two general interest rate reductions were carried out (in June and December) on loans to retail customers, and the bank has thereby adapted its mortgage rates to the competitive situation. Over the year retail and customer deposits were repriced on several occasions, while costs of money market funding were reduced over the same period.

Increased commission income

Commission income and other operating income rose to NOK 1,512m (1,463m) in 2014, an increase of NOK 49m or 3.4 per cent.

Growth in income is mainly ascribable to a positive trend in income from accounting services, insurance and payments.

Commission income (NOKm)	**2014**	**2013**	**Change**
Payment transfers	239	233	6
Savings	48	50	-2
Insurance	138	124	14
Guarantee commission	57	56	1
Real estate agency	315	319	-4
Accountancy services	172	125	47
Active management	20	30	-10
Rent	45	45	0
Other commissions	50	59	-9
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	**1,084**	**1,041**	**44**
Commissions SB1 Boligkreditt and SB1 Næringskreditt	427	422	6
Total commissions	**1,512**	**1,463**	**49**

Financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of affiliates and joint ventures) was NOK 193m (147m) in 2014. Overall return breaks down as follows:

- Return on the group's equity portfolios totalled NOK 202m (114m), of which a gain on the sale of and dividend on the bank's stake in Nets Holding accounted for NOK 165m
- Net loss on bonds and derivatives came to NOK 66m (40m) in 2014. SpareBank 1 SMN Kvartalet booked in the fourth quarter a negative related value to an interest rate swap of NOK 26m after tax. The interest rate swap was originally related to the construction of the bank's head office in Sondre gate 4.
- Capital gains on forex and fixed income trading at SpareBank 1 SMN Markets was NOK 57m (73m)

Capital gains/dividends, shares (NOKm)	**2014**	**2013**	**Change**
Capital gains/dividends, shares	202	114	87
Bonds and derivatives	-66	-40	-26
SpareBank 1 SMN Markets	57	73	-16
Net return on financial investments	**193**	**147**	**46**
SpareBank 1 Gruppen	358	210	148
SpareBank 1 Markets	-32	-1	-30
SpareBank 1 Boligkreditt	38	40	-3
SpareBank 1 Næringskreditt	41	8	33
SpareBank 1 Kredittkort	2	-	2
BN Bank	93	91	2
Companies owned by SpareBank 1 SMN Invest	31	14	17
Other companies including held for sale	-3	23	26
Income from investment in related companies	**527**	**384**	**143**
Total	**720**	**531**	**189**

Excellent performance by SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2014 was NOK 1,849m (1,110m). The main contributor to the profit performance was the insurance business. The result for the non-life arm were particularly good due to reduced claims payments and recognition of run-off gains. SpareBank 1 SMN's share of the profit in 2014 was NOK 358m (210m).

SpareBank 1 Markets

SpareBank 1 SMN holds a stake of 27.3 per cent in SpareBank 1 Markets. This company recorded a deficit of NOK 120m in 2014, of which SpareBank 1 SMN's share was minus NOK 32m.

SpareBank 1 Markets has undergone a restructuring. The company has carried out extensive enhancement measures resulting in a halving of the cost level since 2012-13, and adjustments to the business model have brought lower market risk. SpareBank 1 SMN will integrate its capital market activities with SpareBank 1 Markets by agreement with the remaining owners, after which SpareBank 1 SMN's stake will stand at 73.3 per cent. The other owners are SpareBank 1 Nord-Norge (10.0 per cent), SamSpar, i.e. Samarbeidende Sparebanker (10.0 per cent), Sparebanken Hedmark (6.1 per cent) and the Norwegian Confederation of Trade Unions and employee shareholders (0.6 per cent). This is described in further detail in Note 16 – Events after the balance sheet date.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, giving them reduced funding costs. As of 31 December 2014 the bank had sold loans worth a total of NOK 28.4bn (30.5bn) to SpareBank 1 Boligkreditt, corresponding to 38 per cent (44 per cent) of overall loans to the retail market.

The bank's stake in SpareBank 1 Boligkreditt at 31 December 2014 was 17.67 per cent, and the bank's share of that company's profit in 2014 was NOK 38m (40m). The bank's holding reflects the bank's relative share of home mortgage loans sold.

The board of directors of SpareBank 1 SMN has, like that of the other alliance banks, decided to apply for a licence for a wholly owned residential mortgage company. This entity will be a supplement to SpareBank 1 Boligkreditt, which will remain the alliance banks' main tool for raising loans through covered bonds. The residential mortgage company will be able to make use of loans outside the scope of SpareBank 1 Boligkreditt's credit policy. Moreover, the establishment of a wholly owned residential mortgage company will eliminate issue posed by the regulations governing large exposures which regulate the maximum permitted intercompany balance between SpareBank 1 SMN and SpareBank 1 Boligkreditt.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. As of 31 December 2014, loans worth NOK 1.5bn (1.2bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN owns 33.62 per cent of the company, and the bank's share of the company's profit in 2014 was NOK 41m (8m). The bank's stake reflects its relative share of commercial property loans sold and its stake in BN Bank. The profit growth is ascribable to the change in the interest rate applied between SpareBank 1 Næringskreditt and BN Bank. This rate reflects the capital cost for BN Bank's loans sold to SpareBank 1 Næringskreditt.

SpareBank 1 Kredittkort
The company was in ordinary operation from 1 July 2014, and achieved a net profit of NOK 12m for the year. SpareBank 1 SMN share of the profit was NOK 2m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.36 per cent. In June SpareBank 1 Kredittkort carried out a successful conversion of the SpareBank 1 banks' credit card portfolio from Entercard. SpareBank 1 SMN's share of the portfolio is NOK 715m.

BN Bank
SpareBank 1 SMN had a 33 per cent stake in BN Bank as of 31 December 2014. SpareBank 1 SMN's share of the profit of BN Bank in 2014 was NOK 93m (91m), yielding a return on equity of 7.8 per cent. The result is affected by the change in the interest rate mentioned in the section on SpareBank 1 Næringskreditt.

BN Bank has focus on implementing profitability-enhancing measures, and it achieved increased income and reduced losses in 2014. Work continues on further internal measures with a view to profitability enhancement. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in April 2014. This resulted in a CET1 ratio of 14.9 per cent at end-2014.

Assosiated companies owned by SpareBank 1 SMN Invest
The overall profit for 2014 came to NOK 31m (14m). These companies are mainly engaged in the construction and sale of dwellings and commercial property in Sør Trøndelag.

Assets held for sale
A profit of NOK 0.2m (29.5m) was recorded on assets held for sale in 2014.

Limited cost growth
Overall costs came to NOK 1,789m (1,721m) in 2014. Group expenses have thus risen by NOK 68m or 3.9 per cent.

Parent bank cost growth rose by NOK 68m. This includes a provision of NOK 30m for reorganisation, set aside in the fourth quarter of 2014. Excluding this provision, parent bank costs grew NOK 38m or 3.1 per cent in 2014, in keeping with the bank's objective.

As a result of changing customer behaviour involving far greater use of self-service solutions, the board of directors has adopted a goal of unchanged costs up to 2017. Efficiency enhancements at the parent bank will enable a workforce reduction of up to 100 FTEs in the period to end-2016. The cost of reorganisation reflects restructuring costs.

Operating expenses measured 1.52 per cent (1.54 per cent) of average total assets. The Group's cost-income ratio was 44 per cent (48 per cent).

Low losses and low defaults
Net loan losses came to NOK 89m (101m) for 2014. This represents 0.08 per cent of total loans (0.09 per cent). Net losses in the fourth quarter in isolation were NOK 34m (32m).

Net losses of NOK 83m (95m) were recorded on loans to the group's corporate customers, including losses of 6m (20m) at SpareBank 1 Finans Midt-Norge. On the retail portfolio a net loss of NOK 6m (7m) was recorded in 2014.

Total individually assessed loan impairment write-downs came to NOK 172m (173m).

Total problem loans (defaulted and doubtful) came to NOK 486m (544m), or 0.40 per cent (0.49 per cent) of gross loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 270m (387m), measuring 0.22 per cent (0.35 per cent) of gross lending. Of total defaults, NOK 67m (87m) are loss provisioned, corresponding to 25 per cent (23 per cent).

Defaults break down to NOK 136m (246m) on corporate customers and NOK 134m (140m) on retail customers.

Other doubtful exposures totalled NOK 216m (157m), i.e. 0.18 per cent (0.14 per cent) of gross outstanding loans. NOK 105m (86m) or 48 per cent (55 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 201m (139m) to corporate customers and NOK 15m (18m) to retail customers.

Collectively assessed impairment write-downs

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

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

For 2014 no basis is found for any change in collectively assessed impairment write-downs. The aggregate volume of such write-downs is NOK 295m (295m). Collectively assessed impairment write-downs break down to NOK 90m on retail customers, NOK 188m on corporate customers and NOK 16m on SpareBank 1 Finans Midt-Norge.

Total assets of NOK 126bn

The bank's assets totalled NOK 126bn (115bn) at 31 December 2014, having risen by NOK 9bn or 9.3 per cent over the year. The rise in total assets is a consequence of increased lending.

As of 31 December 2014 loans worth a total of 30bn (32bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

In 2014, total outstanding loans rose by NOK 8.1bn (7.1bn) or 7.3 per cent (6.8 per cent) to reach NOK 120.2bn (112.0bn) as of 31 December 2014.

Lending to retail customers rose by NOK 5.5bn (5.9bn) or 8.0 per cent (9.5 per cent) to reach NOK 74.0bn in 2014.

Growth in lending to corporates in 2014 was NOK 2.7bn (1.2bn) or 6.1 per cent (2.8 per cent). Overall loans to corporates totalled NOK 46.2bn (43.5bn) as of 31 December 2014. This growth is somewhat higher than the capital plan allows for, and this will be reflected in lending to corporates in 2015.

Loans to retail customers accounted for 62 per cent (61 per cent) of ordinary loans to customers at the end of 2014.

(For distribution by sector, see Note 5).

Deposits

Customer deposits rose in 2014 by NOK 6.1bn (3.8bn) to reach NOK 62.2bn (56.1bn) at 31 December 2014. This represents a growth of 10.9 per cent (7.3 per cent).

Retail customer deposits rose by NOK 2.6bn (1.6bn) or 11.0 per cent (9.5 per cent) to reach NOK 26.5bn, while deposits from corporates rose by NOK 3.5bn (2.2bn) or 10.9 per cent (7.5 per cent) to NOK 35.7bn.

The deposit-to-loan ratio at SpareBank 1 SMN was 69 per cent as of 31 December 2014 (70 per cent).

(For distribution by sector, see Note 10).

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 6.2bn (5.2bn) at 31 December 2014. Compared with the previous year, there are higher values on equity funds and active management, largely due to increased stock exchange values and good sales.

Saving products, customer portfolio (NOKm)	2014	2013	Change
Equity funds	4,002	3,367	635
Pension products	597	555	42
Active management	1,611	1,240	371
Total	**6,210**	**5,162**	**1,048**

Insurance

The bank's insurance portfolio showed sound growth of 2.4 per cent in 2014. Non-life insurance delivered 1.6 per cent growth, personal insurance 10.4 per cent while growth in the occupational pensions portfolio declined by 4.4 per cent.

Insurance, premium volume (NOKm)	2014	2013	Change
Non-life insurance	706	695	11
Personal insurance	245	222	23
Occupational pensions	174	182	-8
Total	**1,125**	**1,099**	**26**

Retail banking segment and corporate banking segment, parent bank

As from 2014 an organisational adjustment was carried through. The retail banking segment now covers agricultural customers, associations etc and sole proprietorships. In 2013 these customers were part of the SMB segment. Other customers in the SMB segment are as from 2014 included in the corporate banking segment. Historical data for the retail segment and the corporate segment are therefore incomplete and no comparison is made with the previous year's figures. Economic capital is used to calculate return on capital employed from and including the third quarter of 2014.

Results (NOKm)	Retail Market	Corporate Market
Net interest	873	840
Interest from allocated capital	40	67
Total interest income	**913**	**906**
Commission income and other income	762	159
Net return on financial investments	1	29
Total income	**1,675**	**1,095**
Total operating expenses	809	318
Ordinary operating profit	**867**	**777**
Loss on loans, guarantees etc.	6	77
Result before tax including held for sale	**861**	**699**
Post-tax return on equity	**19.2 %**	**10.0 %**

Retail Banking

Operating income has increased due to increased margins on home loans and growth in lending and deposits, and totalled NOK 1,675m in 2014. Net interest income came to NOK 913m and commission income to NOK 762m. Return on capital employed in the private banking segment was 19.2 per cent. Economic capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the group intends to reach by 30 June 2106.

The lending margin in 2014 was 2.38 per cent (2.32 per cent), while the deposit-to-loan ratio was -0.55 per cent (-0.52 per cent) measured against three-month NIBOR. Average three-month NIBOR was reduced by ten basis points from the third to the fourth quarter.

In the last 12 months, lending to retail customers rose by 7.5 per cent and deposits from the same segment by 8.5 per cent.

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. There are no indications of a higher loss and default levels in the bank's home mortgage loan portfolio. The loan portfolio is secured on residential properties, and the trend in house prices has been satisfactory the market area as a whole.

Corporate Banking

Operating income totalled NOK 1,095m in 2014. Net interest income was NOK 906m, while other income totalled NOK 188m.

Return on capital employed for the corporate banking segment was 10.0 per cent for 2104. Economic capital of 13.5 per cent is used as capital employed, corresponding to the CET1 target the group intends to reach by 30 June 2106.

The lending margin was 2.90 per cent (2.94 per cent) and the deposit margin was -0.55 per cent (-0.52 per cent) in 2014.

Growth in loans and deposits respectively in 2014 was 6.3 per cent and 8.8 per cent.

Incomes SpareBank 1 SMN Markets

SpareBank 1 SMN Markets delivers a complete range of capital market products and is an integral part of SMN's parent bank operation.

SpareBank 1 SMN Markets posted total income of NOK 68.0m (103.0m) in 2014. Issuer services income and other income in 2013 include income from the corporate business which was transferred to SpareBank 1 Markets as from the fourth quarter of 2013.

Markets (NOKm)	2014	2013	Change
Currency trading	75.8	68.3	7.5
Securities, brokerage commission	0.9	21.6	-20.7
SpareBank 1 Markets	-14.8	3.1	-17.9
VPS and other income	4.0	17.4	-13.4
Investments	2.1	-7.4	9.5
Total income	**68.0**	**103.0**	**-35.0**

Of gross income of NOK 68m, a total of NOK 29m is transferred to Corporate Banking and NOK 1m to Retail Banking. These amounts are the respective entities' share of income on forex and fixed income business derived from their own customers.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 124.6m (157.3m) in 2014. The results are from the companies' financial statements.

Pre-tax profit (NOKm)	2014	2013	Change
EiendomsMegler 1 Midt-Norge	50.9	60.7	-9.8
SpareBank 1 Finans Midt-Norge	67.9	50.7	17.3
SpareBank 1 Regnskapshuset SMN	40.5	14.4	26.1
Allegro Kapitalforvaltning	2.6	9.3	-6.7
SpareBank 1 SMN Invest	1.7	46.6	-45.0
Other companies	-39.0	-24.4	-14.6
Total	**124.6**	**157.3**	**-32.7**

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. The company recorded a sound profit in 2014, but a slower market at the start of the year and increased price competition contributed to a weaker pre-tax profit than in 2013. The profit was NOK 50.9m (60.7m). The company arranged the sale of 6,383 dwellings in 2014 compared with 6,229 the previous year.

SpareBank 1 Finans Midt-Norge posted a profit of NOK 67.9m (50.7m) in 2014. The profit growth is ascribable to increased income from car loans and reduced losses in the leasing business. At year-end the company managed leases and car loan agreements worth a total of NOK 3.6bn of which leases accounted for NOK 1.9bn and car loans for NOK 1.7bn.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 40.5m (14.4m) excluding income of NOK -0.5m from affiliates. Of this, NOK 7m comprises a gain on the sale of a 40 per cent stake in SpareBank 1 Regnskapshuset Østlandet.

SpareBank 1 Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. This represents a consolidation of a fragmented accounting industry. A further four accounting firms were acquired in 2014.

Allegro Kapitalforvaltning is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are Allegro's distribution channel. The company posted a profit of NOK 2.6m in 2014 (9.3m).

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 1.7m in 2014 (profit of 46.6m). This profit is a consequence of value changes and realisation of losses or gains on the company's overall shareholding, and is the profit shown in the company's financial statements. In addition the company recorded profits totalling NOK 31m (14m) from owner interests in the property companies Grilstad Marina and Hommelvik Sjøside in 2014.

Other companies have an overall deficit of NOK 39.0m (deficit of 24.4m). These are mainly property companies that lease premises to SpareBank 1 SMN and other tenants.

Satisfactory funding and good liquidity

The bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the bank's ability to survive twelve months of ordinary operation without need of fresh external funding.

The bank has liquidity reserves of NOK 19bn and thus has the funding needed for 24 months of ordinary operation without fresh external finance.

The bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of one year was 87 per cent (72 per cent).

SpareBank 1 Boligkreditt is the bank's chief source of funding, and as of 31 December 2014 loans totalling NOK 28bn had been sold to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A2 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was placed on negative outlook by Moody's in May 2014, as were a number of other Norwegian and European banks.

Financial position

After distribution of the profit for 2014, the CET1 capital ratio is 11.2 per cent (11.1 per cent), unchanged since the end of the third quarter of 2014. In the year's last quarter the CET1 ratio was improved thanks to a good profit performance, but concurrently weakened by an increase in risk weighted assets after relatively high growth in lending to corporates.

The minimum requirement on CET1 capital as of 31 December 2014 was 10 per cent, of which aggregate buffer requirements made of 5.5 per cent. CET1 capital is core capital excluding hybrid capital.

(NOKm)	**2014**	**2013**
Tier 1 capital	10,674	9,374
Hybrid capital	1,707	1,615
Subordinated loan	2,555	1,428
Capital base	**14,937**	**12,417**
Required subordinated debt	7,625	6,767
Risk weigheted assets	**95,317**	**84,591**
Tier 1 capital ratio	11.2 %	11.1 %
Core capital ratio	13.0 %	13.0 %
Capital adequacy ratio	15.7 %	14.7 %

In 2014 the group shifted lending growth more over to the retail banking segment. Growth in risk-weighted assets will accordingly be lower than the underlying growth in credit which, in isolation, is positive for the bank's capital charges. In the fourth quarter, however, growth in lending to corporate clients was higher, causing the capital requirement for this portfolio to increase compared with the previous quarter. For the year as a whole the capital need as regards the corporate portfolio was reduced, but the reduction is not sufficient to compensate for the steep increase in home mortgage loan weights that was implemented in the first quarter of 2014.

A countercyclical buffer of one per cent will be introduced at the end of the second quarter of 2015. The Ministry of Finance decided on 19 December that the countercyclical buffer would not be changed. The required period of notification for an increase is normally twelve months.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The board considers it important for the group to be sufficiently capitalised to fulfil all regulatory requirements, as well as market expectations. The practical consequence is that the bank's CET1 capital target remained unchanged, even thought SpareBank 1 SMN was not defined as a SIFI. The board of directors is planning for a CET1 ratio of 13.5 per cent including a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

SpareBank 1 SMN applied in June 2013 for permission to apply the Advanced IRB approach to its corporate portfolio. Finanstilsynet (Norway's FSA) had yet to issue a decision regarding approval at the end of the fourth quarter of 2014. The net effect of such approval will be curbed by the transitional rules (the "floor").

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

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments
- The dividend policy to entail an effective payout ratio of 25–35 per cent of the group profit
- Moderate growth in the bank's asset-intensive activities, including priority given to lending to the retail and corporate segments in the bank's catchment area

The group's capital plan presupposes approval of SpareBank 1 SMN's application to introduce the Advanced IRB approach.

SpareBank 1 SMN currently has no plans to issue equity capital, and the board of directors is of the view that other measures are sufficient to attain the goal of a CET1 ratio of 13.5 per cent by 30 June 2016.

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

The bank's equity certificate (MING)

The book value of the bank's EC as of 31 December 2014 including a recommended dividend of NOK 2.25 was NOK 62.04 (55.69), and earnings per EC were NOK 8.82 (6.92).

The Price / Income ratio was 6.63 (7.95), and the Price / Book ratio was 0.94 (0.99).

At year-end the EC was priced at NOK 58.50, and dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

Risk factors

By the end of the fourth quarter of 2014 the oil price had fallen substantially, and firms' expectations are weaker than previously. This is so far not reflected in the group's loss and default levels, which remain low. The bank consider the credit quality of the bank's loan portfolio to be satisfactory.

The bank expects low oil prices to affect various industries differently, and export-oriented industries will stand to benefit from a weakened NOK exchange rate in relation to the most important export markets. Cyclical developments are uncertain, and the bank expect that the economic climate may be somewhat weaker than previously assumed. This is down to moderate activity growth due to very weak international growth impulses. The region's industry structure has little direct exposure to oil related activity.

The bank has limited credit exposure to oil service related activity (about 4 per cent of aggregate lending), an industry that is seeing weaker demand. No basis has been found for individually assessed impairment write-downs on exposures to this sector. The bank also consider contract coverage and LTV values in the portfolio to be of such quality that at the end of 2014 no need has been found to increase collectively assessed impairment write-downs either. This assessment could change should the oil price remain low for a protracted period.

Unemployment is expected to remain at a low level, but employment growth is expected to be somewhat lower ahead. A continued low interest rate level is anticipated, and the bank accordingly expects the risk of loss in the retail banking portfolio to remain low. Credit demand from Norwegian households continues to outstrip wage growth, which could provide a basis for increased risk in the longer term. The bank reviews its credit policy on a continuous basis to ensure no increase in the risk level.

Steadily rising capital requirements combined with uncertainty particularly in relation to the handling of the countercyclical buffer, suggest that Norwegian banks will pursue a more conservative credit policy towards business and industry.

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

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

Prospects

The directors are highly pleased with the performance for 2014. The core business has achieved good income growth while at the same time cost growth is moderate and losses are being kept to very low levels.

The bank strengthened its market position in the retail segment, and shows sound growth in all business areas.

Growth in lending to business and industry has in the forth quarter been higher than set out in the capital plan, and lending to business and industry in 2015 will reflect this. The intention is to attain the CET1 target of 13.5 per cent in 2016 through moderate lending growth, profit retention, introduction of the advanced IRB approach and without launching an ordinary stock issue.

The falling oil price and a somewhat more negative economic situation has focused greater attention on banks’ loan exposure. Defaults at SpareBank 1 SMN are at a very low level, and no basis has been found for increasing individually or collectively assessed impairment write-downs.

The directors expect another good performance in 2015.

Changing customer behaviour involving increased use of digital channels and reduced visits to bank branches creates the need for a new approach to distribution of the bank's products and services. The bank will optimise resource use between the channels and continuously adjust the distribution model so as to adapt its distribution to customer behaviour and to customers' use of the channels. An efficient branch structure, staffed by competent advisers, combined with a customer-oriented direct bank and good self-service solutions, will enable customers to meet their needs through their preferred channels in as cost-effective manner as possible.

SpareBank 1 SMN has through the SpareBank 1 Alliance a good platform on which to implement the system adjustments needed in a cost-efficient manner.

Necessary investments will be made in technology in tandem with efficiency enhancements at the bank.

The board of directors has established a new target for the parent bank's cost trend which requires unchanged costs up to the end of 2016.

Through the project SMN 2020, new service concepts are being developed and the cost level adapted to ensure that SpareBank 1 SMN is seen to be best for customer experience and that its competitive power is thereby maintained.

Trondheim, 4. February 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen	Aud Skrudland
Morten Loktu	Janne Thyø Thomsen	Arnhild Holstad	Venche Johnsen (employee rep.)
			Finn Haugan (Group CEO)

Income statement

Parent bank						Group			
4Q 13	4Q 14	2013	2014	(NOKm)	Note	2014	2013	4Q 14	4Q 13
1,053	1,091	4,092	4,223	Interest income		4,265	4,118	1,103	1,059
651	647	2,604	2,578	Interest expenses		2,475	2,502	618	624
402	**444**	**1,487**	**1,644**	**Net interest**	**1**	**1,790**	**1,616**	**485**	**436**
261	262	970	1,031	Commission income		1,281	1,230	323	323
21	33	81	104	Commission expenses		113	94	33	25
11	12	57	47	Other operating income		344	327	81	84
252	**241**	**946**	**973**	**Commission income and other income**		**1,512**	**1,463**	**371**	**382**
0	-	371	311	Dividends		65	41	5	0
-	-	-	-	Income from investment in related companies		527	355	144	98
50	9	176	197	Net return on financial investments	1.2	128	106	-58	58
50	**9**	**547**	**508**	**Net return on financial investments**		**720**	**502**	**91**	**156**
704	**694**	**2,981**	**3,125**	**Total income**		**4,021**	**3,580**	**947**	**974**
143	184	592	645	Staff costs		1,002	923	267	222
107	104	357	410	Administration costs		500	447	129	134
61	61	248	209	Other operating expenses		287	351	83	110
311	**349**	**1,197**	**1,265**	**Total operating expenses**	**4**	**1,789**	**1,721**	**479**	**465**
393	**344**	**1,783**	**1,860**	**Result before losses**		**2,232**	**1,859**	**467**	**508**
25	32	82	83	Loss on loans, guarantees etc.	2,6,7	89	101	34	32
368	**313**	**1,701**	**1,777**	**Result before tax**	**3**	**2,143**	**1,758**	**434**	**476**
108	60	358	330	Tax charge		362	388	60	110
-	-	6	-	Result investment held for sale, after tax	3	0	30	0	-4
260	**253**	**1,348**	**1,447**	**Net profit**		**1,782**	**1,400**	**375**	**361**
				Majority share		1,772	1,390	372	359
				Minority interest		10	10	2	2
				Profit per ECC		8.87	6.97	1.87	1.80
				Diluted profit per ECC		8.82	6.92	1.85	1.79

Other comprehensive income

Parent bank					Group			
4Q 13	**4Q 14**	**2013**	**2014**	**(NOKm)**	**2014**	**2013**	**4Q 14**	**4Q 13**
260	253	1,348	1,447	Net profit	1,782	1,400	375	361
				Items that will not be reclassified to profit/loss				
-9	-23	-9	-111	Actuarial gains and losses pensions	-117	-11	-21	-11
3	5	3	29	Tax	31	3	6	3
-	-	-	-	Share of other comprehensive income of associates and joint venture	-9	11	-12	11
-7	**-17**	**-7**	**-82**	**Total**	**-94**	**3**	**-27**	**3**
				Items that will be reclassified to profit/loss				
-	-	-	-	Available-for-sale financial assets	-2	-6	-2	-6
-	-	-	-	Share of other comprehensive income of associates and joint venture	0	14	0	6
-	-	-	-	Tax	-	-	-	-
-	**-**	**-**	**-**	**Total**	**-2**	**8**	**-2**	**1**
253	**235**	**1,342**	**1,365**	**Total other comprehensive income**	**1,685**	**1,411**	**345**	**365**
				Majority share of comprehensive income	1,676	1,401	343	363
				Minority interest of comprehensive income	10	10	2	2

Other comprehensive income comprise items reflected directly in equity capital that are not transactions with owners, cf. IAS 1.

Key figures

Parent bank					Group			
4Q 13	**4Q 14**	**2013**	**2014**	**Result as per cent of average total assets:**	**2014**	**2013**	**4Q 14**	**4Q 13**
1.43	1.48	1.34	1.41	Net interest	1.52	1.44	1.59	1.53
0.90	0.80	0.85	0.84	Commission income and other income	1.28	1.31	1.22	1.34
0.18	0.03	0.49	0.44	Net return on financial investments	0.61	0.45	0.30	0.55
1.11	1.16	1.08	1.09	Total operating expenses	1.52	1.54	1.58	1.64
1.40	1.15	1.61	1.60	Result before losses	1.89	1.66	1.54	1.79
0.09	0.11	0.07	0.07	Loss on loans, guarantees etc.	0.08	0.09	0.11	0.11
1.31	1.04	1.54	1.53	Result before tax	1.82	1.57	1.43	1.67
0.44	0.50	0.40	0.40	Cost -income ratio	0.44	0.48	0.51	0.48
		73 %	72 %	Loan-to-deposit ratio	69 %	70 %		
10.7 %	9.4 %	14.7 %	14.1 %	Return on equity	15.1 %	13.3 %	12.1 %	13.1 %

Balance sheet

Parent bank				Group	
31 Dec 2013	31 Dec 2014	(NOKm)	Note	31 Dec 2014	31 Dec 2013
4,793	4,676	Cash and receivables from central banks		4,676	4,793
4,000	4,362	Deposits with and loans to credit institutions		1,287	1,189
77,030	*86,687*	*Gross loans to customers before write-down*	*5.8*	*90,339*	*80,317*
-150	*-164*	*- Specified write-downs*	*6,7,8*	*-172*	*-173*
-278	*-278*	*- Write-downs by loan category*	*6*	*-295*	*-295*
76,602	86,245	Net loans to and receivables from customers		89,872	79,849
16,887	14,110	Fixed-income CDs and bonds	15	14,110	16,887
3,051	6,766	Derivatives	14	6,674	3,050
492	257	Shares, units and other equity interests	2,15	708	1,016
3,138	3,361	Investment in related companies		5,129	4,624
2,442	2,490	Investment in group companies		-	-
114	101	Investment held for sale		45	113
447	447	Goodwill		526	495
2,110	1,804	Other assets	9	3,019	3,344
114,074	**124,619**	**Total assets**		**126,047**	**115,360**
5,159	7,572	Deposits from credit institutions		7,572	5,159
1,220	-	Funding, "swap" arrangement with the government		-	1,220
56,531	62,723	Deposits from and debt to customers	10	62,201	56,074
33,762	32,632	Debt created by issue of securities	11	32,632	33,762
2,295	5,722	Derivatives	15	5,722	2,295
1,992	1,790	Other liabilities	12	2,040	2,303
3,304	3,356	Subordinated loan capital	11	3,356	3,304
104,263	**113,795**	**Total liabilities**		**113,523**	**104,118**
2,597	2,597	Equity capital certificates		2,597	2,597
-0	-0	Own holding of ECCs		-0	-0
895	895	Premium fund		895	895
2,496	3,122	Dividend equalisation fund		3,122	2,496
227	292	Recommended dividends		292	227
124	160	Provision for gifts		160	124
3,276	3,619	Savings bank's reserve		3,619	3,276
195	139	Unrealised gains reserve		148	206
-	-	Other equity capital		1,620	1,354
		Minority interests		72	67
9,811	**10,824**	**Total equity capital**	**13**	**12,524**	**11,242**
114,074	**124,619**	**Total liabilities and equity**		**126,047**	**115,360**

Cash flow statement

Parent bank			Group	
31 Dec 2013	31 Dec 2014	(NOKm)	31 Dec 2014	31 Dec 2013
1,348	1,447	Profit	1,782	1,400
53	40	Depreciations and write-downs on fixed assets	109	118
82	83	Losses on loans and guarantees	89	101
1,484	1,569	Net cash increase from ordinary operations	1,980	1,619
-587	-3,417	Decrease/(increase) other receivables	-3,356	-652
-121	3,225	Increase/(decrease) short term debt	3,164	-244
-4,627	-13,926	Decrease/(increase) loans to customers	-14,326	-5,433
1,620	3,837	Decrease/(increase) loans credit institutions	4,102	1,824
3,344	6,193	Increase/(decrease) deposits and debt to customers	6,127	3,822
-1,031	1,193	Increase/(decrease) debt to credit institutions	1,193	-1,031
277	2,777	Increase/(decrease) in short term investments	2,777	277
358	**1,451**	**A) NET CASH FLOW FROM OPERATIONS**	**1,660**	**182**
-22	-33	Increase in tangible fixed assets	-83	-32
-	-	Reductions in tangible fixed assets	-	1
-58	-258	Paid-up capital, associated companies	-437	250
-137	235	Net investments in long-term shares and partnerships	322	-253
-217	**-56**	**B) NET CASH FLOW FROM INVESTMENTS**	**-198**	**-34**
264	52	Increase/(decrease) in subordinated loan capital	52	264
-	-	Increase/(decrease) in equity	-	-
-195	-227	Dividend cleared	-227	-195
-30	-124	To be disbursed from gift fund	-124	-30
31	-82	Correction of equity capital/other equity transactions	-148	25
3,503	-1,130	Increase/(decrease) in other long term loans	-1,130	3,503
3,573	**-1,512**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-1,579**	**3,566**
3,714	**-117**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-117**	**3,714**
1,079	4,793	Cash and cash equivalents at 1.1	4,793	1,079
4,793	4,676	Cash and cash equivalents at end of quarter	4,676	4,793
3,714	**-117**	**Net changes in cash and cash equivalents**	**-117**	**3,714**

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Net profit	**-**	**-**	321	587	227	124	89	**-**	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Reduction of nominal value per equity certificate	0	-	-	-0	-	-	-	-	0
Total transactions with owners	0	-	-	-0	-195	-30	-	-	-225
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**-**	**9,811**
Equity capital at 1 January 2014	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**195**	**-**	**9,811**
Net profit	-	-	372	679	292	160	-57	-	1,447
Other comprehensive income									
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	-	1,365
Transactions with owners									
Dividend declared for 2013	-	-	-	0	-227	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-0
Total transactions with owners	-0	-	-0	0	-227	-124	-	-	-351
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**139**	**-**	**10,824**

Group	Majority share										
	Issued equity		Earned equity								
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,342**	**67**	**10,082**
Net profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**

Group	Majority share									
	Issued equity			Earned equity						
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2014	**2,597**	**895**	**3,276**	**2,496**	**227**	**124**	**206**	**1,354**	**67**	**11,242**
Net profit	-	-	372	679	292	160	-57	325	10	1,782
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,685
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-40	-	-40
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404
Equity capital at 31 December 2014	**2,597**	**895**	**3,619**	**3,122**	**292**	**160**	**148**	**1,620**	**72**	**12,524**

Equity capital cetificate ratio

(NOKm)	31 Dec 2014	31 Dec 2013
ECC capital	2,597	2,597
Dividend equalisation reserve	3,122	2,496
Premium reserve	895	895
Unrealised gains reserve	90	126
A. The equity capital certificate owners' capital	**6,704**	**6,114**
Ownerless capital	3,619	3,276
Unrealised gains reserve	49	69
B. The saving bank reserve	**3,668**	**3,345**
To be disbursed from gift fund	160	124
Dividend declared	292	227
Equity ex. profit	**10,824**	**9,811**
Equity capital certificate ratio A/(A+B)	**64.64 %**	**64.64 %**
Equity capital certificate ratio for distribution	64.64 %	64.64 %

Results from quarterly accounts

Group (NOKm)	4Q 2014	3Q 2014	2Q 2014	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012
Interest income	1,103	1,080	1,055	1,027	1,059	1,068	1,036	954	941
Interest expenses	618	617	625	615	624	634	633	611	543
Net interest	**485**	**463**	**430**	**412**	**436**	**434**	**403**	**343**	**399**
Commission income	323	314	326	318	323	323	323	262	280
Commission expenses	33	28	28	25	25	28	21	20	28
Other operating income	81	74	96	93	84	72	95	75	69
Commission income and other income	**371**	**361**	**394**	**385**	**382**	**367**	**396**	**317**	**321**
Dividends	5	0	14	46	0	11	30	0	2
Income from investment in related companies	144	170	131	82	98	120	36	101	3
Net return on financial investments	-58	1	56	129	58	5	-17	61	32
Net return on financial investments	**91**	**170**	**201**	**257**	**156**	**135**	**49**	**162**	**37**
Total income	**947**	**993**	**1,026**	**1,055**	**974**	**937**	**849**	**822**	**756**
Staff costs	267	235	245	254	222	224	237	240	234
Administration costs	129	122	126	123	134	100	117	97	113
Other operating expenses	83	68	72	64	110	83	81	78	90
Total operating expenses	**479**	**425**	**443**	**441**	**465**	**406**	**435**	**414**	**437**
Result before losses	**467**	**568**	**583**	**614**	**508**	**530**	**413**	**407**	**319**
Loss on loans, guarantees etc.	34	24	15	17	32	30	22	17	17
Result before tax	**434**	**545**	**568**	**597**	**476**	**501**	**391**	**390**	**302**
Tax charge	60	101	103	99	110	98	102	77	69
Result investment held for sale, after tax	0	-1	-1	1	-4	31	-4	7	27
Net profit	**375**	**443**	**464**	**500**	**361**	**433**	**285**	**321**	**260**

Key figures from quarterly accounts

Group (NOKm)	4Q 2014	3Q 2014	2Q 2014	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012
Profitability									
Return on equity per quarter	12.1%	14.5%	16.0%	17.7%	13.1%	16.3%	11.1%	12.7%	10.5%
Cost-income ratio	51 %	43%	43%	42%	48%	43%	51%	50%	58%
Balance sheet									
Gross loans to customers	90,339	86,500	85,221	79,380	80,317	79,856	78,992	76,441	74,959
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	120,196	116,240	114,574	111,574	112,052	110,250	108,984	106,846	104,925
Deposits from customers	62,201	58,000	59,408	54,736	56,074	53,474	55,294	52,603	52,252
Total assets	126,047	117,194	118,758	111,609	115,360	111,977	113,190	110,790	107,919
Average total assets	121,620	117,976	115,184	113,485	113,668	112,583	111,979	109,344	109,279
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months	7.3 %	5.4 %	5.1 %	4.4 %	6.8 %	6.7 %	8.4 %	9.7 %	10.2 %
Growth in deposits last 12 months	10.9 %	8.5 %	7.4 %	4.1 %	7.3 %	5.1 %	7.3 %	7.4 %	9.2 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.11 %	0.08 %	0.05 %	0.06 %	0.12 %	0.11 %	0.08 %	0.06 %	0.06 %
Non-performing commitm. as a percentage of gross loans	0.22 %	0.29 %	0.29 %	0.24 %	0.34 %	0.35 %	0.38 %	0.36 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.18 %	0.18 %	0.21 %	0.14 %	0.19 %	0.13 %	0.15 %	0.14 %
Solidity									
Common equity tier 1	11.2 %	11.5 %	11.4 %	11.1 %	11.1 %	10.7 %	10.3 %	10.4 %	10.0 %
Core capital ratio	13.0 %	13.4 %	13.3 %	12.9 %	13.0 %	12.6 %	12.2 %	11.7 %	11.3 %
Capital adequacy ratio	15.7 %	16.1 %	15.0 %	14.8 %	14.7 %	14.2 %	13.8 %	13.3 %	13.3 %
Core capital	12,382	12,302	11,635	11,303	10,989	10,707	10,508	9,686	9,357
Net equity and related capital	14,937	14,826	13,164	12,893	12,417	12,053	11,894	10,971	10,943
Key figures ECC *)									
ECC price	58.50	59.25	54.25	53.75	55.00	45.70	46.50	46.90	34.80
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	62.04	60.53	58.32	56.39	55.69	53.76	51.66	50.32	50.09
Profit per ECC, majority	1.85	2.19	2.29	2.48	1.79	2.14	1.43	1.55	1.29
Price-Earnings Ratio	7.89	6.75	5.91	5.42	7.68	5.23	8.13	7.55	6.74
Price-Book Value Ratio	0.94	0.98	0.93	0.95	0.99	0.85	0.90	0.93	0.69

*) The key figures are corrected for issues

Notes

Contents

Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts.

The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2013. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

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

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

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

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

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

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 4 Critical estimates and assessments concerning the use of accounting principles.

Nets Holding AS

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

Pensions

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

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

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

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

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

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

Note 3 - Account by business line

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

For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

Group 31 December 2014

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

Group 31 December 2013

Profit and loss account (NOKm)	RM	SME	Group Corporates	Markets	EM 1	SB1 Finans MN	SB1 Regnskaps-huset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	630	284	695	5	7	118	-0	-	-	-122	1,616
Interest from allocated capital	11	3	34	-1	-	-	-	-	-	-47	-
Total interest income	**641**	**286**	**729**	**4**	**7**	**118**	**-0**	**-**	**-**	**-170**	**1,616**
Commission income and other income	704	79	91	29	368	-3	133	-	-	62	1,463
Net return on financial investments ***)	1	1	49	40	-	0	-0	210	91	141	531
Total income *)	**1,346**	**366**	**869**	**73**	**375**	**116**	**132**	**210**	**91**	**33**	**3,610**
Total operating expenses	**641**	**156**	**257**	**85**	**314**	**45**	**118**	**-**	**-**	**103**	**1,722**

Ordinary operating profit	**705**	**210**	**612**	**-13**	**61**	**70**	**14**	**210**	**91**	**-71**	**1,888**
Loss on loans, guarantees etc.	6	5	71	-	-	20	-	-	-	-1	101
Result before tax including held for sale	**699**	**205**	**541**	**-13**	**61**	**51**	**14**	**210**	**91**	**-70**	**1,788**
Post-tax return on equity)**	**31.6 %**	**24.0 %**	**10.5 %**	**1.1 %**							**13.3 %**
Balance (NOKm)											
Loans and advances to customers	64,156	9,055	31,920	-	-	3,291	-	-	-	3,631	112,052
Adv. of this to SpareBank 1 Boligkreditt	-30,204	-421	-1,110	-	-	-	-	-	-	0	-31,735
Individual allowance for impairment on loan	-28	-15	-122	-	-	-23	-	-	-	15	-173
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	501	35	306	-	291	12	105	1,113	1,188	31,961	35,511
Total assets	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**
Deposits to customers	24,459	8,734	21,544	-	-	-	-	-	-	1,337	56,074
Other liabilities and equity	9,893	-111	9,274	-	291	3,264	105	1,113	1,188	34,270	59,286
Total liabilites	**34,351**	**8,623**	**30,818**	**-**	**291**	**3,264**	**105**	**1,113**	**1,188**	**35,607**	**115,360**

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

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

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

Note 4 - Operating expenses

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

Note 5 - Distribution of loans by sector/industry

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

Note 6 - Losses on loans and guarantees

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

Note 7 – Losses

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

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

Note 8 – Defaults

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

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q4.
Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

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

Note 10 - Distribution of customer deposits by sector/industry

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

Note 11 - Debt created by issue of securities

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

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

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

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

Note 12 - Other liabilities

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

Note 13 - Capital adequacy

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

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

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

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

The most central changes in connection with the new rules:

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

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

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

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

Parent Bank			Group	
31 Dec 2013	31 Dec 2014	(NOKm)	31 Dec 2014	31 Dec 2013
2,597	2,597	Equity capital certificates	2,597	2,597
-0	-0	- Own holding of ECCs	-0	-0
895	895	Premium fund	895	895
2,496	3,122	Dividend equalisation fund	3,122	2,496
3,276	3,619	Savings bank's reserve	3,619	3,276
227	292	Recommended dividends	292	227
124	160	Provision for gifts	160	124
195	139	Unrealised gains reserve	148	206
-	-	Other equity and minority interest	1,620	1,354

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

Note 14 - Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The Bank has no financial instruments booked on a net basis in the financial statements.

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of the forth quarter 2014 the Bank has 25 active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
31 Dec 2014	Derivatives	1,980
31 Dec 2013	Derivatives	1,488

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

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

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

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

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

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

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

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:

Assets (NOKm)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	111	2,939	-	3,050
Bonds and money market certificates	4,003	11,539	-	15,542
Equity instruments	67	-	909	976
Fixed interest loans	-	-	2,648	2,648
Financial assets avaliable for sale				
Equity instruments	-	-	40	40
Total assets	**4,181**	**14,477**	**3,597**	**22,256**

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

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

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

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

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

Note 16 - Subsequent events

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

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

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

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

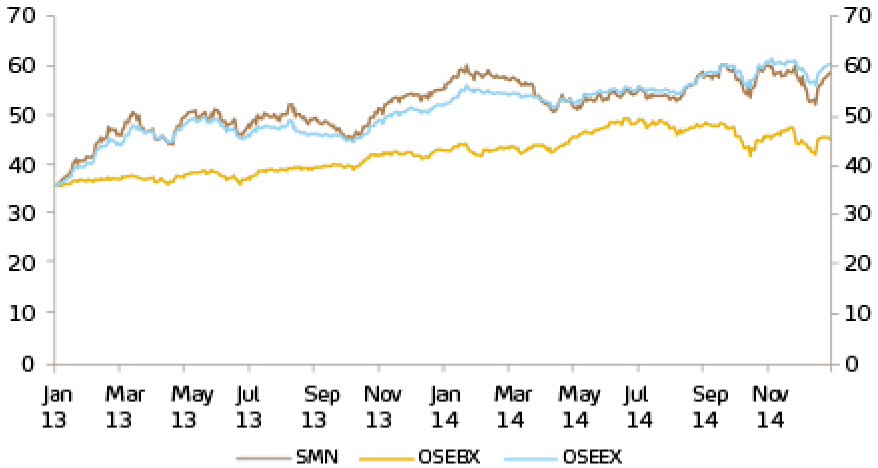
The operations of the two companies will primarily continue as-is, with 70 employees in Oslo and 40 employees in Trondheim. The merged company will be led by Stein Husby. The business area 'Foreign Exchange and Derivatives', as well as certain supporting functions, will be located in Trondheim.

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

Equilty capital certificates

Stock price compared with OSEBX and OSEEX

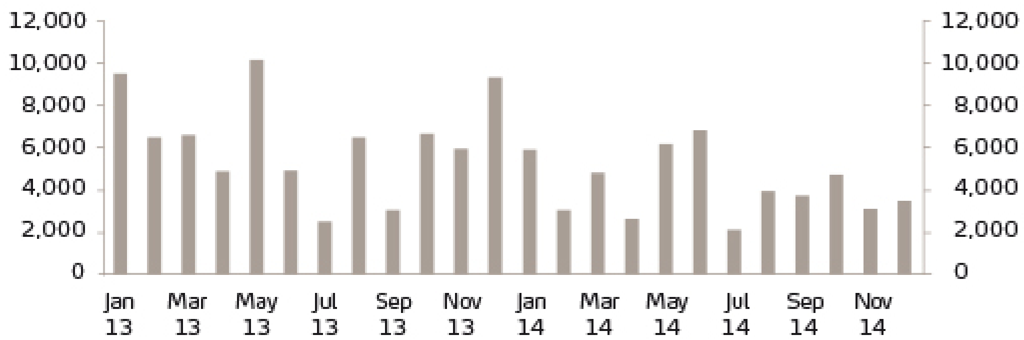
1 Jan 2013 to 31 Dec 2014



OSEBX = Oslo Stock Exchange Benchmark Index (rebased)
OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 Jan 2013 to 31 Dec 2014



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Verdipapirfondet DNB Norge (IV)	4,309,928	3.32 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Odin Norge	3,823,131	2.94 %
VPF Nordea Norge Verdi	3,538,004	2.72 %
Pareto Aksje Norge	3,302,488	2.54 %
The Bank of New York Mellon (nominee)	3,118,007	2.40 %
Odin Norden	2,854,979	2.20 %
Vind LV AS	2,736,435	2.11 %
State Street Bank and Trust CO (nominee)	2,609,428	2.01 %
Wimoh Invest AS	2,359,388	1.82 %
MP Pensjon PK	2,058,415	1.59 %
Danske Invest Norske Aksjer Inst. II	2,003,167	1.54 %
Forsvarets Personellservice	1,491,146	1.15 %
DNB Livsforsikring ASA	1,472,982	1.13 %
Pareto Aktiv	1,412,325	1.09 %
Pareto AS	1,330,202	1.02 %
VPF Nordea Kapital	1,222,189	0.94 %
Danske Invest Norske Aksjer Instit. I	1,110,223	0.86 %
Fondsfinans Spar	1,075,000	0.83 %
Verdipapirfondet Handelsbanken	1,050,000	0.81 %
The 20 largest ECC holders in total	**46,842,828**	**36.08 %**
Others	82,993,615	63.92 %
Total issued ECCs	**129,836,443**	**100.00 %**

Dividend policy

SpareBank 1 SMN aims to manage the Group’s resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank’s equity certificate.

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

SpareBank 1 SMN’s intention is that up to one half of the owner capital’s share of the net profit for the year should be disbursed in dividends and, similarly, that up to one half of the owner capital’s share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.