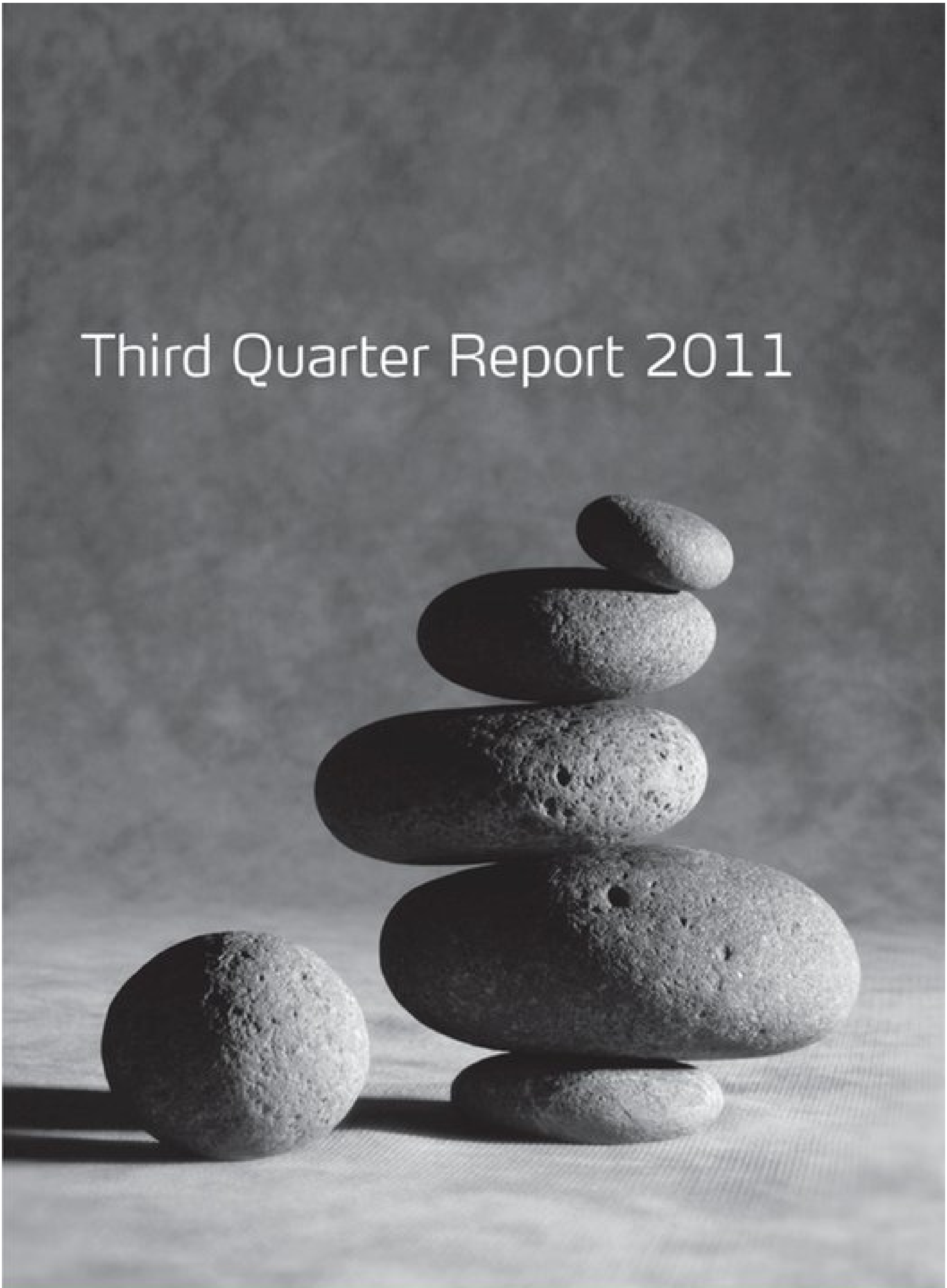
Third Quarter Report 2011



SpareBank 1 SMN

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Main Figures

From the profit and loss account	30 Sept 2011 NOKm	30 Sept 2011 %	30 Sept 2010 NOKm	30 Sept 2010 %	2010 NOKm	2010 %
Net interest	965	1.32	917	1.36	1,210	1.33
Commission income and other income	687	0.94	632	0.94	855	0.94
Net return on financial investments	365	0.50	292	0.43	490	0.54
Total income	**2,017**	**2.75**	**1,841**	**2.74**	**2,555**	**2.80**
Total operating expenses	**1,070**	**1.46**	**829**	**1.23**	**1,140**	**1.25**
Results	**948**	**1.29**	**1,012**	**1.51**	**1,414**	**1.55**
Loss on loans, guarantees etc	1	0.00	108	0.16	132	0.15
Results before tax	**946**	**1.29**	**904**	**1.35**	**1,282**	**1.40**
Tax charge	201	0.27	200	0.30	260	0.28
Net profit	**745**	**1.02**	**704**	**1.05**	**1,022**	**1.12**

Key figures	30 Sept 2011	30 Sept 2010	2010
Profitability			
Return on equity[1)]	12.6 %	13.9 %	14.6 %
Cost-income ratio[2)]	53 %	45 %	45 %
Balance sheet			
Gross loans to customers	71,570	67,069	69,847
Gross loans to customers incl. SpareBank 1 Boligkreditt	92,671	86,046	87,665
Deposits from customers	46,024	38,643	42,786
Deposit-to-loan ratio	64 %	58 %	61 %
Growth in loans incl.Boligkreditt	7.7 %	12.4 %	13.2 %
Growth in deposits	19.1 %	2.8 %	14.9 %
Average total assets	97,718	89,648	91,317
Total assets	100,009	95,327	97,992
Losses and defaults in % of gross loans incl. Boligkreditt			
Impairment losses ratio	0.00 %	0.18 %	0.16 %
Non-performing commitm. as a percentage of gross loans[3)]	0.36 %	0.38 %	0.57 %
Other doubtful commitm. as a percentage of gross loans	0.24 %	0.84 %	0.24 %
Solidity			
Capital adequacy ratio	12.1 %	12.8 %	13.0 %
Core capital ratio	10.4 %	10.6 %	10.9 %
Core capital	7,504	7,033	7,286
Net equity and related capital	8,675	8,493	8,646
Branches and staff			
Number of branches	54	53	54
No. Of full-time positions	1,085	1,050	1,035

Key figures ECC [4]	30 Sept 2011	30 Sept 2010	2010	2009	2008	2007
ECC ratio	61.3 %	61.4 %	61.3 %	54.8 %	56.3 %	54.2 %
Number of certificates issued, millions	94.92	94.89	94.90	69.43	57.86	53.98
ECC price	39.30	49.00	54.00	49.02	22.85	54.65
Stock value (NOKM)	3,730	4,650	5,124	3,749	1,750	3,900
Booked equity capital per ECC (including dividend)	52.49	48.13	50.60	44.89	40.03	38.35
Profit per ECC	4.81	4.13	6.43	6.73	4.49	6.16
Dividend per ECC			3.00	2.27	1.51	4.24
Price-Earnings Ratio	6.12	8.29	8.40	7.29	5.09	8.87
Price-Book Value Ratio	0.75	1.02	1.07	1.09	0.57	1.43

[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 transferred to SpareBank 1 Boligkreditt, and guarantees drawn.

[4] The key figures are corrected for issues. No change in the number of ECCs.

Report of the Board of Directors

Accounts for the nine months ended 30 September 2011

(Consolidated figures. Figures in parentheses refer to the same period of 2010 unless otherwise stated). A limited audit has been conducted of the income statement and balance sheet of SpareBank 1 SMN, both the Company and the Group, as of 30 September 2011.

- Profit before tax: NOK 946m (904m)
- Profit: NOK 745m (704m)
- Return on equity: 12.6% (13.9%)
- Lending growth 7.7% (12.4%), deposit growth 19.1% (2.8%) over past 12 months
- Loan losses: NOK 1m (108m)
- Tier 1 capital adequacy: 10.4% (10.6%)
- Earnings per equity capital certificate (ECC): NOK 4.81 (4.13)

Accounts for third quarter 2011 in isolation

- Profit before tax: NOK 306m (323m)
- Profit: NOK 240m (256m)
- Return on equity: 12.0% (13.9%)
- Loan losses: NOK 8m (12m)
- Earnings per ECC: NOK 1.55 (1.61)

Good profit performance in first nine months of 2011

Highlights:

- Strong underlying operations and positive profit trend
- Reduced loan losses
- Good return on financial investments
- Strong financial position and satisfactory funding
- High lending growth in the retail market

In the first nine months of 2011 SpareBank 1 SMN recorded a pre-tax profit of NOK 946m (904m). Net profit came to NOK 745m (704m) and return on equity was 12.6% (13.9%).

Pre-tax profit in the third quarter in isolation was NOK 306m, on a par with the figure for both the first and second quarters.

Return on equity in the quarter was 12.0%.

Overall operating income came to NOK 1,652m (1,549m) in the first nine months, an increase of NOK 103m over the same period of 2010. Both the parent bank and subsidiaries recorded increased operating income.

Return on financial investments was NOK 365m (292m), of which the overall share of affiliates' profit came to NOK 171m (167m) as of the third quarter.

Operating expenses totalled NOK 1,070m in the first nine months of 2011 (829m), NOK 241m higher than in 2010. NOK 117m of the increase refers to the write-back of the AFP (early retirement) provision in the first quarter of 2010.

Net losses on loans and guarantees totalled NOK 1m (108m). No basis was found for revising collectively assessed write-downs in the third quarter.

As of end-September 2011 12-month growth in lending was 7.7% (12.4%) and 12-month growth in deposits was 19.1% (2.8%).

At the same point in time tier 1 capital adequacy was 10.4% (10.6%) and total capital adequacy was 12.1% (12.8%).

The price of the Bank’s ECC at this point was NOK 39.30 (49.00 at end-2010).

Earnings per ECC were NOK 4.81 (4.13) in the first nine months, and book value per ECC was NOK 52.49 (48.13).

Improved net interest income in third quarter
Net interest income in the third quarter in isolation came to NOK 320m, a slight improvement from the second quarter (318m).

Net interest income for the first nine months totalled NOK 965m (917m). The increase is mainly due to:

- Higher lending and deposit volumes
- Increased commission related to setting up of corporate loans
- For 2011 banks are exempt from payment of levy to the Norwegian Banks’ Guarantee Fund. This amounts to NOK 48m on an annual basis

Relative net interest income shows a slight decline in the period. This is due to higher funding costs which have not been fully passed on to the Bank’s borrowers through higher lending rates. The Bank has announced a general interest rate increase for both retail customers and corporates with effect from the second half of November.

Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, not interest income. It amounted to NOK 63m (82m) for the first nine months.

As of end-September 2011 home mortgage loans worth NOK 21.1bn (19.0bn) had been transferred to SpareBank 1 Boligkreditt.

Increased commission income
Commission income and other operating income rose by NOK 54m or 8.5% to NOK 687m (NOK 633m) in the first nine months of 2011. Income from estate agency showed the largest increase.

As of end-September 2011 commission income from SpareBank 1 Boligkreditt was down NOK 19m to NOK 63m compared with the same period of 2010. This is solely ascribable to higher funding costs for the residential mortgage company as a result of the uncertainty in the financial markets.

Commission income, NOKm	30 Sept 2011	30 Sept 2010	Change
Payment transfers	150	150	-1
Savings	41	45	-3
Insurance	77	70	7
SpareBank 1 Boligkreditt	63	82	-20
Guarantee commission	21	22	-1
Real estate agency	226	187	39
Accountancy services	54	40	14
Active management	9	7	2
Rental income	22	0	22
Other commissions	23	29	-6
Total	**687**	**633**	**54**

Financial investments

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 193m (125m) in the first nine months of 2011. The overall return breaks down as follows:

- Return on the Group's share portfolios totalled NOK 66m (56m), of which NOK 51m comprised net gains at SpareBank 1 SMN Invest (loss of NOK 22m). This company manages parts of the Bank's share portfolio.
- Net gains on bonds and derivatives in the first nine months of 2011 came to NOK 71m (38m). SpareBank 1 SMN focuses on investing in solid issuers with low market volatility. The Bank adopts a conservative approach to bond portfolio management with little exposure to bank bonds; the bulk of investment is in government bonds, government guaranteed bonds, municipal bonds and well-rated covered bonds. A further aim is to keep interest rate risk low, with hedging of assets, issues and interest rate positions alike.
- Gains on forex and fixed income trading at SpareBank 1 SMN Markets totalled NOK 56m (31m).

Return on financial investments, NOKm	30 Sept 2011	30 Sept 2010
Capital gains/dividends, shares	66	56
Bonds and derivatives	71	38
SpareBank 1 SMN Markets	56	31
Net return on financial investments	**193**	**125**
SpareBank 1 Gruppen AS	50	103
SpareBank 1 Boligkreditt AS	15	10
SpareBank 1 Næringskreditt AS	6	2
Bank 1 Oslo AS	14	32
BN Bank ASA	73	34
Polaris ASA	21	-
Other jointly controlled companies	-8	-14
Income from investment in related companies	**172**	**167**
Total	**365**	**292**

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen's post-tax profit in the first nine months of 2011 was NOK 245m (508m). The decline is largely attributable to a weaker performance at SpareBank 1 SMN Skadeforsikring AS.

SpareBank 1 SMN's share of the profit was NOK 50m (103m).

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. By transferring their highest quality home mortgage loans to the company, the SpareBank 1 banks benefit from reduced funding costs and increased competitive power.

The Bank's stake in SpareBank 1 Boligkreditt AS is 19.6%, and the Bank's share of the company's profit in the first nine months of 2011 was NOK 14.6m (9.6m).

SpareBank 1 Næringskreditt AS

The SpareBank 1 banks established SpareBank 1 Næringskreditt AS in the second quarter of 2009 - along the same lines, and with the same administration, as SpareBank 1 Boligkreditt AS.

SpareBank 1 SMN's stake in the company is 37%, and in the first nine months of 2011 the Bank's share of the company's profit was NOK 6.2m (2.1m).

As of end-September 2011 SpareBank 1 Næringskreditt AS had purchased loans worth NOK 8.3bn from BN Bank and issued covered bonds to a value of NOK 7.0bn.

Bank 1 Oslo Akershus AS

SpareBank 1 SMN has a 19.5% stake in Bank 1 Oslo AS. SpareBank 1 SMN's share of Bank 1 Oslo AS' profit was NOK 14.4m (32.1m) in the first nine months of 2011.

BN Bank ASA

SpareBank 1 SMN's stake in BN Bank ASA was 33% as of end-September 2011.

SpareBank 1 SMN's share of the profit of BN Bank for the first nine months of 2011 came to NOK 73.0m (34.0m), including amortisation effects.

Polaris Media ASA

After acquiring 18.81% of the shares of Polaris Media ASA on 28 March 2011, the SMN Group owns 23.45% of the shares of the company. The company is therefore classified as an affiliate of SpareBank 1 SMN.

The shares were taken over at a total value of NOK 248m distributed on NOK 9.2m shares. In addition, dividends worth NOK 13.8m were paid in the second quarter.

SpareBank 1 SMN's estimated share of the profit from the date of acquisition of the shares was taken to income in the second and third quarters in the amount of NOK 20.6m.

Ålesund

SpareBank 1 SMN took over BN Bank's operation in Ålesund in 2009. The loan portfolio will for a period be guaranteed by BN Bank against a guarantee commission. At the end of the third quarter of 2011 customers representing loans totalling NOK 3.1bn were covered by the guarantee.

SpareBank 1 SMN also assumed responsibility for 36 employees, leases and other commitments in

Ålesund. The Bank receives compensation from BN Bank ASA for its outlays in the initial years based on a phase-out model. The BN Bank portfolio forms the basis for SpareBank 1 SMN's venture in Sunnmøre.

Operating expenses

Overall costs came to NOK 1,070m (829m) in the first nine months of 2011.

The very low costs in the first nine months of 2010 were largely a result of the write-back of pension liabilities accumulated under the AFP (early retirement) scheme. For the SpareBank 1 SMN group this had an overall one-time effect of NOK 117m.

Comparable costs in the first nine months of 2011 are NOK 946m. The real increase in Group operating expenses was NOK 124m, corresponding to 13%. NOK 74m of the increase, corresponding to 10%, arose at the parent bank. The increase is essentially ascribable to costs related to the new head office and higher IT costs.

Costs at the Bank's subsidiaries rose overall by NOK 50m, corresponding to 22%, essentially due to an increased resource input at Eiendomsmegler 1 and strong growth at SpareBank 1 SMN Regnskap through the acquisition of local accountancy firms in 2011. Incomes rose by NOK 40m at Eiendomsmegler 1 and NOK 14m at SpareBank 1 SMN Regnskap in the same period.

By the end of the first nine months of 2011 the cumulative effect of measures implemented so far under the cost-reduction programme “170 million in 2012” was NOK 160m.

These are the most important measures in 2011:

- Simplified and improved credit process in the Retail and Corporate market Divisions
- Effectivising the branch network
- Streamlining support functions

Operating expenses were 1.46% of average total assets (1.23%). The Group's cost-income ratio was 53% (51% excluding the write-back of early retirement (AFP) liabilities).

Reduced losses and lower rate of defaults

In the first nine months of 2011 net loan losses came to NOK 1m (108m). No basis was found for revising collectively assessed loss write-downs in 2011. Net loan losses in the third quarter in isolation were NOK 8m.

In the first nine months net incomings on individually assessed impairment write-downs totalled NOK 5m (104m), including losses of NOK 11m (20m) at SpareBank 1 SMN Finans. There was no basis for new, individually assessed impairment write-downs of significance in 2011, and there were incomings on individual exposures.

A net loss of NOK 6m (4m) was recorded on the retail portfolio in the first nine months of 2011.

Overall individual loan impairment write-downs recorded in the balance sheet in the first nine months came to NOK 159m (283m).

Total problem loans (defaulted and doubtful) came to NOK 555m (1,052m), or 0.60% (1.22%) of gross outstanding loans, including loans transferred to SpareBank 1 Boligkreditt.

Defaults in excess of 90 days came to NOK 332m (326m), measuring 0.36% (0.38%) of gross lending. Of total defaults, NOK 79m (76m) are loss provisioned, corresponding to 24% (23%).

Defaults break down to NOK 220m on corporates and NOK 112m on retail customers.

Other doubtful exposures totalled NOK 223m (726m), measuring 0.24% (0.84%) of gross lending. Individually assessed write-downs on these exposures were NOK 81m (207m) or 36% (29%).

Other doubtful exposures break down to NOK 208m on the corporate market and NOK 15m on the retail market.

No basis for revising collectively assessed loss write-downs
Collective assessment of loss 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).

In the first nine months no basis was found for revising collectively assessed write-downs. The aggregate volume of such write-downs is accordingly NOK 290m (289m).

Total assets of NOK 100bn
The Bank's assets totalled NOK 100.0bn as of end-September 2011 (95.3bn), having risen by NOK 4.7bn or 5.1% over the last 12 months.

As of the first nine months of 2011, NOK home mortgage loans worth 21.1bn (19.0bn) had been transferred by SpareBank 1 SMN to SpareBank 1 Boligkreditt. These loans do not figure as lending in the Bank's balance sheet, and earnings they generate appear in the accounts as commission income. The comments covering lending growth include loans transferred to SpareBank 1 Boligkreditt.

Strong growth in lending to retail market, subdued growth in lending to corporates
In the 12 months to end-September 2011, total outstanding loans rose by NOK 6.6bn (NOK 9.5bn) or 7.7% (12.4%) to reach NOK 92.7bn. Growth in the first nine months of 2011 came to 5.7% (11.1%)

Lending to retail customers rose by NOK 5.0bn (4.1bn) to NOK 53.7bn in the 12 months to end-September 2011, corresponding to growth of 10.2% (9.1%). Growth in lending to retail customers in the first nine months was 8.1% (7.8%).

12-month growth in lending to corporates was NOK 1.6bn (5.4bn) or 4.4% (17.0%). Overall outstanding loans to corporates came to NOK 39.0bn as of end-September 2011. Growth in lending to corporates in the first nine months of 2011 in isolation was 2.6% (15.8%). The Group's venture in Sunnmøre through the takeover of BN Bank's operation in Ålesund accounts for a significant share of the growth in the past 12 months.

Lending to retail customers measured 58% (57%) of ordinary loans to customers as of end-September 2011.

High growth in deposits
In the 12 months to end-September, customer deposits rose by NOK 7.4bn (1.1bn) or 19.1% (2.8%) to reach NOK 46.0bn.

Retail customer deposits rose by NOK 1.5bn (1.0bn) or 8.1% (5.4%) to NOK 20.5bn, while deposits from corporates rose by NOK 5.8bn (NOK 0.1bn) or 29.7% (0.5%) to 25.5bn. The deposit growth in the corporate market is ascribable to general underlying growth and to individual deposits from a number of large customers in both the public and private sectors.

No growth in the volume of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 4.8bn at end-September 2011 (4.8bn). Compared with 2010, equity funds have risen in value and pension products and energy funds have fallen in value. There are no new sales in the energy fund portfolio.

Saving products, customer portfolio, NOKm	30 Sept 2011	30 Sept 2010	Change
Equity funds	2,416	2,098	318
Pension products	732	912	-180
Active management	951	953	-2
Energy fund management	235	374	-139
Property funds	447	447	0
Total	**4,781**	**4,784**	**-3**

Sound growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 9% in the 12 months to end-September. Non-life insurance rose by 11% and personal insurance by 10%. In the occupational pensions segment the portfolio remained at the same level.

Insurance, premium volume, NOKm	30 Sept 2011	30 Sept 2010	Change
Non-life insurance	614	553	61
Personal insurance	169	153	16
Occupational pensions	125	127	-2
Total	**908**	**833**	**75**

Strong profitability and good growth in the retail market

The retail market business achieved a return on equity of 23.2% (28.1%) in the first nine months of 2011.

Operating income totalled NOK 675m in the first nine months of 2011 (682m). Net interest income totalled NOK 408m (404m) and commission income NOK 267m (277m).

The lending margin in the first nine months of 2011 was 1.27% (1.46%), while the deposit margin was 0.70% (0.49%). This margin is defined as the average customer interest rate less the 3-month moving average of 3-month NIBOR. The lapse in income represented by lower lending margins is compensated for by a higher deposit margin and good growth.

In the 12 months to end-September lending to retail customers rose by 10.2% (8.4%) and deposits from the same segment by 6.1% (4.7%).

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

Retail market (NOKm)	30 Sept 2011	30 Sept 2010	Change
Net interest income	408	404	3
Commission and other income	267	277	-10
Total income	675	682	-7
Operating expenses	452	414	37
Pre-loss profit	223	267	-44
Losses	7	4	2
Profit before tax	**217**	**263**	**-46**
ROE after tax	**23.2 %**	**28.1 %**	
Allocated capital (NOK mill)	890	1,031	
Loans (NOKbn)	50.7	46.0	4.7
Deposits (NOKbn)	20.5	19.3	1.2

The Retail market Division is part of the Parent Bank, and therefore does not include figures for the Bank's subsidiaries.

Strong income growth in the Corporate market Division

Return on equity at the Corporate market Division was 14.8% (9.7%). The improvement is due both to increased income and reduced loan losses.

Total operating income came to NOK 800m in the first nine months of 2011 (675m), which was NOK 125m higher than for the same period of 2010.

Lending and deposit margins in the division were, respectively, 2.13% (2.17%) and 0.20% (0.22%). The margins are measured based on 3-month NIBOR. Lending grew by 5.3% (18.7%) and deposits by 26.5% (1.2%).

Net interest income totalled NOK 675m (566m), while commission income came to NOK 126m (110m). The increase in net interest income is essentially ascribable to growth, higher loan arrangement charges and discontinuation of the levy to the Norwegian Banks' Guarantee Fund.

Corporate market (NOKm)	30 Sept 2011	30 Sept 2010	Change
Net interest income	675	566	109
Commission and other income	126	110	16
Total income	800	675	125
Operating expenses	259	232	26
Pre-loss profit	541	443	98
Losses	-17	84	-101
Profit before tax	**559**	**359**	**199**
ROE after tax	**14.8 %**	**9.7 %**	
Allocated capital (NOK mill)	2,873	2,869	
Loans (NOKbn)	37.5	35.6	1.9
Deposits (NOKbn)	23.9	18.9	5.0

The Corporate market Division is part of the Parent Bank, and therefore does not include figures for the Bank's subsidiaries.

Rising income at SpareBank 1 SMN Markets
SpareBank 1 Markets delivers a complete range of capital market products and services.

SpareBank 1 Markets reports total income of NOK 98m (68m) for the first nine months of 2011. Income is increasing in most business areas.

Markets (NOKm)	30 Sept 2011	30 Sept 2010	Change
Currency trading	38.2	33.5	4.7
Fixed income products	32.3	15.7	16.6
Corporate	8.0	12.8	-4.8
Securities, brokerage commission	19.4	6.0	13.4
Total income	**97.9**	**68.0**	**29.9**

Subsidiaries
The subsidiaries posted an aggregate pre-tax profit of NOK 111.7m (55.7m), exc. minority shares, in the first nine months of 2011. SpareBank 1 SMN Invest AS is dealt with under the section “Financial investments” earlier in this report.

Pre-tax profit, NOKm	30 Sept 2011	30 Sept 2010
EiendomsMegler 1 Midt-Norge	55.1	45.0
SpareBank 1 SMN Finans	22.5	27.4
SpareBank 1 SMN Regnskap	5.4	11.4
Allegro Finans	-3.3	-4.6
SpareBank 1 SMN Invest	50.0	-21.8
SpareBank 1 Kvartalet	-18.0	-1.7
Total	**111.7**	**55.7**

Eiendomsmegler 1 Midt-Norge AS leads the field in its catchment area with a market share of about 40%. As in 2010, the company’s profit performance in 2011 is excellent, and the company achieved a pre-tax profit of NOK 55.1m (45.0m) in the first nine months of 2011.

SpareBank 1 SMN Finans AS posted a profit of NOK 22.5m (27.4m) in the first nine months. The company is on a strong income trend, but is experiencing squeezed margins. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.0bn of which leases account for NOK 2.0bn.

SpareBank 1 SMN Regnskap AS posted a pre-tax profit of NOK 5.4m (11.4m). SpareBank 1 SMN Regnskap wrote back early retirement (AFP) liabilities in an amount of NOK 5.9m in 2010.

Sparebanken SMN Invest AS’ mission is to invest in shares, mainly in regional listed companies. The company posted a profit of NOK 50.0m in the first nine months of 2011 (loss of NOK 21.8m) after gains on its share portfolios.

Allegro Finans – which engages in active asset management – reported a loss of NOK 3.3m (loss of NOK 4.6m) before tax in the first nine months.

The company has a portfolio of about NOK 2bn under active management.

Rating

In March 2011 Fitch Ratings revised its long-term rating from 'A' with a negative outlook to 'A-' with a stable outlook. In September 2010 Moody's Investor Service upgraded its outlook for the Bank's long-term debt (A1) from a negative outlook to a stable outlook (see issued stock exchange notices for further information).

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. This strategy stresses the importance of maintaining liquidity reserves that ensure the Bank's ability to conduct ordinary operations for a period of 12 months without recourse to new external funding.

The Bank has liquidity reserves of NOK 17bn and thus has the funding needed for 18 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are amply diversified. At quarter-end the proportion of money market funding in excess of 1 year was 75% (78%).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in the first nine months of 2011 loans totalling NOK 3.3bn were transferred to this residential mortgage company. As of end-September 2011 loans totalling NOK 21.1 billion had been transferred to SpareBank 1 Boligkreditt.

Strong financial position

As of end-September 2011 the tier 1 capital adequacy ratio was 10.4% (10.6%) and the total capital adequacy ratio was 12.1% (12.8%).

The Group aims for a tier 1 capital ratio of 9% and a total capital ratio of 12%.

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

In cooperation with the other IRB banks in the SpareBank 1 alliance, the Bank has started a process to apply for permission to use the advanced IRB approach in its calculations. The application is expected to be submitted in the course of 2012.

Figures in NOKm	**30 Sept 2011**	**30 Sept 2010**
Tier 1 capital	7,504	7,033
Subordinated loan	1,171	1,461
Capital base	**8,675**	**8,493**
Required subordinated debt	**5,748**	**5,296**
Tier 1 capital ratio	**10.4 %**	**10.6 %**
Total capital ratio	**12.1 %**	**12.8 %**

The Bank's equity capital certificate (MING)

The book value of the Bank's ECC was NOK 52.49 (NOK 48.13) at end-September 2011, and earnings per ECC were NOK 4.81 (NOK 4.13). As of end-September 2011 the price was NOK 39.30 (NOK 49.00).

The Price / Income ratio was 6.10 (8.29), and the Price / Book ratio was 0.75 (1.02).

The price at year-end was NOK 54.00 and a dividend of NOK 3.00 per ECC has been paid in 2011 for the year 2010.

Establishment of Sparebankstiftelsen SpareBank 1 SMN

The Supervisory Board has voted to set up a savings bank foundation, Sparebankstiftelsen SpareBank 1 SMN. The foundation will be allocated portions of the donations made to non-profit causes, and, based on the accounts for 2010, has received NOK 96m. The foundation has been established primarily to participate in issues of equity capital certificates placed with the foundation.

Risk factors

The international financial crisis affected the economy of Norway as that of other countries. Unemployment subsided through 2010 and into 2011, but has shown signs of levelling off in summer 2011. Forecasts indicate continued low unemployment ahead.

The Bank's results are affected directly and indirectly by the fluctuations in securities markets. The indirect effect relates above all to the Bank's equity stake in SpareBank 1 Gruppen AS where both the insurance business and assets 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 also the preceding section on funding and liquidity).

The credit quality of the Bank's loan portfolio is satisfactory, and loss and default levels are low. The cooling of the Norwegian economy as from 2008 brought increased loss levels at Norwegian financial institutions, but the last two years have again shown falling loss levels among the banks.

The continuing turbulence in global financial markets increases the uncertainty in the economic framework conditions, including the situation in the national and regional economy, and although Norwegian banks are negligibly exposed to the PIIGS, the turbulence related to the risk of losses at European banks may cause the lack of confidence to infect Norwegian banks and further reduce the bank's access to foreign finance.

Outlook ahead

SpareBank 1 SMN is well capitalised and has robust funding. Developments in 2011 confirm the Bank's market position, growth capacity and portfolio quality.

The Board of Directors is concerned to strengthen the Group's market position.

Continued turbulence in international financial markets also increases uncertainty in the national and regional economy. Business and industry in the Bank's market area report good growth and a sound profit trend overall, although parts of the export-oriented sector are seeing a reduction in demand. Unemployment is low and there are few signs in the region's macroeconomy of any change in the risk picture for the remainder of 2011.

With its strong financial position and conservative liquidity strategy, SpareBank 1 SMN can maintain ordinary operations for 18 months without further access to external funding. SpareBank 1 SMN has negligible exposure in its ordinary business and limited direct exposure to the securities markets.

The Board of Directors is satisfied with the Group's profit for the first nine months of 2011 and gives particular emphasis to its sound underlying operations and high-quality risk management. The Board expects a good profit performance for the full year 2011.

Trondheim, 26 October 2011

The Board of Directors at SpareBank 1 SMN

Per Axel Koch Chair	Eli Arnstad Deputy Chair	Paul E. Hjelm-Hansen	Aud Skrudland
Bård Benum	Kjell Bjordal	Arnhild Holstad	Venche Johnsen Staff rep.
			Finn Haugan Group CEO

Income statement

Parent bank							Group				
2010	Q3 10	Q3 11	30 Sept 2010	30 Sept 2011	(NOK million)	Note	30 Sept 2011	30 Sept 2010	Q3 11	Q3 10	2010
3,226	849	962	2,352	2,723	Interest income		2,773	2,421	978	869	3,315
2,110	551	658	1,508	1,811	Interest expenses		1,808	1,504	657	549	2,105
1,116	**298**	**304**	**844**	**912**	**Net interest**		**965**	**917**	**320**	**320**	**1,210**
573	148	140	439	424	Commission income		591	634	159	215	766
74	19	19	53	52	Commission expenses		58	58	21	21	81
24	1	6	8	21	Other operating income		155	56	96	16	170
524	**130**	**128**	**394**	**393**	**Commission income and other income**		**687**	**632**	**234**	**210**	**855**
191	0	-1	191	260	Dividends		34	43	0	0	43
-	-	-	-	-	Income from investment in related companies	2	171	167	49	69	249
221	56	52	110	113	Net return on financial investments	2	159	82	73	55	197
411	**57**	**51**	**301**	**372**	**Net return on financial investments**		**365**	**292**	**122**	**125**	**490**
2,051	**485**	**482**	**1,539**	**1,677**	**Total income**		**2,017**	**1,841**	**676**	**655**	**2,555**
376	132	137	297	414	Staff costs	2	614	447	209	191	583
278	65	70	196	218	Administration costs		268	241	86	76	339
171	44	57	121	163	Other operating expenses		188	142	66	52	218
825	**241**	**264**	**614**	**794**	**Total operating expenses**	4	**1,070**	**829**	**361**	**320**	**1,140**
1,226	**244**	**218**	**926**	**883**	**Result before losses**		**948**	**1,012**	**315**	**335**	**1,414**
108	9	5	88	-10	Loss on loans, guarantees etc.	6,7	1	108	8	12	132
1,118	**235**	**213**	**837**	**893**	**Result before tax**	3	**946**	**904**	**306**	**323**	**1,282**
235	62	60	179	184	Tax charge		201	200	66	67	260
882	**174**	**153**	**659**	**709**	**Net profit**		**745**	**704**	**240**	**256**	**1,022**
					Majority share		740	700	238	254	1,017
					Minority interest		6	4	2	1	5
					Profit per ECC		4.81	4.43	1.55	1.61	6.43
					Diluted profit per ECC		4.78	4.43	1.54	1.60	6.40

Other comprehensive income*

Parent bank						Group				
2010	Q3 10	Q3 11	30 Sept 2010	30 Sept 2011	(NOK million)	30 Sept 2011	30 Sept 2010	Q3 11	Q3 10	2010
882	174	153	659	709	Net profit	745	704	240	256	1,022
-	-	-	-	-	Available-for-sale financial assets	-6	-	-11	-	7
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-11	-34	-11	-14	-29
-	-	-	-	-	Other comprehensive income	-17	-34	-22	-14	-22
882	174	153	659	709	Total other comprehensive income	728	671	219	241	1,000
					Majority share of comprehensive income	723	666	217	240	995
					Minority interest of comprehensive income	6	4	2	1	5

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

Key figures

Parent bank						Group				
2010	Q3 10	Q3 11	30 Sept 2010	30 Sept 2011	Result as per cent of average total assets:	30 Sept 2011	30 Sept 2010	Q3 11	Q3 10	2010
1.24	1.28	1.24	1.28	1.27	Net interest	1.32	1.36	1.29	1.35	1.33
0.58	0.56	0.52	0.60	0.54	Commission income and other income	0.94	0.94	0.94	0.89	0.94
0.46	0.24	0.21	0.45	0.52	Net return on financial investments	0.50	0.43	0.49	0.53	0.54
1.11	1.03	1.08	0.93	1.10	Total operating expenses	1.46	1.23	1.46	1.35	1.50
1.36	1.05	0.89	1.40	1.22	Result before losses	1.29	1.51	1.27	1.42	1.55
0.12	0.04	0.02	0.13	-0.01	Loss on loans, guarantees etc.	0.00	0.16	0.03	0.05	0.15
1.24	1.01	0.87	1.27	1.24	Result before tax	1.29	1.35	1.24	1.36	1.40
0.40	0.50	0.55	0.40	0.47	Cost -income ratio	0.53	0.45	0.53	0.49	0.45
64 %			60 %	67 %	Loan-to-deposit ratio	64 %	58 %			61 %
15.1 %	11.1 %	9.1 %	15.5 %	14.4 %	Return on equity	12.6 %	13.9 %	12.0 %	13.9 %	14.6 %

Balance sheet

Parent bank					Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011	(NOK million)	Note	30 Sept 2011	30 Sept 2010	31 Dec 2010
2,112	3,962	409	Cash and receivables from central banks		409	3,962	2,112
2,894	3,401	3,632	Deposits with and loans to credit institutions		1,142	895	420
67,443	64,617	69,237	Gross loans to customers before write-down	5,8	71,570	67,069	69,847
-186	-247	-135	- Specified write-downs	6,7,8	-159	-283	-222
-273	-273	-273	- Write-downs by loan category	6	-290	-289	-290
66,983	64,097	68,828	Net loans to and receivables from customers		71,121	66,497	69,336
17,036	14,887	15,424	Fixed-income CDs and bonds at fair value	9	15,424	14,831	16,980
1,825	1,988	3,317	Derivatives		3,316	1,988	1,825
625	629	559	Shares, units and other equity interests	2,10	588	560	618
2,156	2,185	2,822	Investment in related companies		4,258	3,453	3,526
969	900	1,169	Investment in group companies		0	-	-
447	447	447	Goodwill		471	460	460
1,343	1,338	1,721	Other assets	11	3,278	2,682	2,722
96,390	**93,834**	**98,329**	**Assets**		**100,009**	**95,327**	**97,997**
8,743	8,940	6,348	Deposits from credit institutions		6,348	8,940	8,743
4,318	4,318	4,318	Funding, "swap" arrangement with the government		4,318	4,318	4,318
43,028	38,819	46,176	Deposits from and debt to customers	12	46,024	38,643	42,786
27,941	29,421	25,885	Debt created by issue of securities	13	25,885	29,421	27,941
1,684	1,601	3,008	Derivatives		3,008	1,601	1,684
1,337	1,621	3,119	Other liabilities	14	3,638	2,177	1,922
2,758	2,766	2,663	Subordinated loan capital	13	2,663	2,766	2,758
89,809	**87,486**	**91,516**	**Total liabilities**		**91,884**	**87,866**	**90,152**
2,373	2,373	2,373	Equity capital certificates		2,373	2,373	2,373
-0	-0	-0	Own holding of ECCs		-0	-0	-0
182	174	183	Premium fund		183	174	182
1,159	879	1,160	Dividend equalisation fund		1,160	879	1,159
285	-	-0	Recommended dividends		-0	-	285
192	-	-	Provision for gifts		-	-	192
2,345	2,155	2,344	Savings bank’s reserve		2,344	2,155	2,345
45	110	45	Unrealised gains reserve		60	124	66
-	-	-	Other equity capital		1,127	1,003	1,147
-	659	709	Profit for the periode		745	704	-
			Minority interests		134	50	97
6,581	**6,349**	**6,813**	**Total equity capital**	15	**8,126**	**7,461**	**7,846**
96,390	**93,834**	**98,329**	**Total liabilities and equity**		**100,009**	**95,327**	**97,997**

Cash flow statement

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011	(NOK million)	30 Sept 2011	30 Sept 2010	31 Dec 2010
882	659	709	Profit	745	704	1,022
31	22	27	Depreciations and write-downs on fixed assets	63	27	47
108	88	-10	Losses on loans and guarantees	1	108	132
1,022	769	726	Net cash increase from ordinary opertions	809	840	1,201
-1,032	-1,113	-1,857	Decrease/(increase) other receivables	-1,972	-1,059	-959
981	1,076	3,111	Increase/(decrease) short term debt	3,045	1,135	1,013
-8,254	-5,347	-1,835	Decrease/(increase) loans to customers	-1,787	-5,330	-8,193
-417	-924	-739	Decrease/(increase) loans credit institutions	-722	-742	-267
5,646	1,437	3,147	Increase/(decrease) deposits and debt to customers	3,239	1,416	5,558
1,751	1,948	-2,395	Increase/(decrease) debt to credit institutions	-2,395	1,948	1,751
-2,285	-135	1,611	Increase/(decrease) in short term investments	1,556	-103	-2,252
-2,587	**-2,290**	**1,770**	**A) NET CASH FLOW FROM OPERATIONS**	**1,772**	**-1,898**	**-2,148**
-107	-42	-43	Increase in tangible fixed assets	-155	-189	-265
-	-	0	Reductions in tangible fixed assets	0	-	2
-353	-314	-866	Paid-up capital, associated companies	-732	-531	-605
-37	-67	66	Net investments in long-term shares and partnerships	30	-54	-87
-497	**-422**	**-843**	**B) NET CASH FLOW FROM INVESTMENTS**	**-858**	**-775**	**-955**
133	141	-95	Increase/(decrease) in subordinated loan capital	-95	141	133
-1,250	-1,250	-	Hybrid equity State Finance Fund	-	-1,250	-1,250
823	814	-	Increase/(decrease) in equity	-	814	823
-173	-173	-285	Dividend cleared	-285	-173	-173
-27	-27	-192	To be disbursed from gift fund	-192	-27	-27
-	-		Correction of equity capital	11	-41	19
4,583	6,063	-2,056	Increase/(decrease) in other long term loans	-2,056	6,063	4,583
4,089	**5,568**	**-2,628**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-2,617**	**5,527**	**4,107**
1,005	**2,855**	**-1,702**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-1,703**	**2,855**	**1,005**
1,107	1,107	2,112	Cash and cash equivalents at 01.01	2,112	1,107	1,107
2,112	3,962	409	Cash and cash equivalents at end of quarter	409	3,962	2,112
-1,005	**-2,855**	**1,702**	**Net changes in cash and cash equivalents**	**1,702**	**-2,855**	**-1,005**

Change in equity

Parent bank

NOK million	EC capital	Premium fund	Ownerless capital	Equalisation fund	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2010	1,734	0	2,155	1,050	110	27	5,076
Net Profit			189	566	-65	192	882
Other comprehensive income							
Available-for-sale financial assets							0
Share of other comprehensive income of associates and joint venture							0
Other comprehensive income	0	0	0	0	0	0	0
Total other comprehensive income	0	0	189	566	-65	192	882
Transactions with owners:							
Dividend declared for 2009 (NOK 2,27 per ECC)				-174			-174
To be disbursed from gift fund						-27	-27
Rights issue	624	178					803
Employee placing	13	4					17
Sale of own ECCs	2			2			4
Total transactions with owners	639	182	0	-172	0	-27	622
Equity capital at 31 Dec 2010	**2,373**	**182**	**2,345**	**1,444**	**45**	**192**	**6,581**
Net Profit						709	709
Other comprehensive income							
Available-for-sale financial assets							0
Share of other comprehensive income of associates and joint venture							0
Other comprehensive income	0	0	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0	709	709
Transactions with owners:							
Dividend declared for 2010 (NOK 3,- per ECC)				-285			-285
To be disbursed from gift fund						-192	-192
Issue	1	0	-1				0
Total transactions with owners	1	0	1	-285	0	-192	-476
Equity capital at 30 Sept 2011	**2,373**	**183**	**2,344**	**1,160**	**45**	**709**	**6,813**

Group

NOK million	EC capital	Premium fund	Ownerless capital	Equalisation fund	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2010	1,734	0	2,155	1,050	124	1,079	42	6,183
Net Profit			189	566	-65	326	5	1,022
Other comprehensive income								
Available-for-sale financial assets					7			7
Share of other comprehensive income of associates and joint venture						-29		-29
Other comprehensive income	0	0	0	0	7	-29	0	-22
Total other comprehensive income	0	0	189	566	-57	297	5	1,000
Transactions with owners:								
Dividend declared for 2009 (NOK 2,27 per ECC)				-174				-174
To be disbursed from gift fund						-27		-27
Rights issue	624	178						803
Employee placing	13	4						17
Sale of own ECCs	2			2				4
Direct recognitions in equity						-10		-10
Change in minority share							50	50
Total transactions with owners	639	182	0	-172	0	-37	50	663
Equity capital at 31 Dec 2010	**2,373**	**182**	**2,345**	**1,444**	**66**	**1,339**	**97**	**7,846**
Net Profit						740	6	745
Other comprehensive income								
Available-for-sale financial assets					-6			-6
Share of other comprehensive income of associates and joint venture						-11		-11
Other comprehensive income	0	0	0	0	-6	-11	0	-17
Total other comprehensive income	0	0	0	0	-6	729	6	728
Transactions with owners:								
Dividend declared for 2010 (NOK 3,- per ECC)				-285				-285
To be disbursed from gift fund						-192		-192
Direct recognitions in equity	0			-		-1		-1
Change in minority share							29	29
Issue	1	0	-1					0
Total transactions with owners	1	0	1	-285	0	-193	29	-449
Equity capital at 30 Sept 2011	**2,373**	**183**	**2,344**	**1,160**	**60**	**1,875**	**132**	**8,126**

Equity capital certificate ratio

Parent Bank

	30 Sept 2011	31 Dec 2010
ECC capital	2,373	2,372
Dividend equalisation reserve	1,160	1,160
Premium reserve	182	182
Unrealised gains reserve	28	28
A. The equity capital certificate owners' capital	**3,743**	**3,742**
Ownerless capital	2,345	2,345
Unrealised gains reserve	17	17
B. The saving bank reserve	**2,362**	**2,362**
To be disbursed from gift fund	0	192
Dividend declared	0	285
Equity ex. profit	**6,105**	**6,581**
Equity capital certificate ratio A/(A+B)	**61.3 %**	**61.3 %**

Results from quarterly accounts

Group in NOKm	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009
Interest income	978	910	886	894	869	804	748	764	781
Interest expenses	657	592	559	601	549	506	449	448	450
Net interest	**320**	**318**	**327**	**293**	**320**	**297**	**300**	**316**	**331**
Commission income	159	199	192	199	197	193	178	209	175
Commission expenses	21	19	18	23	21	19	18	30	17
Other operating income	96	52	47	47	34	54	35	30	32
Commission income and other income	**234**	**232**	**221**	**222**	**210**	**229**	**194**	**209**	**190**
Dividends	0	31	3	0	0	42	1	0	1
Income from investment in related companies	49	69	54	83	69	57	41	78	203
Net return on financial investments	73	25	62	115	55	32	-6	75	103
Net return on financial investments	**122**	**125**	**118**	**198**	**125**	**131**	**36**	**153**	**307**
Total income	**676**	**675**	**666**	**713**	**655**	**657**	**529**	**678**	**828**
Staff costs	209	208	198	137	191	177	78	179	180
Administration costs	86	96	86	98	76	81	83	79	77
Other operating expenses	66	57	65	76	52	45	44	64	45
Total operating expenses	**361**	**361**	**348**	**311**	**320**	**303**	**206**	**323**	**303**
Result before losses	**315**	**314**	**318**	**402**	**335**	**354**	**323**	**355**	**526**
Loss on loans, guarantees etc.	8	-1	-6	25	12	28	68	39	55
Result before tax	**306**	**315**	**325**	**377**	**323**	**327**	**255**	**316**	**471**
Tax charge	66	65	70	60	67	66	67	65	65
Net profit	**240**	**250**	**255**	**318**	**256**	**260**	**188**	**251**	**406**

Key figures from quarterly accounts

Group in NOKm	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009
Profitability									
Return on equity per quarter	12.0%	12.9%	13.2%	16.6%	13.9%	15.5%	12.1%	16.5%	29.4%
Cost-income ratio	53 %	53 %	52 %	44 %	49 %	46 %	39 %	48 %	37 %
Balance sheet									
Gross loans to customers	71,570	68,559	68,553	69,847	67,069	64,390	61,886	61,782	63,792
Gross loans incl. SB1 Boligkreditt AS	92,671	90,939	88,606	87,665	86,046	83,767	79,560	77,429	76,549
Deposits from customers	46,024	45,990	42,900	42,786	38,643	41,273	37,606	37,227	37,586
Total assets	100,009	98,415	94,455	97,992	95,271	93,823	84,957	84,541	89,602
Average total assets	99,212	96,435	96,224	96,632	94,547	89,390	84,749	87,072	89,659
Growth in loans incl. SB1 Boligkreditt last 12 months	7.7 %	8.6 %	11.4 %	13.2 %	12.4 %	12.6 %	10.0 %	8.6 %	10.0 %
Growth in deposits last 12 months	19.1 %	11.4 %	14.1 %	14.9 %	2.8 %	7.8 %	4.8 %	5.5 %	5.4 %
Losses and defaults in % of gross loans incl. Boligkreditt									
Impairment losses ratio	0.03 %	-0.01 %	-0.03 %	0.11 %	0.05 %	0.15 %	0.33 %	0.20 %	0.29 %
Non-performing commitm. as a percentage of gross loans	0.36 %	0.40 %	0.54 %	0.57 %	0.38 %	0.41 %	0.42 %	0.49 %	0.94 %
Other doubtful commitm. as a percentage of gross loans	0.24 %	0.20 %	0.23 %	0.24 %	0.84 %	0.81 %	0.87 %	0.57 %	0.73 %
Solidity									
Capital adequacy ratio	12.07 %	12.31 %	12.48 %	12.97 %	12.83 %	13.20 %	13.47 %	13.56 %	13.86 %
Core capital ratio	10.45 %	10.71 %	10.59 %	10.93 %	10.62 %	10.76 %	11.01 %	10.45 %	10.59 %
Core capital	7,504	7,394	7,330	7,286	7,033	6,960	6,880	6,730	6,546
Net equity and related capital	8,675	8,496	8,638	8,646	8,493	8,537	8,418	8,730	8,563
Key figures ECC *)									
ECC price	39.30	48.90	50.00	54.00	49.00	42.30	48.00	49.02	44.02
Number of certificates issued, millions	94.92	94.90	94.90	94.90	94.89	94.89	94.91	69.43	69.43
Booked equity capital per ECC (including dividend)	52.49	51.05	49.34	50.60	48.13	46.65	45.21	44.89	43.58
Profit per ECC	1.55	1.62	1.65	2.05	1.61	1.68	1.09	1.85	2.99
Price-Earnings Ratio	6.33	7.55	7.59	6.57	7.41	6.28	11.04	6.63	3.68
Price-Book Value Ratio	0.75	0.96	1.01	1.07	1.02	0.91	1.06	1.09	1.01

*) The key figures are corrected for issues. No change in the number of ECCs

Notes

Contents

Note 1 - Accouting 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), 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.

Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and 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 2010.

As from January 2011 the Group has implemented new requirements in IAS 34 Interim Financial Reporting as regards changes in business or financial factors that affect fair value measurement of an entity’s financial assets and liabilities, and as regards transfer between levels in the fair value hierarchy used to measure the fair value of financial instruments. In addition there is the possible reclassification of financial assets resulting from a change in the purpose or application of these assets. The Group has also implemented IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, and the new IAS 24 Related Party Disclosures. None of these standards has entailed any essential change in Group reporting.

Note 2 - Critical estimates and assessments 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.

Pensions
The banking and financial industry has established an agreement on contractual early retirement (AFP) for employees reaching the age of 62. The Bank's contribution comprises the National Insurance Scheme's accumulation of disbursed pension for employees availing themselves of AFP. From age 62 to 64 the Bank's liability is 100%.

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% 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 1 G and 7.1 G.

At the end of first quarter no provision was made for the Group's de facto AFP (early retirment scheme) liability. The reason is that the Joint Office for the LO/NHO Schemes has not done the required calculations. Similarly, the year's AFP cost of the new scheme has not been booked. This is in keeping with the recommendation of the Norwegian Accounting Standards Board.

Takeover of shares in Polaris Media ASA
On 28 March 2011 SpareBank 1 SMN took over 18.81% of the shares of Polaris Media ASA. The shares, which had been posted as security for debt, were acquired by the Bank as a result of the debtor's bankruptcy. The SpareBank 1 SMN Group accordingly holds 23.45% of the shares of Polaris Media ASA, with voting rights up to 20%. The Group consequently classifies this ownership interest as an affiliate and accounts for the investment using the equity method.

The shares were taken over at a value of NOK 27 per share, plus dividend of NOK 1.50. Dividend payout is received in the second quarter.

A purchase analysis has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are measured at fair value at the time of acquisition. The difference between the Group's acquisition cost and the book value of net assets in Polaris Media ASA is allocated in the consolidated accounts to the shares of Finn.no AS, Avisa Nordland AS, business properties and future pension liabilities. The analysis builds on valuations conducted by external parties.

SpareBank1 SMN recognises its portion of the financial result of Polaris Media ASA with effect from the date of acquisition. Polaris Media ASA's quarterly financial statements have not been available to the Bank when preparing the accounts for SpareBank 1 SMN. The Bank's profit share is therefore estimated against the background of assessments made by external brokers and is consequently encumbered with uncertainty. In addition, amortisation effects from the purchase analysis are taken into account.

SpareBank 1 Næringskreditt AS
Together with the other owners of SpareBank 1 Næringskreditt, SpareBank 1 SMN has in the second quarter signed an agreement to establish a liquidity facility for SpareBank 1 Næringskreditt. Under this agreement the banks commit to purchasing residential mortgage bonds limited to the overall value of 12 month maturities at SpareBank 1 Næringskreditt. Each owner is principally liable for his share of the required amount, subsidiarily for twice the primary liability under the same agreement. The bonds may be deposited with Norges Bank and accordingly entail no significant risk for the bank.

Note 3 - Account by business line

	Group 30 Sept 2011								
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**Allegro**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	385	584	9	4	71	1	0	-89	965
Allocated	22	91	2	-	-	-	-	-115	-
Total interest income	**408**	**675**	**12**	**4**	**71**	**1**	**0**	**-204**	**965**
Commission income and other income	264	100	16	226	-1	9	54	21	687
Net return on financial investments **)	3	26	41	0	0	-	0	295	365
Total income *)	**675**	**800**	**68**	**230**	**70**	**10**	**54**	**112**	**2,017**
Total operating expenses	**452**	**259**	**62**	**174**	**35**	**13**	**49**	**27**	**1,070**
Ordinary operating profit	**223**	**541**	**7**	**55**	**34**	**-3**	**5**	**85**	**948**
Loss on loans, guarantees etc.	7	-17	-	-	12	-	-	0	1
Result before tax	**217**	**559**	**7**	**55**	**23**	**-3**	**5**	**85**	**946**
Post-tax return on equity	**23.2 %**	**14.8 %**							**12.5 %**
Balance (NOK million)									
Loans and advances to customers	50,730	37,499	-	-	2,942	-	-3	1,505	92,671
Adv. of this to Boligkreditt	-20,132	-245	-	-	-	-	-	-725	-21,101
Individual allowance for impairment on loan	-31	-103	-	-	-24	-	-	0	-159
Group allowance for impairment on loan	0	0	-	-	-16	-	-	-273	-290
Other assets	184	202	-	151	-2,476	17	21	30,788	28,888
Total assets	**30,750**	**37,353**	**-**	**151**	**425**	**17**	**18**	**31,295**	**100,009**
Deposits to customers	20,519	23,932	-	-	-	-	-	1,573	46,024
Other liabilities and equity	10,231	13,422	-	151	425	17	21	29,718	53,985
Total liabilites	**30,750**	**37,353**	**-**	**151**	**425**	**17**	**18**	**31,295**	**100,009**

					Group 30 Sept 2010				
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**Allegro**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	394	524	15	3	69	1	0	-88	917
Allocated	10	42	1	-	-	-	-	-53	-
Total interest income	**404**	**566**	**16**	**3**	**69**	**1**	**0**	**-141**	**917**
Commission income and other income	276	98	21	187	4	7	40	-1	632
Net return on financial investments **)	1	12	25	-	1	-	0	253	292
Total income *)	**682**	**675**	**62**	**190**	**74**	**7**	**40**	**111**	**1,841**
Total operating expenses	**414**	**232**	**60**	**145**	**26**	**12**	**29**	**-90**	**829**
Ordinary operating profit	**267**	**443**	**2**	**45**	**47**	**-5**	**11**	**201**	**1,012**
Loss on loans, guarantees etc.	4	84	-	-	20	-	-	0	108
Result before tax	**263**	**359**	**2**	**45**	**27**	**-5**	**11**	**201**	**904**
Post-tax return on equity	**28.1 %**	**9.7 %**							**13.9 %**
Balance (NOK million)									
Loans and advances to customers	46,035	35,632	-	-	2,991	-	-	1,387	86,046
Adv. of this to Boligkreditt	-18,020	-258	-	-	-	-	-	-699	-18,977
Individual allowance for impairment on loan	-34	-213	-	-	-36	-	-	-	-283
Group allowance for impairment on loan	0	0	-	-	-15	-	-	-273	-289
Other assets	207	170	-	115	16	-1	14	28,310	28,830
Total assets	**28,188**	**35,331**	**-**	**115**	**2,956**	**-1**	**14**	**28,724**	**95,327**
Deposits to customers	19,349	18,925	-	-	-	-	-	369	38,643
Other liabilities and equity	8,840	16,407	-	115	2,956	-1	14	28,355	56,684
Total liabilites	**28,188**	**35,331**	**-**	**115**	**2,956**	**-1**	**14**	**28,724**	**95,327**

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

**) Specification of net return on financial investments (NOKm)	30 Sept 2011	30 Sept 2010
Income from investment in related companies	171	167
adv. of this from SpareBank1 Gruppen	50	103
adv. of this from BN Bank ASA	73	34
adv. of this from Bank 1 Oslo	14	32
Net gain and dividends on securities	66	56
adv. of this from SpareBank 1 SMN Invest	51	-22
Net gain on bonds	71	38
Net gain on trading and derivatives SMN Markets	56	31
Net return on financial investments	365	292

Note 4 - Other operating expenses

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
493	403	414	Personnel expenses	614	564	711
140	103	119	IT costs	131	113	156
24	18	17	Postage and transport of valuables	19	20	27
36	25	25	Marketing	34	31	43
31	26	27	Ordinary depreciation	63	31	48
78	54	89	Operating expenses, real properties	69	64	94
42	25	29	Purchased services	36	32	52
99	66	74	Other operating expense	103	91	138
942	**720**	**794**	**Total other operating expenses before write-back of early retirement liabilities (AFP) in 2010**	**1,070**	**946**	**1,268**
-117	-106	-	Write-back of early retirement liabilities (AFP) in 2010	-	-117	-128
825	**614**	**794**	**Total other operating expenses**	**1,070**	**829**	**1,140**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2010	**30 Sept 2010**	**30 Sept 2011**		**30 Sept 2011**	**30 Sept 2010**	**31 Dec 2010**
4,640	4,379	4,430	Agriculture/forestry/fisheries/hunting	4,619	4,673	4,892
1,793	1,535	1,867	Sea farming industries	2,013	1,661	1,906
2,507	3,046	2,784	Manufacturing	3,026	3,305	2,775
2,028	2,117	2,012	Construction, power and water supply	2,480	2,599	2,511
2,287	2,259	2,122	Retail trade, hotels and restaurants	2,318	2,510	2,503
5,240	4,394	5,553	Maritime sector	5,558	4,397	5,242
13,474	13,222	12,674	Property management	12,236	12,739	13,013
2,808	2,742	3,306	Business services	3,608	3,054	3,134
1,300	1,777	1,816	Transport and other services provision	2,058	2,123	1,628
61	27	24	Public administration	54	64	101
337	257	1,050	Other sectors	1,052	257	339
36,475	**35,753**	**37,639**	**Gross loans in retail market**	**39,021**	**37,382**	**38,046**
48,786	47,841	52,699	Wage earners	53,650	48,663	49,619
85,260	**83,594**	**90,338**	**Gross loans incl. SpareBank 1 Boligkreditt**	**92,671**	**86,046**	**87,665**
17,818	18,977	21,101	SpareBank 1 Boligkreditt	21,101	18,977	17,818
67,443	**64,617**	**69,237**	**Gross loans in balance sheet**	**71,570**	**67,069**	**69,847**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
-7	54	-52	Change in individual impairment losses provisions for the period	-63	64	3
0	0	0	Change in collective impairment losses provisions for the period	0	0	1
39	39	74	Actual loan losses on comm. for which provisions have been made	87	45	46
84	2	3	Actual loan losses on commitments for which no provision has been made	14	7	92
-8	-7	-35	Recoveries on commitments previously written-off	-37	-8	-10
108	**88**	**-10**	**Losses of the year on loans and guarantees**	**1**	**108**	**132**

Note 7 - Losses

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
193	193	186	Individual write-downs to cover loss on loans at 01.01	222	219	219
24	23	7	+Increase in provisions for individual impairment losses	8	32	34
21	18	26	- Reversal of provisions from previous periods	28	19	22
29	88	41	+Impairment losses have been made previously	44	96	38
39	39	74	- Actual losses during the period for which provisions for individual impairment losses have been made previously	87	45	46
186	**247**	**135**	**Specification of loss provisions at end of period**	**159**	**283**	**222**
123	41	77	Actual losses	101	52	138

Note 8 - Defaults

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
			Total defaults			
397	234	248	Loans in default for more than 90 days *)	332	326	499
72	47	60	- Specified loss provision	79	76	100
325	187	188	Net defaults	253	250	399
18 %	20 %	24 %	Provision rate	24 %	23 %	20 %
			Problem Loans			
198	709	216	Problem loans (not in default)	223	726	211
114	200	75	- Specified loss provision	81	207	122
84	509	140	Net problem loans	142	519	89
58 %	28 %	35 %	Provision rate	36 %	29 %	58 %

*) Of which NOK 19 million relates to loans in the guarantee portfolio taken over from BN Bank ASA. These will not entail loss for SpareBank 1 SMN.

Note 9 - Investments in bonds

Due to extraordinary market conditions in autumn 2008, parts of the bank's portfolio of current assets became illiquid. After changes made in international accounting standards in October 2008, the Group opted to reclassify parts of the bond portfolio as of 01.07.08 from the category "Fair value with a value changes reflected in profit/loss" to the category "Held to maturity". We no longer have trading as a goal and these securities are not expected to be sold before maturity.

The “Held to maturity” portfolio comprises quoted bonds and is valued at amortised cost using the effective interest rate method. Previously carried out write-downs will, after reclassification, be reversed over the portfolio’s residual maturity. This will be recognised under net interest income in addition to current coupon interest. In the period 30 June - 30 Sept 2011, NOK 0.7 million has been amortised, and total this year NOK 3.1 million. At the end of the third quarter of 2011 the average residual maturity is 1.0 years.

Had reclassification not been carried out, the Group would have expensed NOK 42 million in the second half of 2008 as unrealised losses owing to increased credit spreads. In the absence of reclassification the Group have expensed NOK 0.2 million in unrealised captail losses related to this bond portfolio in the third quarter 2011, and total this year NOK 0.4 million in unrealised capital losses.

Unrealised agio gains related to this portfolio have been taken to income in an amount of NOK 2.2 million in the third quarter 2011, and total this year NOK 2.1 million.

No write-downs have been carried out on the basis of lasting portfolio value falls as of 30 September 2011.

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
1,562	1,761	624	Booked value	624	1,761	1,562
1,568	1,769	627	Nominal value	627	1,769	1,568
1,570	1,822	625	Calculated value incl. Exchange rate adjustments	625	1,822	1,570

Note 10 - Measurement of fair value of financial instruments

Pursuant to IAS 34 Interim Financial Reporting, paragraph 15 B, a disclosure obligation applies in respect of changes between levels in the fair value hierarchy. In Q1 2011 the shares of Norway Royal Salmon ASA were transferred from level 3 to level 1 due to stock exchange listing. The overview below shows changes in the values presented in the note as of 31 December 2010, and the market value recorded in the consolidated accounts as of 30.09.2011. In the annual accounts for 2010 this is presented in note 22 Measurement of fair value of financial instruments.

Period	Type of investment	Level 1 31.12.2010	Level 2 31.12.2010	Level 3 31.12.2010	Book value
Q1 2011	Equity instruments available for sale	23	-	-23	32
Q2 2011	Equity instruments available for sale	-	-	-	-5
Q3 2011	Equity instruments available for sale	-	-	-	-11
Total		**23**	**-**	**-23**	**17**

Note 11 - Other assets

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
-	29	-	Deferred tax benefit	8	50	7
131	156	147	Fixed assets	1,107	981	1,027
-	-	-	Assets held for sale	412	405	406
959	923	1,137	Earned income not yet received	1,135	911	967
54	14	45	Accounts receivable, securities	45	14	54
200	217	392	Other assets	570	321	261
1,343	**1,338**	**1,721**	**Total other assets**	**3,278**	**2,682**	**2,722**

Note 12 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
1,572	1,571	1,732	Agriculture/forestry/fisheries/hunting	1,732	1,571	1,572
404	189	327	Sea farming industries	327	189	404
1,113	1,236	1,378	Manufacturing	1,378	1,236	1,113
1,213	1,055	1,298	Construction, power and water supply	1,298	1,055	1,213
3,337	2,202	2,693	Retail trade, hotels and restaurants	2,693	2,202	3,337
447	331	782	Maritime sector	782	331	447
2,600	2,813	3,586	Property management	3,579	2,806	2,533
4,044	3,986	4,836	Business services	4,836	3,986	4,044
3,037	2,913	3,204	Transport and other services provision	3,080	2,769	2,886
4,401	3,059	3,892	Public administration	3,892	3,059	4,401
1,809	479	1,929	Other sectors	1,908	454	1,784
23,976	**19,834**	**25,656**	**Total**	**25,505**	**19,658**	**23,734**
19,052	18,985	20,519	Wage earners	20,519	18,985	19,052
43,028	**38,819**	**46,176**	**Total deposits**	**46,024**	**38,643**	**42,786**

Note 13 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2010	**30 Sept 2010**	**30 Sept 2011**		**30 Sept 2011**	**30 Sept 2010**	**31 Dec 2010**
235	247	199	Short-term debt instruments, nominal value	199	247	235
27,581	28,982	25,429	Bond debt, nominal value	25,429	28,982	27,581
126	192	257	Value adjustments	257	192	126
27,941	**29,421**	**25,885**	**Total**	**25,885**	**29,421**	**27,941**

Change in securities debt, subordinated debt and hybrid equity

	30 Sept 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Short-term debt instruments, nominal value	199	-	36	-	235
Bond debt, nominal value	25,429	3,402	5,731	177	27,581
Value adjustments	257	-	-	132	126
Total	25,885	3,402	5,766	308	27,941

	30 Sept 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Ordinary subordinated loan capital, nominal value	1,333	-	-	34	1,299
Perpetual subordinated loan capital, nominal value	300	-	224	77	447
Hybrid equity, nominal value	888	-	-	-2	890
Value adjustments	142	-	-	19	123
Total	2,663	-	224	129	2,758

Note 14 - Other liabilities

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
21	-	21	Deferred tax	27	0	31
178	221	187	Payable tax	205	244	196
676	956	1,129	Accrued expenses and received, non-accrued income	1,408	1,337	1,057
182	195	116	Provision for accrued expenses and commitments	117	195	182
0	0	0	Pension liabilities	6	7	6
73	33	80	Drawing debt	80	33	73
11	5	3	Creditors	39	36	26
82	40	1,198	Debt from securities	1,198	40	82
-	-	-	Debt available for sale	137	110	110
114	171	386	Other liabilities	421	175	159
1,337	**1,621**	**3,119**	**Total other liabilites**	**3,638**	**2,177**	**1,922**

Note 15 - Capital adequacy

New capital adequacy rules were introduced in Norway as from 1 January 2007 (Basel II - the EU's new directive on capital adequacy). SpareBank1 SMN applied to and received permission from Finanstilsynet (Financial Supervisory Authority of Norway) to use internal rating methods (Internal Rating Based Approach - Foundation) to calculate charges for credit risk from 1 January 2007 onwards. This will make the statutory minimum capital adequacy requirement more risk-sensitive, so that it better reflects the risk in the underlying portfolios. Using IRB demands high standards of the Bank's organisation, competence, risk models and risk management systems. Under interim regulations issued by Finanstilsynet, IRB banks are not yet seeing the full effect of the reduced capital requirements. As from 2009, a 20% reduction of the risk-weighted basis of calculation was allowed.

The Norwegian State Finance Fund has in a period to 30 September 2009 offered tier 1 capital to solid Norwegian banks to help them meet tighter capital adequacy requirements and improve their lending capacity. SMN applied for, and was granted, a capital infusion which was disbursed from the State Finance Fund in the form of hybrid equity worth NOK 1.25 billion as of 30.9.09. In March 2010, with Finanstilsynet's approval, this was partially redeemed in an amount of NOK 450 million, and the remainder is repaid in April 2010.

Subordinated debt and hybrid capital

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.

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 is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 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 6 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 shown as other long-term debt at amortised cost.

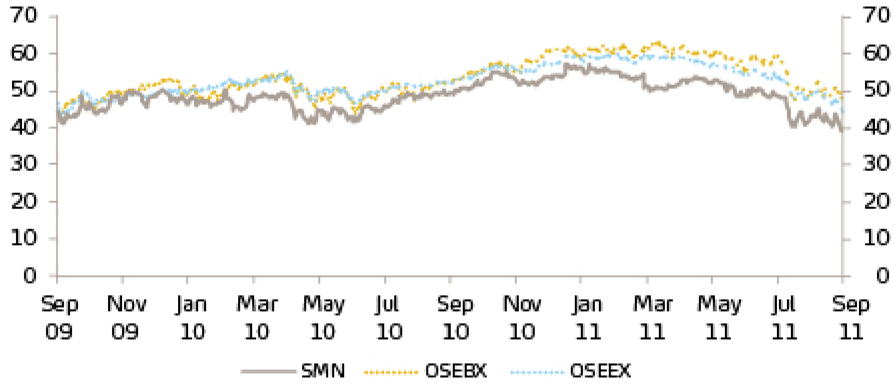
For detailed information regarding subordinated debt and hybrid capital, see note 34 in the Bank's annual report.

Parent bank				Group		
31 Dec 2010	30 Sept 2010	30 Sept 2011		30 Sept 2011	30 Sept 2010	31 Dec 2010
2,373	2,373	2,373	Equity capital certificates	2,373	2,373	2,373
0	0	0	- Own holding of ECCs	0	0	0
182	174	183	Premium fund	183	174	182
1,159	878	1,160	Dividend equalisation fund	1,160	878	1,159
2,345	2,155	2,344	Savings bank's reserve	2,344	2,155	2,345
285	0	0	Recommended dividends	0	0	285
192	-	-	Provision for gifts	-	-	192
45	110	45	Unrealised gains reserve	60	124	66
-	-	-	Other equity and minority interest	1,261	1,053	1,244
0	659	709	Net profit	745	704	0
6,581	**6,349**	**6,813**	**Total book equity**	**8,126**	**7,461**	**7,846**
-447	-475	-447	Deferred taxes, goodwill and other intangible assets	-658	-510	-466
-	-	-	Part of reserve for unrealised gains, associated companies	65	53	65
-477	0	0	Deduction for allocated dividends and gifts	0	0	-477
-348	-353	-386	50 % deduction for subordinated capital in other financial institutions	-	-	-
-208	-224	-165	50 % deduction for expected losses on IRB, net of write-downs	-176	-232	-216
-	-	-	50 % capital adequacy reserve	-638	-522	-571
-	-	-	Share of non-performing, non-amortizsed estimate deviations	-	-	-
-	-659	-709	Net profit	-745	-704	0
-	419	355	Year-to-date profit included in core capital (50% pre tax)	373	452	-
936	952	945	Hybrid capital, core capital	1,159	1,035	1,106
6,037	**6,008**	**6,406**	**Total core capital**	**7,504**	**7,033**	**7,283**
			Supplementary capital in excess of core capital			
466	464	326	Perpetual subordinated capital	326	464	466
1,358	1,352	1,394	Non-perpetual subordinated capital	1,659	1,750	1,680
-348	-353	-386	50 % deduction for subordinated capital in other financial institutions	-	-	-
-208	-224	-165	50 % deduction for expected losses on IRB, net of write-downs	-176	-232	-216
-	-	-	50 % capital adequacy reserve	-638	-522	-571
1,268	**1,240**	**1,168**	**Total supplementary capital**	**1,171**	**1,461**	**1,360**
7,305	**7,247**	**7,574**	**Net subordinated capital**	**8,675**	**8,493**	**8,643**
			Minimum requirements subordinated capital, Basel II			
1,386	1,392	1,375	Involvement with spesialised enerprises	1,375	1,392	1,386
1,115	1,028	1,232	Other corporations exposure	1,240	1,031	1,120
66	65	55	SME exposure	58	67	68
311	287	314	Retail morgage exposure	495	427	451
33	35	32	Other retail exposure	34	36	34
496	495	645	Equity investments	-	207	-
3,406	**3,302**	**3,652**	**Total credit risk IRB**	**3,201**	**3,160**	**3,058**
165	-	172	Debt risk	172	-	165
46	53	38	Equity risk	13	18	15
-	-	-	Currency risk	-	-	-
275	275	293	Operational risk	400	331	331
537	530	593	Exposures calculated using the standardised approach	2,068	1,824	1,864
-59	-59	-65	Deductions	-107	-90	-98
-	-	-	Transitional arrangements	-	53	-
4,371	**4,101**	**4,684**	**Minimum requirements subordinated capital**	**5,748**	**5,296**	**5,335**
			Capital adequacy			
11.05 %	11.72 %	10.94 %	Core capital ratio	10.45 %	10.62 %	10.93 %
13.37 %	14.14 %	12.94 %	Capital adequacy ratio	12.07 %	12.83 %	12.97 %

Equity capital certificates

Stock price compared with OSEBX and OSEEX

30 September 2009 to 30 September 2011

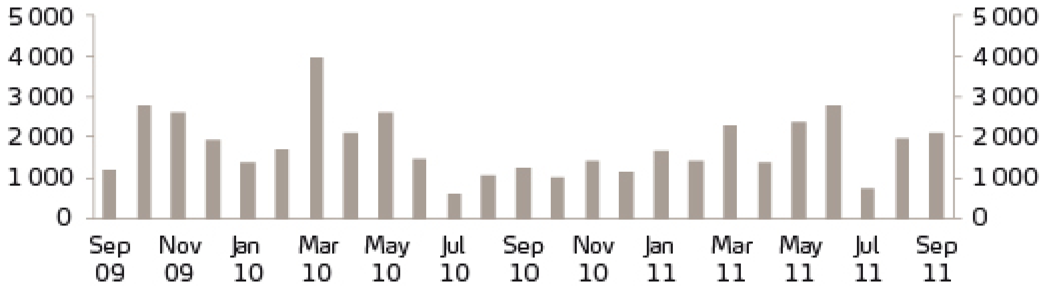


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased

Trading statistics

30 September 2009 to 30 September 2011



20 largest ECC holders	Number	Share
Reitangruppen AS	6,872,514	7.24 %
Aker ASA / The Resource Group TRG	2,860,966	3.01 %
Odin Norge	2,362,836	2.49 %
Odin Norden	2,139,649	2.25 %
Rasmussengruppen AS	2,130,000	2.24 %
Vind LV AS	2,085,151	2.20 %
MP Pensjon PK	1,442,774	1.52 %
Frank Mohn AS	1,442,236	1.52 %
Citibank N.A New York Branch (nominee)	1,301,515	1.37 %
Morgan Stanley & Co.	1,108,000	1.17 %
Nordea Bank Norge ASA	899,915	0.95 %
I.K. Lykke, T.Lykke m.fl.	891,567	0.94 %
Tonsenhagen Forretningssentrum AS	865,013	0.91 %
Forsvarets personellservice	788,092	0.83 %
The Northern Trust Co. (nominee)	774,917	0.82 %
KLP Aksje Norden VPF	744,475	0.78 %
Stiftelsen Uni	743,658	0.78 %
VPF Nordea Norge Verdi	674,523	0.71 %
Odin Europa SMB	633,251	0.67 %
State Street Bank & Trust Company (nominee)	629,434	0.66 %
The 20 largest ECC holders in total	**31,390,486**	**33.07 %**
Others	63,539,800	66.93 %
Total issued ECCs	**94,930,286**	**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.

Auditor's report

Deloitte.

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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

Report on Review of Interim Financial Information of SpareBank 1 SMN as of September 30 2011

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of September 30 2011 and the related statements of income for the group, showing a profit of 728.000.000, changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

We have conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2011, and of its financial performance and its cash flows for the three month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim 26. Oktober 2011
Deloitte AS

Per Kr. Forseth (Signed)
State Authorised Public Accountant (Norway)