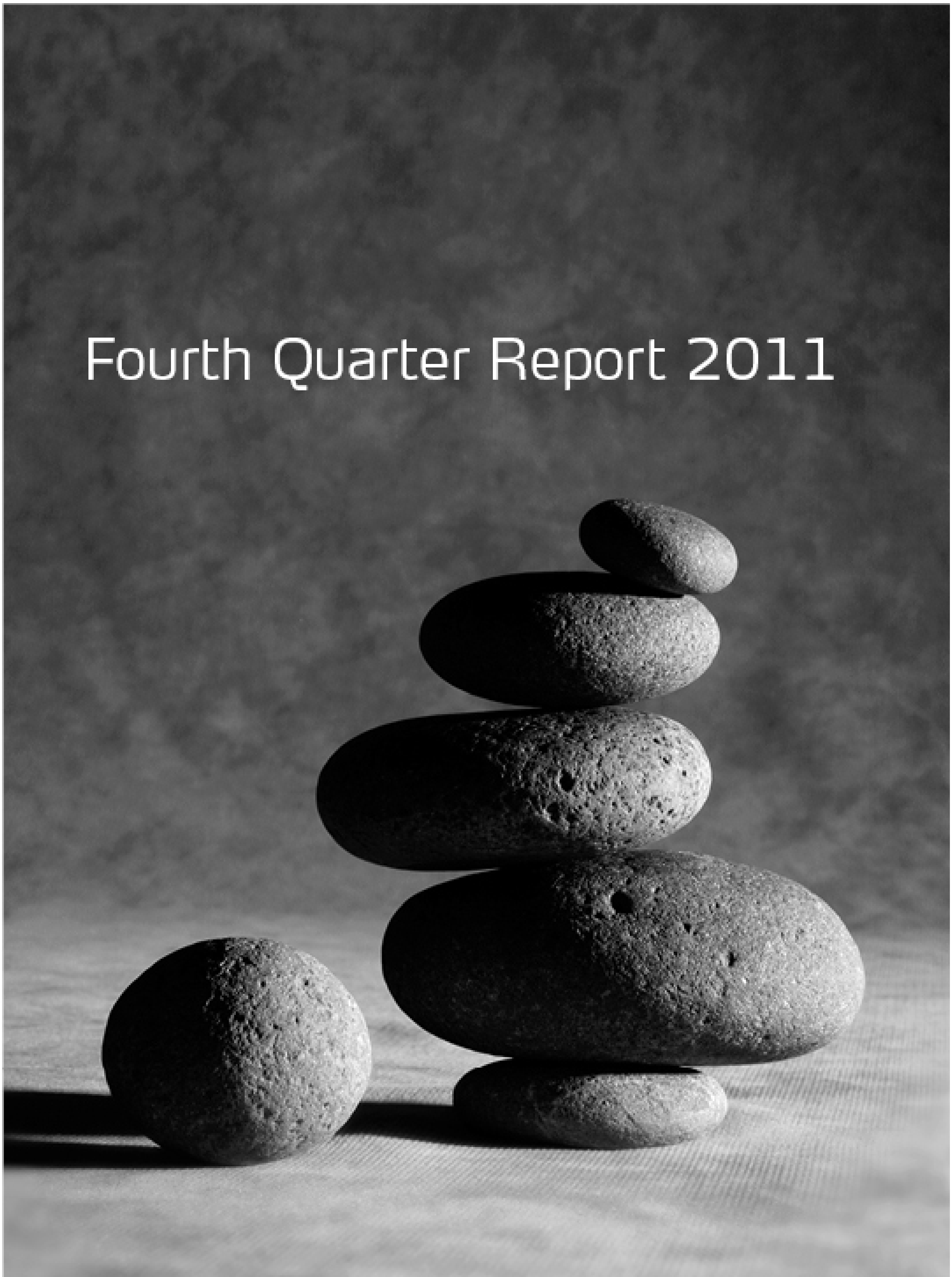
Fourth Quarter Report 2011



SpareBank 1 SMN

Contents

Main Figures

From the profit and loss account	2011 NOKm	2011 %	2010 NOKm	2010 %	2009 NOKm	2009 %
Net interest	1,281	1.30	1,210	1.33	1,279	1.48
Commission income and other income	919	0.93	855	0.94	756	0.87
Net return on financial investments	588	0.60	490	0.54	642	0.74
Total income	**2,789**	**2.83**	**2,555**	**2.80**	**2,677**	**3.09**
Total operating expenses	**1,482**	**1.51**	**1,140**	**1.25**	**1,253**	**1.45**
Results	**1,306**	**1.33**	**1,414**	**1.55**	**1,424**	**1.64**
Loss on loans, guarantees etc	27	0.03	132	0.15	277	0.32
Results before tax	**1,279**	**1.30**	**1,282**	**1.40**	**1,147**	**1.32**
Tax charge	255	0.26	260	0.28	210	0.24
Net profit	**1,024**	**1.04**	**1,022**	**1.12**	**937**	**1.08**

Key figures	2011	2010	2009
Profitability			
Return on equity[1)]	12.8 %	14.6 %	16.2 %
Cost-income ratio[2)]	53 %	45 %	47 %
Balance sheet			
Gross loans to customers	73,105	69,847	61,782
Gross loans to customers incl. SpareBank 1 Boligkreditt	95,232	87,665	77,429
Deposits from customers	47,871	42,786	37,227
Deposit-to-loan ratio	65 %	61 %	60 %
Growth in loans incl.Boligkreditt	8.6 %	13.2 %	8.6 %
Growth in deposits	11.9 %	14.9 %	5.5 %
Average total assets	98,465	91,317	86,679
Total assets	101,455	97,997	84,509
Losses and defaults in % of gross loans incl. Boligkreditt			
Impairment losses ratio	0.03 %	0.16 %	0.31 %
Non-performing commitm. as a percentage of gross loans[3)]	0.36 %	0.57 %	0.49 %
Other doubtful commitm. as a percentage of gross loans	0.21 %	0.24 %	0.57 %
Solidity			
Capital adequacy ratio	12.0 %	13.0 %	13.6 %
Core capital ratio	10.4 %	10.9 %	10.4 %
Core capital	7,856	7,283	6,730
Net equity and related capital	9,055	8,643	8,730
Branches and staff			
Number of branches	54	54	55
No. Of full-time positions	1,109	1,035	1,016

Key figures ECC [4)]	2011	2010	2009	2008	2007
ECC ratio	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %
Number of certificates issued, millions	94.92	94.90	69.43	57.86	53.98
ECC price	39.30	54.00	49.02	22.85	54.65
Stock value (NOKM)	3,731	5,124	3,749	1,750	3,900
Booked equity capital per ECC (including dividend)	54.44	50.60	44.89	40.03	38.35
Profit per ECC	6.61	6.43	6.73	4.49	6.16
Dividend per ECC	2.00	3.00	2.27	1.51	4.24
Price-Earnings Ratio	5.94	8.40	7.29	5.09	8.87
Price-Book Value Ratio	0.72	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

Preliminary annual accounts 2011

Consolidated figures. Figures in parentheses refer to the same period of 2010 unless otherwise stated.

Highest profit ever of NOK 1,024m after tax

- Profit before tax: NOK 1,279m (NOK 1,282m).
- Profit: NOK 1,024m (NOK 1,022m)
- Return on equity: 12.8% (14.6%)
- Tier 1 capital ratio: 10.4% (10.9%), common tier 1 ratio: 8.9% (9.3%)
- 12-month growth in lending: 8.6% (13.2%), 12-month growth in deposits: 11.9% (14.9%).
- Earnings per equity capital certificate (ECC): NOK 6.61 (NOK 6.43); book value per ECC, incl. dividend recommended for 2011: NOK 54.44 (NOK 50.60)
- Recommended dividend: NOK 2.00 per ECC
- The Board of Directors recommends the launch of an underwritten rights issue of up to NOK 750m, a private placing of up to NOK 200m, mainly with SpareBank 1 SMN Stiftelsen, and a placing of up to NOK 60m with employees.

Fourth quarter 2011

- Profit before tax: NOK 333m (NOK 377m).
- Profit: NOK 279m (NOK 318m).
- Return on equity: 13.6% (16.6%)
- Earnings per ECC: NOK 1.80 (NOK 2.05)

Good result in 2011

- Good underlying operations and positive income trend
- High return on financial investments
- Strong financial position and satisfactory funding
- Very good growth in lending to the retail market and high growth in deposits from retail and corporate customers alike
- Rise in costs due to one-time events and increased activity levels, particularly in subsidiaries

In 2011 SpareBank 1 SMN recorded a profit of NOK 1,024m (NOK 1,022m) and a return on equity of 12.8% (14.6%). Profit before tax was NOK 1,279m (NOK 1,282m). The good profit performance is ascribable to a positive income trend, reduced losses and high return on financial assets.

The profit before tax for the fourth quarter in isolation was NOK 333m (NOK 377m). The result for the quarter reflects:

- Continued pressure on lending margins
- Higher costs against a background of one-time events and increased activity
- Continued low losses and low defaults
- High return on securities and very good profits among affiliates

Return on equity for the quarter was 13.6% (16.6%).

Operating income rose by 6.5% in 2011 to a total of NOK 2,200m (NOK 2,065m).

Return on financial assets was NOK 588m (NOK 490m), of which the overall share of profits on owner interests in affiliates was NOK 290m (NOK 249m).

Operating expenses totalled NOK 1,482m in 2011 (NOK 1,140m) which is NOK 342m higher than in 2010. Of the growth, NOK 128m is due to the write-back of AFP (early retirement) provision in 2010.

A net loss of NOK 27m (NOK 132m) was recorded on loans and guarantees.

The Group achieved good growth in lending and deposits in 2011. Lending rose by 8.6% (13.2%) and deposits by 11.9% (14.9%). Both retail and corporate banking divisions saw a good supply of customers in the retail and corporate market.

Tier 1 capital adequacy at end-2011 was 10.4% (10.9%) and total capital adequacy was 12.0% (13.0%). In a press release dated 8 December 2011 Finanstilsynet announced its support for the European Banking Authority's new requirement for banks to maintain a common tier 1 capital (tier 1 capital excluding hybrid capital) ratio of 9.0%. At end-2011 SpareBank 1 SMN has a common tier 1 ratio of 8.9% (9.3%).

At year-end the Bank's equity capital certificate (ECC) was priced at NOK 39.30 (NOK 54.00 one year previously). A cash dividend of NOK 3.00 per ECC was paid in 2011 for the year 2010 (NOK 2.27).

Earnings per ECC were NOK 6.61 (NOK 6.43). Book value was NOK 54.44 (NOK 50.60).

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.00 per ECC for 2011.

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	2011	2010
Profit for the year, Group	**1,024**	**1,022**
Profit, subsidiaries	-144	-42
Dividend, subsidiaries	68	108
Profit, associated companies	-290	-249
Dividend, associated companies	162	44
Profit for the year, Parent Bank	**820**	**883**

Annual profit for distribution reflects changes of NOK -25m in the revaluation reserve, leaving the total amount for distribution at NOK 795m.

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 61.3% of the distributed profit.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 2.00 per equity capital certificate, altogether totalling NOK 190m. This gives a payout ratio of 40%. The Board of Directors further recommends the Supervisory Board to allocate NOK 40m as gifts to non-profit causes, representing a payout ratio of 13%. NOK 297m and NOK 268m are added to the dividend equalisation fund and the ownerless capital respectively.

In light of new regulatory capital requirements and the expectation of more demanding market conditions, the Board of Directors has this year chosen to recommend lower payout ratios than in previous years.

The Board has further chosen to recommend a different payout ratio for the ownerless capital and the owner capital this year in order to partially offset the equity dilution resulting from the proposed stock issue.

After distribution of the profit for 2011 the ECC-holder ratio (ECC-holders' share of total equity) is 60.6%.

Distribution of profit	2011	2010
Profit for the year, Parent Bank	820	882
Transferred to / from revaluation reserve	-25	65
Profit for distribution	**795**	**947**
Dividends	190	285
Equalisation fund	297	281
Saving Bank's reserve	268	189
Gifts	40	192
Total distributed	**795**	**947**

Increased net interest income

Net interest income in 2011 was NOK 1,281m (NOK 1,210m), an increase of NOK 71m.

The increase is mainly due to

- Higher loan and deposit volumes
- Increased commissions on establishment of business loans
- Banks' exemption from payment of levies to the Banks' Guarantee Fund for 2011

The steadily rising cost of money market funding reduced the Bank's lending margins through the year. The Bank implemented a general interest rate increase on loans to retail and corporate customers alike in

November 2011, and has chosen not to lower rates to customers after the reduction of market rates (NIBOR) at year-end.

Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, not as interest income. Commission income totalled NOK 71m in 2011 (NOK 107m).

As of end-2011 home mortgage loans transferred to SpareBank 1 SMN Boligkreditt AS amounted to NOK 22bn (NOK 18bn).

Increased commission income

Commission income and other operating income came to NOK 919m in 2011 (NOK 855m), an increase of NOK 64m or 7.5%. The main contributors to the increase are property broking, accounting services and insurance. In addition, the Group earns rental income on the Bank's new head office. A decline in commissions from SpareBank 1 Boligkreditt is ascribable to higher costs of funding in the market for residential mortgage bonds. The competitive situation has thus far made it demanding to pass on this extra cost to borrowers.

Commission income, NOKm	2011	2010	Change
Payment transfers	195	198	-3
Savings	54	61	-7
Insurance	107	96	10
SpareBank 1 Boligkreditt	71	107	-36
Guarantee commission	28	29	-1
Real estate agency	308	245	64
Accountancy services	79	51	29
Active management	12	19	-7
Rent premises, mainly new head office	34	13	21
Other commissions	32	38	-6
Total	**919**	**855**	**64**

Positive return on financial investments

Overall return on financial investments (excluding the Bank's share of the profit of affiliates and joint ventures) was NOK 298m (NOK 240m) in 2011.

Return on the Group's share portfolios totalled NOK 102m (NOK 122m).

SpareBank 1 SMN Invest, which manages parts of the Bank's share portfolio, posted net capital gains of NOK 92m (loss of NOK 19m). A substantial part of this comprises increased value of the company's portfolio in Det Norske Oljeselskap in the second half-year.

Gains on bonds and derivatives in 2011 came to NOK 100m (NOK 73m). 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. The Group's overall interest rate risk is kept to a low level.

Gains on forex and fixed income trading at SpareBank 1 SMN Markets totalled NOK 96m (NOK 39m) after a very good second half-year.

Return on financial investments, NOKm	2011	2010
Capital gains/dividends, shares	102	129
Bonds and derivatives	101	73
SpareBank 1 SMN Markets	96	39
Net return on financial investments	**298**	**241**
SpareBank 1 Gruppen	94	164
SpareBank 1 Boligkreditt	16	16
SpareBank 1 Næringskreditt	9	2
Bank1 Oslo Akershus	15	37
BN Bank	89	59
Polaris	23	-
Other jointly controlled companies	43	-29
Income from investment in related companies	**289**	**249**
Total	**588**	**490**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's preliminary post-tax profit was NOK 482m (NOK 841m). SpareBank 1 Skadeforsikring and SpareBank 1 Livsforsikring are the main contributors to the profit growth.

SpareBank 1 SMN's share of the profit was NOK 94m (NOK 164m).

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. By transferring their highest quality residential mortgage loans to the company, the SpareBank 1 banks benefit from reduced funding costs.

The Bank's equity stake in SpareBank 1 Boligkreditt at end-2011 was 17,8%, and the Bank's share of the company's profit in 2011 was NOK 16.0m (NOK 16.0m).

SpareBank 1 Næringskreditt

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

SpareBank 1 SMN owns 37% of the company, and SpareBank 1 SMN's share of the company's profit in 2011 was NOK 9m (NOK 2m).

As of end-2011 SpareBank 1 Næringskreditt 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

SpareBank 1 SMN has a stake of 19.5% in Bank 1 Oslo Akershus. SpareBank 1 SMN's share of the profit of Bank 1 Oslo Akershus was NOK 15m (NOK 37m) in 2011.

BN Bank

SpareBank 1 SMN's equity stake in BN Bank at end-2011 is 33%.

SpareBank 1 SMN's share of the profit of BN Bank for 2011 was NOK 89m (NOK 59m), including amortisation effects.

Polaris Media

After acquiring 18.81% of the shares of Polaris Media 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 book value of the shares at end-2011 is NOK 332m. This includes SpareBank 1 SMN's estimated share of the profit from the date of acquisition of the shares which was taken to income in an amount of NOK 22.9m.

Other companies

These companies were essentially established to handle corporate exposures taken over from other entities. The positive result of NOK 43m essentially represents a tax benefit related to loss carried forward in the companies.

Venture in 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 2011 customers representing total loans of NOK 3.1bn were covered by the guarantee.

SpareBank 1 SMN also took over responsibility for 36 employees, leases and other commitments in Ålesund. The Bank receives compensation from BN Bank 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.

On 1 February 2012 an agreement was signed with BN Bank whereby BN Bank withdraws the guarantee in respect of NOK 2.4bn of the portfolio, with the consequent lapse of the guarantee commission from 1 February 2012. This leaves NOK 0.7bn in the guarantee portfolio. The guarantee will expire in three years.

Increased costs due to icreased effort towards the market

Overall costs came to NOK 1,482m (NOK 1, 140m) in 2011, an increase of NOK 342m.

Of the increase, the write-back of pension liabilities accumulated under the AFP (early retirement) scheme in 2010 accounts for NOK 128m.

Other staff and operating expenses in the Group grew by NOK 214m or 17% compared with 2010 (2010 figures corrected for AFP).

Of the growth of NOK 214m, NOK 67m or 21% comprises growth at the Bank's subsidiaries. The growth in costs is ascribable to

- Increased activity at Eiendomsmegler 1. NOK 30m of the growth at the subsidiaries is a result of a substantial increase in activity at Eiendomsmegler 1. The pre-tax profit of NOK 76m was the best ever reported by the company.
- Increased costs at SpareBank 1 SMN Regnskap as a result of the acquisition of several local accounting firms in 2011. This has increased Group operating expenses by NOK 27m. Turnover rose by NOK 30m in 2011.

Parent Bank costs rose by NOK 146m or 15%. Much of the growth is related to increased customer facing activity. The growth roughly breaks down as follows:

Wage growth	NOK 35m
IT og telephony	NOK 31m
Premises, mainly new HQ	NOK 27m
Other increase in activity	NOK 33m
Total	**NOK 126m**

In addition an operational loss of NOK 20m related to a customer exposure in the Group's capital market business was recorded as a cost.

Operating expenses were 1.50% (1.39%) of average total assets. The Group's cost-income ratio was 53% (50%) (2010 figures corrected for the effect of AFP).

Very low losses and low defaults

In 2011 net loan losses came to NOK 27m (NOK 132m). There has been no cause to revise collectively assessed impairment write-downs in 2011. Net loan losses in the fourth quarter were NOK 26m.

A net loss of NOK 20m (NOK 128m) was recorded in 2011 on the Group's corporate customers. Of this, losses at SpareBank 1 SMN Finans came to NOK 15m (NOK 25m). A net loss of NOK 7m was recorded on the retail portfolio (NOK 4m).

Individually assessed impairment write-downs came to NOK 172m (NOK 222m), a fall of NOK 50m in the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 542m (NOK 710m), or 0.57% (0.81%) of gross outstanding loans.

Defaults in excess of 90 days came to NOK 338m (NOK 499m). Defaults measure 0.36% (0.57%) of gross lending. Of overall defaults, NOK 89m (NOK 100m) or 26% (20%) are loss provisioned.

Other doubtful exposures totalled NOK 204m (NOK 211m), or 0.21% (0.24%) of gross lending. NOK 83m (NOK 122m) or 41% (58%) are loss provisioned.

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).

At end-2011 no basis has been found for revising collectively assessed write-downs. The aggregate volume of such write-downs is NOK 290m (NOK 290m).

Total assets of NOK 101bn

The Bank's assets totalled NOK 101bn as of end-2011 (NOK 98bn), having risen by NOK 3bn or 3.6%. The increase in total assets is a consequence of lending growth.

As of end-2011, loans worth a total of NOK 22bn (NOK 18bn) had been transferred by SpareBank 1 SMN to SpareBank 1 Boligkreditt. These loans do not figure as lending in the Bank's balance sheet. However, the comments dealing with growth in lending include loans transferred to SpareBank 1 Boligkreditt.

Strong growth in retail lending, slower growth in corporate lending

Total outstanding loans rose by NOK 7.6bn (NOK 10.2bn) or 8.6% (13.2%) in 2011 to reach NOK 95.2bn at end-2011.

Demand for home mortgage loans has been heavy, and lending to retail customers rose by NOK 5.4bn (NOK 4.5bn) to NOK 55.0bn in 2011, equivalent to growth of 10.9% (9.9%). SpareBank 1 SMN is taking market shares in the home loan market in its catchment area. Growth in credit to Norwegian households in 2011 look set to reach about 7.2%.

Growth in lending to corporates has slowed, with an increase of NOK 2.2bn (NOK 5.8bn) in 2011, equivalent to 5.7% (17.9%). Overall lending to corporates came to NOK 40.2bn in 2011.

Lending to retail customers accounted for 58% (57%) of ordinary loans to customers in 2011.

High growth in both retail and corporate customer deposits

In the last 12 months customer deposits rose by NOK 5.1bn (NOK 5.6bn) or 11.9% (14.9%) to NOK 47,9bn.

Retail customer deposits rose by NOK 1.8bn (NOK 1.2bn) or 9.5% (6.5%) to NOK 20.9bn, while deposits from corporates rose by NOK 3.3bn (NOK 4.4bn) or 14.1% (22.8%) to NOK 27.0bn. Substantially higher corporate deposits are in part ascribable to an increased focus on institutions and foundations.

Reduced values for investment products

Off-balance sheet investment products totalled NOK 4.6bn (NOK 5.1bn) at end-2011. Some decline was seen in portfolio values during the autumn, bringing the total decline since 2010 to NOK 473m.

Saving products, customer portfolio, NOKm	2011	2010	Change
Equity funds	2,284	2,416	-132
Pension products	711	876	-165
Active management	941	1,018	-77
Energy fund management	218	317	-99
Property funds	447	447	0
Total	**4,601**	**5,074**	**-473**

Sound growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 9% in the last 12 months, with a rise of 10% for non-life and 13% for personal insurance. A 3% increase was recorded on the occupational pensions portfolio.

Insurance, premium volume, NOKm	2011	2010	Change
Non-life insurance	621	567	54
Personal insurance	175	155	20
Occupational pensions	129	125	4
Total	**925**	**847**	**78**

Profitability and growth in the retail market

The retail market business achieved a return on equity of 21.3% (25.5%) in 2011.

Operating income came to NOK 883m (NOK 913m) in 2011. Net interest income totalled NOK 551m (NOK

592m) and commission income NOK 333m (NOK 321m). The lending margin is under heavy pressure from intense competition and stable low interest rates, but is compensated for by high growth and an increased deposit margin.

The lending margin in 2011 was 1.22% (1.43%), while the deposit margin was 0.73% (0.54%). The margin is defined as the average customer interest rate minus the three-month moving average of three-month NIBOR.

In the last 12 months lending to retail customers rose by 10.9% (8.7%) and deposits from the same segment by 10.9% (4.3%).

Lending to retail borrowers generally carries low risk, as reflected in continued 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)	**2011**	**2010**	**Change**
Net interest income	551	592	-42
Commission and other income	333	321	12
Total income	883	913	-30
Operating expenses	603	468	135
Pre-loss profit	280	445	-165
Losses	7	4	3
Profit before tax	**273**	**441**	**-168**
ROE after tax	**21.3 %**	**25.5 %**	
Allocated capital (NOK mill)	890	1,031	
Loans (NOKbn)	52.1	46.9	5.1
Deposits (NOKbn)	21.2	19.1	2.1

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

Income growth, low losses and reduced lending growth in the corporate market

The Corporate Market Division reported a return on equity of 13.8% (12.0%). The improvement is due mainly to increased income and reduced loan losses.

Total operating income came to NOK 1,069m in 2011 (NOK 921m).

Lending and deposit margins in the division were, respectively, 2.12% (2.14%) and 0.20% (0.26%). The margins are measured with reference to three-month NIBOR. Lending grew by 6.3% (20.7%) and deposits by 11.5% (22.1%).

Net interest income totalled NOK 900m (NOK 770m), while commission income came to NOK 169m (NOK 151m). The increase in net interest income is ascribable to a stable lending margin and high establishment commissions.

Commission incomes rose by NOK 18m. The increase is mainly related to incomes from forex transactions and fruitful collaboration with the Bank's capital markets business.

Corporate market (NOKm)	2011	2010	Change
Net interest income	900	770	130
Commission and other income	169	151	18
Total income	1,069	921	148
Operating expenses	352	278	73
Pre-loss profit	717	642	75
Losses	5	104	-99
Profit before tax	**712**	**539**	**174**
ROE after tax	**13.8 %**	**12.0 %**	
Allocated capital (NOK mill)	2,873	2,869	
Loans (NOKbn)	38.7	36.4	2.3
Deposits (NOKbn)	25.3	22.7	2.6

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

Income growth for SpareBank 1 SMN Markets

SpareBank 1 SMN Markets delivers a complete range of capital market products and services, and has strengthened staffing in its forex and corporate finance areas. It has also set up in Ålesund.

SpareBank 1 Markets reported total income of NOK 139,1m (NOK 93,4m) in 2011. Activity was high in all business areas, and this bore fruit especially in the second half-year with substantial income growth.

Markets (NOKm)	2011	2010	Change
Currency trading	53.8	45.2	8.6
Fixed income products	42.2	16.5	25.7
Corporate	14.6	20.0	-5.4
Securities, brokerage commission	17.4	12.7	4.7
Investments	11.1	-1.0	12.1
Total income	**139.1**	**93.4**	**45.7**

Of gross income of NOK 139m, a total of NOK 36m and NOK 6m respectively was transferred to the corporate market and retail market divisions. These figures are the respective divisions' share of incomes from forex and fixed income transaction on their own customers.

Subsidiaries

The Bank's subsidiaries posted an aggregate pre-tax profit of NOK 167.8m (NOK 73.9m) in 2011.

Pre-tax profit, NOKm	2011	2010	Change
EiendomsMegler 1 Midt-Norge	75.6	50.8	24.8
SpareBank 1 SMN Finans	26.3	35.1	-8.8
SpareBank 1 SMN Regnskap	5.0	11.4	-6.4
Allegro Finans	-5.3	2.2	-7.5
SpareBank 1 SMN Invest	87.5	-21.6	109.1
SpareBank 1 Kvartalet	-21.3	-4.0	-17.3
Total	**167.8**	**73.9**	**93.9**

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of some 40%. Profit growth in 2011, as previously, was very good, and the company recorded a pre-tax profit of NOK 75.6m (NOK 50.8m) in 2011.

SpareBank 1 SMN Finans posted a profit of NOK 26.3m (NOK 35.1m) in 2011. At year-end the company managed leases and car loan agreements worth a total of NOK 2.9bn of which leases accounted for NOK 1.9bn.

SpareBank 1 SMN Regnskap posted a pre-tax profit of NOK 5.0m (NOK 11.4m). The company increased its turnover by NOK 32m to NOK 83m compared with 2010. SpareBank 1 SMN Regnskap wrote back AFP (early retirement scheme) liabilities worth NOK 5.9m in 2010. In 2012 the company acquired 40% of the shares of the accounting chain Consis. The remaining 60% are owned by Sparebanken Hedmark.

Allegro Finans reported a loss of NOK 5.2m (profit of NOK 2.2m) before tax in 2011. The company has a portfolio of about NOK 2bn under active management.

The mission of **SpareBank 1 SMN Invest** is to invest in shares, mainly in regional businesses. The company posted a profit of NOK 87.5m in 2011 (loss of NOK 21.6m) as a result of capital gains on its share portfolio, the main contributor being the rise in the market price of Det norske oljeselskap (included in net change in value of financial assets in the Group's income statement).

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. This strategy stresses the importance of maintaining liquidity reserves sufficient to 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, which corresponds to the funding needed for 18 months including expected lending growth and ordinary operations.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 81% (79%).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in 2011 loans totalling NOK 4.3bn were transferred to this residential mortgage company. As of end-2011 loans totalling NOK 22bn had been transferred to SpareBank 1 Boligkreditt.

Good financial position

As of end-2011 the tier 1 capital ratio was 10.4% (10.9%) and the total capital ratio was 12.0% (13.0%).

The Group aims for a tier 1 capital ratio of 11% and a total capital ratio of 12%. The tier 1 target was revised in autumn 2011 in light of the foreshadowed increase in regulatory capital requirements.

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

Figures in NOKm	2011	2010
Tier 1 capital	7,856	7,283
Subordinated loan	1,199	1,360
Capital base	**9,055**	**8,643**
Required subordinated debt	**6,027**	**5,335**
Tier 1 capital ratio	**10.4 %**	**10.9 %**
Total capital ratio	**12.0 %**	**13.0 %**

The Bank's primary capital certificate (MING)

The book value of the Bank's ECC was NOK 54.44 (NOK 50.60) at end-2011, and earnings per ECC were NOK 6.61 (NOK 6.43).

The Price / Income ratio was 5.94 (8.40), and the Price / Book ratio 0.72 (1.07).

The price at year-end was NOK 39.30, and a dividend of NOK 3.00 per ECC was paid in 2011 for the year 2010.

Stock issues

The Bank's Board of Directors has resolved to recommend the Supervisory Board to approve a rights issue of up to NOK 750m in favour of existing owners.

The Board of Directors also recommends the launch of a placing of up to NOK 200m with the foundation, Sparebankstiftelsen SpareBank 1 SMN.

The Board of Directors also recommends a placing with employees in the Group and board members. The amount of this placing will be up to NOK 60m.

The Bank's objective with the proposed capital increase is to strengthen the bank's Tier 1 capital and the financial platform for profitable growth and for capitalising on business opportunities in the bank's market area. The Bank sees value in giving its employees and board members the opportunity to subscribe through a private placement. In line with the bank's strategy at the establishment of the savings bank foundation, Sparebankstiftelsen SpareBank 1 SMN, a private placement towards the savings bank foundation is proposed.

The issues will strengthen the Group's tier 1 capital ratio by about 1.2 percentage points up to 11.6%. The common tier 1 ratio excluding hybrid capital will increase up to 10.1% after the issues.

Risk factors

The international financial crisis affected the economy of Norway as of other countries. Unemployment subsided in 2010 and into 2011, but showed signs of levelling in summer 2011. Forecasts indicate continued low unemployment ahead. This, together with an expectation of continued low interest rates, suggests little risk of increased losses on the retail market.

The Bank's results are affected directly and indirectly by the fluctuations in securities markets. The indirect effect relates essentially to the Bank's equity stake in SpareBank 1 Gruppen AS where both the insurance business and mutual fund management activities are affected by the fluctuations.

The Bank is also exposed to risk with regard 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 in Norwegian financial institutions, but the last two years have again shown falling loss levels among banks.

The continuing turmoil in global financial markets makes economic framework conditions increasingly uncertain, and growth impulses from a debt-stricken EU are very weak which, although offset by domestic growth, will make for low export growth. Mid-Norwegian businesses anticipate reduced growth.

Although Norwegian banks are negligibly exposed to the PIIGS countries, the disquiet associated with European banks' loss risk may cause lack of confidence to feed through to Norwegian banks. New tier 1 capital requirements from the European Banking Authority are prompting substantial stock issues in Europe, at the same time as financial institutions are likely to deleverage in order to meet the new capital targets. There is a risk that deleveraging will compound uncertainty and volatility, and that the Bank's opportunity to access foreign funding will continue to be affected in the period ahead.

Outlook ahead

Prospects for the international economy are demanding. The consequences for business in the Bank's market area have thus far been limited. This is as reflected by low levels of defaults and losses in the Bank's portfolio.

The Board of Directors is prepared possible changes in the situation. Unemployment is however low and there are few signs in the region's macroeconomy in isolation of any change in the risk picture for 2012.

The Bank's objective with the proposed capital increase is to further strengthen the Bank's core capital and thus be positioned for capitalising on business opportunities. The Bank is also very well funded.

The Bank has a strong market position. To reinforce this position the Board of Directors has resolved to launch a programme with the aim of further strengthening the Group's customer orientation.

The Board of Directors is satisfied with the Group's profit for 2011. SpareBank 1 SMN has a sound basis for achieving a good profit performance in 2012 as previously.

Trondheim, 1 February 2012

The Board of Directors of 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 Employee rep.
			Finn Haugan Group CEO

Income statement

Parent bank							Group				
2009	**4.Q 10**	**4.Q 11**	**2010**	**2011**	**(NOK million)**	**Note**	**2011**	**2010**	**4.Q 11**	**4.Q 10**	**2009**
3,314	874	991	3,226	3,713	Interest income		3,780	3,315	1,007	894	3,416
2,142	602	691	2,110	2,502	Interest expenses		2,499	2,105	691	601	2,137
1,172	**272**	**299**	**1,116**	**1,211**	**Net interest**		**1,281**	**1,210**	**316**	**293**	**1,279**
524	144	121	573	544	Commission income		778	766	188	199	706
78	20	23	74	75	Commission expenses		83	81	25	23	84
17	6	17	24	39	Other operating income		224	170	69	47	134
463	**130**	**115**	**524**	**508**	**Commission income and other income**		**919**	**855**	**232**	**222**	**756**
163	0	0	191	260	Dividends		36	43	2	0	6
-	-	-	-	-	Income from investment in related companies	2	290	249	119	83	349
294	111	64	221	177	Net return on financial investments	2	262	197	103	115	287
457	**111**	**65**	**411**	**437**	**Net return on financial investments**		**588**	**490**	**224**	**198**	**642**
2,092	**512**	**479**	**2,051**	**2,156**	**Total income**		**2,789**	**2,555**	**772**	**713**	**2,677**
536	79	114	376	528	Staff costs	2	810	583	196	137	725
270	82	98	278	315	Administration costs		381	339	114	98	320
183	50	82	171	245	Other operating expenses		291	218	103	76	208
988	**212**	**294**	**825**	**1,089**	**Total operating expenses**	4	**1,482**	**1,140**	**412**	**311**	**1,253**
1,104	**300**	**185**	**1,226**	**1,068**	**Result before losses**		**1,306**	**1,414**	**360**	**402**	**1,424**
254	20	22	108	12	Loss on loans, guarantees etc.	6,7	27	132	26	25	277
850	**280**	**163**	**1,118**	**1,055**	**Result before tax**	3	**1,279**	**1,282**	**333**	**377**	**1,147**
180	57	52	235	235	Tax charge		255	260	54	60	210
669	**224**	**111**	**882**	**820**	**Net profit**		**1,024**	**1,022**	**279**	**318**	**937**
					Majority share		1,016	1,017	277	317	931
					Minority interest		8	5	2	1	6
					Profit per ECC		6.61	6.43	1.80	2.05	6.73
					Diluted profit per ECC		6.56	6.40	1.79	2.05	6.69

Other comprehensive income*

Parent bank						Group				
2009	**4.Q 10**	**4.Q 11**	**2010**	**2011**	**(NOK million)**	**2011**	**2010**	**4.Q 11**	**4.Q 10**	**2009**
669	224	111	882	820	Net profit	1,024	1,022	279	318	937
-	-	-	-	-	Available-for-sale financial assets	-6	7	-0	-	-
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-19	-29	-8	4	16
-	-	-	-	-	Other comprehensive income	-25	-22	-8	4	16
669	224	111	882	820	Total other comprehensive income	999	1,000	271	322	953
					Majority share of comprehensive income	991	994	269	321	947
					Minority interest of comprehensive income	8	5	2	1	6

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

Key figures

Parent bank						Group				
2009	4.Q 10	4.Q 11	2010	2011	Result as per cent of average total assets:	2011	2010	4.Q 11	4.Q 10	2009
1.37	1.14	1.21	1.24	1.25	Net interest	1.30	1.33	1.26	1.21	1.48
0.54	0.55	0.47	0.58	0.52	Commission income and other income	0.93	0.94	0.92	0.92	0.87
0.53	0.47	0.26	0.46	0.45	Net return on financial investments	0.60	0.54	0.89	0.82	0.74
1.16	0.89	1.19	0.92	1.12	Total operating expenses	1.51	1.25	1.64	1.29	1.45
1.29	1.26	0.75	1.36	1.10	Result before losses	1.33	1.55	1.43	1.66	1.64
0.30	0.08	0.09	0.12	0.01	Loss on loans, guarantees etc.	0.03	0.15	0.10	0.10	0.32
0.99	1.18	0.66	1.24	1.09	Result before tax	1.30	1.40	1.32	1.56	1.32
0.47	0.41	0.61	0.40	0.50	Cost -income ratio	0.53	0.45	0.53	0.44	0.47
63 %			64 %	68 %	Loan-to-deposit ratio	65 %	61 %			60 %
13.7 %	13.8 %	6.5 %	15.1 %	12.3 %	Return on equity	12.8 %	14.6 %	13.6 %	16.6 %	16.2 %

Balance sheet

Parent bank					Group		
31.12.09	31.12.10	31.12.11	(NOK million)	Note	31.12.11	31.12.10	31.12.09
1,107	2,112	1,519	Cash and receivables from central banks		1,519	2,112	1,107
2,477	2,894	5,033	Deposits with and loans to credit institutions		2,557	420	153
59,304	67,443	70,793	Gross loans to customers before write-down	5,8	73,105	69,847	61,782
-193	-186	-151	- Specified write-downs	6,7,8	-172	-222	-219
-273	-273	-273	- Write-downs by loan category	6	-290	-290	-289
58,838	66,983	70,369	Net loans to and receivables from customers		72,643	69,336	61,275
14,751	17,036	12,918	Fixed-income CDs and bonds at fair value	9	12,918	16,980	14,727
1,150	1,825	3,698	Derivatives		3,697	1,825	1,149
563	625	546	Shares, units and other equity interests	2,10	611	618	505
1,914	2,156	2,822	Investment in related companies		4,259	3,526	2,921
858	969	1,203	Investment in group companies		0	0	-
447	447	447	Goodwill		492	460	460
956	1,343	1,142	Other assets	11	2,759	2,722	2,212
83,060	**96,390**	**99,697**	**Assets**		**101,455**	**97,997**	**84,509**
6,992	8,743	6,232	Deposits from credit institutions		6,232	8,743	6,992
4,318	4,318	2,886	Funding, "swap" arrangement with the government		2,886	4,318	4,318
37,382	43,028	48,114	Deposits from and debt to customers	12	47,871	42,786	37,227
23,358	27,941	28,148	Debt created by issue of securities	13	28,148	27,941	23,358
712	1,684	3,158	Derivatives		3,158	1,684	712
1,346	1,337	1,544	Other liabilities	14	2,122	1,922	1,843
3,875	2,758	2,690	Subordinated loan capital	13	2,690	2,758	3,875
77,984	**89,809**	**92,773**	**Total liabilities**		**93,107**	**90,152**	**78,326**
1,736	2,373	2,373	Equity capital certificates		2,373	2,373	1,736
-2	-0	-0	Own holding of ECCs		-0	-0	-2
-	182	183	Premium fund		183	182	-
877	1,159	1,457	Dividend equalisation fund		1,457	1,159	877
174	285	190	Recommended dividends		190	285	174
27	192	40	Provision for gifts		40	192	27
2,155	2,345	2,611	Savings bank's reserve		2,611	2,345	2,155
110	45	70	Unrealised gains reserve		85	66	124
-	-	-	Other equity capital		1,274	1,147	1,052
			Minority interests		135	97	42
5,076	**6,581**	**6,924**	**Total equity capital**	15	**8,348**	**7,846**	**6,183**
83,060	**96,390**	**99,697**	**Total liabilities and equity**		**101,455**	**97,997**	**84,509**

SpareBank 1 SMN

Cash flow statement

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**	**(NOK million)**	**31.12.11**	**31.12.10**	**31.12.09**
669	882	820	Profit	1,024	1,022	937
44	31	38	Depreciations and write-downs on fixed assets	88	47	51
254	108	12	Losses on loans and guarantees	27	132	277
968	1,022	870	Net cash increase from ordinary opertions	1,140	1,201	1,266
2,318	-1,032	-1,656	Decrease/(increase) other receivables	-1,851	-959	2,164
-534	981	1,687	Increase/(decrease) short term debt	1,679	1,013	-364
1,956	-8,254	-3,398	Decrease/(increase) loans to customers	-3,335	-8,193	2,004
-38	-417	-2,139	Decrease/(increase) loans credit institutions	-2,137	-267	122
1,990	5,646	5,086	Increase/(decrease) deposits and debt to customers	5,086	5,558	1,947
2,310	1,751	-3,944	Increase/(decrease) debt to credit institutions	-3,944	1,751	2,310
-6,260	-2,285	4,118	Increase/(decrease) in short term investments	4,062	-2,252	-6,236
2,711	**-2,587**	**624**	**A) NET CASH FLOW FROM OPERATIONS**	**699**	**-2,148**	**3,214**
-56	-107	-59	Increase in tangible fixed assets	-184	-265	-391
11.55	-	1	Reductions in tangible fixed assets	2	2	12
-783	-353	-900	Paid-up capital, associated companies	-734	-605	-984
-59	-37	79	Net investments in long-term shares and partnerships	7	-87	-46
-886	**-497**	**-879**	**B) NET CASH FLOW FROM INVESTMENTS**	**-909**	**-955**	**-1,410**
-531	133	-68	Increase/(decrease) in subordinated loan capital	-68	133	-531
1,250	-1,250	-	Hybrid equity State Finance Fund	-	-1,250	1,250
0	823	-	Increase/(decrease) in equity	-	823	0
-116	-173	-285	Dividend cleared	-285	-173	-116
-178	-27	-192	To be disbursed from gift fund	-192	-27	-178
-	-	-	Correction of equity capital	-45	19	21
-5,416	4,583	207	Increase/(decrease) in other long term loans	207	4,583	-5,416
-4,990	**4,089**	**-338**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-383**	**4,107**	**-4,970**
-3,166	**1,005**	**-593**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-593**	**1,005**	**-3,166**
4,273	1,107	2,112	Cash and cash equivalents at 01.01	2,112	1,107	4,273
1,107	2,112	1,519	Cash and cash equivalents at end of quarter	1,519	2,112	1,107
3,166	**-1,005**	**593**	**Net changes in cash and cash equivalents**	**593**	**-1,005**	**3,166**

Change in equity

Parent Bank

(NOK million)	Issued equity: EC capital	Premium fund	Earned equity: Ownerless capital	Equalisation fund/dividend	Gifts	Unrealised gains reserve	Total equity
Equity capital at 1 January 2009	**1,445**	**236**	**1,899**	**884**	**178**	**59**	**4,700**
Net Profit	-	-	243	348	27	51	669
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	243	348	27	51	669
Transactions with owners							
Bond issued	289	-236	-	-53	-	-	0
Dividend declared for 2008	-	-	-	-116	-	-	-116
To be disbursed from gift fund	-	-	-	-	-178	-	-178
Sale of own ECCs	-0	-	-	-	-	-	0
Correction to privious years' distribution	-	-	13	-13	-	-	-
Total transactions with owners	289	-236	13	-182	-178	-	-294
Equity capital at 31 December 2009	**1,734**	**0**	**2,155**	**1,050**	**27**	**110**	**5,076**
Equity capital at 1 January 2010	**1,734**	**0**	**2,155**	**1,050**	**27**	**110**	**5,076**
Net Profit	-	-	189	566	192	-65	882
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	189	566	192	-65	882
Transactions with owners							
Dividend declared for 2009	-	-	-	-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	-	(172)	(27)	-	622
Equity capital at 31 December 2010	**2,373**	**182**	**2,345**	**1,444**	**192**	**45**	**6,581**
Equity capital at 1 January 2011	**2,373**	**182**	**2,345**	**1,444**	**192**	**45**	**6,581**
Net Profit			268	487	40	25	820
Other comprehensive income	-	-	-	-	-	-	-
Total other comprehensive income	-	-	268	487	40	25	820
Transactions with owners							
Dividend declared for 2010	-	-	-	-285	-	-	-285
To be disbursed from gift fund	-	-	-	-	-192	-	-192
Issue	1	0	-1	-	-	-	0
Total transactions with owners	1	0	-1	-285	-192	-	-476
Equity capital at 31 December 2011	**2,373**	**183**	**2,611**	**1,647**	**40**	**70**	**6,924**

Group

(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund/dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
	Majority share								
	Issued equity		Earned equity						
Equity capital at 1 January 2009	**1,445**	**236**	**1,899**	**884**	**178**	**73**	**768**	**36**	**5,518**
Net Profit	-	-	243	348	27	51	262	6	937
Other comprehensive income									
Available-for-sale financial assets									
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	16	-	16
Other comprehensive income	-	-	-	-	-	-	16	-	16
Total other comprehensive income	-	-	243	348	27	51	278	6	953
Transactions with owners									
Bond issued	289	-236	-	-53	-	-	-	-	0
Dividend declared for 2008	-	-	-	-116	-	-	-	-	-116
To be disbursed from gift fund	-	-	-	-	-178	-	-	-	-178
Purchase of own ECC's	-0	-	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	6	-	6
Correction to privious years' distribution	-	-	13	-13	-	-	-	-	-
Equity capital at 31 December 2009	**1,734**	**-0**	**2,155**	**1,050**	**27**	**124**	**1,052**	**42**	**6,183**
Equity capital at 1 January 2010	**1,734**	**-0**	**2,155**	**1,050**	**27**	**124**	**1,052**	**42**	**6,183**
Net Profit	-	-	189	566	192	-65	134	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	-	-	-	-	-	7	-29	-	-22
Total other comprehensive income	-	-	189	566	192	-58	105	5	1,000

Transactions with owners									
Dividend declared for 2009	-	-	-	-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
Equity capital at 31 December 2010	**2,373**	**182**	**2,345**	**1,444**	**192**	**66**	**1,147**	**97**	**7,845**
Equity capital at 1 January 2011	**2,373**	**182**	**2,345**	**1,444**	**192**	**66**	**1,147**	**97**	**7,845**
Net Profit	-	-	268	487	40	25	196	8	1,024
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	-19	-	-19
Other comprehensive income	-	-	-	-	-	-6	-19	-	-25
Total other comprehensive income	-	-	268	487	40	19	177	8	999
Transactions with owners									
Dividend declared for 2010	-	-	-	-285	-	-	-	-	-285
To be disbursed from gift fund					-192				-192
Direct recognitions in equity		-	-	-	-	-	-50	-	-50
Change in minority share								30	30
Issue	1	0	-1	-	-	-	-	-	-
Equity capital at 31 December 2011	**2,373**	**183**	**2,611**	**1,647**	**40**	**85**	**1,274**	**135**	**8,348**

Equity capital certificate ratio (parent bank)

	31 Dec 2011	31 Dec 2010
ECC capital	2,373	2,372
Dividend equalisation reserve	1,457	1,160
Premium reserve	183	182
Unrealised gains reserve	43	28
A. The equity capital certificate owners' capital	**4,056**	**3,742**
Ownerless capital	2,611	2,345
Unrealised gains reserve	27	17
B. The saving bank reserve	**2,638**	**2,362**
To be disbursed from gift fund	40	192
Dividend declared	190	285
Equity ex. profit	**6,924**	**6,581**
Equity capital certificate ratio A/(A+B)	**60.6 %**	**61.3 %**
Average of ratio	61.3 %	59.7 %

Results from quarterly accounts

Group in NOKm	4Q 2011	3Q 2011	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009
Interest income	1,007	978	910	886	894	869	804	748	764
Interest expenses	691	657	592	559	601	549	506	449	448
Net interest	**316**	**320**	**318**	**327**	**293**	**320**	**297**	**300**	**316**
Commission income	188	200	199	191	199	196	193	178	209
Commission expenses	25	21	19	18	23	21	19	18	30
Other operating income	69	56	52	48	47	35	54	35	30
Commission income and other income	**232**	**234**	**232**	**221**	**222**	**210**	**229**	**194**	**209**
Dividends	2	0	31	3	0	0	42	1	0
Income from investment in related companies	119	49	69	54	83	69	57	41	78
Net return on financial investments	103	73	25	62	115	55	32	-6	75
Net return on financial investments	**224**	**122**	**125**	**118**	**198**	**125**	**131**	**36**	**153**
Total income	**772**	**676**	**675**	**666**	**713**	**655**	**657**	**529**	**678**
Staff costs	196	209	208	198	137	191	177	78	179
Administration costs	114	86	96	86	98	76	81	83	79
Other operating expenses	103	66	57	65	76	52	45	44	64
Total operating expenses	**412**	**361**	**361**	**348**	**311**	**320**	**303**	**206**	**323**
Result before losses	**360**	**315**	**314**	**318**	**402**	**335**	**354**	**323**	**355**
Loss on loans, guarantees etc.	26	8	-1	-6	25	12	28	68	39
Result before tax	**333**	**306**	**315**	**325**	**377**	**323**	**327**	**255**	**316**
Tax charge	54	66	65	70	60	67	66	67	65
Net profit	**279**	**240**	**250**	**255**	**318**	**256**	**260**	**188**	**251**

Key figures from quarterly accounts

Profitability									
Return on equity per quarter	13.6%	12.0%	12.9%	13.2%	16.6%	13.9%	15.5%	12.1%	16.5%
Cost-income ratio	53 %	53 %	53 %	52 %	44 %	49 %	46 %	39 %	48 %
Balance sheet									
Gross loans to customers	73,105	71,570	68,559	68,553	69,847	67,069	64,390	61,886	61,782
Gross loans incl. SB1 Boligkreditt AS	95,232	92,671	90,939	88,606	87,665	86,046	83,767	79,560	77,429
Deposits from customers	47,871	46,024	45,990	42,900	42,786	38,643	41,273	37,606	37,227
Total assets	101,455	100,009	98,415	94,455	97,997	95,271	93,823	84,957	84,509
Average total assets	100,732	99,212	96,435	96,224	96,632	94,547	89,390	84,749	87,072
Growth in loans incl. SB1 Boligkreditt last 12 months	8.6 %	7.7 %	8.6 %	11.4 %	13.2 %	12.4 %	12.6 %	10.0 %	8.6 %
Growth in deposits last 12 months	11.9 %	19.1 %	11.4 %	14.1 %	14.9 %	2.8 %	7.8 %	4.8 %	5.5 %
Losses and defaults in % of gross loans incl. Boligkreditt									
Impairment losses ratio	0.11 %	0.03 %	-0.01 %	-0.03 %	0.11 %	0.05 %	0.15 %	0.33 %	0.20 %
Non-performing commitm. as a percentage of gross loans	0.36 %	0.36 %	0.40 %	0.54 %	0.57 %	0.38 %	0.41 %	0.42 %	0.49 %
Other doubtful commitm. as a percentage of gross loans	0.21 %	0.24 %	0.20 %	0.23 %	0.24 %	0.84 %	0.81 %	0.87 %	0.57 %
Solidity									
Capital adequacy ratio	12.02 %	12.07 %	12.31 %	12.48 %	12.97 %	12.83 %	13.20 %	13.47 %	13.56 %
Core capital ratio	10.43 %	10.45 %	10.71 %	10.59 %	10.93 %	10.62 %	10.76 %	11.01 %	10.45 %
Core capital	7,856	7,504	7,394	7,330	7,286	7,033	6,960	6,880	6,730
Net equity and related capital	9,055	8,675	8,496	8,638	8,646	8,493	8,537	8,418	8,730
Key figures ECC *)									
ECC price	39.30	39.30	48.90	50.00	54.00	49.00	42.30	48.00	49.02
Number of certificates issued, millions	94.92	94.92	94.90	94.90	94.90	94.89	94.89	94.91	69.43
Booked equity capital per ECC (including dividend)	54.44	52.49	51.05	49.34	50.60	48.13	46.65	45.21	44.89
Profit per ECC	1.80	1.55	1.62	1.65	2.05	1.61	1.68	1.09	1.85
Price-Earnings Ratio	5.44	6.33	7.55	7.59	6.57	7.41	6.28	11.04	6.63
Price-Book Value Ratio	0.72	0.75	0.96	1.01	1.07	1.02	0.91	1.06	1.09

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 percent and 60 percent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

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

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

At year end 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 percent 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 percent of the shares of Polaris Media ASA, with voting rights up to 20 percent. 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.

SpareBank 1 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 commercial 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 31 Dec 2011								
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**Allegro**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	521	783	10	5	94	1	0	-132	1,281
Allocated	29	117	3	-	-	-	-	-150	-
Total interest income	**551**	**900**	**13**	**5**	**94**	**1**	**0**	**-281**	**1,281**
Commission income and other income	327	132	24	308	-1	12	79	38	919
Net return on financial investments **)	6	36	64	0	-1	-	0	483	588
Total income *)	**883**	**1,069**	**101**	**313**	**92**	**12**	**79**	**239**	**2,789**
Total operating expenses	**603**	**352**	**99**	**237**	**50**	**18**	**74**	**49**	**1,482**
Ordinary operating profit	**280**	**717**	**2**	**76**	**42**	**-5**	**5**	**189**	**1,306**
Loss on loans, guarantees etc.	7	5	-	-	15	-	-	0	27
Result before tax	**273**	**712**	**2**	**76**	**27**	**-5**	**5**	**189**	**1,279**
Post-tax return on equity	**21.3 %**	**13.8 %**							**12.8 %**
Balance (NOK million)									
Loans and advances to customers	52,055	38,655	-	-	2,941	-	0	1,580	95,232
Adv. of this to SpareBank 1 Boligkreditt	-21,079	-257	-	-	-	-	-	-790	-22,126
Individual allowance for impairment on loan	-31	-120	-	-	-22	-	-	0	-172
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	265	609	-	146	-2,461	17	18	30,216	28,812
Total assets	**31,210**	**38,888**	**-**	**146**	**443**	**17**	**19**	**30,732**	**101,455**
Deposits to customers	21,185	25,345	-	-	-	-	-	1,340	47,871
Other liabilities and equity	10,025	13,543	-	146	443	17	18	29,392	53,584
Total liabilites	**31,210**	**38,888**	**-**	**146**	**443**	**17**	**19**	**30,732**	**101,455**

Profit and loss account (NOK million)	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	Total
					Group 31 Dec 2010				
Net interest	579	714	18	4	93	1	0	-198	1,210
Allocated	13	56	1	-	-	-	-	-70	-
Total interest income	**592**	**770**	**19**	**4**	**93**	**1**	**0**	**-269**	**1,210**
Commission income and other income	319	135	30	245	5	19	51	51	855
Net return on financial investments **)	2	16	19	0	1	-	0	452	490
Total income *)	**913**	**921**	**68**	**249**	**99**	**20**	**51**	**235**	**2,555**
Total operating expenses	**468**	**278**	**67**	**198**	**39**	**18**	**40**	**32**	**1,140**
Ordinary operating profit	**445**	**642**	**1**	**51**	**60**	**2**	**11**	**203**	**1,414**
Loss on loans, guarantees etc.	4	104	-	-	24	-	-	0	132
Result before tax	**441**	**539**	**1**	**51**	**35**	**2**	**11**	**203**	**1,282**
Post-tax return on equity	**25.5 %**	**12.0 %**							**14.6 %**
Balance (NOK million)									
Loans and advances to customers	46,932	36,379	-	-	2,965	-	-	1,389	87,665
Adv. of this to SpareBank 1 Boligkreditt	-16,906	-239	-	-	-	-	-	-672	-17,818
Individual allowance for impairment on loan	-32	-155	-	-	-	-	-	-36	-222
Group allowance for impairment on loan	-	-	-	-	-	-	-	-290	-290
Other assets	249	160	-	97	-2,458	3	13	30,598	28,662
Total assets	**30,243**	**36,145**	**-**	**97**	**507**	**3**	**13**	**30,989**	**97,997**
Deposits to customers	19,098	22,709	-	-	-	-	-	979	42,786
Other liabilities and equity	11,145	13,437	-	97	507	3	13	30,010	55,212
Total liabilites	**30,243**	**36,145**	**-**	**97**	**507**	**3**	**13**	**30,989**	**97,997**

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

**) Specification of net return on financial investments (NOKm)	31.12.11	31.12.10
Income from investment in related companies	290	249
adv. of this from SpareBank1 Gruppen	96	164
adv. of this from BN Bank ASA	89	59
adv. of this from Bank 1 Oslo Akershus AS	15	37
adv. of this SpareBank 1 Boligkreditt	16	16
adv. of this SpareBank 1 Næringskreditt	9	2
adv. of this Polaris Media	23	0
Net gain and dividends on securities	101	121
adv. of this from SpareBank 1 SMN Invest	92	-19
Net gain on bonds	100	80
Net gain on trading and derivatives SMN Markets	96	39
Net return on financial investments	588	490

Note 4 - Other operating expenses

Parent bank				Group		
31.12.09	31.12.10	31.12.11		31.12.11	31.12.10	31.12.09
143	493	528	Personnel expenses	810	711	158
25	140	167	IT costs	185	156	28
31	24	23	Postage and transport of valuables	27	27	38
536	36	38	Marketing	50	43	725
45	31	38	Ordinary depreciation	87	48	51
67	78	119	Operating expenses, real properties	95	94	80
31	42	47	Purchased services	55	52	39
111	99	129	Other operating expense	173	138	135
988	**942**	**1,089**	**Total other operating expenses before write-back of early retirement liabilities (AFP) in 2010**	**1,482**	**1,268**	**1,253**
-	-117	-	Write-back of early retirement liabilities (AFP) in 2010	-	-128	-
988	**825**	**1,089**	**Total other operating expenses**	**1,482**	**1,140**	**1,253**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
4,304	4,640	5,027	Agriculture/forestry/fisheries/hunting	5,217	4,892	4,611
1,232	1,793	1,883	Sea farming industries	2,026	1,906	1,325
2,080	2,507	2,644	Manufacturing	2,881	2,775	2,324
1,761	2,028	2,113	Construction, power and water supply	2,572	2,511	2,257
2,132	2,287	2,147	Retail trade, hotels and restaurants	2,337	2,503	2,460
2,205	5,240	5,974	Maritime sector	5,978	5,242	2,209
11,634	13,474	12,662	Property management	12,179	13,013	11,328
2,971	2,808	3,573	Business services	3,867	3,134	3,279
1,875	1,300	1,808	Transport and other services provision	2,078	1,628	2,217
28	61	63	Public administration	92	101	64
198	337	969	Other sectors	971	339	199
30,421	**36,475**	**38,861**	**Gross loans in retail market**	**40,198**	**38,046**	**32,272**
44,530	48,786	54,058	Wage earners	55,034	49,619	45,157
74,950	**85,260**	**92,919**	**Gross loans incl. SpareBank 1 Boligkreditt**	**95,232**	**87,665**	**77,429**
15,647	17,818	22,126	SpareBank 1 Boligkreditt	22,126	17,818	15,647
59,304	**67,443**	**70,793**	**Gross loans in balance sheet**	**73,105**	**69,847**	**61,782**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
0	-7	-36	Change in individual impairment losses provisions for the period	-50	3	3
41	0	0	Change in collective impairment losses provisions for the period	0	1	44
81	39	75	Actual loan losses on comm. for which provisions have been made	91	46	89
152	84	9	Actual loan losses on commitments for which no provision has been made	26	92	161
-20	-8	-37	Recoveries on commitments previously written-off	-39	-10	-21
254	**108**	**12**	**Losses of the year on loans and guarantees**	**27**	**132**	**277**

SpareBank 1 SMN

Note 7 - Losses

Parent bank				Group		
31.12.09	31.12.10	31.12.11		31.12.11	31.12.10	31.12.09
193	193	186	Individual write-downs to cover loss on loans at 01.01	222	219	215
4	24	9	+Increase in provisions for individual impairment losses	10	34	9
8	21	26	- Reversal of provisions from previous periods	28	22	10
85	29	57	+Impairment losses have been made previously	59	38	94
81	39	75	- Actual losses during the period for which provisions for individual impairment losses have been made previously	91	46	89
193	**186**	**151**	**Specification of loss provisions at end of period**	**172**	**222**	**219**
233	123	85	Actual losses	117	138	250

Note 8 - Defaults

Parent bank				Group		
31.12.09	31.12.10	31.12.11		31.12.11	31.12.10	31.12.09
			Total defaults			
298	397	272	Loans in default for more than 90 days *)	338	499	379
62	72	73	- Specified loss provision	89	100	76
236	325	199	Net defaults	249	399	302
21 %	18 %	27 %	Provision rate	26 %	20 %	20 %
			Problem Loans			
412	198	191	Problem loans (not in default)	204	211	442
130	114	77	- Specified loss provision	83	122	142
281	84	113	Net problem loans	121	89	300
32 %	58 %	41 %	Provision rate	41 %	58 %	32 %

*) Of which NOK 31 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 1 July 2008 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 September - 31 December 2011, NOK 0.7 million has been amortised, and total this year NOK 3.8 million. At the end of the fourth quarter of 2011 the average residual maturity is 0.9 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 0.5 million in unrealised captail losses related to this bond portfolio in the fourth quarter 2011, and total this year NOK 0.9 million in unrealised capital losses.

Unrealised agio losses related to this portfolio have been taken to expence in an amount of NOK 2.8 million in the fourth quarter 2011, and total this year NOK 0.7 million.

No write-downs have been carried out on the basis of lasting portfolio value falls as of 31 December 2011.

	Parent bank				Group	
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
2,409	1,562	583	Booked value	583	1,562	2,409
2,430	1,568	585	Nominal value	585	1,568	2,430
2,426	1,570	584	Calculated value incl. Exchange rate adjustments	584	1,570	2,426

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 31 December 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
Q4 2011	Equity instruments available for sale	-	-	-	-5
Total		**23**	**-**	**-23**	**11**

Note 11 - Other assets

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
-	-	-	Deferred tax benefit	19	7	21
136	131	151	Fixed assets	1,089	1,027	819
-	-	-	Assets held for sale	481	406	406
728	959	956	Earned income not yet received	948	967	731
75	54	4	Accounts receivable, securities	4	54	75
17	200	30	Other assets	218	261	159
956	**1,343**	**1,142**	**Total other assets**	**2,759**	**2,722**	**2,212**

Note 12 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
1,374	1,572	1,757	Agriculture/forestry/fisheries/hunting	1,757	1,572	1,374
189	404	402	Sea farming industries	402	404	189
1,425	1,113	1,079	Manufacturing	1,079	1,113	1,425
1,220	1,213	1,420	Construction, power and water supply	1,420	1,213	1,220
2,900	3,337	3,517	Retail trade, hotels and restaurants	3,517	3,337	2,900
73	447	1,103	Maritime sector	1,103	447	73
2,332	2,600	3,545	Property management	3,517	2,533	2,326
3,330	4,044	5,103	Business services	5,103	4,044	3,330
2,809	3,037	3,231	Transport and other services provision	3,036	2,886	2,684
3,545	4,401	3,920	Public administration	3,920	4,401	3,545
288	1,809	2,178	Other sectors	2,157	1,784	265
19,485	**23,976**	**27,254**	**Total**	**27,011**	**23,734**	**19,330**
17,898	19,052	20,860	Wage earners	20,860	19,052	17,898
37,382	**43,028**	**48,114**	**Total deposits**	**47,871**	**42,786**	**37,227**

Note 13 - Debt created by issue of securities

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
187	235	219	Short-term debt instruments, nominal value	219	235	187
23,070	27,581	27,681	Bond debt, nominal value	27,681	27,581	23,070
100	126	248	Value adjustments	248	126	100
23,358	**27,941**	**28,148**	**Total**	**28,148**	**27,941**	**23,358**

Change in securities debt, subordinated debt and hybrid equity:

	31.12.11	Issued	Fallen due / Redeemed	Other changes	**31.12.10**
Short-term debt instruments, nominal value	219	219	235	-	235
Bond debt, nominal value	27,681	5,827	5,809	81	27,581
Value adjustments	248	-	-	123	126
Total	28,148	6,046	6,044	204	27,941

	31.12.11	Issued	Fallen due / Redeemed	Other changes	**31.12.10**
Ordinary subordinated loan capital, nominal value	1,349	-	-	51	1,299
Perpetual subordinated loan capital, nominal value	300	-	224	77	447
Hybrid equity, nominal value	902	-	-	12	890
Value adjustments	139	-	-	16	123
Total	2,690	-	224	156	2,758

Note 14 - Other liabilities

Parent bank				Group		
31.12.09	**31.12.10**	**31.12.11**		**31.12.11**	**31.12.10**	**31.12.09**
18	21	40	Deferred tax	55	31	24
141	178	215	Payable tax	244	196	172
712	676	913	Accrued expenses and received, non-accrued income	1,213	1,057	969
199	182	101	Provision for accrued expenses and commitments	102	182	200
93	0	0	Pension liabilities	7	6	110
57	73	113	Drawing debt	113	73	57
10	11	10	Creditors	38	26	33
39	82	20	Debt from securities	20	82	39
0	0	0	Debt available for sale	151	110	94
77	114	130	Other liabilities	177	159	145
1,346	**1,337**	**1,544**	**Total other liabilites**	**2,122**	**1,922**	**1,843**

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. SpareBank 1 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 September 2009. 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.

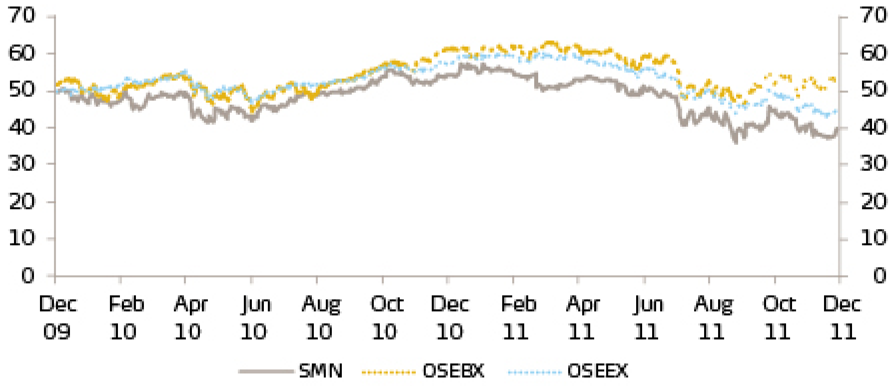
For detailed information regarding subordinated debt and hybrid capital, see note 35 in the Bank's annual report.

Parent bank				Group		
31.12.09	31.12.10	31.12.11		31.12.11	31.12.10	31.12.09
1,736	2,373	2,373	Equity capital certificates	2,373	2,373	1,736
-2	0	0	- Own holding of ECCs	0	0	-2
0	182	183	Premium fund	183	182	0
889	1,159	1,457	Dividend equalisation fund	1,457	1,159	889
2,142	2,345	2,611	Savings bank's reserve	2,611	2,345	2,142
201	285	190	Recommended dividends	190	285	201
27	192	40	Provision for gifts	40	192	27
110	45	70	Unrealised gains reserve	85	66	124
-	-	-	Other equity and minority interest	1,409	1,244	1,052
5,075	**6,581**	**6,924**	**Total book equity**	**8,348**	**7,846**	**6,183**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-692	-466	-482
-	-	-	Part of reserve for unrealised gains, associated companies	64	65	0
-201	-477	-230	Deduction for allocated dividends and gifts	-230	-477	-201
-373	-348	-387	50 % deduction for subordinated capital in other financial institutions	-	-	-
-182	-208	-137	50 % deduction for expected losses on IRB, net of write-downs	-147	-216	-189
-	-	-	50 % capital adequacy reserve	-656	-571	-373
-	-	-	Share of non-performing, non-amortizsed estimate deviations	-	-	-
462	936	956	Hybrid capital, core capital	1,170	1,106	542
1,130	0	0	State Finance Fund, core capital	0	0	1,250
5,465	**6,037**	**6,680**	**Total core capital**	**7,856**	**7,283**	**6,730**
			Supplementary capital in excess of core capital			
0	0	0	Hybrid capital, supplementary capital	0	0	0
120	-	-	State Finance Fund, supplementary capital	-	-	-
450	466	326	Perpetual subordinated capital	328	466	450
1,716	1,358	1,409	Non-perpetual subordinated capital	1,674	1,680	2,112
-373	-348	-387	50 % deduction for subordinated capital in other financial institutions	-	-	-
-182	-208	-137	50 % deduction for expected losses on IRB, net of write-downs	-147	-216	-189
-	-	-	50 % capital adequacy reserve	-656	-571	-373
1,731	**1,268**	**1,211**	**Total supplementary capital**	**1,199**	**1,360**	**2,001**
7,196	**7,305**	**7,891**	**Net subordinated capital**	**9,055**	**8,643**	**8,730**
			Minimum requirements subordinated capital, Basel II			
1,295	1,386	1,456	Involvement with spesialised enerprises	1,456	1,386	1,295
998	1,115	1,313	Other corporations exposure	1,313	1,120	1,000
55	66	40	SME exposure	42	68	57
311	311	324	Retail morgage exposure	513	451	429
51	33	31	Other retail exposure	33	34	56
644	496	653	Equity investments	-	-	476,00
3,356	**3,406**	**3,818**	**Total credit risk IRB**	**3,358**	**3,058**	**3,314**
-	165	182	Debt risk	182	165	-
50	46	49	Equity risk	16	15	15
-	-	-	Currency risk	-	-	-
256	275	293	Operational risk	400	331	296
348	537	653	Exposures calculated using the standardised approach	2,184	1,864	1,594
-62	-59	-65	Deductions	-111	-98	-67
-	-	-	Transitional arrangements	-	-	-
3,947	**4,371**	**4,930**	**Minimum requirements subordinated capital**	**6,027**	**5,335**	**5,152**
			Capital adequacy			
11,08 %	11,05 %	10,84 %	Core capital ratio	10,43 %	10,93 %	10,45 %
14,59 %	13,37 %	12,81 %	Capital adequacy ratio	12,02 %	12,97 %	13,56 %

Equity capital certificates

Stock price compared with OSEBX and OSEEX

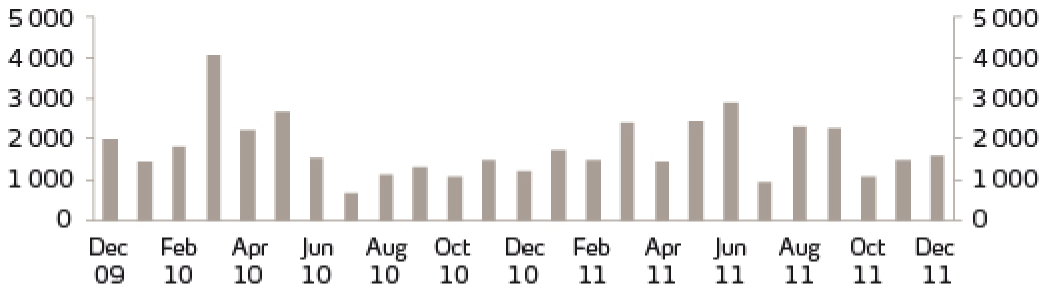
31 December 2009 to 31 December 2011



OSEBX = Oslo Stock Exchange Benchmark Index , OSEEX = Oslo Stock Exchange ECC Index

Trading statistics

31 December 2009 to 31 December 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	2.648.658	2,79 %
Odin Norden	2.145.049	2,26 %
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)	1.357.933	1,43 %
Morgan Stanley & Co.	1.097.718	1,16 %
I.K. Lykke, T.Lykke m.fl.	891.567	0,94 %
Stiftelsen Uni	879.552	0,93 %
Tonsenhagen Forretningssentrum AS	865.013	0,91 %
Forsvarets personellservice	788.092	0,83 %
The Northern Trust Co. (nominee)	767.163	0,81 %
Nordea Bank Norge ASA	759.915	0,80 %
KLP Aksje Norden VPF	744.475	0,78 %
VPF Nordea Norge Verdi	674.523	0,71 %
State Street Bank & Trust Company (nominee)	638.395	0,67 %
Odin Europa SMB	633.251	0,67 %
The 20 largest ECC holders in total	**31.724.945**	**33,42 %**
Others	63.205.341	66,58 %
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.