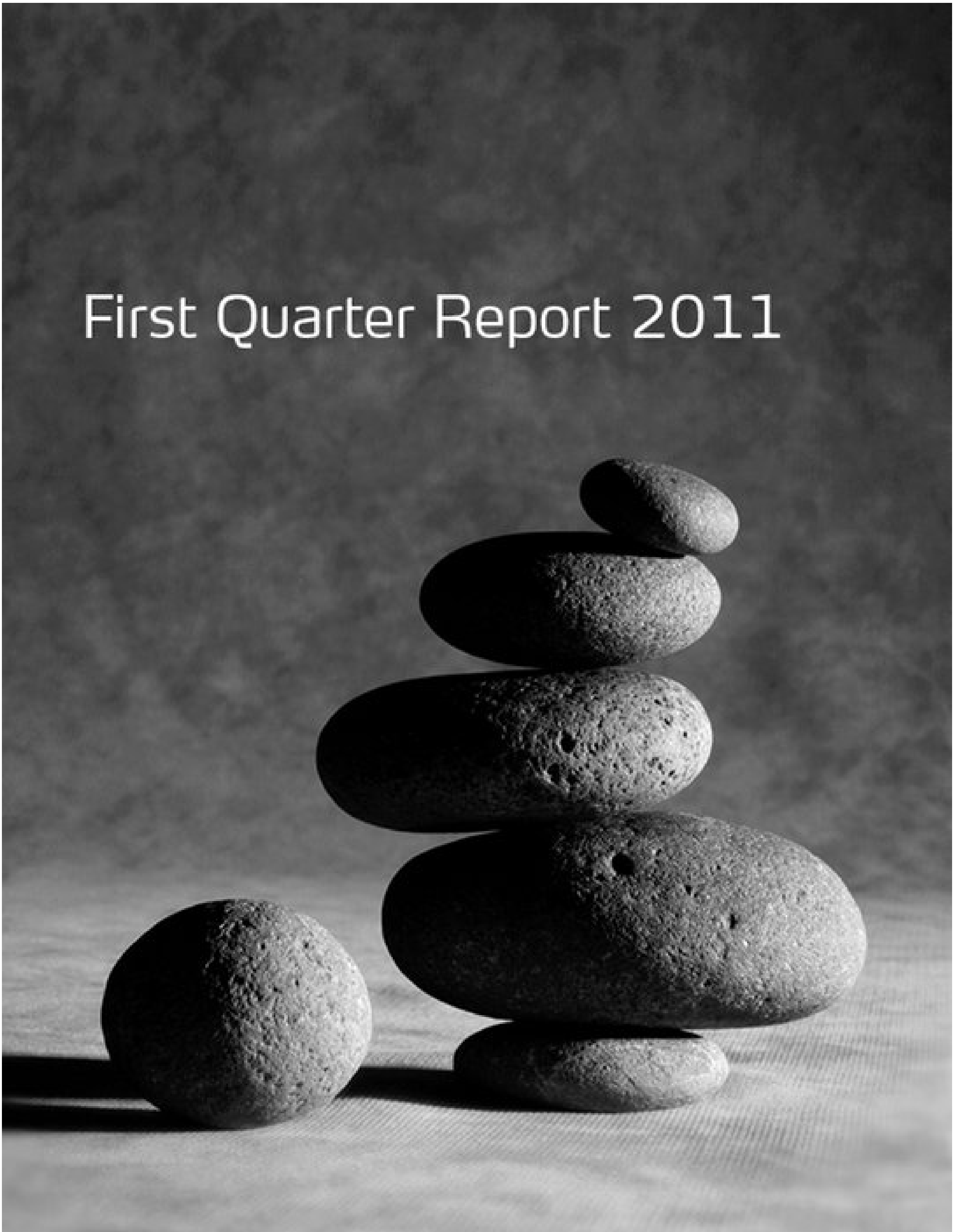
First Quarter Report 2011



SpareBank 1 SMN

Contents

Main figures

From the profit and loss account	31 March 2011 NOKm	%	31 March 2010 NOKm	%	2010 NOKm	%
Net interest	327	1.36	300	1.41	1,210	1.33
Commission income and other income	221	0.92	194	0.92	855	0.94
Net return on financial investments	118	0.49	36	0.17	490	0.54
Total income	**666**	**2.77**	**529**	**2.50**	**2,555**	**2.80**
Total operating expenses	**348**	**1.45**	**206**	**0.97**	**1,140**	**1.25**
Results	**318**	**1.32**	**323**	**1.53**	**1,414**	**1.55**
Loss on loans, guarantees etc	-6	-0.03	68	0.32	132	0.15
Results before tax	**325**	**1.35**	**255**	**1.20**	**1,282**	**1.40**
Tax charge	70	0.29	67	0.32	260	0.28
Net profit	**255**	**1.06**	**188**	**0.89**	**1,022**	**1.12**

Key figures	31 March 2011	31 March 2010	2010
Profitability			
Return on equity 1)	13.2 %	12.1 %	14.6 %
Cost-income ratio 2)	52 %	61 %	45 %
Balance sheet			
Gross loans to customers	68,553	61,886	69,847
Gross loans to customers incl. SpareBank 1 Boligkreditt	88,606	79,560	87,665
Deposits from customers	42,900	37,606	42,786
Deposit-to-loan ratio	63 %	61 %	61 %
Growth in loans incl.Boligkreditt	11.4 %	10.0 %	13.2 %
Growth in deposits	14.1 %	4.8 %	14.9 %
Average total assets	96,224	84,749	91,317
Total assets	94,455	84,957	97,992
Losses and defaults in % of gross loans incl. Boligkreditt			
Impairment losses ratio	-0.01 %	0.33 %	0.16 %
Non-performing commitm. as a percentage of gross loans 3)	0.54 %	0.42 %	0.57 %
Other doubtful commitm. as a percentage of gross loans	0.23 %	0.87 %	0.24 %
Solidity			
Capital adequacy ratio	12.5 %	13.5 %	13.0 %
Core capital ratio	10.6 %	11.0 %	10.9 %
Core capital	7,330	6,880	7,286
Net equity and related capital	8,638	8,418	8,646
Branches and staff			
Number of branches	54	55	54
No. Of full-time positions	1,057	1,021	1,035

Key figures ECC [4]	31 March 2011	31 March 2010	2010	2009	2008	2007
ECC ratio	61.3 %	61.4 %	61.4 %	54.8 %	56.3 %	54.2 %
Number of certificates issued, millions	94.90	94.90	94.90	69.43	57.86	53.98
ECC price	50.00	48.00	54.00	49.02	22.85	54.65
Stock value (NOKM)	4,745	4,555	5,124	3,749	1,750	3,900
Booked equity capital per ECC (including dividend)	49.34	45.21	50.60	44.89	40.03	38.35
Profit per ECC	1.64	1.09	6.43	6.73	4.49	6.16
Dividend per ECC			3.00	2.27	1.51	4.24
Price-Earnings Ratio	7.60	11.02	8.40	7.29	5.09	8.87
Price-Book Value Ratio	1.01	1.06	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 an guarantees drawn.

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

Report of the Board of Directors

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

- Profit before tax: NOK 325m (NOK 255m)
- Profit Q1: NOK 255m (NOK 188m)
- Return on equity: 13.2% (12.1%)
- 12-month growth in lending: 11.4% (10.0%)
- 12-month growth in deposits: 14.1% (4.8%)
- Tier 1 capital adequacy: 10.6% (11.0%)
- Earnings per equity capital certificate (ECC): NOK 1.64 (NOK 1.09)

Good result in first quarter 2011

Highlights:

- Substantial increase in pre-tax profit compared with same period of 2010
- Good income growth in core operations and good return on financial investments
- Net incomings on loan losses
- Robust financial position and good funding
- Satisfactory growth

In the first quarter 2011 SpareBank 1 SMN recorded a profit of NOK 255m (NOK 188m) and a return on equity of 13.2% (12.1%). Profit before tax was NOK 325m (NOK 255m).

Operating income rose by 11% in the first quarter to NOK 548m (NOK 494m). Both net interest income and commission income rose compared with the first quarter 2010.

Return on financial assets was NOK 118m (NOK 36m), of which income on owner interests was NOK 54m (NOK 41m).

Operating expenses totalled NOK 348m in the first quarter 2011 (NOK 206m). The one-time effect of a net write-back of AFP (early retirement) liabilities in the first quarter of 2010 came to a total of NOK 117m.

Net income of NOK 6m (net loss of NOK 68m) was recorded on loans and guarantees in the first quarter.

As of the first quarter 2011 12-month growth in lending was 11.4% (10.0%) and 12-month growth in deposits was 14.1% (4.8%).

Earnings per ECC were NOK 1.64 in the first quarter, and book value per ECC was NOK 49.34 at quarter-end. The market price was NOK 50.00.

Net interest income

Net interest income in the first quarter was NOK 327m (300m). This is mainly due to

- Higher volumes of loans and deposits

- Increased margins on deposits
- From 2011 banks are exempt from payment of levy to the Norwegian Banks' Guarantee Fund. This comes to NOK 48m on an annual basis.
- In Q1 2010 Sparebank 1 SMN had funding cost to the State finance fund, approximately NOKm 15

Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, not interest income. It amounted to NOK 25.6m (28.0m) in the first quarter.

As of the end-March 2011 home mortgage loans worth NOK 20.0bn (17.7bn) had been transferred to SpareBank 1 Boligkreditt.

Increased commission income

Commission income totalled NOK 221m in the first quarter of 2011 (NOK 194m), and incomes rose in a number of areas. Incomes from property broking represent the largest increase, at the same time as income is accruing to the Group from the new head office –rental income from external tenants and users of the conference facilities.

Commission income, NOKm	31 March 2011	31 March 2010	Change
Payment transfers	49	46	3
Savings	14	18	-4
Insurance	25	22	3
SpareBank 1 Boligkreditt	26	28	-2
Guarantee commission	8	6	1
Real estate agency	64	52	11
Accountancy services	18	14	4
Active management	3	3	0
Income from new head office	4	0	4
Other commissions	11	5	6
Total	**221**	**194**	**27**

Good return on financial investments

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 65m (-5m).

The Bank's share portfolios showed net gains of NOK 30m (net loss of 10m), of which NOK 21m comprises gains on the portfolio of SpareBank 1 SMN Invest AS (loss of NOK 12m).

Gains on bonds and derivatives in the first quarter came to NOK 25m (-3m). The Bank's bond portfolio carries low risk throughout.

Gains on financial instruments at SpareBank 1 SMN Markets totalled NOK 10m (8m).

Return on financial investments, NOKm	31 March 2011	31 March 2010
Capital gains/dividends, shares	30	-10
Bonds and derivatives	25	-3
SpareBank 1 SMN Markets	10	8
Net return on financial investments	**65**	**-5**
SpareBank 1 Gruppen AS	31	22
SpareBank 1 Boligkreditt AS	6	6
SpareBank 1 Næringskreditt AS	1	0
Bank1 Oslo AS	4	7
BN Bank ASA	14	13
Other jointly controlled companies	-3	-7
Income from investment in related companies	**54**	**41**
Total	**118**	**36**

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen's post-tax profit in the first quarter 2011 was NOK 152m (93m). SpareBank 1 Livsforsikring AS and SpareBank 1 Skadeforsikring AS are the main contributors to the profit.

SpareBank 1 SMN's share of the profit was NOK 31m (22m).

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 equity stake in SpareBank 1 Boligkreditt AS is 19.6%, and the Bank's share of the company's profit in the first quarter 2011 was NOK 6m (6m).

SpareBank 1 Næringskreditt AS

In 2009 the SpareBank 1 banks established SpareBank 1 Næringskreditt AS along the same lines, and with the same administration, as SpareBank 1 Boligkreditt AS.

As from January 2011 SpareBank 1 SMN stake in the company rose to 37%, and the Bank's share of the company's profit for the first quarter 2010 was NOK 1m (0m).

As of end-March 2011 SpareBank 1 Næringskreditt AS had purchased loans worth NOK 8.2bn from BN Bank and issued covered bonds to a value of NOK 7.0bn. The bonds were utilised in the swap arrangement with Norges Bank.

Bank 1 Oslo AS

SpareBank 1 SMN has a stake of 19.5% in Bank 1 Oslo AS. SpareBank 1 SMN's share of the profit of Bank 1 Oslo AS was NOK 4m (7m) in the first quarter 2011.

BN Bank ASA

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

SpareBank 1 SMN's share of the profit of BN Bank for the first quarter 2011 was NOK 14m (13m), including amortisation effects.

Polaris Media ASA

SpareBank 1 SMN acquired 18.81% of the shares of Polaris Media AS on 28 March 2011. The shares, posted as security for a loan, were taken over by the Bank as a result of the bankruptcy of Roll Severin Co AS. This brought the SpareBank 1 SMN Group's holding in Polaris Media ASA to 23.45%, and the company is therefore classified as an affiliate of SpareBank 1 SMN.

The shares are taken over at a value of NOK 27 per share, plus a recommended dividend of NOK 1.50 per share. Dividend pay-out is expected in the course of the second quarter.

Other companies

These companies were essentially established to handle corporate exposures taken over from other entities. The negative result of NOK 3m essentially represents reduced asset values in these companies.

Venture in Ålesund

SpareBank 1 SMN signed in 2009 an agreement with BN Bank to take over BN Bank's operation in Ålesund. BN Bank's customers are being successively converted to SpareBank 1 SMN and will for a period be guaranteed by BN Bank against a guarantee commission. By the end of the first quarter 2011 customers representing loans totalling NOK 2.9bn and deposits with an overall balance of NOK 1.1bn had been converted to SpareBank 1 SMN. As of end-March 2011 a loan portfolio of NOK 0.8bn and deposits worth NOK 0.4bn had yet to be converted.

SpareBank 1 SMN also assumed responsibility for 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 underlies SpareBank 1 SMN's venture in Sunnmøre.

Operating expenses

Overall costs came to NOK 348m (206m) in the first quarter 2011. The write-back in the first quarter 2010 of pension liabilities accumulated under the AFP (early retirement) scheme came to NOK 117m, and comparable costs in the first quarter 2010 are NOK 323m. Group operating expenses have thus increased by NOK 25m or 7.8%.

Parent Bank costs rose by NOK 14m, corresponding to 5.8%. The cost increase is ascribable to pay growth and to higher costs related to the new head office.

Overall costs at the Bank's subsidiaries rose by NOK 9m, corresponding to 12.1%, which is mainly ascribable to an increased resource input at Eiendomsmegler 1. The latter's incomes rose by NOK 12m in the same period.

By the end of the first quarter 2011 the effect of measures implemented so far under the cost-reduction programme "170 million in 2012" was NOK 150m.

These will be the most important measures in 2011:

- Simplifying and improving the credit process in the Retail and Corporate market Divisions
- Downscaling the branch network

- Streamlining support functions

Operating expenses were 1.45% of average total assets (1.52%). The Group's cost-income ratio was 52% (61%). The figures for 2010 are exclusive of the write-back of early retirement (AFP) liabilities.

Losses and defaults

In the first quarter 2010 incomings of NOK 6m, net, were recorded on loan losses (loss of NOK 68m).

A net loss of NOK 7m was recorded on the Group's corporate customers (loss of NOK 62m), including losses of NOK 4m (9m) at SpareBank 1 SMN Finans. New individually assessed impairment write-downs in 2011 have been low and write-backs have been recorded on two individual exposures. A net loss of NOK 1m was recorded on the retail portfolio (3m) in the first quarter 2011.

Individual write-downs on loans came to NOK 217m (267m) as of the first quarter, a decline of NOK 50m over the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 680m (1,021m), or 0.77% (1.28%) of gross outstanding loans at end-March 2011.

Defaults in excess of 90 days came to NOK 477m (331m), an increase of NOK 146m. Defaults measure 0.54% (0.42%) of gross lending. Of overall defaults, NOK 96m (71m) or 20% (21%) are loss provisioned.

Other doubtful exposures totalled NOK 202m (690m), measuring 0.23% (0.87%) of gross lending. NOK 122m (196m) or 60% (28%) are loss provisioned.

Increased defaults and a reduction in other doubtful exposures are related to the write-off of losses on some sizeable bad loans, and to the fact that certain doubtful exposures were reclassified to long default over the course of the fourth quarter 2010.

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 quarter no basis has been found for revising collectively assessed write-downs at the Parent Bank. A reduction of NOK 2m has been carried out at SpareBank 1 SMN Finans, bringing the aggregate volume of such write-downs to NOK 290m (292m).

Total assets of NOK 94bn

The Bank's assets totalled NOK 94bn as of end-March 2011 as against NOK 85bn one year previously. The increase is mainly ascribable to lending growth.

As of the first quarter 2011, NOK 20.1bn (17.7bn) had been transferred by SpareBank 1 SMN to SpareBank 1 Boligkreditt AS. These loans do not figure as lending in the Bank's balance sheet. The comments dealing with growth in lending include loans transferred to SpareBank 1 Boligkreditt.

Lending and deposit growth

As of the first quarter 2011 total outstanding loans came to NOK 88.6bn (including SpareBank 1 Boligkreditt), having risen by NOK 9.0bn (7.2bn) or 11.4% (10.0%) over the preceding 12 months.

12-month growth in lending to corporates was NOK 4.6bn (4.2bn) or 13.9% (14.2%). Of this growth, loans transferred from BN Bank in Ålesund accounted for NOK 2.0bn. Overall lending to corporates came to NOK 38.0bn as of the first quarter 2011.

Lending to retail customers rose by NOK 4.4bn (3.0bn) to NOK 50.6bn over the preceding 12 months, corresponding to growth of 9.6% (7.0%).

Lending to retail customers measured 57% (58%) of ordinary loans to customers as of the first quarter 2011.

In the last 12 months customer deposits rose by NOK 5.3bn (2.5bn) or 14.1% (7.6%) to reach NOK 42.9bn as of the first quarter 2011.

Retail customer deposits rose by NOK 1.2bn (1.3bn) or 6.8% (7.8%) to NOK 19.3bn, while deposits from corporates rose by NOK 4.1bn (NOK 1.3bn) or 20.8% (7.3%) to NOK 23.6bn.

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 4.9bn at end-March, an increase of 3% since the first quarter 2010. The increase is essentially ascribable to higher values of equity funds and portfolios under management at Allegro Finans ASA.

Saving products, customer portfolio, NOKm	31 March 2011	31 March 2010	Change
Equity funds	2,416	2,270	146
Pension products	810	907	-97
Active management	977	654	323
Energy fund management	291	501	-210
Property funds	447	447	0
Total	**4,941**	**4,779**	**162**

Insurance products

The Bank's insurance portfolio grew by 15% in the last 12 months, with a rise of 16% for non-life insurance, 8% for personal insurance and 21% for occupational pensions.

Insurance, premium volume, NOKm	31 March 2011	31 March 2010	Change
Non-life insurance	581	499	82
Personal insurance	159	147	12
Occupational pensions	130	107	23
Total	**870**	**753**	**117**

Strong profitability and good growth in the retail market

The retail market business achieved a return on equity of 22.7% (21.4%) in the first quarter 2011. High profitability is ascribable both to a sound profit performance and low risk exposure in the retail market business. This results in a relatively low allocation of capital to be serviced. As of 31 March 2011 capital allocated to the Retail Market Division totalled NOK 1,053m (1,063m).

Operating income has risen, and totalled NOK 234m in the first quarter 2011 (220m). Net interest income totalled NOK 144m (133m) and commission income NOK 89m (88m).

The lending margin in the first quarter 20101 was 1.48% (1.47%), while the deposit margin was 0.49% (0.43%).

In the last 12 months lending to retail customers rose by 9.4% (6.4%) and deposits from the same segment by 4.9% (1.0%).

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)	**31 March 2011**	**31 March 2010**	**Change**
Net interest income	144	133	12
Commission and other income	89	88	2
Total income	234	220	13
Operating expenses	150	138	12
Pre-loss profit	84	82	2
Losses	1	3	-2
Profit before tax	**83**	**79**	**4**
ROE after tax	**22.7 %**	**21.4 %**	
Allocated capital (NOKm)	1,053	1,063	
Loans (NOKbn)	47.9	43.8	4.1
Deposits (NOKbn)	19.3	18.4	0.9

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

Increased profitability and balanced growth in the Corporate market Division

The Corporate market Division reported a return on equity of 18.9% (8.8%). The improvement is due both to increased income and reduced loan losses.

Capital allocated to the corporate market business as end-March 2011 came to NOK 2,803m (2,738m).

With total operating income of NOK 259m in the first quarter 2011 (217m), the corporate market business achieved income growth of NOK 42m compared with the same period of 2010.

Net interest income totalled NOK 218m (185m), while commission income came to NOK 41m (32m).

Lending and deposit margins in the division were, respectively, 2.18% (2.14%) and 0.24% (0.22%). Lending grew by 15.4% and deposits by 15.9%. 6.4 percentage points of the growth in lending is ascribable to loans taken over from BN Bank Ålesund.

Corporate market (NOKm)	31 March 2011	31 March 2010	Change
Net interest income	218	185	33
Commission and other income	41	32	9
Total income	259	217	42
Operating expenses	86	80	6
Pre-loss profit	173	137	36
Losses	-11	53	-64
Profit before tax	**183**	**84**	**100**
ROE after tax	**18.9 %**	**8.8 %**	
Allocated capital (NOKm)	2,803	2,738	
Loans (NOKbn)	36.5	31.6	4.9
Deposits (NOKbn)	21.8	18.8	3.0

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

SpareBank 1 SMN Markets

SpareBank 1 SMN Markets delivers a complete range of capital market products and services, and has strengthened staffing in its share trading, forex and corporate finance areas.

SpareBank 1 Markets reported total income of NOK 26m (16m) in 2010. An increase in income was noted on forex and securities trading compared with 2010.

Markets (NOKm)	31 March 2011	31 March 2010	Change
Currency trading	11.0	6.9	4.1
Fixed income products	4.3	5.4	-1.1
Corporate	1.1	1.0	0.1
Securities, brokerage commission	9.5	2.9	6.5
Total income	**25.9**	**16.2**	**9.6**

Of gross income of NOK 25.9, NOK 5.3m has been transferred to the Corporate Market Division and NOK 0.5m to the Retail Market Division. These are the respective divisions' share of income on forex and fixed-income on their own customers.

Subsidiaries

The Bank's subsidiaries posted an aggregate pre-tax profit of NOK 37m (6m) in the first quarter 2011.

Pre-tax profit, NOKm	31 March 2011	31 March 2010
EiendomsMegler 1 Midt-Norge	12.4	5.5
SpareBank 1 SMN Finans	8.6	6.8
SpareBank 1 SMN Regnskap	2.1	8.1
Allegro Finans	-0.6	-0.5
SpareBank 1 SMN Invest	21.0	-12.5
SpareBank 1 Kvartalet	-5.4	0.2
Total	**38.1**	**7.6**

Eiendomsmegler 1 Midt-Norge AS leads the field in its catchment area with a market share of 40%. The company's profit of NOK 12m (6m) in the first quarter is very satisfactory.

SpareBank 1 SMN Finans AS posted a profit of NOK 9m (7m) in the first quarter. The company has a robust earnings base, and first quarter income totalled NOK 22m. Losses on leases came to NOK 4m in the first quarter compared with NOK 12m in the same period last year. At quarter-end the company managed leases and car loan agreements worth a total of NOK 2.7bn of which leases accounted for NOK 1.8bn.

The business includes the subsidiary SpareBank 1 Bilplan AS which specialises in car fleet management and administers 3,200 vehicles.

SpareBank 1 SMN Regnskap AS posted a pre-tax profit of NOK 2m (8m). The result for 2010 is influenced by the write-back of early retirement (AFP) liabilities. In the first quarter of 2011 SpareBank 1 SMN Regnskap AS acquired three accountancy firms in Namsos and Steinkjer and two in Trondheim. The company's turnover will rise by an estimated NOK 25m as a result of these acquisitions.

Allegro Finans ASA reported a loss of NOK 1m (loss of NOK 1m) before tax in the first quarter of 2011. The company has a portfolio of about NOK 1bn under active management.

The mission of **SpareBank 1 SMN Invest AS** is to invest in shares, mainly in regional listed companies. The company posted a profit of NOK 21m in the first quarter of 2011 (loss of NOK 13m). The result is in its entirety linked to gains on the company's share portfolios.

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 16bn 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 year-end the proportion of money market funding in excess of 1 year was 71% (84%).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in the first quarter 2011 loans totalling a further NOK 2.2bn were transferred to this residential mortgage company. As of end-March 2011 loans totalling NOK 20 billion has been transferred to SpareBank 1 Boligkreditt.

In the third quarter SpareBank 1 SMN raised a loan of EUR 500m in the euromarket with a term of 3.5 years. The loan reflects the Bank's strategy of diversifying its funding sources.

Rating

In March 2011 FitchRatings 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).

Strong financial position

As of the first quarter 2011 the tier 1 capital adequacy ratio was 10.6% (11.0%) and the total capital adequacy ratio was 12.5% (13.5%).

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

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

Figures in NOKm	31 March 2011	31 March 2010
Tier 1 capital	7,330	6,880
Subordinated loan	1,308	1,539
Capital base	**8,638**	**8,418**
Required subordinated debt	**5,537**	**4,999**
Tier 1 capital ratio	**10.6 %**	**11.0 %**
Total capital ratio	**12.5 %**	**13.5 %**

The Bank's equity capital certificate (MING)

The book value of the Bank's ECC was NOK 49.34 at end-March 2011, and earnings per ECC were NOK 1.64.

The price at end-March 2011 was NOK 50.00, and a dividend of NOK 3.00 per ECC was paid in 2011 for the year 2010.

The Price / Income ratio was 7.60, and the Price / Book ratio was 1.01 as of end-March 2011.

Risk factors

The international financial crisis affected the economy of Norway as of other countries. Unemployment did not rise in the course of 2010, but an expected increase in the labour force could bring a moderate increase in unemployment in 2011. Demand for credit is now growing after a period of low demand.

The Bank's results are affected directly and indirectly by the fluctuations in securities markets. The indirect effect relates to the Bank's equity stake in SpareBank 1 Gruppen AS.

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. As from 2008 the cooling of the Norwegian economy has brought increased loss levels in Norwegian financial institutions. Early in 2011 Norway's macroeconomic prospects are better than anticipated one to two years ago, and the outlook for 2011-2012 points to growth in the Norwegian economy. This will in isolation have a positive impact on the Bank's credit portfolio.

Outlook ahead

SpareBank 1 SMN is well capitalised and has robust funding. The Board of Directors' focus is on sound growth and strengthening the Group's market position. Through the cost reduction programme "170 million in 2012", the Board aims to enhance the Group's competitive power.

The Board is satisfied with the Group's performance for the first quarter 2011 and, assuming a continued positive trend in the national and regional economy, the Board expects a good result for the full year 2011.

Trondheim, 5. mai 2011

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 Staff rep.
			Finn Haugan Group CEO

Income statement

Parent bank					Group		
2010	31 March 2010	31 March 2011	(NOK million)	Note	31 March 2011	31 March 2010	2010
3,226	724	870	Interest income		886	748	3,315
2,110	449	560	Interest expenses		559	449	2,105
1,116	**274**	**311**	**Net interest**		**327**	**300**	**1,210**
573	137	141	Commission income		192	178	766
74	17	16	Commission expenses		18	18	81
24	3	8	Other operating income		47	35	170
524	**124**	**132**	**Commission income and other income**		**221**	**194**	**855**
191	33	6	Dividends		3	1	43
-	-	-	Income from investment in related companies		54	41	249
221	7	42	Net return on financial investments	12,13	62	-6	197
411	**40**	**47**	**Net return on financial investments**		**118**	**36**	**490**
2,051	**438**	**490**	**Total income**		**666**	**529**	**2,555**
493	145	142	Staff costs	12	198	195	711
278	66	68	Administration costs		86	83	339
171	38	53	Other operating expenses		65	44	218
942	**249**	**263**	**Total operating expenses before write-back of early retirement liabilities (AFP) in 2010**		**348**	**323**	**1,268**
-117	-106	-	Write-back of early retirement liabilities (AFP) in 2010		-	-117	-128
825	**143**	**263**	**Total operating expenses**		**348**	**206**	**1,140**
1,226	**295**	**227**	**Result before losses**		**318**	**323**	**1,414**
108	56	-10	Loss on loans, guarantees etc.	1	-6	68	132
1,118	**239**	**237**	**Result before tax**	11	**325**	**255**	**1,282**
235	61	65	Tax charge		70	67	260
882	**178**	**172**	**Net profit**		**255**	**188**	**1,022**
			Majority share		248	188	1,017
			Minority interest		6	1	5
			Profit per ECC		1.64	1.09	6.43

Other comprehensive income*

Parent bank				Group		
2010	31 March 2010	31 March 2011	(NOK million)	31 March 2011	31 March 2010	2010
882	178	172	Net profit	255	188	1,022
-	-	-	Available-for-sale financial assets	9	-	-
-	-	-	Share of other comprehensive income of associates and joint venture	6	-19	-29
-	-	-	Other comprehensive income	15	-19	-29
882	178	172	Total comprehensive income	270	169	993
			Majority share of comprehensive income	263	169	987
			Minority interest of comprehensive income	6	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	31 March 2010	31 March 2011	Result as per cent of average total assets:	31 March 2011	31 March 2010	2010
1.24	1.32	1.31	Net interest	1.36	1.41	1.33
0.58	0.59	0.56	Commission income and other income	0.92	0.92	0.94
0.46	0.19	0.20	Net return on financial investments	0.49	0.17	0.54
1.11	1.19	1.11	Total operating expenses before write-back of early retirement liabilities (AFP) in 2010	1.45	1.52	1.50
1.36	1.42	0.96	Result before losses	1.32	1.53	1.55
0.12	0.27	-0.04	Loss on loans, guarantees etc.	-0.03	0.32	0.15
1.24	1.15	1.00	Result before tax	1.35	1.20	1.40
0.40	0.57	0.54	Cost (before write-back og early retirement liabilities)-income ratio	0.52	0.61	0.45
64 %	63 %	65 %	Loan-to-deposit ratio	63 %	61 %	61 %
15.1 %	14.0 %	10.7 %	Return on equity	13.2 %	12.1 %	14.6 %

Balance sheet

Parent bank					Group		
31 Dec 2010	**31 March 2010**	**31 March 2011**	**(NOK million)**	**Note**	**31 March 2011**	**31 March 2010**	**31 Dec 2010**
2,112	1,141	257	Cash and receivables from central banks		257	1,141	2,112
2,894	2,416	3,403	Deposits with and loans to credit institutions		946	95	420
67,443	59,527	66,331	Gross loans to customers before write-down	3,7	68,553	61,886	69,847
-186	-237	-182	- Specified write-downs	2	-217	-267	-222
-273	-273	-273	- Write-downs by loan category		-290	-292	-290
66,983	59,016	65,876	Net loans to and receivables from customers		68,046	61,327	69,336
17,036	14,669	15,635	Fixed-income CDs and bonds at fair value	9	15,579	14,645	16,980
1,825	1,339	1,411	Derivatives		1,411	1,338	1,825
625	568	605	Shares, units and other equity interests	12,13	572	501	618
2,156	2,136	2,618	Investment in related companies		4,119	3,190	3,526
969	858	975	Investment in group companies		0	-	0
447	447	447	Goodwill		460	460	460
1,338	980	1,585	Other assets	4	3,065	2,261	2,717
96,385	**83,569**	**92,812**	**Assets**		**94,455**	**84,957**	**97,992**
8,743	7,262	8,302	Deposits from credit institutions		8,302	7,262	8,743
4,318	4,318	4,318	Funding, "swap" arrangement with the government		4,318	4,318	4,318
43,028	37,781	43,059	Deposits from and debt to customers	6	42,900	37,606	42,786
27,941	23,336	25,078	Debt created by issue of securities	8	25,078	23,336	27,941
1,684	1,112	1,265	Derivatives		1,265	1,112	1,684
1,332	1,210	1,860	Other liabilities	5	2,298	1,634	1,917
2,758	3,470	2,655	Subordinated loan capital	8	2,655	3,470	2,758
89,804	**78,489**	**86,537**	**Total liabilities**		**86,816**	**78,739**	**90,147**
2,373	1,736	2,373	Equity capital certificates		2,373	1,736	2,373
-0	-2	-0	Own holding of ECCs		-0	-2	-0
182	-	182	Premium fund		182	-	182
1,159	877	1,160	Dividend equalisation fund		1,160	877	1,159
285	-	-	Recommended dividends		-	-	285
192	27	0	Provision for gifts		0	27	192
2,345	2,155	2,345	Savings bank's reserve		2,345	2,155	2,345
45	110	45	Unrealised gains reserve		75	124	66
-	-	-	Other equity capital		1,152	1,069	1,147
-	178	172	Profit for the periode		255	188	-
			Minority interests		98	46	97
6,581	**5,081**	**6,276**	**Total equity capital**	10	**7,639**	**6,218**	**7,846**
96,385	**83,569**	**92,812**	**Total liabilities and equity**		**94,455**	**84,957**	**97,992**

Cash flow statement

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011	(NOK million)	31 March 2011	31 March 2010	31 Dec 2010
882	178	172	Profit	255	188	1,022
31	8	9	Depreciations and write-downs on fixed assets	21	50	47
108	56	-10	Losses on loans and guarantees	-6	68	132
1,022	242	171	Net cash increase from ordinary opertions	269	306	1,201
-1,032	-123	180	Decrease/(increase) other receivables	110	-144	-959
981	176	110	Increase/(decrease) short term debt	-37	158	1,013
-8,254	-235	1,117	Decrease/(increase) loans to customers	1,296	-120	-8,193
-417	61	-509	Decrease/(increase) loans credit institutions	-527	58	-267
5,646	399	30	Increase/(decrease) deposits and debt to customers	115	379	5,558
1,751	270	-441	Increase/(decrease) debt to credit institutions	-441	270	1,751
-2,285	83	1,401	Increase/(decrease) in short term investments	1,401	83	-2,252
-2,587	**873**	**2,057**	**A) NET CASH FLOW FROM OPERATIONS**	**2,185**	**990**	**-2,148**
-107	-11	-21	Increase in tangible fixed assets	-64	-122	-265
-	-	-	Reductions in tangible fixed assets	-	9	2
-353	-222	-468	Paid-up capital, associated companies	-593	-269	-605
-37	-5	20	Net investments in long-term shares and partnerships	46	4	-87
-497	**-239**	**-469**	**B) NET CASH FLOW FROM INVESTMENTS**	**-612**	**-377**	**-955**
133	44	-103	Increase/(decrease) in subordinated loan capital	-103	44	133
-1,250	-450	-	Hybrid equity State Finance Fund	-	-450	-1,250
823	-	-	Increase/(decrease) in equity	-	-	823
-173	-173	-285	Dividend cleared	-285	-173	-173
-27	-	-192	To be disbursed from gift fund	-192	-	-27
-	-	-	Correction of equity capital	15	20	19
4,583	-21	-2,864	Increase/(decrease) in other long term loans	-2,864	-21	4,583
4,089	**-600**	**-3,444**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-3,429**	**-580**	**4,107**
1,005	**34**	**-1,855**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-1,855**	**34**	**1,005**
1,107	1,107	2,112	Cash and cash equivalents at 01.01	2,112	1,107	1,107
2,112	1,141	257	Cash and cash equivalents at 31.12	257	1,141	2,112
-1,005	**-34**	**1,855**	**Net changes in cash and cash equivalents**	**1,855**	**-34**	**-1,005**

Change in equity

Parent bank

NOK million	EC capital	Premium fund	Ownerless capital	Other equity	Equalisation fund	Unrealised gains reserve	Minority interest	Total equity
Equity capital at 31 Dec 2008	1,445	236	1,899	294	768	59	-	4,700
Dividend declared for 2008	-	-	-	-116	-	-	-	-116
Bonus issued	289	-236	-	-	-53	-	-	0
To be disbursed from gift fund	-	-	-	-178	-	-	-	-178
Correction to privious years' distribution	-	-	13	-	-13	-	-	-
Total comprehensive income at 31 Dec 2009	-	-	243	201	175	51		669
Equity capital at 31 Dec 2009	1,734	0	2,155	201	877	110		5,076
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 comprehensive income at 31 Dec 2010	-	-	189	477	281	-65	-	882
Equity capital at 31 Dec 2010	**2,372**	**182**	**2,345**	**477**	**1,159**	**45**	**-**	**6,581**
Dividend declared for 2010	-	-	-	-285	-	-	-	-285
To be disbursed from gift fund	-	-	-	-192	-	-	-	-192
Total comprehensive income at 31 March 2011	-	-	-	172	-	-	-	172
Equity capital at 31 March 2011	**2,372**	**182**	**2,345**	**172**	**1,159**	**45**	**-**	**6,276**

Group

NOK million	EC capital	Premium fund	Ownerless capital	Other equity	Equalisation fund	Unrealised gains reserve	Minority interest	Total equity
Equity capital at 31 Dec 2008	1,445	236	1,899	1,061	768	73	36	5,518
Dividend declared for 2008	-	-	-	-116	-	-	-	-116
Bonus issued	289	-236	-	-	-53	-	-	0
To be disbursed from gift fund	-	-	-	-178	-	-	-	-178
Direct recognitions in equity	-	-	-	6	-	-	-	6
Correction to privious years' distribution	-	-	13	-	-13	-	-	-
Total comprehensive income at 31 Dec 2009	-	-	243	479	175	51	6	953
Equity capital at 31 Dec 2009	1,734	0	2,155	1,252	877	124	42	6,183
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
SpareBank 1 SMN Invest, unrealised gains reserve	-	-	-	-	-	7	-	7
Change in minority share	-	-	-	-	-	-	50	50
Total comprehensive income at 31 Dec 2010	-	-	189	581	281	-65	5	993
Equity capital at 31 Dec 2010	**2,372**	**182**	**2,345**	**1,623**	**1,159**	**66**	**97**	**7,846**
Dividend declared for 2010	-	-	-	-285	-	-	-	-285
To be disbursed from gift fund	-	-	-	-192	-	-	-	-192
Direct recognitions in equity	-	-	-	-5	0	-	-	-5
Change in minority share	-	-	-	-	-	-	4	4
Total comprehensive income at 31 March 2011	-	-	-	259	-	9	2	270
Equity capital at 31 March 2011	**2,372**	**182**	**2,345**	**1,401**	**1,160**	**75**	**102**	**7,639**

Equity capital certificate ratio

Parent bank

	31 March 2011	31 Dec 2010
ECC capital	2,372	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	**3,742**	**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	**6,104**	**6,581**
Equity capital certificate ratio A/(A+B)	**61.3 %**	**61.3 %**

Results from quarterly accounts

Group in NOKm	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009	1Q 2009
Interest income	886	894	869	804	748	764	781	843	1,028
Interest expenses	559	601	549	506	449	448	450	543	696
Net interest	**327**	**293**	**320**	**297**	**300**	**316**	**331**	**300**	**333**
Commission income	192	199	197	193	178	209	175	172	149
Commission expenses	18	23	21	19	18	30	17	19	18
Other operating income	47	47	34	54	35	30	32	40	30
Commission income and other income	**221**	**222**	**210**	**229**	**194**	**209**	**190**	**193**	**161**
Dividends	3	0	0	42	1	0	1	4	1
Income from investment in related companies	54	83	69	57	41	78	203	69	-2
Net return on financial investments	62	115	55	32	-6	75	103	74	36
Net return on financial investments	**118**	**198**	**125**	**131**	**36**	**153**	**307**	**147**	**35**
Total income	**666**	**713**	**655**	**657**	**529**	**678**	**828**	**640**	**529**
Staff costs	198	137	191	177	78	179	180	191	174
Administration costs	86	98	76	81	83	79	77	78	84
Other operating expenses	65	76	52	45	44	64	45	50	49
Total operating expenses	**348**	**311**	**320**	**303**	**206**	**323**	**303**	**319**	**307**
Result before losses	**318**	**402**	**335**	**354**	**323**	**355**	**526**	**320**	**222**
Loss on loans, guarantees etc.	-6	25	12	28	68	39	55	73	110
Result before tax	**325**	**377**	**323**	**327**	**255**	**316**	**471**	**247**	**112**
Tax charge	70	60	67	66	67	65	65	42	37
Net profit	**255**	**318**	**256**	**260**	**188**	**251**	**406**	**205**	**74**

Key figures from quarterly accounts

	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009	1Q 2009
Profitability									
Return on equity per quarter	13.2%	16.6%	13.9%	15.5%	12.1%	16.5%	29.4%	14.9%	5.8%
Cost-income ratio	52 %	44 %	49 %	46 %	39 %	48 %	37 %	50 %	58 %
Balance sheet									
Gross loans to customers	68,553	69,847	67,069	64,390	61,886	61,782	63,792	64,945	64,502
Gross loans incl. SB1 Boligkreditt AS	88,606	87,665	86,046	83,767	79,560	77,429	76,549	74,419	72,358
Deposits from customers	42,900	42,786	38,643	41,273	37,606	37,227	37,586	38,279	35,894
Total assets	94,455	97,992	95,271	93,823	84,957	84,541	89,602	89,716	84,866
Average total assets	96,224	96,632	94,547	89,390	84,749	87,072	89,659	87,291	84,768
Growth in loans incl. SB1 Boligkreditt last 12 months	11.4 %	13.2 %	12.4 %	12.6 %	10.0 %	8.6 %	10.0 %	10.5 %	12.6 %
Growth in deposits last 12 months	14.1 %	14.9 %	2.8 %	7.8 %	4.8 %	5.5 %	5.4 %	6.8 %	7.6 %
Losses and defaults in % of gross loans incl. Boligkreditt									
Impairment losses ratio	0.05 %	0.05 %	0.05 %	0.15 %	0.33 %	0.20 %	0.29 %	0.25 %	0.52 %
Non-performing commitm. as a percentage of gross loans	0.54 %	0.57 %	0.38 %	0.41 %	0.42 %	0.49 %	0.94 %	0.77 %	0.46 %
Other doubtful commitm. as a percentage of gross loans	0.23 %	0.24 %	0.84 %	0.81 %	0.87 %	0.57 %	0.73 %	0.74 %	0.95 %
Solidity									
Capital adequacy ratio	12.48 %	12.97 %	12.83 %	13.20 %	13.47 %	13.56 %	13.86 %	12.08 %	11.80 %
Core capital ratio	10.59 %	10.93 %	10.62 %	10.76 %	11.01 %	10.45 %	10.59 %	8.65 %	8.36 %
Core capital	7,330	7,286	7,033	6,960	6,880	6,730	6,546	5,091	4,755
Net equity and related capital	8,638	8,646	8,493	8,537	8,418	8,730	8,563	7,112	6,708
Key figures ECC *)									
ECC price	50.00	54.00	49.00	42.30	48.00	49.02	44.02	38.58	22.06
Number of certificates issued, millions	94.90	94.90	94.89	94.89	94.91	69.43	69.43	69.43	69.43
Booked equity capital per ECC (including dividend)	49.34	50.60	48.13	46.65	45.21	44.89	43.58	40.62	39.13
Profit per ECC	1.65	2.05	1.65	1.68	1.09	1.85	2.99	1.51	0.55
Price-Earnings Ratio	7.59	6.57	7.41	6.28	11.04	6.63	3.68	6.36	10.09
Price-Book Value Ratio	1.01	1.07	1.02	0.91	1.06	1.09	1.01	0.95	0.56

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

Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS), 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.

Notes

Contents

Note 1 - Losses on loans and guarantees

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011		31 March 2011	31 March 2010	31 Dec 2010
-7	44	-4	Change in individual impairment losses provisions for the period	-5	48	3
0	0	0	Change in collective impairment losses provisions for the period	0	3	1
39	15	5	Actual loan losses on comm. for which provisions have been made	6	19	46
84	0	2	Actual loan losses on commitments for which no provision has been made	6	1	92
-8	-3	-13	Recoveries on commitments previously written-off	-13	-3	-10
108	**56**	**-10**	**Losses of the year on loans and guarantees**	**-6**	**68**	**132**

Note 2 - Losses

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011		31 March 2011	31 March 2010	31 Dec 2010
193	193	186	Individual write-downs to cover loss on loans at 01.01	222	219	219
24	21	6	+Increase in provisions for individual impairment losses	6	26	34
21	8	14	- Reversal of provisions from previous periods	15	8	22
29	46	10	+Impairment losses have been made previously	11	50	38
39	15	5	- Actual losses during the period for which provisions for individual impairment losses have been made previously	6	19	46
186	**237**	**182**	**Specification of loss provisions at end of period**	**217**	**267**	**222**
123	15	7	Actual losses	12	20	138

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

Note 3 - Defaults

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011		31 March 2011	31 March 2010	31 Dec 2010
			Total defaults			
397	229	362	Loans in default for more than 90 days *)	477	331	499
72	49	62	- Specified loss provision	96	71	100
325	181	300	Net defaults	382	260	399
18 %	21 %	17 %	Provision rate	20 %	21 %	20 %
			Problem Loans			
198	668	200	Problem loans (not in default)	202	690	211
114	188	120	- Specified loss provision	122	196	122
84	479	80	Net problem loans	81	493	89
58 %	28 %	60 %	Provision rate	60 %	28 %	58 %

*) Of which NOK 17 million relates to loans in the guarantee portfolio taken over from BN Bank ASA. These will not entail loss for SpareBank 1 SMN.

Note 4 - Other assets

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011		31 March 2011	31 March 2010	31 Dec 2010
-	-	-	Deferred tax benefit	7	21	7
131	140	143	Fixed assets	1,070	882	1,027
-	-	-	Assets held for sale	407	405	406
959	637	859	Earned income not yet received	882	646	967
54	3	468	Accounts receivable, securities	468	3	54
195	200	116	Other assets	230	304	256
1,338	**980**	**1,585**	**Total other assets**	**3,065**	**2,261**	**2,717**

Note 5 - Other liabilities

Parent bank				Group		
31 Dec 2010	31 March 2010	31 March 2011		31 March 2011	31 March 2010	31 Dec 2010
21	18	21	Deferred tax	31	24	31
178	61	157	Payable tax	164	87	196
676	664	795	Accrued expenses and received, non-accrued income	1,048	891	1,057
182	191	148	Provision for accrued expenses and commitments	149	192	182
0	0	0	Pension liabilities	6	7	6
73	100	48	Drawing debt	48	100	73
11	103	39	Creditors	77	135	26
82	18	71	Debt from securities	71	18	82
0	0	0	Debt available for sale	128	95	110
109	55	581	Other liabilities	576	85	154
1,332	**1,210**	**1,860**	**Total other liabilites**	**2,298**	**1,634**	**1,917**

Note 6 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2010	**31 March 2010**	**31 March 2011**		**31 March 2011**	**31 March 2010**	**31 Dec 2010**
1,572	1,596	1,766	Agriculture/forestry/fisheries/hunting	1,766	1,596	1,572
404	278	601	Sea farming industries	601	278	404
1,113	1,438	950	Manufacturing	950	1,438	1,113
1,213	1,102	1,122	Construction, power and water supply	1,122	1,102	1,213
3,337	2,413	2,558	Retail trade, hotels and restaurants	2,558	2,413	3,337
447	63	601	Maritime sector	601	63	447
2,600	2,516	2,529	Property management	2,512	2,512	2,533
4,044	3,338	4,130	Business services	4,130	3,338	4,044
3,037	2,886	3,259	Transport and other services provision	3,146	2,774	2,886
4,401	3,748	3,662	Public administration	3,662	3,748	4,401
1,809	363	2,608	Other sectors	2,581	305	1,784
23,976	**19,742**	**23,787**	**Total**	**23,629**	**19,568**	**23,734**
19,052	18,038	19,271	Wage earners	19,271	18,038	19,052
43,028	**37,781**	**43,058**	**Total deposits**	**42,900**	**37,606**	**42,786**

Note 7 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2010	**31 March 2010**	**31 March 2011**		**31 March 2011**	**31 March 2010**	**31 Dec 2010**
4,640	4,048	4,394	Agriculture/forestry/fisheries/hunting	4,601	4,325	4,892
1,793	1,179	1,897	Sea farming industries	2,010	1,276	1,906
2,507	2,147	2,459	Manufacturing	2,714	2,400	2,775
2,028	1,960	2,134	Construction, power and water supply	2,574	2,441	2,511
2,287	2,078	2,258	Retail trade, hotels and restaurants	2,463	2,354	2,503
5,240	3,116	5,619	Maritime sector	5,624	3,120	5,242
13,474	11,992	13,219	Property management	12,754	11,599	13,013
2,808	3,028	2,825	Business services	3,131	3,337	3,134
1,300	1,937	1,220	Transport and other services provision	1,483	2,285	1,628
61	25	33	Public administration	72	60	101
337	208	608	Other sectors	610	208	339
36,475	**31,718**	**36,666**	**Gross loans in retail market**	**38,037**	**33,404**	**38,046**
48,786	45,482	49,719	Wage earners	50,569	46,156	49,619
85,260	**77,200**	**86,385**	**Gross loans incl. SpareBank 1 Boligkreditt**	**88,606**	**79,560**	**87,665**
17,818	17,673	20,054	SpareBank 1 Boligkreditt	20,054	17,673	17,818
67,443	**59,526**	**66,331**	**Gross loans in balance sheet**	**68,553**	**61,886**	**69,847**

Note 8 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2010	**31 March 2010**	**31 March 2011**		**31 March 2011**	**31 March 2010**	**31 Dec 2010**
235	223	267	Short-term debt instruments, nominal value	267	223	235
27,581	22,966	24,783	Bond debt, nominal value	24,783	22,966	27,581
126	147	27	Value adjustments	27	147	126
27,941	**23,336**	**25,078**	**Total**	**25,078**	**23,336**	**27,941**

Change in securities debt, subordinated debt and hybrid equity

	31 March 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Short-term debt instruments, nominal value	267	33	0	0	235
Bond debt, nominal value	24,783	1,343	3,963	-178	27,581
Value adjustments	27	0	0	-98	126
Total	25,078	1,375	3,963	-276	27,941

	31 March 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Ordinary subordinated loan capital, nominal value	1,252	0	0	-47	1,299
Perpetual subordinated loan capital, nominal value	438	0	0	-8	447
Hybrid equity, nominal value	865	0	0	-25	890
Value adjustments	99	0	0	-24	123
Total	2,655	0	0	-103	2,758

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 31 December 2010 - 31 March 2011, NOK 1.4 million has been amortised. At the end of the first quarter of 2011 the average residual maturity is 1.1 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 taken to income NOK 0.5 million in unrealised capital gains related to this bond portfolio in the first quarter 2011.

Unrealised agio gains related to this portfolio have been taken to income in an amount of NOK 1.3 million in the first quarter 2011.

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

Parent bank				Group		
31 Dec 2010	**31 March 2010**	**31 March 2011**		**31 March 2011**	**31 March 2010**	**31 Dec 2010**
1,562	2,112	1,444	Booked value	1,444	2,112	1,562
1,568	2,126	1,449	Nominal value	1,449	2,126	1,568
1,570	2,129	1,451	Calculated value incl. Exchange rate adjustments	1,451	2,129	1,570

Note 10 - 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 was repaid in April 2010.

Subordinated debt ranks behind all other liabilities. Dated subordinated loans are eligible at a maximum of 50% of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans are eligible at a maximum of 100% 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% 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% or total capital adequacy falls below 6%. 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 about subordinated debt and hybrid capital, see note 34 in the Bank's annual report.

Parent bank 31 Dec 2010	Parent bank 31 March 2010	Parent bank 31 March 2011		Group 31 March 2011	Group 31 March 2010	Group 31 Dec 2010
2,373	1,736	2,373	Equity capital certificates	2,373	1,736	2,373
0	-2	0	- Own holding of ECCs	0	-2	0
182	0	182	Premium fund	182	0	182
1,159	877	1,160	Dividend equalisation fund	1,160	877	1,159
2,345	2,155	2,345	Savings bank's reserve	2,345	2,155	2,345
285	27	0	Recommended dividends	0	27	285
192	0	0	Provision for gifts	0	0	192
45	110	45	Unrealised gains reserve	75	124	66
0	0	0	Other equity and minority interest	1,250	1,115	1,244
0	178	172	Net profit	255	188	0
6,581	**5,081**	**6,276**	**Total book equity**	**7,639**	**6,219**	**7,846**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-643	-481	-466
0	0	0	Part of reserve for unrealised gains, associated companies	65	0	65
-477	-27	0	Deduction for allocated dividends and gifts	0	-27	-477
-348	-374	-343	50 % deduction for subordinated capital in other financial institutions	0	0	0
-208	-218	-140	50 % deduction for expected losses on IRB, net of write-downs	-90	-218	-216
0	0	0	50 % capital adequacy reserve	-626	-374	-571
0	0	0	Share of non-performing, non-amortizsed estimate deviations	0	0	0
0	-178	-172	Net profit	-255	-188	0
0	120	86	Year-to-date profit included in core capital (50% pre tax)	126	128	0
936	922	898	Hybrid capital, core capital	1,114	1,022	1,106
0	800	0	State Finance Fund, core capital	0	800	0
6,037	**5,679**	**6,158**	**Total core capital**	**7,330**	**6,880**	**7,283**
			Supplementary capital in excess of core capital			
0	16	0	Hybrid capital, supplementary capital	0	0	0
0	0	0	State Finance Fund, supplementary capital	0	0	0
466	456	452	Perpetual subordinated capital	452	456	466
1,358	1,278	1,306	Non-perpetual subordinated capital	1,571	1,674	1,680
-348	-374	-343	50 % deduction for subordinated capital in other financial institutions	0	0	0
-208	-218	-140	50 % deduction for expected losses on IRB, net of write-downs	-90	-218	-216
0	0	0	50 % capital adequacy reserve	-626	-374	-571
1,268	**1,158**	**1,276**	**Total supplementary capital**	**1,308**	**1,539**	**1,360**
7,305	**6,837**	**7,434**	**Net subordinated capital**	**8,638**	**8,418**	**8,643**
			Minimum requirements subordinated capital, Basel II			
1,386	1,274	1,389	Involvement with spesialised enerprises	1,389	1,274	1,386
1,115	1,112	1,161	Other corporations exposure	1,168	1,116	1,120
66	53	62	SME exposure	64	55	68
311	308	298	Retail morgage exposure	450	442	451
33	46	31	Other retail exposure	32	47	34
496	709	568	Equity investments	0	147	0
3,406	**3,501**	**3,509**	**Total credit risk IRB**	**3,103**	**3,080**	**3,058**
165	0	176	Debt risk	176	0	165
46	50	44	Equity risk	15	15	15
0	0	0	Currency risk	0	0	0
275	275	293	Operational risk	400	331	331
537	373	532	Exposures calculated using the standardised approach	1,949	1,640	1,864
-59	-63	-58	Deductions	-106	-67	-98
0	0	0	Transitional arrangements	0	0	0
4,371	**4,137**	**4,497**	**Minimum requirements subordinated capital**	**5,537**	**4,999**	**5,335**
			Capital adequacy			
11.05 %	10.98 %	10.95 %	Core capital ratio	10.59 %	11.01 %	10.93 %
13.37 %	13.22 %	13.22 %	Capital adequacy ratio	12.48 %	13.47 %	12.97 %

Note 11 - Account by business line

	Group 31 March 2011								
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SP1F**	**Allegro**	**MNR**	**Uncollated**	**Total**
Net interest	134	191	4	1	22	-	-	-25	327
Allocated	10	27	1	-	-	-	-	-37	0
Total interest income	**144**	**218**	**4**	**1**	**22**	**-**	**-**	**-63**	**327**
Commission income and other income	89	36	4	64	2	3	18	5	221
Net return on financial investments **)	1	5	12	0	0	0	-	100	118
Total income *)	**234**	**259**	**21**	**65**	**24**	**3**	**18**	**43**	**666**
Total operating expenses	**150**	**86**	**20**	**52**	**12**	**4**	**16**	**8**	**348**
Ordinary operating profit	**84**	**173**	**0**	**12**	**13**	**-1**	**2**	**35**	**318**
Loss on loans, guarantees etc.	1	-11	0	0	4	0	0	0	-6
Result before tax	**83**	**183**	**0**	**12**	**9**	**-1**	**2**	**35**	**325**
Post-tax return on equity	**22.7 %**	**18.9 %**							**13.2 %**
Balance (NOK million)									
Loans and advances to customers	47,919	36,485	-	-	2,954	-	-	1,249	88,606
adv. of this to Boligkreditt	-19,118	-229	-	-	-	-	-	-706	-20,054
Individual allowance for impairment on loan	-29	-153	-	-	-35	-	-	-	-217
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	194	158	-	89	-2,436	16	15	28,372	26,409
Total assets	**28,966**	**36,261**	**-**	**89**	**466**	**16**	**15**	**28,642**	**94,455**
Deposits to customers	19,317	21,801	-	-	-	-	-	1,782	42,900
Other liabilities and equity	9,649	14,460	-	89	466	16	15	26,859	51,555
Total liabilites	**28,966**	**36,261**	**-**	**89**	**466**	**16**	**15**	**28,642**	**94,455**

					Group 31 March 2010				
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SP1F**	**Allegro**	**MNR**	**Uncollated**	**Total**
Net interest	129	175	3	1	25	-	-	-32	300
Allocated	4	10	0	-	-	-	-	-14	0
Total interest income	**133**	**185**	**3**	**1**	**25**	**-**	**-**	**-46**	**300**
Commission income and other income	88	30	4	52	1	3	14	2	194
Net return on financial investments **)	0	2	7	0	0	0	-	26	36
Total income *)	**220**	**217**	**14**	**53**	**26**	**3**	**14**	**-18**	**529**
Total operating expenses	**138**	**80**	**19**	**47**	**7**	**4**	**6**	**-95**	**206**
Ordinary operating profit	**82**	**137**	**-5**	**6**	**19**	**-1**	**8**	**77**	**323**
Loss on loans, guarantees etc.	3	53	0	0	12	0	0	40	68
Result before tax	**79**	**84**	**-5**	**6**	**7**	**-1**	**8**	**37**	**255**
Post-tax return on equity	**21.4 %**	**8.8 %**							**12.1 %**
Balance (NOK million)									
Loans and advances to customers	43,823	31,597	-	-	2,813	-	-	1,327	79,560
adv. of this to Boligkreditt	-16,883	-265	-	-	-	-	-	-525	-17,673
Individual allowance for impairment on loan	-40	-157	-	-	-30	-	-	-40	-267
Group allowance for impairment on loan	-108	-165	-	-	-18	-	-	0	-292
Other assets	266	145	-	100	44	14	12	23,049	23,630
Total assets	**27,058**	**31,154**	**-**	**100**	**2,808**	**14**	**12**	**23,811**	**84,958**
Deposits to customers	18,422	18,816	-	-	-	-	-	368	37,606
Other liabilities and equity	8,636	12,338	-	100	2,808	14	12	23,442	47,351
Total liabilites	**27,058**	**31,154**	**-**	**100**	**2,808**	**14**	**12**	**23,811**	**84,958**

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

**) Specification of net return on financial investments (NOKm)	31 March 2011	31 March 2010
Income from investment in related companies	54	41
adv. of this from SpareBank1 Gruppen	31	22
adv. of this from BN Bank ASA	14	13
adv. of this from Bank 1 Oslo	4	7
Net gain and dividends on securities	30	-10
adv. of this from Midt-Norge Invest	21	-12
Net gain on bonds	25	-3
Net gain on trading and derivatives SMN Markets	10	8
Net return on financial investments	118	36

Note 12 - 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 are taken over at a value of NOK 27 per share, plus dividend of NOK 1.50. Dividend payout is expected 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.

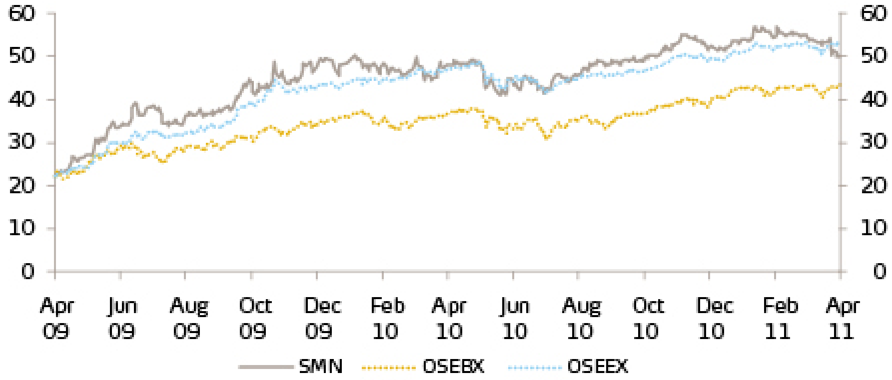
Note 13 - Measurement of fair value of financial instruments

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 31.03.2011, 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**
Q1 2011	Equity instruments available for sale	23	-	-23	32
Total		**23**	**-**	**-23**	**32**

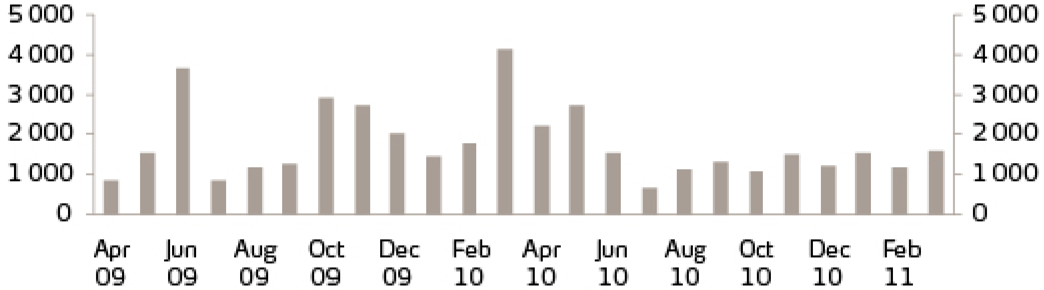
Equity capital certificates

Stock price compared with OSEBX and OSEEX
1 April 2009 to 31 March 2011



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

Trading statistics
1 April 2009 to 31 March 2011



20 largest ECC holders	Number	Share
Reitangruppen AS	6,872,514	7.24 %
Rasmussengruppen AS	3,250,000	3.42 %
Aker ASA / The Resource Group TRG	2,860,966	3.01 %
Bank of New York Mellon SA/NV	2,556,406	2.69 %
Odin Norge	2,293,235	2.42 %
Odin Norden	2,126,949	2.24 %
DB UK Bank Limited	1,490,850	1.57 %
Frank Mohn AS	1,442,236	1.52 %
MP Pensjon PK	1,142,774	1.20 %
Vind LV AS	1,085,151	1.14 %
The Northern Trust Co. (nominee)	1,082,536	1.14 %
Nordea Bank Norge AS	1,077,640	1.14 %
I.K. Lykke, T.Lykke m.fl.	891,567	0.94 %
Tonsenhagen Forretningssentrum AS	865,013	0.91 %
Stiftelsen Uni	826,171	0.87 %
Forsvarets personellservice	788,092	0.83 %
Nordisk Finans Invest AS	772,275	0.81 %
KLP Aksje Norden VPF	744,475	0.78 %
Heglund Holding AS	629,357	0.66 %
Danske Invest Norske Aksjer Inst	543,996	0.57 %
The 20 largest ECC holders in total	**33,342,203**	**35.13 %**
Others	61,563,083	64.87 %
Total issued ECCs	**94,905,286**	**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.