First half and second quarter report 2011

SpareBank SMN

Contents

Main figures

From the profit and loss account	30 June 2011 NOKm	30 June 2011 %	30 June 2010 NOKm	30 June 2010 %	2010 NOKm	2010 %
Net interest	645	1.33	597	1.36	1,210	1.33
Commission income and other income	453	0.94	423	0.96	855	0.94
Net return on financial investments	243	0.50	167	0.38	490	0.54
Total income	**1,341**	**2.77**	**1,187**	**2.70**	**2,555**	**2.80**
Total operating expenses	**708**	**1.46**	**509**	**1.16**	**1,140**	**1.25**
Results	**633**	**1.31**	**678**	**1.54**	**1,414**	**1.55**
Loss on loans, guarantees etc	-7	-0.01	96	0.22	132	0.15
Results before tax	**640**	**1.32**	**582**	**1.33**	**1,282**	**1.40**
Tax charge	135	0.28	133	0.30	260	0.28
Net profit	**505**	**1.04**	**449**	**1.02**	**1,022**	**1.12**

Key figures	30 June 2011	30 June 2010	2010
Profitability			
Return on equity[1)]	13.0 %	13.7 %	14.6 %
Cost-income ratio[2)]	53 %	43 %	45 %
Balance sheet			
Gross loans to customers	68,559	64,390	69,847
Gross loans to customers incl. SpareBank 1 Boligkreditt	90,939	83,767	87,665
Deposits from customers	45,990	41,273	42,786
Deposit-to-loan ratio	67 %	64 %	61 %
Growth in loans incl.Boligkreditt	8.6 %	12.6 %	13.2 %
Growth in deposits	11.4 %	7.8 %	14.9 %
Average total assets	96,954	87,774	91,317
Total assets	98,415	93,823	97,992
Losses and defaults in % of gross loans incl. Boligkreditt			
Impairment losses ratio	-0.02 %	0.24 %	0.16 %
Non-performing commitm. as a percentage of gross loans[3)]	0.40 %	0.41 %	0.57 %
Other doubtful commitm. as a percentage of gross loans	0.20 %	0.81 %	0.24 %
Solidity			
Capital adequacy ratio	12.3 %	13.2 %	13.0 %
Core capital ratio	10.7 %	10.8 %	10.9 %
Core capital	7,394	6,960	7,286
Net equity and related capital	8,496	8,537	8,646
Branches and staff			
Number of branches	54	55	54
No. Of full-time positions	1,047	1,019	1,035

Key figures ECC [4]	30 June 2011	30 June 2010	2010	2009	2008	2007
ECC ratio	61.3 %	61.3 %	61.3 %	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	48.90	42.30	54.00	49.02	22.85	54.65
Stock value (NOKM)	4,640	4,014	5,124	3,749	1,750	3,900
Booked equity capital per ECC (including dividend)	51.05	46.65	50.60	44.89	40.03	38.35
Profit per ECC	3.26	2.82	6.43	6.73	4.49	6.16
Dividend per ECC			3.00	2.27	1.51	4.24
Price-Earnings Ratio	7.50	7.49	8.40	7.29	5.09	8.87
Price-Book Value Ratio	0.96	0.91	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

First half 2011

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

- Profit before tax: NOK 640m (582m)
- Profit: NOK 505m (449m)
- Return on equity: 13.0% (13.7%)
- Lending growth 8.6% (12.6%), deposit growth 11.4% (7.8%) over past 12 months
- NOK 7m taken to income on reversal of loan losses (loss of 96m)
- Tier 1 capital adequacy: 10.7% (10.8%)
- Earnings per equity capital certificate (ECC): NOK 3.26 (2.82)

Second quarter 2011

- Profit before tax: NOK 315m (327m)
- Profit: NOK 250m (260m)
- Return on equity: 12.9% (15.5%)
- NOK 1m taken to income on reversal of loan losses (loss of 28m)
- Earnings per equity ECC: NOK 1.62 (1.68)

Good profit performance in first half of 2011

Highlights:

- Substantial increase in pre-tax profit compared with same period of 2010
- Positive income growth in core operations and good return on financial investments
- Net incomings on loan losses
- Strong financial position and good funding
- Sound growth in deposits and home mortgage lending

In the first half of 2011 SpareBank 1 SMN recorded a pre-tax profit of NOK 640m (582m). Net profit came to NOK 505m (449m) and return on equity was 13.0% (13.7%).

Pre-tax profit in the second quarter in isolation was NOK 315m which was NOK 10m below the first quarter figure. Return on equity in the quarter was 12.9% (13.2% in the first quarter).

Overall operating income came to NOK 1,098m (1,020m) in the first half-year, an increase of NOK 78m over the first half of 2010. Both net interest income and commission income rose compared with the first half of 2010.

Return on financial assets was NOK 243m (167m). This was mainly attributable to higher return on the Bank’s bond portfolio.

Operating expenses totalled NOK 708m in the first half of 2011 (509m), NOK 199m higher than in 2010.

NOK 117m of the increase is explained by income recognition of dissolved AFP (early retirement) liabilities in the first quarter of 2010. A large proportion of the expense growth is ascribable to increased activity at the subsidiaries.

Net income of NOK 7m (net loss of 96m) was recorded on loans and guarantees in the period.

As of mid-2011 12-month growth in lending was 8.6% (12.6%) and 12-month growth in deposits was 11.4% (7.8%). Growth in the first half in isolation was 3.7% (8.2%).

At the same point in time tier 1 capital adequacy was 10.7% (10.8%) and total capital adequacy was 12.3% (13.2%).

The price of the Bank's ECC at this point was NOK 48.90 (54.00 at end-2010). A cash dividend of NOK 3.00 per ECC was paid in the second quarter for the year 2010.

Earnings per ECC were NOK 3.26 in the first half-year, and book value per ECC was NOK 51.05 at the end of the second quarter.

Increased net interest income

Net interest income in the first quarter came to NOK 645m (597m). The increase is mainly due to:

- Higher lending and deposit volumes
- As from 2011 banks are exempt from payment of levy to the Norwegian Banks' Guarantee Fund. This amounts to NOK 48m on an annual basis.

Relative net interest income shows a slight decline in the period. This is due to higher funding costs which, in view of the competitive situation, are not being fully passed on to the Bank's borrowers through higher lending rates.

Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, not interest income. It amounted to NOK 48m (58m) in the first half-year.

As of end-June 2011 home mortgage loans worth NOK 22.4bn (19.4bn) had been transferred to SpareBank 1 Boligkreditt. The commission received by the Bank from SpareBank 1 Boligkreditt corresponds to the margin on the loans transferred.

Increased commission income

Commission income and other operating income rose by 7% to NOK 453m in the first half of 2011 (NOK 423m). The increase is mainly due to higher incomes from estate agency, insurance and accounting services. In addition, rental income is accruing from the new head office building.

Commission income, NOKm	30 June 2011	30 June 2011	Change
Payment transfers	100	97	2
Savings	26	29	-3
Insurance	51	46	5
SpareBank 1 Boligkreditt	48	58	-10
Guarantee commission	15	15	0
Real estate agency	144	121	23
Accountancy services	36	28	7
Active management	6	6	0
Income from new head office	13	0	13
Other commissions	15	22	-7
Total	**453**	**423**	**30**

Positive 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 121m (69m).

The Bank's share portfolios showed a total gain of NOK 40m (40m), of which NOK 30m refers to Sparebanken Midt-Norge Invest (loss of NOK 24m).

Overall gains on bonds and derivatives in the first half-year came to NOK 62m (13m). Gains on financial instruments at SpareBank 1 SMN Markets totalled NOK 19m (16m).

Return on financial investments, NOKm	30 June 2011	30 June 2011
Capital gains/dividends, shares	40	40
Bonds and derivatives	62	13
SpareBank 1 SMN Markets	19	16
Net return on financial investments	**121**	**69**
SpareBank 1 Gruppen AS	50	49
SpareBank 1 Boligkreditt AS	10	10
SpareBank 1 Næringskreditt AS	4	2
Bank1 Oslo Akershus AS	9	24
BN Bank ASA	44	19
Polaris ASA	7	-
Other jointly controlled companies	-3	-6
Income from investment in related companies	**122**	**98**
Total	**243**	**167**

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen's post-tax profit in the first half of 2011 was NOK 249m (248m). 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 50m (49m).

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 half of 2011 was NOK 10.3m (9.5m).

SpareBank 1 Næringskreditt AS

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

As from January 2011 SpareBank 1 SMN's stake in the company was raised to 37%. In the first half of 2011 the company posted a profit of NOK 10.2m (6.1m) of which SpareBank 1 SMN's share was NOK 3.8m (2.0m).

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 Akershus AS

SpareBank 1 SMN has a stake of 19.5% in Bank 1 Oslo AS Akershus AS. SpareBank 1 SMN's share of the profit of Bank 1 Oslo Akershus AS was NOK 9.4m (24.3m) in the first half of 2011.

BN Bank ASA

SpareBank 1 SMN's equity stake in BN Bank ASA is 33% as of end-June 2011. SpareBank 1 SMN's share of the profit of BN Bank for the first half of 2011 came to NOK 44m (19m), 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 were taken over to a total value of NOK 248m distributed on NOK 9.2m shares. In addition, dividends of NOK 13,8m were paid in the second quarter.

SpareBank 1 SMN's estimated share of the profit from the date of acquisition of the shares was taken to income in the second quarter in the amount of NOK 7m.

Ålesund

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

SpareBank 1 SMN also assumed responsibility for 36 employees, leases and other commitments in Ålesund. The Bank receives compensation from BN Bank ASA for its outlays in the initial years based on a phase-out model. The BN Bank portfolio forms the basis for SpareBank 1 SMN's venture in Sunnmøre.

Operating expenses

Overall costs came to NOK 708m (509m) in the first half of 2011.

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

The write-back of pension liabilities carried out in the first quarter of 2010 amounted to NOK 117m, and comparable costs in the first quarter of 2010 are NOK 626m. The real increase in Group operating expenses was NOK 82m, corresponding to 13%.

Parent Bank costs rose by NOK 51m, corresponding to 11%, which is mainly ascribable to higher IT costs and increased costs related to the new head office.

Costs at the Bank's subsidiaries rose overall by NOK 31m, corresponding to 21%, essentially due to an increased resource input at Eiendomsmegler 1 and higher costs at SpareBank 1 SMN Regnskap resulting from the acquisition of local accountancy firms in 2011. Incomes rose by NOK 23m at Eiendomsmegler 1 and NOK 7m at SpareBank 1 SMN Regnskap in the same period.

By the end of the first half of 2011 the cumulative effect of measures implemented so far under the cost-reduction programme "170 million in 2012" was NOK 155m.

These are 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 1.46% of average total assets (1.43%). The Group's cost-income ratio was 53% (53%). The figures for 2010 are exclusive of the write-back of early retirement (AFP) liabilities.

Losses and defaults

In the first half of 2011 incomings of NOK 7m, net, were recorded on loan losses (loss of NOK 69m).

In the same period a net loss of NOK 9m was recorded on the Group's corporate customers (loss of NOK 92m), including losses of NOK 8m (17m) at SpareBank 1 SMN Finans. New individually assessed impairment write-downs in 2011 have been low and write-backs have been recorded on individual exposures. A net loss of NOK 2m was recorded on the retail portfolio (4m) in the first half of 2011.

Individual write-downs on loans came to NOK 177m (279m) in the first half of 2011.

Defaults in excess of 90 days came to NOK 361m (342m), measuring 0.40% (0.41%) of gross lending. Corporate customer defaults were NOK 235m (207m) and retail customer defaults were NOK 126m (135m). Individually assessed write-downs on defaults were NOK 88m (73m) corresponding to a share of 24% (21%).

Other doubtful exposures totalled NOK 178m (680m), breaking down to NOK 148m (655m) on the corporate market and NOK 30m (25m) on the retail market. Other doubtful exposures measure 0.20% (0.81%) of gross lending. Individually assessed write-downs on these exposures came to NOK 90m (207m) or 30% (29%).

Total problem loans (defaulted and doubtful) came to NOK 539m (1,022m), or 0.60% (1.22%) of gross outstanding loans. Overall individually assessed write-downs came to NOK 177m (279m), a share of 33% (27%).

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).

As of mid-2011 no basis has been found for revising collectively assessed write-downs at the Parent Bank. The aggregate volume of such write-downs is accordingly NOK 290m (289m).

Total assets of NOK 98.4bn
The Bank's assets totalled NOK 98.4bn as of end-June 2011 (93.8bn), having risen by NOK 4.6bn or 4.9% over the last 12 months. The increase is mainly ascribable to lending growth.

As of the first half of 2011, NOK home mortgage loans worth 22.4bn (19.4bn) 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. Commission on home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income. The comments covering lending growth include loans transferred to SpareBank 1 Boligkreditt.

Good growth in lending and deposits
As of the first half of 2011 total outstanding loans came to NOK 90.9bn (including SpareBank 1 Boligkreditt), having risen by NOK 7.2bn (9.3bn) or 8.6% (12.6%) over the preceding 12 months. Growth in the first half-year in isolation was 3.7% (8.2%).

Lending to retail customers rose by NOK 4.7bn (3.6bn) to NOK 52.1bn over the preceding 12 months, corresponding to growth of 10.0% (8.3%). Growth in the first half-year was 5.0% (4.9%).

12-month growth in lending to corporates was NOK 2.5bn (5.7bn) or 6.8% (18.6%). Overall outstanding loans to corporates came to NOK 38.8bn as of end-June 2011. Growth in lending to corporates in the first half-year was 2.1% (12.7%). The Group's venture in Sunnmøre through the takeover of BN Bank's operation in Ålesund accounts for a significant share of the growth in the past 12 months.

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

In the 12 months to mid-2011 total customer deposits rose by NOK 4.7bn (3.0bn) or 11.4% (7.8%) to reach NOK 46.0bn.

Retail customer deposits rose by NOK 1.3bn (0.6bn) or 6.7% (3.4%) to NOK 20.7bn, while deposits from corporates rose by NOK 3.4bn (NOK 2.4bn) or 15.6% (12.0%) to 25.3bn.

Investment products
The customer portfolio of off-balance sheet investment products totalled NOK 5.1bn at end-June 2011 (4.6bn), an increase of 12% since the first half of 2010. The increase is essentially ascribable to higher

values and new sales of equity funds and portfolios under management at Allegro Finans ASA.

Saving products, customer portfolio, NOKm	30 June 2011	30 June 2011	Change
Equity funds	2,897	2,219	678
Pension products	517	598	-81
Active management	1,013	874	139
Energy fund management	253	435	-182
Property funds	447	447	0
Total	**5,127**	**4,573**	**554**

Insurance products

The Bank's insurance portfolio grew by 11% in the last 12 months, bringing overall premium volume to NOK 896m as of end-June 2011. Non-life insurance rose by 14% and personal insurance by 10%. In the occupational pensions segment, overall premium volume was NOK 130m, the same level as one year previously.

Insurance, premium volume, NOKm	30 June 2011	30 June 2011	Change
Non-life insurance	601	525	76
Personal insurance	165	150	15
Occupational pensions	130	129	1
Total	**896**	**804**	**92**

Strong profitability and good growth in the retail market

The retail market business achieved a return on equity of 24.7% (23.5%) in the first half of 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 June 2011 capital allocated to the Retail Market Division totalled NOK 890m (1,031m).

Operating income totalled NOK 458m in the first half of 2011 (448m). Net interest income totalled NOK 278m (264m) and commission income NOK 180m (184m).

The lending margin in the first half of 2011 was 1.51% (1.58%), while the deposit margin was 0.54% (0.46%). The decline in the lending margin is a result of market adjustments. This margin is defined as the average customer interest rate less the 3-month moving average of 3-month NIBOR.

In the last 12 months lending to retail customers rose by 9.8% and deposits from the same segment by 4.7%.

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

Retail market (NOKm)	30 June 2011	30 June 2011	Change
Net interest income	278	264	15
Commission and other income	180	184	-4
Total income	458	448	11
Operating expenses	303	276	27
Pre-loss profit	156	172	-16
Losses	3	4	-1
Profit before tax	**153**	**168**	**-15**
ROE after tax	**24.7 %**	**23.5 %**	
Allocated capital (NOK mill)	890	1,031	
Loans (NOKbn)	49.3	44.9	4.4
Deposits (NOKbn)	20.7	19.7	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 but subdued lending growth in the Corporate market Division

The Corporate market Division reported a first-half return on equity of 18.0% (10.5%). The improvement is due both to increased income and substantially reduced loan losses.

Capital allocated to the corporate market business as end-June 2011 came to NOK 2,873m (2,869m).

Total operating income came to NOK 514m in the first half of 2011 (438m), which was NOK 76m higher than for the same period of 2010. The increase is ascribable to higher margins and higher lending volume.

Lending and deposit margins in the division were, respectively, 2.16% (2.11%) and 0.20% (0.22%). This margin is defined as the average customer interest rate less the 3-month moving average of 3-month NIBOR.

Lending grew by 7.7% and deposits by 12.2%. A substantial share of the growth in lending is a result of the Bank's takeover of BN Bank's operation in Ålesund.

Net interest income totalled NOK 434m (364m), while commission income came to NOK 80m (74m).

Corporate market (NOKm)	30 June 2011	30 June 2011	Change
Net interest income	434	364	70
Commission and other income	80	74	6
Total income	514	438	76
Operating expenses	174	154	20
Pre-loss profit	340	284	56
Losses	-19	75	-93
Profit before tax	**359**	**209**	**150**
ROE after tax	**18.0 %**	**10.5 %**	
Allocated capital (NOK mill)	2,873	2,869	
Loans (NOKbn)	37.2	34.6	2.6
Deposits (NOKbn)	23.6	21.1	2.6

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 Markets reports total income of NOK 52m (49m) for the first half of 2011. A decrease in income is noted from corporate business, while income from securities related business has increased.

Markets delivers a complete range of capital market products and services, and has strengthened staffing in its forex and corporate finance areas. A dedicated share trading unit has been set up and three forex and fixed-income brokers have been taken over from BN Bank's operation in Ålesund.

Markets (NOKm)	30 June 2011	30 June 2011	Change
Currency trading	19.6	20.5	-0.9
Fixed income products	15.2	14.9	0.3
Corporate	2.7	12.5	-9.8
Securities, brokerage commission	14.9	1.2	13.7
Total income	**52.4**	**49.1**	**3.3**

Subsidiaries

The Bank's subsidiaries posted an aggregate pre-tax profit of NOK 68m (33m) in the first half of 2011.

Pre-tax profit, NOKm	30 June 2011	30 June 2011
EiendomsMegler 1 Midt-Norge AS	33.3	30.0
SpareBank 1 SMN Finans AS	16.3	20.7
SpareBank 1 SMN Regnskap AS	5.0	10.1
Allegro Finans ASA	-1.1	-0.8
SpareBank 1 SMN Invest AS	29.6	-24.3
SpareBank 1 Kvartalet AS	-14.7	-2.7
Total	**68.4**	**33.0**

The above figures show the respective companies' comprehensive incomes. The Bank's equity stake in EM1 is 86.7% and in Allegro 90.1%. The other companies are wholly owned by the Bank.

Eiendomsmegler 1 Midt-Norge AS leads the field in its catchment area with a market share of about 41%. The company posted an excellent profit performance in 2010 followed by a strong first half of 2011 with a pre-tax profit of NOK 33.3m (30.0m).

SpareBank 1 SMN Finans AS posted a first-half profit of NOK 16.3m (20.7m). The company has a robust earnings base, and first-half income totalled NOK 43m. Losses on leases came to NOK 9m in the first half-year compared with NOK 17m in the same period last year. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.0bn of which leases account for NOK 2.0bn.

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 5.0m (10.1m). The result for 2010 reflects 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 has risen by an estimated NOK 25m as a result of these acquisitions.

Allegro Finans ASA reported a loss of NOK 1.1m (loss of NOK 0.8m) before tax in the first half-year. The company has a portfolio of about NOK 2bn under active management.

SpareBank Midt-Norge Invest AS's mission is to invest in shares, mainly in regional listed companies. The company posted a profit of NOK 29.6m in the first half of 2011 (loss of NOK 24.3m) after gains on its share portfolios.

Satisfactory funding and good liquidity

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

The Bank has liquidity reserves of NOK 15bn and thus has the funding needed for 16 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 84% (78%).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in the first half of 2011 loans totalling a further NOK 4.6bn were transferred to this residential mortgage company. As of end-June 2011 loans totalling NOK 22.3 billion had been transferred to SpareBank 1 Boligkreditt.

Rating

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

Capital adequacy

As of end-June 2011 the tier 1 capital adequacy ratio was 10.7% (10.8%) and the total capital adequacy ratio was 12.3% (13.2%).

The Group aims for a tier 1 capital adequacy ratio 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. In cooperation with the other IRB banks in the SpareBank 1 alliance, the Bank has started a process to apply for permission to use the advanced IRB approach in its calculations. The application is expected to be submitted in the first half of 2012.

Figures in NOKm	30 June 2011	30 June 2011
Tier 1 capital	7,394	6,960
Subordinated loan	1,102	1,577
Capital base	**8,496**	**8,537**
Required subordinated debt	**5,522**	**5,175**
Tier 1 capital ratio	**10.7 %**	**10.8 %**
Total capital ratio	**12.3 %**	**13.2 %**

The Bank's equity capital certificate (MING)

The book value of the Bank's ECC was NOK 51.05 at end-June 2011, and earnings per ECC were NOK 3.26.

The price at end-June 2011 was NOK 48.90, and a dividend of NOK 3.00 per ECC has been paid in 2011 for the year 2010.

The Price / Income ratio was 7.50, and the Price / Book ratio was 0.96 as of end-June 2011.

Establishment of Sparebankstiftelsen SpareBank 1 SMN

On 25 May 2011 the Supervisory Board voted to set up a savings bank foundation, Sparebankstiftelsen SpareBank 1 SMN. The foundation will be allocated portions of the donations made to non-profit causes. The foundation has been established primarily to participate in issues of equity capital certificates placed with the foundation.

Risk factors

The international financial crisis affected the Norwegian economy as it did the economy of other countries. However, joblessness showed no increase in Norway in the course of 2010, and employment is expected to rise in 2011. This, together with increased wage growth, may spur private consumption.

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

The Bank is also exposed to risk related to access to external funding. This is reflected in the Bank's conservative liquidity strategy (see also the above 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 higher loss levels at Norwegian financial institutions, but loss levels have again subsided in the last two years.

The increasing turbulence in global financial markets heightens uncertainty with regard to economic framework conditions, including the situation in the national and regional economies.

Outlook ahead

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

The Board of Directors will also focus the remainder of 2011 on maintaining sound growth and strengthening the Group's market position.

Business and industry in the Bank's market area report good growth and profit trend. Unemployment is low, and the regional macroeconomy in isolation shows few signals of any change in the risk picture for the remainder of 2011.

The consequences for the national and regional economies of growing turbulence in the international financial markets are still unclear. The Board is of the view that both the regional business sector and SpareBank 1 SMN are well prepared to handle any deterioration in the economy resulting from turmoil in the international arena.

The Board is satisfied with the Group's profit for the first half of 2011 and, assuming a stable trend in the national and regional economies, the Board anticipates a good profit performance for the full year 2011.

Trondheim, 10. august 2011

The Board of Directors at SpareBank 1 SMN

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

Income statement

Parent bank							Group				
2010	Q2 10	Q2 11	30 June 2010	30 June 2011	(NOK million)	Note	30 June 2011	30 June 2010	Q2 11	Q2 10	2010
3,226	779	891	1,503	1,761	Interest income		1,796	1,552	910	804	3,315
2,110	508	593	957	1,153	Interest expenses		1,151	955	592	506	2,105
1,116	**272**	**298**	**546**	**608**	**Net interest**		**645**	**597**	**318**	**297**	**1,210**
573	144	142	281	283	Commission income		391	371	199	193	766
74	17	17	34	33	Commission expenses		37	37	19	19	81
24	14	8	17	15	Other operating income		99	89	52	54	170
524	**140**	**133**	**264**	**265**	**Commission income and other income**		**453**	**423**	**232**	**229**	**855**
191	157	255	191	261	Dividends		34	43	31	42	43
-	-	-	-	-	Income from investment in related companies	2	122	98	69	57	249
221	47	20	54	61	Net return on financial investments	2	87	27	25	32	197
411	**204**	**274**	**244**	**322**	**Net return on financial investments**		**243**	**167**	**125**	**131**	**490**
2,051	**617**	**705**	**1,055**	**1,195**	**Total income**		**1,341**	**1,187**	**675**	**657**	**2,555**
376	127	135	166	277	Staff costs	2	405	255	208	177	583
278	65	79	131	147	Administration costs		181	164	96	81	339
171	38	53	76	106	Other operating expenses		122	90	57	45	218
825	**230**	**267**	**373**	**530**	**Total operating expenses**	4	**708**	**509**	**361**	**303**	**1,140**
1,226	**386**	**438**	**682**	**665**	**Result before losses**		**633**	**678**	**314**	**354**	**1,414**
108	23	-6	79	-15	Loss on loans, guarantees etc.	6,7	-7	96	-1	28	132
1,118	**363**	**443**	**602**	**680**	**Result before tax**	3	**640**	**582**	**315**	**327**	**1,282**
235	56	59	117	124	Tax charge		135	133	65	66	260
882	**307**	**385**	**485**	**556**	**Net profit**		**505**	**449**	**250**	**260**	**1,022**
					Majority share		501	446	253	258	1,017
					Minority interest		4	3	-3	3	5
					Profit per ECC		3.26	2.82	1.62	1.68	6.43
					Diluted profit per ECC		3.24	2.81	1.63	1.67	6.40

Other comprehensive income*

Parent bank						Group				
2010	Q2 10	Q2 11	30 June 2010	30 June 2011	(NOK million)	30 June 2011	30 June 2010	Q2 11	Q2 10	2010
882	307	385	485	556	Net profit	505	449	250	260	1,022
-	-	-	-	-	Available-for-sale financial assets	5	-	-5	-	7
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	0	-19	-6	-1	-29
-	-	-	-	-	Other comprehensive income	5	-19	-10	-1	-22
882	307	385	485	556	Total other comprehensive income	510	430	240	259	1,000
					Majority share of comprehensive income	506	426	243	257	995
					Minority interest of comprehensive income	4	3	-3	3	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	Q2 10	Q2 11	30 June 2010	30 June 2011	Result as per cent of average total assets:	30 June 2011	30 June 2010	Q2 11	Q2 10	2010
1.24	1.24	1.26	1.27	1.28	Net interest	1.33	1.36	1.32	1.33	1.33
0.58	0.64	0.56	0.61	0.56	Commission income and other income	0.94	0.96	0.96	1.02	0.94
0.46	0.93	1.16	0.57	0.67	Net return on financial investments	0.50	0.38	0.52	0.59	0.54
1.11	1.05	1.13	0.86	1.11	Total operating expenses	1.46	1.16	1.50	1.36	1.50
1.36	1.76	1.85	1.58	1.39	Result before losses	1.31	1.54	1.30	1.59	1.55
0.12	0.11	-0.02	0.18	-0.03	Loss on loans, guarantees etc.	-0.01	0.22	0.00	0.12	0.15
1.24	1.65	1.87	1.40	1.43	Result before tax	1.32	1.33	1.31	1.46	1.40
0.40	0.37	0.38	0.35	0.44	Cost -income ratio	0.53	0.43	0.53	0.46	0.45
64 %			67 %	70 %	Loan-to-deposit ratio	67 %	64 %			61 %
15.1 %	21.8 %	23.8 %	17.8 %	17.1 %	Return on equity	13.0 %	13.7 %	12.9 %	15.5 %	14.6 %

Balance sheet

Parent bank					Group		
31 Dec 2010	**30 June 2010**	**30 June 2011**	**(NOK million)**	**Note**	**30 June 2011**	**30 June 2010**	**31 Dec 2010**
2,112	5,800	3,922	Cash and receivables from central banks		3,922	5,800	2,112
2,894	2,693	3,958	Deposits with and loans to credit institutions		1,459	278	420
67,443	62,023	66,241	Gross loans to customers before write-down	5,8	68,559	64,390	69,847
-186	-244	-141	- Specified write-downs	6,7,8	-177	-279	-222
-273	-273	-273	- Write-downs by loan category	6	-290	-289	-290
66,983	61,505	65,827	Net loans to and receivables from customers		68,092	63,822	69,336
17,036	14,938	14,988	Fixed-income CDs and bonds at fair value	9	14,988	14,883	16,980
1,825	1,881	1,619	Derivatives		1,619	1,880	1,825
625	623	568	Shares, units and other equity interests	2,10	578	556	618
2,156	2,185	2,822	Investment in related companies		4,215	3,391	3,526
969	900	1,137	Investment in group companies		0	-	0
447	447	447	Goodwill		460	460	460
1,338	1,383	1,563	Other assets	11	3,082	2,755	2,717
96,385	**92,356**	**96,849**	**Assets**		**98,415**	**93,823**	**97,992**
8,743	10,827	7,635	Deposits from credit institutions		7,635	10,827	8,743
4,318	4,318	4,318	Funding, "swap" arrangement with the government		4,318	4,318	4,318
43,028	41,429	46,133	Deposits from and debt to customers	12	45,990	41,273	42,786
27,941	23,818	26,382	Debt created by issue of securities	13	26,382	23,818	27,941
1,684	1,562	1,559	Derivatives		1,559	1,562	1,684
1,332	1,377	1,646	Other liabilities	14	2,113	1,951	1,917
2,758	2,850	2,516	Subordinated loan capital	13	2,516	2,850	2,758
89,804	**86,181**	**90,189**	**Total liabilities**		**90,513**	**86,599**	**90,147**
2,373	2,373	2,373	Equity capital certificates		2,373	2,373	2,373
-0	0	-0	Own holding of ECCs		-0	0	-0
182	174	182	Premium fund		182	174	182
1,159	878	1,160	Dividend equalisation fund		1,160	878	1,159
285	-	-0	Recommended dividends		-0	-	285
192	-	0	Provision for gifts		0	-	192
2,345	2,155	2,345	Savings bank's reserve		2,345	2,155	2,345
45	110	45	Unrealised gains reserve		71	124	66
-	-	-	Other equity capital		1,138	1,024	1,147
-	485	556	Profit for the periode		505	449	-
			Minority interests		129	48	97
6,581	**6,175**	**6,660**	**Total equity capital**	15	**7,902**	**7,224**	**7,846**
96,385	**92,356**	**96,849**	**Total liabilities and equity**		**98,415**	**93,823**	**97,992**

Cash flow statement

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011	(NOK million)	30 June 2011	30 June 2010	31 Dec 2010
882	485	556	Profit	505	449	1,022
31	15	18	Depreciations and write-downs on fixed assets	40	18	47
108	79	-15	Losses on loans and guarantees	-7	96	132
1,022	580	559	Net cash increase from ordinary opertions	538	563	1,201
-1,032	-1,114	-5	Decrease/(increase) other receivables	-112	-1,112	-959
981	849	189	Increase/(decrease) short term debt	71	925	1,013
-8,254	-2,747	1,172	Decrease/(increase) loans to customers	1,251	-2,643	-8,193
-417	-216	-1,064	Decrease/(increase) loans credit institutions	-1,040	-125	-267
5,646	4,047	3,105	Increase/(decrease) deposits and debt to customers	3,204	4,046	5,558
1,751	3,835	-1,108	Increase/(decrease) debt to credit institutions	-1,108	3,835	1,751
-2,285	-187	2,048	Increase/(decrease) in short term investments	1,992	-155	-2,252
-2,587	**5,046**	**4,895**	**A) NET CASH FLOW FROM OPERATIONS**	**4,796**	**5,334**	**-2,148**
-107	-27	-30	Increase in tangible fixed assets	-87	-149	-265
-	-	-	Reductions in tangible fixed assets	-	-	2
-353	-314	-834	Paid-up capital, associated companies	-689	-469	-605
-37	-60	57	Net investments in long-term shares and partnerships	40	-50	-87
-497	**-401**	**-807**	**B) NET CASH FLOW FROM INVESTMENTS**	**-736**	**-669**	**-955**
133	224	-242	Increase/(decrease) in subordinated loan capital	-242	224	133
-1,250	-1,250	-	Hybrid equity State Finance Fund	-	-1,250	-1,250
823	811	-	Increase/(decrease) in equity	-	811	823
-173	-173	-285	Dividend cleared	-285	-173	-173
-27	-27	-192	To be disbursed from gift fund	-192	-27	-27
-	4		Correction of equity capital	28	-17	19
4,583	460	-1,559	Increase/(decrease) in other long term loans	-1,559	460	4,583
4,089	**48**	**-2,278**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-2,249**	**27**	**4,107**
1,005	**4,693**	**1,810**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**1,810**	**4,693**	**1,005**
1,107	1,107	2,112	Cash and cash equivalents at 01.01	2,112	1,107	1,107
2,112	5,800	3,922	Cash and cash equivalents at 31.12	3,922	5,800	2,112
-1,005	**-4,693**	**-1,810**	**Net changes in cash and cash equivalents**	**-1,810**	**-4,693**	**-1,005**

Change in equity

Parent bank

NOK million	EC capital	Premium fund	Ownerless capital	Equalisation fund	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2010	1,734	0	2,155	1,050	110	27	5,076
Net Profit			189	566	-65	192	882
Other comprehensive income							
Available-for-sale financial assets							0
Share of other comprehensive income of associates and joint venture							0
Other comprehensive income	0	0	0	0	0	0	0
Total other comprehensive income	0	0	189	566	-65	192	882
Transactions with owners:							
Dividend declared for 2009 (NOK 2.27 per ECC)				-174			-174
To be disbursed from gift fund						-27	-27
Rights issue	624	178					803
Employee placing	13	4					17
Sale of own ECCs	2			2			4
Total transactions with owners	639	182	0	-172	0	-27	622
Equity capital at 31 Dec 2010	**2,373**	**182**	**2,345**	**1,444**	**45**	**192**	**6,581**
Net Profit						556	556
Other comprehensive income							
Available-for-sale financial assets							0
Share of other comprehensive income of associates and joint venture							0
Other comprehensive income	0	0	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0	556	556
Transactions with owners:							
Dividend declared for 2010 (NOK 3,- per ECC)				-285			-285
To be disbursed from gift fund						-192	-192
Total transactions with owners	0	0	0	-285	0	-192	-476
Equity capital at 30 June 2011	**2,373**	**182**	**2,345**	**1,160**	**45**	**556**	**6,660**

Group

NOK million	EC capital	Premium fund	Ownerless capital	Equalisation fund	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2010	1,734	0	2,155	1,050	124	1,079	42	6,183
Net Profit			189	566	-65	326	5	1,022
Other comprehensive income								
Available-for-sale financial assets					7			7
Share of other comprehensive income of associates and joint venture						-29		-29
Other comprehensive income	0	0	0	0	7	-29	0	-22
Total other comprehensive income	0	0	189	566	-57	297	5	1,000
Transactions with owners:								
Dividend declared for 2009 (NOK 2.27 per ECC)				-174				-174
To be disbursed from gift fund						-27		-27
Rights issue	624	178						803
Employee placing	13	4						17
Sale of own ECCs	2			2				4
Direct recognitions in equity						-10		-10
Change in minority share							50	50
Total transactions with owners	639	182	0	-172	0	-37	50	663
Equity capital at 31 Dec 2010	**2,373**	**182**	**2,345**	**1,444**	**66**	**1,339**	**97**	**7,846**
Net Profit						501	4	505
Other comprehensive income								
Available-for-sale financial assets					5			5
Share of other comprehensive income of associates and joint venture						0		0
Other comprehensive income	0	0	0	0	5	0	0	5
Total other comprehensive income	0	0	0	0	5	501	4	510
Transactions with owners:								
Dividend declared for 2010 (NOK 3,- per ECC)				-285				-285
To be disbursed from gift fund						-192		-192
Direct recognitions in equity	0			0		-6		-6
Change in minority share							29	29
Total transactions with owners	0	0	0	-285	0	-198	29	-454
Equity capital at 30 June 2011	**2,372**	**182**	**2,345**	**1,160**	**71**	**1,643**	**129**	**7,902**

Equity capital certificate ratio

Parent bank

	30 June 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	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009
Interest income	910	886	894	869	804	748	764	781	843
Interest expenses	592	559	601	549	506	449	448	450	543
Net interest	**318**	**327**	**293**	**320**	**297**	**300**	**316**	**331**	**300**
Commission income	199	192	199	197	193	178	209	175	172
Commission expenses	19	18	23	21	19	18	30	17	19
Other operating income	52	47	47	34	54	35	30	32	40
Commission income and other income	**232**	**221**	**222**	**210**	**229**	**194**	**209**	**190**	**193**
Dividends	31	3	0	0	42	1	0	1	4
Income from investment in related companies	69	54	83	69	57	41	78	203	69
Net return on financial investments	25	62	115	55	32	-6	75	103	74
Net return on financial investments	**125**	**118**	**198**	**125**	**131**	**36**	**153**	**307**	**147**
Total income	**675**	**666**	**713**	**655**	**657**	**529**	**678**	**828**	**640**
Staff costs	208	198	137	191	177	78	179	180	191
Administration costs	96	86	98	76	81	83	79	77	78
Other operating expenses	57	65	76	52	45	44	64	45	50
Total operating expenses	**361**	**348**	**311**	**320**	**303**	**206**	**323**	**303**	**319**
Result before losses	**314**	**318**	**402**	**335**	**354**	**323**	**355**	**526**	**320**
Loss on loans, guarantees etc.	-1	-6	25	12	28	68	39	55	73
Result before tax	**315**	**325**	**377**	**323**	**327**	**255**	**316**	**471**	**247**
Tax charge	65	70	60	67	66	67	65	65	42
Net profit	**250**	**255**	**318**	**256**	**260**	**188**	**251**	**406**	**205**

Key figures from quarterly accounts

Group in NOKm	2Q 2011	1Q 2011	4Q 2010	3Q 2010	2Q 2010	1Q 2010	4Q 2009	3Q 2009	2Q 2009
Profitability									
Return on equity per quarter	12.9%	13.2%	16.6%	13.9%	15.5%	12.1%	16.5%	29.4%	14.9%
Cost-income ratio	53 %	52 %	44 %	49 %	46 %	39 %	48 %	37 %	50 %
Balance sheet									
Gross loans to customers	68,559	68,553	69,847	67,069	64,390	61,886	61,782	63,792	64,945
Gross loans incl. SB1 Boligkreditt AS	90,939	88,606	87,665	86,046	83,767	79,560	77,429	76,549	74,419
Deposits from customers	45,990	42,900	42,786	38,643	41,273	37,606	37,227	37,586	38,279
Total assets	98,415	94,455	97,992	95,271	93,823	84,957	84,541	89,602	89,716
Average total assets	96,435	96,224	96,632	94,547	89,390	84,749	87,072	89,659	87,291
Growth in loans incl. SB1 Boligkreditt last 12 months	8.6 %	11.4 %	13.2 %	12.4 %	12.6 %	10.0 %	8.6 %	10.0 %	10.5 %
Growth in deposits last 12 months	11.4 %	14.1 %	14.9 %	2.8 %	7.8 %	4.8 %	5.5 %	5.4 %	6.8 %
Losses and defaults in % of gross loans incl. Boligkreditt									
Impairment losses ratio	-0.01 %	-0.03 %	0.11 %	0.05 %	0.15 %	0.33 %	0.20 %	0.29 %	0.25 %
Non-performing commitm. as a percentage of gross loans	0.40 %	0.54 %	0.57 %	0.38 %	0.41 %	0.42 %	0.49 %	0.94 %	0.77 %
Other doubtful commitm. as a percentage of gross loans	0.20 %	0.23 %	0.24 %	0.84 %	0.81 %	0.87 %	0.57 %	0.73 %	0.74 %
Solidity									
Capital adequacy ratio	12.31 %	12.48 %	12.97 %	12.83 %	13.20 %	13.47 %	13.56 %	13.86 %	12.08 %
Core capital ratio	10.71 %	10.59 %	10.93 %	10.62 %	10.76 %	11.01 %	10.45 %	10.59 %	8.65 %
Core capital	7,394	7,330	7,286	7,033	6,960	6,880	6,730	6,546	5,091
Net equity and related capital	8,496	8,638	8,646	8,493	8,537	8,418	8,730	8,563	7,112
Key figures ECC *)									
ECC price	48.90	50.00	54.00	49.00	42.30	48.00	49.02	44.02	38.58
Number of certificates issued, millions	94.90	94.90	94.90	94.89	94.89	94.91	69.43	69.43	69.43
Booked equity capital per ECC (including dividend)	51.05	49.34	50.60	48.13	46.65	45.21	44.89	43.58	40.62
Profit per ECC	1.62	1.65	2.05	1.65	1.68	1.09	1.85	2.99	1.51
Price-Earnings Ratio	7.55	7.59	6.57	7.41	6.28	11.04	6.63	3.68	6.36
Price-Book Value Ratio	0.96	1.01	1.07	1.02	0.91	1.06	1.09	1.01	0.95

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

Notes

Contents

Note 1 - Accounting principles

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

Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2010.

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

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

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

Pensions

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

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

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

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

Takeover of shares in Polaris Media ASA

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

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

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

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

SpareBank 1 Næringskreditt AS

Together with the other owners of SpareBank 1 Næringskreditt, SpareBank 1 SMN has in the second quarter signed an agreement to establish a liquidity facility for Næringskreditt. Under this agreement the banks commit to purchasing residential mortgage bonds limited to the overall value of 12 month maturities at 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

Profit and loss account (NOK million)	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	Total
				Group 30 June 2011					
Net interest	261	378	6	2	48	0	0	-51	645
Allocated	17	56	2	-	-	-	-	-75	-
Total interest income	**278**	**434**	**8**	**2**	**48**	**0**	**0**	**-126**	**645**
Commission income and other income	179	70	9	144	-1	6	36	11	453
Net return on financial investments **)	1	11	25	-0	1	-	-	206	243
Total income *)	**458**	**514**	**42**	**146**	**48**	**7**	**36**	**91**	**1,341**
Total operating expenses	**303**	**174**	**39**	**113**	**23**	**8**	**31**	**18**	**708**
Ordinary operating profit	**156**	**340**	**2**	**33**	**25**	**-1**	**5**	**72**	**633**
Loss on loans, guarantees etc.	3	-19	-	-	8	-	-	-0	-7
Result before tax	**153**	**359**	**2**	**33**	**17**	**-1**	**5**	**72**	**640**
Post-tax return on equity	**24.7 %**	**18.0 %**							**13.0 %**
Balance (NOK million)									
Loans and advances to customers	49,317	37,245	-	-	2,940	-	-	1,438	90,939
adv. of this to Boligkreditt	-21,372	-249	-	-	-	-	-	-759	-22,379
Individual allowance for impairment on loan	-41	-100	-	-	-36	-	-	-	-177
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	207	179	-	167	-2,479	16	24	32,209	30,323
Total assets	**28,111**	**37,074**	**-**	**167**	**408**	**16**	**24**	**32,615**	**98,415**
Deposits to customers	20,661	23,640	-	-	-	-	-	1,688	45,990
Other liabilities and equity	7,450	13,434	-	167	408	16	24	30,926	52,425
Total liabilites	**28,111**	**37,074**	**-**	**167**	**408**	**16**	**24**	**32,615**	**98,415**

Group 30 June 2010									
Profit and loss account (NOK million)	**RM**	**CM**	**Markets**	**EM 1**	**SMN Finans**	**Allegro**	**SMN Regnskap**	**Uncollated**	**Total**
Net interest	257	346	9	1	50	1	0	-67	597
Allocated	6	18	1	-	-	-	-	-25	-
Total interest income	**264**	**364**	**10**	**1**	**50**	**1**	**0**	**-92**	**597**
Commission income and other income	183	66	17	121	3	6	28	-2	423
Net return on financial investments **)	1	8	13	-	0	-	-	145	167
Total income *)	**448**	**438**	**40**	**123**	**53**	**7**	**28**	**51**	**1,187**
Total operating expenses	**276**	**154**	**38**	**93**	**16**	**7**	**18**	**-92**	**509**
Ordinary operating profit	**172**	**284**	**2**	**30**	**37**	**-1**	**10**	**143**	**678**
Loss on loans, guarantees etc.	4	75	-	-	16	-	-	0	96
Result before tax	**168**	**209**	**2**	**30**	**21**	**-1**	**10**	**143**	**582**
Post-tax return on equity	**23.5 %**	**10.5 %**							**13.7 %**
Balance (NOK million)									
Loans and advances to customers	44,909	34,600	-	-	2,813	-	-	1,445	83,767
adv. of this to Boligkreditt	-18,437	-251	-	-	-	-	-	-688	-19,377
Individual allowance for impairment on loan	-38	-206	-	-	-30	-	-	-5	-279
Group allowance for impairment on loan	-108	-165	-	-	-18	-	-	3	-289
Other assets	210	156	-	100	44	14	12	29,465	30,002
Total assets	**26,536**	**34,132**	**-**	**100**	**2,808**	**14**	**12**	**30,220**	**93,823**
Deposits to customers	19,728	21,076	-	-	-	-	-	469	41,273
Other liabilities and equity	6,808	13,056	-	100	2,808	14	12	29,751	52,550
Total liabilites	**26,536**	**34,132**	**-**	**100**	**2,808**	**14**	**12**	**30,220**	**93,823**

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

**) Specification of net return on financial investments (NOKm)	30 June 2011	30 June 2010
Income from investment in related companies	122	98
adv. of this from SpareBank1 Gruppen	50	52
adv. of this from BN Bank	44	19
adv. of this from Bank 1 Oslo Akershus	9	24
Net gain and dividends on securities	39	40
adv. of this from Midt-Norge Invest	30	-24
Net gain on bonds	56	13
Net gain on trading and derivatives SMN Markets	25	16
Net return on financial investments	243	167

Note 4 - Other operating expenses

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
493	272	277	Personnel expenses	405	372	711
140	68	80	IT costs	88	76	156
24	12	12	Postage and transport of valuables	14	14	27
36	18	18	Marketing	24	22	43
31	15	18	Ordinary depreciation	40	18	48
78	35	57	Operating expenses, real properties	45	42	94
42	15	19	Purchased services	24	21	52
99	43	49	Other operating expense	69	62	138
942	**479**	**530**	**Total other operating expenses before write-back of early retirement liabilities (AFP) in 2010**	**708**	**626**	**1,268**
-117	-106	-	Write-back of early retirement liabilities (AFP) in 2010	-	-117	-128
825	**373**	**530**	**Total other operating expenses**	**708**	**509**	**1,140**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2010	**30 June 2010**	**30 June 2011**		**30 June 2011**	**30 June 2010**	**31 Dec 2010**
4,640	4,437	4,332	Agriculture/forestry/fisheries/hunting	4,525	4,734	4,892
1,793	1,558	2,287	Sea farming industries	2,426	1,658	1,906
2,507	2,779	2,543	Manufacturing	2,805	3,021	2,775
2,028	2,056	2,345	Construction, power and water supply	2,825	2,539	2,511
2,287	2,470	2,178	Retail trade, hotels and restaurants	2,407	2,733	2,503
5,240	4,110	5,384	Maritime sector	5,389	4,113	5,242
13,474	12,500	12,781	Property management	12,314	12,041	13,013
2,808	2,740	3,051	Business services	3,334	3,052	3,134
1,300	1,874	1,794	Transport and other services provision	2,055	2,221	1,628
61	24	23	Public administration	58	61	101
337	203	692	Other sectors	694	203	339
36,475	**34,751**	**37,411**	**Gross loans in retail market**	**38,832**	**36,376**	**38,046**
48,786	46,648	51,209	Wage earners	52,107	47,390	49,619
85,260	**81,400**	**88,620**	**Gross loans incl. SpareBank 1 Boligkreditt**	**90,939**	**83,767**	**87,665**
17,818	19,377	22,379	SpareBank 1 Boligkreditt	22,379	19,377	17,818
67,443	**62,023**	**66,241**	**Gross loans in balance sheet**	**68,559**	**64,390**	**69,847**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
-7	52	-45	Change in individual impairment losses provisions for the period	-44	61	3
0	0	0	Change in collective impairment losses provisions for the period	0	0	1
39	35	55	Actual loan losses on comm. for which provisions have been made	57	41	46
84	-2	7	Actual loan losses on commitments for which no provision has been made	15	1	92
-8	-5	-33	Recoveries on commitments previously written-off	-34	-6	-10
108	**79**	**-15**	**Losses of the year on loans and guarantees**	**-7**	**96**	**132**

Note 7 - Losses

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
193	193	186	Individual write-downs to cover loss on loans at 01.01	222	219	219
24	23	8	+Increase in provisions for individual impairment losses	8	31	34
21	14	20	- Reversal of provisions from previous periods	22	15	22
29	78	23	+Impairment losses have been made previously	26	85	38
39	35	55	- Actual losses during the period for which provisions for individual impairment losses have been made previously	57	41	46
186	**244**	**141**	**Specification of loss provisions at end of period**	**177**	**279**	**222**
123	33	63	Actual losses	71	42	138

Note 8 - Defaults

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
			Total defaults			
397	231	254	Loans in default for more than 90 days *)	361	342	499
72	46	58	- Specified loss provision	88	73	100
325	185	196	Net defaults	273	269	399
18 %	20 %	23 %	Provision rate	24 %	21 %	20 %
			Problem Loans			
198	665	161	Problem loans (not in default)	178	680	211
114	198	84	- Specified loss provision	90	207	122
84	466	77	Net problem loans	88	473	89
58 %	30 %	52 %	Provision rate	51 %	30 %	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 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 March - 30 June 2011, NOK 1.0 million has been amortised, and total this year NOK 2.4 million. At the end of the second quarter of 2011 the average residual maturity is 1.0 years.

Had reclassification not been carried out, the Group would have expensed NOK 42 million in the second half of 2008 as unrealised losses owing to increased credit spreads. In the absence of reclassification the Group have expensed NOK 0,7 million in unrealised captail losses related to this bond portfolio in the second quarter 2011, and total this year NOk 0,2 million in unrealised capital losses.

Unrealised agio losses related to this portfolio have been taken to expence in an amount of NOK 1.4 million in the second quarter 2011, and total this year NOK 0.1 million.

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

Parent bank				Group		
31 Dec 2010	**30 June 2010**	**30 June 2011**		**30 June 2011**	**30 June 2010**	**31 Dec 2010**
1,562	1,809	924	Booked value	924	1,809	1,562
1,568	1,822	928	Nominal value	928	1,822	1,568
1,570	1,823	929	Calculated value incl. Exchange rate adjustments	929	1,823	1,570

Note 10 - Measurement of fair value of financial instruments

Pursuant to IAS 34 Interim Financial Reporting, paragraph 15 B, a disclosure obligation applies in respect of changes between levels in the fair value hierarchy. In Q1 2011 the shares of Norway Royal Salmon ASA were transferred from level 3 to level 1 due to stock exchange listing. The overview below shows changes in the values presented in the note as of 31 December 2010, and the market value recorded in the consolidated accounts as of 30.06.2011. 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	0	-	0	-5
Total		**23**	**0**	**-23**	**28**

Note 11 - Other assets

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
-	-	-	Deferred tax benefit	7	21	7
131	148	143	Fixed assets	1,074	950	1,027
-	-	-	Assets held for sale	407	416	406
959	760	1,037	Earned income not yet received	1,037	766	967
54	303	185	Accounts receivable, securities	185	303	54
195	172	198	Other assets	373	299	256
1,338	**1,383**	**1,563**	**Total other assets**	**3,082**	**2,755**	**2,717**

Note 12 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
1,572	1,633	1,805	Agriculture/forestry/fisheries/hunting	1,805	1,633	1,572
404	356	485	Sea farming industries	485	356	404
1,113	1,207	1,325	Manufacturing	1,325	1,207	1,113
1,213	1,132	1,145	Construction, power and water supply	1,145	1,132	1,213
3,337	2,783	2,717	Retail trade, hotels and restaurants	2,717	2,783	3,337
447	267	770	Maritime sector	770	267	447
2,600	2,622	2,847	Property management	2,802	2,615	2,533
4,044	3,397	4,544	Business services	4,544	3,397	4,044
3,037	3,163	3,034	Transport and other services provision	2,960	3,059	2,886
4,401	4,990	4,356	Public administration	4,356	4,990	4,401
1,809	520	2,443	Other sectors	2,419	475	1,784
23,976	**22,069**	**25,470**	**Total**	**25,327**	**21,914**	**23,734**
19,052	19,360	20,663	Wage earners	20,663	19,360	19,052
43,028	**41,429**	**46,133**	**Total deposits**	**45,990**	**41,273**	**42,786**

Note 13 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2010	**30 June 2010**	**30 June 2011**		**30 June 2011**	**30 June 2010**	**31 Dec 2010**
235	198	319	Short-term debt instruments, nominal value	319	198	235
27,581	23,431	25,985	Bond debt, nominal value	25,985	23,431	27,581
126	189	78	Value adjustments	78	189	126
27,941	**23,818**	**26,382**	**Total**	**26,382**	**23,818**	**27,941**

Change in securities debt, subordinated debt and hybrid equity

	30 June 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Short-term debt instruments, nominal value	319	85	0	0	235
Bond debt, nominal value	25,985	3,102	4,509	-188	27,581
Value adjustments	78	0	0	-48	126
Total	26,382	3,186	4,509	-236	27,941

	30 June 2011	Issued	Fallen due / Redeemed	Other changes	**31 Dec 2010**
Ordinary subordinated loan capital, nominal value	1,253	0	0	-46	1,299
Perpetual subordinated loan capital, nominal value	300	0	224	77	447
Hybrid equity, nominal value	854	0	0	-37	890
Value adjustments	109	0	0	-13	123
Total	2,516	0	224	-18	2,758

Note 14 - Other liabilities

Parent bank				Group		
31 Dec 2010	**30 June 2010**	**30 June 2011**		**30 June 2011**	**30 June 2010**	**31 Dec 2010**
21	18	21	Deferred tax	21	18	31
178	113	127	Payable tax	139	130	196
676	784	821	Accrued expenses and received, non-accrued income	1,080	1,150	1,057
182	203	136	Provision for accrued expenses and commitments	136	203	182
0	0	0	Pension liabilities	6	7	6
73	37	68	Drawing debt	68	37	73
11	7	3	Creditors	46	39	26
82	0	162	Debt from securities	162	0	82
0	0	0	Debt available for sale	128	115	110
109	215	307	Other liabilities	326	252	154
1,332	**1,377**	**1,646**	**Total other liabilites**	**2,113**	**1,951**	**1,917**

Note 15 - Capital adequacy

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

The Norwegian State Finance Fund has in a period to 30 September 2009 offered tier 1 capital to solid Norwegian banks to help them meet tighter capital adequacy requirements and improve their lending capacity. SMN applied for, and was granted, a capital infusion which was disbursed from the State Finance Fund in the form of hybrid equity worth NOK 1.25 billion as of 30.9.09. In March 2010, with Finanstilsynet's approval, this was partially redeemed in an amount of NOK 450 million, and the remainder 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				Group		
31 Dec 2010	30 June 2010	30 June 2011		30 June 2011	30 June 2010	31 Dec 2010
2,373	2,373	2,373	Equity capital certificates	2,373	2,373	2,373
0	0	0	- Own holding of ECCs	0	0	0
182	174	182	Premium fund	182	174	182
1,159	878	1,160	Dividend equalisation fund	1,160	878	1,159
2,345	2,155	2,345	Savings bank's reserve	2,345	2,155	2,345
285	0	0	Recommended dividends	0	0	285
192	110	0	Provision for gifts	0	124	192
45	0	45	Unrealised gains reserve	71	1,072	66
0	0	0	Other equity and minority interest	1,267	0	1,244
0	485	556	Net profit	505	449	0
6,581	**6,175**	**6,660**	**Total book equity**	**7,902**	**7,224**	**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	0	0	Deduction for allocated dividends and gifts	0	0	-477
-348	-381	-386	50 % deduction for subordinated capital in other financial institutions	0	0	0
-208	-222	-142	50 % deduction for expected losses on IRB, net of write-downs	-151	-220	-216
0	0	0	50 % capital adequacy reserve	-636	-488	-571
0	0	0	Share of non-performing, non-amortizsed estimate deviations	0	0	0
0	-485	-556	Net profit	-505	-449	0
0	301	278	Year-to-date profit included in core capital (50% pre tax)	252	291	0
936	998	893	Hybrid capital, core capital	1,110	1,083	1,106
6,037	**5,939**	**6,300**	**Total core capital**	**7,394**	**6,960**	**7,283**
			Supplementary capital in excess of core capital			
466	481	315	Perpetual subordinated capital	315	481	466
1,358	1,374	1,310	Non-perpetual subordinated capital	1,574	1,804	1,680
-348	-381	-386	50 % deduction for subordinated capital in other financial institutions	0	0	0
-208	-222	-142	50 % deduction for expected losses on IRB, net of write-downs	-151	-220	-216
0	0	0	50 % capital adequacy reserve	-636	-488	-571
1,268	**1,252**	**1,097**	**Total supplementary capital**	**1,102**	**1,577**	**1,360**
7,305	**7,191**	**7,397**	**Net subordinated capital**	**8,496**	**8,537**	**8,643**
	0					
			Minimum requirements subordinated capital, Basel II			
1,386	1,425	1,408	Involvement with spesialised enerprises	1,408	1,355	1,386
1,115	1,075	1,195	Other corporations exposure	1,203	1,078	1,120
66	60	56	SME exposure	59	62	68
311	282	292	Retail morgage exposure	451	426	451
33	39	31	Other retail exposure	33	40	34
496	487	634	Equity investments	0	204	0
3,406	**3,368**	**3,616**	**Total credit risk IRB**	**3,154**	**3,166**	**3,058**
165	0	98	Debt risk	98	0	165
46	52	41	Equity risk	15	17	15
0	0	0	Currency risk	0	0	0
275	275	293	Operational risk	400	331	331
537	507	528	Exposures calculated using the standardised approach	1,962	1,746	1,864
-59	-64	-65	Deductions	-107	-85	-98
0	0	0	Transitional arrangements	0	0	0
4,371	**4,139**	**4,512**	**Minimum requirements subordinated capital**	**5,522**	**5,175**	**5,335**
			Capital adequacy			
11.05 %	11.48 %	11.17 %	Core capital ratio	10.71 %	10.76 %	10.93 %
13.37 %	13.90 %	13.12 %	Capital adequacy ratio	12.31 %	13.20 %	12.97 %

Statement in compliance with the securities trading act, section 5-6

Statement by the Board of Directors and CEO

We hereby declare that to the best of our knowledge the half-yearly financial statements for the period 1 January to 30 June 2011 have been prepared in accordance with IAS 34 Interim Financial Reporting, and that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the bank and the group taken as a whole.

We also declare that to the best of our knowledge the half-yearly management report gives a fair review of important events in the reporting period and their impact on the financial statements, the principal risks and uncertainties facing the business in the next reporting period, and significant transactions with related parties.

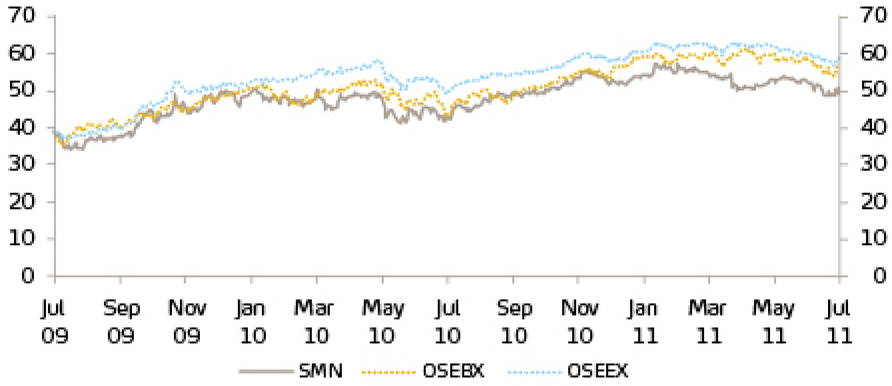
Trondheim, 10 August 2011
The Board of Directors of SpareBank 1 SMN

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

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 July 2009 to 30 June 2011

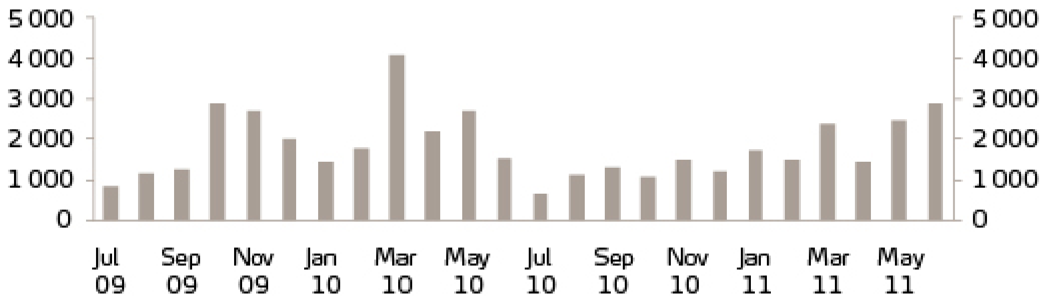


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

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 %
Aker ASA / The Resource Group TRG	2,860,966	3.01 %
Odin Norge	2,295,735	2.42 %
Rasmussengruppen AS	2,190,000	2.31 %
Odin Norden	2,122,749	2.24 %
Vind LV AS	2,085,151	2.20 %
Nordea Bank Norge AS	1,550,182	1.63 %
Frank Mohn AS	1,442,236	1.52 %
Citibank N.A New York Branch (nominee)	1,255,595	1.32 %
MP Pensjon PK	1,142,774	1.20 %
I.K. Lykke, T.Lykke m.fl.	891,567	0.94 %
Tonsenhagen Forretningssentrum AS	865,013	0.91 %
The Northern Trust Co. (nominee)	863,125	0.91 %
Morgan Stanley & Co.	793,171	0.84 %
Forsvarets personellservice	788,092	0.83 %
KLP Aksje Norden VPF	744,475	0.78 %
Stiftelsen Uni	743,658	0.78 %
Odin Europa SMB	633,251	0.67 %
Heglund Holding AS	629,357	0.66 %
State Street Bank & Trust Company (nominee)	616,267	0.65 %
The 20 largest ECC holders in total	**31,385,878**	**33.07 %**
Others	63,519,408	66.93 %
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.

Auditor's report

Deloitte.

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www.deloitte.no

Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

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

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of June 30 2011 and the related statements of income for the group, showing a profit of 510.000.000, changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

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

Trondheim 10. August 2011
Deloitte AS

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