

Third Quarter Report 2012



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Main figures

From the profit and loss account	30 Sept 2012		30 Sept 2011		2011	
	NOKm	%	NOKm	%	NOKm	%
Net interest	1,079	1.37	1,053	1.44	1,392	1.88
Commission income and other income	818	1.04	687	0.94	919	0.93
Net return on financial investments	403	0.51	276	0.38	478	0.65
Total income	2,300	2.93	2,017	2.75	2,789	2.83
Total operating expenses	1,217	1.55	1,070	1.46	1,482	1.51
Results	1,084	1.38	947	1.29	1,306	1.33
Loss on loans, guarantees etc	42	0.05	1	0.00	27	0.03
Results before tax	1,042	1.33	946	1.29	1,279	1.30
Tax charge	225	0.29	201	0.27	255	0.26
Net profit	816	1.04	745	1.02	1,024	1.04

Key figures	30 Sept 2012	30 Sept 2011	2011
Profitability			
Return on equity ¹⁾	12.1 %	12.6 %	12.8 %
Cost-income ratio ²⁾	53 %	53 %	53 %
Balance sheet			
Gross loans to customers	75,357	71,570	73,105
Gross loans to customers incl. Boligkreditt and Næringskreditt	103,274	92,671	95,232
Deposits from customers	50,836	46,023	47,871
Deposit-to-loan ratio exc. Boligkreditt	67 %	64 %	65 %
Growth in loans incl. Boligkreditt and Næringskreditt	11.4 %	7.7 %	8.6 %
Growth in deposits	10.5 %	19.1 %	11.9 %
Average total assets	104,735	97,718	98,465
Total assets	110,640	100,007	101,455
Losses and defaults in % of gross loans incl. Boligkreditt and Næringskreditt			
Impairment losses ratio	0.06 %	0.00 %	0.03 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.39 %	0.36 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.16 %	0.24 %	0.21 %
Solidity			
Capital adequacy ratio	11.9 %	12.1 %	12.0 %
Core capital ratio	10.6 %	10.4 %	10.4 %
Core capital	8,826	7,504	7,856
Net equity and related capital	9,891	8,675	9,055
Branches and staff			
Number of branches	51	54	54
No. Of full-time positions	1,148	1,085	1,109

Key figures ECC ⁴⁾	30 Sept 2012	30 Sept 2011	2011	2010	2009	2008
ECC ratio	65.5 %	61.3 %	60.6 %	61.3 %	54.8 %	56.3 %
Number of certificates issued, millions	129.83	102.76	102.76	102.74	82.78	82.41
ECC price	37.00	36.31	36.31	49.89	45.06	21.00
Stock value (NOKM)	4,804	4,039	3,731	5,124	3,749	1,750
Booked equity capital per ECC (including dividend)	49.00	47.65	48.91	46.17	42.11	38.07
Profit per ECC, majority	3.99	4.41	6.06	5.94	6.37	4.16
Dividend per ECC	-	-	1.85	2.77	2.10	2.77
Price-Earnings Ratio	6.96	6.68	5.99	8.40	7.07	5.05
Price-Book Value Ratio	0.76	0.76	0.74	1.08	1.07	0.55

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

Report of the Board of Directors

Accounts for the nine months ended 30 September 2012

(Consolidated figures. Figures in parentheses refer to the same period of 2011 unless otherwise stated)

A limited audit has been conducted of the income statement and balance sheet of SpareBank 1 SMN, both the Company and the Group, as of 30 September 2012.

- Profit before tax: NOK 1,042m (946m)
- Net profit: NOK 816m (745m)
- Return on equity: 12.1 percent (12.6 percent)
- Growth in lending 11.4 percent (7.7 percent) and deposits 10.5 percent (19.1 percent) over past 12 months
- Loan losses: NOK 42m (1m)
- Tier 1 capital adequacy: 10.6 percent (10.4 percent)
- Earnings per equity certificate (EC): NOK 3.99 (4.41)

Third quarter 2012 in isolation

- Profit before tax: NOK 383m (306m)
- Net profit: NOK 306m (240m)
- Return on equity: 12.8 percent (12.0 percent)
- Loan losses: NOK 16m (8m)
- Earnings per EC: NOK 1.52 (1.42)

Good profit performance in first nine months of 2012

Highlights:

- Profit improvement compared with the same period of 2011
- Positive income trend in core business and good return on financial investments
- Increased lending margins
- Low loan losses
- Strong growth in deposits, lending and in risk-weighted assets

In the first nine months of 2012 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,042m (946m). Net profit was NOK 816m (745m) and return on equity was 12.1 percent (12.6 percent).

Pre-tax profit in the third quarter in isolation was NOK 383m which represents an improvement compared with both the first and second quarter. Return on equity in the third quarter in isolation was 12.8 percent.

Overall operating income in the first nine months was NOK 1,897m (1,741m), an increase of NOK 156m compared with the same period of 2011. Operating income rose at the parent bank and subsidiaries alike.

Return on financial investments was NOK 403m (276m) in the first nine months, of which income on owner interests accounted for NOK 234m (171m).

Operating expenses came to NOK 1,217m (1,070m) in the first nine months of 2012, NOK 147m higher than in 2011.

Net losses on loans and guarantees were NOK 42m (1m). An increase of NOK 5m was made in the provision for collectively assessed impairment write-downs in the third quarter.

As of end-September 2012 12-month growth in lending was 11.4 percent (7.7 percent) and 12-month growth in deposits was 10.5 percent (19.1 percent). Overall growth in lending in the first nine months was 8.4 percent (8.1 percent) and overall deposit growth was 6.2 percent (7.6 percent).

In the third quarter a placing of NOK 200m was made in favour of the foundation Sparebankstiftelsen SMN (NOK 141m) and an international investor (NOK 59m). In 2012 stock issues have generated proceeds totalling NOK 936m.

As of 30 September 2012 the Group's tier 1 capital ratio was 10.6 percent (10.4 percent) and the total capital ratio was 11.9 percent (12.1 percent).

At end-September the Bank's EC was priced at NOK 37.00 (36.31 at end-2011).

Earnings per EC for the first nine months were NOK 3.99 (4.41), and book value per EC was NOK 49.00 (48.45).

Improved net interest income in the third quarter

Net interest income in the first nine months came to NOK 1,079m (1,053m). Net interest income in the third quarter alone totalled NOK 358m, slightly down on the second quarter (369m). Net interest income including commissions from SpareBank 1 Boligkreditt has remained at a high level in 2012. This is due to lower market interest rates (NIBOR) which enabled higher lending margins. Gross interest margins on loans are now at a higher level than in the same period last year. Interest expenses rose upon renewal of the Bank's money market funding.

Net interest income from home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income. This amounted to NOK 126m (63m) for the first nine months.

As of end-September 2012 home mortgage loans worth NOK 27.3bn (21.1bn) had been transferred to SpareBank 1 Boligkreditt. Transfer of loans to SpareBank 1 Næringskreditt started in the current year, and as of 30 September 2012 NOK 623m has been transferred to this company. As of the same date NOK 3m has been taken to income in commission income from SpareBank 1 Næringskreditt.

As of 15 October the Bank has carried out general interest rate increases on loans to corporate customers.

In 2012 as in 2011 banks are exempt from payment of the levy to the Banks' Guarantee Fund.

Increased commission income

Commission income and other operating income rose by NOK 131m or 16 percent to reach NOK 818m (687m) as of end-September 2012. Income from SpareBank 1 Boligkreditt, real estate agency and accounting services has shown the largest increase. Commission income from SpareBank 1 Boligkreditt has increased due to the very low interest rate level and has resulted in increased margins on the company's loan portfolio.

Commission income, NOKm	30 Sept 2012	30 Sept 2011	Change
Payment transfers	148	150	-2
Savings	33	41	-8
Insurance	86	77	9
SpareBank 1 Boligkreditt and Næringskreditt	129	63	66
Guarantee commission	22	21	1
Real estate agency	255	226	30
Accountancy services	78	54	24
Active management	8	9	-1
Income from new head office	27	22	4
Other commissions	31	23	7
Total	818	687	130

Financial investments

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 170m (105m) in the first nine months. Overall return breaks down as follows:

- Return on the Group's share portfolios totalled NOK 19m (66m)
- Net gains on bonds and derivatives came to NOK 56m (-NOK 17m)
- Gains on forex and fixed income trading at SpareBank 1 SMN Markets were NOK 95m (56m). NOK 17m of the increase is a result of the cooperation agreement with SpareBank 1 Markets Oslo

Return on financial investments, NOKm	30 Sept 2012	30 Sept 2011
Capital gains/dividends, shares	19	66
Bonds and derivatives	56	-17
SpareBank 1 SMN Markets	95	56
Net return on financial investments	170	105
SpareBank 1 Gruppen	104	50
SpareBank 1 Boligkreditt	37	15
SpareBank 1 Næringskreditt	8	6
Bank1 Oslo Akershus	34	14
BN Bank	41	73
Polaris	18	21
Other jointly controlled companies	-8	-8
Income from investment in related companies	234	171
Total	403	276

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit in the first nine months of 2012 was NOK 491m (245m). The main contributors are SpareBank 1 Livsforsikring (life insurer) and SpareBank 1 Skadeforsikring (non-life insurer). Of the profit taken to income in 2012, NOK 9m refers to correction of the profit for 2011.

SpareBank 1 SMN's share of the profit was NOK 104m (50m).

The fiscal budget proposal for 2013 puts forward changes in the taxation of life insurers' collective portfolios. Provisional estimates show that this could entail tax charge increases of the order of NOK 175m to NOK 200m for SpareBank 1 Gruppen in 2012. som en engangseffekt i 4. kvartal

For SpareBank 1 SMN the effect of a possible reorganisation of the tax regime as described above would be reduction of about NOK 40m in profit contribution from SpareBank 1 Gruppen in the fourth quarter of 2012.

SpareBank 1 Boligkreditt

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

The Bank's ownership interest in SpareBank 1 Boligkreditt is 17.8 percent, and the Bank's share of that company's profit in the first nine months of 2012 was NOK 37m (15m). The Bank's holding reflects the Bank's relative share of transferred home mortgage loans.

SpareBank 1 Næringskreditt

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

SpareBank 1 SMN's stake in the company is 37 percent, and the Bank's share of the company's profit in the first nine months of 2012 was NOK 8m (6m). The Bank's ownership interest reflects its relative share of transferred commercial property loans and its stake in BN Bank.

Bank 1 Oslo Akershus

SpareBank 1 SMN has a 19.5 percent stake in Bank 1 Oslo Akershus. SpareBank 1 SMN's share of this bank's profit was NOK 34m (14m) in the first nine months of 2012. Of the profit taken to income in 2012, NOK 4m refers to correction of the profit for 2011.

BN Bank

SpareBank 1 SMN has a 33 percent stake in BN Bank as of end-September 2012.

SpareBank 1 SMN's share of the profit of BN Bank for the first nine months of 2012 came to NOK 41m (73m), which includes amortisation effects. So far in 2012 the amortisation effect has increased the profit by NOK 8m (31m).

Polaris Media

SpareBank 1 SMN has a 23.45 percent stake in Polaris Media. This is a media group with a leading position in mid- and northern Norway. 18.81 percent of Polaris Media's shares were acquired on 28 March 2012 after the failure of Roll Severin Gruppen in Trondheim. The company is classified for accounting purposes as an affiliate of SpareBank 1 SMN.

The shares' book value at end-September 2012 is NOK 331m including SpareBank 1 SMN's estimated share of the profit for the first nine months of 2012 in an amount of NOK 18m (21m). Since Polaris Media's third quarter 2012 accounts are yet to be published, the Bank's profit share is an approximation based on estimates from external brokers. The figure is therefore uncertain.

Operating expenses

Overall costs came to NOK 1,217m (1,070m) in the first nine months of 2012. Group expenses have thus risen by NOK 147m or 13.7 percent.

Parent bank cost growth was NOK 89m or 11.1 percent. SpareBank 1 SMN has strengthened capacity and competence on the customer facing front, resulting in cost growth. Further contributors to cost growth are the stock placing in favour of employees along with costs related to loan intermediaries in the home mortgage market and increased costs of developing the SpareBank 1 collaboration.

The remainder of the growth in Group costs is due to an increased resource input at EiendomsMegler 1 and SpareBank 1 SMN Regnskap, where costs rose by NOK 58m or 21 percent. However, turnover has risen by a wider margin than this, bringing improved profit performances at both companies.

Operating expenses measured 1.55 percent (1.46 percent) of average total assets. The Group's cost-income ratio was 53 percent (53 percent).

Cost growth is in accordance with the Group's plans. A wide-ranging improvement programme has been initiated with the aim of improving the customer's experience, raising productivity and reducing relative operating expenses. The Board of Directors is in the process of establishing and entrenching ambitious goals for the implemented programmes and has decided to utilise LEAN as a process tool. A key measure is the reorganisation of the Bank's organisational structure with effect from 1 January 2013 whose overarching aim is to bring about a clearly reinforced focus on the customer facing side of the business.

The Board of Directors has adopted an plan to reduce person-years worked at the parent bank from 800 to 725 in the period to 2015 as a part of the efficiency improvements. This will be achieved by natural wastage and will not disrupt the focus on the customer facing side. Annual cost growth at the parent bank is to be reduced to 3 percent.

Reduced losses and lower defaults

Net loan losses came to NOK 42m (1m) in the first nine months of 2012. This includes an increase of NOK 5m in collectively assessed impairment write-downs in the third quarter. Net individually assessed write-downs in the third quarter in isolation were NOK 11m (8m).

The corporate portfolio showed net individually assessed impairment write-downs of NOK 34m (5m) in the first nine months of 2012, including a loss of NOK 4m (11m) at SpareBank 1 SMN Finans. No significant new individual impairment write-downs have been made in 2012.

On the retail portfolio a net loss of NOK 3m (6m) was recorded in the first nine months of 2012.

Total individually assessed loan impairment write-downs recognised in the balance sheet came to NOK 148m (159m) in the first nine months.

Total problem loans (defaulted and doubtful) came to NOK 561m (555m), or 0.54 percent (0.60 percent) of gross outstanding loans including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 398m (332m), measuring 0.39 percent (0.36 percent) of gross lending. Of total defaults, NOK 86m (79m) are loss provisioned, corresponding to 22 percent (24 percent).

Defaults total NOK 261m on the corporate portfolio and NOK 137m on the retail portfolio. The increase is attributable to increased defaults on a small number of individual exposures.

Other doubtful exposures totalled NOK 163m (223m), 0.16 percent (0.24 percent) of gross outstanding loans. Individual write-downs on these exposures were NOK 62m (81m) or 38 percent (36 percent).

Other doubtful exposures comprise NOK 147m on corporates and NOK 16m on retail customers.

Collectively assessed impairment write-downs

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

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

In the third quarter of 2012 provision for collectively assessed impairment write-downs was raised by NOK 5m due to somewhat increased uncertainty related to exposures in certain sectors. The aggregate volume of such write-downs is NOK 295m (290m).

Total assets of NOK 111bn

The Bank's assets totalled NOK 110.6bn (100.0bn) as of end-September 2012, having risen by NOK 10.6bn or 10.6 percent over the past 12 months.

In the first nine months of 2012 loans worth 27.9bn (21.1bn) had been transferred from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank's balance sheet. Earnings on loans transferred to SpareBank 1 Boligkreditt are recorded in the accounts as commission income. The comments covering lending growth include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Strong growth in lending to the retail segment

In the last 12 months, total outstanding loans rose by NOK 10.6bn (6.6bn) or 11.4 percent (12.4 percent) to reach NOK 103.3bn by end-September 2012. Growth in the third quarter 2012 was 8.4 percent (11.1 percent).

Lending to retail customers rose by NOK 6.8bn (5.0bn) or 12.7 percent (10.2 percent) to reach NOK 60.5bn in the last 12 months. Growth in lending to retail customers so far this year has been 9.9 percent (8.1 percent).

12-month growth in lending to corporates was NOK 3.8bn (1.6bn) or 9.7 percent (4.4 percent). Overall outstanding loans to corporates came to NOK 42.8bn as of end-September 2012. Growth in lending to corporate customers in 2012 in isolation has been 6.5 percent (2.6 percent). Growth has been relatively evenly spread across the market area.

Lending to retail customers accounted for 59 percent (58 percent) of ordinary loans to customers as of end-September 2012.

Good deposit growth

In the 12 months to end-September, customer deposits rose by NOK 4.8bn (1.1bn) to NOK 50.8bn. This represents a growth of 10.5 percent (19.1 percent) over this 12 month period.

Retail customer deposits rose by NOK 1.7bn (1.5bn) or 8.2 percent (8.1 percent) to reach NOK 22.2bn, while deposits from corporates rose by NOK 3.1bn (5.8bn) or 12.3 percent (29.7 percent) to NOK 28.6bn. Deposit growth in the corporate market is also relatively evenly spread in geographical terms.

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled NOK 5.2bn (4.8bn) as of end-September 2012. Equity funds and pension products show higher values compared with last year. Energy funds are not attracting new buyers, and the portfolio is diminishing.

Saving products, customer portfolio, NOKm	30 Sept 2012	30 Sept 2011	Change
Equity funds	2,585	2,416	169
Pension products	996	732	264
Active management	998	951	47
Energy fund management	161	235	-74
Property funds	447	447	0
Total	5,187	4,781	406

Good growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 9 percent in the 12 months to end-September. Non-life insurance showed 9 percent growth, personal insurance 6 percent and the occupational pensions segment 13 percent growth.

Insurance, premium volume, NOKm	30 Sept 2012	30 Sept 2011	Change
Non-life insurance	668	614	54
Personal insurance	179	169	10
Occupational pensions	141	125	16
Total	988	908	80

Strong profit and sound growth for the Retail Division

The retail market business achieved a return on equity of 19.5 percent (18.6 percent) in the first nine months of 2012.

Operating income totalled NOK 740m (668m) in the first nine months of 2012, an increase of NOK 72m. Net interest income came to NOK 408m (400m) and commission income NOK 333m (269m). Lending margins are higher than in the same period of 2011, largely due falling market interest rates in 2012. The increased commission income mainly comprises higher commissions from SpareBank 1 Boligkreditt and increased insurance income.

The lending margin as of 30 September 2012 was 1.75 percent (1.28 percent), while the deposit margin was 0.21 percent (0.70 percent), measured against three-month NIBOR.

In the 12 months to end-September lending to retail customers rose by 12.2 percent (10.2 percent) and deposits from the same segment by 8.9 percent (6.1 percent).

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. The loan portfolio consists in all essentials of well-secured residential mortgage loans. The trend in house prices is satisfactory throughout the market area.

Retail market (NOKm)	30 Sept 2012	30 Sept 2011	Change
Net interest income	408	400	8
Commission and other income	333	269	65
Total income	740	668	72
Operating expenses	488	457	32
Pre-loss profit	252	211	41
Losses	3	7	-4
Profit before tax	249	205	45
ROE after tax	19.5 %	18.6 %	
Loans (NOKbn)	56.9	50.7	6.2
Deposits (NOKbn)	22.3	20.5	1.8

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

Strong income trend for the Corporate Division

Return on equity at the Corporate Division was 13.1 percent (14.6 percent). The weakening is mainly attributable to increased losses and higher capital employed.

Total operating income came to NOK 848m (806m) in the first nine months of 2012, up NOK 42m compared with the same period of 2011. Net interest income was NOK 726m (680m), while other incomes totalled NOK 122m (126m).

Lending and deposit margins in the division were, respectively, 2.38 percent (2.13 percent) and 0 percent (0.20 percent). The margins are measured against three-month NIBOR.

Lending growth was 9.6 percent (5.3 percent) and deposit growth was 4.1 percent (26.5 percent).

Corporate market (NOKm)	30 Sept 2012	30 Sept 2011	Change
Net interest income	726	680	46
Commission and other income	122	126	-4
Total income	848	806	42
Operating expenses	290	256	34
Pre-loss profit	558	550	8
Losses	35	-17	52
Profit before tax	524	567	-44
ROE after tax	13.1 %	14.6 %	
Loans (NOKbn)	41.1	37.5	3.6
Deposits (NOKbn)	24.9	23.9	1.0

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

Income at SpareBank 1 SMN Markets

SpareBank 1 Markets delivers a complete range of capital market products and services.

SpareBank 1 Markets reports total income of NOK 97m (100m) for the first nine months of 2012. Incomes are increasing in most business areas. Fixed income products in particular show increased income compared with 2011. A weak performance in investments is related to declining share values.

SpareBank 1 SMN has established an active asset management agreement with SpareBank 1 Markets. The agreement puts SpareBank 1 Markets in a stronger position to deliver forex and fixed income products in the primary and secondary market. The business volume is regulated through clear-cut limits on exposure in relation to products and counterparties and brings a insignificant change in the Bank's risk exposure. Incomes and expenses are distributed between the parties based on an established distribution formula. The agreement was operationalised in April 2012, and SpareBank 1 SMN's net share of the incomes earned in the first nine months of 2012 was NOK 17m.

Markets (NOKm)	30 Sept 2012	30 Sept 2011	Change
Currency trading	23.7	38.2	-14.5
Fixed income products	42.4	30.7	11.7
Corporate	7.2	8.0	-0.8
Securities, brokerage commission	14.9	8.3	6.6
SpareBank 1 Markets	16.9	0.0	16.9
Investments	-8.4	14.7	-23.1
Total income	96.7	99.9	-3.2

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 108.6m (111.7m) in the first nine months of 2012 (exc. minority interests).

Pre-tax profit, NOKm	30 Sept 2012	30 Sept 2011	Change
EiendomsMegler 1 Midt-Norge	57.4	55.1	2.3
SpareBank 1 SMN Finans	42.7	22.5	20.2
SpareBank 1 SMN Regnskap	12.6	5.4	7.2
Allegro Finans	-2.5	-3.3	0.8
SpareBank 1 SMN Invest	11.9	50.0	-38.1
SpareBank 1 Kvartalet	-12.2	-18.0	5.8
Total	109.9	111.7	-1.8

The profits stated are the companies' comprehensive income. The Bank's stake in EiendomsMegler 1 is 86.7 percent and in Allegro 90.1 percent. It holds a 100 percent stake in the remaining companies.

EiendomsMegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 percent. Profit growth in 2012 is again excellent, and the company posted a pre-tax profit of NOK 57.4m (55.1m) in the first nine months.

SpareBank 1 SMN Finans posted a profit of NOK 42.7m (22.5m) in the first nine months. The company has achieved strong profit growth while concurrently reducing losses. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.1bn (2.9bn) of which leases account for NOK 1.9bn (1.9bn) and car loans for NOK 1.2bn (1.0bn).

In July 2012 a preliminary agreement was established with SpareBank 1 Nordvest and SpareBank 1 Søre Sunnmøre regarding their acquisition of 9.9 percent of the shares of SpareBank 1 SMN Finans. The transaction will be carried through as a placing that reflects the fair value of SpareBank 1 SMN Finans.

SpareBank 1 SMN Regnskap posted a pre-tax profit of NOK 12.6m (5.4m).

The acquisition of several local accounting firms in 2011 and 2012 explains much of the increase. In 2012 the company has acquired 40 percent of the shares of the accounting chain Consis. The remaining 60 percent are owned by Sparebanken Hedmark.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional listed companies. The company posted a profit of NOK 11.9m (50.0m) in the first nine months of 2012.

Allegro Finans – engaged in active asset management – reported a loss of NOK 2.5m (loss of 3.6m) before tax for the first nine months of 2012.

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

Satisfactory funding and good liquidity

The Bank has a conservative liquidity strategy. The strategy attaches importance to maintaining liquidity reserves that ensure the Bank's ability to survive for 12 months carrying on ordinary operations without recourse to fresh external funding.

The Bank has liquidity reserves of NOK 21bn and thus has the funding needed for 18 months of ordinary operations without fresh external finance.

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

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in the first nine months of 2012 loans totalling NOK 5.2bn were transferred to this residential mortgage company. As of end-September 2012 loans totalling NOK 27.3bn had been transferred to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A1 (negative outlook) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. In March the Bank, like several other financial institutions, was informed by Moody's of a possible downgrading of up to one notch.

Stock issues carried out in 2012

- A rights issue has been carried out in 2012 in favour of existing EC holders. The subscription period was 12-26 March 2012. ECs were allocated in an amount of NOK 740m. The issue was registered with the Register of Business Enterprises in Norway on 11 April 2012, with accounting effect as from the second quarter
- In the same period a placing was made in favour of the Bank's employees. ECs worth NOK 21m were allocated in this placing
- In the third quarter a placing of NOK 200m was made in favour of the foundation Sparebankstiftelsen SMN and a large international investor

Financial strength

The above stock issues have in isolation strengthened the tier 1 capital ratio by 1.2 percentage points. Over the past 12 months risk weighted assets have increased substantially, bringing an increase of NOK 893m in the capital requirement. This increase has in isolation reduced the Bank's tier 1 capital ratio by 1.0 percentage point.

As of end-September 2012 the tier 1 capital ratio was 10.6 percent (10.4 percent) and the total capital ratio 11.9 percent (12.1 percent). Common equity tier 1 capital, i.e. tier 1 capital excluding hybrid equity, was at 9.3 percent (8.8 percent) at the same point in time.

Over the course of the third quarter negative migration of some corporate exposures has adversely affected the credit quality of the Bank's loan portfolio. The Bank has not found it necessary to make impairment write-downs on these exposures, but the capital requirement is rising due to migration.

The Group's equity capital position was in isolation reduced in the third quarter by NOK 111m (minority interests) due to the restructuring of a subsidiary.

The Board of Directors of SpareBank 1 SMN has a close focus on the capitalisation of the Group. Expectations of a further increase in tier 1 capital requirements ahead call for an added focus on effective application of capital resources across the Group. This includes limited and controlled credit growth, particularly in the corporate banking business.

SpareBank 1 SMN has no plans to launch equity capital issues.

The Group aims to maintain a tier 1 capital ratio of 11 percent and a total capital ratio of 12 percent.

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

In cooperation with the other IRB banks in the SpareBank 1 alliance, the Bank has started a process to apply for permission to use the advanced IRB approach in its calculations. The application is expected to be submitted in the course of 2013.

Figures in NOKm	30 Sept 2012	30 Sept 2011
Tier 1 capital	8,826	7,504
Subordinated loan	1,066	1,171
Capital base	9,891	8,496
Required subordinated debt	6,638	5,748
Tier 1 capital ratio	10.6 %	10.4 %
Total capital ratio	11.9 %	12.1 %

The Bank's equity certificate (MING)

The book value of the Bank's EC was NOK 49.00 (48.13) at end-September 2012, and earnings per EC were NOK 3.99 (4.41). As of end-September 2012 the price was NOK 37.00 (36.31 at end-2011). Dividend of NOK 1.85 per EC has in 2012 been paid for 2011 (adjusted for stock issues carried out in 2012).

The Price / Income ratio was 6.96 (6.68), and the Price / Book ratio was 0.76 (0.81).

Risk factors

The negative trend in the international economy has continued through the first nine months of 2012. This affects the Norwegian economy primarily through reduced demand to its export-oriented industry, but Norway enjoys solid central government finances and high demand in the petroleum industry. Unemployment remains low and households are seeing real wage growth. This, combined with continued low interest rates, entails a continued low risk of loss on the retail market.

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

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

The credit quality of the Bank's loan portfolio is satisfactory, and loss and default levels are very low by historical standards.

The pace of the regulatory changes announced for Europe's financial sector is a major uncertain factor, but Norwegian authorities are signalling a clear ambition to introduce new requirements at an early stage. Norwegian banks' competitiveness relative to other banks could be affected. This challenge is compounded by inconsistent approaches to the capital adequacy rules, prompting uncertainty about Norwegian banks' financial position compared with Nordic competitors.

Outlook ahead

SpareBank 1 SMN has strengthened its market position and achieved sound profit growth in 2012. The Group's funding is robust. This is in keeping with the Directors' ambitions.

The Board of Directors will focus strongly ahead on correct risk pricing of the Bank's corporate portfolio, on implementing the new organisational model and on achieving the announced cost ambitions.

Continuing turbulence in international financial markets heightens uncertainty in the national and regional economies. Business and industry in the Bank's market area continue, all in all, to show growth and sound profits, despite the reduced demand seen by parts of the export-oriented sector. Unemployment is low, and there are few signs in the region's macroeconomy in isolation to suggest a change in the risk picture for the rest of 2012.

SpareBank 1 SMN has a conservative liquidity strategy and has the ability to maintain normal operations for 18 months without further access to external funding. SpareBank 1 SMN has negligible international exposure in its ordinary business and limited direct exposure to the securities markets.

The Board of Directors is satisfied with the Group's profit performance for the first nine months of 2012, in particular with its sound underlying operations and high quality risk management. The Board expects a good performance also for 2012.

Trondheim, 25 October 2012
The Board of Directors of SpareBank 1 SMN

Per Axel Koch
(chair)

Kjell Bjordal
(deputy chair)

Aud Skrudland

Arnhild Holstad

Bård Benum

Elbjørg Gui Standal

Paul E. Hjelm-Hansen

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank					Group						
2011	3.Q 11	3.Q 12	30 Sept 2011	30 Sept 2012	(NOK million)	Note	30 Sept 2012	30 Sept 2011	3.Q 12	3.Q 11	2011
3,824	996	966	2,811	2,916	Interest income		2,987	2,862	989	1,011	3,891
2,502	658	635	1,811	1,910	Interest expenses		1,908	1,808	630	657	2,499
1,322	337	331	1,000	1,006	Net interest	1	1,079	1,053	358	354	1,392
544	140	185	423	495	Commission income		688	590	252	200	778
75	19	23	52	62	Commission expenses		68	58	25	21	83
39	6	10	22	30	Other operating income		198	155	68	56	224
508	128	171	393	463	Commission income and other income		818	687	294	234	919
260	-1	0	260	306	Dividends		10	34	0	0	36
-	-	-	-	-	Income from investment in related companies		234	171	85	48	290
66	18	67	24	146	Net return on financial investments	1	160	71	83	39	152
326	17	67	284	452	Net return on financial investments		403	276	168	88	478
2,156	482	570	1,677	1,921	Total income		2,300	2,017	820	675	2,789
528	137	150	414	462	Staff costs	2	690	614	235	209	810
315	70	93	218	248	Administration costs		306	268	112	86	381
245	57	57	163	172	Other operating expenses		220	188	75	66	291
1,089	264	300	794	883	Total operating expenses	4	1,217	1,070	421	361	1,482
1,068	218	270	883	1,038	Result before losses		1,084	947	399	314	1,306
12	5	13	-10	38	Loss on loans, guarantees etc.	2,6,7	42	1	16	8	27
1,055	213	256	893	1,001	Result before tax	3	1,042	946	383	306	1,279
235	60	70	184	200	Tax charge		225	201	77	66	255
820	153	186	709	801	Net profit		816	745	306	240	1,024
					Majority share		811	740	305	238	1,016
					Minority interest		5	5	1	2	8
					Profit per ECC		4.01	4.44	1.53	1.43	6.11
					Diluted profit per ECC		3.99	4.41	1.52	1.42	6.06

Other comprehensive income

Parent bank					Group					
2011	3.Q 11	3.Q 12	30 Sept 2011	30 Sept 2012	(NOK million)	30 Sept 2012	30 Sept 2011	3.Q 12	3.Q 11	2011
820	153	186	709	801	Net profit	816	745	306	240	1,024
-	-	-	-	-	Available-for-sale financial assets	8	-6	3	-11	-6
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	7	-11	5	-11	-19
-	-	-	-	-	Other comprehensive income	16	-17	8	-22	-25
820	153	186	709	801	Total other comprehensive income	832	728	314	218	999
					Majority share of comprehensive income	827	723	313	216	991
					Minority interest of comprehensive income	5	5	1	2	8

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

Key figures

Parent bank					Group					
2011	3.Q 11	3.Q 12	30 Sept 2011	30 Sept 2012	Result as per cent of average total assets:	30 Sept 2012	30 Sept 2011	3.Q 12	3.Q 11	2011
1.37	1.38	1.22	1.39	1.30	Net interest	1.37	1.44	1.31	1.43	1.41
0.52	0.52	0.63	0.54	0.60	Commission income and other income	1.04	0.94	1.08	0.94	0.93
0.34	0.07	0.25	0.39	0.58	Net return on financial investments	0.51	0.38	0.61	0.35	0.48
1.12	1.08	1.11	1.10	1.14	Total operating expenses	1.55	1.46	1.54	1.46	1.51
1.10	0.89	1.00	1.22	1.34	Result before losses	1.38	1.29	1.46	1.27	1.33
0.01	0.02	0.05	-0.01	0.05	Loss on loans, guarantees etc.	0.05	0.00	0.06	0.03	0.03
1.09	0.87	0.95	1.24	1.29	Result before tax	1.33	1.29	1.40	1.23	1.30
0.50	0.55	0.53	0.47	0.46	Cost -income ratio	0.53	0.53	0.51	0.54	0.53
68 %			67 %	71 %	Loan-to-deposit ratio	67 %	64 %			65 %
12.3 %	9.1 %	9.0 %	14.4 %	14.1 %	Return on equity	12.1 %	12.6 %	12.8 %	12.0 %	12.8 %

Balance sheet

Parent bank				Group			
2011	30 Sept 2011	30 Sept 2012	(NOK million)	Note	30 Sept 2012	30 Sept 2011	2011
1,519	409	156	Cash and receivables from central banks		156	409	1,519
5,033	3,632	4,598	Deposits with and loans to credit institutions		1,932	1,141	2,557
70,793	69,237	72,856	Gross loans to customers before write-down	5.8	75,357	71,570	73,105
-151	-135	-137	- Specified write-downs	6.7.8	-148	-159	-172
-273	-273	-278	- Write-downs by loan category	6	-295	-290	-290
70,369	68,828	72,441	Net loans to and receivables from customers		74,914	71,121	72,643
12,918	15,424	19,126	Fixed-income CDs and bonds at fair value		19,126	15,424	12,918
3,698	3,317	4,873	Derivatives		4,872	3,316	3,697
546	559	329	Shares, units and other equity interests	2	746	588	611
2,822	2,822	3,254	Investment in related companies		4,799	4,258	4,259
1,203	1,169	2,254	Investment in group companies		-	-	-
447	447	447	Goodwill		481	471	471
1,142	1,721	2,102	Other assets	9	3,615	3,278	2,779
99,697	98,329	109,580	Assets		110,640	100,007	101,455
6,232	6,348	6,383	Deposits from credit institutions		6,383	6,348	6,232
2,886	4,318	2,553	Funding, "swap" arrangement with the government		2,553	4,318	2,886
48,114	46,176	51,652	Deposits from and debt to customers	10	50,836	46,023	47,871
28,148	25,885	30,085	Debt created by issue of securities	11	30,085	25,885	28,148
3,158	3,008	4,538	Derivatives		4,538	3,008	3,158
1,544	3,119	3,318	Other liabilities	12	3,861	3,638	2,122
2,690	2,663	2,620	Subordinated loan capital	11	2,620	2,663	2,690
92,773	91,516	101,149	Total liabilities		100,875	91,882	93,107
2,373	2,373	2,597	Equity capital certificates		2,597	2,373	2,373
-0	-0	-0	Own holding of ECCs		-0	-0	-0
183	183	896	Premium fund		896	183	183
1,457	1,160	1,457	Dividend equalisation fund		1,457	1,160	1,457
190	-0	-	Recommended dividends		-	-0	190
40	-	-	Provision for gifts		-	-	40
2,611	2,344	2,611	Savings bank's reserve		2,611	2,344	2,611
70	45	70	Unrealised gains reserve		94	60	85
-	0	0	Other equity capital		1,269	1,127	1,274
-	709	801	Profit for the periode		816	745	-
			Minority interests		26	134	135
6,924	6,813	8,431	Total equity capital	13	9,765	8,125	8,348
99,697	98,329	109,580	Total liabilities and equity		110,640	100,007	101,455

Cash flow statement

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012	(NOK million)	30 Sept 2012	30 Sept 2011	2011
820	709	801	Profit	816	745	1,024
38	27	30	Depreciations and write-downs on fixed assets	74	63	87
12	-10	38	Losses on loans and guarantees	42	1	27
870	726	868	Net cash increase from ordinary operations	932	809	1,140
-1,656	-1,857	-2,096	Decrease/(increase) other receivables	-1,924	-1,972	-1,851
1,687	3,111	3,154	Increase/(decrease) short term debt	3,119	3,045	1,679
-3,398	-1,835	-2,110	Decrease/(increase) loans to customers	-2,312	-1,787	-3,335
-2,139	-739	434	Decrease/(increase) loans credit institutions	625	-722	-2,137
5,086	3,147	3,538	Increase/(decrease) deposits and debt to customers	2,964	3,239	5,086
-3,944	-2,395	-182	Increase/(decrease) debt to credit institutions	-182	-2,395	-3,944
4,118	1,611	-6,208	Increase/(decrease) in short term investments	-6,208	1,556	4,062
624	1,770	-2,601	A) NET CASH FLOW FROM OPERATIONS	-2,986	1,772	699
-59	-43	-69	Increase in tangible fixed assets	-170	-155	-184
1	0	-	Reductions in tangible fixed assets	-	0	2
-900	-866	-1,483	Paid-up capital, associated companies	-540	-732	-734
79	66	217	Net investments in long-term shares and partnerships	-134	30	7
-879	-843	-1,335	B) NET CASH FLOW FROM INVESTMENTS	-844	-858	-909
-68	-95	-70	Increase/(decrease) in subordinated loan capital	-70	-95	-68
-	-	-	Hybrid equity State Finance Fund	-	-	-
-	-	936	Increase/(decrease) in equity	936	-	-
-285	-285	-190	Dividend cleared	-190	-285	-285
-192	-192	-40	To be disbursed from gift fund	-40	-192	-192
-	-	-	Correction of equity capital	-106	11	-45
207	-2,056	1,937	Increase/(decrease) in other long term loans	1,937	-2,056	207
-338	-2,628	2,573	C) NET CASH FLOW FROM FINANCAL ACTIVITIES	2,467	-2,617	-383
-593	-1,702	-1,363	A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	-1,363	-1,702	-593
2,112	2,112	1,519	Cash and cash equivalents at 01.01	1,519	2,112	2,112
1,519	409	156	Cash and cash equivalents at end of quarter	156	409	1,519
593	1,702	1,363	Net changes in cash and cash equivalents	1,363	1,702	593

Change in equity

Parent Bank (NOK million)	Issued equity			Earned equity		Unrealised gains reserve	Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund/dividend	Gifts			
Equity capital at 1 January 2010	1,734	0	2,155	1,050	27	110	-	5,076
Net Profit	-	-	189	566	192	-65	-	882
Other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	189	566	192	-65	-	882
Transactions with owners								
Dividend declared for 2009	-	-	-	-174	-	-	-	-174
To be disbursed from gift fund	-	-	-	-	-27	-	-	-27
Rights issue	624	178	-	-	-	-	-	803
Employee placing	13	4	-	-	-	-	-	17
Sale of own ECCs	2	-	-	2	-	-	-	4
Total transactions with owners	639	182	-	-172	-27	-	-	622
Equity capital at 31 December 2010	2,373	182	2,345	1,444	192	45	-	6,581
Equity capital at 1 January 2011	2,373	182	2,345	1,444	192	45	-	6,581
Net Profit	-	-	268	487	40	25	-	820
Other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	268	487	40	25	-	820
Transactions with owners								
Dividend declared for 2010	-	-	-	-285	-	-	-	-285
To be disbursed from gift fund	-	-	-	-	-192	-	-	-192
Issue	1	0	-1	-	-	-	-	-
Total transactions with owners	1	0	-1	-285	-192	-	-	-476
Equity capital at 31 December 2011	2,373	183	2,611	1,647	40	70	-	6,924
Equity capital at 1 January 2012	2,373	183	2,611	1,647	40	70	-	6,924
Net Profit	-	-	-	-	-	-	801	801
Other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	801	801
Transactions with owners								
Dividend declared for 2011	-	-	-	-190	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-40	-	-	-40
Rights issue	570	150	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-
Total transactions with owners	224	713	-	-190	-40	-	-	706
Equity capital at 30 Sept 2012	2,597	896	2,611	1,457	-	70	801	8,431

Group (NOK million)	Majority share									
	Issued equity			Earned equity			Unrealised gains reserve	Other equity	Minority interest	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund/dividend	Gifts					
Equity capital at 1 January 2010	1,734	-0	2,155	1,050	27	124	1,052	42	6,183	
Net Profit	-	-	189	566	192	-65	134	5	1,022	
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	7	-	-	7	
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	-29	-	-29	
Other comprehensive income	-	-	-	-	-	7	-29	-	-22	
Total other comprehensive income	-	-	189	566	192	-58	105	5	1,000	
Transactions with owners										
Dividend declared for 2009	-	-	-	-174	-	-	-	-	-174	
To be disbursed from gift fund	-	-	-	-	-27	-	-	-	-27	
Rights issue	624	178	-	-	-	-	-	-	803	
Employee placing	13	4	-	-	-	-	-	-	17	
Sale of own ECCs	2	-	-	2	-	-	-	-	4	
Direct recognitions in equity	-	-	-	-	-	-	-10	-	-10	
Change in minority share	-	-	-	-	-	-	-	50	50	
Total transactions with owners	639	182	-	-172	-27	-	-10	50	663	
Equity capital at 31 December 2010	2,373	182	2,345	1,444	192	66	1,147	97	7,845	
Equity capital at 1 January 2011	2,373	182	2,345	1,444	192	66	1,147	97	7,845	
Net Profit	-	-	268	487	40	25	196	8	1,024	
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-6	-	-	-6	
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	-19	-	-19	
Other comprehensive income	-	-	-	-	-	-6	-19	-	-25	
Total other comprehensive income	-	-	268	487	40	19	177	8	999	
Transactions with owners										
Dividend declared for 2010	-	-	-	-285	-	-	-	-	-285	
To be disbursed from gift fund	-	-	-	-	-192	-	-	-	-192	
Direct recognitions in equity	-	-	-	-	-	-	-50	-	-50	
Change in minority share	-	-	-	-	-	-	-	30	30	
Issue	1	0	-1	-	-	-	-	-	-	
Total transactions with owners	1	-	-1	-285	-192	-	-50	30	-496	
Equity capital at 31 December 2011	2,373	183	2,611	1,647	40	85	1,274	135	8,348	

Equity capital at 1 January 2012	2,373	183	2,611	1,647	40	85	1,274	135	8,348
Net Profit	-	-	-	-	-	-	811	5	816
Other comprehensive income									
Available-for-sale financial assets	-	-	-	-	-	8	-	-	8
Share of other comprehensive income of associates and joint venture	-	-	-	-	-	-	3	-	3
Other comprehensive income	-	-	-	-	-	8	3	-	11
Total other comprehensive income	-	-	-	-	-	8	814	5	827
Transactions with owners									
Dividend declared for 2011	-	-	-	-190	-	-	-	-	-190
To be disbursed from gift fund					-40	-	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-
Sale of own ECCs	-	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-2	-	-2
Change in minority share	-	-	-	-	-	-	-	-114	-114
Total transactions with owners	224	713	-	-190	-40	-	-2	-114	590
Equity capital at 30 Sept 2012	2,597	896	2,611	1,457	-	94	2,085	26	9,765

Equity capital certificate ratio

	30 Sept 2012	31 Dec 2011
ECC capital	2,597	2,373
Dividend equalisation reserve	1,457	1,457
Premium reserve	896	183
Unrealised gains reserve	46	43
A. The equity capital certificate owners' capital	4,995	4,055
Ownerless capital	2,611	2,611
Unrealised gains reserve	24	28
B. The saving bank reserve	2,635	2,639
To be disbursed from gift fund	-	40
Dividend declared	-	190
Equity ex. profit	7,631	6,924
Equity capital certificate ratio A/(A+B)	65.5 %	60.6 %

Results from quarterly accounts

Group in NOKm	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q	3Q
	2012	2012	2012	2011	2011	2011	2011	2010	2010
Interest income	989	989	1.009	1.029	1.011	936	915	924	894
Interest expenses	630	619	659	691	657	592	559	601	549
Net interest	358	369	351	338	354	344	356	323	345
Commission income	252	240	196	188	200	199	192	199	196
Commission expenses	25	22	21	25	21	19	18	23	21
Other operating income	68	71	60	69	56	52	47	47	35
Commission income and other income	294	288	235	232	234	232	221	222	210
Dividends	0	9	0	2	0	31	3	0	0
Income from investment in related companies	85	50	99	119	49	69	54	83	69
Net return on financial investments	83	17	60	81	39	-1	33	85	30
Net return on financial investments	168	76	160	202	88	99	89	168	100
Total income	820	733	746	772	676	675	666	713	655
Staff costs	235	223	232	196	209	208	198	137	191
Administration costs	112	98	97	114	86	96	86	98	76
Other operating expenses	75	76	69	103	66	57	65	76	52
Total operating expenses	421	398	398	412	361	361	348	311	320
Result before losses	399	336	349	360	315	314	318	402	335
Loss on loans, guarantees etc.	16	17	8	26	8	-1	-6	25	12
Result before tax	383	319	340	333	306	315	325	377	323
Tax charge	77	81	68	54	66	65	70	60	67
Net profit	306	238	272	279	240	250	255	318	256

Key figures from quarterly accounts

Group in NOKm	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011	1Q 2010	4Q 2010	3Q 2010
Profitability									
Return on equity per quarter	12.8%	10.7%	13.0%	13.6%	12.0%	12.9%	13.2%	16.6%	13.9%
Cost-income ratio	51 %	54 %	53 %	53 %	53 %	53 %	52 %	44 %	49 %
Balance sheet									
Gross loans to customers	75,357	73,595	71,681	73,105	71,570	68,559	68,553	69,847	67,069
Gross loans incl. SB1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	103,274	100,552	97,387	95,232	92,671	90,939	88,606	87,665	86,046
Deposits from customers	50,836	51,504	48,974	47,871	46,023	45,990	42,900	42,786	38,643
Total assets	110,640	107,815	99,030	101,455	100,007	98,503	94,486	97,997	95,327
Average total assets	109,227	103,422	100,242	100,732	99,212	96,435	96,224	96,632	94,547
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	11.4 %	10.6 %	9.9 %	8.6 %	7.7 %	8.6 %	11.4 %	13.2 %	12.4 %
Growth in deposits last 12 months	10.5 %	12.0 %	14.2 %	11.9 %	19.1 %	11.4 %	14.1 %	14.9 %	2.8 %
Losses and defaults in % of gross loans incl. Boligkreditt and Næringskreditt									
Impairment losses ratio	0.06 %	0.07 %	0.04 %	0.11 %	0.03 %	-0.01 %	-0.03 %	0.11 %	0.05 %
Non-performing commitm. as a percentage of gross loans	0.39 %	0.34 %	0.33 %	0.36 %	0.36 %	0.40 %	0.54 %	0.57 %	0.38 %
Other doubtful commitm. as a percentage of gross loans	0.16 %	0.20 %	0.19 %	0.21 %	0.24 %	0.20 %	0.23 %	0.24 %	0.84 %
Solidity									
Capital adequacy ratio	11.9 %	12.4 %	11.8 %	12.0 %	12.1 %	12.3 %	12.5 %	13.0 %	12.8 %
Core capital ratio	10.6 %	11.0 %	10.3 %	10.4 %	10.4 %	10.7 %	10.6 %	10.9 %	10.6 %
Core capital	8,826	8,722	7,902	7,856	7,504	7,394	7,330	7,286	7,033
Net equity and related capital	9,891	9,900	9,008	9,055	8,675	8,496	8,638	8,646	8,493
Key figures ECC *)									
ECC price	37.00	32.10	36.60	36.31	36.31	45.18	46.19	49.89	45.27
Number of certificates issued, millions	129.83	124.21	124.21	102.76	102.76	102.74	102.74	102.74	102.74
Booked equity capital per ECC (including dividend)	49.00	47.97	46.82	48.91	47.65	46.36	44.96	46.17	44.20
Profit per ECC, majority	1.52	1.22	1.41	1.65	1.42	1.51	1.48	1.84	1.50
Price-Earnings Ratio	6.09	6.58	6.49	5.50	6.39	7.48	7.80	6.78	7.55
Price-Book Value Ratio	0.76	0.67	0.78	0.74	0.76	0.97	1.03	1.08	1.02

*) The key figures are corrected for issues

Notes

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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 2011.

As from the first quarter of 2012, return on treasury bills is to be presented as net interest income instead of, as previously, capital gains or losses. Historical data have been correspondingly restated.

IAS 19 – Employee Benefits was adopted by the EU on 6 June 2012. See note 2 Estimates for further information.

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

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

Pensions

The banking and financial industry has established an agreement on contractual early retirement (AFP) for employees reaching the age of 62. The Bank's contribution comprises the National Insurance Scheme's accumulation of disbursed pension for employees availing themselves of AFP. From age 62 to 64 the Bank's liability is 100 percent and 60 percent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

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

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

The year's AFP cost of the new scheme has not been booked. The reason is that the Joint Office for the LO/NHO Schemes has not done the required calculations. This is in keeping with the recommendation of the Norwegian Accounting Standards Board.

IAS Employee Benefits

A new IAS 19 – Employee Benefits was adopted by the EU on 6 June 2012. Entry into force is scheduled for 1 January 2013, with scope for early implementation. SpareBank 1 SMN will implement the standard on 1 January 2013. Based on actuarial calculations as of 31 December 2011 the implementation effect is likely to be about NOK 50m, charged to Group equity capital. This is a discretionary estimate and final figures will differ somewhat since the implementation date is 1 January 2013.

Guarantee agreement with BN Bank

On 1 February 2012 an agreement was signed whereby BN Bank waived its guarantee in respect of NOK 2.4bn of the portfolio, with the consequent lapse of the guarantee commission for this part of the portfolio with effect from the same date. This leaves NOK 0.7bn in the guarantee portfolio. The guarantee will run for three years.

Note 3 - Account by business line

Group 30 Sept 2012

Profit and loss account (NOK million)	Group 30 Sept 2012								Total
	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	
Net interest	399	653	-10	2	88	0	0	-53	1,079
Allocated	9	74	3	-	-	-	-	-86	-
Total interest income	408	726	-8	2	88	0	0	-138	1,079
Commission income and other income	332	97	14	255	-3	8	78	37	818
Net return on financial investments (**)	1	25	63	-	-	-	2	313	403
Total income *)	740	848	69	258	85	8	80	212	2,300
Total operating expenses	488	290	68	200	38	10	68	54	1,217
Ordinary operating profit	252	558	2	57	47	-3	13	157	1,084
Loss on loans, guarantees etc.	3	35	-	-	4	-	-	-	42
Result before tax	249	524	2	57	43	-3	13	157	1,042
Post-tax return on equity	19.5 %	13.1 %	0.6 %						12.1 %
Balance (NOK million)									
Loans and advances to customers	56,916	41,080	-	-	3,106	-	-	2,172	103,274
Adv. of this to SpareBank 1 Boligkreditt	-26,984	-934	-	-	-	-	-	-	-27,917
Individual allowance for impairment on loan	-31	-106	-	-	-12	-	-	-	-148
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-278	-295
Other assets	200	578	-	86	-2,946	-1	13	37,796	35,726
Total assets	30,101	40,618	-	86	132	-1	13	39,690	110,640
Deposits to customers	22,335	24,910	-	-	-	28	12	3,551	50,836
Other liabilities and equity	7,767	15,708	-	86	132	-29	2	36,139	59,804
Total liabilities	30,101	40,618	-	86	132	-1	13	39,690	110,640

Group 30 Sept 2011

Profit and loss account (NOK million)	Group 30 Sept 2011								Total
	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	
Net interest	385	584	9	4	71	1	-0	-2	1,053
Allocated	14	96	4	-	-	-	-	-115	-
Total interest income	400	680	13	4	71	1	-0	-116	1,053
Commission income and other income	264	100	16	226	-1	9	54	20	687
Net return on financial investments (**)	5	26	41	-0	-	-	0	205	276
Total income *)	668	806	70	230	70	10	54	109	2,017
Total operating expenses	457	256	59	174	35	13	49	27	1,070
Ordinary operating profit	211	550	10	55	34	-3	5	84	947
Loss on loans, guarantees etc.	7	-17	-	-	12	-	-	4	1
Result before tax	205	567	10	55	23	-3	5	85	946
Post-tax return on equity	18.6 %	14.6 %	5.6 %						12.5 %

Balance (NOK million)

Loans and advances to customers	50,730	37,499	-	-	2,942	-	-3	1,503	92,671
Adv. of this to SpareBank 1 Boligkreditt	-20,132	-245	-	-	-	-	-	-724	-21,101
Individual allowance for impairment on loan	-31	-103	-	-	-24	-	-	-1	-159
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	184	202	-	151	-2,476	17	21	30,789	28,888
Total assets	30,751	37,353	-	151	425	17	18	31,292	100,007
Deposits to customers	20,519	23,932	-	-	-	-	-	1,572	46,023
Other liabilities and equity	10,231	13,422	-	151	425	17	21	29,718	53,985
Total liabilities	30,751	37,353	-	151	425	17	18	31,292	100,007

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

	30 Sept 2012	30 Sept 2011
**) Specification of net return on financial investments (NOKm)		
Income from investment in related companies	234	171
adv. of this from SpareBank1 Gruppen	104	50
adv. of this from BN Bank ASA	41	73
adv. of this from Bank 1 Oslo Akershus AS	34	14
adv. of this SpareBank 1 Boligkreditt	37	15
adv. of this SpareBank 1 Næringskreditt	8	6
adv. of this Polaris Media	18	21
Net gain and dividends on securities	19	66
adv. of this from SpareBank 1 SMN Invest	14	51
Net gain on bonds	56	-17
Net gain on trading and derivatives SMN Markets	95	56
Net return on financial investments	403	276

Note 4 - Operating expenses

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
528	414	462	Personnel expenses	690	614	810
167	119	129	IT costs	145	131	185
23	17	17	Postage and transport of valuables	20	19	27
38	25	27	Marketing	36	34	50
38	27	30	Ordinary depreciation	74	63	87
119	89	93	Operating expenses, real properties	73	69	95
47	29	37	Purchased services	43	36	55
129	74	87	Other operating expense	136	103	173
1,089	794	883	Total other operating expenses	1,217	1,070	1,482

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
5,027	4,430	5,862	Agriculture/forestry/fisheries/hunting	6,035	4,619	5,217
1,883	1,867	2,258	Sea farming industries	2,378	2,013	2,026
2,644	2,784	3,196	Manufacturing	3,426	3,026	2,881
2,113	2,012	2,601	Construction, power and water supply	3,121	2,480	2,572
2,147	2,122	2,161	Retail trade, hotels and restaurants	2,340	2,318	2,337
5,974	5,553	5,547	Maritime sector	5,554	5,558	5,978
12,662	12,674	12,279	Property management	11,769	12,236	12,179
3,573	3,306	3,532	Business services	3,809	3,608	3,867
1,808	1,816	2,094	Transport and other services provision	2,423	2,058	2,078
63	24	129	Public administration	156	54	92
969	1,050	1,779	Other sectors	1,785	1,052	971
38,861	37,639	41,440	Gross loans in retail market	42,795	39,021	40,198
54,058	52,699	59,333	Wage earners	60,479	53,650	55,034
92,919	90,338	100,773	Gross loans incl. Boligkreditt / Næringskreditt	103,274	92,671	95,232
22,126	21,101	27,294	Boligkreditt	27,294	21,101	22,126
-	-	623	Næringskreditt	623	-	-
70,793	69,237	72,856	Gross loans in balance sheet	75,357	71,570	73,105

Note 6 - Losses on loans and guarantees

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
-36	-52	-14	Change in individual impairment losses provisions for the period	-24	-63	-50
-	-	5	Change in collective impairment losses provisions for the period	5	-	-
75	74	42	Actual loan losses on comm. for which provisions have been made	54	87	91
9	3	34	Actual loan losses on commitments for which no provision has been made	37	14	26
-37	-35	-29	Recoveries on commitments previously written-off	-30	-37	-39
12	-10	38	Losses of the year on loans and guarantees	42	1	27

Note 7 - Losses

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
186	186	151	Individual write-downs to cover loss on loans at 01.01	173	222	222
9	7	8	+Increased write-downs on provisions previously written down	8	8	10
26	26	7	- Reversal of provisions from previous periods	8	28	28
57	41	27	+Write-downs on provisions not previously written down	29	44	59
75	74	42	- Actual losses during the period for which provisions for individual impairment losses have been made previously	54	87	91
151	135	137	Specification of loss provisions at end of period	148	159	172
85	77	76	Actual losses	91	101	117

Note 8 - Defaults

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
			Total defaults			
272	248	351	Loans in default for more than 90 days *)	398	332	338
73	60	80	- Individual write-downs	86	79	89
199	188	271	Net defaults	312	253	249
27 %	24 %	23 %	Provision rate	22 %	24 %	26 %
			Problem Loans			
191	216	136	Problem loans (not in default)	163	223	204
77	75	57	- Individual write-downs	62	81	83
113	140	78	Net problem loans	101	142	121
41 %	35 %	42 %	Provision rate	38 %	36 %	41 %

*) Of which NOK 61 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 - Other assets

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
-	-	-	Deferred tax benefit	6	8	19
151	147	190	Fixed assets	1,196	1,107	1,109
-	-	-	Assets held for sale	564	412	481
956	1,137	1,209	Earned income not yet received	1,202	1,135	948
4	45	452	Accounts receivable, securities	452	45	4
30	392	251	Other assets	195	570	218
1,142	1,721	2,102	Total other assets	3,615	3,278	2,779

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
1,757	1,732	2,016	Agriculture/forestry/fisheries/hunting	2,016	1,732	1,757
402	327	163	Sea farming industries	163	327	402
1,079	1,378	1,146	Manufacturing	1,146	1,378	1,079
1,420	1,298	1,402	Construction, power and water supply	1,402	1,298	1,420
3,517	2,693	2,969	Retail trade, hotels and restaurants	2,969	2,693	3,517
1,103	782	1,011	Maritime sector	1,011	782	1,103
3,545	3,586	4,324	Property management	3,729	3,579	3,517
5,103	4,836	4,429	Business services	4,429	4,836	5,103
3,231	3,204	3,721	Transport and other services provision	3,529	3,080	3,036
3,920	3,892	4,748	Public administration	4,748	3,892	3,920
2,178	1,929	3,525	Other sectors	3,497	1,908	2,157
27,254	25,656	29,456	Total	28,639	25,505	27,011
20,860	20,519	22,196	Wage earners	22,196	20,519	20,860
48,114	46,176	51,652	Total deposits	50,836	46,023	47,871

Note 11 - Debt created by issue of securities

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
219	199	934	Short-term debt instruments, nominal value	934	199	219
27,681	25,429	28,797	Bond debt, nominal value	28,797	25,429	27,681
248	257	353	Value adjustments	353	257	248
28,148	25,885	30,085	Total	30,085	25,885	28,148

Change in securities debt, subordinated debt and hybrid equity

	30 Sept 2012	Issued	Fallen due / Redeemed	Other changes	30 Sept 2011
Short-term debt instruments, nominal value	934	2,109	1,394	-	219
Bond debt, nominal value	28,797	8,540	7,227	-196	27,681
Value adjustments	353	-	-	105	248
Total	30,085	10,649	8,621	-91	28,148

	30 Sept 2012	Issued	Fallen due / Redeemed	Other changes	30 Sept 2011
Ordinary subordinated loan capital, nominal value	1,310	-	-	-39	1,349
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	877	-	-	-25	902
Value adjustments	133	-	-	-6	139
Total	2,620	-	-	-70	2,690

Note 12 - Other liabilities

Parent bank				Group		
2011	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
40	21	40	Deferred tax	49	27	55
215	187	161	Payable tax	189	205	244
913	1,129	1,092	Accrued expenses and received, non-accrued income	1,466	1,408	1,213
101	116	94	Provision for accrued expenses and commitments	94	117	102
-	-	-	Pension liabilities	7	6	7
113	80	87	Drawing debt	87	80	113
10	3	9	Creditors	51	39	38
20	1,198	1,476	Debt from securities	1,476	1,198	20
-	-	-	Debt available for sale	79	137	151
130	386	358	Other liabilities	362	421	177
1,544	3,119	3,318	Total other liabilities	3,861	3,638	2,122

Note 13 - 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 per cent reduction of the risk-weighted basis of calculation was allowed.

Subordinated debt ranks behind all other liabilities. Dated subordinated loans cannot constitute more than 50 percent of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans cannot constitute more than 100 percent 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 percent 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 percent or total capital adequacy falls below 6 percent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

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

Parent bank				Group		
	30 Sept 2011	30 Sept 2012		30 Sept 2012	30 Sept 2011	2011
	2,373	2,597	Equity capital certificates	2,597	2,373	2,373
	-0	-0	- Own holding of ECCs	-0	-0	-0
	183	896	Premium fund	896	183	183
	1,457	1,457	Dividend equalisation fund	1,457	1,160	1,457
	2,611	2,611	Savings bank's reserve	2,611	2,344	2,611
	190	-	Recommended dividends	-	-0	190
	40	-	Provision for gifts	-	-	40
	70	70	Unrealised gains reserve	94	60	85
	-	-	Other equity and minority interest	1,295	1,261	1,409
	-	801	Net profit	816	745	-
6,924	6,813	8,431	Total book equity	9,765	8,126	8,348
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-701	-658	-692
-	-	-	Part of reserve for unrealised gains, associated companies	64	65	64
-230	-	-	Deduction for allocated dividends and gifts	-	-0	-230
-387	-386	-460	50 % deduction for subordinated capital in other financial institutions	-2	-	-
-137	-165	-199	50 % deduction for expected losses on IRB, net of write-downs	-211	-176	-147
-	-	-	50 % capital adequacy reserve	-714	-638	-656
-	-	-82	Surplus financing of pension obligations	-74	-	-
-	-709	-801	Net profit	-816	-745	-
-	355	400	Year-to-date profit included in core capital (50% pre tax)	408	373	-
956	945	931	Hybrid capital, core capital	1,108	1,159	1,170
6,680	6,406	7,773	Total core capital	8,826	7,504	7,856
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	37	-	-
326	326	325	Perpetual subordinated capital	323	326	328
1,409	1,394	1,368	Non-perpetual subordinated capital	1,633	1,659	1,674
-387	-386	-460	50 % deduction for subordinated capital in other financial institutions	-2	-	-
-137	-165	-199	50 % deduction for expected losses on IRB, net of write-downs	-211	-176	-147
-	-	-	50 % capital adequacy reserve	-714	-638	-656
1,211	1,168	1,033	Total supplementary capital	1,066	1,171	1,199

7,891	7,574	8,807	Net subordinated capital	9,891	8,675	9,055
			Minimum requirements subordinated capital, Basel II			
1,456	1,375	1,647	Involvement with specialised enterprises	1,647	1,375	1,456
1,313	1,232	1,686	Other corporations exposure	1,686	1,240	1,313
40	55	38	SME exposure	41	58	42
324	314	309	Retail mortgage exposure	532	495	513
31	32	28	Other retail exposure	30	34	33
653	645	1,087	Equity investments	-	-	-
3,818	3,652	4,796	Total credit risk IRB	3,937	3,201	3,358
182	172	209	Debt risk	209	172	182
49	38	14	Equity risk	15	13	16
-	-	-	Currency risk	-	-	-
293	293	315	Operational risk	420	400	400
653	593	659	Exposures calculated using the standardised approach	2,178	2,068	2,184
-65	-65	-76	Deductions	-121	-107	-111
-	-	-	Transitional arrangements	-	-	-
4,930	4,684	5,916	Minimum requirements subordinated capital	6,638	5,748	6,027
			Capital adequacy			
10.8 %	10.9 %	10.5 %	Core capital ratio	10.6 %	10.4 %	10.4 %
12.8 %	12.9 %	11.9 %	Capital adequacy ratio	11.9 %	12.1 %	12.0 %

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 October 2010 to 30 September 2012

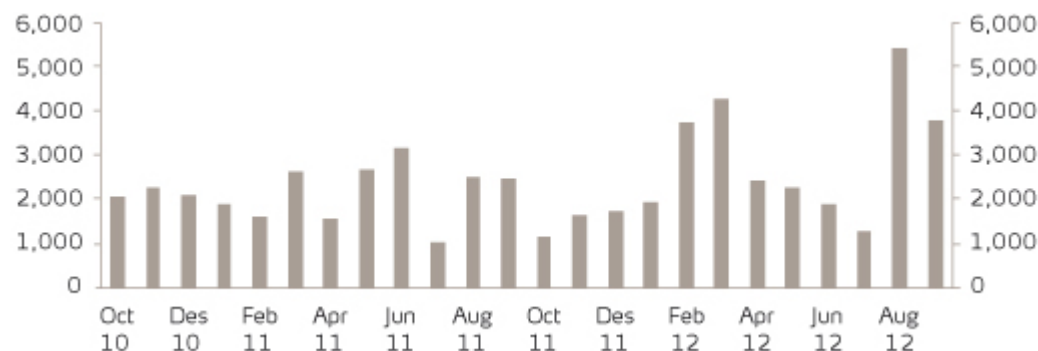


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 October 2010 to 30 September 2012



Total number of ECCs traded (1000)

20 largest ECC holders	Number	Share
Reitangruppen AS	9,019,108	6.95 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Aker ASA / The Resource Group TRG	3,719,255	2.86 %
Odin Norge	3,511,854	2.70 %
Morgan Stanley & Co.	2,978,401	2.29 %
Odin Norden	2,894,251	2.23 %
Frank Mohn AS	2,876,968	2.22 %
Vind LV AS	2,736,435	2.11 %
MP Pensjon PK	2,043,415	1.57 %
Citibank N.A New York Branch (nominee)	1,899,745	1.46 %
Verdipapirfondet Fondsfinans Spar	1,650,000	1.27 %
Stiftelsen Uni	1,370,917	1.06 %
Stenshagen Invest	1,187,987	0.91 %

State Street Bank & Trust Company (nominee)	1,178,387	0.91 %
I.K. Lykke, T.Lykke m.fl.	1,161,567	0.89 %
Tonsenhagen Forretningsentrum AS	1,135,193	0.87 %
Forsvarets personellservice	1,034,246	0.80 %
KLP Aksje Norden VPF	977,006	0.75 %
Danske Invest Norske Aksjer Inst. II	928,396	0.72 %
VPF Nordea Norge Verdi	860,659	0.66 %
The 20 largest ECC holders in total	47,129,181	36.30 %
Others	82,707,262	63.70 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

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

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

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

Auditor's report

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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN
as of September 30 2012**

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of September 30 2012 and the related statements of income for the group, showing a profit of 832.000.000, changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34, as adopted by the EU. Our responsibility is to express a conclusion on this interim financial information based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at September 30, 2012, and of its financial performance and its cash flows for the three month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim 25 October 2012
Deloitte ASMette Estenstad (Signed)
State Authorised Public Accountant (Norway)

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