First half and second quarter report 2013

SpareBank 1 SMN

Contents

SpareBank 1 SMN

Main figures

From the profit and loss account	30 Jun 2013 NOKm	%	30 Jun 2012 NOKm	%	2012 NOKm	%
Net interest	746	1.35	720	1.40	1,477	5.61
Commission income and other income	713	1.29	524	1.02	1,139	4.32
Net return on financial investments including held for sale	211	0.38	238	0.46	451	1.71
Total income	**1,670**	**3.02**	**1,482**	**2.88**	**3,067**	**11.64**
Total operating expenses	**850**	**1.54**	**795**	**1.55**	**1,654**	**6.28**
Results	**820**	**1.48**	**686**	**1.34**	**1,414**	**5.37**
Loss on loans, guarantees etc	38	0.07	25	0.05	58	0.22
Results before tax	**782**	**1.41**	**661**	**1.29**	**1,355**	**5.14**
Tax charge	179	0.32	149	0.29	295	1.12
Result investment held for sale, after tax	3	0.01	-2	0.00	16	0.06
Net profit	**606**	**1.09**	**510**	**0.99**	**1,077**	**4.09**

Key figures	30 Jun 2013	30 Jun 2012	2012
Profitability			
Return on equity [1)]	11.9 %	11.7 %	11.7 %
Cost-income ratio [2)]	51 %	54 %	54 %
Balance sheet			
Gross loans to customers	78,976	73,595	74,943
Gross loans to customers incl. SB1 1 Boligkreditt and SB1 Næringskreditt	108,968	100,552	104,909
Deposits from customers	55,268	51,504	52,252
Deposit-to-loan ratio	70 %	70 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	8.4 %	10.6 %	10.2 %
Growth in deposits	7.3 %	12.0 %	9.2 %
Average total assets	110,626	102,766	105,372
Total assets	113,190	107,780	107,975
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.07 %	0.05 %	0.06 %
Non-performing commitm. as a percentage of gross loans [3)]	0.38 %	0.34 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.13 %	0.20 %	0.14 %
Solidity			
Common equity tier 1	13.8 %	12.4 %	13.3 %
Core capital ratio	12.2 %	11.0 %	11.3 %
Capital adequacy ratio	10.3 %	9.5 %	10.0 %
Core capital	10,508	8,722	9,357
Net equity and related capital	11,894	9,900	10,943
Branches and staff			
Number of branches	50	52	51
No. Of full-time positions	1,164	1,144	1,135

Key figures ECC [4)]	30 Jun 2013	30 Jun 2012	2012	2011	2010	2009
ECC ratio	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %
Number of certificates issued, millions	129.83	124.21	129.83	102.76	102.74	82.78
ECC price	46.50	32.10	34.80	36.31	49.89	45.06
Stock value (NOKM)	6,037	3,987	4,518	3,731	5,124	3,749
Booked equity capital per ECC (including dividend)	51.66	47.97	50.09	48.91	46.17	42.11
Profit per ECC, majority	2.99	2.63	5.21	6.06	5.94	6.37
Dividend per ECC			1.50	1.85	2.77	2.10
Price-Earnings Ratio	7.79	6.10	6.68	5.99	8.40	7.07
Price-Book Value Ratio	0.90	0.67	0.69	0.74	1.08	1.07

[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

First half 2013

(Consolidated figures. Figures in parentheses refer to the same period of 2012 unless otherwise stated)

- Profit before tax: NOK 782m (661m)
- Net profit: NOK 606m (510m)
- Return on equity: 11.9 per cent (11.7 per cent)
- 12-month growth in lending: 8.4 per cent (10.6 per cent), in deposits: 7.3 per cent (12.0 per cent)
- Loan losses: NOK 38m (25m)
- Common equity tier 1 (CET1) ratio: 10.3 per cent (9.5 per cent)
- Earnings per EC: NOK 2.99 (2.63)

Second quarter 2013

- Profit before tax: NOK 391m (328m)
- Net profit: NOK 285m (238m)
- Return on equity: 11.1 per cent (10.7 per cent)
- Loan losses: NOK 21m (17m)
- Earnings per EC: NOK 1.43 (1.22)

Good result for first half 2013

Highlights:

- Profit growth of NOK 96m compared with same period 2012
- Strong profit trend in core business
- Increased lending margins
- Reduced cost growth
- Low loan losses
- Strong financial position and ample funding
- High growth in lending to retail market, low growth in lending to corporate market

In the first half of 2013 SpareBank 1 SMN achieved a pre-tax profit of NOK 782m (661m). Net profit was NOK 606m (510m) and return on equity was 11.9 per cent (11.7 per cent).

Pre-tax profit for the second quarter in isolation was NOK 391m (328m). Return on equity in the quarter was 11.1 per cent (10.7 per cent).

Overall operating income in the first half-year came to NOK 1,459m (1,244m), an increase of NOK 215m compared with the first half of 2012. Both net interest income and commission income rose compared with the first half of 2012, largely as a result of higher lending margins.

Return on financial investments was NOK 211m (238m), of which the income from owner interests was NOK 137m (151m).

Group operating expenses came to NOK 850m in the first half of 2013 (795m), NOK 55m higher than in the first half of 2012.

Loan losses were NOK 38m (loss of 25m), corresponding to 0.07 per cent (0.05 per cent) of total lending.

On a 12-month basis lending growth was 8.4 per cent (10.6 per cent) and deposit growth was 7.3 per cent (12.0 per cent) in the first half of 2013. Total lending growth in the first half-year was 3.9 per cent (5.6 per cent) and total deposit growth was in the same period was 5.8 per cent (7.6 per cent).

The common equity tier 1 ratio at 30 June 2013 was 10.3 per cent (9.5 per cent). On 22 March 2013 the Ministry of Finance published a proposal for new capital requirements, a timetable for implementation as well as various alternatives for new home mortgage loan weights. Future requirements on CET1 capital will depend on the economic situation and whether the bank concerned is considered systemically critical. SpareBank 1 SMN plans to increase the CET1 ratio to 14.5 per cent by 1 July 2016. The capital plan and underlying assumptions are further described in the section on financial strength.

At the half-year mark the Bank's ECC was priced at NOK 46.50 (34.80 at end-2012). A cash dividend of NOK 1.50 per ECC was paid out for the year 2012 in the second quarter.

In the first half-year earnings per EC were NOK 2.99. The book value per EC at 30 June 2013 was NOK 51.66.

Increased net interest income

Net interest income in the first half-year came to NOK 746m (720m). Net interest income strengthened substantially in the second quarter due to interest rate increases on loans to both retail and corporate customers. Margins on loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recognised as commission income, not as interest income. Margins on loans transferred to the these two mortgage companies improved substantially compared with the first half of 2012 due to repricing, and commissions totalled NOK 188m (74m).

Lending margins rose as a result of increased capital requirements for Norwegian banks, bringing higher costs of equity capital.

By the end of the first half of 2013, home mortgage loans worth NOK 29.4bn (26.2bn) had been sold to SpareBank 1 Boligkreditt. Sales of loans to SpareBank 1 Næringskreditt started in 2012, and as of 30 June 2013 NOK 611m had been sold to this company.

From 2013 onwards banks are required to pay a levy to the Banks’ Guarantee Fund. For SpareBank 1 SMN the levy for the first half-year comes to NOK 26m, and for the full year 2013 to NOK 52m.

Increased commission income

Commission income and other operating income rose by NOK 190m, or 36 per cent, to total NOK 713m in the first half of 2013 (524m). The increase is mainly due to growth in income from SpareBank 1 Boligkreditt resulting from higher margins on home mortgage loans. In addition, a positive trend was seen above all in income from payment services, accountancy services and guarantee commissions.

Commission income, NOKm	30 Jun 2013	30 Jun 2012	Change
Payment transfers	107	94	13

Savings	21	21	0
Insurance	60	59	1
SpareBank 1 Boligkreditt and Næringskreditt	188	75	113
Guarantee commission	30	14	16
Real estate agency	174	166	7
Accountancy services	73	52	21
Active management	6	5	1
Income from new head office	22	17	5
Other commissions	32	22	11
Total	**713**	**524**	**190**

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 74m (87m).

Net gains (incl. dividends of NOK 31m) on the Group's share portfolios totalled NOK 26m in the first half of 2013 (net loss of 10m).

Total gains on bonds and derivatives in the first half-year came to NOK 5m (38m). Gains on bonds and financial instruments at SpareBank 1 SMN Markets amounted to NOK 42m (59m).

Capital gains/dividends, shares	**30 Jun 2013**	**30 Jun 2012**
Capital gains/dividends, shares	26	-10
Bonds and derivatives	5	38
SpareBank 1 SMN Markets	42	59
Net return on financial investments	**74**	**87**
SpareBank 1 Gruppen	79	60
SpareBank 1 Boligkreditt	13	25
SpareBank 1 Næringskreditt	3	5
BN Bank ASA	43	27
Other jointly controlled companies	0	34
Income from investment in related companies	**137**	**151**
Total	**211**	**238**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first half of 2013 was NOK 402m (263m). The main contributors were SpareBank 1 Livsforsikring (life insurer) and SpareBank 1 Skadeforsikring (non-life insurer), although the latter's result in the second quarter was weakened as a result of natural damage. The value of shares at SpareBank 1 SMN Markets was written down by NOK 122m in the second quarter *(see separate section below)*.

SpareBank 1 SMN's share of the profit was NOK 79m (60m).

Strengthened owner focus at SpareBank 1 Markets

SpareBank 1 Markets, whose main shareholder was previously SpareBank 1 Gruppen, is to acquire a new ownership structure. This involves SpareBank 1 Gruppen's disposal of its holding in the company. SpareBank 1 Markets will henceforth be owned directly by SpareBank 1 SMN (24 per cent), SpareBank 1 Nord Norge (24 per cent), SpareBanken Hedmark (15 per cent), Samspar (24 per cent), Norwegian Confederation of Trade Unions (12 per cent) and employees (2 per cent).

Stronger collaboration will be put in place between the banks and SpareBank 1 Markets. This will include integration of the owner banks' corporate finance and stockbroking units with corresponding areas in

SpareBank 1 Markets. In addition, the banks' business volumes will be internalised to a greater degree. This, together with other measures, will promote profitability for SpareBank 1 Markets and the banks alike.

In connection with the change in owner structure, SpareBank 1 Gruppen has written down its holding in SpareBank 1 Markets by NOK 122m. SpareBank 1 SMN's portion of this write-down is NOK 23.8m.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to assure funding through the market for covered bonds. The banks sell their highest quality home mortgage loans to the company, thereby reducing funding costs and enhancing competitiveness.

The Bank's ownership interest in SpareBank 1 Boligkreditt is 18.4 per cent, and the Bank's share of that company's profit in the first half of 2013 was NOK 13m (25m). The Bank's ownership interest reflects the Bank's relative share of total home mortgage loans transferred to SpareBank 1 Boligkreditt by the end of 2012.

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 33.8 per cent, and the Bank's share of the company's profit in the first half of 2013 was NOK 3m (5m). The Bank's ownership interest mainly reflects SpareBank 1 SMN's stake in BN Bank.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 30 June 2013. SpareBank 1 SMN's share of the profit of BN Bank in the first half-year was NOK 43m (27m), including amortisation effects. The amortisation effect increased the profit by NOK 4.8m (5.4m). BN Bank has repriced its loan portfolios in 2013 while reducing the rate of growth in lending to commercial property.

Other companies

As of 30 June 2013 this includes figures for SpareBank 1 Kredittkort and SpareBank 1 Verdipapirservice, as well as companies established to handle corporate exposures taken over from other entities. Last year's figures also include SpareBank 1 SMN's profit shares in Bank 1 Oslo Akershus and Polaris Media.

Bank 1 Oslo Akershus

At the start of the current year SpareBank 1 SMN signed an agreement to sell 475,594 shares to Sparebanken Hedmark. The sale, which was formally completed in the second quarter of 2013, reduced SpareBank 1 SMN's holding in Bank 1 Oslo Akershus to 4.78 per cent. Further, an option was taken on a further reduction of the Bank's holding in Bank 1 Oslo Akershus. The option must be exercised by 31 December 2015.

Polaris Media

The Group's investment in Polaris Media is recognised at fair value. Goodwill in Polaris Media's balance sheet previously enabled a reduction in SpareBank 1 SMN's capital ratio. Reducing this holding strengthened the Bank's tier 1 capital by NOK 175m in the first quarter of 2013.

Operating expenses

Total expenses came to NOK 850m (795m) in the first half of 2013. Group expenses rose by NOK 55m or 6.9 per cent in the last 12 months.

Parent bank cost growth was NOK 18m or 3.1 per cent. This is in keeping with the parent bank's cost ambitions.

The Board of Directors has a tight focus on cost-reducing measures whose goal for 2013 is to bring down cost growth across the Group to below 3 per cent. The Board has decided on a reduction of at least 75 FTEs at the parent bank in the period to 2015. The number of permanent FTEs was reduced by 20 to 772 in the first half of 2013.

Overall cost growth among the subsidiaries was NOK 36m or 18.6 per cent. NOK 20m of the growth was at SpareBank 1 SMN Regnskap, relating in all essentials to an increased cost base due to acquisition of local accountancy firms.

Operating expenses measured 1.54 per cent (1.55 per cent) of average total assets. The Group's cost-income ratio was 51 per cent (54 per cent).

Low losses and low defaults

Loan losses came to NOK 38m (25m) in the first half of 2013.

Net losses of NOK 32m (loss of 23m) were recorded on the corporate customer portfolio in the first half of 2013, including losses at SpareBank 1 SMN Finans of NOK 6m (1m). A net loss of NOK 6m (2m) was recorded on the retail portfolio in the first half of 2013.

Individually assessed loan impairment write-downs in the first half of 2013 totalled NOK 153m (166m).

Total problem loans (defaulted and doubtful) came to NOK 559m (537m), or 0.51 per cent (0.53 per cent) of gross outstanding loans as of end-June 2013.

Defaults in excess of 90 days totalled NOK 413m (338m). Defaults measured 0.38 per cent (0.34 per cent) of gross lending. Defaults on the corporate portfolio totalled NOK 277m (207m) and on the retail portfolio NOK 136m (131m). Individually assessed write-downs on defaulted exposures came to NOK 89m (99m) or 22 per cent (29 per cent).

Other doubtful exposures totalled NOK 146m (199m), breaking down to NOK 131m (187m) on the corporate market and NOK 15m (12m) on the retail market. Other doubtful exposures measure 0.13 per cent (0.20 per cent) of gross lending. Individually assessed write-downs on these exposures totalled NOK 64m (67m) or 44 per cent (34 per cent).

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. significant changes in macroeconomic factors)

In the first half of 2013 no basis was found for any change in collectively assessed impairment write-downs in the Group. The aggregate volume of such write-downs is accordingly NOK 295m (290m).

Total assets of NOK 113.2bn

The Group's assets totalled NOK 113.2bn as of mid-2013 (107.8bn), having risen by NOK 5.4bn or 5 per cent in the last 12 months. The increase is ascribable to increased lending and increased liquidity reserves.

As of mid-2013 home mortgage loans worth 29.4bn (26.2bn) had in addition been transferred to SpareBank 1 Boligkreditt and commercial loans worth NOK 611m to SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank's balance sheet. The comments covering lending growth do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced growth in lending to the corporate market and demand for mortgages remains high.

In the last 12 months, total outstanding loans rose by NOK 8.4bn (9.6bn) or 8.4 per cent (10.6 per cent) to reach NOK 109bn (including SpareBank 1 Boligkreditt) by mid-year. Growth in the first half in isolation was 3.9 per cent (5.6 per cent).

Lending to retail customers rose by NOK 8.1bn (5.6bn) or 14.0 per cent (10.8 per cent) to reach NOK 65.8bn in the last 12 months. Growth in the first half-year in isolation was 5.2 per cent (4.9 per cent).

Growth in 12-month lending to corporates in the last 12 months was NOK 0.3bn (4.0bn) or 0.7 per cent (10.2 per cent). Overall loans to corporates came to NOK 43.1bn as of mid-2013. Growth in lending to corporates in the first half-year was 1.9 per cent (6.5 per cent).

Lending to retail customers accounted for 60 per cent (57 per cent) of ordinary loans to customers as of mid-2013.

Total customer deposits rose by NOK 3.8bn (5.5bn) in the last 12 months to NOK 55.3bn as of mid-2013. This corresponds to a growth of 7.3 per cent (12.0 per cent). Growth in deposits in the first half of 2013 was 5.8 per cent (7.6 per cent).

Retail customer deposits rose in the same period by NOK 2.0bn (1.8bn) or 8.7 per cent (8.6 per cent) to reach NOK 24.4bn, while deposits from corporates rose by NOK 1.8bn (3.7bn) or 6.2 per cent (14.8 per cent) to reach NOK 30.9bn. In the first half-year deposit growth at Retail Market and Corporate Market was, respectively, 9.5 per cent (7.5 per cent) and 3.0 per cent (7.6 per cent).

Investment products

The overall customer portfolio of off-balance sheet investment products totalled NOK 4.6bn (4.3bn) as of mid-2013, up 6 per cent over the last 12 months. The increase is largely related to changes in the value of underlying securities.

Saving products, customer portfolio, NOKm	30 Jun 2013	30 Jun 2012	Change
Equity funds	2,839	2,462	377
Pension products	573	1,055	-482
Active management	1,027	989	38
Energy fund management	111	170	-59
Total	**4,550**	**4,676**	**-126**

Insurance products

The Bank's insurance portfolio grew by 8 per cent in the last 12 months, and the premium volume totalled NOK 1,053m as of 30 June 2013 (968m). Non-life insurance rose by 5 per cent, personal insurance by 7 per cent and the occupational pension segment by 28 per cent.

Insurance, premium volume, NOKm	30 Jun 2013	30 Jun 2012	Change
Non-life insurance	690	656	34
Personal insurance	188	175	13
Occupational pensions	175	137	38
Total	**1,053**	**968**	**85**

Offices (Retail Market and SMBs)

As from 2013 the retail market business and the SMB segment comprise a unit in its own right. SMBs were previously a part of the corporate business. Retail Market and SMBs are each commented on separately. The SMB segment consists of corporate customers with an exposure size of +/- NOK 8m and agricultural customers. Owing to the reorganisation, historical data for the SMB segment are not recreated and no comparison is made with last year's figures. Return on equity in the first half-year for the retail business and SMB segment in total was 31.8 per cent with 31.9 per cent (16.2 per cent) reported by the retail business and 31.5 per cent by the SMB segment. Return for Retail Market is calculated using existing risk weights on home mortgage loans. Risk weights on home mortgage loans are expected to increase considerably.

Retail Market

Operating income – and return on equity – have risen substantially owing to increased margins on home mortgage loans, both on the Bank's own books and on home mortgages transferred to SpareBank 1 Boligkreditt, and totalled NOK 601m (464m) in the first half of 2013. Net interest income came to NOK 291m (259m) and commission income to NOK 310m (205m).

The lending margin in the first half of 2013 was 2.37 per cent (1.70 per cent), while the deposit margin was -0.31 per cent (0.25 per cent) (measured against three-month Nibor).

In the last 12 months, lending to retail customers rose by 14.0 per cent (11.7 per cent) and deposits from the same segment by 8.7 per cent (10.8 per cent).

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 on residential properties, and the trend in house prices has been satisfactory throughout the market area.

SMB segment

Operating income totalled NOK 179m, comprising net interest income of NOK 140m and commission income of NOK 39m.

The lending margin measured against three-month Nibor in the first half-year was 3.32 per cent and the deposit margin was -0.22 per cent.

SMB customers have loan capital totalling NOK 8.8bn and deposit capital totalling NOK 8.6bn. Growth in loans and deposits respectively in the first half of 2013 was 3.7 per cent and 1.3 per cent.

Group customers

In connection with the reorganisation of the Bank as from 2013, SMB customers have been separated out from the previous Corporate Market Division and the segment has changed name to Group Customers. Group customers are mainly customers with exposure sizes in excess of NOK 8m. Given the organisation changes, historical data on group customers are incomplete.

Return on equity for group customers was 10.0 per cent in the first half-year. For the entire corporate market business (SMBs and Group Customers), return on equity in the first half of 2012 was 13.8 per cent.

Total operating income for Group Customers was NOK 397m in the first half of 2013. Net interest income was NOK 344m, while total commission income was NOK 53m including NOK 11m in income on forex and fixed-income business.

Lending and deposit margins for Group Customers were, respectively, 2.72 per cent and -0.62 per cent. Lending growth for Group Customers in the first half of 2013 was 0.9 per cent and deposit growth was 10.8 per cent. For corporates overall (Group customers and SMBs) the lending margin was 2.85 per cent (2.39 per cent) and the deposit margin was -0.49 per cent (0.05 per cent).

12-month growth for corporates overall (Group customers and SMBs) was 4.6 per cent (7.9 per cent) and deposit growth was 13.0 per cent (9.5 per cent).

SpareBank 1 SMN Markets

SpareBank 1 Markets delivers a complete range of capital market products and services and is an integral part of SMN's parent bank operation.

SpareBank 1 Markets reported total income of NOK 56.3m (66.2m) in the first half of 2013.

Markets (NOKm)	30 Jun 2013	30 Jun 2012	Change
Currency trading	39.2	54.1	-14.9
Corporate	11.1	5.2	5.9
Securities, brokerage commission	15.4	8.8	6.6
SpareBank 1 Markets	-2.5	0.5	-3.0
Investments	-6.9	-2.4	-4.5
Total income	**56.3**	**66.2**	**-9.9**

Of gross income of NOK 56.3m, NOK 11m is transferred to Group Customers and NOK 1m to SMBs. These amounts are Group Customers' and SMBs' share of income and fixed-income business derived from their own customers. NOK 2.2m of the corporate income refers to services sold to the parent bank.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 100m (66m) in the first half of 2013.

Pre-tax profit, NOKm	30 Jun 2013	30 Jun 2012	Change
EiendomsMegler 1 Midt-Norge	41.5	41.9	-0.4
SpareBank 1 SMN Finans	29.1	30.3	-1.2
SpareBank 1 SMN Regnskap	12.1	8.6	3.5
Allegro Finans	-0.7	-1.3	0.6
SpareBank 1 SMN Invest	19.2	-1.7	20.9
Other	-1.0	-12.1	13.1
Total	**100.2**	**65.6**	**36.5**

The above results show the companies' comprehensive income. The Bank's stake in Eiendomsmegler 1 is 86.7 per cent, in SpareBank 1 SMN Finans 90.1 per cent and in Allegro 90.1 per cent. Its stake in the other companies is 100 per cent.

Eiendomsmegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. The company posted an excellent profit performance in 2012 and has also recorded a strong first half of 2013 with a pre-tax profit of NOK 41.5m (41.9m).

SpareBank 1 SMN Finans posted a first-half profit of NOK 29.1m (30.3m) in the first half-year. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.1bn of which leases account for NOK 1.8bn.

SpareBank 1 Nordvest and SpareBank 1 Søre Sunnmøre took over by agreement 9.9 per cent of the shares of SpareBank 1 SMN Finans in the fourth quarter 2012.

SpareBank 1 SMN Regnskap posted a pre-tax profit of NOK 12.1m (8.6m).

SpareBank 1 SMN Regnskap took over five accounting firms over the course of 2012 and aspires to continued strong growth. With a growth rate three times higher than the industry average, the company is market leader in Mid-Norway and among the leading accounting operations in Norway. It has in addition acquired a strategic owner position of 40 per cent in the accounting chain Consis. The company's alliance partner Sparebanken Hedmark owns the other 60 per cent.

In collaboration with other SpareBank 1 banks, SpareBank 1 SMN Regnskap has launched a nationwide drive in the accounting business through SpareBank 1 Regnskapshuset. SpareBank 1 Regnskapshuset intends to be one of Norway's leading actors in the accounting industry. Together the SpareBank 1 banks will build up a national accounting enterprise built on regional ownership, strong links to the owner banks and closeness to the market.

Allegro Finans reported a pre-tax loss of NOK 0.7m (loss of 1.3m) in the first half-year. The company has a portfolio of some NOK 2.8bn under active management.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a first-half net profit of NOK 19.2m (loss of 1.7m). The result is entirely related to value changes and realisation of losses or gains on the company's overall shareholding.

Satisfactory funding and ample 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 need of fresh external funding.

The Bank has liquidity reserves of NOK 23bn and thus has the funding needed for 18 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 68 per cent (71 per cent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding. As of 30 June 2013 loans totalling NOK 29.4bn had been transferred to SpareBank 1 Boligkreditt.

In the first quarter of 2013 SpareBank 1 SMN raised a five-year loan of EUR 500bn. The loan is spread across about 180 investors in Europe and Asia. The loan was raised in order for the bank to broaden its geographical spread of funding sources and thereby reduce its funding risk.

Rating

SpareBank 1 SMN has a rating of A2 (stable) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was downgraded by Moody's from A1 to A2 (under review) in December. In the first quarter of 2013 this was changed to A2 (stable).

Financial strength

As of 31 March 2013 the CET1 capital ratio was 10.3 per cent (9.5 per cent). CET1 capital is tier 1 capital excluding hybrid capital.

The Group has shifted lending growth more over to the retail customer segment. Due to this transitional rules in the capital requirements regulations has resulted in growth in the regulatory need of capital.

Tier 1 capital adequacy is strengthened as a result of hybrid capital worth NOK 500m raised in June 2013.

Figures in NOKm	**30 Jun 2013**	**30 Jun 2012**
Tier 1 capital	8,882	7,592
Hybrid capital	1,625	1,130
Subordinated loan	**1,386**	**1,178**
Capital base	**11,894**	**9,900**
Required subordinated debt	**6,886**	**6,371**
Risk weigheted assets	**86,079**	**79,635**
Tier 1 capital ratio	**10.3 %**	**9.5 %**
Core capital ratio	**12.2 %**	**11.0 %**
Capital adequacy ratio	**13.8 %**	**12.4 %**

On 22 March 2013 the Ministry of Finance published a proposal for new capital requirements, a timetable for implementation as well as various alternatives for home mortgage loan weights. All in all these proposals entail a tighter regime than was expected. Although there is uncertainty regarding several of the buffers, the Board of Directors of SpareBank 1 SMN has determined that planning must be on the assumption that all buffers must be in place by 1 July 2016. The objective is a CET1 capital ratio of 14.5 per cent by 1 July 2016.

The following measures will be put in place:

- Improved banking operation through improved efficiency and higher margins. Increased capital requirements for all banks provide a market basis for increased margins on lending
- A dividend policy as for 2012 with an effective payout of 25 – 35 per cent
- Moderate growth in the Bank's asset-intensive activities, including lending to the retail and corporate segments by the parent bank and BN Bank
- Sale of asset items not forming part of the core business
- Introduction of the advanced IRB approach at SpareBank 1 SMN and BN Bank

SpareBank 1 SMN currently has no plans with regard to equity capital issues.

The Bank is IRB(Internal Ratings-based), approved and uses the IRB foundation approach to compute capital charges for credit risk.

In June 2013 SpareBank 1 SMN applied to Finanstilsynet (Norway's FSA) for permission to use the advanced IRB approach to compute capital charges. Preparatory work on the application was done in conjunction with the other banks in the SpareBank 1 alliance.

The Bank's equity certificate (MING)

The book value of the Bank's EC was NOK 51.66 as of 30 June 2013, and earnings per EC were NOK 2.99.

As of 30 June 2013 the price was NOK 46.50, and dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

The Price / Income ratio was 7.79, and the Price / Book ratio was 0.90 as of 30 June 2013.

Risk factors

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

The Bank expects the cyclical upturn to continue but to be somewhat weaker than previously assumed. This is on the expectation of moderate activity growth resulting from very weak international growth impulses. We expect continued low Norwegian unemployment which, combined with continued good income growth and low interest rates, suggests that the loss risk in the Bank's retail market portfolio will remain low. Credit demand from Norwegian households still outstrips wage growth and will in large measure be influenced by house price developments. The Bank assumes that a margin increase on home mortgage loans, resulting from higher capital requirements, could have a damping effect on house price developments. The Bank also expects moderate growth in mid-Norway's business sector ahead.

Increasing capital requirements combined with uncertainty particularly with regard to the Norwegian authorities' handling of the countercyclical buffer and possible continuation of the floor, suggests that Norwegian banks will adopt a more conservative credit policy towards the business sector.

The Bank's results are affected directly and indirectly by fluctuations in the securities markets. The indirect effect relates above all to the Bank's 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).

Outlook ahead

The profit performance in the first half of 2013 was satisfactory, and it is particularly worthwhile to highlight the good trend in the core business. The Group's funding is robust. This is in keeping with the Directors' ambitions.

The Board of Directors has a keen focus on measures designed to strengthen the Bank's financial position so as to ensure that it attains a CET1 ratio of at least 14.5 per cent by 1 July 2016.

The Board has focus on the Group's cost trend and will continually assess further cost-reducing measures.

SpareBank 1 SMN has thus far not seen clear indications of the region's business sector being affected by the crisis in the euro area. The turbulence in international financial markets increases the uncertainties in the national and regional economies. However, business life in the Bank's market area shows continued growth and sound profits, and the outlook for 2013 remains good. Unemployment is low, and there are few signs in the region's macroeconomy in isolation to suggest major changes in the risk picture for 2013 as a whole.

SpareBank 1 SMN has a conservative liquidity strategy and intends to be able to maintain normal operations for a minimum of 12 months without further access to external funding. The Board of Directors considers pressures in the funding market to be lighter in 2013 than in 2012.

The Board of Directors is satisfied with the Group's profit performance for the first half of 2013 and expects good results in the second half-year too.

Trondheim, 14. August
The Board of Directors of SpareBank 1 SMN

Kjell Bordal (chair)	Bård Benum (deputy chair)	Paul E. Hjelm-Hansen	Aud Skrudland
Morten Loktu	Bente Karin Trana	Arnhild Holstad	Venche Johnsen (employee rep.)
			Finn Haugan (Group CEO)

Income statement

Parent bank							Group				
2012	2Q 12	2Q 13	30 Jun 2012	30 Jun 2013	(NOK million)	Note	30 Jun 2013	30 Jun 2012	2Q 13	2Q 12	2012
3,904	967	1,031	1,950	1,979	Interest income		1,990	1,998	1,036	989	3,928
2,532	619	658	1,276	1,294	Interest expenses		1,244	1,278	633	619	2,451
1,373	**348**	**372**	**675**	**685**	**Net interest**	1	**746**	**720**	**403**	**369**	**1,477**
707	169	244	310	450	Commission income		585	436	323	240	968
86	20	18	39	36	Commission expenses		41	43	21	22	96
51	13	16	21	30	Other operating income		170	131	95	71	267
672	**162**	**243**	**292**	**444**	**Commission income and other income**		**713**	**524**	**396**	**288**	**1,139**
290	280	311	306	358	Dividends		31	10	30	9	12
-	-	-	-	-	Income from investment in related companies		137	151	36	59	244
205	26	84	79	129	Net return on financial investments	1	43	77	-17	17	195
495	**306**	**396**	**385**	**487**	**Net return on financial investments**		**211**	**238**	**49**	**85**	**451**
2,540	**817**	**1,011**	**1,352**	**1,616**	**Total income**		**1,670**	**1,482**	**849**	**742**	**3,067**
618	148	152	312	306	Staff costs	2	470	455	234	223	924
342	78	93	155	172	Administration costs		219	195	120	98	419
245	62	62	116	123	Other operating expenses		161	146	82	76	311
1,206	**288**	**306**	**583**	**601**	**Total operating expenses**	4	**850**	**795**	**436**	**398**	**1,654**
1,334	**529**	**705**	**769**	**1,015**	**Result before losses**		**820**	**686**	**413**	**345**	**1,414**
51	18	18	24	33	Loss on loans, guarantees etc.	2,6,7	38	25	21	17	58
1,283	**511**	**687**	**745**	**982**	**Result before tax**	3	**782**	**661**	**391**	**328**	**1,355**
262	70	88	130	158	Tax charge		179	149	102	81	295
4	-	-	-	6	Result investment held for sale, after tax		3	-2	-4	-9	16
1,025	**441**	**599**	**614**	**830**	**Net profit**		**606**	**510**	**285**	**238**	**1,077**
					Majority share		600	506	287	235	1,068
					Minority interest		6	4	-2	3	9
					Profit per ECC		3.02	2.65	1.42	1.23	5.25
					Diluted profit per ECC		2.99	2.63	1.43	1.22	5.21

Other comprehensive income

Parent bank						Group				
2012	2Q 12	2Q 13	30 Jun 2012	30 Jun 2013	(NOK million)	30 Jun 2013	30 Jun 2012	2Q 13	2Q 12	2012
1,025	441	599	614	830	Net profit	606	510	285	238	1,077
					Items that will not be reclassified to profit/loss					
115	-	-	-	-	Actuarial gains and losses pensions	-	-	-	-	121
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	7	3	-4	3	-
-	-	-	-	-	Tax	-	-	-	-	-
115	**-**	**-**	**-**	**-**	**Total**	**7**	**3**	**-4**	**3**	**121**
					Items that will be reclassified to profit/loss					
-	-	-	-	-	Available-for-sale financial assets	-	5	-	-2	12
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-4	-	-0	-	10
-	-	-	-	-	Tax	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**Total**	**-4**	**5**	**-0**	**-2**	**22**
1,140	**441**	**599**	**614**	**830**	**Total other comprehensive income**	**609**	**518**	**281**	**239**	**1,221**
					Majority share of comprehensive income	603	514	283	236	1,213
					Minority interest of comprehensive income	6	4	-2	3	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				
2012	2Q 12	2Q 13	30 Jun 2012	30 Jun 2013	Result as per cent of average total assets:	30 Jun 2013	30 Jun 2012	2Q 13	2Q 12	2012
1.32	1.37	1.34	1.33	1.25	Net interest	1.35	1.40	1.44	1.43	1.40
0.65	0.64	0.87	0.58	0.81	Commission income and other income	1.29	1.02	1.42	1.12	1.08
0.48	1.20	1.42	0.76	0.89	Net return on financial investments	0.38	0.46	0.17	0.33	0.43
1.16	1.13	1.10	1.15	1.10	Total operating expenses	1.54	1.55	1.56	1.54	1.57
1.28	2.07	2.54	1.52	1.85	Result before losses	1.48	1.34	1.47	1.33	1.34
0.05	0.07	0.06	0.05	0.06	Loss on loans, guarantees etc.	0.07	0.05	0.08	0.06	0.06
1.23	2.00	2.47	1.47	1.79	Result before tax	1.41	1.29	1.40	1.27	1.29
0.47	0.35	0.30	0.43	0.37	Cost -income ratio	0.51	0.54	0.51	0.54	0.54
0.73			73 %	74 %	Loan-to-deposit ratio	70 %	70 %			70 %
13.2 %	23.7 %	26.6 %	16.9 %	18.7 %	Return on equity	11.9 %	11.7 %	11.1 %	10.7 %	11.7 %

Balance sheet

Parent bank					Group		
2012	30 Jun 2012	30 Jun 2013	(NOK million)	Note	30 Jun 2013	30 Jun 2012	2012
1,079	1,152	1,333	Cash and receivables from central banks		1,333	1,152	1,079
5,619	5,254	4,871	Deposits with and loans to credit institutions		2,140	2,623	3,012
72,464	71,121	76,379	Gross loans to customers before write-down	5,8	78,976	73,595	74,943
-129	-155	-139	- Specified write-downs	6,7,8	-153	-166	-144
-278	-273	-278	- Write-downs by loan category	6	-295	-290	-295
72,057	70,693	75,961	Net loans to and receivables from customers		78,528	73,139	74,504
17,164	16,955	19,402	Fixed-income CDs and bonds	15	19,402	16,955	17,164
3,101	4,244	2,785	Derivatives	14	2,784	4,243	3,100
354	313	440	Shares, units and other equity interests	2,15	981	605	777
3,115	3,022	3,034	Investment in related companies		4,294	4,628	4,573
2,181	2,043	2,193	Investment in group companies		-	-	-
340	372	101	Investment held for sale		145	560	486
447	447	447	Goodwill		491	471	482
1,538	2,148	1,982	Other assets	9	3,090	3,404	2,798
106,995	**106,642**	**112,550**	**Total assets**		**113,190**	**107,780**	**107,975**
5,137	6,968	6,372	Deposits from credit institutions		6,371	6,967	5,137
2,273	2,553	2,273	Funding, "swap" arrangement with the government		2,273	2,553	2,273
53,187	52,231	56,198	Deposits from and debt to customers	10	55,268	51,504	52,252
30,259	28,341	30,936	Debt created by issue of securities	11	30,936	28,341	30,259
2,790	4,097	2,288	Derivatives	15	2,288	4,097	2,790
1,615	1,819	1,837	Other liabilities	12	2,236	2,292	2,070
-	-	-	Investment held for sale		31	79	72
3,040	2,662	3,345	Subordinated loan capital	11	3,345	2,662	3,040
98,302	**98,669**	**103,251**	**Total liabilities**		**102,750**	**98,496**	**97,892**
2,597	2,484	2,597	Equity capital certificates		2,597	2,484	2,597
-0	-0	-0	Own holding of ECCs		-0	-0	-0
895	813	895	Premium fund		895	813	895
1,889	1,457	1,889	Dividend equalisation fund		1,889	1,457	1,889
195	-	-	Recommended dividends		-	-	195
30	-	-	Provision for gifts		-	-	30
2,944	2,611	2,944	Savings bank's reserve		2,944	2,611	2,944
106	70	106	Unrealised gains reserve		123	90	123
38	-77	38	Other equity capital		1,323	1,183	1,343
-	614	830	Profit for the periode		606	510	-
-	-	-	Minority interests		63	136	67
8,694	**7,973**	**9,299**	**Total equity capital**	13	**10,439**	**9,284**	**10,082**
106,995	**106,642**	**112,550**	**Total liabilities and equity**		**113,190**	**107,780**	**107,975**

Cash flow statement

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013	(NOK million)	30 Jun 2013	30 Jun 2012	2012
1,025	614	830	Profit	606	510	1,077
43	20	25	Depreciations and write-downs on fixed assets	57	49	102
51	24	33	Losses on loans and guarantees	38	25	58
1,119	659	887	Net cash increase from ordinary opertions	701	584	1,237
284	-1,562	-171	Decrease/(increase) other receivables	-82	-1,675	802
-293	1,178	-283	Increase/(decrease) short term debt	-319	1,143	-436
-1,738	-349	-3,937	Decrease/(increase) loans to customers	-4,063	-521	-1,919
-586	-221	748	Decrease/(increase) loans credit institutions	872	-67	-456
5,073	4,116	3,011	Increase/(decrease) deposits and debt to customers	3,016	3,633	4,381
-1,708	403	1,235	Increase/(decrease) debt to credit institutions	1,234	402	-1,708
-4,246	-4,037	-2,238	Increase/(decrease) in short term investments	-2,238	-4,037	-4,246
-2,096	**188**	**-748**	**A) NET CASH FLOW FROM OPERATIONS**	**-878**	**-536**	**-2,760**
-92	-52	-16	Increase in tangible fixed assets	-16	-138	-279
-	-	-	Reductions in tangible fixed assets	-	-	-
-1,611	-1,196	308	Paid-up capital, associated companies	580	-369	-728
192	18	-85	Net investments in long-term shares and partnerships	-204	5	-166
-1,512	**-1,230**	**207**	**B) NET CASH FLOW FROM INVESTMENTS**	**359**	**-501**	**-1,173**
350	-29	305	Increase/(decrease) in subordinated loan capital	305	-29	350
936	741	-	Increase/(decrease) in equity	-	741	936
-190	-190	-195	Dividend cleared	-195	-190	-190
-40	-40	-30	To be disbursed from gift fund	-30	-40	-40
-	-	38	Correction of equity capital	16	-4	-89
2,112	193	677	Increase/(decrease) in other long term loans	677	193	2,112
3,168	**675**	**795**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**773**	**671**	**3,079**
-440	**-367**	**255**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**255**	**-366**	**-440**
1,519	1,519	1,079	Cash and cash equivalents at 1.1	1,079	1,519	1,519
1,079	1,152	1,333	Cash and cash equivalents at end of quarter	1,333	1,152	1,079
440	**367**	**-255**	**Net changes in cash and cash equivalents**	**-255**	**367**	**440**

Change in equity

Parent Bank	Issued equity		Earned equity						
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Total equity
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**70**	**-**	**6,924**
Reset of estimate deviation, pensions	-	-	-	-	-	-	-	-77	-77
Net Profit	-	-	333	432	195	30	36	-	1,025
Estimate deviation, pensions	-	-	-	-	-	-	-	115	115
Other comprehensive income	-	-	-	-	-	-	-	115	115
Total other comprehensive income	-	-	333	432	195	30	36	115	1,140
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 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**106**	**38**	**8,694**
Net Profit	-	-	-	-	-	-	-	830	830
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	830	830
Transactions with owners									
Dividend declared for 2011	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Sale of own ECCs	0	-	-	0	-	-	-	-	0
Total transactions with owners	0	-	-	0	-195	-30	-	-	-225
Equity capital at 30 June 2013	**2,597**	**895**	**2,944**	**1,889**	**0**	**0**	**106**	**868**	**9,299**

	Majority share									
Group	Issued equity		Earned equity							
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minotity interest	Total equity
Equity capital at 1 January 2012	**2,373**	**183**	**2,611**	**1,457**	**190**	**40**	**85**	**1,274**	**135**	**8,348**
Reset of estimate deviation, pensions	-	-	-	-	-	-	-	-81	-	-81
Net Profit	-	-	333	432	195	30	36	43	9	1,077
Other comprehensive income										
Estimate deviation, pensions	-	-	-	-	-	-	-	121	-	121

Available-for-sale financial assets	-	-	-	-	-	-	1	12	-	13
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	10	-	10
Other comprehensive income	-	-	-	-	-	-	1	143	-	145
Total other comprehensive income	-	-	333	432	195	30	37	186	9	1,221
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	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-	-36	-	-36
Change in minority share	-	-	-	-	-	-	-	-	-77	-77
Total transactions with owners	224	713	-	-	-190	-40	-	-36	-77	594
Equity capital at 31 December 2012	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**

	Majority share									
Group	**Issued equity**		**Earned equity**							
(NOK million)	**EC capital**	**Premium fund**	**Ownerless capital**	**Equalisation fund**	**Dividend**	**Gifts**	**Unrealised gains reserve**	**Other equity**	**Minotity interest**	**Total equity**
Equity capital at 1 January 2013	**2,597**	**895**	**2,944**	**1,889**	**195**	**30**	**123**	**1,343**	**67**	**10,082**
Net profit	-	-	-	-	-	-	-	600	6	606
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	3	-	3
Other comprehensive income	-	-	-	-	-	-	-	3	-	3
Total other comprehensive income	-	-	-	-	-	-	-	603	6	609
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-17	-10	-252
Equity capital at 30 June 2013	**2,597**	**895**	**2,944**	**1,889**	**0**	**0**	**123**	**1,929**	**63**	**10,439**

Equity capital certificate ratio

	31 Jun 2013	31 Dec 2012
ECC capital	2,597	2,597
Dividend equalisation reserve	1,889	1,889
Premium reserve	895	895
Unrealised gains reserve	69	69
A. The equity capital certificate owners' capital	**5,449**	**5,449**
Ownerless capital	2,944	2,944
Unrealised gains reserve	38	38
B. The saving bank reserve	**2,982**	**2,982**
To be disbursed from gift fund	-	30
Dividend declared	-	195
Equity ex. profit	**8,431**	**8,656**
Equity capital certificate ratio A/(A+B)	**64.64 %**	**64.64 %**
Equity capital certificate ratio for distribution		63.33 %

Results from quarterly accounts

Group in NOKm	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011
Interest income	1,036	954	941	989	989	1,009	1,029	1,011	936
Interest expenses	633	611	543	630	619	659	691	657	592
Net interest	**403**	**343**	**399**	**358**	**369**	**351**	**338**	**354**	**344**
Commission income	323	262	280	252	240	196	188	200	199
Commission expenses	21	20	28	25	22	21	25	21	19
Other operating income	95	75	69	68	71	60	69	56	52
Commission income and other income	**396**	**317**	**321**	**294**	**288**	**235**	**232**	**234**	**232**
Dividends	30	1	2	0	9	0	2	0	31
Income from investment in related companies	36	101	3	91	59	92	71	53	69
Net return on financial investments	-17	61	32	86	17	60	81	39	-3
Net return on financial investments including held for sale	**49**	**162**	**37**	**177**	**85**	**153**	**153**	**92**	**98**
Total income	**849**	**822**	**756**	**829**	**742**	**739**	**723**	**680**	**675**
Staff costs	234	236	234	235	223	232	196	209	208
Administration costs	120	99	113	112	98	97	114	86	96
Other operating expenses	82	79	90	75	76	69	103	66	57
Total operating expenses	**436**	**414**	**437**	**421**	**398**	**398**	**412**	**361**	**361**
Result before losses	**413**	**407**	**319**	**408**	**345**	**342**	**311**	**318**	**314**
Loss on loans, guarantees etc.	21	17	17	16	17	8	26	8	-1
Result before tax	**391**	**390**	**302**	**392**	**328**	**333**	**285**	**310**	**314**
Tax charge	102	77	69	77	81	68	54	66	65
Result investment held for sale, after tax	-4	7	27	-9	-9	7	49	-4	1
Net profit	**285**	**321**	**260**	**306**	**238**	**272**	**279**	**240**	**250**

Key figures from quarterly accounts

Group in NOKm	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011	2Q 2011
Profitability									
Return on equity per quarter	11.1%	12.7%	10.5%	12.8%	10.7%	13.0%	13.6%	12.0%	12.9%
Cost-income ratio	51 %	50%	58%	51%	54%	53%	53%	53%	53%
Balance sheet									
Gross loans to customers	78,976	76,425	74,943	75,357	73,595	71,681	73,105	71,570	68,559
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	108,968	106,830	104,909	103,274	100,552	97,387	95,232	92,671	90,939
Deposits from customers	55,268	52,603	52,252	50,836	51,504	48,974	47,871	46,023	45,990
Total assets	113,190	110,769	107,975	110,640	107,780	99,031	102,479	100,007	98,503
Average total assets	110,626	109,344	109,279	109,227	103,422	100,242	100,732	99,212	96,435
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months	8.4 %	9.7 %	10.2 %	11.4 %	10.6 %	9.9 %	8.6 %	7.7 %	8.6 %
Growth in deposits last 12 months	7.3 %	7.4 %	9.2 %	10.5 %	12.0 %	14.2 %	11.9 %	19.1 %	11.4 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.14 %	0.06 %	0.06 %	0.06 %	0.07 %	0.04 %	0.11 %	0.03 %	-0.01 %
Non-performing commitm. as a percentage of gross loans	0.38 %	0.36 %	0.36 %	0.39 %	0.34 %	0.33 %	0.36 %	0.36 %	0.40 %
Other doubtful commitm. as a percentage of gross loans	0.13 %	0.15 %	0.14 %	0.16 %	0.20 %	0.19 %	0.21 %	0.24 %	0.20 %
Solidity									
Common equity tier 1	10.3 %	10.4 %	10.0 %	9.3 %	9.5 %	8.8 %	8.9 %	8.8 %	9.1 %
Core capital ratio	12.2 %	11.7 %	11.3 %	10.6 %	11.0 %	10.3 %	10.4 %	10.4 %	10.7 %
Capital adequacy ratio	13.8 %	13.3 %	13.3 %	11.9 %	12.4 %	11.8 %	12.0 %	12.1 %	12.3 %
Core capital	10,508	9,686	9,357	8,826	8,722	7,902	7,856	7,504	7,394
Net equity and related capital	11,894	10,971	10,943	9,891	9,900	9,008	9,055	8,675	8,496
Key figures ECC *)									
ECC price	46.50	46.90	34.80	37.00	32.10	36.60	36.31	36.31	45.18
Number of certificates issued, millions	129.83	129.83	129.83	129.83	124.21	124.21	102.76	102.76	102.74
Booked equity capital per ECC (including dividend)	51.66	50.32	50.09	49.00	47.97	46.82	48.91	47.65	46.36
Profit per ECC, majority	1.43	1.55	1.29	1.54	1.22	1.41	1.65	1.42	1.51
Price-Earnings Ratio	8.13	7.55	6.74	6.09	6.58	6.49	5.50	6.39	7.48
Price-Book Value Ratio	0.90	0.93	0.69	0.76	0.67	0.78	0.74	0.76	0.97

*) The key figures are corrected for issues

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) approved by EU, 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. 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.

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 2012. Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, except:

IAS 1 Presentation of Financial Statements
As from the first quarter the statement of other income and expenses displays items that are reclassified to profit/loss and items not reclassified to profit/loss separately from each other.

IAS 19R Benefits to employees
As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension costs. The Group has previously utilised the corridor approach to account for unamortised estimate deviations. The corridor approach is no longer permitted, and all estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. Previously return on pension assets was calculated by applying long-term expected return on pension assets. As a result of the application of IAS 19R the period's net interest expense is calculated by applying the discount rate for the liability at the start of the period to the net liability. Net interest cost consists therefore of interest on the liability and return on the assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium payments and disbursement of pensions are taken into account. The difference between actual return on pension assets and the booked return is accounted for continuously against other income and expenses.

The corridor as of 1 January 2012 is calculated anew in accordance with the principles set out in IAS 19R by, in part, setting the return on assets for 2012 equal to the discount rate.

Implementation has had the following balance sheet effects (Group):

(NOKm)

First quarter 2012 (1.1.2012)	Original balance sheet value	Change on implementation	New balance sheet value
Overfunded defined benefit pension plan (other assets)	35	-35	0
Underfunded defined benefit pension plan (other liabilities)	0	77	77
Deferred tax	10	-31	-21
Other equity capital	1,268	-81	1,187
31 December 2012			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343
First quarter 2013 (impl. 1.1.13)			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital *)	1,303	41	1,343

*) Entered in the accounts as a strengthening of the Group's equity capital as of first quarter 2013, NOK 57m minus deferred tax NOK 16m.

The balance sheet has been reworked as shown above.

Under the previous principle, the pension cost in 2012 amounted to NOK 32m. Due to the change in the principle for dealing with unamortised estimate deviations and calculating net interest expense, the booked pension cost increased to NOK 37m. Comparatives for profits/loss have not been reworked since the change is considered to be insignificant. Capital adequacy, EC-holder ratio (EC-holders' share of total equity) and other key figures and ratios have not been reworked for previous periods.

IFRS 7 Offsetting of financial instruments

The Group has implemented the change in IFRS 7 entailing an extended note disclosure requirement relating to, respectively, netting of financial instruments and set-off arrangements related to financial instruments. See note 14.

IFRS 13 Fair value measurement

The Group has implemented IFRS 13 on the fair value measurement of financial instruments. The note disclosures build largely on corresponding notes in the last annual accounts. See note 15.

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.

Since there has been no significant change in the discount rate or other assumptions underlying the defined benefit scheme so far this year, the Group has not obtained a new actuarial calculation. The latest actuarial calculation is dated 31 December 2012.

Note 3 - Account by business line

The Bank was reorganised as from 1 January 2013. It was therefore natural to revise the segment structure.

As from 1 January 2013 the corporate market segment is split up and reports as two separate segments: Group Customers and Small and Mid-size Businesses. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Group Customers and SMBs must be viewed collectively in relation to 2012. This will apply to each quarter of 2013. In organisation terms, SMBs are a part of Offices which also handles Retail Customers.

Since Allegro accounts for a very limited part of the Group’s profits, it is no longer reported on as a separate segment that is added in the column for “others”. As from Q2 2013 the related companies SpareBank 1 Gruppen and BN Bank are being treated as separate segments. The rationale is that each of these entities accounts for a substantial portion of the consolidated profit while at the same time being of significance in the capital requirement context. Consequently the companies receive much focus in the Group's internal corporate governance.

						Group 30 Jun 2013					
Profit and loss account (NOK million)	**RM**	**SME**	**Group Corporates**	**Markets**	**EM 1**	**SMN Finans**	**SMN Regnskap**	**SB1 Gruppen**	**BN Bank**	**Uncollated**	**Total**
Net interest	285	139	325	-2	2	63	-0	-	-	-66	746
Interest from allocated capital	5	1	19	-0	-	-	-	-	-	-25	-
Total interest income	**291**	**140**	**344**	**-2**	**2**	**63**	**-0**	**-**	**-**	**-91**	**746**
Commission income and other income	310	38	42	19	174	-7	73	-	-	64	713
Net return on financial investments **)	0	1	11	11	-	0	-	79	43	68	214
Total income *)	**601**	**179**	**397**	**28**	**176**	**56**	**73**	**79**	**43**	**42**	**1,673**
Total operating expenses	**325**	**67**	**138**	**41**	**134**	**21**	**61**			**61**	**850**
Ordinary operating profit	**277**	**112**	**259**	**-13**	**42**	**35**	**12**	**79**	**43**	**-20**	**823**
Loss on loans, guarantees etc.	6	3	24	0	-	6	-	-	-	0	38
Result before tax	**270**	**109**	**235**	**-13**	**42**	**29**	**12**	**79**	**43**	**-19**	**785**
Post-tax return on equity	**31.9 %**	**31.5 %**	**10.0 %**								**11.7 %**
Balance (NOK million)											
Loans and advances to customers	60,832	8,827	32,420	-	-	3,224	-	-	-	-26,327	78,976
Adv. of this to SpareBank 1 Boligkreditt	-29,014	-402	-577	-	-	-	-	-	-	-	-29,992
Individual allowance for impairment on loan	-27	-18	-95	-	-	-13	-	-	-	0	-153
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	254	28	171	-	190	-2,736	49	957	1,136	64,606	64,654
Total assets	**31,972**	**8,405**	**31,744**	**-**	**190**	**458**	**49**	**957**	**1,136**	**38,279**	**113,190**
Deposits to customers	24,186	8,640	20,601	-	-	-	5			1,836	55,268
Other liabilities and equity	7,787	-235	11,143	-	190	458	44	957	1,136	36,442	57,922
Total liabilites	**31,972**	**8,405**	**31,744**	**-**	**190**	**458**	**49**	**957**	**1,136**	**38,279**	**113,190**

Group 30 Jun 2012

Profit and loss

account (NOK million)	RM	CM	Markets	EM 1	SMN Finans	SMN Regnskap	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	251	433	-1	2	58	-0	-	-	-22	720
Interest from allocated capital	8	56	2	-	-	-	-	-	-66	-
Total interest income	**259**	**489**	**1**	**2**	**58**	**-0**	**-**	**-**	**-88**	**720**
Commission income and other income	204	64	10	166	-6	52	-	-	34	524
Net return on financial investments **)	1	17	41	-0	-	1	60	27	89	236
Total income *)	464	570	52	168	51	53	60	27	35	1,480
Total operating expenses	**320**	**196**	**45**	**126**	**20**	**44**			**45**	**795**
Ordinary operating profit	**144**	**374**	**8**	**42**	**31**	**9**	**60**	**27**	**-10**	**684**
Loss on loans, guarantees etc.	2	22	0	-	1	-	-	-	0	25
Result before tax	**142**	**351**	**8**	**42**	**31**	**9**	**60**	**27**	**-10**	**659**
Post-tax return on equity	**16.2 %**	**13.8 %**								**11.7 %**
Balance (NOK million)										
Loans and advances to customers	55,338	40,163	-	72	2,997	8	-	-	1,975	100,552
Adv. of this to SpareBank 1 Boligkreditt	-24,921	-1,077	-	-	-	-	-	-	-959	-26,958
Individual allowance for impairment on loan	-31	-124	-	-	-11	-	-	-	-	-166
Group allowance for impairment on loan	-73	-200	-	-	-16	-	-	-	-	-290
Other assets	201	579	-	187	-2,544	51	1,019	1,050	34,098	34,641
Total assets	**30,513**	**39,341**	**-**	**259**	**425**	**59**	**1,019**	**1,050**	**35,114**	**107,780**
Deposits to customers	22,644	25,871	-	-	-	-			2,990	51,504
Other liabilities and equity	7,870	13,470	-	259	425	59	1,019	1,050	32,124	56,275
Total liabilites	**30,513**	**39,341**	**-**	**259**	**425**	**59**	**1,019**	**1,050**	**35,114**	**107,780**

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

**) Specification of net return on financial investments (NOKm)	30 Jun 2013	30 Jun 2012
Capital gains/dividends, shares	26	-10
Bonds and derivatives	5	38
SpareBank 1 SMN Markets	42	59
Net return on financial investments	**74**	**87**
SpareBank 1 Gruppen	79	60
SpareBank 1 Boligkreditt	13	25
SpareBank 1 Næringskreditt	3	5
BN Bank	43	27
Other jointly controlled companies	3	32
Income from investment in related companies	**140**	**149**
Total	**214**	**236**

Note 4 - Operating expenses

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
618	312	306	Personnel expenses	470	455	924
166	81	93	IT costs	103	92	187
23	12	11	Postage and transport of valuables	14	13	28
39	17	18	Marketing	26	23	49
43	20	25	Ordinary depreciation	57	48	102
128	61	62	Operating expenses, real properties	49	48	101
55	19	24	Purchased services	31	23	66
132	61	62	Other operating expense	101	93	199
1,206	**583**	**601**	**Total other operating expenses**	**850**	**795**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
5,964	5,476	5,862	Agriculture/forestry/fisheries/hunting	6,025	5,652	6,129
2,325	1,966	2,024	Sea farming industries	2,175	2,096	2,447
2,123	3,099	2,225	Manufacturing	2,435	3,329	2,349
2,967	2,574	3,041	Construction, power and water supply	3,571	3,063	3,504
2,625	2,138	2,518	Retail trade, hotels and restaurants	2,694	2,324	2,804
5,734	5,939	5,553	Maritime sector	5,561	5,946	5,739
12,232	12,381	12,585	Property management	12,052	11,877	11,710
3,063	3,375	3,447	Business services	3,687	3,678	3,258
2,037	1,826	2,416	Transport and other services provision	2,737	2,164	2,364
189	27	169	Public administration	195	32	215
1,795	1,560	1,983	Other sectors	1,989	2,646	1,801
41,052	**40,362**	**41,823**	**Gross loans in retail market**	**43,123**	**42,807**	**42,322**
61,377	57,718	64,548	Wage earners	65,846	57,746	62,587
102,430	**98,079**	**106,371**	**Gross loans incl. Boligkreditt / Næringskreditt**	**108,968**	**100,552**	**104,909**
29,348	26,208	29,382	Boligkreditt	29,382	26,208	29,348
618	749	611	Næringskreditt	611	749	618
72,464	**71,121**	**76,379**	**Gross loans in balance sheet**	**78,976**	**73,595**	**74,943**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
-22	4	12	Change in individual impairment losses provisions for the period	10	-6	-28
5	-	-	Change in collective impairment losses provisions for the period	-	-	5
51	38	21	Actual loan losses on comm. for which provisions have been made	25	49	63
54	10	4	Actual loan losses on commitments for which no provision has been made	8	11	57
-37	-28	-4	Recoveries on commitments previously written-off	-4	-29	-38
51	**24**	**33**	**Losses of the year on loans and guarantees**	**38**	**25**	**58**

Note 7 - Losses

Parent bank				Group		
2012	**30 Jun 2012**	**30 Jun 2013**		**30 Jun 2013**	**30 Jun 2012**	**2012**
151	151	129	Individual write-downs to cover loss on loans at 01.01	144	172	173
4	25	10	+ Increased write-downs on provisions previously written down	10	25	4
13	6	6	- Reversal of provisions from previous periods	7	7	13
37	23	29	+ Write-downs on provisions not previously written down	32	24	43
51	38	22	- Actual losses during the period for which provisions for individual impairment losses have been made previously	26	49	63
129	**155**	**139**	**Specification of loss provisions at end of period**	**153**	**166**	**144**
104	48	25	Actual losses	33	60	119

Note 8 - Defaults

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
			Total defaults			
298	278	381	Loans in default for more than 90 days *)	413	338	374
72	92	84	- individual write-downs	89	99	83
226	186	297	Net defaults	324	239	291
24 %	33 %	22 %	Provision rate	22 %	29 %	22 %
			Problem Loans			
119	183	128	Problem loans (not in default)	146	199	143
57	62	56	- individual write-downs	64	67	62
63	121	72	Net problem loans	82	132	81
48 %	34 %	44 %	Provision rate	44 %	34 %	43 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank ASA.
Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
-	-	-	Deferred tax benefit	13	3	13
201	183	192	Fixed assets	1,227	1,199	1,277
1,009	1,043	1,295	Earned income not yet received	1,307	1,027	1,026
46	402	101	Accounts receivable, securities	101	402	46
283	521	395	Other assets	443	772	437
1,538	**2,148**	**1,982**	**Total other assets**	**3,090**	**3,404**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
2,002	2,101	2,128	Agriculture/forestry/fisheries/hunting	2,128	2,101	2,002
138	272	258	Sea farming industries	258	272	138
891	1,915	1,252	Manufacturing	1,252	1,915	891
1,715	1,623	1,532	Construction, power and water supply	1,532	1,623	1,715
3,923	3,209	3,085	Retail trade, hotels and restaurants	3,085	3,209	3,923
1,166	899	1,687	Maritime sector	1,687	899	1,166
4,865	4,218	4,872	Property management	4,234	3,589	4,256
4,802	4,867	4,889	Business services	4,889	4,867	4,802
3,575	3,515	3,823	Transport and other services provision	3,558	3,446	3,360
4,354	3,164	5,350	Public administration	5,350	3,164	4,354
3,477	4,014	2,927	Other sectors	2,900	3,985	3,366
30,908	**29,797**	**31,805**	**Total**	**30,874**	**29,071**	**29,973**
22,279	22,433	24,394	Wage earners	24,394	22,433	22,279
53,187	**52,231**	**56,198**	**Total deposits**	**55,268**	**51,504**	**52,252**

Note 11 - Debt created by issue of securities

Parent bank				Group		
2012	**30 Jun 2012**	**30 Jun 2013**		**30 Jun 2013**	**30 Jun 2012**	**2012**
706	1,230	107	Short-term debt instruments, nominal value	107	1,230	706
29,190	26,851	30,558	Bond debt, nominal value	30,558	26,851	29,190
364	260	271	Value adjustments	271	260	364
30,259	**28,341**	**30,936**	**Total**	**30,936**	**28,341**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

	30 Jun 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	107	-473	126	-	706
Bond debt, nominal value	30,558	3,923	3,248	693	29,190
Value adjustments	271	-	-	-92	364
Total	30,936	3,450	3,373	601	30,259

	30 Jun 2013	Issued	Fallen due / Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,550	-	169	-34	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,404	500	-	35	869
Value adjustments	91	-	-	-27	118
Total	3,345	500	169	-26	3,040

Note 12 - Other liabilities

Parent bank				Group		
2012	30 Jun 2012	30 Jun 2013		30 Jun 2013	30 Jun 2012	2012
83	40	98	Deferred tax	107	50	93
248	91	282	Payable tax	321	118	290
800	926	962	Accrued expenses and received, non-accrued income	1,234	1,278	1,124
74	112	69	Provision for accrued expenses and commitments	69	112	74
87	96	107	Drawing debt	107	96	87
9	1	4	Creditors	51	41	40
73	171	88	Debt from securities	88	171	73
241	382	228	Other liabilities	258	427	290
1,615	**1,819**	**1,837**	**Total other liabilites**	**2,236**	**2,292**	**2,070**

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% 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 per cent of tier 1 capital for capital adequacy purposes, while perpetual subordinated loans cannot constitute more than 100 per cent of tier 1 capital. Subordinated loans are classified as a liability in the balance sheet and are measured at amortised cost in the same way as other long-term loans.

Hybrid capital denotes bonds with a nominal interest rate, but the bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate. Hybrid capital is

approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. Finanstilsynet (Norway's FSA) can require hybrid capital to be written down in proportion with equity capital should the bank's tier 1 capital adequacy fall below 5 per cent or total

capital adequacy falls below 6 per cent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

For detailed information regarding subordinated debt and hybrid capital, see note 5 in the Bank's annual report.

As from Q2 2013, operational risk at the parent bank is measured using the standardised approach instead of the basic indicator approach. At group level, operational risk at subsidiaries continues to be measured using the basic indicator approach.

Parent bank				Group		
2012	**30 Jun 2012**	**30 Jun 2013**		**30 Jun 2013**	**30 Jun 2012**	**2012**
2,597	2,484	2,597	Equity capital certificates	2,597	2,484	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	813	895	Premium fund	895	813	895
1,889	1,457	1,889	Dividend equalisation fund	1,889	1,457	1,889
2,944	2,611	2,944	Savings bank's reserve	2,944	2,611	2,944
195	-	-	Recommended dividends	-	-	195
30	-	-	Provision for gifts	-	-	30
106	70	106	Unrealised gains reserve	123	90	123
0	0	38	Other equity and minority interest	1,386	1,400	1,370
-	614	830	Net profit	606	510	-
8,656	**8,050**	**9,299**	**Total book equity**	**10,439**	**9,365**	**10,042**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-531	-670	-674
-	-	-	Part of reserve for unrealised gains, associated companies	57	64	57
-225	-0	-	Deduction for allocated dividends and gifts	-	-	-238
-448	-460	-381	50 % deduction for subordinated capital in other financial institutions	-93	-2	-2
-165	-139	-203	50 % deduction for expected losses on IRB, net of write-downs	-219	-153	-179
-	-	-	50 % capital adequacy reserve	-500	-682	-703
-55	-82	-109	Surplus financing of pension obligations	-107	-74	-49
-	-614	-830	Net profit	-606	-510	-
-	307	606	Year-to-date profit included in core capital (as from 2013 73% pre tax - previous 50% pre tax)	442	255	-
7,316	**6,614**	**7,935**	**Total common equity Tier one**	**8,882**	**7,592**	**8,254**
918	950	1,441	Hybrid capital, core capital	1,625	1,130	1,103
8,234	**7,564**	**9,376**	**Total core capital**	**10,508**	**8,722**	**9,357**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	31	37	31
312	324	307	Perpetual subordinated capital	307	325	312
1,810	1,388	1,598	Non-perpetual subordinated capital	1,861	1,653	2,127

-448	-460	-381	50 % deduction for subordinated capital in other financial institutions	-93	-2	-2
-165	-139	-203	50 % deduction for expected losses on IRB, net of write-downs	-219	-153	-179
-	-	-	50 % capital adequacy reserve	-500	-682	-703
1,509	**1,112**	**1,320**	**Total supplementary capital**	**1,386**	**1,178**	**1,586**
9,742	**8,676**	**10,696**	**Net subordinated capital**	**11,894**	**9,900**	**10,943**
			Minimum requirements subordinated capital, Basel II			
1,654	1,584	1,672	Involvement with spesialised enterprises	1,672	1,584	1,654
1,470	1,511	1,504	Other corporations exposure	1,504	1,511	1,470
39	38	63	SME exposure	68	41	42
316	318	348	Retail morgage exposure	613	541	560
28	28	32	Other retail exposure	37	30	30
1,118	1,008	1,139	Equity investments	-	-	-
4,625	**4,487**	**4,758**	**Total credit risk IRB**	**3,895**	**3,707**	**3,756**
205	223	255	Debt risk	255	223	205
14	48	12	Equity risk	13	15	15
-	-	-	Currency risk	-	-	-
315	315	297	Operational risk	398	420	420
553	609	544	Exposures calculated using the standardised approach	2,106	2,121	2,074
-75	-76	-64	Deductions	-102	-115	-120
-	-	-	Transitional arrangements	322	-	246
5,637	**5,607**	**5,803**	**Minimum requirements subordinated capital**	**6,886**	**6,371**	**6,596**
70,468	70,083	72,536	Risk weigheted assets (RWA)	86,079	79,635	82,446
			Capital adequacy			
10.4 %	9.4 %	10.9 %	Common equity Tier one ratio	10.3 %	9.5 %	10.0 %
11.7 %	10.8 %	12.9 %	Core capital ratio	12.2 %	11.0 %	11.3 %
13.8 %	12.4 %	14.7 %	Capital adequacy ratio	13.8 %	12.4 %	13.3 %

Note 14 - Financial instruments and offsetting

As from 2013 the Bank is required to disclose financial instruments which the Bank considers to fulfil the requirements for netting under IAS 32.42, and financial instruments in respect of which offsetting agreements have been entered into. Both in accordance with IFRS 7.13 A-F.

The Bank has no financial instruments booked on a net basis in the financial statements.

SpareBank 1 SMN has two sets of agreements which regulate counterparty risk and netting of derivatives. For retail and corporate customers, use is made of framework agreements requiring provision of collateral. For customers engaged in trading activity, only cash deposits are accepted as collateral. The agreements are unilateral, i.e. it is only the customers that provide collateral. As regards financial institutions, the Bank enters into standardised and mainly bilateral ISDA agreements. Additionally the Bank has entered into supplementary agreements on provision of collateral (CSA) with the most central counterparties. As of the second quarter 2013 the Bank has eighteen active CSA agreements. The Bank only enters into agreements with cash as collateral. The Bank has delegated responsibility for handling these agreements to SEB Prime Collateral Services which handles margin requirements on behalf of the Bank.

Period	Type of financial instrument	Amounts which can only be netted upon bankruptcy or default
30 Jun 2013	Derivatives	738
30 Jun 2012	Derivatives	683
31 Dec 2012	Derivatives	562

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

In connection with implementation of IFRS 13, interim financial statements are required to present fair value measurements per level with the following division into levels for fair value measurement:

- quoted price in an active market for an identical asset or liability (level 1)

- valuation based on other observable inputs either directly (price) or indirectly (derived from prices) than quoted price (used in level 1) for the asset or liability (level 2)

- valuation based on inputs not taken from observable markets (unobservable inputs) (level 3)

For further details, see Note 26 Measurement of fair value of financial instruments in the annual accounts, and note 27 Fair value of financial instruments.

As of second quarter fixed-rate loans are classified in level 3.

Shares held for sale are not included in the tables below.

The following table presents the Group's assets and liabilities measured at fair value as of 30 June 2013:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	101	2,683	-	2,784
Bonds and money market certificates	4,260	12,682	-	16,942
Equity capital instruments	98	-	821	919
Fixed-rate loans	-	-	2,752	2,752
Financial assets avaliable for sale				
Equity capital instruments	-	-	46	46
Total assets	**4,459**	**15,365**	**3,619**	**23,444**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	100	2,188	-	2,288
Total liabilities	**100**	**2,188**	**-**	**2,288**

The following table presents the Group's assets and liabilities measured at fair value as of 30 June 2012:

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	22	4,221	-	4,243
Bonds and money market certificates	4,942	9,414	-	14,355
Equity capital instruments	108	-	422	530
Fixed interest loans	-	-	2,389	2,389
Financial assets avaliable for sale				
Equity capital instruments	-	-	63	63
Total assets	**5,072**	**13,634**	**2,874**	**21,580**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	24	4,073	-	4,097
Total liabilities	**24**	**4,073**	**-**	**4,097**

The following table presents the Group's assets and liabilities measured at fair value as of 31 December 2012:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit/loss				
Derivatives	61	3,039	-	3,100
Bonds and money market certificates	3,764	10,825	-	14,590
Equity capital instruments	131	-	601	731
Fixed interest loans	-	-	2,585	2,585
Financial assets avaliable for sale				
Equity capital instruments	-	-	46	46
Total assets	**3,956**	**13,865**	**3,231**	**21,051**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities through profit/loss				
Derivatives	62	2,728	-	2,790
Total liabilities	**62**	**2,728**	**-**	**2,790**

The valuation of equity capital instruments classified in level 3 is done at the individual group company – in the main SpareBank 1 SMN Invest and SpareBank 1 SMN. Routines have been established for ongoing valuation of all share investments and the valuation is done using various intervals in relation to the size of the investment.

For participations seedcorn funds and venture funds, use is made of valuations from the managers of the various funds. These valuations are based on guidelines either from the European Venture Capital Association (EVCA) or the International Private Equity (IPEV) guidelines. Other funds such as property funds, normally use external broker's estimates. Funds or companies with few participants use the original cost or market price if transactions have been carried out at the company.

The owner interests in Nets Holding and Nordito Property are valued each quarter by SpareBank 1 Gruppen and distributed to all Alliance banks. This valuation is based on an average of five different methods where the last known transaction price, profit per share, dividends per share and EBITDA are inputs to the assessments.

Effect on result of financial instruments belonging to level 3

	30 Jun 2013	**30 Jun 2012**	**31 Dec 2012**
Realised gain/loss	-	0	-0
Change in unrealised gain/loss	-25	-15	11
Total effect on result	**-25**	**-14**	**11**

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 2013 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, 14 August 2013
The Board of Directors of SpareBank 1 SMN

Kjell Bordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Bente Karin Trana

Arnhild Holstad

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Equity capital certificates

Stock price compared with OSEBX and OSEEX

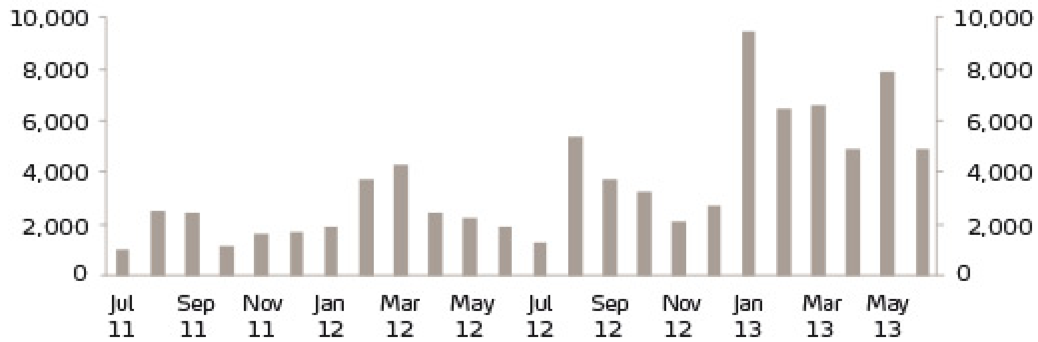
1 July 2011 to 30 June 2013

OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 July 2011 to 30 June 2013



20 largest ECC holders	Number	Share
Reitangruppen AS	4,519,108	3.48 %
Odin Norge	4,168,311	3.21 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Odin Norden	2,899,083	2.23 %
Frank Mohn AS	2,876,968	2.22 %
Vind LV AS	2,736,435	2.11 %
MP Pensjon PK	2,058,415	1.59 %
Stenshagen Invest	1,824,449	1.41 %
Verdipapirfondet Fondsfinans Spar	1,800,000	1.39 %
The Resource Group TRG	1,768,000	1.36 %
Verdipapirfondet DNB Norge (IV)	1,610,416	1.24 %
Danske Invest Norske Aksjer Inst. II	1,582,523	1.22 %
State Street Bank and Trust CO (nominee)	1,500,963	1.16 %
Citibank N.A New York Branch (nominee)	1,487,429	1.15 %
Odin Europa SMN	1,326,937	1.02 %
The Bank of New York Mellon (nominee)	1,256,461	0.97 %
Forsvarets Personellservice	1,189,246	0.92 %
Tonsenhagen Forretningssentrum AS	1,135,193	0.87 %

Danske Invest Norske Aksjer Instit. I	1,085,745	0.84 %
State Street Bank and Trust CO (nominee)	1,006,198	0.77 %
The 20 largest ECC holders in total	**41,797,271**	**32.19 %**
Others	88,039,172	67.81 %
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

Deloitte.

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Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

Report on Review of Interim Financial Information of SpareBank 1 SMN as of June 30 2013

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of June 30 2013 and the related statements of income for the group, showing a profit of 609.000.000, 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 2013, 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 14.08.2013
Deloitte AS

Mette Estenstad (Signed)
State Authorised Public Accountant (Norway)