Third quarter report 2013

SpareBank 1 SMN

Contents

Main figures

From the profit and loss account	30 Sep 2013 NOKm	%	30 Sep 2012 NOKm	%	2012 NOKm	%
Net interest	1,180	1.42	1,079	1.37	1,477	5.61
Commission income and other income	1,081	1.30	818	1.04	1,139	4.32
Net return on financial investments	346	0.42	414	0.53	451	1.71
Total income	**2,607**	**3.13**	**2,311**	**2.94**	**3,067**	**11.64**
Total operating expenses	**1,256**	**1.51**	**1,217**	**1.55**	**1,654**	**6.28**
Results	**1,350**	**1.62**	**1,095**	**1.39**	**1,414**	**5.37**
Loss on loans, guarantees etc	68	0.08	42	0.05	58	0.22
Results before tax	**1,282**	**1.54**	**1,053**	**1.34**	**1,355**	**5.14**
Tax charge	278	0.33	225	0.29	295	1.12
Result investment held for sale, after tax	34	0.04	-11	-0.01	16	0.06
Net profit	**1,038**	**1.25**	**816**	**1.04**	**1,077**	**4.09**

Key figures	30 Sep 2013	30 Sep 2012	2012
Profitability			
Return on equity 1)	13.3 %	12.1 %	11.7 %
Cost-income ratio 2)	48 %	53 %	54 %
Balance sheet			
Gross loans to customers	79,842	75,357	74,943
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	110,237	103,274	104,909
Deposits from customers	53,423	50,836	52,252
Deposit-to-loan ratio	67 %	67 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	6.7 %	11.4 %	10.2 %
Growth in deposits	5.1 %	10.5 %	9.2 %
Average total assets	110,963	104,735	105,372
Total assets	111,977	110,605	107,975
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.08 %	0.06 %	0.06 %
Non-performing commitm. as a percentage of gross loans 3)	0.35 %	0.39 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.19 %	0.16 %	0.14 %
Solidity			
Capital adequacy ratio	14.2 %	11.9 %	13.3 %
Core capital ratio	12.6 %	10.6 %	11.3 %
Common equity tier 1	10.7 %	9.3 %	10.0 %
Core capital	10,707	8,826	9,357
Net equity and related capital	12,053	9,891	10,943
Branches and staff			
Number of branches	48	51	51
No. Of full-time positions	1,165	1,148	1,135

Key figures ECC 4)	30 Sep 2013	30 Sep 2012	2012	2011	2010	2009
ECC ratio	64.6 %	65.5 %	64.6 %	60.6 %	61.3 %	54.8 %
Number of certificates issued, millions	129.83	129.83	129.83	102.76	102.74	82.78
ECC price	45.70	37.00	34.80	36.31	49.89	45.06
Stock value (NOKM)	5,933	4,804	4,518	3,731	5,124	3,749
Booked equity capital per ECC (including dividend)	53.76	49.00	50.09	48.91	46.17	42.11
Profit per ECC, majority	5.13	3.99	5.21	6.06	5.94	6.37
Dividend per ECC			1.50	1.85	2.77	2.10
Price-Earnings Ratio	6.68	6.96	6.68	5.99	8.40	7.07
Price-Book Value Ratio	0.85	0.76	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

Accounts for the nine months ended 30 September 2013

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

- Profit before tax: NOK 1,282m (1,053m)
- Net profit: NOK 1,038m (816m)
- Return on equity: 13.3 per cent (12.1 per cent)
- 12-month growth in lending: 6.7 per cent (11.4 per cent), in deposits: 5.1 per cent (10.5 per cent)
- Loan losses: NOK 68m (42m)
- Common equity tier 1 (CET1) ratio: 10.7 per cent (9.3 per cent)
- Earnings per EC: NOK 5.13 (3.99)

Third quarter 2013 in isolation

- Profit before tax: NOK 501m (392m)
- Net profit: NOK 433m (306m)
- Return on equity: 16.3 per cent (12.8 per cent)
- Loan losses: NOK 30m (16m)
- Earnings per EC: NOK 2.18 (1.54)

Very good result in first nine months of 2013

Highlights:

- Increased net profit of NOK 222m, or 27 per cent, compared with same period 2012
- Strong profit trend in core business. Increased margins on lending to retail customers and corporates alike
- Low cost growth
- Low loan losses
- Strong financial position and ample funding
- Relatively high growth in lending to retail market, zero growth in lending to corporates
- NOK 31m taken to income on disposal of acquired asset in offshore vessel

In the first nine months of 2013 SpareBank 1 SMN achieved a pre-tax profit of NOK 1,282m (1,053m). Net profit was NOK 1,038m (816m) and return on equity was 13.3 per cent (12.1 per cent).

Pre-tax profit for the third quarter in isolation was NOK 501m (392m), representing an improvement on both the first and second quarter. Return on equity in the quarter in isolation was 16.3 per cent (12.8 per cent).

Overall operating income in the first nine months came to NOK 2,261m (1,897m), an increase of NOK 364m compared with the same period 2012. Operating income rose at the parent bank and subsidiaries alike.

Return on financial investments was NOK 346m (414m), of which the overall income from owner interests in associates was NOK 256m (242m) in the first nine months.

Operating expenses came to NOK 1,256m in the first nine months of 2013 (1,217m), NOK 39m or 3.2 per cent higher than in 2012.

Net losses on loans and guarantees were NOK 68m (42m).

On a 12-month basis lending growth was 6.7 per cent (11.4 per cent) and deposit growth was 5.1 per cent (10.5 per cent) in the first nine months of 2013. Total lending growth in the same period was 5.1 per cent (8.4 per cent) and total deposit growth in the period was 2.2 per cent (6.2 per cent).

The common equity tier 1 ratio at 30 September 2013 was 10.7 per cent (9.3 per cent) compared with a requirement of 9 per cent. The group CET1 ratio at the same point was 14.2 per cent (11.9 per cent), well within the required 12.5 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.

In connection with the presentation of the National Budget on 14 October it became clear that the outgoing government advocates regulating risk weights through adjustment of the LGD floor. The floor is concurrently retained with a basis in risk weighted assets under Basel I. Norges Bank (Norway's central bank) has announced that it will advise the Ministry of Finance regarding the countercyclical buffer in December 2013. Since Norges Bank's advice will not be known to the market, the size of the buffer and its role in the overall regulation of the Norwegian banking industry is a matter of much uncertainty.

SpareBank 1 SMN maintains its ambition in the adopted capital plan, and plans for an increase in CET1 capital to 14.5 per cent by 1 July 2016. The capital plan and underlying assumptions are further described in the section on financial strength.

By the end of the third quarter the Bank's ECC was priced at NOK 45.7 (34.80 at end-2012).

In the first nine months earnings per EC were NOK 5.13 (3.99). The book value is NOK 53.76 (49.00).

Increased net interest income

Net interest income in the first nine months came to NOK 1,180m (1,079m). Net interest income in the third quarter in isolation was NOK 434m (358m).

Net interest income strengthened substantially in the second and third quarter due to interest rate increases on loans to both retail and corporate customers. Margins on home mortgage loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are recognised as commission income, not as interest income. Loans transferred to the these two mortgage companies were also significantly repriced in the first quarter 2013, and commissions total NOK 302m (129m) thus far this year.

Lending margins rose as a result of increased capital requirements for Norwegian banks. Increased capital requirements lead to increased equity subjected to return caluculations.

By the end of the third quarter 2013, home mortgage loans worth NOK 29.5bn (27.3bn) had been sold to SpareBank 1 Boligkreditt. Of total loans to retail customers 44 per cent is sold to SpareBank 1 Boligkreditt. Sales of loans to SpareBank 1 Næringskreditt started in 2012, and as of 30 September 2013 NOK loans worth 892m 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 nine months comes to NOK 39m, and for the full year 2013 to NOK 52m.

Increased commission income

Commission income and other operating income rose by NOK 263m, or 32 per cent, to total NOK 1,081m in the first nine months of 2013 (818m). 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 Sep 2013	30 Sep 2012	Change
Payment transfers	169	148	21
Savings	36	33	3
Insurance	92	86	5
SpareBank 1 Boligkreditt and Næringskreditt	302	129	173
Guarantee commission	40	22	18
Real estate agency	255	255	0
Accountancy services	96	78	17
Active management	9	8	2
Income from new head office	32	27	6
Other commissions	48	31	17
Total	**1,081**	**818**	**263**

Financial investments

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 90m (173m) in the first nine months of 2013. The overall return breaks down as follows:

- Gains on the Group's share portfolios totalled NOK 45m (22m)
- Net losses on bonds and derivatives in the first nine months of 2013 came to NOK 14m (56m).
- Gains on forex and fixed income trading at SpareBank 1 SMN Markets amounted to NOK 58m (95m).

Net return on financial investments (NOKm)	30 Sep 2013	30 Sep 2012
Capital gains/dividends, shares	45	22
Bonds and derivatives	-14	56
SpareBank 1 SMN Markets	58	95
Net return on financial investments	**90**	**173**
SpareBank 1 Gruppen	153	104
SpareBank 1 Boligkreditt	25	37
SpareBank 1 Næringskreditt	5	8
BN Bank	75	41
Other jointly controlled companies	-2	52
Income from investment in related companies	**256**	**242**
Total	**346**	**415**

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first nine months of 2013 was NOK 820m (491m). The main contributors were SpareBank 1 Livsforsikring AS (life insurer) and SpareBank 1 Skadeforsikring AS (non-life insurer). 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 153m (104m).

Strengthened owner focus at SpareBank 1 Markets

SpareBank 1 Markets, whose main shareholder was previously SpareBank 1 Gruppen, has a new ownership structure as from 30 September following SpareBank 1 Gruppen's disposal of its holding in the company. SpareBank 1 Markets is accordingly 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 wrote 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 AS was established by the banks participating in the SpareBank 1 Alliance to draw benefit from 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 nine months of 2013 was NOK 25m (37m). The bank's ownership interest reflects its relative share of total 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 AS.

SpareBank 1 SMN's stake in the company is 29.3 per cent, and the bank's share of the company's profit as at 30 September 2013 was NOK 5m (8m). The bank's ownership interest mainly reflects its relative share of transferred commercial property loans and the bank's stake in BN Bank.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 30 September 2013.

SpareBank 1 SMN's share of the profit of BN Bank in the first nine months was NOK 75m (41m), including amortisation effects. The amortisation effect in 2013 has thus far increased the profit by NOK 7m (8m). BN Bank has repriced its loan portfolios in 2013 while reducing the rate of growth in lending to commercial property. Increased margins along with other measures have brought a considerable improvement in profit in 2013.

Other companies

The profit in 2012 largely comprises SMN's profit shares in Bank 1 Oslo Akershus and Polaris which, after disinvestment, are not classified as owner interests.

Business held for sale

As at end-September 2013 NOK 34m (-11m) is recognised as profit from business held for sale. Of the figure for 2013, NOK 31 was taken to income in the third quarter, mainly related to a realised gain on sale of units in offshore vessels to a value of NOK 32m.

Reduced cost growth

Total expenses came to NOK 1,256m (1,217m) in the first nine months of 2013. Group expenses accordingly rose by NOK 39m or 3.2 per cent.

Parent bank cost growth was a mere NOK 3m, well inside the parent bank's ambition to limit cost growth to 3 per cent per year up to and including 2015.

Cost growth in the subsidiaries was NOK 36m or 11 per cent. The increase is largely due to an increased cost base at SpareBank 1 Regnskapshuset SMN due to acquisition of local accountancy firms. This is in keeping with the strategic plan adopted by the company.

Operating expenses measured 1.51 per cent (1.55 per cent) of average total assets. The group's cost-income ratio was 48 per cent (53 per cent).

Low losses and low defaults

As of end-September 2013 net loan losses came to NOK 68m (42m). Net losses in the third quarter in isolation were NOK 30m (11m).

Net losses of NOK 64m (loss of 34m) were recorded on the corporate customer portfolio in the first nine months of 2013, including losses of NOK 11m (4m) at SpareBank 1 Finans Midt-Norge.

A net loss of NOK 5m (3m) was recorded on the retail portfolio in the first nine months of 2013.

Individually assessed loan impairment write-downs in the first nine months of 2013 totalled NOK 168m (148m).

Total problem loans (defaulted and doubtful) come to NOK 600m (561m), or 0.54 per cent (0.54 per cent) of gross outstanding loans including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Defaults in excess of 90 days totalled NOK 391m (398m). Defaults measured 0.35 per cent (0.39 per cent) of gross lending. Of total defaults, NOK 79m (86m) – equivalent to 20 per cent (22 per cent) – are loss provisioned.

Defaults on the corporate portfolio totalled NOK 247m (261m) and on the retail portfolio NOK 144m (137m).

Other doubtful exposures totalled NOK 209m (163m), 0.19 per cent (0.16 per cent) of gross lending. Individually assessed write-downs on these exposures came to NOK 89m (62m) or 43 per cent (38 per cent).

Other doubtful exposures break down to NOK 193m (147m) on corporates and NOK 16m (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. significant changes in macroeconomic factors)

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

Total assets of NOK 112bn
The bank's assets totalled NOK 112.0bn as of end-September 2013 (110.6bn), having risen by NOK 1.4bn or 1.3 per cent in the last 12 months.

As of end-September 2013 30.4bn (27.9bn) had been transferred to SpareBank 1 Boligkreditt and 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 transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced growth in lending to corporates and continued relatively high growth in lending for residential purposes
In the last 12 months, total outstanding loans rose by NOK 7.0bn (10.6bn) or 6.7 per cent (11.4 per cent) to reach NOK 110.2bn by end-September 2013. Growth in the first nine months of 2013 in isolation was 5.1 per cent (8.4 per cent) with 1.2 per cent growth in the third quarter.

Lending to retail customers rose by NOK 6.9bn (6.8bn) or 11.4 per cent (12.7 per cent) to reach NOK 67.4bn in the last 12 months. Growth in the first nine months of 2013 in isolation was 7.6 per cent (9.9 per cent) with 2.3 per cent growth in the third quarter.

In keeping with the Group's capital plan, growth in lending to corporates is substantially reduced, and as of end-September 2013 12-month growth in lending to corporates was NOK 92m (3.8bn) or 0.2 per cent (9.7 per cent). Overall loans to corporates came to NOK 42.9bn as of end-September 2013. Growth in lending to corporates in 2013 in isolation was 1.2 per cent (6.5 per cent) with -0.5 per cent growth in the third quarter

Lending to retail customers accounted for 61 per cent (59 per cent) of ordinary loans to customers as of end-September 2013.

Deposits
Total customer deposits rose by NOK 2.6bn (4.8bn) in the last 12 months to NOK 53.4bn as of end-September 2013. This corresponds to a growth of 5.1 per cent (10.5 per cent).

Retail customer deposits rose in the same period by NOK 1.6bn (1.7bn) or 7.1 per cent (8.2 per cent) to reach NOK 23.8bn, while corporate deposits rose by NOK 1.0bn (3.1bn) or 3.5 per cent (12.3 per cent) to reach NOK 29.6bn.

Investment products

The overall customer portfolio of off-balance sheet investment products totalled NOK 4.7bn (4.7bn) as of end-September 2013. New sales and increasing value of underlying securities explain the increase on equity funds.

Saving products, customer portfolio, NOKm	30 Sep 2013	30 Sep 2012	Change
Equity funds	2,994	2,585	409
Pension products	555	996	-441
Active management	1,071	998	73
Energy fund management	79	161	-82
Total	**4,699**	**4,740**	**-41**

Good growth in the bank's insurance portfolio

The bank's insurance portfolio grew by 9 per cent in the last 12 months. Non-life insurance rose by 4 per cent, personal insurance by 22 per cent and the occupational pension segment by 17 per cent.

Insurance, premium volume, NOKm	30 Sep 2013	30 Sep 2012	Change
Non-life insurance	696	668	28
Personal insurance	218	179	39
Occupational pensions	165	141	24
Total	**1,079**	**988**	**91**

Offices (Retail Market and SMEs)

As from 2013 the retail market business and the SME segment comprise a unit in its own right. SMEs were previously a part of the corporate business. Retail Market and SMEs are each commented on separately. The SME segment consists of corporate customers with an exposure size of up to about NOK 8m and agricultural customers. Owing to the reorganisation, historical data for the SME segment are not recreated and no comparison is made with last year's figures. Return on equity in the first nine months for the retail business and SME segment in total was 35.4 per cent with 37.0 per cent (19.5 per cent) reported by the retail business and 31.4 per cent by the SME segment. Return for Retail Market is calculated using existing risk weights for home mortgage loans. The Ministry of Finance's proposal of 14 October 2013 indicates an increase of 20–25 per cent in home loan weights, which for SMN's part means an increase of 80–100 per cent in capital charges for loans for residential purposes. This is announced to take effect as from January 2014.

	Retail marked	SME	Group Corporates
Net interest	457	213	509
Interest from allocated capital	7	2	20
Total interest income	**464**	**214**	**529**
Commission income and other income	505	58	58
Net return on financial investments	1	1	47
Total income	**969**	**273**	**634**
Total operating expenses	474	98	185
Ordinary operating profit	**496**	**175**	**449**
Loss on loans, guarantees etc.	6	6	49
Result before tax	**490**	**169**	**400**
Post-tax return on equity	**37.0 %**	**31.4 %**	**13.8 %**

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 969m (740m) as of end-September 2013. Net interest income came to NOK 464m (408m) and commission income to NOK 506m (333m), including income on forex and fixed income business.

The lending margin as of the third quarter 2013 was 2.46 per cent (1.76 per cent), while the deposit margin was -0.33 per cent (0.20 per cent) (measured against three-month Nibor).

In the last 12 months, lending to retail customers came to 11.4 per cent (12.7 per cent) and deposits from the same segment to 7.1 per cent (8.2 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.

SME segment

Operating income totalled NOK 273m, comprising net interest income of NOK 214m and commission income of NOK 59m.

The lending margin measured against three-month Nibor as of the third quarter was 3.37 per cent and the deposit margin was -0.25 per cent.

SME customers have loan capital totalling NOK 9.1bn and deposit capital totalling NOK 8.6bn. Growth in loans and deposits respectively as of the third quarter of 2013 was 7.2 per cent and 1.5 per cent.

Group customers

In connection with the reorganisation of the Bank as from 2013, SME 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 13.8 per cent in the first nine months. For the entire corporate market business (SMEs and Group Customers), return on equity in the first nine months of 2013 was 16.5 per cent (12.8 per cent).

Total operating income for Group Customers was NOK 634m in the first nine months of 2013. Net interest income was NOK 529m, while commission income was NOK 58m. A net return of NOK 47m was recorded on financial investments.

Lending and deposit margins for Group Customers were, respectively, 2.79 per cent and -0.64 per cent. Lending growth for Group Customers in the first nine months of 2013 was -1.2 per cent and deposit growth was 5.1 per cent. For corporates overall (Group customers and SMEs) the lending margin was 2.92 per cent (2.41 per cent) and the deposit margin was -0.52 per cent (0.02 per cent).

12-month lending growth for corporates overall (Group Customers and SMEs) was 0.2 per cent (7.9 per cent) and deposit growth was 12.6 per cent (9.5 per cent).

SpareBank 1 SMN Markets

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

SpareBank 1 SMN Markets reported total income of NOK 85.7m (94.8m) as of 30 September 2013.

Markets (NOKm)	30 Sep 2013	30 Sep 2012	Change
Currency trading	56.1	67.9	-11.8
Corporate	12.4	5.6	6.8
Securities, brokerage commission	20.5	14.5	6.0
SpareBank 1 Markets	4.7	16.9	-12.2
Investments	-8.0	-10.1	2.1
Total income	**85.7**	**94.8**	**-9.1**

Of gross income of NOK 85.7m, NOK 18m is transferred to Group Customers, NOK 1m to SMEs and NOK 1m to the retail business. These amounts are the respective entities' share of income on forex and fixed income business derived from their own customers.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 132.7m (109.9m) in the first nine months of 2013.

Pre-tax profit, NOKm	30 Sep 2013	30 Sep 2012	Change
EiendomsMegler 1 Midt-Norge	53.3	57.4	-4.1
SpareBank 1 Finans Midt-Norge	42.6	42.7	-0.1
SpareBank 1 Regnskapshuset SMN	12.2	12.6	-0.4
SpareBank 1 SMN Invest	27.0	11.9	15.1
Other	-2.4	-13.4	11.0
Total	**132.7**	**111.2**	**21.5**

The above results show the companies' comprehensive income. The bank's stake in EiendomsMegler 1 Midt-Norge is 86.98 per cent and in SpareBank 1 Finans Midt-Norge 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 a strong performance thus far in 2013 with a pre-tax profit of NOK 53.3m (57.4m).

SpareBank 1 Finans Midt-Norge posted a profit of NOK 42.6m (42.7m) in the first nine months. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.2bn 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 Finans Midt-Norge in the fourth quarter 2012.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 12.2m (12.6m). SpareBank 1 Regnskapshuset SMN 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 remaining 60 per cent.

In collaboration with other SpareBank 1 banks, SpareBank 1 Regnskapshuset SMN has launched a nationwide drive in the accounting business through SpareBank 1 Regnskapshuset. SpareBank 1 Regnskapshuset intends to take its place as one of Norway's leading actors in the accounting industry by building up a national accounting enterprise based on regional ownership, strong links to the owner banks and closeness to the market.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 27.0m (11.9m) as of the third quarter. The profit 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 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. As of 30 September 2013 the proportion of money market funding in excess of 1 year was 65 per cent (75 per cent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding. As of 30 September 2013 loans totalling NOK 29.5bn 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 2012. In the first quarter of 2013 this was changed to A2 (stable).

Financial strength

As of 30 September 2013 the CET1 capital ratio was 10.7 per cent (9.3 per cent). CET1 capital is tier 1 capital excluding hybrid capital. The CET1 ratio strengthened through the third quarter based on a good profit performance and reduced capital charges, above all on the bank's corporate customer portfolio.

The group has shifted lending growth more over to the retail customer segment which, in isolation, is positive for the bank's capital charges. Due to the transitional rules in the capital requirements regulations, this has resulted in higher regulatory minimum capital requirements.

Tier 1 capital adequacy is strengthened as a result of hybrid capital worth NOK 500m raised in June 2013. In October 2013 the Bank has issued hybrid debt of NOK 450m which will effect the Bank's core capital from the fourth quarter.

Figures in NOKm	30 Sep 2013	30 Sep 2012
Tier 1 capital	9,089	7,717
Hybrid capital	1,619	1,108
Subordinated loan	**1,346**	**1,066**
Capital base	**12,053**	**9,891**
Required subordinated debt	**6,802**	**6,638**
Risk weigheted assets	**85,019**	**82,976**
Tier 1 capital ratio	**10.7 %**	**9.3 %**
Core capital ratio	**12.6 %**	**10.6 %**
Capital adequacy ratio	**14.2 %**	**11.9 %**

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.

In connection with the presentation of the National Budget on 14 October it became clear that the outgoing government advocates regulating risk weights through adjustment of the LGD floor. This is with effect from January 2014. The floor is concurrently retained with a basis in risk weighted assets under Basel I. As a result Norwegian IRB banks will face a stricter regulatory framework than foreign banks; moreover, the capital charge for marginal home loans at an IRB bank is higher than for a bank using the standardised approach. For SpareBank 1 SMN's part, this entails effective home loan weights of 20-25 per cent, an increase in the capital charge for such loans of 80-100 per cent from today's level.

Norges Bank has announced that it will be advising the Ministry of Finance regarding the countercyclical buffer in December 2013. Since Norges Bank's advice will not be known to the market, the size of the buffer and its role in the overall regulation of the Norwegian banking industry is a matter of much uncertainty.

As a result of the introduction of the LGD floor the group faces a temporary weakening of its capital adequacy by 0.4 per cent. The group expects both BN Bank and SpareBank 1 SMN to have their applications to use the advanced IRB approach approved; this will in isolation strengthen capital adequacy by about 0.9 per cent.

Hence uncertainty remains with regard to several of the buffers. Based on our current knowledge, our target of a 14.5 per cent CET1 ratio as of 1 July 2016 is retained.

The following measures are, or 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 30 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 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 53.76 (49.00) as of 30 September 2013, and earnings per EC were NOK 5.13 (3.99). As of the same date the price was NOK 45.70 (34.80 as of end-December 2012). Dividend of NOK 1.50 per EC was paid in 2013 for the year 2012.

The Price / Income ratio was 6.68 (6.96), and the Price / Book ratio was 0.85 (0.76).

Risk factors

The negative trend in the international economy has continued through the first three quarters of 2013. The effect on the Norwegian economy is seen primarily through reduced demand for the export-oriented segment of business and industry, but we enjoy solid government finances and high demand in the petroleum industry. Unemployment remains low, and households are experiencing real wage growth. This, combined with continued low interest rates, means that loss risk posed by the retail market remains low.

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).

The credit quality of the bank's loan portfolio is satisfactory, and loss and default levels are very low in historical terms.

Much uncertainty attends the pace of the announced regulatory changes for the European financial sector, but Norwegian authorities are signalling a clear ambition to introduce new requirements at an early stage, which may affect Norwegian banks' competitiveness relative to other banks. This challenge is compounded by varying approaches to capital adequacy rules which create uncertainty about Norwegian banks' financial strength compared with Nordic competitors.

Other factors

Changes have been made in the bank's group management in the period. Deputy CEO Tore Haarberg has taken up a similar position with SpareBank 1 Gruppen. Executive Director Wenche Seljeseth has taken over Mr Haarberg's area of responsibility, "Products and Processes". Svein Tore Samdal is appointed new Executive Director responsible for the bank's advisers, offices and sales.

Outlook ahead

The profit performance for the first nine months of 2013 is, as expected, excellent and reflects the fact that measures implemented under the group's capital plan are having effect. The directors are particularly pleased by the trend in the core business with increased margins on lending and reduced cost growth. This shows that the group is in a position to generate satisfactory return on the increased capital required.

The group has a strong focus on improvement and good work is being done both on initiatives in the project "best in customer experience" and on continuous improvement. The directors expect this to produce positive profit effects over time accompanied by increased efficiency and strengthened sales.

SpareBank 1 SMN sees no indications that the region's business sector faces a significant change in the economic climate. The key industries in the bank's market area show rising activity levels and sound profits. The group sees somewhat lower housing demand, mainly as a consequence of the authorities' regulatory measures. Slower growth in retail trade is also reported. SpareBank 1 SMN keeps a continuous watch on the state of the region's economy so that steps can be taken if necessary. Businesses in the market area are generally enjoying sound profits, and the prospects for 2013 continue to appear good. Unemployment is low, and there are few signs in the regional macroeconomy in isolation to suggest major changes in the risk picture for 2013 or the first part of 2014.

The Directors stand by the previously announced capital plan and note that continuation of the floor and higher home mortgage loan weights in isolation represent increased capital requirements. The size of the countercyclical buffer is a matter of uncertainty. The directors maintain their ambition to meet the established capital requirements by adapting business volumes, and are therefore not planning for a stock issue.

The directors are well pleased with the group's profit trend and expect 2013 to be a very good year for the bank.

Trondheim, 30. oktober
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	3Q 12	3Q 13	30 Sep 2012	30 Sep 2013	(NOK million)	Note	30 Sep 2013	30 Sep 2012	3Q 13	3Q 12	2012
3,904	966	1,060	2,916	3,039	Interest income		3,058	2,987	1,068	989	3,928
2,532	635	660	1,910	1,954	Interest expenses		1,878	1,908	634	630	2,451
1,373	**331**	**401**	**1,006**	**1,085**	**Net interest**	1	**1,180**	**1,079**	**434**	**358**	**1,477**
707	184	260	494	709	Commission income		907	687	323	252	968
86	23	24	62	60	Commission expenses		69	68	28	25	96
51	10	15	31	46	Other operating income		243	199	72	68	267
672	**171**	**251**	**463**	**695**	**Commission income and other income**		**1,081**	**818**	**367**	**294**	**1,139**
290	0	12	306	370	Dividends		41	10	11	0	12
-	-	-	-	-	Income from investment in related companies		256	242	120	91	244
205	67	-3	146	126	Net return on financial investments	1	48	163	5	86	195
495	**67**	**9**	**452**	**497**	**Net return on financial investments**		**346**	**414**	**135**	**177**	**451**
2,540	**570**	**661**	**1,921**	**2,276**	**Total income**		**2,607**	**2,311**	**937**	**829**	**3,067**
618	150	136	462	442	Staff costs	2	690	690	220	235	924
342	93	82	248	254	Administration costs		321	306	103	112	419
245	57	67	172	190	Other operating expenses		245	220	84	75	311
1,206	**300**	**285**	**883**	**886**	**Total operating expenses**	4	**1,256**	**1,217**	**406**	**421**	**1,654**
1,334	**270**	**375**	**1,038**	**1,390**	**Result before losses**		**1,350**	**1,095**	**530**	**408**	**1,414**
51	13	25	38	58	Loss on loans, guarantees etc.	2,6,7	68	42	30	16	58
1,283	**256**	**350**	**1,001**	**1,333**	**Result before tax**	3	**1,282**	**1,053**	**501**	**392**	**1,355**
262	70	92	200	250	Tax charge		278	225	98	77	295
4	-	-	-	6	Result investment held for sale, after tax		34	-11	31	-9	16
1,025	**186**	**259**	**801**	**1,089**	**Net profit**		**1,038**	**816**	**433**	**306**	**1,077**
					Majority share		1,030	811	439	305	1,068
					Minority interest		8	5	-6	1	9
					Profit per ECC		5.17	4.01	2.15	1.55	5.25
					Diluted profit per ECC		5.13	3.99	2.18	1.54	5.21

Other comprehensive income

Parent bank						Group				
2012	3Q 12	3Q 13	30 Sep 2012	30 Sep 2013	(NOK million)	30 Sep 2013	30 Sep 2012	3Q 13	3Q 12	2012
1,025	186	259	801	1,089	Net profit	1,038	816	433	306	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	8	4	5	-
-	-	-	-	-	Tax	-	-	-	-	-
115	**-**	**-**	**-**	**-**	**Total**	**7**	**8**	**4**	**5**	**121**
					Items that will be reclassified to profit/loss					
-	-	-	-	-	Available-for-sale financial assets	-	8	-	3	12
-	-	-	-	-	Share of other comprehensive income of associates and joint venture	-0	0	0	0	10
-	-	-	-	-	Tax	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**Total**	**-0**	**8**	**0**	**3**	**22**
1,140	**186**	**259**	**801**	**1,089**	**Total other comprehensive income**	**1,046**	**832**	**437**	**314**	**1,221**
					Majority share of comprehensive income	1,038	827	443	313	1,213
					Minority interest of comprehensive income	8	5	-6	1	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	3Q 12	3Q 13	30 Sep 2012	30 Sep 2013	**Result as per cent of average total assets:**	30 Sep 2013	30 Sep 2012	3Q 13	3Q 12	2012
1.32	1.22	1.44	1.30	1.32	Net interest	1.42	1.37	1.54	1.31	1.40
0.65	0.63	0.90	0.60	0.84	Commission income and other income	1.30	1.04	1.31	1.08	1.08
0.48	0.25	0.03	0.58	0.60	Net return on financial investments	0.42	0.53	0.48	0.65	0.43
1.16	1.11	1.02	1.14	1.07	Total operating expenses	1.51	1.55	1.44	1.54	1.57
1.28	1.00	1.34	1.34	1.69	Result before losses	1.62	1.39	1.88	1.50	1.34
0.05	0.05	0.09	0.05	0.07	Loss on loans, guarantees etc.	0.08	0.05	0.11	0.06	0.06
1.23	0.95	1.26	1.29	1.62	Result before tax	1.54	1.34	1.78	1.44	1.29
0.47	0.53	0.43	0.46	0.39	Cost -income ratio	0.48	0.53	0.43	0.51	0.54
0.73			71 %	70 %	Loan-to-deposit ratio	67 %	67 %			70 %
13.2 %	9.0 %	11.0 %	14.1 %	16.0 %	Return on equity	13.3 %	12.1 %	16.3 %	12.8 %	11.7 %

Balance sheet

Parent bank					Group		
2012	30 Sep 2012	30 Sep 2013	(NOK million)	Note	30 Sep 2013	30 Sep 2012	2012
1,079	156	172	Cash and receivables from central banks		172	156	1,079
5,619	4,598	3,793	Deposits with and loans to credit institutions		988	1,932	3,012
72,464	72,856	76,552	Gross loans to customers before write-down	5,8	79,842	75,357	74,943
-129	-137	-150	- Specified write-downs	6,7,8	-168	-148	-144
-278	-278	-278	- Write-downs by loan category	6	-295	-295	-295
72,057	72,441	76,124	Net loans to and receivables from customers		79,379	74,914	74,504
17,164	19,126	19,192	Fixed-income CDs and bonds	15	19,192	19,126	17,164
3,101	4,873	2,609	Derivatives	14	2,609	4,872	3,100
354	114	452	Shares, units and other equity interests	2,15	995	746	777
3,115	3,097	3,069	Investment in related companies		4,440	4,799	4,573
2,181	2,254	2,275	Investment in group companies		-	-	-
340	372	101	Investment held for sale		118	204	486
447	447	447	Goodwill		491	481	482
1,538	2,060	2,501	Other assets	9	3,593	3,376	2,798
106,995	**109,538**	**110,735**	**Total assets**		**111,977**	**110,605**	**107,975**
5,137	6,383	5,615	Deposits from credit institutions		5,615	6,383	5,137
2,273	2,553	2,273	Funding, "swap" arrangement with the government		2,273	2,553	2,273
53,187	51,652	53,859	Deposits from and debt to customers	10	53,423	50,836	52,252
30,259	30,085	29,592	Debt created by issue of securities	11	29,592	30,085	30,259
2,790	4,538	1,975	Derivatives	15	1,975	4,538	2,790
1,615	3,353	4,522	Other liabilities	12	4,862	3,853	2,070
-	-	-	Investment held for sale		32	54	72
3,040	2,620	3,341	Subordinated loan capital	11	3,341	2,620	3,040
98,302	**101,184**	**101,178**	**Total liabilities**		**101,114**	**100,921**	**97,892**
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-0	-0	-0
895	896	895	Premium fund		895	896	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	94	123
38	-77	38	Other equity capital		1,312	1,188	1,343
-	801	1,089	Profit for the periode		1,038	816	-
-	-	-	Minority interests		65	26	67
8,694	**8,354**	**9,557**	**Total equity capital**	13	**10,863**	**9,684**	**10,082**
106,995	**109,538**	**110,735**	**Total liabilities and equity**		**111,977**	**110,605**	**107,975**

Cash flow statement

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOK million)	30 Sep 2013	30 Sep 2012	2012
1,025	801	1,089	Profit	1,038	816	1,077
43	30	36	Depreciations and write-downs on fixed assets	85	74	102
51	38	58	Losses on loans and guarantees	68	42	58
1,119	868	1,182	Net cash increase from ordinary opertions	1,192	932	1,237
284	-2,096	-521	Decrease/(increase) other receivables	-420	-1,924	802
-293	3,154	2,087	Increase/(decrease) short term debt	2,053	3,119	-436
-1,738	-2,110	-4,125	Decrease/(increase) loans to customers	-4,944	-2,312	-1,919
-586	434	1,826	Decrease/(increase) loans credit institutions	2,025	625	-456
5,073	3,538	672	Increase/(decrease) deposits and debt to customers	1,171	2,964	4,381
-1,708	-182	478	Increase/(decrease) debt to credit institutions	478	-182	-1,708
-4,246	-6,208	-2,028	Increase/(decrease) in short term investments	-2,028	-6,208	-4,246
-2,096	**-2,601**	**-427**	**A) NET CASH FLOW FROM OPERATIONS**	**-474**	**-2,986**	**-2,760**
-92	-69	-20	Increase in tangible fixed assets	-35	-170	-279
-	-	-	Reductions in tangible fixed assets	-	-	-
-1,611	-1,483	191	Paid-up capital, associated companies	403	-540	-728
192	217	-98	Net investments in long-term shares and partnerships	-217	-134	-166
-1,512	**-1,335**	**73**	**B) NET CASH FLOW FROM INVESTMENTS**	**151**	**-844**	**-1,173**
350	-70	301	Increase/(decrease) in subordinated loan capital	301	-70	350
936	936	-	Increase/(decrease) in equity	-	936	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	7	-106	-89
2,112	1,937	-667	Increase/(decrease) in other long term loans	-667	1,937	2,112
3,168	**2,573**	**-553**	**C) NET CASH FLOW FROM FINANCAL ACTIVITIES**	**-584**	**2,467**	**3,079**
-440	**-1,363**	**-907**	**A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS**	**-907**	**-1,363**	**-440**
1,519	1,519	1,079	Cash and cash equivalents at 1.1	1,079	1,519	1,519
1,079	156	172	Cash and cash equivalents at end of quarter	172	156	1,079
440	**1,363**	**907**	**Net changes in cash and cash equivalents**	**907**	**1,363**	**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 IAS 19R	-	-	-	-	-	-	-	-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	-	-	-	-	-	-	-	1,089	1,089
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	1,089	1,089
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 September 2013	**2,597**	**895**	**2,944**	**1,889**	**0**	**0**	**106**	**1127**	**9,557**

Group	Majority share									
	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 IAS 19	-	-	-	-	-	-	-	-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**

Group	Majority share									
	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	-	-	-	-	-	-	-	1,030	8	1,038
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	7	-	7
Other comprehensive income	-	-	-	-	-	-	-	7	-	7
Total other comprehensive income	-	-	-	-	-	-	-	1,038	8	1,046
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	-	-	-	-	-	-	-	-25	-	-25
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-30	-10	-265
Equity capital at 30 September 2013	**2,597**	**895**	**2,944**	**1,889**	**0**	**-**	**123**	**2,350**	**65**	**10,863**

Equity capital certificate ratio

(NOK million)	30 Sep 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	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
Interest income	1,068	1,036	954	941	989	989	1,009	1,029	1,011
Interest expenses	634	633	611	543	630	619	659	691	657
Net interest	**434**	**403**	**343**	**399**	**358**	**369**	**351**	**338**	**354**
Commission income	323	323	262	280	252	240	196	188	200
Commission expenses	28	21	20	28	25	22	21	25	21
Other operating income	72	95	75	69	68	71	60	69	56
Commission income and other income	**367**	**396**	**317**	**321**	**294**	**288**	**235**	**232**	**234**
Dividends	11	30	1	2	0	9	0	2	0
Income from investment in related companies	120	36	101	3	91	59	92	71	53
Net return on financial investments	5	-17	61	32	86	17	60	81	39
Net return on financial investments	**135**	**49**	**162**	**37**	**177**	**85**	**153**	**153**	**92**
Total income	**937**	**849**	**822**	**756**	**829**	**742**	**739**	**723**	**680**
Staff costs	220	234	236	234	235	223	232	196	209
Administration costs	103	120	99	113	112	98	97	114	86
Other operating expenses	84	82	79	90	75	76	69	103	66
Total operating expenses	**406**	**436**	**414**	**437**	**421**	**398**	**398**	**412**	**361**
Result before losses	**530**	**413**	**407**	**319**	**408**	**345**	**342**	**311**	**318**
Loss on loans, guarantees etc.	30	21	17	17	16	17	8	26	8
Result before tax	**501**	**391**	**390**	**302**	**392**	**328**	**333**	**285**	**310**
Tax charge	98	102	77	69	77	81	68	54	66
Result investment held for sale, after tax	31	-4	7	27	-9	-9	7	49	-4
Net profit	**433**	**285**	**321**	**260**	**306**	**238**	**272**	**279**	**240**

Key figures from quarterly accounts

Group in NOKm	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012	4Q 2011	3Q 2011
Profitability									
Return on equity per quarter	16.3%	11.1%	12.7%	10.5%	12.8%	10.7%	13.0%	13.6%	12.0%
Cost-income ratio	43 %	51%	50%	58%	51%	54%	53%	53%	53%
Balance sheet									
Gross loans to customers	79,842	78,976	76,425	74,943	75,357	73,595	71,681	73,105	71,570
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	110,237	108,968	106,830	104,909	103,274	100,552	97,387	95,232	92,671
Deposits from customers	53,423	55,268	52,603	52,252	50,836	51,504	48,974	47,871	46,023
Total assets	111,977	113,190	110,769	107,975	110,605	107,780	99,031	102,479	100,007
Average total assets	112,583	111,979	109,344	109,279	109,227	103,422	100,242	100,732	99,212
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskredtt last 12 months	6.7 %	8.4 %	9.7 %	10.2 %	11.4 %	10.6 %	9.9 %	8.6 %	7.7 %
Growth in deposits last 12 months	5.1 %	7.3 %	7.4 %	9.2 %	10.5 %	12.0 %	14.2 %	11.9 %	19.1 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.04 %	0.07 %	0.06 %	0.06 %	0.06 %	0.07 %	0.04 %	0.11 %	0.03 %
Non-performing commitm. as a percentage of gross loans	0.35 %	0.38 %	0.36 %	0.36 %	0.39 %	0.34 %	0.33 %	0.36 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.19 %	0.13 %	0.15 %	0.14 %	0.16 %	0.20 %	0.19 %	0.21 %	0.24 %
Solidity									
Common equity tier 1	10.7 %	10.3 %	10.4 %	10.0 %	9.3 %	9.5 %	8.8 %	8.9 %	8.8 %
Core capital ratio	12.6 %	12.2 %	11.7 %	11.3 %	10.6 %	11.0 %	10.3 %	10.4 %	10.4 %
Capital adequacy ratio	14.2 %	13.8 %	13.3 %	13.3 %	11.9 %	12.4 %	11.8 %	12.0 %	12.1 %
Core capital	10,707	10,508	9,686	9,357	8,826	8,722	7,902	7,856	7,504
Net equity and related capital	12,053	11,894	10,971	10,943	9,891	9,900	9,008	9,055	8,675
Key figures ECC *)									
ECC price	45.70	46.50	46.90	34.80	37.00	32.10	36.60	36.31	36.31
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	124.21	124.21	102.76	102.76
Booked equity capital per ECC (including dividend)	53.76	51.66	50.32	50.09	49.00	47.97	46.82	48.91	47.65
Profit per ECC, majority	2.18	1.43	1.55	1.29	1.54	1.22	1.41	1.65	1.42
Price-Earnings Ratio	5.23	8.13	7.55	6.74	6.09	6.58	6.49	5.50	6.39
Price-Book Value Ratio	0.85	0.90	0.93	0.69	0.76	0.67	0.78	0.74	0.76

*) 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 effect (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.

The Group has in the first quarter implemented IAS 19R on benefits to employees. See note 1 on accounting principles.

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.

Business acquisition

SpareBank 1 SMN took over 23.89 per cent of the shares of SpareBank 1 Markets in the third quarter. The bank previously indirectly owned 19.23 per cent of SpareBank 1 Markets through its ownership in SpareBank 1 Gruppen. A final acquisition analysis has been conducted in accordance with IFRS 3 in which the acquisition price, NOK 35.3 million, is allocated to fair value of assets and liabilities. The previous owner interest is carried forward to continuity. The difference between identifiable net assets and acquisition cost of the increased asset, NOK 1.5 million, is taken to income in the third quarter in accordance with IAS 28.

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 Enterprises. Historical data have not been reworked since these are difficult to reconstruct at a sufficiently precise level. Thus, for comparison purposes, Group Customers and SMEs must be viewed collectively in relation to 2012. This will apply to each quarter of 2013. In organisation terms, SMEs 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 the second quarter 2013 the joint ventures 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. As from the third quarter of 2013 companies held for sale are reported under the Corporate Customer segment. For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the group’s profit share is stated as well as book value of the investment at group level.

Group 30 Sep 2013

Profit and loss account (NOK million)	RM	SME	Group Corporates	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	457	213	509	10	3	89	-	-	-	-101	1,180
Interest from allocated capital	7	2	20	-0	-	-	-	-	-	-28	-
Total interest income	**464**	**214**	**529**	**9**	**3**	**89**	**-**	**-**	**-**	**-129**	**1,180**
Commission income and other income	505	58	58	25	289	-2	102	-	-	46	1,081
Net return on financial investments **)	1	1	47	31	-	0	-	153	75	73	380
Total income *)	**969**	**273**	**634**	**66**	**292**	**87**	**102**	**153**	**75**	**-10**	**2,641**
Total operating expenses	**474**	**98**	**185**	**63**	**239**	**33**	**90**	**-**	**-**	**75**	**1,256**
Ordinary operating profit	**496**	**175**	**449**	**3**	**53**	**54**	**12**	**153**	**75**	**-85**	**1,384**
Loss on loans, guarantees etc.	6	6	49	0	-	11	-	-	-	-4	68
Result before tax including held for sale	**490**	**169**	**400**	**3**	**53**	**43**	**12**	**153**	**75**	**-81**	**1,316**
Post-tax return on equity	**37.0 %**	**31.4 %**	**13.8 %**	**1.1 %**							**13.3 %**
Balance (NOK million)											
Loans and advances to customers	62,233	9,124	31,775	-	-	3,308	-	-	-	3,797	110,237
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-29,125	-400	-869	-	-	-	-	-	-	-	-30,394
Individual allowance for impairment on loan	-27	-16	-107	-	-	-18	-	-	-	-0	-168
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	252	26	212	-	305	14	79	1,029	1,168	29,511	32,597
Total assets	**33,261**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**33,308**	**111,977**
Deposits to customers	23,880	8,641	19,330	-	-	-	-	-	-	1,571	53,423
Other liabilities and equity	9,380	63	11,505	-	305	3,288	79	1,029	1,168	31,737	58,554
Total liabilites	**33,261**	**8,704**	**30,835**	**-**	**305**	**3,288**	**79**	**1,029**	**1,168**	**33,308**	**111,977**

Group 30 Sep 2012

Profit and loss account (NOK million)	RM	CM	Markets	EM 1	SB1 Finans MN	SB1 Regnskapshuset SMN	SB1 Gruppen	BN Bank	Uncollated	Total
Net interest	399	653	9	2	80	-	-	-	-64	1,079
Interest from allocated capital	9	74	4	-	-	-	-	-	-87	-
Total interest income	**408**	**726**	**13**	**2**	**80**	**-**	**-**	**-**	**-150**	**1,079**
Commission income and other income	332	97	16	286	-2	82	-	-	7	818
Net return on financial investments **)	1	17	41	-0	0	2	104	41	198	403
Total income *)	**740**	**840**	**70**	**288**	**78**	**84**	**104**	**41**	**55**	**2,300**
Total operating expenses	**488**	**290**	**59**	**231**	**29**	**71**	**-**	**-**	**48**	**1,217**
Ordinary operating profit	**252**	**550**	**10**	**57**	**48**	**13**	**104**	**41**	**7**	**1,084**
Loss on loans, guarantees etc.	3	35	-	-	5	-	-	-	-1	42
Result before tax including held for sale	**249**	**516**	**10**	**57**	**43**	**13**	**104**	**41**	**8**	**1,042**
Post-tax return on equity	**19.5 %**	**12.8 %**	**5.6 %**							**11.7 %**
Balance (NOK million)										
Loans and advances to customers	56,916	41,080	-	-	3,112	-	-	-	2,167	103,274
Adv. of this to SB1 Boligkreditt	-26,984	-934	-	-	-	-	-	-	0	-27,917
Individual allowance for impairment on loan	-31	-106	-	-	-12	-	-	-	0	-148
Group allowance for impairment on loan	-73	-205	-	-	-16	-	-	-	-0	-295
Other assets	200	782	-	287	43	49	1,064	1,064	32,201	35,691
Total assets	**30,028**	**40,618**	**-**	**287**	**3,127**	**49**	**1,064**	**1,064**	**34,367**	**110,605**
Deposits to customers	22,335	24,910	-	-	-	-	-	-	3,591	50,836
Other liabilities and equity	7,694	15,708	-	287	3,127	49	1,064	1,064	30,776	59,770
Total liabilites	**30,028**	**40,618**	**-**	**287**	**3,127**	**49**	**1,064**	**1,064**	**34,367**	**110,605**

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

**) Specification of net return on financial investments (NOKm)	30 Sep 2013	30 Sep 2012
Capital gains/dividends, shares	45	22
Bonds and derivatives	-14	56
SpareBank 1 SMN Markets	58	95
Net return on financial investments	**90**	**173**
SpareBank 1 Gruppen	153	104
SpareBank 1 Boligkreditt	25	37
SpareBank 1 Næringskreditt	5	8
BN Bank	75	41
Other jointly controlled companies	32	41
Income from investment in related companies	**290**	**231**
Total	**380**	**404**

Note 4 - Operating expenses

Parent bank				Group		
2012	30 Sept 2012	30 Sept 2013	(NOKm)	30 Sept 2013	30 Sept 2012	2012
618	462	442	Personnel expenses	690	690	924
166	129	134	IT costs	149	145	187
23	17	17	Postage and transport of valuables	21	20	28
39	27	27	Marketing	38	36	49
43	30	36	Ordinary depreciation	85	74	102
128	93	93	Operating expenses, real properties	73	73	101
55	37	38	Purchased services	46	43	66
132	87	100	Other operating expense	153	136	199
1,206	**883**	**886**	**Total other operating expenses**	**1,256**	**1,217**	**1,654**

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
5,964	5,862	6,054	Agriculture/forestry/fisheries/hunting	6,210	6,035	6,129
2,325	2,258	2,336	Sea farming industries	2,479	2,378	2,447
2,123	3,196	1,948	Manufacturing	2,145	3,426	2,349
2,967	2,601	2,993	Construction, power and water supply	3,525	3,121	3,504
2,625	2,161	2,294	Retail trade, hotels and restaurants	2,464	2,340	2,804
5,734	5,547	5,339	Maritime sector	5,347	5,554	5,739
12,232	12,279	11,907	Property management	11,978	11,769	11,710
3,063	3,532	3,407	Business services	3,636	3,809	3,258
2,037	2,094	2,499	Transport and other services provision	2,899	2,423	2,364
189	129	224	Public administration	252	156	215
1,795	1,779	1,946	Other sectors	1,952	1,785	1,801
41,052	**41,440**	**40,947**	**Gross loans in retail market**	**42,887**	**42,795**	**42,322**
61,377	59,333	66,000	Wage earners	67,350	60,479	62,587
102,430	**100,773**	**106,946**	**Gross loans incl. Boligkreditt / Næringskreditt**	**110,237**	**103,274**	**104,909**
29,348	27,294	29,502	Boligkreditt	29,502	27,294	29,348
618	623	892	Næringskreditt	892	623	618
72,464	**72,856**	**76,552**	**Gross loans in balance sheet**	**79,842**	**75,357**	**74,943**

Note 6 - Losses on loans and guarantees

Parent bank				Group		
2012	**30 Sep 2012**	**30 Sep 2013**	**(NOKm)**	**30 Sep 2013**	**30 Sep 2012**	**2012**
-22	-14	22	Change in individual impairment losses provisions for the period	25	-24	-28
5	5	-	Change in collective impairment losses provisions for the period	-	5	5
51	42	33	Actual loan losses on commitments for which provisions have been made	38	54	63
54	34	12	Actual loan losses on commitments for which no provision has been made	16	37	57
-37	-29	-9	Recoveries on commitments previously written-off	-11	-30	-38
51	**38**	**58**	**Losses of the year on loans and guarantees**	**68**	**42**	**58**

Note 7 - Losses

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
151	151	129	Individual write-downs to cover loss on loans at 01.01*)	144	173	173
4	8	10	+ Increased write-downs on provisions previously written down	11	8	4
13	7	10	- Reversal of provisions from previous periods	11	8	13
37	27	54	+ Write-downs on provisions not previously written down	62	29	43
51	42	33	- Actual losses during the period for which provisions for individual impairment losses have been made previously	38	54	63
129	**137**	**150**	**Specification of loss provisions at end of period**	**168**	**148**	**144**
104	76	45	Actual losses	54	91	119

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

Note 8 - Defaults

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
			Total defaults			
298	351	322	Loans in default for more than 90 days *)	391	398	374
72	80	66	- individual write-downs	79	86	83
226	271	256	Net defaults	312	312	291
24 %	23 %	21 %	Provision rate	20 %	22 %	22 %
			Problem Loans			
119	136	193	Problem loans (not in default)	209	163	143
57	57	84	- individual write-downs	89	62	62
63	78	109	Net problem loans	119	101	81
48 %	42 %	43 %	Provision rate	43 %	38 %	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 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
-	-	-	Deferred tax benefit	14	6	13
201	190	184	Fixed assets	1,217	1,196	1,277
1,009	1,209	1,503	Earned income not yet received	1,507	1,202	1,026
46	452	503	Accounts receivable, securities	503	452	46
21	42	74	Pensions	74	42	21
262	166	237	Other assets	279	478	416
1,538	**2,060**	**2,501**	**Total other assets**	**3,593**	**3,376**	**2,798**

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
2,002	2,016	2,004	Agriculture/forestry/fisheries/hunting	2,004	2,016	2,002
138	163	202	Sea farming industries	202	163	138
891	1,146	1,298	Manufacturing	1,298	1,146	891
1,715	1,402	1,636	Construction, power and water supply	1,636	1,402	1,715
3,923	2,969	3,053	Retail trade, hotels and restaurants	3,053	2,969	3,923
1,166	1,011	1,970	Maritime sector	1,970	1,011	1,166
4,865	4,324	4,117	Property management	4,014	3,729	4,256
4,802	4,429	4,879	Business services	4,879	4,429	4,802
3,575	3,721	3,829	Transport and other services provision	3,524	3,529	3,360
4,354	4,748	4,609	Public administration	4,609	4,748	4,354
3,477	3,525	2,486	Other sectors	2,458	3,497	3,366
30,908	**29,456**	**30,083**	**Total**	**29,647**	**28,639**	**29,973**
22,279	22,196	23,776	Wage earners	23,776	22,196	22,279
53,187	**51,652**	**53,859**	**Total deposits**	**53,423**	**50,836**	**52,252**

SpareBank 1 SMN

Note 11 - Debt created by issue of securities

Parent bank				Group		
2012	**30 Sep 2012**	**30 Sep 2013**	**(NOKm)**	**30 Sep 2013**	**30 Sep 2012**	**2012**
706	934	110	Short-term debt instruments, nominal value	110	934	706
29,190	28,797	29,250	Bond debt, nominal value	29,250	28,797	29,190
364	353	232	Value adjustments	232	353	364
30,259	**30,085**	**29,592**	**Total**	**29,592**	**30,085**	**30,259**

Change in securities debt, subordinated debt and hybrid equity

(NOKm)	30 Sep 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Short-term debt instruments, nominal value	110	35	630	-	706
Bond debt, nominal value	29,250	4,286	5,190	964	29,190
Value adjustments	232	-	-	-131	364
Total	29,592	4,321	5,821	832	30,259

(NOKm)	30 Sep 2013	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2012
Ordinary subordinated loan capital, nominal value	1,554	-	169	-30	1,753
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,402	500	-	32	869
Value adjustments	86	-	-	-32	118
Total	3,341	500	169	-30	3,040

Note 12 - Other liabilities

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
83	40	98	Deferred tax	106	49	93
248	161	375	Payable tax	423	189	290
8	6	14	Capital tax	14	6	8
800	1,092	1,056	Accrued expenses and received, non-accrued income	1,352	1,466	1,124
74	94	59	Provision for accrued expenses and commitments	59	94	74
87	87	52	Drawing debt	52	87	87
9	9	4	Creditors	41	51	40
73	1,476	2,150	Debt from securities	2,150	1,476	73
233	388	714	Other liabilities	666	435	282
1,615	**3,353**	**4,522**	**Total other liabilites**	**4,862**	**3,853**	**2,070**

Note 13 - Capital adequacy

SpareBank 1 SMN has used the IRB - Foundation approach for credit risk since January 2007. Use of IRB makes wide ranging demands on the Bank’s organisation, competence, risk models and risk management systems. The effect of the risk weights under IRB is limited by transitional rules laid down in regulations issued by Finanstilsynet (Norway’s FSA). The transitional rules are assumed to apply to the end of 2017.

Subordinated debt ranks behind all other debt. Dated subordinated debt cannot make up more than 50 per cent of tier 1 capital for capital adequacy purposes, while perpetual subordinated debt cannot make up more than 100 per cent of tier 1 capital. Subordinated debt is classified as a liability in the balance sheet and is measured at amortised cost like other long-term debt.

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 characterised by moderate repayment incentives is approved as an element of tier 1 capital up to limit of 15 per cent of aggregate tier 1 capital. If however hybrid capital does not have a fixed term and is without repayment incentives, it can be included as an element of up to a limit of 35 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 8 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 recognised 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 second quarter 2013 the method of quantifying operational risk was changed from the basic indicator approach to the standardised approach at the parent bank. At Group level the basic indicator approach is still applied to subsidiaries.

Finanstilsynet announced in May 2013 changed capital requirements with effect from 1 July 2013. The new requirements are a common equity tier 1 ratio of 9 per cent, a tier 1 ratio of 10.5 per cent and a total capital ratio of 12.5 per cent.

Parent bank				Group		
2012	30 Sep 2012	30 Sep 2013	(NOKm)	30 Sep 2013	30 Sep 2012	2012
2,597	2,597	2,597	Equity capital certificates	2,597	2,597	2,597
-0	-0	-0	- Own holding of ECCs	-0	-0	-0
895	896	895	Premium fund	895	896	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	94	123
0	-	38	Other equity and minority interest	1,377	1,295	1,370
-	801	1,089	Net profit	1,038	816	-
8,656	**8,431**	**9,557**	**Total book equity**	**10,863**	**9,765**	**10,042**
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-589	-701	-674
-	-	-	Part of reserve for unrealised gains, associated companies	57	64	57
-225	-	-	Deduction for allocated dividends and gifts	-	-	-238
-448	-460	-399	50 % deduction for subordinated capital in other financial institutions	-90	-2	-2
-165	-199	-234	50 % deduction for expected losses on IRB, net of write-downs	-210	-211	-179
-	-	-	50 % capital adequacy reserve	-554	-714	-703
-55	-82	-109	Surplus financing of pension obligations	-107	-74	-49
-	-801	-1,089	Net profit	-1,038	-816	-
-	400	795	Year-to-date profit included in core capital (as from 2013 73% pre tax - previous 50% pre tax)	758	408	-
7,316	**6,843**	**8,075**	**Total common equity Tier one**	**9,089**	**7,717**	**8,254**
918	931	1,431	Hybrid capital, core capital	1,619	1,108	1,103
8,234	**7,773**	**9,506**	**Total core capital**	**10,707**	**8,826**	**9,357**
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	28	37	31
312	325	307	Perpetual subordinated capital	307	323	312
1,810	1,368	1,602	Non-perpetual subordinated capital	1,866	1,633	2,127
-448	-460	-399	50 % deduction for subordinated capital in other financial institutions	-90	-2	-2
-165	-199	-234	50 % deduction for expected losses on IRB, net of write-downs	-210	-211	-179
-	-	-	50 % capital adequacy reserve	-554	-714	-703
1,509	**1,033**	**1,277**	**Total supplementary capital**	**1,346**	**1,066**	**1,586**
9,742	**8,807**	**10,783**	**Net subordinated capital**	**12,053**	**9,891**	**10,943**
			Minimum requirements subordinated capital, Basel II			
1,654	1,647	1,592	Involvement with spesialised enterprises	1,592	1,647	1,654
1,470	1,686	1,442	Other corporations exposure	1,443	1,686	1,470
39	38	70	SME exposure	76	41	42
316	309	336	Retail morgage exposure	591	532	560
28	28	31	Other retail exposure	35	30	30
1,118	1,087	1,076	Equity investments	-	-	-
4,625	**4,796**	**4,548**	**Total credit risk IRB**	**3,736**	**3,937**	**3,756**
205	209	225	Debt risk	225	209	205
14	14	11	Equity risk	13	15	15
-	-	-	Currency risk	-	-	-
315	315	297	Operational risk	398	420	420
553	659	590	Exposures calculated using the standardised approach	2,135	2,178	2,074
-75	-76	-67	Deductions	-110	-121	-120
-	-	-	Transitional arrangements	403	-	246
5,637	**5,916**	**5,604**	**Minimum requirements subordinated capital**	**6,802**	**6,638**	**6,596**
70,468	73,950	70,051	Risk weigheted assets (RWA)	85,019	82,976	82,446
			Capital adequacy			
10.4 %	9.3 %	11.5 %	Common equity Tier one ratio	10.7 %	9.3 %	10.0 %

11.7 %	10.5 %	13.6 %	Core capital ratio	12.6 %	10.6 %	11.3 %
13.8 %	11.9 %	15.4 %	Capital adequacy ratio	14.2 %	11.9 %	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 third quarter 2013 the Bank has 19 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 Sep 2013	Derivatives	1,186
30 Sep 2012	Derivatives	650
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:

Level 1: quoted price in an active market for an identical asset or liability

Level 2: 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 3: valuation based on inputs not taken from observable markets (unobservable inputs)

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.

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 September 2013:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	151	2,458	-	2,609
Bonds and money market certificates	346	18,696	-	19,042
Equity capital instruments	100	-	832	932
Fixed-rate loans	-	-	2,701	2,701
Financial assets avaliable for sale				
Equity capital instruments	-	-	46	46
Total assets	**596**	**21,154**	**3,579**	**25,329**

Liabilities (NOKm)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	144	1,831	-	1,975
Total liabilities	**144**	**1,831**	**-**	**1,975**

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	46	4,825	-	4,872
Bonds and money market certificates	4,559	11,993	-	16,552
Equity capital instruments	101	-	564	666
Fixed interest loans	-	-	2,480	2,480
Financial assets avaliable for sale				
Equity capital instruments	-	-	66	66
Total assets	**4,706**	**16,818**	**3,111**	**24,635**

Liabilities (NOKm)	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
Derivatives	46	4,492	-	4,538
Total liabilities	**46**	**4,492**	**-**	**4,538**

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

Assets (NOKm)	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 (NOKm)	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. As from the second quarter the same valuation is applied to the shares of Bank 1 Oslo Akershus AS.

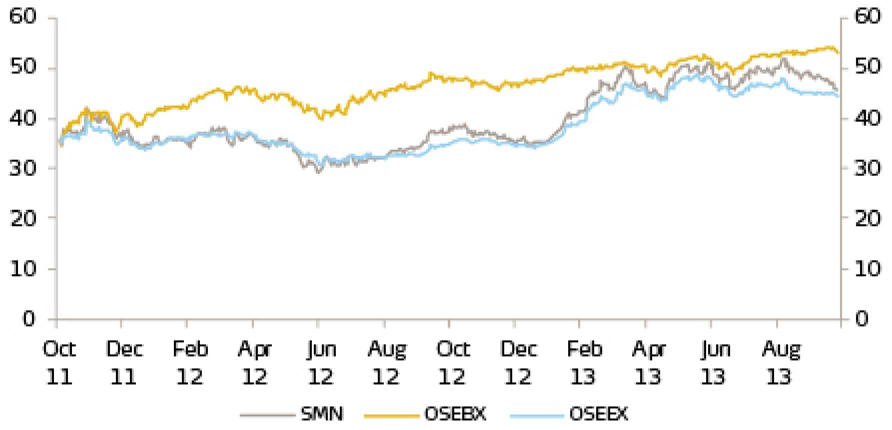
Effect on result of financial instruments belonging to level 3

(NOKm)	30 Sep 2013	30 Sep 2012	31 Dec 2012
Realised gain/loss	-4	2	-0
Change in unrealised gain/loss	-2	-0	11
Total effect on result	**-5**	**2**	**11**

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 October 2011 to 30 September 2013

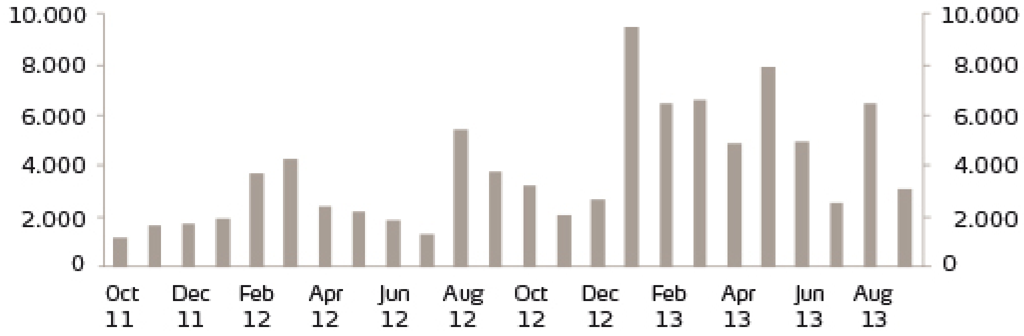


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 October 2011 to 30 September 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 %
Verdipapirfondet DNB Norge (IV)	2,502,524	1.93 %
Stenshagen Invest	2,176,384	1.68 %
MP Pensjon PK	2,058,415	1.59 %
The Resource Group TRG	1,768,000	1.36 %
Danske Invest Norske Aksjer Inst. II	1,745,777	1.34 %
State Street Bank and Trust CO (nominee)	1,602,716	1.23 %
Verdipapirfondet Fondsfinans Spar	1,500,000	1.16 %
Citibank N.A New York Branch (nominee)	1,382,350	1.06 %

Odin Europa SMB	1,326,937	1.02 %
Forsvarets Personellservice	1,189,246	0.92 %
Tonsenhagen Forretningssentrum AS	1,135,193	0.87 %
Danske Invest Norske Aksjer Instit. I	1,102,345	0.85 %
The Bank of New York Mellon (nominee)	1,092,388	0.84 %
DNB Livsforsikring ASA	1,036,324	0.80 %
The 20 largest ECC holders in total	**42,783,895**	**32.95 %**
Others	87,052,548	67.05 %
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 2013

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of September 30 2013 and the related statements of income for the group, showing a profit of 1.046.000.000, 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 2013, and of its financial performance and its cash flows for the nine month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim 30.10.2013
Deloitte AS

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