

First Quarter Report 2014



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Main figures

From the profit and loss account	31 Mar 2014		31 Mar 2013		2013	
	NOKm	%	NOKm	%	NOKm	%
Net interest	412	1.45	343	1.25	1,616	1.44
Commission income and other income	385	1.36	317	1.16	1,463	1.31
Net return on financial investments	257	0.91	162	0.59	502	0.45
Total income	1,055	3.72	822	3.01	3,580	3.20
Total operating expenses	441	1.56	414	1.52	1,722	1.54
Results	614	2.16	407	1.49	1,859	1.66
Loss on loans, guarantees etc	17	0.06	17	0.06	101	0.09
Results before tax	597	2.10	390	1.43	1,758	1.57
Tax charge	99	0.35	77	0.28	388	0.35
Result investment held for sale, after tax	1	0.00	7	0.03	30	0.03
Net profit	500	1.76	321	1.17	1,400	1.25

Key figures	31 Mar	31 Mar	2013
	2014	2013	2013
Profitability			
Return on equity ¹⁾	17.7 %	12.7 %	13.3 %
Cost-income ratio ²⁾	42 %	50 %	48 %
Balance sheet			
Gross loans to customers	79,366	76,425	80,303
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	111,560	106,830	112,038
Deposits from customers	54,736	52,603	56,074
Deposit-to-loan ratio	69 %	69 %	70 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	4.4 %	9.7 %	6.8 %
Growth in deposits	4.1 %	7.4 %	7.3 %
Average total assets	113,485	109,344	111,843
Total assets	111,609	110,790	115,360
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.06 %	0.06 %	0.09 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.24 %	0.36 %	0.34 %
Other doubtful commitm. as a percentage of gross loans	0.21 %	0.15 %	0.14 %
Solidity			
Capital adequacy ratio	14.8 %	13.3 %	14.7 %
Core capital ratio	12.9 %	11.7 %	13.0 %
Common equity tier 1	11.1 %	10.4 %	11.1 %
Core capital	11,303	9,686	10,989
Net equity and related capital	12,893	10,971	12,417
Branches and staff			
Number of branches	50	50	50
No. Of full-time positions	1,157	1,171	1,159

Key figures ECC ⁴⁾	31 Mar	31 Mar	2013	2012	2011	2010
	2014	2013	2013	2012	2011	2010
ECC ratio	64.6 %	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	102.76	102.74
ECC price	53.75	46.90	55.00	34.80	36.31	49.89
Stock value (NOKM)	6,978	6,089	7,141	4,518	3,731	5,124
Booked equity capital per ECC (including dividend)	56.39	50.32	55.69	50.09	48.91	46.17
Profit per ECC, majority	2.48	1.55	6.92	5.21	6.06	5.94
Dividend per ECC			1.75	1.50	1.85	2.77
Price-Earnings Ratio (annualized)	5.42	7.55	7.95	6.68	5.99	8.40
Price-Book Value Ratio	0.95	0.90	0.99	0.69	0.74	1.08

- 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 sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, and guarantees drawn
- 4) The key figures are corrected for issues

Report of the Board of Directors

First quarter 2014

(Consolidated figures. Figures in parentheses refer to the same period of 2013 unless otherwise stated)

- Pre-tax profit: NOK 597m (390m)
- First quarter net profit: NOK 500m (321m)
- Return on equity: 17.7 per cent (12.7 per cent)
- Growth in lending: 4.4 per cent (9.7 per cent) last 12 months
- Growth in deposits: 4.1 per cent (7.4 per cent) last 12 months
- CET1 capital adequacy: 11.1 per cent (10.4 per cent)
- Earnings per EC: NOK 2.48 (1.55)

Good performance in first quarter 2014

Highlights

- Core business substantially strengthened. Increased net interest revenue from both retail and corporate segment
- Profit improvement of NOK 179m compared with first quarter 2013, of which unrealised gain on the agreed sale of the bank's stake in Nets Holding accounts for NOK 148m
- Low loan losses
- Financial position in keeping with the Group's capital plan: CET1 ratio 11.1 per cent (10.4 per cent)
- Reduced lending to corporate customers

In the first quarter of 2014 SpareBank 1 SMN achieved a net profit of NOK 500m (321m) and a return on equity of 17.7 per cent (12.7 per cent). Pre-tax profit was NOK 597m (390m).

In the first quarter operating income increased compared with the same period of 2013 to NOK 797m (660m), largely as a result of increased lending margins.

Return on financial assets was NOK 257m (162m), of which income from owner interests accounted for NOK 82m (101m). The gain resulting from the agreed sale of the Bank's stake in Nets Holding came to NOK 157m, including dividend received and a foreign exchange gain.

Operating expenses came to NOK 441m (414m) in the first quarter of 2014.

Loan losses totalled NOK 17m (17m) in the first quarter.

As of 31 March 2014, 12-month lending growth was 4.4 per cent (9.7 per cent) and deposit growth was 4.1 per cent (7.4 per cent).

CET1 capital adequacy at 31 March 2014 was 11.1% (10.4%). SpareBank 1 SMN is planning for a CET1 ratio of 13.5% by 30 June 2016. SpareBank 1 SMN's capital plan is further described in the section on financial strength. The CET1 ratio shows no change from year-end, the main reason being a doubling of the

LGD floor which had a negative effect of 0.6 percentage point on core capital adequacy as from 1 January 2014 (account being taken of the removal of the Basel I floor), at the same time a very good result for the period strengthened in isolation the financial position by 0.6 percentage point. This left CET1 capital adequacy at the same level as at 31 December 2013. Corrected for the effect of increased home loan weights, the bank's risk-weighted assets rose by 0.3% in the first quarter of 2014.

First-quarter earnings per EC were NOK 2.48 (1.55), and book value per EC was NOK 56.39 (50.32) at quarter-end. The market price at the same point was NOK 53.75 (46.90). A cash dividend of NOK 1.75 per EC was paid in 2014 for the year 2013.

Net interest income

Net interest income in the first quarter came to NOK 412m (343m).

Net interest income strengthened substantially through 2013 as a result of interest rates increases on loans to retail and corporate customers in the second quarter of 2013. Income from loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt is recorded as commission income, not as interest income. Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were also repriced, and commissions totalled NOK 123m (85m) in the first quarter of 2014.

Lending margins rose due to increased capital requirements for Norwegian banks. As a result more equity is needed to back each interest-earning krone loaned.

In March the bank adopted a reduction in its lending rate on selected home mortgage loans. It concurrently announced a reduction in its deposit rate on some deposit products. The net profit effect on an annual basis is calculated at NOK 30m. The rate changes will have effect as from mid-June 2014.

Increased commission income

Net commission and other operating income came to NOK 385m (317m) in the first quarter of 2014. Increased income from SpareBank 1 Boligkreditt accounts for NOK 38m of an overall increase of NOK 68m. Commission income from SpareBank 1 Boligkreditt has risen as a result of higher margins on home mortgage loans transferred to SpareBank 1 Boligkreditt. Other growth in incomes is mainly ascribable to a positive trend in incomes from payment services and accounting services.

Commission income, NOKm	31 Mar 2014	31 Mar 2013	Change
Payment transfers	60	51	9
Savings	10	9	1
Insurance	31	29	2
Guarantee commission	13	11	1
Real estate agency	71	73	-2
Accountancy services	47	33	15
Active management	3	3	0
Rent	11	11	0
Other commissions	16	13	3
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	262	232	30
Commissions SB1 Boligkreditt and SB1 Næringskreditt	123	85	38
Total commissions	385	317	68

Good return on financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of affiliates and joint ventures) was NOK 175m (61m). Overall return breaks down as follows:

- Return on the Group's share portfolios totalled NOK 156m (24m)
- Unrealised gain on the agreed sale of the bank's stake in Nets Holding NOK 148m and dividend received from Nets Holding amount to NOK 9m. SpareBank 1 SMN has signed an agreement to sell its stake in Nets Holding. The bank owns 2.2 per cent of Nets Holding, corresponding to 4,028,773 shares. The sale requires approval by the regulatory authorities. This process is expected to be completed in the second quarter of 2014. The shares are measured at fair value via profit and loss, and at the end of the first quarter were valued at the agreed sale price in Danish kroner converted to the price in effect on the balance sheet date
- Net loss on bonds and derivatives is NOK 1m (gain of 11m)
- Gains on foreign-exchange and fixed-income trading at SpareBank 1 SMN Markets was NOK 20m (25m)

	31 Mar 2014	31 Mar 2013
Capital gains/dividends, shares		
Capital gains/dividends, shares	156	24
Bonds and derivatives	-1	11
Forex and fixed income business, Markets	20	25
Net return on financial investments	175	61
SpareBank 1 Gruppen	46	61
SpareBank 1 Markets	-4	-
SpareBank 1 Boligkreditt	8	12
SpareBank 1 Næringskreditt	11	2
BN Bank	25	26
Other jointly controlled companies	-3	-1
Income from investment in related companies	82	101
Total	257	162

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit in the first quarter of 2014 was NOK 249m (315m). The main contributor to the profit is SpareBank 1 Forsikring.

SpareBank 1 SMN's share of the profit was NOK 46m (61m).

SpareBank 1 Markets

SpareBank 1 SMN has a 24 per cent stake in SpareBank 1 Markets. The company recorded a deficit of NOK 17m in the first quarter of which SpareBank 1 SMN's share was NOK 4m.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks sell their best secured home mortgage loans to the company, and in so doing benefit from reduced funding costs. As of 31 March 2014 the bank had sold NOK 31bn (30bn) to SpareBank 1 Boligkreditt, corresponding to 45 per cent (47 per cent) of total lending to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt is 17.5 per cent, and the bank's share of that company's profit in the first quarter of 2014 was NOK 8m (12m).

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt is established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. By the end of the first quarter of 2014, loans worth NOK 1.2bn (0.6 bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.7 per cent, and the bank's share of the company's profit in the first quarter of 2014 was NOK 11m (2m). The bank's ownership interest reflects its relative share of commercial property loans sold and its stake in BN Bank. The profit improvement is ascribable to the change in the interest rate applied between SpareBank 1 Næringskreditt and BN Bank. Being the price paid for commission, this rate reflects the capital costs for BN Bank's loans sold to SpareBank 1 Næringskreditt.

BN Bank

SpareBank 1 SMN has a 33 per cent stake in BN Bank as of 31 March 2014.

SpareBank 1 SMN's share of the profit of BN Bank in the first quarter of 2014 was NOK 25m (26m), yielding a return on equity of 8.1 per cent. The profit is affected by the interest rate change mentioned in the preceding section. As from 2014 there are no amortisation effects related to BN Bank. In the first quarter of 2013 amortisation effects amounted to NOK 4m of the profit of NOK 26m. BN Bank's focus is on implementing profitability-enhancing measures, and it has achieved increased lending margins and cost reductions. Work continues on further internal measures with a view to profitability enhancement and to scaling back risk-weighted assets. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in April 2014.

Other companies

The profit in the first quarter of 2014 mainly comprises SpareBank 1 SMN's profit share in SpareBank 1 Kredittkort.

Assets held for sale

A profit of NOK 1m (7m) was recorded on assets held for sale in the first quarter of 2014.

Reduced cost growth

Overall costs came to NOK 441m (414m) in the first quarter of 2014, having risen by NOK 27m or 6.5 per cent.

Parent bank cost growth rose by NOK 10m or 3.3 per cent, in keeping with the cost ambition to limit cost growth to 3 per cent per year up to and including 2015. A project launched with the aim of ensuring continual improvement will contribute to enhancing the bank's efficiency.

The number of FTEs at the Parent bank has been reduced by about 40 since the start of 2013.

For the subsidiaries, overall cost growth was NOK 17m or 14.3 per cent. The increase is largely attributable to an expanded cost base at SpareBank 1 Regnskapshuset SMN following acquisition of local accountancy firms. This is in keeping with the company's adopted strategy plan.

Operating expenses measured 1.56 per cent (1.52 per cent) of average total assets. The Group's cost-income ratio was 42 per cent (50 per cent).

Low losses and low defaults

Loan losses came to NOK 17m (17m) in the first quarter of 2014.

Net losses of NOK 16m were recorded on loans to corporate customers, including losses at SpareBank 1 Finans Midt-Norge of NOK 2m. On the retail portfolio a net loss of NOK 1m was recorded in the first quarter of 2014.

Total individually assessed loan impairment write-downs came to NOK 173m (143m) in the first quarter of 2014, an increase of NOK 30m over the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 494m (548m), or 0.44 per cent (0.51 per cent) of gross outstanding loans as at 31 March 2014.

Defaults in excess of 90 days totalled NOK 263m (388m) – down NOK 125m. Defaults measure 0.24 per cent (0.36 per cent) of gross lending (including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt). Of total defaults, NOK 59m (71m) are loss provisioned, corresponding to 22 per cent (18 per cent).

Defaults break down to NOK 120m on corporate customers and NOK 143m on retail customers.

Other doubtful exposures totalled NOK 231m (160m), i.e. 0.21 per cent (0.15 per cent) of gross outstanding loans. NOK 114m (72m) or 49 per cent (45 per cent) are loss provisioned.

Other doubtful exposures break down to NOK 210m to corporate customers and NOK 21m to retail customers.

Collectively assessed impairment write-downs

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

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

For the first quarter no basis is found for any change in collectively assessed impairment write-downs. The aggregate volume of such write-downs is NOK 295m (295m).

Total assets of NOK 112bn

The bank's assets totalled NOK 112bn at 31 March 2014 compared with NOK 111bn one year previously.

By quarter-end loans worth 32.2bn (30.4bn) had been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not figure as lending in the Bank's balance sheet. The comments covering lending growth include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Reduced lending to corporates

(Distributed by sector - see note 5 og note 10)

In the last 12 months, total outstanding loans rose by NOK 4.7bn (9.4bn) or 4.4 per cent (9.7 per cent) to reach NOK 111.6bn (incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) at the end of the first quarter of 2014.

Lending to corporates was reduced by NOK 0.9bn (growth of NOK 2.4bn) or 2.1 per cent (growth of 5.8 per cent) in the last 12 months. Overall loans to corporates totalled NOK 42.0bn at the end of the first quarter of 2014. In the same quarter, lending to corporates was reduced by NOK 1.5bn or 3.4 per cent. The reduction in lending to corporates is anchored in the Bank's capital plan and mainly attributable to reduced lending to large customers. Growth in lending to small and medium businesses is positive.

Lending to retail customers rose by NOK 5.6bn (7.1bn) or 8.8 per cent (12.5 per cent) to reach NOK 69.5bn in the past 12 months. Growth in the first quarter of 2014 was NOK 1bn or 1.5 per cent.

Loans to retail customers accounted for 62 per cent (60 per cent) of gross lending (incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) to customers at 31 March 2014.

Customer deposits rose by NOK 2.1bn (3.6bn) in the last 12 months to reach NOK 54.7bn at 31 March 2014. This represents a growth of 4.1 per cent (7.4 per cent).

Retail customer deposits rose by NOK 1.3bn (1.8bn) or 5.9 per cent (8.6 per cent) to reach NOK 24.2bn, while deposits from corporates rose by NOK 0.8bn (1.8bn) or 2.7 per cent (6.5 per cent) to NOK 30.6bn.

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 5.4bn at 31 March 2013, an increase of 18 per cent since the first quarter of 2013. Growth is largest in the equity fund portfolio and is driven both by value increases and new sales.

Saving products, customer portfolio, NOKm	31 Mar 2014	31 Mar 2013	Change
Equity funds	3,635	2,817	818
Pension products	545	648	-103
Active management	1,201	1,043	158
Energy fund management	67	127	-60
Total	5,448	4,635	813

Insurance products

The bank's insurance portfolio grew by 6 per cent in the last 12 months. Non-life insurance showed 1 per cent growth, personal insurance 20 per cent and the occupational pensions portfolio 9 per cent growth. Total incomes on the bank's insurance portfolio passed NOK 120m in 2013 and are expected to show the stable growth again in 2014.

Insurance, premium volume, NOKm	31 Mar 2014	31 Mar 2013	Change
Non-life insurance	695	685	10
Personal insurance	227	189	38
Occupational pensions	188	173	15
Total	1,110	1,047	63

Retail banking segment and corporate banking segment

As from 2014 organisational readjustments take effect. The retail segment is to cover agricultural customers, associations etc and sole proprietorships. In 2013 these customers were part of the SME segment. Other

customers in the SME segment are included in the corporate segment. Historical data for the retail segment and the corporate segment are therefore incomplete and in the following no comparison is made with the previous year's figures for each of the segments overall.

	Retail Market	Corporate Market
Net interest	197	206
Interest from allocated capital	9	14
Total interest income	206	220
Commission income and other income	194	38
Net return on financial investments	0	9
Total income	400	267
Total operating expenses	204	84
Ordinary operating profit	196	182
Loss on loans, guarantees etc.	1	14
Result before tax including held for sale	195	169
Post-tax return on equity	36.3 %	16.5 %

Retail banking

Operating income – and return on equity – have increased substantially due to increased margins on home loans on the Bank's own books and on home loans sold to SpareBank 1 Boligkreditt, and totalled NOK 400m at 31 March 2014. Net interest income came to NOK 206m and commission income to NOK 194m. Return on equity in the retail market segment was 36.3 per cent.

For the retail market exc. agricultural customers, associations etc and sole proprietorships

The lending margin in the first quarter of 2014 was 2.65 per cent (2.20 per cent), while the deposit margin was -0.52 per cent (-0.34 per cent)(measured against three-month NIBOR).

In the last 12 months, lending to retail customers rose by 9.0 per cent (12.3 per cent) and deposits from the same segment by 4.9 per cent (8.6 per cent).

Lending to retail customers 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.

Corporate banking

Operating income totalled NOK 267m in the first quarter of 2014. Net interest income was NOK 220m, while commission income was NOK 47m, incl. NOK 9m on fixed-income and foreign exchange business. In the corporate segment, too, net interest income has risen after the portfolio was repriced in 2013.

Return on equity for corporate customers was 16.5 per cent in the first quarter.

The lending margin was 3.0 per cent and the deposit margin was -0.6 per cent in the first quarter.

Lending was reduced by 4.5 per cent and deposits were reduced by 3.8 per cent in the first quarter of 2014.

SpareBank 1 SMN Markets

SpareBank 1 Markets posted total income of NOK 24m (30m) in the first quarter of 2014. Incomes are relatively stable. As from the fourth quarter of 2013, SpareBank 1 SMN's corporate business was transferred to SpareBank 1 Markets. Customer margins account for NOK 7.8m (6.6m) of income from fixed-income and foreign exchange business.

Markets (NOKm)	31 Mar 2014	31 Mar 2013	Change
Currency trading	16.6	19.3	-2.7
Corporate	0.0	4.5	-4.5
Securities, brokerage commission	8.6	8.5	0.1
SpareBank 1 Markets	1.3	-2.4	3.7
Investments	-2.4	0.0	-2.4
Total income	24.1	29.9	-5.8

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 28.2m (43.0m) in the first quarter of 2014.

Pre-tax profit, NOKm	31 Mar 2014	31 Mar 2013	Change
EiendomsMegler 1 Midt-Norge	3.5	10.7	-7.3
SpareBank 1 Finans Midt-Norge	16.6	15.2	1.4
SpareBank 1 Regnskapshuset SMN	6.7	3.7	3.0
SpareBank 1 SMN Invest	0.7	13.9	-13.2
Other companies	0.7	-0.6	1.3
Total	28.2	43.0	-14.8

EiendomsMegler 1 Midt-Norge leads the field in its catchment area with a market share of about 40 per cent. The company's profit of NOK 3.5m (10.7m) in the first quarter reflects an expected weak start to the year. Profit picked up in March.

SpareBank 1 Finans Midt-Norge posted a profit of NOK 16.6m (15.2m) in the first quarter. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.4bn of which leases account for NOK 1.9bn and car loans for NOK 1.5bn.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 6.7m (3.7m).

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.

SpareBank 1 Regnskapshuset SMN took over six accounting firms in 2013. Two further accounting firms were acquired in the first quarter of 2014. The strategy of growth through acquisitions represents a consolidation of a fragmented accounting industry.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional businesses. The company posted a net profit of NOK 0.7m (13.9m) in the first quarter of 2014, and manages a portfolio worth about NOK 500 million.

Satisfactory funding and good liquidity

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

The Bank has liquidity reserves of NOK 20bn and thus has the funding needed for 24 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are amply diversified. At year-end the proportion of money market funding in excess of 1 year was 76 per cent (72 per cent).

Rating

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

Financial strength

The CET1 capital ratio was 11.1 per cent (10.4 per cent) as of 31 March 2014. CET1 capital is core capital excluding hybrid capital.

Figures in NOKm	31 Mar 2014	31 Mar 2013
Tier 1 capital	9,655	8,568
Hybrid capital	1,647	1,118
Subordinated loan	1,591	1,285
Capital base	12,893	10,971
Required subordinated debt	6,989	6,606
Risk weighted assets	87,361	82,578
Tier 1 capital ratio	11.1 %	10.4 %
Core capital ratio	12.9 %	11.7 %
Capital adequacy ratio	14.8 %	13.3 %

The Group has shifted lending growth more over to the retail market segment. Since this means that growth in risk-weighted assets will be lower than the underlying growth in credit, it is in isolation 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.

With effect from 1 January 2014 the risk weights for SpareBank 1 SMN's home loans under IRB were effectively doubled. This is because the LGD floor was doubled from 10 per cent to 20 per cent. The change brings an increase of about NOK 550m in capital charges on home loans. Due to this increase, SpareBank 1 SMN no longer has capital charges linked to the transitional arrangement at the end of the first quarter of 2014.

BN Bank received approval for use of the advanced IRB approach for its corporate portfolio in April 2014. This will on a consolidated basis reduce SMN's risk weighted assets by around NOK 1.5bn. If approval had been received by 31 March 2014, the Group's CET1 ratio would have strengthened by 0.2 percentage points.

A countercyclical buffer of 1 per cent will be introduced at the end of the second quarter of 2015, and the Ministry of Finance decided on 4 April that no change would be made in the buffer. The decision was in keeping with Norges Bank's recommendation. In its statement on systemically important financial institutions (SIFIs), Finanstilsynet (Norway's FSA) has recommended that SpareBank 1 SMN be defined as an SIFI bank on account of its importance for the region. This is in keeping with the Group's own assessments, and implies no change in capital requirements in relation to the levels on which SpareBank 1 SMN has based its capital plan.

The Board of Directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The Directors consider it important for the Group to be sufficiently capitalised to fulfil all

regulatory requirements. The Directors are working on the assumption of a CET1 requirement of 13.5 per cent, consisting of 12 per cent plus a countercyclical buffer of 1 per cent plus a reserve of 0.5 per cent.

SpareBank 1 SMN applied to use the advanced IRB approach in June 2013 and expects Finanstilsynet's response within 12 months. The effect of approval will be limited by the transitional rules. The following are the most important measures in the Group's capital plan:

- Continued sound banking operation through efficiency enhancements and prioritisation of profitable segments. Increased capital requirements for all banks provide a market basis for increased margins on lending
- The dividend policy to entail an effective payout ratio of 25–35 per cent
- Moderate growth in the Bank's asset-intensive activities, giving priority to lending to households and firms in the Bank's catchment area
- Introduction of the advanced IRB approach at SpareBank 1 SMN

SpareBank 1 SMN currently has no plans to issue equity capital, and the Directors are of the view that other measures are sufficient to attain the goal of a CET1 ratio of 13.5 per cent by 30 June 2016.

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

The bank's equity certificate (MING)

The book value of the bank's EC was NOK 56.39 (50.32) at 31 March 2014, and earnings per EC were NOK 2.48 (1.55).

At 31 March 2014 the EC was priced at NOK 53.75 (46.90), and dividend of NOK 1.75 per EC (1.50) was paid in 2014 for the year 2013.

As of 31 March 2014 the Price / Income ratio was 5.42, and the Price / Book ratio was 0.95.

Risk factors

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

The bank expects the cyclical recovery in Norway to continue, but, based inter alia on signals from the latest report from Norges Bank's regional network, it appears that growth ahead could be weaker than previously assumed. Growth abroad is somewhat higher than previously expected, and this, together with a weaker Norwegian krone, could have a positive effect on export industries. The Directors expect continued low Norwegian unemployment which, combined with continued good wage growth and low interest rates, indicates that loss risk in the bank's retail portfolio will remain low. Credit demand from Norwegian households is still higher than wage growth and will be greatly affected by the path of house prices. The Bank expects moderate growth in lending to mid-Norwegian business and industry ahead due to the low level of investment.

Norges Bank recommended that no change should be made in the countercyclical buffer. While the financial imbalances used by Norges Bank as assessment criteria are historically high, growth in the imbalances appears to have halted. This could be because banks have adapted to tighter capital requirements by reducing lending growth. Should credit growth or house price growth once again increase, it could prompt Norges Bank to recommend the Ministry of Finance to increase the countercyclical buffer.

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 fund management activities are affected by the fluctuations.

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

Outlook ahead

The Directors are well satisfied with the results for the first quarter of 2014. The Directors are particularly pleased that the measures described in the Bank's capital plan are being carried through with visible effect and that the trend in the core business is still very good. The first quarter performance shows that the Group is in a position to generate satisfactory return on the increased capital.

SpareBank 1 SMN still sees few indications that the business sector in Trøndelag and in Møre and Romsdal faces a change in the economic climate. The key industries in the bank's market area show rising activity levels and sound profits, and the prospects for 2014 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 the first half of 2014. However, the directors observe a slight weakening which is reflected in reduced lending growth.

The Directors see increasing competition in the financial market, but expect SpareBank 1 SMN to make a good showing with its competitive products and first-rate customer service. Recently decided interest rate reductions are an adjustment to market conditions and are considered to be sufficient to maintain competitiveness ahead.

The Directors are satisfied with the profit performance for the first quarter of 2014 and expect 2014 as a whole to be another good year for SpareBank 1 SMN.

Trondheim, 8. May
Styret i SpareBank 1 SMN

Kjell Bordal
(chair)

Bård Benum
(deputy chair)

Paul E. Hjelm-Hansen

Aud Skrudland

Morten Loktu

Janne Thyø Thomsen

Arnhild Holstad

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank				Group			
2013	31 Mar 2013	31 Mar 2014	(NOK million)	Note	31 Mar 2014	31 Mar 2013	2013
4,092	948	1,016	Interest income		1,027	954	4,118
2,604	636	637	Interest expenses		615	611	2,502
1,487	312	379	Net interest	1	412	343	1,616
970	205	259	Commission income		318	262	1,230
81	17	20	Commission expenses		25	20	94
57	14	14	Other operating income		93	75	327
946	201	253	Commission income and other income		385	317	1,463
371	47	63	Dividends		46	0	41
-	-	-	Income from investment in related companies		82	101	355
176	44	166	Net return on financial investments	1,2	129	61	106
547	91	229	Net return on financial investments		257	162	502
2,981	605	861	Total income		1,055	822	3,580
592	157	161	Staff costs		254	240	923
357	78	99	Administration costs		123	97	447
248	60	45	Other operating expenses		64	78	352
1,197	295	305	Total operating expenses	4	441	414	1,722
1,783	310	556	Result before losses		614	407	1,859
82	15	15	Loss on loans, guarantees etc.	2,6,7	17	17	101
1,701	296	541	Result before tax	3	597	390	1,758
358	70	91	Tax charge		99	77	388
6	6	-	Result investment held for sale, after tax	3	1	7	30
1,348	231	450	Net profit		500	321	1,400
			Majority share		498	319	1,390
			Minority interest		1	2	10
			Profit per ECC		2.50	1.56	6.97
			Diluted profit per ECC		2.49	1.55	6.92

Other comprehensive income

Parent bank				Group			
2013	31 Mar 2013	31 Mar 2014	(NOK million)		31 Mar 2014	31 Mar 2013	2013
1,348	231	450	Net profit		500	321	1,400
			Items that will not be reclassified to profit/loss				
-9	-	-	- Actuarial gains and losses pensions		-	-	-11
3	-	-	- Tax		-	-	3
-	-	-	- Share of other comprehensive income of associates and joint venture		1	7	11
-7	-	-	Total		1	7	3
			Items that will be reclassified to profit/loss				
-	-	-	- Available-for-sale financial assets		-	-	-6
-	-	-	- Share of other comprehensive income of associates and joint venture		-	-	14
-	-	-	- Tax		-	-	-
-	-	-	Total		-	-	8
1,342	231	450	Total other comprehensive income		501	328	1,411
			Majority share of comprehensive income		499	326	1,401
			Minority interest of comprehensive income		1	2	10

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

Key figures

Parent bank			Result as per cent of average total assets:	Group		
2013	31 Mar 2013	31 Mar 2014		31 Mar 2014	31 Mar 2013	2013
1.34	1.15	1.35	Net interest	1.45	1.25	1.44
0.85	0.74	0.90	Commission income and other income	1.36	1.16	1.31
0.49	0.34	0.82	Net return on financial investments	0.91	0.59	0.45
1.08	1.09	1.09	Total operating expenses	1.56	1.52	1.54
1.61	1.15	1.98	Result before losses	2.16	1.49	1.66
0.07	0.05	0.05	Loss on loans, guarantees etc.	0.06	0.06	0.09
1.54	1.09	1.93	Result before tax	2.10	1.43	1.57
0.40	0.49	0.35	Cost -income ratio	0.42	0.50	0.48
73 %	72 %	73 %	Loan-to-deposit ratio	69 %	69 %	70 %
14.7 %	10.7 %	18.3 %	Return on equity	17.7 %	12.7 %	13.3 %

Balance sheet

Parent bank			Group				
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOK million)	Note	31 Mar 2014	31 Mar 2013	31 Dec 2013
4,793	311	1,196	Cash and receivables from central banks		1,196	311	4,793
4,000	4,470	3,952	Deposits with and loans to credit institutions		1,086	1,854	1,189
77,030	73,874	76,009	Gross loans to customers before write-down	5,8	79,366	76,425	80,303
-150	-128	-156	- Specified write-downs	6,7,8	-173	-143	-173
-278	-278	-278	- Write-downs by loan category	6	-295	-295	-295
76,602	73,468	75,575	Net loans to and receivables from customers		78,898	75,988	79,836
16,887	20,318	17,623	Fixed-income CDs and bonds	15	17,623	20,318	16,887
3,051	3,117	3,206	Derivatives	14	3,205	3,113	3,050
492	354	640	Shares, units and other equity interests	2,15	1,108	761	1,030
3,138	2,899	3,200	Investment in related companies		4,787	4,518	4,624
2,442	2,169	2,442	Investment in group companies		-	-	-
114	426	114	Investment held for sale		62	474	113
447	447	447	Goodwill		521	490	495
2,110	1,806	1,907	Other assets	9	3,122	2,963	3,344
114,074	109,784	110,302	Total assets		111,609	110,790	115,360
5,159	4,916	5,565	Deposits from credit institutions		5,567	4,915	5,159
1,220	2,273	1,143	Funding, "swap" arrangement with the government		1,143	2,273	1,220
56,531	53,506	55,185	Deposits from and debt to customers	10	54,736	52,603	56,074
33,762	32,347	29,914	Debt created by issue of securities	11	29,914	32,347	33,762
2,295	2,714	2,516	Derivatives	15	2,516	2,714	2,295
1,992	2,477	2,762	Other liabilities	12	3,036	2,886	2,303
-	-	-	Investment held for sale		-	31	-
3,304	2,850	3,308	Subordinated loan capital	11	3,308	2,850	3,304
104,263	101,084	100,393	Total liabilities		100,220	100,620	104,118
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	895	895	Premium fund		895	895	895
2,496	1,889	2,496	Dividend equalisation fund		2,496	1,889	2,496
227	-	-	Recommended dividends		-	-	227
124	-	-	Provision for gifts		-	-	124
3,276	2,944	3,276	Savings bank's reserve		3,276	2,944	3,276
195	106	195	Unrealised gains reserve		206	123	206
-0	38	-	Other equity capital		1,357	1,340	1,354
-	231	450	Profit for the periode		500	321	-
			Minority interests		62	62	67
9,811	8,700	9,909	Total equity capital	13	11,389	10,170	11,242
114,074	109,784	110,302	Total liabilities and equity		111,609	110,790	115,360

Cash flow statement

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOK million)	31 Mar 2014	31 Mar 2013	31 Dec 2013
1,348	231	450	Profit	500	321	1,400
53	13	9	Depreciations and write-downs on fixed assets	26	30	118
82	15	15	Losses on loans and guarantees	17	17	101
1,484	259	474	Net cash increase from ordinary operations	542	367	1,619
-587	-323	45	Decrease/(increase) other receivables	49	-248	-652
-121	782	990	Increase/(decrease) short term debt	953	735	-244
-4,627	-1,426	1,012	Decrease/(increase) loans to customers	920	-1,501	-5,433
-2,580	1,150	4,248	Decrease/(increase) loans credit institutions	4,302	1,158	-2,376
3,344	319	-1,345	Increase/(decrease) deposits and debt to customers	-1,338	351	3,822
-1,031	-221	328	Increase/(decrease) debt to credit institutions	331	-222	-1,031
277	-3,154	-736	Increase/(decrease) in short term investments	-736	-3,154	277
-3,842	-2,614	5,017	A) NET CASH FLOW FROM OPERATIONS	5,024	-2,513	-4,018
-22	-7	-7	Increase in tangible fixed assets	-35	-3	-31
-	-	-	Reductions in tangible fixed assets	-	-	-
-58	142	-62	Paid-up capital, associated companies	-111	27	250
-137	0	-149	Net investments in long-term shares and partnerships	-78	16	-253
-217	135	-218	B) NET CASH FLOW FROM INVESTMENTS	-224	40	-34
264	-190	4	Increase/(decrease) in subordinated loan capital	4	-190	264
-	-	-	Increase/(decrease) in equity	-	-	0
-195	-195	-227	Dividend cleared	-227	-195	-195
-30	-30	-124	To be disbursed from gift fund	-124	-30	-30
31	38	-	Correction of equity capital	-2	32	25
3,503	2,088	-3,847	Increase/(decrease) in other long term loans	-3,847	2,088	3,503
3,573	1,711	-4,195	C) NET CASH FLOW FROM FINANCAL ACTIVITIES	-4,197	1,705	3,566
-486	-768	603	A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	603	-768	-486
1,079	1,079	593	Cash and cash equivalents at 1.1	593	1,079	1,079
593	311	1,196	Cash and cash equivalents at end of quarter	1,196	311	593
486	768	-603	Net changes in cash and cash equivalents	-603	768	486

Change in equity

Parent Bank (NOK million)	Issued equity			Earned equity			Unrealised gains reserve	Other equity	Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts			
Equity capital at 1 January 2013	2,597	895	2,944	1,889	195	30	106	38	8,694
Net Profit	-	-	321	587	227	124	89	-	1,348
Other comprehensive income									
Estimate deviation, pensions	-	-	11	20	-	-	-	-38	-7
Other comprehensive income	-	-	11	20	-	-	-	-38	-7
Total other comprehensive income	-	-	332	607	227	124	89	-38	1,342
Transactions with owners									
Dividend declared for 2011	-	-	-	-	-195	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-30
Reduction of nominal value per equity certificate	0	-	-	-0	-	-	-	-	0
Total transactions with owners	-	-	-	-	-195	-30	-	-	-225
Equity capital at 31 December 2013	2,597	895	3,276	2,495	227	124	195	-	9,811
Equity capital at 1 January 2014	2,597	895	3,276	2,495	227	124	195	-	9,811
Net Profit	-	-	-	-	-	-	-	450	450
Other comprehensive income									
Estimate deviation, pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	450	450
Transactions with owners									
Dividend declared for 2012	-	-	-	-	-227	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-0
Total transactions with owners	-0	-	-0	-	-227	-124	-	-	-352
Equity capital at 31 March 2014	2,597	895	3,276	2,495	-	-	195	450	9,909

Group	Majority share									
	Issued equity			Earned equity						
(NOK million)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2013	2,597	895	2,944	1,889	195	30	123	1,342	67	10,082
Net Profit	-	-	321	587	227	124	89	41	10	1,400
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	25	-	25
Estimate deviation, pensions	-	-	11	20	-	-	-	-39	-	-8
Other comprehensive income	-	-	11	20	-	-	-6	-15	-	11
Total other comprehensive income	-	-	332	607	227	124	84	27	10	1,411
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-195	-	-	-	-	-195
To be disbursed from gift fund	-	-	-	-	-	-30	-	-	-	-30
Sale of own ECCs	0	-	-	-0	-	-	-	-	-	0
Direct recognitions in equity	-	-	-	-	-	-	-	-6	-	-6
Pension correction 1 January	-	-	-	-	-	-	-	1	-	1
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-12	-	-12
Change in minority share	-	-	-	-	-	-	-	-	-10	-10
Total transactions with owners	0	-	-	-0	-195	-30	-	-16	-10	-251
Equity capital at 31 December 2013	2,597	895	3,276	2,496	227	124	206	1,354	67	11,242

Group (NOK million)	Majority share									
	Issued equity			Earned equity						
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2014	2,597	895	3,276	2,496	227	124	206	1,354	67	11,242
Net profit	-	-	-	-	-	-	-	498	1	500
Other comprehensive income										
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-	-	-
Estimate deviation, pensions	-	-	-	-	-	-	-	1	-	1
Other comprehensive income	-	-	-	-	-	-	-	1	-	1
Total other comprehensive income	-	-	-	-	-	-	-	499	1	501
Transactions with owners										
Dividend declared for 2012	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-0	-	-0
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	4	-	4
Change in minority share	-	-	-	-	-	-	-	-	-6	-6
Total transactions with owners	-0	-	-0	-	-227	-124	-	4	-6	-354
Equity capital at 31 March 2014	2,597	895	3,276	2,496	-	-	206	1,857	62	11,389

Equity capital certificate ratio

(NOK million)	31 Mar 2014	31 Dec 2013
ECC capital	2,597	2,597
Dividend equalisation reserve	2,496	2,496
Premium reserve	895	895
Unrealised gains reserve	126	126
A. The equity capital certificate owners' capital	6,114	6,114
Ownerless capital	3,276	3,276
Unrealised gains reserve	69	69
B. The saving bank reserve	3,345	3,345
To be disbursed from gift fund	-	124
Dividend declared	-	227
Equity ex. profit	9,459	9,811
Equity capital certificate ratio A/(A+B)	64.64 %	64.64 %
Equity capital certificate ratio for distribution	64.64 %	64.64 %

Results from quarterly accounts

Group in NOKm	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012
Interest income	1,027	1,059	1,068	1,036	954	941	989	989	1,009
Interest expenses	615	624	634	633	611	543	630	619	659
Net interest	412	436	434	403	343	399	358	369	351
Commission income	318	323	323	323	262	280	252	240	196
Commission expenses	25	25	28	21	20	28	25	22	21
Other operating income	93	84	72	95	75	69	68	71	60
Commission income and other income	385	382	367	396	317	321	294	288	235
Dividends	46	0	11	30	0	2	0	9	0
Income from investment in related companies	82	98	120	36	101	3	91	59	92
Net return on financial investments	129	58	5	-17	61	32	86	17	60
Net return on financial investments	257	156	135	49	162	37	177	85	153
Total income	1,055	974	937	849	822	756	829	742	739
Staff costs	254	222	224	237	240	234	235	223	232
Administration costs	123	134	100	117	97	113	112	98	97
Other operating expenses	64	110	83	81	78	90	75	76	69
Total operating expenses	441	465	406	436	414	437	421	398	398
Result before losses	614	508	530	413	407	319	408	345	342
Loss on loans, guarantees etc.	17	32	30	21	17	17	16	17	8
Result before tax	597	476	501	391	390	302	392	328	333
Tax charge	99	110	98	102	77	69	77	81	68
Result investment held for sale, after tax	1	-4	31	-4	7	27	-9	-9	7
Net profit	500	361	433	285	321	260	306	238	272

Key figures from quarterly accounts

Group in NOKm	1Q 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	4Q 2012	3Q 2012	2Q 2012	1Q 2012
Profitability									
Return on equity per quarter	17.7%	13.1%	16.3%	11.1%	12.7%	10.5%	12.8%	10.7%	13.0%
Cost-income ratio	42 %	48%	43%	51%	50%	58%	51%	54%	53%
Balance sheet									
Gross loans to customers	79,366	80,303	79,842	78,976	76,425	74,943	75,357	73,595	71,681
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	111,560	112,038	110,237	108,968	106,830	104,909	103,274	100,552	97,387
Deposits from customers	54,736	56,074	53,423	55,268	52,603	52,252	50,836	51,504	48,974
Total assets	111,609	115,360	111,977	113,190	110,790	107,919	110,605	107,780	99,031
Average total assets	113,485	113,668	112,583	111,979	109,344	109,279	109,227	103,422	100,242
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	4.4 %	6.8 %	6.7 %	8.4 %	9.7 %	10.2 %	11.4 %	10.6 %	9.9 %
Growth in deposits last 12 months	4.1 %	7.3 %	5.1 %	7.3 %	7.4 %	9.2 %	10.5 %	12.0 %	14.2 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.06 %	0.12 %	0.11 %	0.08 %	0.06 %	0.06 %	0.06 %	0.07 %	0.04 %
Non-performing commitm. as a percentage of gross loans	0.24 %	0.34 %	0.35 %	0.38 %	0.36 %	0.36 %	0.39 %	0.34 %	0.33 %
Other doubtful commitm. as a percentage of gross loans	0.21 %	0.14 %	0.19 %	0.13 %	0.15 %	0.14 %	0.16 %	0.20 %	0.19 %
Solidity									
Common equity tier 1	11.1 %	11.1 %	10.7 %	10.3 %	10.4 %	10.0 %	9.3 %	9.5 %	8.8 %
Core capital ratio	12.9 %	13.0 %	12.6 %	12.2 %	11.7 %	11.3 %	10.6 %	11.0 %	10.3 %
Capital adequacy ratio	14.8 %	14.7 %	14.2 %	13.8 %	13.3 %	13.3 %	11.9 %	12.4 %	11.8 %
Core capital	11,303	10,989	10,707	10,508	9,686	9,357	8,826	8,722	7,902
Net equity and related capital	12,893	12,417	12,053	11,894	10,971	10,943	9,891	9,900	9,008
Key figures ECC *)									
ECC price	53.75	55.00	45.70	46.50	46.90	34.80	37.00	32.10	36.60
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	124.21	124.21
Booked equity capital per ECC (including dividend)	56.39	55.69	53.76	51.66	50.32	50.09	49.00	47.97	46.82
Profit per ECC, majority	2.48	1.79	2.18	1.43	1.55	1.29	1.54	1.22	1.41
Price-Earnings Ratio	5.42	7.68	5.23	8.13	7.55	6.74	6.09	6.58	6.49
Price-Book Value Ratio	0.95	0.99	0.85	0.90	0.93	0.69	0.76	0.67	0.78

*) The key figures are corrected for issues

Notes

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Note 1 - Accounting principles

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

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 2013. 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:

IFRS 10 – Consolidated Financial Statements. This standard deals with defining “subsidiary”, and gives more weight to actual control than earlier rules. Control exists only where and investor has power over relevant activities of the investee, exposure to variable returns, and in addition the ability to use its power to affect the investee's returns. In cases where loan terms are breached, the Bank will consider whether it has achieved genuine power under IFRS 10. The standard is implemented from 1 January 2014.

IFRS 11 – Joint Arrangements replaces IAS 31 and SIC-13. IFRS 11 removes the opportunity to apply proportional consolidation for jointly-controlled entities. The Bank has considered the effect of the new standard, in particular in relation to the alliance Alliansesamarbeidet SpareBank 1 DA, and concluded that it will not be of essential significance for the Group's reporting. The standard is implemented from 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities. This standard extends the disclosure requirement in next year's annual accounts as regards investments in subsidiaries, associates, jointly controlled entities and structured entities. The standard is implemented from 1 January 2014.

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.

Nets Holding AS

SpareBank 1 SMN has entered an agreement to sell its stake in Nets Holding AS. The stake is 2.2 per cent, corresponding to 4,028,773 shares. The sale requires the approval of the regulatory authorities. The process is expected to reach completion in the second quarter of 2014. The shares are measured at fair value via profit/loss and are valued at the end of the first quarter at the agreed sale price in Danish kroner converted using the exchange rate in effect on the balance sheet date. Unrealised gain including agio is recognised in an amount of NOK 148m. In addition, received dividend is recognised in an amount of NOK 8.8m.

Note 3 - Account by business line

As from 1 January 2014 the Bank's SMB portfolio is split up and assigned to Retail Banking and Corporate Banking respectively. Limited companies are transferred to Corporate Banking. Sole proprietorships, agricultural customers and associations etc are transferred to Retail Banking. Historical data have not been reworked owing to the difficulty of reconstructing such data at a sufficiently precise level.

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, after tax, as well as book value of the investment at group level.

Group 31 March 2014

Profit and loss account (NOK million)	RM	CM	Markets	EM 1	SB1	SB1	SB1	BN	Uncollated	Total
					Finans	Regnskaps-				
					MN	huset	SMN			
Net interest	197	206	-3	-1	32	0	-	-	-20	412
Interest from allocated capital	9	14	0	-	-	-	-	-	-23	-
Total interest income	206	220	-2	-1	32	0	-	-	-43	412
Commission income and other income	194	38	8	79	-0	50	-	-	18	385
Net return on financial investments (**)	0	9	11	-	0	-	46	25	168	259
Total income *)	400	267	17	78	31	50	46	25	142	1,055
Total operating expenses	204	84	16	75	13	43	-	-	7	441
Ordinary operating profit	196	182	1	3	19	7	46	25	135	614
Loss on loans, guarantees etc.	1	14	-	-	2	-	-	-	-0	17
Result before tax including held for sale	195	169	1	3	17	7	46	25	137	598
Post-tax return on equity	36.3 %	16.5 %								17.7 %
Balance (NOK million)										
Loans and advances to customers	73,735	33,436	-	-	3,376	-	-	-	1,013	111,560
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-31,054	-1,138	-	-	-	-	-	-	-3	-32,194
Individual allowance for impairment on loan	-28	-128	-	-	-17	-	-	-	0	-173
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-	-295
Other assets	279	140	-	281	12	140	1,161	1,213	29,485	32,711
Total assets	42,842	32,123	-	281	3,355	140	1,161	1,213	30,495	111,609
Deposits to customers	29,432	24,740	-	-	-	-	-	-	565	54,736
Other liabilities and equity	13,411	7,383	-	281	3,355	140	1,161	1,213	29,930	56,873
Total liabilities	42,842	32,123	-	281	3,355	140	1,161	1,213	30,495	111,609

Group 31 March 2013

Profit and loss account (NOK million)	Group					SB1	SB1	SB1	BN	Uncollated	Total
	RM	SME	Corporates	Markets	EM 1	Finans MN	Regnskaps- huset SMN	SB1 Gruppen	BN Bank		
Net interest	134	69	148	-5	1	30	0	-	-	-33	343
Interest from allocated capital	3	-	8	-	-	-	-	-	-	-11	-
Total interest income	137	69	156	-5	1	30	0	-	-	-44	343
Commission income and other income	137	19	20	7	73	-3	33	-	-	31	317
Net return on financial investments **)	0	1	4	21	-	-	-	61	25	57	169
Total income *)	274	88	180	23	74	26	33	61	25	44	829
Total operating expenses	164	34	61	21	63	10	29	-	-	31	414
Ordinary operating profit	110	54	119	2	11	16	3	61	25	13	414
Loss on loans, guarantees etc.	3	2	10	-	-	2	-	-	-	1	17
Result before tax including held for sale	107	53	109	2	11	14	3	61	25	13	398
Post-tax return on equity	25.2 %	33.8 %	10.1 %								12.7 %
Balance (NOK million)											
Loans and advances to customers	61,943	8,602	32,569	-	-	3,146	-	-	-	570	106,830
Adv. of this to SpareBank 1 Boligkreditt	-29,441	-386	-578	-	-	-	-	-	-	-	-30,405
Individual allowance for impairment on loan	-25	-18	-85	-	-	-15	-	-	-	-0	-143
Group allowance for impairment on loan	-73	-30	-175	-	-	-16	-	-	-	-0	-295
Other assets	89	318	46	-	89	42	37	1,083	1,119	31,978	34,802
Total assets	32,493	8,486	31,777	-	89	3,157	37	1,083	1,119	32,548	110,790
Deposits to customers	23,270	8,768	18,990	-	-	-	0	-	-	1,575	52,603
Other liabilities and equity	9,223	-282	12,788	-	89	3,157	37	1,083	1,119	30,972	58,187
Total liabilities	32,493	8,486	31,777	-	89	3,157	37	1,083	1,119	32,548	110,790

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

	31 Mar 2014	31 Mar 2013
**) Specification of net return on financial investments (NOKm)		
Capital gains/dividends, shares	156	24
Bonds and derivatives	-1	11
Forex and fixed income business, Markets	20	25
Net return on financial investments	175	61
SpareBank 1 Gruppen	46	61
SpareBank 1 Boligkreditt	8	12
SpareBank 1 Næringskreditt	11	2
BN Bank	25	26
SpareBank 1 Markets	-4	-
Other jointly controlled companies	-2	7
Income from investment in related companies	84	108
Total	259	169

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
592	157	161	Personnel expenses	254	240	923
187	44	55	IT costs	61	50	206
24	6	6	Postage and transport of valuables	7	7	29
38	9	8	Marketing	12	11	58
53	13	9	Ordinary depreciation	26	30	118
120	31	29	Operating expenses, real properties	22	24	118
58	9	9	Purchased services	12	11	71
125	25	28	Other operating expense	48	41	199
1,197	295	305	Total other operating expenses	441	414	1,722

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
6,208	5,870	6,203	Agriculture, forestry, fisheries, hunting	6,351	6,031	6,359
2,334	2,075	1,487	Sea farming industries	1,621	2,226	2,463
1,946	2,180	1,840	Manufacturing	2,030	2,396	2,142
2,693	2,922	2,592	Construction, power and water supply	3,105	3,446	3,207
2,275	2,536	2,210	Retail trade, hotels and restaurants	2,375	2,715	2,442
5,395	5,768	5,092	Maritime sector	5,099	5,774	5,402
12,048	12,580	11,946	Property management	12,016	12,056	12,118
3,646	3,533	3,651	Business services	3,889	3,776	3,867
2,284	2,201	2,255	Transport and other services provision	2,685	2,519	2,706
400	203	270	Public administration	293	230	423
2,391	1,757	2,561	Other sectors	2,566	1,763	2,395
41,619	41,624	40,107	Gross loans in retail market	42,030	42,930	43,523
67,146	62,655	68,096	Wage earners	69,530	63,900	68,515
108,765	104,279	108,203	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	111,560	106,830	112,038
30,514	29,789	30,961	SpareBank 1 Boligkreditt	30,961	29,789	30,514
1,221	616	1,233	SpareBank 1 Næringskreditt	1,233	616	1,221
77,030	73,874	76,009	Gross loans in balance sheet	79,366	76,425	80,303

Note 6 - Losses on loans and guarantees

Parent bank			(NOKm)	Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014		31 Mar 2014	31 Mar 2013	31 Dec 2013
22	-1	6	Change in individual impairment losses provisions for the period	0	-2	29
-	-	-	Change in collective impairment losses provisions for the period	-	-	-
34	18	10	Actual loan losses on commitments for which provisions have been made	16	21	40
39	0	1	Actual loan losses on commitments for which no provision has been made	3	1	45
-13	-3	-2	Recoveries on commitments previously written-off	-2	-3	-14
82	15	15	Losses of the year on loans and guarantees	17	17	101

Note 7 - Losses

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
129	129	150	Individual write-downs to cover loss on loans at 01.01*	173	144	144
			+ Increased write-downs on provisions previously written down	3	3	15
12	3	3				
16	3	2	- Reversal of provisions from previous periods	2	4	18
59	18	15	+ Write-downs on provisions not previously written down	16	19	71
			- Actual losses during the period for which provisions for individual impairment losses have been made previously	16	21	40
34	18	10				
150	128	156	Specification of loss provisions at end of period	173	143	173
73	18	11	Actual losses	19	21	85

*) 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			(NOKm)	Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014		31 Mar 2014	31 Mar 2013	31 Dec 2013
Total defaults						
311	316	205	Loans in default for more than 90 days *)	263	388	386
73	61	51	- individual write-downs	59	71	87
238	255	155	Net defaults	205	317	299
24 %	19 %	25 %	Provision rate	22 %	18 %	23 %
Problem Loans						
146	138	213	Problem loans (not in default)	231	160	157
76	67	105	- individual write-downs	114	72	86
70	71	108	Net problem loans	117	87	71
52 %	49 %	49 %	Provision rate	49 %	45 %	55 %

*) There are no defaults that relates to loans in the guarantee portfolio taken over from BN Bank per Q1. Any default in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank			(NOKm)	Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014		31 Mar 2014	31 Mar 2013	31 Dec 2013
-	-	-	Deferred tax benefit	18	13	18
169	194	167	Fixed assets	1,160	1,241	1,176
1,568	1,174	1,393	Earned income not yet received	1,409	1,182	1,591
207	17	149	Accounts receivable, securities	149	17	207
82	74	82	Pensions	82	74	82
84	347	116	Other assets	305	437	270
2,110	1,806	1,907	Total other assets	3,122	2,963	3,344

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
2,059	2,159	2,149	Agriculture, forestry, fisheries, hunting	2,149	2,159	2,059
406	157	506	Sea farming industries	506	157	406
1,239	1,376	1,614	Manufacturing	1,614	1,376	1,239
1,808	1,705	1,630	Construction, power and water supply	1,630	1,705	1,808
4,313	3,566	3,249	Retail trade, hotels and restaurants	3,249	3,566	4,313
2,150	1,101	1,929	Maritime sector	1,929	1,101	2,150
4,142	4,768	3,747	Property management	3,635	4,143	4,033
4,885	4,783	4,681	Business services	4,681	4,783	4,885
4,320	3,840	4,308	Transport and other services provision	4,010	3,670	3,999
4,723	4,288	4,687	Public administration	4,687	4,288	4,723
2,620	2,929	2,513	Other sectors	2,473	2,821	2,594
32,666	30,672	31,012	Total	30,562	29,769	32,209
23,865	22,833	24,174	Wage earners	24,174	22,833	23,865
56,531	53,506	55,185	Total deposits	54,736	52,603	56,074

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
2,750	653	2,750	Short-term debt instruments, nominal value	2,750	653	2,750
30,718	31,317	26,761	Bond debt, nominal value	26,761	31,317	30,718
294	377	404	Value adjustments	404	377	294
33,762	32,347	29,914	Total	29,914	32,347	33,762

Change in securities debt, subordinated debt and hybrid equity

	31 Mar 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Short-term debt instruments, nominal value	2,750	-	-	-	2,750
Bond debt, nominal value	26,761	2,021	4,950	-1,028	30,718
Value adjustments	404	-	-	110	294
Total	29,914	2,021	4,950	-918	33,762
	31 Mar 2014	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2013
Ordinary subordinated loan capital, nominal value	1,524	-	-	2	1,522
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	83	-	-	1	82
Total	3,308	-	-	4	3,304

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
17	98	17	Deferred tax	24	107	23
438	256	401	Payable tax	431	295	476
8	10	8	Capital tax	8	10	8
883	1,066	1,193	Accrued expenses and received, non-accrued income	1,356	1,349	1,091
48	80	76	Provision for accrued expenses and commitments	76	80	48
73	173	47	Drawing debt	47	173	73
7	1	5	Creditors	45	38	29
339	526	742	Debt from securities	742	526	339
179	268	273	Other liabilities	308	309	215
1,992	2,477	2,762	Total other liabilities	3,036	2,886	2,303

Note 13 - Capital adequacy

SpareBank 1 SMN has used IRB (Internal Rating Approach – Foundation) to calculate charges for credit risk since January 2007. Using IRB imposes wide-ranging requirements on the bank's organisation, competence, risk models and risk management systems. In June 2013 the bank applied for permission to switch to Advanced IRB for enterprise portfolios currently reported using the foundation approach. The effect of the risk weights under IRB is limited due to transitional rules set out in regulations issued by Finanstilsynet.

As from Q2 2013 the measurement method for operational risk was changed from the basic approach to the standardised approach at the Parent Bank. At the Group level, subsidiaries are still measured using the basic approach.

As from 1 July 2013 new buffer requirements have been introduced; see the Financial Institutions Act section 2-9e. As of 31 March 2014 the capital conservation buffer requirement is 2.5 per cent and the systemic risk buffer requirement is 2 per cent. These requirements are in addition to the requirement that own funds should constitute at least 4.5 per cent common equity tier 1 (CET1) capital, bringing the overall minimum CET1 requirement to 9 per cent.

Over the course of 2014 the systemic risk buffer requirement will increase by a further 1 percentage point, bringing the overall CET1 requirement as of 30 June 2014 to 10 per cent. As of 1 July 2015, a countercyclical buffer requirement of 1 percentage point will be applicable.

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, on the other hand, hybrid capital has no fixed term to maturity and has no repayment incentives, it may be included as an element of core capital up to limit of 35 per cent of aggregate core 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.

In connection with change requirements regarding the conditions for hybrid capital, hybrid capital that does not satisfy the new requirements over time will not be eligible for inclusion in other core capital. Such hybrid capital will be reduced by 20 per cent in 2014 and 10 per cent thereafter. As of 31 March 2014, SpareBank 1 SMN held NOK 450m in hybrid capital which will be subject to reduction.

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

For detailed information regarding subordinated debt and hybrid capital, see note 38 in the banks's annual report.

Parent Bank				Group		
31 Dec 2013	31 Mar 2013	31 Mar 2014	(NOKm)	31 Mar 2014	31 Mar 2013	31 Dec 2013
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	895	895	Premium fund	895	895	895
2,496	1,889	2,496	Dividend equalisation fund	2,496	1,889	2,496
3,276	2,944	3,276	Savings bank's reserve	3,276	2,944	3,276
227	-	-	Recommended dividends	-	-	227
124	-	-	Provision for gifts	-	-	124
195	106	195	Unrealised gains reserve	206	123	206
-	38	-	Other equity and minority interest	1,419	1,402	1,421
-	231	450	Net profit	500	321	-
9,811	8,700	9,909	Total book equity	11,389	10,170	11,242
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-613	-531	-582
-	-	-	Part of reserve for unrealised gains, associated companies	98	57	98
-352	-	-	Deduction for allocated dividends and gifts	-4	-6	-361
-401	-448	-413	50 % deduction for subordinated capital in other financial institutions	-120	-2	-106
-240	-178	-275	50 % deduction for expected losses on IRB, net of write-downs	-259	-193	-214

-	-	-	50 % capital adequacy reserve	-623	-734	-595
-109	-109	-80	Surplus financing of pension obligations	-78	-107	-107
-	-231	-450	Net profit	-500	-321	-
-	169	329	Year-to-date profit included in core capital (73% pre tax)	365	234	-
8,262	7,455	8,574	Total common equity Tier one	9,655	8,568	9,374
1,431	932	1,433	Hybrid capital, core capital	1,647	1,118	1,615
9,693	8,387	10,007	Total core capital	11,303	9,686	10,989
			Supplementary capital in excess of core capital			
-	-	-	State Finance Fund, supplementary capital	-	31	31
304	308	304	Perpetual subordinated capital	362	308	363
1,569	1,610	1,570	Non-perpetual subordinated capital	2,230	1,875	1,950
-401	-448	-413	50 % deduction for subordinated capital in other financial institutions	-120	-2	-106
-240	-178	-275	50 % deduction for expected losses on IRB, net of write-downs	-259	-193	-214
-	-	-	50 % capital adequacy reserve	-623	-734	-595
1,231	1,292	1,187	Total supplementary capital	1,591	1,285	1,428
10,924	9,679	11,194	Net subordinated capital	12,893	10,971	12,417
			Minimum requirements subordinated capital, Basel II			
1,573	1,661	1,508	Involvement with specialised enterprises	1,508	1,661	1,573
1,478	1,505	1,380	Other corporations exposure	1,381	1,505	1,479
70	52	136	SME exposure	145	56	74
363	326	703	Retail mortgage exposure	1,153	583	628
28	26	37	Other retail exposure	43	28	33
1,157	1,108	1,225	Equity investments	-	-	-
4,669	4,678	4,989	Total credit risk IRB	4,229	3,833	3,787
224	257	281	Debt risk	281	257	224
8	14	-	Equity risk	3	15	10
-	-	-	Currency risk	-	-	-
297	337	292	Operational risk	416	438	398
560	545	579	Exposures calculated using the standardised approach	2,186	2,086	2,151
-67	-75	-69	Deductions	-126	-125	-119
-	-	-	Transitional arrangements	-	102	316
5,690	5,756	6,072	Minimum requirements subordinated capital	6,989	6,606	6,767
71,130	71,951	75,900	Risk weighted assets (RWA)	87,361	82,578	84,591
			Capital adequacy			
11.6 %	10.4 %	11.3 %	Common equity Tier one ratio	11.1 %	10.4 %	11.1 %
13.6 %	11.7 %	13.2 %	Core capital ratio	12.9 %	11.7 %	13.0 %
15.4 %	13.5 %	14.7 %	Capital adequacy ratio	14.8 %	13.3 %	14.7 %

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 first quarter 2014 the Bank has 25 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
31 Mar 2014	Derivatives	1,098
31 Mar 2012	Derivatives	660
31 Dec 2013	Derivatives	1,488

Parent Bank and Group are identical.

Note 15 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2014:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	149	3,056	-	3,205
Bonds and money market certificates	4,170	12,107	-	16,278
Equity instruments	63	-	995	1,058
Fixed interest loans	-	-	2,565	2,565
Financial assets available for sale				
Equity instruments	-	-	36	36
Total assets	4,382	15,164	3,596	23,142
Liabilities	Nivå 1	Nivå 2	Nivå 3	Total
Financial liabilities through profit/loss				
Derivatives	409	2,107	-	2,516
Total liabilities	409	2,107	-	2,516

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2013:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	110	3,002	-	3,112
Bonds and money market certificates	3,778	14,040	-	17,818
Equity instruments	112	-	603	715
Fixed interest loans	-	-	2,746	2,746
Financial assets available for sale				
Equity instruments	-	-	46	46
Total assets	4,001	17,042	3,395	24,438
Liabilities	Nivå 1	Nivå 2	Nivå 3	Total
Financial liabilities through profit/loss				
Derivatives	75	2,639	-	2,714
Total liabilities	75	2,639	-	2,714

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2013:

Assets (NOK million)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	111	2,939	-	3,050
Bonds and money market certificates	4,003	11,539	-	15,542
Equity instruments	67	-	909	976
Fixed interest loans	-	-	2,648	2,648
Financial assets available for sale				
Equity instruments	-	-	40	40
Total assets	4,181	14,477	3,597	22,256
Liabilities	Nivå 1	Nivå 2	Nivå 3	Total
Financial liabilities through profit/loss				
Derivatives	334	1,961	-	2,295
Total liabilities	334	1,961	-	2,295

The following table presents the changes in the instruments classified in level 3 as at 31 March 2014:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,648	909	40	3,598
Investment in periode	17	7	-	24
Disposals in the periode	-94	-71	-	-165
Gain or loss on financial instruments	-6	150	-3	140
Closing balance 31 December	2,565	995	36	3,596

The following table presents the changes in the instruments classified in level 3 as at 31 March 2013:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	3,231
Investment in periode	243	-	-	243
Disposals in the periode	-95	-	-	-95
Gain or loss on financial instruments	13	2	-	15
Closing balance 31 December	2,746	603	46	3,395

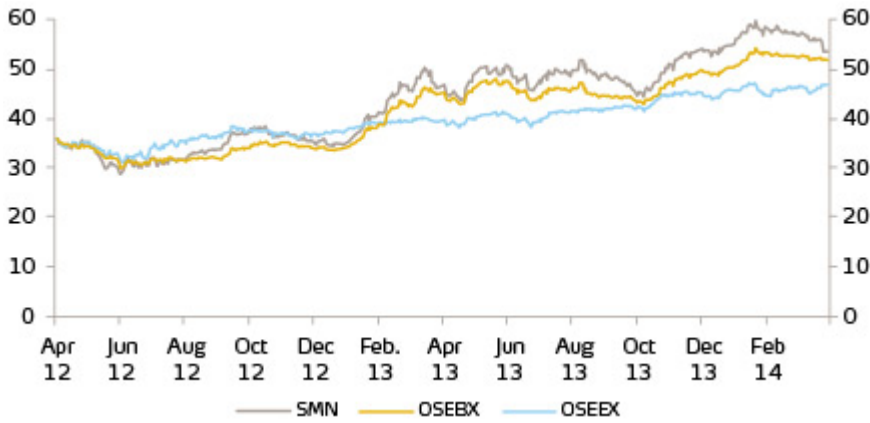
The following table presents the changes in the instruments classified in level 3 as at 31 December 2013:

(NOK million)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,585	601	46	3,231
Investment in periode	413	388	-	801
Disposals in the periode	-343	-151	-	-495
Gain or loss on financial instruments	-6	72	-6	61
Closing balance 31 December	2,648	909	40	3,598

Equity capital certificates

Stock price compared with OSEBX and OSEEX

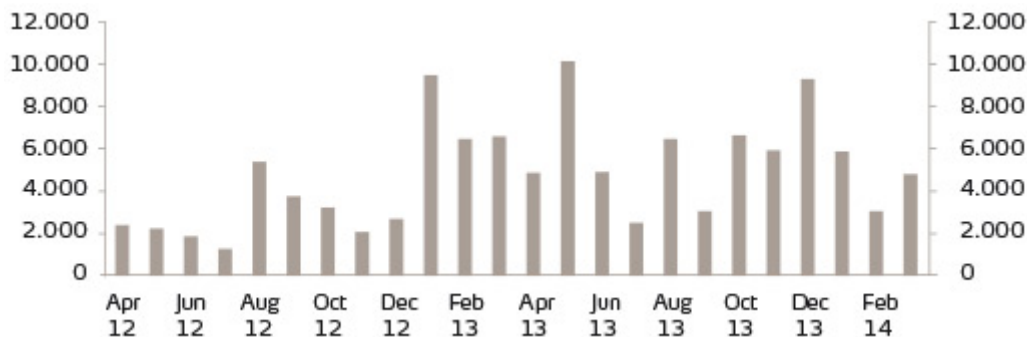
1 April 2012 to 31 March 2014



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

Trading statistics

1 April 2012 to 31 March 2014



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Odin Norge	4,042,430	3.11 %
Sparebankstiftelsen SpareBank 1 SMN	3,965,391	3.05 %
Verdipapirfondet DNB Norge (IV)	3,499,298	2.70 %
Pareto Aksje Norge	3,372,208	2.60 %
Odin Norden	2,854,979	2.20 %
Vind LV AS	2,736,435	2.11 %
Frank Mohn AS	2,359,388	1.82 %
Skandinaviska Enskilda Banken AB	2,197,613	1.69 %
VPF Nordea Norge verdi	2,109,924	1.63 %
MP Pensjon PK	2,058,415	1.59 %
Danske Invest Norske Aksjer Inst. II	1,888,867	1.45 %
Stenshagen Invest	1,693,384	1.30 %
State Street Bank and Trust CO (nominee)	1,592,711	1.23 %
Verdipapirfondet Fondsfinans Spar	1,450,000	1.12 %
Pareto Aktiv	1,418,600	1.09 %
Forsvarets Personellservice	1,397,746	1.08 %
The Bank of New York Mellon (nominee)	1,396,463	1.08 %
Odin Europa SMB	1,326,937	1.02 %
DNB Livsforsikring ASA	1,260,694	0.97 %
Danske Invest Norske Aksjer Instit. I	1,143,523	0.88 %
The 20 largest ECC holders in total	43,765,006	33.71 %
Others	86,071,437	66.29 %
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 Mars 31 2014**

We have reviewed the accompanying balance sheet of SpareBank1 SMN as of Mars 31 2014 and the related statements of income for the group, showing a profit of 501.000.000, changes in equity and cash flows for the three 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 Mars 31 2014, and of its financial performance and its cash flows for the three month period then ended in accordance with International Accounting Standard 34, as adopted by the EU.

Trondheim, 08.05.2014
Deloitte ASMette Estenstad (Signed)
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