



First Quarter Report 2015



Contents

Main figures	3
Report of the Board of Directors	4
Income statement	16
Balance sheet	18
Cash flow statement	19
Change in equity	20
Equity capital certificate ratio	23
Results from quarterly accounts	24
Key figures from quarterly accounts	25
Notes	26
Equity capital certificates	46
Auditor's report	48

Main figures

From the profit and loss account	31 Mar 2015		31 Mar 2014		2014	
	NOKm	%	NOKm	%	NOKm	%
Net interest	467	1.50	412	1.45	1,790	1.52
Commission income and other income	377	1.21	385	1.36	1,512	1.28
Net return on financial investments	198	0.63	257	0.91	720	0.61
Total income	1,042	3.34	1,055	3.72	4,021	3.41
Total operating expenses	454	1.45	441	1.56	1,789	1.52
Results	588	1.88	614	2.16	2,232	1.89
Loss on loans, guarantees etc	22	0.07	17	0.06	89	0.08
Results before tax	567	1.82	597	2.10	2,143	1.82
Tax charge	126	0.40	99	0.35	362	0.31
Result investment held for sale, after tax	-0	0.00	1	0.00	0	0.00
Net profit	441	1.41	500	1.76	1,782	1.51

Key figures	31 Mar 2015	31 Mar 2014	2014
Profitability			
Return on equity ¹⁾	14.1 %	17.7 %	15.1 %
Cost-income ratio ²⁾	44 %	42 %	44 %
Balance sheet			
Gross loans to customers	92,311	79,606	90,578
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	122,933	111,800	120,435
Deposits from customers	60,589	54,643	60,680
Deposit-to-loan ratio	66 %	69 %	67 %
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt	10.0 %	4.4 %	7.3 %
Growth in deposits	10.9 %	5.4 %	8.5 %
Average total assets	124,867	113,485	117,794
Total assets	123,687	111,609	126,047
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt			
Impairment losses ratio	0.07 %	0.06 %	0.11 %
Non-performing commitm. as a percentage of gross loans ³⁾	0.19 %	0.24 %	0.22 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.21 %	0.18 %
Solidity			
Capital adequacy ratio	17.0 %	14.8 %	15.7 %
Core capital ratio	14.3 %	12.9 %	13.0 %
Common equity tier 1	12.3 %	11.1 %	11.2 %
Core capital	12,713	11,303	12,382
Net equity and related capital	15,147	12,893	14,937
Branches and staff			
Number of branches	49	50	49
No. Of full-time positions	1,157	1,157	1,192

Key figures ECC ⁴⁾	31 Mar 2015	31 Mar 2014	2014	2013	2012	2011
ECC ratio	64.6 %	64.6 %	64.6 %	64.6 %	64.6 %	60.6 %
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	102.76
ECC price	59.50	53.75	58.50	55.00	34.80	36.31
Stock value (NOKM)	7,725	6,978	7,595	7,141	4,518	3,731
Booked equity capital per ECC (including dividend)	61.95	56.39	62.04	55.69	50.09	48.91
Profit per ECC, majority	2.18	2.48	8.82	6.92	5.21	6.06
Dividend per ECC			2.25	1.75	1.50	1.85
Price-Earnings Ratio	6.81	5.42	6.63	7.95	6.68	5.99
Price-Book Value Ratio	0.96	0.95	0.94	0.99	0.69	0.74

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 2015

(Consolidated figures. Figures in parentheses refer to the same period of 2014 unless otherwise stated).

- Pre-tax profit: NOK 567m (597m)
- Net profit first quarter: NOK 441m (500m)
- Return on equity: 14.1 percent (17.7 percent)
- Growth in lending 10.0 percent (4.4 percent) in past 12 months
- Growth in deposits 10.9 percent (5.4 percent) in past 12 months
- CET1 capital ratio: 12.3 percent (11.1 percent)
- Earnings per equity certificate: NOK 2.18 (NOK 2.48)
- Book value per equity certificate: NOK 61.95 (NOK 56.39)

Good performance first quarter 2015

Main points:

- Profit from core business strengthened by 8 percent. Increased net interest income from both the retail and corporate segment
- Group profit down NOK 59m compared with first quarter 2014
- High capital gains in first quarter 2014
- Moderate cost growth
- Low loan losses
- CET1 ratio: 12.3 percent (11.1 percent). Advanced IRB and higher risk weights on home mortgage loans implemented in first quarter
- Strong growth in lending and deposits

In the first quarter 2015 SpareBank 1 SMN achieved a net profit of NOK 441m (500m) and a return on equity of 14.1 percent (17.7 percent). Profit before tax was NOK 567m (597m).

Operating income in the first quarter increased by NOK 46m to NOK 844m compared with the same period of 2014, largely due to increased lending and an improved deposit margin.

Return on financial assets was NOK 198m (257m), of which income on owner interests accounted for NOK 129m (82m). The first quarter 2014 includes an unrealised gain of NOK 148m resulting from the agreed disposal of the bank's stake in Nets Holding.

Operating expenses were NOK 454m in the first quarter 2015 (441m).

Loan losses totalled NOK 22m (17m) in the first quarter.

12-month lending growth was 10.0 percent (4.4 percent) and deposit growth was 10.9 percent (5.4 percent) in the first quarter 2015.

SpareBank 1 SMN is planning for a CET1 ratio of 13.5 percent by 30 June 2016. The capital plan is further described in the section on financial strength. Home mortgage loan weights for Norwegian IRB banks were raised as from the first quarter, which in isolation weakened capital adequacy. SpareBank 1 SMN received permission to use the advanced IRB approach to calculate regulatory capital charges against credit risk for corporate clients. This is implemented as of the first quarter of 2015. The net effect of increased home mortgage weights and implementation of advanced IRB is a 0.8 percentage point increase in the CET1 ratio, and the CET1 ratio is calculated at 12.3 percent as at end-March 2015 (11.1 percent).

In the first quarter earnings per EC were NOK 2.18 (NOK 2.48), and book value per EC was NOK 61.95 at quarter-end (NOK 56.39). At the same point the quoted price was NOK 59.50 (NOK 53.75). A cash dividend of NOK 2.25 per EC has been paid in 2015 for the year 2014.

Net interest income

Net interest income came to NOK 467m (412m). The change from the first quarter 2014 is ascribed to:

- Increased lending to and deposits from retail and corporate customers alike
- Increased margins on deposits
- Reduced lending margins

Net interest income on loans sold to SpareBank 1 Boligkreditt (residential mortgage company) and SpareBank 1 Næringskreditt (commercial mortgage company) is recognised as commission income. Commission on loans sold to these two companies in the first quarter 2015 totalled NOK 91m (123m).

In the course of 2014 and the first quarter 2015 three general interest rate reductions have been carried out on loans to retail customers, and the bank has thereby adapted its home mortgage rates to the competitive situation. Retail and corporate deposit rates have been reduced in the above period due to falling costs of money market funding.

Compared with the fourth quarter 2014, net interest income has fallen by NOK 18m. Half of this figure is ascribable to fewer interest days in the first quarter than in the fourth quarter. The remainder of the decline is related to reduced lending margins, mainly on home mortgages.

Commission income

Net commission and other income came to NOK 377m (385m) in the first quarter 2015. Income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt were down NOK 32m due to lower margins on loans sold to SpareBank 1 Boligkreditt. A positive trend is noted for income from real estate agency, accounting services, insurance and guarantee commissions.

Commission income (NOKm)	31 Mar 2015	31 Mar 2014	Change
Payment transfers	47	48	-1
Creditcard	13	13	1
Saving products	11	10	1
Insurance	37	31	5
Guarantee commission	16	13	4
Real estate agency	83	71	12
Accountancy services	53	47	6
Active management	4	3	1
Rent	10	11	-0
Other commissions	11	16	-5
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	286	262	24
Commissions SB1 Boligkreditt and SB1 Næringskreditt	91	123	-32
Total commissions	377	385	-8

Good return on financial investments

Overall return on financial investments (excluding the bank's share of the profit/loss of associates and joint ventures) was NOK 69m (175m). Overall return breaks down as follows:

- Return on the group's equity portfolios totalled NOK 10m (156m, including a gain of NOK 148m taken to income on the stake in Nets Holding)
- Net gain on bonds and derivatives came to NOK 11m (loss of 1m)
- Capital gains on forex and fixed income trading at SpareBank 1 SMN Markets was NOK 48m (20m)

Capital gains/dividends, shares (NOKm)	31 Mar 2015	31 Mar 2014	Change
Capital gains/dividends, shares	10	156	-146
Bonds and derivatives	11	-1	12
SpareBank 1 SMN Markets	48	20	28
Net return on financial investments	69	175	-106
SpareBank 1 Gruppen	59	46	14
SpareBank 1 Markets	-2	-4	2
SpareBank 1 Boligkreditt	41	8	33
SpareBank 1 Næringskreditt	8	11	-3
SpareBank 1 Kredittkort	4	-2	6
BN Bank	18	25	-6
Companies owned by SpareBank 1 SMN Invest	-	-	-
Other companies	-0	-1	1
Income from investment in related companies	129	82	46
Total	198	257	-60

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for the first quarter 2015 was NOK 303m (249m). The main contributor to the profit was SpareBank 1 Forsikring. SpareBank 1 SMN's share of the profit was NOK 59m (46m).

SpareBank 1 Markets

At the end of the first quarter SpareBank 1 SMN held a stake of 27.3 percent in SpareBank 1 Markets. This company's financial result for the quarter was a loss of NOK 13m (loss of NOK 16m), of which SpareBank 1 SMN's share was minus NOK 2m (minus 4m).

As from 1 April 2015 the company was restructured with the integration of SpareBank 1 SMN's capital market activities into SpareBank 1 Markets. This brings SpareBank 1 SMN's stake to 73.3 percent. The

other owners are SpareBank 1 Nord-Norge (10.0 percent), SamSpar, i.e. Samarbeidende Sparebanker (10.0 percent), SpareBanken Hedmark (6.1 percent) and the Norwegian Confederation of Trade Unions and employee shareholders (0.6 percent). On a pro forma basis the overall business yields a profit of NOK 6m before tax in the first quarter. This is broadly in line with expectations.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS 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, affording them reduced funding costs. As of 31 March 2015 the bank had sold loans worth NOK 29bn (31bn) to SpareBank 1 Boligkreditt, corresponding to 39 percent (45 percent) of overall loans to retail borrowers.

The bank's stake in SpareBank 1 Boligkreditt AS is 17.67 percent, and the bank's share of that company's profit in the first quarter 2015 was NOK 41m (8m). Profit for the first quarter 2015 is heavily impacted by unrealised gains on the company's basis swaps.

SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established along the same lines, and with the same administration, as SpareBank 1 Boligkreditt. As of 31 March 2015, loans worth NOK 1.5bn (1.2bn) had been transferred to SpareBank 1 Næringskreditt. In 2014 the interest rate applied to loans sold from BN Bank to SpareBank 1 Næringskreditt was changed. This rate now reflects the capital cost for BN Bank's loans sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's stake in the company is 33.62 percent, and the bank's share of the company's profit in the first quarter 2015 was NOK 8m (11m).

SpareBank 1 Kredittkort

The company was in ordinary operation as from the second half of 2014, and achieved a net profit of NOK 21m in the first quarter 2015. SpareBank 1 SMN share of the profit was NOK 4m. SpareBank 1 Kredittkort is owned by the SpareBank 1 banks, and SpareBank 1 SMN has a stake of 18.43 percent. SpareBank 1 SMN's share of the portfolio is NOK 742m.

BN Bank

SpareBank 1 SMN had a 33 percent stake in BN Bank as of 31 March 2015. SpareBank 1 SMN's share of the profit of BN Bank in the first quarter 2015 was NOK 18m (25m), yielding a return on equity of about 6 percent.

BN Bank's focus is on implementing profitability-enhancing measures. BN Bank received approval to apply the advanced IRB approach to its corporate portfolio in April 2014, and has a CET1 ratio of 13.9 percent at 31 March 2015.

Low cost growth

Overall costs came to NOK 454m (441m) in the first quarter 2015. The increase of NOK 13m equals 2.8 percent. Parent bank costs rose by NOK 2m or 0.7 percent to reach NOK 307m.

Changing customer behaviour and far greater use of self-service solutions creates opportunities for significant efficiency enhancement. The bank plans for zero growth in costs at the parent bank in the period

to 2017. This will be achieved by a workforce reduction equivalent to about 100 full time positions over the course of 2015 and 2016.

In the course of the first quarter the number of FTEs at the parent bank was reduced by 34 to 719.

At the subsidiaries overall costs grew by NOK 10m or 7.5 percent, largely related to an increased cost base at SpareBank 1 Regnskapshuset SMN (accounting services). This is in keeping with the company's growthstrategy of acquiring local accounting businesses.

Operating expenses measured 1.45 percent (1.56 percent) of average total assets. The Group's cost-income ratio was 44 percent (42 percent).

Low losses and low defaults

Loan losses came to NOK 22m in the first quarter 2015 (17m).

Net losses of NOK 18m were recorded on loans to corporate clients, including a loss of 1m at SpareBank 1 Finans Midt-Norge. On loans to retail customers loss of NOK 4m was recorded in the first quarter 2015.

Total individually assessed loan impairment write-downs in the first quarter came to NOK 160m (173m), a decline of NOK 13m over the last 12 months.

Total problem loans (defaulted and doubtful) came to NOK 463m (494m), or 0.38 percent (0.44 percent) of gross loans as of 31 March 2015.

Defaults in excess of 90 days totalled NOK 237m (263m), a decline of NOK 26m. In terms of gross lending (including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt), defaults measure 0.19 percent (0.24 percent). Of total defaults, NOK 59m (59m) are loss provisioned, corresponding to 25 percent (22 percent). Defaults break down to NOK 95m on corporates and NOK 142m on retail customers.

Other doubtful exposures totalled NOK 226m (231m), i.e. 0.18 percent (0.21 percent) of gross outstanding loans. NOK 92m (114m) or 41 percent (49 percent) are loss provisioned. Other doubtful exposures break down to NOK 212m to corporate customers and NOK 14m 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 2015 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 124bn

The bank's assets totalled NOK 124bn at 31 March 2015 compared with NOK 112bn as of the first quarter 2014. As of the same date loans worth a total of 30.6bn (32.2bn) has 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 do however include loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Lending

In the 12 months to end-March total outstanding loans rose by NOK 11.1bn (4.7bn) or 10.0 percent (4.4 percent) to reach NOK 122.9bn (incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt). Lending grew in the first quarter by NOK 2.5bn or 2.1 percent.

Lending to corporates rose by NOK 5.6bn (reduced by NOK 0.9bn) or 13.2 percent (reduced by 2.1 percent) in the 12 months to end-March. Overall lending to corporates totalled NOK 47.8bn as of 31 March 2015. Growth is higher than envisaged in the bank's capital plan, and lending to corporates will be adjusted for the year as a whole. In the first quarter growth was NOK 1.4bn or 3.1 percent.

Loans to retail customers rose by NOK 5.6bn (5.6bn) to reach NOK 75.2bn in the last 12 months, equivalent to growth of 8.0 percent (8.8 percent). Loans to retail customers accounted for 61 percent (62 percent) of gross lending (incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt) to customers at end-March 2015. In the first quarter lending to retail customers rose by NOK 1.1bn or 1.4 percent.

(For distribution by sector, see Note 5).

Deposits

Customer deposits rose by NOK 5.9bn (2.1bn) to reach NOK 60.6bn in the 12 months to 31 March 2015. This represents a growth of 10.9 percent (5.4 percent). In the first quarter, overall deposits declined by NOK 0.1bn or 0.2 percent.

Retail customer deposits rose in the last 12 months by NOK 2.3bn (1.3bn) or 9.4 percent (5.9 percent) to reach NOK 26.5bn, while deposits from corporates rose by NOK 3.7bn (0.8bn) or 12.0 percent (2.7 percent) to NOK 34.1bn. At the end of the first quarter retail deposits were unchanged from year-end, while corporate deposits were reduced by NOK 0.1bn or 0.3 percent.

(For distribution by sector, see Note 10).

Investment products

The customer portfolio of off-balance sheet investment products totalled NOK 7.2bn at 31 March 2015, an increase of 34 percent since the first quarter 2014. Excellent growth has been achieved both on equity funds and active management, driven by value increases and increased sales.

Saving products, customer portfolio (NOKm)	31 Mar 2015	31 Mar 2014	Change
Equity funds	4,765	3,635	1,130
Pension products	642	545	97
Active management	1,817	1,201	616
Total	7,224	5,381	1,843

Insurance products

The bank's insurance portfolio showed growth of NOK 37m or 3 percent in the 12 months to end-March. Non-life insurance delivered 2 percent growth, personal insurance 11 percent while growth in the occupational pensions portfolio declined by 2 percent. Total incomes on the bank's insurance portfolio passed NOK 120m in 2014 and stable growth is forecast for 2015 too.

Insurance, premium volume (NOKm)	31 Mar 2015	31 Mar 2014	Change
Non-life insurance	711	695	16
Personal insurance	251	227	24
Occupational pensions	185	188	-3
Total	1,147	1,110	37

Retail Banking

Operating income has increased considerably due to increased margins on home mortgages on the bank's own balance sheet and on mortgages sold to SpareBank 1 Boligkreditt, and in the first quarter totalled in aggregate NOK 411m. Net interest income came to NOK 239m and commission income to NOK 173m. Return on equity in the retail banking segment was 15.5 percent in terms of regulatory capital employed converted to 13.5 percent.

The lending margin in the first quarter 2015 was 2.36 percent (2.52 percent), while the deposit margin was minus 0.35 percent (minus 0.53 percent) (measured against three-month NIBOR). In the 12 months to end-March the growth in retail lending and deposits was 7.3 percent and 8.4 percent respectively.

Lending to retail borrowers generally carries low risk, as reflected in continued very low losses. Losses and defaults are expected to remain at a low level. The loan portfolio is secured on residential property, and the trend in house values has been relatively high throughout the market area. Demand for housing is high and is due to underlying demand growth brought about because housing production has not kept up with housing need.

Corporate Banking

Operating income totalled NOK 282m in the first quarter 2015. Net interest income was NOK 235m, while commission income totalled NOK 47m including NOK 4m on fixed income and forex business. In the corporate banking segment too, net interest income increased after portfolio repricing in 2014.

Return on equity for the corporate banking segment was 11.9 percent in the first quarter in terms of regulatory capital employed converted to 13.5 percent.

The lending margin was 2.77 percent (3.00 percent) and the deposit margin was minus 0.41 percent (minus 0.64 percent) in the first quarter.

Lending increased by 15.0 percent and deposits by 13.4 percent in the last 12 months.

SpareBank 1 SMN Markets

SpareBank 1 SMN Markets posted total income of NOK 45m (24m) in the first quarter 2015 after an excellent quarter for fixed income and forex business. As from the second quarter 2015 the activity of SpareBank 1 SMN Markets is being transferred to SpareBank 1 Markets (see section above on SpareBank 1 Markets).

From the same point in time SpareBank 1 Markets is to be a subsidiary of SpareBank 1 SMN in which SpareBank 1 SMN holds a stake of 73.3 percent. See also Note 16 – Events after the balance sheet date.

Markets (NOKm)	31 Mar 2015	31 Mar 2014	Change
Currency trading	46.0	16.6	29.4
Securities, brokerage commission	3.6	6.2	-2.6
SpareBank 1 Markets	-4.9	1.2	-6.1
VPS and other income	1.2	2.4	-1.2
Investments	-1.1	-2.4	1.3
Total income	44.8	24.0	20.8

Subsidiaries

The subsidiaries posted an overall pre-tax profit of NOK 37.9m (27.5m) in the first quarter 2015.

Pre-tax profit (NOKm)	31 Mar 2015	31 Mar 2014	Change
EiendomsMegler 1 Midt-Norge	7.8	3.5	4.4
SpareBank 1 Finans Midt-Norge	21.3	16.6	4.7
SpareBank 1 Regnskapshuset SMN	7.9	6.7	1.2
Allegro Kapitalforvaltning	0.3	-0.6	0.9
SpareBank 1 SMN Invest	0.9	0.7	0.2
Other companies	-0.3	0.7	-1.0
Total	37.9	27.5	10.4

EiendomsMegler 1 Midt-Norge leads the field in its catchment area with a market share of 40 percent. The first quarter profit of NOK 7.8m (3.5m) is satisfactory and NOK 4.4m better than in the first quarter 2014.

SpareBank 1 Finans Midt-Norge reported a profit of NOK 21.3m in the first quarter (16.6m) and shows profit growth due to increased income from both car loans and leasing, and reduced losses. At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.7bn of which leases accounted for NOK 1.9bn and car loans for NOK 1.8bn. Samspar will become a co-owner of SpareBank 1 Finans Midt-Norge in June 2015. The Samspar banks will thereafter hold a stake of about 30 percent in SpareBank 1 Finans Midt-Norge, entailing a substantial increase in distribution power.

SpareBank 1 Regnskapshuset SMN posted a pre-tax profit of NOK 7.9m (6.7m).

SpareBank 1 SMN Regnskapshuset SMN has a growth strategy based on the acquisition of small accounting firms. This represents a consolidation of a fragmented accounting industry.

Allegro Kapitalforvaltning is an active management company that manages portfolios for clients primarily in SpareBank 1 SMN and the SamSpar banks. These banks are the company's distribution channel. The company posted a profit of NOK 0.3m in the first quarter 2015 (minus 0.6m). The company manages a portfolio of NOK 1.8bn.

Sparebank 1 SMN Invest invests in shares, mainly in regional businesses. The company posted a pre-tax profit of NOK 0.9m in the first quarter 2015 (profit of 0.7m). The profit is a consequence of value changes and realisation of losses or gains on the company's overall shareholding, and is the profit shown in the company's financial statements. In addition the company has owner interests in the property companies Grilstad Marina and Hømmelvik Sjøside. No profits were taken to income at these companies in the first quarter.

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 12 months of ordinary operation without need of fresh external funding. The bank has liquidity reserves of NOK 14bn and thus has the funding needed for 18 months of ordinary operation 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 85 percent (72 percent).

Rating

SpareBank 1 SMN has a rating of A2 (outlook review for upgrade) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was placed on outlook review for upgrade by Moody's in March 2015, as were several other Norwegian and European banks.

Financial position

The CET1 capital ratio at 31 March 2015 was 12.3 percent (11.1 percent). CET1 capital is core capital excluding hybrid capital.

(NOKm)	31 Mar 2015	31 Mar 2014
Tier 1 capital	11,008	9,655
Hybrid capital	1,705	1,647
Subordinated loan	2,435	1,591
Capital base	15,147	12,893
Required subordinated debt	7,134	6,989
Risk weighted assets	89,171	87,361
Tier 1 capital ratio	12.3 %	11.1 %
Core capital ratio	14.3 %	12.9 %
Capital adequacy ratio	17.0 %	14.8 %

In the first quarter 2015 SpareBank 1 SMN received permission to apply the advance IRB approach to calculate regulatory capital charges against credit risk on corporate clients. An important premise of the group's capital plan is accordingly in place.

The permission entails that the regulatory capital requirement will now be more in line with the actual credit risk incurred by the bank in its overall loan portfolio. The risk weight for the bank's corporate portfolio was reduced from about 90 percent to 66 percent. With effect from the first quarter 2015, risk weights for home mortgages are raised as a result of Finanstilsynet's (Norwegian FSA's) tightening. The risk weighting on mortgages the consolidated level increased to about 23 percent. As a result of reduced risk weights on corporates, a capital requirement has arisen related to the transitional rules. The overall effect of these changes is to strengthen CET1 capital adequacy by about 0.8 percentage point.

The minimum CET1 capital requirement as of 31 March 2015 was 10 percent, of which overall buffer requirements accounted for 5.5 percent. A countercyclical buffer of 1 percent will be introduced at the end of the second quarter 2015. The Ministry of Finance decided on 27 March 2015 that the countercyclical buffer would not be changed. The required period of notification for an increase is normally 12 months.

The board of directors of SpareBank 1 SMN continually assesses the capital situation and future capital requirements. The board considers it important for the group to be sufficiently capitalised to fulfil all regulatory requirements, as well as market expectations. The practical consequence is that the bank's CET1

capital target remains unchanged, even though SMN was not defined as a SIFI. The board of directors is planning for a CET1 ratio of 13.5 percent including a countercyclical buffer of 1.0 percent plus a reserve of 0.5 percent.

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
- The dividend policy to entail an effective payout ratio of 25–35 percent of the group profit
- Moderate growth in the bank's asset-intensive activities, with priority given to lending to the retail segment

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

The bank's equity certificate (MING)

The book value of the bank's EC as of 31 March 2015 was NOK 61.95 (56.39), and earnings per EC were NOK 2.18 (2.48).

As at 31 March 2015 the EC was priced at NOK 59.50 (NOK 53.75), and dividend of NOK 2.25 per EC has been paid in 2015 for the year 2014 (NOK 1.75).

The Price/Income ratio was 6.81 and the Price/Book ratio was 0.96 at 31 March 2015.

Risk factors

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

The bank expects a falling rate of GDP growth as a result of reduced oil investment. This will be partly offset by international growth and a weaker Norwegian krone which will impact positively on export industries. The bank also expects moderate growth in lending to mid-Norway's business sector ahead as a result of the low level of investment.

The bank expects unemployment to show a slight increase, but to remain relatively low. This, combined with continued real wage growth and a low interest rate level, suggests that loss risk in the bank's retail banking portfolio will remain low.

Credit demand from Norwegian households remains higher than income growth and will be heavily affected by the trend in house prices. If house prices stagnate, or fall, there is a risk that the household saving rate will quicken and that this will result in reduced turnover and sales for parts of Norwegian business and industry.

Norges Bank recommended that the countercyclical buffer should be continued unchanged. The financial imbalances used by Norges Bank as assessment criteria are historically high, but the growth appears to have halted. Finanstilsynet considers that households' debt growth indicates that the countercyclical buffer should have been increased by 0.5 percentage point. If credit growth or house price growth increases once again 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 satisfied with the performance for the first quarter 2105. The core business has achieved good income growth while at the same time cost growth is moderate and losses are still very low.

Growth in lending to business and industry has been higher than assumed in the capital plan, and lending to this sector in 2015 and 2016 will reflect the intention to keep lending within the bounds of the capital plan. The aim is achieve a CET1 ratio of 13.5% in 2016 through profit retention and moderate growth.

The falling oil price and a somewhat more negative economic situation have focused greater attention on risk in banks' loan exposures. SpareBank 1 SMN has low exposure to the oil price in the bank's market area and the directors assumes that SpareBank 1 SMN will be less affected by the ongoing restructuring of oil-related activity than many other banks. Defaults at SpareBank 1 SMN are at a very low level, and no basis has been found for increasing collectively assessed impairment write-downs.

Changing customer behaviour with increasing use of digital channels and fewer visits to bank branches create a need for a new design for the distribution of the bank's products and services. The bank will optimise resource use between the channels and continuously adjust the distribution model so as to tailor the bank's distribution to customer behaviour and customers' use of the channels. This change provides a sound basis for reduced resource use at the bank. An effective and efficient branch structure staffed by competent advisers, combined with a customer-oriented direct bank and sound self-service solutions, will provide the customer with a sound, future-oriented service offering.

SpareBank 1 SMN has through the SpareBank 1 Alliance a good platform on which to implement the system adjustments that are needed in a cost-efficient manner.

The directors expect a good performance in 2015.

Trondheim, 8. May 2015
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal
(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			
2014	31 Mar 2014	31 Mar 2015	(NOKm)	Note	31 Mar 2015	31 Mar 2014	2014
4,223	1,016	1,007	Interest income		1,019	1,027	4,265
2,578	637	580	Interest expenses		552	615	2,475
1,644	379	427	Net interest	1	467	412	1,790
1,031	259	247	Commission income		306	318	1,281
104	20	24	Commission expenses		27	25	113
47	14	10	Other operating income		97	93	344
973	253	233	Commission income and other income		377	385	1,512
311	63	105	Dividends		0	46	65
-	-	-	Income from investment in related companies		129	82	527
197	166	66	Net return on financial investments	1,2	69	129	128
508	229	171	Net return on financial investments		198	257	720
3,125	861	832	Total income		1,042	1,055	4,021
645	161	160	Staff costs	2	267	254	1,002
410	99	102	Administration costs		126	123	500
209	45	44	Other operating expenses		61	64	287
1,265	305	307	Total operating expenses	4	454	441	1,789
1,860	556	525	Result before losses		588	614	2,232
83	15	20	Loss on loans, guarantees etc.	2,6,7	22	17	89
1,777	541	505	Result before tax	3	567	597	2,143
330	91	115	Tax charge		126	99	362
-	-	-	Result investment held for sale, after tax	3	-0	1	0
1,447	450	389	Net profit		441	500	1,782
			Majority share		439	498	1,772
			Minority interest		2	1	10
			Profit per ECC		2.19	2.49	8.87
			Diluted profit per ECC		2.18	2.48	8.82

Other comprehensive income

Parent bank				Group		
2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	2014
1,447	450	389	Net profit	441	500	1,782
			Items that will not be reclassified to profit/loss			
-111	-	-	- Actuarial gains and losses pensions	-	-	-117
29	-	-	- Tax	-	-	31
-	-	-	- Share of other comprehensive income of associates and joint venture	0	1	-9
-82	-	-	Total	0	1	-94
			Items that will be reclassified to profit/loss			
-	-	-	- Available-for-sale financial assets	-	-	-2
-	-	-	- Share of other comprehensive income of associates and joint venture	1	-	0
-	-	-	- Tax	-	-	-
-	-	-	Total	1	-	-2
1,365	450	389	Total other comprehensive income	442	501	1,685
			Majority share of comprehensive income	439	499	1,676
			Minority interest of comprehensive income	2	1	10

Key figures

Parent bank				Group		
2014	31 Mar 2014	31 Mar 2015	Result as per cent of average total assets:	31 Mar 2015	31 Mar 2014	2014
1.41	1.35	1.38	Net interest	1.50	1.45	1.52
0.84	0.90	0.76	Commission income and other income	1.21	1.36	1.28
0.44	0.82	0.55	Net return on financial investments	0.63	0.91	0.61
1.09	1.09	0.99	Total operating expenses	1.45	1.56	1.52
1.60	1.98	1.70	Result before losses	1.88	2.16	1.89
0.07	0.05	0.06	Loss on loans, guarantees etc.	0.07	0.06	0.08
1.53	1.93	1.63	Result before tax	1.82	2.10	1.82
0.40	0.35	0.37	Cost -income ratio	0.44	0.42	0.44
70 %	72 %	69 %	Loan-to-deposit ratio	66 %	69 %	67 %
14.1 %	18.3 %	14.4 %	Return on equity	14.1 %	17.7 %	15.1 %

Balance sheet

Parent bank				Group			
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	Note	31 Mar 2015	31 Mar 2014	31 Dec 2014
4,676	1,196	568	Cash and receivables from central banks		568	1,196	4,676
4,364	3,953	5,056	Deposits with and loans to credit institutions		1,952	1,088	1,289
86,920	76,230	88,587	Gross loans to customers before write-down	5,8	92,311	79,606	90,578
-164	-156	-151	- Specified write-downs	6,7,8	-160	-173	-172
-278	-278	-278	- Write-downs by loan category	6	-295	-295	-295
86,478	75,795	88,158	Net loans to and receivables from customers		91,855	79,138	90,112
14,177	17,679	13,954	Fixed-income CDs and bonds	15	13,954	17,679	14,177
7,972	3,932	7,436	Derivatives	14	7,340	3,931	7,877
257	640	264	Shares, units and other equity interests	2,15	700	1,094	708
3,361	3,200	3,362	Investment in related companies		5,185	4,787	5,129
2,490	2,442	2,564	Investment in group companies		-	-	-
101	114	222	Investment held for sale		16	62	45
447	447	447	Goodwill		529	521	526
297	904	412	Other assets	9	1,587	2,114	1,509
124,619	110,302	122,443	Total assets		123,687	111,609	126,047
9,123	5,763	7,598	Deposits from credit institutions		7,598	5,766	9,123
-	1,148	-	Funding, "swap" arrangement with the government		-	1,148	-
61,202	55,092	61,137	Deposits from and debt to customers	10	60,589	54,643	60,680
33,001	30,209	31,971	Debt created by issue of securities	11	31,971	30,209	33,001
6,252	3,020	6,096	Derivatives	15	6,096	3,020	6,252
846	1,842	1,463	Other liabilities	12	1,495	2,116	1,095
-	-	-	Investment held for sale		0	-	-
3,371	3,318	3,415	Subordinated loan capital	11	3,415	3,318	3,371
113,795	100,393	111,681	Total liabilities		111,165	100,220	113,523
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
3,122	2,496	3,122	Dividend equalisation fund		3,122	2,496	3,122
292	-	-	Recommended dividends		-	-	292
160	-	-	Provision for gifts		-	-	160
3,619	3,276	3,619	Savings bank's reserve		3,619	3,276	3,619
139	195	139	Unrealised gains reserve		148	206	148
-	-	-	Other equity capital		1,622	1,357	1,620
-	450	389	Profit for the periode		441	500	-
			Minority interests		78	62	72
10,824	9,909	10,761	Total equity capital	13	12,521	11,389	12,524
124,619	110,302	122,443	Total liabilities and equity		123,687	111,609	126,047

Cash flow statement

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
1,447	450	389	Profit	441	500	1,782
40	9	10	Depreciations and write-downs on fixed assets	25	26	109
83	15	20	Losses on loans and guarantees	22	17	89
1,569	474	419	Net cash increase from ordinary operations	488	542	1,980
-3,395	43	90	Decrease/(increase) other receivables	113	47	-3,333
3,205	969	870	Increase/(decrease) short term debt	652	932	3,144
-9,733	1,017	-1,461	Decrease/(increase) loans to customers	-1,527	926	-10,134
-362	49	-691	Decrease/(increase) loans credit institutions	-663	104	-97
4,819	-1,291	-137	Increase/(decrease) deposits and debt to customers	-163	-1,284	4,753
2,542	330	-1,528	Increase/(decrease) debt to credit institutions	-1,528	333	2,542
2,761	-741	307	Increase/(decrease) in short term investments	307	-741	2,761
1,406	851	-2,130	A) NET CASH FLOW FROM OPERATIONS	-2,321	858	1,614
-32	-7	-3	Increase in tangible fixed assets	-6	-34	-83
-	-	-	Reductions in tangible fixed assets	-	-	-
-258	-62	-196	Paid-up capital, associated companies	-27	-111	-437
235	-149	-7	Net investments in long-term shares and partnerships	8	-78	322
-55	-218	-206	B) NET CASH FLOW FROM INVESTMENTS	-24	-223	-198
51	-1	34	Increase/(decrease) in subordinated loan capital	34	-1	51
-	-	-	Increase/(decrease) in equity	-	-	-
-227	-227	-292	Dividend cleared	-292	-227	-227
-124	-124	-160	To be disbursed from gift fund	-160	-124	-124
-82	-	-	Correction of equity capital/other equity transactions	8	-2	-148
-1,085	-3,877	-1,353	Increase/(decrease) in other long term loans	-1,353	-3,877	-1,085
-1,467	-4,230	-1,771	C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	-1,763	-4,232	-1,534
-117	-3,597	-4,108	A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	-4,108	-3,597	-117
4,793	4,793	4,676	Cash and cash equivalents at 1.1	4,676	4,793	4,793
4,676	1,196	568	Cash and cash equivalents at end of quarter	568	1,196	4,676
-117	-3,597	-4,108	Net changes in cash and cash equivalents	-4,108	-3,597	-117

Change in equity

Parent Bank (NOKm)	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 2014	2,597	895	3,276	2,496	227	124	195	-	9,811
Net profit	-	-	372	679	292	160	-57	-	1,447
Other comprehensive income									
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-	-82
Other comprehensive income	-	-	-29	-53	-	-	-	-	-82
Total other comprehensive income	-	-	343	627	292	160	-57	-	1,365
Transactions with owners									
Dividend declared for 2013	-	-	-	0	-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	-	-	-351
Equity capital at 31 December 2014	2,597	895	3,619	3,122	292	160	139	-	10,824
Equity capital at 1 January 2015	2,597	895	3,619	3,122	292	160	139	-	10,824
Net profit	-	-	-	-	-	-	-	389	389
Other comprehensive income									
Estimate deviation, pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	389	389
Transactions with owners									
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-160
Sale of own ECCs	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-292	-160	-	-	-452
Equity capital at 31 March 2015	2,597	895	3,619	3,122	-	-	139	389	10,761

Group	Majority share									
	Issued equity				Earned equity					
(NOKm)	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	-	-	372	679	292	160	-57	325	10	1,782
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-9	-	-9
Available-for-sale financial assets	-	-	-	-	-	-	-2	-	-	-2
Estimate deviation, pensions	-	-	-29	-53	-	-	-	-3	-	-85
Other comprehensive income	-	-	-29	-53	-	-	-2	-12	-	-96
Total other comprehensive income	-	-	343	627	292	160	-59	313	10	1,685
Transactions with owners										
Dividend declared for 2013	-	-	-	-	-227	-	-	-	-	-227
To be disbursed from gift fund	-	-	-	-	-	-124	-	-	-	-124
Sale of own ECCs	-0	-	-0	-	-	-	-	-	-	-0
Direct recognitions in equity	-	-	-	-	-	-	-	-40	-	-40
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	-8	-	-8
Change in minority share	-	-	-	-	-	-	-	-	-5	-5
Total transactions with owners	-0	-	-0	-	-227	-124	-	-48	-5	-404
Equity capital at 31 December 2014	2,597	895	3,619	3,122	292	160	148	1,620	72	12,524

Group	Majority share									
	Issued equity				Earned equity					
(NOKm)	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2015	2,597	895	3,619	3,122	292	160	148	1,620	72	12,524
Net profit	-	-	-	-	-	-	-	439	2	441
Other comprehensive income										
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	1	-	1
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Estimate deviation, pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	1	-	1
Total other comprehensive income	-	-	-	-	-	-	-	439	2	442
Transactions with owners										
Dividend declared for 2014	-	-	-	-	-292	-	-	-	-	-292
To be disbursed from gift fund	-	-	-	-	-	-160	-	-	-	-160
Sale of own ECCs	-	-	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-	3	4	7
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-	1	-	1
Change in minority share	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	-	-292	-160	-	3	4	-444
Equity capital at 31 March 2015	2,597	895	3,619	3,122	-	-	148	2,062	78	12,521

Equity capital certificate ratio

(NOKm)	31 Mar 2015	31 Dec 2014
ECC capital	2,597	2,597
Dividend equalisation reserve	3,122	3,122
Premium reserve	895	895
Unrealised gains reserve	90	90
A. The equity capital certificate owners' capital	6,704	6,704
Ownerless capital	3,619	3,619
Unrealised gains reserve	49	49
B. The saving bank reserve	3,668	3,668
To be disbursed from gift fund	-	160
Dividend declared	-	292
Equity ex. profit	10,372	10,824
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 (NOKm)	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
Interest income	1,019	1,103	1,080	1,055	1,027	1,059	1,068	1,036	954
Interest expenses	552	618	617	625	615	624	634	633	611
Net interest	467	485	463	430	412	436	434	403	343
Commission income	306	323	314	326	318	323	323	323	262
Commission expenses	27	33	28	28	25	25	28	21	20
Other operating income	97	81	74	96	93	84	72	95	75
Commission income and other income	377	371	361	394	385	382	367	396	317
Dividends	0	5	0	14	46	0	11	30	0
Income from investment in related companies	129	144	170	131	82	98	120	36	101
Net return on financial investments	69	-58	1	56	129	58	5	-17	61
Net return on financial investments	198	91	170	201	257	156	135	49	162
Total income	1,042	947	993	1,026	1,055	974	937	849	822
Staff costs	267	267	235	245	254	222	224	237	240
Administration costs	126	129	122	126	123	134	100	117	97
Other operating expenses	61	83	68	72	64	110	83	81	78
Total operating expenses	454	479	425	443	441	465	406	435	414
Result before losses	588	467	568	583	614	508	530	413	407
Loss on loans, guarantees etc.	22	34	24	15	17	32	30	22	17
Result before tax	567	434	545	568	597	476	501	391	390
Tax charge	126	60	101	103	99	110	98	102	77
Result investment held for sale, after tax	0	0	-1	-1	1	-4	31	-4	7
Net profit	441	375	443	464	500	361	433	285	321

Key figures from quarterly accounts

Group (NOKm)	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013	2Q 2013	1Q 2013
Profitability									
Return on equity per quarter	14.1%	12.1%	14.8%	16.0%	17.7%	13.1%	16.3%	11.1%	12.7%
Cost-income ratio	44 %	51%	43%	43%	42%	48%	43%	51%	50%
Balance sheet									
Gross loans to customers	92,311	90,578	86,739	85,465	79,606	80,548	80,081	79,258	76,697
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	122,933	120,435	116,479	114,819	111,800	112,283	110,476	109,251	107,102
Deposits from customers	60,589	60,680	58,092	59,402	54,643	55,927	53,547	54,745	51,853
Total assets	123,687	126,047	117,194	118,758	111,609	115,360	111,977	113,190	110,790
Average total assets	124,867	121,620	117,976	115,184	113,485	113,668	112,583	111,979	109,344
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	10.0 %	7.3 %	5.4 %	5.1 %	4.4 %	6.8 %	6.7 %	8.4 %	9.7 %
Growth in deposits last 12 months	10.9 %	8.5 %	8.5 %	8.5 %	5.4 %	7.3 %	5.1 %	7.3 %	7.4 %
Losses and defaults in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt									
Impairment losses ratio	0.07 %	0.11 %	0.08 %	0.05 %	0.06 %	0.12 %	0.11 %	0.08 %	0.06 %
Non-performing commitm. as a percentage of gross loans	0.19 %	0.22 %	0.29 %	0.29 %	0.24 %	0.34 %	0.35 %	0.38 %	0.36 %
Other doubtful commitm. as a percentage of gross loans	0.18 %	0.18 %	0.18 %	0.18 %	0.21 %	0.14 %	0.19 %	0.13 %	0.15 %
Solidity									
Common equity tier 1	12.3 %	11.2 %	11.5 %	11.4 %	11.1 %	11.1 %	10.7 %	10.3 %	10.4 %
Core capital ratio	14.3 %	13.0 %	13.4 %	13.3 %	12.9 %	13.0 %	12.6 %	12.2 %	11.7 %
Capital adequacy ratio	17.0 %	15.7 %	16.1 %	15.0 %	14.8 %	14.7 %	14.2 %	13.8 %	13.3 %
Core capital	12,713	12,382	12,302	11,635	11,303	10,989	10,707	10,508	9,686
Net equity and related capital	15,147	14,937	14,826	13,164	12,893	12,417	12,053	11,894	10,971
Key figures ECC *)									
ECC price	59.50	58.50	59.25	54.25	53.75	55.00	45.70	46.50	46.90
Number of certificates issued, millions	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83	129.83
Booked equity capital per ECC (including dividend)	61.95	62.04	60.53	58.32	56.39	55.69	53.76	51.66	50.32
Profit per ECC, majority	2.18	1.85	2.19	2.29	2.48	1.79	2.14	1.43	1.55
Price-Earnings Ratio	6.81	7.89	6.75	5.91	5.42	7.68	5.23	8.13	7.55
Price-Book Value Ratio	0.96	0.94	0.98	0.93	0.95	0.99	0.85	0.90	0.93

*) The key figures are corrected for issues

Notes

Contents

Note 1 - Accounting principles	27
Note 2 - Critical estimates and assessment concerning the use of accounting principles	28
Note 3 - Account by business line	29
Note 4 - Operating expenses	31
Note 5 - Distribution of loans by sector/industry	32
Note 6 - Losses on loans and guarantees	33
Note 7 - Losses	34
Note 8 - Defaults	35
Note 9 - Other assets	36
Note 10 - Distribution of customer deposits by sector/industry	37
Note 11 - Debt created by issue of securities	38
Note 12 - Other liabilities	39
Note 13 - Capital adequacy	40
Note 14 - Financial instruments and offsetting	42
Note 15 - Measurement of fair value of financial instruments	43
Note 16 - Subsequent events	45

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. 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 2014. 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:

IFRIC 21 Levies

Wealth tax

The interpretation addresses when to recognise a liability to pay levies. For SpareBank 1 SMN this brings a change in the treatment of wealth tax. Wealth tax is calculated on the bank's assets at year-end and is therefore recognised in December of the accounting year. In previous years this was done monthly on an accruals basis.

Guarantee Fund levy

The levy to the Banks' Guarantee Fund is normally based on previous quarters' average guaranteed deposits and average risk weighted assets. The question of whether withdrawing from the guarantee fund arrangement will entail a refund of levy paid in excess is not regulated. In practice a pro rata charge has been made upon enrolment. This practice and consistency of treatment suggest a pro rata approach upon withdrawal. The Ministry of Finance will settle the matter by administrative decision. This has a bearing on when the levy is to be recognised in the accounts. In the first quarter SpareBank 1 SMN continued its earlier practice of accrual on a monthly basis.

SpareBank 1 SMN implemented IFRIC 21 on 1 January 2015.

Other changes

The Group has changed its presentation of accrued interest as from the first quarter of 2015. Accrued interest is now presented together with the underlying financial instrument. It was previously presented as other assets and other liabilities. Historical figures for 2014 are similarly restated.

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 3 Critical estimates and assessments concerning the use of accounting principles.

Pensions

The Group has not obtained a new calculation of pensions as of 31 March since no factors have been identified that significantly alter the pension liability. For a further description of the various pension schemes, see note 25 in the 2014 annual report.

Note 3 - Account by business line

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 2015

Profit and loss account (NOKm)	RM	CM	Markets	EM 1	SB1 Regnskaps Finans huset		SB1 SMN Gruppen	BN Bank	Uncollated	Total
					MN	SMN				
Net interest	221	216	-15	1	40	0	-	-	4	467
Interest from allocated capital	18	19	0	-	-	-	-	-	-36	-
Total interest income	239	235	-15	1	40	0	-	-	-32	467
Commission income and other income	173	43	3	83	-5	53	-	-	28	377
Net return on financial investments (***)	0	4	43	0	0	-	59	18	72	197
Total income *)	411	282	32	83	35	53	59	18	67	1,042
Total operating expenses	199	99	10	76	13	45	-	-	11	454
Ordinary operating profit	212	183	21	8	23	8	59	18	56	588
Loss on loans, guarantees etc.	3	17	-	-	2	-	-	-	0	22
Result before tax including held for sale	209	165	21	8	21	8	59	18	56	566
Post-tax return on equity**)	15.5 %	11.9 %								14.1 %
Balance (NOKm)										
Loans and advances to customers	79,184	38,606	-	-	3,638	-	-	-	1,504	122,933
Adv. of this to SB1 Boligkreditt and SB1 Næringskreditt	-29,250	-1,371	-	-	-	-	-	-	-1	-30,622
Individual allowance for impairment on loan	-26	-125	-	-	-8	-	-	-	-2	-160
Group allowance for impairment on loan	-90	-188	-	-	-16	-	-	-	-	-295
Other assets	224	5	-	283	4	123	1,482	1,220	28,491	31,831
Total assets	50,042	36,926	-	283	3,619	123	1,482	1,220	29,993	123,687
Deposits to customers	31,782	28,219	-	-	-	-	-	-	588	60,589
Other liabilities and equity	18,260	8,708	-	283	3,619	123	1,482	1,220	29,404	63,098
Total liabilities	50,042	36,926	-	283	3,619	123	1,482	1,220	29,993	123,687

Group 31 March 2014

Profit and loss account (NOKm)	RM	SME	Markets	EM 1	SB1	SB1	SB1	BN	Bank	Uncollated	Total
					Finans	Regnskaps					
					MN	huset SMN	Gruppen				
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 (NOKm)											
Loans and advances to customers	73,812	33,579	-	-	3,382	-	-	-	1,026	111,800	
Adv. of this to SpareBank 1 Boligkreditt	-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	202	29	-	281	6	140	1,161	1,213	29,439	32,471	
Total assets	42,842	32,154	-	281	3,355	140	1,161	1,213	30,463	111,609	
Deposits to customers	29,314	24,969	-	-	-	-	-	-	360	54,643	
Other liabilities and equity	13,528	7,185	-	281	3,355	140	1,161	1,213	30,103	56,966	
Total liabilities	42,842	32,154	-	281	3,355	140	1,161	1,213	30,463	111,609	

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

**) As from the third quarter 2014, calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 13.5 percent to be in line with the capital plan

	31 Mar 2015	31 Mar 2014
(***) Specification of net return on financial investments (NOKm)		
Capital gains/dividends, shares	10	156
Bonds and derivatives	11	-1
Forex and fixed income business, Markets	48	20
Net return on financial investments	69	175
SpareBank 1 Gruppen	59	46
SpareBank 1 Boligkreditt	41	8
SpareBank 1 Næringskreditt	8	11
BN Bank	18	25
SpareBank 1 Markets	-2	-4
SpareBank 1 Kredittkort	4	-2
Companies owned by SpareBank 1 SMN Invest	-	-
Other companies	-1	1
Income from investment in related companies	128	84
Total	197	259

Note 4 - Operating expenses

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
645	161	160	Personnel expenses	267	254	1,002
199	55	56	IT costs	62	61	223
21	6	5	Postage and transport of valuables	6	7	25
44	8	11	Marketing	23	12	81
40	9	10	Ordinary depreciation	25	26	109
119	29	30	Operating expenses, real properties	23	22	93
66	9	12	Purchased services	15	12	78
131	28	23	Other operating expense	33	48	178
1,265	305	307	Total other operating expenses	454	441	1,789

Note 5 - Distribution of loans by sector/industry

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
7,042	6,226	7,557	Agriculture, forestry, fisheries, hunting	7,694	6,374	7,158
1,213	1,490	1,137	Sea farming industries	1,322	1,624	1,367
2,069	1,847	1,920	Manufacturing	2,190	2,036	2,330
3,221	2,600	3,571	Construction, power and water supply	4,048	3,113	3,717
2,509	2,214	2,774	Retail trade, hotels and restaurants	2,937	2,380	2,671
5,616	5,093	5,995	Maritime sector	6,017	5,099	5,638
14,002	11,982	14,312	Property management	14,375	12,052	14,075
3,445	3,664	3,389	Business services	3,594	3,902	3,681
2,696	2,298	2,892	Transport and other services provision	3,344	2,729	3,141
280	272	266	Public administration	286	294	300
2,252	2,572	1,951	Other sectors	1,969	2,591	2,270
44,347	40,258	45,765	Gross loans in retail market	47,776	42,195	46,348
72,430	68,166	73,445	Wage earners	75,157	69,604	74,087
116,777	108,424	119,210	Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt	122,933	111,800	120,435
28,393	30,961	29,165	SpareBank 1 Boligkreditt	29,165	30,961	28,393
1,463	1,233	1,457	SpareBank 1 Næringskreditt	1,457	1,233	1,463
86,920	76,230	88,587	Gross loans in balance sheet	92,311	79,606	90,578

Note 6 - Losses on loans and guarantees

Parent Bank

Losses on loans and guarantees (NOK million)	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Change in individual impairment losses provisions for the period	1	-14	-13	-1	7	6	-4	18	14
+ Change in collective impairment losses provisions for the period	-	-	-	-	-	-	-	-	-
+ Actual loan losses on commitments for which provisions have been made	1	31	32	3	7	10	10	41	51
+ Actual loan losses on commitments for which no provision has been made	2	0	2	1	0	1	12	16	28
- Recoveries on commitments previously written-off	1	-1	0	2	0	2	12	-2	10
Losses of the year on loans and guarantees	3	17	20	1	14	15	6	77	83

Group

Losses on loans and guarantees (NOK million)	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Change in individual impairment losses provisions for the period	1	-14	-13	-4	4	0	-9	8	-1
+ Change in collective impairment losses provisions for the period	-	-	-	-	-	-	-	-	-
+ Actual loan losses on commitments for which provisions have been made	2	31	33	6	10	16	14	51	66
+ Actual loan losses on commitments for which no provision has been made	2	0	2	2	1	3	15	20	35
- Recoveries on commitments previously written-off	1	-1	0	2	-0	2	13	-2	11
Losses of the year on loans and guarantees	4	18	22	3	15	17	8	81	89

Note 7 - Losses

Parent Bank

	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Individual write-downs									
Individual write-downs to cover loss on loans at 1.1*	25	139	164	28	122	150	28	122	150
- Actual losses during the period for which provisions for individual impairment losses have been made previously	1	31	32	3	7	10	10	41	51
- Reversal of provisions from previous periods	1	2	3	1	0	2	6	13	19
+ Increased write-downs on provisions previously written down	1	4	4	2	1	3	1	0	2
+ Write-downs on provisions not previously written down	2	15	17	2	13	15	11	72	83
Specification of loss provisions at end of period	26	125	151	28	128	156	25	139	164

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

	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Collective write-downs									
Collective write-downs to cover loss on loans, guarantees at 01.01	90	188	278	90	188	278	90	188	278
Period's collective write-downs to cover loss on loans, guarantees etc	-	-	-	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees at 31.03	90	188	278	90	188	278	90	188	278

Group

	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Individual write-downs									
Individual write-downs to cover loss on loans at 1.1*	24	147	172	41	131	173	33	139	173
- Actual losses during the period for which provisions for individual impairment losses have been made previously	1	32	33	6	10	16	14	51	66
- Reversal of provisions from previous periods	1	2	3	1	1	2	7	15	22
+ Increased write-downs on provisions previously written down	1	4	4	2	1	3	1	1	2
+ Write-downs on provisions not previously written down	3	17	20	2	14	16	11	73	84
Specification of loss provisions at end of period	26	134	160	38	135	173	24	147	172

	31 Mar 15			31 Mar 14			31 Dec 14		
	RM	CM	Totalt	RM	CM	Totalt	RM	CM	Totalt
Collective write-downs									
Collective write-downs to cover loss on loans, guarantees at 1.1	94	201	295	94	201	295	94	201	295
Period's collective write-downs to cover loss on loans, guarantees etc	-	-	-	-	-	-	-	-	-
Collective write-downs to cover loss on loans and guarantees at 31.03	94	201	295	94	201	295	94	201	295

Note 8 - Defaults

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
			Total defaults			
224	205	224	Loans in default for more than 90 days *)	237	263	270
63	51	58	- individual write-downs	59	59	67
162	155	166	Net defaults	178	205	202
28 %	25 %	26 %	Provision rate	25 %	22 %	25 %
			Problem Loans			
208	213	225	Problem loans (not in default)	226	231	216
101	105	93	- individual write-downs	92	114	105
107	108	132	Net problem loans	134	117	112
49 %	49 %	41 %	Provision rate	41 %	49 %	48 %

*) 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				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
-	-	-	Deferred tax benefit	30	18	44
162	167	156	Fixed assets	1,099	1,160	1,120
31	395	33	Earned income not yet received	55	406	42
8	149	26	Accounts receivable, securities	26	149	8
6	82	6	Pensions	6	82	6
89	111	192	Other assets	371	300	289
297	904	412	Total other assets	1,587	2,114	1,509

Note 10 - Distribution of customer deposits by sector/industry

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
2,354	2,154	2,548	Agriculture, forestry, fisheries, hunting	2,548	2,154	2,354
402	507	524	Sea farming industries	524	507	402
2,359	1,619	2,177	Manufacturing	2,177	1,619	2,359
2,117	1,635	2,092	Construction, power and water supply	2,092	1,635	2,117
4,221	3,256	3,764	Retail trade, hotels and restaurants	3,764	3,256	4,221
2,346	1,933	2,129	Maritime sector	2,129	1,933	2,346
4,051	3,753	4,282	Property management	4,138	3,642	3,919
4,540	4,690	4,610	Business services	4,610	4,690	4,540
4,488	4,379	4,714	Transport and other services provision	4,346	4,081	4,131
5,254	4,692	5,232	Public administration	5,232	4,692	5,254
2,574	2,266	2,572	Other sectors	2,536	2,225	2,542
34,706	30,883	34,645	Total	34,096	30,433	34,184
26,496	24,209	26,493	Wage earners	26,493	24,209	26,496
61,202	55,092	61,137	Total deposits	60,589	54,643	60,680

Note 11 - Debt created by issue of securities

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
820	2,750	2,305	Short-term debt instruments, nominal value	2,305	2,750	820
30,981	26,761	28,519	Bond debt, nominal value	28,519	26,761	30,981
830	404	824	Value adjustments	824	404	830
370	295	323	Accrued interest	323	295	370
33,001	30,209	31,971	Total	31,971	30,209	33,001

Change in securities debt, subordinated debt and hybrid equity (NOKm)

	31 Mar 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Short-term debt instruments, nominal value	2,305	2,305	820	-	820
Bond debt, nominal value	28,519	1,143	3,139	-467	30,981
Value adjustments	824	-	-	-6	830
Accrued interest	323	-	-	-46	370
Total	31,971	3,448	3,959	-519	33,001

	31 Mar 2015	Issued	Fallen due/ Redeemed	Other changes	31 Dec 2014
Ordinary subordinated loan capital, nominal value	1,609	-	-	51	1,558
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	1,400	-	-	-	1,400
Value adjustments	96	-	-	-2	98
Accrued interest	10	-	-	-5	15
Total	3,415	-	-	45	3,371

Note 12 - Other liabilities

Parent bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
32	17	32	Deferred tax	45	24	45
363	401	238	Payable tax	265	430	398
8	8	10	Capital tax	10	8	10
58	392	663	Accrued expenses and received, non-accrued income	574	555	181
79	76	104	Provision for accrued expenses and commitments	104	76	79
25	-	25	Pension liabilities	32	2	32
74	47	137	Drawing debt	137	47	74
5	5	19	Creditors	67	45	33
-	742	59	Debt from securities	59	742	-
201	154	177	Other liabilities	204	188	244
846	1,842	1,463	Total other liabilities	1,495	2,116	1,095

Note 13 - Capital adequacy

The Ministry of Finance adopted on 22 August 2014 amendments to regulations on capital requirements taking effect on 30 September 2014. The amendments bring Norwegian legislation into line with the EU's new capital requirements framework (CRR/CRD IV). This framework is for the present not incorporated into the EEA agreement, although its most important provisions have been incorporated in the Financial Institutions Act and the Securities Trading Act. The adjusted legislation entered into force on 1 July 2013, and requires a gradual increase in minimum requirements on Common Equity Tier 1 (CET1) capital in the period to 1 July 2016.

As of 31 March 2015 the capital conservation buffer requirement is 2.5 per cent and the systemic risk requirement is 3 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 10 per cent. On 30 June 2015 a countercyclical buffer requirement of 1 percentage point will become effective, bringing the overall minimum CET1 requirement to 11 per cent.

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

SpareBank 1 SMN has reviewed the intention for the bond portfolios and on that basis reclassified certain portfolios from trading to banking in the first quarter of 2015. This is reflected in reduced debt risk and increased credit risk under the standardised approach.

In connection with changed requirements on conditions governing hybrid capital, hybrid capital not meeting the new requirements over time will not be eligible as other core capital. The bonds will subject to a stepwise reduction of 30 per cent in 2015 and 10 per cent thereafter. As at 31 March 2015 SpareBank 1 SMN held hybrid capital worth NOK 450m that will be subject to stepwise reduction. Finanstilsynet may require the hybrid capital to be written down in proportion to equity capital if the bank's CET1 capital ratio falls below 5.125 per cent.

The parent bank calculates capital charges against credit risk using the standardised approach. In the case of subsidiaries, the basic indicator approach is applied.

Capital adequacy figures are stated in accordance with the new reporting requirements as from 30 September 2014. Comparatives have not been restated.

Parent Bank				Group		
31 Dec 2014	31 Mar 2014	31 Mar 2015	(NOKm)	31 Mar 2015	31 Mar 2014	31 Dec 2014
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
3,122	2,496	3,122	Dividend equalisation fund	3,122	2,496	3,122
3,619	3,276	3,619	Savings bank's reserve	3,619	3,276	3,619
292	-	-	- Recommended dividends	-	-	292
160	-	-	- Provision for gifts	-	-	160
139	195	139	Unrealised gains reserve	148	206	148
-	-	-	- Other equity and minority interest	1,622	1,357	1,620
-	-	-	- Minority interests	78	62	72
-	450	389	Net profit	441	500	-
10,824	9,909	10,761	Total book equity	12,521	11,389	12,524
-447	-447	-447	Deferred taxes, goodwill and other intangible assets	-569	-613	-566
-	-	-	- Part of reserve for unrealised gains, associated companies	120	98	120
-452	-	-	- Deduction for allocated dividends and gifts	-	-4	-452
-	-413	-	- 50 % deduction for subordinated capital in other financial institutions	-	-120	-
-	-275	-	- 50 % deduction for expected losses on IRB, net of write-downs	-	-259	-
-	-	-	- 50 % capital adequacy reserve	-	-623	-
-	-	-	- Minority interests recognised in other equity capital	-78	-	-72
-	-	-	- Minority interests eligible for inclusion in CET1 capital	36	-	35
-4	-80	-4	Surplus financing of pension obligations	-	-78	-
-	-450	-389	Net profit	-441	-500	-
-	329	270	Year-to-date profit included in core capital (73 per cent pre tax of group profit)	322	365	-
-31	-	-30	Value adjustments due to requirements for prudent valuation	-44	-	-45
-325	-	-277	Positive value of adjusted expected loss under IRB Approach	-381	-	-419

-	-	-	Direct, indirect and synthetic investments in financial sector companies	-477	-	-451
9,565	8,574	9,884	Total common equity Tier one	11,008	9,655	10,674
1,449	1,433	950	Hybrid capital, core capital	1,217	1,647	1,716
-	-	497	Hybrid capital covered by transitional provisions	497	-	-
-	-	-	Direct, indirect and synthetic investments in financial sector companies	-9	-	-9
11,014	10,007	11,331	Total core capital	12,713	11,303	12,382
Supplementary capital in excess of core capital						
1,906	1,874	1,000	Subordinated capital	1,692	2,592	2,598
-	-	786	Subordinated capital covered by transitional provisions	786	-	-
-	-413	-	50 % deduction for subordinated capital in other financial institutions	-	-120	-
-	-275	-	50 % deduction for expected losses on IRB, net of write-downs	-	-259	-
-	-	-	50 % capital adequacy reserve	-	-623	-
-43	-	-43	Direct, indirect and synthetic investments in financial sector companies	-43	-	-43
1,864	1,187	1,743	Total supplementary capital	2,435	1,591	2,555
12,878	11,194	13,074	Net subordinated capital	15,147	12,893	14,937
Minimum requirements subordinated capital						
1,632	1,508	1,258	Involvement with specialised enterprises	1,506	1,508	1,887
1,331	1,380	987	Other corporations exposure	1,038	1,381	1,371
829	703	1,089	Mass market exposure, property	1,447	1,153	1,280
149	136	141	Mass market exposure, SMBs	149	145	159
49	37	54	Other retail exposure	54	43	51
1,111	1,225	1,160	Equity investments	0	-	0
5,102	4,989	4,689	Total credit risk IRB	4,194	4,229	4,748
397	281	199	Debt risk	200	281	397
-	-	-	Equity risk	2	3	1
-	-	-	Currency risk	0	-	0
292	292	316	Operational risk	452	416	416
849	579	911	Exposures calculated using the standardised approach	2,025	2,186	1,971
-	-69	-	Deductions	-	-126	-
42	-	42	Credit value adjustment risk (CVA)	97	-	92
-	-	-	Transitional arrangements	163	-	-
6,682	6,072	6,158	Minimum requirements subordinated capital	7,134	6,989	7,625
83,523	75,900	76,969	Risk weighted assets (RWA)	89,171	87,361	95,317
3,759		3,464	Minimum requirement on CET1 capital, 4.5 per cent	4,013		4,289
Capital Buffers						
2,088		1,924	Capital conservation buffer, 2.5 per cent	2,229		2,383
2,506		2,309	Systemic risk buffer, 3.0 per cent	2,675		2,860
4,594		4,233	Total buffer requirements on CET1 capital	4,904		5,242
1,212		2,187	Available CET1 capital after buffer requirements	2,091		1,143
Capital adequacy						
11.5 %	11.3 %	12.8 %	Common equity Tier one ratio	12.3 %	11.1 %	11.2 %
13.2 %	13.2 %	14.7 %	Core capital ratio	14.3 %	12.9 %	13.0 %
15.4 %	14.7 %	17.0 %	Capital adequacy ratio	17.0 %	14.8 %	15.7 %

Note 14 - Financial instruments and offsetting

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 2015 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 2015	Derivatives	1,407
31 Mar 2014	Derivatives	1,098
31 Dec 2014	Derivatives	1,980

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 2015:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	377	6,964	-	7,340
Bonds and money market certificates	3,170	10,784	-	13,954
Equity instruments	53	-	611	664
Fixed interest loans	-	43	3,991	4,034
Financial assets available for sale				
Equity instruments	-	-	35	35
Total assets	3,600	17,790	4,638	26,028
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	375	5,721	-	6,096
Total liabilities	375	5,721	-	6,096

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	149	3,782	-	3,931
Bonds and money market certificates	4,120	13,558	-	17,679
Equity instruments	63	-	995	1,058
Fixed interest loans	-	43	2,572	2,614
Financial assets available for sale				
Equity instruments	-	-	36	36
Total assets	4,332	17,383	3,603	25,318
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	409	2,611	-	3,020
Total liabilities	409	2,611	-	3,020

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

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
Derivatives	326	7,551	-	7,877
Bonds and money market certificates	3,859	10,318	-	14,177
Equity instruments	48	-	625	673
Fixed interest loans	-	43	3,277	3,320
Financial assets available for sale				
Equity instruments	-	-	35	35
Total assets	4,233	17,911	3,937	26,082
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
Derivatives	324	5,928	-	6,252
Total liabilities	324	5,928	-	6,252

The following table presents the changes in the instruments classified in level 3 as at 31 March 2015:

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	3,277	625	35	3,937
Investment in periode	828	4	-	833
Disposals in the periode	-157	-20	-	-177
Gain or loss on financial instruments	43	2	-	45
Closing balance 31 March 15	3,991	611	35	4,638

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,656	909	40	3,605
Investment in periode	17	7	-	24
Disposals in the periode	-94	-71	-	-165
Gain or loss on financial instruments	-8	150	-3	139
Closing balance 31 March 14	2,572	995	36	3,603

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

(NOKm)	Fixed interest loans	Equity instruments through profit/loss	Equity instruments available for sale	Total
Opening balance 1 January	2,656	909	40	3,605
Investment in periode	946	38	3	987
Disposals in the periode	-389	-341	-4	-733
Gain or loss on financial instruments	64	19	-4	79
Closing balance 31 December 14	3,277	625	35	3,937

Note 16 - Subsequent events

Takeover of shares of SpareBank 1 Markets

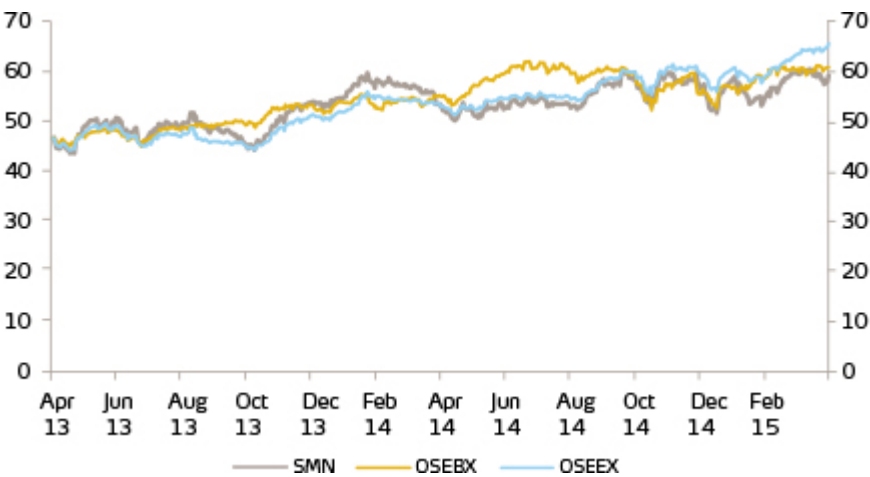
SpareBank 1 SMN integrated its markets business with SpareBank 1 Markets against settlement in shares on 1 April 2015. SpareBank 1 SMN accordingly owns 73.3 per cent (27.3 per cent) of the shares of SpareBank 1 Markets and the company is consolidated as from the second quarter of 2015. Other owners are SpareBank 1 Nord-Norge (10.0 per cent), Samarbeidende Sparebanker (10.0 per cent), Sparebanken Hedmark (6.1 per cent) and other owners (0.6 per cent). The owners wish to strengthen a fully-fledged range of products and services in their market segment and to achieve coordination gains.

An acquisition analysis has been prepared in accordance with IFRS 3 in which identifiable assets and liabilities are valued at their fair value on the acquisition date. The difference between the Group's acquisition cost and the book value of the net assets of SpareBank 1 Markets results in an income recognition of about NOK 20 million in the Group accounts for the second quarter. In addition a new cost price is established for a previous asset resulting in income recognition of about NOK 16 million in the Group accounts.

Equity capital certificates

Stock price compared with OSEBX and OSEEX

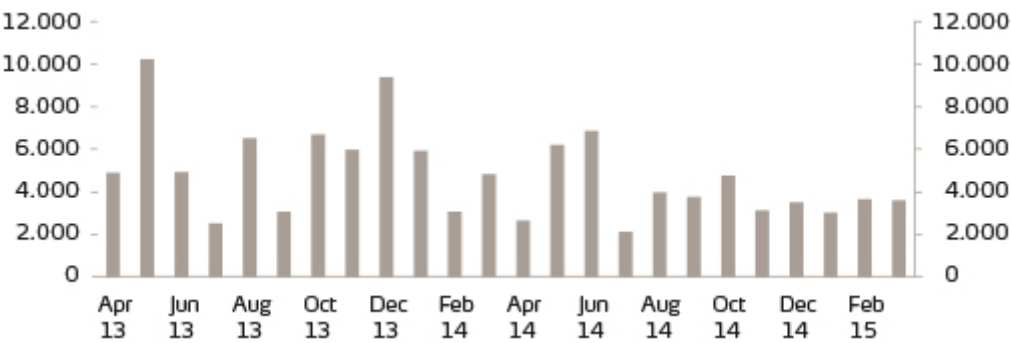
1 April 2013 to 31 March 2015



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

Trading statistics

1 April 2013 to 31 March 2015



Total number of ECs traded (1000)

20 largest ECC holders	Number	Share
Verdipapirfondet DNB Norge (IV)	4,600,280	3.54 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Nordea Norge Verdi	3,873,007	2.98 %
VPF Odin Norge	3,853,891	2.97 %
Goldman Sachs Int. - Equity	2,956,104	2.28 %
VPF Odin Norden	2,780,085	2.14 %
Vind LV AS	2,736,435	2.11 %
VPF Pareto Aksje Norge	2,382,643	1.84 %
Wimoh Invest AS	2,359,388	1.82 %
State Street Bank and Trust CO (nominee)	2,089,342	1.61 %
MP Pensjon PK	2,058,415	1.59 %
VPF Danske Invest Norske Aksjer Inst. II	2,026,267	1.56 %
Skandinaviska Enskilda Banken AB	2,000,491	1.54 %
Pareto AS	1,821,202	1.40 %
Forsvarets Personellservice	1,491,146	1.15 %
DNB Livsforsikring AS	1,451,982	1.12 %
VPF Nordea Kapital	1,383,148	1.07 %
VPF Pareto Aktiv	1,379,625	1.06 %
VPF Fondsfinans Spar	1,250,000	0.96 %
Verdipapirfondet DNB Norge Selektiv (III)	1,225,142	0.94 %
The 20 largest ECC holders in total	47,683,984	36.73 %
Others	82,152,459	63.27 %
Total issued ECCs	129,836,443	100.00 %

Dividend policy

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

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

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

Auditor's report

Deloitte.

Deloitte AS
Postboks 5670 Sluppen
NO-7485 Trondheim
Norway

Besøksadresse:
Dyre Halses gate 1A

Tlf.: +47 73 87 69 00
www.deloitte.no

Translation from the original Norwegian version

To the Board of Directors of SpareBank 1 SMN

**Report on Review of Interim Financial Information of SpareBank 1 SMN
as of March 31 2015**

We have reviewed the accompanying balance sheet of the parent company and the group as of March 30 2015 for SpareBank 1 SMN and the related statements of income for the parent company and the group, 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 March 31 2015, 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 08.05.2015
Deloitte AS

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/aboutus for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Medlemmer av Den Norske Revisorforening
org.nr. 980 211 282