

# First Quarter Accounts 2008



## Main figures SpareBank 1 SMN, the Group

From the profit and loss account	31.03.08 NOKm	%	31.03.07 NOKm	%	2007 NOKm	%
Net interest	311	1,75	251	1,58	1.125	1,67
Commission income and other income	157	0,89	150	0,94	671	1,00
Net return on financial investments	-36	-0,21	74	0,46	346	0,52
<b>Total income</b>	<b>432</b>	<b>2,43</b>	<b>475</b>	<b>2,98</b>	<b>2.142</b>	<b>3,19</b>
<b>Total operating expenses</b>	<b>288</b>	<b>1,62</b>	<b>263</b>	<b>1,65</b>	<b>1.102</b>	<b>1,64</b>
<b>Results</b>	<b>144</b>	<b>0,81</b>	<b>212</b>	<b>1,33</b>	<b>1.039</b>	<b>1,55</b>
Loss on loans, guarantees et	1	0,01	-9	-0,06	-6	-0,01
<b>Results before tax</b>	<b>143</b>	<b>0,80</b>	<b>221</b>	<b>1,39</b>	<b>1.045</b>	<b>1,56</b>
Tax charge	48	0,27	46	0,29	200	0,30
Minority interests	0	0,00	0	0,00	2	0,00
<b>Net profit</b>	<b>94</b>	<b>0,53</b>	<b>176</b>	<b>1,10</b>	<b>844</b>	<b>1,26</b>

	31.03.08	31.03.07	2007
<b>Profitability</b>			
Return on equity <sup>1)</sup>	7,8 %	18,2 %	18,9 %
Cost-income ratio <sup>2)</sup>	67 %	55 %	51 %
<b>Balance sheet</b>			
Gross loans to customers	58.824	54.650	59.178
Gross loans to customers incl. SpareBank 1 Boligkreditt	64.281	54.712	61.910
Deposits from customers	33.373	31.037	32.434
Deposit-to-loan ratio	57 %	57 %	55 %
Growth in loans incl. Boligkreditt	17 %	18 %	17 %
Growth in deposits	8 %	17 %	8 %
Average total assets	70.965	63.685	67.202
Total assets	70.427	64.190	71.503
<b>Loss and non-performing commitments</b>			
Impairment losses ratio <sup>3)</sup>	0,01 %	-0,07 %	-0,01 %
Non-performing commitm. as a percentage of gross loans	0,47 %	0,32 %	0,39 %
Other doubtful commitm. as a percentage of gross loans	0,37 %	0,51 %	0,60 %
<b>Solidity</b>			
Capital adequacy ratio	12,1 %	12,2 %	12,5 %
Core capital ratio	8,1 %	8,2 %	8,3 %
Core capital	3.590	3.340	3.703
Net equity and related capital	5.403	4.988	5.560
<b>Branches and staff</b>			
Number of branches	56	58	56
No. Of full-time positions	946	834	931

Key figures PCC	31.03.08	2007	2006	2005	2004	2003
PCC ratio	54,2 %	54,2 %	53,7 %	56,1 %	49,8 %	51,4 %
PCC price	51,00	72,25	82,00	78,25	55,00	38,40
Stock value (mNOK)	2.753	3.900	4.140	3.951	2.113	1.476
Booked equity capital per PCC (including dividend)	46,70	51,00	46,36	42,11	34,78	31,80
Adjusted profit per PCC	0,97	8,72	9,94	8,51	5,80	3,09
Dividend per PCC		6,00	6,00	5,50	4,00	2,88
Price/earnings per PCC	13,13	8,29	8,25	11,15	9,48	12,45
Price/ Booked equity capital	1,09	1,42	1,77	1,95	1,58	1,21

<sup>1)</sup> Net profit as a percentage of average equity

<sup>2)</sup> Total operating expenses as a percentage of total operating income

<sup>3)</sup> Net losses expressed as a percentage of average gross lending year to date, annualised  
Write-downs by loan category not included

### **First quarter accounts 2008**

*(Consolidated figures. Figures in parenthesis refer to the same period last year unless otherwise stated)*

- SpareBank 1 SMN recorded a profit of NOK 94 million (176 million) for the first quarter 2008.
- Profit before tax: NOK 143 million (221 million).
- Return on equity: 7.8% (18.2%).
- Result in terms of average total assets (ATA): 0.53% (1.10%)
- 12-month growth in lending (incl. loans transferred to SpareBank 1 Boligkreditt): 17.5%, growth in deposits: 7.5%.

### **Result for the first quarter 2008**

#### **Very strong showing for ordinary banking operations, but result weakened by capital losses**

In the first quarter 2008 SpareBank 1 SMN posted a net profit of NOK 94 million (176 million) and a return on equity of 7.8% (18.2%). The profit measured 0.53% (1.10%) of average total assets (ATA). Pre-tax profit was NOK 143 million, which is NOK 78 million lower than in the first quarter 2007.

Operating income was as much as NOK 67 million higher overall than in the first quarter 2007. Net interest income was up by NOK 60 million and commission income by NOK 7 million. Return on financial investments was down NOK 82 million and SpareBank 1 SMN's share of the profit of SpareBank 1 Gruppen was down NOK 28 million (incl. the bank's share of the profit of SpareBank 1 Boligkreditt). The bank's ordinary operations are thus continuing their positive trend, although the financial market turbulence has brought securities losses and a weaker performance by SpareBank 1 Gruppen.

First quarter operating expenses totalled NOK 288 million, which is NOK 25 million higher than in the same period 2007.

A net loss of NOK 1 million was recorded on loans and guarantees compared with a net recovery of NOK 9 million in the first quarter 2007.

Lending rose by 17.5% and deposits by 7.5% in the 12 months to end-March. The portfolio of 'other savings products' is at the same level as one year ago after the value fall in the first quarter 2008, while insurance premiums have risen 18% in volume. There is a satisfactory supply of both retail and corporate customers. SpareBank 1 Markets continues its positive trend in 2008 with first quarter gross turnover NOK 18 million higher than in last year's first quarter at NOK 36 million.

At quarter-end the price of the bank's PCC was NOK 51.00 (NOK 72.25 at end-2007). At its meeting on 13 March 2008 the bank's Supervisory Board declared a cash dividend of NOK 6.00 per PCC for the year 2007.

Earnings per PCC were NOK 0.97 and book value per PCC was NOK 46.70 as at 31 March 2008.

#### **Dividend issue**

At a meeting on 13 March 2008 the bank's Supervisory Board adopted a placing with existing PCC holders capped at NOK 324 million (equivalent to the dividend for 2007).

The issue price was set at NOK 50 per PCC.

PCC holders representing 58% of the bank's PCC capital accepted the offer of participation in the dividend issue.

#### **Substantial increase in net interest income**

Maintained margins and growth in lending and deposits enabled the interest margin to rise to 1.75% in the first quarter from 1.58% in the same period 2007.

Net interest income came to NOK 311 million in the first quarter compared with NOK 251 million in the same period 2007, an increase of NOK 60 million. The increase was in all essentials due to lending and income growth from both retail and corporate customers along with a stable or weak upward trend in margins in the first quarter.

Market interest rates rose further in the first quarter, with 3-month NIBOR averaging above 6% in March. Moreover the uncertainty in financial markets contributed to increased credit spreads, bringing banks' actual funding costs above the NIBOR rates. This indicates a continued need to adjust customers' borrowing rates, and a potential for growth in the interest margin.

#### **Rise in commission income**

Net commission income and other operating income - including income from capital market activities - totalled NOK 183 million (166 million), an increase of NOK 17 million or 10%. The increase relates mainly to payment services and capital market services. Income on sales of savings products has slipped slightly after the very high levels seen in 2007.

<i>Commission income, NOKm.</i>	<b>31.3.08</b>	<b>31.3.07</b>	<b>Change</b>
Payment transfers	50	43	7
Savings	26	31	-6
Insurance	16	15	1
Guarantee - / other comm.	15	14	2
Estate agency	36	35	1
Accountancy services	10	7	3
Fund management	5	5	0
Capital market	25	17	8
<b>Total</b>	<b>183</b>	<b>166</b>	<b>17</b>

#### **Weak return on financial investments**

Capital gains and dividends on securities and gains on currency trading and financial instruments totalled NOK 56 million (net gain of 26 million).

Losses on the bank's share portfolios totalled NOK 72 million (gain of NOK 7 million) while NOK 20 million was taken to income as dividend (NOK 2 million). Losses on bonds came to NOK 31 million (gain of NOK 0 million) and other financial instruments came to NOK 33 million (gain of NOK 18 million).

Of the losses on share trading, NOK 50 million comprises unrealised losses on shares in the bank's subsidiary Sparebanken Midt-Norge Invest. Losses incurred by this company relate mainly to shareholdings in the Adresseavisen newspaper and Det Norske Oljeselskapet ASA. Even at this price level, gains on the shareholdings are substantial.

The share losses are attributable to a weak stock market and volatile financial markets in the first quarter 2008.

<i>Retur non fin.investments, NOKm</i>	<b>Q1 08</b>	<b>Q1 07</b>
Dividend on securities	20	2
Share gains	-72	7
Net gain on bonds	-35	7
Net gain foreign exchange and derivatives	31	11
<b>Sum</b>	<b>-56</b>	<b>26</b>

### **SpareBank 1 Gruppen**

The SpareBank 1 Alliance's mission is to deliver competitive financial services and products and to take out economies of scale, thereby affording private individuals and firms a local anchorage, competence, and a simpler life.

The SpareBank 1 banks operate an alliance and develop product companies through a jointly owned holding company, SpareBank 1 Gruppen AS. This grouping is owned by SpareBank 1 SR-Bank, SpareBank 1 Nord-Norge, SpareBank 1 SMN, Sparebanken Hedmark, Samarbeidende Sparebanker AS (20 savings banks in the eastern and north-regions of South Norway), and the Norwegian Confederation of Trade Unions and its affiliated unions.

SpareBank 1 Gruppen wholly own the shares of SpareBank 1 Livsforsikring AS (life insurer), SpareBank 1 Skadeforsikring AS (non-life insurer), Bank 1 Oslo AS, ODIN Forvaltning AS (fund manager), SpareBank 1 Medlemskort AS (card company) and SpareBank 1 Utvikling DA (developer). The company also holds ownership interests in First Securities ASA (24.5%).

SpareBank 1 Gruppen AS has administrative responsibility for collaborative processes within the SpareBank 1 Alliance in which technology, brand-building, competence building, shared processes/exploitation of best practice and procurement are at centre stage. The Alliance is also engaged in development work through three competence centres for training (in Tromsø), the cash management area (in Trondheim) and the credit area (in Stavanger).

SpareBank 1 Gruppen's profit performance shows a decline compared with the same period 2007. The grouping's net profit as of 31 March 2008 came to NOK 64 million (124 million). The weaker performance is essentially due to portfolio value falls at SpareBank 1 Livsforsikring and poorer results at Odin Forvaltning. Underlying operations at companies in the SpareBank 1 Gruppen remain on a satisfactory trend. SpareBank 1 SMN's share of the grouping's profit was NOK 20 million (48 million).

### **Cost growth in keeping with plans**

Overall costs came to NOK 288 million (263 million) in the first quarter, up NOK 25 million or 10% compared with 2007. Costs at the parent bank rose by NOK 17 million (8%), net, and at the bank's subsidiaries by NOK 8 million (15%).

Cost growth at both the parent bank and subsidiaries is essentially due to staff increases required by the Group's focus on customer-facing activities.

Operating expenses came to 1.62% of ATA (1.65%). The Group's cost-income ratio of 67% (55%) was heavily affected by capital losses. Excluding capital losses/gains, the cost-income ratio was 59% (58%).

### **Subsidiaries**

The overall pre-tax result for the bank's subsidiaries in the first quarter 2008 was a negative NOK 43.1 million (4.7 million). Sparebanken Midt-Norge Invest alone reported a deficit of NOK 47.8 million resulting from share portfolio losses (see section above on return on financial investments). The remaining companies report satisfactory results.

<i>Profit before tax, NOKm</i>	<b>Q1 08</b>	<b>Q1 07</b>
EiendomsMegler 1 Midt-Norge AS	-0,8	-4,1
Midt-Norge Regnskap AS	0,9	1,2
SpareBank 1 Finans Midt-Norge AS	6,2	4,9
Allegro Finans ASA	0,9	1,6
Midt-Norge Invest AS	-47,8	0,0
Property companies	-2,6	1,1
<b>Total</b>	<b>-43,1</b>	<b>4,7</b>

**EiendomsMegler 1 Midt-Norge** leads the estate agency market throughout Trøndelag and in Møre and Romsdal. 2007 was marked by capacity building and high market activity, and competition in the sector is intense. As from July 2007 repeated interest rate hikes led to pessimism in the market. The result was an excess supply of housing, followed by price falls and a slower turnover rate. In spite of this the company shows a positive profit trend compared with the same period of 2007.

**SpareBank 1 Finans Midt-Norge** is the region's leading finance company in leasing and car loans. It manages a portfolio worth NOK 2.4 billion, has some 4,700 customers and has shown stable, high growth over a long period. The company has offices in Verdal and Molde in addition to Trondheim.

SpareBank 1 Finans Midt-Norge took over all the shares of SpareBank 1 Bilplan at the start of the year along with the administration of 2,200 cars. In connection with the purchase, distribution agreements were signed with the previous owners, SpareBank 1 Finans Nord-Norge and SpareBank 1 SR-Finans. SpareBank 1 Bilplan specialises in car fleet management and offers one-stop solutions for industry and the public sector nationwide. Portfolio expansion is planned for 2008.

The management company **Allegro Finans** has worked up a substantial asset management portfolio, not least thanks to fruitful collaboration with its distributors on marketing the company's portfolios. The company has achieved a relatively good return on assets under management for a long time, although return slipped slightly in 2007 and into 2008, as in the underlying markets. The company's aim is to cater to any market and any market trend. It puts much effort and prestige into maintaining an updated outlook on macro developments, and its portfolios reflect its macro view. The company manages a portfolio of a good NOK 2.2 billion spread across 2,200 customers.

**Midt-Norge Regnskap** delivers accountancy services to 1,200 small and mid-size clients in the bank's market areas. With five offices, 53 staff and a turnover of NOK 30 million (2007), the company is among the country's largest independent authorised accountancy firms. The firm keeps a close focus on quality and competence with a view to further growth and development.

**Sparebanken Midt-Norge Invest** is the bank's investment arm whose mission is to invest in businesses, mainly in mid-Norway. The company achieved good return on its portfolio in 2007, but has

recorded unrealised capital losses of NOK 64 million on its portfolio in the first quarter 2008.

#### **Low losses, some increase in defaults**

Loan losses of NOK 1 million, net, were recorded in the first quarter 2008 (net recovery of NOK 9 million). No basis was found for changes in collective impairments at the parent bank in the first quarter. A minor adjustment was made at SpareBank 1 Finans.

The corporate portfolio showed net losses totalling NOK 9 million in the first quarter (net recovery of NOK 11 million), of which NOK 5 million relates to a single exposure at SpareBank 1 Finans. The retail portfolio showed zero net losses in the first quarter (net loss of NOK 1 million).

In the first quarter the bank sold part of its loan portfolio, categorised as loans under long term monitoring (LTM), to the debt collection and credit evaluation company Lindorff AS. This produced a net recovery of NOK 8 million in the first quarter.

<i>Net losses on loans (NOKm)</i>	<b>Q1 08</b>	<b>Q1 07</b>
Corporate market	-9	10
Retail market	0	-1
Disposal of LTM portfolio	8	
<b>Total</b>	<b>-1</b>	<b>9</b>

Individual impairments amounted to NOK 124 million at quarter-end (148 million). The reduction of NOK 24 million over the last 12 months is mainly due to write-backs of losses on individual exposures and to the fact that previous periods' impairment provisions exceeded actual losses.

Defaults in excess of 90 days came to NOK 279 million (176 million), up NOK 48 million in the last quarter. Defaults rose to 0.47% (0.32%) of gross lending. Of overall defaults, NOK 43 million (33 million) or 15% (18%) are loss provisioned.

Other doubtful exposures totalled NOK 220 million (294 million), corresponding to 0.37% (0.54%) of gross lending, of which NOK 82 million (115 million) or 37% (39%) is loss provisioned.

Total problem loans (defaulted and doubtful) came to NOK 499 million (470 million), or 0.85% (0.86%) of gross outstanding loans.

The risk profile of the bank's loan portfolio has improved over a long period. This, combined with a continued positive outlook for the Norwegian economy, suggests there will be no change in the risk picture in the short term.

#### **Total assets at NOK 75.9 billion including the portfolio transferred to SpareBank 1 Boligkreditt**

The bank's assets totalled NOK 70.4 billion at 31 March 2008, having risen by NOK 6.2 billion or 9.6% over the last 12 months. Loans worth NOK 5.5 billion have been transferred to SpareBank 1 Boligkreditt.

#### **SpareBank 1 Boligkreditt AS**

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

As of quarter-end NOK 5.5 billion had been transferred by SpareBank 1 SMN, and the figure will rise steeply in

2008. The loans will not figure as loans in the bank's balance sheet. Earnings they generate will be recorded in the accounts as commission income. The commentaries dealing with growth in lending include the amount transferred to SpareBank 1 Boligkreditt as of 31 March 2008.

On the above date the Bank's stake in SpareBank 1 Boligkreditt was 18.4%. Sparebanken Hedmark joined the company as a stakeholder in the last quarter of 2007.

#### **Strong lending and deposit growth**

*(Incl. figures for the subsidiaries)*

Total outstanding loans rose by NOK 9.6 billion (8.3 billion) or 17.5% (18.0%) in the last 12 months to reach NOK 64.3 billion (including SpareBank Boligkreditt) at quarter-end.

In the same period lending to retail customers rose by NOK 5.0 billion (5.1 billion) or 14.3% (16.9%) to NOK 39.9 billion. The growth essentially relates to well-secured home mortgage loans. Loans to corporates rose by NOK 4.6 billion (3.3 billion) or 23.2% (19.9%) to reach NOK 24.4 billion.

Loans to retail customers accounted for 62% (63%) of ordinary loans to customers at end-March 2008.

Customer deposits rose by NOK 2.3 billion (4.15 billion) over the past 12 months to reach NOK 33.4 billion at 31 March 2008. This was an increase of 7.5% (16.8%).

Retail deposits rose by NOK 1.5 billion (0.7 billion) or 10.0% (5.3%) to reach NOK 16.3 billion, while corporate deposits rose by NOK 0.9 billion (3.7 billion) or 5.3% (29.7%) to reach NOK 17.1 billion.

#### **Savings and insurance products**

The overall portfolio of savings products other than bank deposits totalled NOK 6.4 billion at 31 March 2007, the same level as 12 months previously. Equity funds make up 31% of the portfolio, pension products 14%, active management 26%, saving in energy funds 23% and real estate funds 5%. A fairly substantial slump in stock prices seen on Norwegian and international bourses in the first quarter lowered the value of investments in equity funds and pension products at quarter-end.

<i>Savings product, portfolio, Nokm</i>	<b>Q1 08</b>	<b>Q1 07</b>	<b>Growth</b>
Equity funds	1.962	2.635	-673
Pension products	889	1.203	-313
Active management	1.679	1.048	631
Energy fund management	1.501	1.092	409
Real estate funds	376	408	-32
<b>Total</b>	<b>6.408</b>	<b>6.386</b>	<b>22</b>

The bank's insurance portfolio showed 18.3% growth in the 12 months to end-March, with a 12% rise for non-life and a 20% rise for personal insurance. An overall premium volume of NOK 116 million was achieved on occupational pensions as of quarter-end.

<i>Insurance, premium volume, NOKm</i>	<b>Q1 08</b>	<b>Q1 07</b>	<b>Growth</b>
Non-life insurance	373	343	30
Personal insurance	113	94	19
Occupational pensions	116	79	37
<b>Total</b>	<b>601</b>	<b>516</b>	<b>86</b>

### **Progress and sound profit for the Retail Division**

The Retail Division provides financial advice to private individuals with a basis in four business areas covering the bulk of households' financial needs. Four key elements have priority when it comes to establishing good, lasting customer relationships:

- A strong product range
- First rate advisers
- Unique accessibility
- Excellent customer handling

The Bank is the leading retail market actor in its catchment areas in the Trøndelag counties and Møre and Romsdal, with a strong market position in all product areas and market segments. Customer satisfaction polls confirm the quality of our offering.

Competition is growing across most of the financial market spurred by new actors and by increased efforts of existing competitors. Despite the intense competition we are on a positive market trend and have a growing customer base.

The Division achieved a return on equity of 25.1% in the first quarter 2008. Operating income rose by NOK 25 million to NOK 241 million, while net interest income rose to NOK 160 million, up NOK 21 million from the first quarter 2007. Although the lending margin was under strong pressure, this was made good by a higher lending volume and deposit margin. Raising customers' borrowing costs to compensate for higher market interest rates has posed a substantial challenge. Commission income is solid, having risen by NOK 4 million to reach NOK 81 million.

The Retail Division has consistently low risk across its portfolio, as reflected in continued very low losses. A higher, but still relatively moderate interest rate level will help to maintain debt servicing capacity and to keep losses and defaults at a low level.

Retail market NOKm	31.03.08	31.03.07	Change
Net interest income	160	139	21
Commission and other income	81	77	4
Total income	241	216	25
Operating expenses	142	139	3
Profit before losses	100	77	23
Losses	0	1	-1
Profit before tax	100	76	24
Return on equity after tax	25,1 %	18,7 %	
Loanable funds (NOKbn)	38,6	34,1	4,4
Deposits (NOKbn)	17,0	15,7	1,2
Other savings products (NOKbn)	5,2	5,1	0,1
Non-life insurance (NOKm)	308	298	10,0
Personal insurance (NOKm)	113	94	19

*The Retail Division is a part of the parent bank, and the table therefore does not include figures from the bank's subsidiaries, nor does it include employees' purchases of products and services.*

The moderate interest rate level and a still optimistic view of the Norwegian economy suggests that demand for savings products with a higher risk and return profile than bank saving will continue.

The bank intends to increase its market shares through competitive products and high competence. The Bank is well equipped to face the competition in the retail market.

### **Higher growth and sound profitability in the corporate market**

The Corporate Division delivers financial solutions to the corporate market in the areas of financing, domestic and foreign payments, insurance and capital investment. The Division works closely with the SpareBank 1 Markets on capital market products and with SpareBank 1 Finans Midt-Norge on leasing finance.

The Bank services about 13,000 multi-product customers in the corporate market, mainly in the small and mid-size business segment and the agriculture and public sectors. SpareBank 1 SMN has a market share of some 40% in its geographical catchment area.

Overall operating income came to NOK 169 million in the first quarter, up NOK 22 million on the same period 2007. Higher incomes are closely related to a long period of growth. Income growth combined with low losses produced a return of 17.1% on equity.

Corporate market (NOKm)	31.03.08	31.03.07	Change
Net interest income	142	111	22
Commission and other income	27	36	17
Total income	169	147	39
Operating expenses	66	62	5
Profit before losses	103	85	34
Losses	5	-12	9
Profit before tax	98	97	25
Return on equity after tax	17,1 %	21,2 %	
Loanable funds (NOKbn)	22,1	17,8	4,3
Deposits (NOKbn)	14,6	14,1	0,6
Other savings products (NOKbn)	1,2	1,2	0,0
Occupational pensions (NOKm)	116	79	37
Non-life insurance (NOKm)	65	55	10

*The Corporate Division is a part of the parent bank, and the table therefore does not include figures from the bank's subsidiaries.*

The Bank has achieved relatively high growth both on existing customers and through acquisition of new customers, with proximity to a professional capital markets unit playing a major role.

The Bank will maintain a high market share and a high satisfaction rating among corporate customers through skilled financial advisers and its closeness to the market.

The Corporate Division opened an office in Ålesund in January 2008 with a capability targeting larger corporates in Ålesund and Sunnmøre. This is done in cooperation with SpareBank 1 Markets which has bought into an established company operating in the corporate field (see section on SpareBank 1 Markets).

### **Good income trend for SpareBank 1 Markets**

SpareBank 1 Markets reports high earnings in the first quarter 2008 and continues to advance in its service areas (fixed income, foreign exchange, corporate

finance). Activity levels across the division are generally high, in all three service areas alike.

Staffing in the foreign exchange and corporate finance areas has been strengthened. The division notes growing demand for corporate finance services from small and medium-size businesses. To meet this need the bank has acquired a firm of consultants, Mercantor, comprising three partners specialising in sale of businesses, capital acquisitions, stock issuance and valuations. The formal takeover date was 1 April 2008.

As a step in the venture in Sunnmøre the Bank initiated close collaboration with, and acquired a 34% stake in, PAB Consulting AS. This was done to strengthen the Bank's service offering in the corporate field in Møre and Romsdal. SpareBank 1 SMN has the option of raising its stake in PAB Consulting to 51% within two years.

#### **Funding and liquidity**

The Bank's funding sources and products are amply diversified. The proportion of money market funding in excess of 1 year was 93% (91%) at quarter-end. The liquidity position is good and the liquidity indicator, based on Norges Bank's norm, was 106% (107%) at the same point in time.

Recent financial market turbulence has not raised liquidity concerns, and the bank has profited from its conservative liquidity strategy. Credit margins on the bank's funding are rising, but the bank regards SpareBank 1 Boligkreditt as its foremost funding source in the years ahead. The bank has relatively little need for long term financing in the coming quarters.

#### **Capital adequacy**

At end-March total capital adequacy was 12.1% (end-2007: 12.4%), while tier 1 capital adequacy was 8.1% (8.1%).

Deductions for goodwill as a result of the takeover of Romsdals Fellesbank ASA and estimated deferred tax reduce the capital base by NOK 480 million at end-March 2008.

<i>Figures in NOKm</i>	<b>31.3.2008</b>	<b>31.3.2007</b>
Tier 1 capital	3.590	3.234
Subordinated loan	1.813	1.708
<b>Capital base</b>	<b>5.403</b>	<b>4.942</b>
<b>Total capital ratio</b>	<b>12,1</b>	<b>12.4</b>
<b>Tier 1 capital ratio</b>	<b>8,1</b>	<b>8.1</b>

*\*) Under transitional rules in the Capital Requirements Regulation, Capital Requirements for 2008 are reduced to 90%.*

#### **IRB status approved**

The bank was IRB approved in February 2007, enabling it to employ the IRB foundation approach to compute capital charges in respect of credit risk. The new rules will render the minimum capital adequacy requirement more risk sensitive, bringing it more into line with the risk in underlying portfolios. Transitional rules in the new regulations mean that IRB banks will not see the full effect of reduced regulatory capital until 2010.

#### **The bank's primary capital certificate (MING)**

The book value of the bank's PCC was NOK 46.70 at quarter-end, with earnings per PCC at NOK 0.97. The price at the same point in time was NOK 51.00. The Price / Income ratio was 13.13, and the Price / Book ratio 1.09.

At its meeting on 13 March 2008 the bank's Supervisory Board declared a cash dividend of NOK 6.00 per PCC for 2007. On the same date it also decided on a PCC placing with existing PCC holders to be capped at NOK 324 million (corresponding to the dividend for 2007). The issue price was set at NOK 50 per PCC.

PCC holders representing 58% of the bank's PCC capital accepted the offer to participate in the stock issue. The issue will add about NOK 182 million to the bank's equity capital. The PCC fraction is accordingly calculated to be 55.6% for 2008. The calculation of the new PCC fraction takes account of the timing of the issue, April 2008.

PCC holders totalled 9,108 at 31 March 2008, the same at end-2007. The bank's 20 largest PCC holders controlled 38% of the Bank's PCCs at the same point, and PCCs traded under the MING ticker symbol on the Oslo Stock Exchange in the first quarter 2008 totalled 3.7 million.

#### **Outlook ahead**

In connection with the presentation of the annual report and accounts for 2007, the Board of Directors stated that the bank, despite its relatively low exposure to securities markets, will see a higher degree of volatility in banking accounts in 2008.

The accounts as at end-March 2008 confirm this expectation. Ordinary banking operations are showing good progress, and the Directors note with satisfaction the moderate write down of the bank's bond portfolio and the satisfactory funding situation. The Directors expect the positive trend in banking operations to continue, but that the securities market will continue to be marked by volatility.

Trondheim, 29 April 2008  
The Board of Directors of SpareBank 1 SMN

*Per Axel Koch*  
(Chair)

*Eli Arnstad*  
(Deputy chair)

*Christel Borge*

*Anne-Brit Skjetne*

*Kjell Eriksen*

*Kjell Bjordal*

*Venche Johnsen*  
(Employee rep.)

*Finn Haugan*  
(CEO)

## Income statement

Parent bank			(NOK million)	Group		
2007	31.03.07	31.03.08		31.03.08	31.03.07	2007
3.456	727	1.057	Interest income	1.069	732	3.470
2.375	486	760	Interest expenses	758	481	2.345
<b>1.081</b>	<b>241</b>	<b>297</b>	<b>Net interest</b>	<b>311</b>	<b>251</b>	<b>1.125</b>
501	114	118	Commission income	154	155	659
81	20	17	Commission expenses	18	21	85
23	2	0	Other operating income	22	16	96
<b>443</b>	<b>96</b>	<b>101</b>	<b>Commission income and other income</b>	<b>157</b>	<b>150</b>	<b>671</b>
81	2	0	Dividends	16	2	23
-	-	-	Income from investment in related companies	20	48	233
86	27	(12)	Net return on financial investments	(72)	24	90
<b>167</b>	<b>29</b>	<b>(12)</b>	<b>Net return on financial investments</b>	<b>(36)</b>	<b>74</b>	<b>346</b>
<b>1.692</b>	<b>366</b>	<b>387</b>	<b>Total income</b>	<b>432</b>	<b>475</b>	<b>2.142</b>
433	106	119	Staff costs	161	143	583
291	66	64	Administration costs	83	79	338
159	36	41	Other operating expenses	44	41	181
<b>883</b>	<b>208</b>	<b>225</b>	<b>Total operating expenses</b>	<b>288</b>	<b>263</b>	<b>1.102</b>
<b>809</b>	<b>158</b>	<b>162</b>	<b>Result before losses</b>	<b>144</b>	<b>212</b>	<b>1.039</b>
-12	-10	-4	Loss on loans, guarantees etc.	1	-9	-6
<b>821</b>	<b>169</b>	<b>166</b>	<b>Result before tax</b>	<b>143</b>	<b>221</b>	<b>1.045</b>
201	45	47	Tax charge	48	46	200
			Minority interests	-	(0)	2
<b>620</b>	<b>124</b>	<b>119</b>	<b>Net profit</b>	<b>94</b>	<b>176</b>	<b>844</b>
<b>2006</b>	<b>31.03.07</b>	<b>31.03.08</b>	<b>Key figures</b>	<b>31.03.08</b>	<b>31.03.07</b>	<b>2007</b>
			<b>Result as per cent of average total assets:</b>			
1,62	1,53	1,69	Net interest	1,75	1,58	1,67
0,66	0,61	0,57	Commission income and other income	0,89	0,92	1,00
0,25	0,18	-0,07	Net return on financial investments	-0,21	0,49	0,52
1,32	1,31	1,28	Total operating expenses	1,62	1,65	1,64
1,21	1,01	0,92	Result before losses	0,81	1,34	1,55
-0,02	-0,06	-0,02	Loss on loans, guarantees etc.	0,01	-0,06	-0,01
1,23	1,07	0,94	Result before tax	0,80	1,39	1,56
0,52	0,57	0,58	Cost-income ratio	0,67	0,55	0,51
57 %	59 %	59 %	Loan-to-deposit ratio	57 %	57 %	55 %
15,3 %	14,1 %	11,1 %	Return on equity	7,8 %	18,2 %	18,9 %



## Balance sheet

Parent bank			(NOK million)	Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
2.396	1.195	863	Cash and receivables from central banks	863	1.195	2.396
3.402	2.801	3.895	Deposits with and loans to credit institutions	1.924	1.174	1.482
57.097	53.013	56.642	Gross loans to customers before write-down	58.824	54.650	59.178
-113	-143	-117	- Specified write-downs	-124	-148	-116
-176	-176	-176	- Write-downs by loan category	-186	-184	-185
56.808	52.694	56.349	Net loans to and receivables from customers	58.514	54.318	58.878
5.051	3.772	4.916	Fixed-income CDs and bonds at fair value	4.916	3.772	5.051
426	474	444	Derivatives	445	474	427
337	478	306	Shares, units and other equity interests	567	479	665
735	629	739	Investment in related companies	1.278	873	1.103
720	257	720	Investment in group companies	-	-	-
447	447	447	Goodwill	461	458	460
661	1.028	1.035	Other assets	1.457	1.448	1.042
<b>70.982</b>	<b>63.774</b>	<b>69.715</b>	<b>Assets</b>	<b>70.427</b>	<b>64.190</b>	<b>71.503</b>
5.346	2.377	3.809	Deposits from credit institutions	3.809	2.377	5.346
32.616	31.085	33.562	Deposits from and debt to customers	33.373	31.037	32.434
23.950	21.958	22.832	Debt created by issue of securities	22.832	21.958	23.950
671	556	567	Derivatives	567	556	671
1.371	1.727	2.016	Other liabilities	2.304	1.849	1.596
2.648	2.404	2.752	Subordinated loan capital	2.752	2.404	2.648
<b>66.600</b>	<b>60.107</b>	<b>65.538</b>	<b>Total liabilities</b>	<b>65.637</b>	<b>60.181</b>	<b>66.643</b>
1.349	1.262	1.349	Primary capital certificates	1.349	1.262	1.349
138	-	138	Premium fund	138	-	138
615	570	615	Dividend equalisation fund	675	624	675
324	-	-	Purposed dividends	-	-	324
1.776	1.569	1.776	Savings bank's reserve	1.830	1.618	1.830
93	142	93	Unrealised gains reserve	103	142	103
86	-	86	Other equity capital	591	178	430
-	-	-	Minority interests	9	10	10
<b>4.382</b>	<b>3.667</b>	<b>4.176</b>	<b>Total equity capital</b>	<b>4.790</b>	<b>4.009</b>	<b>4.860</b>
<b>70.982</b>	<b>63.774</b>	<b>69.715</b>	<b>Total liabilities and equity</b>	<b>70.427</b>	<b>64.190</b>	<b>71.503</b>

*Movements in equity capital*

	Total equity capital	PCC capital	Premium reserve	Dividend equalisation fund	Savings bank's fund	Unrealised gains reserve	Other funds
<b>Parent bank</b>							
Equity capital 01.01.08	4.382	1.349	138	615	1.776	93	410
Declared dividend	-324	-	-	-	-	-	-324
Result parent bank at 31.03.08	119	-	-	-	-	-	119
<b>Equity capital at 31.12.07 parent bank</b>	<b>4.176</b>	<b>1.349</b>	<b>138</b>	<b>615</b>	<b>1.776</b>	<b>93</b>	<b>205</b>
<b>Group</b>							
Equity capital at 01.01.08	4.860	1.349	138	675	1.830	103	764
Equity capital adj. in SpareBank 1 Gruppen (applies to 2007)	160	-	-	-	-	-	160
Declared dividend	-324	-	-	-	-	-	-324
Result Group at 31.03.08	94	-	-	-	-	-	94
<b>Equity capital at 31.12.07 Group</b>	<b>4.790</b>	<b>1.349</b>	<b>138</b>	<b>675</b>	<b>1.830</b>	<b>103</b>	<b>694</b>

## Results from quarterly accounts

Group in NOKm	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	2008	2007	2007	2007	2007	2006	2006	2006	2006
Interest income	1069	1010	917	812	732	676	609	563	528
Interest expenses	758	708	612	544	481	425	357	310	277
<b>Net interest</b>	<b>311</b>	<b>302</b>	<b>305</b>	<b>268</b>	<b>251</b>	<b>252</b>	<b>252</b>	<b>252</b>	<b>251</b>
Commission income	154	167	174	162	155	182	153	154	140
Commission expenses	18	23	22	20	21	20	21	22	19
Other operating income	22	27	26	27	16	19	9	10	7
<b>Commission income and other income</b>	<b>157</b>	<b>171</b>	<b>179</b>	<b>170</b>	<b>150</b>	<b>181</b>	<b>141</b>	<b>142</b>	<b>128</b>
Dividends	16	1	2	19	2	2	1	8	7
Income from investment in related companies	20	63	53	69	48	79	43	46	21
Net return on financial investments	-72	-46	50	62	24	121	7	14	74
<b>Net return on financial investments</b>	<b>-36</b>	<b>17</b>	<b>104</b>	<b>151</b>	<b>74</b>	<b>202</b>	<b>50</b>	<b>69</b>	<b>102</b>
<b>Total income</b>	<b>432</b>	<b>490</b>	<b>588</b>	<b>589</b>	<b>475</b>	<b>635</b>	<b>444</b>	<b>463</b>	<b>481</b>
Staff costs	161	143	158	139	143	147	125	119	121
Administration costs	83	87	85	87	79	93	72	78	78
Other operating expenses	44	60	40	41	41	41	35	38	42
<b>Total operating expenses</b>	<b>288</b>	<b>289</b>	<b>282</b>	<b>268</b>	<b>263</b>	<b>282</b>	<b>231</b>	<b>235</b>	<b>242</b>
<b>Result before losses</b>	<b>144</b>	<b>201</b>	<b>306</b>	<b>321</b>	<b>212</b>	<b>352</b>	<b>212</b>	<b>228</b>	<b>239</b>
Loss on loans, guarantees etc.	1	9	-4	-2	-9	4	-72	6	-22
<b>Result before tax</b>	<b>143</b>	<b>192</b>	<b>310</b>	<b>322</b>	<b>221</b>	<b>348</b>	<b>285</b>	<b>222</b>	<b>261</b>
Tax charge	48	38	59	57	46	53	70	49	46
Minority interests	0	0	0	2	0	0	0	1	0
<b>Net profit</b>	<b>94</b>	<b>154</b>	<b>251</b>	<b>264</b>	<b>176</b>	<b>295</b>	<b>214</b>	<b>172</b>	<b>215</b>
<b>Profitability</b>									
Return on equity per quarter	7,8%	12,8%	21,7%	25,0%	18,2%	30,2%	21,0%	17,5%	22,9%
Cost-income ratio	67%	59%	48%	45%	55%	44%	52%	51%	50%
<b>Balance sheet</b>									
Gross loans to customers	58.824	59.178	57.518	56.865	54.650	52.819	51.231	48.517	46.311
Deposits from customers	33.373	32.434	31.841	32.559	31.037	30.136	28.635	28.897	26.570
Total assets	70.427	71.503	69.531	67.608	64.190	63.179	60.820	55.787	54.127
Average total assets	70.965	70.516	68.569	65.899	63.685	61.602	57.558	53.373	53.281
Growth in loans last 12 months	17,5%	17,2%	16,8%	17,2%	18,0%	16,6%	15,7%	13,2%	11,6%
Growth in deposits last 12 months	7,5%	7,6%	11,2%	12,7%	16,8%	11,4%	10,8%	7,8%	8,2%
<b>Loss and non-performing commitments</b>									
Impairment losses ratio 3)	0,01%	0,02%	-0,01%	-0,01%	-0,07%	0,01%	-0,01%	0,02%	-0,19%
Non-performing commitm. as a percentage of gross loans	0,47%	0,39%	0,42%	0,43%	0,32%	0,40%	0,59%	0,62%	0,70%
Other doubtful commitm. as a percentage of gross loans	0,37%	0,39%	0,38%	0,37%	0,54%	0,51%	0,45%	0,52%	0,56%
<b>Solidity</b>									
Capital adequacy ratio	12,1%	12,5%	12,4%	11,7%	12,2%	11,9%	9,5%	10,4%	11,0%
Core capital ratio	8,1%	8,3%	8,7%	8,3%	8,2%	8,6%	8,1%	8,5%	8,9%
Core capital	3.590	3.700	3.813	3.557	3.340	3.498	3.099	3.062	3.087
Net equity and related capital	5.403	5.557	5.417	5.033	4.988	4.809	3.628	3.741	3.814
<b>Key figures PCC</b>									
PCC price	51,00	72,25	70,00	70,00	79,50	82,00	77,75	73,40	78,75
Number of certificates issued, millions	53,98	53,98	53,98	53,76	50,49	50,49	50,49	50,49	50,49
Booked equity capital per PCC (including dividend)	46,70	51,00	48,99	46,47	42,66	46,36	43,07	40,69	38,78
Adjusted profit per PCC	0,97	1,59	2,64	2,73	1,87	3,28	2,38	1,91	2,39
Price/earnings per PCC	13,10	11,38	6,64	6,41	10,61	6,26	8,16	9,59	8,23
Price/ Booked equity capital	1,09	1,42	1,43	1,51	1,86	1,77	1,81	1,80	2,03

## Accounting principles

SpareBank 1SMN's consolidated accounts are prepared under IFRS (International Financial Reporting Standards).

As from 2007 the company accounts are also prepared under IFRS, entailing that investments in associated companies

are accounted for using the cost method. Results of subsidiaries and associates are accordingly not included in the parent bank's accounts.

## Notes

(in NOKm)

### Note 1 Losses on loans and guarantees

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
-35	-4	4	Change in individual impairment losses provisions for the period	7	-3	-36
0	0	0	Change in collective impairment losses provisions for the period	1	0	1
47	8	2	Actual loan losses on commitments for which provisions have been made	3	8	52
16	6	4	Actual loan losses on commitments for which no provision has been made.	4	6	16
-39	-20	-14	Recoveries on commitments previously written-off	-14	-20	-40
-12	-10	-4	Losses of the year on loans and guarantees	1	-9	-6

### Note 2 Losses

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
146	146	113	Individual write-downs to cover loss on loans at 01.01	116	150	150
11	0	1	+Increase in provisions for individual impairment losses	1	0	0
22	3	5	- Reversal of provisions from previous periods	5	3	3
25	6	10	+Impairment losses have been made previously	14	8	8
47	8	2	- Actual losses during the period for which provisions for individual impairment losses have been made previously	3	8	8
113	143	117	Specification of loss provisions at end of period	124	148	148
62	14	6	Actual losses	7	14	14

### Note 3 Defaults

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
<b>Total defaults</b>						
209	168	252	Loans in default for more than 90 days	279	176	231
31	30	36	- Specified loss provision	43	33	34
178	138	216	Net defaults	237	144	197
15 %	18 %	14 %	Provision rate	15 %	18 %	15 %
<b>Problem Loans</b>						
228	273	212	Problem loans (not in default)	220	294	232
82	113	81	- Specified loss provision	82	115	82
146	160	131	Net problem loans	138	179	149
36 %	41 %	38 %	Provision rate	37 %	39 %	36 %

### Note 4 Other assets

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
0	81	0	Deferred tax benefit	11	94	1
142	150	148	Fixed assets	449	427	440
519	797	887	Investment property	997	926	600
519	797	887	Other assets	997	926	600
661	1028	1035	<b>Total other assets</b>	1457	1448	1042

**Note 5** Other liabilities

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
522	373	466	Accrued expenses and received, non-accrued income	692	438	701
225	298	206	Provision for accrued expenses and commitments	235	326	289
6	123	6	Deferred tax	0	124	0
618	933	1.338	Other liabilities	1.377	962	605
1.371	1.727	2.016	<b>Total other liabilities</b>	2.304	1.849	1.596

**Note 6** Distribution of customer deposits by sector/industry

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
1.349	1.438	1.365	Agriculture/forestry/fisheries/hunting	1.365	1.438	1.349
126	165	121	Sea farming industries	121	165	126
1.535	1.824	1.010	Manufacturing	1.010	1.824	1.535
892	687	829	Construction, power and water supply	829	687	892
2.750	1.982	2.306	Retail trade, hotels and restaurants	2.306	1.982	2.750
110	75	98	Maritime sector	98	75	110
2.226	2.233	2.212	Property management	2.125	2.233	2.129
1.971	1.546	2.343	Business services	2.280	1.546	1.926
2.331	2.647	3.256	Transport and other services provision	3.256	2.634	2.331
2.517	2.988	2.998	Public administration	2.998	2.988	2.517
737	723	775	Other sectors	736	688	697
16.546	16.309	17.312	<b>Total</b>	17.123	16.261	16.363
16.070	14.776	16.250	Wage earners	16.250	14.776	16.070
32.616	31.085	33.562	<b>Total deposits</b>	33.373	31.037	32.434

**Note 7** Distribution of loans by sector/industry

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
3.378	3.161	3.023	Agriculture/forestry/fisheries/hunting	3.469	3.477	3.774
800	805	756	Sea farming industries	756	805	800
1.719	1.536	1.891	Manufacturing	2.088	1.680	1.916
1.106	829	1.158	Construction, power and water supply	1.704	1.206	1.605
1.652	1.680	2.311	Retail trade, hotels and restaurants	2.724	2.000	2.054
1.705	1.226	1.742	Maritime sector	1.742	1.226	1.705
7.670	6.469	8.447	Property management	8.271	6.575	7.504
1.467	995	1.427	Business services	1.630	995	1.651
1.099	1.121	1.170	Transport and other services provision	1.405	1.313	1.350
87	97	53	Public administration	94	135	128
550	356	469	Other sectors	471	357	552
21.231	18.275	22.446	<b>Gross loans in retail market</b>	24.354	19.769	23.038
38.597	34.800	39.652	Wage earners	39.927	34.943	38.872
59.828	53.075	62.099	<b>Gross loans incl. SpareBank 1 Boligkreditt</b>	64.281	54.712	61.910
2.731	62	5.457	SpareBank 1 Boligkreditt	5.457	62	2.731
57.097	53.013	56.642	<b>Gross loans in balance sheet</b>	58.824	54.650	59.178

**Note 8** Capital adequacy

Parent bank				Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
3.617	3.234	3.557	Core capital	3.590	3.340	3.700
1.896	1.708	1.878	Qualifying subordinated loan capital	1.813	0	1.857
5.513	4.942	5.435	Capital base	5.403	4.988	5.557
8,06 %	8,13 %	8,33 %	Core capital ratio	8,06 %	8,19 %	8,32 %
12,29%	12,42%	12,72%	Capital adequacy ratio	12,14%	12,23%	12,50%

Note 9 Account by business line

Profit and loss account (NOK million)	Group 31.03.08								Total
	PM	BM	Markets	EM 1	SP1F	Allegro	MNR	Uncollated	
Net interest	142	116	6	1	15	1	0	30	311
Allocated	18	26	0	0	0	0	0	-44	0
<b>Total interest income</b>	<b>160</b>	<b>142</b>	<b>6</b>	<b>1</b>	<b>15</b>	<b>1</b>	<b>0</b>	<b>-14</b>	<b>311</b>
Commission income and other income	81	27	7	35	5	4	11	-12	157
Net return on financial investments	0	0	15	4	0	0	0	-55	-36
<b>Total income</b>	<b>241</b>	<b>169</b>	<b>28</b>	<b>40</b>	<b>19</b>	<b>5</b>	<b>11</b>	<b>-81</b>	<b>432</b>
<b>Total operating expenses</b>	<b>142</b>	<b>66</b>	<b>13</b>	<b>41</b>	<b>8</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>288</b>
<b>Ordinary operating profit</b>	<b>100</b>	<b>103</b>	<b>15</b>	<b>-1</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>-86</b>	<b>144</b>
Loss on loans, guarantees etc.	0	5	0	0	5	0	0	-9	1
<b>Result before tax</b>	<b>100</b>	<b>98</b>	<b>15</b>	<b>-1</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>-78</b>	<b>143</b>
<b>Post-tax return on equity</b>	<b>25,1%</b>	<b>17,1%</b>							
<b>Balance (NOK million)</b>									
Loans and advances to customers	38.552	22.104	0	0	2.408	0	0	1.217	64.281
adv. of this to Boligkreditt	-5.276	-47	0	0	0	0	0	-134	-5.457
Individual allowance for impairment on loan	-33	-85	0	0	7	0	0	-14	-124
Group allowance for impairment on loan	-46	-130	0	0	-10	0	0	0	-186
Other assets	276	142	0	104	6	11	12	11.362	11.913
<b>Total assets</b>	<b>33.473</b>	<b>21.984</b>	<b>0</b>	<b>104</b>	<b>2.411</b>	<b>11</b>	<b>12</b>	<b>12.432</b>	<b>70.427</b>
Deposits to customers	16.962	14.623	0	0	0	0	0	1.788	33.373
Other liabilities and equity	16.511	7.361	0	104	2.411	11	12	10.644	37.054
<b>Total liabilities</b>	<b>33.473</b>	<b>21.984</b>	<b>0</b>	<b>104</b>	<b>2.411</b>	<b>11</b>	<b>12</b>	<b>12.432</b>	<b>70.427</b>

Profit and loss account (NOK million)	Group 31.03.07								Total
	PM	BM	Markets	EM 1	SP1F	Allegro	MNR	Uncollated	
Net interest	125	97	0	1	10	0	0	18	251
Allocated	14	14	0	0	0	0	0	-28	0
<b>Total interest income</b>	<b>139</b>	<b>111</b>	<b>0</b>	<b>1</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>-10</b>	<b>251</b>
Commission income and other income	73	21	7	35	2	5	7	1	150
Net return on financial investments	4	15	10	0	0	0	0	45	74
<b>Total income</b>	<b>216</b>	<b>147</b>	<b>17</b>	<b>35</b>	<b>12</b>	<b>5</b>	<b>7</b>	<b>36</b>	<b>475</b>
<b>Total operating expenses</b>	<b>139</b>	<b>62</b>	<b>2</b>	<b>39</b>	<b>6</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>263</b>
<b>Ordinary operating profit</b>	<b>77</b>	<b>85</b>	<b>15</b>	<b>-4</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>30</b>	<b>212</b>
Loss on loans, guarantees etc.	1	-12	0	0	1	0	0	1	-9
<b>Result before tax</b>	<b>76</b>	<b>97</b>	<b>15</b>	<b>-4</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>30</b>	<b>221</b>
<b>Post-tax return on equity</b>	<b>18,7%</b>	<b>21,2%</b>							
<b>Balance (NOK million)</b>									
Loans and advances to customers	34.141	17.820	0	0	1.746	0	0	943	54.650
adv. of this to Boligkreditt	61	1	0	0	0	0	0	0	62
Individual allowance for impairment on loan	-34	-109	0	0	-5	0	0	0	-148
Group allowance for impairment on loan	-46	-130	0	0	-8	0	0	-1	-184
Other assets	282	385	0	135	53	9	8	9.000	9.872
<b>Total assets</b>	<b>34.343</b>	<b>17.967</b>	<b>0</b>	<b>135</b>	<b>1.786</b>	<b>9</b>	<b>8</b>	<b>9.942</b>	<b>64.190</b>
Deposits to customers	15.722	14.060	0	0	0	0	0	1.255	31.037
Other liabilities and equity	18.621	3.907	0	135	1.786	9	8	8.688	33.154
<b>Total liabilities</b>	<b>34.343</b>	<b>17.967</b>	<b>0</b>	<b>135</b>	<b>1.786</b>	<b>9</b>	<b>8</b>	<b>9.943</b>	<b>64.190</b>

\*) Specification of net return on financial investments (NOKm)

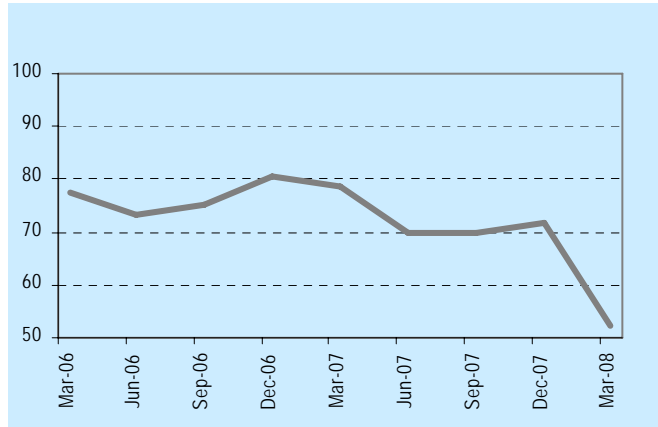
	31.03.08	31.03.07
Share of profit, SpareBank 1 Gruppen	20	48
Dividend on securities	20	2
Capital gains on shares	-72	7
adv. of this from Midt-Norge Invest	-64	0
Net gains on securities, currency and derivatives	-4	18
Net gains on other financial assets	0	0
Net return on financial investments	-36	74

## Cash flow statement

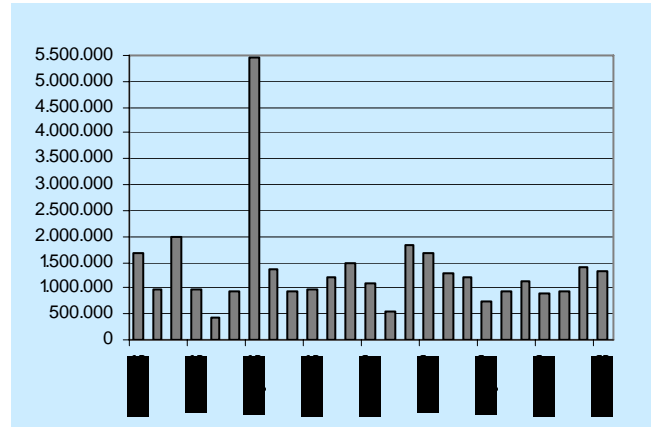
Parent bank			Cash flow statement (NOK million)	Group		
31.12.07	31.03.07	31.03.08		31.03.08	31.03.07	31.12.07
620	124	119	Profit	94	221	844
57	11	12	+ Depreciations and write-downs on fixed assets	13	14	66
-12	-10	-4	Losses on loans and guarantees	1	-9	-6
665	125	125	Net cash increase from ordinary operations	109	226	904
38	-369	-386	Decrease/(increase) other receivables	-424	-391	37
355	158	542	Increase/(decrease) short term debt	605	167	468
-5.795	-1.683	463	Decrease/(increase) loans to customers	362	-1.821	-6.352
-56	544	-493	Decrease/(increase) loans credit institutions	-442	700	391
2.433	903	946	Increase/(decrease) deposits and debt to customers	940	900	2.297
2.580	-389	-1.537	Increase/(decrease) debt to credit institutions	-1.537	-389	2.580
74	1.353	135	Increase/(decrease) in short term investments	135	1.353	74
294	642	-204	<b>A) NET CASH FLOW FROM OPERATIONS</b>	-253	744	399
-49	-10	-18	Increase in tangible fixed assets	-24	-10	-81
3	2	0	Reductions in tangible fixed assets	0	2	5
-569	0	-4	Paid-up capital, associated companies	-175	0	-322
139	-2	31	Net investments in long-term shares and partnerships	97	-93	-188
-475	-10	9	<b>B) NET CASH FLOW FROM INVESTMENTS</b>	-102	-101	-585
270	27	104	Increase/(decrease) in subordinated loan capital	104	27	270
226	0	0	Increase/(decrease) in equity	0	0	226
-395	0	-324	Reclassification dividend and public gifts	-324	0	-395
-7	43	0	Correction of equity capital	160	33	-3
2.033	41	-1.118	Increase/(decrease) in other long term loans	-1.118	42	2.033
2.127	111	-1.337	<b>C) NET CASH FLOW FROM FINANCAL ACTIVITIES</b>	-1.177	101	2.131
1.945	744	-1.532	<b>A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENT</b>	-1.532	744	1.945
450	450	2.396	Cash and cash equivalents at 01.01	2.396	450	450
2.396	1.195	863	Cash and cash equivalents at 31.03	863	1.195	2.396
-1.945	-744	1.532	Net changes in cash and cash equivalents	1.532	-744	-1.945

## Primary capital certificates (PCCs)

Price trend March 2006 - March 2008



Trading statistics March 2006 - March 2008



20 largest PCC holders

	Number	Share
Reitangruppen AS	4.531.849	8,40 %
Romern AS	2.693.234	4,99 %
State Street Bank & Trust Corp.,USA (nominee)	2.259.931	4,19 %
J P M organ Chase Bank, UK (nominee)	1.694.701	3,14 %
Protector Eiendom AS	1.176.287	2,18 %
I.K. Lykke, T.Lykke m.fl.	1.041.196	1,93 %
HSBC Bank PLC.	1000.000	1,85 %
Frank Mohn AS	871.727	1,62 %
J P M organ Chase Bank, UK	844.657	1,56 %
Skandinaviska Enskildabanken	612.441	1,13 %
Tveteraas Invest AS m.fl.	542.322	1,00 %
Meieribrukets Pensjonskasse	487.920	0,90 %
Tonsenhagen Forretningssentrum as	469.287	0,87 %
Goldman Sachs & Co, USA (nominee)	409.177	0,76 %
Heglund Holding	385.636	0,71 %
Terra Utbytte Verdipapirfond	384.016	0,71 %
Jow Invest AS	327.272	0,61 %
Haugaland Kraft AS	320.803	0,59 %
Mellon Bank AS, USA (nominee)	301.200	0,56 %
Sparebanken Rogalad Pensjonskasse	300.324	0,56 %
	20.653.980	38,27 %
Others	33.322.023	61,73 %
Total issued PCCs	53.976.003	100,00 %

Dividend policy

SpareBank 1 SMN's financial objective is to achieve results that provide stable and good return on the bank's overall equity capital.

The net profit is distributed between the PCC holders and the savings bank's reserve in proportion to their respective share of the bank's equity capital. Any deficit is charged to the savings bank's reserve, dividend equalisation fund and, in the event, gift fund on a pro rata basis.

SpareBank 1 SMN will attach importance to a competitive cash dividend.

Where consideration must be given to the bank's equity capital position, variations may occur in the relative distribution between cash dividend and the dividend equalisation fund.