

Q3 2012

October 25th 2012

Summary of first nine months 2012

- **Good performance: net profit of NOK 816m and return on equity of 12.1%**
- **Strong growth in deposits, loans – and risk-weighted assets**
- **Stock issues totalling NOK 936m carried through in 2012**
- **Tier 1 capital ratio 10.6% at 30.9.2012, of which common equity tier 1 capital makes up 9.3%**
- **Lending margins rising through 2012. Further potentials available to Corporate Division**
- **High customer-facing activity raises costs across the Group**
- **Very low losses**

SpareBank 1 SMN will create value through customer influx, improved efficiency and good capital management

Efficiency improvements

- Streamlining the bank's processes
- Cost growth to be reduced

Customer influx

- Retail market shares still growing
- Selective lower growth in the corporate market
- Active use made of pricing
- Focus on deposits

Capital rationalisation

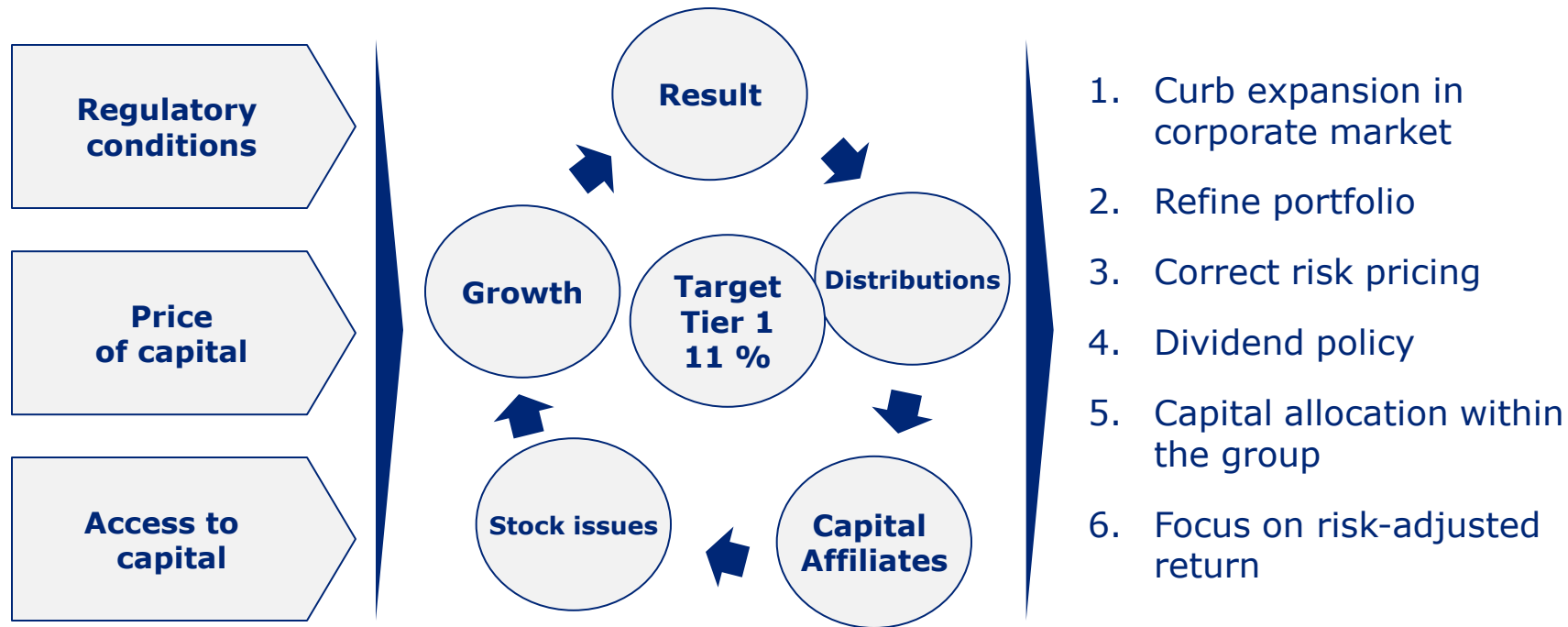
- Max. 5% growth in lending to corporates in 2013
- Focus on risk-adjusted return across all business areas (EVA)
- Portfolio refinement

Robust earnings and prudent growth will improve solidity

Capital a scarce factor

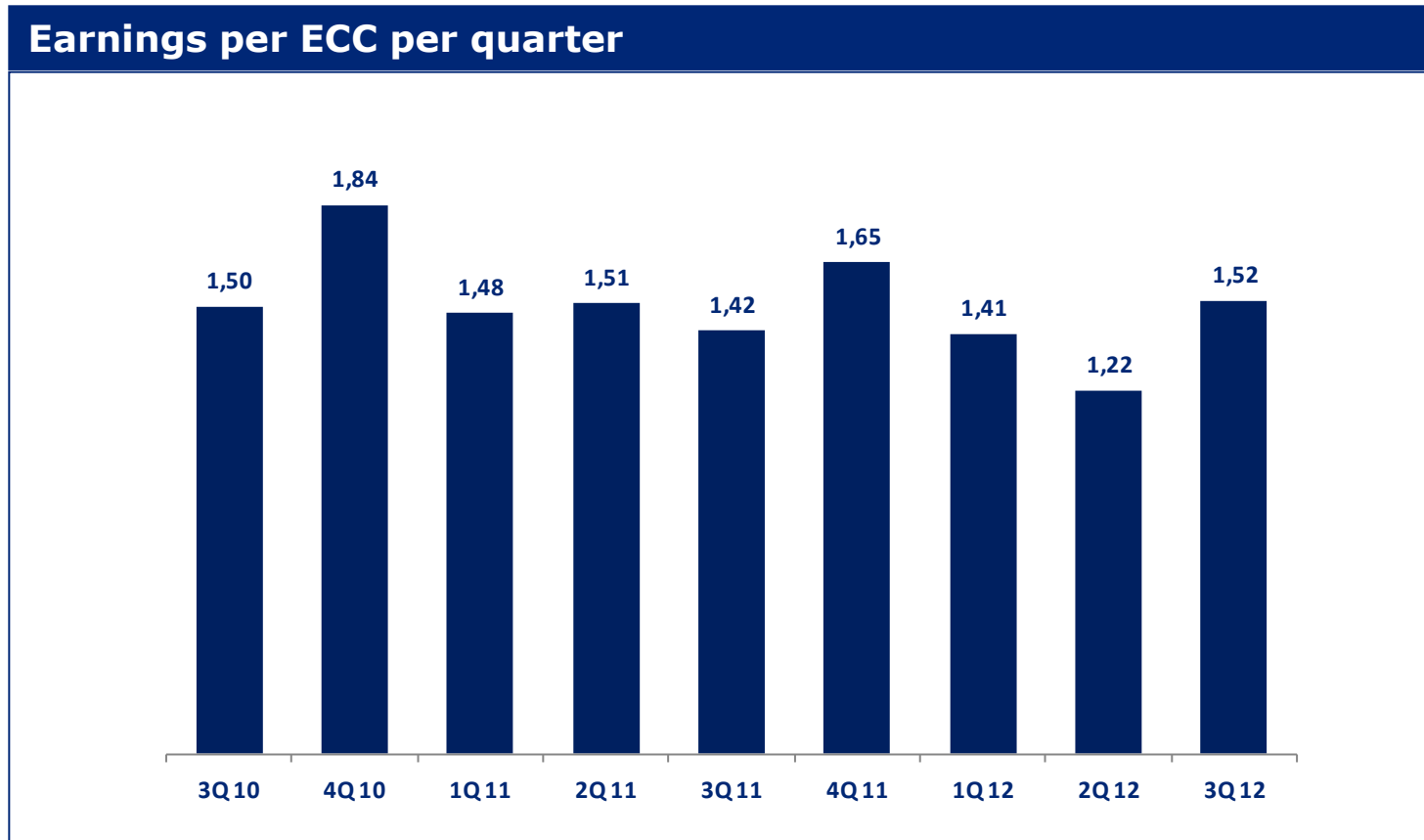
The bank must balance

Room for action



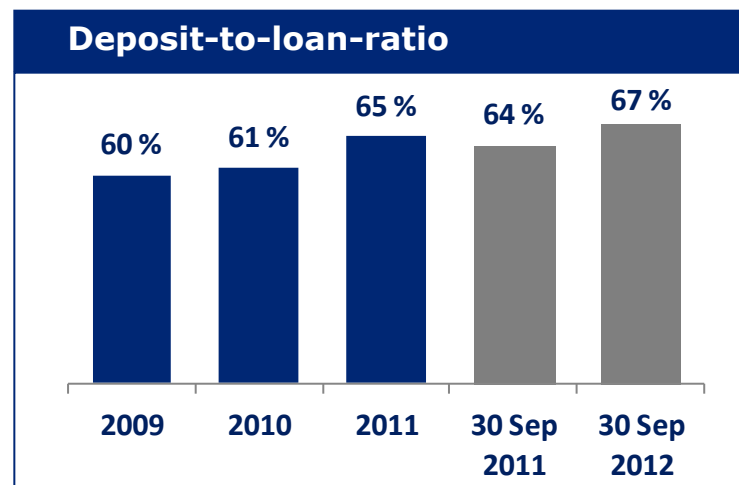
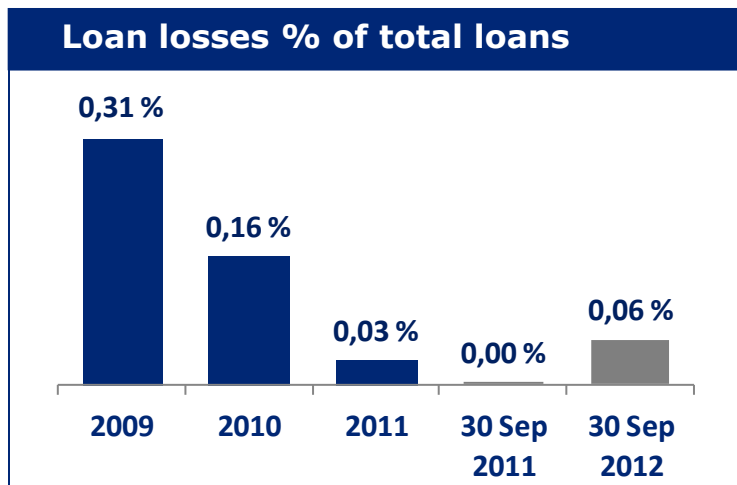
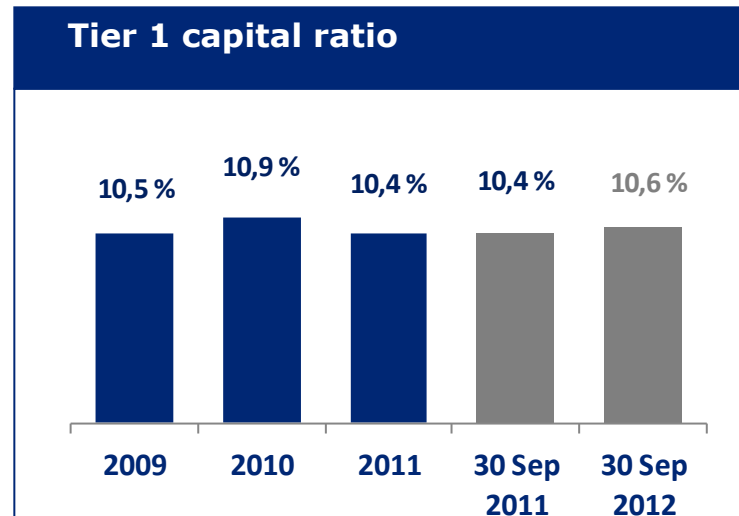
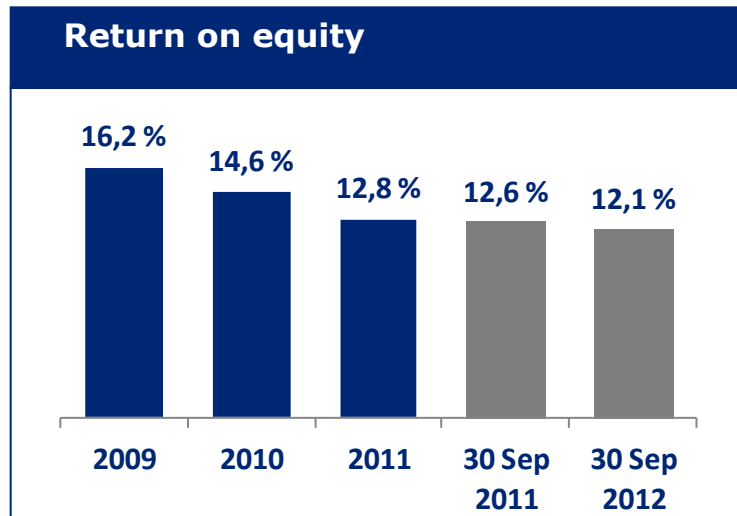
Drivers: Tougher requirements on common equity tier 1 capital, expanded risk-weighted assets and increased requirements on capital strength

Earnings per ECC last two years (adjusted for stock issue)



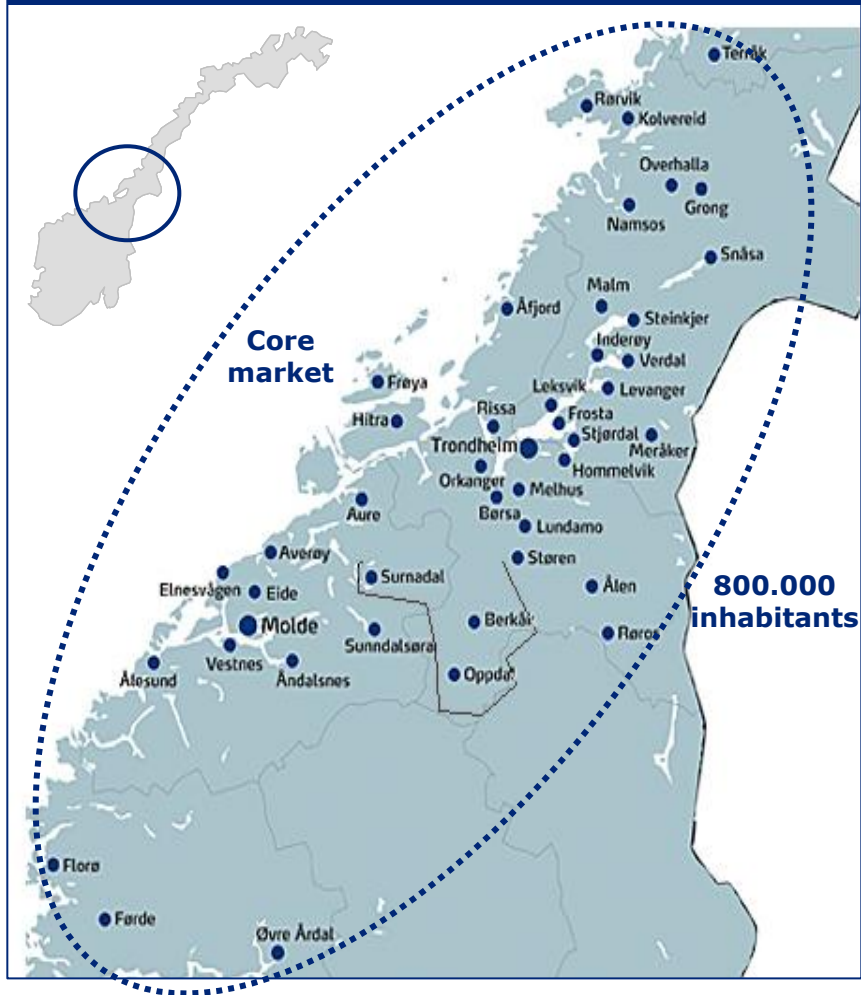
Good profitability

Strong financial position, no losses and strengthened deposit-to-loan-ratio



SpareBank 1 SMN, the most important financial institution in the region

Core market



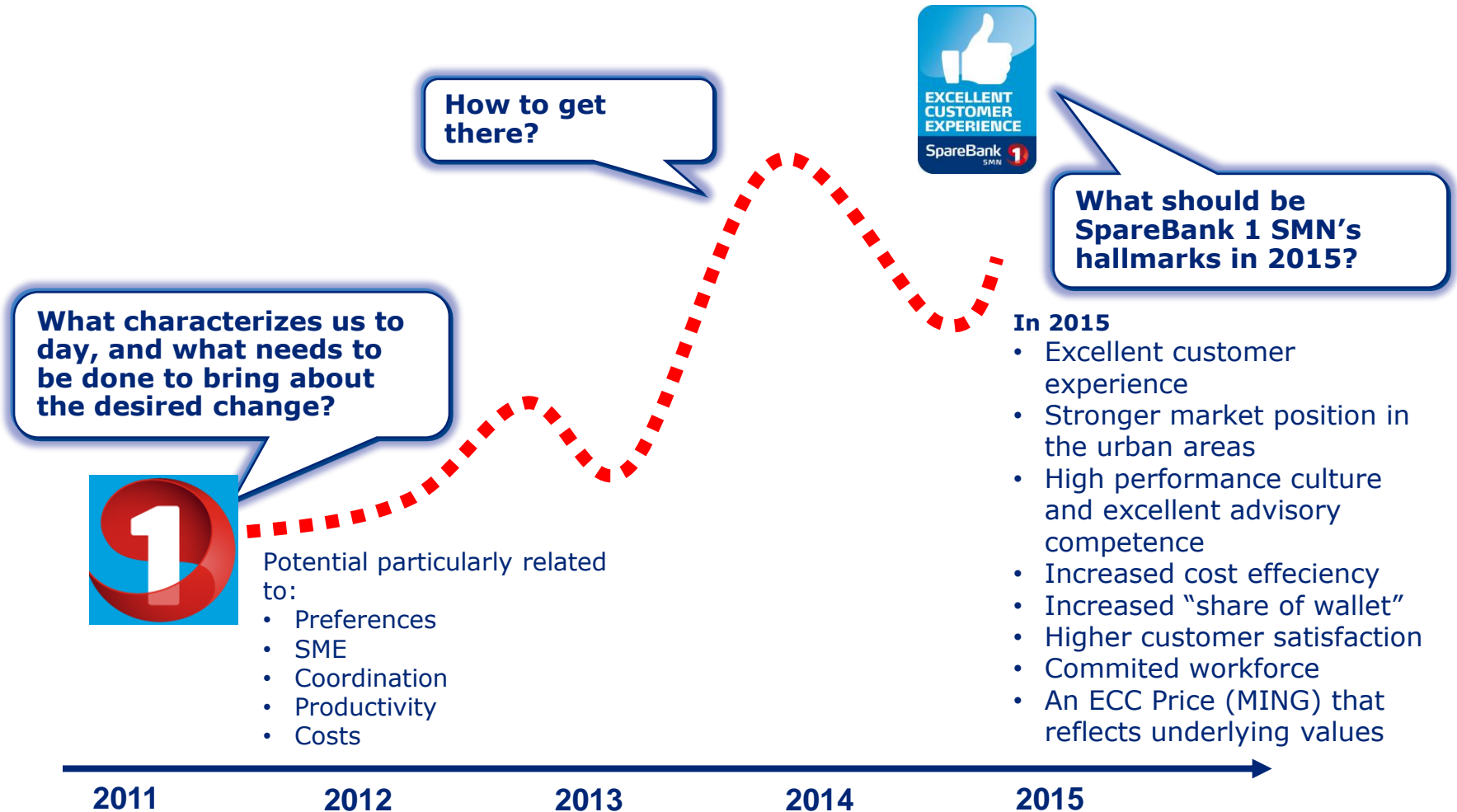
Overview

- 52 branches in Nord- and Sør-Trøndelag, Møre and Romsdal and Sogn and Fjordane
- NOK 108 bn in total assets and 200,000 customers
- Participant in the SpareBank 1 Alliance (second largest banking group in Norway) and 19.5 % ownership in the SpareBank 1 Group AS

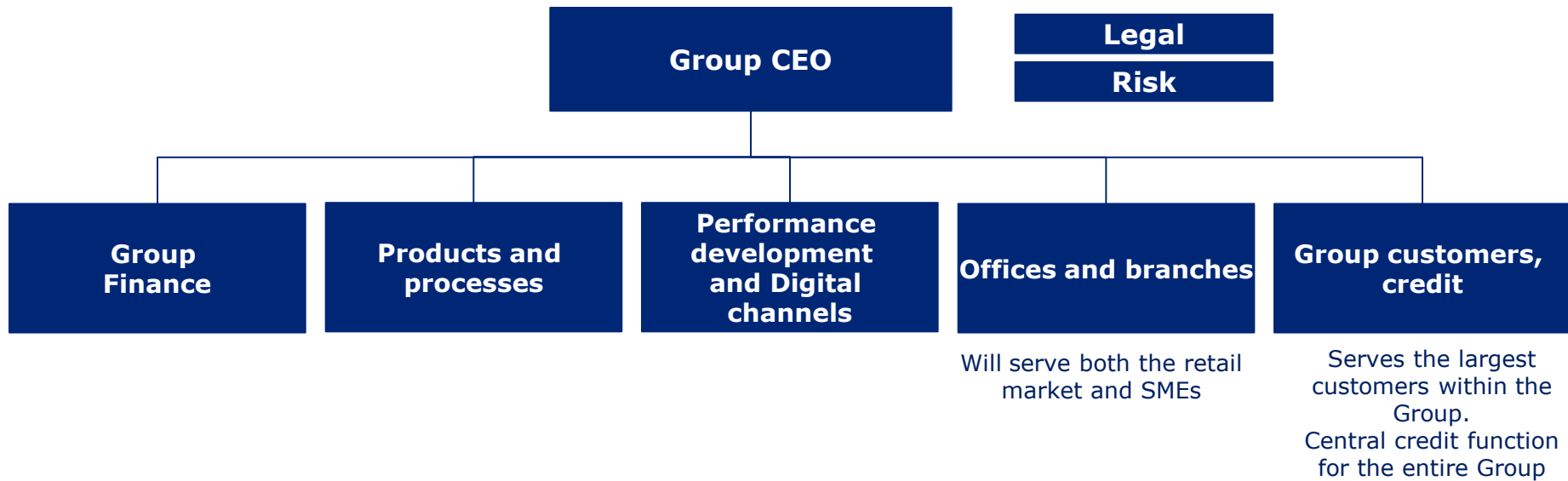
History

- Established in 1823
- Listed on the Oslo Stock Exchange since 1994
- Expansion to the Møre and Romsdal county in 2004 through takeover of Romsdals Fellesbank
- Expansion to Ålesund in 2009 through acquisition of BN Bank's Ålesund operation

After a long period of progress throughout the Group, wide-ranging improvement programme is being launched



Reorganisation of the bank to support change programmes



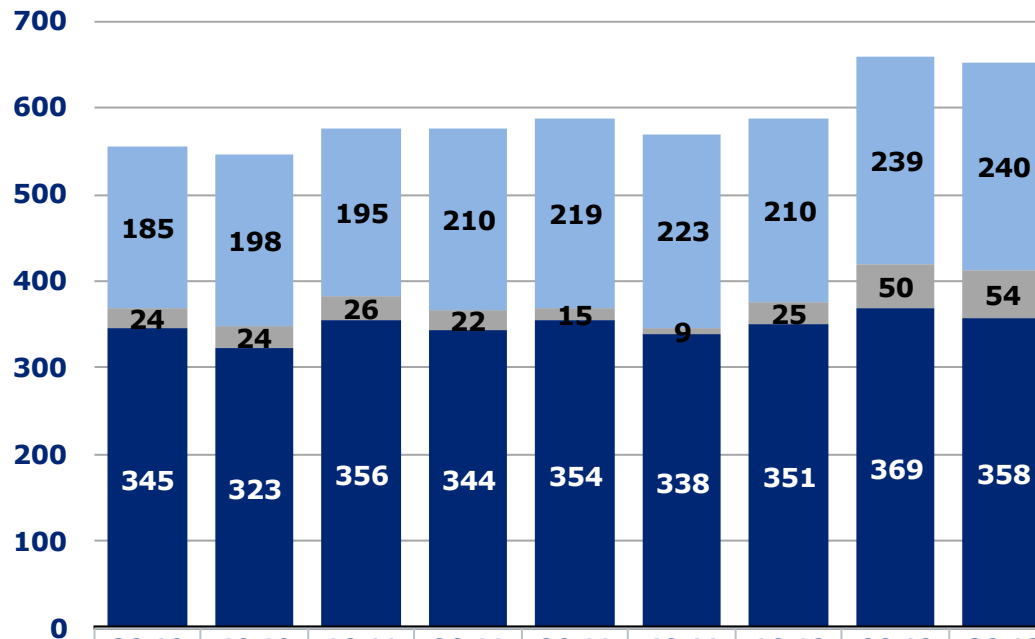
Reorganisering skal bidra til

- Short decision paths and greater local-level responsibility for customers
- Increased productivity and reduced relative operating expenses
- Better follow-up and control of performance and credit risk
- Substantial coordination gains
- Greater enthusiasm and commitment among the Group's 1200 employees

Operating income

Positive development operating income 3Q10 – 3Q12

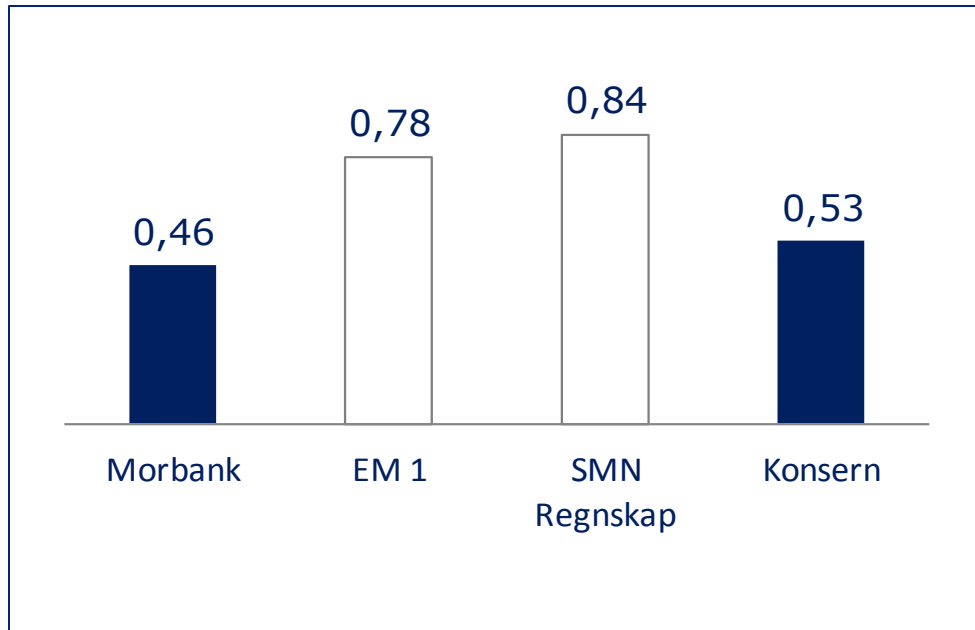
NOKm



	3Q 10	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12
■ Commission income	185	198	195	210	219	223	210	239	240
■ Boligkreditt	24	24	26	22	15	9	25	50	54
■ Net interest	345	323	356	344	354	338	351	369	358

SpareBank 1 SMN will come across as cost-efficient not just on an individual basis but also as a group

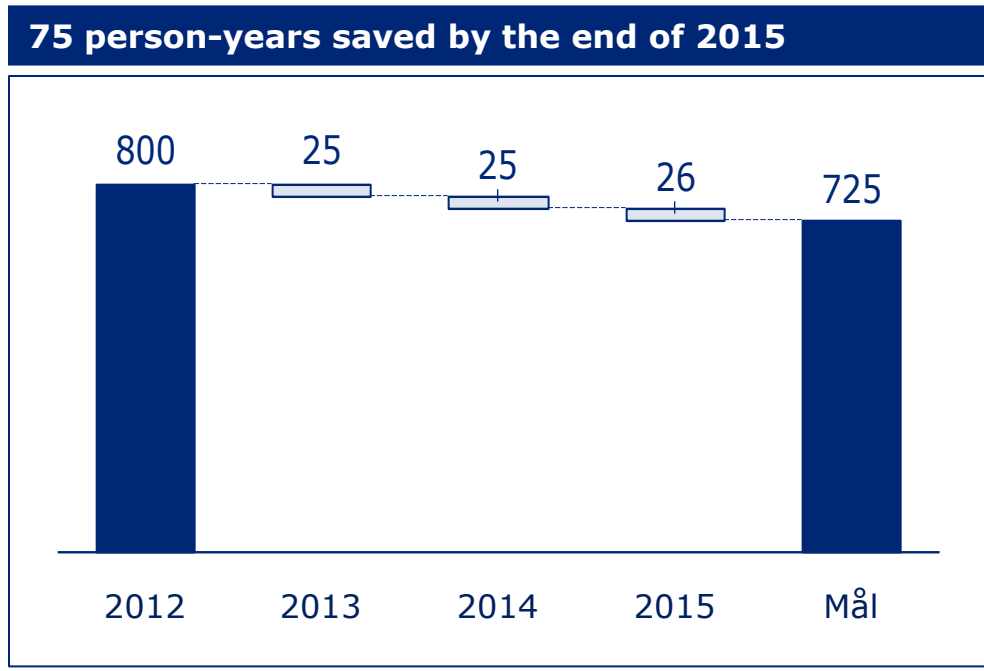
High operating margins in EM1 and SMN Regnskap



Profitable and non-capital-intensive subsidiaries:

- 1 Both EM1 and SMN Regnskap are companies making a sound profit – and requiring little equity capital compared with the group's other businesses
- 2 In their respective segments they come across as highly cost-efficient
- 3 But pose a challenge to the group's cost / income ratio

SpareBank 1 SMN's goal is to streamline operations and reduce relative costs through a systematic focus on person-years worked and resource allocation



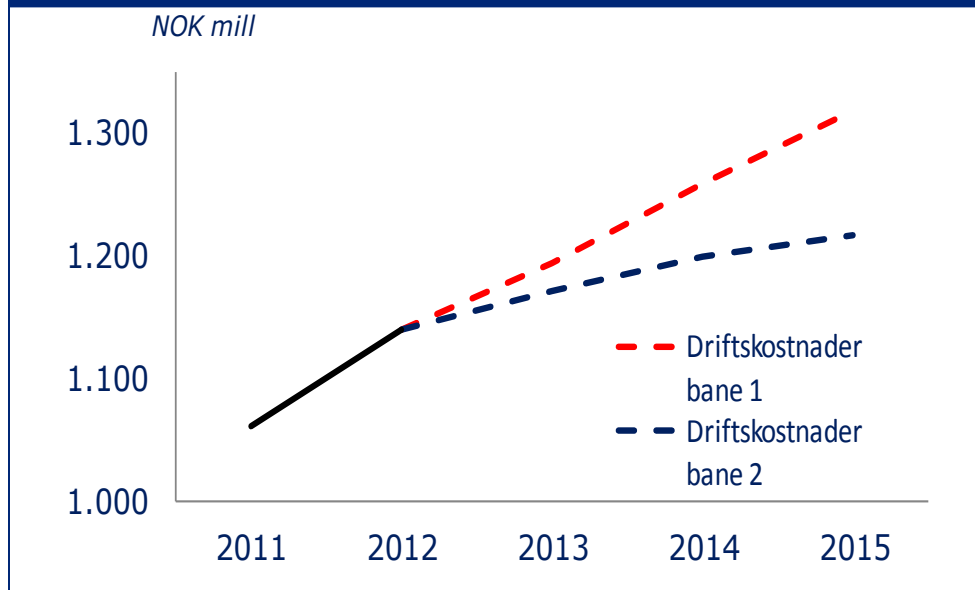
Systematic and methodical approach over three years:

- 1 Natural wastage
- 2 Positions and functions reassessed when staff leave
- 3 Allocation of resources from support functions to customer-oriented work

In the period to 2015 SpareBank 1 SMN will streamline operations and work tasks to enable the bank to increase volumes and handle a larger number of customers with a relatively smaller workforce, and thereby enhance efficiency and reduce relative costs

The efficiency improvement programme will reduce cost growth at the parent bank to 3 per cent per year

Increased efficiency and fewer person-years worked make for lower cost growth



Greater customer satisfaction, reduced costs

- An efficient bank for its customers
- Efficiency improvements enabling substantial savings
- Cost savings of NOK 100m by 2015

Outlook

- SpareBank 1 SMN has strengthened its market position and achieved sound profit growth in 2012. The Group's funding is robust. This is in keeping with the Directors' ambitions
- The Board of Directors will focus strongly ahead on correct risk pricing of the Bank's corporate portfolio, on implementing the new organizational model and on achieving the announced cost ambitions
- Continuing turbulence in international financial markets heightens uncertainty in the national and regional economies. Business and industry in the Bank's market area continue, all in all, to show growth and sound profits, despite the reduced demand seen by parts of the export-oriented sector. Unemployment is low, and there are few signs in the region's macro economy in isolation to suggest a change in the risk picture for the rest of 2012
- SpareBank 1 SMN has a conservative liquidity strategy and has the ability to maintain normal operations for 18 months without further access to external funding. SpareBank 1 SMN has negligible international exposure in its ordinary business and limited direct exposure to the securities markets
- The Board of Directors is satisfied with the Group's profit performance for the first nine months of 2012, in particular with its sound underlying operations and high quality risk management. The Board expects a good performance for 2012.

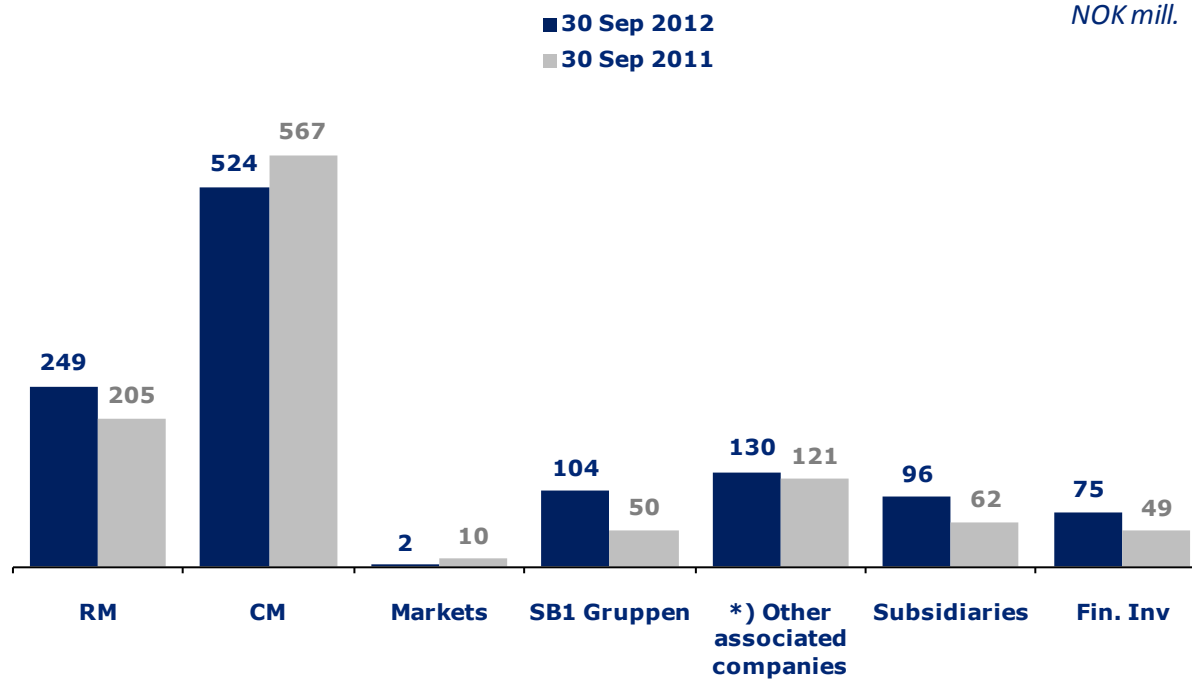
Financial figures

Positive profit trend and sound underlying operations

- ➔ Profit before tax: NOK 1,042m (NOK 946m)
- ➔ Profit: NOK 816m (NOK 745m)
- ➔ Return on equity 12.1 % (12.6 %)
- ➔ Income growth in core operations to NOK 1,897m (NOK 1,741m)
- ➔ Profit from related companies NOK 234m (NOK 171m), return on financial investments NOK 170m (NOK 83m)
- ➔ Loan losses: NOK 42m (NOK 1m), 0.06 % of total loans (0 %). Defaults at a very low level
- ➔ Core capital ratio at 10.6 % (10.4 %).
- ➔ Profit per ECC: NOK 3.99 (NOK 4.41)

Diversified income platform

Pre tax profit by business area



*) Other associated companies are BN Bank, Bank 1 Oslo Akershus, Polaris Media, SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt

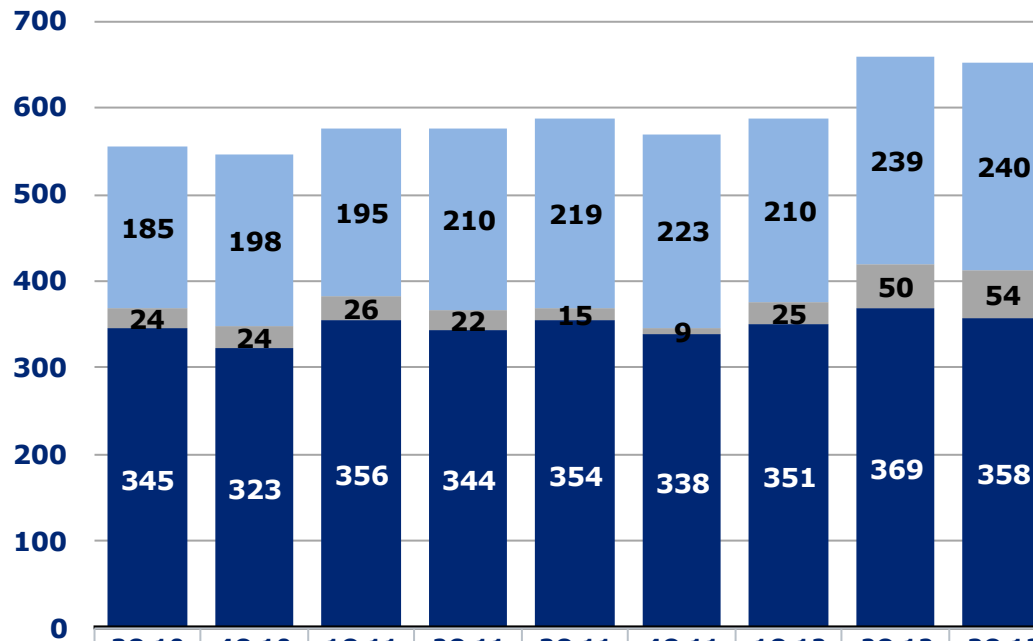
Positive development profits

Profit							
NOK mill	30 Sep 2012	30 Sep 2011	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11
Net interest	1.079	1.053	358	369	351	338	354
Commission income and other income	818	687	294	288	235	232	234
Operating income	1.897	1.741	653	658	586	570	588
Total operating expenses	1.217	1.070	421	398	398	412	361
Pre-loss result of core business	680	671	231	260	189	158	226
Losses on loans and guarantees	42	1	16	17	8	26	8
Post-loss result of core business	639	670	215	243	180	132	218
Income from investments in related companies	244	171	85	59	100	121	49
Securities, foreign currency and derivatives	160	105	83	17	60	81	39
Result before tax	1.042	946	383	319	340	333	306
Tax	225	201	77	81	68	54	66
Net profit	816	745	306	238	272	279	240
Return on equity	12,1 %	12,6 %	12,8 %	10,7 %	13,0 %	13,6 %	12,0 %

Operating income

Positive development operating income 3Q10 – 3Q12

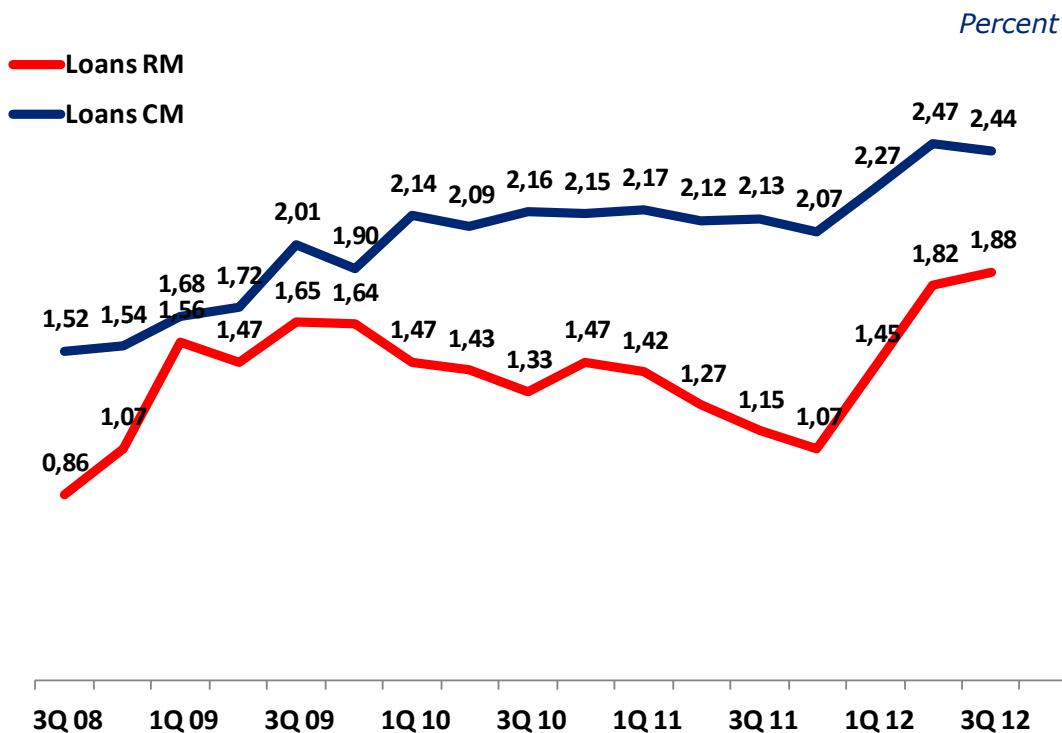
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Lending margins 3Q 2008 – 3Q 2012

Lending margins Retail and Corporate

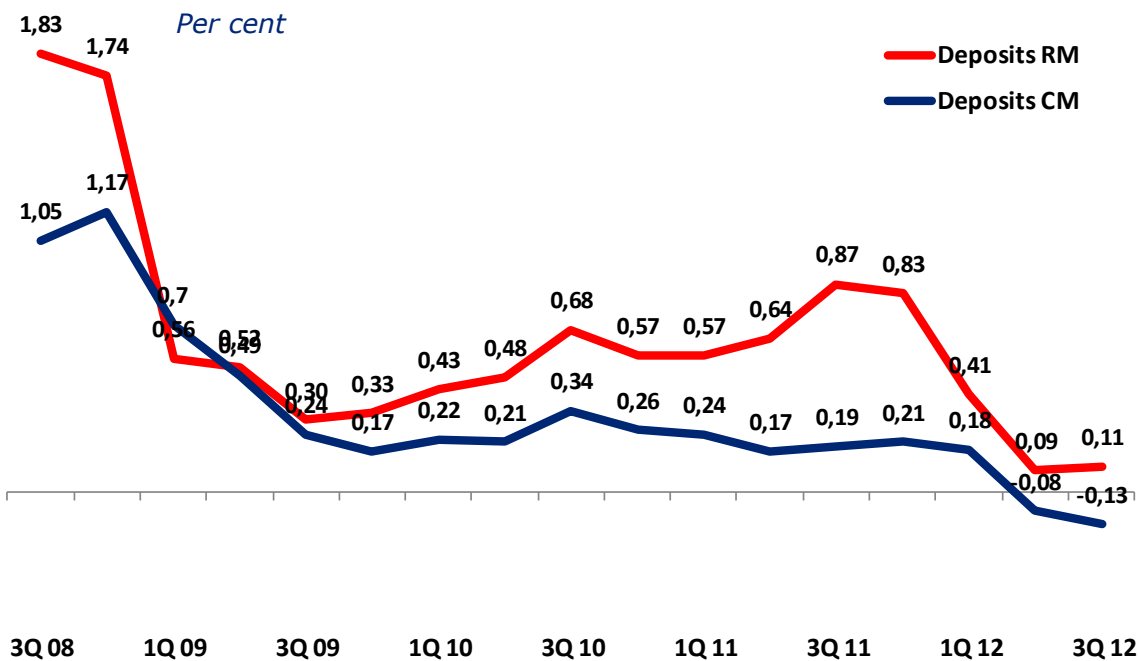


Comments

- Interest rate level remains low, and significant decrease in market interest rates during 2012
- Increased margins despite strong competition
- Corporate lending rates up with effect from 15.10 – estimated effect of 10-12 points across the entire portfolio
- Further potential for higher corporate lending rates

Deposit margins 3Q 2008 – 3Q 2012

Deposit margins Retail and Corporate



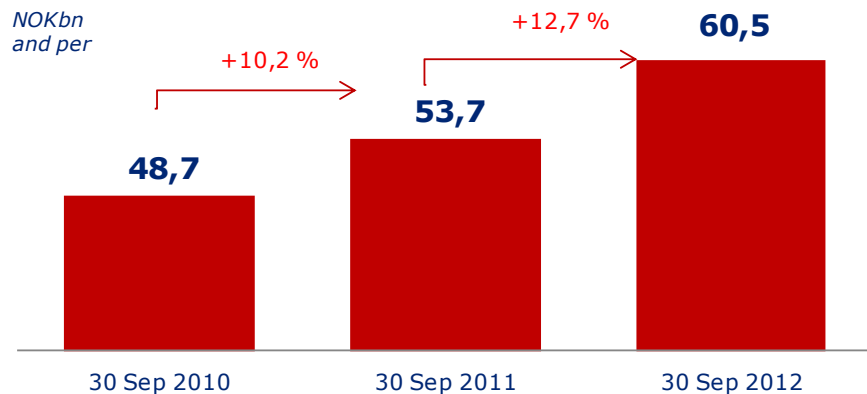
Comments

- Measured against NIBOR, margins have declined through 2012
- Deposits are a favourable and important funding source for the bank

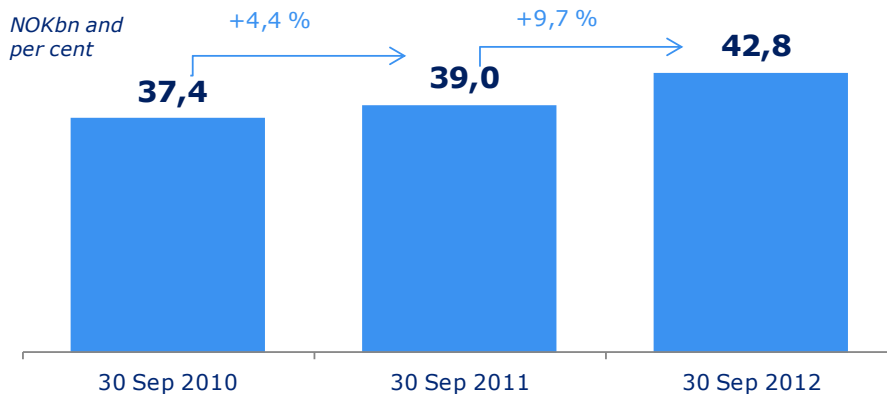
Total growth lending 11.4 %

High growth in lending to mortgages

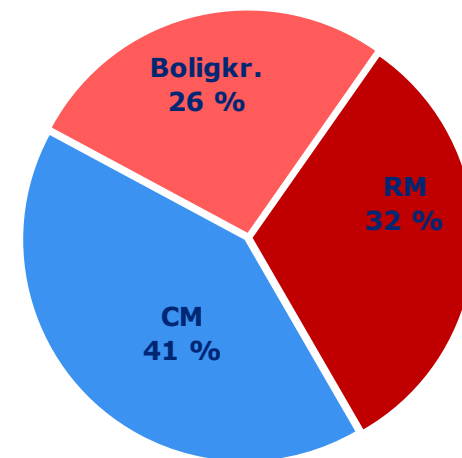
Lending RM +12.7 % from 2011 to 2012



Lending CM +9.7 % from 2011 to 2012

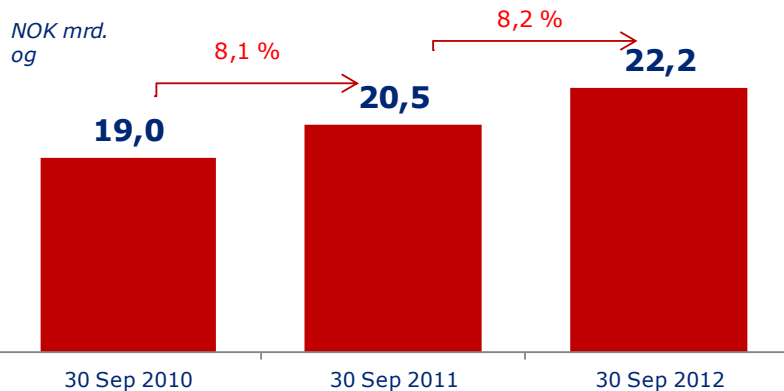


Loans

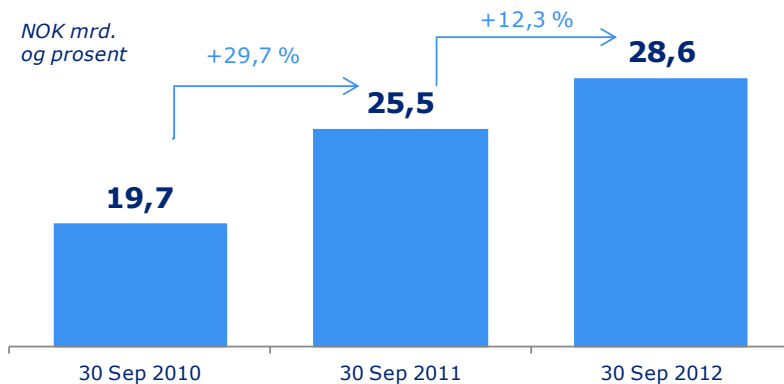


Total growth deposits 10.5 %

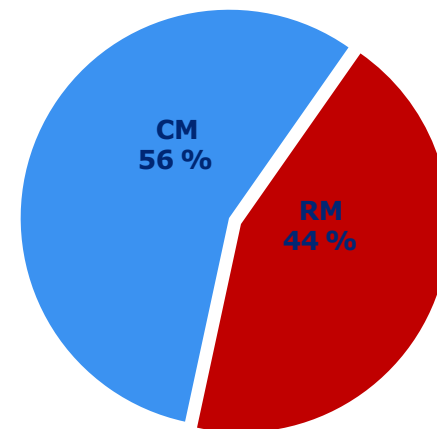
Deposits RM + 8.2 % from 2011 to 2012



Deposits CM +12.3 % from 2011 to 2012



Deposits



Change net interest income

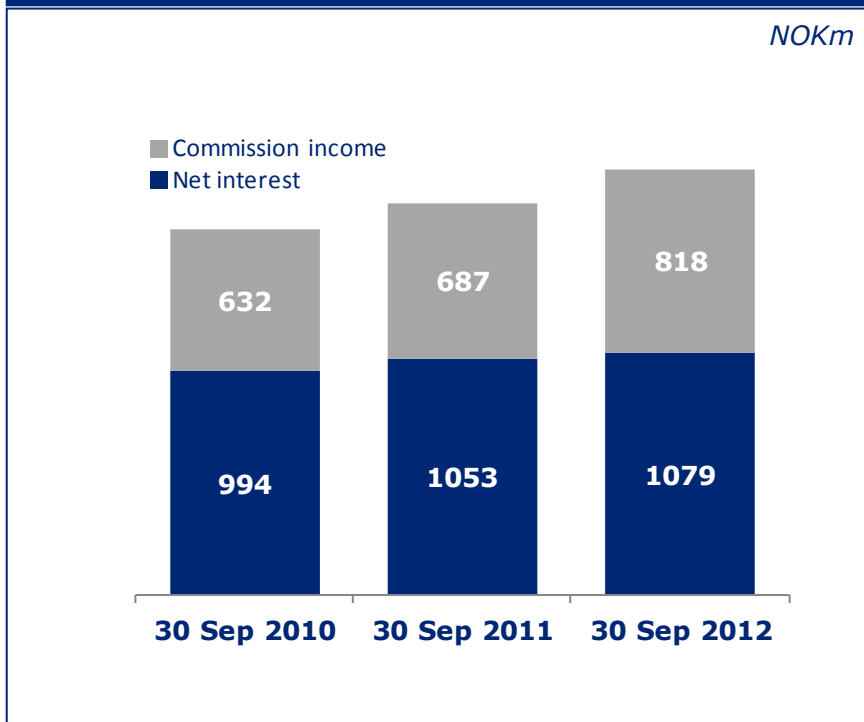
Change net interest income	
Net interest income at 30 Sept 11	1.053
Net interest income at 30 Sept 12	1.079
Change	25
Obtained as follows:	
Fees on lending	-23
Lending volume	48
Deposit volume	16
Lending margin	164
Deposit margin	-132
Equity capital	27
Funding and liquidity buffer	-85
Levy Norwegian Bank's Guarantee Fund	10
Change	25

Comments
<ul style="list-style-type: none"> • Increased volume strengthens net interest income • Improved lending margin in 2012 • Costs of external funding and liquidity holding have risen substantially

Net interest, provision commission and other income

The Group's income has become more diversified and sustainable

Net interest and other income



Commission income 30 Sep 11 and 30 Sep 12

mill kr	30 Sep 2012	30 Sep 2011
Payment transmission income	148	150
Commissions savings	33	41
Commissions insurance	86	77
Commissions Boligkredditt	129	63
Guarantee commissions	22	21
Estate agency	255	226
Accountancy services	78	54
Assets management	8	9
Rent new head office	27	22
Other commissions	31	23
Total commission income	818	687

- The Group's income platform is robust
- Incomes derive from a wide range of products both from the parent bank, the subsidiaries, and the SpareBank 1 Group
- Commission income from SpareBank 1 Boligkredditt has increased due to the very low interest rate level and has resulted in increased margins on the company's loan portfolio

Return on financial investments

Satisfactory return							
<i>NOKm</i>	30 Sep 2012	30 Sep 2011	3Q 12	2Q 12	1Q 12	4Q 11	3Q 11
Share of profit in related companies	234	171	85	50	99	119	49
Net gain and dividends on securities	19	66	27	-10	3	35	27
Net gain on bonds	56	-17	18	4	34	7	-19
Net gain on trading and derivatives Markets	95	56	36	36	23	40	31
Return on financial investments	404	276	165	79	160	201	88

Subsidiaries and related companies

Profit subsidiaries and related companies

	30 Sep 2012	30 Sep 2011	30 Sep 2010
Subsidiaries (pre tax)			
EiendomsMegler 1 Midt-Norge (87 %)	57,4 *)	55,1	30,0
SpareBank 1 SMN Regnskap	12,6	5,4	10,1
SpareBank 1 SMN Finans	42,7	22,5	20,7
Allegro Finans (90 %)	-2,6 *)	-3,3	-0,8
SpareBank 1 SMN Invest	11,9	50,0	-24,3
Real estate companies	-13,3	-18,0	-2,4
Associated companies (after tax)			
SpareBank 1 Gruppen (19,5 %)	104,3	49,6	50,9
SpareBank 1 Boligkreditt (17,84 %)	36,5	14,6	9,5
SpareBank 1 Næringskreditt (37 %)	7,9	6,2	2,0
BN Bank (33 %)	41,4	73,0	19,4
Bank 1 Oslo Akershus (19,5 %)	33,5	14,4	24,3
Polaris Media (23,5 %)	18,3	20,6	-
Other companies	-8,1	-8,0	-

*) The company's total profit

Cost development

Change in operating expenses 30. Sep 2011 – 30. Sep 2012

NOK mill

Expenses 30 Sep 2012	1.217
Expenses 30 Sep 2011	1.070
Change	147

Obtained as follows:

Increase in employees and wages	72
Employee placing	4
Credit brokers RM	6
EDP	14
Depreciations	11
Development SB1 alliance	10
Other operating expenses	30
Total	147

- High activity in retail and corporate division and in EiendomsMegler 1
- Purchases of accountancy offices have caused "new" costs
- Programme to enhance the efficiency of customer and internal processes is to implemented as part of "Best for customer experience"
 - Increased productivity and reduced relative costs
 - "Lean" as a process tool
 - This will be supported by reorganisation of the bank

Capital adequacy

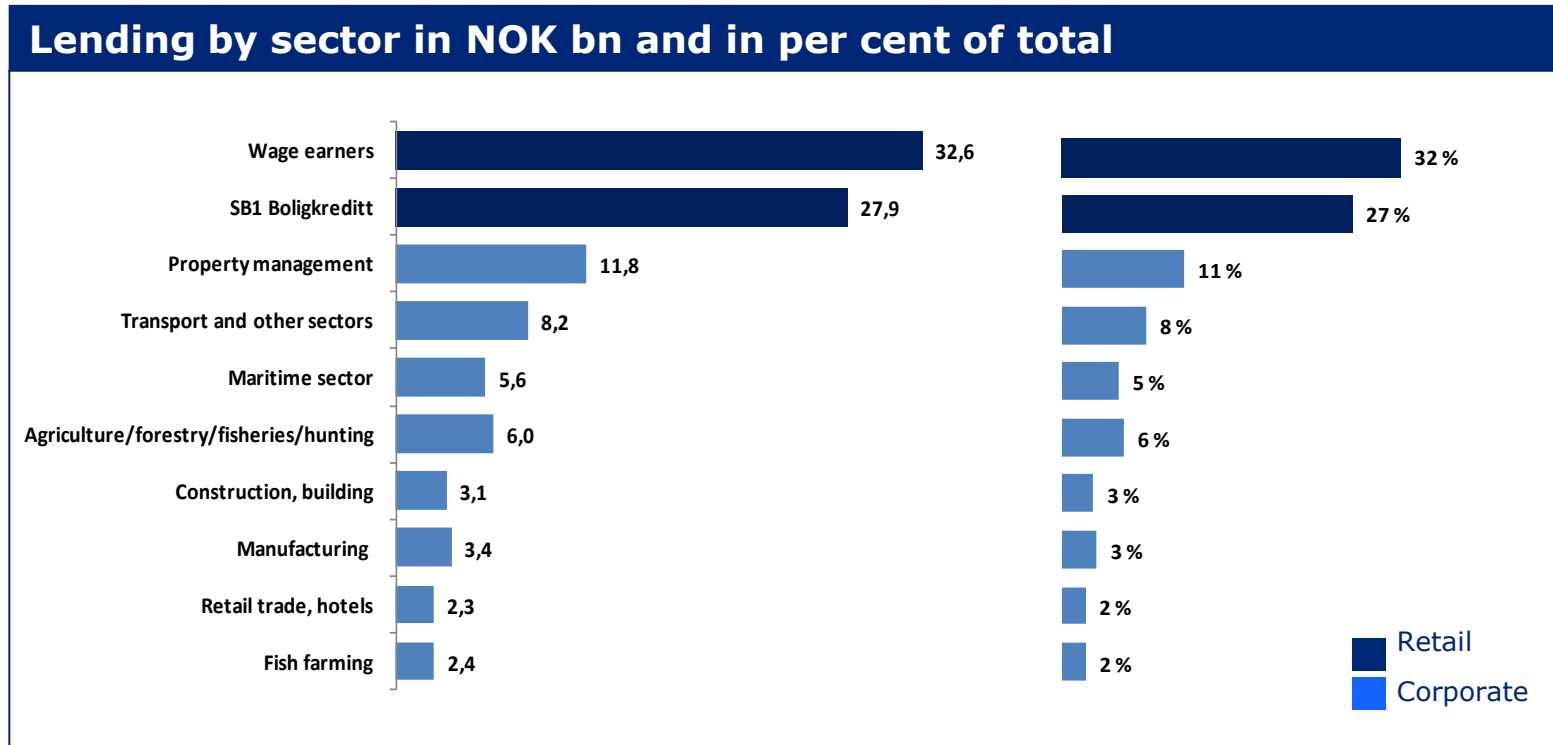
Negative migration on some corporate exposures has increased RWA and increased regulatory expected

Capital adequacy as at 30.9.2011 and 30.9.2012

NOKm

	30.9.12	30.9.11
Core capital exclusive hybrid capital	7.717	6.345
Hybrid capital	1.108	1.159
Core capital	8.826	7.503
Supplementary capital	1.066	1.171
Total capital	9.891	8.674
Total credit risk IRB	3.937	3.201
Debt risk	209	172
Equity risk	15	13
Operational risk	420	400
Exposures calculated using the standardised approach	2.178	2.068
Deductions	-121	-107
Transitional arrangements	0	0
Minimum requirements total capital	6.638	5.748
Core capital ratio	10,6 %	10,4 %
Core capital ratio ex. hybrid capital	9,3 %	8,8 %
Capital adequacy ratio	11,9 %	12,1 %

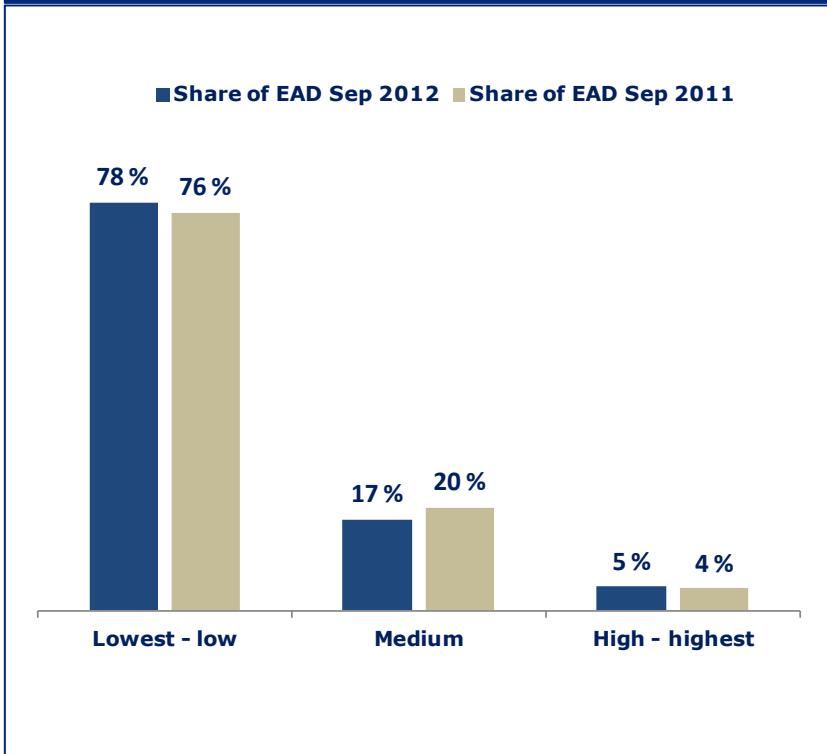
High share mortgages and diversified portfolio SMEs



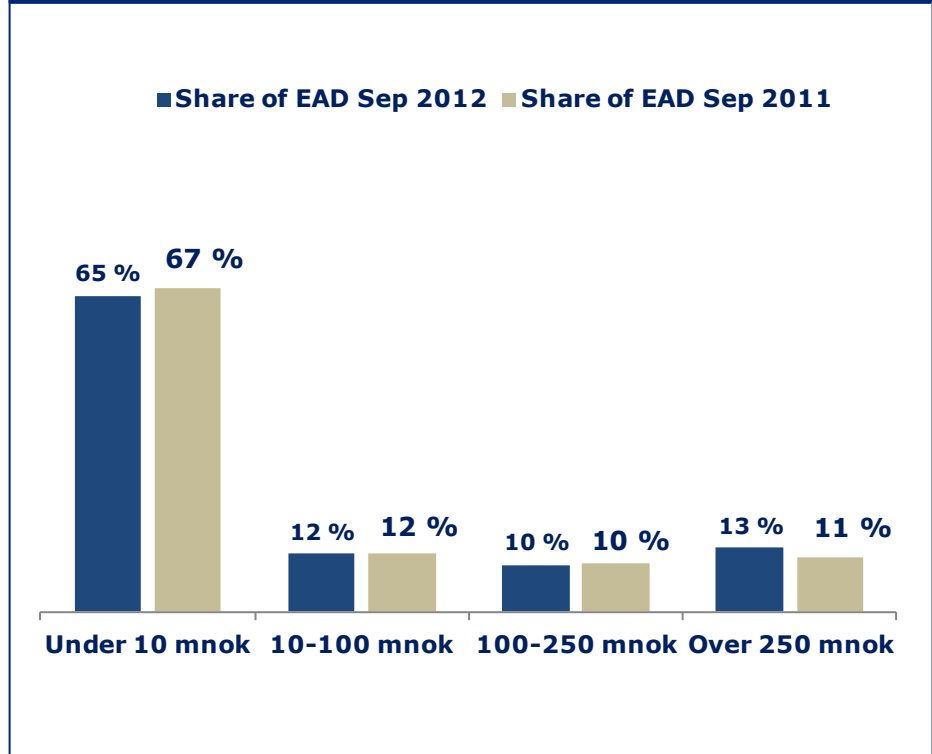
- Large portions of the retail market and primary industries are risk-dampening
- The Group has a well diversified corporate market portfolio
- No specific concerns related to the bank's loans to commercial property. Low interest rates and stable high occupancy rates in the bank's market area

Low and stable risk in the loan portfolio

SpareBank 1 SMN's loans distributed on risk class and share of Exposure At Default



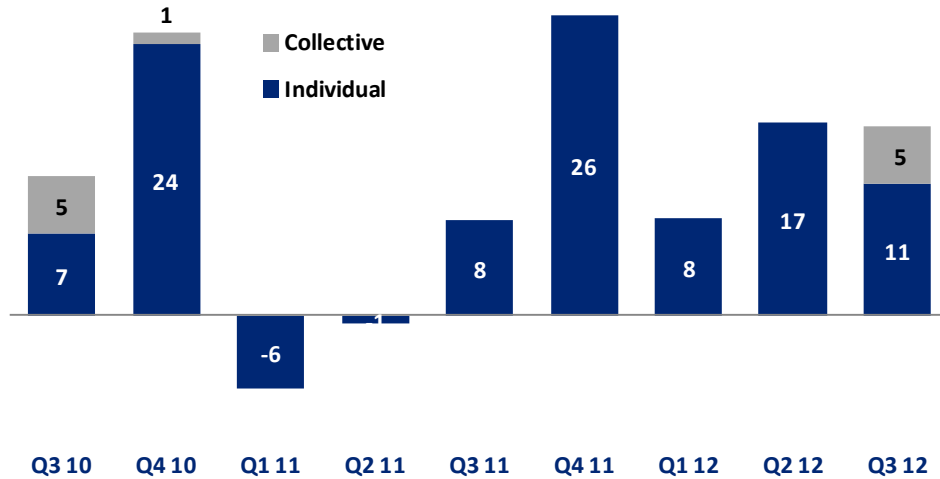
SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default



Low loan losses

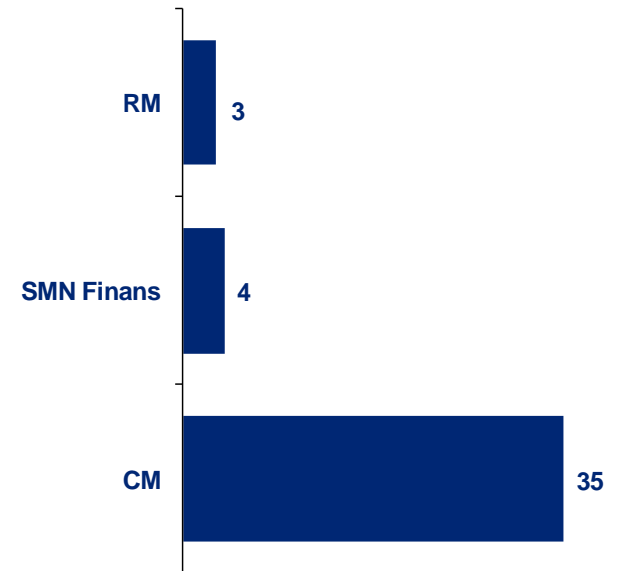
Loan losses – quarterly trend

NOK mill



Losses by business area:

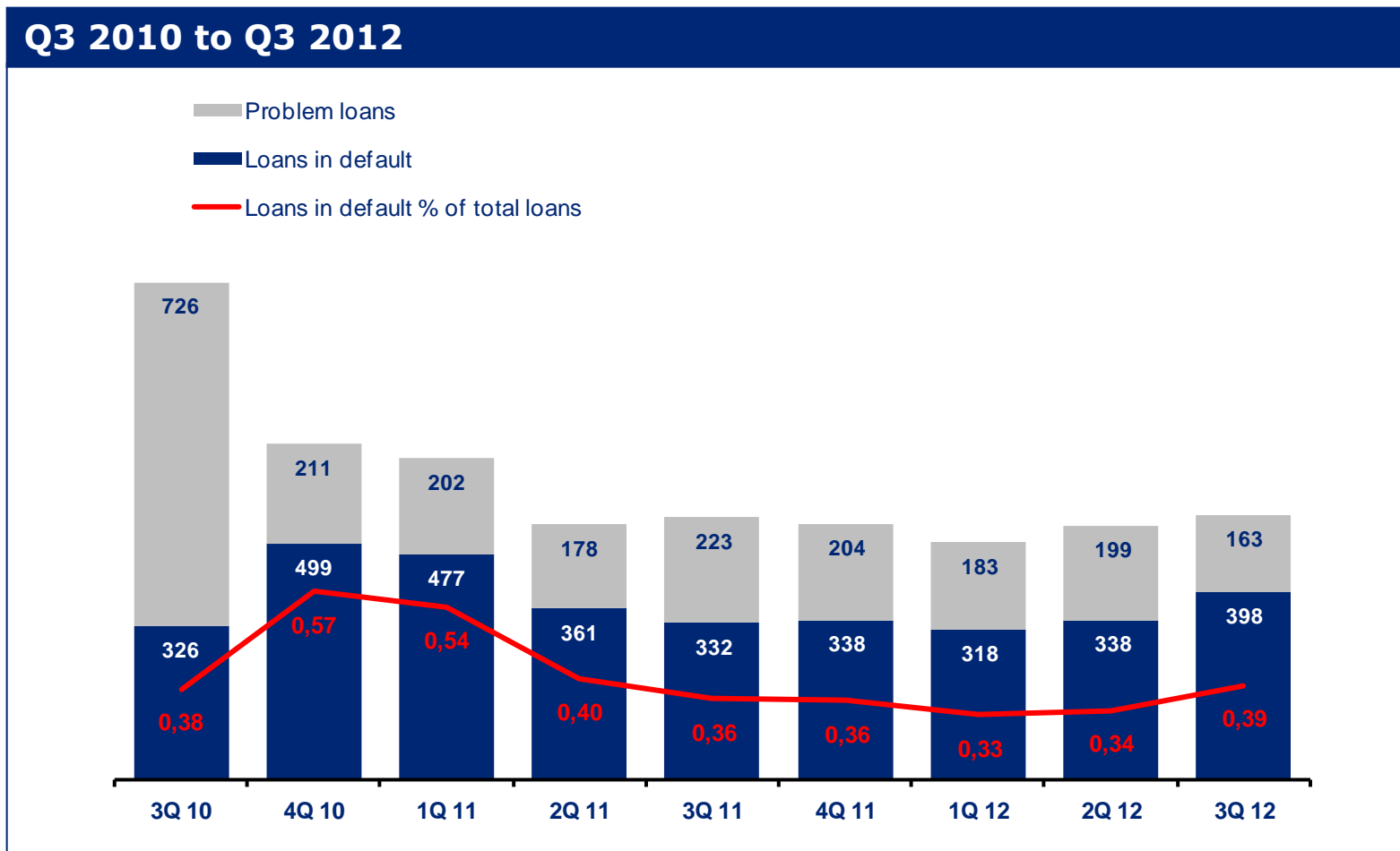
NOK mill



- Loan losses measure 0.05% (-0.02%) of gross lending at 30 Sep 2012.

Defaults and other problem loans

Low levels



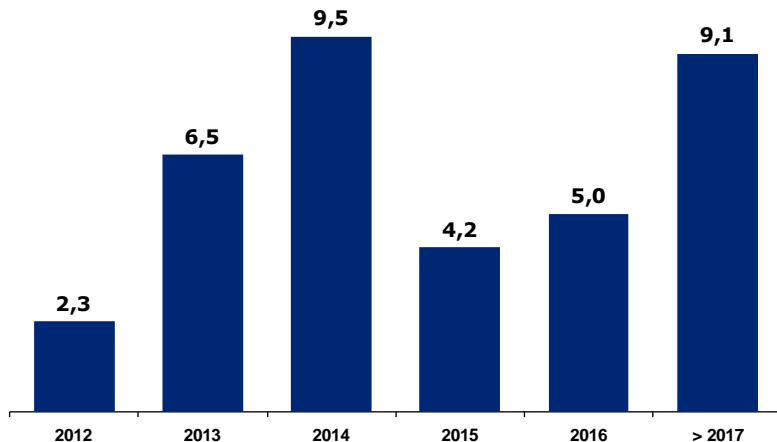
Balance sheet

Balance sheet 3Q 2010 – 3Q 2012			
	30 Sep 2012	30 Sep 2011	30.6.10
Funds available	21.214	16.974	19.688
Gross loans *)	75.357	71.570	67.069
- spec provisions	-148	-159	-283
- write-downs by loan category	<u>-295</u>	-290	-289
Net loans	74.914	71.121	66.497
Securities	746	588	560
Investment in related companies	4.799	4.258	3.453
Goodwill	481	471	460
Other assets	8.487	6.594	4.614
TOTAL ASSETS	110.640	100.007	95.271
Capital market funding	36.467	32.233	38.361
Deposits	50.836	46.023	38.643
Funding, "swap" arrangement with the government	2.553	4.318	4.318
Other liabilities	8.399	6.646	3.722
Subordinated debt	2.620	2.663	2.766
Equity	9.765	8.125	7.461
TOTAL DEBT AND EQUITY	110.640	100.007	95.271
*) in addition loans transfer SPB1 Boligkreditt	27.917	21.101	18.977

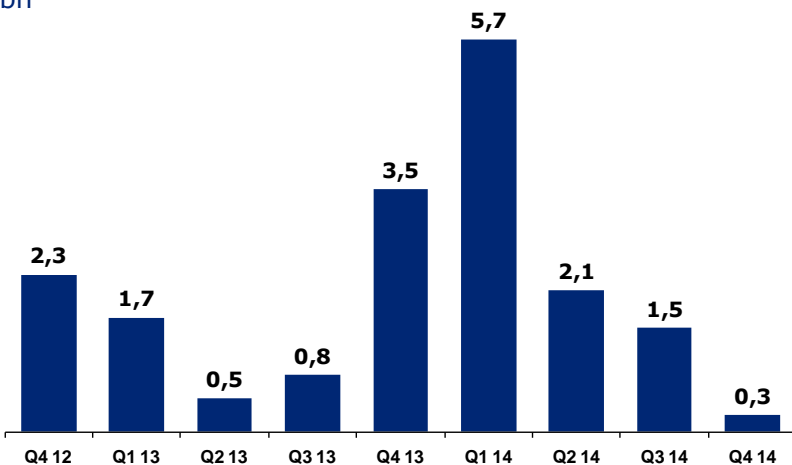
Satisfying access to capital market funding

Funding maturity 30 Sep 2012

In NOK bn



In NOK bn



Comments

- Maturities Q3 2012 – Q3 2014
 - NOK 19 bn:
 - NOK 4.0 bn in 2. half 2012
 - NOK 6.3 bn in 2013
 - NOK 8.4 bn in 1. half 2014
- Sparebank 1 Boligkreditt is the main funding source through covered bonds. NOK 27 billion transferred as of 31 Sep 2012