

Q4 2012

February 6th 2013

SpareBank 1 SMN intends to be among the best performing banks

Customer orientation	Best on customer experience Will continue to strengthen market position
Profitable	In the area of 12% annually up towards 2015
Solid	Minimum 12.5% by the end of 2015
Efficient	Maximum parent bank cost growth of 3% per annum up to 2015. Increased efficiency and productivity
Dividend	Real-terms payout ratio of 25% to 30%. Strong focus on strengthening capital through retained profit

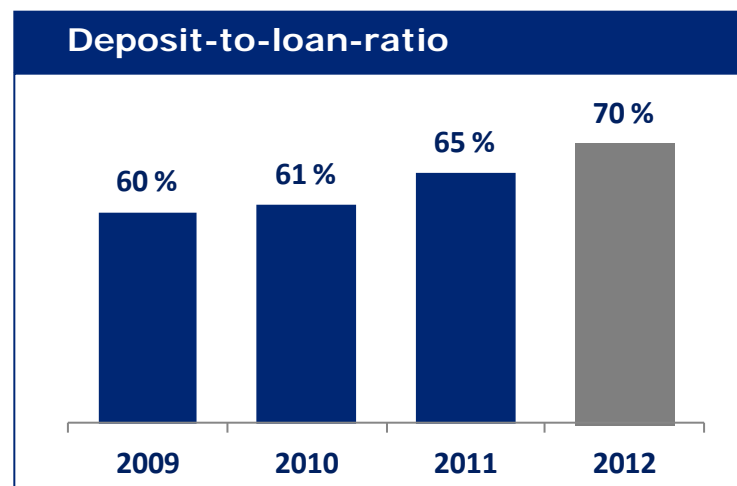
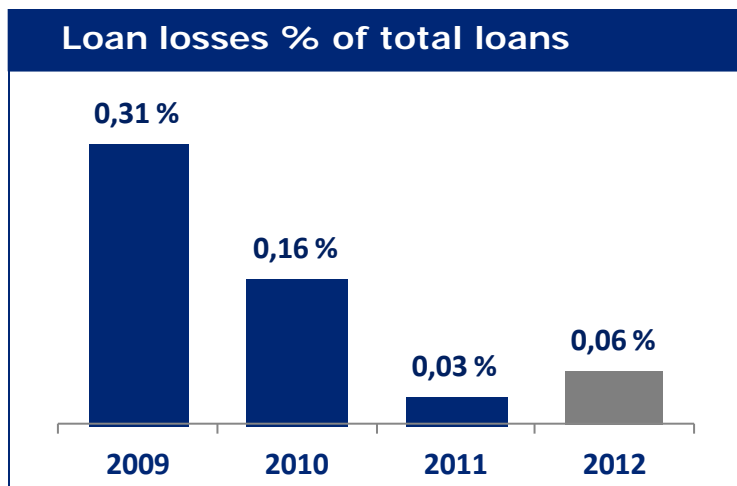
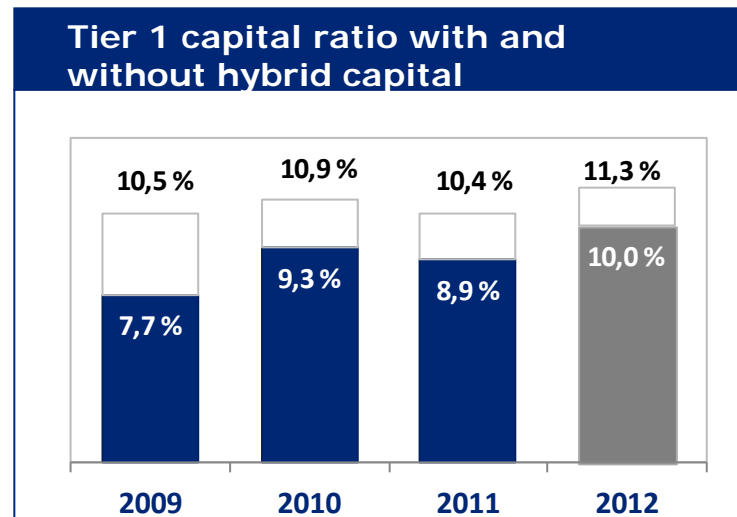
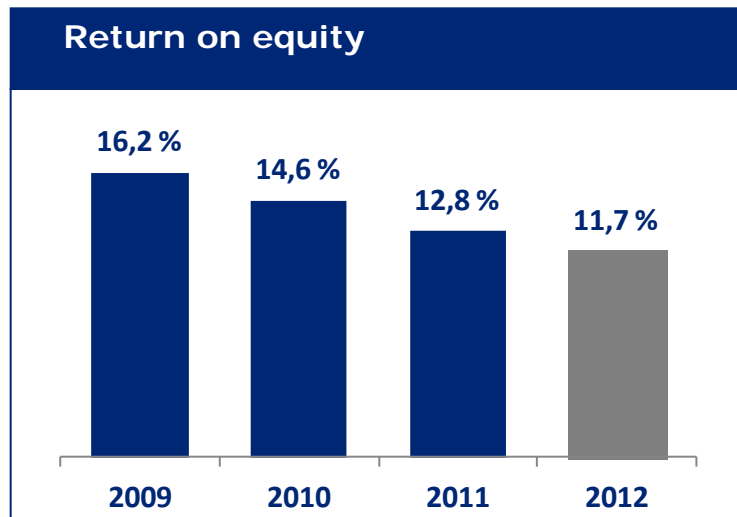
Summary 2012

Good result, NOK 1,077m and 11.7% return on equity

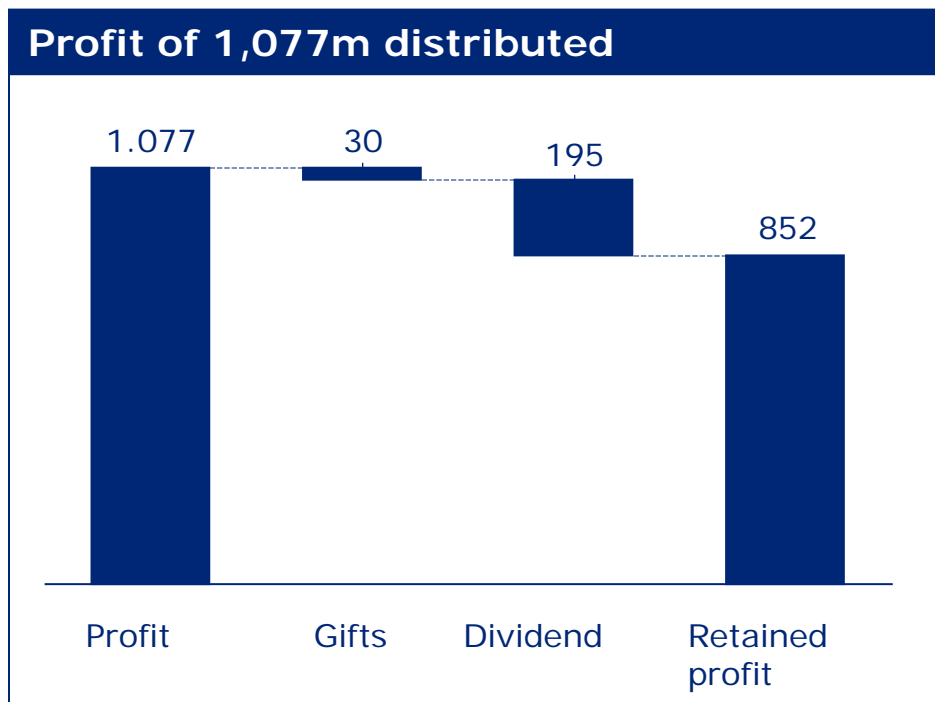
- Good performance: net profit NOK 1,077m and return on equity 11.7 %
- Strong growth in deposits and lending, reduction in risk weighted assets in Q4 2012
- Balance sheet adjustment in Q4 has strengthened the bank's tier 1 capital which was 11.3% at end-2012, with the common equity tier 1 ratio at 10%.
- SMN plans for a common equity tier 1 ratio of at least 12.5% by the end of 2015
- Lending margins have increased through 2012. We are planning for increased margins on both the retail side and the corporate side.
- We have seen high cost growth in 2011 and 2012. We intend to reduce cost growth to below 3% per year. Steps have been planned and partially implemented.
- We have a very low default rate and low losses and currently see no negative features in the loan portfolio

Good profitability

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



Board of directors recommends dividend of 1.50

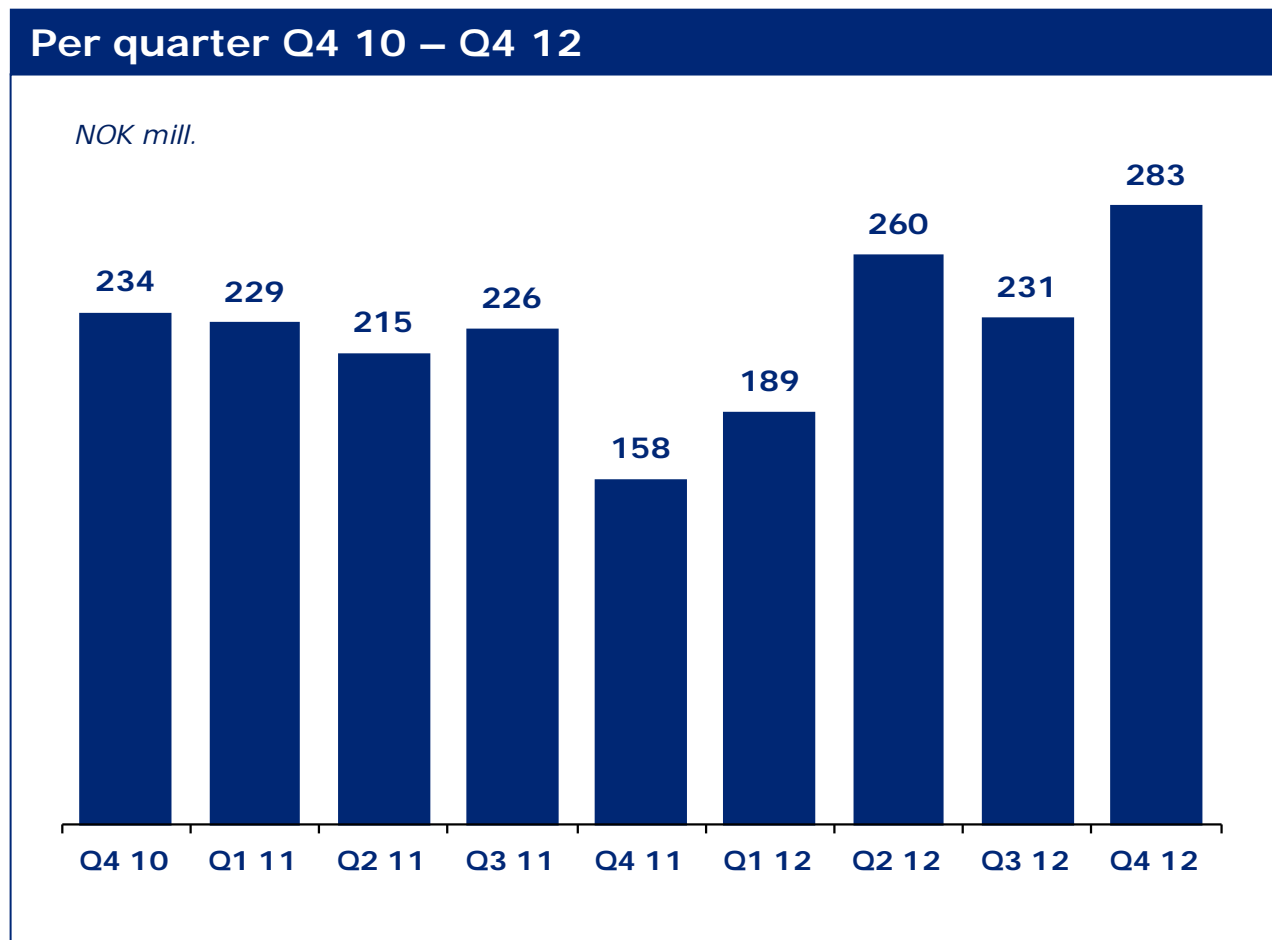


Dividend reflects capital plan

- In light of increased solvency requirements the Board has this year opted to recommend lower payout ratios than in previous years
- The Board recommends a cash dividend of NOK 1.50 kroner per equity certificate, a total of NOK 195m, which gives a payout ratio of 29%
- An allocation of NOK 30m is recommended as gifts to non-profit causes, representing a payout ratio of 8 %

Earnings per equity certificate: 5.21

Good profit trend for core business, before losses



Three initiatives will ensure continued competitive power, cost efficiency and a solid capital base

1

Reorganisation and increased resources to customer-facing activities

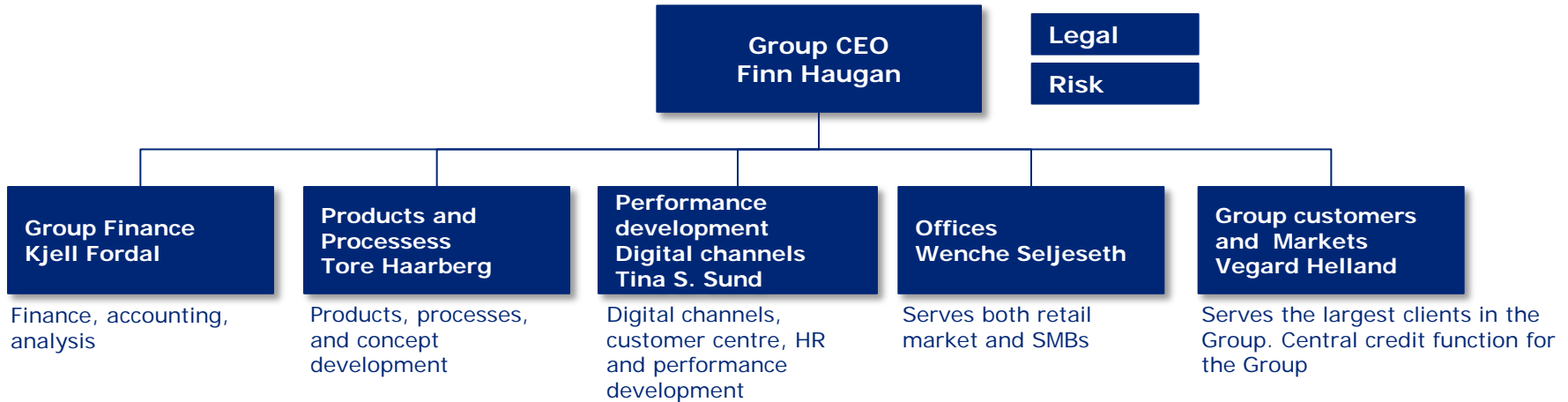
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Reduction of relative costs and increased efficiency

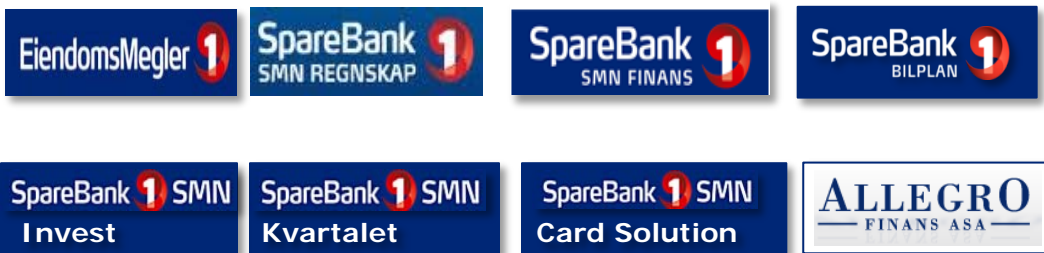
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Strengthening of equity capital

Group organisational set-up: SpareBank 1 SMN and subsidiaries



Subsidiaries



Reorganisation will promote

- Short decision paths, greater responsibility for customers at the local level with a strong focus on value creation
- Increased productivity and reduced relative operating expenses
- Better follow up and control over performance and credit risk
- Greater enthusiasm and commitment among the Group's 1.200 staff

Good results at the subsidiaries

EiendomsMegler 1

- Profit: NOK 76.2m (75.6m)
- 6,476 dwellings sold with an overall sale value of NOK 15.9bn, and an impressive market trend with a market share of about 40% in the region
- Focus on synergy between bank and estate agent

SpareBank 1 SMN Finans

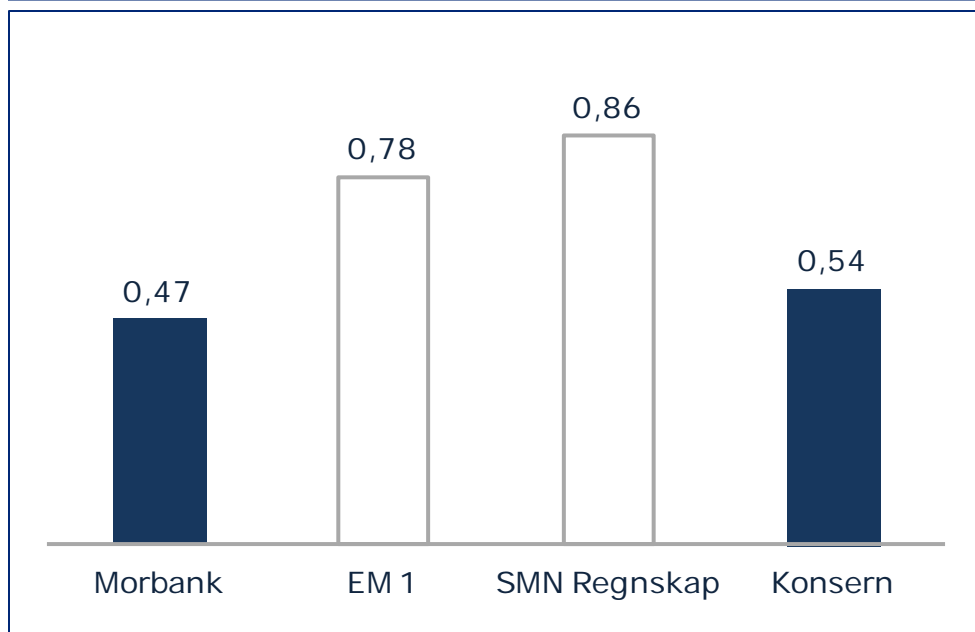
- Profit: NOK 55.8m (26.3m)
- Substantial income growth and reduced losses
- Leasing worth NOK 1.9bn and car loans worth NOK 1.2bn; growth in car loans
- SpareBank 1 Nordvest and Søre Sunnmøre join as owners with overall stake of 9.9% in Q4-2012

SpareBank 1 SMN Regnskap

- Profit: NOK 13.8m (5m)
- Acquisition of 5 accountancy firms over the course of 2012
- Growth of 30% (3 x average growth in this industry)
- Market leader in mid-Norway

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

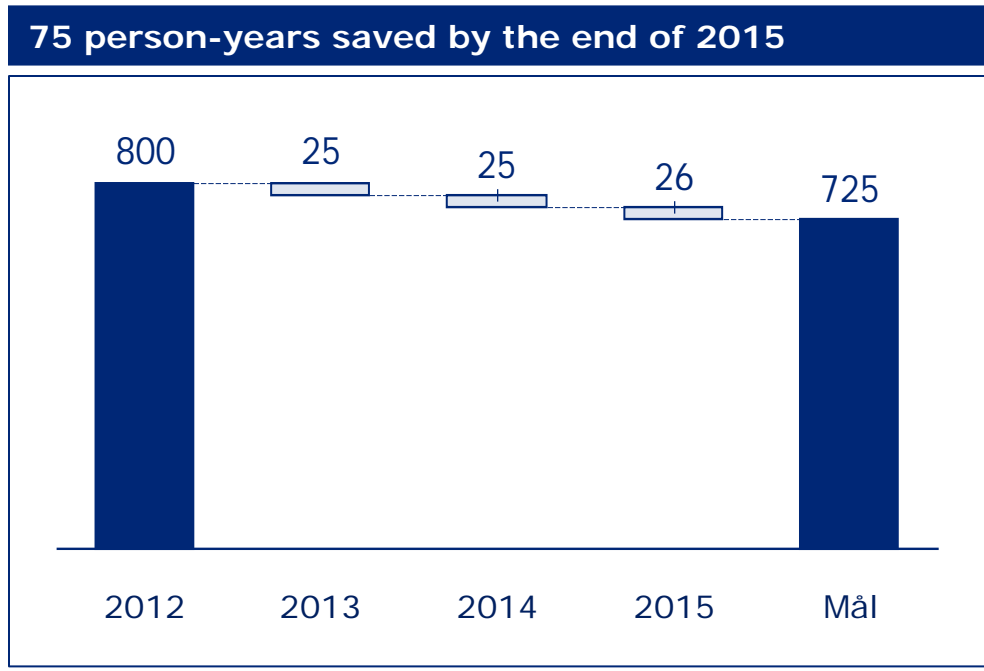
High operating margins in EM1 and SMN Regnskap



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 are 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 FTEs and resource allocation

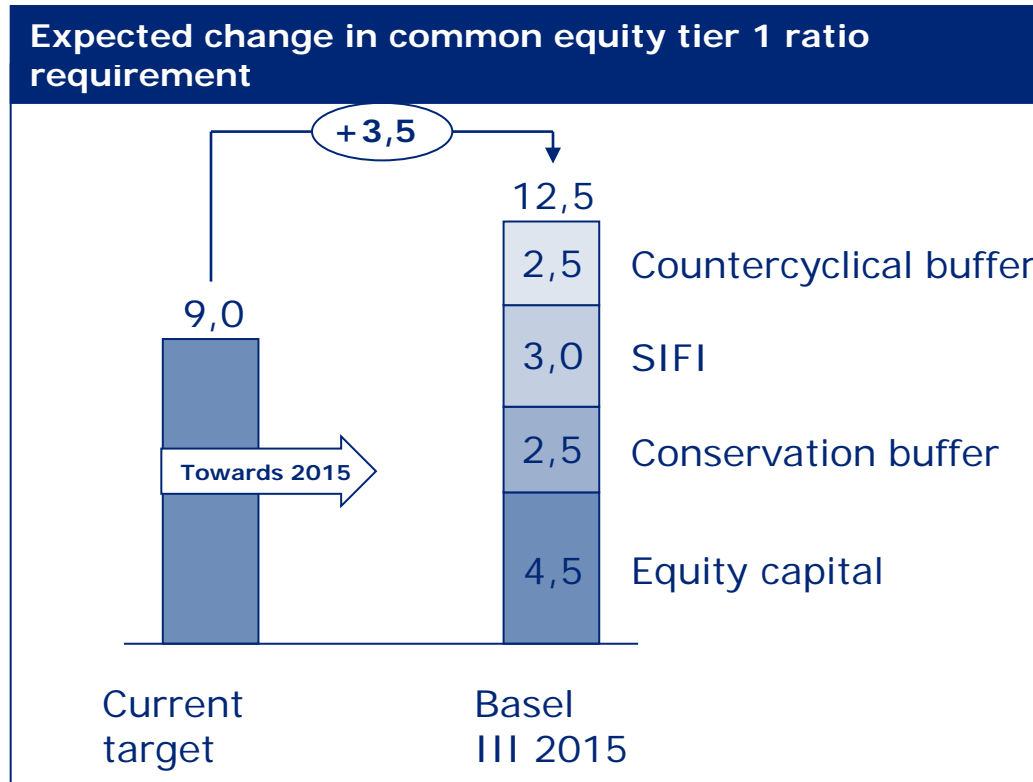


Systematic and methodical approach over three years:

- 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

SpareBank 1 SMN has a clear plan for achieving the goal of a minimum of 12.5% common equity tier 1 ratio in 2015



Objective of capital plan: Common equity tier 1 ratio of at least 12.5% with 35% home loan weightings by the end of 2015.

Measures contributing to a substantial strengthening of common equity tier 1 capital

1

Bank 1 Oslo: Divestment to 4.8%, shares sold to Sparebanken Hedmark for NOK 235m. Sale option issued on the remaining 4.8%. Common equity tier 1 capital strengthened by NOK 115m

2

Polaris Media ASA: In keeping with capital plan, we have sold off 5.88 million shares at NOK 27 per share to NWT Media (Nya Wermlands-Tidningens AB), for a total of NOK 158.8m. Holding cut from 23.4% to 11.4%. Common equity tier 1 capital strengthened by NOK 175m.

3

Margins: Capital challenge and increased capital costs enable increased margin and substantially higher net interest income

4

Profit: NOK 852m of profit in 2012 retained to strengthen equity capital

5

Dividend: 1.50 in dividend; dividend and non-profit gifts skewed so that effective payout ratio is 21%

6

Growth: Capital is a scarcity factor. Increased awareness regarding capital allocation. Application for advanced A-IRB in 2013, to be implemented in 2014. Moderate growth distributed between retail segment, corporate segment and BN Bank

Financial figures

Positive profit trend and sound underlying operations

- ➔ Profit before tax: NOK 1,355m (NOK 946m)
- ➔ Profit: NOK 1,077 (NOK 1,024)
- ➔ Return on equity 11.7 % (12.8 %)
- ➔ Income growth in core operations to NOK 2,616m (NOK 2,311m)
- ➔ Profit from related companies NOK 244m (NOK 248m), return on financial investments NOK 207m (NOK 186m)
- ➔ Loan losses: NOK 58m (NOK 27m), 0.06 % of total loans (0.03 %). Defaults at a very low level
- ➔ Core capital ratio at 10.6 % (10.4 %). Core capital ratio exclusive hybrid capital 10.0 % (8.9 %)
- ➔ Profit per ECC: NOK 5.21 (NOK 6.06)

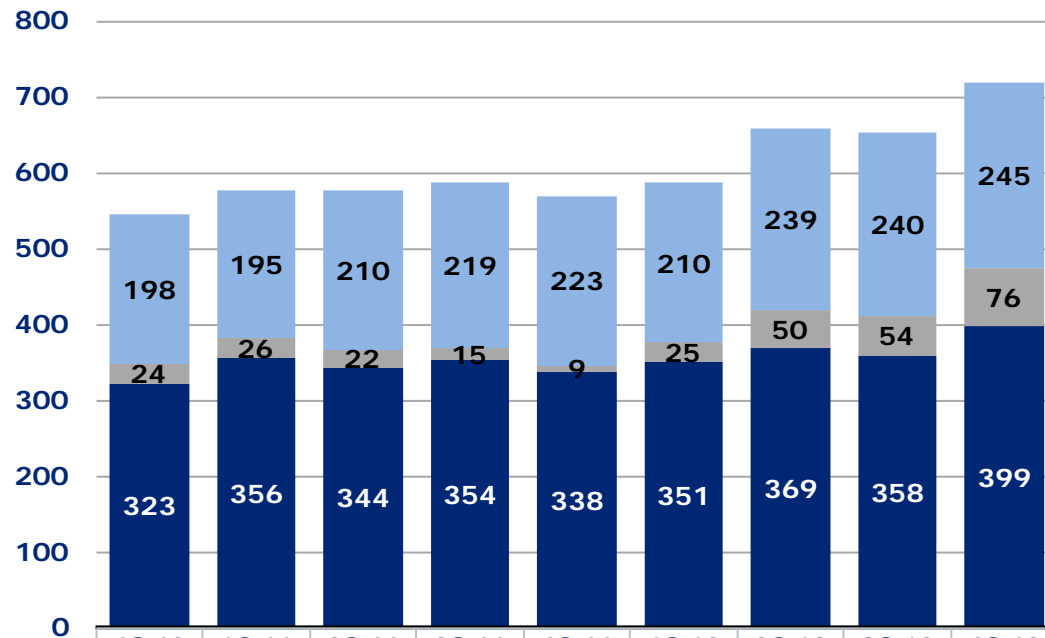
Positive development in profits

Profit	Per year			Last quarters		
	31 Dec 2012	31 Dec 2011	Change	Q4 12	Q3 12	Change
NOK mill						
Net interest	1,477	1,392	86	399	358	40
Commission income and other income	1,139	919	220	321	294	27
Operating income	2,616	2,311	305	720	653	67
Total operating expenses	1,654	1,482	171	437	421	16
Pre-loss result of core business	963	829	134	283	231	51
Losses on loans and guarantees	58	27	31	17	16	0
Post-loss result of core business	904	802	103	266	215	51
Income from investments in related companies	261	292	-31	3	91	-88
Securities, foreign currency and derivatives	207	186	21	34	86	-52
Result before tax	1,371	1,279	92	302	392	-90
Tax	295	255	40	69	77	-7
Net profit	1,077	1,024	53	233	315	-82
Return on equity	11.7 %	12.8 %		10.5 %	12.8 %	

Operating income

Positive development operating income 4Q10 – 4Q12

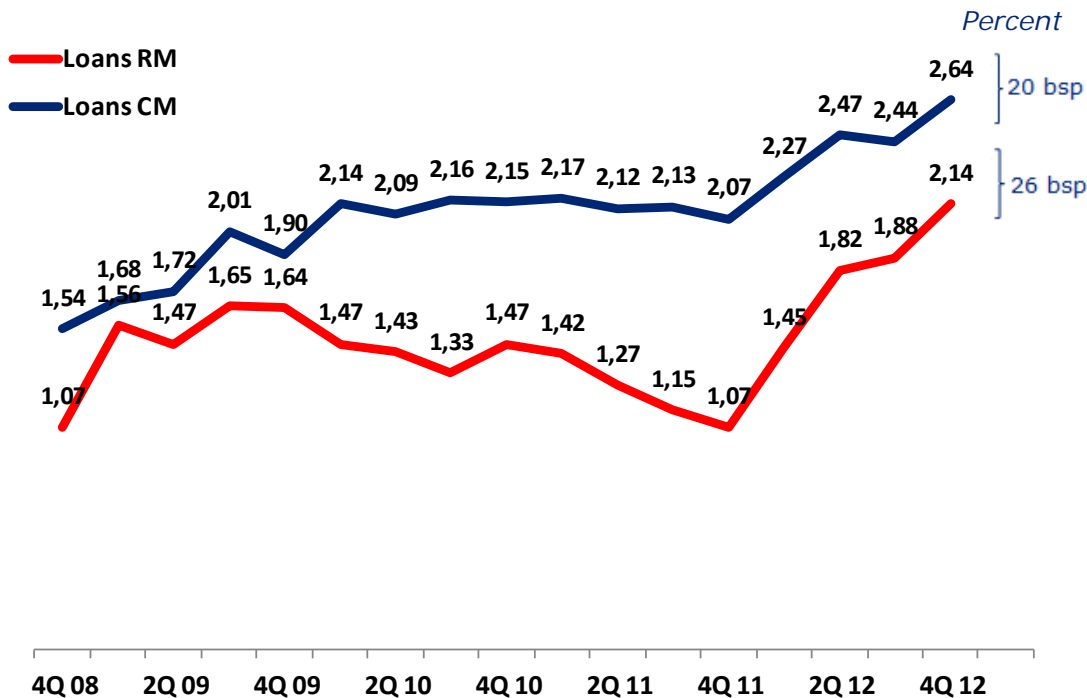
NOKm



	4Q 10	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12
■ Commission income	198	195	210	219	223	210	239	240	245
■ Boligkreditt	24	26	22	15	9	25	50	54	76
■ Net interest	323	356	344	354	338	351	369	358	399

Lending margins 4Q 2008 – 4Q 2012

Lending margins Retail and Corporate



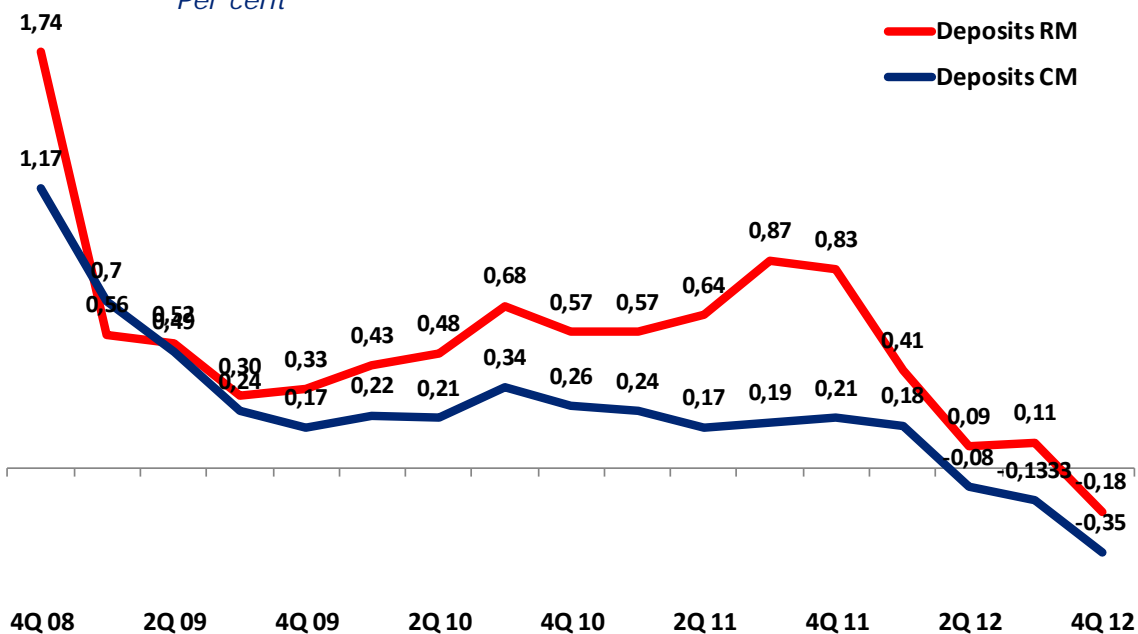
Comments

- Interest rate level remains low, and significant decrease in market interest rates during 2012
- Increased margins despite strong competition
- Increase planned in retail and corporate interest rates

Deposit margins 4Q 2008 – 4Q 2012

Deposit margins Retail and Corporate

Per cent



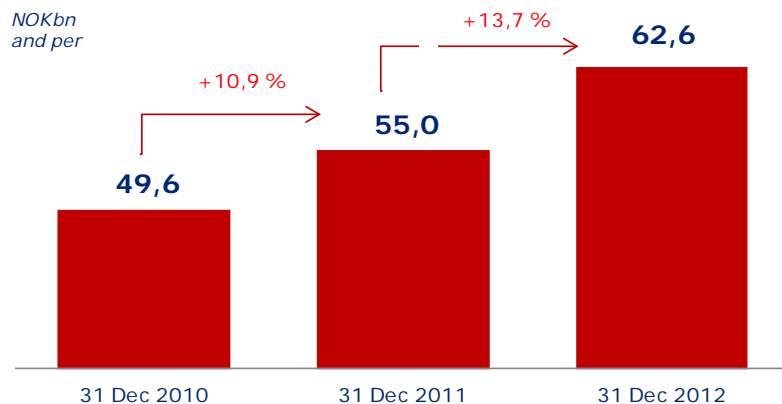
Comments

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

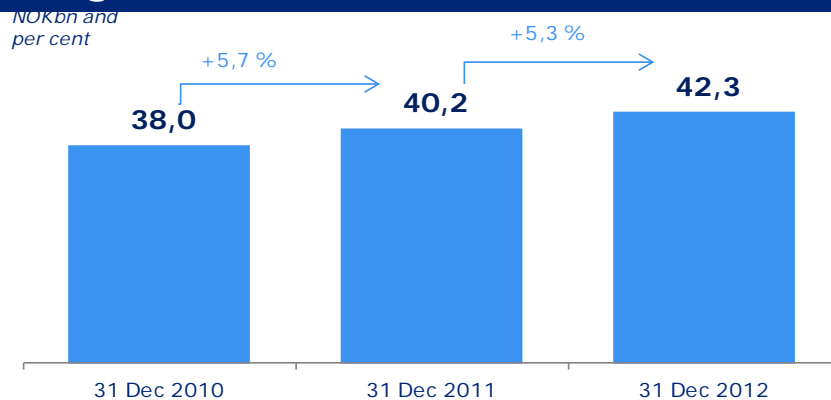
Total growth lending 10.2 %

High growth in lending to mortgages, decling growth to retail customers in Q4 2012

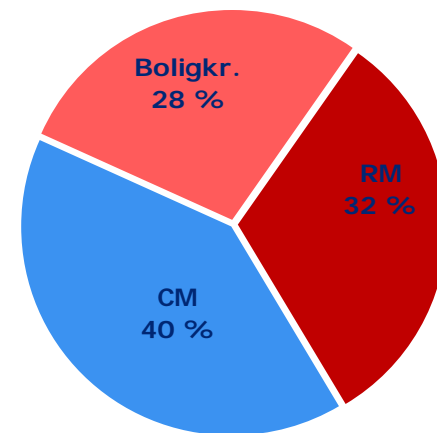
Lending RM +13.7 % from 2011 to 2012



Lending CM +5.3 % from 2011 to 2012

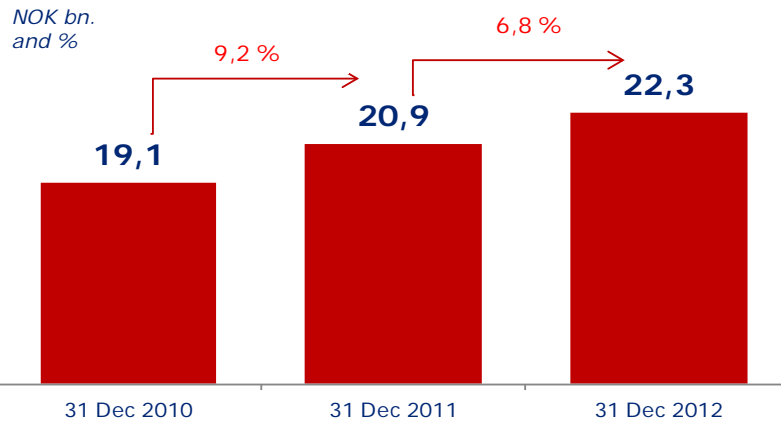


Loans

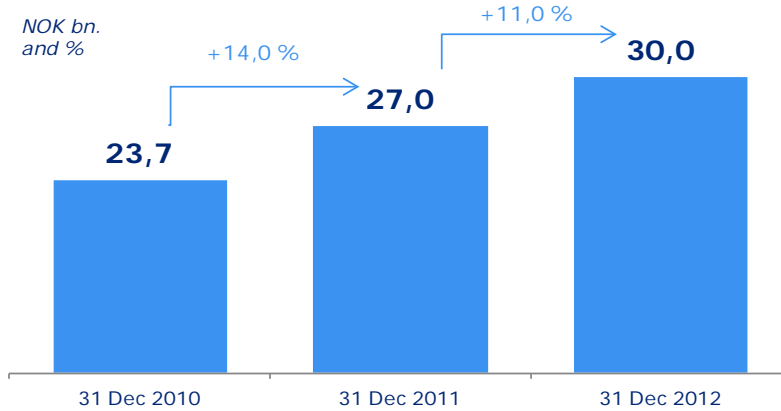


Total growth deposits 9.2 %

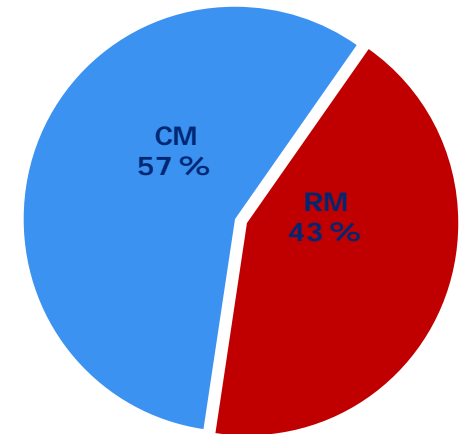
Deposits RM + 6.8 % from 2011 to 2012



Deposits CM + 11.0 % from 2011 to 2012



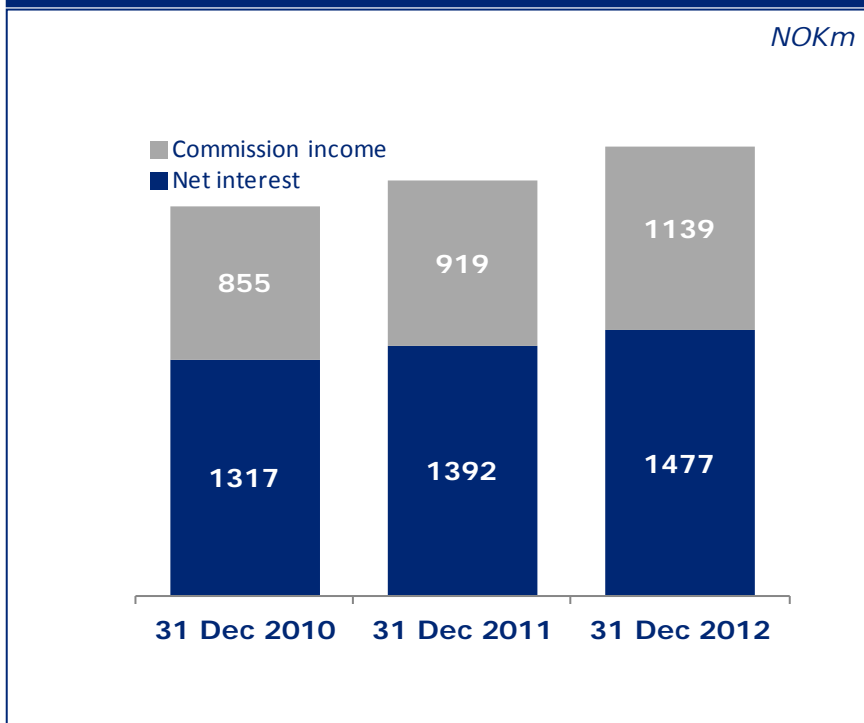
Deposits



Net interest, provision commission and other income

The Group's income has increased and become more diversified and sustainable

Net interest and other income



Commission income 2011 and 2012

<i>mill kr</i>	31 Dec 2012	31 Dec 2011
Payment transmission income	197	195
Commissions savings	48	54
Commissions insurance	122	107
Commissions Boligkredditt	205	71
Guarantee commissions	30	28
Estate agency	336	308
Accountancy services	100	79
Assets management	11	12
Rent new head office	37	34
Other commissions	53	32
Total commission income	1,139	919

- 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>	31 Dec 2012	31 Dec 2011	4Q 12	3Q 12	2Q 12	1Q 12	4Q 11
Share of profit in related companies	264	290	30	85	50	99	119
Net gain and dividends on securities	21	101	2	27	-10	3	35
Net gain on bonds	56	-10	0	18	4	34	7
Net gain on trading and derivatives Markets	126	96	31	36	36	23	40
Return on financial investments	467	478	63	165	79	160	201

Subsidiaries and related companies

Profit subsidiaries and related companies

	31 Dec 2012	31 Dec 2011	31 Dec 2010
Subsidiaries (pre tax)			
EiendomsMegler 1 Midt-Norge (87 %)	76.2 *)	75.6	50.8
SpareBank 1 SMN Regnskap	13.8	5.0	11.4
SpareBank 1 SMN Finans (90 %)	55.8 *)	26.3	35.1
Allegro Finans (90 %)	-3.7 *)	-5.4	2.2
SpareBank 1 SMN Invest	-15.0	87.5	-21.6
Real estate companies	-11.0	-21.3	-4.0
Associated companies and investments held for sale(after tax)			
SpareBank 1 Gruppen (19,5 %)	94.1	95.8	167.5
SpareBank 1 Boligkreditt (18,4 %)	44.2	16.3	15.9
SpareBank 1 Næringskreditt (37 %)	8.2	8.9	2.4
BN Bank (33 %)	72.1	89.4	58.7
Bank 1 Oslo Akershus (19,5 %)	26.4	15.2	36.9
Polaris Media (23.5 %, held for sale)	-14.3	22.9	0.0
Other companies (held for sale)	33.4	37.5	-33.6

*) The company's total profit

Higher costs due to invreased activity towards the market

Change in operating expenses 2011 –2012

NOK mill

Expenses 31 Dec 2012	1,654
Expenses 31 Dec 2011	1,482
Change	171

Obtained as follows:

Increase in employees and wages	109
Employee placing	4
Credit brokers RM	9
Depreciations	14
Development, incl. SB1 alliance	15
Other operating expenses	20
Total	171

Expected cost growth

- 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

SpareBank 1 SMN will take the measures required to achieve the goal of minimum 12.5% common equity tier 1 ratio by 2015

Capital a scarce factor

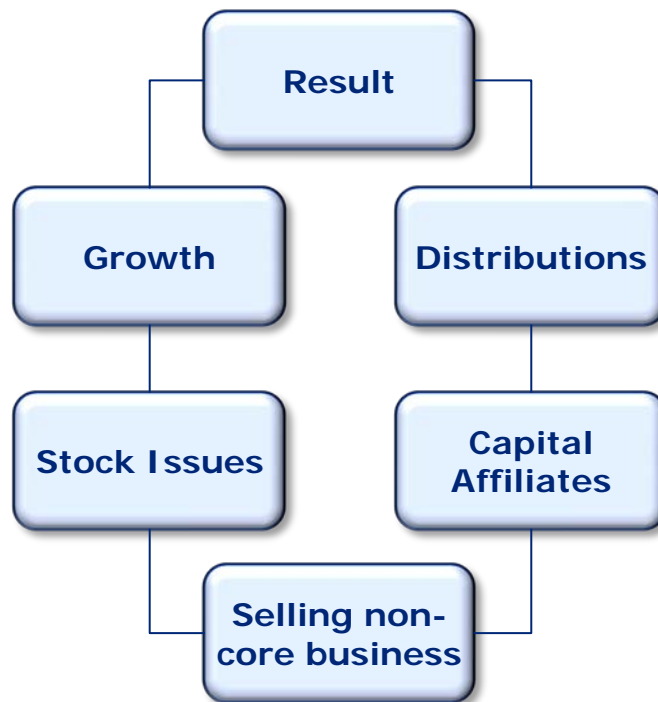
The bank must balance

Room for action

Regulatory conditions

Price of capital

Access to capital

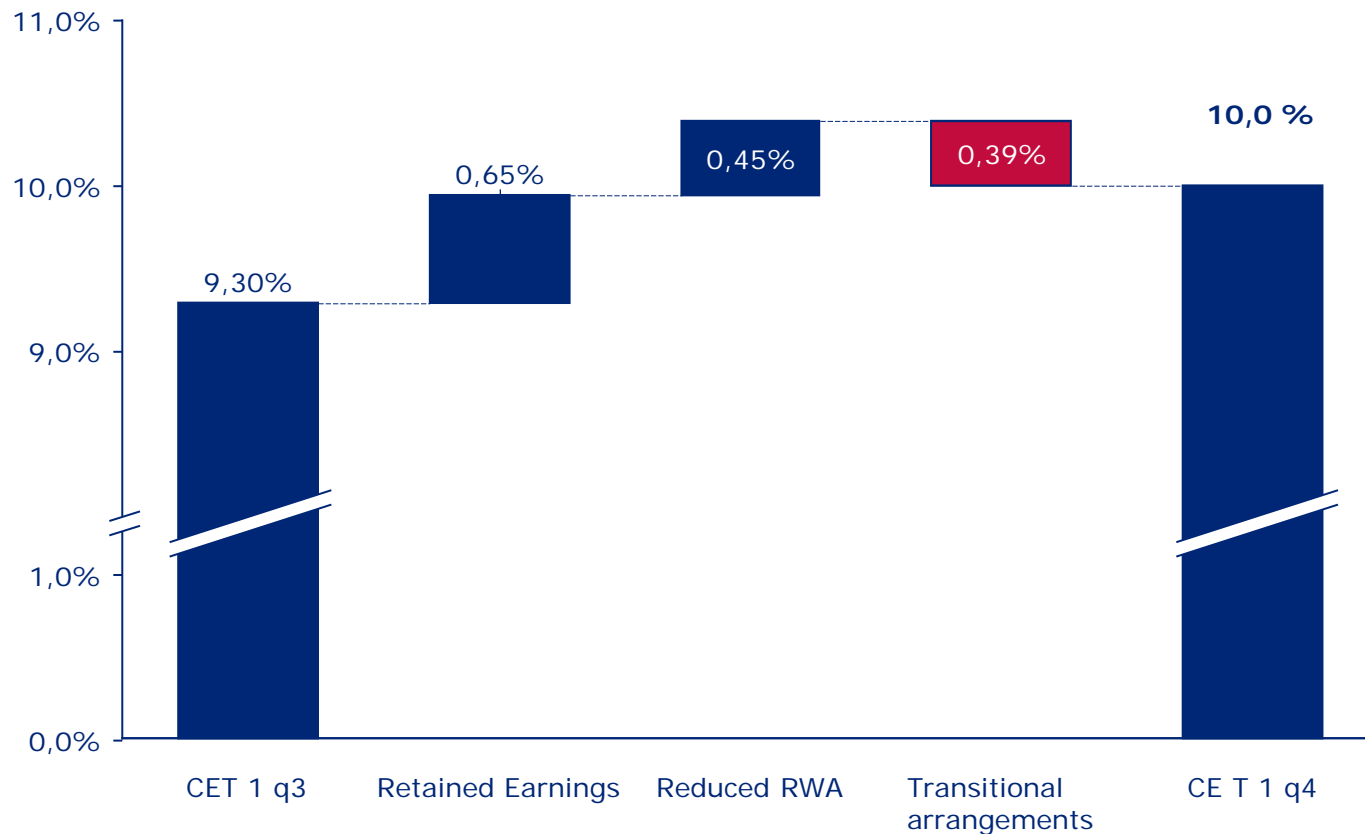


1. Curb expansion in corporate market
2. Refine portfolio
3. Correct risk pricing
4. Dividend policy
5. Capital allocation within the group
6. Focus on risk-adjusted return

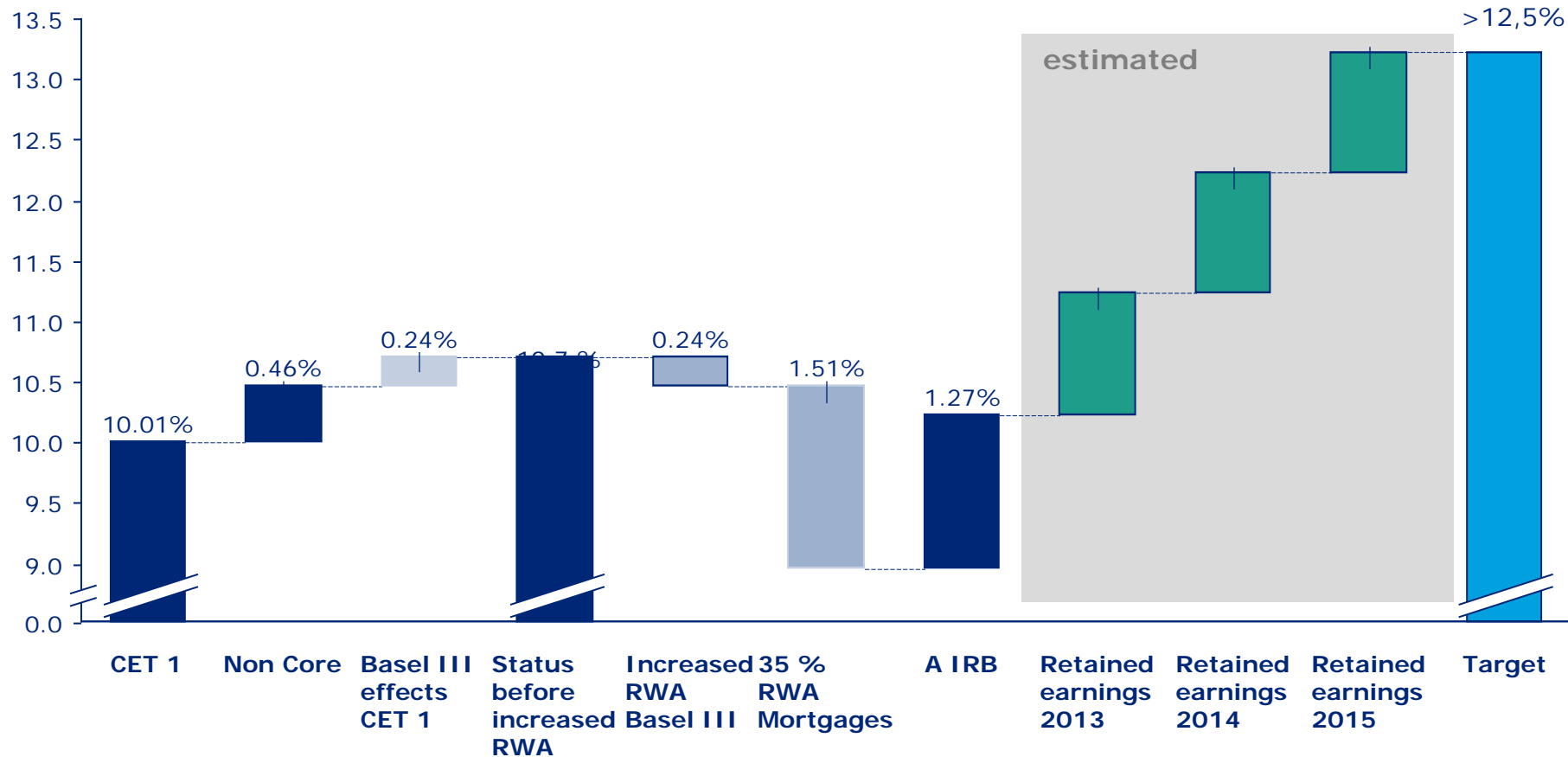
Drivers: Tougher requirements on common equity tier 1 capital, expanded risk-weighted assets and increased requirements on capital strength

CET 1 strengthened by 0,7 % in q4 2012

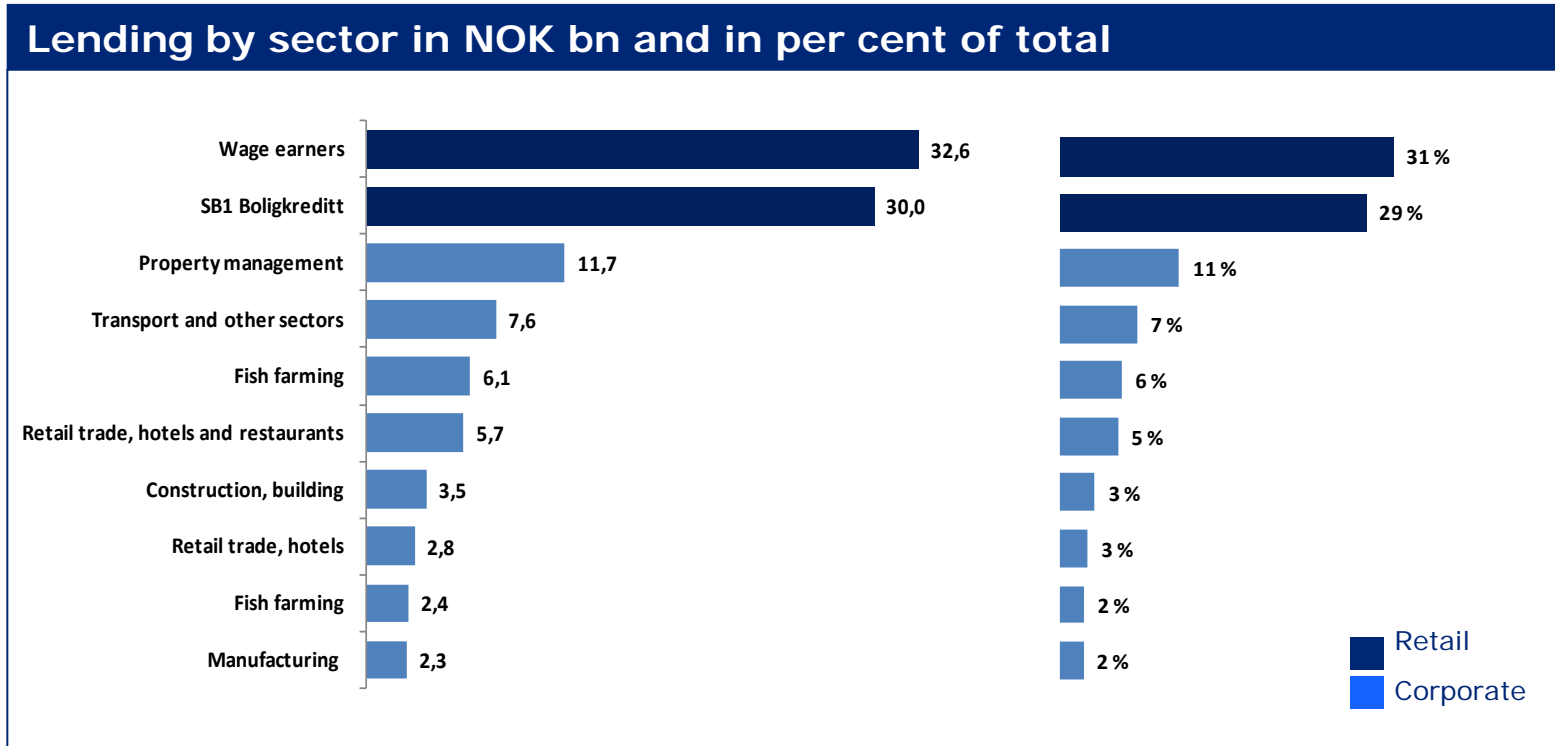
Changes in Core Tier 1 Q3-2012 - Q4-2012



Estimated development in Core Tier 1, given known and expected rules as of January 2015 – towards 2015



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

Capital base to be held constant towards 2015. Capital to be allocated based on value creation, risk and strategic assessments

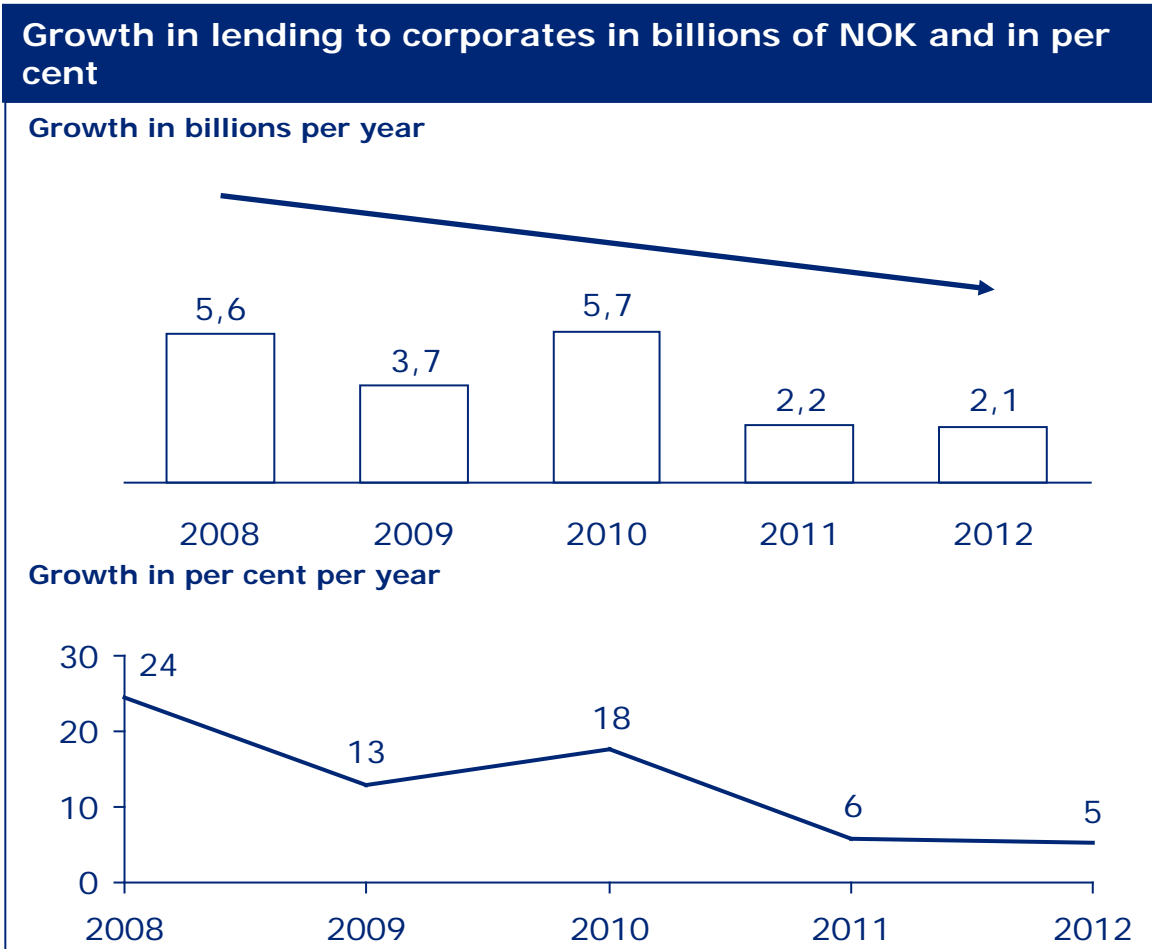
SpareBank 1 SMN will selectively allocate capital based on given criteria:

Segment	Risk weighted assets 2012	With 35% home loan weightings	Period to 2015
Corporate	43	43	Selective allocation and prioritisation of capital
Retail	7	21	
BN Bank	14	14	
Other	18	14	
Total	82	92	

- ① Assessment of segments and companies in terms of EVA
- ② Assessment of where the bank strategically desires to reduce or increase its exposure
- ③ Tight management of capital and reallocation in relation to plans established for segments and companies

The aim is to keep risk-weighted assets constant in the period to 2015 and prioritise allocation of capital between segments in relation to return

Growth in lending to corporates approx. NOK 2bn in the past two years. Capital and lending will receive priority in the period to 2015



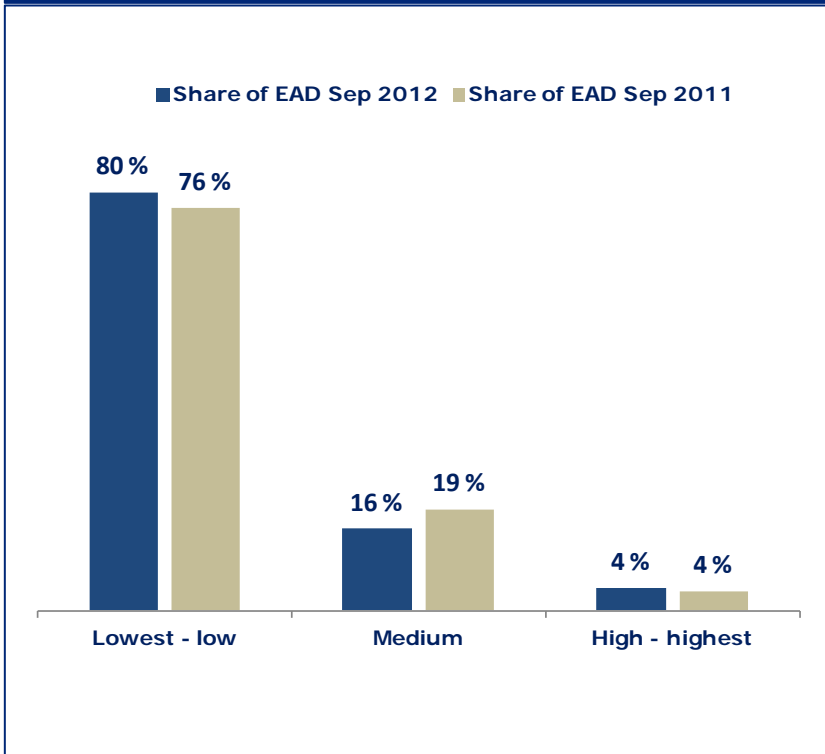
Lending to corporates totalled NOK 42.3bn as of 2012

Growth over past two years in the area of NOK 2bn

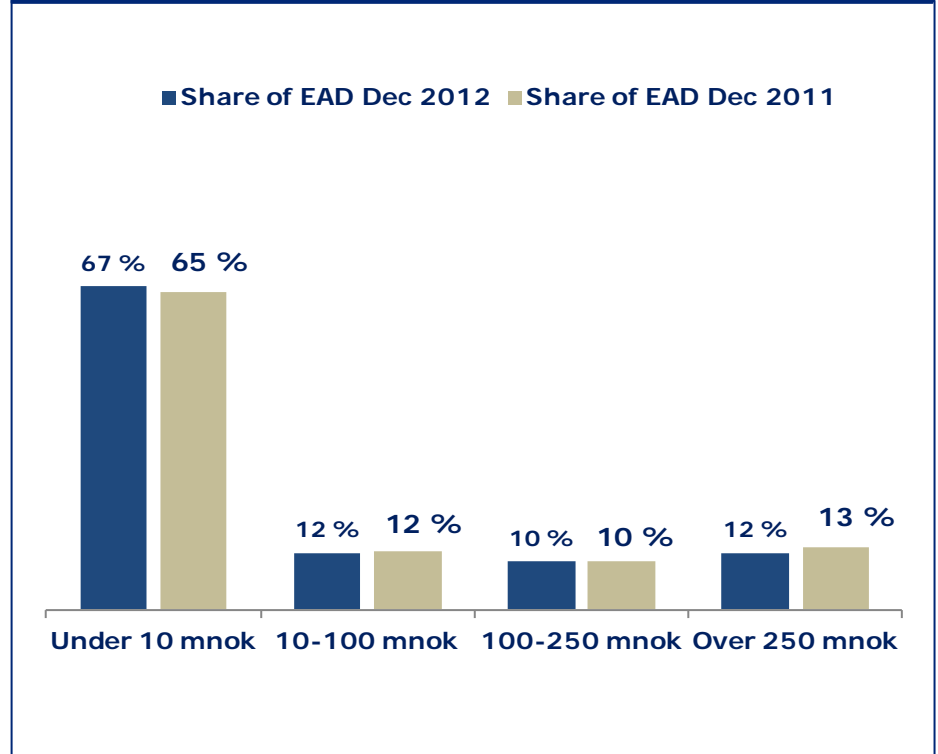
Selective priority to be given to capital in relation to EVA, risk, segment and geography.

Low and stable risk in the loan portfolio

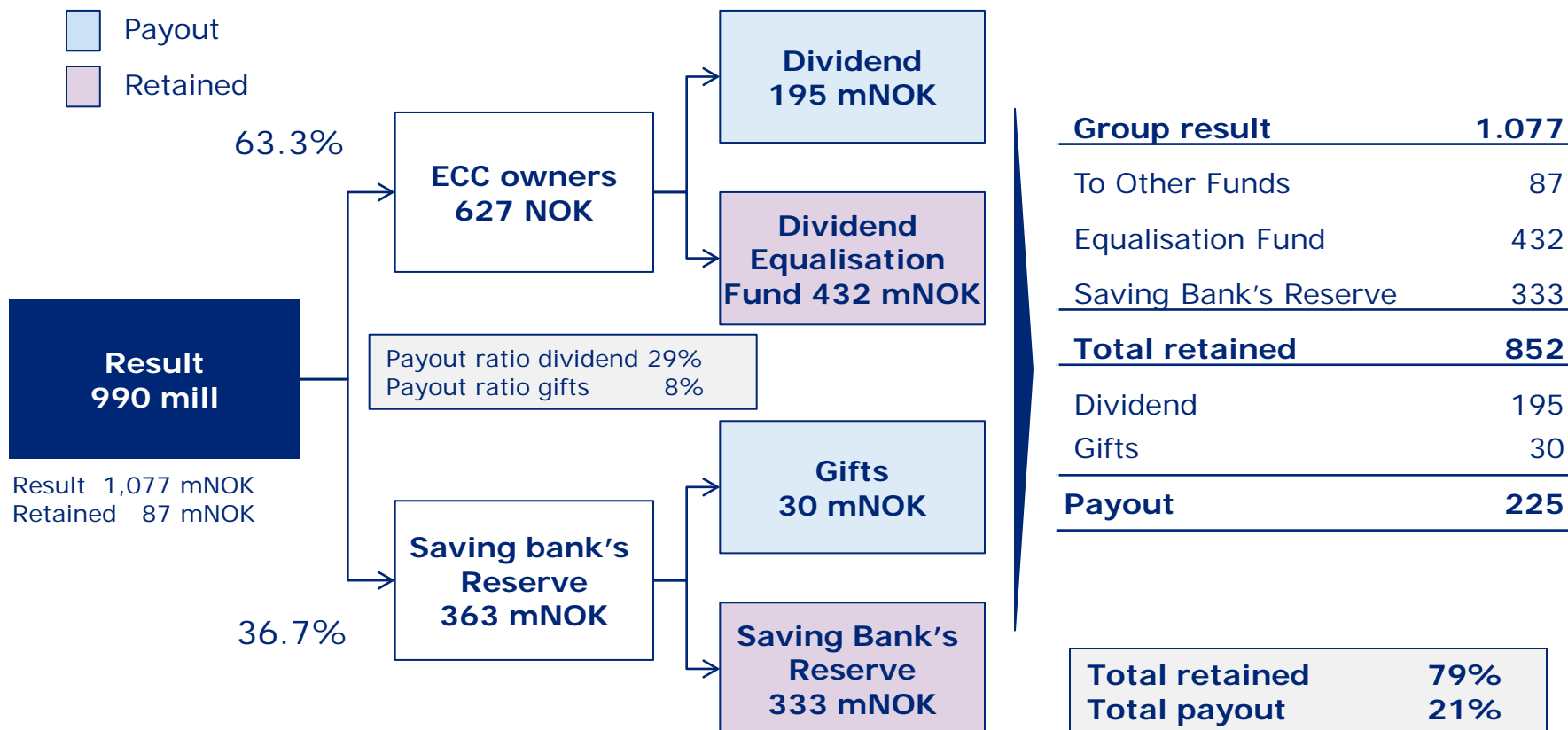
SpareBank 1 SMN's loans distributed on risk class and share of Exposure At Default



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

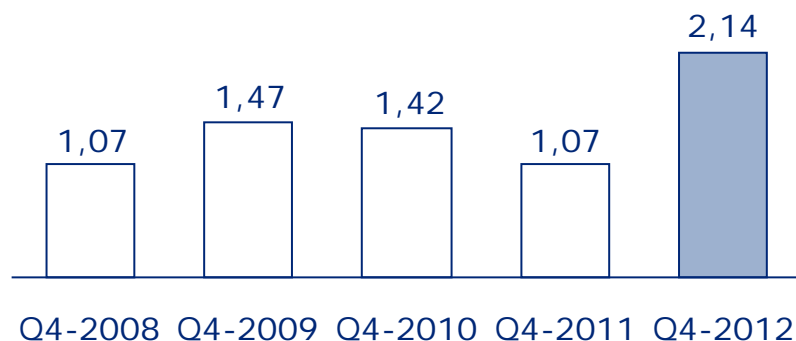


Distribution of profit with different distribution: Result 5,21 per ECC NOK 1,50 per ECC to ECC owners and 8% to gifts



Correct pricing of loans in relation to risk and capital tie-up will contribute in maintaining return on equity in relation to capital tie-up

Retail: Margin Q4



Corporate: Margin Q4



Room for margin increase:

General policy of pricing loans in relation to risk and capital tie-up

Regulatory conditions, competitive situation and market situation

Risk and pricing assessed for each loan

Effects of measures taken: Bank 1 Oslo and Polaris Media ASA

Bank 1 Oslo Akershus

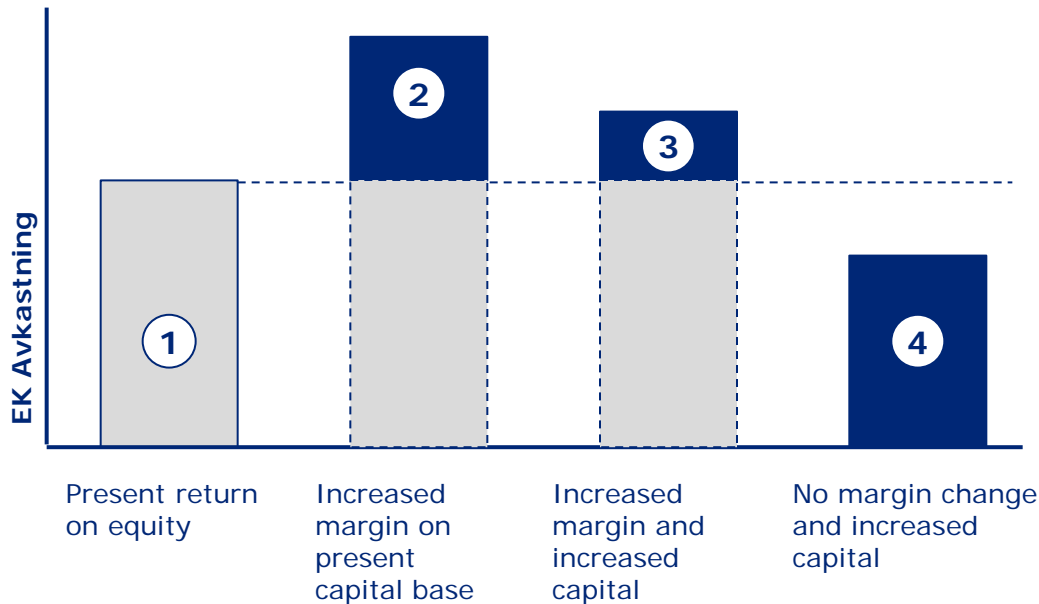
- SpareBank 1 SMN has, as a result of a stock placing with the Norwegian Confederation of Trade Unions, reduced its stake in Bank 1 Oslo Akershus from 19.5% to 15.18%
- SpareBank 1 SMN has in 2013 signed an agreement to sell 475,594 shares to Sparebanken Hedmark, thereby lowering SpareBank 1 SMN's stake to 4.78 percent. The sale, which will bring in NOK 234m, reducing the capital adequacy reserve by the same margin, has an effect on tier 1 capital of about NOK 115m.
- Further, an option agreement has been signed on a further divestment of the bank's holding in Bank 1 Oslo Akershus. The option must be exercised by 31 December 2015.

Polaris Media ASA

- As of 31 December 2012 SpareBank 1 SMN held a 23.45% stake in Polaris Media.
- SpareBank 1 SMN is reducing its stake in Polaris Media from 23.4 to 11.4% by selling off 5.88 millioner shares at NOK 27.00 per share to NWT Media for NOK 158.8m.
- By the end of Q1 2013 the transaction will have strengthened the Bank's tier 1 capital by NOK 175m. The net result of the investment for 2012 was minus NOK 14m

Increased capital and the bank's ability to price capital correctly in relation to risk and capital tie-up will impact positively on the bank's return on equity

Choices made with regard to capital, and the ability to price loans correctly, will have a bearing on return on equity



- 1 Present return on equity
- 2 Increased margin on present capital base
- 3 Increased margin and increased capital
- 4 Increased capital but no margin change

Capital adequacy

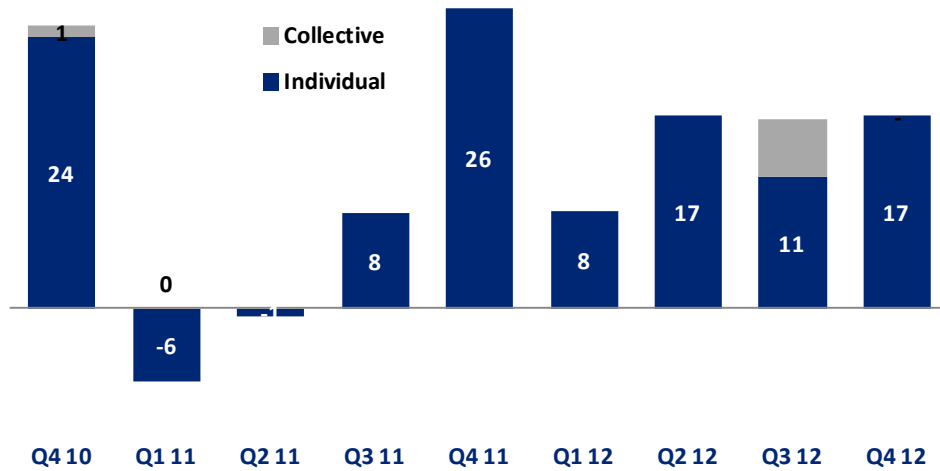
Capital adequacy as at 31.12.2011 and 31.12.2012

<i>NOKm</i>	31.12.12	31.12.11
Core capital exclusive hybrid capital	8,254	6,686
Hybrid capital	1,103	1,170
Core capital	9,357	7,856
Supplementary capital	1,586	1,199
Total capital	10,943	9,055
Total credit risk IRB	3,756	3,358
Debt risk	205	182
Equity risk	15	16
Operational risk	420	400
Exposures calculated using the standardised approach	2,074	2,184
Deductions	-120	-111
Transitional arrangements	246	0
Minimum requirements total capital	6,596	6,027
Core capital ratio	11.3 %	10.4 %
Core capital ratio ex. hybrid capital	10.0 %	8.9 %
Capital adequacy ratio	13.3 %	12.0 %

Low loan losses

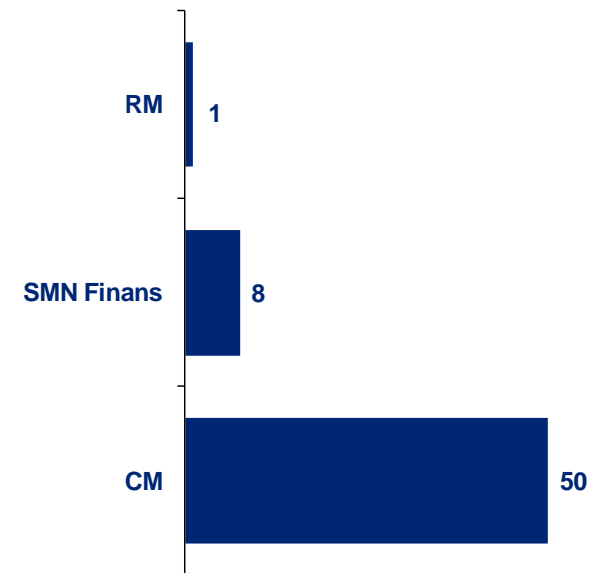
Loan losses – quarterly trend

NOK mill



Losses by business area:

NOK mill



- Loan losses measure 0.06% (0.03%) of gross lending at 30 Dec 2012.

Defaults and other problem loans

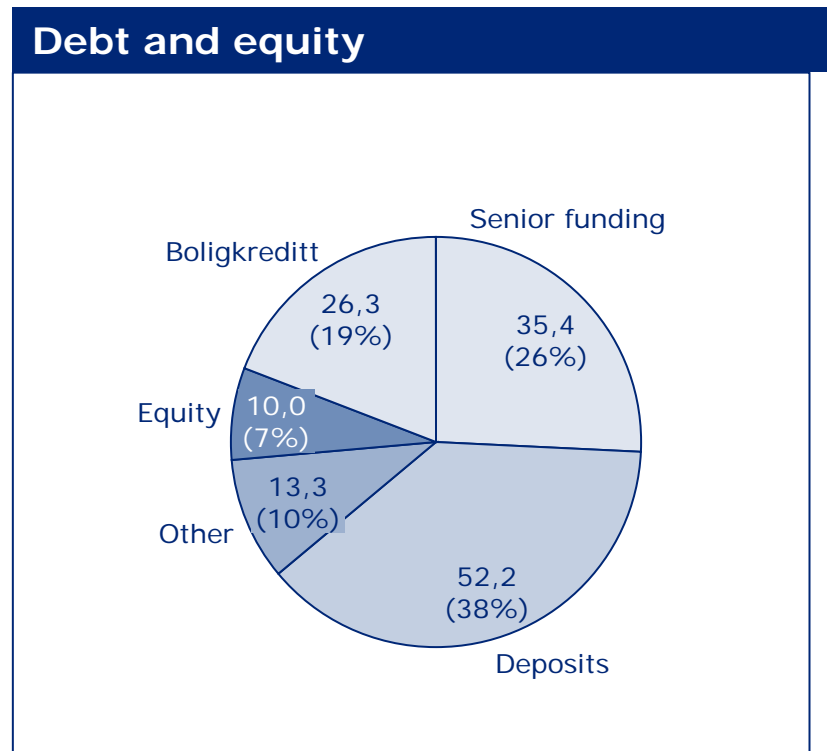
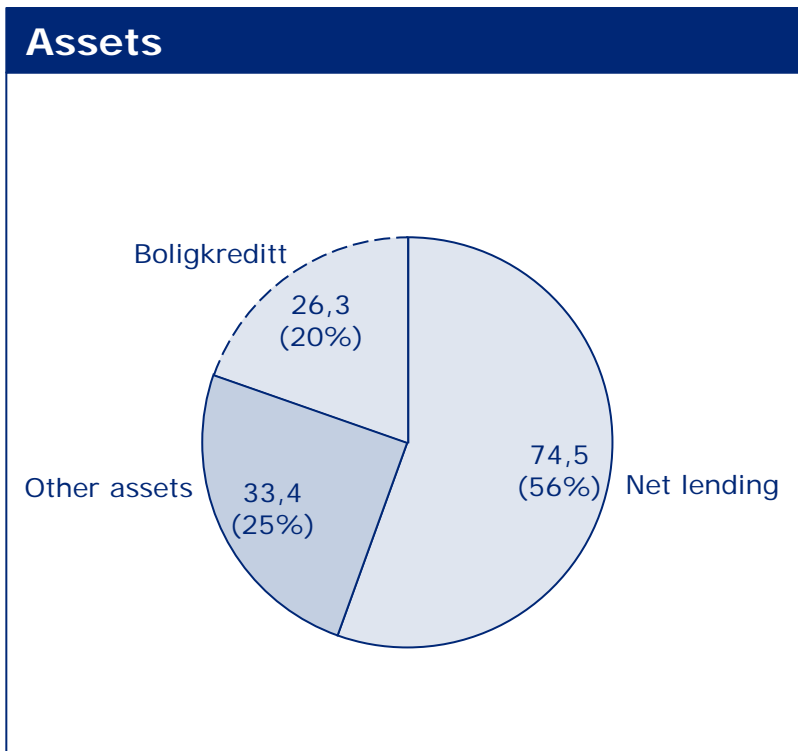
Low levels



Balance sheet

	31 Dec 2012	31 Dec 2011	31 Dec 2010
Funds available	21,255	16,994	19,511
Gross loans *)	74,943	73,105	69,847
- spec provisions	-144	-172	-222
- write-downs by loan category	<u>-295</u>	-290	-290
Net loans	74,504	72,643	69,336
Securities	777	611	618
Investment in related companies	5,059	4,741	3,526
Goodwill	482	471	460
Other assets	5,842	5,995	4,547
TOTAL ASSETS	107,919	101,455	97,997
Capital market funding	35,396	34,380	36,685
Deposits	52,252	47,871	42,786
Funding, "swap" arrangement with the government	2,273	2,886	4,318
Other liabilities	4,915	5,280	3,605
Subordinated debt	3,040	2,690	2,758
Equity	10,042	8,348	7,846
TOTAL DEBT AND EQUITY	107,919	101,455	97,997
*) in addition loans transfer SPB1 Boligkreditt	29,966	22,126	17,818

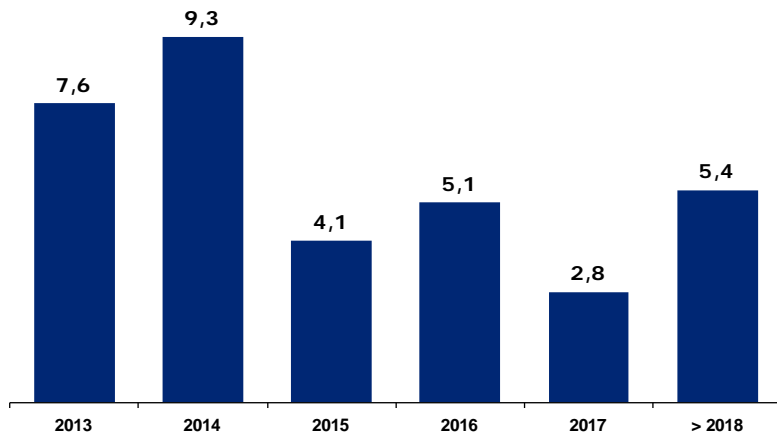
Boligkreditt is an important fundingsource for the bank



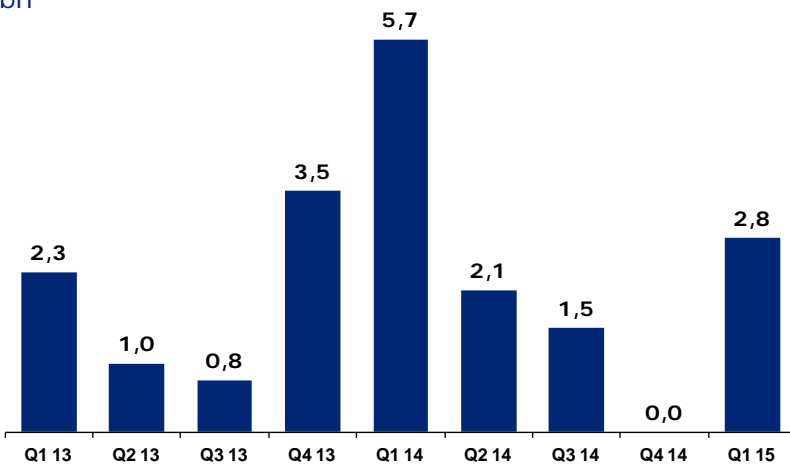
Satisfying access to capital market funding

Funding maturity 31 Dec 2012

In NOK bn



In NOK bn



Comments

- Maturities 2013 – 2014
 - NOK 16.9 bn:
 - NOK 7.6 bn in 2013
 - NOK 9.3 bn in 2014
- Sparebank 1 Boligkreditt is the main funding source through covered bonds. NOK 29 billion transferred as of 31 Dec 2012

SpareBank 1 SMN

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SMN home page and internet bank: www.smn.no
Hugin-Online: www.huginonline.no
Equity capital certificates in general:
www.grunnfondsbevis.no

Financial calendar 2013

Q1	25. April
Q2	14. August
Q3	31. October