

Fourth Quarter Report 2012



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Main figures

From the profit and loss account	2012		2011		
	NOKm	%	NOKm	%	
Net interest	1,477	1.40	1,392	1.41	
Commission income and other income	1,139	1.08	919	0.94	
Net return on financial investments including held for sale	451	0.43	434	0.44	
Total income	3,067	2.91	2,745	2.75	
Total operating expenses	1,654	1.57	1,482	1.46	
Results	1,414	1.34	1,263	1.29	
Loss on loans, guarantees etc	58	0.06	27	0.03	
Results before tax	1,355	1.29	1,236	1.29	
Tax charge	295	0.28	255	0.27	
Result investment held for sale, after tax	16	0.02	43	0.04	
Net profit	1,077	1.02	1,024	1.02	
Key figures	2012	2011			
Profitability					
Return on equity ¹⁾	11.7 %		12.8 %		
Cost-income ratio ²⁾	54 %		54 %		
Balance sheet					
Gross loans to customers	74,943		73,105		
Gross loans to customers incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	104,909		95,232		
Deposits from customers	52,252		47,871		
Deposit-to-loan ratio excl. Boligkreditt	70 %		65 %		
Growth in loans incl. Boligkreditt and Næringskreditt	10.2 %		8.6 %		
Growth in deposits	9.2 %		11.9 %		
Average total assets	105,372		98,465		
Total assets	107,919		101,455		
Losses and defaults in % of gross loans incl. Boligkreditt and Næringskreditt					
Impairment losses ratio	0.06 %		0.03 %		
Non-performing commitm. as a percentage of gross loans ³⁾	0.36 %		0.36 %		
Other doubtful commitm. as a percentage of gross loans	0.14 %		0.21 %		
Solidity					
Capital adequacy ratio	13.3 %		12.0 %		
Core capital ratio	11.3 %		10.4 %		
Common equity tier 1	10.0 %		8.9 %		
Core capital	9,357		7,856		
Net equity and related capital	10,943		9,055		
Branches and staff					
Number of branches	51		54		
Number of full-time positions	1,135		1,098		
Key figures ECC ⁴⁾	2012	2011	2010	2009	2008
ECC ratio	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %
Number of certificates issued (millions)	129.83	102.76	102.74	82.78	82.41
ECC price	34.80	36.31	49.89	45.06	21.00
Stock value (NOKM)	4,518	3,731	5,124	3,749	1,750
Booked equity capital per ECC (including dividend)	50.09	48.91	46.17	42.11	38.07
Profit per ECC, majority	5.21	6.06	5.94	6.37	4.16
Dividend per ECC	1.50	1.85	2.77	2.10	2.77
Price-Earnings Ratio	6.68	5.99	8.40	7.07	5.05
Price-Book Value Ratio	0.69	0.74	1.08	1.07	0.55

1) Net profit as a percentage of average equity

2) Total operating expenses as a percentage of total operating income

3) Defaults and doubtful loans are reported on the basis of gross lending, including loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, and guarantees drawn

4) The key figures are corrected for issues

Report of the Board of Directors

Preliminary annual accounts 2012

Consolidated figures. Figures in parentheses refer to the same period of 2011 unless otherwise stated.

Profit of NOK 1,077m after tax

- Profit before tax: NOK 1,355m (1,236m)
- Net profit: NOK 1,077m (1,024m)
- Return on equity: 11.7 percent (12.8 percent)
- Tier 1 capital ratio: 11.3 percent (10.4 percent), common equity tier 1 ratio 10.0 percent (8.9 percent)
- Growth in lending 10.2 percent (8.6 percent) and deposits 9.2 percent (11.9 percent) over past 12 months
- Loan losses: NOK 58m (27m)
- Earnings per equity certificate (EC): NOK 5.21 (6.06). Book value per EC, incl. recommended dividend for 2012: NOK 50.09 (48.91)
- Recommended dividend: NOK 1.50 per EC. Allocation to non-profit causes: NOK 30m

Fourth quarter 2012

- Profit before tax: NOK 302m (285m)
- Net profit: NOK 260m (279m)
- Return on equity: 10.5 percent (13.6 percent)
- Loan losses: NOK 17m (26m)
- Earnings per EC: NOK 1.29 (1.65)
- Improved financial position; common tier 1 ratio 10.0 percent
- Increased lending margins

Good profit performance in 2012

- Profit improvement compared with 2011
- Strong income trend in core business and good return on financial investments
- Increased lending margins
- Low loan losses
- Sound growth in overall deposits and strong growth in lending to retail market
- Improved financial position and reduced growth
- Cost growth due to higher activity levels, both at parent bank and subsidiaries

In 2012 SpareBank 1 SMN achieved a post-tax profit of NOK 1,077m (1,024m) and a return on equity of 11.7 percent (12.8 percent). Pre-tax profit was NOK 1,355m (1,236m). The solid performance is due to a positive income trend, low losses and good return on financial assets.

Pre-tax profit in the fourth quarter in isolation was NOK 302m (285m). The quarter's figures reflect:

- Increased margins on lending and increased net interest income
- Increased commission income
- Low losses and low rate of defaults
- High growth in lending to retail customers
- Lending to corporates is reduced due to capital-related considerations

Return on equity in the quarter was 10.5 percent (13.6 percent).

In 2012 operating income increased by 13 percent to an overall of NOK 2,616m (2,311m).

Return on financial assets was NOK 451m (434m), of which the profit share on owner interests in associates was NOK 244m (248m).

Operating expenses totalled to NOK 1,654m in 2012 (1,482m), i.e. NOK 171m or 11.6 percent higher than in 2011.

Net losses on loans and guarantees were NOK 58m (27m). In the third quarter of 2012 an increase of NOK 5m was made in collectively assessed impairment write-downs.

Lending growth was 10.2 percent (8.6 percent) and deposit growth was 9.2 percent (11.9 percent). There was a good customer influx in 2012, particularly in the retail market.

As of year end tier 1 capital adequacy was 11.3 percent (10.4 percent) and the common equity tier 1 ratio was 10.0 percent (8.9 percent). After a thorough assessment, the Board of SpareBank 1 SMN has decided to revise the Bank's capital plan. As part of this process it plans to increase the common tier 1 ratio to 12.5 percent by the end of 2015. SpareBank 1 SMN's revised capital plan is further described in the section on financial strength on page 14 of this report.

At year-end the Bank's EC was priced at NOK 34.80 (36.31 at end-2011). A cash dividend of NOK 1.85 per EC was paid in 2012 for the year 2011 (2.77 for 2010).

Earnings per EC were NOK 5.21 (6.06), and book value was NOK 50.09 (48.91).

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 1.50 per EC for 2012 and to set aside NOK 30m for gifts to non-profit causes. The level of dividend and gifts is enshrined in the Bank's capital plan and reflects a need to increase the Bank's tier 1 capital by means of a reduced payout ratio.

Proposed distribution of profit

Distribution of the profit for the year is made on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the Group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Difference between Group - Parent Bank	2012	2011
Profit for the year, Group	1,077	1,024
Profit, subsidiaries	-76	-144
Dividend and contribution from subsidiaries	126	68
Profit, associated companies	-264	-290
Dividend, associated companies	163	162
Profit for the year, Parent bank	1,025	820

Annual profit for distribution reflects changes of NOK -36m in the revaluation reserve, leaving the total amount for distribution at NOK 990m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends and the allocation to the dividend equalisation fund constitute 63.3 percent of the distributed profit. In terms of the stock issues in 2012, the percentage for distribution is an average of the EC-holder ratio (EC-holders' share of total equity) over the year.

Based on the Bank's capital plan, the Board of Directors has suggested a relatively low level of dividends and gift allocation.

The Board of Directors recommends the Supervisory Board to set a cash dividend of NOK 1.50 per equity certificate, a total of NOK 195m. This gives a payout ratio of 31 percent. The Board of Directors further recommends the Supervisory Board to allocate NOK 30m as gifts to non-profit causes, representing a payout ratio of 8 percent. NOK 432m and NOK 333m are added to the dividend equalisation fund and the ownerless capital respectively. The Board of Directors are derogating from the principle of equal payout share to the EC-holder capital and the ownerless capital in recognition of the need to improve financial strength and because the EC Price-Book ratio is below 1.

After distribution of the profit for 2012 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 percent.

Distribution of profit	2012	2011
Profit for the year, Parent bank	1,025	820
Transferred to/from revaluation reserve	-36	-25
Profit for distribution	990	795
Dividends	195	190
Equalisation fund	432	297
Saving Bank's fund	333	268
Gifts	30	40
Total distributed	990	795

Increased net interest income

Net interest income in 2012 was NOK 1,477m (1,392m). Net interest income in the fourth quarter alone totalled to NOK 399m, an increase of NOK 41m over the third quarter. The strengthened net interest income in the last quarter is partly due to repricing of part of the corporate customer portfolio. In addition, lower market interest rates (NIBOR) caused higher lending margins in 2012, and net interest income, including commission from SpareBank 1 Boligkreditt remained high throughout the year. Net interest income from home mortgage loans transferred to SpareBank 1 Boligkreditt is recorded as commission income, which amounted to NOK 201m (71m).

A further repricing of the loan portfolio is planned in 2013. The retail market portfolio will need to be repriced as a result of the increased risk weights proposed for home mortgage loans and the corporate market portfolio due to higher capital requirements.

Increased commission income

Commission income and other operating income rose by NOK 220m, or 24 percent to NOK 1,139m (919m) in 2012. Income from SpareBank 1 Boligkreditt, real estate agency, accounting services and insurance showed the largest increase. Commission income from SpareBank 1 Boligkreditt rose as a result of very low interest rates, causing increased margins on the company's loan portfolio.

Commission income, NOKm	2012	2011	Change
Payment transfers	197	195	3
Savings	48	54	-6
Insurance	122	107	16
SpareBank 1 Boligkreditt and Næringskreditt	205	71	133
Guarantee commission	30	28	2
Real estate agency	336	308	28
Accountancy services	100	79	20
Active management	11	12	-1
Rent	37	34	4
Other commissions	53	32	21
Total	1,139	919	220

Positive return on financial investments, including result for assets held for sale

Overall return on financial investments (excluding the Bank's share of the profit/loss of affiliates and joint ventures) was NOK 204m (188m) in 2012. Overall return breaks down as follows:

- Return on the Group's share portfolios totalled to NOK 21m (102m)
- Net gains on bonds and derivatives came to NOK 57m (-NOK 10m)
- Gains on forex and fixed income trading at SpareBank 1 SMN Markets were NOK 126m (96m). NOK 8m of the increase is a result of the cooperation agreement with SpareBank 1 Markets Oslo
- Polaris Media is reclassified as assets held for sale; the amount shown in the following table includes the net result of this item for 2012

Return on financial investments, NOKm	2012	2011
Capital gains/dividends, shares	21	102
Bonds and derivatives	57	-10
SpareBank 1 SMN Markets	126	96
Net return on financial investments	204	188
SpareBank 1 Gruppen AS	94	95
SpareBank 1 Boligkreditt AS	44	16
SpareBank 1 Næringskreditt AS	8	9
Bank1 Oslo Akershus AS	26	15
BN Bank ASA	72	89
Polaris ASA	-14	23
Other jointly controlled companies	34	43
Income from investment in related companies	264	290
Total	467	478

SpareBank 1 Gruppen

SpareBank 1 Gruppen's post-tax profit for 2012 was NOK 452m (526m). The main contributors are SpareBank 1 Livsforsikring AS (life insurer) and SpareBank 1 Skadeforsikring AS (non-life insurer). A tax charge increase due to changes expected in the legislation governing the taxation of tax-related investments in the management of customer assets at life insurers is calculated at NOK 193m for SpareBank 1 Gruppen for 2012. This sum is considered as a one-of effect in the fourth quarter of 2012.

SpareBank 1 SMN's profit share taken to income amounts to NOK 94m (94m). Of the profit taken to income in 2012, NOK 9m refers to correction of the profit for 2011.

SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt AS was established by the banks participating in the SpareBank 1 Alliance to take advantage of the market for covered bonds. The banks transfer their highest quality home mortgage loans to the company, which reduces the funding costs. As of end-December 2012 the Bank had transferred NOK 28bn to SpareBank 1 Boligkreditt, equivalent to 47 percent of overall lending to the retail market.

The Bank's ownership interest in SpareBank 1 Boligkreditt AS at end-year was 18.4 percent, and the Bank's share of the company's profit in 2012 was NOK 44m (16m). The Bank's holding reflects the Bank's relative share of transferred home mortgage loans.

SpareBank 1 Næringskreditt

The SpareBank 1 banks established SpareBank 1 Næringskreditt in 2010 based on the same model and with the same administration as SpareBank 1 Boligkreditt AS.

SpareBank 1 SMN's stake in the company is 33.8 percent, and the Bank's share of the company's profit in 2012 was NOK 8m (9m). The Bank's ownership interest reflects its relative share of transferred commercial property loans and its stake in BN Bank.

Bank 1 Oslo Akershus

As a result of a stock issue placing with the Norwegian Confederation of Trade Unions (LO), SpareBank 1 SMN reduced its holding in Bank 1 Oslo Akershus from 19.5 percent to 15.18 percent at end-2012. SpareBank 1 SMN's share of this bank's profit was NOK 26.4m (15m) in 2012. Of the profit taken to income in 2012, NOK 4.4m refers to a correction of the profit for 2011. In 2013 SpareBank 1 SMN signed an agreement to sell 475,594 shares to Sparebanken Hedmark, which will reduce SpareBank 1 SMN's holding to 4.78 percent. An option has been taken on a further reduction of the Bank's holding in Bank 1 Oslo Akershus. The option must be exercised by 31 December 2015.

Divestment from Bank 1 Oslo Akershus is enshrined in the Bank's capital plan.

BN Bank

SpareBank 1 SMN has a 33 percent stake in BN Bank as of 31 December 2012.

SpareBank 1 SMN's share of the profit of BN Bank for 2012 came to NOK 72m (89m), including amortisation effects. The amortisation effect in 2012 increased the profit by NOK 11m (31m).

Polaris Media

At end-2012 SpareBank 1 SMN had a 23.45 percent stake in Polaris Media.

On 25 January 2013 SpareBank 1 SMN sold 5.88m shares of Polaris Media AS at NOK 27.00 per share to NWT Media (Nya Wermlands-Tidningens AB), for a total of NOK 158.8m. This transaction reduced SpareBank 1 SMN's stake in Polaris Media from 23.4 to 11.4 percent. The sale is enshrined in the Bank's capital plan.

At the turn of the year the holding of Polaris Media shares was reclassified to shares held for sale. The investment is therefore not consolidated in the Bank's accounts but measured at fair value. Goodwill in Polaris Media's balance sheet has enabled a reduction in SpareBank 1 SMN's capital ratio. By the end of the first quarter of 2013 the transaction will have strengthened the Bank's tier 1 capital adequacy by NOK 175m.

The net result of this investment for 2012 was NOK -14m.

Other companies

These are essentially companies established to handle corporate exposures taken over from other entities. The positive result of NOK 34m largely represents a tax benefit related to loss carried forward at one of the companies.

Higher costs as a result of increased effort towards the market

Overall costs came to NOK 1,654m (1,482m) in 2012, hence increasing Group expenses by NOK 171m or 11.6 percent.

Parent Bank cost growth was NOK 117m or 10.8 percent. SpareBank 1 SMN has strengthened its capacity and competence on the customer facing front, which is the main reason for the cost growth at the Parent Bank.

The remainder of the growth in Group costs is due to increased resources at Eiendomsmegler 1 and SpareBank 1 SMN Regnskap, where costs rose by NOK 54m or 13.7 percent. However, turnover has risen more than the costs and thus improved profit performances at both companies.

Operating expenses measured 1.57 percent (1.51 percent) of average total assets. The Group's cost-income ratio was 54 percent (54 percent).

In 2012 the Bank launched a wide-ranging improvement programme ("Ny giv") with the aim of improving the customer's experience, raising productivity and reducing relative operating expenses.

A key measure is the revamping of the Bank's organisational structure with effect from 1 January 2013 where the overarching aim is to clearly reinforce the focus on the customer facing side of the business.

To this end the Board of Directors has resolved to reduce person-years worked at the Parent Bank from 800 to 725 in the period to 2015. This will be achieved by natural wastage and will not disrupt the focus on the customer facing side. Annual cost growth at the parent bank will be at a maximum level of 3 percent.

Low losses and low defaults

Net loan losses came to NOK 58m (27m) for 2012. This includes an increase of NOK 5m in collectively assessed impairment write-downs in the third quarter. Net individually assessed write-downs in the fourth quarter in isolation were NOK 17m (26m).

Losses of NOK 57m (20m) were recorded on the Group's corporate customers, including losses at SpareBank 1 SMN Finans of NOK 7m (15m). On the retail portfolio a net loss of NOK 1m (7m) was recorded in 2012.

Total individually assessed loan impairment write-downs as of end-2012 came to NOK 144m (172m), a decline of NOK 28m over the year.

Total problem loans (defaulted and doubtful) came to NOK 517m (542m), or 0.49 percent (0.57 percent) of gross outstanding loans.

Defaults in excess of 90 days totalled NOK 374m (338m), accounting for 0.36 percent (0.36 percent) of gross lending. Of total defaults, NOK 83m (89m) are loss provisioned, corresponding to 22 percent (26 percent).

Other doubtful exposures totalled to NOK 143m (204m), 0.14 percent (0.21 percent) of gross outstanding loans. NOK 62m (83m) or 43 percent (41 percent) are loss provisioned.

Collectively assessed impairment write-downs

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

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

In the third quarter of 2012 provision for collectively assessed impairment write-downs was raised by NOK 5m due to increased uncertainty related to exposures in certain sectors. As of end-2012 no further change in collectively assessed impairment write-downs is considered necessary. The aggregate volume of such write-downs is NOK 295m (290m).

Total assets of NOK 108bn

The Bank's assets totalled NOK 108bn (101bn) at end-2012, representing an increase of NOK 7bn or 6.4 percent over the year. The rise in total assets is a consequence of increased lending and higher liquidity reserves.

As of end-2012 home mortgage loans worth 30bn (22bn) have been transferred from SpareBank 1 SMN to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. These loans do not appear as lending in the Bank's balance sheet. The comments covering lending growth do however include loans transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

Strong growth in lending to the retail segment, reduced growth to corporates

In the last 12 months, total outstanding loans rose by NOK 9.7bn (7.6bn) or 10.2 percent (8.6 percent) to reach NOK 104.9bn as of end-December 2012.

Lending to retail customers rose by NOK 7.6bn (5.4bn) or 13.7 percent (10.9 percent) to reach NOK 62.6bn in 2012.

Growth in lending to corporates in 2012 was NOK 2.1bn (2.2bn) or 5.3 percent (5.7 percent). Overall loans to corporates were reduced in the fourth quarter and totalled NOK 42.3bn at end-2012.

Lending to retail customers accounted for 60 percent (58 percent) of ordinary loans to customers at the end of 2012.

Strong deposit growth in both retail and corporate segments

Customer deposits rose in 2012 by NOK 4.4bn (5.1bn) to reach NOK 52.3bn at year-end. This represents a growth of 9.2 percent (11.9 percent).

Retail customer deposits rose by NOK 1.4bn (1.8bn) or 6.8 percent (9.5 percent) to reach NOK 22.3bn, while deposits from corporates rose by NOK 3.0bn (3.3bn) or 11.0 percent (14.1 percent) to NOK 30.0bn. Deposit growth in the corporate market is also relatively evenly spread in geographical terms.

Portfolio of investment products

The customer portfolio of off-balance sheet investment products totalled to NOK 4.8bn (4.8bn) at end-2012. Equity funds and pension products show higher values compared with last year. Energy funds are not attracting new buyers and the portfolio is diminishing.

Saving products, customer portfolio, NOKm	2012	2011	Change
Equity funds	2,570	2,284	286
Pension products	1,068	711	357
Active management	1,012	941	71
Energy fund management	139	218	-79
Total	4,789	4,154	635

Strong growth in the Bank's insurance portfolio

The Bank's insurance portfolio grew by 10 percent in 2012. Non-life insurance showed 32 percent growth, personal insurance 5 percent and the occupational pensions segment 29 percent growth.

Insurance, premium volume, NOKm	2012	2011	Change
Non-life insurance	680	621	59
Personal insurance	184	175	9
Occupational pensions	166	129	37
Total	1.030	925	105

Strong profit and growth for the Retail Division

The retail market business achieved a return on equity of 22.6 percent (16.8 percent) in 2012.

Operating income totalled NOK 1,037m (872m) in 2012. Net interest income came to NOK 552m (527m) and commission income to NOK 486m (345m). Lending margins are substantially higher than in 2011, largely due to falling market interest rates in 2012. The increased commission income mainly comprises higher commissions from SpareBank 1 Boligkreditt and increased insurance income.

The lending margin in 2012 was 1.86 percent (1.22 percent), while the deposit margin was 0.10 percent (0.73 percent). The margin is defined as the average customer rate less the three-month moving average of three-month NIBOR.

In the last 12 months, lending to retail customers rose by 13.1 percent (10.9 percent) and deposits from the same segment by 5.9 percent (10.9 percent).

Lending to retail borrowers generally carries low risk as reflected in continued very low losses. Losses and defaults are expected to remain low. The loan portfolio is secured on residential properties and the trend in house prices has been satisfactory throughout the market area.

Retail market (NOKm)	2012	2011	Change
Net interest income	552	527	25
Commission and other income	486	345	141
Total income	1,037	872	165
Operating expenses	653	608	45
Pre-loss profit	384	264	120
Losses	1	7	-6
Profit before tax	383	256	126

ROE after tax	22.6 %	16.8 %	
Loans (NOKbn)	58.9	52.1	6.8
Deposits (NOKbn)	22.4	21.2	1.3

The Retail Division is part of the Parent Bank and the table therefore does not include figures from the Bank's subsidiaries.

Income growth for the Corporate Division and stable profitability

Return on equity at the Corporate Division was 13.8 percent (13.9 percent).

Total operating income came to NOK 1,174m (1,079m) at end-2012, up NOK 95m compared with 2011. Net interest income was NOK 1,003m (910m), while total commission income was NOK 171m (169m).

Lending and deposit margins in the division were 2.45 percent (2.13 percent) and -0.10 percent (0.20 percent) respectively. The margins are measured against three-month NIBOR.

Lending growth was 5.2 percent (5.3 percent) and deposit growth was 6.8 percent (26.5 percent). Total lending to corporates was reduced by NOK 400m in the fourth quarter.

Corporate market (NOKm)	2012	2011	Change
Net interest income	1,003	910	93
Commission and other income	171	169	2
Total income	1,174	1,079	95
Operating expenses	399	351	48
Pre-loss profit	775	728	47
Losses	45	5	40
Profit before tax	731	724	7
ROE after tax	13.8 %	13.9 %	
Loans (NOKbn)	40.7	38.7	2.0
Deposits (NOKbn)	27.1	25.3	1.7

The Corporate Division is part of the Parent Bank and the table therefore does not include figures for the Bank's subsidiaries.

Income at SpareBank 1 SMN Markets

SpareBank 1 Markets delivers a complete range of capital market products and services and is an integral part of SMN's parent bank operation.

SpareBank 1 Markets reported total income of NOK 131m (148m) in 2012. The securities area shows higher income compared with 2011, while other business areas show some decline.

SpareBank 1 SMN has established an active asset management agreement with SpareBank 1 Markets (owned by SpareBank 1 Gruppen). The agreement puts SpareBank 1 Markets in a stronger position to deliver forex and fixed income products in the primary and secondary market. The business volume is regulated through clear-cut limits on exposure in relation to products and counterparties and brings a insignificant change in the Bank's risk exposure. Incomes and expenses are distributed between the parties based on an established distribution formula. The agreement was operationalised in April 2012, and SpareBank 1 SMN's net share of the incomes earned in 2012 was NOK 8m.

Markets (NOKm)	2012	2011	Change
Forex and fixed income, trading	48.8	53.5	-4.7
Forex and fixed income, risk	45.3	55.8	-10.5
Corporate	12.3	14.6	-2.3
Securities, brokerage commission	20.4	13.0	7.4
SpareBank 1 Markets	7.6	0.0	7.6
Investments	-2.9	11.0	-13.9
Total income	131.5	147.9	-16.4

Of gross income of NOK 132m, a total of NOK 34m and NOK 1m are transferred to the Corporate Division and Retail Division. This constitutes the respective divisions' share of income from forex and fixed income transactions with their own customers.

Subsidiaries

The subsidiaries posted an aggregate pre-tax profit of NOK 116.1m (167.8m) in 2012.

Pre-tax profit, NOKm	2012	2011	Change
EiendomsMegler 1 Midt-Norge	76.2	75.6	0.6
SpareBank 1 SMN Finans	55.8	26.3	29.5
SpareBank 1 SMN Regnskap	13.8	5.0	8.8
Allegro Finans	-3.7	-5.3	1.6
SpareBank 1 SMN Invest	-15.0	87.5	-102.5
SpareBank 1 Kvartalet	11.0	-21.3	10.3
Total	116.0	167.8	-51.7

EiendomsMegler 1 Midt-Norge is the market leader in its area with a market share of about 40 percent. As in 2011, profit for 2012 was excellent with a pre-tax profit of NOK 76.2m (75.6m) in 2012.

SpareBank 1 SMN Finans posted a profit of NOK 55.8m (26.3m) as of end-2012. The company has achieved strong profit growth while simultaneously reducing losses. The subsidiary Bilplan AS was taken over by the parent bank in the fourth quarter.

At quarter-end the company managed leases and car loan agreements worth a total of NOK 3.1bn (2.9bn) of which leases account for NOK 1.9bn (1.9bn) and car loans for NOK 1.2bn (1.0bn).

SpareBank 1 Nordvest and SpareBank 1 Søre Sunnmøre have by agreement acquired 9.9 percent of the shares of SpareBank 1 SMN Finans. The transaction was carried through as a placing that reflects the fair value of SpareBank 1 SMN Finans.

SpareBank 1 SMN Regnskap posted its historically best pre-tax profit of NOK 13.8m and turnover growth close to 30 percent. With a growth rate three times higher than the industry average, the company leads the market in mid-Norway and is a leading accounting services entity in Norway as a whole.

SpareBank 1 SMN Regnskap acquired five accounting firms in 2012 and aspires to continue the strong growth. It has in addition acquired a strategic owner position of 40 percent in the accounting chain Consis. The company's alliance partner Sparebanken Hedmark owns the remaining 60 percent.

Allegro Finans – engaged in active asset management – reported a loss of NOK 3.7m (loss of 5.3m) before tax for 2012. The company has a portfolio of some NOK 2bn under active management.

Sparebanken SMN Invest's mission is to invest in shares, mainly in regional listed companies. The company posted a loss of NOK 15.0m (profit of 87.5m) in 2012.

Satisfactory funding and good liquidity

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

The Bank has liquidity reserves of NOK 21bn and thus has the funding needed for 18 months of ordinary operations without fresh external finance.

The Bank's funding sources and products are well diversified. At year-end the proportion of money market funding in excess of 1 year was 80 percent (81 percent).

SpareBank 1 Boligkreditt is the Bank's chief source of funding, and in 2012 loans totalling NOK 7.2bn were transferred to this residential mortgage company. As of end-2012 loans totalling NOK 29bn had been transferred to SpareBank 1 Boligkreditt.

Rating

SpareBank 1 SMN has a rating of A2 (under review) with Moody's and a rating of A- (stable outlook) with Fitch Ratings. The bank was downgraded by Moody's from A1 to A2 in December (under review).

Stock issues carried out in 2012

- A rights issue was carried out in 2012 in favour of existing EC holders. The subscription period was 12-26 March 2012. ECs were allocated in an amount of NOK 740m. The issue was registered with the Register of Business Enterprises on 11 April 2012, with accounting effect as from the second quarter
- In the same period a placing was made in favour of the Bank's employees. ECs worth NOK 21m were allocated in this placing
- In the third quarter a placing of NOK 200m was made in favour of the foundation Sparebankstiftelsen SMN and a large international investor

Financial strength

Figures in NOKm	2012	2011
Tier 1 capital	9,357	7,856
Subordinated loan	1,586	1,199
Capital base	10,943	9,055
Required subordinated debt	9,596	6,027
Tier 1 capital ratio	11.3 %	10.4 %
Total capital ratio	13.3 %	12.0 %

The above stock issues in isolation strengthened the tier 1 capital ratio by 1.2 percentage points.

After distribution of the profit for 2012, the tier 1 capital ratio is 11.3 percent (10.4 percent) and the total capital ratio 13.3 percent (12.0 percent). In the year's last quarter the tier 1 ratio was improved as a result of a reduced payout ratio, and a reduction in risk weighted assets in both the corporate market and related business. The common equity tier 1 capital ratio, i.e. tier 1 capital excluding hybrid equity, was 10.0 percent (8.9 percent) at year-end.

The Board of Directors of SpareBank 1 SMN pays close attention to the Group's capitalisation. Like other Norwegian banks, SpareBank 1 SMN expects of higher capital requirements, given the prevailing signals of

higher capital charges on home mortgage loans through higher risk weights. SpareBank 1 SMN has intensified its focus on effective application of capital across the Group, and plans to achieve a common equity tier 1 ratio of 12.5 percent by the end of 2015.

- Improved banking operation through improved efficiency and higher margins. Increased capital requirements for all banks provides a market basis for increased margins on lending
- The payout policy will be conducted as in 2012 with an effective payout ratio of 25 - 35 percent
- Moderate growth in the Bank's asset-intensive activities, including lending to the retail and corporate segments by the Parent bank and BN Bank
- Sale of asset items not included in the core business
- Introduction of advanced IRB approach at SpareBank 1 SMN and BN Bank

SpareBank 1 SMN has currently no plans with regard to equity capital issues.

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

In cooperation with the other IRB banks in the SpareBank 1 alliance, the Bank has initiated a process to apply for permission to use the advanced IRB approach. The application is expected to be submitted in the course of the first half of 2013.

The Bank's equity certificate (MING)

The book value of the Bank's EC was NOK 50.09 (48.91) at end-2012, and earnings per EC were NOK 5.21 (6.06).

The Price / Income ratio was 6.68 (5.99), and the Price / Book ratio was 0.69 (0.74).

At year-end the EC was priced at NOK 34.80, and dividend of NOK 1.85 per EC was paid in 2012 for the year 2011 (adjusted for stock issues carried out in 2012).

Risk factors

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

The Bank expects the cyclical upturn to continue, but activity growth to be moderate due to very weak international growth impulses. Unemployment in Norway is expected to remain low and this, combined with continued strong income growth and low interest rates, suggest that the loss risk in the Bank's retail market portfolio will remain low. The Bank also expects moderate growth in mid-Norway's business sector ahead.

Expectations of higher capital requirements have led Norwegian banks to signal their intention to adopt a more conservative credit policy towards business and industry. The proposed adjustment of LCR rules represents an easing for the European banking sector.

The Bank's results are affected directly and indirectly by the fluctuations in securities markets. The indirect effect relates above all to the Bank's stake in SpareBank 1 Gruppen, where both the insurance business and asset management activities are affected by the fluctuations.

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

Outlook ahead

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.

Going forward, The Board of Directors will focus strongly on measures designed to strengthen the Bank's financial position in order to achieve a common equity tier 1 ratio of at least 12.5 percent by 31 December 2015. The Board will continuously monitor the adopted capital plan and the corresponding measures defined in the plan. Strengthening earnings through increased margins, reduced costs and following up the "Ny giv" project will have the Board's full and complete attention in 2013 and the years ahead.

Continuing turbulence in international financial markets increases uncertainty in the national and regional economies. Again, in 2012 there were no clear indications of the region's business sector being affected by the crisis in the euro area. Business life in the Bank's market area shows continued growth and profitability, and the outlook for 2013 remains good. Unemployment is low and there are few signs in the region's macroeconomy in isolation to suggest a change in the risk picture for 2013.

SpareBank 1 SMN has a conservative liquidity strategy and intends to be able to maintain normal operations for 12 months without further access to external funding. The Board of Directors considers pressures in the funding market to ease at the start of 2013 compared to the same period last year. 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 2012, in particular with its sound underlying operations and high quality risk management. SpareBank 1 SMN is well placed to achieve a good performance also in 2013.

Trondheim, 5 February 2013
The Board of Directors of SpareBank 1 SMN

Per Axel Koch
(chair)

Kjell Bjordal
(deputy chair)

Aud Skrudland

Arnhild Holstad

Bård Benum

Elbjørg Gui Standal

Paul E. Hjelm-Hansen

Venche Johnsen
(employee rep.)

Finn Haugan
(Group CEO)

Income statement

Parent bank				(NOK million)	Note	Group			
4Q 11	4Q 12	2011	2012			2012	2011	4Q 12	4Q 11
1,013	988	3,824	3,904	Interest income	3,928	3,891	941	1,029	
691	621	2,502	2,532	Interest expenses	2,451	2,499	543	691	
321	367	1,322	1,373	Net interest	1,477	1,392	399	338	
121	213	544	707	Commission income	968	778	280	188	
23	25	75	86	Commission expenses	96	83	28	25	
17	21	39	51	Other operating income	267	224	69	69	
115	209	508	672	Commission income and other income	1,139	919	321	232	
0	-16	260	290	Dividends	12	36	2	2	
-	-	-	-	Income from investment in related companies	244	248	3	71	
41	56	64	205	Net return on financial investments	195	150	32	81	
42	40	324	495	Net return on financial investments	451	434	37	153	
478	615	2,154	2,540	Total income	3,067	2,745	756	723	
114	156	528	618	Staff costs	924	810	234	196	
98	94	315	342	Administration costs	419	381	113	114	
82	73	245	245	Other operating expenses	311	291	90	103	
294	323	1,089	1,206	Total operating expenses	1,654	1,482	437	412	
184	293	1,066	1,334	Result before losses	1,414	1,263	319	311	
22	13	12	51	Loss on loans, guarantees etc.	58	27	17	26	
162	279	1,053	1,283	Result before tax	1,355	1,236	302	285	
52	62	235	262	Tax charge	295	255	69	54	
1	7	2	4	Result investment held for sale, after tax	16	43	27	49	
111	225	820	1,025	Net profit	1,077	1,024	260	279	
				Majority share	1,068	1,016	257	277	
				Minority interest	9	8	4	2	
				Profit per ECC	5.25	6.11	1.31	1.66	
				Diluted profit per ECC	5.21	6.06	1.29	1.65	

Other comprehensive income

Parent bank				(NOK million)	2012	Group		
4Q 11	4Q 12	2011	2012			2011	4Q 12	4Q 11
111	225	820	1,025	Net profit	1,077	1,024	260	279
-	-	-	-	Available-for-sale financial assets	12	-6	4	-
-	-	-	-	Share of other comprehensive income of associates and joint venture	10	-19	3	-8
-	-	-	-	Other comprehensive income	22	-25	6	-8
111	225	820	1,025	Total other comprehensive income	1,099	999	267	271
-	-	-	-	Majority share of comprehensive income	1,090	991	263	269
-	-	-	-	Minority interest of comprehensive income	9	8	4	2

Key figures

Parent bank					Group			
4Q 11	4Q 12	2011	2012	Result as per cent of average total assets:	2012	2011	4Q 12	4Q 11
1.30	1.36	1.37	1.32	Net interest	1.40	1.41	1.46	1.34
0.47	0.77	0.52	0.65	Commission income and other income	1.08	0.93	1.17	0.92
0.17	0.15	0.34	0.48	Net return on financial investments	0.43	0.44	0.13	0.61
1.19	1.19	1.12	1.16	Total operating expenses	1.57	1.51	1.60	1.64
0.74	1.08	1.10	1.28	Result before losses	1.34	1.28	1.17	1.23
0.09	0.05	0.01	0.05	Loss on loans, guarantees etc.	0.06	0.03	0.06	0.10
0.65	1.03	1.09	1.23	Result before tax	1.29	1.26	1.11	1.13
0.61	0.52	0.51	0.47	Cost -income ratio	0.54	0.54	0.58	0.57
		68 %	73 %	Loan-to-deposit ratio	70 %	65 %		
6.5 %	10.5 %	12.3 %	13.2 %	Return on equity	11.7 %	12.8 %	10.5 %	13.6 %

Balance sheet

Parent bank				Group	
2011	2012	(NOK million)	Note	2012	2011
1,519	1,079	Cash and receivables from central banks		1,079	1,519
5,033	5,619	Deposits with and loans to credit institutions		3,012	2,557
70,793	72,464	Gross loans to customers before write-down	5.8	74,943	73,105
-151	-129	- Specified write-downs	6.7.8	-144	-172
-273	-278	- Write-downs by loan category	6	-295	-290
70,369	72,057	Net loans to and receivables from customers		74,504	72,643
12,918	17,164	Fixed-income CDs and bonds at fair value		17,164	12,918
3,698	3,101	Derivatives		3,100	3,697
331	354	Shares, units and other equity interests	2	777	611
2,816	3,115	Investment in related companies		4,573	4,259
1,203	2,181	Investment in group companies		-	-
222	340	Investment held for sale		486	481
447	447	Goodwill		482	471
1,142	1,485	Other assets	9	2,742	2,299
99,697	106,942	Assets		107,919	101,455
6,232	5,137	Deposits from credit institutions		5,137	6,232
2,886	2,273	Funding, "swap" arrangement with the government		2,273	2,886
48,114	53,187	Deposits from and debt to customers	10	52,252	47,871
28,148	30,259	Debt created by issue of securities	11	30,259	28,148
3,158	2,790	Derivatives		2,790	3,158
1,544	1,600	Other liabilities	12	2,054	1,971
-	-	Investment held for sale		72	151
2,690	3,040	Subordinated loan capital	11	3,040	2,690
92,773	98,287	Total liabilities		97,876	93,107
2,373	2,597	Equity capital certificates		2,597	2,373
-0	-0	Own holding of ECCs		-0	-0
183	895	Premium fund		895	183
1,457	1,889	Dividend equalisation fund		1,889	1,457
190	195	Recommended dividends		195	190
40	30	Provision for gifts		30	40
2,611	2,944	Savings bank's reserve		2,944	2,611
70	106	Unrealised gains reserve		123	85
-	0	Other equity capital		1,303	1,274
-	-	Profit for the periode		-	-
		Minority interests		67	135
6,924	8,656	Total equity capital	13	10,042	8,348
99,697	106,942	Total liabilities and equity		107,919	101,455

Cash flow statement

Parent bank		Group	
2011	2012 (NOK million)	2012	2011
820	1,025 Profit	1,077	1,024
38	43 Depreciations and write-downs on fixed assets	102	87
12	51 Losses on loans and guarantees	58	27
870	1,119 Net cash increase from ordinary operations	1,237	1,140
-1,656	284 Decrease/(increase) other receivables	316	-1,851
1,687	-293 Increase/(decrease) short term debt	-365	1,679
-3,398	-1,738 Decrease/(increase) loans to customers	-1,919	-3,335
-2,139	-586 Decrease/(increase) loans credit institutions	-456	-2,137
5,086	5,073 Increase/(decrease) deposits and debt to customers	4,381	5,086
-3,944	-1,708 Increase/(decrease) debt to credit institutions	-1,708	-3,944
4,118	-4,246 Increase/(decrease) in short term investments	-4,246	4,062
624	-2,096 A) NET CASH FLOW FROM OPERATIONS	-2,760	699
-59	-92 Increase in tangible fixed assets	-279	-184
1	- Reductions in tangible fixed assets	-	2
-900	-1,611 Paid-up capital, associated companies	-314	-734
79	192 Net investments in long-term shares and partnerships	-166	7
-879	-1,512 B) NET CASH FLOW FROM INVESTMENTS	-759	-909
-68	350 Increase/(decrease) in subordinated loan capital	350	-68
-	936 Increase/(decrease) in equity	936	-
-285	-190 Dividend cleared	-190	-285
-192	-40 To be disbursed from gift fund	-40	-192
-	- Correction of equity capital	-89	-45
207	2,112 Increase/(decrease) in other long term loans	2,112	207
-338	3,168 C) NET CASH FLOW FROM FINANCIAL ACTIVITIES	3,079	-383
-593	-440 A) + B) + C) NET CHANGES IN CASH AND CASH EQUIVALENTS	-440	-593
2,112	1,519 Cash and cash equivalents at 01.01	1,519	2,112
1,519	1,079 Cash and cash equivalents at end of quarter	1,079	1,519
593	440 Net changes in cash and cash equivalents	440	593

Change in equity

Parent Bank (NOK million)	Issued equity			Earned equity			Unrealised gains			Total equity
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	gains reserve	Other equity		
Equity capital at 1 January 2011	2,373	182	2,345	1,159	285	192	45	-	6,581	
Net Profit	-	-	268	297	190	40	25	-	820	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Total other comprehensive income	-	-	268	297	190	40	25	-	820	
Transactions with owners										
Dividend declared for 2010	-	-	-	0	-285	-	-	-	-285	
To be disbursed from gift fund	-	-	-	-	-	-192	-	-	-192	
Issue	1	0	-1	-	-	-	-	-	0	
Total transactions with owners	1	0	-1	0	-285	-192	-	-	-476	
Equity capital at 31 December 2011	2,373	183	2,611	1,457	190	40	70	-	6,924	
Equity capital at 1 January 2012	2,373	183	2,611	1,457	190	40	70	-	6,924	
Net Profit	-	-	333	432	195	30	36	-	1,025	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Total other comprehensive income	-	-	333	432	195	30	36	-	1,025	
Transactions with owners										
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-190	
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-40	
Rights issue	570	150	-	-	-	-	-	-	720	
Employee placing	16	-	-	-	-	-	-	-	16	
Private placements	112	88	-	-	-	-	-	-	200	
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-	
Total transactions with owners	224	713	-	-	-190	-40	-	-	706	
Equity capital at 31 december 2012	2,597	896	2,944	1,889	195	30	106	-	8,656	

Group (NOK million)	Majority share									
	Issued equity			Earned equity			Unrealised gains			
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	gains reserve	Other equity	Minority interest	
Equity capital at 1 January 2011	2,373	182	2,345	1,160	285	192	66	1,147	97	7,845
Net Profit	-	-	268	297	190	40	25	196	8	1,024
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	-6	-	-	-6
Share of other comprehensive	-	-	-	-	-	-	-	-	-	-

income of	-	-	-	-	-	-	-	-	-	-
associates and joint venture	-	-	-	-	-	-	-	-19	-	-19
Other comprehensive income	-	-	-	-	-	-	-6	-19	-	-25
Total other comprehensive income	-	-	268	297	190	40	19	177	8	999

Transactions with owners

Dividend declared for 2010	-	-	-	-	-285	-	-	-	-	-285
To be disbursed from gift fund	-	-	-	-	-	-192	-	-	-	-192
Direct recognitions in equity	-	-	-	-	-	-	-	-50	-	-50
Change in minority share	-	-	-	-	-	-	-	-	30	30
Issue	1	0	-1	-	-	-	-	-	-	-
Total transactions with owners	1	-	-1	-	-285	-192	-	-50	30	-496
Equity capital at 31 December 2011	2,373	183	2,611	1,457	190	40	85	1,274	135	8,348

Group (NOK million)	Majority share									
	Issued equity				Earned equity					
	EC capital	Premium fund	Ownerless capital	Equalisation fund	Dividend	Gifts	Unrealised gains reserve	Other equity	Minority interest	Total equity
Equity capital at 1 January 2012	2,373	183	2,611	1,457	190	40	85	1,274	135	8,348
Net Profit	-	-	333	432	195	30	36	43	9	1,077
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-	1	12	-	13
Share of other comprehensive income of	-	-	-	-	-	-	-	-	-	-
associates and joint venture	-	-	-	-	-	-	-	10	-	10
Other comprehensive income	-	-	-	-	-	-	1	22	-	23
Total other comprehensive income	-	-	333	432	195	30	37	65	9	1,100
Transactions with owners										
Dividend declared for 2011	-	-	-	-	-190	-	-	-	-	-190
To be disbursed from gift fund	-	-	-	-	-	-40	-	-	-	-40
Rights issue	570	150	-	-	-	-	-	-	-	720
Employee placing	16	-	-	-	-	-	-	-	-	16
Private placements	112	88	-	-	-	-	-	-	-	200
Reduction of nominal value per equity certificate	-475	475	-	-	-	-	-	-	-	-
Sale of own ECCs	-	-	-	-	-	-	-	-	-	-
Direct recognitions in equity	-	-	-	-	-	-	-	-36	-	-36
Change in minority share	-	-	-	-	-	-	-	-	-77	-77
Total transactions with owners	224	713	-	-	-190	-40	-	-36	-77	594
Equity capital at 31 december 2012	2,597	895	2,944	1,889	195	30	123	1,303	67	10,042

Equity capital certificate ratio

	31 Dec 2012	31 Dec 2011
ECC capital	2,597	2,373
Dividend equalisation reserve	1,889	1,457
Premium reserve	895	183
Unrealised gains reserve	69	43
A. The equity capital certificate owners' capital	5,449	4,055
Ownerless capital	2,944	2,611
Unrealised gains reserve	38	28
B. The saving bank reserve	2,982	2,639
To be disbursed from gift fund	30	40
Dividend declared	195	190
Equity ex. profit	8,656	6,924
Equity capital certificate ratio A/(A+B)	64.64 %	60.58 %
Equity capital certificate ratio for distribution	63.33 %	61.25 %

Results from quarterly accounts

Group in NOKm	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q	4Q
	2012	2012	2011	2011	2011	2011	2010	2010	2010
Interest income	941	989	989	1,009	1,029	1,011	936	915	924
Interest expenses	543	630	619	659	691	657	592	559	601
Net interest	399	358	369	351	338	354	344	356	323
Commission income	280	252	240	196	188	200	199	192	199
Commission expenses	28	25	22	21	25	21	19	18	23
Other operating income	69	68	71	60	69	56	52	47	47
Commission income and other income	321	294	288	235	232	234	232	221	222
Dividends	2	0	9	0	2	0	31	3	0
Income from investment in related companies	3	91	59	92	71	53	69	56	98
Net return on financial investments	32	86	17	60	81	39	-3	33	83
Net return on financial investments including held for sale	37	177	85	153	153	92	98	92	181
Total income	756	829	742	739	723	680	675	669	726
Staff costs	234	235	223	232	196	209	208	198	137
Administration costs	113	112	98	97	114	86	96	86	98
Other operating expenses	90	75	76	69	103	66	57	65	76
Total operating expenses	437	421	398	398	412	361	361	348	311
Result before losses	319	408	345	342	311	318	314	321	415
Loss on loans, guarantees etc.	17	16	17	8	26	8	-1	-6	25
Result before tax	302	392	328	333	285	310	314	327	390
Tax charge	69	77	81	68	54	66	65	70	60
Result investment held for sale, after tax	27	-9	-9	7	49	-4	1	-3	-13
Net profit	260	306	238	272	279	240	250	255	318

Key figures from quarterly accounts

Group in NOKm	4Q 2012	3Q 2012	2Q 2011	1Q 2011	4Q 2011	3Q 2011	2Q 2010	1Q 2010	4Q 2010
Profitability									
Return on equity per quarter	10,5%	12,8%	10,7%	13,0%	13,6%	12,0%	12,9%	13,2%	16,6%
Cost-income ratio	58 %	51%	54%	54%	57%	53%	53%	52%	43%
Balance sheet									
Gross loans to customers	74.943	75.357	73.595	71.681	73.105	71.570	68.559	68.553	69.847
Gross loans incl. SB1 Boligkreditt AS and SpareBank 1 Næringskreditt AS	104.909	103.274	100.552	97.387	95.232	92.671	45.990	42.900	87.665
Deposits from customers	52.252	50.836	51.504	48.974	47.871	46.023	90.939	88.606	42.786
Total assets	107.919	110.640	107.815	99.030	101.455	100.007	98.503	94.486	97.997
Average total assets	109.279	109.227	103.422	100.242	100.732	99.212	96.435	96.224	96.632
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months	10,2 %	11,4 %	10,6 %	9,9 %	8,6 %	7,7 %	8,6 %	11,4 %	13,2 %
Growth in deposits last 12 months	9,2 %	10,5 %	12,0 %	14,2 %	11,9 %	19,1 %	11,4 %	14,1 %	14,9 %
Losses and defaults in % of gross loans incl. Boligkreditt and Næringskreditt									
Impairment losses ratio	0,06 %	0,06 %	0,07 %	0,04 %	0,11 %	0,03 %	-0,01 %	-0,03 %	0,11 %
Non-performing commitm. as a percentage of gross loans	0,36 %	0,39 %	0,34 %	0,33 %	0,36 %	0,36 %	0,40 %	0,54 %	0,57 %
Other doubtful commitm. as a percentage of gross loans	0,14 %	0,16 %	0,20 %	0,19 %	0,21 %	0,24 %	0,20 %	0,23 %	0,24 %
Solidity									
Capital adequacy ratio	13,3 %	11,9 %	12,4 %	11,8 %	12,0 %	12,1 %	12,3 %	12,5 %	13,0 %
Core capital ratio	11,3 %	10,6 %	11,0 %	10,3 %	10,4 %	10,4 %	10,7 %	10,6 %	10,9 %
Core capital	9.357	8.826	8.722	7.902	7.856	7.504	7.394	7.330	7.286
Net equity and related capital	10.943	9.891	9.900	9.008	9.055	8.675	8.496	8.638	8.646
Key figures ECC *)									
ECC price	34,80	37,00	32,10	36,60	36,31	36,31	45,18	46,19	49,89
Number of certificates issued, millions	129,83	129,83	124,21	124,21	102,76	102,76	102,74	102,74	102,74
Booked equity capital per ECC (including dividend)	50,09	49,00	47,97	46,82	48,91	47,65	46,36	44,96	46,17
Profit per ECC, majority	1,29	1,54	1,22	1,41	1,65	1,42	1,51	1,48	1,84
Price-Earnings Ratio	6,74	6,09	6,58	6,49	5,50	6,39	7,48	7,80	6,78
Price-Book Value Ratio	0,69	0,76	0,67	0,78	0,74	0,76	0,97	1,03	1,08

*) The key figures are corrected for issues

Notes

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Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS), including IAS 34, Interim Financial Reporting. As from 2007 the company accounts are also prepared and presented under IFRS. This entails that investments in associates and subsidiaries are recognised using the cost method. For this reason results recorded by associates and subsidiaries are not included in the parent bank's accounts.

Further, the Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2011.

As from the first quarter of 2012, return on treasury bills is to be presented as net interest income instead of, as previously, capital gains or losses. Historical data have been correspondingly restated.

IAS 19 – Employee Benefits was adopted by the EU on 6 June 2012. See note 2 Estimates for further information.

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 4 Critical estimates and assessments concerning the use of accounting principles.

Pensions

The banking and financial industry has established an agreement on contractual early retirement (AFP) for employees reaching the age of 62. The Bank's contribution comprises the National Insurance Scheme's accumulation of disbursed pension for employees availing themselves of AFP. From age 62 to 64 the Bank's liability is 100 percent and 60 percent of the pension paid from age 65 to age 67. Admission of new retirees ceased with effect from 31 December 2010.

The Act relating to state subsidies in respect of employees who take out contractual pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out AFP with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. Employees accumulate AFP entitlement at an annual rate of 0.314 percent of pensionable income capped at 7.1 G up to age 62. Accumulation under the new scheme is calculated with reference to the employee's lifetime income, such that all previous working years are included in the qualifying basis.

For accounting purposes the new AFP scheme is regarded as a defined benefit multi-employer scheme. This entails that each employer accounts for its pro rata share of the scheme's pension obligation, pension assets and pension cost. If no calculations of the individual components of the scheme and a consistent and reliable basis for allocation are available, the new AFP scheme will be accounted for as a defined-contribution scheme. At the present time no such basis exists, and the new AFP scheme is accordingly accounted for as a defined-contribution scheme. The new AFP scheme will only be accounted for as a defined-benefit scheme once reliable measurement and allocation can be undertaken. Under the new scheme, one-third of the pension expenses will be funded by the State, two-thirds by the employers. The employers' premium will be fixed as a percentage of salary payments between 1 G and 7.1 G.

The year's AFP cost of the new scheme has not been booked. The reason is that the Joint Office for the LO/NHO Schemes has not done the required calculations. This is in keeping with the recommendation of the Norwegian Accounting Standards Board.

IAS Employee Benefits

A new IAS 19 on employee benefits was adopted by the EU on 6 June 2012. The implementation date is 1 January 2013, with an opportunity for early implementation. SpareBank 1 SMN will implement the standard as from 1 January 2013. Based on actuarial calculations as of 31 December 2012, implementation is estimated to have a positive effect of about NOK 52m on the Group's equity capital. The change compared with the previous estimate is due mainly to a change in the discount rate since the previous calculation.

Guarantee agreement with BN Bank

On 1 February 2012 an agreement was signed whereby BN Bank waived its guarantee in respect of NOK 2.4bn of the portfolio, with the consequent lapse of the guarantee commission for this part of the portfolio with effect from the same date. This leaves NOK 0.7bn in the guarantee portfolio. The guarantee will run for three years.

Held for sale

In the fourth quarter SpareBank 1 SMN reclassified its investment in Polaris Media to the category "held for sale", in accordance with IFRS 5. The best estimate on the balance sheet date is taken as fair value. In January the bank sold off parts of the investment at NOK 27 per share. See also the account in the report of the Board of Directors.

Note 3 - Account by business line

Group 31 December 2012

Profit and loss account (NOK million)	Group 31 December 2012								Total
	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	
Net interest	540	905	-21	5	118	1	0	-70	1,477
Allocated	11	98	4	-	-	-	-	-113	-
Total interest income	552	1,003	-18	5	118	1	0	-183	1,477
Commission income and other income	484	137	24	336	-14	11	100	61	1,139
Net return on financial investments **)	1	34	87	-	-	-	2	342	467
Total income *)	1,037	1,174	93	341	104	12	102	220	3,083
Total operating expenses	653	399	94	265	40	15	88	98	1,654
Ordinary operating profit	384	775	-1	76	64	-4	14	122	1,430
Loss on loans, guarantees etc.	1	45	-	-	7	-	-	5	58
Result before tax	383	731	-1	76	56	-4	14	117	1,371
Post-tax return on equity	22.6 %	13.8 %	-0.4 %						12.1 %
Balance (NOK million)									
Loans and advances to customers	58,892	40,671	-	-	3,145	-	-	2,201	104,909
Adv. of this to SpareBank 1 Boligkreditt	-28,029	-976	-	-	-	-	-	-	-29,966
Individual allowance for impairment on loan	-28	-101	-	-	-15	-	-	-	-144
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-278	-295
Other assets	391	873	-	70	-2,905	6	20	34,961	33,415
Total assets	31,225	40,467	-	70	208	6	20	35,924	107,919
Deposits to customers	22,440	27,064	-	-	-	29	14	2,705	52,252
Other liabilities and equity	8,784	13,403	-	70	208	-23	6	33,218	55,667
Total liabilities	31,225	40,467	-	70	208	6	20	35,924	107,919

Group 31 December 2011

Profit and loss account (NOK million)	Group 31 December 2011								Total
	RM	CM	Markets	EM 1	SMN Finans	Allegro	SMN Regnskap	Uncollated	
Net interest	511	782	10	5	94	1	-0	-11	1,391
Allocated	16	128	5	-	-	-	-	-149	-
Total interest income	527	910	15	5	94	1	-0	-160	1,391
Commission income and other income	337	133	24	308	-1	12	79	27	919
Net return on financial investments **)	8	36	64	-0	-1	-	-	371	478
Total income *)	872	1,079	103	313	92	12	79	238	2,789
Total operating expenses	608	351	94	237	50	18	74	50	1,482
Ordinary operating profit	264	728	9	76	42	-5	5	189	1,306
Loss on loans, guarantees etc.	7	5	-	-	15	-	-	-0	27
Result before tax, incl. investment held for sale	256	724	9	76	27	-5	5	189	1,279
Post-tax return on equity	16.8 %	13.9 %	3.4 %						12.8 %

Balance (NOK million)

Loans and advances to customers	52,055	38,655	-	-	2,941	-	0	1,580	95,232
Adv. of this to SpareBank 1 Boligkreditt	-21,079	-257	-	-	-	-	-	-790	-22,126
Individual allowance for impairment on loan	-31	-120	-	-	-22	-	-	-	-172
Group allowance for impairment on loan	-	-	-	-	-16	-	-	-273	-290
Other assets	265	609	-	146	-2,461	17	18	30,216	28,812
Total assets	31,210	38,888	-	146	443	17	19	30,732	101,455

Deposits to customers	21,185	25,345	-	-	-	-	-	1,340	47,871
Other liabilities and equity	10,025	13,543	-	146	443	17	18	29,392	53,584
Total liabilities	31,210	38,888	-	146	443	17	19	30,733	101,455

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

***) Specification of net return on financial investment (NOKm) incl. held for sale

	2012	2011
Income from investment in related companies	264	290
adv. of this from SpareBank1 Gruppen	94	96
adv. of this from BN Bank ASA	72	89
adv. of this from Bank 1 Oslo Akershus AS	26	15
adv. of this SpareBank 1 Boligkreditt	44	16
adv. of this SpareBank 1 Næringskreditt	8	9
adv. of this Polaris Media	-14	23
Net gain and dividends on securities	21	101
adv. of this from SpareBank 1 SMN Invest	-9	92
Net gain on bonds	56	-10
Net gain on trading and derivatives SMN Markets	126	96
Net return on financial investments	467	478

Note 4 - Operating expenses

Parent bank		Group	
2011	2012	2012	2011
528	618	924	810
	Personnel expenses		
167	166	187	185
	IT costs		
23	23	28	27
	Postage and transport of valuables		
38	39	49	50
	Marketing		
38	43	102	87
	Ordinary depreciation		
119	128	101	95
	Operating expenses, real properties		
47	55	66	55
	Purchased services		
129	132	199	173
	Other operating expense		
1,089	1,206	1,654	1,482
	Total other operating expenses		

Note 5 - Distribution of loans by sector/industry

Parent bank			Group	
2011	2012		2012	2011
5,027	5,964	Agriculture/forestry/fisheries/hunting	6,129	5,217
1,883	2,325	Sea farming industries	2,447	2,026
2,644	2,123	Manufacturing	2,349	2,881
2,113	2,967	Construction, power and water supply	3,504	2,572
2,147	2,625	Retail trade, hotels and restaurants	2,804	2,337
5,974	5,734	Maritime sector	5,739	5,978
12,662	12,232	Property management	11,710	12,179
3,573	3,063	Business services	3,258	3,867
1,808	2,037	Transport and other services provision	2,364	2,078
63	189	Public administration	215	92
969	1,795	Other sectors	1,801	971
38,861	41,052	Gross loans in retail market	42,322	40,198
54,058	61,377	Wage earners	62,587	55,034
92,919	102,430	Gross loans incl. Boligkreditt / Næringskreditt	104,909	95,232
22,126	29,348	Boligkreditt	29,348	22,126
	618	Næringskreditt	618	
70,793	72,464	Gross loans in balance sheet	74,943	73,105

Note 6 - Losses on loans and guarantees

Parent bank		Group	
2011	2012	2012	2011
-36	-22	-28	-50
-	5	5	-
75	51	63	91
9	54	57	26
-37	-37	-38	-39
12	51	58	27

Note 7 - Losses

Parent bank			Group	
2011	2012		2012	2011
186	151	Individual write-downs to cover loss on loans at 01.01	173	222
9	4	+Increased write-downs on provision previously written down	4	10
26	13	- Reversal of provisions from previous periods	13	28
57	37	+Write-downs on provision not previously written down	43	59
75	51	- Actual losses during the period for which provisions for individual impairment losses have been made previously	63	91
151	129	Specification of loss provisions at end of period	144	172
85	104	Actual losses	119	117

Note 8 - Defaults

Parent bank			Group	
2011	2012		2012	2011
		Total defaults		
272	298	Loans in default for more than 90 days *)	374	338
73	72	- Individual write-downs	83	89
199	226	Net defaults	291	249
27 %	24 %	Provision rate	22 %	26 %
		Problem Loans		
191	119	Problem loans (not in default)	143	204
77	57	- Individual write-downs	62	83
113	63	Net problem loans	81	121
41 %	48 %	Provision rate	43 %	41 %

*)Per Q4 there is no defaults that relates to loans in the guarantee portfolio taken over from BN Bank ASA. Defaults in this portfolio will not entail loss for SpareBank 1 SMN.

Note 9 - Other assets

Parent bank			Group	
2011	2012		2012	2011
-	-	Deferred tax benefit	13	19
151	201	Fixed assets	1,277	1,109
956	1,009	Earned income not yet received	1,026	948
4	46	Accounts receivable, securities	46	4
30	230	Other assets	381	218
1,142	1,485	Total other assets	2,742	2,299

Note 10 - Distribution of customer deposits by sector/industry

Parent bank			Group	
2011	2012		2012	2011
1,757	2,002	Agriculture/forestry/fisheries/hunting	2,002	1,757
402	138	Sea farming industries	138	402
1,079	891	Manufacturing	891	1,079
1,420	1,715	Construction, power and water supply	1,715	1,420
3,517	3,923	Retail trade, hotels and restaurants	3,923	3,517
1,103	1,166	Maritime sector	1,166	1,103
3,545	4,865	Property management	4,256	3,517
5,103	4,802	Business services	4,802	5,103
3,231	3,575	Transport and other services provision	3,360	3,036
3,920	4,354	Public administration	4,354	3,920
2,178	3,477	Other sectors	3,366	2,157
27,254	30,908	Total	29,973	27,011
20,860	22,279	Wage earners	22,279	20,860
48,114	53,187	Total deposits	52,252	47,871

Note 11 - Debt created by issue of securities

Parent bank			Group	
2011	2012		2012	2011
219	706	Short-term debt instruments, nominal value	706	219
27,681	29,190	Bond debt, nominal value	29,190	27,681
248	364	Value adjustments	364	248
28,148	30,259	Total	30,259	28,148

Change in securities debt, subordinated debt and hybrid equity

	2012	Issued	Fallen due / Redeemed	Other changes	2011
Short-term debt instruments, nominal value	706	839	352	0	219
Bond debt, nominal value	29,190	9,284	7,480	-294	27,681
Value adjustments	364	-	-	115	248
Total	30,259	10,122	7,832	-179	28,148

	2012	Issued	Fallen due / Redeemed	Other changes	2011
Ordinary subordinated loan capital, nominal value	1,753	1,000	481	-115	1,349
Perpetual subordinated loan capital, nominal value	300	-	-	-	300
Hybrid equity, nominal value	869	-	-	-33	902
Value adjustments	118	-	-	-21	139
Total	3,040	1,000	481	-169	2,690

Note 12 - Other liabilities

Parent bank		Group	
2011	2012	2012	2011
40	83	93	55
	Deferred tax		
215	248	290	244
	Payable tax		
913	800	1,124	1,213
	Accrued expenses and received, non-accrued income		
101	74	74	102
	Provision for accrued expenses and commitments		
-	-	6	7
	Pension liabilities		
113	87	87	113
	Drawing debt		
10	9	40	38
	Creditors		
20	73	73	20
	Debt from securities		
130	226	267	177
	Other liabilities		
1,544	1,600	2,054	1,971
	Total other liabilities		

Note 13 - Capital adequacy

New capital adequacy rules were introduced in Norway as from 1 January 2007 (Basel II - the EU's new directive on capital adequacy). SpareBank1 SMN applied to and received permission from Finanstilsynet (Financial Supervisory Authority of Norway) to use internal rating methods (Internal Rating Based Approach - Foundation) to calculate charges for credit risk from 1 January 2007 onwards. This will make the statutory minimum capital adequacy requirement more risk-sensitive, so that it better reflects the risk in the underlying portfolios. Using IRB demands high standards of the Bank's organisation, competence, risk models and risk management systems. Under interim regulations issued by Finanstilsynet, IRB banks are not yet seeing the full effect of the reduced capital requirements. As from 2009, a 20 per cent reduction of the risk-weighted basis of calculation was allowed.

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

Hybrid capital denotes bonds with a nominal interest rate, but the bank is not obliged to pay interest in a period where dividends are not paid, and neither is the investor subsequently entitled to interest that has not been paid, i.e. interest does not accumulate. Hybrid capital is approved as an element of tier 1 capital up to limit of 15 percent of aggregate tier 1 capital. Finanstilsynet (Norway's FSA) can require hybrid capital to be written down in proportion with equity capital should the bank's tier 1 capital adequacy fall below 5 percent or total capital adequacy falls below 6 percent. Written-down amounts on hybrid capital must be written up before dividends can be paid to shareholders or before equity capital is written up. Hybrid capital is shown as other long-term debt at amortised cost.

For detailed information regarding subordinated debt and hybrid capital, see note 34 in the Bank's annual report.

Parent bank			Group	
2011	2012		2012	2011
2,373	2,597	Equity capital certificates	2,597	2,373
-0	-0	- Own holding of ECCs	-0	-0
183	895	Premium fund	895	183
1,457	1,889	Dividend equalisation fund	1,889	1,457
2,611	2,944	Savings bank's reserve	2,944	2,611
190	195	Recommended dividends	195	190
40	30	Provision for gifts	30	40
70	106	Unrealised gains reserve	123	85
-	0	Other equity and minority interest	1,370	1,409
-	-	Net profit	-	-
6,924	8,656	Total book equity	10,042	8,348
-447	-447	Deferred taxes, goodwill and other intangible assets	-674	-692
-	-	Part of reserve for unrealised gains, associated companies	57	64
-230	-225	Deduction for allocated dividends and gifts	-238	-230
-387	-448	50 % deduction for subordinated capital in other financial institutions	-2	-
-137	-165	50 % deduction for expected losses on IRB, net of write-downs	-179	-147
-	-	50 % capital adequacy reserve	-703	-656
-	-55	Surplus financing of pension obligations	-49	-
-	-	Net profit	-	-
-	-	Year-to-date profit included in core capital (50% pre tax)	-	-
956	918	Hybrid capital, core capital	1,103	1,170
6,680	8,234	Total core capital	9,357	7,856
		Supplementary capital in excess of core capital		
-	-	State Finance Fund, supplementary capital	31	-
326	312	Perpetual subordinated capital	312	328
1,409	1,810	Non-perpetual subordinated capital	2,127	1,674
-387	-448	50 % deduction for subordinated capital in other financial institutions	-2	-
-137	-165	50 % deduction for expected losses on IRB, net of write-downs	-179	-147
-	-	50 % capital adequacy reserve	-703	-656
1,211	1,509	Total supplementary capital	1,586	1,199
7,891	9,742	Net subordinated capital	10,943	9,055
		Minimum requirements subordinated capital, Basel II		
1,456	1,654	Involvement with specialised enterprises	1,654	1,456

1,313	1,470	Other corporations exposure	1,470	1,313
40	39	SME exposure	42	42
324	316	Retail mortgage exposure	560	513
31	28	Other retail exposure	30	33
653	1,118	Equity investments	-	-
3,818	4,625	Total credit risk IRB	3,756	3,358
182	205	Debt risk	205	182
49	14	Equity risk	15	16
-	-	Currency risk	-	-
293	315	Operational risk	420	400
653	553	Exposures calculated using the standardised approach	2,074	2,184
-65	-75	Deductions	-120	-111
-	-	Transitional arrangements	246	-
4,930	5,637	Minimum requirements subordinated capital	6,596	6,027
61,625	70,468	Risk weighted assets (RWA)	82,446	75,338
		Capital adequacy		
9.3 %	10.4 %	Common equity tier one ratio	10.0 %	8.9 %
10.8 %	11.7 %	Core capital ratio	11.3 %	10.4 %
12.8 %	13.8 %	Capital adequacy ratio	13.3 %	12.0 %

Equity capital certificates

Stock price compared with OSEBX and OSEEX

1 January 2011 to 31 December 2012

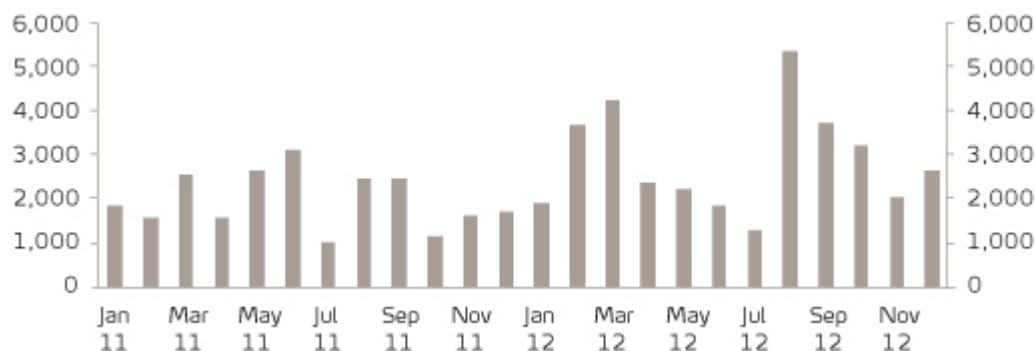


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

Trading statistics

1 January 2010 to 31 December 2012



Total number of ECCs traded (1000)

20 largest ECC holders	Number	Share
Reitangruppen AS	9.019.108	6,95 %
Sparebankstiftelsen SpareBank 1 SMN	3.965.391	3,05 %
Aker ASA / The Resource Group TRG	3.719.255	2,86 %
Odin Norge	3.515.754	2,71 %
Morgan Stanley & Co.	3.043.342	2,34 %
Odin Norden	2.899.083	2,23 %
Frank Mohn AS	2.876.968	2,22 %
Vind LV AS	2.736.435	2,11 %
MP Pensjon PK	2.043.415	1,57 %
Citibank N.A New York Branch (nominee)	1.899.745	1,46 %
Verdipapirfondet Fondsfinans Spar	1.670.000	1,29 %
Stenshagen Invest	1.477.361	1,14 %

State Street Bank & Trust Company (nominee)	1.251.305	0,96 %
Danske Invest Norske Aksjer Inst. II	1.215.581	0,94 %
Odin Europa SMB	1.206.937	0,93 %
I.K. Lykke, T.Lykke m.fl.	1.161.567	0,89 %
Tonsenhagen Forretningssentrum AS	1.135.193	0,87 %
Forsvarets personellservice	1.034.246	0,80 %
KLP Aksje Norden VPF	977.006	0,75 %
Danske Invest Norske Aksjer Inst. I	886.445	0,68 %
The 20 largest ECC holders in total	47.734.137	36,76 %
Others	82.102.306	63,24 %
Total issued ECCs	129.836.443	100,00 %

Dividend policy

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

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

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