

Q1 2013

April 24th 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 % - 14 % annually up towards 2015
Solid	Minimum 14.5% by the end of 1. half 2016
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

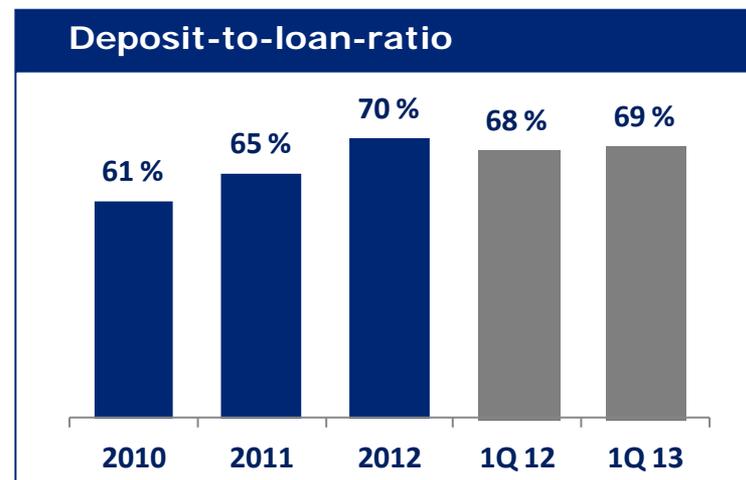
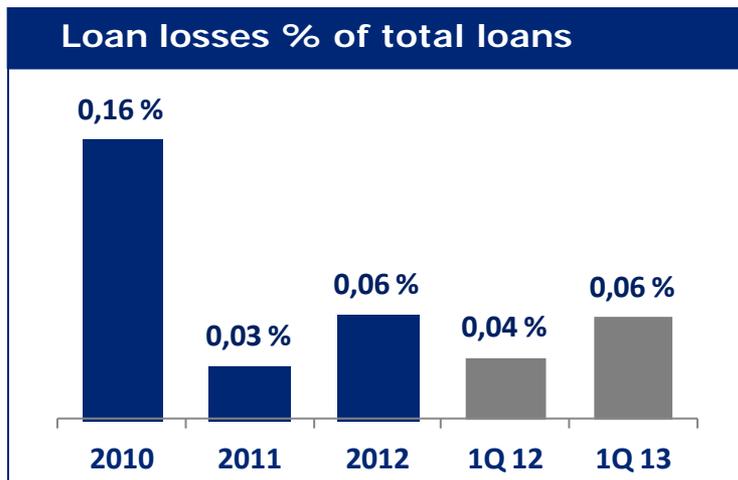
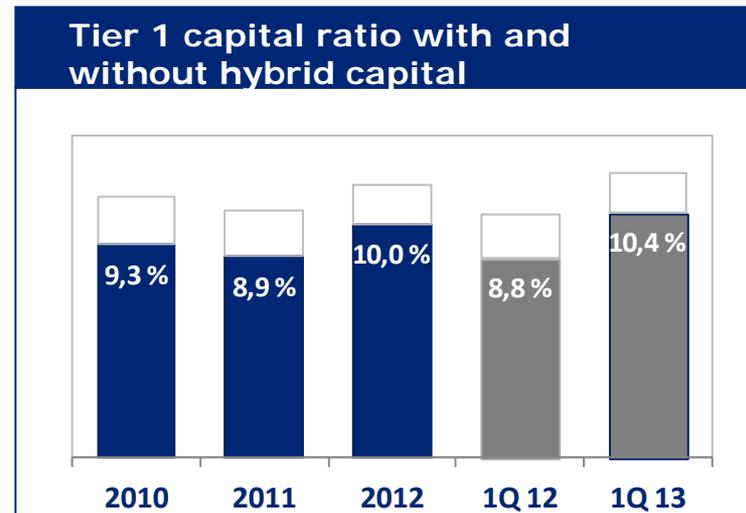
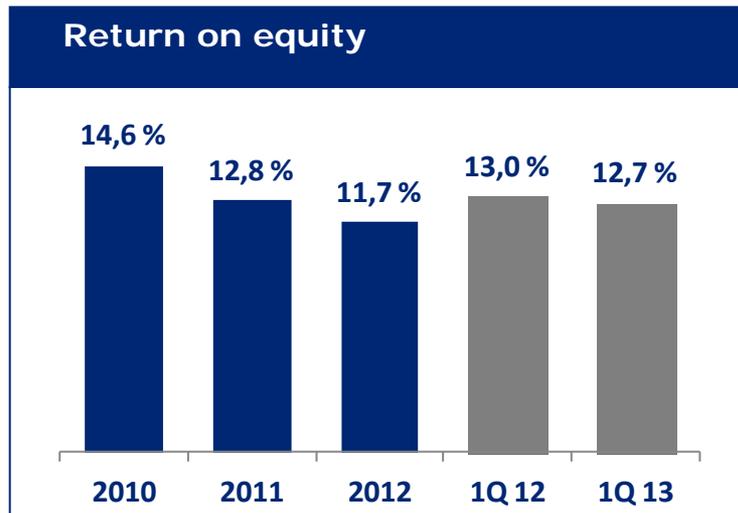
Summary 1st quarter 2013

Good result: NOK 321m profit and 12.7% return on equity

- Good result, net profit NOK 321m and return on equity 12.7%
- Still relatively high growth to retail customers, dampened growth to business sector
- Lending margins rose through 2012. Further margin increases announced, effective from the 2nd quarter
- Cost growth to be cut to less than 3% per year. Measures are planned and implemented.
- Very low default rate, low losses and good stable credit quality
- Common equity tier 1 (CET1) ratio of 10.4%, up from 10.0% at year-end
- SMN plans for a CET1 ratio of at least 14.5% by the 1st half of 2016

Good profitability

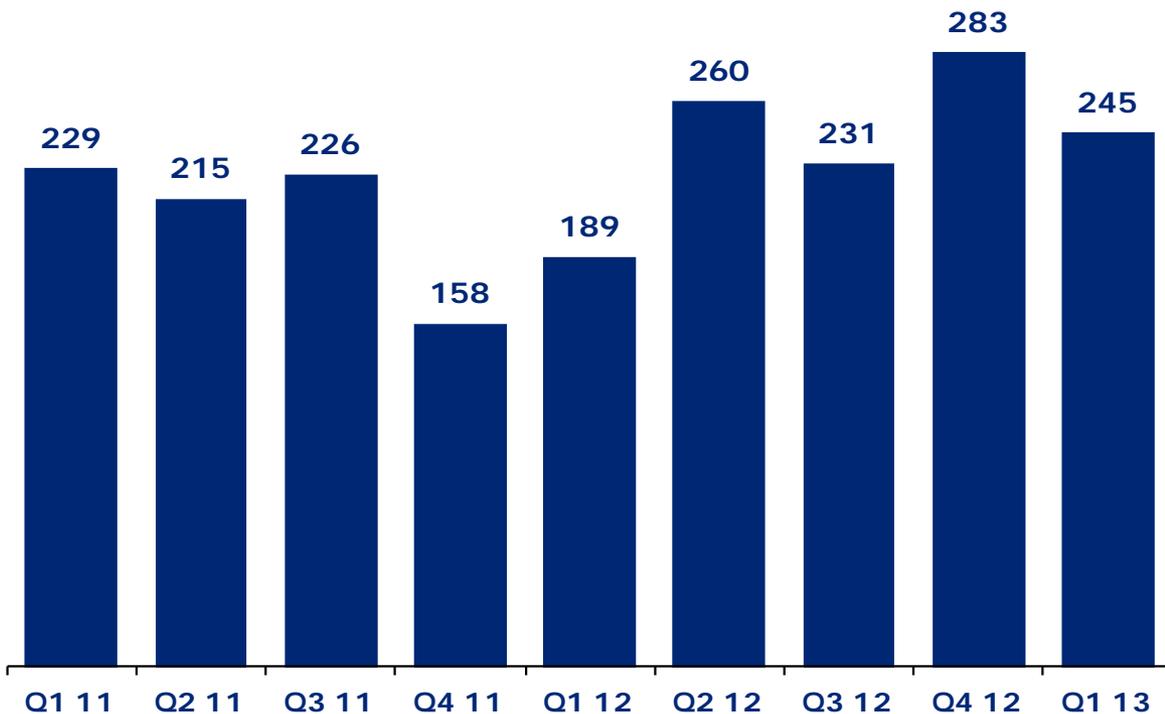
Strengthened financial position and low losses



Good profit trend for core business, before losses

Per quarter Q1 11 – Q1 13

NOK mill.



Comments

Change Q4 12 to Q1 13 at a high degree due to

- High lending fees in Q4 2012
- Levy to Norwegian Bank's Guarantee Fund from 2013

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

1

Reorganisation and increased resources to customer-facing activities

2

Reduction of relative costs and increased efficiency

3

Strengthening of equity capital

Good results at the subsidiaries

EiendomsMegler 1

- Profit: NOK 10.7m (14.1m)
- 1,419 dwellings sold with an overall sale value of NOK 3.5bn, and with a market share of about 40% in the region
- Focus on synergy between bank and estate agent

SpareBank 1 SMN Finans

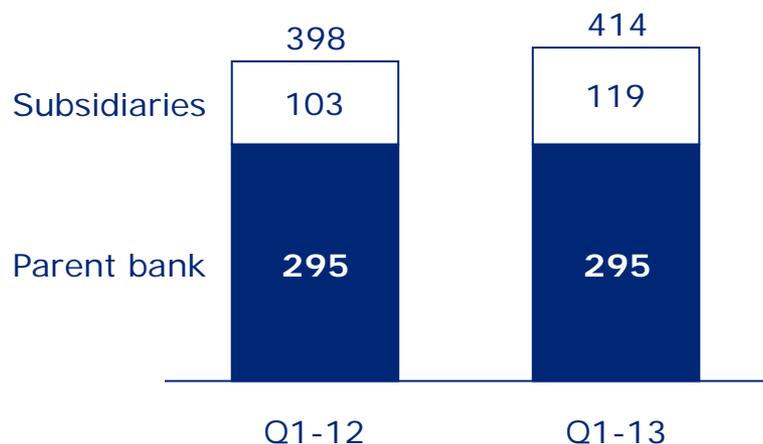
- Profit: NOK 15.2m (14.1m)
- Substantial income growth and reduced losses
- Leasing worth NOK 1.8bn and car loans worth NOK 1.3bn; growth in car loans
- SpareBank 1 Nordvest and Søre Sunnmøre join as owners with overall stake of 9.9% in Q4-2012

SpareBank 1 SMN Regnskap

- Profit: NOK 3.7m (5.5m)
- 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

Zero growth in costs at parent bank compared with 1st quarter 2012. Some growth at subsidiaries due to market growth and acquisitions

Costs in Q1 2013 vs. Q1 2012

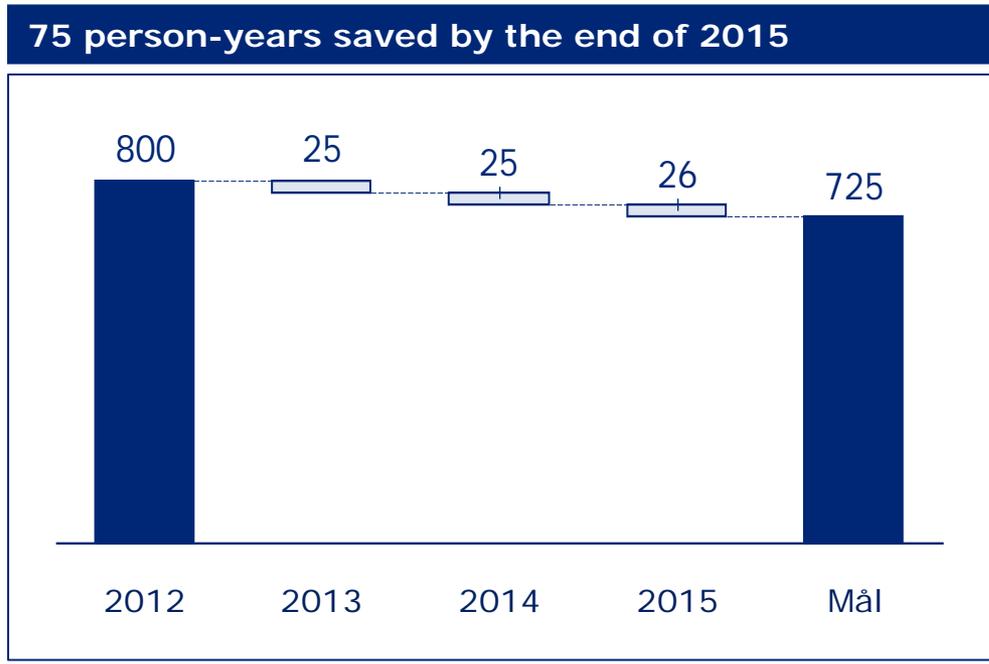


Zero growth in costs at parent bank

Zero growth in costs at parent bank compared with 1st quarter 2012.

Cost growth at subsidiaries due to company acquisitions and offensive market growth

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

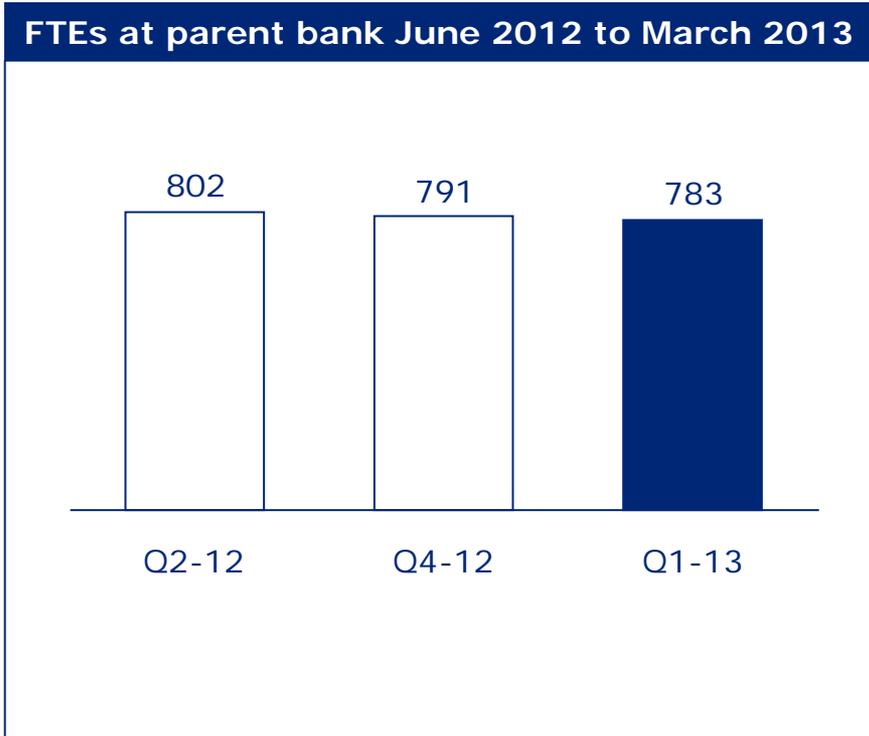


Systematic and methodical approach over three years:

- 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

Trend in full-time position equivalents (FTEs) on schedule. SpareBank 1 SMN will achieve goal of eliminating 25 FTEs per year in the period to 2015

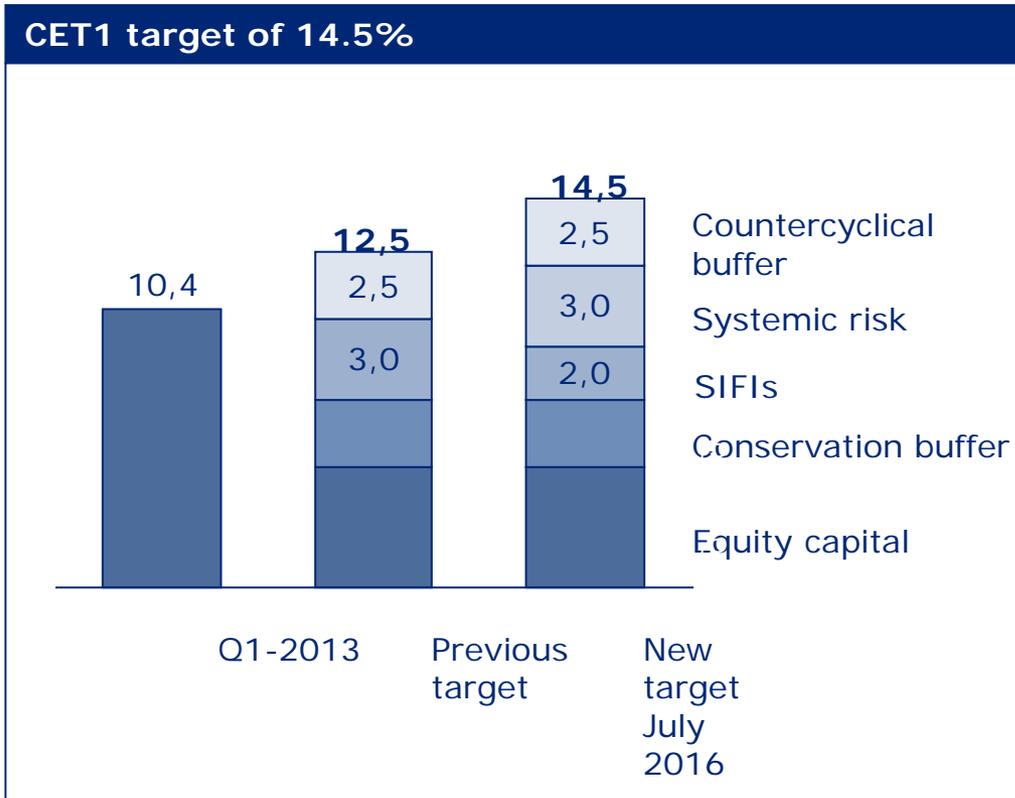


Staffing plan communicated across, and anchored in, the bank

We see short-term effects to show that the bank is on the right path in terms of resource use. No. of FTEs so far cut by about 20.

Some variation possible from one quarter to the next; the goal stands firm and is considered realistic.

New common equity tier 1 (CET1) target of 14.5% by 30.6.2016



New CET1 target of 14.5%

SpareBank 1 SMN set a new CET1 target of 12.5% in 2012

In relation to new Bill and assessment of final levels, SpareBank 1 SMN sets a target of 14.5% to be met by July 2016

Given a CET1 ratio of 10.4% as of Q1-2013, we expect the plan established by the bank to achieve the target in the 1st half of 2016

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

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

3

Profit: Retaining a sufficient share of profits to strengthen equity capital

4

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

5

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

ok

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

Financial figures

Positive profit trend and sound underlying operations

- ➔ Profit before tax: NOK 390m (NOK 333m)
- ➔ Profit: NOK 321m (NOK 272)
- ➔ Return on equity 12.7 % (13.0 %)
- ➔ Income growth in core operations to NOK 660m (NOK 586m)
- ➔ Profit from related companies NOK 101m (NOK 92m), return on financial investments NOK 62m (NOK 60m)
- ➔ Loan losses: NOK 17m (NOK 8m), 0.06 % of total loans (0.04 %). Defaults at a very low level
- ➔ Core capital ratio exclusive hybrid capital 10.4 % (8.8 %)
- ➔ Profit per ECC: NOK 1.55 (NOK 1.41)

Positive development in profits

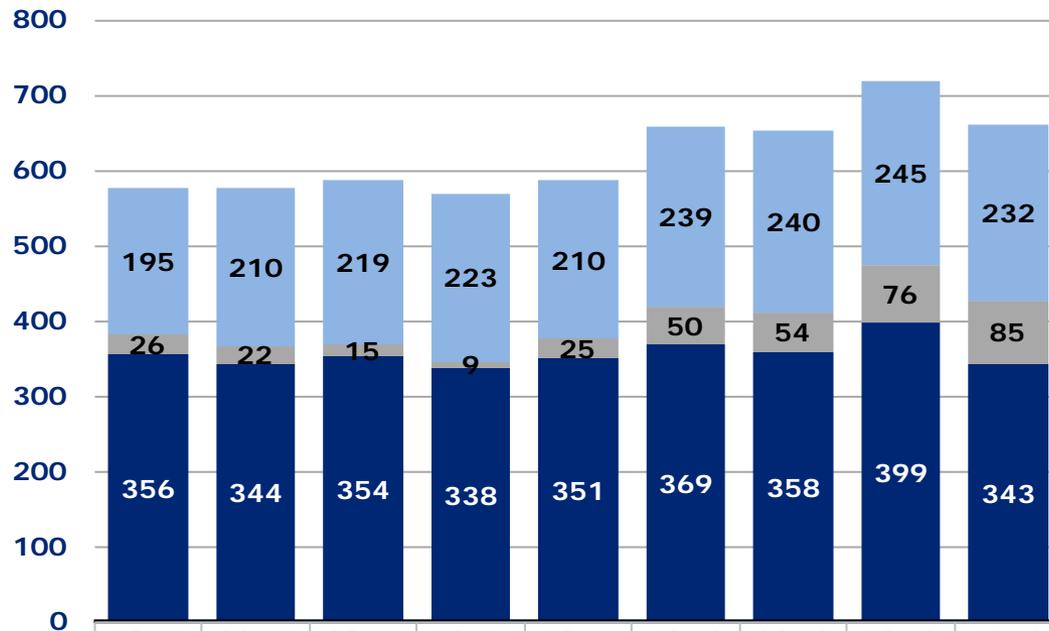
Profit Q1 12 – Q1 13

NOK mill	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Net interest	343	399	358	369	351
Commission income and other income	317	321	294	288	235
Operating income	660	720	653	658	586
Total operating expenses	414	437	421	398	398
Pre-loss result of core business	245	283	231	260	189
Losses on loans and guarantees	17	17	16	17	8
Post-loss result of core business	228	266	215	243	180
Income from investments in related companies	108	30	82	50	99
Securities, foreign currency and derivatives	61	34	86	26	61
Result before tax	398	329	383	319	340
Tax	77	69	77	81	68
Net profit	321	260	306	238	272
Return on equity	12,7 %	10,5 %	12,8 %	10,7 %	13,0 %

Operating income

Positive development operating income 1Q11 – 1Q13

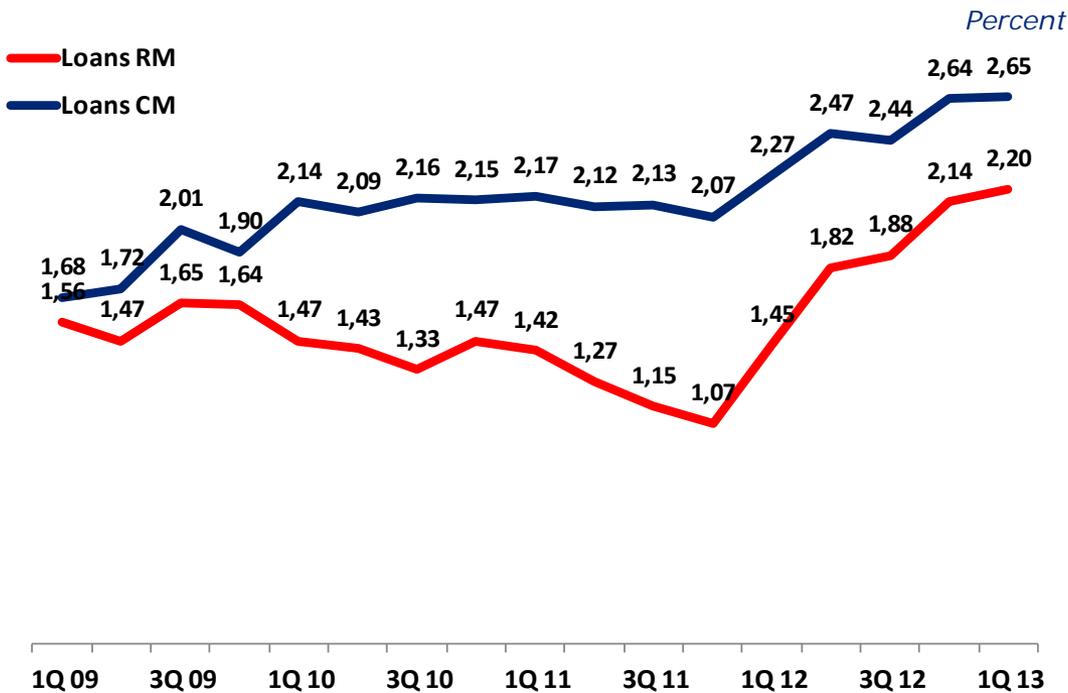
NOKm



	1Q 11	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13
■ Commission income	195	210	219	223	210	239	240	245	232
■ Boligkreditt	26	22	15	9	25	50	54	76	85
■ Net interest	356	344	354	338	351	369	358	399	343

Lending margins 1Q 2009 – 1Q 2013

Lending margins Retail and Corporate

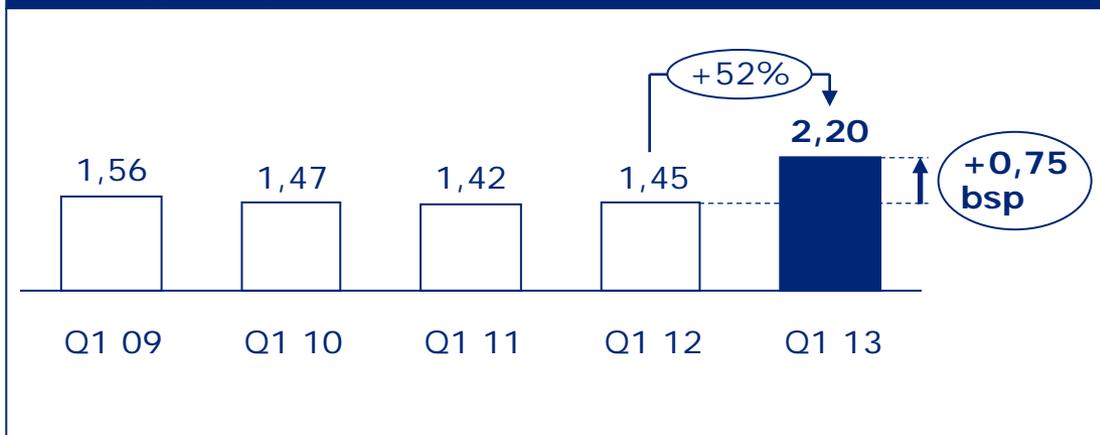


Comments

- Interest rate level remains low, and significant decrease in market interest rates during 2012
- Increased margins despite strong competition
- Increase in lending rates has been signalled both for corporate and retail customers, effective as from the second quarter 2013

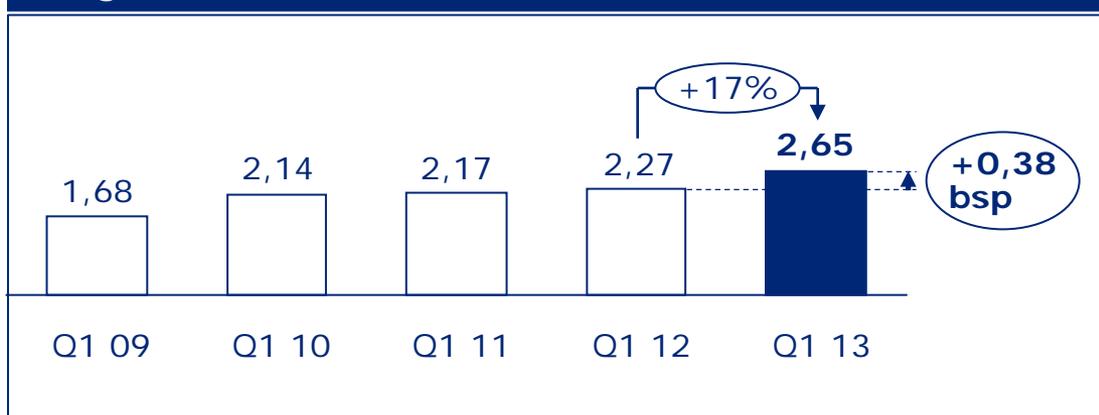
Loan margins for RM improved by 75 basis points from Q1-12 and for CM by 38 basis points. Further potential present

Lending margin retail market Q1-2009 to Q1-2013



Margin on lending to the retail market up from 1.45% in Q1-12 to 2.20% in Q1-13. An increase of 75 bsp (52% relative increase).

Margin utlån bedriftsmarked Q1-2009 til Q1-2013

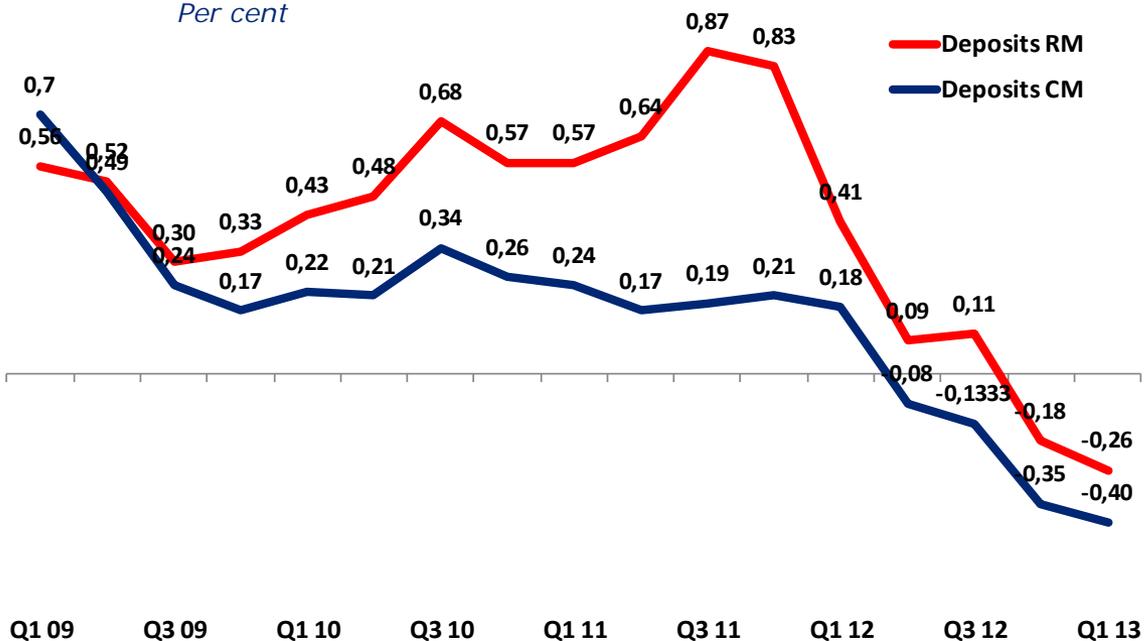


Margin on lending to the corporate market up from 2.27% in Q1-12 to 2.65% in Q1-13. An increase of 38 bsp (17% relative increase).

Deposit margins 1Q 2009 – 1Q 2013

Deposit margins Retail and Corporate

Per cent



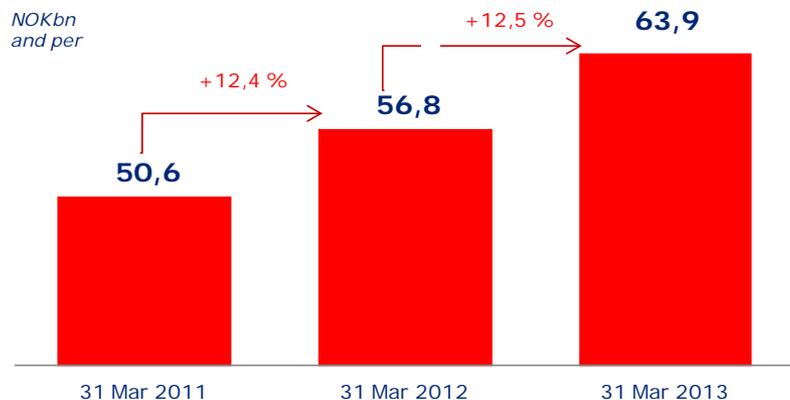
Comments

- Measured against NIBOR, margins have declined through 2012 and 1Q 2013
- Deposits are a favourable and important funding source for the bank

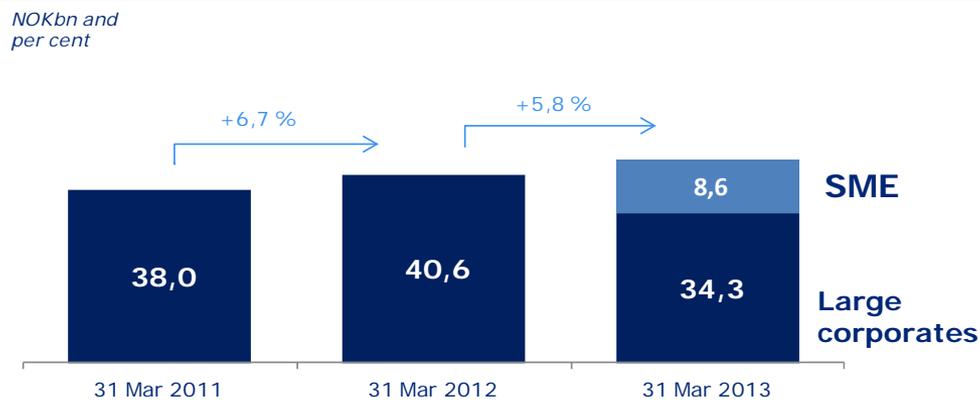
Total growth lending 9.7 %

High growth in lending to mortgages

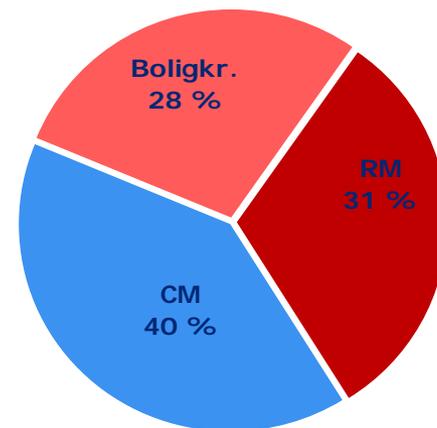
Lending RM +12.5 % from 2012 to 2013



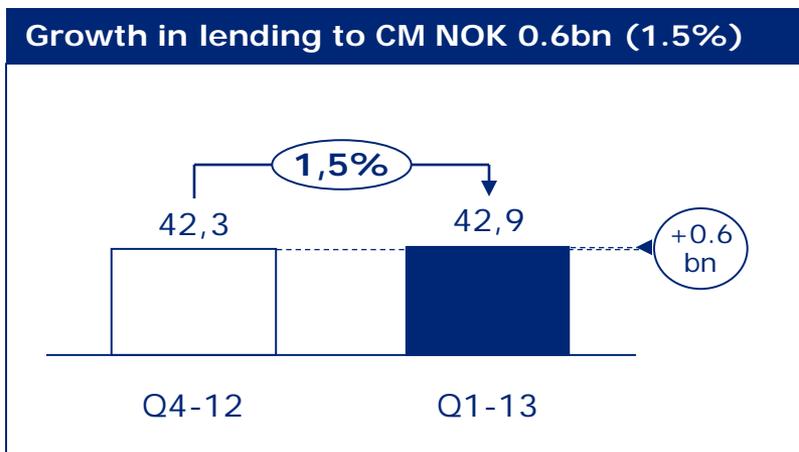
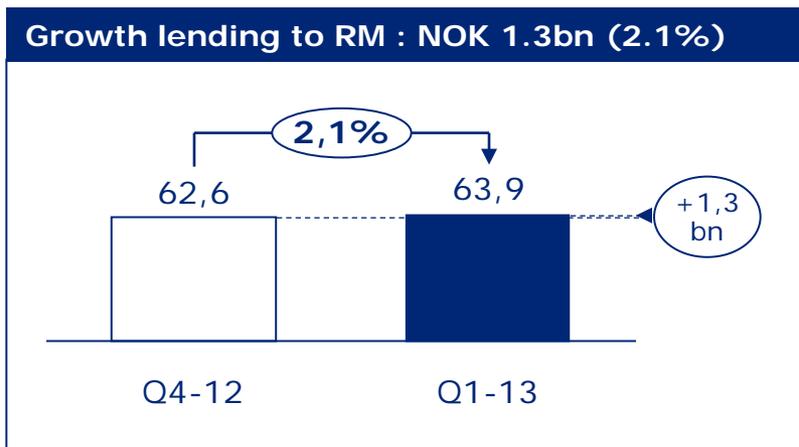
Lending CM +5.8 % from 2012 to 2013



Loans



Underlying growth in lending last quarter for RM og CM shows that the growth in lending to CM is slowing.

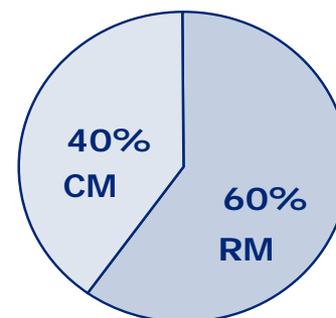


RM relative increase compared to CM

Growth in lending distributed on retail market (RM) and corporate market (CM) shows that RM grew faster than CM in last quarter.

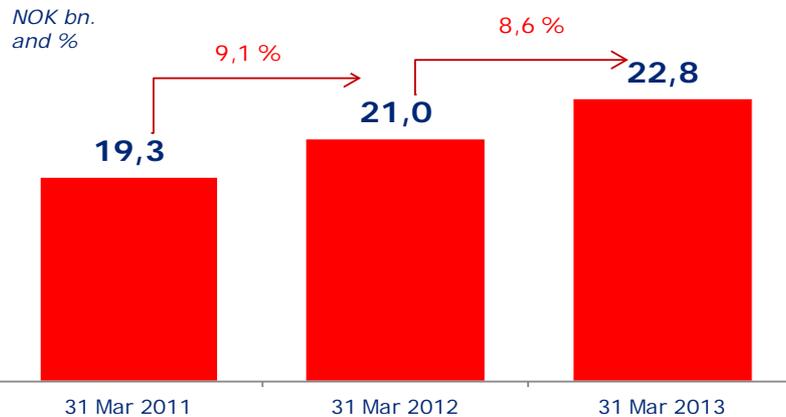
We assume continued dampened growth overall, and somewhat higher growth in the retail market than in the corporate market

Distribution between RM and CM Q1-2013



Total growth deposits 7.4 %

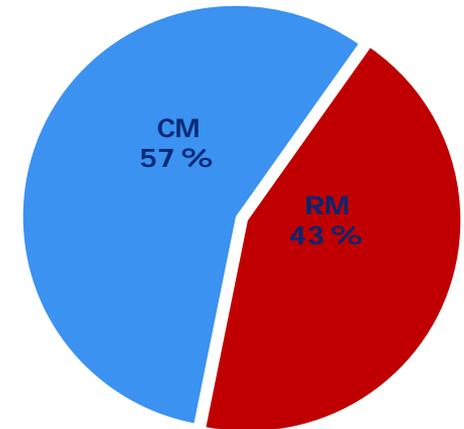
Deposits RM + 8.6 % from 2012 to 2013



Deposits CM +6.5 % from 2012 to 2013



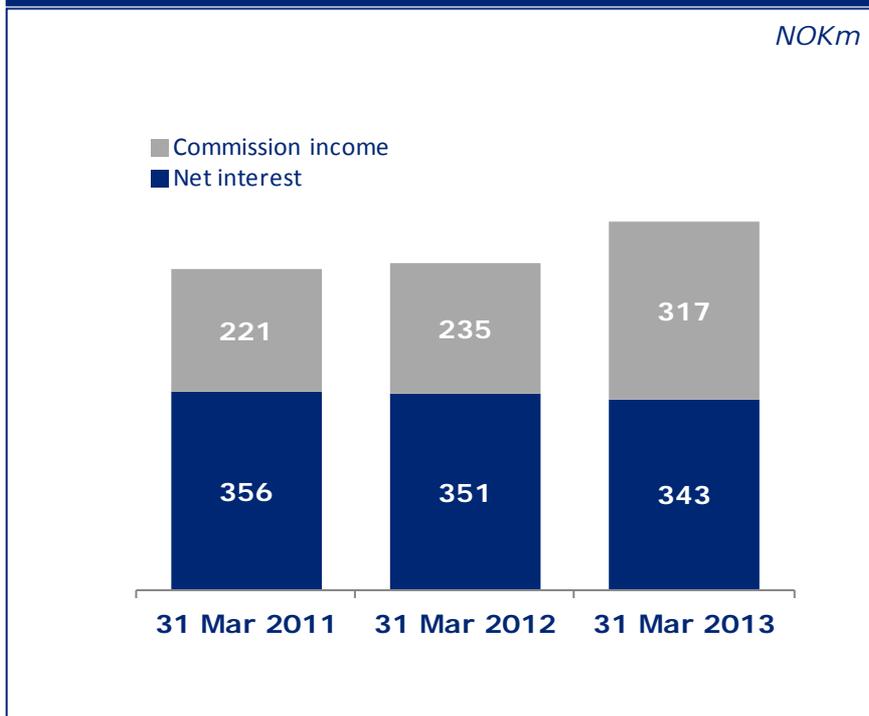
Deposits



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 Q1 12 and Q1 13

<i>mill kr</i>	31 Mar 2013	31 Mar 2012
Payment transmission income	51	46
Commissions savings	9	10
Commissions insurance	29	31
Commissions Boligkredditt	85	25
Guarantee commissions	11	8
Estate agency	73	72
Accountancy services	33	26
Assets management	3	3
Rent new head office	11	9
Other commissions	13	6
Total commission income	317	235

- 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
- Increased margins on loan portfolio transferred to SpareBank 1 Boligkredditt

Return on financial investments

Satisfactory return

NOKm

	1Q 13	4Q 12	3Q 12	2Q 12	1Q 12
Share of profit in related companies	108	30	85	50	99
Net gain and dividends on securities	25	2	27	-10	3
Net gain on bonds	20	0	18	4	34
Net gain on trading and derivatives Markets	17	31	36	36	23
Return on financial investments	169	63	165	79	160

Subsidiaries and related companies

Profit subsidiaries and related companies

	31 Mar 2013	31 Mar 2012	31 Mar 2011
Subsidiaries (pre tax)			
EiendomsMegler 1 Midt-Norge (87 %)	10,7 *)	14,1	12,4
SpareBank 1 SMN Regnskap	3,7	5,5	2,1
SpareBank 1 SMN Finans (90 %)	15,2 *)	14,1	8,6
SpareBank 1 SMN Invest	13,9	4,7	21,0
Associated companies and investments held for sale(after tax)			
SpareBank 1 Gruppen (19,5 %)	61,4	47,3	31,5
SpareBank 1 Boligkreditt (18,4 %)	12,2	14,4	5,7
SpareBank 1 Næringskreditt (37 %)	2,0	2,6	1,3
BN Bank (33 %)	26,1	14,9	14,4

*) The company's total profit

Higher costs due to invreased activity towards the market

Change in operating expenses Q1 2012 –Q1 2013

NOK mill

Expenses 31 Mar 2013	414
Expenses 31 Mar 2012	398
Change	17

Obtained as follows:

Increase in employees and wages	4
IT	4
Premises	3
Depreciations	6
Total	17

Expected cost growth

- Zero growth in parent bank
- High 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
 - Number of FTEs shall be reduced with 75 in 3 years
 - This will be supported by reorganisation of the bank

SpareBank 1 SMN will take the measures required to achieve the goal of minimum 14.5% common equity tier 1 ratio by 1.st half 2016

Capital a scarce factor

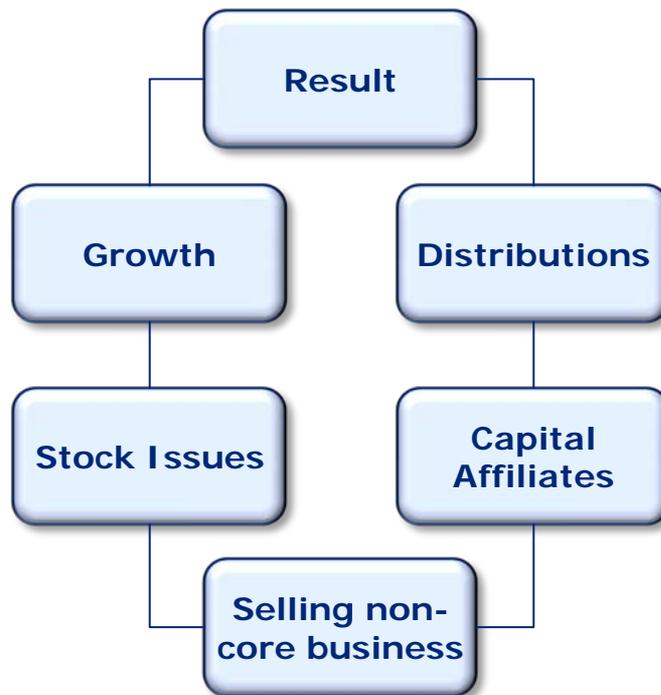
The bank must balance

Room for action

Regulatory conditions

Price of capital

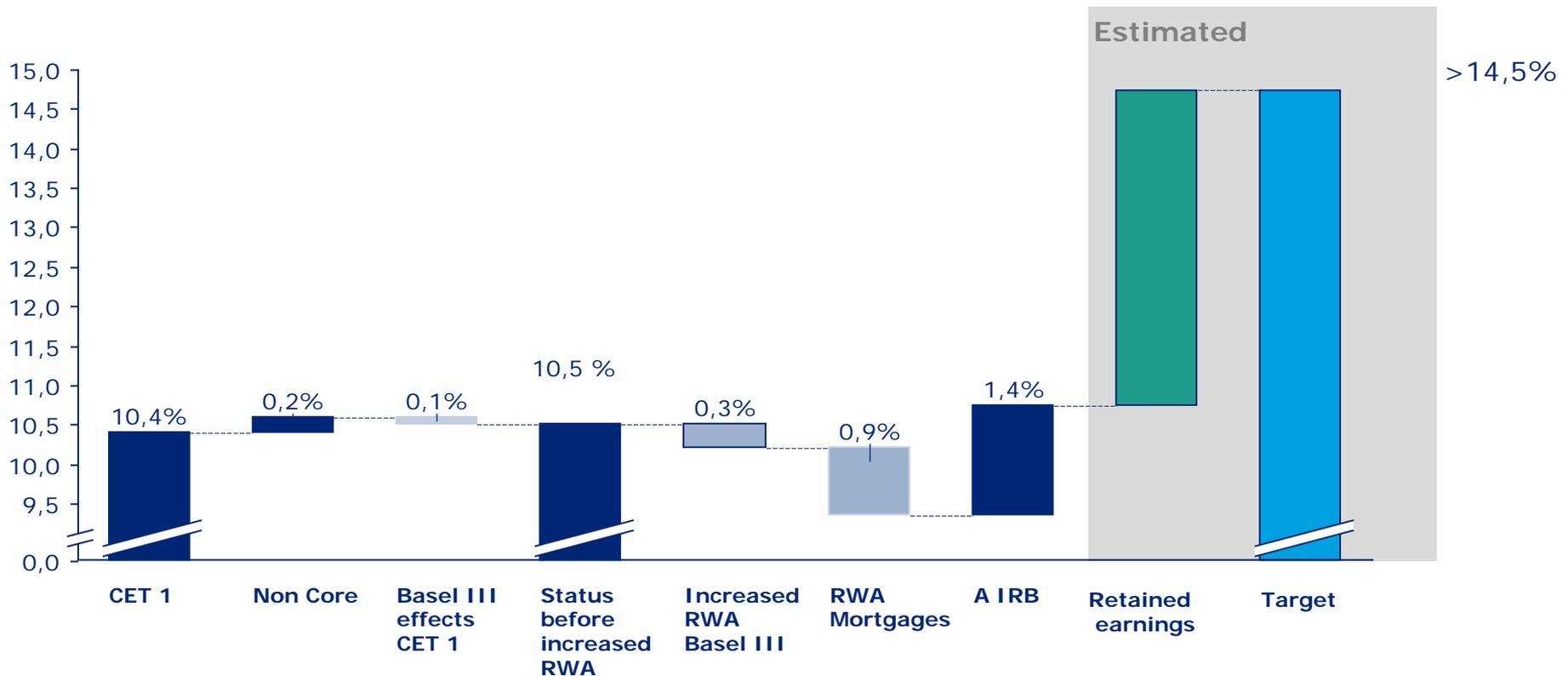
Access to capital



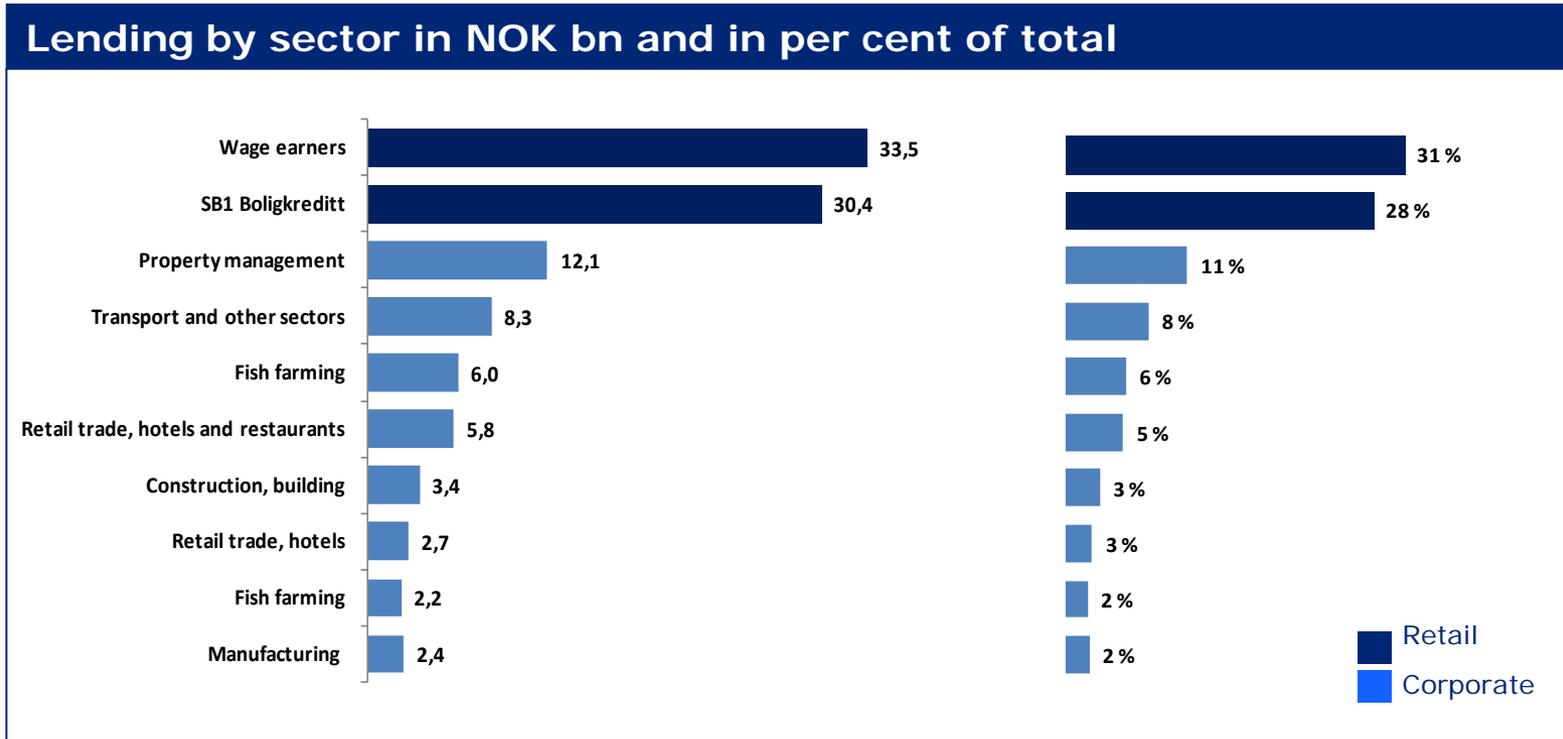
1. Curb expansion in corporate market
2. Refine portfolio
3. Correct risk pricing
4. Dividend policy
5. Capital allocation within the group
6. Focus on risk-adjusted return

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

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



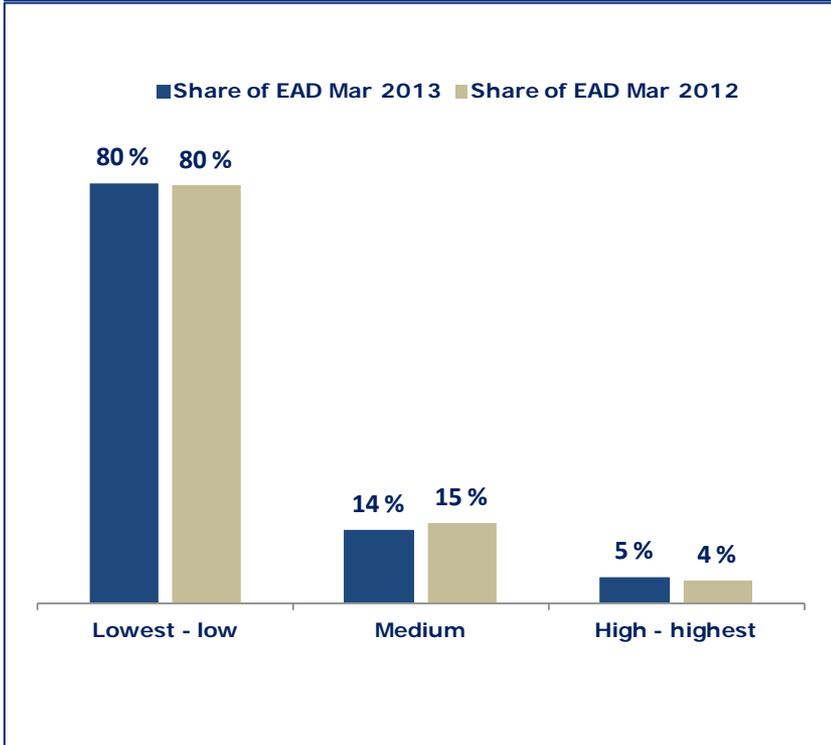
High share mortgages and diversified portfolio SMEs



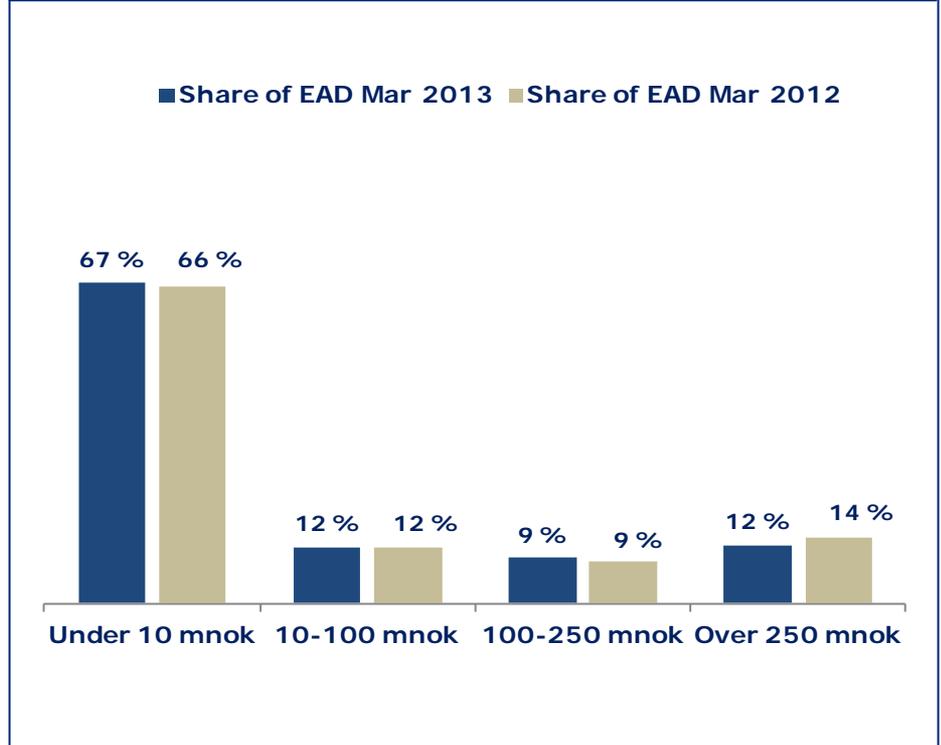
- Large portions of the retail market and primary industries are risk-dampening
- The Group has a well diversified corporate market portfolio
- No specific concerns related to the bank’s loans to commercial property. Low interest rates and stable high occupancy rates in the bank’s market area

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



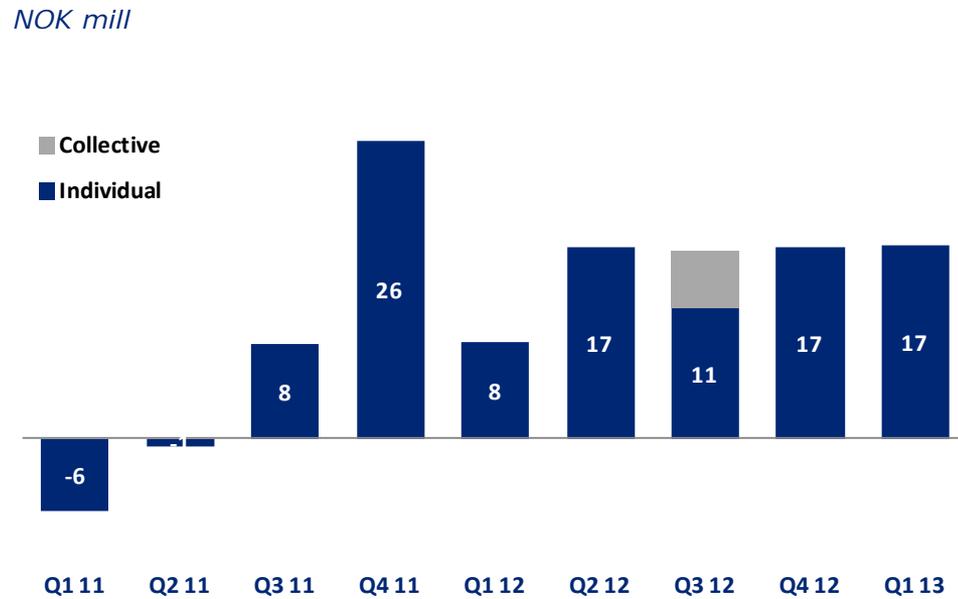
Capital adequacy

Capital adequacy as at Q1 12 and Q1 13

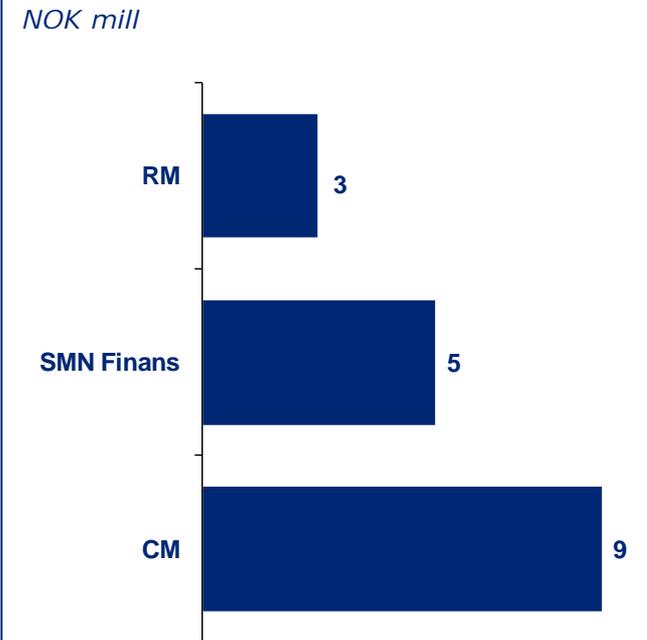
<i>NOKm</i>	31.3.13	31.3.12
Core capital exclusive hybrid capital	8.568	6.759
Hybrid capital	1.118	1.143
Core capital	9.686	7.902
Supplementary capital	1.285	1.107
Total capital	10.971	9.008
Total credit risk IRB	3.833	3.578
Debt risk	257	206
Equity risk	15	16
Operational risk	438	420
Exposures calculated using the standardised approach	2.086	2.018
Deductions	-125	-110
Transitional arrangements	102	0
Minimum requirements total capital	6.606	6.127
Core capital ratio	11,7 %	10,3 %
Core capital ratio ex. hybrid capital	10,4 %	8,8 %
Capital adequacy ratio	13,3 %	11,8 %

Low loan losses

Loan losses – quarterly trend



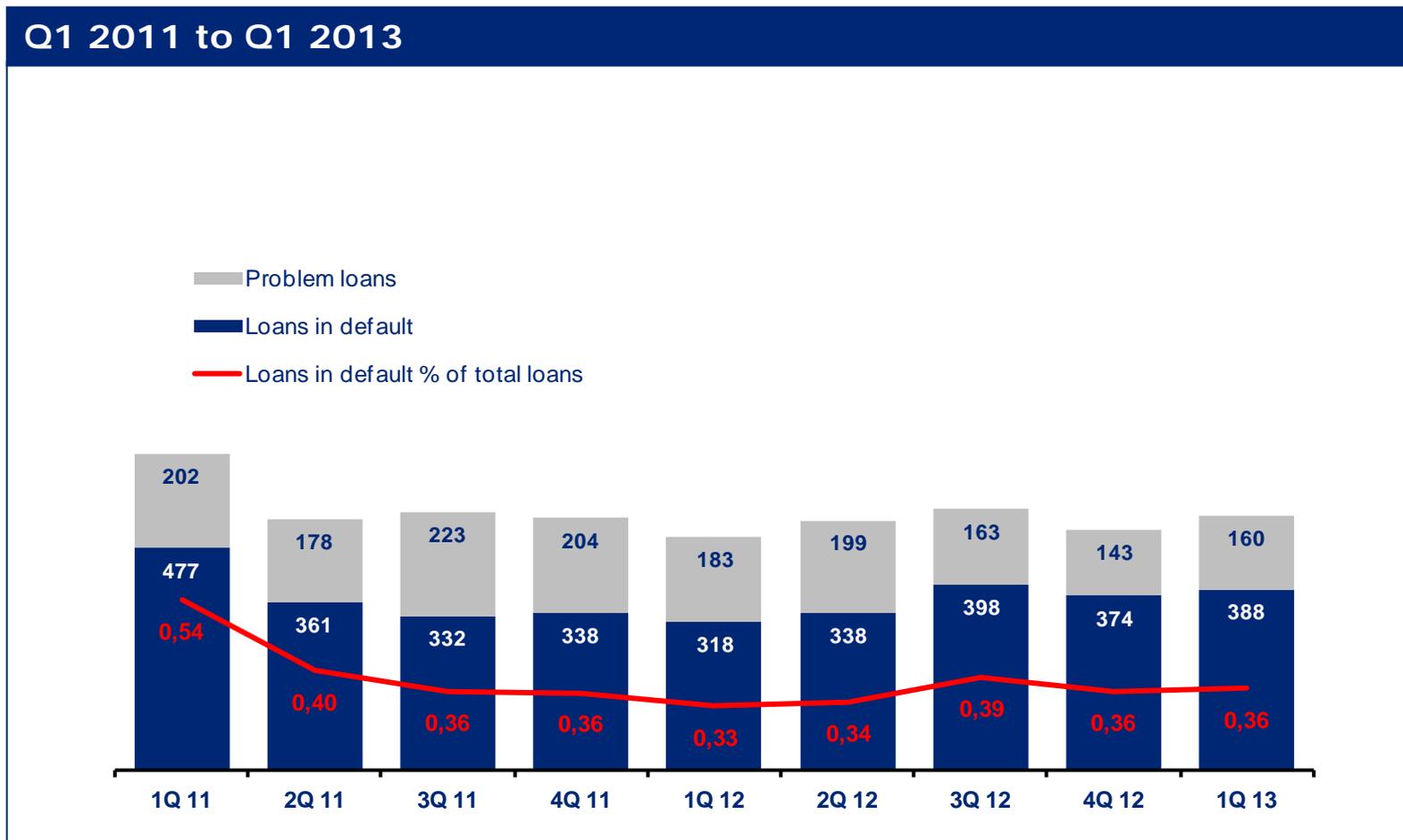
Losses by business area:



- Loan losses measure 0.06% (0.04%) of gross lending at 31 Mar 2012

Defaults and other problem loans

Low levels

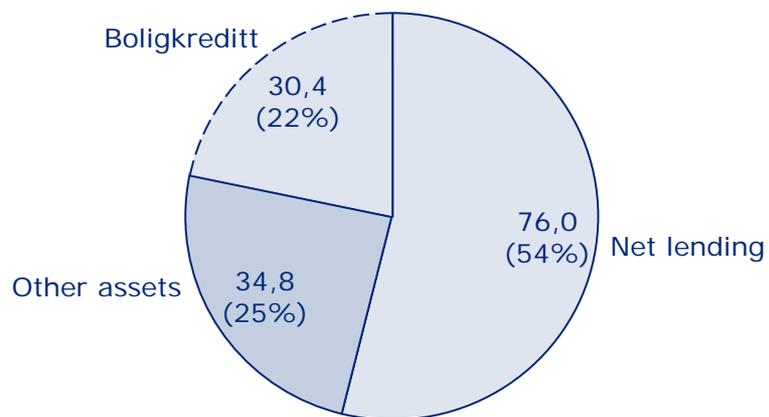


Balance sheet

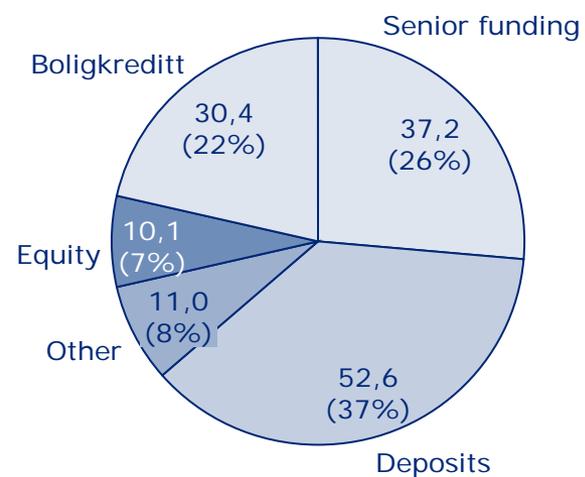
	31 Mar 2013	31 Mar 2012	31.3.11
Funds available	22.483	15.505	16.782
Gross loans *)	76.425	71.681	68.553
- spec provisions	-143	-164	-217
- write-downs by loan category	<u>-295</u>	-290	-290
Net loans	75.988	71.227	68.046
Securities	761	624	572
Investment in related companies	4.992	5.203	4.119
Goodwill	490	471	460
Other assets	6.055	6.000	4.507
TOTAL ASSETS	110.769	99.030	94.486
Capital market funding	37.263	30.758	33.380
Deposits	52.603	48.974	42.900
Funding, "swap" arrangement with the government	2.273	2.553	4.318
Other liabilities	5.610	5.778	3.594
Subordinated debt	2.850	2.576	2.655
Equity	10.170	8.393	7.639
TOTAL DEBT AND EQUITY	110.769	99.031	94.486
*) in addition loans transfer SPB1 Boligkreditt	30.405	25.706	20.054

Boligkreditt is an important fundingsource for the bank

Assets



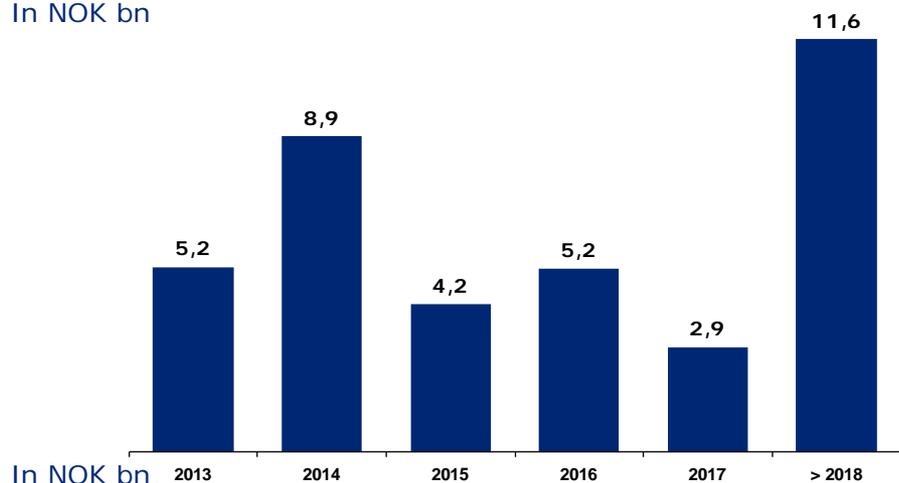
Debt and equity



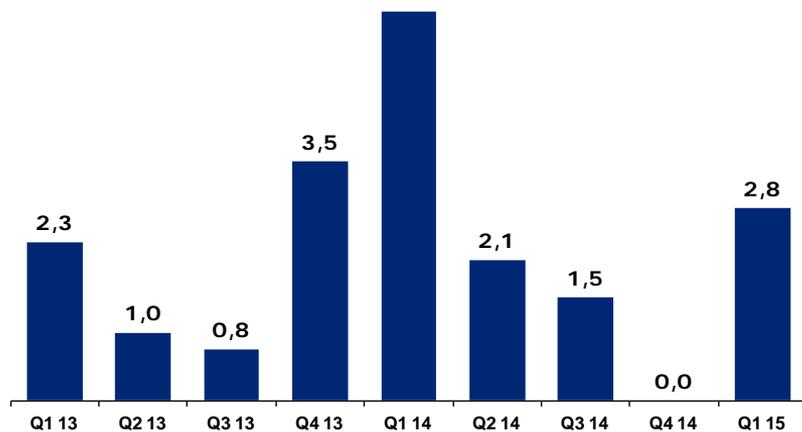
Satisfying access to capital market funding

Funding maturity 31 Mar 2013

In NOK bn



In NOK bn



Comments

- Maturities 2013 – Q2 2015
 - NOK 18.3 bn:
 - NOK 6.5 bn in 2013
 - NOK 8.9 bn in 2014
 - NOK 2.9 bn in Q1 2015
- Sparebank 1 Boligkreditt is the main funding source through covered bonds. NOK 29 billion transferred as of 31 Mar 2012
- In the first quarter of 2013 SpareBank 1 SMN raised a five-year loan of EUR 500bn.

SpareBank 1 SMN

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Hugin-Online: www.huginonline.no
Equity capital certificates in general:
www.grunnfondsbevis.no

Financial calender 2013

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