

Q2 2013

August 14th 2013

Summary 1st half 2013

Good profit performance, NOK 606m, and 11.9% return on equity

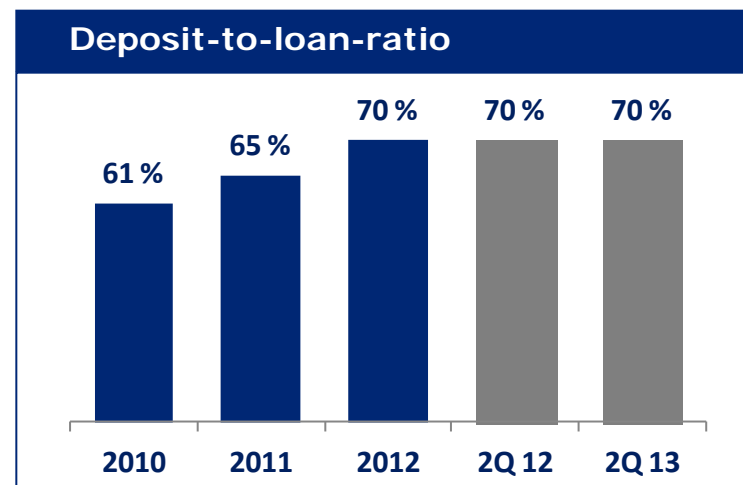
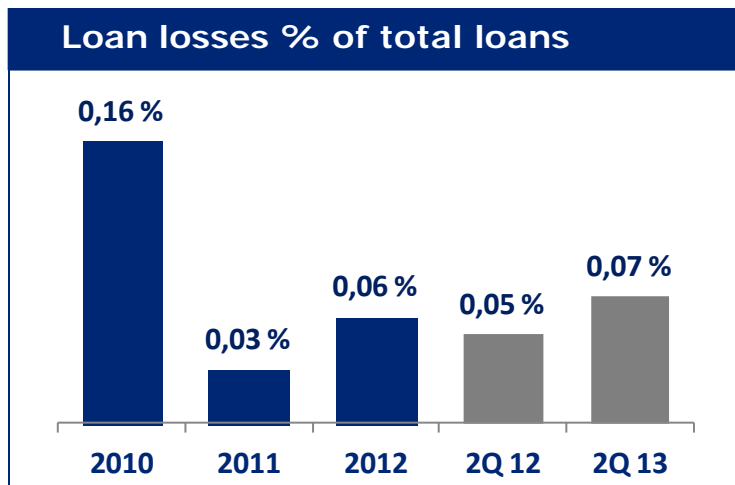
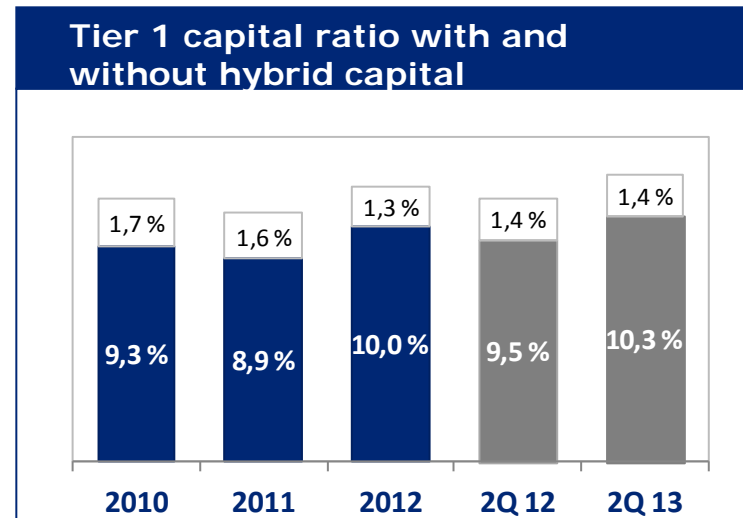
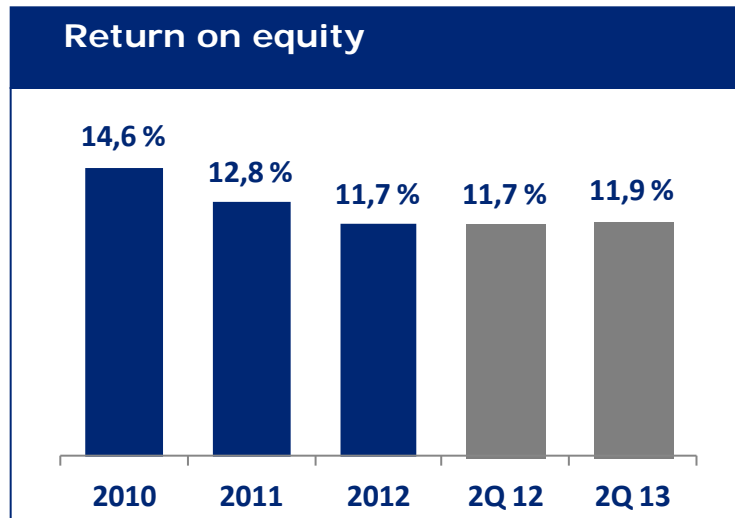
- Good performance, net profit NOK 606m and return on equity 11.9%
- Strong result for core business
- Growth in lending shifted from corporates towards residential borrowers
- Increased lending rates substantially strengthened net interest income in the 2nd quarter
- Parent bank cost growth reduced to 3%
- Very low default rate, low losses and good stable credit quality
- Common equity tier 1 (CET1) capital at 10.3%, up from 10.0% at year-end
- SMN plans for a CET1 ratio of at least 14.5% by mid-2016. AIRB application submitted
- Stronger owner focus at SpareBank 1 Markets

SpareBank 1 Markets – strengthened owner focus

- SpareBank 1 Markets changes its owner structure
- SpareBank 1 Gruppen is selling its stake in the company. Henceforth SpareBank 1 Markets will be owned directly by SpareBank 1 SMN (24%), SpareBank 1 Nord Norge (24%), SpareBanken Hedmark (15%), Samspar (24%), Trade Unions Confederation (12%) and employees (2%)
- Stronger collaboration will be put in place between the bank and Sparebank 1 Markets.
 - Integration of the owner banks' corporate finance and share trading business with corresponding areas at SpareBank 1 Markets
 - In addition the banks' business volumes are to be internalised to a greater degree
 - Together with other measures, this will promote increased profits in the company and the banks alike
- In connection with the change in owner structure, SpareBank 1 Gruppen has written down its owner interest in SpareBank 1 Markets by NOK 122m. SpareBank 1 SMN's share of this write down is NOK 23.8m.

Good profitability

Strengthened financial position and low losses



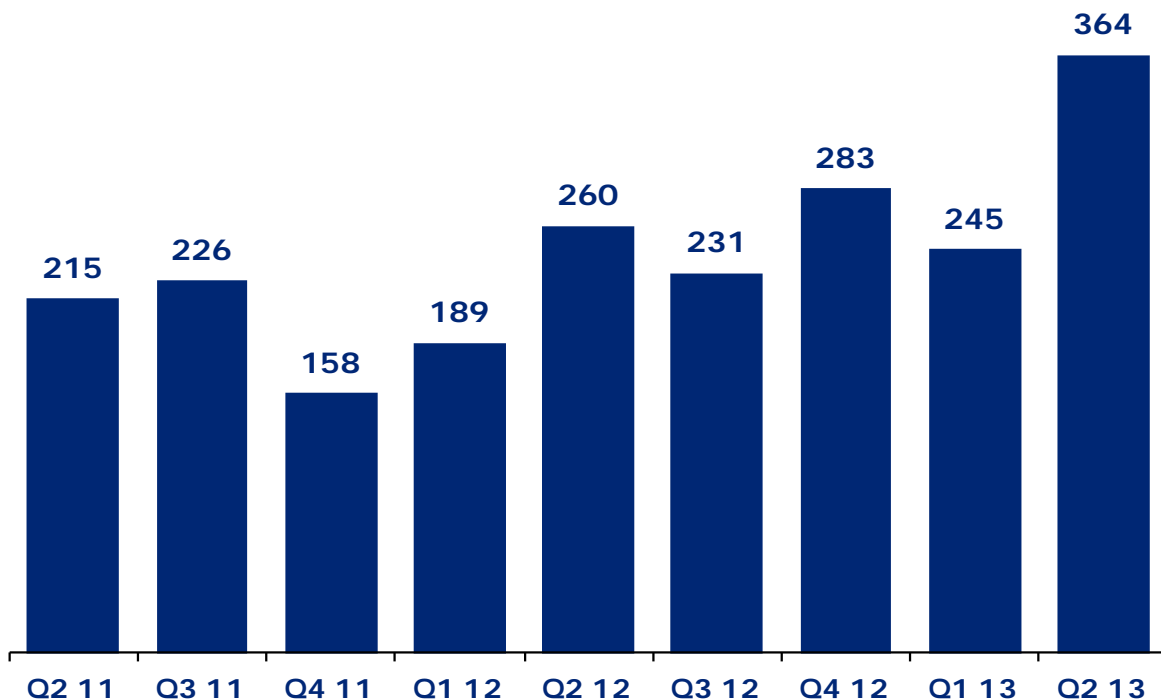
Positive profit trend and sound underlying operations

- ➔ Profit before tax: NOK 782m (NOK 661m)
- ➔ Profit: NOK 606m (NOK 510)
- ➔ Return on equity 11.9 % (11.7 %)
- ➔ Income growth in core operations to NOK 1,459m (NOK 1,244m)
- ➔ Profit from related companies NOK 137m (NOK 151m), return on financial investments NOK 74m (NOK 87m)
- ➔ Loan losses: NOK 38m (NOK 25m), 0.07 % of total loans (0.05 %). Defaults at a very low level
- ➔ Core capital ratio exclusive hybrid capital 10.3 % (9.5 %)
- ➔ Profit per ECC: NOK 2.99 (NOK 2.63)

Good profit trend for core business

Per quarter Q2 11 – Q2 13

NOK mill.



Comments

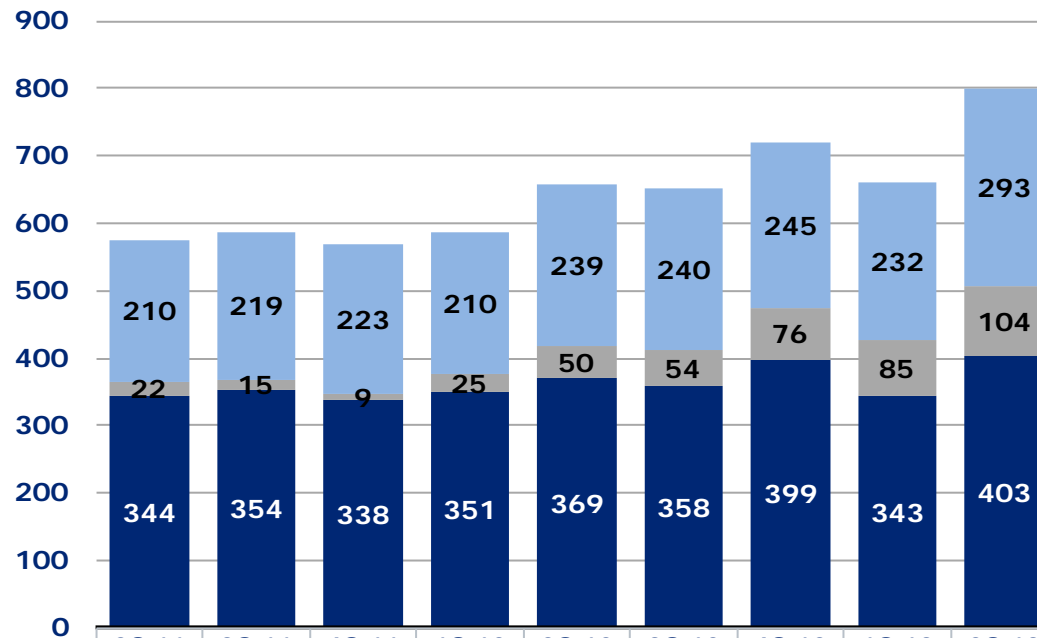
Improvement in Q2 13 at a high degree due to

- Increased lending margins in Q2, both retail and corporates
- Positive development commission income
- Moderate cost growth

Operating income

Positive development operating income 2Q11 – 2Q13

NOKm

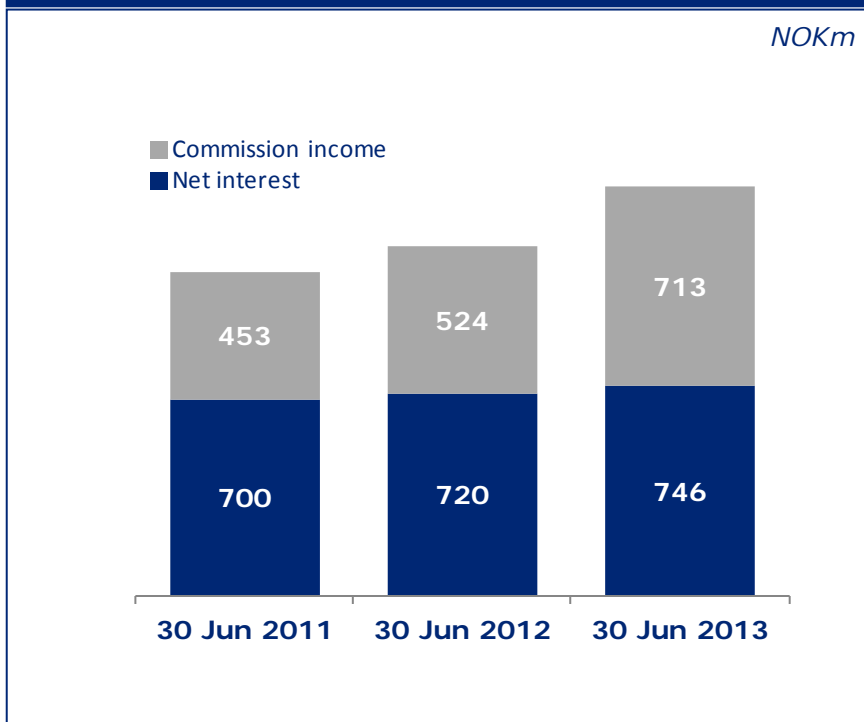


	2Q 11	3Q 11	4Q 11	1Q 12	2Q 12	3Q 12	4Q 12	1Q 13	2Q 13
■ Commission income	210	219	223	210	239	240	245	232	293
■ Boligkreditt	22	15	9	25	50	54	76	85	104
■ Net interest	344	354	338	351	369	358	399	343	403

Net interest, provision commission and other income

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

Net interest and other income



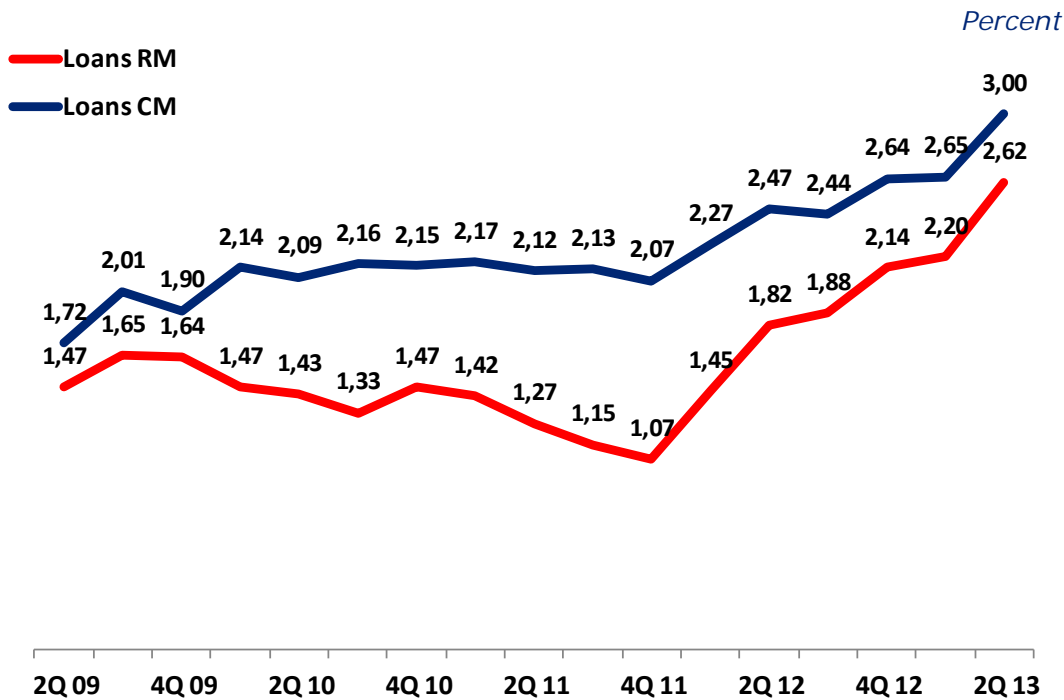
Commission income Q2 12 and Q2 13

<i>mill kr</i>	30 Jun 2013	30 Jun 2012
Payment transmission income	107	94
Commissions savings	21	21
Commissions insurance	60	59
Commissions Boligkredditt	188	75
Guarantee commissions	30	14
Estate agency	174	166
Accountancy services	73	52
Assets management	6	5
Rental income	22	17
Other commissions	32	22
Total commission income	713	524

- 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 loans

Lending margins 2Q 2009 – 2Q 2013

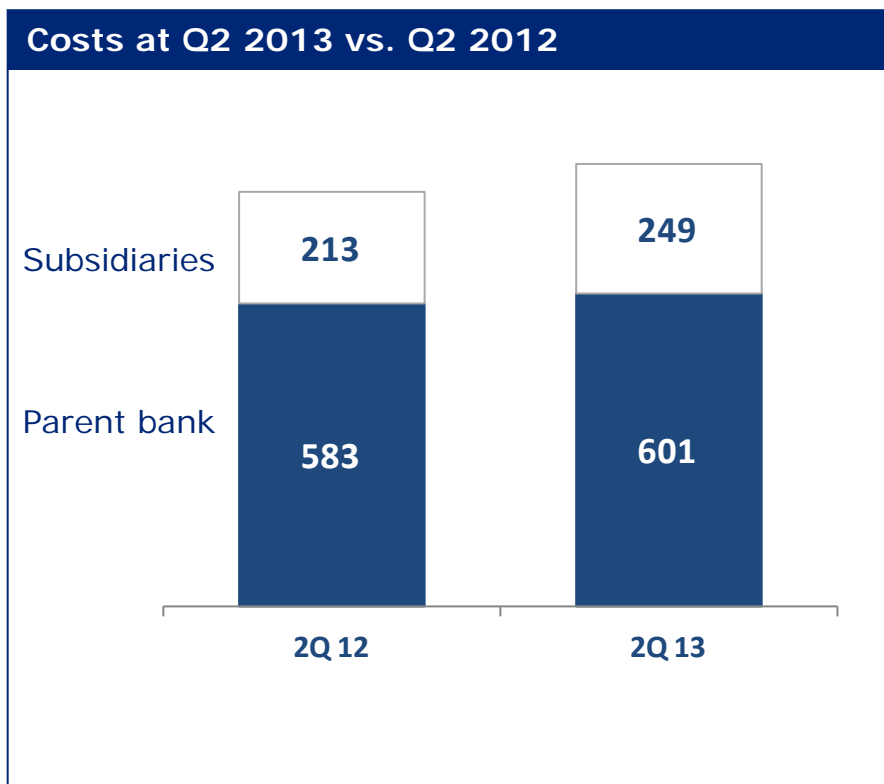
Lending margins Retail and Corporate



Comments

- Interest rate level remains low
- Increased margins despite strong competition
- Increase in lending rates for both retail and corporate customers carried out in Q2

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

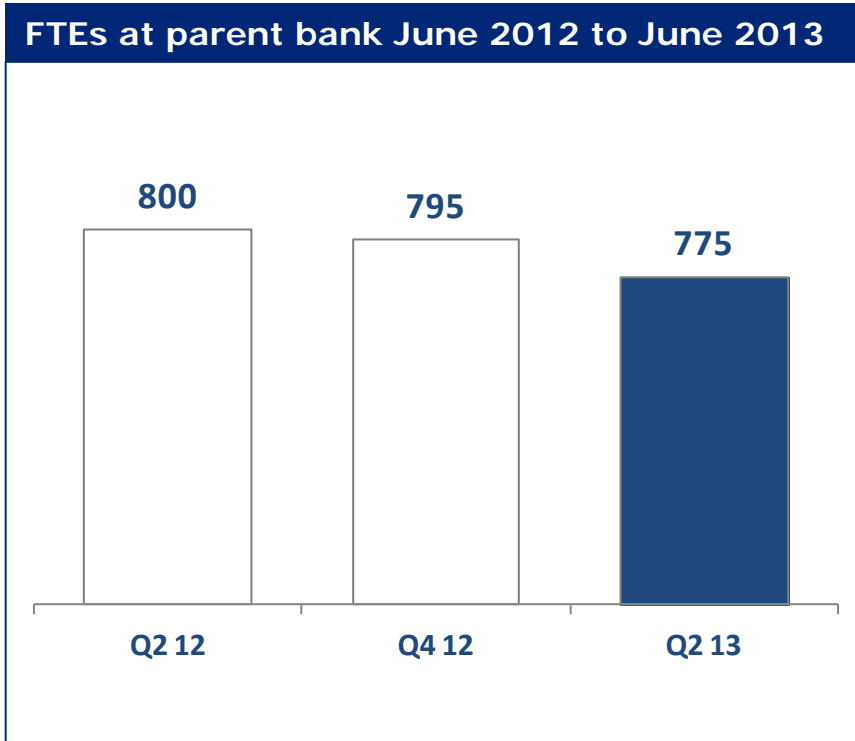


Zero growth in costs at parent bank

3 percent growth in costs at parent bank compared with 1st half 2012

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

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

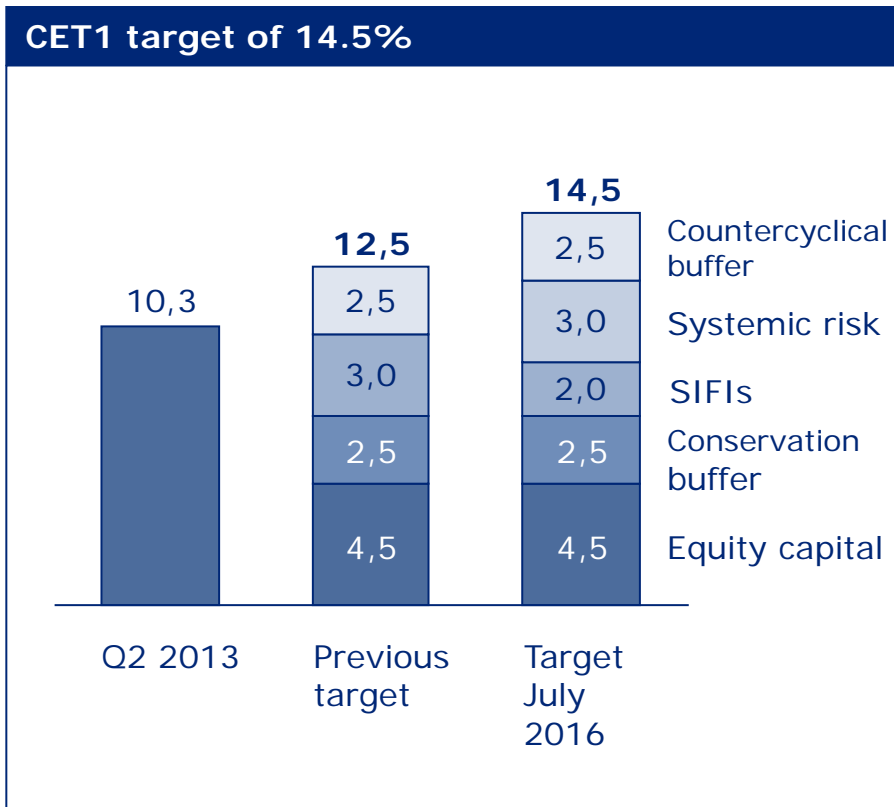


Staffing plan communicated across, and anchored in, the bank

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.

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

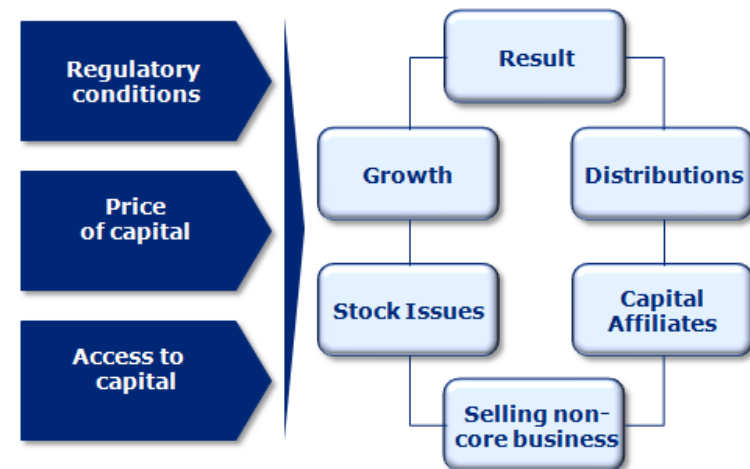


CET1 target of 14.5%

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

Capital a scarce factor

The bank must balance



Total growth lending 8.4 %

High growth in lending to mortgages

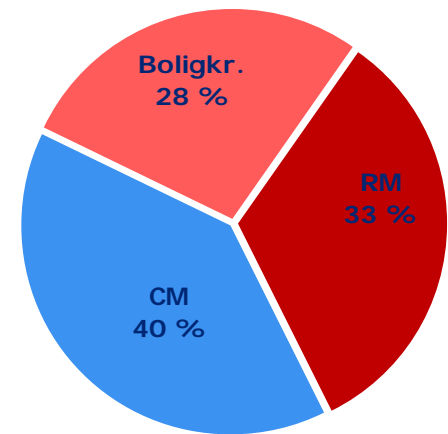
Lending RM +14.0 % from 2012 to 2013



Lending CM +0.7 % from 2012 to 2013

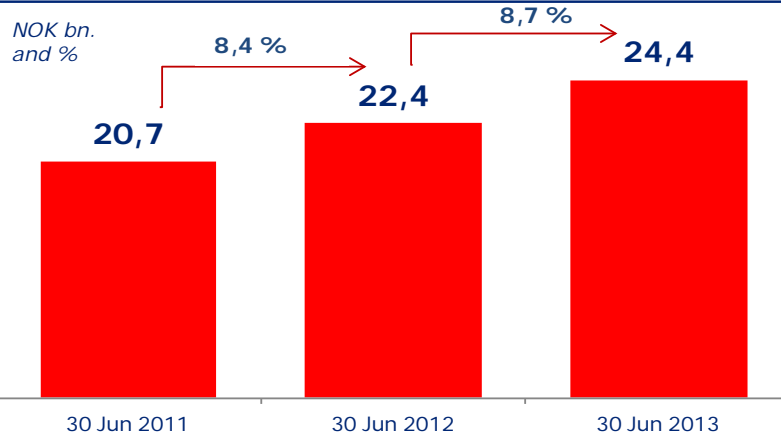


Loans

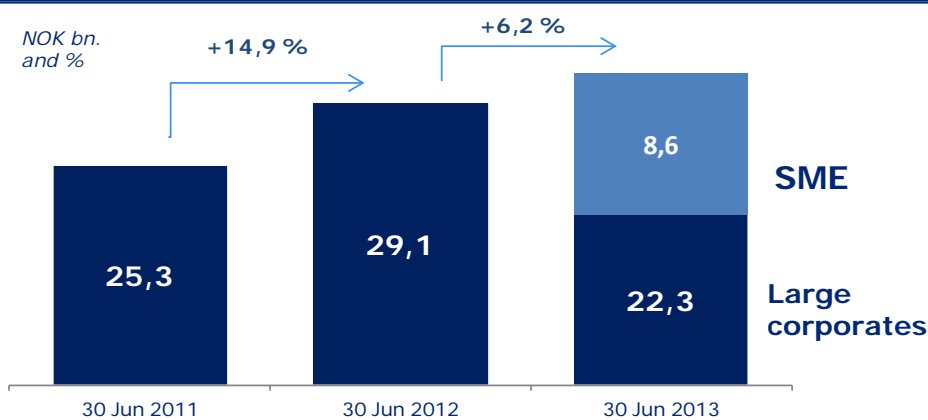


Total growth deposits 7.3 %

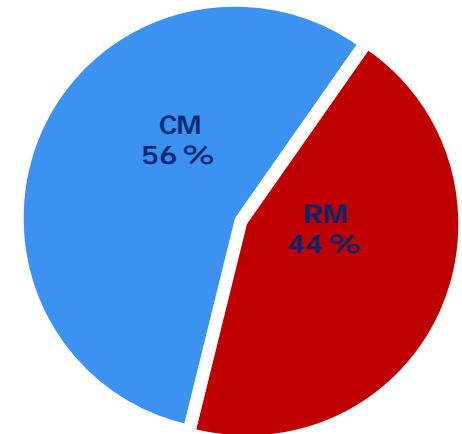
Deposits RM + 8.7 % from 2012 to 2013



Deposits CM + 6.2 % from 2012 to 2013



Deposits



Good results at the subsidiaries

EiendomsMegler 1

- Profit: NOK 41.5m (41.9m)
- 3,279 dwellings (3,232) sold with an overall sale value of NOK 8.6bn (7,7), and with a market share of about 40% in the region
- Focus on synergy between bank and estate agent

SpareBank 1 SMN Finans

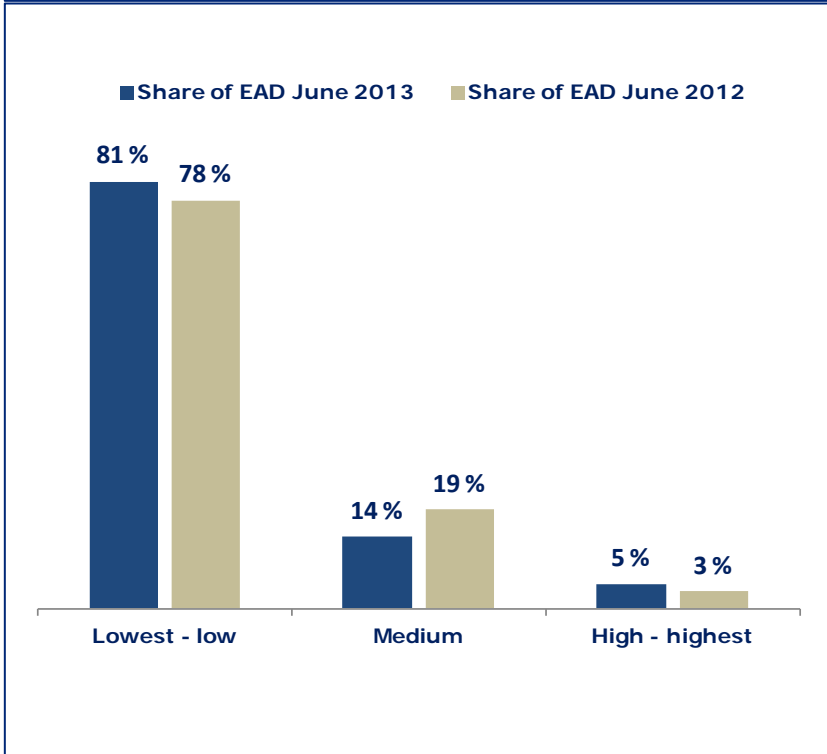
- Profit: NOK 29.1m (30.3m)
- Substantial income growth
- Leasing worth NOK 1.8bn and car loans worth NOK 1.3bn; growth in car loans

SpareBank 1 SMN Regnskapshuset

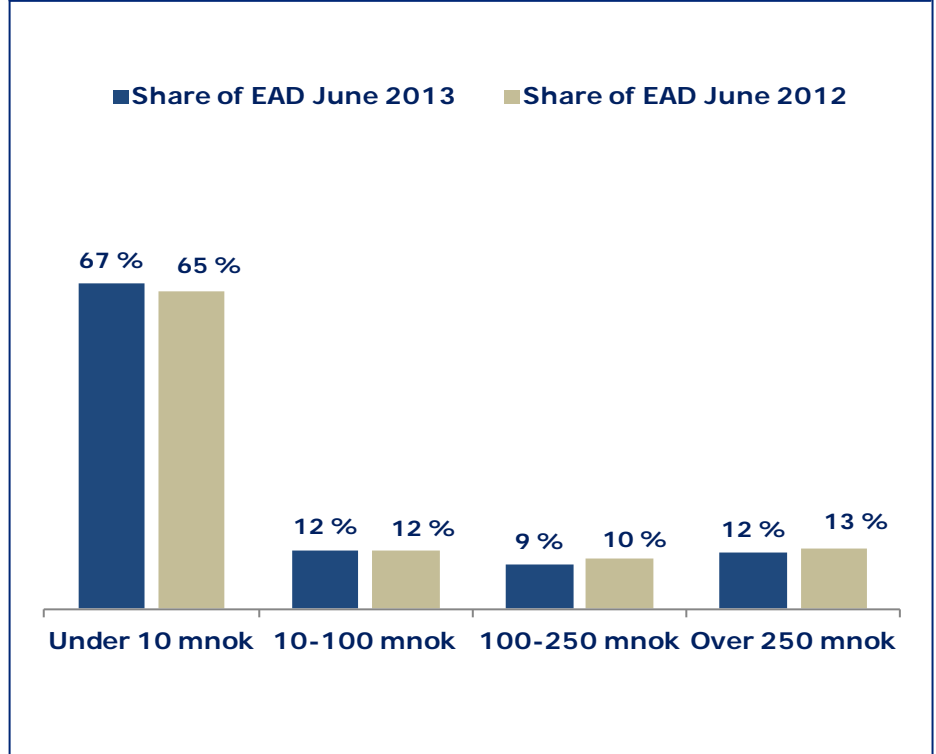
- Profit: NOK 12.1m (8.6m)
- Acquisition of 5 accountancy firms over the course of 2012
- Growth of 30% (3 x average growth in this industry) and market leader in mid-Norway
- SpareBank 1 Regnskapshuset launched as a nationwide brand

Low and stable risk in the loan portfolio

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

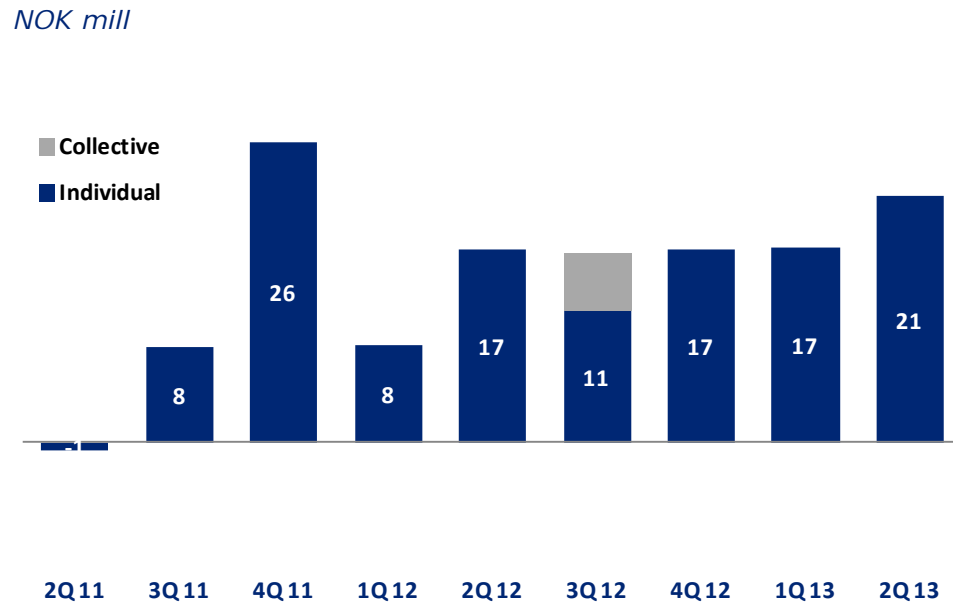


SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default

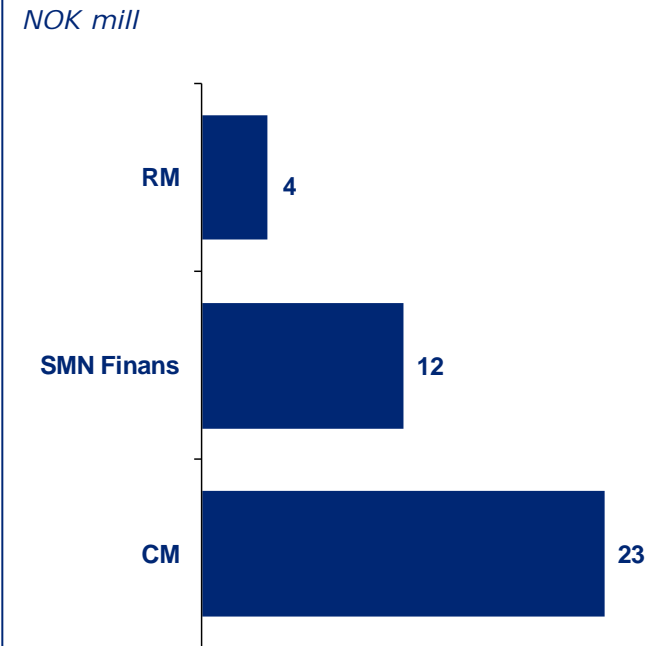


Low loan losses

Loan losses – quarterly trend



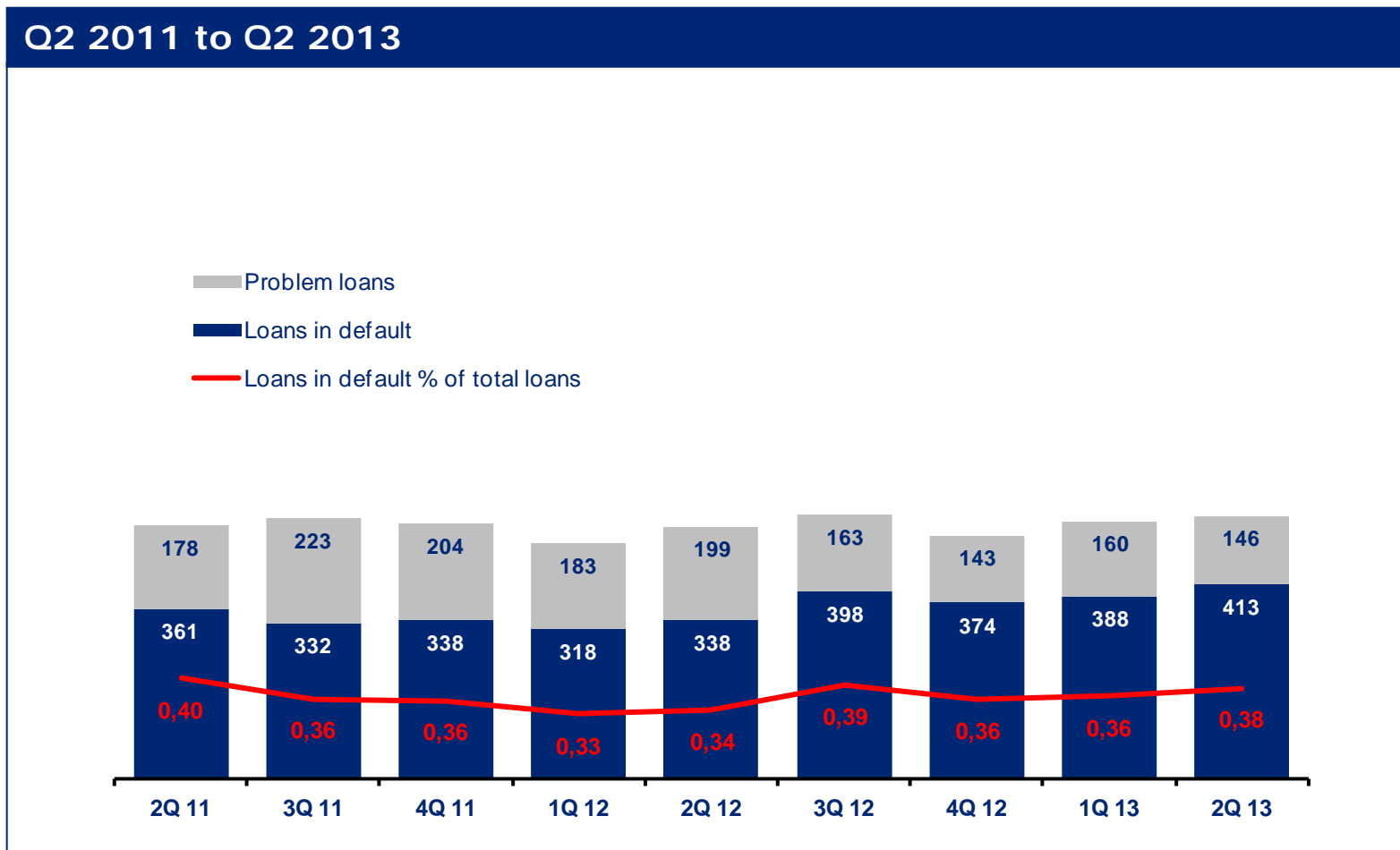
Losses by business area:



- Loan losses measure 0.07% (0.05%) of gross lending at 30 June 2013

Defaults and other problem loans

Low levels



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

SMN selected as Norway's best bank

SpareBank 1 SMN voted Norway's best bank by the worldwide finance magazine Euromoney

Euromoney's justification states:

So far most banks in Norway have managed to maintain high capital adequacy and high income levels along with decent profit growth. A bank that has done this with flying colours, and shows that big is not always best, is the Trondheim based SpareBank 1 SMN. The bank's financial results in 2012 are praiseworthy.



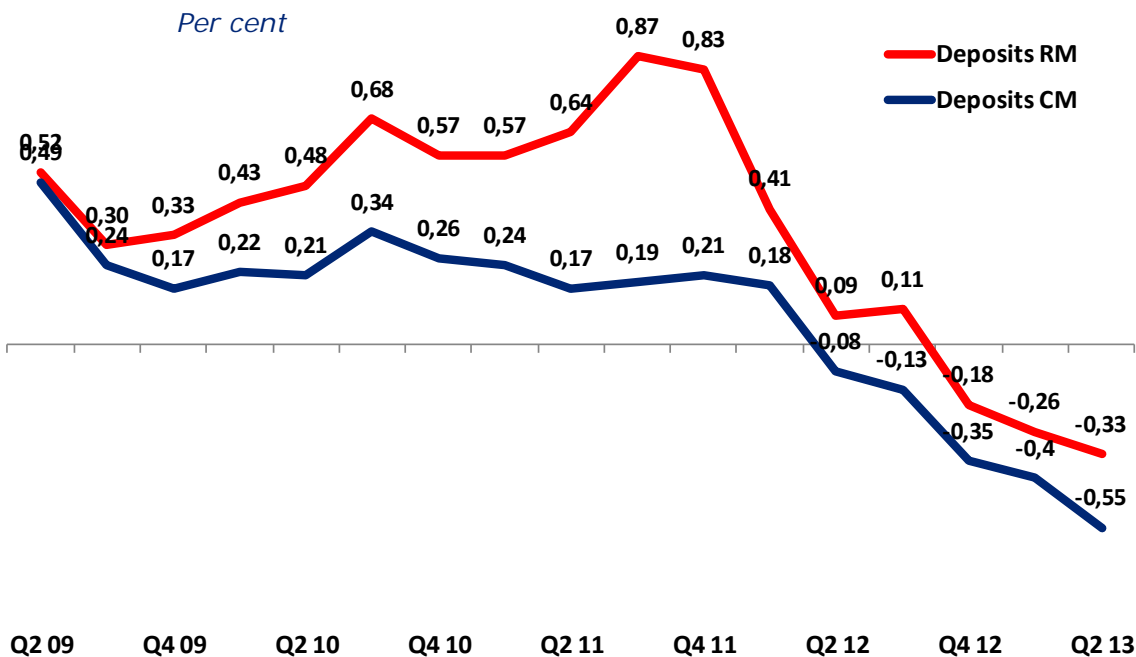
Appendix

Positive development in profits

Profit	1.st half			Per quarter				
	30 Jun 2013	30 Jun 2012	Change	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12
NOK mill								
Net interest	746	720	26	403	343	399	358	369
Commission income and other income	713	524	190	396	317	321	294	288
Operating income	1.459	1.244	215	800	660	720	653	658
Total operating expenses	850	795	55	436	414	437	421	398
Pre-loss result of core business	609	449	161	364	245	283	231	260
Losses on loans and guarantees	38	25	13	21	17	17	16	17
Post-loss result of core business	571	424	147	342	228	266	215	243
Income from investments in related companies	140	149	-9	32	108	30	82	50
Securities, foreign currency and derivatives	74	87	-13	13	61	34	86	26
Result before tax	785	659	126	387	398	329	383	319
Tax	179	149	30	102	77	69	77	81
Net profit	606	510	95	285	321	260	306	238
Return on equity	11,9 %	11,7 %		11,1 %	12,7 %	10,5 %	12,8 %	10,7 %

Deposit margins 2Q 2009 – 2Q 2013

Deposit margins Retail and Corporate



Comments

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

Subsidiaries and related companies

Profit subsidiaries and share of profit related companies

	30 Jun 2013	30 Jun 2012	30 Jun 2011
Subsidiaries (pre tax)			
EiendomsMegler 1 Midt-Norge (87 %)	41,5 *)	41,9	33,3
SpareBank 1 SMN Regnskap	12,1	8,6	5,0
SpareBank 1 SMN Finans (90 %)	29,1 *)	30,3	16,3
SpareBank 1 SMN Invest	19,2	-1,7	29,6
Associated companies and investments held for sale(after tax)			
SpareBank 1 Gruppen (19,5 %)	79,2	59,9	48,6
SpareBank 1 Boligkreditt (18,4 %)	13,1	25,5	10,3
SpareBank 1 Næringskreditt (37 %)	2,8	4,5	3,8
BN Bank (33 %)	42,5	27,3	44,4

*) The company's total profit

Return on financial investments

Satisfactory return							
<i>NOKm</i>	30 Jun 2013	30 Jun 2012	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12
Share of profit in related companies	140	149	33	108	30	85	50
Net gain and dividends on securities	26	-10	2	25	2	27	-10
Net gain on bonds	5	38	-14	20	0	18	4
Net gain on trading and derivatives Markets	42	59	25	17	31	36	36
Return on financial investments	214	236	45	169	63	165	79

Reduced cost growth in parent bank

Change in operating expenses Q2 2012 – Q2 2013

<i>NOK mill</i>	
Expenses 30 Jun 2013	850
Expenses 30 Jun 2012	795
Change	55
Obtained as follows:	
Parent bank	18
Personell costs	-6
IT	11
Depreciations	5
Other expenses	8
Subsidiaries	37
SMN Regnskap	20
EiendomsMegler 1	10
Other subsidiaries	7
Group	55

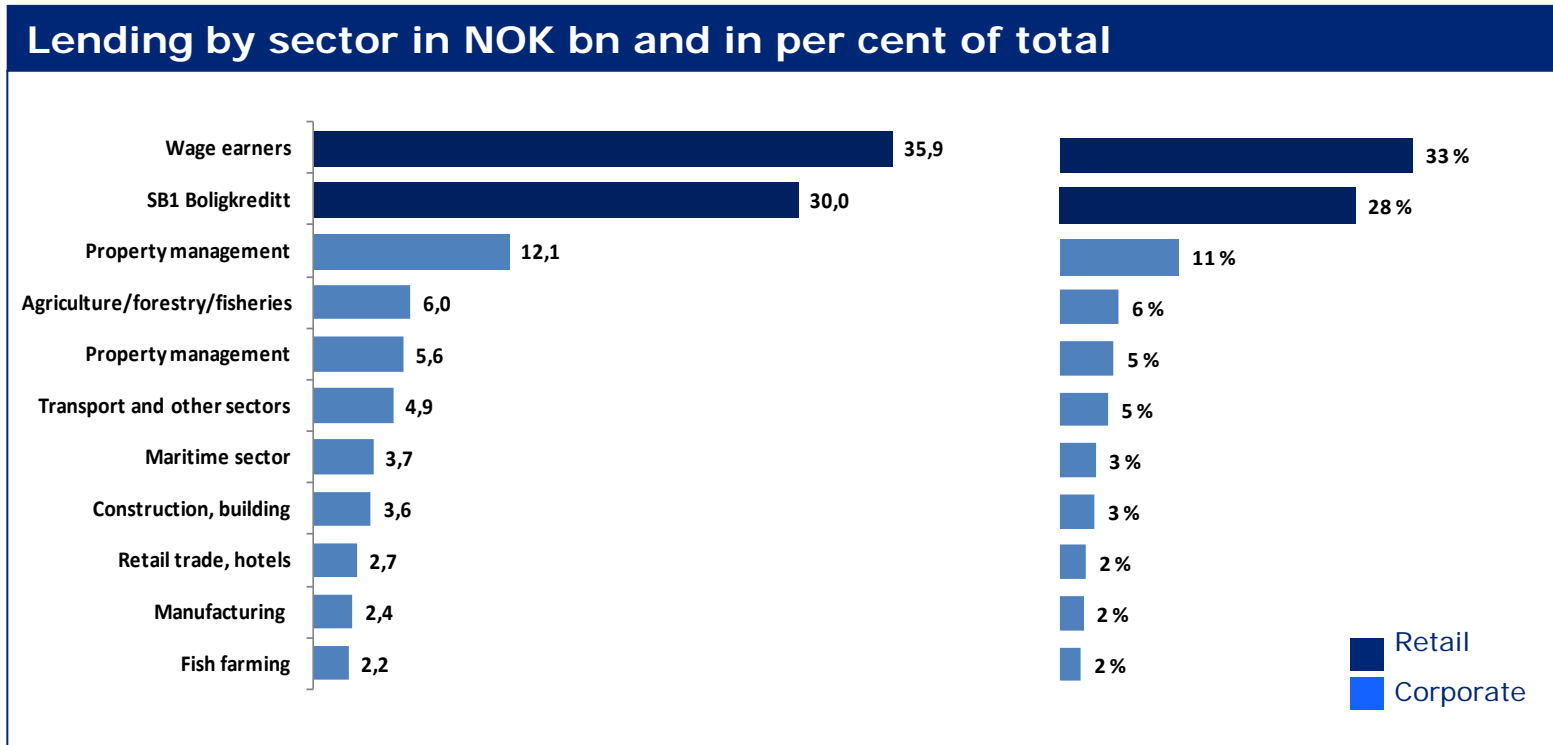
Reduced cost growth in 2013

- 3 % growth in parent bank – in line with plan
- Number of FTEs shall be reduced with 75 in 3 years. Reduction of 20 1. half 2013
- High activity in EiendomsMegler 1
- Purchases of accountancy offices have caused "new" costs

Balance sheet

	30 Jun 2013	30 Jun 2012	31.3.11
Funds available	22.876	20.730	20.369
Gross loans *)	78.976	73.595	68.559
- spec provisions	-153	-166	-177
- write-downs by loan category	<u>-295</u>	-290	-290
Net loans	78.528	73.139	68.092
Securities	981	605	578
Investment in related companies	4.439	5.188	4.215
Goodwill	491	471	460
Other assets	5.874	7.646	4.789
TOTAL ASSETS	113.190	107.780	98.503
Capital market funding	37.308	35.308	34.017
Deposits	55.268	51.504	45.990
Funding, "swap" arrangement with the government	2.273	2.553	4.318
Other liabilities	4.556	6.468	3.760
Subordinated debt	3.345	2.662	2.516
Equity	10.439	9.284	7.902
TOTAL DEBT AND EQUITY	113.190	107.780	98.503
*) in addition loans transfer SPB1 Boligkreditt	29.992	26.957	22.379

High share mortgages and diversified portfolio SMEs

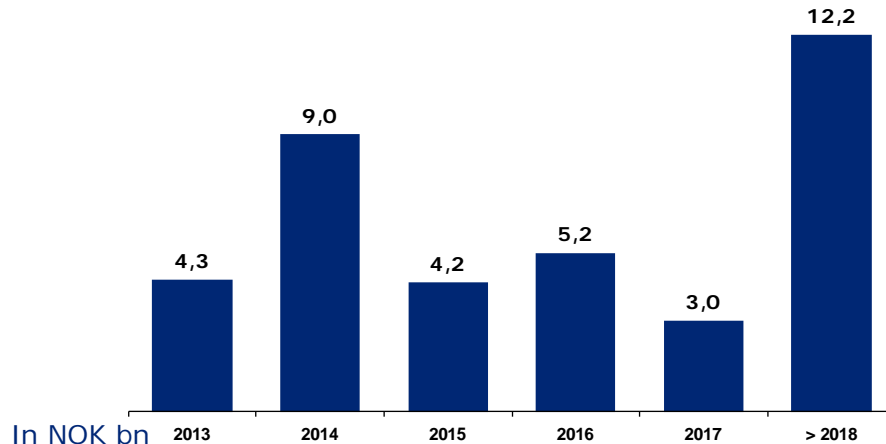


- Large portions of the retail market and primary industries are risk-dampening
- The Group has a well diversified corporate market portfolio
- No specific concerns related to the bank's loans to commercial property. Low interest rates and stable high occupancy rates in the bank's market area

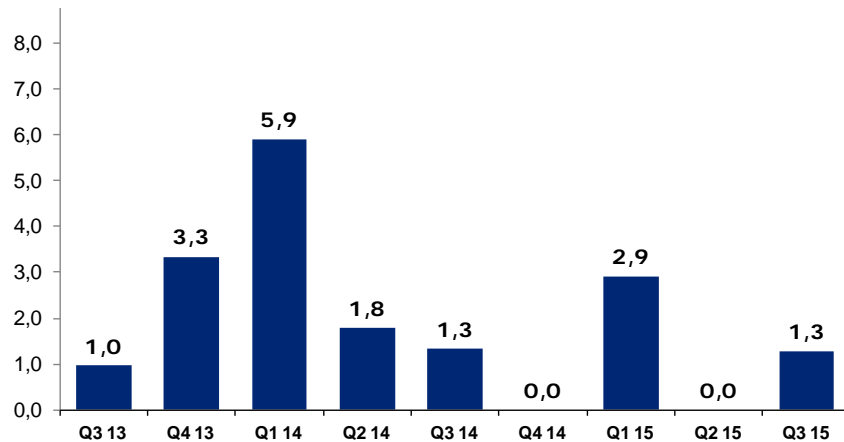
Satisfying access to capital market funding

Funding maturity 30 June 2013

In NOK bn



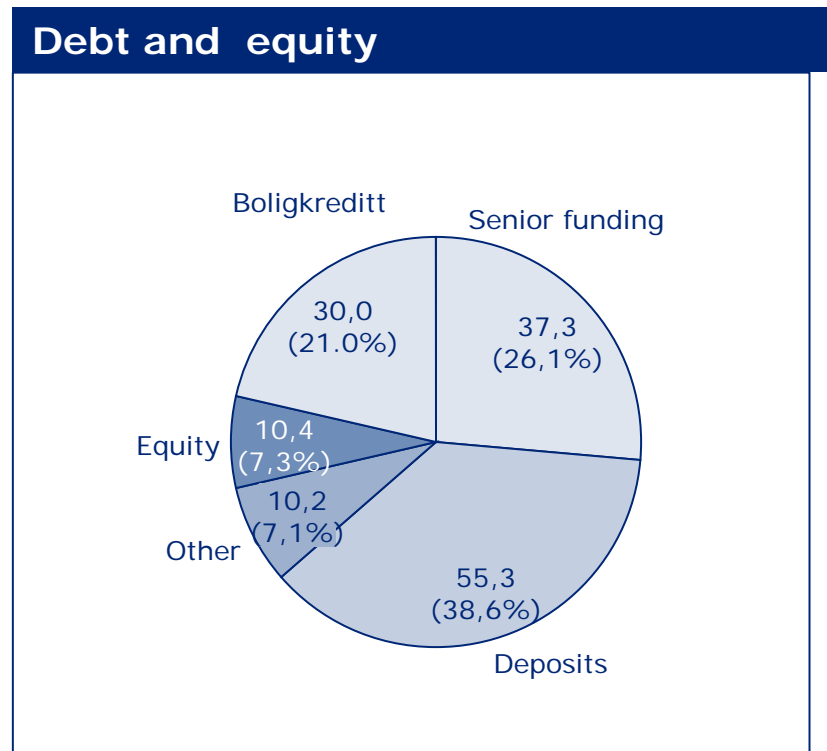
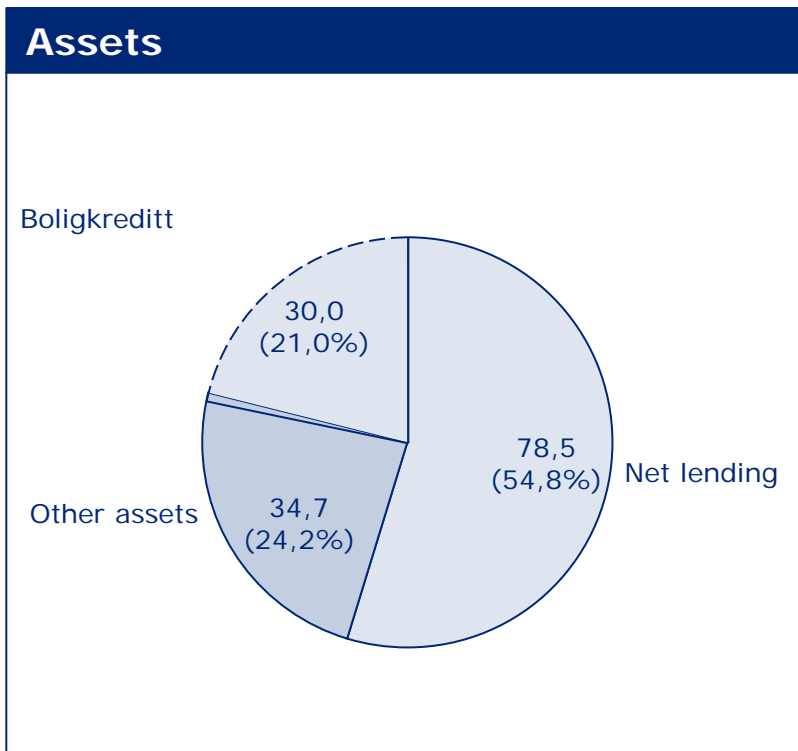
In NOK bn



Comments

- Maturities Q3 2013 – Q3 2015 NOK 17.8 bn
- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 29 billion transferred as of 30 June 2013
- In the first quarter of 2013 SpareBank 1 SMN raised a five-year loan of EUR 500bn.

Boligkreditt is an important fundingsource for the bank



Good liquidity

Liquidity reserves at 30 June 2013, NOKm

Type	Book value	Share
Government bonds	4.260	22 %
Covered bonds	7.672	40 %
Municipalities	3.177	16 %
Bank/finance	3.981	21 %
Industry	215	1 %
Total securities	19.305	100 %
Cash and deposit to credit institutions	3.463	
Total liquidity buffer	22.768	

Comments

- Liquidity buffer of NOK 22.8 bn as at 30 June 2013
- The bank is funded for 24 months .

Capital adequacy

Capital adequacy as at Q2 12 and Q2 13

NOKm

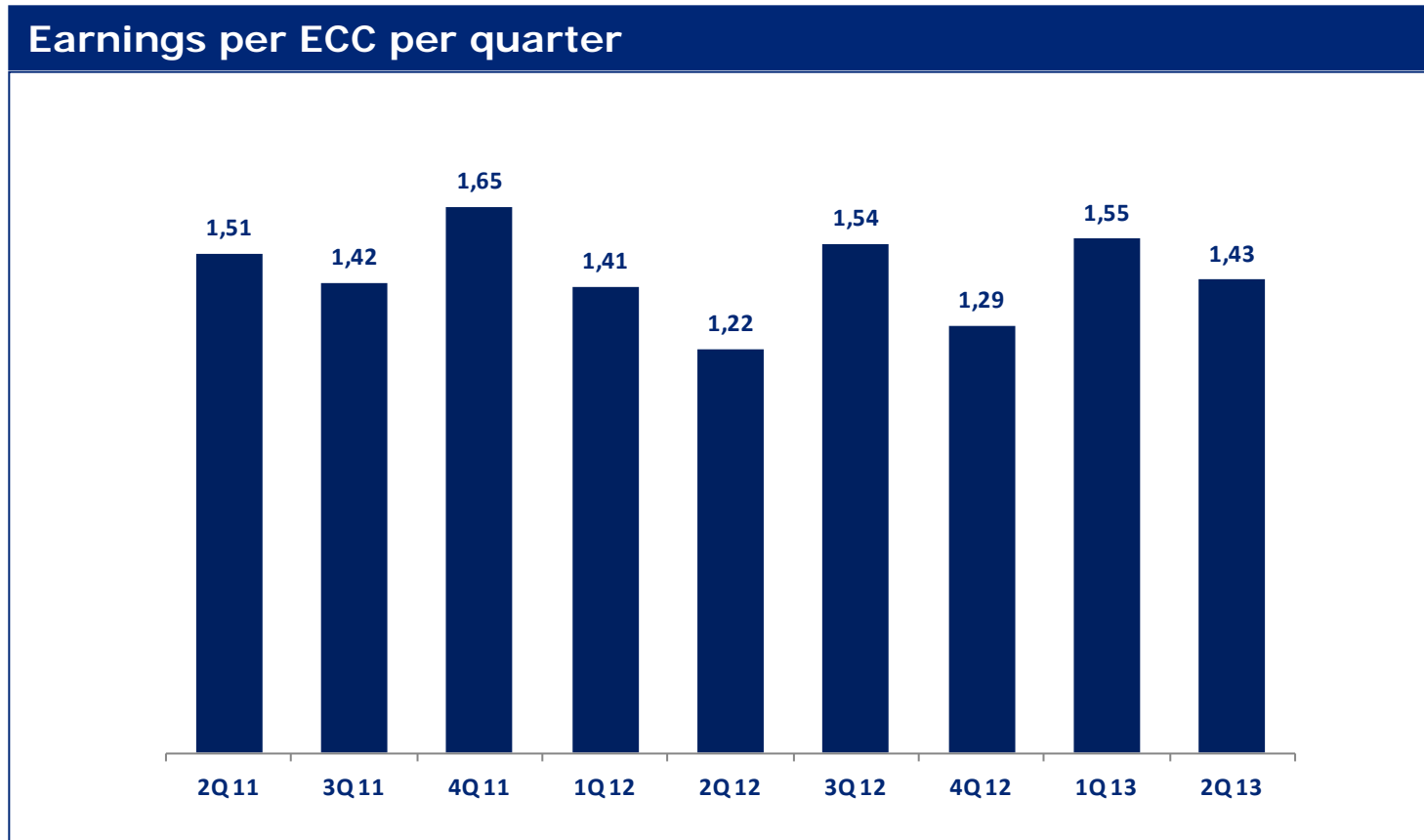
	30.6.13	30.6.12
Core capital exclusive hybrid capital	8.882	7.592
Hybrid capital	1.625	1.130
Core capital	10.508	8.722
Supplementary capital	1.386	1.178
Total capital	11.894	9.900
Total credit risk IRB	3.895	3.707
Debt risk	255	223
Equity risk	13	15
Operational risk	398	420
Exposures calculated using the standardised approach	2.106	2.121
Deductions	-102	-115
Transitional arrangements	322	0
Minimum requirements total capital	6.886	6.371
Core capital ratio	12,2 %	11,0 %
Core capital ratio ex. hybrid capital	10,3 %	9,5 %
Capital adequacy ratio	13,8 %	12,4 %

Key figures

Key figures 2Q 2011 – 2Q 2013

	30 Jun 2013	30 Jun 2012	30 Jun 2011
Net interest	1,35	1,40	1,44
Comm. income and net retur on fin. inv.	1,67	1,48	1,31
Operating expenses	1,54	1,55	1,45
Net profit as a perctae of ATA	1,48	1,34	1,32
Capital adequacy ratio	10,3 %	9,5 %	9,1 %
Core capital ratio	12,2 %	11,0 %	10,7 %
Growth in loans incl.Boligkredditt	8,4 %	10,6 %	8,6 %
Growth in deposits	7,3 %	12,0 %	11,4 %
Deposit-to-loan ratio	70 %	70 %	67,0 %
RM share loans	60 %	57 %	57 %
Cost-income ratio	51 %	54 %	53 %
Return of equity	11,9 %	11,7 %	13,0 %
Impairment losses ratio	0,07 %	0,05 %	-0,02 %
ECC price	46,50	32,10	46,36
Adjusted profit per ECC	2,99	2,63	2,99

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



Key figures ECC

Including effects of issues carried out in 2013

Key figures, equity capital certificates						
	30 Jun 13	30 Jun 12	2012	2011	2010	2009
ECC ratio	64,6 %	64,6 %	64,6 %	60,6 %	61,3 %	54,8 %
Total issued ECCs (mill)	129,83	124,21	129,83	102,76	102,74	82,78
ECC price	46,50	32,10	34,80	36,31	49,89	45,06
Market value (NOKm)	6.037	3.987	4.518	3.731	5.124	3.749
Booked equity capital per ECC	51,66	47,97	50,09	48,91	46,17	42,11
Post-tax earnings per ECC, in NOK	2,99	2,63	5,21	6,06	5,94	6,37
Dividend per ECC	-	-	1,50	1,85	2,77	2,10
P/E	7,79	6,10	6,68	5,99	7,07	8,40
Price / Booked equity capital	0,90	0,67	0,69	0,74	1,08	1,07

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.

10 largest ECC holders

At 30 June 2013

<u>Owner</u>	<u>Number</u>	<u>Share</u>
Reitangruppen AS	4.519.108	3,48 %
Odin Norge	4.168.311	3,21 %
Sparebankstiftelsen SpareBank 1 SMN	3.965.391	3,05 %
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	2.058.415	1,59 %
Stenshagen Invest	1.824.449	1,41 %
Verdipapirfondet Fondsfinans Spar	1.800.000	1,39 %
The Resource Group TRG	1.768.000	1,36 %

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

1

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

2

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

3

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

4

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

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

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.

SpareBank 1 SMN

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Internett addresses:

SMN home page and internet bank: www.smn.no

Hugin-Online: www.huginonline.no

Equity capital certificates in general:
www.grunnfondsbevis.no

Financial calendar 2013

Q2	14. August
Q3	31. October