

Q3 2013

October 31st 2013

## Q3 2013

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Profit NOK 433m (306m)

ROE 16.3 % (12.8 %)

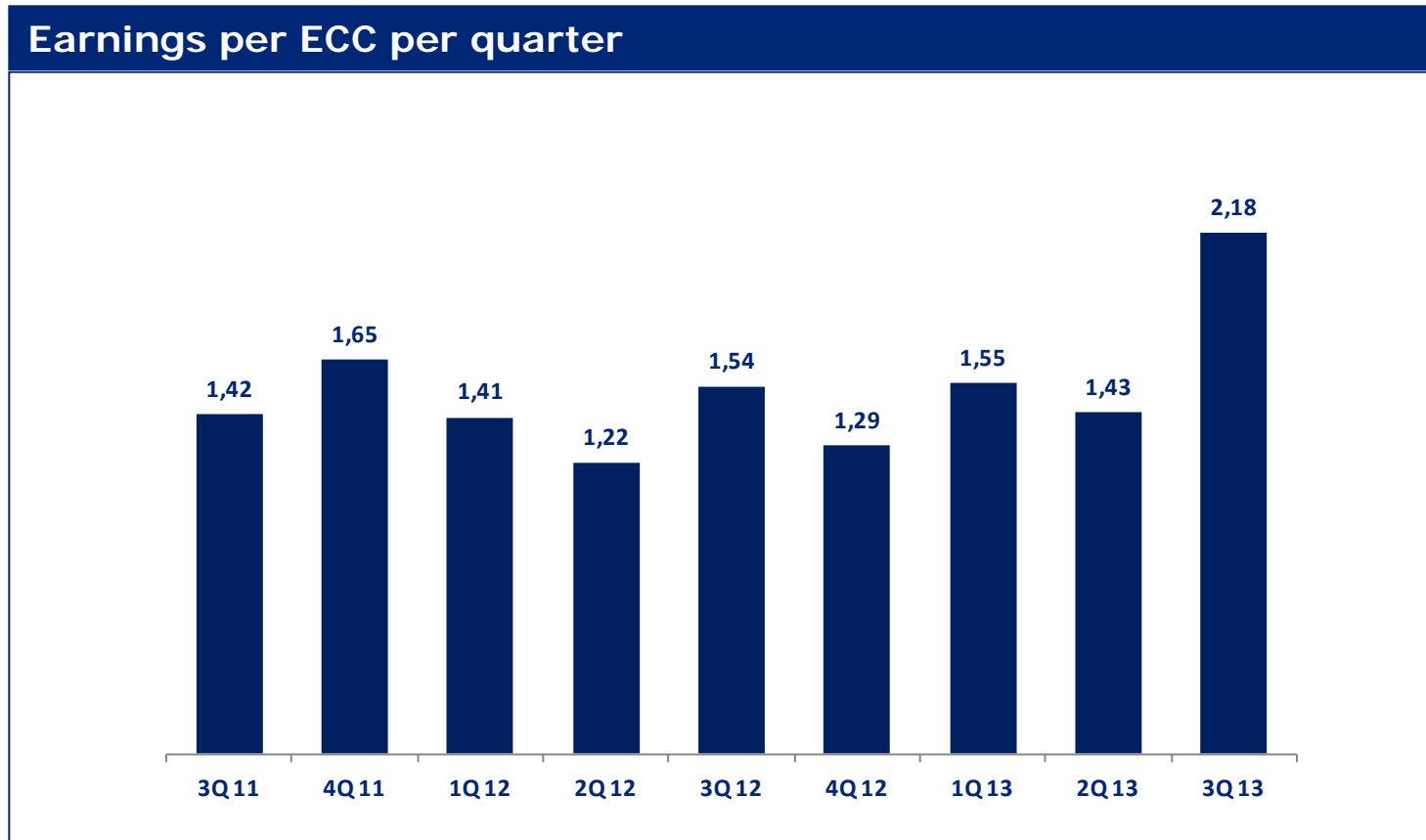
Result of core business NOK 365m (215m)

CET 1 increased with 37 bp in Q3

Growth in lending RM 2.3 % and CM -0,5 % in Q3

Booked equity capital per ECC NOK 53,76 (49,00)

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



# Summary first nine months 2013

Good profit of NOK 1,038m and 13.3% return on equity

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Net profit NOK 1,038m (816m)

Return on equity 13.3% (12.1%)

Result of core business NOK 936m (696m) up 34%

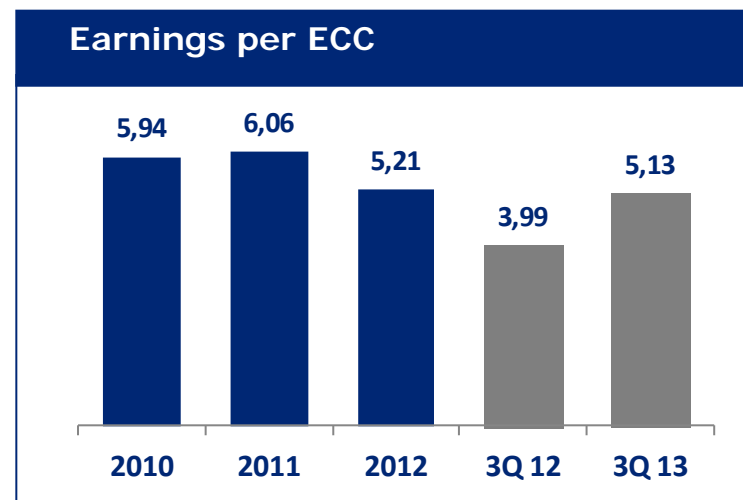
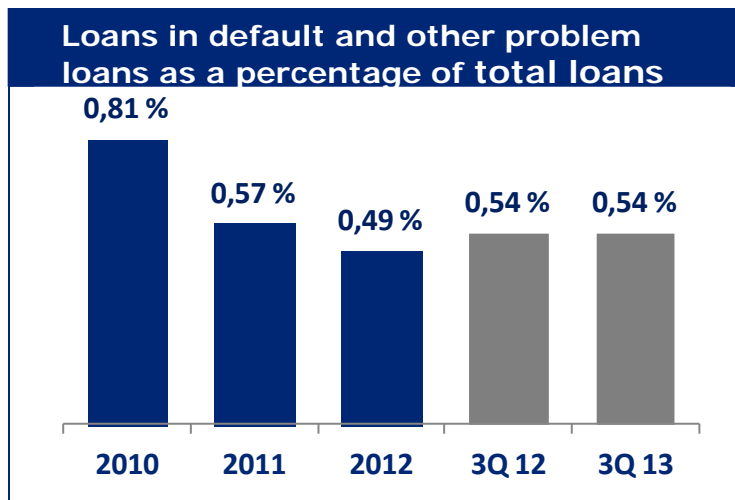
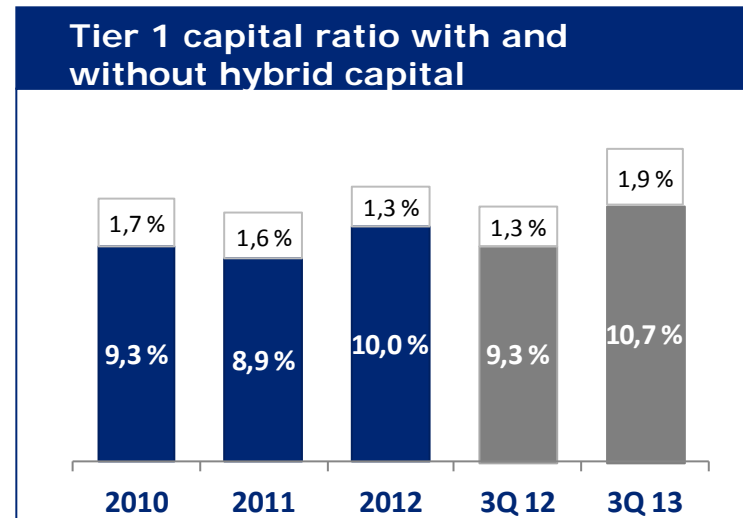
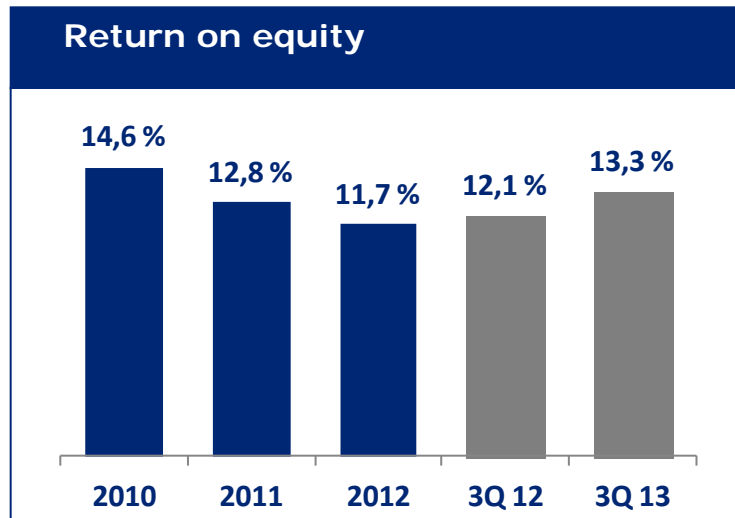
Retail banking share of loans 61% (59%)

Cost growth parent bank 0% (11%)

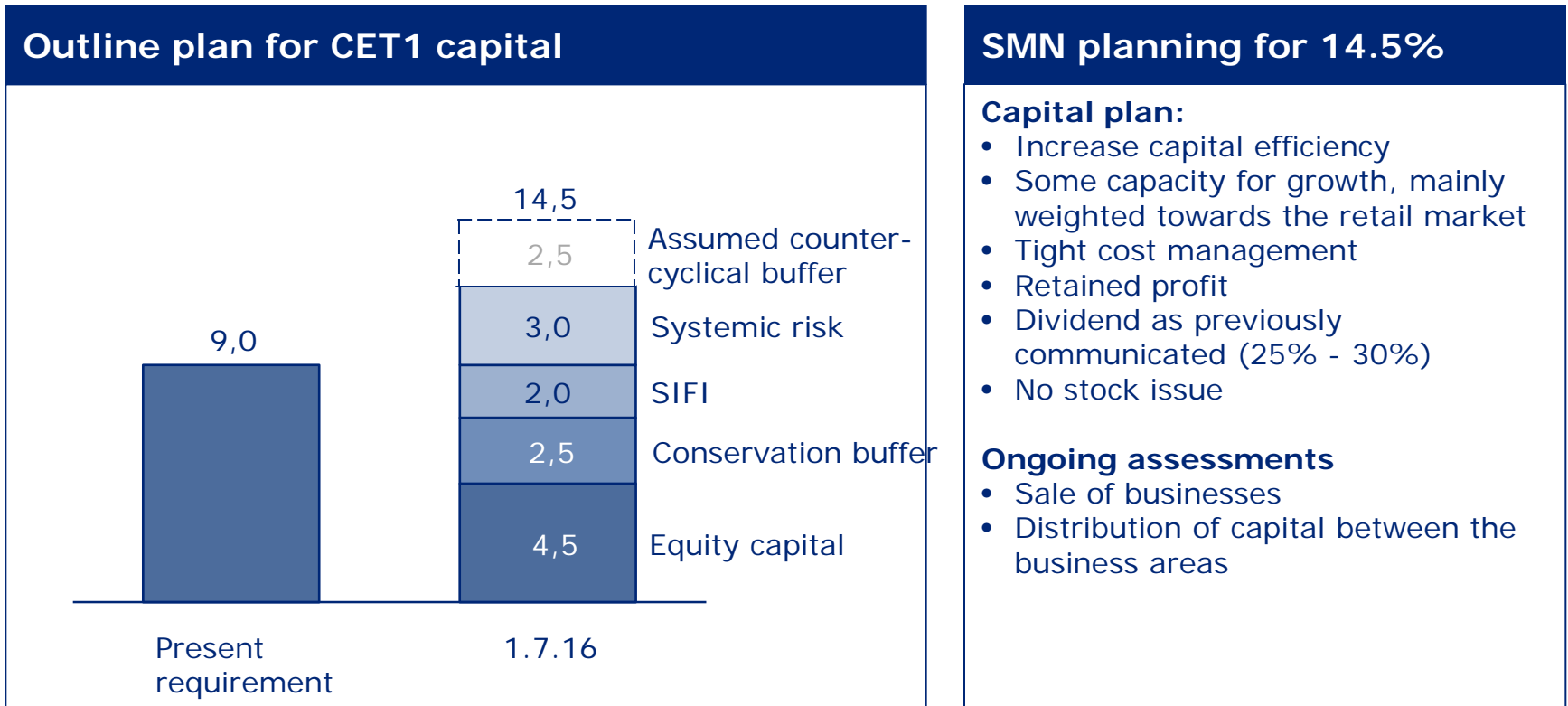
CET1 capital at 10.7% (9.3%)

# Good profitability

## Strengthened financial position and low credit risk



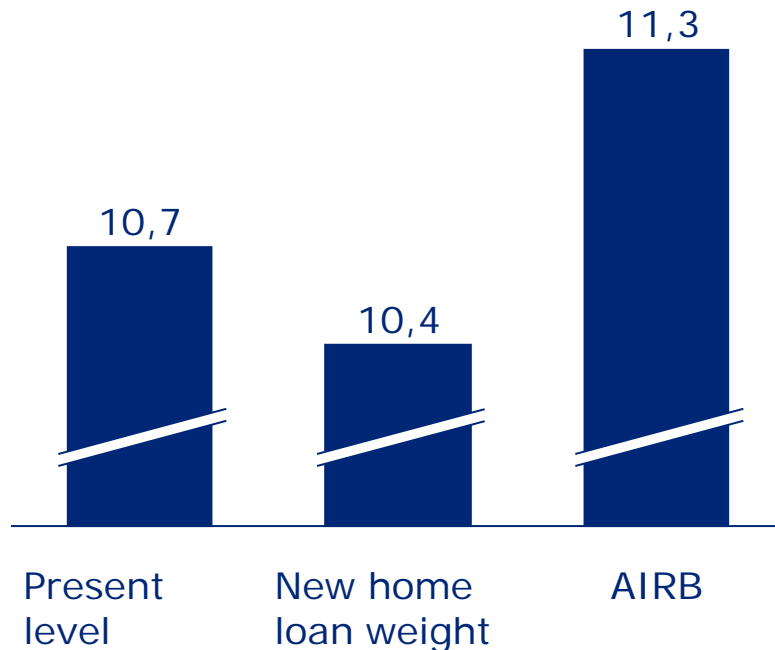
# SpareBank 1 SMN planning for a CET1 ratio of 14.5%



With somewhat unclear communication of final levels from the authorities, SMN plans for a CET1 ratio of 14.5%. This gives room for adjustment if the authorities decide on a lower level for some of the buffers, for example the countercyclical buffer.

## New home mortgage loan weights will weaken CET1 capital AIRB will strengthen CET1 (but will be limited by floor rules)

### Floor effect and AIRB effect upon implementation



- 1 As of Q3-13 SMN has a core capital ratio of 10.7%
- 2 Net reduction of 0.3% in core capital adequacy given a doubling of home mortgage loan weights
- 3 Effect of AIRB will raise CET1 ratio by 0.9%

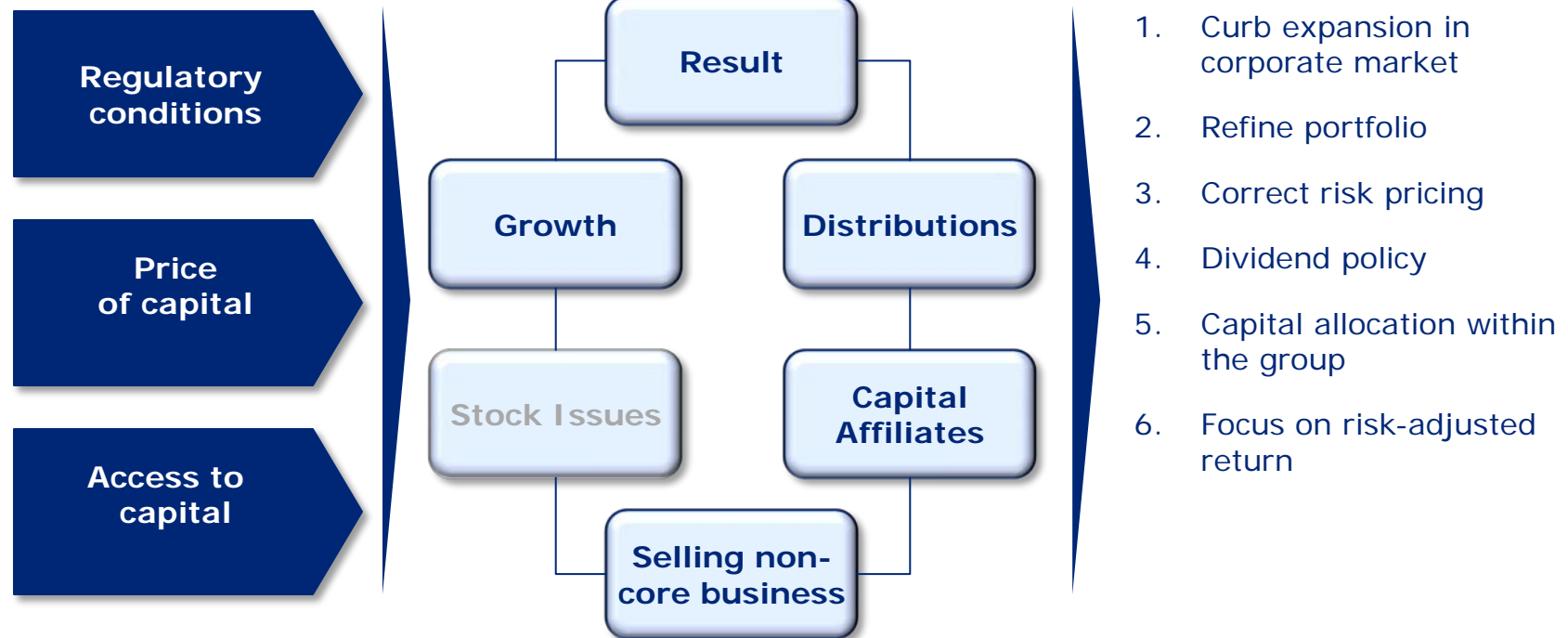
The current LGD floor of 10% is effective for SMN's home loan portfolio; an increase of the floor to 20% therefore represents a doubling of the capital requirement for SMN. Removal of the floor absorbs about 65% of the gross effect.

# 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



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



## Good profit trend for core business

### Per quarter Q3 11 – Q3 13

*NOK mill.*



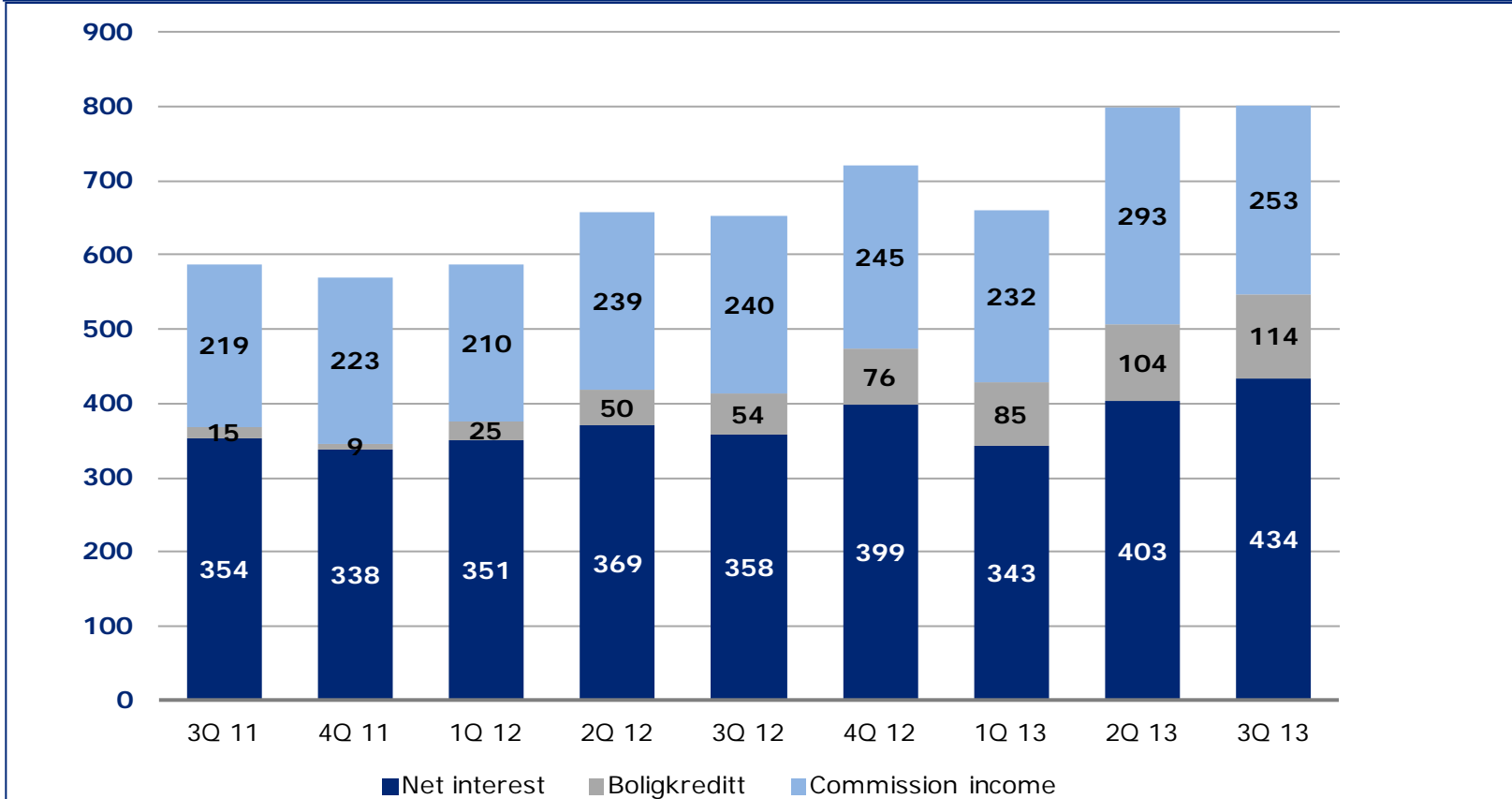
### Comments

Improvement in Q2 and Q3 13 at a high degree due to

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

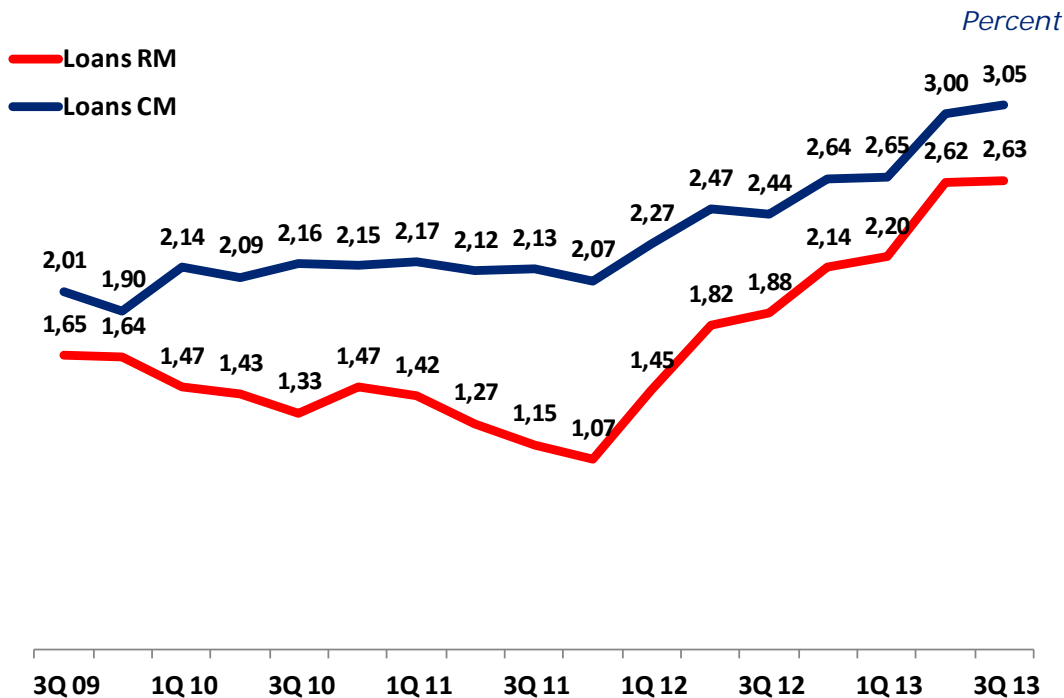
# Operating income

## Positive development operating income 3Q11 – 3Q13



# Lending margins 3Q 2009 – 3Q 2013

## Lending margins Retail and Corporate



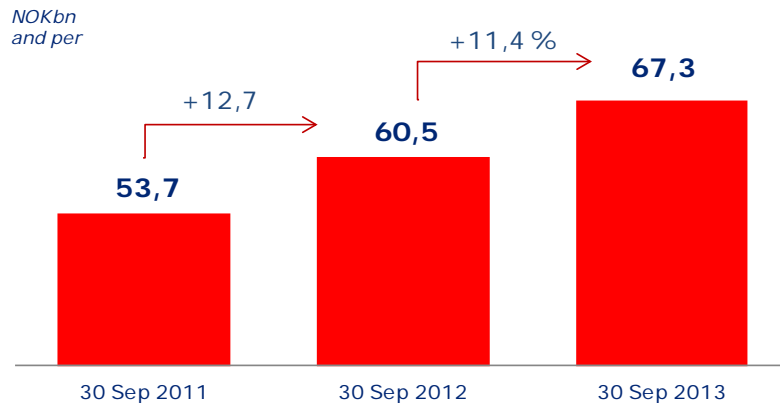
## Comments

- Increase in lending rates for both retail and corporate customers carried out in Q2 to meet announced increased capital requirements
- Interest rate level remains low

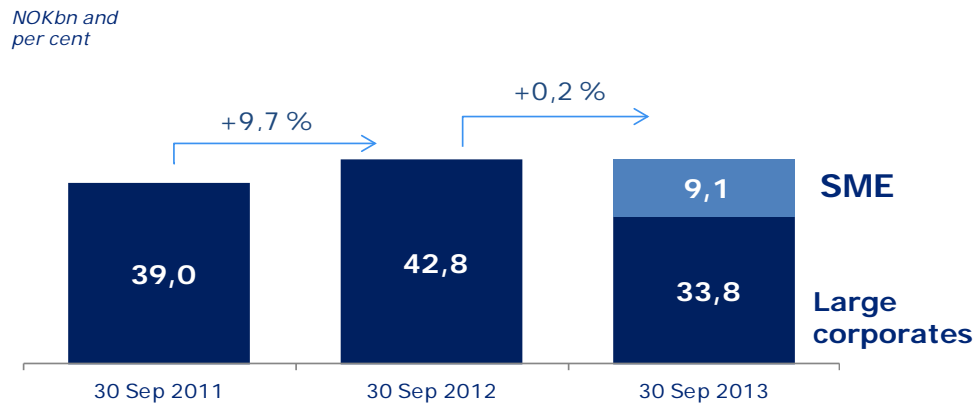
# Total growth lending 6.7 %

## High growth in lending to mortgages

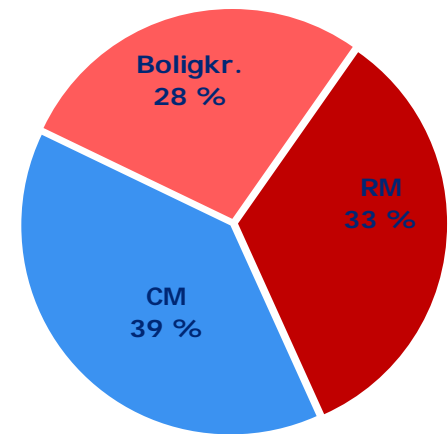
### Lending RM +11.4 % from 2012 to 2013



### Lending CM +0.2 % from 2012 to 2013



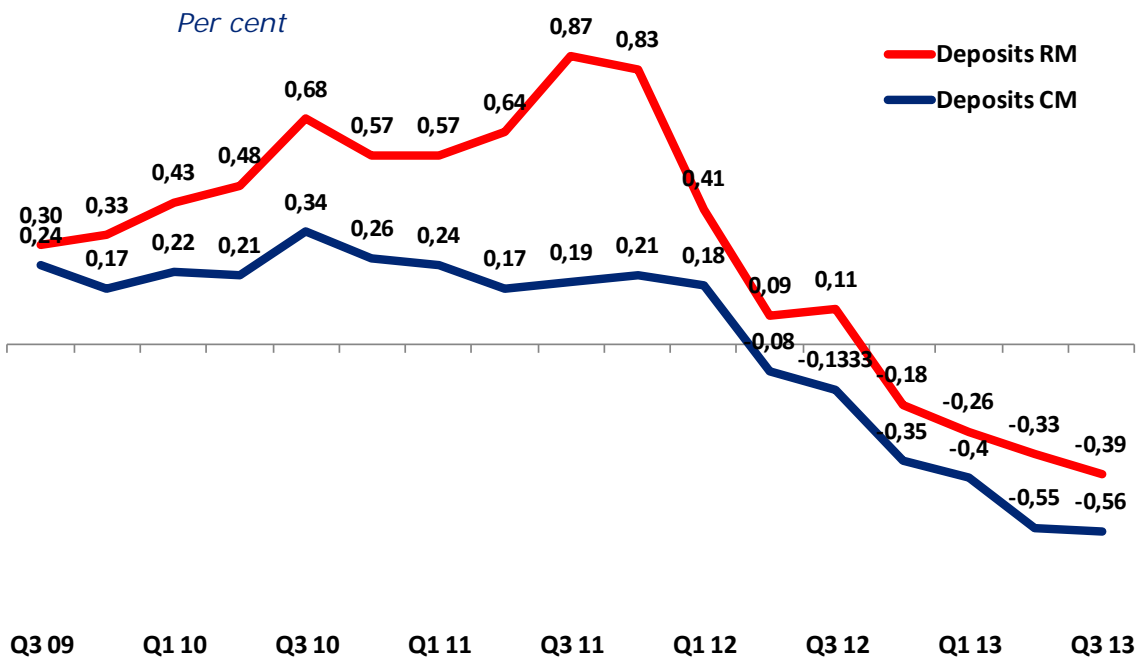
### Loans



# Deposit margins 3Q 2009 – 3Q 2013

## Deposit margins Retail and Corporate

Per cent

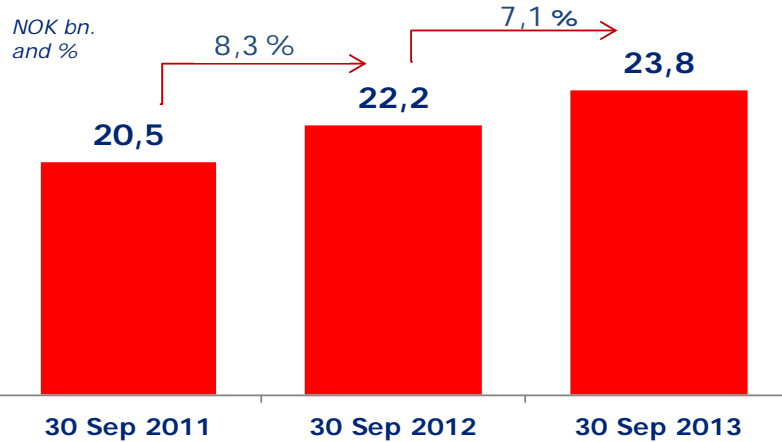


## Comments

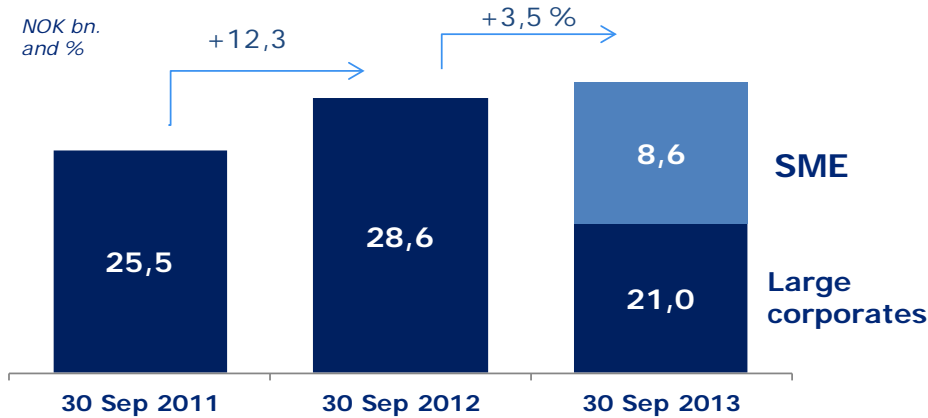
- Measured against NIBOR, margins have declined through 2012 and 2013
- Deposits are a favourable and important funding source for the bank

# Total growth deposits 5.1 %

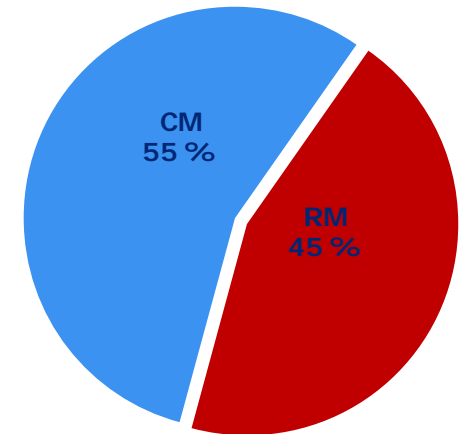
## Deposits RM + 7.1 % from 2012 to 2013



## Deposits CM + 3.5 % from 2012 to 2013



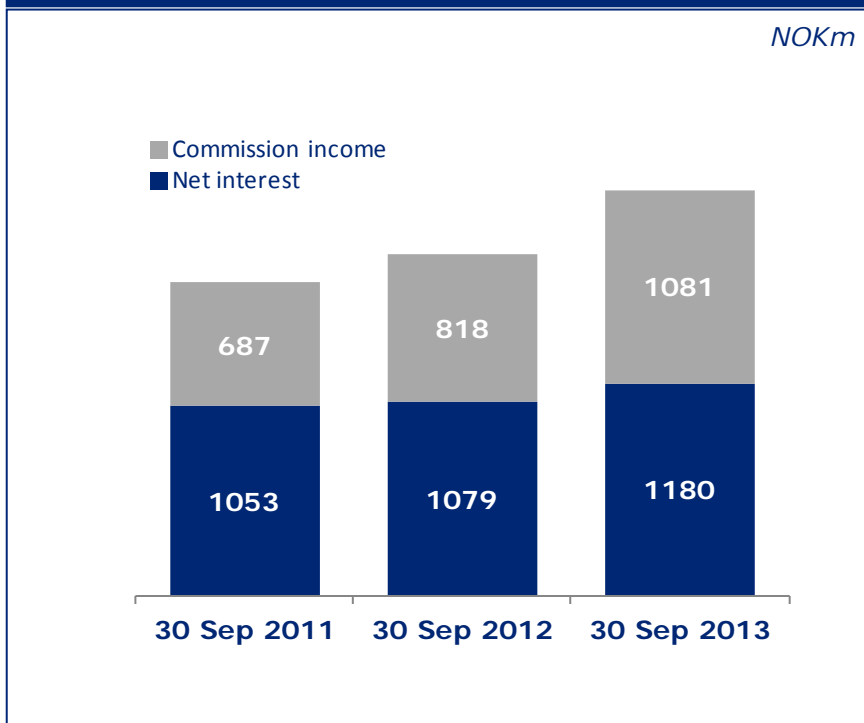
## Deposits



# Net interest, provision commission and other income

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

## Net interest and other income

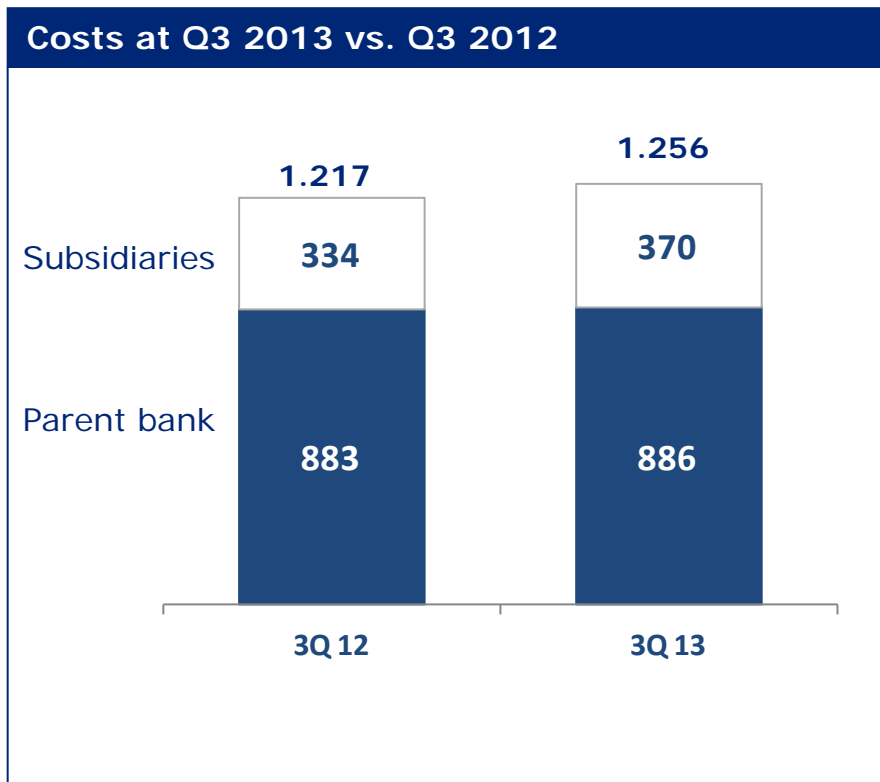


## Commission income Q3 12 and Q3 13

<i>mill kr</i>	30 Sep 2013	30 Sep 2012
Payment transmission income	169	148
Commissions savings	36	33
Commissions insurance	92	86
Commissions Boligkredditt	302	129
Guarantee commissions	40	22
Estate agency	255	255
Accountancy services	96	78
Assets management	9	8
Rental income	32	27
Other commissions	48	31
<b>Total commission income</b>	<b>1.081</b>	<b>818</b>

- 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

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



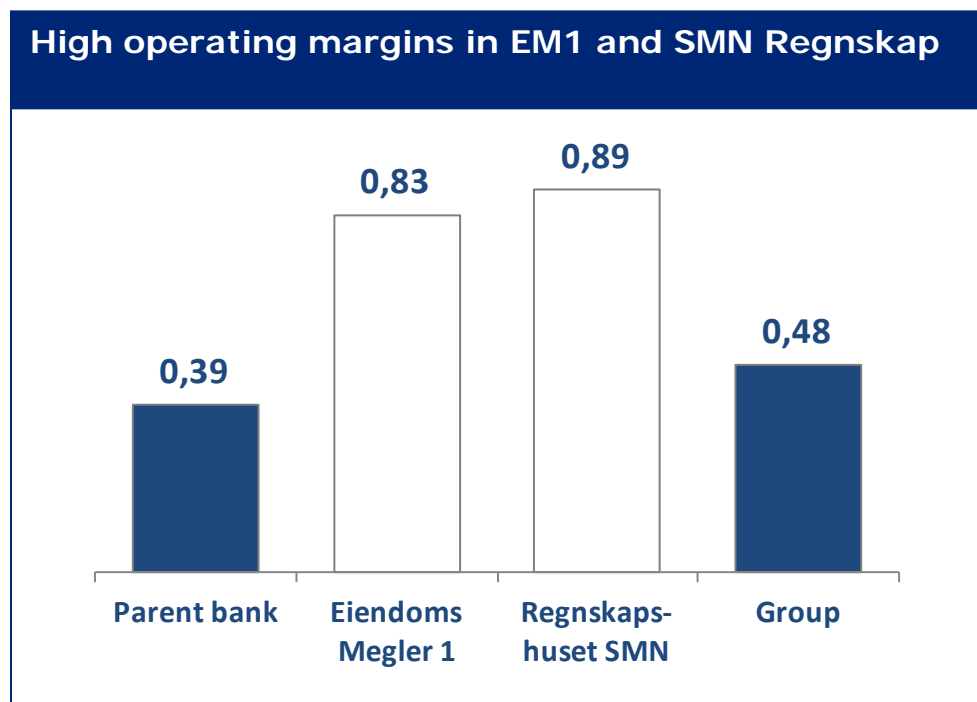
### Comments

Zero growth in costs at parent bank compared with 2012

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



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

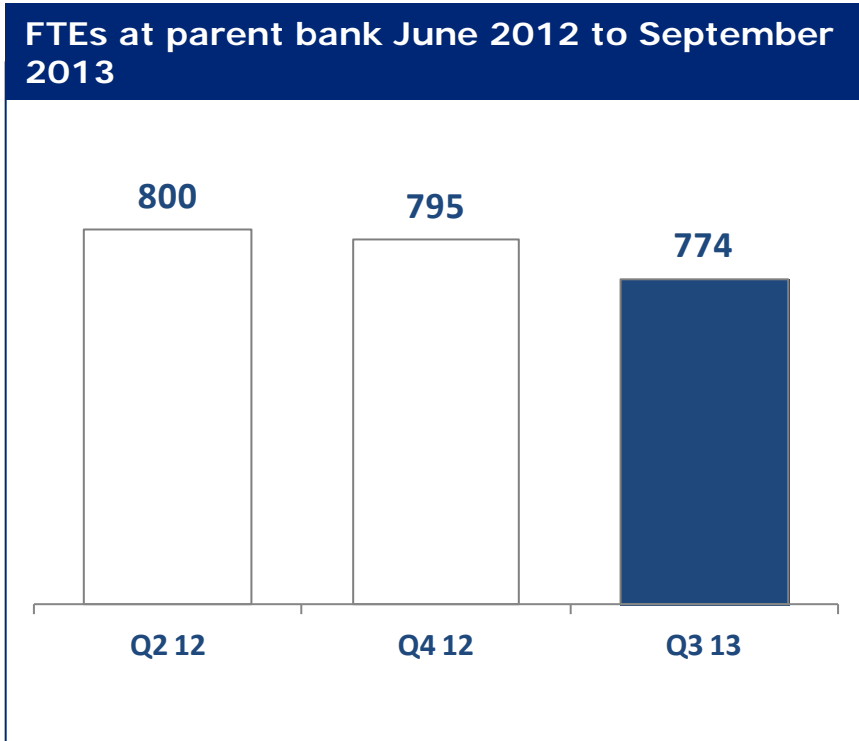


### Profitable and non-capital-intensive subsidiaries:

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

# 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

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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.

## Good results at the subsidiaries

### EiendomsMegler 1

- Profit: NOK 53.3m (57.54)
- 4,915 dwellings (4,965) sold with an overall sale value of NOK 12.4bn (11,7), and with a market share of about 40% in the region
- Focus on synergy between bank and estate agent

### SpareBank 1 Finans Midt-Norge

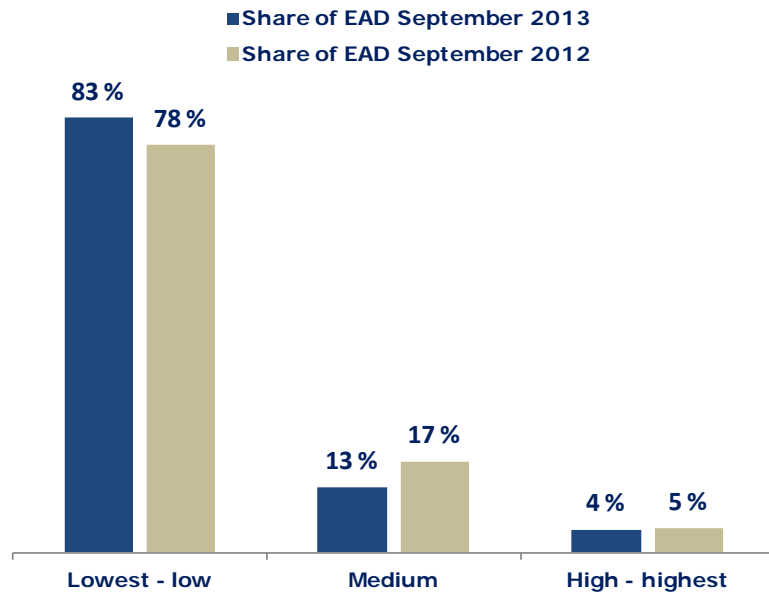
- Profit: NOK 42.6m (42.7m)
- Substantial income growth
- Leasing worth NOK 1.8bn and car loans worth NOK 1.4bn; growth in car loans

### SpareBank 1 Regnskapshuset SMN

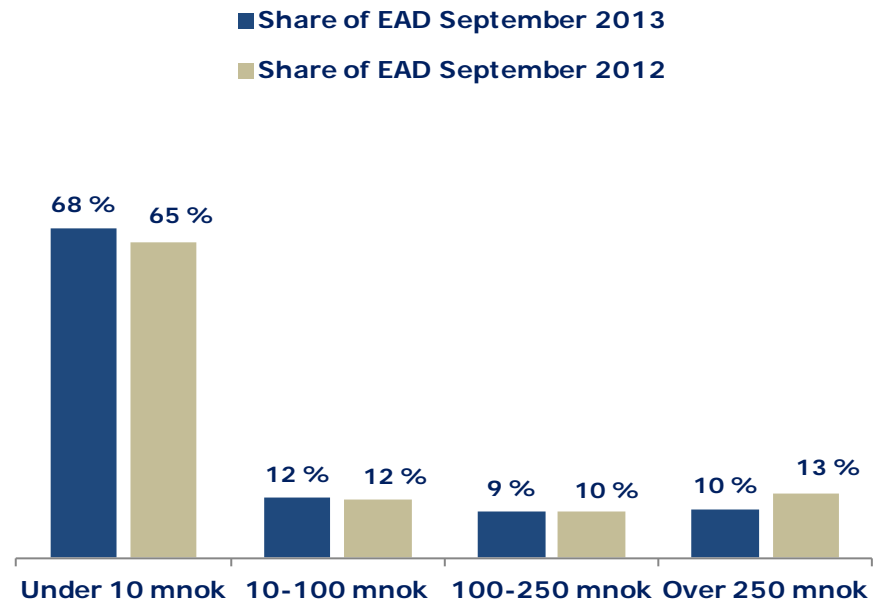
- Profit: NOK 12.2m (12.6m)
- Acquisition of 4 accountancy firms over the course of 2013
- Growth of 30% (3 x average growth in this industry) and market leader in mid-Norway
- SpareBank 1 Regnskapshuset launched as a nationwide brand

# Improved credit risk

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

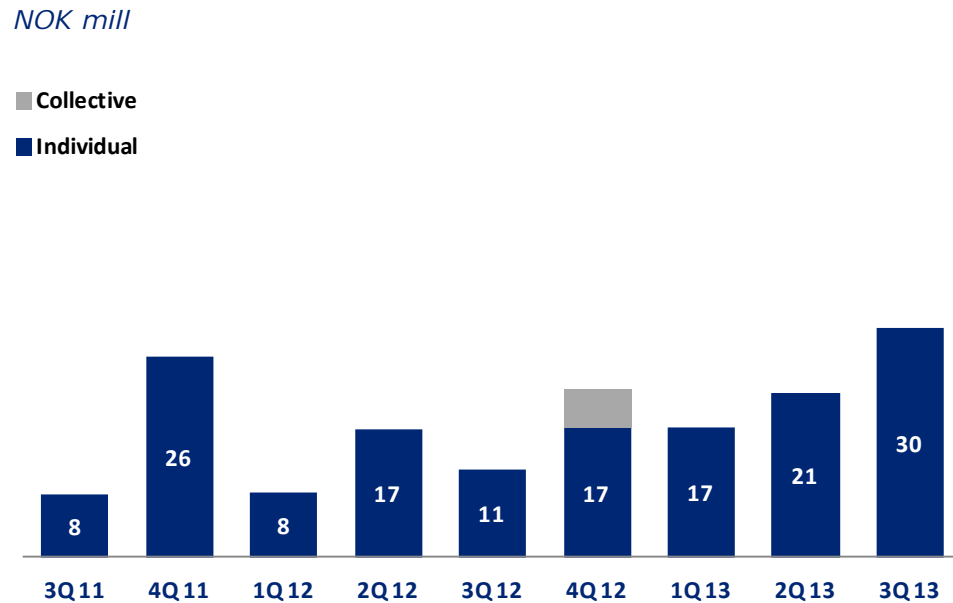


SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default

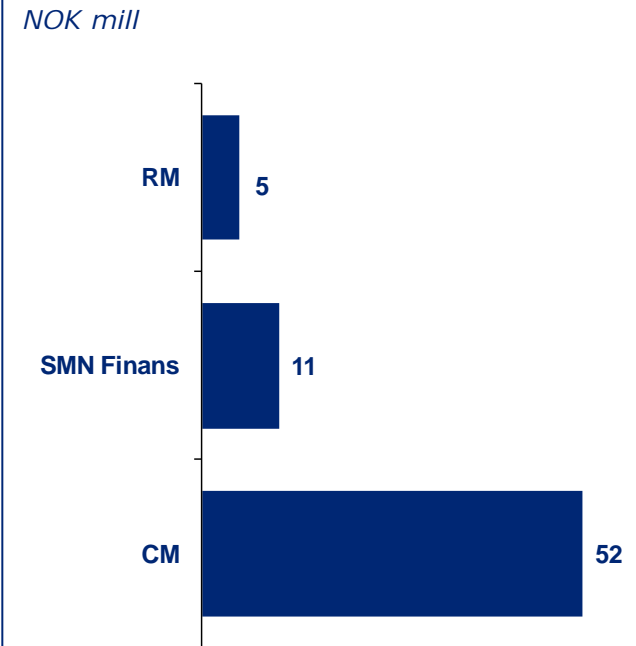


# Low loan losses

## Loan losses – quarterly trend



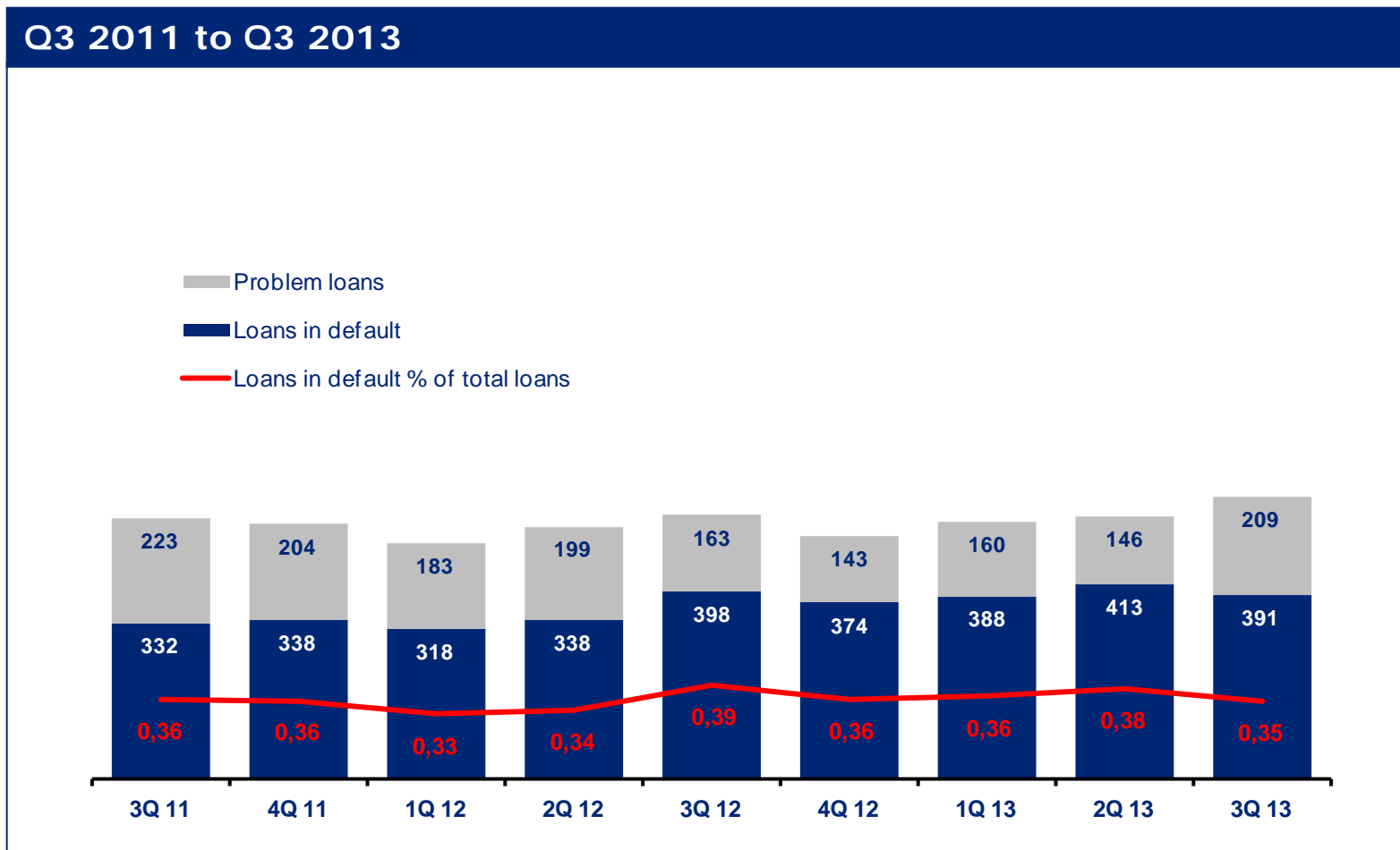
## Losses by business area:



- Loan losses measure 0.08% (0.06%) of gross lending at 30 September 2013

# Defaults and other problem loans

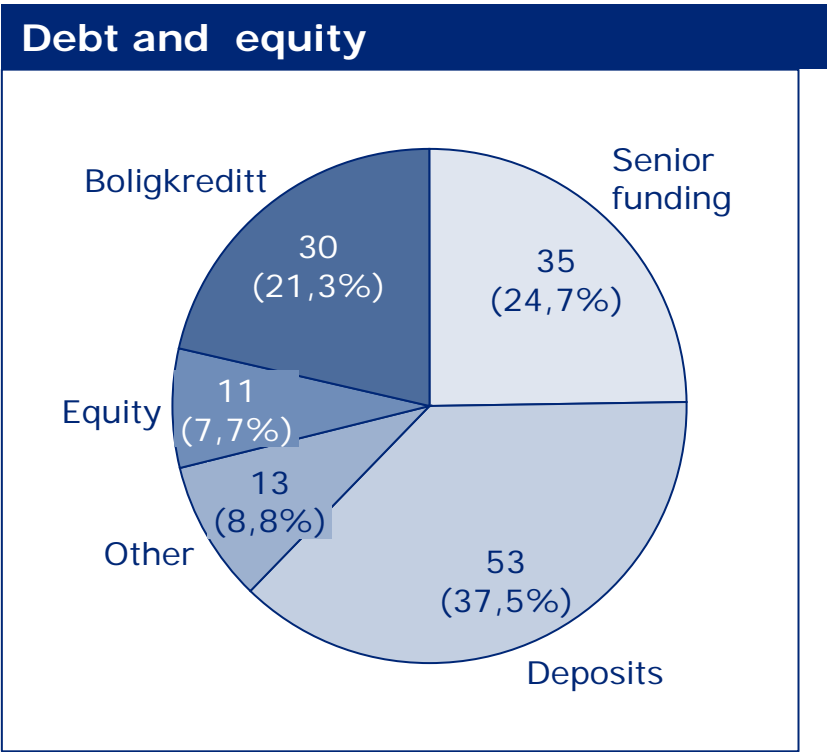
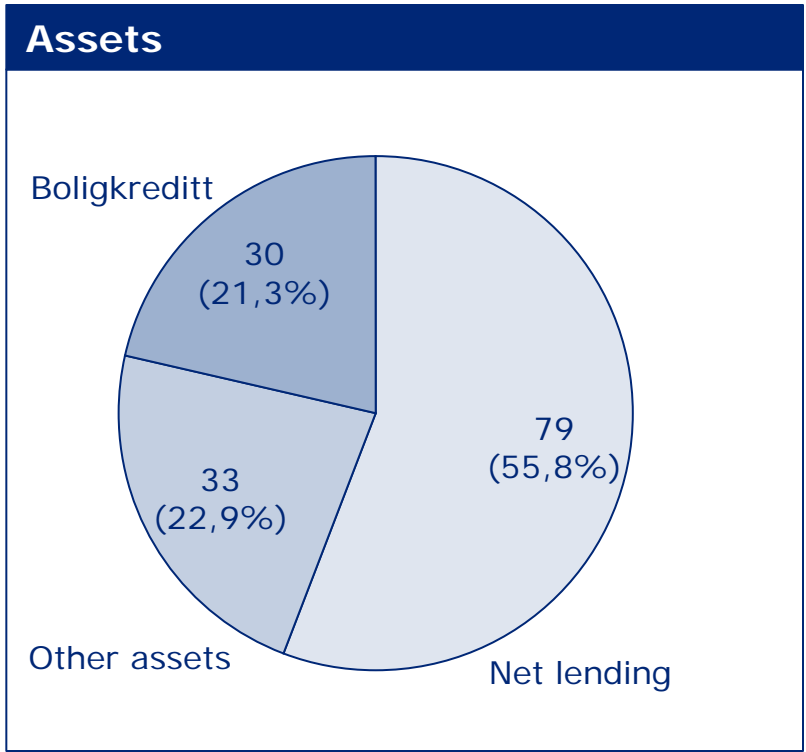
## Low levels



## Balance sheet

	30 Sep 2013	30 Sep 2012	30 Sep 2011
Funds available	20,4	21,2	17,0
Net loans	79,4	74,9	71,1
Securities	1,0	0,7	0,6
Investment in related companies	4,6	5,0	4,3
Goodwill	0,5	0,5	0,5
Other assets	6,2	8,2	6,6
<b>TOTAL ASSETS</b>	<b>112,0</b>	<b>110,6</b>	<b>100,0</b>
Capital market funding	35,2	36,5	32,2
Deposits	53,4	50,8	46,0
Funding, "swap" arrangement with the government	2,3	2,6	4,3
Other liabilities	6,9	8,4	6,6
Subordinated debt	3,3	2,6	2,7
Equity	10,9	9,7	8,1
<b>TOTAL DEBT AND EQUITY</b>	<b>112,0</b>	<b>110,6</b>	<b>100,0</b>
*) in addition loans sold to SPB1 Boligkredit	30,4	27,9	21,1

# The group has a diversified funding





# SpareBank 1 SMN intends to be among the best performing banks

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<b>Customer orientation</b>	Best on customer experience Will continue to strengthen market position
<b>Profitable</b>	In the area of 12 % - 14 % annually up towards 2015
<b>Solid</b>	14.5% by the end of 1. half 2016
<b>Efficient</b>	Maximum parent bank cost growth of 3% per annum up to 2015. Increased efficiency and productivity
<b>Dividend</b>	Real-terms payout ratio of 25% to 30%. Strong focus on strengthening capital through retained profit

# Appendix

## Positive development in profits

Profit	At 30. Sep 2013			Per quarter				
	30 Sep 2013	30 Sep 2012	Change	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12
NOK mill								
Net interest	1.180	1.079	102	434	403	343	399	358
Commission income and other income	1.081	818	263	367	396	317	321	294
<b>Operating income</b>	<b>2.261</b>	<b>1.897</b>	<b>364</b>	<b>801</b>	<b>800</b>	<b>660</b>	<b>720</b>	<b>653</b>
Total operating expenses	1.256	1.217	40	406	436	414	437	421
<b>Pre-loss result of core business</b>	<b>1.005</b>	<b>680</b>	<b>324</b>	<b>395</b>	<b>364</b>	<b>245</b>	<b>283</b>	<b>231</b>
Losses on loans and guarantees	68	42	27	30	21	17	17	16
<b>Post-loss result of core business</b>	<b>936</b>	<b>639</b>	<b>298</b>	<b>365</b>	<b>342</b>	<b>228</b>	<b>266</b>	<b>215</b>
Related companies, including held for sale	290	231	60	150	32	108	30	82
Securities, foreign currency and derivatives	90	173	-83	16	13	61	34	86
<b>Result before tax</b>	<b>1.316</b>	<b>1.042</b>	<b>274</b>	<b>531</b>	<b>387</b>	<b>398</b>	<b>329</b>	<b>383</b>
Tax	278	225	52	98	102	77	69	77
<b>Net profit</b>	<b>1.038</b>	<b>816</b>	<b>222</b>	<b>433</b>	<b>285</b>	<b>321</b>	<b>260</b>	<b>306</b>
<b>Return on equity</b>	<b>13,3 %</b>	<b>12,1 %</b>		<b>16,3 %</b>	<b>11,1 %</b>	<b>12,7 %</b>	<b>10,5 %</b>	<b>12,8 %</b>

# Subsidiaries and related companies

## Profit subsidiaries and share of profit related companies

	30 Sep 2013	30 Sep 2012	30 Sep 2011
<b>Subsidiaries (pre tax)</b>			
EiendomsMegler 1 Midt-Norge (87 %)	53,3 *)	57,4	55,1
SpareBank 1 Regnskapshuset SMN	12,2	12,6	5,4
SpareBank 1 Finans Midt-Norge (90 %)	42,6 *)	42,7	22,5
SpareBank 1 SMN Invest	27,0	11,9	50,0
Other companies	-2,4	-13,4	-15,8
<b>Associated companies (after tax)</b>			
SpareBank 1 Gruppen (19,5 %)	153,1	104,3	49,6
SpareBank 1 Boligkreditt (18,4 %)	25,3	36,5	14,6
SpareBank 1 Næringskreditt (29,3 %)	4,8	7,9	6,2
BN Bank (33 %)	74,6	41,4	73,0

\*) The company's total profit

# Return on financial investments

Satisfactory return							
<i>NOKm</i>	30 Sep 2013	30 Sep 2012	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12
Share of profit in related companies	290	231	150	33	108	30	85
Net gain and dividends on securities	45	22	19	2	25	2	27
Net gain on bonds	-14	56	-19	-14	20	0	18
Net gain on trading and derivatives Markets	58	95	16	25	17	31	36
<b>Return on financial investments</b>	<b>380</b>	<b>404</b>	<b>166</b>	<b>45</b>	<b>169</b>	<b>63</b>	<b>165</b>

## Reduced cost growth in parent bank

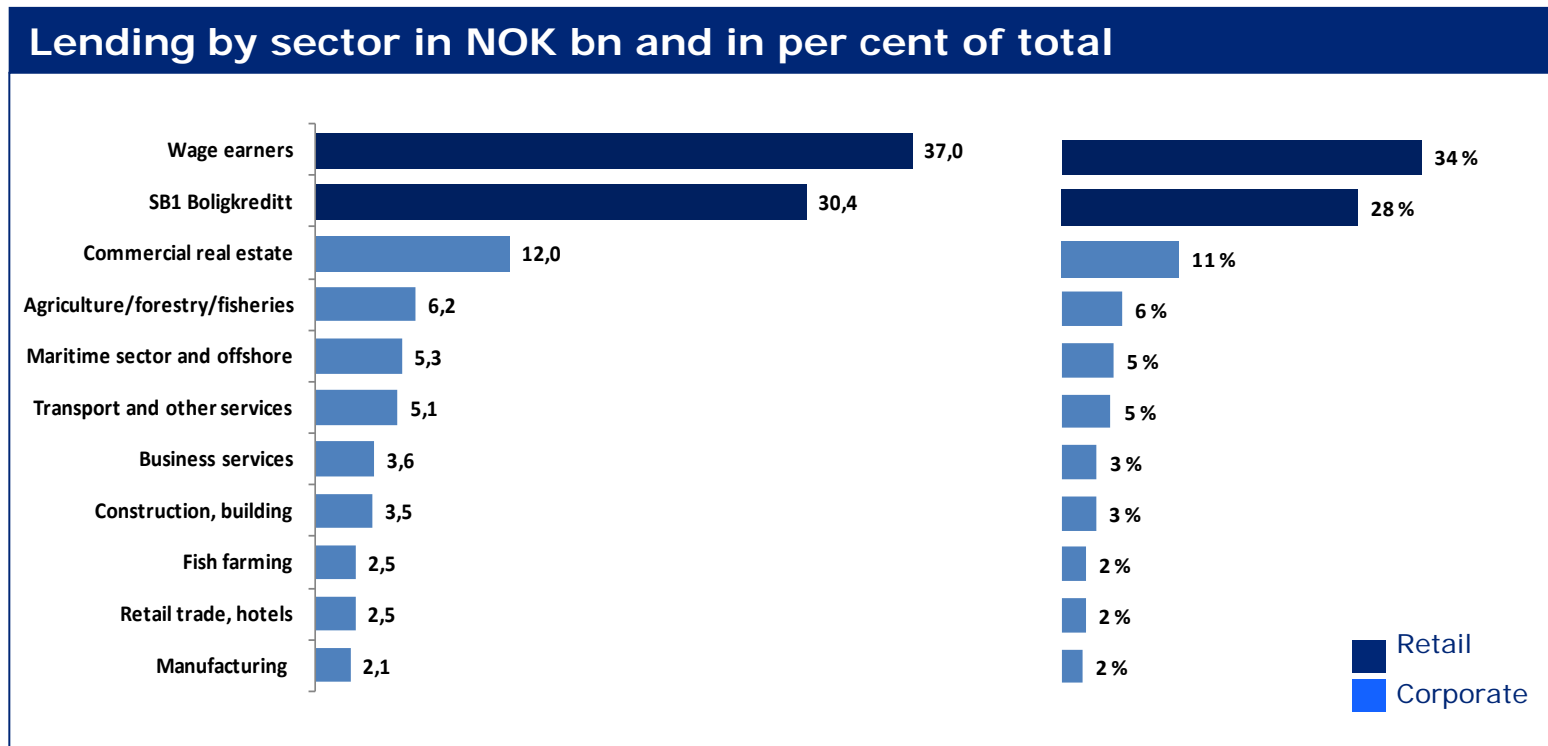
### Change in operating expenses Q3 2012 – Q3 2013

<i>NOK mill</i>	
Expenses 30 Sep 2013	1.256
Expenses 30 Sep 2012	1.217
<b>Change</b>	<b>40</b>
<b>Obtained as follows:</b>	
<b>Parent bank</b>	<b>3</b>
Personell costs	-21
IT	5
Depreciations	6
Other expenses	13
<b>Subsidiaries</b>	<b>37</b>
Regnskapshuset SMN	27
EiendomsMegler 1	8
Other subsidiaries	2
<b>Group</b>	<b>40</b>

### Reduced cost growth in 2013

- Zero growth in parent bank – in line with plan
- Number of FTEs shall be reduced with 75 in 3 years. Reduction of 20 as at 20. september 2013
- Purchases of accountancy offices have caused "new" costs

## High and increased share mortgages and diversified portfolio SMEs

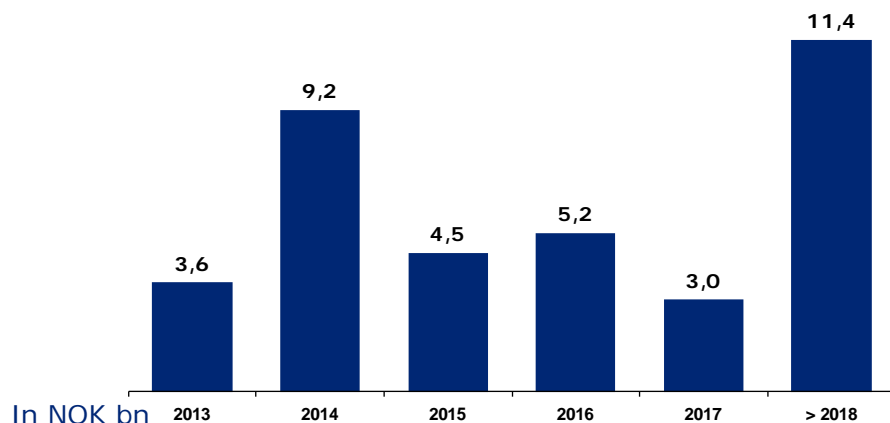


- Large portions of the retail market and primary industries are risk-dampening
- The Group has a well diversified corporate market portfolio
- No specific concerns related to the bank's loans to commercial real estate. Low interest rates and stable high occupancy rates in the bank's market area

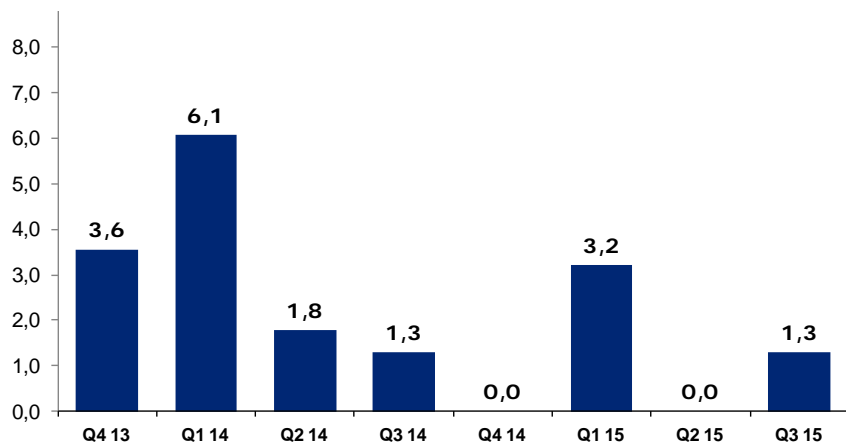
# Satisfying access to capital market funding

## Funding maturity 30 September 2013

In NOK bn



In NOK bn



## Comments

- Maturities Q4 2013 – Q3 2015 NOK 18.3 bn
- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 29.5 billion transferred as of 30 September 2013
- In the first quarter of 2013 SpareBank 1 SMN raised a five-year loan of EUR 500bn.



## Good liquidity

### Liquidity reserves at 30 September 2013, NOKm

Type	Book value	Share
Government bonds	4.771	25 %
Covered bonds	6.932	36 %
Municipalities	2.845	15 %
Bank/finance	4.516	23 %
Industry	181	1 %
<b>Total securities</b>	<b>19.305</b>	<b>100 %</b>
Cash and deposit to credit institutions	1.160	
<b>Total liquidity buffer</b>	<b>22.768</b>	

### Comments

- Liquidity buffer of NOK 22.8 bn as at 30 September 2013
- The bank is funded for 18 months .

# Capital adequacy

## Capital adequacy as at Q3 12 and Q3 13

NOKm

	30.9.13	30.9.12
Core capital exclusive hybrid capital	9.089	7.717
Hybrid capital	1.619	1.108
<b>Core capital</b>	<b>10.707</b>	<b>8.826</b>
Supplementary capital	1.346	1.066
<b>Total capital</b>	<b>12.053</b>	<b>9.891</b>
Total credit risk IRB	3.736	3.937
Debt risk	225	209
Equity risk	13	15
Operational risk	398	420
Exposures calculated using the standardised approach	2.135	2.178
Deductions	-110	-121
Transitional arrangements	403	0
<b>Minimum requirements total capital</b>	<b>6.802</b>	<b>6.638</b>
<b>Core capital ratio</b>	<b>12,6 %</b>	<b>10,6 %</b>
<b>Core capital ratio ex. hybrid capital</b>	<b>10,7 %</b>	<b>9,3 %</b>
<b>Capital adequacy ratio</b>	<b>14,2 %</b>	<b>11,9 %</b>

## Key figures

### 3Q 2011 – 3Q 2013

	30 Sep 2013	30 Sep 2012	30 Sep 2011
Net interest	1,42	1,37	1,44
Comm. income and net retur on fin. inv.	1,71	1,57	1,31
Operating expenses	1,51	1,55	1,46
Net profit as a percentage of ATA	1,62	1,39	1,29
Capital adequacy ratio	10,7 %	9,3 %	12,1 %
Core capital ratio	12,6 %	10,6 %	10,4 %
Growth in loans incl. Boligkreditt	6,7 %	11,4 %	7,7 %
Growth in deposits	5,1 %	10,5 %	19,1 %
Deposit-to-loan ratio	67 %	67 %	64,3 %
RM share loans	61 %	59 %	58 %
Cost-income ratio	48 %	53 %	53 %
Return of equity	13,3 %	12,1 %	12,6 %
Impairment losses ratio	0,08 %	0,06 %	0,00 %
ECC price	45,70	37,00	36,31
Adjusted profit per ECC	5,13	3,99	4,41

## Key figures ECC

Including effects of issues carried out in 2013

Key figures, equity capital certificates						
	30 Sep 13	30 Sep 12	2012	2011	2010	2009
ECC ratio	64,6 %	65,5 %	64,6 %	60,6 %	61,3 %	54,8 %
Total issued ECCs (mill)	129,83	129,83	129,83	102,76	102,74	82,78
ECC price	45,70	37,00	34,80	36,31	49,89	45,06
Market value (NOKm)	5.933	4.804	4.518	3.731	5.124	3.749
Booked equity capital per ECC	53,76	49,00	50,09	48,91	46,17	42,11
Post-tax earnings per ECC, in NOK	5,13	3,99	5,21	6,06	5,94	6,37
Dividend per ECC	-	-	1,50	1,85	2,77	2,10
P/E	6,68	6,96	6,68	5,99	7,07	8,40
Price / Booked equity capital	0,85	0,76	0,69	0,74	1,08	1,07

# Dividend policy

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- 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 September 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 %
Verdipapirfondet DNB Norge (IV)	2.502.524	1,93 %
Stenshagen Invest	2.176.384	1,68 %
MP Pensjon PK	2.058.415	1,59 %
The Resource Group TRG	1.768.000	1,36 %

# SpareBank 1 SMN

7467 TRONDHEIM

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## CEO

**Finn Haugan**

Tel +47 900 41 002

E-mail: [finn.haugan@smn.no](mailto:finn.haugan@smn.no)

## Switchboard

Tel +47 07300

**For further information contact:**

## CFO

**Kjell Fordal**

Tel +47 905 41 672

E-mail: [kjell.fordal@smn.no](mailto:kjell.fordal@smn.no)

## Internett addresses:

SMN home page and internet bank: [www.smn.no](http://www.smn.no)

Hugin-Online: [www.huginonline.no](http://www.huginonline.no)

Equity capital certificates in general:  
[www.grunnfondsbevis.no](http://www.grunnfondsbevis.no)

## Financial calendar 2013

Q2	14. August
Q3	31. October