

Q4 2013
Preliminary annual accounts 2013

February 5th 2014

2013 profit performance is the best in the bank's history

- **An excellent year – the bank is delivering on its stated goals and plans**
- **Strong focus on profitability, management of risk-weighted assets and implementation of the capital plan has strengthened the CET1 ratio by 1.1 ppt. Government-imposed core capital requirements will be met without carrying out an ordinary stock issue. The board of directors may consider a private placing with the foundation Sparebankstiftelsen SMN.**
- **Sparebank 1 SMN is firmly positioned as market leader and has in 2013 continued to strengthen its market position in spite of capital restrictions.**
- **Earnings are robust with an increase in other incomes due to higher sales at the same time as the cost level has been reduced.**
- **«Best for customer experience» is the bank's major change-and-improvement project which has revealed a large potential for increased market shares and, by the same token, continued income growth through a stronger focus on organisational measures and advisor performance.**

Very strong profit improvement

Net profit NOK 1,400m (1,077m)

Return on equity 13.3 % (11.7 %)

Result of core business NOK 1.256m (904m) up 39 %

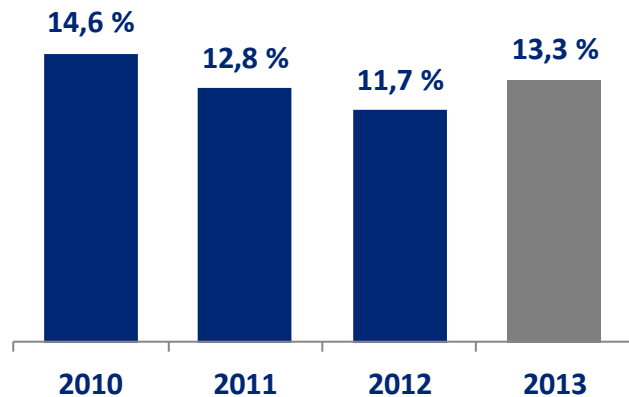
Retail banking share of loans 61% (60%)

Cost growth parent bank -1 % (11%)

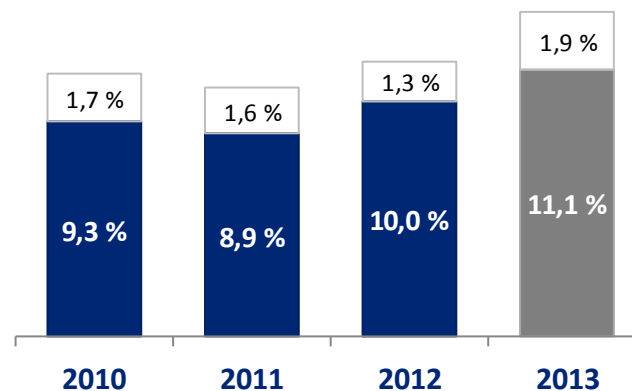
CET1 capital at 11.1% (10.0%)

Progress for all central profit elements

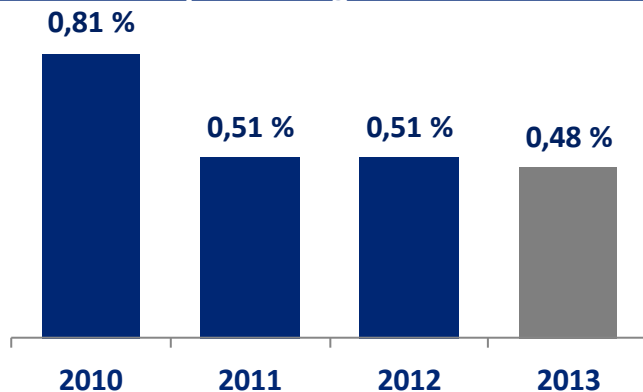
Return on equity



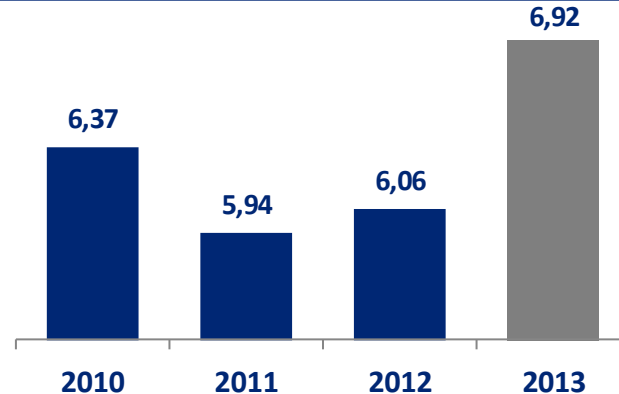
Tier 1 capital ratio with and without hybrid capital



Loans in default and other problem loans as a percentage of total loans

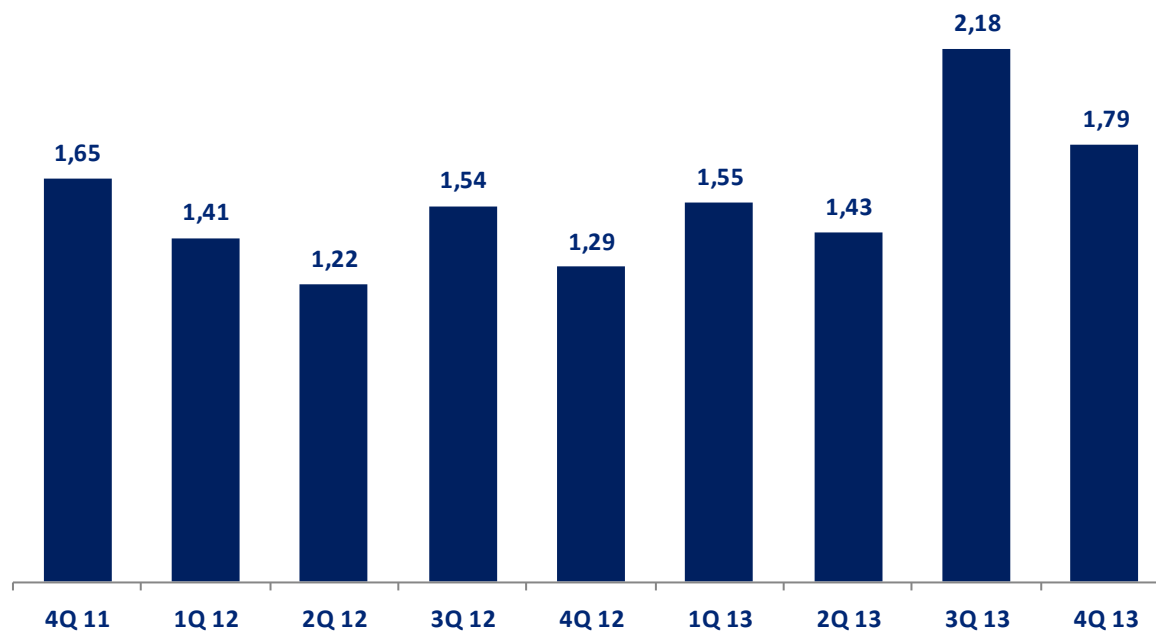


Earnings per ECC



Earnings per ECC (adjusted for stock issues)

Last two years per quarter



Strategy guidelines that are few in number and clear-cut assure a clear direction and task understanding in the organisation. Local-level implementation ensures realisation

Strategic tasks and guidelines

Best for customer experience

1



The best and most committed staff

2

Decentralised management and local ownership of customers and market



Growth in market shares

3

Increased input:

- Trondheim, Molde and Ålesund
- SMEs



Continuous improvement

4

Improve work processes, better working tools



Exploit potentials in the SpareBank 1 alliance

5

Take out the benefit of increased cooperation in the alliance. Intensify the digital focus



The group's subsidiaries hold a dominant position in the market and ensure a diversified income base and robust value creation

Position

Company

Business areas

1

EiendomsMegler 1

Number 1 position in market area.
House sales, projects, commercial property.
40% market share, strong synergy with the bank
Profit of NOK 60.7m (76.2m)

1

SpareBank 1
FINANS MIDT-NORGE

Number 1 position in market area.
Leasing NOK 1.8bn, car loans NOK 1.4bn.
Consumer finance from 2014
Profit of NOK 50.7m (55.8m)

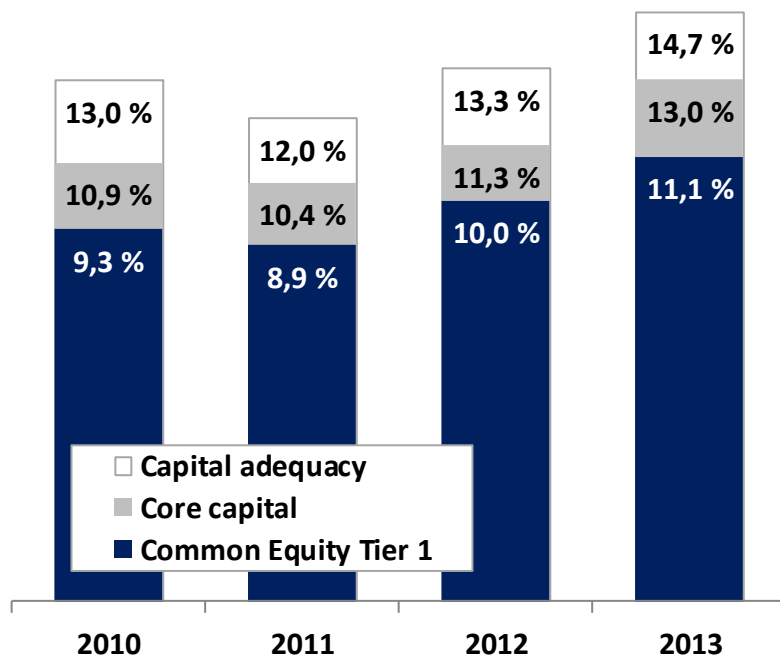
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SpareBank 1
REGNSKAPSHUSET

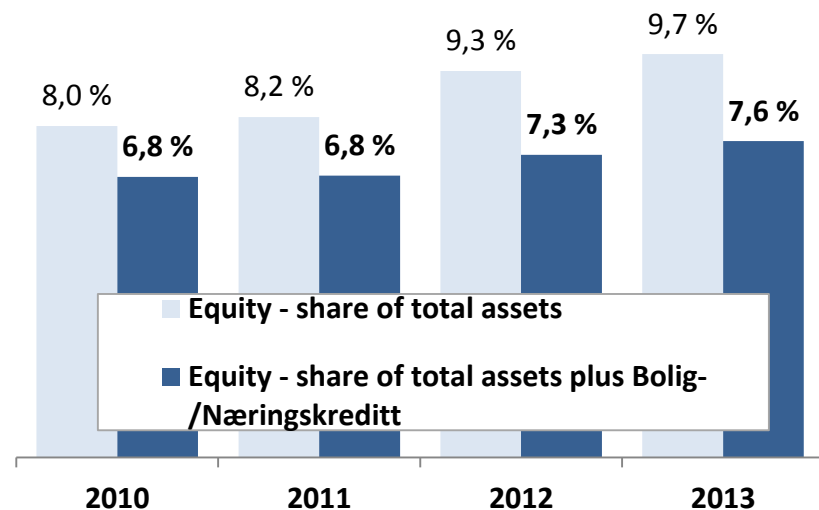
Ambitious growth strategy, company acquisitions.
30% growth over past year.
Accounting services, advisory services.
Profit of NOK 14.0m (13.8m)

Strengthened capital. Very high equity ratio in relation to total assets

Development capital adequacy last 4 years



Development share of equity last 4 years



SpareBank 1 SMN will now meet the core capital target of 13.5% by mid-2016 without an ordinary stock issue

Capital a scarce factor

The bank must balance

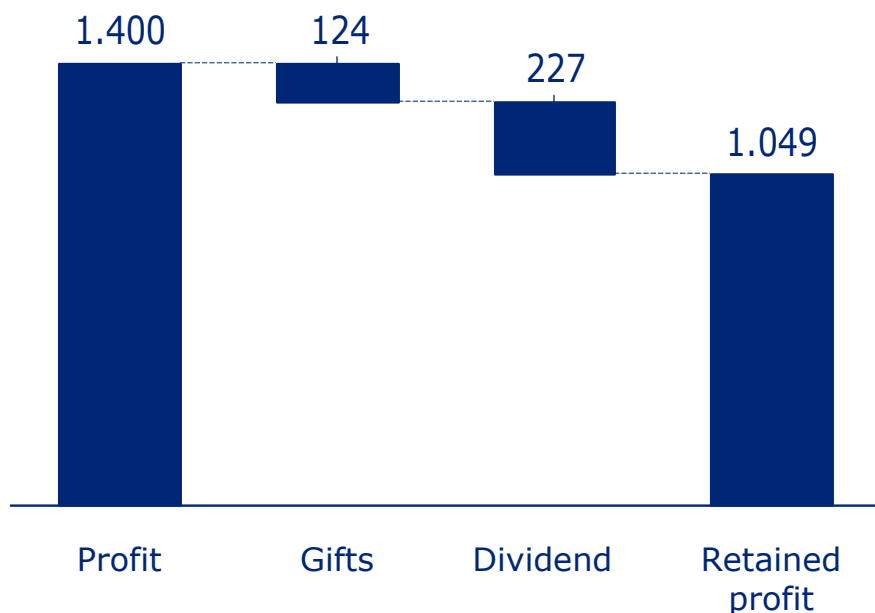
Room for action



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

Board of directors recommends dividend of NOK 1.75 per EC

Profit of 1,400m distributed



Dividend in line with capital plan

- In line with capital plan the Board recommends a payout ratio of 25 % of the group's profit. In the capital build-up period, dividend payouts will be in the range 25-35%
- The Board recommends a cash dividend of NOK 1.75 kroner per equity certificate, a total of NOK 227m
- The board of directors further recommends the supervisory board to allocate NOK 124m as gifts, i.e. the same payout ratio as to the EC-holders. Of this sum, NOK 35m will be allocated to non-profit causes and NOK 89m donated to the foundation Sparebankstiftelsen SMN

Earnings per equity certificate 6.92. ECC-holder ratio 64,6 %

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	13.5% 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 35%. Strong focus on strengthening capital through retained profit

Financial figures

Q4 2013

Profit NOK 366m (260m)

ROE 13.1 % (10.5 %)

Result of core business NOK 320m (266m)

CET 1 increased with 39 bp in Q4

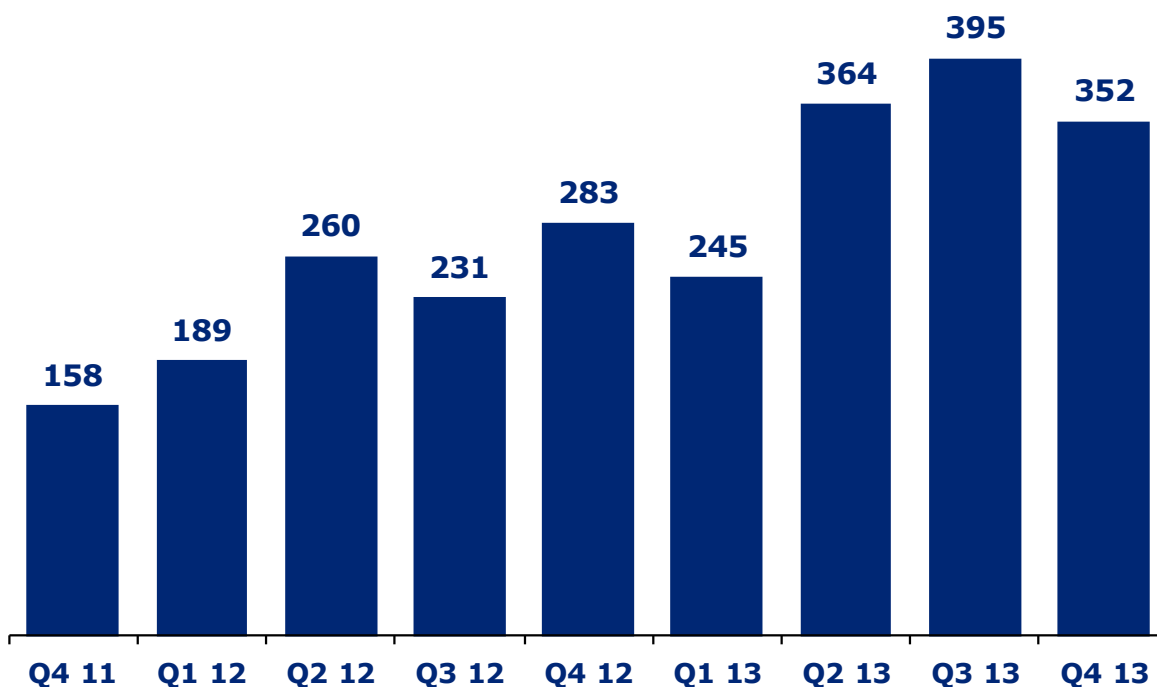
Growth in lending RM 1.7 % and CM 1,5 % in Q4

Booked equity capital per ECC NOK 55,69 (50,09)

Good profit trend for core business

Last two years per quarter

NOK mill.



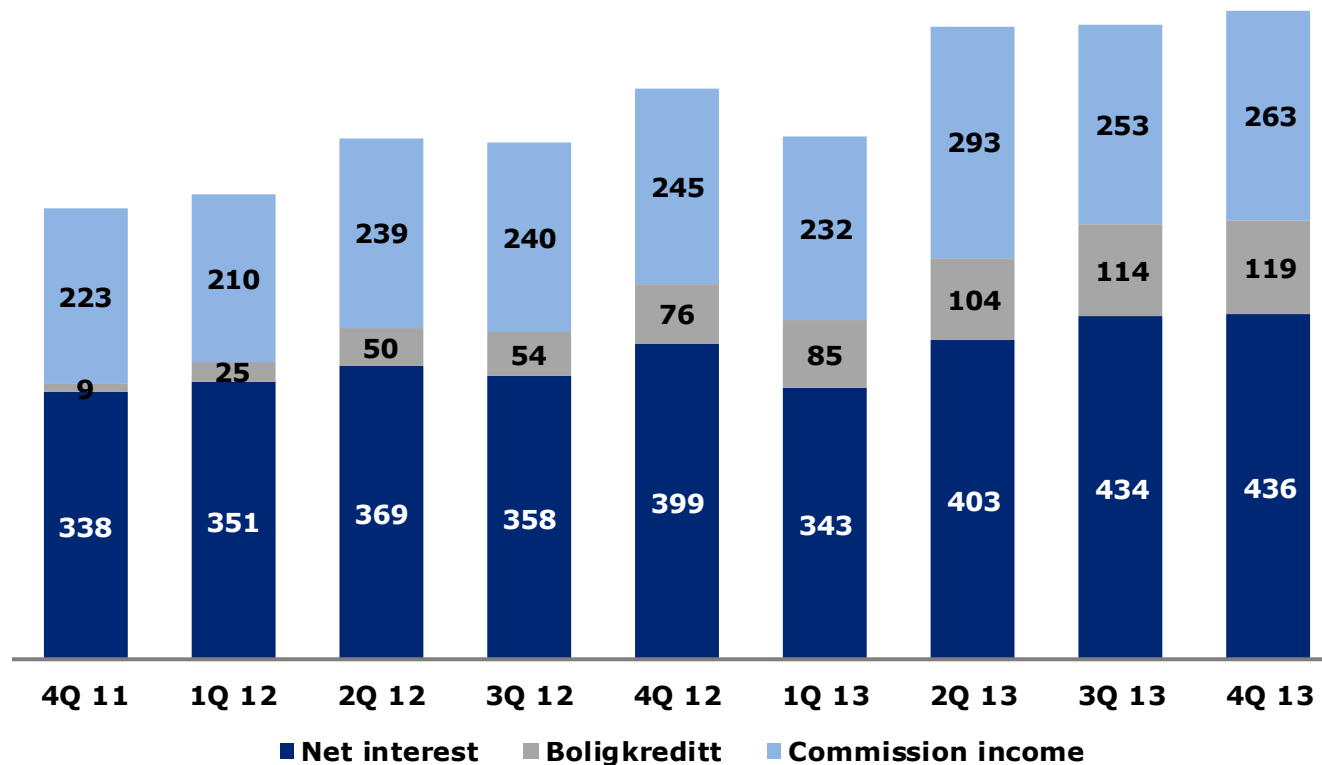
Comments

Improvement in 2013 at a high degree due to

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

Positive development operating income

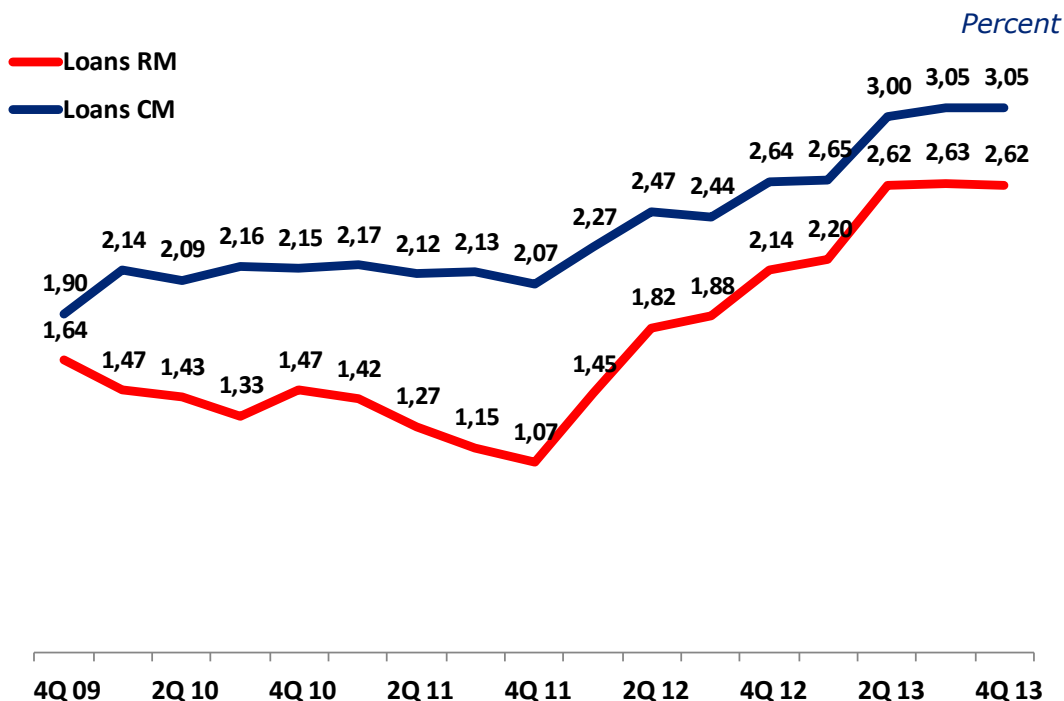
Last two years per quarter



Lending margins Retail and Corporate

Increased capital requirements have led to strengthened margins in 2013

Per quarter from Q4 2009



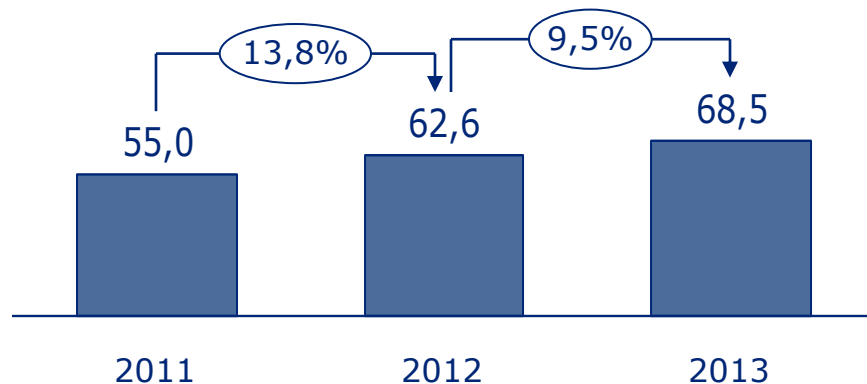
Comments

- 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

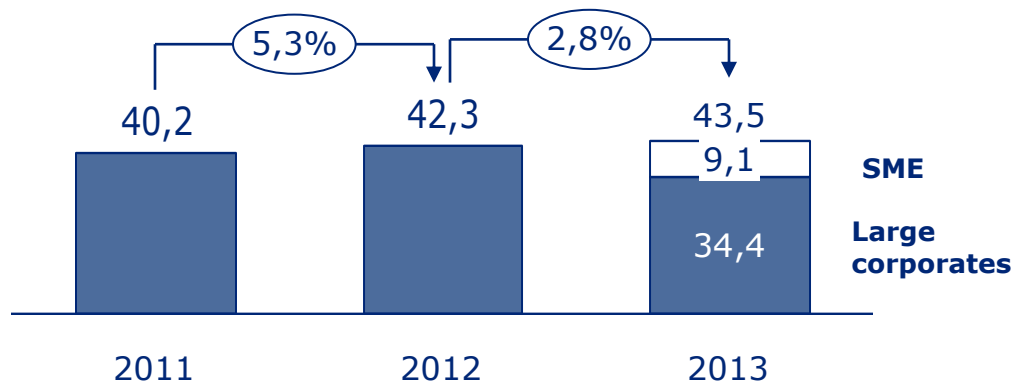
Total growth lending 6.8 %

High growth in lending to mortgages

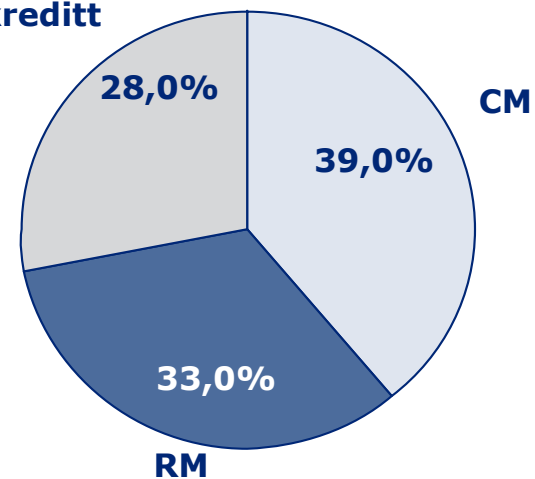
Lending RM +9.5 % from 2012 to 2013



Lending CM +2.8 % from 2012 to 2013



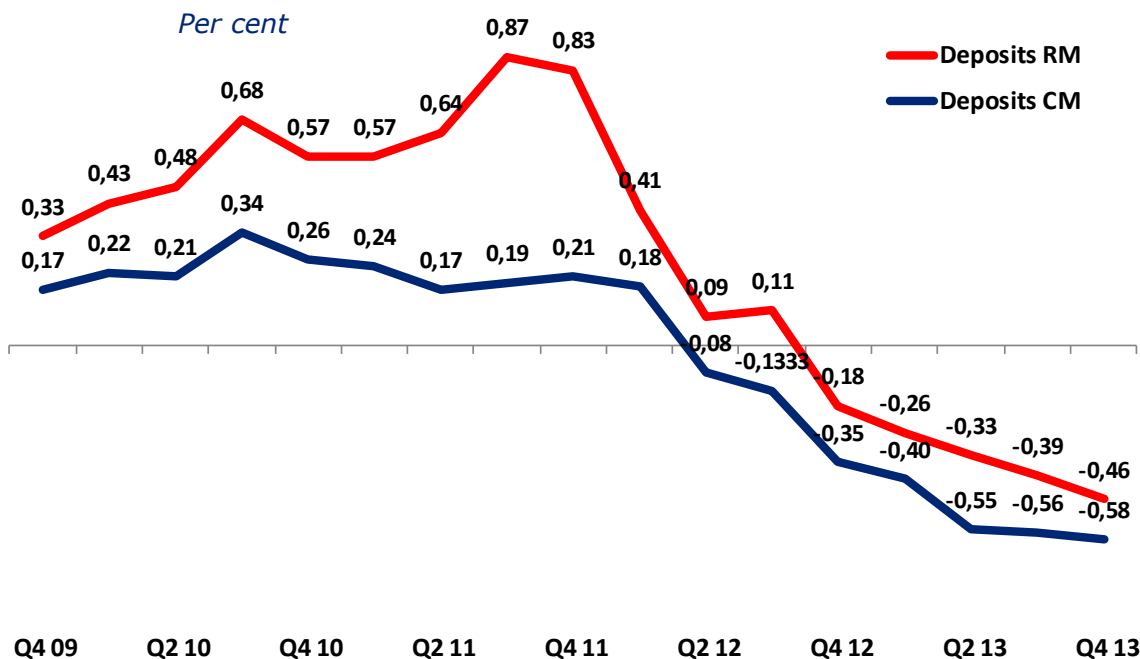
Boligkreditt



Deposit margins Retail and Corporate

Per quarter from Q4 2009

Per cent

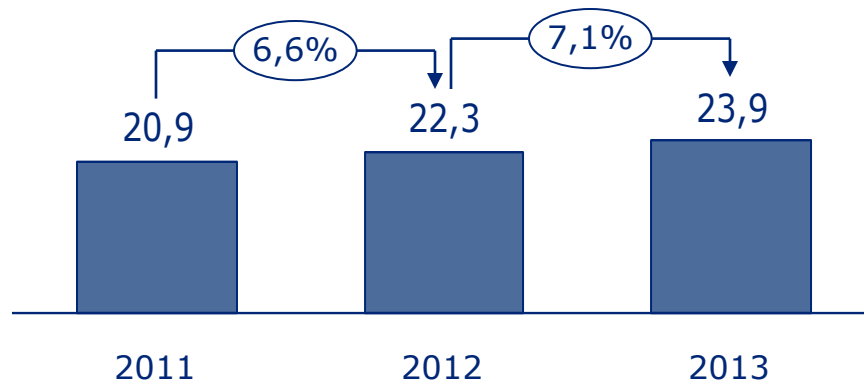


Comments

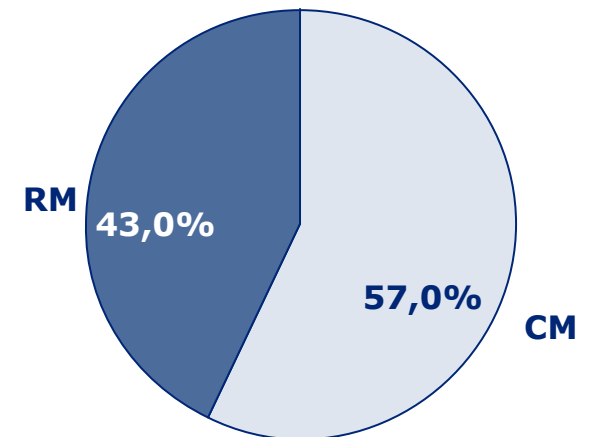
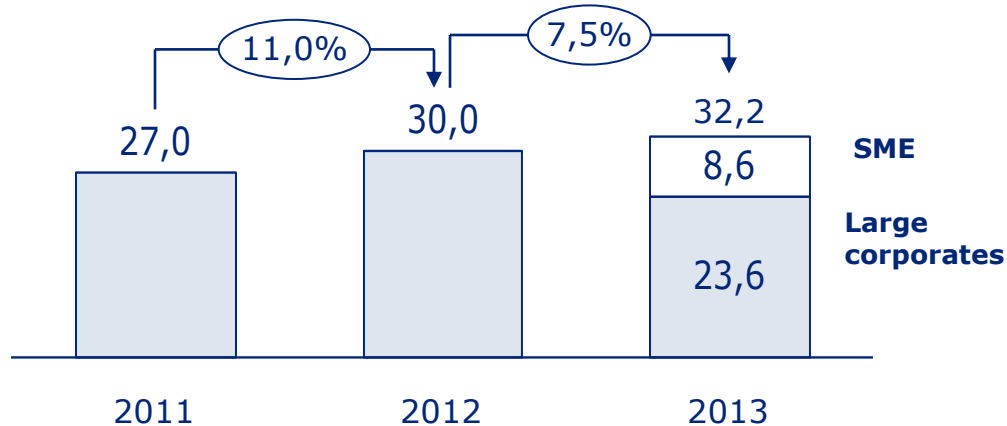
- Measured against NIBOR, margins have declined through 2012 and 2013
- Deposits are a favourable and important funding source for the bank
- Low interest rate level has resulted in declining margins

Total growth deposits 7.3 %

Deposits RM + 7.1 % from 2012 to 2013



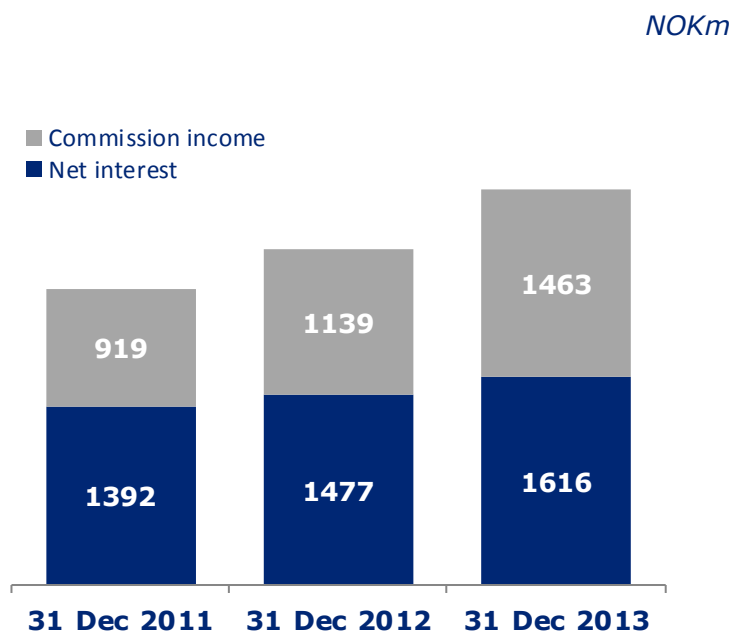
Deposits CM + 7.5 % from 2012 to 2013



Net interest, provision commission and other income

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

Net interest and other income

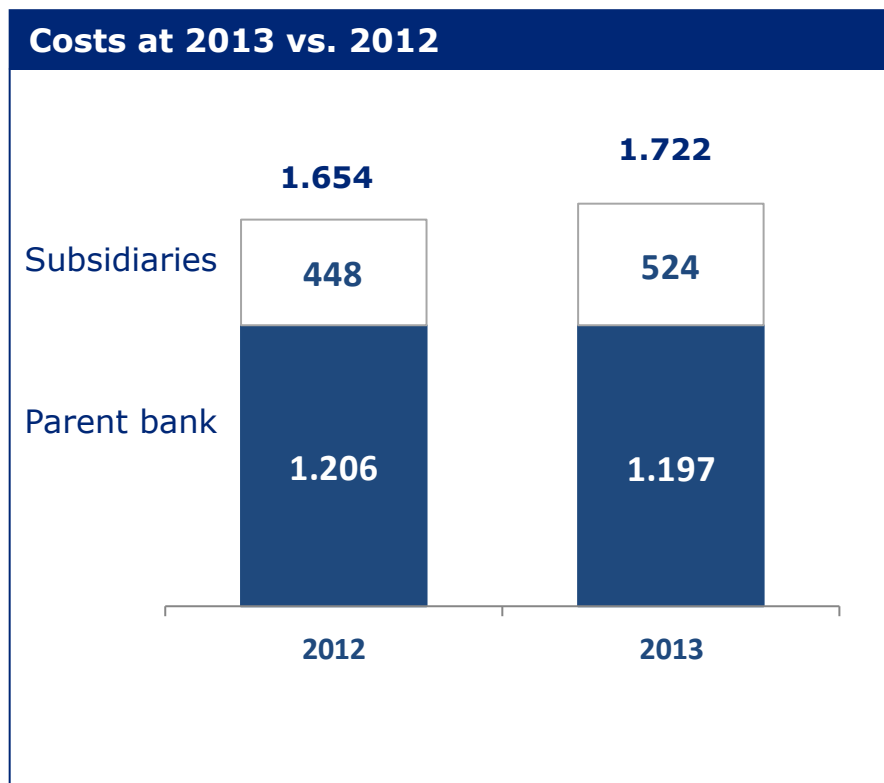


Commission income 2012 and 2013

mill kr	31 Dec 2013	31 Dec 2012
Payment transmission income	233	197
Commissions savings	50	48
Commissions insurance	124	122
Guarantee commissions	56	30
Estate agency	319	336
Accountancy services	125	100
Assets management	30	11
Rental income	45	37
Other commissions	59	53
Commissions ex. Bolig/Næringskreditt	1.041	934
Boligkreditt and Næringskreditt	422	205
Total commission income	1.463	1.139

- 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

Reduced costs at parent bank compared with 2012. Some growth at subsidiaries, at a large extent due to acquisitions



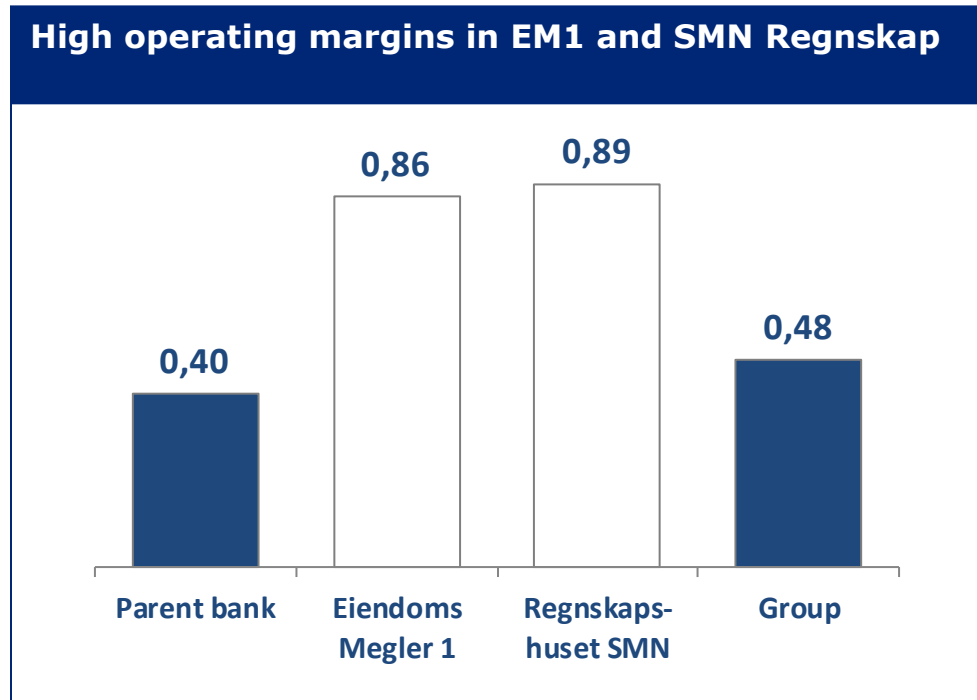
Comments

Reduced growth in costs at parent bank compared with 2012

Cost growth at subsidiaries due to company acquisitions

In the fourth quarter the group recognised a one-off amount of NOK 25m less tax related to buyout of leases.

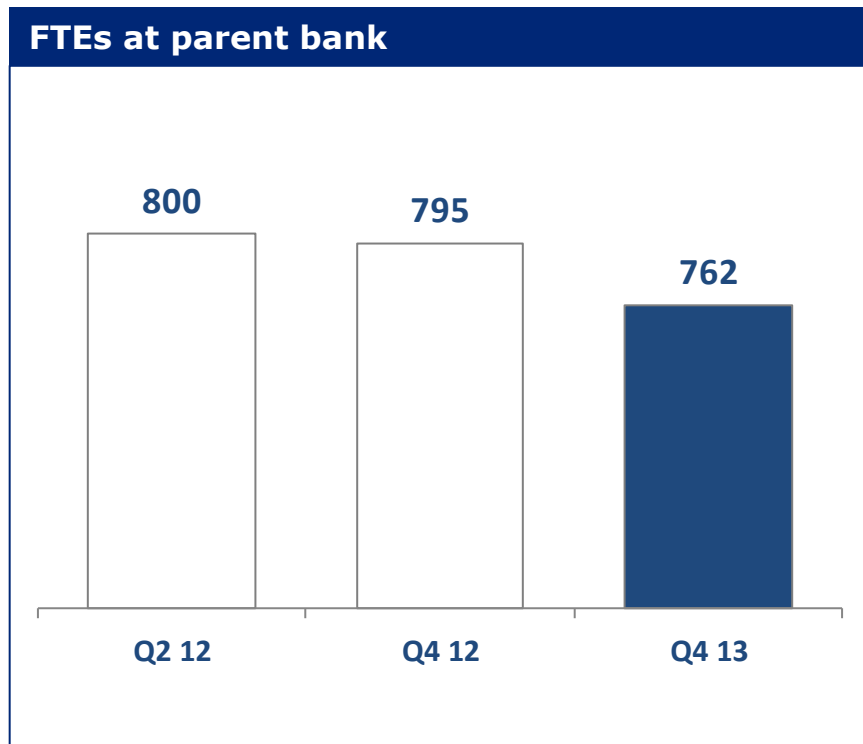
SpareBank 1 SMN will come across as cost-efficient not just on an individual basis but also as a group



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



Staffing plan communicated across, and anchored in, the bank

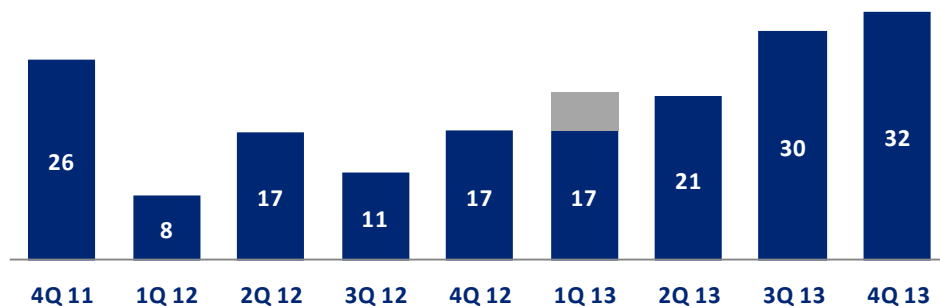
The bank is on the right path in terms of resource use. No. of FTEs cut by about 25 in 2013

Low loan losses

Loan losses – quarterly trend

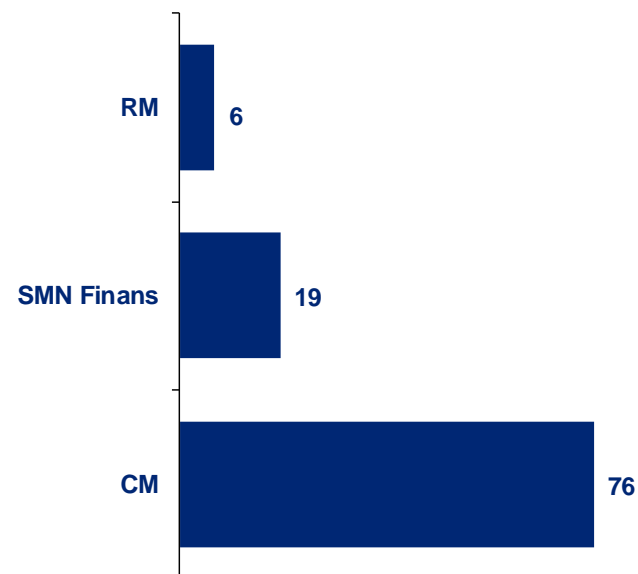
NOK mill

■ Collective
■ Individual



Losses by business area:

NOK mill

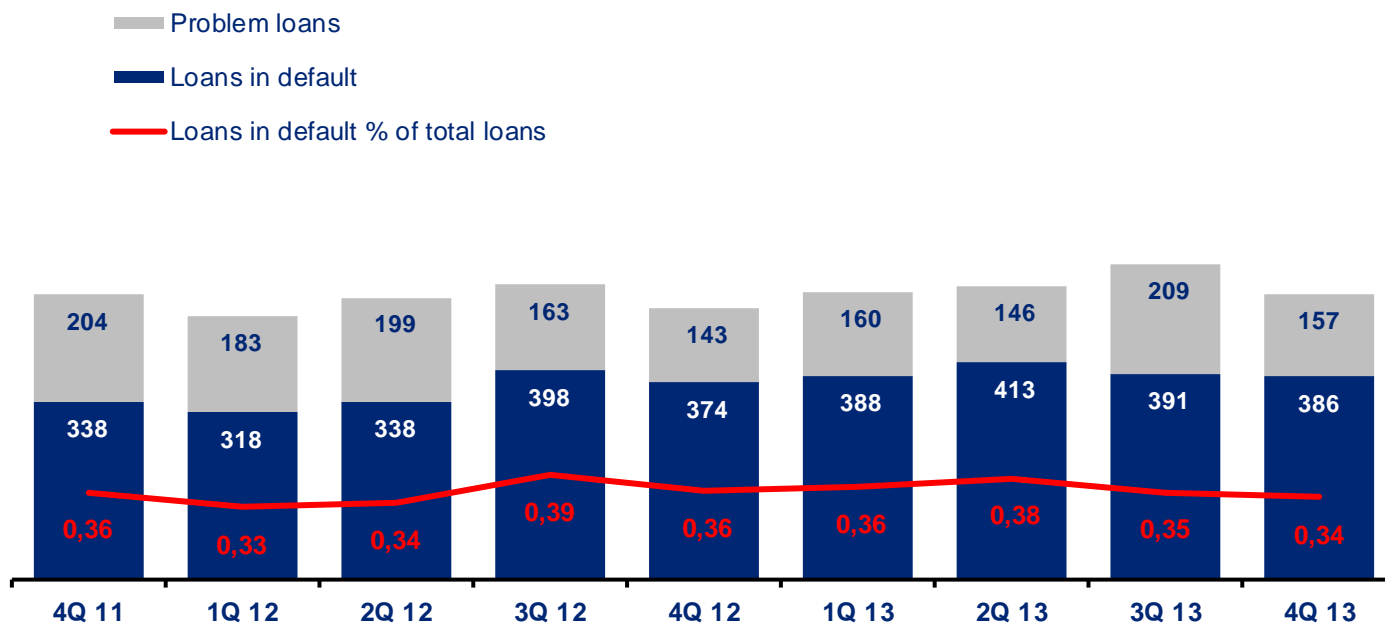


- Loan losses measure 0.09% (0.06%) of gross lending at 30 December 2013

Defaults and other problem loans

Low levels

Lat two years, per quarter



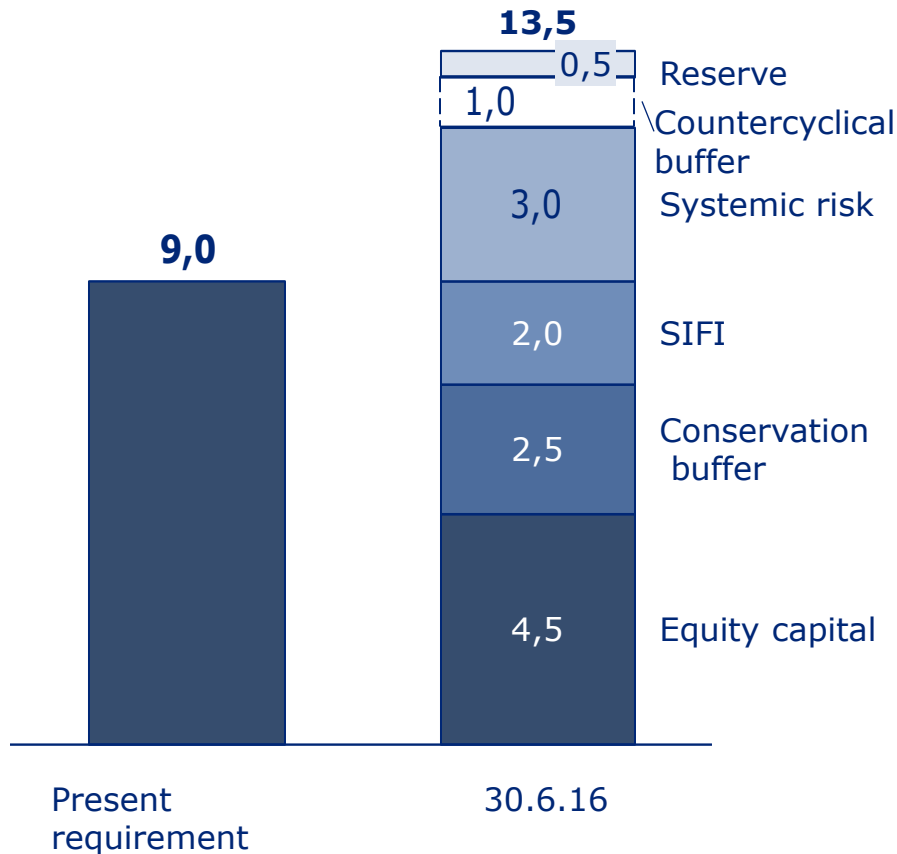
Balance sheet

Last three years

	31 Dec 2013	31 Dec 2012	31 Dec 2011
Funds available	22,9	21,3	17,0
Net loans	79,8	74,5	72,6
Securities	1,0	0,8	0,6
Investment in related companies	4,7	5,1	4,7
Goodwill	0,5	0,5	0,5
Other assets	6,4	5,9	6,0
TOTAL ASSETS	115,4	108,0	101,5
Capital market funding	38,9	35,4	34,4
Deposits	56,1	52,3	47,9
Funding, "swap" arrangement with the government	1,2	2,3	2,9
Other liabilities	4,6	4,9	5,3
Subordinated debt	3,3	3,0	2,7
Equity	11,2	10,1	8,3
TOTAL DEBT AND EQUITY	115,4	108,0	101,5
*) in addition loans sold to SPB1 Boligkreditt	31,7	30,0	21,1

SpareBank 1 SMN planning for a CET1 ratio of 13.5% - Assuming a countercyclical buffer of 1 %

Outline plan for CET1 capital



SMN planning for 13.5%

Capital plan:

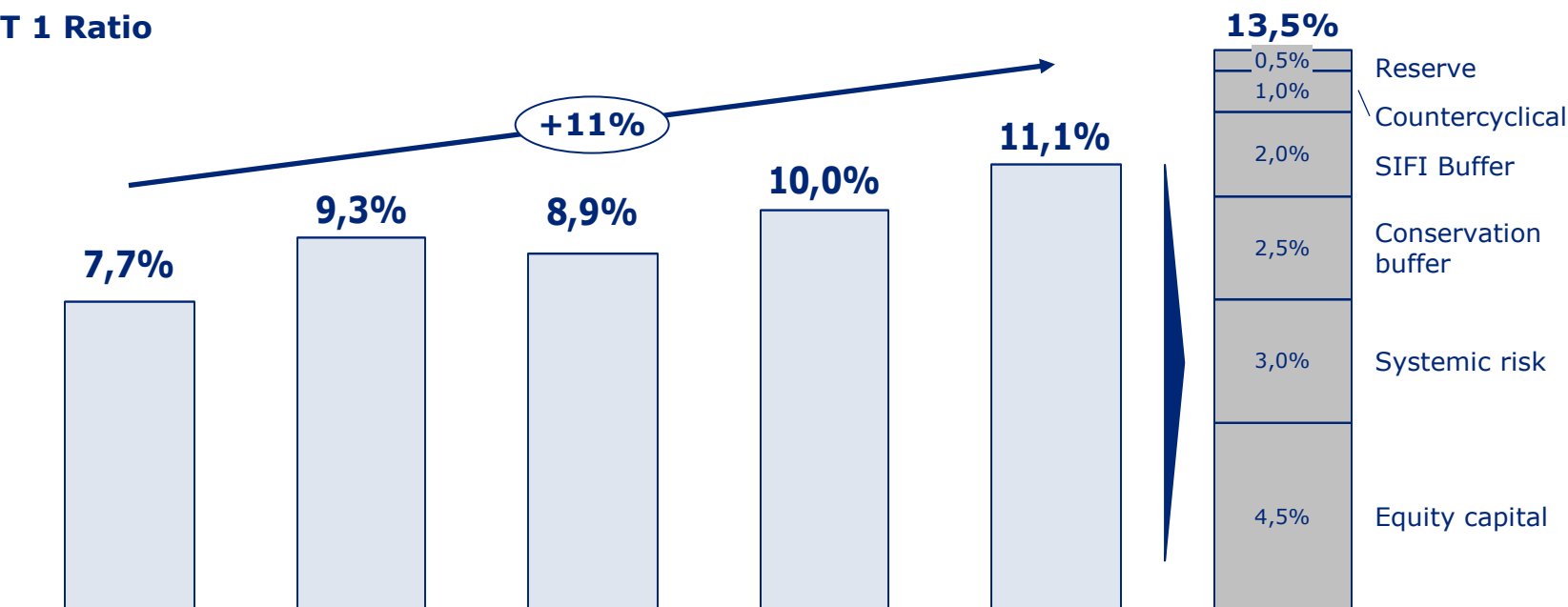
- Increase capital efficiency
- Some capacity for growth, mainly weighted towards the retail market
- Tight cost management
- Retained profit
- Dividend as previously communicated (25% - 30%)
- No stock issue

Ongoing assessments

- Sale of businesses
- Distribution of capital between the business areas

Development in common equity Tier 1 (capital and ratio), and ROE from 2009 to 2013

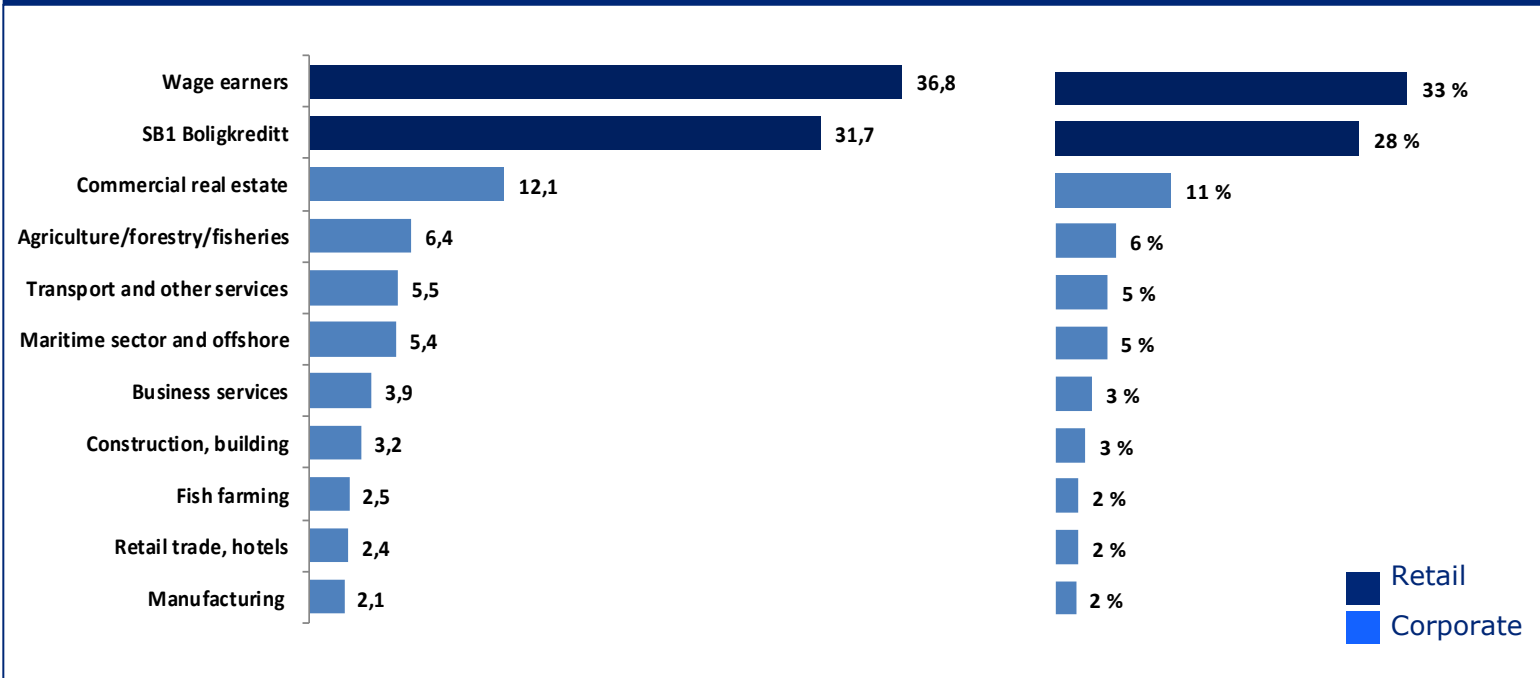
CET 1 Ratio



	2009	2010	2011	2012	2013	Goal 2016
CET 1 Capital	4.938	6.177	6.687	8.254	9.374	Goal for 2016 shall be achieved by 1st half 2016
ROE	16,2%	14,6%	12,8%	11,7%	13,3%	

High and increased share mortgages and diversified portfolio SMEs

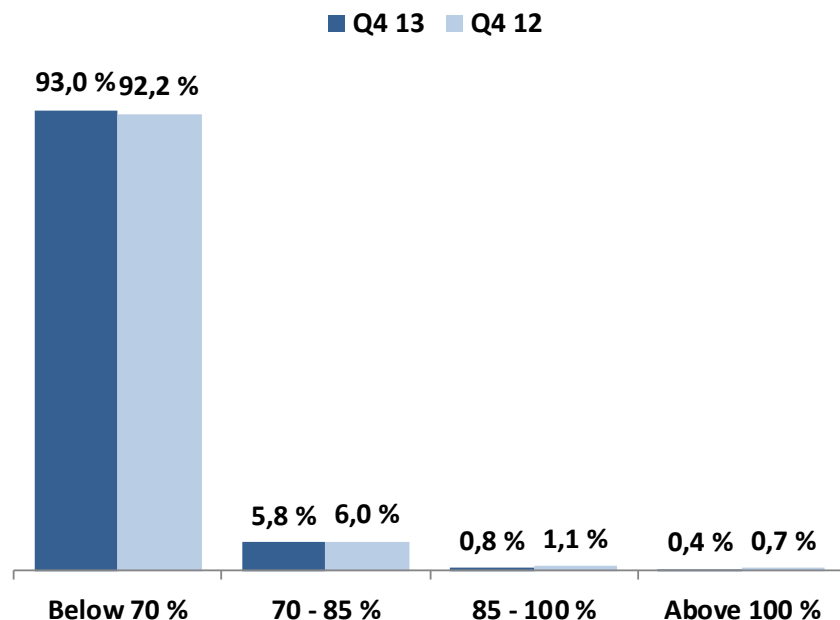
Lending by sector in NOK bn and in per cent of total



- 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

Loan to value mortgages

Last two years

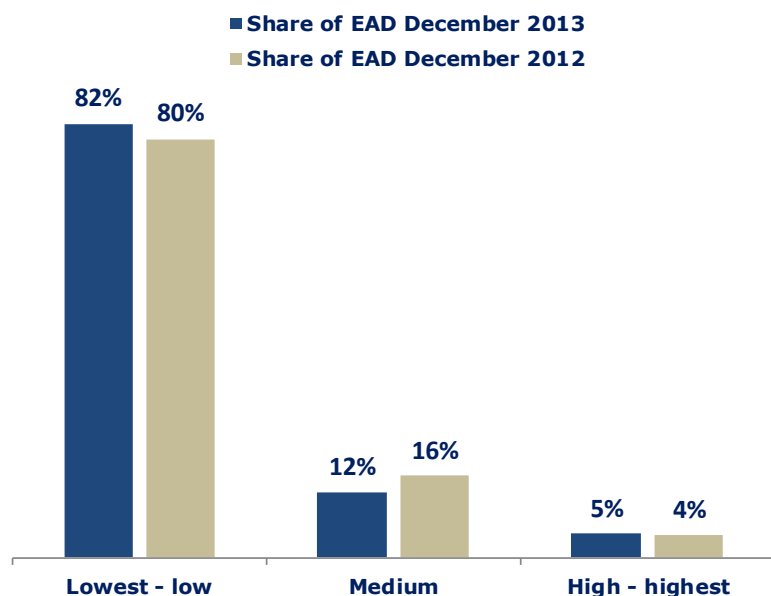


Comments

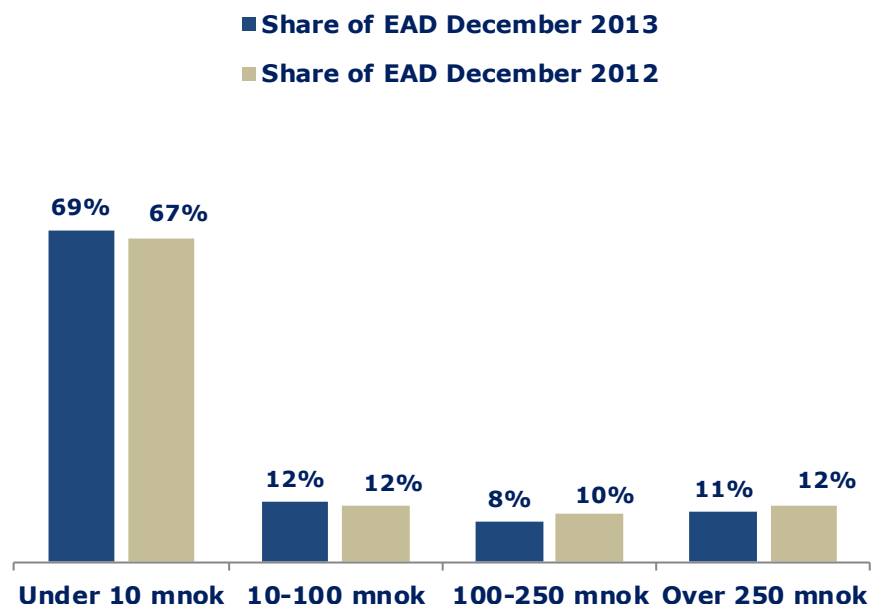
- 98,8 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 % has been reduced by 0,6 %-points to 1,2 % during 2013

Improved credit risk

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

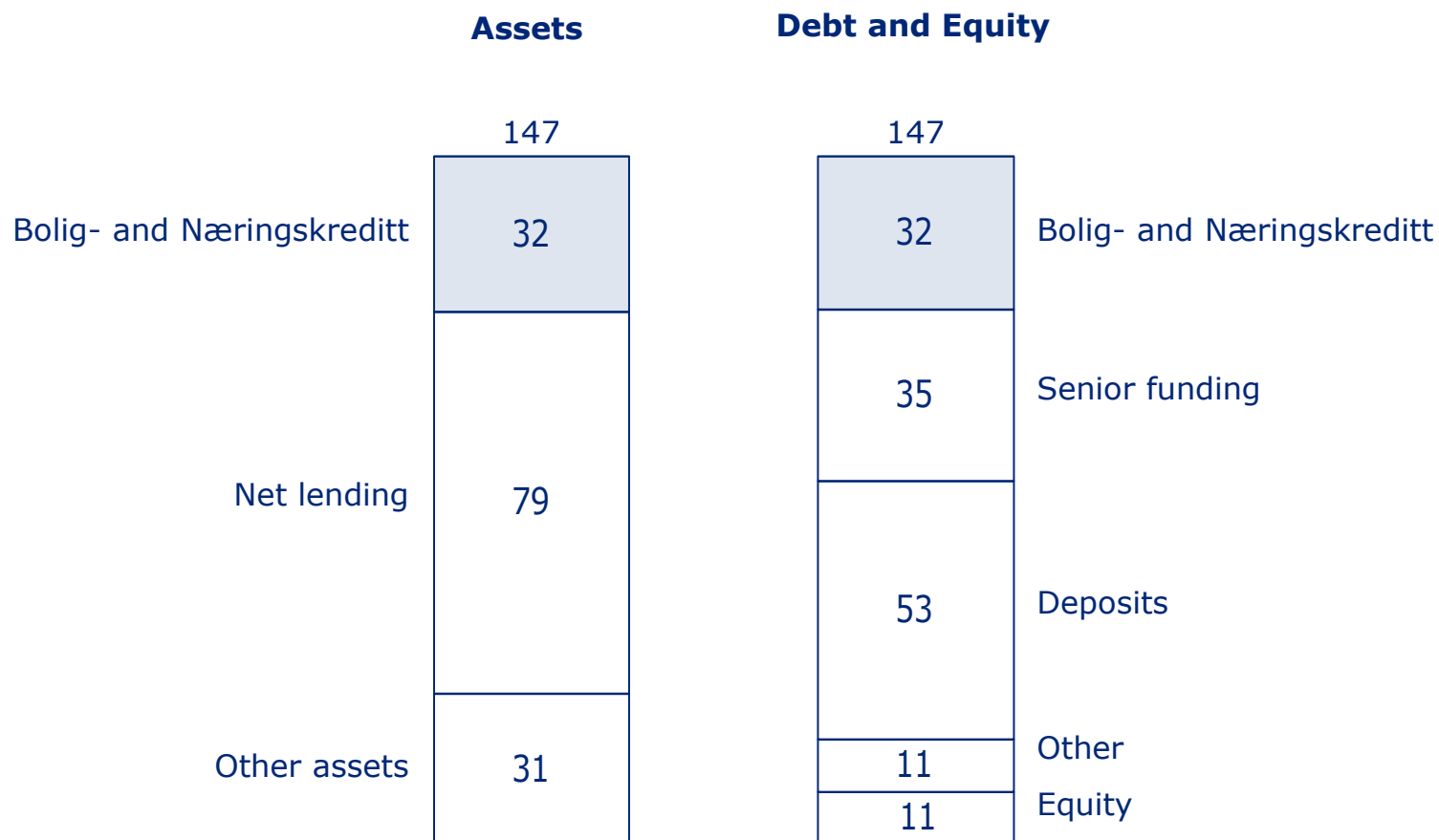


SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default



Diversified funding

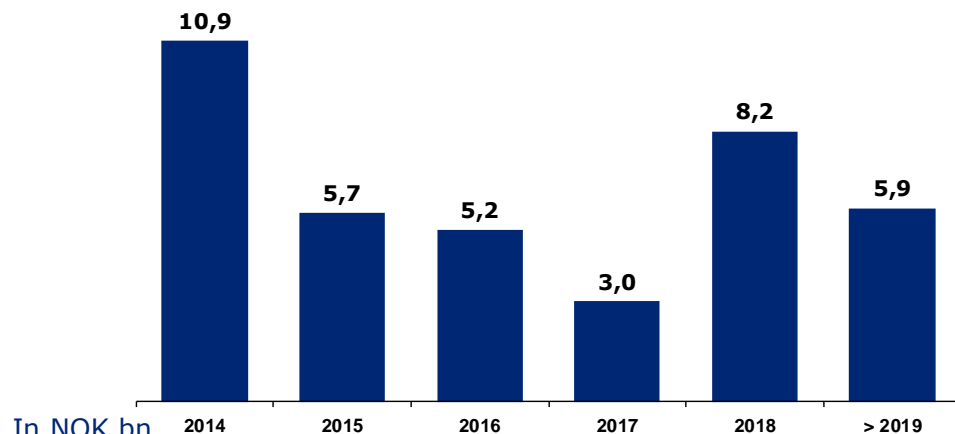
Balance sheet items including Bolig- and Næringskreditt 31.12.2013



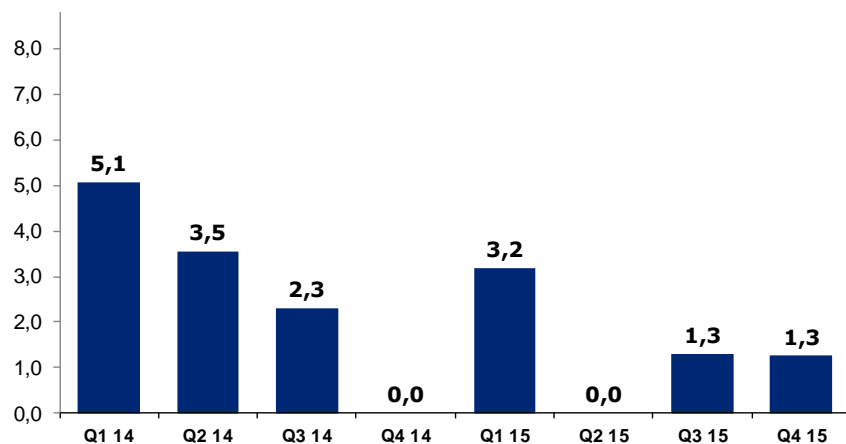
Satisfying access to capital market funding

Funding maturity 30 December 2013

In NOK bn



In NOK bn



Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 30.5 billion transferred as of 30 December 2013
- In 2013 SpareBank 1 SMN raised a five-year loan of EUR 500bn.
- Maturities 2014 –2015 NOK 16.7 bn
 - NOK 10,9 bn in 2014
 - NOK 5,8 bn in 2015

Appendix

Positive development in profits

Profit	At 30. Dec 2013			Per quarter				
NOK mill	31 Dec 2013	31 Dec 2012	Change	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12
Net interest	1.616	1.477	139	436	434	403	343	399
Commission income and other income	1.463	1.139	324	382	367	396	317	321
Operating income	3.079	2.616	462	818	801	800	660	720
Total operating expenses	1.722	1.654	68	465	406	436	414	437
Pre-loss result of core business	1.357	963	394	352	395	364	245	283
Losses on loans and guarantees	101	58	42	32	30	21	17	17
Post-loss result of core business	1.256	904	352	320	365	342	228	266
Related companies, including held for sale	384	261	123	94	150	32	108	30
Securities, foreign currency and derivatives	147	207	-59	58	16	13	61	34
Result before tax	1.788	1.371	416	471	531	387	398	329
Tax	388	295	93	110	98	102	77	69
Net profit	1.400	1.077	323	361	433	285	321	260
Return on equity	13,3 %	11,7 %		13,1 %	16,3 %	11,1 %	12,7 %	10,5 %

Subsidiaries

Profit subsidiaries before tax last three years

	31 Dec 2013	31 Dec 2012	31 Dec 2011
EiendomsMegler 1 Midt-Norge (87 %)	60,7 *)	76,2	75,6
SpareBank 1 Regnskapshuset SMN	14,4	12,0	5,0
SpareBank 1 Finans Midt-Norge (90 %)	50,7 *)	55,8	26,3
Allegro Finans (90 %)	9,3 *)	-3,7	-5,4
SpareBank 1 SMN Invest	46,6	-15,0	87,5
Other companies	-24,4	-11,0	-21,3

*) The company's total profit

Associated companies

Profit shares after tax last three years

	31 Dec 2013	31 Dec 2012	31 Dec 2011
SpareBank 1 Gruppen (19,5 %)	209,5	94,1	95,8
SpareBank 1 Boligkreditt (18,4 %)	40,2	44,2	16,3
SpareBank 1 Næringskreditt (29,3 %)	7,9	8,2	8,9
BN Bank (33 %)	90,5	72,1	89,4
Other companies (held for sale)	-8,9	29,5	37,5

Return on financial investments

Satisfactory return							
<i>NOKm</i>	31 Dec 2013	31 Dec 2012	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12
Share of profit in related companies	384	260	201	150	33	108	30
Net gain and dividends on securities	114	24	94	19	2	25	2
Net gain on bonds and derivatives	-40	57	-7	-19	-14	20	0
Net gain on trading and derivatives Markets	73	126	32	16	25	17	31
Return on financial investments	531	467	320	166	45	169	63

Including held for sale

Reduced costs in parent bank, some growth in subsidiaries

Change in operating expenses 2012 – 2013

NOK mill	
Expenses 30 Dec 2013	1.722
Expenses 30 Dec 2012	1.654
Change	68
Obtained as follows:	
Parent bank	-8
Personell costs	-32
IT	21
Premises	3
Subsidiaries	76
Regnskapshuset SMN	25
EiendomsMegler 1	7
SpareBank 1 Finans Midt-Norge	6
Allegro	6
Other subsidiaries	7
Utkjøp leiekontrakter	25
Group	68

Reduced cost growth in 2013

- Reduced costs in parent bank
- Number of FTEs shall be reduced with 75 in 3 years. Reduction of 25 during 2013
- Purchases of accountancy offices have caused "new" costs
- Some growth in other subsidiaries
- In the fourth quarter the group recognised a one-off amount of NOK 25m less tax related to buyout of leases.

Capital adequacy

Last two years

NOKm

	31.12.13	31.12.12
Core capital exclusive hybrid capital	9.374	8.254
Hybrid capital	1.615	1.103
Core capital	10.989	9.357
Supplementary capital	1.428	1.586
Total capital	12.417	10.943
Total credit risk IRB	3.787	3.756
Debt risk, Equity risk	234	220
Operational risk	398	420
Exposures calculated using the standardised approach	2.151	2.074
Deductions	-119	-120
Transitional arrangements	316	246
Minimum requirements total capital	6.767	6.596
RWA	84.591	82.446
Core capital ratio	11,1 %	10,0 %
Core capital ratio ex. hybrid capital	13,0 %	11,3 %
Capital adequacy ratio	14,7 %	13,3 %

Key figures

Last three years

	31 Dec 2013	31 Dec 2012	31 Dec 2011
Net interest	1,44	1,40	1,41
Comm. income and net retur on fin. inv.	1,76	1,51	1,38
Operating expenses	1,54	1,57	1,46
Net profit as a percentage of ATA	1,66	1,34	1,29
Capital adequacy ratio	11,1 %	10,0 %	8,9 %
Core capital ratio	13,0 %	11,3 %	10,4 %
Growth in loans incl.Boligkreditt	6,8 %	10,2 %	8,6 %
Growth in deposits	7,3 %	9,2 %	11,9 %
Deposit-to-loan ratio	70 %	70 %	65,5 %
RM share loans	61 %	60 %	58 %
Cost-income ratio	48 %	54 %	54 %
Return of equity	13,3 %	11,7 %	12,8 %
Impairment losses ratio	0,09 %	0,06 %	0,03 %
ECC price	55,00	34,80	36,31
Adjusted profit per ECC	6,92	5,21	6,06

Key figures ECC

Including effects of issues

Last five years

	2013	2012	2011	2010	2009
ECC ratio	64,6 %	64,6 %	60,6 %	61,3 %	54,8 %
Total issued ECCs (mill)	129,83	129,83	102,76	102,74	82,78
ECC price	55,00	34,80	36,31	49,89	45,06
Market value (NOKm)	7.141	4.518	3.731	5.124	3.749
Booked equity capital per ECC	55,69	50,09	48,91	46,17	42,11
Post-tax earnings per ECC, in NOK	6,92	5,21	6,06	5,94	6,37
Dividend per ECC	1,75	1,50	1,85	2,77	2,10
P/E	7,95	6,68	5,99	7,07	8,40
Price / Booked equity capital	0,99	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 December 2013

Owner	Number	Share
Odin Norge	4.168.311	3,21 %
Sparebankstiftelsen SpareBank 1 SMN	3.965.391	3,05 %
Pareto Aksje Norge	3.382.000	2,60 %
Verdipapirfondet DNB Norge (IV)	2.936.033	2,26 %
Frank Mohn AS	2.876.968	2,22 %
Odin Norden	2.854.979	2,20 %
Vind LV AS	2.736.435	2,11 %
MP Pensjon PK	2.058.415	1,59 %
Danske Invest Norske Aksjer Inst. II	1.857.667	1,43 %
Stenshagen Invest	1.693.384	1,30 %

SpareBank 1 SMN

7467 TRONDHEIM

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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 calender 2014

Q1	7. May
Q2	13. August
Q3	30. October