

Q1 2014

May 9th 2014

Good result in 1st quarter 2014

- **A good quarter – also when unrealised capital gain on Nets stake disposal is taken into account**
- **Implementation of capital planen with focus on profitability and management of risk weighted balance sheet assets. Core capital requirements met without launching an ordinary stock issue**
- **SpareBank 1 SMN is solidly positioned as market leader and has maintained its market position despite capital restrictions**
- **Core business is on a positive trend with increased commission incomes and moderate cost growth**
- **Under the programme «Best for customer experience» a project is being launched designed to enhance the bank's efficiency, address a digital future and create a better customer experience**
- **Interest rate reductions decided on both loans and deposits are a necessary competitive adjustment with minimal net profit effect**

Digitalisation provides opportunities

Changing customer behaviour provides the bank with substantial opportunities to expand dialogue and interaction with the customer across a broad range of channels. To meet customer expectations the bank will develop a balanced channel strategy that coordinates contact points so that our interaction and relationship with our customers is felt to be relevant, effective and desired.

Targeted initiatives will ensure increased competitive power

- Seamless 24/7 to be developed across the Alliance
- Focus on digital solutions and use of customer data
- New offices / service concept
- More efficient processes through continual improvement (Lean)

Clear-cut goals for development work

- Improved customer experience
- Increased efficiency
- Lower costs



Building the bank of the future
Winning the market
Improving efficiency and effectiveness

Strong profit improvement

Net profit NOK 500m (321m)

Return on equity 17.7 % (12.7 %). Ex gain Nets 12,4 %

Result of core business NOK 340m (228m) up 49 %

Retail banking share of loans 62% (60%)

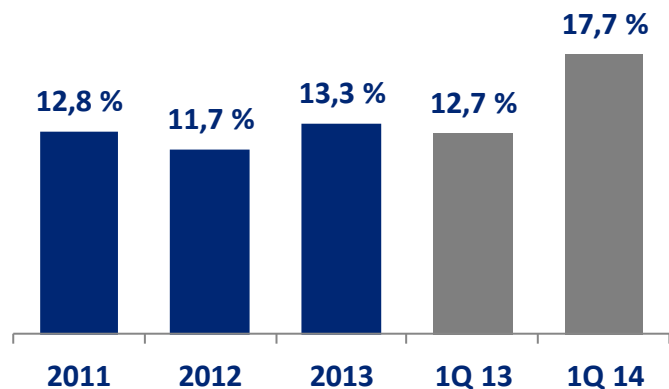
Cost growth parent bank 3.3 % (0.1%)

CET1 capital at 11.1% (10.4%)

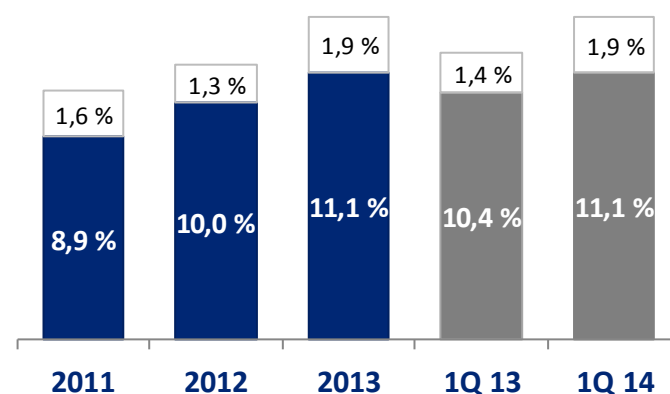
Gain after formal agreement on sale of NOK 148m stake in Nets

Progress for all central profit elements

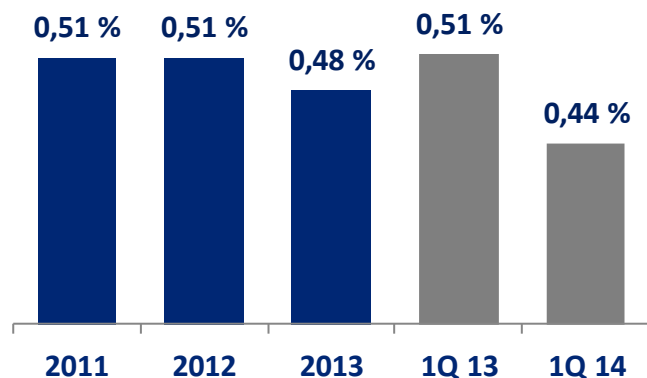
**Return on equity (ex gain on Nets
12,4 % Q1 14)**



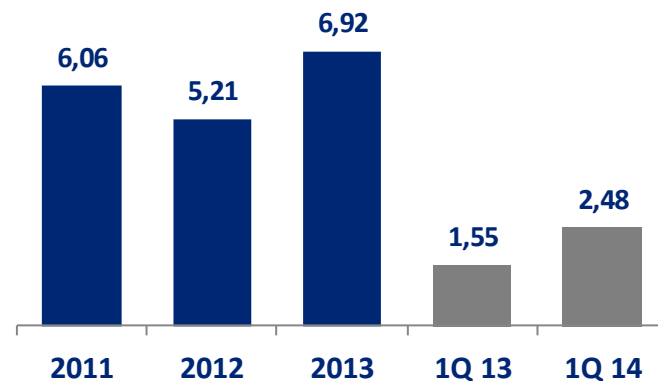
**Tier 1 capital ratio with and
without hybrid capital**



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



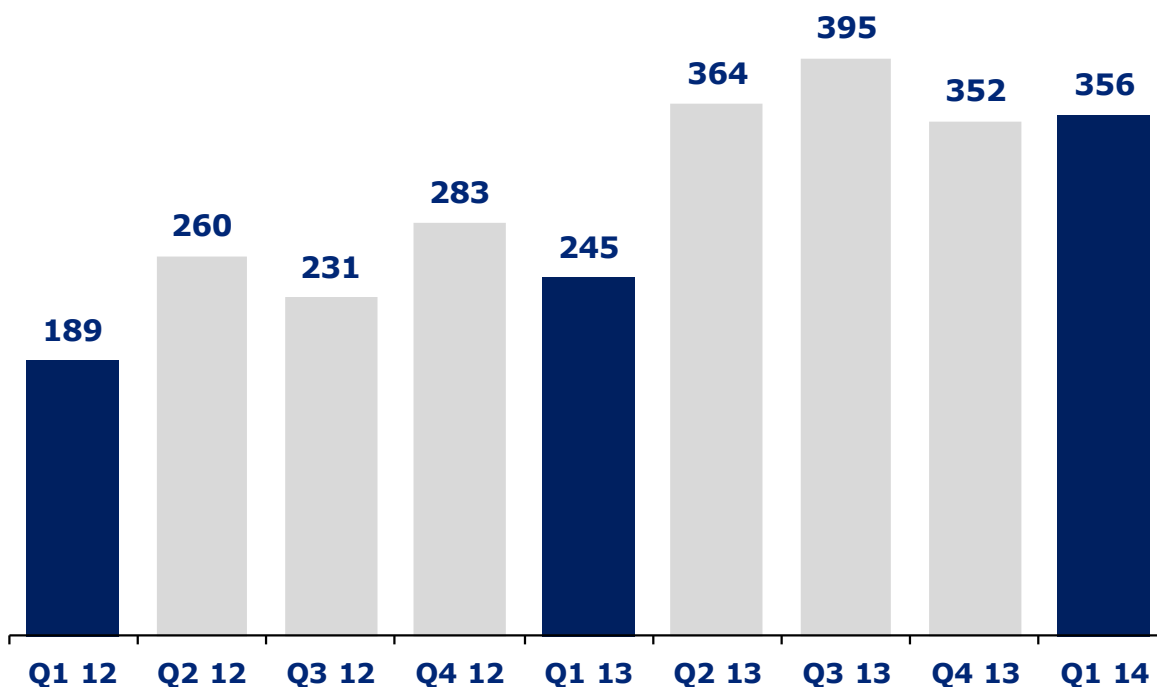
Earnings per ECC



Good profit trend for core business

Last two years per quarter

NOK mill.



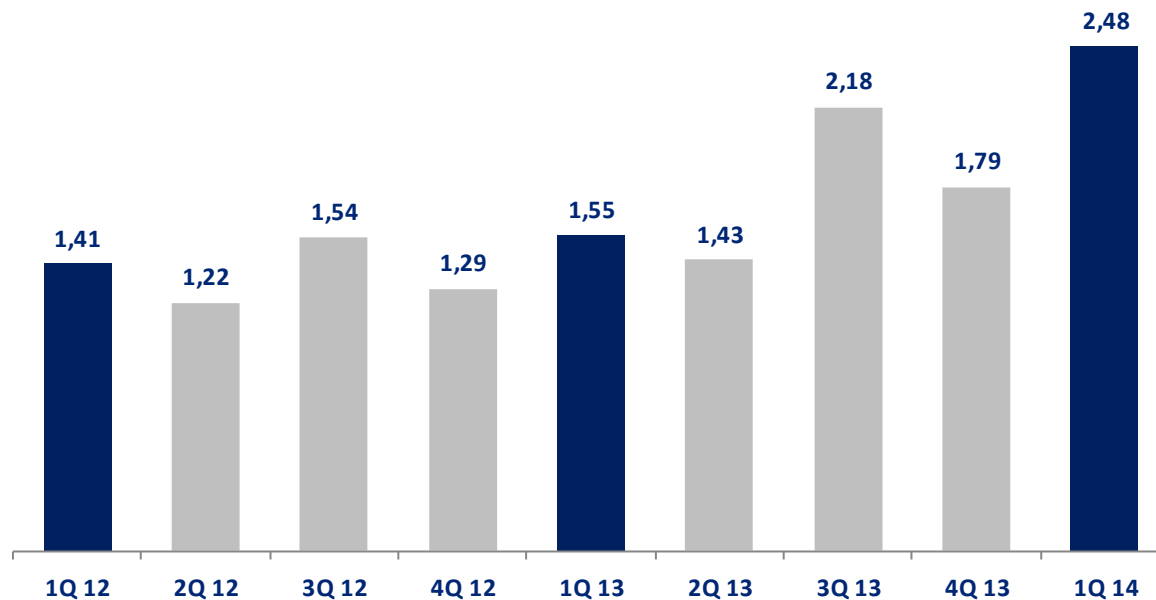
Comments

Improvement in 2013 at a high degree due to

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

Earnings per ECC

Last two years per quarter



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 3.5m (10.7m)

1

SpareBank 1
FINANS MIDT-NORGE

Number 1 position in market area.
Leasing NOK 1.9bn, car loans NOK 1.4bn.
Consumer finance from 2014
Profit of NOK 16.6m (15.2m)

1

SpareBank 1
REGNSKAPSHUSET

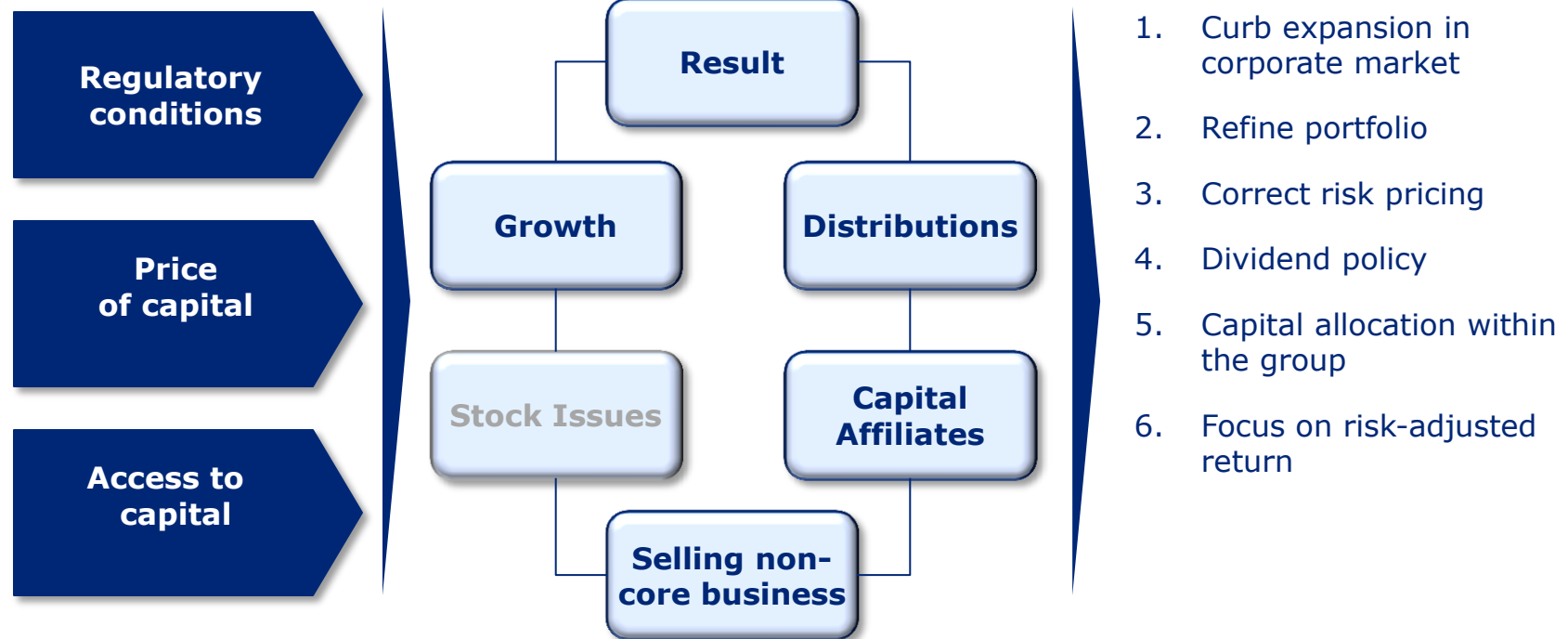
Ambitious growth strategy, company acquisitions.
30% growth over past year.
Accounting services, advisory services.
Profit of NOK 6.7m (3.7m)

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

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

Q1 2014

Profit NOK 500m (320m)

ROE 17.7 % (12.7 %)

Result of core business NOK 340m (228m)

CET 1 11,1 % - the same level as at 31.12.13

Growth in lending RM 1.5 % and CM -3,4 % in Q1 2014

Booked equity capital per ECC NOK 56,39 (50,32)

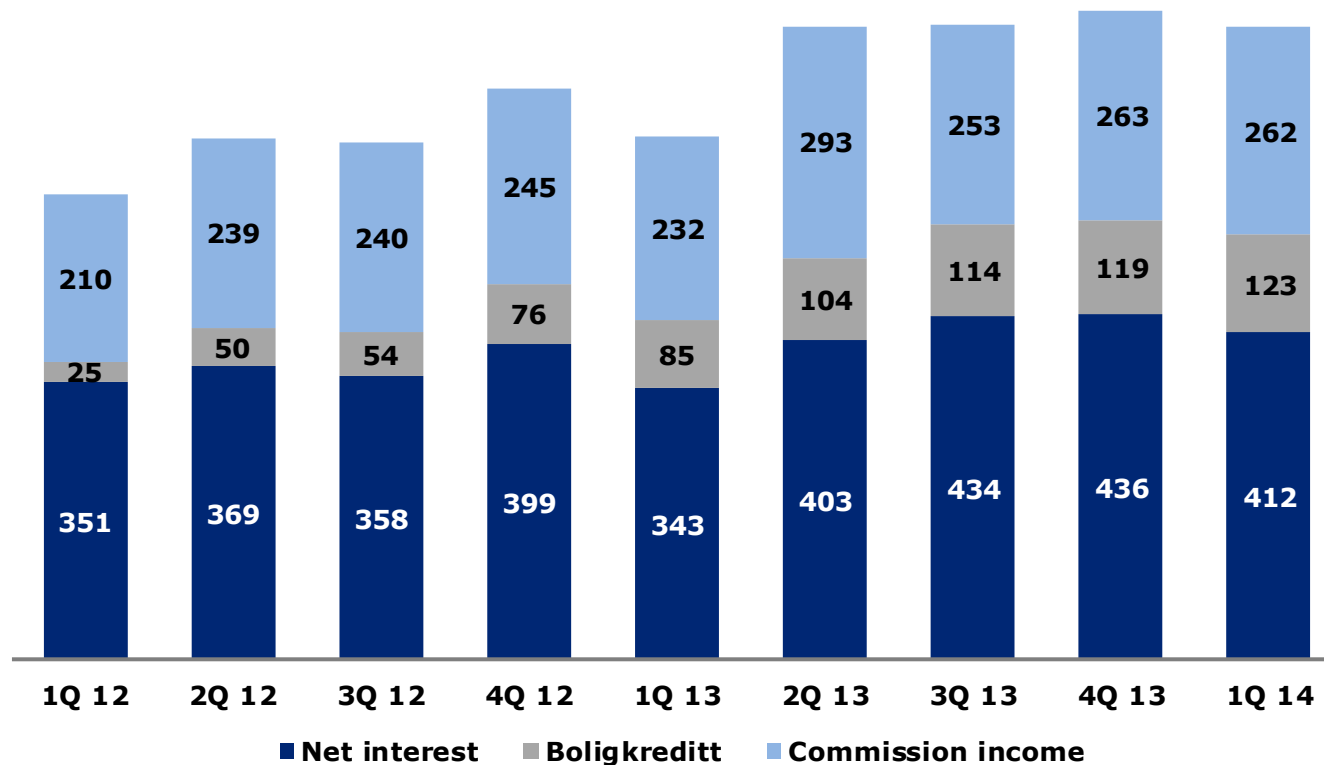
Positive development in profits

Profit per quarter

NOK mill	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13
Net interest	412	436	434	403	343
Commission income and other income	385	382	367	396	317
Operating income	798	818	801	800	660
Total operating expenses	441	465	406	436	414
Pre-loss result of core business	356	352	395	364	245
Losses on loans and guarantees	17	32	30	21	17
Post-loss result of core business	340	320	365	342	228
Related companies, including held for sale	84	94	150	32	108
Securities, foreign currency and derivatives	175	58	16	13	61
Result before tax	598	471	531	387	397
Tax	99	110	98	102	77
Net profit	500	361	433	285	320
Return on equity	17,7 %	13,1 %	16,3 %	11,1 %	12,7 %

Positive development operating income

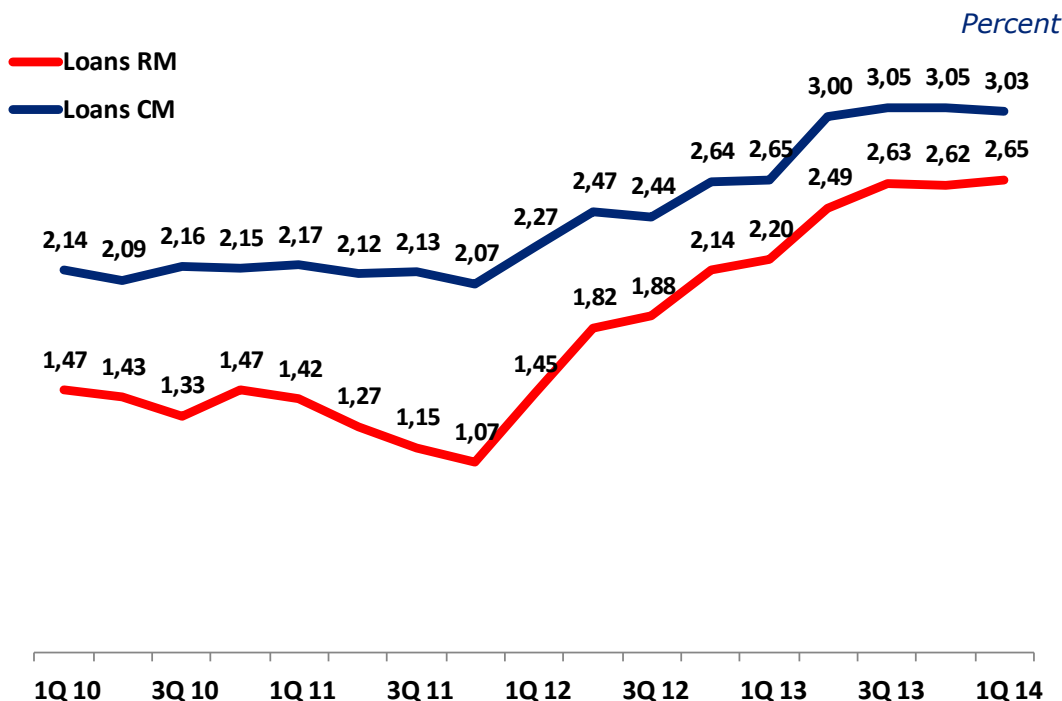
Last two years per quarter



Lending margins Retail and Corporate

Increased capital requirements have led to strengthened margins in 2013

Per quarter from Q1 2010



Comments

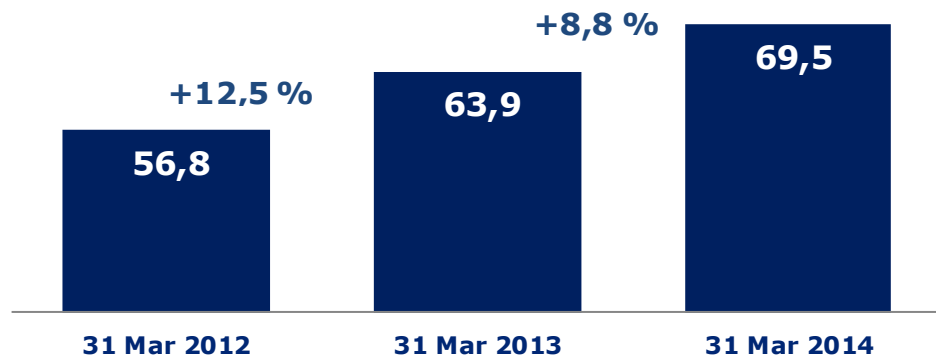
- Growing competition on lending to business and industry
- Interest rate change on best home loans with effect from mid-June is expected to reduce margin by 10 bp
- Interest rate level remains low

Total growth lending 4.4 %

Reduction in loans to corporates

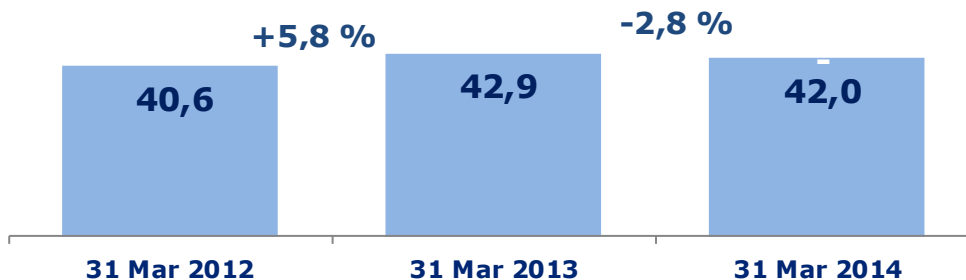
Lending RM +8.8 % from Q1 13 to Q1 14

NOKbn
and per

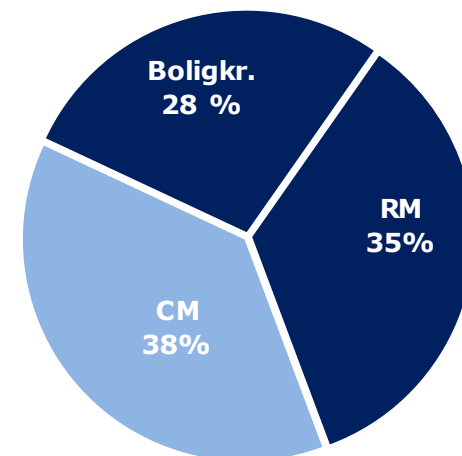


Lending CM -2.8 % from Q1 13 to Q1 14

NOKbn and

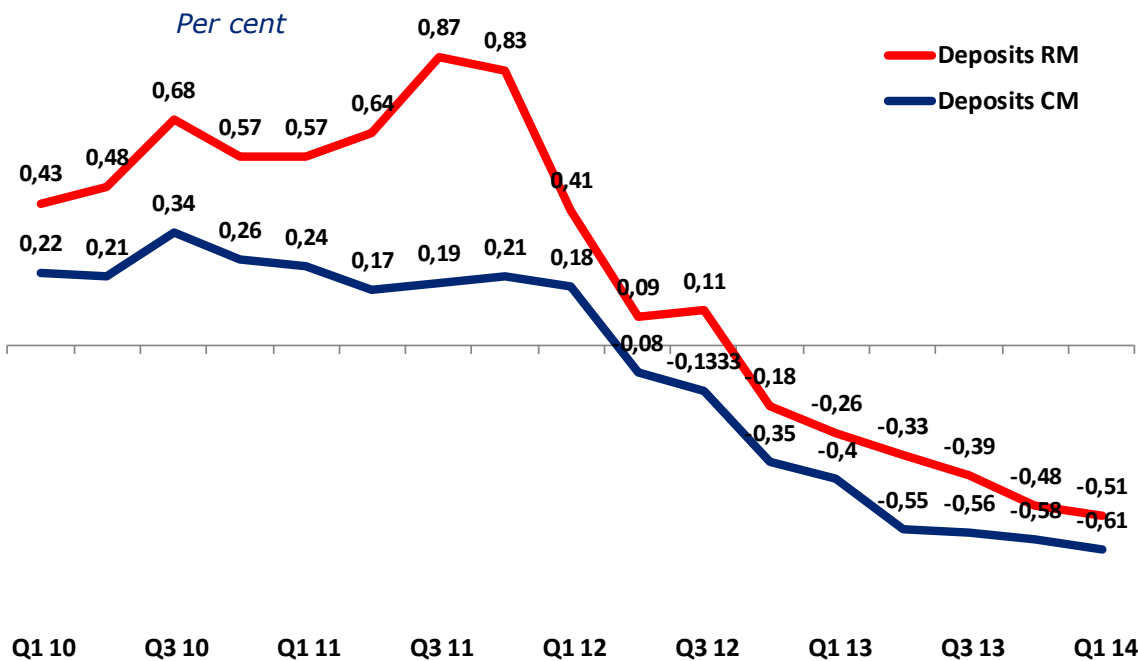


Loans



Deposit margins Retail and Corporate

Per quarter from Q1 2010

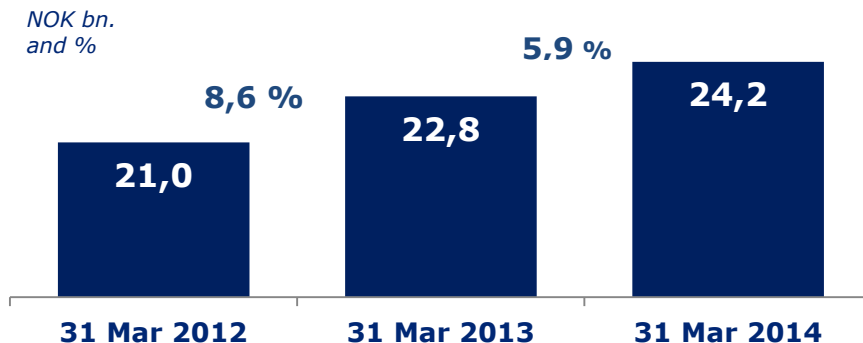


Comments

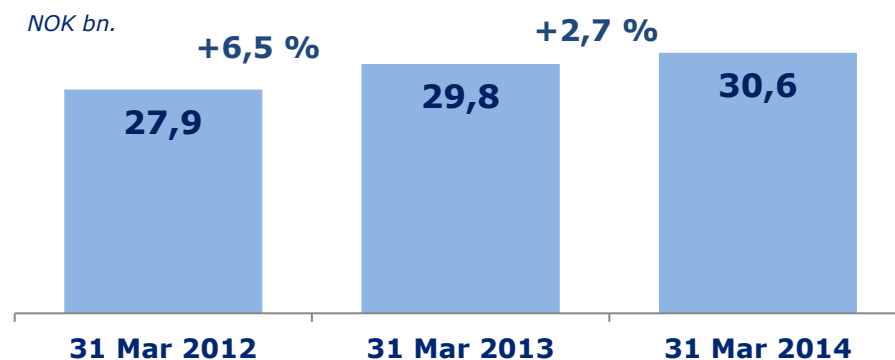
- Measured against NIBOR, margins have declined through 2012 and 2013
- Deposits are a favourable and important funding source for the bank
- Low interest rate level has resulted in declining margins

Total growth deposits 4.1 %

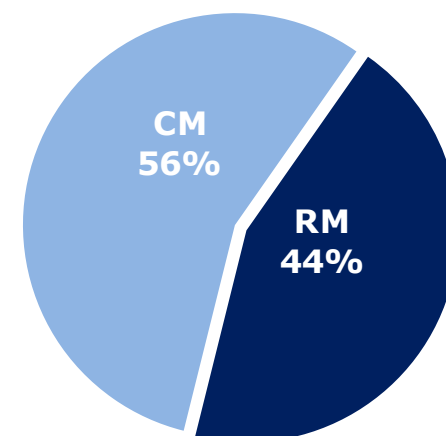
Deposits RM + 5.9 % from Q1 13 to Q1 14



Deposits CM + 2.7 % from Q1 13 to Q1 14



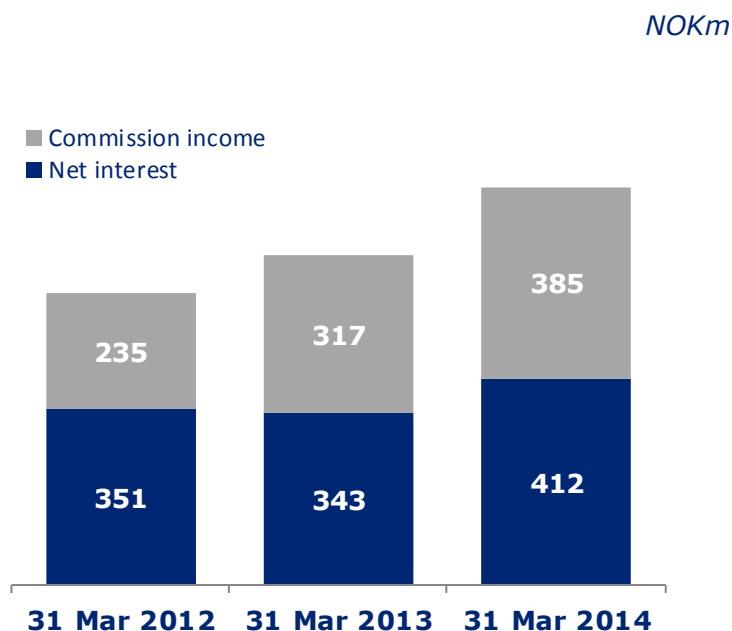
Deposits



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 13 and Q1 14

<i>mill kr</i>	31 Mar 2014	31 Mar 2013
Payment transmission income	60	51
Commissions savings	10	9
Commissions insurance	31	29
Guarantee commissions	13	11
Estate agency	71	73
Accountancy services	47	33
Assets management	3	3
Rental income	11	11
Other commissions	16	13
Commissions ex. Bolig/Næringskreditt	262	232
Boligkreditt and Næringskreditt	123	85
Total commission income	385	317

- 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

Subsidiaries

Profit subsidiaries before tax last three years

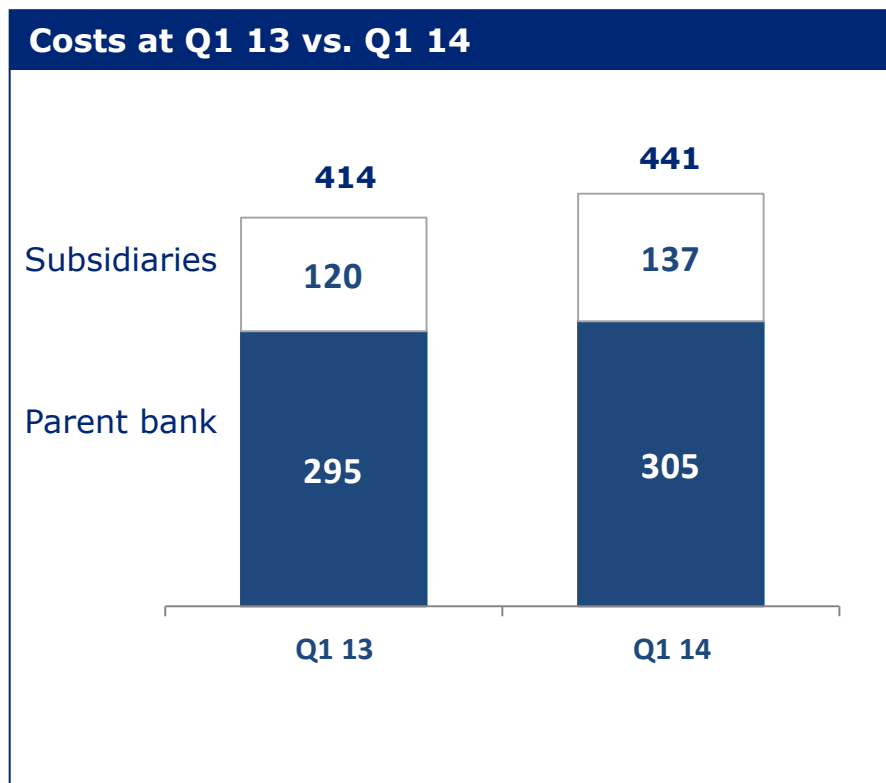
	31 Mar 2014	31 Mar 2013	31 Mar 2012
EiendomsMegler 1 Midt-Norge (87 %)	3,5	10,7	14,1
SpareBank 1 Regnskapshuset SMN	6,7	3,7	5,5
SpareBank 1 Finans Midt-Norge (90 %)	16,6	15,2	14,1
Allegro Finans (90 %)	-0,6	-0,7	-1,1
SpareBank 1 SMN Invest	0,7	13,9	4,7
Other companies	0,7	-0,6	-5,4

Associated companies

Profit shares after tax last three years

	31 Mar 2014	31 Mar 2013	31 Mar 2012
SpareBank 1 Gruppen (19,5 %)	46,0	61,4	47,3
SpareBank 1 Boligkreditt (18,4 %)	8,0	12,2	14,4
SpareBank 1 Næringskreditt (29,3 %)	11,0	2,0	2,6
BN Bank (33 %)	24,5	26,1	14,9
SpareBank 1 Markets (24 %)	-4,1		
Other companies (held for sale)	-3,0	-0,6	6,9

Cost growth at parent bank in line with plan. Some growth at subsidiaries, at a large extent due to acquisitions



Comments

Reduced growth in costs at parent bank

Cost growth at subsidiaries due to company acquisitions

Reduced costs in parent bank, some growth in subsidiaries

Change in operating expenses Q1 2013 – Q1 2014

NOK mill

Expenses 1Q Mar 2013	441
Expenses 1Q Mar 2014	414
Change	27

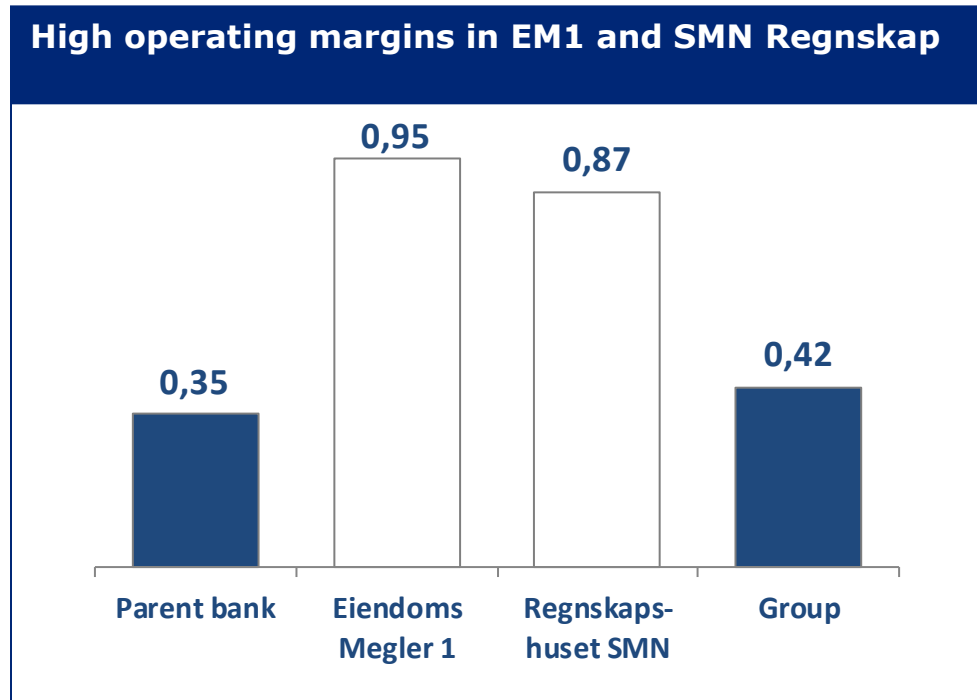
Obtained as follows:

Parent bank	10
Personell costs	3
IT	11
Others	-4
Subsidiaries	17
Regnskapshuset SMN	10
EiendomsMegler 1	4
SpareBank 1 Finans Midt-Norge	2
Other subsidiaries	1
Group	27

Reduced cost growth

- Reduced costs in parent bank
- Number of FTEs shall be reduced with 75 in 3 years.
- Purchases of accountancy offices have caused "new" costs
- Some growth in other subsidiaries

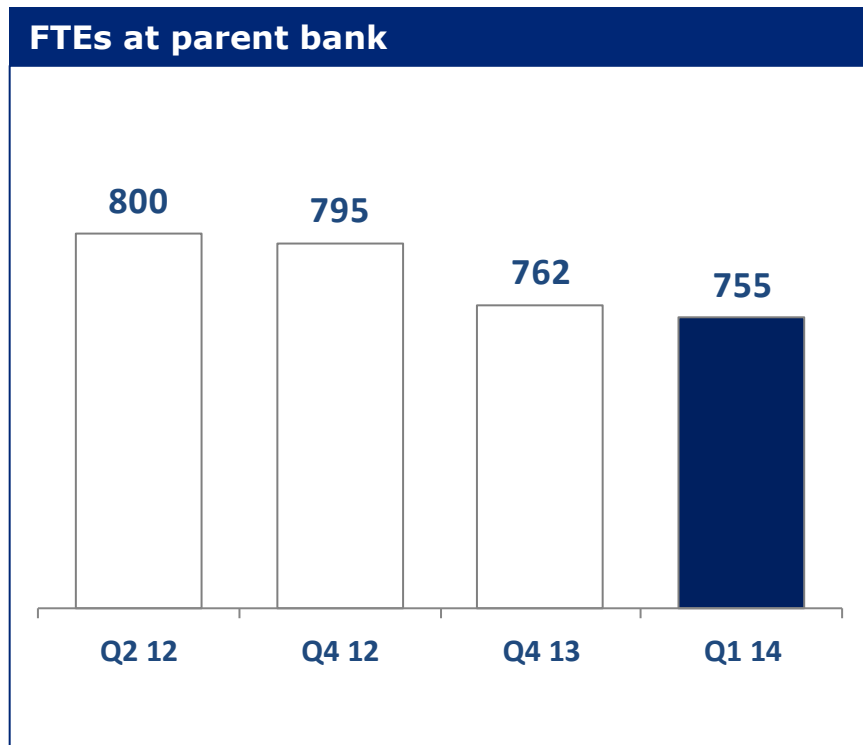
SpareBank 1 SMN will come across as cost-efficient not just on an individual basis but also as a group



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



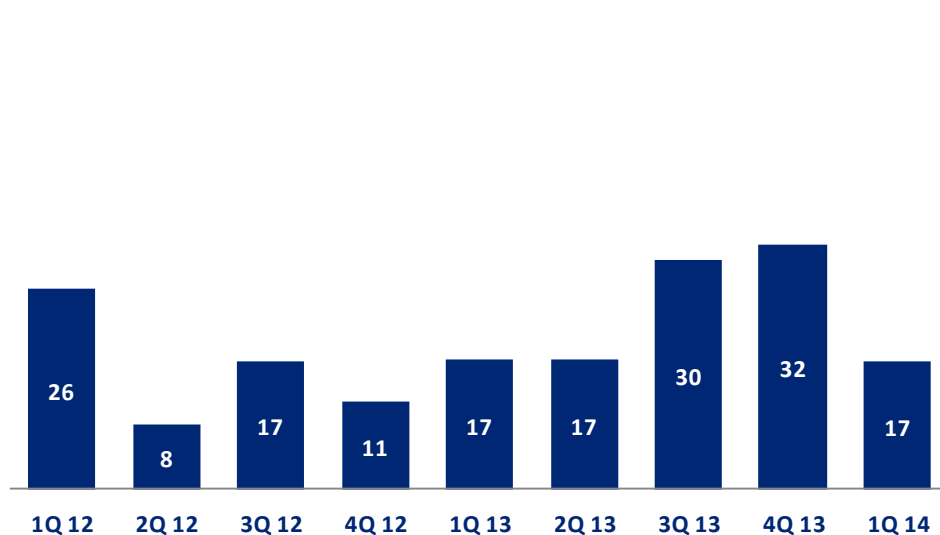
Staffing plan communicated across, and anchored in, the bank

The bank is on the right path in terms of resource use. No. of FTEs cut by about 45 since Q2 2012

Low loan losses

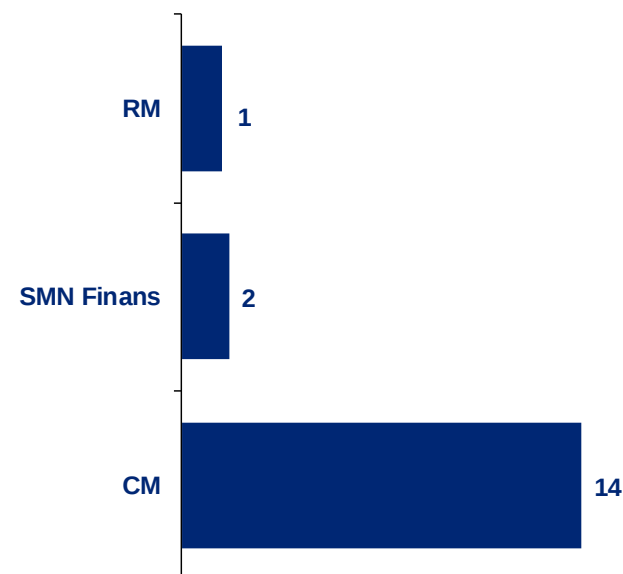
Loan losses – quarterly trend

NOK mill



Losses by business area:

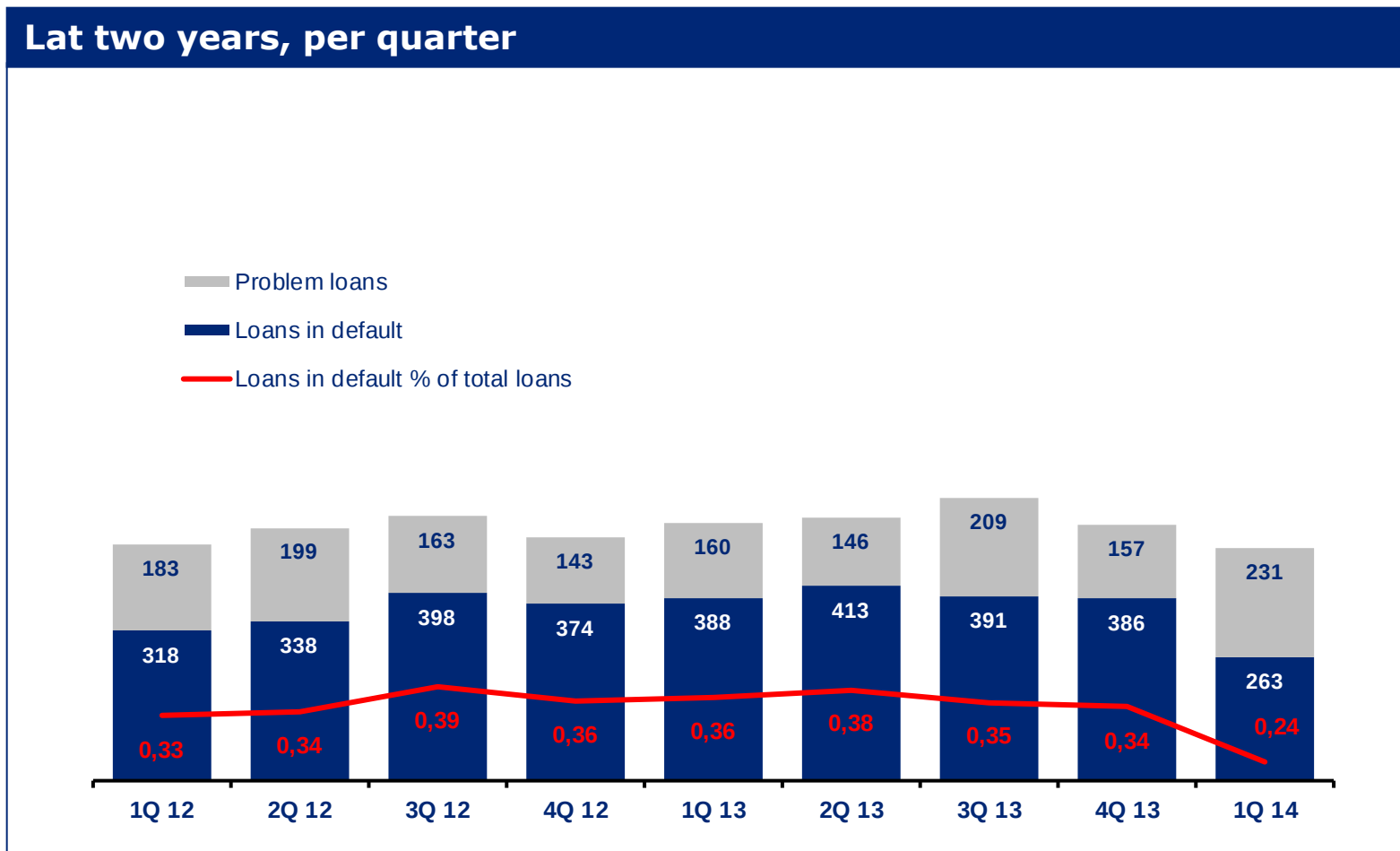
NOK mill



- Loan losses measure 0.06% (0.06%) of gross lending at 31 March 2014

Defaults and other problem loans

Low levels



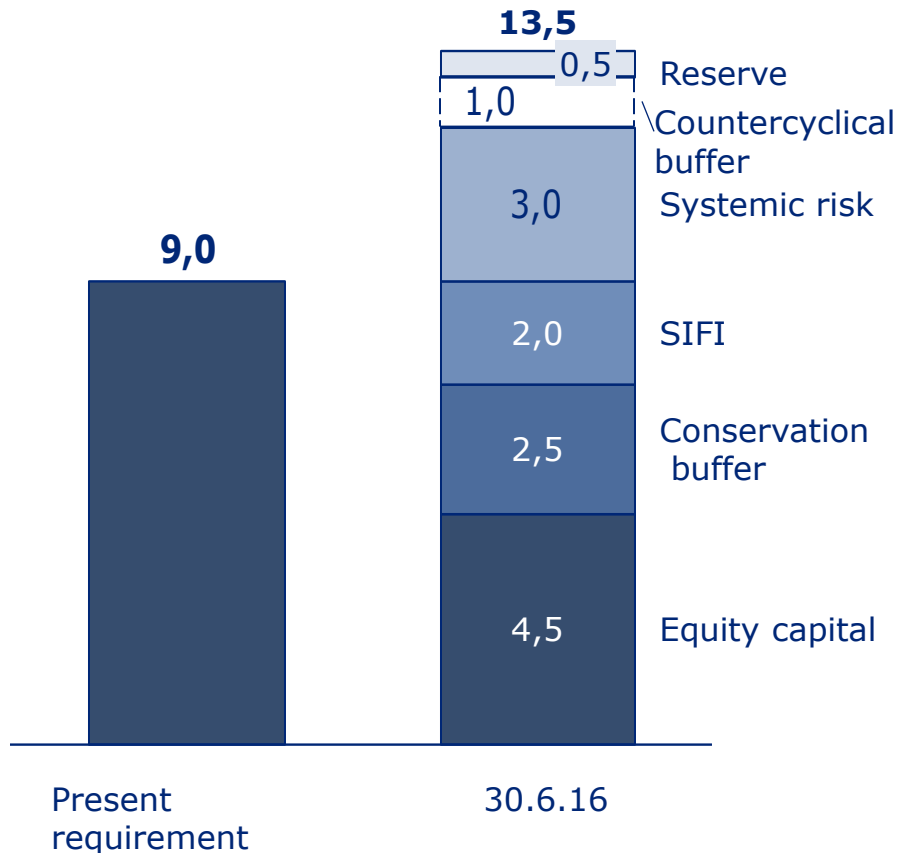
Balance sheet

Last three years

	31 Mar 2014	31 Mar 2013	31 Mar 2012
Funds available	19,9	22,5	15,5
Net loans	78,9	76,0	71,2
Securities	1,1	0,8	0,6
Investment in related companies	4,8	5,0	5,2
Goodwill	0,5	0,5	0,5
Other assets	6,3	6,1	6,0
TOTAL ASSETS	111,6	110,8	99,0
Capital market funding	35,5	37,3	30,8
Deposits	54,7	52,6	49,0
Funding, "swap" arrangement with the government	1,1	2,3	2,6
Other liabilities	5,6	5,6	5,8
Subordinated debt	3,3	2,9	2,6
Equity	11,4	10,2	8,4
TOTAL DEBT AND EQUITY	111,6	110,8	99,0
 *) in addition loans sold to SPB1 Boligkreditt	 32,2	 30,4	 25,7

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:

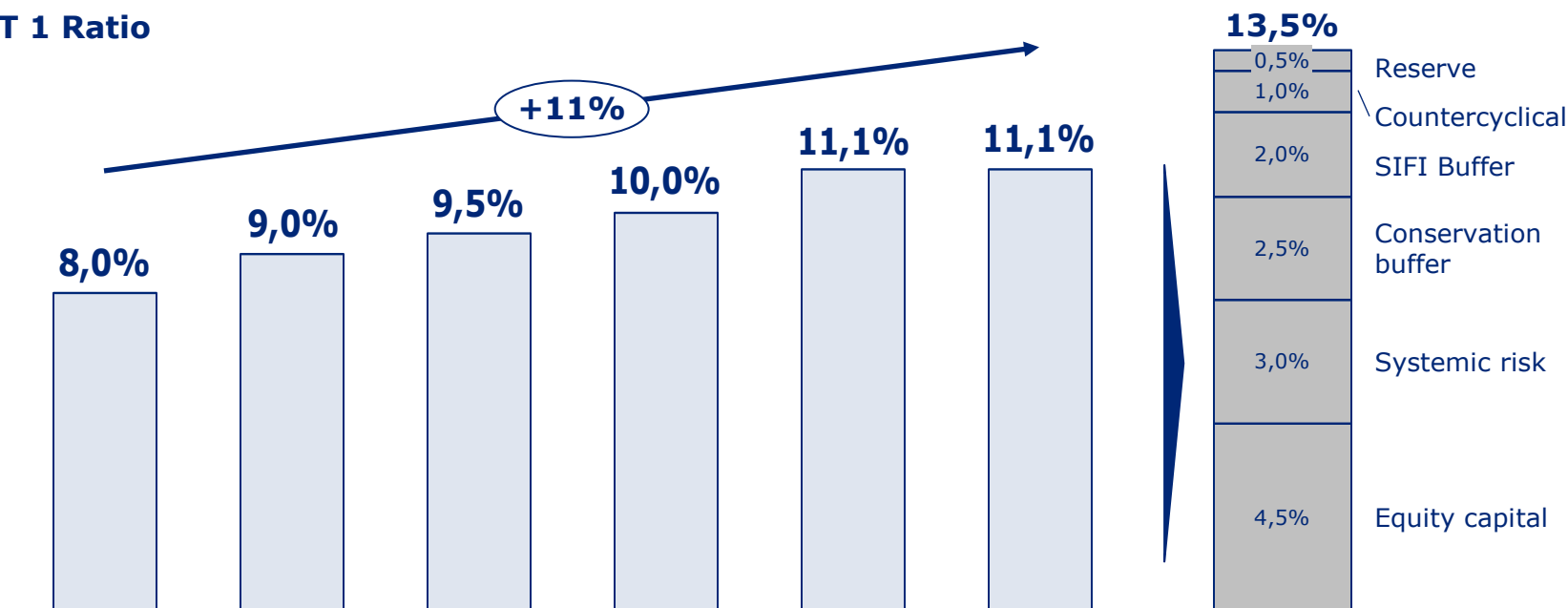
- Increase capital efficiency
- Some capacity for growth, mainly weighted towards the retail market
- Tight cost management
- Retained profit
- Dividend as previously communicated (25% - 35%)
- No stock issue

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 Q1 2014

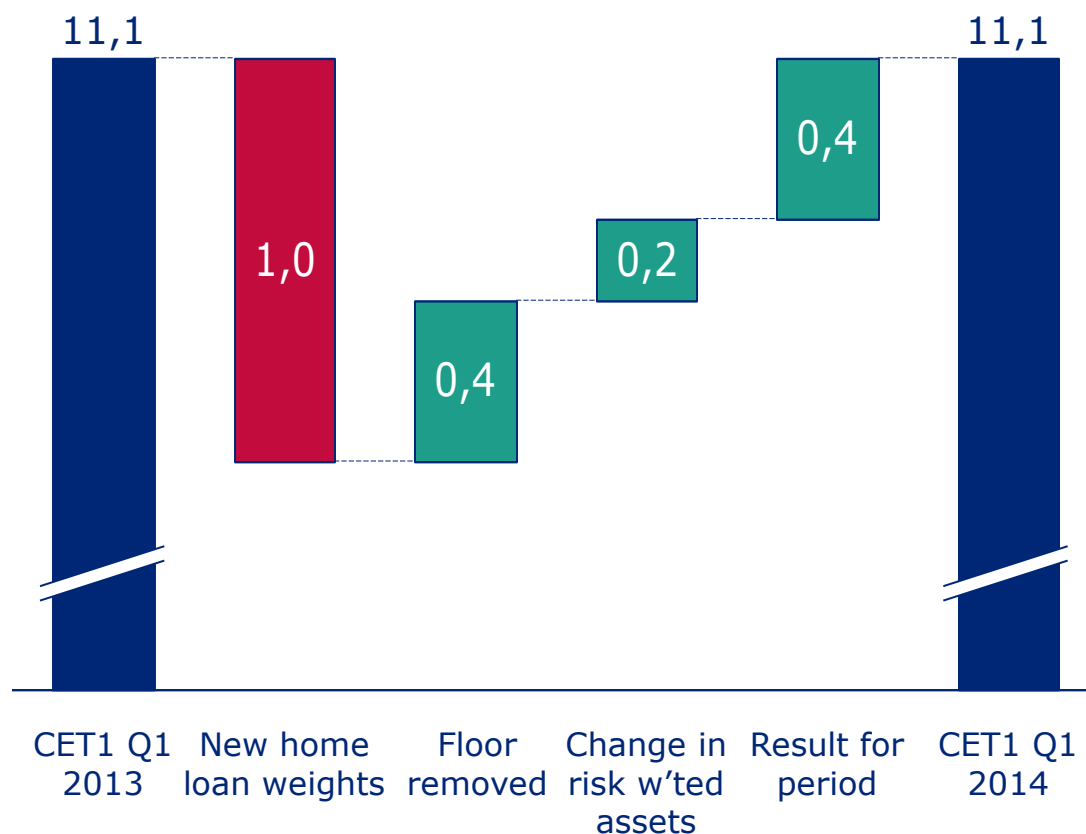
CET 1 Ratio



	2009	2010	2011	2012	2013	Q1-14	Goal 2016
CET 1 Capital	4.938	6.177	6.687	8.254	9.374	9.655	Goal for 2016 shall be achieved by 1st half 2016
ROE	16,2%	14,6%	12,8%	11,7%	13,3%	17,7%	

Change in common equity tier 1 (CET1) capital adequacy

Change in CET1 capital from Q4-13 til Q1-14



Home loan weights produce a negative effect of 1% whereas the net effect is 0.6% after removal of floor.

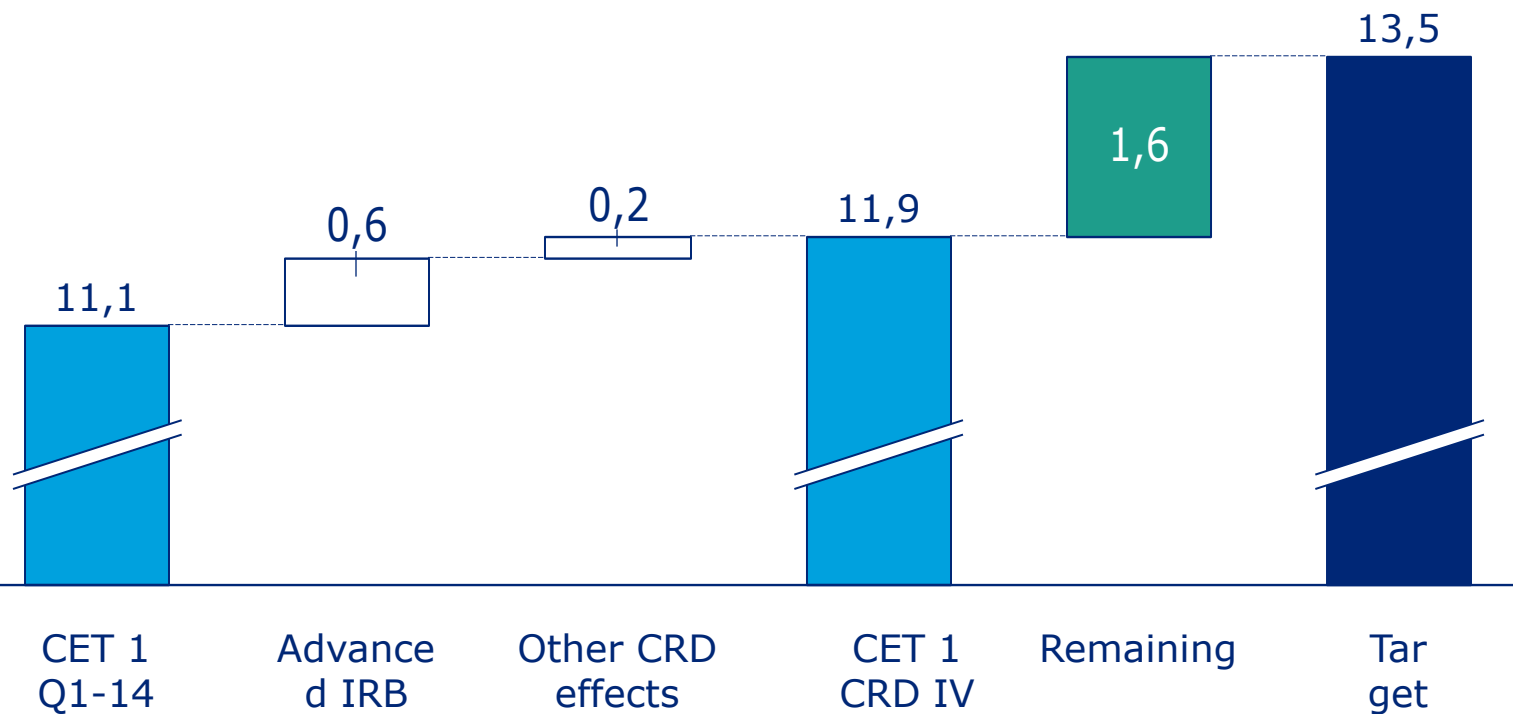
Decline in lending to corporates improves risk weighted assets by 0.2%.

Q1 profit contributes positive effect of 0.4%.

In total, a CET1 ratio of 11.1% as at the start of the year

Estimates CRD IV (new capital requirements directive)

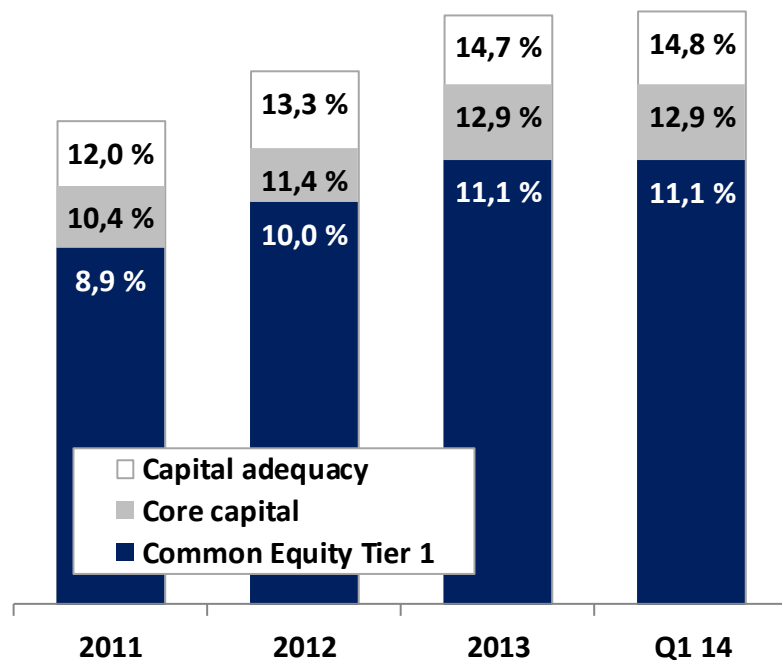
Estimates show that the bank will reach the 13.5% target



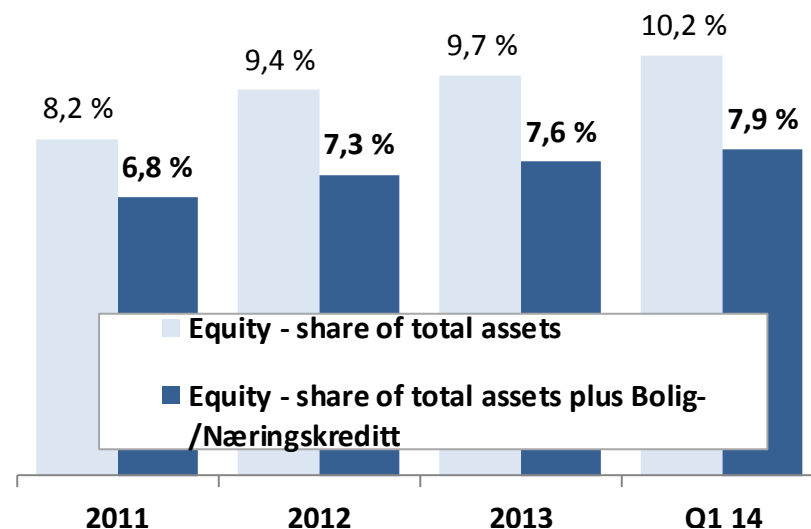
Profit retention, low dividend payouts and controlled growth will ensure that the bank reaches the capital plan target of 13.5%

Strengthened capital. High equity ratio in relation to total assets

Development capital adequacy

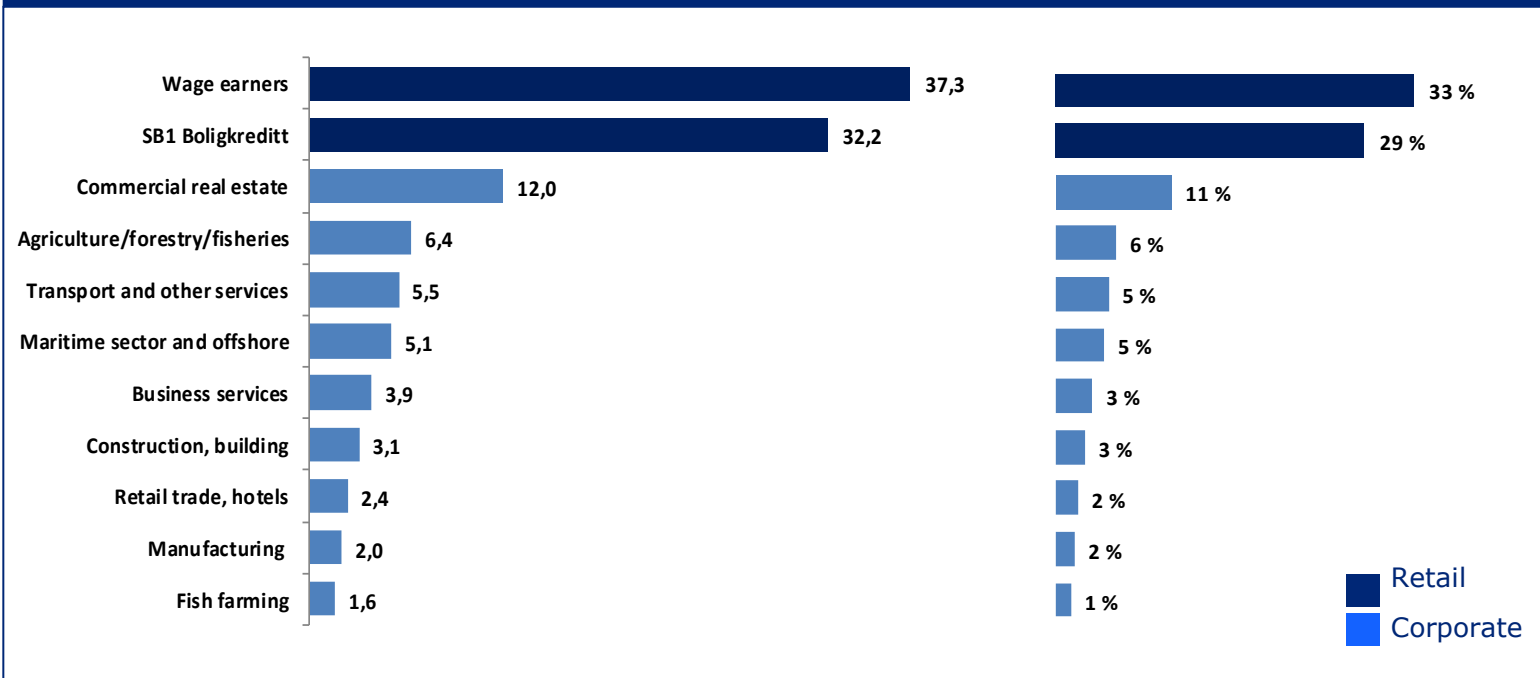


Development share of equity



High and increased share mortgages and diversified portfolio SMEs

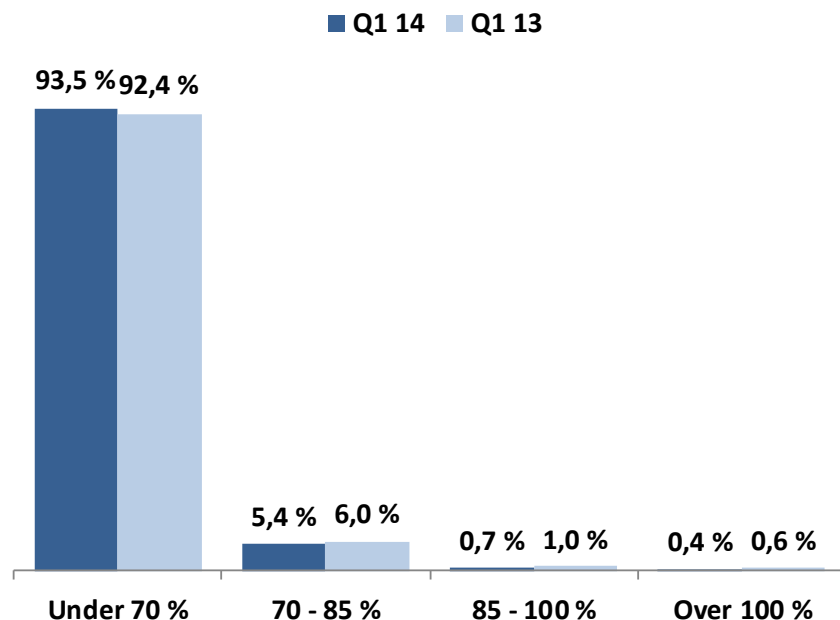
Lending by sector in NOK bn and in per cent of total



- 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

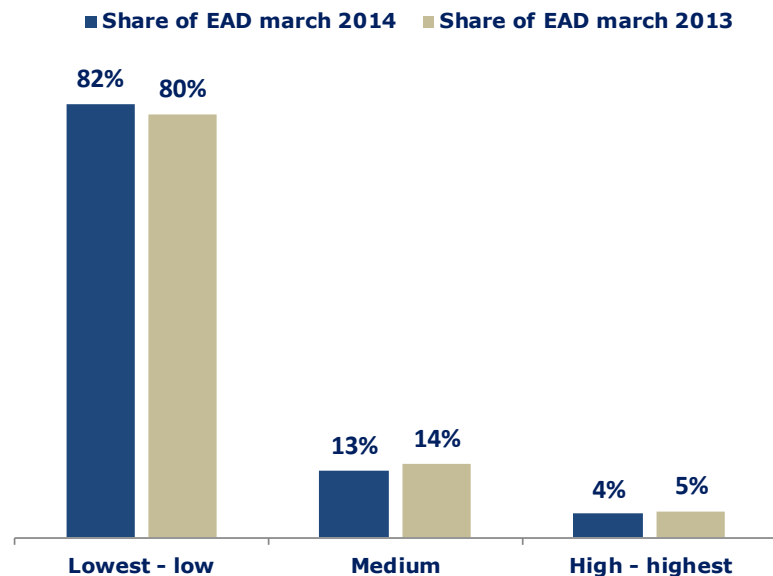


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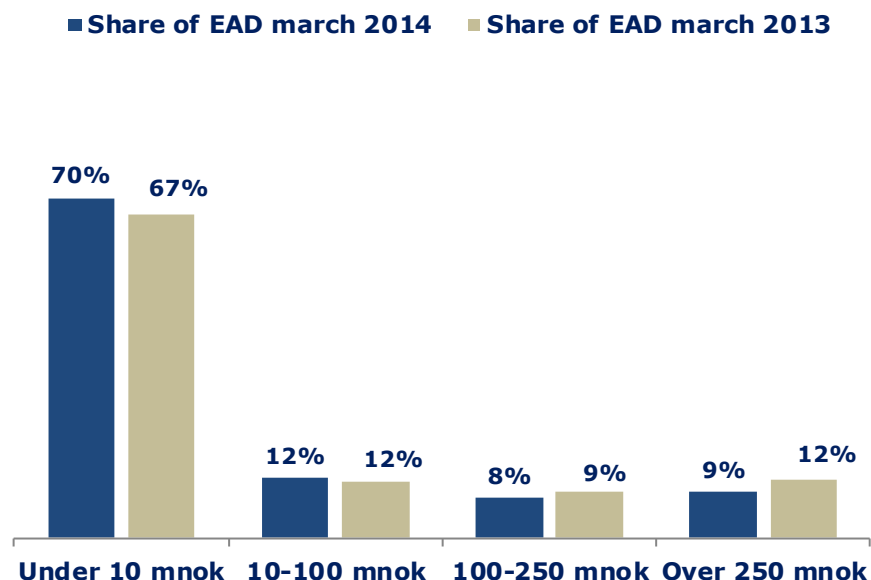
- 98,9 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 % has been reduced by 0,5 %-points to 1,1 % last 12 months

Improved credit risk

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

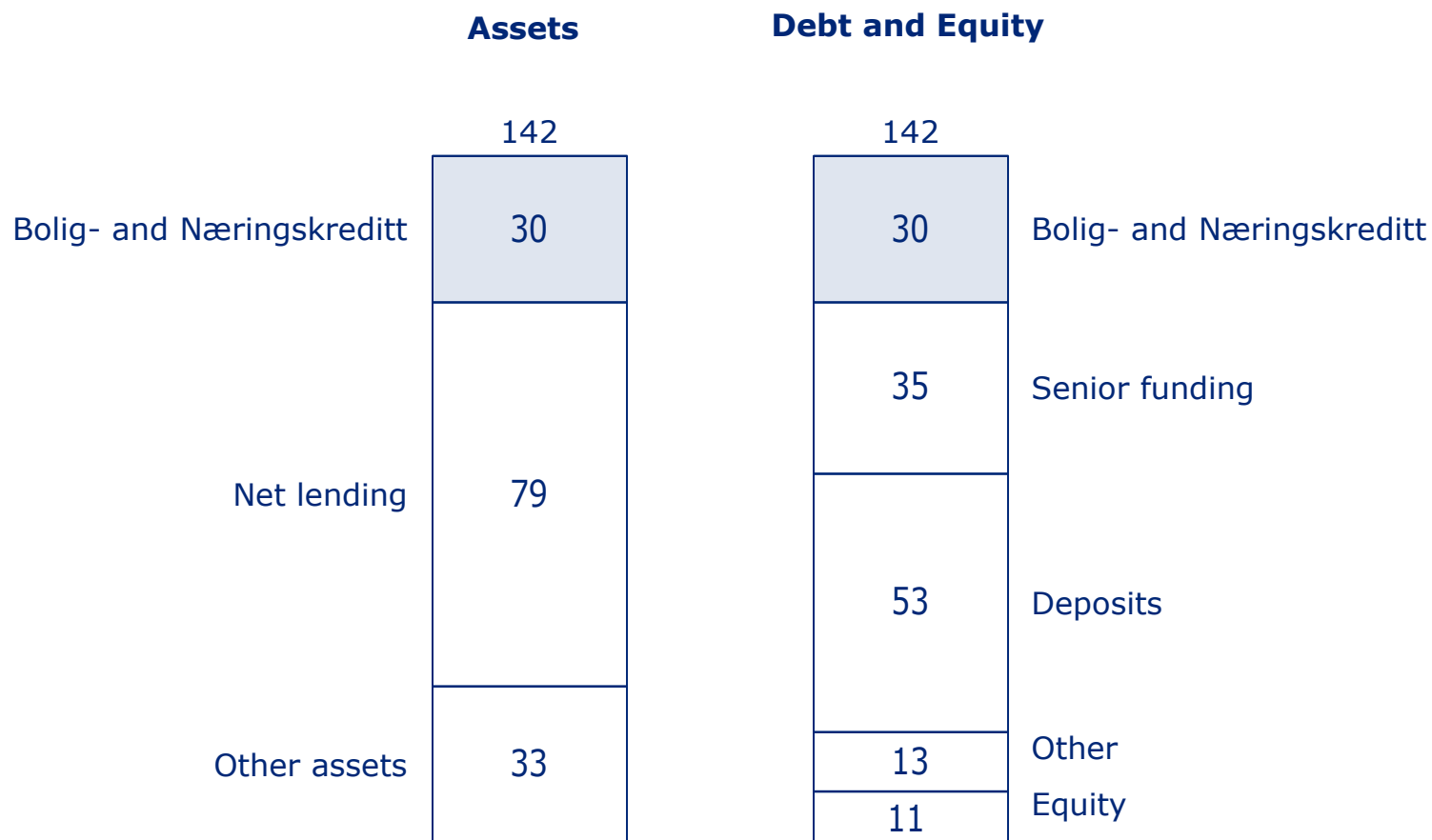


SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default



Diversified funding

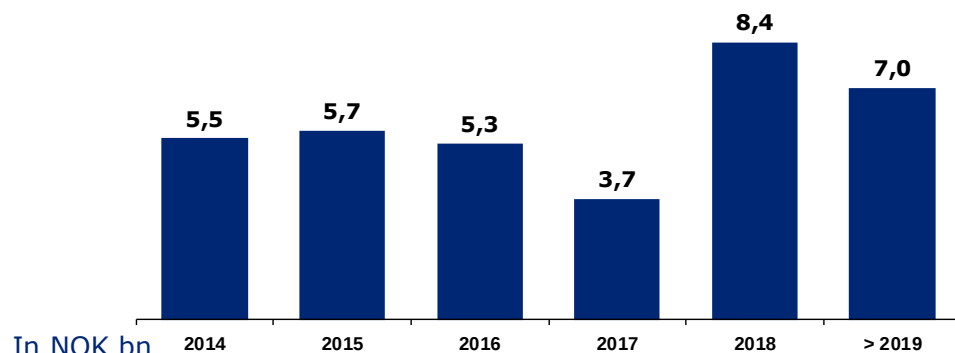
Balance sheet items including Bolig- and Næringskreditt 31.3.2014



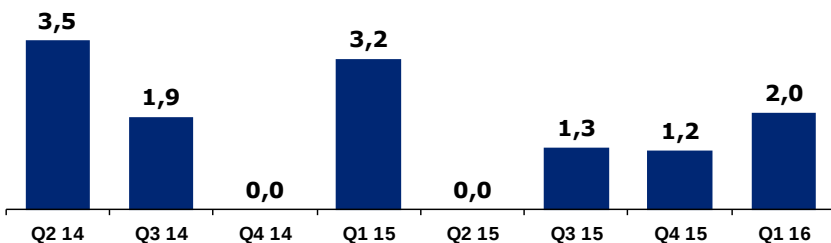
Satisfying access to capital market funding

Funding maturity 31 March 2013

In NOK bn



In NOK bn



Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 31 billion transferred as of 31 March 2014
- Maturities next two years
- NOK 13.1 bn
 - NOK 5.4 bn in 2014
 - NOK 5.7 bn in 2015
 - NOK 2.0 bn in Q1 16

Appendix

Return on financial investments

Satisfactory return

NOKm

	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13
Share of profit in related companies	84	94	150	33	108
Net gain and dividends on securities	156	69	19	2	25
Net gain on bonds and derivatives	-1	-26	-19	-14	20
Net gain on trading and derivatives Markets	20	15	16	25	17
Return on financial investments	259	151	166	45	169

Including held for sale

Capital adequacy

Last two years

NOKm

	31.3.14	31.3.13
Core capital exclusive hybrid capital	9.655	8.568
Hybrid capital	1.647	1.118
Core capital	11.303	9.686
Supplementary capital	1.591	1.285
Total capital	12.893	10.971
Total credit risk IRB	4.229	3.833
Debt risk, Equity risk	284	272
Operational risk	416	438
Exposures calculated using the standardised approach	2.186	2.086
Deductions	-126	-125
Transitional arrangements	0	102
Minimum requirements total capital	6.989	6.606
RWA	87.361	82.578
Core capital ratio	11,1 %	10,4 %
Core capital ratio ex. hybrid capital	12,9 %	11,7 %
Capital adequacy ratio	14,8 %	13,3 %

Key figures

Last three years

	31 Mar 2014	31 Mar 2013	31 Mar 2012
Net interest	1,45	1,25	1,40
Comm. income and net retur on fin. inv.	2,27	1,75	1,55
Operating expenses	1,56	1,52	1,59
Net profit as a percentage of ATA	2,16	1,49	1,36
Capital adequacy ratio	11,1 %	10,4 %	8,8 %
Core capital ratio	12,9 %	11,7 %	10,3 %
Growth in loans incl.Boligkreditt	4,4 %	9,7 %	9,9 %
Growth in deposits	4,1 %	7,4 %	14,2 %
Deposit-to-loan ratio	69 %	69 %	68,3 %
RM share loans	62 %	60 %	58 %
Cost-income ratio	42 %	50 %	54 %
Return of equity	17,7 %	12,7 %	13,0 %
Impairment losses ratio	0,06 %	0,06 %	0,04 %
ECC price	53,75	46,90	36,60
Adjusted profit per ECC	2,48	1,55	1,41

Key figures ECC

Including effects of issues

Last five years						
	Q1 14	Q1 13	2013	2012	2011	2010
ECC ratio	64,6 %	64,6 %	64,6 %	64,6 %	60,6 %	61,3 %
Total issued ECCs (mill)	129,83	129,83	129,83	129,83	102,76	102,74
ECC price	53,75	46,90	55,00	34,80	36,31	49,89
Market value (NOKm)	6.978	6.089	7.141	4.518	3.731	5.124
Booked equity capital per ECC	56,39	50,32	55,69	50,09	48,91	46,17
Post-tax earnings per ECC, in NOK	2,48	1,55	6,92	5,21	6,06	5,94
Dividend per ECC	-	-	1,75	1,50	1,85	2,77
P/E	5,42	7,55	7,95	6,68	8,40	5,99
Price / Booked equity capital	0,95	0,93	0,99	0,69	0,74	1,08

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 31 March 2014

Owner	Number	Share
Odin Norge	4.042.430	3,11 %
Sparebankstiftelsen SpareBank 1 SMN	3.965.391	3,05 %
Verdipapirfondet DNB Norge (IV)	3.499.298	2,70 %
Pareto Aksje Norge	3.372.208	2,60 %
Odin Norden	2.854.979	2,20 %
Vind LV AS	2.736.435	2,11 %
Frank Mohn AS	2.359.388	1,82 %
Skandinaviska Enskilda Banken AB	2.197.613	1,69 %
VPF Nordea Norge verdi	2.109.924	1,63 %
MP Pensjon PK	2.058.415	1,59 %

SpareBank 1 SMN

7467 TRONDHEIM

CEO

Finn Haugan

Tel +47 900 41 002

E-mail: 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

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 2014

Q1	9. May
Q2	13. August
Q3	30. October