

## Equity capital certificates

At end-2013 SpareBank 1 SMN's EC capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 20 each. At the turn of 2013 the Bank had a treasury holding of ECs totalling NOK 0.125m distributed on 6,255 ECs.

### Dividend policy

A new act and regulations on equity certificates, which came into force on 1 July 2009, bring savings banks' ECs more into line with shares. They entail greater equality of treatment of savings banks' various owner groupings and minimises previous concerns related to dilution of EC holders upon payment of cash dividends.

In view of the new legislation, the following dividend policy was established in December 2009:

- SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide EC 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 EC 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 ownerless 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 any need for tier 1 capital.

### Distribution of profit

Distribution of the profit for the year is done on the basis of the Parent Bank's accounts. The Parent Bank's profit includes dividends received from subsidiaries, affiliates and joint ventures.

Subsidiaries are fully consolidated in the Group accounts, whereas profit shares from affiliates and joint ventures are consolidated using the equity method. Dividends are accordingly not included in the Group results.

Annual profit for distribution reflects changes of -NOK 89m in the unrealised gains reserve, leaving the total amount for distribution at NOK 1,259m.

The profit is distributed between the ownerless capital and the equity certificate capital in proportion to their relative shares of the Bank's total equity, such that dividends to the dividend equalisation fund constitute 64.6 per cent of the distributed profit.

In keeping with the Bank's capital plan, the Board of Directors has decided to recommend a relatively low level of dividend payout and gift allocation.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 1.75 per EC, altogether totalling NOK 227m. This gives a payout ratio of 25 per cent of the Group's profit. 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. NOK 587m and NOK 321m are added to the dividend equalisation fund and the ownerless capital respectively. The level of dividend and gifts is anchored in the Bank's capital plan and reflects the need to increase the Bank's core capital through a reduction in the payout ratio.

After distribution of the profit for 2013 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

Distribution of profit, NOKm	2013	2012
Profit of the year, Parent Bank	1,348	1,025
Transferred from revaluation reserve	-89	-36
<b>Profit for distribution</b>	<b>1,259</b>	<b>990</b>
Dividends	227	195
Equalisation fund	587	432
Ownerless capital	321	333
Gifts	124	30
<b>Total distributed</b>	<b>1,259</b>	<b>990</b>

### Investor policy

The Bank attaches considerable importance to correct, relevant and timely information on the Bank's progress and performance as a means of instilling investor market confidence. Information is communicated to the market via quarterly investor presentations and press releases. Presentations for international partners, lenders and investors are also arranged on a regular basis.

Updated information for investors, the press and brokers is available at all times at [smn.no/ir](http://smn.no/ir).

### Financial calendar for 2014

- 1st quarter: 7 May 2014
- 2nd quarter: 13 August 2014
- 3rd quarter: 30 October 2014

### Ownership

SpareBank 1 SMN aims for good EC liquidity and to achieve a good spread across EC holders representing customers, regional investors and Norwegian and foreign institutions.

The number of EC holders was reduced by 702 to 8,741 in the course of 2013. The Bank's 20 largest EC holders controlled 32.5 per cent of the Bank's ECs at end-2013, and 73.96 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2013.

ECs owned by investors in South and North Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 20 per cent (30) of the total, other Norwegian investors account for 60 per cent (56) and foreign owners for 20 per cent (13). Foreign owners make up 2.55 per cent of the total number of owners as of 31 December 2013.

### Tax credit

In order to prevent double taxation of the Bank and its EC holders, rules on tax credits have been introduced (section 10–12 of the Tax Act, replacing previous 'RISK' rules). The tax credit, computed for each share/EC,

equals the share's/EC's tax-credit base multiplied by a tax-free interest rate. The tax-credit base equals the share's/EC's opening value. The tax-free interest rate is determined by the Ministry of Finance in regulations. The tax credit is assigned to the holder of the share/EC on 31 December of the income year.

### Market trend for the Bank's EC in 2013

At end-2013 the market price of SpareBank 1 SMN's EC (MING) was NOK 55.00. At end-2012 the price was NOK 34.80. With a cash dividend of NOK 1.75 for 2013, the direct return on the EC is 3.2 per cent.

Key figures and ratios	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Quoted price	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46	38.27
No. of ECs issued, million	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.70	71.70	54.57
Market value (NOKm)	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113
EC capital (NOKm)	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262	1,262	769
Equalisation fund (NOKm)	2,496	1,889	1,457	1,159	877	768	675	624	581	400
EC premium reserve (NOKm)	895	895	183	182	0	236	138	0	0	10
Dividend per EC	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34	1.85
Direct return 1)	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %	4.8 %
Dividend yield 2)	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %	50.2 %
Book value per EC 3)	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26	24.99
Profit per EC 4)	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35	2.77
Price-Earnings Ratio	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38	10.52	14.28
Price-Book Value Ratio	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76	1.86	1.58
Payout ratio 5)	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %	65 %	69 %
EC fraction 6)	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %

1) Dividend as per cent of quoted price at year-end.

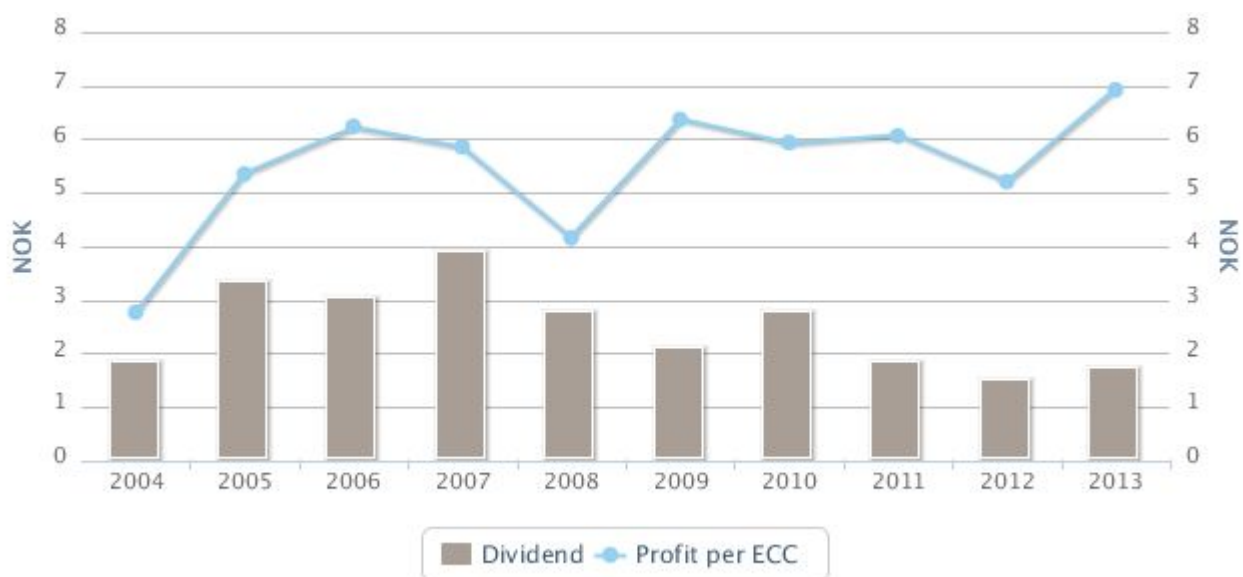
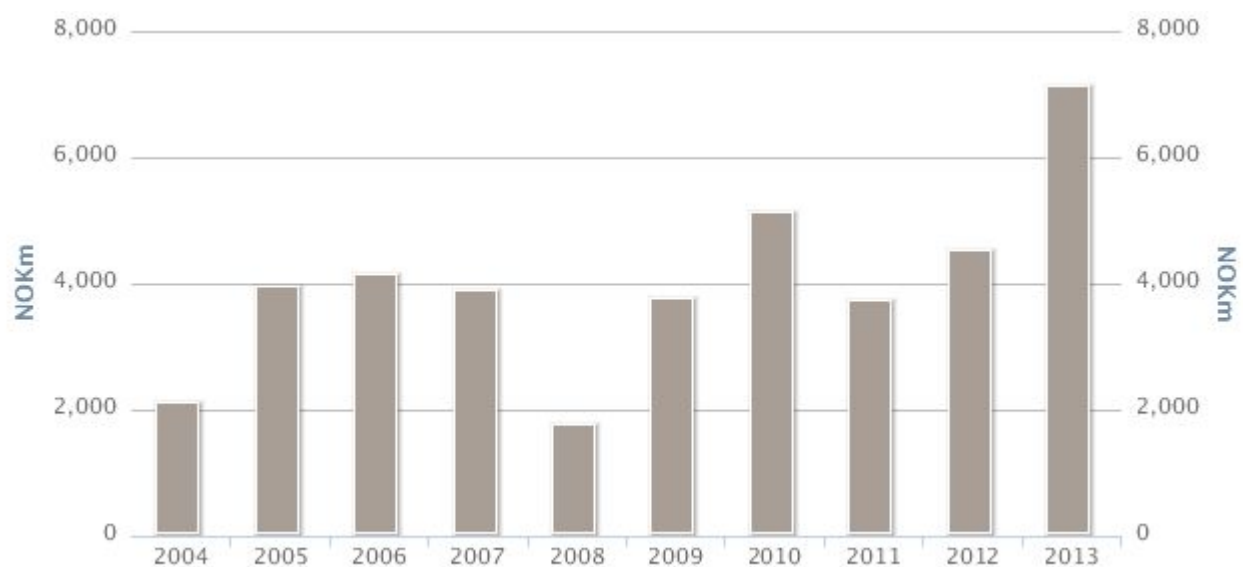
2) Price rise over the year plus paid dividend as per cent of quoted price at start of year.

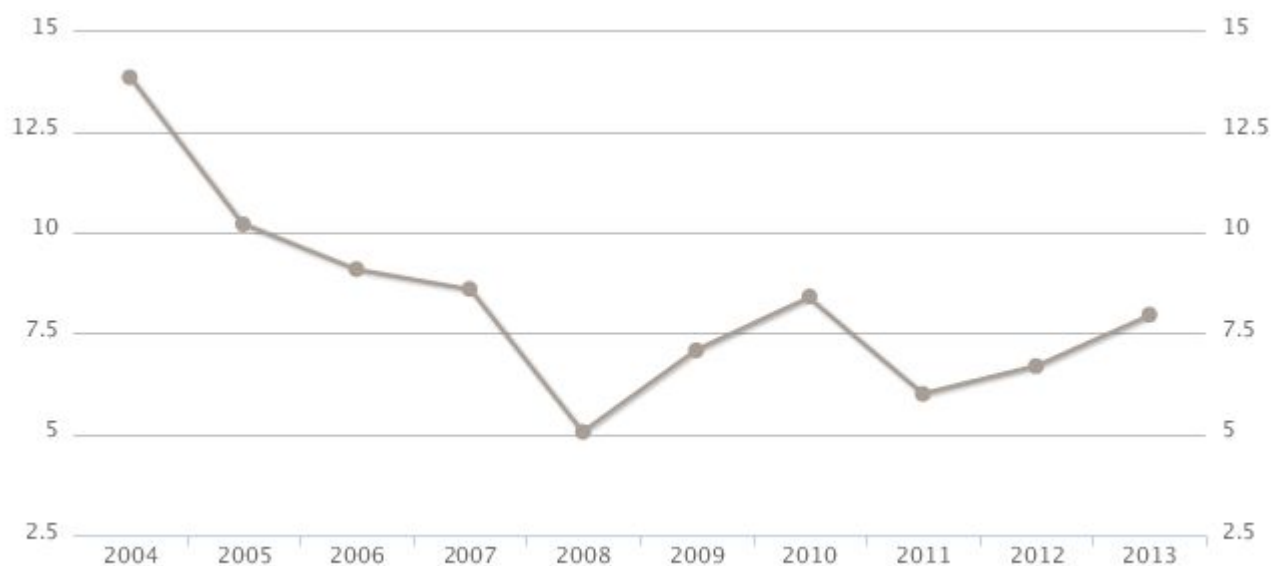
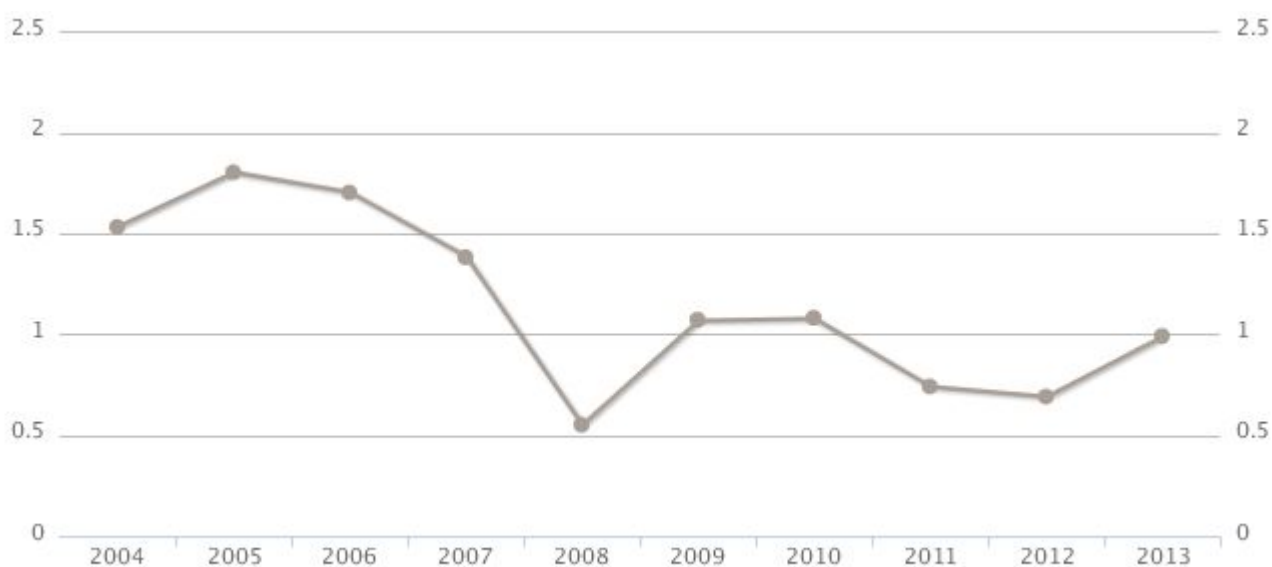
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

4) ECs' portion of the consolidated result (less own ECs).

5) Dividend per EC as per cent of profit per EC.

6) Book equity of EC holders (after deduction of own ECs) as per cent of parent bank's equity at year-end (after deduction of own ECs and other equity). The rate applies as from 1 January the following year.

**Dividend and profit per ECC (NOK)****Market value**

**Price/ earnings****Price/book**

**Stock price compared with OSEBX and OSEEX**

*OSEBX = Oslo Stock Exchange Benchmark Index (rebased)*

*OSEEX = Oslo Stock Exchange ECC Index (rebased)*