

## Equity capital certificates

At end-2012 SpareBank 1 SMN's EC capital totalled NOK 2,597m distributed on 129,836,443 ECs with a nominal value of NOK 25 each. At the turn of 2013 the Bank had a treasury holding of ECs totalling NOK 0.2m distributed on 6,400 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 36m in the unrealised gains reserve, leaving the total amount for distribution at NOK 990m.

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 63.3 per cent of the distributed profit.

Against the background of the Bank's capital plan, the Board of Directors has decided to recommend a lower level of dividend payout and gift allocation than in previous years.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 1.50 per EC, altogether totalling NOK 195m. This gives a payout ratio of 31 per cent of profit available for distribution. The Board of Directors further recommends the Supervisory Board to allocate NOK 30m as gifts to non-profit

causes, representing a payout ratio of 8 per cent. NOK 432m and NOK 333m are added to the dividend equalisation fund and the ownerless capital respectively. The Board of Directors are derogating from the principle of equal payout share to the EC-holder capital and the ownerless capital in recognition of the need to improve financial strength and because the EC Price-Book ratio is below 1.

After distribution of the profit for 2012 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

<b>Distribution of profit, NOKm</b>	<b>2012</b>	<b>2011</b>
Profit of the year, Parent Bank	1,025	820
Transferred from revaluation reserve	-36	-25
<b>Profit for distribution</b>	<b>990</b>	<b>795</b>
Dividends	195	190
Equalisation fund	432	297
Ownerless capital	333	268
Gifts	30	40
<b>Total distributed</b>	<b>990</b>	<b>795</b>

### Stock issues

- A rights issue was carried out in 2012 infavour of existing EC holders. The subscription period was 12-26 March 2012. ECs were allocated in an amount of NOK 740m. The issue was registered with the Register of Business Enterprises on 11 April 2012, with accounting effect as from the second quarter.
- In the same period a placing was made in favour of the Bank's employees. ECs worth NOK 21m were allocated in this placing.
- In the third quarter a placing of NOK 200m was made in favour of the foundation Sparebankstiftelsen SMN and a large international investor.

### 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, mainly in London.

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

### Financial calendar for 2013

- 1st quarter: 25 April 2013
- 2nd quarter: 14 August 2013
- 3rd quarter: 31 October 2013

### 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 89 to 9,443 in the course of 2012. The Bank's 20 largest EC holders controlled 36.8 per cent of the Bank's ECs at end-2012, and 34.7 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2012.

ECs owned by investors in South and North Trøndelag, Møre and Romsdal and Sogn and Fjordane account for 32 per cent (30) of the total, other Norwegian investors account for 55 per cent (56) and foreign owners for 13 per cent (13). Foreign owners make up 2 per cent of the total number of owners as of 31 December 2012.

### 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 2012

At end-2012 the market price of SpareBank 1 SMN's EC (MING) was NOK 34.80. At end-2011 the price was NOK 54.00. With a cash dividend of NOK 1.50 for 2012, the direct return on the EC is 4.3 per cent.

Key figures and ratios	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Quoted price	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46	38.27	26.72
No. of ECs issued, million	129.83	102.76	102.74	82.78	82.41	76.65	71.70	71.70	54.57	54.57
Market value (NOKm)	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951	2,113	1,476
EC capital (NOKm)	2,597	2,373	2,373	1,734	1,445	1,349	1,262	1,262	769	607
Equalisation fund (NOKm)	1,889	1,457	1,159	877	768	675	624	581	400	482
EC premium reserve (NOKm)	895	183	182	0	236	138	0	0	10	10
Dividend per EC	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34	1.85	2.00
Direct return 1)	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %	4.8 %	7.5 %
Dividend yield 2)	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %	50.2 %	77.9 %
Book value per EC 3)	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26	24.99	22.85
Profit per EC 4)	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35	2.77	2.22
Price-Earnings Ratio	6.68	5.99	8.40	7.29	5.09	8.87	9.38	10.52	14.28	12.43
Price-Book Value Ratio	0.69	0.74	1.07	1.09	0.57	1.43	1.76	1.86	1.58	1.21
Payout ratio 5)	29 %	30 %	47 %	34 %	34 %	69 %	50 %	65 %	69 %	93 %
EC fraction 6)	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %	49.8 %	51.4 %

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.

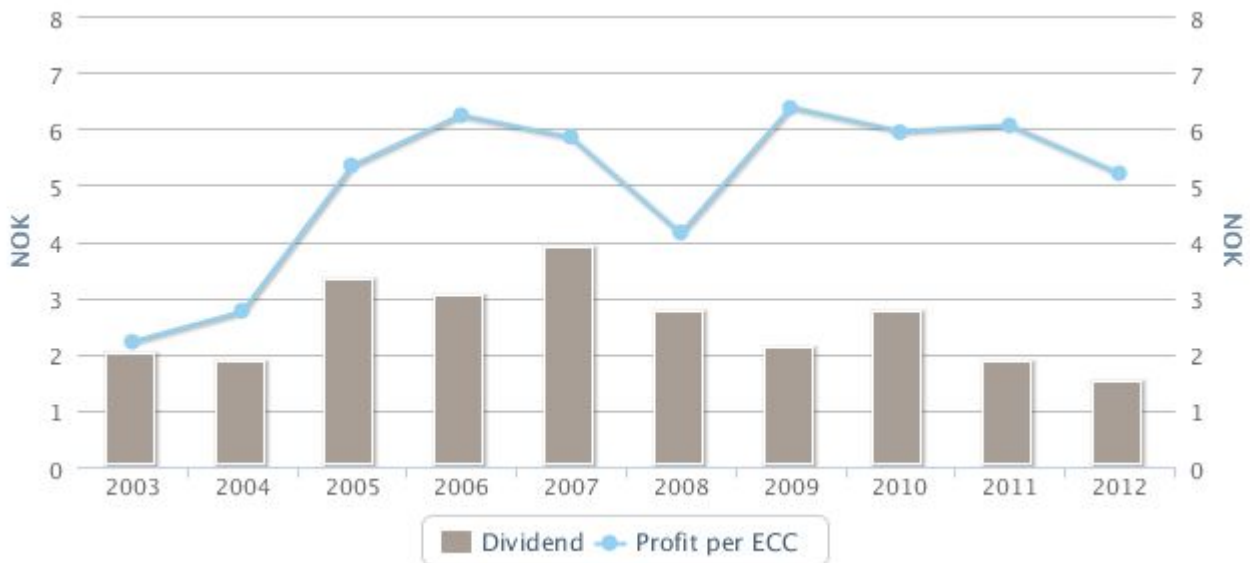
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

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

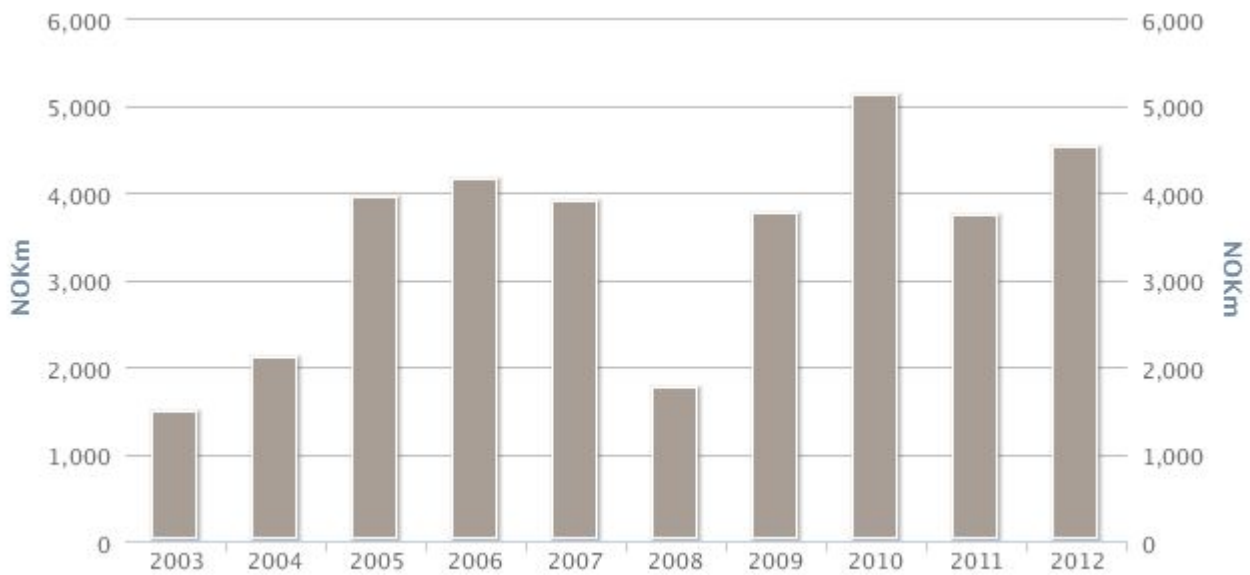
5) Dividend per EC as per cent of profit per EC.

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.

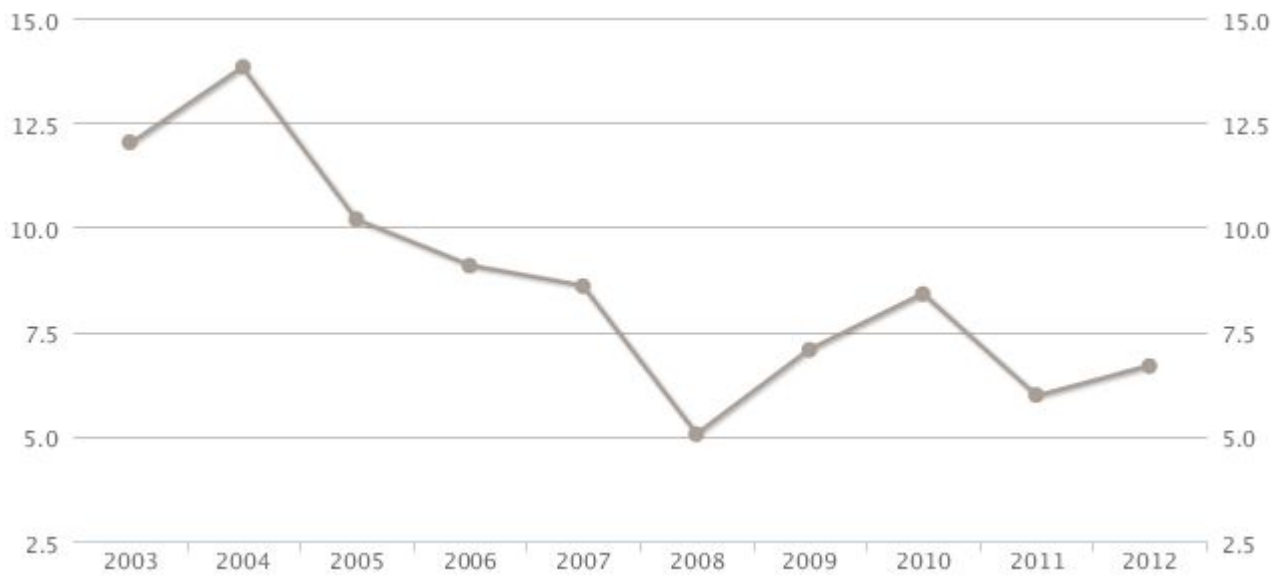
**Dividend and profit per ECC (NOK)**



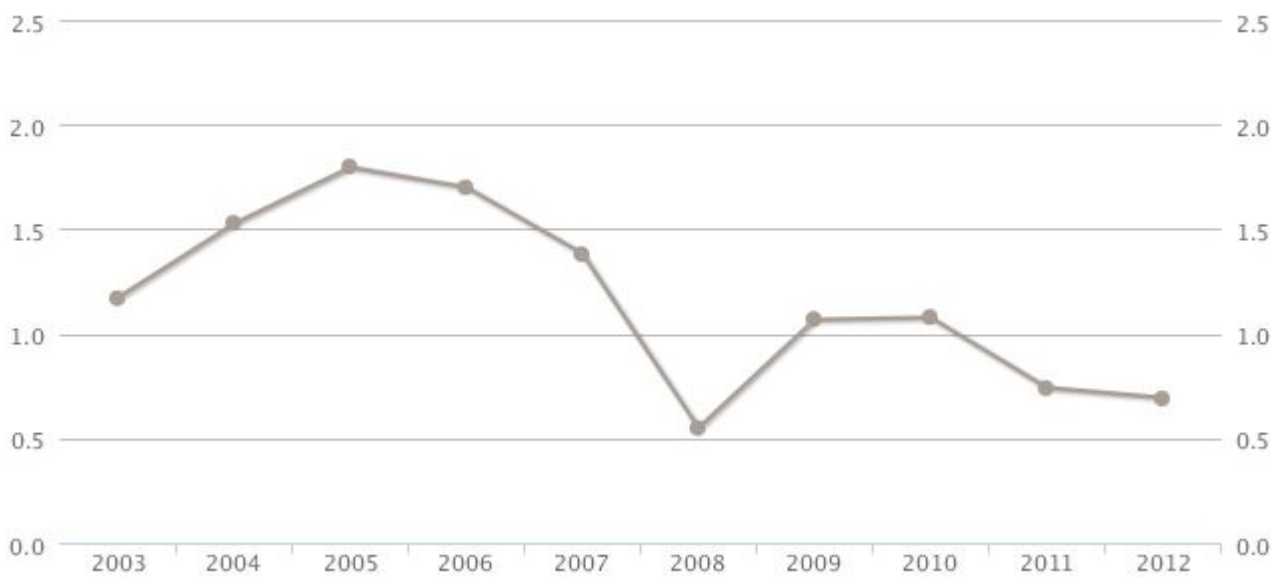
**Market value**



**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)