

Corporate social responsibility

As a major regional bank, SpareBank 1 SMN lives in close community with the region. Ever since the Bank was established in 1823, further development of the society of which we are a part has been a central focus of our policy choices and dispositions. With our local knowledge and closeness to our customers, we base our assessments not on economics and risk alone but also on a social perspective, and we work closely with our customers and local communities to foster sound businesses and good living conditions.

Consideration for society is integrated in all aspects and at all levels of our business, extending to matters touched on in the Accounting Act section 3-3 which deals with human rights, employee rights, social conditions, external environment and the combating of corruption. This ensures that ethics, the environment and important social issues are on the agenda throughout.

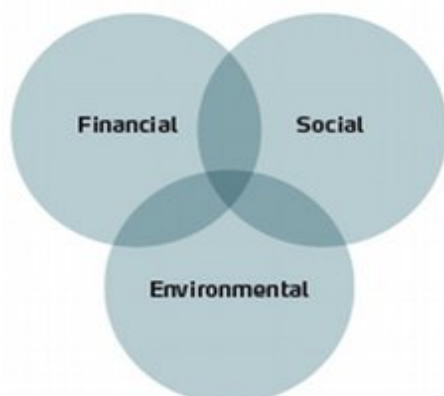
Through the Bank's gift fund we have for many years returned funds to the region of which we are a part. We can mention grants to talented individuals in the arts and sports, support for local associations and organisations, well-being measures at neighbourhood level and contributions to business development in Trøndelag and in Møre and Romsdal.

An active interplay between research, development, education and the business sector is important for the region's development. Each year SpareBank 1 SMN devotes substantial resources to stimulating innovation and to bringing together industry, business and knowledge institutions. Our collaboration with the Norwegian University of Science and Technology (NTNU) and the Foundation for Scientific and Industrial Research (SINTEF), both in Trondheim, along with iKuben in Molde and Aalesund University College, is key to this effort.

The three-part bottom line

Solid banking creates a foundation for responsible social development. As a basis for our work, we have sought a balance between the financial, social and environmental aspects of the three-part bottom line. Under each theme we have defined key areas on which we maintain a special focus, and goals and initiatives have been developed for each area.

Our thinking on social responsibility: basic structure



FINANCIAL
Strategy and plans
Financial key figures
Ethics, legislation
Relationship to owners
Risk management

SOCIAL
Organisation, staff
Customers, market
Suppliers
Social commitment
Technology, security

ENVIRONMENTAL
Resource use
Purchasing policy
Energy
Pollution
Waste management

CSR status and goal achievement 2008 - 2013

	2008	2009	2010	2011	2012	2013
Strategy/financial						
Group strategy	Updated	Continued	Continued	Continued	Continued	Continued
Develop CSR strategy	Established	Continued	Continued	Continued	Continued	Continued
Pre-tax profit (NOKm)	778	1,147	1,282	1,279	1,355	1,758
Total assets (NOKm)	84,670	84,541	97,992	101,455	107,919	115,630
Return on equity	11.90 %	16.20 %	14.60 %	12.80 %	11.70 %	13.30 %
Core capital ratio	8.10 %	10.40 %	10.90 %	10.43 %	11.34 %	13.00 %
No. of ECs issued (millions)	82.41	82.78	102.74	102.76	129.83	129.83
Quoted price 31.12	38.07	45.06	49.89	36.31	34.80	55.00
Market capitalisation (NOKm) 31.12	1,750	3,749	5,124	3,731	4,518	7,141
Direct return	5.10 %	4.60 %	5.60 %	5.10 %	4.30 %	3.20 %
No. of owners	9,123	9,500	9,654	9,532	9,749	8,741
Knowledge of bank's ethical rules at least 90 %	96 %	96 %	96 %	96 %	96 %	96 %
Society/social conditions						
No. of FTP equivalents	775	805	793	794	819	758
Sickness absence	3,84 %	4,22 %	4,00 %	4,00 %	4,60 %	4,08 %
Women's share of workforce	51.5 %	51.5 %	51.0 %	52.0 %	51.9 %	51.0 %
Women's share of senior positions	26.0 %	28.0 %	28.0 %	27.0 %	28.7 %	31.6 %
Average age	45 år	45 år	46 år	46 år	46 år	46 år
Employee satisfaction	75	75	I/T	715*	730*	756*
Agreement on inclusive employment	Videreført	Videreført	Videreført	Videreført	Videreført	Videreført
Strategy on life phase policy	Videreført	Videreutviklet	Videreutviklet	Videreført	Videreført	Videreført
Managerial development programme	Videreført	Videreført	Videreført	Videreført	Ikke gjennomført	Ikke gjennomført
No. of offices	56	56	54	54	51	50
No. of customers	192,000	194,000	194,500	196,500	200,900	201,500
Share of internet banking customers	54 %	57 %	73 %	81 %	95 %	95 %
Share of electronic bill payments	91 %	92 %	99 %	99 %	99 %	99 %
Share allocated to culture	22 %	24 %	22 %	24 %	17 %	21 %
Share allocated to sports	16 %	20 %	23 %	23 %	21 %	15 %
Share allocated to humanitarian work	6 %	4 %	6 %	6 %	12 %	5 %
Share allocated to business development	56 %	52 %	43 %	38 %	35 %	59 %
Environment						
Purchase of paper (tonnes)**	46.50	35.90	39.10	35.70	26.90	35.80
Energy consumption (kWh)	6,193,000	6,580,000	7,004,400	6,900,500	6,135,000	6134 600
No. of flights	3,984	3,585	3,816	3,910	3,524	3,517
E-waste return scheme (tonnes)	5.30	2.90	3.43	3.40	3.25	3.10
Waste sorting at source	Continued	Continued	Continued	Continued	Continued	Continued
Printer and toner return scheme	Continued	Continued	Continued	Continued	Continued	Continued
No. of videoconferencing rooms	3	6	6	8	10	10
Strategy/action plan for energy and the environment at the new head office	Continued	Continued	Continued	Continued	Continued	Continued
No. of offices certified under the 'Environmental Lighthouse' scheme	I/T	1	1	2	4	4

* New system for organisational analysis as from 2011

** Slight increase in paper consumption from 2012 to 2013 due to increased customer base.

Ethics

The Group's business activities are dependent on the confidence of its customers, the public authorities and the wider society. Staff at SpareBank 1 SMN must be recognised for their high ethical standards. To this end each of us, in any context where we are identified with SpareBank 1 SMN, must display a conduct that is perceived to be confidence inspiring, honest and trustworthy and in compliance with the norms, rules and statutes by which the society is governed.

SpareBank 1 SMN intends to provide factual, correct information in an honest, trustworthy and open manner about the Bank's business and services.

SpareBank 1 SMN has set up the following formalised, repeating review of the Bank's ethical guidelines for the Group's employees; this, in sum, constitutes the formal framework tool for the practical conduct of all staff of the Bank.

- The ethical guidelines are a part of the staff handbook, and thus a part of the employment contract
- The ethical guidelines are reviewed, with pertinent examples presented for discussion by all new staff
- Ethics is a compulsory module at the Bank's educational facility and must be successfully completed by all staff once every three years

Organisation and staff

SpareBank 1 SMN intends to be an attractive and inclusive employer for staff in all age groups and life phases. The Bank sets the stage for all staff to experience a good balance between work, home and leisure. We also encourage staff to maintain good health by promoting physical activity. This is based on the belief that staff members whose needs are catered for put in a better performance in the best interest of themselves and the business.

SpareBank 1 SMN has relatively low rate of sickness absence of 4.08 per cent. We believe this can to some extent be ascribed to staff that are motivated by challenging and stimulating work at the same time as many stay in shape through various types of physical activity.

We have a good gender and age balance. The Bank is working to raise the proportion of women in senior positions. In 2013 women held 31.6 per cent of senior positions compared with 28 per cent in 2012.

The Group has established a robust framework in the organisational area:

- staff handbook, health, environment and safety (HES) handbook, inclusive employment agreement
- internal committees fixed by agreement: liaison committee, appointments committee and negotiating committee
- ethical guidelines, procedure for reporting concerns and procedure for handling conflicts
- induction programme and gatherings for new staff members
- targeted competence development through adviser training and the educational facility
- framework for personal professional development sessions
- annual staff survey and follow-up
- phase-of-life policy

The Group has established a project known as 'Better Shape' to promote good health, increased motivation and well-being. The project is a targeted drive aimed at motivating staff to increase their physical activity.

Corruption and internal illegalities

Corruption is defined as giving/offering or demanding/receiving/accepting an improper advantage in relation to a position, office or assignment.

Internal illegalities include acts whereby a staff member, substitute, elected officer or member of a governing body of SpareBank 1 SMN knowingly and unjustifiably commits an act that leads to personal or financial gain for the individual concerned or for others. This may be by means of embezzlement, theft, forgery, breach of financial trust, fraud, selling information or withholding information. Irregularities can include breaches of applicable instructions, code of ethics, procedures, authorisations or agreements.

The Group's sanctions system is designed to assure uniform responses, reporting, archiving and follow-up of censurable circumstances among staff across the Group. The object of the sanctions system is to have in place an effective set of rules that ensures compliance with the established code of business conduct while safeguarding staff members' security under the law.

Disclosure of corruption and other illegalities at an enterprise is generally termed "whistleblowing". Everyone has a social responsibility and no-one should keep quiet about criminal offences. SpareBank 1 SMN has a keen awareness of this issue and takes precautionary measures against, and uncovers, cases of corruption and illegalities and investigates any suspicion of illegality or wrongdoing.

Money laundering and financing of terrorism

SpareBank 1 SMN works systematically to uncover and combat economic crime. The know-your-customer principle is widened in the new money laundering legislation to include both know-your-customer and know-your-customer's business. This means that we as a financial institution are required to know what transactions are normal for the particular customer to carry out if we are to be able to uncover unusual or suspicious transactions. Requirements on financial institutions are tightened with regard to identity verification and customer due diligence and to recording information about the customer.

Authorities, customers and competitors must have confidence in SpareBank 1 SMN's professionalism and honesty. By maintaining vigilance at all levels of the organisation we make our contribution to ensuring that products and services are not exploited to criminal ends, including money laundering and terrorist financing. We are required to investigate all suspicious transactions. These are handled by a dedicated system and are reported under special criteria to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim).

As an institution subject to the reporting obligation, SpareBank 1 SMN is required to make a concrete review of the risk of money laundering and terrorist financing facing its business. The risk analysis is revised annually. For the year 2013 the risk of money laundering and terrorist financing to SpareBank 1 SMN is considered to be at a moderate/low level given the procedures and measures adopted by the Bank. The

internal procedures ensure that SpareBank 1 SMN fulfils all relevant rules related to anti-money laundering and anti-terrorist financing measures, and all procedures have been prepared against the background of a concrete risk-based review of the business.

As required by the legislation, SpareBank 1 SMN has created an anti-money laundering function within the Group management team. The day-to-day central exercise of this function and the associated reporting is assigned to the Security Department. The Bank has also established an internal anti-money laundering group drawing staff from all relevant customer segments and areas of the banks' business.

All staff members are required at specific intervals to undergo mandatory e-training with regard to money laundering and terrorist financing. In 2013, 237 staff members underwent such training. The Security Department held 12 presentations for a total of some 300 staff as part of their training in combating various forms of economic crime.

Environment

The Group consistently implements measures designed to reduce consumption of electricity, paper and other resources. We are also reducing resource-demanding travel by replacing travel with video conferencing. Handling of e-waste and purchase of environment-friendly solutions also receives much attention. The Bank strives throughout to ensure the right procurement of technological equipment, and to this end includes energy and environmental requirements as specific assessment criteria. This is set out in a procurement guide, and our Environmental Lighthouse action plans

All technological equipment is handled as special waste, and is delivered to an approved e-waste disposal facility. In 2013 3 tonnes of technological waste were delivered to such a facility. Increased use is made of electronic work processes, and the introduction of new copy and print solutions has reduced paper consumption. The growing use of electronic processes imposes greater demands on safety and personal protection. The following measures are being put in place to ensure a focus on, and competence in, safety.

- Regular internal safety courses
- National safety exercises (disaster preparedness exercises)
- Free-of-charge software for enhanced customer safety
- Instructing older users in safe internet banking and mobile banking

SpareBank 1 SMN made 3,517 business trips in 2013 compared with 3,524 in 2012. Despite increased customer activity and the Bank's involvement in committees and projects under the auspices of the SpareBank 1 Alliance, air travel has been reduced. Videoconferencing, telephone conferencing and digital tools to support teamworking and knowledge sharing are the main factors behind the reduced travel activity. We also encourage employees to take public transport or, preferably, to walk or cycle to and from work.

Very low energy consumption at the new head office

SpareBank 1 SMN relocated to its new head office in Trondheim in autumn 2010. Our energy consumption and indoor climate targets were ambitious. The energy consumption target for the new office premises section of the building was 85 kWh per square metre. This target was met by an ample margin in the first year. After three years of operation, energy consumption in this section has stabilised at 77 kWh per square metre, which is far below the limit of 144 kWh per square metre set by the authorities. Savings on operating expenses are therefore substantial. In spring 2012 our office in Steinkjer moved into new premises based on

the same energy principles as the new head office. This building also has a very low energy requirement. The reasons for the low energy consumption are numerous and complex, but the main individual factors are:

- a well isolated and efficient building envelope
- a highly energy-efficient ventilation system
- a sophisticated control and operation-monitoring system
- organisation of the workplace and monitoring by the building's users

Work on energy-reducing measures is in progress at all offices undergoing environmental certification.

Environmental lighthouse

SpareBank 1 SMN has opted for certification under 'Environmental Lighthouse', a national certification scheme catering to the private and public sectors. We gain certification using the head office model. At end-2013 the Trondheim head office and the offices in Ålesund, Stjørdal and Steinkjer were certified. Our subsidiaries SpareBank 1 Finans Midt-Norge and SpareBank 1 Bilplan are also certified. This means that offices in which about 600 staff work on a daily basis are now certified in the following areas: work environment, procurements/materials use, energy, transport, waste, emissions and aesthetics. The offices in Verdal, Inderøy and Snåsa have been enrolled for certification in the first quarter of 2014. Certification of seven offices continues in 2014, and work is to start on a further 15 offices. SpareBank 1 SMN is also a member of Grønt Punkt Norge AS ("Green Dot Norway plc").

SpareBank 1 SMN's monetary gifts

SpareBank 1 SMN's gift work is based on the precept that the Bank's monetary gifts should be non-profit, i.e. all financial support should be for the common good and benefit as many as possible. The emphasis is on awards that contribute to building, supporting and developing the region. We contribute competence and capital to enable the creation of new value and to make the region an attractive place to live.

- We apply a process-oriented approach in which individuals, ideas and resources are brought together to create a symbiosis that fosters value creation
- We supply capital to activities that promote social objectives

We impose the same ethical and environmental demands on our partners as on ourselves. In processes, and in the case of awards of some size, written agreements are established to ensure that our social requirements are complied with. Our main focal areas are the following:

Business development:

- innovation
- competence transfer to the region's business and industry
- assisting infrastructure development
- developing entrepreneurship
- start-up assistance (seedcorn and venture capital)

Culture/sports:

- cultural, sports, health, environmental, ethical and humanitarian purposes
- special focus on children and young people

- helping to strengthen the region's identity and historical foundation based on the St. Olav tradition and legacy
- helping to stimulate talented individuals, young people and enthusiasts in the spheres of culture and sports

SpareBank 1 SMN disbursed about NOK 50m to non-profit causes in 2013.