

Equity capital certificates

At end-2014 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 2014 the Bank had a treasury holding of ECs totalling NOK 0.125m distributed on 6,431 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 57m in the unrealised gains reserve, leaving the total amount for distribution at NOK 1,503m.

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 opted to recommend a lower payout ratio than allowed for by the dividend policy.

The Board of Directors recommends the Bank's Supervisory Board to set a cash dividend of NOK 2.25 per EC, altogether totalling NOK 292m. This gives a payout ratio of 25.4 per cent of the Group's profit. The Board of Directors further recommends the Supervisory Board to allocate NOK 160m as gifts, i.e. the same

payout ratio as to the EC-holders. Of this sum, NOK 40m will be allocated to non-profit causes and NOK 120m donated to the foundation Sparebankstiftelsen SMN. NOK 679m and NOK 372m 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 continuation of a relatively low dividend payout ratio.

After distribution of the profit for 2014 the ECC-holder ratio (ECC-holders' share of total equity) is 64.6 per cent.

Distribution of profit, NOKm	2014	2013
Profit of the year, Parent Bank	1,447	1,348
Transferred from revaluation reserve	57	-89
Profit for distribution	1,503	1,259
Dividends	292	227
Equalisation fund	679	587
Ownerless capital	372	321
Gifts	160	124
Total distributed	1,503	1,259

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.

Financial calendar for 2015

- 1st quarter: 8 May 2015
- 2nd quarter: 12 August 2015
- 3rd quarter: 30 October 2015

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 346 to 8,395 in the course of 2014. The Bank's 20 largest EC holders controlled 35.3 per cent of the Bank's ECs at end-2014, and 50.4 million ECs were traded under the MING ticker symbol on the Oslo Stock Exchange in 2014.

ECs owned by investors in Sør- og Nord-Trøndelag, Møre og Romsdal and Sogn og Fjordane account for 18 per cent (20) of the total, other Norwegian investors account for 61 per cent (60) and foreign owners for 21 per cent (20). Foreign owners make up 3.0 per cent of the total number of owners as of 31 December 2014.

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 2014

At end-2014 the market price of SpareBank 1 SMN's EC (MING) was NOK 58.50. At end-2013 the price was NOK 35.00. With a cash dividend of NOK 2.25 for 2014, the direct return on the EC is 3.8 per cent.

Key figures and ratios	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Quoted price	58.50	55.00	34.80	36.31	49.89	45.06	21.00	50.28	56.72	54.46
No. of ECs issued, million	129.83	129.83	129.83	102.76	102.74	82.78	82.41	76.65	71.6958	71.6958
Market value (NOKm)	7,595	7,141	4,518	3,731	5,124	3,749	1,750	3,900	4,140	3,951
EC capital (NOKm)	2,597	2,597	2,597	2,373	2,373	1,734	1,445	1,349	1,262	1,262
Equalisation fund (NOKm)	3,122	2,496	1,889	1,457	1,159	877	768	675	624	581
EC premium reserve (NOKm)	895	895	895	183	182	0	236	138	0	0
Dividend per EC	2.25	1.75	1.50	1.85	2.77	2.10	2.77	3.90	3.04	3.34
Direct return 1)	3.8 %	3.2 %	4.3 %	5.1 %	5.6 %	4.6 %	6.6 %	7.8 %	5.4 %	6.1 %
Dividend yield 2)	10.5 %	63.1 %	0.0 %	-23.5 %	16.3 %	124.5 %	-55.4 %	-4.5 %	9.7 %	51.0 %
Book value per EC 3)	62.04	55.69	50.09	48.91	46.17	42.11	38.07	36.43	33.31	30.26
Profit per EC 4)	8.82	6.92	5.21	6.06	5.94	6.37	4.16	5.86	6.24	5.35
Price-Earnings Ratio	6.63	7.95	6.68	5.99	8.40	7.29	5.09	8.87	9.38	10.52
Price-Book Value Ratio	0.94	0.99	0.69	0.74	1.07	1.09	0.57	1.43	1.76	1.86
Payout ratio 5)	25 %	25 %	29 %	30 %	47 %	34 %	34 %	69 %	50 %	65 %
EC fraction 6)	64.6 %	64.6 %	64.6 %	60.6 %	61.3 %	54.8 %	56.3 %	54.2 %	53.7 %	56.1 %

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.

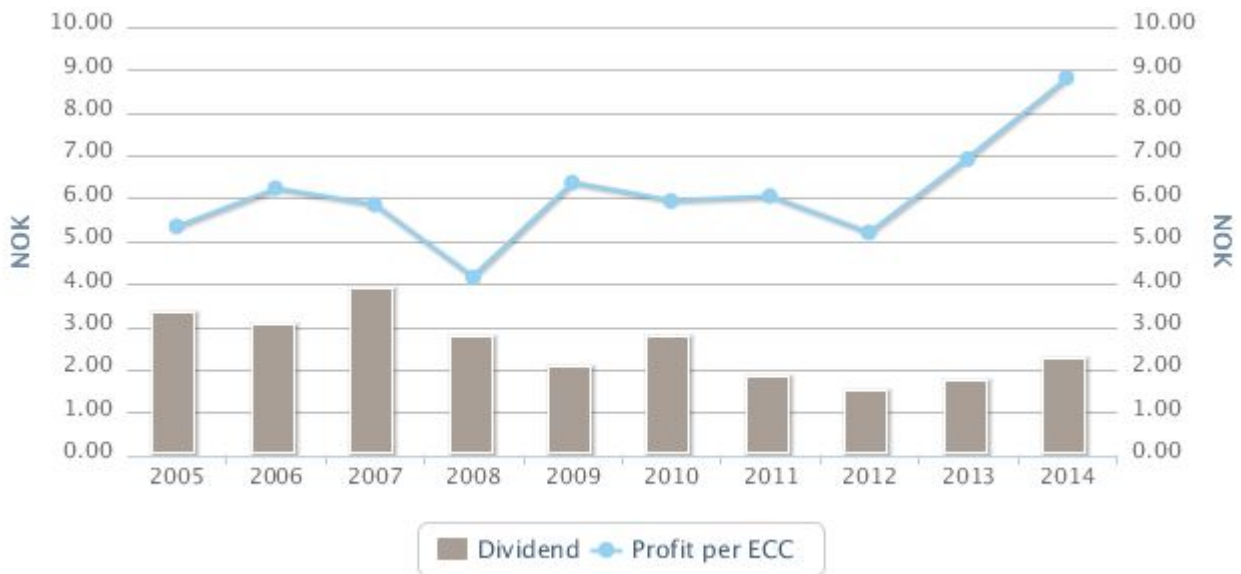
3) Book equity (after deduction of own ECs) multiplied by the EC fraction divided by the number of ECs (less own ECs) including cash dividend.

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

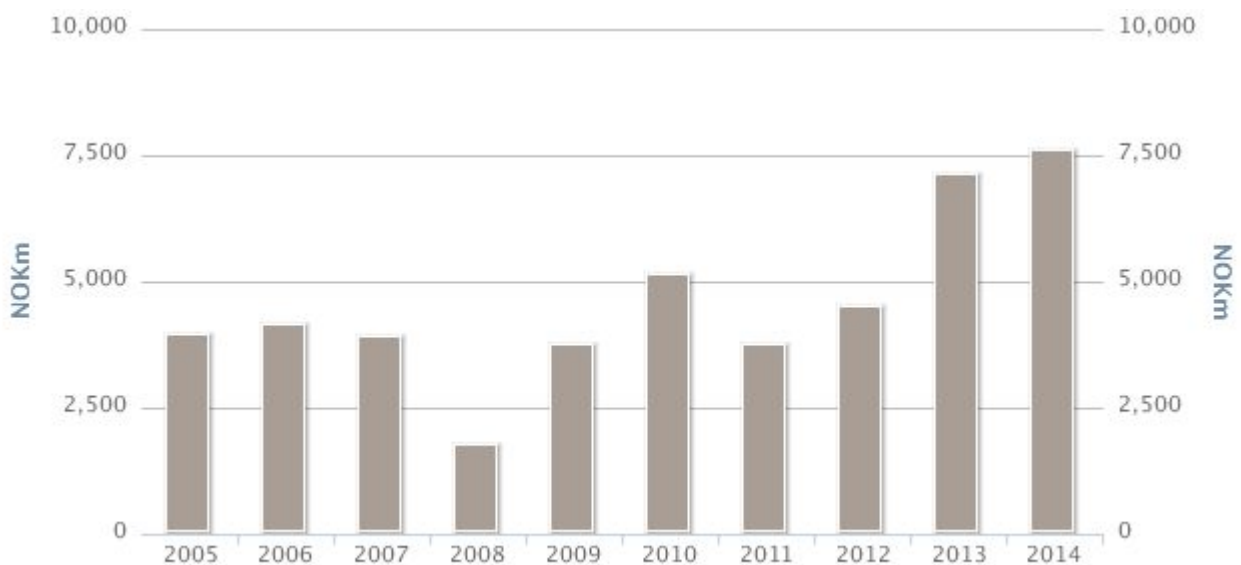
5) Dividend per EC as per cent of profit per EC.

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.

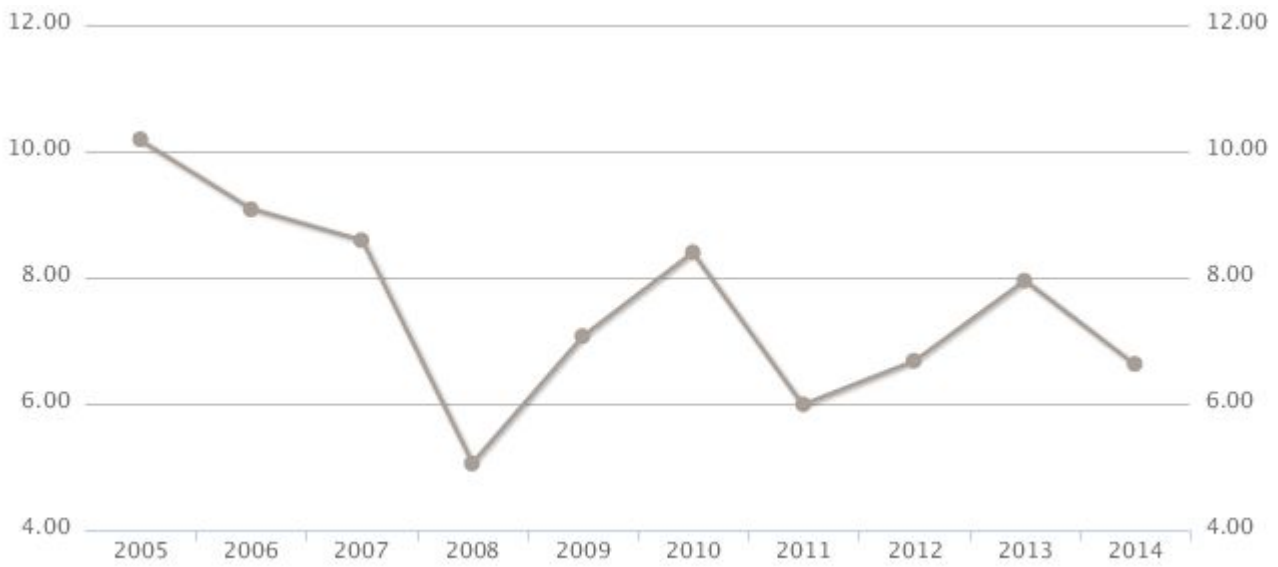
Dividend and profit per ECC (NOK)



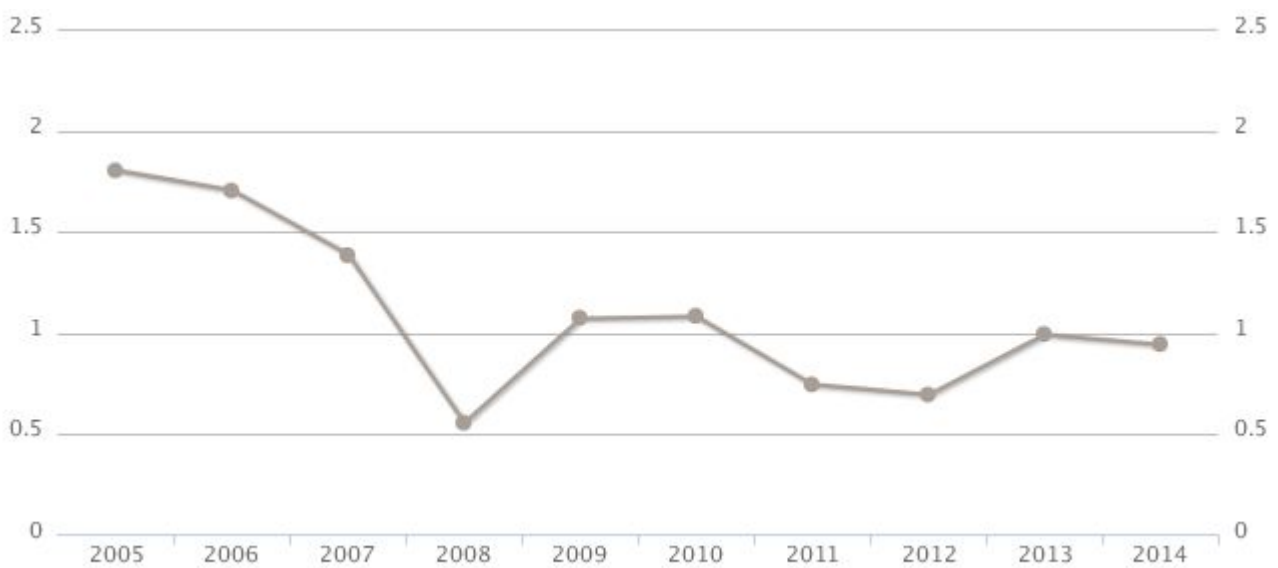
Market value



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)