



SpareBank
SMN



3rd quarter 2018








26. October 2018

SpareBank 1 SMN, the region's most important financial institution

SpareBank 1 SMN

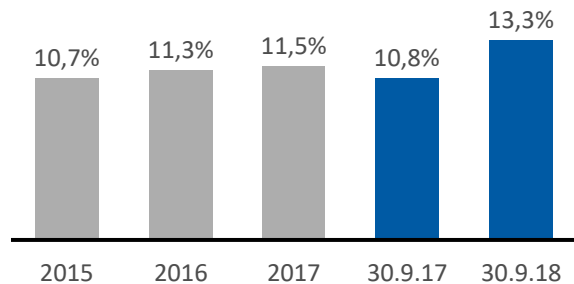
-  222,450 retail customers
-  14,980 corporate customers
-  Market leader in the region
-  Loan volume NOK 158bn
-  Finance house offering a wide range of products
-  A substantial co-owner of SpareBank 1 Alliance
-  Norway's largest equity-certificate-issuing bank

History

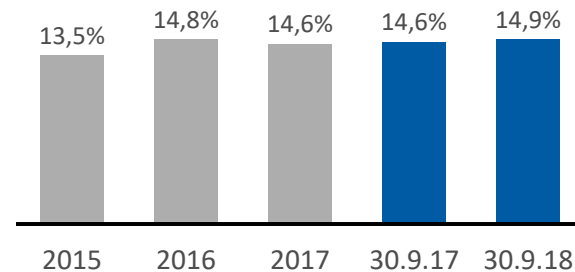
-  Established in 1823
-  Sparebanken Midt-Norge since 1985
-  Listed on Oslo Børs since 1994
-  SpareBank 1 Alliance since 1996
-  Acquired Romsdals Fellesbank in 2005
-  Acquired BN Bank/Sunnmøre in 2009
-  Strong financial results over time

Good profits and strong capitalization

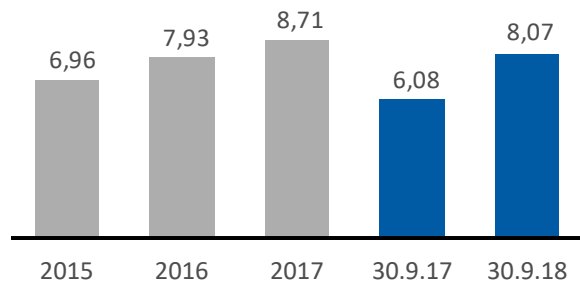
Return on equity



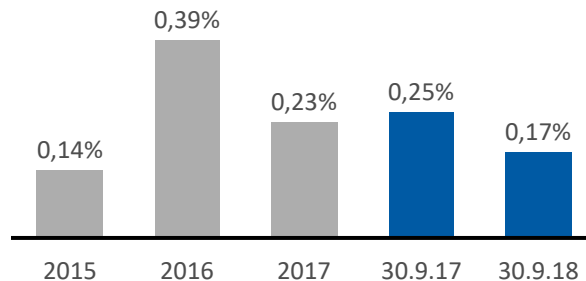
CET1



Earnings per ECC



Loan losses as a percentage of total lending



Good profits as at 30. September 2018



Net profit NOK 1.689m (1.275m),
return on equity 13.3 % (10.8 %)



CET1 14.9 % (14.6 %)
Leverage ratio 7.4 % (7.2 %)



Pres loss result of core business
NOK 1.471m (1.360m)
Loan losses NOK 196m (NOK 263m)



Growth in lending RM 10.7 % (10.3
%) and CM 0.8 % (7.9 %), deposits
6.1 % (10.3 %) last 12 months



Decrease in FTEs parent bank and
very low cost growth in parent
bank



Booked equity capital per ECC NOK 82.57
(79.18), profit per ECC NOK 8.07 (NOK
6.08)

SpareBank 1 and DNB to build the country's strongest insurance company

Finans

DNB og Sparebank 1 lager forsikringskjempe

Nytt skadeselskap gir milliarder i kassen for begge parter.

1 min Publisert: 24.09.18 – 08.53 Oppdatert: en måned siden



Banktjoplene Turid Cromoll i Sparebanken 1 (til venstre) og Rune Bjerke i DNB signerer avtalen om forsikringsfusjonen som ble varslet i juni. (Foto: Sparebank 1)

- DNB Forsikring is to merge with SpareBank 1 Skadeforsikring. The merged entity will have a virtually complete product portfolio in the area of risk insurance to the retail and SMB market.
- The agreement incorporates a conversion ratio of 80 per cent for SpareBank 1 Gruppen and 20 per cent for DNB based on the value of the two non-life insurers.
- DNB is to acquire up to 35 per cent and SpareBank 1 Gruppen will own 65 per cent of the new company. DNB has in addition secured an option to purchase a stake of up to 40 per cent.

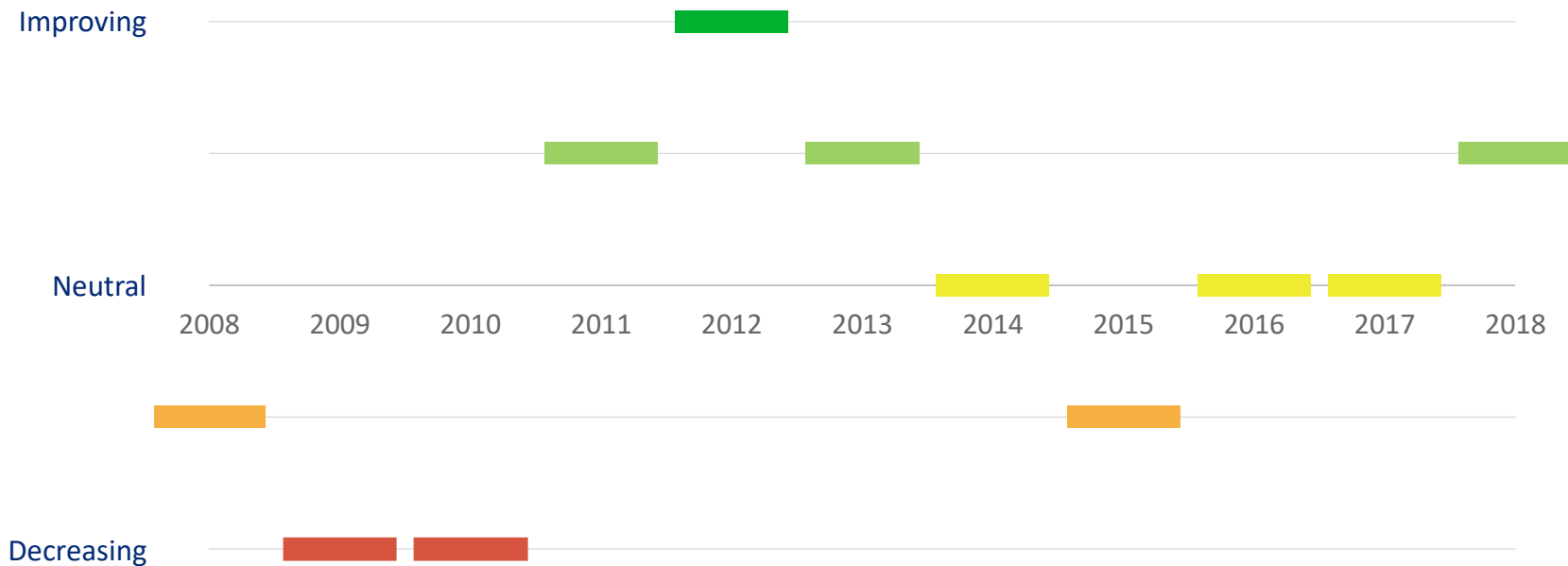
SpareBank 1-SMN

Economic Barometer 2018

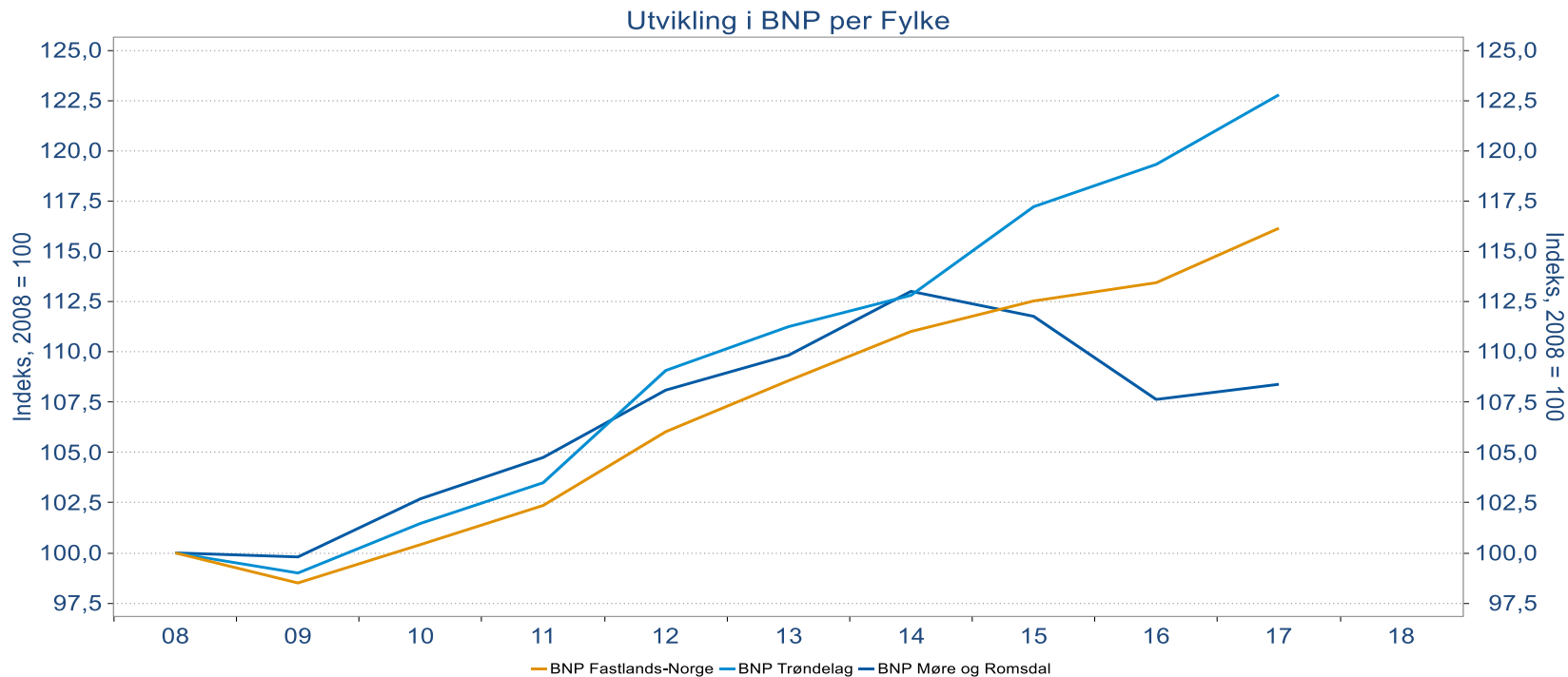
For Trøndelag and Møre og Romsdal

SpareBank 1 SMNs main conclusion:

Positive outlook for the first time since 2013



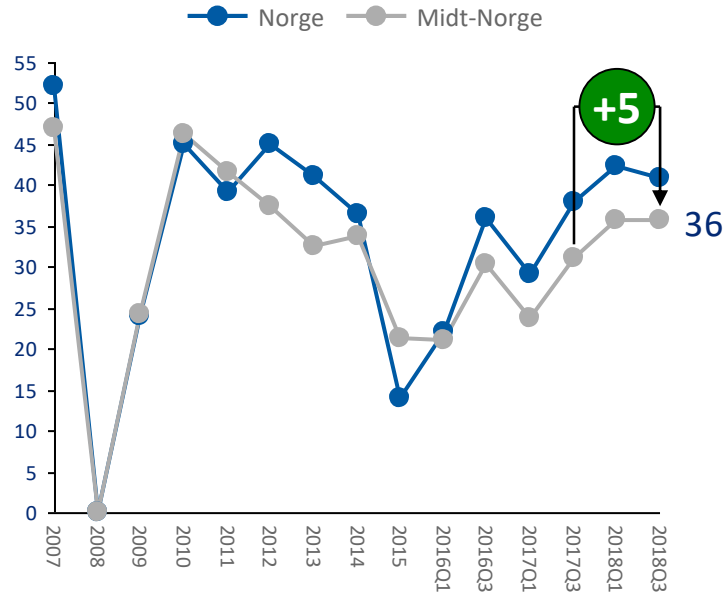
Stable and good GNP-growth in Trøndelag



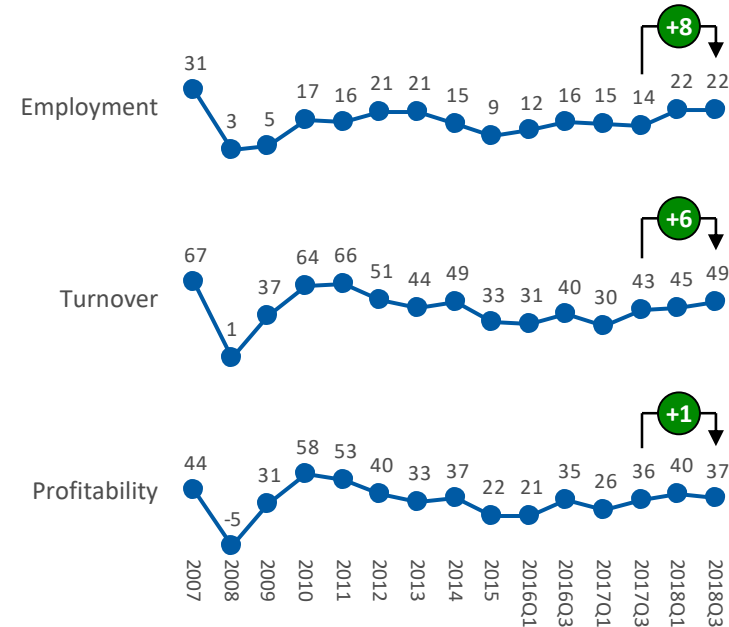
SMN/Macrobond

Expectations indicator Central Norway

Expectations indicator Central Norway vs. Norway



Expectations indicator Central Norway

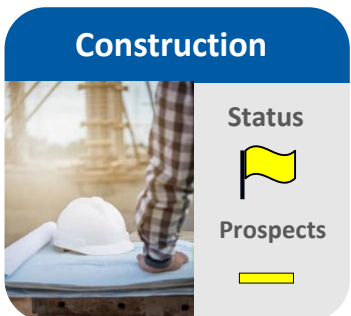
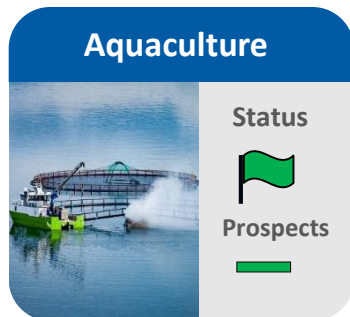
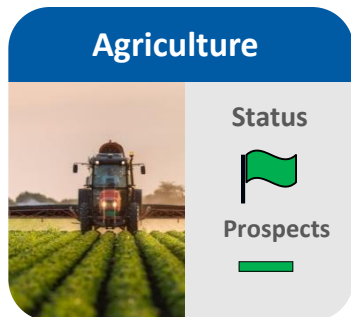


Kilde: Sentio Research Norge

Q3 2018

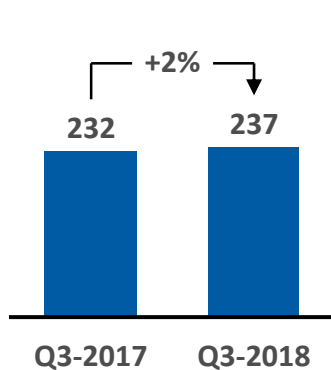
Industry indicator:

Change in prospects for maritime industry and retail trade, otherwise stable



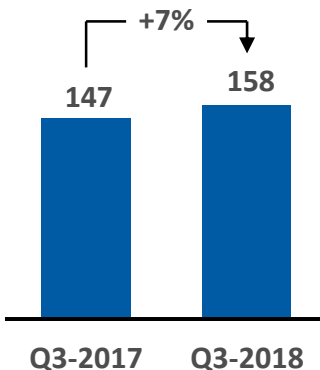
Increased number of customers, volumes and incomes

Number of customers



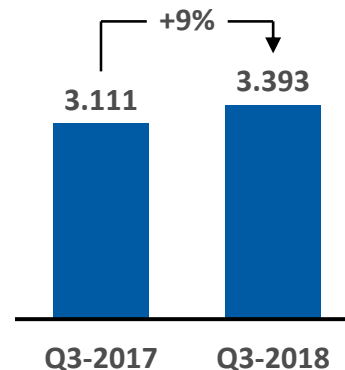
Stronger customer growth than population growth

Total loan volume



Stronger lending growth than credit growth

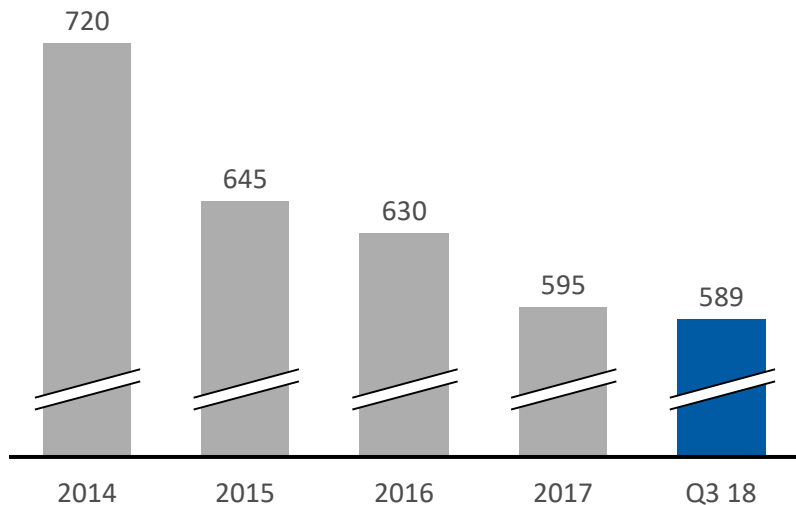
Operating income



Strengthening incomes on a diversified platform

Improving efficiency and effectiveness reduces number of FTEs in parent bank

FTEs at parent bank



- No. of FTEs at the parent bank reduced substantially in recent years
- Both distribution and internal processes have gained efficiency
- At the same time the bank has greatly increased its customer base and its business volume
- Improving efficiency and effectiveness of the bank are to be continued

Improved profits and stronger market position for subsidiaries

SpareBank 1 Finans Midt-Norge



- Pre-tax profit of NOK 107m (94m)
- Solid market position
- Leasing NOK 3.3bn, car loans 4.0bn
- Strong growth in car loans
-

SpareBank 1 Regnskapshuset SMN



- Pre-tax profit of NOK 57m (45m)
- Stable and high growth in turnover
- Consolidating and digitalizing the industry
- Market share 26 %

EiendomsMegler 1 Midt-Norge



- Pre-tax profit of NOK 6m (12m). The profit performance is weakened by start-up costs at BN Bolig
- 38 % market share
- Strong synergy with the bank

SpareBank 1 Markets



- Pre-tax profit NOK 21m (minus NOK 6m)
- Complete range of capital market services in cooperation with the owner banks
- High growth in income in 2018

«Must-Win Battles»

Must-Win Battles are the most important battles our organisation needs to win in order to attain our goals.

Must-Win Battles as a method are a practically oriented framework for our strategy effort that forces us to set priorities and exploit the power in our organisation.

BATTLE #1: The battle for change – for the bank of the future

- Proactively exploiting changes in the market
- Extreme focus on realising gains
- Attractive employer for the best talents'
- Extreme focus on quality and compliance

BATTLE #2: The battle for insight – knowing and understanding the customer

- Becoming a part of the customer's life via continuous dialogue
- Enhance the relevance and accuracy of sales and advisory activities

BATTLE #3: The close-quarters battle – more than a bank

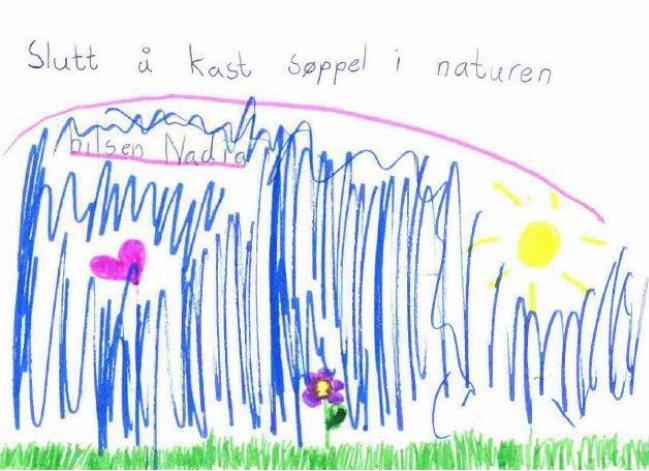
- Using local presence to promote business development and growth
- Exploiting the Group's strength locally to enthuse the customer
- Offensive expansion of the customer base, strengthening market position

BATTLE #4: The super-simple battle – delivering on the customer's expectation

- Eliminating pain points in processes
- Reducing costs – reducing delivery time and improving quality
- Enhancing customer satisfaction, which drives loyalty



«caring adds competitive power, especially in a digital world»



Our ambition is to remain an independent, regional and profitable bank that contributes to the region's development and value creation

Our main goals:



Profitable
12 % ROE



Financially solid
CET1 ratio of 15 %
Pay out ratio of about 50 %



Increased number of satisfied customers

35 % market share and
250 000 customers



Increased incomes
Increased volume, increased
share of wallet, develop new
income flows



Reduced costs
Zero growth in costs

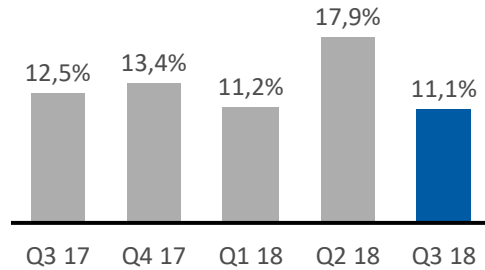


Financial information

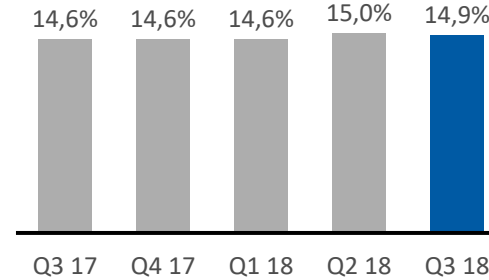
Kjell Fordal, CFO

Good profits and strong capitalization. Lower loan losses

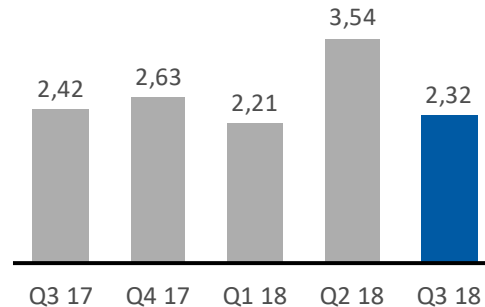
Return on equity



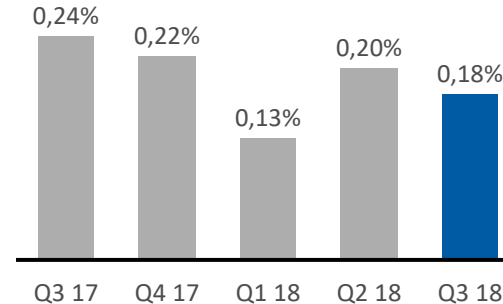
CET 1



Earnings per ECC



Loan losses as a percentage of total loans



Q3 2018

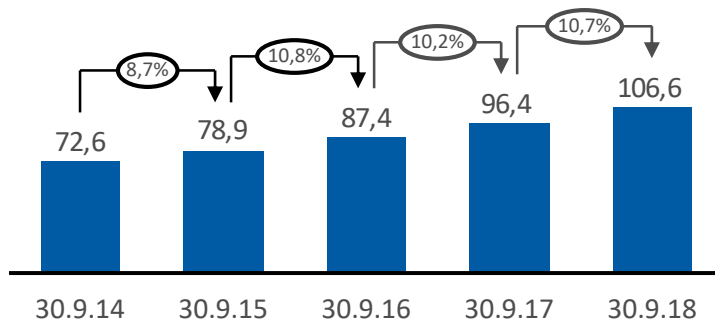
18

Strengthened profits

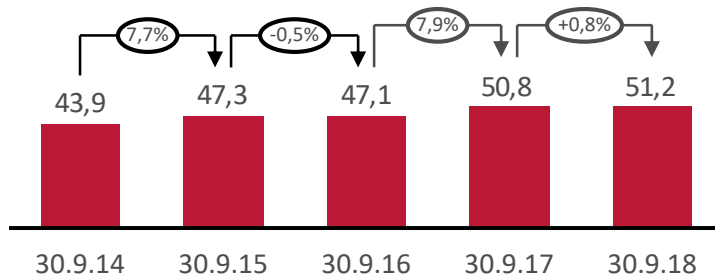
NOK mill	First nine months 2018	First nine months 2017	Change	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
Net interest	1.759	1.636	123	610	581	568	589	570
Commission income and other income	1.634	1.475	159	486	607	542	529	482
Operating income	3.393	3.111	282	1.096	1.188	1.110	1.118	1.052
Total operating expenses	1.922	1.751	171	616	661	645	618	582
Pre-loss result of core business	1.471	1.360	111	479	526	465	501	470
Losses on loans and guarantees	196	263	-67	69	78	48	78	88
Post-loss result of core business	1.274	1.097	178	410	448	416	423	383
Related companies	286	290	-5	105	102	79	147	126
Securities, foreign currency and derivatives	376	214	163	77	199	100	109	109
Result before tax	1.937	1.601	336	592	748	596	678	617
Tax	405	328	77	119	156	131	122	118
Result investment held for sale	157	2	155	6	150	1	-4	0
Net profit	1.689	1.275	413	480	743	466	553	500
Return on equity	13,3 %	10,8 %		11,1 %	17,9 %	11,2 %	13,4 %	12,5 %

Total growth lending 7.3 % last 12 months

Lending RM +10.7 % last 12 months



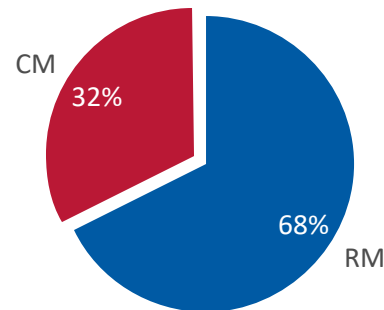
Lending CM + 0.8 % last 12 months,



High growth in home mortgage lending

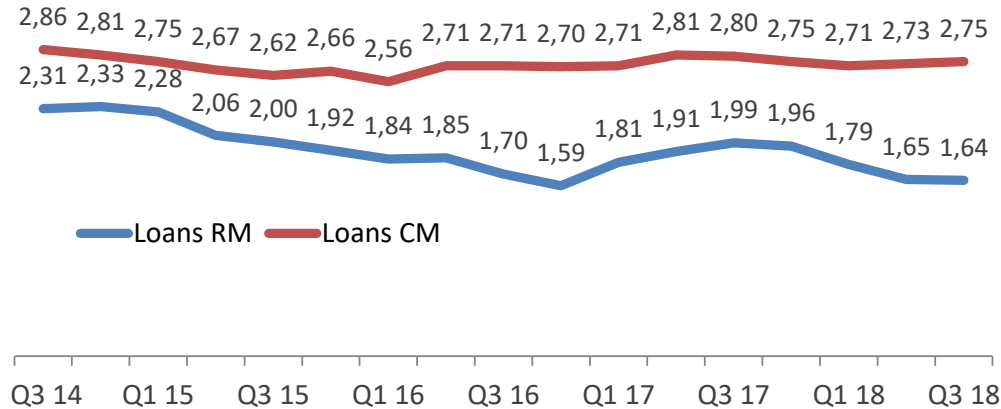
- Residential mortgage market share of about 5.7% (C2). Growth above this figure represents increased market share
- Share of loans to personal borrowers up from 61 to 68 per cent in last three years
- Growth to corporates is mainly to small businesses

Share of lending



Lending margins

Increased nibor

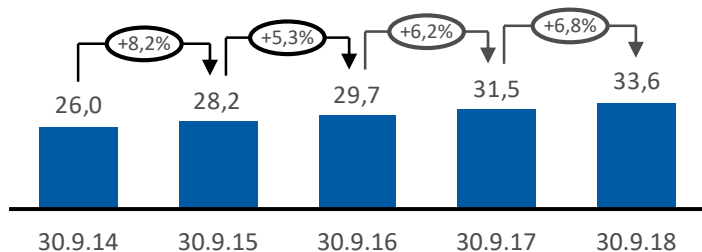


Comments

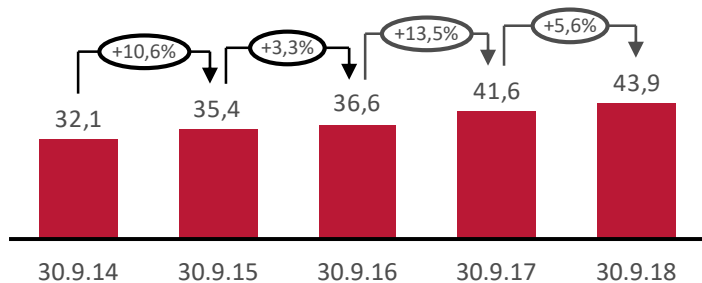
- Reduced Nibor in 2017
- But Nibor has increased in 2018, and the margins have been under pressure
- Base rate increased by 0.25 percentage points as from 21 September 2018
- SpareBank 1 SMN has given notice of an increase of up to 0.25 percentage points in lending rates

Total growth deposits 6.1 % last 12 months

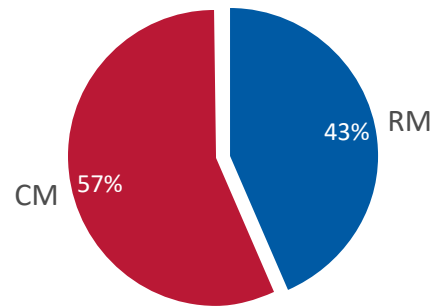
Deposits RM + 6.8 %



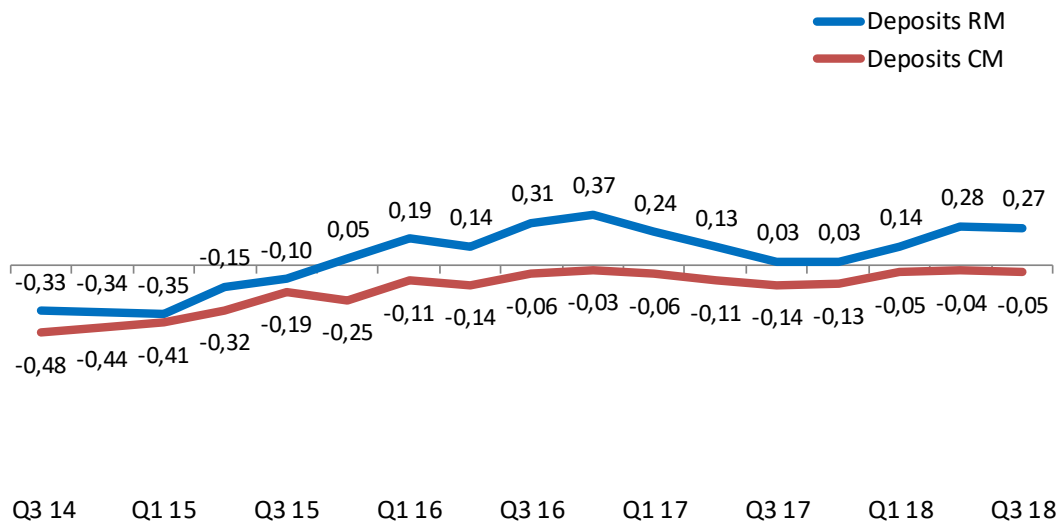
Deposits CM + 5.6 %



Share of deposits



Deposit margins Retail and Corporate



Comments

- Increased Nibor has strengthened the margins in 2018

Change in net interest income

As of 3rd quarter 2018 compared with as of 3rd quarter 2017

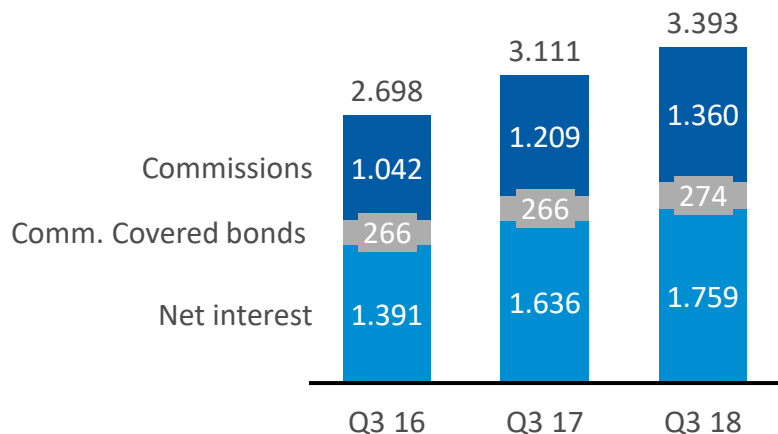
Net interest as of 3rd quarter 2018	1.759
Net interest as of 3rd quarter 2017	1.636
Change	123
Obtained as follows:	
Fees on lending	12
Lending volume	131
Deposit volume	1
Lending margin	-170
Deposit margin	41
Equity capital	8
Funding and liquidity buffer	58
Subsidiaries	43
Change	123

Comments

- Increased lending volume strengthens net interest income
- Increased Nibor in 2018 weakens the margins on mortgages compared with 2017

Robust income platform and increased commission income

Net interest and other income



Commissions as of 3rd quarter 2018 and 2017

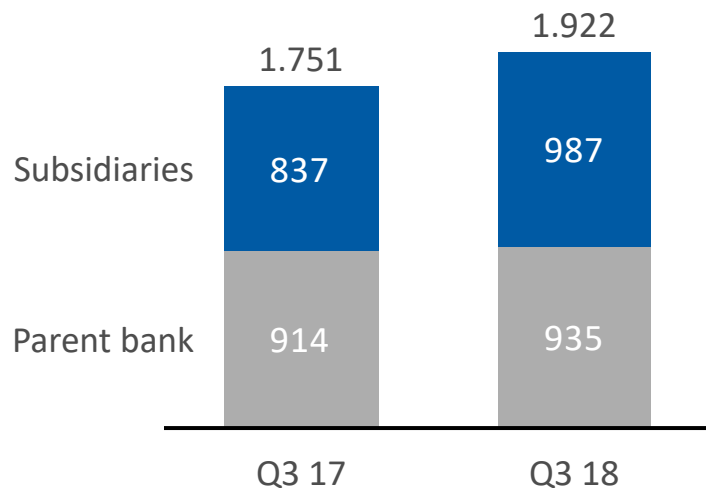
<i>mill kr</i>	2018	2017	Change
Payment transmission income	152	157	-5
Creditcards	45	44	2
Commissions savings and asset management	87	64	23
Commissions insurance	130	128	2
Guarantee commissions	48	54	-5
Estate agency	298	289	9
Accountancy services	320	271	49
Markets	238	156	81
Other commissions	42	47	-5
Commissions ex. Bolig/Næringskreditt	1.360	1.209	151
Commissions Boligkreditt (cov. bonds)	263	254	9
Commissions Næringskreditt (cov. bonds)	11	12	-1
Total commission income	1.634	1.475	159

- Robust income platform
- A wide range of products both from the parent bank, the subsidiaries, and the SpareBank 1 Group

Banking operations made more efficient, increased activity in the subsidiaries

Parent bank target of zero growth in costs stands firm

Costs in group as of 3rd quarter 2017 and 2018



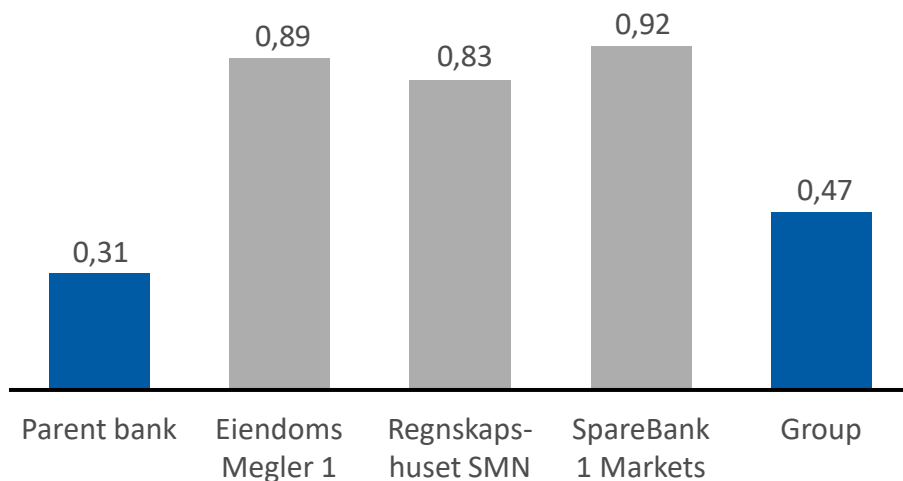
NOK 11m of the parent bank's cost growth is a one-time cost related to disposal of the head office

Cost growth due to focus on subsidiaries

- Cost growth in the subsidiaries
 - Acquisitions by SMN Regnskapshuset
 - Stronger focus on SpareBank 1 Markets
 - Start-up costs, BN bolig
- The investments are aimed at consolidating and developing the subsidiaries' strong position in their respective segments
- Low growth in costs growth in parent bank, in line with target
- Improving efficiency and effectiveness of the bank are to be continued

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

Cost / Income



Profitable and non-capital-intensive subsidiaries:

- The subsidiaries are making a sound profit – and requiring little equity capital compared with the group’s other businesses
- In their respective segments they are cost-efficient
- But pose a challenge to the group’s cost / income ratio

Subsidiaries

Pre tax profit subsidiaries

mNOK, SMN's share in parentheses	30.9.18	30.9.17	Change	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
EiendomsMegler 1 Midt-Norge (87 %)	6	12	-6	-11	25	-8	-10	-11
SpareBank 1 Regnskapshuset SMN (95 %)	57	45	12	13	27	17	15	9
SpareBank 1 Finans Midt-Norge (65 %)	107	94	13	35	34	38	35	36
SpareBank 1 Markets (67 %)	21	-6	27	-15	29	7	8	-26
SpareBank 1 SMN Invest (100%)	28	31	-4	4	19	4	12	15
Other companies	7	16	-9	2	0	6	5	5
Subsidiaries	225	193	32	27	134	64	65	29

The results refer to the respective company accounts

Associated companies

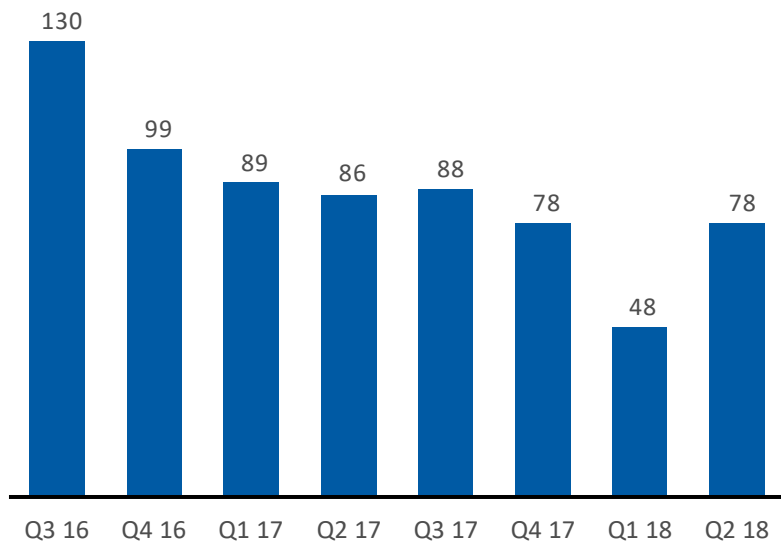
Profit shares after tax

mNOK, SMN's share in parentheses	30.9.18	30.9.17	Change	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
SpareBank 1 Gruppen (19,5 %)	189	214	-25	72	81	36	134	80
SpareBank 1 Boligkreditt (19,0 %)	2	-26	28	7	-8	3	-15	11
SpareBank 1 Næringskreditt (36,5 %)	10	18	-8	2	4	4	1	5
BN Bank (33 %)	73	70	3	20	23	30	28	21
SpareBank 1 Kredittkort (17,9 %)	17	11	6	5	6	5	5	3
SpareBank 1 Betaling (19,5 %)	-8	-14	6	-2	-3	-3	-7	0
Other companies	-1	19	-20	-5	1	3	1	5
Associated companies	282	293	-10	100	103	79	147	126

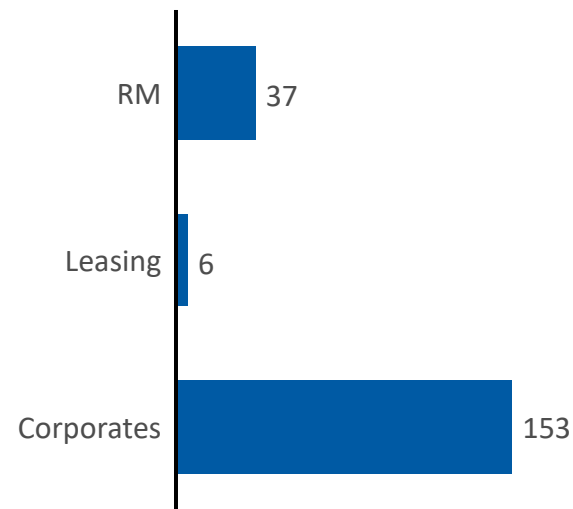
Lower loan losses

Allowance being made for a possible new need for restructuring in the offshore industry

Losses per quarter, NOKm



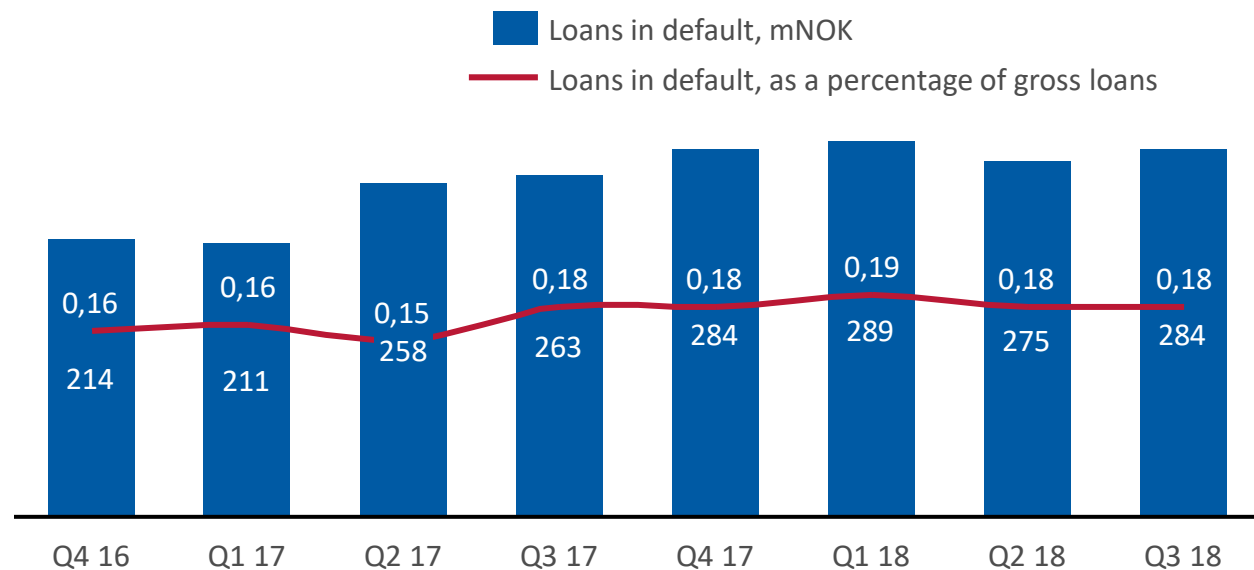
Distribution at 3rd quarter 2018



Loan losses including collective losses provisions 0.17 % (0.25 %) of gross lending as of 30.9.2018

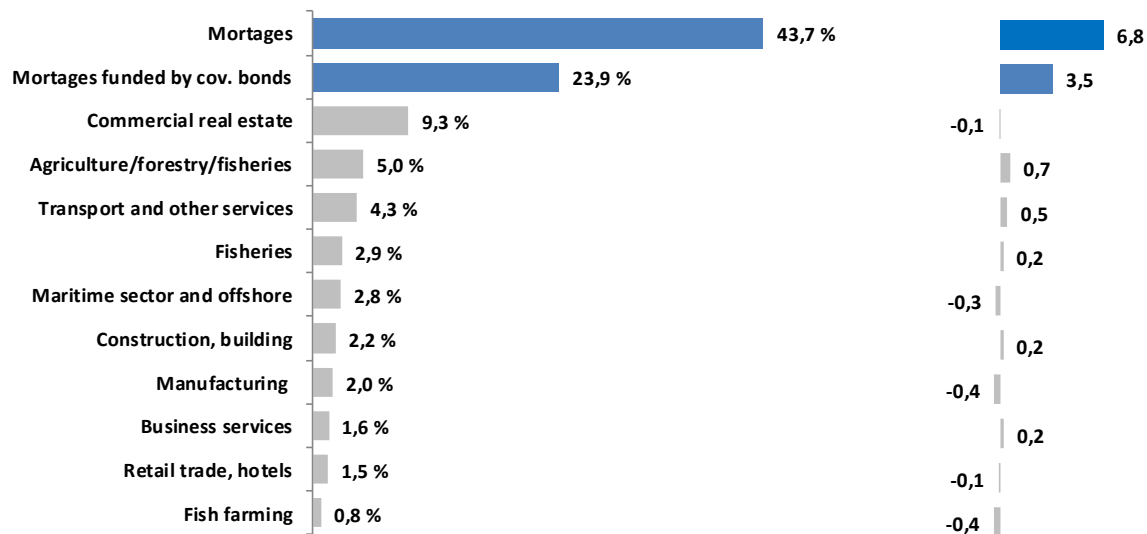
Very low levels on loans in default (0,18 %)

Last two years, per quarter



High share mortgages and diversified portfolio SMEs

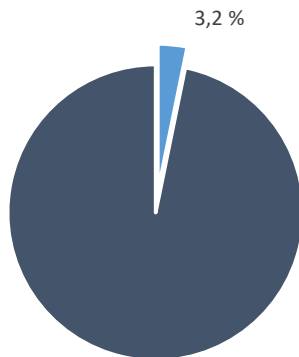
Lending by sector as a share of total lending and change last 12 months, NOKbn



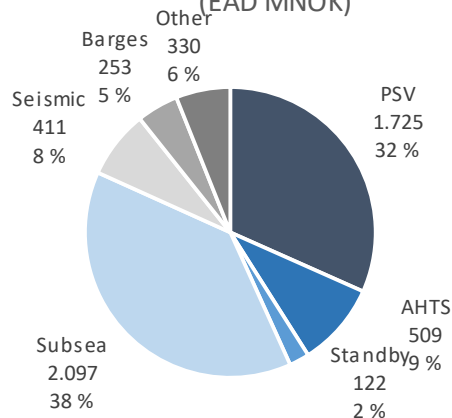
Offshore constitutes a small share of total credit risk - subsea and PSV largest segments

Impairment level corresponds to 14% of offshore portfolio

Offshore constitutes a small share of the total credit risk (EAD share)



Subsea and PSV largest segments (EAD MNOK)



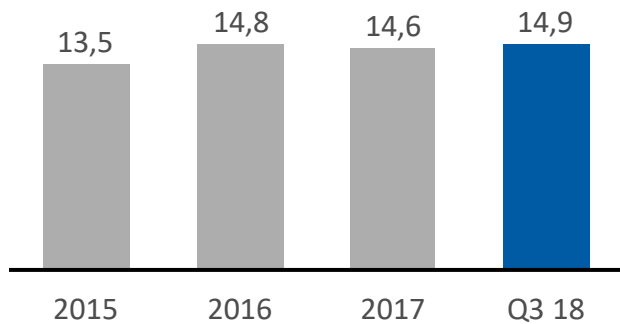
mill kr	EAD	Indiv- duelle	IFRS 9	Sum nedskr	Andel av EAD
Low risk	976	0	2	1,6	0,2 %
Medium risk	2.744	0	58	58	2,1 %
High risk	436	0	38	38	8,7 %
Obligors with impairments / defaulted	1.290	494	0	494	38,3 %
Total	5.447	494	97	591	10,8 %

Balance sheet

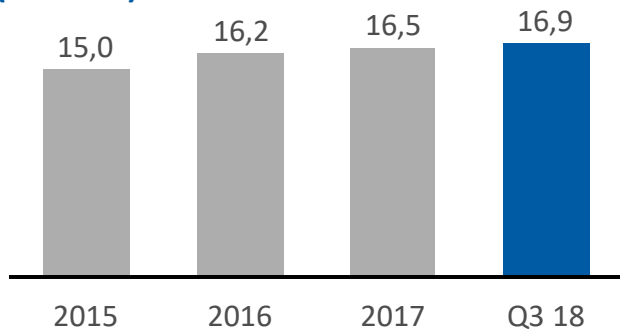
	30.9.18	30.9.17	30.9.16
Funds available	27,7	21,6	24,6
Net loans	117,2	109,6	98,6
Securities	2,7	1,6	1,3
Investment in related companies	5,9	5,9	5,9
Goodwill	0,8	0,7	0,6
Other assets	5,1	7,5	8,8
Total Assets	159,3	146,9	139,8
Capital market funding	54,2	47,6	47,7
Deposits	77,5	73,1	66,3
Other liabilities	6,3	6,5	7,4
Subordinated debt	2,7	2,5	3,5
Equity ex hybrid bonds	17,3	16,3	13,9
Hybrid bonds	1,3	0,9	1,0
Total liabilities and equity	159,3	146,9	139,8
in addition loans sold to Boligkreditt and Næringskreditt	39,8	36,5	34,9

Strong capitalization

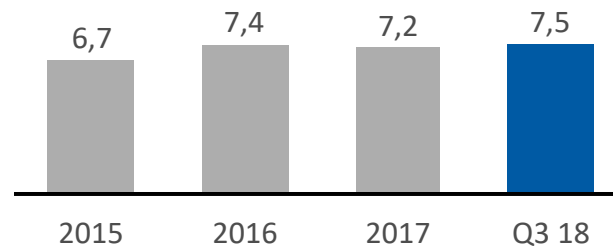
CET1



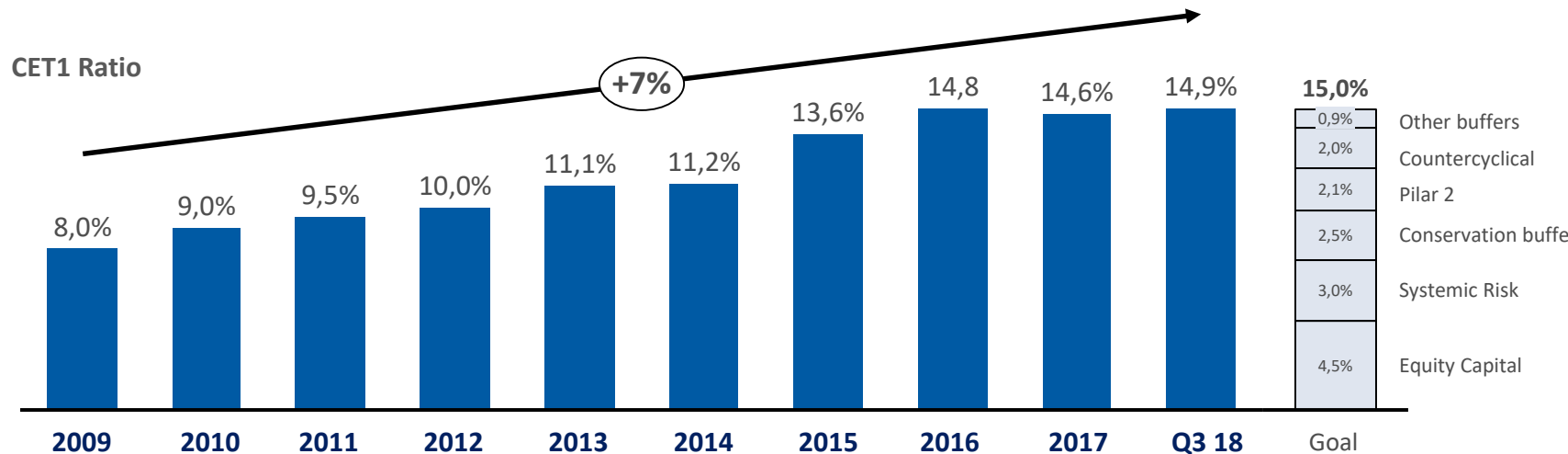
CET 1 without transitional arrangements (Basel III)



Leverage ratio



Strong development in CET 1 (capital and ratio)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	Q3 18
CET1 Capital	4.938	6.177	6.687	8.254	9.374	10.679	12.192	13.115	13.820	14.697
ROE	16,2 %	14,6 %	12,8 %	11,7 %	13,3 %	15,1 %	10,7 %	11,3 %	11,5 %	13,3 %
RWA	64.400	66.688	75.337	82.450	84.591	95.322	89.465	88.788	94.807	98.915

Finanstilsynet (Norway's FSA) proposes changes in the rules for defining systemically important institutions (SIFI)

- Finanstilsynet (Norway's FSA) proposed in a letter of 18 October 2018 to the Ministry of Finance that SpareBank 1 SMN, as one of a number of regional banks, should be defined as a systemically important institution (SIFI)
- If Finanstilsynet's view is endorsed, SpareBank 1 SMN will be required to fulfil a SIFI buffer requirement of 2 percentage points.
- This will bring the overall CET1 requirement to 16.1 per cent, given the current level of the countercyclical buffer, and applicable Pillar 2 add-ons. The CET1 ratio without transitional rules is 16.9 per cent as at 30 September 2018.
- The increased buffer requirement will be offset by the effect SpareBank 1 SMN will achieve when the specifically Norwegian capital requirement related to the transitional rules lapses.
- Finanstilsynet has also previously proposed that the regional banks should be defined as SIFIs without the Ministry of Finance opting to follow the recommendation

SpareBank 1 SMN

7467 TRONDHEIM



CEO Finn Haugan

Tel +47 900 41 002
E-mail finn.haugan@smn.no

CFO Kjell Fordal

Tel +47 905 41 672
E-mail kjell.fordal@smn.no

Switchboard

Tel +47 915 07 300



Internet addresses:

SMN homepage og internet bank:
HuginOnline:
Equity capital certificates in general:

www.smn.no
www.huginonline.no
www.grunnfondsbevis.no



Financial calendar 2018

Q3 2018 26. October 2018

Appendix

Q3 2018

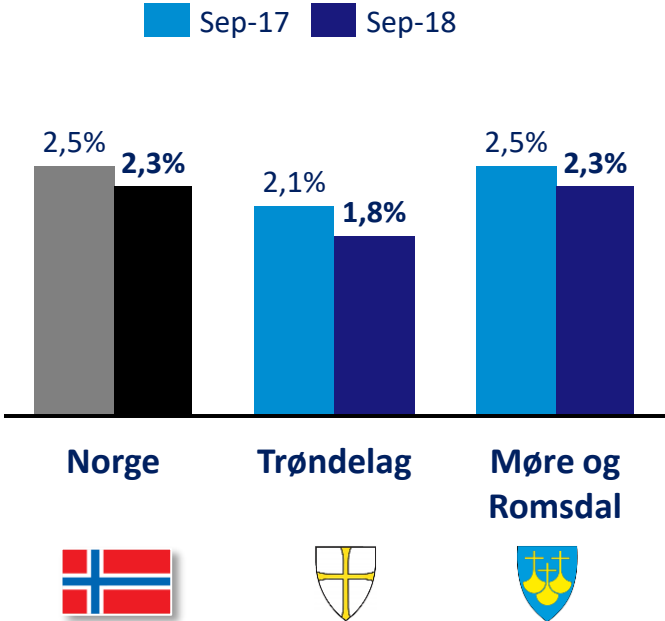
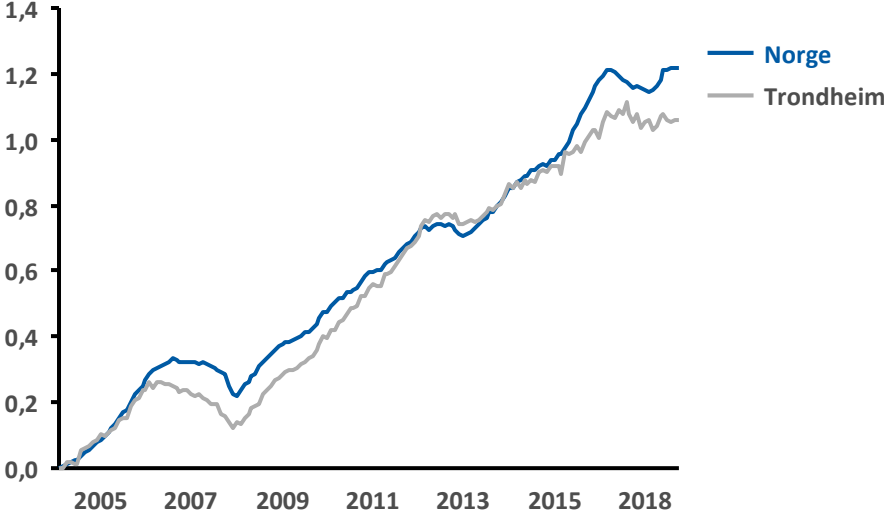


House process levelling out at a high level

Low unemployment

House prices 2005 – Q3 2018

Monthly figures – September 2017 and September 2018



Return on financial investments

NOKm	First nine months 2018	First nine months 2017	Change	Q3 18	Q2 18	Q1 18	Q4 17	Q3 17
Capital gains shares	144	46	98	26	113	5	53	0
Gain/(loss) on derivatives	192	32	160	50	23	119	55	68
Gain/(loss) on other financial instruments at fair value	23	11	12	11	8	4	-4	-5
Foreign exchange gain / (loss)	47	26	20	21	15	11	16	10
Gain/(Loss) on certificates and bonds	-81	81	-162	-45	23	-59	-20	20
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	52	33	19	14	20	17	10	12
Gain/(loss) on financial instruments related to hedging	-5	-20	15	1	-7	1	2	3
Net return on financial instruments	370	209	162	77	195	99	112	108

Key figures ECC

Last five years

	30.9.18	30.9.17	2017	2016	2015	2014
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,6 %
Total issued ECCs (mill)	129,44	129,40	129,38	129,64	129,43	129,83
ECC price	90,90	81,25	82,25	64,75	50,50	58,50
Market value (NOKm)	11.780	10.549	10.679	8.407	6.556	7.595
Booked equity capital per ECC	82,57	79,18	78,81	73,35	67,39	62,04
Post-tax earnings per ECC, in NOK	8,07	6,08	8,71	7,93	6,96	8,82
Dividend per ECC			4,40	3,00	2,25	2,25
P/E	8,45	10,02	9,44	8,17	7,26	6,63
Price / Booked equity capital	1,10	1,03	1,04	0,88	0,75	0,94

Key figures

Last three years

	30.9.18	30.9.17	30.9.16
CET 1 ratio	14,9 %	14,6 %	14,9 %
Core capital ratio	16,7 %	16,6 %	17,0 %
Capital adequacy	19,2 %	19,0 %	19,4 %
Leverage ratio	7,5 %	7,4 %	7,4 %
Growth in loans (incl.Boligkreditt and Næringskreditt)	7,3 %	9,4 %	8,0 %
Growth in deposits	6,1 %	10,3 %	4,8 %
Deposit-to-loan ratio	65,7 %	66,0 %	65,6 %
RM share loans	67,6 %	65,5 %	65,0 %
Cost-income ratio	47,4 %	48,4 %	44,5 %
Return of equity	13,3 %	10,8 %	11,3 %
Impairment losses ratio	0,17 %	0,25 %	0,39 %

The bank's phygital market approach generates strong growth in the retail segment



The 'battles' are important instruments for taking an even clearer position in the region among our prioritised target groups: the family in the retail market and small and medium businesses in the corporate market

Battle arena:

Prioritised target groups

FAMILIES



YOUNG PEOPLE

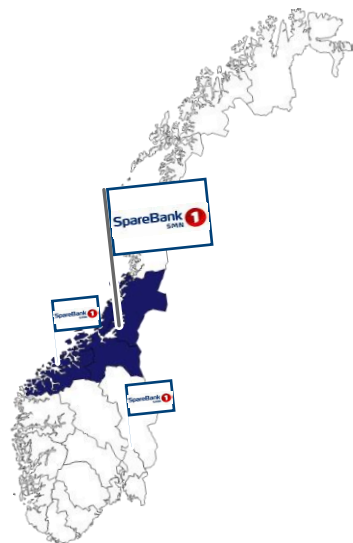


SMBS



Battle arena:

Geographical catchment area



Battle arena:

Channels

Kraftfull distribusjon

Serviced channel



Remote channel

Digital channel



Battle arena:

Customer needs

Everyday

Payments, Digital Bank, Vipps

Business

Invoicing, accounts, financing

Owning

Loan, dwelling, car, credit card

Security

Insurance

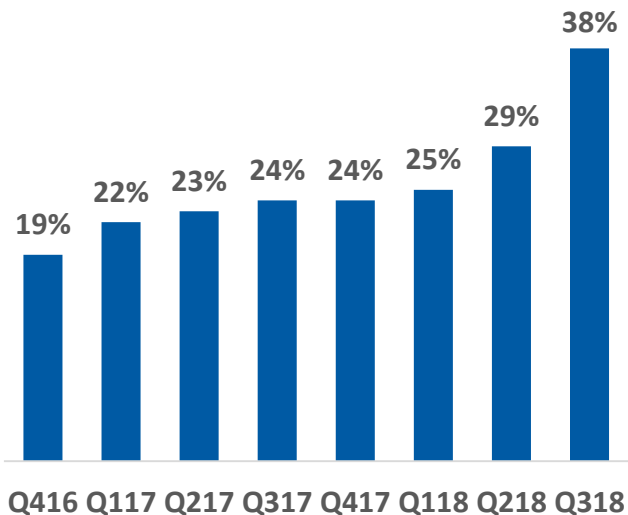
Future

Saving, pension, share savings account, mutual funds, deposits

50% of overall sales on digital channels in 2020

New effective digital solutions is a key tool for achieving this target

100 % increase in share of digital sales
from 2016 to 3rd quarter 2018



Share of overall sales done on digital channels

New purchasing solutions on digital channels

Effective campaign tools offer the right product to the customer

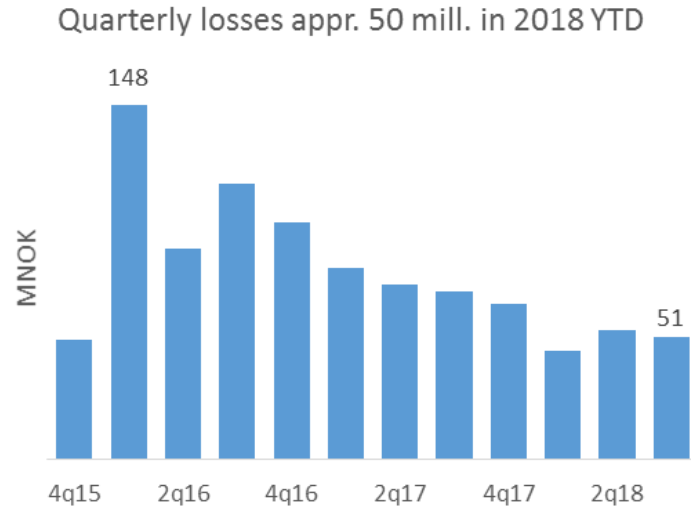
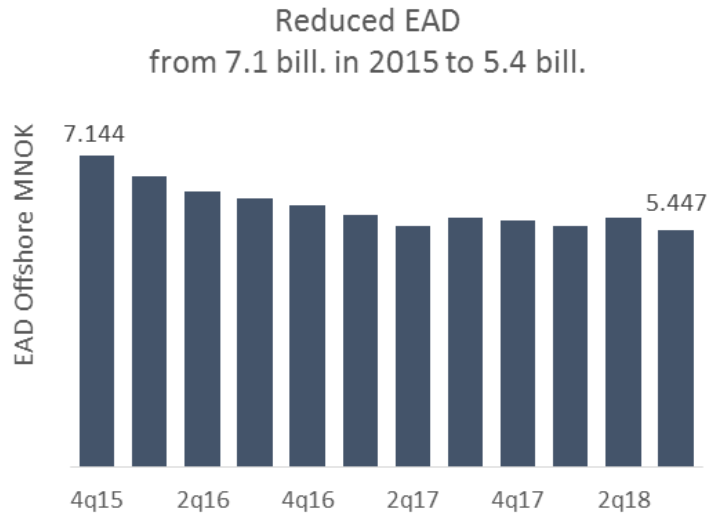
Prediction models based on the bank's own data

Effective channel interplay ensure a good customer experience

CRM solutions giving advisers improved insight

Effective interaction between technology and people

OSV exposure down to 5.4 bill. – reduced by 24 % from Dec 2015 Quarterly losses YTD in 2018 around 50 mill.



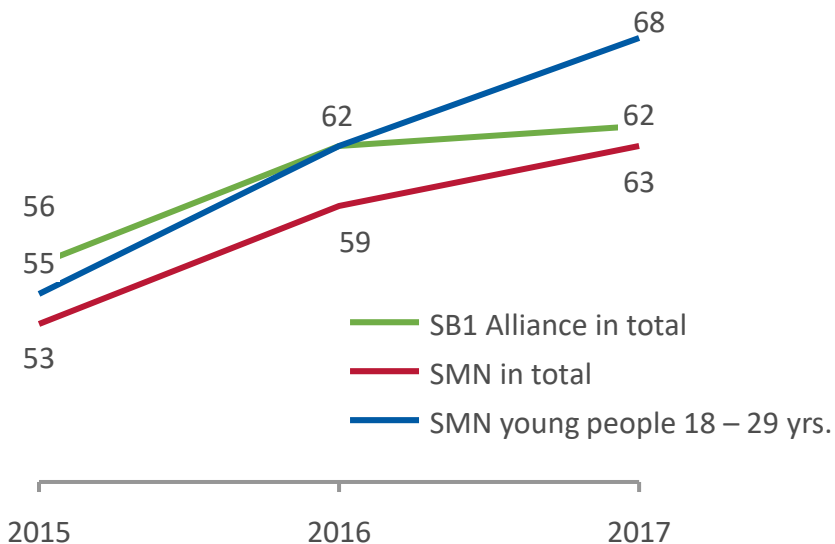
MREL – FSA consultation paper

- Main features:
 - New requirements will enter into force 1 January 2019.
 - Issuers are expected to be fully MREL compliant by 31 December 2022.
 - The FSA will set requirements individually for each bank.
- Expected outcome for SpareBank 1 SMN:
 - Total capital requirement including MREL = (P1 + P2 + Combined buffer requirements) x 2 - Countercyclical buffer x 1.
 - Calculations on basis of balance numbers per 30 September 2018 indicate a need for approximately NOK 14 billion senior non preferred debt (approximately 1/3 of outstanding senior debt).
 - Should SpareBank 1 SMN be defined as systemic important the MREL-requirement will increase with 4 percentage points. However it is uncertain whether the need for bail-inable debt will increase since this is dependent on the development of the risk weighted balance.

Strengthened reputation

Results from customer satisfaction and customer relationship survey (TRIM), conducted by KANTAR TNS

Positive trend for SMN since 2015



Main findings of the survey

- SMN shows a strong trend in customer satisfaction and customer relationships
- The increasing satisfaction among young people is striking
- A growing share of customers place emphasis on good relations and local identity when choosing a bank
- Good self-service solutions are taken for granted to a greater extent than previously
- The bank must build relationships in both digital and staff-serviced channels