



SpareBank
SMN 

1st half 2016

11. August 2016

SpareBank1 SMN, the region's most important financial institution

Overview

- 211,000 retail customers and 13,000 corporates in three counties in Central Norway
- Norway's second largest savings bank with total assets of NOK 176 billion including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt
- Strong position with a physical and digital presence
- Financial group offering a complete range of products
- Founder and co-owner of SpareBank 1 Gruppen

History

- Established in 1823
- Regional bank for Mid-Norway since 1985
- Listed on Oslo Stock Exchange since 1994
- SpareBank 1 Alliance from 1996
- Present in Romsdal after acquisition of Romsdals Fellesbank in 2005
- Present in Sunnmøre as from 2009 after acquisition of BN Bank
- **Excellent** history of financial results and solidity

Strong underlying operations, but increase in loan losses



Core business is sound. Increased operating income and zero cost growth in parent bank



The bank is enhancing efficiency and the number of FTEs is being reduced



The bank is growing in terms of lending, deposits, insurance, savings and investment, real estate agency and accounting services



Increased losses on oil related activity. Previously announced loss expectation of NOK 450 – 500m for the full year 2016 is maintained



The bank is on course to meet its capital targets

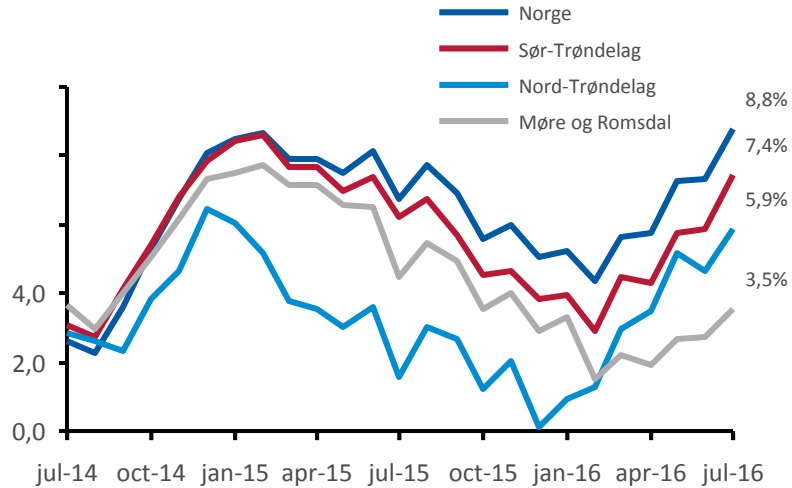


Good profits for SpareBank 1 Gruppen and high return on financial assets

Trøndelag and Møre og Romsdal

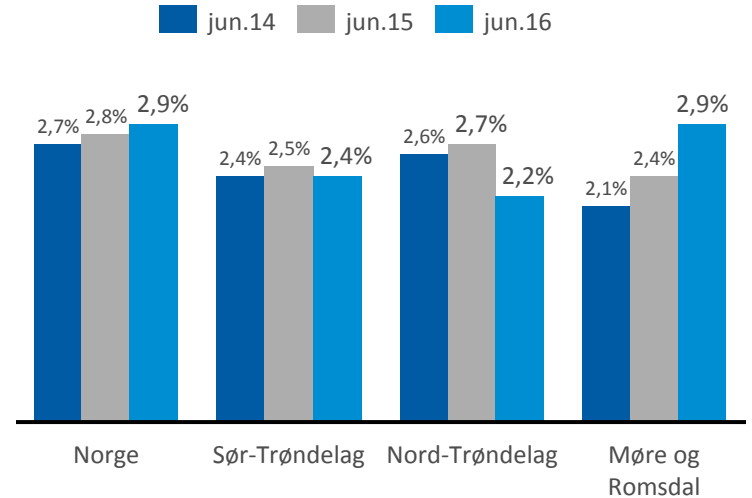
High Growth in house prices and low unemployment

12-month growth in house prices
Per cent, July 14 – July 16



Unemployment rate

Monthly figures, June 14 – June 16



Offshore service vessels, a portfolio under restructuring



Oransje jubel etter rødt kort
SPORT, SIDE 16



Olje-råka blei ferjetrio
NYHETER, SIDE 6

Skjebnetid for Rem

Det er knytt stor spenning til om ein hemmeleg kjøpar kan velte kriseplanen Rem har lagt for refinansiering av reiarlaget i Herøy.

NYHETER, SIDE 7

18 NÆRINGS- OG ARBEIDSLIV

NÆRINGS- OG ARBEIDSLIV

Tips oss på 95 830 430



LEDELSE

Ledelsen garanterer jobbene til ansatte

Rem er i ferd med å gjennomføre en omfattende omstrukturering av virksomheten. Ledelsen garanterer at alle ansatte vil ha arbeid i løpet av sommeren. Agge Rem, styreleder i Rem, sier at ledelsen har gjort seg en oppfatning av at det er viktig å sikre arbeidsplassene til ansatte i denne tiden.

ARBEID

Vil skape store norsk rederi

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- Har skyld i dette selv

Havila-reder Per Sævik mener bransjen, inkludert ham selv, har betydelig ansvar for krisa offshore-næringa på Sunnmøre er i. - Vi mistet respekt for lån i milliardklassen, sier han.

NÆRINGS- OG ARBEIDSLIV, SIDE 10



Kamp om sunnmørs-rederi

Blåde Kjell Inge Røkke (t.v.) og Kristian Siem har kastet seg inn i kampen om offshore-ederiene på Sunnmøre. Siem mener sjøl han er rett mann.

DEBATT, SIDE 18

Sunnmøres kapitalister sitter for stille i båten

- Milliarder i banken har eg ikkje bruk for

• Åge Remøy åtvarar mot at for mange reiarlag følger kursen til Rem - oppmodar lokal kapital om å trø til

FORSVAR

Åge Remøy er ikkje oppteken av å sjå seg, men han er oppteken av å sjå seg ut. Han er ikkje oppteken av å sjå seg ut.

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FAKTA

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- Som lokal-



KOMMENTAR

Åge Remøy

Offshore-krise

OFFSHORE-KRIS
Kontroll med navet i maritim næring i nordvest kan gå tapt. Hvor er de lokale kapitalistene som ser mulighetene som Røkke nå griper?







De lokale kapitalistene som ser mulighetene som Røkke nå griper? De lokale kapitalistene som ser mulighetene som Røkke nå griper?

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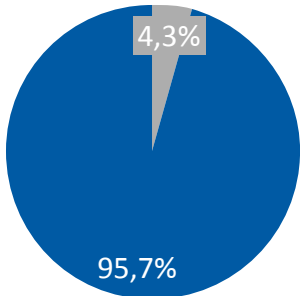


Offshore Service Vessels

Market segments

	PSV	AHTS	Standby	Subsea	Seismikk	Barge	Other
							
EAD MNOK	1.955	543	143	2.076	494	272	841
Share	31%	9%	2%	33%	8%	4%	13%
# vessels	36	7	3	11	9	15	

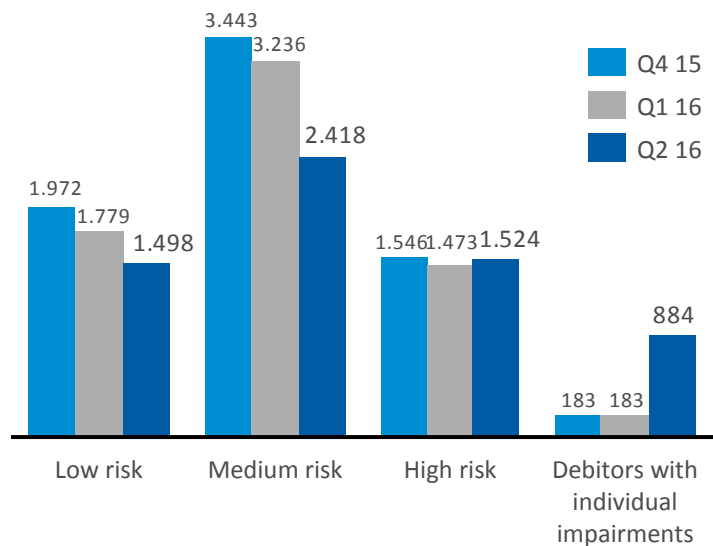
Offshore Service Vessels amount to 4,3 % of total EAD



Offshore Service Vessels

Risk class distribution

Q4 2015 – Q2 2016 (NOKm)



Impairments by risk class and share of EAD

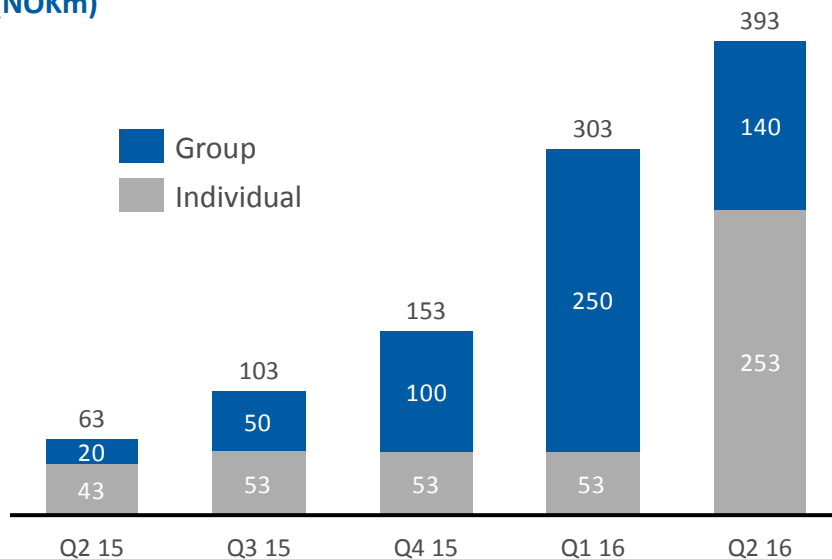
30. June 2016

NOKm	EAD	Individual	Group	Total	Share of
					EAD
Low risk	1.498	0	4	4	0,3 %
Medium risk	2.418	0	23	23	1,0 %
High risk	1.524	0	112	112	7,4 %
Debtors with ind. impairments	884	253	0	253	28,6 %
Total	6.324	253	140	393	6,2 %

Offshore Service Vessels

Development in total impairments Q2 2015 – Q2 2016

(NOKm)



Comments

- Constitutes 4,3% of total credit portfolio
 - 5,5 bill. with collateral in vessels
 - 0,8 bill. in other financing
- Exposure reduced by 900 mill. (-12%) last 12 mnths
 - Sale of vessels
 - Agreed and extraordinary installments
- According to our evaluations 40% of the portfolio is in the high risk category
- This is reflected in the individual and group impairments

1st half 2016



Net profit NOK 771m (871m),
return on equity 10.9 % (13.7 %)



CET 1 14.1 % (12.7 %)



Result of core business NOK 487m
(718m) exclusive of loan losses.
Loan losses NOK 287m (NOK 56m)



Growth in lending RM 10.2 % (8.2
%) and CM 0.4 % (8.4 %), deposits
1.3 % (11.4 %) last 12 months



Zero growth in costs parent bank
(growth 0.7%)



Booked equity capital per ECC NOK 69.18
(64.18), profit per ECC NOK 3.71 (NOK
4.31)

Strong profit growth among subsidiaries, strengthening their market position

SpareBank 1 Finans Midt-Norge



- Pre-tax profit of NOK 48.5m (43.4m)
- Solid market position
- Leasing NOK 2.2bn, car loans 2.4bn
- Sparebanken Sogn og Fjordane part-owner from 2016

SpareBank 1 SMN Regnskapshuset



- Pre-tax profit of NOK 25.9m (20.3m)
- Stable and high growth in turnover
- Long-term strategy to consolidate accounting industry and build synergies with the bank
- Digitalising distribution model



EiendomsMegler 1

- Excellent pre-tax profit of NOK 43.3m (29.2m)
- 40% market share, strong synergy with the bank

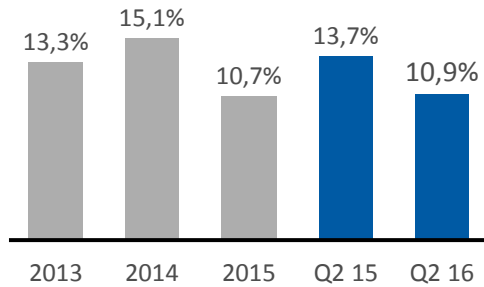
SpareBank 1 Markets



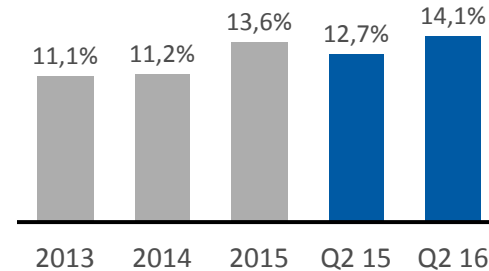
- Pre-tax profit NOK 5,5m
- Complete range of capital market services in cooperation with the owner banks
- SpareBank 1 Markets subsidiary of SMN from Q2 2015

Strong capitalization and good profits. Increased problem loans, as expected

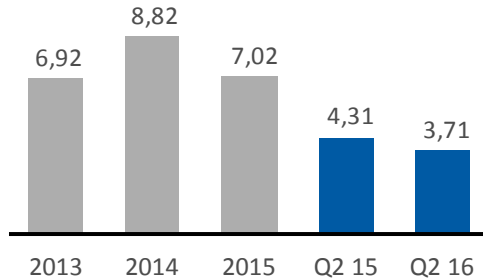
Return on equity



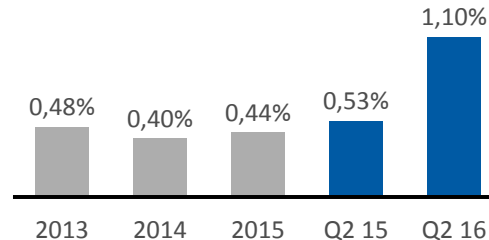
CET1



Earnings per ECC

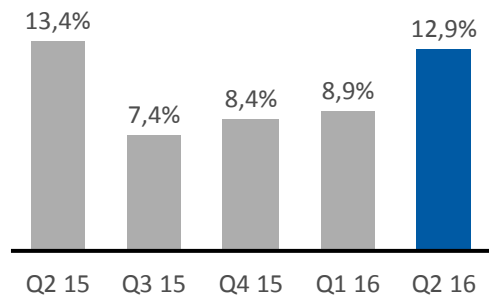


Loans in default and other problem loans as a percentage of total loans

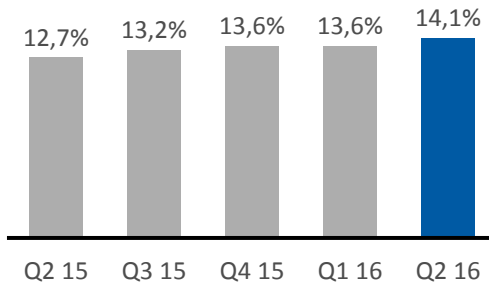


Key figures, quarterly

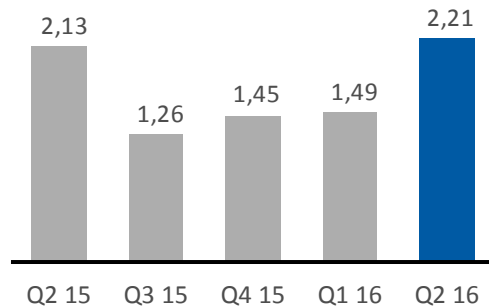
Return on equity



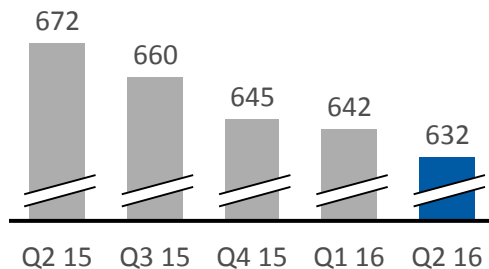
CET 1



Earnings per ECC

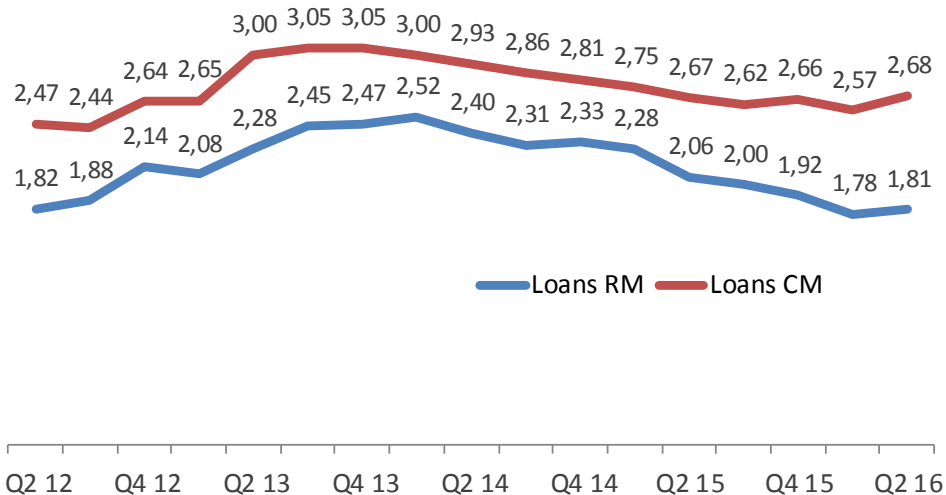


FTEs parent bank



Lending margins Retail and Corporate

Per quarter from Q2 2012

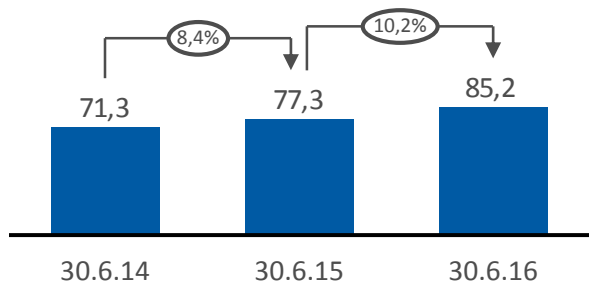


Comments

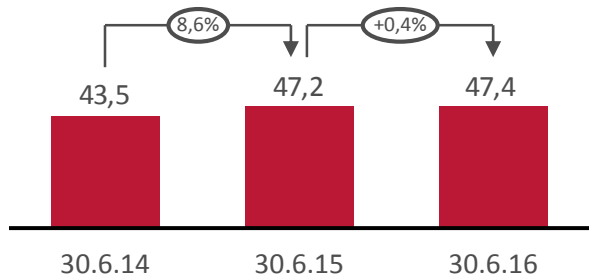
- Strong price competition on mortgages
- Interest rate changed six times on best home loans since June 2014, the latest reduction was carried out with effect from June 2016
- Actions to increase margins to corporates are carried out in Q2

Total growth lending 6.5 % last 12 months

Lending RM +10.2 % last 12 months, 1st half 5.5 %



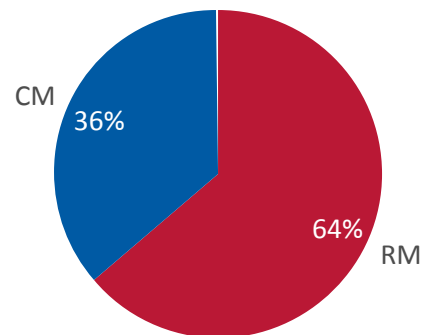
Lending CM 0.4 % last 12 months, 1st half 1.6 %



High growth in home mortgage lending

- Of the growth in home mortgage lending, 2/3 refers to established customers and 1/3 to new customers
- Limited growth in lending to corporates, in keeping with capital plan

Share of lending



Tighter lending practices introduced in Q1 to counter increased demand, and to ensure that we only recruit customers who are consistent with our desired risk profile

- SMN the only bank to introduce an absolute ceiling on debt to income
- Increased requirement on collateral in the case of bids higher than 10% above the asking price
- All in all the steps taken mean that we are seeing improved loan-to-value ratios and stable debt-to-income ratios on new mortgages, and growth despite a higher rate of rejection of new mortgage applications

Sparebank 1 SMN setter tak på hvor mye du får låne

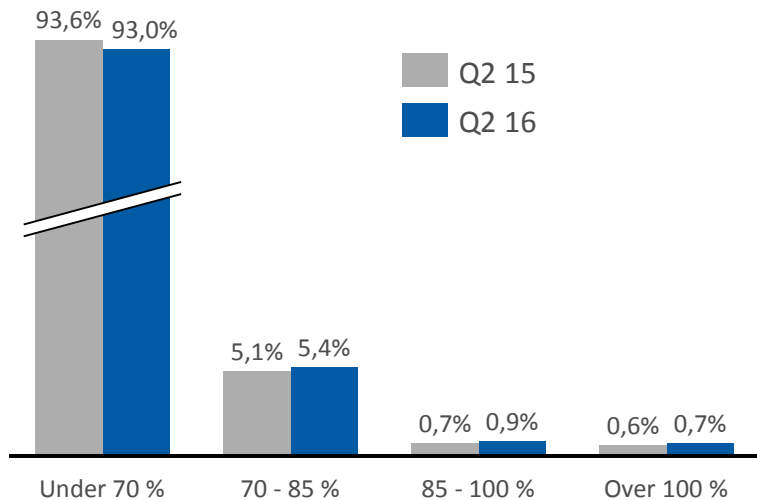
Banken følger etter svenske banker med lånetak.

SMN kutter av lånet om du byr for høyt

Vil ikke finansiere «de vilteste budrundene».

Loan to value mortgages

Last two years

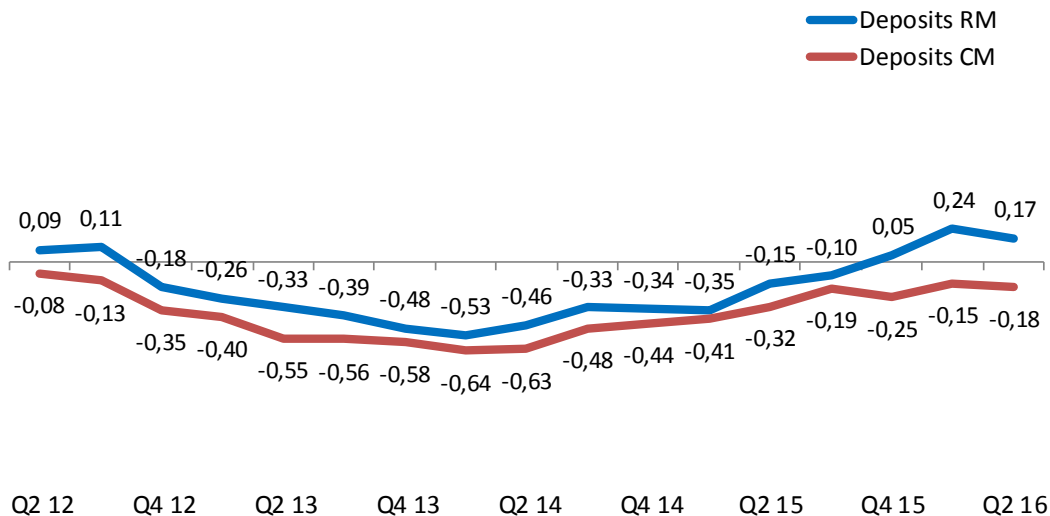


LTV mortgages

- 98.4 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 points 1.6 %

Deposit margins Retail and Corporate

Per quarter from Q2 2012

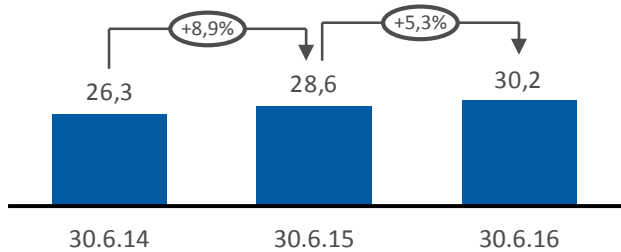


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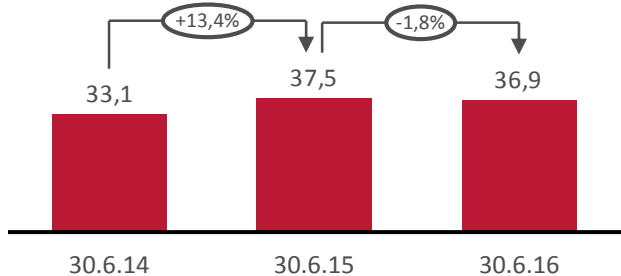
- Margins increased due to repricing
- Deposit margins will be adjusted continuously

Total growth deposits 1.3 % last 12 months

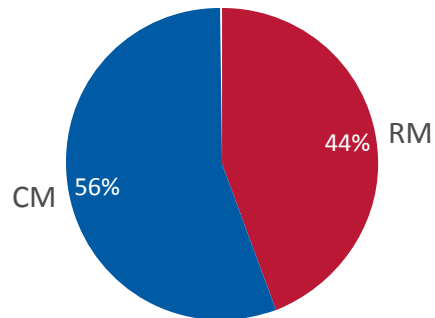
Deposits RM + 5.3 %, 1st half 6.4 %



Deposits CM - 1.8 %, 1st half + 3.1 %

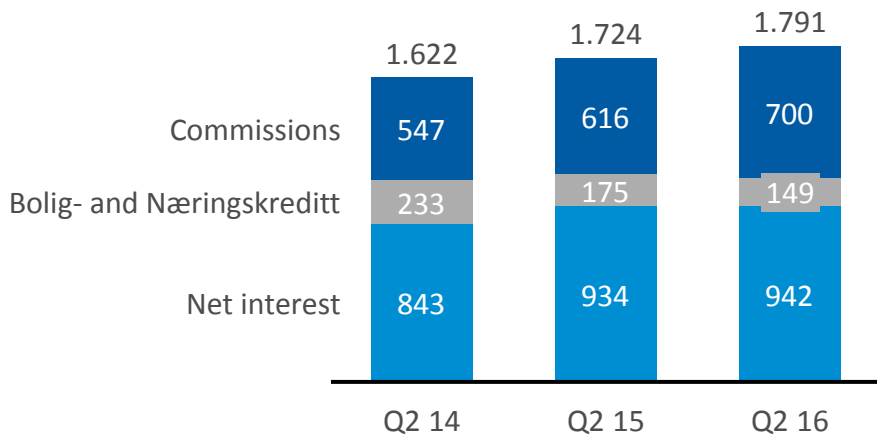


Share of deposits



Robust income platform and increased commission income

Net interest and other income



Commissions 1st half 2015 and 1st half 2016

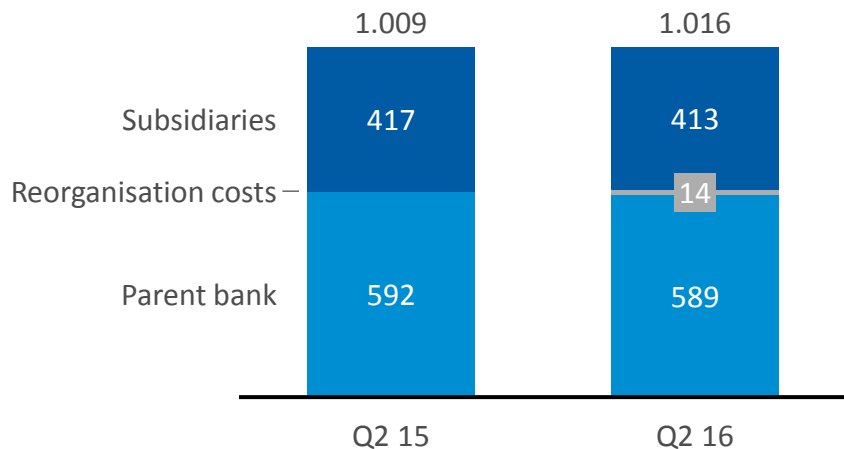
<i>mill kr</i>	1. Half 2016	1. Half 2015	Change
Payment transmission income	94	94	0
Creditcards	30	27	3
Commissions savings and asset management	42	35	7
Commissions insurance	79	74	5
Guarantee commissions	40	31	9
Estate agency	197	179	18
Accountancy services	119	110	9
Markets	63	23	40
Other commissions	37	41	-5
Commissions ex. Bolig/Næringskreditt	700	616	85
Boligkreditt	144	170	-26
Næringskreditt	5	5	0
Total commission income	849	790	59

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

Costs, parent bank and subsidiaries

Pro forma figures, Q1 15 includes costs SpareBank 1 Markets included in subsidiaries

Costs 1st half 2015 and 1st half 2016



Group cost growth also low

- Reduction in costs at the bank as a result of cost cutting programme and reduction in FTEs
- Cost growth at subsidiaries also moderate
- Zero growth in parent bank costs aimed for in the period 2014 to 2016

Tomorrow's bank being developed



New distribution model

- SMN working on a new distribution model
- Changing customer behavior presents new opportunities
- Bank to further increase its selling power



Technology provides opportunities

- New webpages will create better interplay between the channels
- We are further developing the internet bank and the mobile bank
- We are investing in tools to expand dialogue with customers



Improving production efficiency

- Continuous improvement as a tool
- Streamlining processes and products
- Unify production processes where this is considered rational

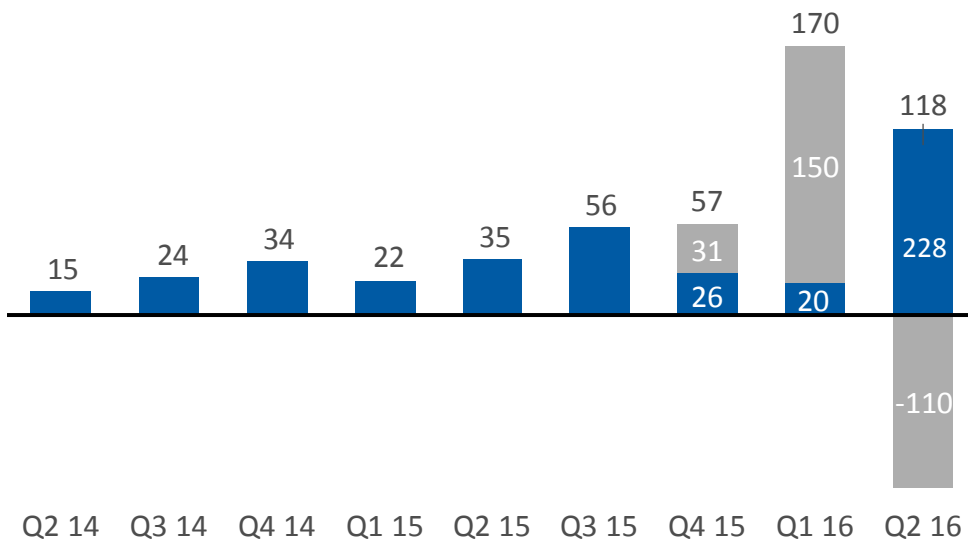


Improving customer dialogue

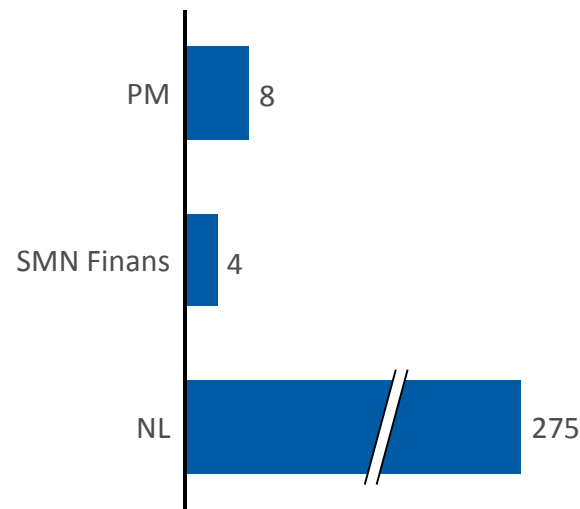
- We still have potential to increase the time devoted to customer dialogue
- Through freed-up time and new tools we will improve our dialogue with our customers
- Continuous customer dialogue based on our knowledge of customer behaviour

Increased loan losses in 2016

Losses per quarter (grey bar = collective losses provisions)



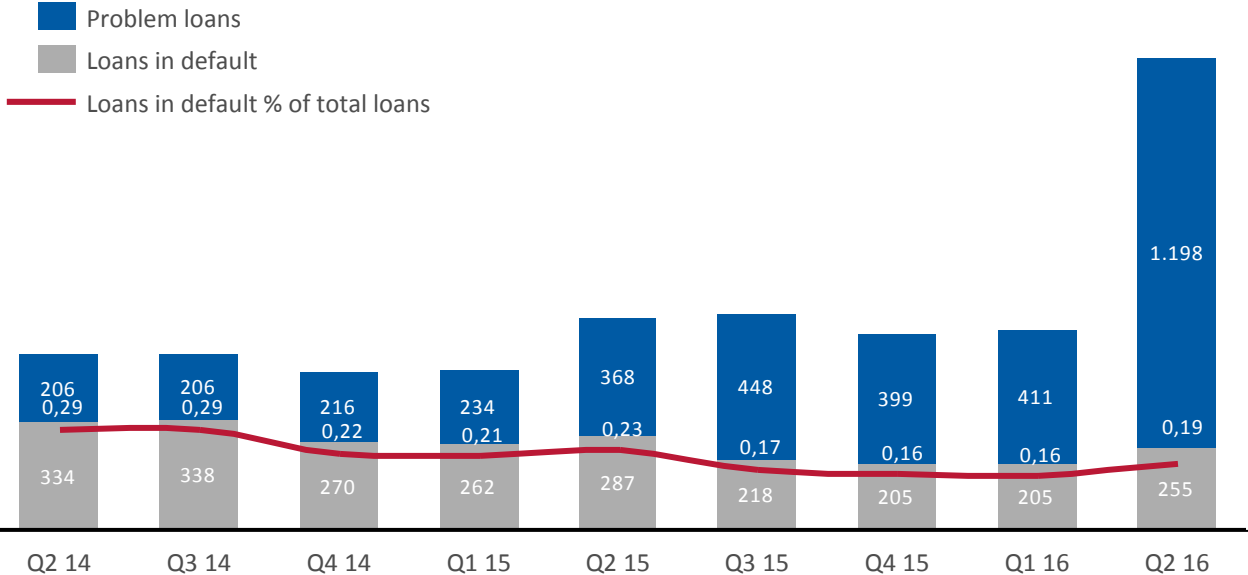
Distribution as of 30.6.2016



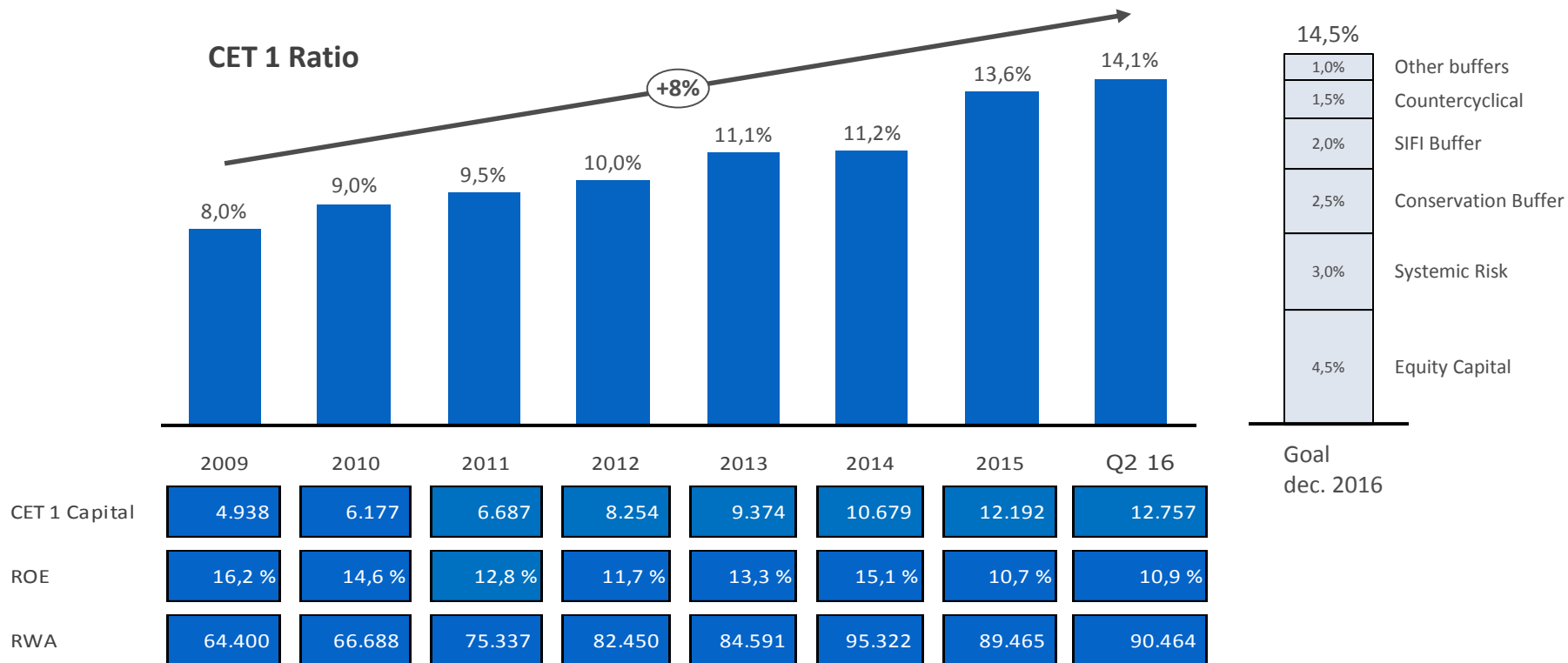
Loan losses including collective losses provisions 0.44 % (0.09 %) of gross lending as of 30.6.2016

Very low levels on loans in default (0,19 %), but problem loans have increased

Last two years, per quarter

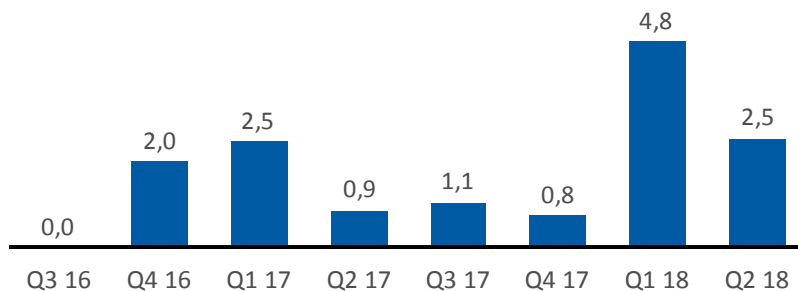
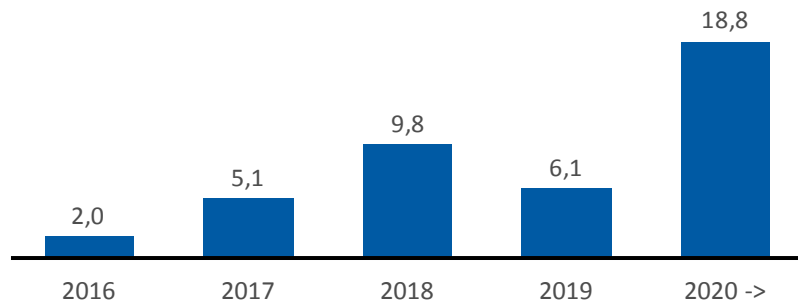


Development in CET 1 (capital and ratio), and ROE from 2009 to Q2 2016



Satisfying access to capital market funding

Funding maturity 30. June 2016



1st half 2016

Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 33 billion transferred as of 30. June 2016
- In June the bank raised a new five-year loan in the Euro market of EUR 500 million
- Maturities next two years NOK 14.6 bn:
 - NOK 2.8 bn in 2016
 - NOK 5.3 bn in 2017
 - NOK 7.3 bn in Q1 and Q2 18

SMN intends to be among the best performing banks



Customer orientation

Best on customer experience

Will continue to strengthen market position



Efficient

Zero cost growth in parent bank 2014 – 2016



Profitable

Among the best performing banks, ROE 12 % annually



Dividend

Real-terms payout ratio of 25% to 35%.

Strong focus on strengthening capital through retained profit



Solid

CET1 14.5% by the end of 2016

SpareBank 1 SMN

7467 TRONDHEIM



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Internett addresses:

SMN homepage og internet bank: www.smn.no
HuginOnline: www.huginonline.no
Equity capital certificates in general: www.grunnfondsbevis.no



Financial calendar 2016

Q2 2016 11. August 2016
Q3 2016 28. October 2016

Appendix

1. halvår 2016



Profits

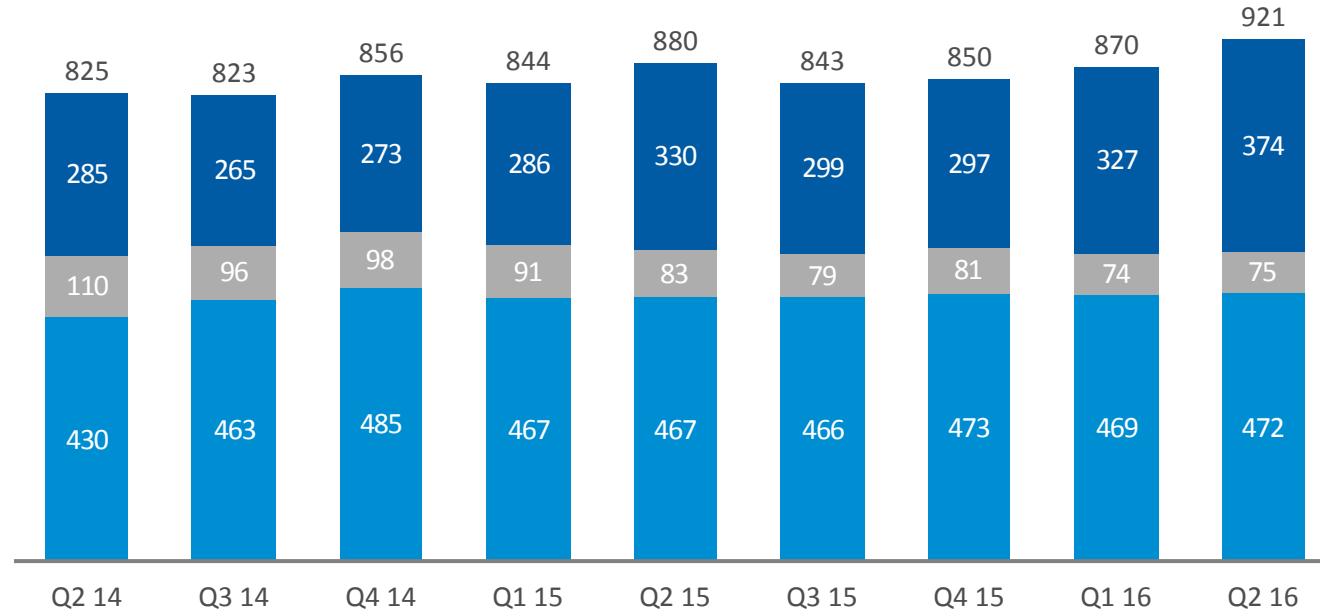
Profits 1st half and five last quarters

NOK mill	1. Half 2016	1. Half 2015	Change	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Net interest	942	934	8	472	469	473	466	467
Commission income and other income	849	790	59	448	401	378	378	413
Operating income	1.791	1.724	67	921	870	850	843	880
Total operating expenses	1.016	950	67	528	489	515	466	496
Pre-loss result of core business	774	774	0	393	381	335	377	384
Losses on loans and guarantees	287	56	231	118	170	56	56	35
Post-loss result of core business	487	718	-231	276	211	279	321	349
Related companies, including held for sale	244	248	-4	126	118	121	78	120
Securities, foreign currency and derivatives	197	114	83	144	53	-12	-91	45
Result before tax	928	1.080	-151	545	383	387	309	513
Tax	157	209	-52	85	72	100	61	83
Net profit	771	871	-100	460	311	287	248	430
Return on equity	10,9 %	13,7 %		12,9 %	8,9 %	8,4 %	7,4 %	13,4 %

Increased operating income in 2016

Operating income per quarter last two years

- Commission income
- Commission income Boligkreditt - Næringskreditt
- Net interest income



Return on financial investments

1st half and five last quarters

<i>NOKm</i>	1st half 2016	1st half 2015	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
Net gain and dividends on securities	65	70	62	3	-17	9	61
Net gain on bonds and derivatives	78	-21	53	25	-16	-116	-32
Forex and fixed income business	54	64	28	26	20	18	16
Net return on financial investments	197	114	143	54	-13	-90	44

Subsidiaries

Pre tax profit subsidiaries 1st half and five last quarters

	30 June 2016	30 June 2015	Change	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
EiendomsMegler 1 Midt-Norge (87 %)	43,3	29,2	14,1	33,3	10,0	7,5	10,3	21,3
SpareBank 1 Regnskapshuset SMN	25,9	20,3	5,6	21,6	4,3	8,8	5,7	12,4
SpareBank 1 Finans Midt-Norge (90 %)	48,5	43,4	5,1	25,1	23,4	19,5	20,1	22,2
Allegro Kapitalforvaltning (90 %)	4,4	1,3	3,0	3,8	0,6	-0,7	0,7	1,0
SpareBank 1 SMN Invest	22,5	13,0	9,5	12,6	9,9	5,6	20,0	12,1
SpareBank 1 Markets (73 %)	5,5	-	5,5	2,3	3,2	-21,4		

Associated companies

Profit shares after tax, 1st half and five last quarters

	30 June 2016	30 June 2015	Change	Q2 16	Q1 16	Q4 15	Q3 15	Q2 15
SpareBank 1 Gruppen (19,5 %)	140,9	127,6	13,3	79,9	61,0	68,0	55,8	68,2
SpareBank 1 Boligkreditt (18,4 %)	21,8	50,1	-28,3	-1,9	23,7	15,1	14,5	9,1
SpareBank 1 Næringskreditt (29,3 %)	14,9	15,4	-0,5	6,9	8,0	8,0	6,6	7,3
BN Bank (33 %)	50,7	34,8	15,9	30,9	19,8	10,6	-4,1	16,5
SpareBank 1 Kredittkort (18,3 %)	14,3	9,6	4,6	8,1	6,2	5,3	5,6	5,8
SpareBank 1 Mobilbetaling (19,7 %)	-9,3		-9,3	-3,4				

Change in net interest income

From 1st half 2015 – 1st half 2016

Net interest 1. Half 2015	934
Net interest 1. Half 2016	942

Change **8**

Obtained as follows:

Fees on lending	-7
Lending volume	33
Deposit volume	-5
Lending margin	-134
Deposit margin	108
Equity capital	-2
Funding and liquidity buffer	6
SMN Finans	9

Change **8**

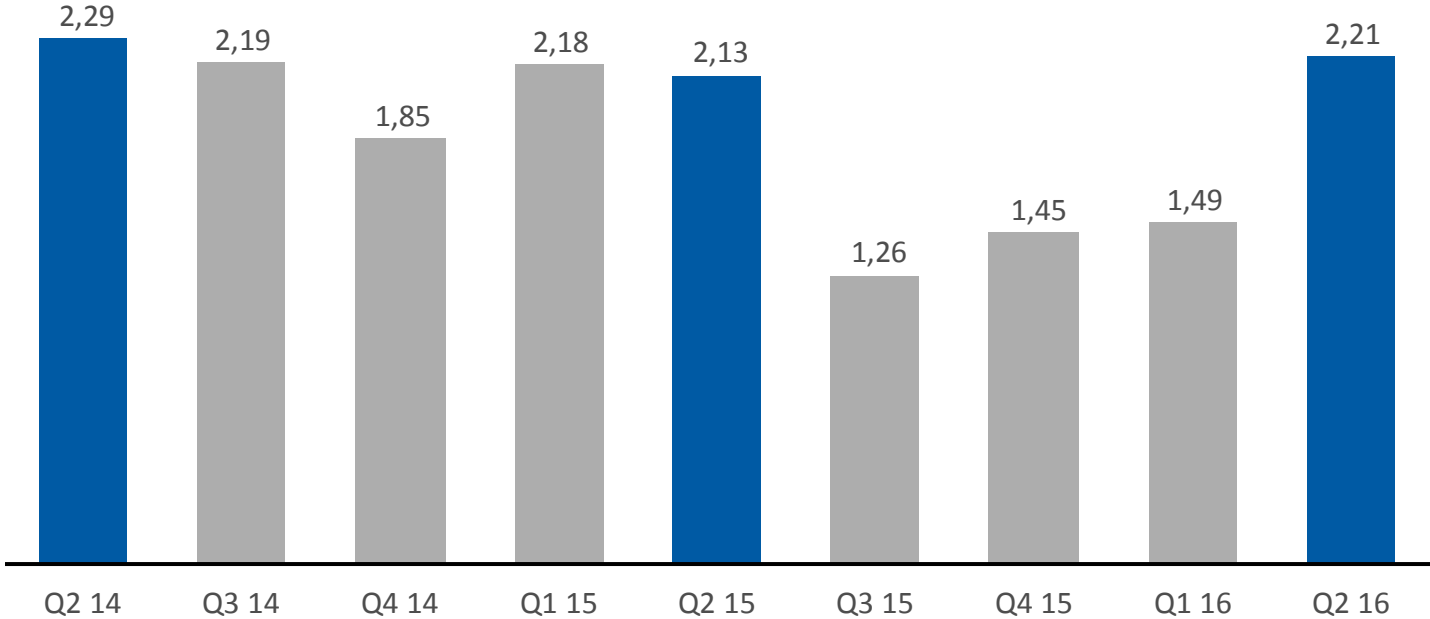
Substantial gross movements

- Increased lending volume and deposit margins strengthens net interest income
- Lower lending margins weaken net interest income

Commission income from SpareBank 1 Boligkreditt are reduced in the period as well due to lower margins

Earnings per ECC

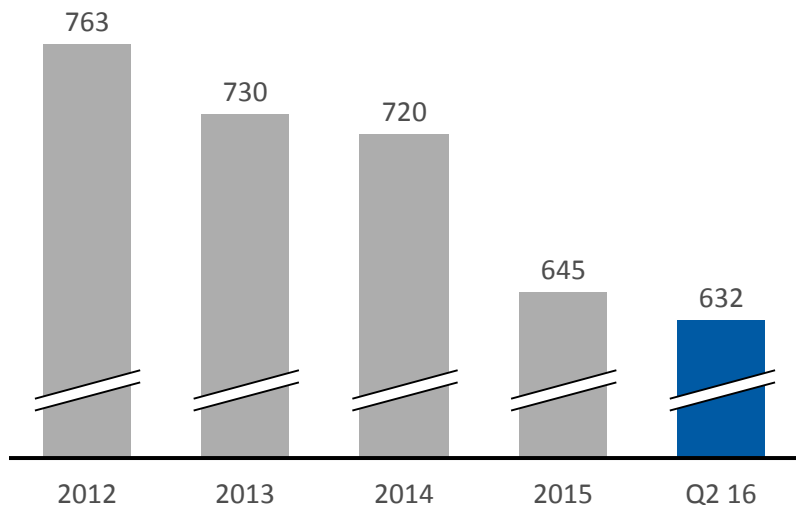
Last two years per quarter



FTEs crucial to achieving costs goal

Considerable reduction in 2015

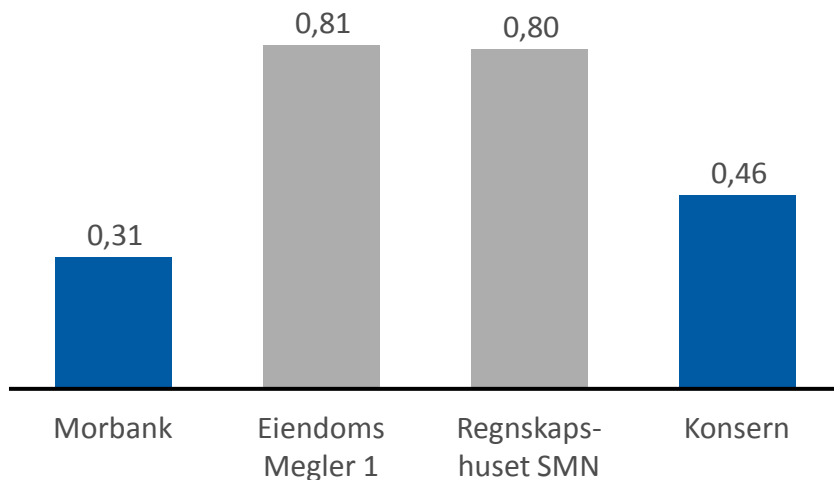
FTEs at parent bank



- At end-June there were 88 fewer FTEs at the parent bank than at year-end 2014
- This is mainly natural wastage
- A further decline to 600 FTEs is targeted by year-end 2016

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

High operating margins in EM1 and Regnskapshuset SMN

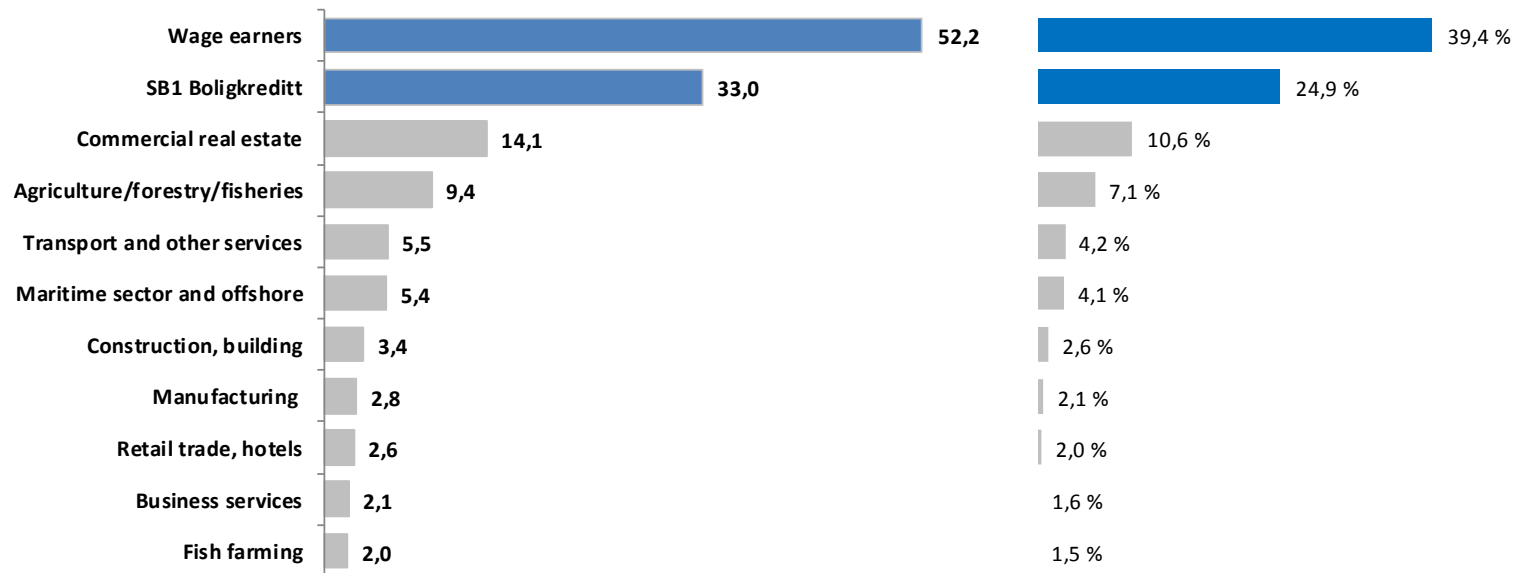


Profitable and non-capital-intensive subsidiaries:

- Both EM1 and Regnskapshuset SMN are companies making a sound profit – and requiring little equity capital compared with the group's other businesses
- In their respective segments they are highly cost-efficient
- But pose a challenge to the group's cost / income ratio

High share mortgages and diversified portfolio SMEs

Lending by sector in NOK billion and share of total loans



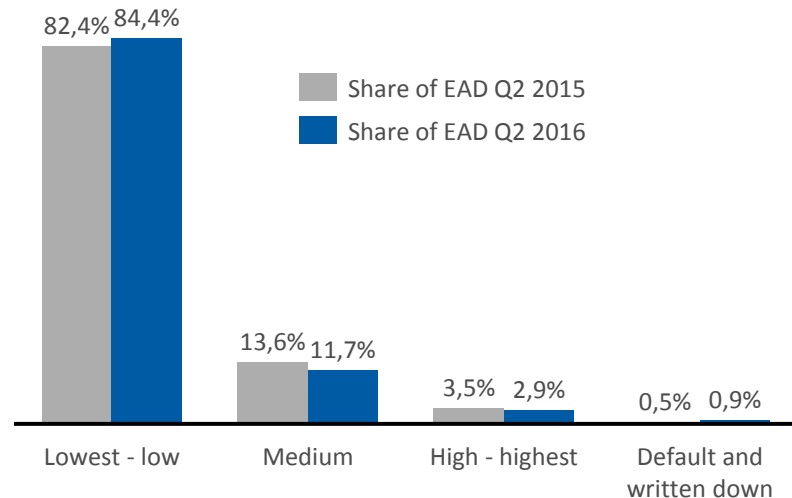
Balance sheet

Last three years

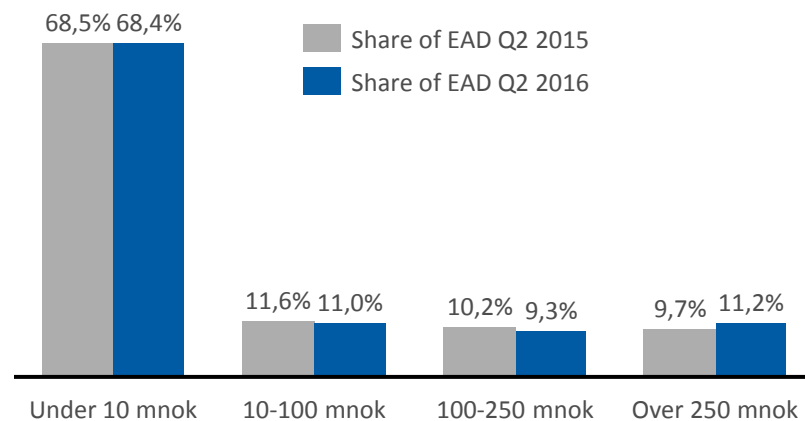
	30 June 2016	30 June 2015	30 June 2014
Funds available	27,1	21,5	19,8
Net loans	97,0	93,7	85,0
Securities	1,5	1,3	1,1
Investment in related companies	5,7	5,0	4,8
Goodwill	0,6	0,6	0,5
Other assets	9,3	8,7	7,4
TOTAL ASSETS	141,1	130,9	118,8
Capital market funding	48,4	41,8	38,9
Deposits	67,0	66,2	59,4
Other liabilities	7,7	6,3	5,3
Subordinated debt	3,6	3,4	3,4
Equity	14,5	13,2	11,8
TOTAL DEBT AND EQUITY	141,1	130,9	118,8
in addition loans sold to Boligkreditt and Næringskreditt	34,8	30,3	29,4

Stable credit risk

SpareBank 1 SMN's loans distributed on risk class and share of Exposure At Default



SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default



Strengthened capital adequacy

As at Q2 2016 and Q2 2015

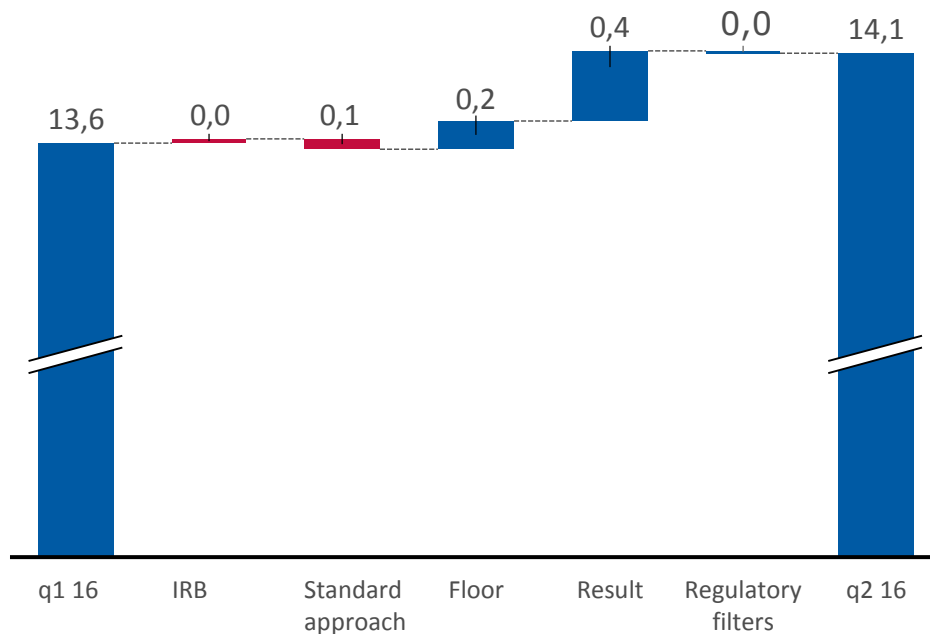
NOKm

	30.6.16	30.6.15
Core capital exclusive hybrid capital	12.757	11.443
Hybrid capital	1.846	1.699
Core capital	14.604	13.142
Supplementary capital	2.278	2.435
Total capital	16.882	15.577
Total credit risk IRB	4.123	4.068
Debt risk, Equity risk	29	208
Operational risk	479	457
Exposures calculated using the standardised approach	1.931	1.926
CVA	90	71
Transitional arrangements	585	471
Minimum requirements total capital	7.237	7.201
RWA	90.464	90.010
CET 1 ratio	14,1 %	12,7 %
Core capital ratio	16,1 %	14,6 %
Capital adequacy ratio	18,7 %	17,3 %

CET1 capital strengthened in second quarter 2016

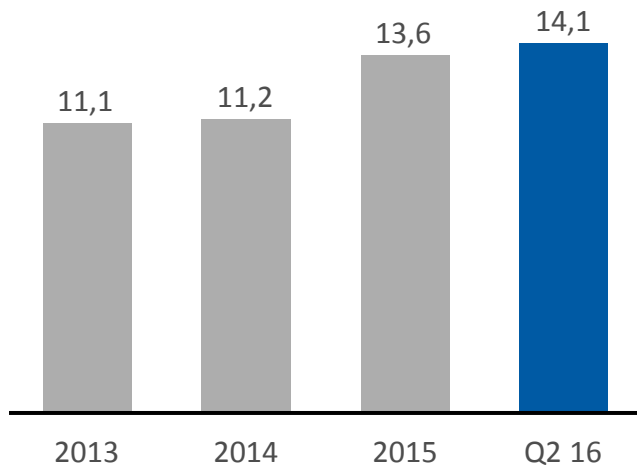
Comment

- Financial position strengthened by good profit for the quarter and by dividend received from SpareBank 1 Gruppen
- In addition, capital need related to transitional measures (floor) reduced in 2nd quarter

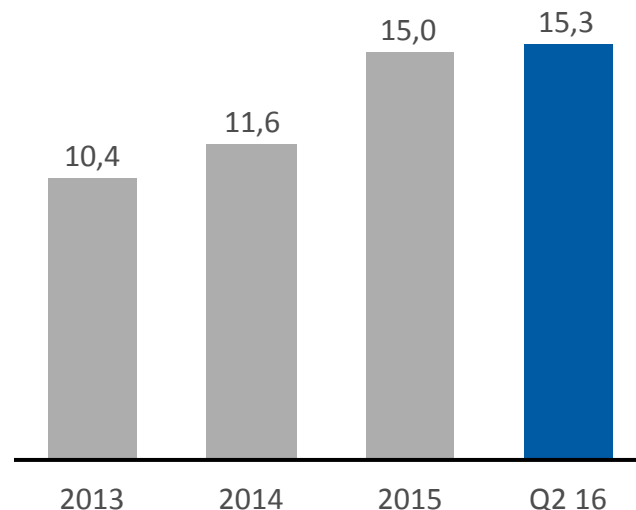


Strong capitalization

Development CET1



Development CET 1 without transitional arrangements (Basel III)



Key figures

Last three years

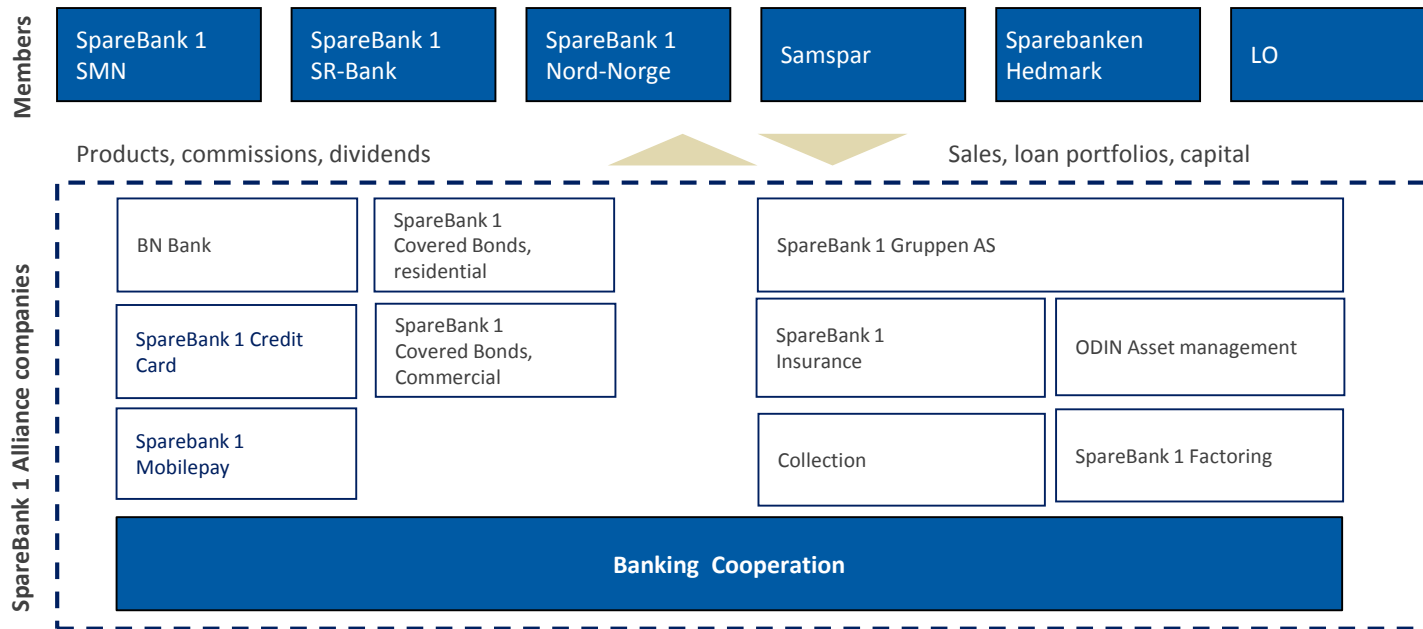
	30 June 2016	30 June 2015	30 June 2014
CET 1 ratio	14,1 %	12,7 %	11,4 %
Core capital ratio	16,1 %	14,6 %	13,3 %
Capital adequacy	18,7 %	17,3 %	15,0 %
Growth in loans incl.Boligkreditt	6,5 %	8,4 %	5,1 %
Growth in deposits	1,3 %	11,4 %	8,5 %
Deposit-to-loan ratio	69 %	70 %	70 %
RM share loans	64 %	62 %	62 %
Cost-income ratio	46 %	46 %	42 %
Return of equity	10,9 %	13,7 %	16,8 %
Impairment losses ratio	0,44 %	0,09 %	0,06 %

Key figures ECC

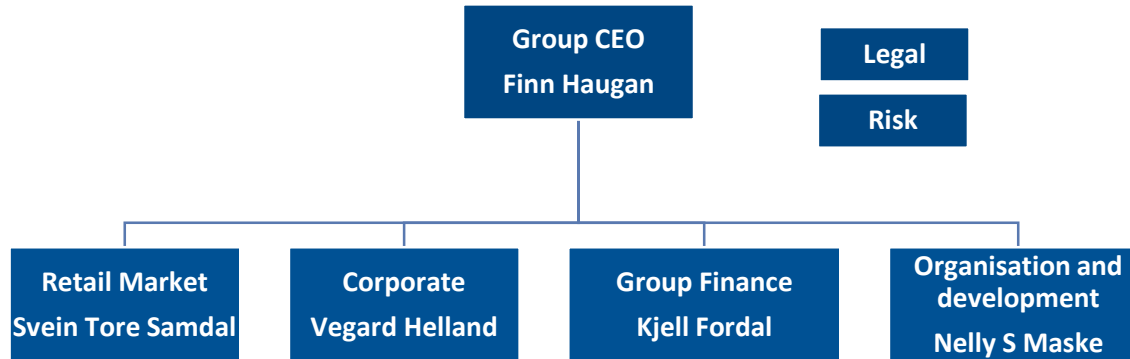
Last five years (including effects of issues)

	Q2 16	Q2 15	2015	2014	2013	2012
ECC ratio	64,0 %	64,6 %	64,0 %	64,6 %	64,6 %	64,6 %
Total issued ECCs (mill)	129,83	129,83	129,83	129,83	129,83	129,83
ECC price	46,70	65,50	50,50	58,50	55,00	34,80
Market value (NOKm)	6.063	8.504	6.556	7.595	7.141	4.518
Booked equity capital per ECC	69,18	64,18	67,65	62,04	55,69	50,09
Post-tax earnings per ECC, in NOK	3,71	4,31	7,02	8,82	6,92	5,21
Dividend per ECC	-	-	2,25	2,25	1,75	1,50
P/E	6,30	7,60	7,19	6,63	7,95	6,68
Price / Booked equity capital	0,68	1,02	0,75	0,94	0,99	0,69

SpareBank 1 Alliance



Organisational set-up SpareBank 1 SMN



Overall organisation

