



SpareBank  
SMN



3<sup>rd</sup> quarter 2019

30. October 2019

# Good profits as at 30. September 2019

## Net profit

NOK 2.217m (1.689m)

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## ROE

16.0 % (13.3)

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## CET1

15.1 % (14.9)

Pre loss result of core business NOK 1.625m (1.471)  
Loan losses NOK 198 m (196m)

ROE ex gain Fremtind 12.7 %

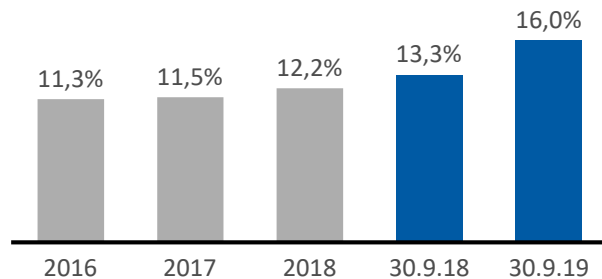
Leverage ratio 7.4 % (7.5)

Growth in lending RM 5.8 % (10.7) and CM 2.8% (0.8)  
Growth in deposits 7.9 % (6.1)

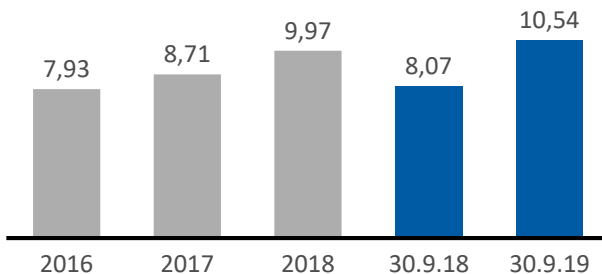
Booked equity capital per ECC NOK 89.36 (NOK 82.57)  
Profit per ECC NOK 10.54 (NOK 8.07)

# Good profits and strong capitalization

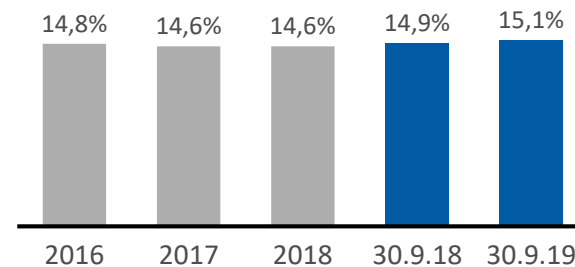
## Return on equity



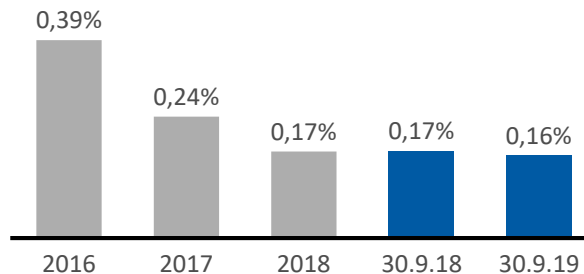
## Earnings per ECC



## CET1



## Loan losses as a percentage of total lending



## SpareBank 1 SMN's main outlook for the coming year: From positive to neutral – continuing high activity

Improvement



Neutral



2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019



Deterioration



## Analysis of 41,000 annual accounts: Central Norway in 2018 (2017)

### Businesses



**35 823** (35 699)

Number of  
businesses



**2 894** (2 851)

Number of newly  
established  
Ltd. companies

### Turnover



**88.3 mrd** (80,2)

Turnover ten  
largest companies



**4.9 %** (2,5 %)

Growth in overall turnover

### Operating margin



**6.5 %** (6,7%)

Weighted  
Operating margin\*



**76.4 %** (76,1 %)

Share with  
positive  
operating result\*

### Equity capital



**88.9 %** (88,8 %)

Share with  
positive equity capital\*



**38.4 %** (38,9 %)

Weighted  
equity ratio\*

### Bankruptcies



**606** (573)

Number of bankruptcies and  
compulsory liquidations



**1.7 %** (1,6 %)

Share of bankruptcies and  
compulsory liquidations

Source: Bisnode, SSB – New enterprises table: 08076, SpareBank1 SMN. bankruptcy statistics exc. housing associations, agriculture, unspecified

\*Firms with turnover > NOK 1m.

## SpareBank 1 SMN's industry indicator:

### Stable, but downgraded outlook for maritime industry



#### Retail trade

Status ■ Outlook ↘



#### Construction

Status ■ Outlook →



#### Fisheries

Status ■ Outlook →



#### Maritime industry

Status ■ Outlook ↘



#### Offshore services

Status ■ Outlook →



#### Agriculture

Status ■ Outlook →



#### Aquaculture

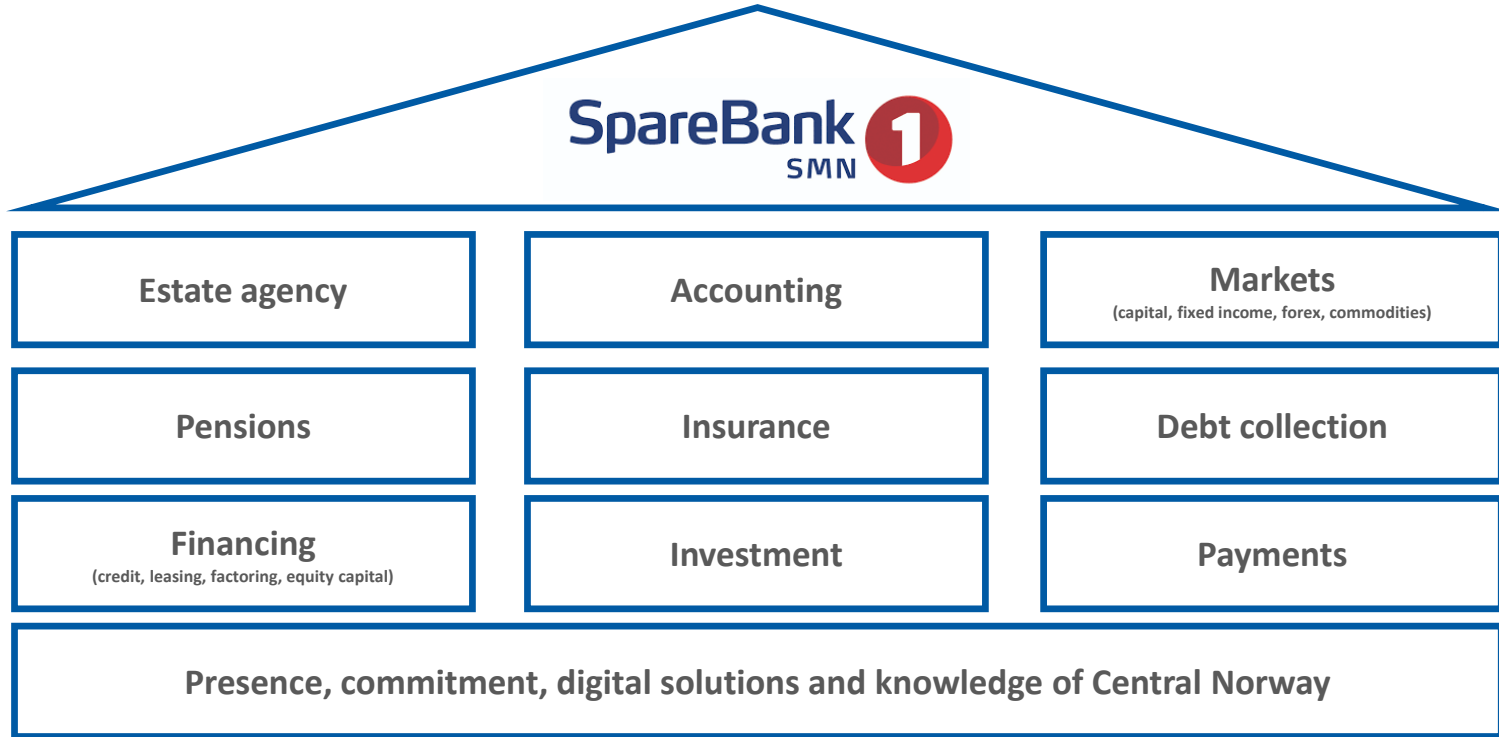
Status ■ Outlook →



#### Commercial property

Status ■ Outlook →

## Finance house – physical and digital



## Strong market position for subsidiaries



### SpareBank 1 Finans Midt-Norge

**NOK 115m (107m)**

Solid market position. Leasing / corporates NOK 3.5bn and car loans 4.9 bn. Strong growth in car loans



### SpareBank 1 Regnskapshuset SMN

**NOK 81m (57m)**

Turnover NOK 390m as at 30. September 2019 (NOK 337m). Consolidating and digitalizing the industry. Market share 25 %



### EiendomsMegler 1 Midt-Norge

**NOK 8m (6m)** *including BN Bolig*

Profit EM1 NOK 31m (NOK 34m), 37 % marketshare. Strong synergy with the bank  
Profit BN Bolig –NOK 24M (-NOK 21m)

















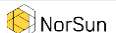



























### SpareBank 1 Markets

**NOK 39m (21m)**

Complete range of capital market services in cooperation with the owner banks. High growth in income, turnover NOK 465m (NOK 412m)



# Good trend for SpareBank 1 Markets – especially in Investment Banking

<b>IPO</b>	 <b>NORBIT</b> - explore more - IPO June 2019 NOK 506,000,000	 <b>OKEA</b> IPO June 2019 NOK 362,000,000	 <b>SpareBank 1</b> TELEMARK IPO October 2018 NOK 542,000,000	 <b>SHELF DRILLING</b> IPO June 2018 USD 225,000,000	 <b>Fjordkraft</b> IPO March 2018 NOK 1,400,000,000	 <b>Crayon</b> The Software Experts IPO November 2017 NOK 750,000,000	 <b>WEBSTEP</b> IPO October 2017 NOK 400,000,000
<b>ECM (Listed)</b>	 <b>datarespons</b> Private placement May 2019 NOK 324,000,000	 <b>Questor Energy</b> Private placement April 2019 NOK 93,000,000	 <b>SeaBird Exploration</b> Private placement April 2019 NOK 250,000,000	 <b>RECSILICON</b> Private placement April 2019 NOK 170,000,000	 <b>nel</b> Private placement January 2019 NOK 463,000,000	 <b>GCRIEBER SHIPPING</b> Rights issue December 2018 NOK 246,000,000	 <b>SAS</b> Private placement November 2017 SEK 1,270,000,000
<b>ECM (Not listed)</b>	 <b>NorSun</b> Private placement June 2019 NOK 230,000,000	 <b>MARITIME &amp; MERCHANT BANK ASA</b> Private placement June 2019 NOK 102,000,000	 <b>Christian Jakhelln</b> Private placement May 2019 NOK 150,000,000	 <b>QUANTAFUEL</b> Private placement February 2019 NOK 150,000,000	 <b>ARNARLAX</b> Block sale of shares February 2019 NOK 180,000,000	 <b>OTOVO</b> Private placement October 2018 NOK 100,000,000	 <b>OKEA</b> Private placement September 2018 NOK 110,000,000
<b>M&amp;A</b>	 <b>Eidsiva</b> Merger with Hafslund E-CO September 2019 NOK 100,000,000,000	 <b>Lundin Petroleum</b> Asset and cash swap for 16% own shares July 2019 SEK 14,500,000,000	 <b>EURONEXT</b> Acquisition of Oslo Børs VPS June 2019 NOK 6,790,000,000	 <b>TrønderEnergi NTE</b> M&A and project finance of 1.5 TWh wind portfolio January 2019 Undisclosed	 <b>equinor</b> Minority stake in Scatec Solar November 2018 NOK 700,000,000	 <b>DNB SpareBank 1</b> Merger of non-life insurance September 2018 NOK 19,750,000,000	 <b>GCRIEBER SHIPPING</b> Acquisition of seismic fleet August 2018 USD 689,000,000
<b>DCM</b>	 <b>Bonheur ASA</b> Unsecured bond August 2019 NOK 800,000,000	 <b>DNO</b> Unsecured bond May 2019 USD 400,000,000	 <b>EKORNES</b> Ekornes QM Holding AS Secured bond March 2019 NOK 2,000,000,000	 <b>SICCART POINT ENERGY</b> Tap issue March 2019 USD 100,000,000	 <b>HKN</b> UNENERGY LTD. Unsecured bond February 2019 USD 100,000,000	 <b>HAVILAFJORD</b> Tap issue January 2019 NOK 250,000,000	 <b>KONGRETT</b> Private debt December 2018 SEK 600,000,000
<b>IG</b>	 <b>BRAGE</b> Unsecured bond June 2019 NOK 400,000,000	 <b>Ringerikskraft</b> Unsecured bond May 2019 NOK 400,000,000	 <b>OBOS Banken</b> Unsecured bond May 2019 NOK 500,000,000	 <b>DNB</b> Unsecured bond April 2019 NOK 2,000,000,000	 <b>Pareto bank</b> Unsecured bond March 2019 NOK 400,000,000	 <b>SpareBank 1 ØSTLANDET</b> Unsecured bond February 2019 NOK 800,000,000	 <b>Lyse</b> Unsecured bond January 2019 NOK 400,000,000



## Successful pairing of banking and insurance – and ambitions are high

Growth of 9.1%,  
More and more bank customers  
find it attractive to buy insurance  
at their bank



5.9%



3.4%

Innovation will ensure bank customers  
attractive insurance solutions for new times,  
with mobility, home and health in focus



SpareBank 1 has satisfied  
customers



2019

No. 1 on Norsk Customer Barometer 50 - 60%

Rising share of claims reported  
digitally



We insure half of Norway's households country wide.  
Extreme weather is increasingly frequent, in new locations,  
in new forms. People are uneasy, damage prevention pays,  
which is why we use our voice as an influencer.



*Debate theme: Local climate crisis –  
finger pointing while the water rises*

## SMN has cooperation as a competitive advantage

### Group

SpareBank 1  
MARKETS

SpareBank 1  
FINANS MIDT-NORGE

SpareBank 1  
REGNSKAPSHUSET

EiendomsMegler 1  
MIDT-NORGE

### SpareBank 1 Alliance

SpareBank 1



ODIN



Conecto

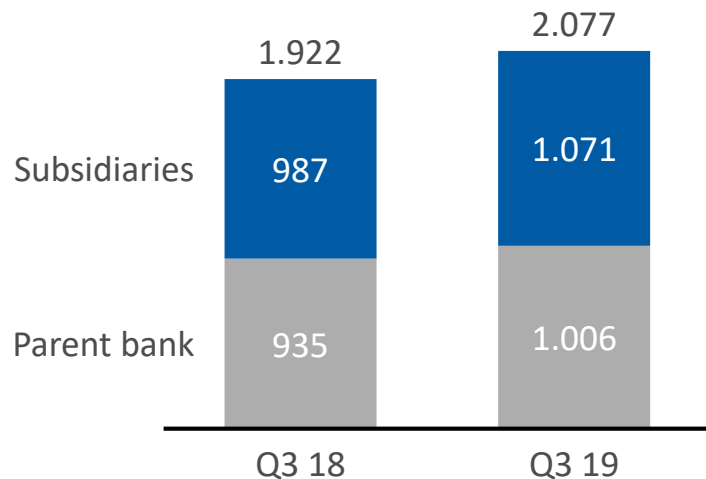
### Jointly owned companies

Fremtind

vopps

# Cost growth brought by initiatives both at the subsidiaries and the bank

## Costs as at September 2018 and September 2019



- **Cost growth at the subsidiaries**
  - Acquisitions by SMN Regnskapshuset
  - Strengthened commitment at SpareBank 1 Markets
  - Acquisition of DeBank
- **Cost growth at the parent bank**
  - New self-service solutions and CRM system
  - Regulatory requirements bring a need for increased capacity and competence
  - Anti-money laundering has high priority and requires resources
- **New, tighter cost objectives for the group in progress. To be announced at the Q4 presentation**



3rd quarter 2019

## Agreement with the Confederation of Norwegian Trade Unions (LO) gives SpareBank 1 SMN major growth opportunities

- Three-year agreement between the LO and SpareBank 1 SMN and SpareBank 1 Østlandet as preferred partner banks
- The LO is Norway's largest labour organisation with almost one million members in total, and about 175,000 in the bank's catchment area
- SpareBank 1 SMN aims for substantial customer growth among LO members, above all in the bank's own market area
- Digital solutions and high activity at the local level will generate many new customers

# SpareBank1 SMN given a greatly improved ESG rating by Sustainalytics

Leader



2018

## ESG Summary

### Overall Performance

**58** Overall ESG Score

Leader  
Outperformer  
Average Performer  
Underperformer  
Laggard

**159** out of **342** Relative Position

Average Performer

**54<sup>th</sup>** Percentile

Average Performer

**47** Environment

Average Performer

**69** Social

Average Performer

**59** Governance

Average Performer

### Relative Performance

**159** out of **342** Relative Position

Average Performer

#### Top 5 Companies

	Score
1. KfW Bankengruppe (Hessen)	93
2. Coöperatieve Rabobank U.A.	89
3. DNB ASA	87
4. ABN AMRO Group NV	86
5. Nederlandse Financierings-Maatschappij	85

#### Peers (Market cap \$1-\$2bn)

	Score
<u>SpareBank 1 SMN</u>	<u>58</u>
Onesavings Bank PLC	58
Laurentian Bank of Canada	55
Norwegian Finans Holding ASA	53
Alliance Bank Malaysia Berhad	45

### Historical Performance

2019

## ESG Summary

### Overall Performance

**80** Overall ESG Score

Leader  
Outperformer  
Average Performer  
Underperformer  
Laggard

**22** out of **340** Relative Position

Outperformer

**94<sup>th</sup>** Percentile

Outperformer

**89** Environment

Leader

**82** Social

Outperformer

**71** Governance

Outperformer

### Relative Performance

**22** out of **340** Relative Position

Outperformer

#### Top 5 Companies

	Score
1. KfW Bankengruppe (Hessen)	93
2. Oesterreichische Kontrollbank	89
3. Coöperatieve Rabobank U.A.	89
4. De Volksbank NV	88
5. DNB ASA	87

#### Peers (Market cap \$1-\$1bn)

	Score
<u>SpareBank 1 SMN</u>	<u>80</u>
Türkiye Halk Bankası AS	62
Laurentian Bank of Canada	57
The Gunns Bank, Ltd.	49
Federal Home Loan Mortgage Corp	49

### Historical Performance

***Founding Signatory of:***



**UNEP**  
FINANCE  
INITIATIVE

PRINCIPLES FOR  
**RESPONSIBLE  
BANKING**

SpareBank1 SMN aims to be an instigator and facilitator for the transition to a low-emission society

**That is why we signed, as one of five Norwegian banks, the UN's principles for responsible banking in September 2019**

The principles are designed to guide the financial sector's alignment with the UN's sustainability goals and the Paris Agreement





## In September 2019 SpareBank 1 SMN issued the first Norwegian green senior bond in the euro market

- The bond is worth EUR 500m and has a term of seven years
- The framework earmarks capital to green loan portfolios, incl. sustainable fisheries and fish farming





## Social commitment as a competitive advantage



## Why invest in SpareBank 1 SMN (MING)

- 1 High return over time and solid capitalisation. **Efficient** banking operations and unrealised income and cost synergies within the group. Shareholder-friendly dividend policy
- 2 Strong **position** and good **growth** in an attractive region and across all business lines. Diversified customer portfolio and income base
- 3 Good **brand** with development potential based on ownership model, local presence and sustainability
- 4 Substantial **underlying assets** through ownership in and outside the SB1 Alliance
- 5 Well positioned through **consolidation** of Norwegian savings banks

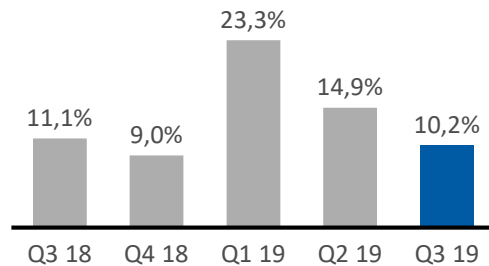


## Financial information

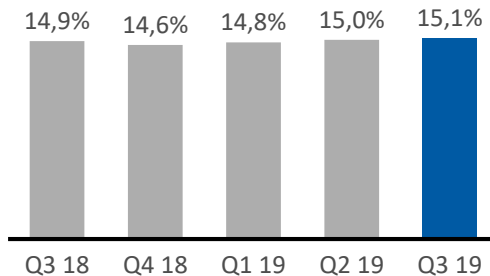
Kjell Fordal, CFO

## Good profits and strong capitalization

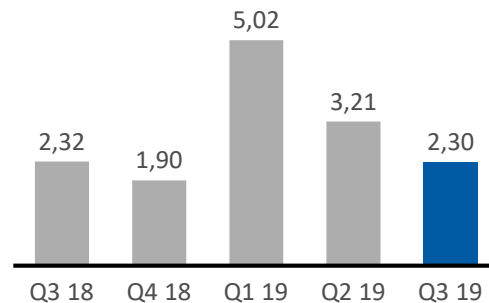
### Return on equity



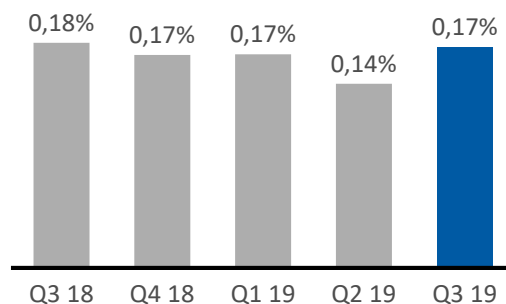
### CET 1



### Earnings per ECC



### Loan losses as a percentage of total loans



3rd quarter 2019

20

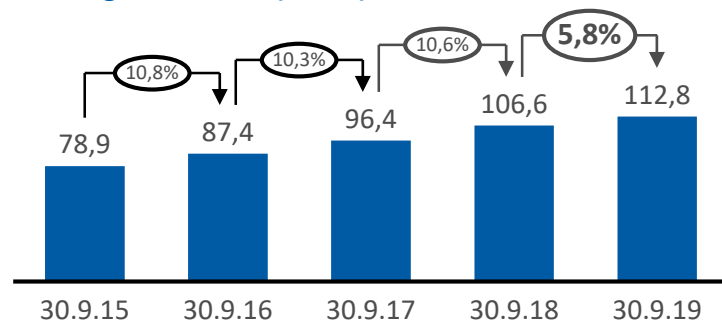


## Profits

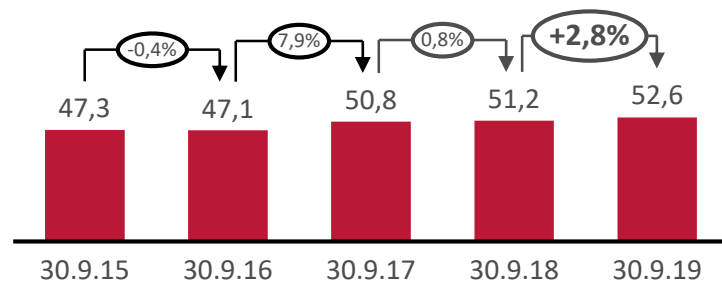
NOK mill	2019	2018	Change	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
Net interest	1.991	1.759	232	678	664	649	644	610
Commission income and other income	1.711	1.634	77	554	606	551	543	486
<b>Operating income</b>	<b>3.702</b>	<b>3.393</b>	<b>309</b>	<b>1.232</b>	<b>1.271</b>	<b>1.200</b>	<b>1.187</b>	<b>1.096</b>
Total operating expenses	2.077	1.922	155	673	701	704	701	616
<b>Pre-loss result of core business</b>	<b>1.625</b>	<b>1.471</b>	<b>154</b>	<b>559</b>	<b>570</b>	<b>496</b>	<b>486</b>	<b>479</b>
Losses on loans and guarantees	198	196	2	71	59	67	67	69
<b>Post-loss result of core business</b>	<b>1.427</b>	<b>1.274</b>	<b>153</b>	<b>487</b>	<b>511</b>	<b>428</b>	<b>418</b>	<b>410</b>
Related companies	411	286	125	85	231	95	130	105
Gain Fremtind	460		460			460		
Securities, foreign currency and derivatives	313	376	-63	36	105	172	-35	77
<b>Result before tax</b>	<b>2.612</b>	<b>1.937</b>	<b>675</b>	<b>609</b>	<b>848</b>	<b>1.155</b>	<b>513</b>	<b>592</b>
Tax	395	405	-11	121	165	109	104	119
Result investment held for sale	0	157	-157	0	0	0	-8	6
<b>Net profit</b>	<b>2.217</b>	<b>1.689</b>	<b>528</b>	<b>488</b>	<b>683</b>	<b>1.046</b>	<b>401</b>	<b>480</b>
<b>Return on equity</b>	<b>16,0 %</b>	<b>13,3 %</b>		<b>10,2 %</b>	<b>14,9 %</b>	<b>23,3 %</b>	<b>9,0 %</b>	<b>11,1 %</b>

## Total growth lending 4.8 % last 12 months

### Lending RM +9.4 % (CAGR)



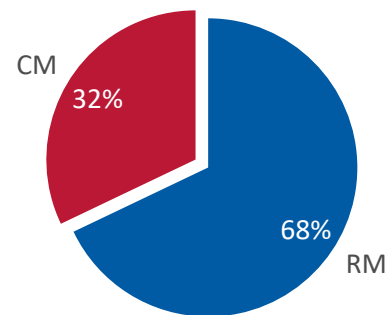
### Lending CM + 2.7 % (CAGR)



### High growth in home mortgage lending

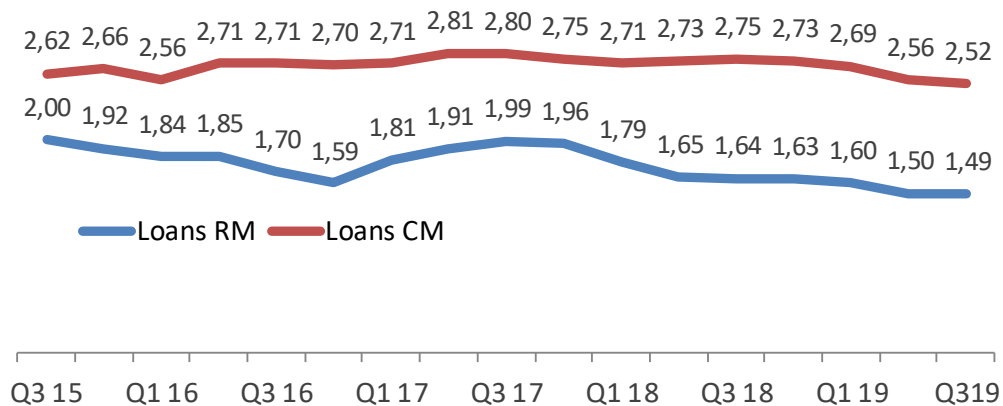
- Residential mortgage market growth of about 5.1 % (C2) last 12 months.
- Growth in retail lending quickened from the second quarter of 2019 after a weak first quarter
- Share of loans to personal borrowers up from 61 to 68 per cent in last four years
- Growth to corporates is mainly to small businesses

### Share of lending



## Lending margins

### Increasing Nibor challenges the lending margins



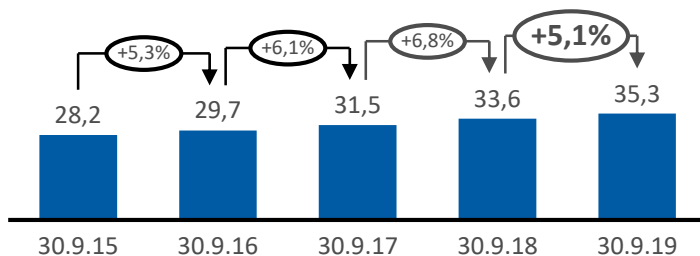
3rd quarter 2019

### Comments

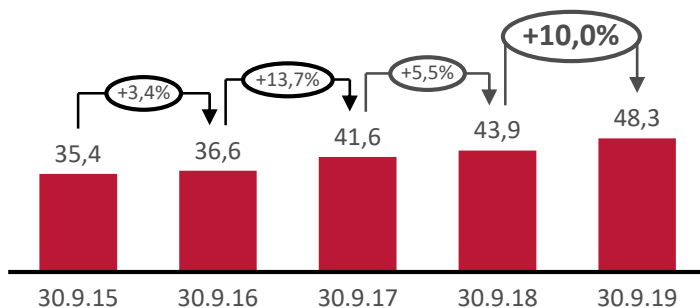
- Increased Nibor in 2018 and 2019,
- Base rate increased by 1.00 percentage points since September 2018
- General increase in residential lending rates carried out in the fourth quarter 2018, in May 2019 and in August 2019
- Next general increase will be carried out from 7. November 2019

## Total growth deposits 7.9 % last 12 months

### Deposits RM + 5.8 % (CAGR)



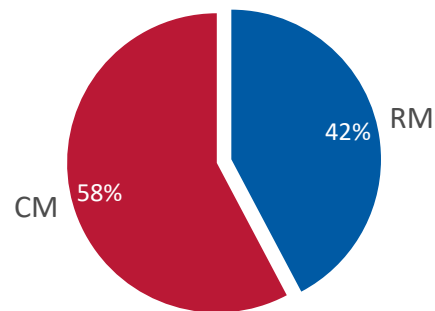
### Deposits CM + 8.1 % (CAGR)



### Good growth in deposits

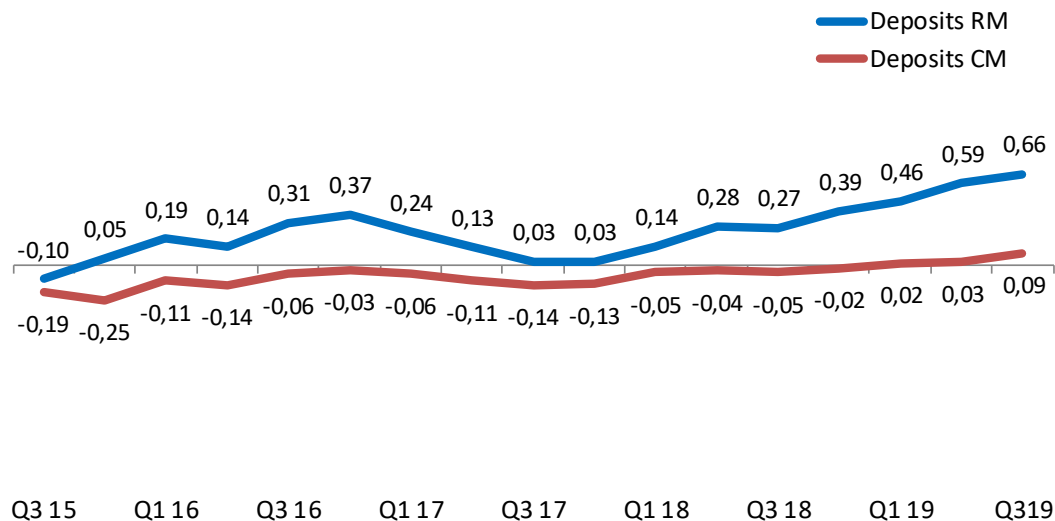
- Stable and good growth in deposits from reatail customers
- High growth in deposits from corporate customers 2019
- Deposit-to-loan ratio 67 % (66 %), including loans sold to Bolig- and Næringskreditt 51 % (49 %)
- Of the Corporate Market deposits 25 % are from public sector

### Share of deposits





## Deposit margins Retail and Corporate

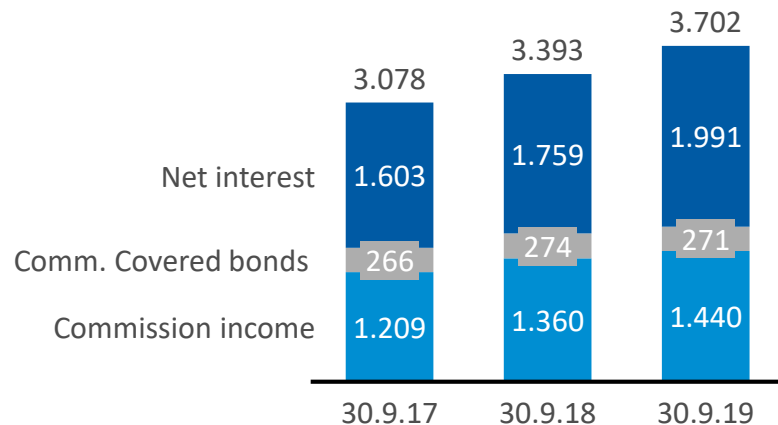


### Comments

- Increased Nibor in 2018 and 2019 has strengthened the margins

# Robust income platform and increased commission income

## Net interest and other income



## Commissions as at 30 September 2019 and 30. September 2018

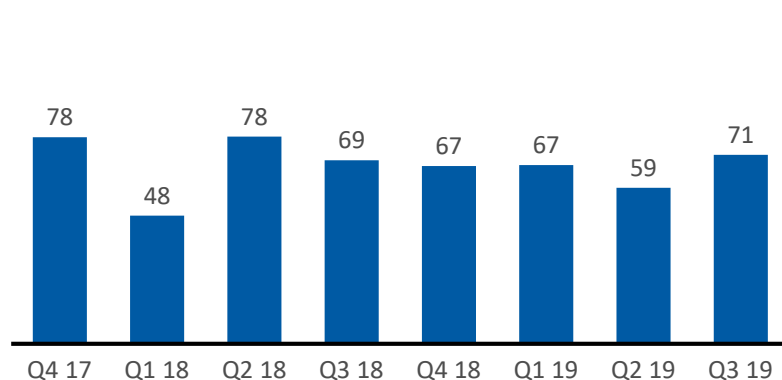
<i>mill kr</i>	2019	2018	Change
Payment transmission income	167	152	16
Creditcards	44	45	-1
Commissions savings and asset management	69	87	-18
Commissions insurance	136	130	6
Guarantee commissions	37	48	-12
Estate agency	298	298	0
Accountancy services	371	320	51
Securities	285	238	47
Other commissions	33	42	-8
<b>Commissions ex. Bolig/Næringskreditt</b>	<b>1.440</b>	<b>1.360</b>	<b>79</b>
Commissions Boligkreditt (cov. bonds)	259	263	-3
Commissions Næringskreditt (cov. bonds)	12	11	1
<b>Total commission income</b>	<b>1.711</b>	<b>1.634</b>	<b>77</b>

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

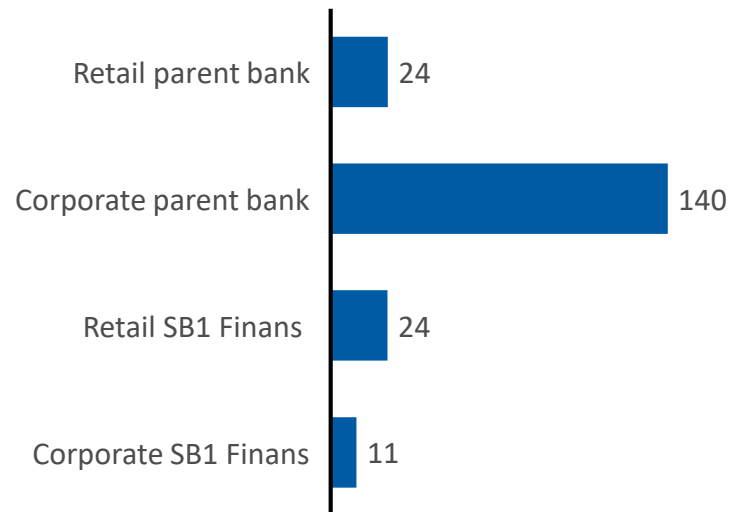
## Loan losses

Losses mainly in the offshore industry

Losses per quarter, NOKm



Distribution as at 3<sup>rd</sup> quarter 2019

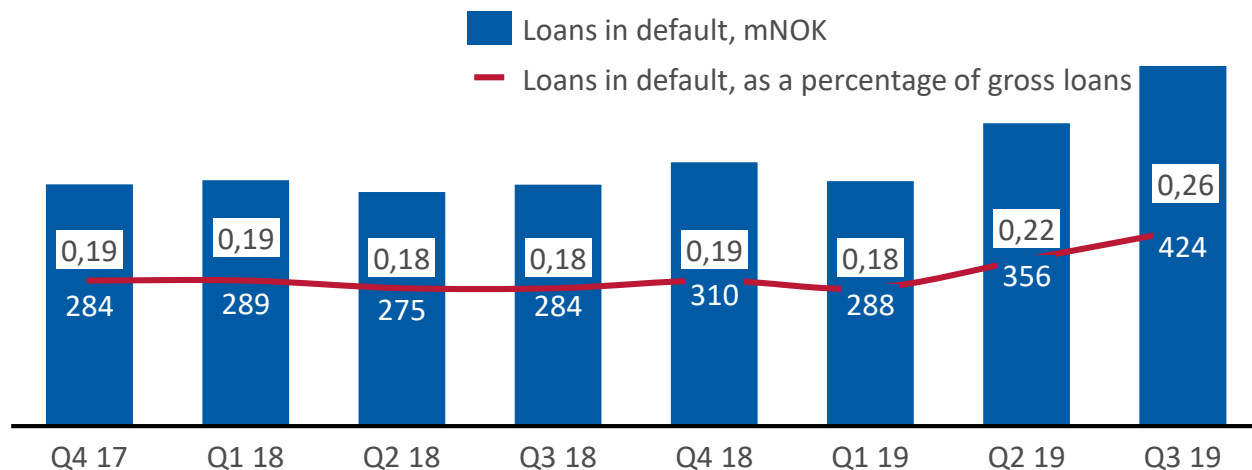


Loan losses including collective losses provisions 0.16 % (0.17 %) of gross lending as of 30.9.2019

## Low levels on loans in default (0,26 %)

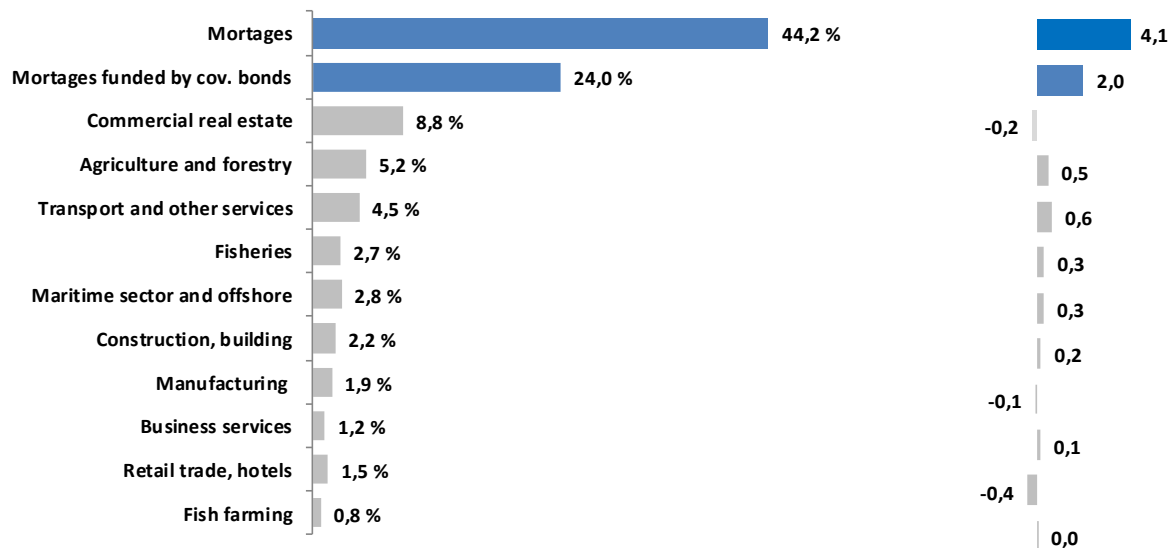
Some increase in default from retail customers in the second and third quarter 2019

Last two years, per quarter



# High share mortgages of 68 % and diversified portfolio SMEs. Total lending NOK 165bn

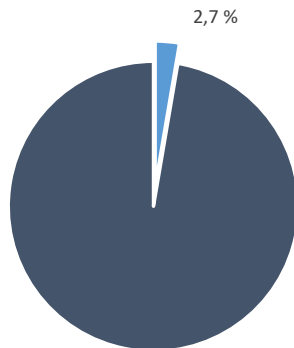
Lending by sector as a share of total lending and change last 12 months, NOKbn



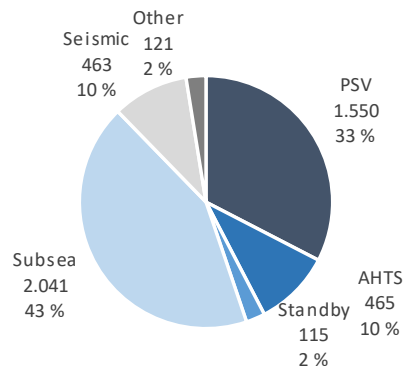
# Offshore exposure less than 3 % of total credit risk

## Impairment level corresponds to 12.8 per cent of the offshore portfolio

Offshore : 2,7 % of total EAD



Subsea and PSV largest segments (EAD mNOK)



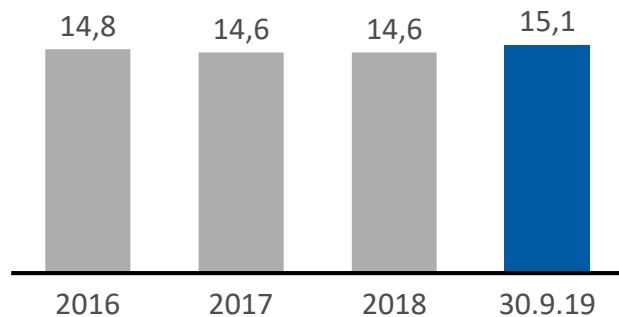
share mill kr	EAD	Loans	Indivi- dual	IFRS 9	Total impair- ments	Share of EAD
6 % Low risk	306	192	0	2	1,5	0,5 %
57 % Medium risk	2.717	2.151	0	80	80	3,0 %
0 % High risk	21	21	0	1	1	3,7 %
36 % Obligors with impairments / defaulted	1.712	1.240	528	0	528	30,8 %
100 % Total	4.755	3.604	528	82	610	12,8 %

## Balance sheet

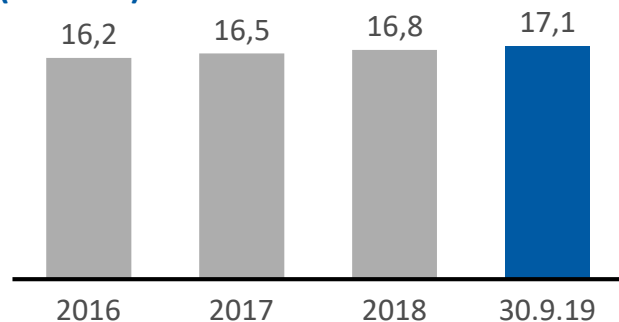
	30.9.19	30.9.18	30.9.17
Funds available	26,8	27,7	21,6
Net loans	123,0	117,2	109,6
Securities	2,4	2,7	1,6
Investment in related companies	6,5	5,9	5,9
Goodwill	0,9	0,8	0,7
Other assets	6,8	5,1	7,5
<b>Total Assets</b>	<b>166,5</b>	<b>159,3</b>	<b>146,9</b>
Capital market funding	53,8	54,2	47,6
Deposits	83,6	77,5	73,1
Other liabilities	6,8	6,3	6,5
Subordinated debt	2,3	2,7	3,5
Equity ex hybrid bonds	18,9	17,3	15,4
Hybrid bonds	1,0	1,3	0,9
<b>Total liabilities and equity</b>	<b>166,5</b>	<b>159,3</b>	<b>146,9</b>
in addition loans sold to Boligkreditt and Næringskreditt	41,4	39,8	36,5

# Strong capitalization

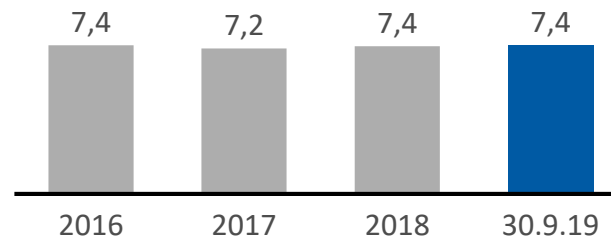
## CET1



## CET 1 without transitional arrangements (Basel III)



## Leverage ratio

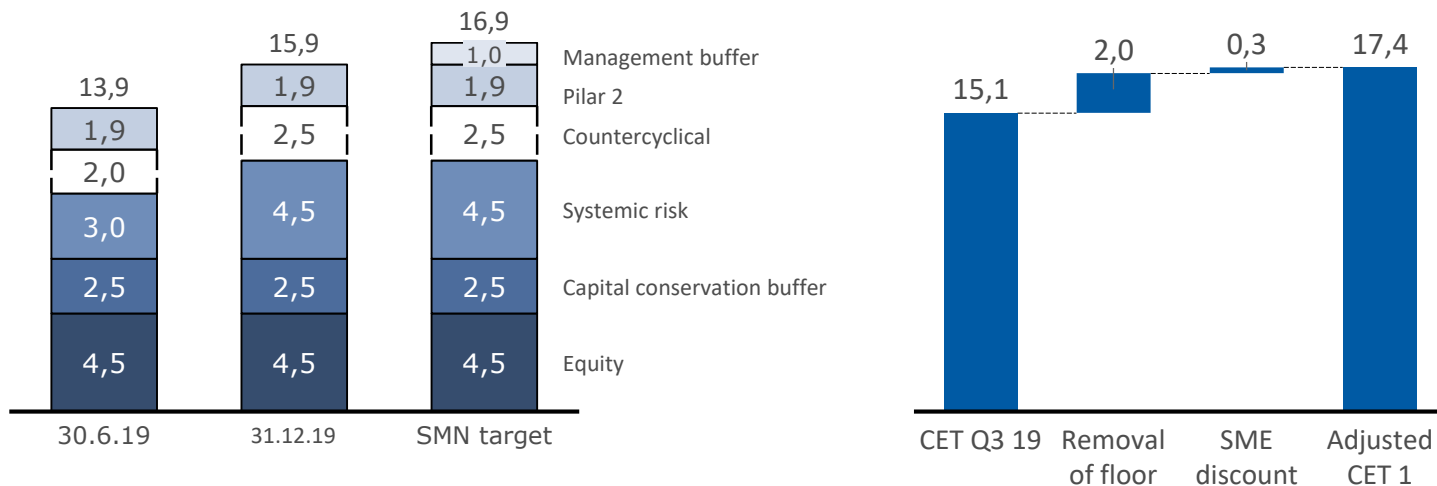




## CRR/CRD IV implementation

The Ministry of Finance published a consultation document on 25.6.2019

- The ministry proposes to increase the systemic risk buffer by 1.5% til 4.5% in order to maintain the aggregate level of capital in Norwegian banks upon the removal of the Basel 1 floor and introduction of the SME discount
- Removal of the Basel I floor will improve the linkage between risk management and deployment of capital in the bank's loan portfolio



The proposal for minimum weights for residential mortgages (20%) and commercial mortgages (35%) will have no impact on the bank's risk weighted assets, but is expected to have implications for foreign IRB banks' exposure in Norway

**An independent, regional  
and profitable bank that  
contributes to the region's  
development and value  
creation**

## Ambitious 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



### **Increased efficiency**

# SpareBank 1 SMN

## 7467 TRONDHEIM



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### CFO Kjell Fordal

Tel +47 905 41 672

E-mail [kjell.fordal@smn.no](mailto: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](http://www.smn.no)

[www.huginonline.no](http://www.huginonline.no)

[www.grunnfondsbevis.no](http://www.grunnfondsbevis.no)



### Financial calendar 2019

Q3: 30. oktober 2019

# Appendix

3rd quarter 2019





**Finance house offering  
a wide range of products**

Retail customers  
**224 thousand**

Corporate customers  
**15 thousand**

Loan volume  
**165 bn**

**Norway's largest equity-certificate-issuing bank**

**Market leader in the region  
Co-owner of SpareBank 1 Alliance**





3rd quarter 2019

## History through almost 200 years Strong financial results over time

**1823** Established

**1985** Sparebanken Midt-Norge

**1994** Listed on Oslo Børs

**1996** SpareBank 1 Alliance

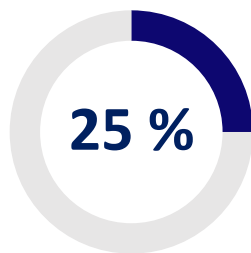
**2005** Acquired Romsdals Fellesbank

**2009** Acquired BN Bank/Sunnmøre

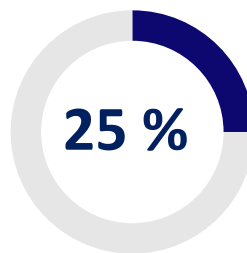
# Strong market position in financial services in Central Norway

## Market shares

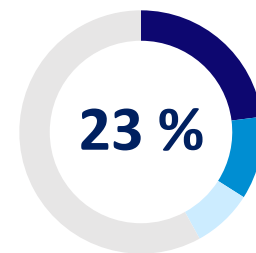
Parent bank retail



Parent bank SMB

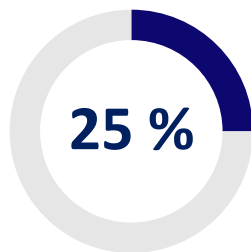


Collateral, residential mortgages

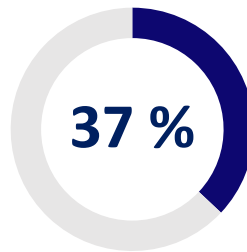


DNB 11 %  
Nordea 8 %

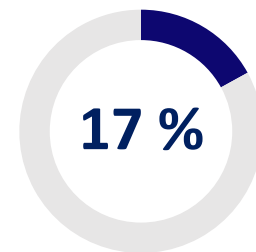
Accounts



Estate agency

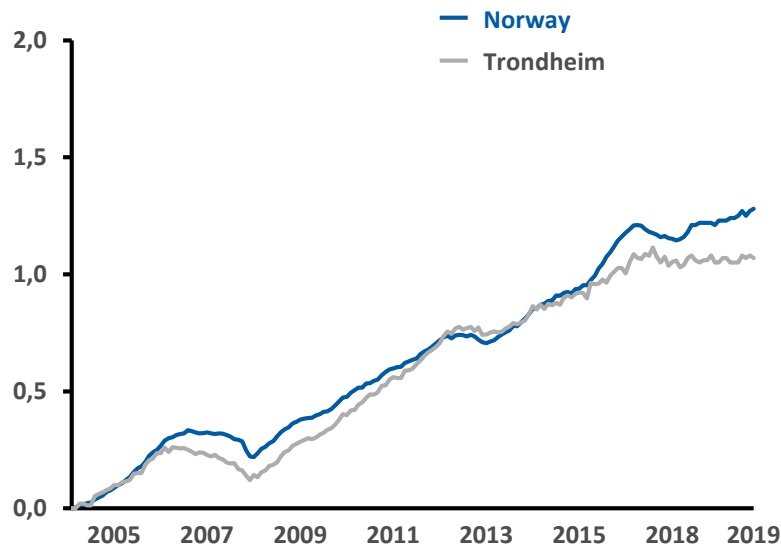


Vendor's liens



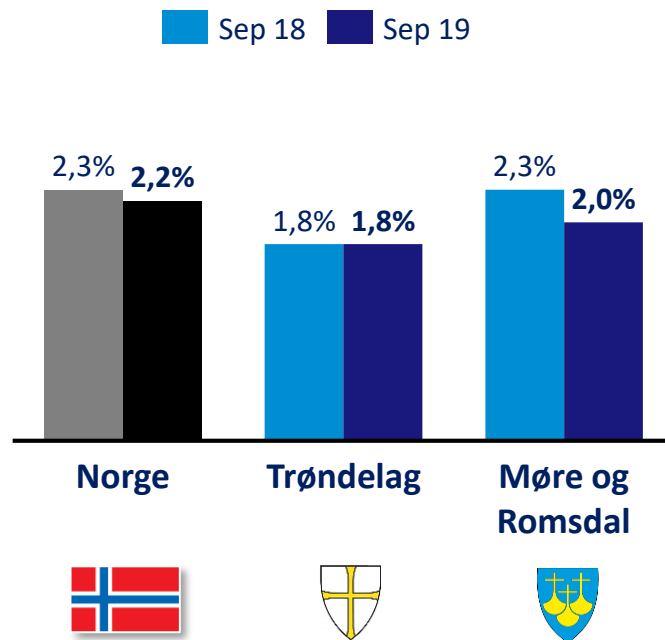
# House prices levelling out at a high level

## House prices 2005 – Q3 2019



# Low unemployment

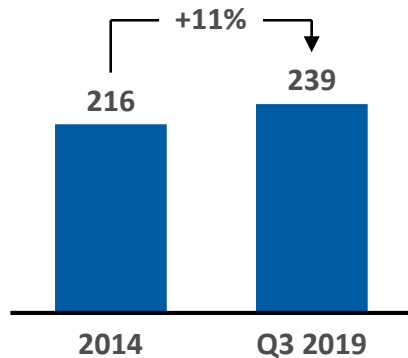
## Monthly figures September 2018 and September 2019





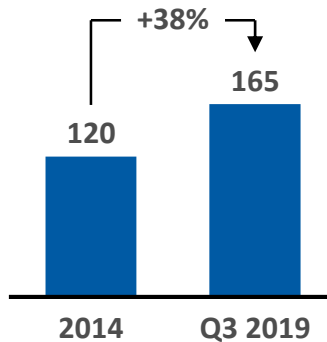
## Increased revenues, number of customers and volumes

Number of customers



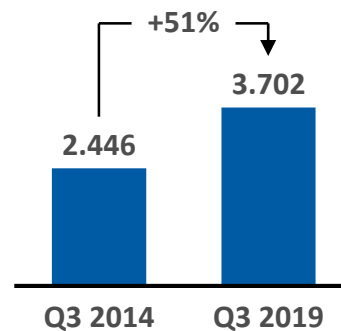
Stronger customer growth  
than population growth

Total loan volume



Stronger lending  
growth than credit  
growth

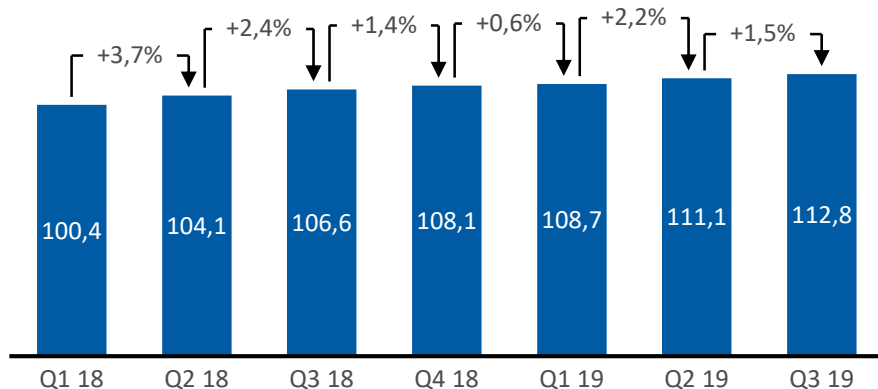
Operating income



Strengthening incomes  
on a diversified platform

# Development in lending, retail market

## Per quarter 2018 and 2019



## Slower growth

- The bank's retail market growth has been very high for a long period
- Decline in growth as from the fourth quarter of 2018 due to sharper competition
- But growth quickened from the second quarter of 2019 after a weak first quarter

## Change in net interest income

### 30. September 2019 compared with 30. September 2018

Net interest 30. September 2019	1.991
Net interest 30. September 2018	1.759
<b>Change</b>	<b>232</b>

#### **Obtained as follows:**

Fees on lending	15
Lending volume	83
Deposit volume	4
Lending margin	-136
Deposit margin	131
Equity capital	53
Funding and liquidity buffer	35
Subsidiaries	47
<b>Change</b>	<b>232</b>

### Net interest income strengthened by growth and increased deposit margin

- Net interest income strengthened by increased lending volume
- Margins on mortgages weakened by higher Nibor in 2018 and 2019 and strengthened deposit margins
- General increase in residential lending rates in the fourth quarter 2018 and in the second and third quarter 2019, new increase to be carried out in November 2019
- Net interest income strengthened by higher interest on equity

## Change in net interest income

### Change second quarter 2019 – third quarter 2019

Net interest this quarter	678
Net interest previous quarter	664
<b>Change</b>	<b>14</b>

#### **Obtained as follows:**

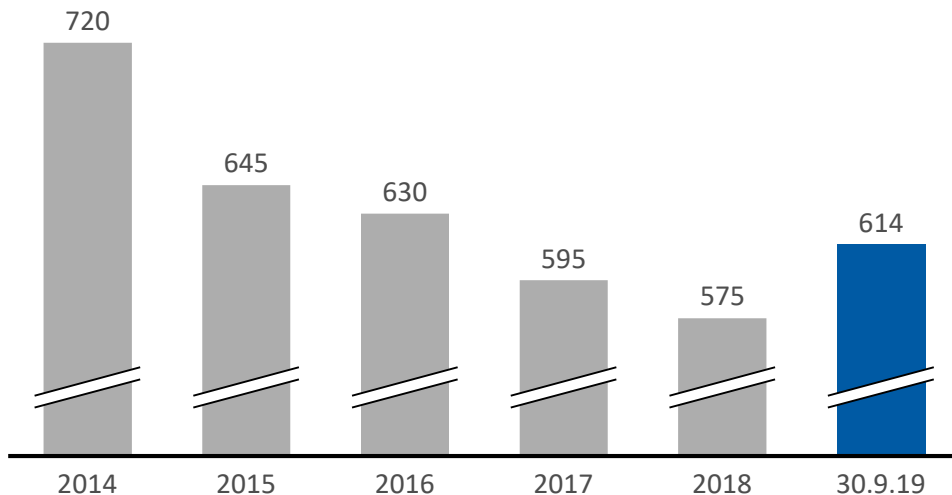
Fees on lending	-8
Lending volume	7
Deposit volume	1
Lending margin	-9
Deposit margin	15
Equity capital	0
Funding and liquidity buffer	3
Subsidiaries	3
<b>Change</b>	<b>14</b>

### Net interest income strengthened by growth and increased deposit margin

- Net interest income strengthened by increased lending volume
- Margins on mortgages weakened by higher Nibor in third quarter 2019 and strengthened deposit margins

## Improving efficiency and effectiveness reduces number of FTEs in parent bank

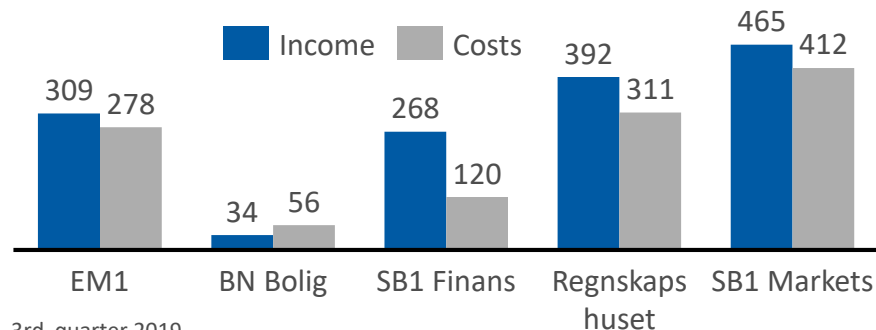
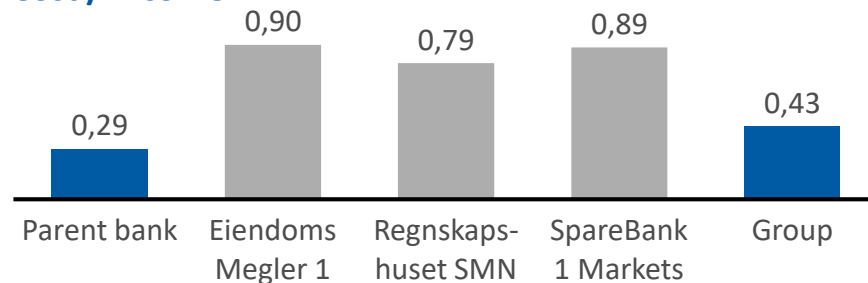
### FTEs at parent bank



- No. of FTEs at the parent bank reduced substantially in recent years
- In the same period 100 new staff members have been recruited, in particular in the areas of digital development and control tasks
- Both distribution and internal processes have gained efficiency
- At the same time the bank has greatly increased its customer base and its business volume

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

### Cost / Income



3rd quarter 2019

### 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	2019	2018	Change	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
EiendomsMegler 1 Midt-Norge (87 %)	8	6	1	-7	23	-9	-29	-11
SpareBank 1 Regnskapshuset SMN (89 %)	81	57	25	20	41	21	14	13
SpareBank 1 Finans Midt-Norge (61 %)	115	107	8	41	35	40	42	35
SpareBank 1 Markets (67 %)	39	21	18	11	26	2	-6	-15
SpareBank 1 SMN Invest (100%)	44	28	16	-3	21	26	-20	4
DeBank (100%)	-14	0	-14	-5	-3	-5	0	0
Other companies	12	7	5	3	4	5	-1	2
<b>Subsidiaries</b>	<b>285</b>	<b>225</b>	<b>60</b>	<b>59</b>	<b>147</b>	<b>79</b>	<b>1</b>	<b>27</b>

*The results refer to the respective company accounts*

## Associated companies

### Profit shares after tax

mNOK, SMN's share in parentheses	2019	2018	Change	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
SpareBank 1 Gruppen (19,5 %)	264	189	75	40	186	38	99	72
Gain Fremtind	460	0	460	0	0	460	0	0
SpareBank 1 Boligkreditt (20,7 %)	26	2	24	3	8	14	-9	7
SpareBank 1 Næringskreditt (33,8 %)	15	10	5	5	2	8	4	2
BN Bank (35,0 %)	84	73	11	33	27	24	24	20
SpareBank 1 Kredittkort (17,3 %)	13	17	-4	5	5	3	6	5
SpareBank 1 Betaling (19,5 %)	7	-9	16	-2	-2	12	-3	-3
Other companies	7	4	4	2	5	0	-1	-4
<b>Associated companies</b>	<b>877</b>	<b>286</b>	<b>591</b>	<b>86</b>	<b>231</b>	<b>560</b>	<b>120</b>	<b>100</b>



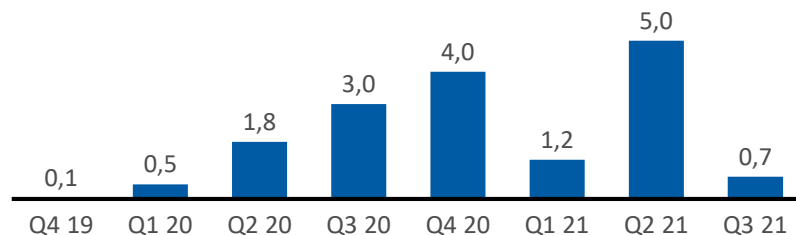
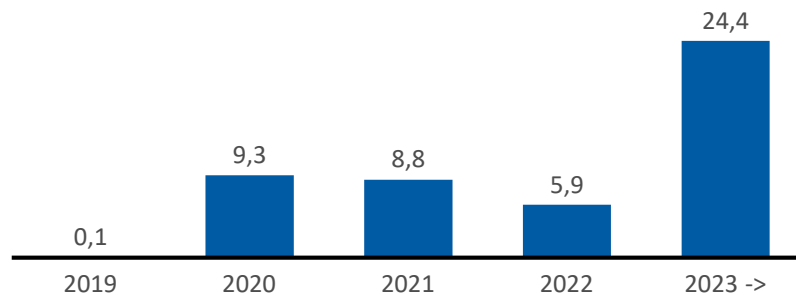
## Return on financial investments

NOKm	2019	2018	Change	Q3 19	Q2 19	Q1 19	Q4 18	Q3 18
Capital gains shares	108	144	-35	1	23	84	-48	26
Gain/(Loss) on certificates and bonds	22	-81	103	-26	15	32	5	-45
Gain/(loss) on derivatives	92	192	-100	29	40	23	-5	50
Gain/(loss) on financial instruments related to hedging	-1	-5	4	4	-1	-4	1	1
Gain/(loss) on other financial instruments at fair value	10	23	-12	4	-4	10	-13	11
Foreign exchange gain / (loss)	32	47	-14	10	14	9	16	21
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	36	52	-15	13	8	15	7	14
<b>Net return on financial instruments</b>	<b>300</b>	<b>371</b>	<b>-70</b>	<b>35</b>	<b>95</b>	<b>169</b>	<b>-37</b>	<b>77</b>

*Including result investment held for sale*

# Satisfying access to capital market funding

## Funding maturity 30. September 2019 (NOK bn)

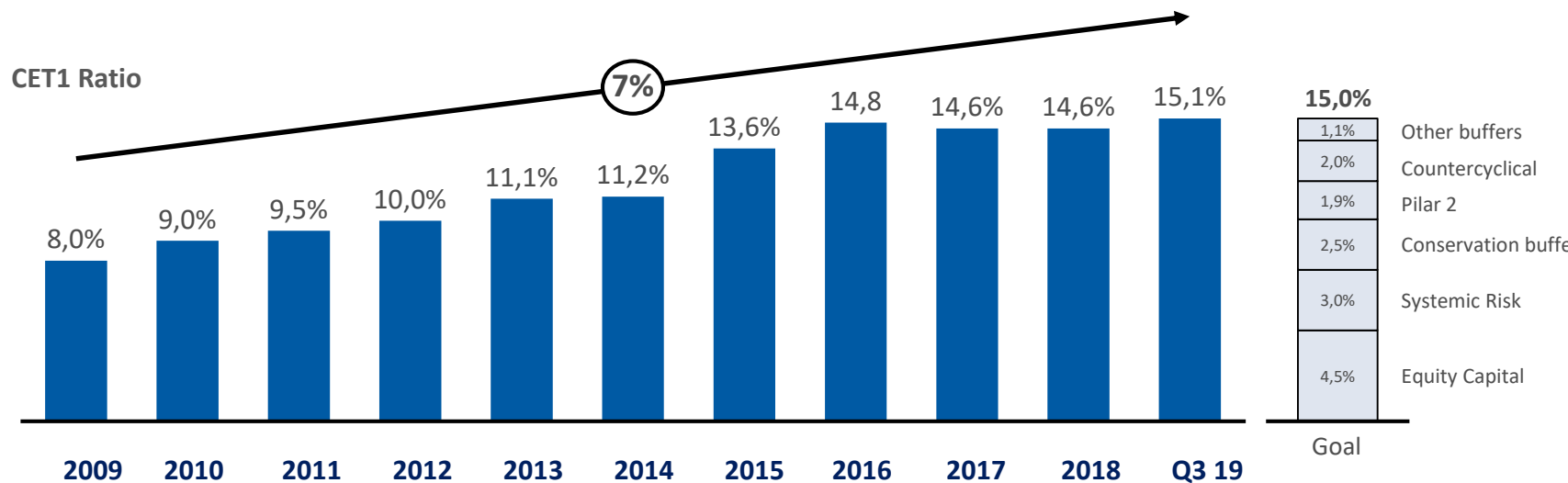


3rd quarter 2019

## Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 40 billion transferred as of 30. September 2019
- Maturities next two years NOK 16.3 bn:
  - NOK 0.1 bn in Q4 2019
  - NOK 9.3 bn in 2020
  - NOK 6.9 bn in Q1, Q2 and Q3 2021
- LCR 181 % as at 30. September 2019
- MREL (minimum requirement for own funds and eligible liabilities) introduced as from 2019. The bank will fulfil the MREL requirement by 2022 within the framework of ordinary maturities
- Green Bond framework published

## Strong development in CET 1 (capital and ratio)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q3 19
CET1 Capital	4,938	6,177	6,687	8,254	9,374	10,679	12,192	13,115	13,820	14,727	15,758
ROE	16.2 %	14.6 %	12.8 %	11.7 %	13.3 %	15.1 %	10.7 %	11.3 %	11.5 %	12.2 %	16.0 %
RWA	64,400	66,688	75,337	82,450	84,591	95,322	89,465	88,788	94,807	101,168	104,464

3rd quarter 2019

# Key figures

## Last three years

	<b>30.9.19</b>	<b>30.9.18</b>	<b>30.9.17</b>
CET 1 ratio	15,1 %	14,9 %	14,6 %
Core capital ratio	16,7 %	16,7 %	16,6 %
Capital adequacy	18,9 %	19,2 %	19,0 %
Leverage ratio	7,4 %	7,5 %	7,4 %
Growth in loans (incl.Boligkreditt and Næringskreditt)	4,8 %	7,3 %	9,4 %
Growth in deposits	7,9 %	6,1 %	10,3 %
Deposit-to-loan ratio	67,5 %	65,7 %	66,0 %
RM share loans	68,2 %	67,6 %	65,0 %
Cost-income ratio	42,5 %	47,0 %	48,0 %
Return of equity	16,0 %	13,3 %	10,8 %
Impairment losses ratio	0,16 %	0,17 %	0,25 %

## Key figures ECC

### Last five years

	<b>30.9.19</b>	<b>30.9.18</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Total issued ECCs (mill)	129,48	129,44	129,62	129,38	129,64	129,43
ECC price	98,50	90,90	84,20	82,25	64,75	50,50
Market value (NOKm)	12.754	11.780	10.914	10.679	8.407	6.556
Booked equity capital per ECC	89,36	82,57	83,87	78,81	73,35	67,39
Post-tax earnings per ECC, in NOK	10,54	8,07	9,97	8,71	7,93	6,96
Dividend per ECC			5,10	4,40	3,00	2,25
P/E	7,01	8,45	8,44	9,44	8,17	7,26
Price / Booked equity capital	1,10	1,10	1,00	1,04	0,88	0,75

# Important instruments for taking an even clearer position in the region among target groups: the family and small and medium businesses

Battle arena:

**Prioritised target groups**

FAMILIES



YOUNG PEOPLE

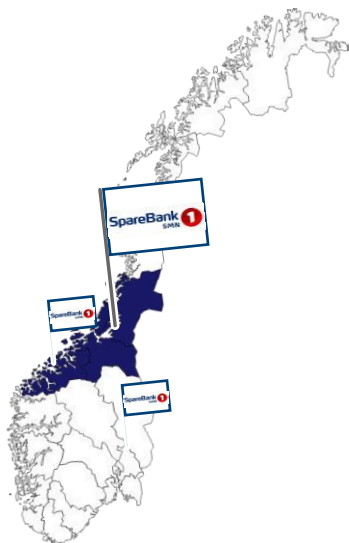


SMBS



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**

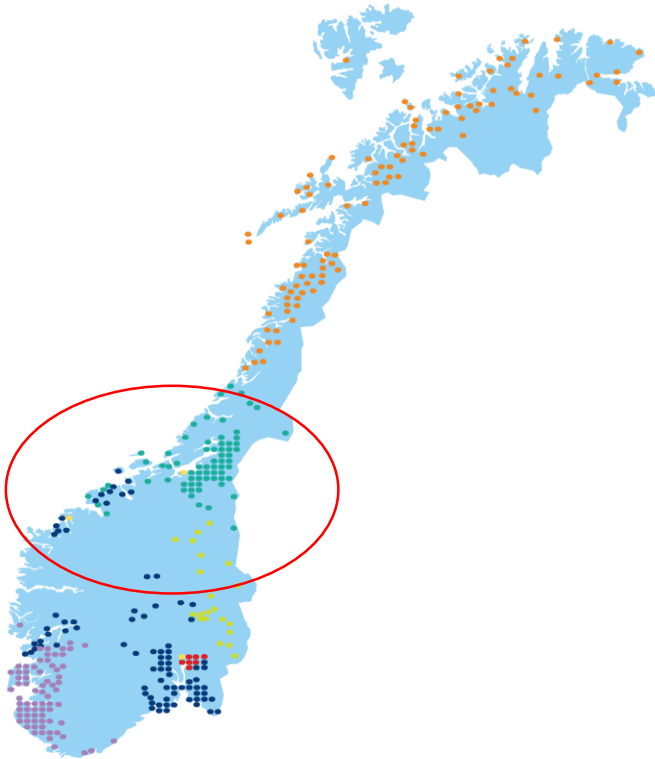
Insurance

**Future**

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

## SpareBank 1 Alliance:

National champion, regional focus



3rd quarter 2019

55

- The SpareBank 1 Alliance consists of 14 banks
- Operate exclusively in Norway – Norway's most extensive branch network with approx. 350 branches
  - But physical branch structure is changing and SpareBank 1 banks are at the forefront of technological innovation
- Operate as independent banks in each their respective Norwegian region
- Market leaders in their core regional markets
- The largest banks (~ 80% of total assets) have the following ratings:

Sr. Unsec. Ratings	Fitch	Moody's
SpareBank 1 SMN	A- / F2	A1 / P-1
SpareBank 1 SR	A- / F2	A1 / P-1
SpareBank 1 SNN	A / F1	A1 / P-1
SpareBank 1 East	n/a	A1 / P-1

# Spare Bank 1 Alliance

