



SpareBank
SMN 

4th quarter 2016

7. February 2017

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



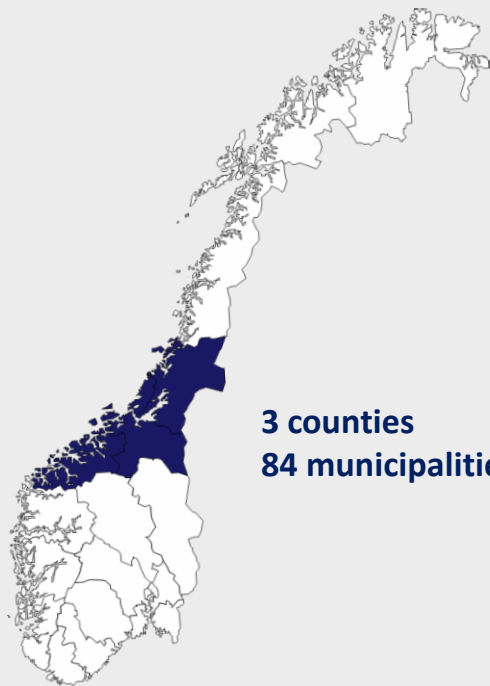
SpareBank 1 SMN

-  215,000 retail customers
-  15,000 corporate customers
-  Market leader in the region
-  Loan volume NOK 134bn
-  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
-  Has covered the entire mid-Norway region 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

Continued population growth in the region, the towns in particular show a good trend



North Trøndelag



Population: 136,900,
Businesses: 16,199
Public sector, agriculture

South Trøndelag



Population : 314,000,
Businesses: 31,299
Commerce, services, education

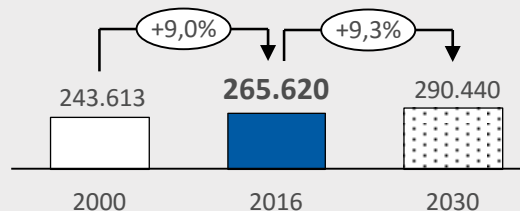
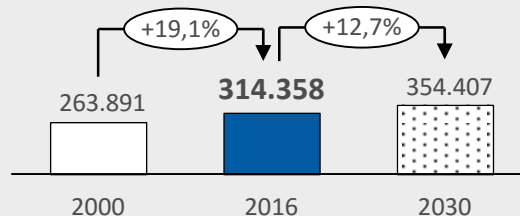
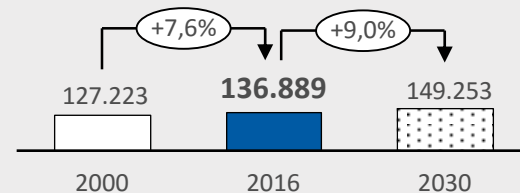
Møre and Romsdal



Population : 265,600,
Businesses: 27,487
Maritime industry, Shipping, Fishery

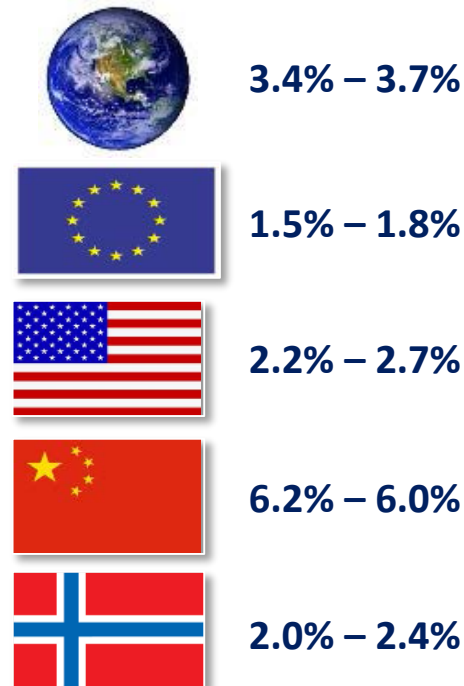
3 counties
84 municipalities

Population growth

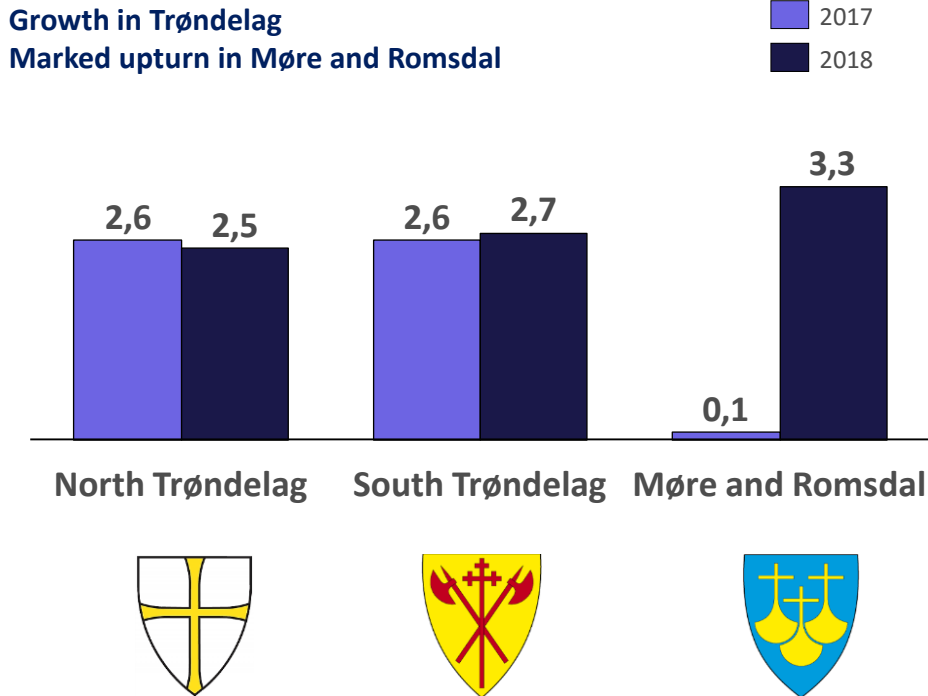


We expect economic growth in the international, Norwegian and regional economies in the next couple of years

Estimated GDP growth in 2017 and 2018



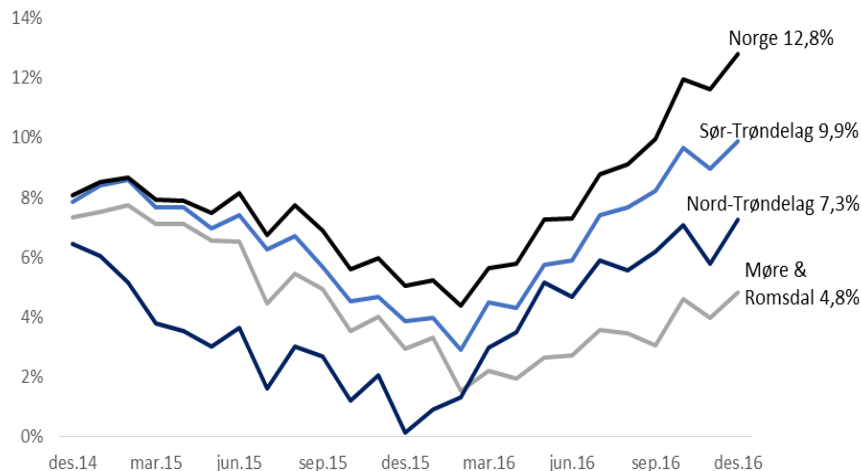
Estimated regional growth in 2017 and 2018



House prices on a positive but controlled trend. Low unemployment in Trøndelag. Slight rise in unemployment in Møre and Romsdal, but continued low level overall

House prices rising somewhat less than the average for Norway

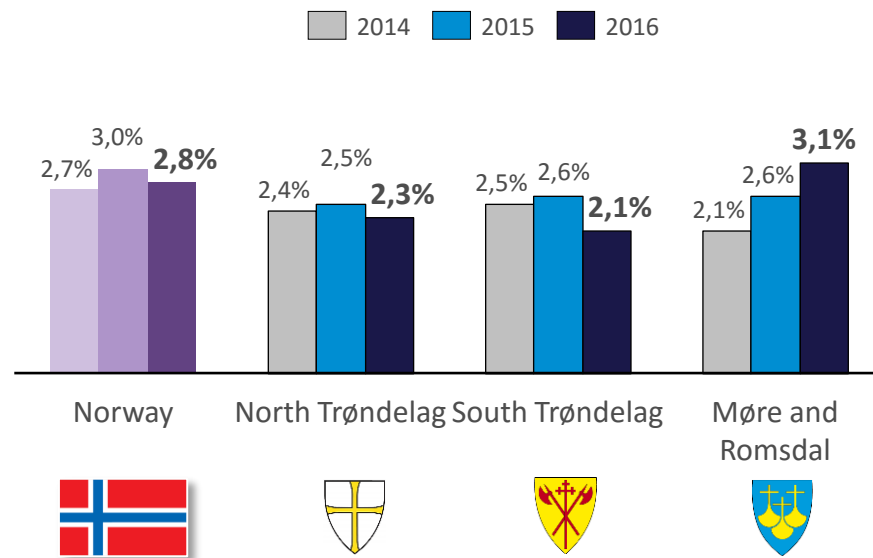
12-month growth in house prices December 2014 to December 2016



House prices show a relatively stable trend from 2014 to 2015. A positive trend throughout the region in 2016, but somewhat weaker price trend than the average in Norway.

Low unemployment in the region

Wholly unemployed in per cent of the labour force (NAV)
Monthly figures. December 2014 – December 2016



Good profit performance, strong growth, achieved capital target and increased dividend



Good profit in 2016



The bank is gaining efficiency, zero cost growth in parent bank since 2014



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



Increased dividend, NOK 3,00 per EC recommended. Pay-out ratio 37 %. Expected up to 50 % for 2017



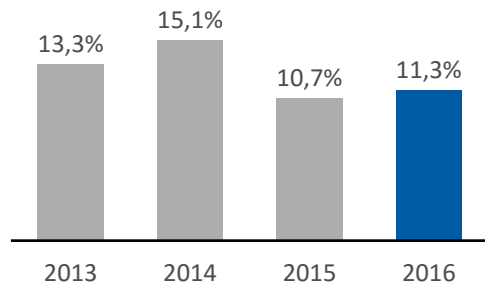
Strong financial position in line with target



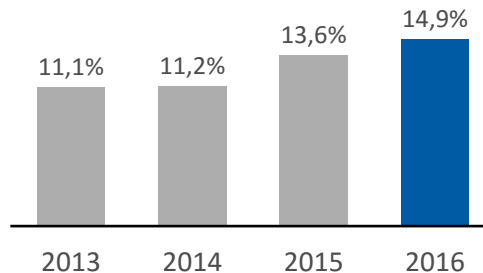
Good results at subsidiaries, product companies and BN Bank, and high return on financial assets

The bank reaches its targets

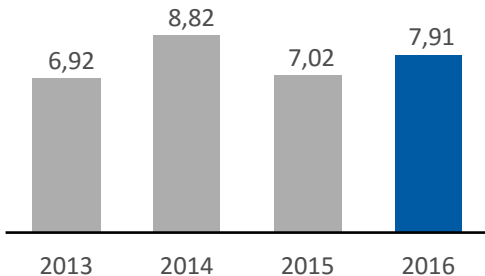
Return on equity



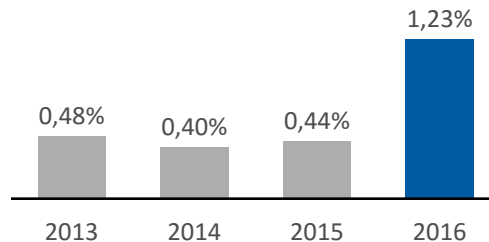
CET1



Earnings per ECC



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



4th quarter 2016

SpareBank 1 SMN has carried out the capital plan and will achieve a target of 15 % CET1 at end 2017

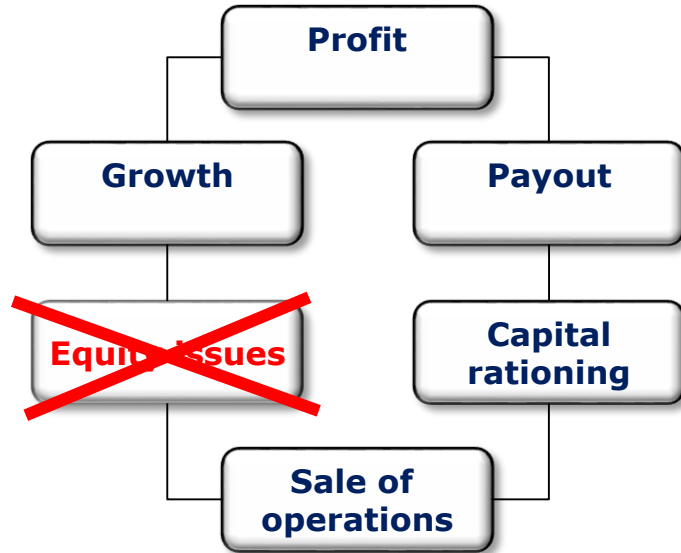
Capital a scarce factor

Regulatory requirements

Cost of capital

Access to capital

The bank must balance



Room for action

1. Curb expansion in corporate market
2. Refine portfolio
3. Correct risk pricing
4. Dividend policy
5. Capital allocation within the group
6. Focus on risk-adjusted return

The offshore segment is still demanding, but good collaboration with clients and other lenders is producing results

Offshore segment

1. Loans to offshore total NOK 5.0bn

- Offshore makes up 3.9% of total volume
- 101 vessels in 6 segments
- NOK 5.4bn secured in vessels, NOK 0.5bn in other items

2. Exposure reduced by NOK 1,2bn last 12 months

- Sale of vessels
- Extraordinary in-payments
- Restructuring/negotiations/lasting solutions

3. Total loss in offshore NOK 450mn 2016

Segment and volume (share of offshore in %)

Distribution on risk categories

EAD Offshore: NOK 5,924m

Subsea 2,242 (38%)

PSV 1,662 (28%)

AHTS 614 (10%)

Seismic 483 (8%)

Barges 268 (5%)

Standby 138 (2%)

Other 628 (10%)

Low risk
1,256

Medium risk
1,880

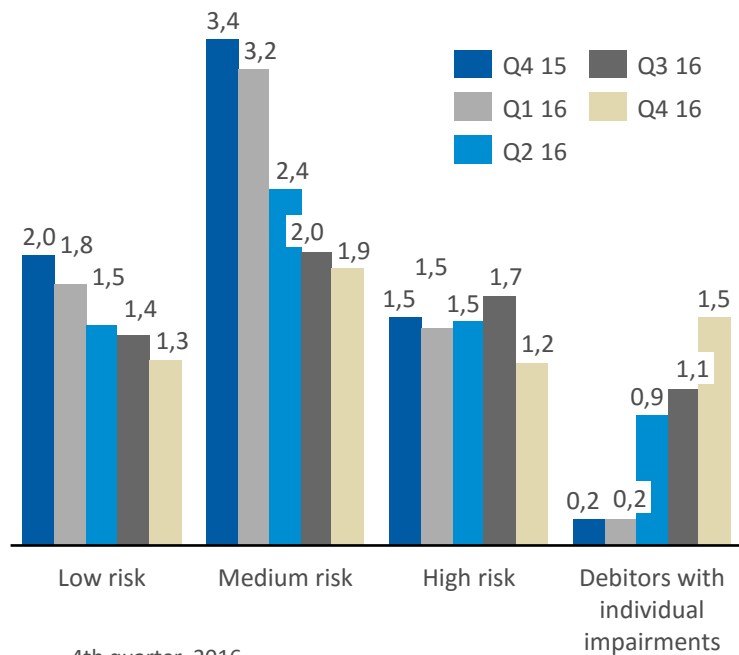
High risk
1,243

Write-downs
1,546

Offshore Service Vessels

Risk class distribution

Q4 2015 – Q4 2016 (NOKbn)



4th quarter 2016

Impairments by risk class and share of EAD

31. December 2016

NOKm	EAD	Individual	Group	Total	Share of EAD
Low risk	1.256	0	2	2	0,2 %
Medium risk	1.880	0	21	21	1,1 %
High risk	1.243	0	37	37	3,0 %
Debtors with ind. impairments	1.546	520	0	520	33,6 %
Total	5.925	520	60	580	9,8 %

Offshore Service Vessels

Commentary

- At the end of the fourth quarter 2016 total write-downs related to the offshore portfolio amount to 9.8 per cent. Exposure to the offshore segment has been reduced by NOK 1.2bn over the last 12 months.
- The industry is undergoing a restructuring. The process is demanding since the companies' debt structure involves several banks with special lending facilities along with bond debt. The solutions recommended include supplying fresh equity, deferment of instalment payments and renegotiation/extinction/conversion of bond debt.
- Thus far this work has yielded good results. SpareBank 1 SMN considers it important that the solutions established should be of a lasting character, entail a balanced burden among the credit institutions and curb the bank's risk. The bank has not observed contagion effects to other industries as at the end of the fourth quarter of 2016.
- SpareBank 1 SMN has booked losses of NOK 450m in 2016 related to actors in the offshore industry. The bank estimates that corresponding losses for 2017 will be lower than in 2016



We are creating the bank of the future:

- Growth capacity
- Dividend capacity
- Investment capacity
- Value for the owners

Together we make things happen

W

WHOLEHEARTED

There's a pulse, power and passion in a wholehearted person – not to speak of a bank that's full of people like that.

R

RESPONSIBLE

We want people who take personal responsibility for their job, workplace its and its customers. Being responsible is saying 'yes' when it's right to do so, and 'no' when necessary.

L

LIKEABLE

We are the real deal, and on the customer's side. People choose a bank they like.

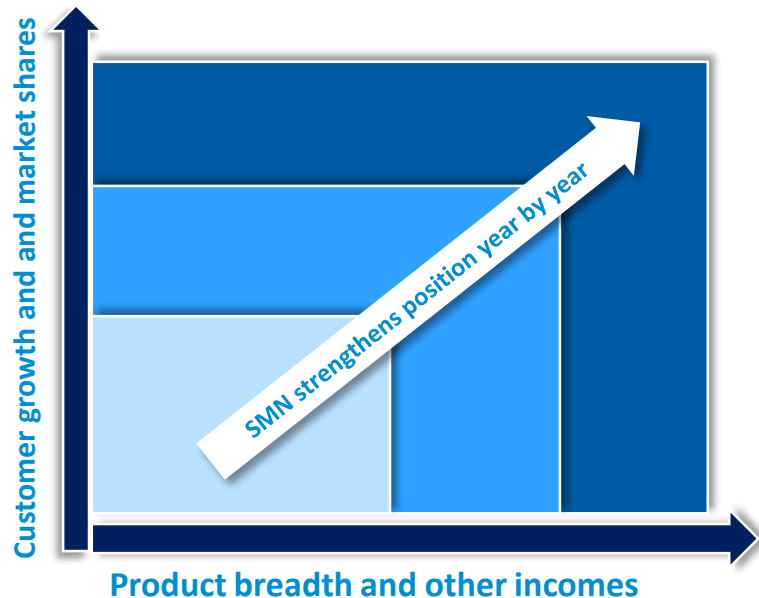
C

CAPABLE

Capable people exude professionalism and competence without setting themselves apart. Capable people win customers' confidence.

SpareBank 1 SMN is strengthening its position as the dominant finance house in the region, taking market shares, increasing its product breadth and strengthening its business platform

SpareBank 1 SMN is strengthening its dominant position. The bank is taking customer and market shares and building a solid and diversified product platform. Subsidiaries and affiliates are creating substantial assets in their respective areas.

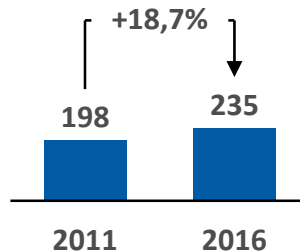


The finance house is increasing its market shares, increasing its multi-relationship customers and strengthening its market position

4th quarter 2016

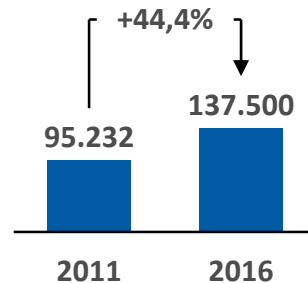
Larger customer platform, increased volumes and increased incomes

The bank is increasing its customer and market shares



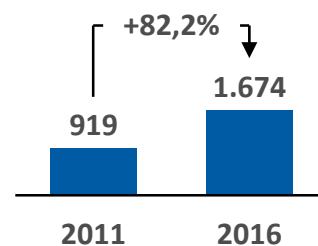
Stronger customer growth than population growth

The bank is increasing its loan volume



Stronger lending growth than credit growth

The bank is increasing its other incomes



Strengthening incomes on a diversified platform

Strong subsidiaries, strengthening their market position

SpareBank 1 Finans Midt-Norge



- Pre-tax profit of NOK 103.4m (83.1m)
- Solid market position
- Leasing NOK 2.3bn, car loans 2.7bn
- Sparebanken Sogn og Fjordane part-owner from 2016



EiendomsMegler 1

- Excellent pre-tax profit of NOK 66.7m (47.0m)
- 40% market share, strong synergy with the bank

SpareBank 1 SMN Regnskapshuset



- Pre-tax profit of NOK 42.9m (34.8m)
- Stable and high growth in turnover
- Long-term strategy to consolidate accounting industry and build synergies with the bank
- Digitalising distribution model



SpareBank 1 Markets

- Pre-tax profit NOK 9,9m (NOK -84,1m)
- Complete range of capital market services in cooperation with the owner banks
- SpareBank 1 Markets subsidiary of SMN from Q2 2015

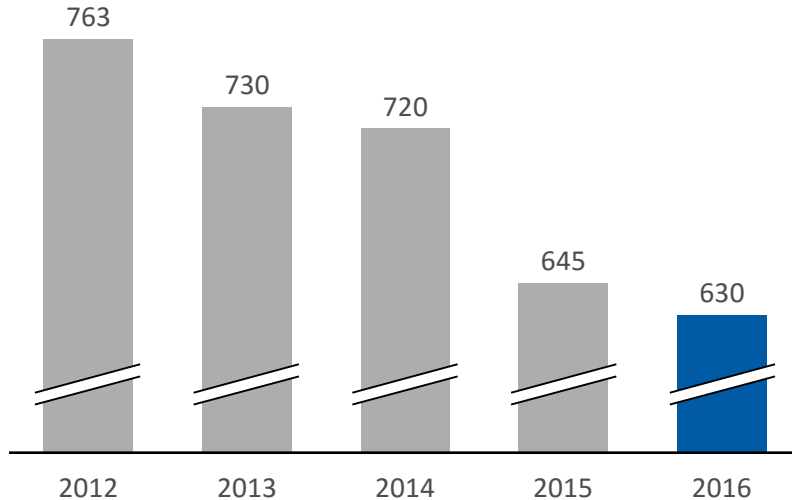
The distribution model vi have chosen makes it possible to achieve multi channel interaction



- 1 More contact points towards new and existing customers
- 2 Increased relevance in contact with the customer (what, where and when) through data and analytical models
- 3 Develop digital purchase and service processes
- 4 Streamline and automate processes
- 5 Significant reduction in costs related to physical presence

The bank has continuous focus on efficiency

FTEs at parent bank



- At end 2016 there were 130 fewer FTEs at the parent bank than at year-end 2012
- This is mainly natural departures

Clear planning and design of distribution model will ensure increased selling power and cost effectiveness



Increased sales across all channels

- from a total of 120,000 in 2016 to 170,000 to 200,000 in 2020



Increased share of digital sales plus cost efficiencies

- from 20,000 in 2016 til 80,000–100,000 in 2020



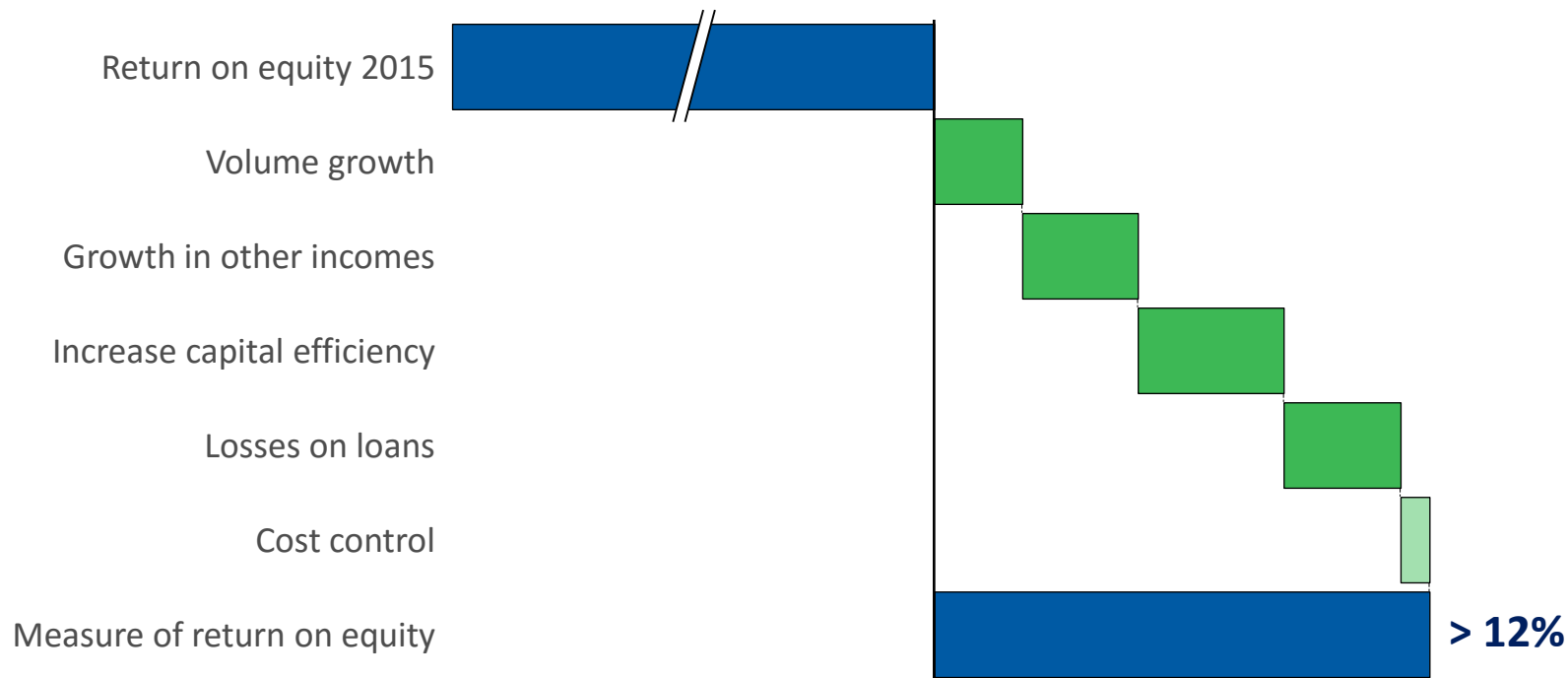
Strong physical presence, with focus on cost and efficiency



Efficiency gain through removal of 100 FTEs

- from 630 in 2016 to 530 in 2020

Target of 12% stands firm and enhanced focus on profitability



SMN intends to be among the best performing banks



Customer orientation

Best on customer experience

Will continue to strengthen market position



Efficient

Zero growth in costs parent bank 2014 - 2018



Profitable

Among the best performing banks, ROE 12 % annually



Dividend

Pay-out ratio of 50%.

Strong focus on strengthening capital through retained profit



Solid

CET1 15% by the end of 2017

Financial results

4th quarter 2016



4th quarter 2016



Net profit NOK 1.185m (1.119m),
return on equity 11.3 % (10.7 %)



CET1 14.9 % (13.6 %) .



Result of core business NOK
1,039m (1.318m) exclusive of loan
losses. Loan losses NOK 516m (NOK
169m)



Growth in lending RM 10.7 % (9.0
%) and CM 3.3 % (0.78 %), deposits
4.8 % (5.6 %) last 12 months



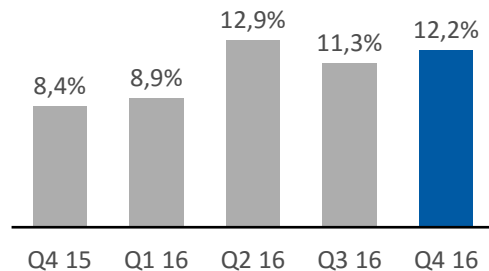
Decrease in FTEs parent bank and
cost reduction in parent bank



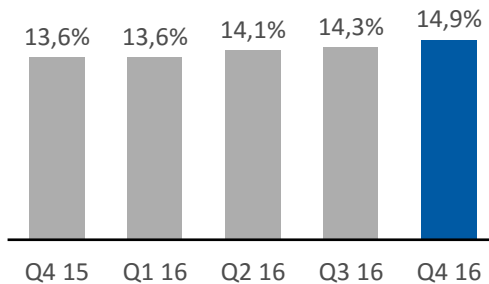
Booked equity capital per ECC NOK 73.26
(67.65), profit per ECC NOK 7.91 (NOK
7.02)

Key figures, quarterly

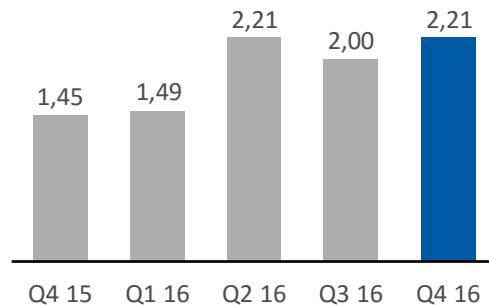
Return on equity



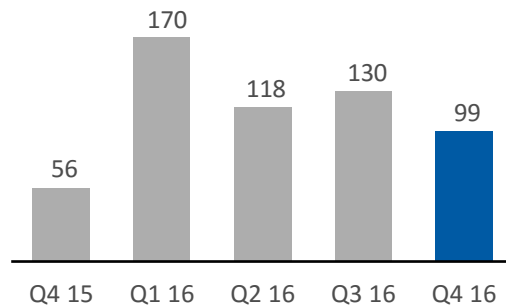
CET 1



Earnings per ECC



Loan losses



4th quarter 2016

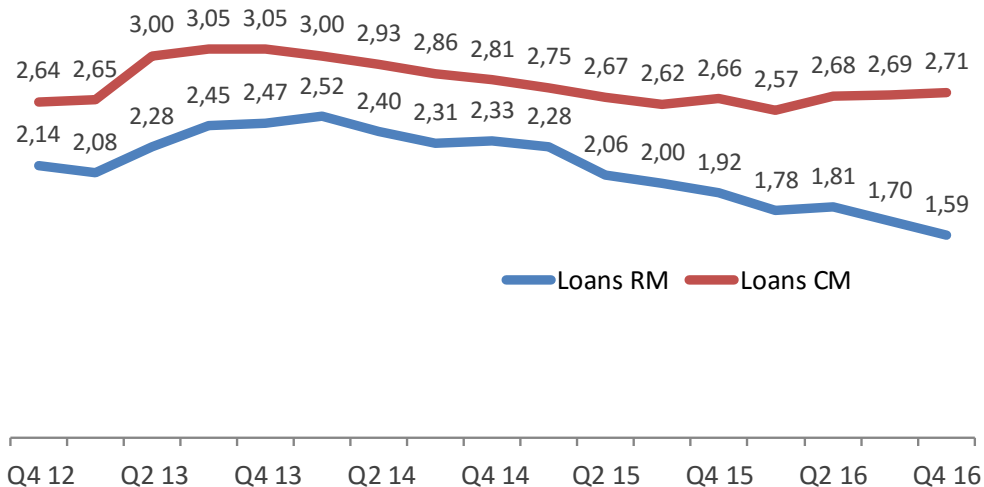
Profits

Profits 2015 and 2016 and five last quarters

NOK mill	2016	2015	Change	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Net interest	1.883	1.872	11	493	449	472	469	473
Commission income and other income	1.674	1.545	129	414	412	448	401	378
Operating income	3.558	3.417	140	907	860	921	870	850
Total operating expenses	2.003	1.931	72	482	504	528	489	515
Pre-loss result of core business	1.555	1.486	68	424	356	393	381	335
Losses on loans and guarantees	516	169	347	99	130	118	170	56
Post-loss result of core business	1.039	1.318	-279	326	227	276	211	279
Related companies, including held for sale	423	448	-25	82	102	126	118	121
Securities, foreign currency and derivatives	521	11	510	154	170	144	53	-12
Result before tax	1.983	1.776	207	561	499	545	383	387
Tax	336	370	-33	99	85	85	72	100
Net profit	1.647	1.407	240	462	414	460	311	287
Return on equity	11,3 %	10,7 %		12,2 %	11,3 %	12,9 %	8,9 %	8,4 %

Lending margins Retail and Corporate

Per quarter from Q4 2012

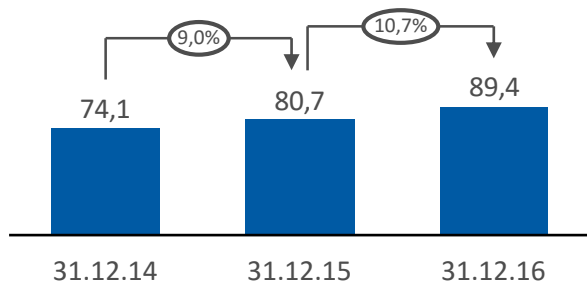


Comments

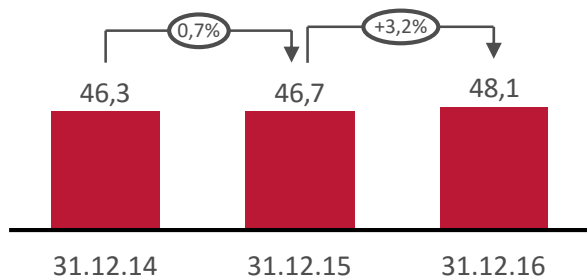
- Strong price competition on mortgages, margins decreased with 75 bp last 2 years
- Repricing of loans to corporates are to be implemented
- Increased nibor last two quarters has increased the banks' funding costs
- Increased interest rates on mortgages from January 2017

Total growth lending 8.0 % last 12 months

Lending RM +10.7 % last 12 months



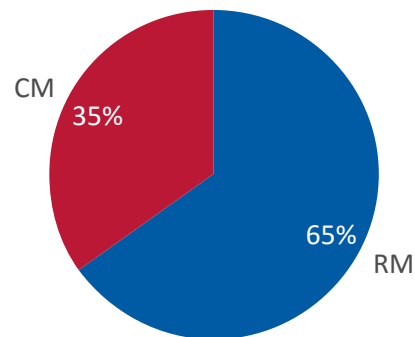
Lending CM + 3.2 % last 12 months,



High growth in home mortgage lending

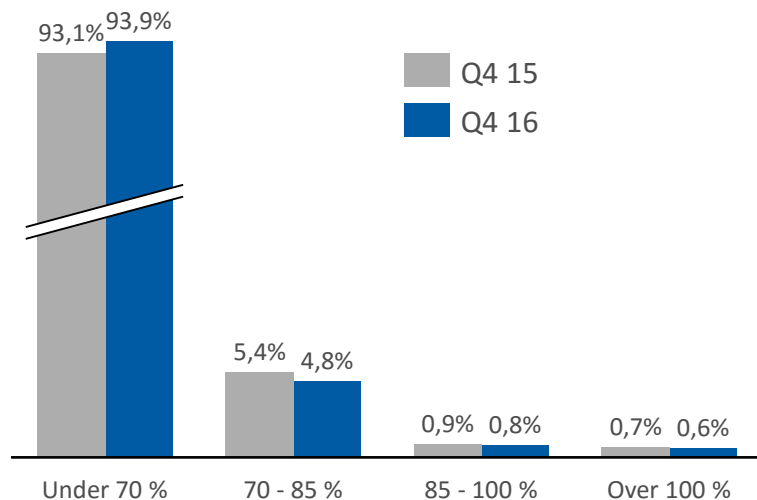
- Of the growth in home mortgage lending, 2/3 refers to established customers and 1/3 to new customers
- Limited growth in lending to corporates, in keeping with capital plan
- Share of retail lending increased from 61 to 65 % last three years

Share of lending



Loan to value mortgages

Last two years



4th quarter 2016

LTV mortgages

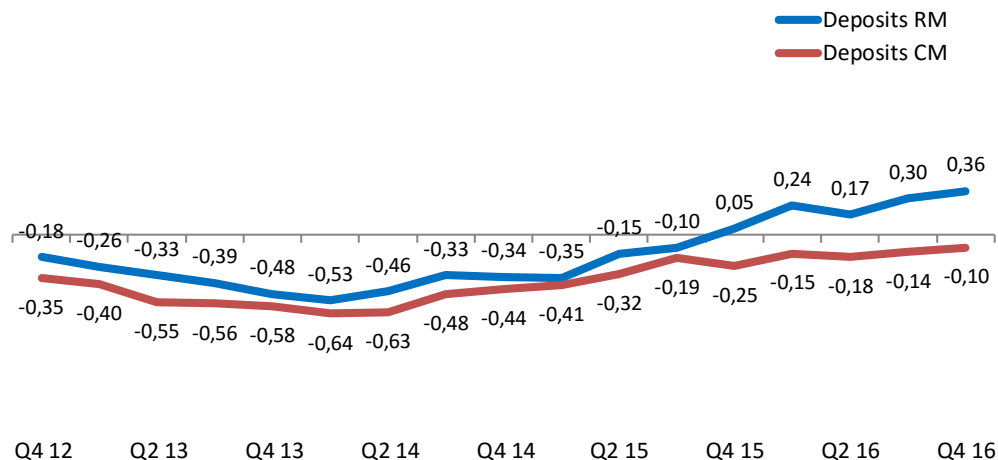
- 98.7 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 points 1.3 %

Deposit margins Retail and Corporate

Per quarter from Q4 2012

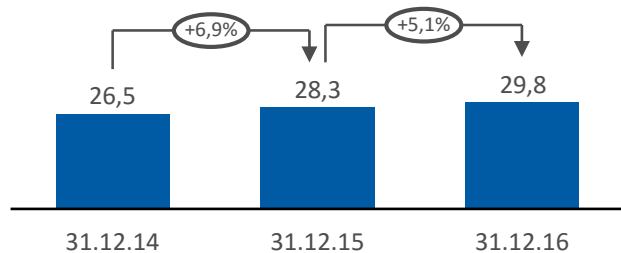
Comments

- Margins improved due to repricing and reduced nibor in Q3 and Q4

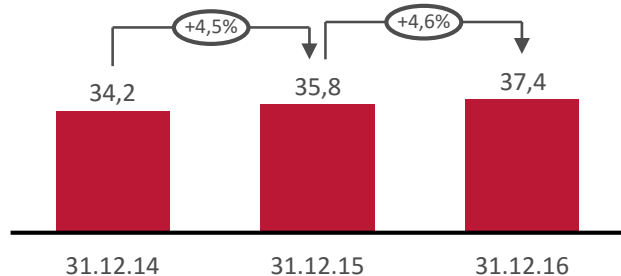


Total growth deposits 4.8 % last 12 months

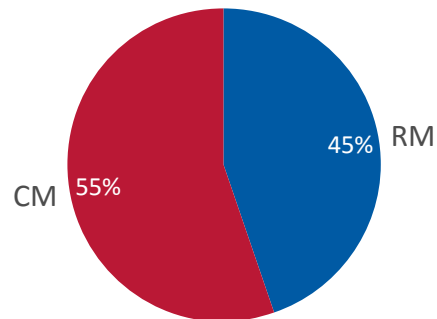
Deposits RM + 5.1 %



Deposits CM + 4.6 %

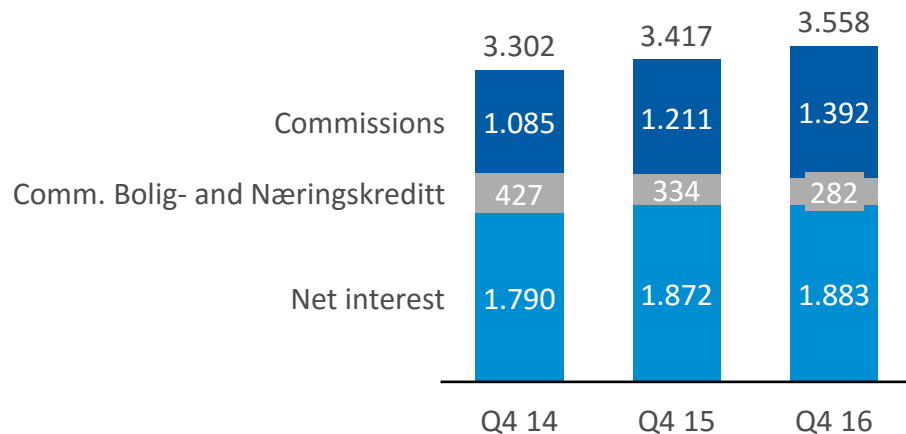


Share of deposits



Robust income platform and increased commission income

Net interest and other income

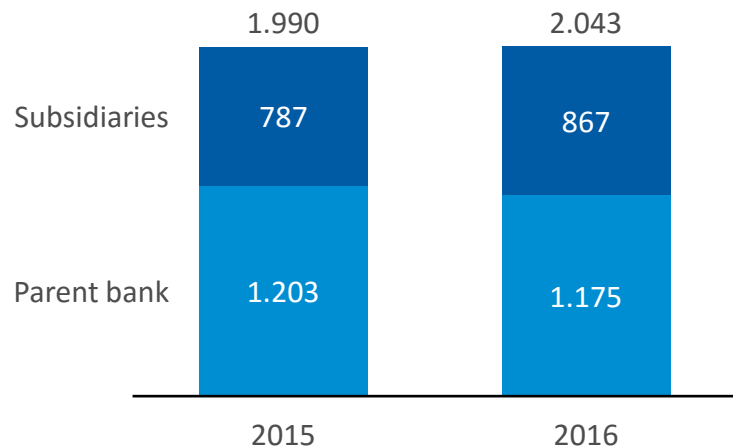


Commissions 2015 and 2016

<i>mill kr</i>	2016	2015	Change
Payment transmission income	196	188	9
Creditcards	63	56	6
Commissions savings and asset management	97	82	15
Commissions insurance	159	156	3
Guarantee commissions	77	72	6
Estate agency	391	332	59
Accountancy services	213	183	30
Markets	126	64	62
Other commissions	69	78	-9
Commissions ex. Bolig/Næringskreditt	1.392	1.211	181
Commissions Boligkreditt	271	326	-55
Commissions Næringskreditt	12	8	3
Total commission income	1.674	1.545	129

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

Reduced use of resources and reduced costs at the parent bank



Costs 2015 and 2016 – corrected for effects of SpareBank 1 Markets (both in 2015 and 2016), reorganisation costs and income recognition of pensions in 2016

Low cost growth also in the group

- FTE reduction and efficiency improvements at parent bank
- Cost growth in subsidiaries
 - Acquisitions by SMN Regnskapshuset expand cost base
 - Capacity increase at EiendomsMegler 1
- Goal of zero growth in costs at parent bank in the period 2014 to 2018

Subsidiaries

Pre tax profit subsidiaries 2015 and 2016 and five last quarters

	2016	2015	Change	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
EiendomsMegler 1 Midt-Norge (87 %)	67	47	20	7	16	33	10	8
SpareBank 1 Regnskapshuset SMN	43	35	8	10	7	22	4	9
SpareBank 1 Finans Midt-Norge (90 %)	103	83	20	29	26	25	23	20
Allegro Kapitalforvaltning (90 %)	10	1	8	5	1	4	1	-1
SpareBank 1 SMN Invest	74	39	35	37	14	13	10	6
SpareBank 1 Markets (73 %)	10	-84	94	4	0	2	3	-21

Associated companies

Profit shares after tax 2015 and 2016 and and five last quarters

	2016	2015	Change	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
SpareBank 1 Gruppen (19,5 %)	317	251	66	97	79	80	61	68
SpareBank 1 Boligkreditt (18,4 %)	-17	80	-97	-26	-13	-2	24	15
SpareBank 1 Næringskreditt (29,3 %)	29	30	-1	8	5	7	8	8
BN Bank (33 %)	86	41	45	7	28	31	20	11
SpareBank 1 Kredittkort (18,3 %)	24	21	3	3	6	8	6	5
SpareBank 1 Mobilbetaling (19,7 %)	-27		-27	-8	-9	-3	-6	

Return on financial investments

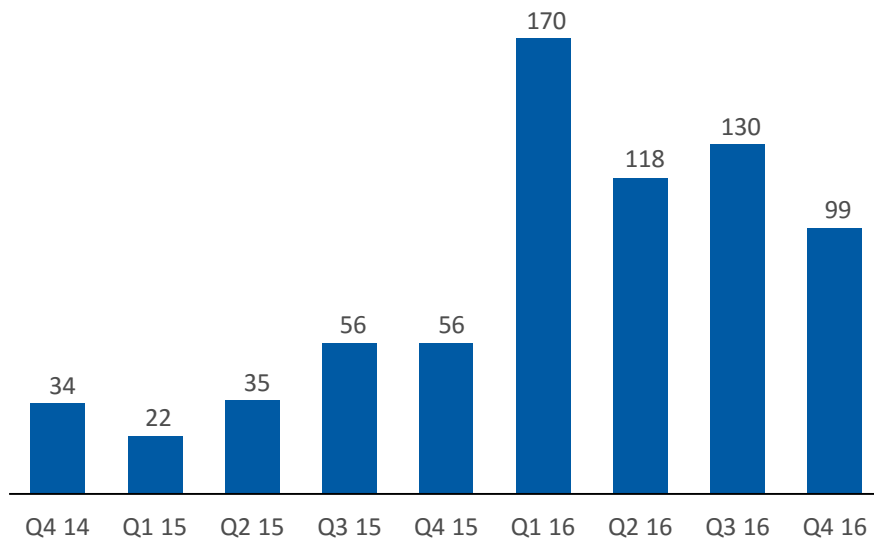
2015 and 2016 and five last quarters

NOKm

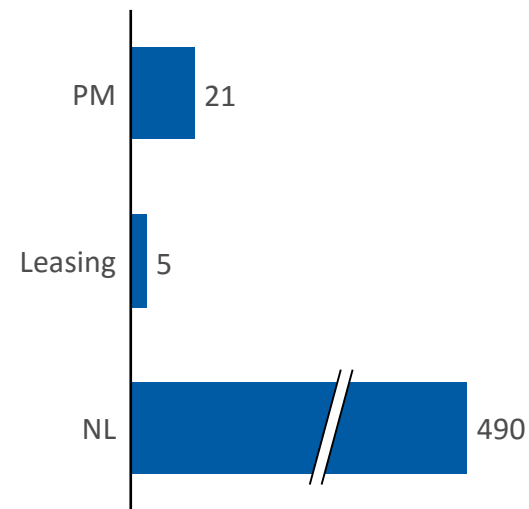
	2016	2015	Q4 16	Q3 16	Q2 16	Q1 16	Q4 15
Net gain and dividends on securities	149	62	39	45	62	3	-17
Net gain on bonds and derivatives	236	-154	78	80	53	25	-16
Forex and fixed income business	136	102	37	45	28	26	20
Net return on financial investments	521	10	154	171	143	54	-13

Increased loan losses in 2016

Losses per quarter, NOKm



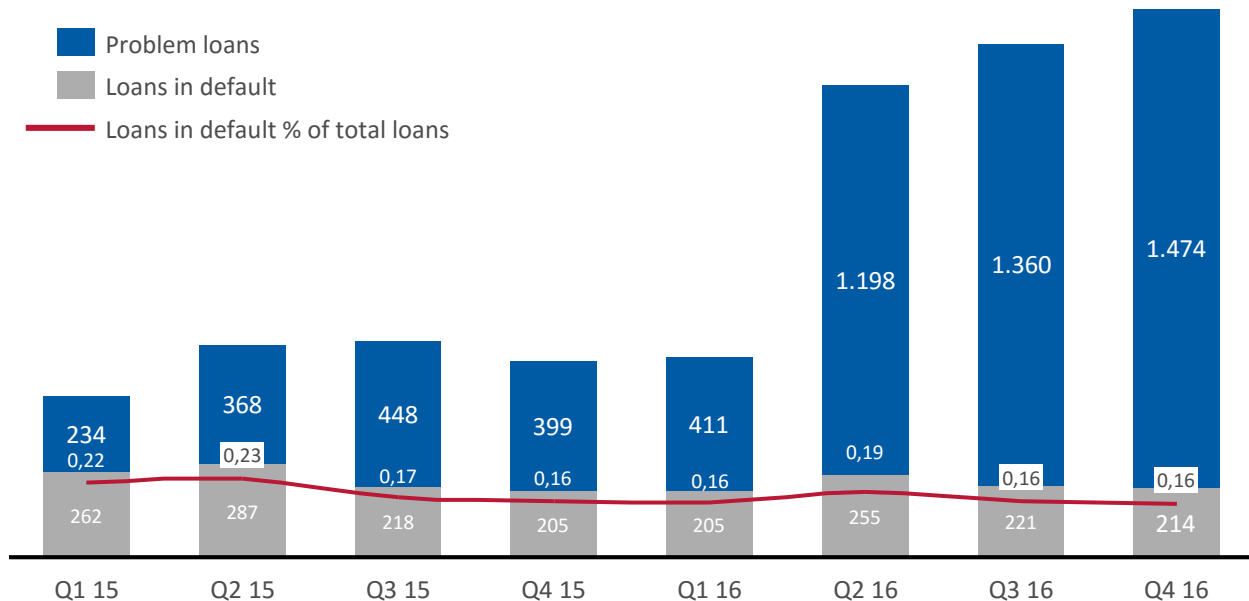
Distribution 2016



Loan losses including collective losses provisions 0.39 % (0.14 %) of gross lending as of 30.12.2016

Very low levels on loans in default (0,16 %), but problem loans have increased in the offshore segment

Last two years, per quarter



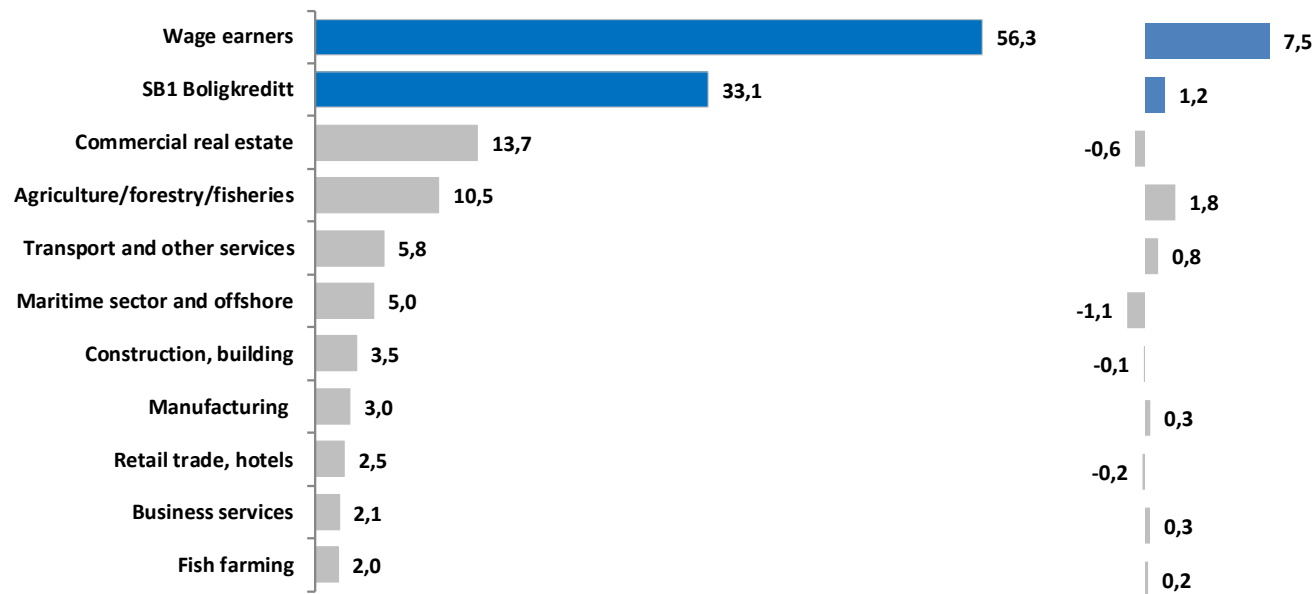
Balance sheet

Last three years

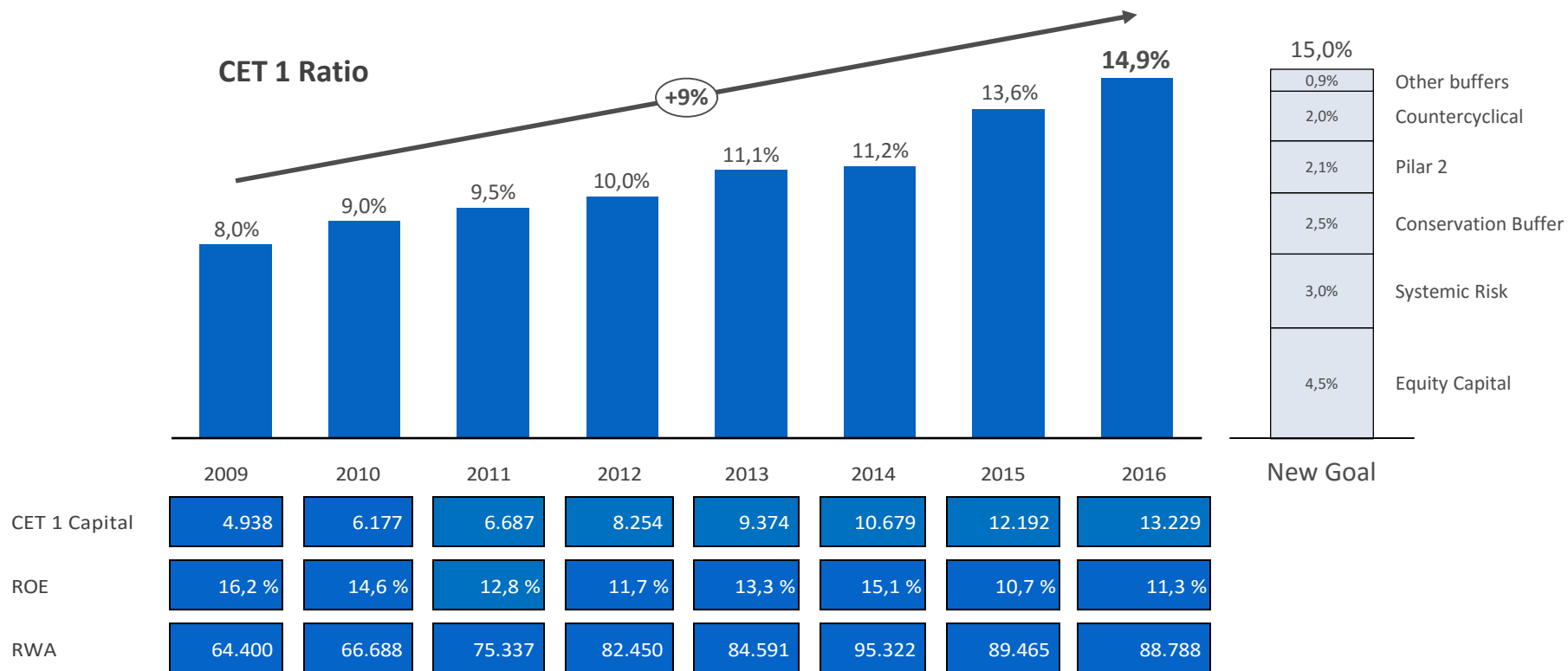
	2016	2015	2014
Funds available	21,8	21,4	20,1
Net loans	101,4	93,4	89,9
Securities	1,5	1,5	0,7
Investment in related companies	5,7	5,5	5,1
Goodwill	0,6	0,6	0,5
Other assets	7,1	9,5	9,7
Total Assets	138,1	131,9	126,0
Capital market funding	46,8	43,3	40,2
Deposits	67,2	64,1	62,2
Other liabilities	5,6	7,1	7,8
Subordinated debt	3,2	3,5	3,4
Equity	15,3	13,9	12,5
Total Debt and Equity	138,1	131,9	126,0
in addition loans sold to Boligkreditt and Næringskreditt	35,2	33,4	29,9

High share mortgages and diversified portfolio SMEs

Lending by sector in NOK billion and change last 12 months

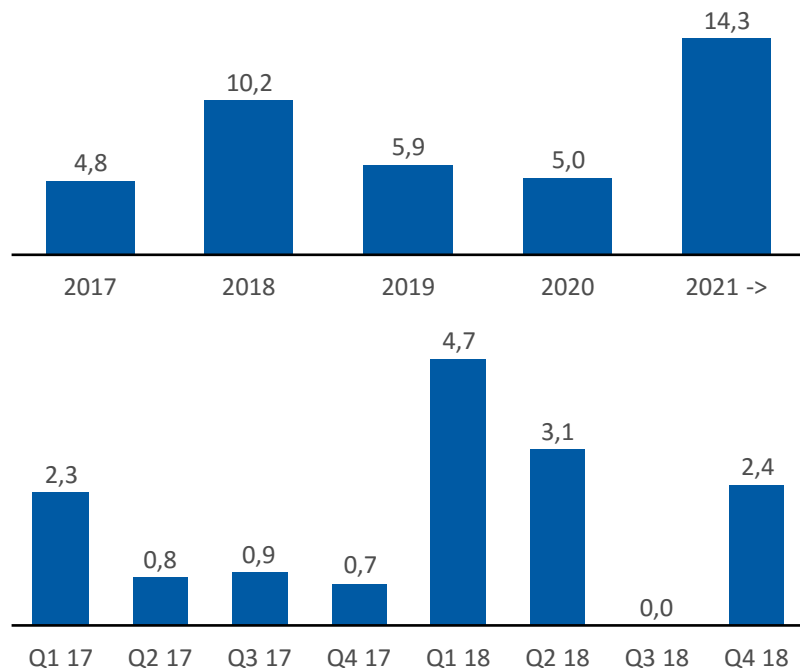


Strong development in CET 1 (capital and ratio). New Target : 15.0 %



Satisfying access to capital market funding

Funding maturity 31. December 2016

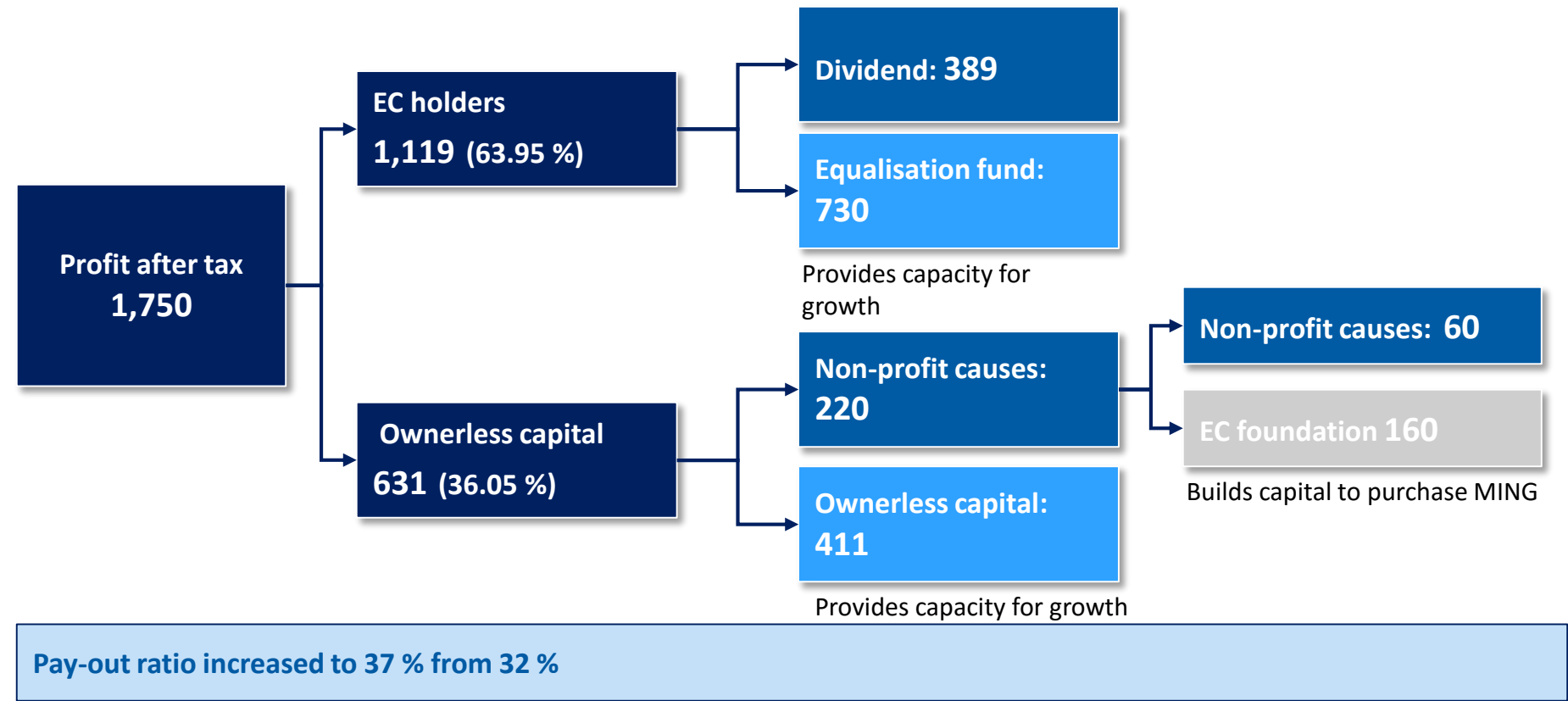


4th quarter 2016

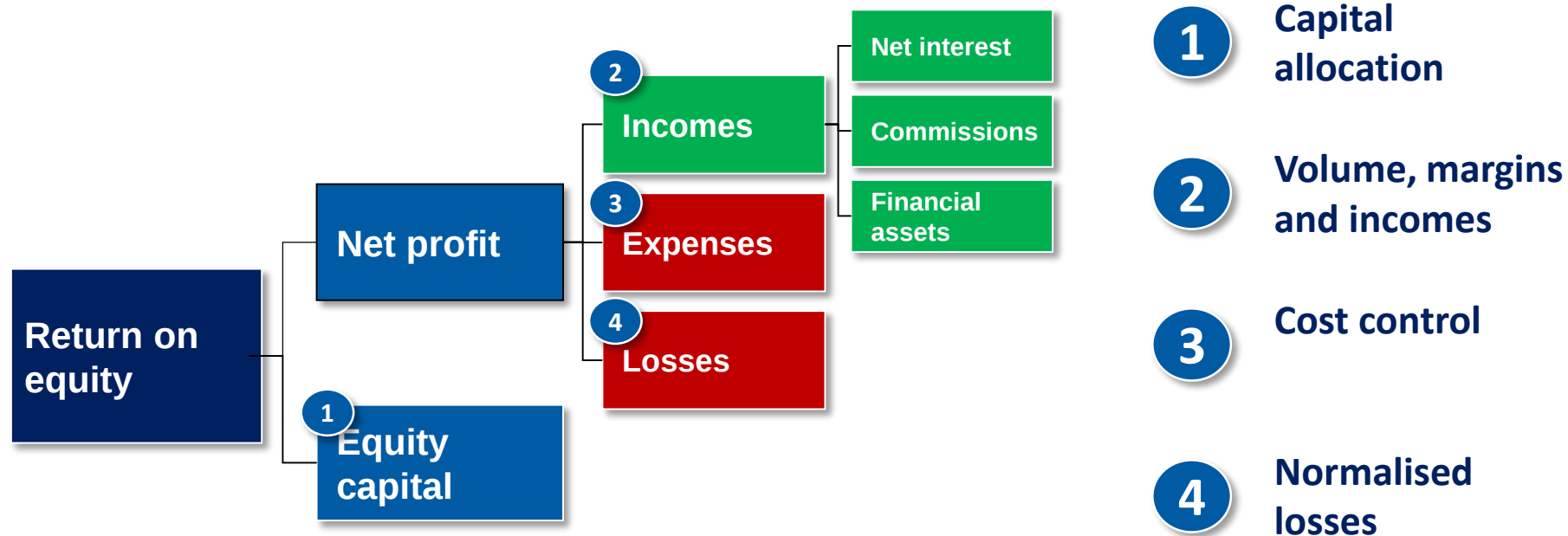
Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 33 billion transferred as of 30. December 2016
- In June the bank raised a new five-year loan in the Euro market of EUR 500 million
- Maturities next two years NOK 15.0 bn:
 - NOK 4.8 bn in 2017
 - NOK 10.2 bn in Q1 and Q2 18

Board of directors' proposal for distribution of profit provides a dividend of NOK 3.00



Targeted and focused effort to ensure long-term return on equity above 12% is being made along several dimensions



Several factors combined will contribute to strengthening return on equity

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 07300



Internet addresses:

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

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

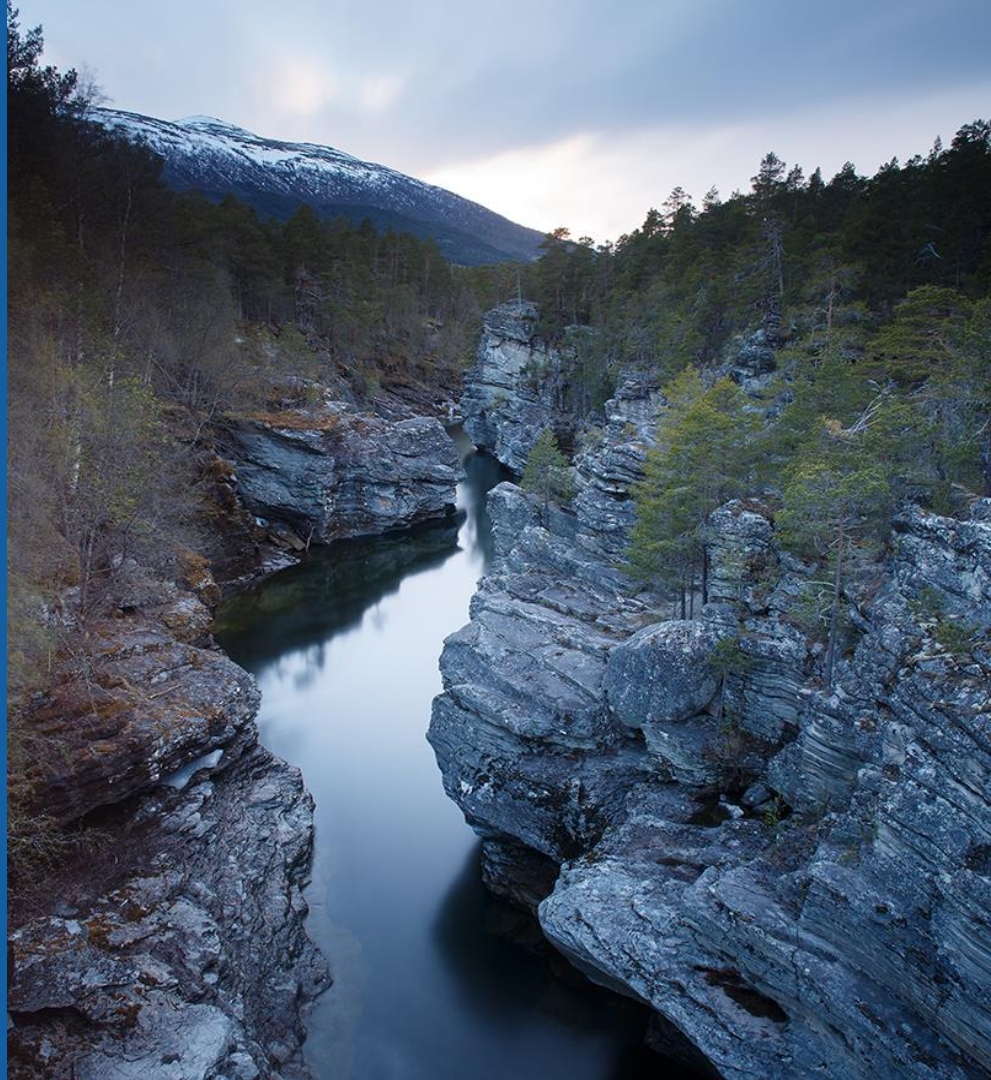


Financial calendar 2017

Q4 2016	8. February 2017
Q1 2017	4. May 2017
Q2 2017	9. August 2017
Q3 2017	27. October 2017

Appendix

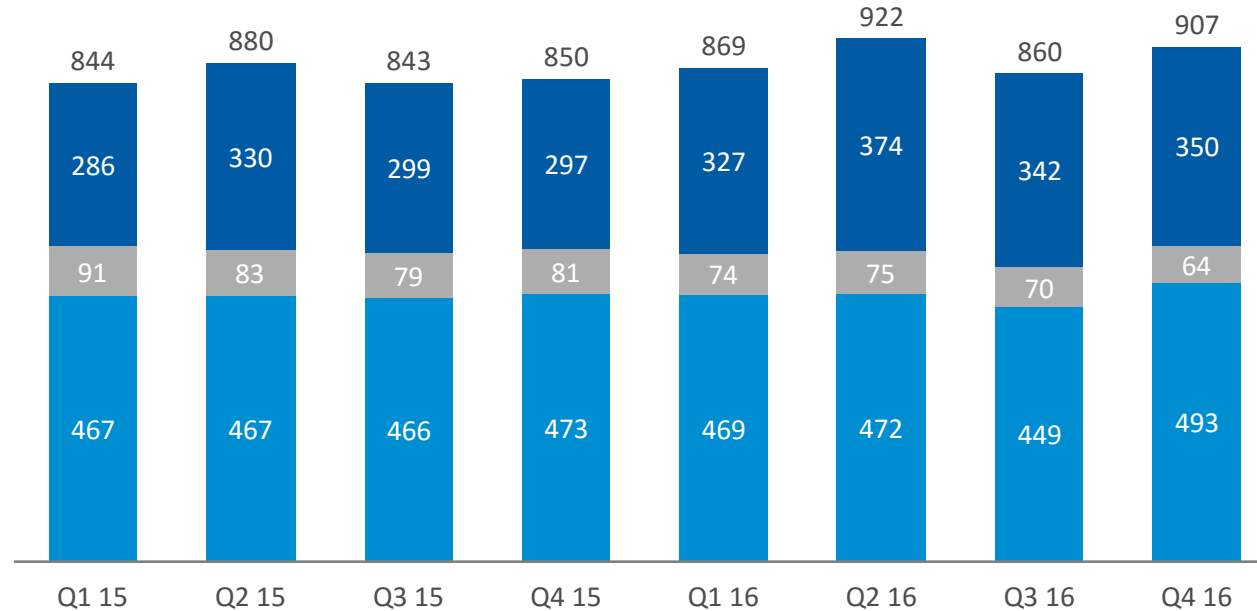
4th quarter 2016



Operating income

Operating income per quarter last two years

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



Change in net interest income

2016 compared with 2015

Net interest at Q4 2015	1.883
Net interest at Q4 2016	<u>1.872</u>
Change	-11

Obtained as follows:

Fees on lending	-11
Lending volume	85
Deposit volume	-6
Lending margin	-219
Deposit margin	182
Equity capital	-4
Funding and liquidity buffer	-47
Subsidiaries	<u>30</u>
Change	11

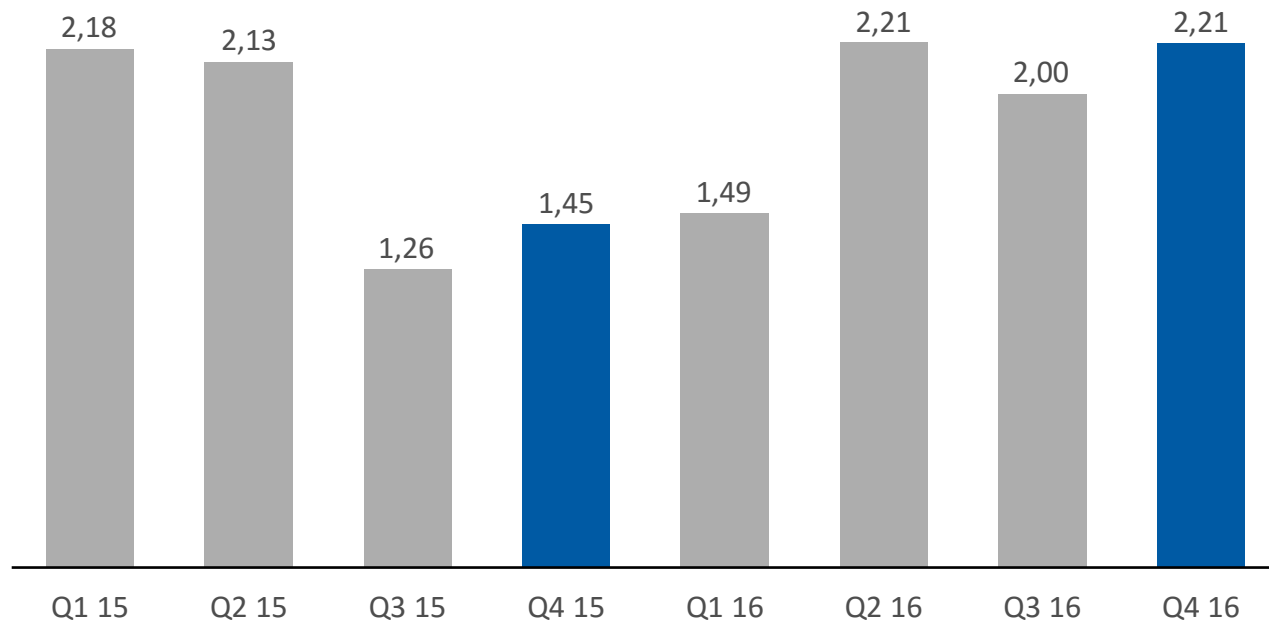
Substantial gross movements

- 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

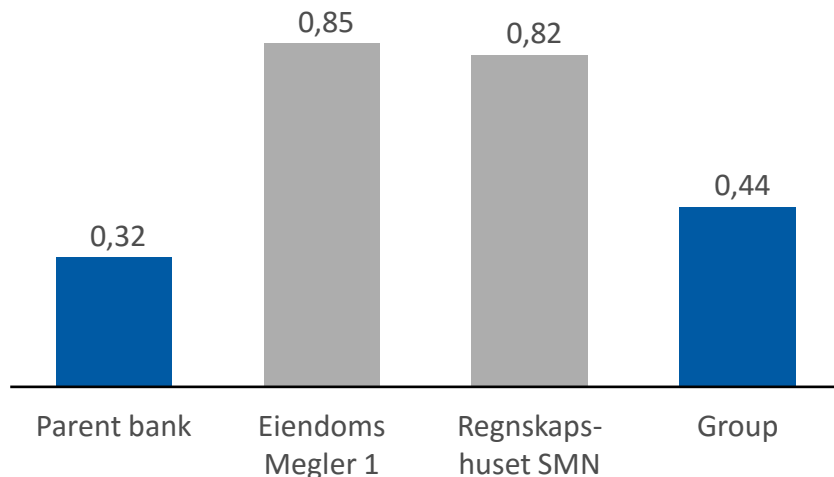
Earnings per ECC

Last two years per quarter



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

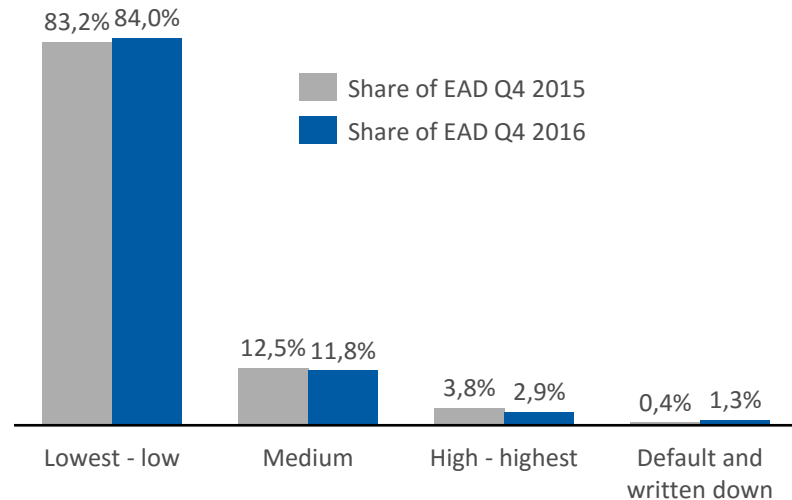


Profitable and non-capital-intensive subsidiaries:

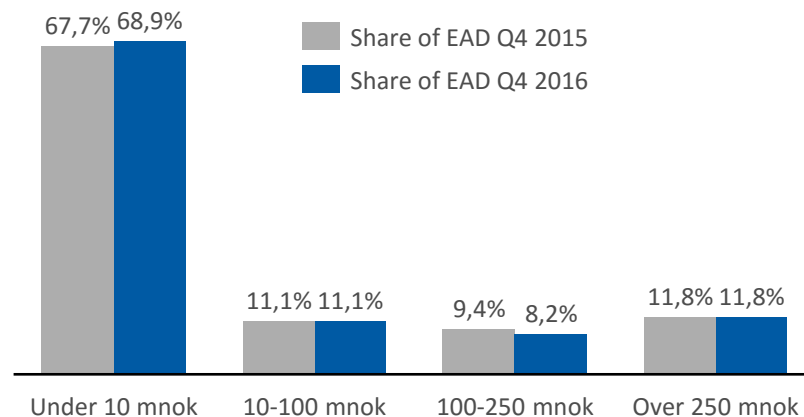
- Both EM1 and Regnskapshuset SMN are companies making a sound profit – and requiring little equity capital compared with the group's other businesses
- In their respective segments they are highly cost-efficient
- But pose a challenge to the group's cost / income ratio

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

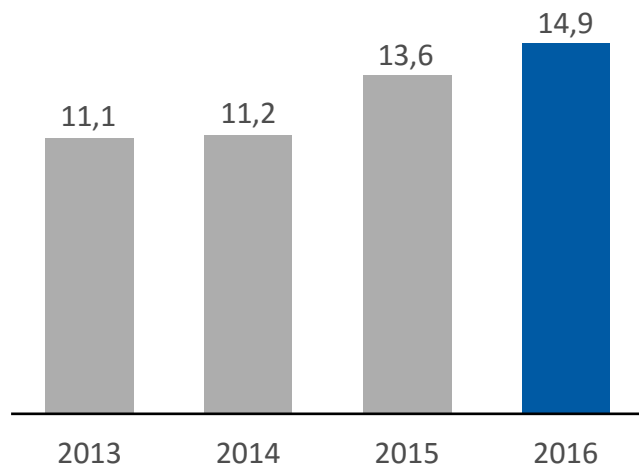
As at Q4 2016 and Q4 2015

NOKm

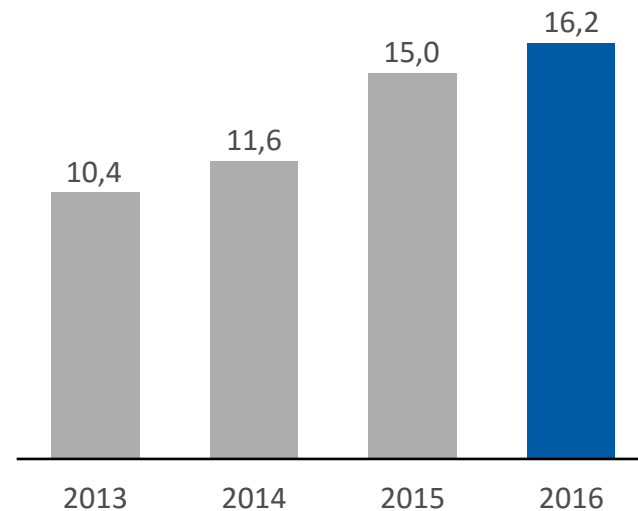
	31.12.16	31.12.15
Core capital exclusive hybrid capital	13.229	12.192
Hybrid capital	1.841	1.796
Core capital	15.069	13.988
Supplementary capital	2.116	2.390
Total capital	17.185	16.378
Total credit risk IRB	4.153	4.082
Debt risk, Equity risk	41	74
Operational risk	479	457
Exposures calculated using the standardised approach	1.772	1.805
CVA	84	106
Transitional arrangements	574	634
Minimum requirements total capital	7.103	7.157
RWA	88.788	89.465
CET 1 ratio	14,9 %	13,6 %
Core capital ratio	17,0 %	15,6 %
Capital adequacy ratio	19,4 %	18,3 %

Strong capitalization

Development CET1

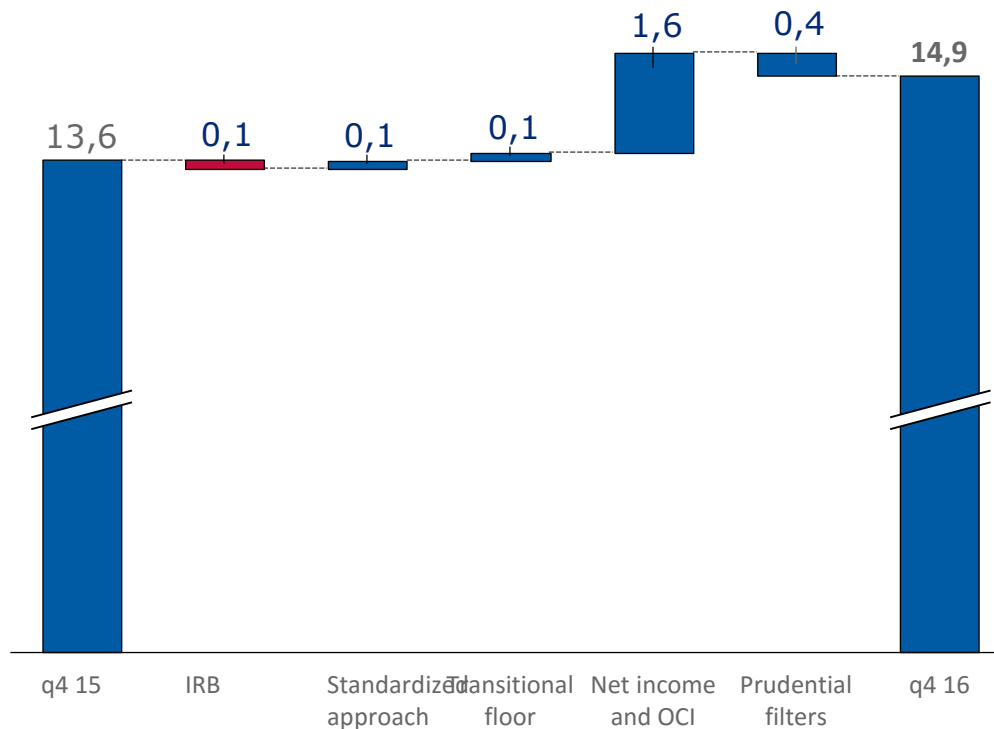


Development CET 1 without transitional arrangements (Basel III)



CET 1 ratio improves by 132 basis points in 2016

- Growth in retail exposures is compensated by reduced corporate exposures in BN Bank
- Changes in pension schemes and dividends from SpareBank 1 group reduce prudential filters, and counter significant increase in dividends



Key figures

Last three years

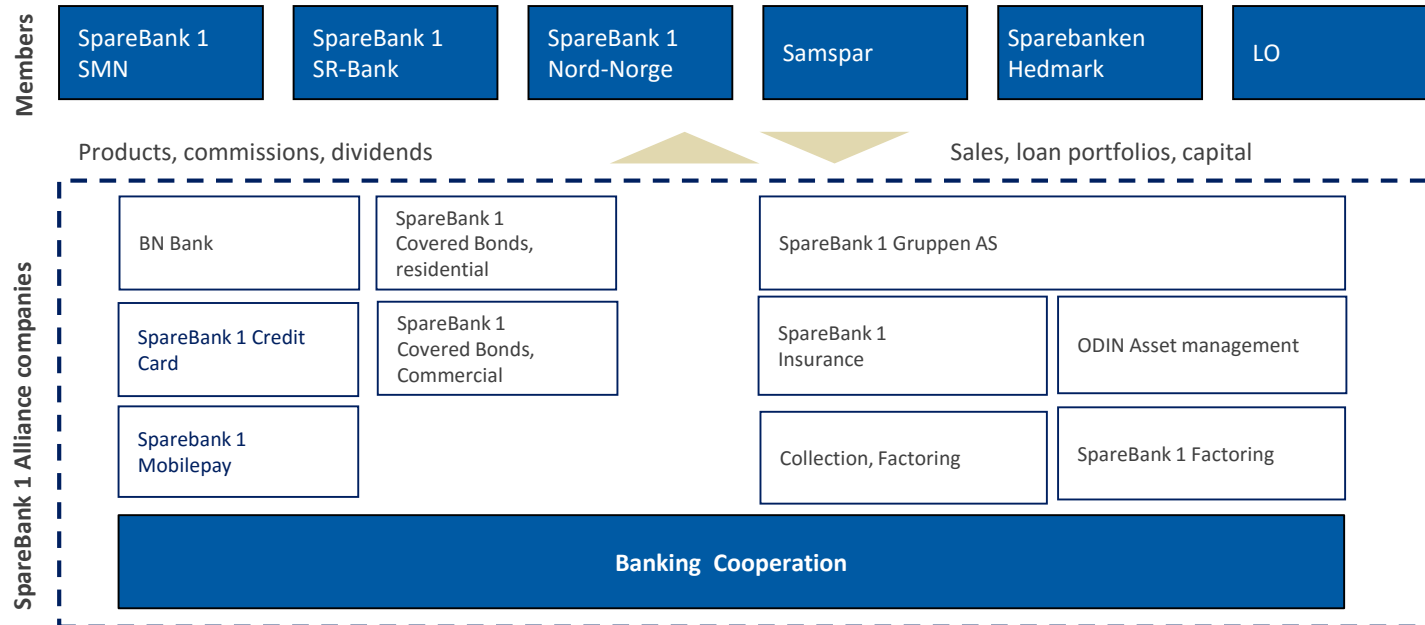
	2016	2015	2014
CET 1 ratio	14,9 %	13,6 %	11,2 %
Core capital ratio	17,0 %	15,6 %	13,0 %
Capital adequacy	19,4 %	18,3 %	15,7 %
Leverage ratio	7,0 %	6,7 %	
Growth in loans incl.Boligkreditt	8,0 %	5,8 %	7,3 %
Growth in deposits	4,8 %	5,6 %	8,5 %
Deposit-to-loan ratio	65,6 %	68,2 %	68,9 %
RM share loans	65,0 %	63,4 %	61,6 %
Cost-income ratio	44,5 %	49,8 %	43,7 %
Return of equity	11,3 %	10,7 %	15,1 %
Impairment losses ratio	0,39 %	0,14 %	0,08 %

Key figures ECC

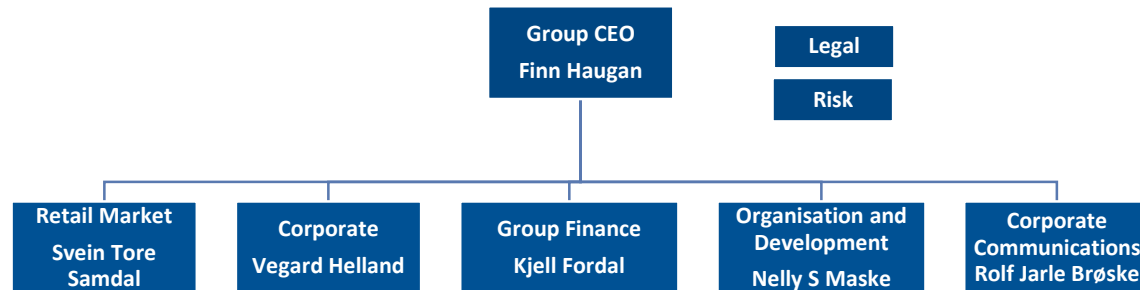
Last five years (including effects of issues)

	2016	2015	2014	2013	2012
ECC ratio	64,0 %	64,0 %	64,6 %	64,6 %	64,6 %
Total issued ECCs (mill)	129,83	129,83	129,83	129,83	129,83
ECC price	64,75	50,50	58,50	55,00	34,80
Market value (NOKm)	8.407	6.556	7.595	7.141	4.518
Booked equity capital per ECC	73,26	67,65	62,04	55,69	50,09
Post-tax earnings per ECC, in NOK	7,91	7,02	8,82	6,92	5,21
Dividend per ECC	3,00	2,25	2,25	1,75	1,50
P/E	8,19	7,19	6,63	7,95	6,68
Price / Booked equity capital	0,88	0,75	0,94	0,99	0,69

SpareBank 1 Alliance



Organisational set-up SpareBank 1 SMN



Overall organisation

