



SpareBank
SMN 

1st quarter 2018

4. May 2018

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

SpareBank 1 SMN

-  219,000 retail customers
-  14,800 corporate customers
-  Market leader in the region
-  Loan volume NOK 151bn
-  Finance house offering a wide range of products
-  A substantial co-owner of SpareBank 1 Alliance
-  Norway's largest equity-certificate-issuing bank

History

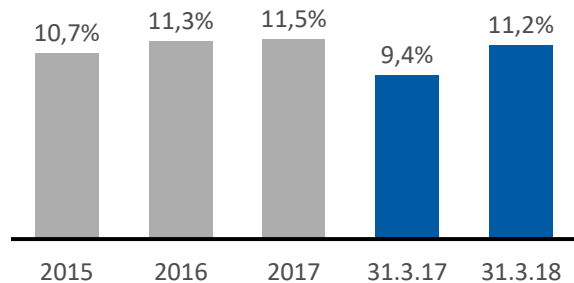
-  Established in 1823
-  Sparebanken Midt-Norge since 1985
-  Listed on Oslo Børs since 1994
-  SpareBank 1 Alliance since 1996
-  Acquired Romsdals Fellesbank in 2005
-  Acquired BN Bank/Sunnmøre in 2009
-  Strong financial results over time

Good start to the year for SpareBank 1 SMN

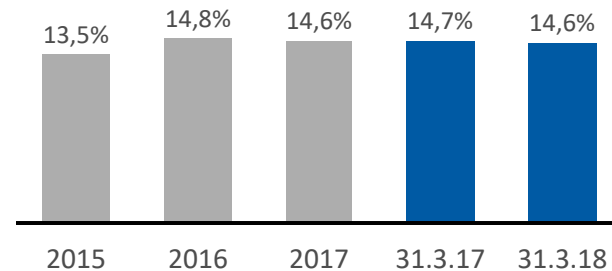
- Good results in first quarter 2018, high return on equity and strong growth in total income
- Many more private individuals and firms have chosen SMN as their financial partner. High growth in lending and deposits and strong revenue growth. Strengthened market position in all product areas
- Higher market interest rates challenge lending margins
- Reduced resource use and increased sales, PHYGITAL (physical and digital) distribution produces results
- Investments in Markets, Regnskapshuset and BN Bolig build competitive power and market position
- The bank is well positioned to benefit from digitalisation and changes in banking regulation and payment solutions
- CET1 capital ratio as at 31 December 2017 is corrected from 14.9 per cent to 14.6 per cent. No change in CET1 capital ratio in the first quarter of 2018. The CET1 capital ratio target of 15% stands firm, and the bank assumes and expects this target to be attained by 31.12.2018 without special measures being taken.
- Sale of the head office building to be completed as from 1 June 2018

Good profits and strong capitalization. Lower loan losses

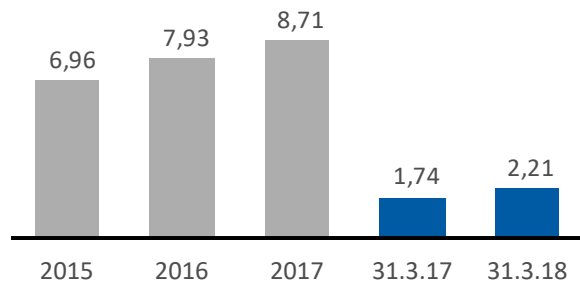
Return on equity



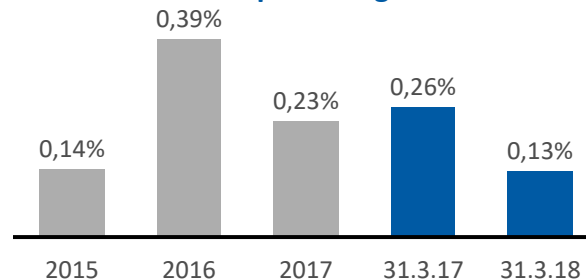
CET1



Earnings per ECC



Loan losses as a percentage of total lending



Strong economic growth estimates globally and nationally for the coming years

GLOBAL GDP GROWTH OF 3.9% IN COMING YEARS



IMF estimates global GDP growth of 3.9% in 2018 and 2019, and 5% in developing countries.

OIL PRICE HAS RISEN TO \$70

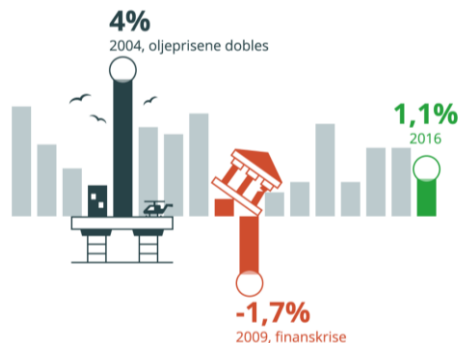


The oil price has risen from \$45 to \$70 since summer 2017 (price growth of 50% +)

Salmon price NOK 50-60 per kilo

1st quarter 2018

POSITIVE PROSPECTS FOR NORWEGIAN ECONOMY



Statistics Norway estimates 2.5% GDP growth in Norway in 2018 and 2.8% in 2019.

Rising oil investments, growing mainland (non-oil) economy, falling unemployment and strengthening krone

NORWEGIAN BUSINESS AND INDUSTRY IN GOOD SHAPE



Norwegian business and industry are faring well; high expectations of a positive trend in coming years

Main findings of the expectations barometer, April 2018

Optimism in Mid-Norway greater than in the past six years

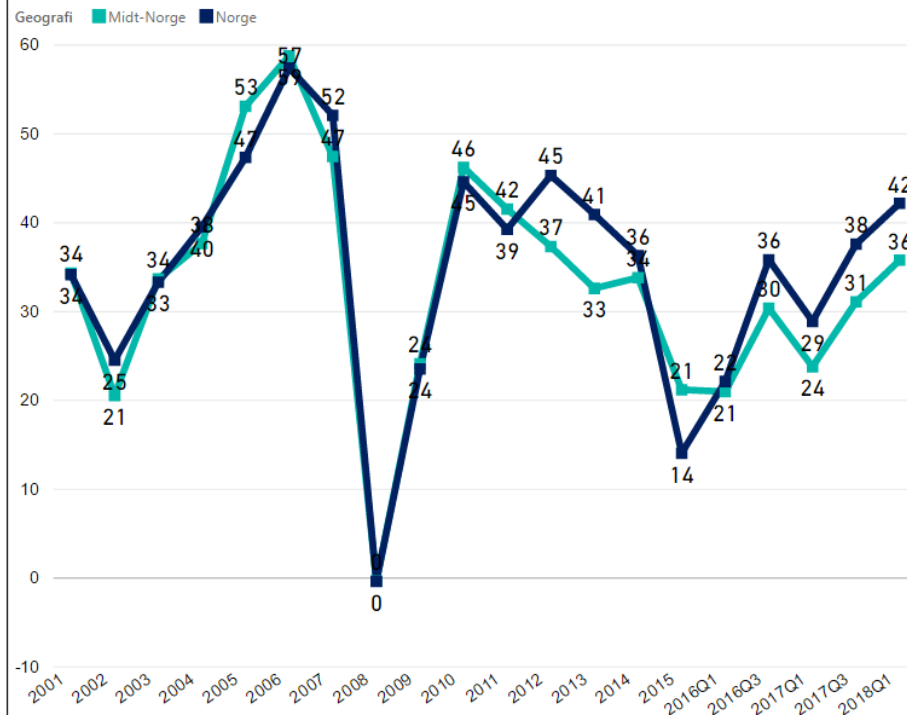
- Indicator value of 36 compared with 31 last autumn
 - Slightly below the national average
- Far higher expectations of increased unemployment than at the previous survey
- Largest rise in expectations in Trøndelag south and in Møre and Romsdal (+8)
- Decline in expectations in Trøndelag north (-2)

New question on expectations as regards investments

- One in three business leaders expects increased investments next year
- Slightly below the national average

The dawning pessimism last year has been replaced by greater faith in the future than has been seen in 6 years

Development in the expectations indicator for Central Norway



Development in the expectations indicator (employment, turnover and profitability)

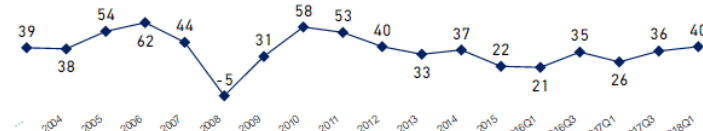
Employment



Turnover



Profitability

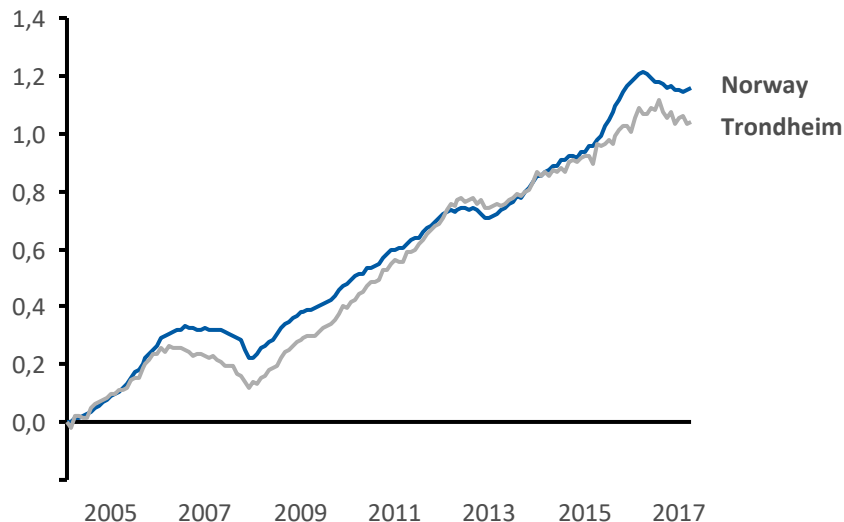


Change in expectations indicator from December 2017

5

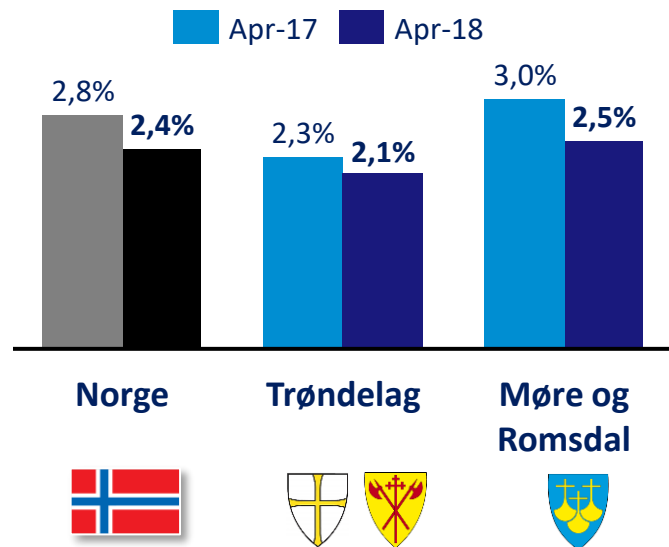
House process levelling out at a high level

House prices 2005 – Q1 2018



Low unemployment

Monthly figures – April 2017 and April 2018



Stable development in the industries in our region

Very good profitability within fisheries and fish farming which are important industries in our region

Improved macroeconomic outlook

Industry		Status	Outlook
Macro economy			
Construction			
Real estate			
Consumer retail			

Industry		Status	Outlook
Offshore Service Vessels			
Maritime industries			
Fish farming			
Fisheries			

Developing good customer solutions has a high priority and sets requirements on continuous organisational and technological development and adaption



A clearly planned and designed distribution model will ensure increased selling power and cost-effectiveness

An effective distribution model...



Increased sales across all channels



Increased share of digital sales and increased sales effectiveness

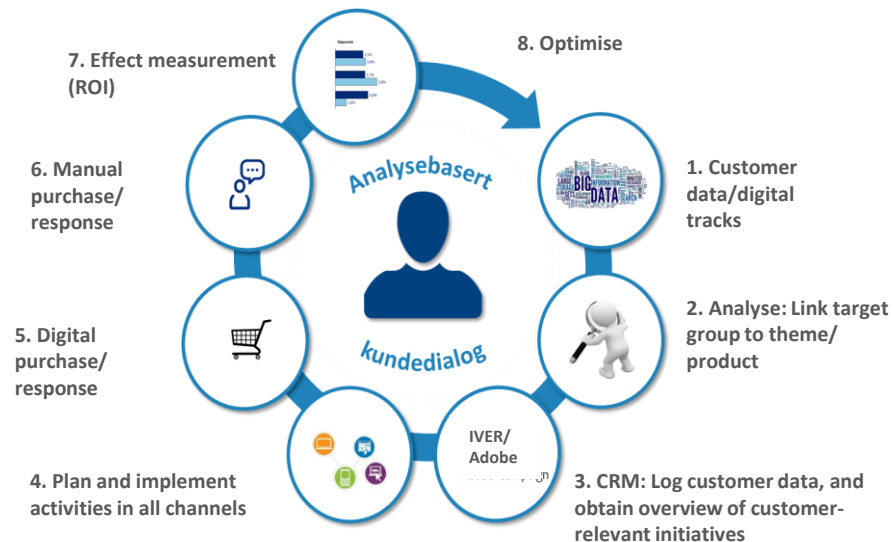


Strong physical presence



Efficiency gains

...with forceful channel interaction



SpareBank 1 Betaling: (Vipps + Bank ID + Bank Axept)

Effective entity will ensure the development of tomorrow's payment systems for banks

The merger between the companies was approved by the Competition Authority on 27 April 2018



Norgessjef Jens Nes i Visa betaler fortsatt med et vanlig bankkort når han besøker en kafé i Oslo sentrum. I løpet av noen uker tror han Apple Pay er lansert i Norge - så gjenstår det bare at din bank godkjenner den nye appen for bruk til betaling i kassen. Foto: Per Thrana

Nyheter Teknologi

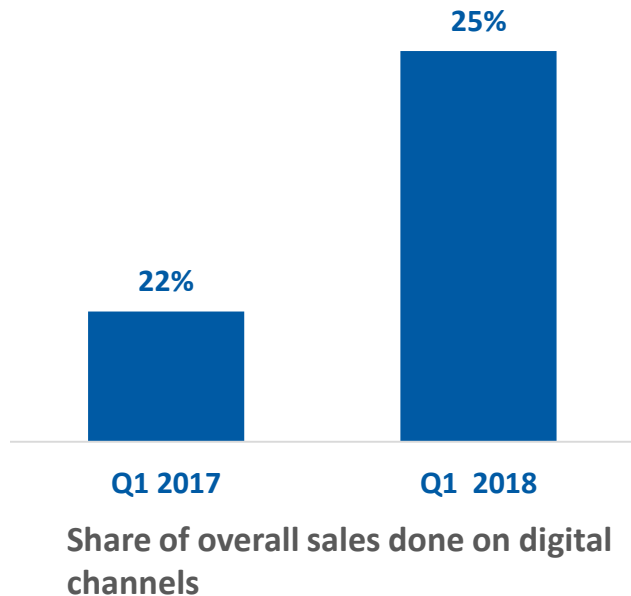
- Før sommeren kan du kjøpe is i kiosken med Iphone

Visas Norge-sjef Jens Nes har teknologien Apple Pay skal bruke til mobilbetaling i butikk i Norge. Han tror Apple Pay blir større enn Vipps.

50% of overall sales on digital channels in 2020

Targeted development of new effective digital solutions is a key tool for achieving this target

14% increase in digital sales from
Q1 17 to Q1 18



Proactive development of new solutions promotes increased sales on all channels

Development of new purchasing solutions on digital channels

Effective campaign tools for offering the right product to the customer

Prediction models based on the bank's own data

More effective channel interplay will ensure a good customer experience

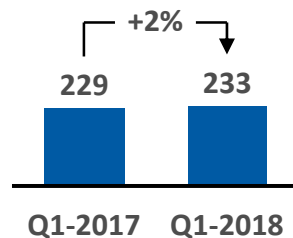
CRM solutions giving advisers improved insight

Effective interaction between technology and people

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

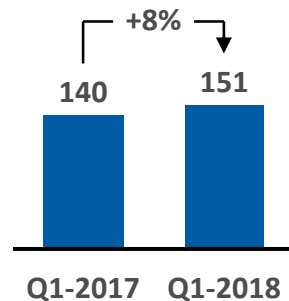
Larger customer platform, increased volumes and increased incomes

Number of customers



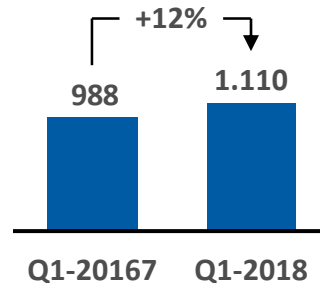
Stronger customer growth than population growth

Total loan volume



Stronger lending growth than credit growth

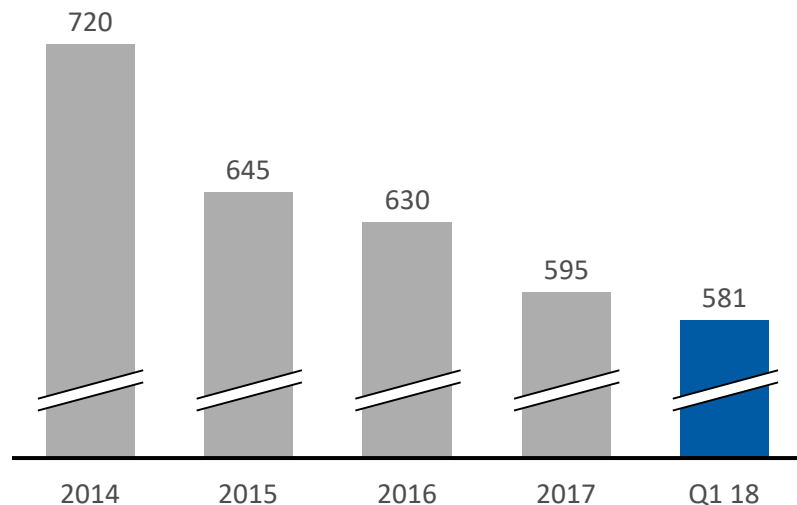
Operating income



Strengthening incomes on a diversified platform

FTEs reduced at the parent bank. Group FTEs rising in keeping with established strategy for the subsidiaries

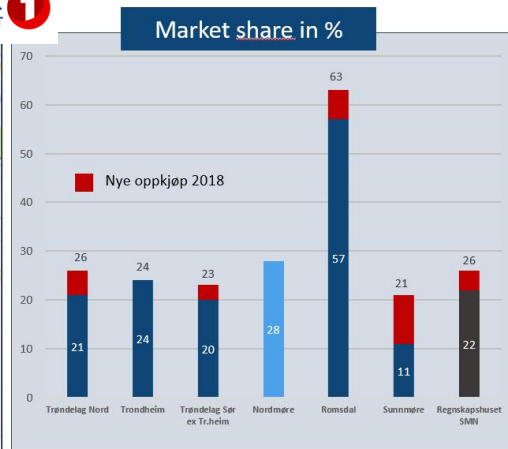
FTEs at parent bank



- No. of FTEs at the parent bank reduced substantially in recent years
- Both distribution and internal processes have gained efficiency
- 65 new staff members with new skills have been recruited in the period
- At the same time the bank has greatly increased its customer base and its business volume

Substantial investments in important business areas

SpareBank 1 MARKETS	
IPO	IPO
Fjordkraft	Ongoing
Crayon	November 2017
WEBSTEP	October 2017
Fjord1	August 2017
SpareBank 1	June 2017
SpareBank 1	June 2017
ECM	Private placement
Aega	Ongoing
SAS	November 2017
SpareBank 1	November 2017
Borr Drilling	September 2017
Q&A	September 2017
SpareBank 1	September 2017
M&A	Sale of wind farm to Blackrock
SKANSKA	October 2017
KARO PHARMA	September 2017
Hafslund	June 2017
apg	June 2017
33% stake in Fjord1	May 2017
Norwegian / Aafod	January 2017
DCM	Unsecured bond
Faroe	November 2017
Fjord1	November 2017
SSM	October 2017
KLEVEN	September 2017
BOA	July 2017
American Energy Company	February 2017
IG	T1 and T2 capital
BNB	November 2017
Lyse	November 2017
OBOS	October 2017
Unsecured bond	October 2017
Unsecured bond	October 2017
Pareto bank	August 2017
SpareBank 1	March 2017

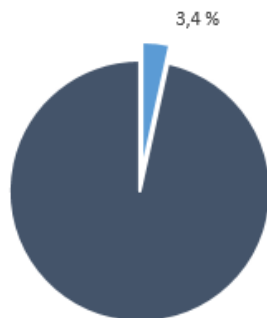


EiendomsMegler 1

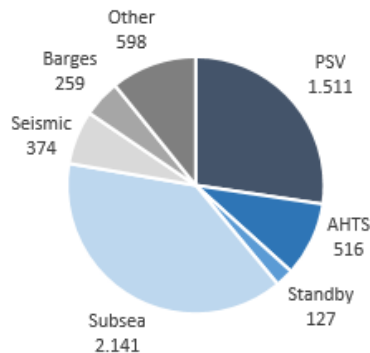
Reduced quarterly offshore losses – impairment level corresponds to 13% of portfolio

Reduced exposure - Subsea and PSV are the largest segments

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

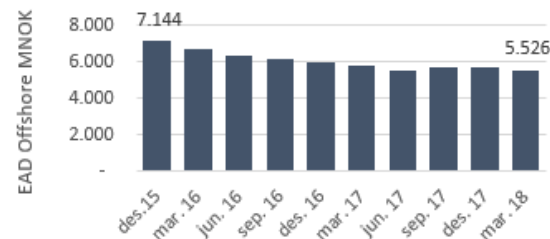


Subsea and PSV largest segments (EAD MNOK)

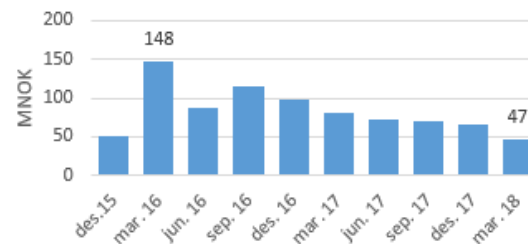


mill kr	EAD	Total impairments	Share of EAD
Low risk	808	0,3	0,0 %
Medium risk	3.055	54,6	1,8 %
High risk	587	36,4	6,2 %
Obligors with impairments / defaulted	1.076	645,0	59,9 %
Totalt	5.526	736,3	13,3 %

Reduced EAD
from 7.1 bill. in 2015 to 5,5 bill.



Reduced quarterly losses



In addition equity as of 31.12.17 was reduced with 30 MNOK due to IFRS 9 implementation



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

1st quarter 2018

SpareBank 1 SMN intends to be one of the best performing banks



Customer oriented

Best for customer experience
Continuing to strengthen market position



Profitable

Return on equity among the best performing Norwegian banks: 12 per cent annually



Solid

15 per cent CET1 capital ratio



Efficient

Nominal costs at the parent bank unchanged from 2014 to 2018



Utbytte

Payout ratio in the region of 50 per cent

Financial information

1st quarter 2018

1st quarter 2018



Good profits 1st quarter 2018



Net profit NOK 466m (367m),
return on equity 11.2 % (9.4 %)



CET1 14.6 % (14.7 %). Leverage
ratio 7.3 % (7.3 %)



Pres loss result of core business
NOK 465m (417m). Loan losses
NOK 48m (NOK 89m)



Growth in lending RM 10.0 % (11.0
%) and CM 4.0 % (3.1 %), deposits
8.2 % (9.9 %) last 12 months



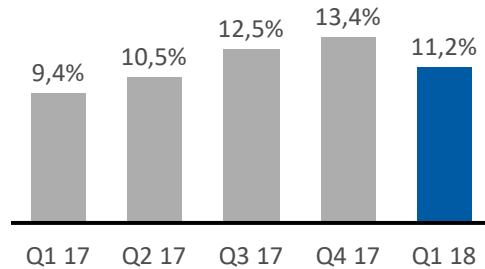
Decrease in FTEs parent bank and
very low cost growth in parent
bank



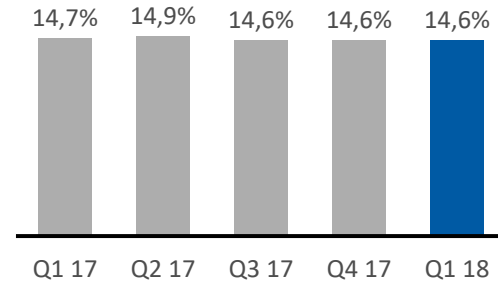
Booked equity capital per ECC NOK 76.53
(72.31), profit per ECC NOK 2.21 (NOK
1.74)

Good profits and strong capitalization. Lower loan losses

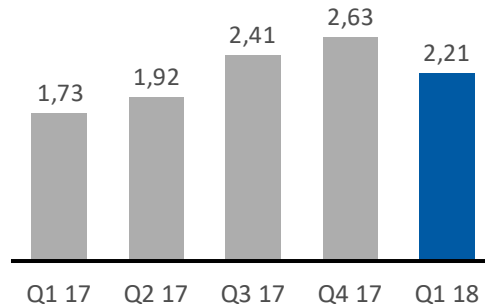
Return on equity



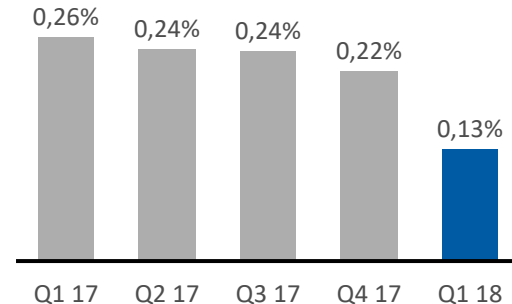
CET 1



Earnings per ECC



Loan losses as a percentage of total loans



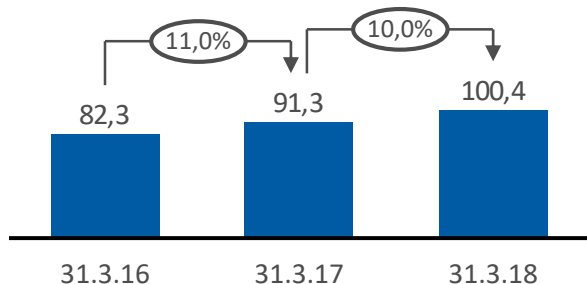
1st quarter 2018

Strengthened profits from core business

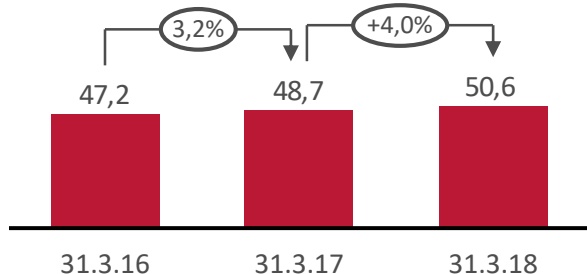
NOK mill	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
Net interest	568	589	570	532	533
Commission income and other income	542	529	482	538	455
Operating income	1.110	1.118	1.052	1.070	988
Total operating expenses	645	618	582	598	571
Pre-loss result of core business	465	501	470	472	417
Losses on loans and guarantees	48	78	88	86	89
Post-loss result of core business	416	423	383	386	328
Related companies	80	143	126	96	71
Securities, foreign currency and derivatives	100	109	109	38	67
Result before tax	597	675	617	520	466
Tax	131	122	118	111	99
Net profit	466	553	500	409	367
Return on equity	11,2 %	13,4 %	12,5 %	10,5 %	9,4 %

Total growth lending 7.9 % last 12 months

Lending RM +10.0 % last 12 months



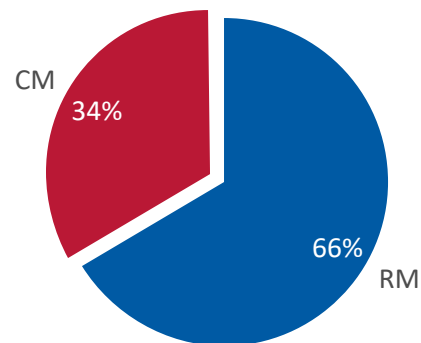
Lending CM + 4.0 % last 12 months,



High growth in home mortgage lending

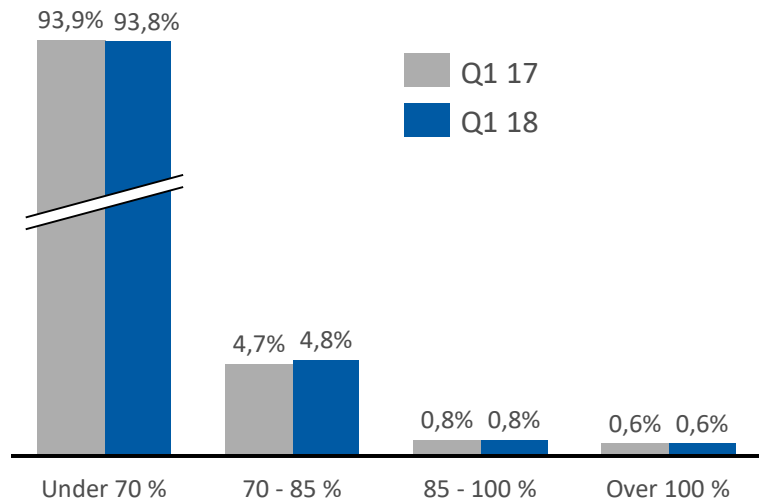
- Residential mortgage market share of about 6.0% (C2). Growth above this figure represents increased market share
- Share of loans to personal borrowers up from 61 to 66 per cent in last three years
- Half of the growth to corporates is to small businesses

Share of lending



Loan to value mortgages

Last two years



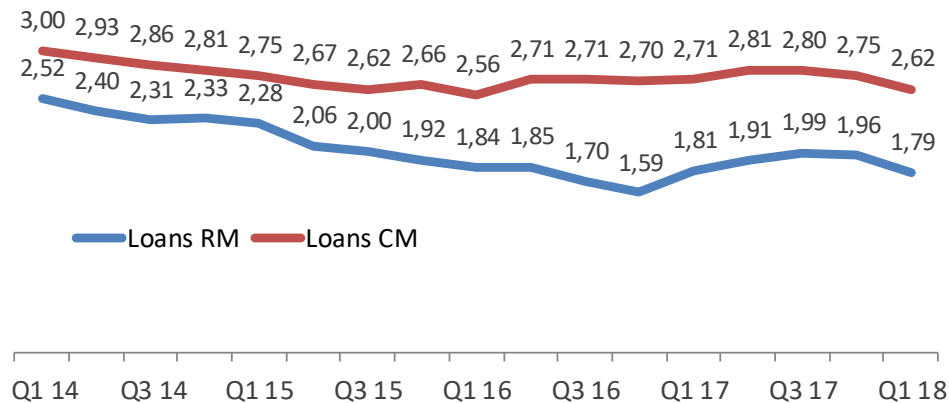
1st quarter 2018

LTV mortgages

- 98.6 % of the exposure has an LTV of less than 85 %
- Exposure with LTV higher than 85 % points 1.4 %

Lending margins

Increased Nibor in 2018

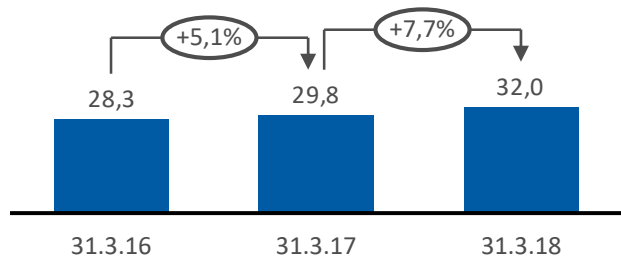


Comments

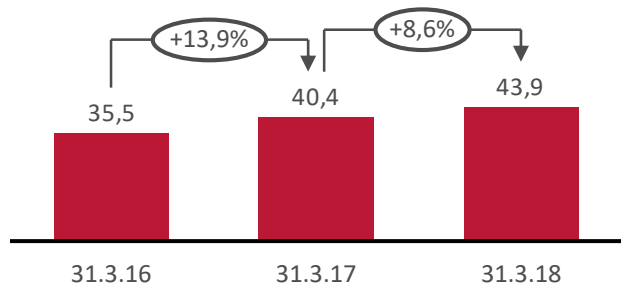
- Reduced Nibor in 2017
- But Nibor has increased in 2018, and the margins are under pressure

Total growth deposits 8.2 % last 12 months

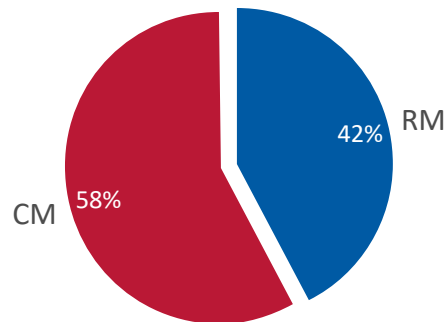
Deposits RM + 7.7 %



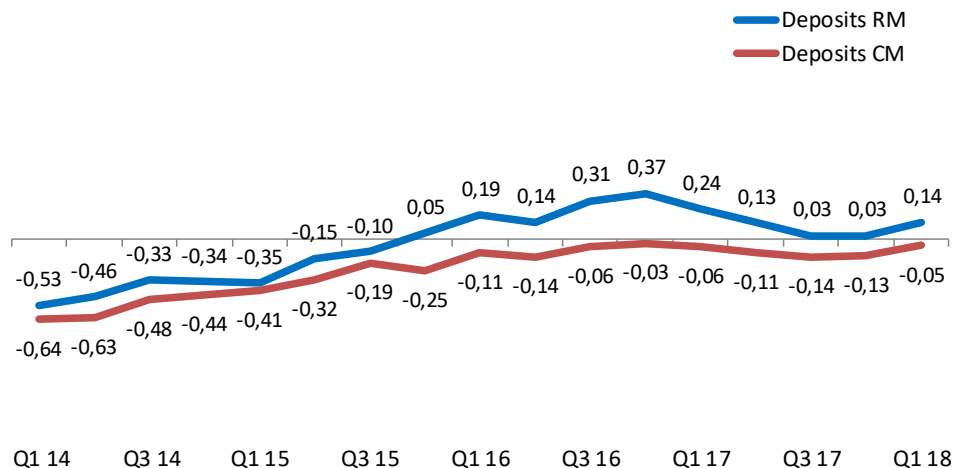
Deposits CM + 8.6 %



Share of deposits



Deposit margins Retail and Corporate



Comments

- Increased Nibor has strengthened the margins in 2018

Change in net interest income

Q1 2018 compared with Q1 2017

Net interest 2017	568
Net interest 2016	533
Change	34
Obtained as follows:	
Fees on lending	2
Lending volume	44
Deposit volume	2
Lending margin	-32
Deposit margin	-9
Equity capital	2
Funding and liquidity buffer	8
Subsidiaries	17
Change	34

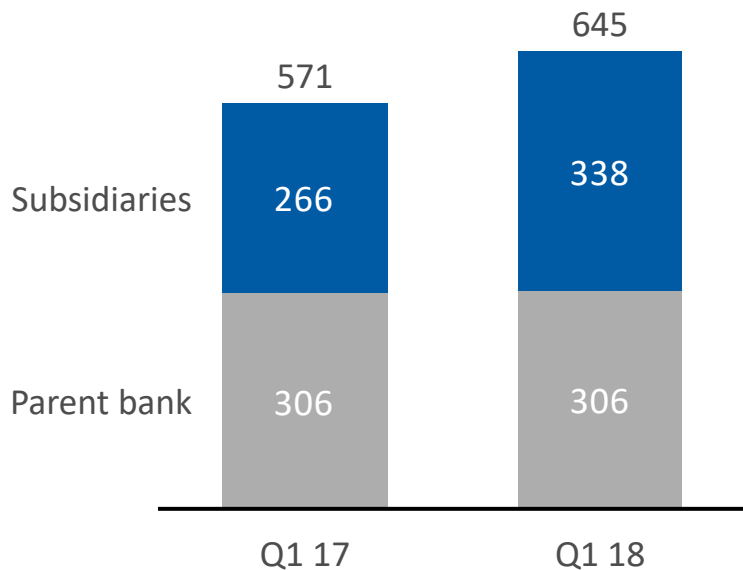
Comments

- Increased lending volume strengthens net interest income
- Increased Nibor in Q1 18 weakens the margins compared with Q1 17

Banking operations made more efficient, increased activity in the subsidiaries

Parent bank target of zero growth in costs stands firm

Costs in group Q1 2017 and Q1 2018

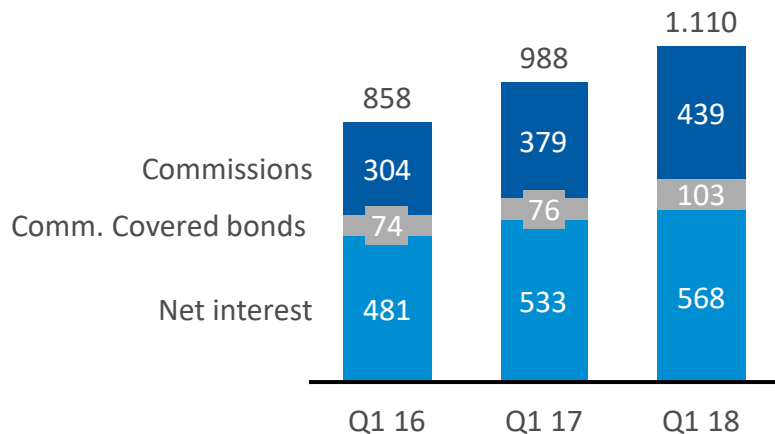


Cost growth due to focus on subsidiaries

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

Robust income platform and increased commission income

Net interest and other income



Commissions Q1 2018 and Q1 2017

<i>mill kr</i>	Q1 18	Q1 17	Change
Payment transmission income	52	50	2
Creditcards	15	15	0
Commissions savings and asset management	26	21	5
Commissions insurance	43	41	2
Guarantee commissions	17	18	0
Estate agency	83	91	-8
Accountancy services	115	99	16
Securities Broking	65	31	34
Other commissions	23	13	10
Commissions ex. Bolig/Næringskreditt	439	378	61
Commissions Boligkreditt (cov. bonds)	99	72	27
Commissions Næringskreditt (cov. bonds)	3	4	0
Total commission income	542	455	87

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

Subsidiaries

Pre tax profit subsidiaries

mNOK, SMN's share in parentheses	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
EiendomsMegler 1 Midt-Norge (87 %)	-8	-10	-11	19	4
SpareBank 1 Regnskapshuset SMN (95 %)	17	15	9	20	15
SpareBank 1 Finans Midt-Norge (65 %)	38	35	36	30	28
SpareBank 1 Markets (67 %)	7	8	-26	17	3
SpareBank 1 SMN Invest (100%)	4	12	15	15	1
Other companies	6	5	5	6	5

The results refer to the respective company accounts

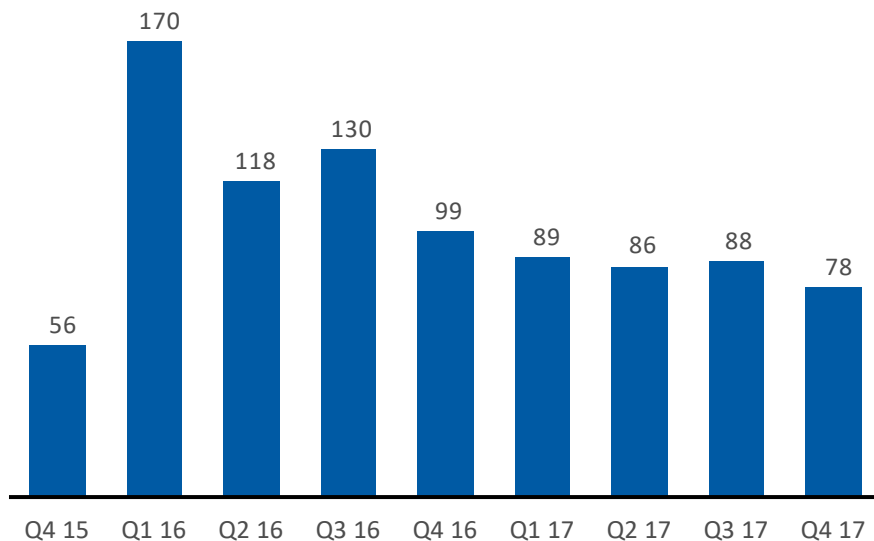
Associated companies

Profit shares after tax

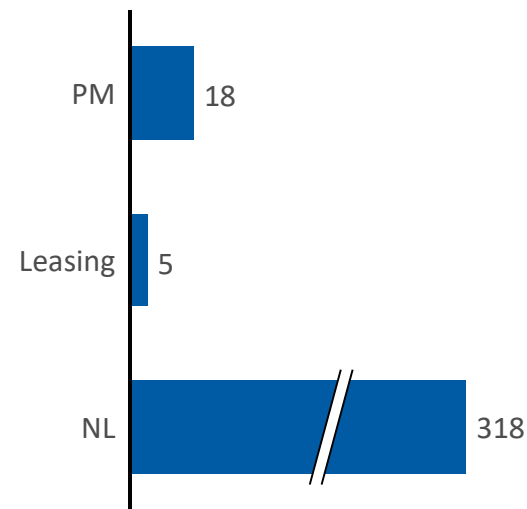
	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
SpareBank 1 Gruppen (19,5 %)	36	134	80	68	66
SpareBank 1 Boligkreditt (19,0 %)	3	-15	11	-13	-24
SpareBank 1 Næringskreditt (36,5 %)	4	1	5	5	8
BN Bank (33 %)	30	28	21	20	29
SpareBank 1 Kredittkort (17,9 %)	5	5	3	5	2

Lower loan losses

Losses per quarter, NOKm



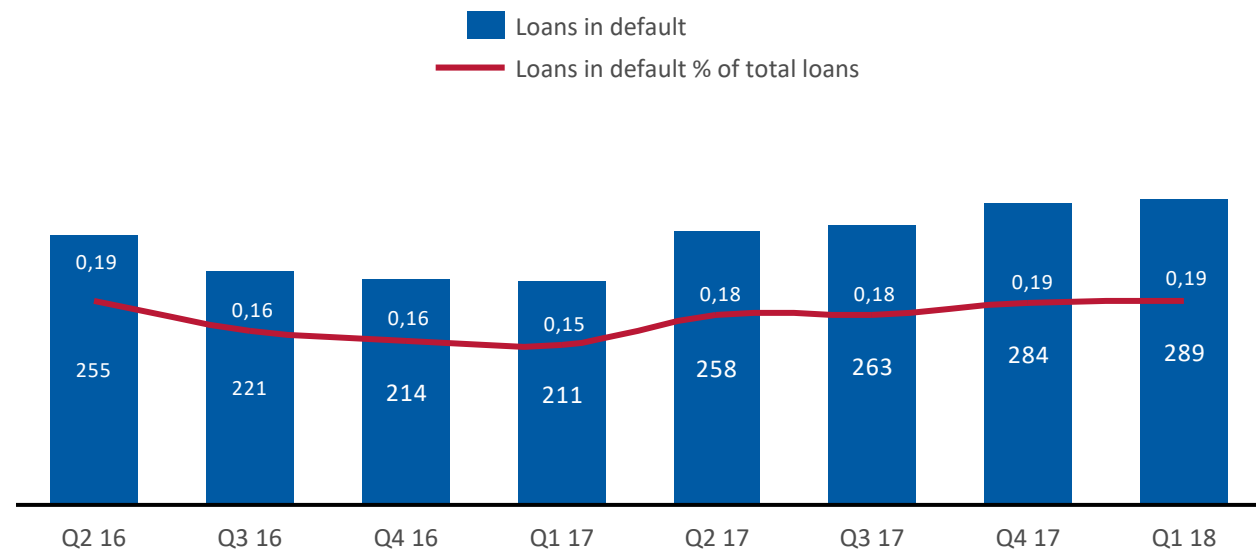
Distribution 2017



Loan losses including collective losses provisions 0.13 % (0.23 %) of gross lending as of 31.3.2018

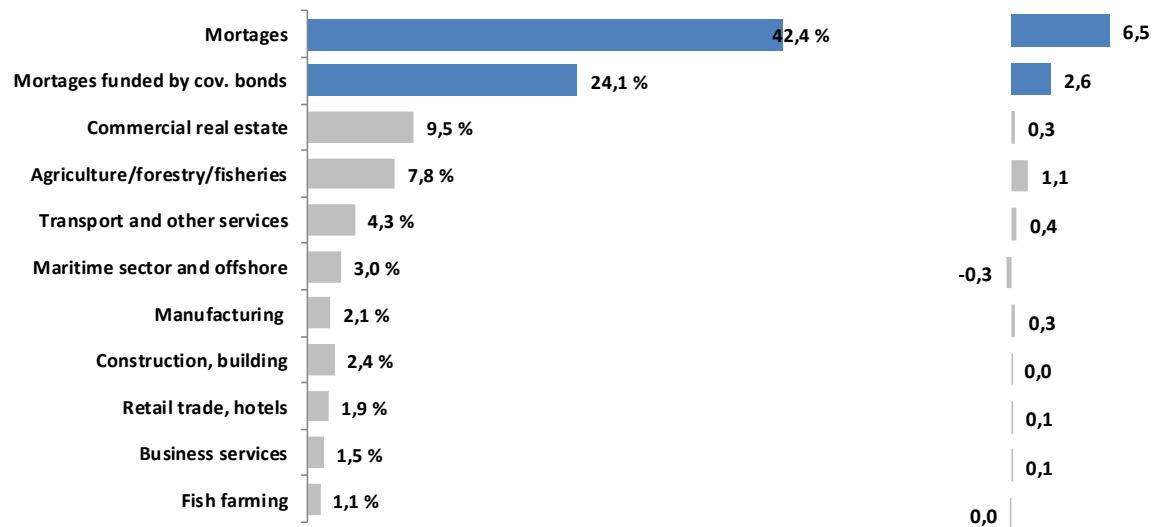
Very low levels on loans in default (0,19 %)

Last two years, per quarter



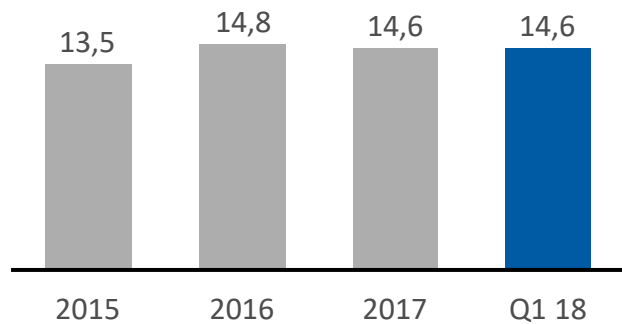
High share mortgages and diversified portfolio SMEs

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

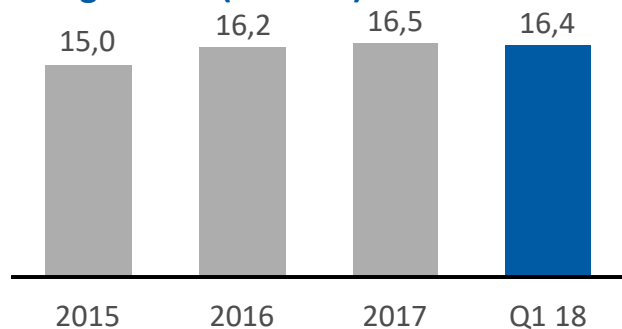


Strong capitalization

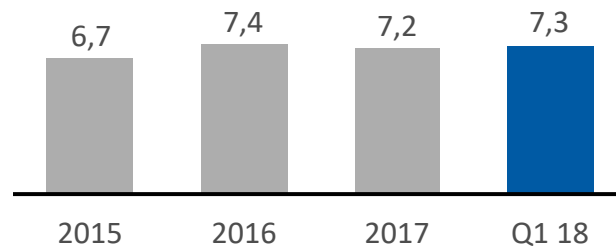
Development CET1



Development CET 1 without transitional arrangements (Basel III)



Development leverage ratio



SpareBank 1 SMN

7467 TRONDHEIM



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Internet addresses:

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

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



Financial calendar 2018

Q1 2018	4. May 2018
Q2 2018	8. August 2018
Q3 2018	26. October 2018

Appendix

1st quarter 2018



Other issues

Correction to CET1 ratio

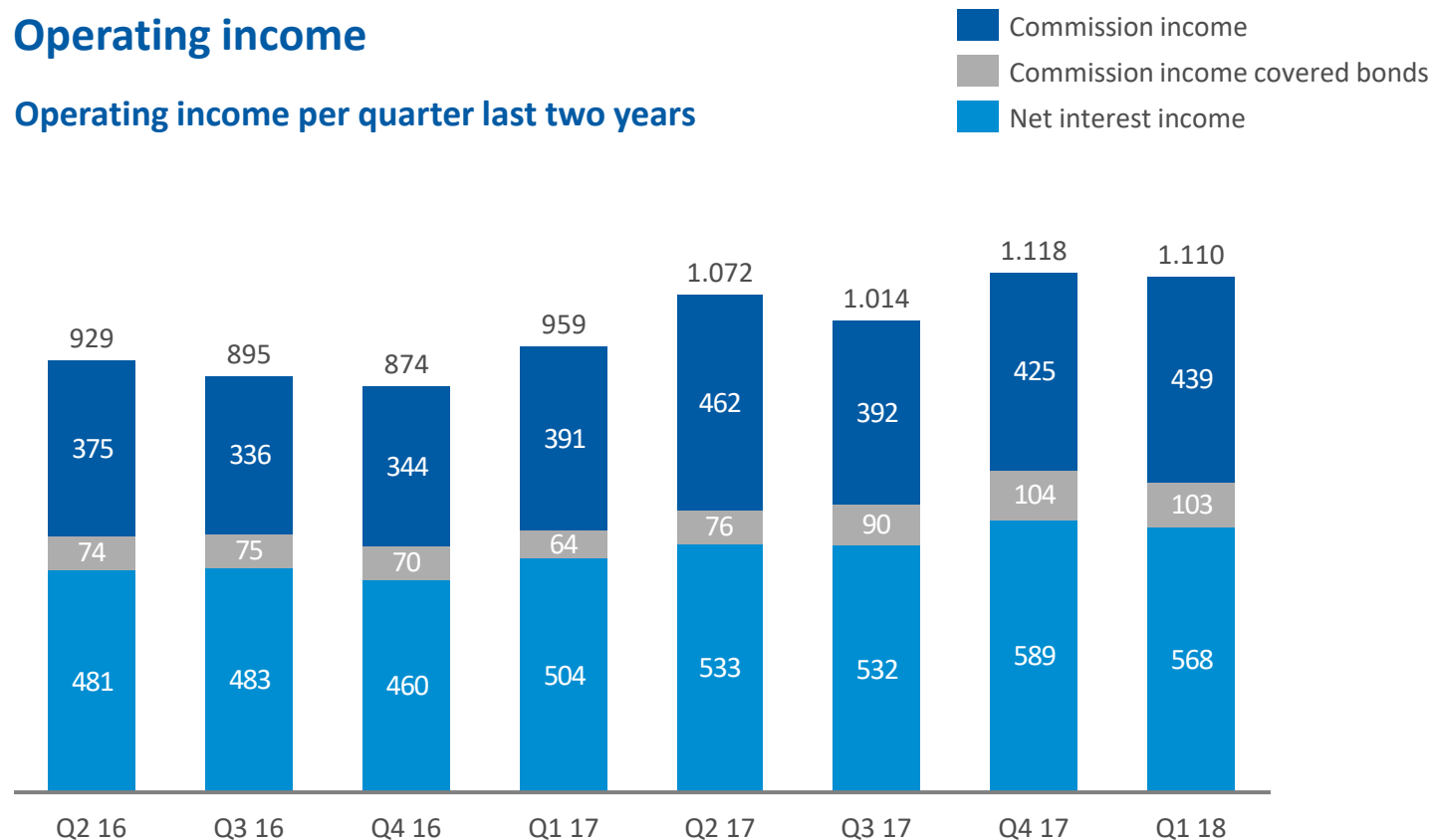
- SpareBank 1 SMN has corrected its common equity tier 1 (CET1) capital ratio as at 31.12.2017 from 14.9 per cent to 14.6 per cent. The correction does not affect book equity capital or reported return on equity
- The bank has brought to light incorrect treatment of its share of the fund for unrealised gains from related companies. This reduces reported CET1 capital at end-2017. A correction for the fourth quarter of 2017 is also made in the calculation of capital charges related to repurchase agreements and associated collaterals (repos). The effects relate to the transitional arrangement (Basel 1 floor). This brings an increase in risk weighted assets compared with the original reporting
- As a result of these factors, the CET1 capital ratio is revised from 14.9 per cent to 14.6 per cent as at 31 December 2017. There is no change in this ratio through the first quarter of 2018

Agreement signed on sale of head office

- SpareBank 1 SMN has signed an agreement to sell Søndre gt. No. 4-10 in Trondheim city centre.
- The gross property value underlying the agreement is NOK 755m, providing SpareBank 1 SMN with a net gain of just over NOK 120m after an estimated tax rebate and transaction costs. This strengthens the bank's CET1 capital by about 0.13 percentage points
- The parties have completed technical, legal and financial due diligence. The transaction is planned to go ahead with effect from 1 June 2018

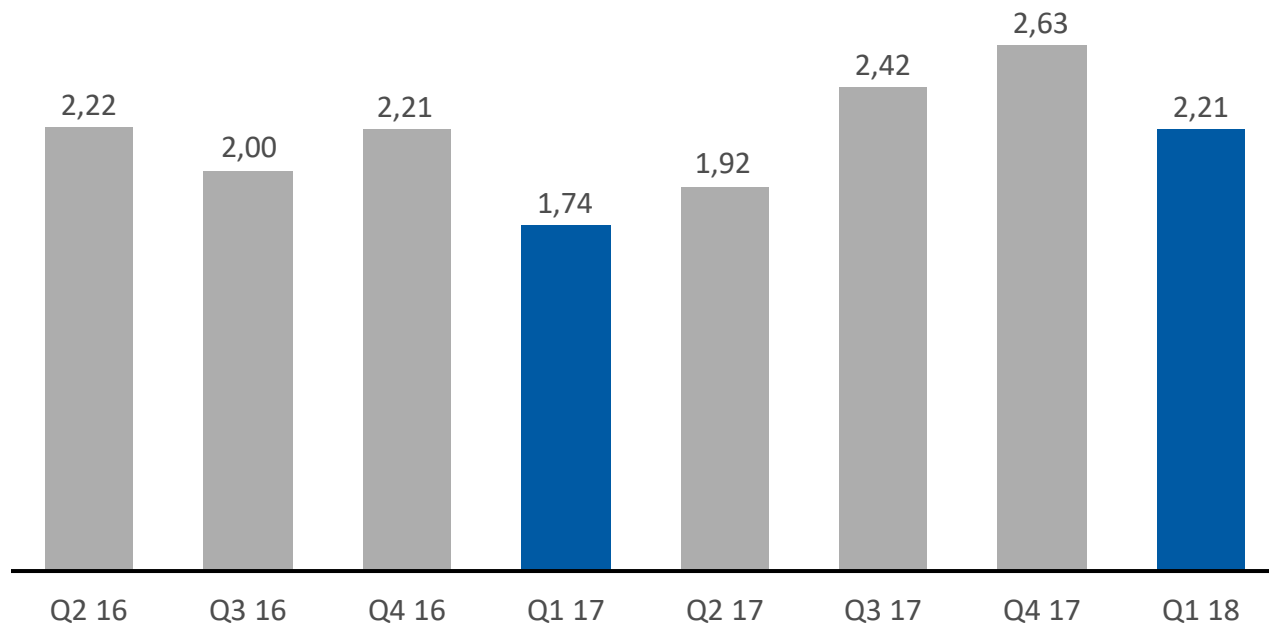
Operating income

Operating income per quarter last two years



Earnings per ECC

Last two years per quarter

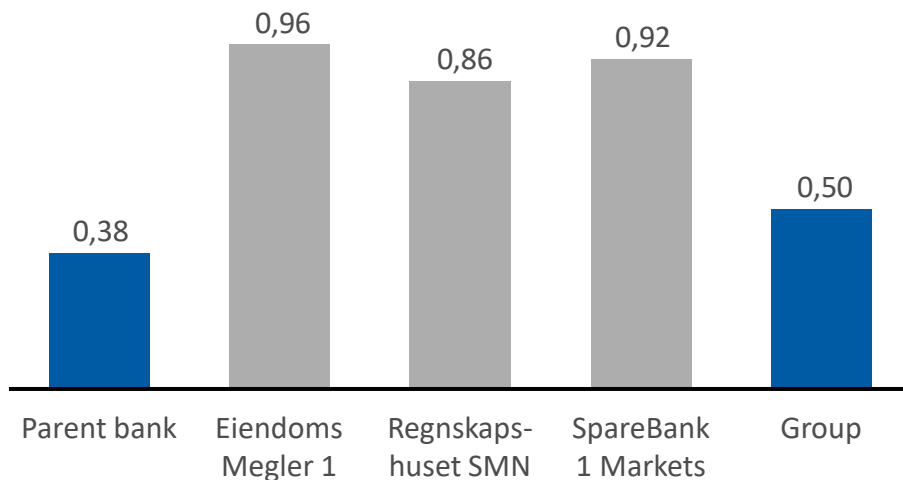


Return on financial investments

NOKm	Q1 18	Q4 17	Q3 17	Q2 17	Q1 17
Capital gains shares	5	53	0	1	8
Gain/(loss) on derivatives	119	55	72	25	-3
Gain/(loss) on other financial instruments at fair value	4	-4	-5	5	11
Foreign exchange gain / (loss)	11	16	10	13	6
Gain/(Loss) on certificates and bonds	-59	-20	20	10	49
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	17	10	8	13	12
Gain/(loss) on financial instruments related to hedging	1	2	3	-32	-16
Net return on financial instruments	98	112	108	35	66

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:

- The subsidiaries are companies 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

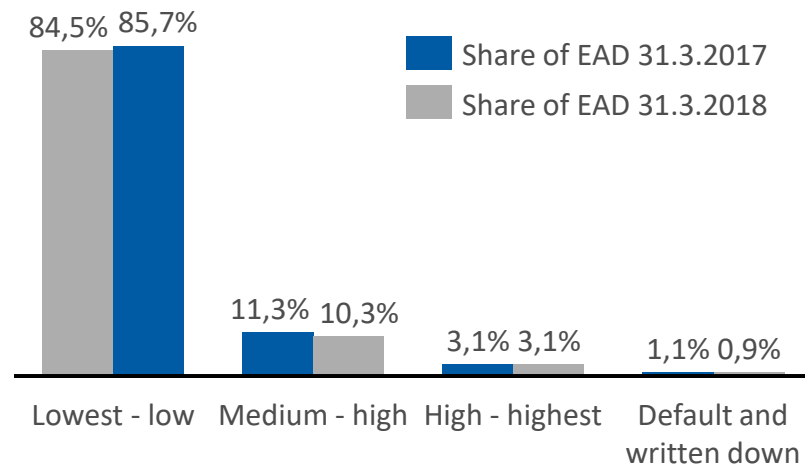
Balance sheet

Last three years

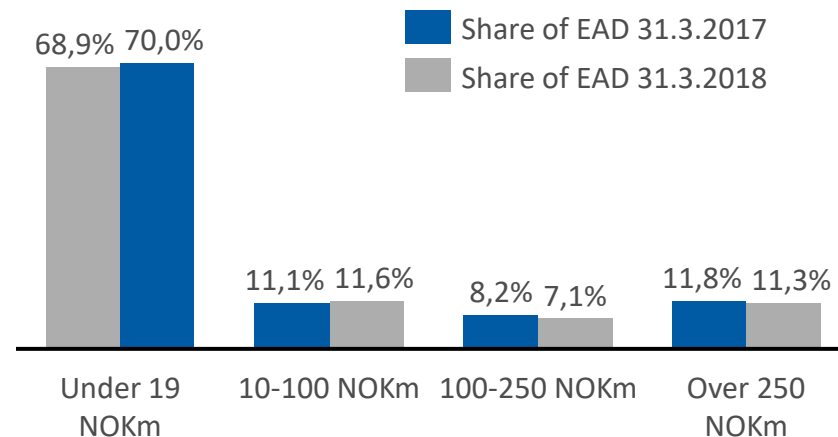
	31.3.18	31.3.17	31.3.16
Funds available	25,5	22,9	19,5
Net loans	112,1	103,2	94,6
Securities	2,2	1,7	1,6
Investment in related companies	6,5	6,0	6,0
Goodwill	0,8	0,7	0,5
Other assets	4,9	7,6	12,1
Total Assets	152,1	142,0	134,3
Capital market funding	49,8	46,9	44,4
Deposits	75,9	70,2	63,9
Other liabilities	6,8	6,5	8,5
Subordinated debt	2,2	2,2	3,5
Equity ex hybrid bonds	16,1	15,3	13,1
Hybrid bonds	1,3	0,9	1,0
Total liabilities and equity	152,1	142,0	134,3
in addition loans sold to Boligkreditt and Næringskreditt	37,9	35,9	34,2

Stable credit risk

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

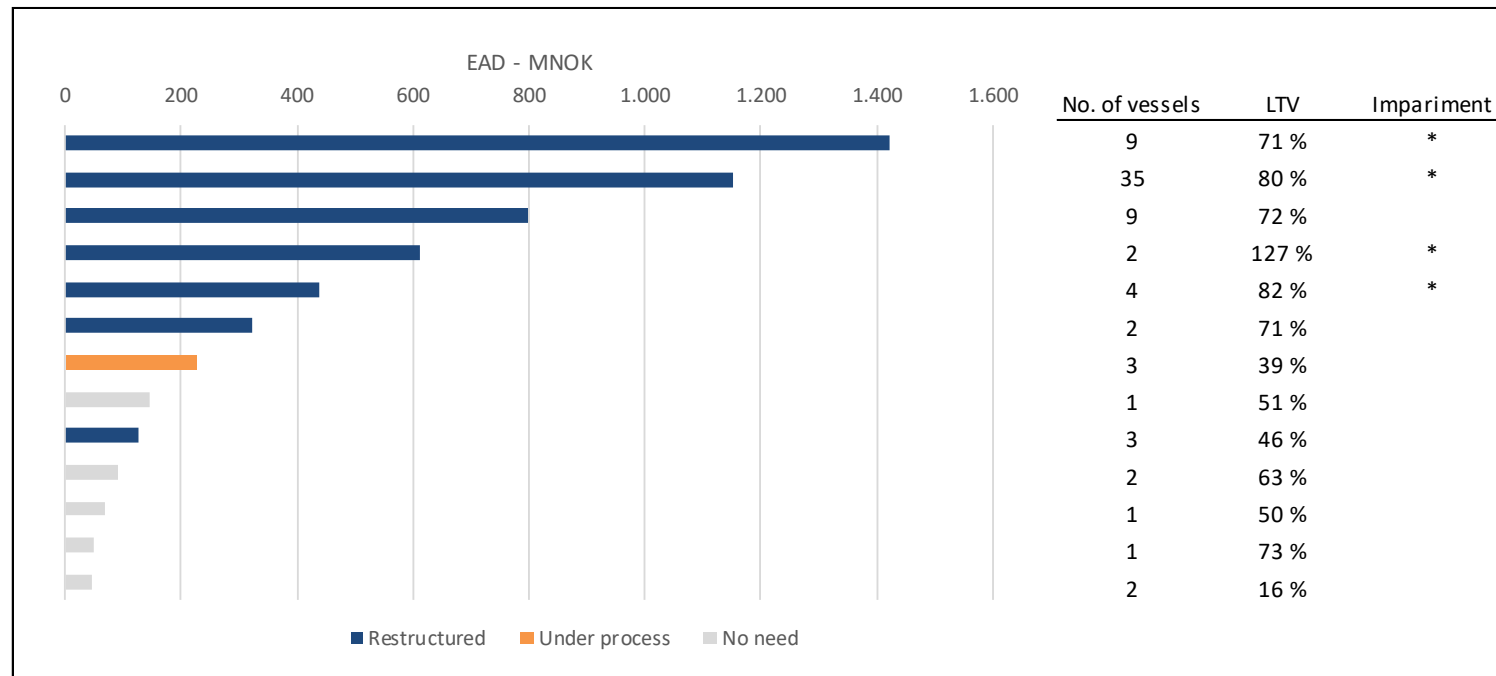


SpareBank 1 SMN's loans distributed on size of customer engagement and share of Exposure At Default



Financial restructuring implemented for most shipowners

Offshore Service Vessels – Largest customer groups



LTV = Exposure with collateral in vessels / Market value of vessels (total for customer group)
Barges not included

* = individual impairments
1st quarter 2018

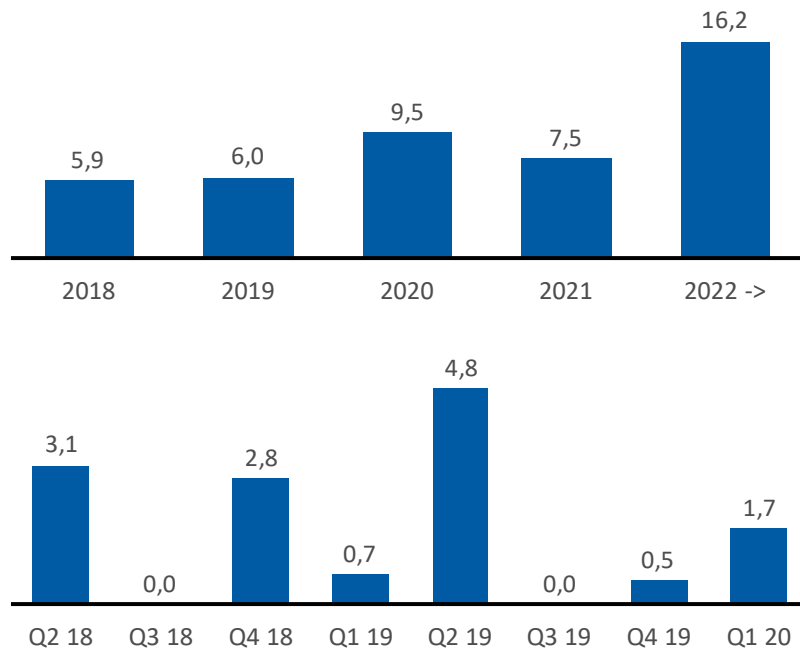
Capital adequacy

As at 31. March 2017 and 2018

<i>NOKm</i>	31.3.18	31.3.17
Core capital exclusive hybrid capital	13.899	13.449
Hybrid capital	1.721	1.817
Core capital	15.620	15.266
Supplementary capital	1.822	2.034
Total capital	17.442	17.300
Total credit risk IRB	4.292	4.173
Exposures calculated using the standardised approach	1.791	1.891
Debt risk, Equity risk	43	51
Operational risk	575	510
CVA	128	119
Transitional arrangements	813	523
Minimum requirements total capital	7.643	7.268
RWA	95.532	90.845
CET 1 ratio	14,5 %	14,8 %
Core capital ratio	16,4 %	16,8 %
Capital adequacy ratio	18,3 %	19,0 %
Leverage ratio	7,3 %	7,4 %

Satisfying access to capital market funding

Funding maturity 31. March 2018 (NOK bn)



1st quarter 2018

Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 35 billion transferred as of 31. March 2017
- Maturities next two years NOK 13.1 bn:
 - NOK 5.9 bn in 2018
 - NOK 5.5 bn in 2019
 - NOK 1.8 bn in Q1 20
- LCR 162 % as at 31. December 2017

Key figures ECC

Last five years

	31.3.18	31.3.17	2017	2016	2015	2014
ECC ratio	63,9 %	64,0 %	64,0 %	64,0 %	64,0 %	64,6 %
Total issued ECCs (mill)	129,38	129,48	129,38	129,64	129,43	129,83
ECC price	80,90	66,50	82,25	64,75	50,50	58,50
Market value (NOKm)	10.464	8.634	10.679	8.407	6.556	7.595
Booked equity capital per ECC	76,53	72,31	78,81	73,35	67,39	62,04
Post-tax earnings per ECC, in NOK	2,21	1,74	8,71	7,93	6,96	8,82
Dividend per ECC			4,40	3,00	2,25	2,25
P/E	9,16	9,57	9,44	8,17	7,26	6,63
Price / Booked equity capital	1,06	0,92	1,04	0,88	0,75	0,94

Key figures

Last three years

	31.3.18	31.3.17	31.3.16
CET 1 ratio	14,6 %	14,7 %	13,5 %
Core capital ratio	16,3 %	16,7 %	15,5 %
Capital adequacy	18,2 %	18,9 %	18,0 %
Leverage ratio	7,3 %	7,3 %	6,8 %
Growth in loans (incl.Boligkreditt and Næringskreditt)	7,9 %	8,1 %	6,5 %
Growth in deposits	8,2 %	9,9 %	1,3 %
Deposit-to-loan ratio	67,1 %	67,4 %	68,5 %
RM share loans	66,5 %	65,2 %	64,2 %
Cost-income ratio	50,0 %	51,2 %	45,5 %
Return of equity	11,2 %	9,4 %	10,9 %
Impairment losses ratio	0,13 %	0,26 %	0,44 %