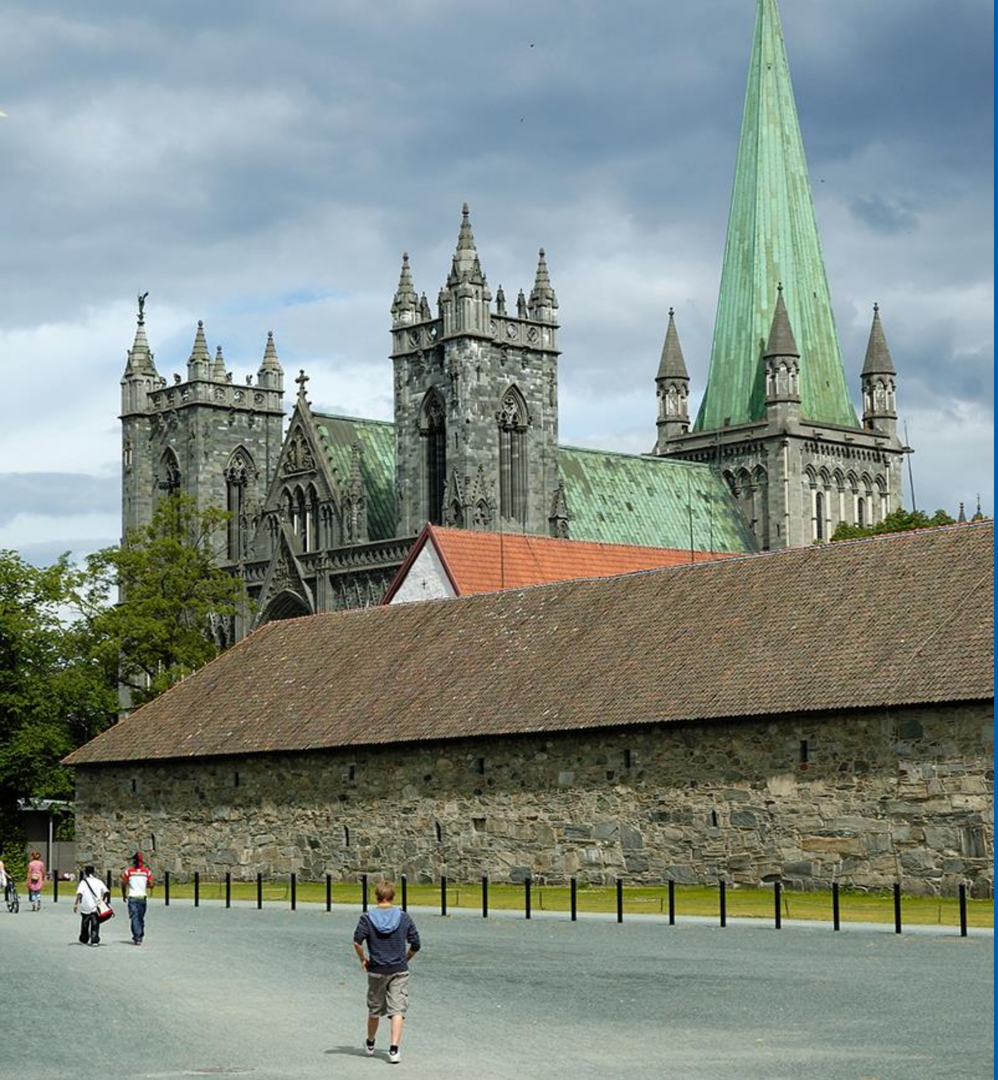


SpareBank 1 SMN

1st half 2018

8. August 2018

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

SpareBank 1 SMN

- 221,000 retail customers
- 14,800 corporate customers
- Market leader in the region
- Loan volume NOK 155bn
- 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

1st half 2018

Good profits 1st half 2018

Net profit NOK 1.209m (776m), return on equity 14.4 % (9.9 %)

CET1 15.0 % (14.9 %)

Leverage ratio 7.4 % (7.2 %)

Pres loss result of core business NOK 991m (890m)

Loan losses NOK 127m (NOK 175m)

Growth in lending RM 10.6 % (10.5 %) and CM 2.0 % (4.8 %), deposits 6.3 % (12.7 %) last 12 months

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

Booked equity capital per ECC NOK 80.21 (75.40), profit per ECC NOK 5.75 (NOK 3.66)

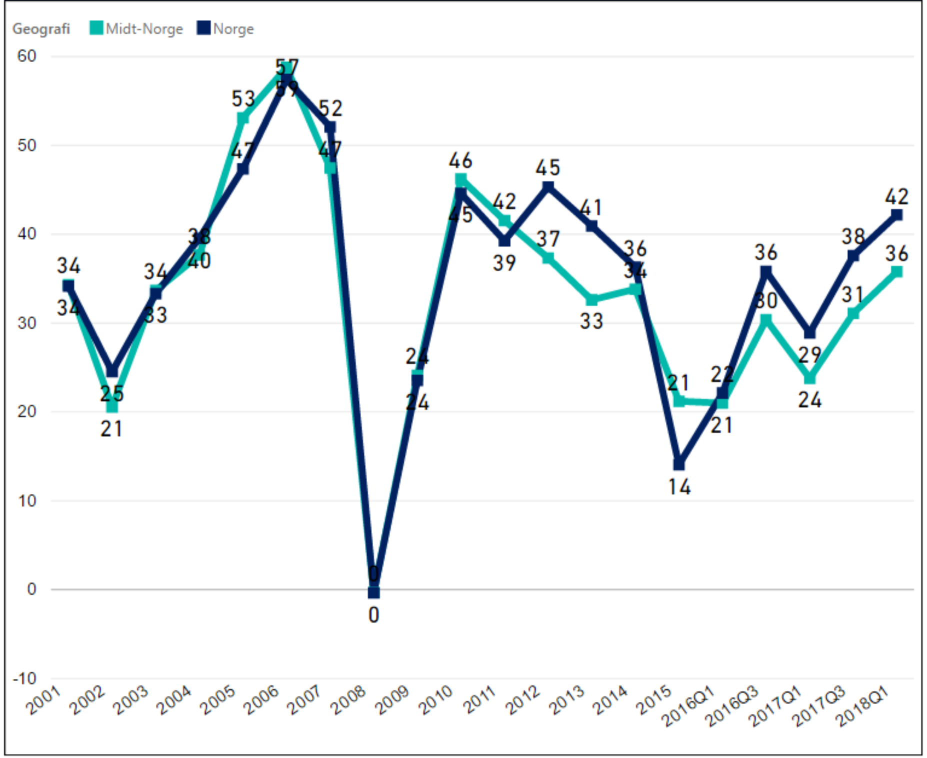
Good first half-year for SpareBank 1 SMN

- Strong income growth, reduced losses along with one-time gains make for a very good profit performance and high return on equity
- Substantial profit improvement and strengthened market position for SB1 Markets, EM1, SMN Regnskapshuset and SB1 Finans
- Gains on disposal of head office building and merger between Vipps, Bank Axept and Bank ID in second quarter
- A CET1 ratio of 15 per cent and a leverage ratio of 7.4 per cent show a very solid bank

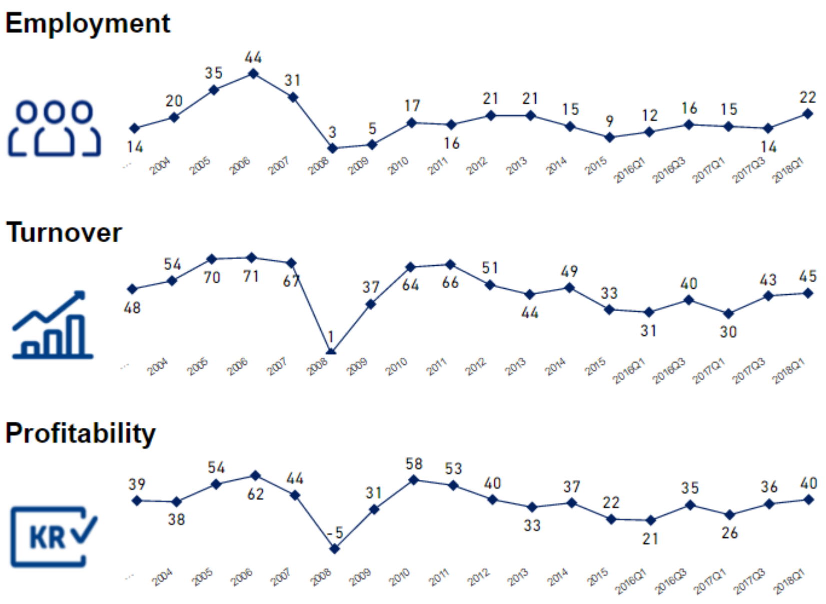
- More satisfied customers, in particular younger customers (KANTAR TNS)
- Many new retail and corporate customers. Strengthened market position in all product areas
- Reduced resource use and increased sales, PHYGITAL (physical and digital) distribution produces results
- Agreement of intent with DNB to merge non-life insurance arms

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)



Change in expectations indicator from December 2017 **5**

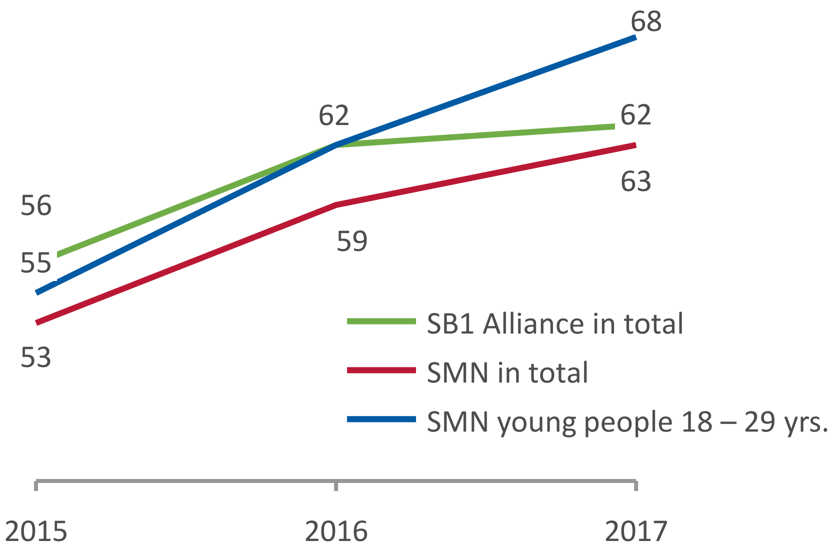
Source: Sentio Research Norway

1st half 2018

SpareBank 1 SMN

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

Positive trend for SMN since 2015

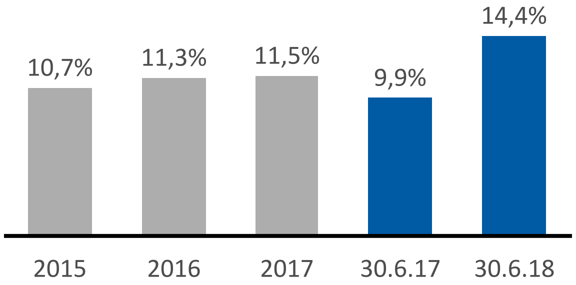


Main findings of the survey

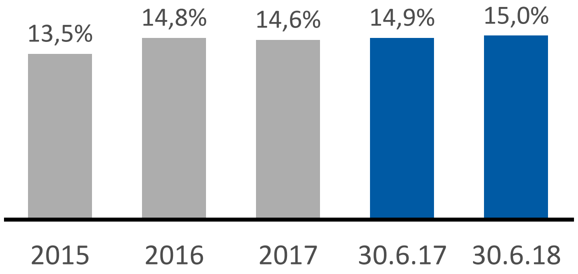
- SMN shows a strong trend in customer satisfaction and customer relationships
- The increasing satisfaction among young people is striking
- A growing share of customers place emphasis on good relations and local identity when choosing a bank
- Good self-service solutions are taken for granted to a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

Good profits and strong capitalization

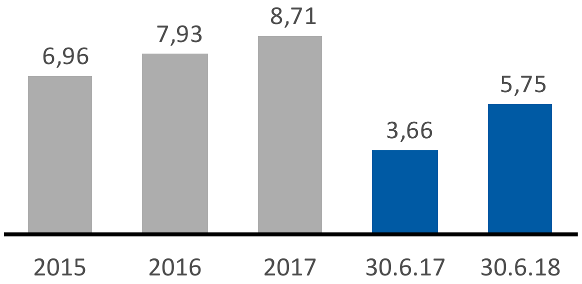
Return on equity



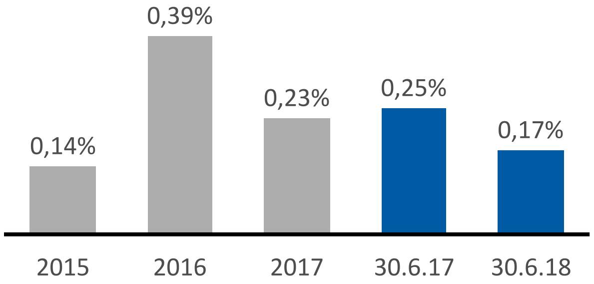
CET1



Earnings per ECC



Loan losses as a percentage of total lending



Strengthened profits from core business

NOK mill	1st half 2018	1st half 2017	Change	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
Net interest	1.149	1.066	83	581	568	589	570	532
Commission income and other income	1.149	993	156	607	542	529	482	538
Operating income	**2.297**	**2.059**	**239**	**1.188**	**1.110**	**1.118**	**1.052**	**1.070**
Total operating expenses	1.306	1.169	137	661	645	618	582	598
Pre-loss result of core business	**991**	**890**	**101**	**526**	**465**	**501**	**470**	**472**
Losses on loans and guarantees	127	175	-49	78	48	78	88	86
Post-loss result of core business	**864**	**714**	**150**	**448**	**416**	**423**	**383**	**386**
Related companies	181	165	16	102	79	147	126	94
Securities, foreign currency and derivates	299	105	195	199	100	109	109	38
Result before tax	**1.345**	**984**	**361**	**748**	**596**	**678**	**617**	**518**
Tax	287	210	77	156	131	122	118	111
Result investment held for sale	151	2	149	150	1	-4	0	3
Net profit	**1.209**	**776**	**433**	**743**	**466**	**553**	**500**	**409**
Return on equity	**14,4 %**	**9,9 %**		**17,9 %**	**11,2 %**	**13,4 %**	**12,5 %**	**10,5 %**

SpareBank 1 SMN

Improved profits and stronger market position for subsidiaries

SpareBank 1 Finans Midt-Norge

- Pre-tax profit of NOK 72m (58m)
- Solid market position
- Leasing NOK 2.9bn, car loans 3.7bn
- Strong growth in car loans

EiendomsMegler 1 Midt-Norge

- Pre-tax profit of NOK 18m (24m). The profit performance is weakened by start-up costs at BN Bolig
- 40% market share
- Strong synergy with the bank

SpareBank 1 Regnskapshuset SMN

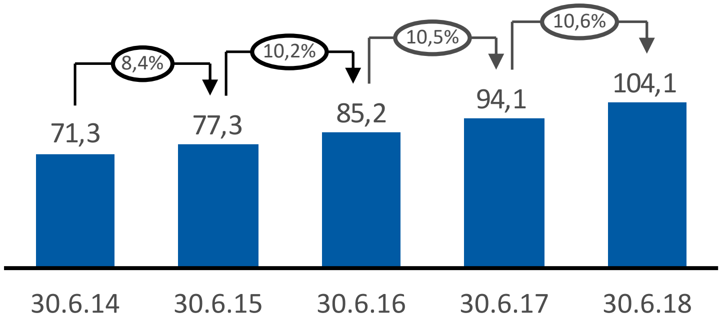
- Pre-tax profit of NOK 44m (36m)
- Stable and high growth in turnover
- Consolidating and digitalizing the industry
- Market share 26 %

SpareBank 1 Markets

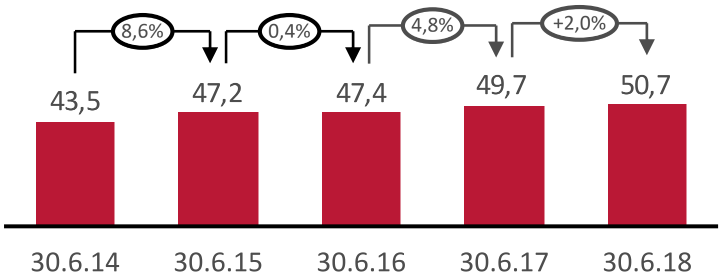
- Pre-tax profit NOK 36m (NOK 20m)
- Complete range of capital market services in cooperation with the owner banks
- High growth in income in 2018

Total growth lending 7.6 % last 12 months

Lending RM +10.6 % last 12 months



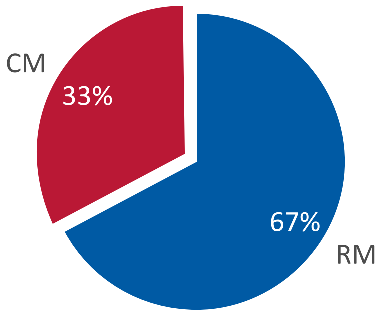
Lending CM + 2.0 % last 12 months,



High growth in home mortgage lending

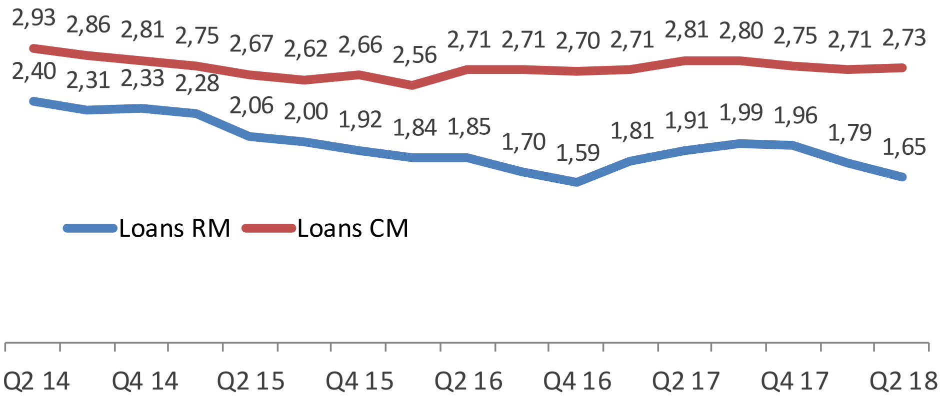
- Residential mortgage market share of about 5.8% (C2). Growth above this figure represents increased market share
- Share of loans to personal borrowers up from 61 to 67 per cent in last three years
- Growth to corporates is mainly to small businesses

Share of lending



Lending margins

Increased Nibor in 2018

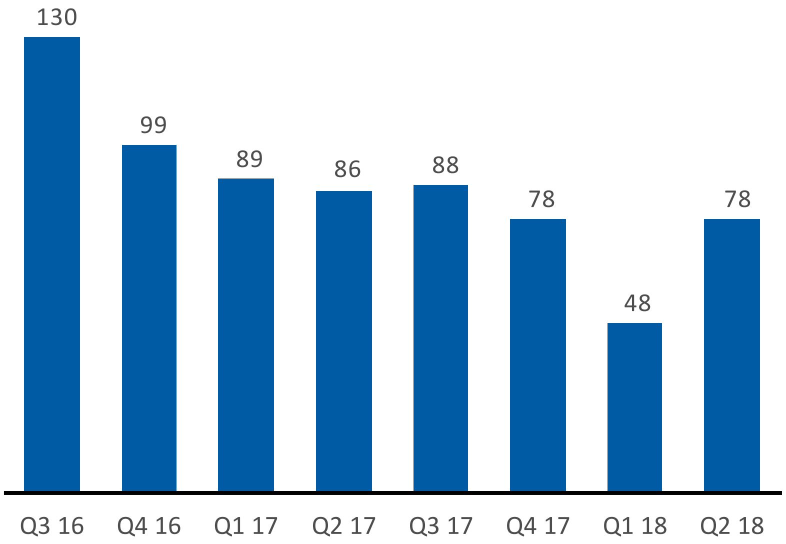


Comments

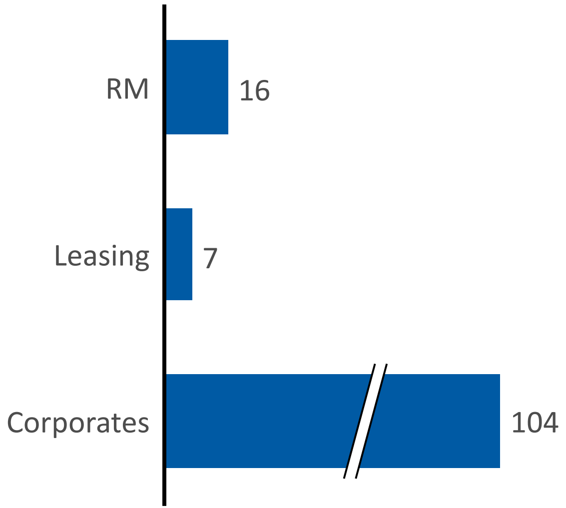
- Reduced Nibor in 2017
- But Nibor has increased in 2018, and the margins on mortgages are under pressure

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

Losses per quarter, NOKm

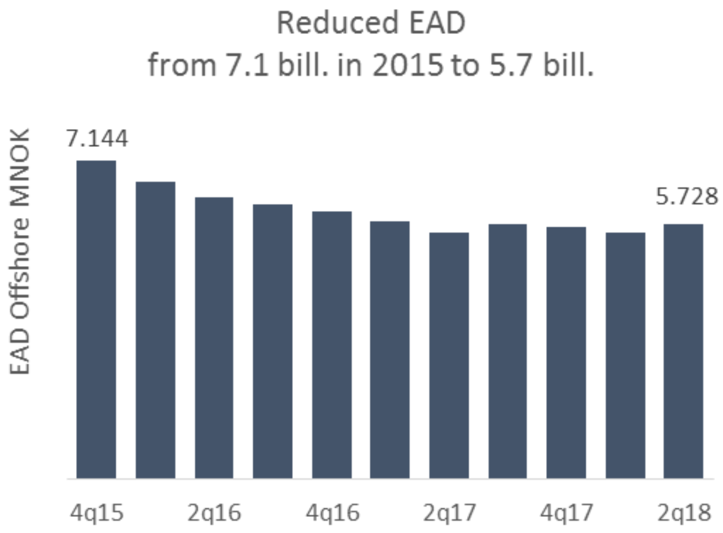


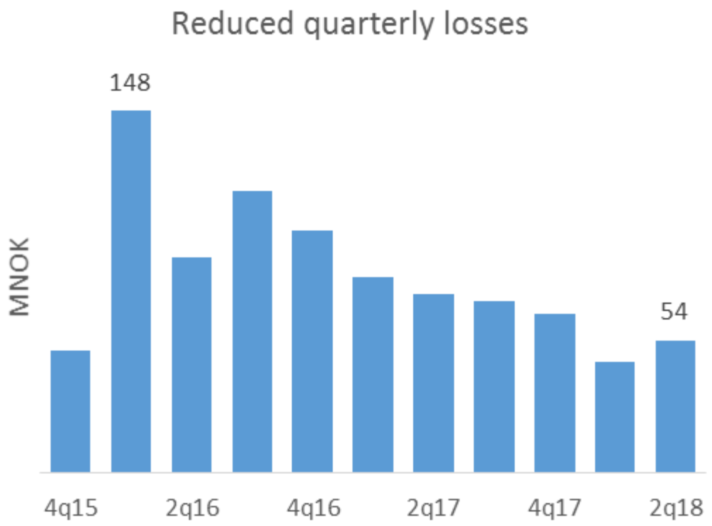
Distribution 1st half 2018



Loan losses including collective losses provisions 0.17 % (0.25 %) of gross lending as of 30.6.2018

Restructuring of the bank's offshore clients considered to have reached completion this time round

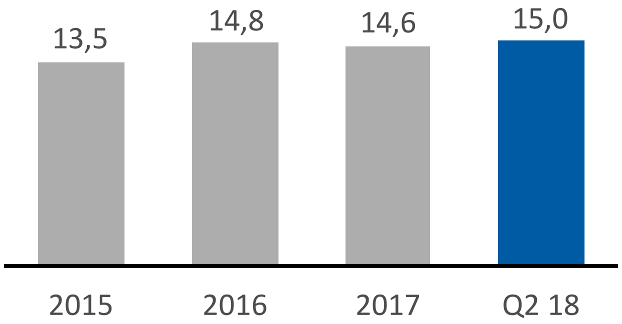




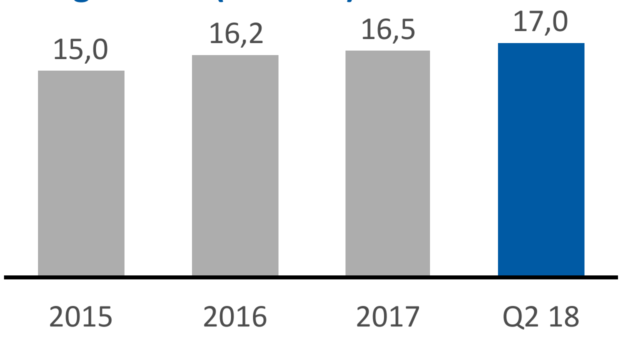
In addition equity as of 31.12.17 was reduced with 30 MNOK due to IFRS 9 implementation

Strong capitalization

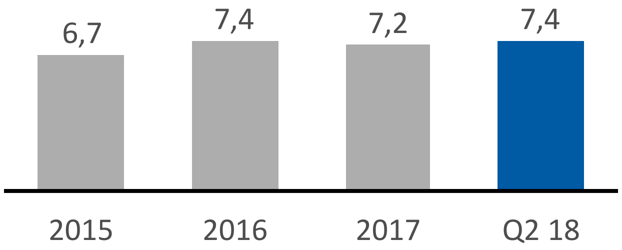
Development CET1



Development CET 1 without transitional arrangements (Basel III)



Development leverage ratio

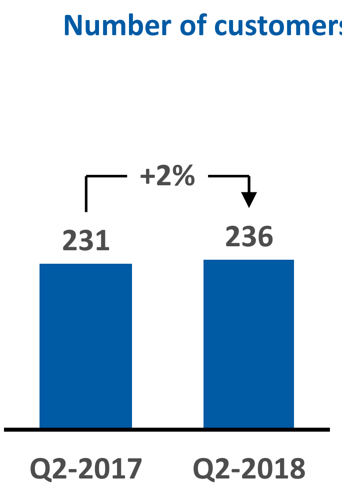


The bank's phygital market approach generates strong growth in the retail segment

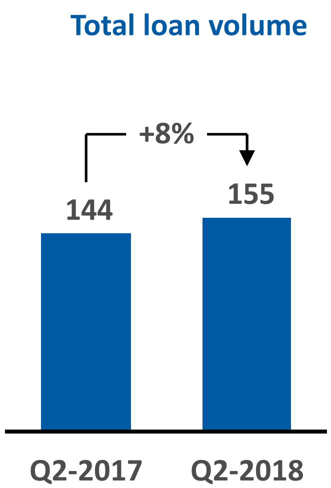
Traditional bank digitalised

Digital bank with a personal and local signature

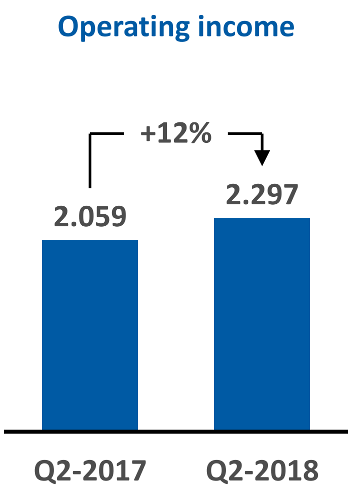
Increased number of customers, volumes and incomes



Stronger customer growth than population growth



Stronger lending growth than credit growth

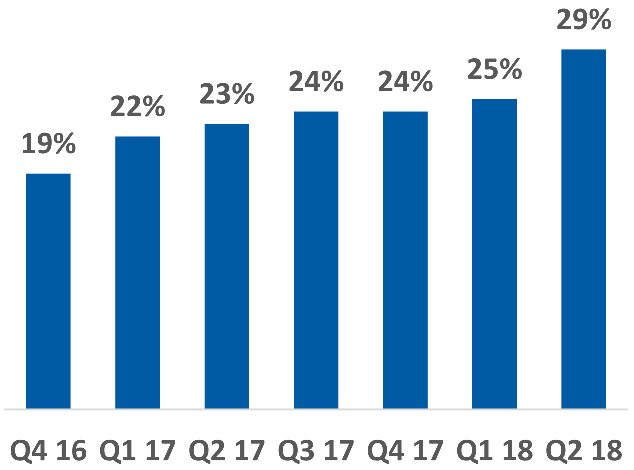


Strengthening incomes on a diversified platform

50% of overall sales on digital channels in 2020

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

52 % increase in digital sales from 2016 to 1st half 2018

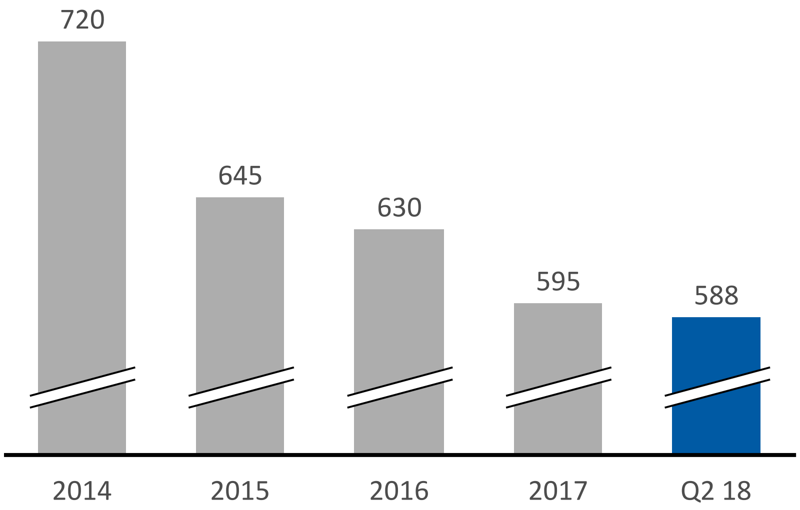


Share of overall sales done on digital channels

- New purchasing solutions on digital channels
- Effective campaign tools offer the right product to the customer
- Prediction models based on the bank's own data
- Effective channel interplay ensure a good customer experience
- CRM solutions giving advisers improved insight
- Effective interaction between technology and people

Improving efficiency and effectiveness reduces number of FTEs in parent bank

FTEs at parent bank



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

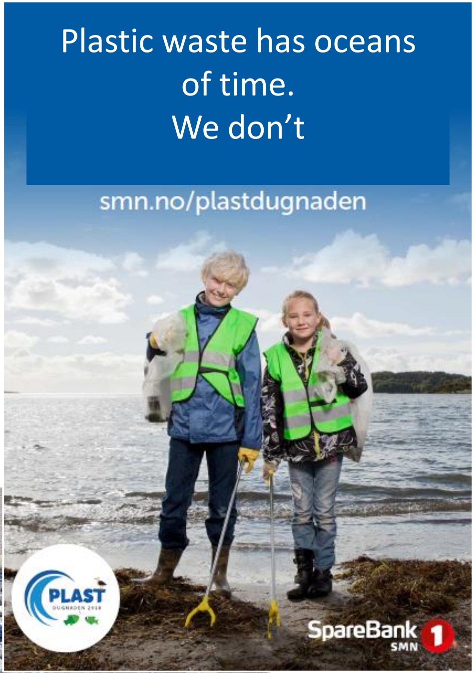
SpareBank 1 Betaling: (Vipps + Bank ID + Bank Axept)
Effective entity will ensure the development of tomorrow's payment systems for banks

The Competition Authority has approved the merger. Gain on NOK 90m in Q2 2018 resulting from the merger

Communal project to clean up plastic waste, 2018: «Best» budget overrun of the year?

- With its ‘Plastic Waste Clean-up Project 2018’ the bank has played its part in the fight against plastic waste.
- The bank issued an invitation to join clean-up groups across entire Mid-Norway.
- Clubs and associations received support worth 100 kroner per sack of plastic waste collected.

Result:
More than **12,000 volunteers took part**.
They gathered more than **17,000 sackfulls of plastic waste**
= **1.7 million kr. in support**



Picture taken on 13 May outside our branch office on the island of Frøya.

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

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

Customer oriented

Best for customer experience

Continuing to strengthen market position

Efficient

Nominal costs at the parent bank unchanged from 2014 to 2018

Profitable

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

Dividend

Payout ratio in the region of 50 per cent

Solid

15 per cent CET1 capital ratio

Appendix

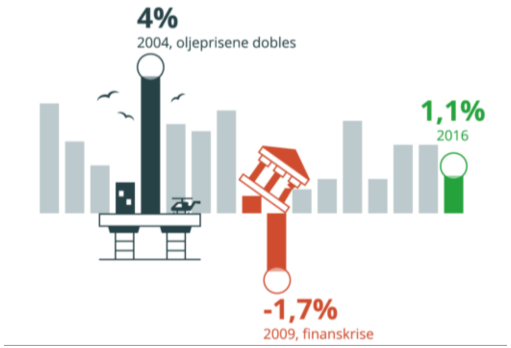
1st half 2018

Positive estimates economic growth

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.

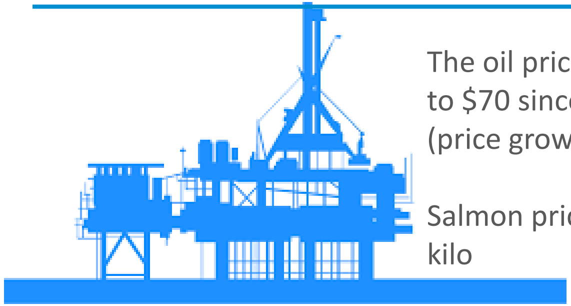
Positive prospects for Norwegian economy



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

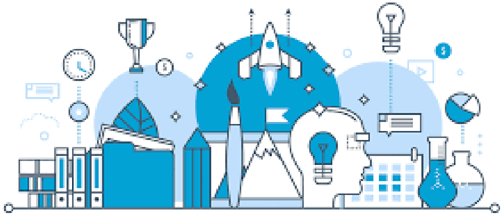
Oil price has risen to $70



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

Salmon price NOK 50-60 per kilo

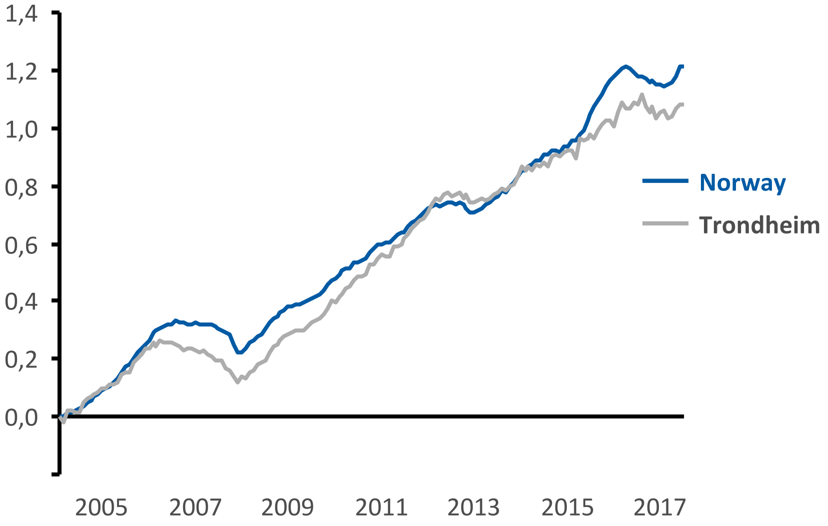
Norwegian business and industry in good shape



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

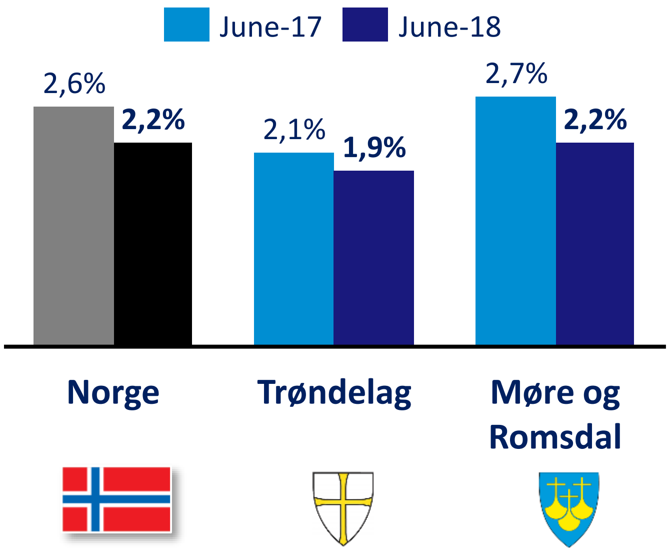
House process levelling out at a high level

House prices 2005 – Q2 2018



Low unemployment

Monthly figures – June 2017 and June 2018

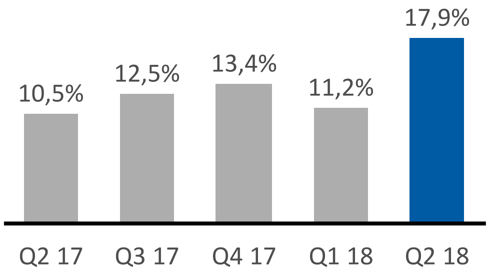


1st half 2018

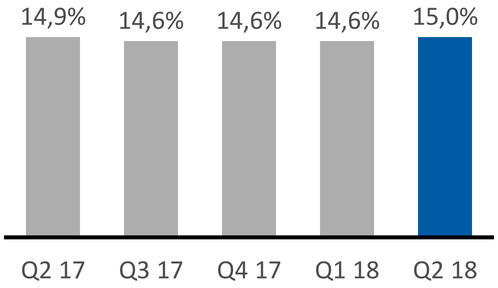
Sources: Statistics Norway for house prices, unemployment from NAV

Good profits and strong capitalization. Lower loan losses

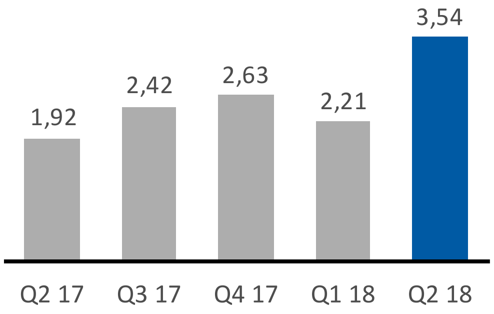
Return on equity



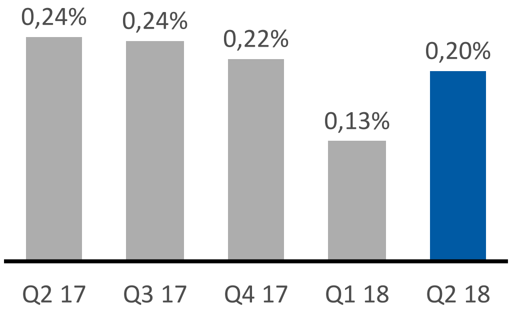
CET 1



Earnings per ECC

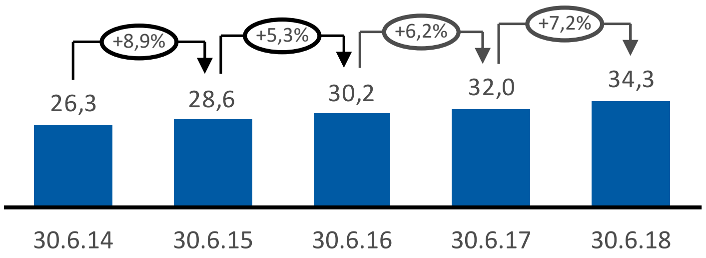


Loan losses as a percentage of total loans

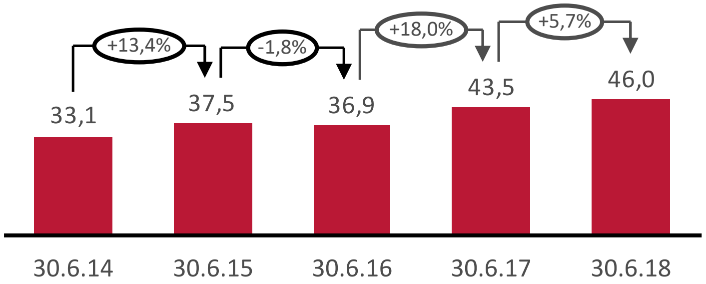


Total growth deposits 6.3 % last 12 months

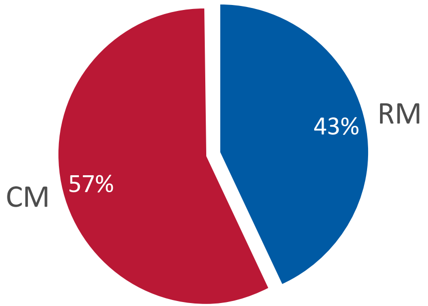
Deposits RM + 7.2 %



Deposits CM + 5.7 %

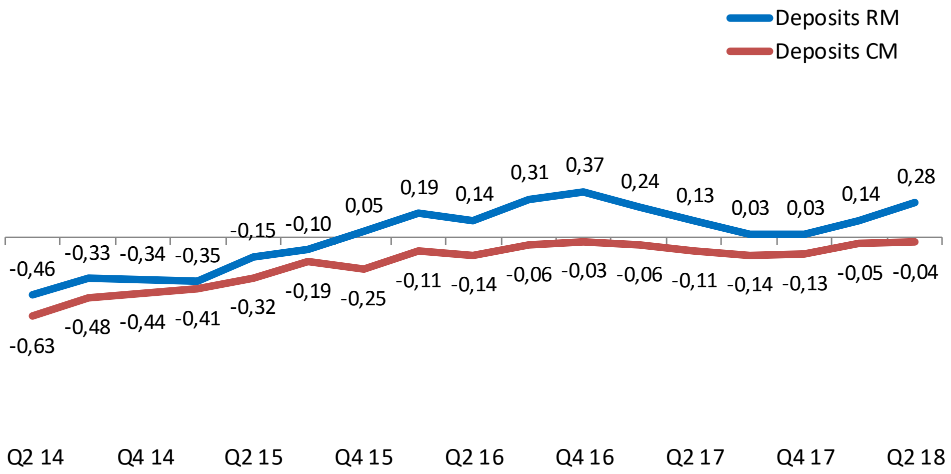


Share of deposits



SpareBank 1 SMN

Deposit margins Retail and Corporate



Comments

- Increased Nibor has strengthened the margins in 2018

Change in net interest income

1st half 2018 compared with 1st half 2017

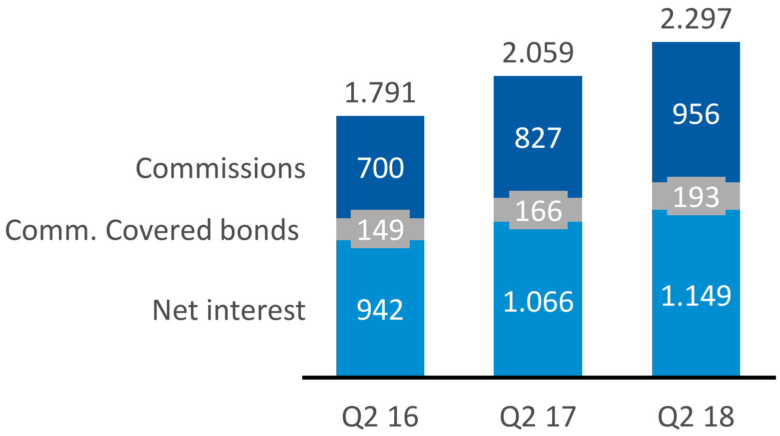
Net interest 1st half 2018	1.149
Net interest 1st half 2017	1.066
Change	**83**
Obtained as follows:	
Fees on lending	6
Lending volume	87
Deposit volume	1
Lending margin	-96
Deposit margin	11
Equity capital	5
Funding and liquidity buffer	36
Subsidiaries	32
Change	**83**

Comments

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

Robust income platform and increased commission income

Net interest and other income



Commissions 1st half 2018 and 2017

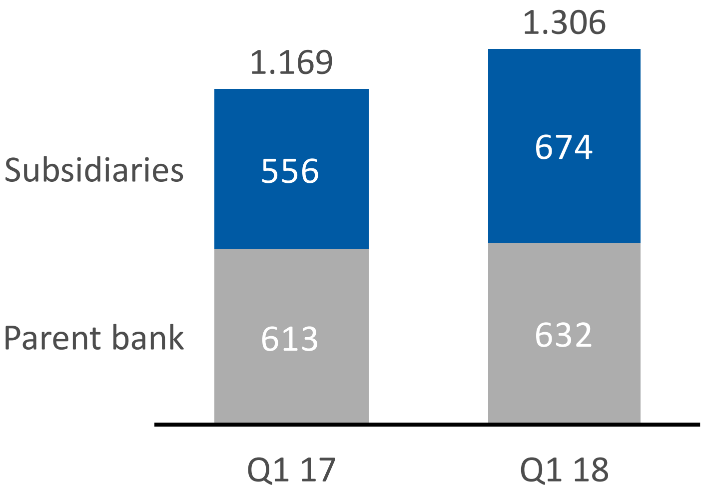
mill kr	Q2 18	Q2 17	Change
Payment transmission income	99	102	-4
Creditcards	31	29	2
Commissions savings and asset management	52	44	8
Commissions insurance	87	84	3
Guarantee commissions	32	32	0
Estate agency	203	200	2
Accountancy services	241	200	41
Markets	178	105	73
Other commissions	34	31	3
Commissions ex. Bolig/Næringskreditt	**956**	**827**	**129**
Commissions Boligkreditt (cov. bonds)	185	158	27
Commissions Næringskreditt (cov. bonds)	7	8	-1
Total commission income	**1.149**	**993**	**155**

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

Banking operations made more efficient, increased activity in the subsidiaries

Parent bank target of zero growth in costs stands firm

Costs in group 1st half 2017 and 2018



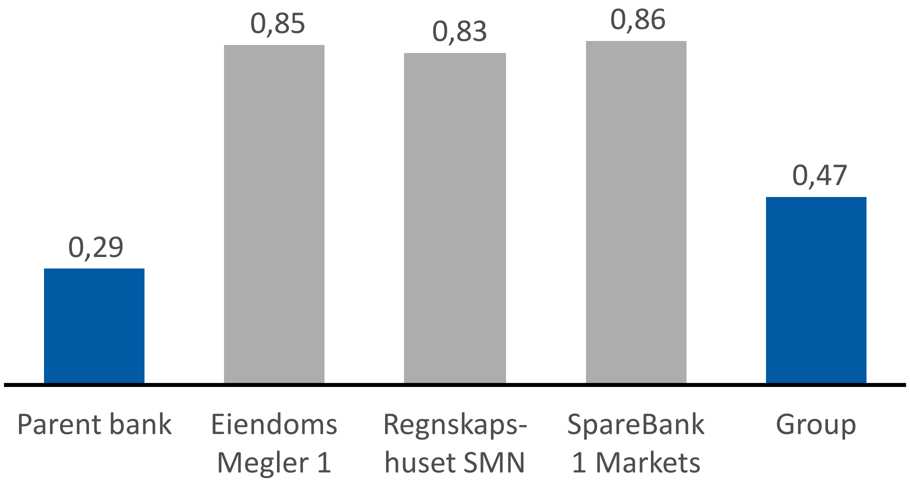
NOK 11m of the parent bank's cost growth is a one-time cost related to disposal of the head office

Cost growth due to focus on subsidiaries

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

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

Cost / Income



Profitable and non-capital-intensive subsidiaries:

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

Subsidiaries

Pre tax profit subsidiaries

mNOK, SMN's share in parentheseis	1st half 2018	1st half 2017	Change	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
EiendomsMegler 1 Midt-Norge (87 %)	18	23	-6	25	-8	-10	-11	19
SpareBank 1 Regnskapshuset SMN (95 %)	44	36	8	27	17	15	9	20
SpareBank 1 Finans Midt-Norge (65 %)	72	58	15	34	38	35	36	30
SpareBank 1 Markets (67 %)	36	20	16	29	7	8	-26	17
SpareBank 1 SMN Invest (100%)	23	16	7	19	4	12	15	15
Other companies	5	11	-6	0	6	5	5	6
Subsidiaries	**199**	**164**	**34**	**134**	**64**	**65**	**29**	**107**

The results refer to the respective company accounts

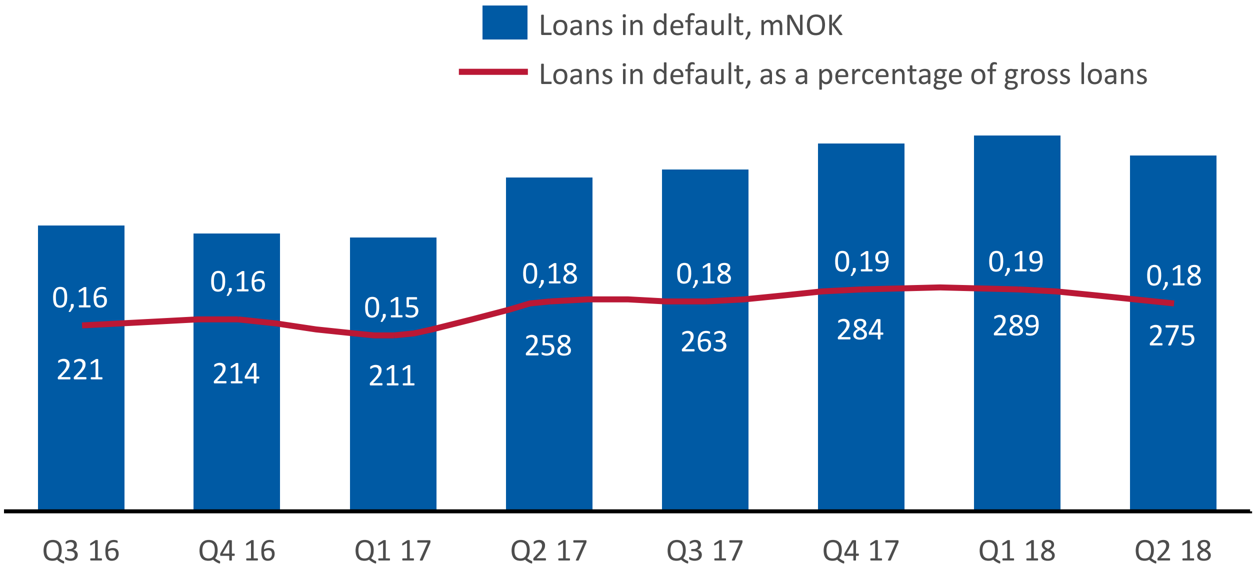
Associated companies

Profit shares after tax

mNOK, SMN's share in parentheseis	1st half 2018	1st half 2017	Change	Q2 18	Q1 18	Q4 17	Q3 17	Q2 17
SpareBank 1 Gruppen (19,5 %)	117	134	-17	81	36	134	80	68
SpareBank 1 Boligkreditt (19,0 %)	-5	-37	32	-8	3	-15	11	-13
SpareBank 1 Næringskreditt (36,5 %)	8	13	-5	4	4	1	5	5
BN Bank (33 %)	53	50	3	23	30	28	21	20
SpareBank 1 Kredittkort (17,9 %)	11	7	4	6	5	5	3	5
SpareBank 1 Betaling (19,5 %)	-6	0	-6	-3	-3	-7	0	0
Other companies	4	0	4	1	3	1	5	8
Associated companies	**183**	**167**	**16**	**103**	**79**	**147**	**126**	**94**

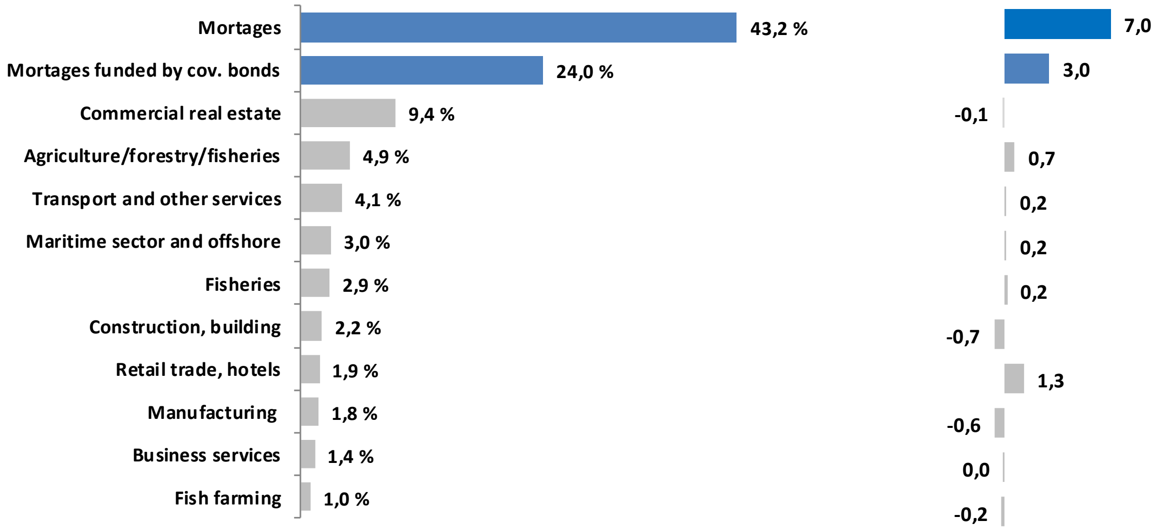
Very low levels on loans in default (0,18 %)

Last two years, per quarter



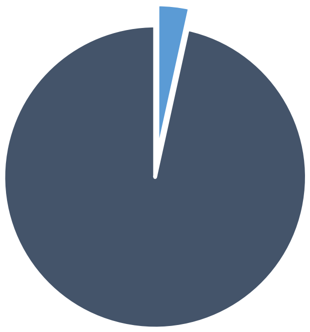
High share mortgages and diversified portfolio SMEs

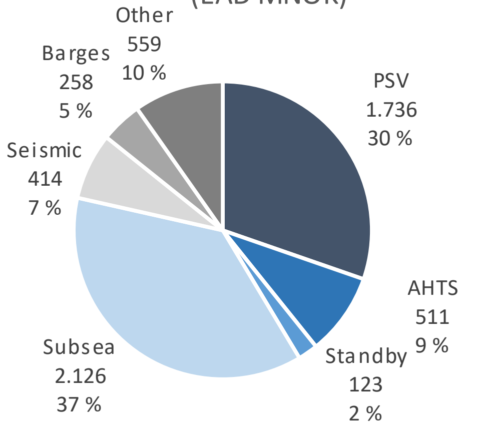
Lending by sector as a share of total lending and change last 12 months, NOKbn



SpareBank 1 SMN

Offshore constitutes a small share of total loans
Impairment level corresponds to 14 % of offshore portfolio





mill kr	EAD	Indivi-duelle	IFRS 9	Sum nedskr	Andel av EAD
Low risk	923	0	0	0,4	0,0 %
Medium risk	2.826	0	51	51	1,8 %
High risk	670	0	47	47	7,0 %
Obligors with impairments / defaulted	1.309	689	0	689	52,7 %
Total	**5.728**	**689**	**98**	**788**	**13,8 %**

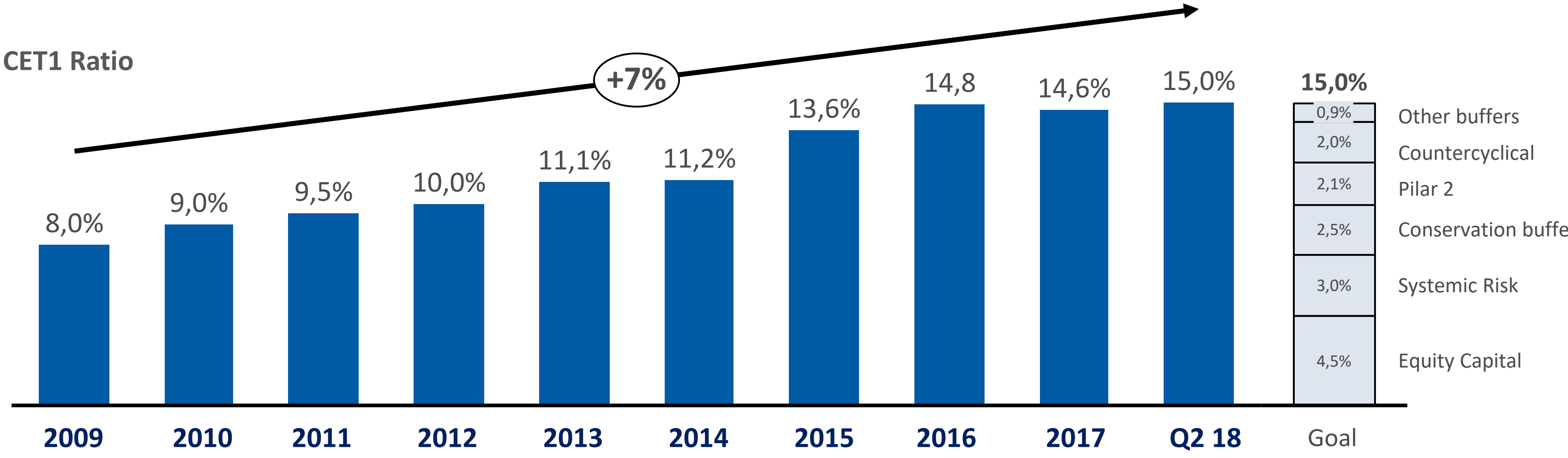
1st half 2018

Balance sheet

	30.6.18	30.6.17	30.6.16
Funds available	25,1	27,8	27,1
Net loans	114,7	106,4	97,0
Securities	2,5	1,5	1,5
Investment in related companies	5,8	5,7	5,7
Goodwill	0,8	0,7	0,6
Other assets	10,6	7,5	9,3
Total Assets	**159,6**	**149,4**	**141,1**
Capital market funding	53,1	49,2	48,4
Deposits	80,3	75,6	67,0
Other liabilities	5,9	5,7	7,7
Subordinated debt	2,2	2,2	3,6
Equity ex hybrid bonds	16,8	15,8	13,5
Hybrid bonds	1,1	0,9	1,0
Total liabilities and equity	**159,6**	**149,4**	**141,1**
in addition loans sold to Boligkreditt and Næringskreditt	39,0	36,4	34,8

SpareBank 1 SMN

Strong development in CET 1 (capital and ratio)



CET1 Capital	4.938	6.177	6.687	8.254	9.374	10.679	12.192	13.115	13.820	14.528
ROE	16,2 %	14,6 %	12,8 %	11,7 %	13,3 %	15,1 %	10,7 %	11,3 %	11,5 %	14,4%
RWA	64.400	66.688	75.337	82.450	84.591	95.322	89.465	88.788	94.807	97.137

SpareBank 1 SMN

SpareBank 1 and DNB will create the country's strongest insurance company

SpareBank 1 Gruppen and DNB are to amalgamate their insurance businesses, thereby creating one of Norway's largest non-life insurers

- The amalgamation of the insurance businesses will be achieved through the merger of DNB Forsikring AS with SpareBank 1 Skadeforsikring AS. Transfer of some personal risk insurances to the new company ahead of the merger is being considered. The company will be given a new and independent name

- SpareBank 1 Gruppen will hold a 60 per cent stake and DNB a 40 per cent stake. Pending approval by government authorities, the merger will take effect on 1 January 2019

- SpareBank 1 Forsikring AS will be a pure pension insurance company after the merger. The company is likely to change name to SpareBank 1 Pensjon AS

Key figures ECC

Last five years

	30.6.18	30.6.17	2017	2016	2015	2014
ECC ratio	63,9 %	64,0 %	64,0 %	64,0 %	64,0 %	64,6 %
Total issued ECCs (mill)	129,31	129,54	129,38	129,64	129,43	129,83
ECC price	84,50	71,75	82,25	64,75	50,50	58,50
Market value (NOKm)	10.926	9.316	10.679	8.407	6.556	7.595
Booked equity capital per ECC	80,21	75,40	78,81	73,35	67,39	62,04
Post-tax earnings per ECC, in NOK	5,75	3,66	8,71	7,93	6,96	8,82
Dividend per ECC			4,40	3,00	2,25	2,25
P/E	7,35	9,80	9,44	8,17	7,26	6,63
Price / Booked equity capital	1,05	0,95	1,04	0,88	0,75	0,94

Key figures

Last three years

	30.6.18	30.6.17	30.6.16
CET 1 ratio	15,0 %	14,9 %	14,1 %
Core capital ratio	17,0 %	16,8 %	16,1 %
Capital adequacy	19,0 %	19,0 %	18,7 %
Leverage ratio	7,4 %	7,2 %	6,8 %
Growth in loans (incl.Boligkreditt and Næringskreditt)	7,6 %	8,5 %	6,5 %
Growth in deposits	6,3 %	12,7 %	1,3 %
Deposit-to-loan ratio	69,4 %	70,4 %	68,5 %
RM share loans	67,3 %	65,4 %	64,2 %
Cost-income ratio	47,0 %	50,2 %	45,5 %
Return of equity	14,4 %	9,9 %	10,9 %
Impairment losses ratio	0,17 %	0,25 %	0,44 %

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HuginOnline:	www.huginonline.no
Equity capital certificates in general:	www.grunnfondsbevis.no

Financial calendar 2018

Q2 2018	8. August 2018
Q3 2018	26. October 2018