



SpareBank
SMN



1st quarter 2019

9. May 2019



1st 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



Norway's largest equity-certificate-issuing bank

1st quarter 2019

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

Retail customers
221 thousand

Corporate customers
15 thousand

Loan volume
161 bn

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

Good profits in Q1 2019

Net profit

NOK 1.046m (466m)

ROE

23.3 % (11.2)

CET1

14.8 % (14.6)

Pre loss result of core business NOK 496m (465m)
Loan losses NOK 67 m (48m)

ROE ex gain Fremtind 12.8 %

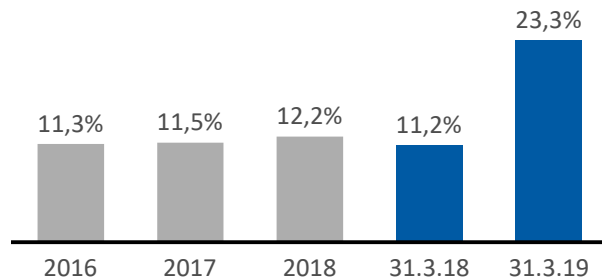
Leverage ratio 7.4 % (7.3)

Growth in lending RM 8.3 % (10.0) and **CM 3.4%** (4.0)
Growth in deposits 6.8 % (8.2)

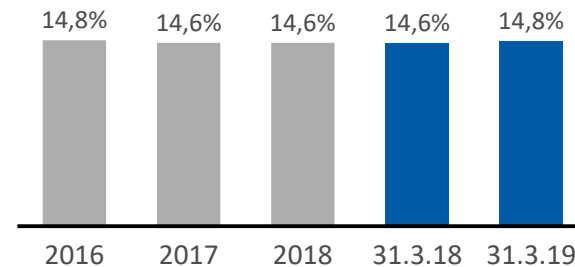
Booked equity capital per ECC NOK 83.86 (NOK 76.53)
Profit per ECC NOK 5.02 (NOK 2.21)

Good profits and strong capitalization

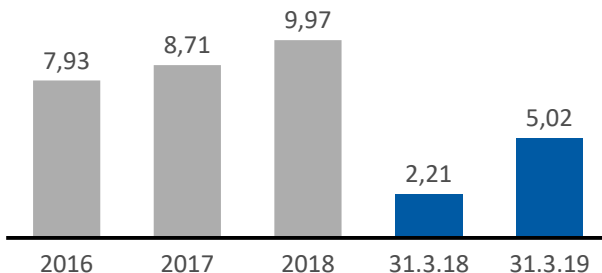
Return on equity



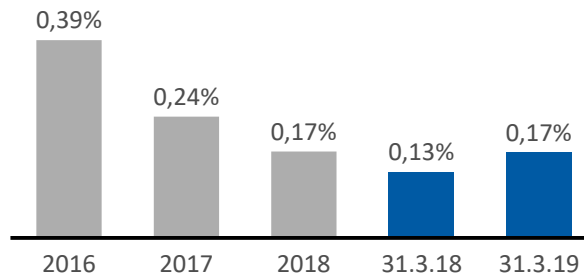
CET1



Earnings per ECC

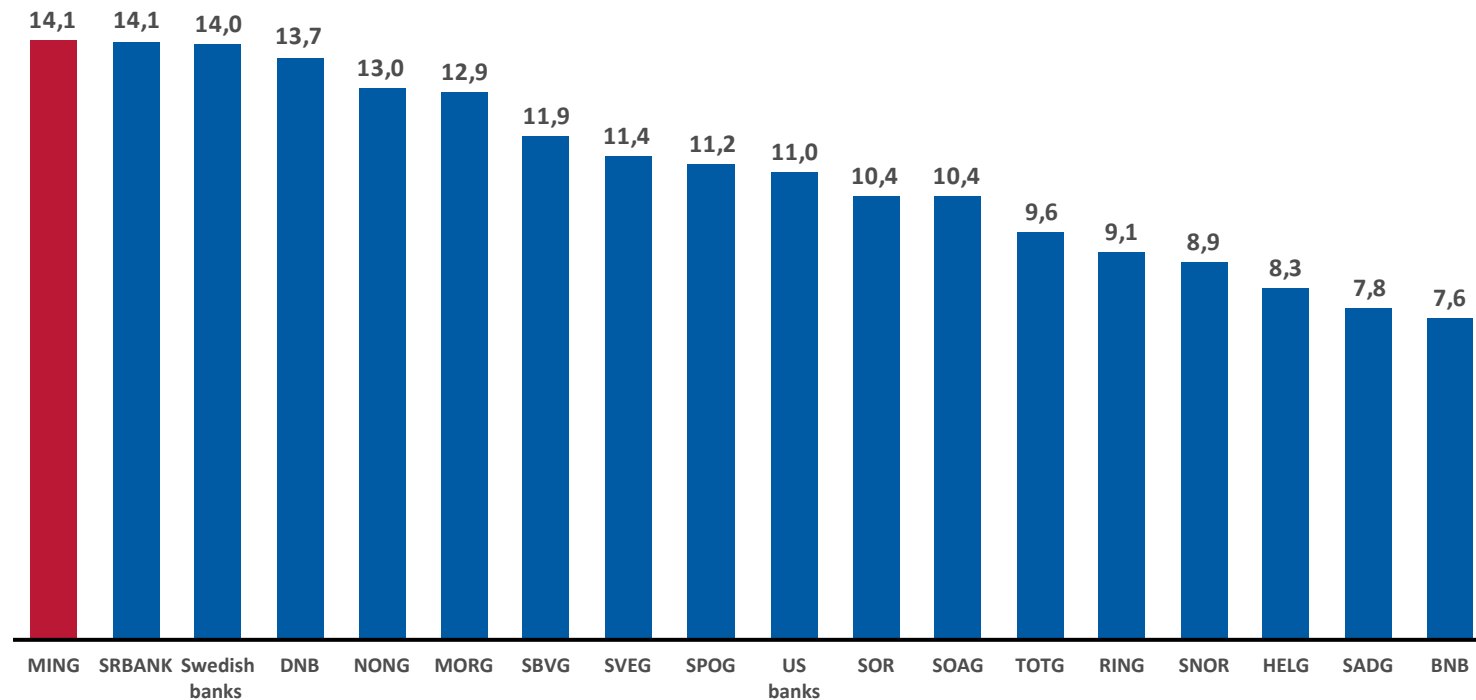


Loan losses as a percentage of total lending



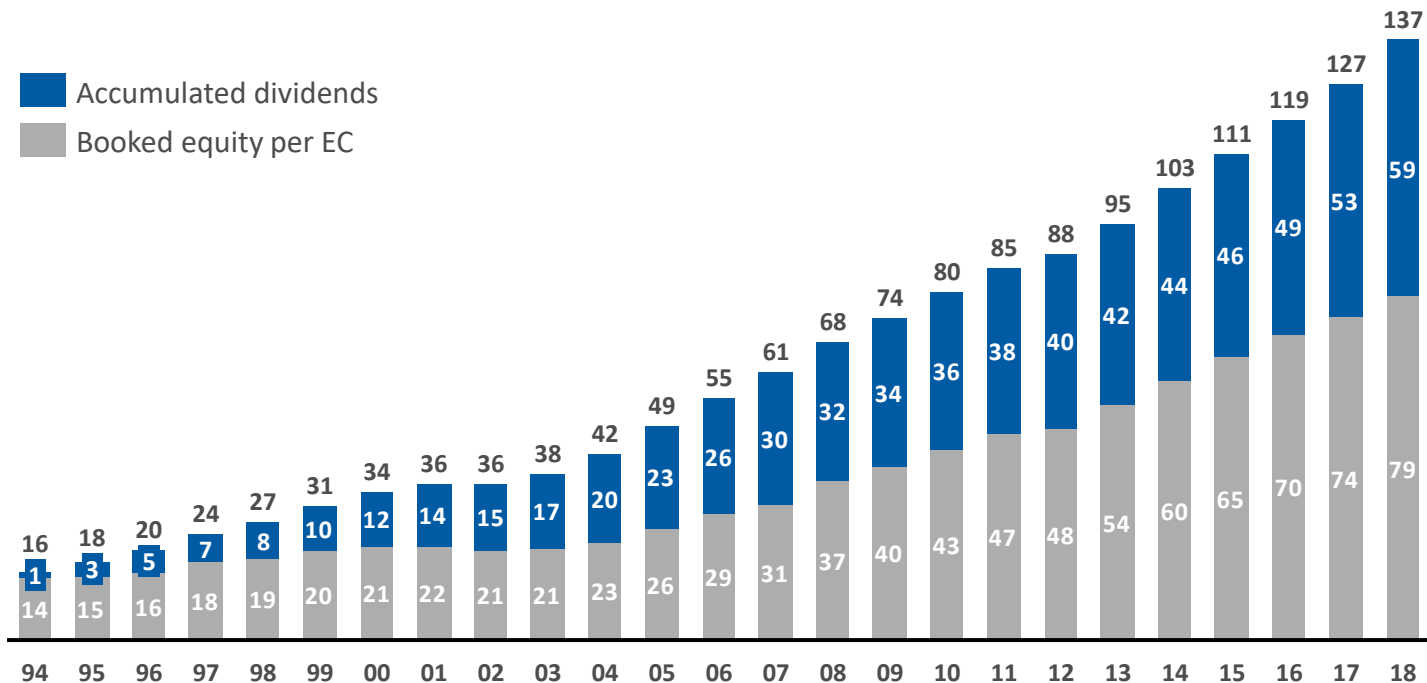
History shows very solid profitability in shifting times

...average return on equity of 14% over last 20 years



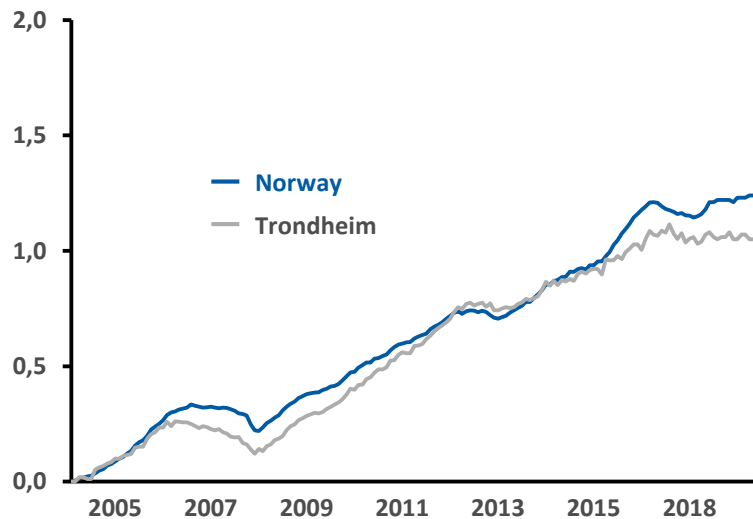
...and this profitability delivers strong value creation for SMN's shareholders

...the bank has paid NOK 53 in dividends since stock exchange listing. Book equity per EC from NOK 14 to NOK 79



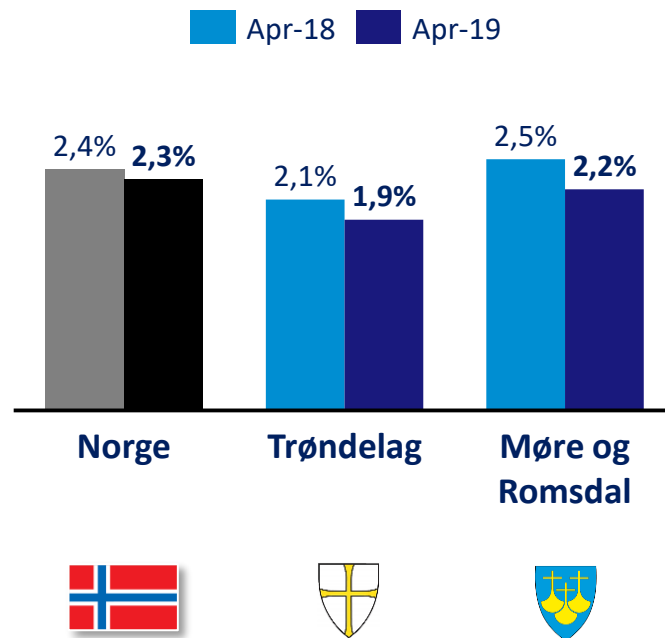
House process levelling out at a high level

House prices 2005 – Q1 2019



Low unemployment

Monthly figures April 2018 and April 2019



Industry indicator Q1 2019

Stable outlook in the industries. Good prospects within fisheries and aquaculture



Fisheries



Aquaculture



Agriculture



Retail trade



Construction



Comm. property



Maritime industry



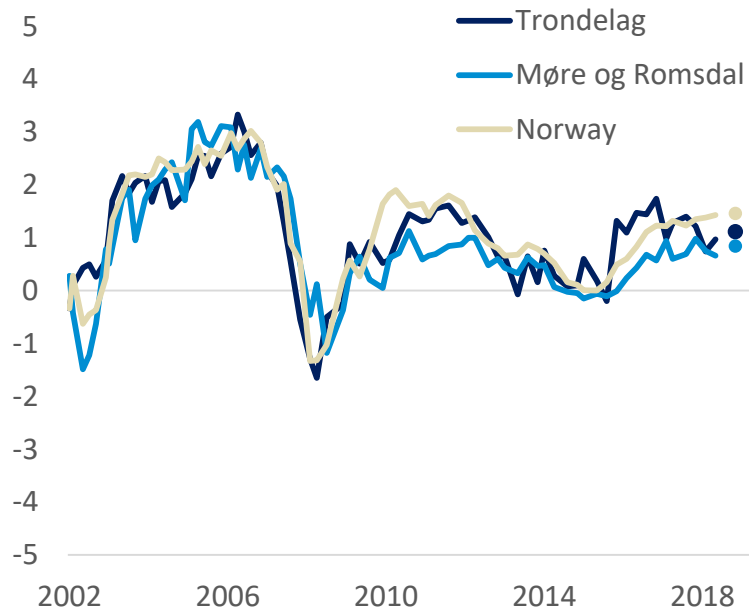
Offshore services



1st quarter 2019

Positive macroeconomic development

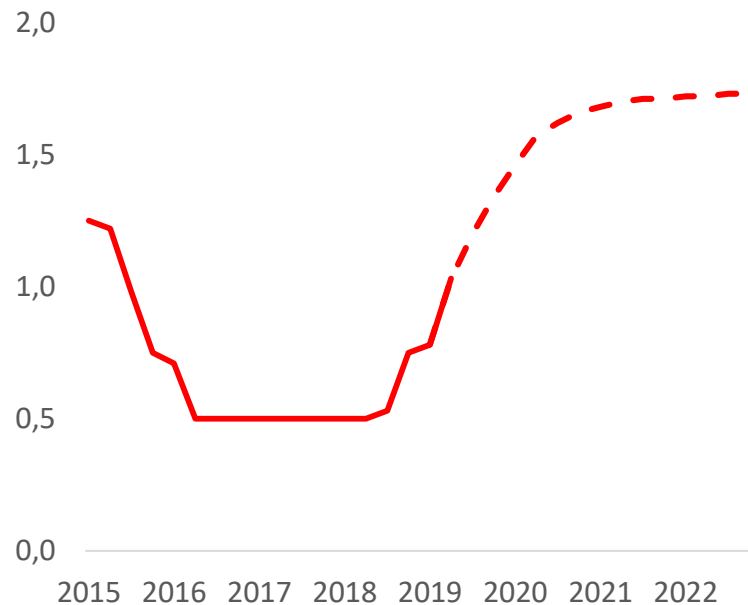
Output growth by region, last three months and next six months



Source: Norges Bank's Regional Network

1st quarter 2019

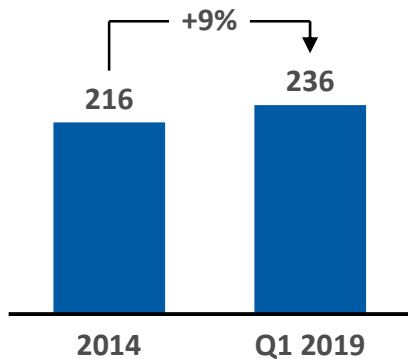
Key policy rate increased from september 2018, further increase expected



Source: Norges Bank

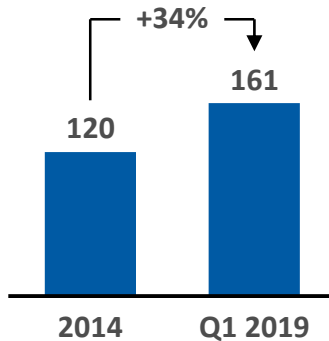
Increased number of customers, volumes and incomes

Number of customers



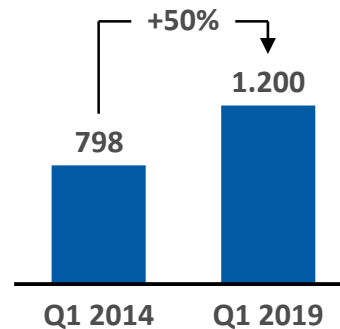
Stronger customer growth
than population growth

Total loan volume



Stronger lending
growth than credit
growth

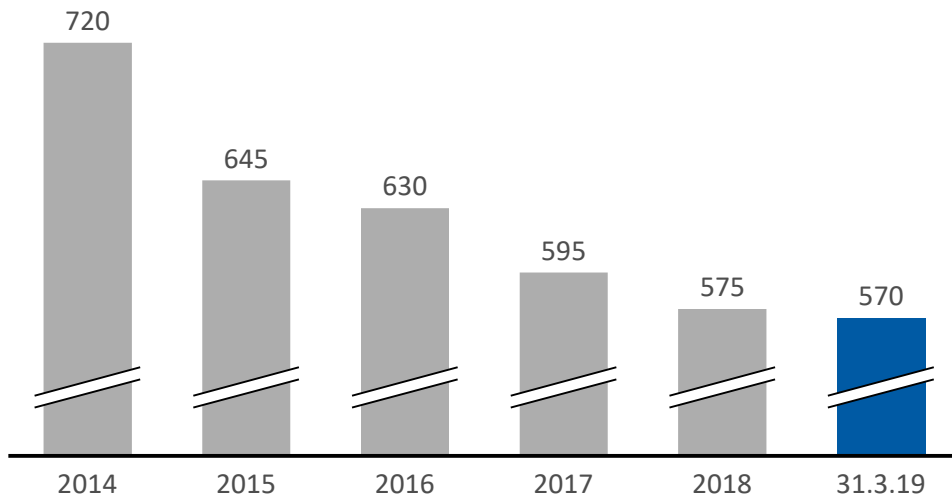
Operating income



Strengthening incomes
on a diversified platform

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
- In the same period 100 new staff members have been recruited, in particular in the areas of digital development and control tasks

Strong market position for subsidiaries



Sparebank 1 Finans Midt-Norge

NOK 40m (38m)

Solid market position. Leasing NOK 3.3bn and car loans 4.4 mrd. Strong growth in car loans



Sparebank 1 Regnskapshuset SMN

NOK 21m (17m)

Turnover NOK 140m Q1 19. Consolidating and digitalizing the industry. Market share 26 %



EiendomsMegler 1 Midt-Norge

- NOK 9m (-8m) *including BN Bolig*

Profit EM1 NOK 0.1m (NOK 3.7m), 38 % marketshare. Strong synergy with the bank
Proft BN Bolig –NOK 8.5M (-NOK 10.2m)



Sparebank 1 Markets

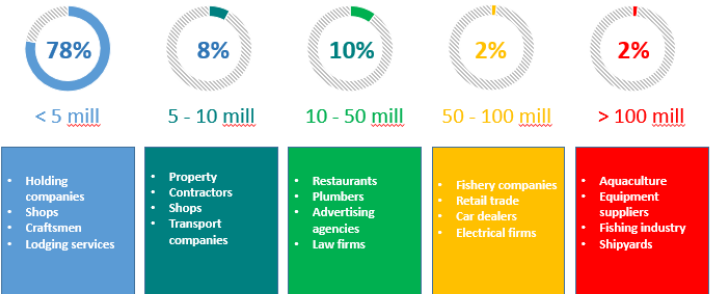
NOK 2m (7m)

Complete range of capital market services in cooperation with the owner banks. High growth in income, turnover NOK 144m (NOK 135m)

DeBank and «Driv» and SpareBank 1 Regnskapshuset strengthen the position in the SME segment

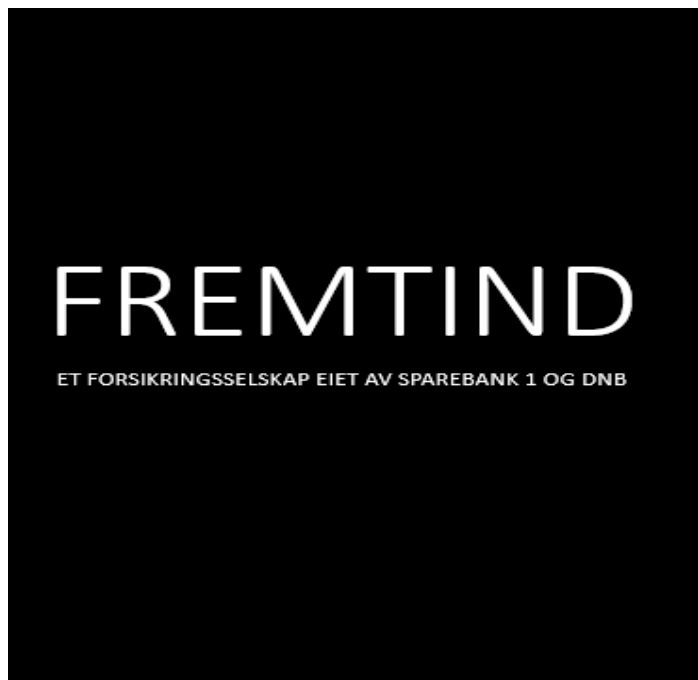


Almost 80% of Norwegian limited companies have a turnover below NOK 5m (and probably very simple banking needs)



Frienemies: a forward looking and value creating strategy







In 2019 we want people up and out of the sofa



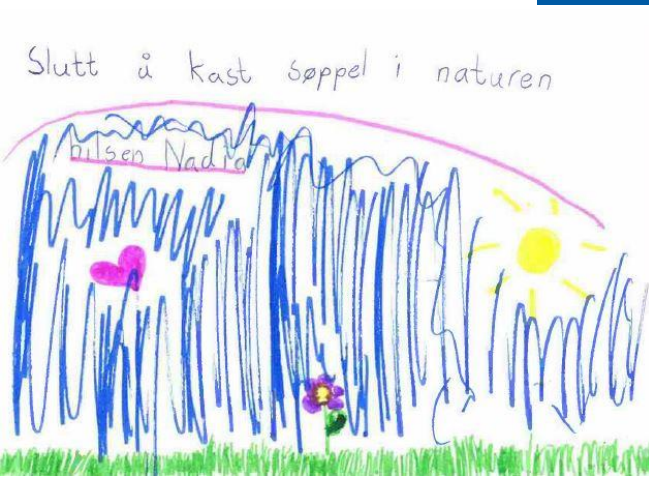
At this time almost 500 organisations in Central Norway are being informed that they are to receive a share of the bank's 'social dividend'.

Close to NOK 7 million is to be handed out this spring.

This year priority is given to projects and equipment that promote the UN's Sustainable Development Goal 3: healthy lives and well-being for all.



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



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

1st quarter 2019

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

Good results and positive prospects



Outlook for Central Norway's economy remains good



Fremtind points up the value of the SpareBank1 Alliance



Stiffer competition for residential mortgage borrowers



Strong position in the market for small businesses. DeBank a valuable contributor



New CRM system. First-class internet and mobile bank. Relationship-based sales and advice



Losses on loans expected to be lower in 2019 than in 2018



CET1 ratio of 14.8 per cent
Leverage ratio of 7.4 per cent



ROE 23.3 per cent
ROE exc. Fremtind gain 12.8 per cent

Jan-Frode Janson new CEO Finn Haugan steps down after 28 years



Finn Haugan

Jan-Frode Janson

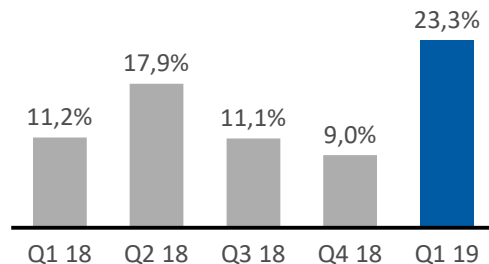


Financial information

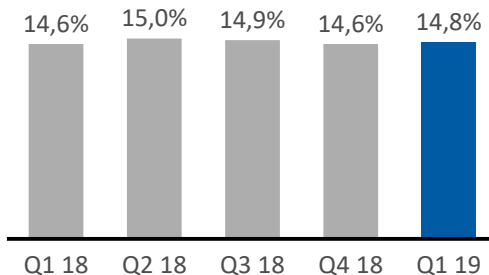
Kjell Fordal, CFO

Good profits and strong capitalization. Lower loan losses

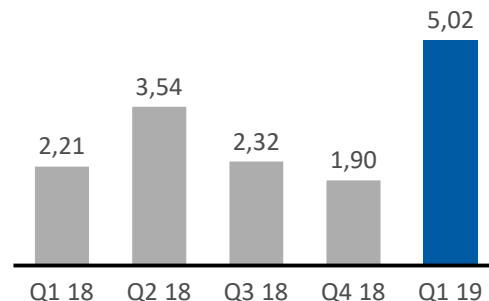
Return on equity



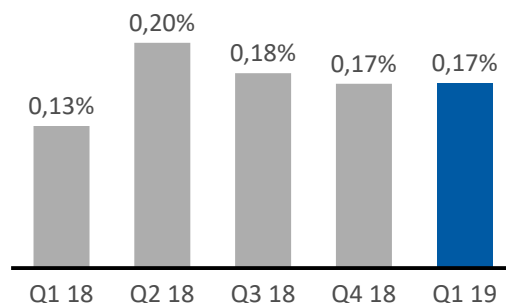
CET 1



Earnings per ECC



Loan losses as a percentage of total loans



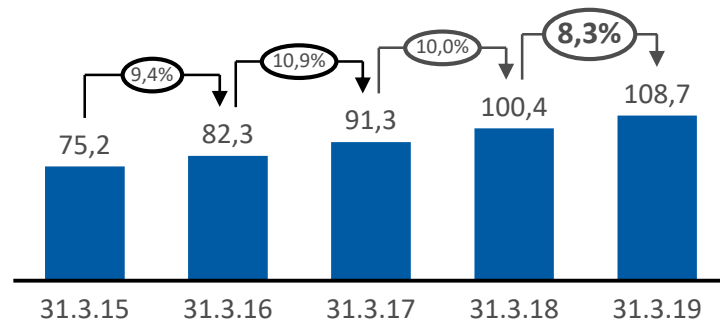
1st quarter 2019

Strengthened profits

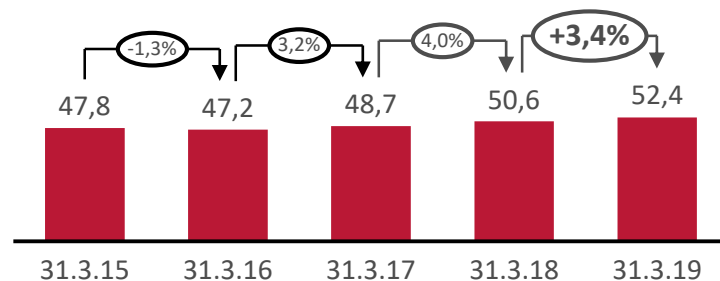
NOK mill	2019	2018	Change	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Net interest	649	568	81	649	644	610	581	568
Commission income and other income	551	542	9	551	543	486	607	542
Operating income	1.200	1.110	90	1.200	1.187	1.096	1.188	1.110
Total operating expenses	704	645	59	704	701	616	661	645
Pre-loss result of core business	496	465	31	496	486	479	526	465
Losses on loans and guarantees	67	48	19	67	67	69	78	48
Post-loss result of core business	428	416	12	428	418	410	448	416
Related companies	95	79	16	95	130	105	102	79
Gain Fremtind	460		460	460				
Securities, foreign currency and derivatives	172	100	71	172	-35	77	199	100
Result before tax	1.155	596	559	1.155	513	592	748	596
Tax	109	131	-22	109	104	119	156	131
Result investment held for sale	0	1	-1	0	-8	6	150	1
Net profit	1.046	466	580	1.046	401	480	743	466

Total growth lending 6.6 % las 12 months

Lending RM +10.0 % (CAGR)



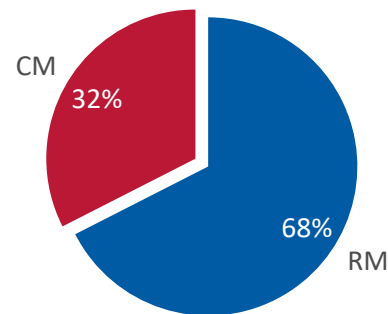
Lending CM + 2.0 % (CAGR)



High growth in home mortgage lending

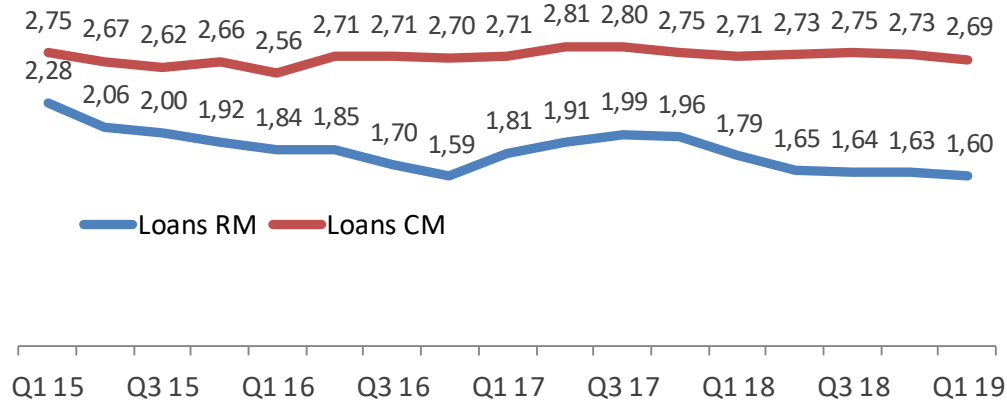
- Residential mortgage market growth of about 5.6 % (C2). Growth above this figure represents increased market share
- Share of loans to personal borrowers up from 61 to 68 per cent in last three years
- Growth to corporates is mainly to small businesses

Share of lending



Lending margins

Increased nibor

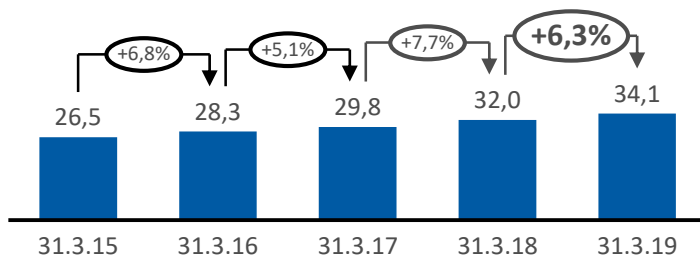


Comments

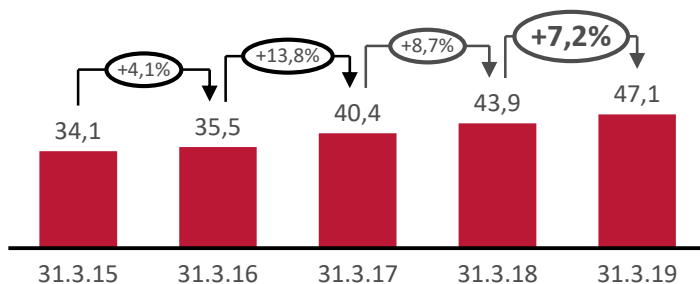
- Increased Nibor in 2018 and 2019, and mortgage margins have been under pressure
- Base rate increased by 0.50 percentage points since September 2018
- General increase in residential lending rates carried out in the fourth quarter 2018, next general increase will be carried out in the second quarter of 2019

Total growth deposits 6.8 % last 12 months

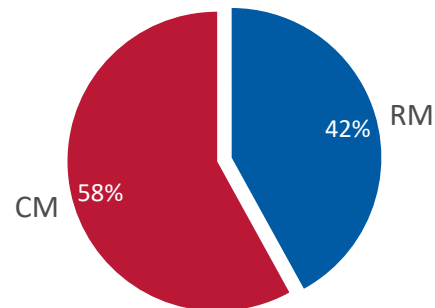
Deposits RM + 6.5 % (CAGR)



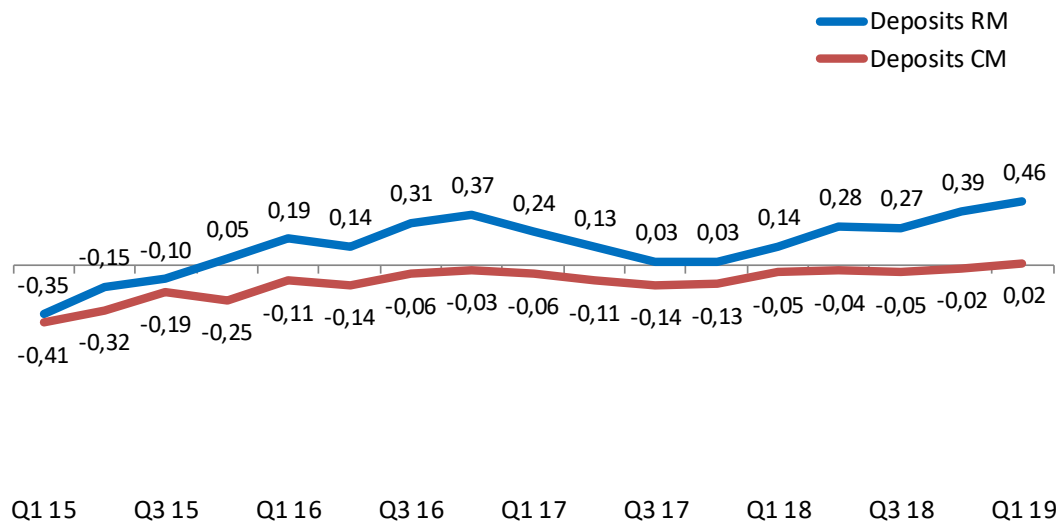
Deposits CM + 8.4 % (CAGR)



Share of deposits



Deposit margins Retail and Corporate



Comments

- Increased Nibor in 2018 and 2019 has strengthened the margins

Change in net interest income

Q1 2019 compared with Q1 2018

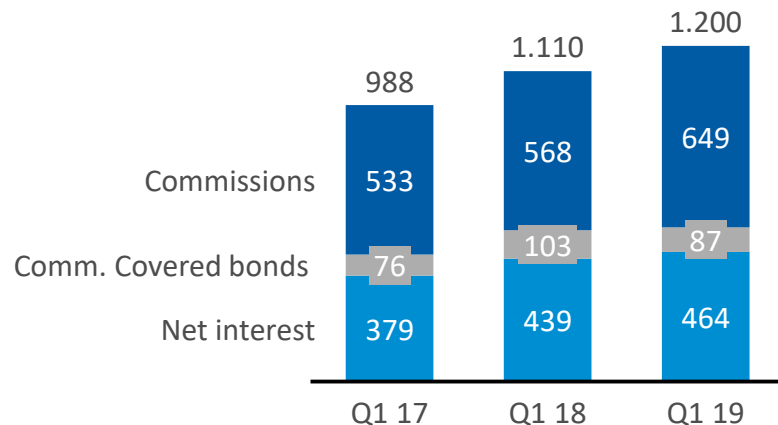
Net interest Q1 19	649
Net interest Q1 18	568
Change	81
Obtained as follows:	
Fees on lending	-4
Lending volume	35
Deposit volume	1
Lending margin	-34
Deposit margin	40
Equity capital	15
Funding and liquidity buffer	13
Subsidiaries	15
Change	81

Net interest income strengthened by growth and increased deposit margin; lending margin on residential mortgages under pressure

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

Robust income platform and increased commission income

Net interest and other income



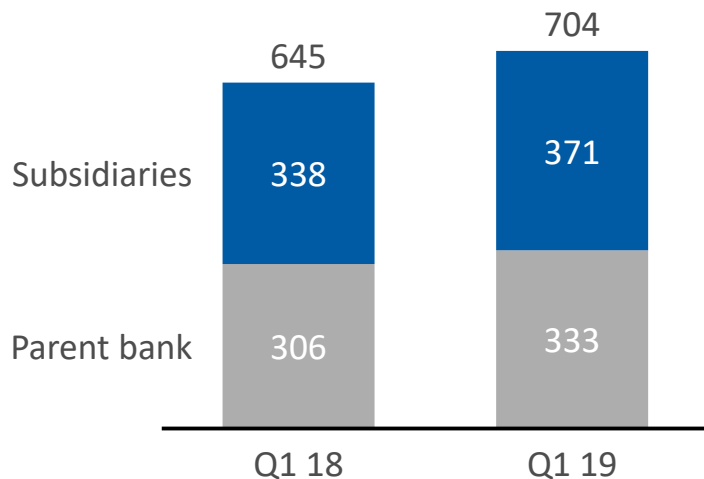
Commissions Q1 2019 and Q1 2018

<i>mill kr</i>	2019	2018	Change
Payment transmission income	52	52	0
Creditcards	15	15	0
Commissions savings and asset management	27	26	0
Commissions insurance	44	43	0
Guarantee commissions	14	17	-3
Estate agency	84	83	2
Accountancy services	133	115	17
Markets	85	65	20
Other commissions	10	22	-12
Commissions ex. Bolig/Næringskreditt	464	439	25
Commissions Boligkreditt (cov. bonds)	83	99	-16
Commissions Næringskreditt (cov. bonds)	4	3	1
Total commission income	551	541	10

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

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

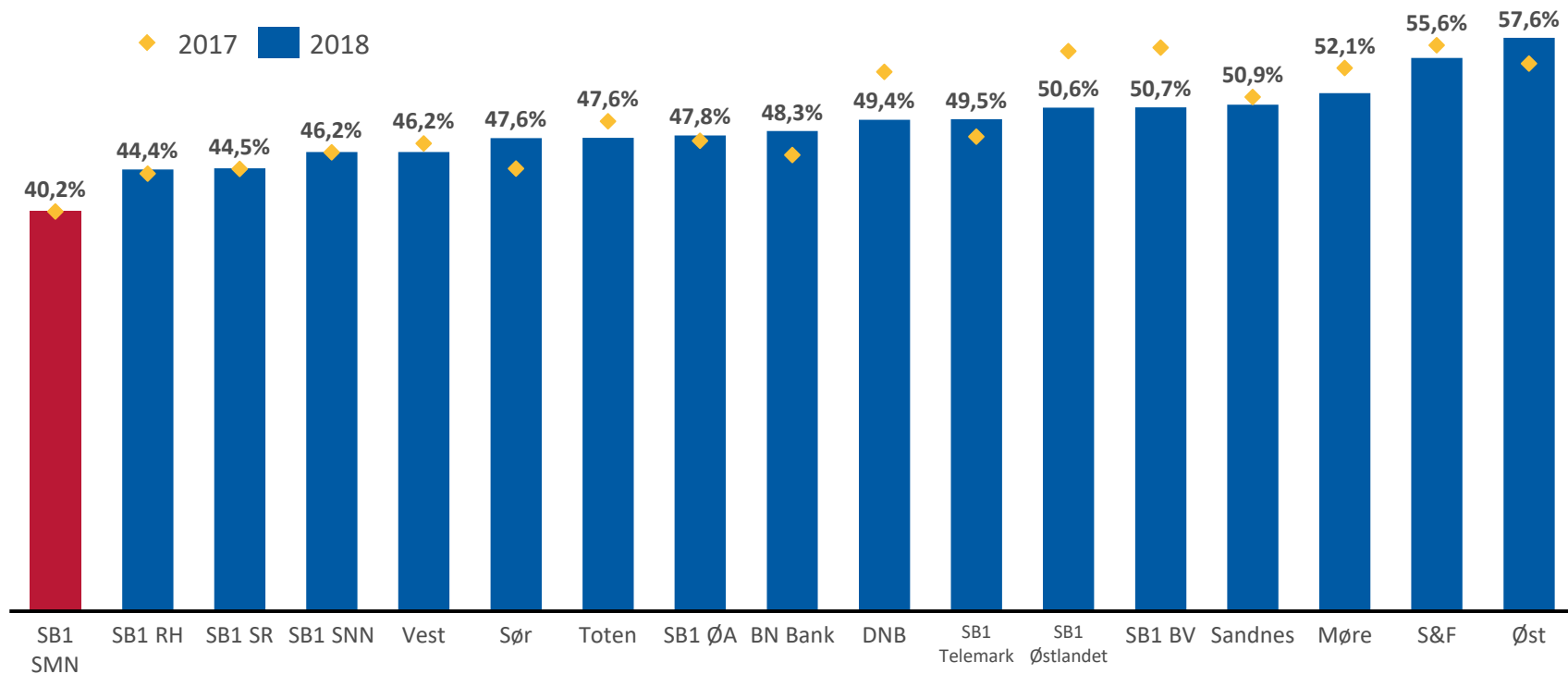
Costs Q1 2018 and Q1 2019



- **Cost growth at the subsidiaries**
 - Acquisitions by SMN Regnskapshuset
 - Strengthened commitment at SpareBank 1 Markets
 - Start-up costs BN bolig
 - Acquisition of DeBank
 - Determination to consolidate and develop the strong position of the subsidiaries
- **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
 - One-time costs of NOK 12 million upon allocation of equity certificates
- **The bank not content with the growth in costs**

SpareBank 1 SMN has highly efficient banking operations

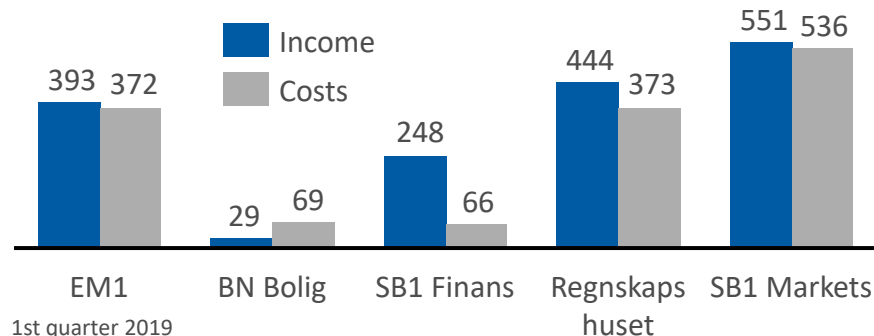
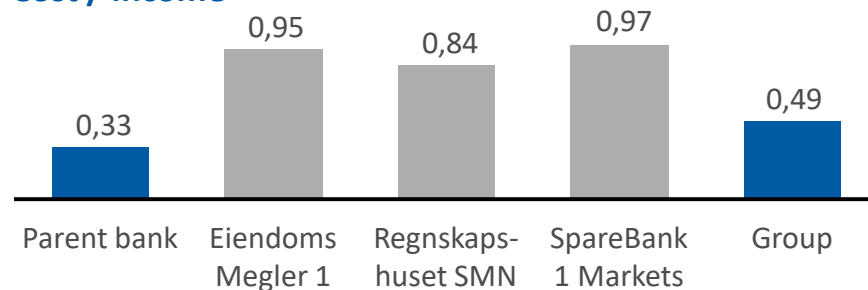
Costs in % of income exc. financial income at the parent bank



1st quarter 2019

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

Cost / Income



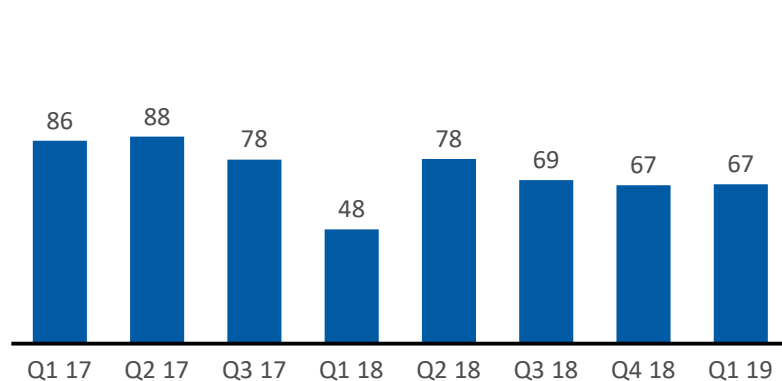
Profitable and non-capital-intensive subsidiaries:

- 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

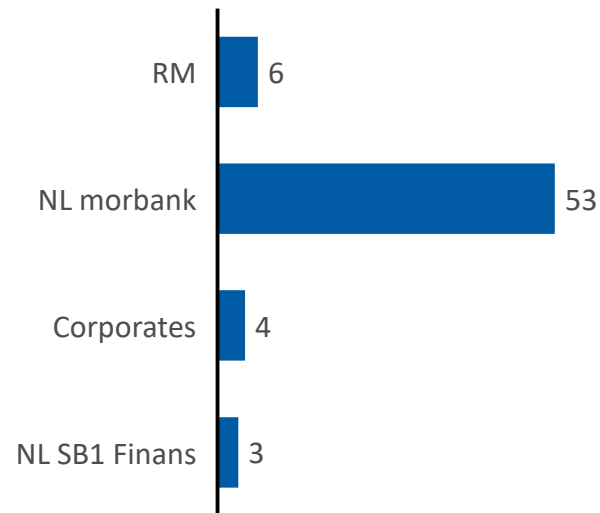
Lower loan losses

Losses mainly in the offshore industry

Losses per quarter, NOKm



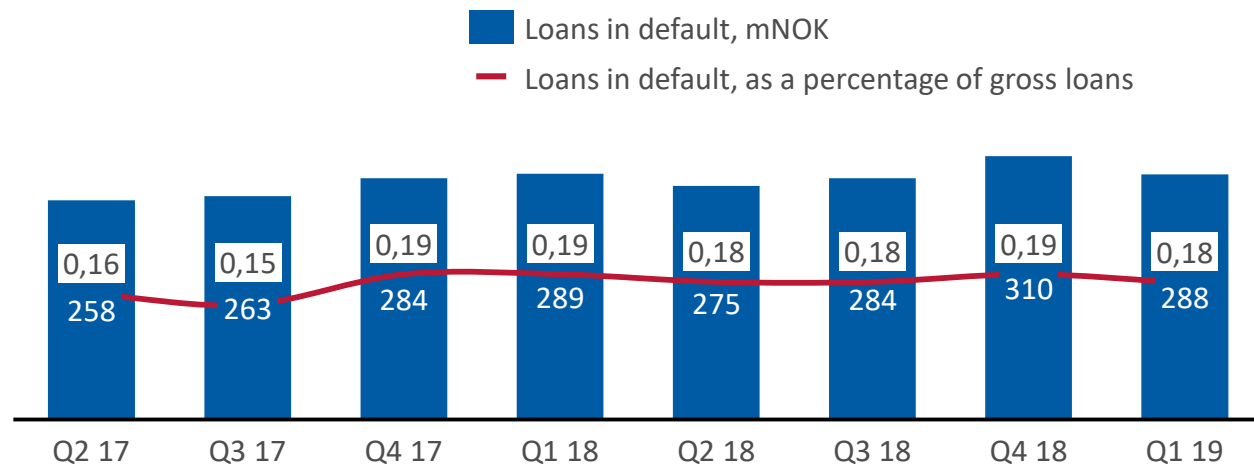
Distribution Q1 2019



Loan losses including collective losses provisions 0.17 % (0.24 %) of gross lending as of 31.3.2019

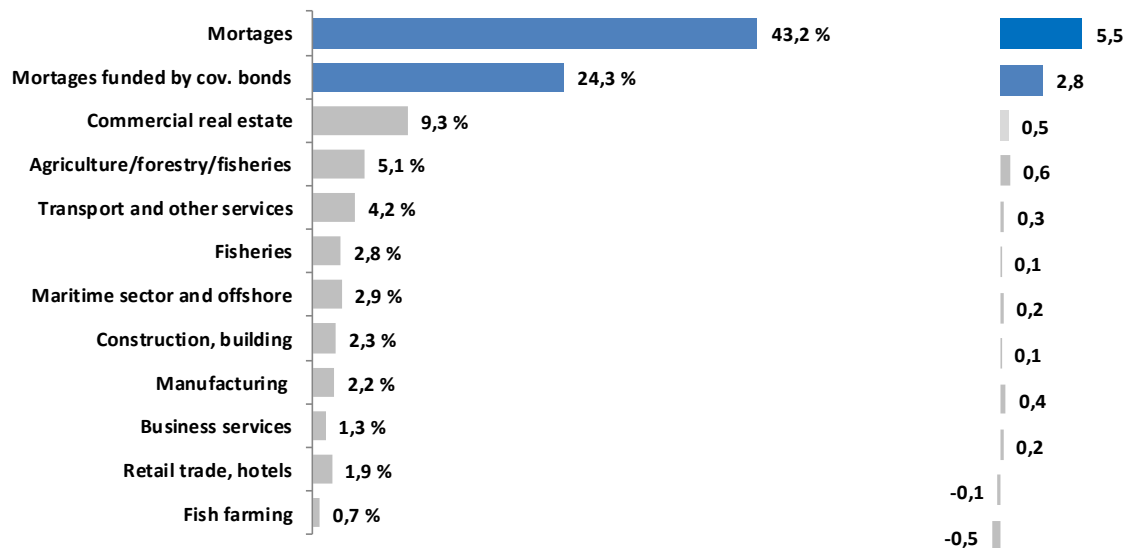
Very low levels on loans in default (0,18 %)

Last two years, per quarter



High share mortgages of 68 % and diversified portfolio SMEs. Total lending NOK 161bn

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

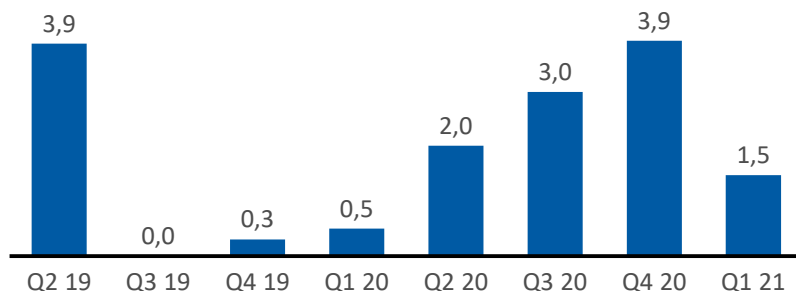
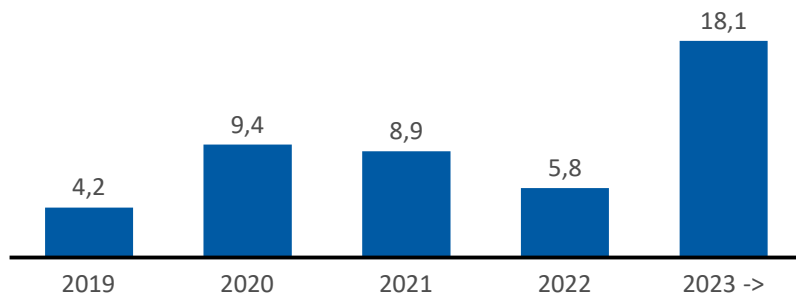


Balance sheet

	31.3.19	31.3.18	31.3.17
Funds available	29,8	25,5	22,9
Net loans	119,3	112,1	103,2
Securities	2,0	2,2	1,7
Investment in related companies	6,4	6,5	6,0
Goodwill	0,8	0,8	0,7
Other assets	6,2	4,9	7,6
Total Assets	164,6	152,1	142,0
Capital market funding	54,8	49,8	46,9
Deposits	81,1	75,9	70,2
Other liabilities	7,8	6,8	6,5
Subordinated debt	2,3	2,2	2,2
Equity ex hybrid bonds	17,7	16,1	15,3
Hybrid bonds	1,0	1,3	0,9
Total liabilities and equity	164,6	152,1	142,0
in addition loans sold to Boligkreditt and Næringskreditt	41,0	37,9	35,9

Satisfying access to capital market funding

Funding maturity 31. March 2019 (NOK bn)



Comments

- SpareBank 1 Boligkreditt is the main funding source through covered bonds. NOK 39 billion transferred as of 31. March 2019
- Maturities next two years NOK 15.1 bn:
 - NOK 4.2 bn in 2019
 - NOK 9.4 bn in 2020
 - NOK 1.5 bn in Q1 2021
- LCR 180 % as at 31. March 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

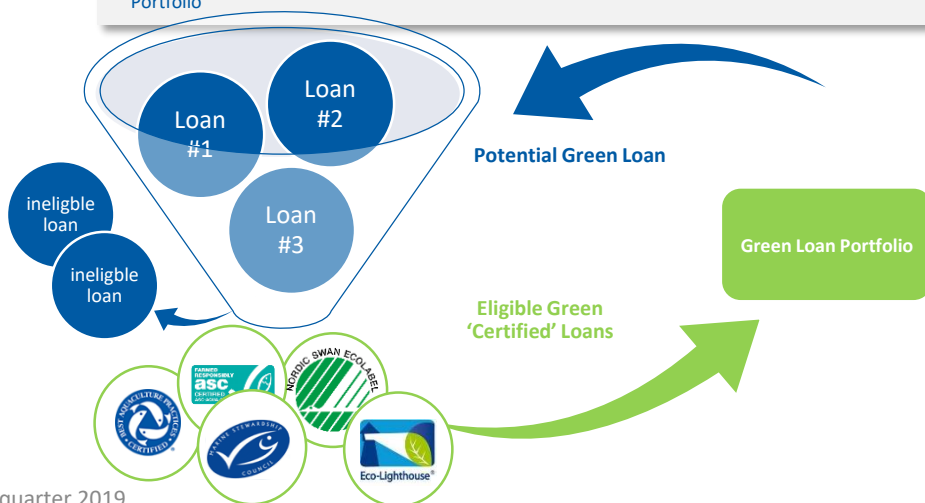
SpareBank 1 SMN has established a green bond framework

NOK 8.6bn of the bank's lending portfolio is qualified



Eligibility Criteria:

- Enterprises must benefit from selected sustainability certifications on products, services or processes
- 1. Sustainable Fisheries, Aquaculture & Agriculture:** MSC, ASC, BAP and GAP certification labels
- 2. Eco-efficiency lending:** Eco-Lighthouse, Nordic Swan Ecolabel certification labels
- Given the GCP nature of such loans, **SMN targets only impactful green activities:**
 - "Pure play" lending to enterprises which are expected to derive $\geq 90\%$ turnover from certified activities (mostly SME's⁴, but also larger enterprises)
 - For SME's with $< 90\%$ certified activities, SMN uses a proportional approach – only the portion of turnover from certifications is eligible for the Green Loan Portfolio

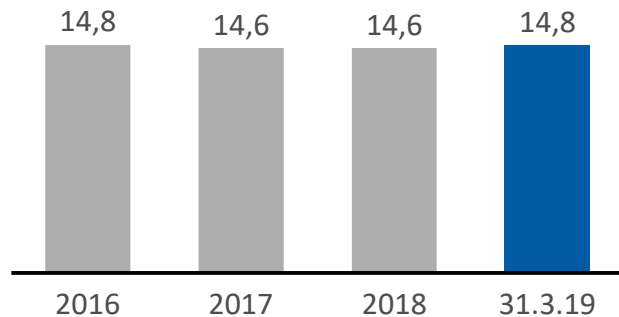


Certifications:

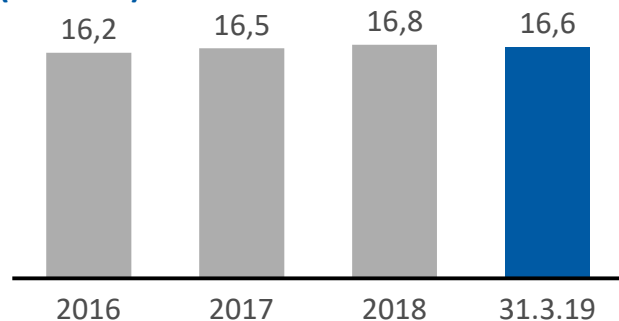


Strong capitalization

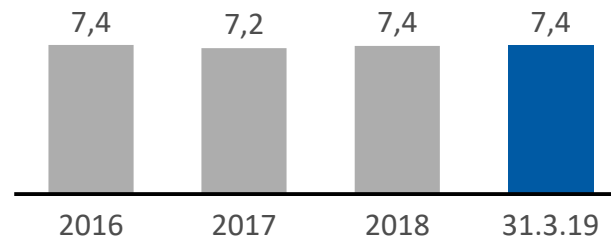
CET1



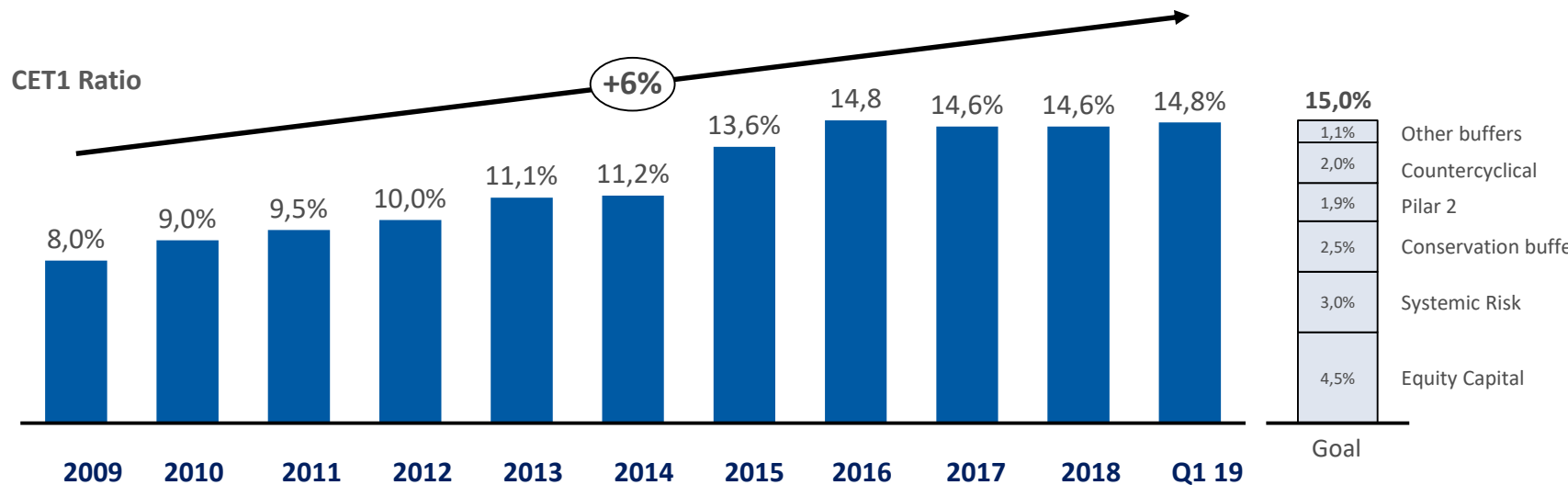
CET 1 without transitional arrangements (Basel III)



Leverage ratio



Strong development in CET 1 (capital and ratio)



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q1 19
CET1 Capital	4,938	6,177	6,687	8,254	9,374	10,679	12,192	13,115	13,820	14,727	15,122
ROE	16.2 %	14.6 %	12.8 %	11.7 %	13.3 %	15.1 %	10.7 %	11.3 %	11.5 %	12.2%	23.3%
RWA	64,400	66,688	75,337	82,450	84,591	95,322	89,465	88,788	94,807	101,168	102,495

1st quarter 2019

Financial soundness

- CET1 ratio of 14.8 % at 31. March 2019 is slightly below the board of directors' target
- Increased countercyclical buffer of 0.5 percentage points, and reduced Pillar 2 add-on of 0.2 percentage points, entail a new capital target of 15.4 % at the end of 2019
- The bank awaits the Finance Ministry's review of Finanstilsynet's recommendation of SIFI status for SMN
- Removal of the specifically Norwegian Basel I floor, and the introduction of the SMB discount, will strengthen the CET1 ratio by about 2.4 percentage points

Financial consequences of establishing Fremtind

Finans

DNB og Sparebank 1 lager forsikringskjempe

Nytt skadeselskap gir milliarder i kassen for begge parter.

1 min Publisert: 24.09.18 — 08.53 Oppdatert: en måned siden



Banktjefene Turid Grotmolli i Sparebanken 1 (til venstre) og Rune Bjørke i DNB signerer avtalen om forsikringsfusjonen som ble varslet i juni. (Foto: Sparebank 1)

- DNB Insurance has merged with SpareBank 1 Skadeforsikring.
- DNB has acquired up to 35 per cent and SpareBank 1 Gruppen owns 65 per cent of the new company. DNB has an option to acquire a stake of up to 40 per cent
- The accounting gain of the non-life merger for SMN is NOK 488m, and SpareBank 1 SMN has received NOK 334m in dividends from SpareBank 1 Gruppen
- The amalgamation of personal risk products is planned to take place in the course of 2019

SpareBank 1 SMN

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SMN homepage og internet bank:

HuginOnline:

Equity capital certificates in general:

www.smn.no

www.huginonline.no

www.grunnfondsbevis.no



Financial calendar 2019

Q1: 9. may 2019

Q2: 8. august 2019

Q3: 30. october 2019

Appendix

1st quarter 2019



Subsidiaries

Pre tax profit subsidiaries

mNOK, SMN's share in parentheses	2019	2018	Change	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
EiendomsMegler 1 Midt-Norge (87 %)	-9	-8	-1	-9	-29	-11	25	-8
SpareBank 1 Regnskapshuset SMN (95 %)	21	17	4	21	14	13	27	17
SpareBank 1 Finans Midt-Norge (65 %)	40	38	2	40	42	35	34	38
SpareBank 1 Markets (67 %)	2	7	-5	2	-6	-15	29	7
SpareBank 1 SMN Invest (100%)	26	4	22	26	-20	4	19	4
DeBank (100%)	-5	0	-5	-5	0	0	0	0
Other companies	5	6	-1	5	-1	2	0	6
Subsidiaries	79	64	15	79	1	27	134	64

The results refer to the respective company accounts

Associated companies

Profit shares after tax

mNOK, SMN's share in parentheses	2019	2018	Change	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
SpareBank 1 Gruppen (19,5 %)	38	36	2	38	99	72	81	36
Gain Fremtind	460	0	460	460	0	0	0	0
SpareBank 1 Boligkreditt (19,0 %)	14	3	11	14	-9	7	-8	3
SpareBank 1 Næringskreditt (36,5 %)	8	4	3	8	4	2	4	4
BN Bank (33 %)	24	30	-6	24	24	20	23	30
SpareBank 1 Kredittkort (17,9 %)	3	5	-2	3	6	5	6	5
SpareBank 1 Betaling (19,5 %)	12	-3	15	12	-3	-3	-3	-3
Other companies	0	4	-4	0	-1	-4	1	3
Associated companies	560	79	480	560	120	100	103	79

Return on financial investments

NOKm	2019	2018	Change	Q1 19	Q4 18	Q3 18	Q2 18	Q1 18
Capital gains shares	84	5	79	84	-48	26	113	5
Gain/(loss) on derivatives	23	119	-95	23	-5	50	23	119
Gain/(loss) on other financial instruments at fair value	10	4	6	10	-13	11	8	4
Foreign exchange gain / (loss)	9	11	-2	9	16	21	15	11
Gain/(Loss) on certificates and bonds	32	-59	91	32	5	-45	23	-59
Gains/(Loss) on shares and share derivatives at SpareBank 1 Markets	15	17	-2	15	7	14	20	17
Gain/(loss) on financial instruments related to hedging	-4	1	-5	-4	1	1	-7	1
Net return on financial instruments	169	99	73	169	-37	77	195	99

Key figures ECC

Last five years

	31.3.19	31.3.18	2018	2017	2016	2015
ECC ratio	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %	64,0 %
Total issued ECCs (mill)	129,41	129,38	129,62	129,38	129,64	129,43
ECC price	87,40	80,90	84,20	82,25	64,75	50,50
Market value (NOKm)	11.310	10.464	10.914	10.679	8.407	6.556
Booked equity capital per ECC	83,86	76,53	83,87	78,81	73,35	67,39
Post-tax earnings per ECC, in NOK	5,02	2,21	9,97	8,71	7,93	6,96
Dividend per ECC			5,10	4,40	3,00	2,25
P/E	4,35	9,16	8,44	9,44	8,17	7,26
Price / Booked equity capital	1,04	1,06	1,00	1,04	0,88	0,75

Key figures

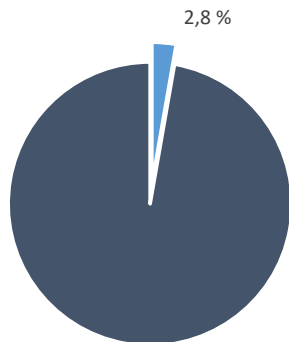
Last three years

	31.3.19	31.3.18	31.3.17
CET 1 ratio	14,8 %	14,6 %	14,7 %
Core capital ratio	16,4 %	16,3 %	16,7 %
Capital adequacy	18,6 %	18,2 %	18,9 %
Leverage ratio	7,4 %	7,3 %	7,3 %
Growth in loans (incl.Boligkreditt and Næringskreditt)	6,6 %	7,9 %	8,1 %
Growth in deposits	6,8 %	8,2 %	9,9 %
Deposit-to-loan ratio	67,5 %	67,1 %	67,0 %
RM share loans	67,5 %	66,5 %	65,0 %
Cost-income ratio	36,5 %	50,0 %	51,0 %
Return of equity	23,3 %	11,2 %	9,4 %
Impairment losses ratio	0,17 %	0,13 %	0,26 %

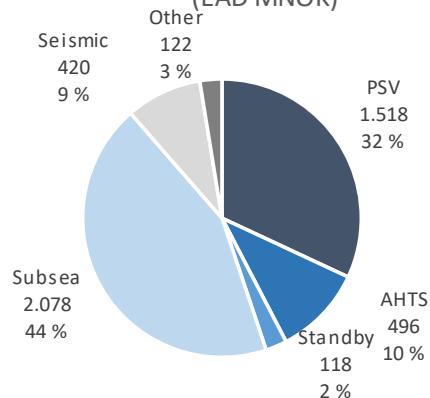
Offshore* constitutes a small share of total credit risk (below 3 per cent)

Impairment level corresponds to 11.3 per cent of the offshore portfolio

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



Subsea and PSV largest segments (EAD MNOK)



mill kr	EAD	Indivi- duelle	IFRS 9	Sum nedskr	Andel av EAD
7 % Low risk	346	0	1	0,6	0,2 %
57 % Medium risk	2.711	0	63	63	2,3 %
5 % High risk	250	0	23	23	9,3 %
30 % Obligors with impairments / defaulted	1.444	451	0	451	31,2 %
100 % Total	4.752	451	87	538	11,3 %

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



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

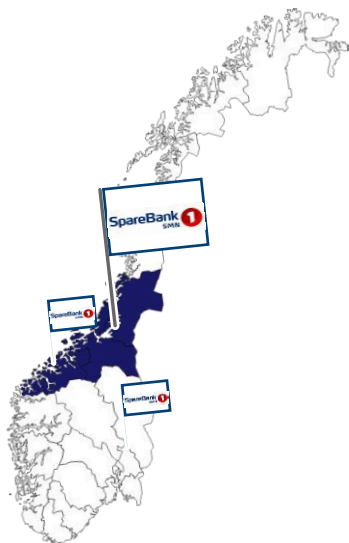


SMBS



Battle arena:

Geographical catchment area



Battle arena:

Channels

Kraftfull distribusjon

Served 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

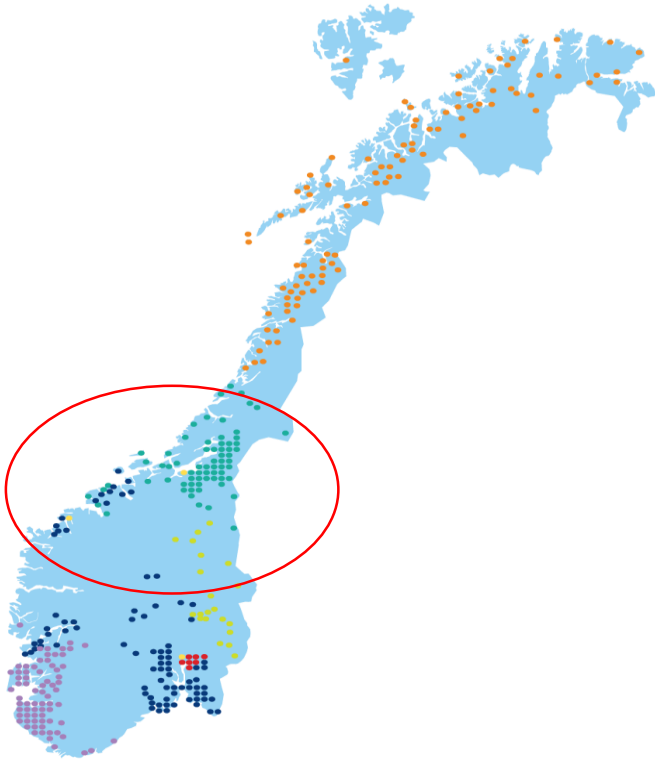
Insurance

Future

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

SpareBank 1 Alliance:

National champion, regional focus



1st quarter 2019

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- 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

