

# About the bank



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Together we make things happen. That is our vision, to be lived by through the following values: wholehearted, responsibly minded, likeable and capable.

## Statement by the Group CEO

More than a bank: SpareBank 1 SMN has contributed to the development of Trøndelag for almost 200 years, and in the past decade the same goes for Møre og Romsdal. We do this both by knowledge-based funding of businesses and private individuals, and by allocating parts of the bank's net profit to good causes in the spheres of business development, culture and the arts, and sports. In that way we are more than a bank for our customers.

In order to fill this role we need to be profitable and solid. We need to be at least as profitable as our competitors and to maintain a financial position that ensures our ability to meet the regulatory requirements we must abide by at all times.

It is very gratifying to be able to state at the start of 2016 that our efforts to build up our capital position have been successful. We have attained our capital target of 14.5 per cent by an ample margin, and can now embark on a normal phase of operation in which our equity certificate holders can expect higher dividends than during the capital build-up.

SpareBank 1 SMN has delivered solid financial results in most years since the banking crisis in the early 1990s. In 2002 we recorded zero profit due to the losses we incurred in the crisis that hit Norway's aquaculture industry. In 2016 we witnessed a deep crisis among suppliers to the oil industry. This inflicted the highest loan loss on the bank in nominal krone terms since 1991.

Even so we are seeing a solid improvement in our profit performance. This confirms that the bank, after a period of capital build-up, is better placed than ever to withstand fluctuations. Despite exposure to one of the nation's most important industries, we have systematically reduced risk in the bank's balance sheet. We have reduced concentration risk by scaling back the number of large exposures and are seeing strong, profitable growth in the retail market. Alongside an increased focus on families, children and young people, we will mark ourselves out even more strongly ahead as a bank for the ordinary small or medium-sized business.

We have thus built up a financial position that makes us one of the country's best capitalised banks, and we have reduced the risk present in the bank's book. In addition, within the SpareBank 1 Alliance, we are committing substantial investments to digitisation and robotics as a step in enhancing the customer experience and reducing our operating expenses. This means, in sum, that we have a very solid basis for good profit performances in the years ahead. That is why we are maintaining our objective of 12 per cent return on equity, even in an economic environment with a very low risk-free interest rate. We are signalling as clearly as ever our intention to guarantee our equity certificate holders predictability and high, stable dividends ahead.

Each year the bank's Economic Barometer takes the pulse of business and industry in the region. 2016 can be summed up by saying that most of Trøndelag is faring well, and that after a tough period prospects may appear brighter in Møre and Romsdal. Unemployment in both Trøndelag counties is now lower than in both preceding years, while Møre and Romsdal still feel the spillover effects of the challenges in the oil sector.

It is taxing for an entire industry to see assets that have been built up over generations be rubbed out, and entire local communities hit by unemployment and reduced tax receipts. We have been through many ups

and downs since the bank was founded in 1823. We have learnt that downturns can be painful and inflict substantial losses on owners, employees, the bank and society alike, but we have also learnt that by close cooperation between all the above actors it is eminently possible to emerge from a crisis in a stronger position. The Norwegian aquaculture industry is a splendid example of just that.

Some of our strongest corporate clients have undergone substantial restructuring in 2016. The bank gained a solid market position in the offshore industry in Sunnmøre when it acquired Glitnir's Norwegian banking arm in 2008. Since that time we have posted good earnings and close, fruitful cooperation with our clients.

We have taken relatively large losses, and we believe somewhat more are likely ahead. Many jobs and assets have been lost, but much has been done to safeguard jobs at the local level, and to ensure that assets and ownership remain in the region. Hence it means a lot to us when an actor such as Farstad Shipping, after a year of demanding negotiations, publicly thanks the bank for having acted in such an orderly and proper manner. The client has seen the value of the bank's local presence and of decisions being taken at the local level.

Nevertheless the fact that large parts of the maritime industry cluster in Sunnmøre are consolidated in larger entities whose headquarters are elsewhere is liable to prompt concern. We are happy that many businesses have retained their regional ownership and we hope ardently that the restructuring now carried out proves to be sufficiently robust to tackle potential new downturns.

We at SpareBank 1 SMN genuinely believe that being close to local communities and customers is of immense value. That is why we maintain a physical presence throughout the region. This does not mean that we are not adapting our distribution to more demanding environment. Like our competitors we are having to focus on reducing costs. But we are doing so in a slightly different manner. We are reducing our costs through staff reductions and less costly premises, while at the same time setting the stage for our customers to utilise self-service solutions on a daily basis. By this means we are physically present where people live and can offer accessibility tailored to actual needs, and we are achieving strong customer loyalty in a digital world.

Since the establishment of the SpareBank 1 Alliance in 1996 our strategy has been aimed at increasing commission income. Our subsidiaries and associates are evolving very satisfactorily and played their part in ensuring that in 2016 our earnings over and above margin income accounted for close to half of the group's overall income. We have thus attained yet another goal, namely income differentiation that renders us less vulnerable to fluctuations in interest earnings.

All staff at the bank have in 2016 played their part in developing the bank's new vision and values that we as an organisation believe should guide our conduct and business development. The new vision is: "Together we make things happen". The vision succinctly expresses our strong will to continue our almost 200-year-long tradition of sticking together with our customers and the communities we serve in the years ahead. The aim is to continue our sound banking operations based on a strong financial position and good results and thereby to be a driving force for the development of our region so that business and industry thrive and our young people and people in general want to live right here.

Behind us we have a good, but exacting, year. In my view we are very well placed to deliver good financial results and worthwhile contributions to the community in 2017 and in the years to come.

## Key goals and strategies

### Vision and values

Since 2004 the bank's vision has been to be "the recommended bank" based on the values "close at hand and capable". In the second half of 2016 the entire organisation demonstrated a major, broad-based commitment to play their part in creating a new vision and new values which resulted in a resolution by the board of directors in February 2017.

Our new vision is about creating energy, results, change and development. For that reason we have chosen "Together we make things happen" as our vision. *Together* is the opening word, which is no coincidence. Achieving what we want to achieve is only possible together with others - with colleagues, customers, suppliers, partners and other local and regional capacities. We want to build relations and team up. *Making things happen* is about creating energy, results, change and development. Things happen when we enter the scene.

Our new values are:

**Wholehearted:** It is wonderful being together with committed people, and nothing is more inspiring than working with wholehearted colleagues. There's a pulse, force and passion in a wholehearted person – not to speak of a bank that is full of them.

**Responsible:** Upright, trustworthy, inspiring confidence, broad-minded, knowledgeable are all important qualities. We have summed them up in one word: Responsible. Being responsible is to say yes when it is right to do so and no when it is necessary.

**Likeable:** We are positive and easy to like. We are down-to-earth and straightforward. We are the real deal and on the customer's side. People choose a bank they like. One that is likeable.

**Capable:** Capable people are matter-of-fact and have no need to toss around grandiose terms and concepts. They exude professionalism and competence without setting themselves apart. Capable people win customers' confidence.

### Strategic ambition

SpareBank 1 SMN will continue to be an independent, regional finance house, a powerhouse for the development of the region. We will be profitable and best for customer experience.

SpareBank 1 SMN is unquestionably solid, and its return on equity puts it among the three best banks in Norway. SpareBank 1 SMN will strengthen its market position in particular in Trondheim, Molde and Ålesund – towns that will see strong population growth in the years ahead – and in the SMB market.

Our ambition is to remain an independent, regional, profitable bank that means more to firms and individuals in our market area than any other bank. The SpareBank 1 Alliance is the bank's strategic foundation and the basis for SpareBank 1 SMN's regional business strategies and independence. SpareBank 1 SMN will play an active role in developing the SpareBank 1 Alliance as a leading Norwegian financial services grouping.

## Central themes

SpareBank 1 SMN will in the period 2017-2020 launch concrete projects to help promote an efficient, customer-oriented and forward-looking bank. The main underlying themes are:

- To create the bank of the future. Launch sub-projects and measures to strengthen the bank's dominant position in the region, enhance selling power across all channels while at the same time building an infrastructure that ensures cost-efficient sales, distribution, production and operation.
- The SpareBank 1 Alliance to be the bank's strategic platform for cost-efficient operation, development and innovation. SpareBank 1 SMN will contribute to developing profitable product companies in the banking collaboration.
- SpareBank 1 SMN to be a powerhouse for the region's development and long-term value creation. Its activities span a broad set of measures in which the bank collaborates with private individuals, businesses, clubs and associations.

SpareBank 1 SMN will in 2017 initiate measures on the path to achieving the bank's strategic ambition. Developing the bank of the future and a distribution model for the future will have a particular focus in the form of development projects. These will ensure that the bank develops simple, efficient and effective solutions for the customer in all channels.

## Financial goals

SpareBank 1 SMN intends to be among the three best-performing banks in Norway by being:

- **Customer oriented:** The bank will be best for customer experience, and thereby strengthen its market position
- **Profitable:** The bank will post an annual return on equity of 12 per cent
- **Solid:** The bank will maintain a CET1 capital adequacy ratio of 15 per cent
- **Efficient:** The bank will post zero growth in nominal costs at the parent bank from 2014 to 2018
- **Dividend:** The bank will pay its equity certificate holders a dividend of 50 per cent on their rightful portion of the profit



## Close at hand

We put our faith in skilled advisers in multiple locations in combination with simple, good digital solutions.



Internet Bank	Mobile Bank	smn.no	mCASH	Facebook	Direct Bank
					
<b>7.650.867</b>	<b>20.711.655</b>	<b>8.500.000</b>	<b>600.000</b>	<b>60.000</b>	<b>421.000</b>
Logins	Logins	Visitors	Downloads	Followers	Enquiries

## The story of SpareBank 1 SMN

The first customers entered Trondhjems Sparebank in the year 1823. Our offering of financial services has evolved in keeping with society as a whole. Initially the Bank's goal was to combat poverty and give ordinary people the opportunity to save. Today SpareBank 1 SMN is one of Norway's largest banks and a complete financial department store.

