

Corporate Banking

The business area Corporate Banking provides the bank with advice in investment and operations financing, domestic and foreign money transfers, fixed income and currency hedging, investment of surplus liquidity and insurance of individuals and buildings/operating equipment. Much of the business is in close cooperation with Retail Banking, SpareBank 1 Markets and with subsidiaries offering leasing, factoring and accountancy services. The business is physically located across the entire market area to secure proximity to customers combined with satisfactory competence units.

The bank is IRB approved and uses the advanced IRB approach to compute capital charges and credit risk. The bank has good credit scoring models, processes, tools along with its organisation of industry competence which ensures sound knowledge and management of the loan portfolio. This will assure that further growth is in keeping with the bank's responsibility as a market leader in the region, at the same time as risk exposure is consistent with the bank's credit strategy. Together with the other alliance banks, substantial resources are expended on continuously improving the credit scoring models.

Customers and market position

The bank services some 20,000 corporate clients including the public sector. In 2016 about 2000 new corporate clients were registered. SpareBank 1 SMN has a market share of about 35 per cent of the corporate market in the region. The bank also services a number of customers in business areas such as insurance, capital market, leasing, factoring and accounting. The business sector in Trøndelag and in Møre and Romsdal features a large number of small and medium-sized companies. This structure has a clear bearing on the bank's organisation of its business.

The Corporate Customer Centre is integrated into the bank's division for Business Development, Corporate Banking. This enables corporate customers to receive good follow up and relevant advice in selecting products and services and in the use of digital services. Customer satisfaction (CSI) hit an all-time high of 88 in 2016. This score takes into account competence, service, information and initiative.

Financial developments

The business area Corporate Banking increased its income by close to NOK 90m to NOK 1.2bn last year. The income is generated by a positive trend in all business areas, but in particular from increased deposit margins and higher guarantee commission. It is especially gratifying that income from insurance (general and life) is rising and that more and more businesses see the value of turning to a local provider with local competence in all product areas to meet all their financial service needs.

Growth in lending has been low and in keeping with the bank's capital plan, and ended at 0.7 per cent for the year, while deposit growth was excellent with an increase of 6.7 per cent. We anticipate low lending growth in 2017 as in 2016 but aspire to deposit growth of 5 per cent in the region.

In step with the digitalisation of our products and services, we have downsized our staff and thereby our costs in this business area. More focus will be given to digitalisation, improving the efficiency of processes and staff reductions in 2017.

The oil price fall has led to a significant deterioration of prospects for companies working in oil and offshore, and the business unit has accordingly recognised losses of NOK 490m in 2016. The write-downs are in all essentials related to a portfolio of offshore service vessels. Little spread of contagion from the low oil price to other industries is in evidence and losses and defaults in other parts of the portfolio are extremely low.



Corporate Banking has a systematic approach to attracting new customers, and all customer advisers have specific customer recruitment objectives for 2017. Continuous improvement is key to freeing up time for the customer advisers to enable them to carry out their primary task of taking care of existing customers and recruiting new ones. In 2017 we will continue to focus on the SMB segment with a view to reducing concentrations in industries or single name groupings.

The solution lies in having skilled advisers close at hand in the bank combined with development of new digitalised solutions that make day-to-day banking a simpler matter and that free up time and resources which can be devoted to good advisory services and to conceiving solutions tailored to the customer.

The bank's goal is to reduce losses from the levels seen in 2016. This, together with a profitability enhancement programme for the business area, will improve profit and the risk adjusted return. The bank remains prepared to take the action needed to meet any problems that may arise in the oil and offshore sector. It is working closely with customers to find solutions that safeguard shared interests in the economic situation prevailing at any time. Corporate Banking will accordingly maintain the capacity and competence needed for the bank to remain a readily accessible and capable provider of financial services in the long term. Although the macroeconomic picture is uncertain on a general level, differing challenges are faced in the sectors to which the bank's clients are exposed.

Again in 2016 the bank published its Economic Barometer which takes the pulse of the most important industries in the region and produces economic growth forecasts for our three counties. Corporate Banking attaches great importance to having advisers with a practical business understanding of important industries. Cooperation with other SpareBank 1 banks is close.

In 2016 the business area has focused purposefully on compliance, in particular on the anti-money laundering effort. This effort has produced good results and at year-end the business area has accomplished its aims. Further, we have launched a major project to build a new customer interface that combines information from the bank and accounts and permits third parties to deliver services to our customers. The new customer interface will be made available to the market in the course of 2017 and will enable increased digital sales and, not least, distribution of new products and services.

Corporate Banking	2016	2015
Loans	32,4 bn	30,4 bn
Deposits	38,9 bn	37,2 bn
Customers (In 1000)	20	18
No. Of full-time positions	158	*
Pre-tax profit	384 NOK million	659 NOK million

* due to organisational changes, no FTE figures for end-2015 are stated