

## Retail Banking

The business area Retail Banking offers advice to personal customers, farm sector customers, clubs, associations and one-person businesses. Together with product suppliers and subsidiaries, the bank offers all products that are important in making customer finances simpler and securer and in finding solutions together with the customer. The advice offered is based in the customer's needs. Although production tasks and solutions are becoming increasingly digital, we believe there is a large and unmet need for advice in building and safeguarding the present and the future for all customer groups of this business area.

Our ambition is to have the industry's best digital solutions, providing customers with straightforward day-to-day banking services and an opportunity to meet all their needs in the banking and insurance sphere. But we still see the value of decentral localisation that gives the customer an opportunity to meet us for one-stop advice, and to feel that that we are something more and different than the sum of our products.

In addition to following the industry's norms and requirements on good advisory practices, we must as a bank contribute knowledge and insight to continuously improve the quality and relevance of advisory content to our customers.

Our hallmark is our ability to meet an ever larger part of our customers' needs for financial services in an industry in which many actors focus on selling individual products.

### **Customers and market position**

In 2017 SpareBank 1 SMN strengthened its position as the leading actor in all Retail Banking's customer groups, and all product areas. More than 59,000 planned customer advisory sessions were completed in 2017, and this number is expected to increase further. The residential mortgage portfolio continues on a positive trend.

Our business has a strong standing among our customers, and shows an excellent trend in customer satisfaction. The interaction with subsidiaries, Corporate Banking and the Norwegian Confederation of Trade Unions (LO) is important in enabling Retail Banking to attain the division's goal of continued growth in activity and the customer base.

### **Financial developments**

Retail Banking posted an overall pre-tax profit of NOK 1,132m.

The loan book shows high growth, but at consistently low risk. The increase in growth compared with 2016 is largely down to new borrowers coming from banks that have made structural changes and no longer offer locally based advice. In addition to an unprecedented customer influx, we have also seen a good trend in sales across a broader range of products, and have positive expectations of growth in sales in 2018 too.

We anticipate greater uncertainty in the housing market in the period ahead, and this may have a bearing on risk in the industry. Back in March 2016 we made changes to our credit practice in order to be well prepared should house prices level off or fall. By means of a more stringent lending policy over time than is the norm in the industry, we believe we are well prepared for the levelling off of house prices we saw towards the end of 2017 and for any fall in house prices ahead. The region has a robust industry composition, and the bank has in addition focused its retail banking business on smaller loans and home financing. This makes for good risk diversification and, in combination with good sales and a good portfolio trend for mainstream products, gives us a solid basis to withstand possible negative shifts in the Norwegian economy.



## Local and digital

We are moving step by step from being a traditional bank offering digital services to a digital bank with a personal and local signature.

Svein Tore Samdal, executive director, Retail Banking

### **Customers are growing in number, making more purchases and staying with us longer**

2017 was another year confirming that our strategy is well-suited to the customers we want to cater to. We are moving step by step from being a traditional bank offering digital services to a digital bank with a personal and local signature. Customers are making ever more demands of us as a bank, and we see these demands change based on needs, situation and life phase. That is why we are offering more products and services across more channels than ever before. The customer experience is our important main focus in a broad range of situations. It is about enabling accessible and straightforward product purchases, secure establishment of new products and services, effective digital services that make daily life simpler for the banking customer and his/her family and competent advice in the more demanding situations that arise in a customer's life.

In 2017 we continued the sound growth trend. With a lending growth of more than 10 per cent we ended the year well above the target set of 2017, at the same time as growth in risk and quality is as targeted. We also achieved good deposit growth of 6.7 per cent. The growth in deposits is a result of high activity aimed at ensuring that all customers hold their salary and current accounts with us and a conscious desire on the part of many borrowers to do their day-to-day banking with us as well.

We retain our local presence in 48 locations across our region while at the same time adapting our office structure to a more digital day-to-day life. Specifically this entails an increase in advisory services related to life events and a drop in the number of enquiries related to day-to-day banking and services. The latter are to a greater extent provided through good intuitive digital solutions, increasingly frequently via the customer's mobile bank. In 2017 we also opted to introduce ANNE, our digital chatbot, who guides customers in many of their day-to-day enquiries. We believe the range of possibilities offered by this technology to be unexplored territory, and it could significantly enhance the customer's experience by coming across as both competent and accessible.

2017 was the year in which mCash merged with VIPPS. This has been good news for all our club and association customers who can now benefit from a flexible payment solution with very many users.

Moreover, good use has been made of the year to prepare for various scenarios that may become a reality as a result of PSD2, the revised payment services directive. We will play a leading role on this front, and focus on new partner and business initiatives to the benefit of all our customers.

2018 awaits us. Another year of change. We will continue to seize our opportunities – providing our customers with better advice, our staff with a sense of achievement and a fantastic working day, and our investors with a splendid return.

<b>Privatmarked</b>	<b>2 017</b>	<b>2 016</b>
Deposits	37.2 bn	34.9 bn
Loans	103.1 bn	93.8 bn
No. of customers	218 000	215 000
No. of FTEs	350	371
Profit before tax	1,127 bn	850 bn