

## Retail Banking

The business line Retail Banking offers advice to personal customers, agricultural sector customers, clubs, associations and one-person businesses. Together with product suppliers and subsidiaries, we offer all products that are important in making customer finances simpler and more secure. A long and broad-based customer relationship provides us with the best basis for finding the best solutions together with the customer, tailored to the individual customer's needs. We believe that even though production tasks and solutions are becoming increasingly digital, there is a substantial need for advice that needs to be met in order to build and secure the present and the future for our respective customer groups.

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

In addition to following the industry's norms and requirements regarding good advisory practices, we must as a bank also utilise our knowledge and insight to continuously improve the quality of the service and advice we offer our customers. The residential mortgage portfolio continues to show a positive risk trend.

### **Customers and market position**

In 2018 SpareBank 1 SMN strengthened its position as the leading actor in all Retail Banking's customer groups, and all product areas.

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 in the customer base.

### **Financial developments**

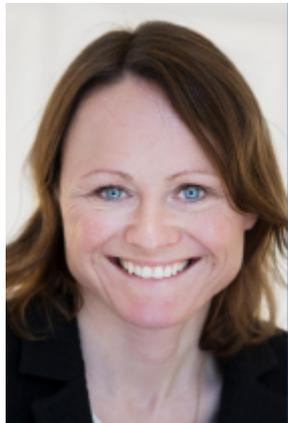
Retail Banking posted an overall pre-tax profit of NOK 1,206m.

The loan portfolio shows growth of about 10 per cent in the retail segment in 2018. The growth is largely down to new borrowers joining us from other banks, but also to refinancing of loans in the existing portfolio. Part of the growth is also due to an increased focus on collaboration with mortgage agents. The growth in sales of a broad range of products was on a par with results for 2017.

The loan portfolio consistently shows low risk. At the start of 2018, we saw a negative trend and a significant increase in long defaults. Later in 2018, a weak downward development was noted such that, relative to lending growth, we have a decline in the proportion of defaults. However, we still see a need for strengthened preparedness for an expected increase in defaults. Information on borrowers' unsecured debts that will become available via the debt registers in due course gives rise to uncertainty. Viewed in light of the growth in household debt, we expect a general increase in the number of borrowers with debt-servicing problems ahead. We see the need for a further tightening of our lending practices to ensure that we continue to maintain an acceptable level of quality in the credit area.

The Norwegian economy currently shows good growth, and prospects for business and industry in our region are also favourable. Capacity utilisation in the economy is high and growth is anticipated in employment and the labour supply, indicating that the labour market will feature low average unemployment

figures in 2019 as previously. Nonetheless, market prospects at the end of 2018 reflected some uncertainty, along with lower expectations of households' private consumption. The housing market has been sluggish, the time taken to sell a house has lengthened and the supply of existing dwellings is record-high. We expect somewhat lower growth in the portfolio in 2019.



## 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.

Nelly S. Maske, executive director, Retail Banking

### **Customers are growing in number and meeting more of their needs with us**

2018 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 main focus in a broad range of situations. This is about easy access to 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 2018 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 for 2018, at the same time as growth in risk and quality is well in line with target. 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 of 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 gradually 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 2018 we implemented a new CRM system that enables us to use customer data to develop on an ongoing basis new solutions for providing customers with relevant advice and service, whether the customer is in direct contact with our advisers or utilises our digital solutions. Customers must be assured that we are fully updated on their accounts etc. and on their contact with us, irrespective of the channel or platform on which this took place.

Moreover, good use was 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. The SpareBank 1 Alliance has

already opened the way for accounts with other SpareBank 1 banks and with Sbanken to be displayed using our mobile bank.

2019 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 an exciting working day, and our investors with a good return.

<b>Retail Banking</b>	<b>2018</b>	<b>2017</b>
Deposits	40.0 bn	37.2 bn
Loan	112.7 bn	103.1 bn
No. of customers	223 000	218 000
No. of FTEs	316	350
Profit before tax	1,206 bn	1,127 bn