

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 and 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 and that 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 15,000 corporate clients including the public sector. In 2018 about 1100 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 lines 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 a central business line in Corporate Banking, enabling corporate customers to receive good follow up and relevant advice in selecting products and services and in the use of digital services. In a customer satisfaction poll, the Corporate Customer Centre scores very highly in areas such as competence, service, information and initiative.

Financial developments

The business area Corporate Banking increased its income by almost NOK 20m to NOK 1.2bn last year. The income is generated by a positive trend in all business lines, 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 4.2 per cent for the year, while deposit growth was excellent with an increase of 16.5 per cent. We anticipate low lending growth again in 2019 while aspiring to a deposit growth in the region of 5 per cent.

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 2019.

The oil price fall has led to a significant deterioration of prospects for companies working in oil and offshore, and the business unit therefore recognised losses of NOK 212m in 2018. 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 very low.



Continuing focus on SMBs

SpareBank 1 SMN has clear ambitions to strengthen its position as the leading bank for small and medium-sized businesses in Central Norway.

Corporate Banking employs a systematic approach to attract new customers, and all customer advisers have specific customer recruitment objectives. 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 2019 we will continue to focus on the SMB segment with a view to reducing industry or single name concentration.

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 providing good advice and to designing solutions tailored to the customer.

In collaboration with other banks in the SpareBank 1 Alliance, the bank has developed new digital services for business and industry. This is done at an innovation unit at the company SMB Lab whose mission is to launch concepts, products and services that are tailored throughout to the needs of small and medium-sized businesses and simplify their everyday life.

The bank's goal is to reduce losses from the levels seen in 2018. This, together with a profitability enhancement programme for the business unit, 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.

While the macroeconomic picture is uncertain on a general level, a variety of challenges are faced in the sectors to which the bank's clients are exposed. Again in 2018 the bank published its Economic Barometer which takes the pulse of the most important industries in the region and produces economic growth forecasts for Central Norway. 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 2018 the business area has had a major focus on compliance, in particular on the anti-money laundering effort. 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 2019 and will enable increased digital sales and, not least, distribution of new products and services.

Næringsliv	2 018	2 017
Deposits	39.2 bn	38.7 bn
Loans	40.5 bn	39.5 bn
No. of customers	15 000	15 000
No. of FTEs	148	145
Profit before tax	744 m	632 m