

Corporate Banking

The business line Corporate Banking offers investment and operations finance, advisory services, domestic and foreign money transfers, fixed income and currency hedging, investment of surplus liquidity and insurance of individuals and buildings/operating equipment to businesses and industry. Much of the business is in close cooperation with Retail Banking, SpareBank 1 Markets and with subsidiaries and related companies offering leasing, factoring along with accountancy and advisory services. The business is physically located across the entire bank's market area to secure proximity to customers. The business line has units with specialised industry and product knowledge.

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 banks in the SpareBank 1 Alliance, the bank expends substantial resources on continuously improving the credit scoring models.

Customers and market position

In 2019, 1015 new corporate clients were registered. SpareBank 1 SMN has a market share of about 35 per cent of the corporate market in the region, measured in terms of customer numbers. 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.

Direct Corporate Banking provides clients with good follow up and relevant advice in selecting products and services and in the use of digital services. In a dedicated customer satisfaction poll, Direct Corporate Banking scores very highly in areas such as competence, service, information and initiative.

Financial developments

Corporate Banking increased its income by almost NOK 50 million to NOK 1.25 billion in 2019. Incomes are generated by a positive trend in all business lines, but in particular from increased deposit margins and higher guarantee commissions. Income from insurance (general and life) is rising and more and more businesses see the value of turning to a local provider offering local competence in all product areas.

In step with the digitalisation of our products and services, Corporate Banking has downsized its staff and thereby its costs in this business line. There is a strong focus on digitalisation of products and a continuous effort is made to improve process efficiency.

Since 2014 the oil price fall has led to a significant deterioration of prospects for companies working in oil and offshore. We have therefore booked a number of losses to this segment. 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 elsewhere in the portfolio are very low.



Full focus on SMBs

In 2020 we will contribute to an increased degree of self-service and provide more advice on digital channels.

Vegard Helland, executive director, Corporate Banking

Sustainability given greater prominence

The bank attaches much importance to having business advisers with a practical business understanding. For 2020 priority is given to competence requirements in the field of sustainability.

The bank will in the course of the year undertake an ESG classification of the loan portfolio, conduct risk assessments in each segment for implementation in the bank's credit scoring models and, not least, provide the individual client with necessary advice in order to move the bank towards climate neutrality. Interest on loans and deposits will to a greater degree be used both to reward and penalise clients depending on their ability to implement the sustainability goals in their own business.

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 2020 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 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.

A continuous effort is being made to adapt our customer interface to business and industry's information needs. In 2020 we will contribute to a greater degree of self-service and provide more advice on digital channels.

An objective of the bank is to reduce losses from the levels seen in 2019. This, together with a profitability enhancement programme for the division, 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 clients 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, challenges vary in the sectors to which the bank's clients are exposed. Again in 2019 the bank published its economic barometer for Central Norway

which takes the pulse of the most important industries in the region and produces economic growth forecasts for our two counties. After two intense years in central Norwegian business and industry, there is greater uncertainty as to whether the pace of activity will be equally high in 2020. We therefore revise our forecast for the coming year from positive to neutral, but still anticipate high activity.

Næringsliv	2 019	2 018
Deposits	42.8	39.2 bn
Loans	40.2 bn	40.5 bn
No. of customers	15 000	15 000
No. of FTEs	158	148
Profit before tax	765 m	744 m