



SPAREBANKEN MØRE

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Press Release

Date: 20 October 2016

Strengthened capital in Sparebanken Møre

Sparebanken Møre posted a profit after tax of NOK 152 million in the third quarter of 2016, compared with NOK 114 million in the same quarter last year. The Bank has also increased its core Tier 1 capital ratio to 14.9 %.

The return on equity was 12.1 %, compared with 9.6 % for the corresponding quarter last year. The Bank's total assets now amount to NOK 61.8 billion.

"We are continuing to build the Number 1 Bank in and for Møre og Romsdal through good growth, good cost efficiency and low level of losses," says the chief executive of Sparebanken Møre, Olav Arne Fiskerstrand.

Increased Core Tier 1 capital

At the end of the third quarter, Sparebanken Møre's core Tier 1 capital ratio was 14.9 %, compared with 13.3 % at the same time last year. This is well above the Bank's minimum target of 13.0 %.

"We are very pleased that we have strengthened our core Tier 1 capital significantly in recent years and that we are well above the regulatory requirements. The Bank benefits from strong financial solidity, which was also confirmed by Moody's in August. The rating agency stated that we will retain our good A2 rating, while also confirming its earlier assessment that the rating outlook for the Bank is stable," says Fiskerstrand.

Strong deposit growth

The Bank has registered high deposit growth in the last year. Deposits from customers rose by 10.5 %, compared with 3.5 % last year.

Overall, lending grew by 0.6 % with an increase of 6.2 % for retail customers and a decrease of 9.8 % for corporate customers. At the end of the third quarter, the retail market accounted for 70.1 % of the Group's total lending portfolio.

"We are constantly gaining new customers in the retail market, which reflects the Bank's strong position in our market area. Growth in corporate lending has decreased, in part as a consequence of declining economic growth, the uneven playing field for Norwegian and foreign banks, and the Bank's ambition to increase its core capital ratio," says Fiskerstrand.

Strong cost control

He stresses that the lasting low interest rates, fierce competition for banking customers, an uncertain macro-economic picture, and changed customer behaviour set high standards regarding sound and efficient banking operations.

Although net interest income decreased slightly during the period, total income has increased from NOK 316 million last year to NOK 352 million this year. The improvement is partly attributable to capital gains from the bond portfolio. Costs are at about the same level as last year and ended at 42.3 % in relation to income at the end of the quarter.

"Cost efficiency has been highly prioritized in Sparebanken Møre for many years. This is in turn reflected in our results. We have worked thoroughly to reduce losses and defaults. At the end of the third quarter, net problem loans amounted to 0.30 % of gross lending," says Fiskerstrand.

Losses on lending and guarantees amounted to NOK 5 million in the third quarter.

Sharing expertise

Fiskerstrand highlights the importance and necessity of good credit work and having the right expertise in all parts of the Bank. He also emphasizes the fact that expertise should be shared with others. The Bank was recently nominated for the Finansstafetten ['Financial Relay'] award for teaching personal economics in schools.

Last school year, around 50 authorised advisers from Sparebanken Møre visited more than 100 classrooms contributing to 2 600 lower secondary school pupils' knowledge about various economic topics. This amounts to around 81 % of 9th graders in the county.

"Teaching personal economics is something we give a high priority to and view as an important social responsibility. The Bank's advisers hold valuable expertise requested by schools – and needed by teenagers. We know that payment behaviour that are established at a young age are often followed through into adulthood. We also know that a lack of knowledge increases the risk of making poor and expensive economic choices. This is precisely why it is important to introduce the right attitudes and give them the right information as early as possible," says Olav Arne Fiskerstrand.

Key figures for Q3 2016

- Net interest income: NOK 278 million/1.82 % (NOK 283 million/1.93 %)
- Profit before losses: NOK 204 million (NOK 170 million)
- Profit after tax: NOK 152 million (NOK 114 million)
- Return on equity: 12.1 % (9.6 %)
- Cost income ratio: 42.3 % (46.4 %)
- Core Tier 1 capital ratio: 14.9 % (13.3 %)
- Lending growth in the last 12 months: 0.6 % (8.3 %)
- Deposit growth in the last 12 months: 10.5 % (3.5 %)
- Earnings per equity certificate as at Q3: NOK 22.95 (NOK 18.80)

Comparable figures for Q3 2015 in brackets.

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.

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