

Sparebanken Møre - the Group

April 27 2017

PRESENTATION 1ST. QUARTER 2017

Runar Sandanger
EVP



SPAREBANKEN MØRE

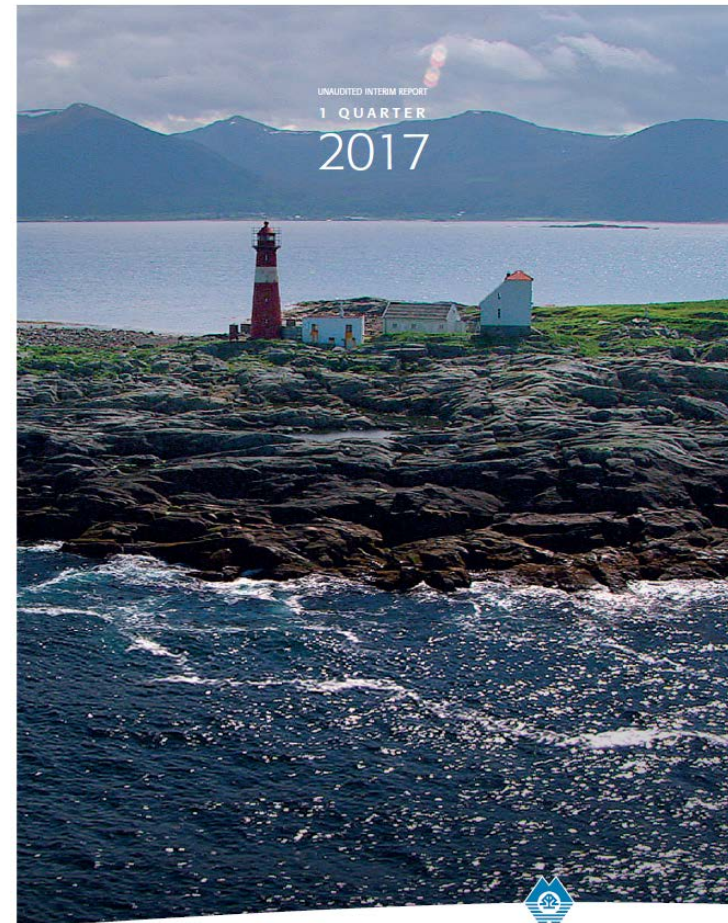
Agenda

- a short overview



SPAREBANKEN MØRE

- Introduction and highlights
- Results
- Deposits and Loans, overview and details
- Liquidity and Capital
- Future prospects and main targets



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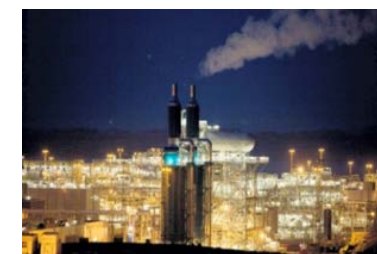
The local economy is strong

- *improved conditions*

In line with the general development of the Norwegian economy, Møre og Romsdal's economic outlook appears to have improved during the spring. Large sections of the local business sector are seeing increases in activity. The most important reasons for this are the weak Norwegian krone, low level of interest rates and an expansionary fiscal policy. These factors are also contributing to the mood indicators for Norwegian households being at their highest levels for many years

The rise in oil prices in the last year has also helped to reduce uncertainty for oil-related industries. The situation in this industry will, however, remain challenging in 2017. As a consequence of this, there is a risk that unemployment in the county will rise slightly in the next few months

In March, registered unemployment in Møre og Romsdal amounted to 3.2% of the labour force, according to the Norwegian Labour and Welfare Administration (NAV). The unemployment rate for the country as a whole was 2.9%



The largest bank in the county

- contributing considerably to the local society



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30

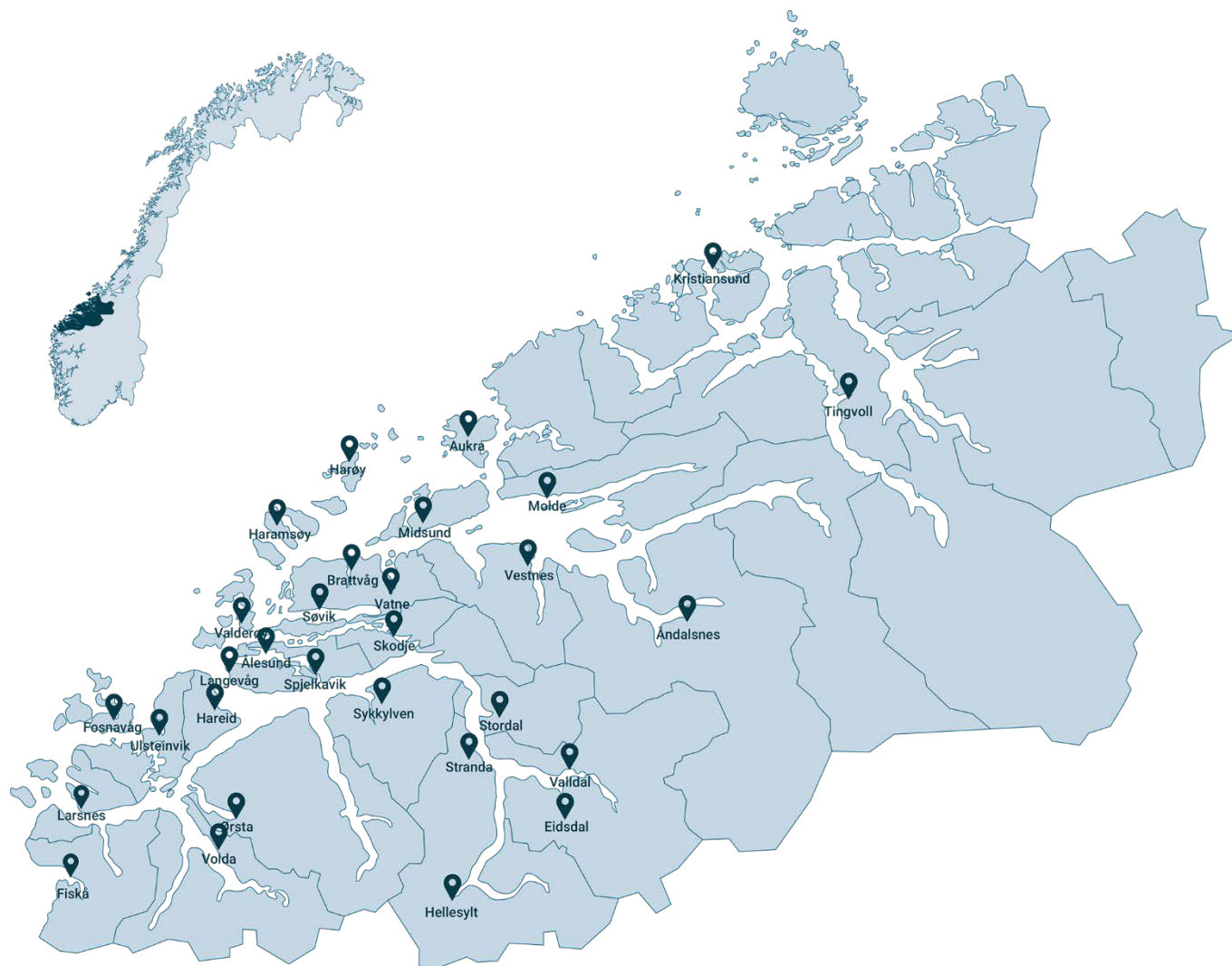
OFFICES IN
MØRE OG ROMSDAL

371

MAN YEARS

63

BILLION IN
TOTAL ASSETS



Highlights from Q1 2017

- Trond Lars Nydal new CEO from 1 April



SPAREBANKEN MØRE

ECONOMIC ENVIRONMENT

Large parts of the corporate sector in the county is experiencing increased activity. The main reasons for this is a weak Norwegian krone, low level of interest rates and an expansionary fiscal policy. In March, the registered unemployment rate in the county was 3.2 per cent. For the country as a whole the unemployment rate was 2.9 percent .

GROWTH

The Bank is competitive and we experience solid and accelerating growth in lending to both the retail and corporate market. Deposits growth are good.

NET INTEREST INCOME

Competition, both for lending and deposits, lower risk and hence lower margins in some corporate portfolios, phasing in LCR and persistent low interest rates lay pressure on net interest income.

VIPPS

Together with 105 other banks Sparebanken Møre signed an agreement for the developing and distributing VIPPS as a joint Norwegian solution for mobile payment.

CONTRIBUTING

Of the profit for 2016, NOK 141 million is allocated to the development of local businesses, cultural and sporting life, community, skills and transport.

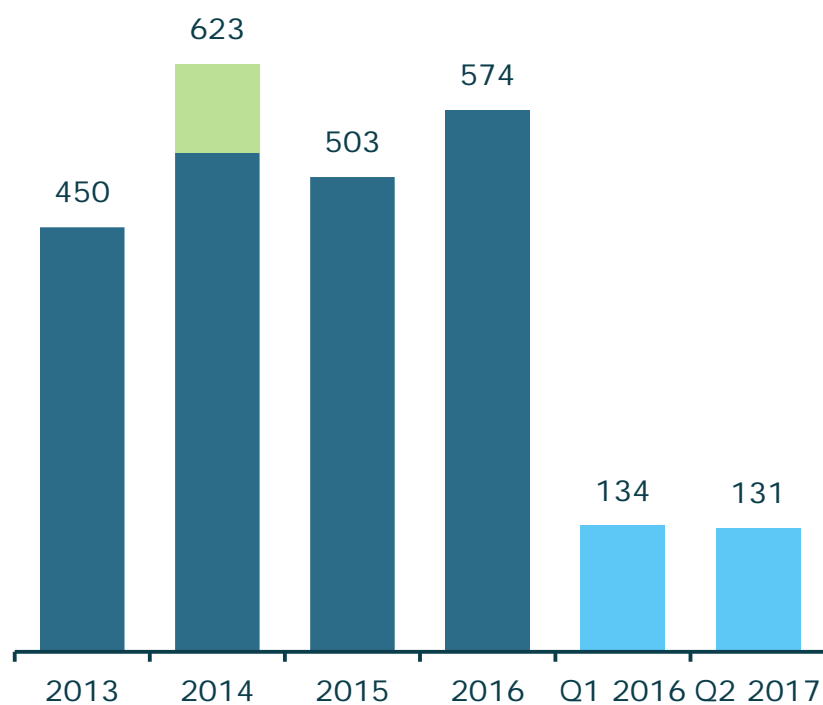
Results in short



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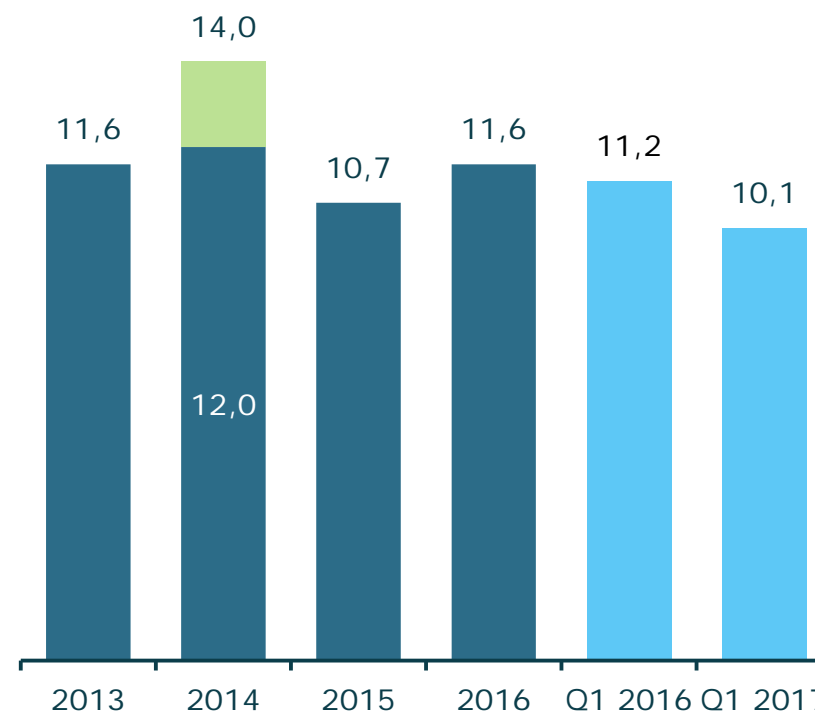
Result after taxation

- NOK million



Return on Equity

- In percent (ROE)



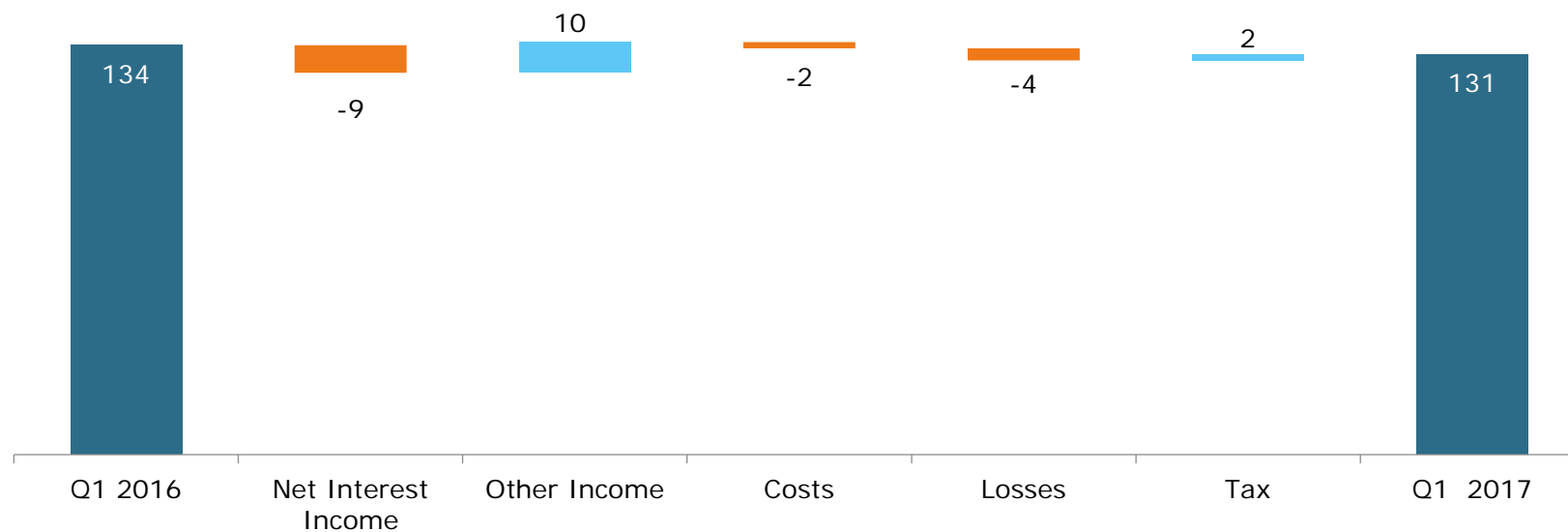
- 2014 - Non-recurring effect from the sale of Nets NOK 94 million

Changes from Q1 2016 to Q1 2017

- results after taxation (NOK million)



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- Other income higher in Q1 2017 compared with Q1 2016
- Somewhat higher losses in Q1 2017
- Lower taxes
- Lower Net Interest Income
- A marginal increase in operating costs

Results

- Statement of income – the Group



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	Q1 2017		Q1 2016		Changes		
Results (NOK million and %)	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	261	1.69	270	1.80	-9	-0.11	-3.6
Net Income Financial Investments	8	0.05	13	0.08	-5	-0.03	-38.5
Gains/losses liquidity portfolio	16	0.11	1	0.01	15	0.10	-
Other Income	42	0.27	42	0.28	0	-0.01	0.0
Total Income	327	2.12	326	2.17	1	-0.05	0.3
Personnel costs	85	0.55	82	0.55	3	0.00	3.7
Other costs	65	0.42	66	0.44	-1	-0.02	-1.5
Total operating costs	150	0.97	148	0.99	2	-0.02	1.4
Profit before losses	177	1.15	178	1.18	-1	-0.03	-0.6
Losses on loans, guarantees etc	2	0.01	-2	-0.01	-4	0.02	-
Pre tax profit	175	1.14	180	1.19	-5	-0.04	-2.8
Taxes	44	0.28	46	0.30	-2	-0.02	-3.8
Profit after taxation	131	0.86	134	0.89	-3	-0.03	-2.4

Balance and key figures

- Q1 2017 and Q1 2016



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	31.03.17	31.03.16	Changes	
Balance in NOK million	NOK	NOK	NOK	p.p.
Total Assets	63,124	60,088	3,036	5.1
Loans to customers	53,993	51,440	2,553	5.0
Deposits from customers	32,656	29,738	2,918	9.8
Total Capital	6,238	5,898	340	5.8

Nøkkeltall	31.03.17	31.03.16	Changes p.p.
Return on Equity	10.1	11.2	-1.1
Cost/Income Ratio	45.9	45.4	0.5
Total Capital	18.6	18.2	0.4
Core Capital	17.1	16.6	0.5
Core Tier 1 Capital	14.9	14.2	0.7
Leverage Ratio	8.6	8.0	0.6
Results per EC (NOK, the Group)	6.55	6.80	-0.25
Results per EC (NOK, the Bank)	12.60	13.60	-1.00

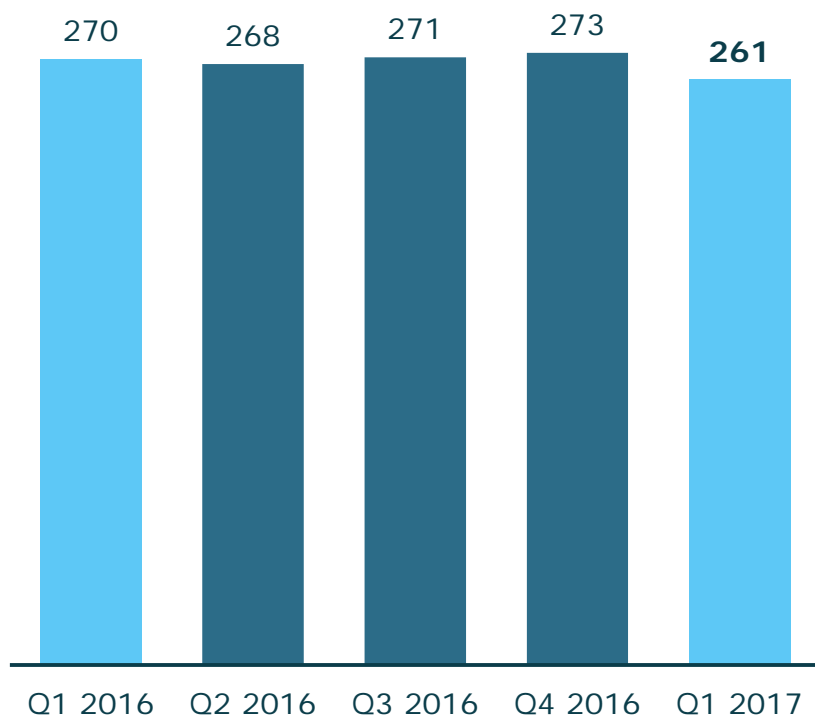
Quarterly development in Net Interest Income



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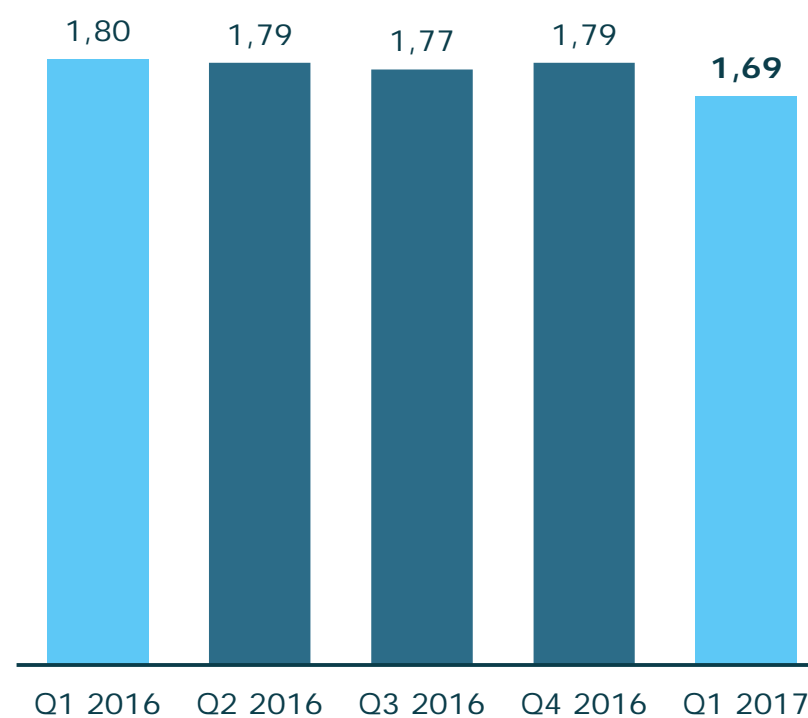
Net Interest Income

- NOK million



Net Interest Income

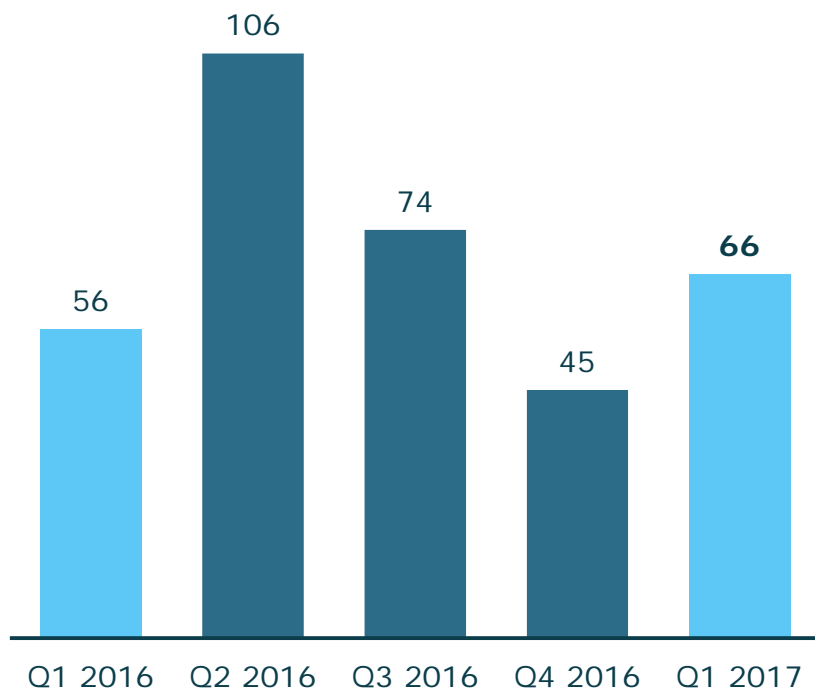
- % of Average Assets



Quarterly development Other Income

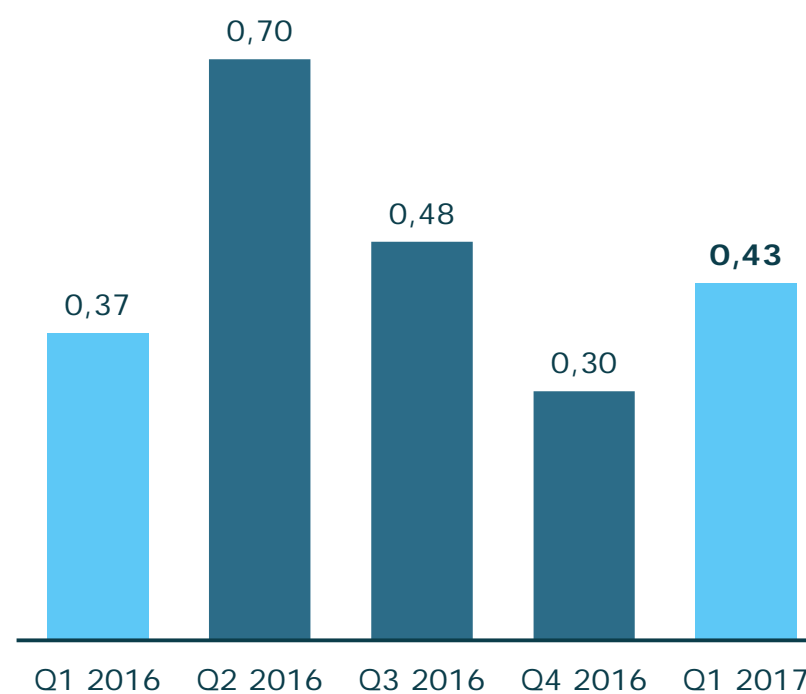
Other Income

- NOK million



Other Income

- % of Average Assets



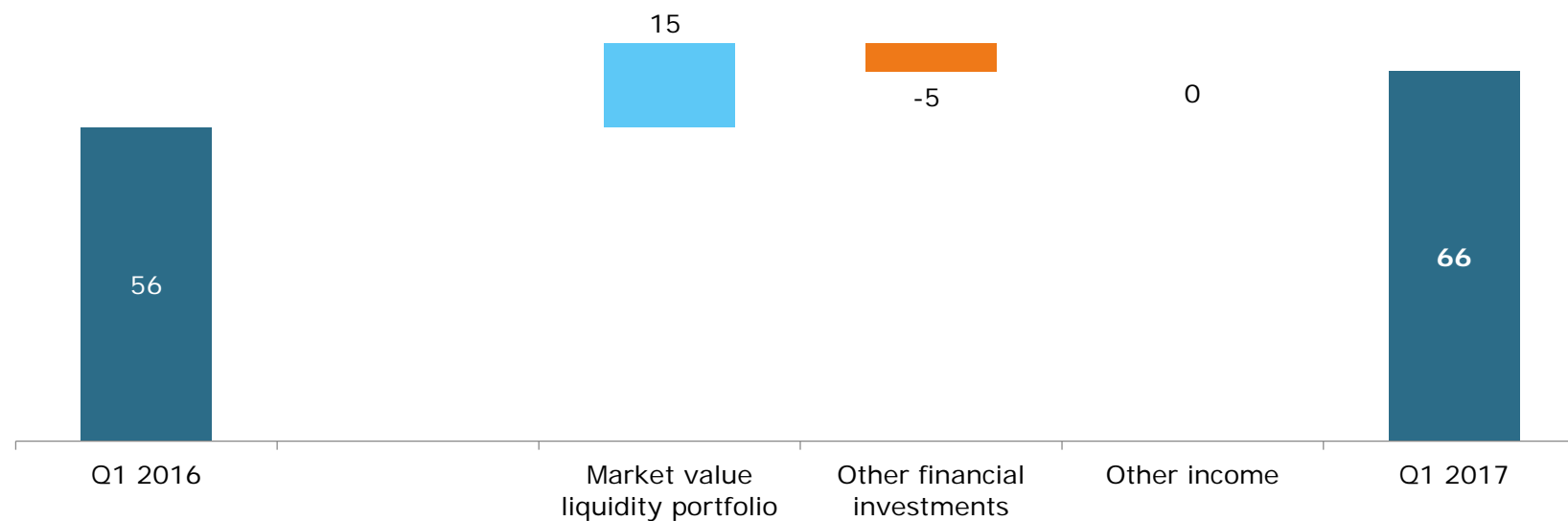
- Gains from the VISA transaction was booked in second and third quarter of 2016

Other Income

- changes in NOK million compared with Q1 2016



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- Valuation of the liquidity portfolio changed from + 1 million to +16 million from Q1 2016 to Q1 2017
- Negative change in other financial investments are mainly related to the development of basis swaps

Total Income

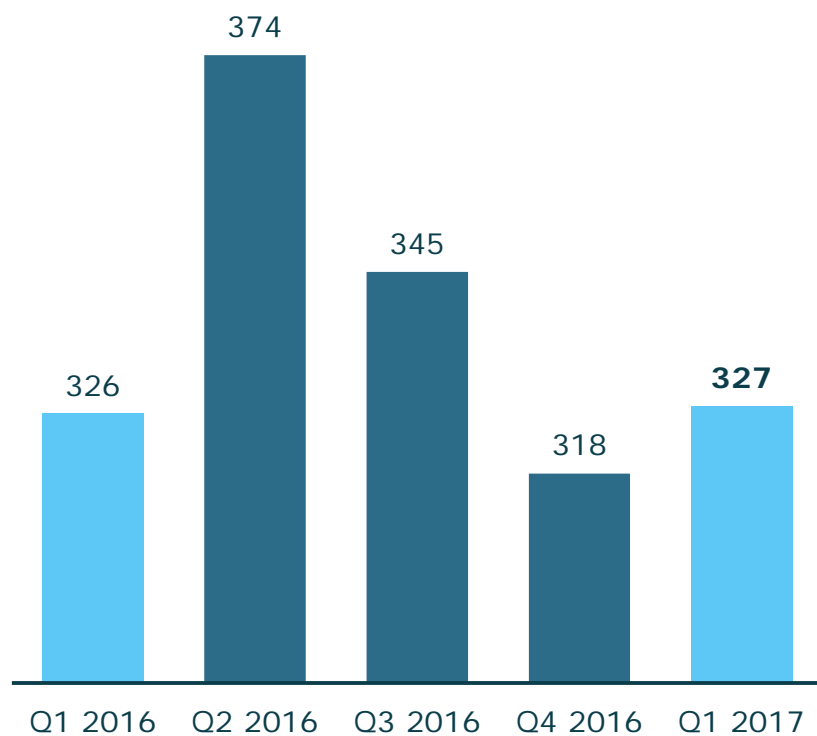
- *quarterly development*



SPAREBANKEN MØRE

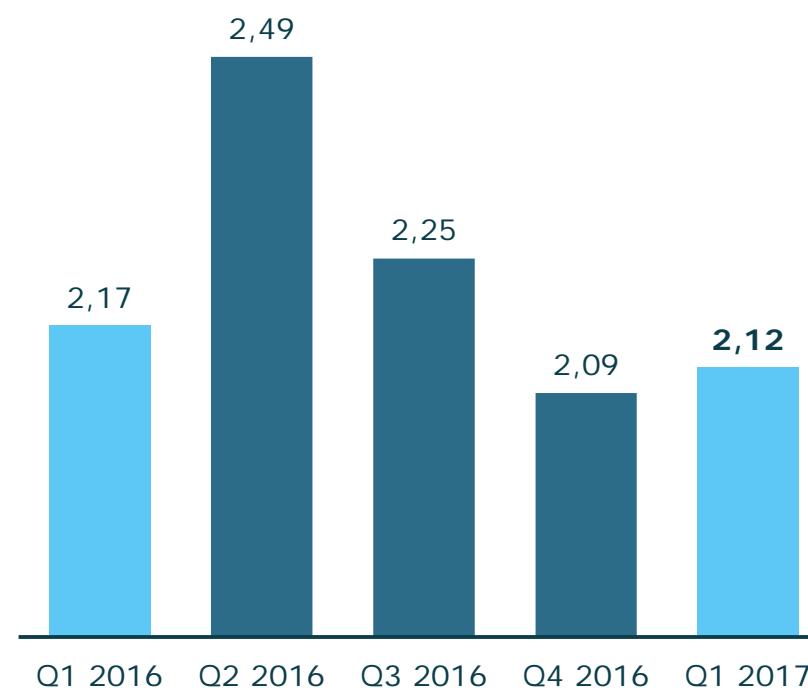
Total Income

- NOK million



Total Income

- % of Average Assets



Total Operating Costs

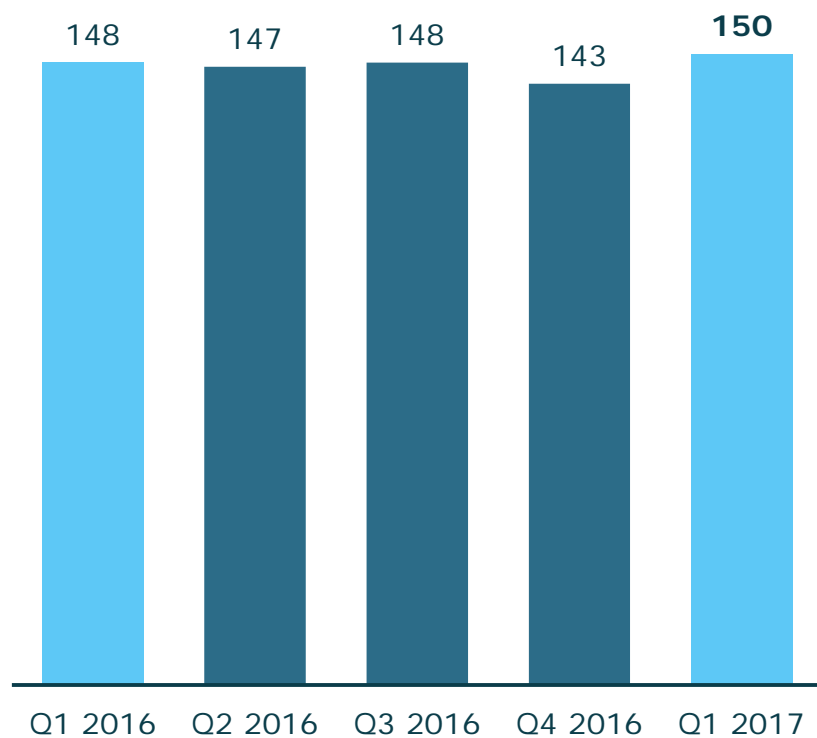
- *quarterly development*



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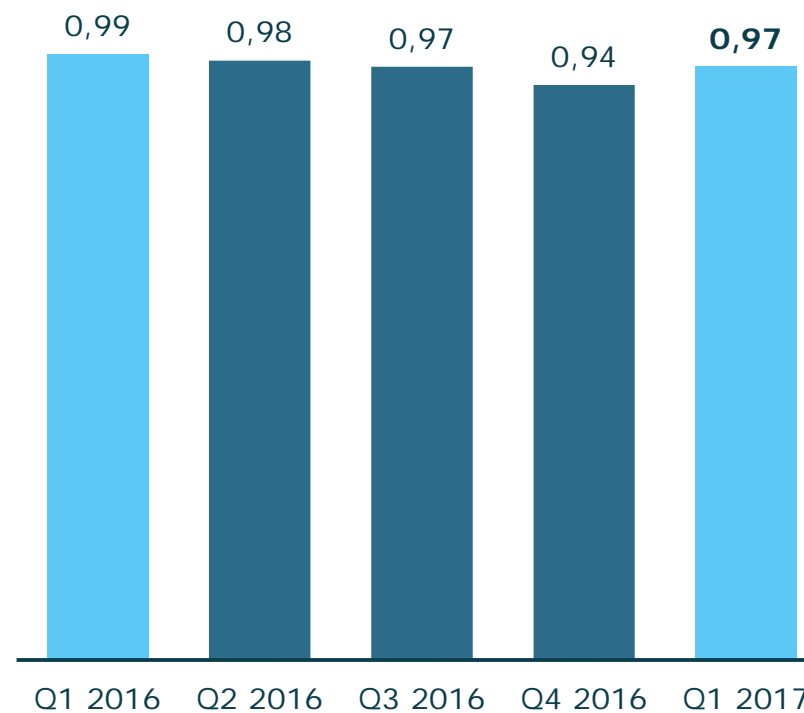
Operating Costs

- NOK million



Operating Costs

- % of Average Assets



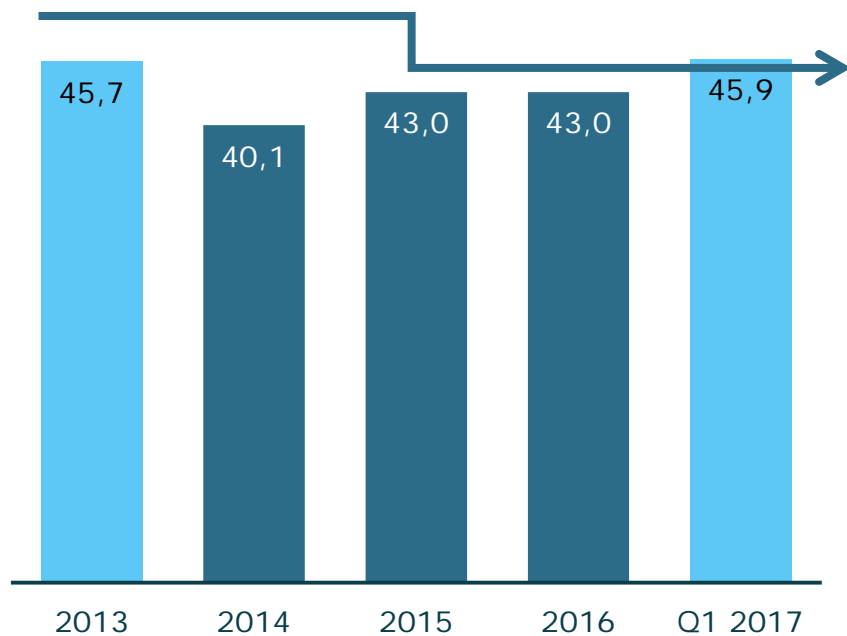
High efficiency

- internal targets will be met



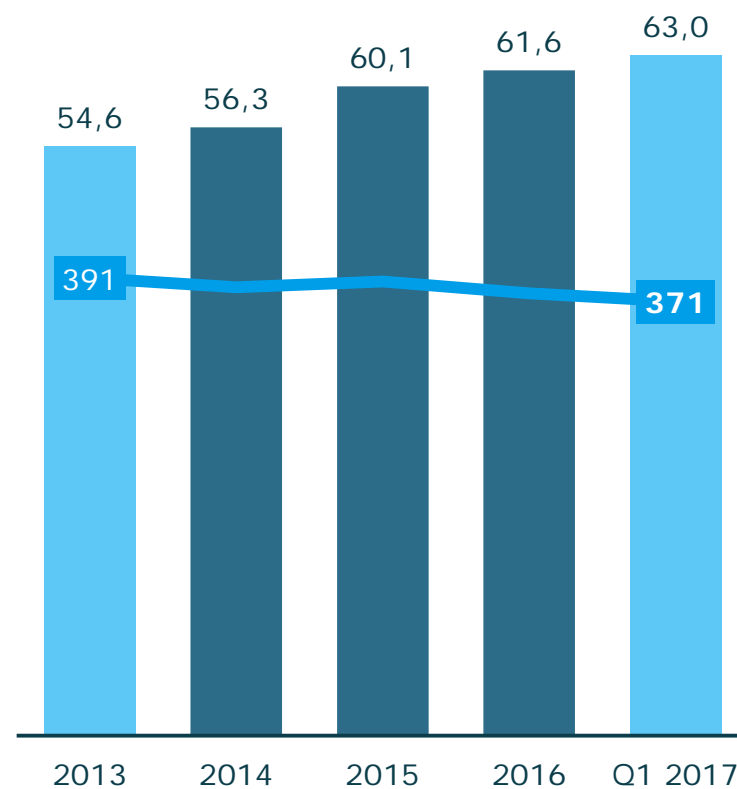
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Cost/Income ratio



Total Assets and Man Years

- Total Assets in NOK billion

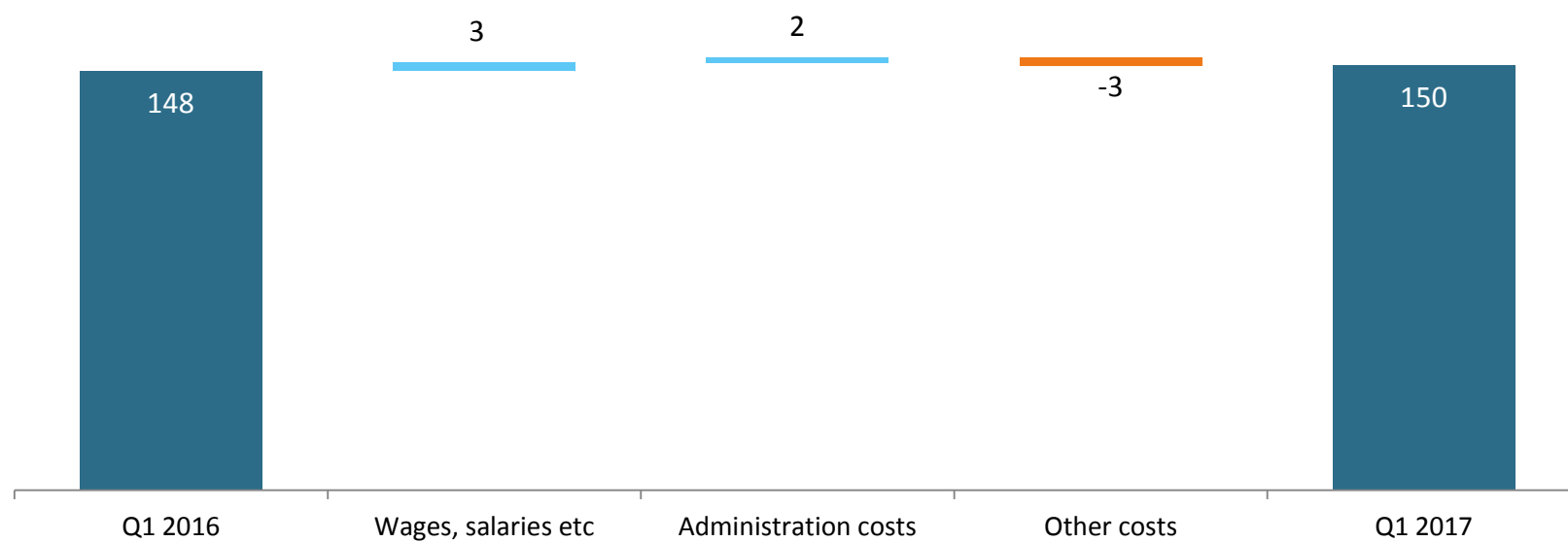


Costs

- minor changes from Q1 2016



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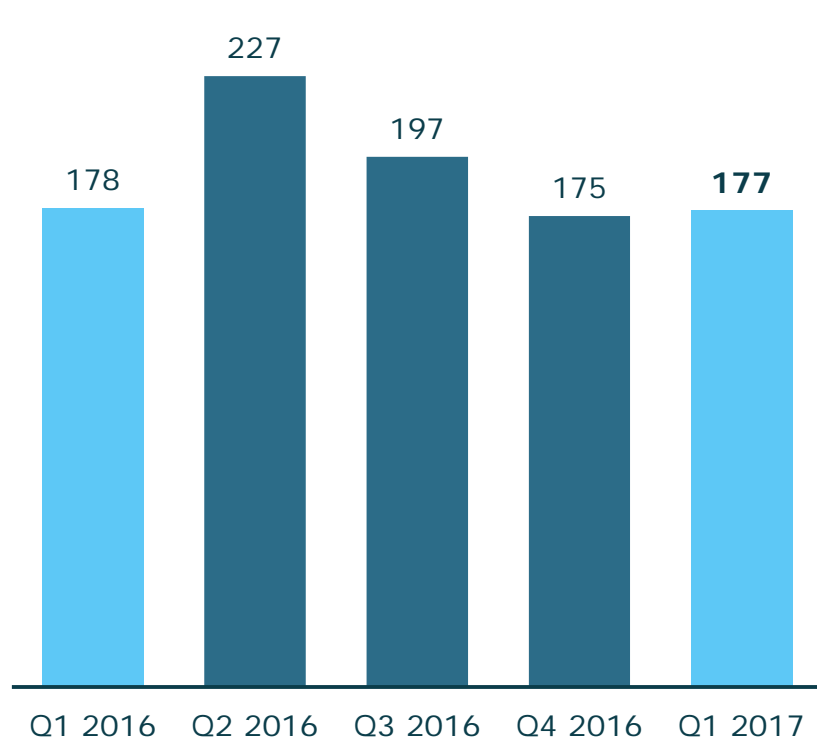
- The increase in personnel costs reflects introduction of fiscal tax
- The increase in administrative expenses is related to increased IT costs

Pre tax profit

- *quarterly development*

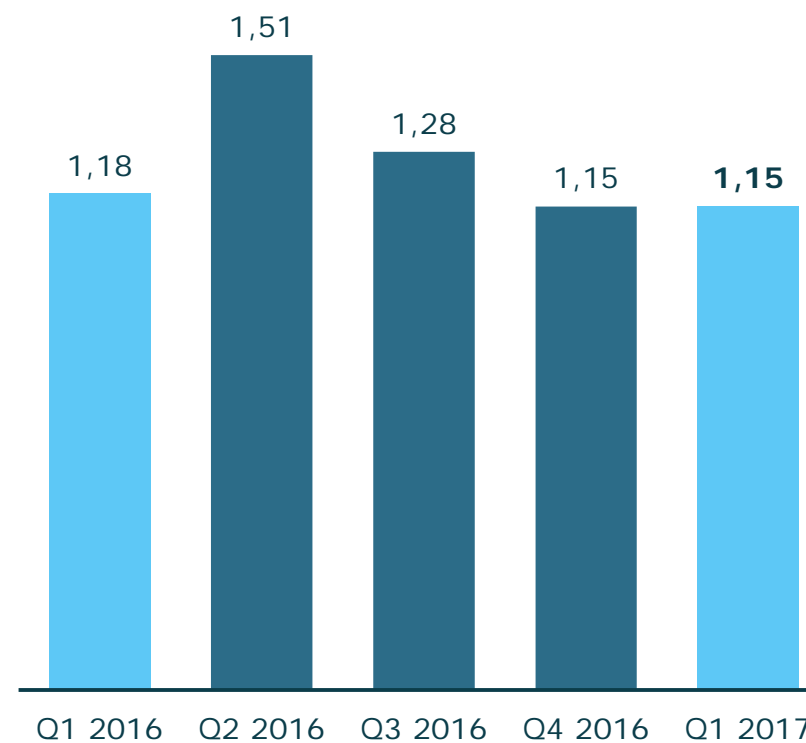
Result before losses

- NOK million



Result before losses

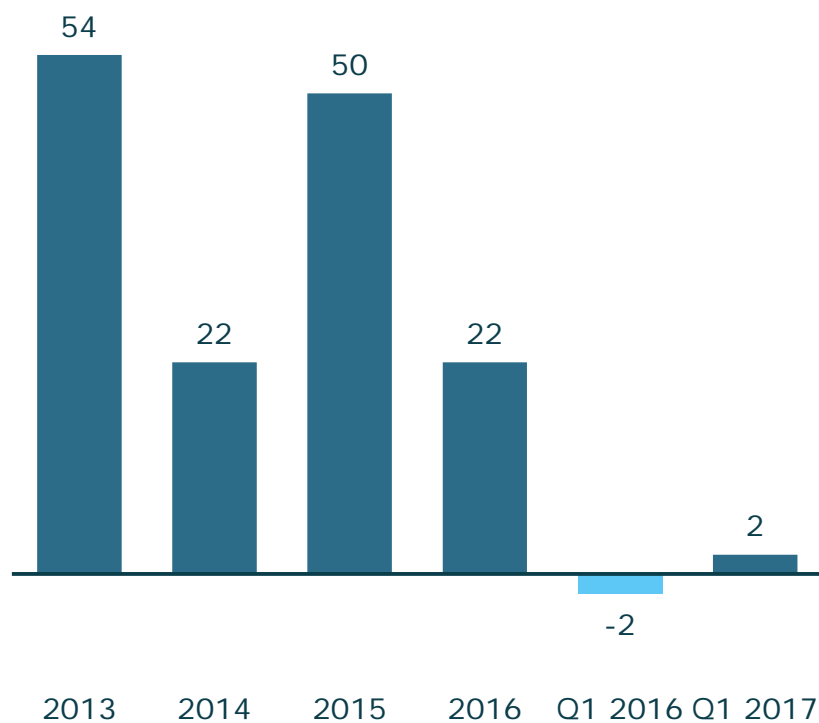
- % of Average Assets



Low level of losses over time

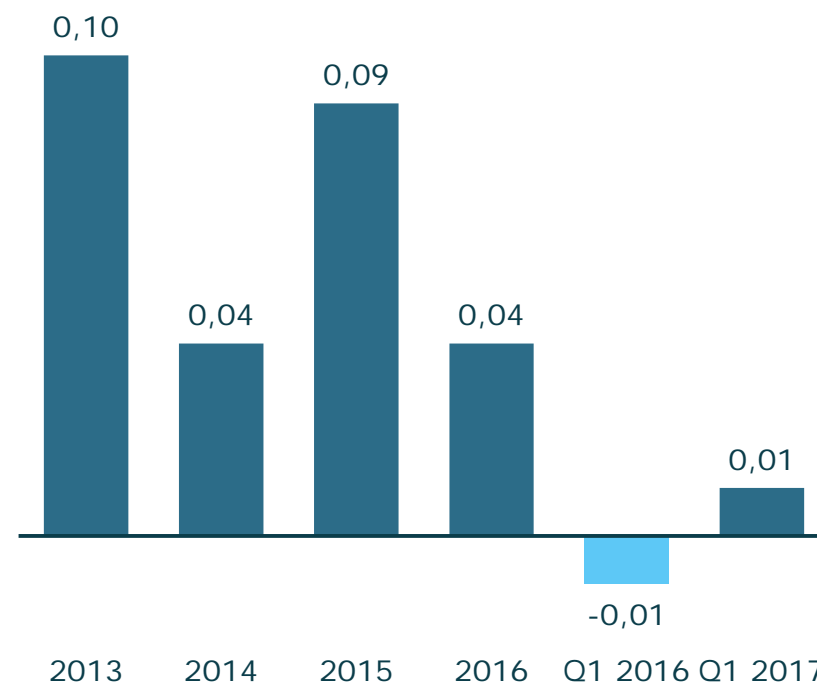
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

- % of Average Assets



Losses

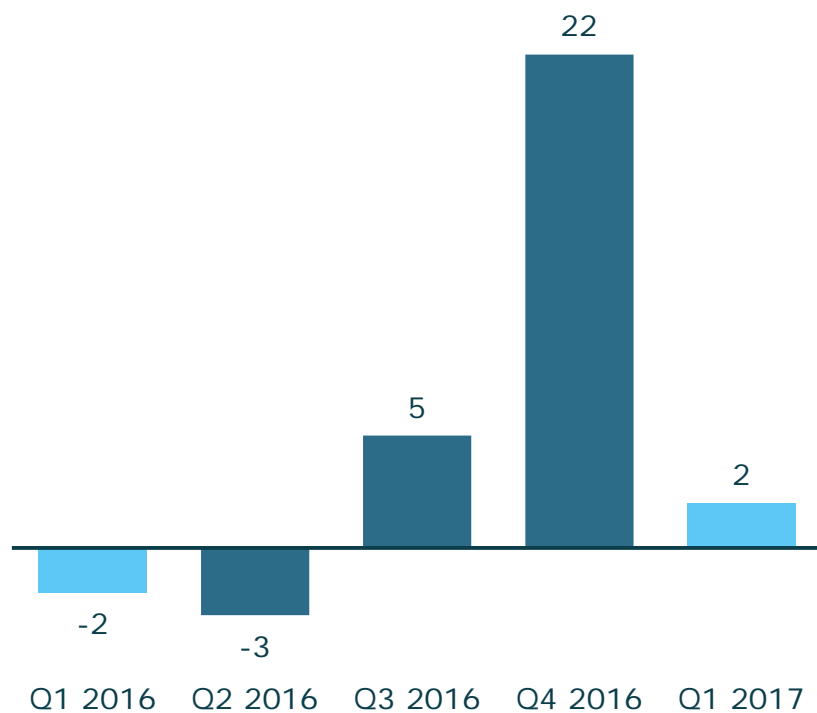
- *quarterly development*



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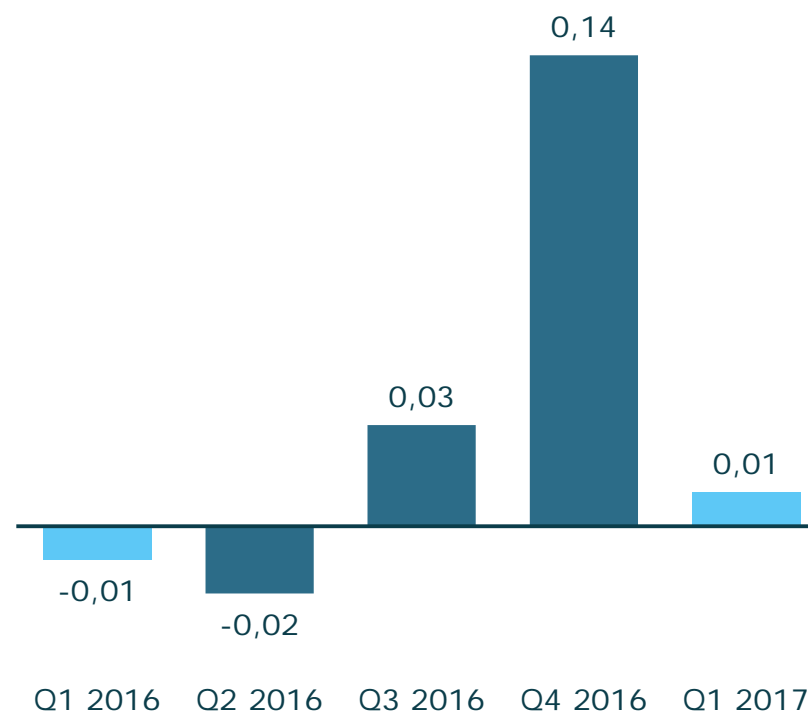
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

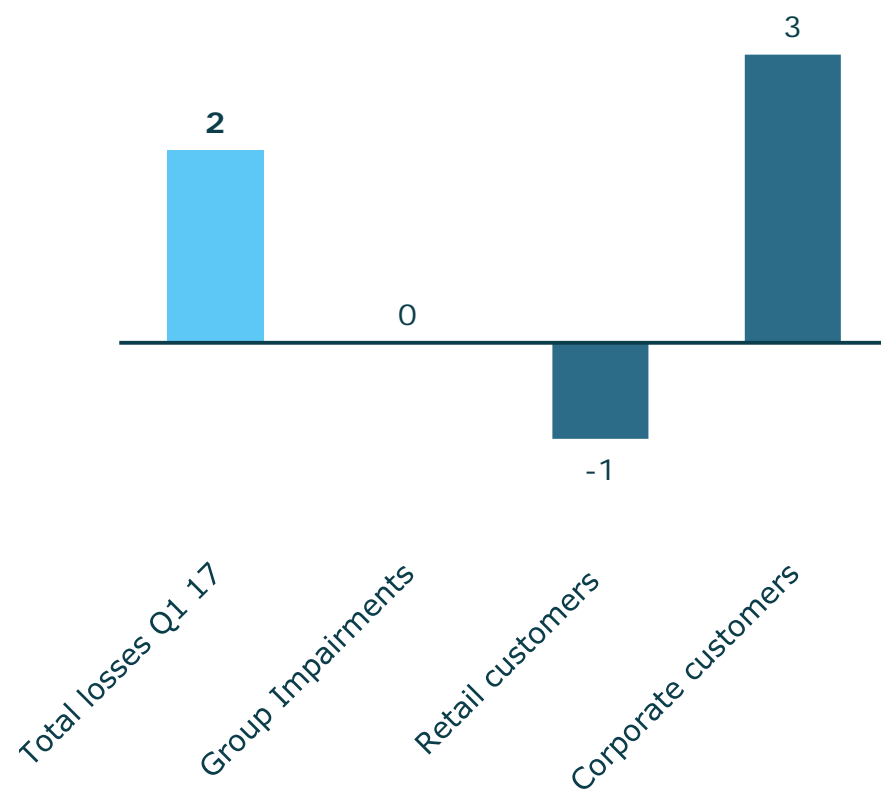
- % of Average Assets



Losses by sector

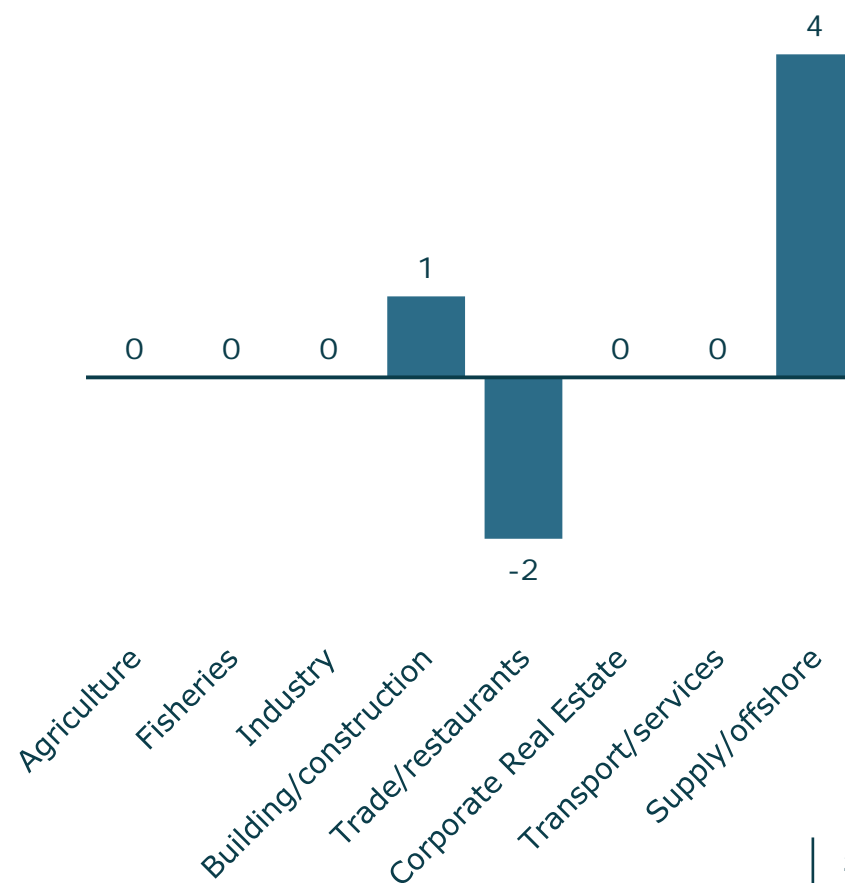
Losses on loans and guarantees

- NOK million



Detailed losses – corporate market

- NOK million



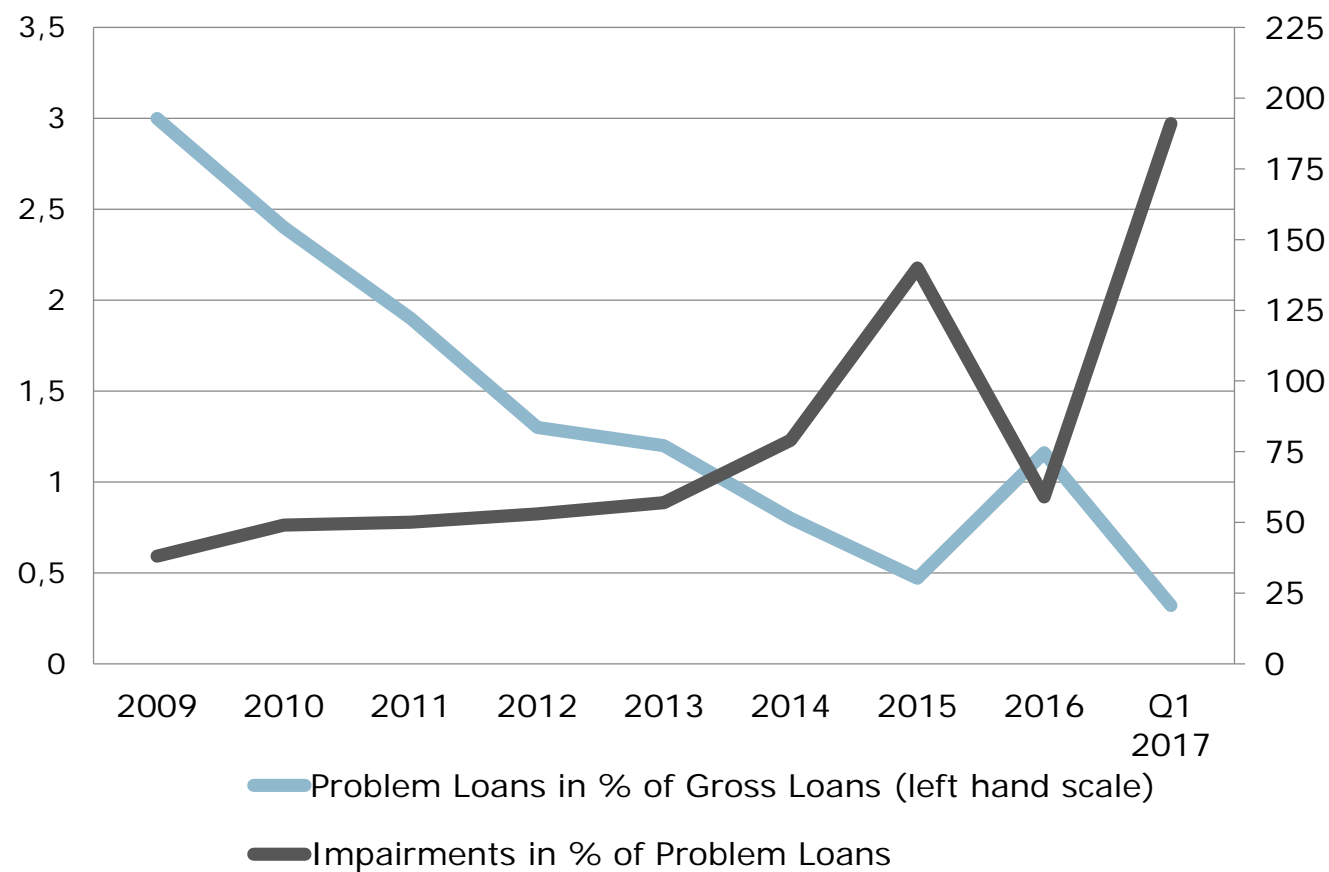
Problem Loans and Impairments

- continued positive development



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Problem Loans and Impairments (per cent)



Impairments

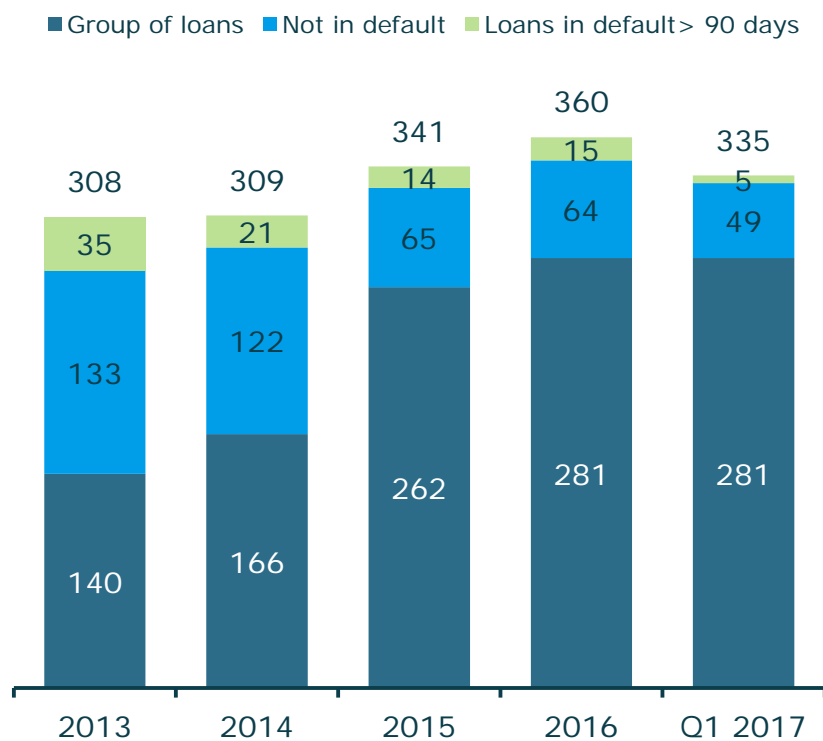
- solid and comfortable levels



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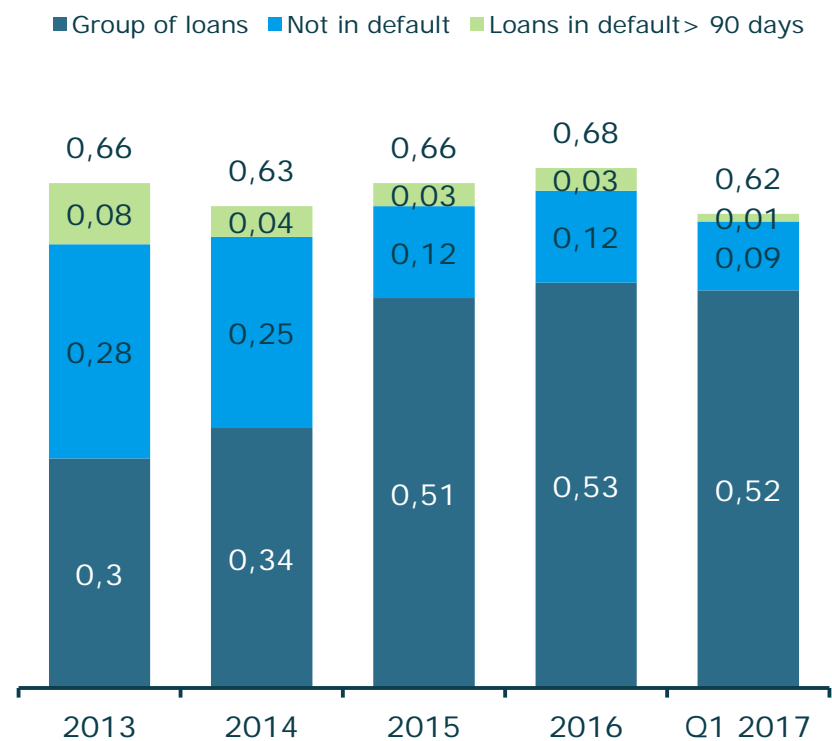
Impairments

- NOK million



Impairments

- % of Gross Loans

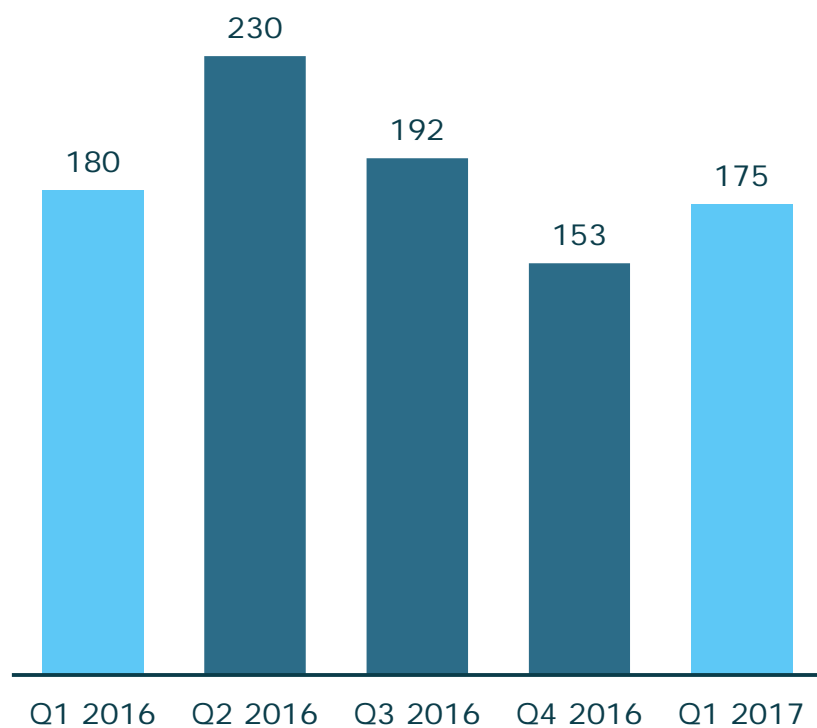


Pre tax profit

- *quarterly development*

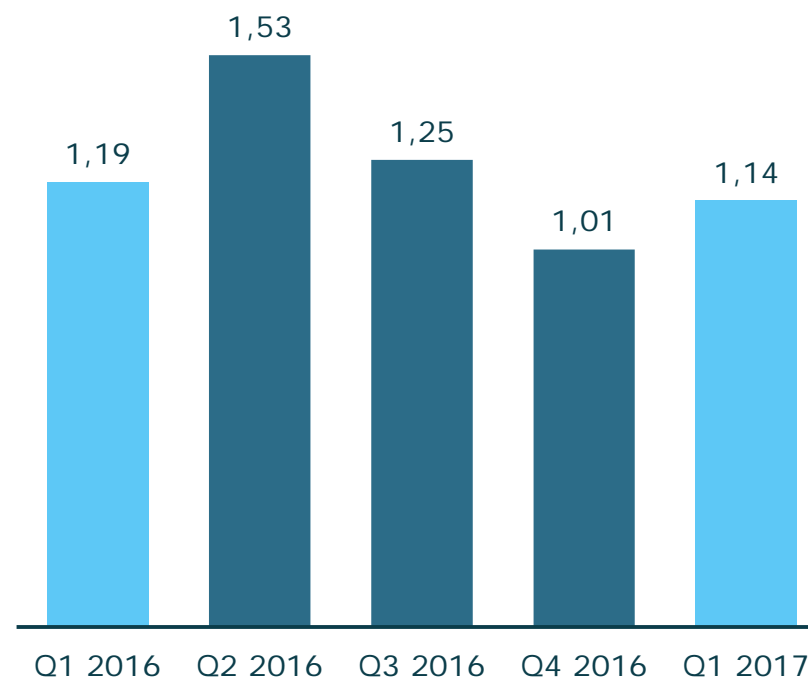
Pre tax profit

- NOK million



Pre tax profit

- % of Average Assets

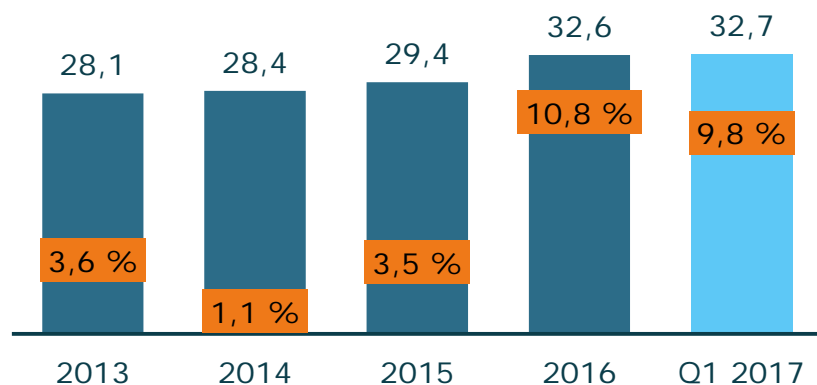


Increased growth

- High deposit growth and higher growth in lending

Deposits

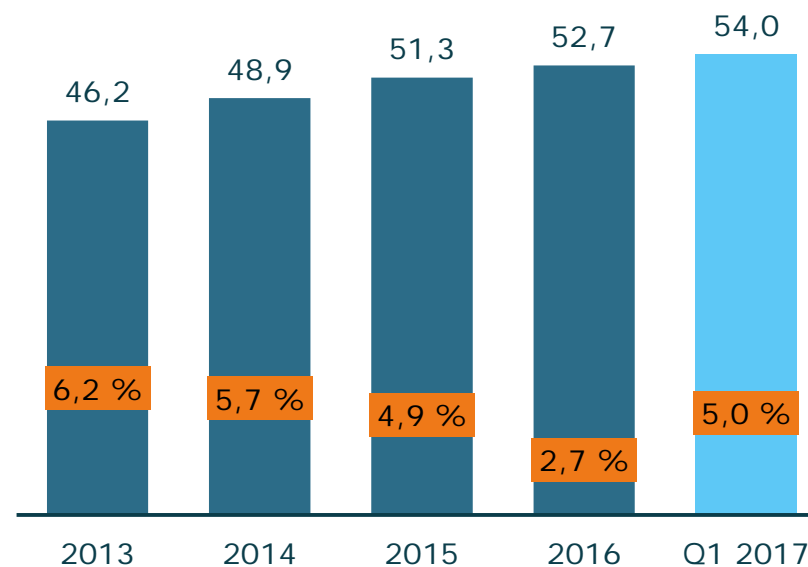
- NOK billion and per cent



- Deposits grew by 9.8% the last 12 months
- High deposit to loan ratio, 60.5%

Net Loans

- NOK billion and per cent



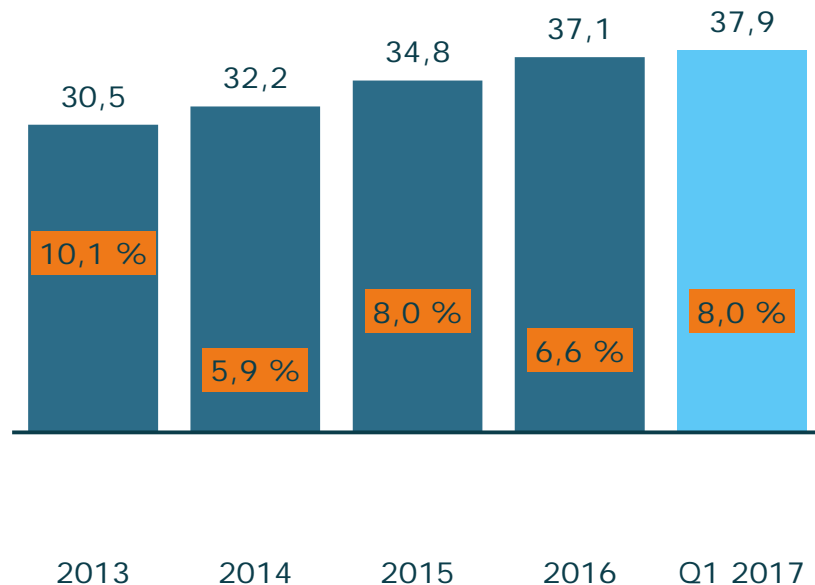
- Customer lending has increased by 5,0% the last 12 months

Lending

- Strong growth in the retail market

Retail market

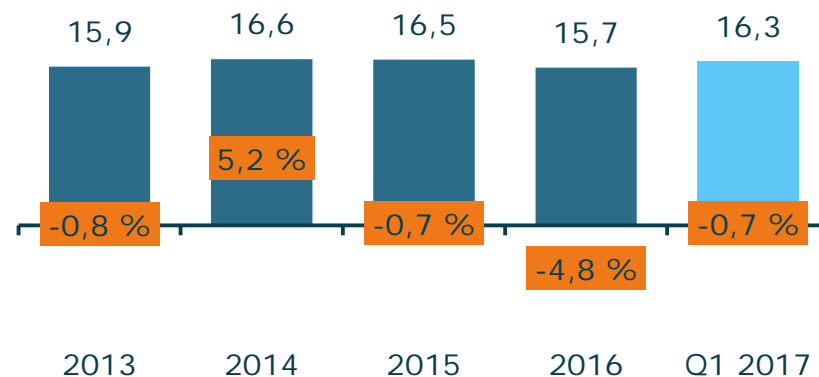
- NOK billion and per cent y/y



- Retail lending has increased by 8.0% the last 12 months
- Loans to the retail market amount to 70% of total loans

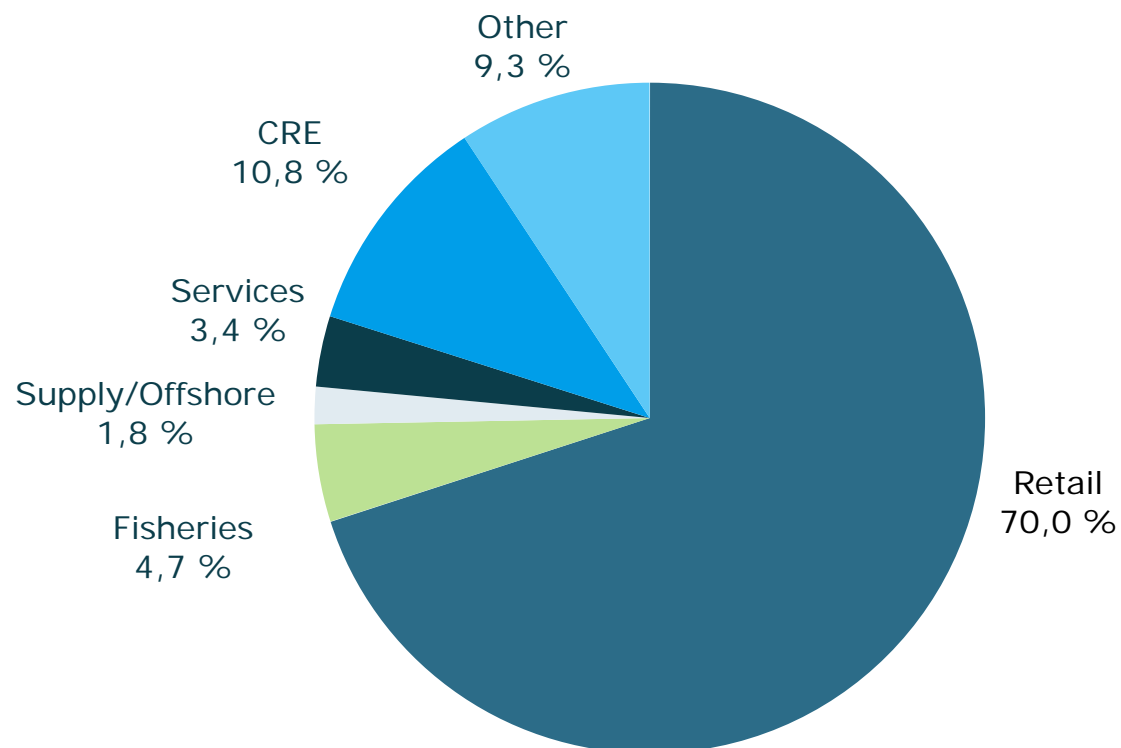
Corporate market

- NOK billion and per cent y/y



- Corporate lending has decreased by 0.7% the last 12 months
- Loans to the corporate market amount to 30% of total loans

Loans by sector



Other:

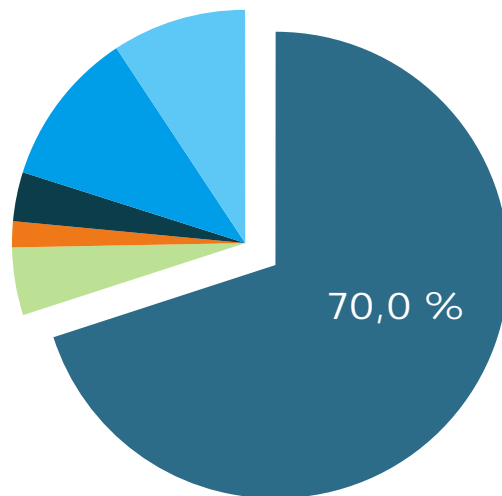
Other Industry	2.1 %	Agriculture	0.7 %
Financial services	1.6 %	Fishing Industry	1.6 %
Building and construction	1.0 %	Furniture	0.1 %
Ship Yards	1.0 %	Other	0.4 %
Retail/wholesale trade	0.8 %		

Lending

- *high proportion of secured loans*

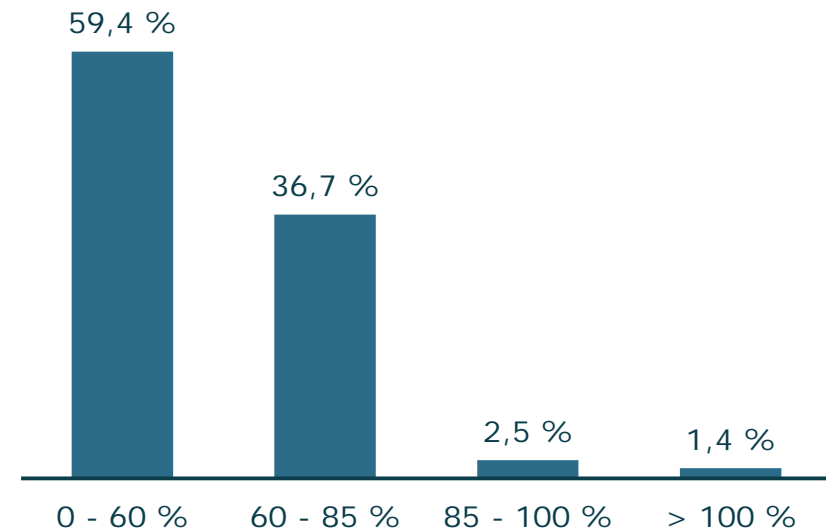
Loans to retail customers

- % of total loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the first quarter of 2017 were 6.6% outside Oslo, 6.8% in Oslo which are well within the requirement in section 7 Flexibility

Loan to value – retail loans



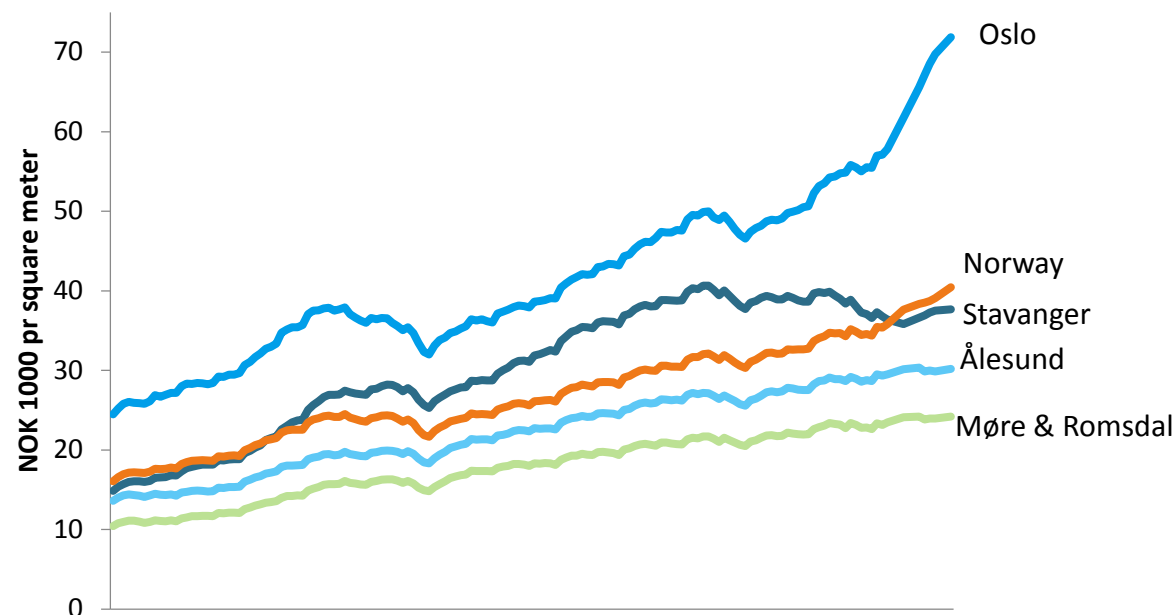
- 96.1% of mortgage-backed loans to retail customers are within 85% of value

Differences in house prices

- development in average house prices December 2003 – March 2017



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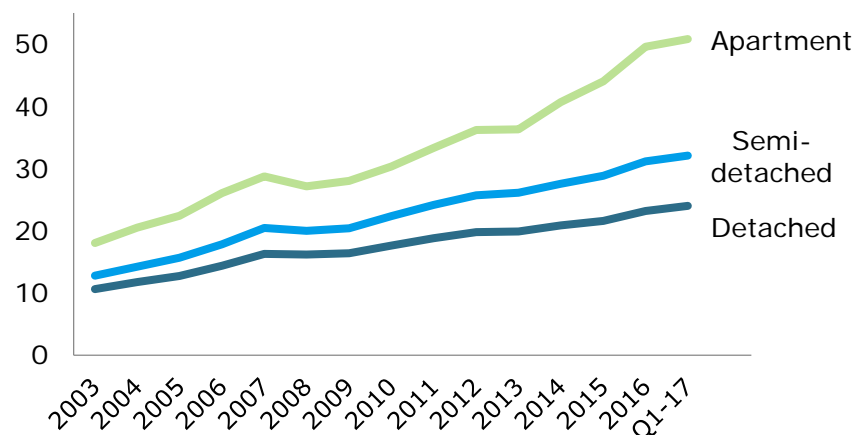
- The county of Møre og Romsdal has experienced lower growth in prices per square meter than Norway as a whole
- Oslo with a price growth of 22,4 % contributes to a major part of the national growth of 11,7 %

Key information (used dwellings)	Norway	Møre og Romsdal	City of Ålesund	City of Stavanger	City of Oslo
Price development last 12 months	+11,7 %	+3,7 %	+4,3 %	-1,4 %	+22,4%
Price per square meter (NOK)	40 436	24 184	30 188	37 686	71 882
Days on market (DOM) sold units in March 2017	34 days	78 days	63 days	56 days	14 days
Price median dwelling (NOK)	3 050 000	2 350 000	2 600 000	3 153 120	4 111 896

Differences in the Norwegian housing market

Price development different dwellings

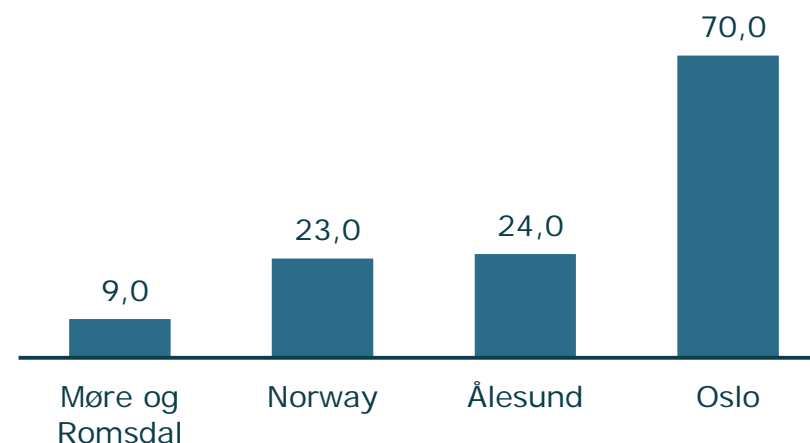
- Price per square meter



- Apartment prices in Norway show stronger growth than other housing types
- We see differences in price development and number of days on market also between municipalities in the county of Møre og Romsdal

Part of dwellings which are apartments

- In per cent of total dwellings



- In the county of Møre og Romsdal detached and semi-detached housing are more common

Offshore/supply

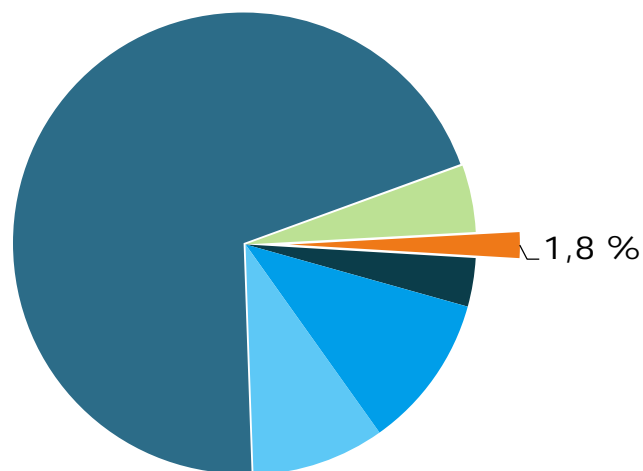
- low exposure towards the sector



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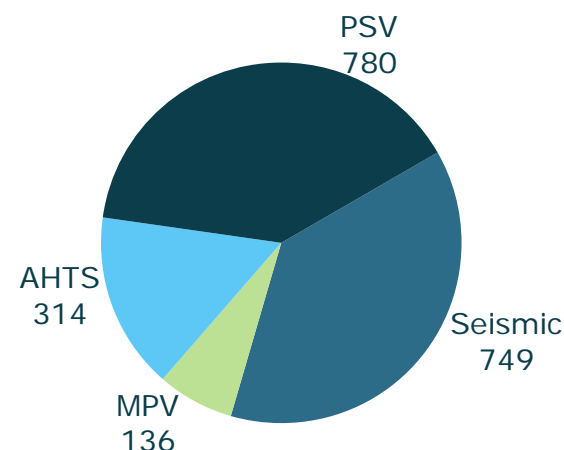
Offshore/supply

- exposure in % of total loans



Exposure included guarantees

- segments in NOK million



(NOK million)	Loans	Guarantees	Total	Impairments			
				Individual	Collective	Total	Percentage of EAD
Low risk (A-C)	303	597	899	0	0	0	0
Medium risk (D-G)	468	145	613	0	44	44	7 %
High risk (H-M)	208	313	521	0	139	139	27%
Impaired commitments	0	0	0	0	0	0	0 %
Total	979	1 055	2 033	0	183	183	9 %

Deposits

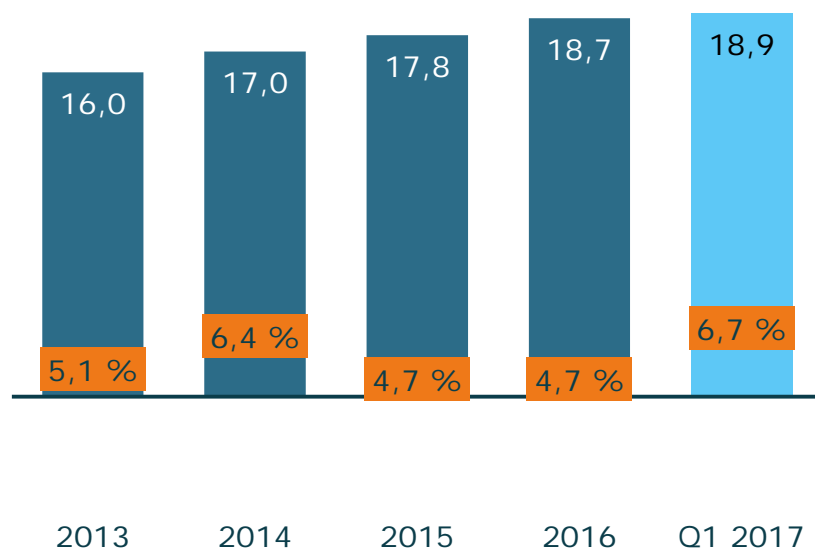
- High growth in deposits the last 12 months



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Retail market

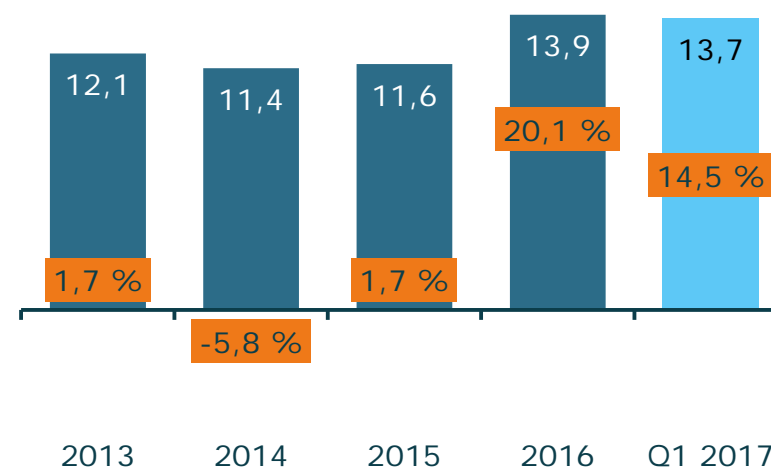
- NOK billion and per cent y/y



- Retail deposits have increased by 6.7% the last 12 months
- Deposits from the retail market amount to 58% of total deposits

Corporate and public

- NOK billion and per cent y/y



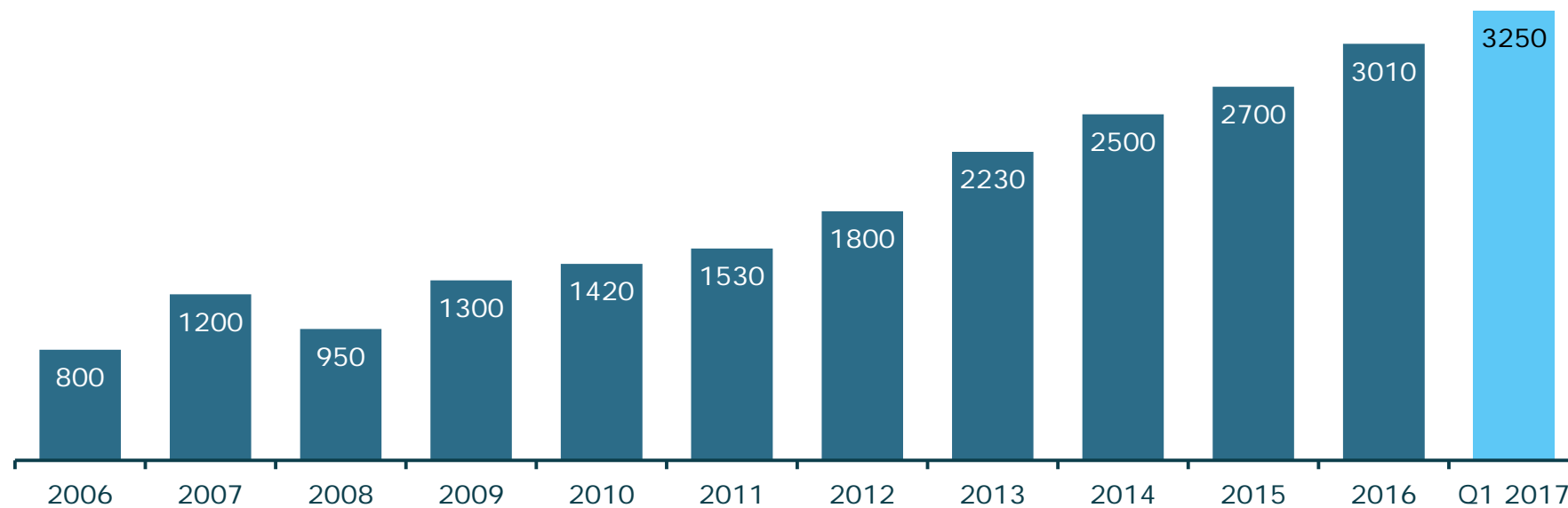
- Deposits from corporate customers have increased by 14.2% the last 12 months and ended at NOK 12.7 billion by quarter end
- Deposits from public customers have increased by 18.6% the last 12 months and ended at NOK 1 billion by quarter end

Discretionary Portfolio Management

- Volume i NOK million



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- In addition to deposits, increasingly more of the Bank's customers also ask for other investments
- Møre Aktiv Forvaltning (Møre Discretionary Portfolio Management) offers the Bank's larger clients professional management services
- Our local Asset Managers continuously monitor the portfolio
- 9 municipalities
- 4 foundations
- 1 pension fund
- 2 insurance companies
- 127 investment companies
- 166 wealthy private individuals

Deposits from customers and market funding

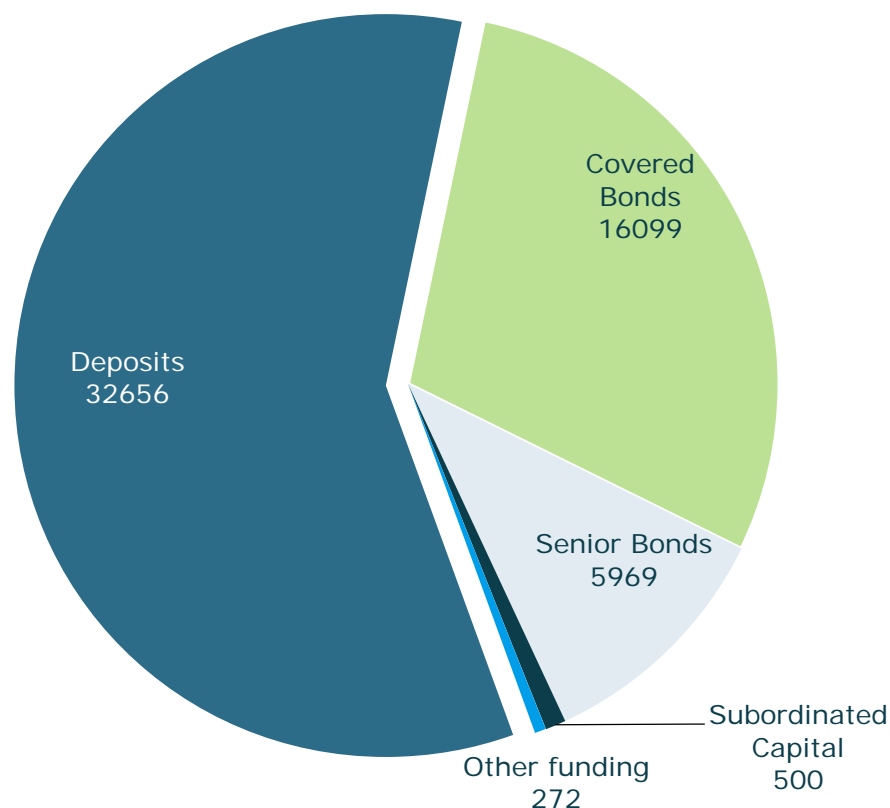
- Deposits are the Group`s most important source of funding, 60.5% coverage



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Deposits and market funding

- NOK million



Sparebanken Møre with good access to the market

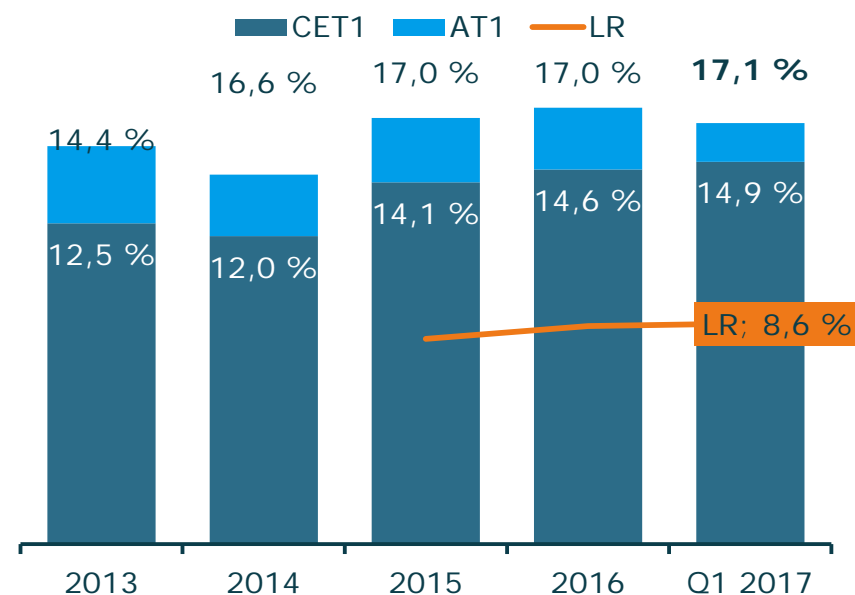
- Total market funding ended just above NOK 22.8 billion by quarter end – more than 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.35 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.62 years (FSA defined key figures)
- By quarter end five of Møre Boligkreditt`s bond issues are listed on *Oslo Børs Covered Bond Benchmark list* and also qualifies for Tier 2A liquidity in LCR

Equity and related capital

- Capital and leverage ratio (LR) well above regulatory requirements

Core Capital in Sparebanken Møre

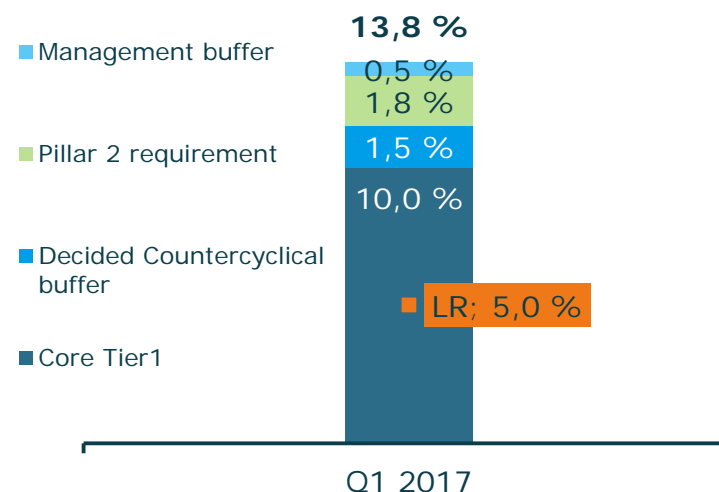
- % of risk weighted assets



- Sparebanken Møre capital targets are:
 - Total Capital: Min. 17.3 %
 - Core Capital: Min. 15.3 %
 - CET1: Min. 13.8 %
- By quarter end our CET1 stood at 14.9%, total capital at 18,6

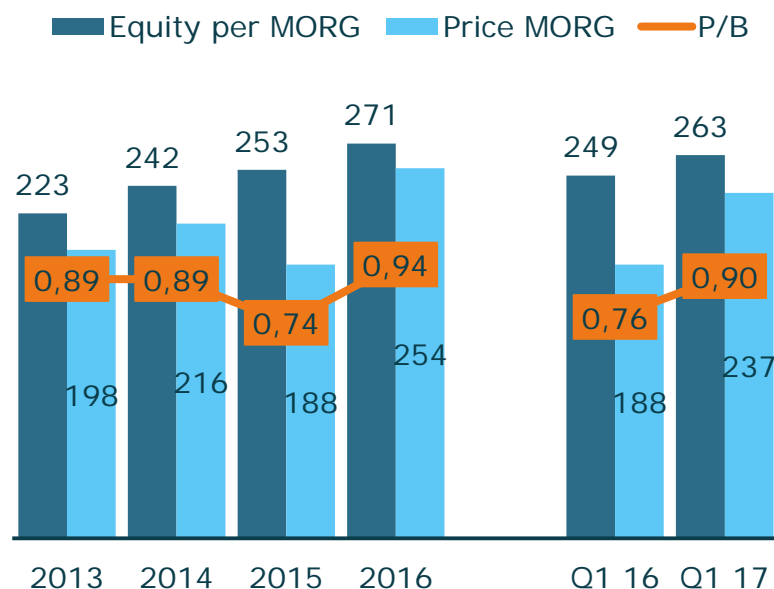
Minimum requirements

- % of risk weighted assets



- The Group's Capital shall follow the announced regulatory capital escalation plan
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market

MORG – price and Price/Book (P/B) value



- Equity per MORG is calculated on Group figures

The Dividend Policy is firm and unchanged

- Sparebanken Møre`s allocation of earnings shall ensure that all equity owners are guaranteed equal treatment
- Given Sparebanken Møre`s strategic plan and stipulated return on equity, we expect the normalized dividend payout ratio to be in the range 40-50%



GOALS IN OUR STRATEGIC PLAN «MØRE 2020»

- CET1 > 13.8 %
- ROE > 10 %
- Low level of losses
- Healthy financial structure

History shows that we achieve our goals.

NO. 1 BANK IN MØRE OG ROMSDAL

Our environment is changing and digitization maintains at a high pace. Sparebanken Møre`s competent and adaptable organization will meet the future with continuous focus on development.

The basis for further strengthening our position in our main market is solid.

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