

Sparebanken Møre - the Group

25 January 2018

PRESENTATION

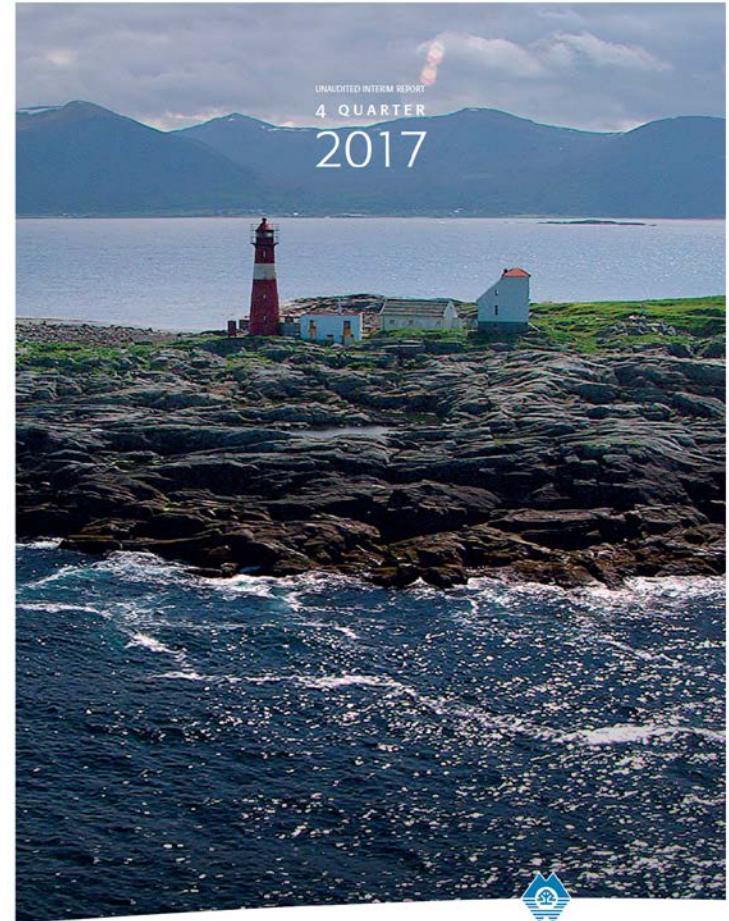
4TH. QUARTER 2017
PRELIMINARY ANNUAL ACCOUNTS

Runar Sandanger
EVP



Contents

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



The largest bank in the county

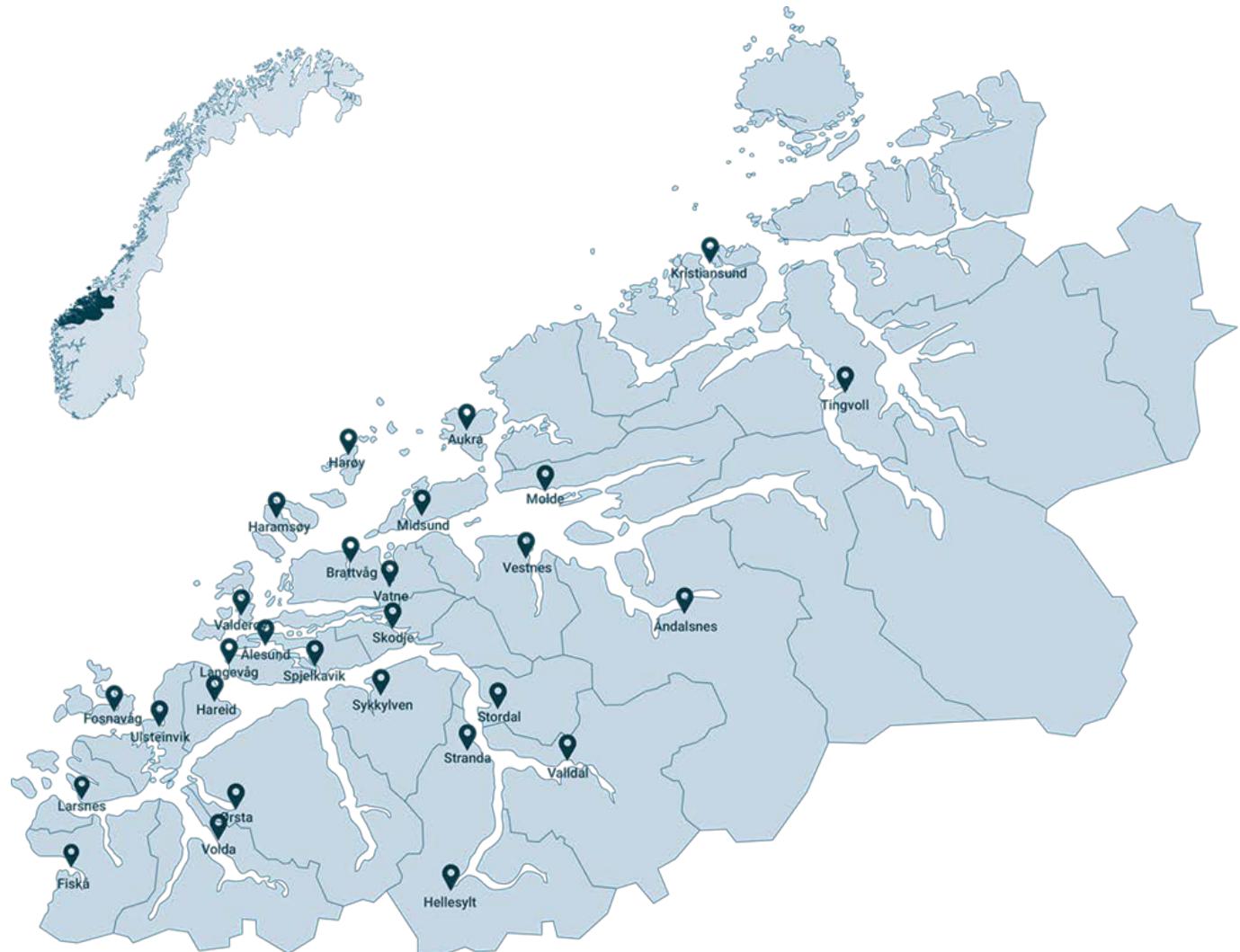
Contributing considerably to the local society



28 OFFICES IN MØRE OG ROMSDAL

359
MAN YEARS

66.5
BILLION IN
TOTAL ASSETS



Highlights from 2017



Good loan growth and high deposit to loan ratio



Positive development in net interest income



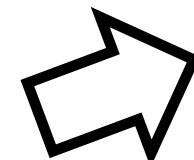
Increased focus on other income give results



Stable cost base - high efficiency



Very low losses



Strong capital

10.4%

Strong ROE

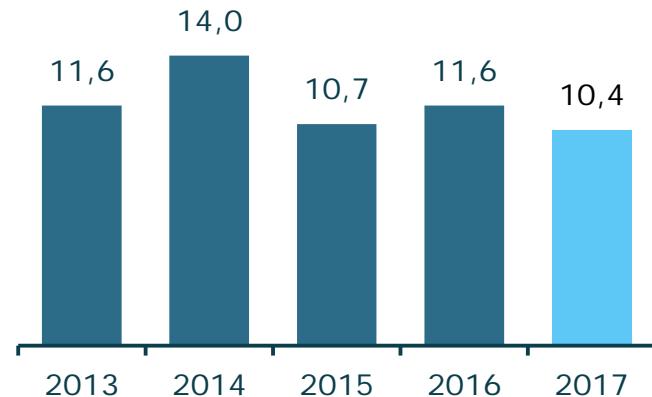
NOK 14

High dividend proposal

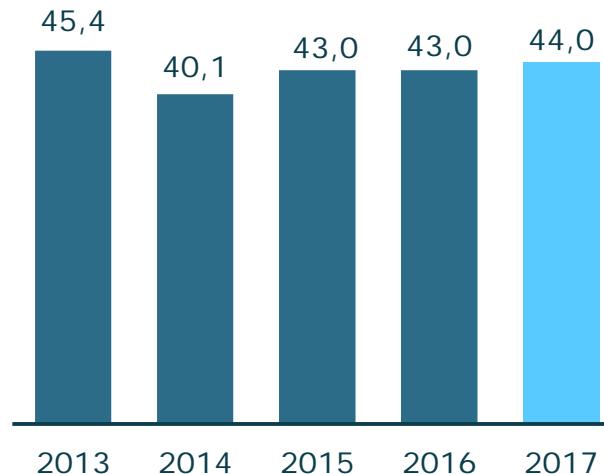
Key figures

We reach our goals

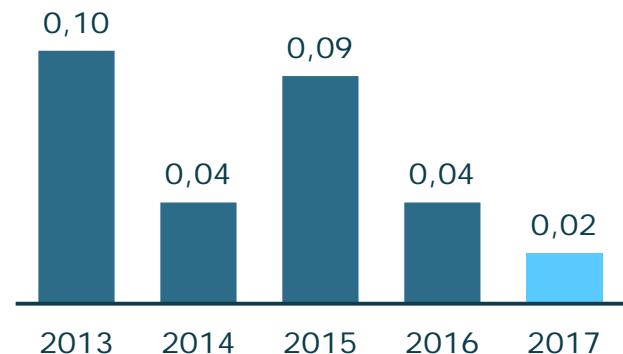
Return on Equity



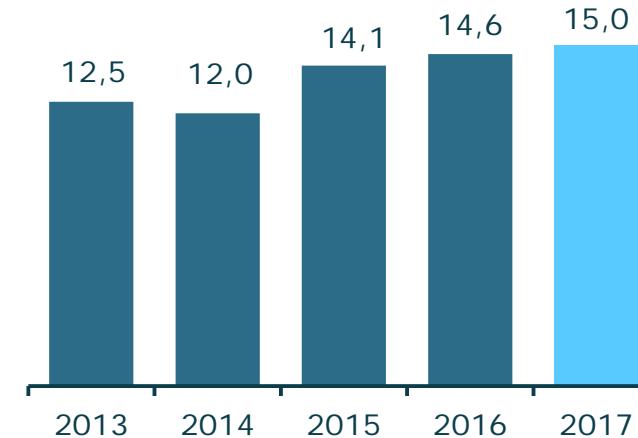
Cost/Income



Losses on Loans and Guarantees



Core Tier1 Capital



Positive outlook

- At the turn of the year, Sparebanken Møre is well capitalized, with a healthy financial structure and a strong balance. The results have been strong and stable and losses have been at a low level for many years
- The economic outlook for Møre og Romsdal is good and we are seeing increased activity following
 - ✓ a weak Norwegian currency
 - ✓ low level of interest rates
 - ✓ expansionary fiscal policy
 - ✓ higher oil prices
 - ✓ good growth in our export markets
 - ✓ high adaptability in local business and industry
- On the other hand, housing prices have continued to fall, and there is uncertainty linked to price developments in the future

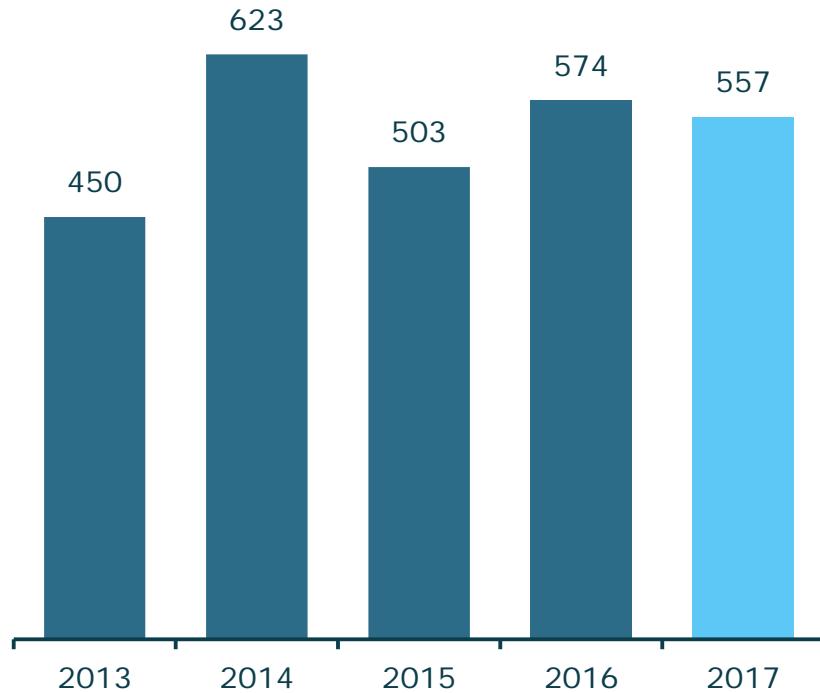


Good results in 2017

In line with our plans

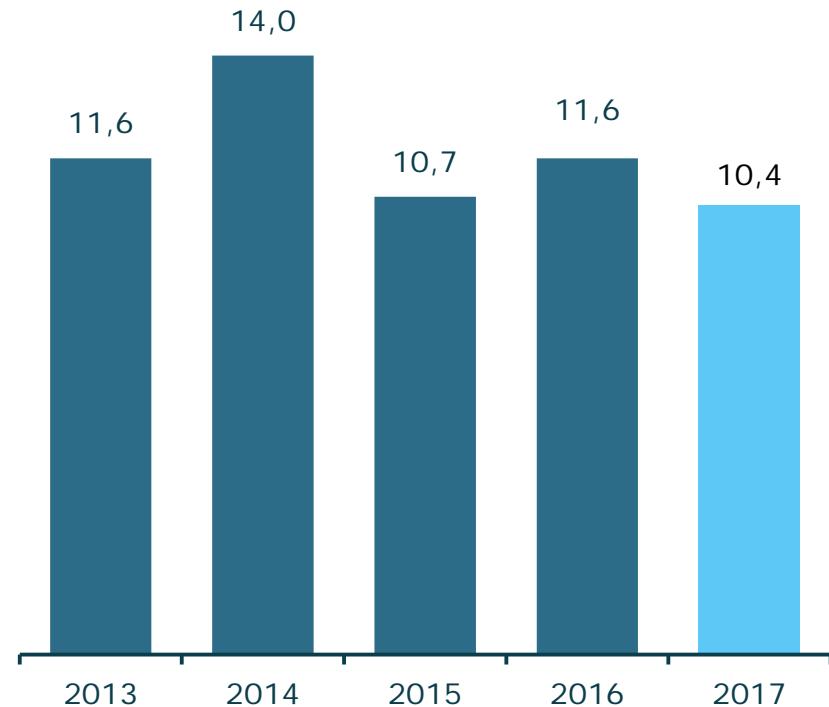
Result after taxation

- NOK million



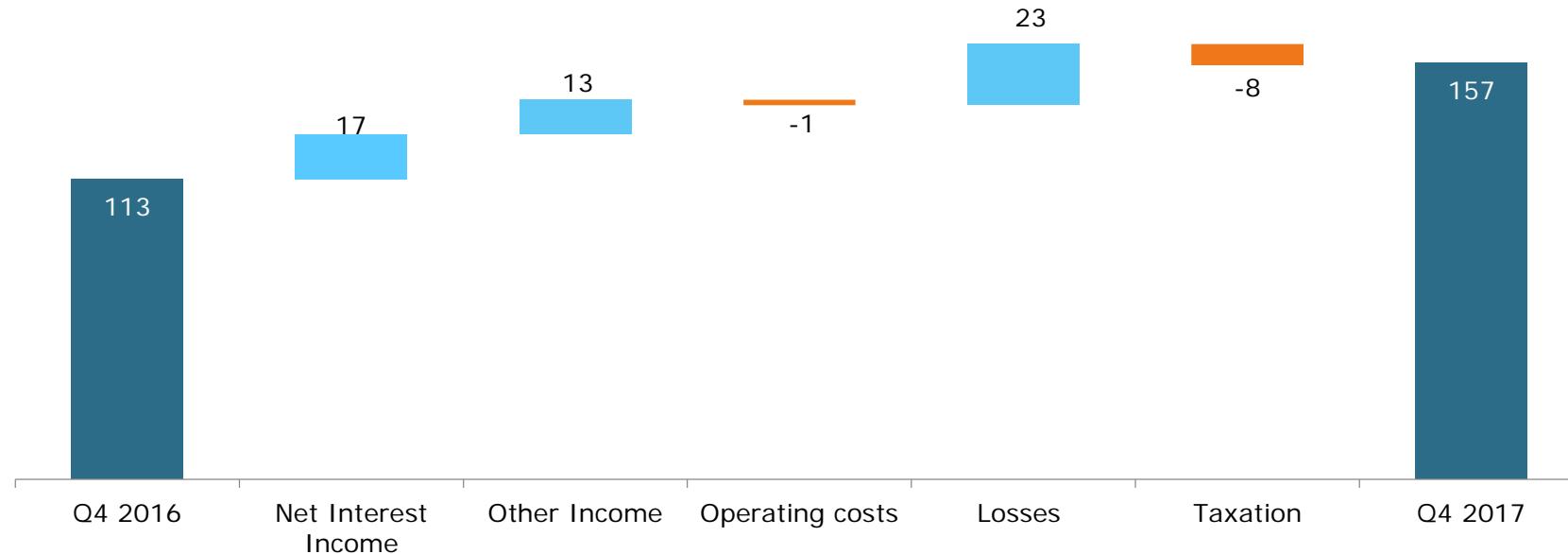
Return on Equity

- in percent (ROE)



Changes from Q4 2016 to Q4 2017

Result after taxation (NOK million)



- Higher Net Interest Income in NOK
- Positive development in Other Income
- Stable operating costs
- Low level of losses also in Q4

Results

Statement of income by the end of Q4 – the Group

Results (NOK million and %)	2017		2016		Changes		
	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	1,100	1.72	1,082	1.79	18	-0.07	1.7
Net Income Financial Investments	35	0.05	30	0.05	5	0.00	16.7
Gains from shares (VISA in 2016)	-10	-0.02	45	0.07	-55	-0.09	
Gains/losses liquidity portfolio	23	0.04	24	0.04	-1	0.00	-4.2
Other Income	194	0.31	182	0.30	12	0.01	6.6
Total Other Income	242	0.38	281	0.46	-39	-0.08	-13.9
Total Income	1,342	2.10	1,363	2.25	-21	-0.15	-1.5
Personnel costs	335	0.52	335	0.55	0	-0.03	0.0
Other costs	255	0.40	251	0.42	5	-0.02	2.0
Total operating costs	590	0.92	586	0.97	4	-0.05	0.7
Profit before losses	752	1.18	777	1.28	-25	-0.10	-3.2
Losses on loans, guarantees etc	13	0.02	22	0.04	-9	-0.02	-40.9
Pre tax profit	739	1.16	755	1.24	-16	-0.08	-2.1
Taxes	182	0.28	181	0.30	7	-0.02	0.6
Profit after taxation	557	0.88	574	0.94	-18	-0.06	-3.0

Balance and key figures

	31.12.2017	31.12.2016	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	66,491	61,593	4,888	8.0
Loans to customers	56,867	52,691	4,176	7.9
Deposits from customers	32,803	32,562	241	0.7
Net Equity and Subordinated Loans	6,300	6,132	168	2.7

Key Figures	31.12.2017	31.12.2016	Changes p.p.
Return on Equity	10.4	11.6	-1.2
Cost/Income Ratio	44.0	43.0	1.0
Total Capital	18.4	18.6	-0.2
Core Capital	16.8	17.0	-0.2
Core Tier 1 Capital	15.0	14.6	0.4
Leverage Ratio	8.2	8.5	-0.3
Results per EC (NOK, the Group)	27.70	28.80	-1.10
Results per EC (NOK, the Bank)	27.00	29.85	-2.85

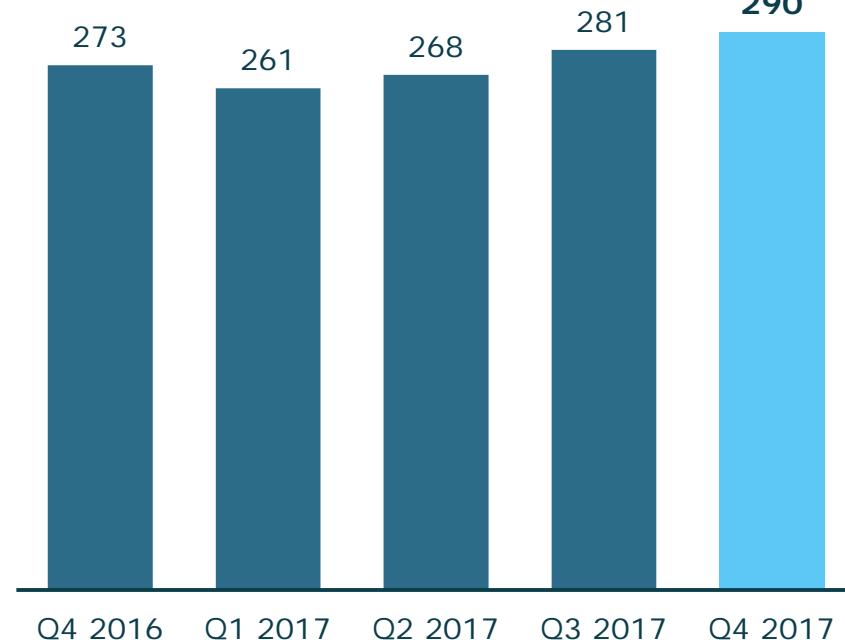
Quarterly development in Net Interest Income

Increased net interest income



Net Interest Income

- NOK million



Net Interest Income

- % of Average Assets



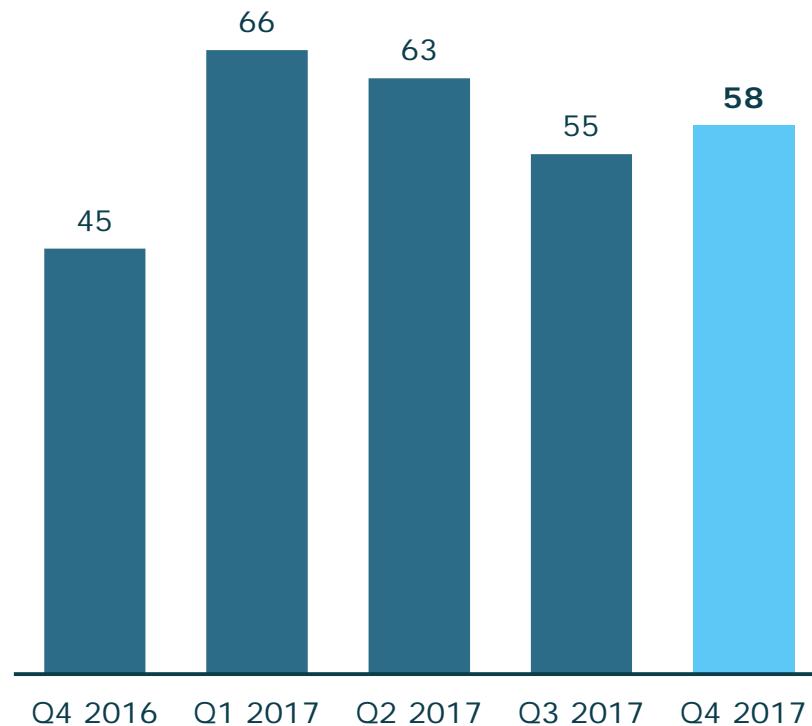
Quarterly development Other Income

Negative effects from financial instruments



Other Income

- NOK million



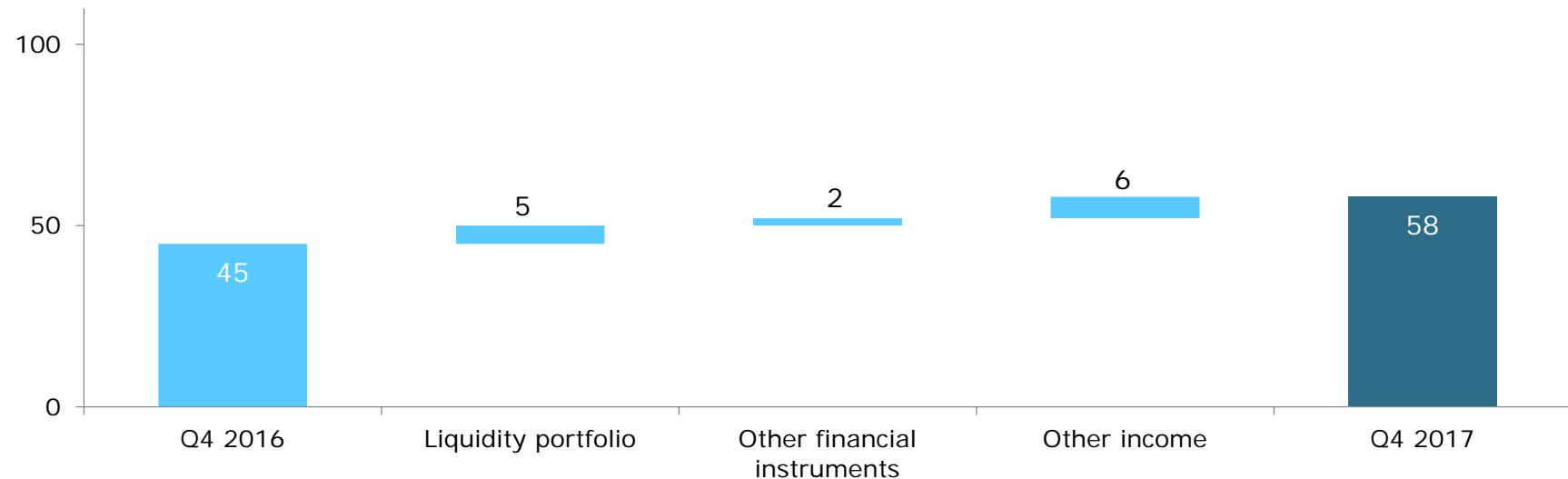
Other Income

- % of Average Assets



Other Income

Changes in NOK million compared with Q4 2016



- Valuation of the liquidity portfolio changed from - NOK 4 million to NOK 1 million from Q4 2016 to Q4 2017
- Positive change in other financial investments is mainly related to the development of basis swaps
- Continued good growth in our Discretionary Portfolio Management Department contributes positively during the quarter

Total Income

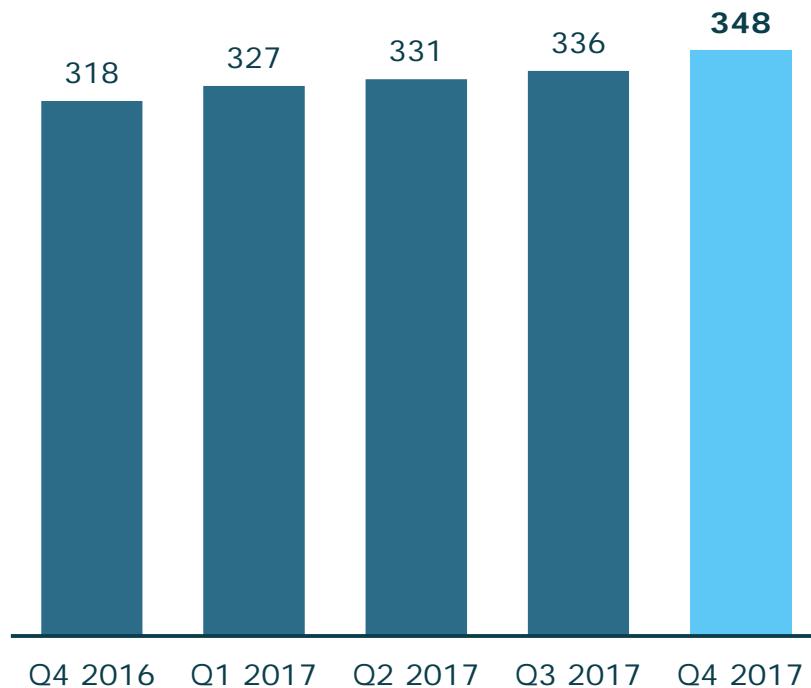
Quarterly development



SPAREBANKEN MØRE

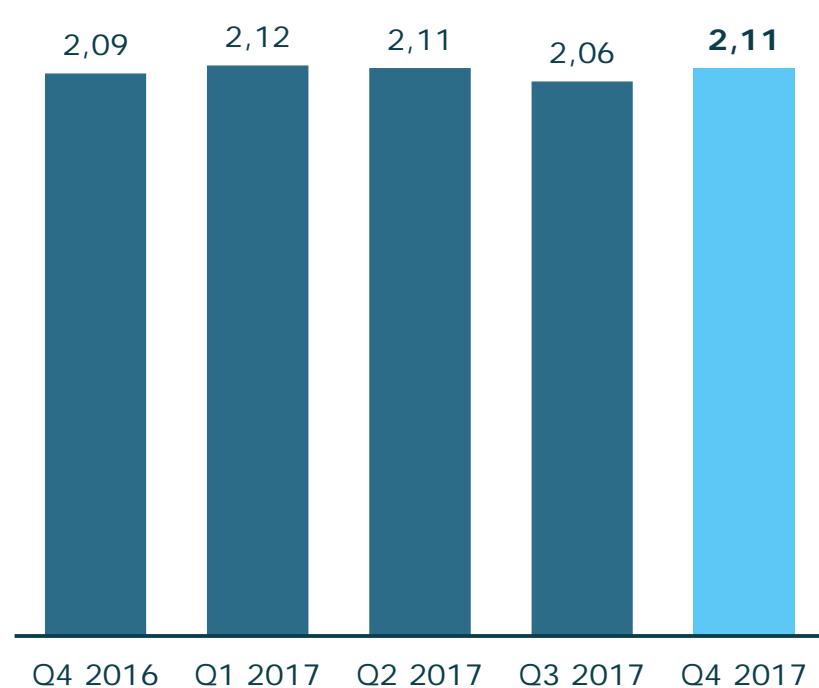
Total Income

- NOK million



Total Income

- % of Average Assets

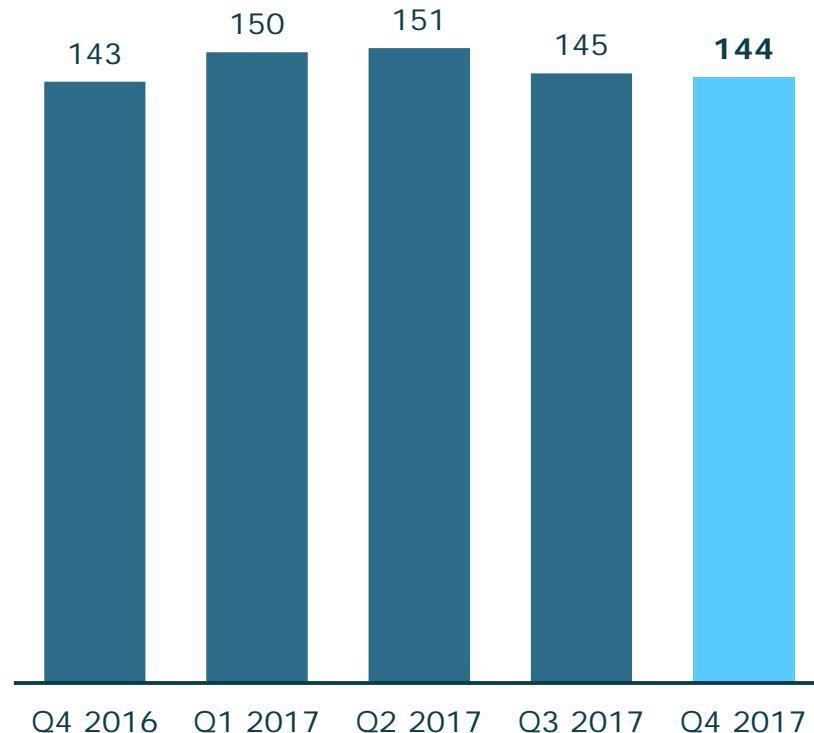


Lower Costs

Positive quarterly development

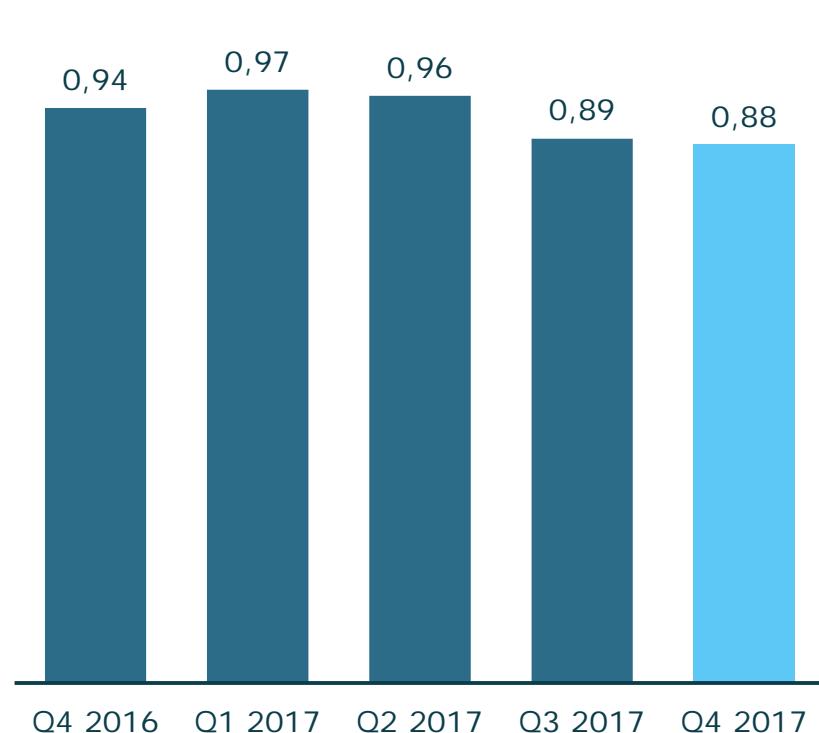
Operating Costs

- NOK million



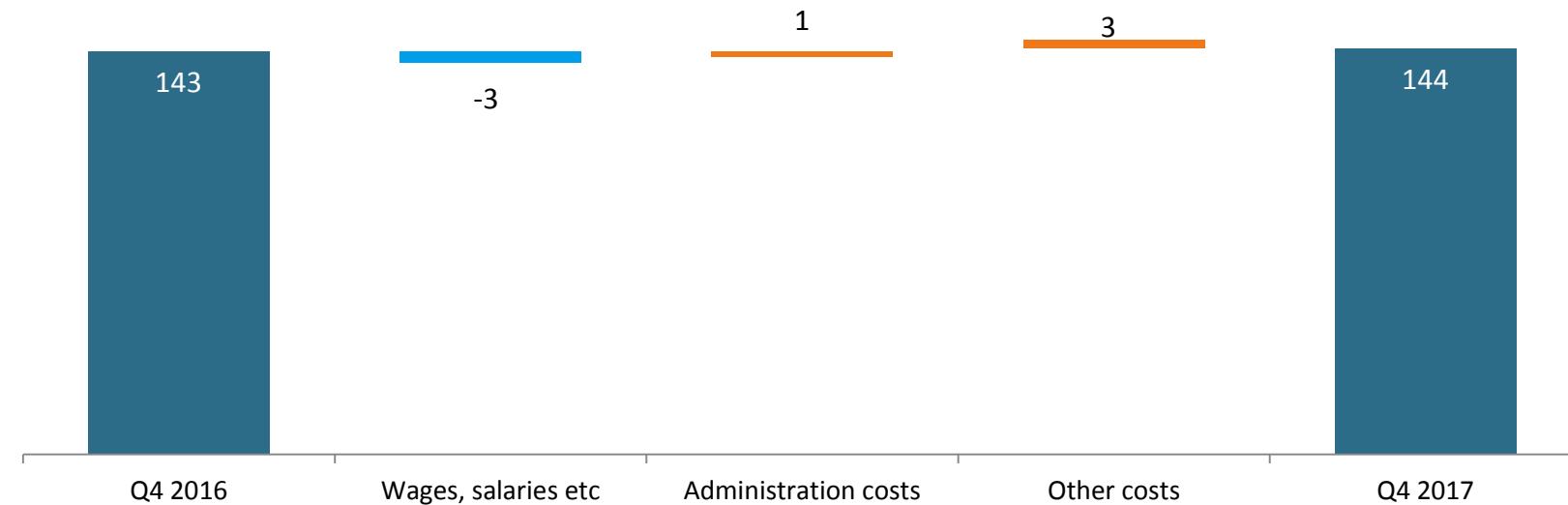
Operating Costs

- % of Average Assets



Costs

Costs in line with Q4 2016

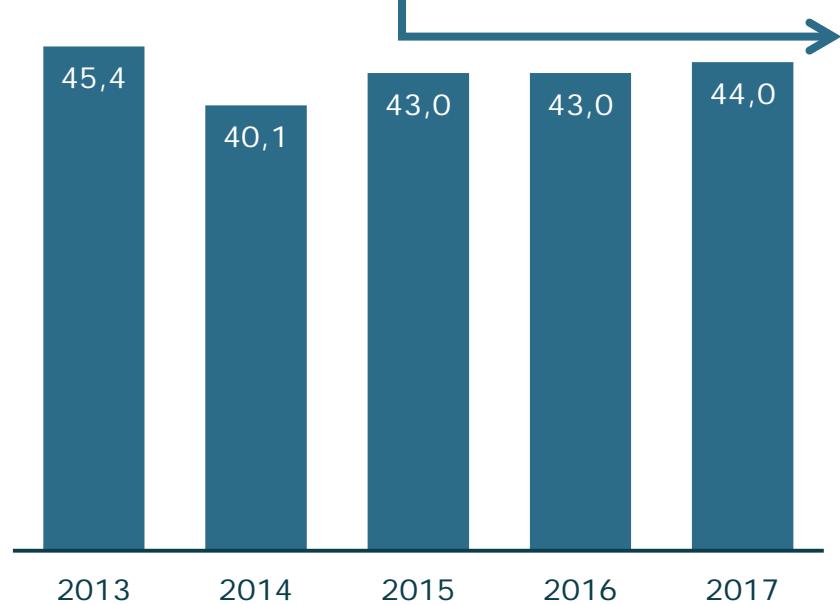


- Reduction in personnel costs even with the introduction of financial tax with effect from January 2017, amounting to NOK 3 million in Q4

High efficiency

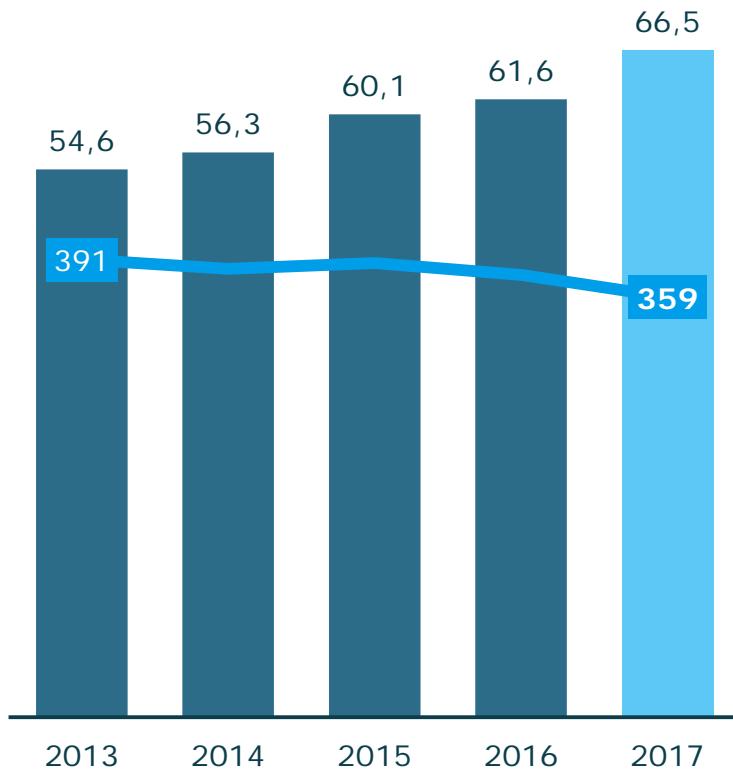
Efficiency target met (C/I < 45%)

Cost/Income ratio



Total Assets and Man Years

- Total Assets in NOK billion



Result before losses

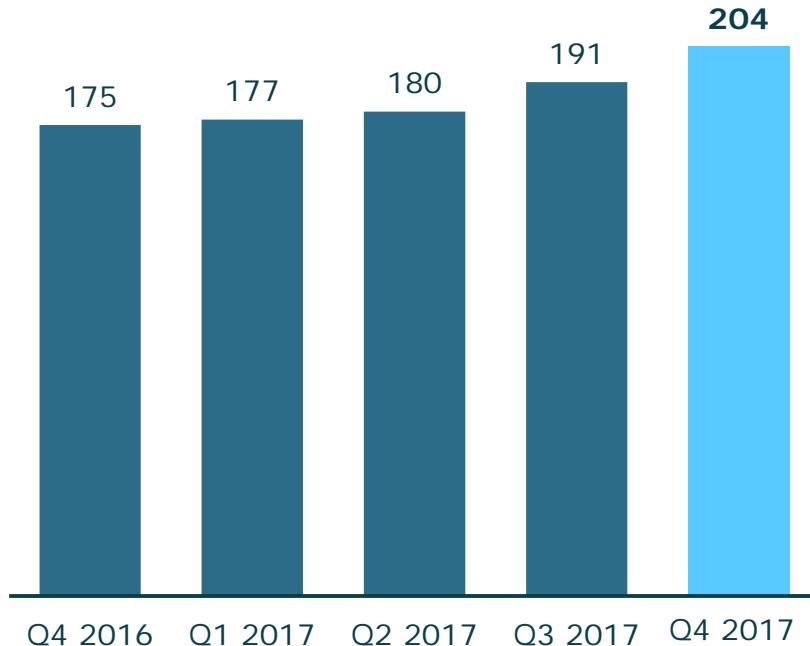
Positive quarterly development



SPAREBANKEN MØRE

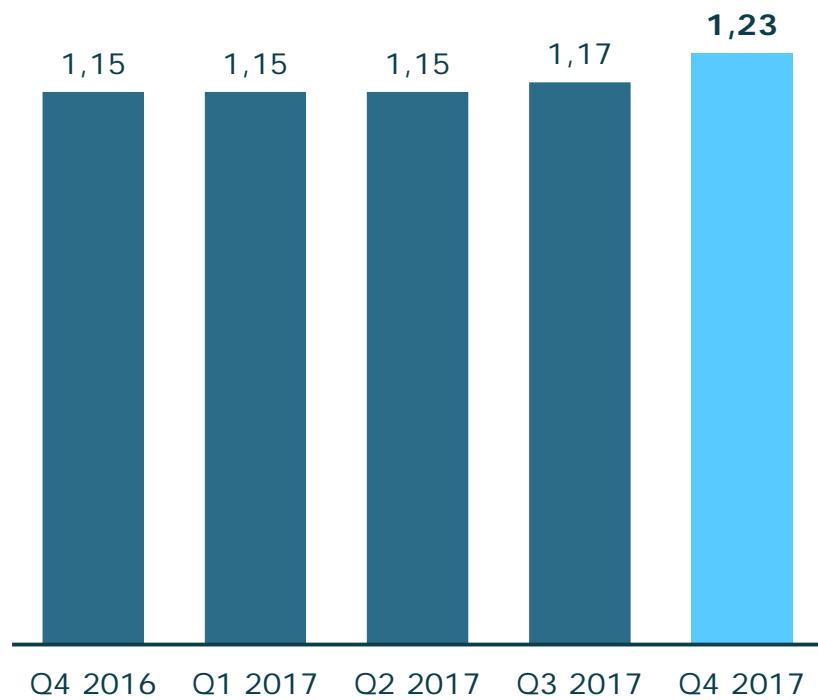
Result before losses

- NOK million



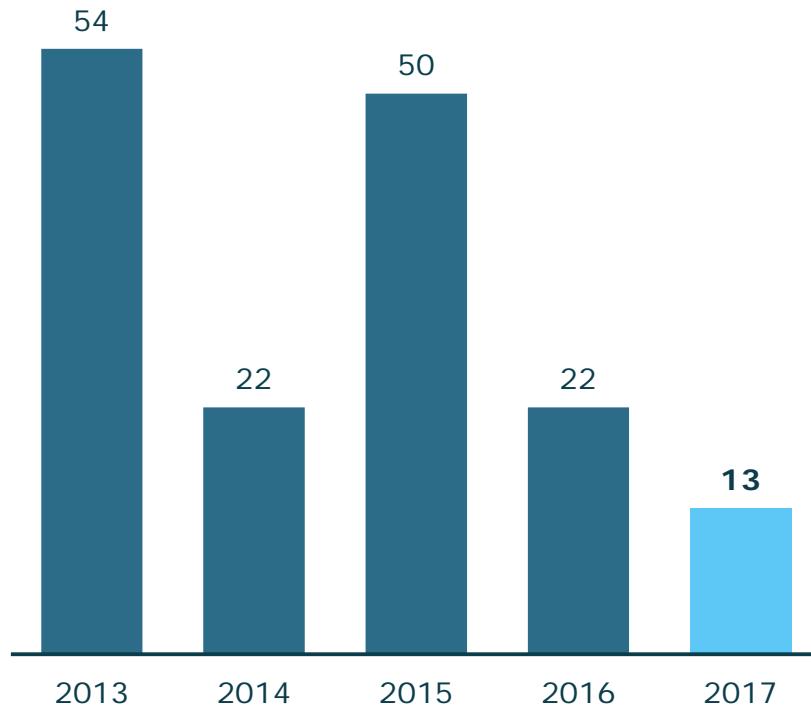
Result before losses

- % of Average Assets

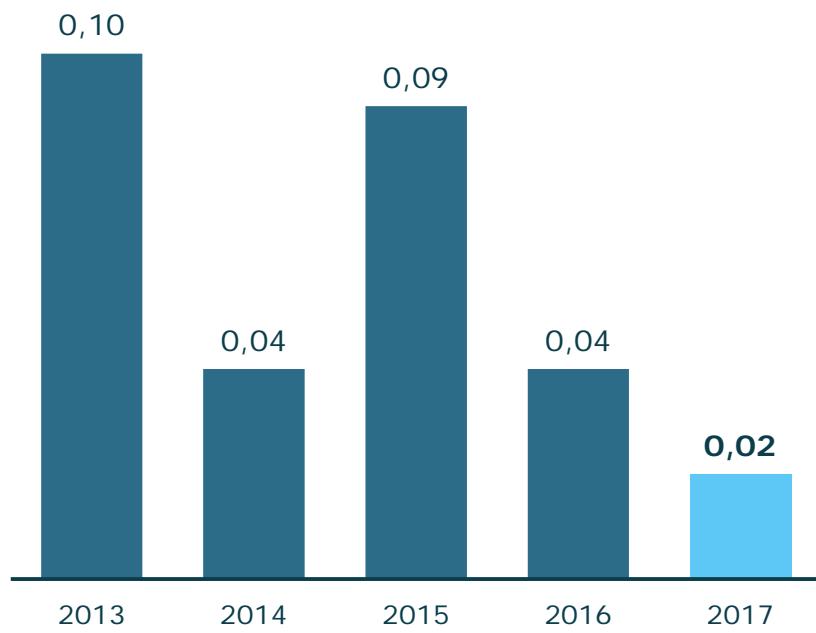


Low level of losses over time

Losses on loans and guarantees
- NOK million



Losses on loans and guarantees
- % of Average Assets



Losses

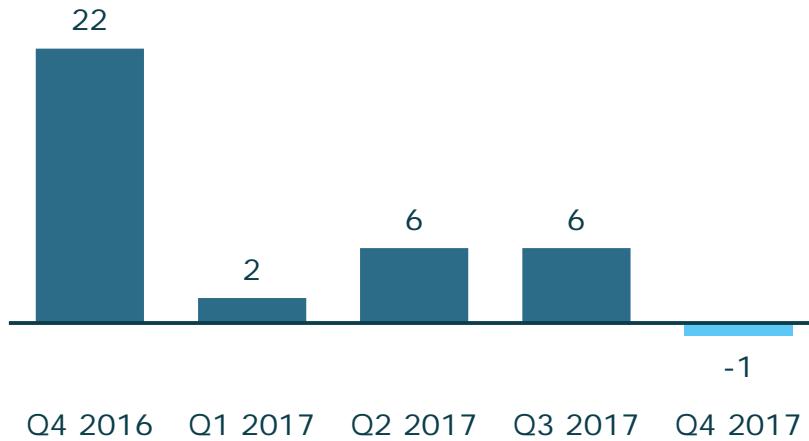
Good credit work over time gives results



SPAREBANKEN MØRE

Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

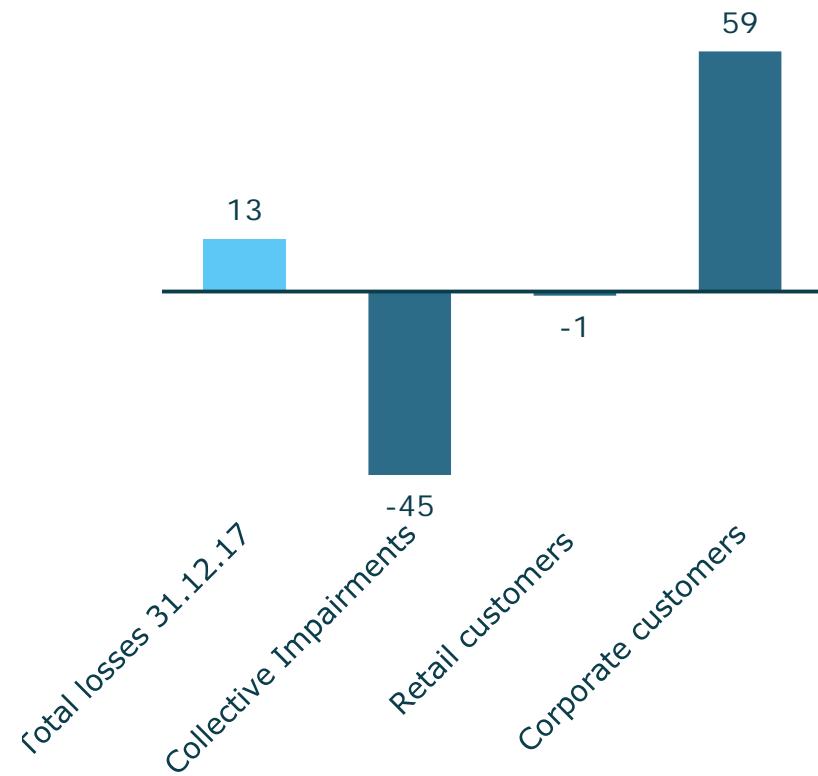
- % of Average Assets



Losses by sector

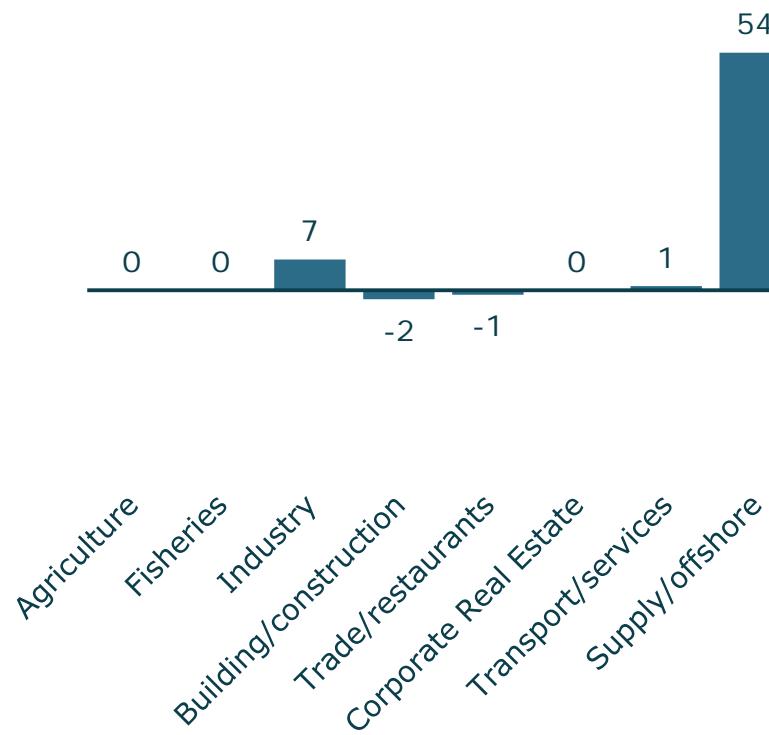
Losses on loans and guarantees

- NOK million



Detailed losses – corporate market

- NOK million



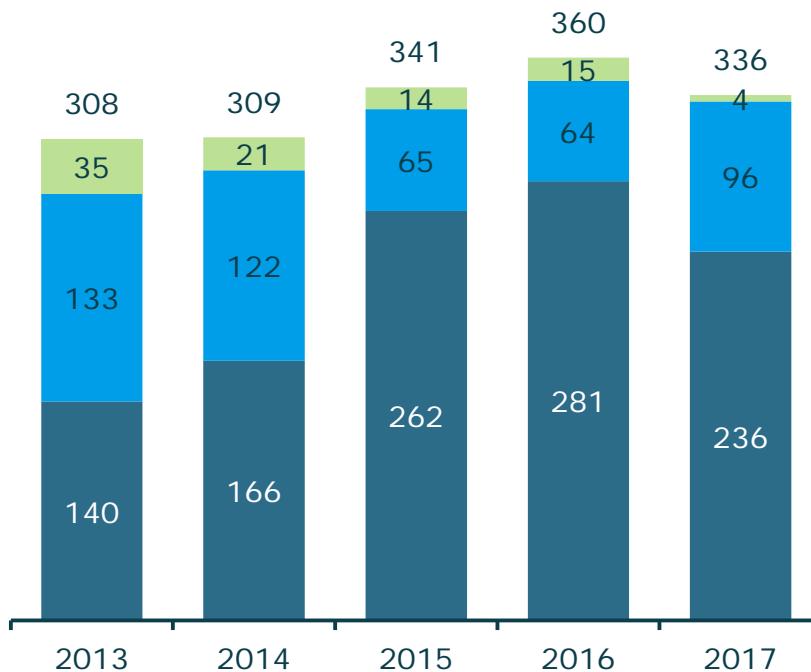
Impairments

High and comfortable levels

Impairments

- NOK million

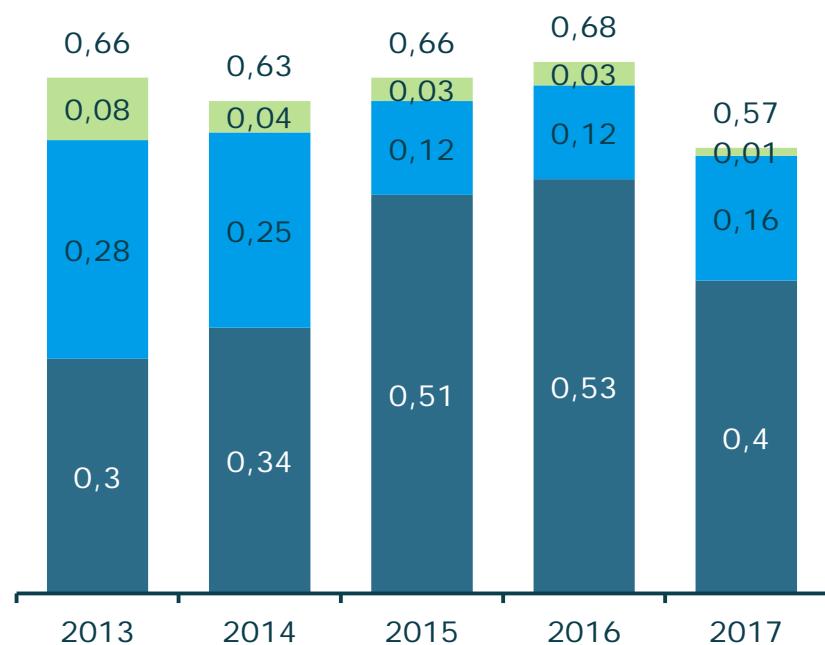
■ Group of loans ■ Not in default ■ Loans in default > 90 days



Impairments

- % of Gross Loans

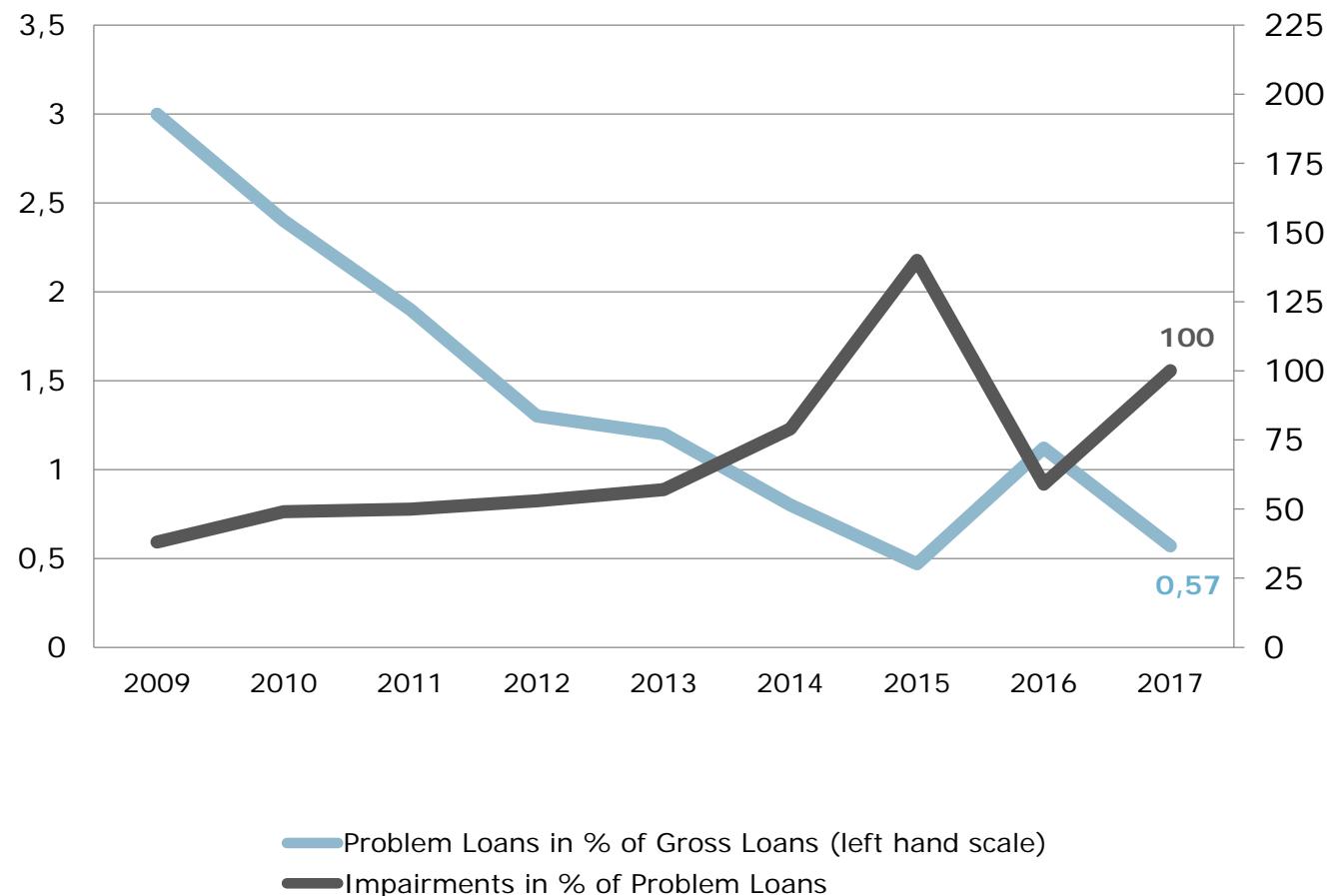
■ Group of loans ■ Not in default ■ Loans in default > 90 days



Problem Loans and Impairments

Continued positive development

Problem Loans and Impairments (per cent)



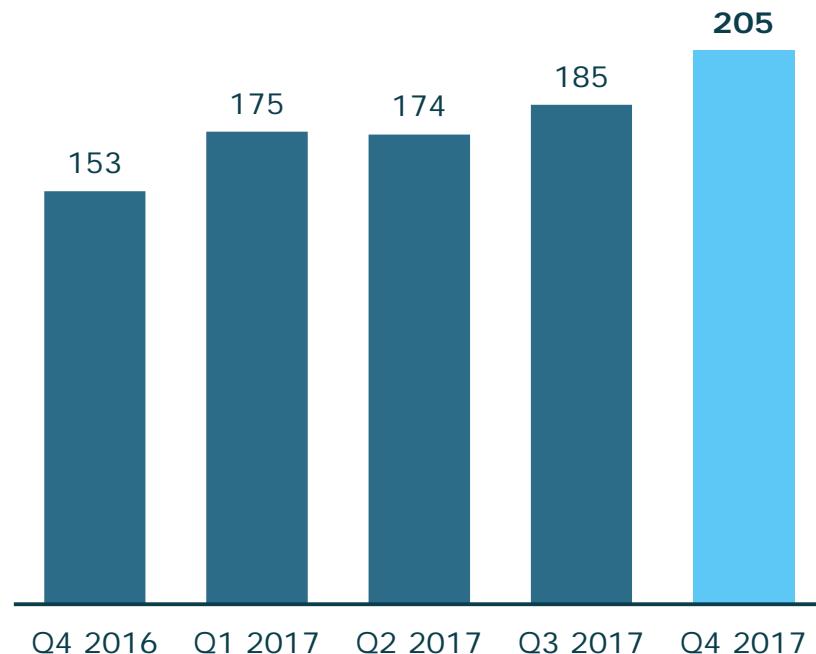
- The Group shall report losses (Expected Credit loss - ECL) in accordance with IFRS 9 from 1.1.2018
- The Group has developed an ECL-loss model that meets the requirements of IFRS 9
- The model's calculation of expected losses as at 1.1.2018 gives an increase in impairments of NOK 6 million
- The transition to IFRS 9 has a marginal effect on equity and no effect on core capital

Pre tax profit

Positive quarterly development

Profit after losses

- NOK million



Profit after losses

- % of Average Assets

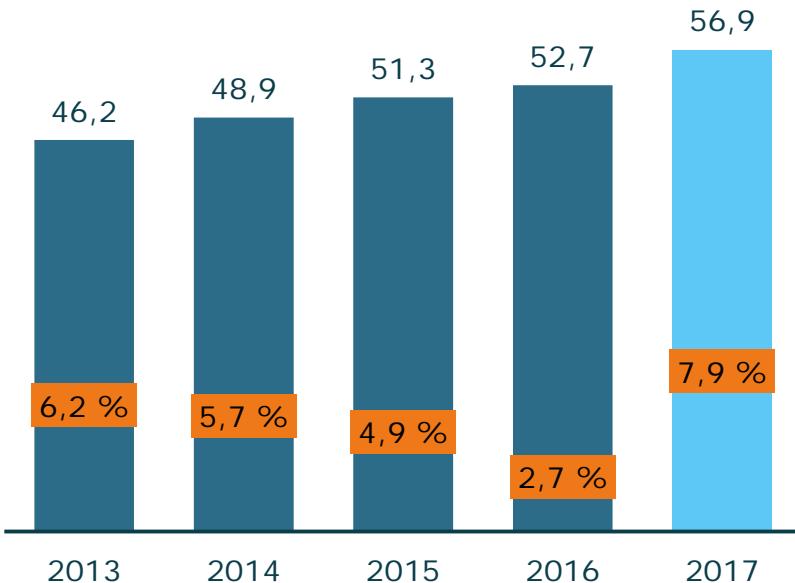


Balance

Growth in line with our plans

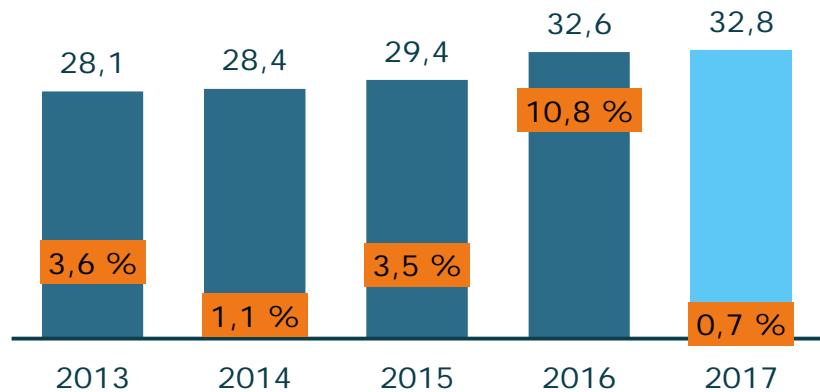
Loans

- NOK billion and per cent (y/y)



Deposits

- NOK billion and per cent (y/y)



- Customer lending has increased by 7.9 % the last 12 months

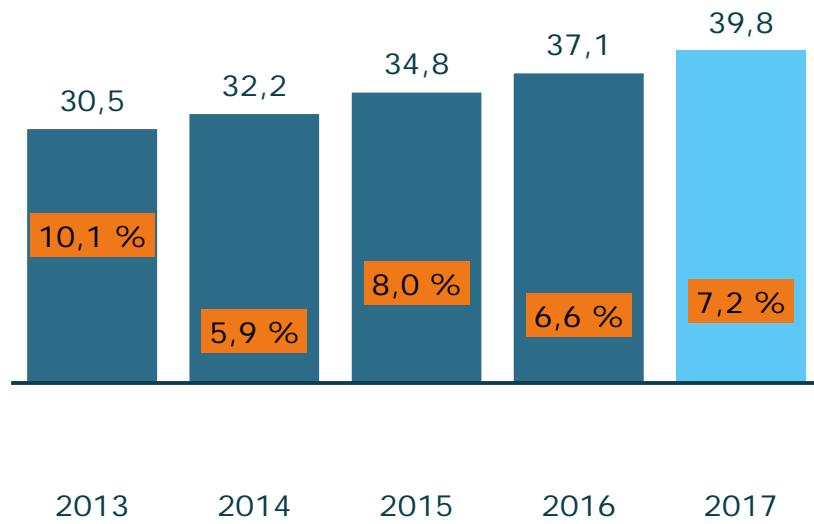
- Deposits grew by 0.7 % the last 12 months
- High deposit to loan ratio, 57.7 %

Lending

Good growth in the market

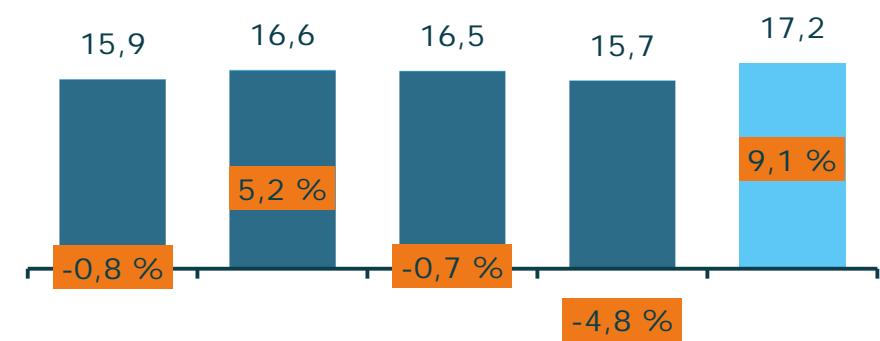
Retail market

- NOK billion and per cent y/y



Corporate market

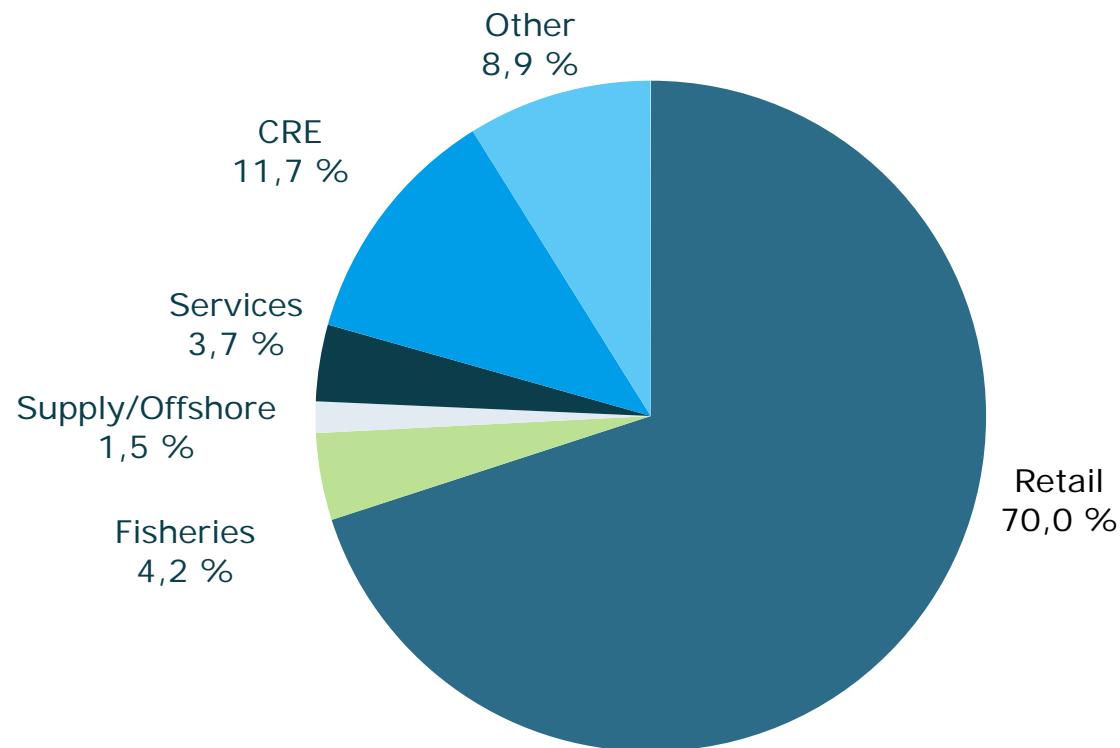
- NOK billion and per cent y/y



- Retail lending has increased by 7.2 % the last 12 months
- Loans to the retail market amount to 70 % of total loans

- Corporate lending has increased by 9.1 % the last 12 months, -1.2 % during Q4
- Loans to the corporate market amount to 30 % of total loans

Loans by sector

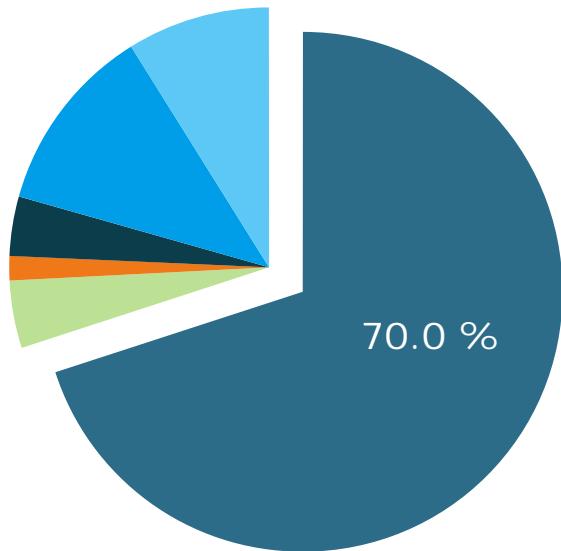


Other:

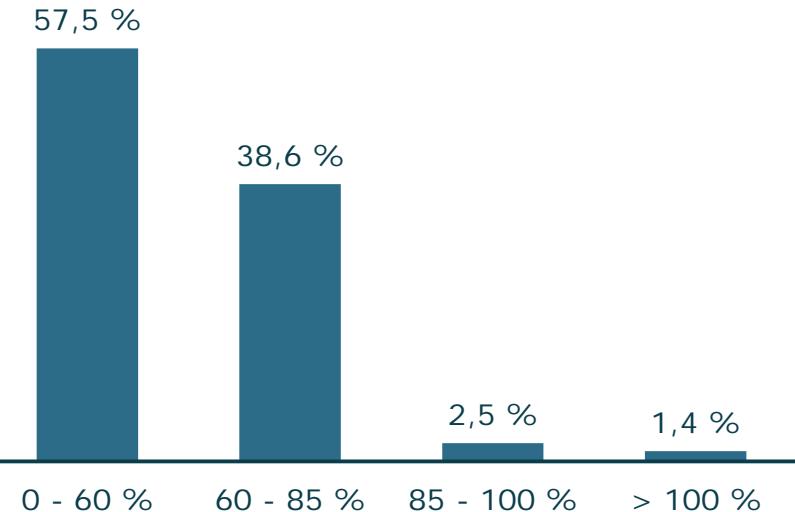
Other Industry	1.7 %	Agriculture	0.8 %
Financial services	2.2 %	Fishing Industry	0.7 %
Building and construction	1.0 %	Furniture	0.1 %
Ship Yards	1.2 %	Other	0.1 %
Retail/wholesale trade	1.1 %		

Loans to retail customers

- % of total loans



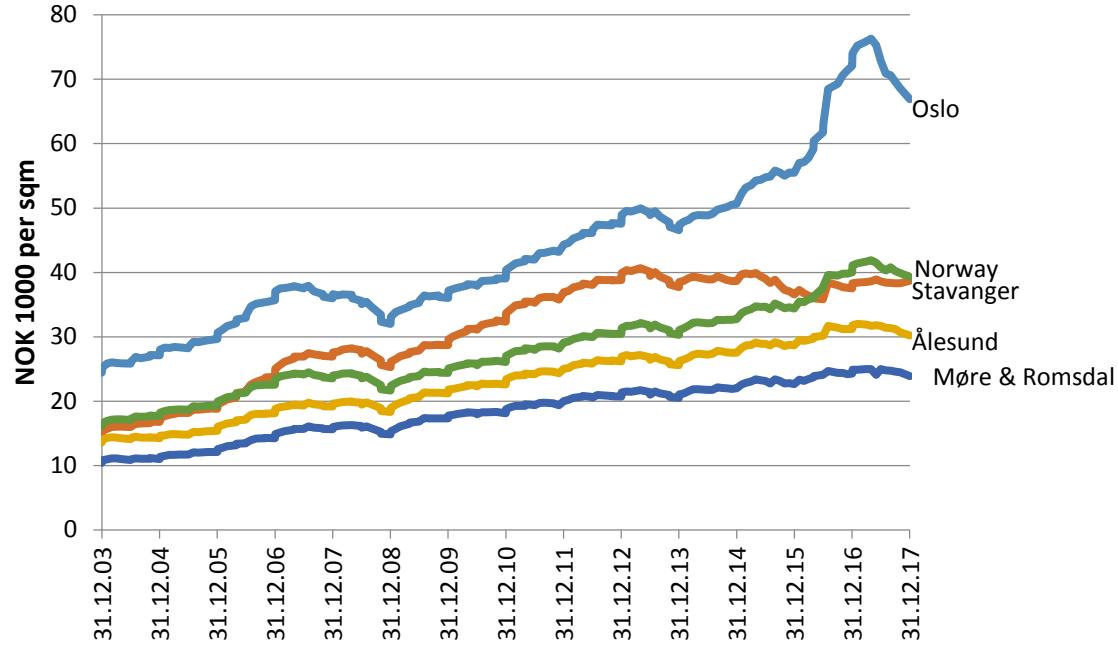
Loan to value – retail loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the fourth quarter of 2017 were 5.4 % outside Oslo, 3.4% in Oslo which are well within the requirement in section 8 Flexibility
- 96.2 % of mortgage-backed loans to retail customers are within 85% of value

Differences in house prices

Development in average house prices December 2003 – December 2017



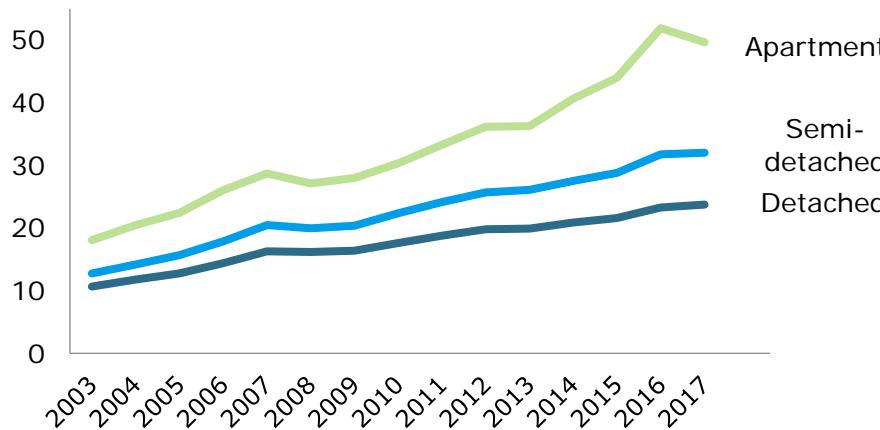
- The county of Møre og Romsdal has over time experienced lower growth in average house price
- Since its peak in February/ March, house prices in the county of Møre og Romsdal and Ålesund are down respectively 4.4% and 5.6%
- Since house prices peaked in Oslo, and Norway as a whole, in April they are down respectively 11.5% and 6.7%

Key information (Sold pre-owned dwellings)	Norway	County of Møre og Romsdal	City of Ålesund	City of Stavanger	City of Oslo
Price development last 12 months	-2.1 %	-2.0 %	-3.3 %	0.0 %	-6.2 %
Price per square meter (NOK)	39,256	23,914	30,243	38,678	66,905
Average days on market (DOM) sold units in December 2017	61 days	99 days	84 days	72 days	39 days
Price median dwelling (NOK)	2,995,000	2,300,000	2,557,000	3,169,786	3,730,747

Differences in the Norwegian housing market

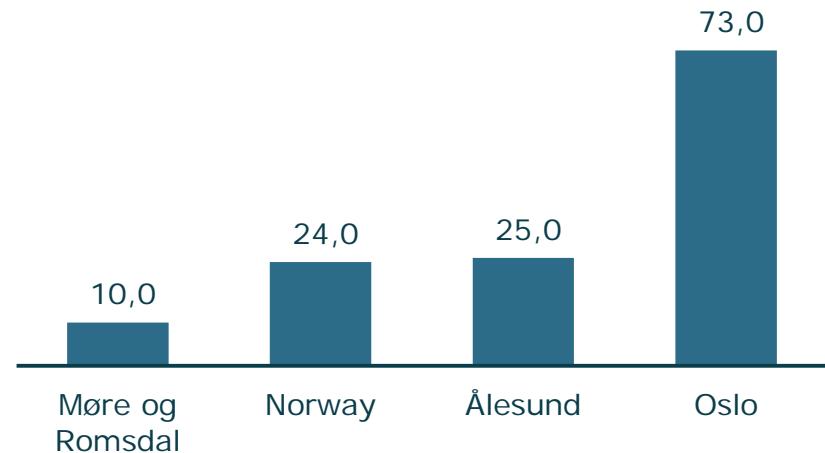
Price development different dwellings

- Norway- price per square meter NOK 1000



Part of dwellings which are apartments

- In per cent of total dwellings



- Apartment prices in Norway have shown 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

- In the county of Møre og Romsdal detached and semi-detached housing are more common
- In % of total cover pool loans, Ålesund is the single largest municipality representing 20 % of cover pool lending
- In the cover pool, 3 out of 4 mortgages are secured by detached and semi-detached houses

Deposits

Growth in deposits the last 12 months

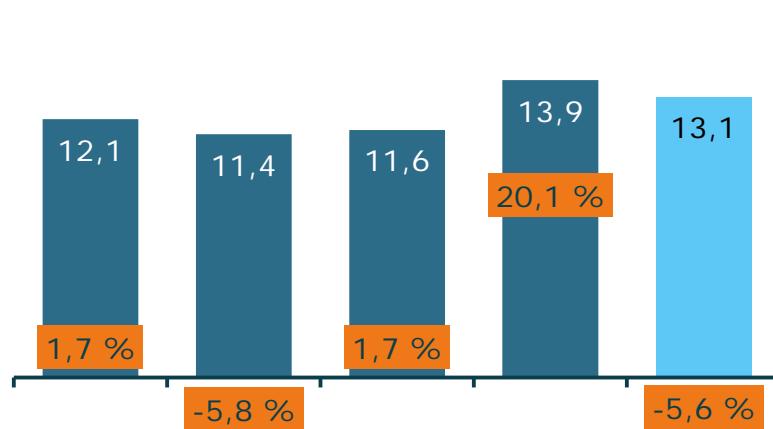
Retail market

- NOK billion and per cent y/y



Corporate and public

- NOK billion and per cent y/y

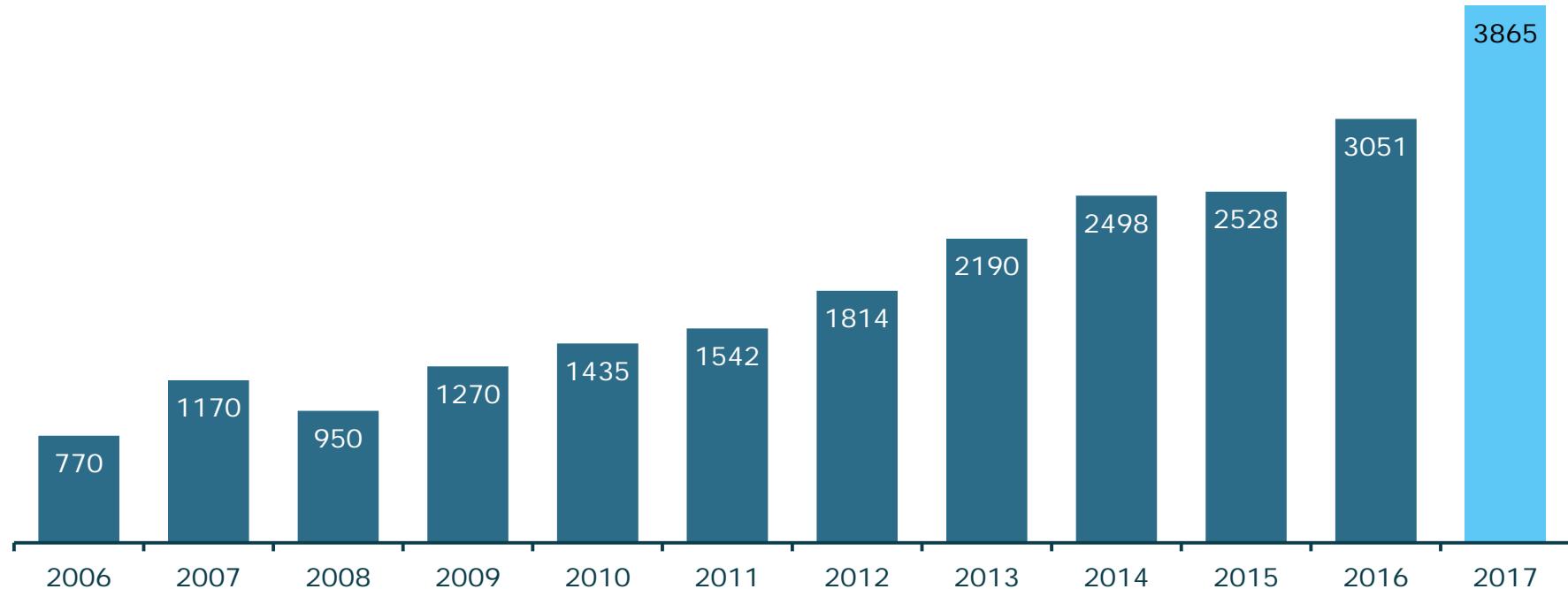


- Retail deposits have increased by 5.4 % the last 12 months
- Deposits from the retail market amount to 60.0% of total deposits

- Deposits from corporate customers have been reduced by 3.2 % the last 12 months and ended at NOK 12.4 billion by quarter end
- Deposits from public customers have decreased and ended at NOK 0.7 billion by quarter end

Discretionary Portfolio Management

Close to NOK 4 billion under management



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

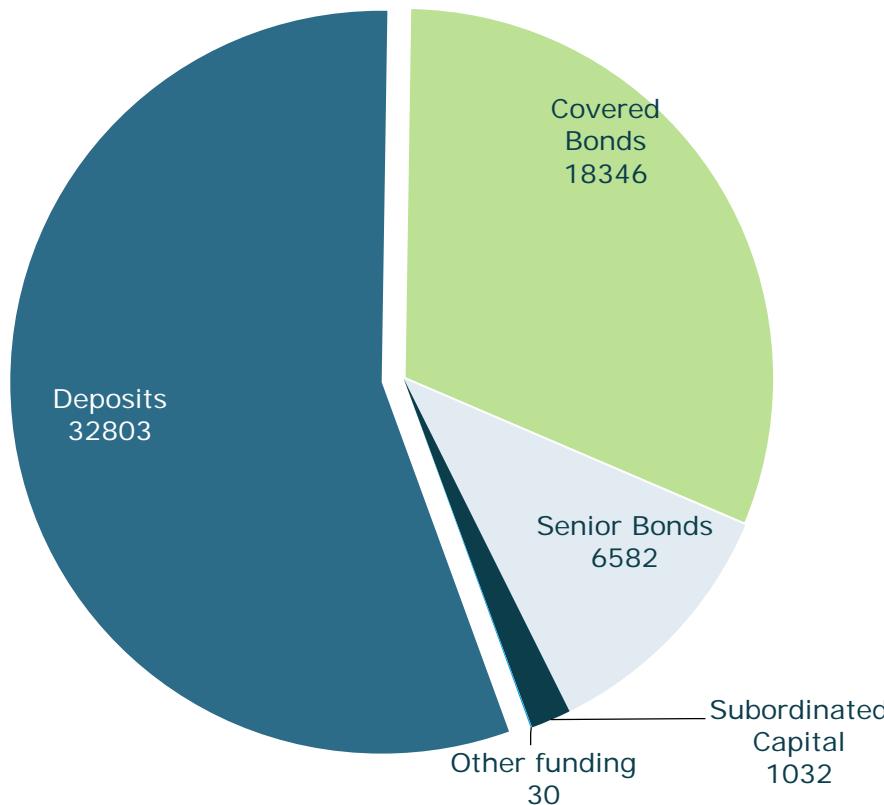
Deposits from customers and market funding

Deposits are the Group`s most important source of funding, 57.7 % coverage



Deposits and market funding

- NOK million



Sparebanken Møre with good access to the market – diversifying the investor base

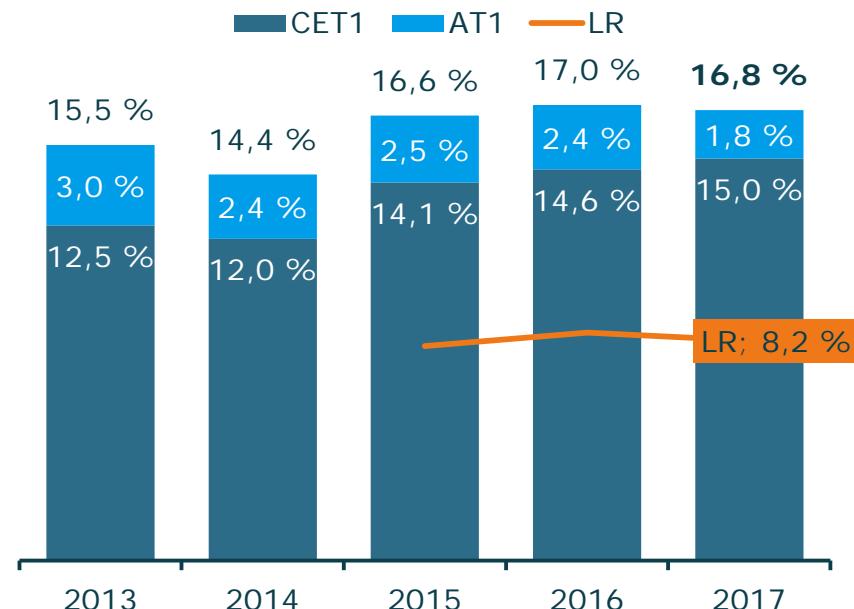
- Total market funding ended close to NOK 26.0 billion by year end – more than 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.38 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.48 years (FSA defined key figures)
- By year end 2017 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. In Q2 2017 Møre Boligkreditt AS successfully issued a Public EUR 250 million Covered Bond in the European market
- In an updated Credit Opinion dated 14 December 2017 Moody`s confirmed Sparebanken Møre`s A2 stable rating. Møre Boligkreditt AS` issues are all rated Aaa

Equity and related capital

Capital and leverage ratio (LR) well above regulatory requirements

Core Capital in Sparebanken Møre

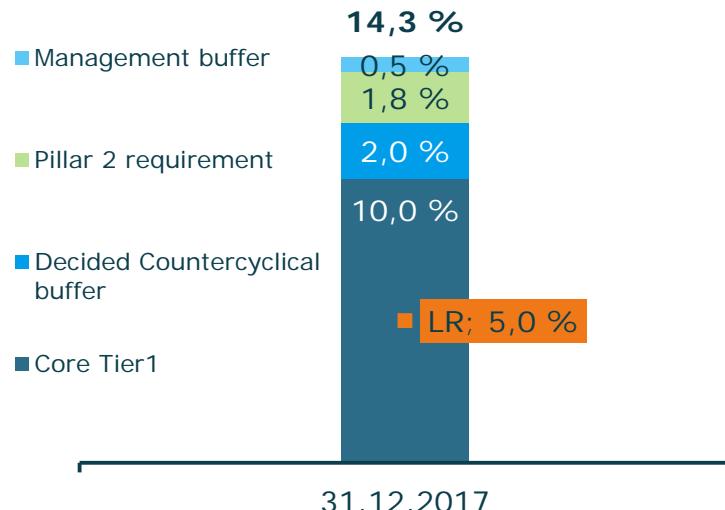
- % of risk weighted assets



- By year end our CET1 stood at 15.0 %, total capital at 18.4 %
- Sparebanken Møre's capital targets are:
 - Total Capital: Min. 17.8 %
 - Core Capital: Min. 15.8 %
 - CET1: Min. 14.3%

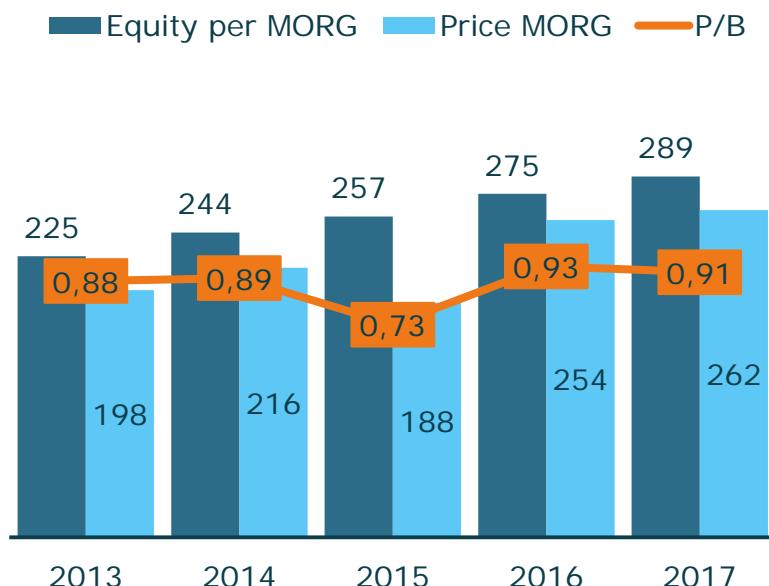
Minimum requirements

- % 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

Dividend Policy

- The aim of Sparebanken Møre is to achieve financial results which provide a good and stable return on the Bank's equity capital. The results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity
- Unless the capital strength dictates otherwise, it will be aimed at distributing about 50% of the profit for the year as dividends
- Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment

Equity Capital in Sparebanken Møre

Dividend and EC-price



- The PCCs/ECs of Sparebanken Møre have been listed at Oslo Stock Exchange since 1989
- Total EC capital: NOK 989 million by December 2016
- Good return

Dividend pr. EC Sparebanken Møre:			
1990	10	2005	20
1991	0	2006	20
1992	0	2007	23
1993	13	2008	20
1994	12	2009	12
1995	13	2010	12
1996	13	2011	8
1997	13	2012	12
1998	15	2013	8
1999	16	2014	13.50
2000	17	2015	11.50
2001	17	2016	14.00
2002	15	2017	Proposal 14.00
2003	16		
2004	18		





GOALS IN OUR STRATEGIC PLAN

«MØRE 2021»

- CET1 > 14.3 %
- Cost/Income < 45%
- ROE > 10 %
- Low level of losses
- Healthy financial structure

We achieve our goals.

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