

# Sparebanken Møre - the Group

25 January 2018

## PRESENTATION

4<sup>TH</sup>. QUARTER 2017  
PRELIMINARY ANNUAL ACCOUNTS

Runar Sandanger

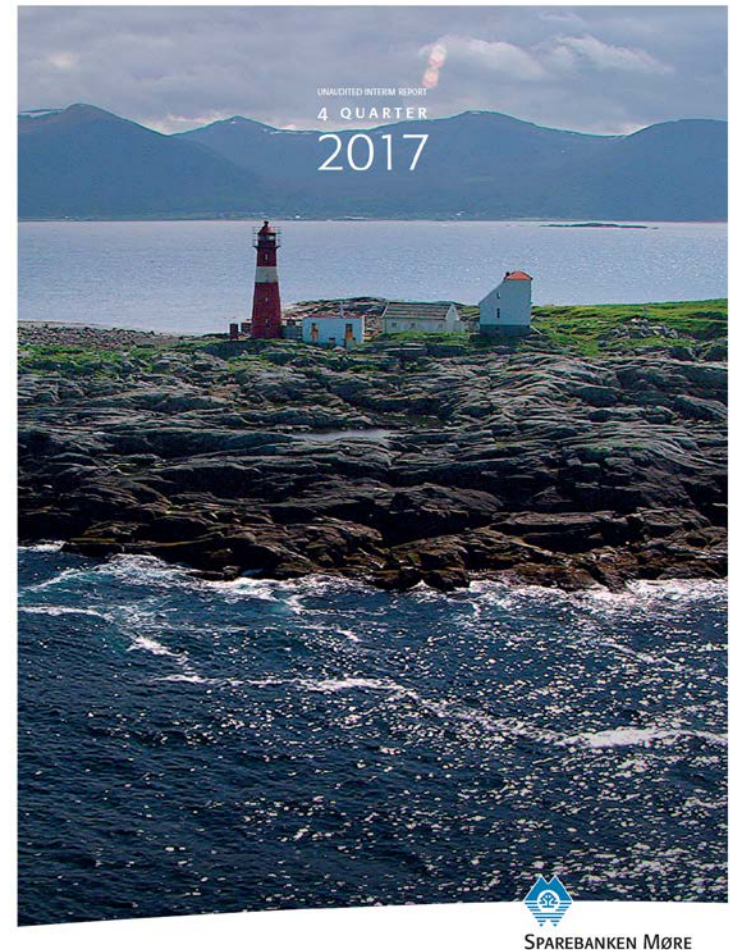
*EVP*



# 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*



SPAREBANKEN MØRE

28

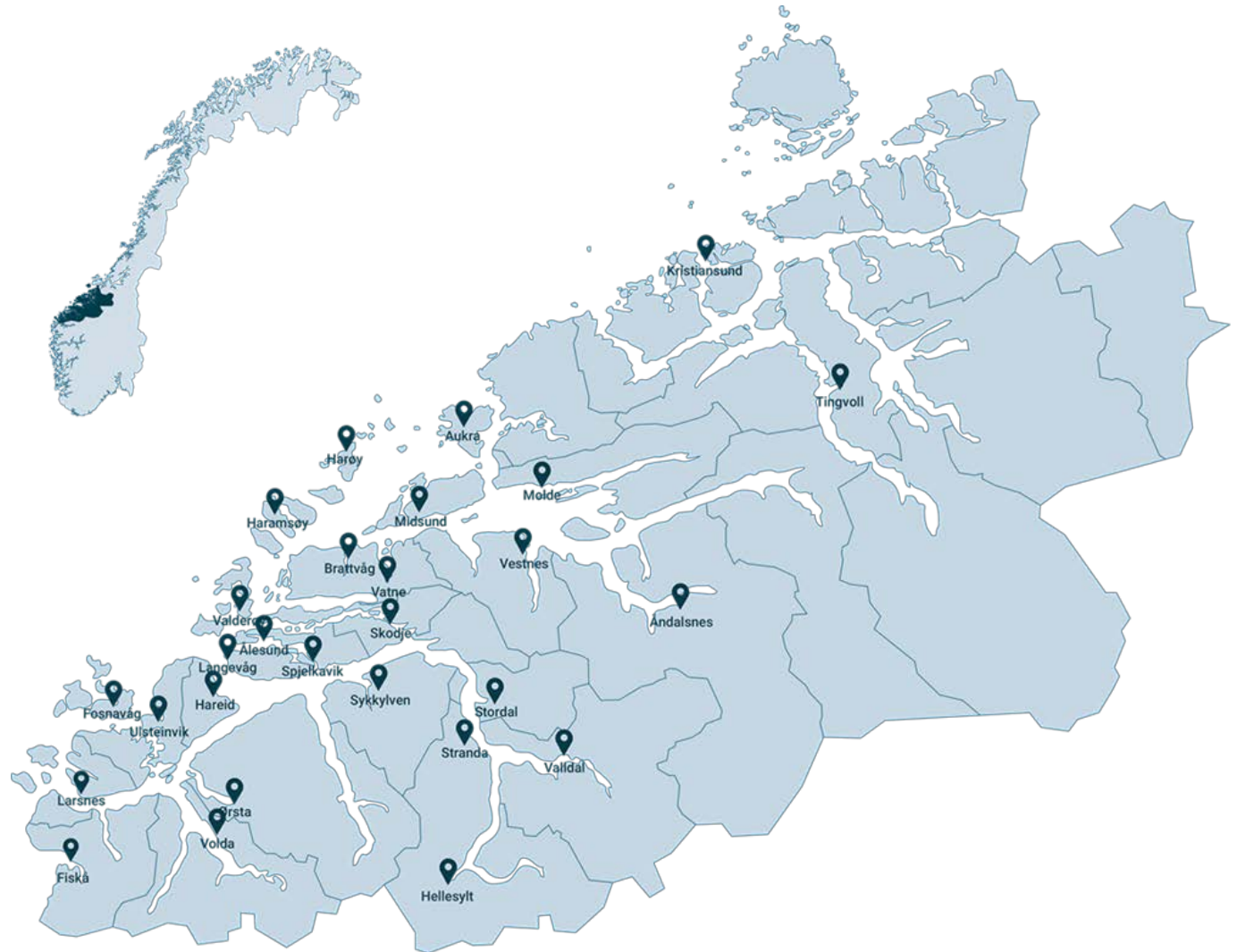
OFFICES IN  
MØRE OG ROMSDAL

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



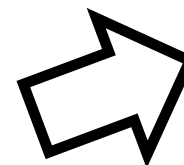
Increased focus on other  
income give results



Stable cost base -  
high efficiency



Very low losses



Strong capital

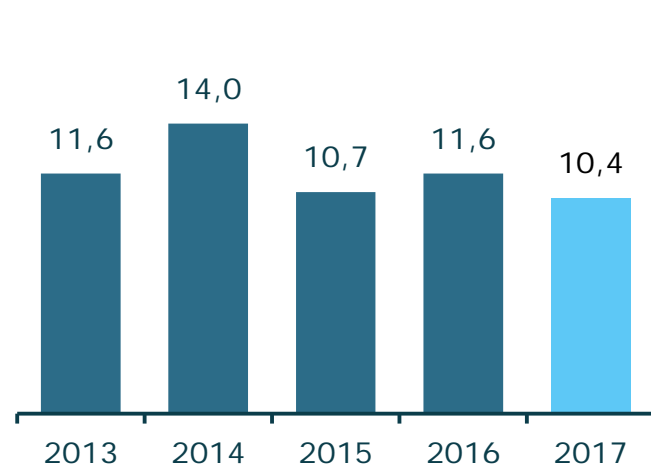
## 10.4%

Strong ROE

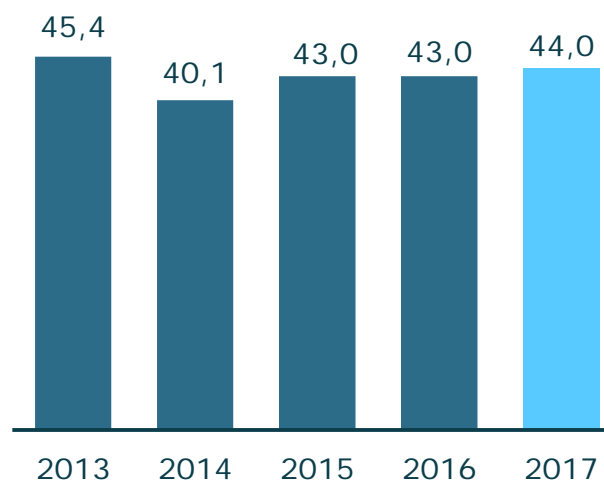
## NOK 14

High dividend proposal

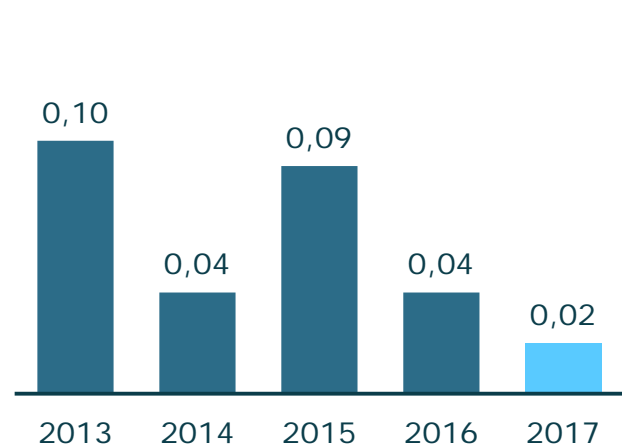
## Return on Equity



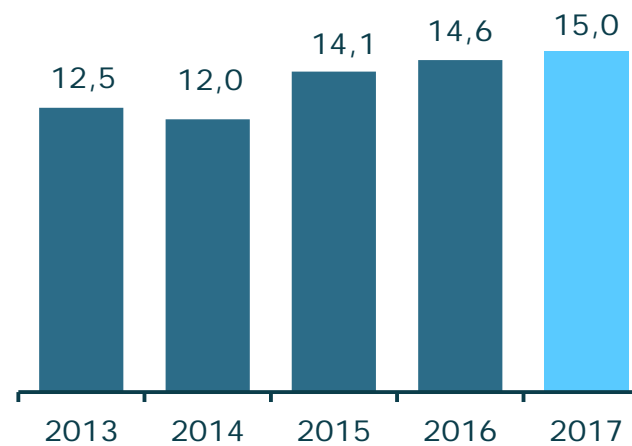
## Cost/Income



## 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

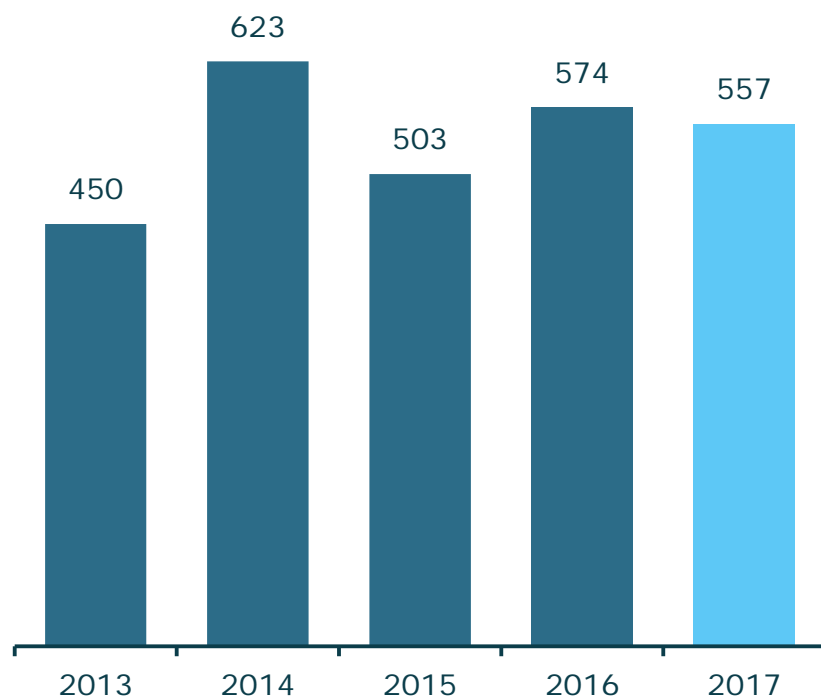
*In line with our plans*



SPAREBANKEN MØRE

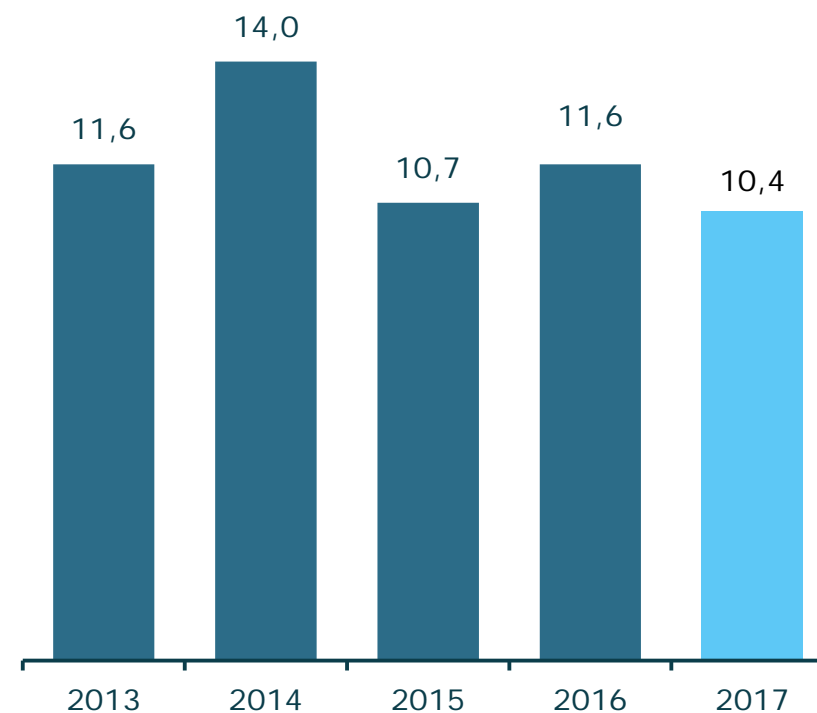
## Result after taxation

- NOK million



## Return on Equity

- in percent (ROE)

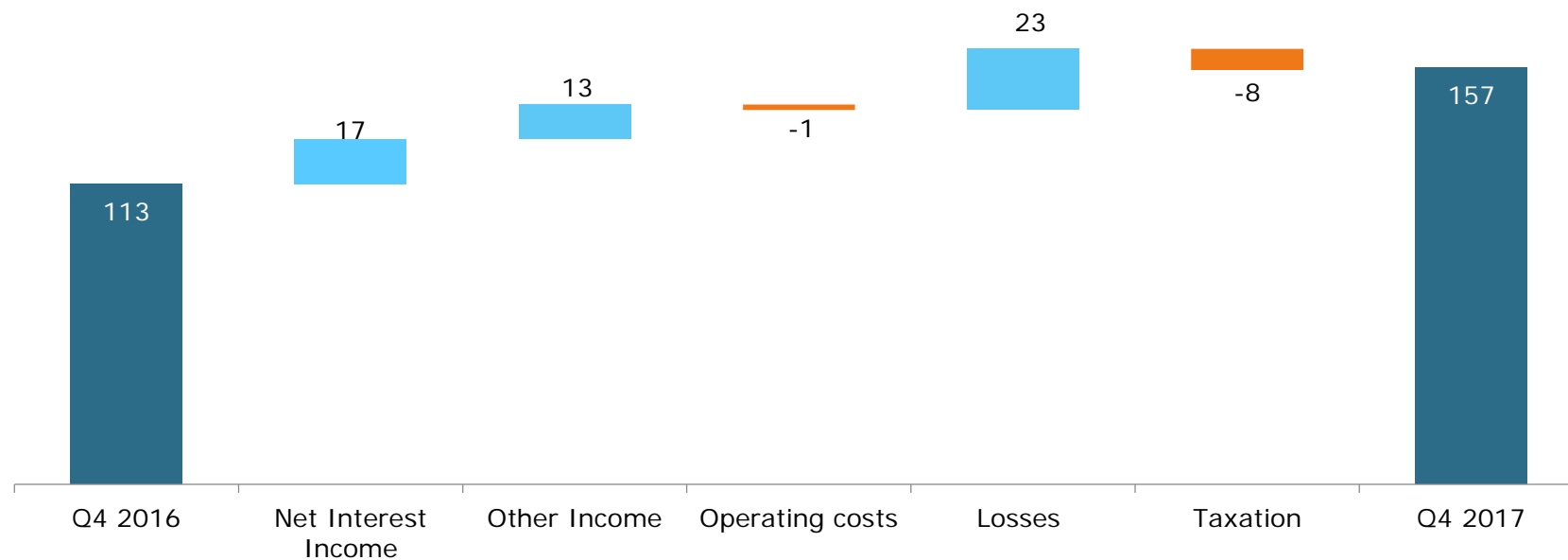


# Changes from Q4 2016 to Q4 2017

Result after taxation (NOK million)



SPAREBANKEN MØRE



- 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



SPAREBANKEN MØRE

	2017		2016		Changes		
<b>Results</b> (NOK million and %)	<b>NOK</b>	<b>%</b>	<b>NOK</b>	<b>%</b>	<b>NOK</b>	<b>p.p.</b>	<b>%</b>
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
<b>Total Income</b>	<b>1,342</b>	<b>2.10</b>	<b>1,363</b>	<b>2.25</b>	<b>-21</b>	<b>-0.15</b>	<b>-1.5</b>
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
<b>Total operating costs</b>	<b>590</b>	<b>0.92</b>	<b>586</b>	<b>0.97</b>	<b>4</b>	<b>-0.05</b>	<b>0.7</b>
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
<b>Pre tax profit</b>	<b>739</b>	<b>1.16</b>	<b>755</b>	<b>1.24</b>	<b>-16</b>	<b>-0.08</b>	<b>-2.1</b>
Taxes	182	0.28	181	0.30	7	-0.02	0.6
<b>Profit after taxation</b>	<b>557</b>	<b>0.88</b>	<b>574</b>	<b>0.94</b>	<b>-18</b>	<b>-0.06</b>	<b>-3.0</b>

# 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

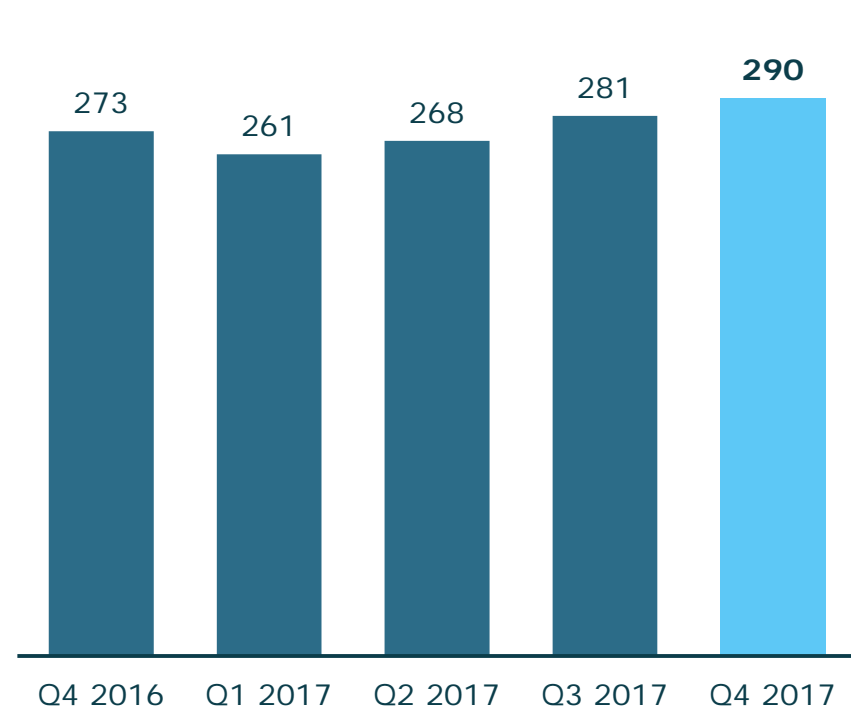
*Increased net interest income*



SPAREBANKEN MØRE

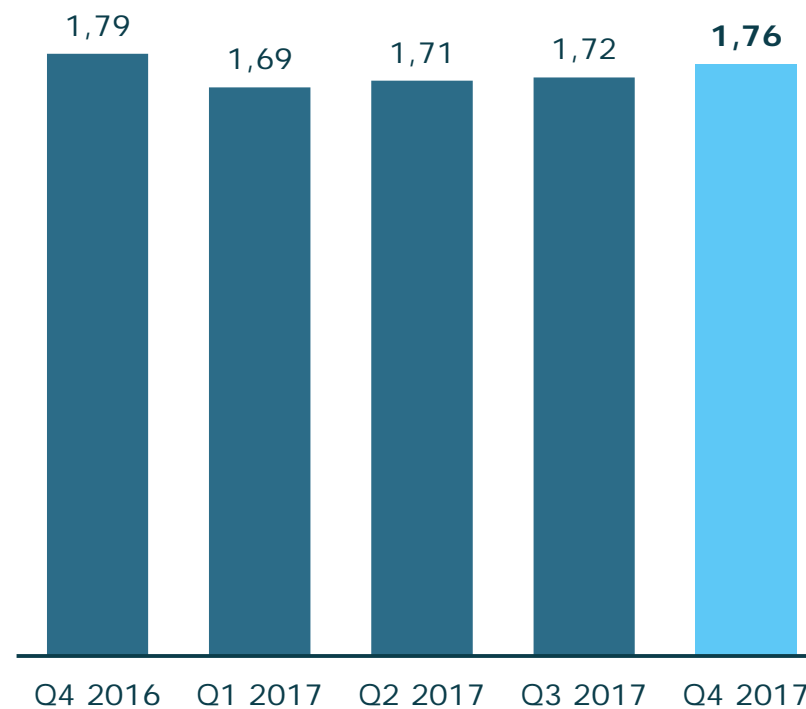
## Net Interest Income

- NOK million



## Net Interest Income

- % of Average Assets



# Quarterly development Other Income

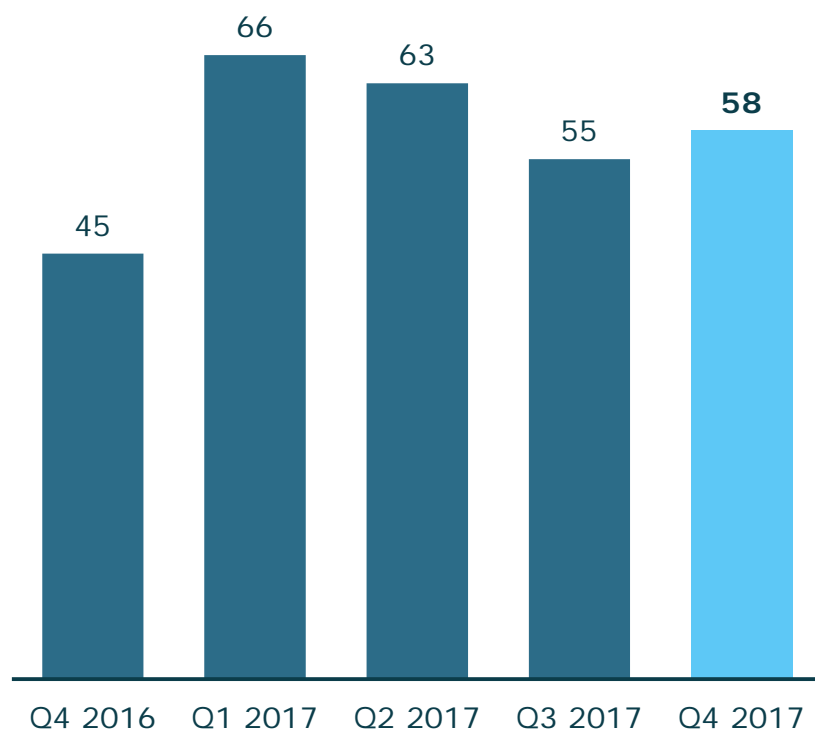
*Negative effects from financial instruments*



SPAREBANKEN MØRE

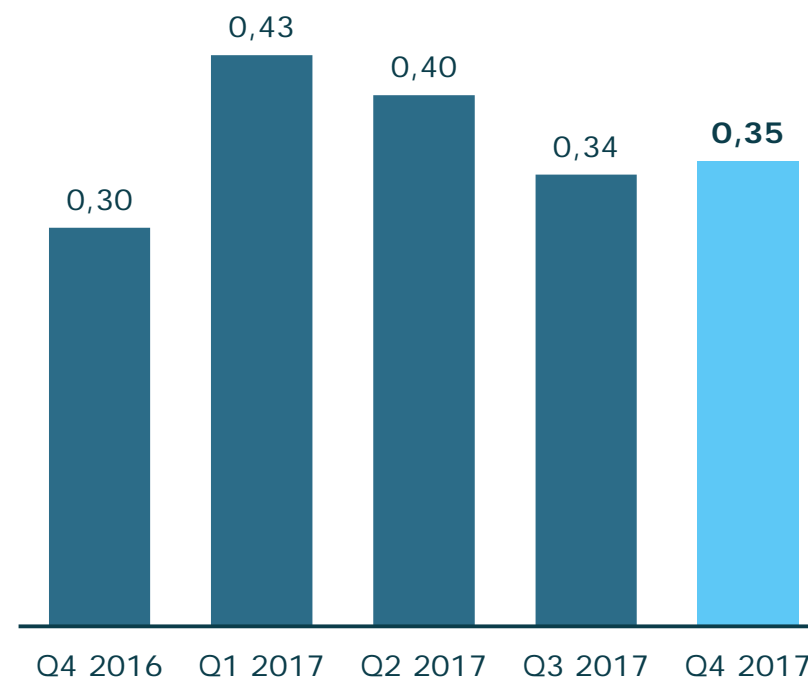
## Other Income

- NOK million



## Other Income

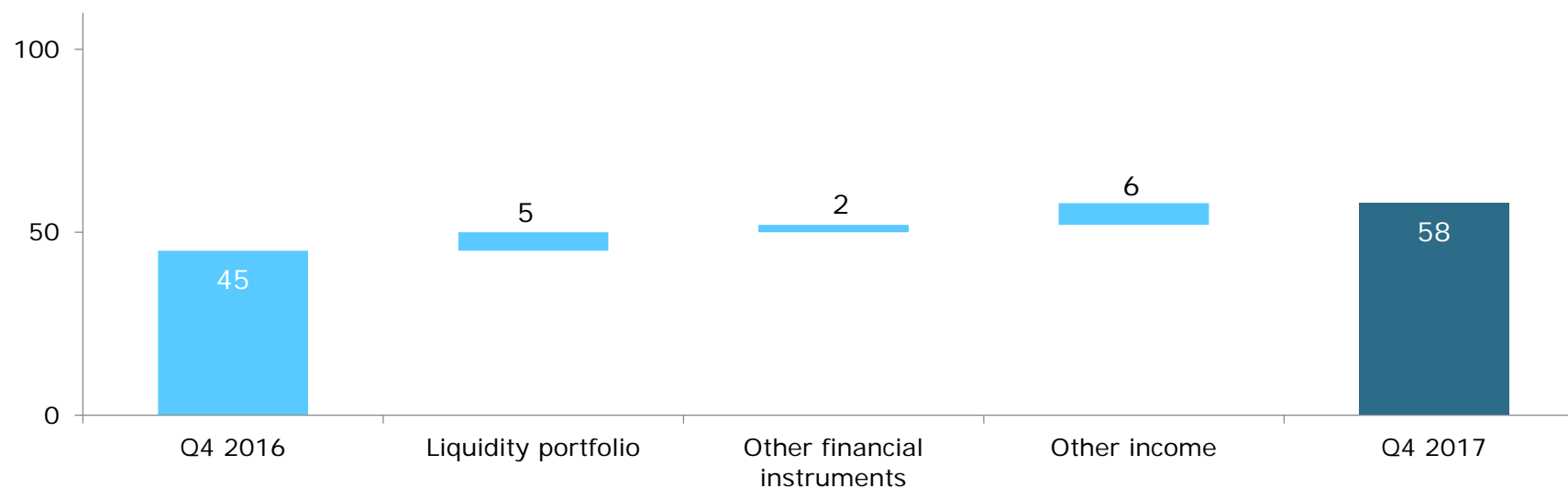
- % of Average Assets





# Other Income

*Changes in NOK million compared with Q4 2016*



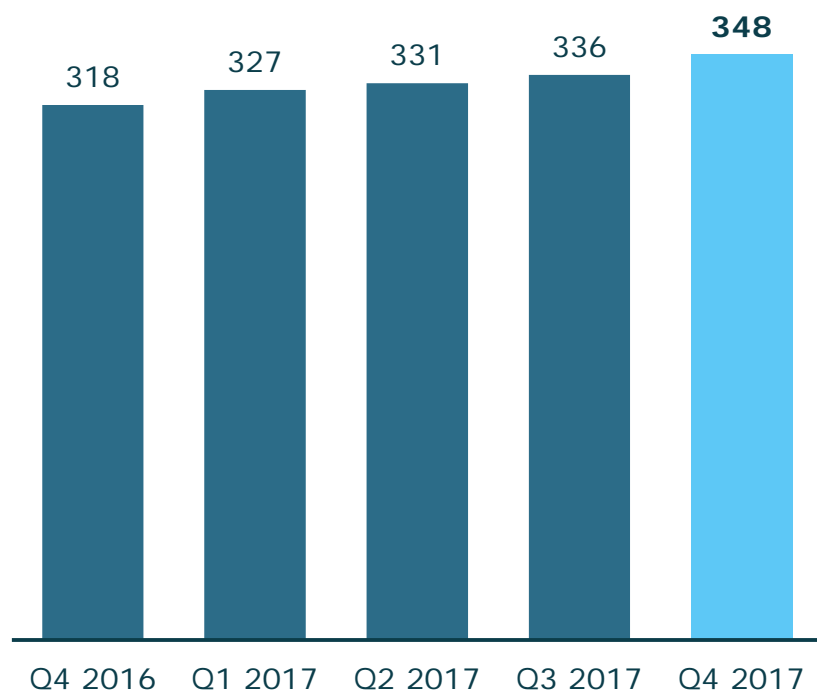
- Valuation of the liquidity portfolio changed from - NOK 4 million to NOK 1 million from Q4 2016 to Q4 2017
- Positive change in other financial investments is mainly related to the development of basis swaps
- Continued good growth in our Discretionary Portfolio Management Department contributes positively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

# Total Income

*Quarterly development*

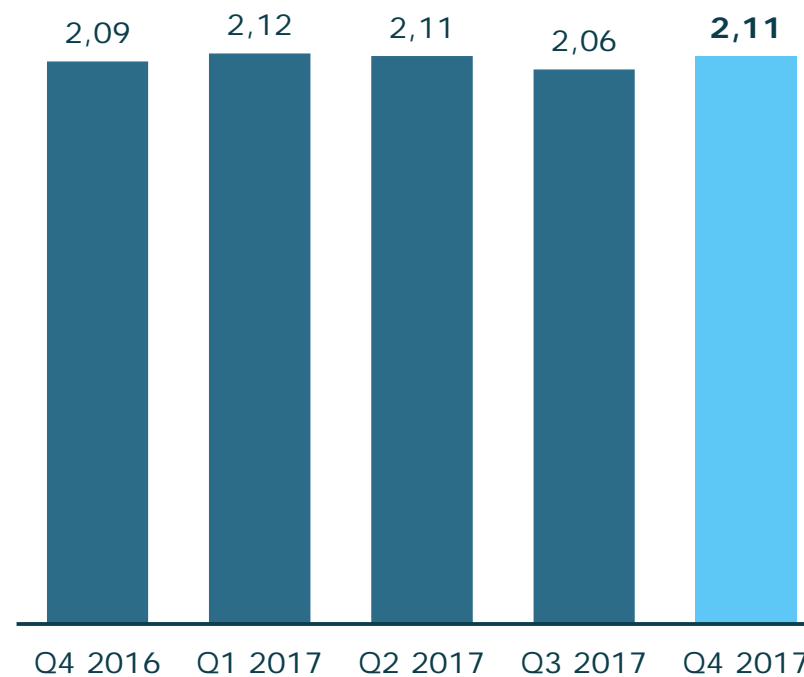
## Total Income

- NOK million



## Total Income

- % of Average Assets



# Lower Costs

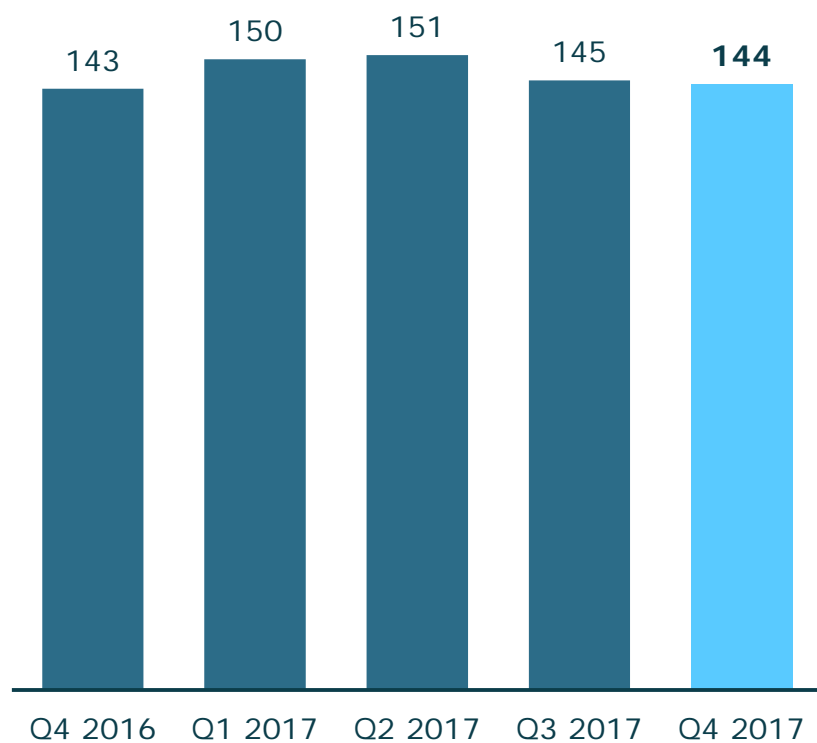
*Positive quarterly development*



SPAREBANKEN MØRE

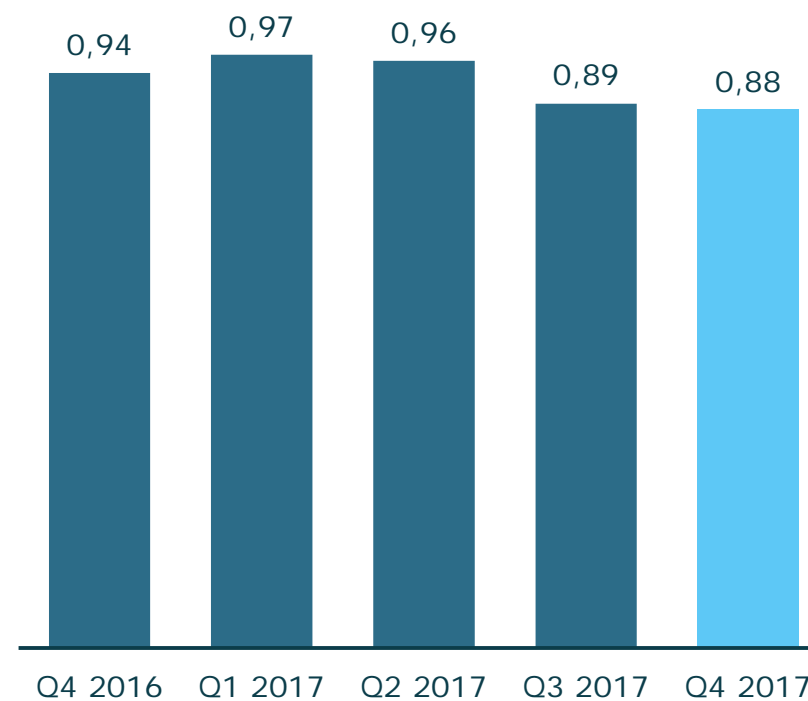
## Operating Costs

- NOK million



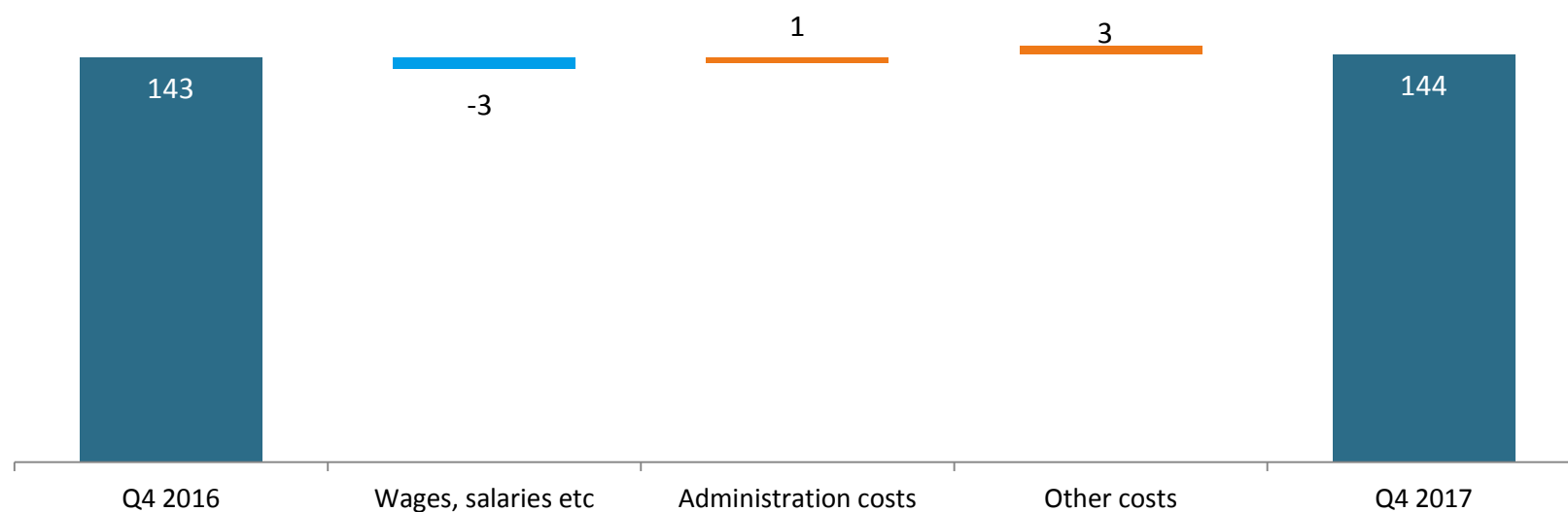
## Operating Costs

- % 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



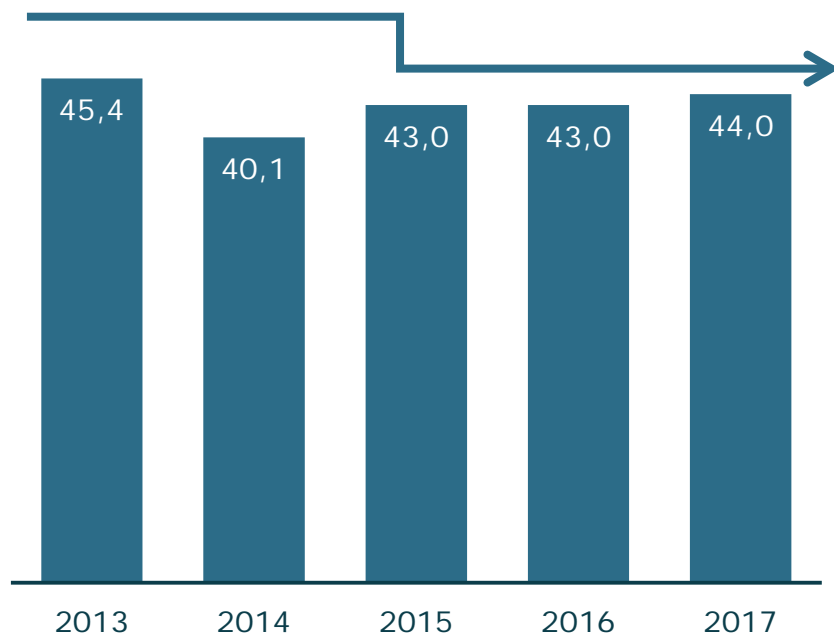
# High efficiency

Efficiency target met ( $C/I < 45\%$ )



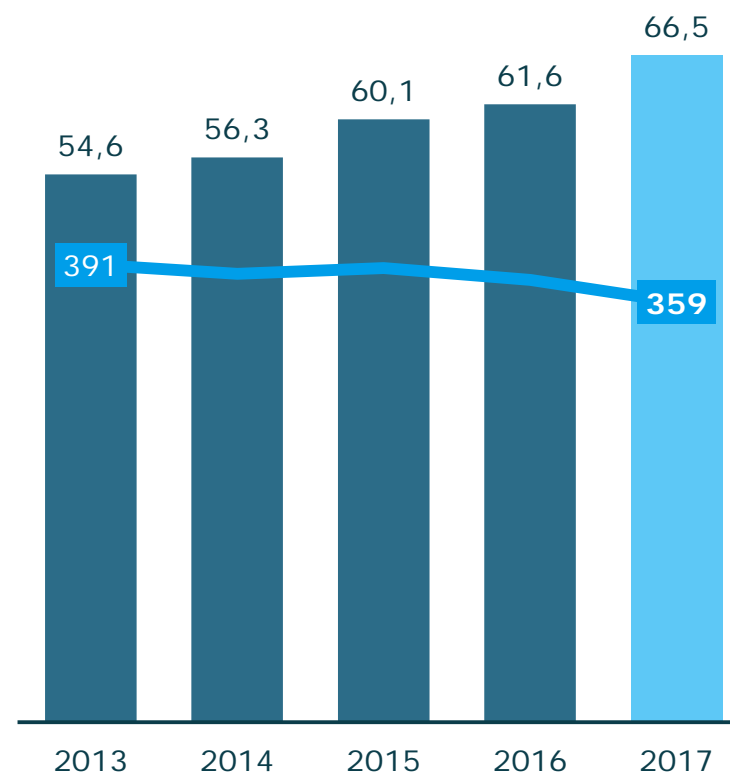
SPAREBANKEN MØRE

## Cost/Income ratio



## Total Assets and Man Years

- Total Assets in NOK billion



# Result before losses

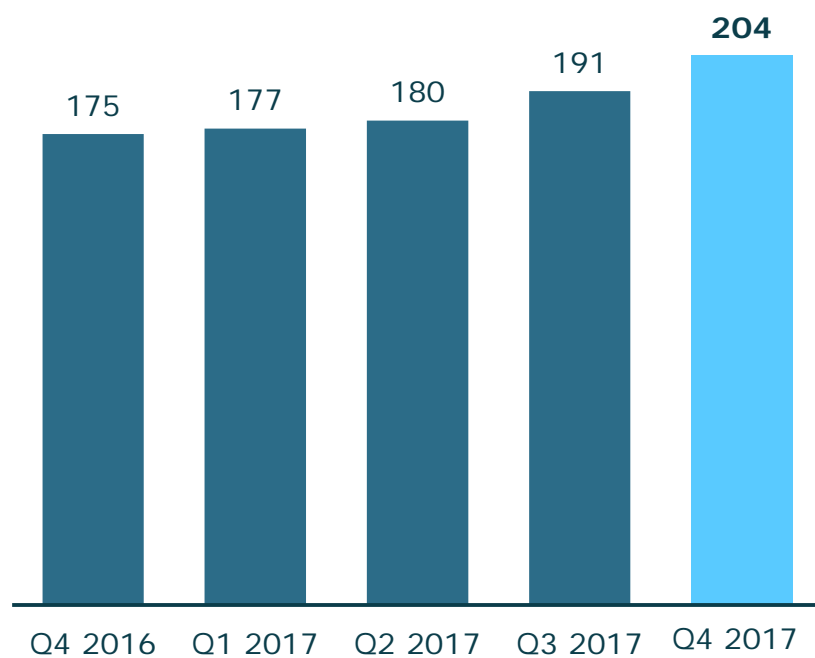
*Positive quarterly development*



SPAREBANKEN MØRE

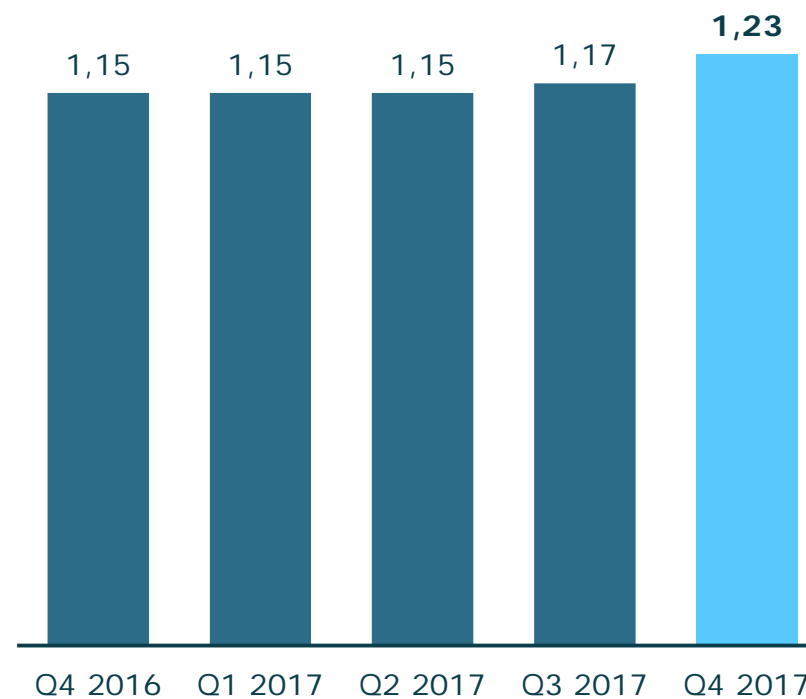
## Result before losses

- NOK million



## Result before losses

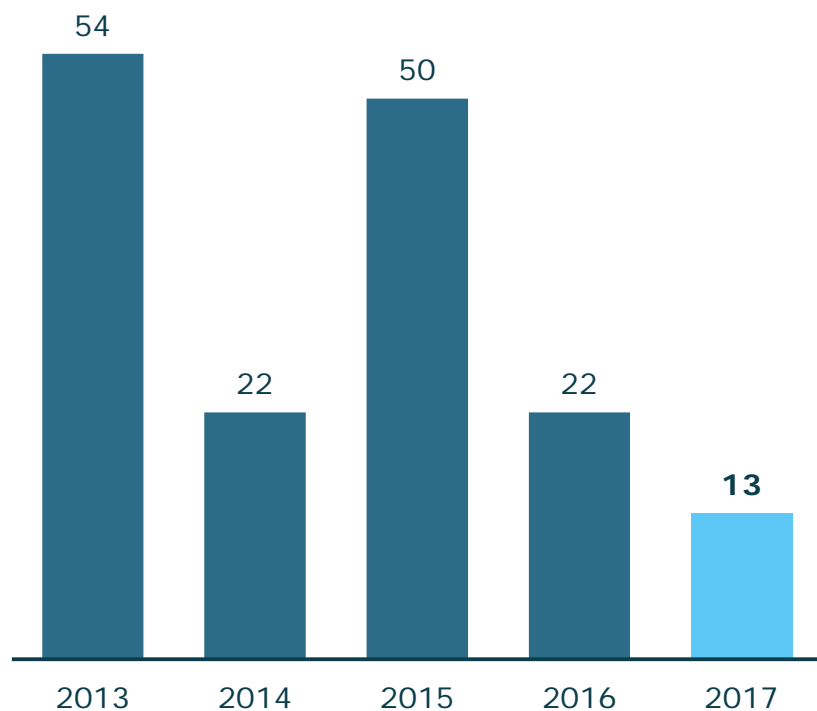
- % of Average Assets



# Low level of losses over time

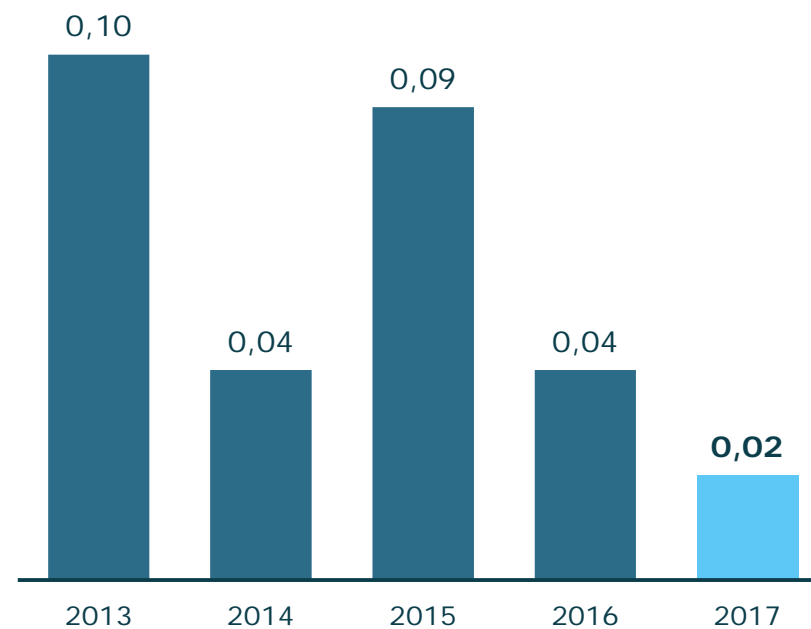
## Losses on loans and guarantees

- NOK million



## Losses on loans and guarantees

- % of Average Assets

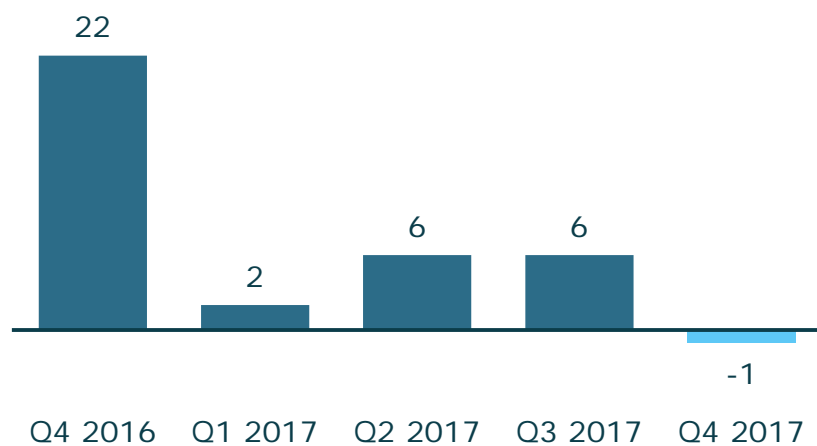


# Losses

*Good credit work over time gives results*

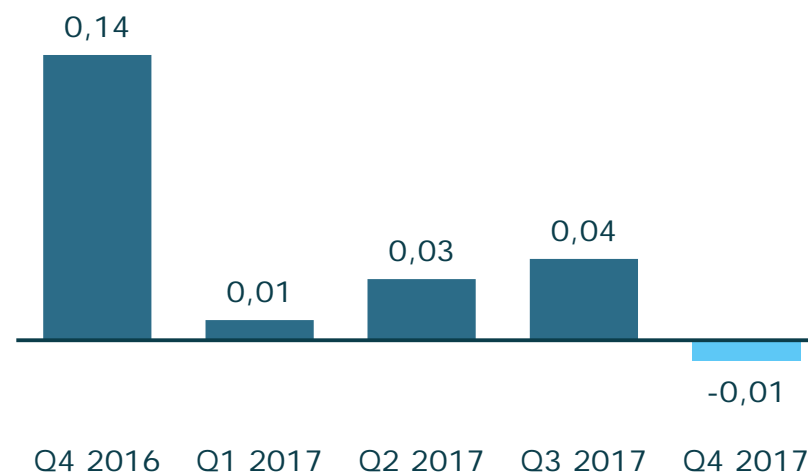
## Losses on loans and guarantees

- NOK million



## Losses on loans and guarantees

- % of Average Assets





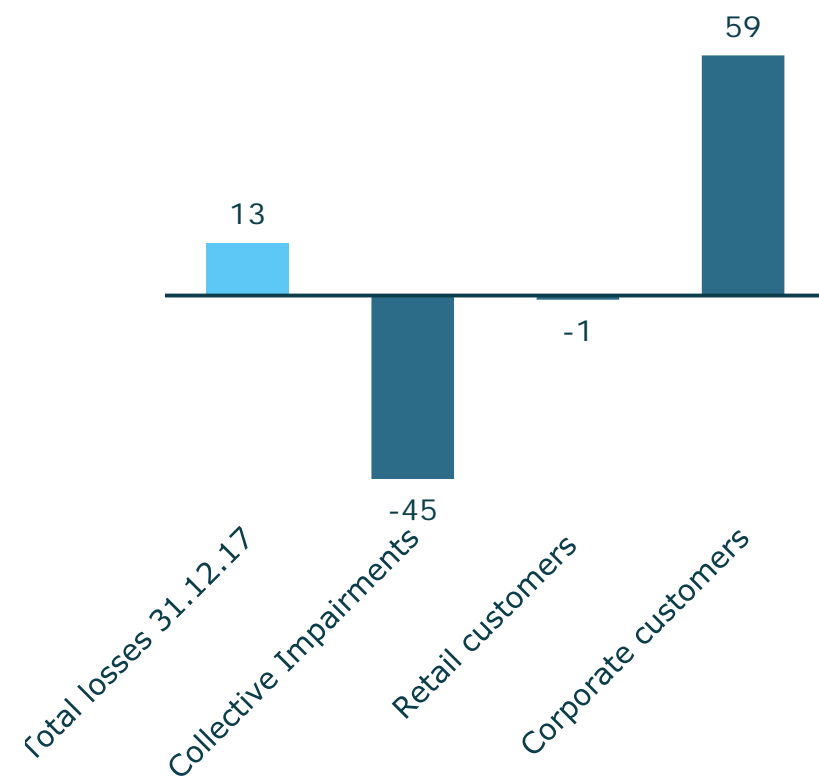
# Losses by sector



SPAREBANKEN MØRE

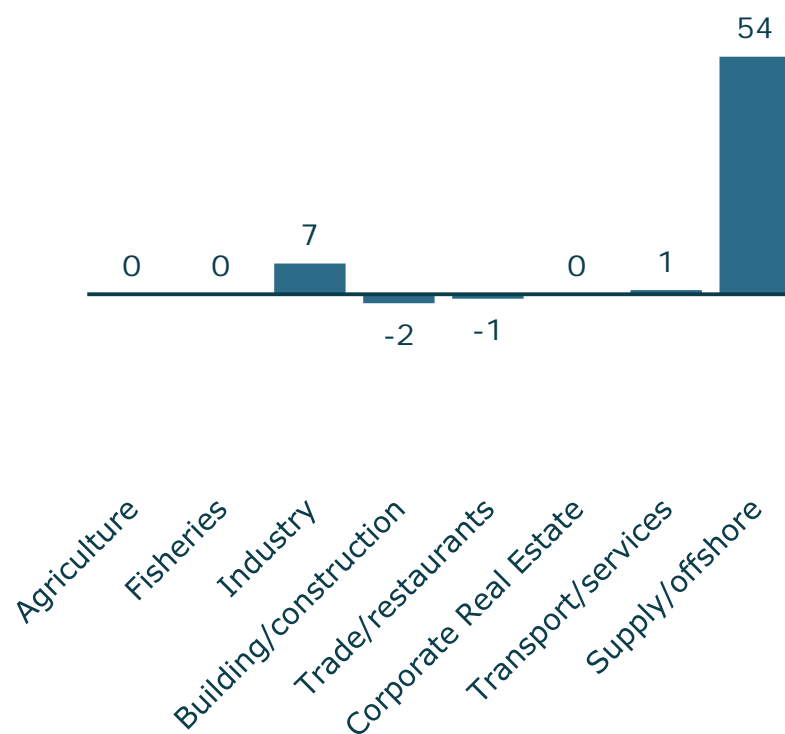
## Losses on loans and guarantees

- NOK million



## Detailed losses – corporate market

- NOK million



# Impairments

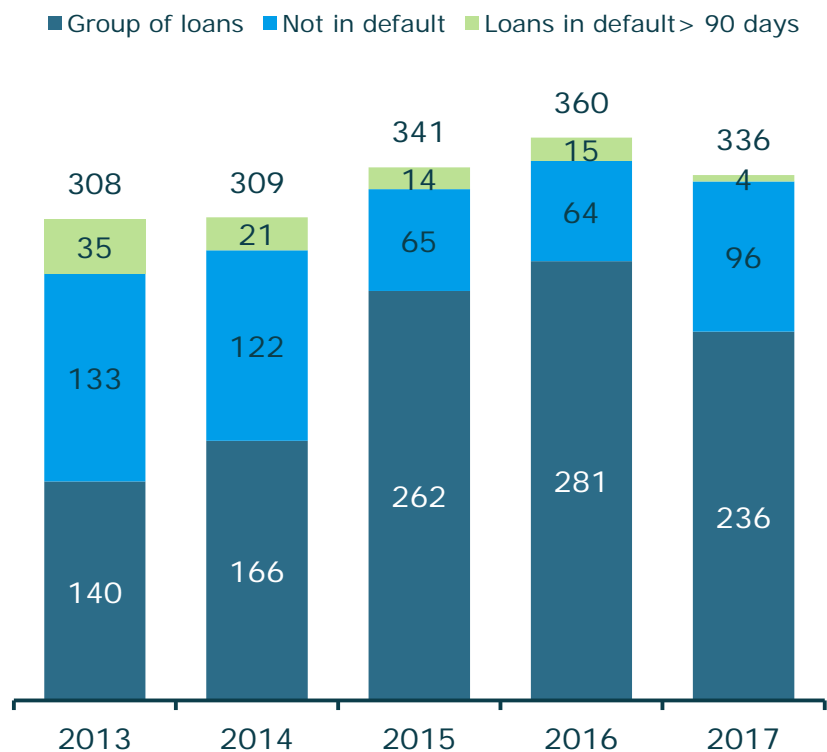
*High and comfortable levels*



SPAREBANKEN MØRE

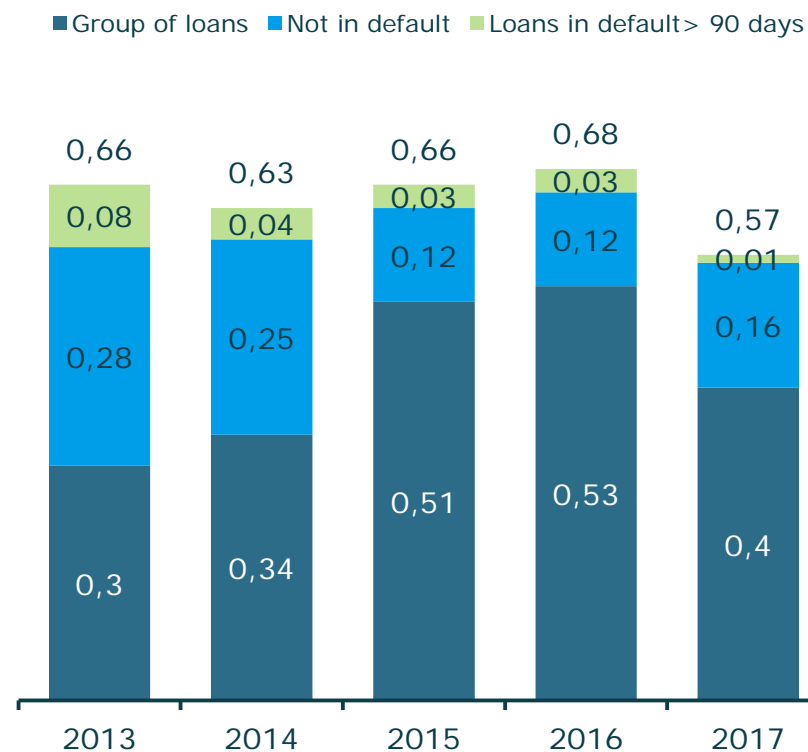
## Impairments

- NOK million



## Impairments

- % of Gross Loans



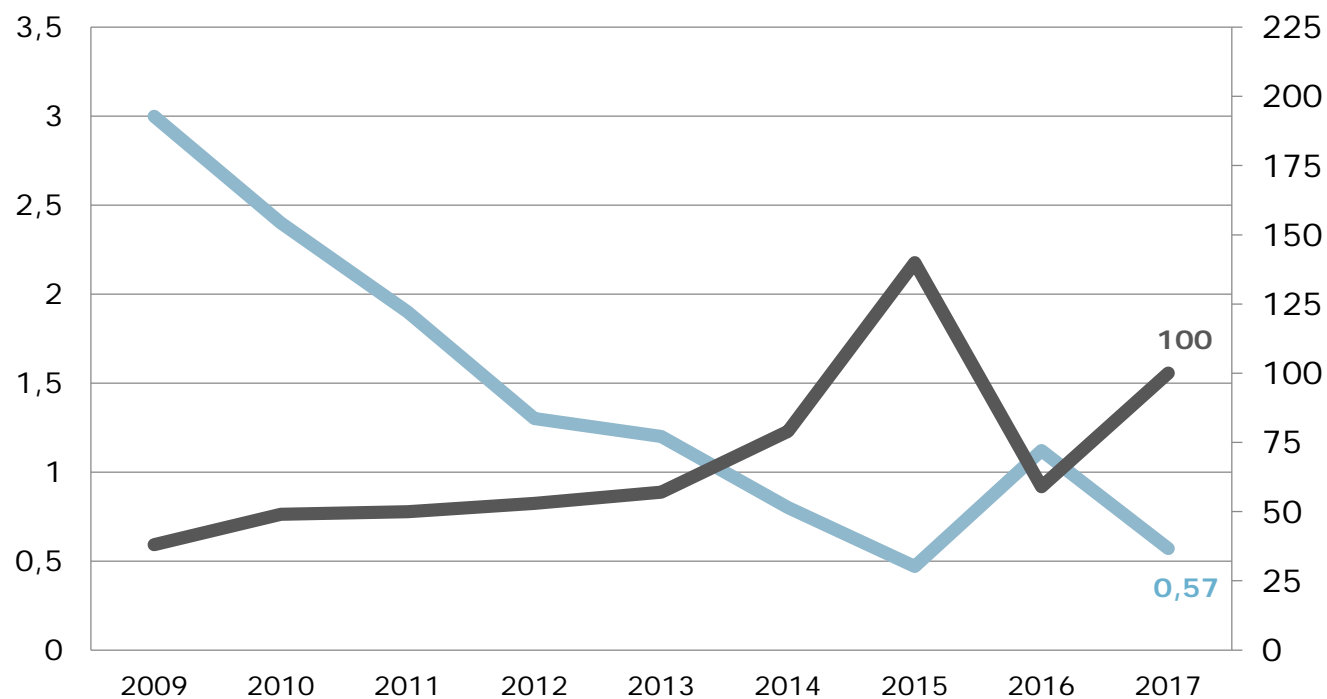
# Problem Loans and Impairments

*Continued positive development*



SPAREBANKEN MØRE

## Problem Loans and Impairments (per cent)



— Problem Loans in % of Gross Loans (left hand scale)

— Impairments in % of Problem Loans

- 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

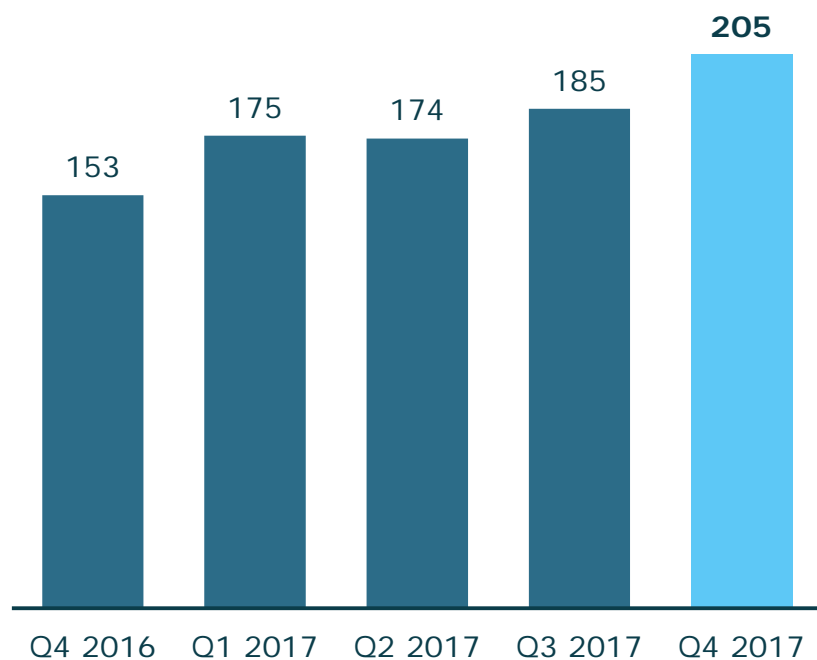
*Positive quarterly development*



SPAREBANKEN MØRE

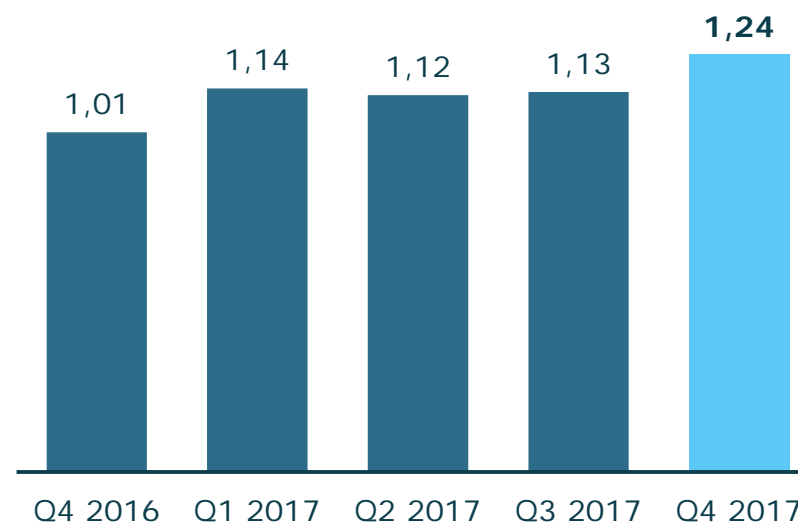
## Profit after losses

- NOK million



## Profit after losses

- % of Average Assets



# Balance

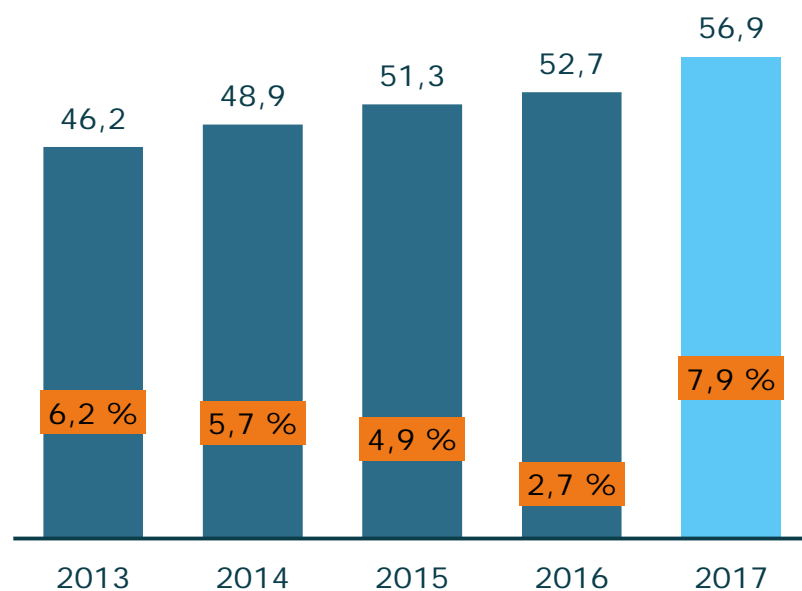
*Growth in line with our plans*



SPAREBANKEN MØRE

## Loans

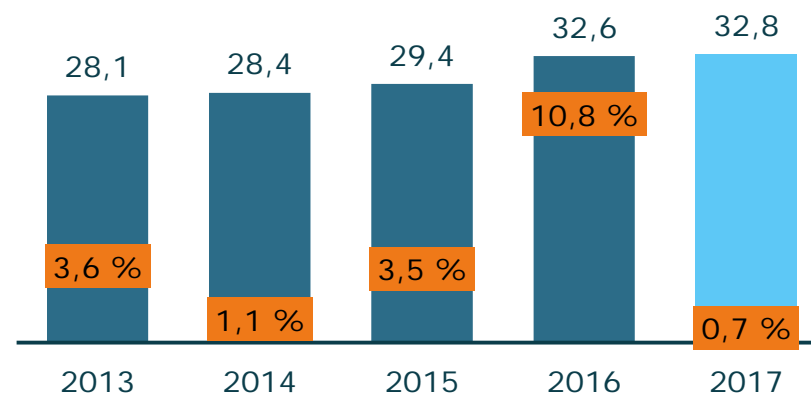
- NOK billion and per cent (y/y)



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

## Deposits

- NOK billion and per cent (y/y)



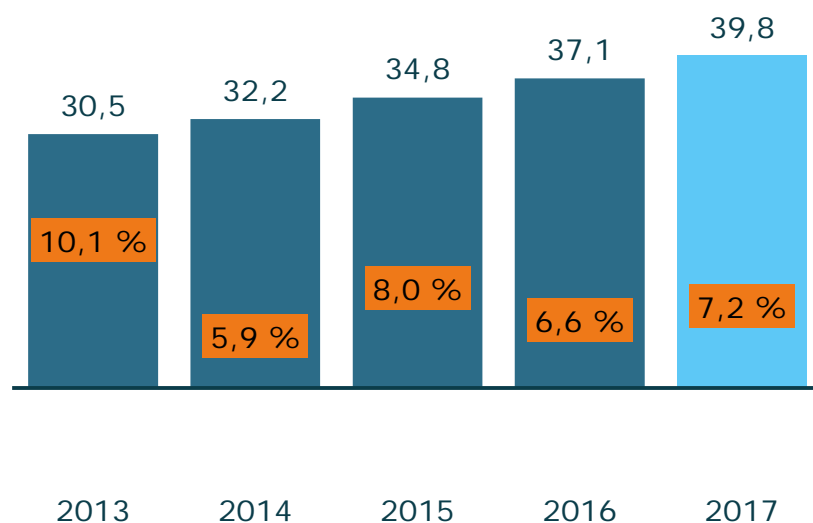
- Deposits grew by 0.7 % the last 12 months
- High deposit to loan ratio, 57.7 %

# Lending

*Good growth in the market*

## Retail market

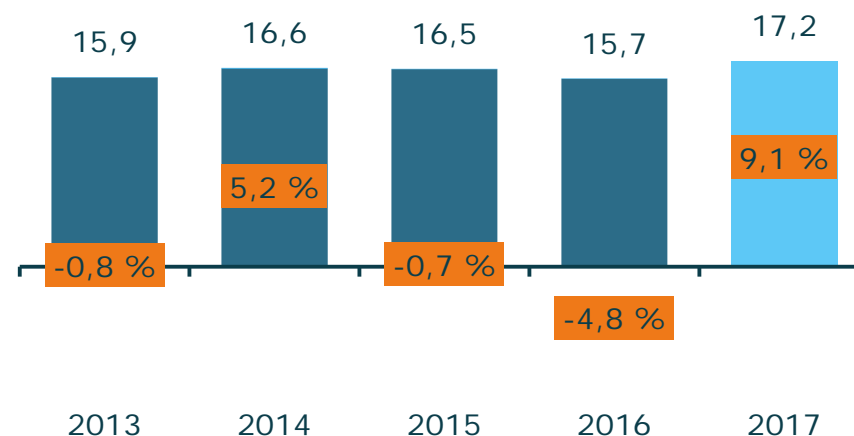
- NOK billion and per cent y/y



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

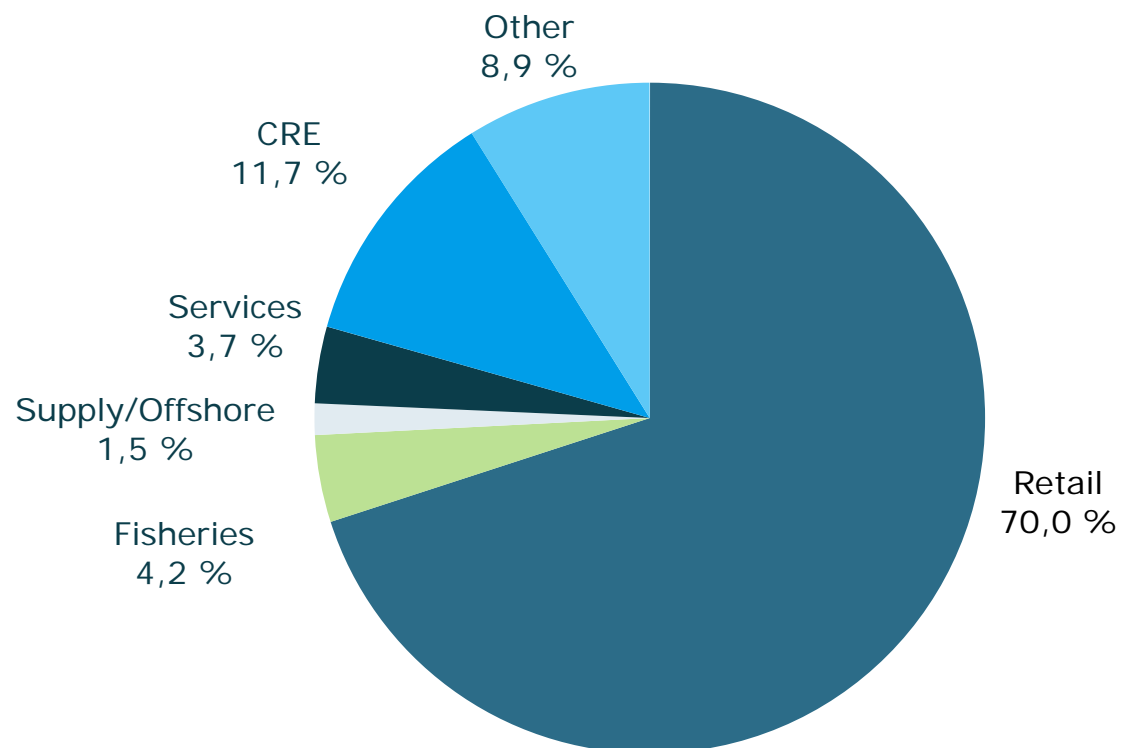
## Corporate market

- NOK billion and per cent y/y



- Corporate lending has 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 %		

# Lending

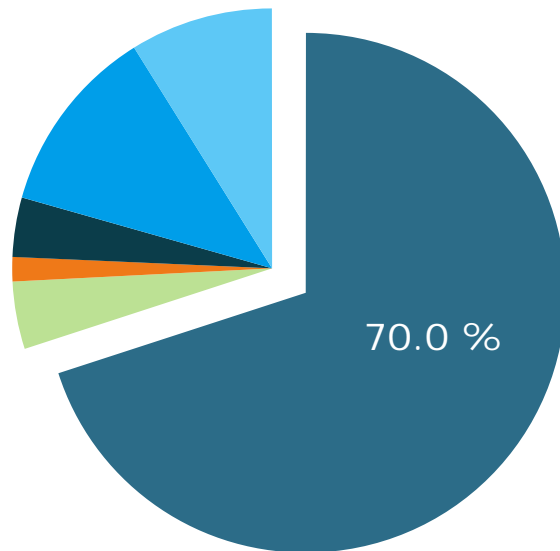
*High proportion of secured loans*



SPAREBANKEN MØRE

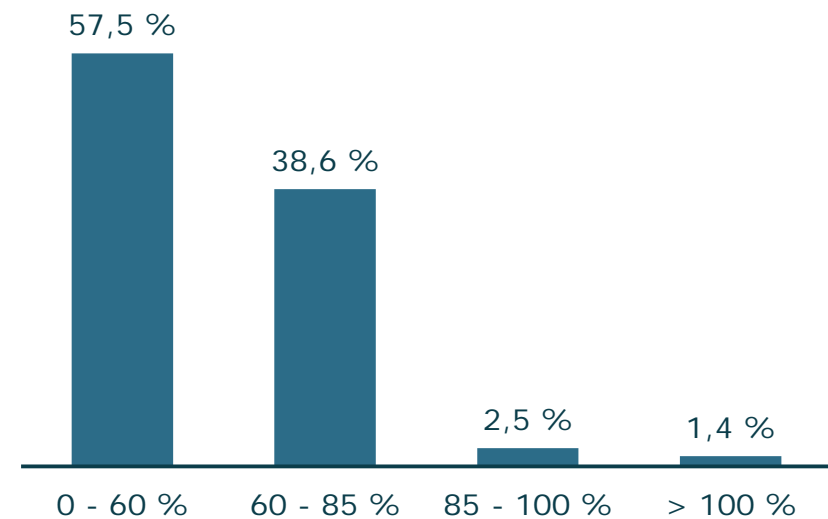
## Loans to retail customers

- % of total 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

## Loan to value – retail loans



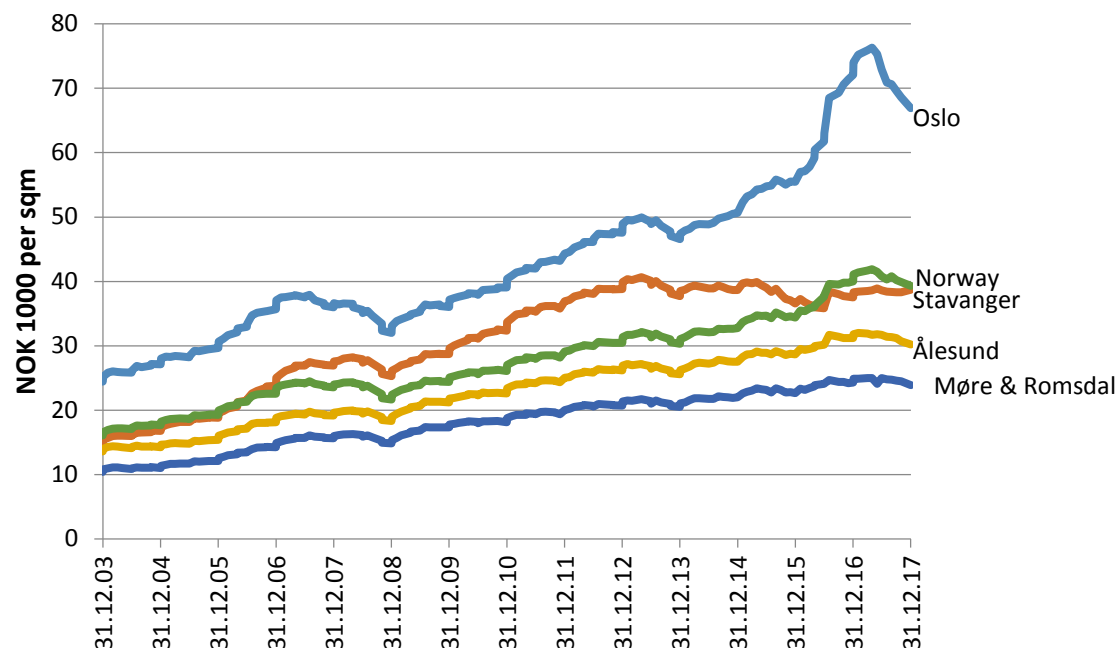
- 96.2 % of mortgage-backed loans to retail customers are within 85% of value

# Differences in house prices

*Development in average house prices December 2003 – December 2017*



SPAREBANKEN MØRE



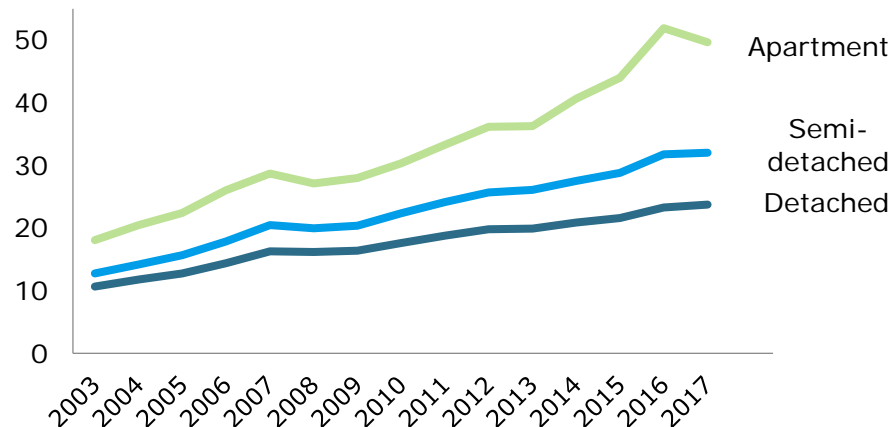
- The county of Møre og Romsdal has over time experienced lower growth in average house price
- Since its peak in February/ March, house prices in the county of Møre og Romsdal and Ålesund are down respectively 4.4% and 5.6%
- Since house prices peaked in Oslo, and Norway as a whole, in April they are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

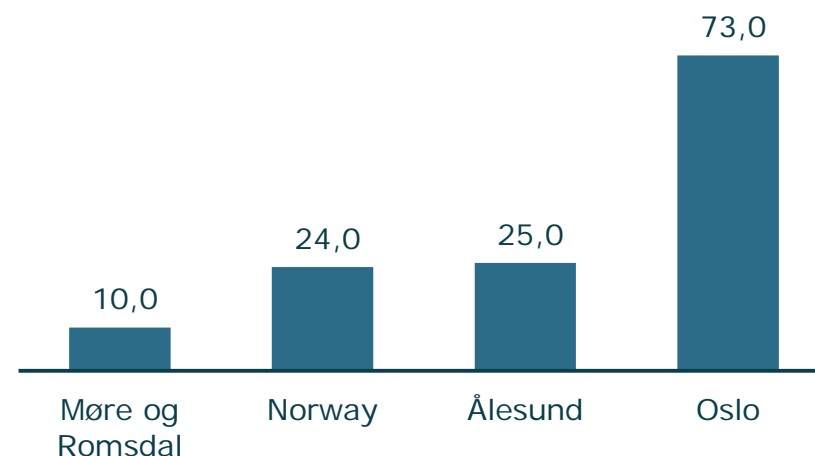
- Norway- price per square meter NOK 1000



- 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

## 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
- 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

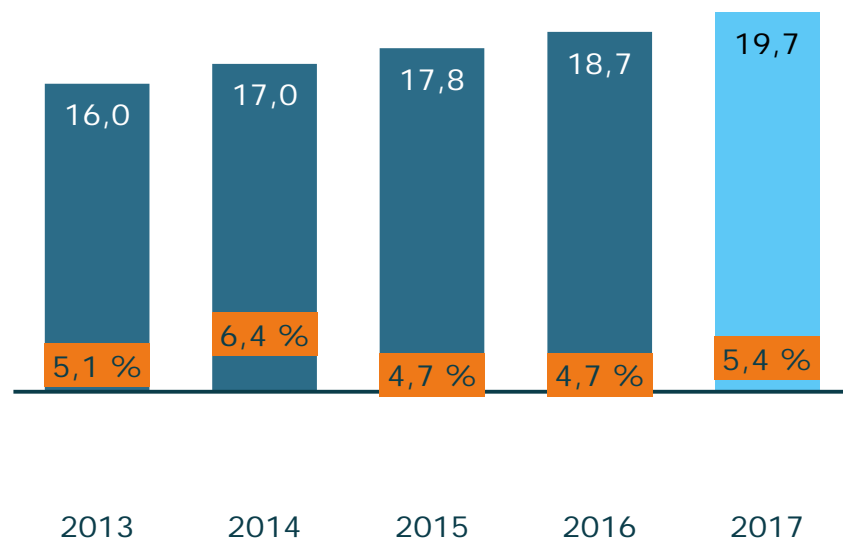


# Deposits

*Growth in deposits the last 12 months*

## Retail market

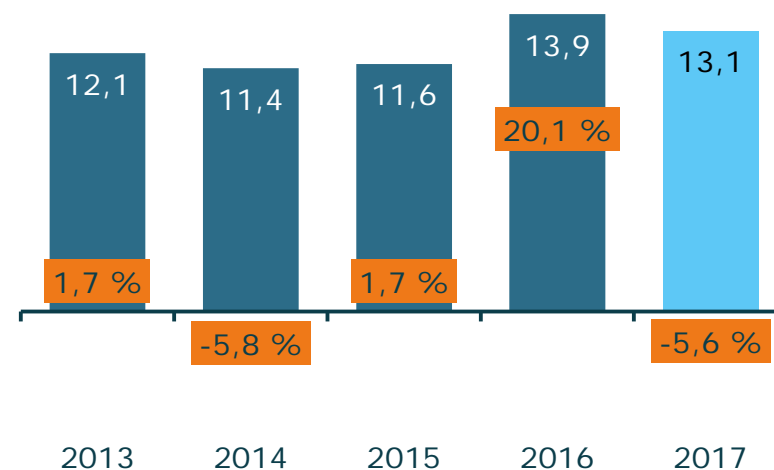
- NOK billion and per cent y/y



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

## Corporate and public

- NOK billion and per cent y/y



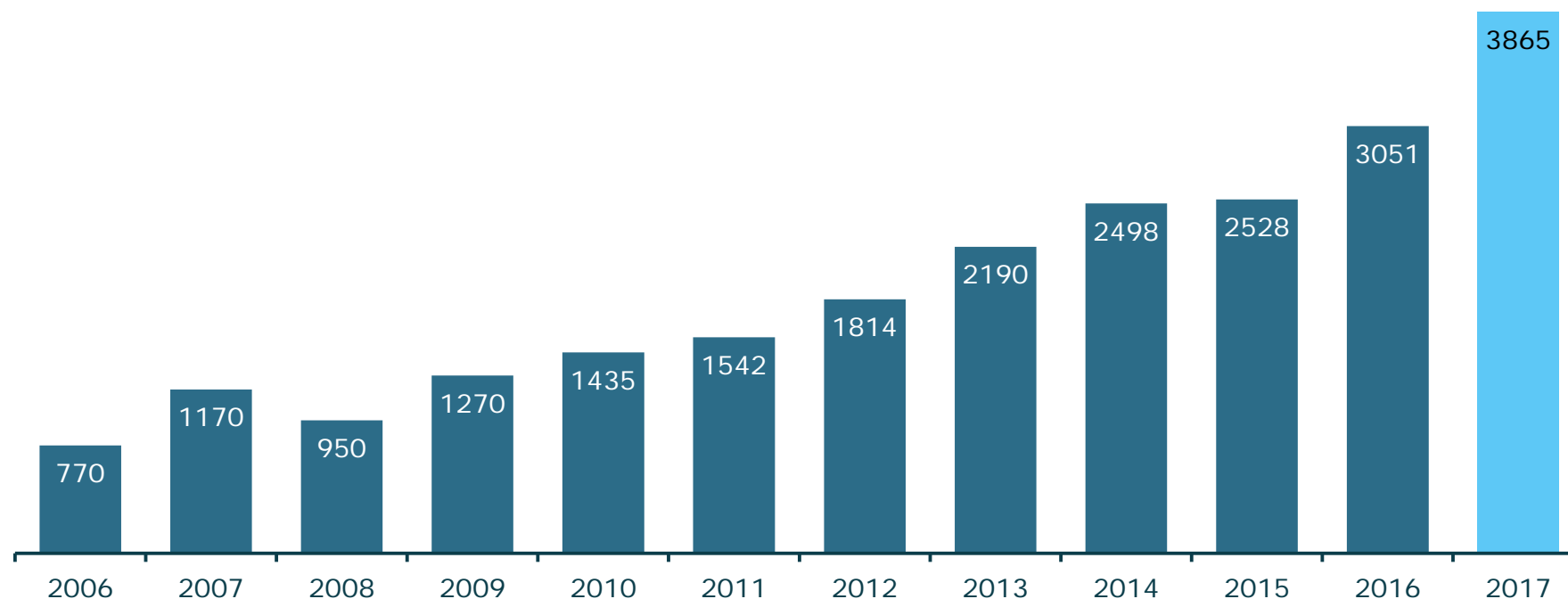
- Deposits from corporate customers have been reduced by 3.2 % the last 12 months and ended at NOK 12.4 billion by quarter end
- Deposits from public customers have decreased and ended at NOK 0.7 billion by quarter end

# Discretionary Portfolio Management

*Close to NOK 4 billion under management*



SPAREBANKEN MØRE



- 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

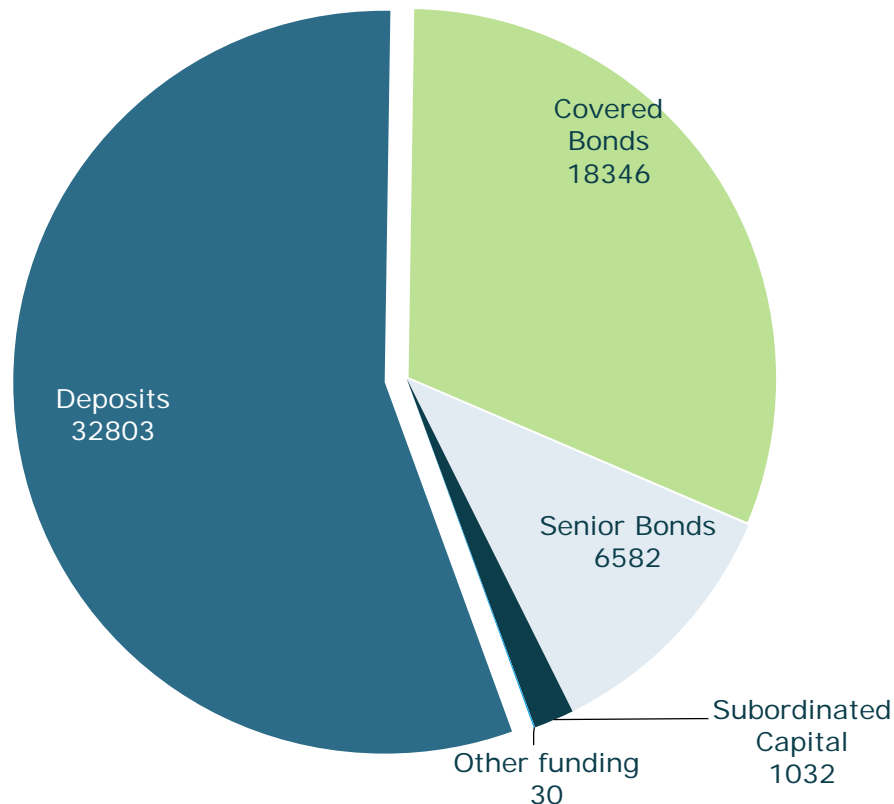
*Deposits are the Group`s most important source of funding, 57.7 % coverage*



SPAREBANKEN MØRE

## Deposits and market funding

- NOK million



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

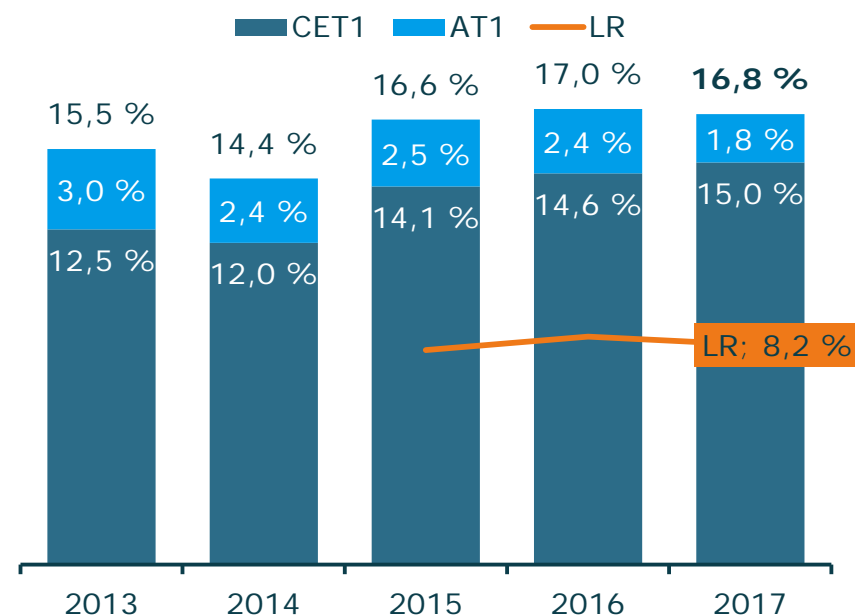
- Total market funding ended close to NOK 26.0 billion by year end – more than 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.38 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity 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

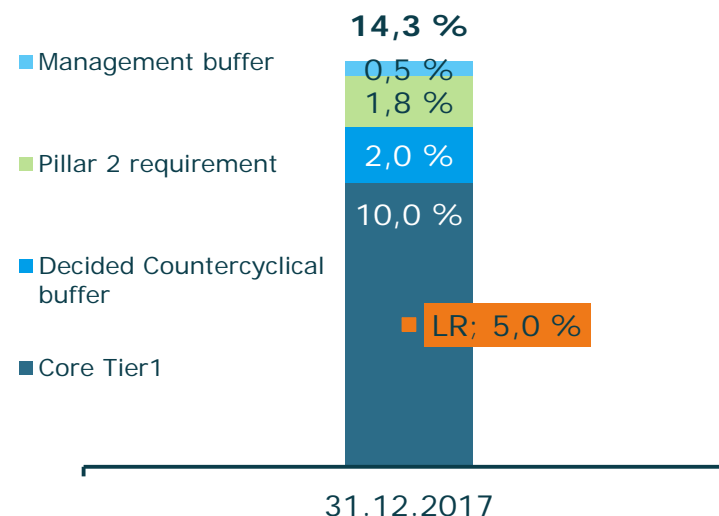
- % of risk weighted assets



- 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%

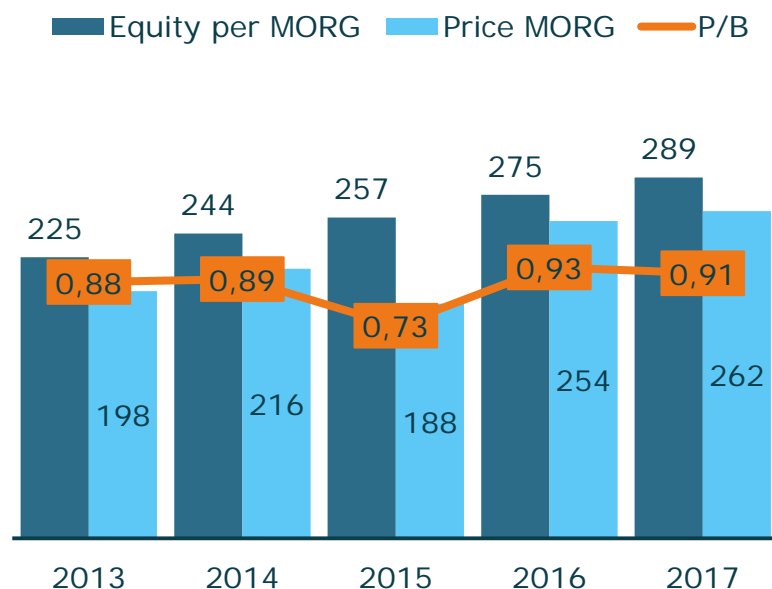
## Minimum requirements

- % 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



SPAREBANKEN MØRE

- 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.*



SPAREBANKEN MØRE

## Contact

### **Trond Lars Nydal, CEO**

Phone: + 47 951 79 977

E-mail: [trond.nydal@sbm.no](mailto:trond.nydal@sbm.no)

### **Runar Sandanger, EVP**

Phone: +47 950 43 660

E-mail: [runar.sandanger@sbm.no](mailto:runar.sandanger@sbm.no)

### **Tone S. Gjerdsbakk, Chief Information Officer**

Phone: + 47 990 44 346

E-mail: [Tone.gjerdsbakk@sbm.no](mailto:Tone.gjerdsbakk@sbm.no)

**[sbm.no](http://sbm.no)**

**[facebook.com/sbm.no](https://facebook.com/sbm.no)**

**Instagram [@sbmno](https://www.instagram.com/sbmno)**

**[engasjert.sbm.no](mailto:engasjert.sbm.no)**



# Disclaimer

*This presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of Sparebanken Møre (the "Company"), in any jurisdiction or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. If any such offer or invitation is made, it will be done so pursuant to separate and distinct documentation in the form of a prospectus, offering circular or other equivalent document (a "prospectus") and any decision to purchase or subscribe for any securities pursuant to such offer or invitation should be made solely on the basis of such prospectus and not these materials.*

*This presentation has been prepared solely for use in connection with the presentation of the Company. The information contained in this document is strictly confidential and is being provided to you solely for your information and cannot be distributed to any other person or published, in whole or in part, for any purpose. It may not be reproduced, redistributed, passed on or published, in whole or in part, to any other person for any purpose. Failure to comply with this and the following restrictions may constitute a violation of applicable securities laws. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of the Company or any of their respective affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with the presentation.*

*These materials are not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, these materials (a) are not intended for distribution and may not be distributed in the United States or to U.S. persons (as defined in Regulation S) under the United States Securities Act of 1933, as amended and (b) are for distribution in the United Kingdom only to (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Order."*

*Investors may get back less than they invested. The Company gives no assurance that any favourable scenarios described are likely to happen, that it is possible to trade on the terms described herein or that any potential returns illustrated can be achieved.*

*This document offers no investment, financial, legal, tax or any other type of advice to, and the Company has no fiduciary duties towards, any recipients and therefore any such determination should involve, inter alia, an assessment of the legal, tax, accounting, regulatory, financial, credit and other related aspects of the securities or such transaction. The Company makes no representation nor gives any warranty as to the results to be obtained from any investment, strategy or transaction, nor as to whether any strategy, security or transaction discussed herein may be suitable for recipients' financial needs, circumstances or requirements. Recipients must make their own assessment of such strategies, securities and/or potential transactions detailed herein, using such professional advisors as they may require. No liability is accepted for any direct or consequential losses arising from any action taken in connection with or reliance on the information contained in this document even where advised of the possibility of such losses.*