

Sparebanken Møre - the Group

15. August 2018

PRESENTATION

2ND QUARTER 2018

Runar Sandanger

EVP



- Introduction and highlights
- Results
- Deposits and Loans
- Liquidity and Capital
- Main targets



The largest bank in the county

Strong local presence



SPAREBANKEN MØRE

28

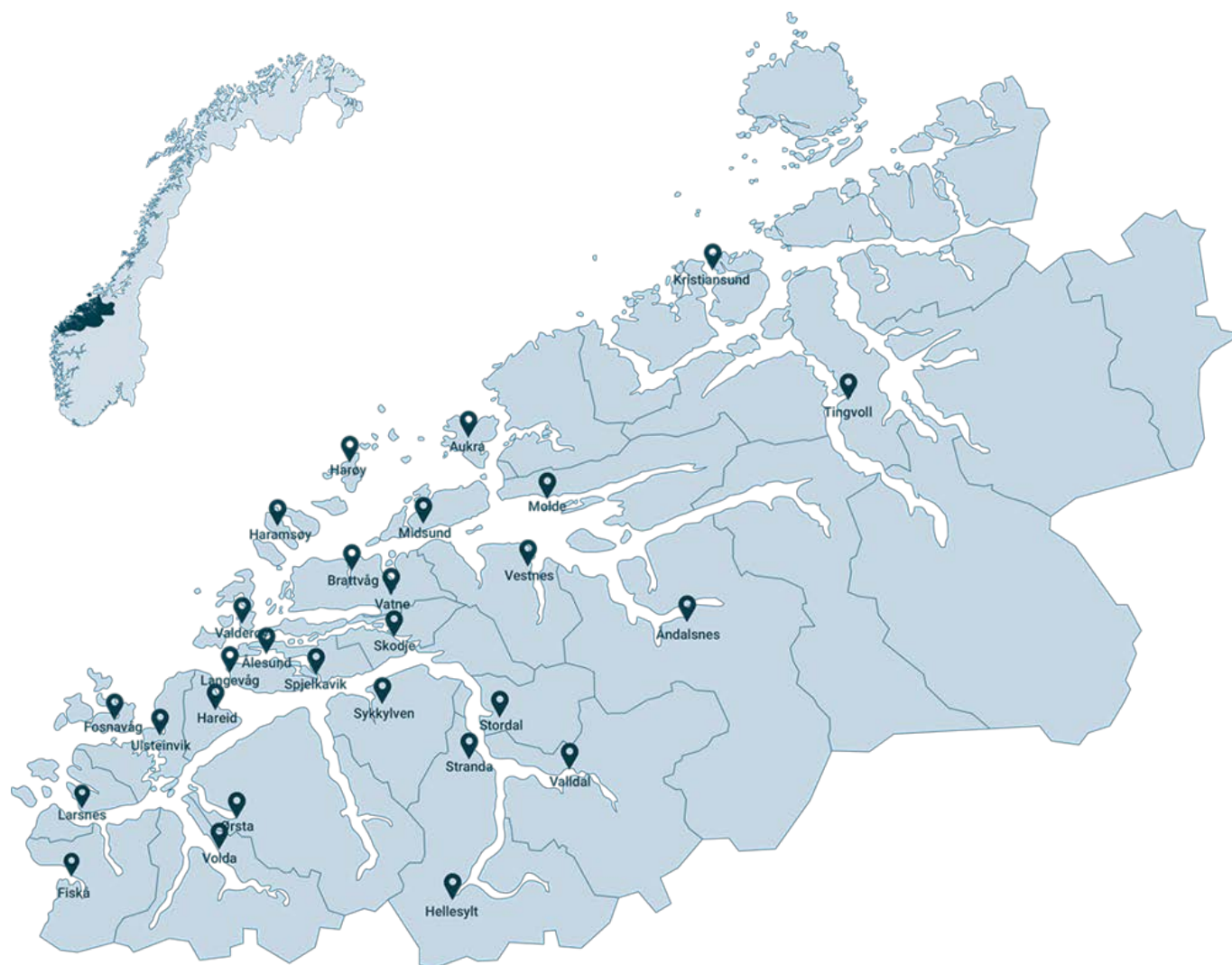
OFFICES IN
MØRE OG ROMSDAL

356

MAN YEARS

70.6

BILLION IN
TOTAL ASSETS



Highlights from H1 2018

Positive development in key figures



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Strong loan growth: 5.0 per cent over the last 12 months



High and stable Net Interest Income: Growth both in NOK and in per cent compared to the same period last year



High efficiency: Cost/Income ratio at 42.1 per cent by half year end – down 3.6 p.p. compared with first two quarters last year



Very low losses: Net NOK 3 million in loan loss reversals in H1 2018

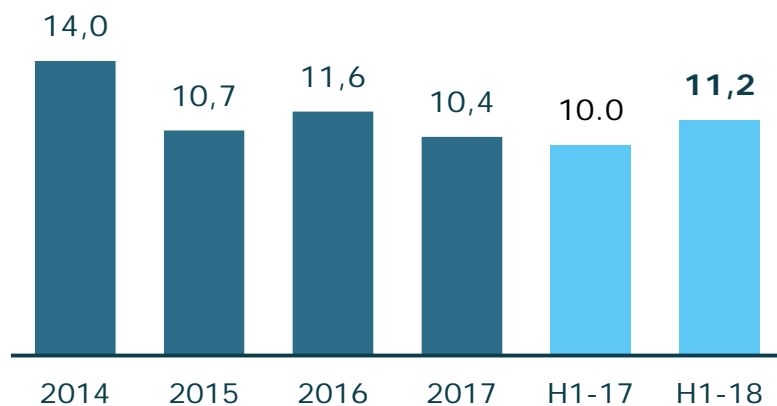


Strong liquidity and solidity: Deposit to Loan ratio at 58.2 per cent, CET1 at 15.5 per cent

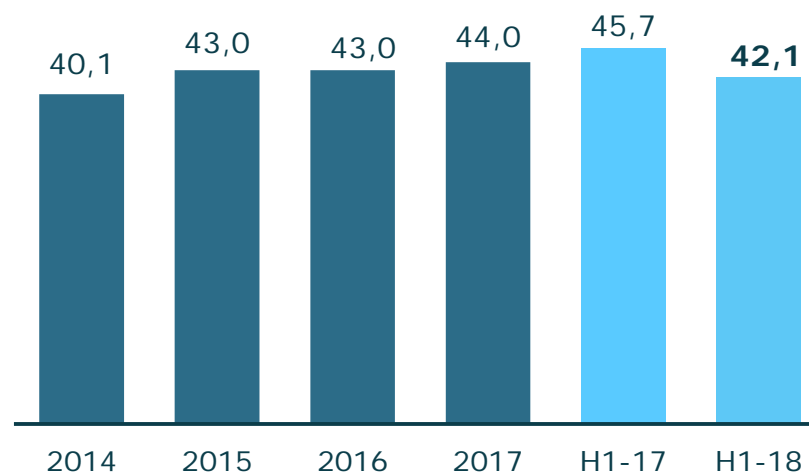


Good Return on Equity: 11.2 per cent

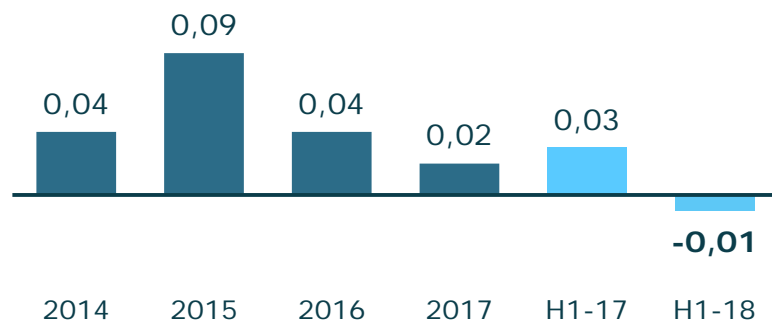
Return on Equity



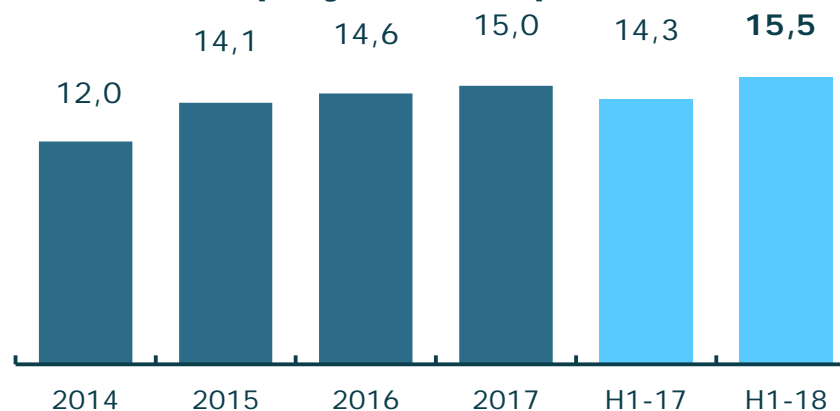
Cost/Income



Losses on Loans and Guarantees

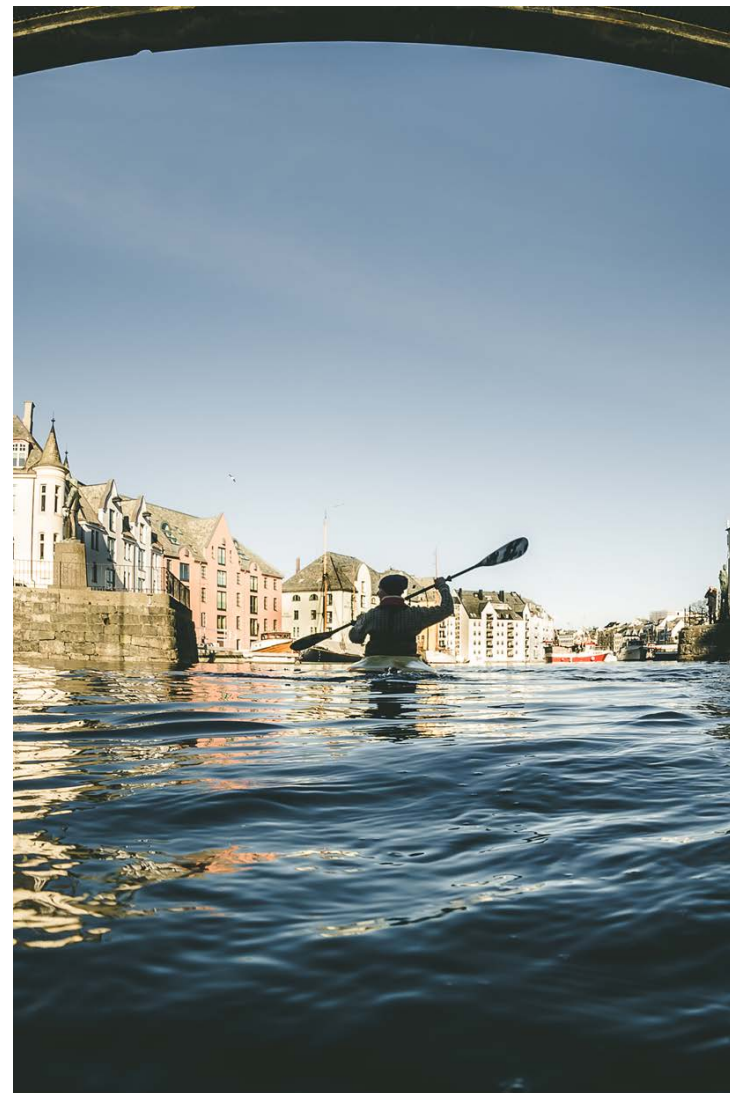


Common Equity Tier1 Capital (CET1)



Positive outlook

- Sparebanken Møre is well capitalized and has a very good liquidity by half year end. The bank has a healthy financial structure and a strong balance sheet. 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 still good. Going forward, we expect an increase in production and employment in most sectors and industries. The main reasons for this are
 - a weak Norwegian currency
 - low level of interest rates
 - expansionary fiscal policy
 - high oil prices
 - good growth in our export markets
 - high adaptability in local business and industry
- It also appears that the danger of a major fall in house prices has been reduced. However, the risk of growth-dampening international trade barriers seems to have increased somewhat



Results



A good start to 2018

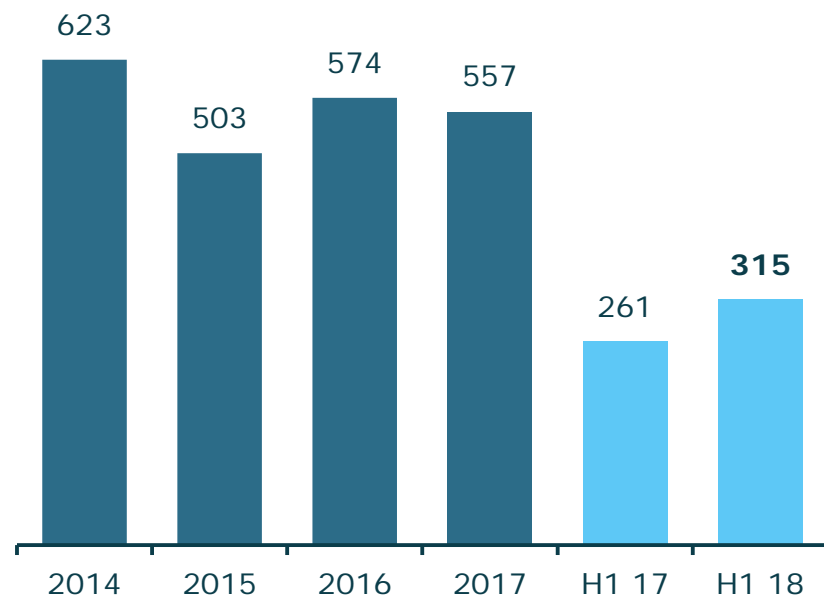
Improved results compared with H1 2017



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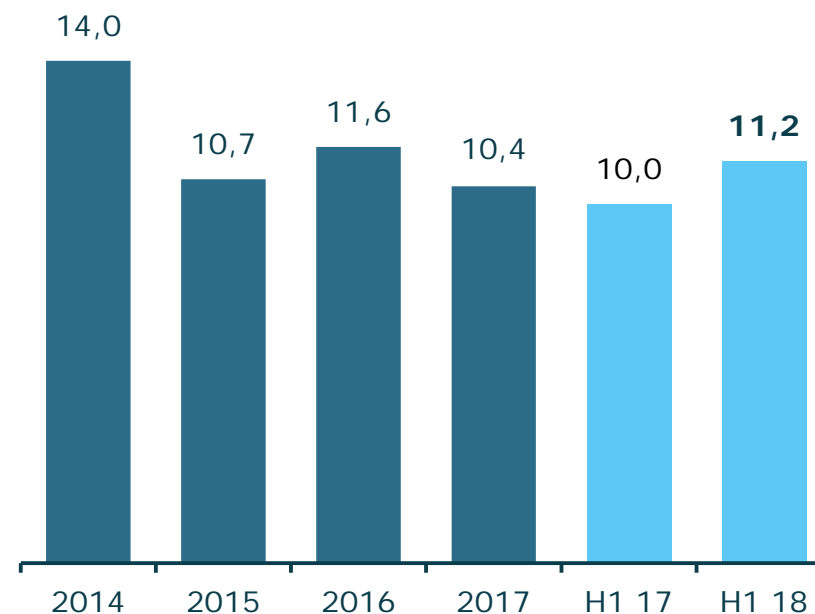
Result after taxation

- NOK million



Return on Equity

- in percent (ROE)

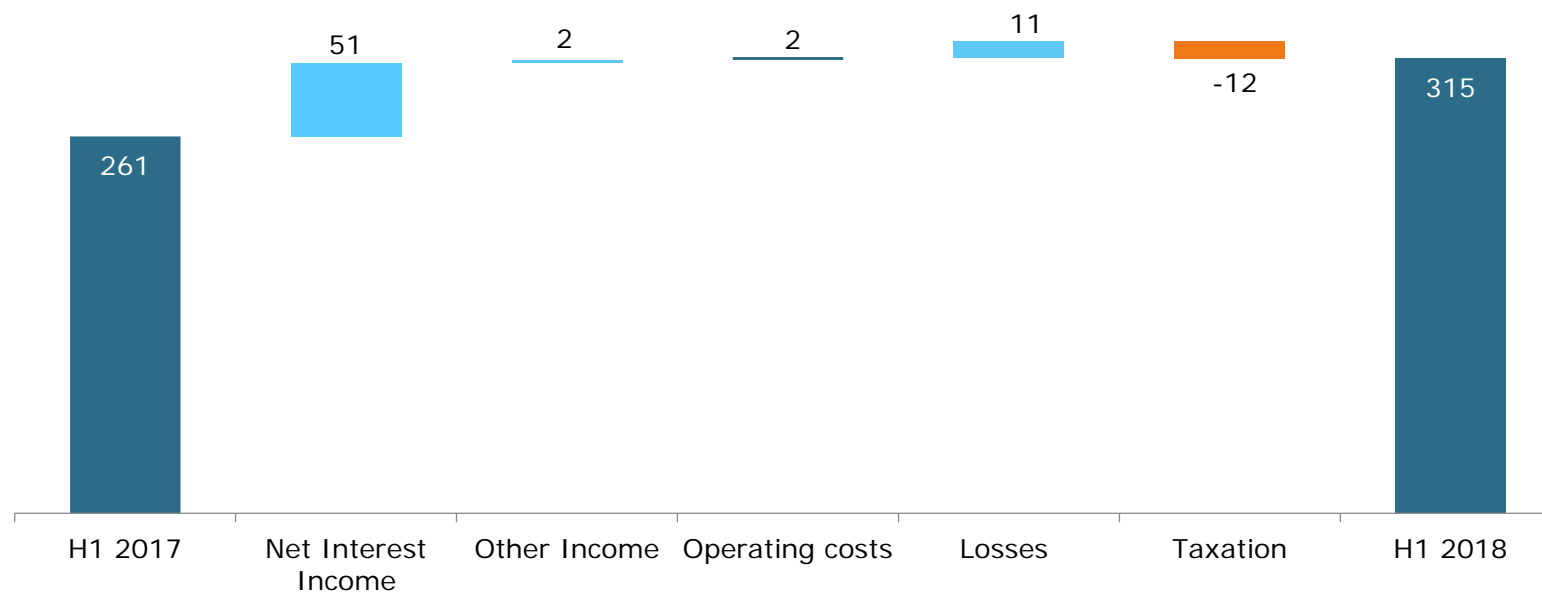


Growth in income, stable cost level and low losses

H1 2018 compared with H1 2017



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- Higher Net Interest Income in NOK
- Higher level of Other Income
- Stable operating costs
- Low level of losses also in H1 2018

Results

Statement of income H1 2018 – The Group



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	H1 2018		H1 2017		Changes		
Results (NOK million and %)	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	580	1.71	529	1.69	51	0.02	9.6
Net Income Financial Investments	22	0.06	20	0.06	2	0.00	10.0
Gains/losses liquidity portfolio	-3	-0.01	22	0.08	-25	-0.09	-
Gains/losses on shares	13	0.05	-5	-0.02	18	0.07	-
Other Income	99	0.29	92	0.30	7	-0.01	7.6
Total Other Income	131	0.39	129	0.42	2	-0.03	1.6
Total Income	711	2.10	658	2.11	53	-0.01	8.1
Personnel costs	169	0.50	170	0.54	-1	-0.04	-0.6
Other costs	130	0.38	131	0.42	-1	-0.04	-0.8
Total operating costs	299	0.88	301	0.96	-2	-0.08	-0.7
Profit before losses	412	1.22	357	1.15	55	0.07	15.4
Losses on loans, guarantees etc	-3	-0.01	8	0.03	-11	-0.04	-
Pre tax profit	415	1.23	349	1.12	66	0.11	18.9
Taxes	100	0.29	88	0.27	12	0.02	13.9
Profit after taxation	315	0.94	261	0.85	54	0.09	20.6

Balance sheet and key figures

	30.06.2018	30.06.2017	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	70,578	65,652	4,926	7.5
Loans to customers	58,869	56,040	2,829	5.0
Deposits from customers	34,239	33,514	725	2.2
Net Equity and Subordinated Loans	6,477	6,534	-57	-0.9

Key Figures	30.06.2018	30.06.2017	Changes p.p.
Return on Equity	11.2	10.0	1.2
Cost/Income Ratio	42.1	45.7	-3.6
Total Capital	19.1	18.9	0.2
Tier 1 Capital	17.1	16.9	0.2
CET1	15.5	14.3	1.2
Leverage Ratio	8.0	8.3	-0.3
Results per EC (NOK, the Group)	15.45	13.10	2.35
Results per EC (NOK, the Bank)	18.40	17.60	0.80

Quarterly development in Net Interest Income

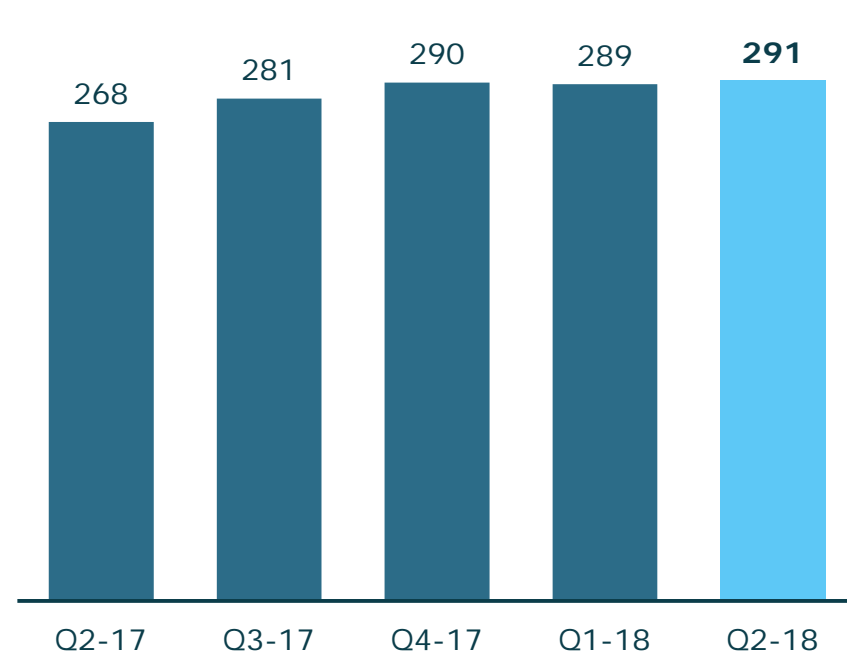
Increased NII in NOK, lower in per cent



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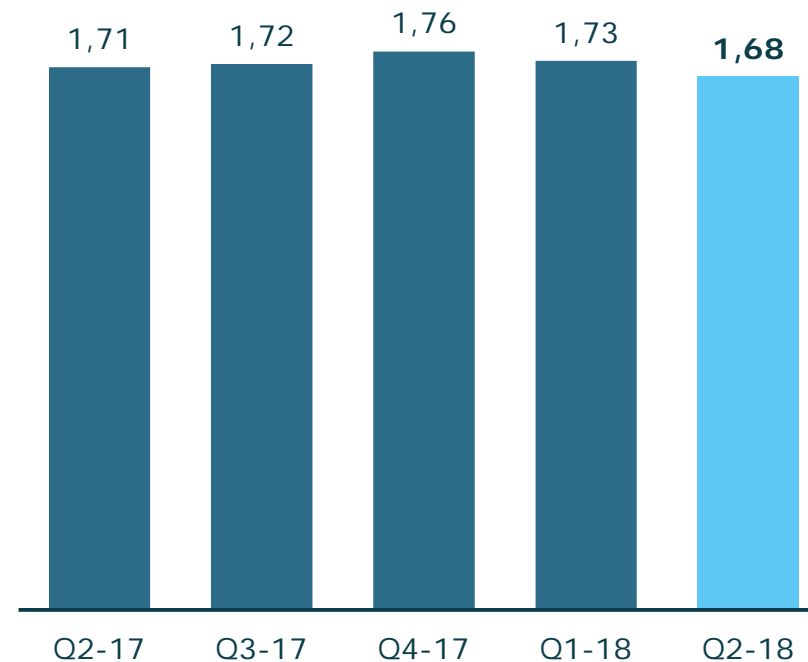
Net Interest Income

- NOK million



Net Interest Income

- % of Average Assets



Quarterly development in Other Income

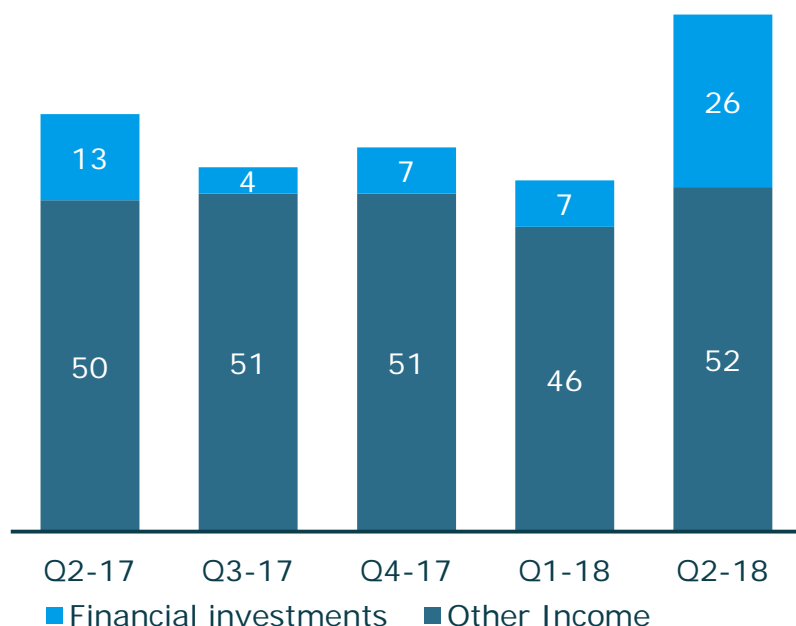
Negative effects from financial instruments



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Other Income

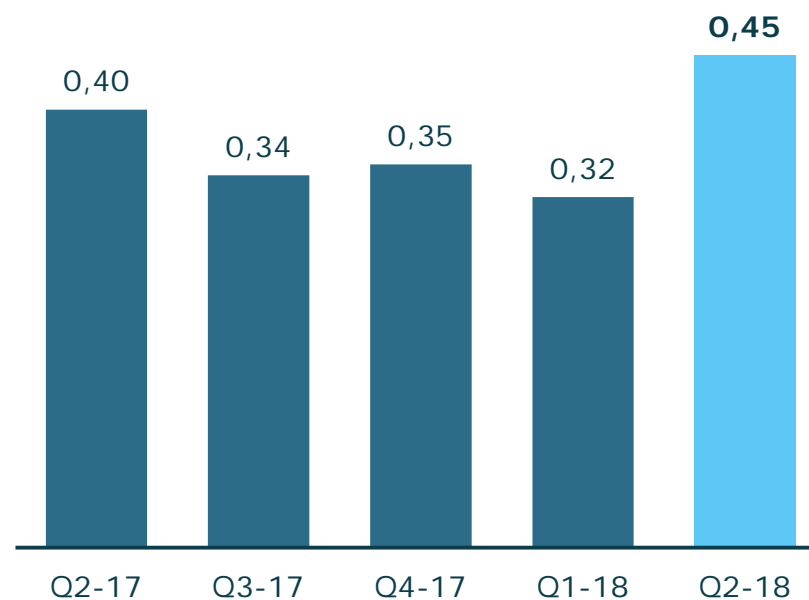
- NOK million



- The updated value measurement following the merger between Vipps, Bank Asept and BankID Norge gave a profit effect of approximately MNOK 10 for the second quarter of 2018
- Market value of the liquidity portfolio is reduced by NOK 11 million compared with H1 2017

Other Income

- % of Average Assets



- Continued good growth in our Discretionary Portfolio Management Department contributes positively during the quarter

Total Income

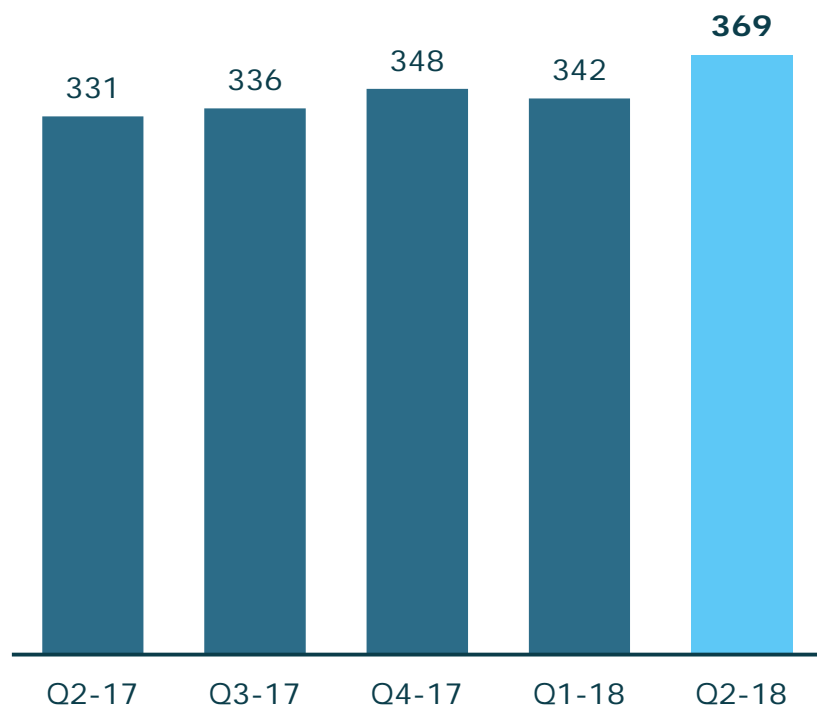
Good income growth compared to second quarter 2017



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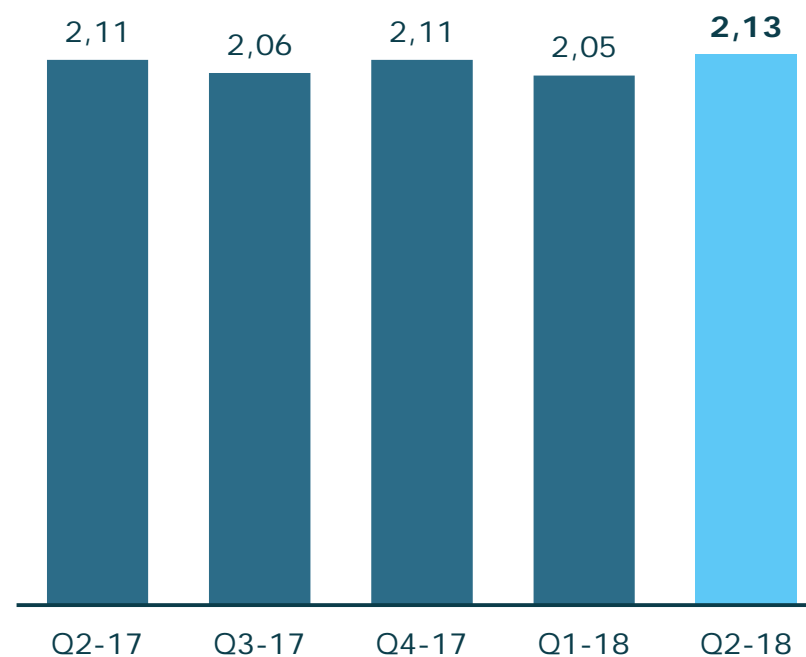
Total Income

- NOK million



Total Income

- % of Average Assets



Strong cost control – improved efficiency

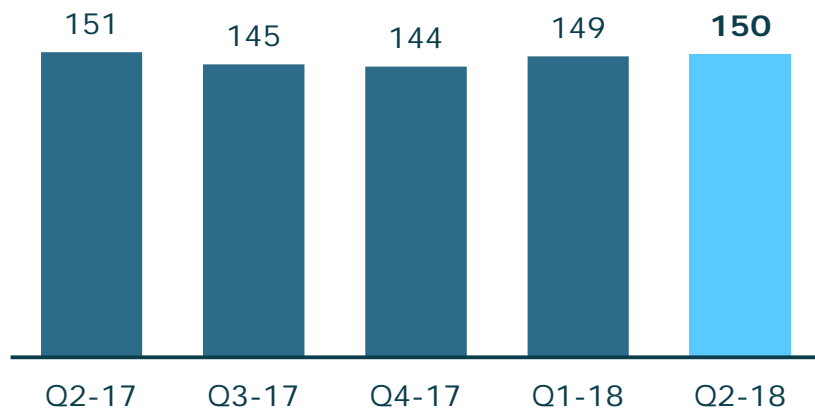
Positive development



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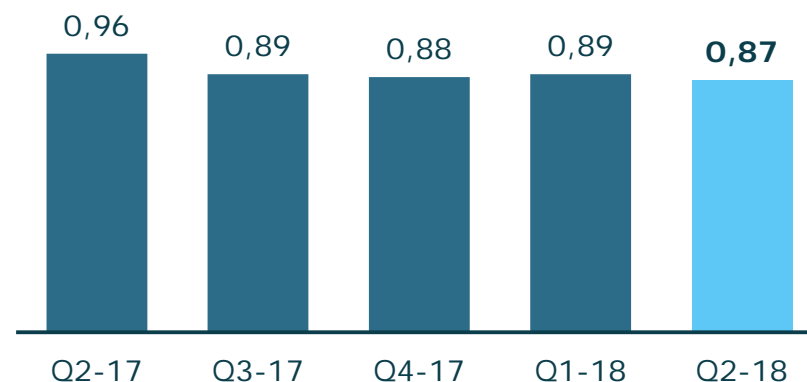
Operating Costs

- NOK million



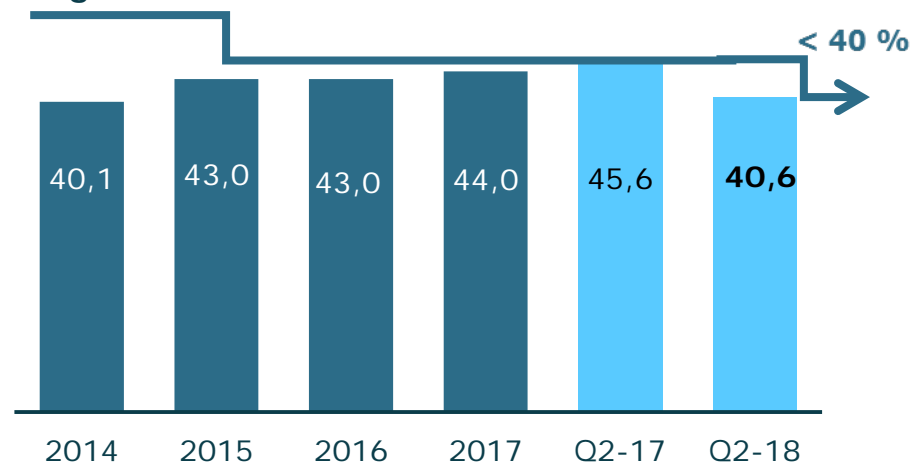
Operating Costs

- % of Average Assets



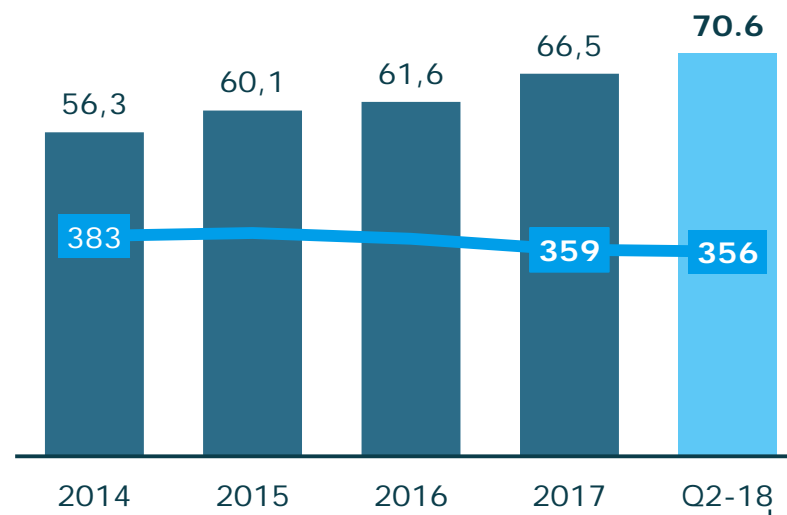
Cost/Income ratio

Target



Total Assets and Man Years

- Total Assets in NOK billion



Strong underwriting

Persistent low losses



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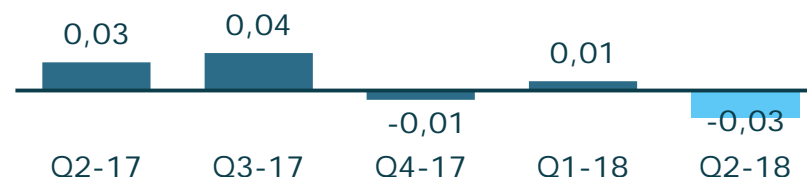
Losses on loans and guarantees

- NOK million



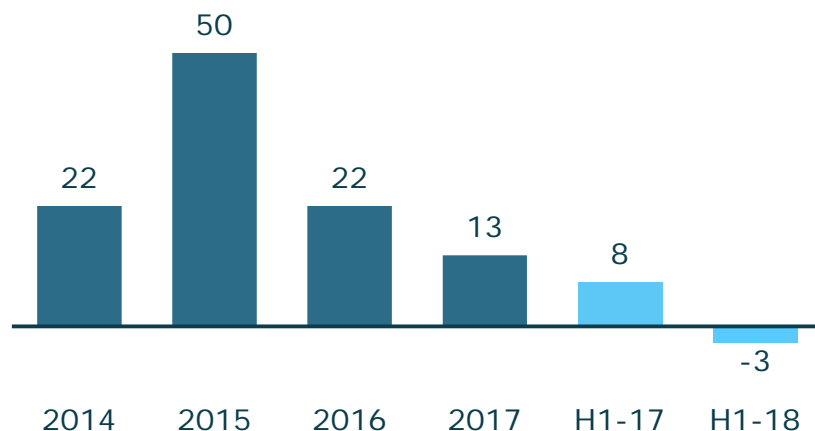
Losses on loans and guarantees

- % of Average Assets



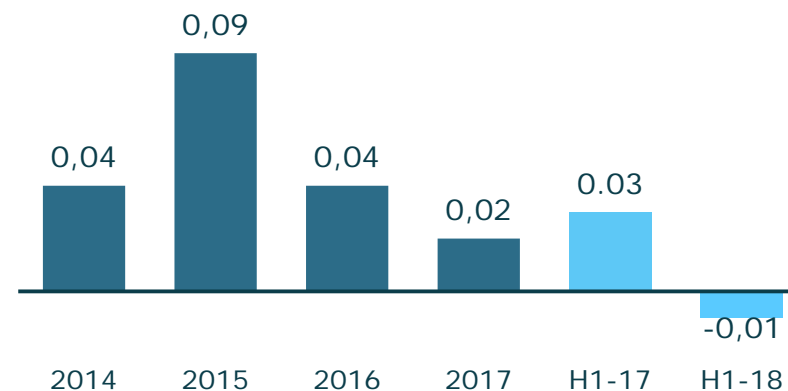
Losses on loans and guarantees

- NOK million



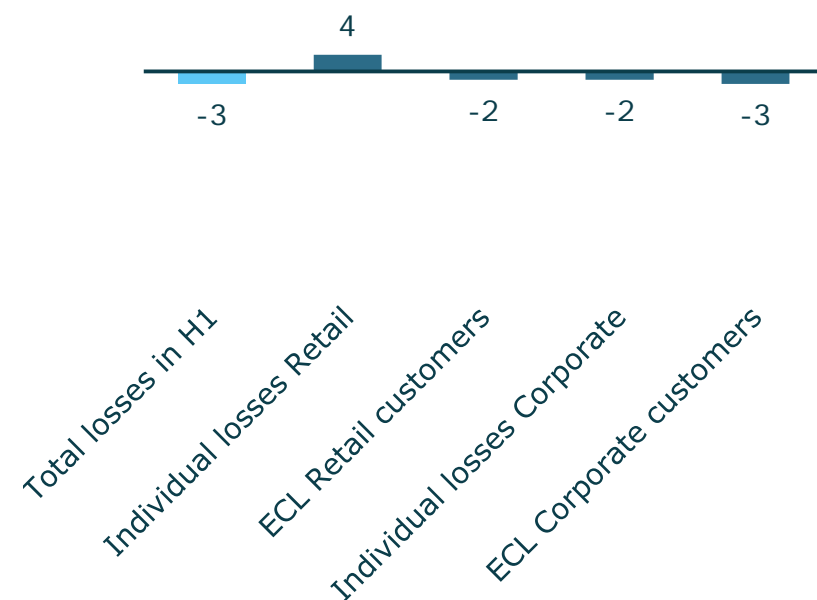
Losses on loans and guarantees

- % of Average Assets



Losses on loans and guarantees

- NOK million



- The expected credit loss (ECL) model is compliant with IFRS 9 and is used to calculate losses
- Total calculated ECL by second quarter end is NOK 5 million lower than by 1.1.2018
- Individual impairments and other losses of NOK 4 million for retail customers and NOK -2 million for corporate customers
- Total losses are -NOK 3 million by half year end

Impairments

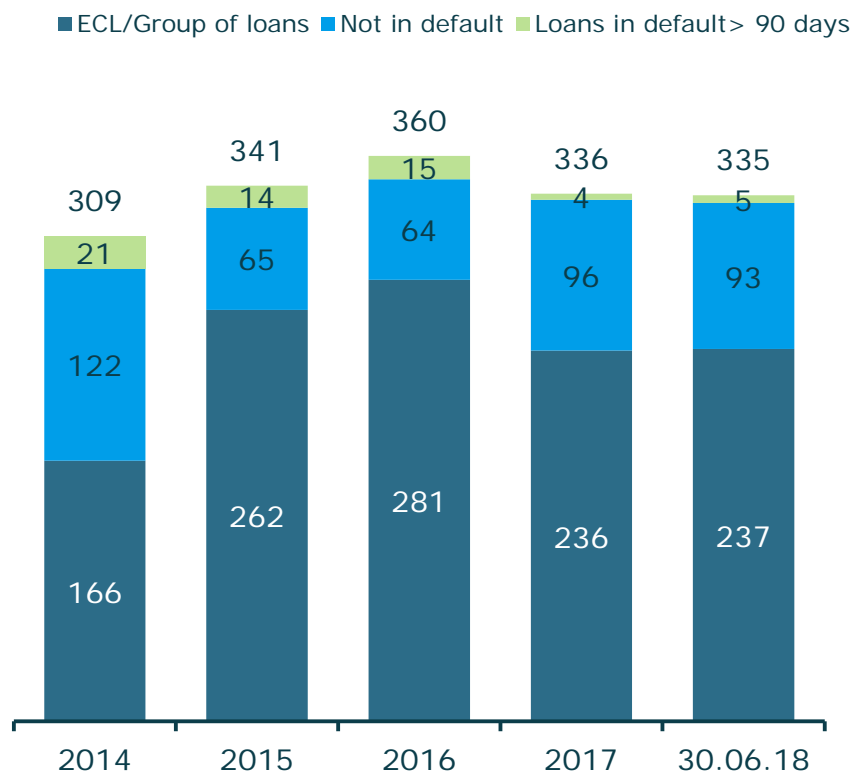
High and comfortable levels



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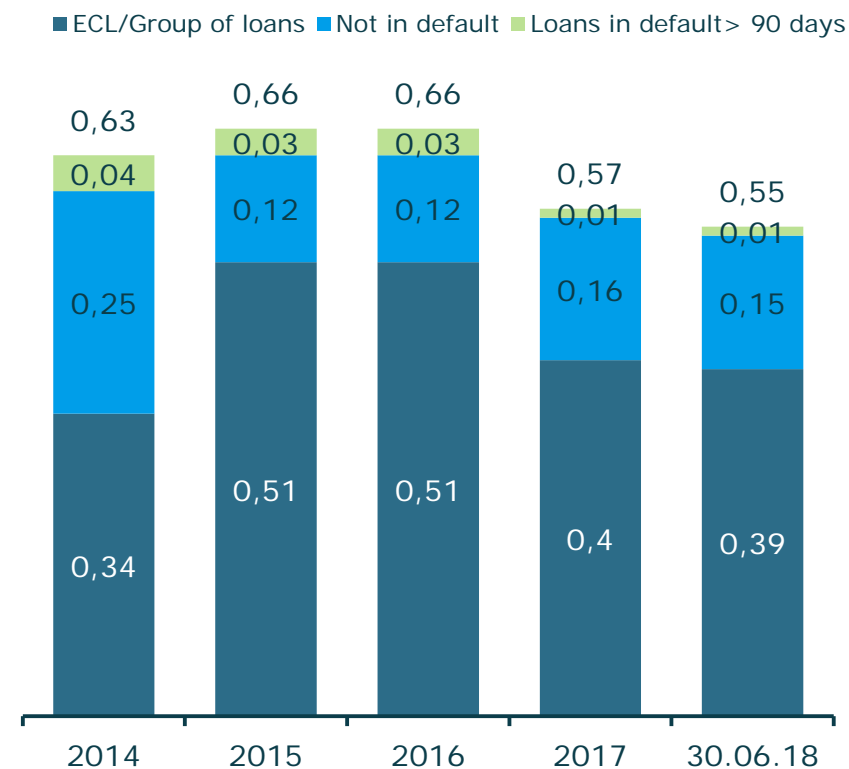
Impairments

- NOK million



Impairments

- % of Gross Loans



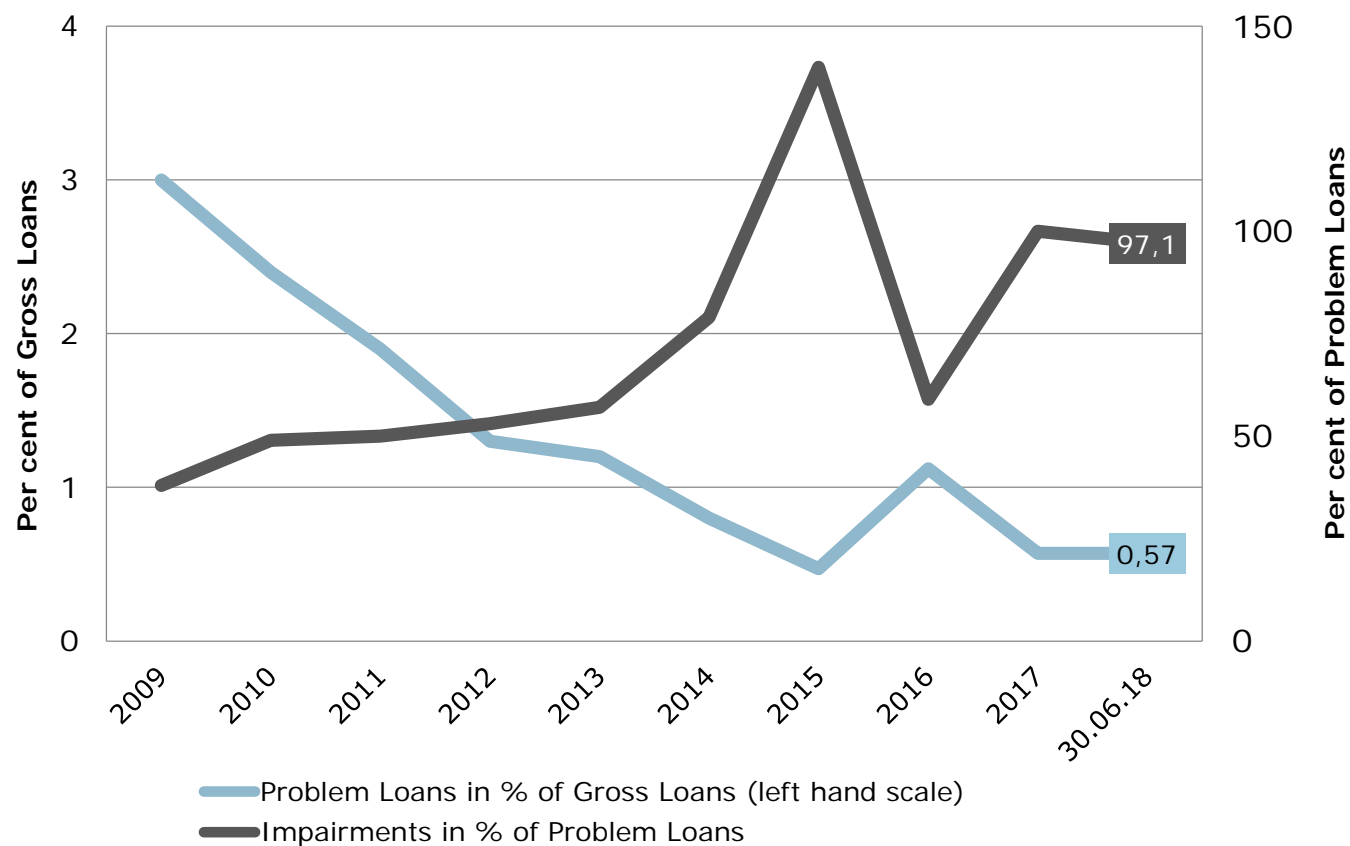
Problem Loans and Impairments

Low level of problem loans and good coverage



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Problem Loans and Impairments (per cent)



Problem Loans are loans and guarantees more than 90 days over due and performing loans with individual impairments.

Pre tax profit

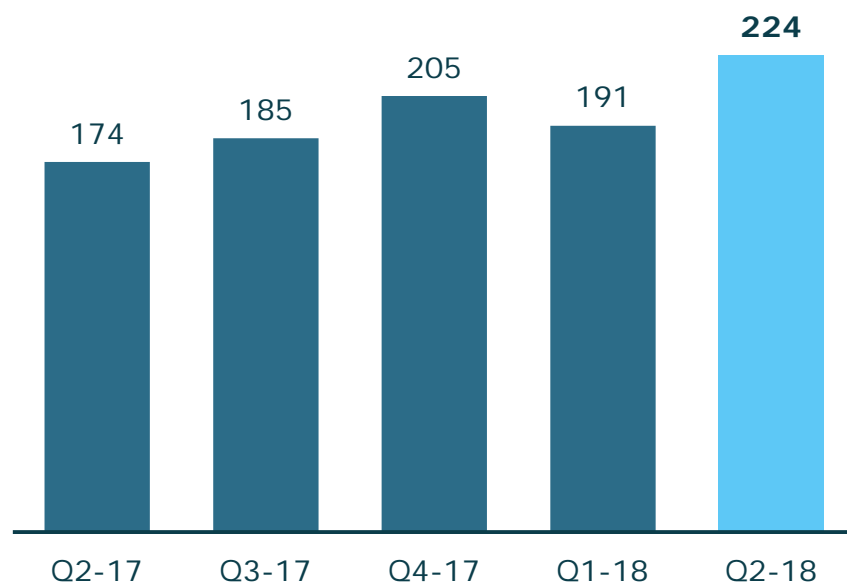
Strong quarterly development



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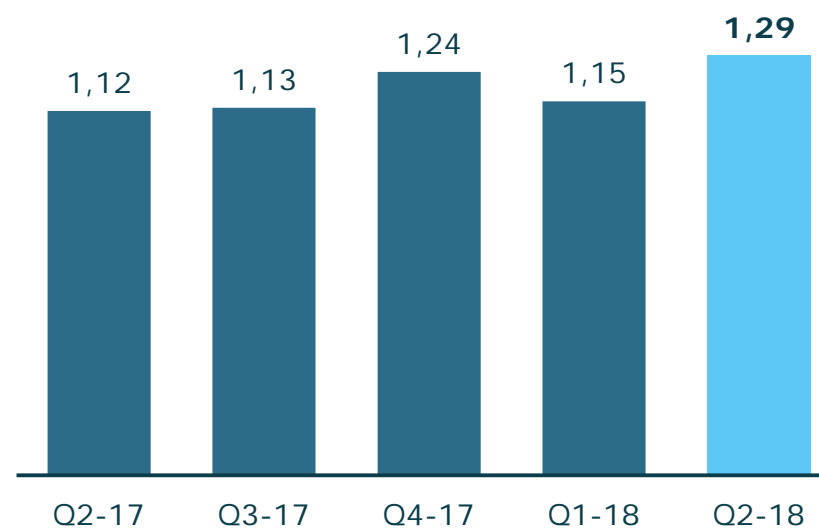
Profit after losses

- NOK million



Profit after losses

- % of Average Assets



Balance sheet



Continued good growth

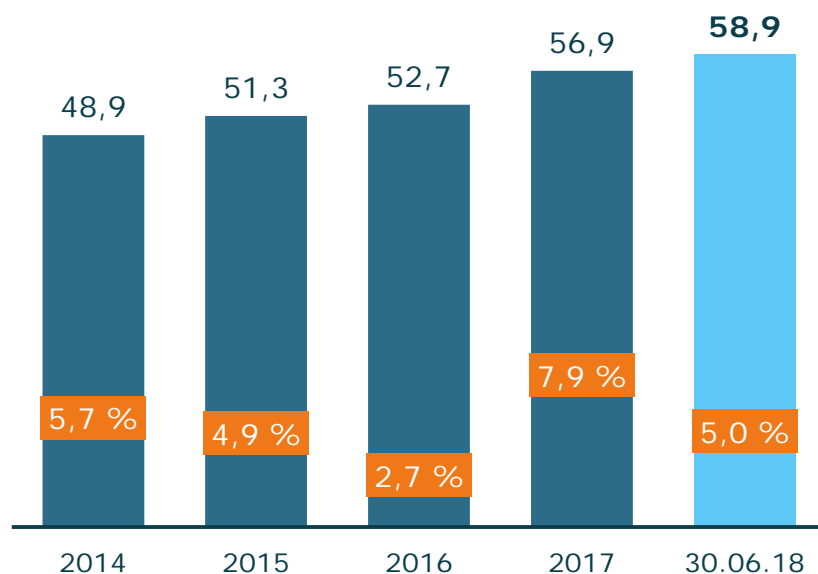
Strong loan growth and high deposit-to-loan ratio



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Loans

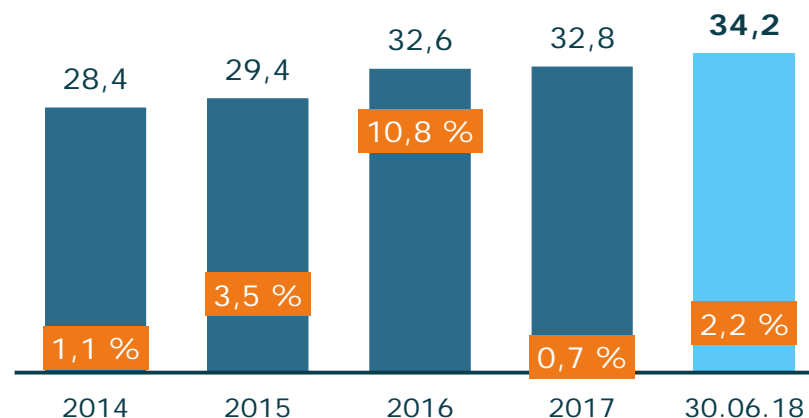
- NOK billion and per cent (y/y)



- Customer lending has increased by 5.0 % over the last 12 months

Deposits

- NOK billion and per cent (y/y)



- Deposit growth of 2.2 % over the last 12 months
- High deposit-to-loan ratio of 58.2 %

Lending

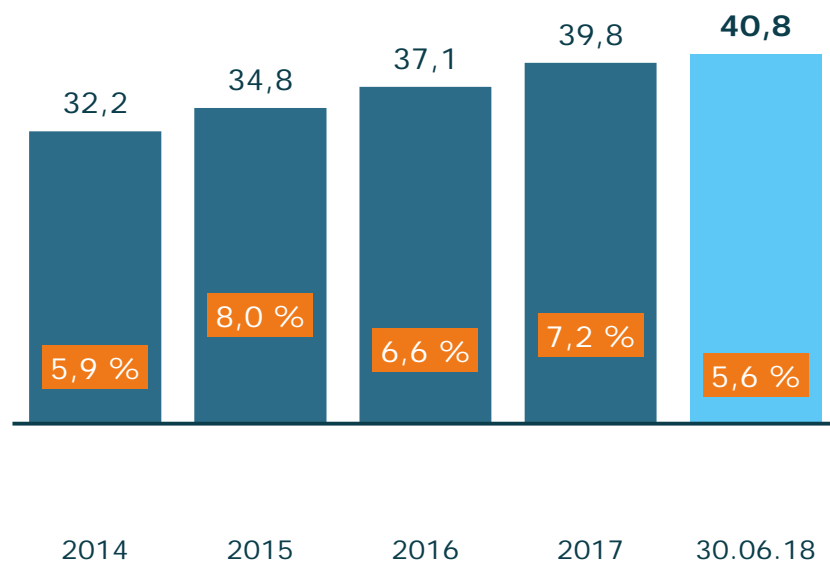
Good growth both to the retail and to the corporate market



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Retail market

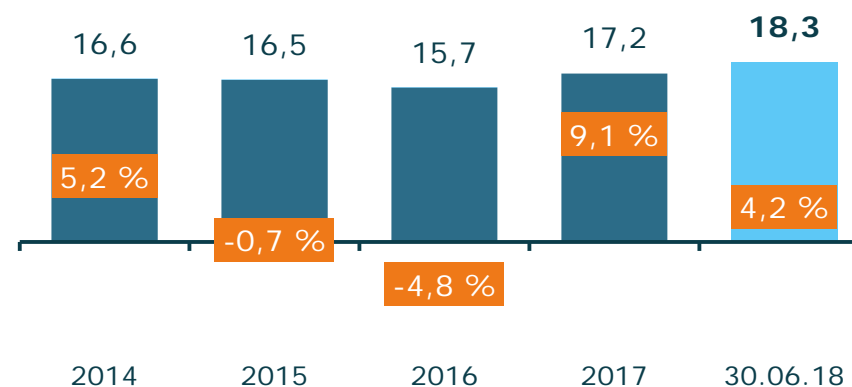
- NOK billion and per cent y/y



- Retail lending has increased by 5.6 % over the last 12 months
- Loans to the retail market amount to 69.0 % of total loans

Corporate market

- NOK billion and per cent y/y



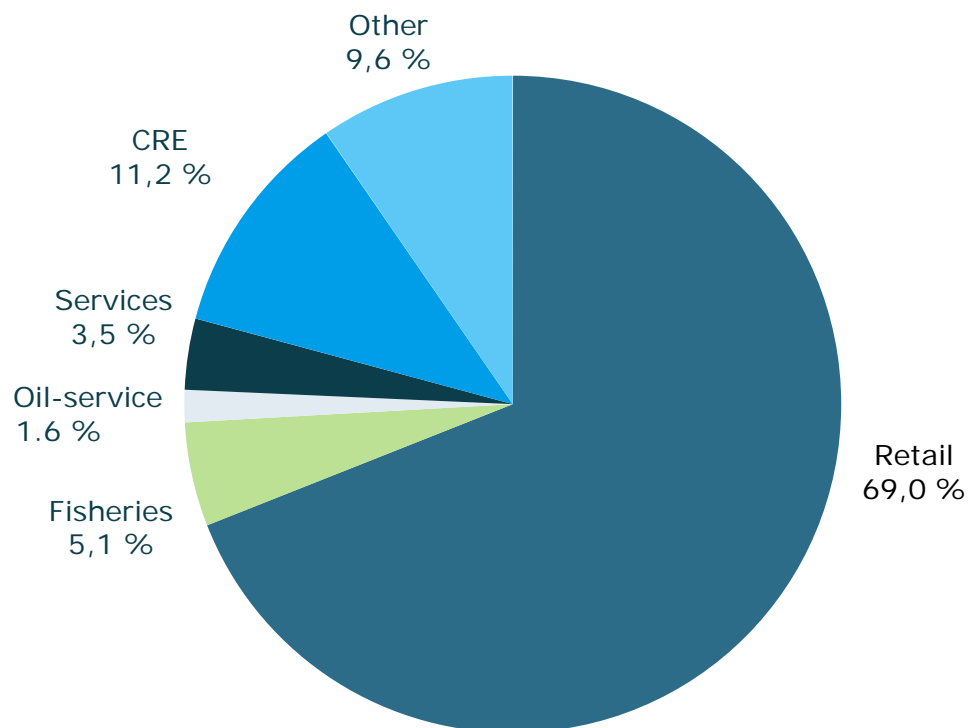
- Corporate lending has increased by 4.2 % over the last 12 months
- Loans to the corporate market amount to 31.0 % of total loans

Diversified loan book

Loans by sector



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Other:

Financial services	2.1 %	Agriculture	0.8 %
Other Industry	1.6 %	Fishing Industry	1.3 %
Building and construction	1.2 %	Furniture	0.1 %
Ship Yards	1.0 %	Other	0.4 %
Retail/wholesale trade	1.1 %		

Good quality in our retail portfolio

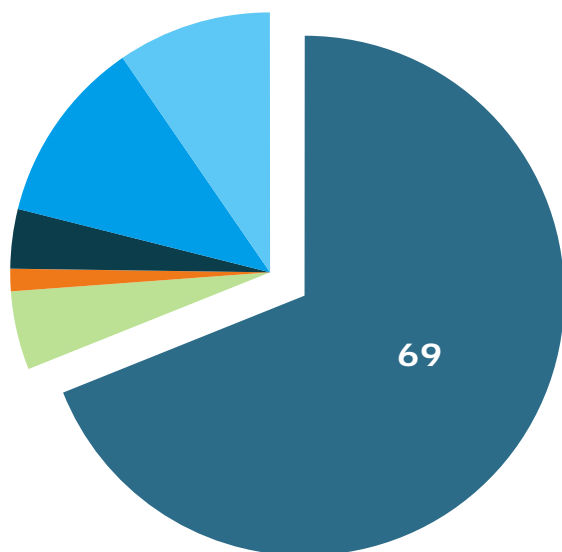
High proportion of secured loans



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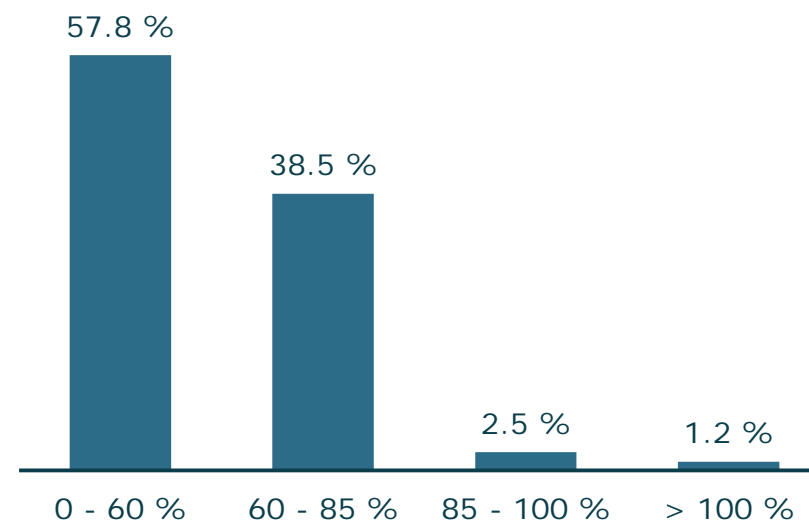
Loans to retail customers

- % of total loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the second quarter of 2018 were 4.3 % outside Oslo, and 4.9 % in Oslo

Loan to value – retail loans



- 96.3 % of mortgage-backed loans to retail customers are within 85% of value

House prices

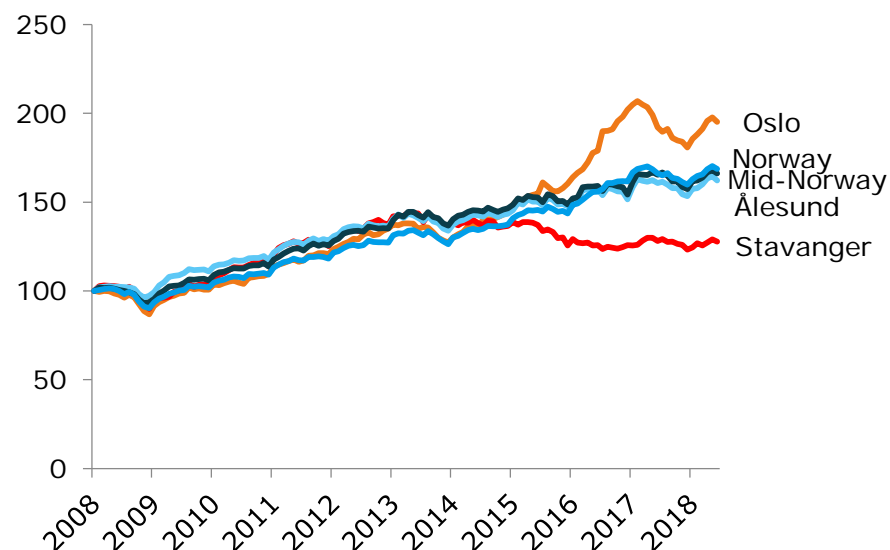
- Development from January 2008 to June 2018



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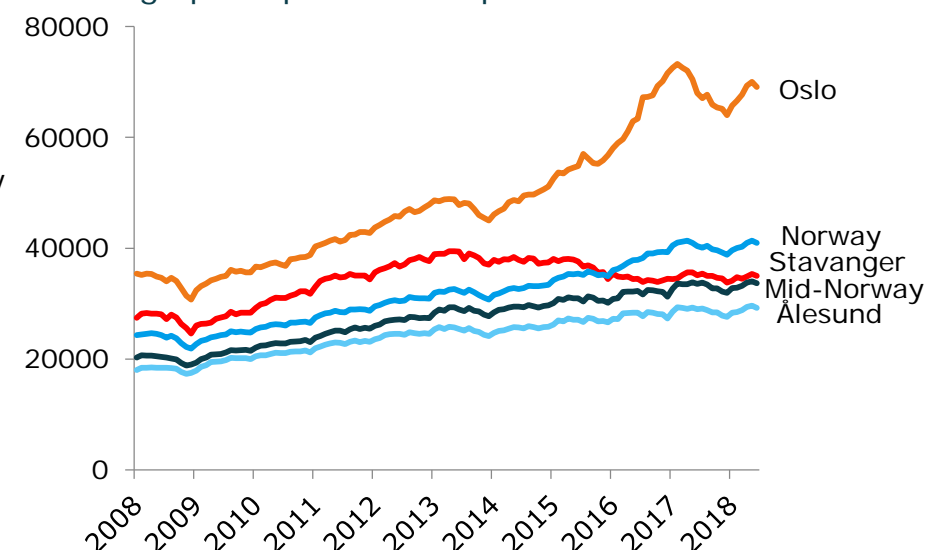
Development in house prices

- Index – Jan 2008 = 100



Development in house prices

- Average per square meter price



Key information (Sold pre-owned dwellings)	Norway	Mid-Norway**	Greater Ålesund*	Greater Stavanger*	City of Oslo
Price development last 12 months	+1.5 %	+0.4 %	+0.9 %	-0.3 %	+1.6 %
Price per square meter (NOK)	40,976	33,700	29,245	35,025	69,060
Average days on market (DOM) sold units in June 2018	38 days	50 days	65 days	61 days	21 days
Price median dwelling (NOK)	3,108,688	2,730,000	2,550,000	3,250,000	3,951,017

* Ålesund and Stavanger including surrounding municipalities

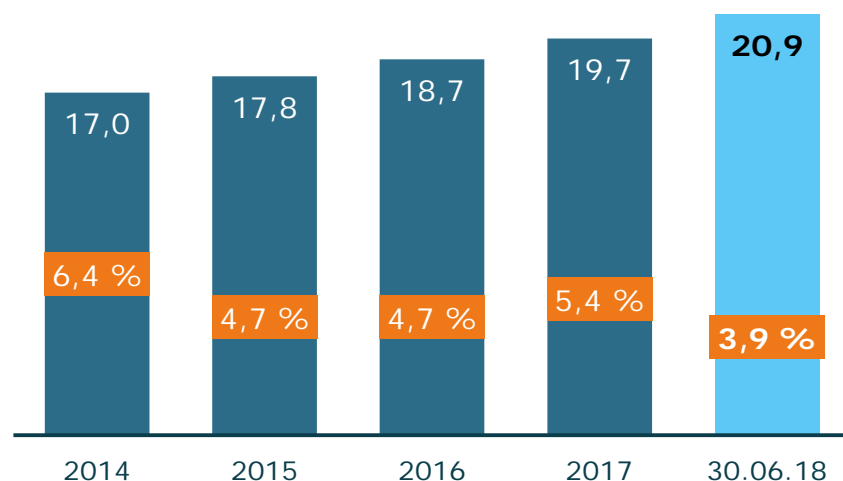
** Mid-Norway including the county of Møre og Romsdal and the county of Trøndelag

Deposits

Growth in deposits over the last 12 months

Retail market

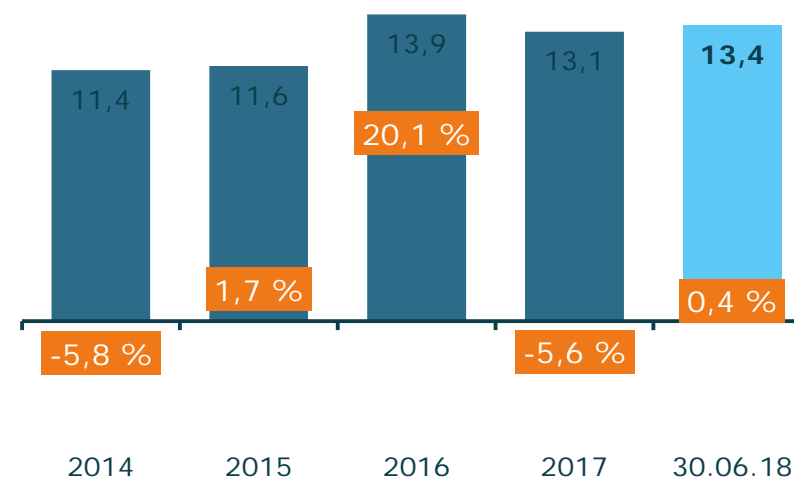
- NOK billion and per cent y/y



- Retail deposits have increased by 3.9 % over the last 12 months
- Deposits from the retail market amount to 60.9 % of total deposits

Corporate and public

- NOK billion and per cent y/y



- Deposits from corporate and public customers have increased by 0.6 % the last 12 months and ended at NOK 12.6 billion by quarter end

Discretionary Portfolio Management

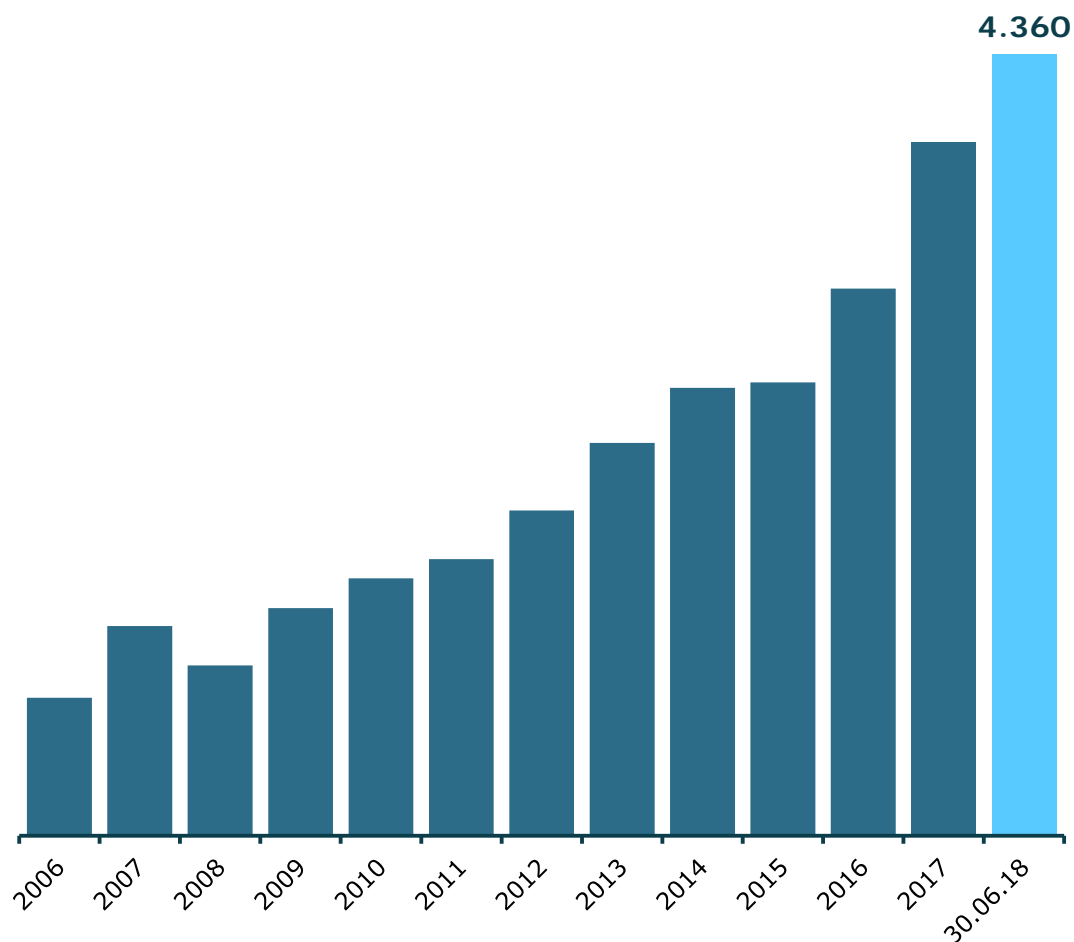
Strong growth - close to NOK 4,4 billion under management



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Sparebanken Møre - Aktiv Forvaltning

- Portfolio in NOK million



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

Liquidity and Capital

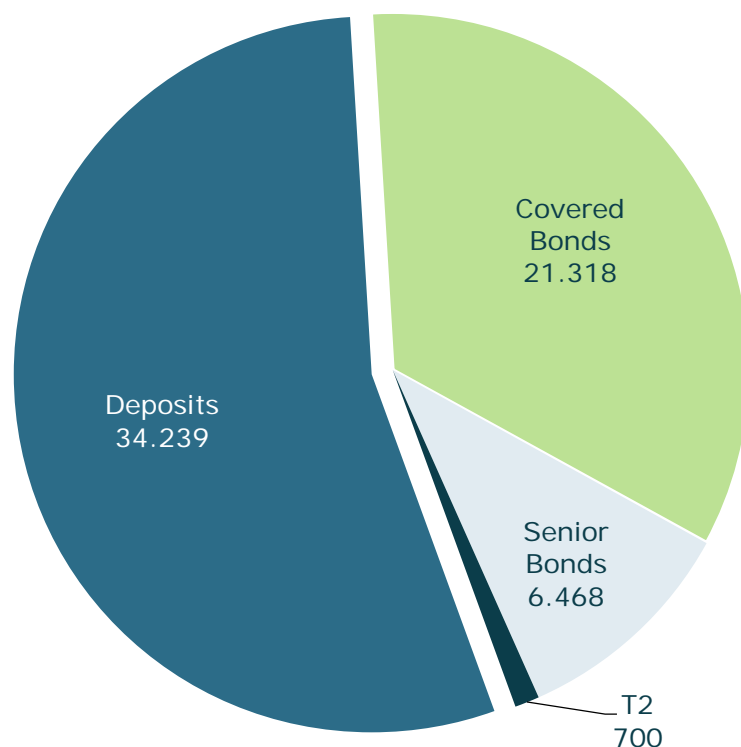


Deposits from customers and market funding

Deposits are the Group`s most important source of funding

Deposits and market funding

- NOK million



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

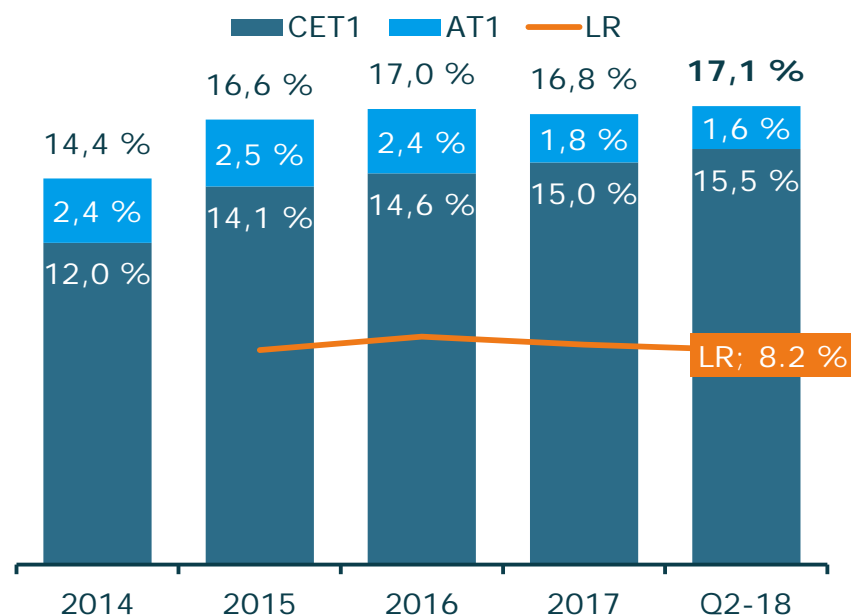
- Total net market funding ended at NOK 28.5 billion by quarter end – close to 85 per cent with remaining maturity of more than one year
- The bank has very strong liquidity at the end of H1 and sufficient surplus to meet balance sheet growth and refinancing in the third quarter without compromising the fulfillment of key figures for liquidity and financing
- Senior Bonds: Weighted average maturity of 2.44 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.88 years (FSA defined key figures)
- Møre Boligkreditt AS has issued eight loans qualifying for Level 2A liquidity in LCR. In June this year, the mortgage company issued its second sub-benchmark Public Issue of EUR 250 million in the European market, the first issued last summer
- June 14 this year, Moody`s confirmed the bank's A2-stable rating. Issuances from Møre Boligkreditt AS are rated Aaa

Equity and related capital

Capital and leverage ratio (LR) well above regulatory requirements

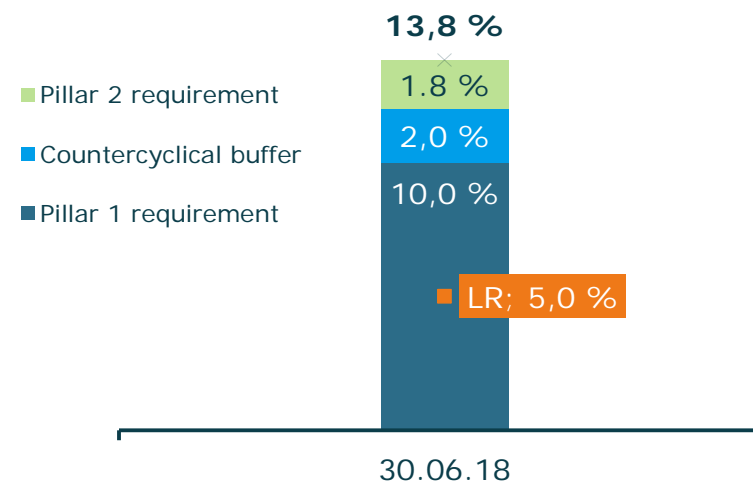
Tier 1 capital in Sparebanken Møre

- % of risk weighted assets



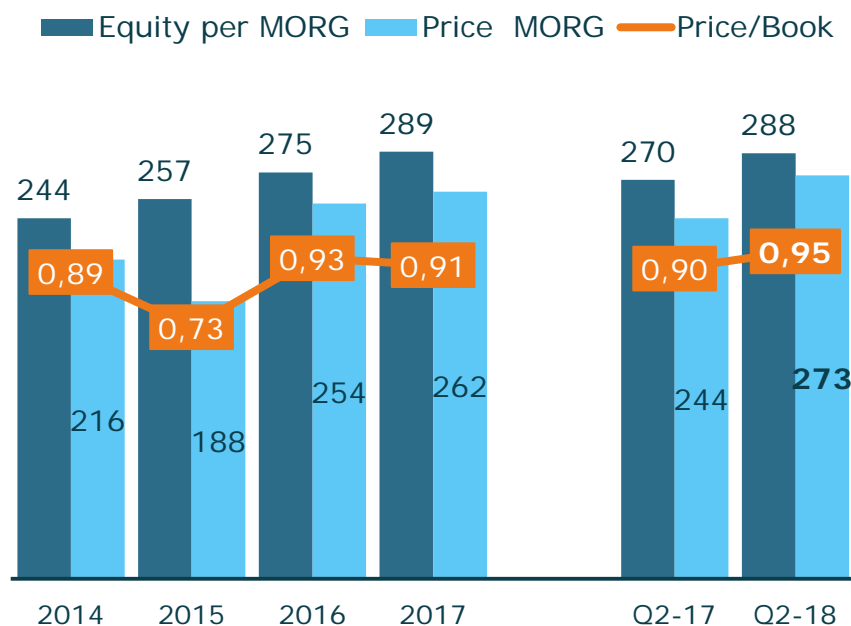
CET 1 requirement for Sparebanken Møre

- % of risk weighted assets



- By quarter end our Common Equity Tier 1 capital stood at 15.5%, Tier 1 capital at 17.1 % and total capital at 19.1 %
- Sparebanken Møre's capital targets are:
 - Total Capital: Minimum 18.3 %
 - Tier 1 capital: Minimum 16.3 %
 - CET1: Minimum 14.8 %
- 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

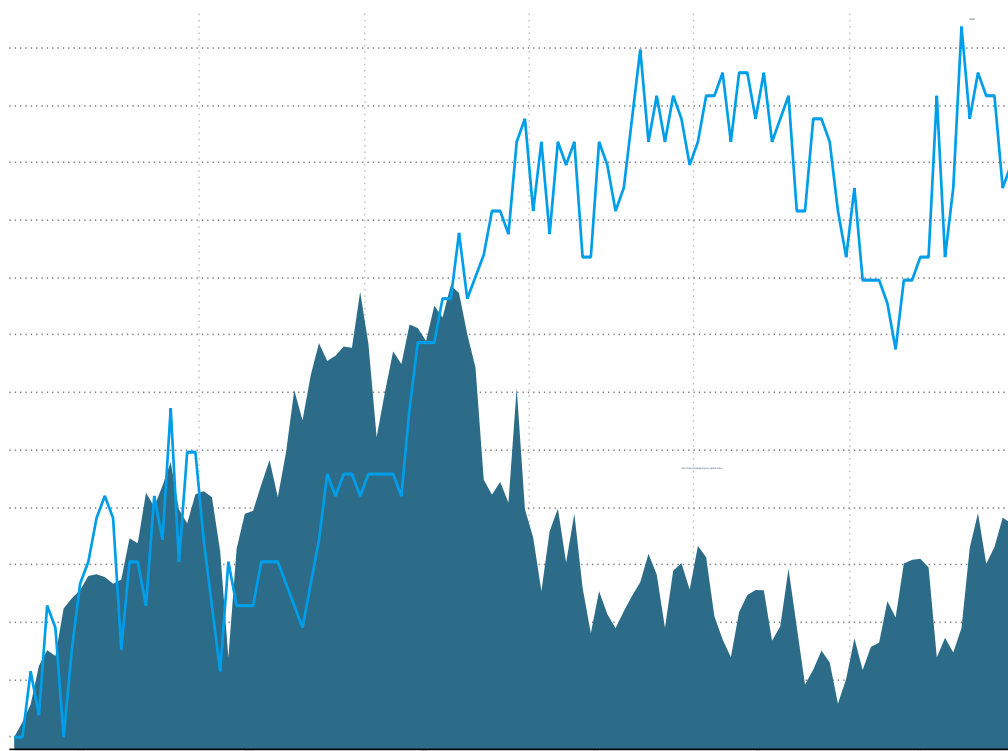
- Sparebanken Møre aims to achieve financial results providing a good and stable return on the Bank's equity capital
- Sparebanken Møre's results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity
- Unless the capital strength dictates otherwise, about 50% of the profit for the year will be distributed 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 (MORG) have been listed at Oslo Stock Exchange since 1989
- Total EC capital NOK 989 million by June 2018
- Good return – Total Return for Sparebanken Møre is 5 per cent higher than the EC index in H1

Annual dividend per EC			
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	14.00
2003	16		
2004	18		



Equity Capital in Sparebanken Møre

About equity certificates



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- Equity certificates are a special kind of equity instrument first introduced by savings banks in 1988. A total of 32 banks have now issued such certificates, and 19 of them are listed on the stock exchange
- Equity certificates are an important part of savings banks' capital base and confer ownership of between 14 % and 97 % of the individual bank
- A savings bank that has issued equity certificates has two types of equity. One is its primary capital, or "ownerless" equity, consisting of retained earnings built up by the bank over the years. The other is the certificate-holders' equity, consisting of equity certificate capital and related reserves (equalization reserve and premium account)
- Equity certificates have clear similarities to shares. The main differences lie in their owners' rights to the bank's assets and influence over the bank's governing bodies. The key principle is that profits are distributed proportionally on the basis of ownership share and the bank's other capital
- In a limited company, losses hit shareholders' equity directly. In a savings bank, losses are first absorbed by the primary capital and the equalization reserve before hitting the equity certificate capital



GOALS IN OUR STRATEGIC PLAN «MØRE 2022» FOR THE PERIOD 2018-2022

- CET1 > 14.8 %
- Cost/Income < 40 %
- ROE > 11 %
- Low level of losses
- Healthy financial structure

We achieve our goals.



SPAREBANKEN MØRE

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