

Sparebanken Møre - the Group

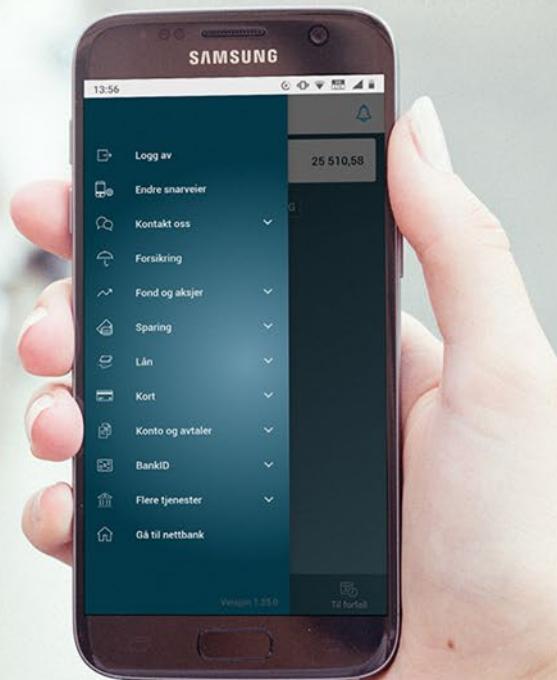
24 January 2019

PRESENTATION

4TH QUARTER 2018

Runar Sandanger

EVP



Contents

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



The largest bank in the county

Strong local presence



28

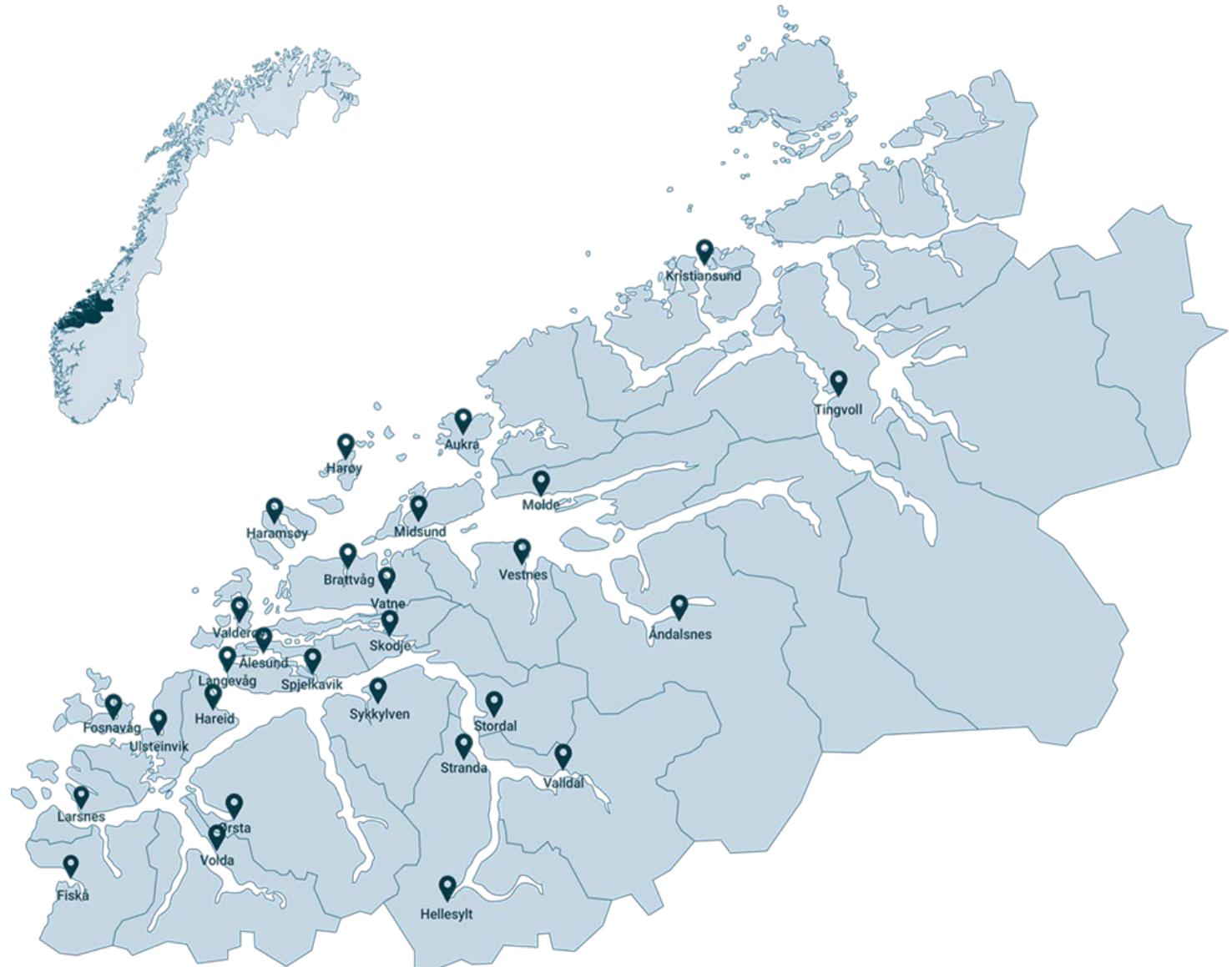
OFFICES IN
MØRE OG ROMSDAL

361

MAN YEARS

71

BILLION IN
TOTAL ASSETS



Lift up ideas in the region

Contributes to business development

Skal hjelpe lokale bedrifter å vekse

Sparebanken Møre er valt ut som ein av pilotbankane som kan gjøre det enklare for små- og mellomstore vekstbedrifter å få finansiering.



Kjempesamling i Fosnavåg

- Årets gründerhappening i fylket

Årets Næringsstefte opnar med et brak i Fosnavåg 4. oktober der ikkje mindre enn 100 gründerar startar jakta på ein million kroner.



Investorkonferanse på NMK for 12. gang:

570 på Børs og Bacalao

Det er trangt om plassen på Norsk Maritim Kompetansesenter i Ålesund i ettermiddag. 570 har meldt seg på til Sparebanken Møres Investorkonferanse.



Highlights from the financial year 2018

Positive development in key figures



Loan growth was 6.1 per cent over the last 12 months. Growth in deposits was 4.9 per cent



High and stable Net Interest Income: Growth in NOK compared to 2017



High efficiency: Cost/Income ratio at 42.3 per cent by year end – down 1.7 p.p. compared to last year



Low losses: Net NOK 16 million in losses on loan and guarantees



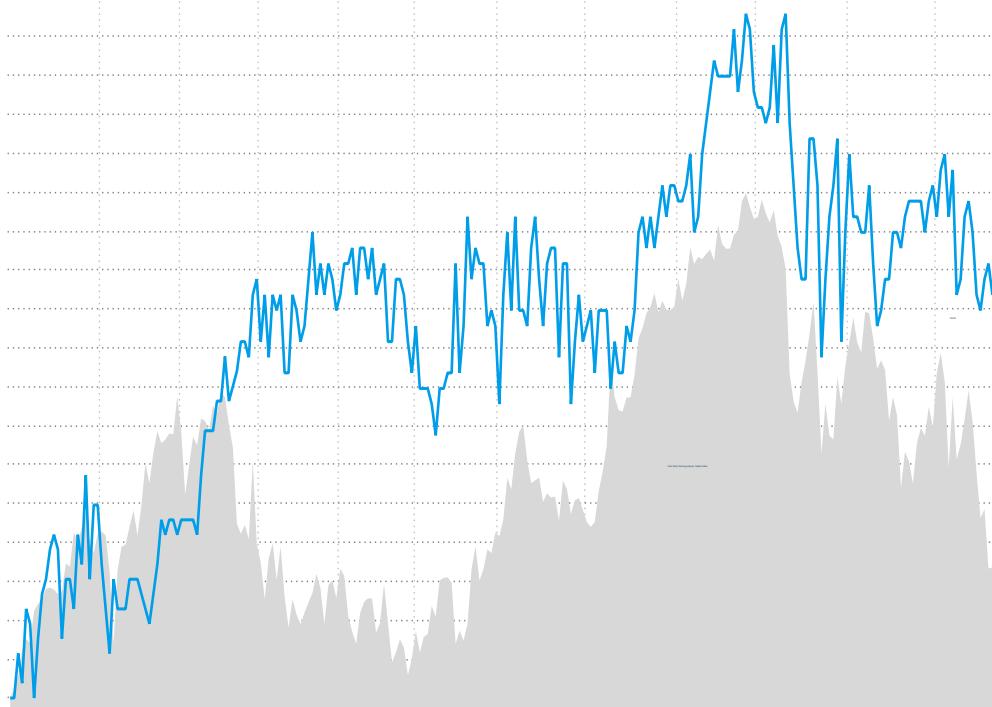
Strong liquidity and solidity: Deposit to Loan ratio at 57.0 per cent LCR at 158 and CET1 at 16.0 per cent



High return: Return on Equity ended at 10,6 per cent

MORG – strong capital and high dividend

A winner at Oslo Stock Exchange



- With a MORG price of NOK 283 at the end of 2018, the price to book ratio has improved from 0.91 to 0.93 during the year
- The price of MORG rose by almost 13.6 per cent (Total return) during 2018, about 8 p.p. more than the equity certificate index
- CET1 increased from 15.0 per cent in 2017 to 16.0 per cent in 2018
- The Board recommends a dividend of NOK 15.50 per EC to the General meeting

- December 12 2018, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated Aaa
- In December the Financial Supervisory Authority decided to reduce the bank's Pillar 2 requirement from 1.8 to 1.7 per cent from 31. March 2019

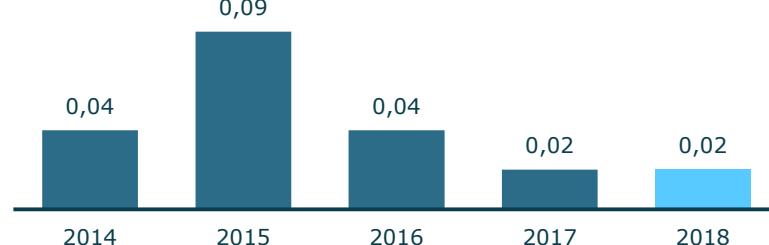
Return on Equity



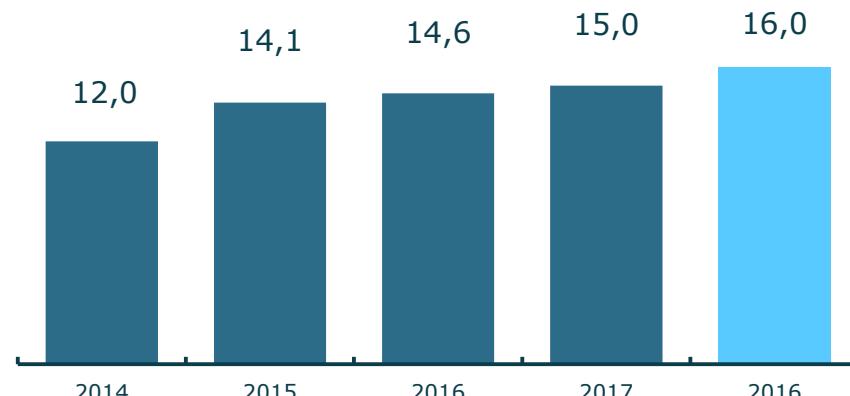
Cost/Income



Losses on Loans and Guarantees

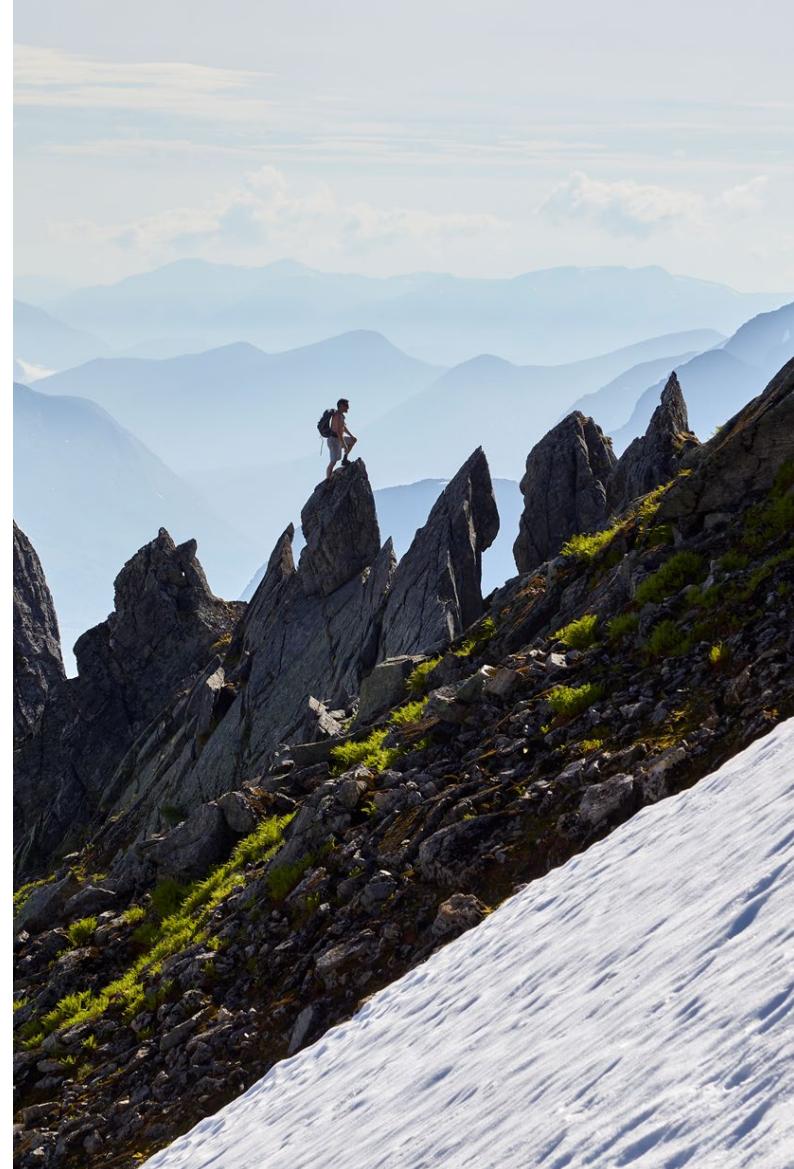


Common Equity Tier1 Capital (CET1)



Positive outlook

- Sparebanken Møre is very well capitalized and has a strong liquidity position by year end. The bank has a healthy financial structure, results have been strong and stable and losses have been at a low level for many years
- Production and demand remain at a high level in the county. The main reasons for this are
 - the low interest rate level
 - a weak NOK
 - high level of activity in the public sector
 - continued growth in our export markets
- Furthermore, the activity level in the housing market is satisfactory and there is an improvement in important oil-related industries. However, due to the turmoil in the financial markets and prospects of somewhat lower growth in the world economy than previously assumed, uncertainty has increased somewhat



Results



Good results

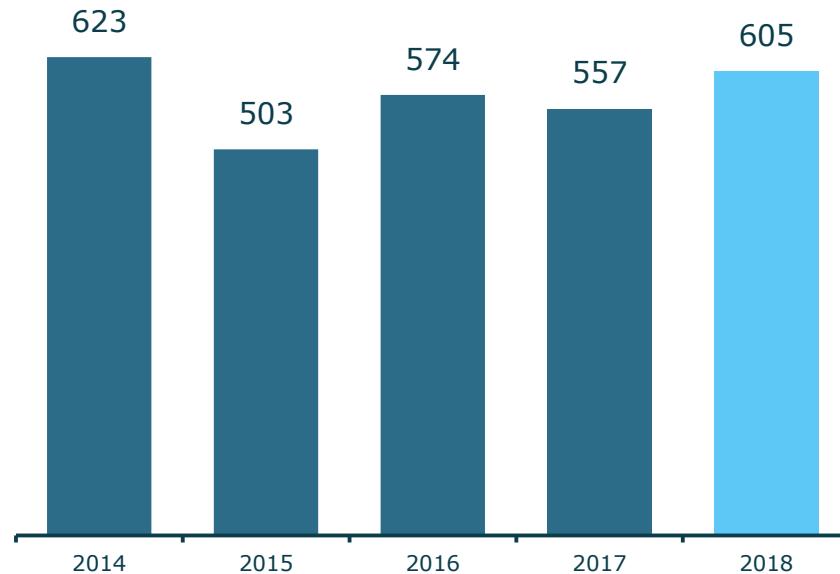
9 per cent improved result compared to 2017



SPAREBANKEN MØRE

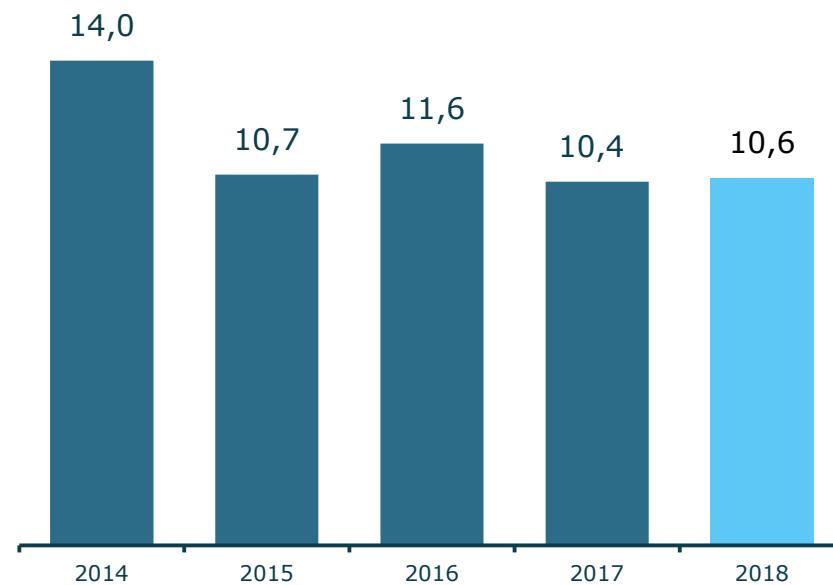
Profit after tax

- NOK million



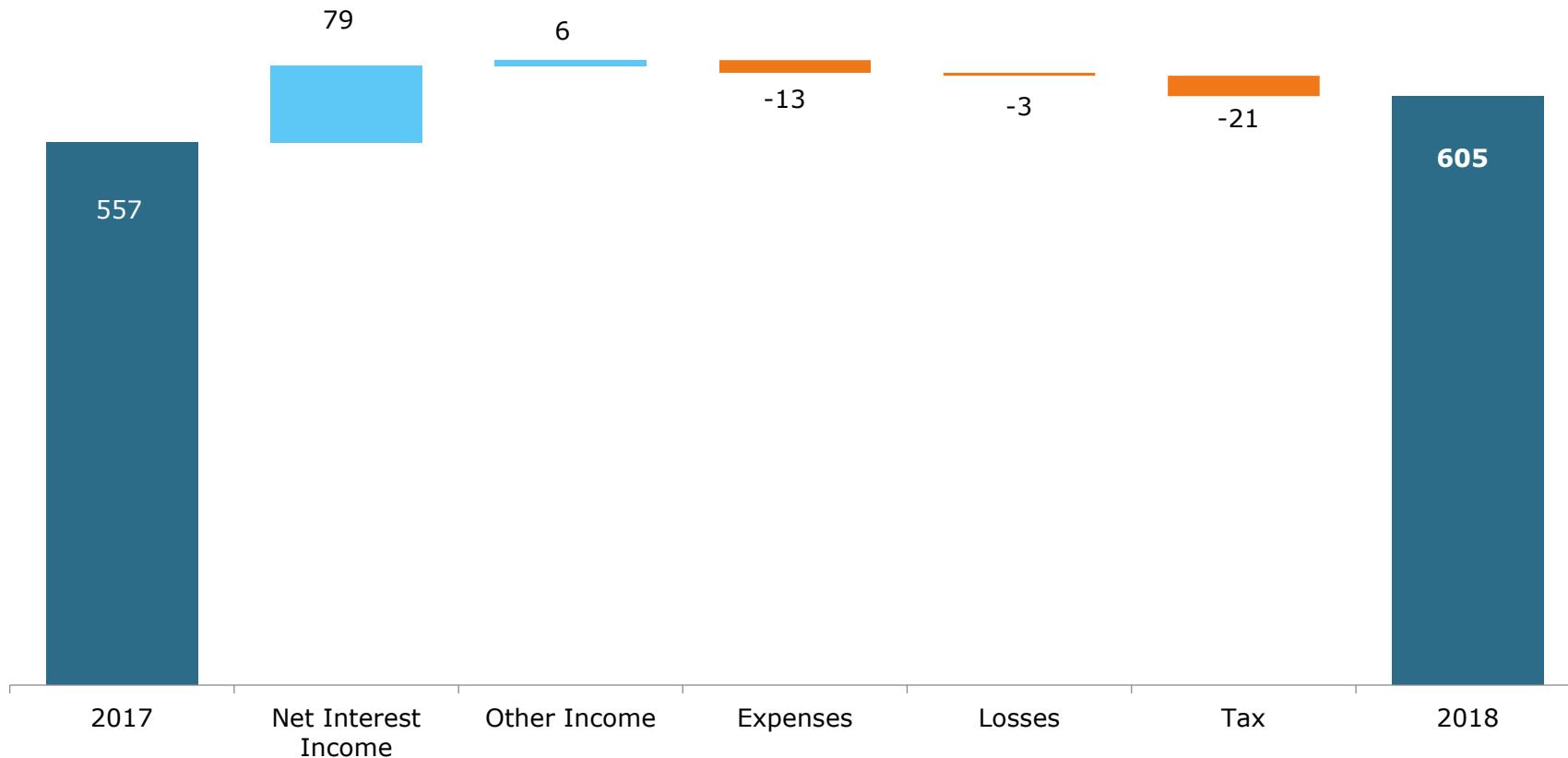
Return on Equity (ROE)

- in percent



Growth in income, stable cost level and low losses

Result in 2018 compared to 2017



Results

Statement of income 2018 – The Group

Results (NOK million and %)	2018		2017		Changes		
	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	1,179	1.70	1,100	1.72	79	-0.02	7.2
Net Income Financial Investments	50	0.07	35	0.05	15	0.02	42.9
Gains/losses liquidity portfolio	-19	-0.03	23	0.04	-42	-0.07	-
Gains/losses on shares	10	0.01	-10	-0.01	20	0.02	-
Other Income	207	0.30	194	0.30	13	0.00	6.7
Total Other Income	248	0.36	242	0.38	6	-0.02	2.5
Total Income	1,427	2.06	1,342	2.10	85	-0.04	6.3
Personnel costs	340	0.49	335	0.52	5	-0.03	1.6
Other costs	263	0.38	255	0.40	8	-0.02	3.1
Total operating costs	603	0.87	590	0.92	13	-0.05	2.2
Profit before losses	824	1.19	752	1.18	72	0.01	9.6
Losses on loans, guarantees etc	16	0.02	13	0.02	3	0.00	23.1
Pre tax profit	808	1.17	739	1.16	69	0.01	9.3
Taxes	203	0.29	182	0.28	21	0.01	11.5
Profit after tax	605	0.88	557	0.88	48	0.00	8.6

Balance sheet and key figures

	31.12.2018	31.12.2017	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	71,074	66,491	4,583	6.9
Loans to customers	60,346	56,867	3,479	6.1
Deposits from customers	34,414	32,803	1,611	4.9
Net Equity and Subordinated Loans	6,743	6,318	424	6.7

Key Figures	31.12.2018	31.12.2017	Changes p.p.
Return on Equity	10.6	10.4	0.2
Cost/Income Ratio	42.3	44.0	-1.7
Total Capital	19.6	18.4	1.2
Tier 1 Capital	17.6	16.8	0.8
CET1	16.0	15.0	1.0
Leverage Ratio	8.1	8.2	-0.1
Profit per EC (NOK, the Group)	29.80	27.70	2.10
Profit per EC (NOK, the Bank)	28.35	27.00	1.35

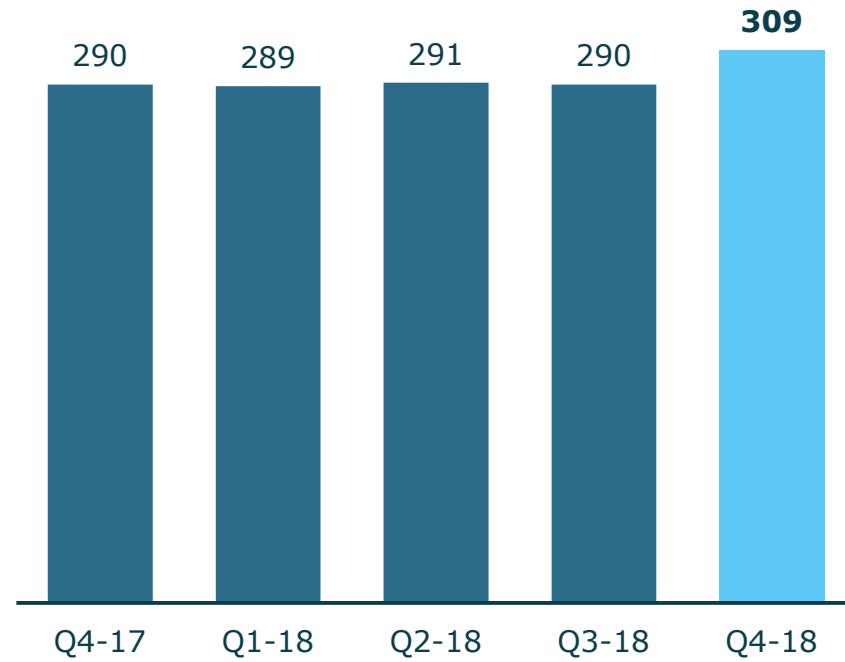
Quarterly development in Net Interest Income

Strong development



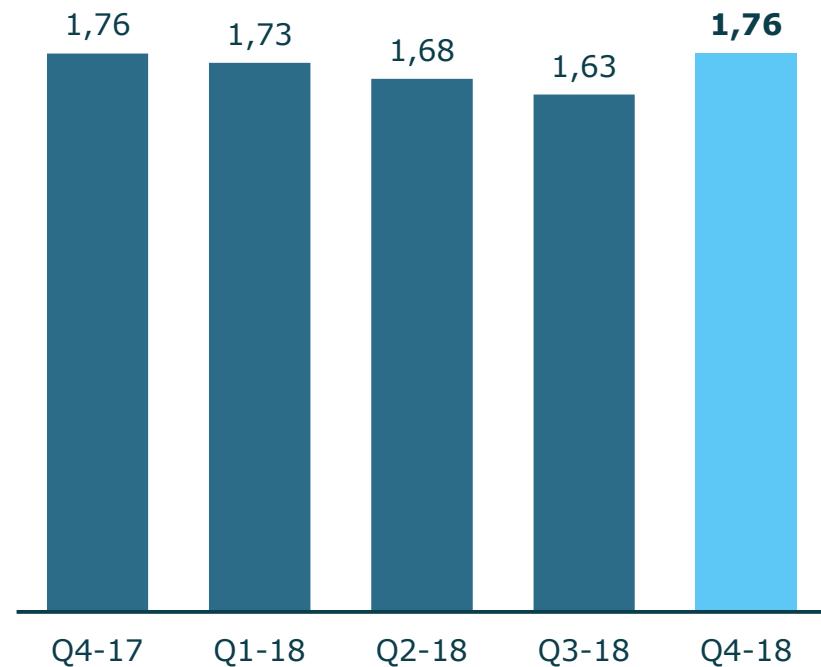
Net Interest Income

- NOK million



Net Interest Income

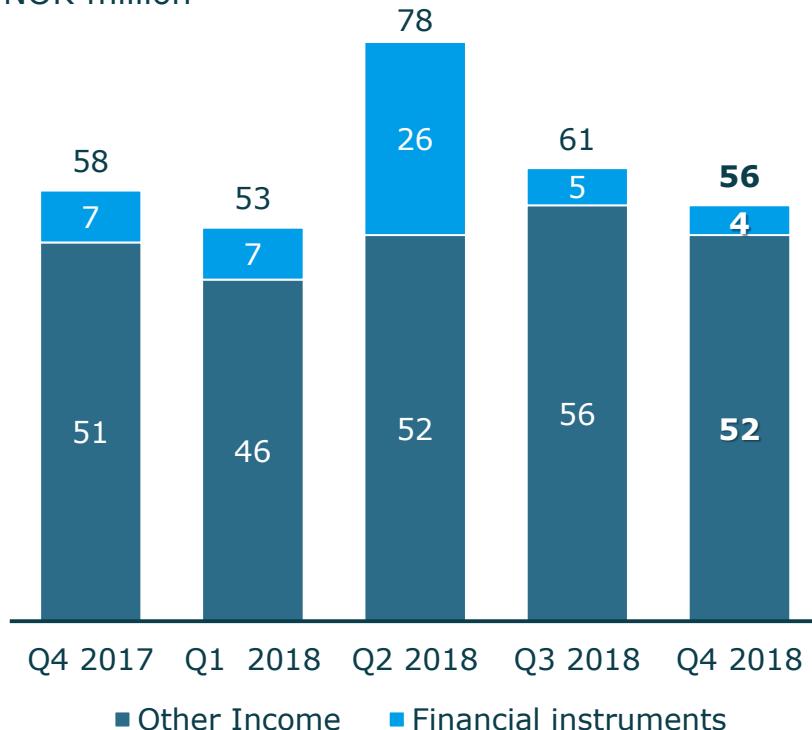
- % of Average Assets



Quarterly development in Other Income

Other Income

- NOK million



Other Income

- % of Average Assets



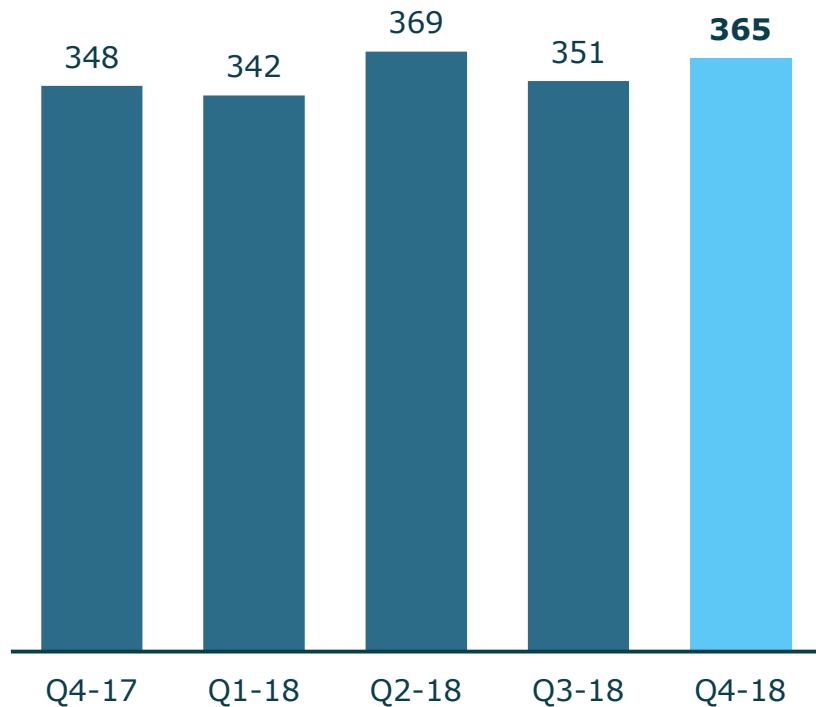
Losses on the bond portfolio amounted to NOK 8 million and losses on shares to NOK 6 million in Q4 2018

Total Income

5 per cent income growth compared to Q4 2017

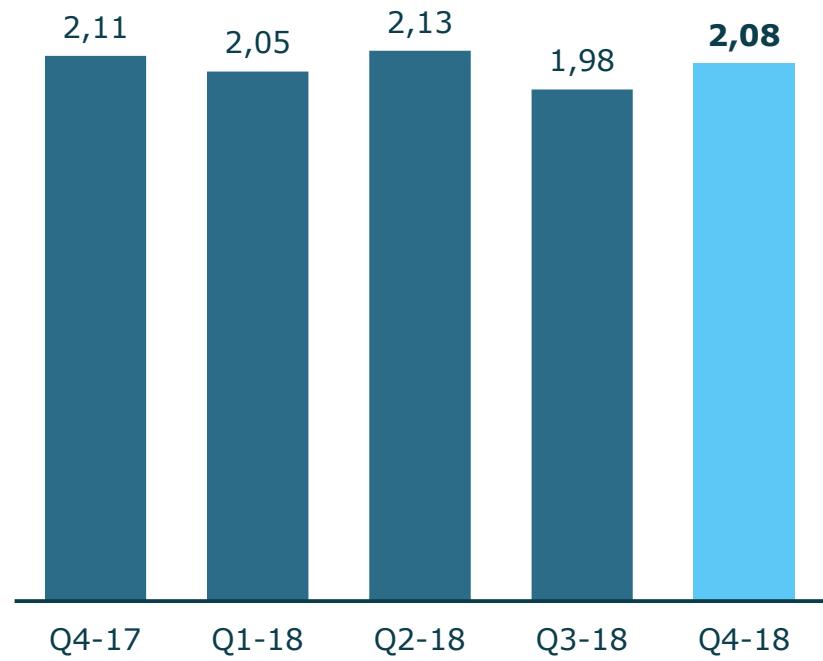
Total Income

- NOK million



Total Income

- % of Average Assets

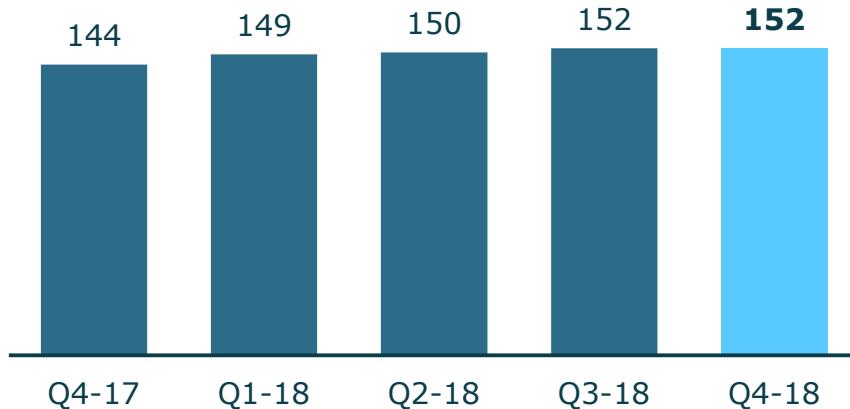


Strong cost control – improved efficiency

Positive development

Operating Costs

- NOK million



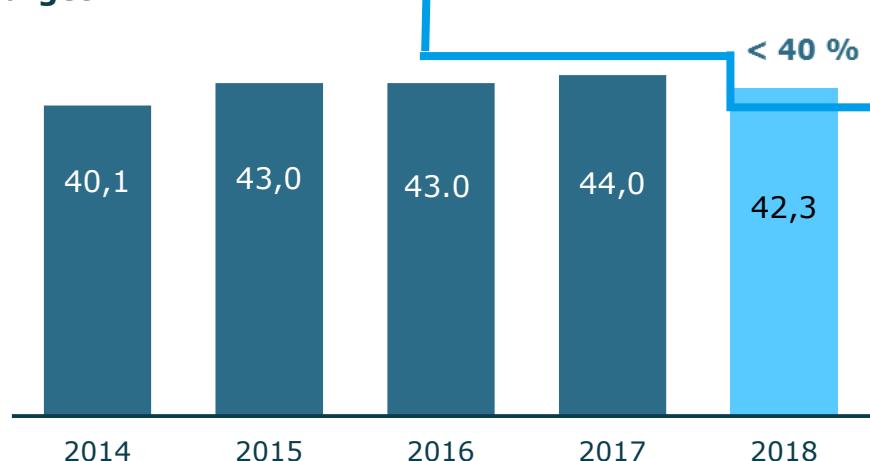
Operating Costs

- % of Average Assets



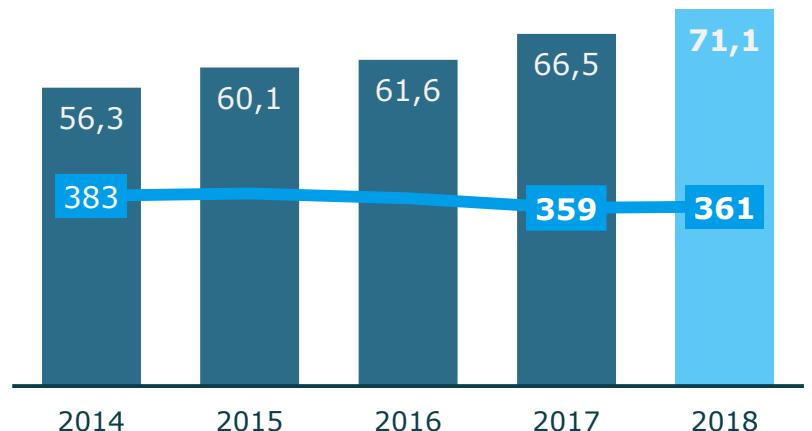
Cost/Income ratio

Target



Total Assets and Man Years

- Total Assets in NOK billion



Strong underwriting

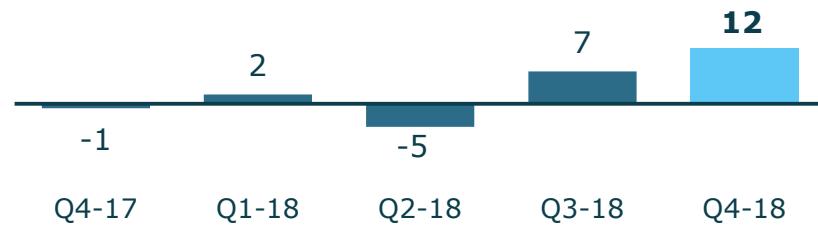
Persistent low losses



SPAREBANKEN MØRE

Losses on loans and guarantees

- NOK million



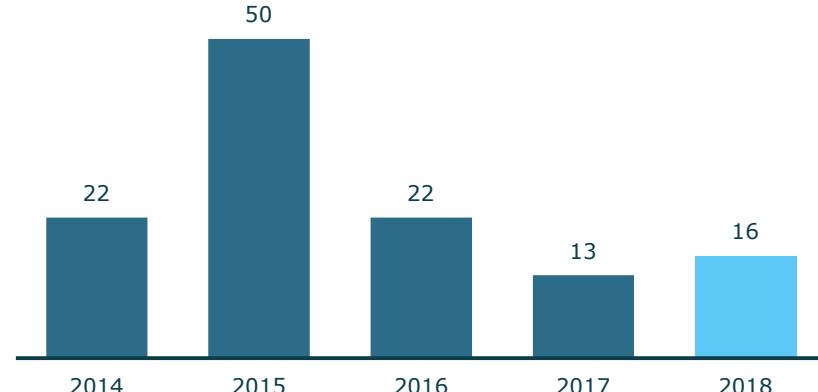
Losses on loans and guarantees

- % of Average Assets



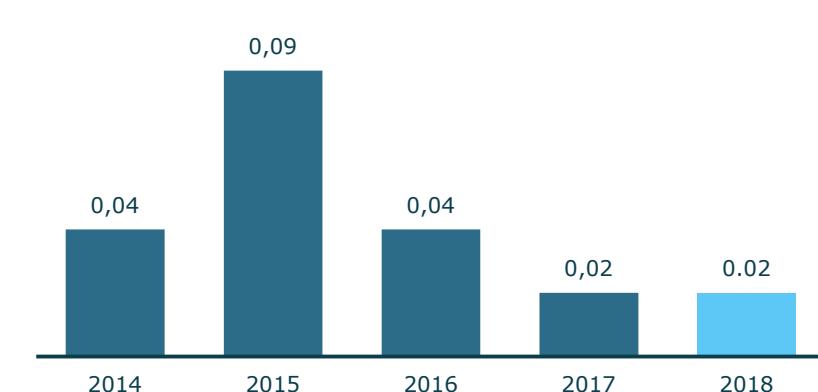
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

- % of Average Assets



Losses by sector

Losses on loans and guarantees

- NOK million



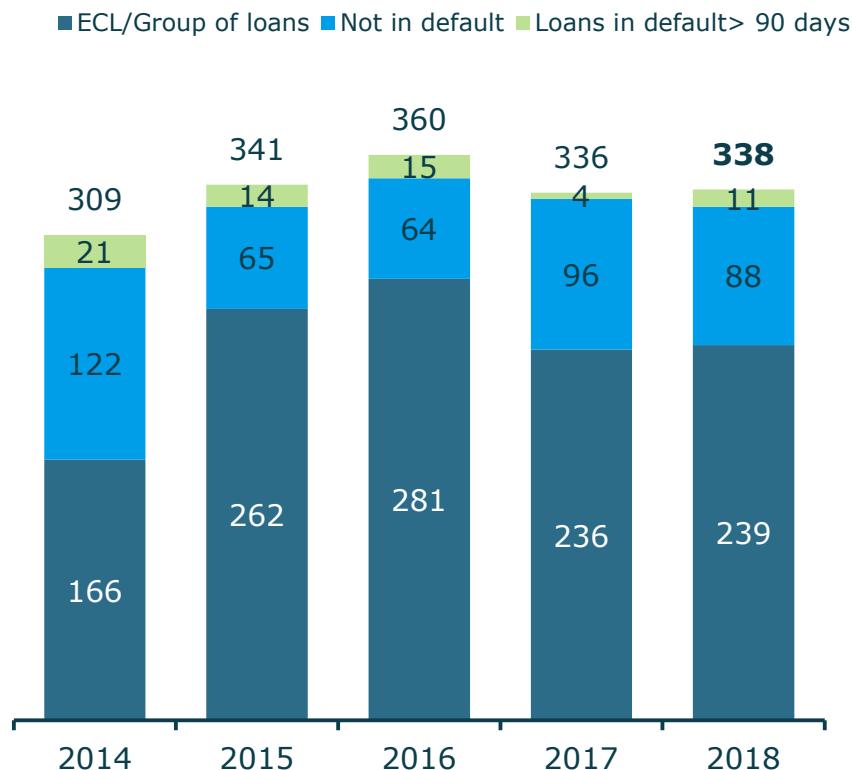
- The expected credit loss (ECL) model is compliant with IFRS 9 and is used to calculate losses
- Total calculated ECL by year end is NOK 5 million higher than by 1.1.2018
- Individual impairments and other losses of NOK 6 million for retail customers and NOK 5 million for corporate customers
- Total losses are NOK 16 million by year end

Impairments

High and comfortable levels

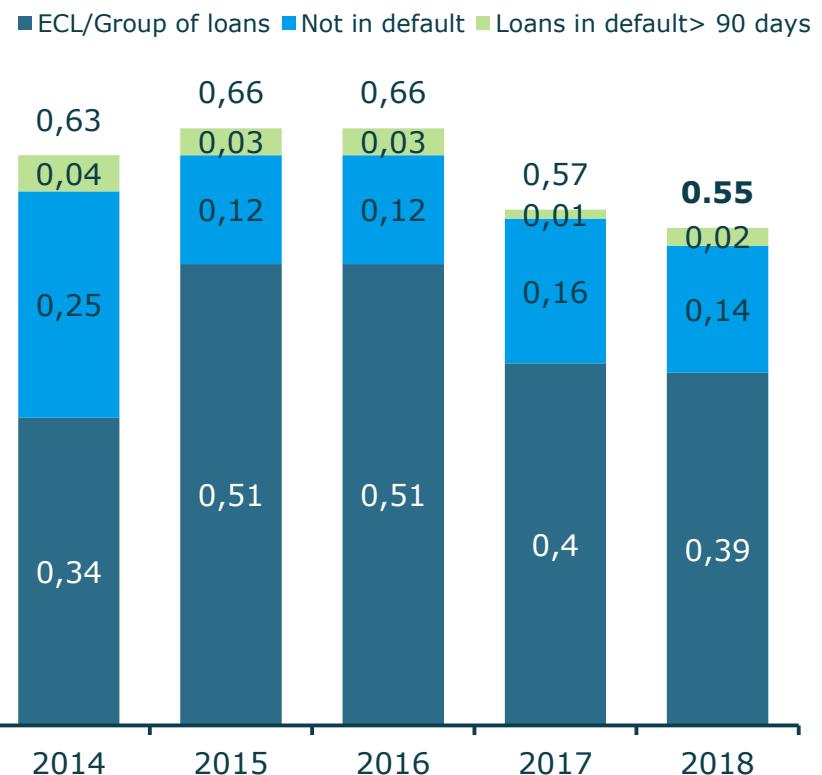
Impairments

- NOK million



Impairments

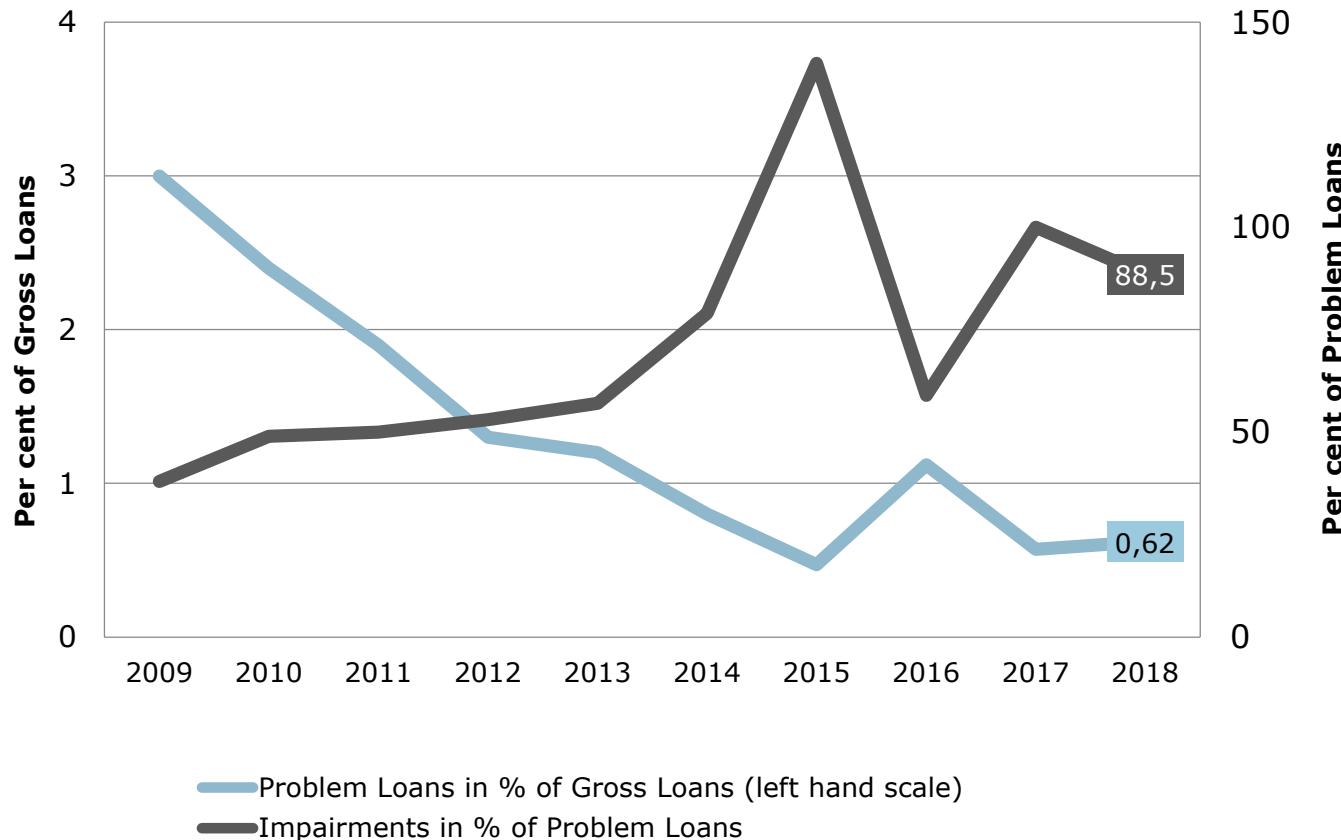
- % of Gross Loans



Problem Loans and Impairments

Low level of problem loans and good coverage

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

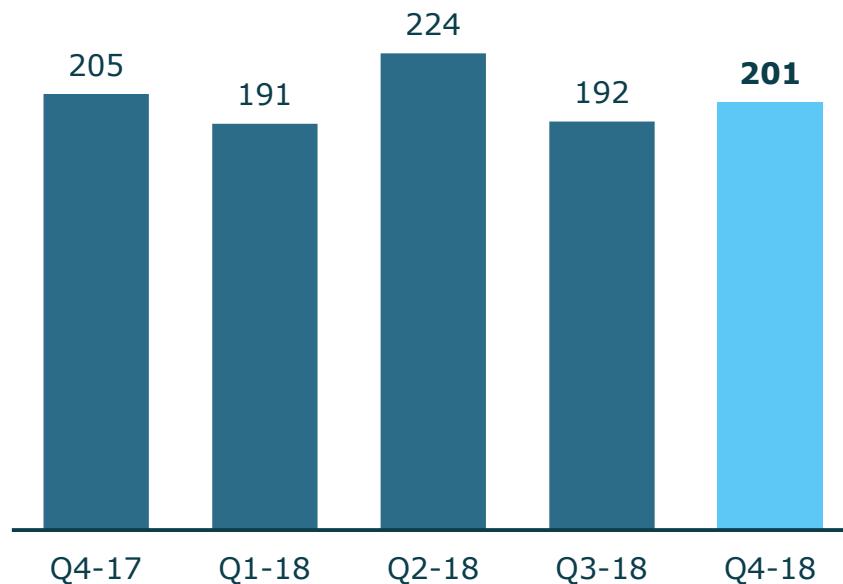
Stable quarterly development



SPAREBANKEN MØRE

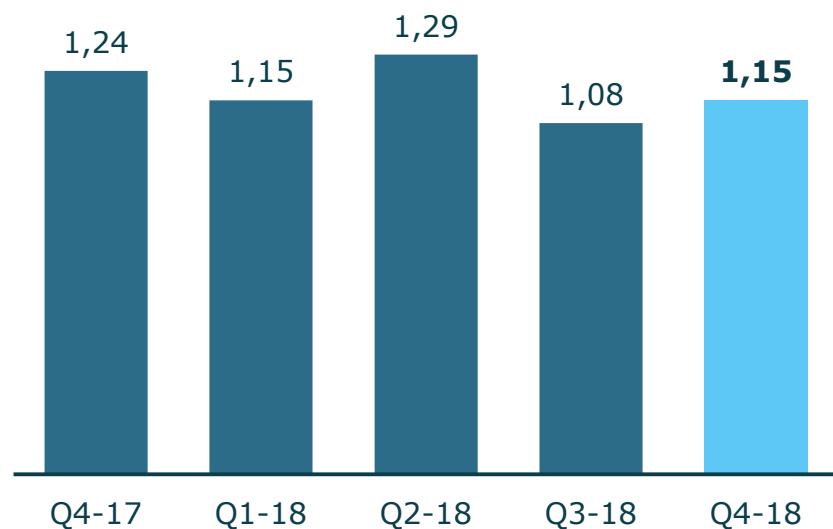
Profit after losses

- NOK million



Profit after losses

- % of Average Assets



Balance sheet



Continued good growth

Strong loan growth and high deposit-to-loan ratio



SPAREBANKEN MØRE

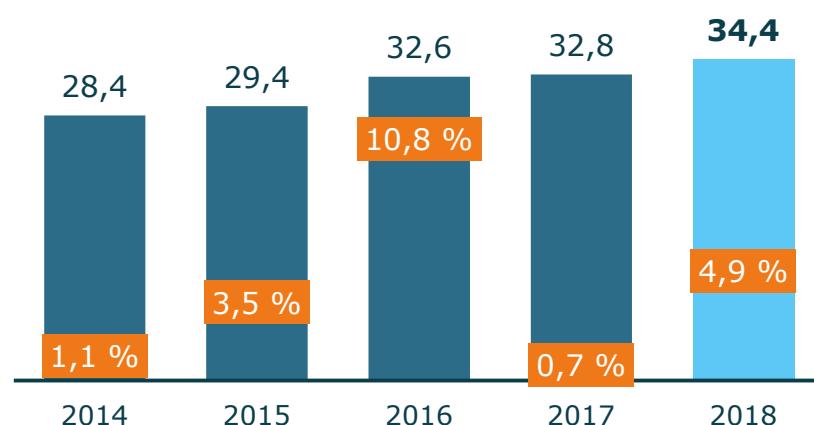
Loans

- NOK billion and per cent (y/y)



Deposits

- NOK billion and per cent (y/y)



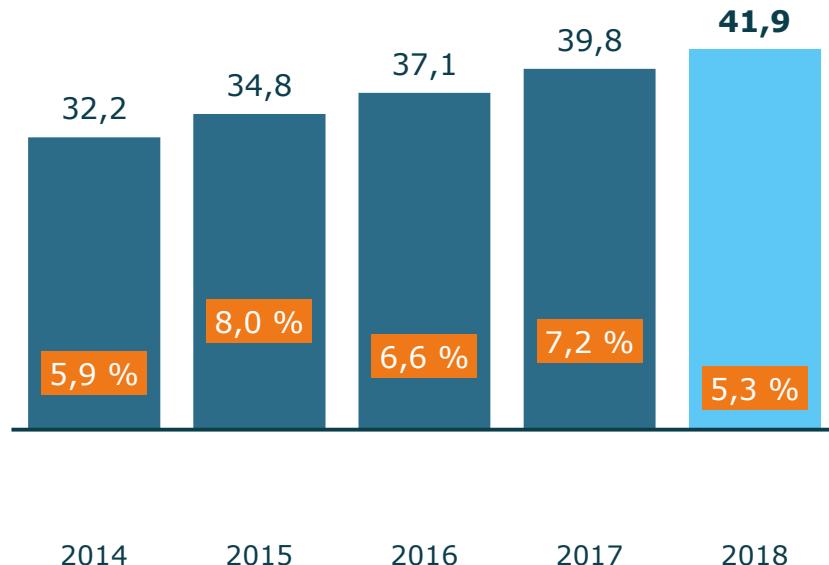
- Customer lending has increased by 6.1 % over the last 12 months
- Deposit growth of 4.9 % over the last 12 months
- High deposit-to-loan ratio of 57 %

Lending

Stable growth to the retail - and higher to the corporate market

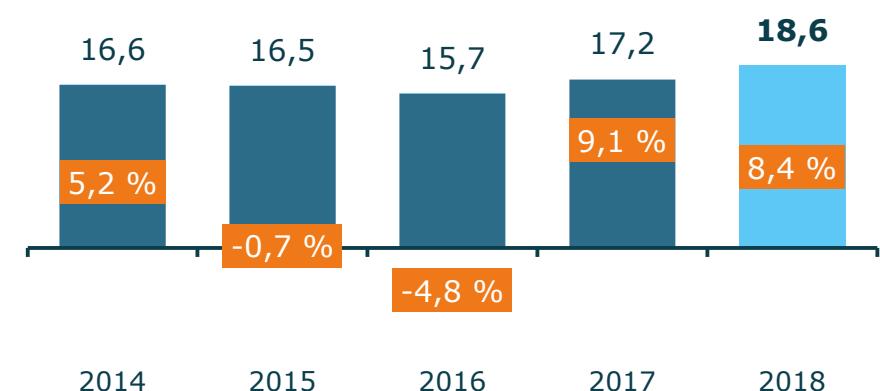
Retail market

- NOK billion and per cent y/y



Corporate market

- NOK billion and per cent y/y

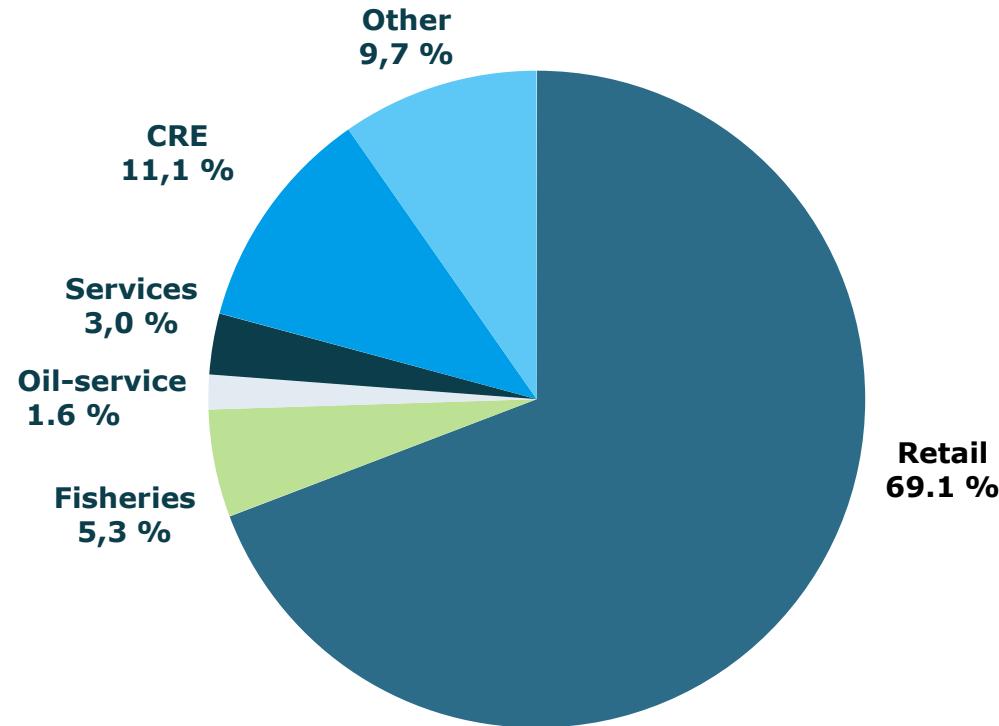


- Retail lending has increased by 5.3 % over the last 12 months
- Loans to the retail market amount to 69.2 % of total loans

- Corporate lending has increased by 8.4 % over the last 12 months
- Loans to the corporate market amount to 30.8 % of total loans

Diversified loan book

Loans by sector



Other:

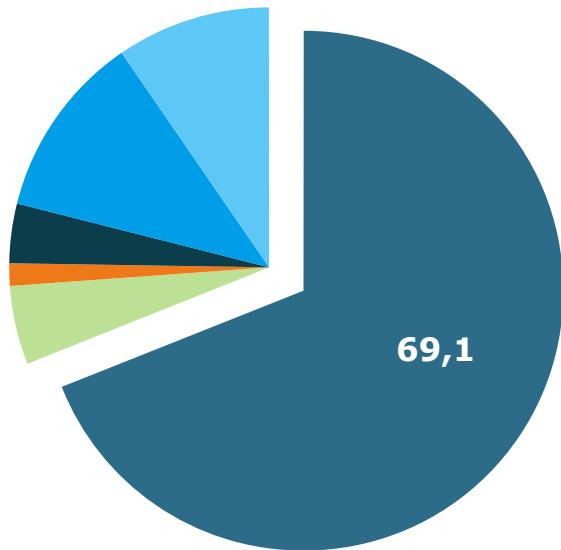
Financial services	2.1 %	Retail/wholesale trade	1.2 %
Other Industry	1.6 %	Agriculture	0.9 %
Ship Yards	1.2 %	Other	0.4 %
Fishing Industry	1.1 %		
Building and construction	1.2 %		

Good quality in our retail portfolio

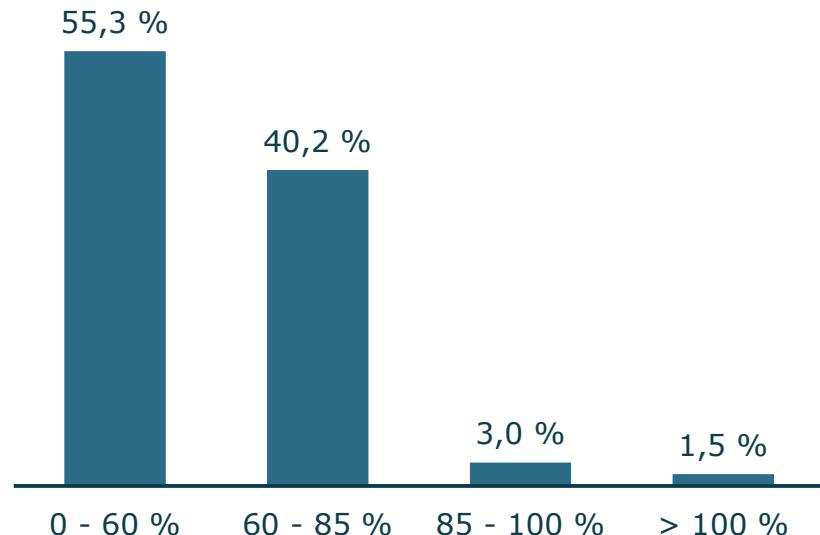
High proportion of secured loans

Loans to retail customers

- % of total loans



Loan to value – retail loans



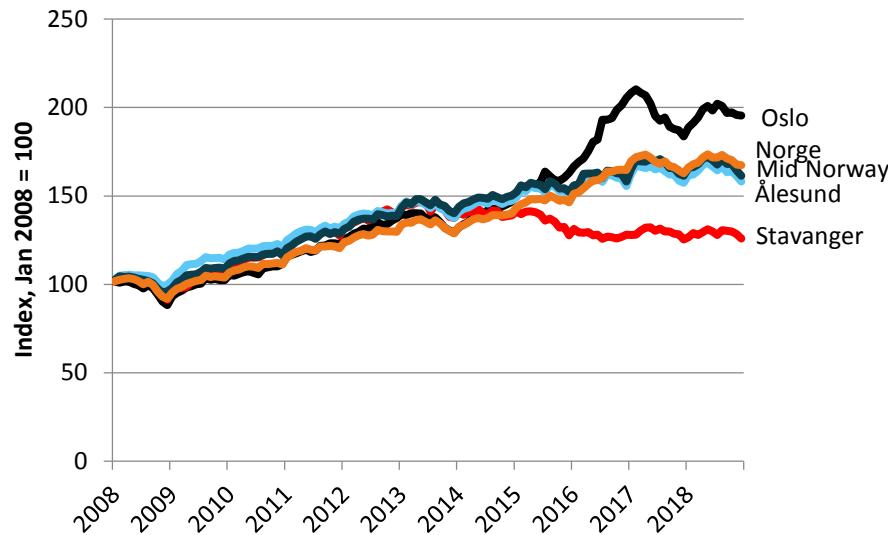
- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the fourth quarter of 2018 were 5.1 % outside Oslo, and 0.8 % in Oslo
- 95.5 % of mortgage-backed loans to retail customers are within 85 % of value

Housing prices

Development from January 2008 to September 2018

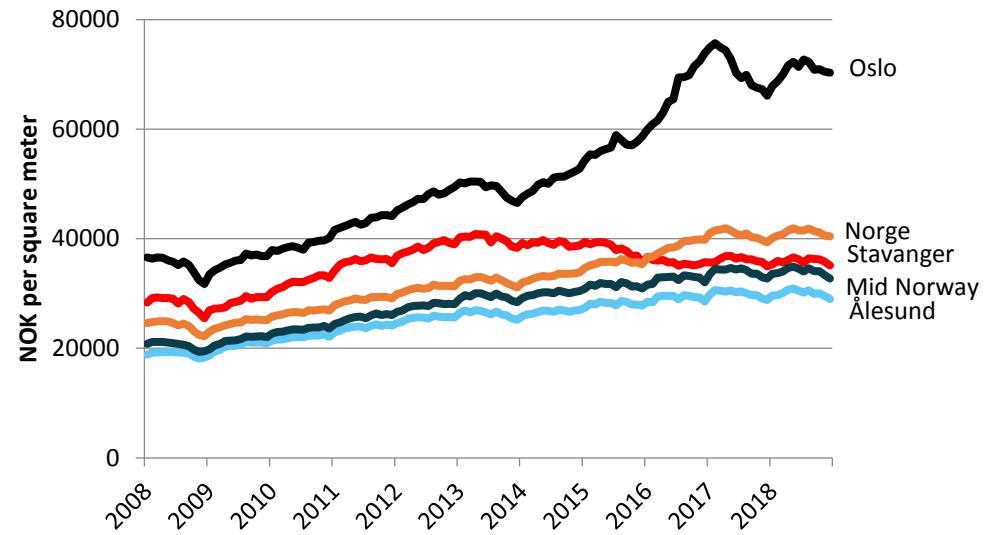
Development in housing prices

- Index – Jan 2008 = 100



Development in housing prices

- Average price per square meter



Key information (Sold pre-owned dwellings)

	Norway	Mid-Norway**	Greater Ålesund*	Greater Stavanger*	City of Oslo
Price development last 12 months	2.8 %	0.0 %	0.4 %	0.4 %	6.3 %
Price per square meter (NOK)	40,440	32,704	28,965	35,115	70,286
Average days on market (DOM) sold units in September 2018	63	84	95	103	36
Price median dwelling (NOK)	3,079,113	2,650,000	2,500,000	3,184,593	3,973,618

*Ålesund and Stavanger including surrounding municipalities

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

Deposits

Good growth in deposits over the last 12 months



SPAREBANKEN MØRE

Retail market

- NOK billion and per cent y/y



Corporate and public

- NOK billion and per cent y/y



- Retail deposits have increased by 4.8 % over the last 12 months
- Deposits from the retail market amount to 59.8 % of total deposits

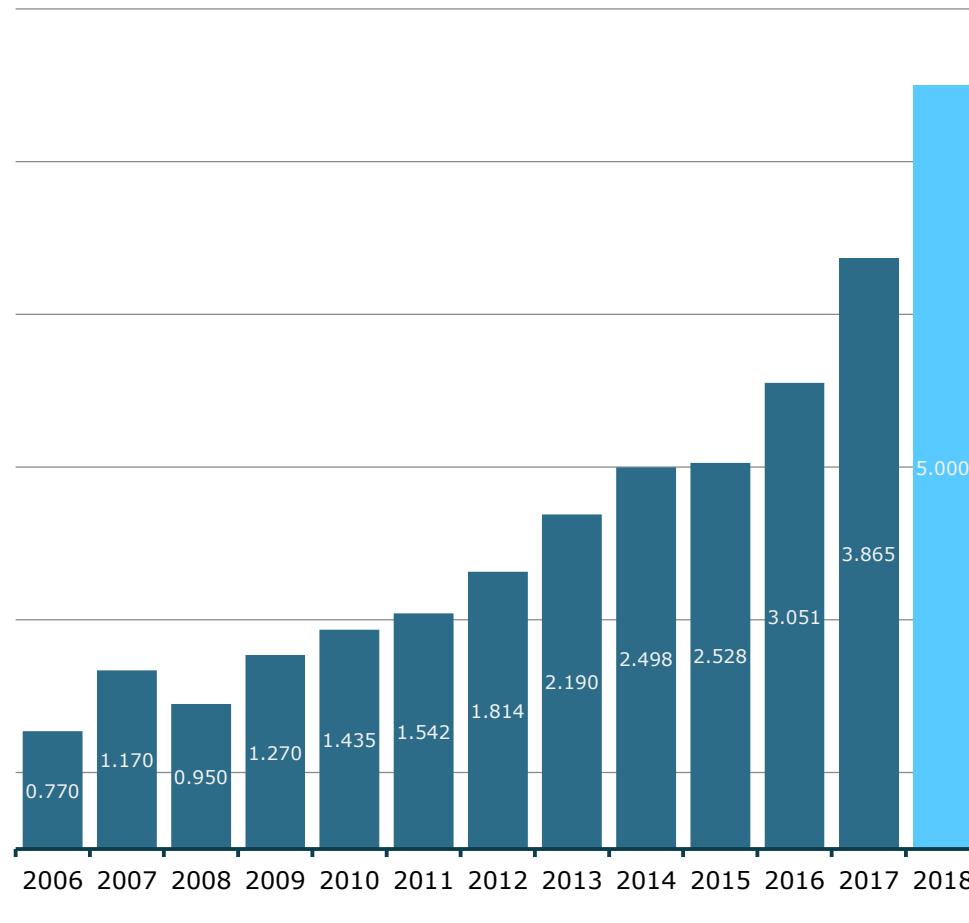
- Deposits from corporate and public customers have increased by 5.3 % the last 12 months

Discretionary Portfolio Management

Strong growth - NOK 5 billion under management

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
 - 158 investment companies
 - 208 wealthy private individuals

Liquidity and Capital

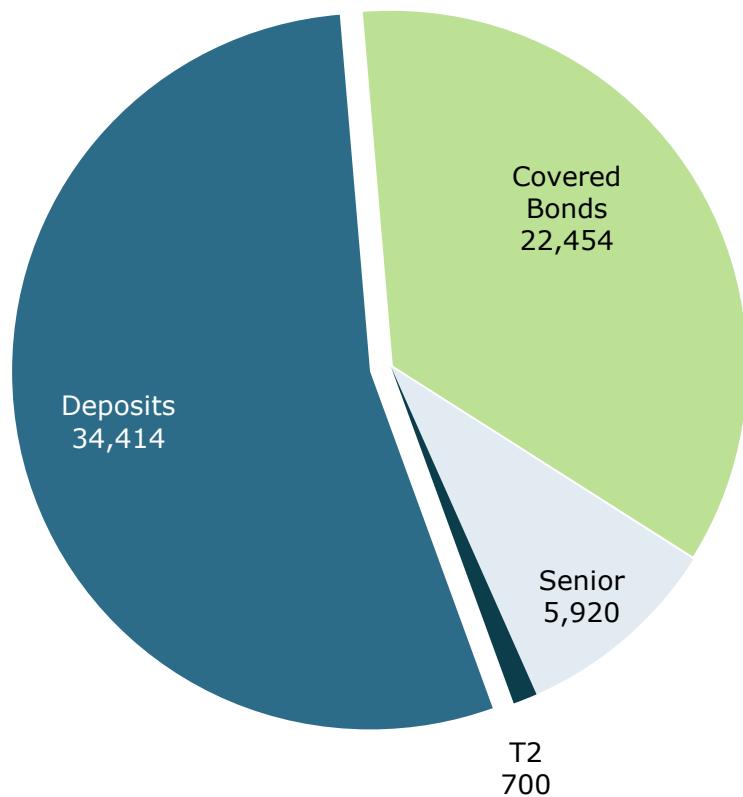


Deposits from customers and market funding

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

- Our strong deposit-to-loan ratio stood at 57.0 per cent by year end
- Total net market funding ended at NOK 28.5 billion by end of the year – 89 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 1.93 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.45 years (FSA defined key figures)
- Møre Boligkreditt AS has issued eight loans qualifying for Level 2A liquidity in LCR. In June 2018, the mortgage company issued its second sub-benchmark Public Issue of EUR 250 million in the European market, our inaugural was issued in June 2017
- December 12 2018, 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

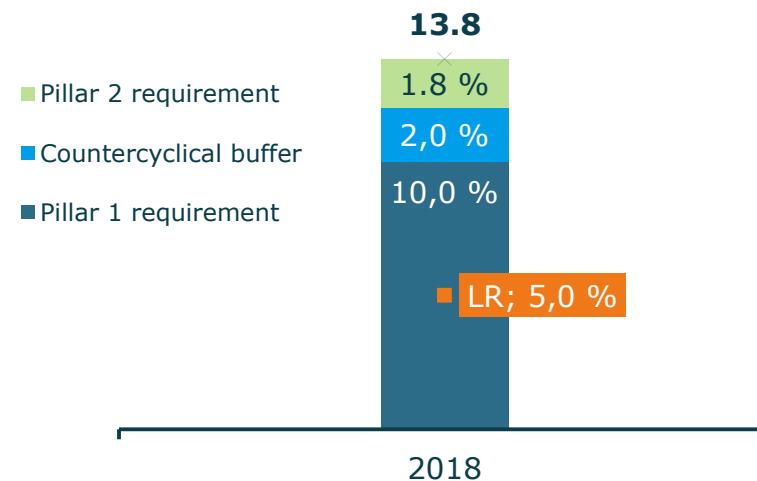
Tier 1 capital in Sparebanken Møre

- % of risk weighted assets



CET1 requirement for Sparebanken Møre

- % of risk weighted assets

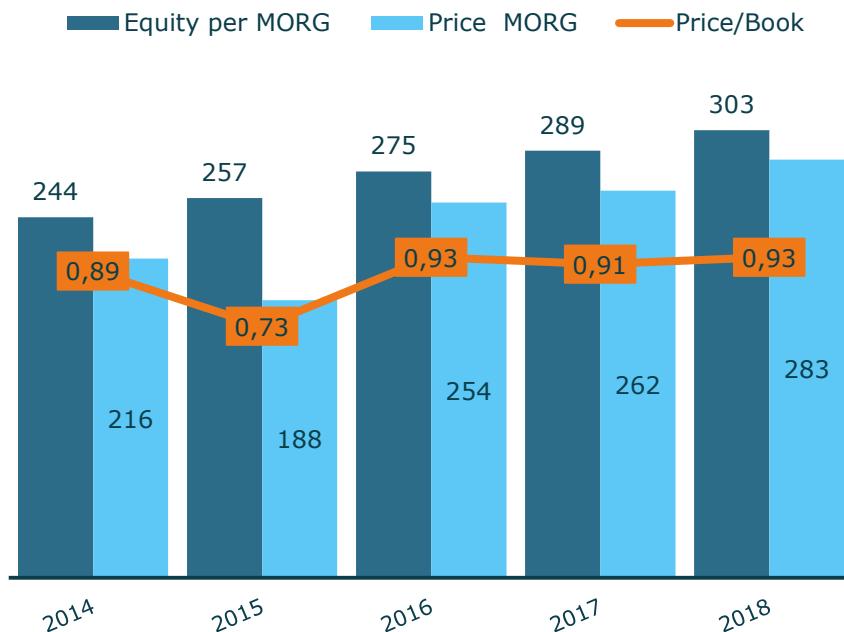


- By quarter end our Common Equity Tier 1 capital stood at 16.0 %, Tier 1 capital at 17.6 % and total capital at 19.6 %
- Sparebanken Møre's capital targets are:
 - Total Capital: Minimum 18.3 %
 - Tier 1 capital: Minimum 16.3 %
 - CET1: Minimum 14.8 %

- The Group's capital adequacy ratio is well above the announced regulatory capital requirements
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market
- The Pillar 2 requirement will be reduced to 1.7 % from March 31 2019

Equity Capital in Sparebanken Møre

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



- Equity per MORG is calculated on Group figures

Dividend Policy

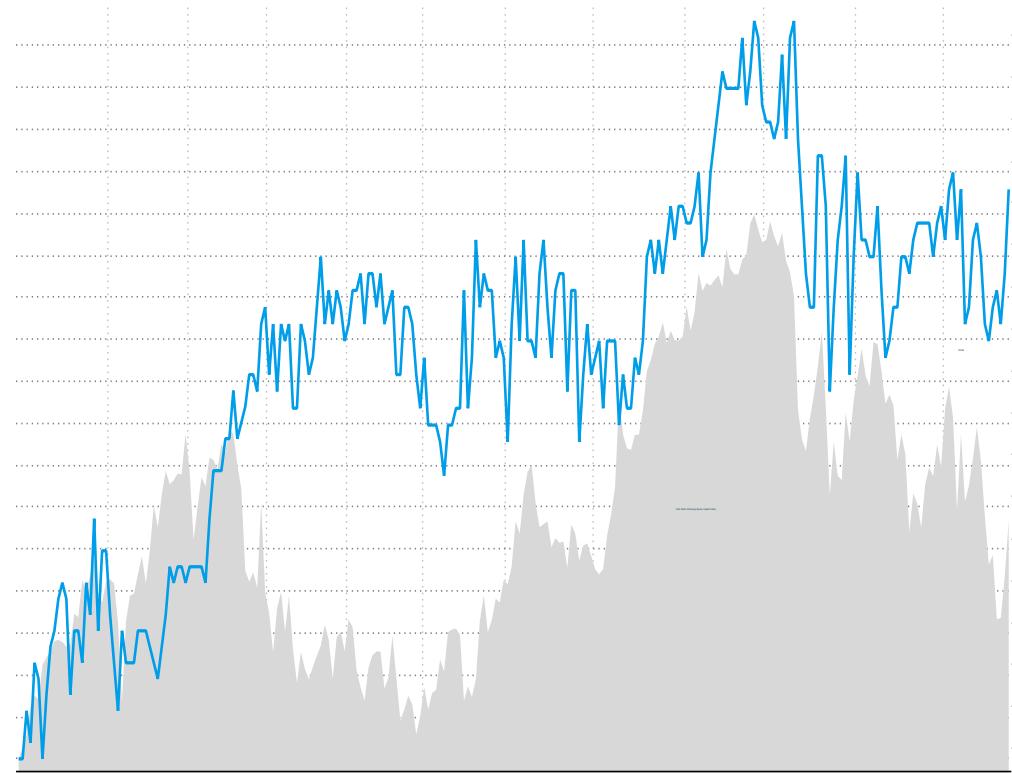
- Sparebanken Møre aims to achieve financial results providing a good and stable return on the Bank's equity capital
- Sparebanken Møre's results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity
- 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 December 2018
- Good return – Total Return for MORG was 8 per cent higher than the EC index in 2018

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	2018	15.50
2004	18		(proposal)



Equity Capital in Sparebanken Møre

About equity certificates



- 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 difference is the 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 for the period 2018-2022

ROE > 11,0 per cent

C/I < 40,0 per cent

Low level of losses

CET1 > 14,8 per cent

Healthy financial structure

Contact

Trond Lars Nydal, CEO

Phone: +47 951 79 977

E-mail: trond.nydal@sbm.no

Runar Sandanger, EVP

Phone: +47 950 43 660

E-mail: runar.sandanger@sbm.no

sbm.no

facebook.com/sbm.no

Instagram @sbmno

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.