

Sparebanken Møre – the Group

Presentation 2nd quarter 2019

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EVP

Ålesund
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Contents

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

The largest bank in the region

Strong local presence

Our vision:

Sparebanken Møre shall be the leading contributor to creative enthusiasm in Nordvestlandet.

Every day.



28

branch offices in our region
Nordvestlandet

358

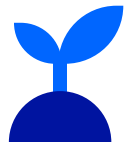
man years

75

billion in total assets

Highlights from Q2 2019

Positive development in key figures



Lending growth

Lending growth was 6.2 per cent over the last 12 months. Growth in deposits was 9.0 per cent



High and stable Net Interest Income

Growth in NOK and in percentage compared to 2018



High efficiency

Cost/Income ratio at 40.7 per cent by quarter end – down 1.4 p.p. compared to the two first quarters last year



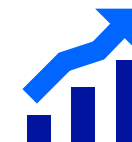
Low losses

Net NOK 19 million in losses on loan and guarantees



Strong liquidity and solidity

Deposit to Loan ratio at 59.7 per cent, LCR at 156 and CET1 at 15.1 per cent. Leverage Ratio at 7.9 per cent



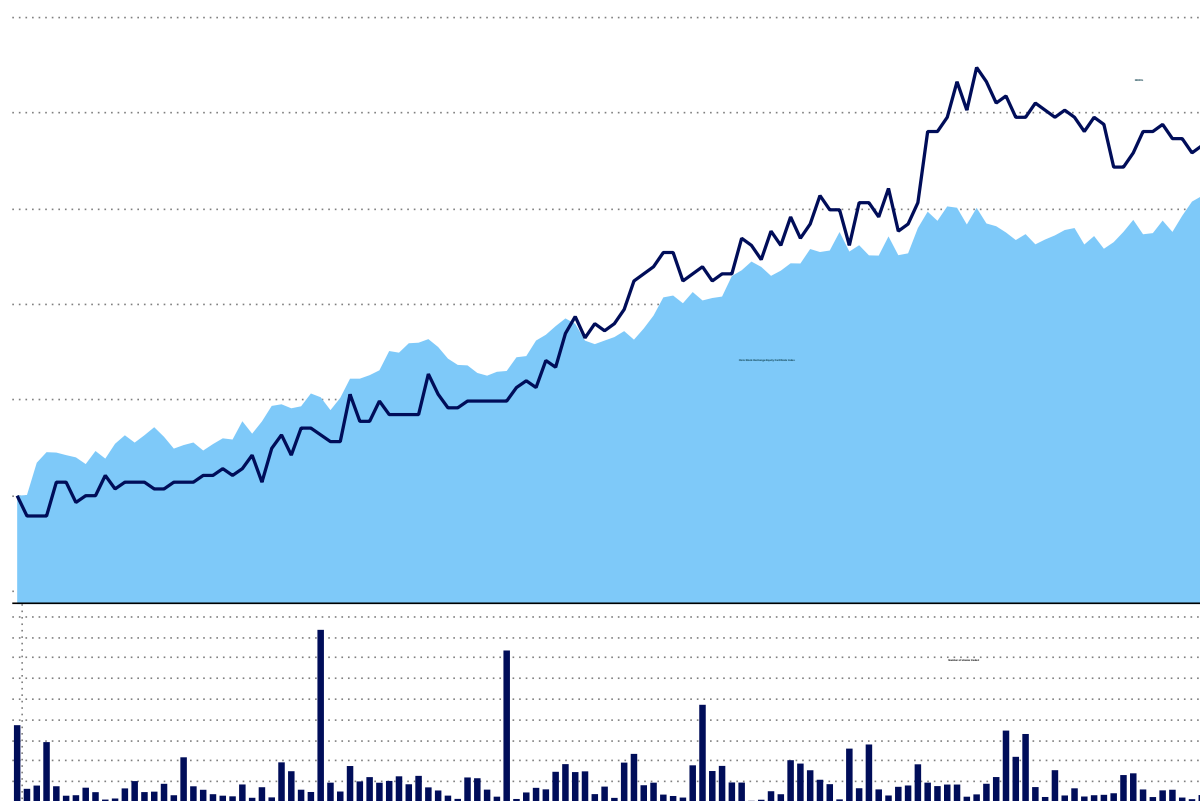
High return

Return on Equity ended at 11.5 per cent for H1 2019

MORG – price development and rating

- With a MORG price of NOK 318 at the end of the second quarter of 2019, the Price/Book (P/B) ratio has strengthened to 1.04 from 0.93 as of 31.12.2018
- 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
- As the figure shows, the MORG price increased further by about 18 per cent during the first half of this year, above the average price development in the equity certificate market
- The CET1-ratio ended at 15.1 per cent by quarter end

Strong development at Oslo Stock Exchange



- June 13 2019, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated Aaa
- In December 2018 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

We continue to
develop the bank

Personal relations
and advising

Digital
services

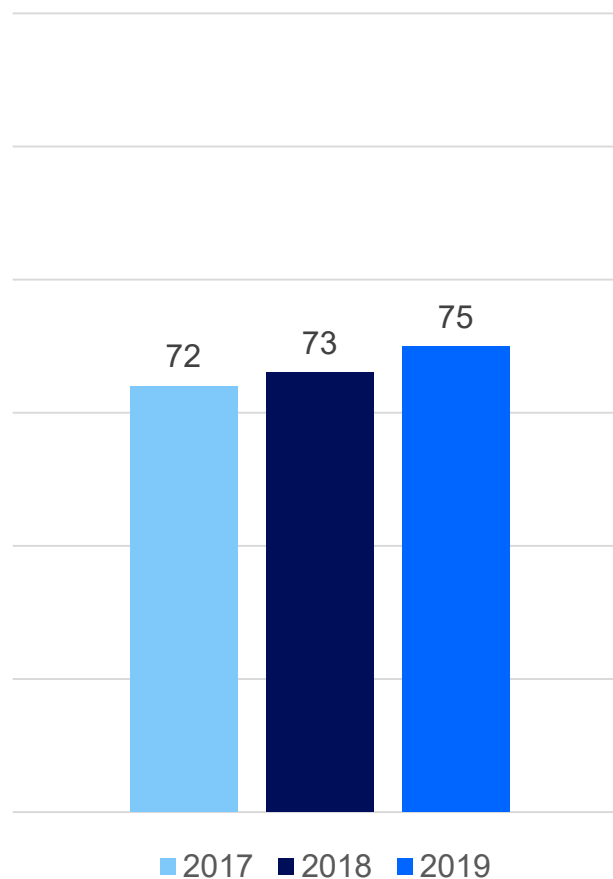


Record high score for customer satisfaction

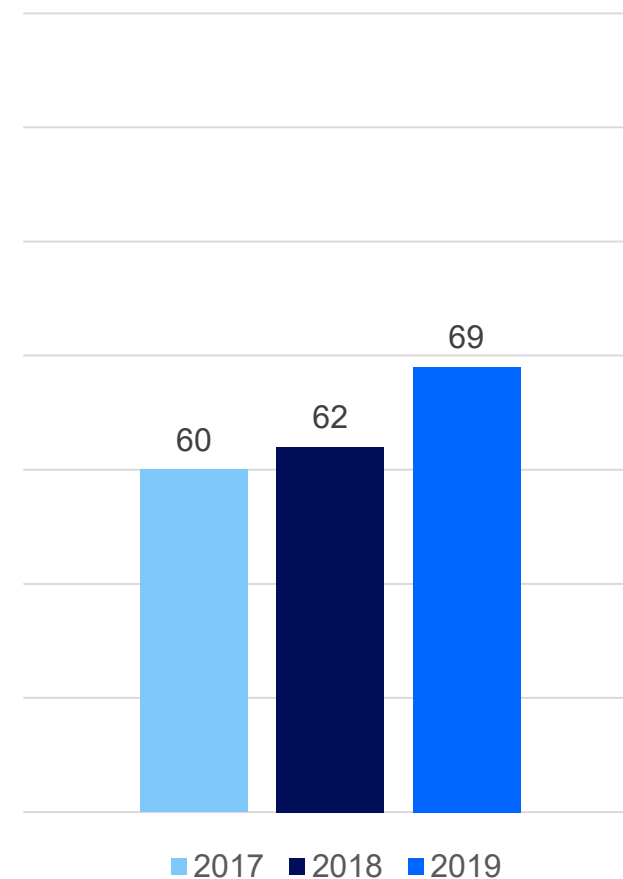
It is never measured higher scores for customer satisfaction in Sparebanken Møre.

Proximity to customers is among the most important drivers.

Retail
- development



Corporate
- development

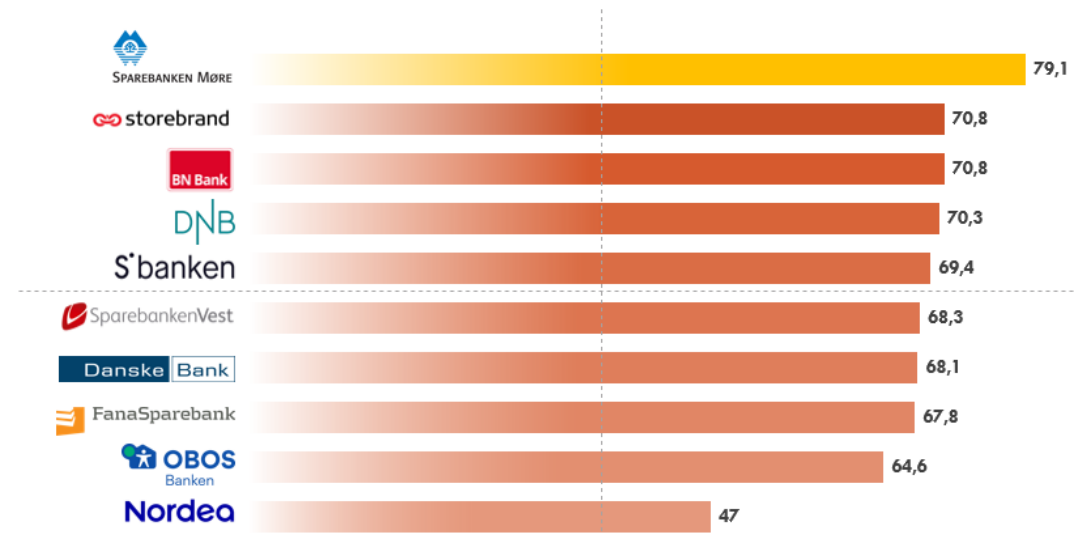


Best customer service in Norway within banking

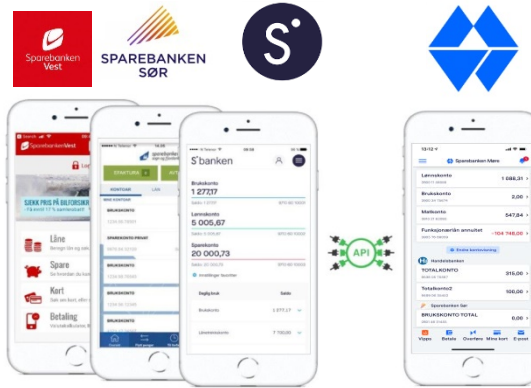
- Sparebanken Møre was named best during the national competition between customer centers during the Call Center days 2019

Excellent within

- ✓ Reception
- ✓ Welcome
- ✓ Dialogue
- ✓ Solution
- ✓ Endings



PSD2 and Open Banking



Gode kundeopplevelser

Tidsaktuell og relevant

Pålitelig og forutsigbar

Bærekraftig og ansvarsfull



PSD2

- The bank complies with the requirements of the PSD2 regulation and payment- and account information is available to other approved operators

Services 2019

- The bank uses the opportunities PSD2 provides to integrate other banks into our channels

Open banking Opportunities

- The bank will work with FinTech's, suppliers and partners to provide our customers with the best services in a future more open banking world

Some of our initiatives

- Smart City – establishing a Smart Sustainable City Lab at NMK (Norwegian Maritime Competence Center) in Ålesund
- Power Agreement with green Guarantee
- Cooperation with OiER/ BDO
- Focus on girls' and women's football
- "Pay with plastic" - Summer Festival at Giske
- Support for proper recycling of artificial grass from football stadions in our area

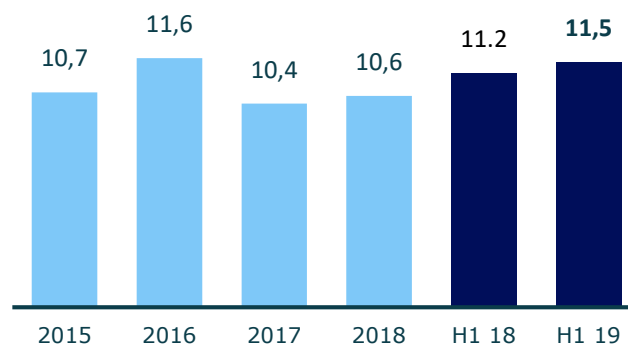
Plastic Cover Charge



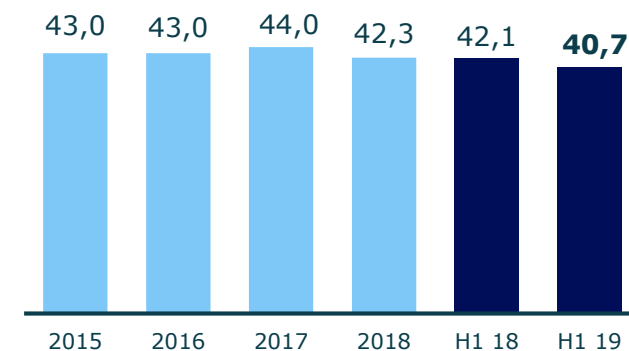
Key figures

We reach our goals

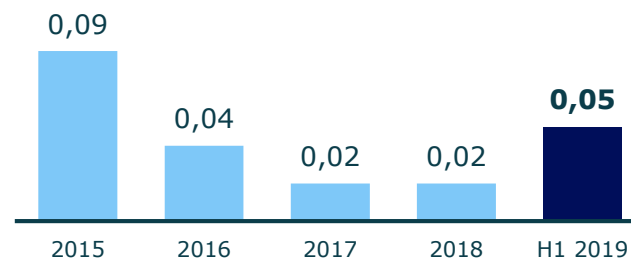
Return on Equity



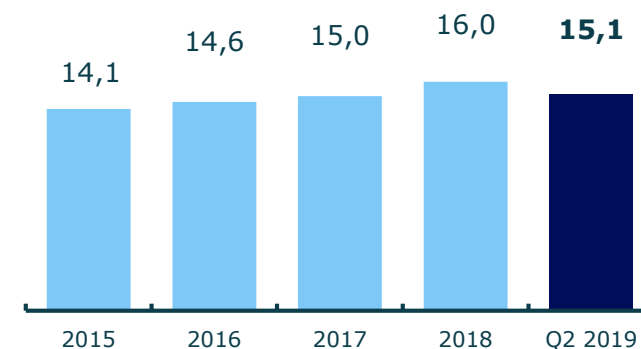
Cost/Income



Losses on Loans and Guarantees



Common Equity Tier1 Capital (CET1)



Balance sheet and key figures

	30.06.2019	30.06.2018	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	74,928	70,578	4,350	6.2
Loans to customers	62,529	58,874	3,655	6.2
Deposits from customers	37,321	34,239	3,082	9.0
Net Equity and Subordinated Loans	6,699	6,477	222	3.4

Key Figures	30.06.2019	30.06.2018	Changes p.p.	
Return on Equity	11.5	11.2	0.3	
Cost/Income Ratio	40.7	42.1	-1.4	
Total Capital	19.1	19.1	0.0	
Tier 1 Capital	17.1	17.1	0.0	
CET1	15.1	15.5	-0.4	
Leverage Ratio	7.9	8.0	-0.1	
Profit per EC (NOK, the Group)	16.80	15.45	1.35	
Profit per EC (NOK, the Bank)	20.35	18.40	1.95	

Positive outlook

- Sparebanken Møre is very well capitalized and has a strong liquidity position by quarter 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
- Losses are also expected to be low in 2019. Overall, a good result is expected for the year
- Going forward, we expect a moderate increase in production and demand in the county
 - ✓ the interest rate level is still low
 - ✓ the krone exchange rate remains weak
 - ✓ and the expected rise in oil investments will have positive effects on large parts of the rest of the business sector
- However, geopolitical uncertainty, Brexit and the US-China trade conflict are contributing to curb growth in our export markets

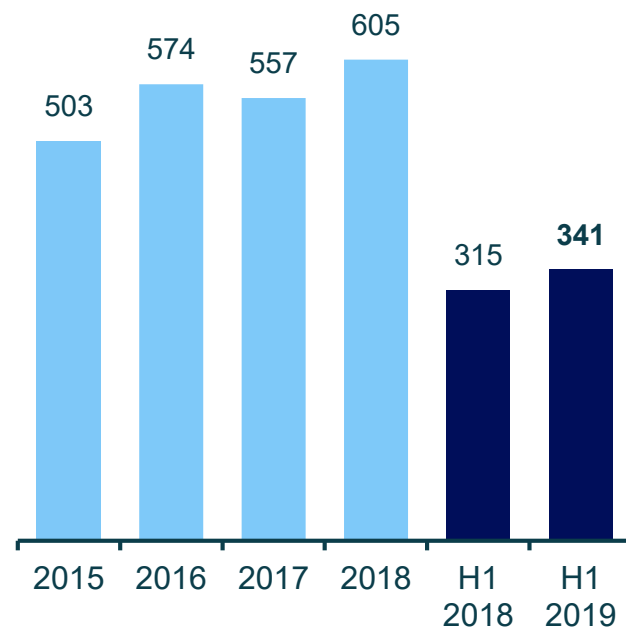


Results

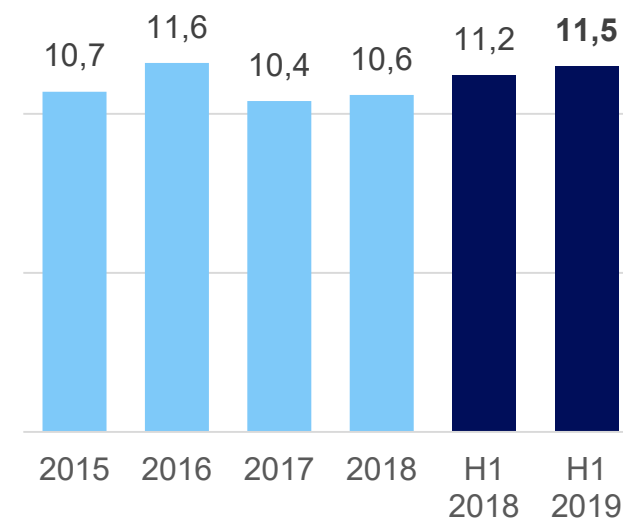
Good results

8 per cent improved result compared to H1 2018

Profit after tax
- NOK million

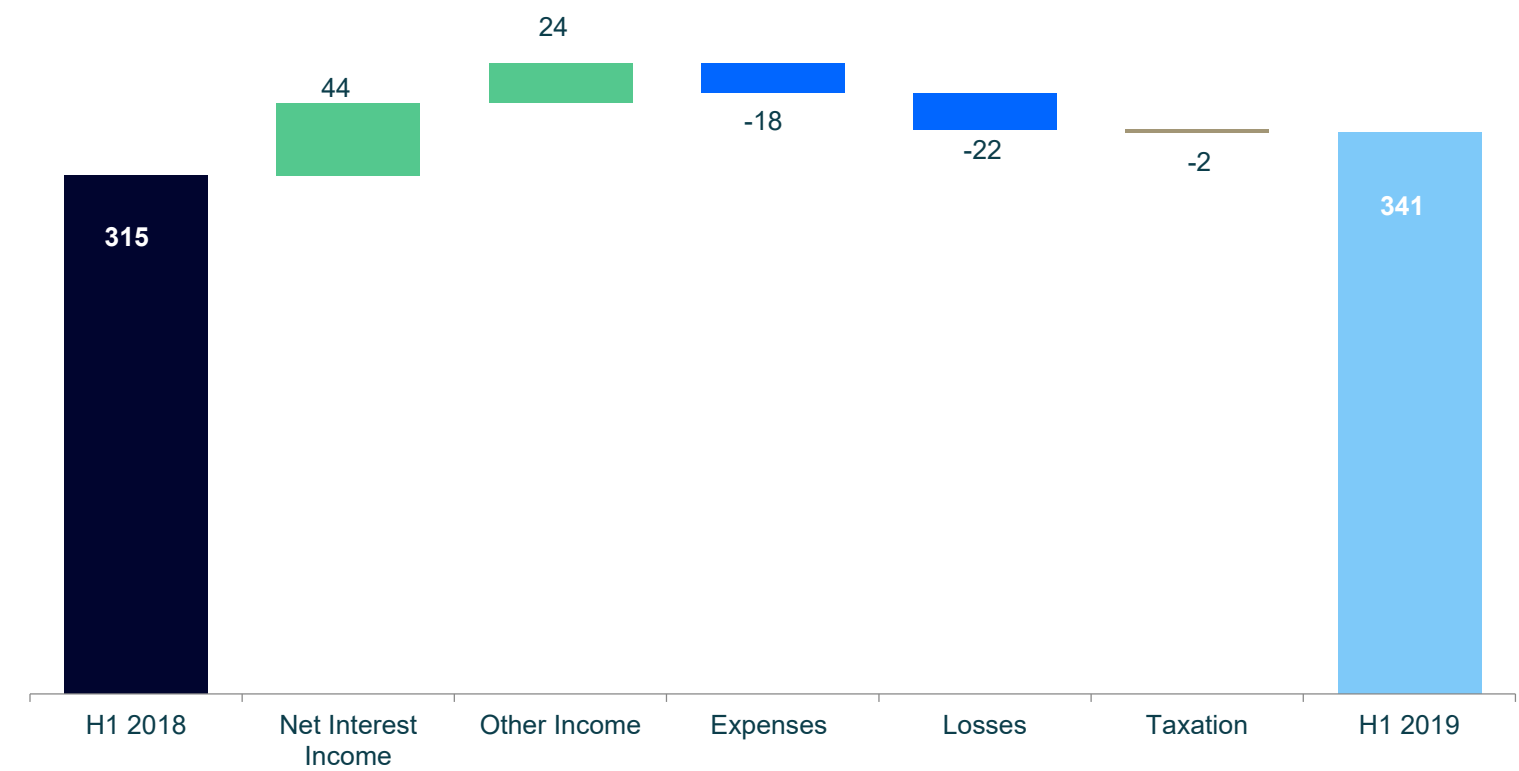


Return on Equity (ROE)
- in percent



Growth in income and low losses

Result in H1 2019 compared to H1 2018



Results

The bank presents a good result for the first half year, with a profit improvement after tax of just over 8%.

The bank's revenues show a positive development and the costs increase moderately. The losses are low.

The bank has become more profitable and efficient compared to the corresponding period in 2018.

	H1 2019		H1 2018		Changes	
Results (NOK million and %)	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	624	1.72	580	1.71	44	0.01
Net Income Financial Investments	36	0.10	22	0.06	15	0.04
Gains/losses liquidity portfolio	3	0.01	-3	-0.01	5	0.02
Gains/losses on shares	12	0.03	13	0.05	-4	-0.02
Other Income	104	0.29	99	0.29	5	0.00
Total Other Income	155	0.43	131	0.39	24	0.04
Total Income	779	2.15	711	2.10	68	0.05
Personnel costs	174	0.48	169	0.50	5	-0.02
Other costs	143	0.40	130	0.38	13	0.02
Total operating costs	317	0.88	299	0.88	18	0.00
Profit before losses	462	1.27	412	1.22	50	0.05
Losses on loans, guarantees etc	19	0.05	-3	-0.01	22	-0.06
Pre tax profit	443	1.22	415	1.23	28	-0.01
Taxes	102	0.28	100	0.29	2	-0.01
Profit after tax	341	0.94	315	0.94	26	0.00



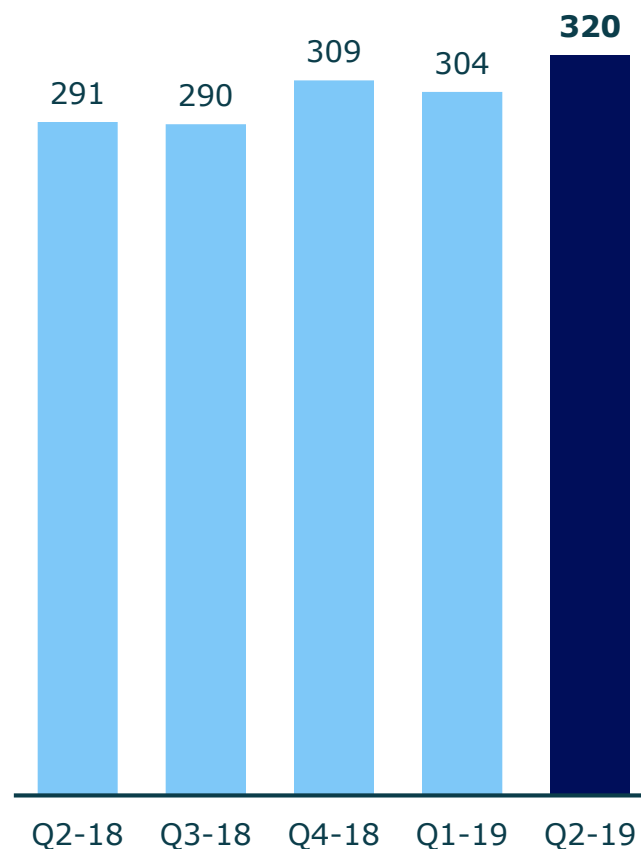
Good Net Interest Income in Q2

Good growth for both lending and deposits in the first half of 2019

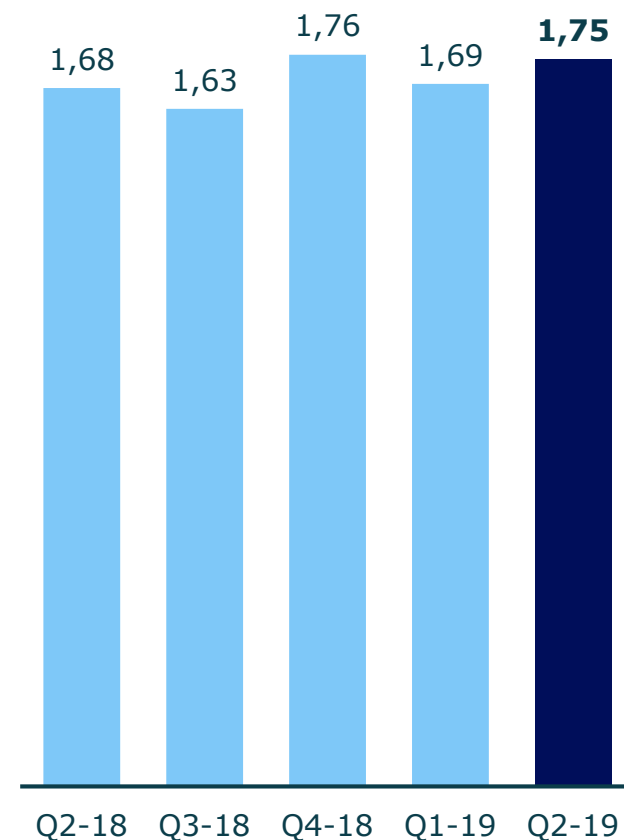
Interest rate change implemented with effect from 10 May

Another change in interest rates is announced for existing loans from 9 August and new loans from 26 June

Net Interest Income
- NOK million

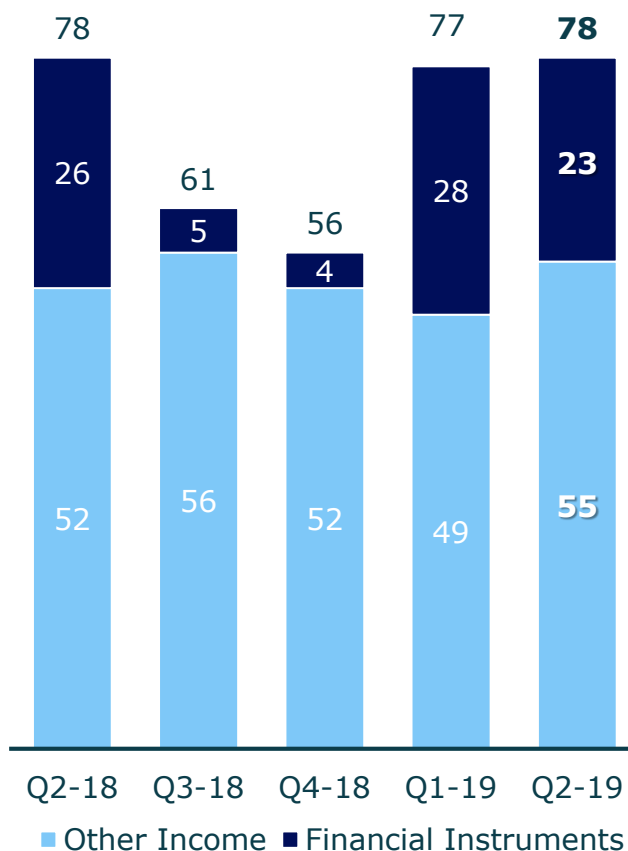


Net Interest Income
- % of Average Assets

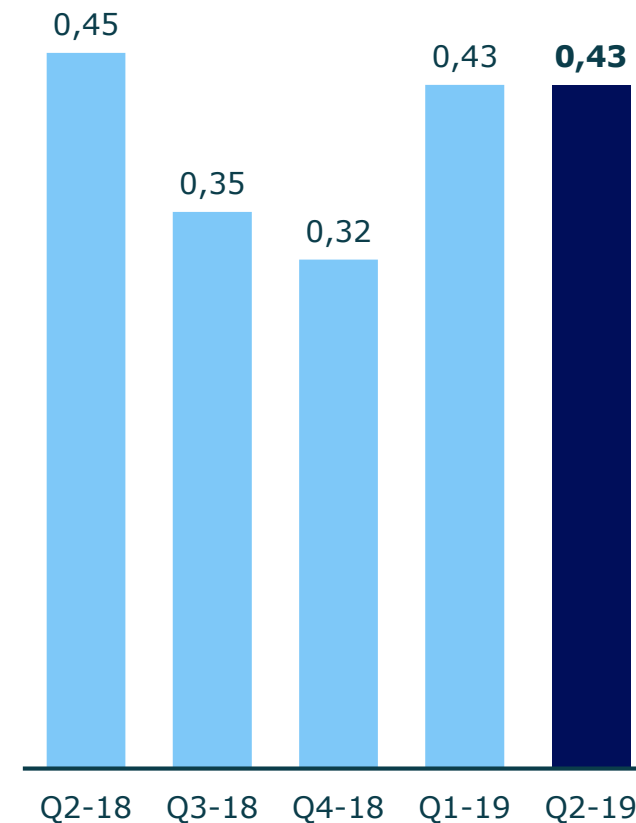


Quarterly development in Other Income

Other Income
- NOK million



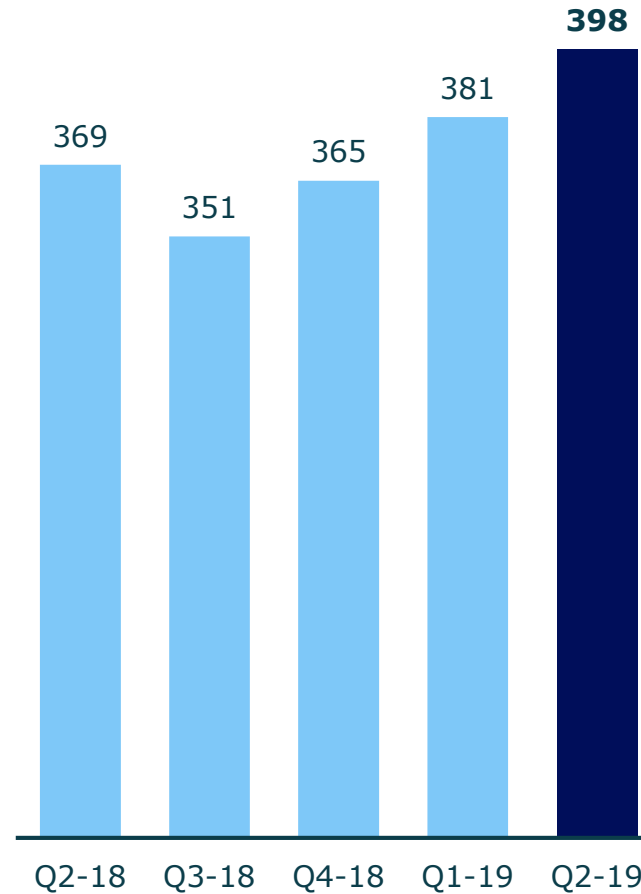
Other Income
- % of Average Assets



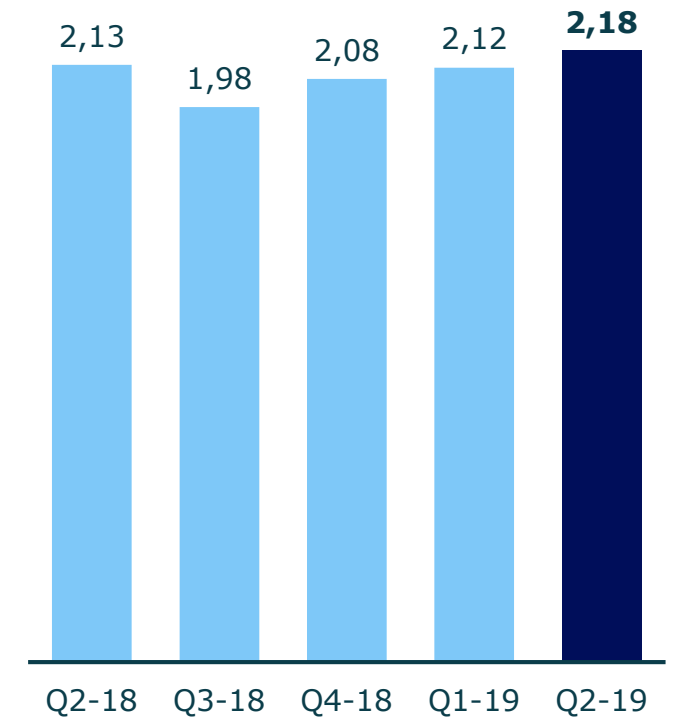
Gains on bonds and shares amounted to NOK 15 million in 1H

Increased value creation leads to growth in revenue

Total income
- NOK million

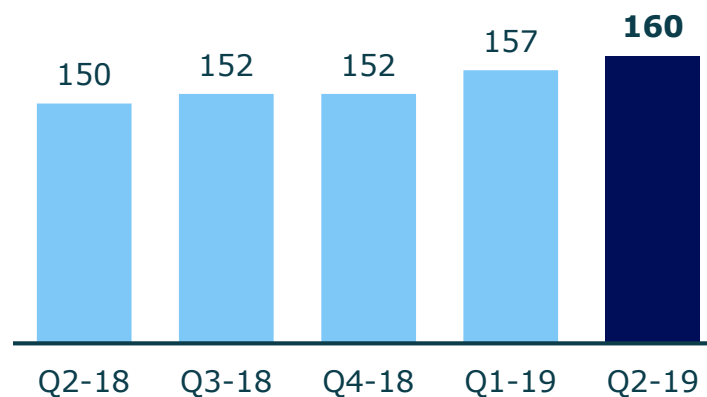


Total income
- % Average Assets

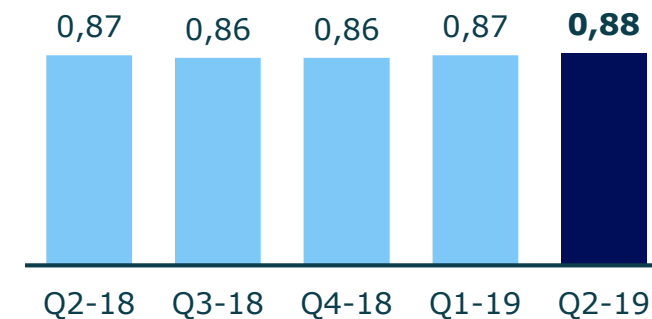


Improved efficiency - target will be met

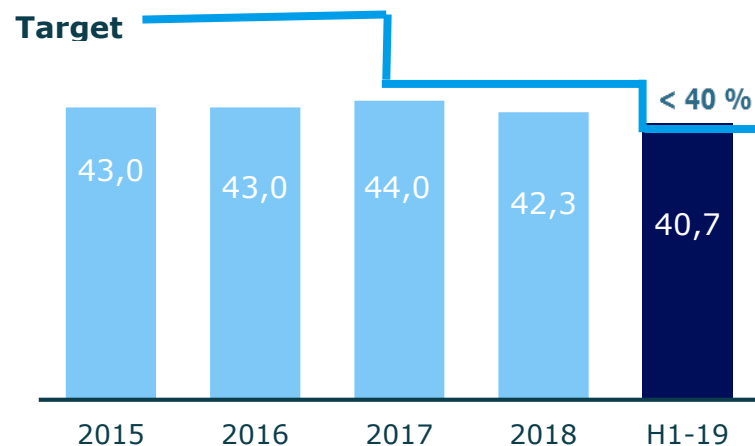
Operating Costs
- NOK million



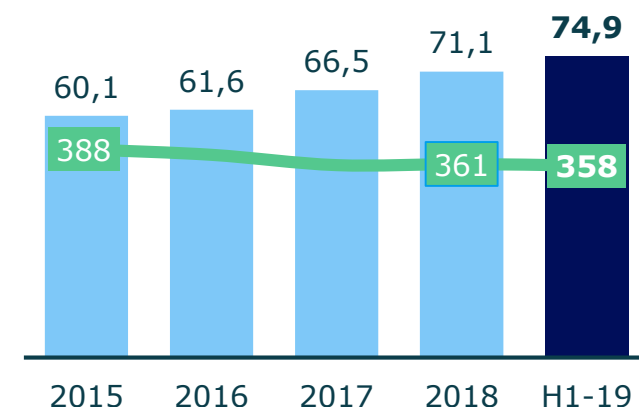
Operating Costs
- % of Average Assets



Cost/Income ratio



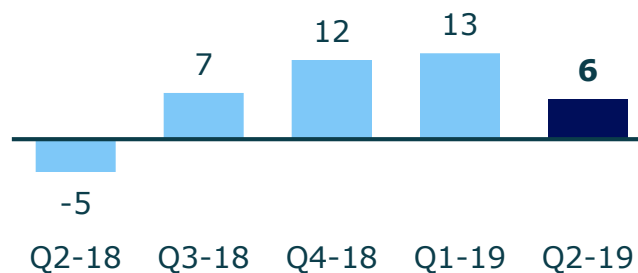
Total Assets and Man Years
- Total Assets in NOK billion



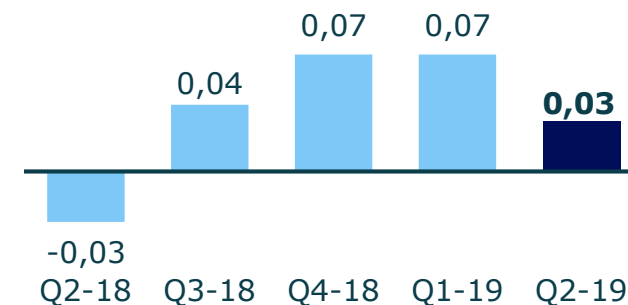
Strong underwriting

Persistent low losses

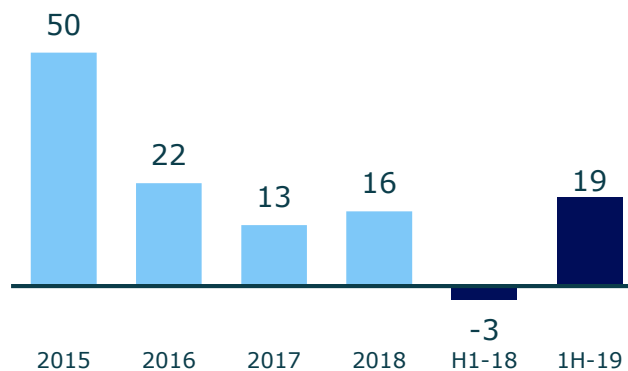
Losses on loans and guarantees
- NOK million



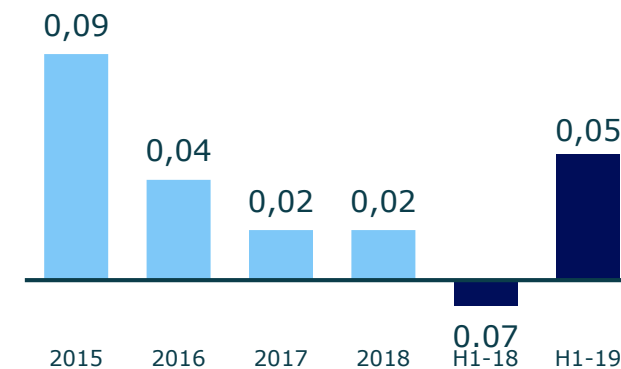
Losses on loans and guarantees
- % of Average Assets



Losses on loans and guarantees
- NOK million



Losses on loans and guarantees
- % of Average Assets



Losses by sector

The expected credit loss (ECL) model is compliant with IFRS 9 and is used to calculate losses

Total calculated ECL by quarter end is NOK 121 million lower than by 31.12.2018

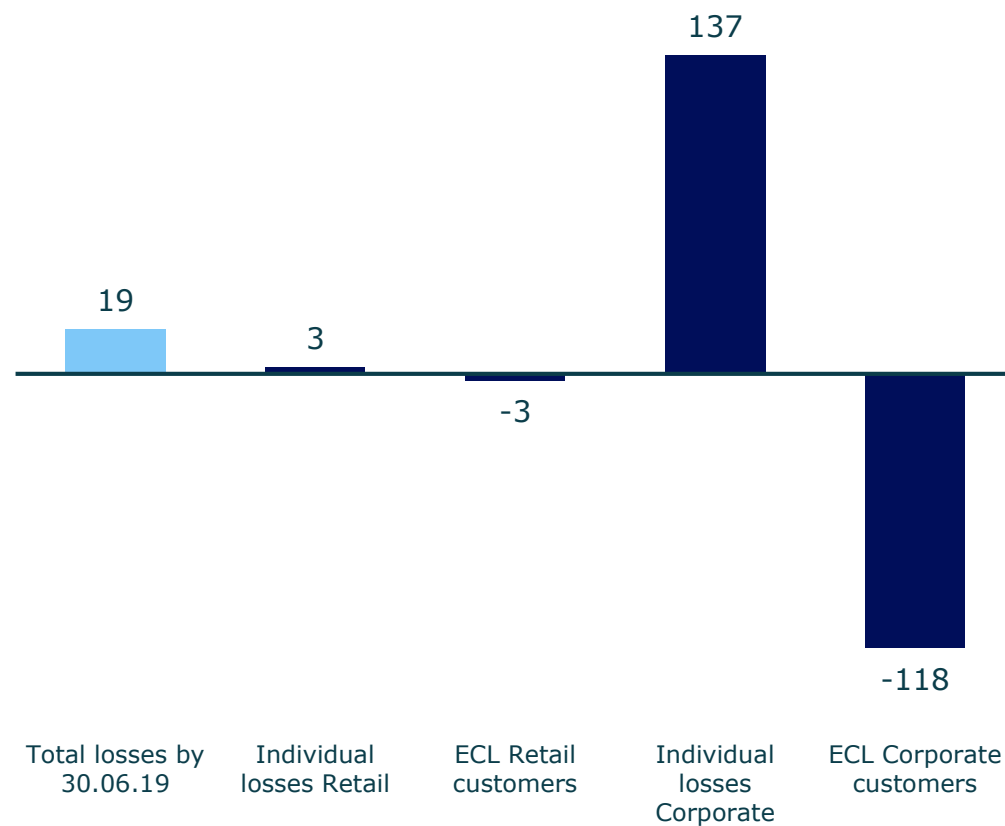
Changes in individual impairments and other losses amount to NOK 3 million for retail customers and an increase of NOK 134 million for corporate customers

Total losses are NOK 19 million by quarter end



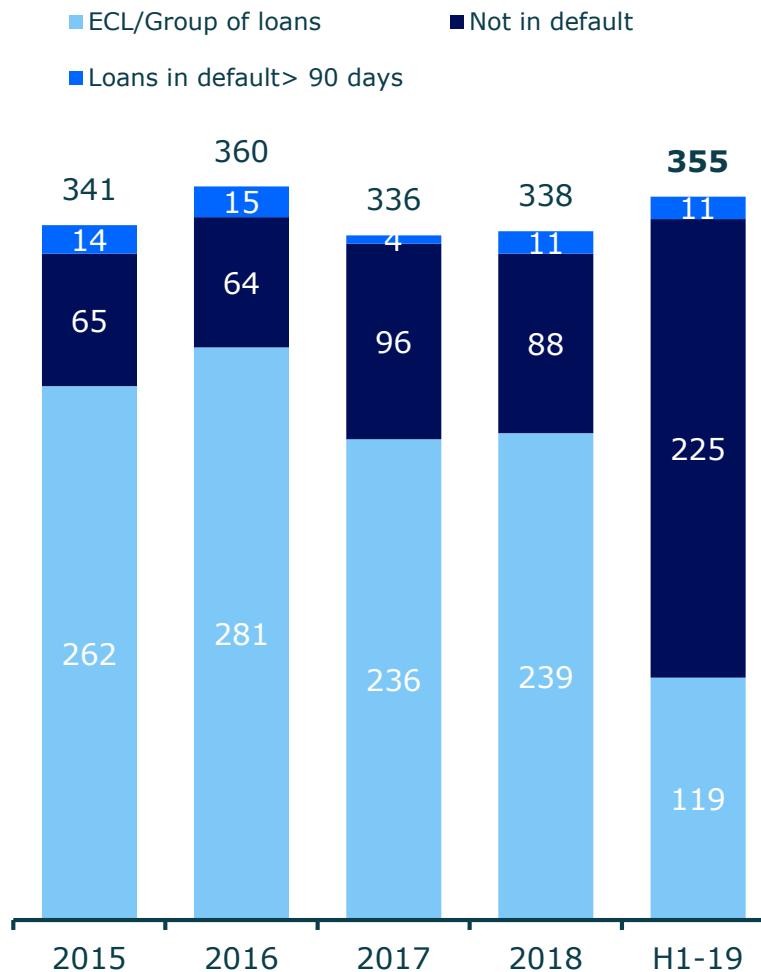
Losses on loans and guarantees

- NOK million

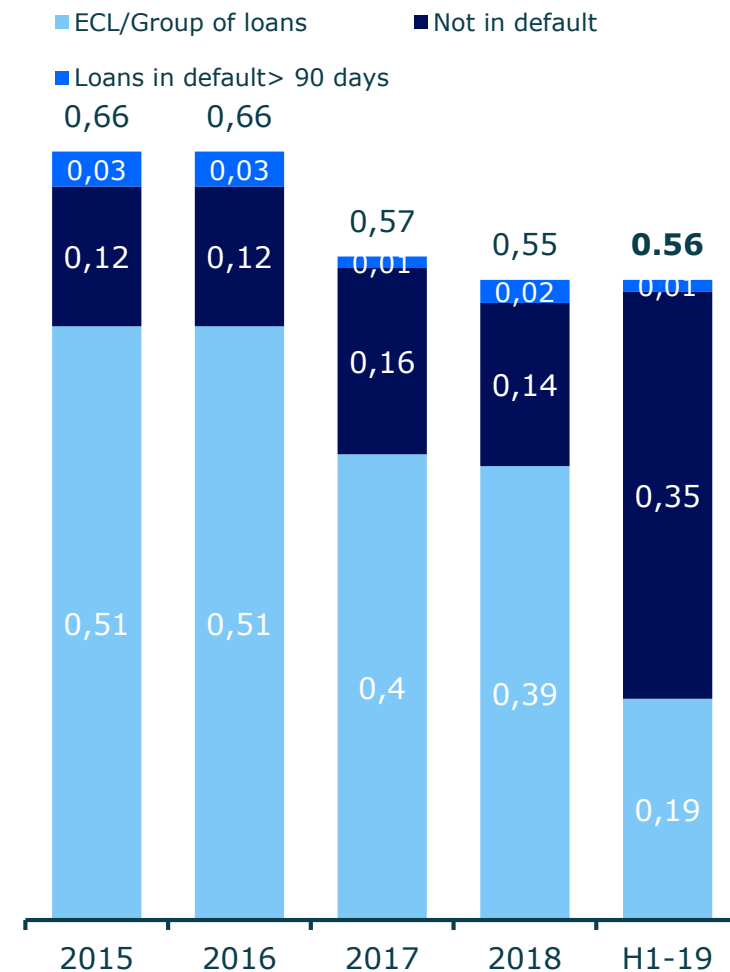


Impairments - comfortable levels

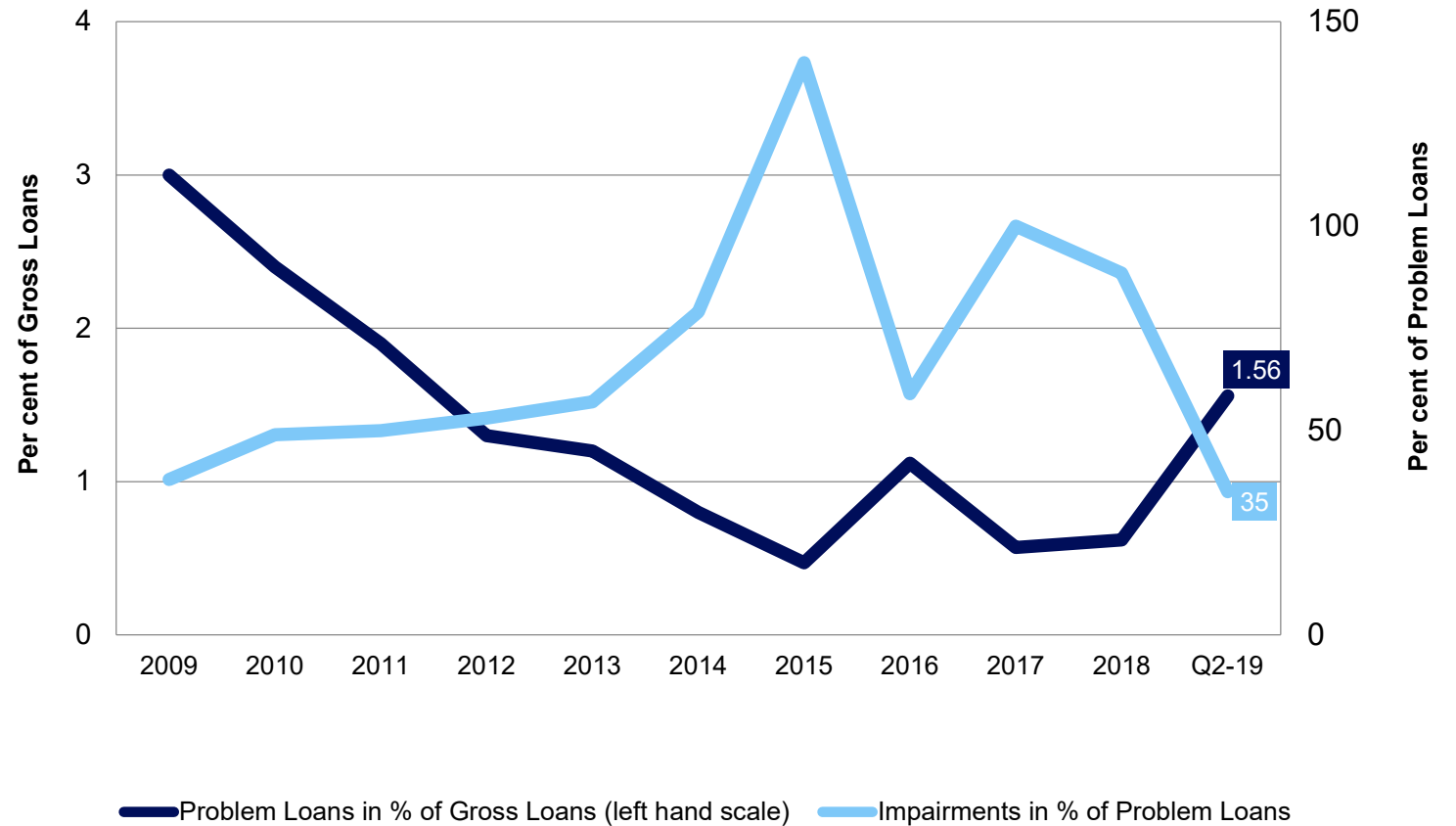
Impairments
- NOK million



Impairments
-% of Gross Loans



Problem Loans and Impairments

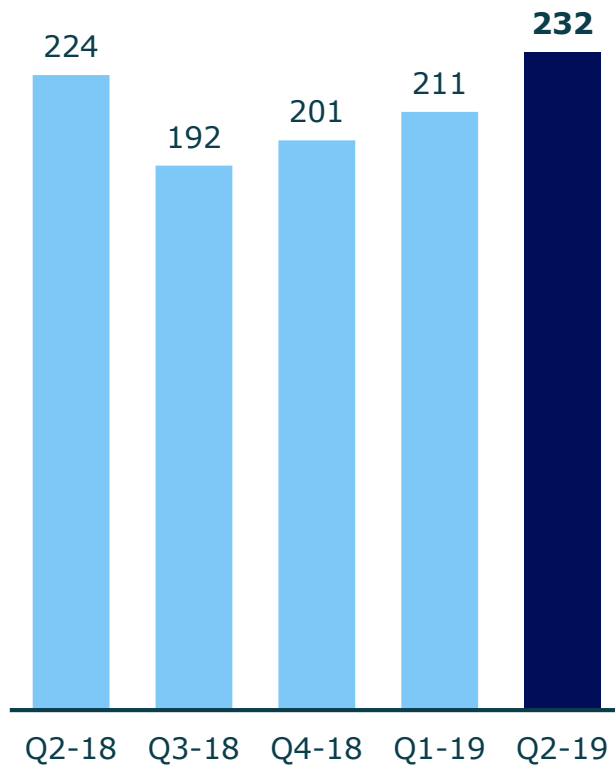


Problem Loans are loans and guarantees more than 90 days over due and performing loans with individual impairments.

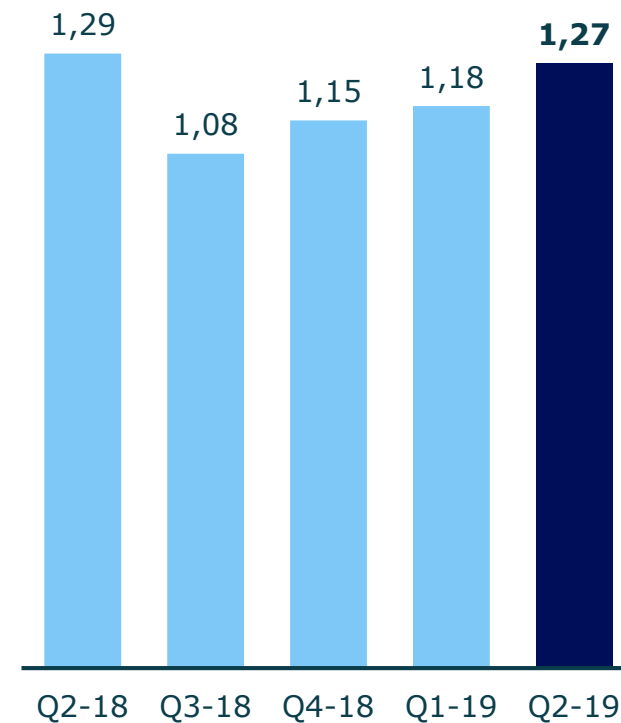
The bank delivered a good result in Q2

Stable quarterly development

Profit after losses
- NOK million



Profit after losses
- % of Average Assets



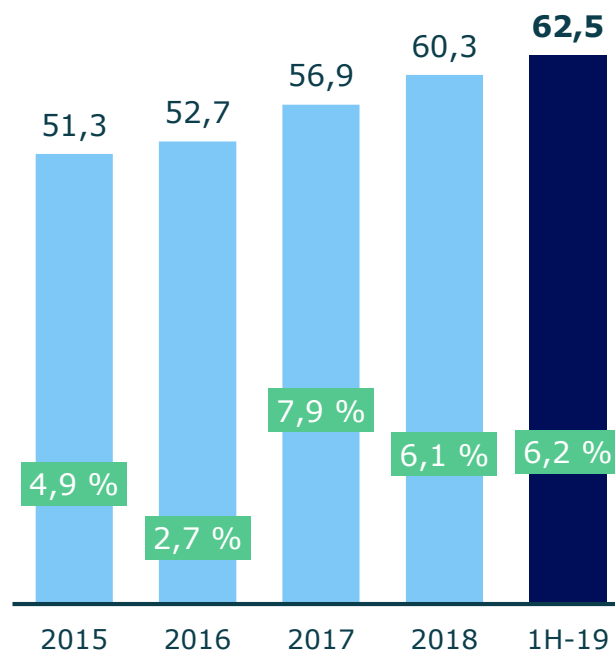
Balance sheet

Continued good growth

Strong loan growth and high deposit-to-loan ratio

Loans

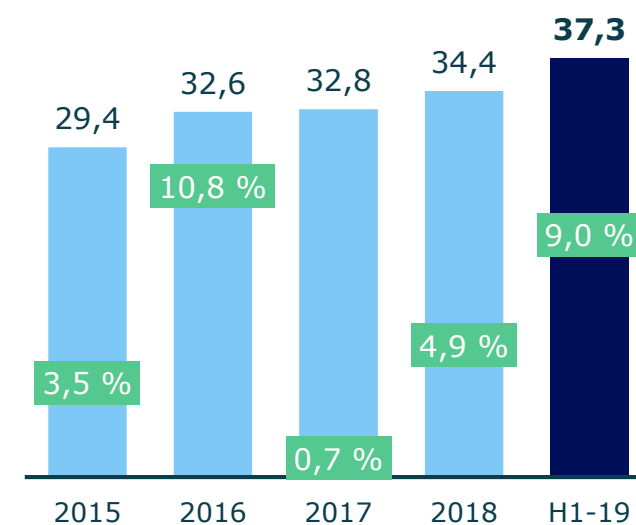
- NOK billion and per cent (y/y)



- Customer lending has increased by 6.2 % over the last 12 months

Deposits

- NOK billion and per cent (y/y)



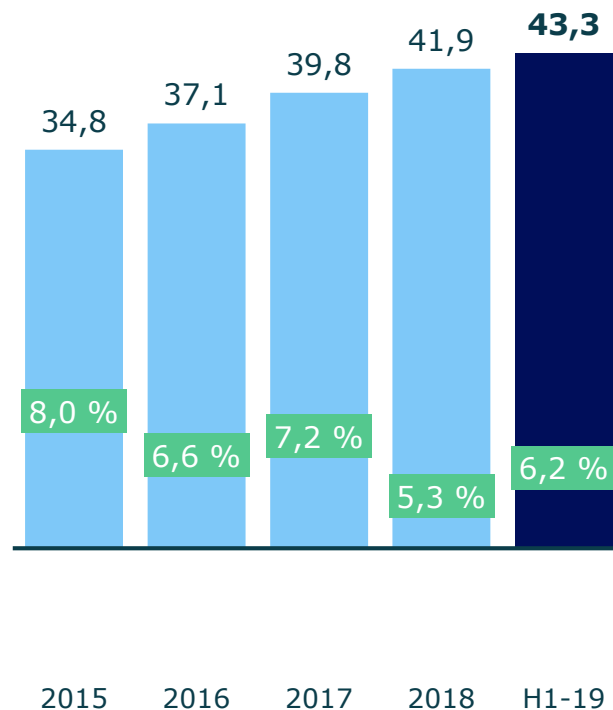
- Deposit growth of 9.0 % over the last 12 months
- High deposit-to-loan ratio of 59,7 %

Lending

Stable growth in the retail –
good growth in the corporate
market

Retail market

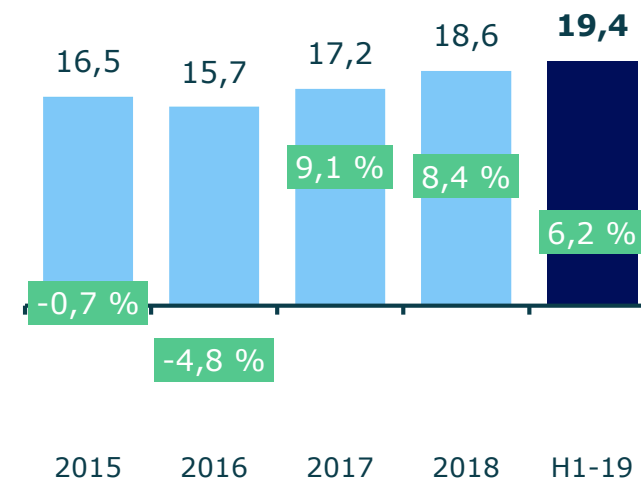
- NOK billion and per cent y/y



- Retail lending has increased by 5.5 % over the last 12 months
- Loans to the retail market amount to 69.3 % of total loans

Corporate market

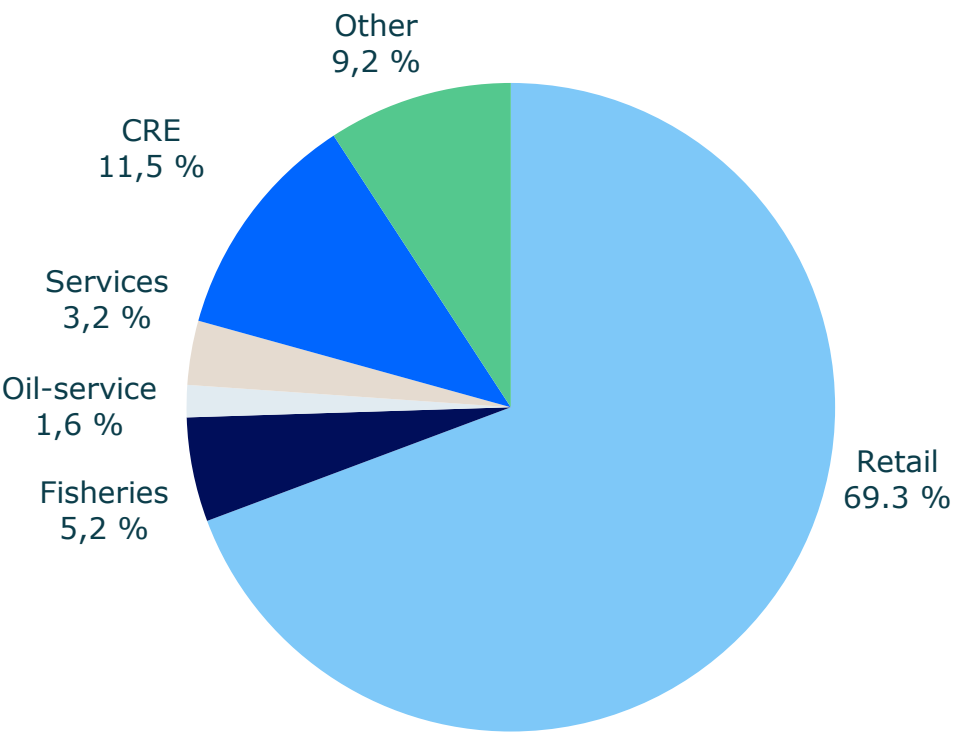
- NOK billion and per cent y/y



- Corporate lending has increased by 6.2 % over the last 12 months
- Loans to the corporate market amount to 30.7 % of total loans

Diversified loan book

Loans by sector



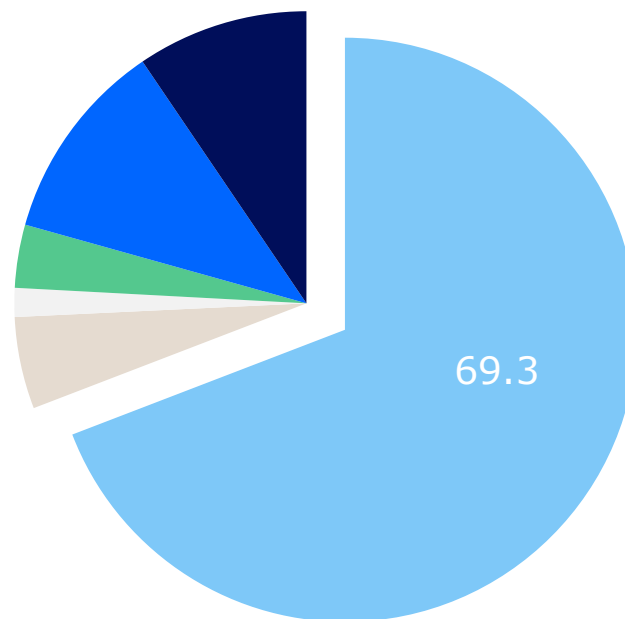
Other;

Other Industry	1.7 %	Retail/wholesale trade	1.0 %
Financial services	1.6 %	Agriculture	0.9 %
Ship Yards	1.4 %	Other	0.2 %
Building and Construction	1.3 %		
Fishing Industry	1.1 %		

Good quality in our retail portfolio

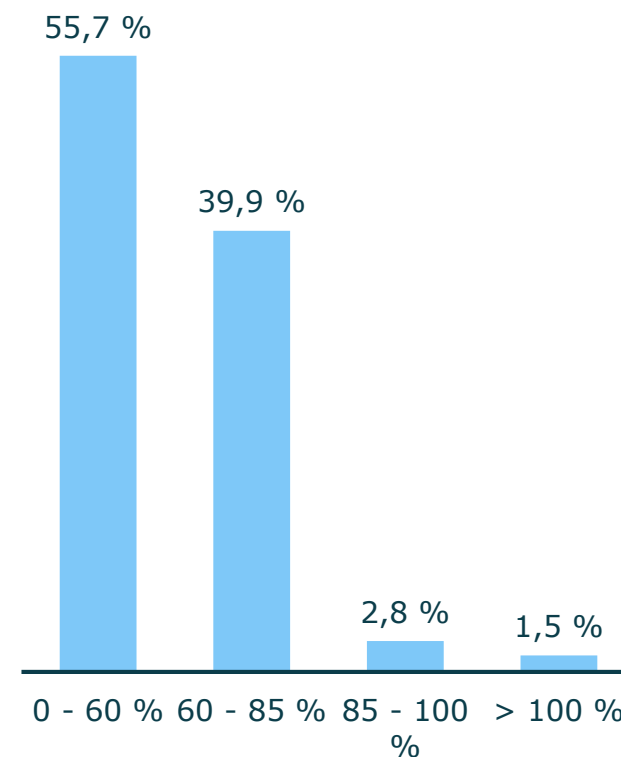
High portion of secured loans

Loans to retail customers - % of total loans



- The Bank complies with the lending regulations (Boliglånsforskriften)
- Deviation from Boliglånsforskriften reported in the second quarter of 2019 were 5.1 % outside Oslo, and 4.2 % in Oslo

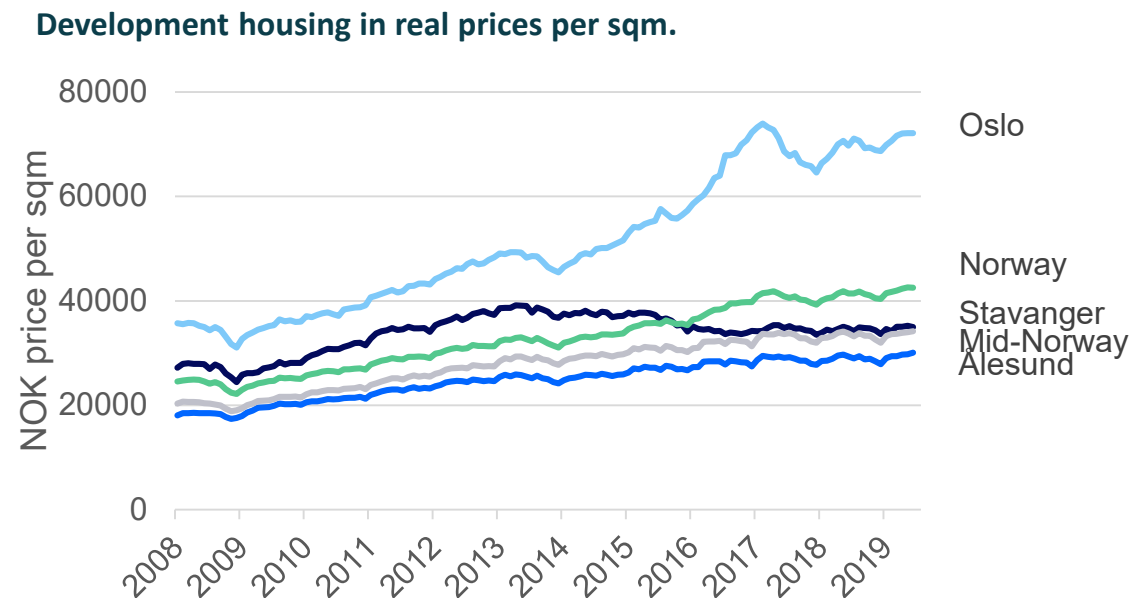
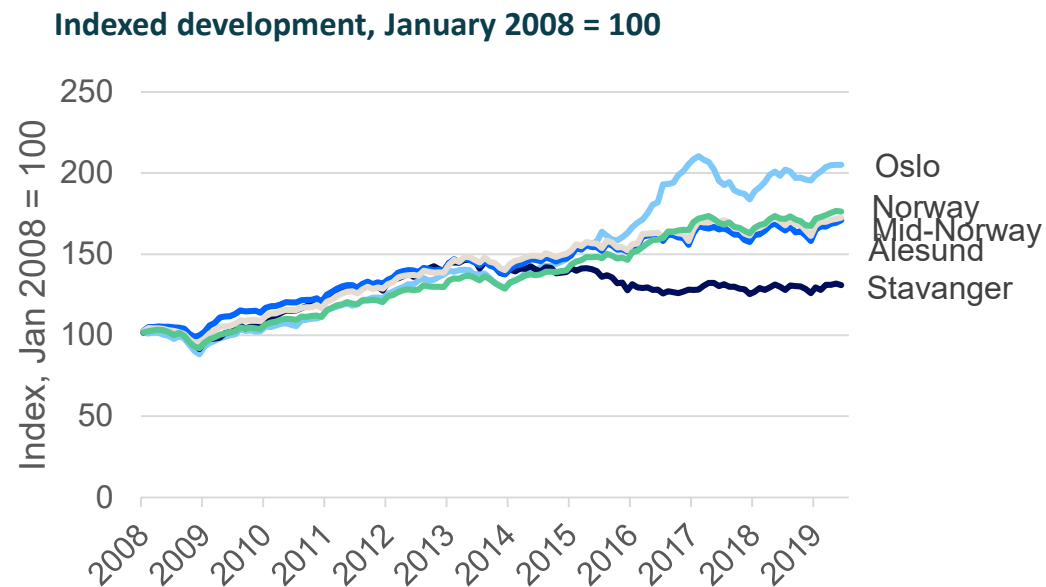
Loan to Value – retail loans



- 95.6 % of mortgages are within 85 % of LTV

Housing prices

Development from January 2008 – June 2019



Key information

(Sold pre-owned dwellings)

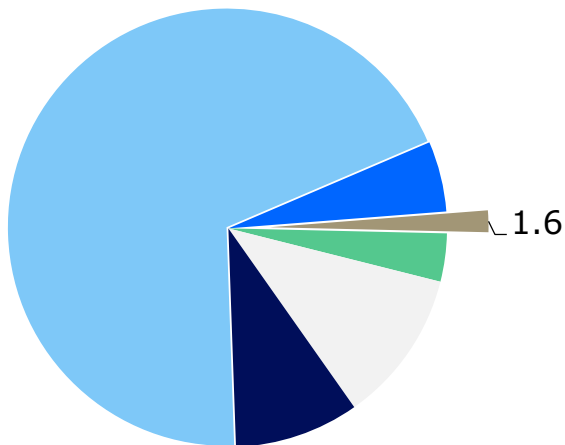
	Norway	Mid-Norway	Greater Alesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+0.5 %	+0.1 %	+0.1 %	+0.1 %	+0.2 %
Development 12 months	+2.6 %	+1.2 %	+2.6 %	+0.7 %	+3.4 %
Per square meter (NOK)	42,526	34,166	30,102	34,983	72,107
Average days on market (Sold in June)	42 days	49 days	60 days	61 days	22 days
Price median dwelling (NOK)	3,234,000	2,777,138	2,600,000	3,205,639	4,171,618



Low exposure towards Oil Service

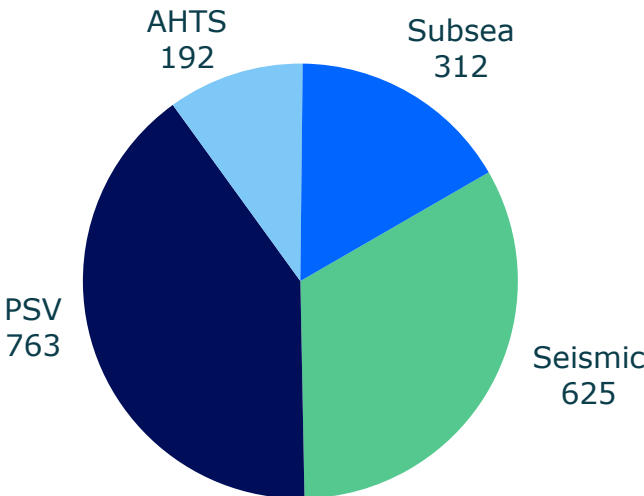
Loans to Oil Service

- In per cent of total loans



EAD by types of vessels

- In NOK million

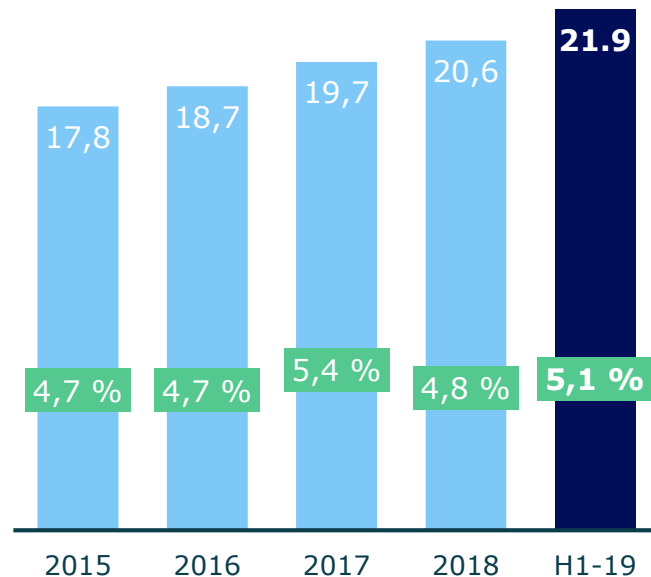


(EAD in NOK million)	Loans	Guarantees	Total EAD	Individual impairments	ECL-IFRS 9	Total	Per cent of EAD
Low Risk (Risk Class A-C)	0	0	0	0	0	0	0,0 %
Medium Risk (Risk Class D-G)	553	214	767	0	15	15	2.1 %
High Risk (Risk Class H-M)	209	44	254	0	21	21	8.4 %
Loans and guarantees with individual impairments	223	557	779	186	0	186	23.9 %
Total	985	1,012	1,800	186	36	222	12.4 %

Deposits

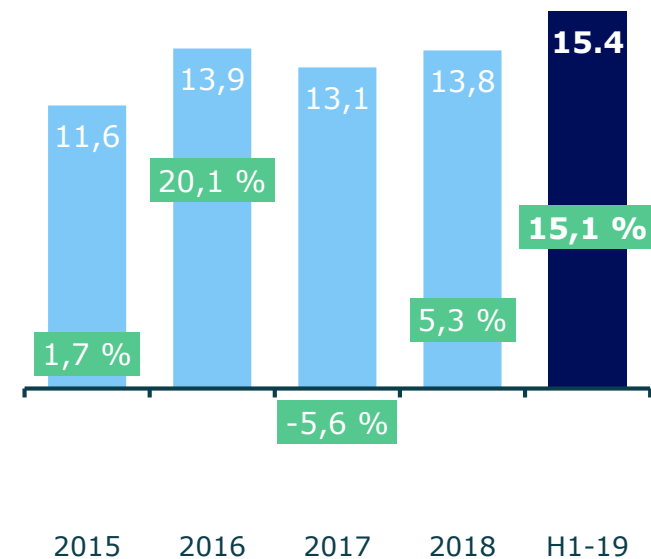
Strong growth in deposits over the last 12 months

Retail market
- NOK billion and per cent y/y



- Retail deposits have increased by 5.1 % over the last 12 months
- Deposits from the retail market amount to 58.7 % of total deposits

Corporate and public
- NOK billion and per cent y/y



- Deposits from corporate and public customers have increased by 15.1 % the last 12 months

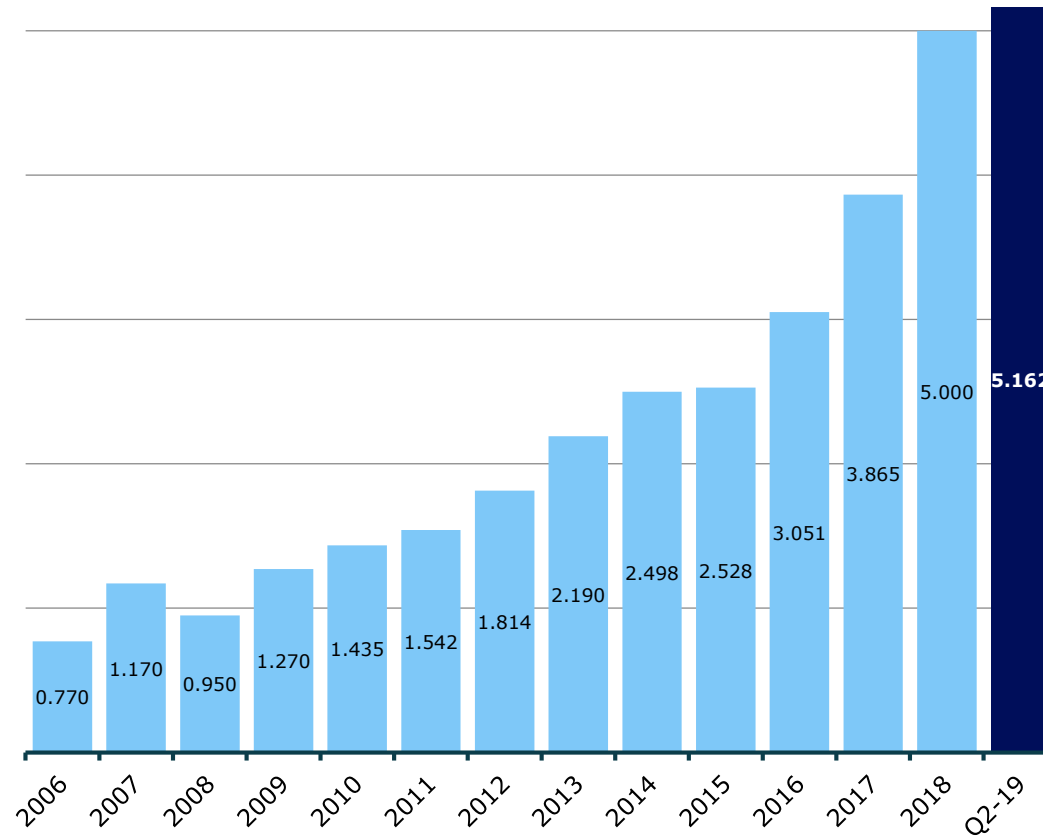
Discretionary Portfolio Management

Strong growth - NOK 5 billion under management

- 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
 - 163 investment companies
 - 214 wealthy private individuals

Sparebanken Møre - Aktiv Forvaltning

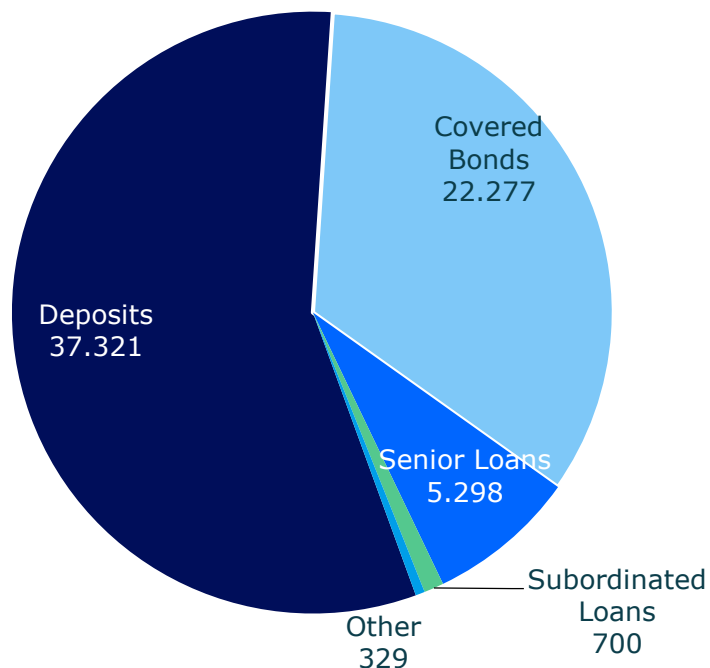
- Portfolio in NOK billion



Liquidity and Capital

Deposits from customers and market funding – strong rating

Deposits are the Group's most important source of funding



Sparebanken Møre

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

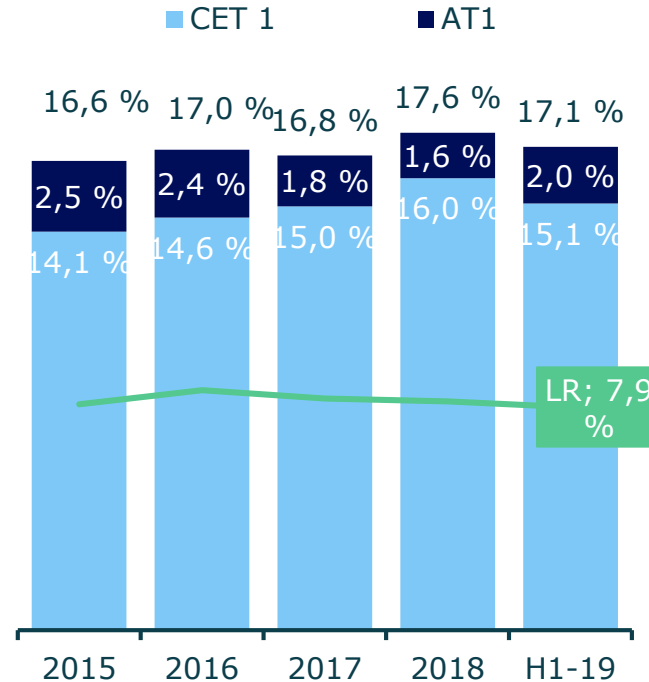
- Our strong deposit-to-loan ratio stood at 59.7 per cent by quarter end
- Total net market funding ended at NOK 28.6 billion by end of the quarter – 87 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 1.94 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.88 years (FSA defined key figures)
- Møre Boligkreditt AS has issued seven 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
- June 13 2019, 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.

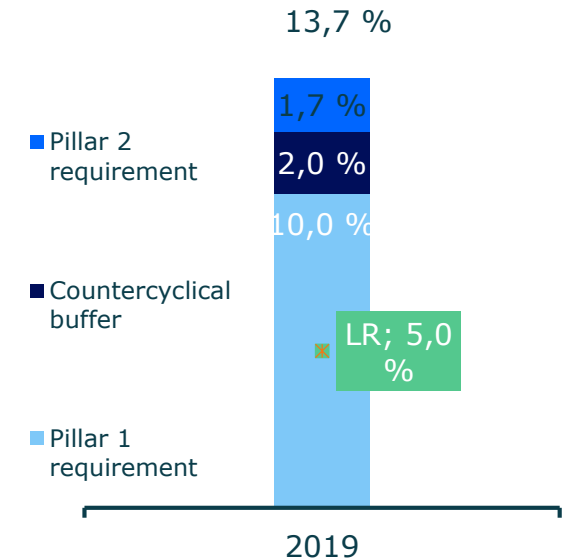
Early in June, Sparebanken Møre successfully issued a new NOK 250 million AT1 Capital bond to replace the bond maturing in September (NOK 277 million). The new issue is a callable FRN with a coupon of 3 months NIBOR+3.50 p.p., first call in June 2024

Tier 1 capital in Sparebanken Møre - % of risk weighted assets



- By half year end our Common Equity Tier 1 capital stood at 15.1 %, Tier 1 capital at 17.1 % and total capital at 19.1 %
- Sparebanken Møre's capital targets are:
 - Total Capital: Minimum 18.2 %
 - Tier 1 capital: Minimum 16.2 %
 - CET1: Minimum 14.7 %

CET1 requirement for Sparebanken Møre - % of risk weighted assets



- The Group's capital adequacy ratio is well above the 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 has been reduced to 1.7 % from March 31 2019

Equity Capital in Sparebanken Møre

Dividend Policy

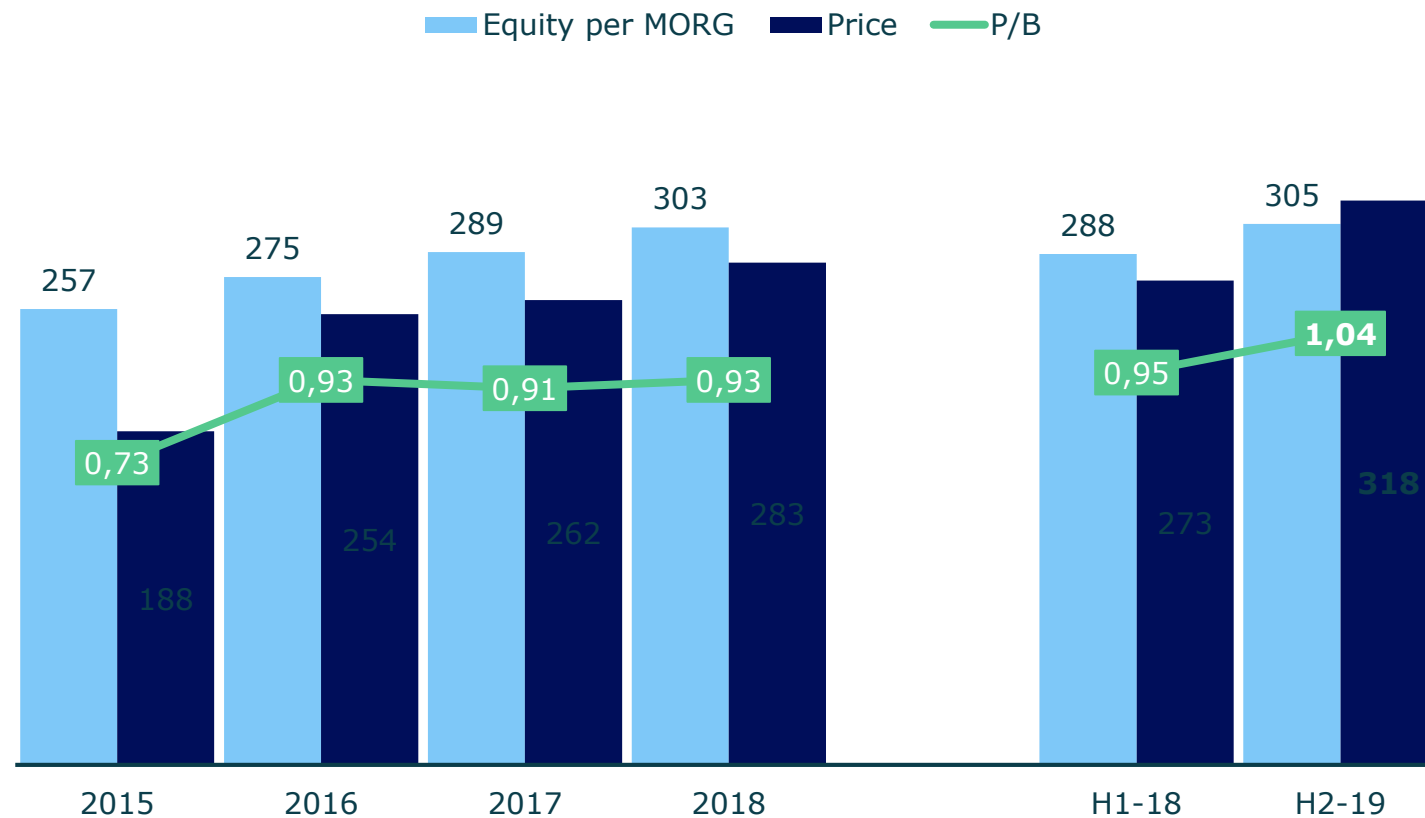
Sparebanken Møre aims to achieve financial results providing a good and stable return on the Bank's equity capital

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

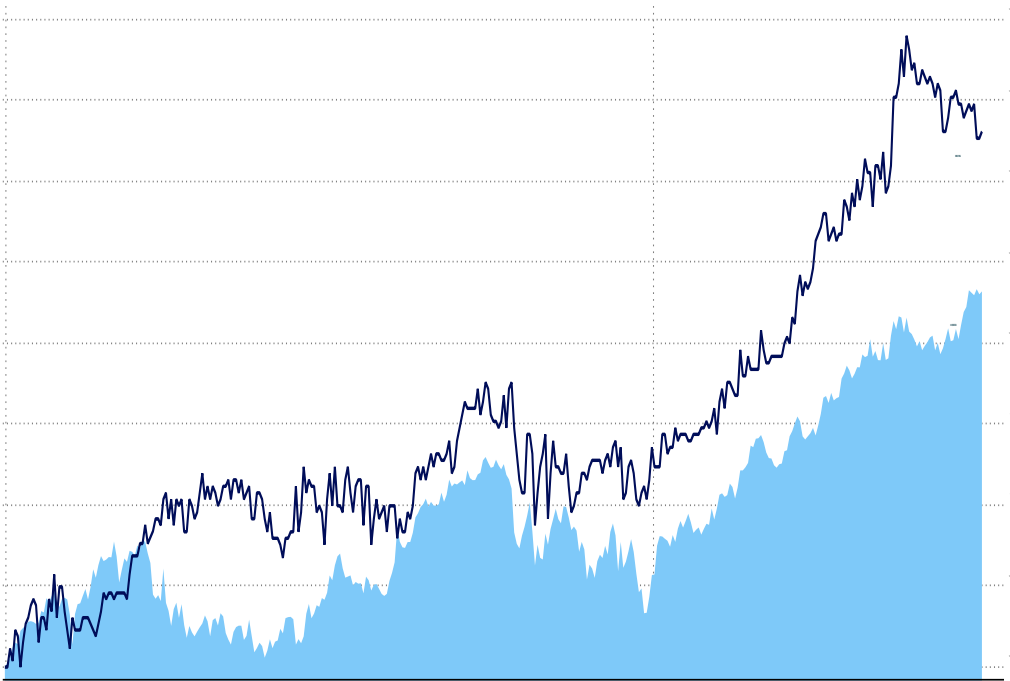
MORG – price and Price/Book (P/B) value



Equity per MORG is calculated on Group figures

Equity Capital in Sparebanken Møre

- The PCCs/ECs of Sparebanken Møre (MORG) have been listed at Oslo Stock Exchange since 1989
- Total EC capital NOK 989 million by June 2019
- Good Total Return



Annual dividend per EC (NOK)			
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		

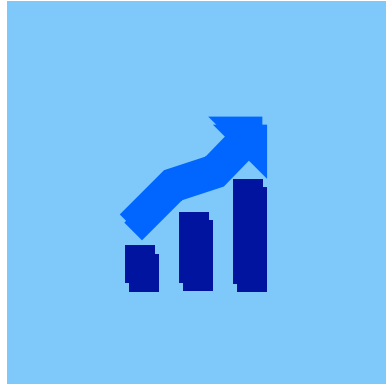
Equity Capital in Sparebanken Møre

About equity certificates

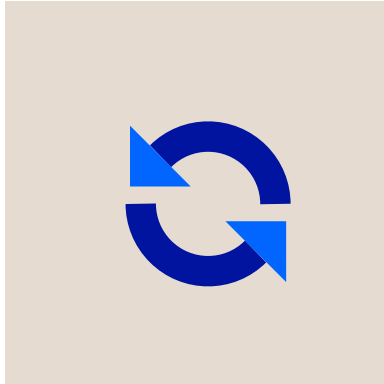
- Equity certificates are a special kind of equity instrument first introduced by savings banks in 1988. A total of 32 banks have now issued such certificates, and 19 of them are listed on the stock exchange
- Equity certificates are an important part of savings banks' capital base and confer ownership 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

Source: The Norwegian Savings Bank Association <https://www.sparebankforeningen.no/en/egenkapitalbevis/about-equity-certificates/>

Goals in our strategic plan 2020-2023



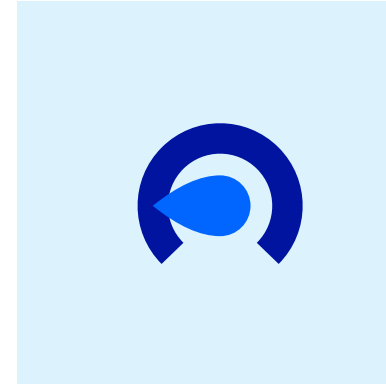
**ROE > 11.0
per cent**



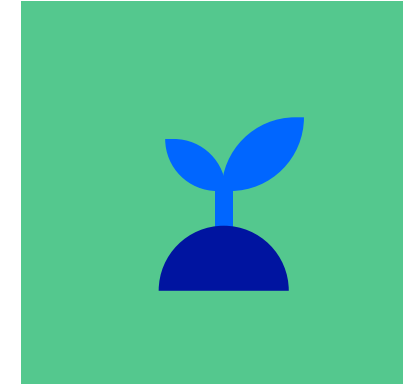
**C/I < 40.0
per cent**



**CET1 > 14.7
per cent**



**Low level
of losses**



**Healthy financial
structure**

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