

Sparebanken Møre - the Group

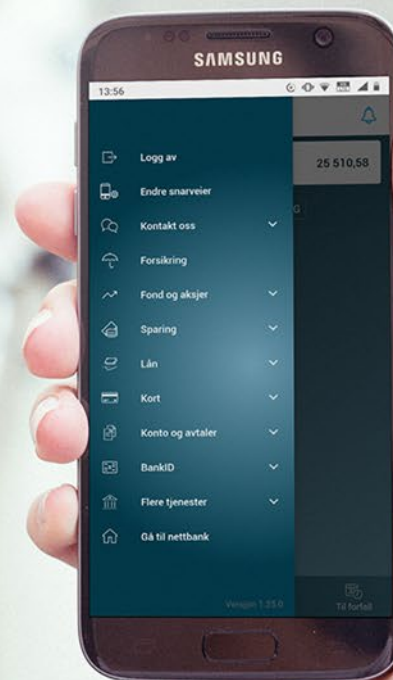
24 January 2019

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



SPAREBANKEN MØRE

28

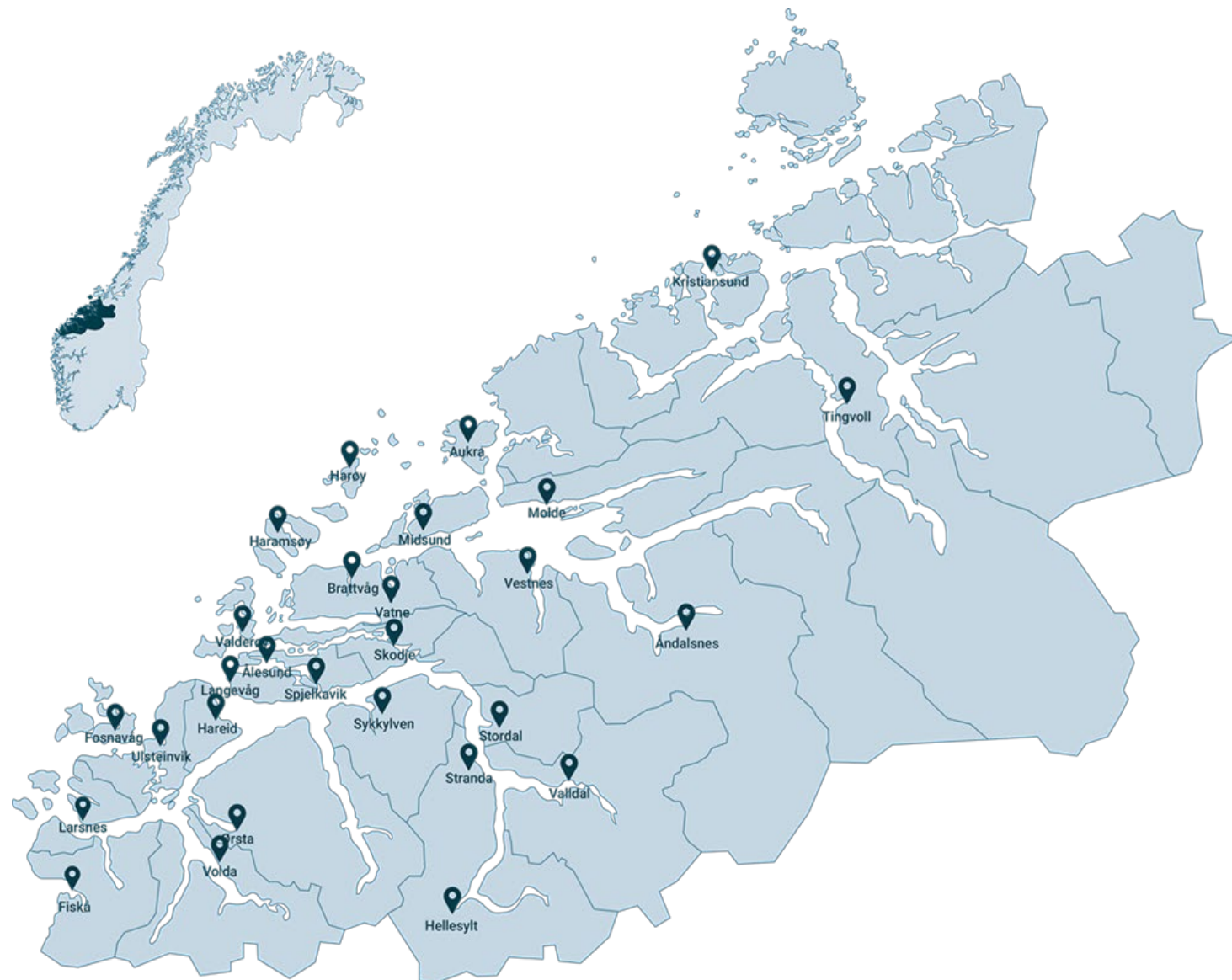
**OFFICES IN
MØRE OG ROMSDAL**

361

MAN YEARS

71

**BILLION IN
TOTAL ASSETS**



Skal hjelpe lokale bedrifter å vekse

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



Administrerende direktør
TORVHOLM SJEVIK

Ålesundregionen med i FN-prosjekt:

Gir 1 million i bidrag til Smart City-utviklingen i Ålesund og regionen

Det melder Sparebanken Møre i en pressemelding 2. juledag.

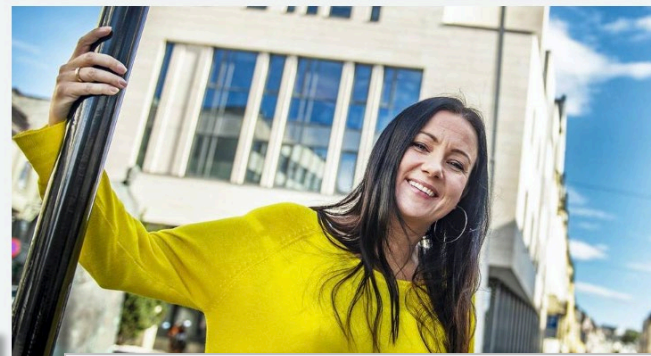


Overrekkelse: Leder i fellesnemnda for nye Ålesund og ordfører i Ålesund Eva Vinje Aurdal sammen med administrerende direktør i Sparebanken Møre, Trond Lars Nydal. FOTO: SPAREBANKEN MØRE

Kjempesamling i Fosnavåg

- Årets gründerhappening i fylket

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



Næringstefte

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



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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



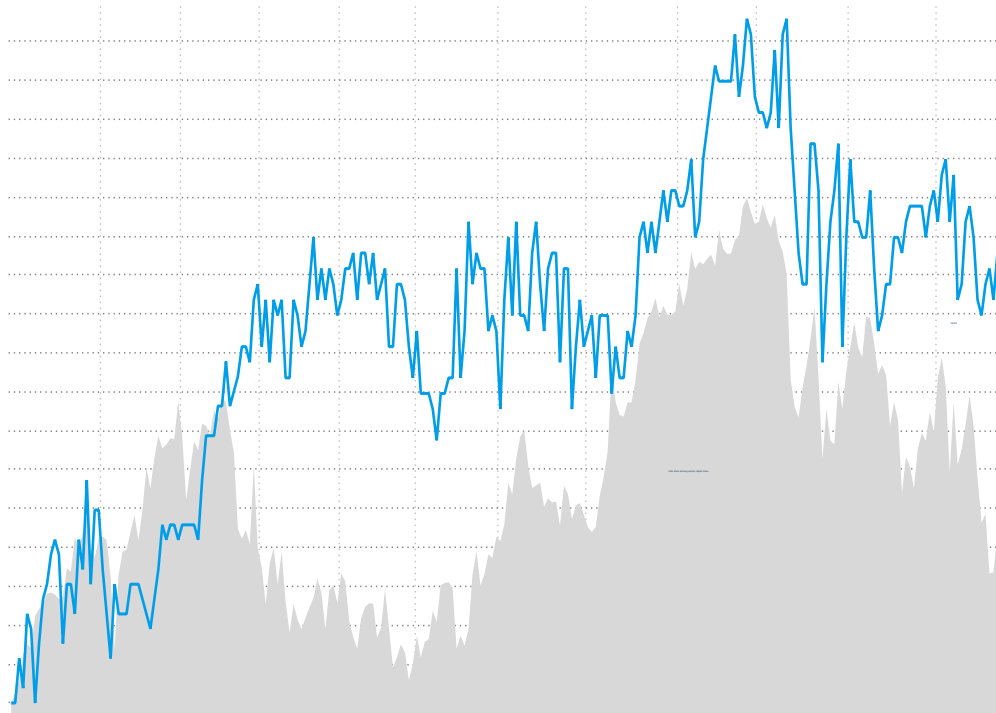
High return: Return on Equity ended at 10,6 per cent

MORG – strong capital and high dividend

A winner at Oslo Stock Exchange



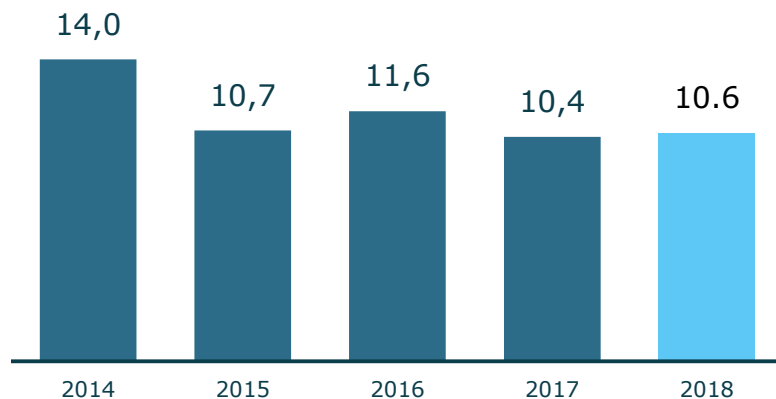
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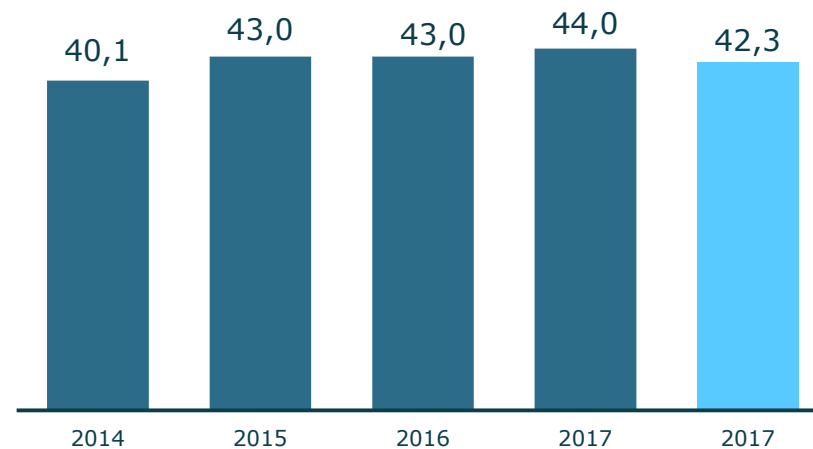
- With a MORG (Sparebanken Møre Equity Certificate) price of NOK 283 at the end of 2018, the price to book ratio has improved from 0.91 to 0.93 during the year
- The price of MORG rose by almost 13.6 per cent (Total return) during 2018, about 8 p.p. more than the equity certificate index
- CET1 increased 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

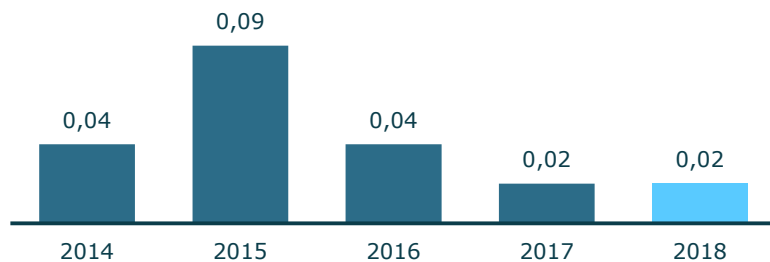
Return on Equity



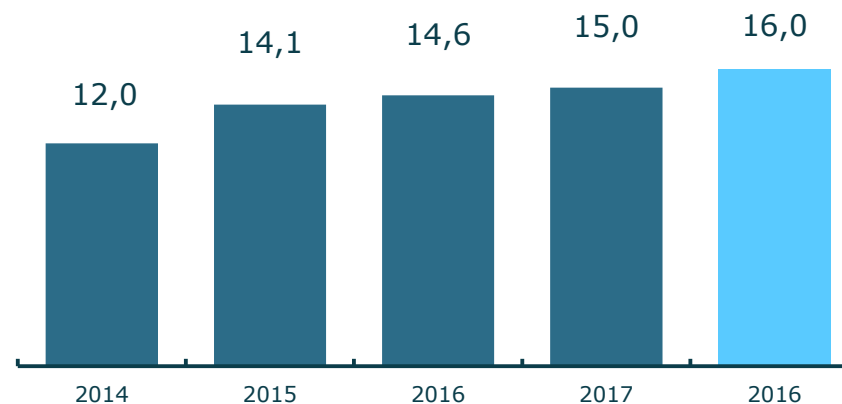
Cost/Income



Losses on Loans and Guarantees

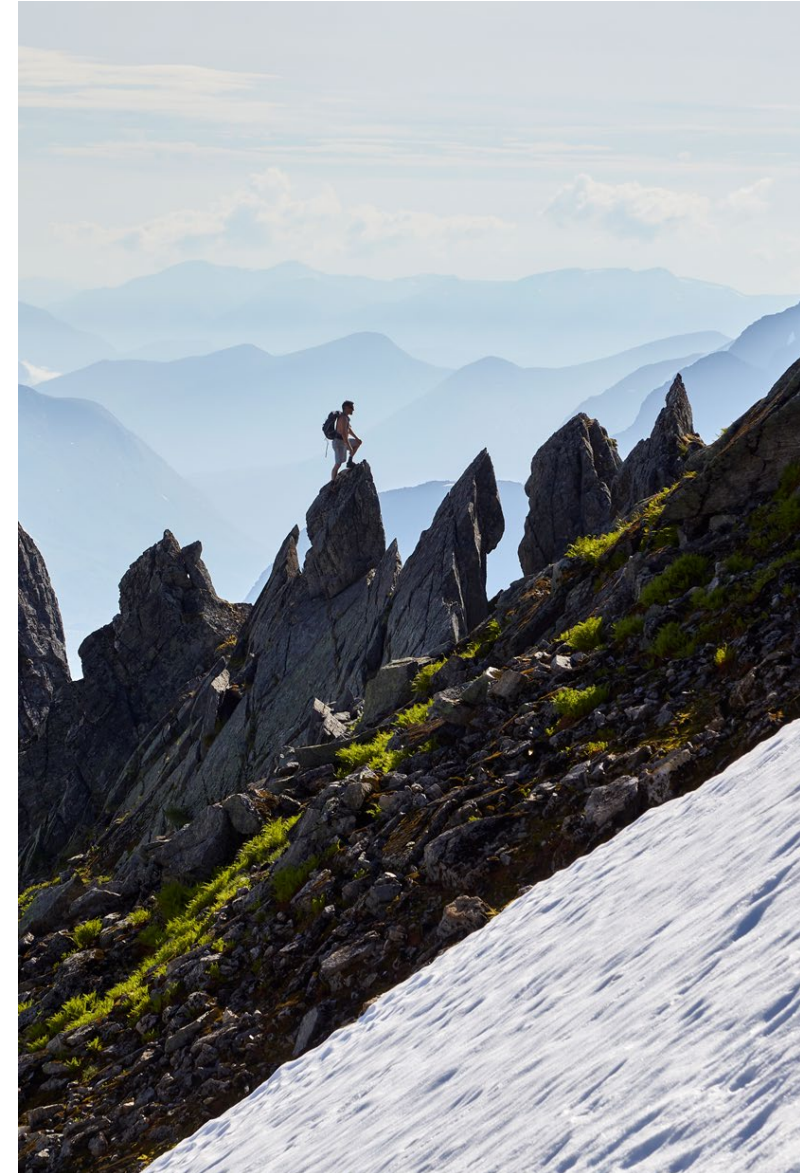


Common Equity Tier1 Capital (CET1)



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

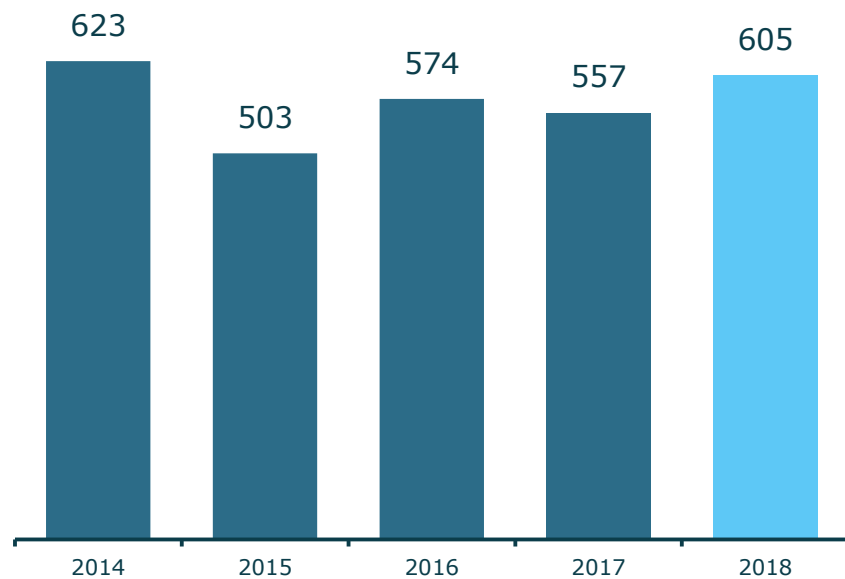


Good results

9 per cent improved result compared to 2017

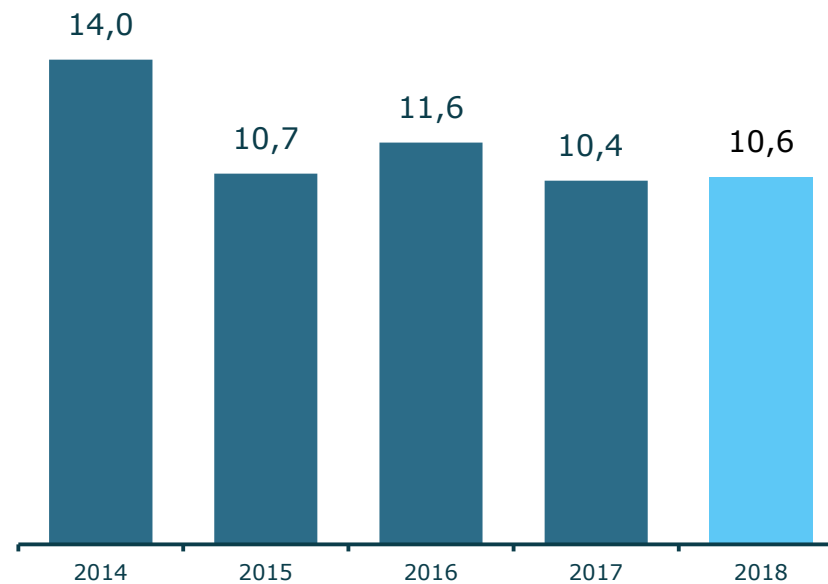
Profit after tax

- NOK million



Return on Equity (ROE)

- in percent

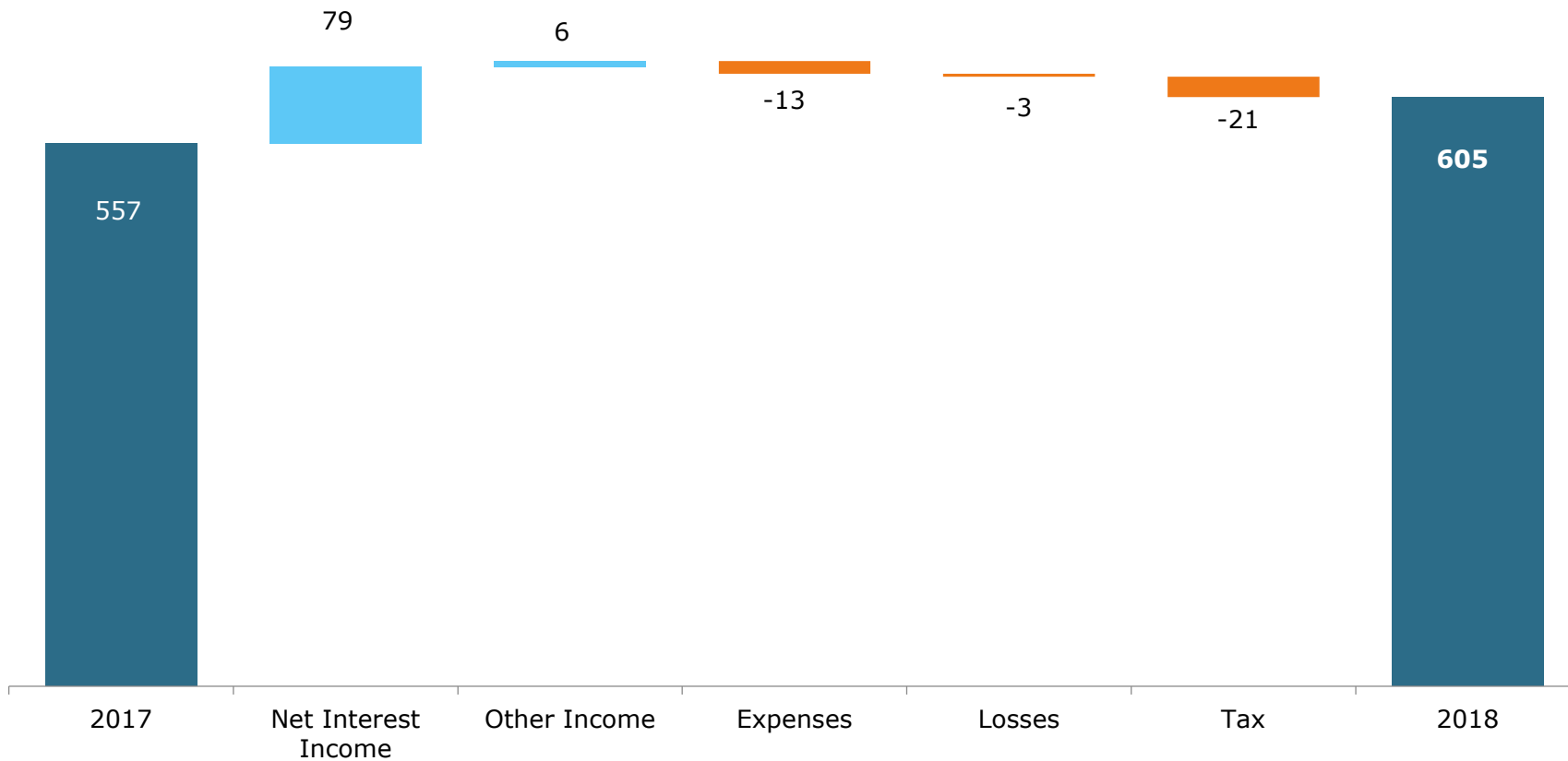


Growth in income, stable cost level and low losses

Result in 2018 compared to 2017



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Results

Statement of income 2018 – The Group



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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

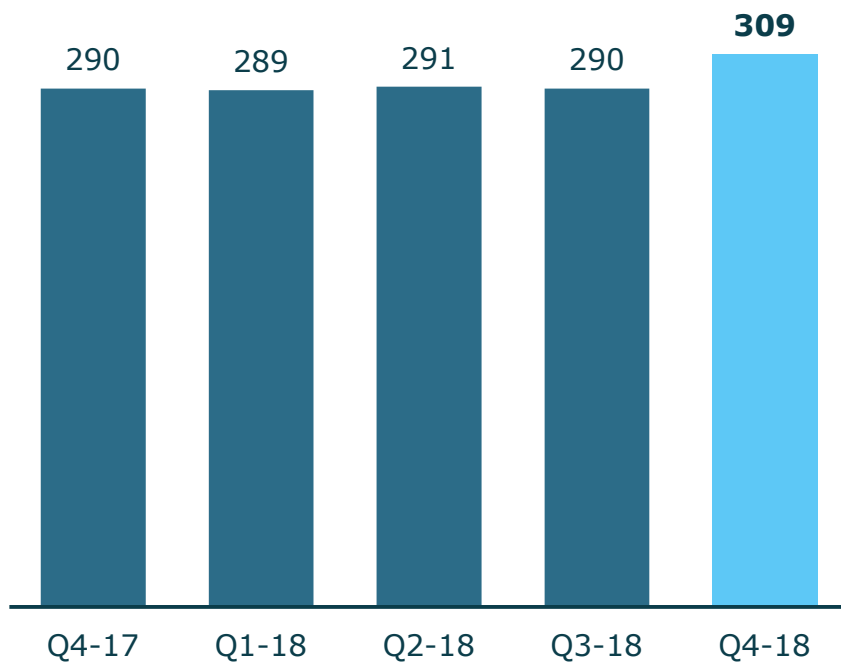
Strong development



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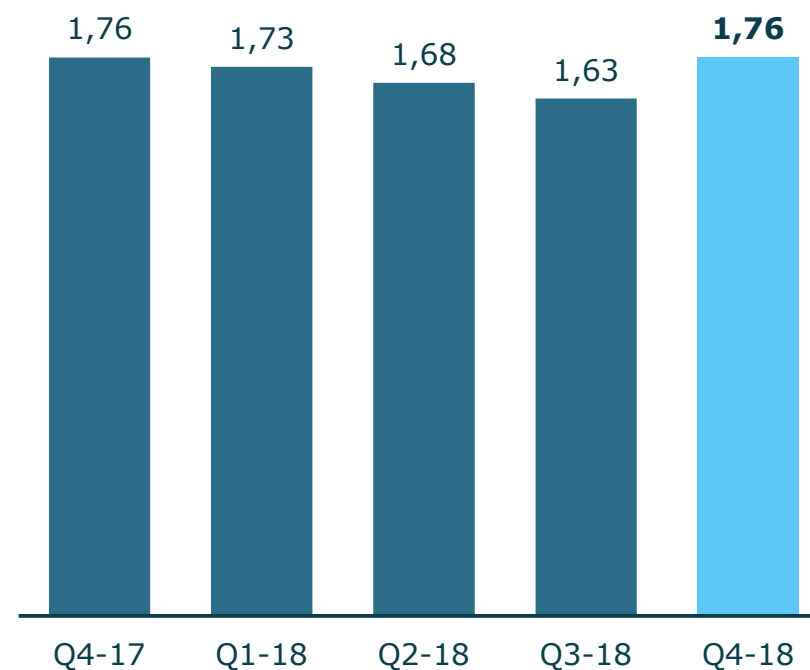
Net Interest Income

- NOK million



Net Interest Income

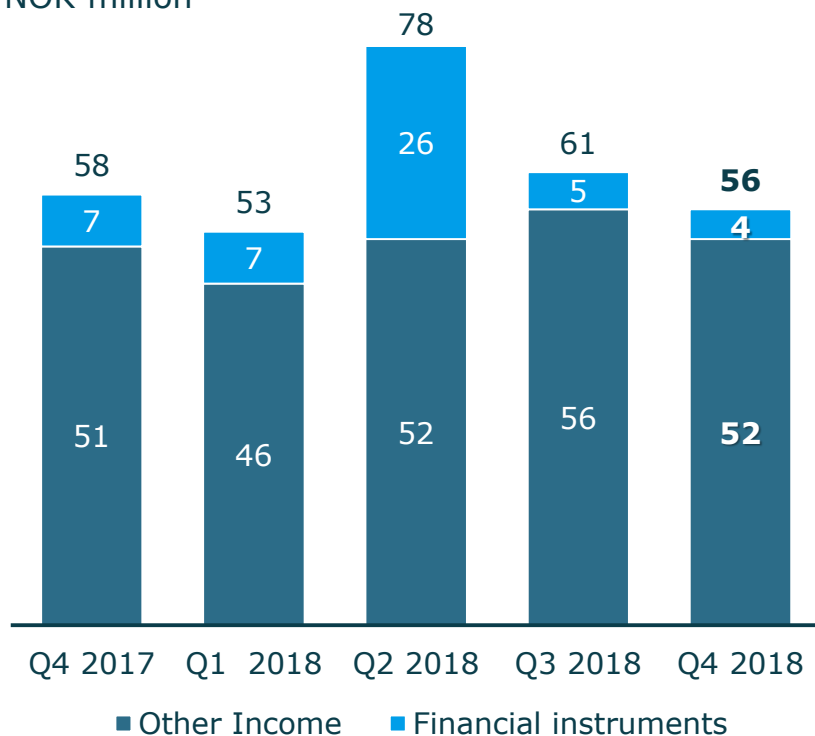
- % of Average Assets



Quarterly development in Other Income

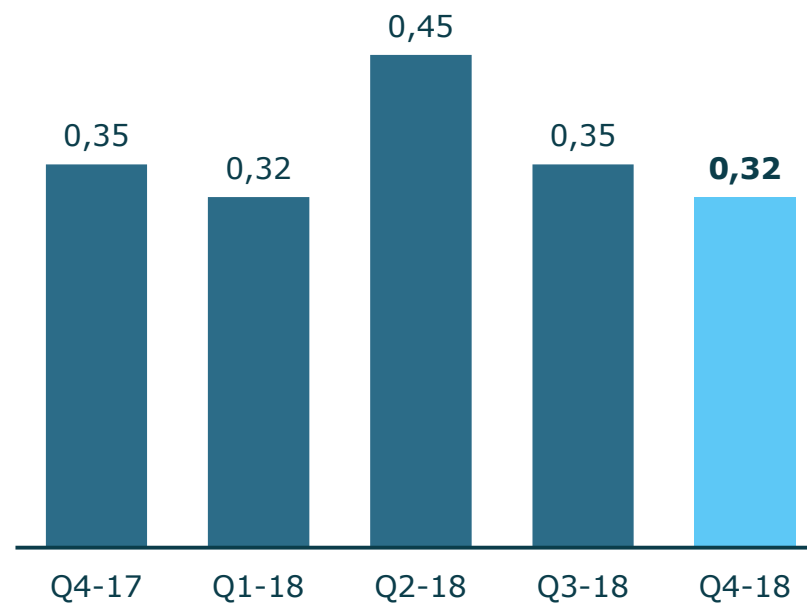
Other Income

- NOK million



Other Income

- % of Average Assets



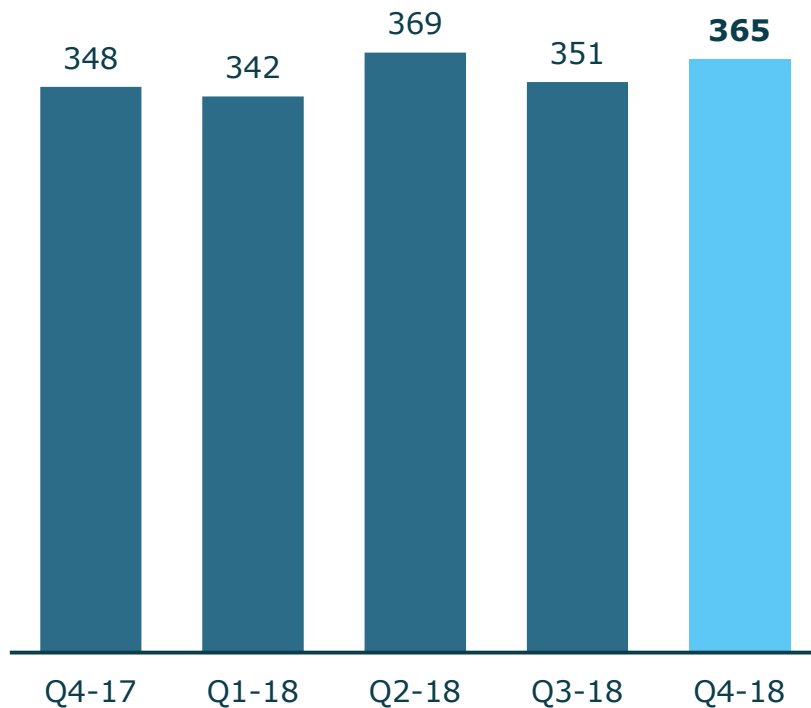
Losses on the bond portfolio amounted to NOK 8 million and losses on shares to NOK 6 million in Q4 2018

Total Income

5 per cent income growth compared to Q4 2017

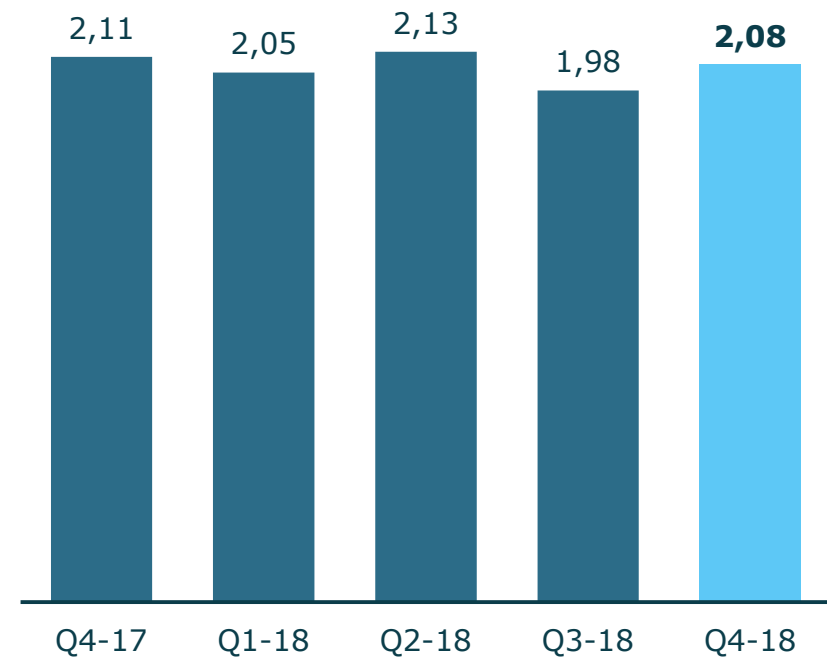
Total Income

- NOK million



Total Income

- % of Average Assets



Strong cost control – improved efficiency

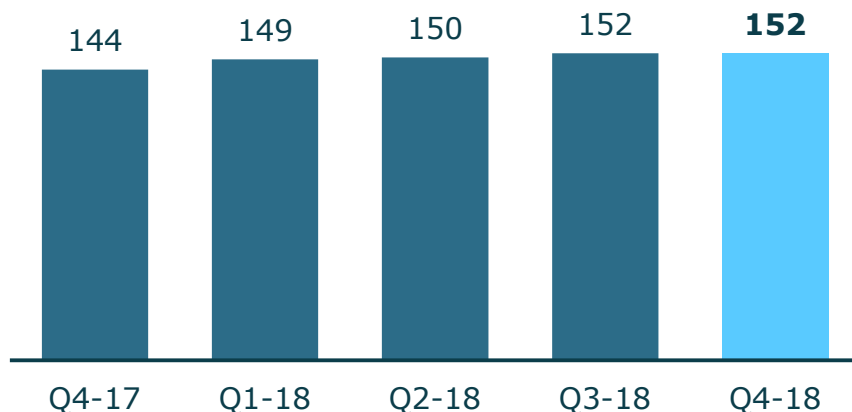
Positive development



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Operating Costs

- NOK million



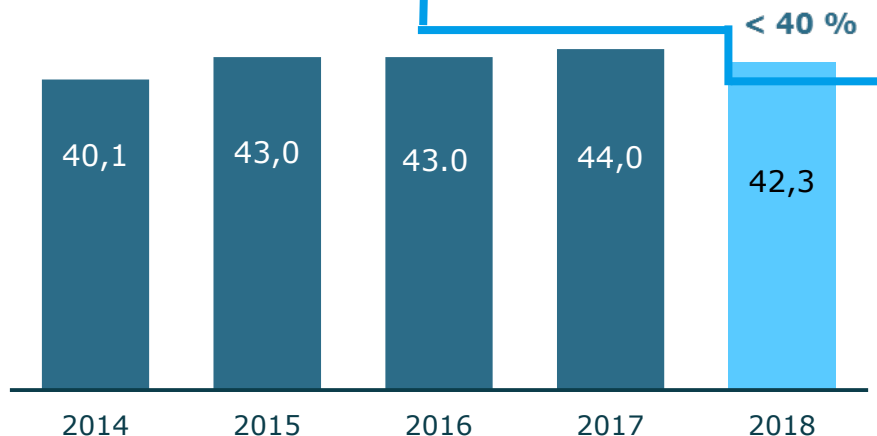
Operating Costs

- % of Average Assets



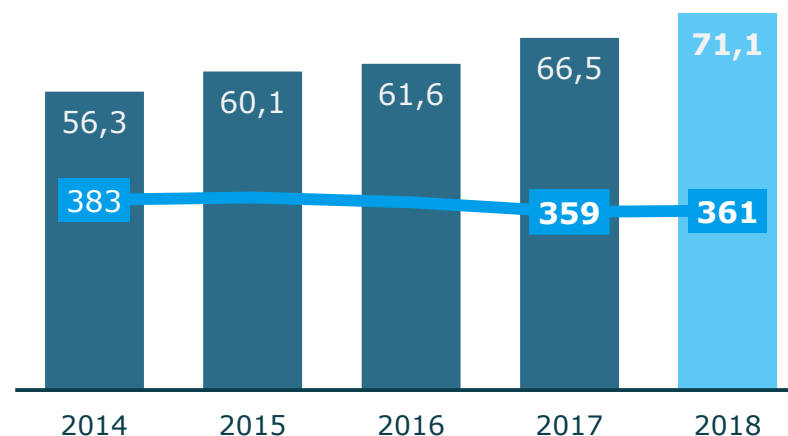
Cost/Income ratio

Target



Total Assets and Man Years

- Total Assets in NOK billion



Strong underwriting

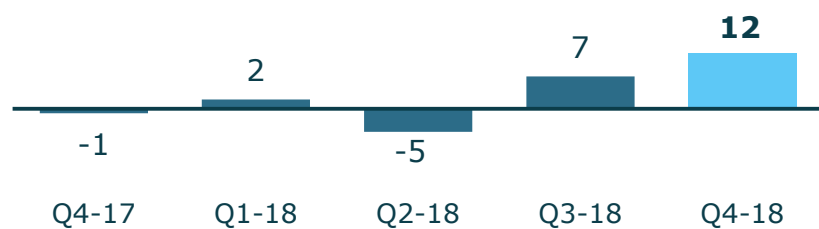
Persistent low losses



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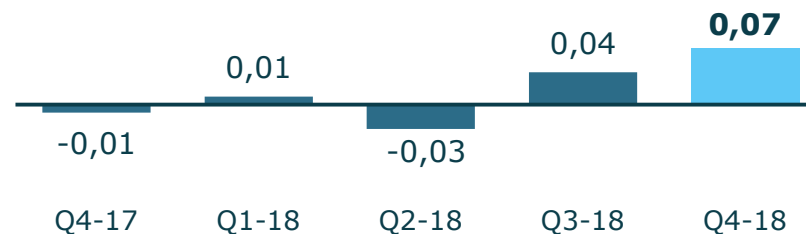
Losses on loans and guarantees

- NOK million



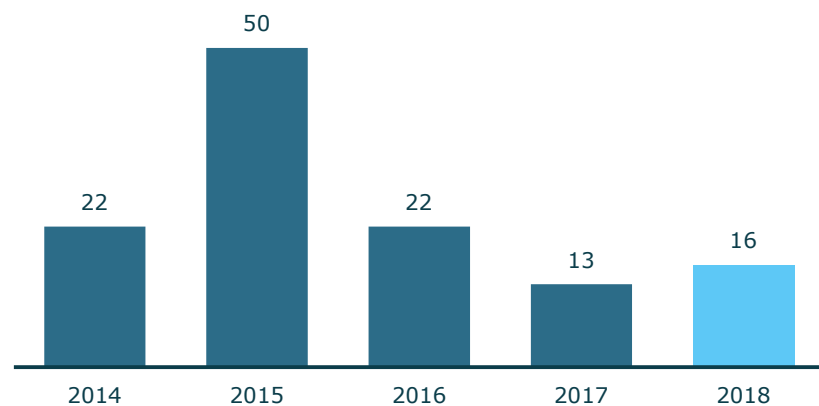
Losses on loans and guarantees

- % of Average Assets



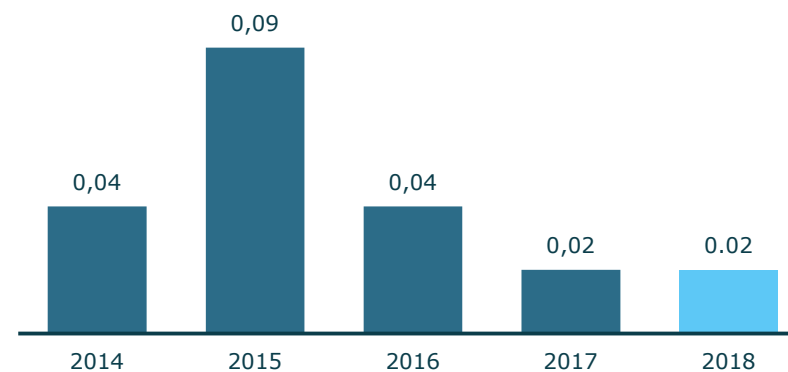
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

- % of Average Assets



Losses on loans and guarantees

- NOK million



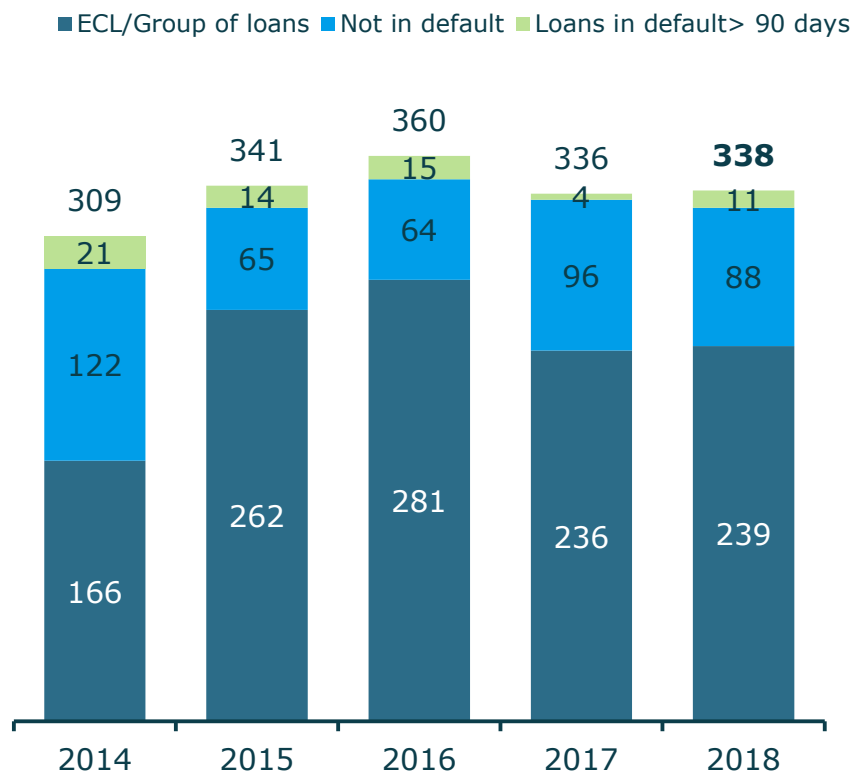
- The expected credit loss (ECL) model is compliant with IFRS 9 and is used to calculate losses
- Total calculated ECL by year end is NOK 5 million higher than by 1.1.2018
- Individual impairments and other losses of NOK 6 million for retail customers and NOK 5 million for corporate customers
- Total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

Impairments

High and comfortable levels

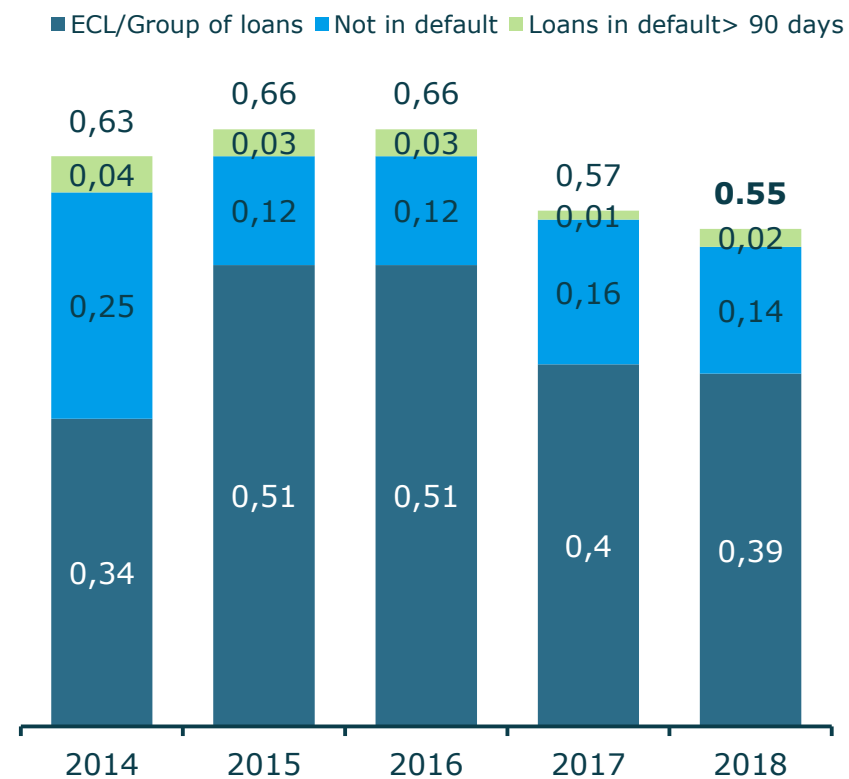
Impairments

- NOK million



Impairments

- % of Gross Loans



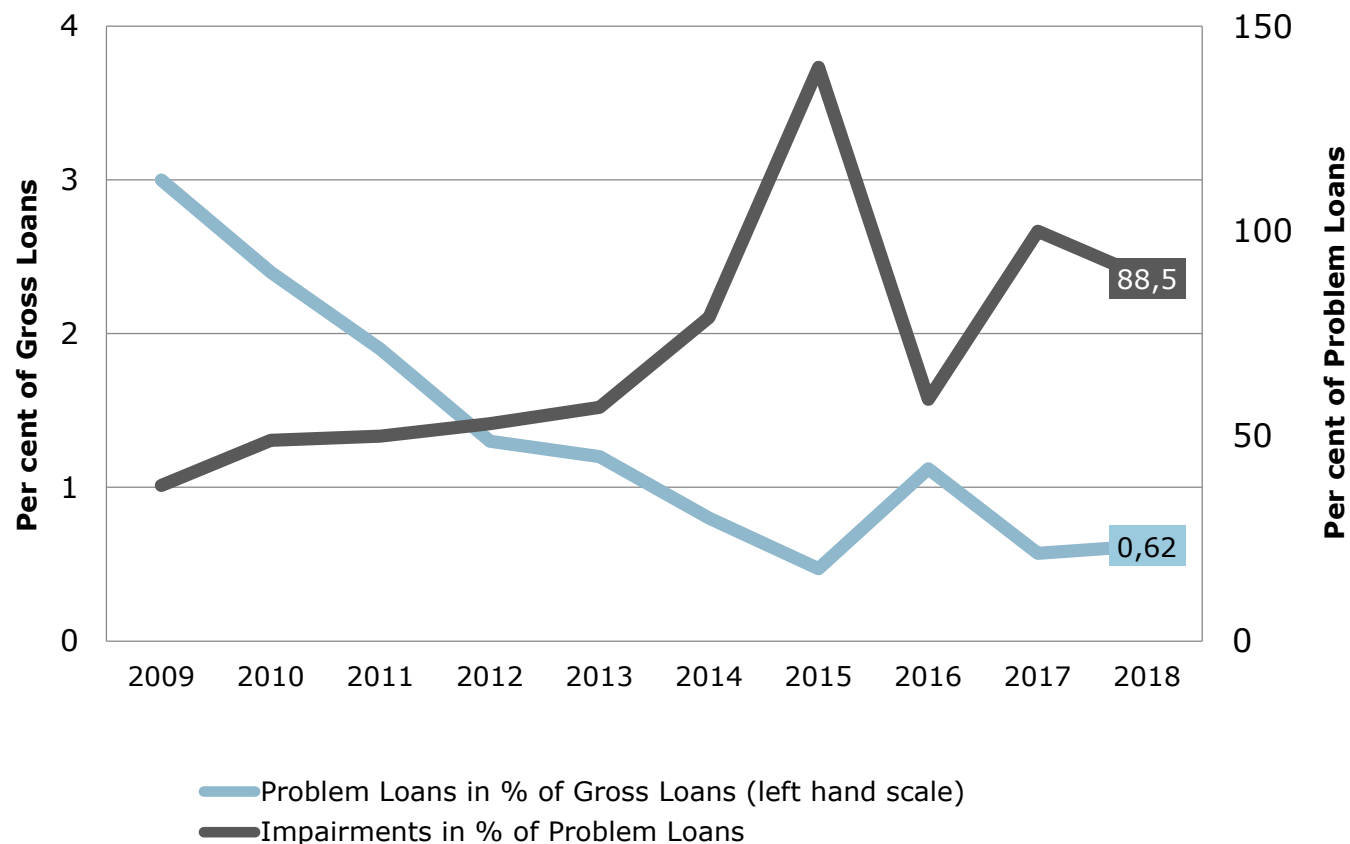
Problem Loans and Impairments

Low level of problem loans and good coverage



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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

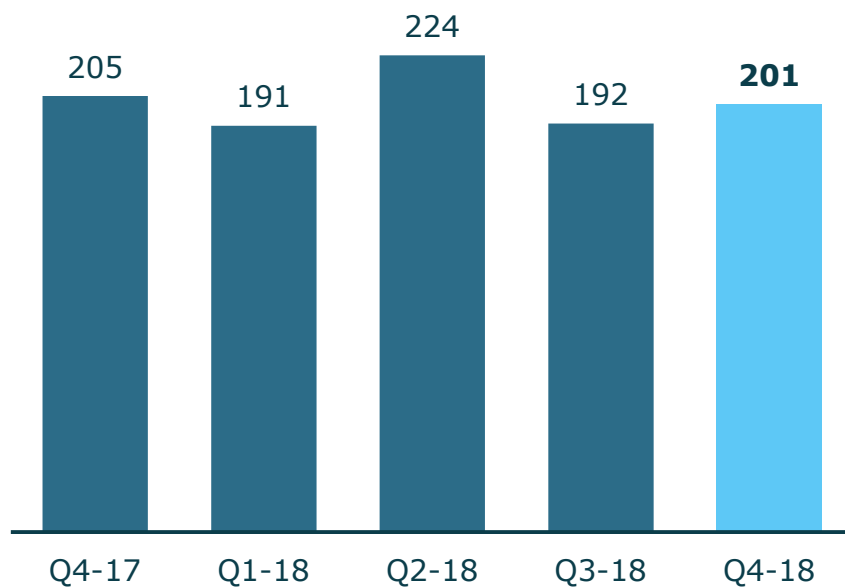
Stable quarterly development



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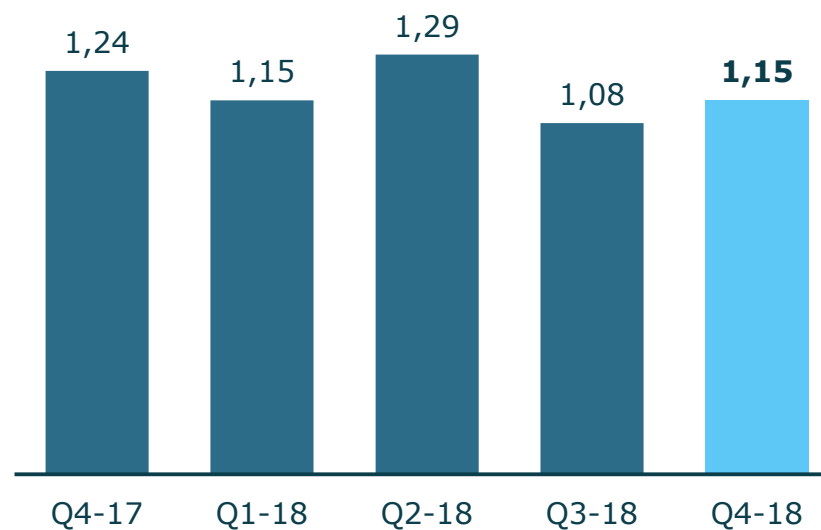
Profit after losses

- NOK million



Profit after losses

- % of Average Assets



Balance sheet

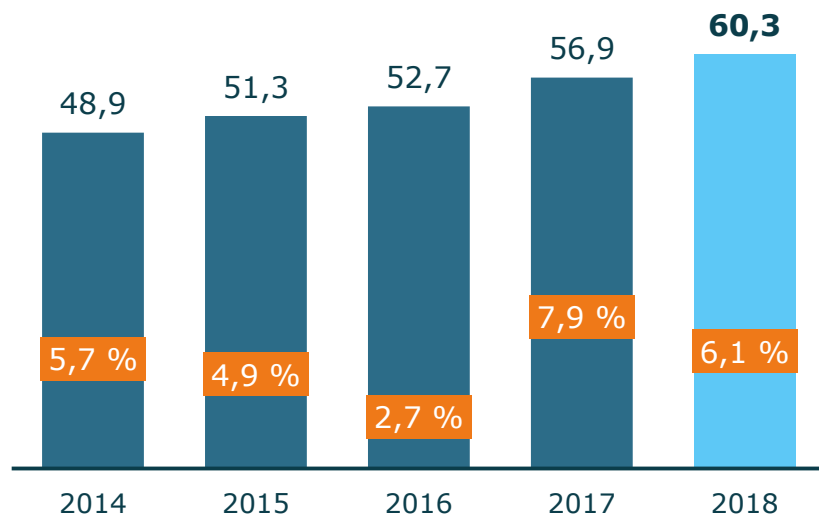


Continued good growth

Strong loan growth and high deposit-to-loan ratio

Loans

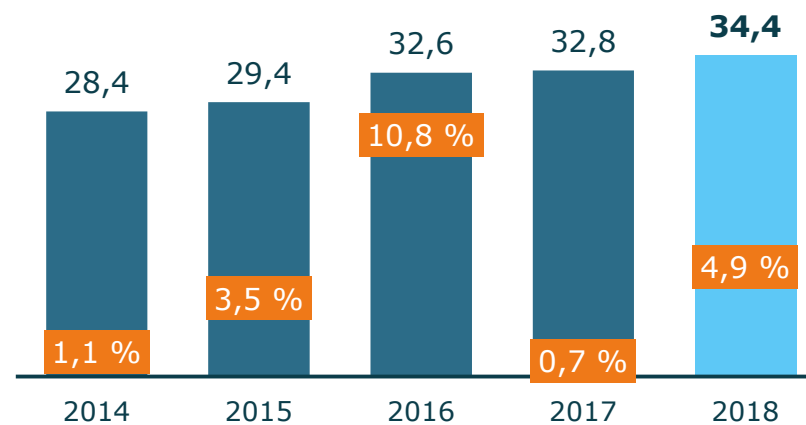
- NOK billion and per cent (y/y)



- Customer lending has increased by 6.1 % over the last 12 months

Deposits

- NOK billion and per cent (y/y)



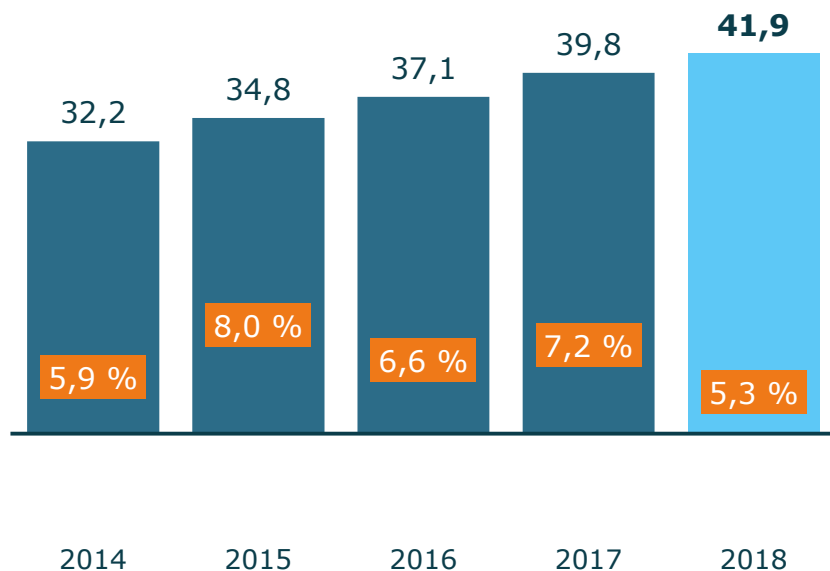
- Deposit growth of 4.9 % over the last 12 months
- High deposit-to-loan ratio of 57 %

Lending

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

Retail market

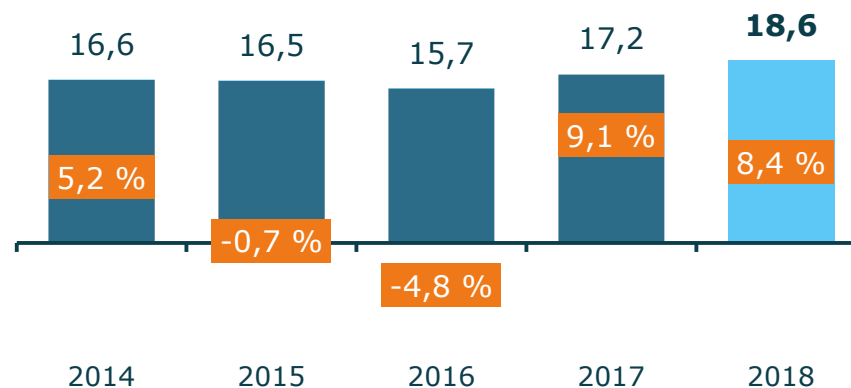
- NOK billion and per cent y/y



- 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 market

- NOK billion and per cent y/y



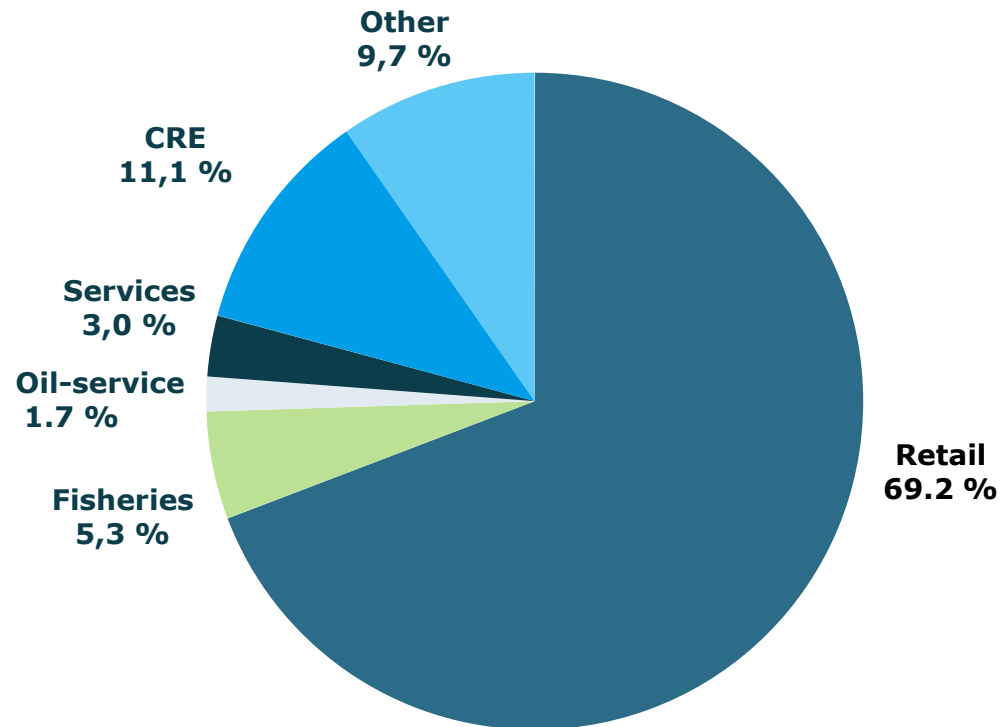
- Corporate lending has increased by 8.4 % over the last 12 months
- Loans to the corporate market amount to 30.8 % of total loans

Diversified loan book

Loans by sector



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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

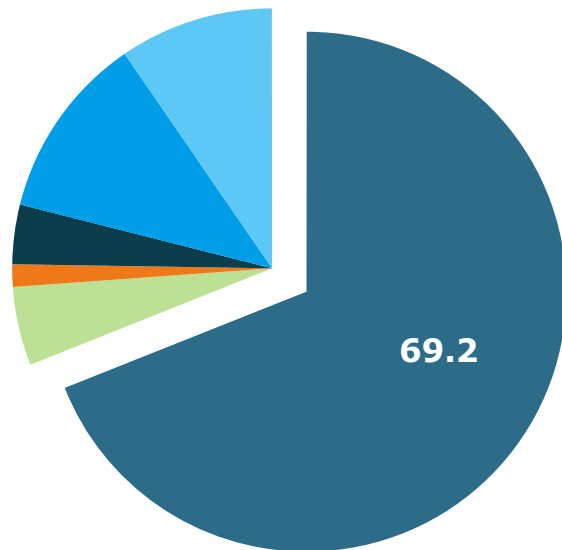
High proportion of secured loans



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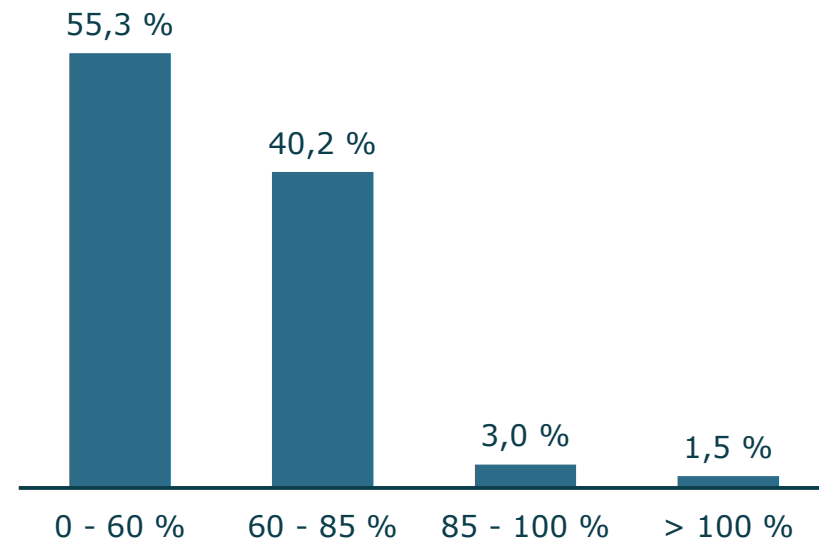
Loans to retail customers

- % of total loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the fourth quarter of 2018 were 5.1 % outside Oslo, and 0.8 % in Oslo

Loan to value – retail loans



- 95.5 % of mortgage-backed loans to retail customers are within 85 % of value

Housing prices

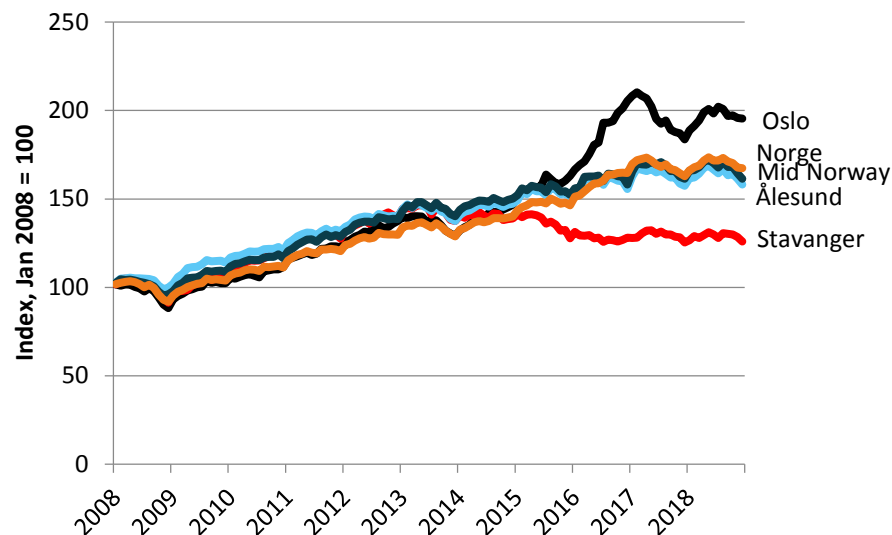
Development from January 2008 to September 2018



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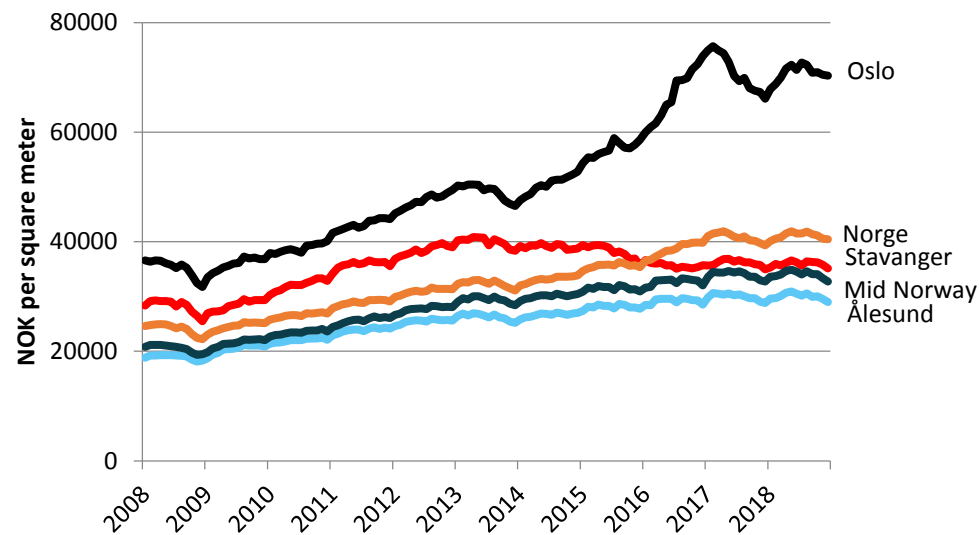
Development in housing prices

- 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 December 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

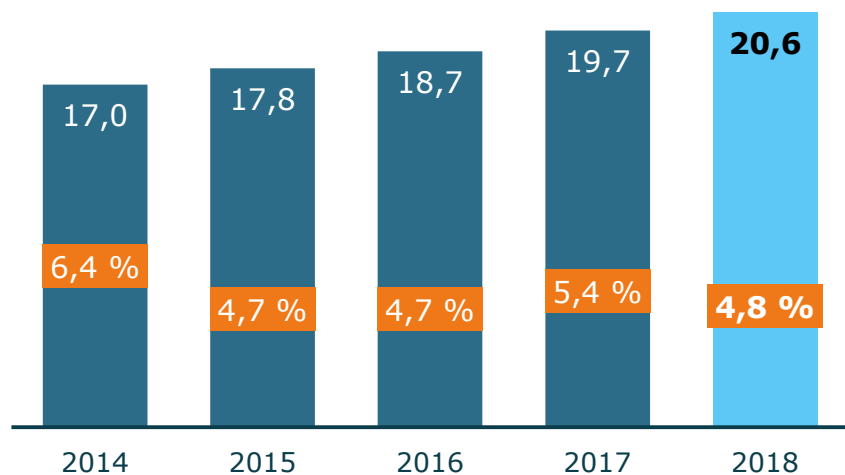
** Mid-Norway including the county of Møre og Romsdal and the county of Trøndelag

Deposits

Good growth in deposits over the last 12 months

Retail market

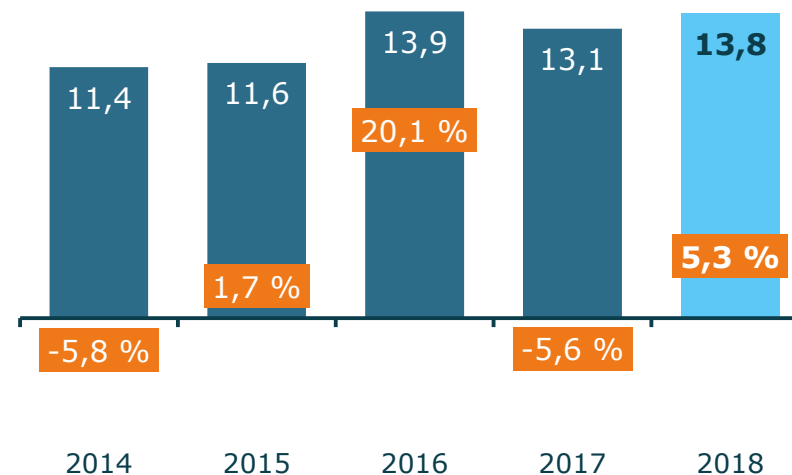
- NOK billion and per cent y/y



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

Corporate and public

- NOK billion and per cent y/y



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

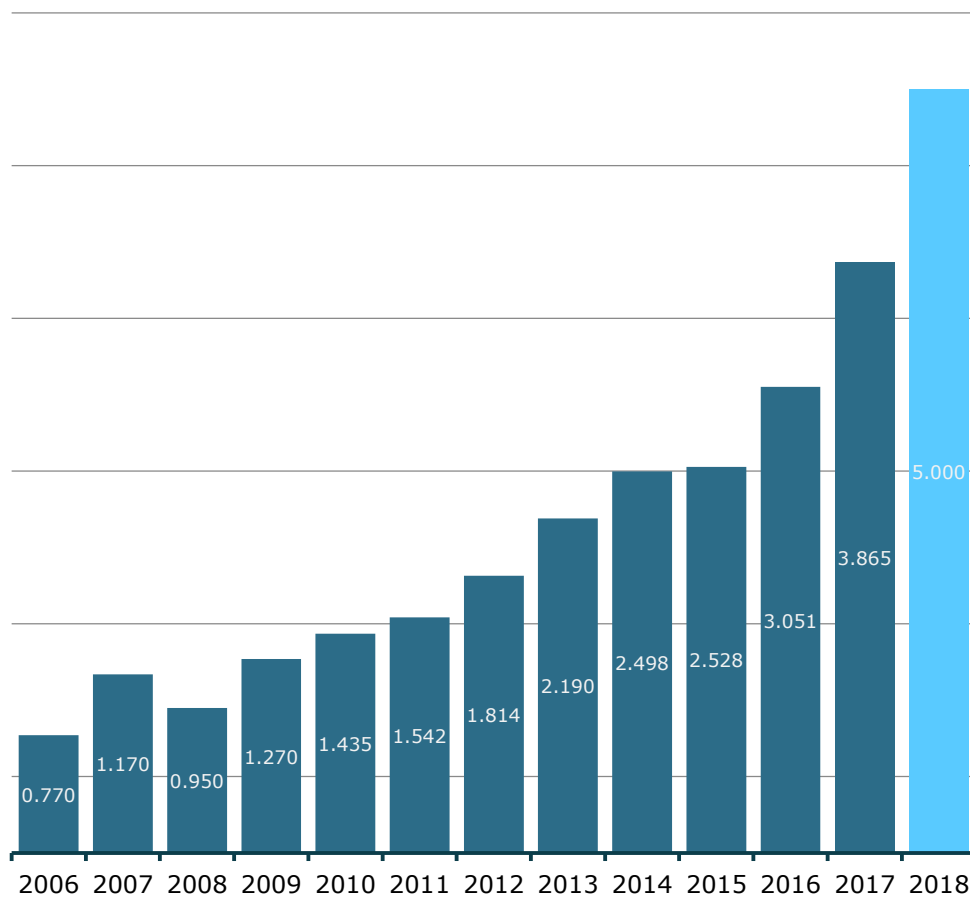
Discretionary Portfolio Management

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

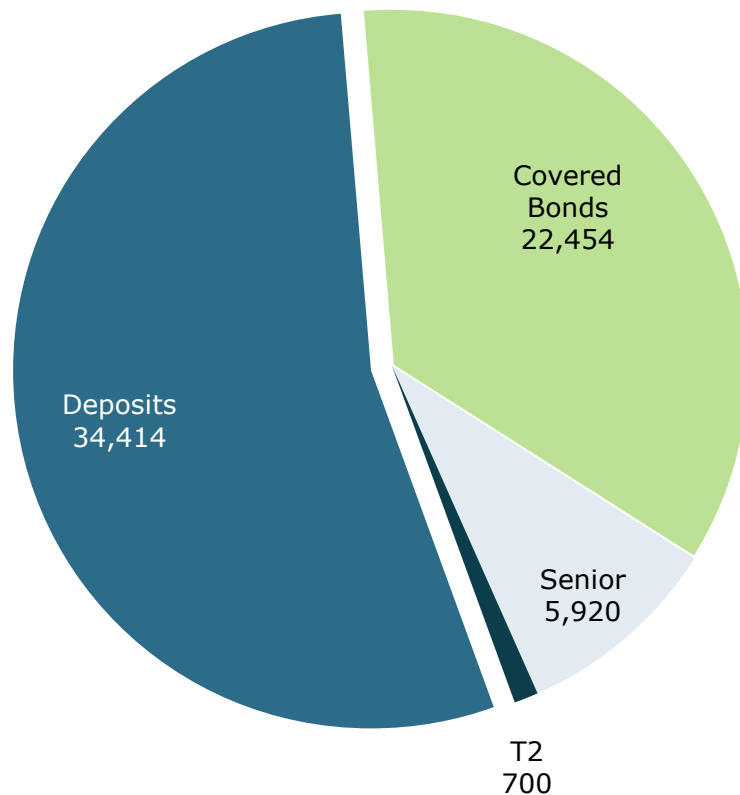


Deposits from customers and market funding

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

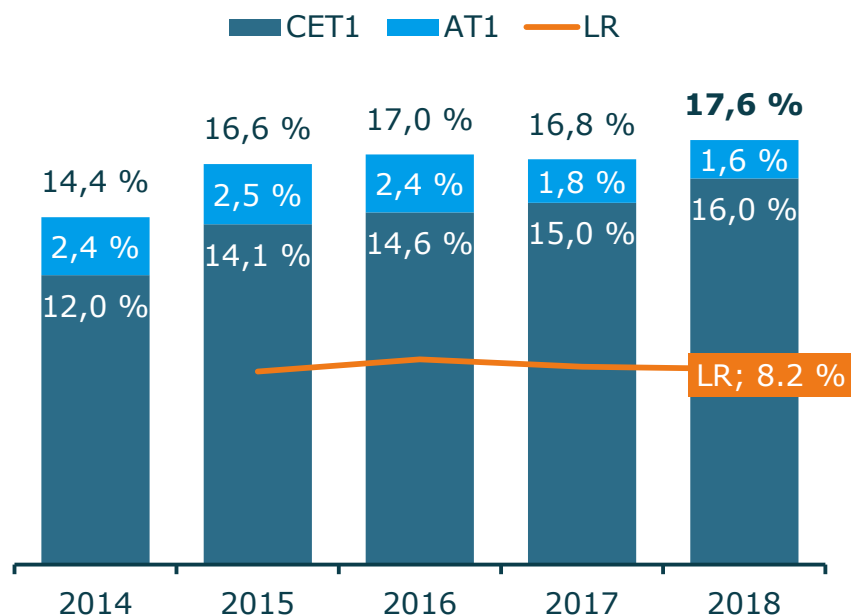
- Our strong deposit-to-loan ratio stood at 57.0 per cent by year end
- Total net market funding ended at NOK 28.5 billion by end of the year – 89 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 1.93 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.45 years (FSA defined key figures)
- Møre Boligkreditt AS has issued seven loans qualifying for Level 2A liquidity in LCR. In June 2018, the mortgage company issued it's 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

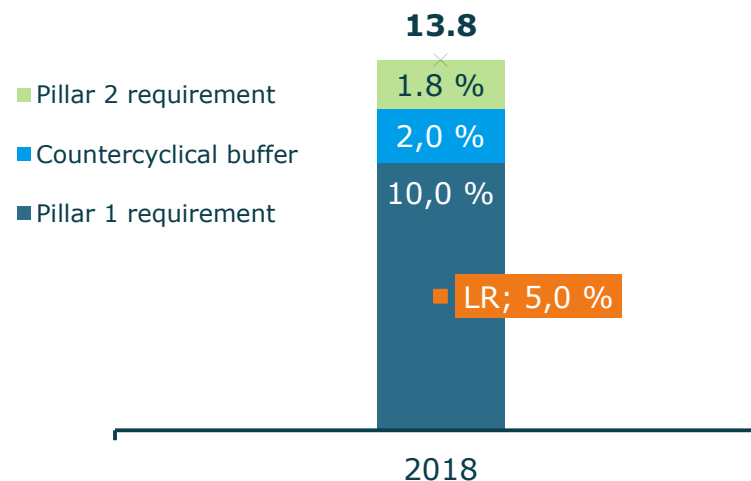
- % of risk weighted assets



- 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 %

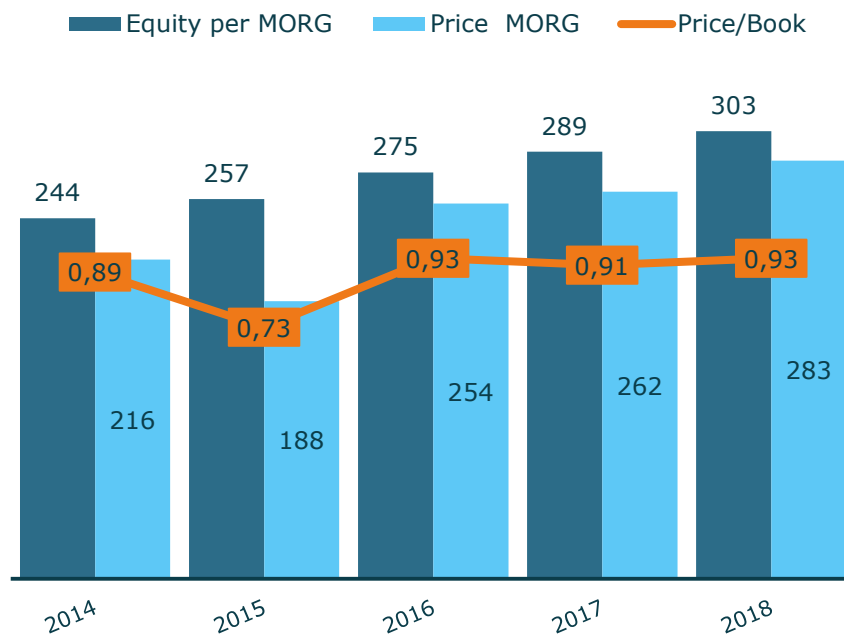
CET1 requirement for Sparebanken Møre

- % of risk weighted assets



- 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

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

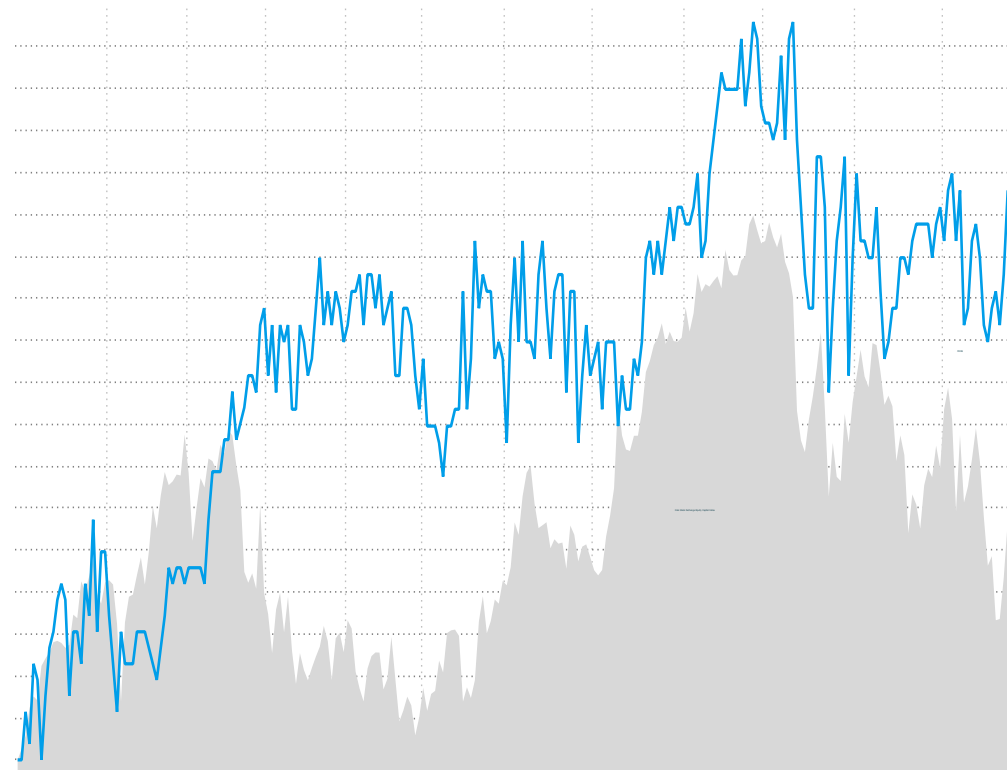
Dividend and EC-price



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 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



SPAREBANKEN MØRE

- 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



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