



Sparebanken Møre - the Group

Presentation

1st. quarter 2015

Agenda

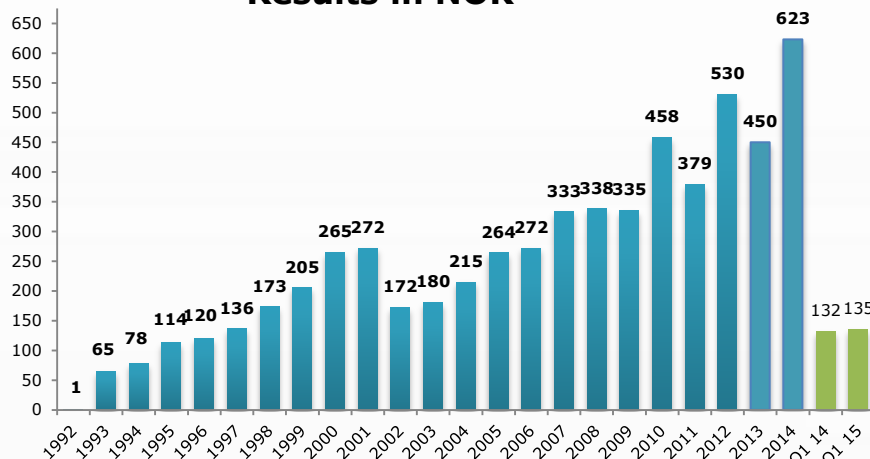
- Summary
- Introduction
- Deposits and Loans
- Funding and Hedging
- Results
- Equity and ECs
- Future prospects
- Macroeconomic overview



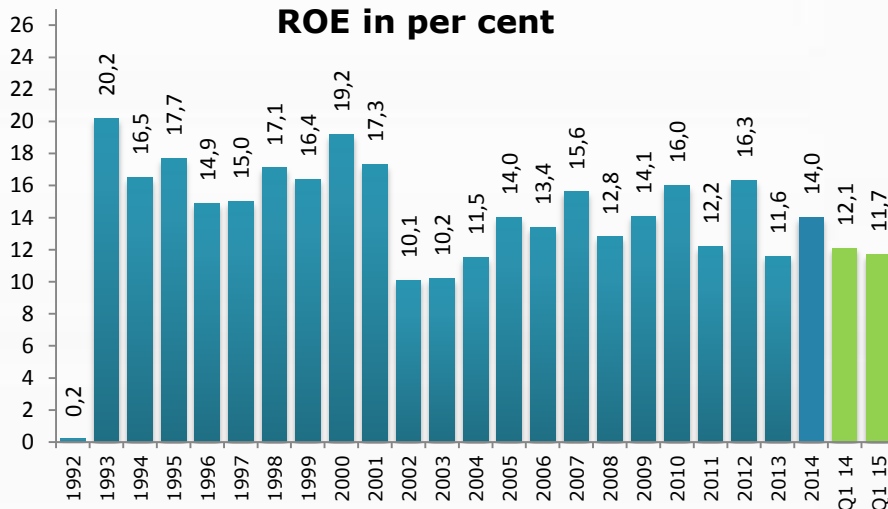


Historical performance – in NOK and ROE

Results in NOK



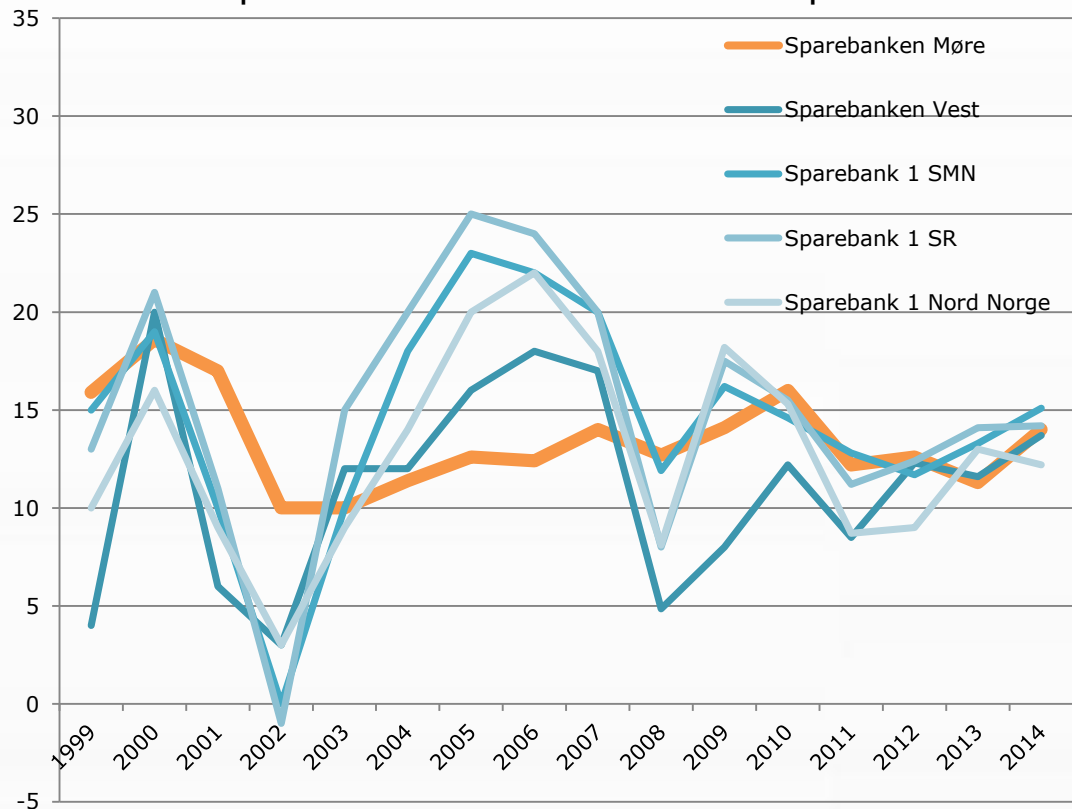
ROE in per cent



- Favourable operating environment, a strong county in a strong Norwegian economy
- Maintained high level of net interest income
- Strong cost-efficiency
- Low level of loan losses and low volume of loans in default
- Total assets about NOK 58.3 billion by quarter end
- Lower margins in the funding market but still strong competition in the deposits market
- Sparebanken Møre has got approval from the Norwegian FSA to use the IRB Foundation Approach for calculating capital requirement for the corporate market, IRB Approach for the retail market
- Core Tier 1 Capital 13.6 % by quarter end

High and stable return – based on our business model

Reported ROE – historical development

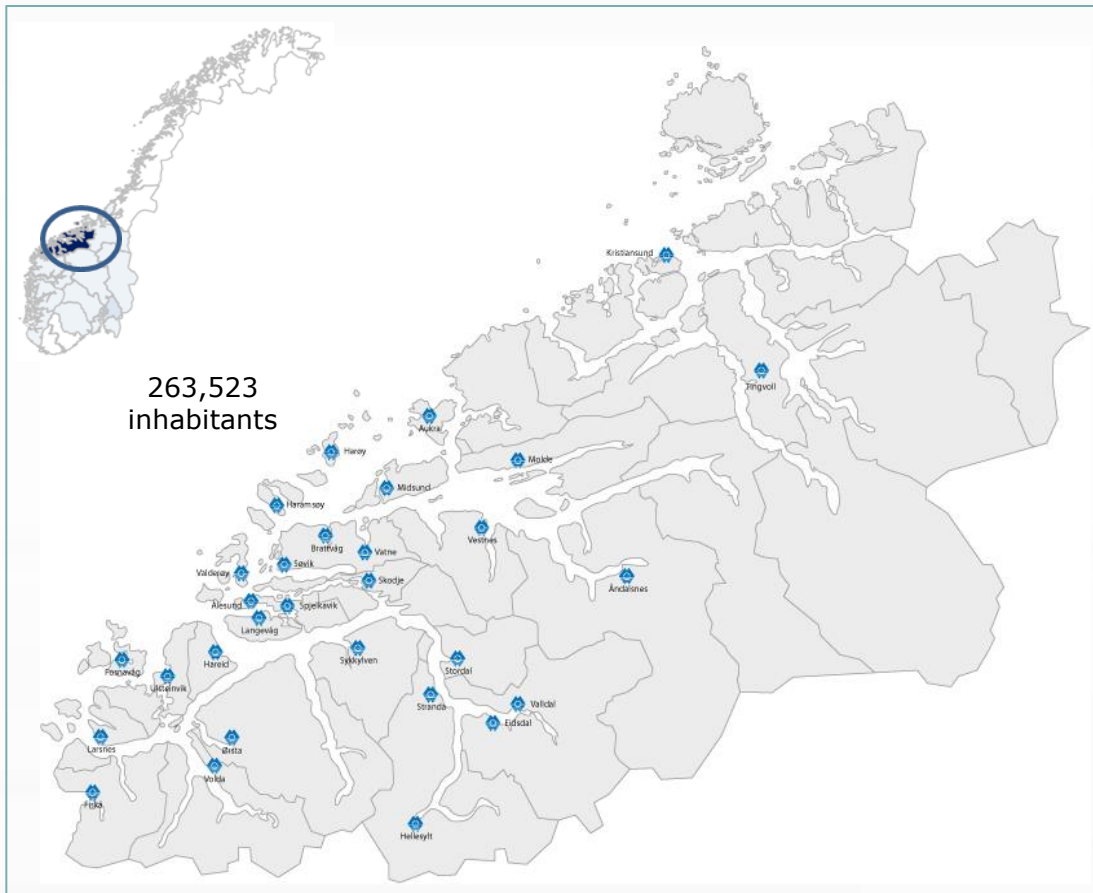


- Less volatile key figures for Sparebanken Møre compared with peers
- Consequences of policy decisions
 - Contract banking and a clean balance
 - Core banking focusing on traditional banking services
- Also compared with peers; our results are achieved with a high level of capital



Introduction to the bank and the market

Introduction to Sparebanken Møre



- Independent savings bank
- Head office in Ålesund
- 30 branches in Møre og Romsdal county
- NOK 58.3 billion in total assets, about 170 000 customers
- 380 man years

- Established in 1843
- Listed on the Oslo Stock Exchange since 1989
- No. 1 bank in Møre og Romsdal

Full service bank in Møre og Romsdal



SPAREBANKEN MØRE

Key business areas

Corporate
Market

Retail
Market

Capital
Market

Adm/
support

Fully owned companies

Møre Boligkreditt AS

The company has a license to operate as a mortgage company and issue covered bonds

Møre Eiendomsmegling AS

Real estate brokerage towards retail and corporate customers

Core values

Enthusiastic

"Maintain position as no. 1 bank in Møre og Romsdal"

Local

"Local decision making, independent, and present"

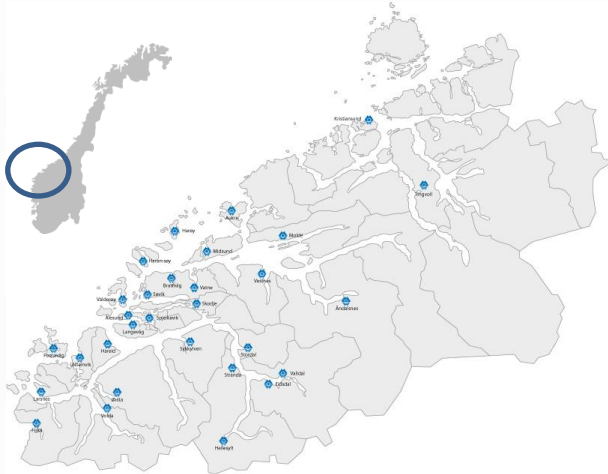
Solid

"High competence, financially solid and safe"

Sparebanken Møre – a brief overview

- Sparebanken Møre is the 8th largest Norwegian bank – the bank serves customers from the county of Møre og Romsdal
- The population of Møre og Romsdal is just above 260 000, and the population in the municipalities where the bank is located is 200 000
- The bank serves about 170 000 customers, whereof
 - ✓ 160 500 customers in the retail market
 - ✓ 9 500 customers in the corporate market
- The activity is based on traditional banking services
 - ✓ Loans to the retail market: 64.6%
 - ✓ Deposits from the retail market: 60.0 %
- Sparebanken Møre is a fully fledged foreign exchange bank
- Sparebanken Møre is rated A3 (under review for possible upgrade) by Moody`s
- Møre Boligkreditt AS` (100 % owned covered bonds company) issues are rated Aaa by Moody`s

Sparebanken Møre's market area



Møre og Romsdal county



- 263,523 inhabitants
- The 3rd largest GDP per employee among 19 counties in Norway
- Norway's 3rd largest export county
- Diversified business structure
- Sparebanken Møre with 30% market share

Diversified business structure in the region

- Fisheries/seafood
- Marine construction
- Agricultural
- Offshore services
- Oil & gas
- Aluminum
- Tourism
- Furniture

Selected companies in Møre og Romsdal



Møre og Romsdal – Diversified industries

Oil and offshore



- Norwegian maritime areas are rich in natural resources, and play a very important role in commercial activities in Møre og Romsdal
- The petroleum sector has been responsible for 1/4 of the total investments in Norway
- Nyhamna in Møre og Romsdal receives gas from The Ormen Lange Oilfield, and delivers from there through another pipeline to Easington UK

Maritime industry



- A large part of Norway's strength in the field of advanced marine operations is concentrated within an hours drive from the town of Ålesund.
- The region is home to 14 shipyards, and is one of very few complete maritime clusters in the world.
- Over 75 % of the worlds large, hi-tech offshore vessels are designed here
- 40% of the world's most advanced offshore fleet is controlled by 19 ship owning companies in the region

Fisheries and seafood



- The fishing industry is the second largest export sector in Norway after oil and gas. The value of Norwegian seafood exports totals record high NOK 69 billion in 2014 – up 12% from 2013
- Møre og Romsdal is by far the largest food exporting Norwegian county, responsible for 1/3 of the nations total food export
- In addition to fish and fish products the food production and exports also include agricultural products (fruit and berries) and other foodstuff industry (pizza, cured ham, salami, etc)

Tourism



- Trollstigen Mountain Road is one of Norway's most dramatic and most visited attractions
- The UNESCO-protected Geirangerfjord was visited by more than 220 cruise vessels in 2014
- The city of Ålesund is known for its architecture in Art Nouveau style, its surrounding fjords and the high peaks of the Sunnmøre Alps

Summary

Norway

- The Norwegian mainland economy has grown since late 2009
- Large government budget surplus, record high petroleum investments and strong household sector
- Ability and willingness to move monetary and financial policy in more expansive direction if needed
- Well managed petroleum wealth, value of government pension fund of more than NOK 6 500 billion
- Good labour market performance with low unemployment and high participation

Møre og Romsdal

- Population of just above 260,000
- Dominant industrial and commercial sectors are fisheries, tourism, maritime- and oil industry
- Responsible for approximately 1/3 of Norway's total export of food, mainly fish and fishery products
- Low unemployment, 2.5%, well below national average of 3.0%
- Below average national real estate prices and above average disposable income levels

Sparebanken Møre

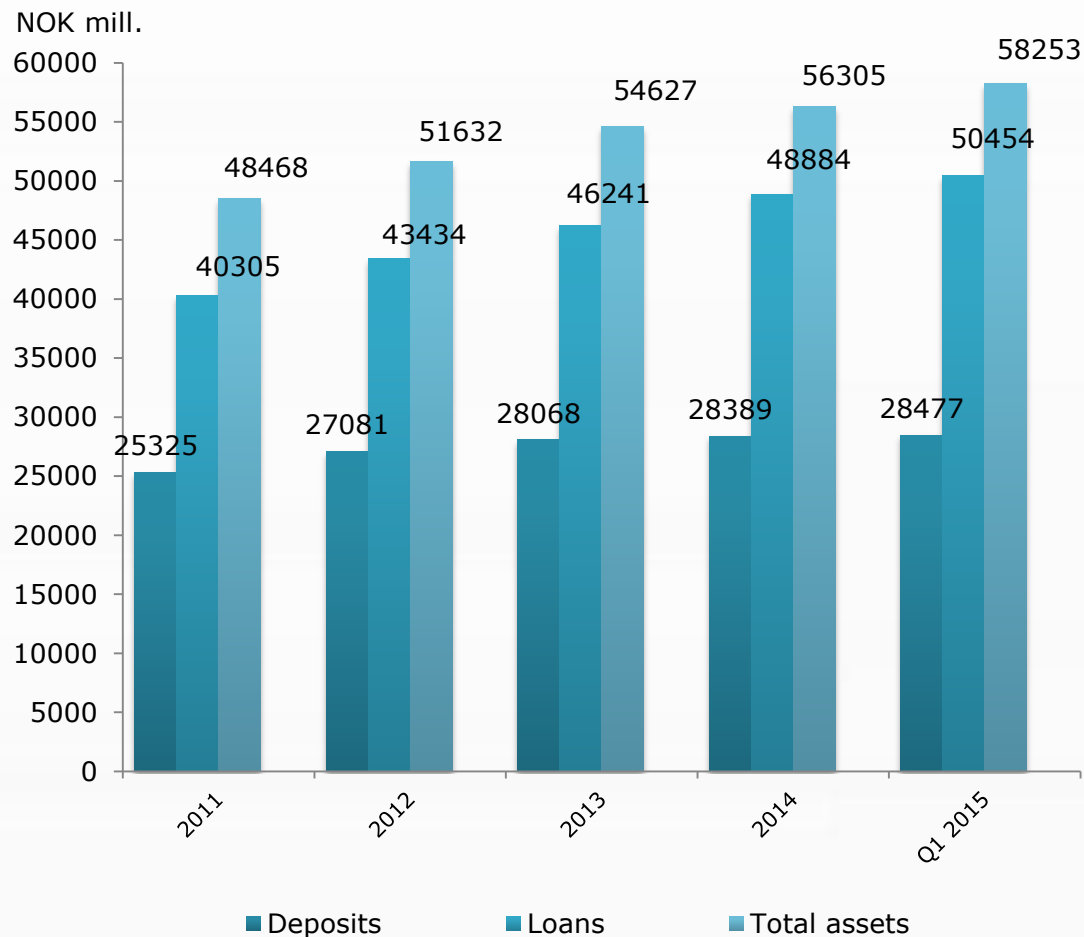
- Seventh largest savings bank in Norway, solid financial performance with total assets of NOK 58.3 billion
- Market leader in main market, the county of Møre og Romsdal
- 65% of lending to retail customers, of which more than 95 % are mortgages
- Strong capitalization reflected by Core Capital of 16.10% and Core Tier 1 of 13.60%
- The Bank is rated A3 by Moody's



Deposits and loans



Good growth

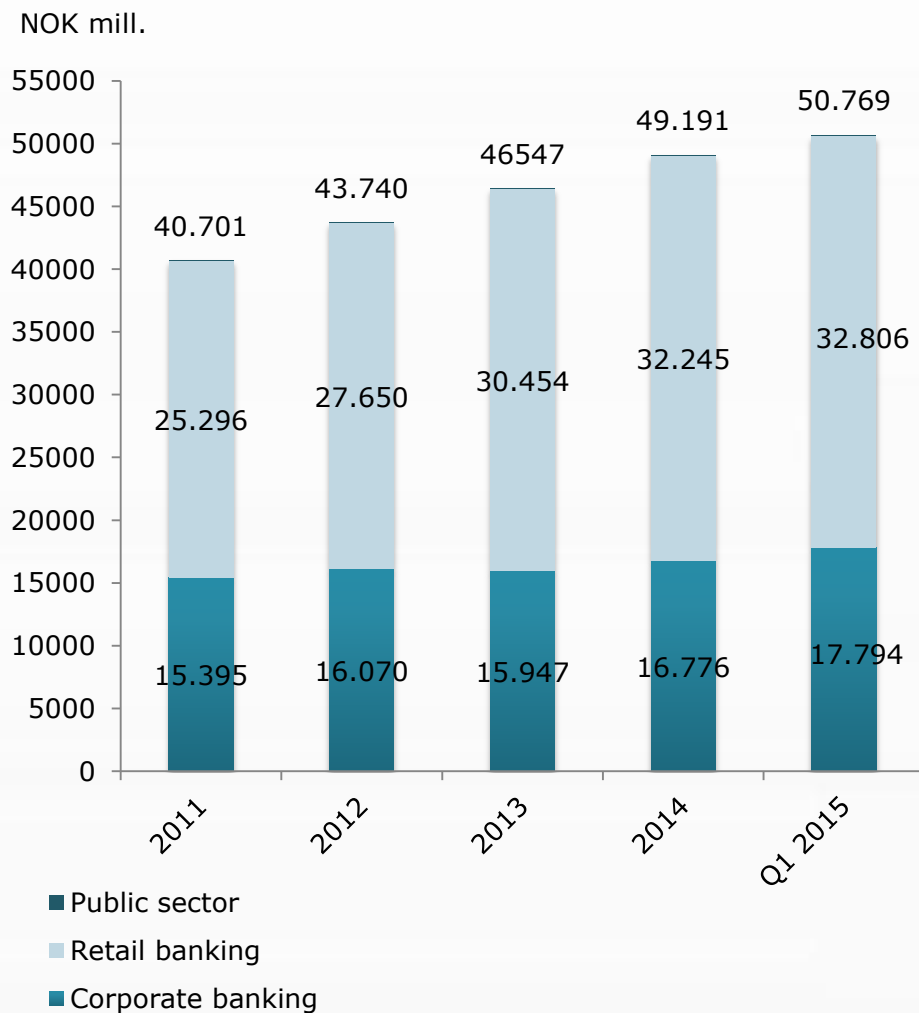


Growth during the last 12 months

- Total assets 7.2 %
- Loans (net) 9.5 %
- Deposits 0.2 %



Breakdown of gross lending



Annual net lending growth

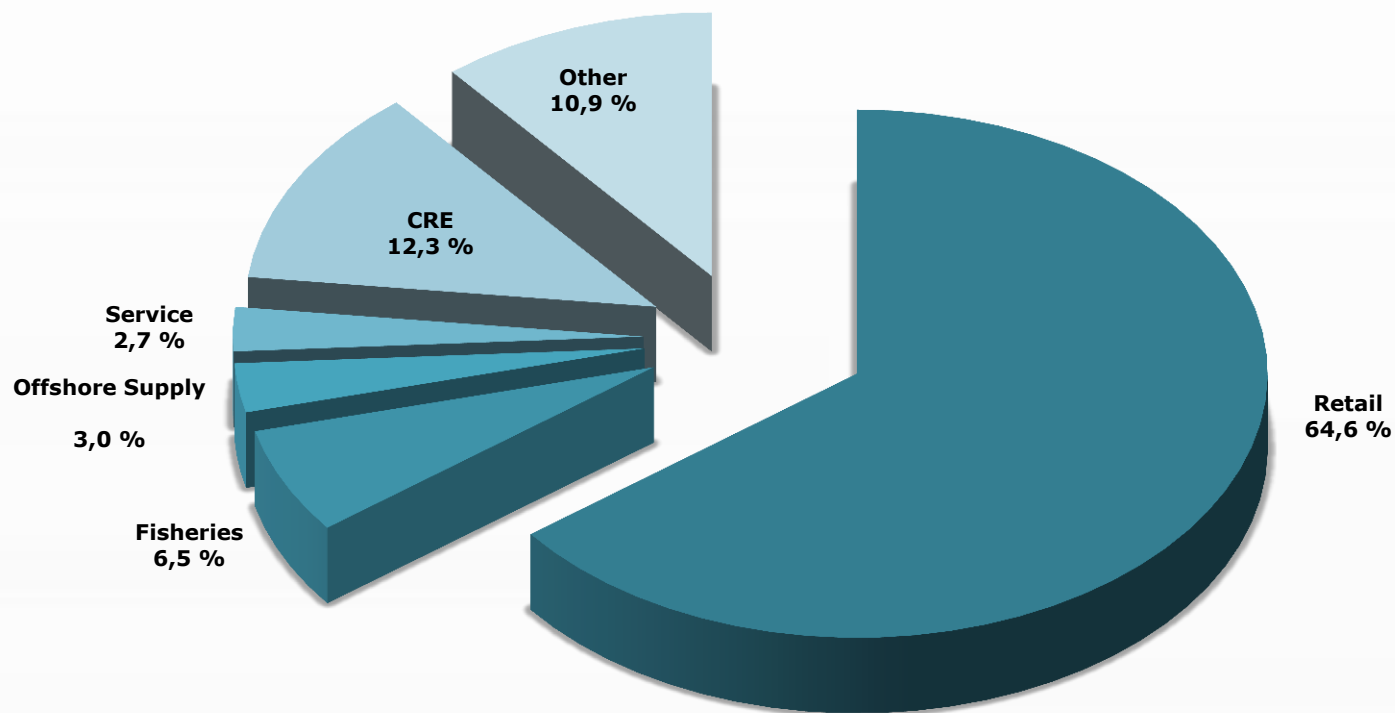
2012:	7.8 %
2013:	6.2 %
2014:	5.7 %
Q1 15:	9.5 %

Lending growth last 12 months

Gross, retail banking	6.8 %
Gross, corporate	14.6 %
Gross, public sector	-



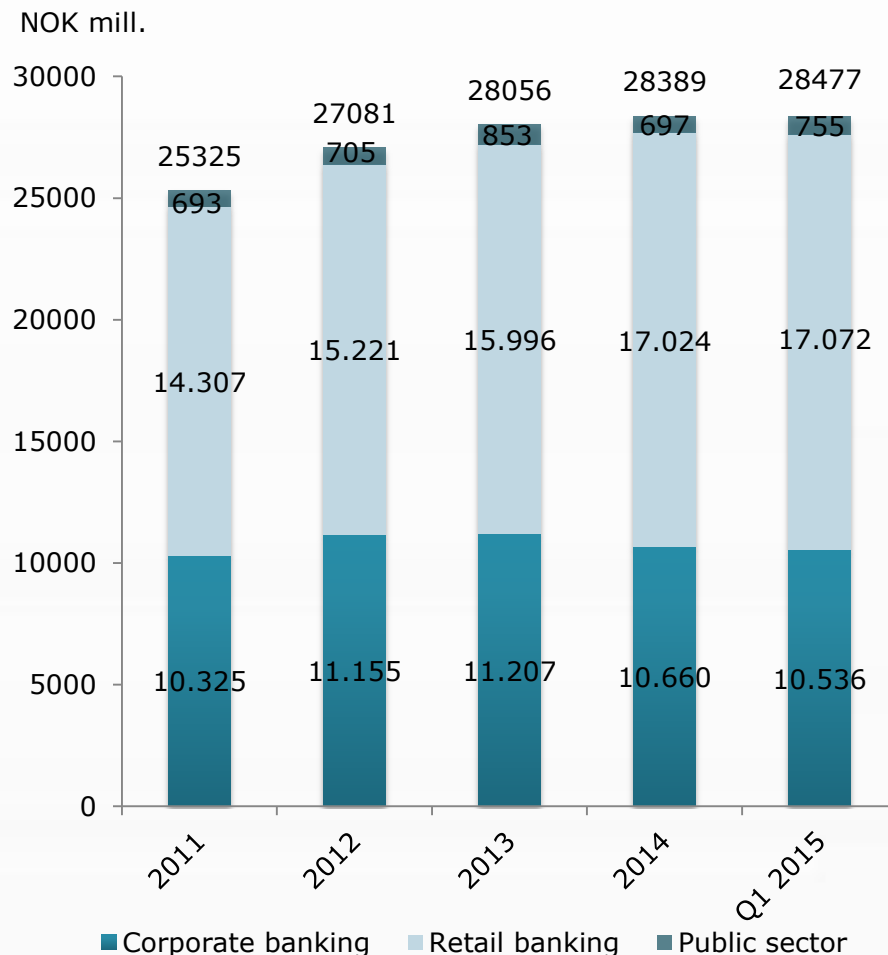
Loans by sector



Other 10.9%					
Other industry	1.3	Financial services	1.9	Agriculture	0.7
Building/construction	1.3	Fishing Industry	0.7	Furniture	0.1
Retail/wholesale trade	1.9	Ship Yards	2.5	Other	1.2



Breakdown of deposits



Annual deposit growth

2011:	3.2 %
2012:	6.9 %
2013:	3.6 %
2014:	1.1 %
Q1 15:	0.2 %

Deposit growth last 12 months

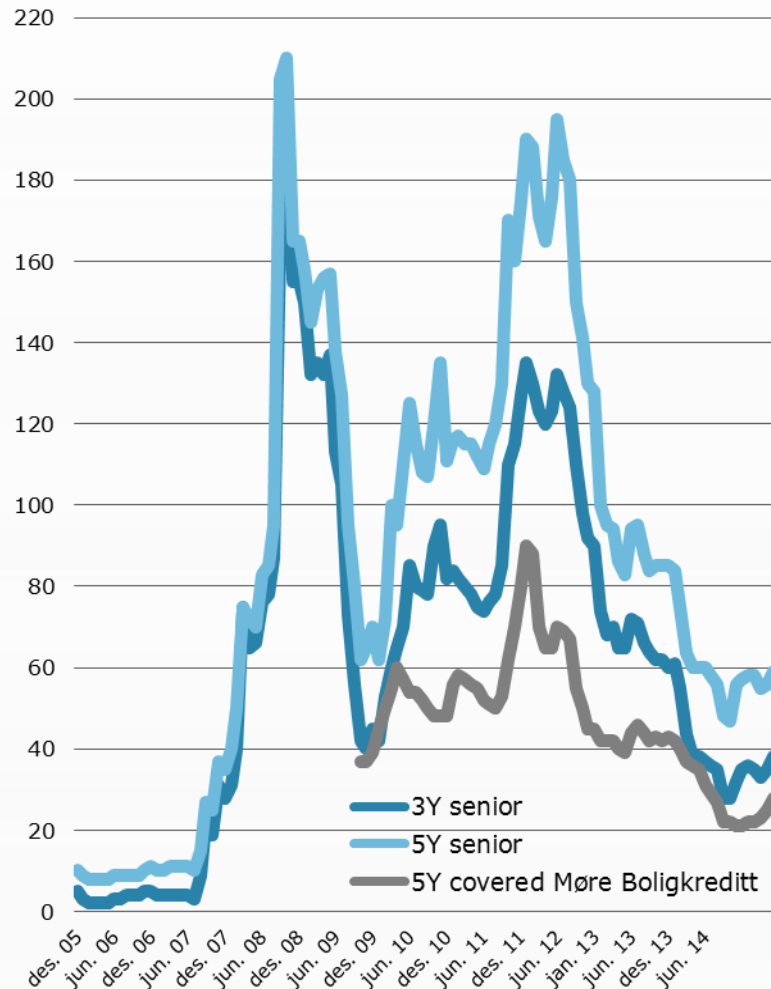
Retail banking	5.9 %
Corporate banking	-7.0 %
Public sector	-8.6 %



Funding and hedging

Good access to the market

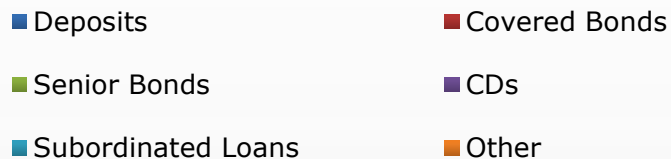
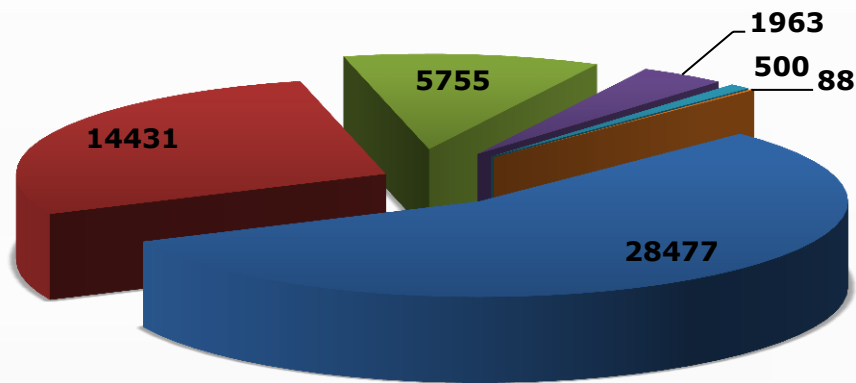
Margins



- Since the beginning of 2012 we have mainly seen funding margins been reduced. By the end of Q1 2015 margins in the long-term bond market are at the lowest we have seen since 2009
- Covered Bonds issued by Møre Boligkreditt AS has replaced senior bonds as the Group`s main source of long-term market financing and now account for about 73 % of long term market loans
- The refinancing of existing loans and financing of new growth will adapt regulatory requirements as LCR and L1 (including our targets related to transfer of mortgages to Møre Boligkreditt AS), and bail-in rules
- Sparebanken Møre will therefore inter alia maintain a level of bail in able capital at least at the level we had at the end of 2013
- Sparebanken Møre is rated A3 (under review for possible upgrade) and Covered Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's.
- In addition to rating the preliminary LCR rules with effect from September this year has led to differentiated margin pricing depending on size of the issue

High deposit to loan ratio

- total financing by quarter end



- Deposits from customers are the Group`s most important source of funding and we maintain a high deposit to loan ratio (56.8 % in the Group). Sparebanken Møre experiences the market access as very good
- Total market funding ended just above NOK 22.5 billion – approximately 80 per cent with remaining maturity of more than one year (20 – 30 per cent of market funding is renewed annually)
- Senior Bonds: Weighted average maturity of 2.75 years, Covered Bonds with a weighted average maturity of 4.63 years (FSA defined key figures)
- By quarter end three of Møre Boligkreditt`s outstanding bonds have a size that qualifies for Tier 2A liquidity in LCR. Møre Boligkreditt AS will forward issue and build up more loans in this category



The quality of the liquidity portfolio is good

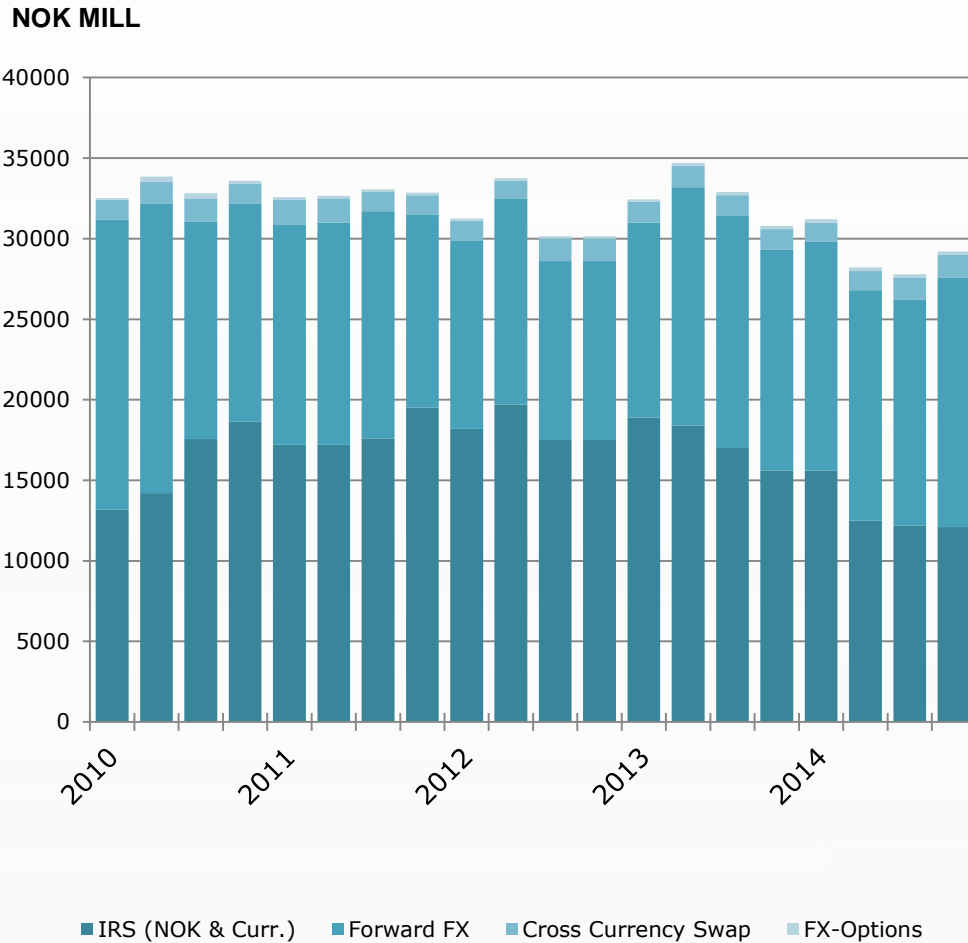
- with a high level of LCR

Rating	Market Value
AAA	4.027.406
AA+	417.113
AA	30.186
AA-	42.260
A	100.502
A-	98.749
BBB+	15.373
BBB	55.060
Total	4.786.650

Issuer Origin	Market Value
Norway	2.726.828
Sweden	573.143
Int'l Org.	322.236
Finland	268.645
Germany	259.135
Denmark	219.974
Luxembourg	217.060
UK	102.412
Austria	50.010
Netherland	47.208
Total	4.786.650

Currency	Market Value
NOK	4.247.324
EUR	539.326
Total	4.786.650

Off balance activity - quarterly

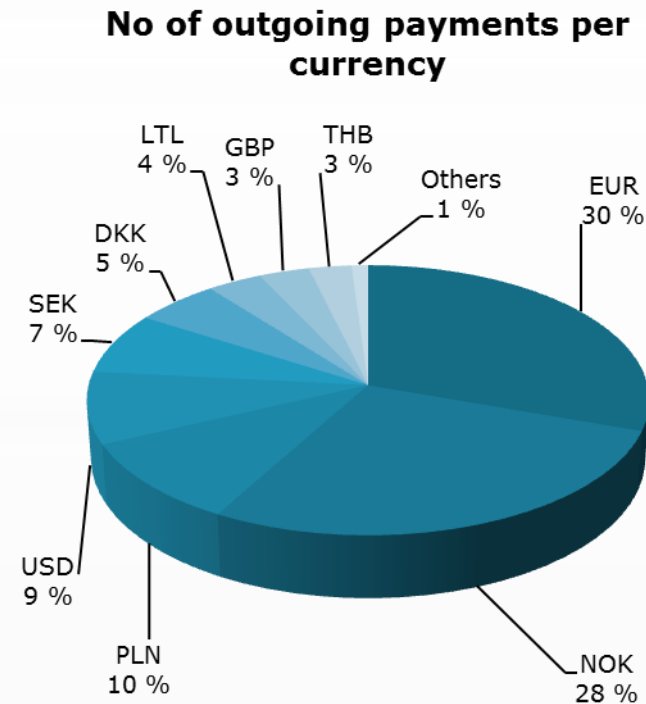
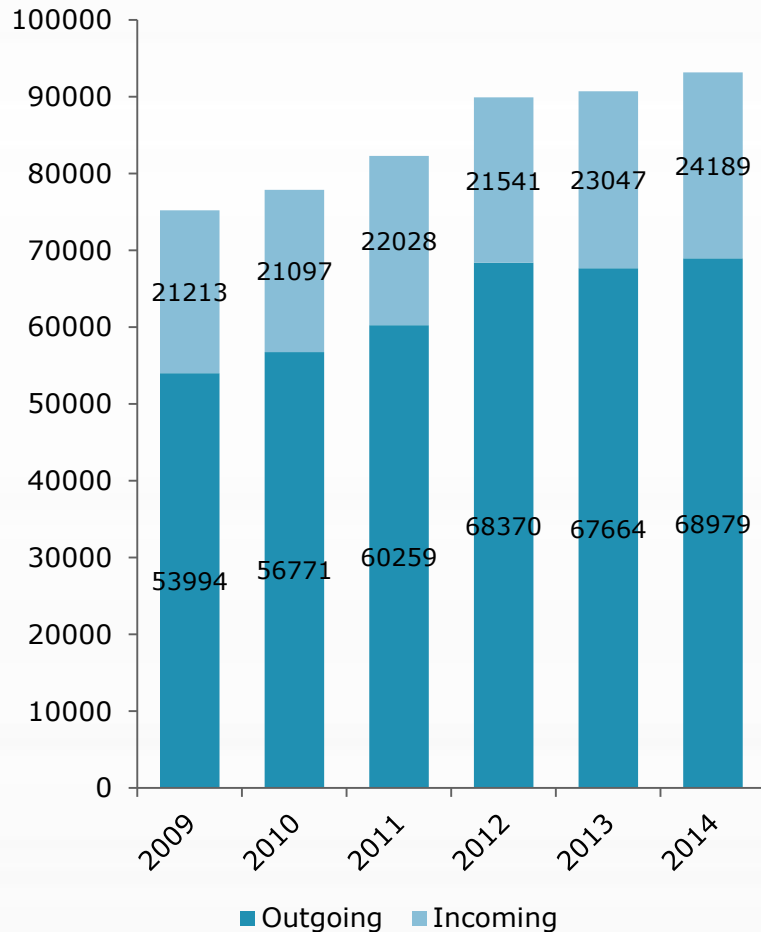


Low risk profile in the interest rate, equity and FX markets

- ✓ Sparebanken Møre has no trading portfolio in these or other similar markets/instruments
- ✓ Client's positions are hedged in the market
- ✓ The bank's positions are hedged



Number of commercial payments





Results



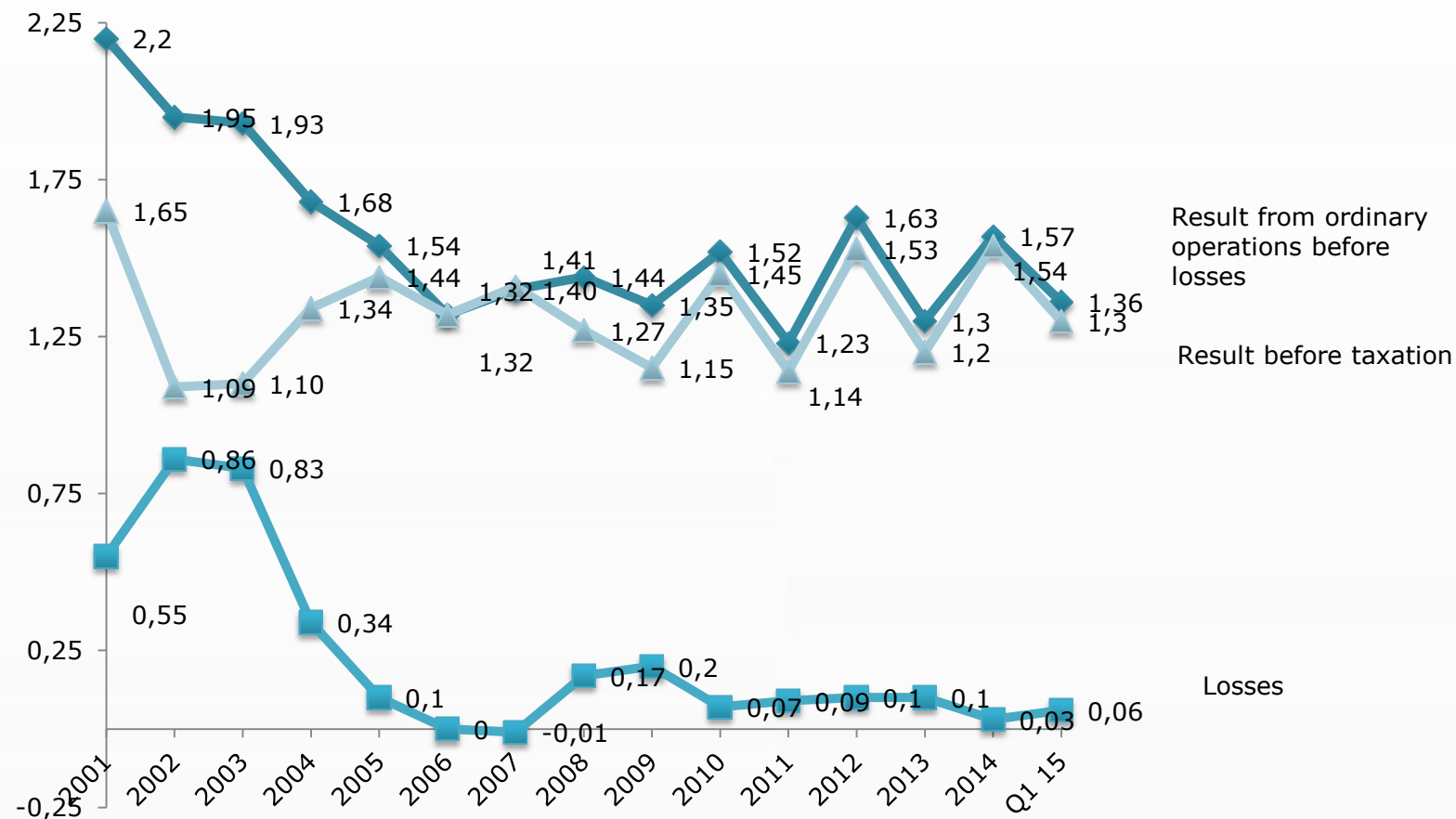
Main figures

	Q1 2015		Q1 2014		Change during last 12 months		
From the Profit and Loss Account	NOK mill.	%	NOK mill.	%	NOK mill.	P. points	%
Net interest income/av. int. margin	273	1.93	269	1.98	4	-0.05	1.5
Net return, financial investments	20	0.14	17	0.12	3	0.02	17.6
Other income	47	0.33	43	0.32	4	0.01	9.3
Total income	340	2.40	329	2.42	11	-0.02	3.3
Personnel costs	81	0.57	82	0.62	-1	-0.05	-1.2
Other costs	66	0.47	61	0.43	5	0.04	8.2
Total ordinary operating costs	147	1.04	143	1.05	4	-0.01	2.8
Result before credit losses	193	1.36	186	1.37	7	-0.01	3.8
Losses on loans and guarantees	8	0.06	6	0.04	2	0.02	33.3
Result before tax cost	185	1.30	180	1.33	5	-0.03	2.8
Tax cost	50	0.35	48	0.35	2	0.00	4.1
Result after tax cost	135	0.95	132	0.98	2	-0.03	2.3
From the Balance Sheet							
Total assets	58,253		54,339		3,914		7.2
Net lending	50,454		46,072		4,382		9.5
Deposits	28,477		28,434		43		0.2
Capital	5,584		5,668		-84		-1.5
Core capital ratio		16.1		15.8			0.3 p.p.
Core Tier 1 Capital ratio		13.6		12.8			0.8 p.p.
Return on equity capital (<i>incl. Nets</i>)		11.7		12.1			
Costs as a percentage of income		43.2		43.5			
Earnings per EC (the Bank in NOK)		13.55		11.77			

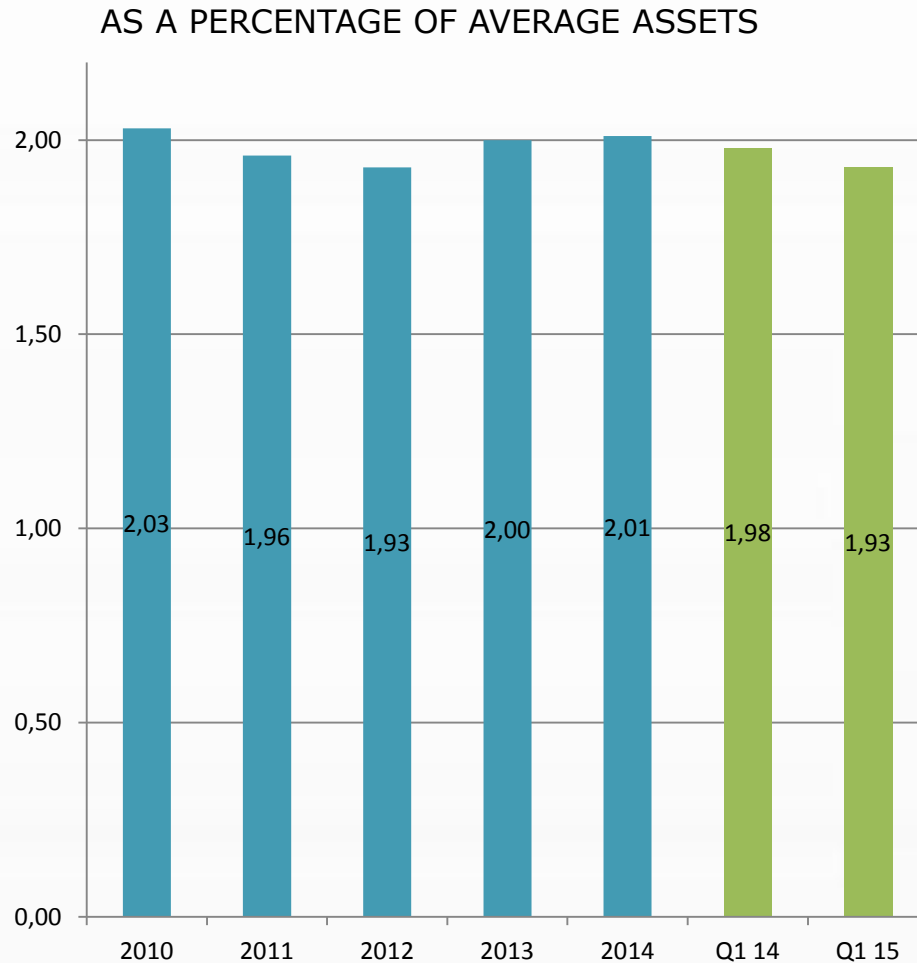


Results

Result as a percentage of average assets



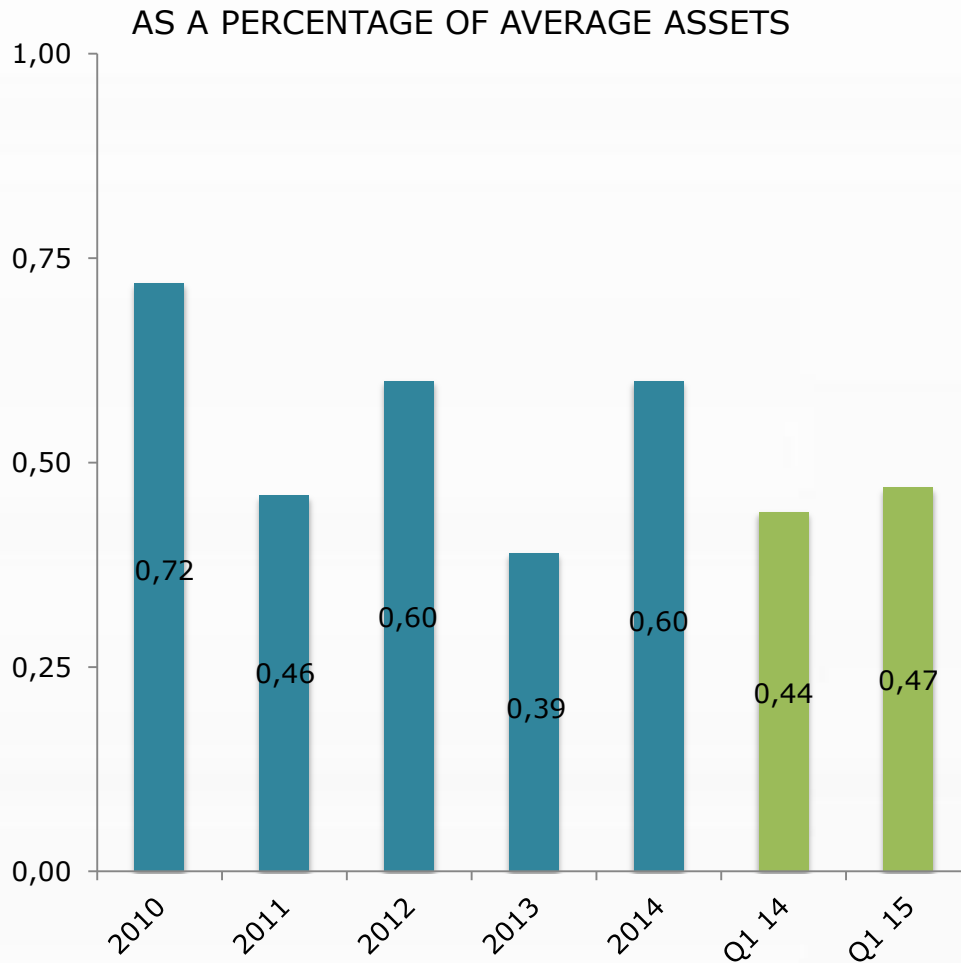
Higher net interest income



Net interest income is higher in NOK than previous year despite:

- ✓ Strong competition on loan and deposits
- ✓ More liquidity on the balance sheet with higher quality
- ✓ Still low interest rate level with low return on free capital

Other operating income



Higher other operating income, compared with Q1 2014:

- Higher income from hedging activity in the interest rate market
- High income from guarantees
- High income from financial instruments
- Lower dividend income and negative effect from mark to market valuation of the liquidity portfolio



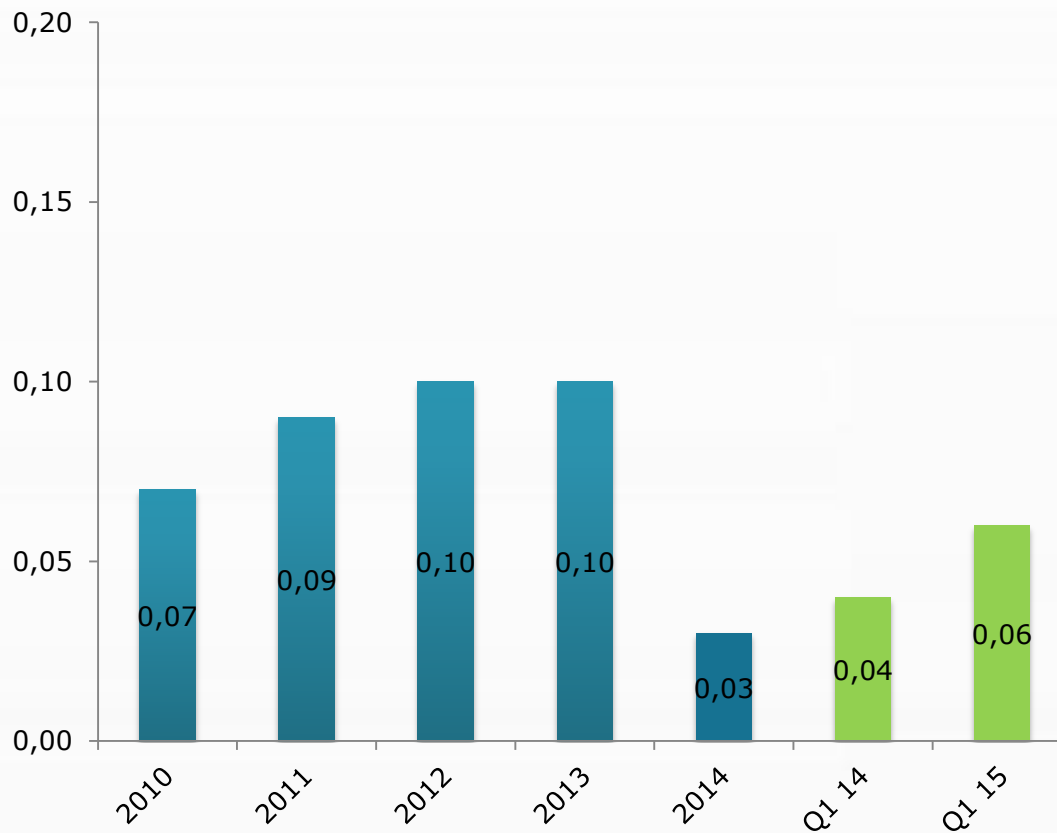
Strong development in cost/income

- well below the target



Losses at a very low level

AS A PERCENTAGE OF AVERAGE ASSETS

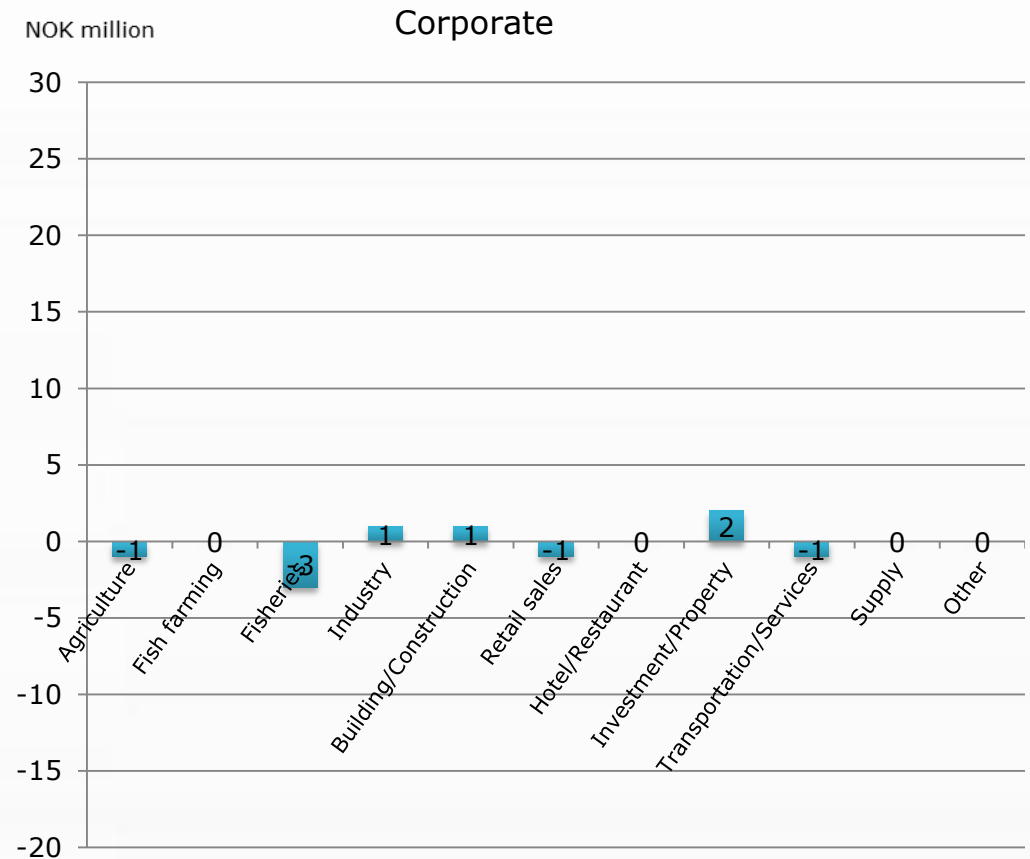
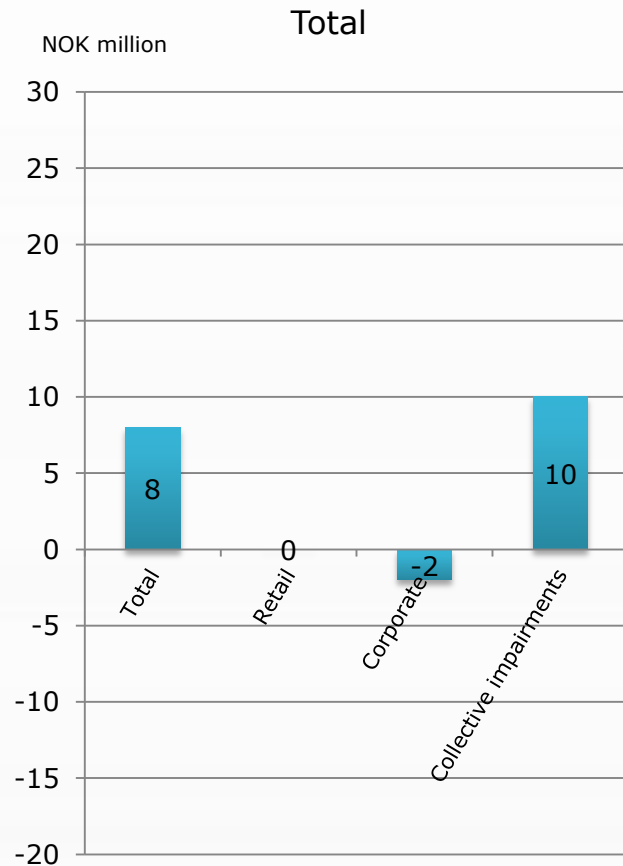


Losses totalled NOK 8 million

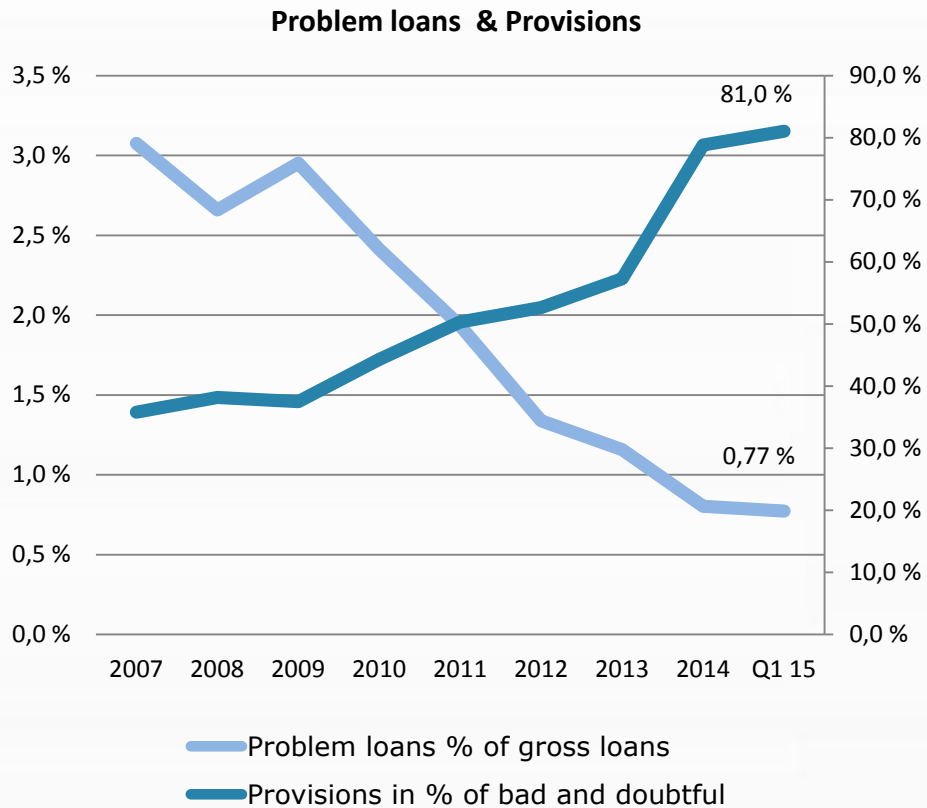
- Corporate: NOK -2 million
- Retail NOK 0 million
- Collective impairments NOK 10 million

Total impairments amounted to NOK 315 million by 31.03.2014

Losses - details



Problem Loans and impairments - continued positive development



- The volume of Problem Loans has declined over the last years
- As a percentage of gross loans this figure ended at 0.77 % by the end of Q1 2015
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 81.0% by quarter end



Equity and ECs



Equity

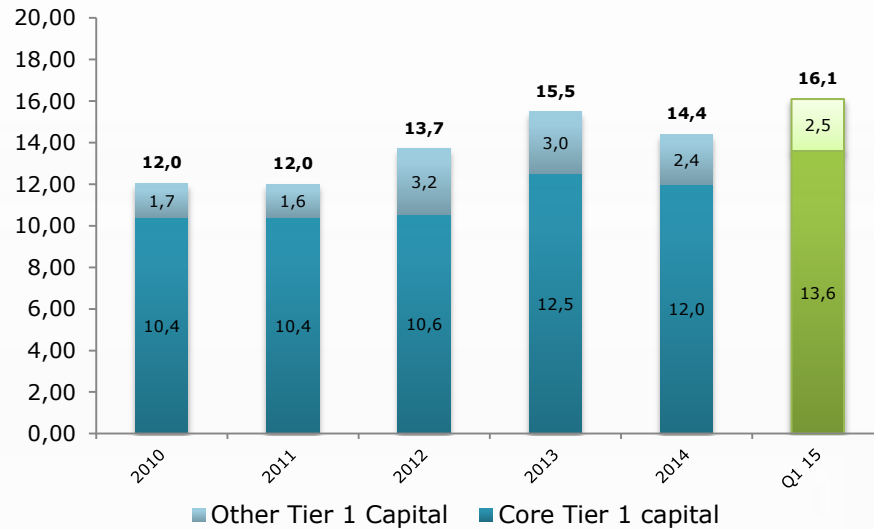
Equity and related capital: Strong capital



Equity

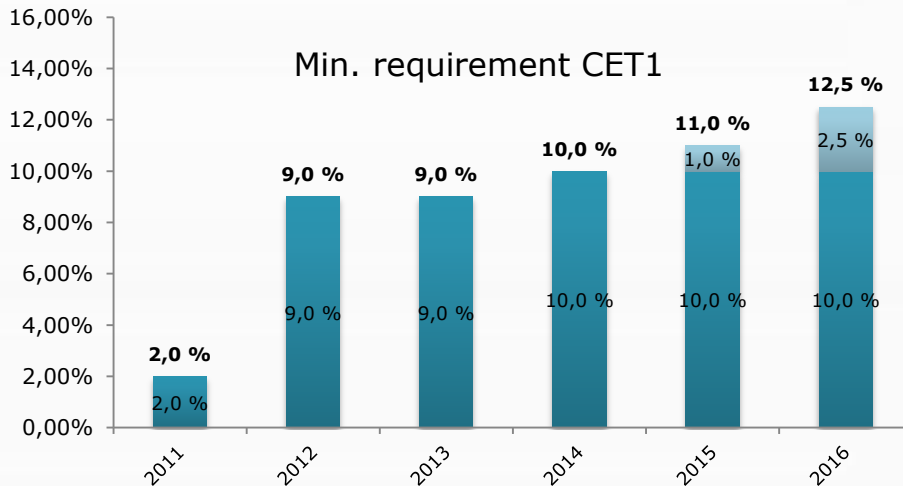
IRB approval from FSA

Core Capital



- Sparebanken Møre will maintain a strong financial position as the leading bank in the region and will follow the announced schedule related to core capital
- Sparebanken Møre has received approval from the FSA to use the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market

Min. requirement CET1



Summing up and outlook

From the CEO:

- The macroeconomic environment for Møre og Romsdal are still satisfying and will help to keep the level of losses low and within the bank's plans this year
- It is expected that overall lending growth in 2015 will be weaker than what we have seen in recent years in the retail market, maintained within the corporate market
- Long-term financing in the Norwegian and international funding market will increasingly be used - the bank has strong financial strength and good credit rating
- Our strong cost focus will continue and will contribute to cost ratio being well within the Bank's target for 2015
- The Bank has laid a robust strategy for the years ahead through new business plan "Møre 2018"



Dividend policy

“Sparebanken Møre’s aim is to achieve financial results which provide a good and stable return on the Bank’s equity. The results shall ensure that the owners of the equity receive a competitive, long-term return in the form of dividends and increase in the value of the equity.

The equity owners’ share of the net result being set aside as dividend funds, will be adapted to the Bank’s equity situation. Sparebanken Møre’s allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.”

Given Sparebanken Møre`s strategic plan and stipulated return on equity, we expect the normalized dividend payout ratio to be in the range 40-50%



Dividend and EC-price

- The PCCs/ECs of Sparebanken Møre have been listed at Oslo Stock Exchange since 1989
- Total EC capital: NOK 989 million by March 2015

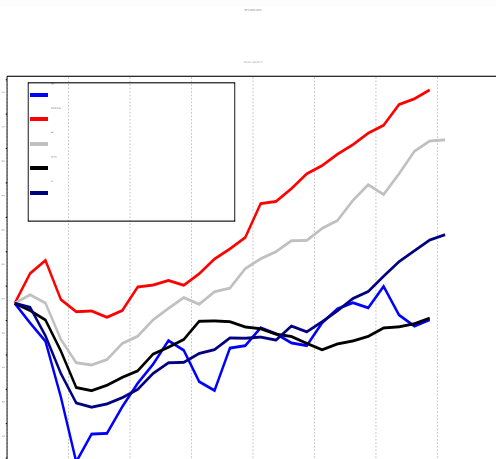
Dividend pr. EC:			
1990	10	2002	15
1991	0	2003	16
1992	0	2004	18
1993	13	2005	20
1994	12	2006	20
1995	13	2007	23
1996	13	2008	20
1997	13	2009	12
1998	15	2010	12
1999	16	2011	8
2000	17	2012	12
2001	17	2013	8
		2014	13,50





Macroeconomic Overview

The Norwegian economy is strong. However, growth will be low in 2015 and unemployment will rise



The Norwegian economy is characterised by:

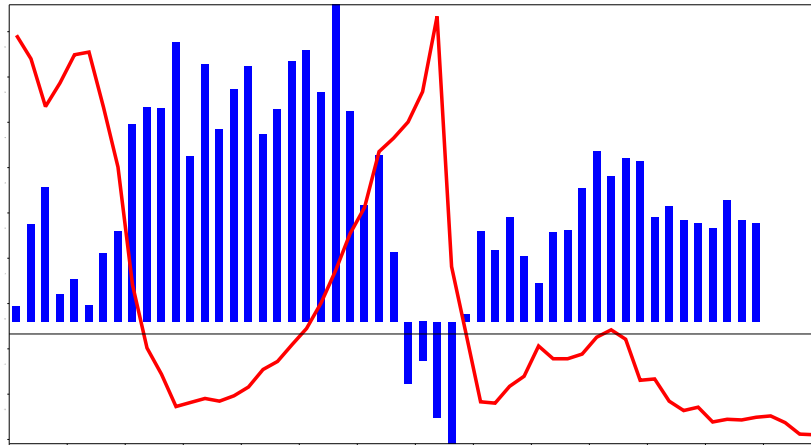
- Low but rising unemployment
- Record high house prices
- Increased private demand
- Strong public sector growth
- Low interest rates

However, growth is expected to be low in 2015 due to:

- A decline in petroleum investments
- Low growth in Europe
- High costs in the export sectors

We expect a GDP growth in Mainland Norway of 1 per cent in 2015

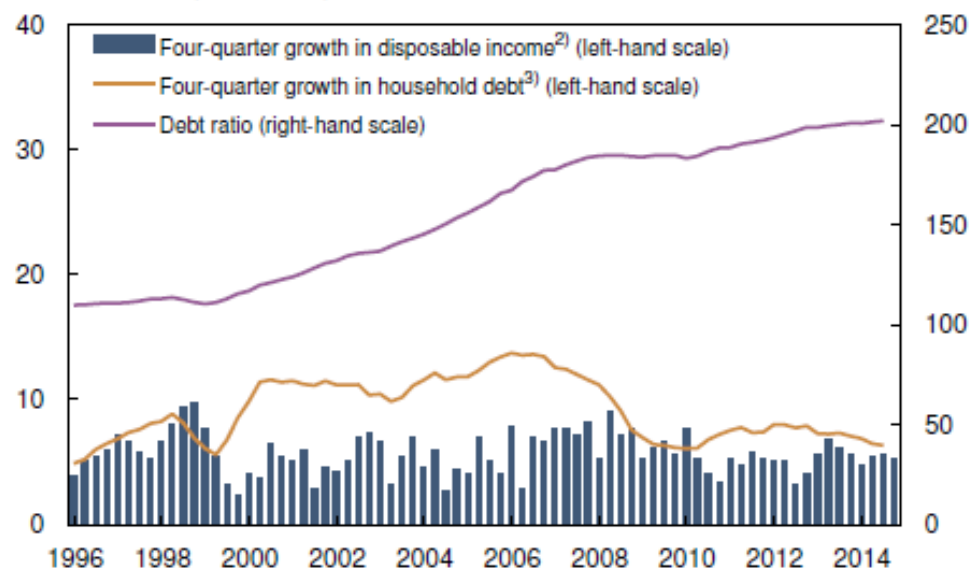
Growth will be lower in 2015



High household debt is the main domestic risk factor

Chart 3.3 Ratio of household debt to disposable income.¹⁾

Percent. 1996 Q1 – 2014 Q4



1) Loan debt for households and non-profit organisations as a percentage of disposable income, adjusted for estimated reinvested dividend income for 2000 – 2005 and redemption/reduction of equity capital for 2006 Q1 – 2012 Q3.

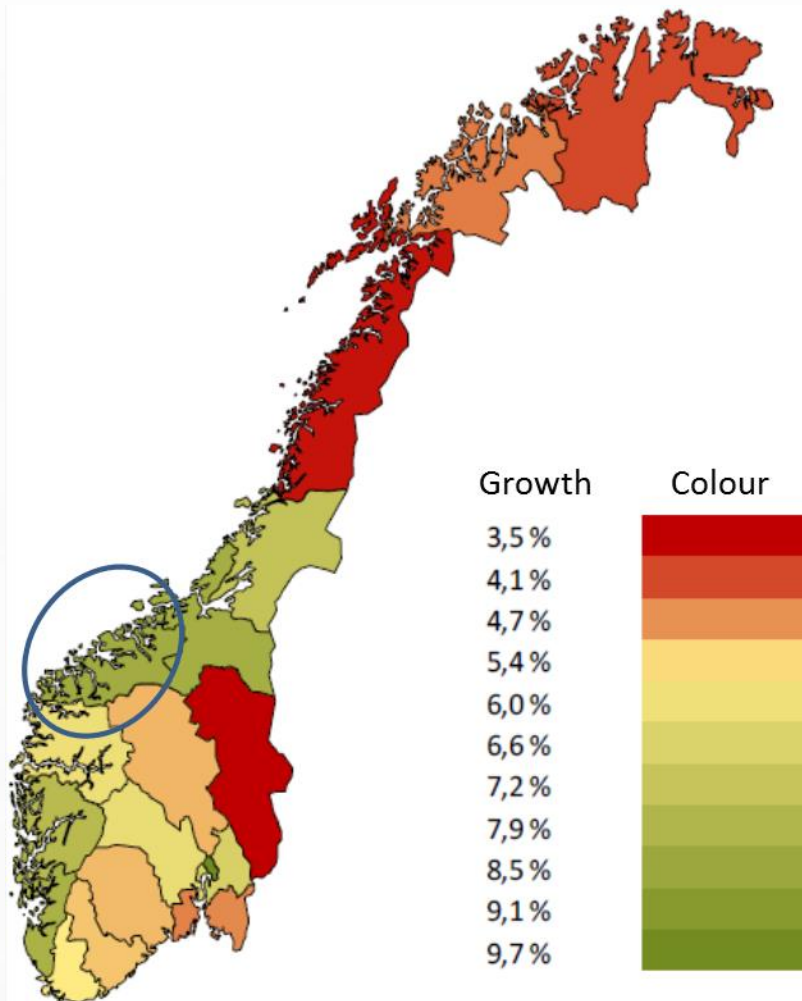
2) Figures for 2014 Q3 and Q4 have been estimated on the basis of quarterly growth in disposable income after Statistics Norway's main revision. Historical data have not been revised.

3) Change in stock of debt at the end of the quarter. Last observation 2014 Q3.

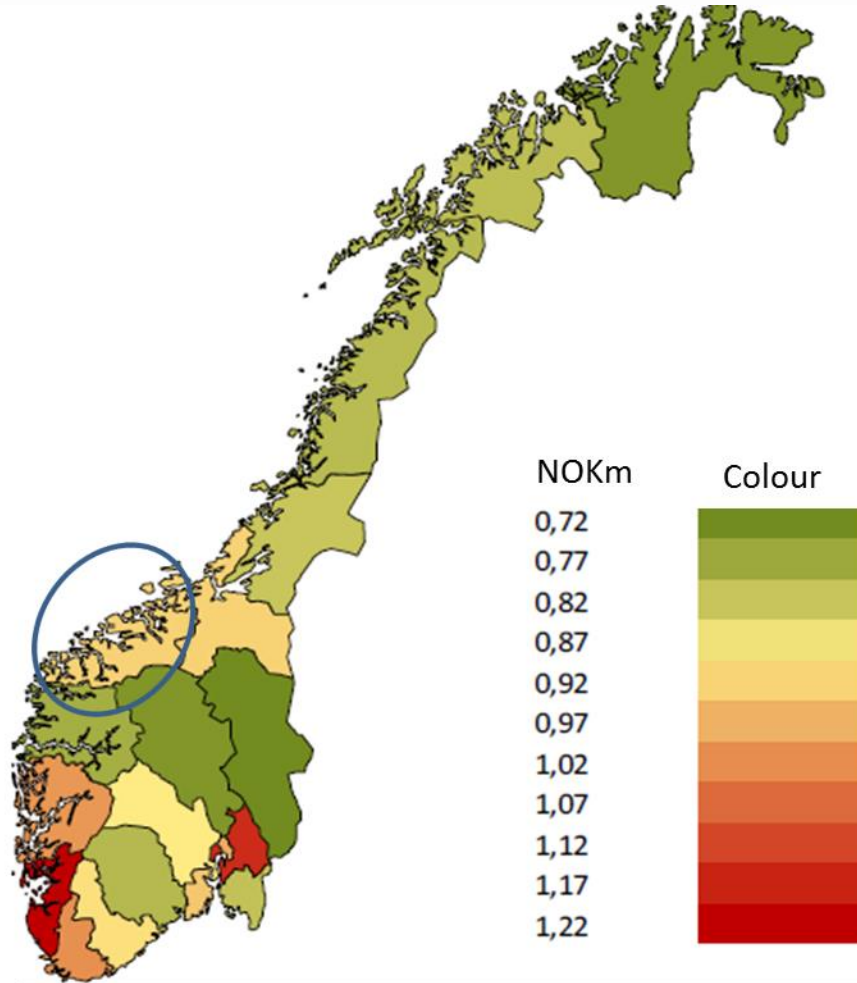
Sources: Statistics Norway and Norges Bank

High credit growth in the county, but low debt burden*

Annual credit growth 2012-2013



Debt burden households 2013 (NOK million)



*Source: Sparebank1 Markets/Statistics Norway

Key characteristics

Home ownership

- Among the highest in the world – around 80% of households own their own home
- Very limited buy-to-let market

FSA lending guidelines

- LTV should normally not exceed 85%
- Interest-only loans should normally not be granted if LTV exceeds 70%
- Debt-service ability should be stressed for a 5% increase in customer interest rate

Personal Liability

- Borrowers are personally liable for their debt – also after foreclosure / forced sale
- Transparent and reliable information about borrowers available to the lenders

Mortgage lending

- More than 95% of all mortgage lending is granted by banks / mortgage companies
- Approximately 90% of residential mortgages are floating rate loans
- The interest rate on floating rate mortgages can be increased with six week notice
- Typical residential mortgage maturity is 25-30 years

Social benefits

- According to OECD, Norway have the best unemployment benefits
- On average about 60% of previous salary paid benefit for 104 weeks minimum

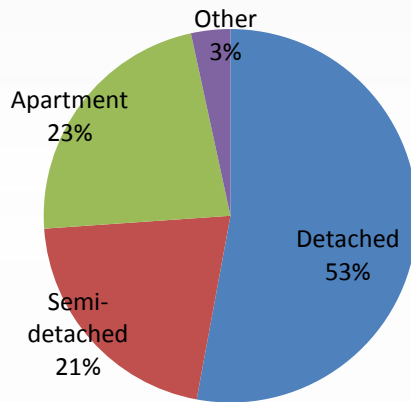
Tax incentives

- All interest expenses are tax deductible at capital gains tax rate (27%)
- Property are given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

Differences in housing types and prices

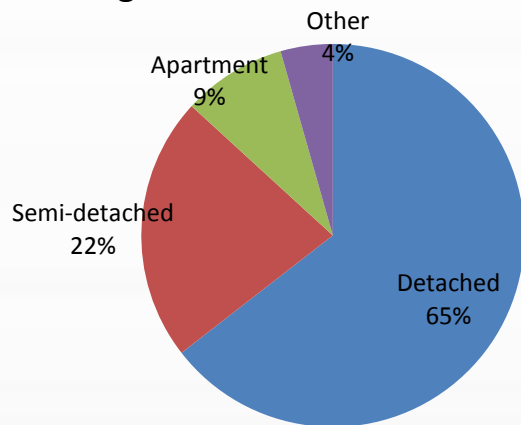
Household housing-type distribution

- Norway



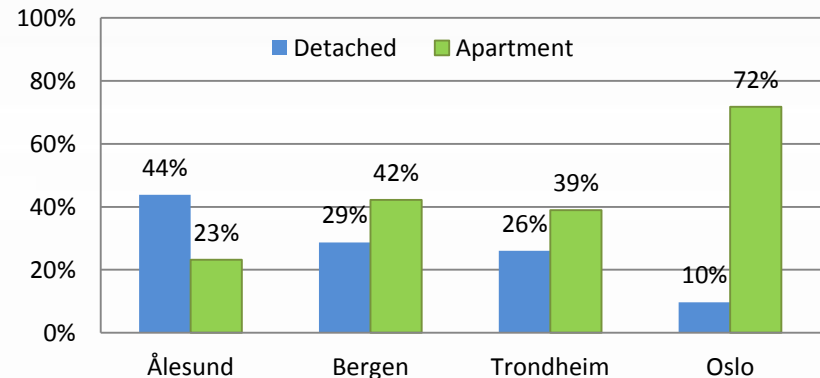
Household housing-type distribution

- Møre og Romsdal

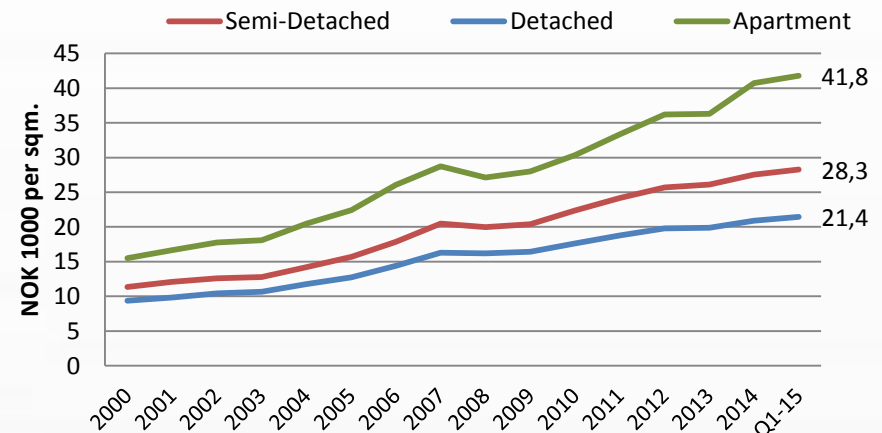


Housing type distribution

- Detached vs apartment



Price development / housing types



In Møre og Romsdal county detached and semi-detached housing is more common.

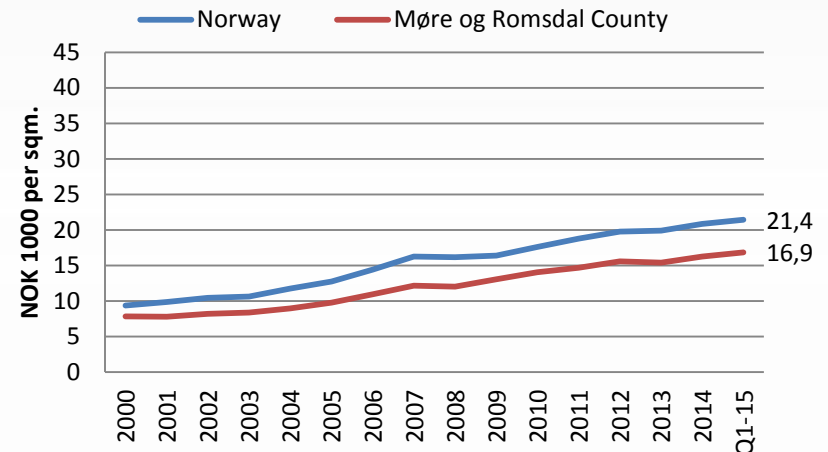
Differences in development of housing prices

Year-over-year average growth in Norwegian housing prices by March 2015 is 7.9 per cent, compared to 7.2 per cent in Møre og Romsdal.

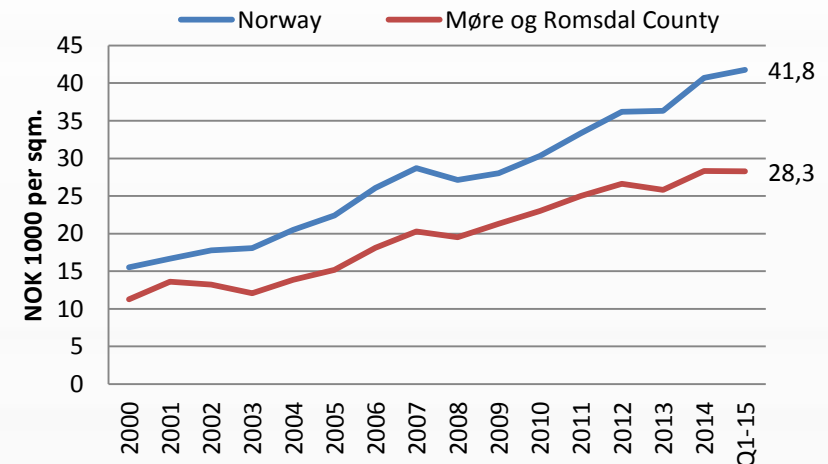
Price growth on apartments in Norway have been considerably stronger than other housing-types.

The average national price growth in Norway have been stronger than the average price growth in the county of Møre og Romsdal.

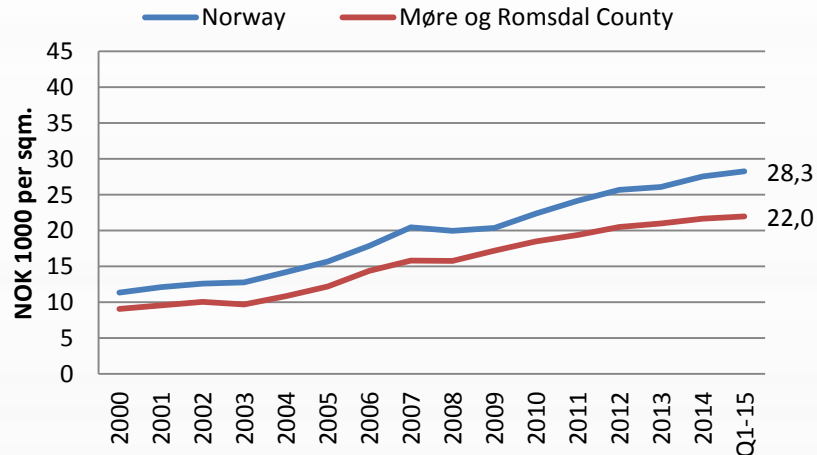
Detached



Apartment



Semi-detached



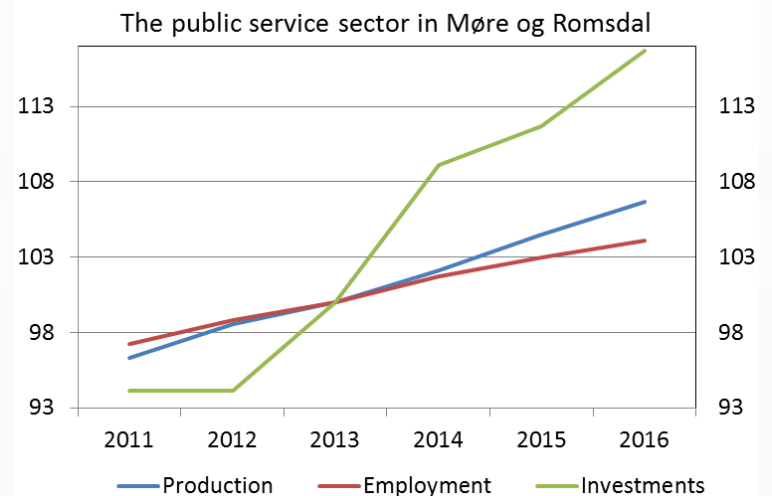
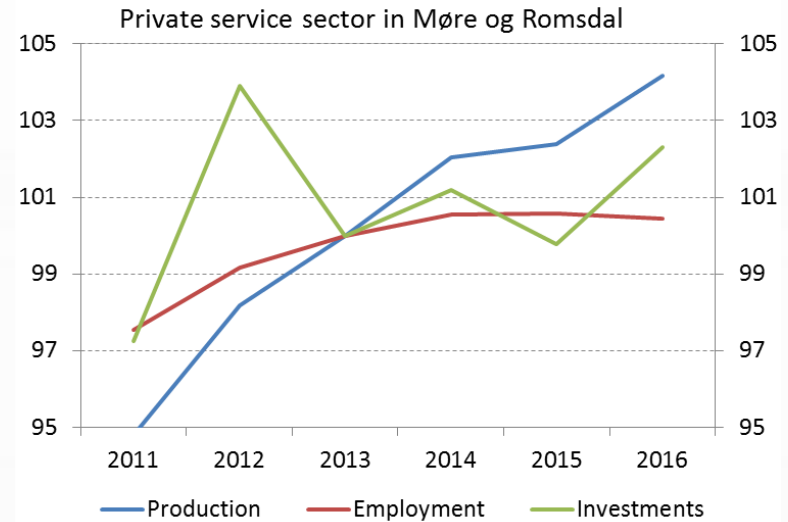
The business sector in Møre og Romsdal is doing well

The most important drivers of growth and activity in 2015 and forward:

- ▲ Private consumption
- ▲ Public expenditures
- ▲ The construction sector
- ▲ Food production and fish exports
- ▲ The maritime cluster

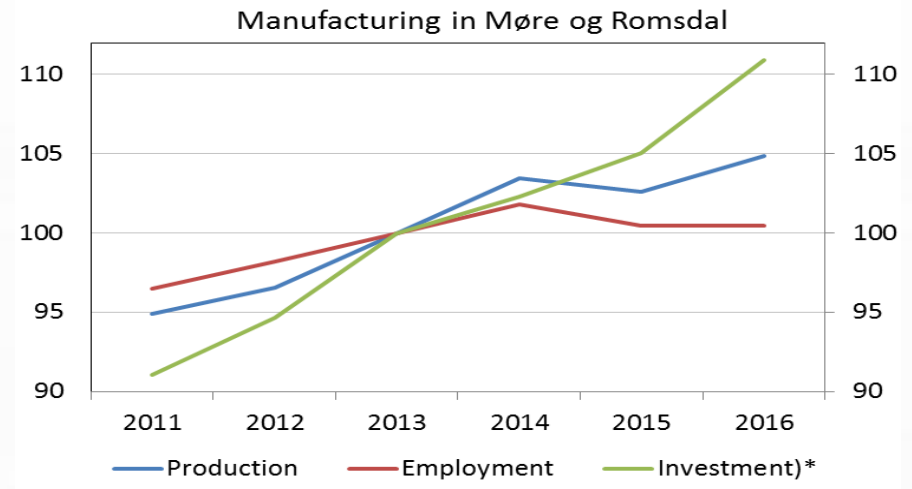
Main reasons for higher output:

- Low interest rates
- Expansionary fiscal policy
- A competitive business sector
- Higher export market growth

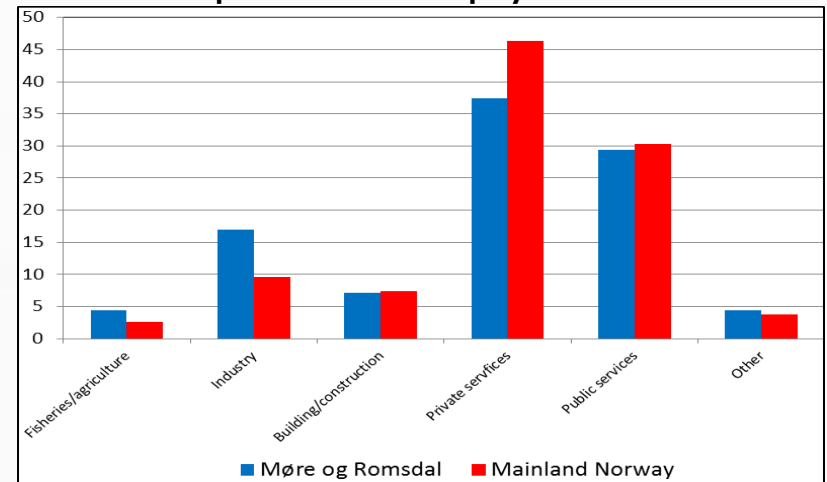


The long term outlook for the manufacturing sector has improved

- The long term outlook for the manufacturing sector is positive due to:
 - ✓ The weakening of the NOK
 - ✓ Growth in world trade
- Unemployment in Møre og Romsdal will stabilise around 2 ½ - 2 ¾ per cent during 2015
- Increased demand for labour due to increased production of goods and services and limited productivity growth will keep unemployment low



Distribution of production and employment between sectors





Moderate production growth in Møre og Romsdal - growth will vary among the sectors

- Growth in traditional exports
- Higher demand for private services
- Increased activity in the public sector
- High production in the fishing industry
- A strong decline in oil related industries
- Higher unemployment

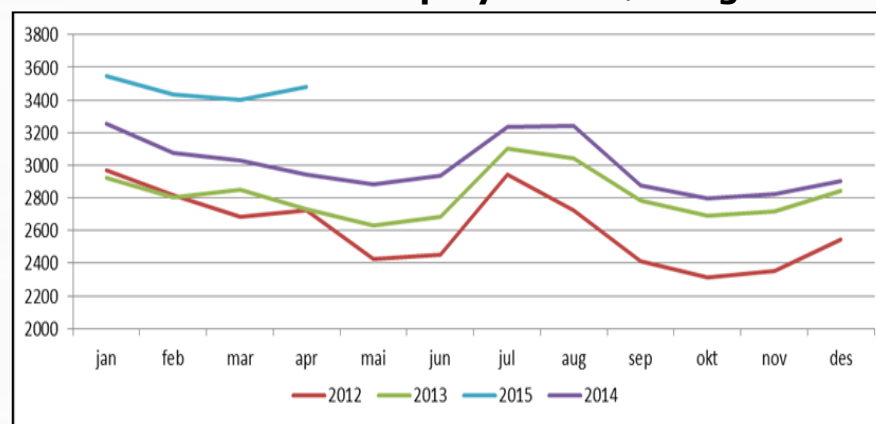
Most important risk factors:

- International economy
- The oil price and oil investments
- The Norwegian krone
- Household debt and house prices

Number of unemployed in Møre og Romsdal (sadj)



Actual number of unemployed in Møre og Romsdal





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