



Sparebanken Møre - the Group

Presentation

2nd. quarter 2015



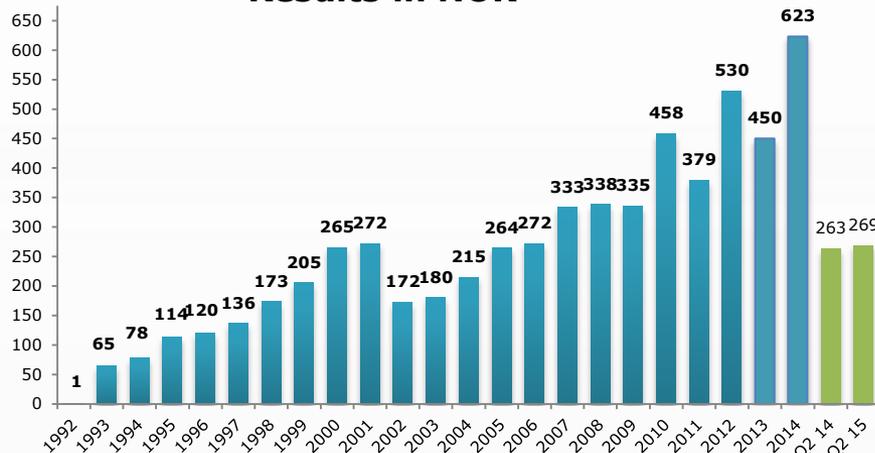
Agenda

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

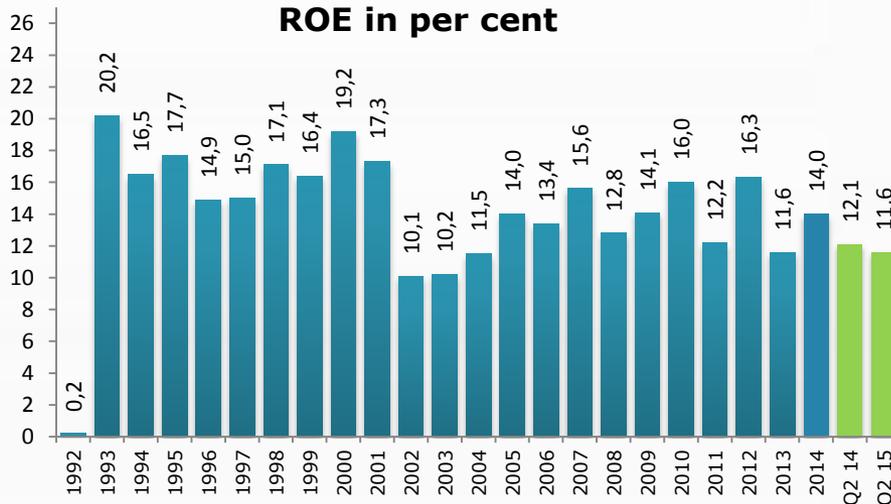


Historical performance – in NOK and ROE

Results in NOK



ROE in per cent

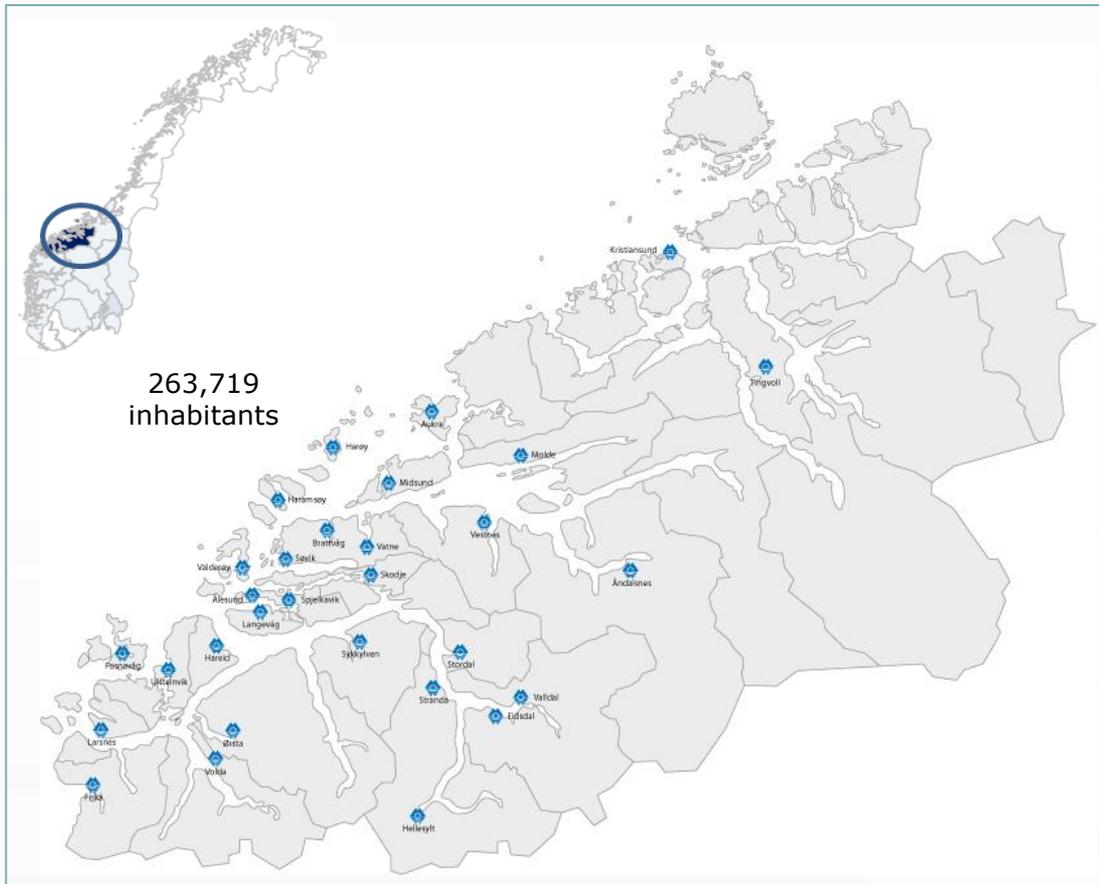


- Still favourable operating environment, a strong county in a strong Norwegian economy
- Maintained high level of net interest income and strong cost-efficiency
- Low level of loan losses and low volume of loans in default
- Total assets about NOK 58.9 billion by quarter end
- Somewhat higher margins in the funding market and still strong competition in the deposits market
- The bank has from May 11th 2015 been assigned a BCA of baa1 and A2 (stable) long term from Moody`s – Møre Boligkreditt AS` Covered Bond loans are rated Aaa
- Sparebanken Møre has got approval from the Norwegian FSA to use the IRB Foundation Approach for calculating capital requirement for the corporate marked, IRB Approach for the retail market
- Core Tier 1 Capital 13.5 % by quarter end



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 58.9 billion in total assets, about 170 000 customers
- 385 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"

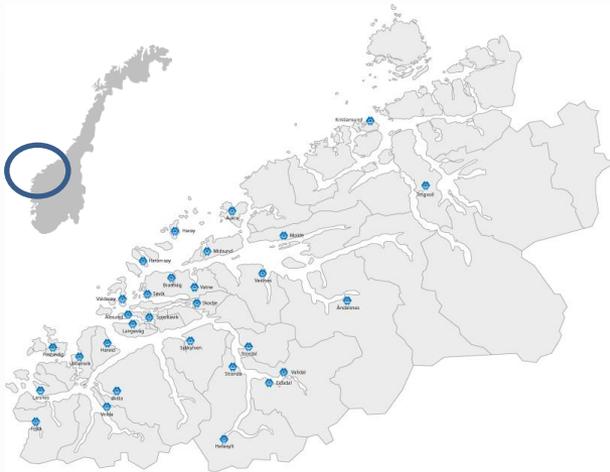
Solid

"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: 66,2 %
 - ✓ Deposits from the retail market: 60.8 %
- Sparebanken Møre is a fully fledged foreign exchange bank
- Sparebanken Møre is rated A2 (stable outlook) by Moody`s
- Møre Boligkreditt AS` (100 % owned covered bond company) Covered Bond loans are rated Aaa by Moody`s with a TPI-Leeway of 4 notches

Sparebanken Møre's market area



Møre og Romsdal county



- 263,719 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. The order books are good for most of the yards, but too few new contracts have been signed this year
- Over 75 % of the world's 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 – some owners have this year laid up vessels to balance the market

Fisheries and seafood



- The export value of Norwegian seafood recorded in the first half of 2015 is the highest ever. Norway exported seafood for NOK 34 billion. Møre og Romsdal is by far the largest food exporting Norwegian county, responsible for 1/3 of the nation's 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 will be visited by more than 190 cruise vessels in 2015
- 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, 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 7 100 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, 2.4%, well below national average of 2,8%
- Below average national real estate prices and above average disposable income levels

Sparebanken Møre

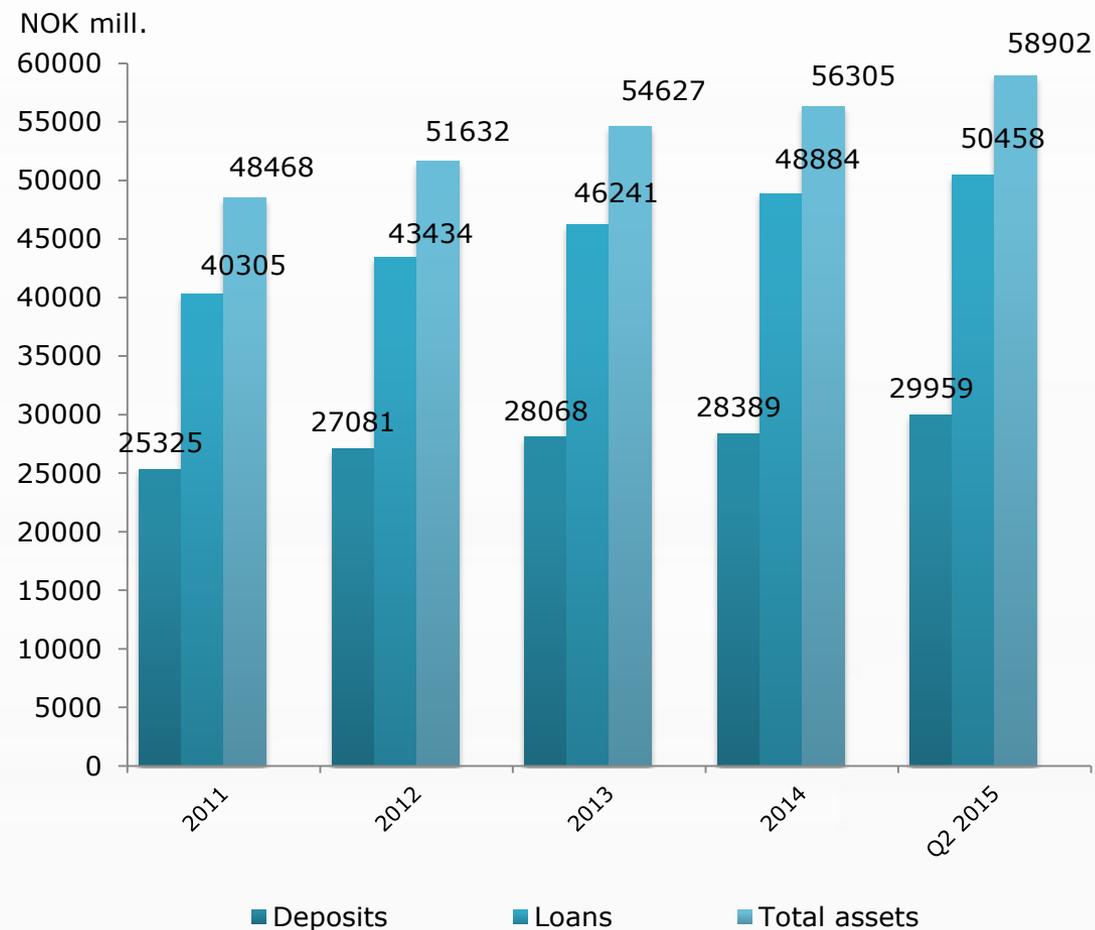
- Eight largest savings bank in Norway, solid financial performance with total assets of NOK 58.9 billion
- Market leader in main market, the county of Møre og Romsdal
- 66% of lending to retail customers, of which more than 95 % are mortgages
- Strong capitalization reflected by Core Capital of 15,80% and Core Tier 1 of 13.50%
- The Bank is rated A2 (stable) by Moody's



Deposits and loans



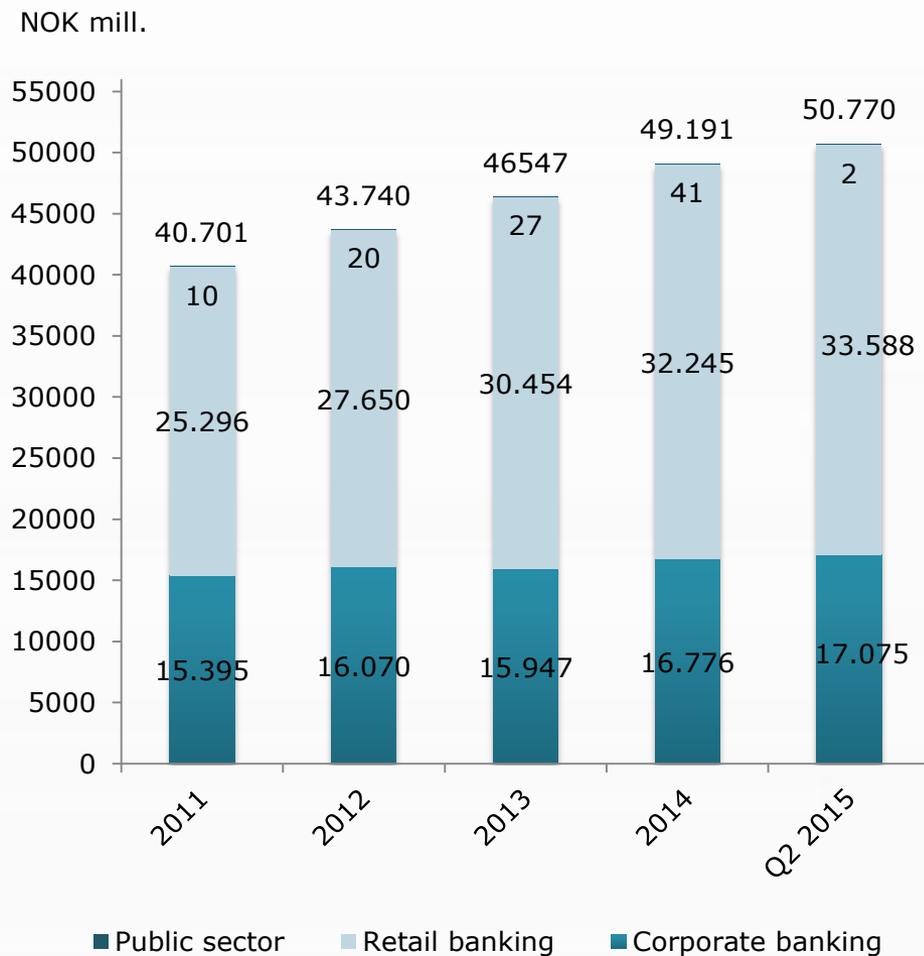
Good growth



Growth during the last 12 months

- Total assets 7.1 %
- Loans (net) 7.9 %
- Deposits 3.0 %

Breakdown of gross lending



Annual net lending growth

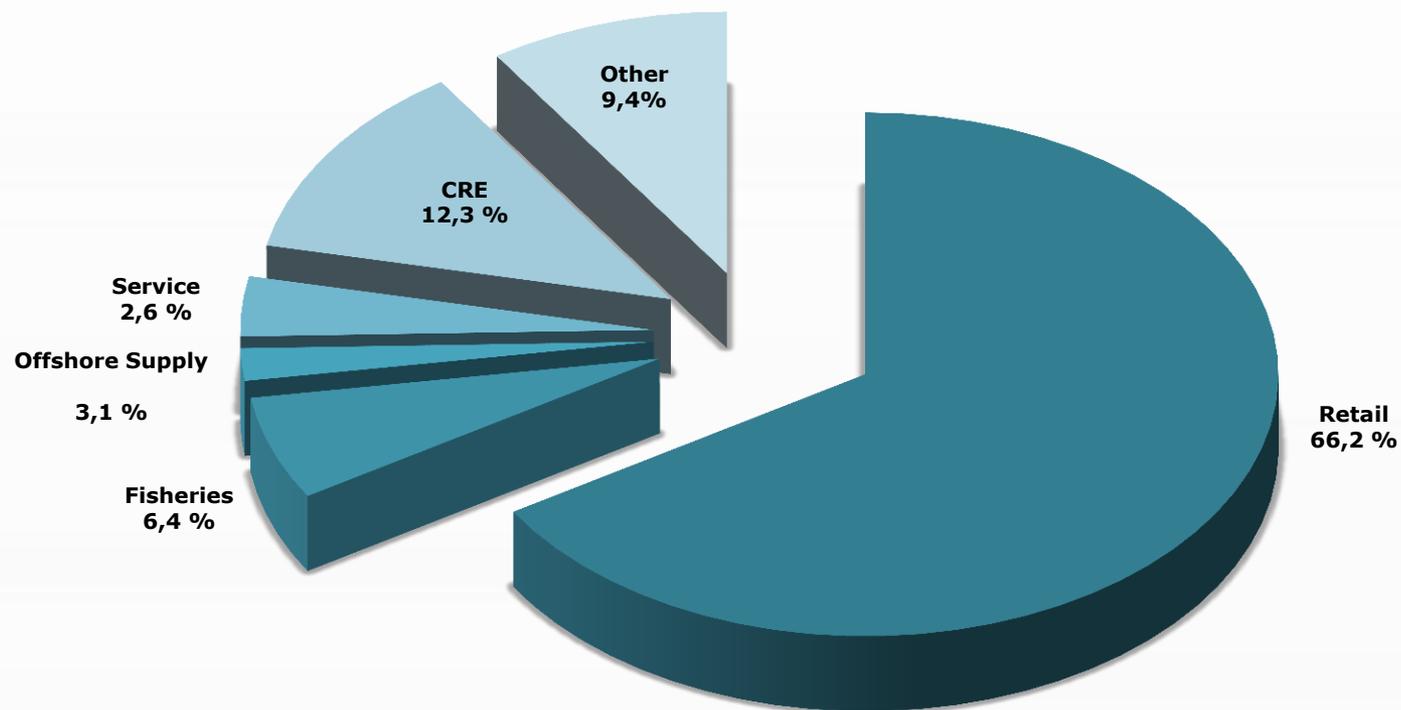
| | |
|--------|-------|
| 2012: | 7.8 % |
| 2013: | 6.2 % |
| 2014: | 5.7 % |
| Q2 15: | 7.9 % |

Lending growth last 12 months

| | |
|-----------------------|-------|
| Gross, retail banking | 7.8 % |
| Gross, corporate | 8.1 % |
| Gross, public sector | - |



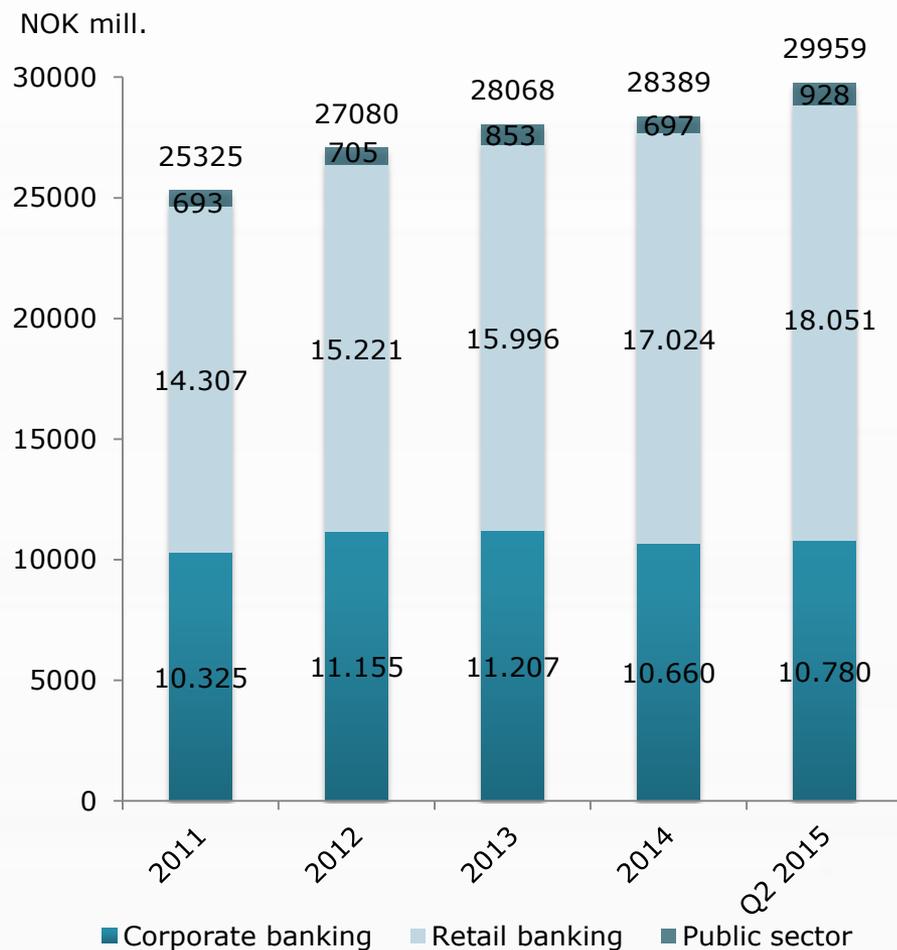
Loans by sector



| Other 9.4% | | | | | |
|------------------------|-----|--------------------|-----|-------------|-----|
| Other industry | 1.5 | Financial services | 2.0 | Agriculture | 0.8 |
| Building/construction | 1.3 | Fishing Industry | 0.8 | Furniture | 0.1 |
| Retail/wholesale trade | 1.0 | Ship Yards | 1.2 | Other | 0.7 |



Breakdown of deposits



Annual deposit growth

| | |
|--------|-------|
| 2011: | 3.2 % |
| 2012: | 6.9 % |
| 2013: | 3.6 % |
| 2014: | 1.1 % |
| Q2 15: | 3.0 % |

Deposit growth last 12 months

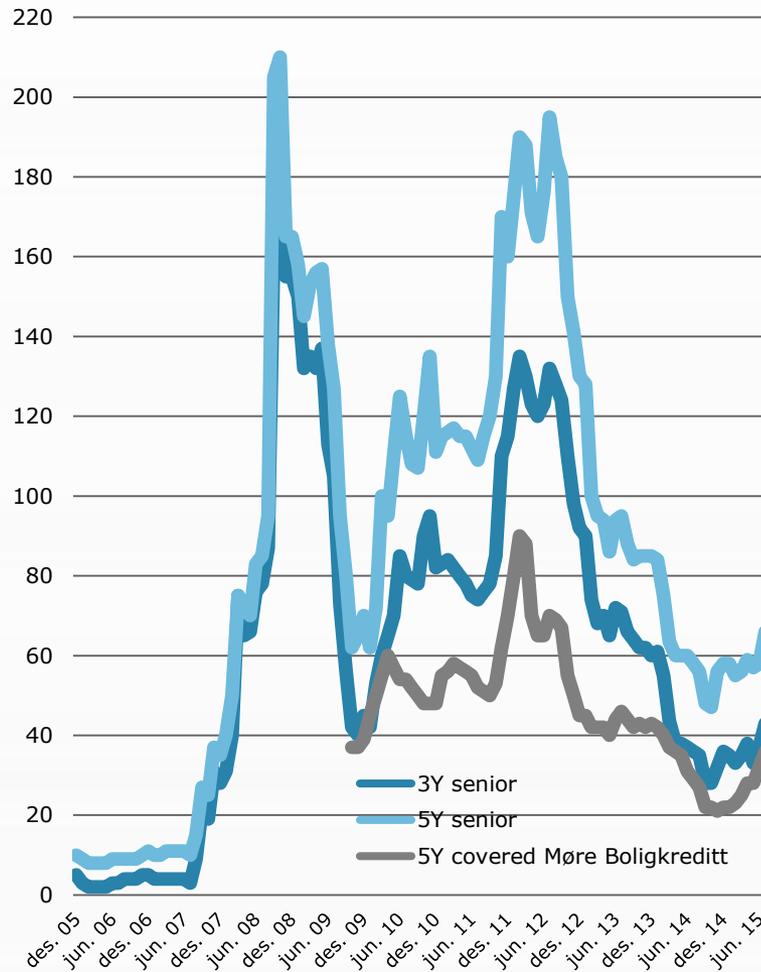
| | |
|-------------------|---------|
| Retail banking | 6.3 % |
| Corporate banking | - 2.1 % |
| Public sector | 12.3 % |



Funding and hedging

Good access to the market

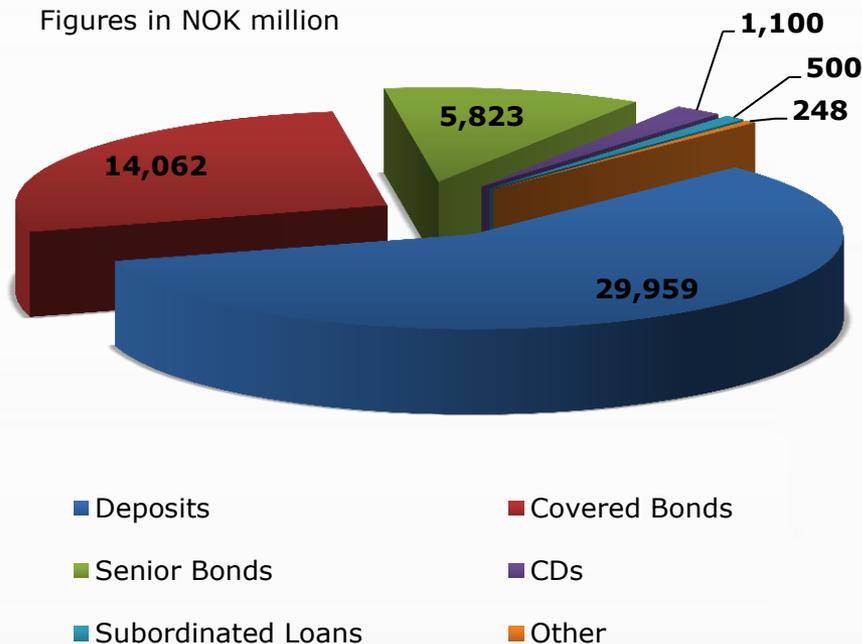
Margins



- Since the beginning of 2012 we have mainly seen funding margins been reduced. By the end of Q2 2015 margins in the long-term bond market increased following uncertainty related to Greece and week liquidity in the Norwegian market
- 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 70 % 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 A2 (stable) and Covered Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's. We receive good credit rating from Scandinavian investment banks
- In addition to rating, the LCR eligibility size criteria has led to differentiated margin pricing depending on size of Covered Bond loans

High deposit to loan ratio

- total financing by quarter end



- Deposits from customers are the Group`s most important source of funding
- We maintain a high deposit to loan ratio (59.4 % in the Group). Sparebanken Møre experiences the market access as very good
- Total market funding ended just above NOK 21.7 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 1.98 years, Covered Bonds with a weighted average maturity of 4.66 years (FSA defined key figures)
- By half year end three of Møre Boligkreditt`s bond issues 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

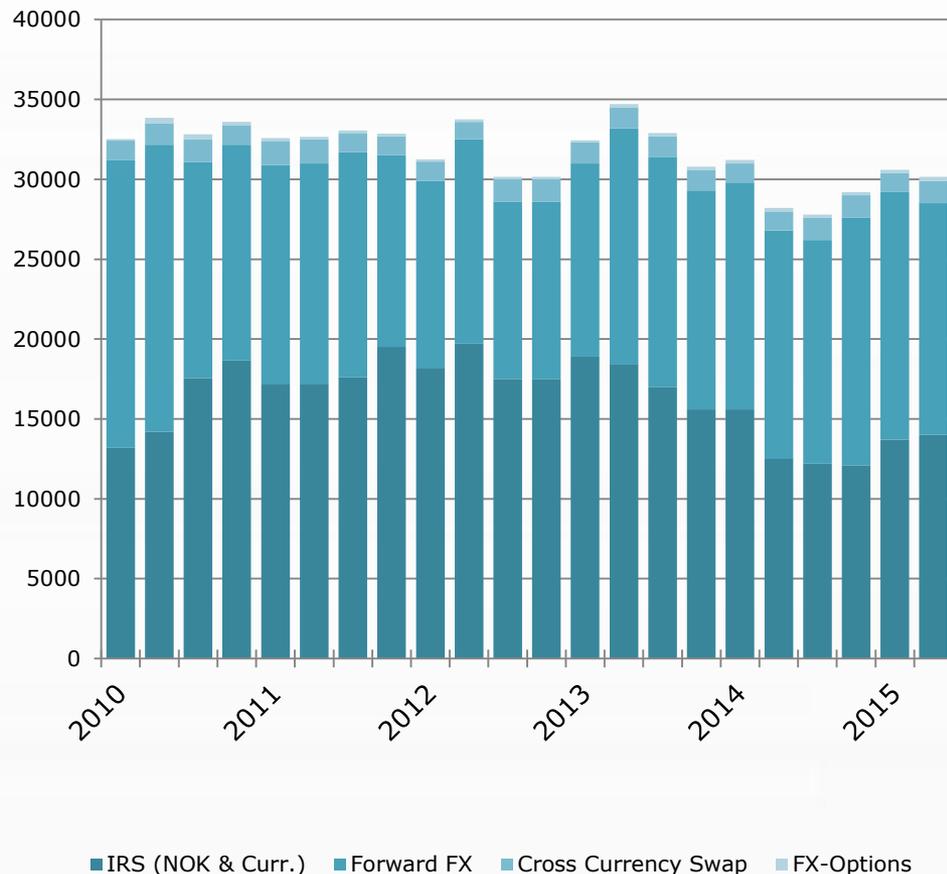
| Rating | Market Value |
|--------------|------------------|
| AAA | 4.093.154 |
| AA+ | 344.332 |
| AA | 30.158 |
| AA- | 41.751 |
| A | 50.246 |
| A- | 97.998 |
| BBB+ | 15.273 |
| BBB | 55.210 |
| | |
| | |
| Total | 4.728.122 |

| Issuer Origin | Market Value |
|---------------|------------------|
| Norway | 2.762.612 |
| Sweden | 503.425 |
| Int`l Org. | 320.281 |
| Finland | 307.516 |
| Germany | 256.552 |
| Denmark | 219.779 |
| Luxembourg | 215.596 |
| UK | 49.843 |
| Austria | 47.084 |
| Netherland | 45.433 |
| Total | 4.728.122 |

| Currency | Market Value |
|--------------|------------------|
| NOK | 4.269.546 |
| EUR | 458.576 |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| Total | 4.728.122 |

Off balance activity - quarterly

NOK MILL

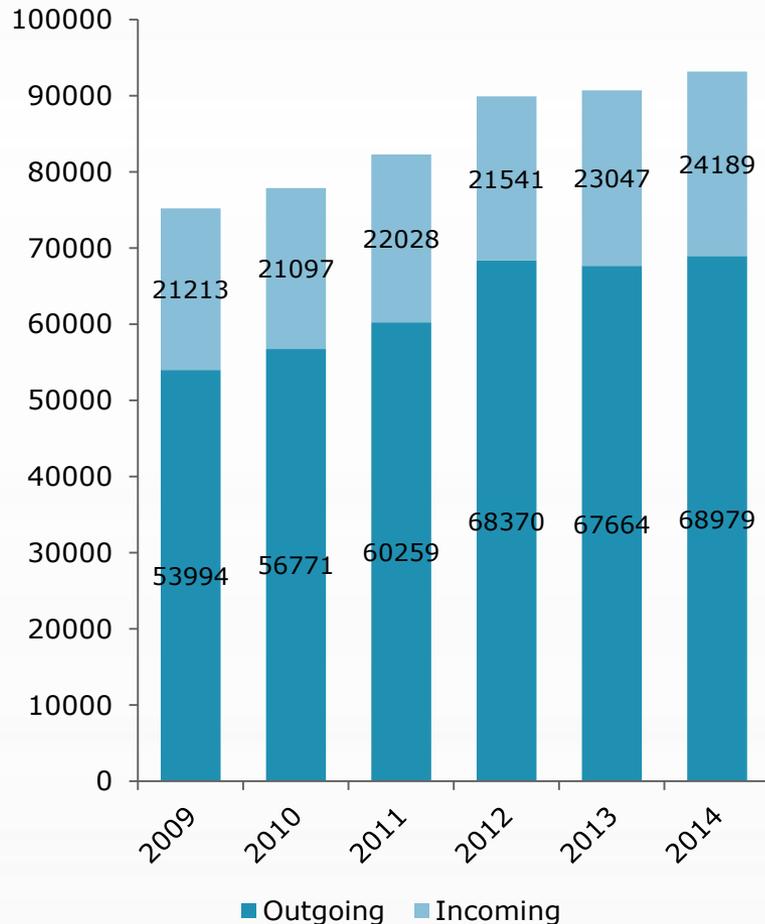


- Low risk profile in the interest rate, equity and FX markets
 - ✓ Sparebanken Møre has no trading portfolio in these or other similar markets/instruments
 - ✓ Client's positions are hedged in the market
 - ✓ The bank's positions are hedged

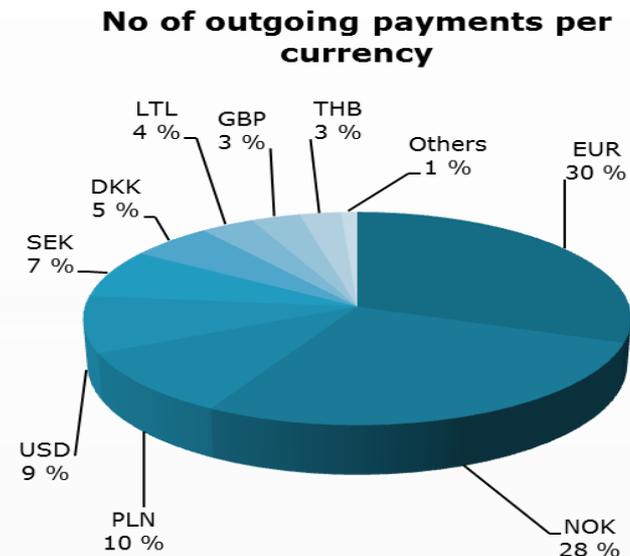
- Hence, our international oriented industry give business opportunities for the bank and our partners



Number of commercial payments



Our international oriented industry give business opportunities for the bank and our partners also in the payment area





Results



Results

Main figures

| | Q2 2015 | | Q2 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 | 542 | 1.91 | 537 | 2.00 | 5 | -0.09 | 0.9 |
| Net return, financial investments | 34 | 0.12 | 35 | 0.13 | -1 | -0.01 | -2.9 |
| Other income | 98 | 0.34 | 87 | 0.32 | 11 | 0.02 | 12.6 |
| Total income | 674 | 2.37 | 659 | 2.45 | 10 | -0.08 | 2.2 |
| Personnel costs | 164 | 0.57 | 163 | 0.60 | 1 | -0.03 | 0.6 |
| Other costs | 127 | 0.45 | 124 | 0.46 | 3 | -0.01 | 2.4 |
| Total ordinary operating costs | 291 | 1.02 | 287 | 1.06 | 4 | -0.04 | 1.4 |
| Result before credit losses | 383 | 1.35 | 372 | 1.39 | 11 | -0.04 | 3.0 |
| Losses on loans and guarantees | 15 | 0.05 | 14 | 0.05 | 1 | 0.00 | 7.1 |
| Result before tax cost | 368 | 1.30 | 358 | 1.34 | 10 | -0.04 | 2.8 |
| Tax cost | 99 | 0.35 | 95 | 0.35 | 4 | 0.00 | 3.7 |
| Result after tax cost | 269 | 0.95 | 263 | 0.99 | 6 | -0.04 | 2.5 |
| From the Balance Sheet | | | | | | | |
| Total assets | 58,902 | | 55,000 | | 3,902 | | 7.1 |
| Net lending | 50,458 | | 46,766 | | 3,692 | | 7.9 |
| Deposits | 29,959 | | 29,095 | | 864 | | 3.0 |
| Capital | 5,658 | | 5,670 | | 10 | | 0.2 |
| Capital ratio | | 17.4 | | 16.4 | | 1.4 | |
| Core capital ratio | | 15.8 | | 15.2 | | 0.9 | |
| Core Tier 1 Capital ratio | | 13.5 | | 12.3 | | 1.3 | |
| Return on equity capital (<i>incl. Nets</i>) | | 11.6 | | 12.1 | | -0.5 | |
| Costs as a percentage of income | | 43.2 | | 43.6 | | -0.5 | |
| Earnings per EC (the Bank in NOK) | | 18.15 | | 15.95 | | | 13.8 |



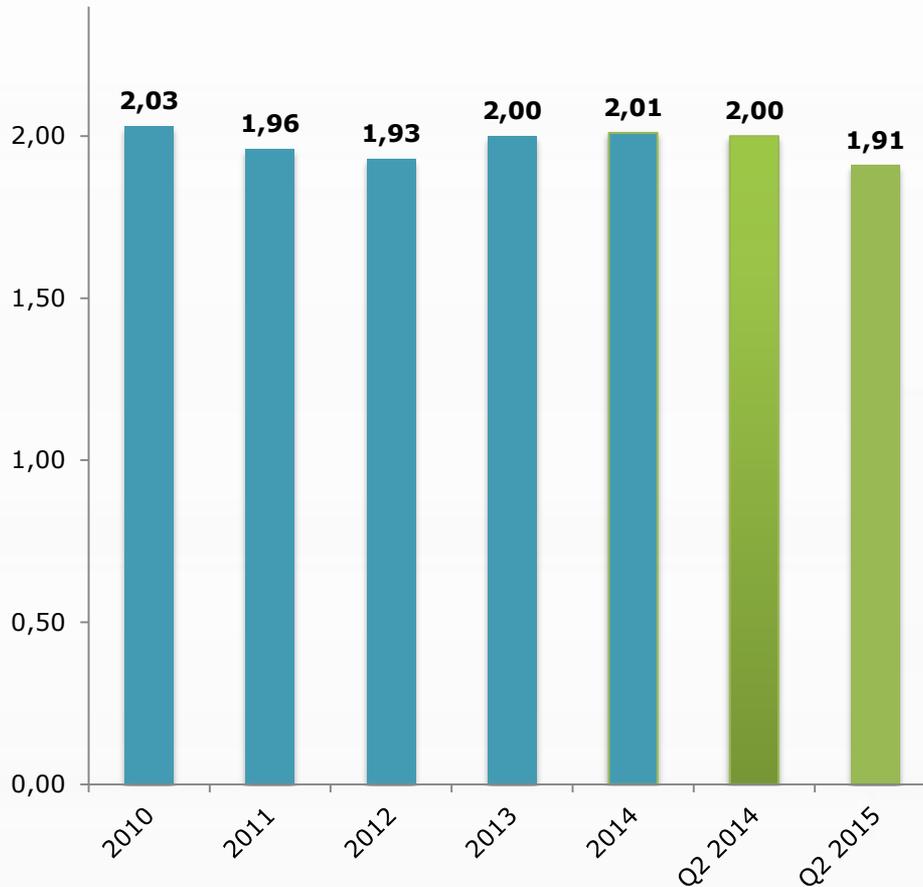
Results

Result as a percentage of average assets



High net interest income

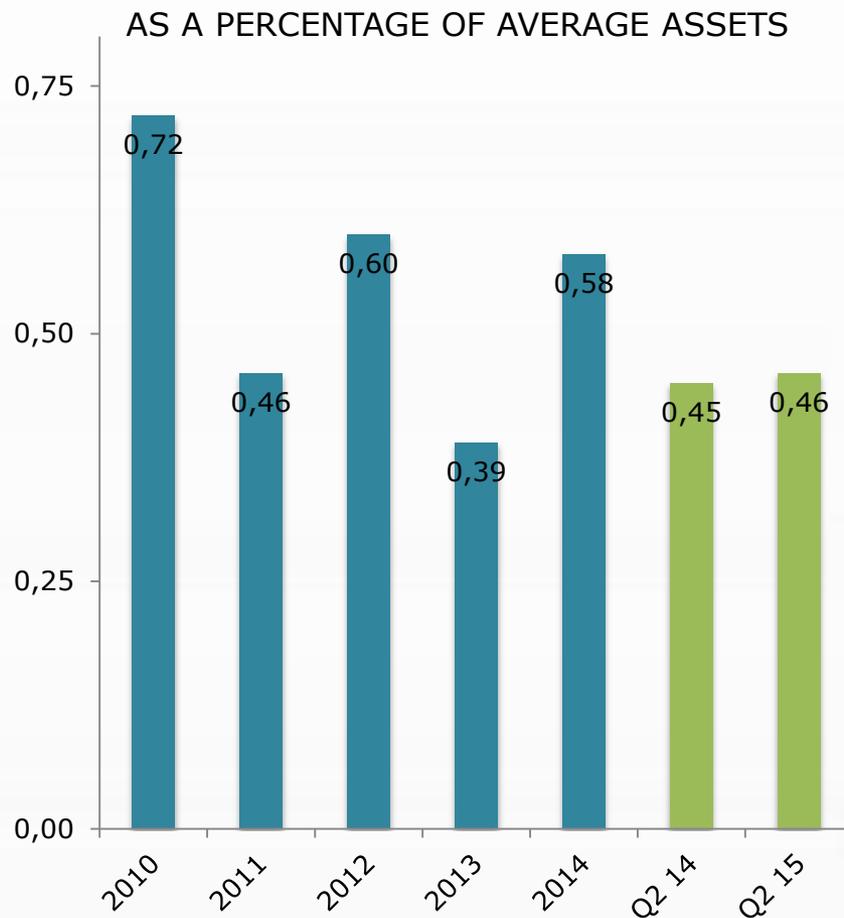
AS A PERCENTAGE OF AVERAGE ASSETS



Net interest income is marginally higher in NOK than by half year end 2014

- ✓ Fierce 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



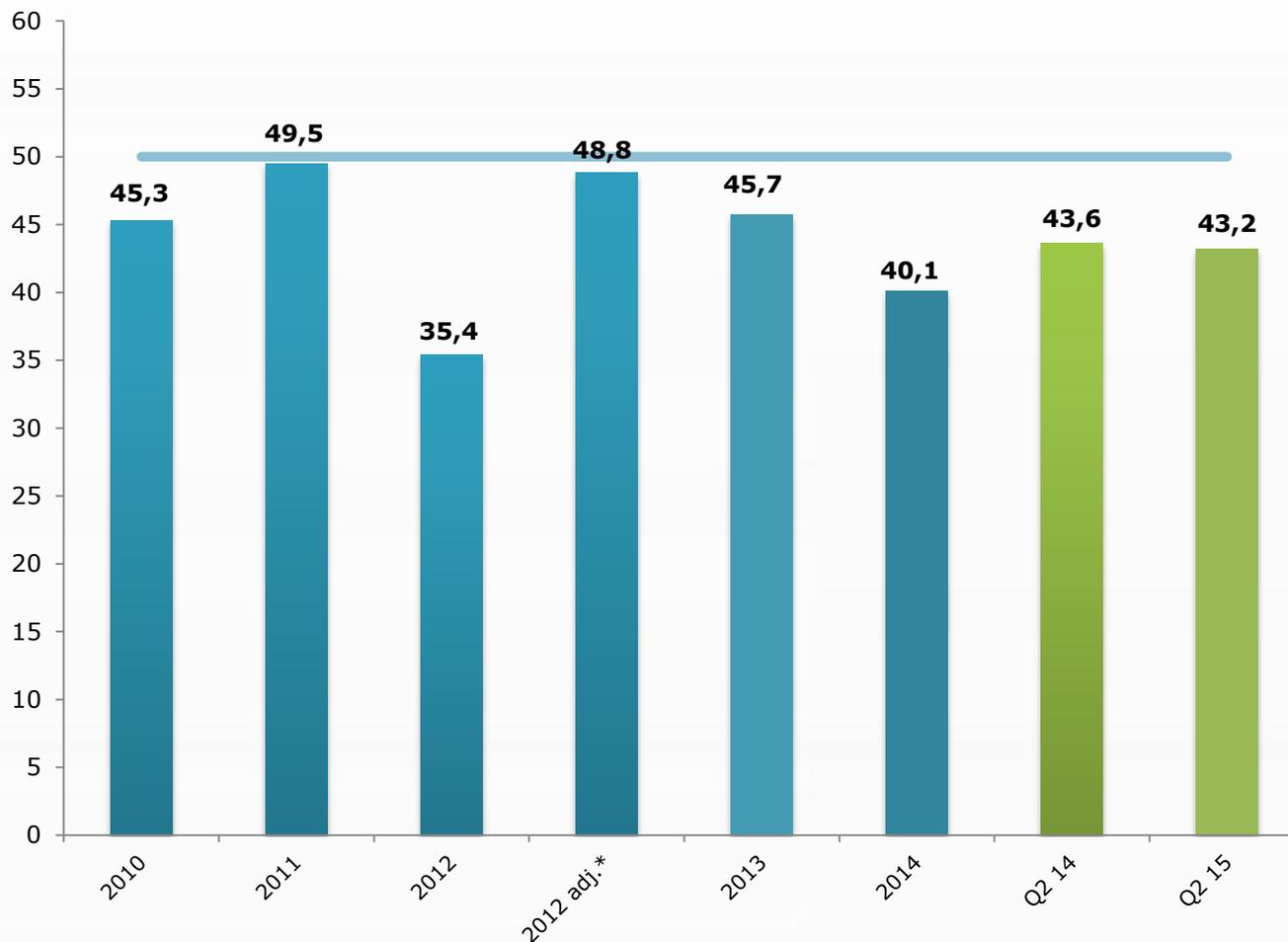
Higher other operating income, compared with Q2 2014:

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



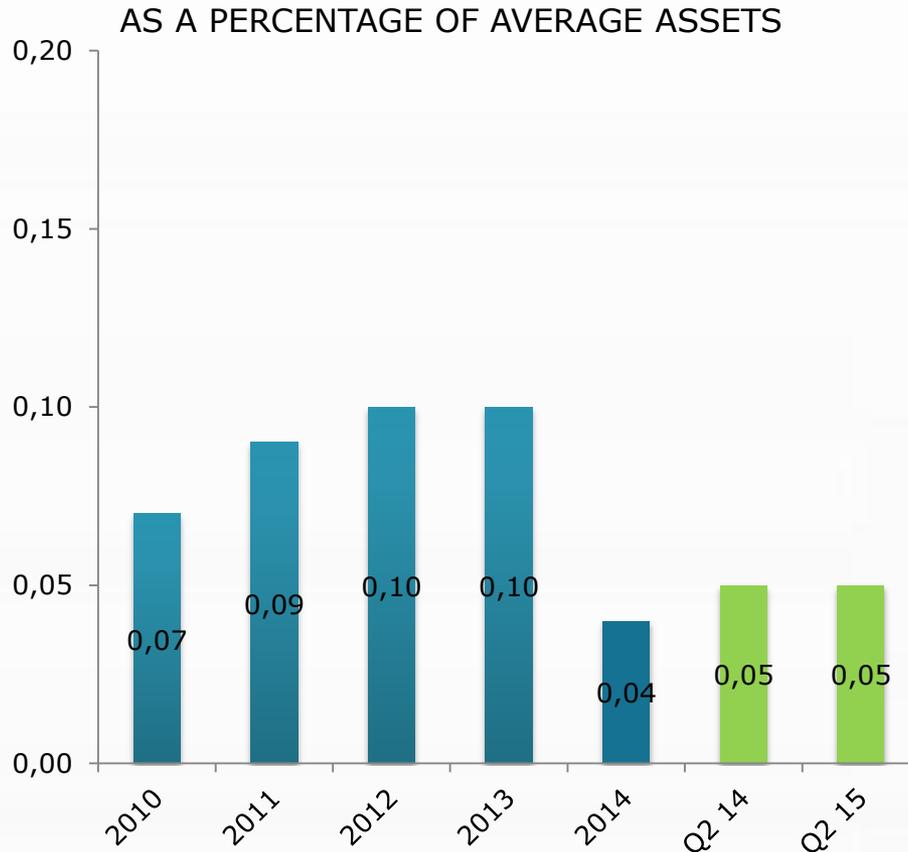
Results

Strong development in cost/income - well below the target



*Adjusted for one-off-effect from changes in pension scheme

Losses at a very low level



Losses totalled NOK 15 million

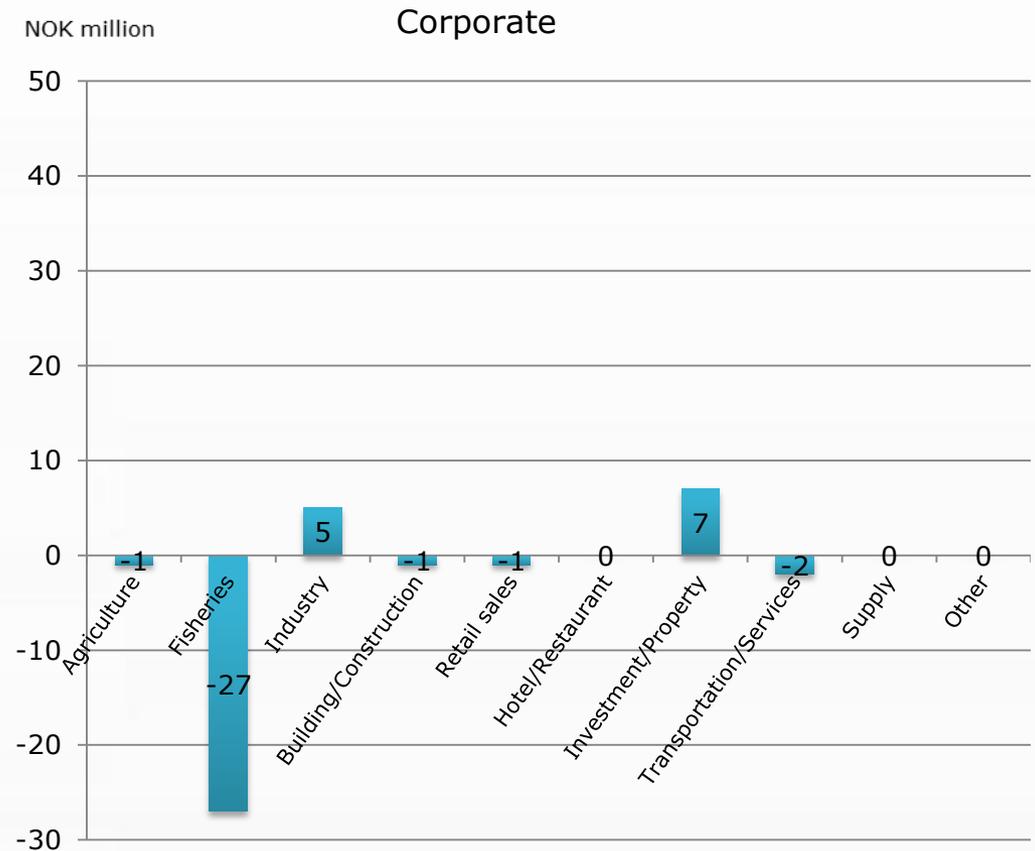
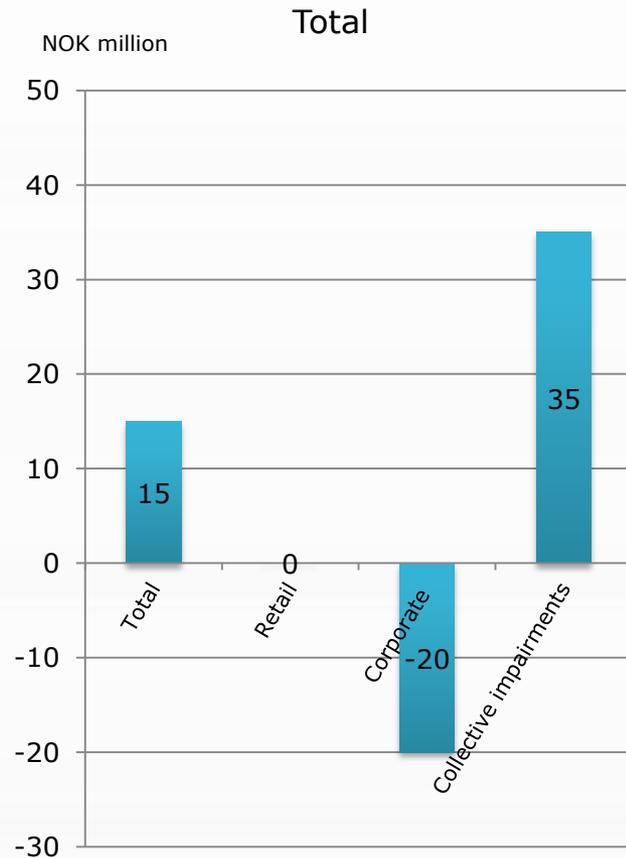
- Corporate: NOK -20 million
- Retail NOK 0 million
- Collective impairments NOK 35 million

Total impairments amounted to NOK 314 million by 30.06.2015



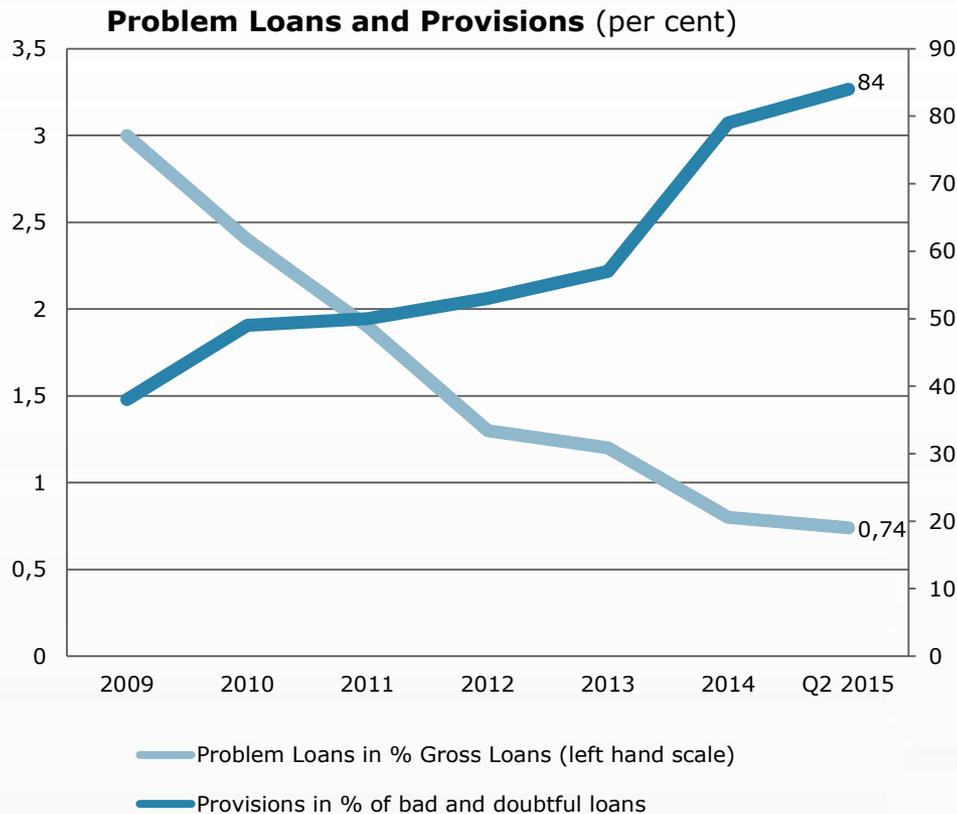
Results

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 0.74 % by the end of Q2 2015
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 84 % by half year end



Equity and ECs

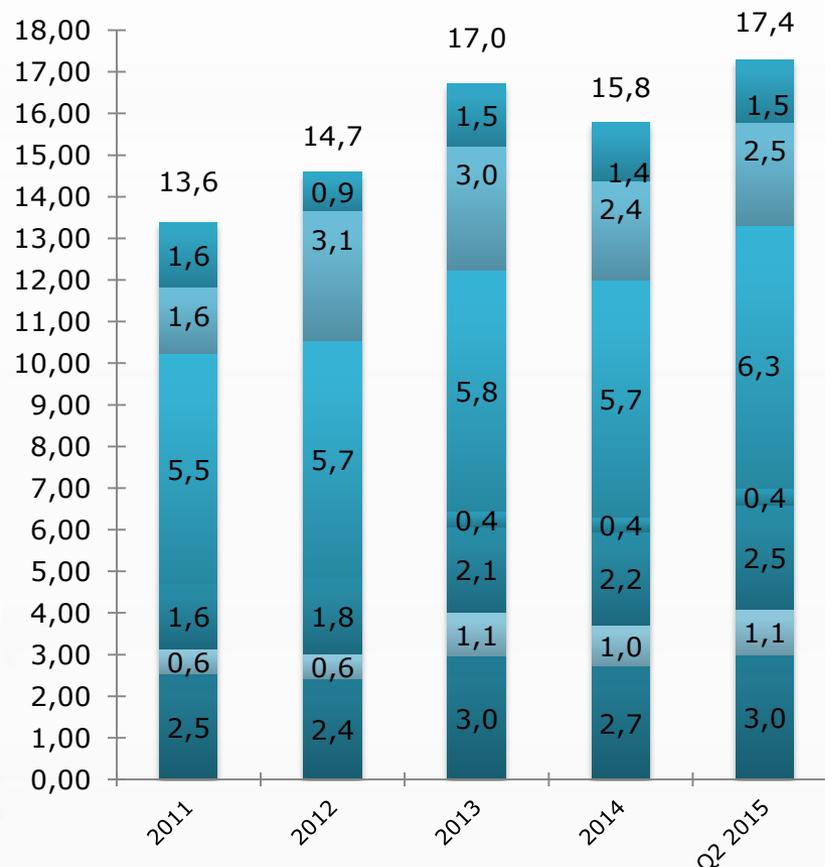
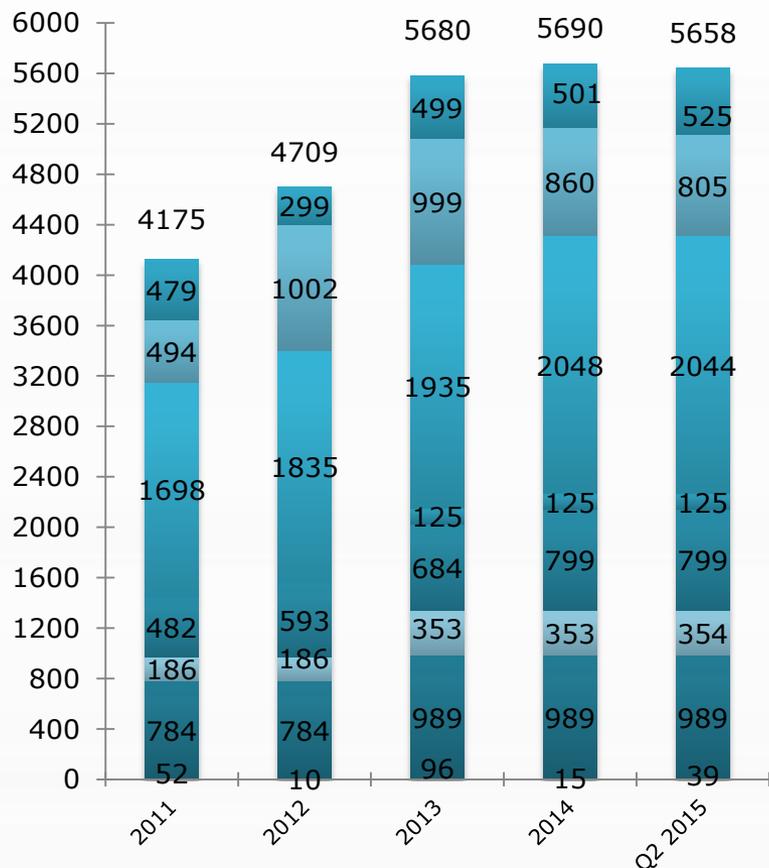


Equity

Equity and related capital: Strong Capital

NOK mill.

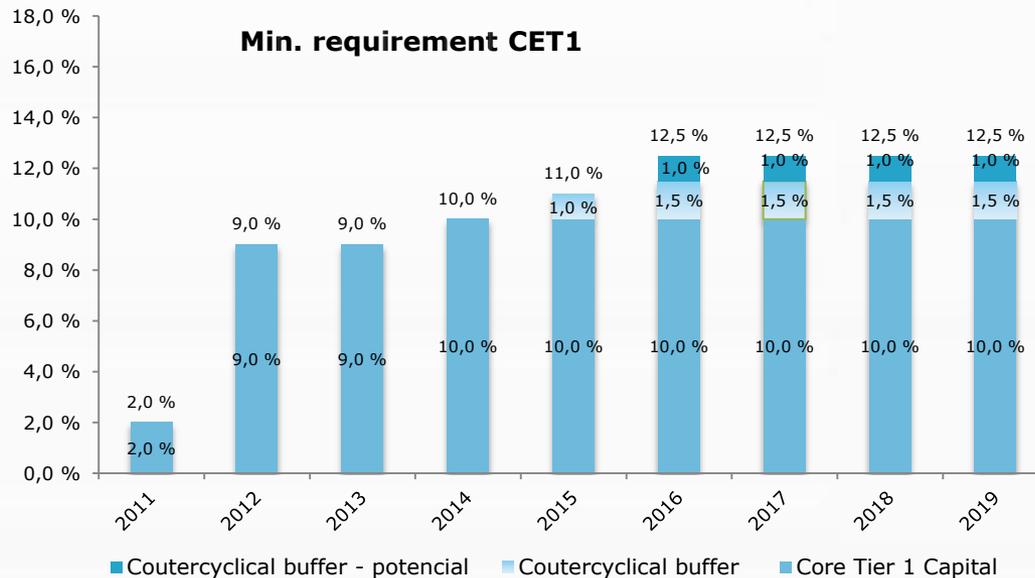
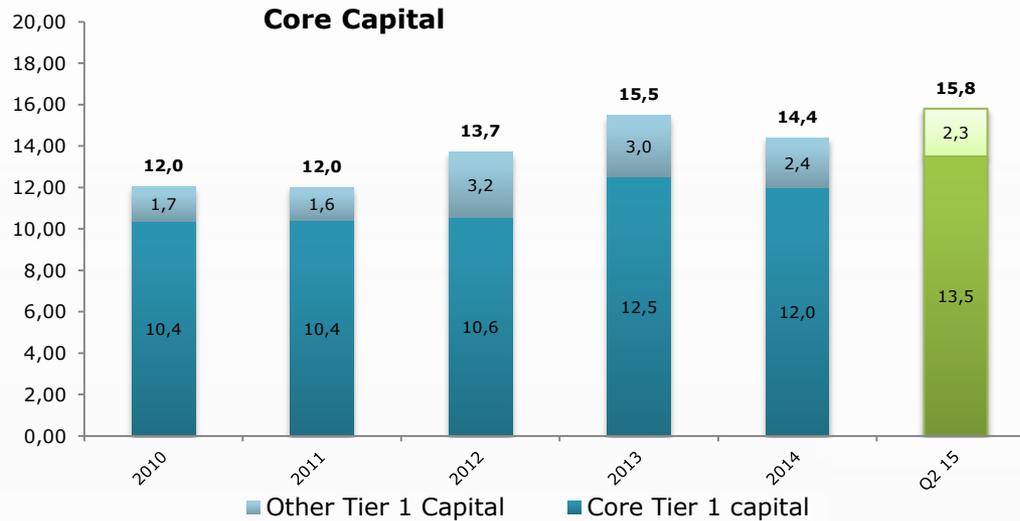
%



- ECs
- Premium Fund
- Dividend Equalisation Fund
- Savings Bank's Fund
- Gift Fund
- Capital Bonds
- Supplementary capital
- Miscellaneous

Equity

Strong 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



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 Equity certificates

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



Summing up and outlook

From the CEO:

- Even with the increasing uncertainty, the macroeconomic environment for the county remains satisfactory and will help to keep the level of losses low and within the bank's plans this year
- It is expected that lending growth will fall during the year both in the retail and commercial markets
- Long-term financing in the Norwegian and international funding market will be balanced with a good deposit development - the Bank is financially strong and has a good credit rating
- Our strong cost focus will continue and will contribute to a cost/income ratio well within the Bank's target for 2015
- The Bank has laid a robust strategy for the years ahead through new business plan "Møre 2019"





Macroeconomic Overview

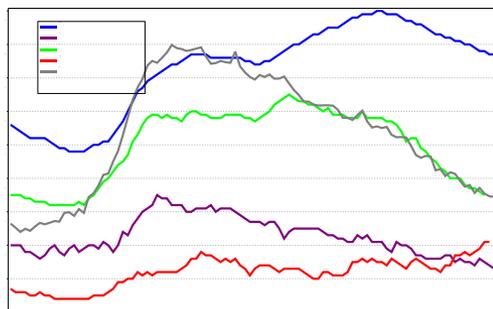
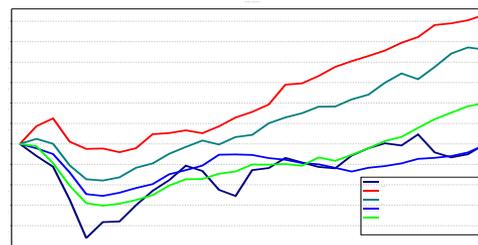
Stronger GDP growth in Norway next year

Our estimates for the Norwegian economy

| | 2014 | 2015 | 2016 |
|---------------|-------------|-------------|-------------|
| GDP growth | 2,6 | 1,2 | 2,4 |
| Unemployment | 3,5 | 4,2 | 4,3 |
| Oil price USD | 100 | 65-70 | 70-75 |
| 3 month Nibor | 1,7 | 1,3 | 1,0 |

Stronger growth in Norway in 2016 due to:

- An expansionary fiscal policy
- Low interest rates
- A weak NOK
- Stronger growth in Europa
- Somewhat higher oil price



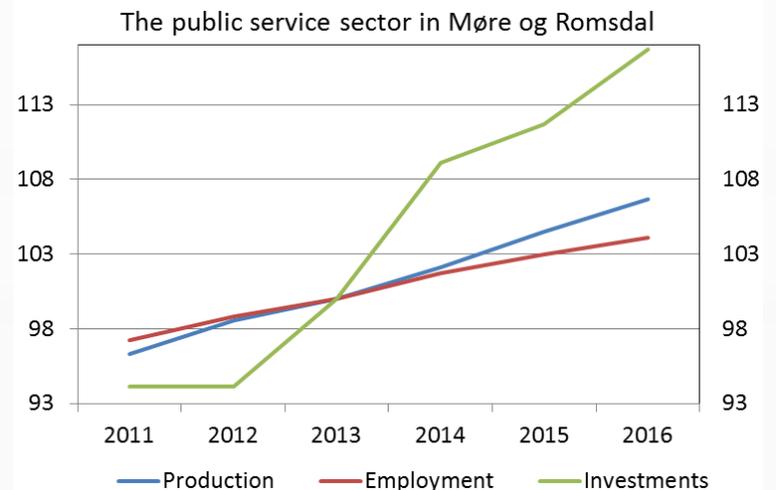
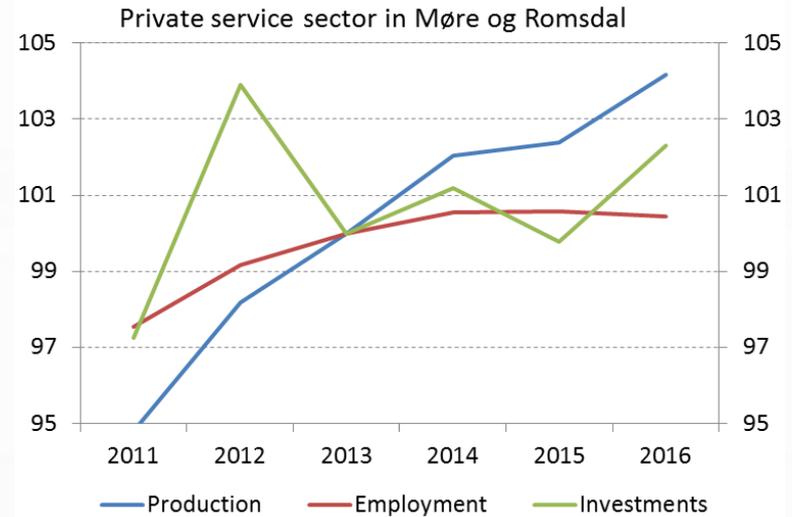
The business sector in Møre og Romsdal is doing well

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

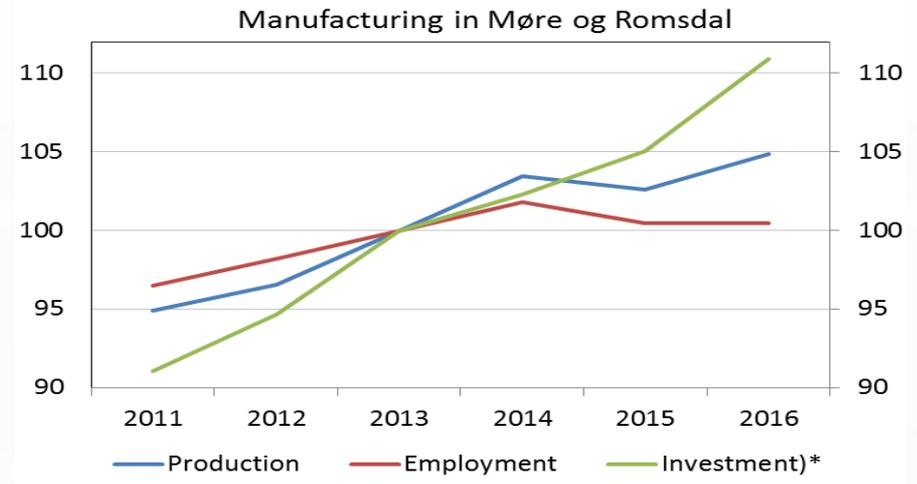
Main reasons for higher output:

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

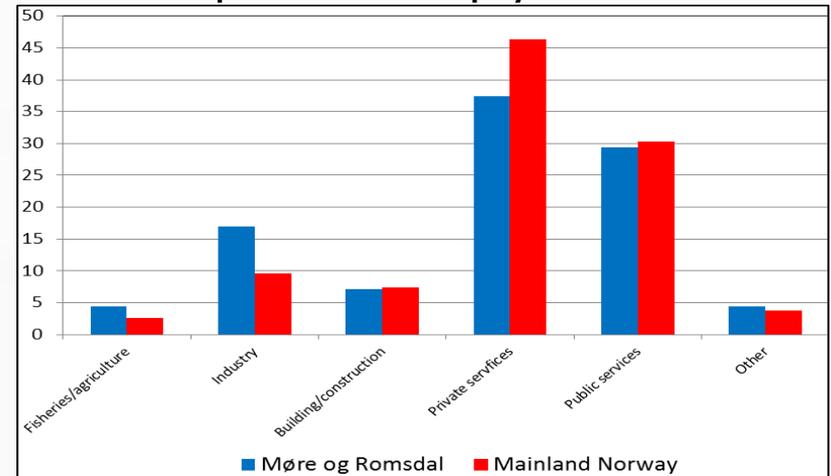


The long term outlook for the manufacturing sector has improved

- The long term outlook for the manufacturing sector is positive due to:
 - ✓ The weakening of the NOK
 - ✓ Growth in world trade
- Average 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



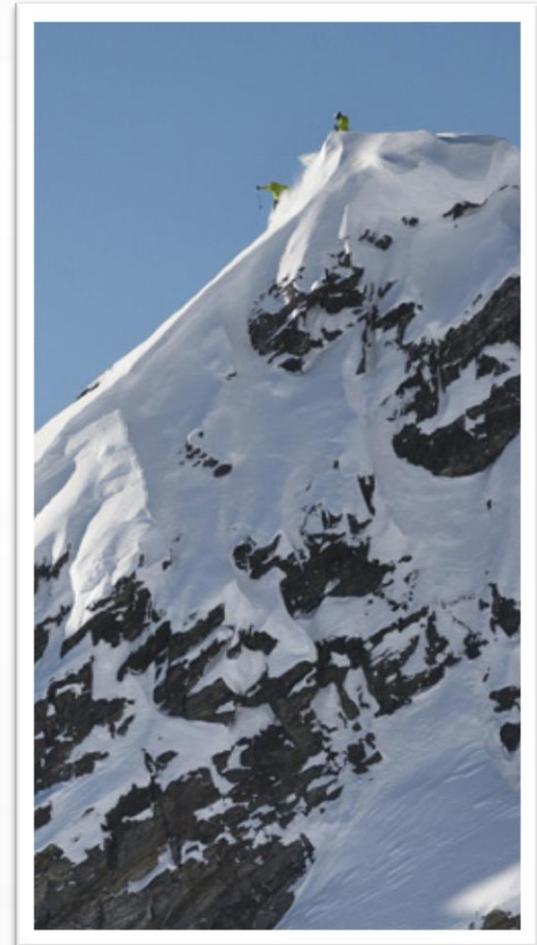
The business sector in Møre og Romsdal is doing well

- Moderate production growth in a medium term perspective

- Increasing growth in traditional exports
- Higher demand for personal services
- Increased activity in the public sector
- High production in the fishing industry
- Uncertainty regarding the amount of new orders for the ship building industry in 2016
- The decline in oil investments will level out during 2016 according to the petroleum sectors own estimates per Q2/2015.
- Somewhat higher unemployment

Most important risk factors:

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



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 shall not exceed 85%
- Minimum amortization of 2.5% or maximum 30 year repayment if LTV exceed 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

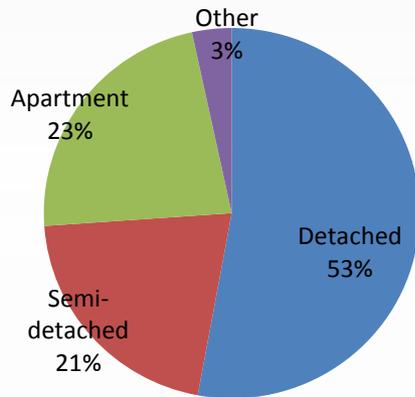
- According to OECD, Norway have the best unemployment benefits
- On average about 60% of previous salary paid benefit for 104 weeks minimum

Tax incentives

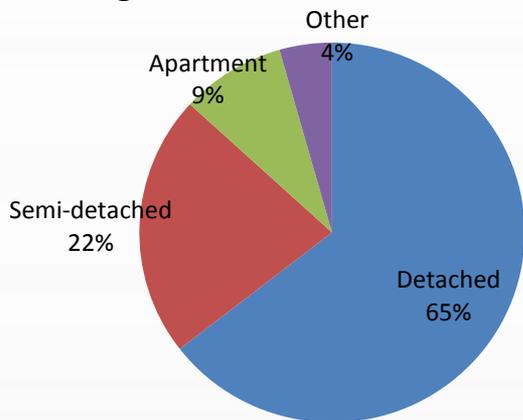
- All interest expenses are tax deductible at capital gains tax rate (27%)
- Property are given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

Differences in housing types and prices

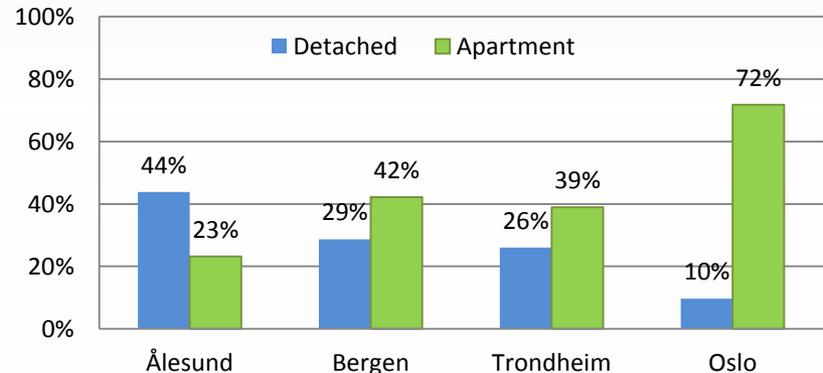
**Household housing-type distribution
- Norway**



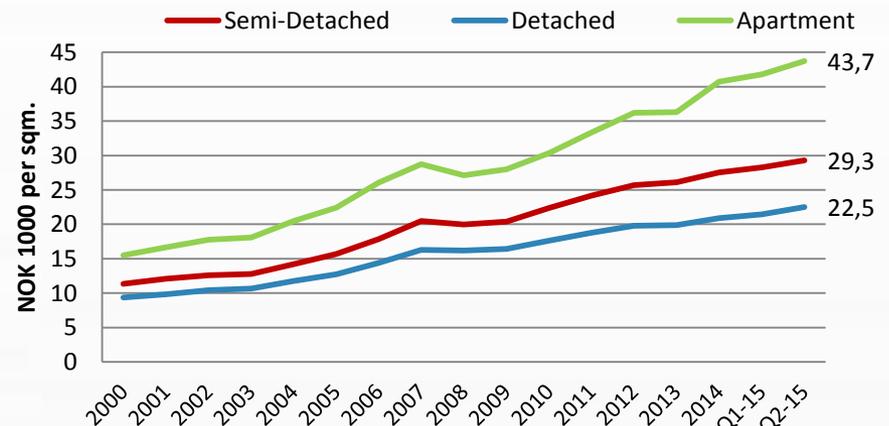
**Household housing-type distribution
- Møre og Romsdal**



**Housing type distribution
- Detached vs apartment**



Price development / housing types



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

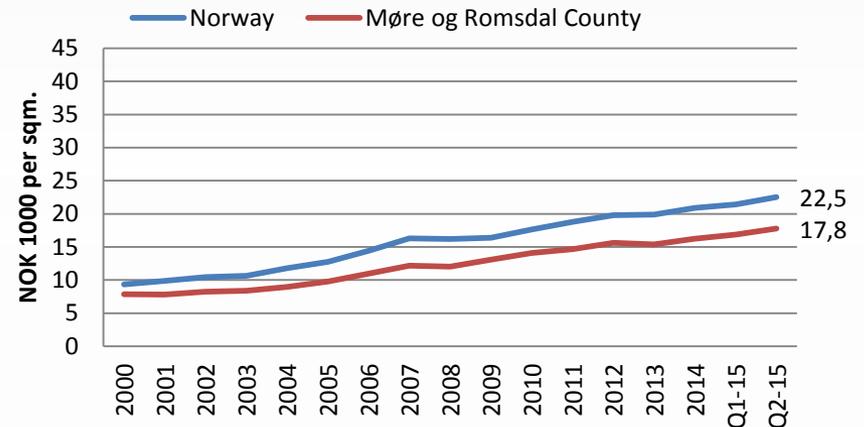
Differences in development of housing prices

Year-over-year average growth in Norwegian housing prices by June 2015 is 8.1 per cent, compared to 6.5 per cent in Møre og Romsdal.

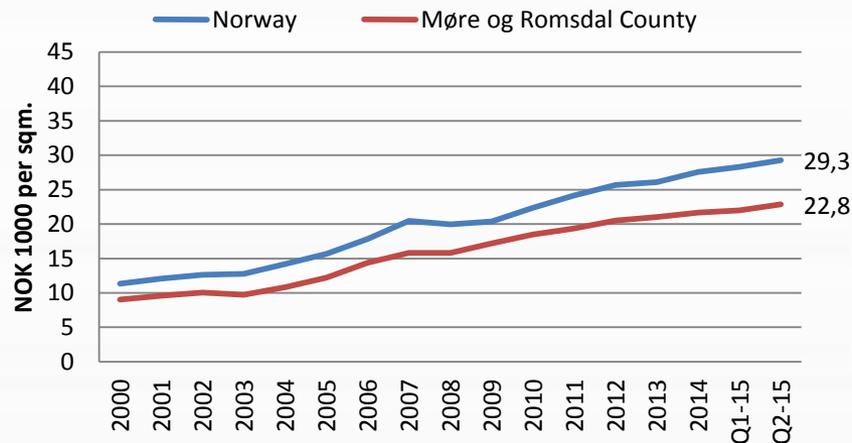
Price growth per square meter in Norway have been considerably stronger on apartments than other housing-types.

The average national price per square meter in Norway is higher than the average price per square meter in the county of Møre og Romsdal.

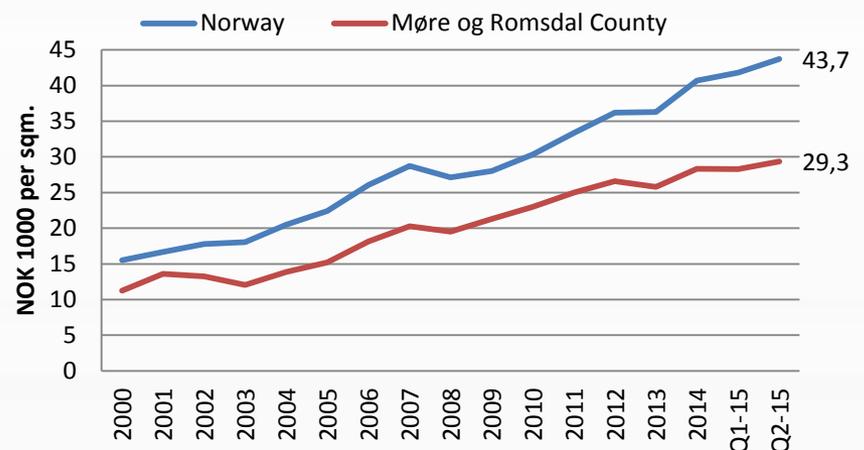
Detached



Semi-detached



Apartment



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