

Sparebanken Møre – the Group

Presentation 3rd quarter 2019

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EVP

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- Introduction and highlights
- Results
- Deposits and Loans
- Liquidity and Capital
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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.

The bank is expanding further and strengthening its position as market leader in our area Nordvestlandet



28

branch offices in our region
Nordvestlandet

354

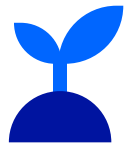
man years

73

billion in total assets

Strong results

- The bank increases both profitability and efficiency in the third quarter
- Good revenue growth, moderate cost growth and low losses contribute to the best quarter so far this year
- The bank is solid and has good liquidity



Lending growth

Lending growth was 6.7 per cent over the last 12 months. Growth in deposits was 4.2 per cent



High and stable Net Interest Income

Growth in NOK and in percentage compared to 2018



High efficiency

Cost/Income ratio at 40.1 per cent by quarter end – down 2.4 p.p. compared to last year



Low losses

Net NOK 35 million in losses on loan and guarantees



Strong liquidity and solidity

Deposit to Loan ratio at 56.8 per cent, LCR at 125 and CET1 at 15.4 per cent. Leverage Ratio at 8.0 per cent



High return

Return on Equity ended at 11.6 per cent for the first three quarters

MORG – price development and rating

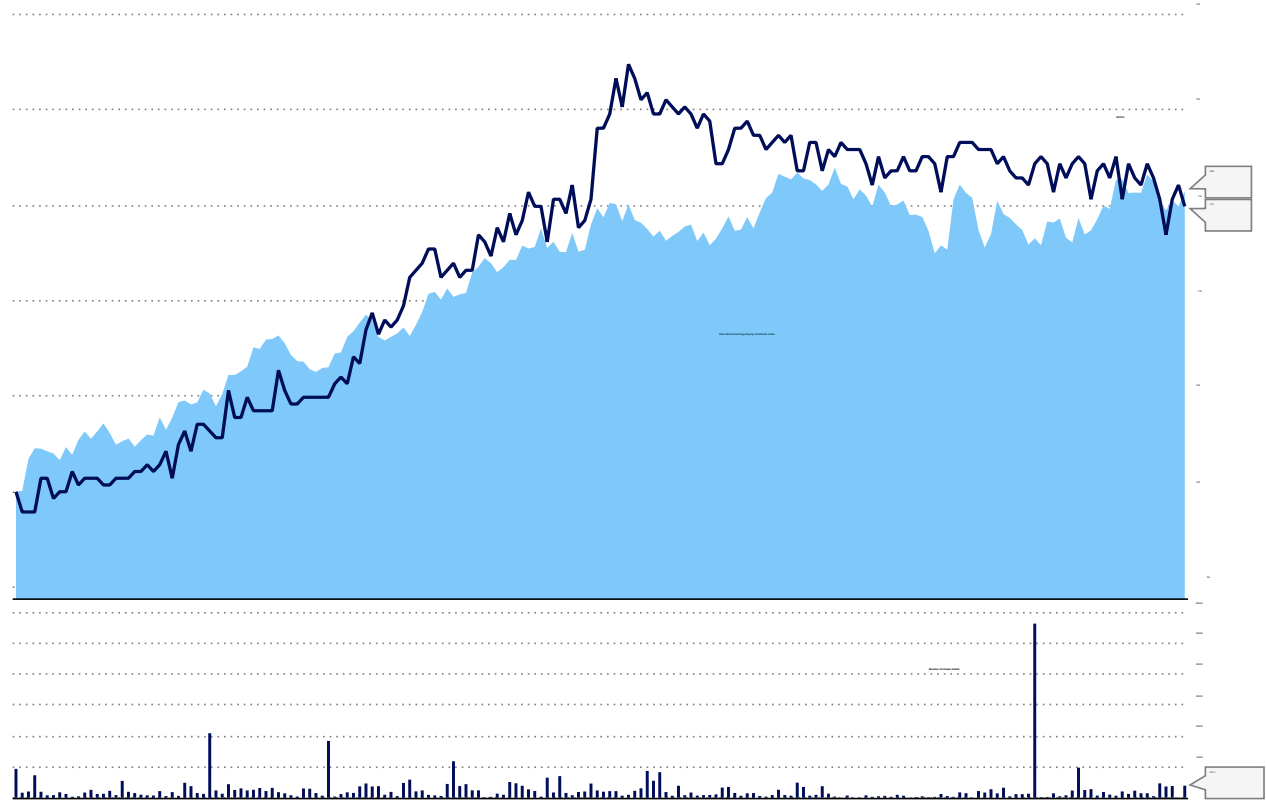
With a MORG price of NOK 309 at the end of the third quarter of 2019, the Price/Book (P/B) ratio has strengthened to 0.99 from 0.93 as of 31.12.2018

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 16 per cent during the first three quarters of this year, slightly above the average price development in the equity certificate market

The CET1-ratio ended at 15.4 per cent by quarter end

Positive 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

Launch of Mastercard

- Credit card with additional services
- Gives the bank's customers an even better card offer
- Complements the bank's range of services
- Distribution cooperation with Sparebank 1 Credit Card, in line with our Contract Banking model
- Other cards in new design
- One of the first banks to use quick read for card information



Sustainability profile for Sparebanken Møre

The bank has chosen five main areas

#8: Promote inclusive and sustainable economic growth, employment and decent work for all

#9: Build resilient infrastructure, promote sustainable industrialization and foster innovation

#11: Make cities inclusive, safe, resilient and sustainable

#12: Ensure sustainable consumption and production patterns

#17: Revitalize the global partnership for sustainable development



Committed to sustainable banking

The bank has signed the UN principles for Responsible Banking

- As a regional savings bank, we have considerable influence
- It is important to us that our products and services create sustainable values for customers, owners and society as a whole – ESG focus
- The principles will guide us in our work on sustainability
- The commitment supports the overall goals of society and the Paris Agreement



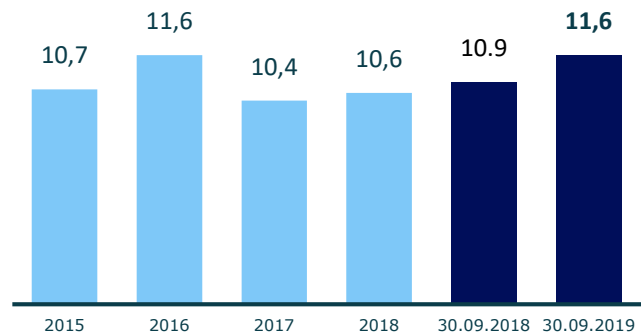
PRINCIPLES FOR
RESPONSIBLE
BANKING



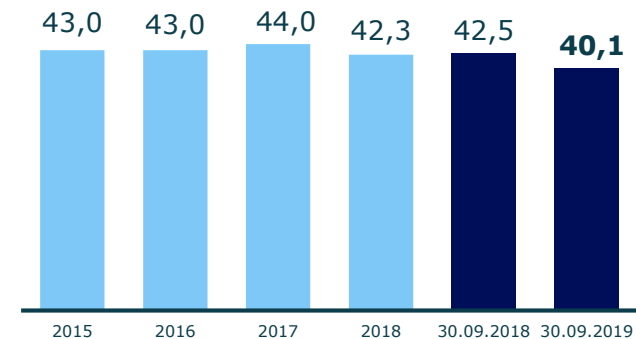
Key figures

We reach our goals

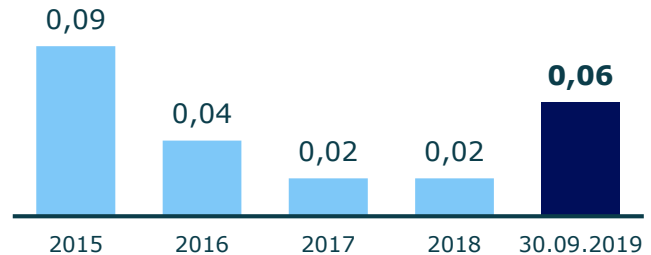
Return on Equity



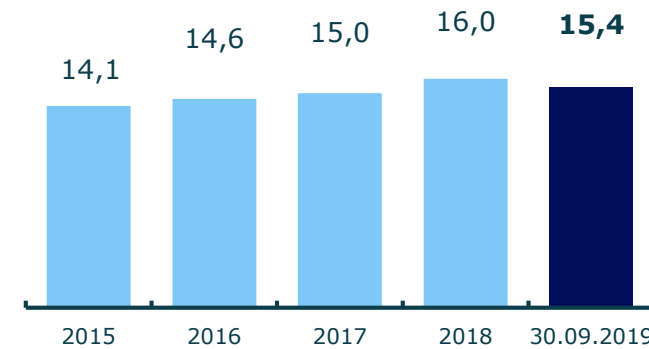
Cost/Income



Losses on Loans and Guarantees In per cent of Average Assets



Common Equity Tier 1 Capital (CET1)



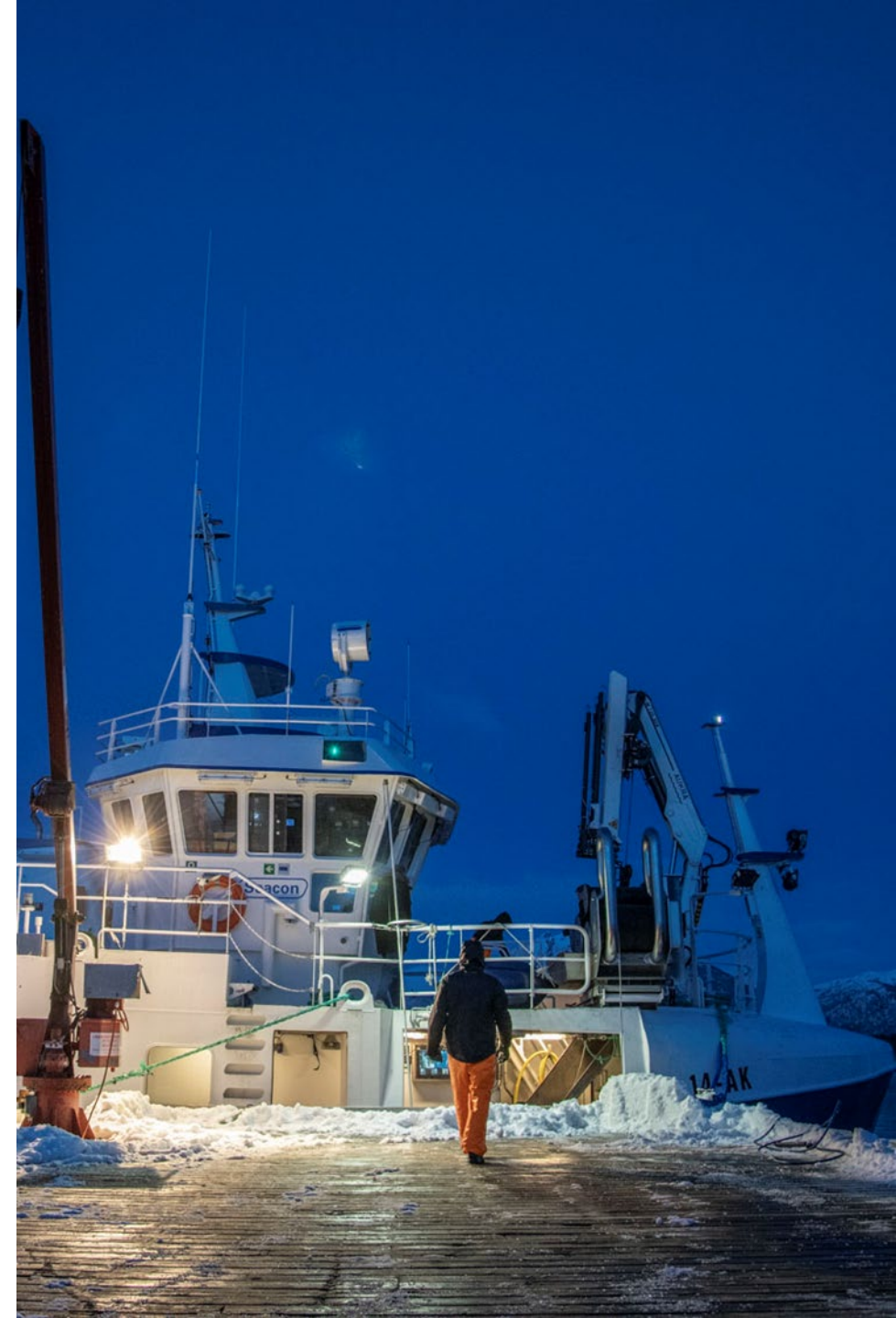
Balance sheet and key figures

	30.09.2019	30.09.2018	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	73,144	69,876	3,268	4.7
Loans to customers	63,647	59,624	4,023	6.7
Deposits from customers	36,147	34,684	1,463	4.2
Net Equity and Subordinated Loans	6,593	6,479	114	1.8

Key Figures	30.09.2019	30.09.2018	Changes p.p.	
Return on Equity	11.6	10.9	0.7	
Cost/Income Ratio	40.1	42.5	-2.4	
Total Capital	19.0	19.4	-0.4	
Tier 1 Capital	17.0	17.4	-0.4	
CET1	15.4	15.8	-0.4	
Leverage Ratio	8.0	8.2	-0.2	
Profit per EC (NOK, the Group)	25.60	22.85	2.75	
Profit per EC (NOK, the Bank)	25.90	23.30	2.60	

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
 - ✓ The activity in the public sector remains high
 - ✓ 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

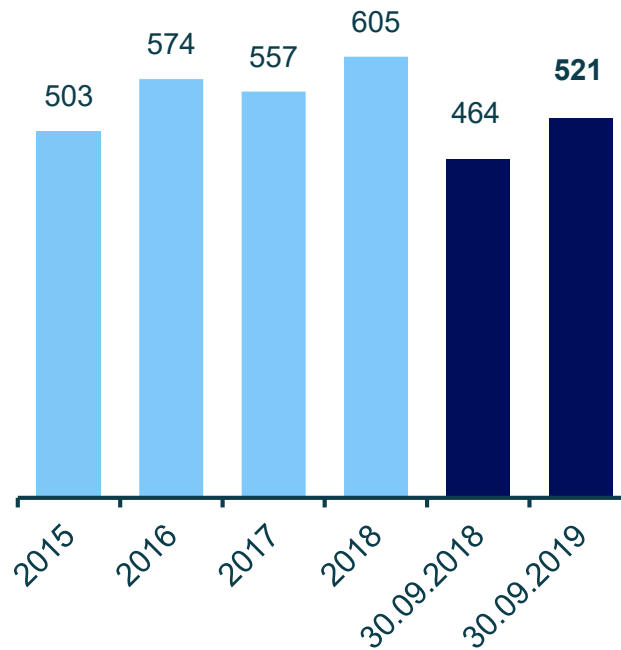


Results

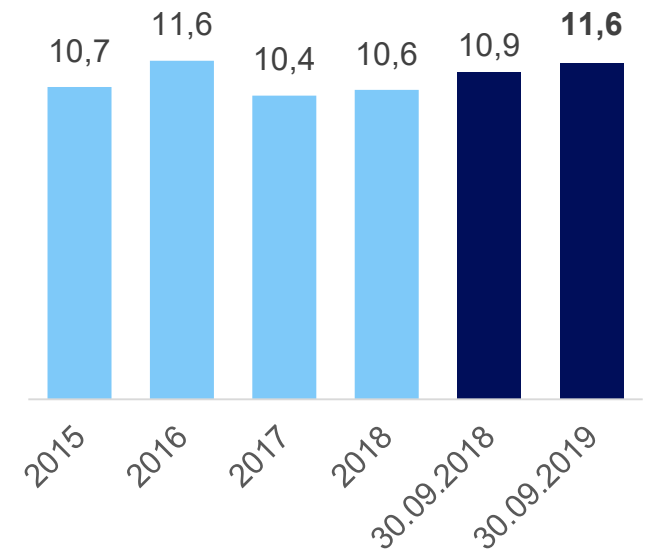
Strong results – good and rising profitability

12 per cent improved result compared to the result by Q3 2018

Profit after tax
- NOK million



Return on Equity (ROE)
- in percent



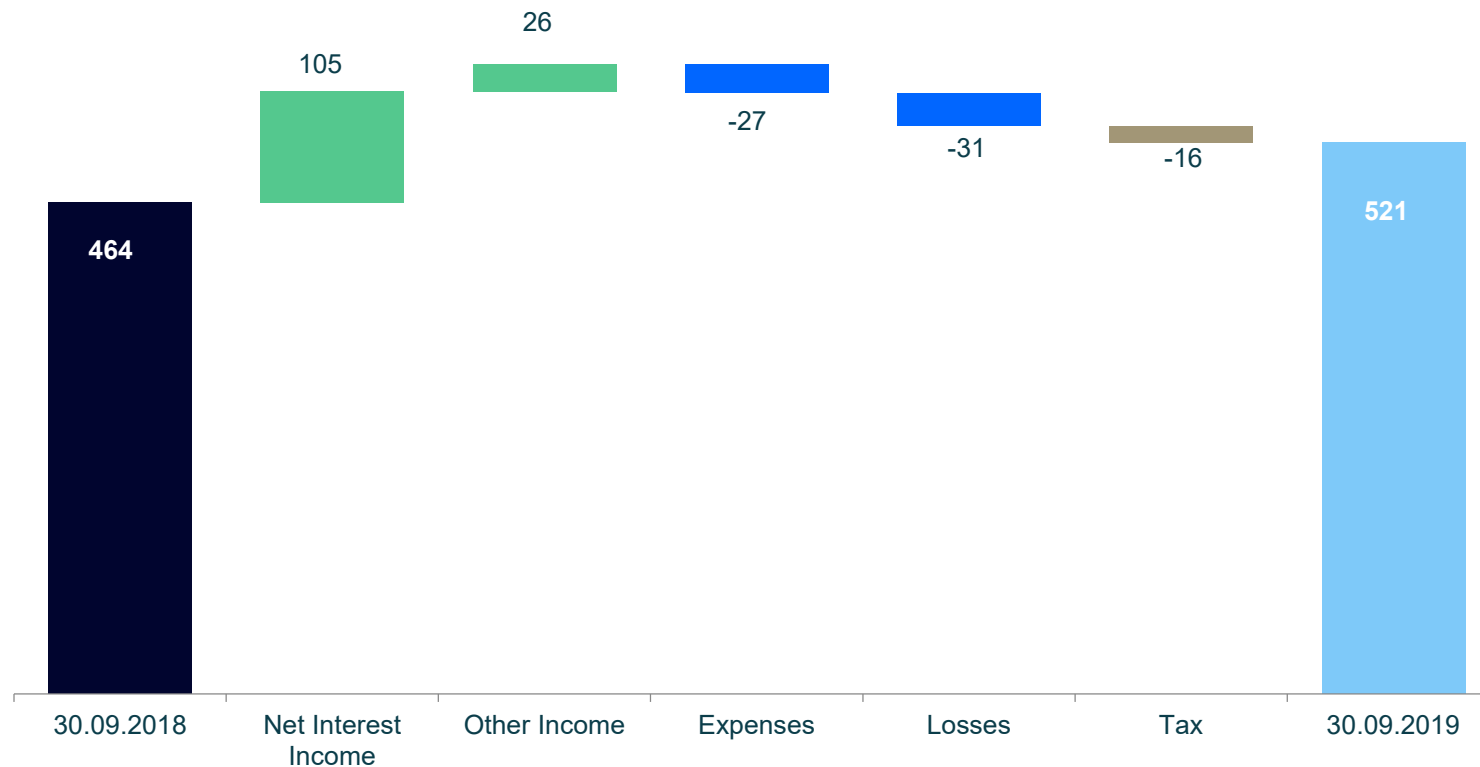
Growth in income and low losses

Strong revenue growth in 2019 –
Net Interest and Other Income

Moderate growth in expenses
which is distributed with a 3.5%
increase in personnel costs and
an increase of 9.1% in other
costs

Low loan losses

Result by 30.09.2019 compared to 2018



Results

The bank presents a good result for the first nine months, with a profit improvement after tax above 12 per cent

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

Results (NOK million and %)	30.09.2019		30.09.2018		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	975	1.78	870	1.68	105	0.10
Net Income Financial Investments	48	0.09	32	0.06	16	0.03
Gains/losses liquidity portfolio	-1	0.00	-11	-0.02	10	0.02
Gains/losses on shares	12	0.02	16	0.03	-4	-0.01
Other Income	159	0.29	155	0.30	4	-0.01
Total Other Income	218	0.40	192	0.37	26	0.03
Total Income	1,193	2.18	1,062	2.05	131	0.13
Personnel costs	263	0.48	254	0.49	9	-0.01
Other costs	215	0.39	197	0.38	18	0.01
Total operating costs	478	0.87	451	0.87	27	0.00
Profit before losses	715	1.31	611	1.18	104	0.13
Losses on loans, guarantees etc	35	0.06	4	0.01	31	0.05
Pre tax profit	680	1.25	607	1.17	73	0.08
Taxes	159	0.29	143	0.27	16	0.02
Profit after tax	521	0.96	464	0.90	57	0.06

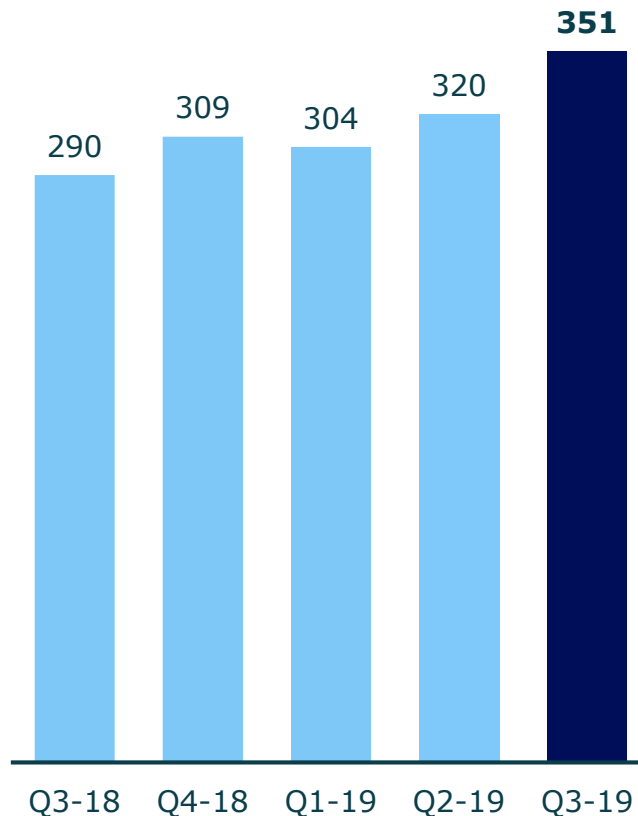
Good Net Interest Income in Q3

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

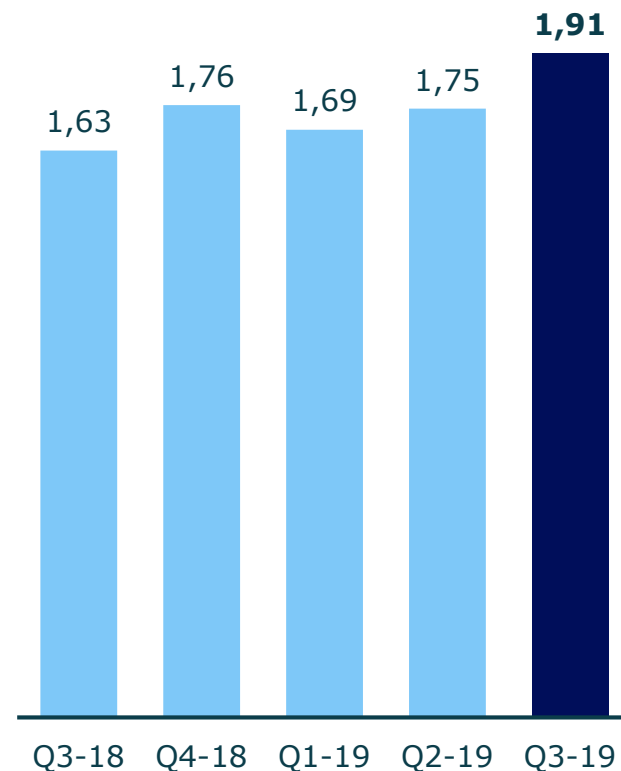
Interest rate change implemented with effect from 9 August

Another change in interest rates is announced for existing loans from 13 November

Net Interest Income
- NOK million

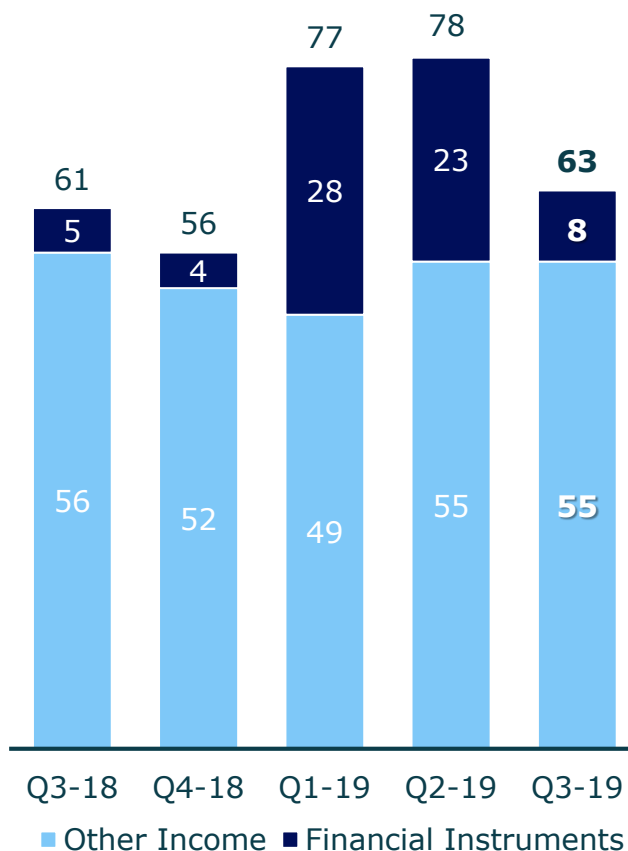


Net Interest Income
- % of Average Assets

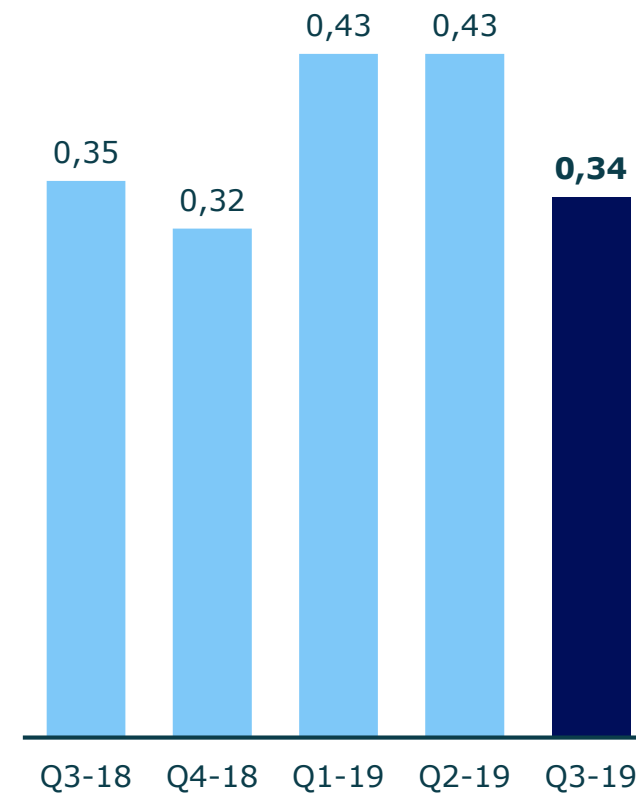


Quarterly development in Other Income

Other Income
- NOK million



Other Income
- % of Average Assets



Increased value creation leads to growth in revenue

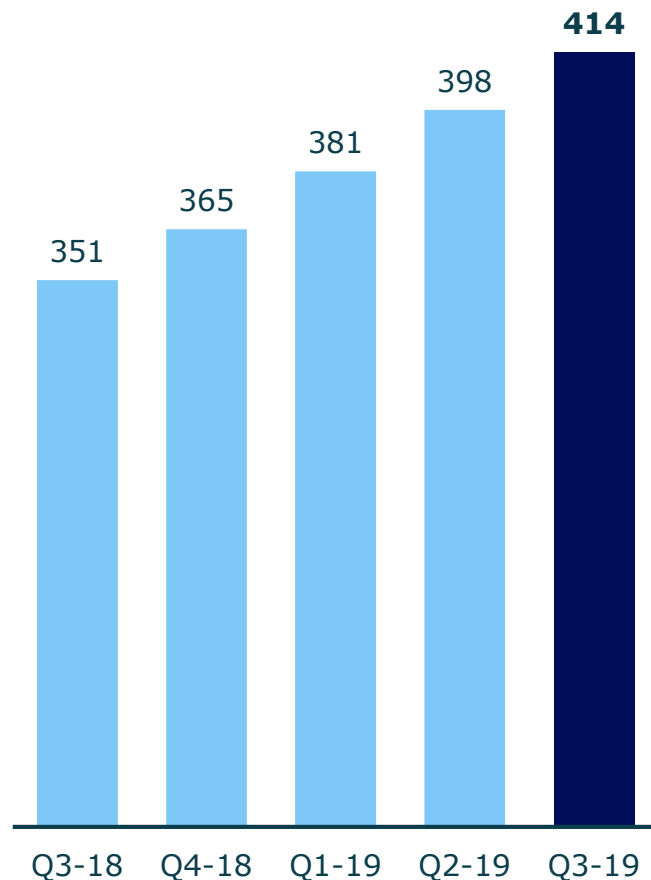
Revenues have risen every quarter in 2019

The bank is competitive and we are still gaining new customers

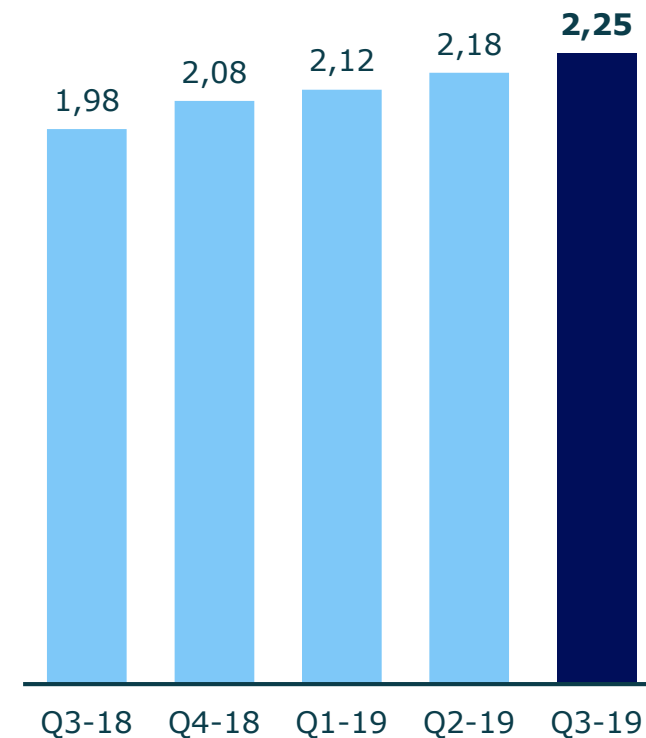
The bank is well-run and this results in new business and revenue growth

Over 70 per cent of our man-years are allocated to direct customer-oriented work

Total income
- NOK million



Total income
- % Average Assets



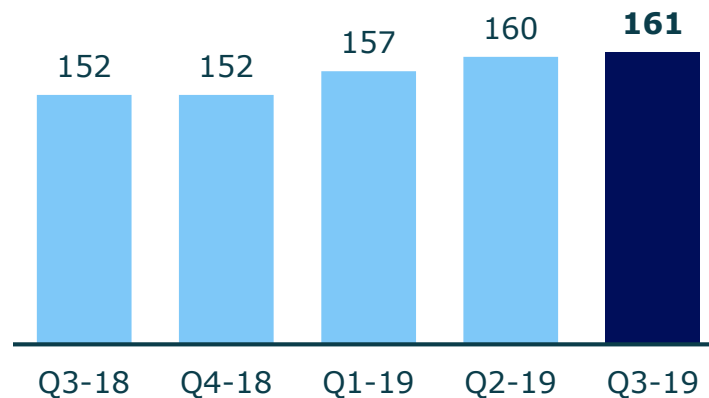
Improved efficiency - target will be met

Operational efficiency is a high priority in the bank and has been for a number of years

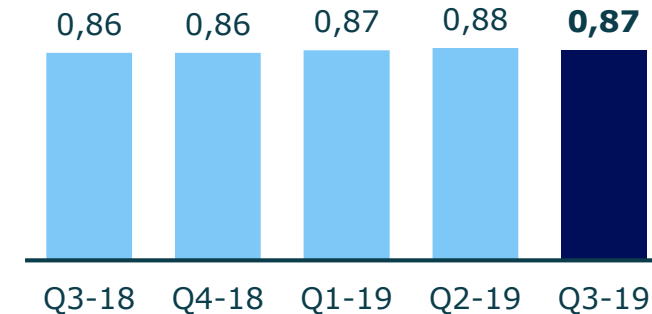
We are approaching the < 40 per cent target for cost efficiency

The bank is growing and efficiency is increasing

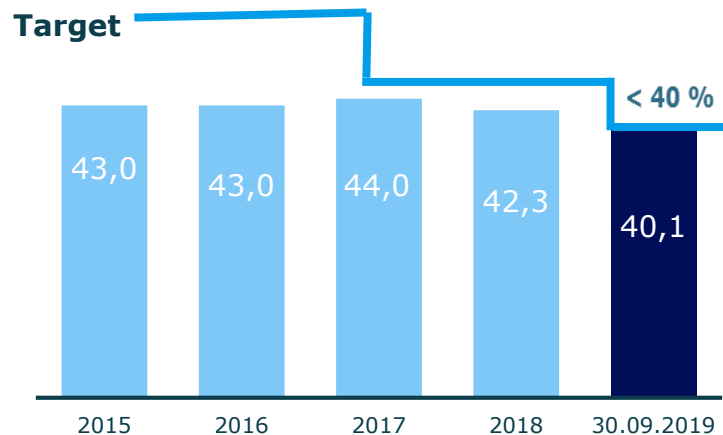
Operating Costs
- NOK million



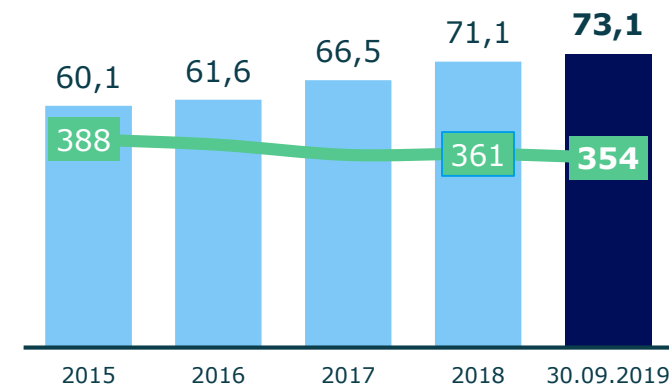
Operating Costs
- % of Average Assets



Cost/Income ratio



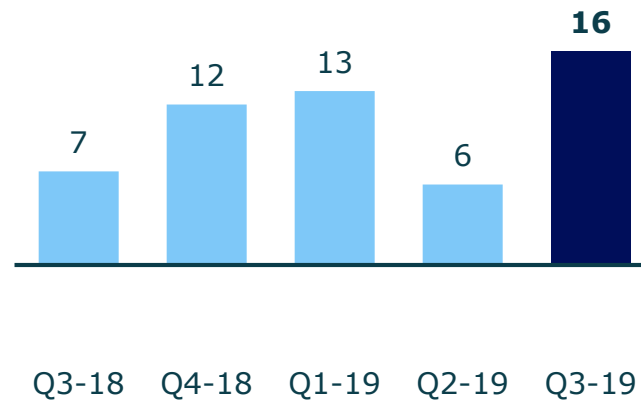
Total Assets and Man Years
- Total Assets in NOK billion



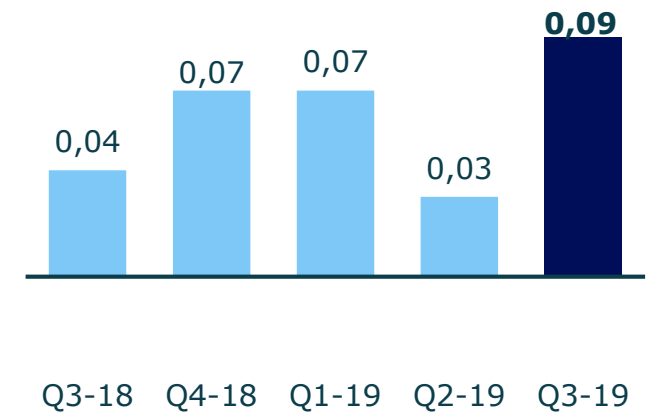
Strong underwriting

Persistent low losses

Losses on loans and guarantees
- NOK million



Losses on loans and guarantees
- % of Average Assets



Losses by sector

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

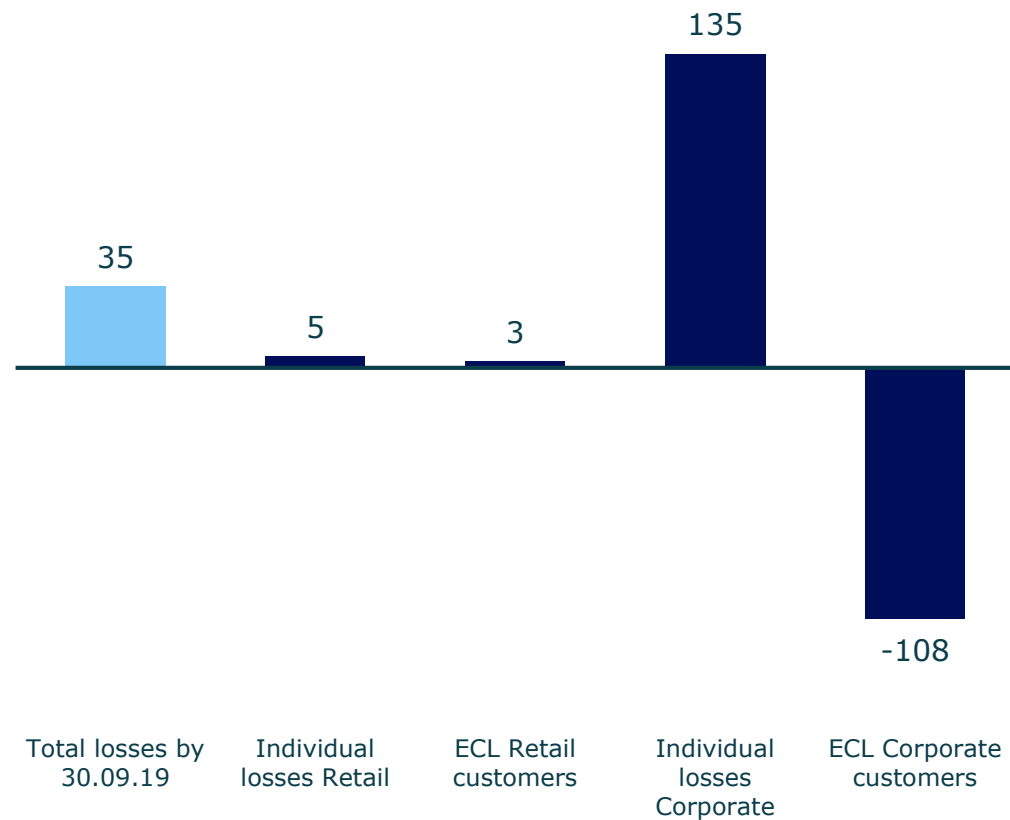
Total calculated ECL by quarter end is NOK 105 million lower than by 31.12.2018

Changes in individual impairments and other losses amount to NOK 5 million for retail customers and an increase of NOK 135 million for corporate customers

Total losses are NOK 35 million by quarter end

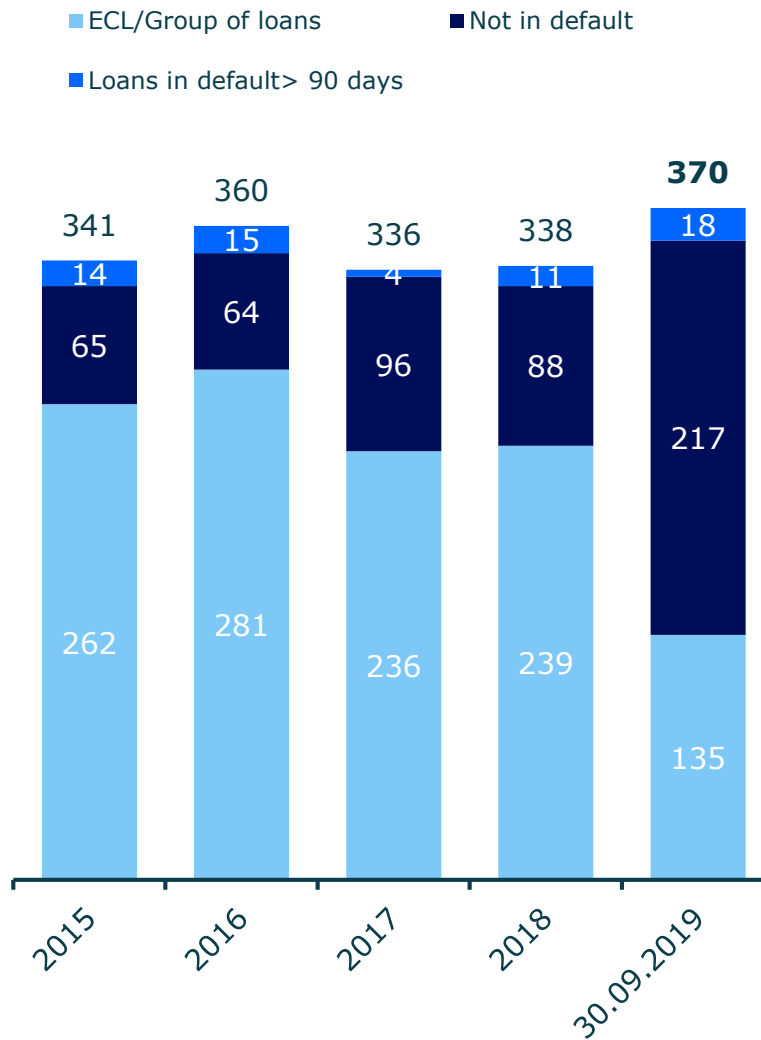
Losses on loans and guarantees

- NOK million

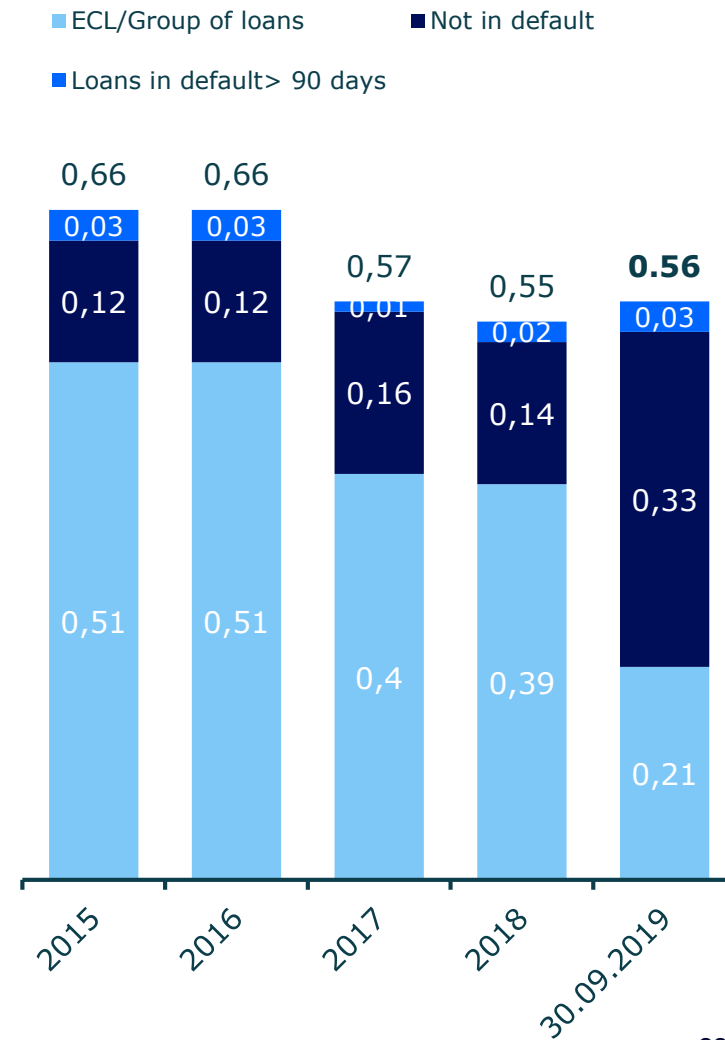


Impairments - comfortable levels

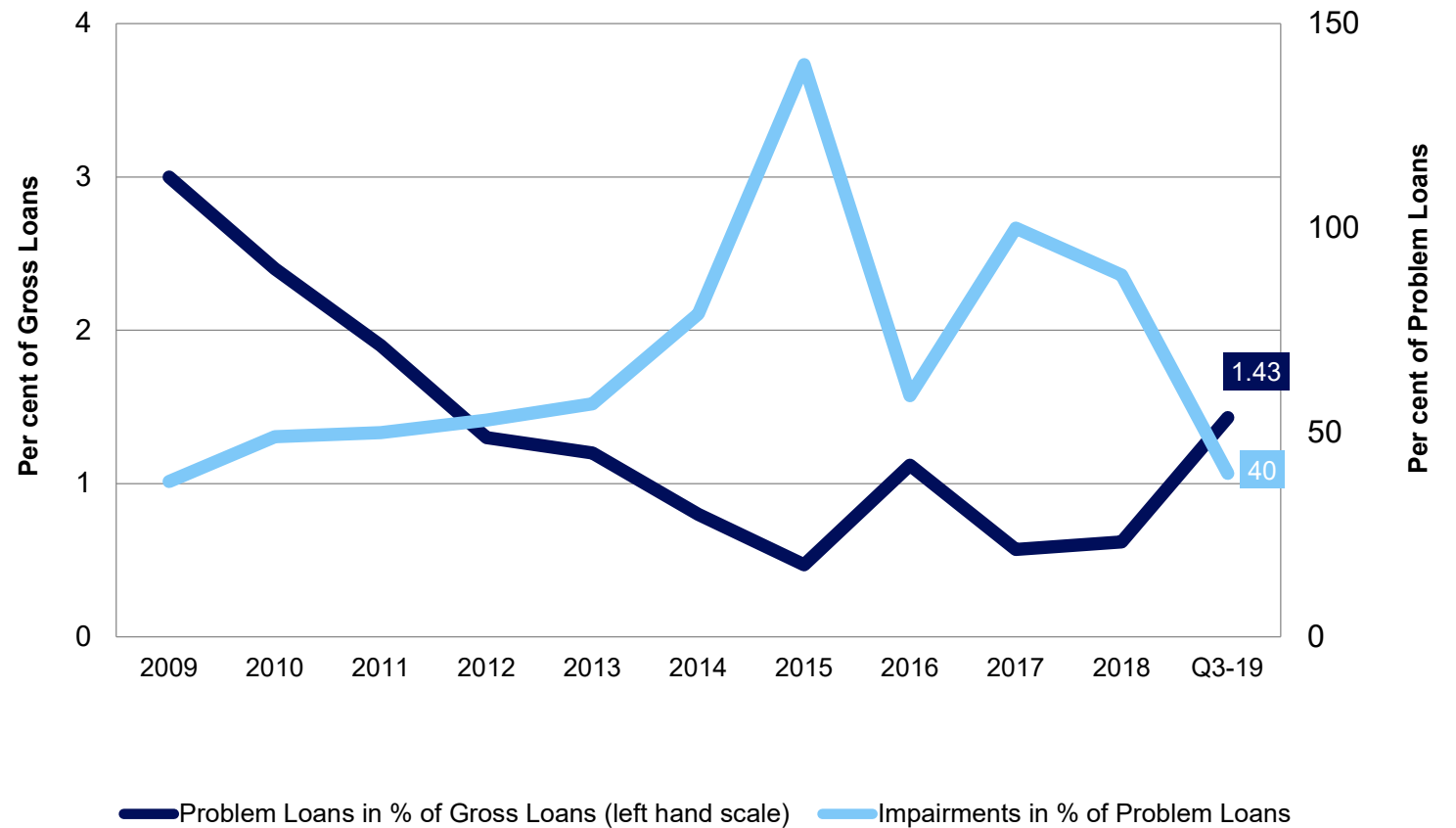
Impairments
- NOK million



Impairments
-% of Gross Loans



Problem Loans and Impairments



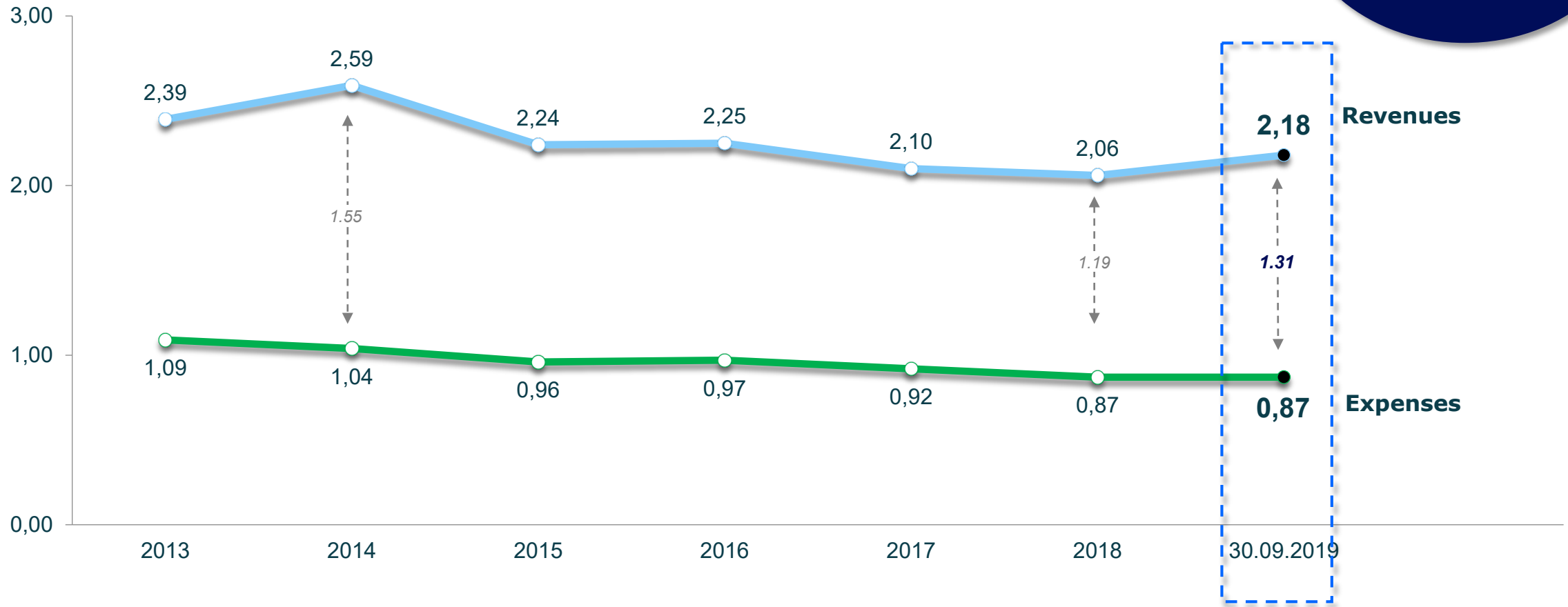
Problem Loans are loans and guarantees more than 90 days over due and performing loans with individual impairments.

Our business model returns good and stable results

ROE
11.6%

C/I
40.1%

per. cent of av assets



Balance sheet

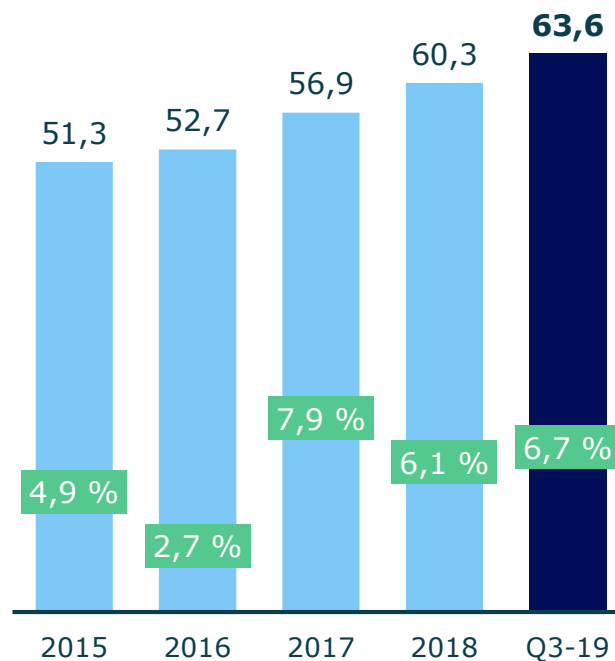
Continued good growth

The Bank is working well in the market and we strengthen our position in our region Nordvestlandet

Good growth in lending and deposits per Q3

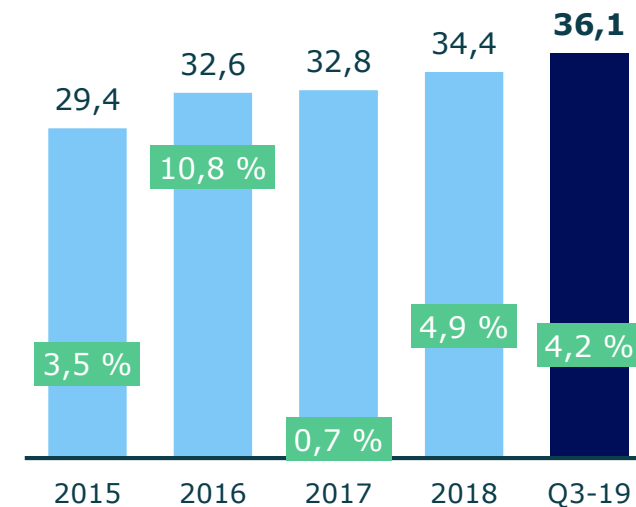
We are constantly attracting new customers and customer surveys show that our customers are well satisfied with their bank

Loans
- NOK billion and per cent (y/y)



- Customer lending has increased by 6.7 % over the last 12 months

Deposits
- NOK billion and per cent (y/y)

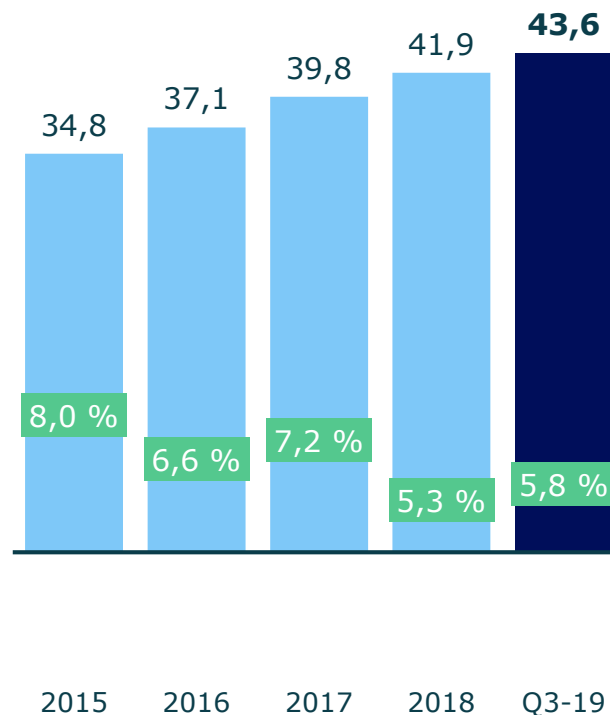


- Deposit growth of 4.2 % over the last 12 months
- High deposit-to-loan ratio of 56.8 %

Lending

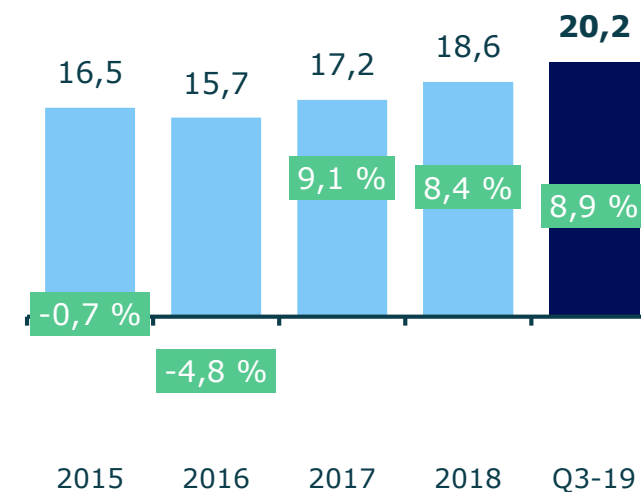
Stable growth in the retail –
good growth in the corporate
market

Retail market
- NOK billion and per cent y/y



- Retail lending has increased by 5.8 % over the last 12 months
- Loans to the retail market amount to 68.3 % of total loans

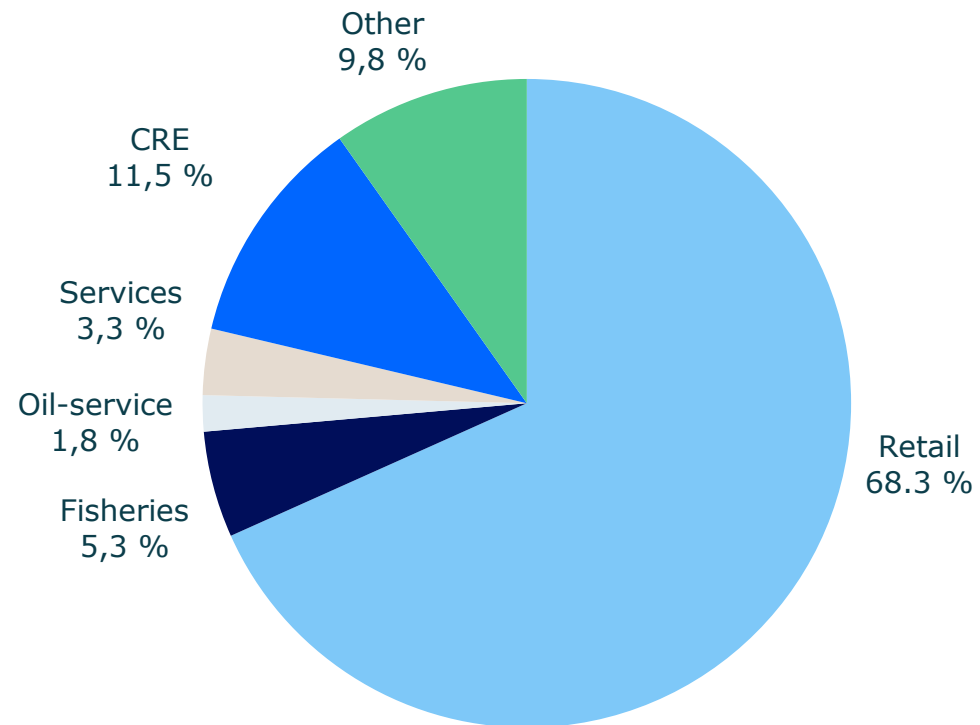
Corporate market
- NOK billion and per cent y/y



- Corporate lending has increased by 8.9 % over the last 12 months
- Loans to the corporate market amount to 31.7 % of total loans

Diversified loan book

Loans by sector



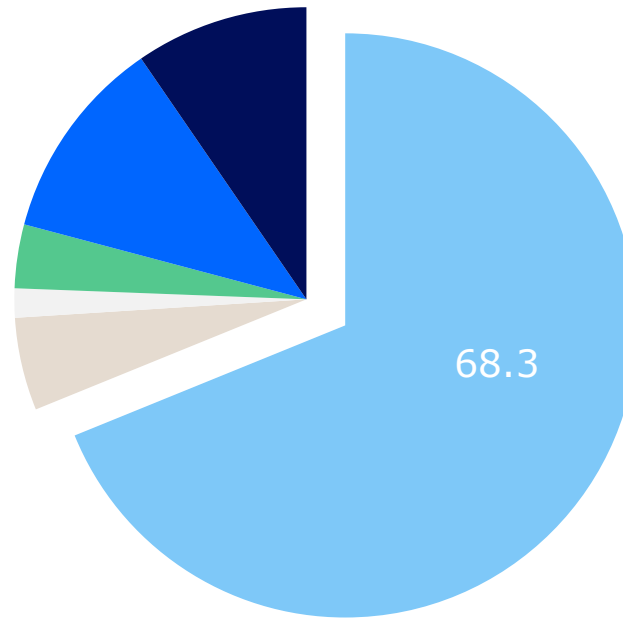
Other;

Other Industry	2.0 %	Retail/wholesale trade	0.9 %
Financial services	1.7 %	Agriculture	0.9 %
Ship Yards	1.3 %	Other	0.5 %
Building and Construction	1.4 %		
Fishing Industry	1.1 %		

Good quality in our retail portfolio

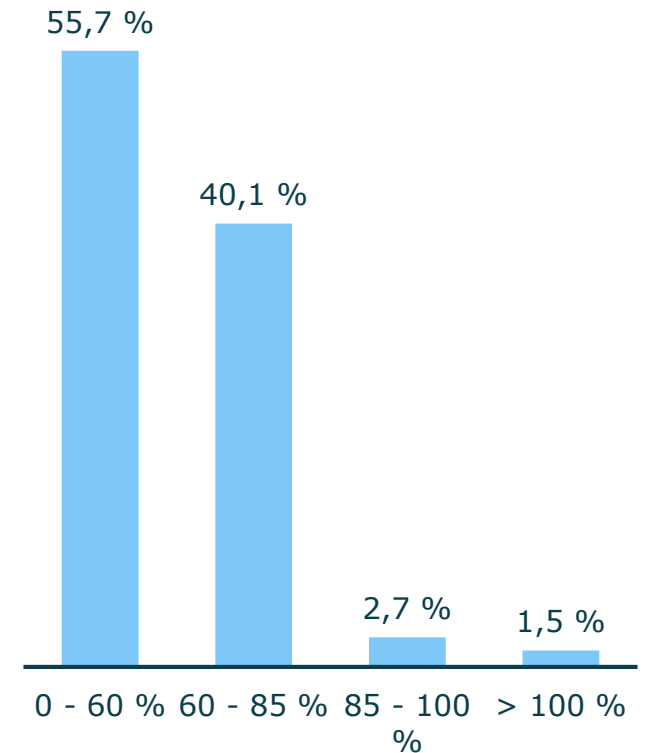
High portion of secured loans

Loans to retail customers
- % of total loans



- The Bank complies with the lending regulations (Boliglånsforskriften)
- Deviation from Boliglånsforskriften reported in the third quarter of 2019 were 4.9 % outside Oslo, and 5.0 % in Oslo

Loan to Value – retail loans



- 95.6 % of mortgages are within 85 % of LTV

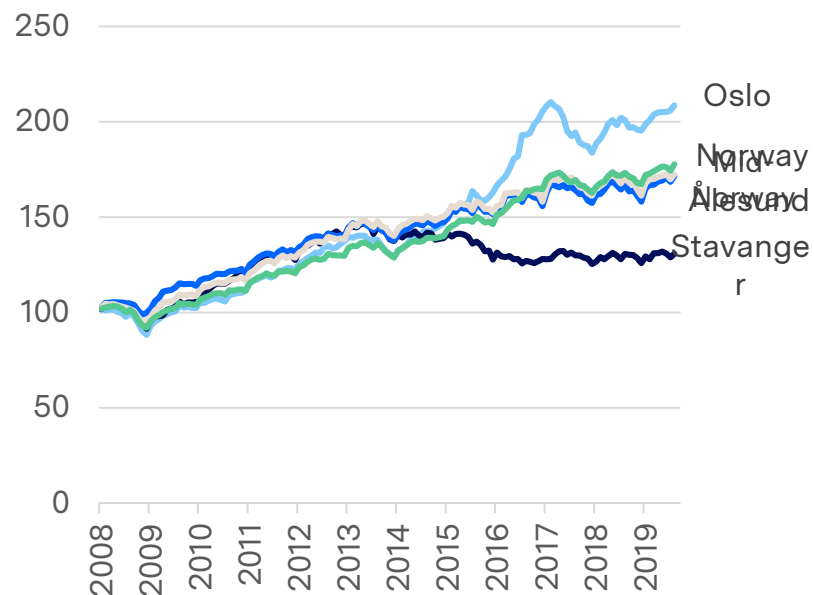
Housing price development

Based on pre-owned dwellings sold in September 2019, seasonal adjusted house prices increased with 0.2 per cent in Norway last month.

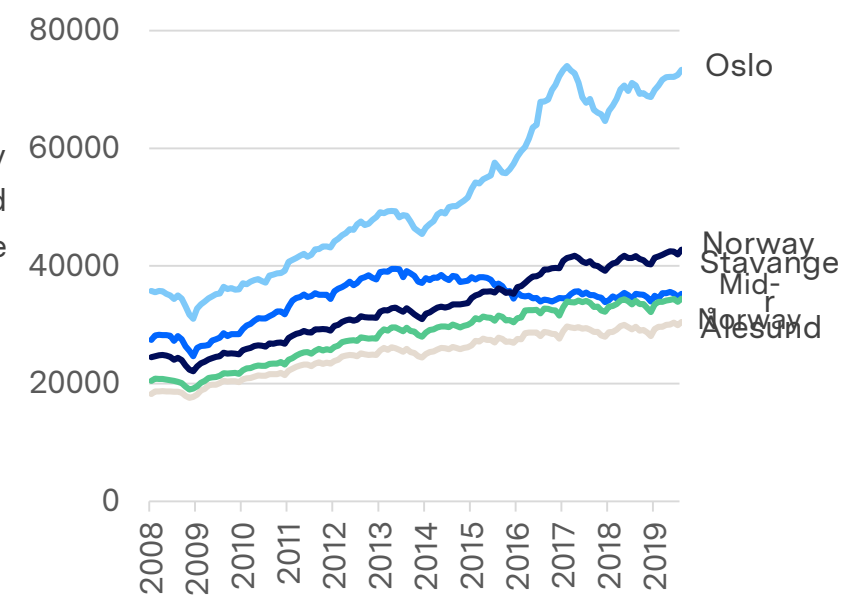
Last twelve months Norwegian house prices have increased in average by 2.6 per cent, mainly driven by the 4.7 per cent increase in Oslo.

The City of Ålesund and the Mid-Norway region have experienced around national average indexed development the last decade, but below average real house prices per square meter.

Indexed development, January 2008 = 100



Development housing in real prices, NOK per sqm



Key information

(Sold pre-owned dwellings in September 2019)

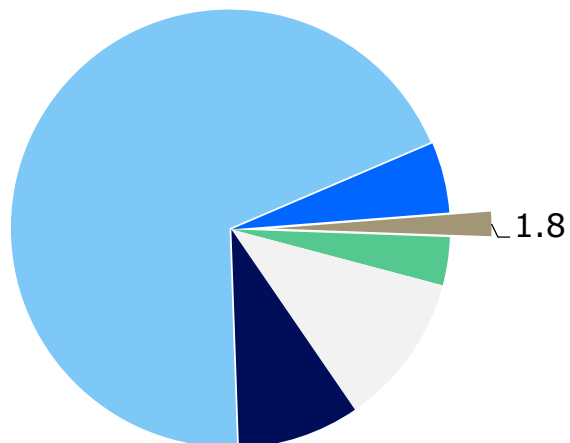
	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+0.2 %	-0.3 %	-0.4 %	-0.5 %	+0.7 %
Development 12 months	+2.6 %	+0.7 %	+2.7 %	-0.7 %	+4.7 %
Per square meter (NOK)	42,712	34,105	29,978	35,232	73,455
Average days on market	47 days	64 days	76 days	73 days	26 days
Price median dwelling (NOK)	3,226,996	2,748,184	2,500,000	3,200,000	4,202,086

Source: Eiendomsverdi AS (AVM provider)

Low exposure towards Oil Service

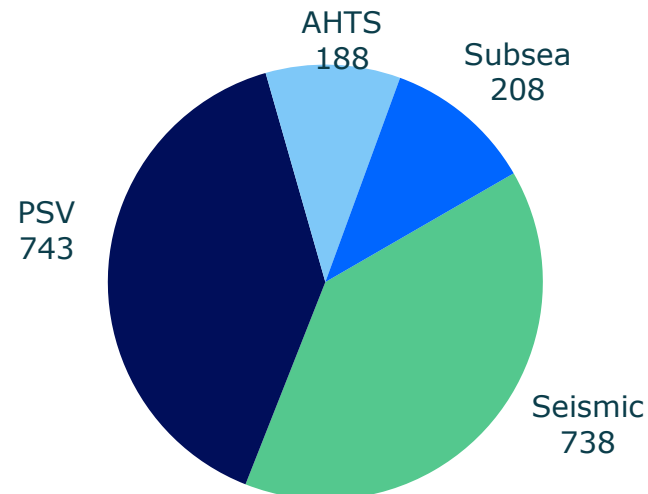
Loans to Oil Service

- In per cent of total loans



EAD by types of vessels

- In NOK million

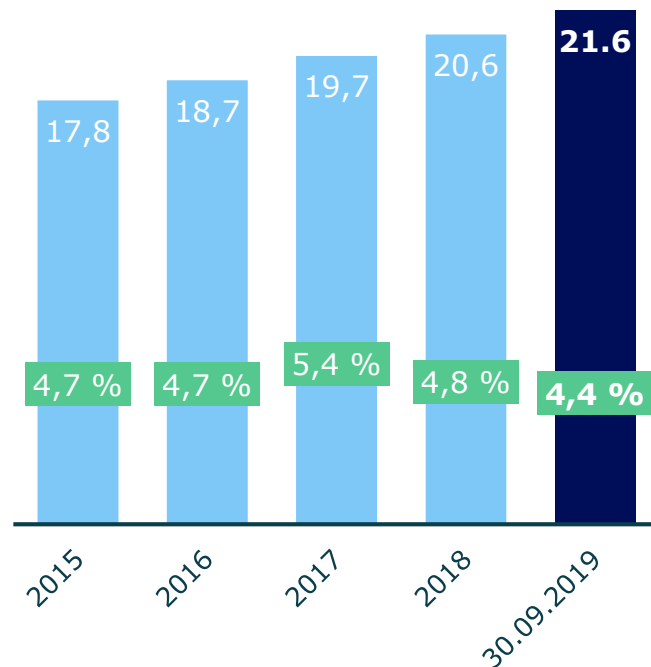


(EAD in NOK million)	Loans	Guarantees	Total EAD	Individual impairments	ECL-IFRS 9	Total	Per cent of EAD
Low Risk (Risk Class A-C)	0	0	0	0	0	0	0,0 %
Medium Risk (Risk Class D-G)	698	185	883	0	15	15	1.7 %
High Risk (Risk Class H-M)	206	41	247	0	21	21	8.7 %
Loans and guarantees with individual impairments	220	518	749	196	0	196	26.2 %
Total	1,134	744	1,878	196	36	232	12.4 %

Deposits

Retail market

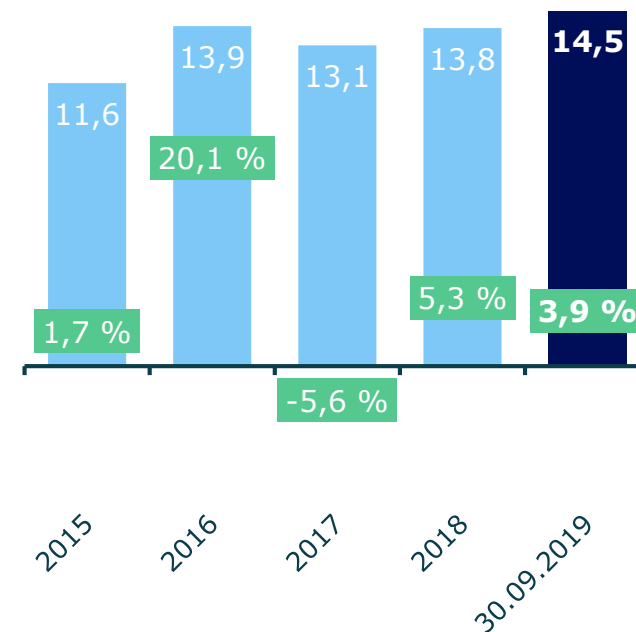
- NOK billion and per cent y/y



- Retail deposits have increased by 4.4 % 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

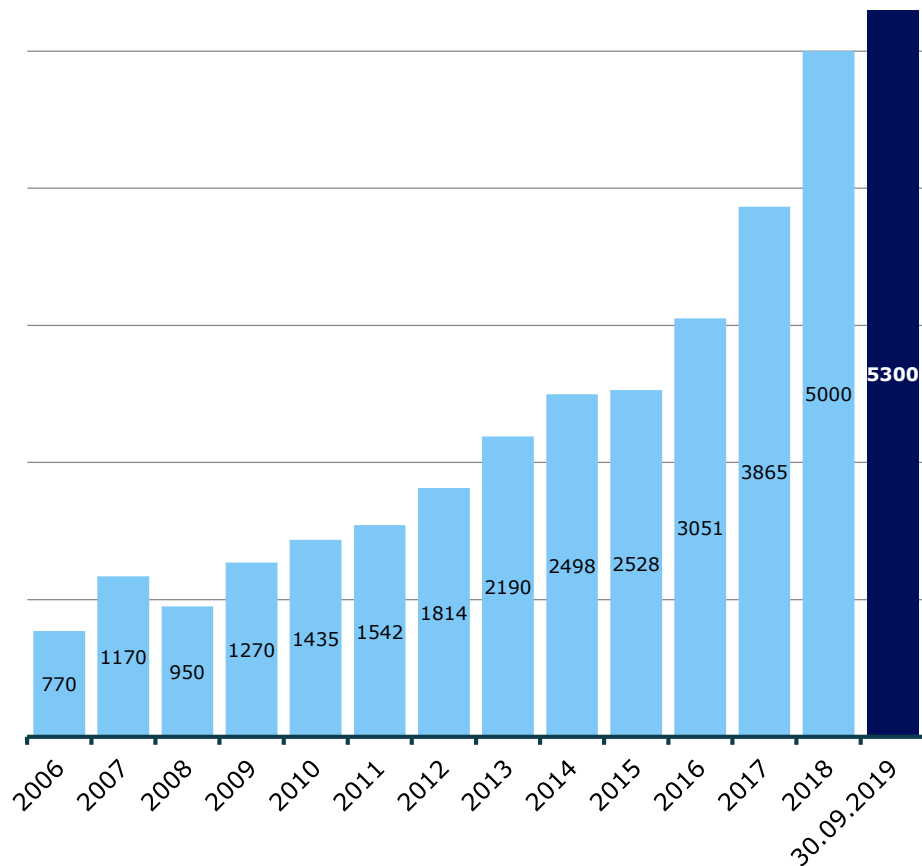


- Deposits from corporate and public customers have increased by 3.9 % the last 12 months

Discretionary Portfolio Management

Sparebanken Møre - Aktiv Forvaltning

- Portfolio in NOK million



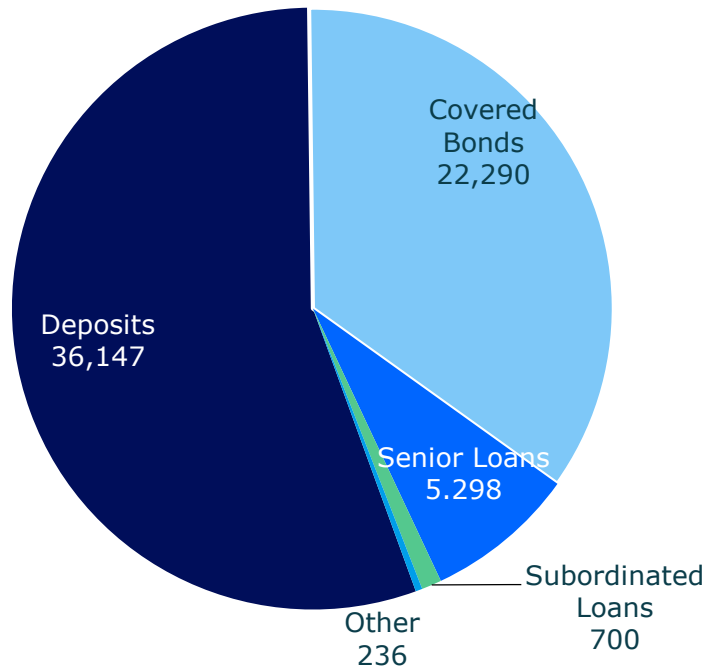
- In addition to deposits, increasingly more of Sparebanken Møre's customers also ask for other investments
- Sparebanken Møre Aktiv Forvaltning (Discretionary Portfolio Management) offers the Bank's clients professional management services
- Our local Asset Managers continuously monitor the portfolio:
 - 8 municipalities
 - 10 foundations
 - 1 pension fund
 - 2 insurance companies
 - 167 investment companies
 - 222 wealthy private individuals



Liquidity and Capital

Deposits from customers and market funding – strong rating

Deposits are the Group's most important source of funding



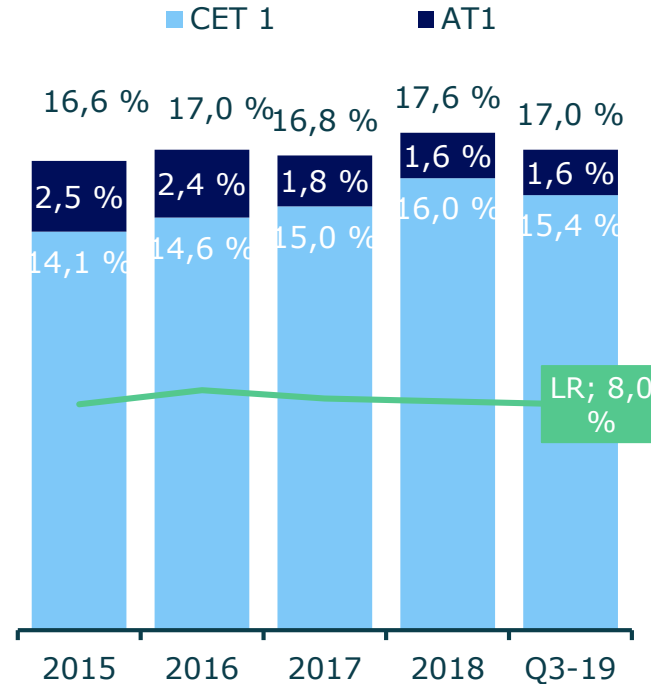
Sparebanken Møre with good access to the market – diversifying the investor base

- Our strong deposit-to-loan ratio stood at 56,8 per cent by quarter end
- Total net market funding ended at NOK 28.6 billion by end of the quarter – more than 90 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.00 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 4.24 years (FSA defined key figures)
- By quarter end Møre Boligkreditt AS had issued seven loans qualifying for Level 2A liquidity in LCR. Early October, the mortgage company placed its third successful semi-benchmark Public Issue of EUR 250 million in the European market
- June 13 2019, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated Aaa

Equity and related capital

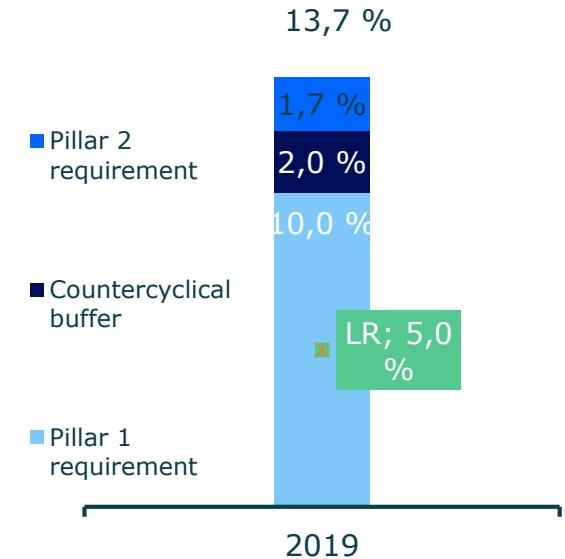
- CET1 and Leverage Ratio (LR) strengthened in the quarter and are well above current regulatory requirements
- The bank is solid and we are working hard to adapt to changes in future requirements

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



- By quarter end our Common Equity Tier 1 capital stood at 15.4 %, Tier 1 capital at 17.0 % and Total Capital at 19.0 %
- 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

Our dividend policy stands firm

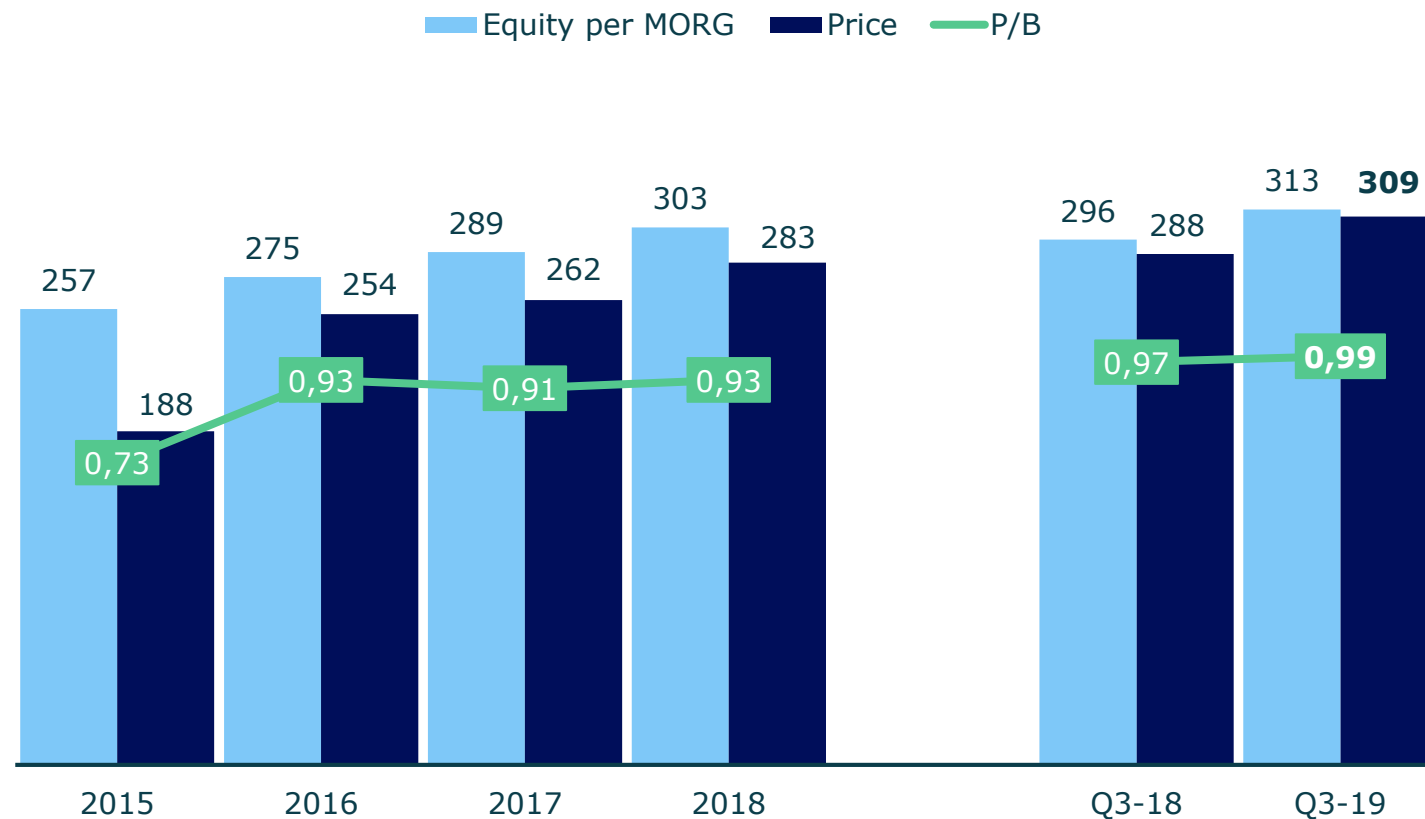
Sparebanken Møre aims to achieve financial results providing a good and stable return on the Bank's equity capital

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

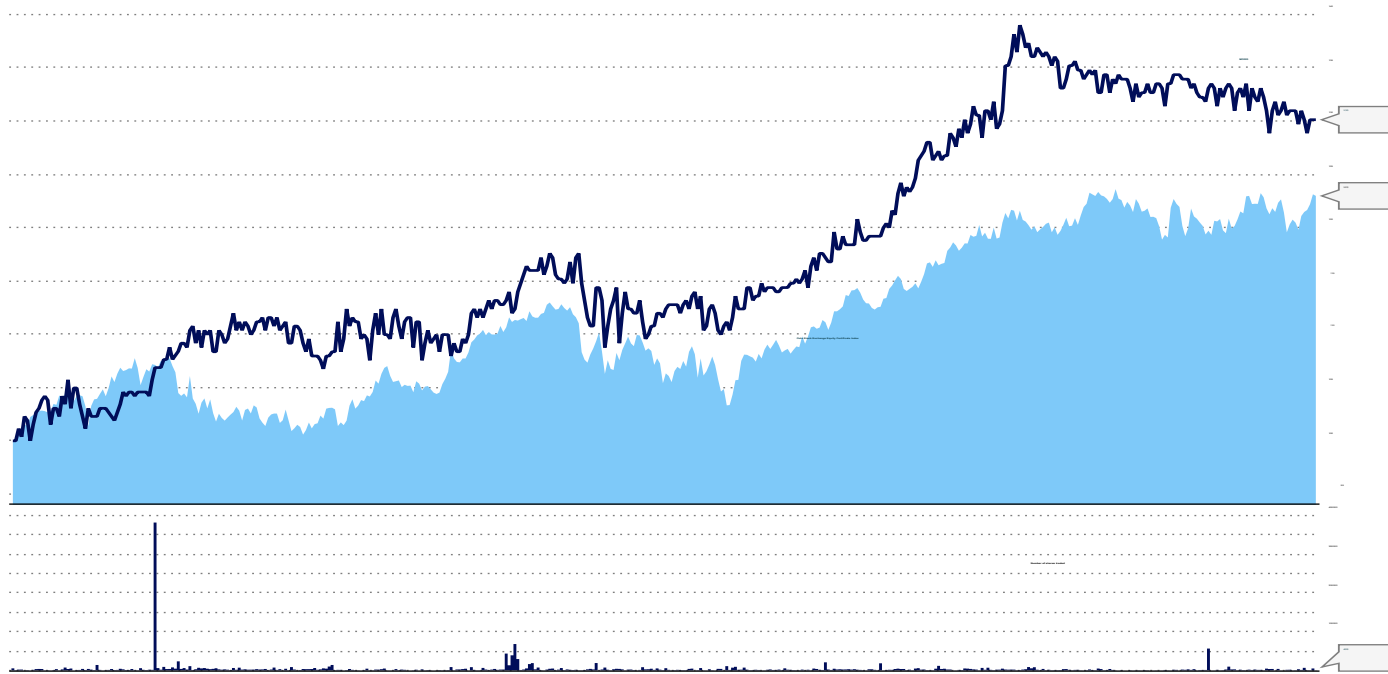
MORG – price and Price/Book (P/B) value



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 September 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		

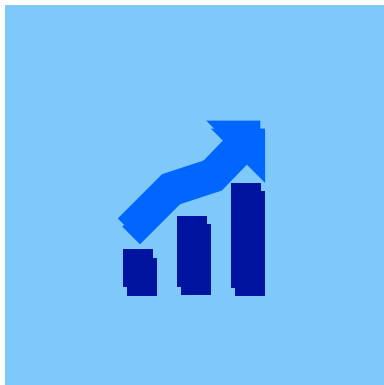
Equity Capital in Sparebanken Møre

About equity certificates

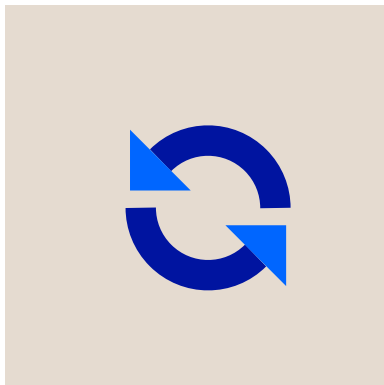
- Equity certificates are a special kind of equity instrument first introduced by savings banks in 1988. A total of 32 banks have now issued such certificates, and 19 of them are listed on the stock exchange
- Equity certificates are an important part of savings banks' capital base and confer ownership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

Financial targets



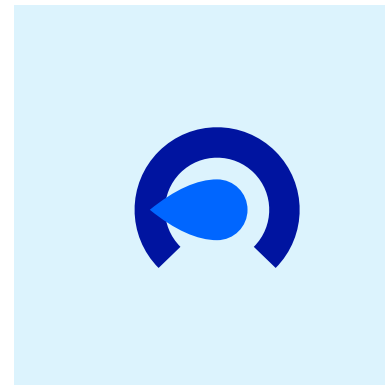
**ROE > 11.0
per cent**



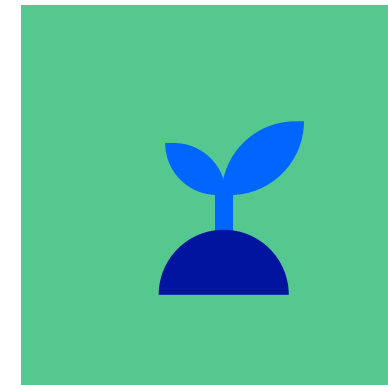
**C/I < 40.0
per cent**



**CET1 > 14.7
per cent**



**Low level
of losses**



**Healthy financial
structure**

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