



Sparebanken Møre - the Group

Presentation

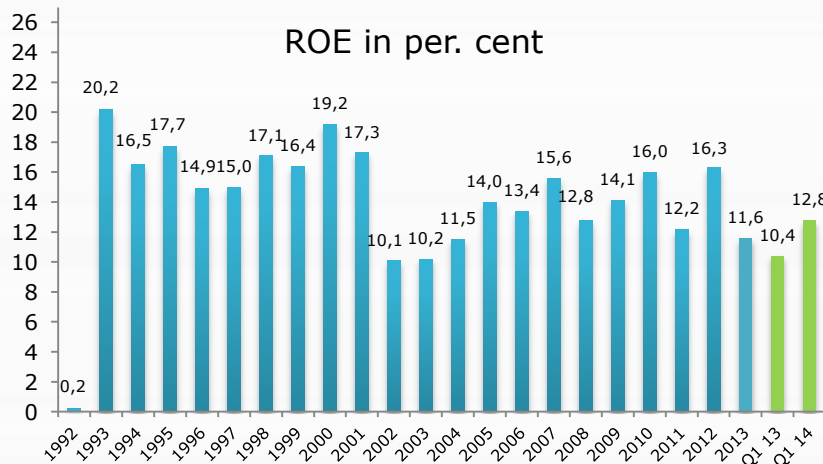
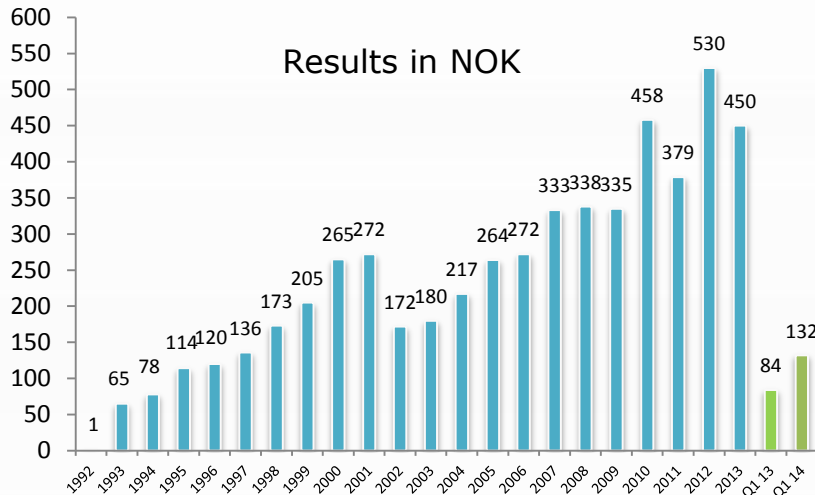
1. quarter 2014

Agenda

- Summary
- Introduction
- Deposits and Loans
- Funding and Hedging
- Results
- Equity and EC
- Future prospects
- Macroeconomic Overview

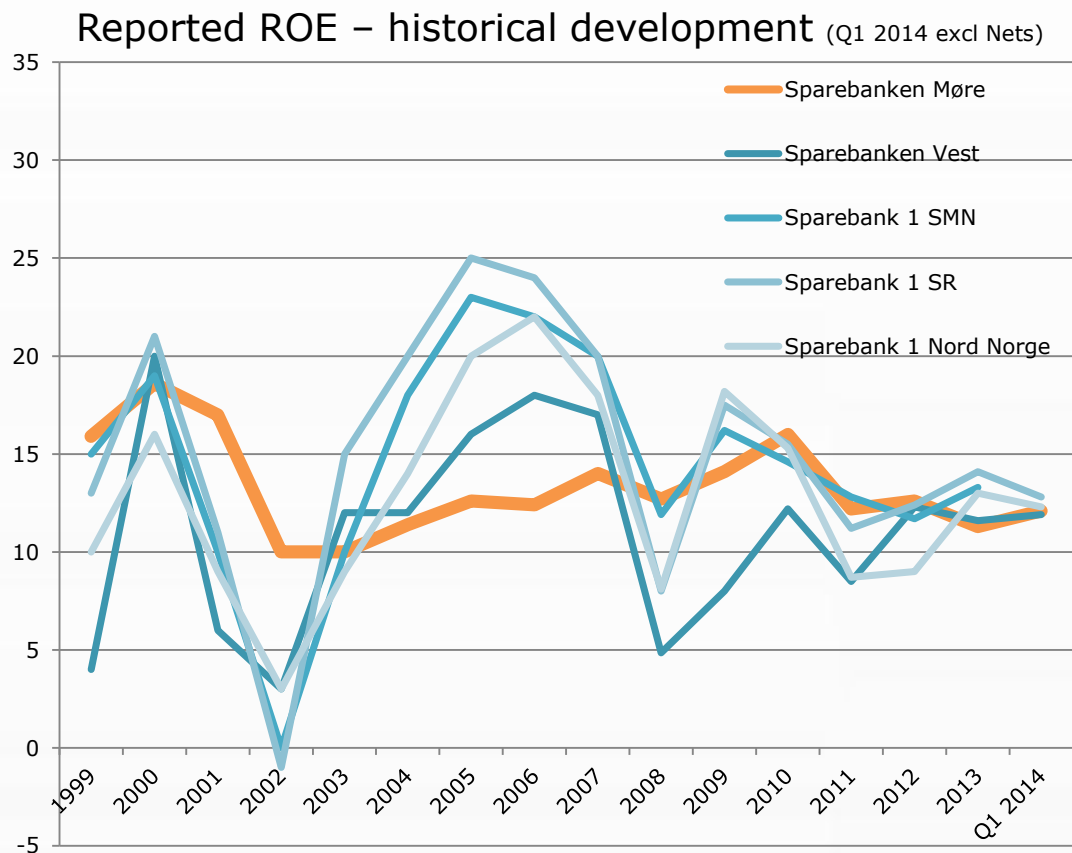


Historical performance – in NOK, and ROE



- Favourable operating environment, a strong county in a strong Norwegian economy
- Maintained high level of net interest income
- Strong efficiency
- Low loan losses and low volume of loans in default
- Total assets above NOK 54,3 billion by quarter end
- Lower margins in the funding market but still strong competition in the deposits market
- Core Tier 1 Capital 12.80 % by quarter end
- Sparebanken Møre is one of the 186 banks that have signed a contract to sell their stakes in Nets Holding. The effect on the result of this change in value (NOK 80 mill) is recognised in other comprehensive income in the financial statements. The transaction is expected to be completed in Q2 2014, and effect on the result will be included the Group's ordinary result at that time

High and stable return – based on our business model

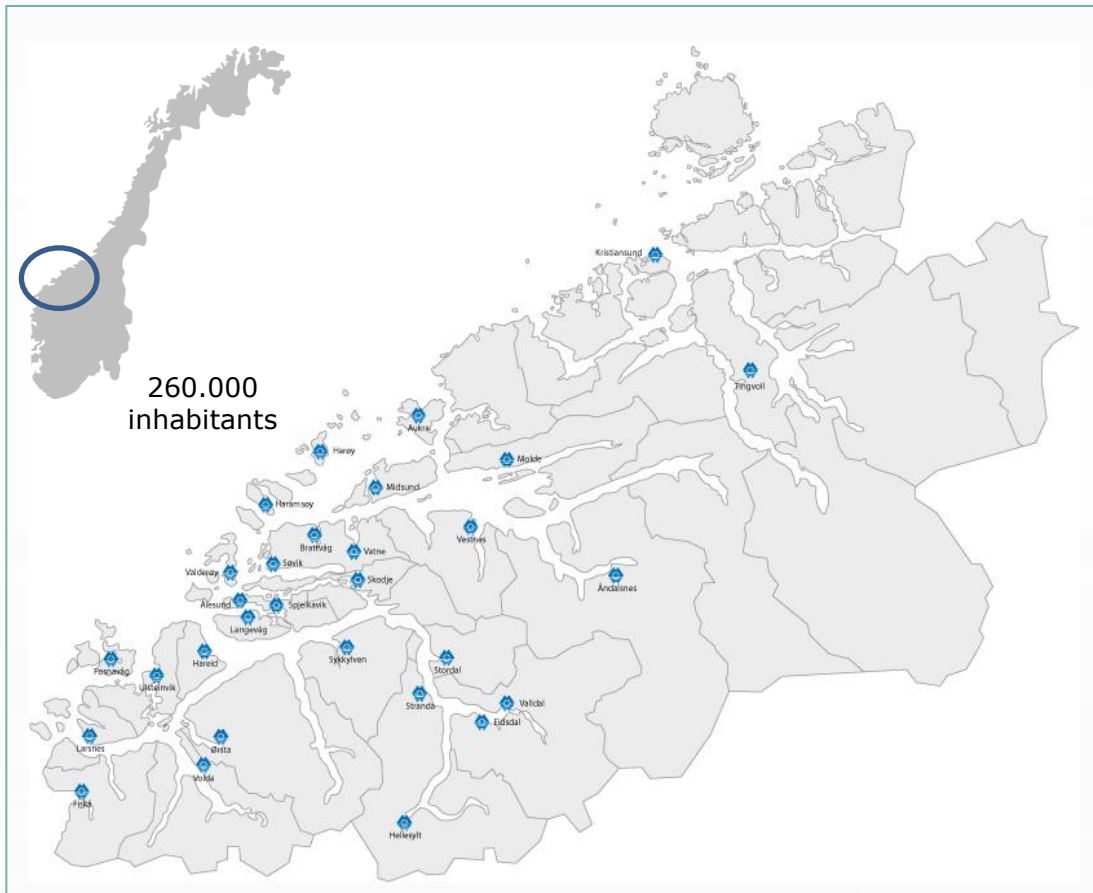


- Less volatile key figures for Sparebanken Møre compared with peers
- Consequences of policy decisions
 - Contract banking and a clean balance
 - Core banking focusing on traditional banking services
- Also compared with peers; our results are achieved with a high level of capital



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 54.3 billion in total assets, about 170 000 customers
- 382 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

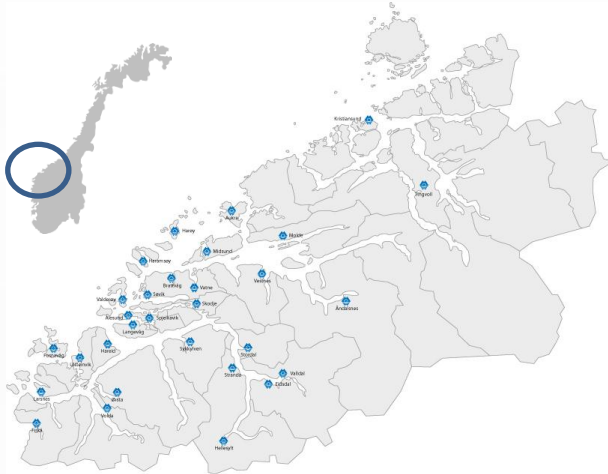
"High
competence,
financially solid
and safe "



Sparebanken Møre – a brief overview

- Sparebanken Møre is the 7th largest Norwegian bank – the bank serves customers from the county of Møre og Romsdal
- The population of Møre og Romsdal is close to 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: 66,4 %
 - ✓ Deposits from the retail market: 57.0 %
- Sparebanken Møre is a fully fledged foreign exchange bank
- Sparebanken Møre is rated A3 (stable) 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



- 260,000 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 is 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 60 billion in 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 200 cruise ships in 2013
- 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 5 000 billion
- Good labour market performance with low unemployment and high participation

Møre og Romsdal

- Population of approx. 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, 2.2%, well below national average of 2.8%
- 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 54,3 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 12.80 %
- The Bank is rated A3 (stable outlook) by Moody's



Deposits and loans



Lower growth

NOK mill.



Growth during the last 12 months

- Total assets 3.8 %
- Loans (net) 2.9 %
- Deposits 1.5 %



Breakdown of gross lending

NOK mill.



Annual net lending growth

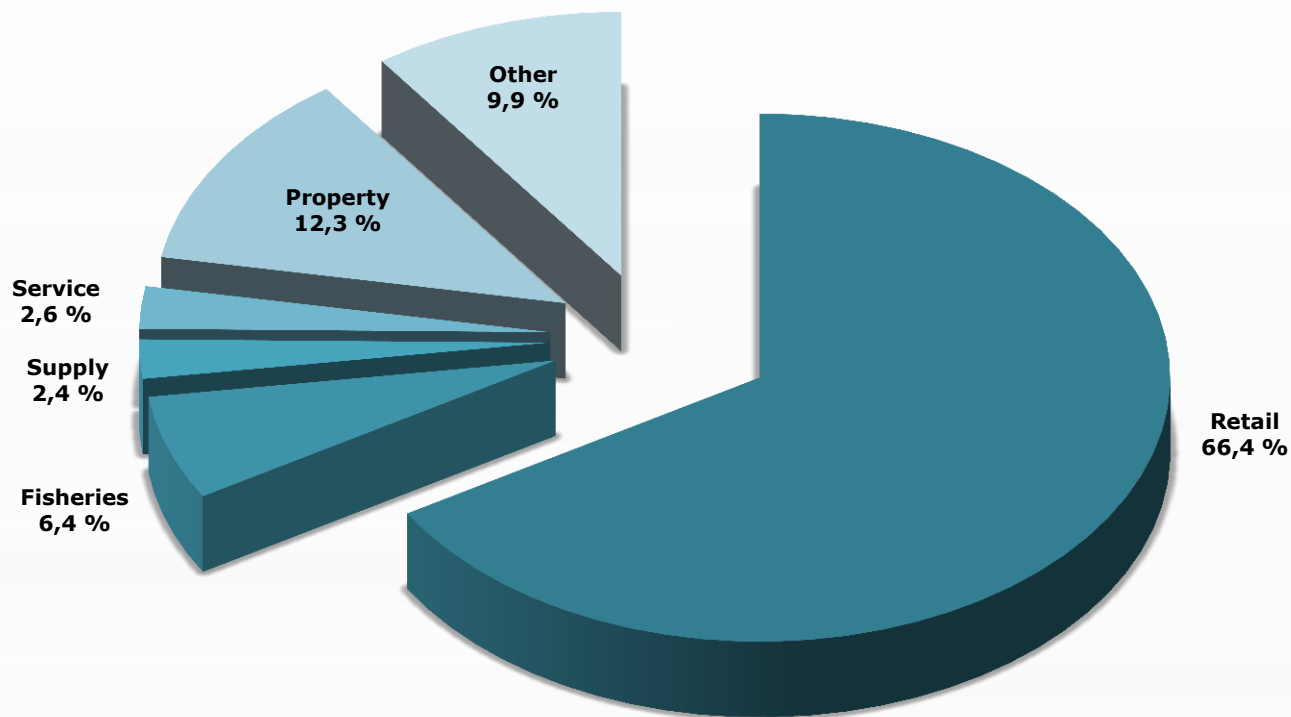
| | |
|--------|-------|
| 2010: | 5.1 % |
| 2011: | 7.0 % |
| 2011: | 7.8 % |
| 2013: | 6.2 % |
| Q1 14: | 2.9 % |

Lending growth last 12 months

| | |
|-----------------------|--------|
| Gross, retail banking | 8.8 % |
| Gross, corporate | -7.7 % |
| Gross, public sector | - |



Loans by sector

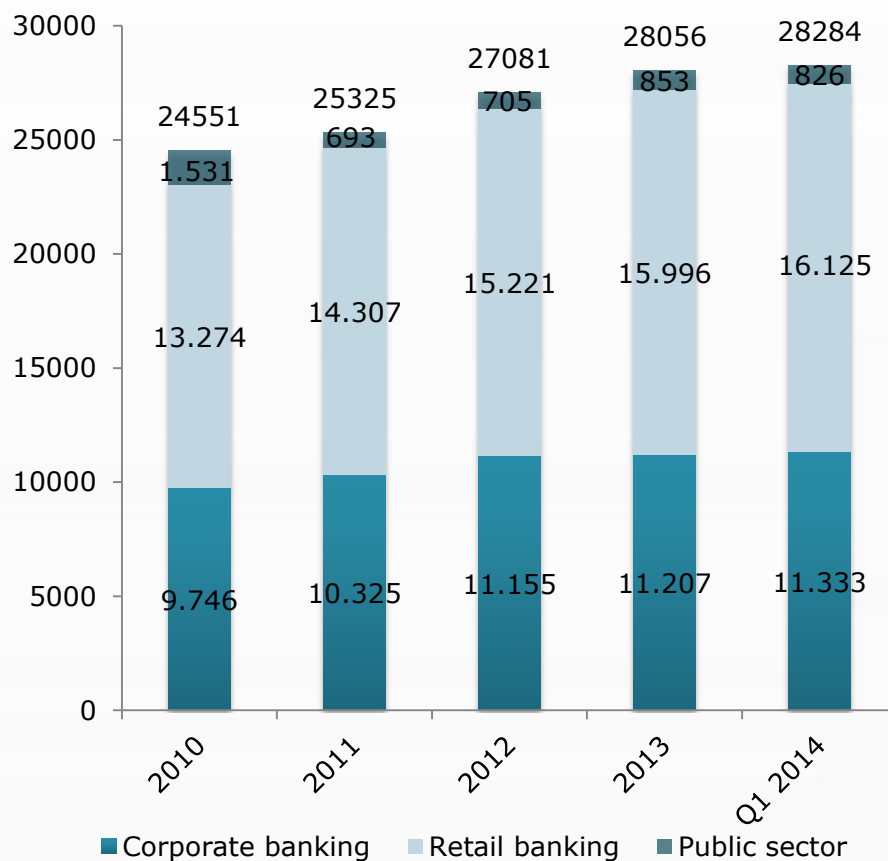


| Other 9.9 % | | | | | | | |
|------------------------|-----|--------------------|-----|------------------|-----|-------|-----|
| Other industry | 1.8 | Financial services | 1.6 | Agriculture | 1.0 | Other | 0.5 |
| Building/construction | 1.5 | Fishing Industry | 0.9 | Restaurant/hotel | 0.2 | | |
| Retail/wholesale trade | 1.2 | Ship Yards | 1.1 | Furniture | 0.1 | | |



Breakdown of deposits

NOK mill.



Annual deposit growth

| | |
|--------|--------|
| 2010: | 12.7 % |
| 2011: | 3.2 % |
| 2012: | 6.9 % |
| 2013: | 3.6 % |
| Q1 14: | 1.5 % |

Deposit growth last 12 months

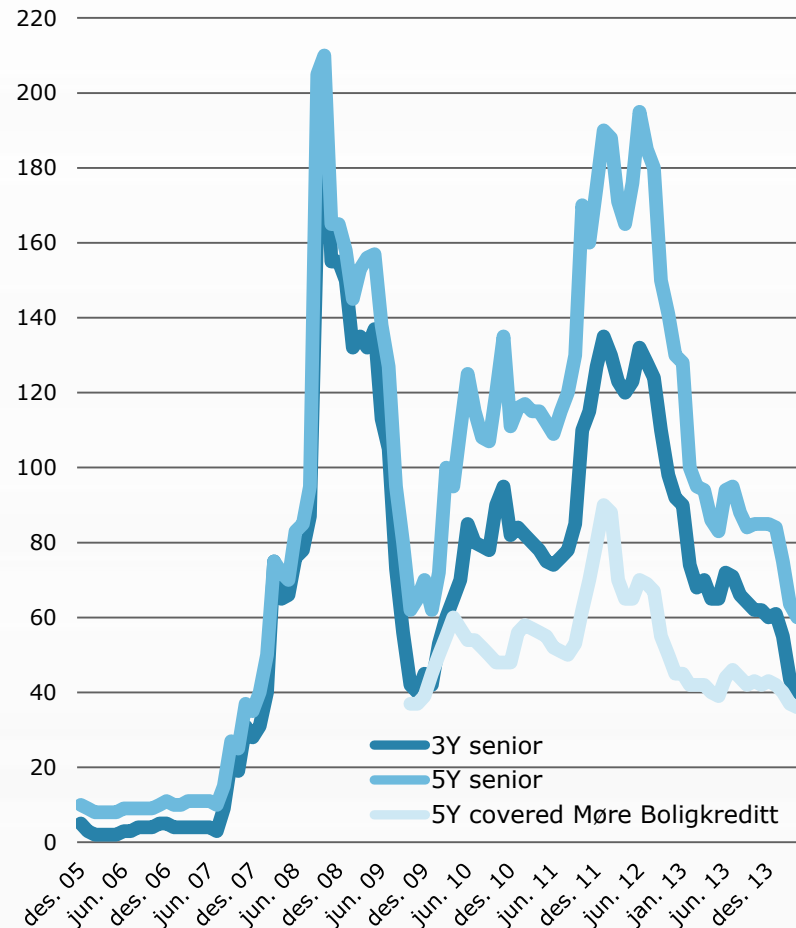
| | |
|-------------------|----------|
| Retail banking | 4.2 % |
| Corporate banking | -0.5 % |
| Public sector | - 20.3 % |



Funding and hedging

Good access to the market

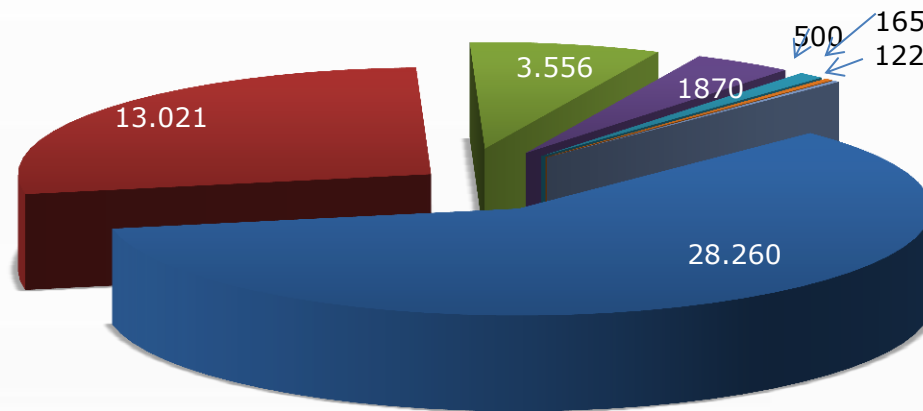
Margins



- 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 close to 80 % of our long term market financing
- 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
- Since the beginning of 2012 we have mainly seen funding margins been reduced. In general, we have seen a relatively better development for senior bonds than for bonds issued by Møre Boligkreditt (CB), not least the current year
- 5-year covered bond funding is at quarter-end at a level of 0.36 to 0.37 p.p. above NIBOR - senior financing at about 0.60 p.p. above NIBOR
- Sparebanken Møre is rated A3 (stable) and Covered Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's

High deposit to loan ratio

- total financing by quarter end



- Deposits
- Covered Bonds
- Senior Bonds
- CDs
- Subordinated Loans
- Long Term FX
- Other

- The latest tranche of the swap arrangement in Covered Bonds (with the Government) matured in March and underlying bonds were early redeemed and replaced with a three-year senior, NOK 700 million at a price of 3 months. NIBOR + 0.37-0.38 p.p.
- High deposit to loan ratio (61.5 % in the Group) - focus on long term market funding
- Total market funding close to NOK 19.2 billion – approximately 75 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 2.18 years
- Covered Bonds with a weighted average maturity of 3.82 years



The quality of the liquidity portfolio is good...

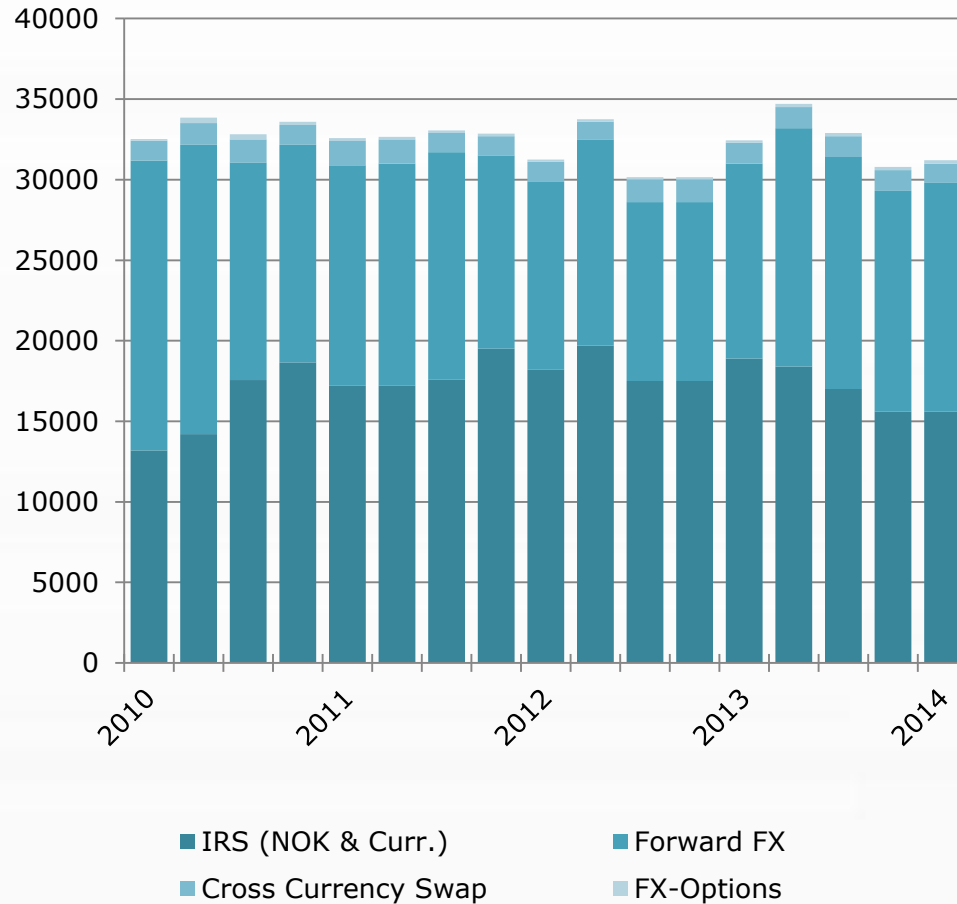
| Rating | Market Value |
|------------------------|------------------|
| AAA | 4.693.637 |
| AA+ | 161.093 |
| AA | 176.395 |
| AA- | 126.162 |
| A | 146.626 |
| A- | 264.690 |
| BBB+ | 15.361 |
| | |
| | |
| | |
| Total | 5.583.964 |
| <i>Off wich in MBK</i> | <i>406.111</i> |

| Country | Market Value |
|------------------------|------------------|
| Norway | 3.172.758 |
| Sweden | 836.924 |
| Finland | 346.742 |
| Germany | 330.354 |
| Intl` Org. | 303.085 |
| Luxembourg | 209.799 |
| Denmark | 150.160 |
| Great Britain | 139.419 |
| Austria | 49.954 |
| Netherlands | 44.769 |
| Total | 5.583.964 |
| <i>Off wich in MBK</i> | <i>406.111</i> |

| Currency | Market Value |
|------------------------|------------------|
| NOK | 4.781.495 |
| EUR | 802.470 |
| | |
| | |
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| | |
| | |
| | |
| Total | 5.583.964 |
| <i>Off wich in MBK</i> | <i>406.111</i> |

Off balance activity - quarterly

NOK MLN.

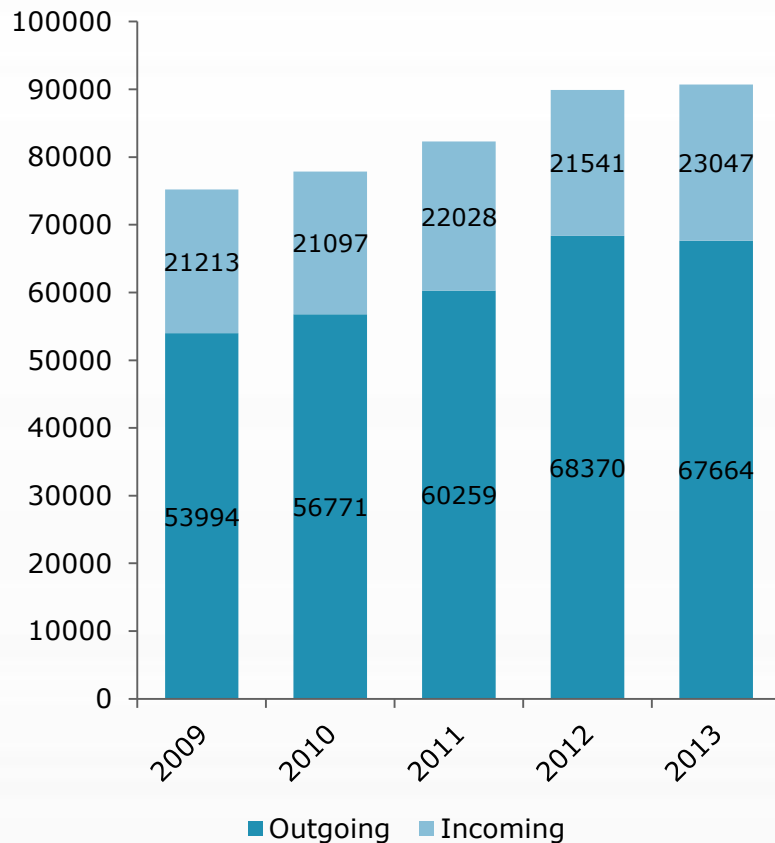


Low risk profile in the interest rate, equity and FX markets

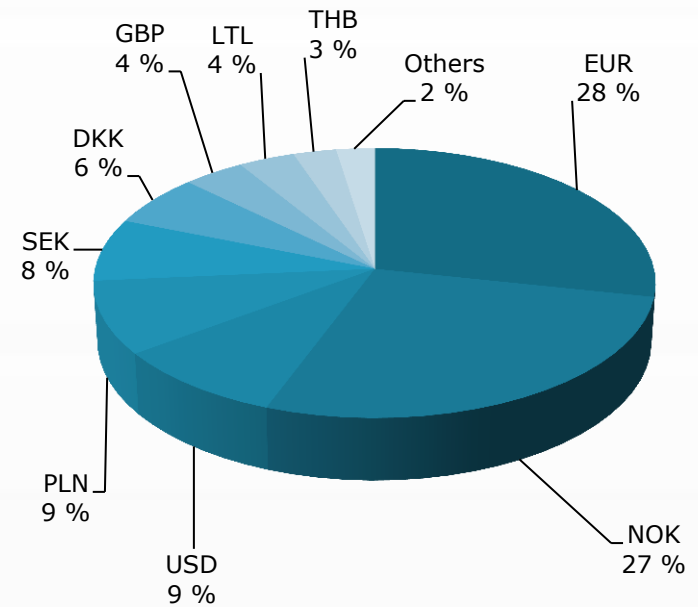
- ✓ Sparebanken Møre has no trading portfolio in these or other similar markets/instruments
- ✓ Client's positions are hedged in the market
- ✓ The bank's positions are hedged



Number of commercial payments



No of payments per currency





Results



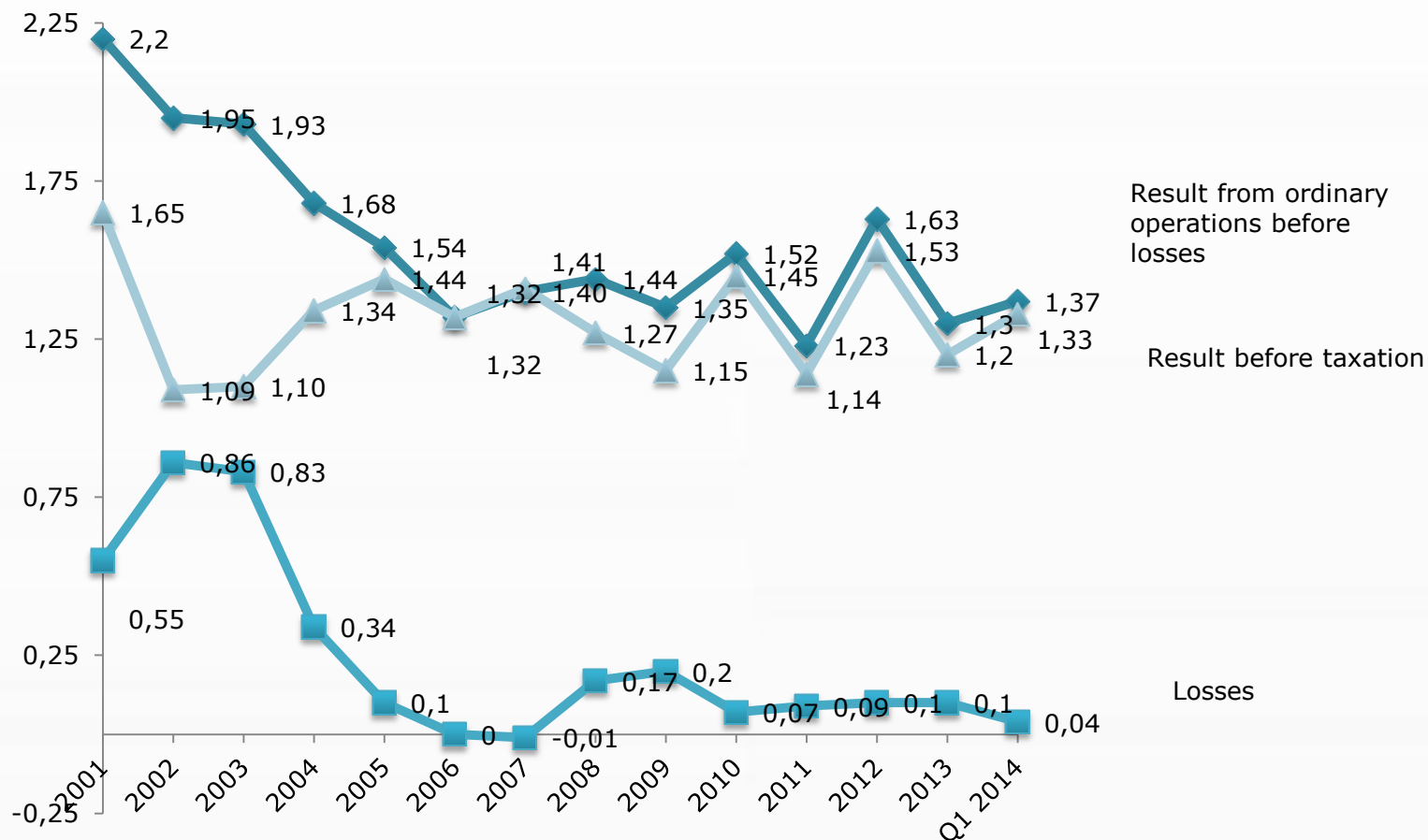
Main figures

| | Q1 2014 | | Q1 2013 | | 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 | 269 | 1.98 | 236 | 1.85 | 33 | 0.13 | 14.0 |
| Net return, financial investments | 17 | 0.12 | 5 | 0.04 | 12 | 0.08 | 241.0 |
| Other income | 43 | 0.32 | 38 | 0.30 | 5 | 0.02 | 13.2 |
| Total income | 329 | 2.42 | 279 | 2.19 | 50 | 0.23 | 17.9 |
| Personnel costs | 82 | 0.60 | 80 | 0.63 | 2 | -0.03 | 2.5 |
| Other costs | 61 | 0.45 | 75 | 0.58 | -14 | -0.13 | -18.7 |
| Total ordinary operating costs | 143 | 1.05 | 155 | 0.98 | -12 | -0.16 | -7.7 |
| Result before credit losses | 186 | 1.37 | 124 | 1.21 | 62 | 0.39 | 50.0 |
| Losses on loans and guarantees | 6 | 0.04 | 7 | 0.05 | -1 | -0.01 | -14.3 |
| Result before tax cost | 180 | 1.33 | 117 | 0.93 | 63 | 0.40 | 53.8 |
| Tax cost | 48 | 0.35 | 33 | 0.25 | 15 | 0.10 | 44.2 |
| Result after tax cost | 132 | 0.98 | 84 | 0.68 | 48 | 0.30 | 57.6 |
| Value adjustment – shares available for sale | 77 | 0.56 | 4 | 0.03 | 73 | 0.53 | - |
| Total | 209 | 1.54 | 88 | 0.71 | 121 | 0.83 | 138.0 |
| From the Balance Sheet | | | | | | | |
| Total assets | 54,339 | | 52,343 | | 1,996 | | 3.8 |
| Net lending | 45,960 | | 44,647 | | 1,313 | | 2.9 |
| Deposits | 28,284 | | 27,081 | | 416 | | 1.5 |
| Capital | 5,668 | | 4,960 | | 708 | | 14.3 |
| Core capital ratio | | 15.80 | | 13.40 | | | 2.40 b.p. |
| Pure Core Capital | | 12.80 | | 10.40 | | | 2.40 b.p. |
| Percentage return on equity capital (corr.) | | 12.10 (19.3) | | 9.60 | | | |
| Costs as a percentage of income | | 43.50 | | 55.50 | | | |
| Earnings per EC (the Bank in NOK) | | 11.77 | | 8.30 | | | |

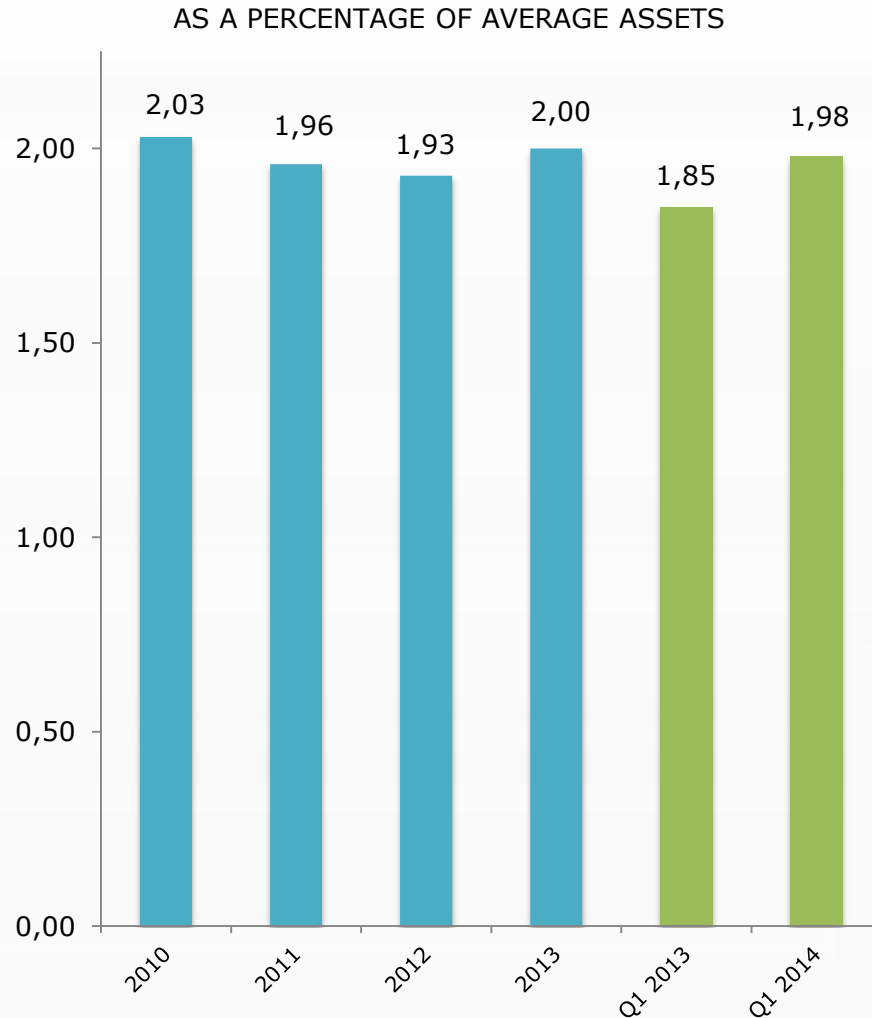


Results

Result as a percentage of average assets



Higher net interest income



- Net interest income is higher than previous year despite:
- ✓ Strong competition on loan and deposits
 - ✓ More liquidity on the balance sheet with higher quality
 - ✓ Low interest rate level: Less return on free capital
 - ✓ Charge for the Norwegian Banks Guarantee Fund

Other operating income



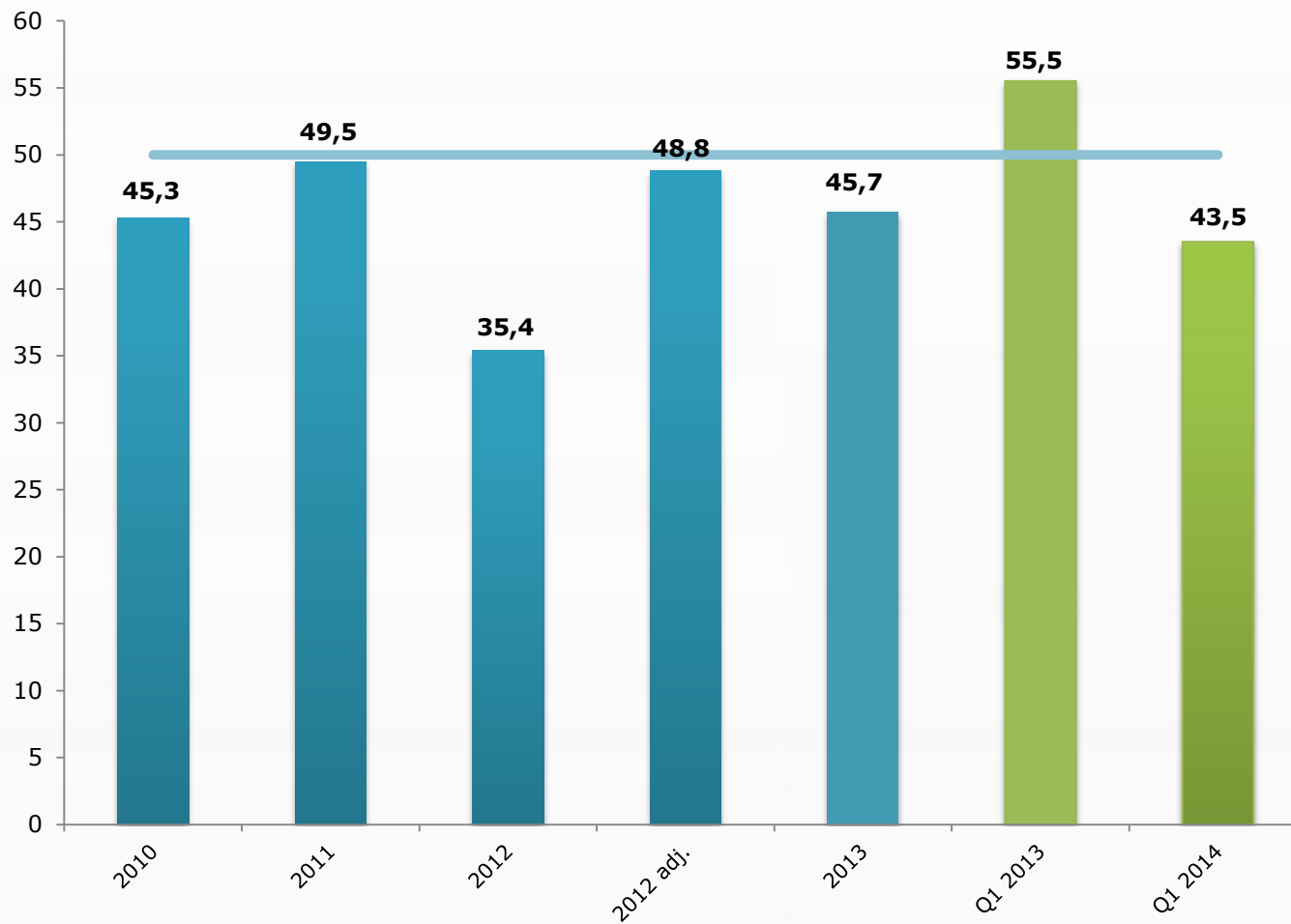
Higher other operating income, compared with Q1 2013:

- Mark to market valuation of the liquidity portfolio
- Higher commission income
- Higher dividend
- But lower income from FX and IRS-business

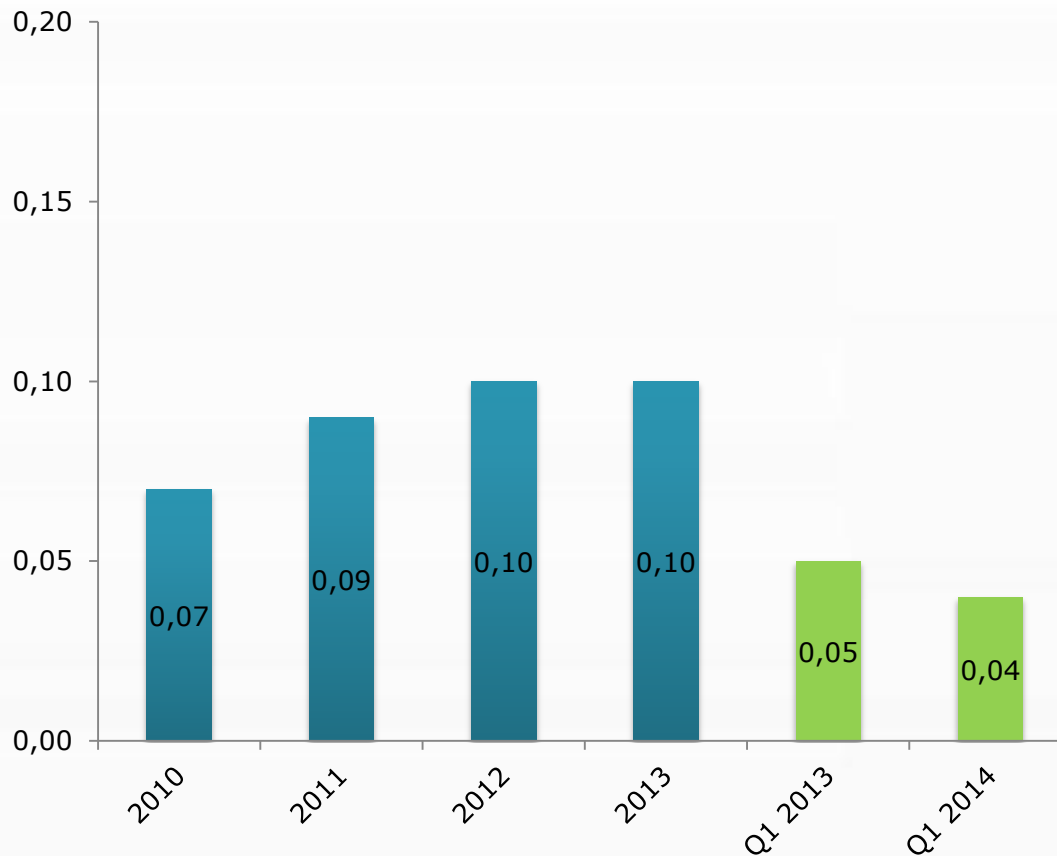


Strong development in cost/income

- well below the target



Losses at a very low level



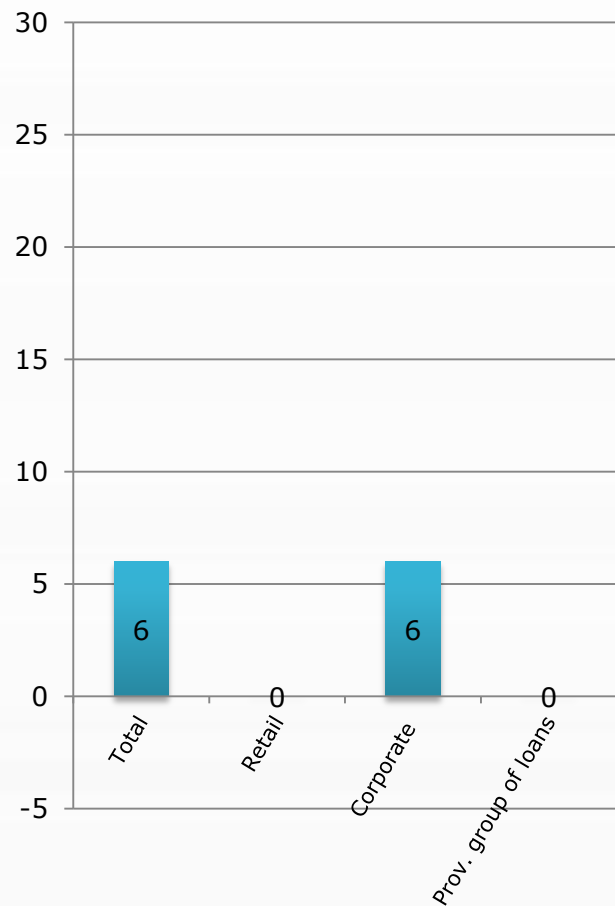
Losses totalled NOK 6 million

- Corporate: NOK 6 million
- Retail: NOK 0 million
- Group of loans: NOK 0 million
- Other: NOK 0 million

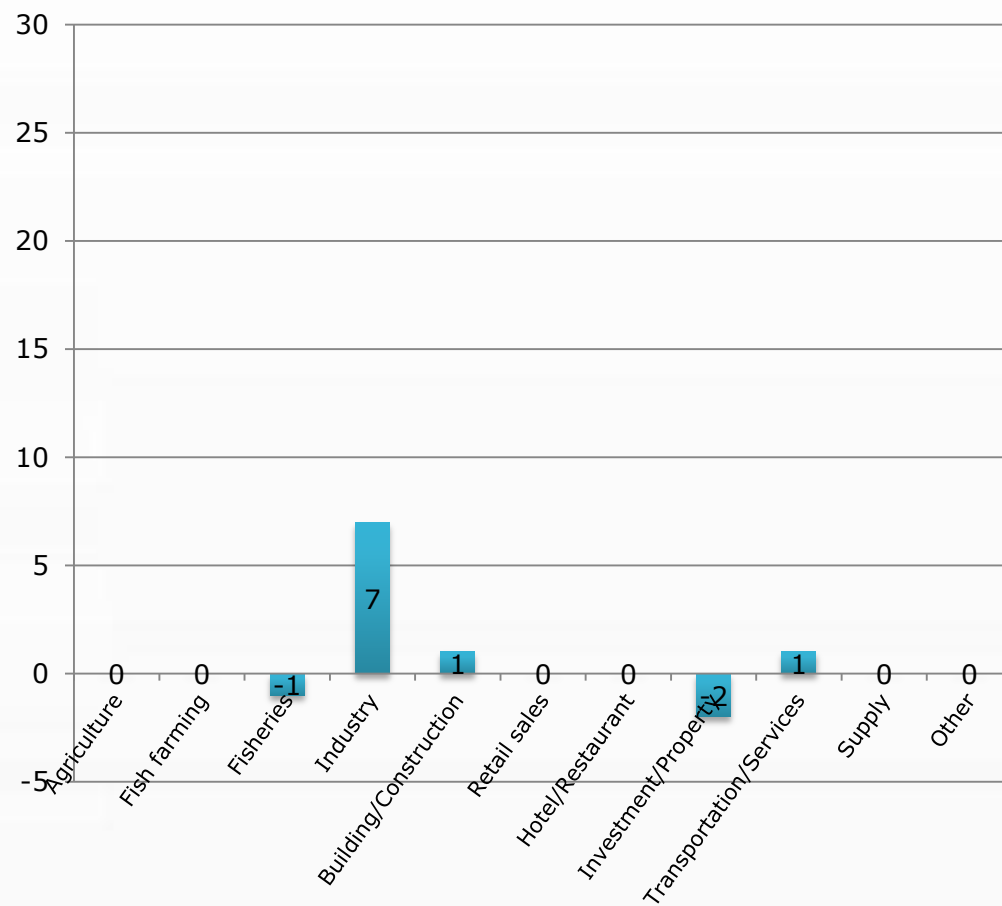
Total provisions amounted to NOK 310million by 31.03.2014

Losses - details

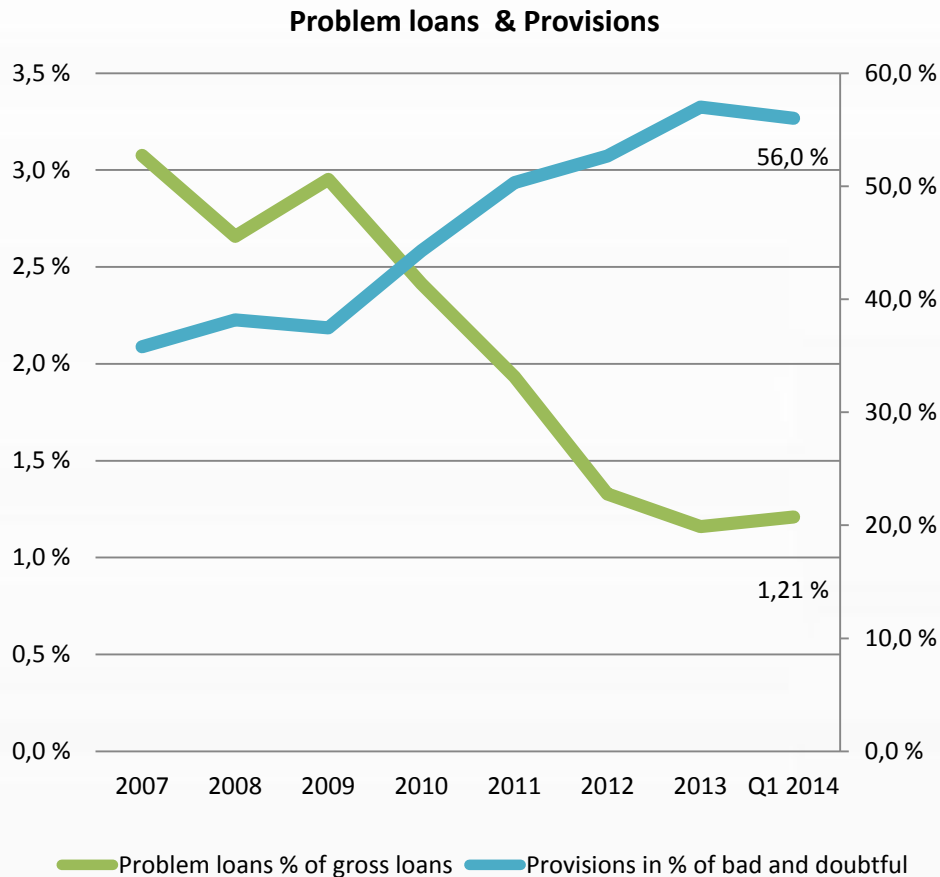
Total



Corporate



Problem Loans and loan loss reserves



- The volume of Problem Loans has declined over the last years
- As a percentage of gross loans this figure ended at 1.21% by the end of Q1 2014
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 56.0% by quarter end

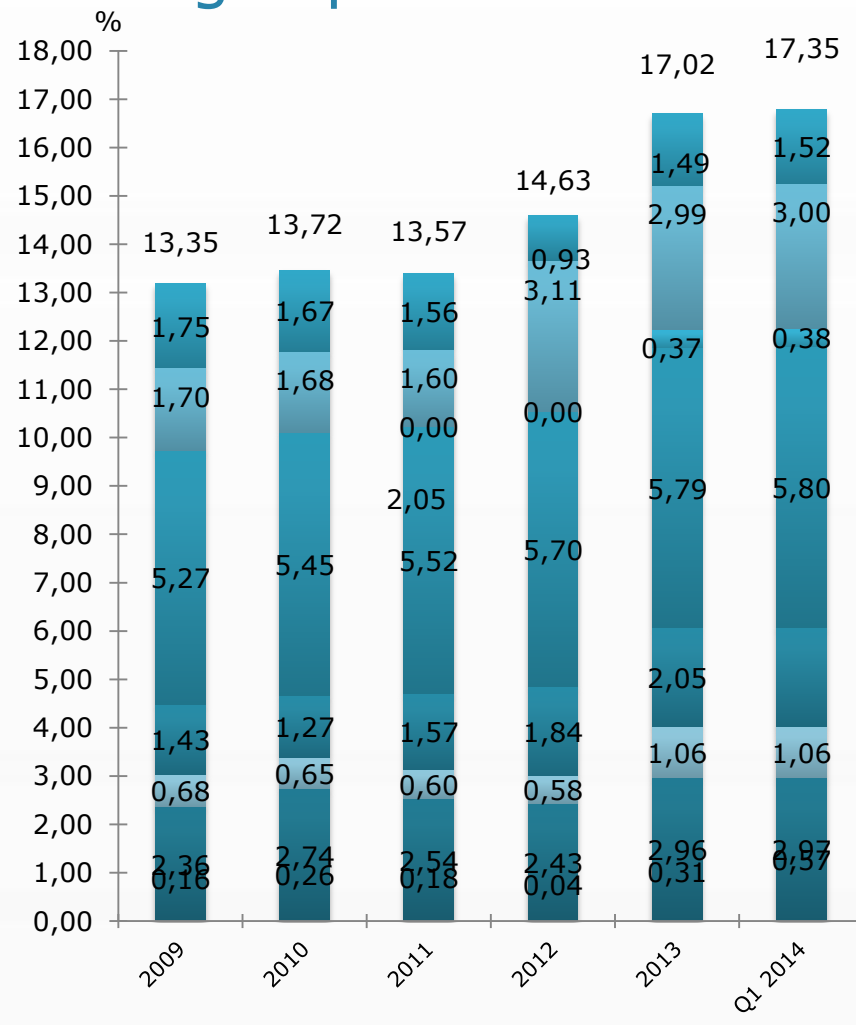
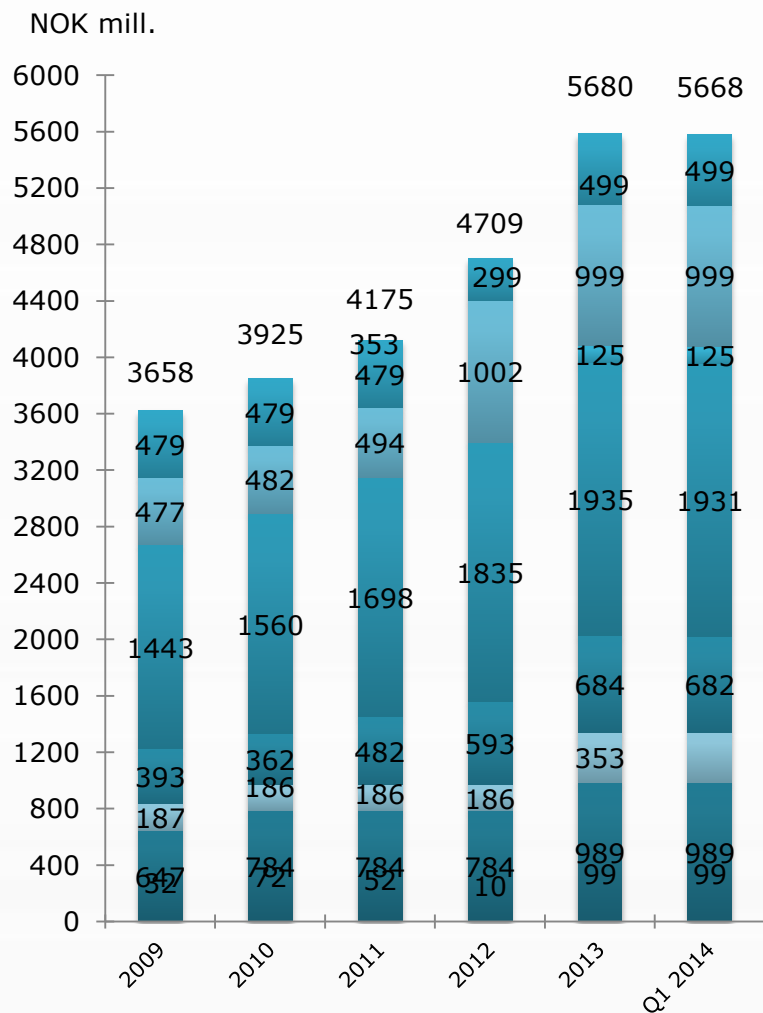


Equity and ECs



Equity

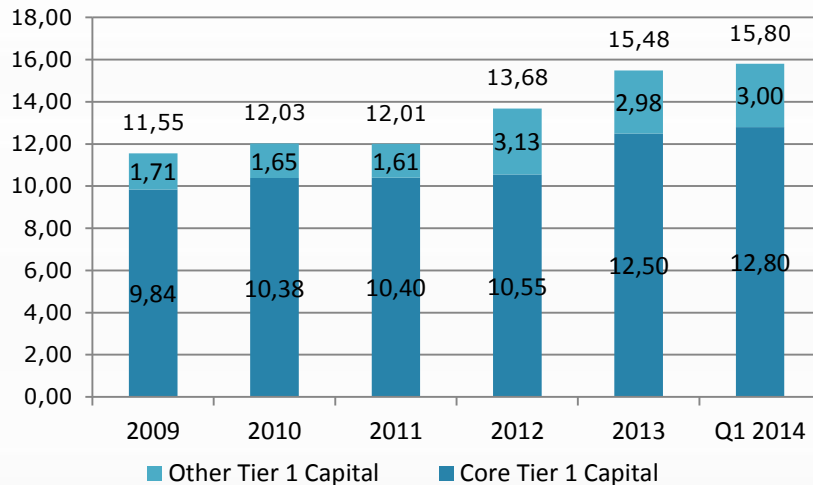
Equity and related capital: Strong capital



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

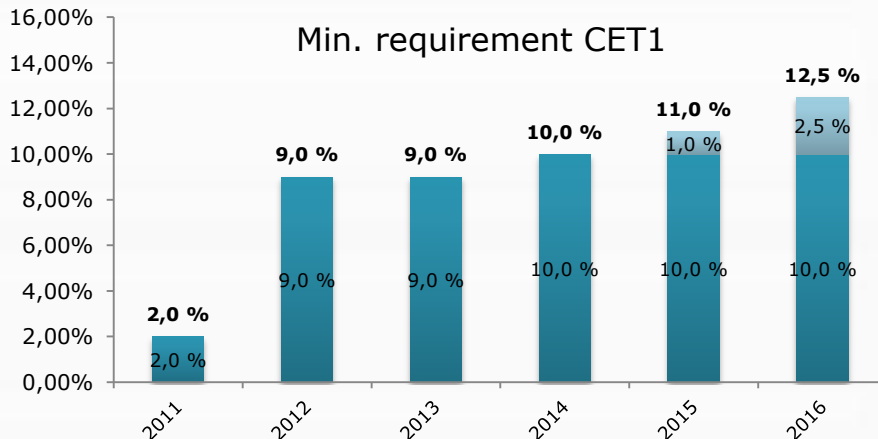
Møre's equity issue and result has strengthen CET1

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 sees opportunities for increased business with solid customers in markets with attractive margins
- Strong macroeconomic development in the region offering good credit quality and low loan losses – expecting continued low losses and write downs
- Ability to maintain growth, existing dividend policy and meet regulatory changes to capital structure

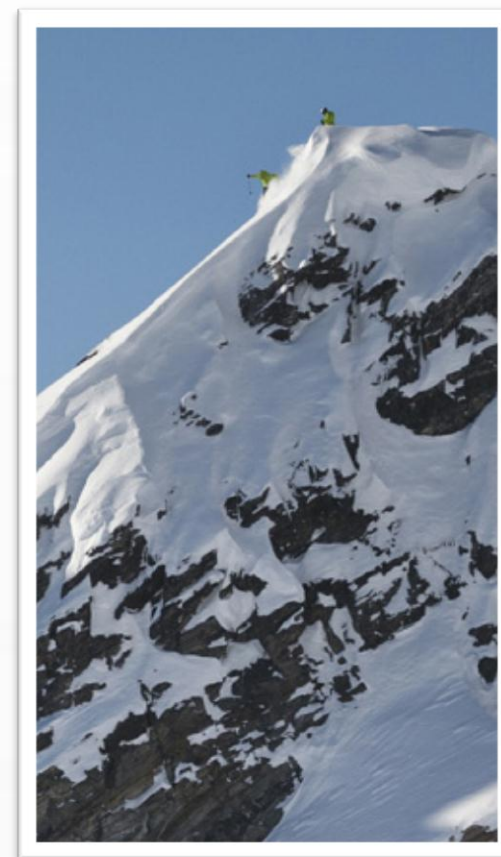
Min. requirement CET1



Summing up and outlook

From the CEO:

- Maintaining focus on continuously improving the efficiency and cost control
- Market competition is tough - the bank's capital adequacy ratio contributes to good competitiveness
- We foresee higher growth in the corporate market
- The Nets transaction will have positive effect on the result when completed
- The loss and default levels are expected to continue at moderate levels



Dividend policy

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

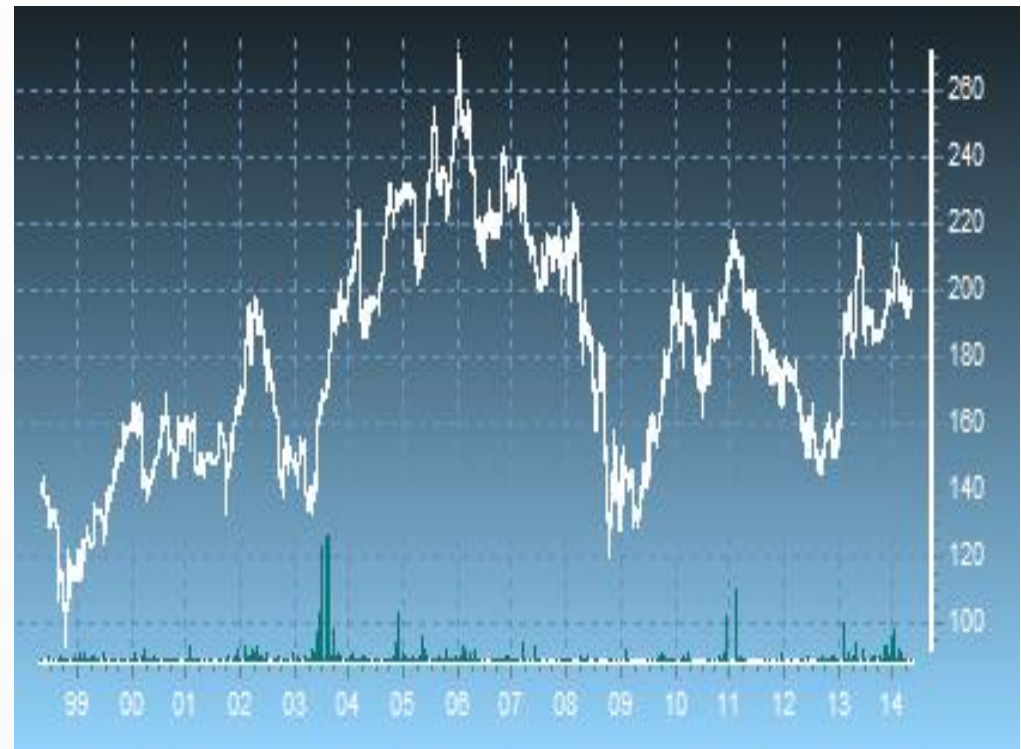
The equity capital owners’ share of the net result being set aside as dividend funds, will be adapted to the Bank’s equity capital situation. Sparebanken Møre’s allocation of earnings shall ensure that all equity capital owners are guaranteed equal treatment.”



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 2013

| 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 |



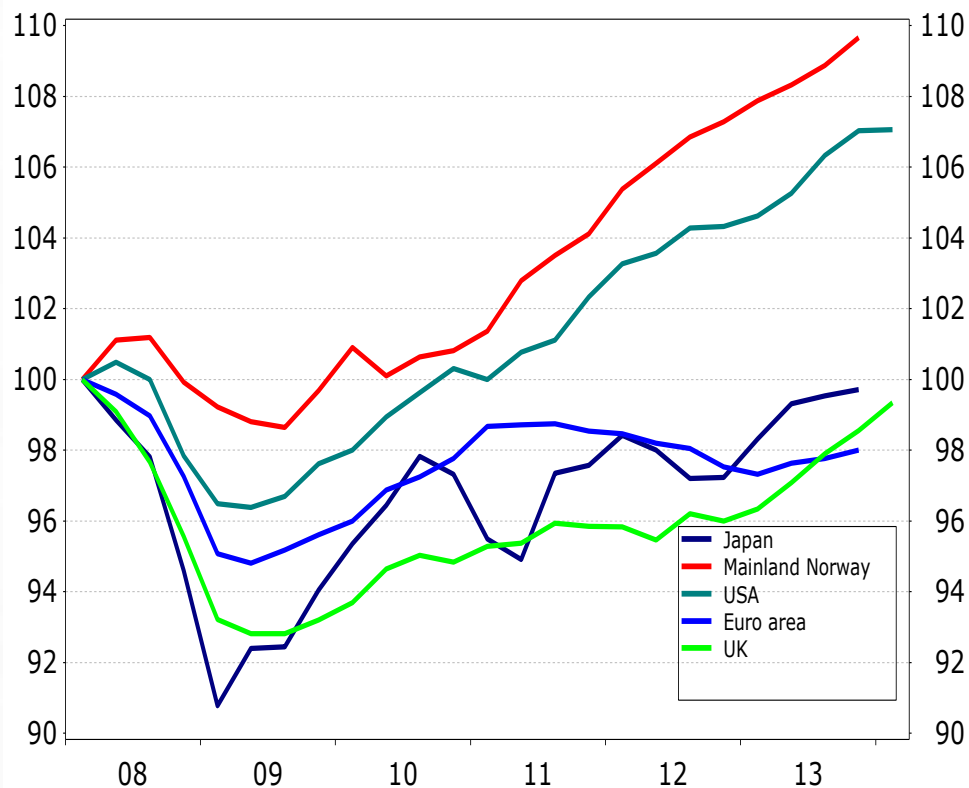


Macroeconomic Overview

The Norwegian economy remains strong. However, growth will be moderate in 2014-2015

GDP in selected countries

Volume index; 1. quarter 2008 = 100



Source: Reuters EcoWin

The Norwegian economy is characterised by:

- Low unemployment
- Record high house prices
- Increased private demand
- High activity in the oil sector
- Strong public sector growth
- Low interest rates

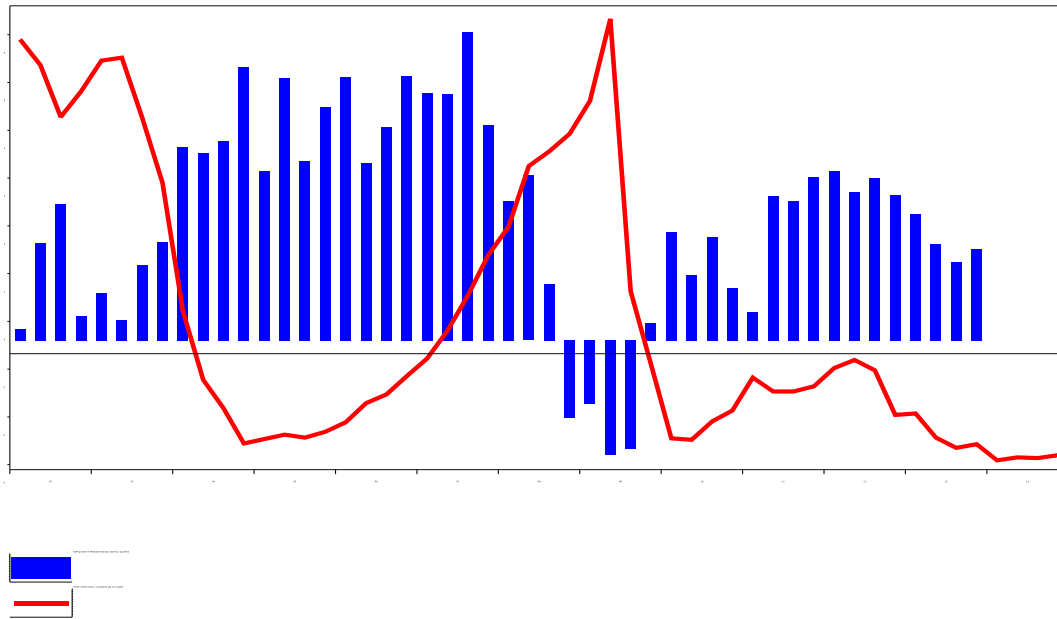
Growth will be moderate in the coming two years due to:

- Lower growth in petroleum investments
- Low growth in Europe
- High costs in the export sectors
- Higher customer interest rates

We expect a GDP growth in Mainland Norway of 2 per cent in 2014 and 2 ½ per cent in 2015



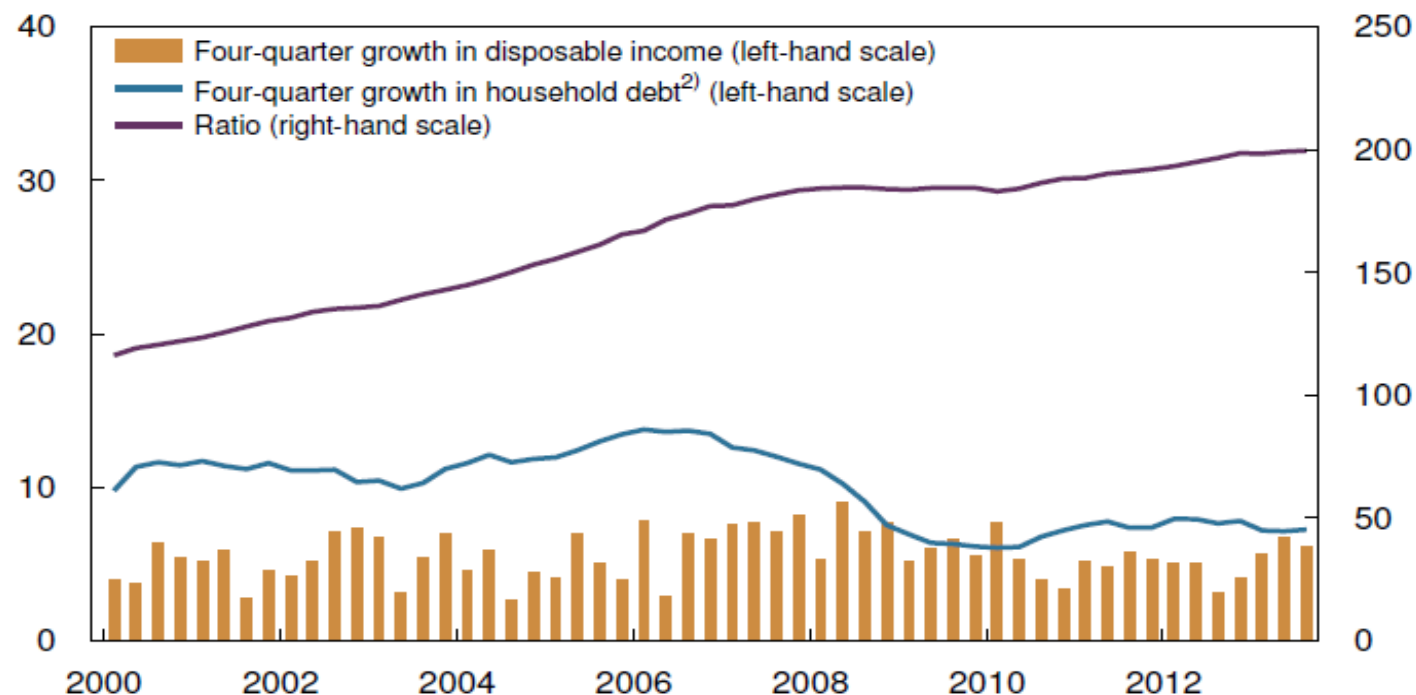
Growth has stabilised this year



High household debt is the main domestic risk factor

Chart 3.5 Household debt to disposable income ratio.¹⁾

Percent. 2000 Q1 – 2013 Q3



1) Loan debt 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) Change in stocks at the end of the quarter.

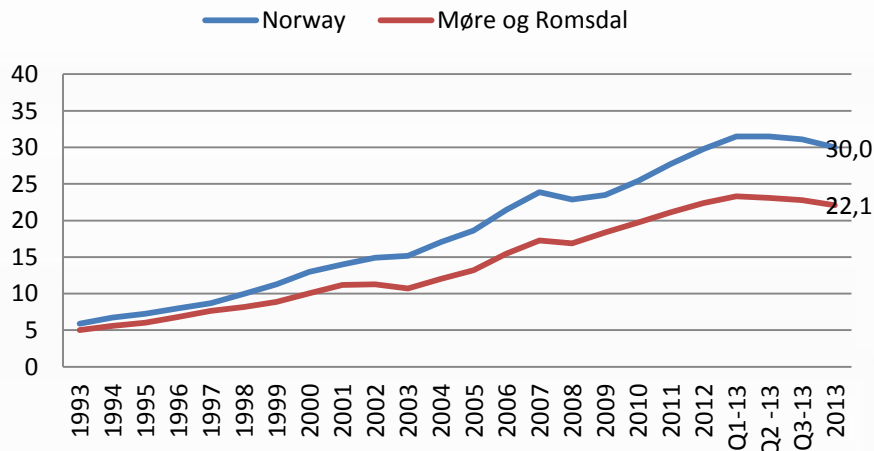
Sources: Statistics Norway and Norges Bank



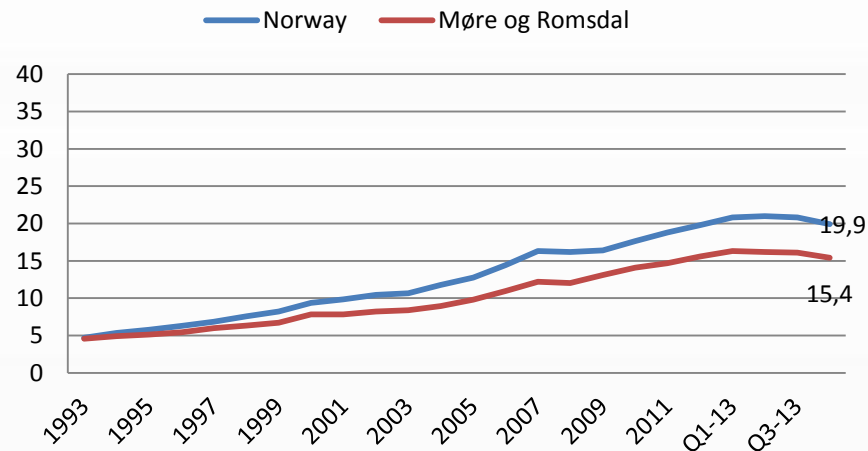
Considerable differences in housing prices

(NOK 1000 per sqm.)

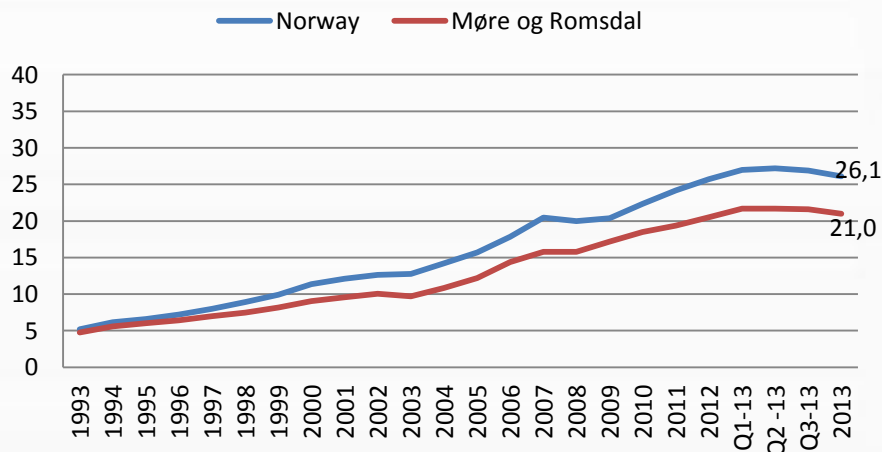
Housing prices



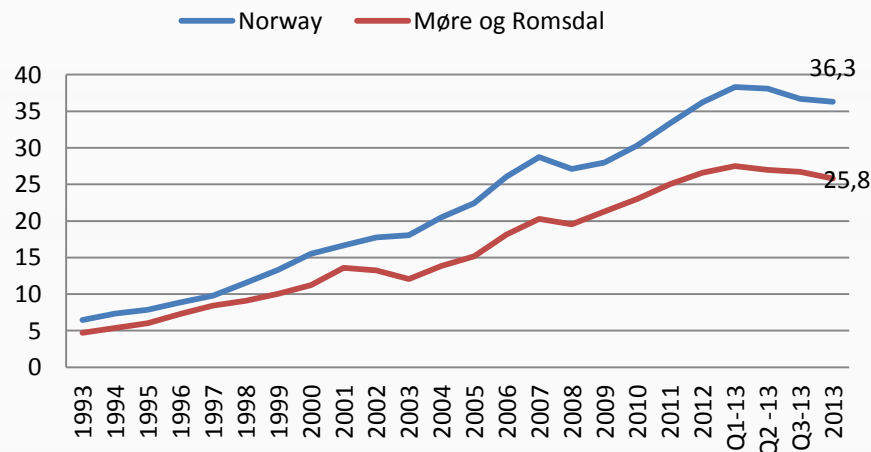
Detached



Semi-detached



Apartments



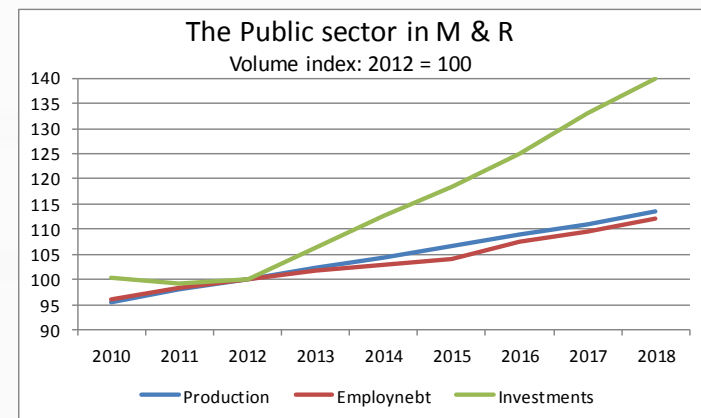
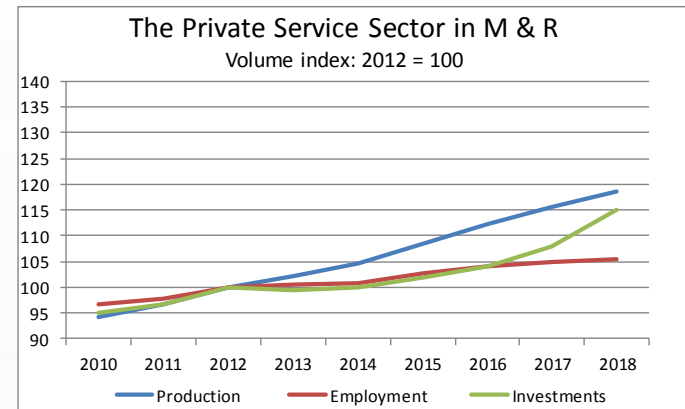
The business sector in Møre og Romsdal is doing well

The most important drivers of growth and activity in 2014 and forward:

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

Main reasons for higher output:

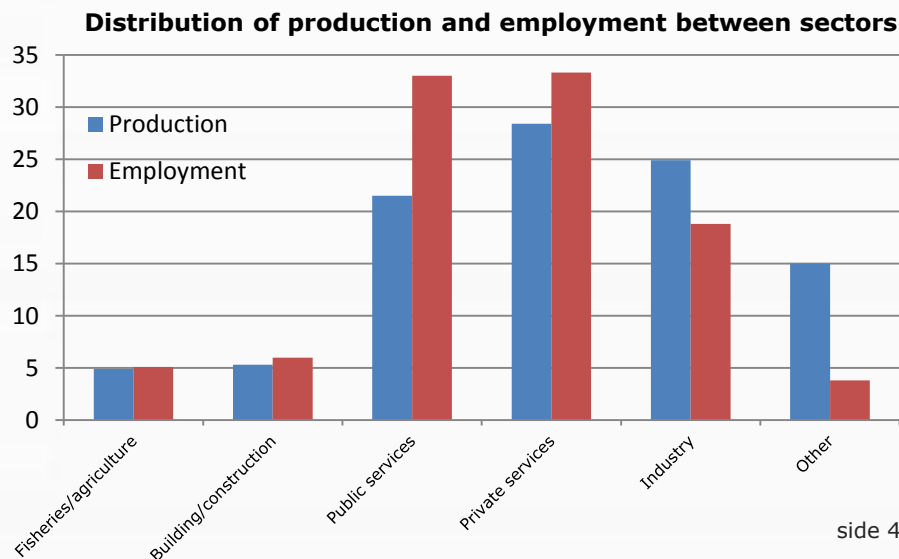
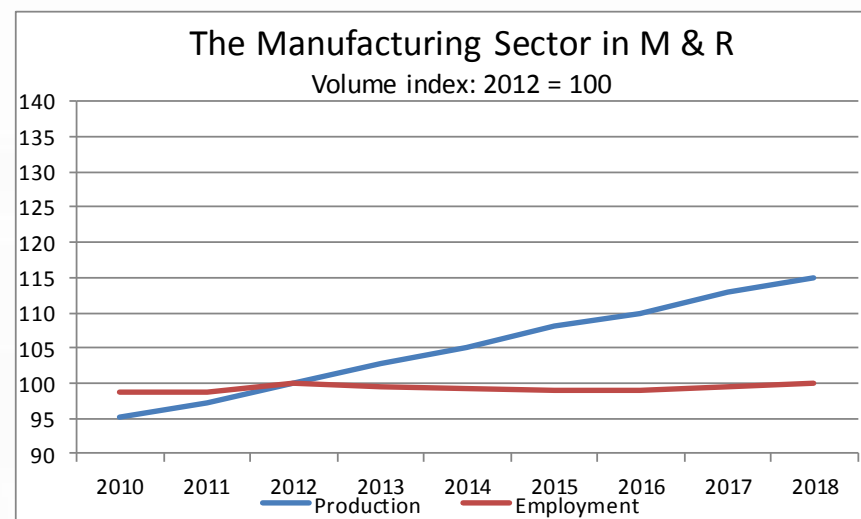
- Low interest rates
- Expansionary fiscal policy
- High oil prices
- A competitive business sector
- Higher export market growth





The outlook for the manufacturing sector has improved

- The outlook for the manufacturing industry is somewhat better due to:
 - ✓ The weakening of the NOK
 - ✓ Better outlook for the Euro Area
- Unemployment in Møre og Romsdal will stabilise around 2 ½ per cent in the coming years
- Increased demand for labour due to increased production of goods and services and limited productivity growth will keep unemployment low



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

- Moderate growth in traditional exports
- Increased demand for private services
- Higher activity in the public sector
- High production within hydro electric power shipbuilding and the petroleum sector
- High production in the fishing industry
- Stable or slightly higher unemployment

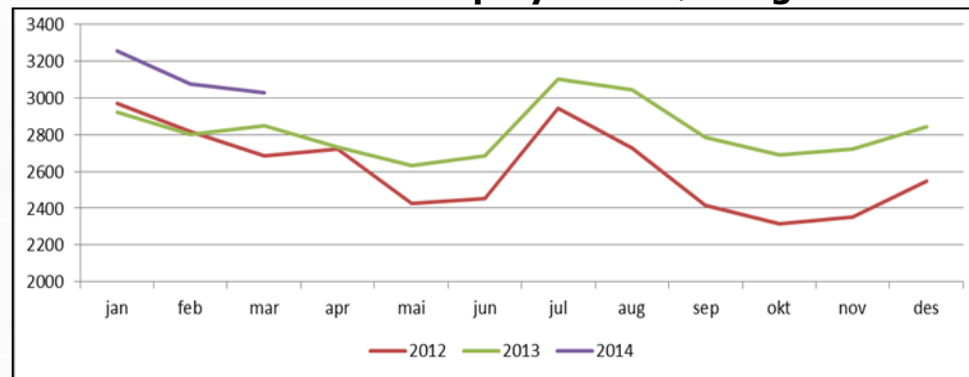
Most important risk factors:

- International economy
- The oil price
- 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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