

# Sparebanken Møre - the Group

24. April 2018

PRESENTATION

1<sup>ST</sup>. QUARTER 2018

Runar Sandanger

*EVP*



# Contents

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- Introduction and highlights
- Results
- Deposits and Loans, overview and details
- Liquidity and Capital
- Main targets



# The largest bank in the county

*Strong local presence*



SPAREBANKEN MØRE

28

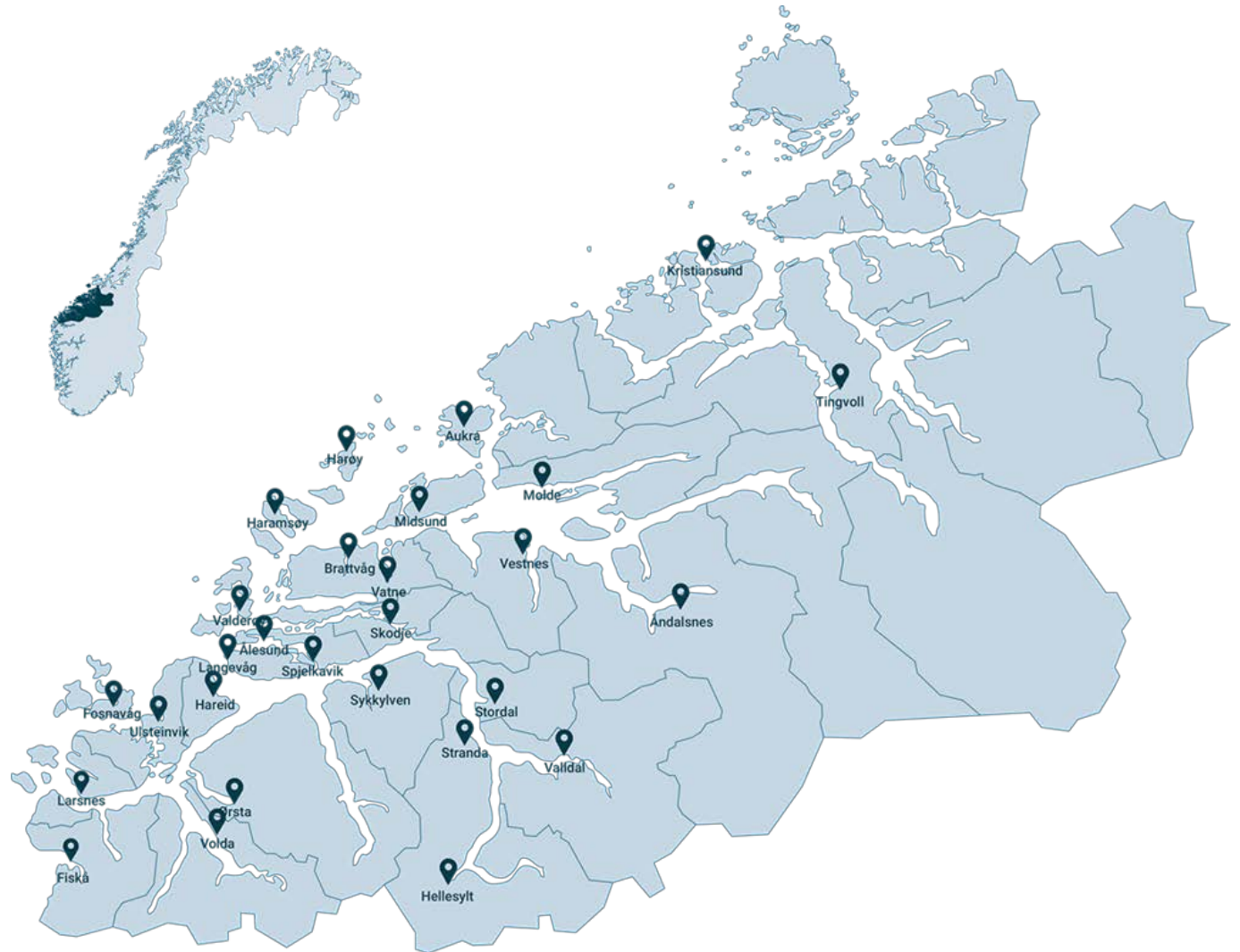
OFFICES IN  
MØRE OG ROMSDAL

363

MAN YEARS

68.6

BILLION IN  
TOTAL ASSETS



# Highlights from the first quarter of 2018

*Positive development in key figures*

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SPAREBANKEN MØRE



Strong loan growth: 7.8 per cent over the last 12 months



High and stable Net Interest Income: Growth both in NOK and in per cent compared to first quarter last year



Efficiency: Cost Income ratio at 43,6 per cent by the end of first quarter 2018 – down 2.3 p.p. compared with first quarter last year



Very low losses: NOK 2 million in first quarter. We expect losses to stay at low levels in 2018

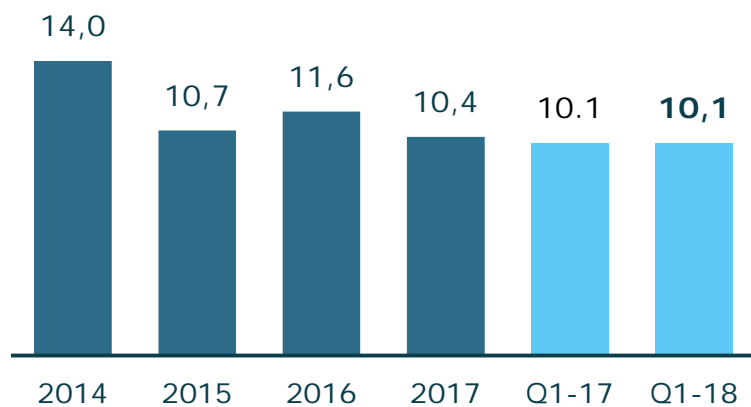


Strong liquidity and solidity: Deposit to Loan ratio at 57.6 per cent. CET1 at 15.1 per cent

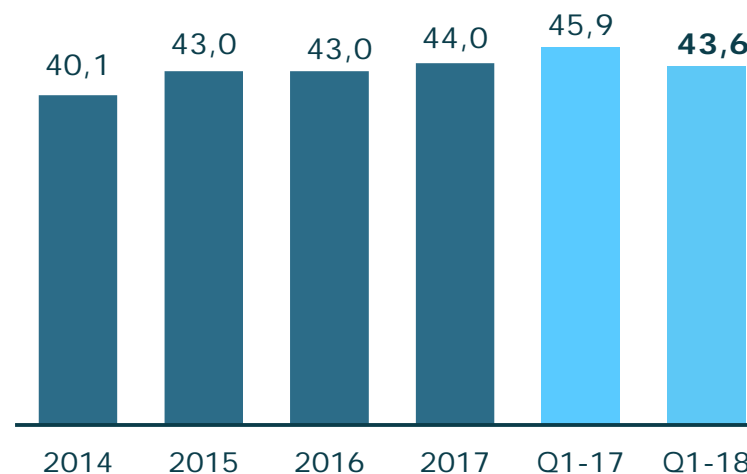


Good Return on Equity: 10.1 per cent in first quarter 2018

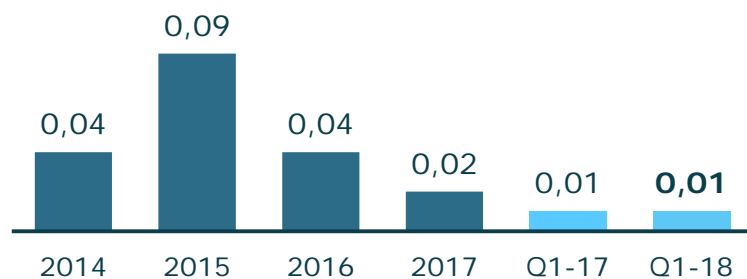
## Return on Equity



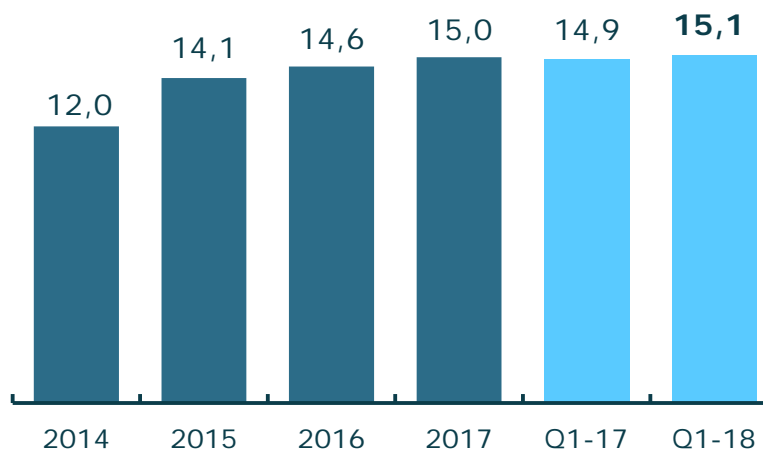
## Cost/Income



## Losses on Loans and Guarantees



## Common Equity Tier1 Capital (CET1)



# Positive outlook

- Sparebanken Møre is well capitalized, with a healthy financial structure and a strong balance. The results have been strong and stable and losses have been at a low level for many years
- The economic outlook for Møre og Romsdal is good. Production is high in most industries, and the decline in oil-related industries seems to be changing to a slight upturn
  - a weak Norwegian currency
  - low level of interest rates
  - expansionary fiscal policy
  - higher oil prices
  - good growth in our export markets
  - high adaptability in local business and industry
- It also appears that the decline in house prices is about to level out. However, the danger of increased protectionism represents a risk factor in terms of world trade prospects



# A good start to 2018

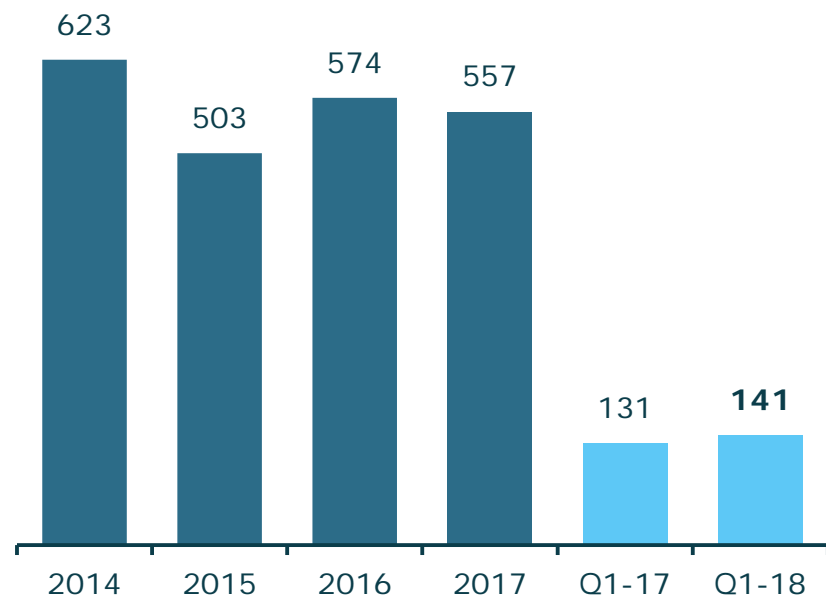
*Improved results compared with first quarter of 2017*



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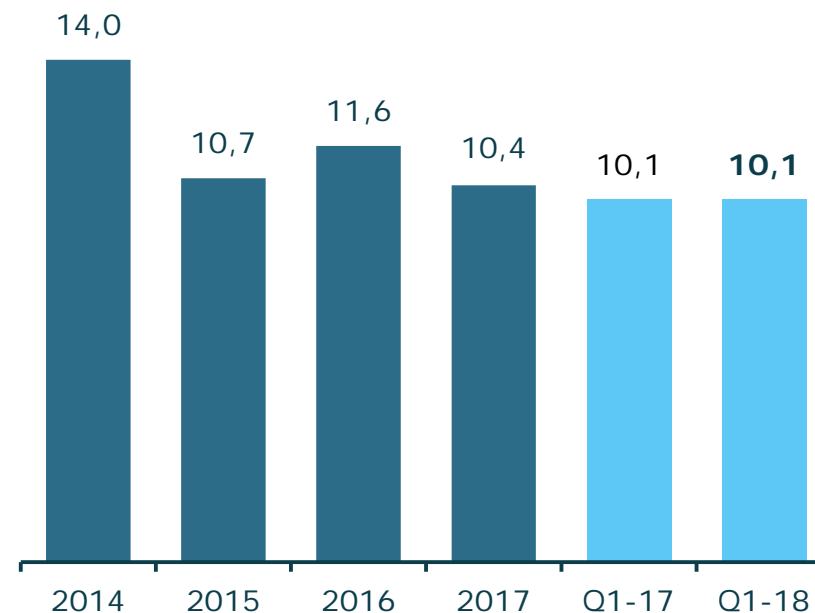
## Result after taxation

- NOK million



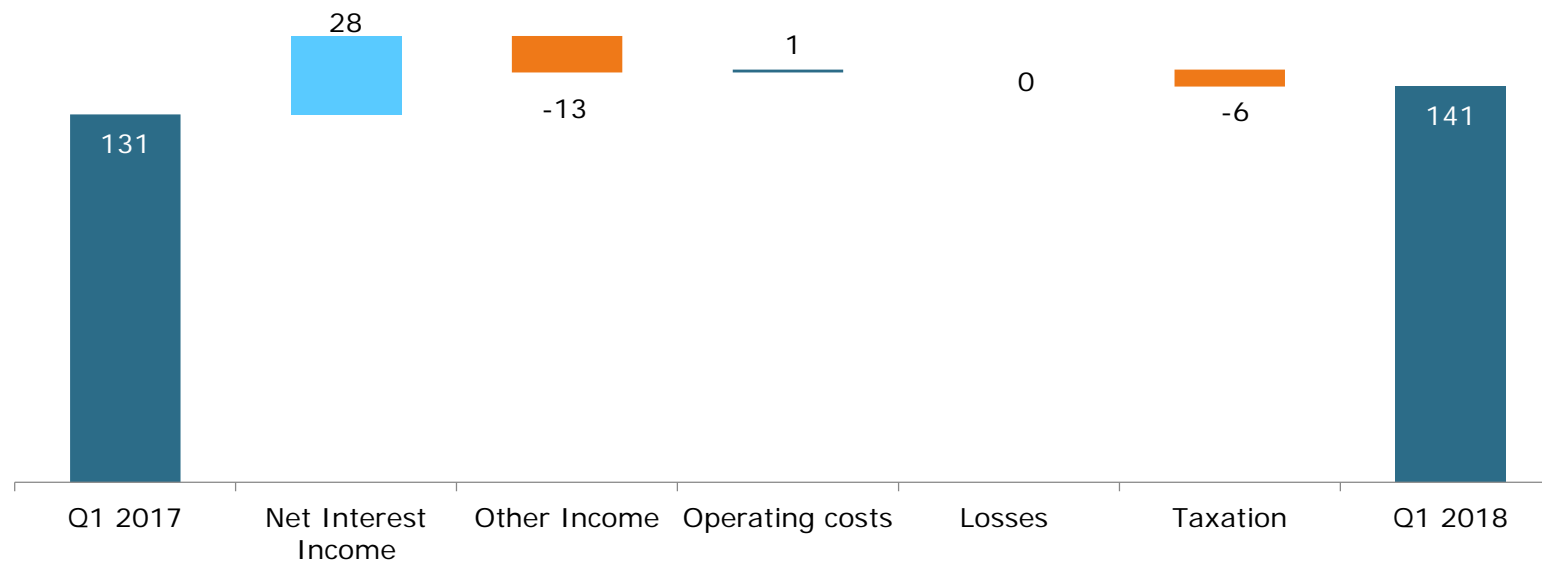
## Return on Equity

- in percent (ROE)



# Growth in income, stable cost level and low losses

First quarter 2018 compared with first quarter 2017



- Higher Net Interest Income in NOK
- Lower level of Other Income
- Stable operating costs
- Low level of losses also in Q1 2018



# Results

## Statement of income first quarter 2018 – The Group



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Results (NOK million and %)	Q1 2018		Q1 2017		Changes		
	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	289	1.73	261	1.69	28	0.04	10.7
Net Income Financial Investments	4	0.02	8	0.05	-4	-0.03	-50.0
Gains/losses liquidity portfolio	3	0.02	16	0.11	-13	-0.09	-81.3
Other Income	46	0.28	42	0.27	4	0.01	9.5
Total Other Income	53	0.32	66	0.43	-13	-0.11	-19.7
<b>Total Income</b>	<b>342</b>	<b>2.05</b>	<b>327</b>	<b>2.12</b>	<b>15</b>	<b>-0.07</b>	<b>4.6</b>
Personnel costs	84	0.50	85	0.55	-1	-0.05	-1.2
Other costs	65	0.39	65	0.42	0	-0.03	0.0
<b>Total operating costs</b>	<b>149</b>	<b>0.89</b>	<b>150</b>	<b>0.97</b>	<b>-1</b>	<b>-0.08</b>	<b>-0.7</b>
Profit before losses	193	1.16	177	1.15	16	0.00	9.0
Losses on loans, guarantees etc	2	0.01	2	0.01	0	0.00	0.0
<b>Pre tax profit</b>	<b>191</b>	<b>1.15</b>	<b>175</b>	<b>1.14</b>	<b>16</b>	<b>0.01</b>	<b>9.1</b>
Taxes	50	0.29	44	0.28	6	0.01	14.4
<b>Profit after taxation</b>	<b>141</b>	<b>0.86</b>	<b>131</b>	<b>0.86</b>	<b>10</b>	<b>0.00</b>	<b>7.4</b>

# Balance and key figures

	31.03.2018	31.03.2017	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	68,607	63,124	5,483	8.7
Loans to customers	58,194	53,993	4,201	7.8
Deposits from customers	33,539	32,656	883	2.7
Net Equity and Subordinated Loans	6,479	6,238	241	3.9

Key Figures	31.03.2018	31.03.2017	Changes p.p.	
Return on Equity	10.1	10.1	0.0	
Cost/Income Ratio	43.6	45.9	-2.3	
Total Capital	18.6	18.6	0.0	
Core Capital	16.6	17.1	-0.5	
CET1	15.1	14.9	0.2	
Leverage Ratio	8.1	8.6	-0.5	
Results per EC (NOK, the Group)	7.00	6.55	0.45	
Results per EC (NOK, the Bank)	12.00	12.60	-0.60	

# Quarterly development in Net Interest Income

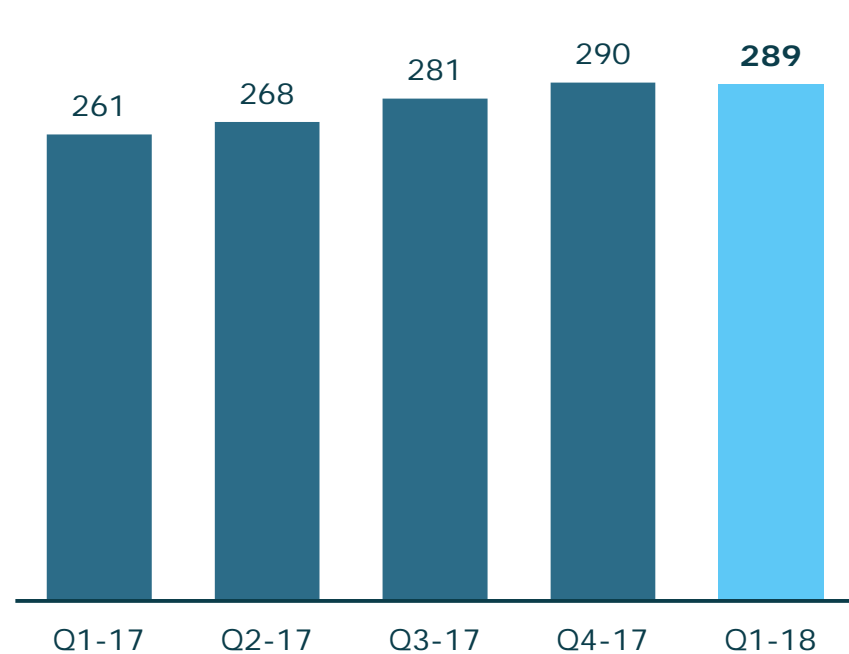
*Increase in NII compared to first quarter 2017*



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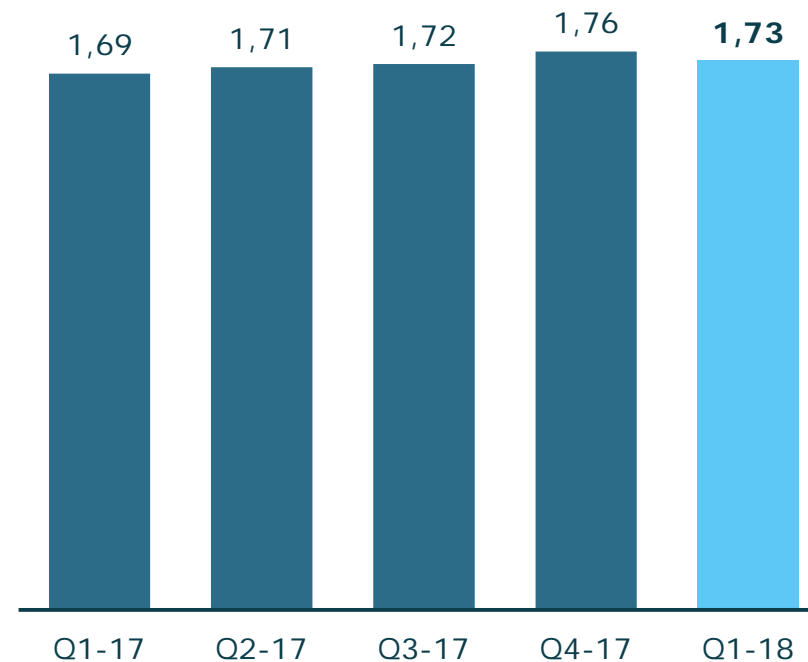
## Net Interest Income

- NOK million



## Net Interest Income

- % of Average Assets

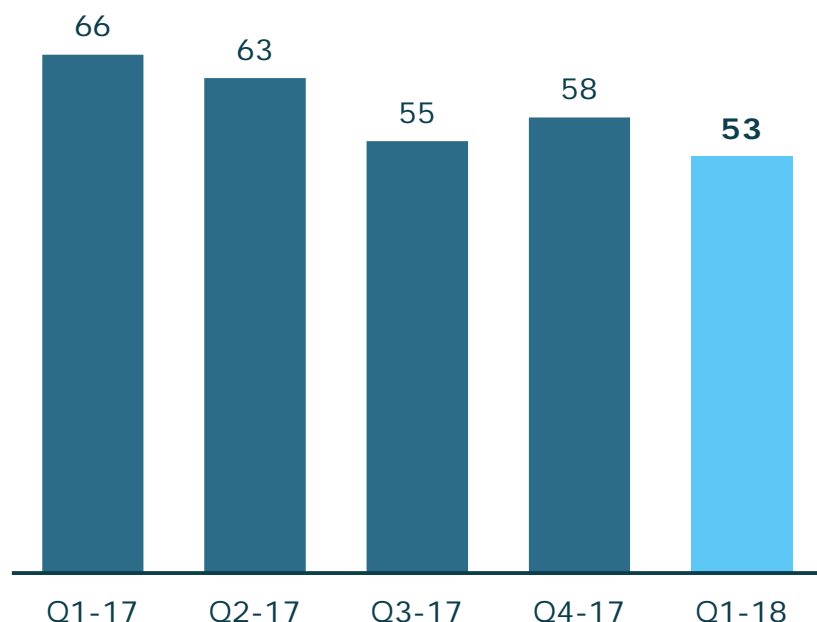


# Quarterly development in Other Income

*Negative effects from financial instruments*

## Other Income

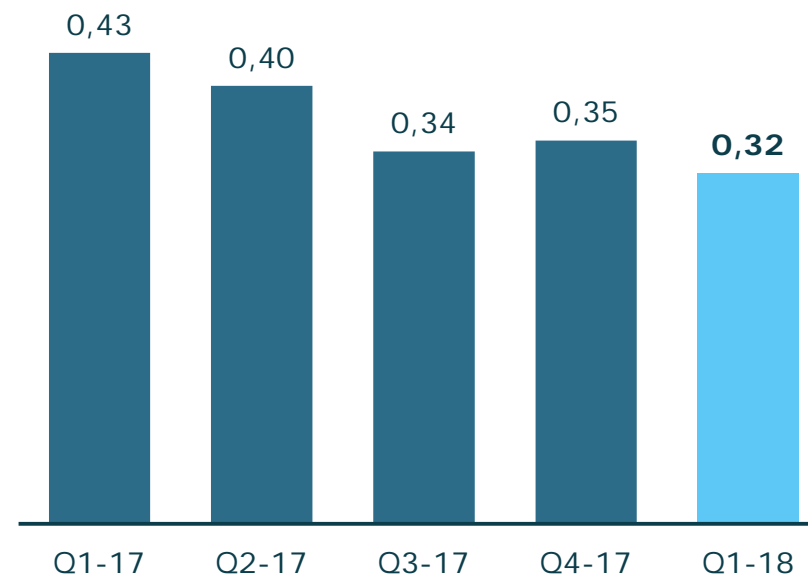
- NOK million



- Market value of the liquidity portfolio is reduced by NOK 13 million compared with Q1 2017
- Negative change in other financial investments mainly from financial instruments

## Other Income

- % of Average Assets



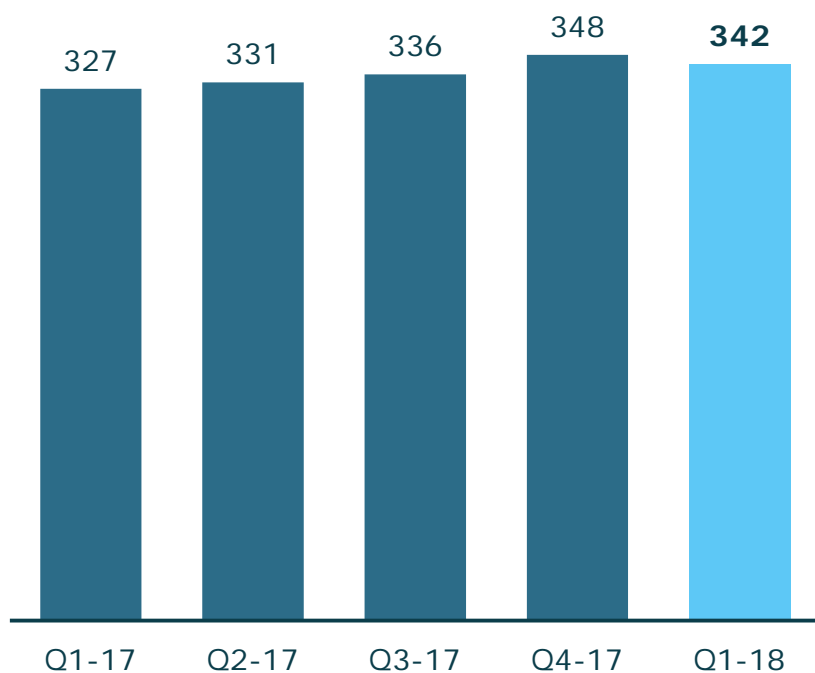
- Continued good growth in our Discretionary Portfolio Management Department contributes positively during the quarter

# Total Income

*Good income growth compared to first quarter 2017*

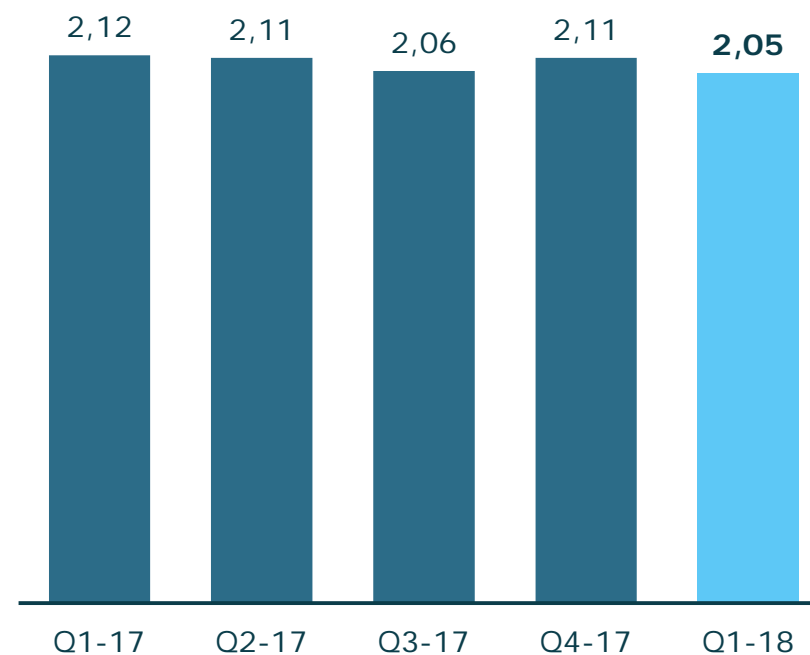
## Total Income

- NOK million



## Total Income

- % of Average Assets

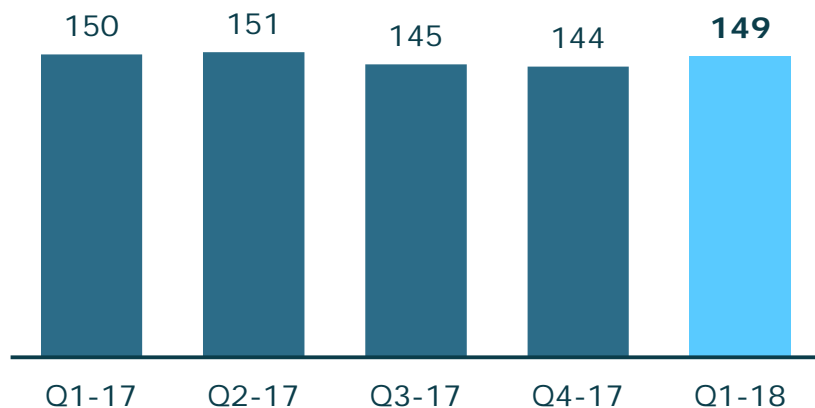


# Strong cost control – improved efficiency

Positive development

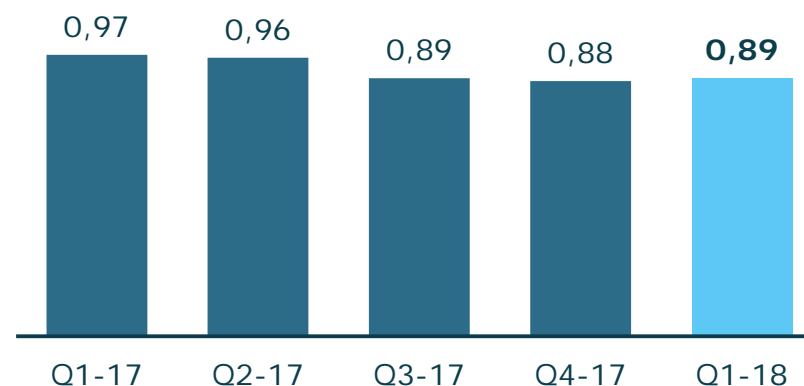
## Operating Costs

- NOK million



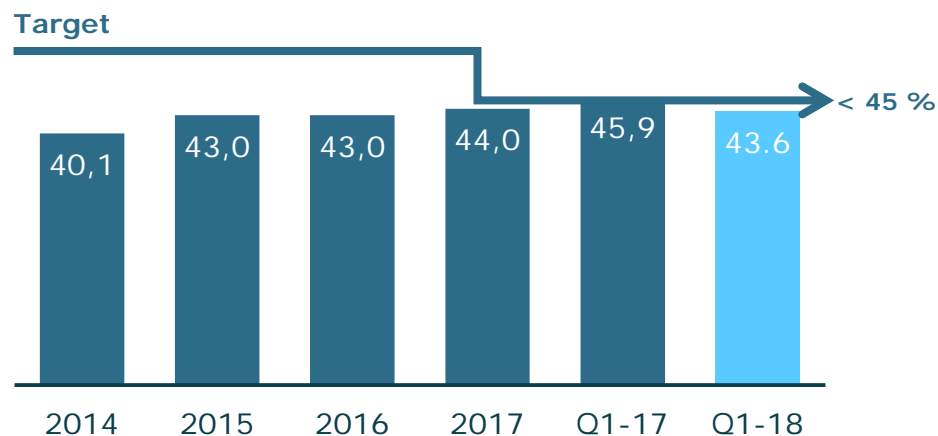
## Operating Costs

- % of Average Assets



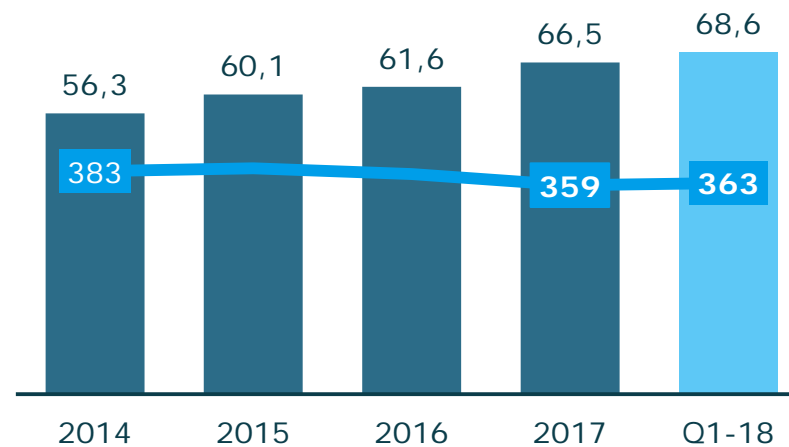
## Cost/Income ratio

- In per cent of income



## Total Assets and Man Years

- Total Assets in NOK billion



# Strong underwriting

*Persistent low losses*



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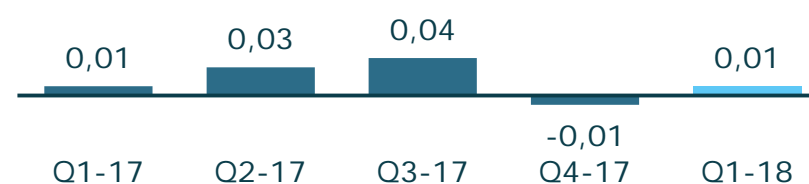
## Losses on loans and guarantees

- NOK million



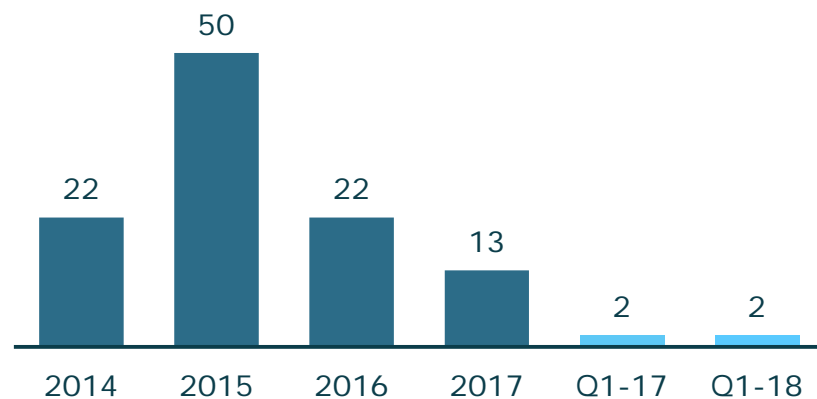
## Losses on loans and guarantees

- % of Average Assets



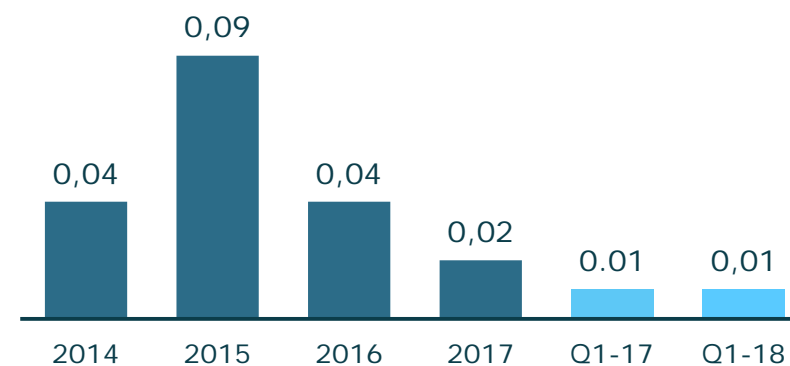
## Losses on loans and guarantees

- NOK million



## Losses on loans and guarantees

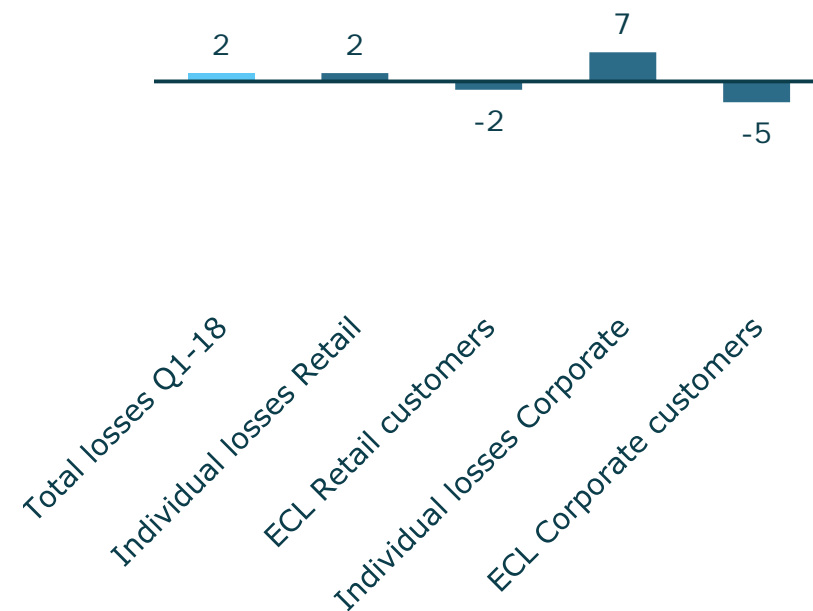
- % of Average Assets



# Losses by sector

## Losses on loans and guarantees

- NOK million



- The expected credit loss (ECL) model is compliant with IFRS 9 and used to calculate losses
- Total calculated ECL by first quarter end is NOK 7 million lower than by 1.1.2018
- Individual impairments and other losses of NOK 2 million for retail customers and NOK 7 million for corporate customers
- Total losses in first quarter 2018 is NOK 2 million



# Impairments

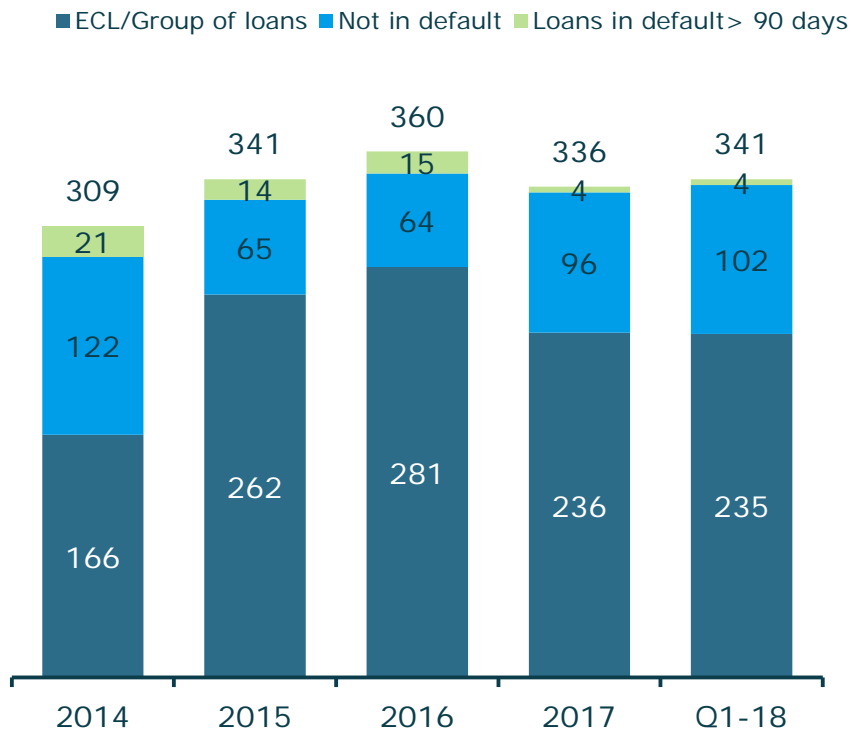
*High and comfortable levels*



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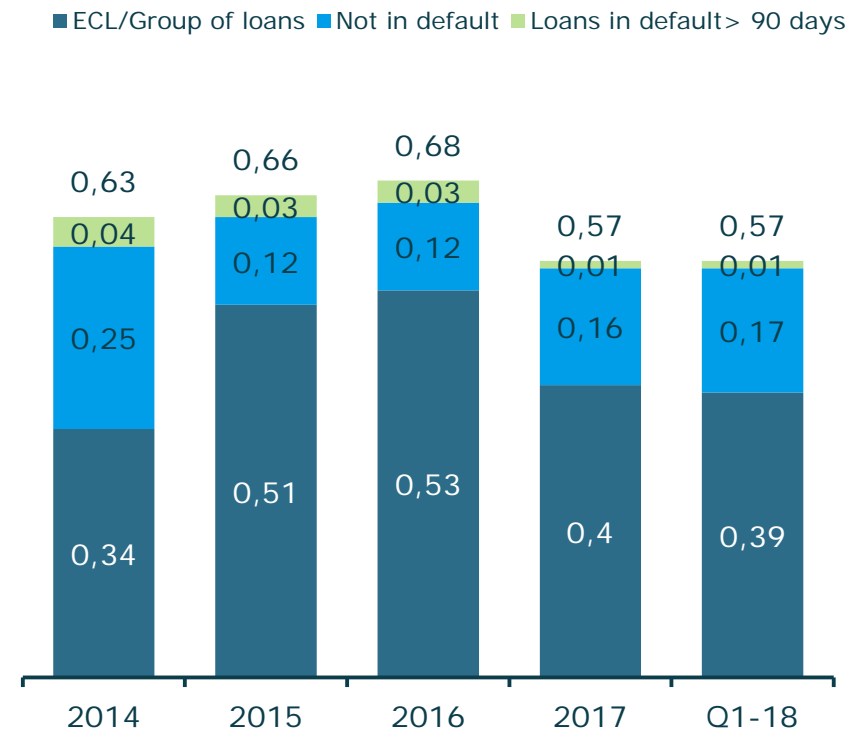
## Impairments

- NOK million



## Impairments

- % of Gross Loans



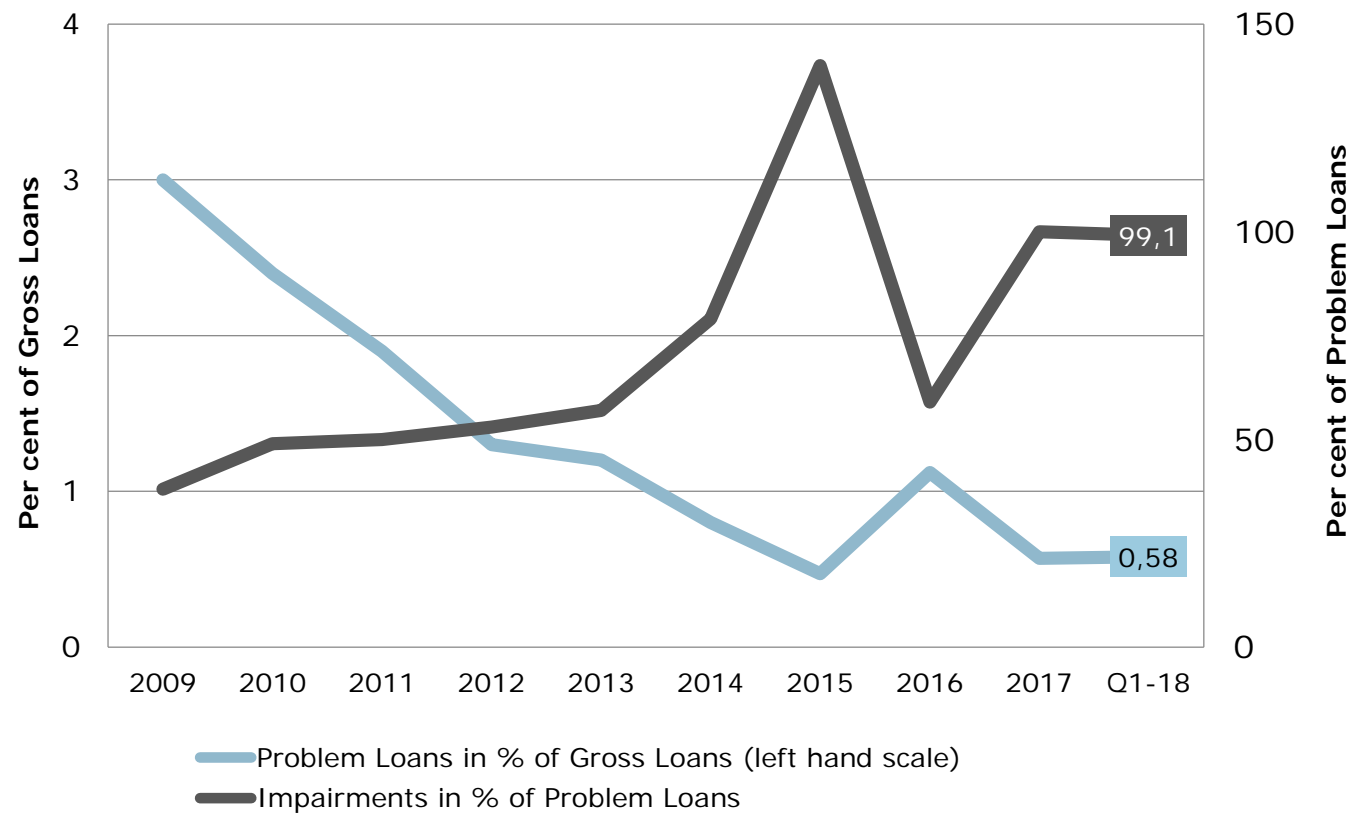
# Problem Loans and Impairments

*Low level of problem loans and good coverage*



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## Problem Loans and Impairments (per cent)



# Pre tax profit

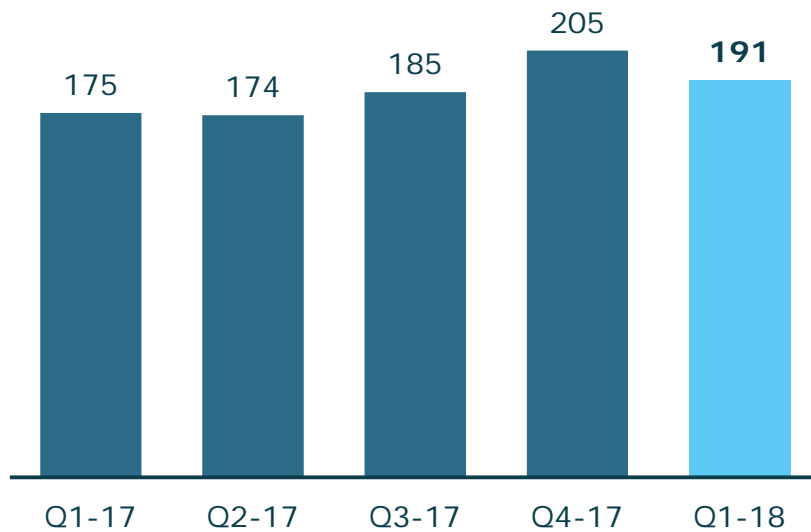
*Strong result in first quarter 2018*



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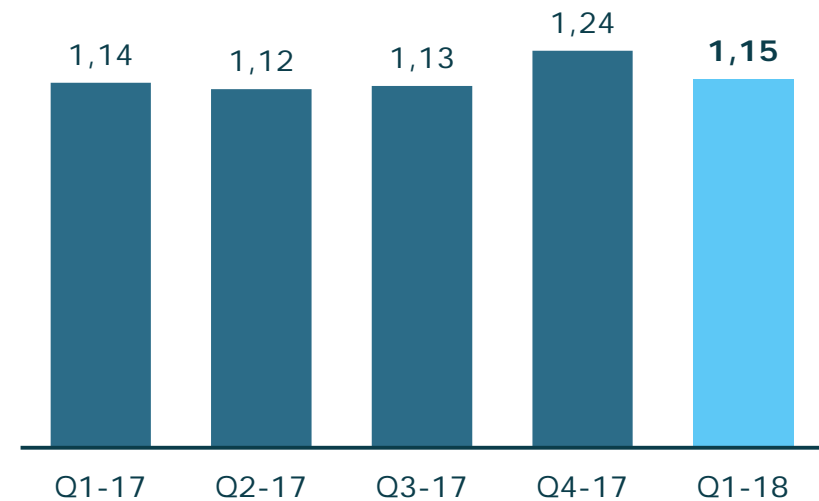
## Profit after losses

- NOK million



## Profit after losses

- % of Average Assets

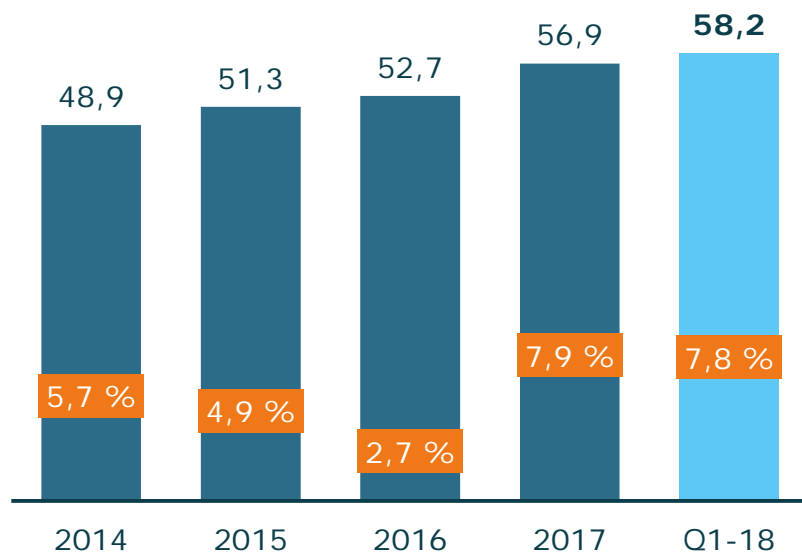


# Continued good growth

*Strong loan growth and high deposit to loan ratio*

## Loans

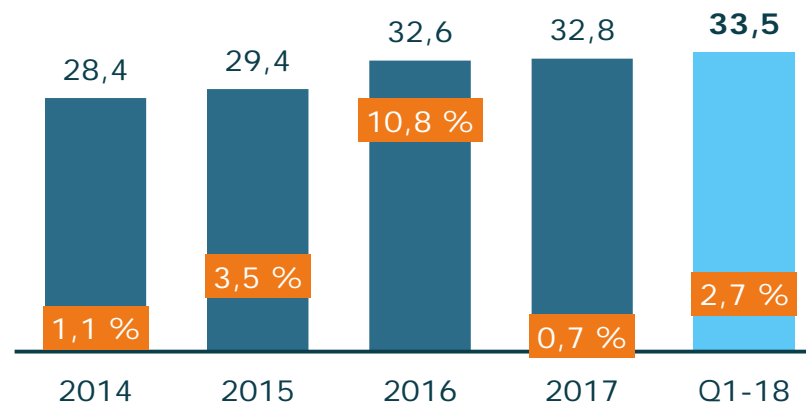
- NOK billion and per cent (y/y)



- Customer lending has increased by 7.8 % the last 12 months

## Deposits

- NOK billion and per cent (y/y)



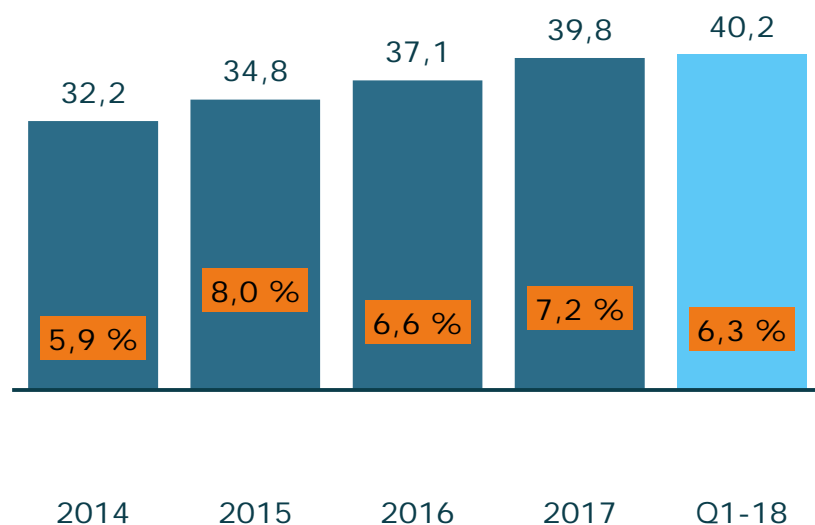
- Deposit growth of 2.7 % the last 12 months
- High deposit to loan ratio of 57.6 %

# Lending

Good growth both to the retail and to the corporate market

## Retail market

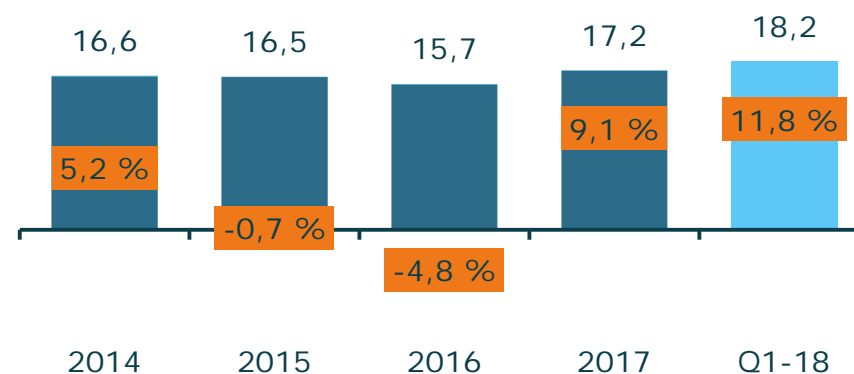
- NOK billion and per cent y/y



- Retail lending has increased by 6.3 % the last 12 months
- Loans to the retail market amount to 68.9 % of total loans

## Corporate market

- NOK billion and per cent y/y



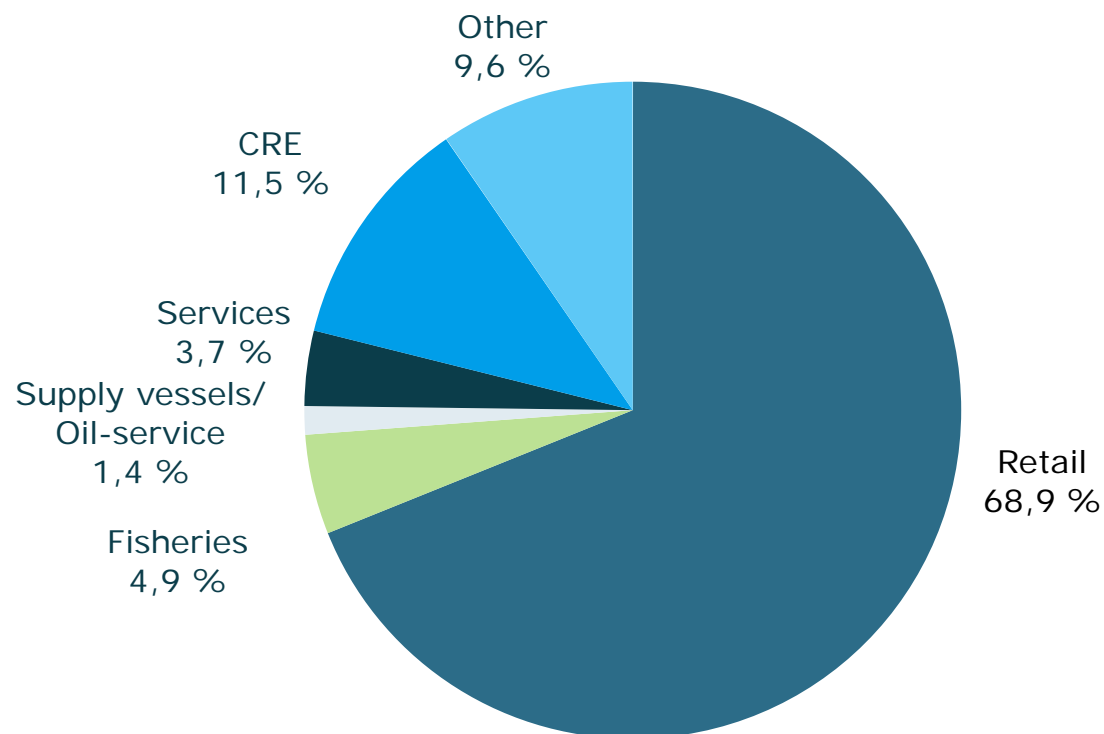
- Corporate lending has increased by 11.8 % the last 12 months
- Loans to the corporate market amount to 31.1 % of total loans

# Diversified loan book

## Loans by sector



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### Other:

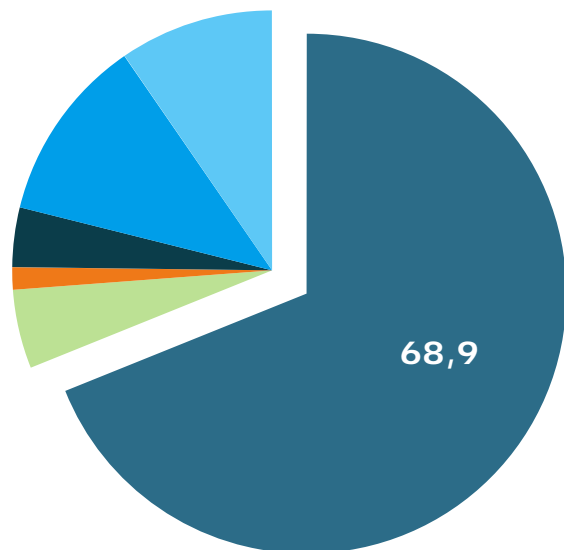
Other Industry	2.5 %	Agriculture	0.8 %
Financial services	2.1 %	Fishing Industry	0.2 %
Building and construction	1.0 %	Furniture	0.1 %
Ship Yards	1.5 %	Other	0.3 %
Retail/wholesale trade	1.1 %		

# Good quality in our retail portfolio

*High proportion of secured loans*

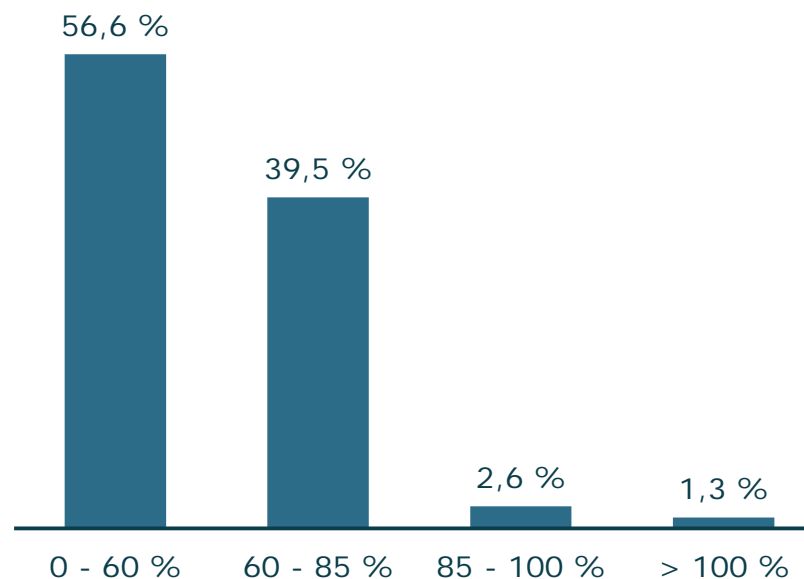
## Loans to retail customers

- % of total loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the first quarter of 2018 were 3.8 % outside Oslo, and 16.1% in Oslo but at a very low volume

## Loan to value – retail loans



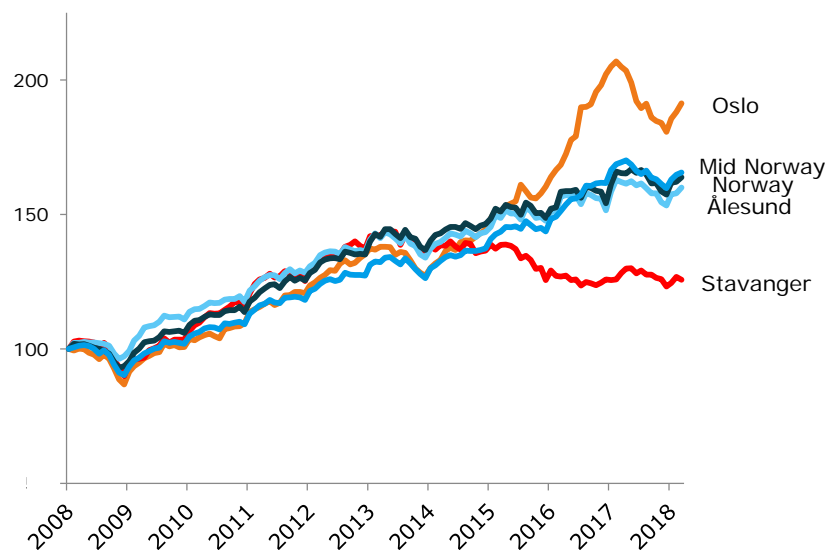
- 96.1 % of mortgage-backed loans to retail customers are within 85% of value

# House prices

- Development from January 2008 to March 2018

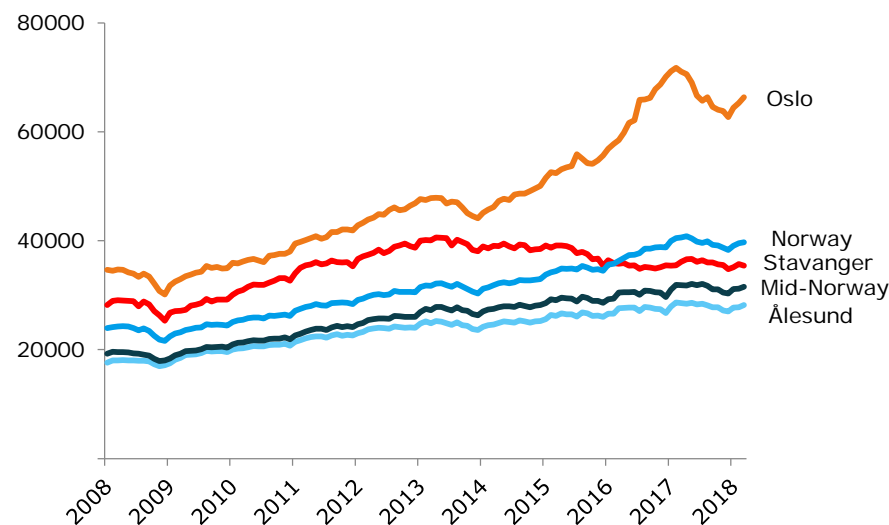
## Development in house prices

- Index – Jan 2008 = 100



## Development in house prices

- Average per square meter price



Key information (Sold pre-owned dwellings)	Norway	Mid-Norway**	Greater Ålesund*	Greater Stavanger*	City of Oslo
Price development last 12 months	-2.2 %	-0.9 %	-1.3 %	-2.0 %	-6.6 %
Price per square meter (NOK)	39,726	31,522	28,184	35,440	66,354
Average days on market (DOM) sold units in March 2018	49 days	66 days	61 days	80 days	30 days
Price median dwelling (NOK)	3,000,000	2,625,181	2,400,000	3,200,000	3,746,000

\* Ålesund and Stavanger including surrounding municipalities

\*\* Mid-Norway include county of Møre og Romsdal and county of Trøndelag

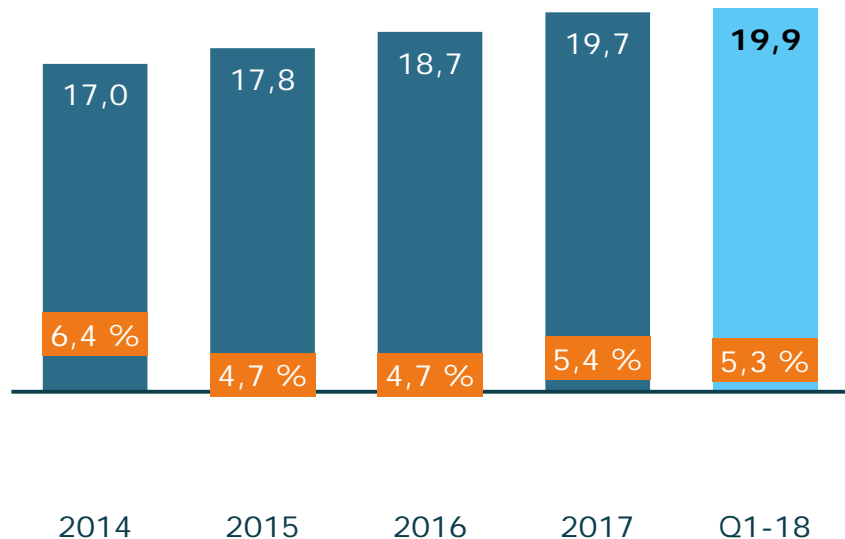


# Deposits

Growth in deposits the last 12 months

## Retail market

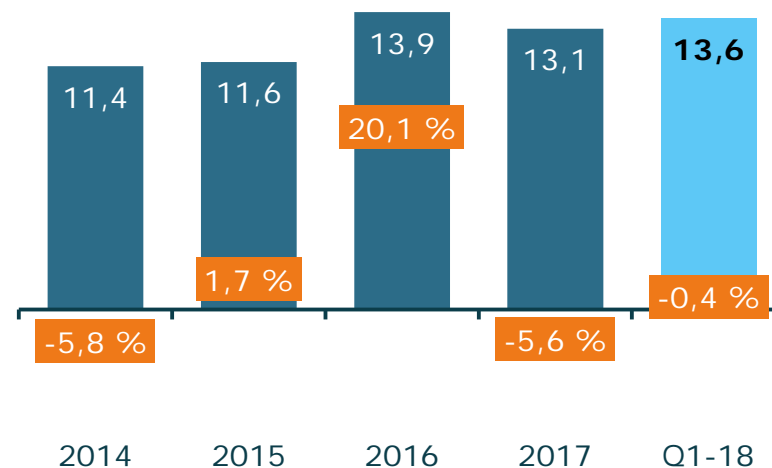
- NOK billion and per cent y/y



- Retail deposits have increased by 5.3 % over the last 12 months
- Deposits from the retail market amount to 59.4 % of total deposits

## Corporate and public

- NOK billion and per cent y/y



- Deposits from corporate and public customers have been reduced by 0.4 % the last 12 months and ended at NOK 13.6 billion by quarter end

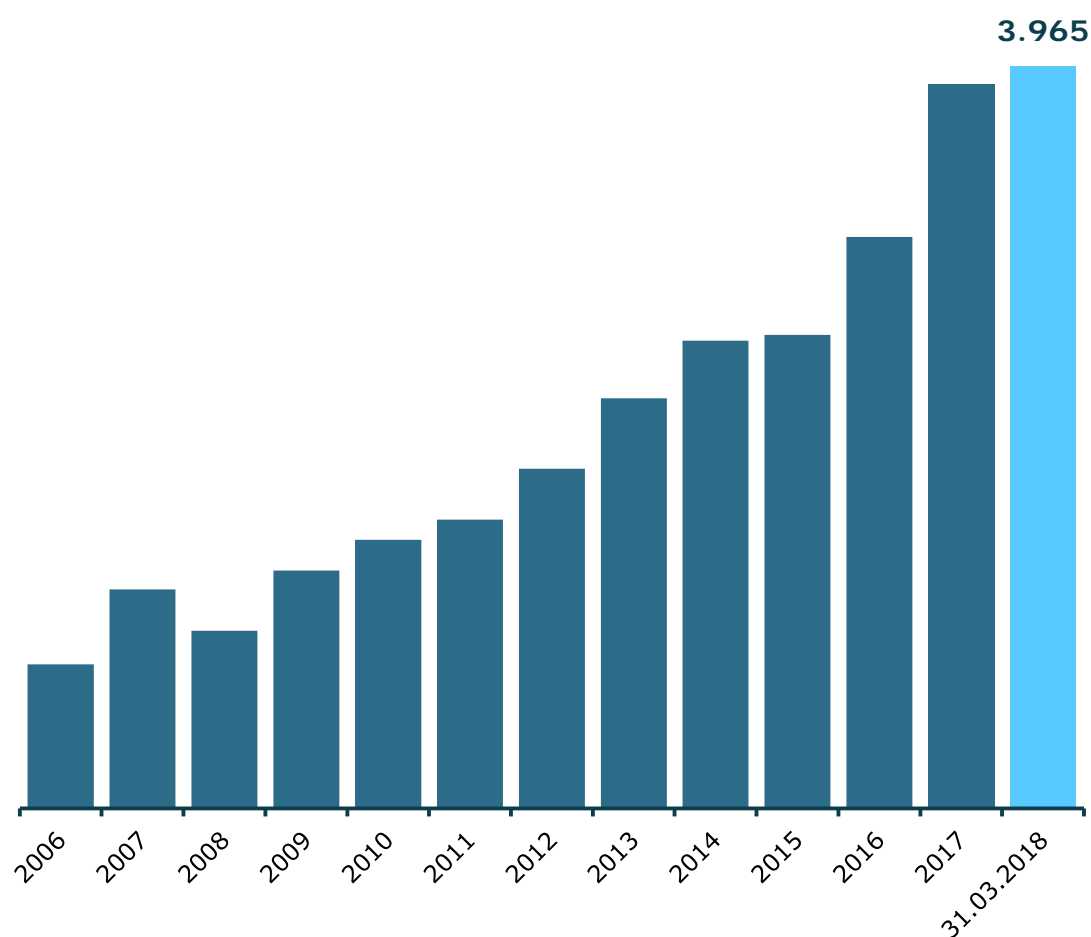
# Discretionary Portfolio Management

*NOK 4 billion under management*



## Sparebanken Møre - Aktiv Forvaltning

- Portfolio in NOK million



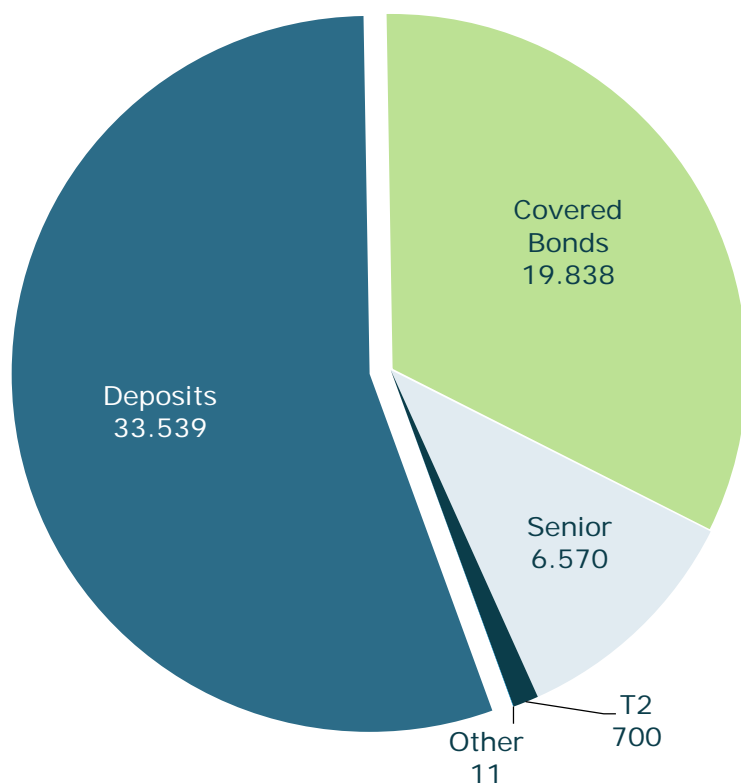
- In addition to deposits, increasingly more of the Bank's customers also ask for other investments
- Sparebanken Møre Aktiv Forvaltning (Møre Discretionary Portfolio Management) offers the Bank's clients professional management services
- Our local Asset Managers continuously monitor the portfolio: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

# Deposits from customers and market funding

*Deposits are the Group`s most important source of funding*

## Deposits and market funding

- NOK million



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

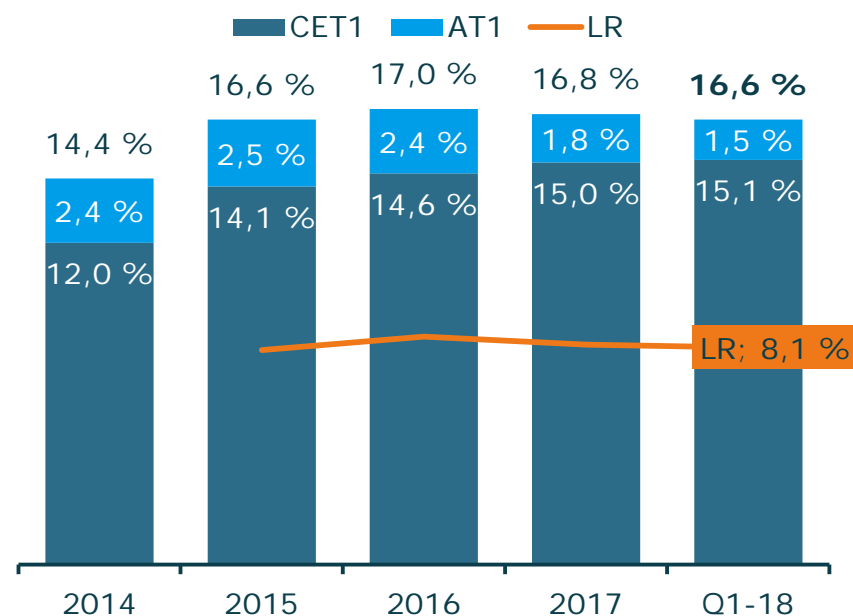
- Total market funding ended at NOK 27.0 billion by quarter end – more than 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.27 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.58 years (FSA defined key figures)
- By end of Q1-18, six of Møre Boligkreditt`s bond issues qualifies for level 2A liquidity in LCR
- In an updated Credit Opinion dated 14 December 2017 Moody`s confirmed Sparebanken Møre`s A2 stable rating. Møre Boligkreditt AS` issues are all rated Aaa

# Equity and related capital

Capital and leverage ratio (LR) well above regulatory requirements

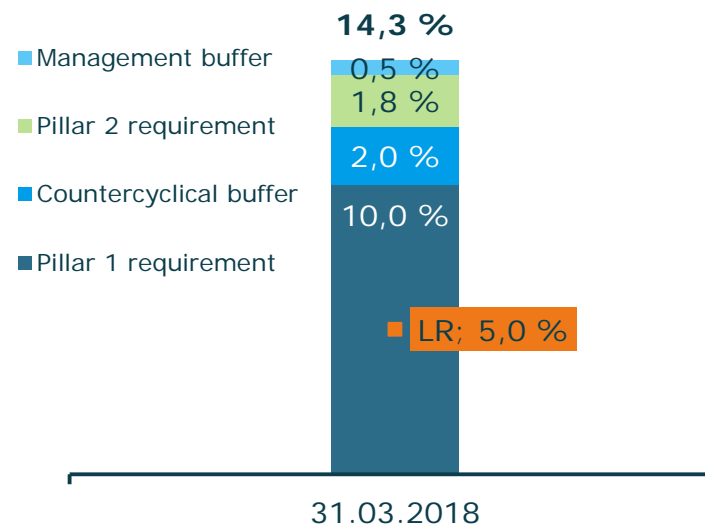
## Tier 1 capital in Sparebanken Møre

- % of risk weighted assets



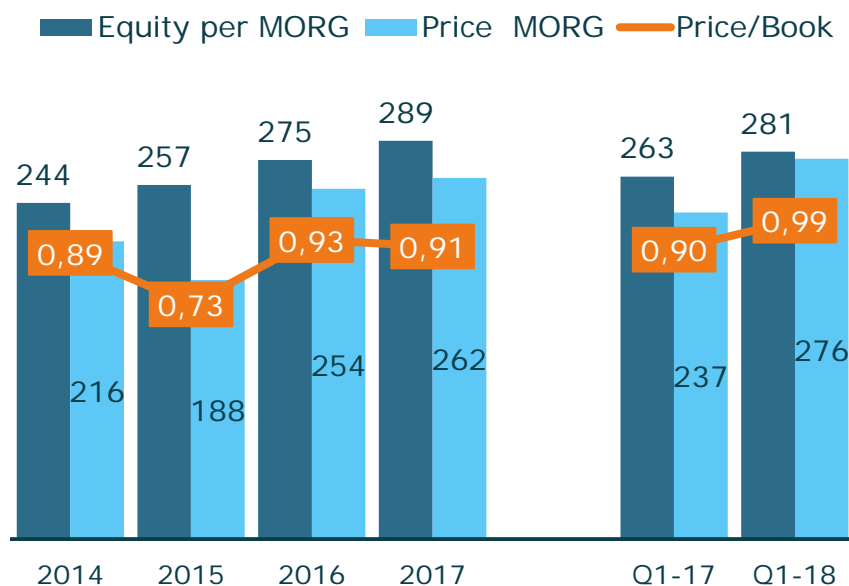
## CET 1 requirement for Sparebanken Møre

- % of risk weighted assets



- By quarter end our Common Equity Tier 1 capital stood at 15.1 %, Tier 1 capital at 16.6 % and total capital at 18.6 %
- Sparebanken Møre's capital targets are:
  - Total Capital: Minimum 17.8 %
  - Tier 1 capital: Minimum 15.8 %
  - CET1: Minimum 14.3%
- The Group's Capital shall follow the announced regulatory capital escalation plan
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market

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



- Equity per MORG is calculated on Group figures

## Dividend Policy

- Sparebanken Møre aim to achieve financial results which provide a good and stable return on the Bank's equity capital
- Sparebanken Møre's results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity
- Unless the capital strength dictates otherwise, about 50% of the profit for the year will be distributed as dividends
- Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment

# Equity Capital in Sparebanken Møre

## Dividend and EC-price



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- The PCCs/ECs of Sparebanken Møre have been listed at Oslo Stock Exchange since 1989
- Total EC capital: NOK 989 million by March 2018
- Good return – total return for Sparebanken Møre 7 per cent higher than the EC index in Q1

Dividend pr. EC Sparebanken Møre:			
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		
2004	18		





## GOALS IN OUR STRATEGIC PLAN «MØRE 2021»

- CET1 > 14.3 %
- Cost/Income < 45%
- ROE > 10 %
- Low level of losses
- Healthy financial structure

*We achieve our goals.*



## Contact

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