



Sparebanken Møre - the Group

Presentation

1st quarter 2016

Agenda

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

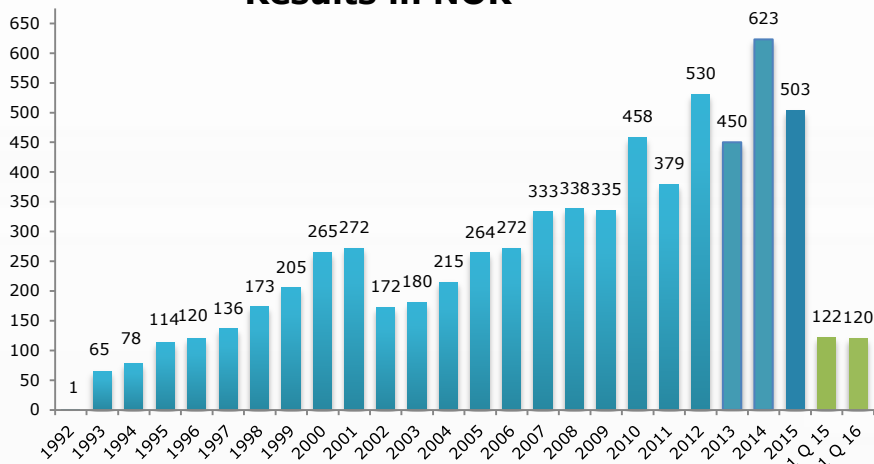




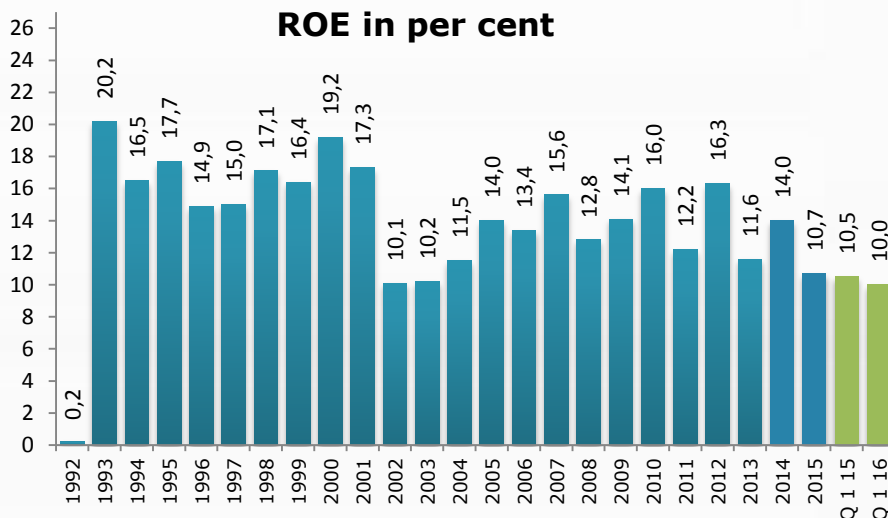
Summary

Historical performance – in NOK and ROE

Results in NOK



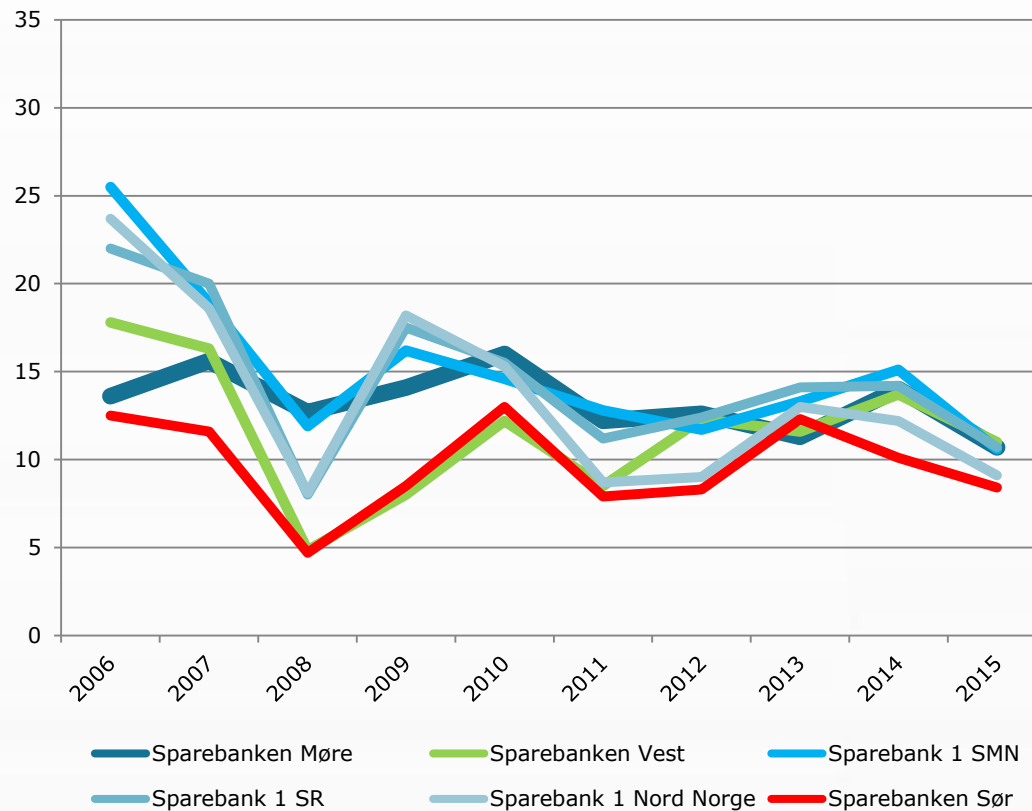
ROE in per cent



- The Norwegian economy is changing as a result of the consequences of the fall in oil prices. In our county we see the consequences differ between industries and the total picture shows a favourable operating environment, albeit increased uncertainty
- Maintained stable level of net interest income and strong cost-efficiency – we have followed FSA`s instruction to book the full year fee for the Norwegian Bank`s Guarantee fund in Q1
- Low level of loan losses and low volume of loans in default
- Total assets about NOK 60.1 billion by quarter end
- Higher lending margins in the funding market and still strong competition in the deposits market
- March 30: Moody's assigns long-term A2 Issuer Ratings to Sparebanken Møre - maintained stable outlook

High and stable return – based on our business model

Reported ROE – historical development

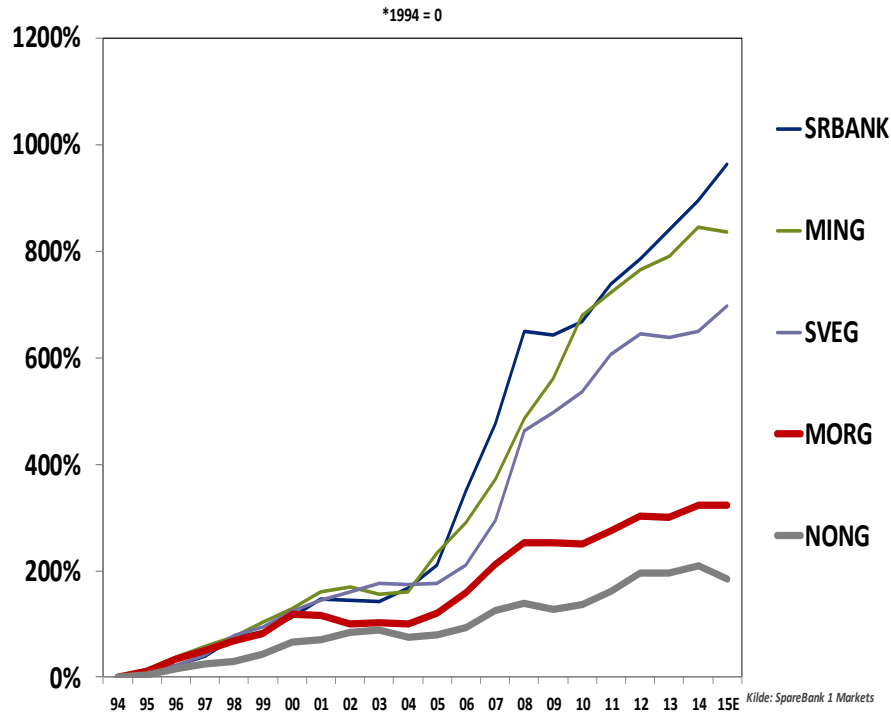


- Less volatile key figures for Sparebanken Møre compared with peers
- Consequences of policy decisions
 - ✓ Contract banking and a clean balance
 - ✓ Core banking focusing on traditional banking services
 - ✓ Focusing on lower growth to the corporate market
- Also compared with peers; our results are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

Rebalancing of lending

Sparebanken Møre was until the early 2000s the bank among regional banks with the highest losses, while our dividend policy, then as now, has the objective of achieving financial results which provide a good and stable return on the bank`s equity

**Lending to the corporate sector
1994-2015**



A too high share of - and too large growth in the corporate segment was not consistent with the objective above, and deliberate choices in relation to growth rebalancing was taken

- ✓ Reduced growth rate in loans to the corporate sector (see figure at left) – over the last 15 years, the corporate share of lending has been reduced from about 48% to 33%
- ✓ Clearly defined limits for exposure and growth in different business sectors
- ✓ Further emphasis on credit quality - especially in relation to fast growing sectors / industries



Introduction to the bank and the market

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"

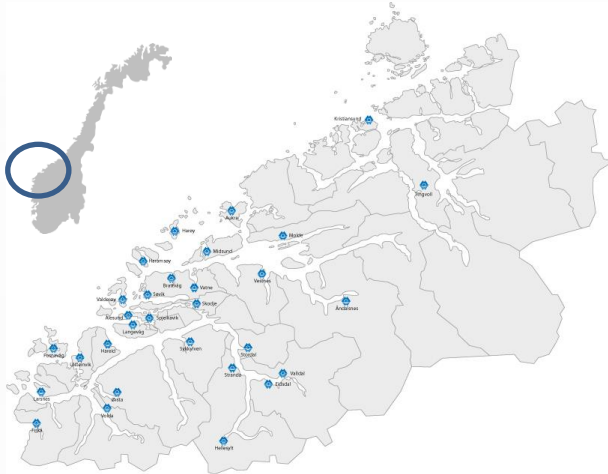
Solid

"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: 67.7 %
 - ✓ Deposits from the retail market: 59.7 %
- 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 bonds company) issues are rated Aaa by Moody`s

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 fewer new contracts have been signed during 2015 and 2016
- 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 – some owners last year laid up vessels to balance the market

Fisheries and seafood



- The export value of Norwegian seafood hit an all time high in 2015. Norway exported seafood for NOK 75.4 billion (+ 8.0 per cent). The strong development has continued this year. 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 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 7 000 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
- Higher level of unemployment, 3.4%, national average of 3.3%
- Below average national real estate prices and above average disposable income levels

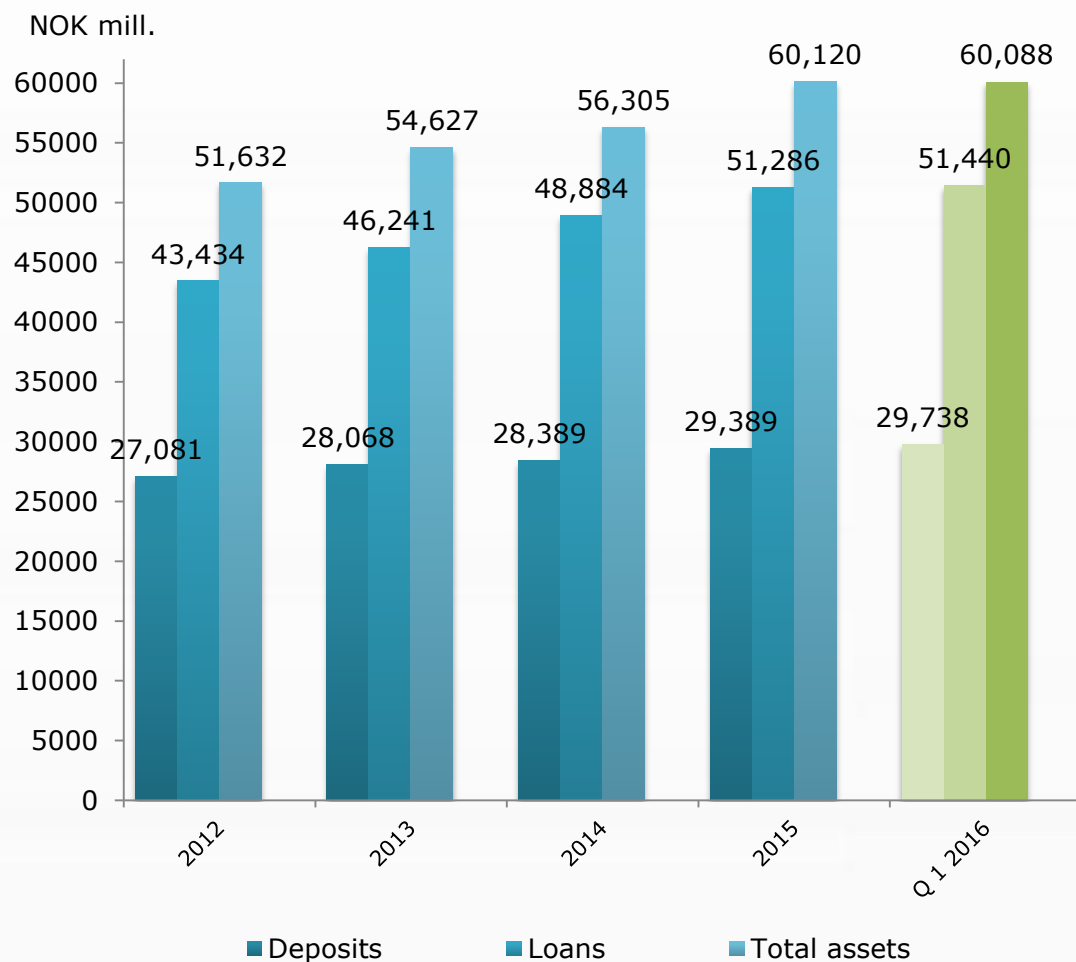
Sparebanken Møre

- 8th. largest savings bank in Norway, solid financial performance with total assets of NOK 60.1 billion
- Market leader in main market, the county of Møre og Romsdal
- 67% of lending to retail customers, of which more than 95 % are mortgages
- Strong capitalization reflected by Core Capital of 16.6% and Core Tier 1 of 14.2%
- The Bank is rated A2 (stable) by Moody's



Deposits and loans

Reduced growth

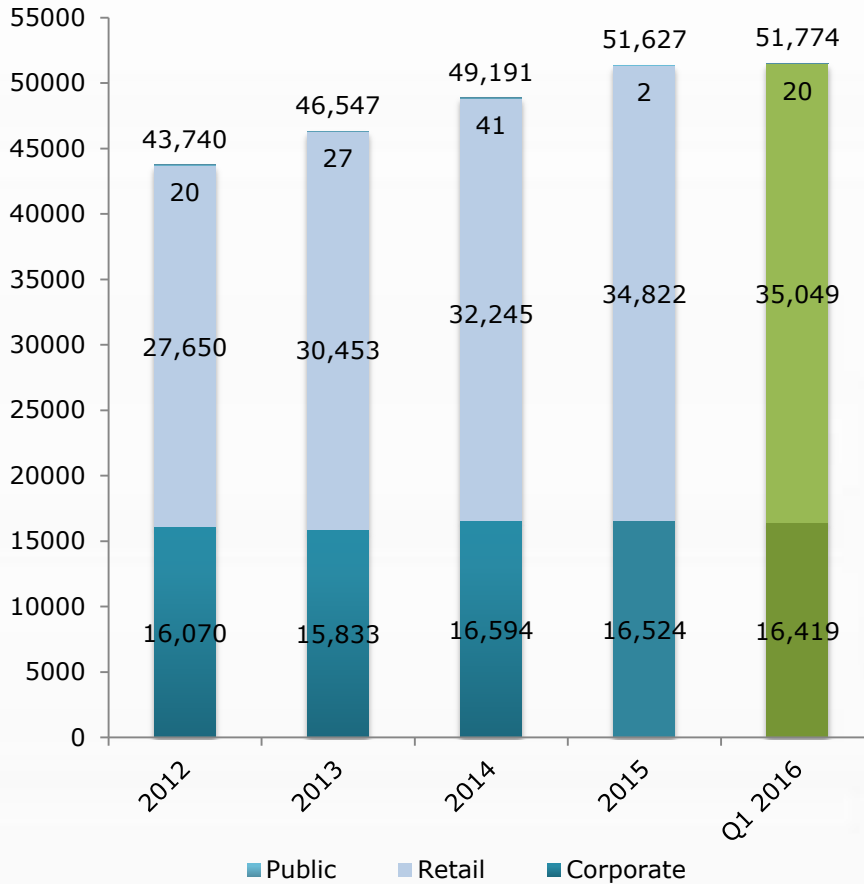


Growth during the last 12 months

- Total assets 3.2 %
- Loans (net) 2.0 %
- Deposits 4.4 %

Breakdown of gross lending

NOK mill.



Annual net lending growth

2013: 6.2 %

2014: 5.7 %

2015: 4.9 %

Q1 2016: 2.0 %

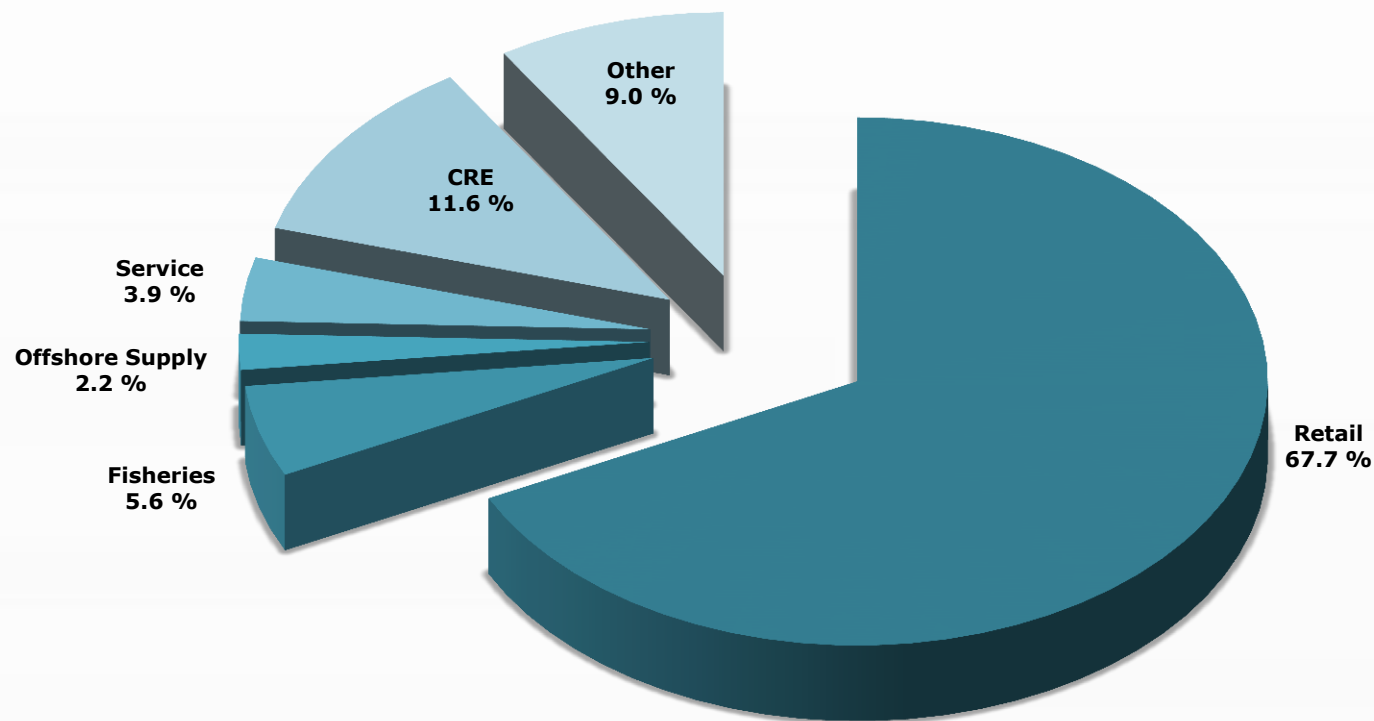
Lending growth last 12 months

Gross, retail banking 6.8 %

Gross, corporate -6.9 %



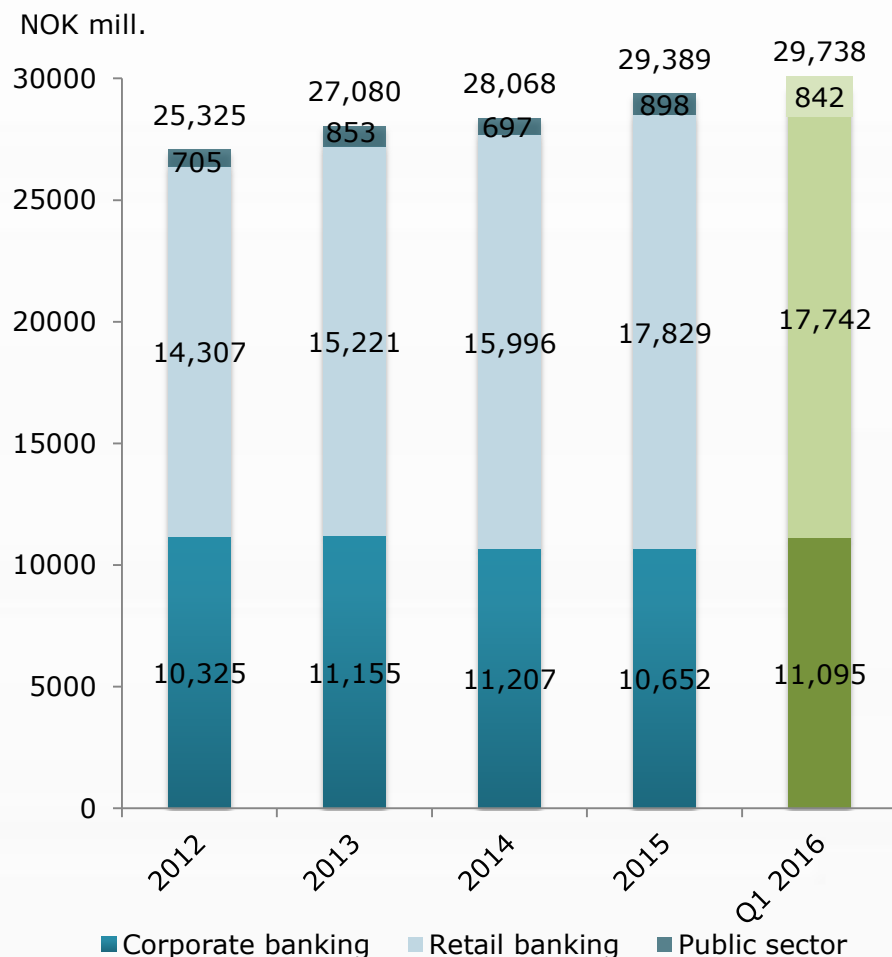
Loans by sector



Other 9.0 %					
Other industry	1.3	Financial services	1.6	Agriculture	0.7
Building/construction	1.2	Fishing Industry	1.1	Furniture	0.1
Retail/wholesale trade	1.1	Ship Yards	1.5	Other	0.8



Breakdown of deposits



Annual deposit growth

2012:	6.9 %
2013:	3.6 %
2014:	1.1 %
2015:	3.5 %
Q1 2016:	4.4 %

Deposit growth last 12 months

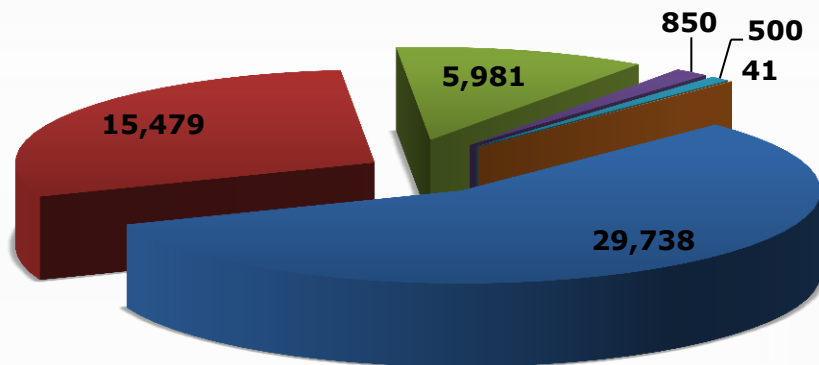
Retail banking	3.9 %
Corporate banking	5.3 %
Public sector	11.5 %



Funding and hedging

High deposit to loan ratio

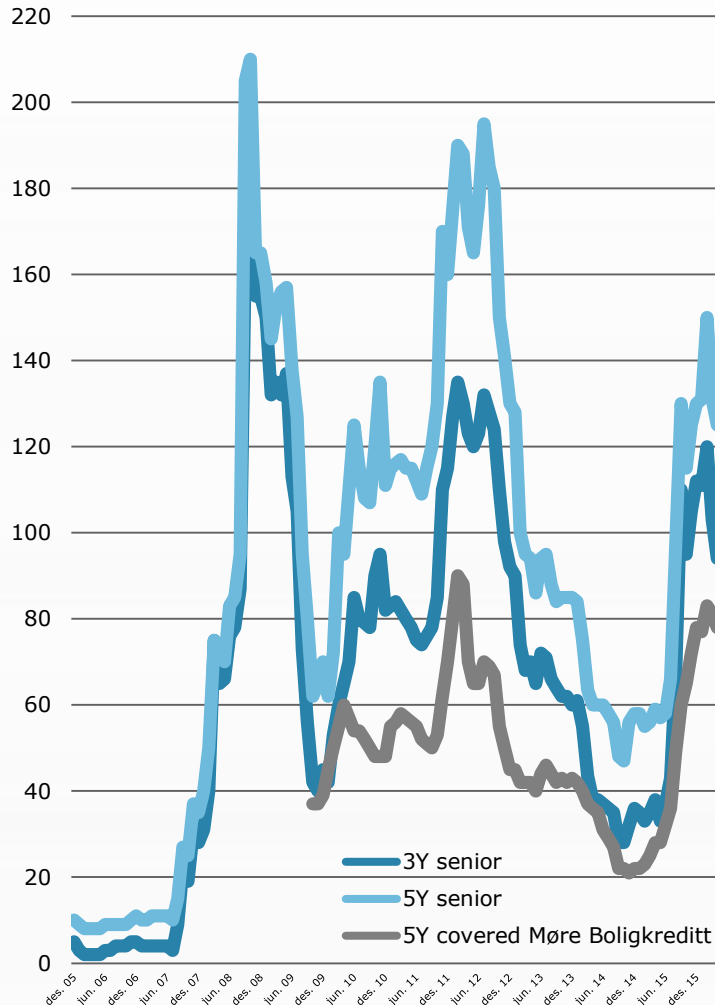
- total financing by quarter end



- Deposits from customers are the Group`s most important source of funding
- We maintain a high deposit to loan ratio (57.8 % in the Group). Sparebanken Møre experiences the market access as very good
- Total market funding ended just above NOK 22.6 billion by quarter end – approximately 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 1.71 years, Covered Bonds with a weighted average maturity of 3.92 years (FSA defined key figures)
- By quarter end four of Møre Boligkredditt`s bond issues have a size that qualifies for Tier 2A liquidity in LCR. Møre Boligkredditt AS will going forward issue and build up more loans in this category

More stable funding margins

Margins



- The bank's funding in excess of deposits are covered in money and capital markets
- Since the beginning of 2012 and until the end of 2014/2015 the funding margin in these markets fell. In the first half of 2015 we saw a slight recovery in margins, but after the summer we recorded a sharp increase, accelerating especially in the second half of September and following Norges Bank's interest rate decision
- Margins rose further until the end of February this year and the liquidity was weak. Increase in margin during the period as a whole has been highest for senior bonds – these bonds have also experienced the most positive development the last weeks of Q1
- The refinancing of existing loans and financing of new growth will be adapted to 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 also going forward maintain a share of senior financing according to bail in regulations and market expectations
- Sparebanken Møre is rated A2 (stable) and Covered Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's. We also receive good credit rating from Scandinavian investment banks
- In addition to rating the LCR rules have led to differentiated margin pricing depending on size of the issue

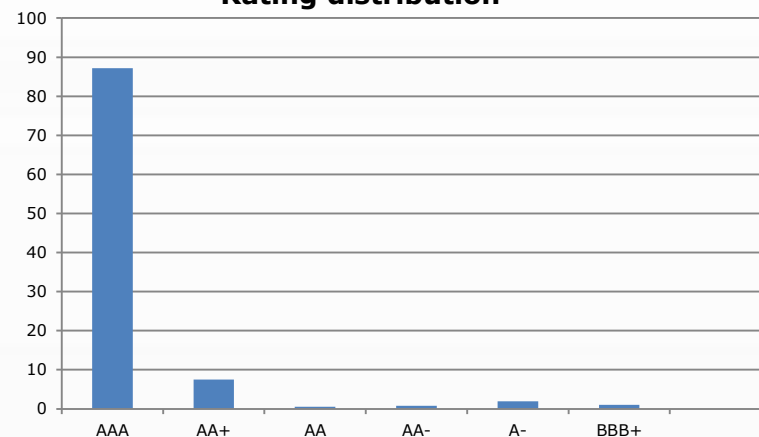


Liquidity

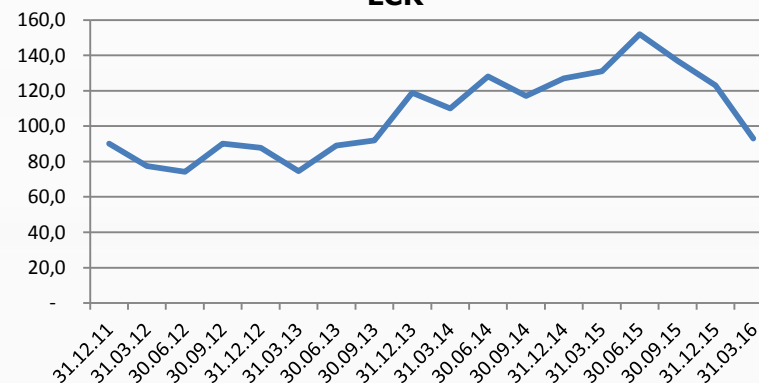
The quality of the liquidity portfolio is good - and LCR compliant

Rating	Market Value	Country	Market Value	Currency	Market Value
AAA	4.699.662	Norway	3.188.339	NOK	4.798.191
AA+	405.355	Sweden	623.028	EUR	584.651
AA	29.676	Int'l org	386.526		
AA-	41.639	Finland	316.938		
A	49.465	Germany	257.699		
A-	103.266	Luxembourg	243.992		
BBB+	53.778	Denmark	218.658		
BBB		Netherlands	50.013		
		Austria	49.790		
		Great Britain	47.860		
Total	5,382,842	Total	5,382,842	Total	5,382,842

Rating distribution

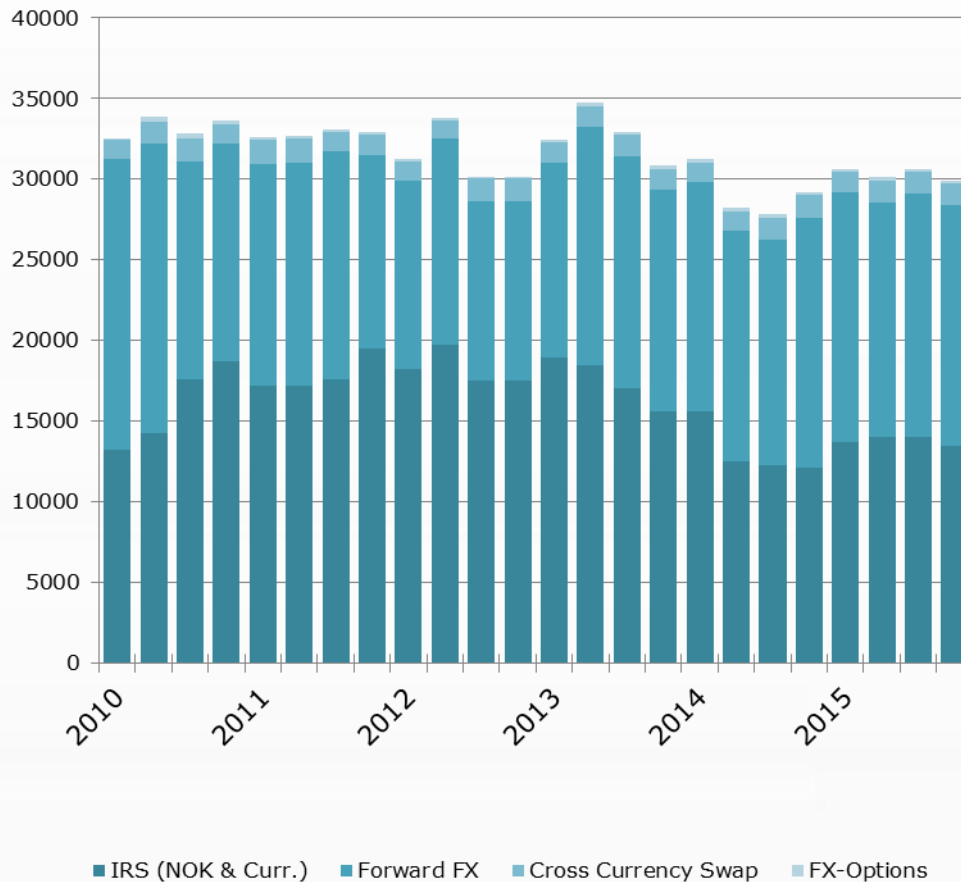


LCR



Off balance activity - quarterly

NOK MILL



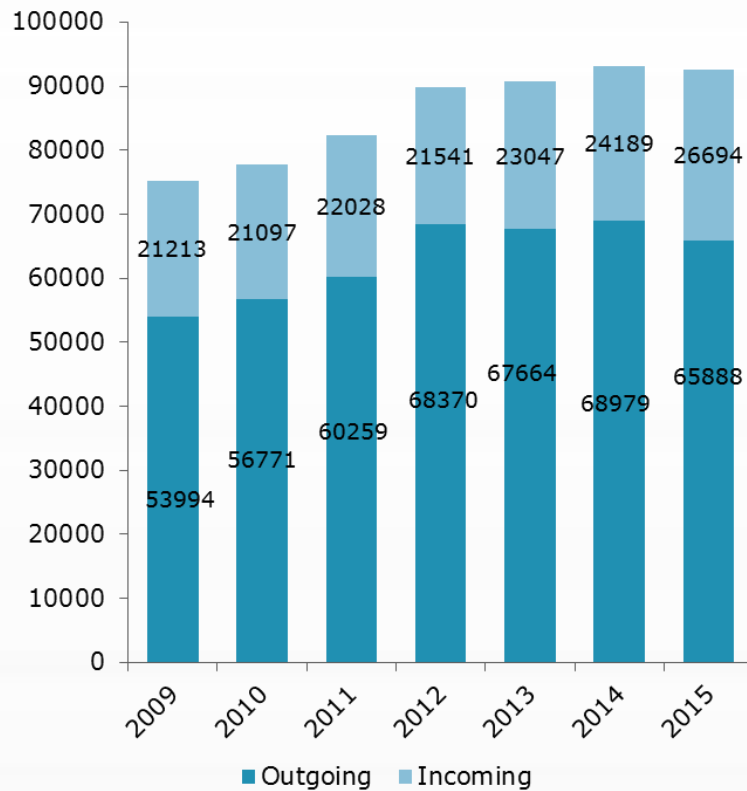
Low risk profile in the interest rate, equity and FX markets

- ✓ 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

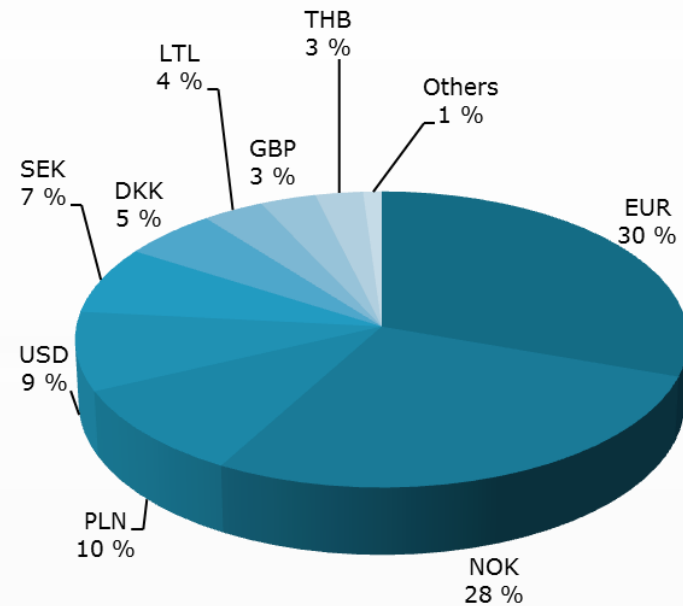


Number of commercial payments

No of payments



No of payments per currency





Results



Results

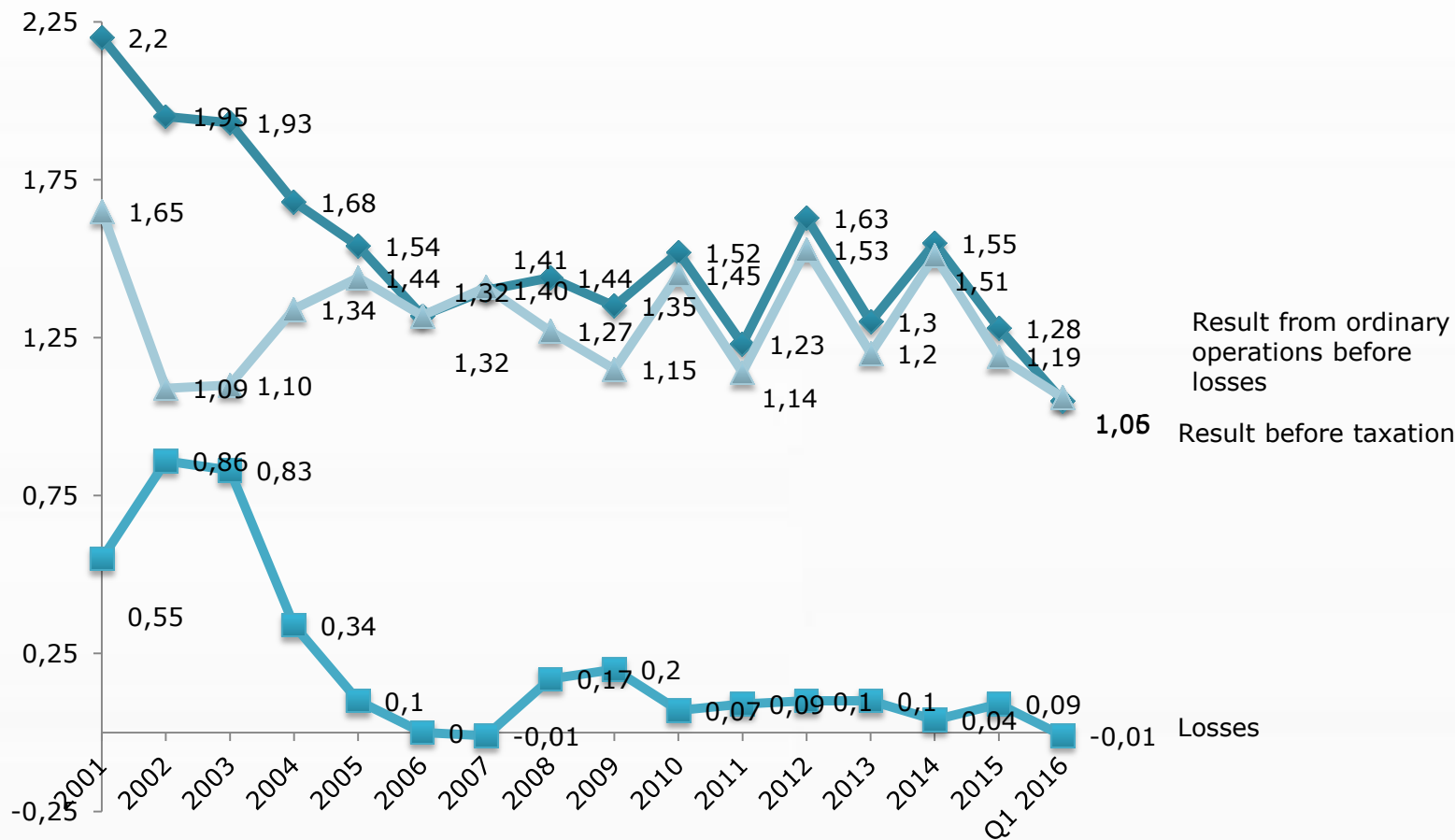
Main figures

Results	Q1 2016		Q1 2015		Changes		
	NOK mill	%	NOK mill	%	NOK mill	p.p.	%
Net interest income	277	1.85	279	1.97	-2	-0.12	-0.7
Norwegian Banks` Guarantee Fund - fee	-27	-0.18	-24	-0.17	-3	-0.01	12.5
Net interest income - total	250	1.67	255	1.80	-5	-0.13	-2.0
Net return, financial investments	14	0.09	20	0.14	-6	-0.05	-30.0
Other income	42	0.28	47	0.33	-5	-0.05	-10.6
Total income	306	2.04	322	2.27	-16	-0.23	-5.0
Personnel costs	82	0.55	81	0.57	1	-0.02	1.2
Other costs	66	0.44	66	0.47	0	-0.03	0.0
Total ordinary operating costs	148	0.99	147	1.04	1	-0.05	0.7
Result before credit losses	158	1.05	175	1.23	-17	-0.18	-9.7
Losses on loans and guarantees	-2	-0.01	8	0.06	-10	-0.07	-125.0
Result before tax cost	160	1.06	167	1.17	-7	-0.11	-4.2
Tax cost	40	0.26	45	0.32	-5	-0.06	-10.2
Result after tax cost	120	0.80	122	0.85	-2	-0.05	-2.0
Total assets	60,088		58,253		1,835		
Lending	51,440		50,454		986		
Deposit from customers	29,738		28,477		1,261		
Capital	5,898		5,584		314		
Capital %	18.2		17.8				
Core capital %	16.6		16.1				
CET 1 %	14.2		13.6				
Leverage Ratio (LR) %	8.0		8.0				
ROE	10.0		10.5				
Cost/income ratio	48.4		45.9				
Earnings per EC (Group in NOK)	6.05		6.10				
Earnings per EC (Bank in NOK)	12.75		12.90				



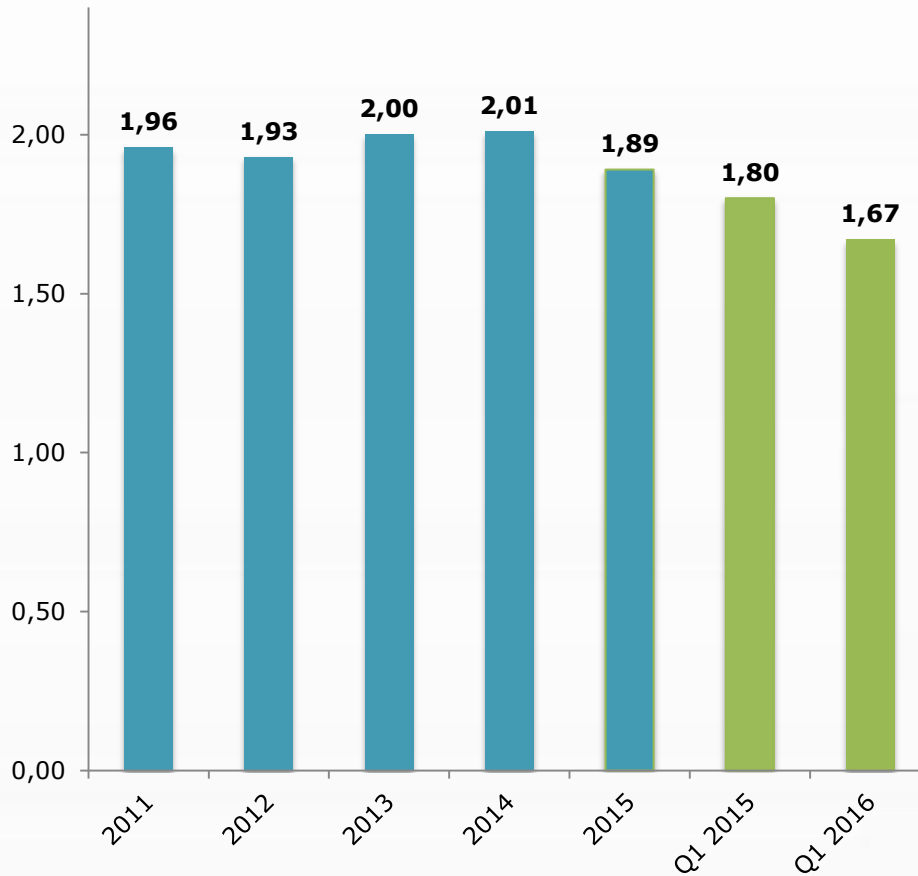
Results

Result as a percentage of average assets - still very low losses



Lower net interest income

AS A PERCENTAGE OF AVERAGE ASSETS

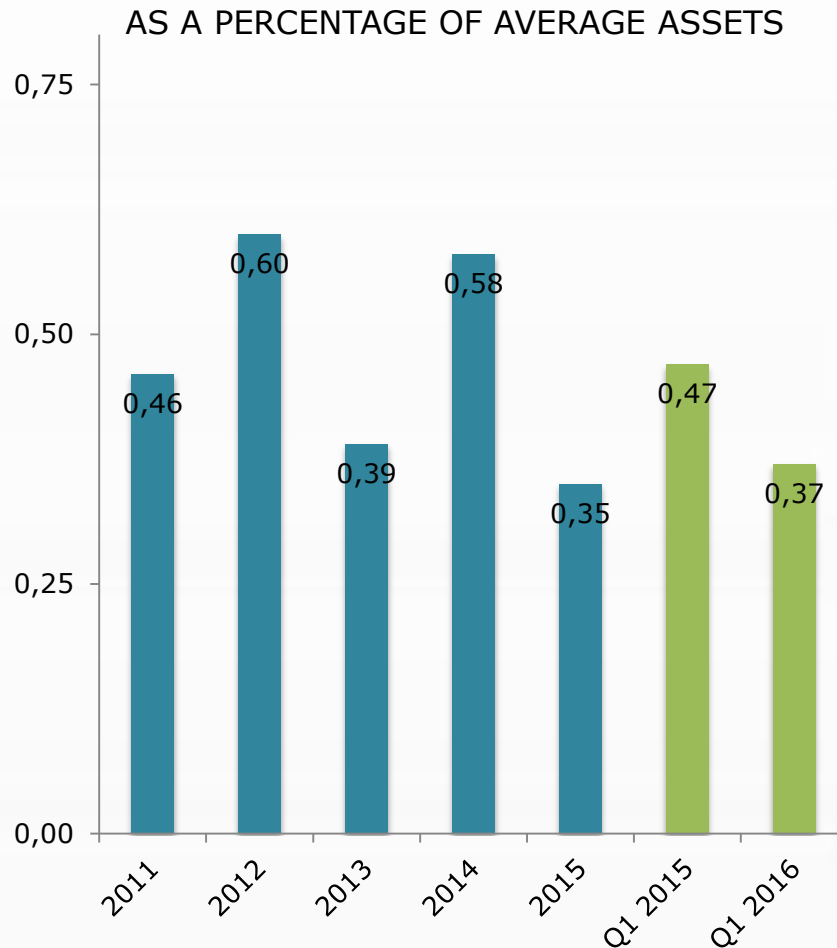


Net interest income is lower than in Q1 2015

- ✓ Strong competition on loans and deposits
- ✓ More liquidity on the balance sheet with higher quality
- ✓ Still low interest rate level with low return on free capital
- ✓ Gradually higher funding margins through 2015, levelling out in 2016



Other operating income



Lower other operating income, compared with Q1 2015:

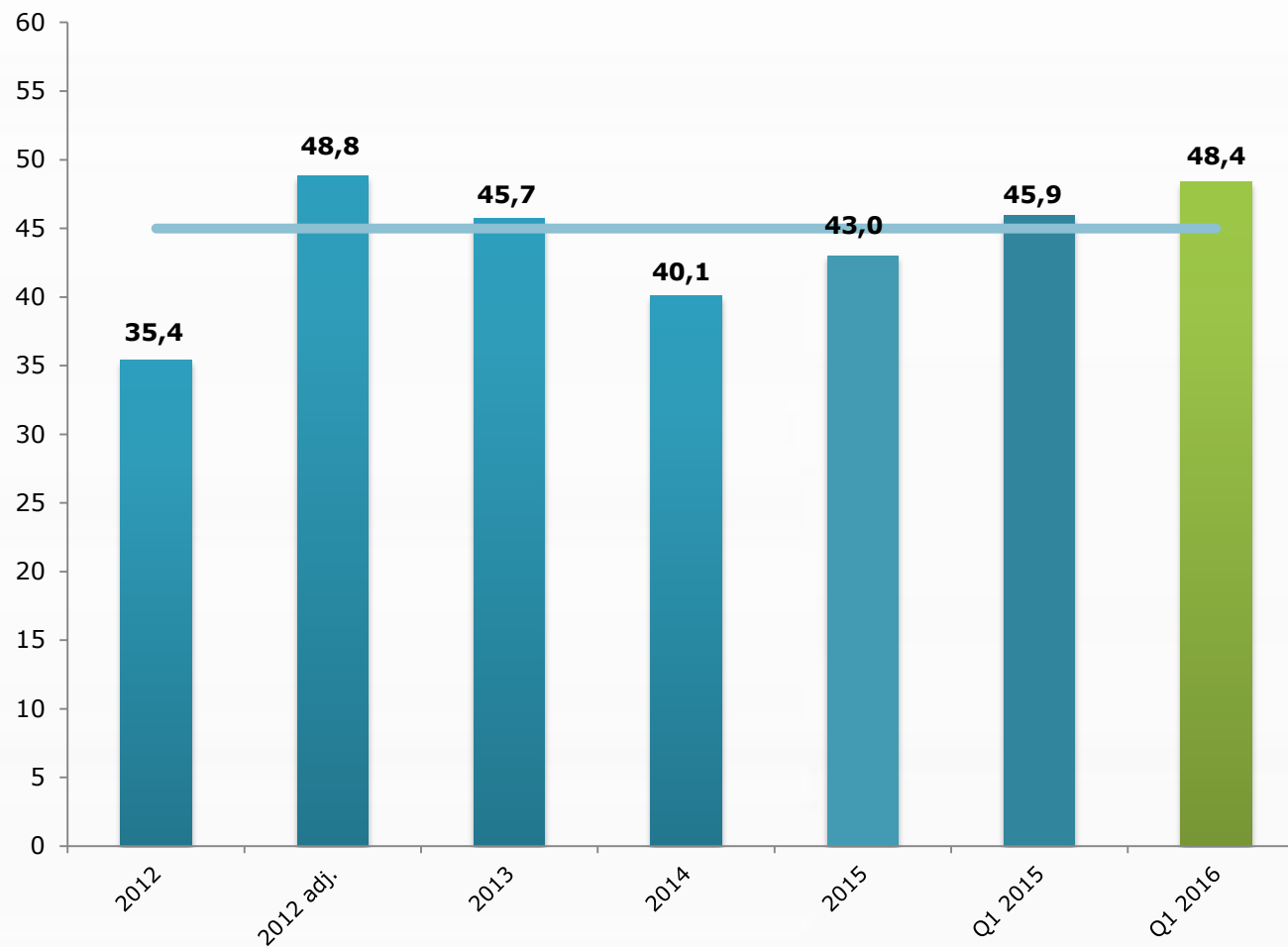
- Lower income from customer`s hedging activity in the interest rate market and from financial instruments
- Lower income from guarantees
- 2014 includes net gains from the sale of Nets AS, NOK 94 million



Results

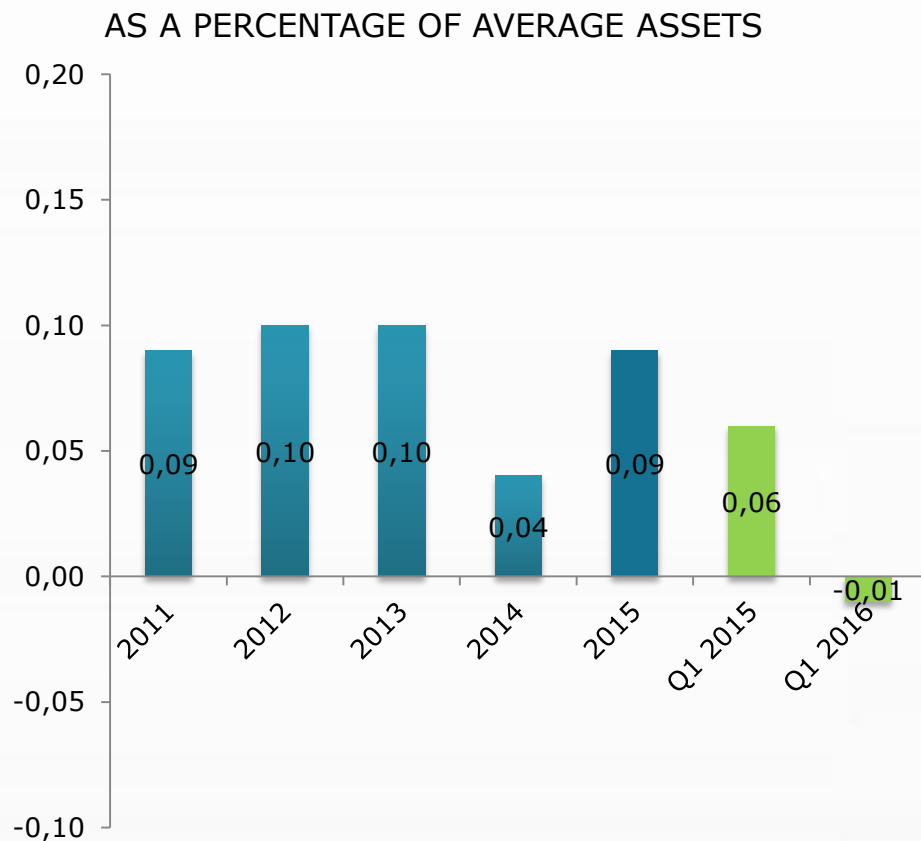
Development in cost/income

- target will be met





Losses at a very low level

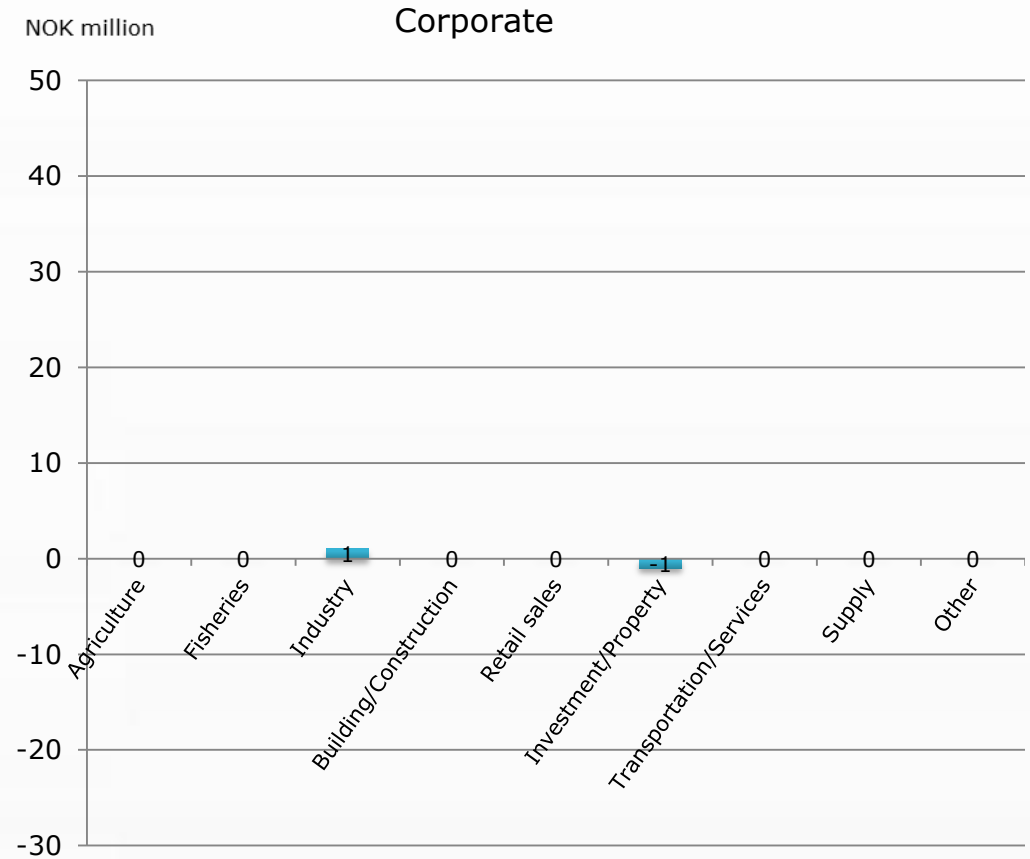
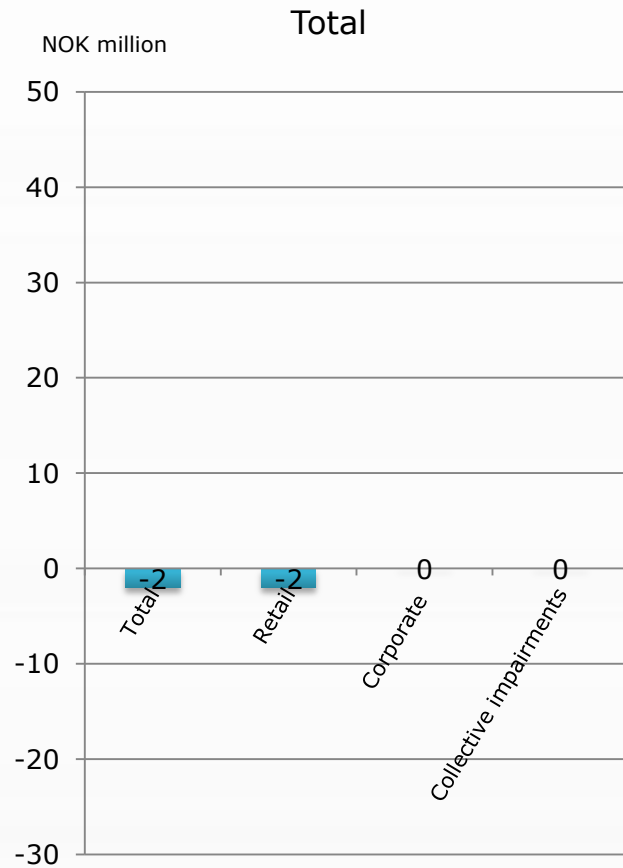


Losses totalled NOK -2 million

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

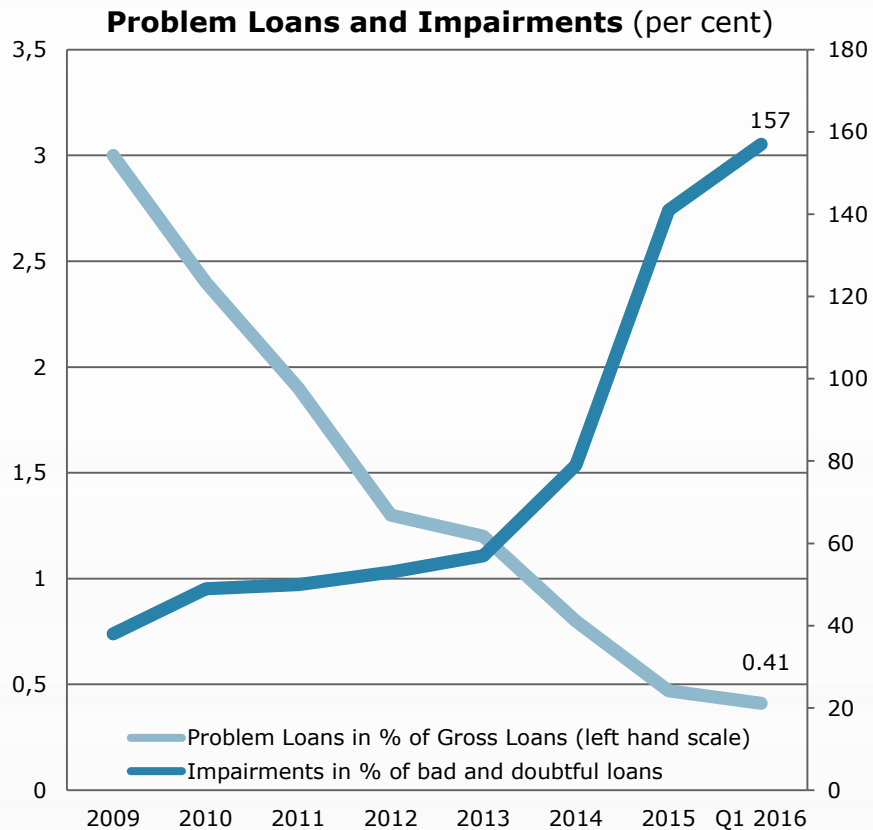
Total impairments amounted to NOK 334 million by 31.03.2016

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 0.41 % by the end of Q1 2016
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 157 % by quarter end

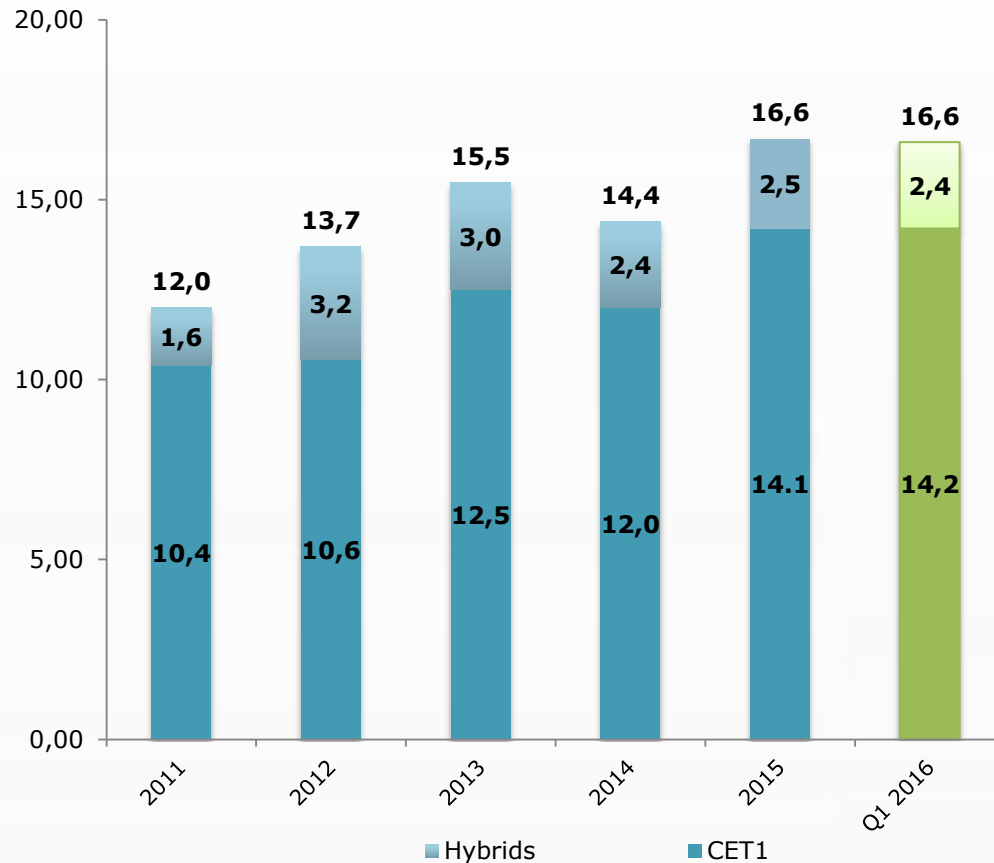


Equity and ECs

Equity

Equity and related capital:

- strong capital compliant with new requirements

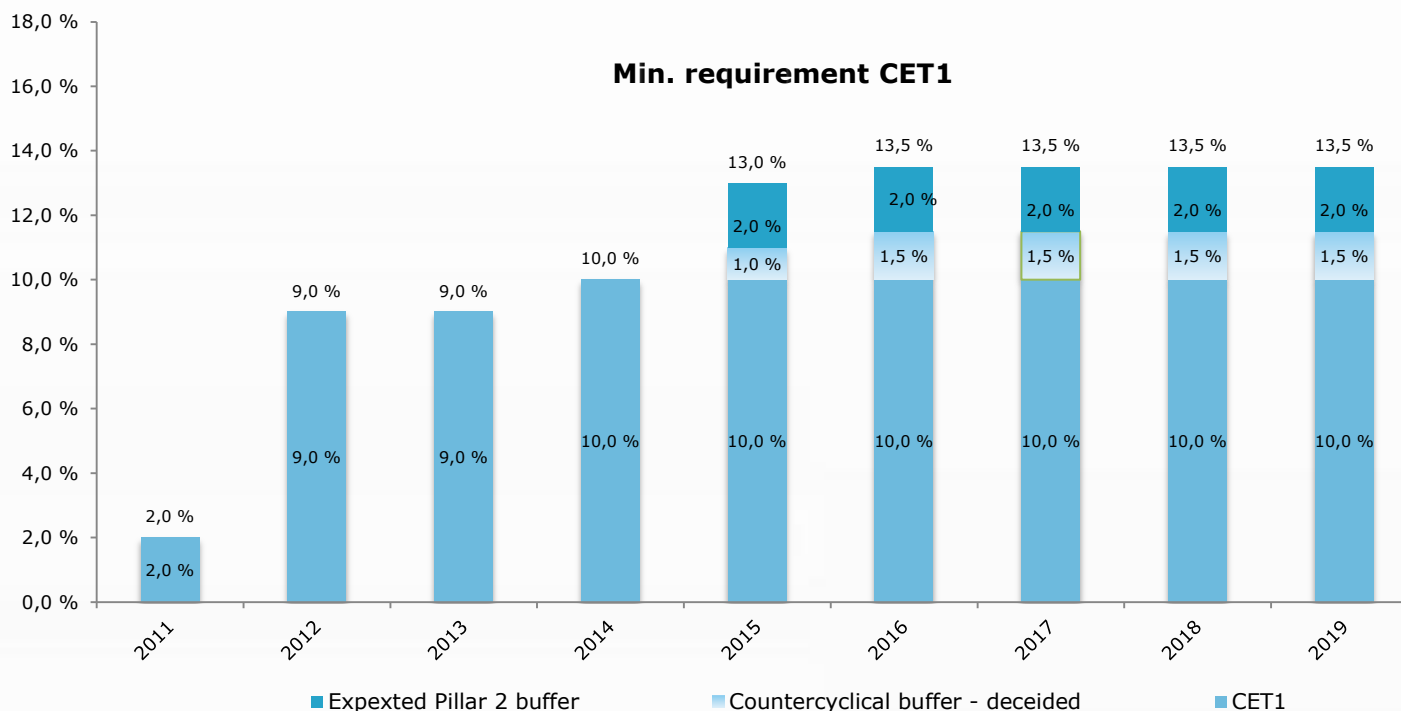


- Sparebanken Møre has build up our Core Capital over the last years and we are compliant with the new requirements
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market



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
 - ✓ Total Capital: Min. 17.0 %
 - ✓ Core Capital: Min. 15.0 %
 - ✓ CET1: Min. 13.5 %
- FSA will conduct a new assessment of the bank's risk and capital requirements in 2016 and establish an individual Pillar 2 Buffer

Dividend policy

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

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

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

Dividend and EC-price

- The PCCs/ECs of Sparebanken Møre have been listed at Oslo Stock Exchange since 1989
- Total EC capital: NOK 989 million by March 2016

Dividend pr. EC:			
1990	10	2003	16
1991	0	2004	18
1992	0	2005	20
1993	13	2006	20
1994	12	2007	23
1995	13	2008	20
1996	13	2009	12
1997	13	2010	12
1998	15	2011	8
1999	16	2012	12
2000	17	2013	8
2001	17	2014	13.50
2002	15	2015	11.50



Summing up and outlook

From the CEO:

- Continued economic uncertainty
- The strong competition will continue
- A solid performance in 2015 leaves us well prepared for 2016
- Main targets from our business plan Møre 2019
 - ✓ *CET1 > 13.5 %*
 - ✓ *ROE > 10 %*
 - ✓ *Avoid losses*
 - ✓ *Healthy financial structure*
- Our history shows that we reach the goals we set ourselves!

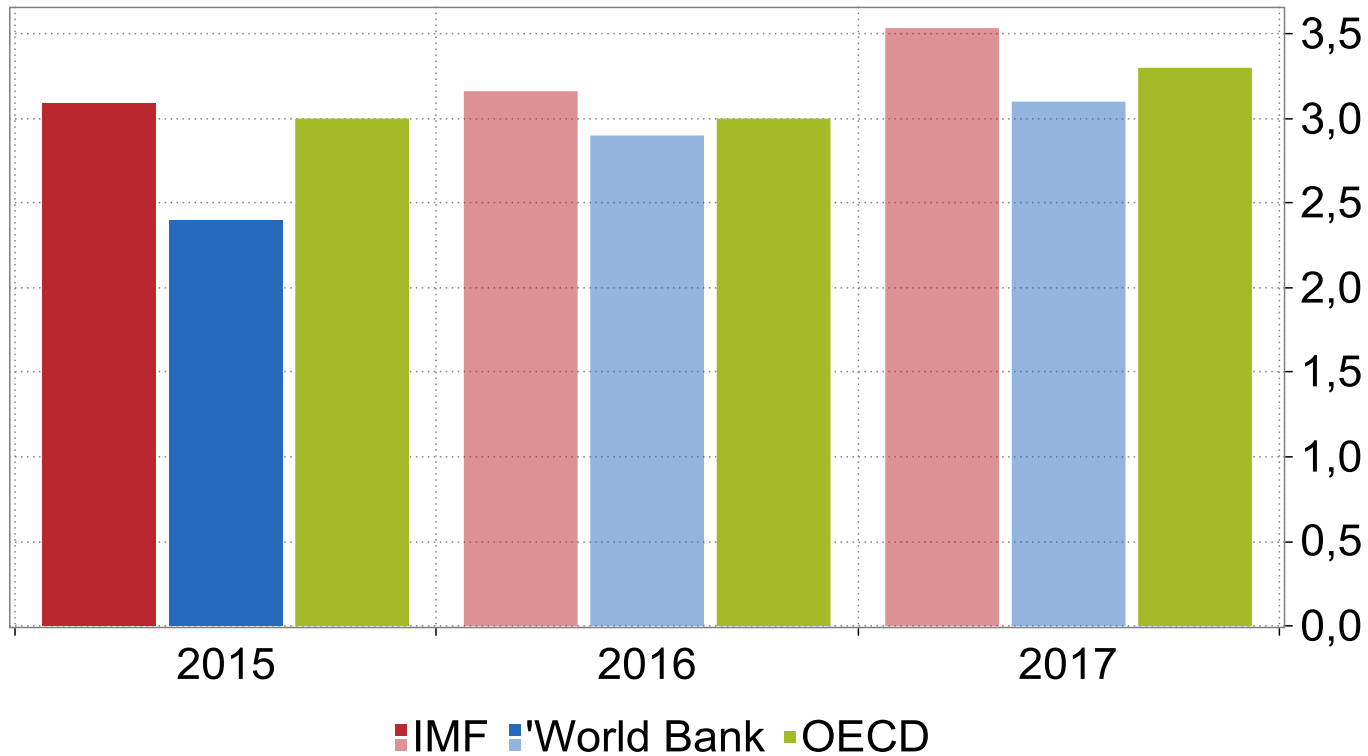




Macroeconomic Overview

Moderate growth in 2016 and 2017

World GDP growth



Source: **Macrobond**



Slightly higher growth in 2017

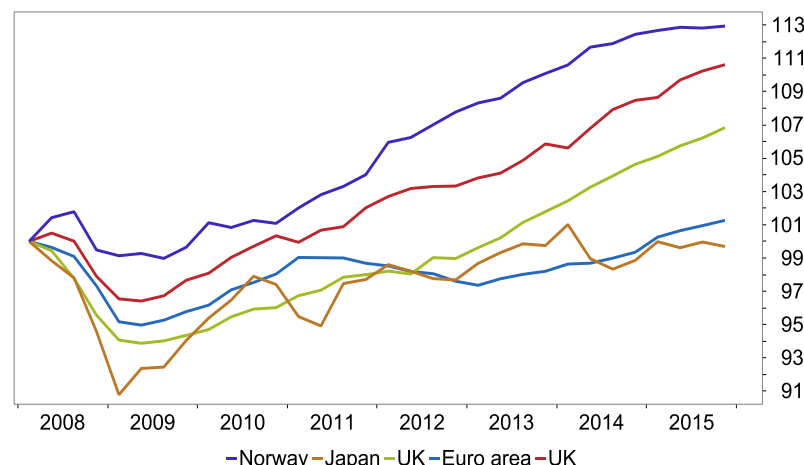
Growth in GDP

	2015	2016	2017
Global	3.1	3.2	3.4
USA	2.4	2.5	2.6
Euro area	1.5	1.6	2.0
China	6.8	6.5	6.0
UK	2.2	2.2	2.3

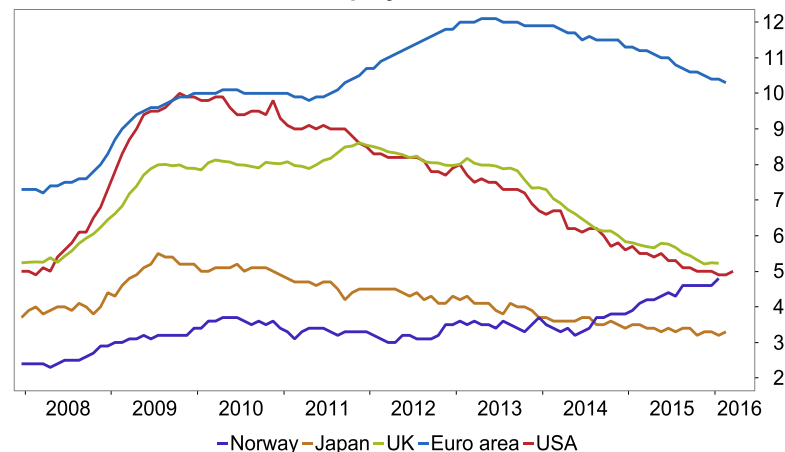
Risk factors:

- Growth in China, Russia and Brazil
- Growth in Europe and "Brexit"
- Development in the oil price
- Financial market turmoil

Gross Domestic Product



unemployment rate



Low growth in the Norwegian Economy

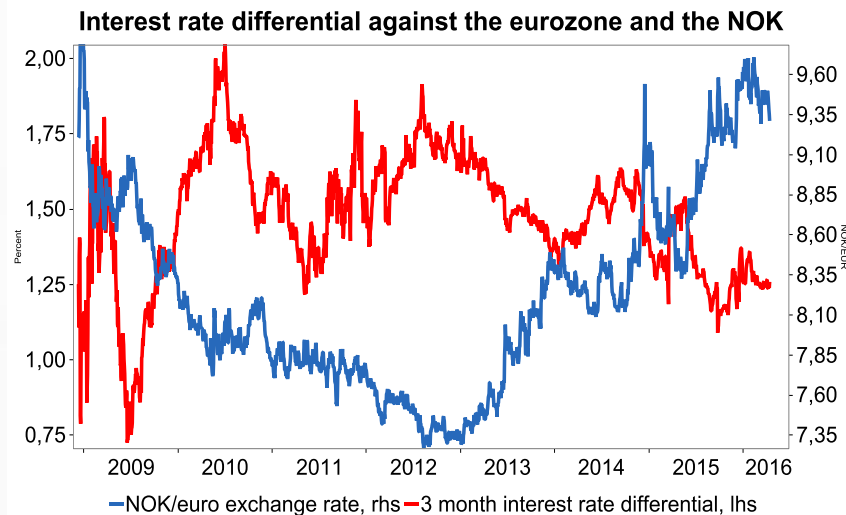
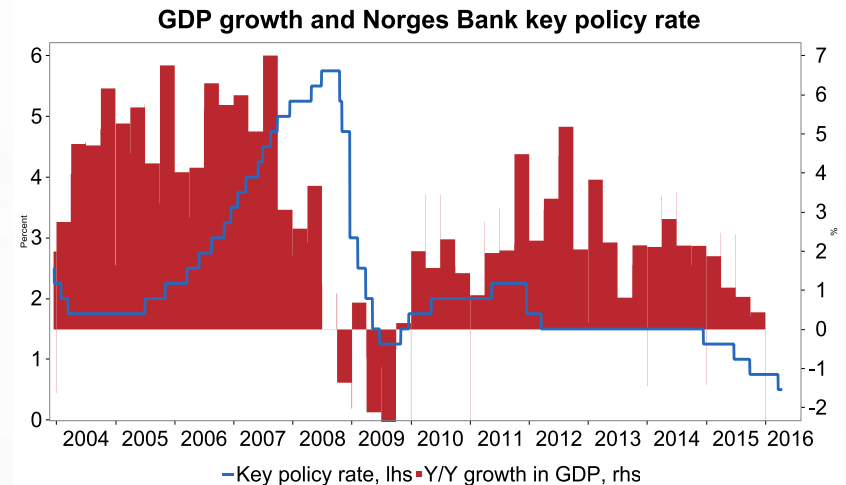
Lower petroleum investments

Estimates for the Norwegian economy

	2015	2016	2017
GDP Growth	1.0	1.2	2.0
Unemployment %	4.4	4.7	4.6
Oil price USD	35-66	40-50	50-70
3 month Nibor	1.10	0.90	0,90

Somewhat stronger growth in 2017:

- Expansionary fiscal policy
- Low interest rates
- Weak Norwegian krone
- Somewhat higher oil price
- Continued global growth



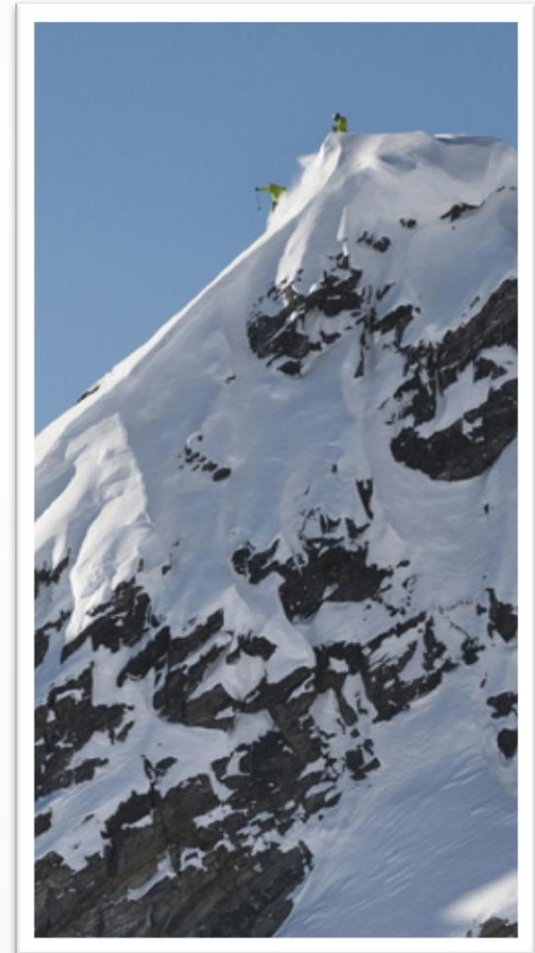
Moderate production growth in Møre og Romsdal

Unusually large differences between sectors

- Increasing growth in traditional exports, in particular fish exports
- Higher demand for personal services
- Increased activity in the public sector
- Uncertainty regarding the amount of new orders for the ship building industry in 2017/18
- Strong decline in oil investments and reduced production in the delivery industries
- Increasing unemployment. In March 2016 the registered unemployment was 3,4 per cent.

Most important risk factors:

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





The Housing Market

Key characteristics

Home ownership

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

Mortgage lending requirements

- LTV shall not exceed 85%
- Min. amortization of 2.5% per year or max. 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 weeks notice
- Typical residential mortgage maturity is 25-30 years

Social benefits

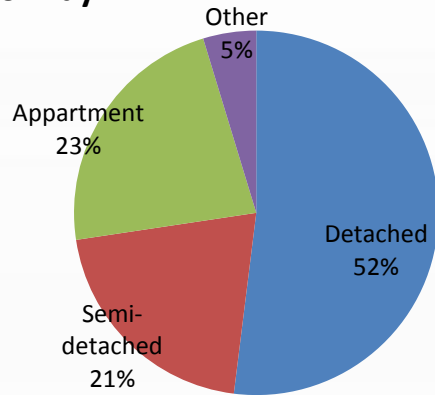
- According to OECD, Norway has the best unemployment benefits
- On average about 60% of previous salary paid benefit for 104 weeks minimum

Tax incentives

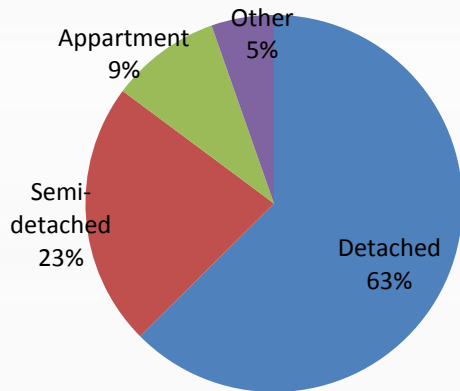
- All interest expenses are tax deductible at capital gains tax rate (27%)
- Property is given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

Differences in housing types and prices

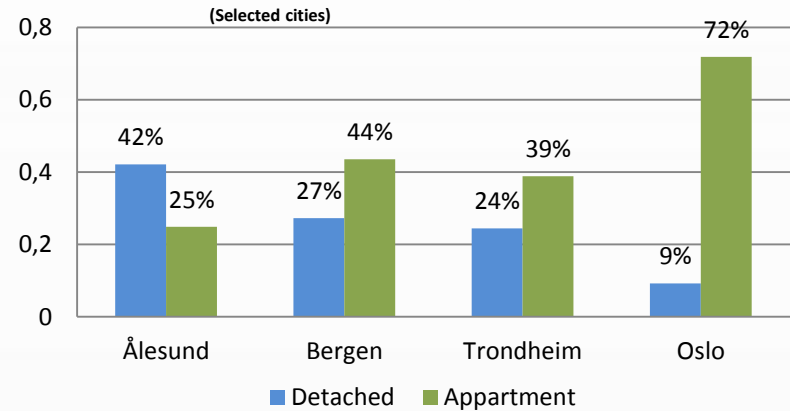
Household housing type distribution - Norway



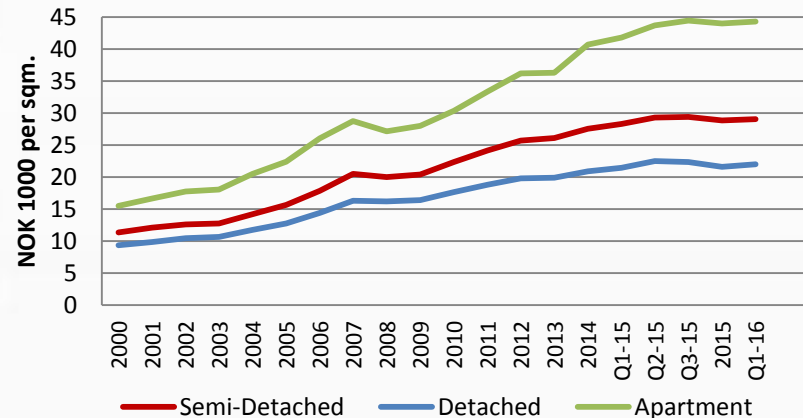
Household housing type distribution - Møre og Romsdal



Housing type distribution - Detached vs apartment (Selected cities)



Price development / housing types



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

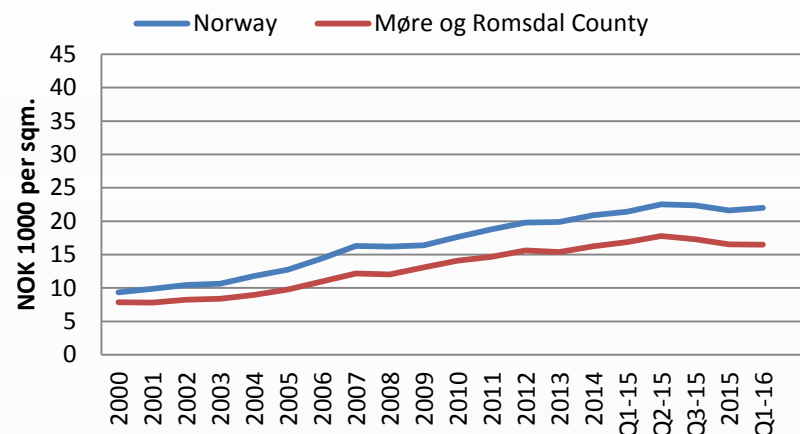


Differences in development of housing prices

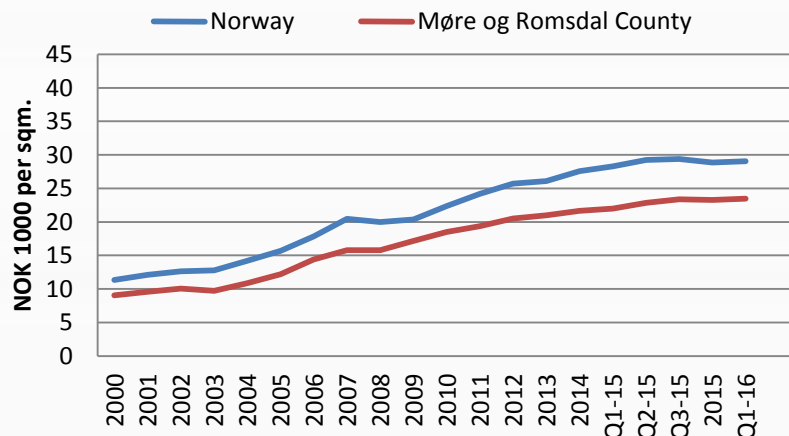
Year-over-year average growth in Norwegian housing prices by March 2016 is 5.6 per cent, compared to 2.2 per cent in Møre og Romsdal.

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.

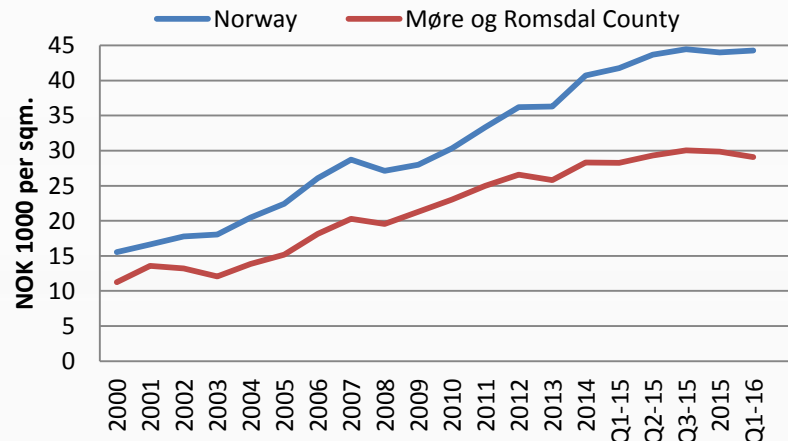
Detached



Semi-detached



Apartment

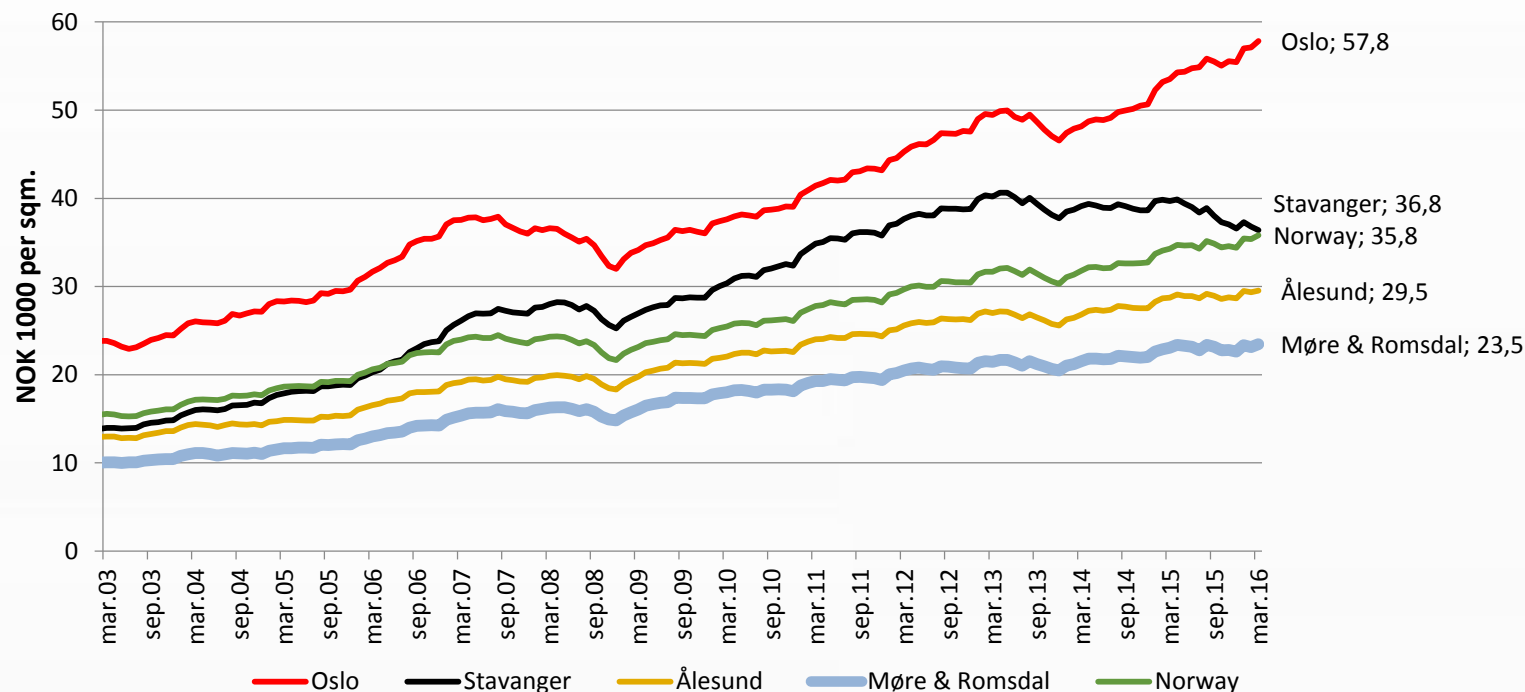




Differences in house price

Development in average house prices

- NOK 1000 per square meter



The average median house price in Norway is NOK 2.7 million, compared to NOK 2.4 million in the county of Møre og Romsdal.

In Oslo the average median house price is NOK 3.3 million, compared to NOK 3.1 million in Stavanger and NOK 2.4 million in the city of Ålesund.

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