



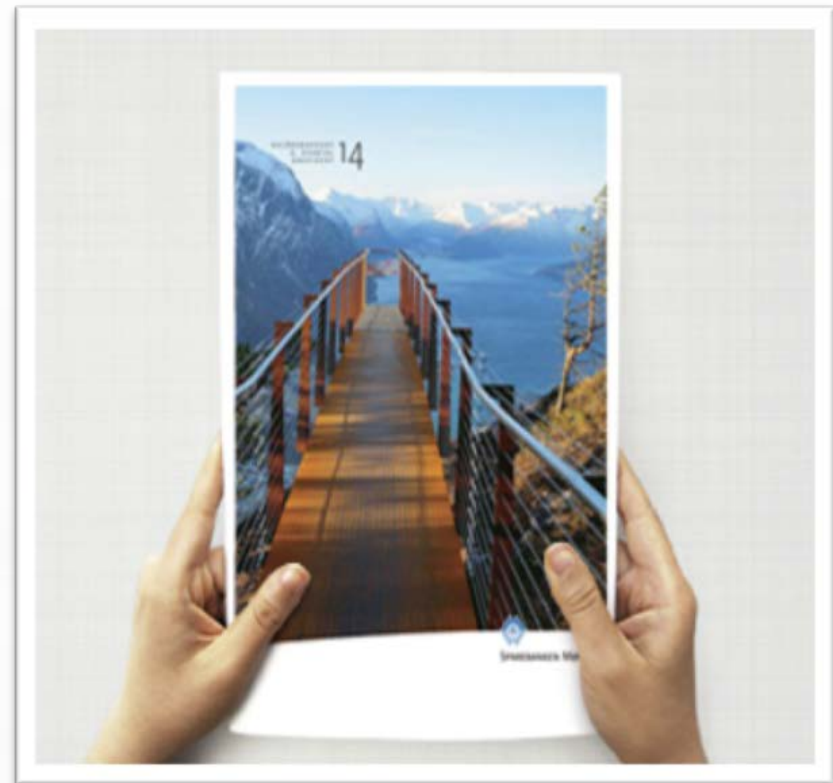
Sparebanken Møre - the Group

Presentation

2nd quarter 2014

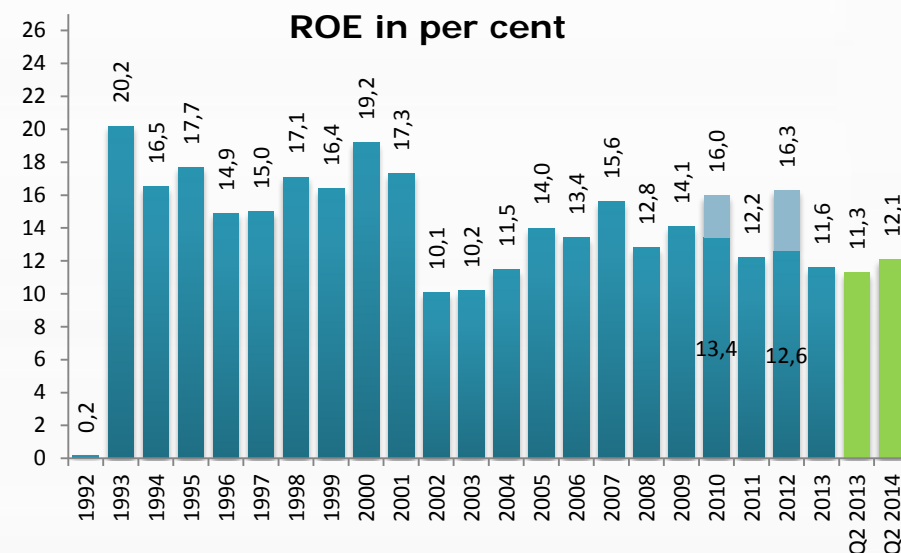
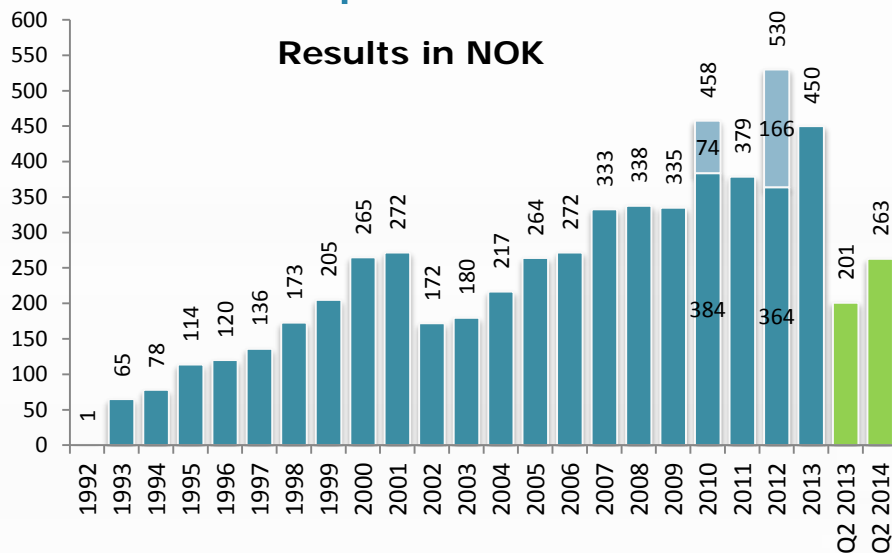
Agenda

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





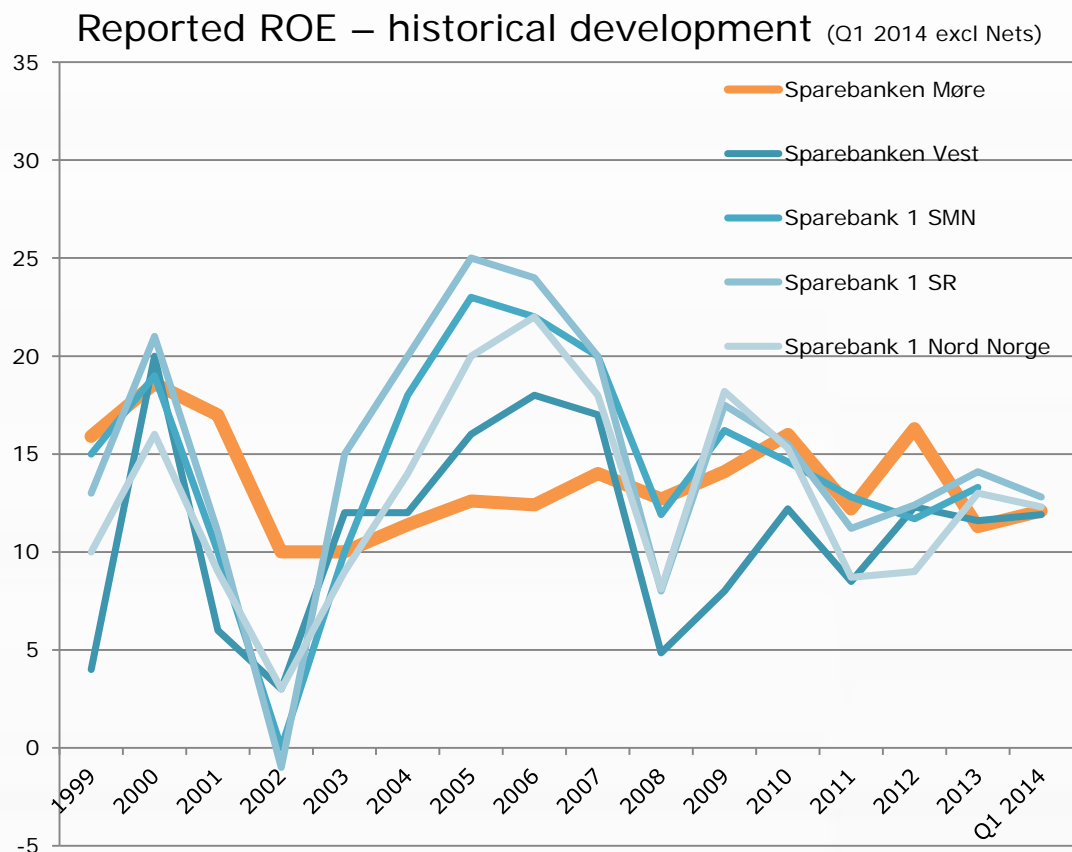
Historical performance – in NOK and ROE



- Favourable operating environment, a strong county in a strong Norwegian economy
- Maintained high level of net interest income
- Strong cost-efficiency
- Low level of loan losses and low volume of loans in default
- Total assets above NOK 55 billion by quarter end
- Lower margins in the funding market but still strong competition in the deposits market
- Core Tier 1 Capital 12.30 % by quarter end
- Sparebanken Møre was one of the 186 banks that in Q1 signed a contract to sell their stakes in Nets Holding. The effect of this transaction on the result in Q2 (NOK 85 mill) is recognised in other comprehensive income in the financial statements. The transaction was finally closed July 9th, and the effect will be included in the Group's ordinary result in Q3
- One off effects on results in 2010 and 2012



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

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"

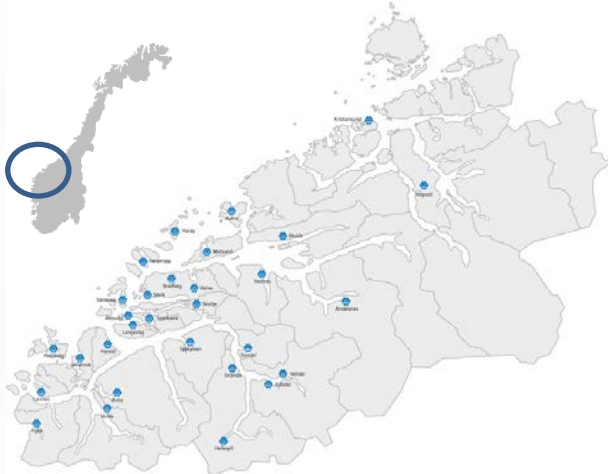
Solid

"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 just above 260 000, and the population in the municipalities where the bank is located is 200 000
- The bank serves about 170 000 customers, whereof
 - ✓ 160 500 customers in the retail market
 - ✓ 9 500 customers in the corporate market
- The activity is based on traditional banking services
 - ✓ Loans to the retail market: 66.4 %
 - ✓ Deposits from the retail market: 59.0 %
- Sparebanken Møre is a fully fledged foreign exchange bank
- Sparebanken Møre is rated A3 (negative) 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



- 261,530 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 – and even higher this year NOK 32.7 billion by half year end (+20 %)
- 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 will be visited by more than 220 cruise vessels in 2014
- 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 just above 260,000
- Dominant industrial and commercial sectors are fisheries, tourism, maritime- and oil industry
- Responsible for approximately 1/3 of Norway's total export of food, mainly fish and fishery products
- Low unemployment, 2.1%, well below national average of 2.7%
- 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 55.0 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 15.20% and Core Tier 1 of 12.30%
- The Bank is rated A3 (negative outlook) by Moody's

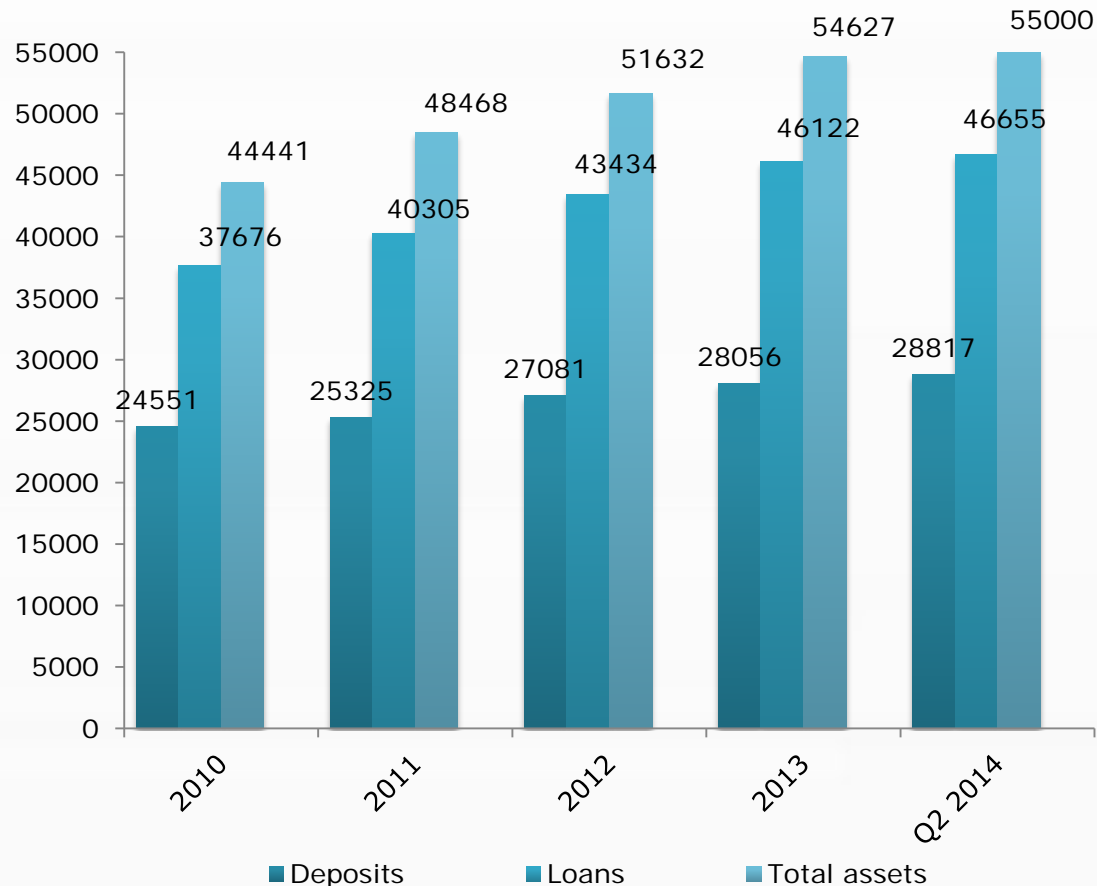


Deposits and loans



Lower growth

NOK mill.



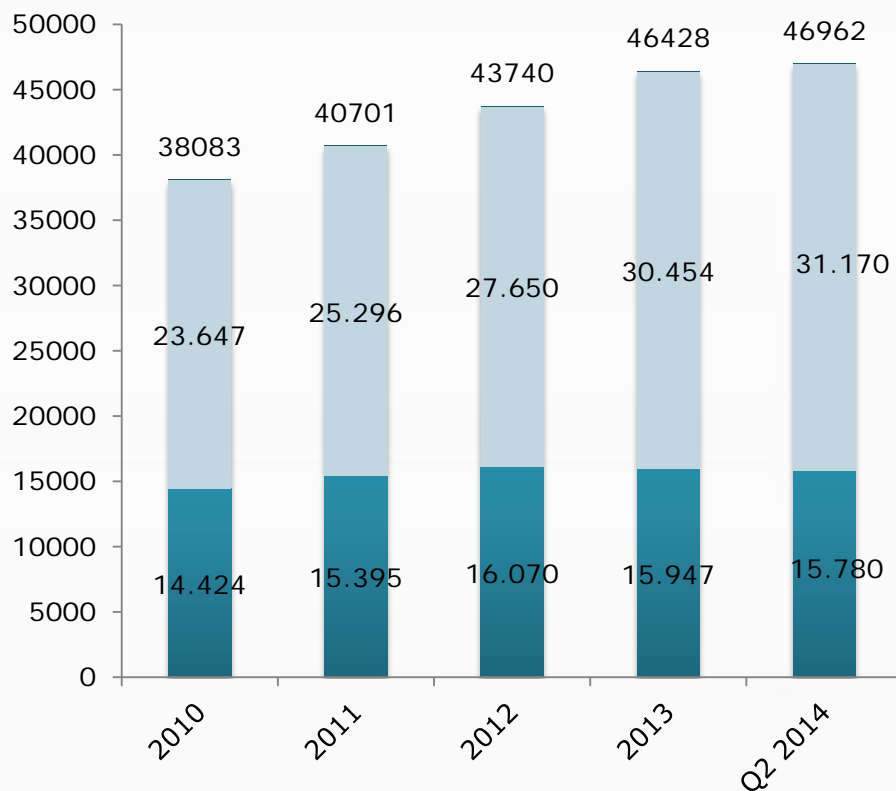
Growth during the last 12 months

- Total assets 4.1 %
- Loans (net) 3.5 %
- Deposits 3.1 %



Breakdown of gross lending

NOK mill.



■ Public sector ■ Retail banking ■ Corporate banking

Annual net lending growth

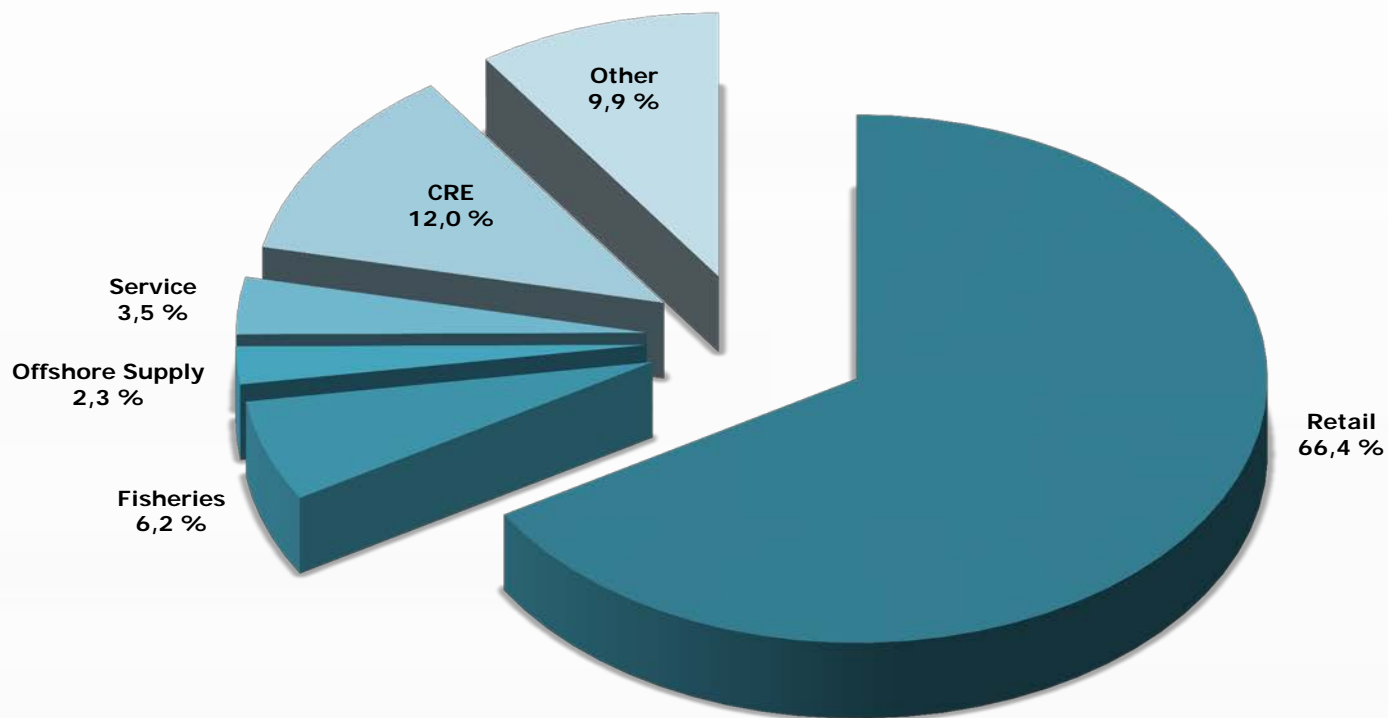
| | |
|--------|-------|
| 2010: | 5.1 % |
| 2011: | 7.0 % |
| 2012: | 7.8 % |
| 2013: | 6.2 % |
| Q2 14: | 3.5 % |

Lending growth last 12 months

| | |
|-----------------------|--------|
| Gross, retail banking | 7.1 % |
| Gross, corporate | -2.8 % |
| Gross, public sector | - |



Loans by sector

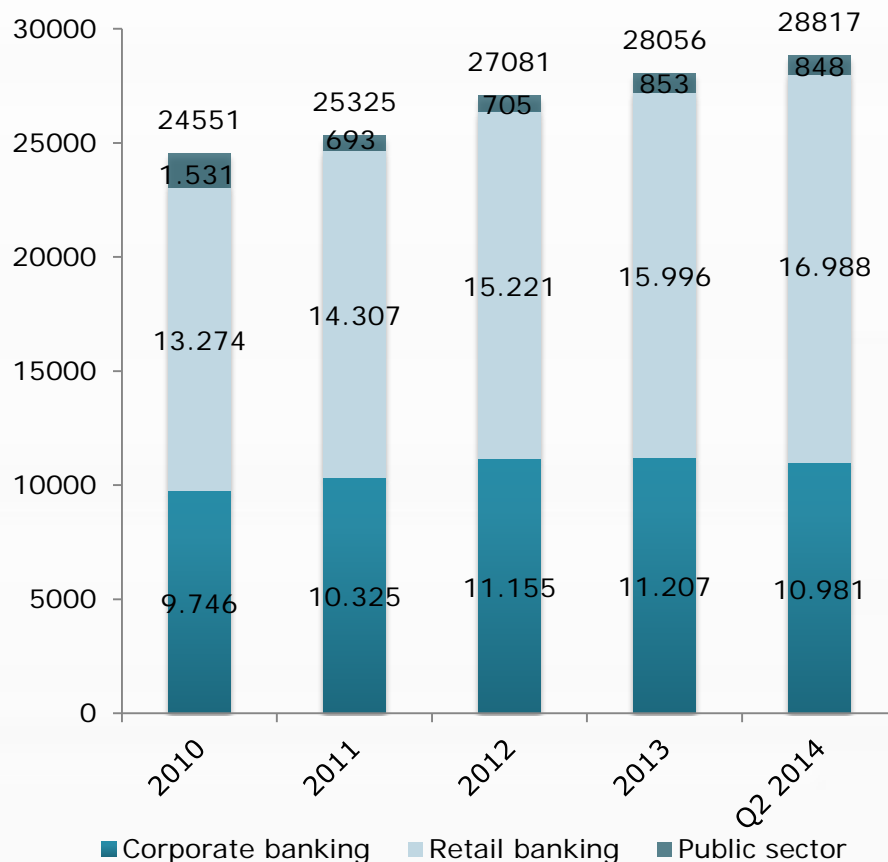


| Other 9.9% | | | | | | | |
|------------------------|-----|--------------------|-----|------------------|-----|-------|-----|
| Other industry | 0.7 | Financial services | 1.6 | Agriculture | 1.0 | Other | 0.6 |
| Building/construction | 1.6 | Fishing Industry | 0.9 | Restaurant/hotel | 0.2 | | |
| Retail/wholesale trade | 1.1 | Ship Yards | 1.8 | Furniture | 0.1 | | |



Breakdown of deposits

NOK mill.



Annual deposit growth

| | |
|--------|--------|
| 2010: | 12.7 % |
| 2011: | 3.2 % |
| 2012: | 6.9 % |
| 2013: | 3.6 % |
| Q2 14: | 3.1% |

Deposit growth last 12 months

| | |
|-------------------|-------|
| Retail banking | 4.5 % |
| Corporate banking | 1.0 % |
| Public sector | 3.2 % |

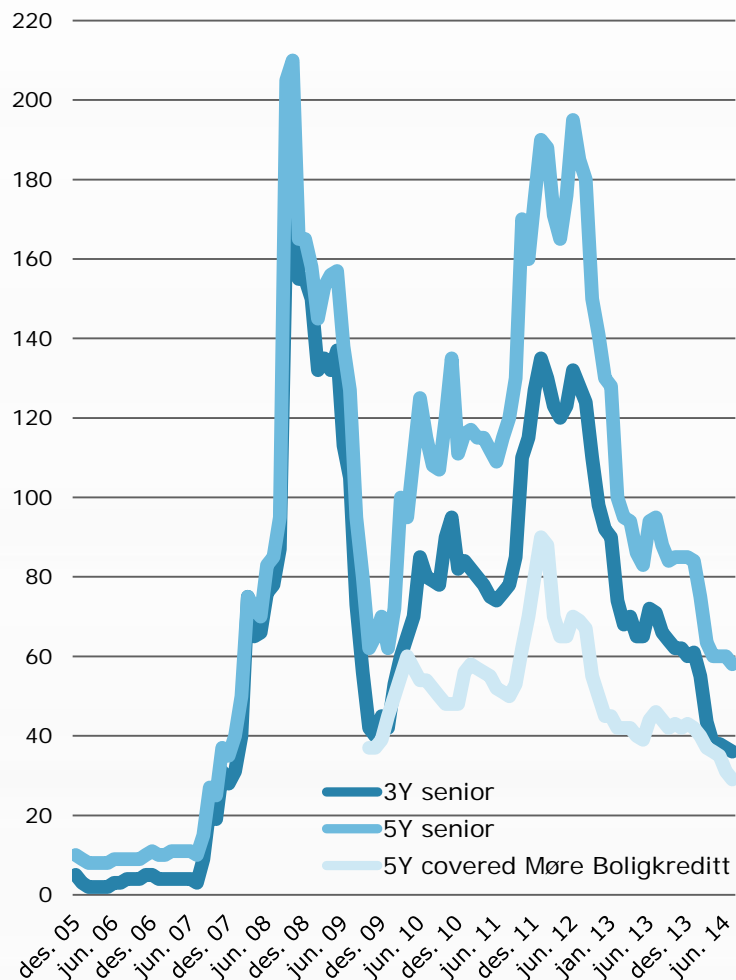


Funding and hedging



Good access to the market

Margins

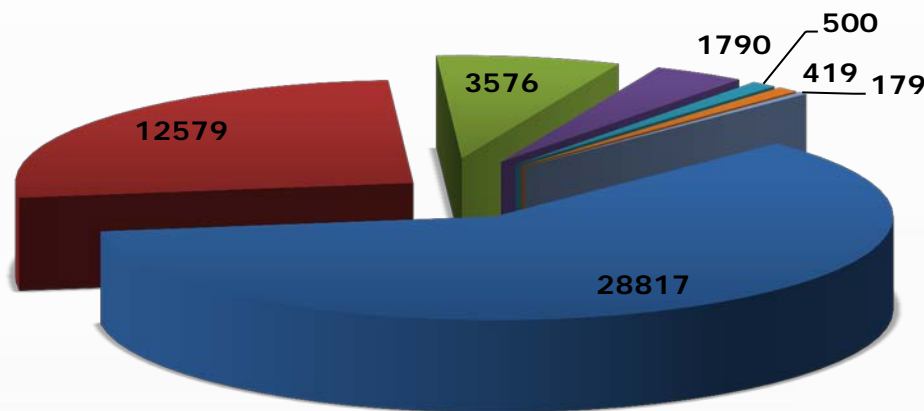


- Since the beginning of 2012 we have mainly seen funding margins been reduced. By half year end margins in the long-term bond market are at the lowest we have seen since early 2008
- Covered Bonds issued by Møre Boligkreditt AS has replaced senior bonds as the Group`s main source of long-term market financing and now account for about 78 % of long term market loans
- The refinancing of existing loans and financing of new growth will adapt regulatory requirements as LCR and L1 (including our targets related to transfer of mortgages to Møre Boligkreditt AS), and bail-in rules
- Sparebanken Møre will therefore inter alia maintain a level of bail in able capital at least at the level we had at the end of 2013
- 5-year covered bond funding is at half year end at a level of maximum 30 p.p. above NIBOR - senior financing about 0.30 p.p. higher
- Sparebanken Møre is rated A3 (negative) 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

- Deposits from customers are the Group`s most important source of funding and we maintain a high deposit to loan ratio (61.8 % in the Group)
- In the first half of 2014 repayment of bonds in the senior market have been replaced with two new senior issues in the Norwegian market. The Bank has also established a long-term loan agreement with Landesbank Baden-Württemberg (EUR 50 million). Sparebanken Møre is experiencing market access as very good
- Total market funding ended just above NOK 19 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 2.66 years, Covered Bonds with a weighted average maturity of 3.72 years



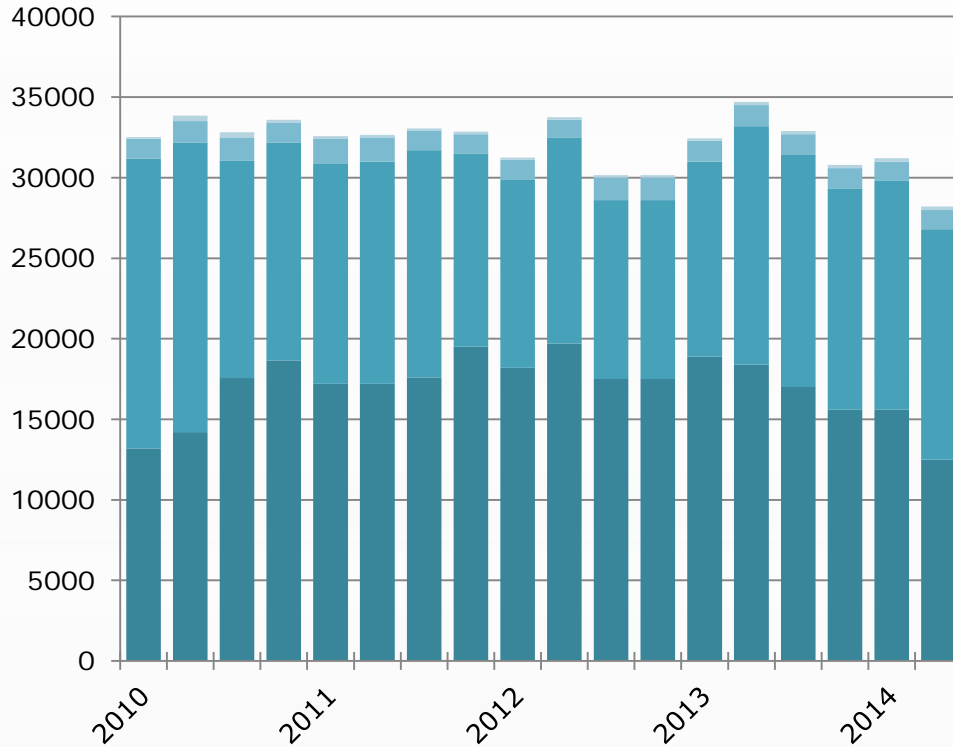
The quality of the liquidity portfolio is good

| Rating | Market Value | Country | Market Value | Currency | Market Value |
|---|------------------|---|------------------|---|------------------|
| AAA | 4.446.963 | Norway | 2.800.860 | NOK | 4.418.478 |
| AA+ | 161.363 | Sweden | 828.613 | EUR | 794.567 |
| AA | 116.471 | Germany | 333.352 | | |
| AA- | 127.586 | Int`l .Org. | 310.487 | | |
| A | 101.433 | Finland | 308.860 | | |
| A- | 243.829 | Luxembourg | 212.559 | | |
| BBB+ | 15.400 | Denmark | 180.189 | | |
| | | Great Britain | 142.230 | | |
| | | Austria | 49.976 | | |
| | | Netherlands | 45.919 | | |
| Total | 5.213.045 | Total | 5.213.045 | Total | 5.213.045 |
| <i>Held by Møre Boligkreditt AS</i> | <i>207.459</i> | <i>Held by Møre Boligkreditt AS</i> | <i>207.459</i> | <i>Held by Møre Boligkreditt AS</i> | <i>207.459</i> |



Off balance activity - quarterly

NOK MILL

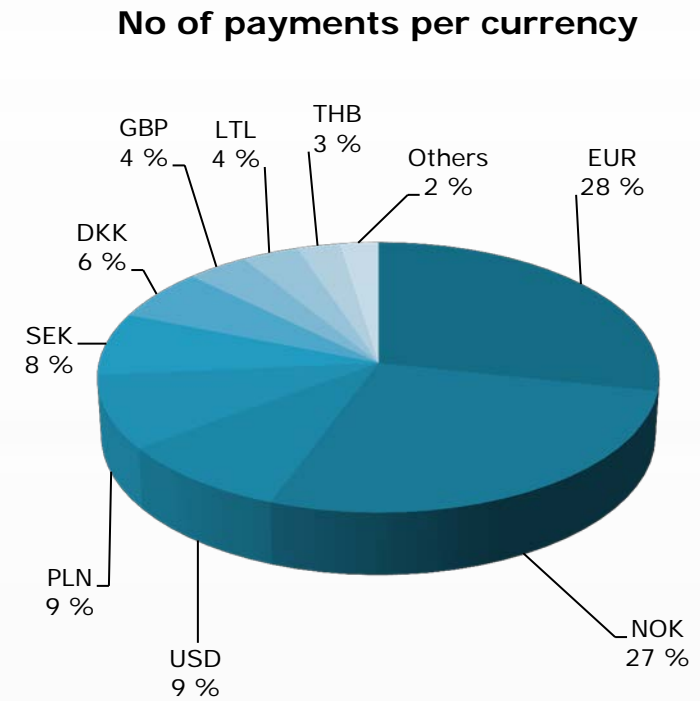
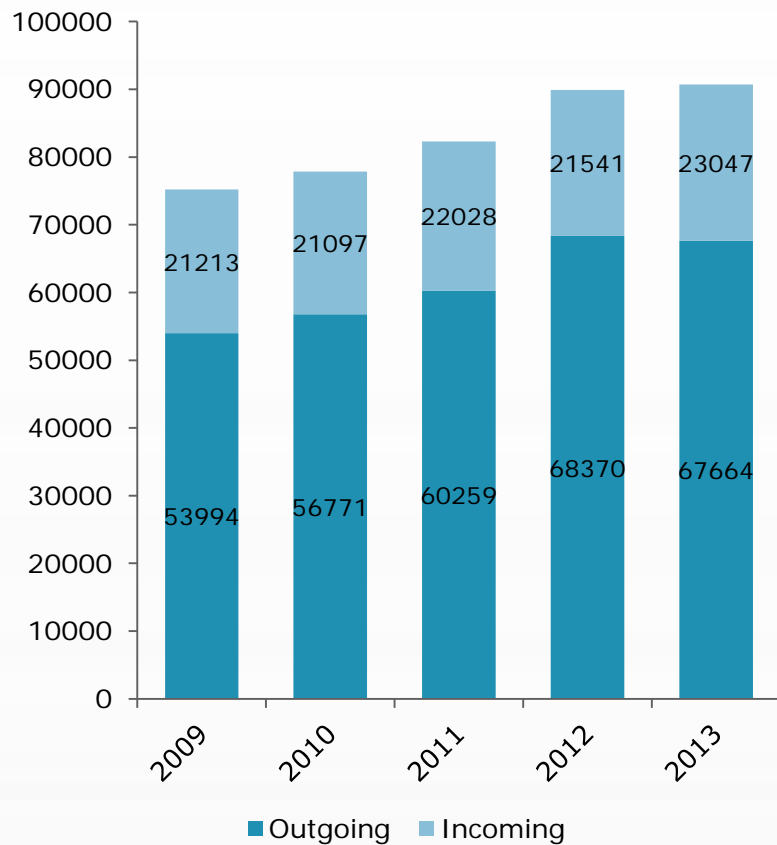


Low risk profile in the interest rate, equity and FX markets

- ✓ 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

■ IRS (NOK & Curr.) ■ Forward FX
■ Cross Currency Swap ■ FX-Options

Number of commercial payments





Results



Main figures

| | 30.06. 2014 | | 30.06.2013 | | 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 | 537 | 2.00 | 494 | 1.93 | 43 | 0.06 | 8.7 |
| Net return, financial investments | 35 | 0.13 | 10 | 0.04 | 27 | 0.10 | 270.0 |
| Other income | 87 | 0.32 | 84 | 0.34 | 1 | -0.02 | 1.2 |
| Total income | 659 | 2.45 | 588 | 2.31 | 71 | 0.14 | 12.1 |
| Personnel costs | 163 | 0.60 | 161 | 0.63 | 2 | -0.03 | 1.2 |
| Other costs | 124 | 0.46 | 139 | 0.54 | -17 | -0.09 | -12.2 |
| Total ordinary operating costs | 287 | 1.06 | 300 | 1.17 | -15 | -0.12 | -5.0 |
| Result before credit losses | 372 | 1.39 | 288 | 1.14 | 86 | 0.26 | 29.9 |
| Losses on loans and guarantees | 14 | 0.05 | 13 | 0.05 | 1 | 0.00 | 7.7 |
| Result before tax cost | 358 | 1.34 | 275 | 1.09 | 85 | 0.26 | 30.9 |
| Tax cost | 95 | 0.35 | 74 | 0.29 | 23 | 0.07 | 31.4 |
| Result after tax cost | 263 | 0.99 | 201 | 0.80 | 62 | 0.19 | 30.7 |
| Value adjustment – shares available for sale | 79 | 0.30 | 7 | 0.03 | 70 | 0.26 | - |
| Total | 342 | 1.29 | 208 | 0.83 | 132 | 0.45 | 63.5 |
| From the Balance Sheet | | | | | | | |
| Total assets | 55,000 | | 52,825 | | 2,175 | | 4.1 |
| Net lending | 46,655 | | 45,069 | | 1,586 | | 3.5 |
| Deposits | 28,817 | | 27,953 | | 864 | | 3.1 |
| Capital | 5,500 | | 4,918 | | 582 | | 11.8 |
| Core capital ratio | | 15.20 | | 13.70 | | | 1.50 p.p. |
| Core Tier 1 Capital ratio | | 12.30 | | 10.60 | | | 1.70 p.p. |
| Return on equity capital (<i>incl. Nets</i>) | | 12.1 (15.7) | | 11.3 | | | |
| Costs as a percentage of income | | 43.60 | | 50.90 | | | |
| Earnings per EC (the Bank in NOK) | | 15.95 | | 13.10 | | | |



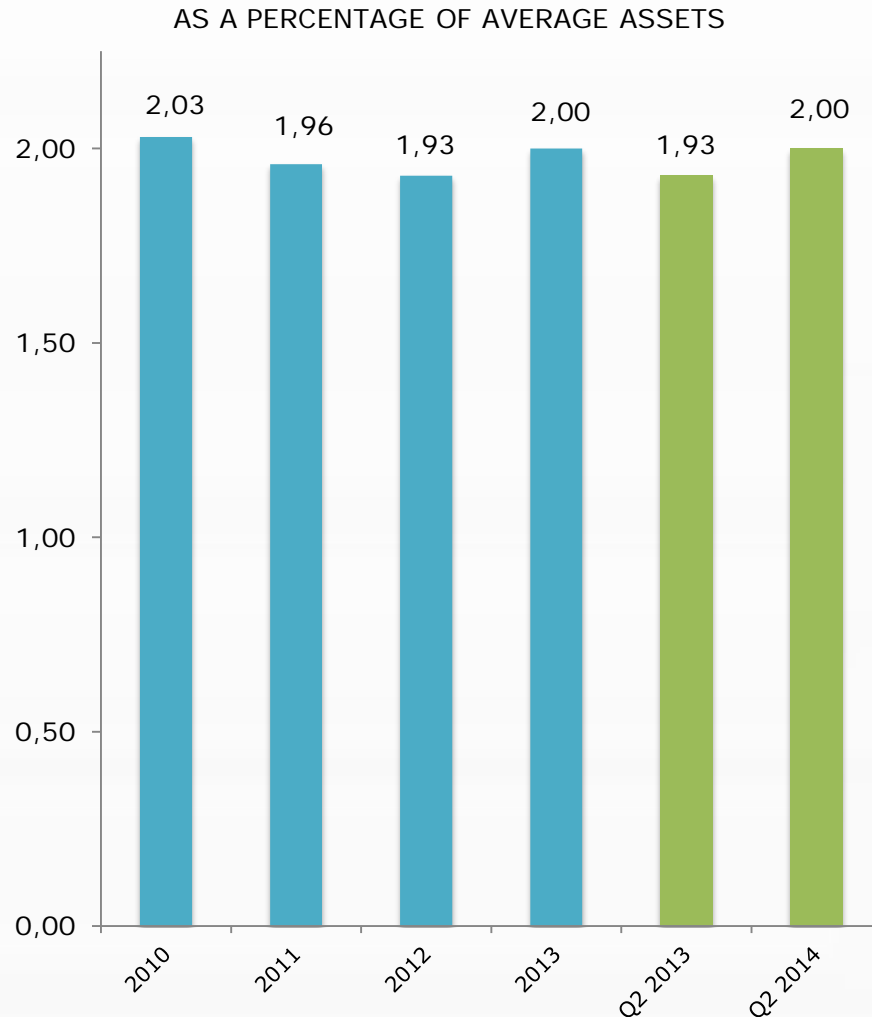
Results

Result as a percentage of average assets





Higher net interest income

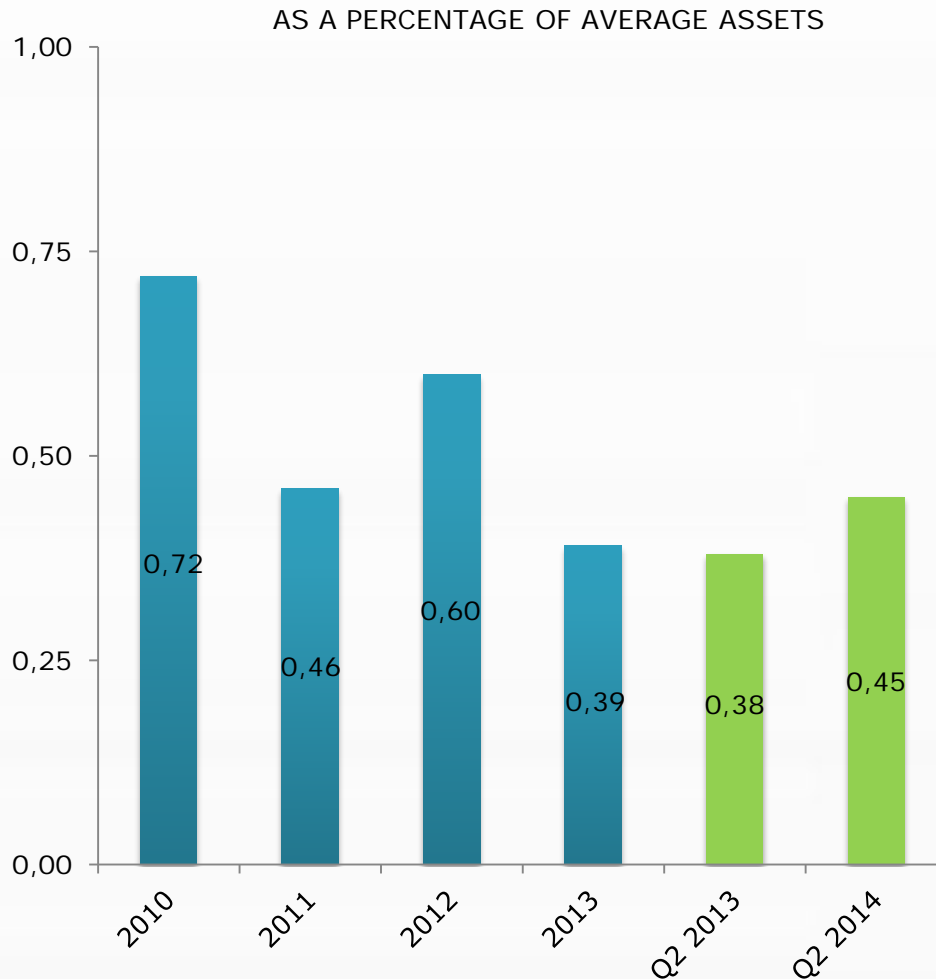


Net interest income is higher than previous year despite:

- ✓ Strong competition on loan and deposits
- ✓ More liquidity on the balance sheet with higher quality
- ✓ Still low interest rate level with low return on free capital
- ✓ Charge for the Norwegian Banks Guarantee Fund



Other operating income



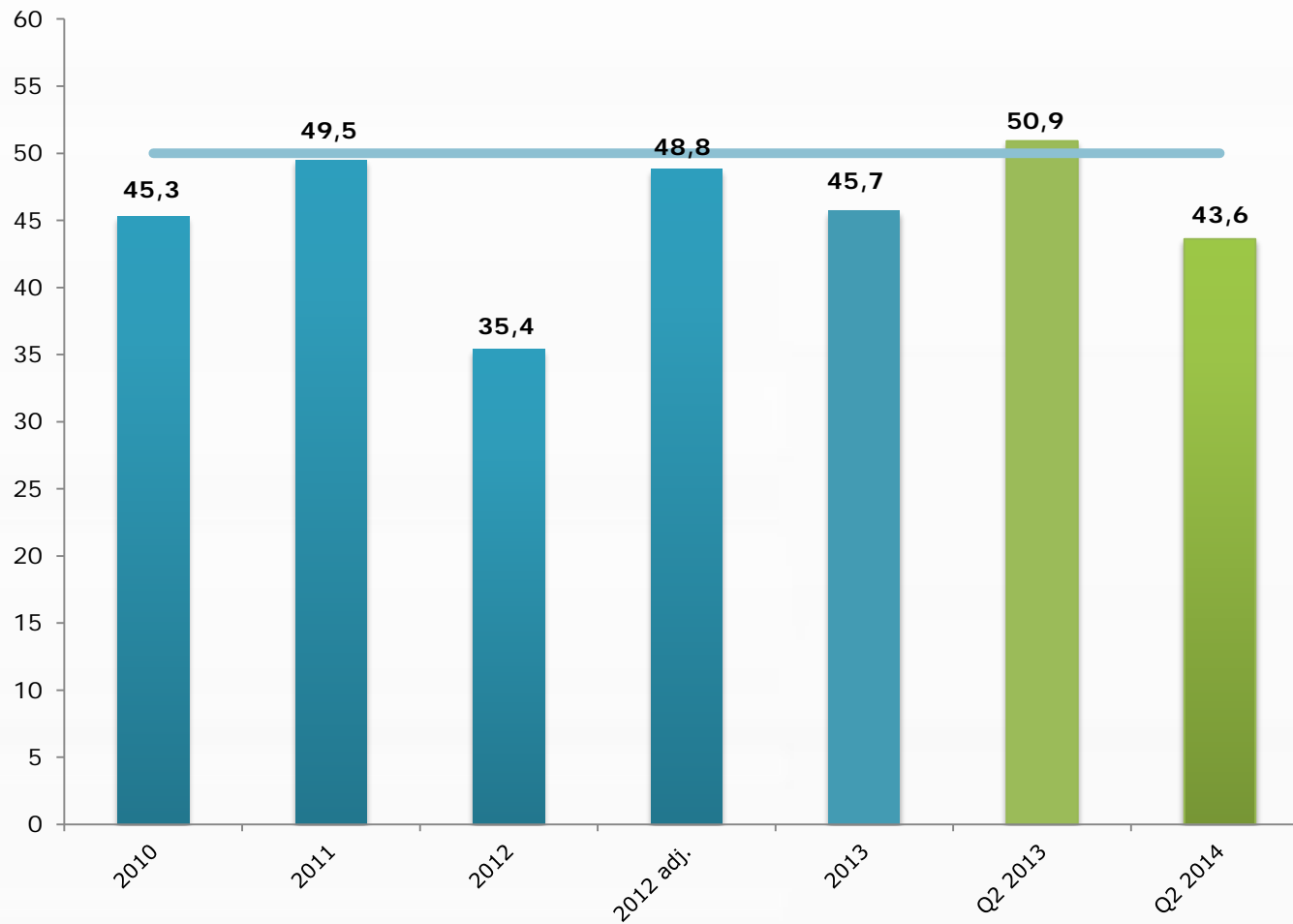
Higher other operating income, compared with 1H 2013:

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



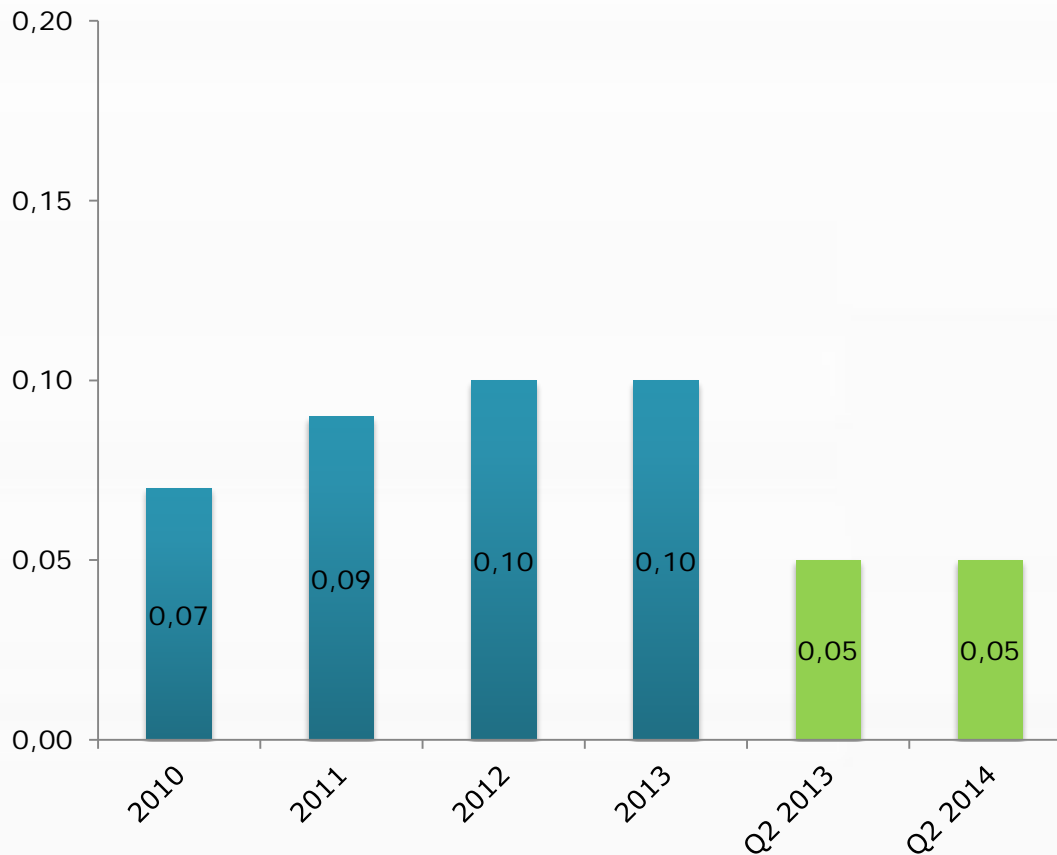
Strong development in cost/income

- well below the target





Losses at a very low level



Losses totalled NOK 14 million

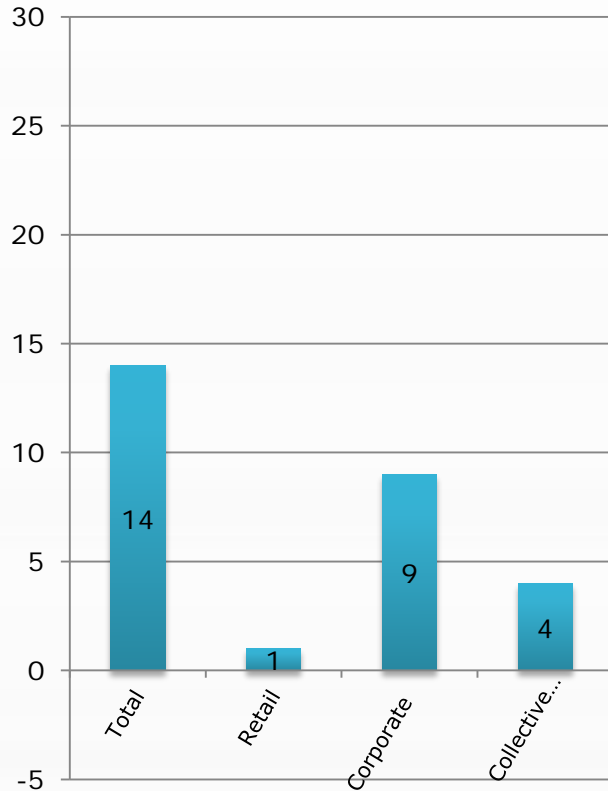
- Corporate: NOK 9 million
- Retail NOK 1 million
- Collective impairment NOK 4 million
- Other NOK 0 million

Total impairments amounted to NOK 306 million by 30.06.2014

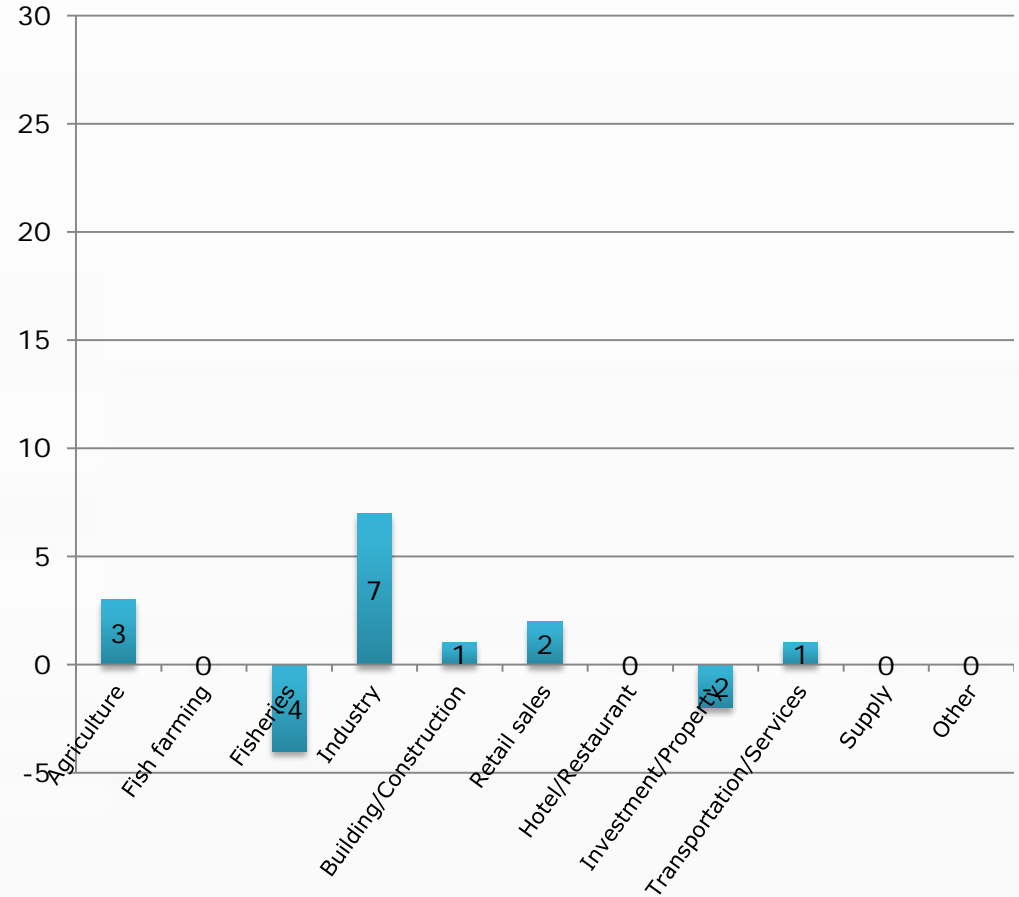


Losses - details

Total

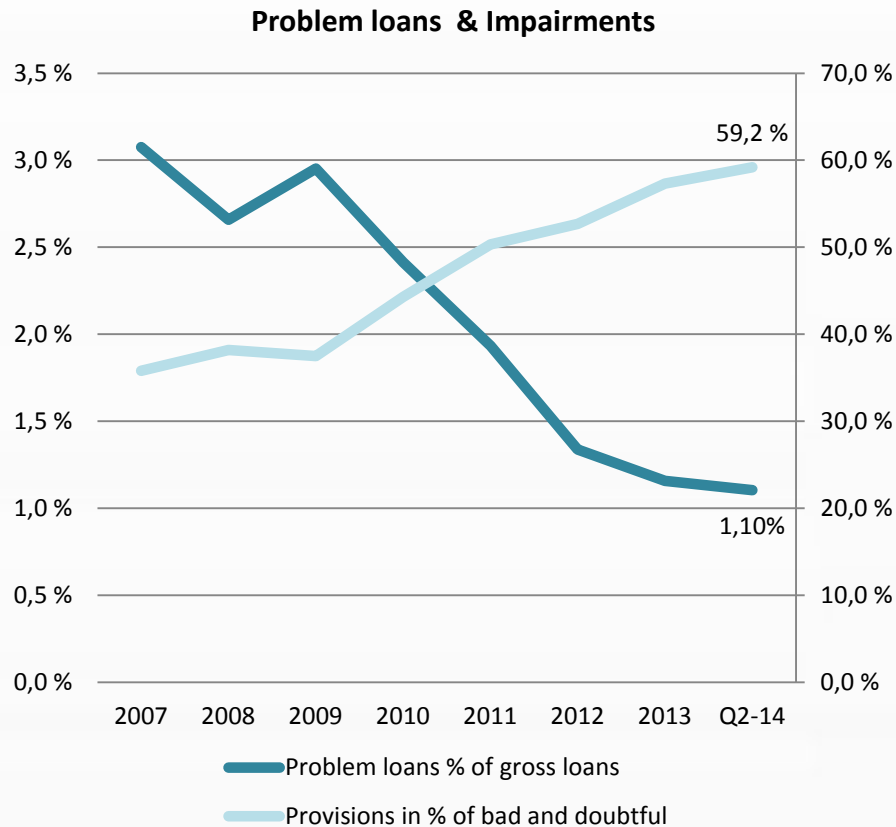


Corporate



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 1.11% by the end of Q2 2014
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 59.2% by half year end

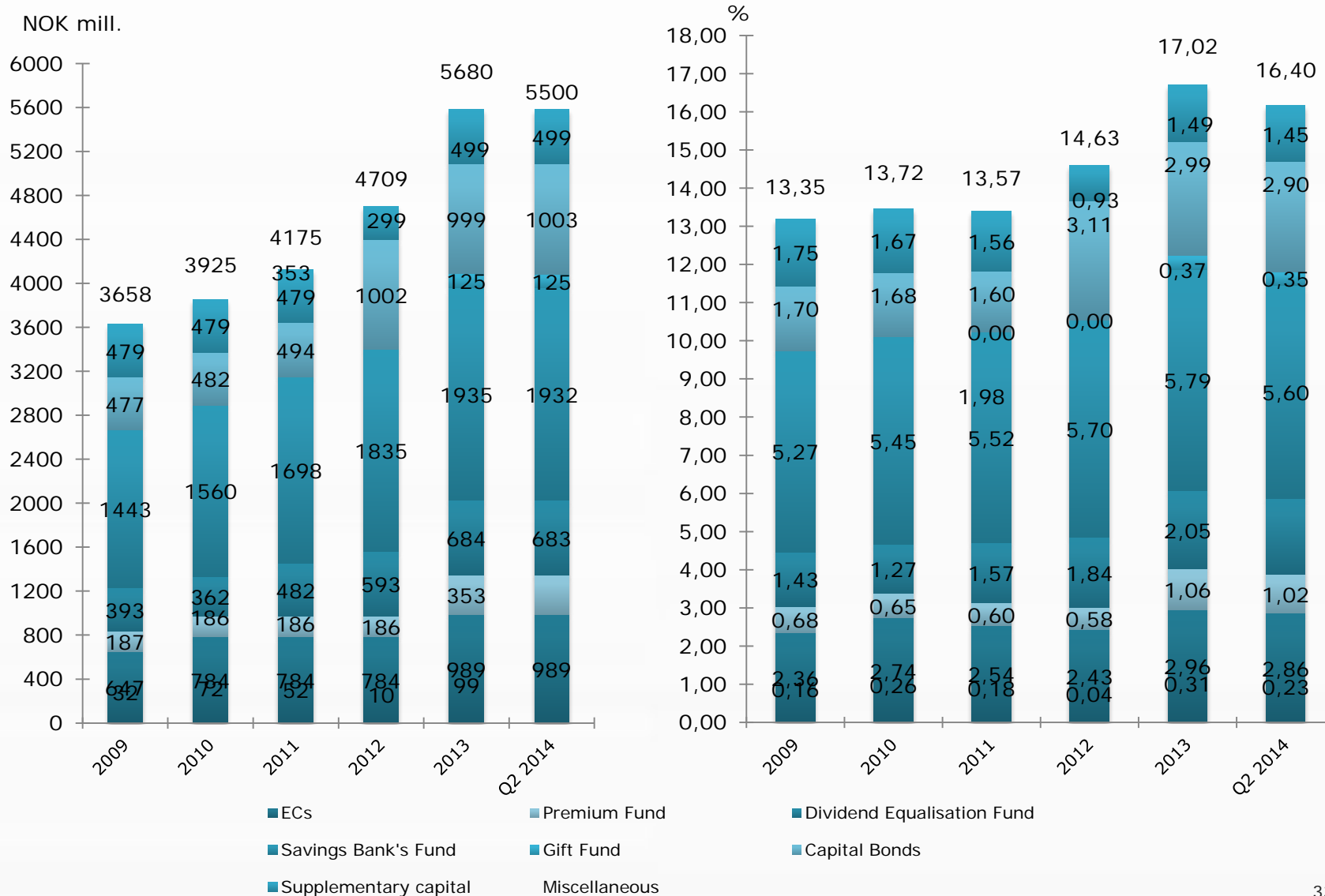


Equity and ECs



Equity

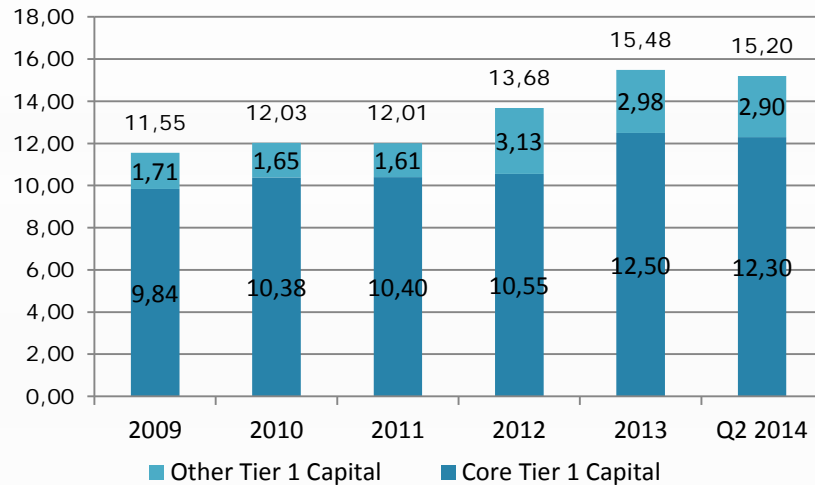
Equity and related capital: Strong capital



Equity

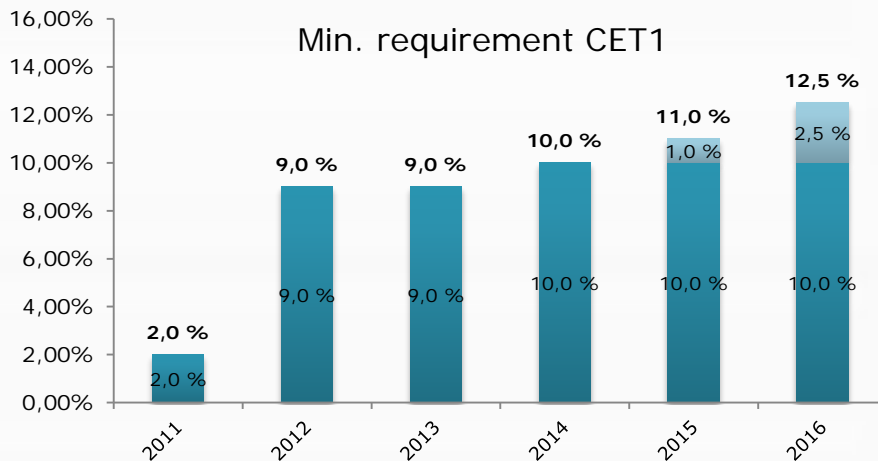
IRB approval from FSA

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
- Received approval from the FSA to use IRB foundation approach for corporates
- Capital adequacy ratio is now calculated in accordance with Basel II, standardized approach for the mass market, IRB foundation for corporates
- The bank must until further notice from the FSA utilize the standardized method for the mass market

Min. requirement CET1



Summing up and outlook

From the CEO:

- The stability of the macroeconomic factors for Møre og Romsdal will contribute to low to moderate level of losses in the current year
- Expect positive growth in lending in 2014 and moderate growth in the longer term
- Long-term financing in the Norwegian and international funding market will increasingly be used - the bank has strong financial strength and good credit rating
- Strong cost focus will continue and will contribute to cost ratio being well within the Bank's target for 2014





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.

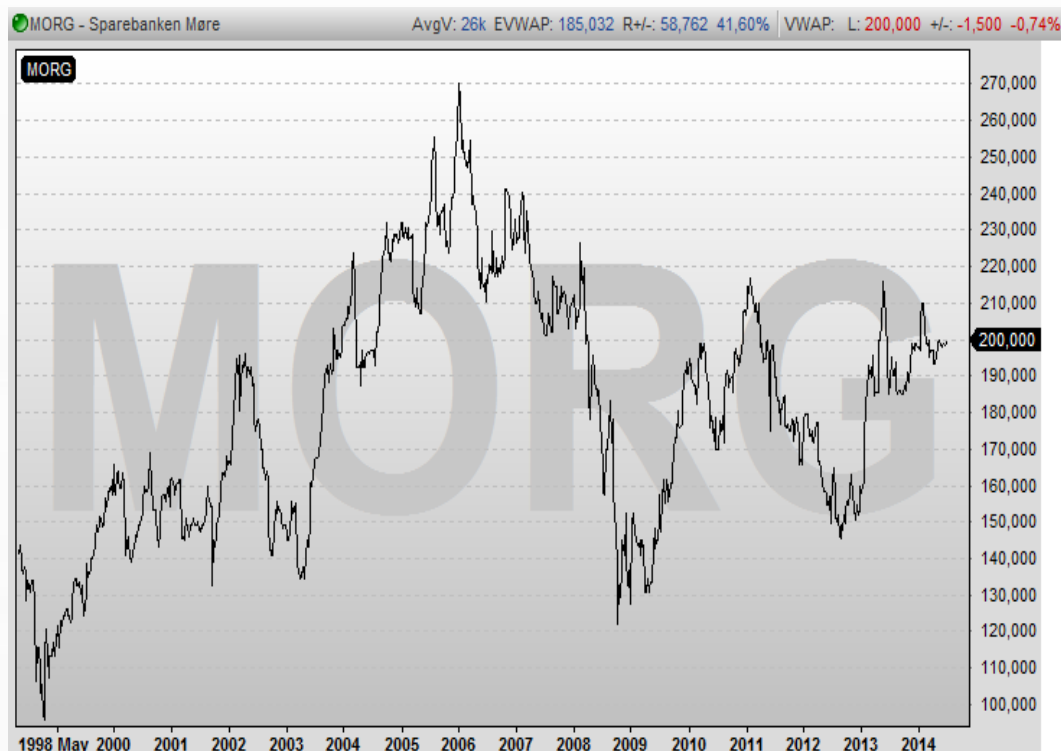
The equity owners’ share of the net result being set aside as dividend funds, will be adapted to the Bank’s equity situation. Sparebanken Møre’s allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.”



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 June 2014

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





Macroeconomic Overview

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

110

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

However, growth is expected to 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

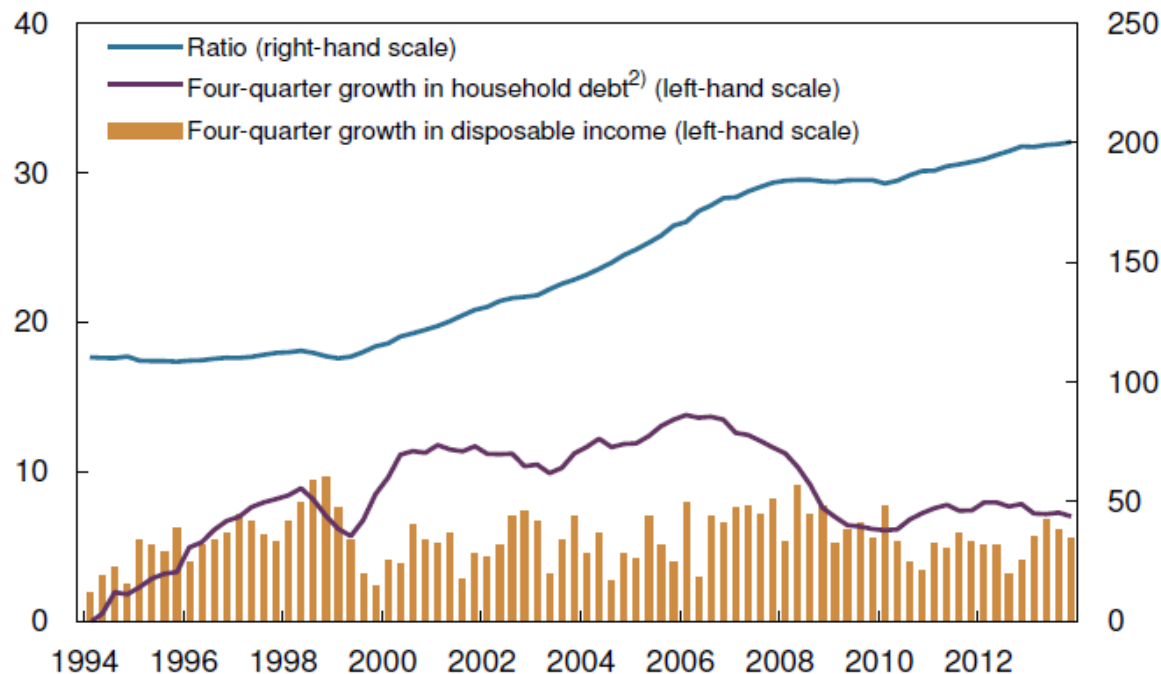


Growth has stabilised over the past year

6

High household debt is the main domestic risk factor

Chart 3.3 Household debt-to-disposable income ratio.¹⁾
Percent. 1994 Q1 – 2013 Q4



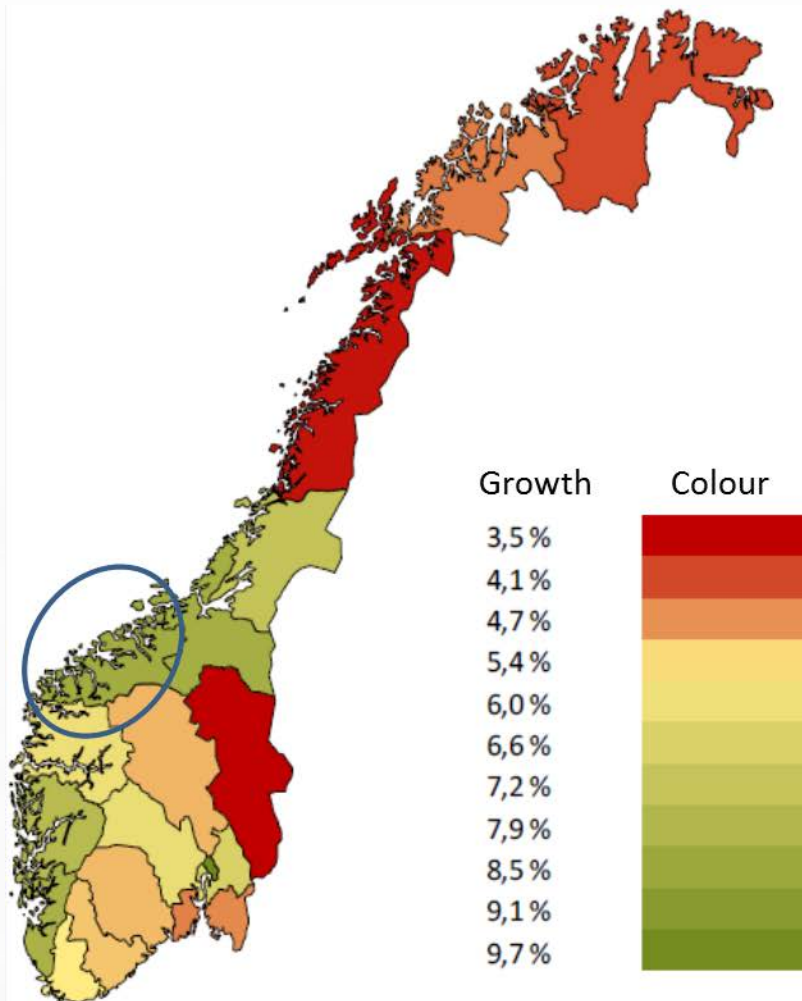
1) Loan debt as a percentage of disposable income, adjusted for estimated reinvested dividend income for 2000 – 2005 and redemption/reduction of equity capital for 2006 Q1 – 2012 Q3.

2) Change in stocks at the end of the quarter.

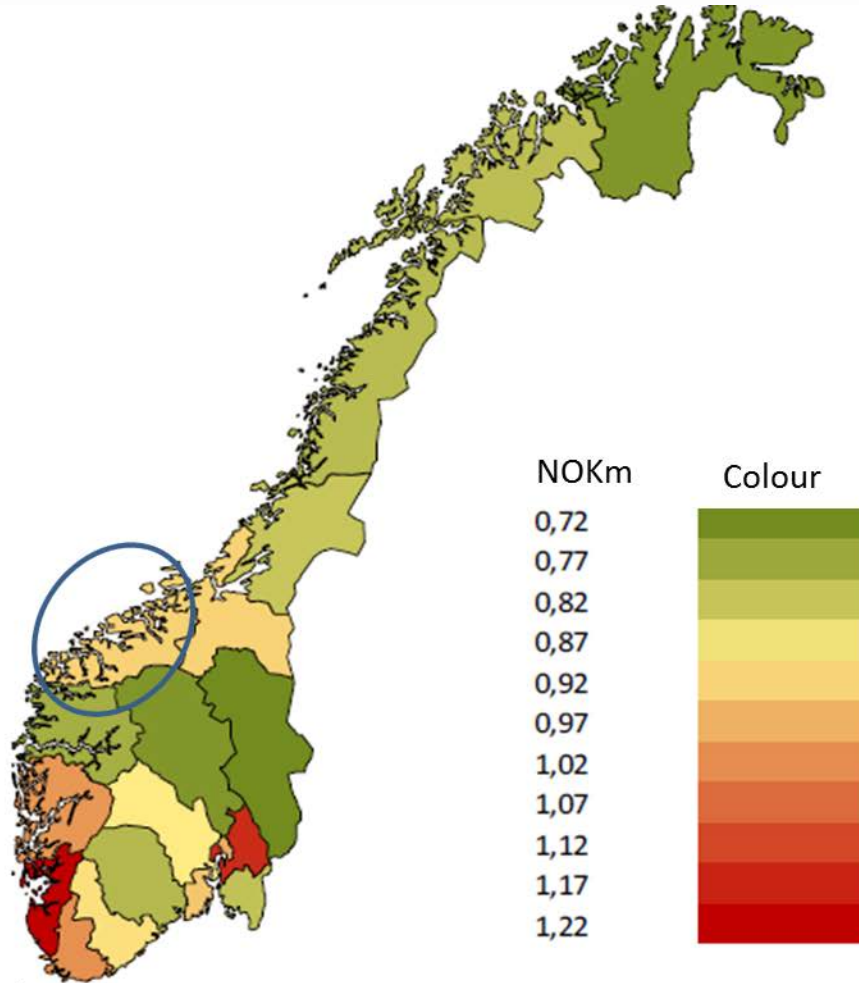
Sources: Statistics Norway and Norges Bank

High credit growth in the county, but low debt burden*

Annual credit growth 2012-2013



Debt burden households 2013 (NOK million)

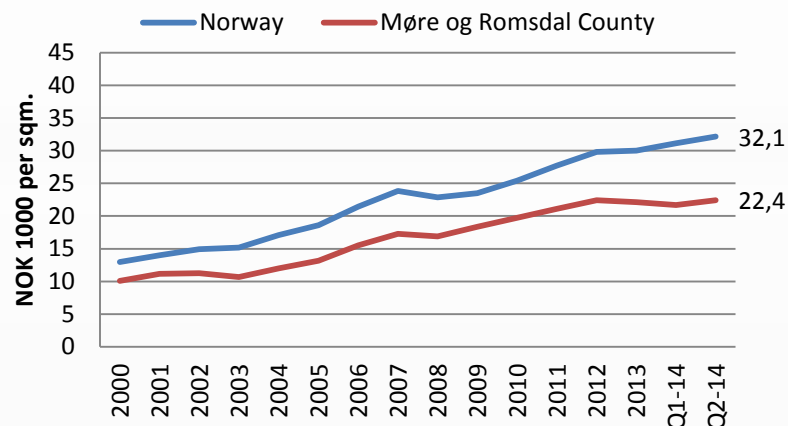


*Source: Sparebank1 Markets/Statistics Norway

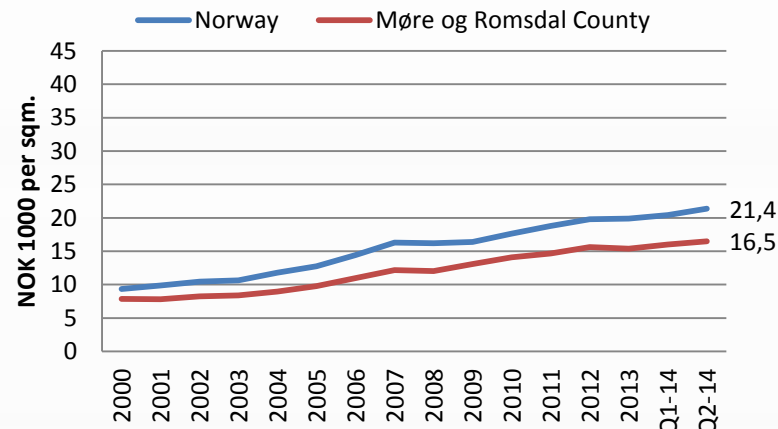


Considerable differences in housing prices

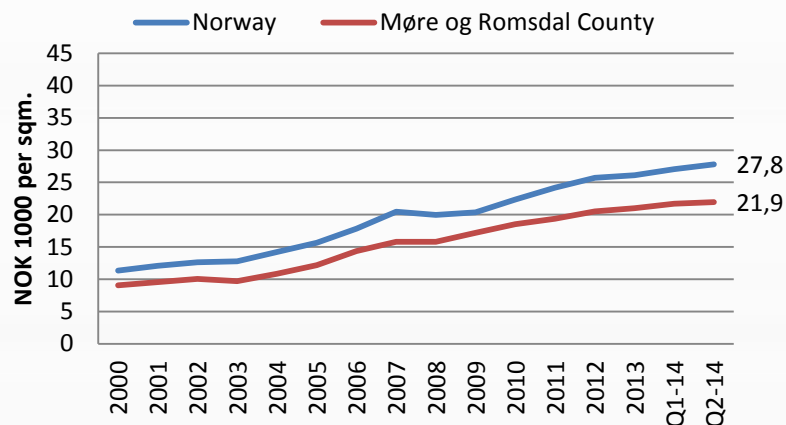
Housing prices



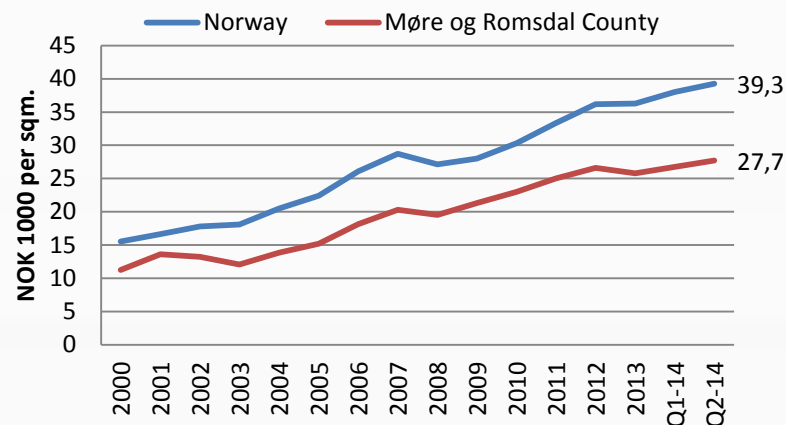
Detached



Semi-detached



Appartment



The price growth on apartments has been stronger than other type of dwellings, and the average price growth in Norway has been stronger than in the county of Møre og Romsdal.



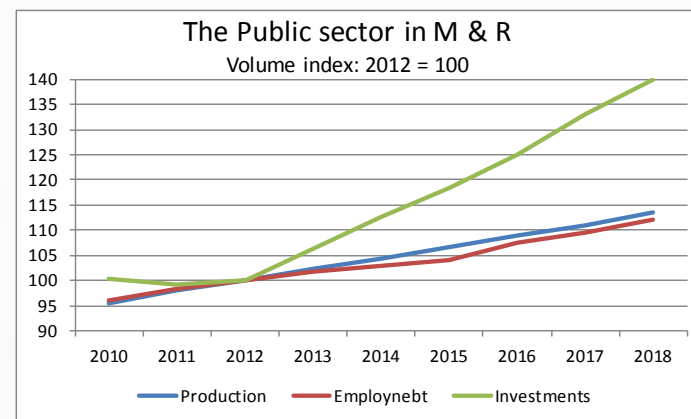
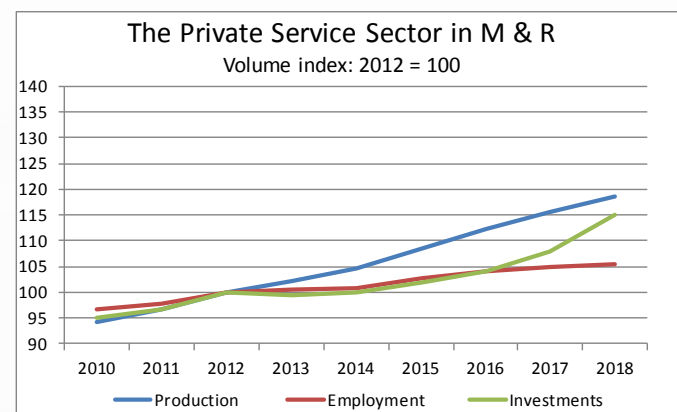
The business sector in Møre og Romsdal is doing well

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

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

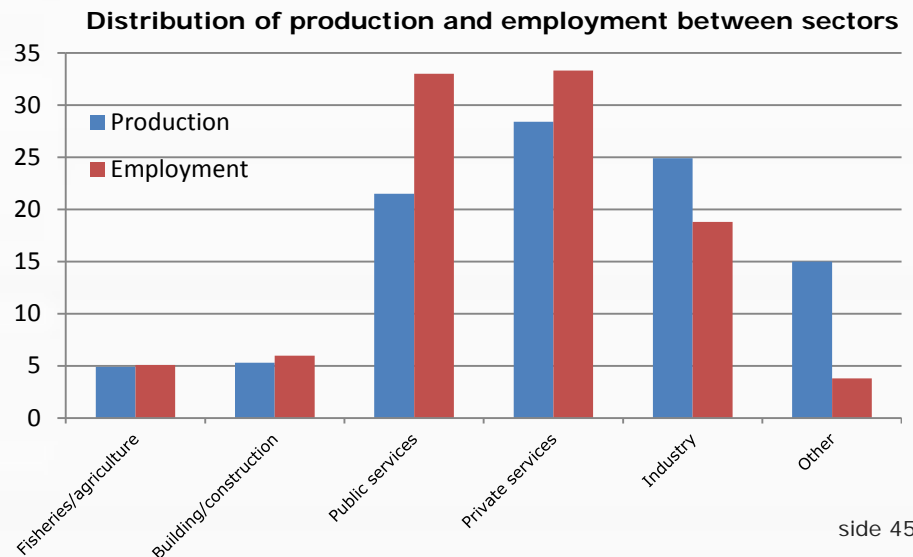
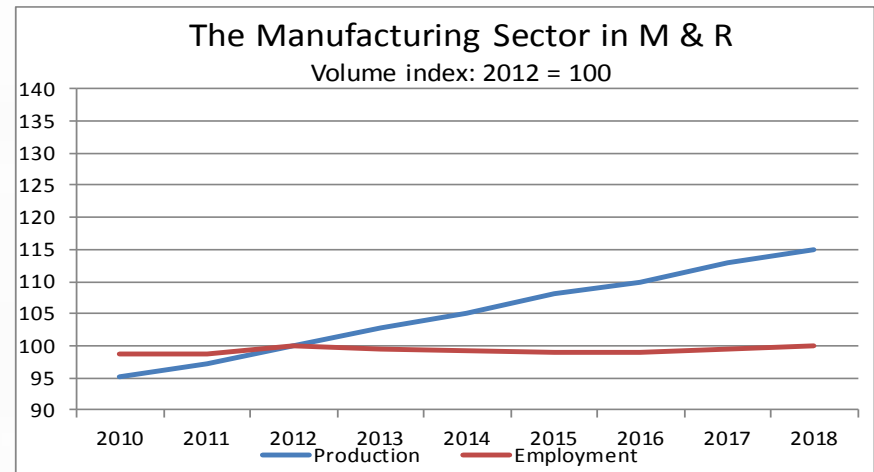
Main reasons for higher output:

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



The long term 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



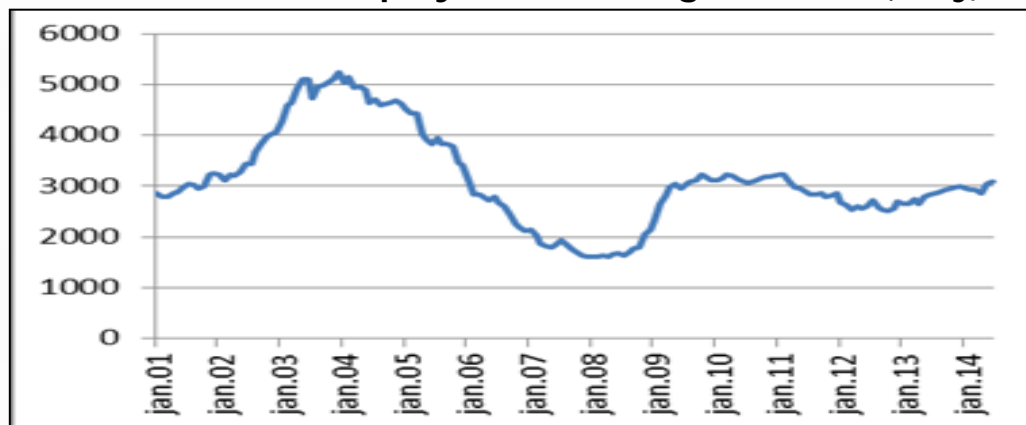
Moderate production growth in Møre og Romsdal - growth will vary among the sectors

- Increasing growth in traditional exports
- Higher demand for private services
- Increased 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

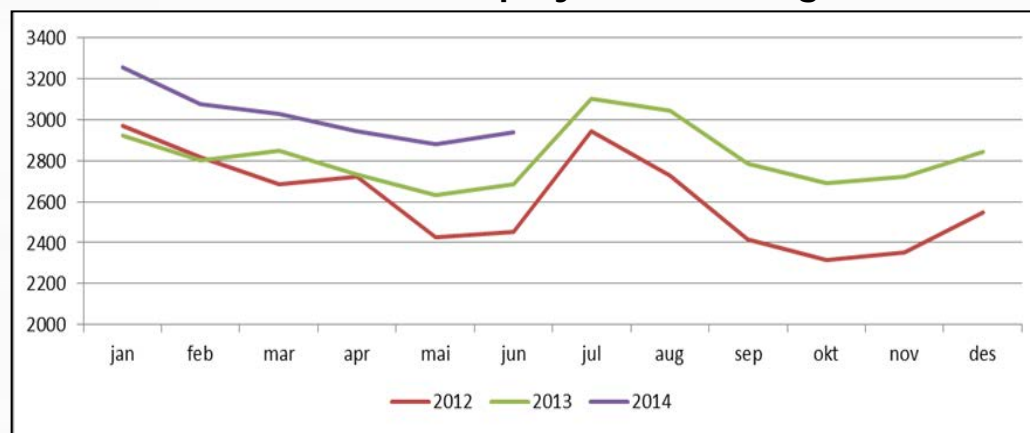
Most important risk factors:

- 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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