



Sparebanken Møre - the Group

Presentation preliminary figures
4th. quarter 2014

Agenda

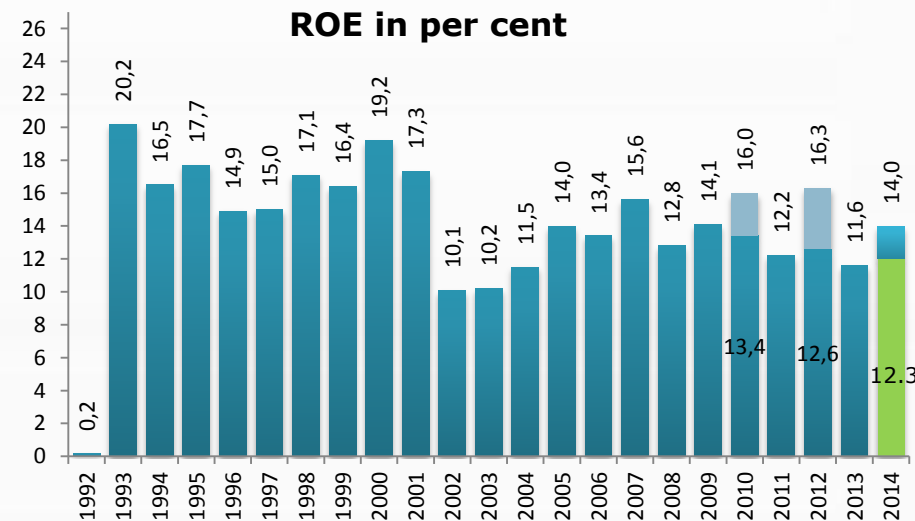
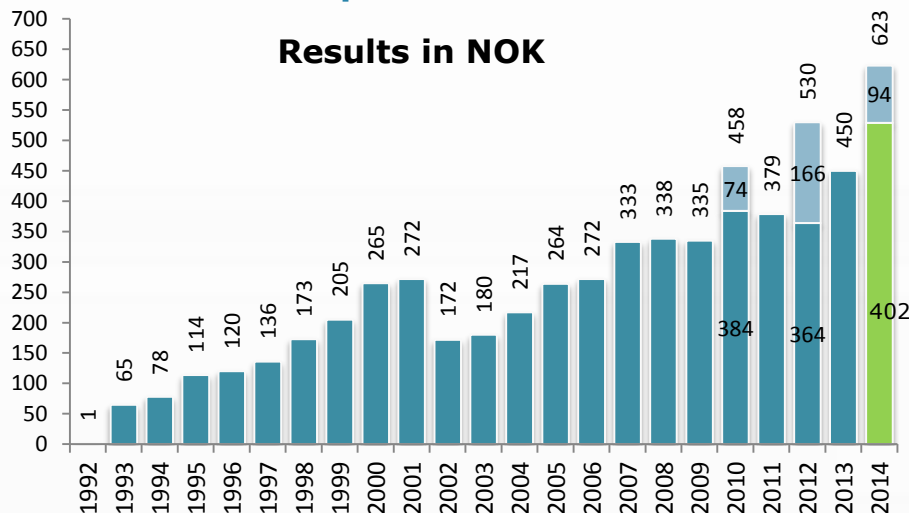
- Summary
- Introduction
- Deposits and Loans
- Funding and Hedging
- Results
- Equity and ECs
- Future prospects
- Macroeconomic overview





Summary

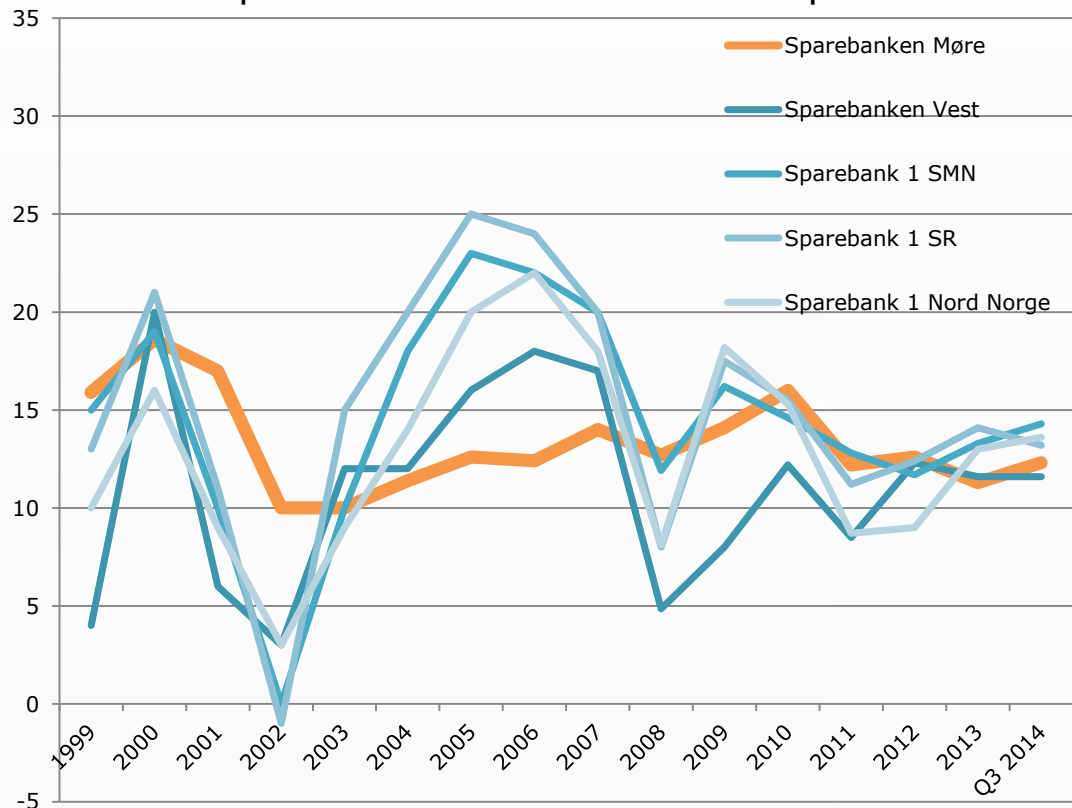
Historical performance – in NOK and ROE



- 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 about NOK 56,3 billion by year end
- Lower margins in the funding market but still strong competition in the deposits market
- Core Tier 1 Capital 12.0 % by year end
- Sparebanken Møre was one of the 186 banks that in Q1 2014 signed a contract to sell their stakes in Nets Holding. The transaction was finally closed July 9th, and the effect is included in the Group's ordinary result from Q3 – gross effect NOK 94 million
- One off effects on results also in 2010 and 2012

High and stable return – based on our business model

Reported ROE – historical development

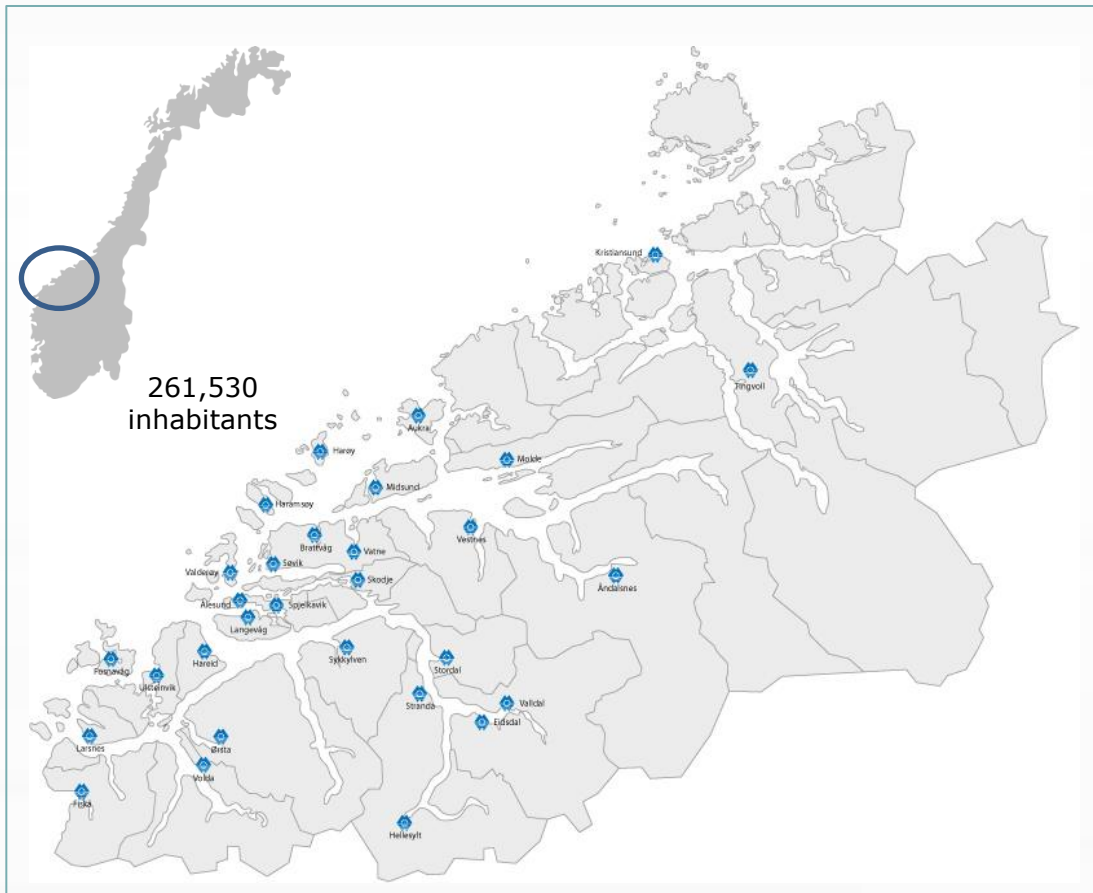


- Less volatile key figures for Sparebanken Møre compared with peers
- Consequences of policy decisions
 - Contract banking and a clean balance
 - Core banking focusing on traditional banking services
- Also compared with peers; our results are achieved with a high level of capital



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 56.3 billion in total assets, about 170 000 customers
- 383 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"

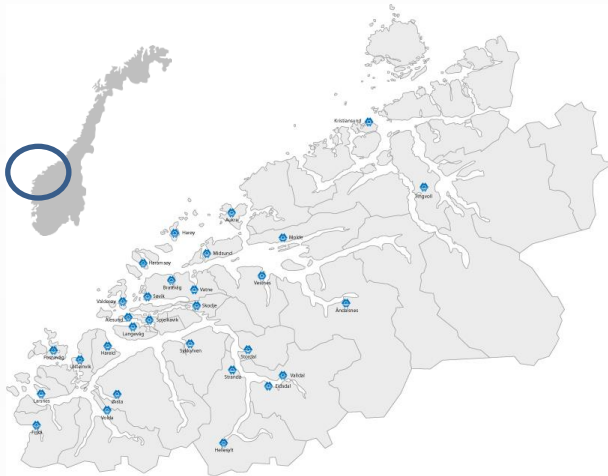
Solid

"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 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: 65.7 %
 - ✓ Deposits from the retail market: 60.0 %
- 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 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.
- 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 69 billion in 2014 – up 12% from 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 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 6 500 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 2.6%
- Below average national real estate prices and above average disposable income levels

Sparebanken Møre

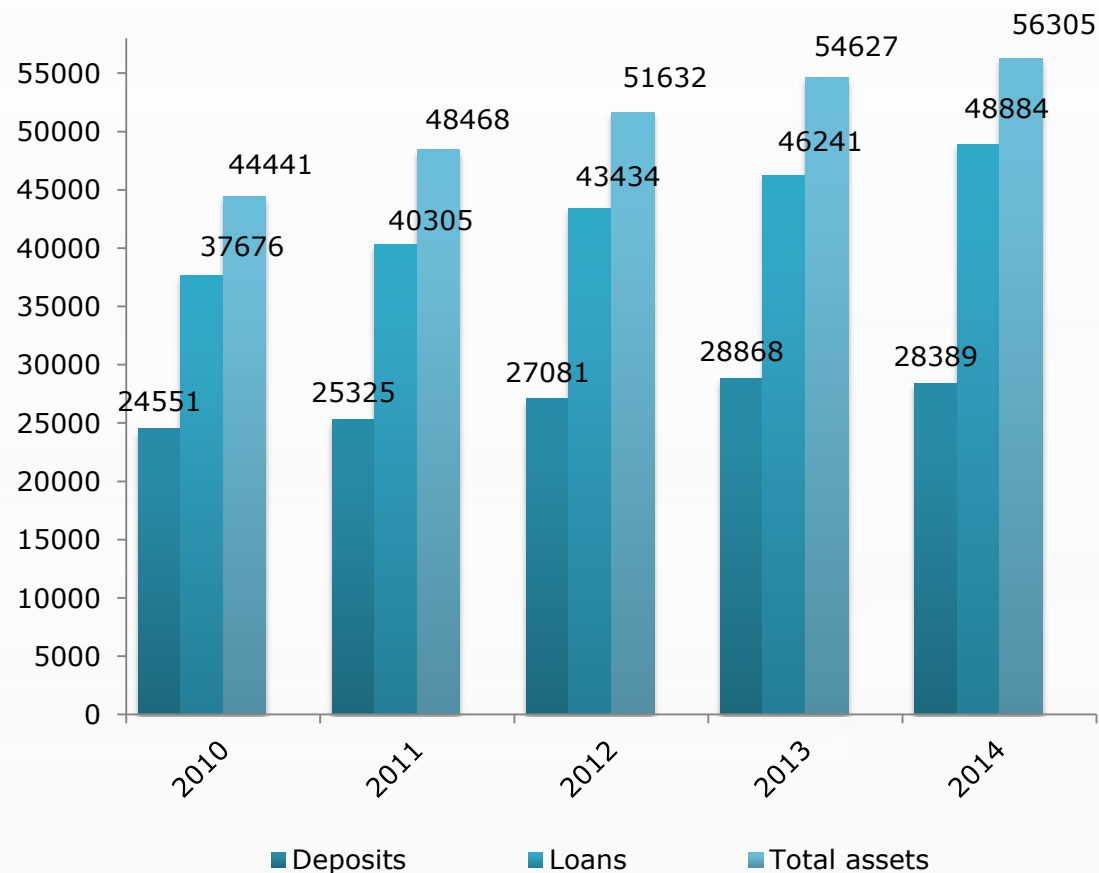
- Seventh largest savings bank in Norway, solid financial performance with total assets of NOK 56.3 billion
- Market leader in main market, the county of Møre og Romsdal
- 66% of lending to retail customers, of which more than 95 % are mortgages
- Strong capitalization reflected by Core Capital of 14.4% and Core Tier 1 of 12.0%
- The Bank is rated A3 (negative outlook) by Moody's



Deposits and loans

Moderate growth

NOK mill.



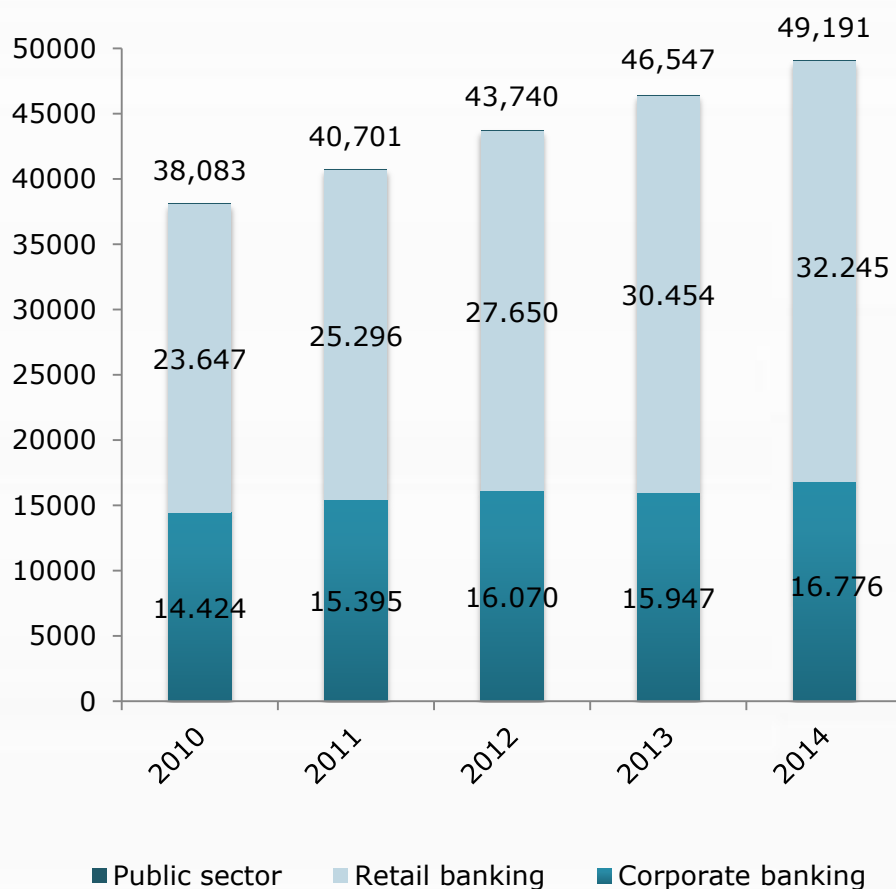
Growth during the last 12 months

- Total assets 3.1 %
- Loans (net) 5.7 %
- Deposits 1.1 %



Breakdown of gross lending

NOK mill.



Annual net lending growth

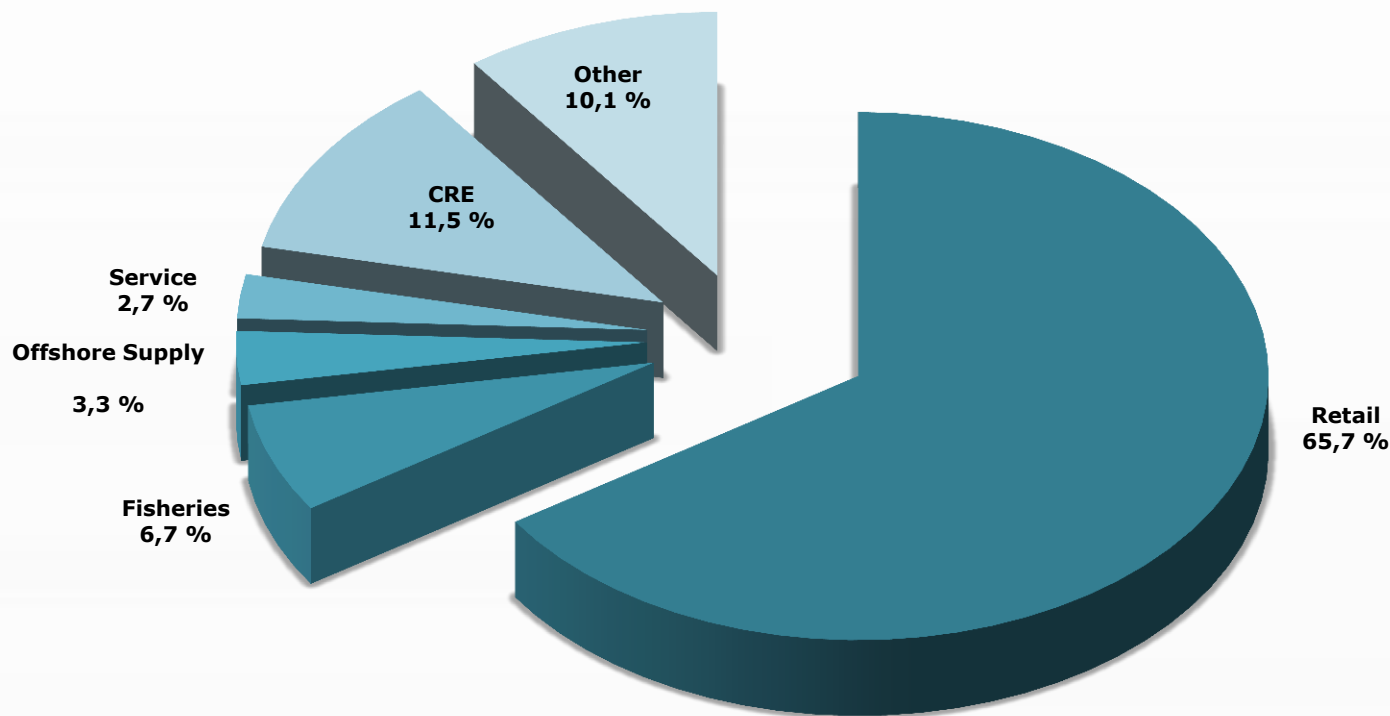
2010:	5.1 %
2011:	7.0 %
2012:	7.8 %
2013:	6.2 %
2014:	5.7 %

Lending growth last 12 months

Gross, retail banking	5.9 %
Gross, corporate	5.2 %
Gross, public sector	-



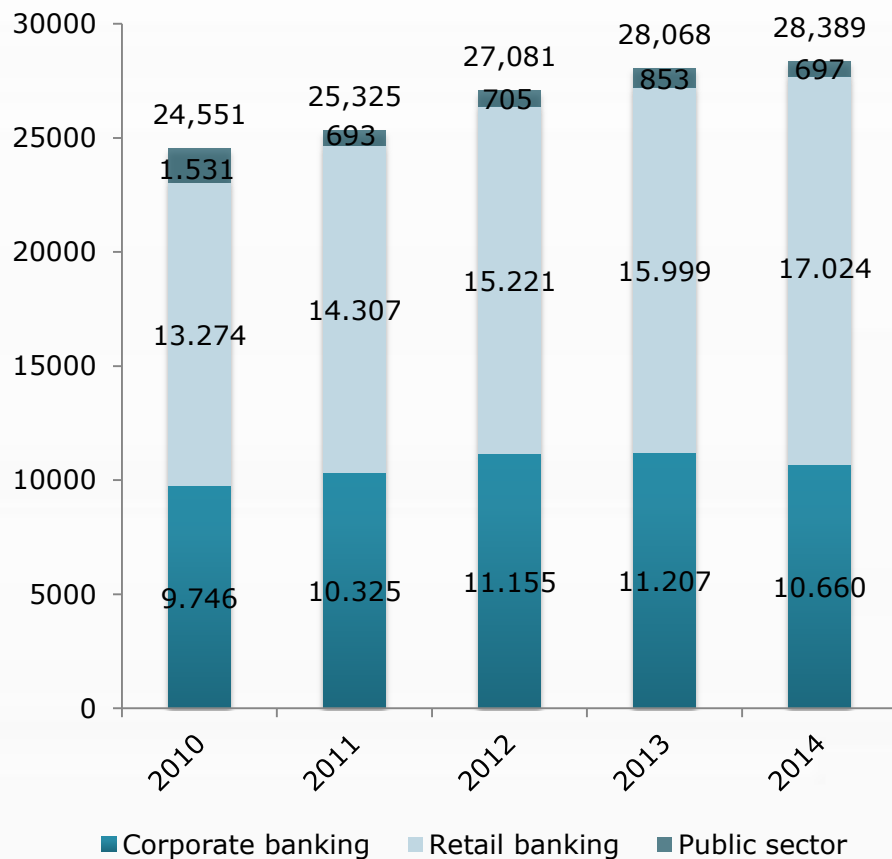
Loans by sector



Other 10.1%					
Other industry	1.6	Financial services	1.6	Agriculture	0.9
Building/construction	1.2	Fishing Industry	0.6	Furniture	0.1
Retail/wholesale trade	1.1	Ship Yards	2.2	Other	0.8

Breakdown of deposits

NOK mill.



Annual deposit growth

2010:	12.7 %
2011:	3.2 %
2012:	6.9 %
2013:	3.6 %
2014:	1.1 %

Deposit growth last 12 months

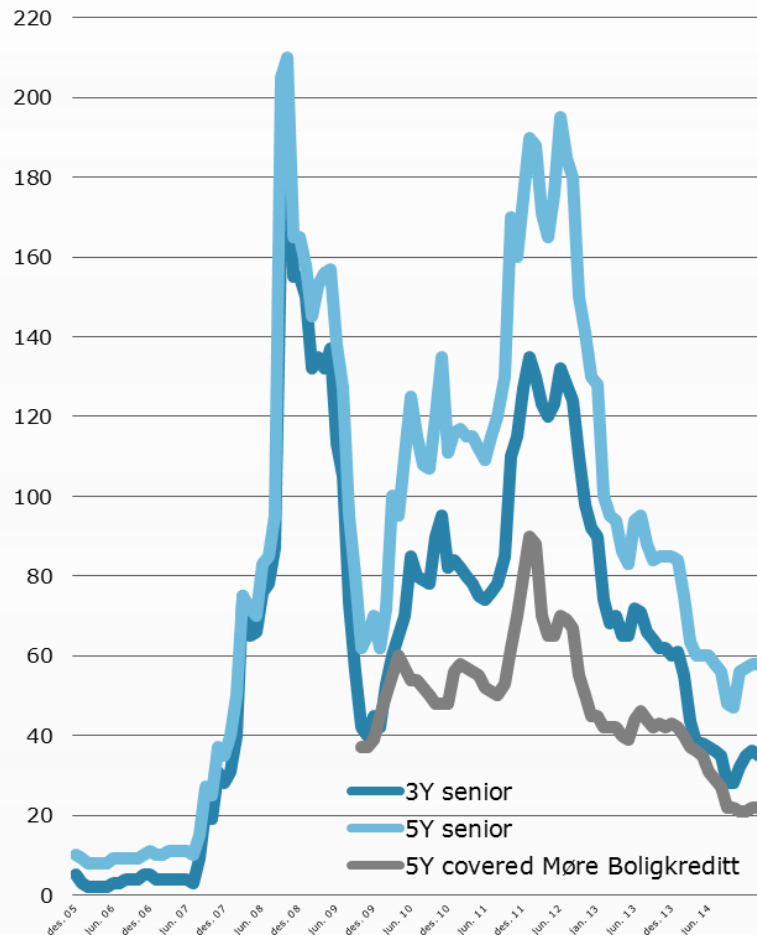
Retail banking	6.4 %
Corporate banking	-4.9 %
Public sector	-18.3 %



Funding and hedging

Good access to the market

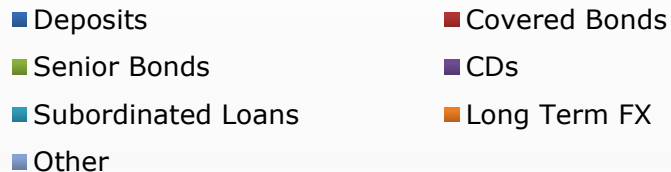
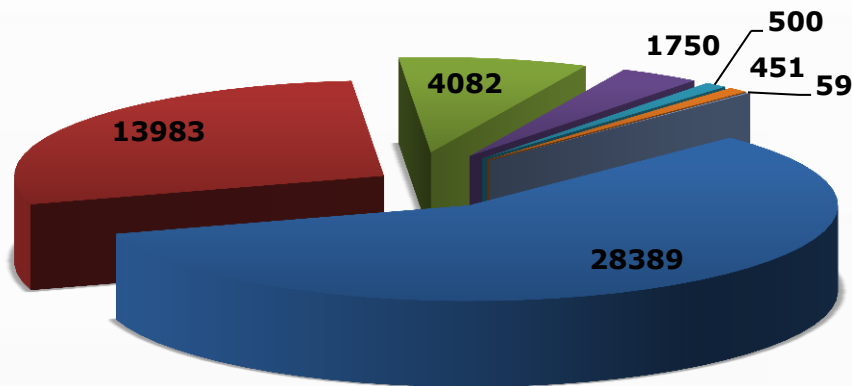
Margins



- Since the beginning of 2012 we have mainly seen funding margins been reduced. By the end of 2014 margins in the long-term bond market are at the lowest we have seen since January 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 76 % 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
- Sparebanken Møre is rated A3 (negative) and Covered Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's. In addition to rating the preliminary LCR rules with effect from September this year has led to differentiated margin pricing depending on size of the issue
- Sparebanken Møre has received top credit rating from Scandinavian analysts, latest ranked as the best Norwegian bank by DNB Markets in November 2014

High deposit to loan ratio

- total financing by quarter end



- Deposits from customers are the Group`s most important source of funding and we maintain a high deposit to loan ratio (58.1 % in the Group). Sparebanken Møre experiences the market access as very good
- Total market funding ended just above NOK 20.8 billion – approximately 80 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 1.96 years, Covered Bonds with a weighted average maturity of 3.92 years
- By year end two of Møre Boligkreditt`s outstanding bonds have a size that qualifies for Tier 2A liquidity in LCR. Going forward, Møre Boligkreditt AS will issue and build up more loans in this category

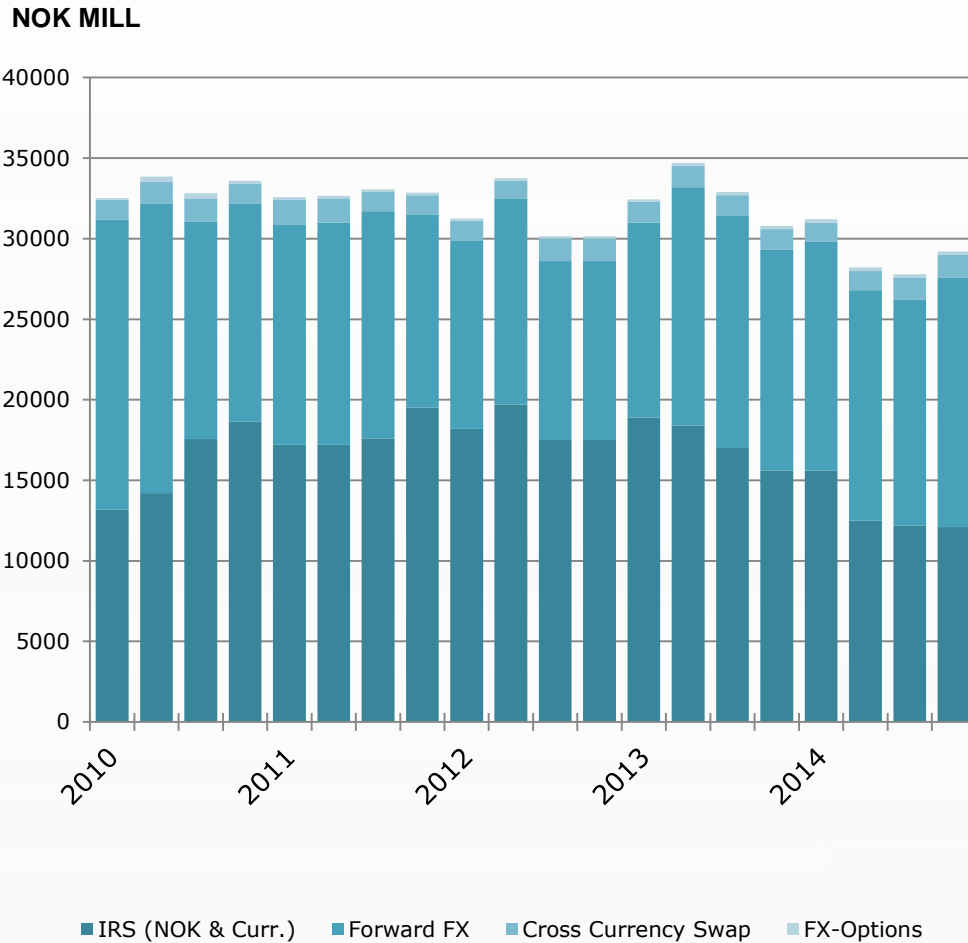


The quality of the liquidity portfolio is good

- with a high level of LCR

Rating	Market Value	Country	Market Value	Currency	Market Value
AAA	3.807.174	Norway	2.664.428	NOK	3.988.063
AA+	393.152	Sweden	600.378	EUR	757.345
AA	30.284	Int'l org	329.003		
AA-	132.788	Finland	269.211		
A	100.854	Germany	259.193		
A-	210.776	Luxembourg	218.987		
BBB+	15.371	Denmark	200.417		
BBB	55.010	UK	104.778		
		Austria	50.049		
		Netherlands	48.965		
Total	4.745.408	Total	4.745.408	Total	4.745.408

Off balance activity - quarterly

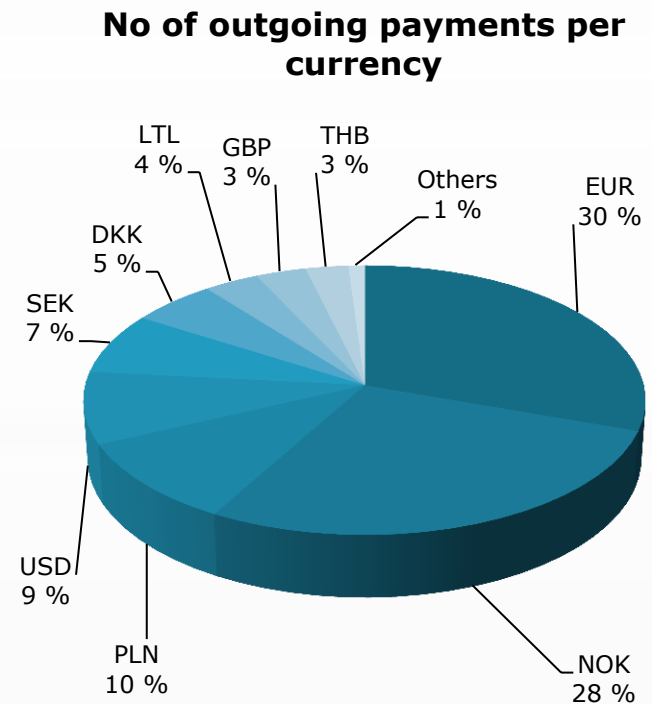
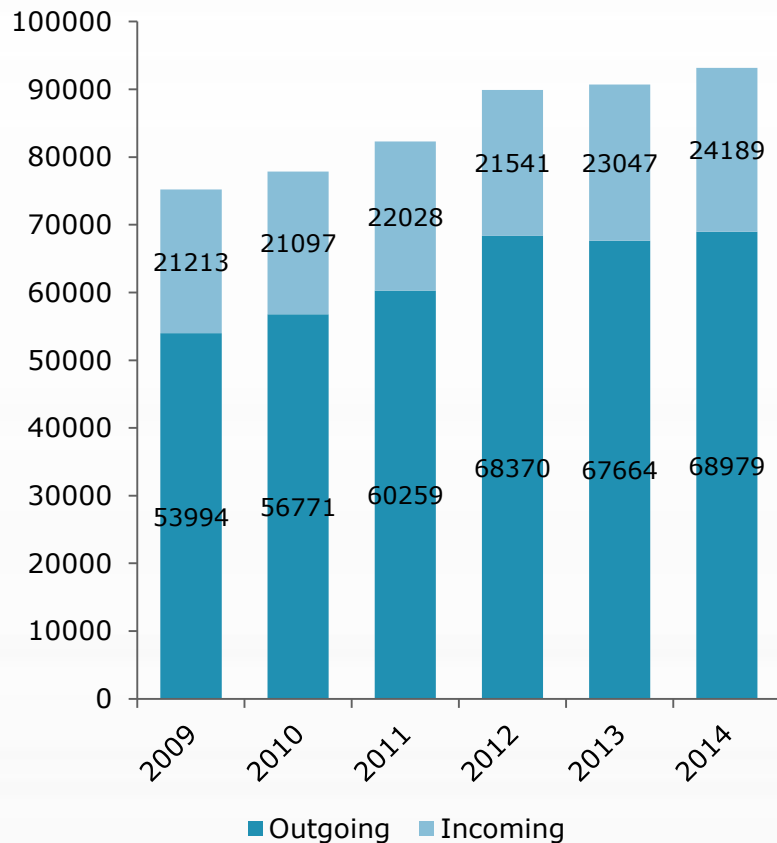


Low risk profile in the interest rate, equity and FX markets

- ✓ 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





Results



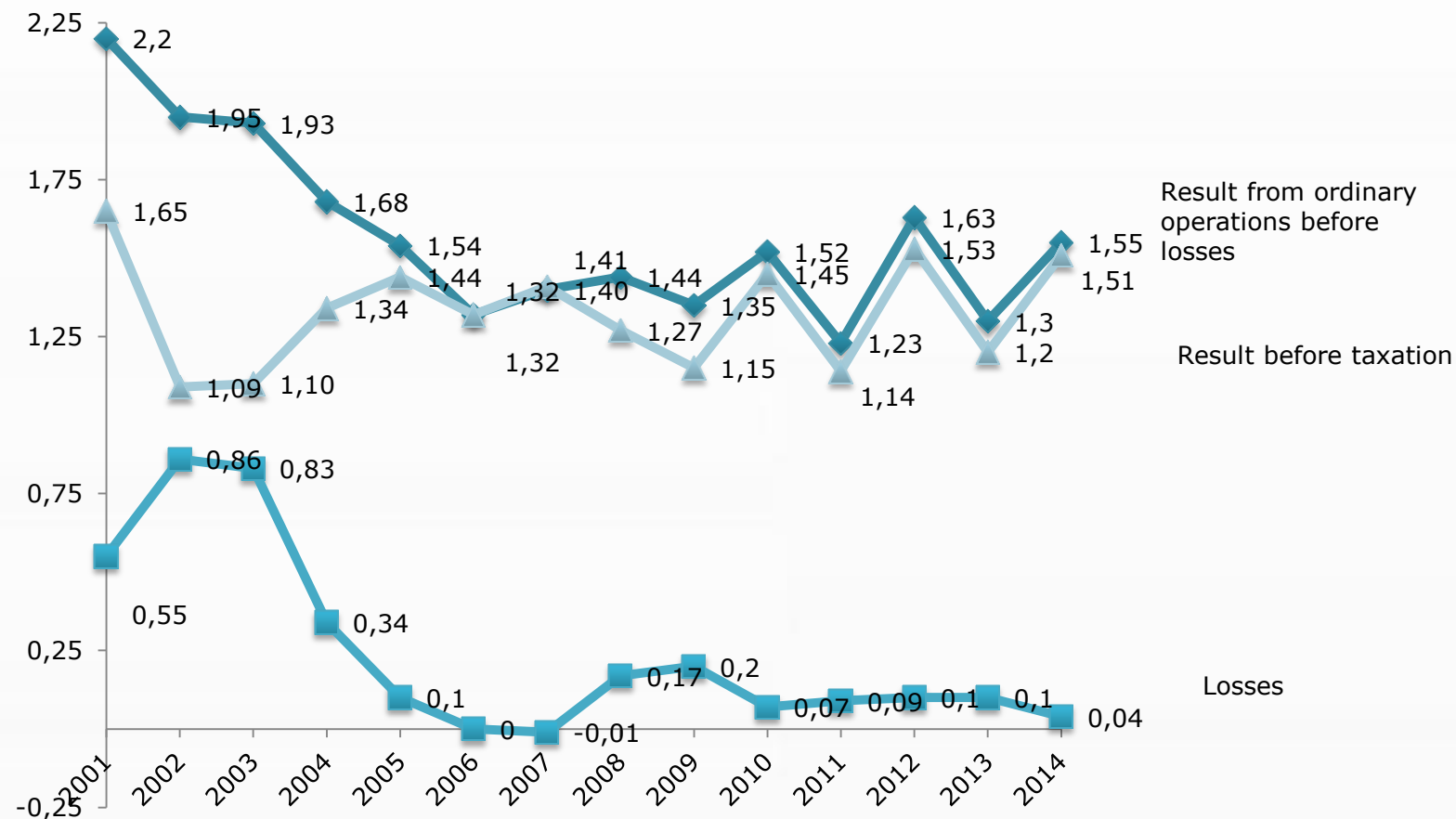
Main figures

	2014		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	1,093	2.01	1,042	2.00	51	0.01	4.9
Net return, financial investments	41	0.08	28	0.05	13	0.03	46.4
Nets AS	94	0.17			94	0.17	
Other income	180	0.33	174	0.34	6	-0.01	3.4
Total income	1,408	2.59	1,244	2.39	164	0.20	13.2
Personnel costs	324	0.59	313	0.60	11	-0.01	3.5
Other costs	240	0.45	256	0.49	-16	-0.04	-6.3
Total ordinary operating costs	564	1.04	569	1.09	-5	-0.05	-0.9
Result before credit losses	844	1.55	675	1.30	169	0.25	25.0
Losses on loans and guarantees	22	0.04	54	0.10	-32	-0.06	-59.3
Result before tax cost	822	1.51	621	1.20	201	0.31	32.4
Tax cost	199	0.36	171	0.33	28	0.03	16.4
Result after tax cost	623	1.15	450	0.87	173	0.28	38.4
From the Balance Sheet							
Total assets	56,305		54,627		1,678		3.1
Net lending	48,884		46,241		2,643		5.7
Deposits	28,389		28,068		321		1.1
Capital	5,690		5,680		10		
Core capital ratio		14.40		15.48			-1.08 p.p.
Core Tier 1 Capital ratio		12.01		12.50			0.49 p.p.
Core Tier 1 Capital IRB		13.90					
Core Tier 1 Capital IRB incl. Basel I floor		13.60					
Return on equity capital (incl. Nets)		14.0		11.6			
Costs as a percentage of income		40.1		45.7			
Earnings per EC (the Bank in NOK)		29.10		18.45			

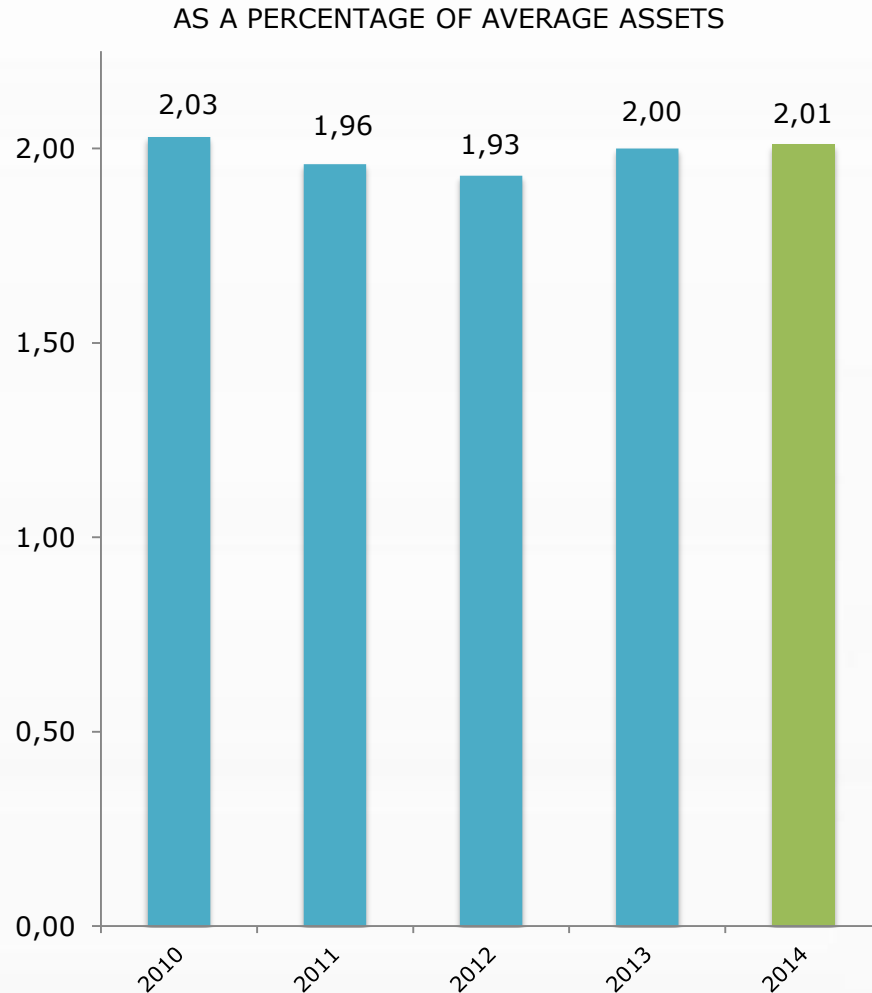


Results

Result as a percentage of average assets



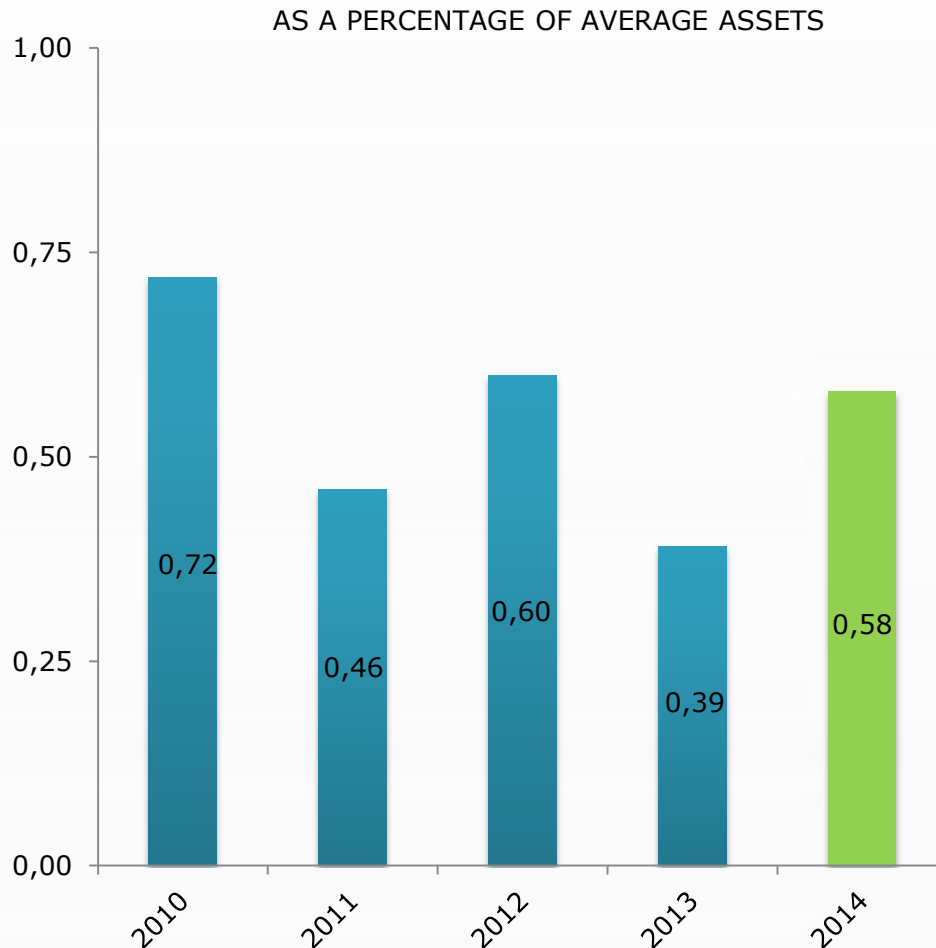
Higher net interest income



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



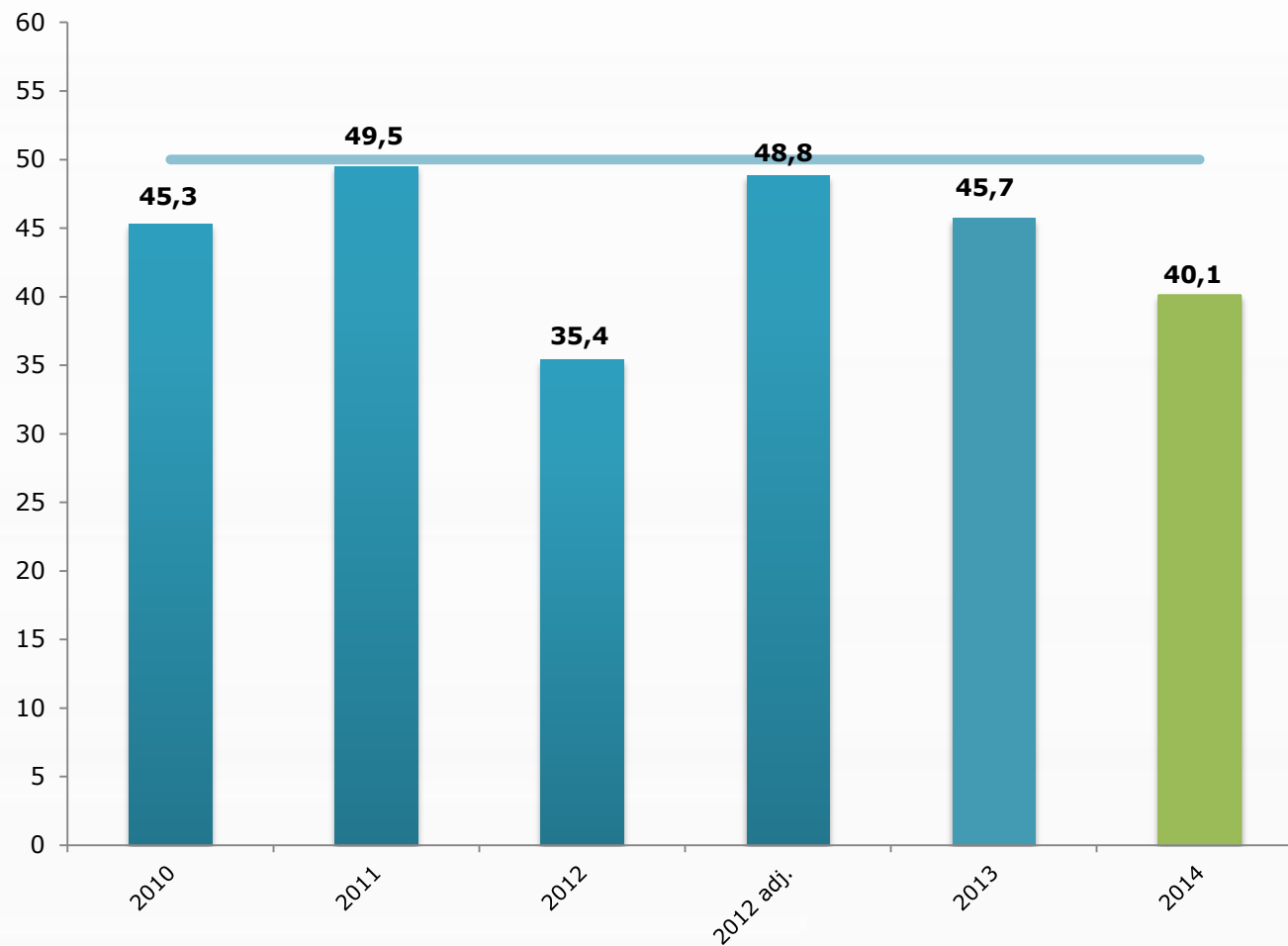
Higher other operating income, compared with 2013:

- Capital gains from the sale of Nets AS
- Mark to market valuation of the liquidity portfolio
- Higher commission income
- Lower dividend income from IRS-business, stable from FX-business



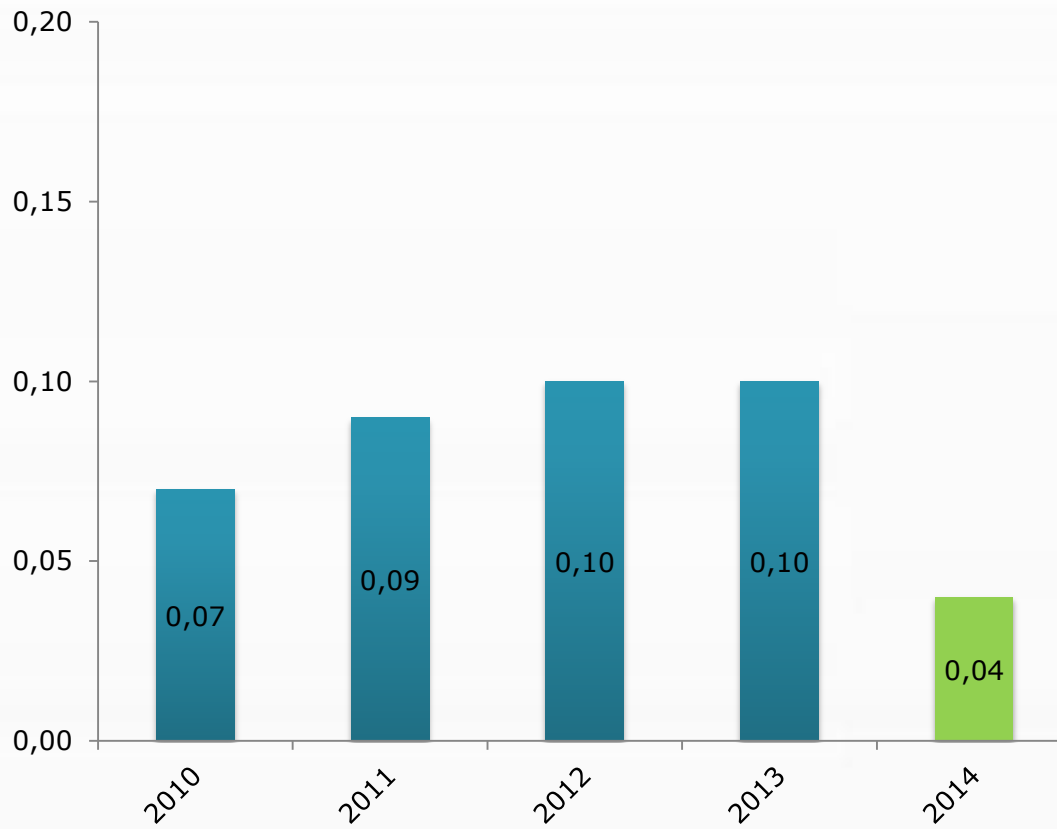
Strong development in cost/income

- well below the target



Losses at a very low level

per. cent of average assets



Losses totalled NOK 22 million

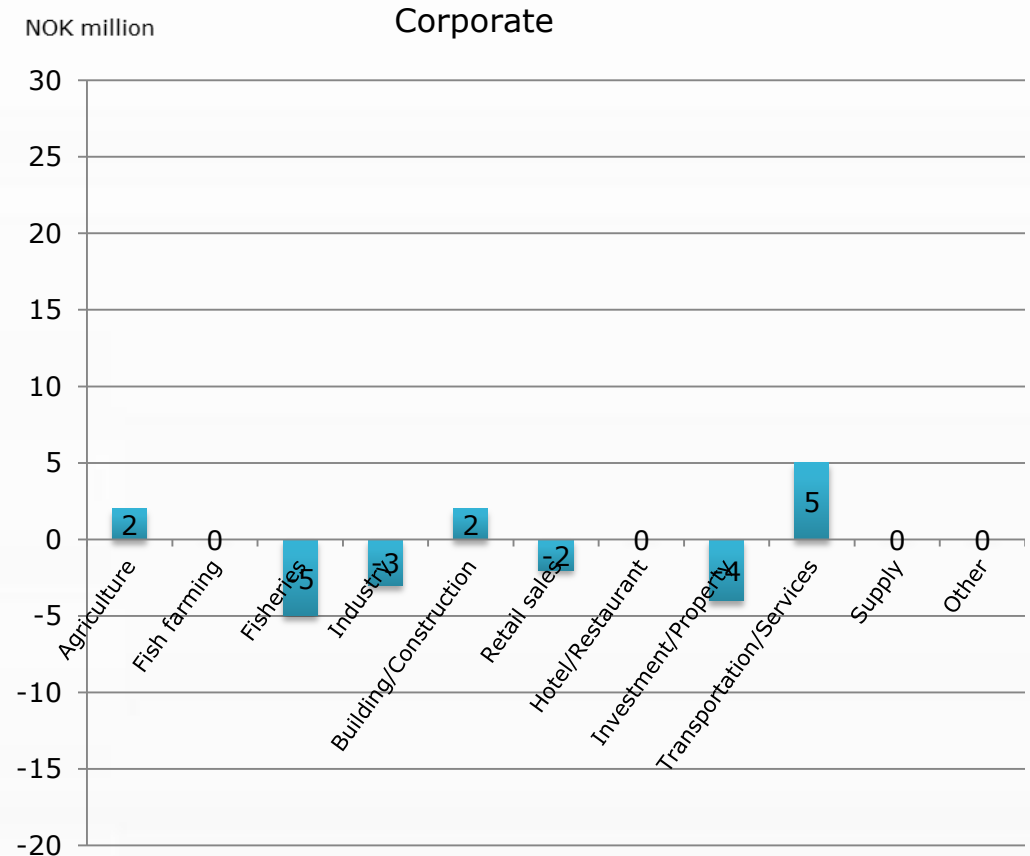
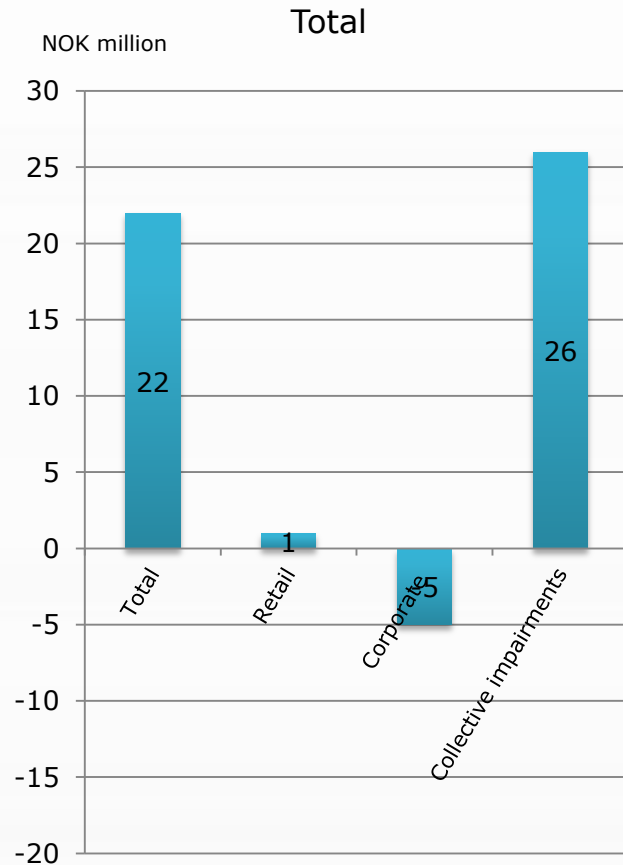
- Corporate: NOK -5 million
- Retail NOK 1 million
- Collective impairment NOK 26 million

Total impairments amounted to NOK 309 million by 31.12.2014

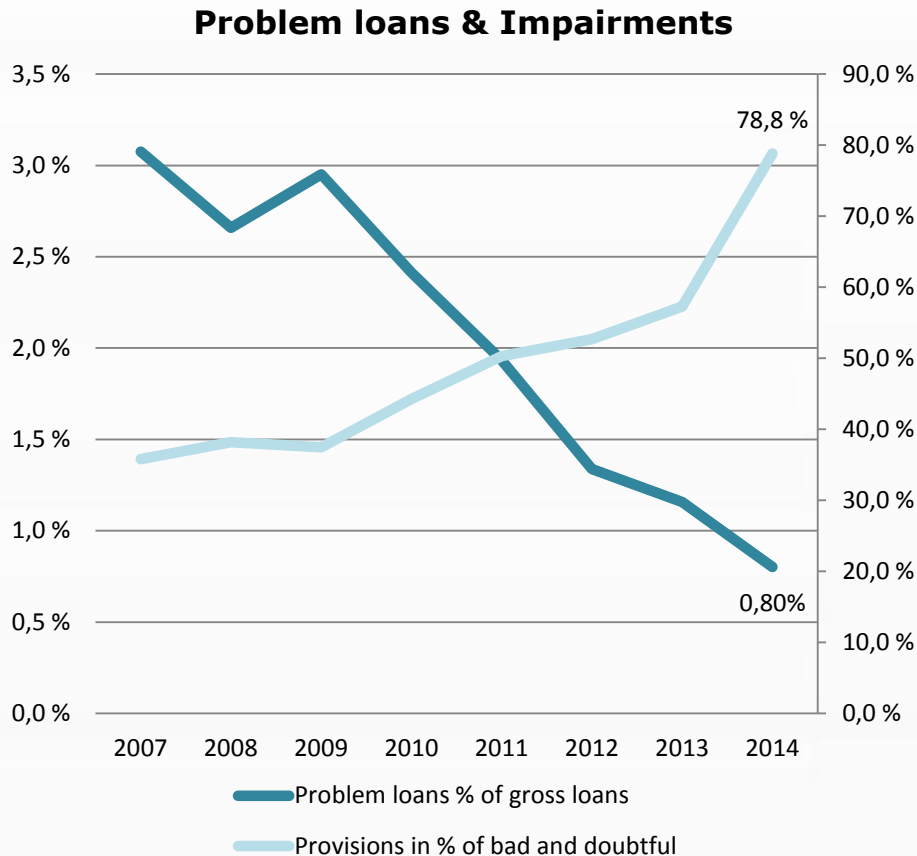


Results

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 0,80 % by the end of 2014
- The Bank`s loan loss reserve coverage ratio shows a similar positive development and ended at 78,8 % by year end



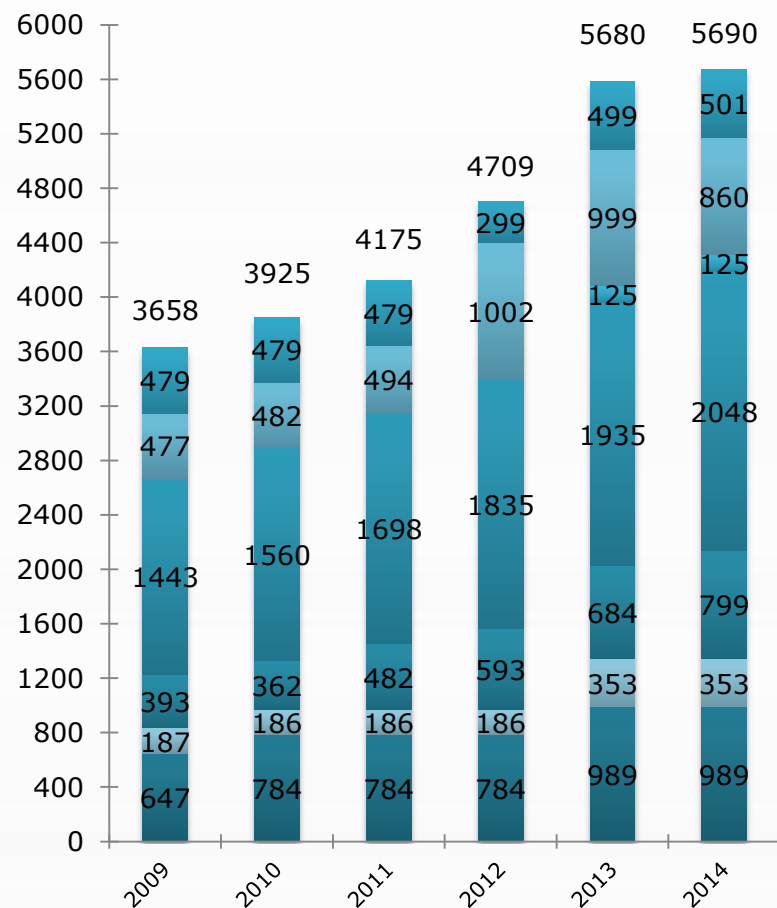
Equity and ECs



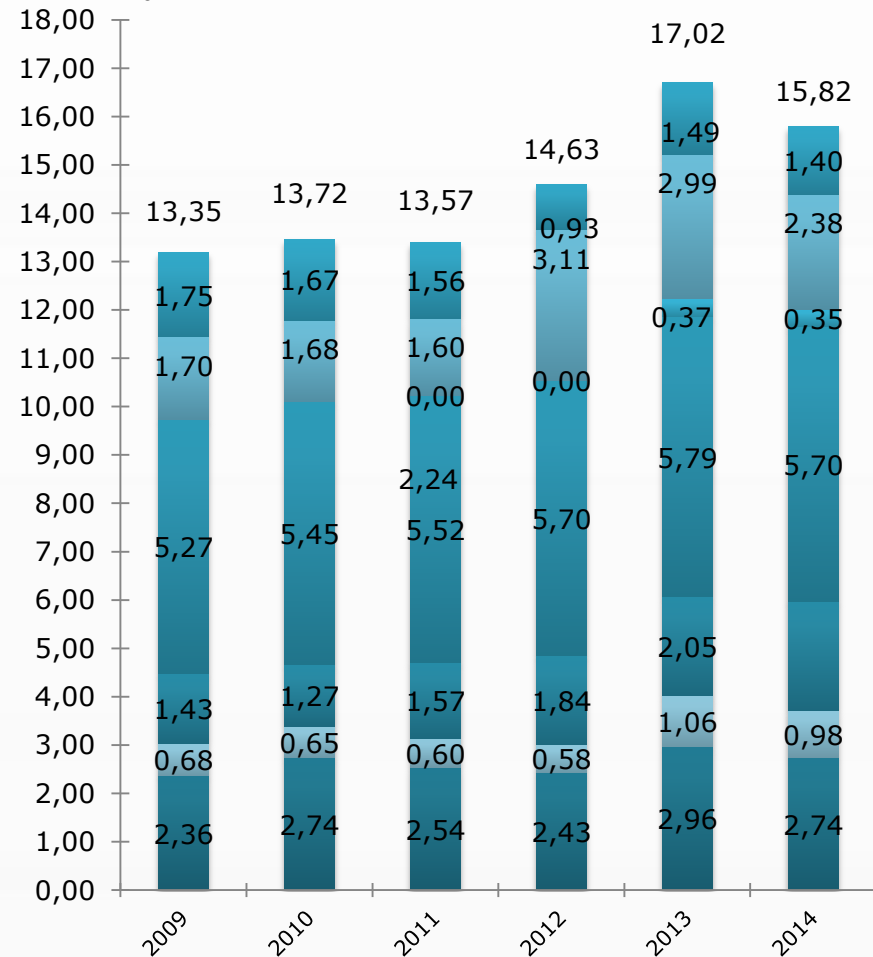
Equity

Equity and related capital: Strong capital

NOK mill.



%

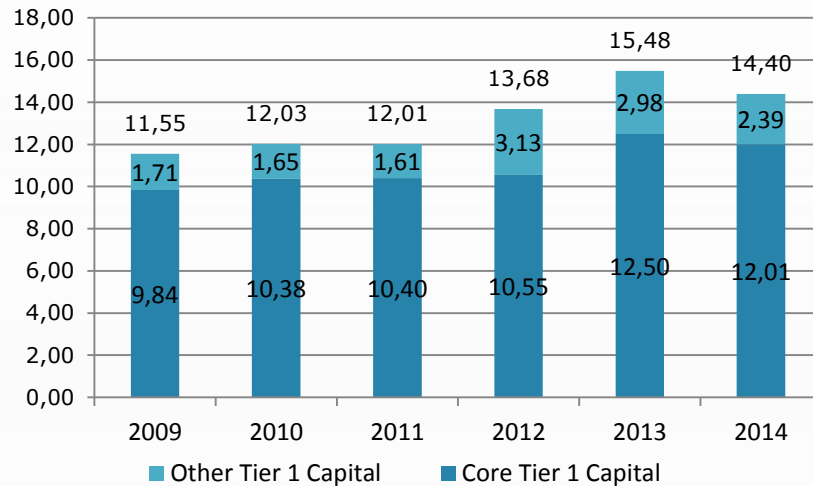


- ECs
- Premium Fund
- Dividend Equalisation Fund
- Savings Bank's Fund
- Gift Fund
- Capital Bonds
- Supplementary capital
- Miscellaneous

Equity

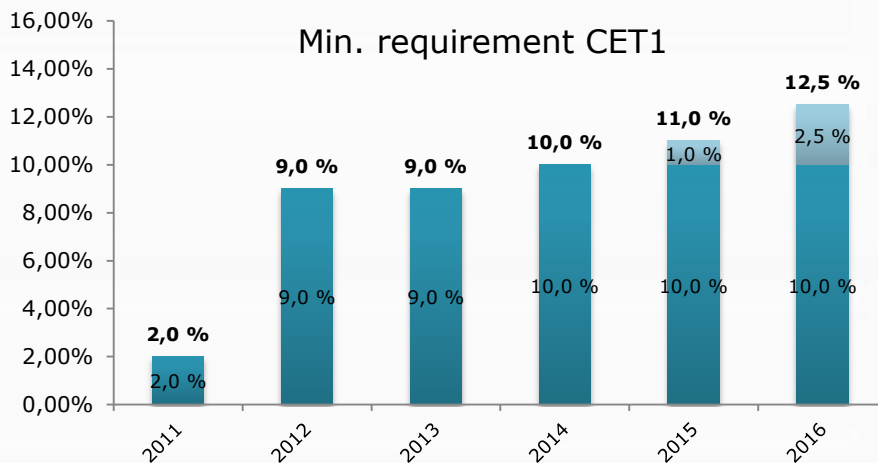
IRB approval from FSA

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 macroeconomic environment for Møre og Romsdal is still satisfying and will help to keep the level of losses low and within the bank's plans this year
- We expect lending growth to be weaker in the retail market and stable within the corporate market compared with the development in recent years
- Long-term financing in the Norwegian and international funding market will increasingly be used - the bank has strong financial strength and good credit rating
- Our strong cost focus will continue and will contribute to cost ratio being well within the Bank's target for 2015
- The Bank has laid a robust strategy for the years ahead through new business plan "Møre 2018"



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 December 2014

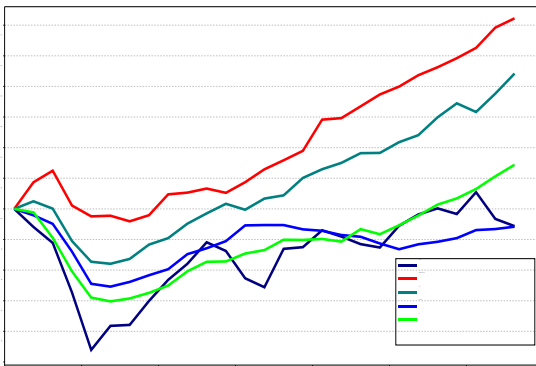
Dividend pr. EC:			
1990	10	2002	15
1991	0	2003	16
1992	0	2004	18
1993	13	2005	20
1994	12	2006	20
1995	13	2007	23
1996	13	2008	20
1997	13	2009	12
1998	15	2010	12
1999	16	2011	8
2000	17	2012	12
2001	17	2013	8
		2014	13.50 (proposal)





Macroeconomic Overview

The Norwegian economy remains strong. However, growth will be low or moderate in 2015-16



The Norwegian economy is characterised by:

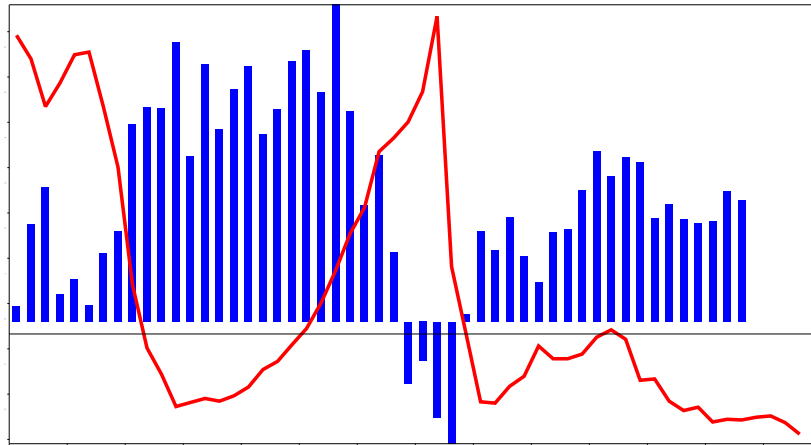
- Low unemployment
- Record high house prices
- Increased private demand
- An expansionary fiscal policy
- Low interest rates

However, growth is expected to be low in 2015 due to:

- A sharp decline in petroleum investments
- Low growth in Europe
- High costs in the export sectors

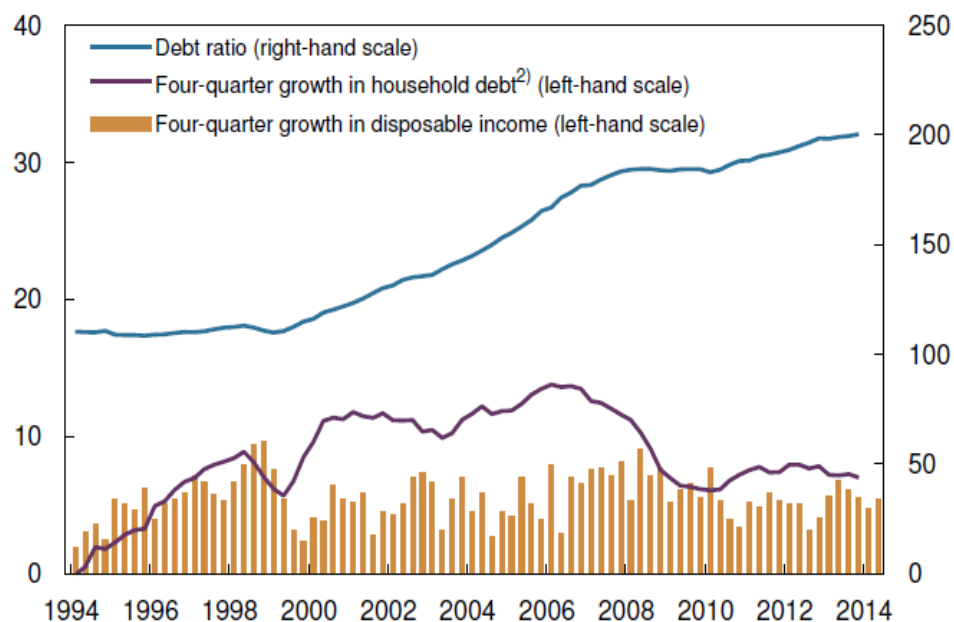
We expect a GDP growth in Mainland Norway of 1 ½ per cent in 2015

Growth has stabilised over the past years



High household debt is the main domestic risk factor

Chart 3.3 Household debt-to-disposable income ratio.¹⁾
Percent. 1994 Q1 – 2014 Q2



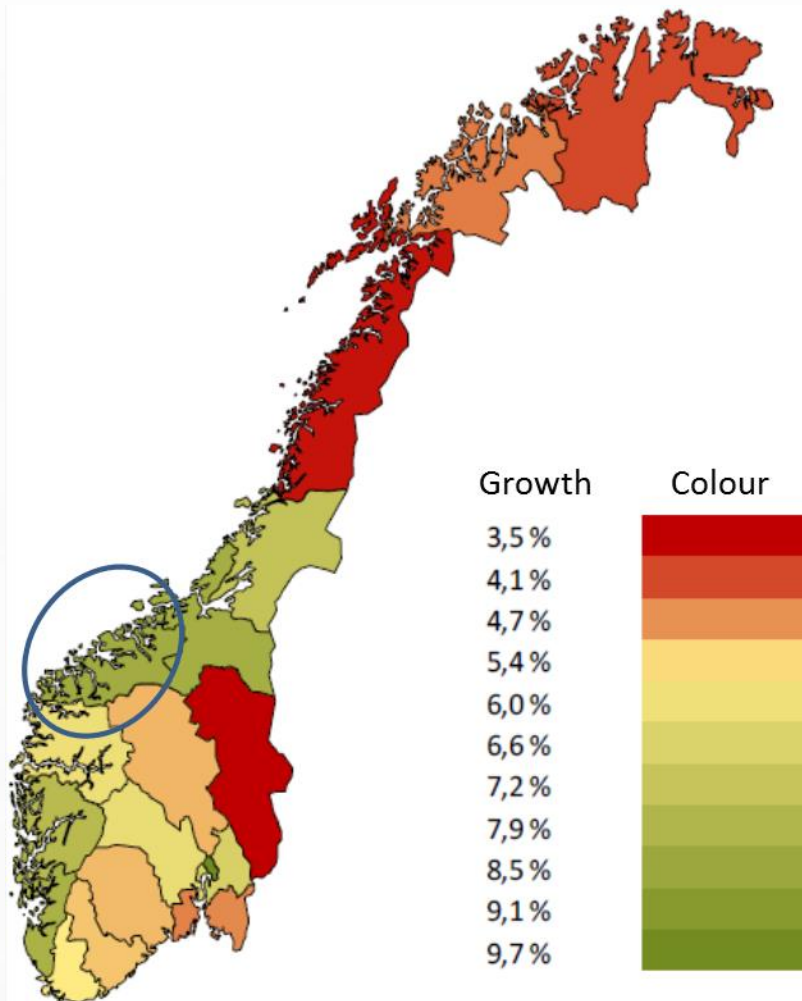
1) Loan debt as a percentage of disposable income, adjusted for estimated reinvested dividend income for 2000 – 2005 and redemption/reduction of equity capital for 2006 Q1 – 2012 Q3.

2) Change in stocks at the end of the quarter. Last observation on 2013 Q4.

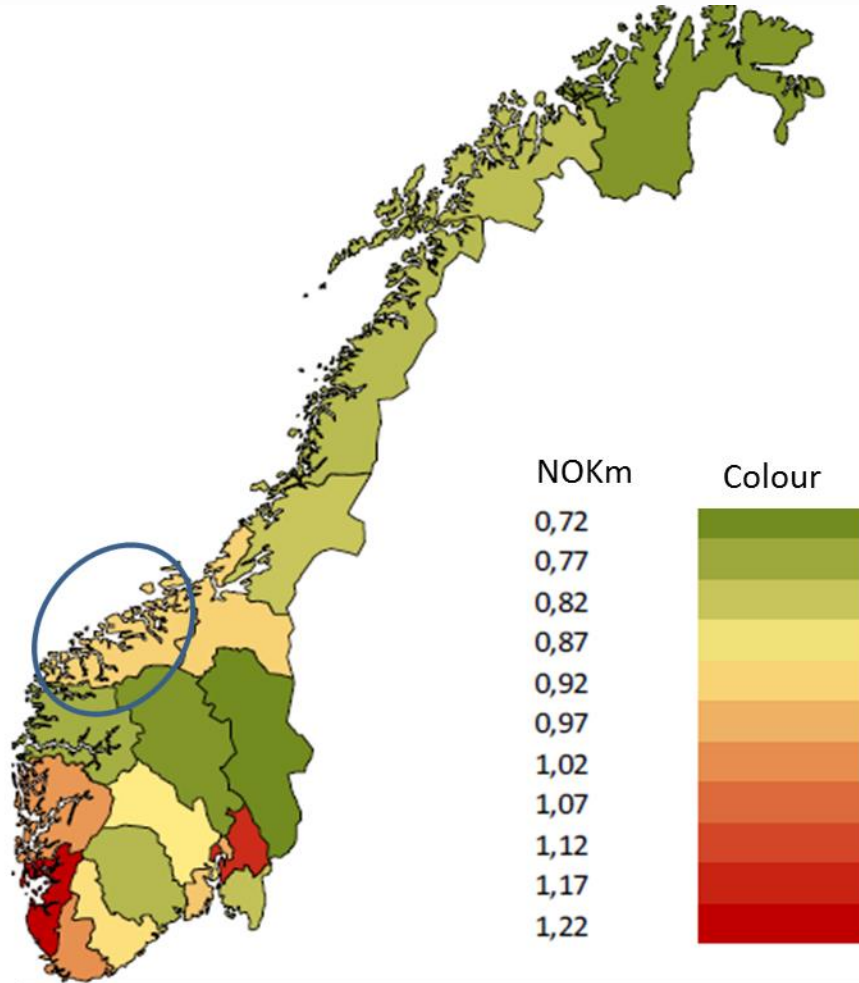
Sources: Statistics Norway and Norges Bank

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

Key characteristics

Home ownership

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

FSA lending guidelines

- LTV should normally not exceed 85%
- Interest-only loans should normally not be granted if LTV exceeds 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

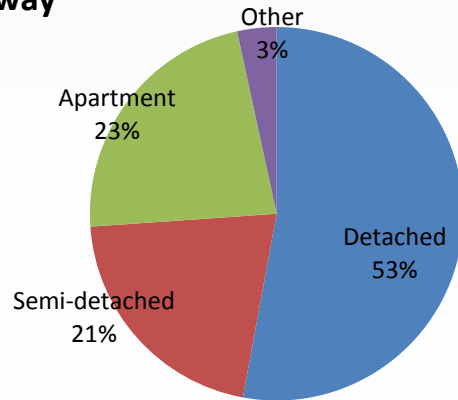
- According to OECD, Norway has the best unemployment benefits
- On average about 60% of previous salary paid benefit for 104 weeks minimum

Tax incentives

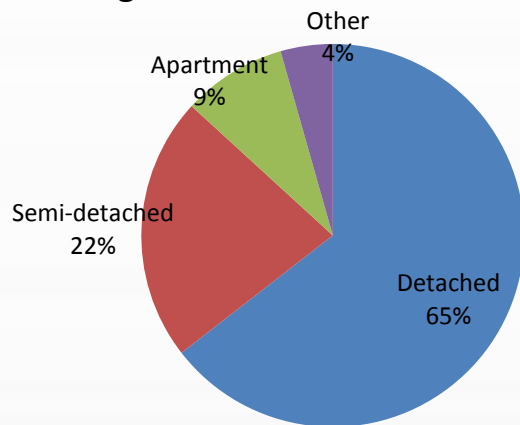
- All interest expenses are tax deductible at capital gains tax rate (27%)
- Properties are given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

Differences in housing types and prices

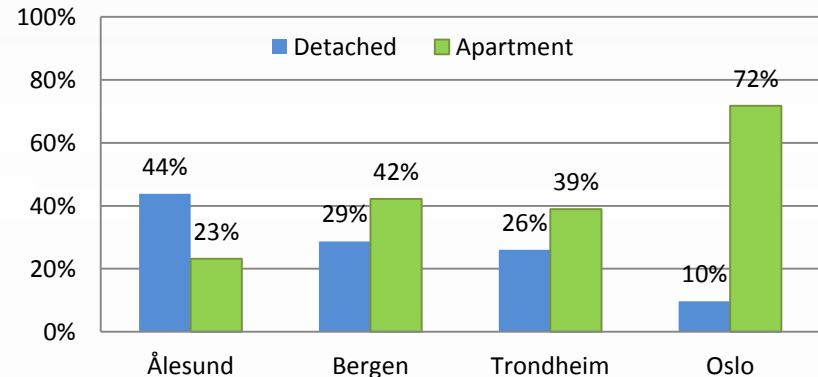
**Housing-type distribution
- Norway**



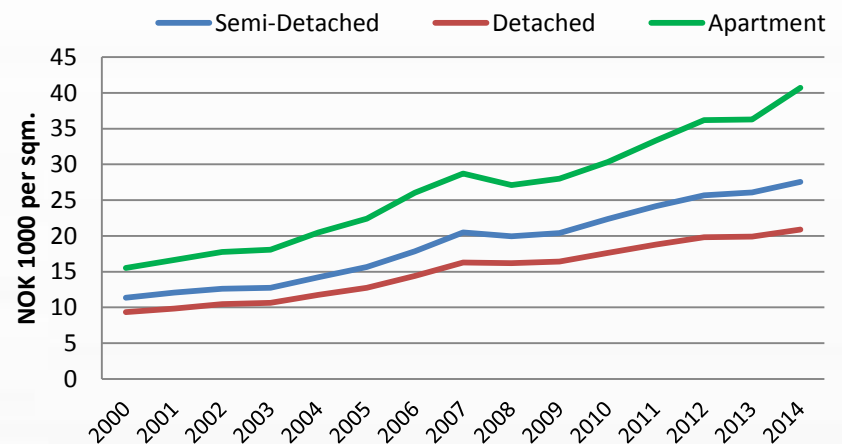
**Housing-type distribution
- Møre og Romsdal**



**Housing type distribution
- Detached vs apartment**



Price development / housing types



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

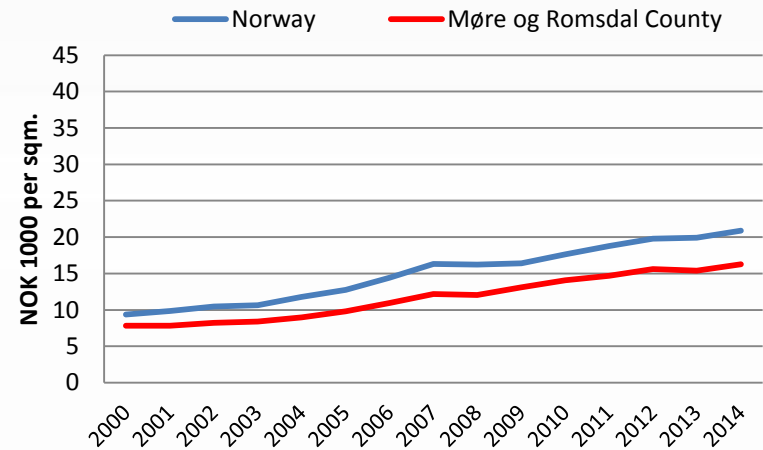
Differences in development of housing prices

Year-over-year average growth in Norwegian housing prices by end of 2014 is 8.1 per cent.

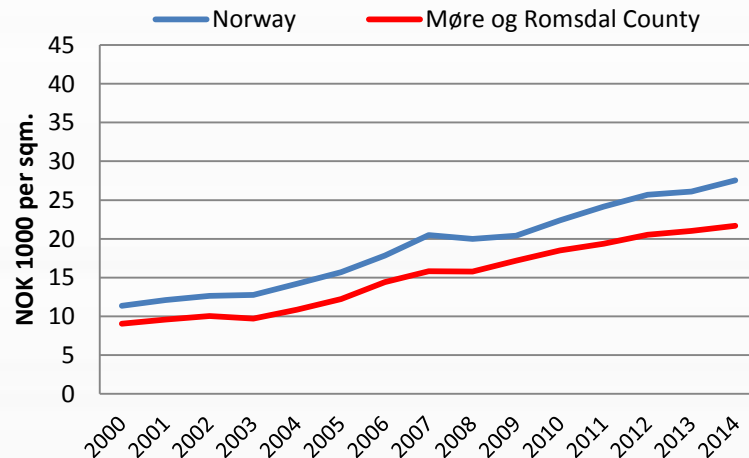
Price growth on apartments in Norway has been considerably stronger than other housing-types.

The average national price growth in Norway has been stronger than the average price growth in the county of Møre og Romsdal.

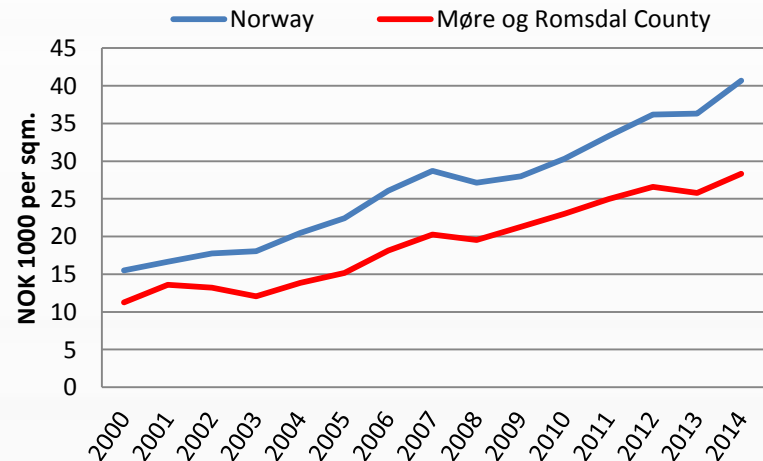
Detached



Semi-detached



Apartment





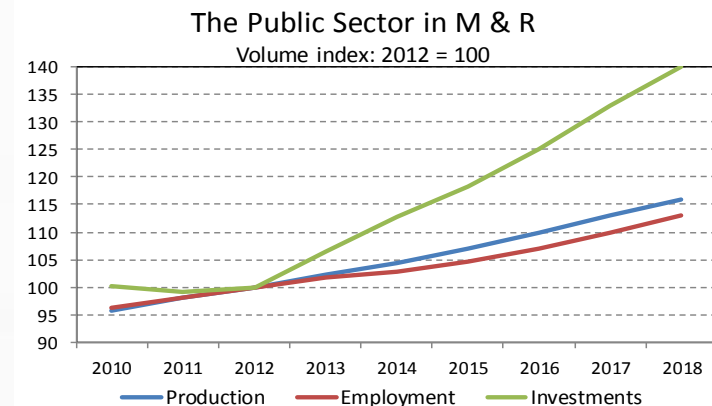
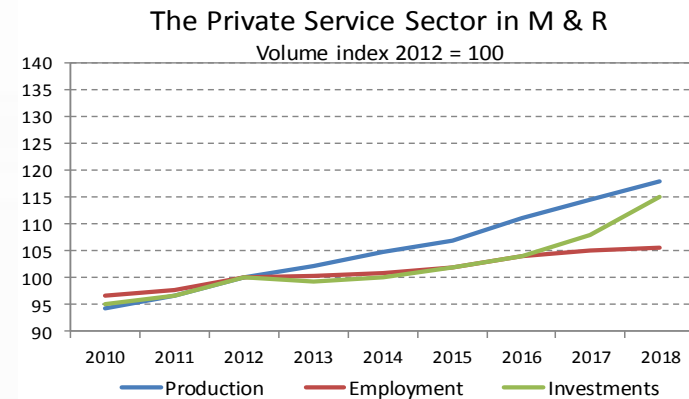
The business sector in Møre og Romsdal is doing well

The most important drivers of growth and activity in 2015 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
- A competitive business sector
- Higher export market growth



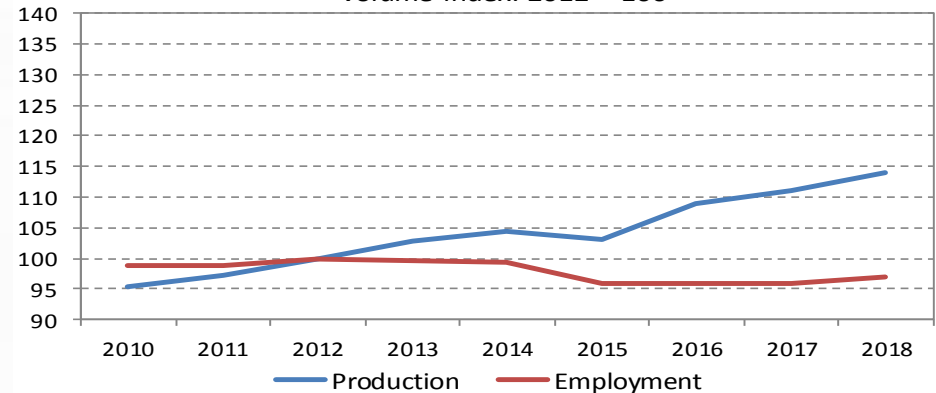


The long term outlook for the manufacturing sector is good

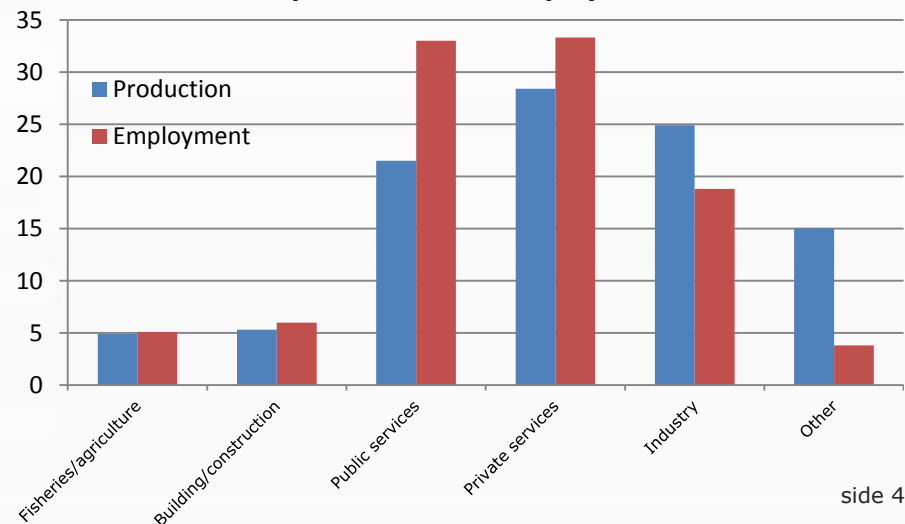
- The outlook for the manufacturing industry is still positive due to:
 - ✓ The weakening of the NOK
 - ✓ Growth in World trade
- Unemployment in Møre og Romsdal will most likely stabilise around 2 ½ - 2 ¾ per cent during 2015/16
- Increased demand for labour due to increased production of goods and services will keep unemployment low

The Manufacturing Sector in M & R

Volume index: 2012 = 100



Distribution of production and employment between sectors



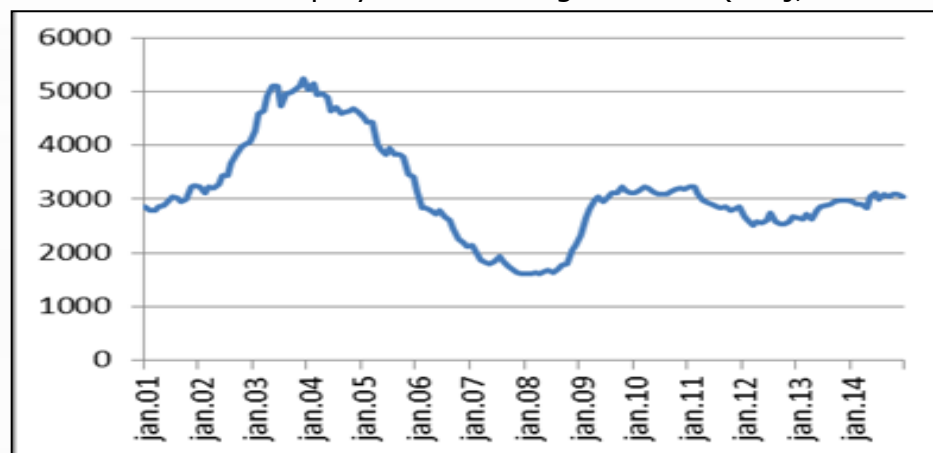
Moderate production growth in Møre og Romsdal - growth will vary among the sectors

- 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
- A sharp decline in petroleum investments
- Somewhat higher unemployment

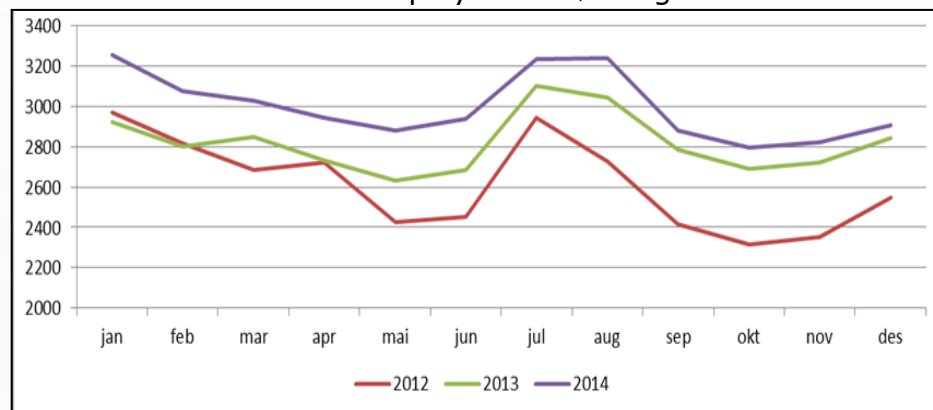
Most important risk factors:

- 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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