



Sparebanken Møre - the Group

Presentation

4th quarter 2016

Runar Sandanger EVP

January 26 2017

Agenda

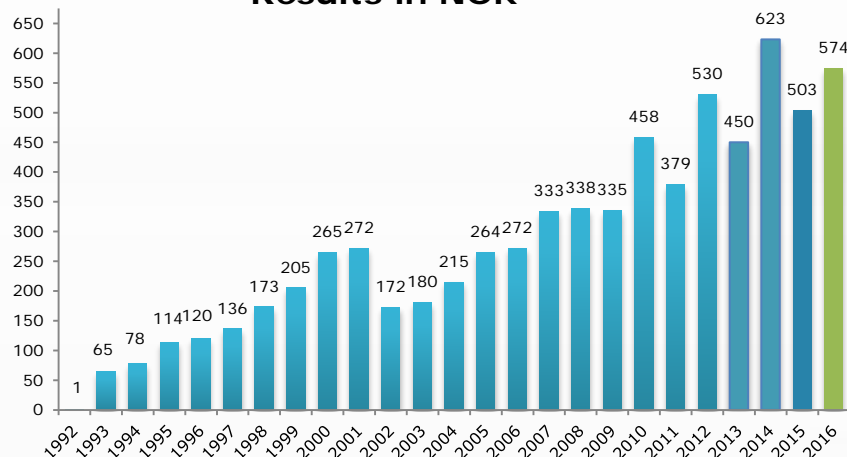
- Summary
- Introduction
- Results
- Deposits and Loans
- Funding and Hedging
- Equity and ECs
- Economic outlook and future prospects
- Appendix: Housing Market



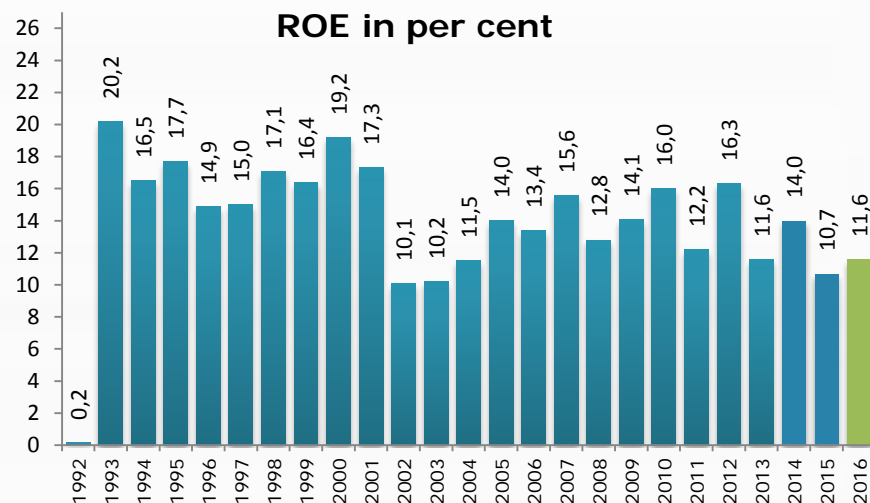


Historical performance and highlights

Results in NOK



ROE in per cent

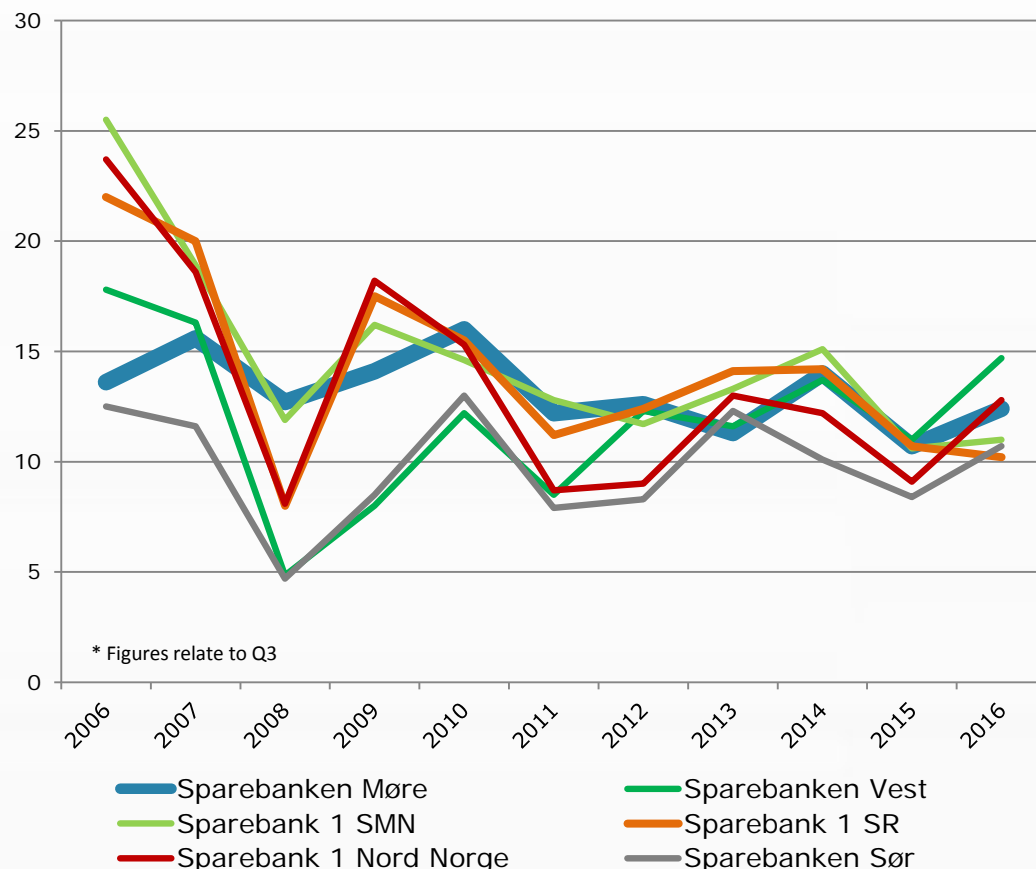


- The Norwegian economy is still facing consequences of the fall in oil prices. In our county we see the consequences differ between industries, however the total picture shows a favourable operating environment with a low level of unemployment, albeit still high uncertainty
- Total assets ended at NOK 61.6 billion by year end
- We see a moderate growth in loans, very strong growth in deposits – the bank`s capital and liquidity position is strong
- The net interest margin is under pressure following high competition, different operating conditions, good liquidity and low interest rates – and a generally improved quality of the loan book
- Low level of loan losses and low volume of loans in default



High and stable return – based on our business model

Reported ROE*



- 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



Introduction to the bank and the market

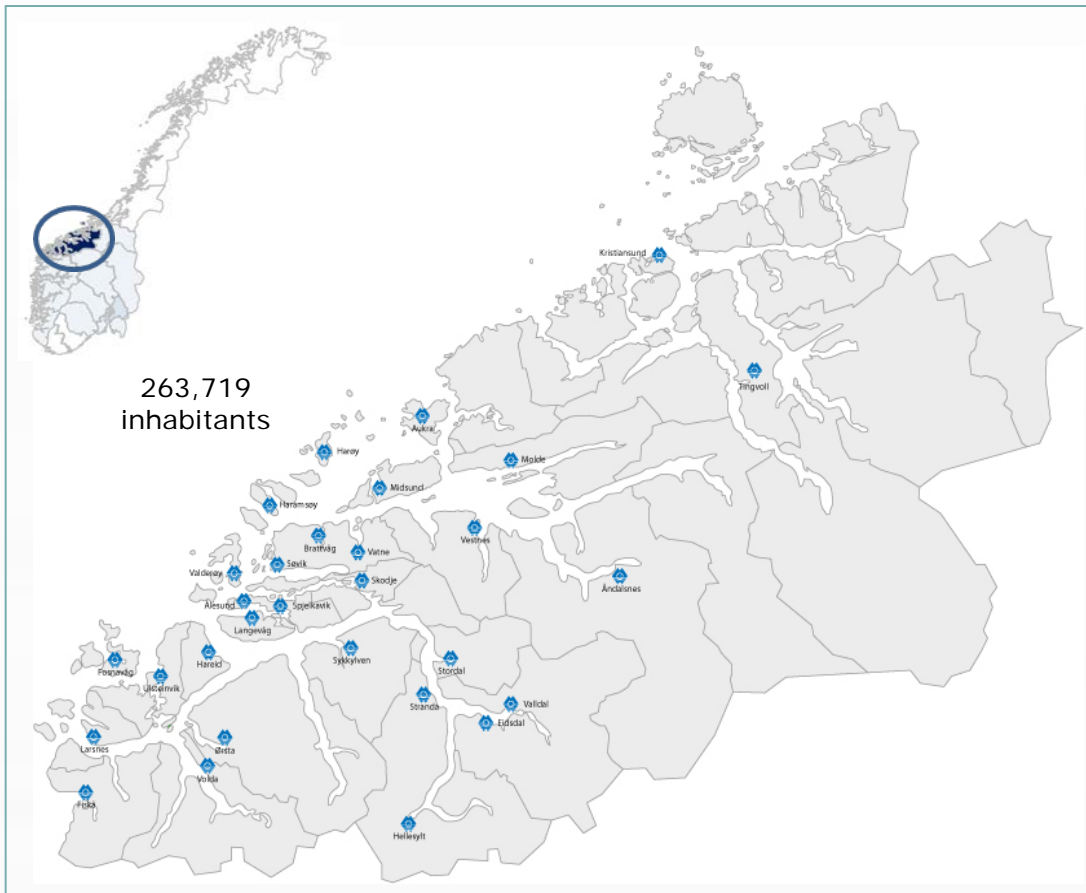
New CEO

Trond Lars Nydal (46 years) is appointed CEO of Sparebanken Møre from 1 April. He comes from a position as EVP and Head of Retail Banking Division in the Bank.



Trond is a Business School Graduate from Norwegian School of Economics (NHH) in 1997. He was employed at Sparebanken Møre in 1997 and has held several leading positions within the Bank.

Introduction to Sparebanken Møre



- Independent savings bank
- Head office in Ålesund
- 30 branches in Møre og Romsdal county
- NOK 61.6 billion in total assets, about 170,000 customers
- 378 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

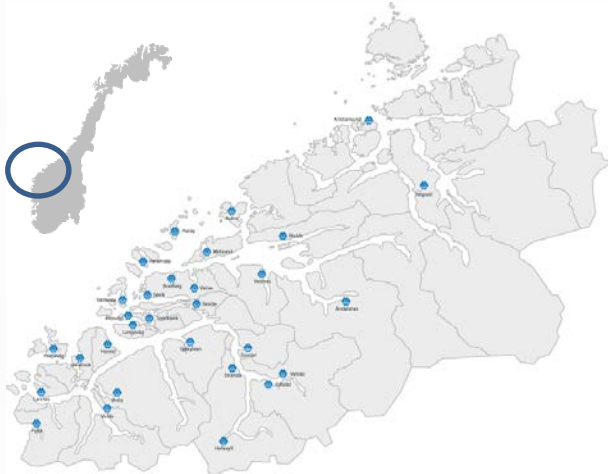
"High competence, financially solid and safe"



Sparebanken Møre – a brief overview

- Sparebanken Møre is the 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 about 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: 70.2 %
 - ✓ Deposits from the retail market: 57.4 %
- 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 about 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, the industry has been highly skilled to adapt to other building projects than oil-related
- Over 75 % of the worlds large, hi-tech offshore vessels are designed in our area
- 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



- Norway has beaten all previous records and has exported seafood worth NOK 91,6 billion in 2016. This is an increase of 23 per cent or NOK 17 billion compared with the previous 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 180 cruise vessels in 2016
- 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 7 500 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
- Stabilized level of unemployment during the quarter, 3.1 %, national average of 2.8%
- 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 61.6 billion
- Market leader in main market, the county of Møre og Romsdal
- 70.2% of lending to retail customers, of which more than 95 % are mortgages
- Strong capitalization reflected by Core Capital of 17.0%, Core Tier 1 of 14.7% and a Leverage Ratio of 8.5%
- The Bank is rated A2 (stable) by Moody's



Results



Results

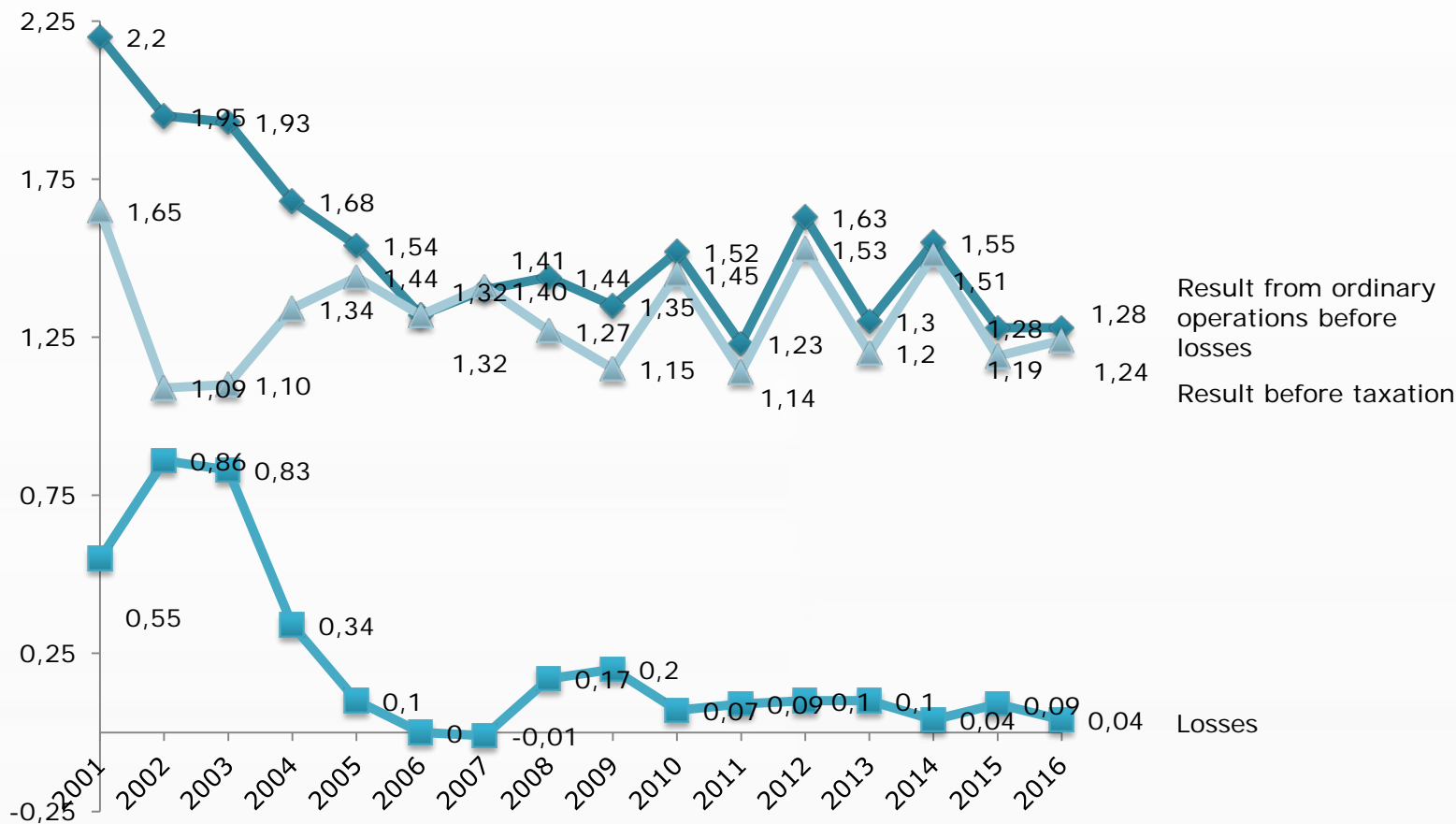
Main figures

Results	2016		2015		Changes		
	NOK mill	%	NOK mill	%	NOK mill	p.p.	%
Net interest income	1,082	1.79	1,098	1.89	-16	-0.10	-1.5
Net return, financial investments	30	0.05	63	0.11	-33	-0.06	-52.4
Gain Visa Transaction	45	0.07			45	0.07	
Gain/losses liquidity portfolio	24	0.04	-51	-0.09	75	0.13	
Other income	182	0.30	193	0.33	-11	-0.03	-5.7
Total other income	281	0.46	205	0.35	76	0.11	37.1
Total income	1,363	2.25	1,303	2.24	60	0.01	4.6
Personnel costs	335	0.55	333	0.57	2	-0.02	0.6
Changing the Pension Scheme			-24	-0.04	24	0.04	
Other costs	251	0.41	252	0.43	-1	-0.01	-0.4
Total ordinary operating costs	586	0.97	561	0.96	25	0.01	4.5
Result before credit losses	777	1.28	742	1.28	35	0.00	4.7
Losses on loans and guarantees	22	0.04	50	0.09	-28	-0.05	-56.0
Result before tax cost	755	1.24	692	1.19	63	0.05	9.1
Tax cost	181	0.30	189	0.32	-8	-0.02	-5.8
Result after tax cost	574	0.94	503	0.87	71	0.07	14.7
Total assets	61,593		60,120		1,473		
Lending	52,691		51,286		1,405		
Deposit from customers	32,562		29,389		3,173		
Capital	6,128		5,874		254		
Capital %	18.6		18.1				
Core capital %	17.0		16.6				
CET 1 %	14.7		14.1				
Leverage Ratio (LR) %	8.5		8.0				
ROE	11.6		10.7				
Cost/income ratio	43.0		43.0				
Earnings per EC (Group in NOK)	28.80		25.25				
Earnings per EC (Bank in NOK)	29.85		25.70				

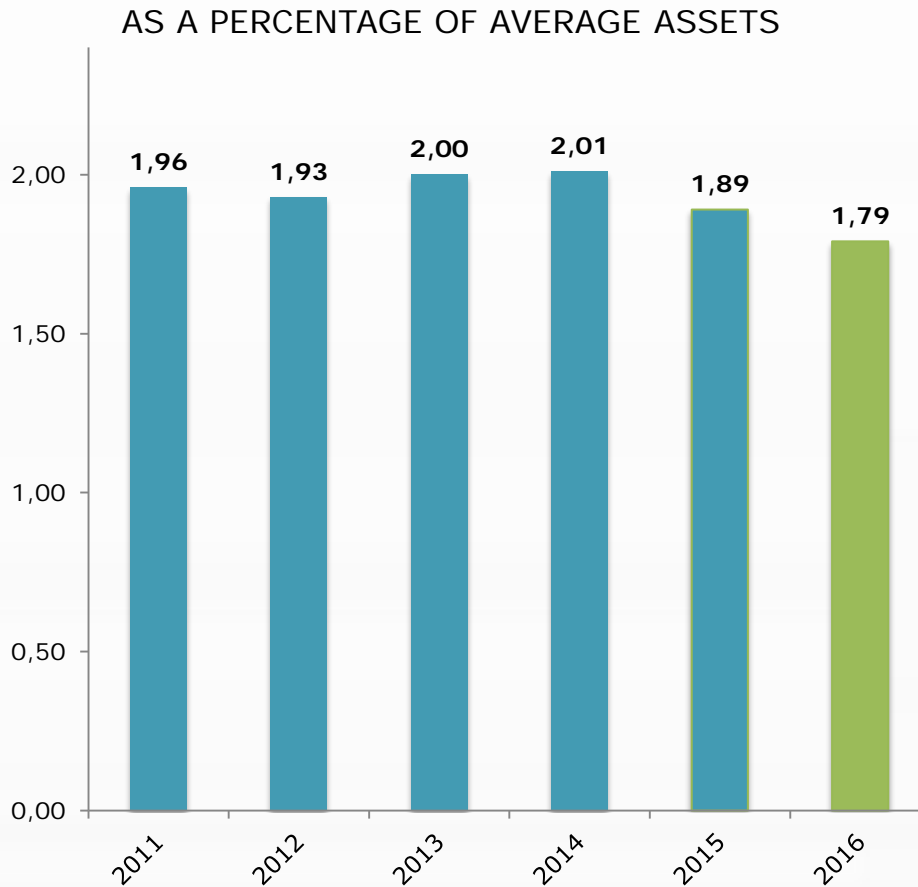


Results

Result as a percentage of average assets - more than 10 years with very low losses



Lower net interest income

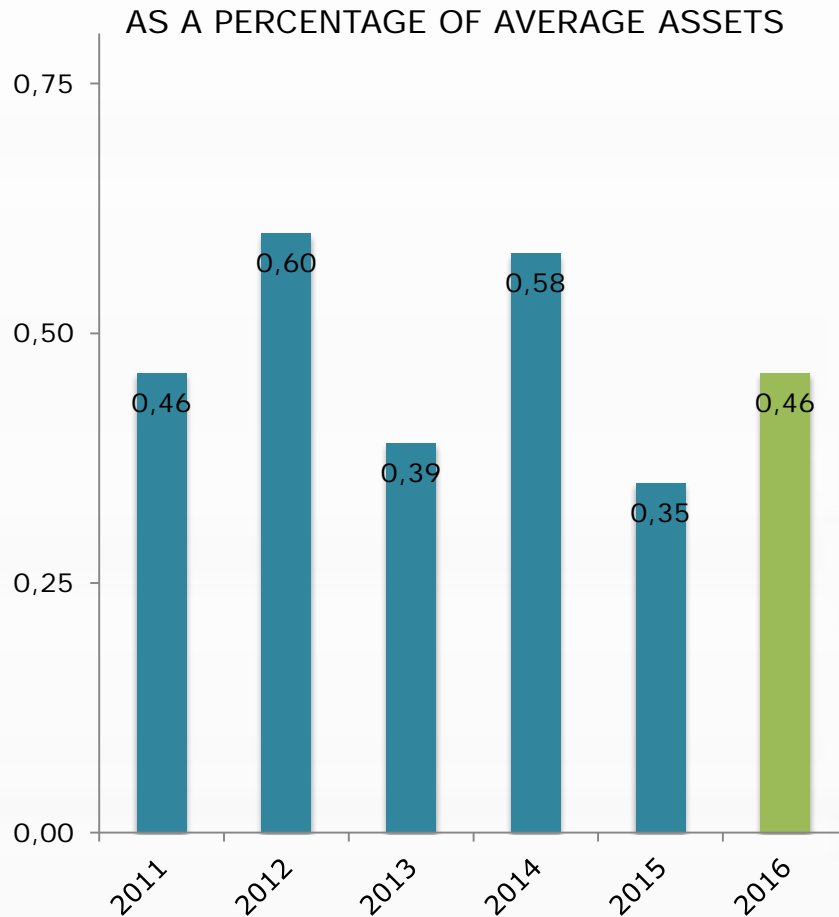


Net interest income is lower than in 2015

- ✓ Strong competition on loans and deposits
- ✓ Improved quality of our loan book
- ✓ 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



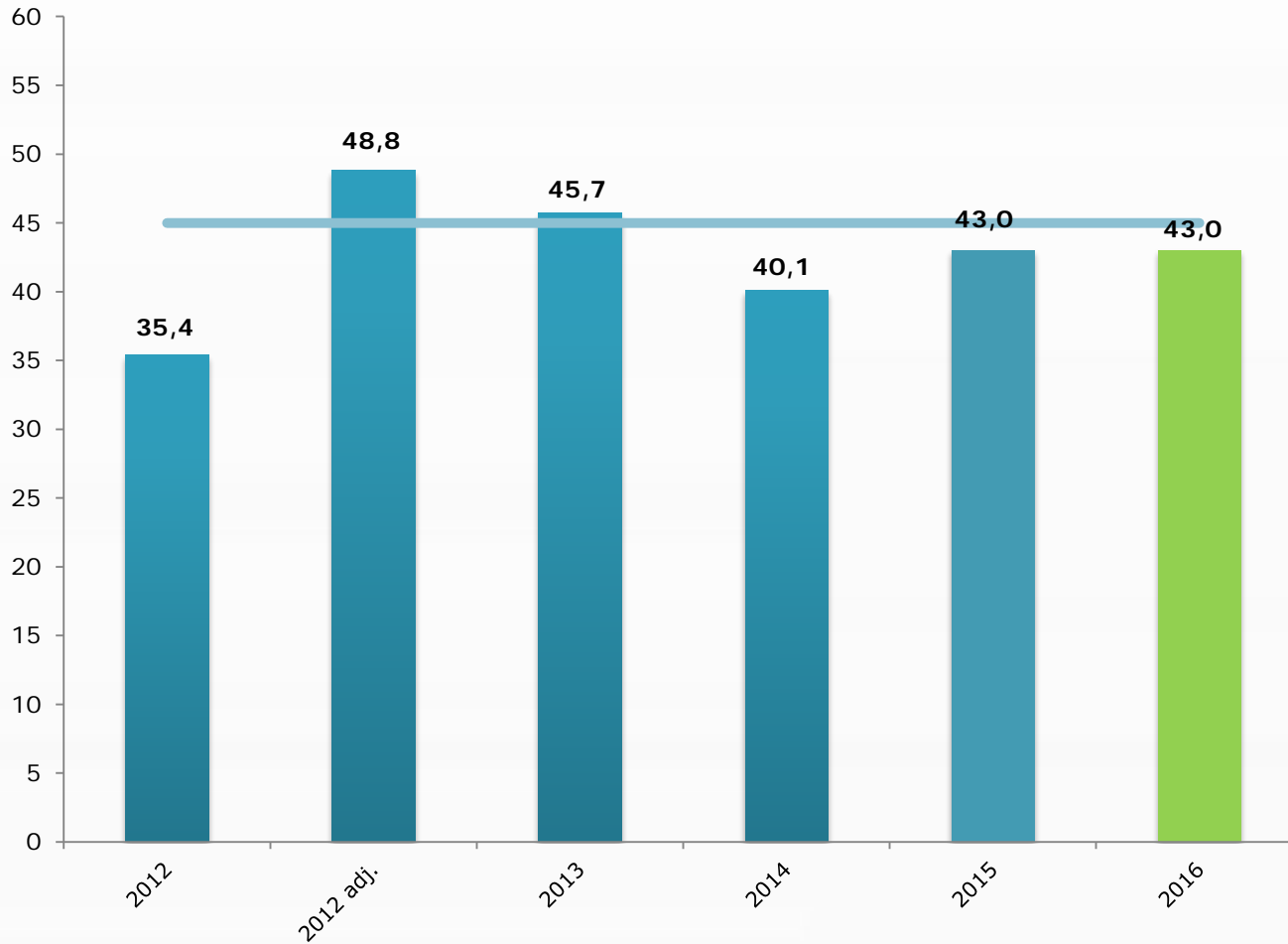
Higher other operating income, compared with 2015

- Slightly higher income from customer`s hedging activity in the fx market, lower from the interest rate market and from financial instruments
- The market value of our liquidity portfolio is higher
- The Visa Transaction gives a strong positive contribution to other income
- Lower income from guarantees and from our real estate brokerage activity



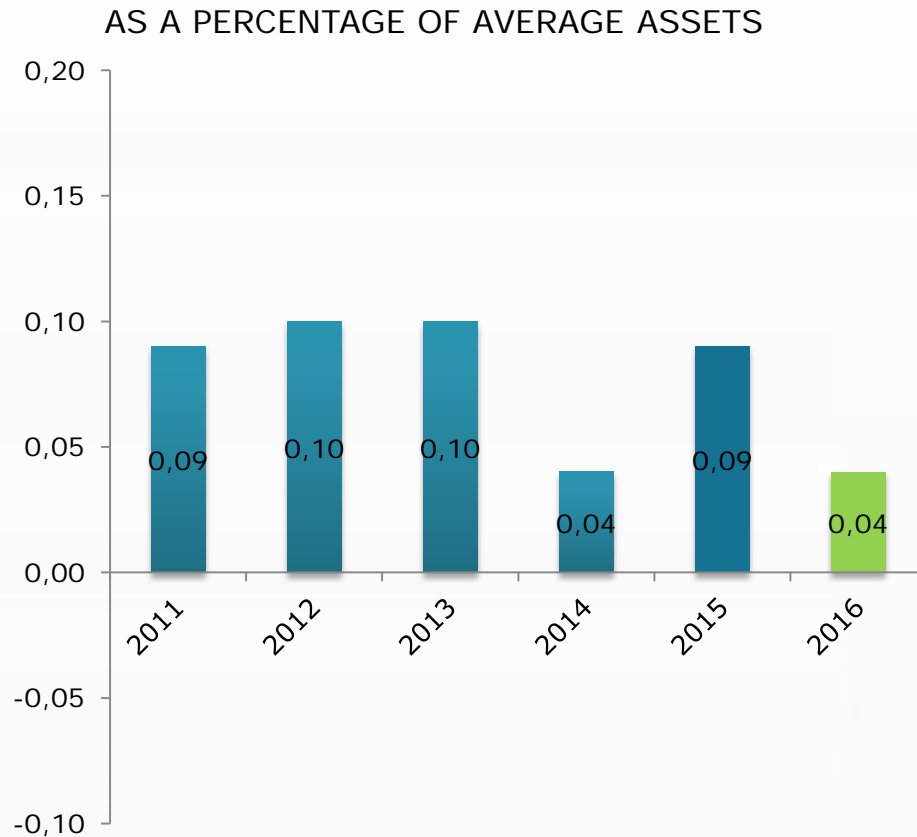
Development in cost/income

- target will be met





Losses at a very low level



Losses totalled NOK 22 million

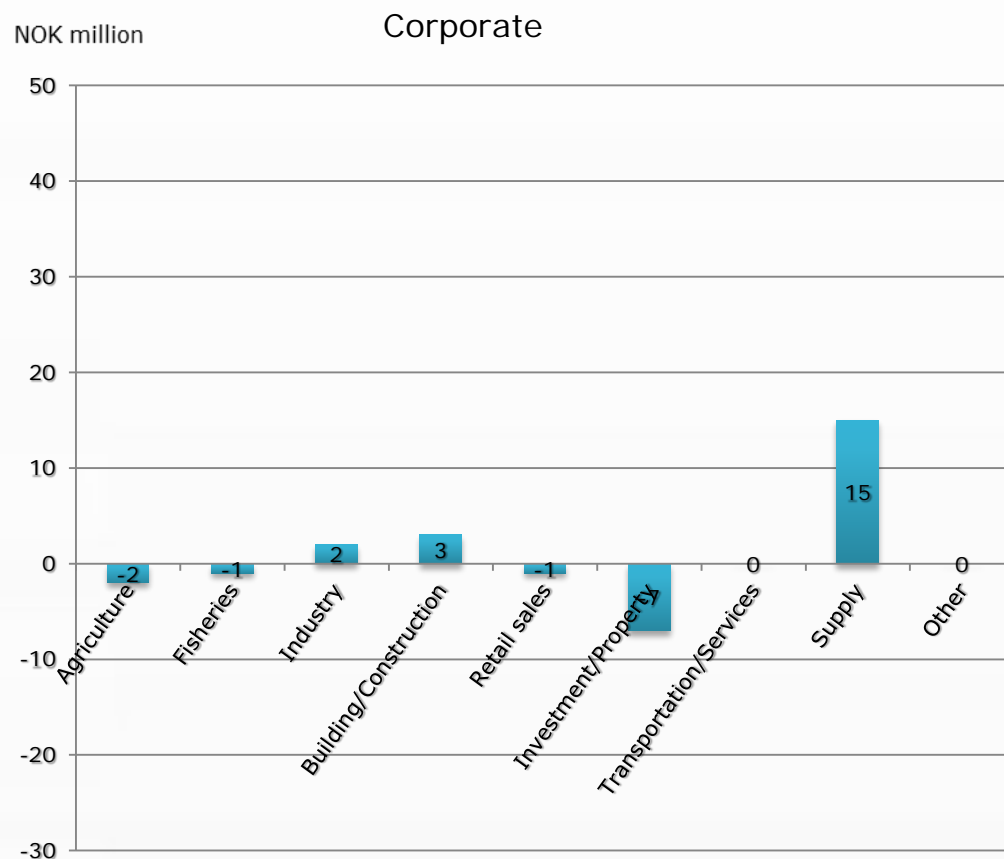
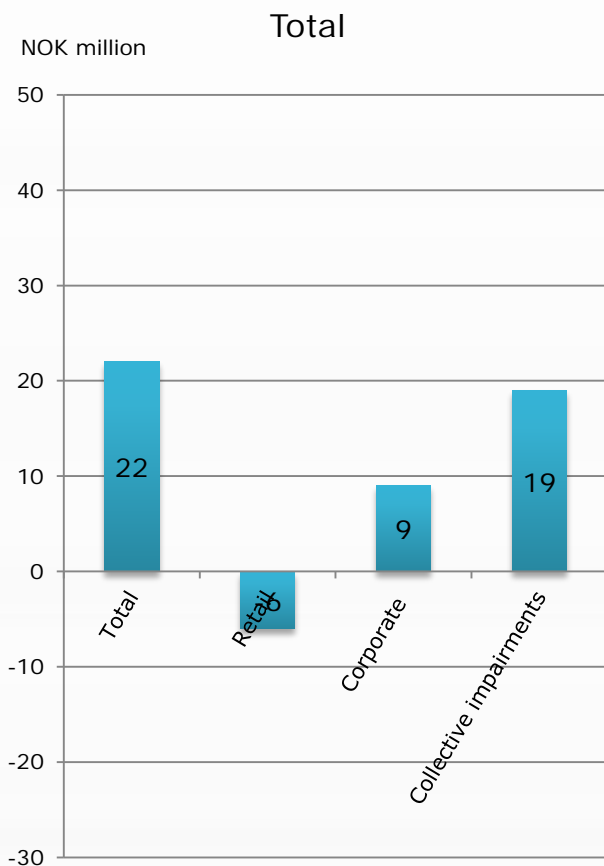
- Corporate: NOK 9 million
- Retail NOK -6 million
- Collective impairments NOK 19 million

Total impairments amounted to NOK 360 million by 31.12.2016

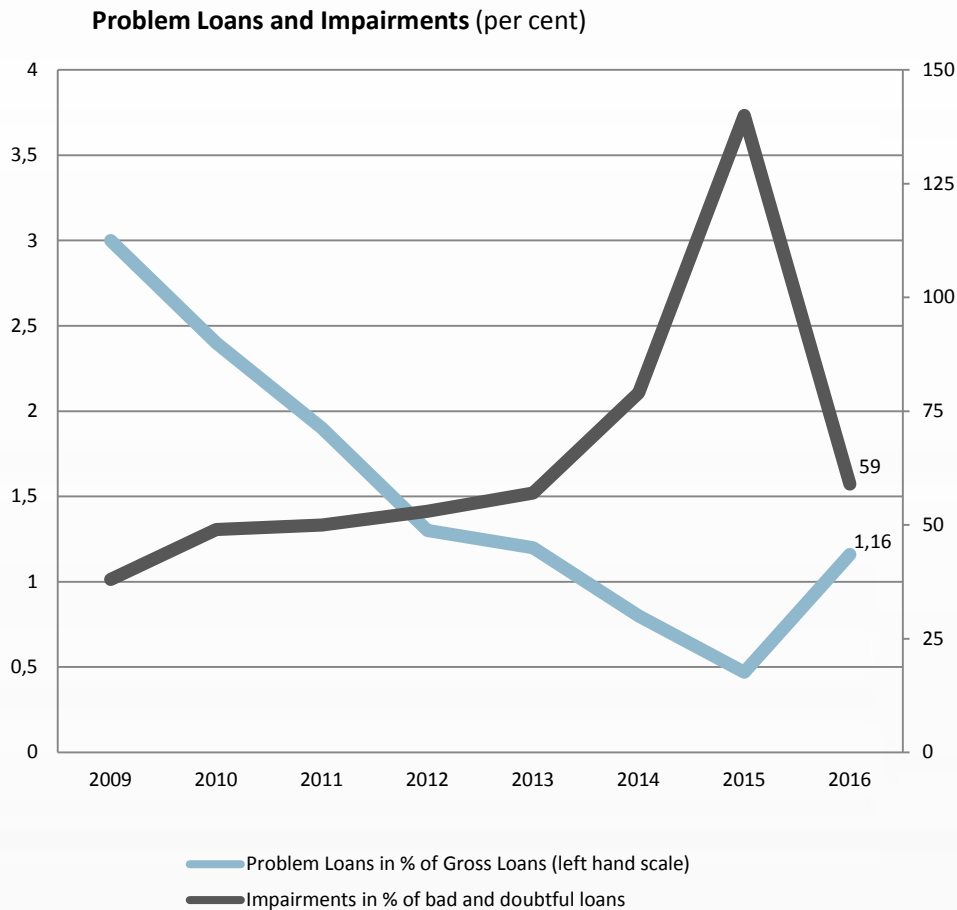


Results

Losses - details



Problem Loans and impairments



- The volume of Problem Loans has in general declined over the last years
- As a percentage of gross loans this figure ended at 1.16 % by year end 2016
- The Bank`s loan loss reserve coverage ratio shows a similar development and ended at 59 % by year end

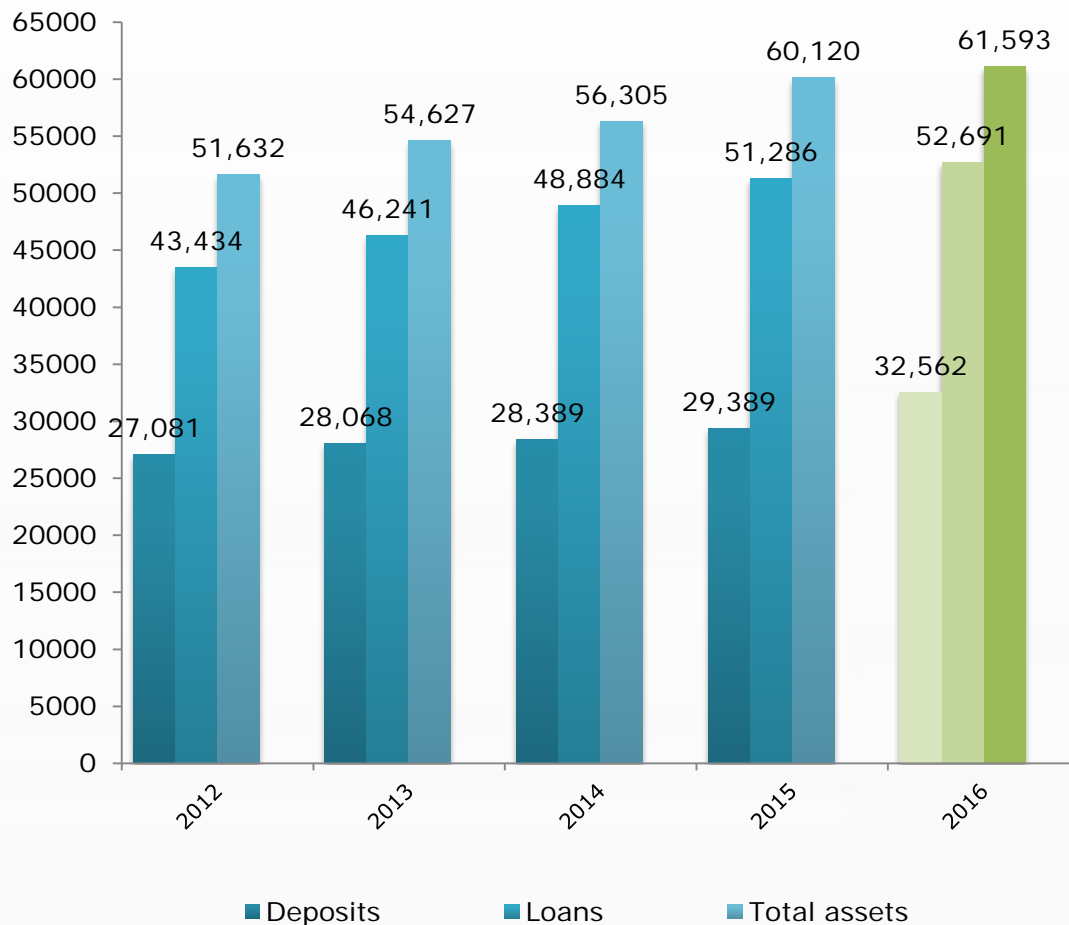


Deposits and loans



Reduced loan growth – strong growth in deposits

NOK mill.



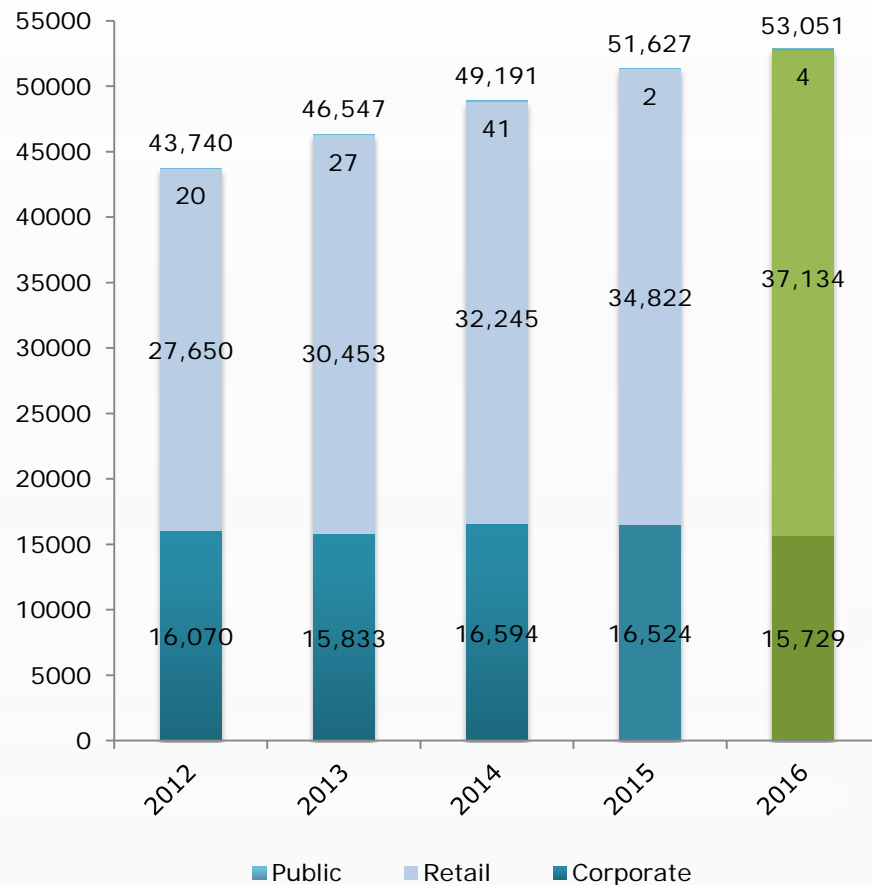
Growth during the last 12 months

- Total assets 2.5 %
- Loans (net) 2.7 %
- Deposits 10.8 %



Lower growth - breakdown of gross lending

NOK mill.



Annual net lending growth

2013:	6.2 %
2014:	5.7 %
2015:	4.9 %
2016:	2.7 %

Lending growth last 12 months

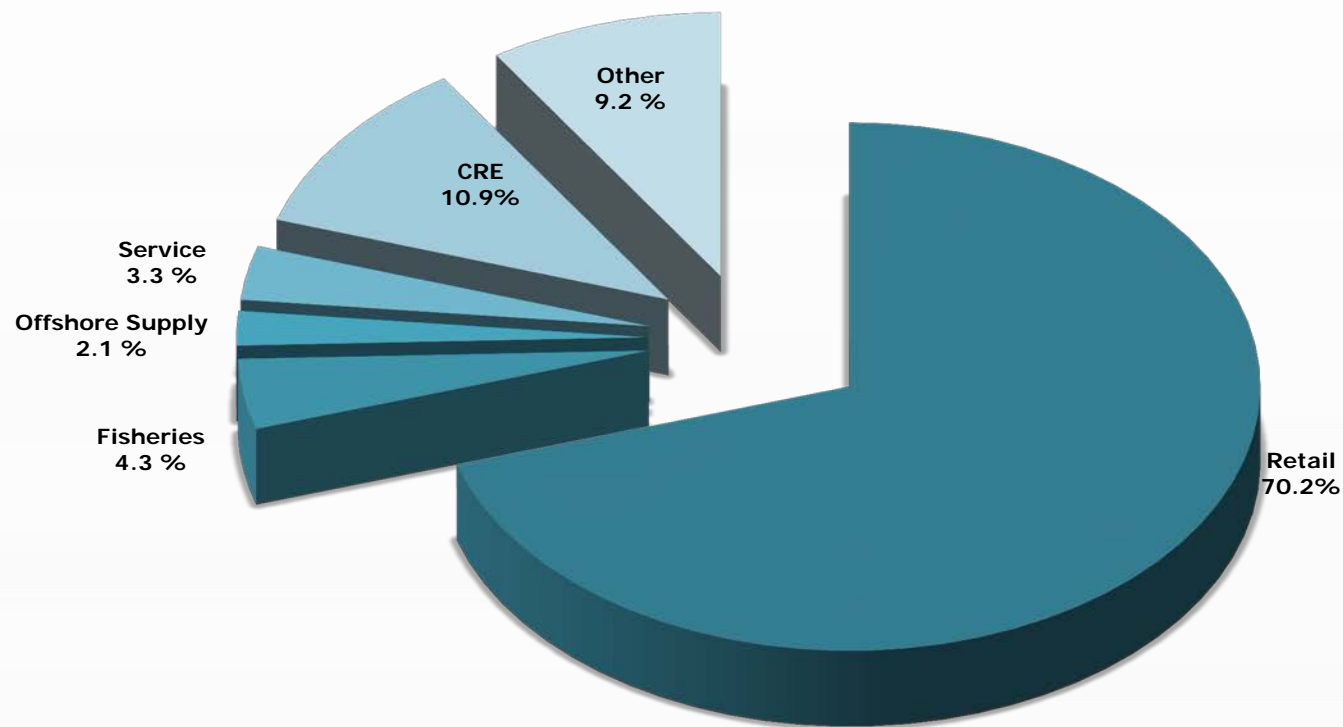
Gross, retail banking	6.6 %
Gross, corporate	-4.8 %

Composition of loans

Retail market:	70.2 %
Corporate market:	29.8 %



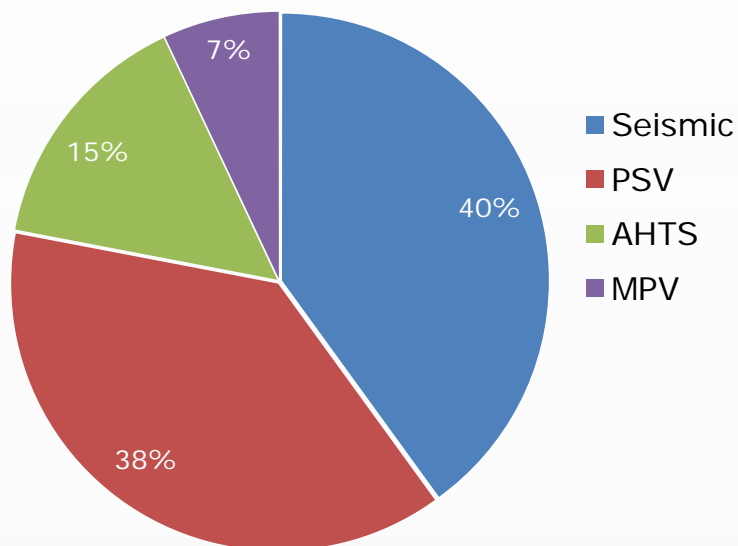
Loans by sector



Other 9.2 %					
Other industry	1.6	Financial services	1.7	Agriculture	0.7
Building/construction	1.1	Fishing Industry	1.4	Furniture	0.1
Retail/wholesale trade	0.8	Ship Yards	1.3	Other	0.5



Total exposure – Offshore/Supply



Seismic

- Total exposure MNOK 810
- 3 companies and 10 ships
- Market leading counterparties – in general increased counterparty risk

PSV

- Total exposure MNOK 781
- 4 companies and 9 ships

Segment	Exposure MNOK	Total	Guarantees	Loans
Seismic	810	40%	22%	55%
PSV	781	38%	65%	14%
AHTS	316	15%	13%	18%
MPV	143	7%	0%	13%
Total	2,049	100%	100%	100%



Impairments – Offshore/Supply

Impairments according to risk classes and EAD by end of Q4 2016

MNOK	EAD	Individual impairments	Collective impairments	Total	Percentage of EAD
Low risk (A-C)	511	0	0	0	0 %
Medium risk (D-G)	856	0	29	29	3 %
High risk (H-M)	336	0	160	160	48 %
Impaired commitments	436	15	0	15	3 %
Total	2,139	15	204	204	10 %



Stronger growth - breakdown of deposits



Annual deposit growth

2012:	6.9 %
2013:	3.6 %
2014:	1.1 %
2015:	3.5 %
2016:	10.8 %

Deposit growth last 12 months

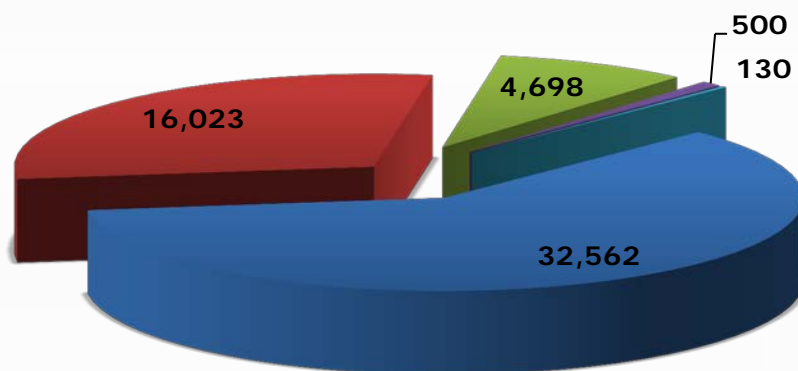
Retail sector	4.7 %
Corporate sector	19.9 %
Public sector	20.7 %



Funding and hedging

High deposit to loan ratio

- total financing by year end



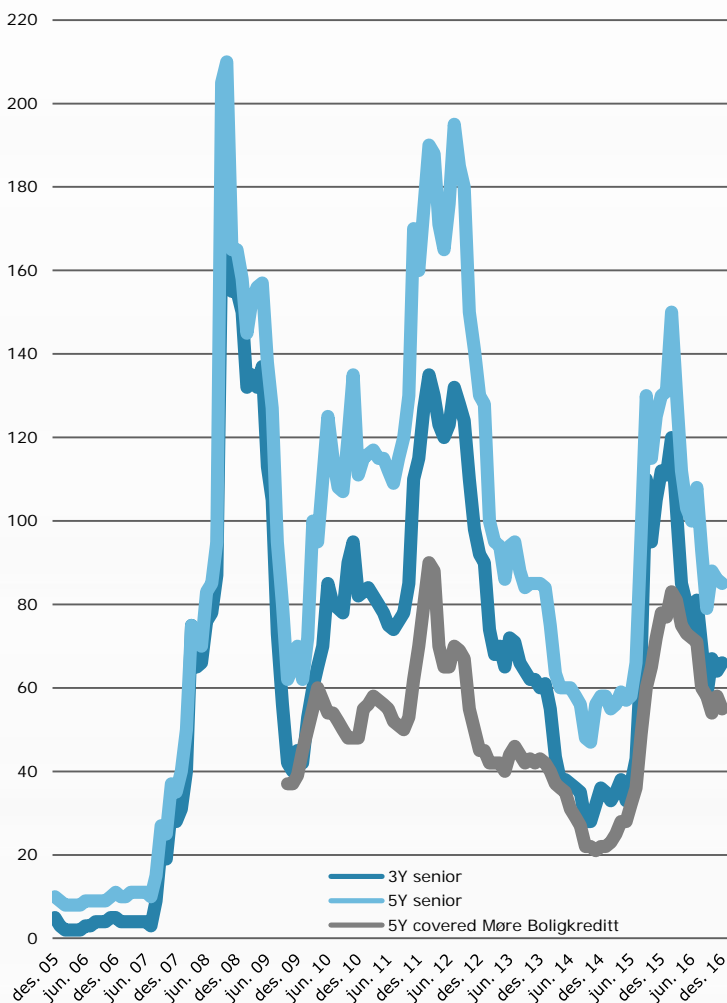
- Deposits
- Covered Bonds
- Senior Bonds
- Subordinated Loans
- Other

- 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)
- Total market funding ended just above NOK 21.3 billion by quarter end – more than 80 per cent with remaining maturity of more than one year and in total NOK 2 billion lower than by year end 2015. Our market access is very good
- Senior Bonds: Weighted average maturity of 1.72 years, Covered Bonds with a weighted average maturity of 3.88 years (FSA defined key figures)
- By year end five of Møre Boligkreditt`s bond issues have a size that qualifies for Tier 2A liquidity in LCR. Møre Boligkreditt AS will going forward issue and build up more loans in this category



Lower funding margins

Margins



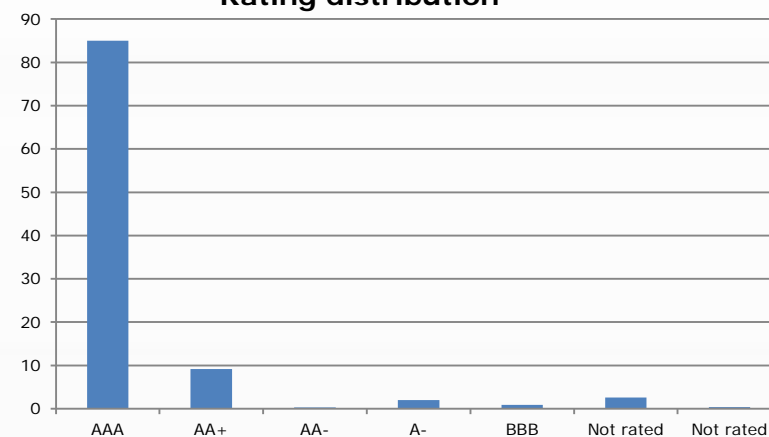
- The bank's funding in excess of deposits are covered in the money and capital markets, margins are shown in the figure
- The figure has 12 years of history. The time series shows the price of 3- and 5-year financing at a floating rate (margin compared to 3 months NIBOR), based on prices on the bank`s own senior bonds and covered bonds issued by Møre Boligkreditt AS
- Through the first half of 2015 we saw a slight increase in borrowing margins, but after the summer we recorded a sharp increase in the rate of change, accelerating especially in the second half of September and by Norges Bank's interest rate decision. Margins rose further until the end of February 2016 and the liquidity was weak. Margins increased most for senior bonds - here we also saw the largest margin reductions in late Q1 and until summer 2016
- The positive development in margins was temporarily set on hold in connection with brexit, but continued through late summer and fall. In the fourth quarter we again saw increased borrowing margins ia as a result of uncertainty related to European banks, but this development was partly reversed towards the end of the year
- In addition to rating the LCR rules have led to differentiated margin pricing depending on size of the issue



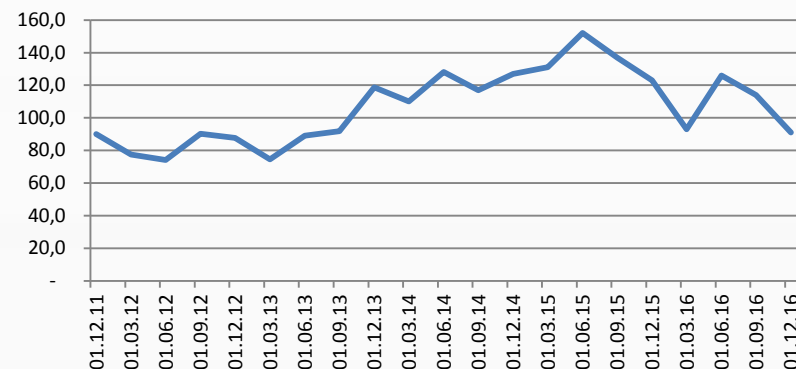
The quality of the liquidity portfolio is good - and LCR compliant (figures in NOK million)

Rating	Market Value	Country	Market Value	Currency	Market Value
AAA	5,232	Norway	3,922	NOK	5,468
AA+	572	Denmark	576	EUR	465
AA-	17	Sweden	480	DKK	224
A-	122	Int'l org	374		
BBB	55	Finland	292		
Not rated	160	Germany	253		
		Luxembourg	213		
		Netherlands	47		
Total	6,158	Total	6,158	Total	6,158

Rating distribution



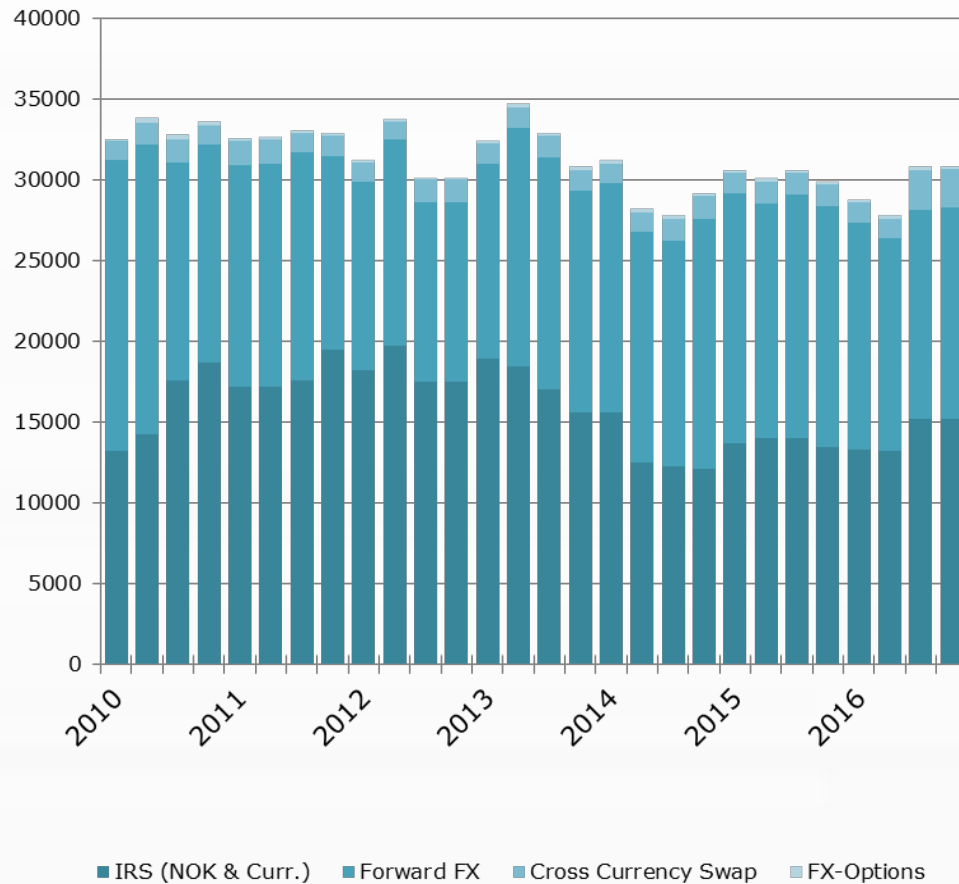
LCR





Off balance activity - quarterly

NOK MILL



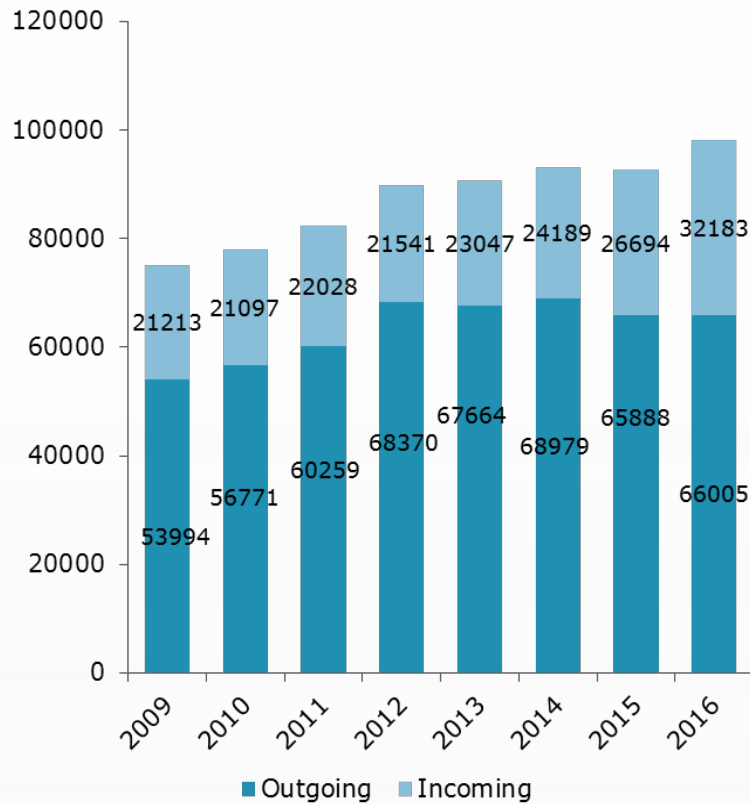
Low risk profile in the interest rate, equity and FX markets

- ✓ 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

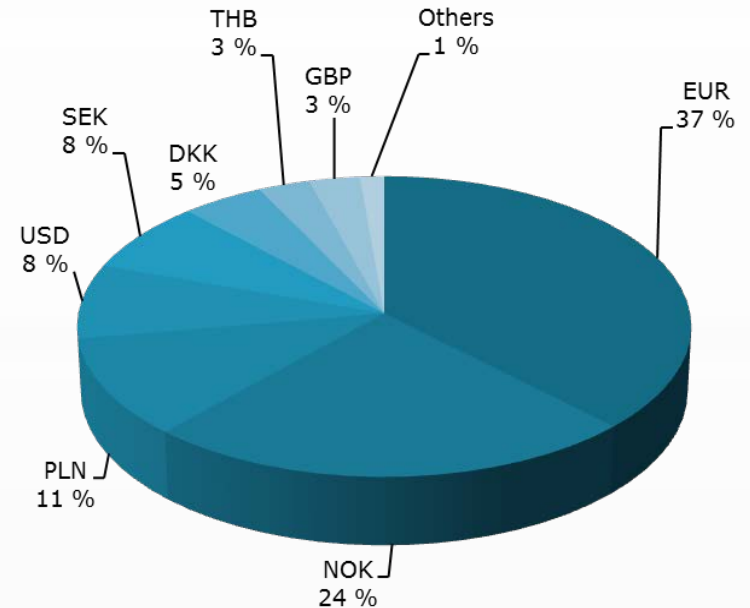


Number of commercial payments

No of payments



Number of payments per currency distributed (outgoing)



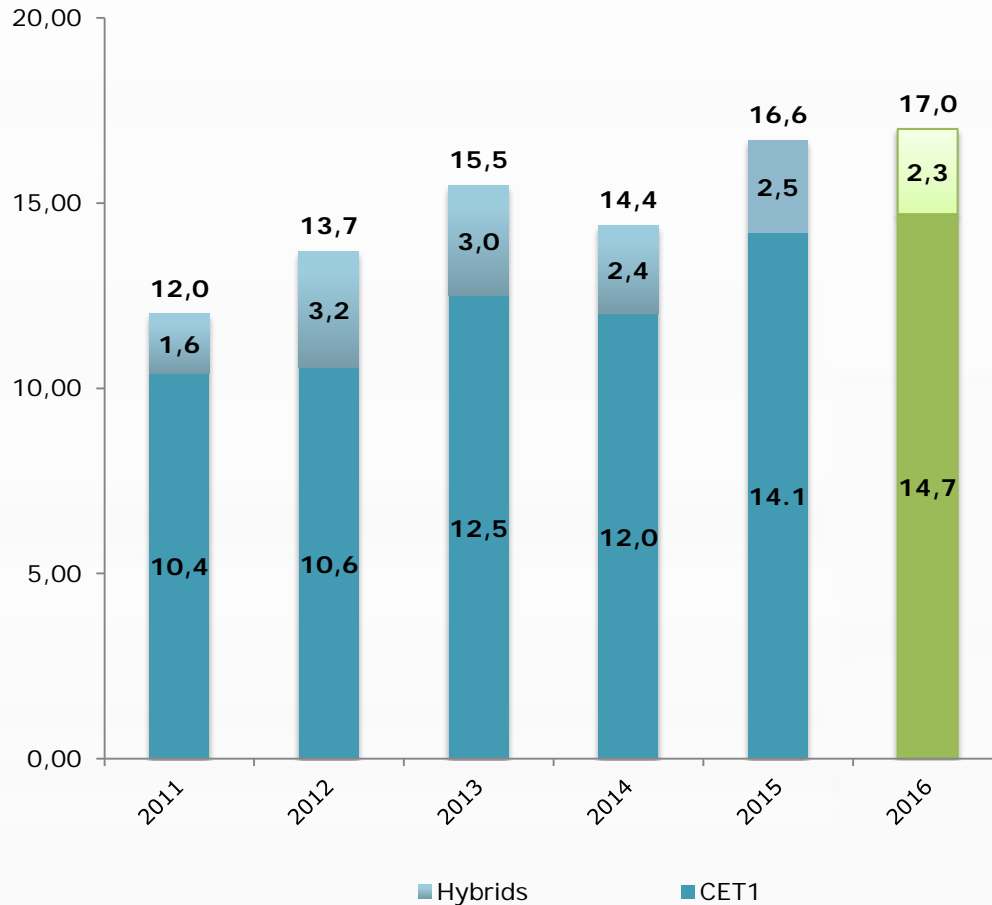


Equity and ECs

Equity

Equity and related capital:

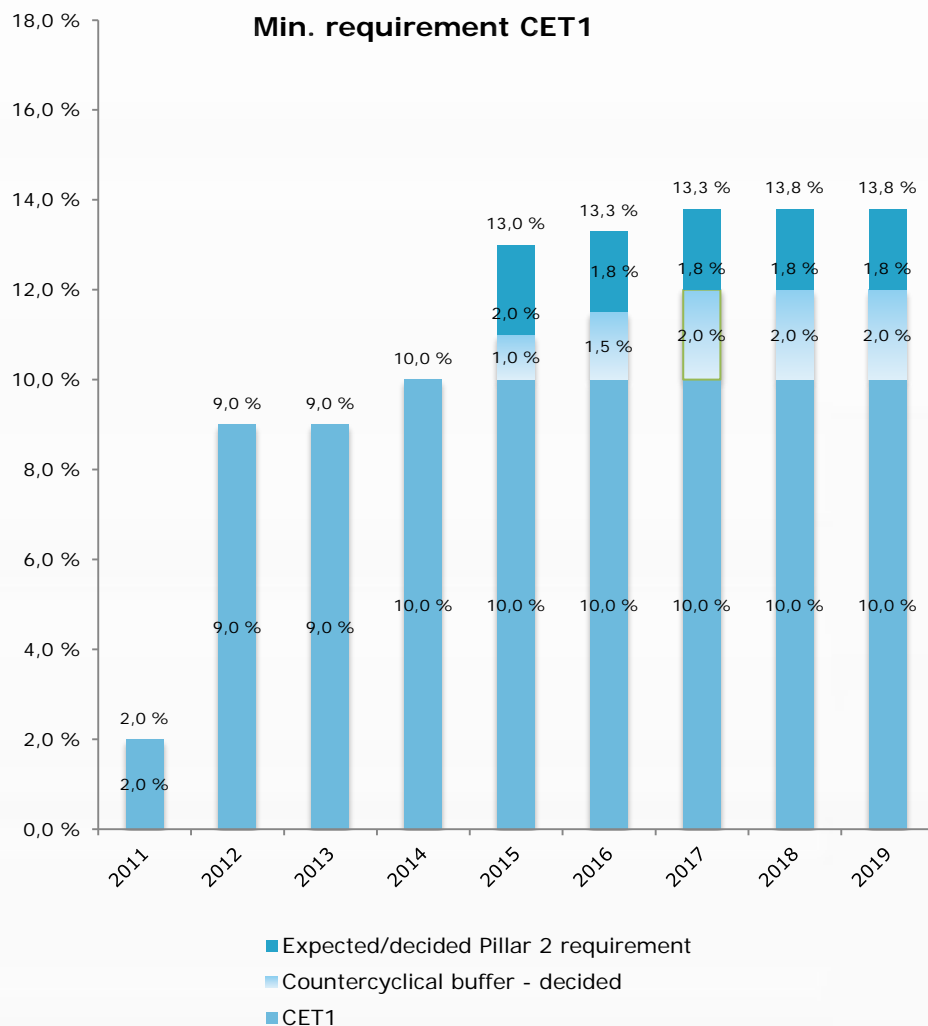
- strong capital compliant with new requirements



- Sparebanken Møre has built 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
- From year end 2015 we have been hit by the Basel I floor



Strong Capital



➤ FSA performs regular assessment of banks' risk and capital (SREP). In the assessment, it is assumed that the bank must hold capital in excess of the minimum requirements for risks the Bank is exposed to and which are not, or only partially, covered in the minimum requirement under Pillar 1, the Pillar 2 requirements. The FSA has set Sparebanken Møre's Pillar 2-requirement to 1.8 per cent

➤ 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. Our capital targets are:

- ✓ Total Capital: Min. 17.3 %
- ✓ Core Capital: Min. 15.3 %
- ✓ CET1: Min. 13.8 %



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.”

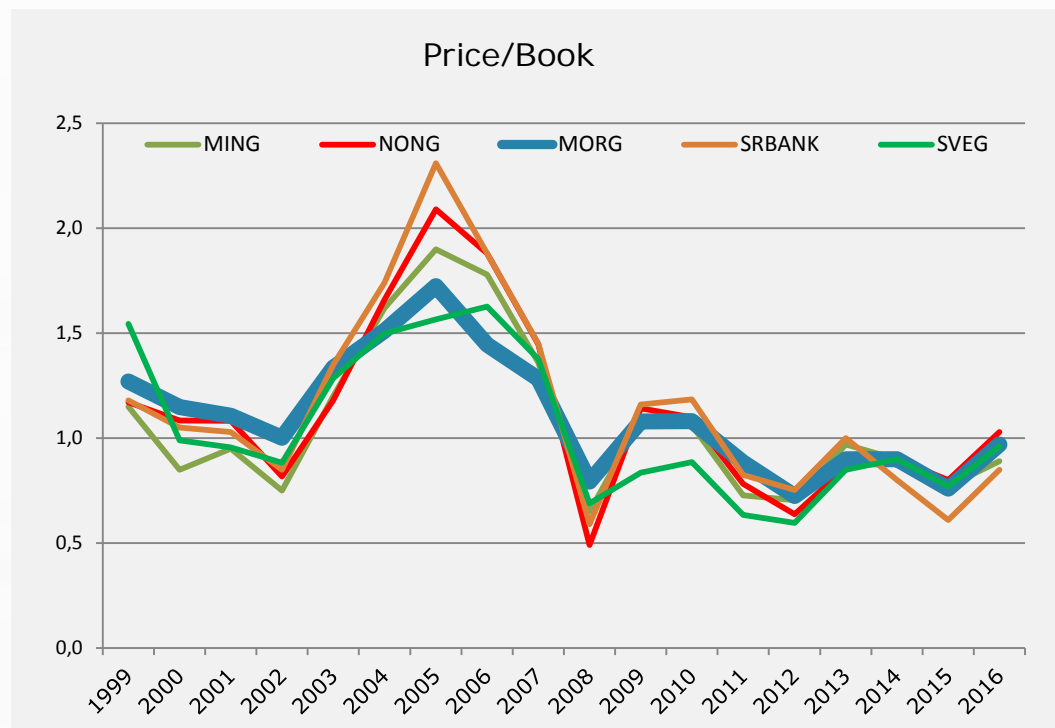
Given Sparebanken Møre’s strategic plan and stipulated return on equity, we expect the normalized dividend payout ratio to be in the range 40-50%



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 2016
- In general Norwegian savings banks are still traded at a discount compared to book value

Dividend pr. EC Sparebanken Møre:			
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
		2016	Proposed 14.00



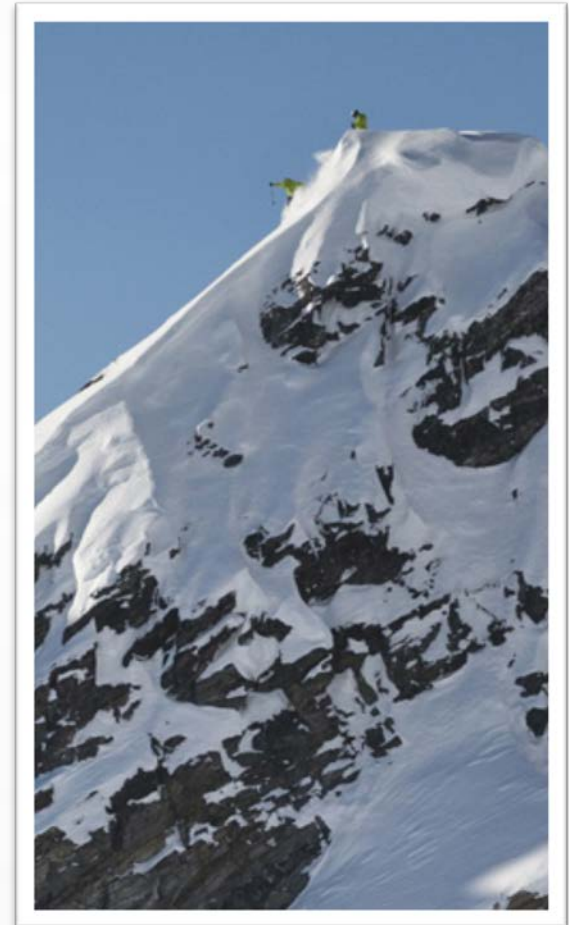
Moderate production growth in Møre og Romsdal in 2017

Most sectors are doing well

- Higher exports from traditional sectors
- Increased activity in the public sector and within construction
- Further decline in oil investments and reduced production in the delivery industries
- Continued restructuring in the labour market
- Unemployment seems to be levelling out. In December 2016 the registered unemployment rate was 3.1 per cent

Most important risk factors:

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



Summing up and outlook

From the CEO:

- Continued economic uncertainty
- The strong competition will continue
- Main targets from our business plan Møre 2020 will be met
 - ✓ *CET1 > 13.8 %*
 - ✓ *ROE > 10 %*
 - ✓ *Avoid losses*
 - ✓ *Healthy financial structure*





Appendix:

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% in general, and not exceed 60% for second homes in Oslo
- Min. amortization of 2.5% per year or max. 30 year repayment if LTV exceed 60%
- Debt-service ability should be stressed for a 5 % increase in customer interest rate
- Gross household debt-to-income ratio shall be below 5
- Banks have the opportunity to waive regulations by 10%, but only 8% in Oslo

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

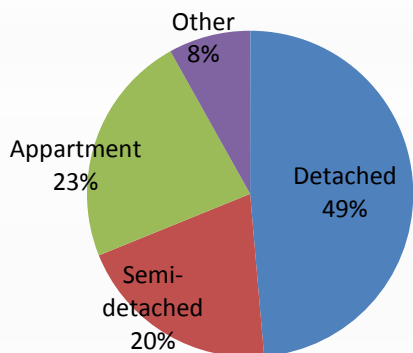
Tax incentives

- All interest expenses are tax deductible at capital gains tax rate (25%)
- Property is given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

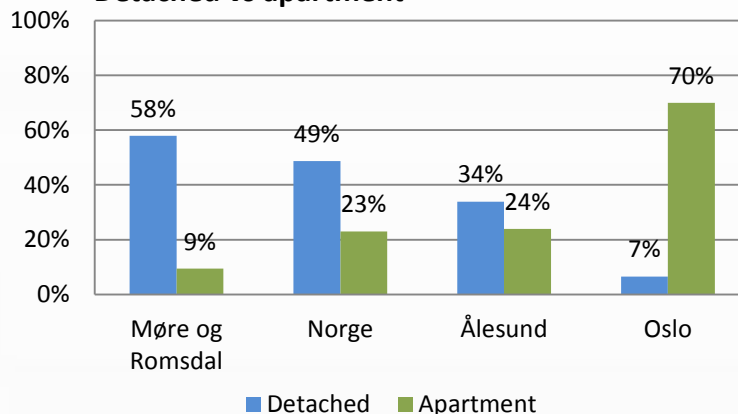


Differences in housing types and prices

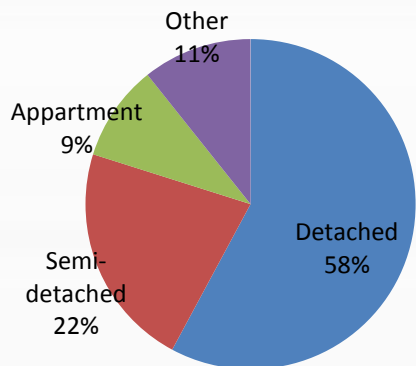
Household housing type distribution - Norway



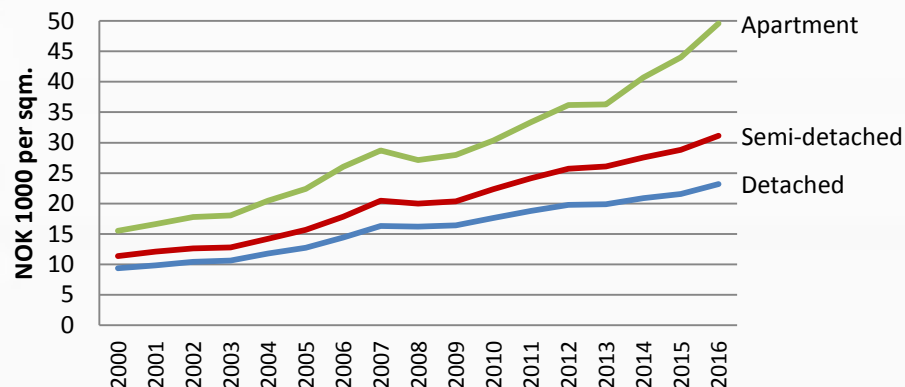
Housing type distribution - Detached vs apartment



Household housing type distribution - Møre og Romsdal



Price development / housing types -Norway



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

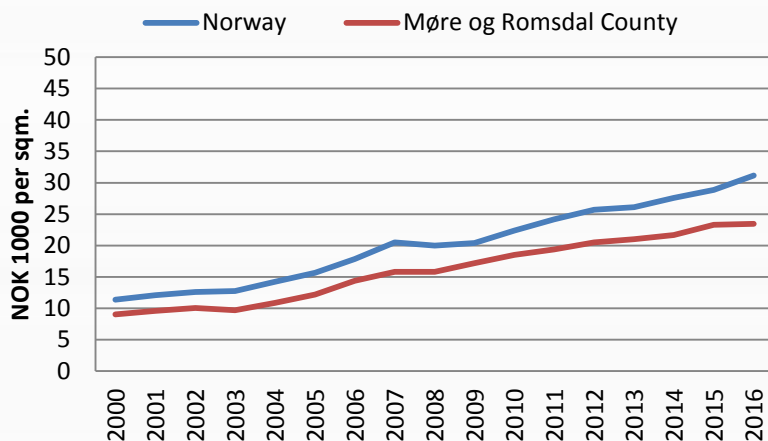


Differences in development of housing prices

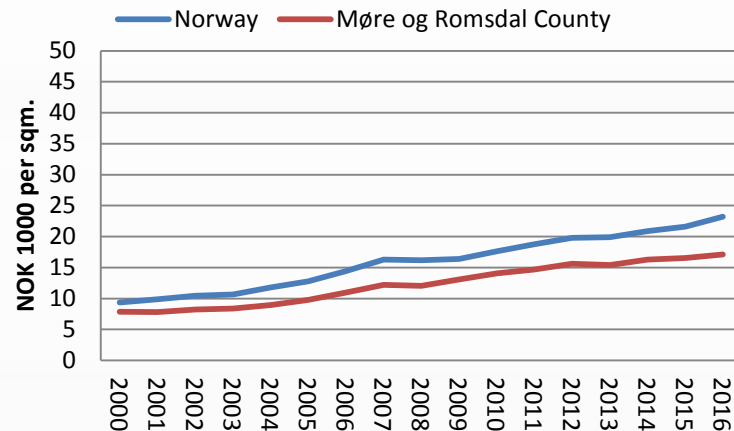
Year-over-year average growth in Norwegian housing prices by September 2016 is 12.8 per cent, compared to 4.8 per cent in Møre og Romsdal.

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.

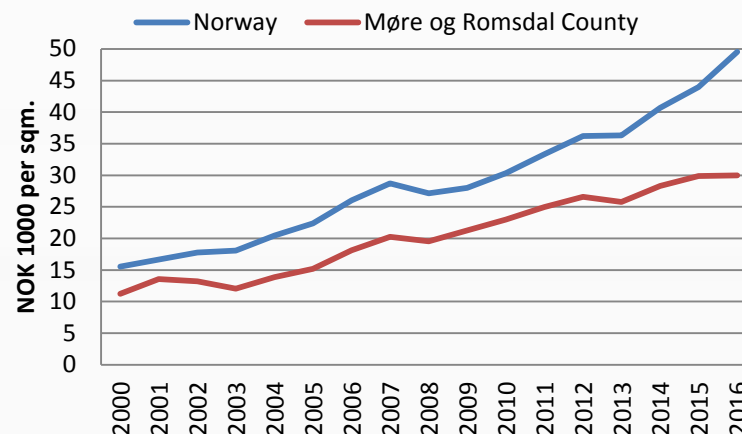
Semi-detached



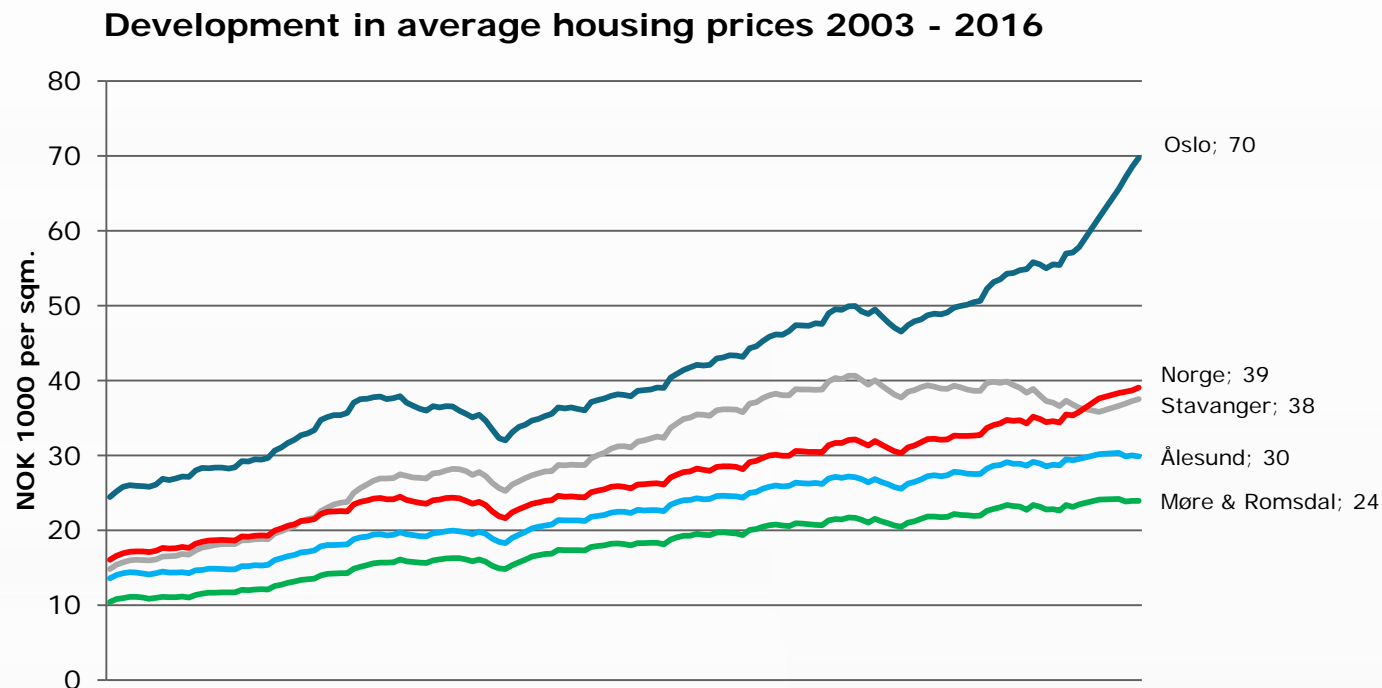
Detached



Apartment



Differences in house price



In Oslo the average growth in house prices was +23.3 per cent last twelve months, compared to -2.6 per cent in Stavanger, and +6.7 per cent in the city of Ålesund.

The median house price in Norway was NOK 2.95 million in December 2016, compared to NOK 2.3 million in the county of Møre og Romsdal.



Contact

Head Office

Keiser Wilhelmsgt. 29-33
P.O.Box 121
6001 Ålesund

Tel: +47 70 11 30 00

Reuters Dealing: MORE

Fax:
General Management +47 70 12 26 70

Corporate Division +47 70 12 44 67

Retail Customers Division +47 70 12 98 85

Treasury & Markets +47 70 12 13 01

International Payments +47 70 12 99 12

www.sbm.no

Chief Information Officer

Tone Skotheim Gjerdsbakk tone.gjerdsbakk@sbm.no +47 99 04 43 46

Treasury and Markets Division

Head of Division

Runar Sandanger, EVP: runar.sandanger@sbm.no + 47 70 11 31 73
+ 47 95 04 36 60

Chief Economist

Inge Furre: inge.furre@sbm.no + 47 70 11 31 44

Treasury

Ove T. Ness, Head of Treasury ove.ness@sbm.no + 47 70 11 31 74

Møre Boligkreditt AS:

Ole Andre Kjerstad, Managing Director: ole.andre.kjerstad@sbm.no + 47 41 40 09 55

Sparebanken Møre Markets

Martin H. Skuseth SVP, Head of Markets martin.skuseth@sbm.no +47 70 11 31 85

Discretionary Asset Management

Trond Moldskred, Head of Dept. trond.moldskred@sbm.no + 47 70 11 31 87

International Payments and Settlements

Karl Otto Hessen, Head of Dept. karl.otto.hessen@sbm.no + 47 40 20 09 54



SPAREBANKEN MØRE