

Sparebanken Møre - the Group

August 10 2017

PRESENTATION
2ND. QUARTER 2017

Runar Sandanger
EVP



SPAREBANKEN MØRE

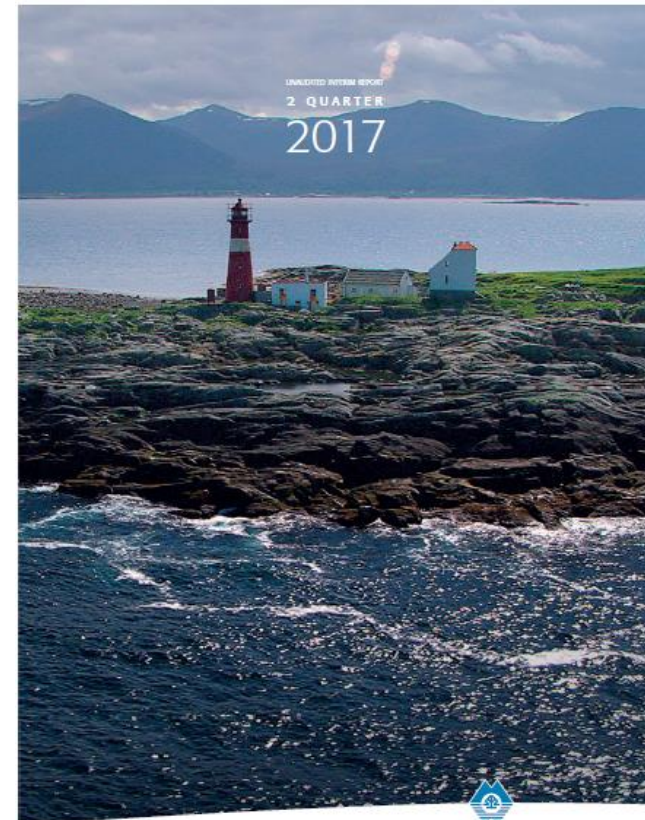
Agenda

- a short overview



SPAREBANKEN MØRE

- Introduction and highlights
- Results
- Deposits and Loans, overview and details
- Liquidity and Capital
- Future prospects and main targets



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The economy is strong

- *improved conditions in the local economy*



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- The economic outlook for Møre og Romsdal has improved during the spring and summer. Production is rising in industries such as fishing, traditional exports, building and construction, and tourism
- The downturn in oil-related industries has become more subdued
- There is also a high level of activity in the public sector
- The main reasons for the improvement are the adaptability in the corporate sector, low level of interest rates, a weak NOK exchange rate, and an expansionary fiscal policy
- Developments in the labour market in the county have been very satisfactory this year
- In June, registered unemployment in Møre og Romsdal amounted to 2.7% of the labour force, according to the Norwegian Labour and Welfare Administration (NAV). The unemployment rate for the country as a whole was 2.6%



The largest bank in the county

- contributing considerably to the local society



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30

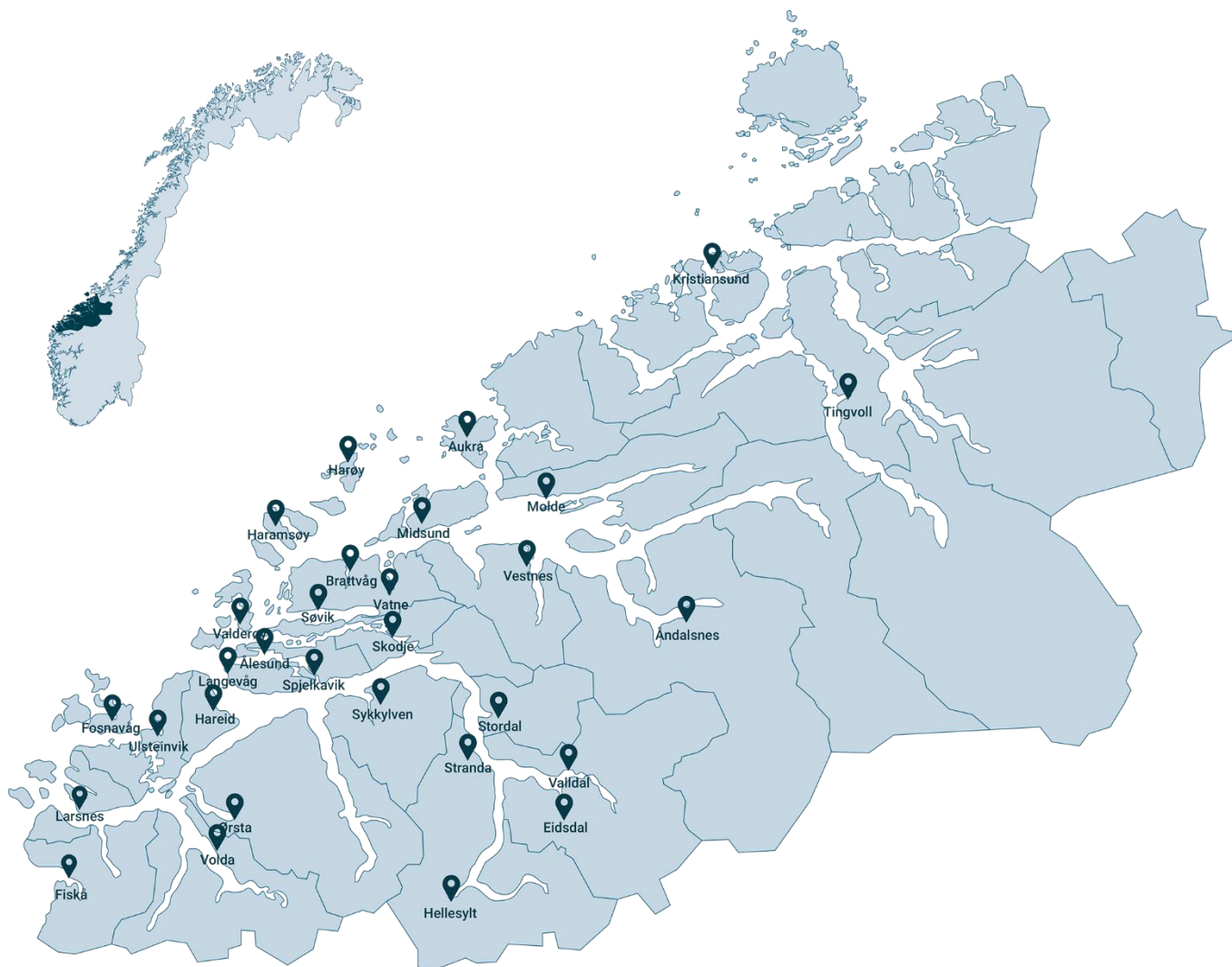
OFFICES IN
MØRE OG ROMSDAL

364

MAN YEARS

66

BILLION IN
TOTAL ASSETS



Highlights from Q2 2017

- *good growth and improved conditions*



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ECONOMIC ENVIRONMENT

Large parts of the corporate sector in the county experience increased activity. The main reasons for this are a weak Norwegian krone, low level of interest rates and an expansionary fiscal policy. In June, the registered unemployment rate in the county was 2.7 per cent. For the country as a whole, unemployment rate was 2.6 per cent.

GOOD GROWTH

The bank is competitive and has recognized good lending growth both to the retail market and to the corporate market. We expect lower rates in lending growth for the rest of the year.

NET INTEREST INCOME

A combination of the tough competition for both lending and deposits, better quality and thus lower margins in parts of the corporate portfolio, phasing in of LCR and sustained low interest rates contribute to the pressure on net interest income.

DIVERSIFIED FUNDING

With its Public EUR 250 million issue, Møre Boligkreditt AS is the first issuer of Covered Bonds outside the EU to carry out such an issue (under EUR 500 million). 35 investors from 9 countries helped make this a very successful transaction.

CUSTOMER SATISFACTION

The bank has recently conducted a survey showing that customer satisfaction has never been higher. Particularly satisfied are the customers with the advisors expertise and ability to understand their needs.

Results in short

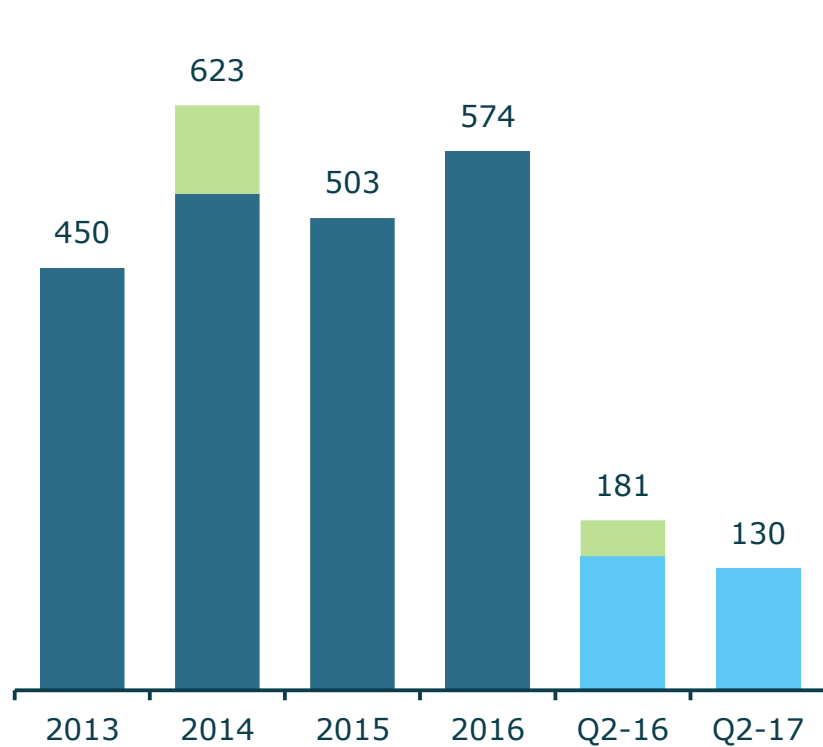
- *In line with our plans*



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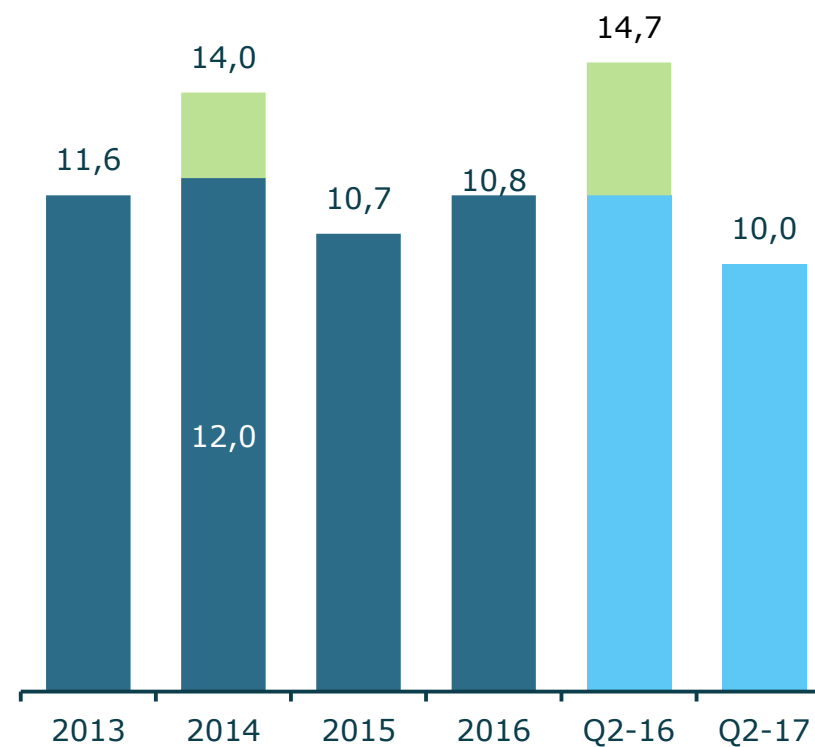
Result after taxation

- NOK million



Return on Equity

- In percent (ROE)

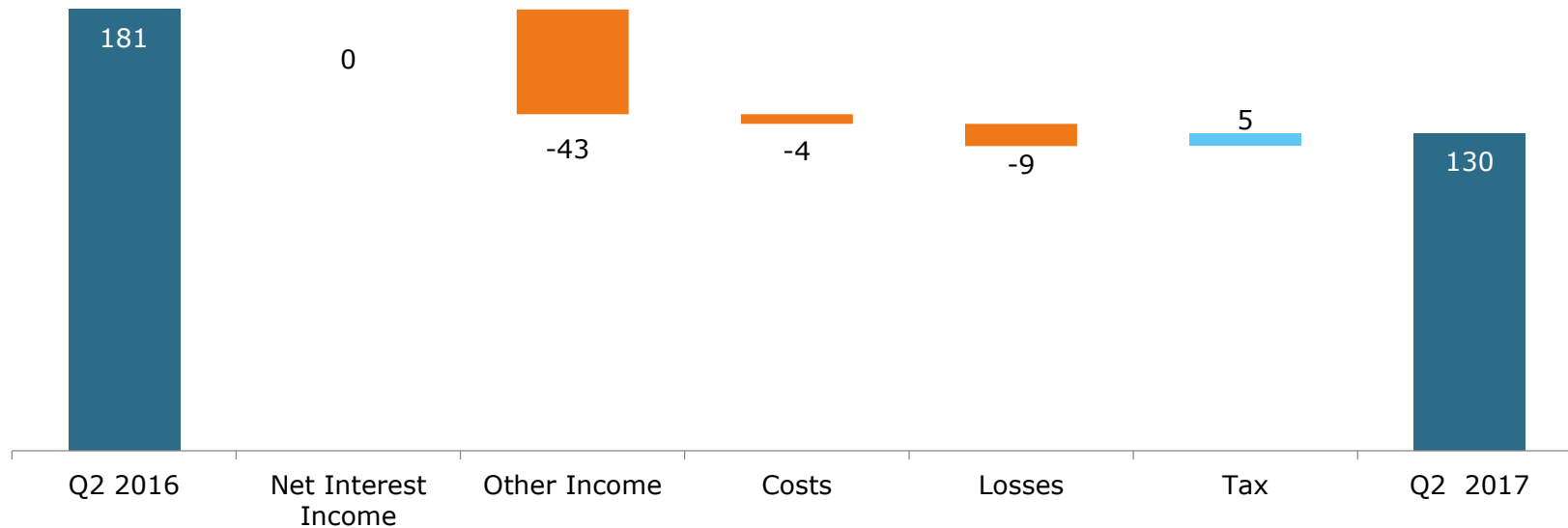


Changes from Q2 2016 to Q2 2017

- results after taxation (NOK million)



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- Unchanged Net Interest Income in NOK
- Gains from VISA contributed with NOK 38 million to Other Income in Q2 2016
- A marginal increase in operating costs
- Low losses also in Q2
- Lower taxes

Results

- Statement of income by end of 1H – the Group



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Results (NOK million and %)	1H 2017		1H 2016		Changes		
	NOK	%	NOK	%	NOK	p.p.	%
Net Interest Income	529	1.69	538	1.80	-9	-0.11	-1.7
Net Income Financial Investments	15	0.05	26	0.09	-11	-0.04	-42.3
Gains from VISA			38	0.13	-38	-0.13	
Gains/losses liquidity portfolio	22	0.07	10	0.03	12	0.04	120.0
Other Income	92	0.30	88	0.29	4	0.01	4.5
Total Other Income	129	0.42	162	0.54	-33	-0.12	-20.4
Total Income	658	2.11	700	2.34	-42	-0.23	-6.0
Personnel costs	170	0.55	165	0.55	5	0.00	3.0
Other costs	131	0.41	130	0.43	1	-0.02	0.8
Total operating costs	301	0.96	295	0.98	6	-0.02	2.0
Profit before losses	357	1.15	405	1.36	-48	-0.21	-11.9
Losses on loans, guarantees etc	8	0.03	-5	-0.02	13	0.05	-
Pre tax profit	349	1.12	410	1.38	-61	-0.26	-14.9
Taxes	88	0.27	95	0.32	-7	-0.05	-7.4
Profit after taxation	261	0.85	315	1.06	-54	-0.22	-17.1

Balance and key figures

- H1 2017 and H1 2016



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	30.06.17	30.06.16	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	65,652	61,712	3,940	6.4
Loans to customers	56,040	51,192	4,848	9.5
Deposits from customers	33,514	31,595	1,919	6.1
Total Capital	6,534	5,924	610	10.3

Nøkkeltall	30.06.17	30.06.16	Changes p.p.	
Return on Equity	10.0	12.9	-2.9	
Cost/Income Ratio	45.7	42.1	3.6	
Total Capital	18.9	18.5	0.4	
Core Capital	16.9	17.0	-0.1	
Core Tier 1 Capital	14.3	14.5	-0.2	
Leverage Ratio	8.3	7.8	0.5	
Results per EC (NOK, the Group)	13.10	15.80	-2.70	
Results per EC (NOK, the Bank)	17.60	20.60	-3.00	

Quarterly development in Net Interest Income

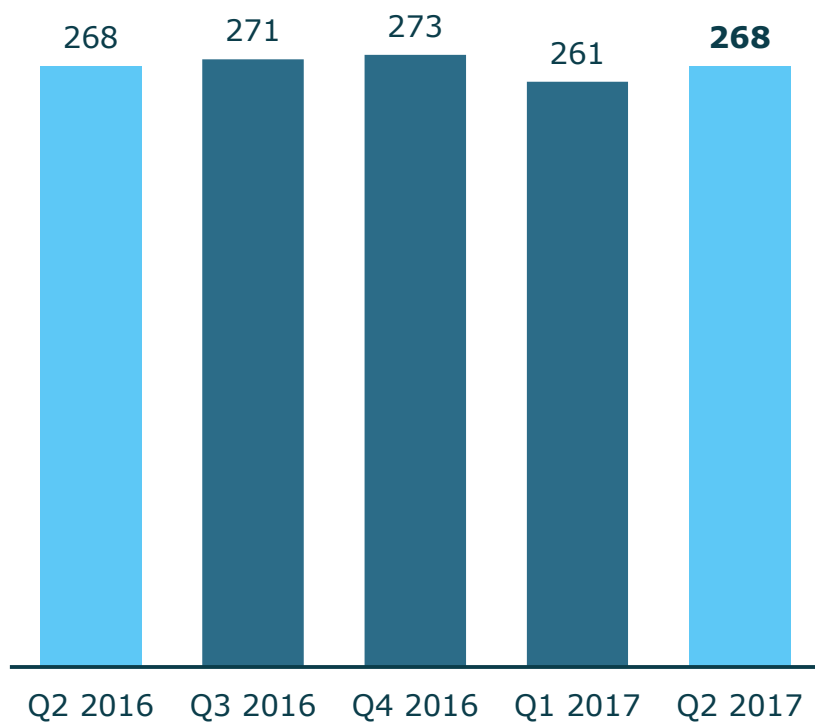
- *Slight increase in net interest income*



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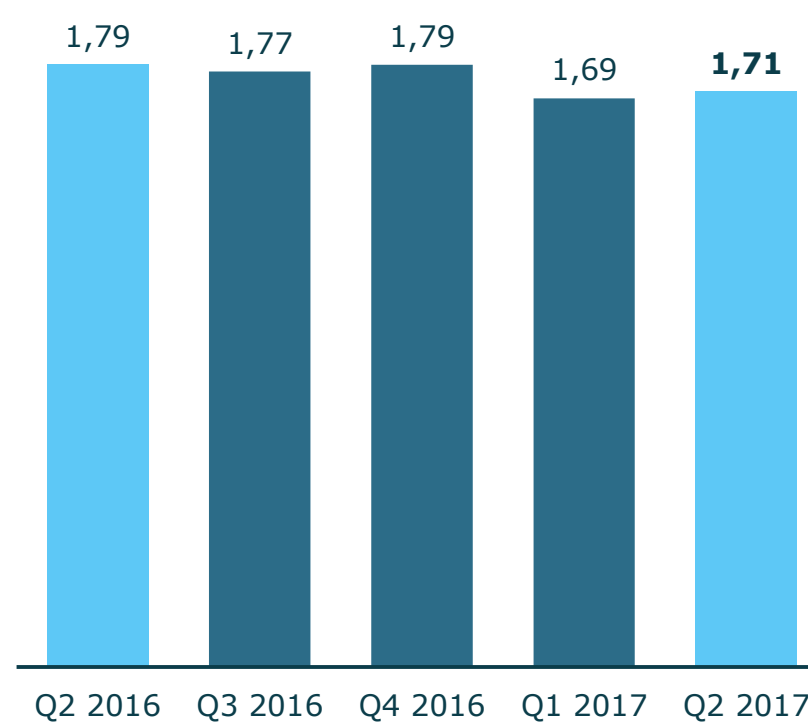
Net Interest Income

- NOK million



Net Interest Income

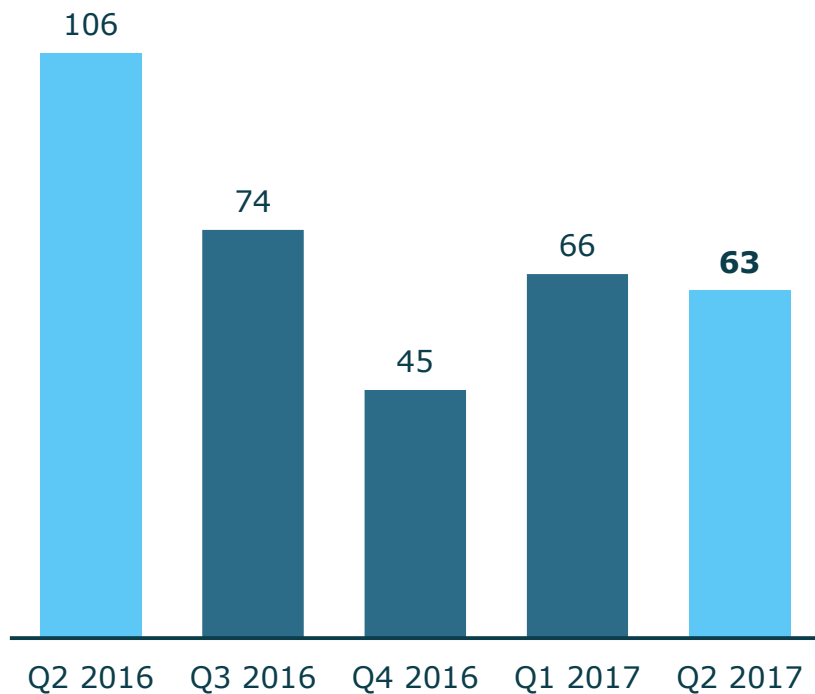
- % of Average Assets



Quarterly development Other Income

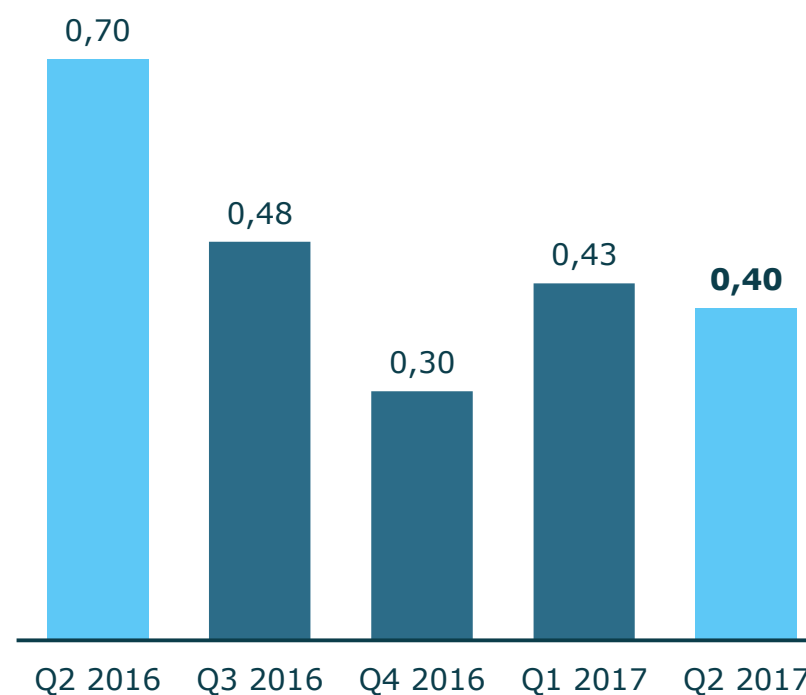
Other Income

- NOK million



Other Income

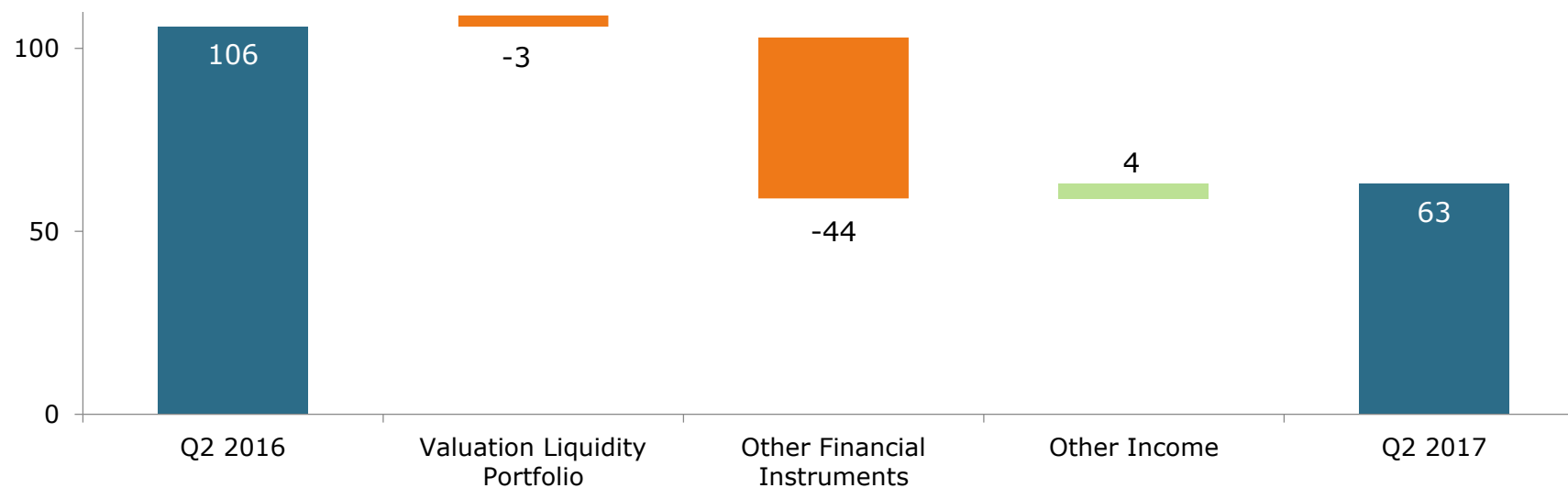
- % of Average Assets



- Gains from the VISA transaction was booked in second and third quarter of 2016, NOK 38 million in Q2

Other Income

- changes in NOK million compared with Q2 2016



- Valuation of the liquidity portfolio changed from + 9 million to +6 million from Q2 2016 to Q2 2017
- Negative change in other financial investments are mainly related to the VISA transaction and the development of basis swaps

Total Income

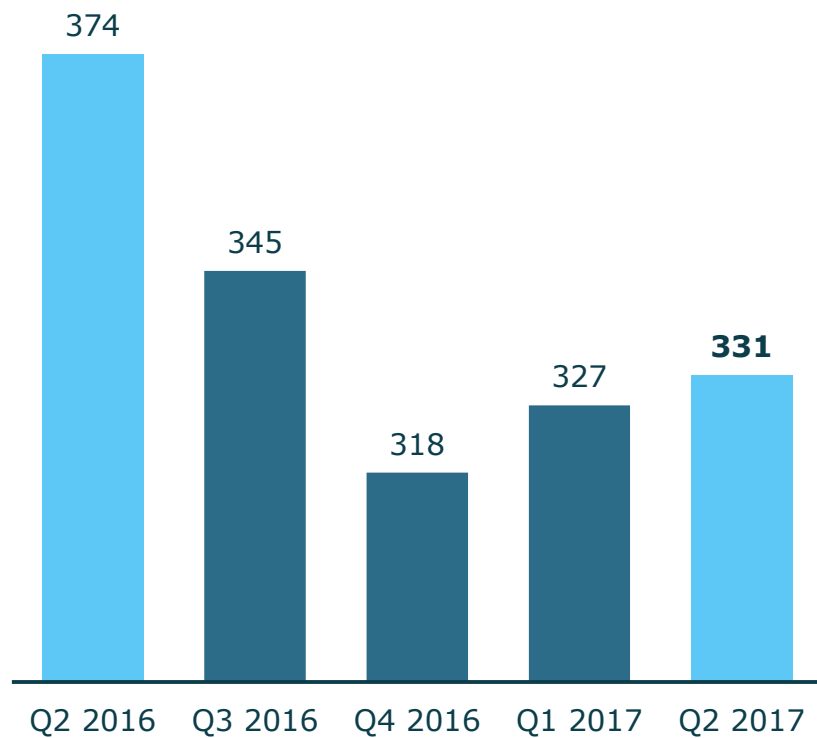
- quarterly development



SPAREBANKEN MØRE

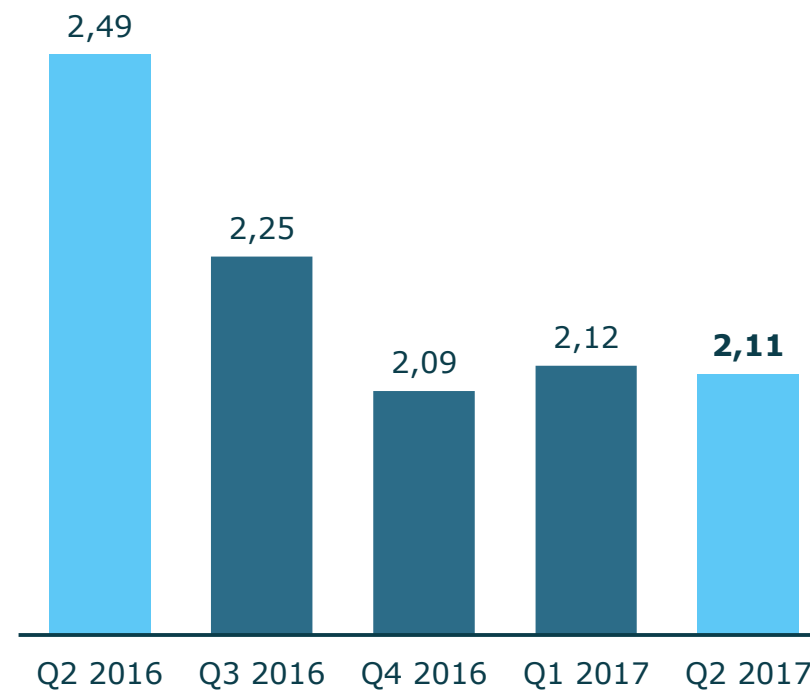
Total Income

- NOK million



Total Income

- % of Average Assets



Total Operating Costs

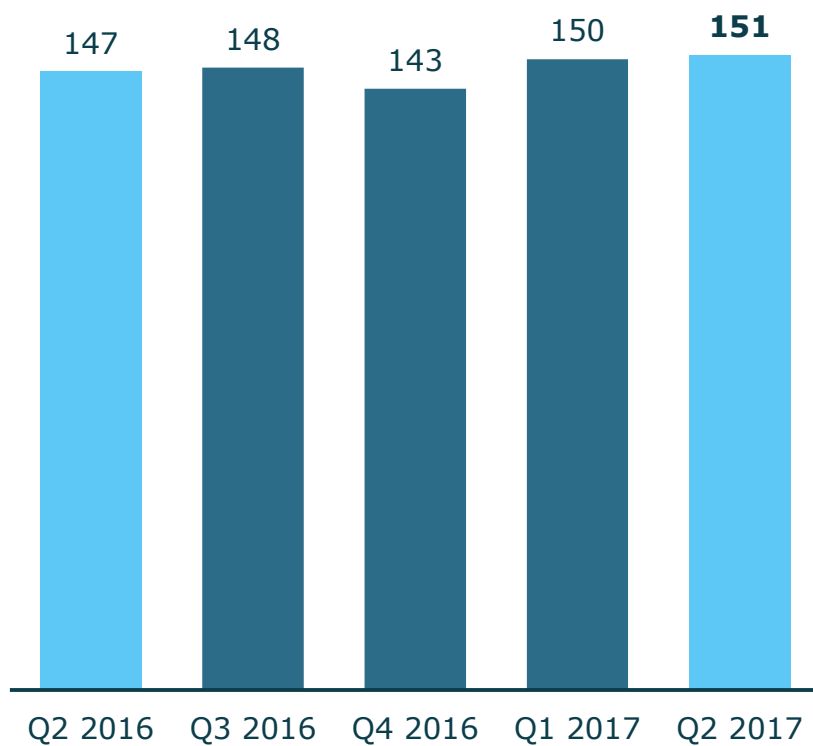
- quarterly development



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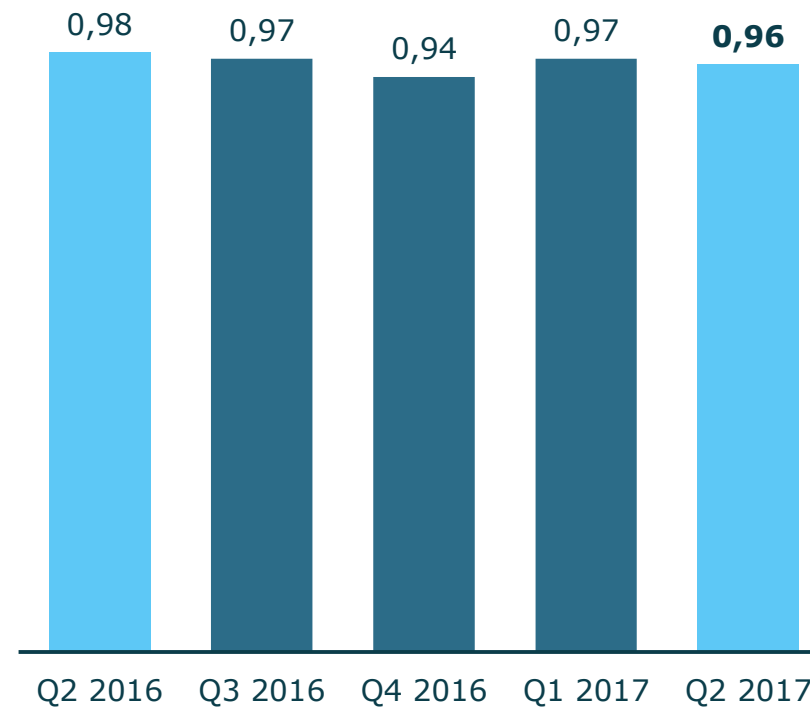
Operating Costs

- NOK million



Operating Costs

- % of Average Assets



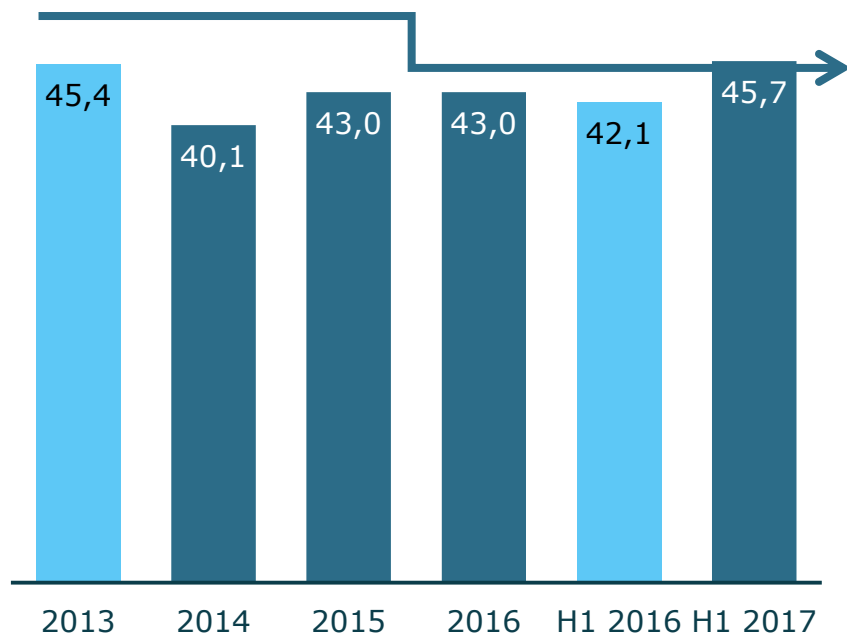
High efficiency

- internal targets will be met



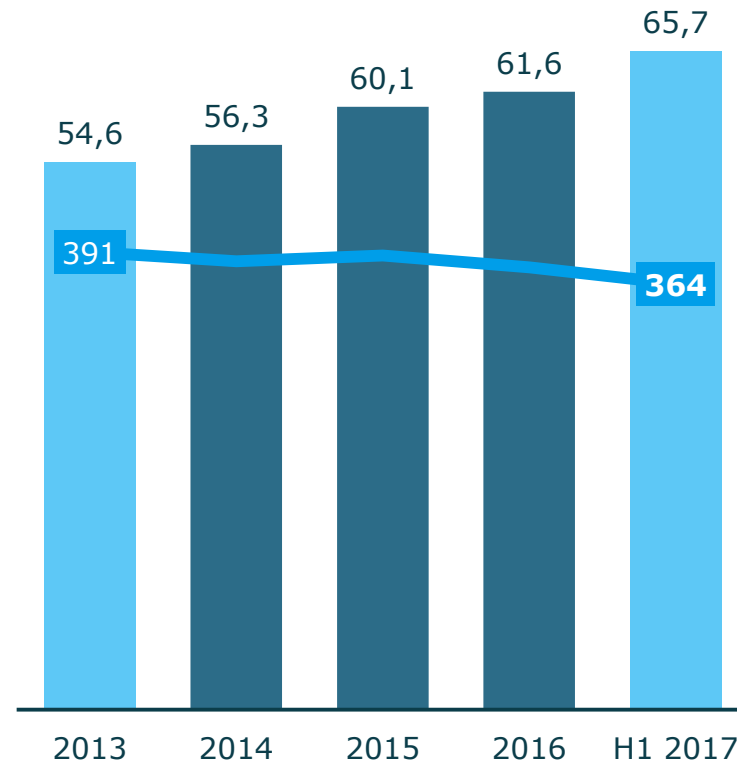
SPAREBANKEN MØRE

Cost/Income ratio



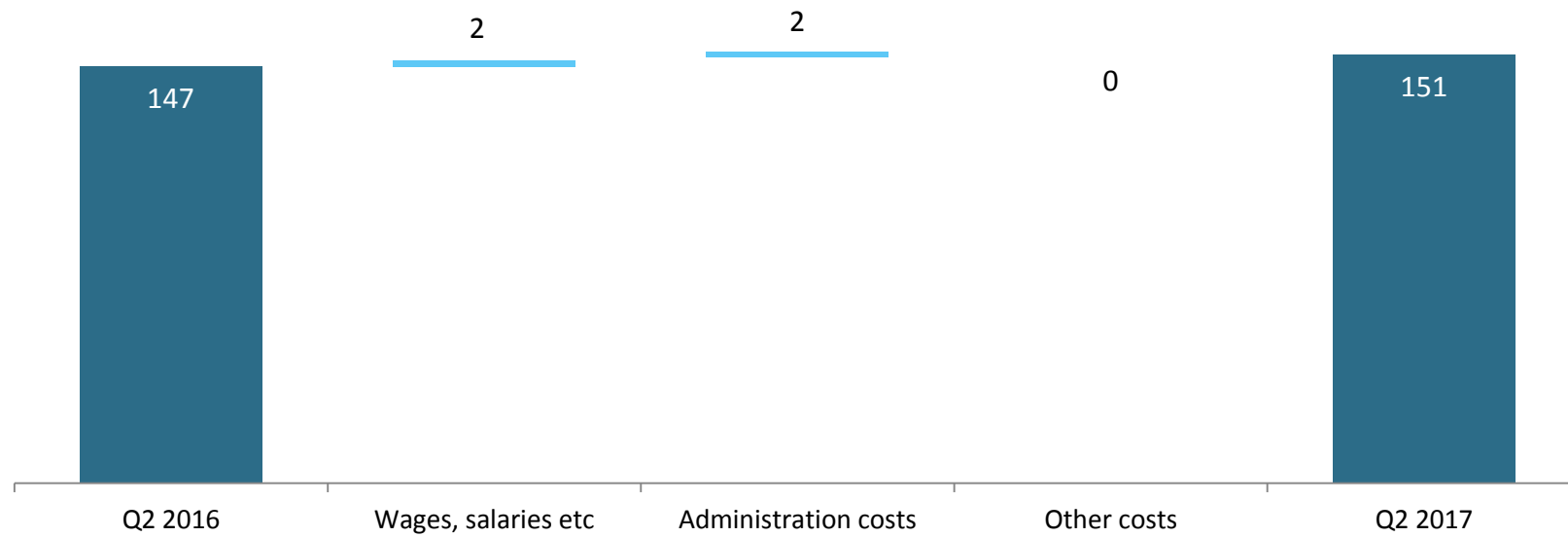
Total Assets and Man Years

- Total Assets in NOK billion



Costs

- minor changes from Q2 2016



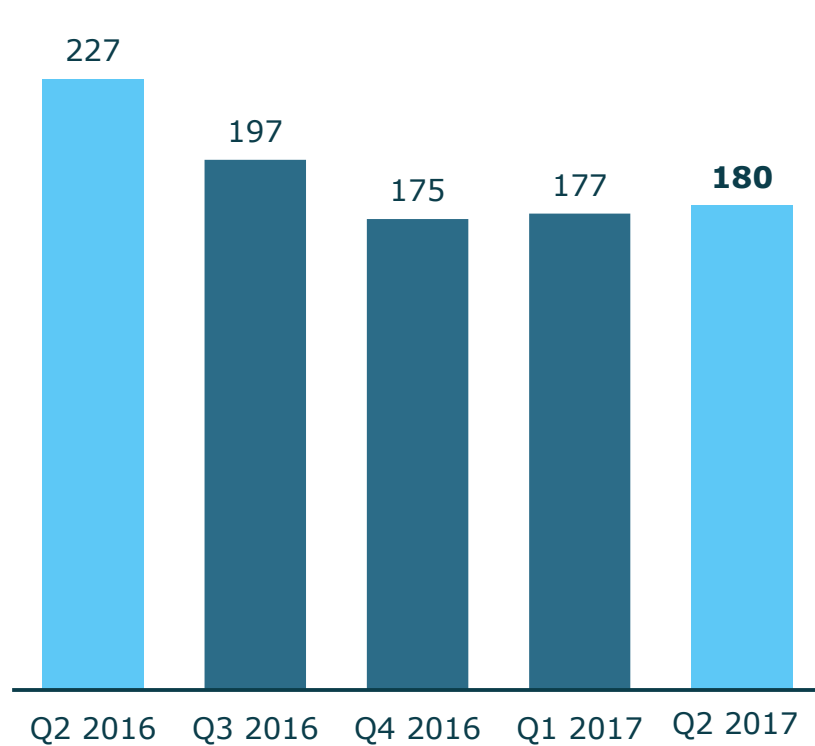
- The increase in personnel costs reflects introduction of fiscal tax
- The increase in administrative expenses is related to increased IT costs

Pre tax profit

- quarterly development

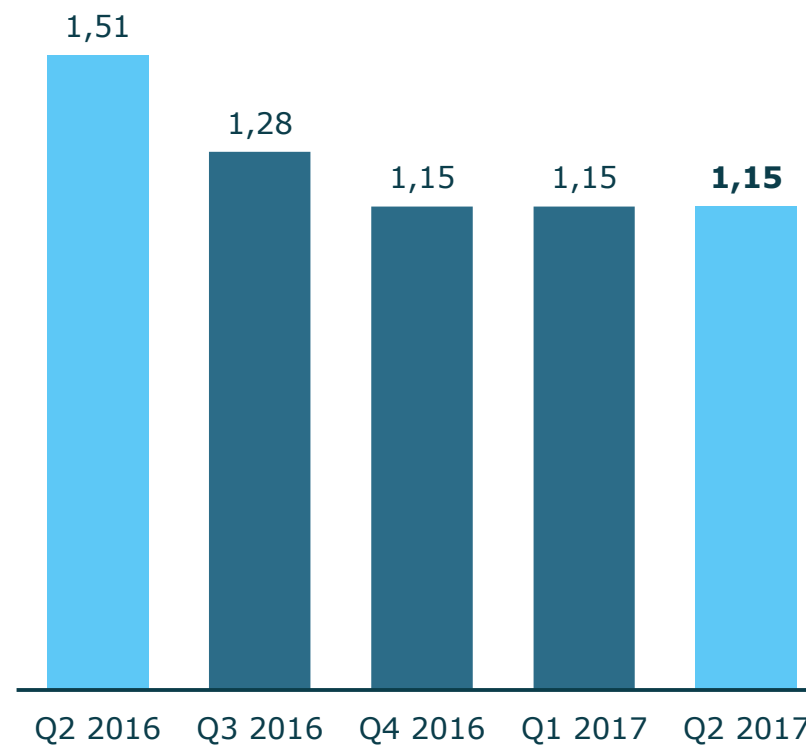
Result before losses

- NOK million



Result before losses

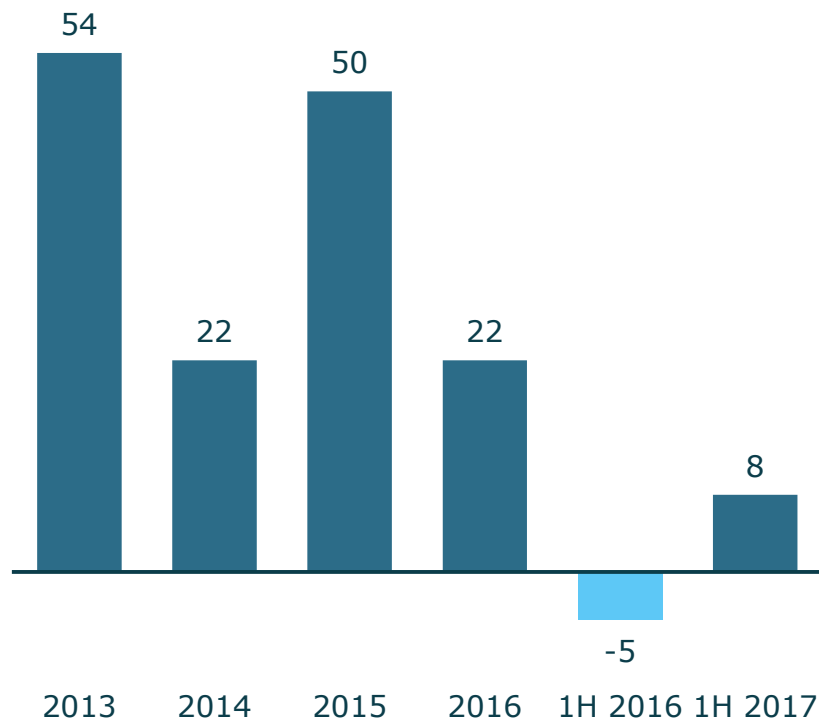
- % of Average Assets



Low level of losses over time

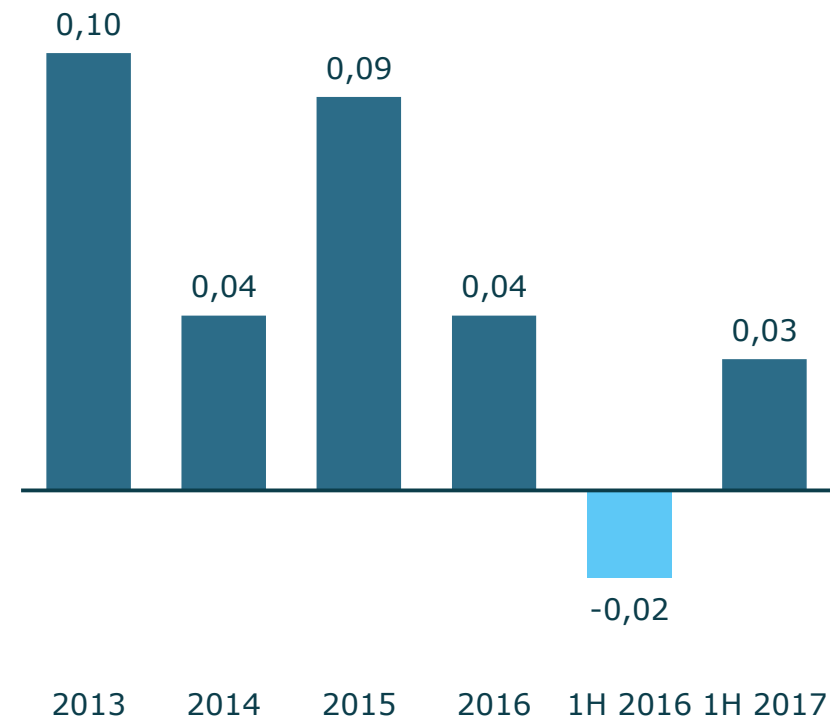
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

- % of Average Assets



Losses

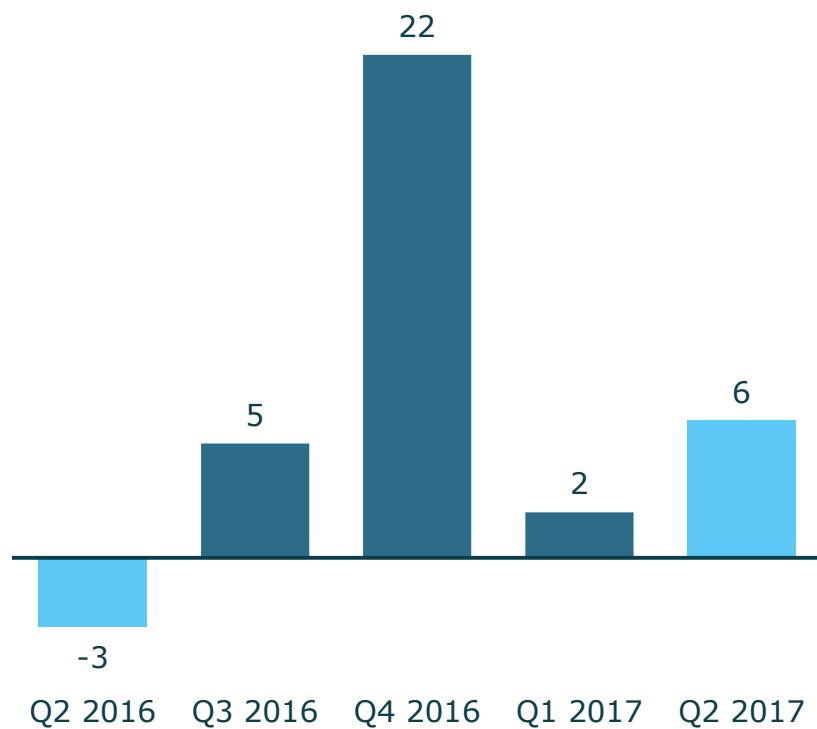
- quarterly development



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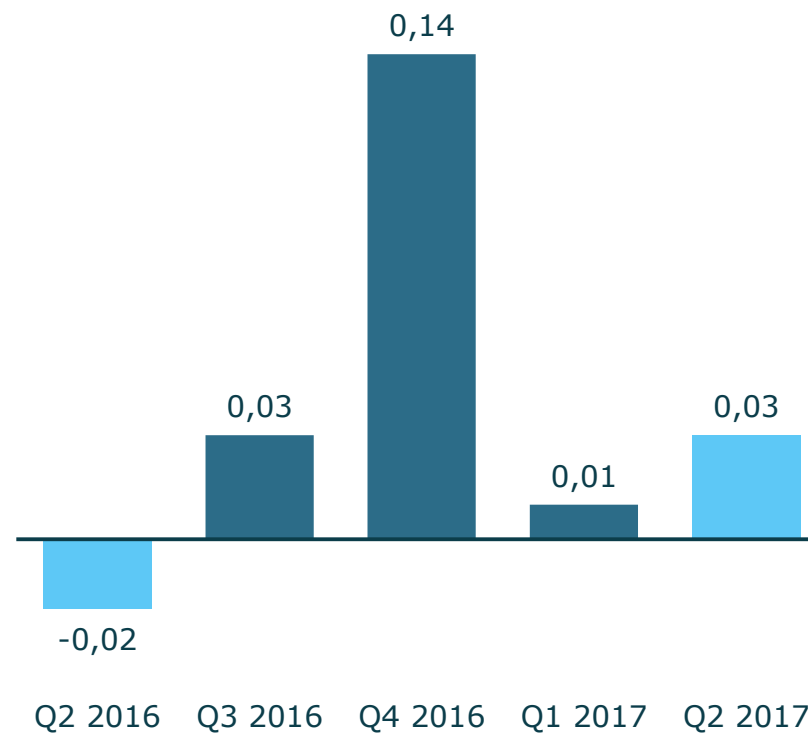
Losses on loans and guarantees

- NOK million



Losses on loans and guarantees

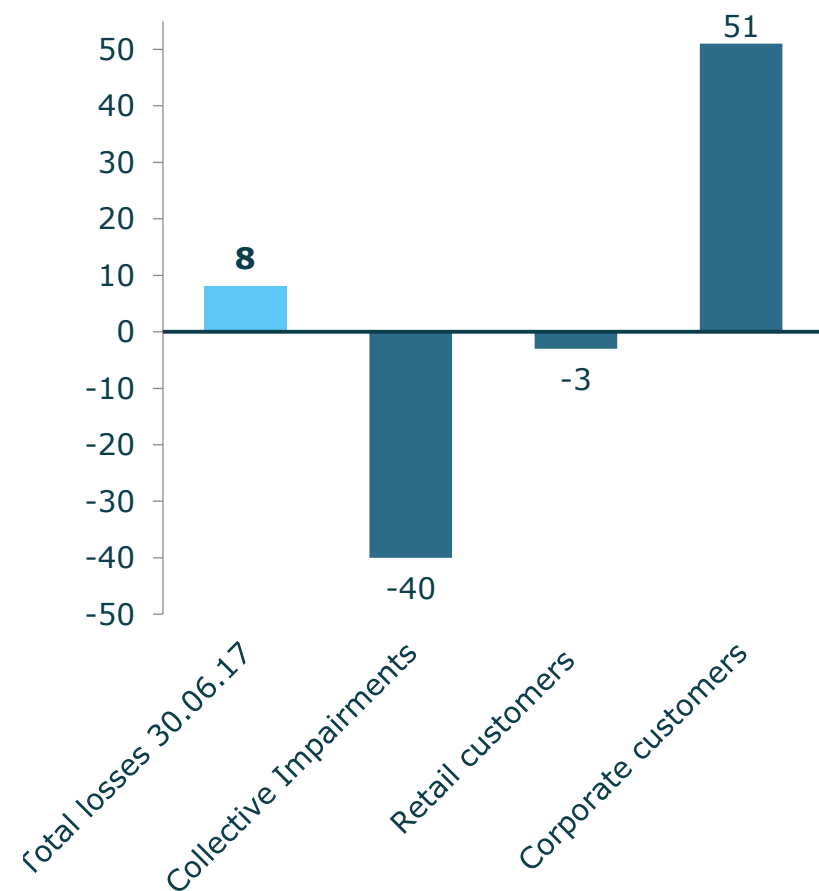
- % of Average Assets



Losses by sector

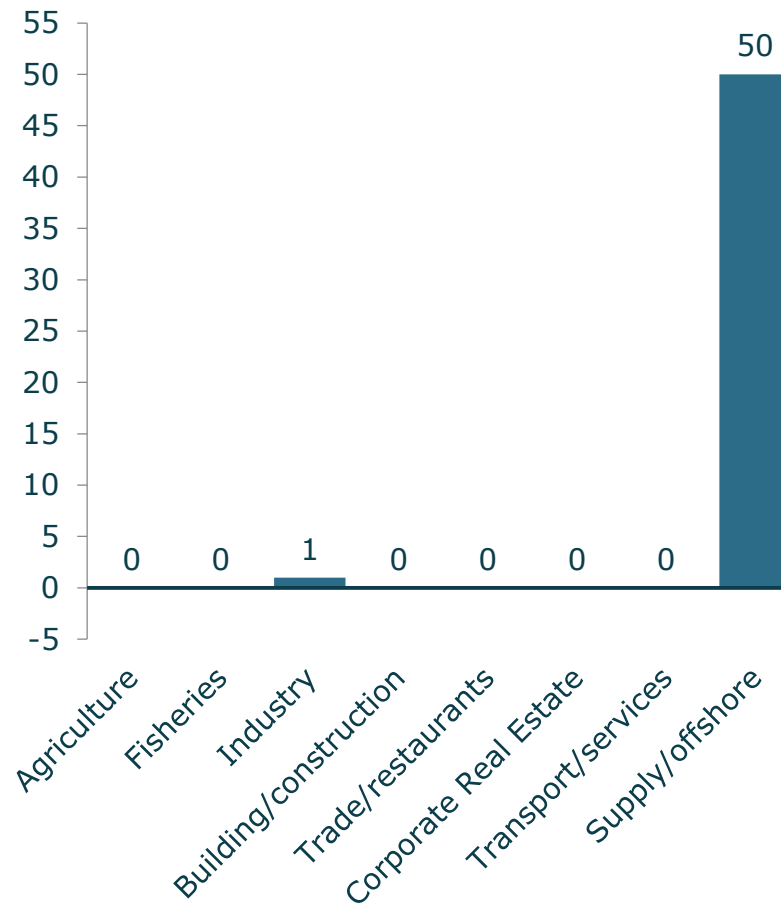
Losses on loans and guarantees

- NOK million



Detailed losses – corporate market

- NOK million



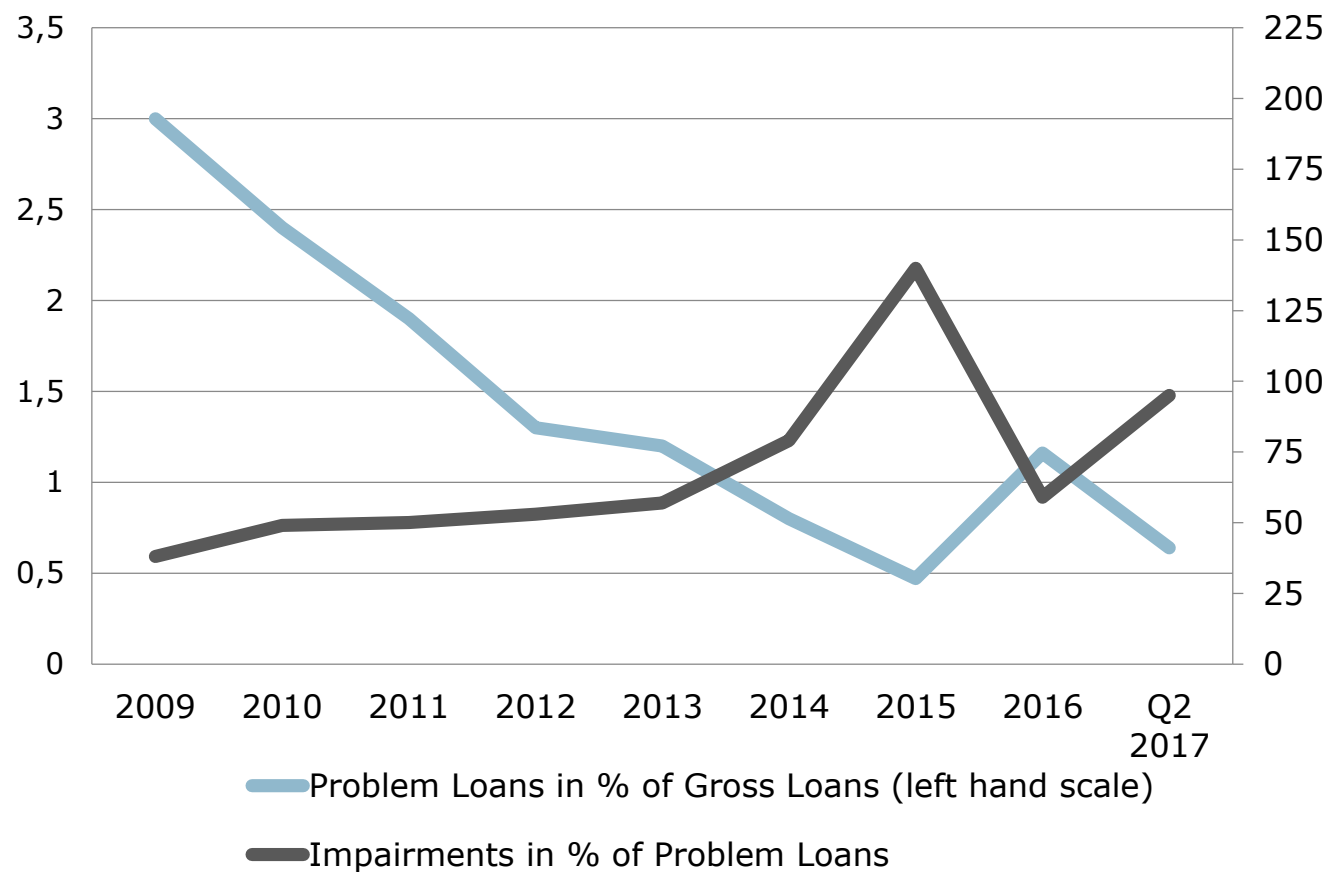
Problem Loans and Impairments

- continued positive development



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Problem Loans and Impairments (per cent)

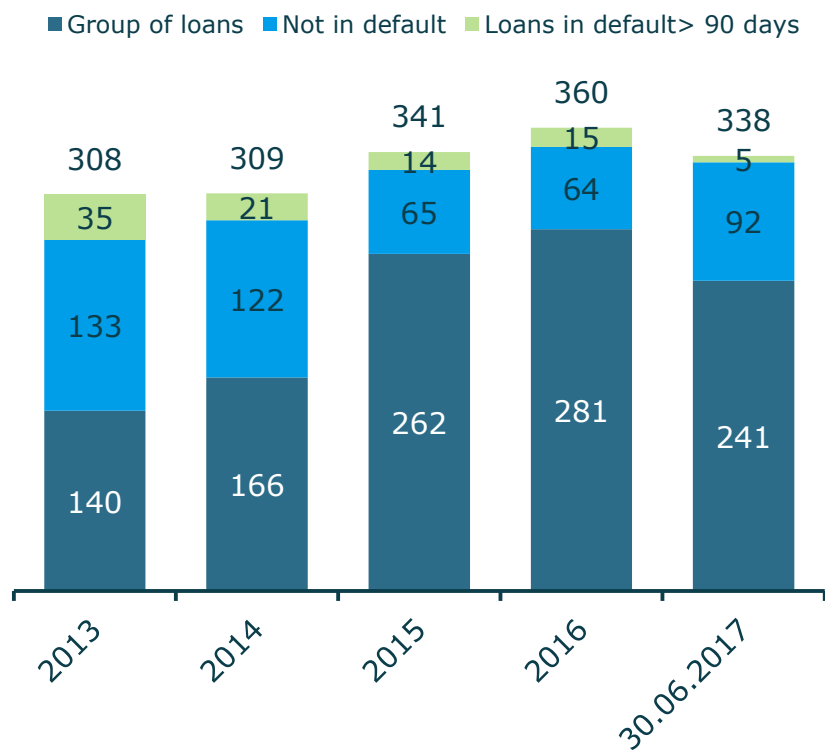


Impairments

- solid and comfortable levels

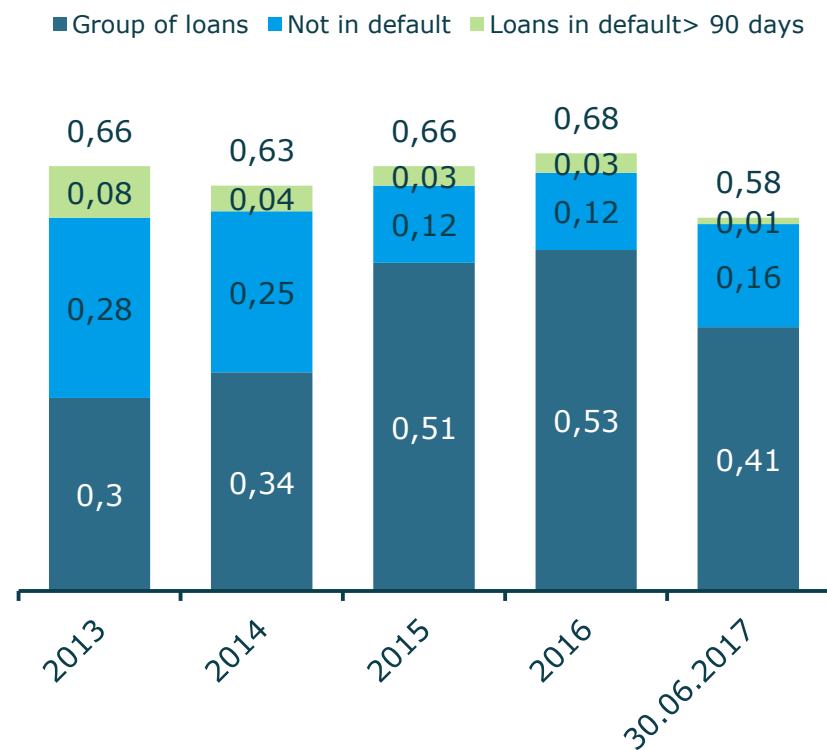
Impairments

- NOK million



Impairments

- % of Gross Loans

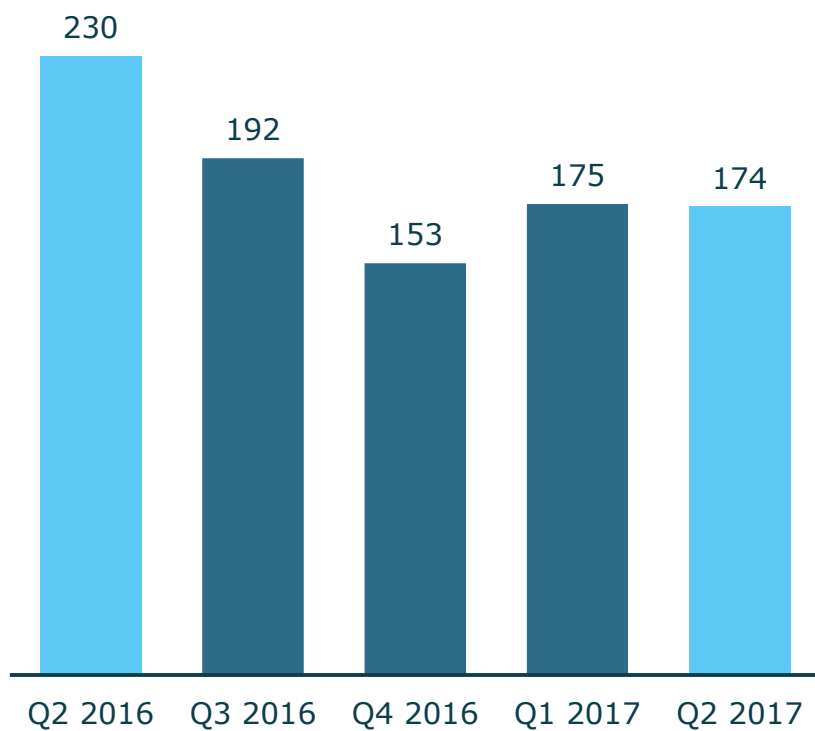


Pre tax profit

- quarterly development

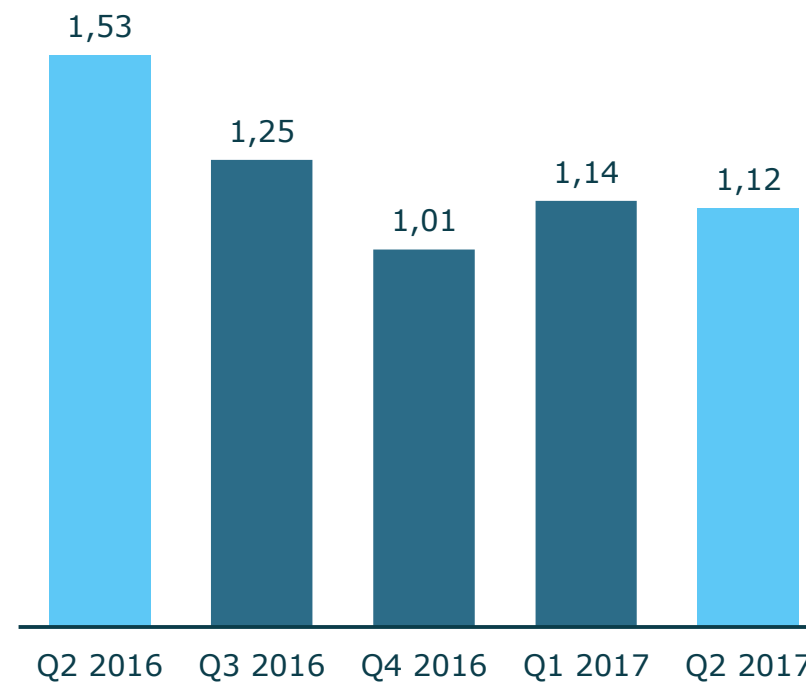
Pre tax profit

- NOK million



Pre tax profit

- % of Average Assets

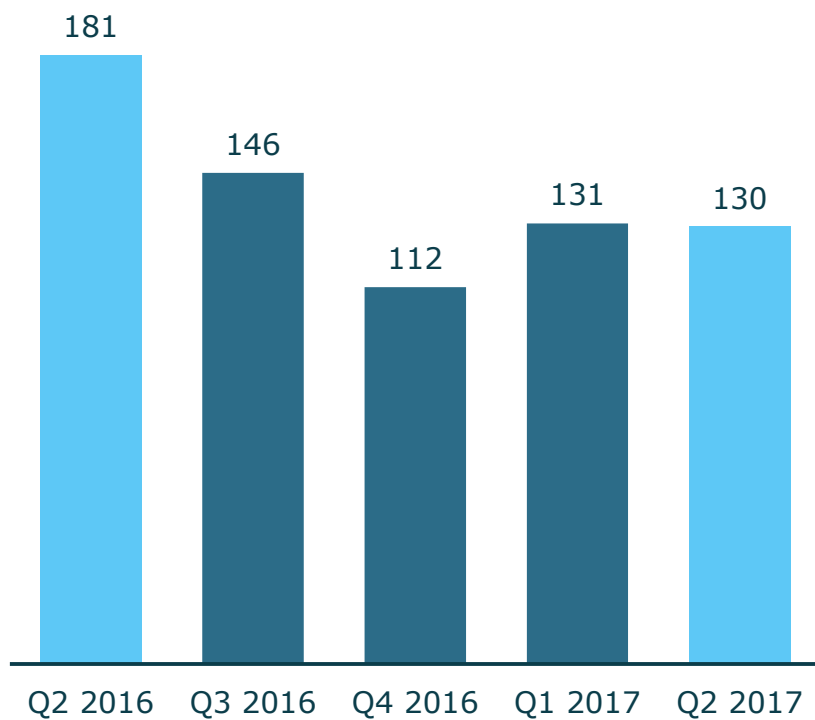


Profit after tax

- quarterly development

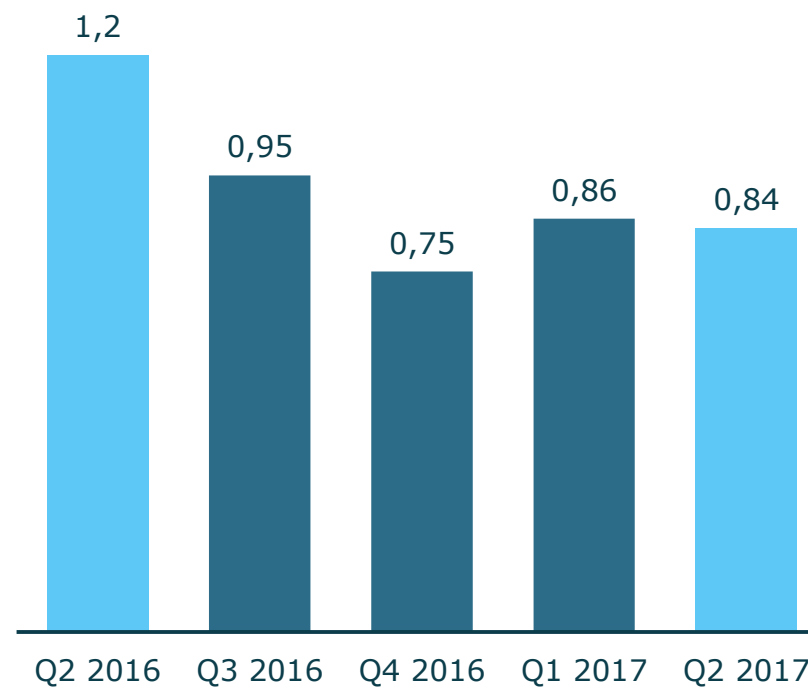
Pre tax profit

- NOK million



Pre tax profit

- % of Average Assets

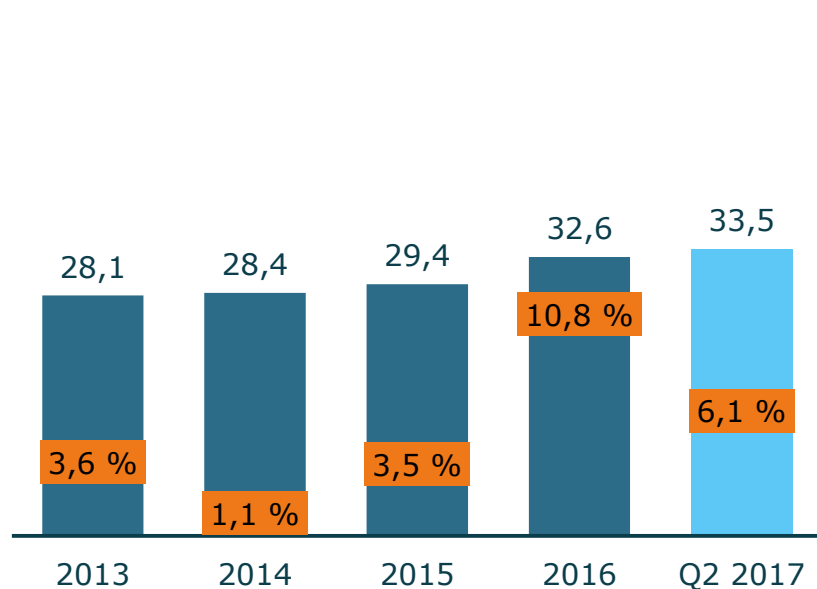


Increased growth

- High deposit growth and good growth in lending

Deposits

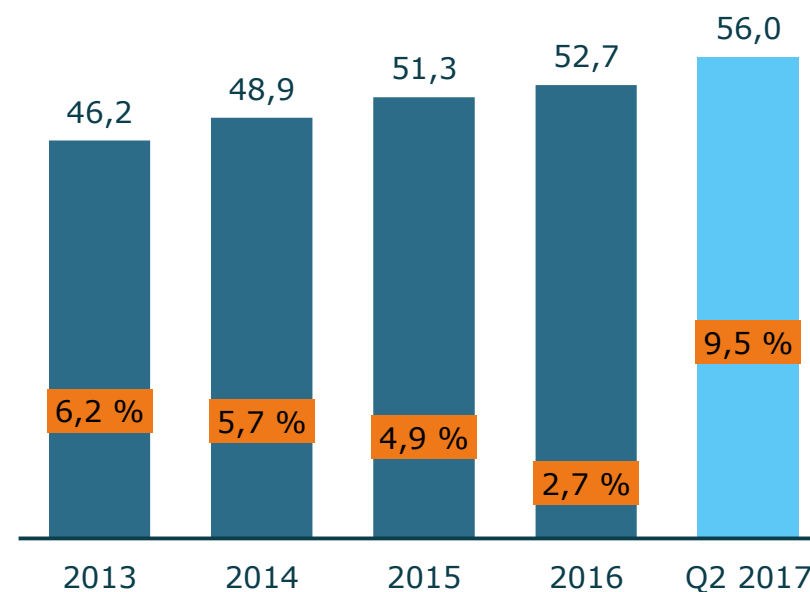
- NOK billion and per cent (y/y)



- Deposits grew by 6.1% the last 12 months
- High deposit to loan ratio, 59.8%

Net Loans

- NOK billion and per cent (y/y)



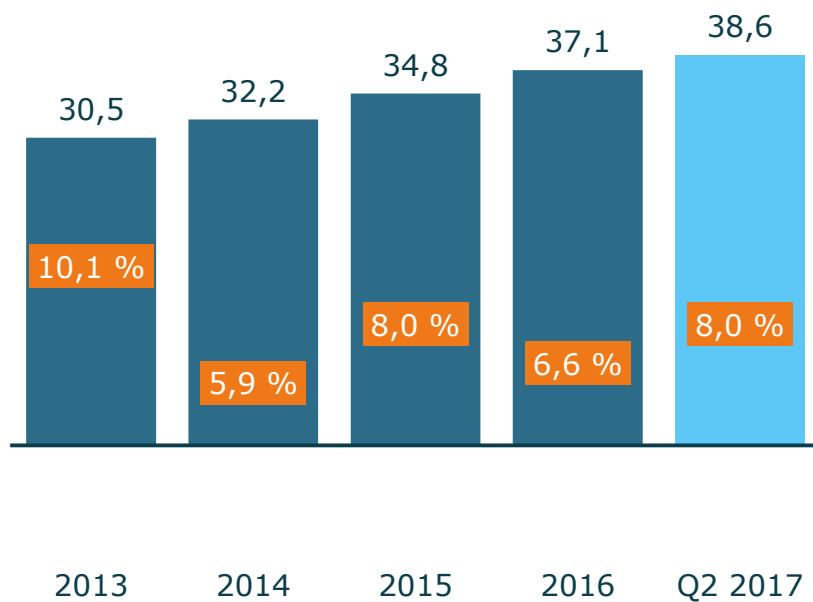
- Customer lending has increased by 9.5% the last 12 months

Lending

- Good growth in the market

Retail market

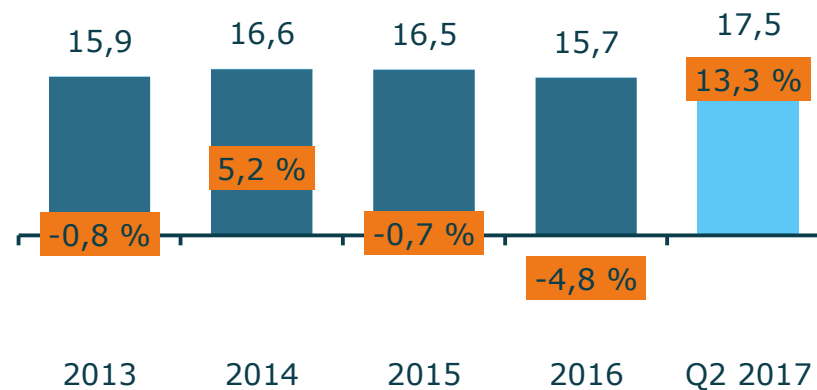
- NOK billion and per cent y/y



- Retail lending has increased by 8.0% the last 12 months
- Loans to the retail market amount to 68.8% of total loans

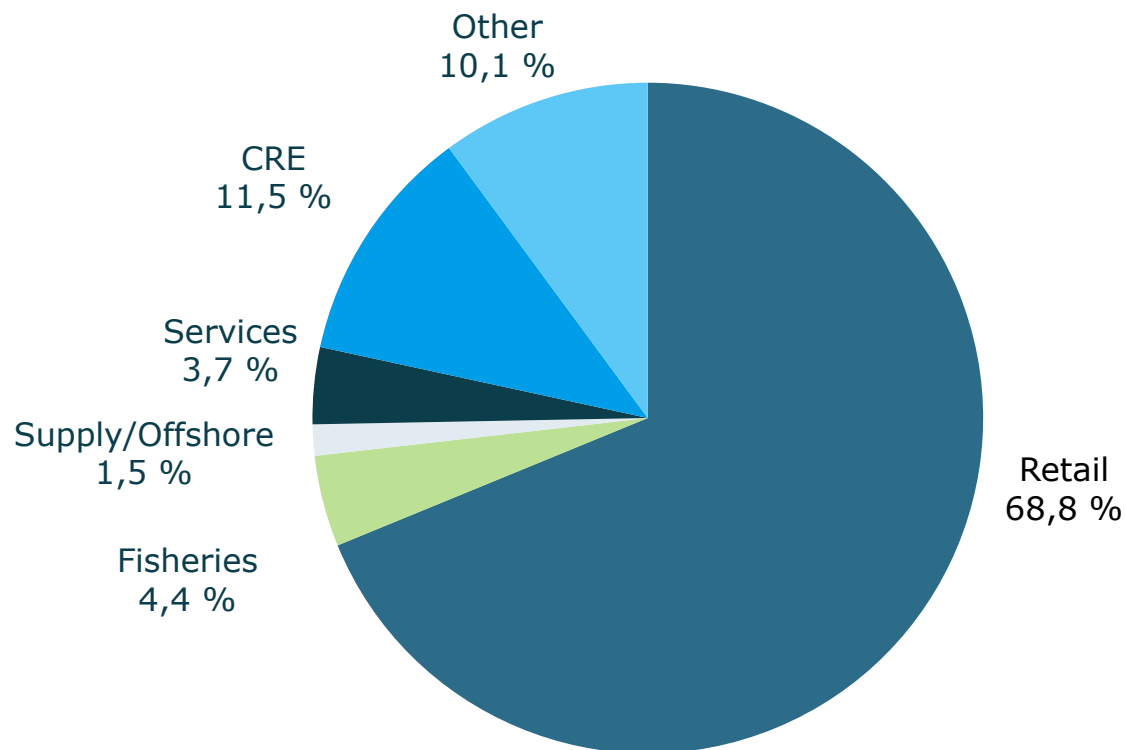
Corporate market

- NOK billion and per cent y/y



- Corporate lending has increased by 13.3% the last 12 months
- Loans to the corporate market amount to 31.2% of total loans

Loans by sector



Other:

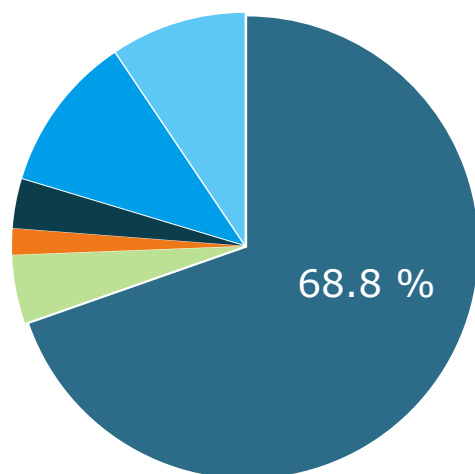
Other Industry	1.8 %	Agriculture	0.7 %
Financial services	2.4 %	Fishing Industry	1.5 %
Building and construction	1.1 %	Furniture	0.1 %
Ship Yards	1.2 %	Other	0.3 %
Retail/wholesale trade	1.0 %		

Lending

- high proportion of secured loans

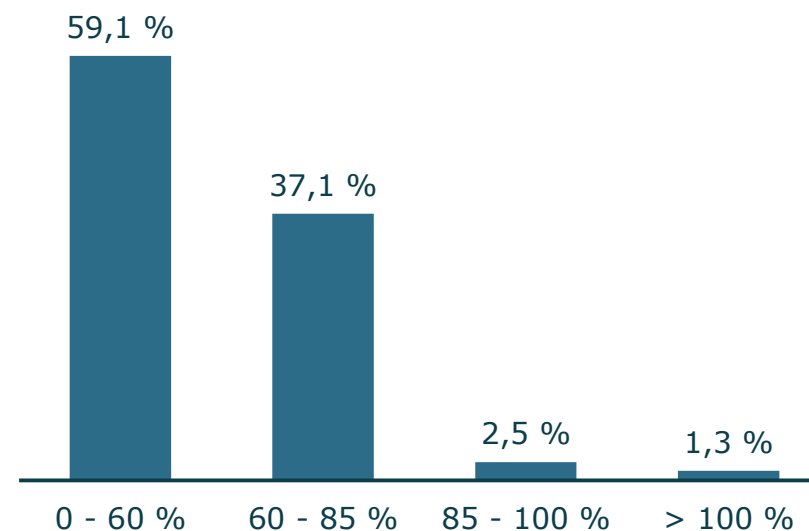
Loans to retail customers

- % of total loans



- The bank complies with the regulations from the Norwegian authorities (Boliglånsforskriften)
- Deviations reported in the second quarter of 2017 were 6.0% outside Oslo, 7.7% in Oslo which are well within the requirement in section 8 Flexibility

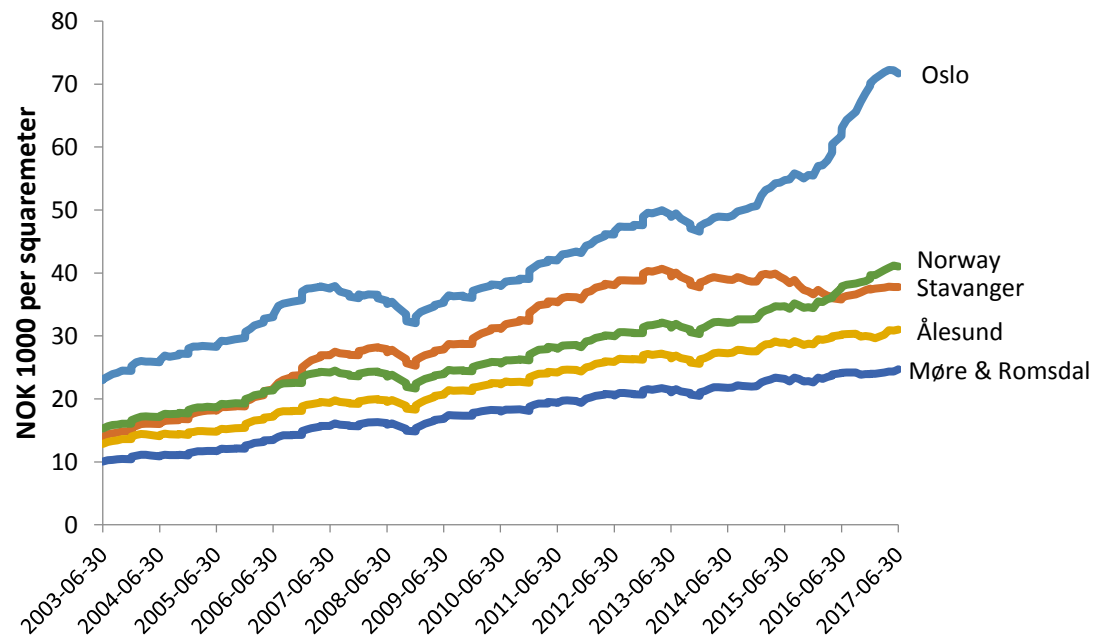
Loan to value – retail loans



- 96.2% of mortgage-backed loans to retail customers are within 85% of value

Differences in house prices

- development in average house prices June 2003 – June 2017



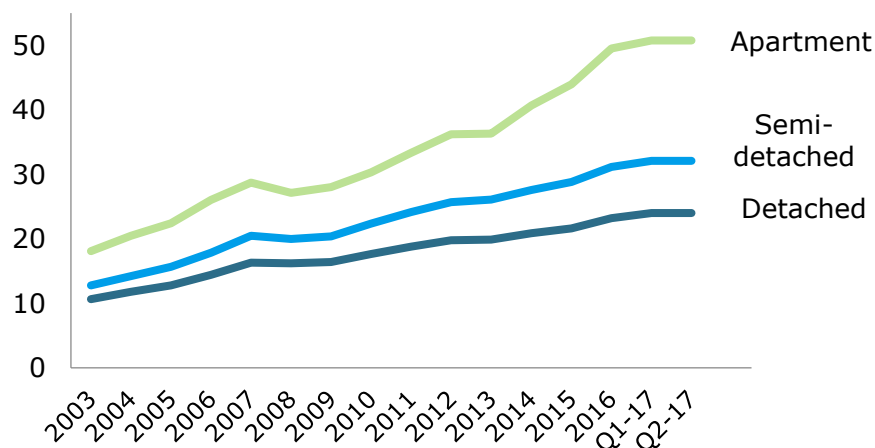
- The county of Møre og Romsdal has experienced lower growth in prices per square meter than Norway as a whole
- Albeit negative development in Oslo over the last months, the y/y growth is still high

Key information (pre-owned dwellings)	Norway	County of Møre & Romsdal	City of Ålesund	City of Stavanger	City of Oslo
Price development last 12 months	+6.3 %	+2.9 %	+1.7 %	+1.3 %	+11.5 %
Price per square meter (NOK)	41 003	24 707	30 981	37 768	71 698
Average days on market (DOM) sold units in June 2017	32 days	56 days	44 days	53 days	21 days
Price median dwelling (NOK)	3 146 000	2 407 590	2 650 000	3 226 700	4 160 000

Differences in the Norwegian housing market

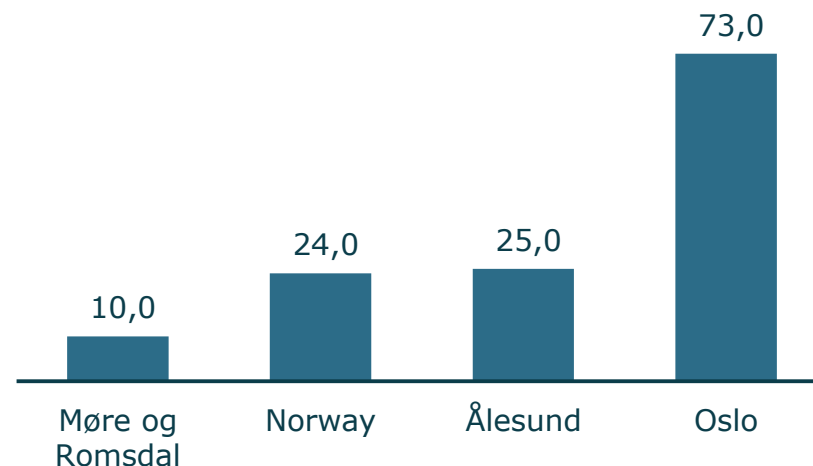
Price development different dwellings

- Price per square meter



Part of dwellings which are apartments

- In per cent of total dwellings



- Apartment prices in Norway show stronger growth than other housing types
- We see differences in price development and number of days on market also between municipalities within the county of Møre og Romsdal
- In the county of Møre og Romsdal detached and semi-detached housing are more common

Deposits

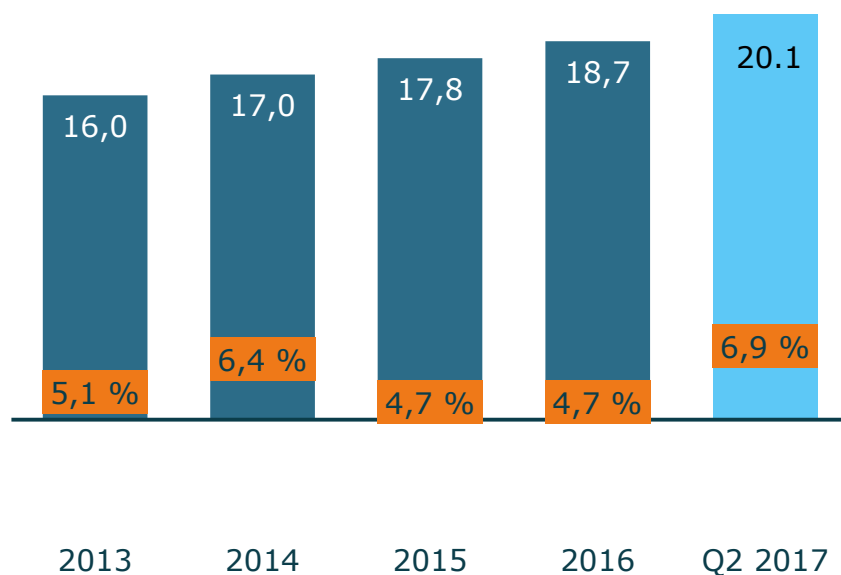
- High growth in deposits the last 12 months



SPAREBANKEN MØRE

Retail market

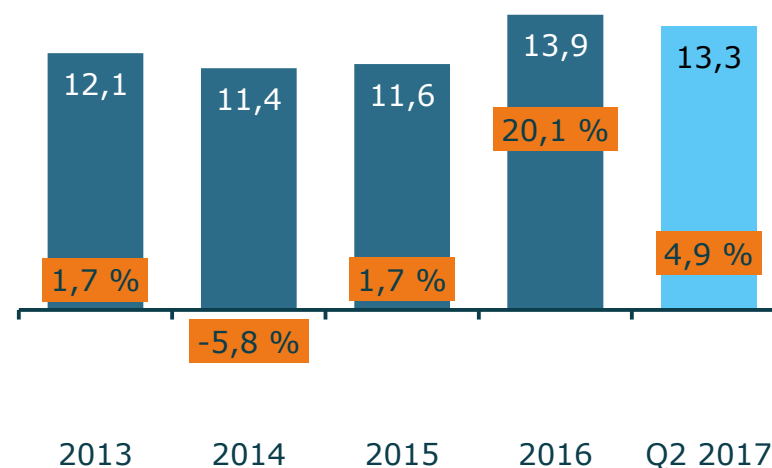
- NOK billion and per cent y/y



- Retail deposits have increased by 6.9% the last 12 months
- Deposits from the retail market amount to 59.9% of total deposits

Corporate and public

- NOK billion and per cent y/y



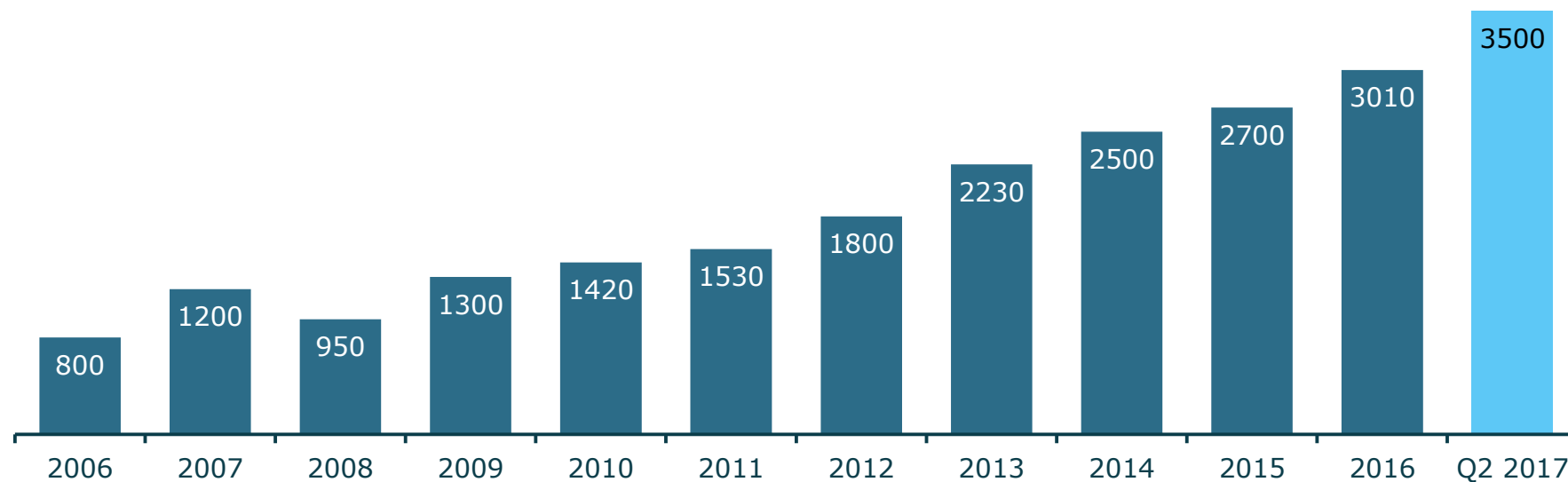
- Deposits from corporate customers have increased by 7.3% the last 12 months and ended at NOK 12.5 billion by quarter end
- Deposits from public customers have decreased by 22.6% the last 12 months and ended at NOK 0.8 billion by quarter end

Discretionary Portfolio Management

- Strong growth - volume i NOK million



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

Deposits from customers and market funding

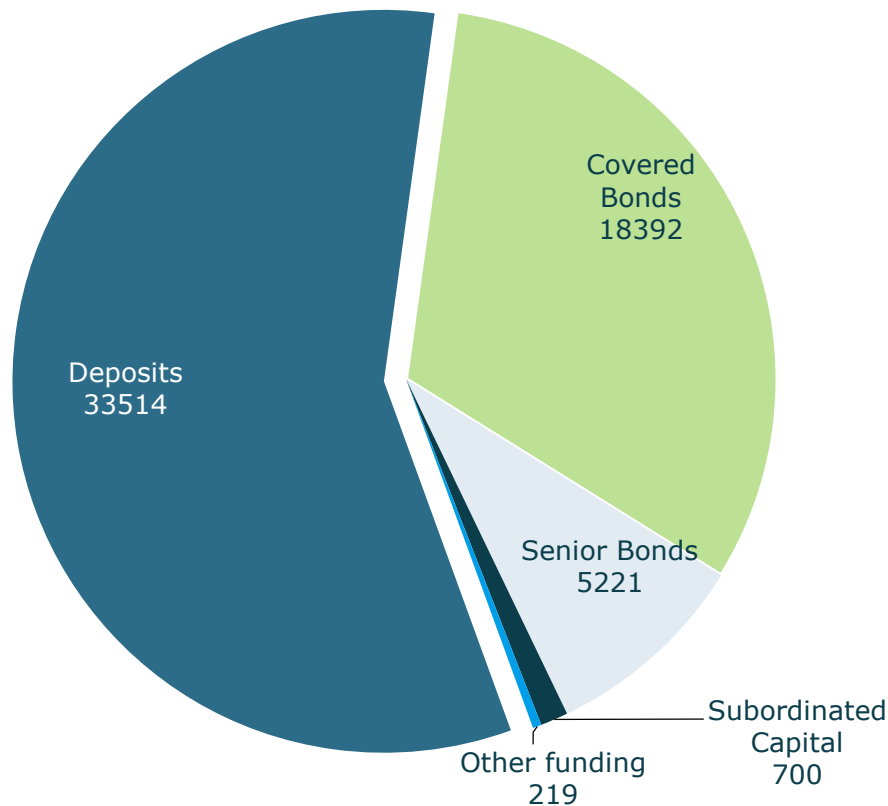
- Deposits are the Group`s most important source of funding, 59.8% coverage



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Deposits and market funding

- NOK million



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

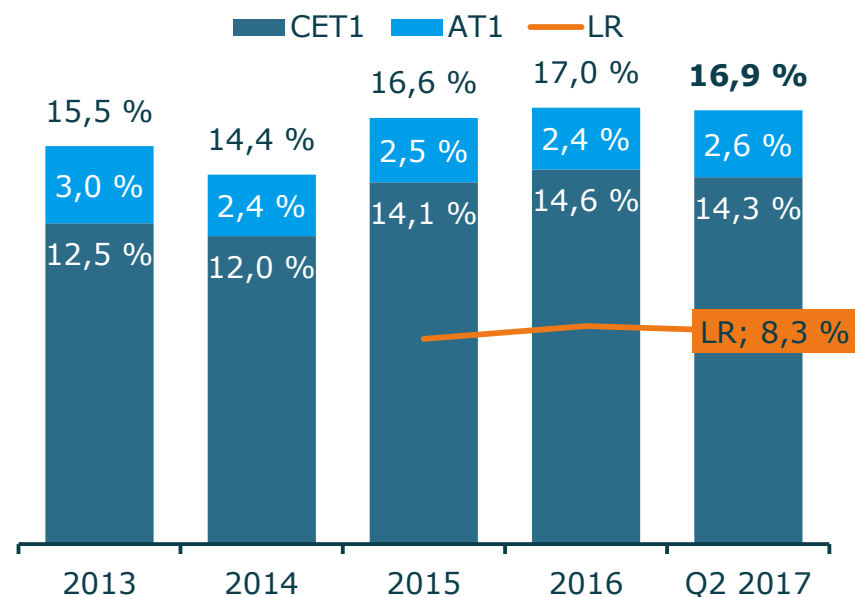
- Total market funding ended just above NOK 24.5 billion by quarter end – more than 90 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.08 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.59 years (FSA defined key figures)
- By quarter end five of Møre Boligkreditt`s bond issues are listed on *Oslo Børs Covered Bond Benchmark list* and also qualifies for Tier 2A liquidity in LCR. In Q2 Møre Boligkreditt AS successfully issued a Public EUR 250 million Covered Bond in the European market
- In an Credit Opinion update July 4 2017, Moody`s confirmed Sparebanken Møre`s A2-stable rating

Equity and related capital

- Capital and leverage ratio (LR) well above regulatory requirements

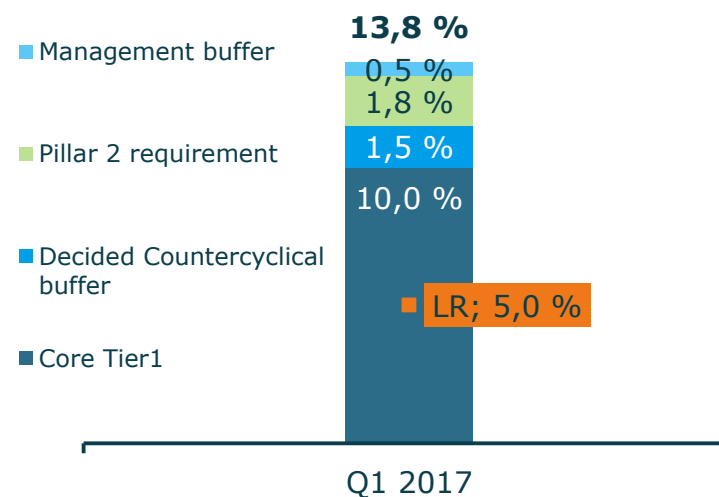
Core Capital in Sparebanken Møre

- % of risk weighted assets



Minimum requirements

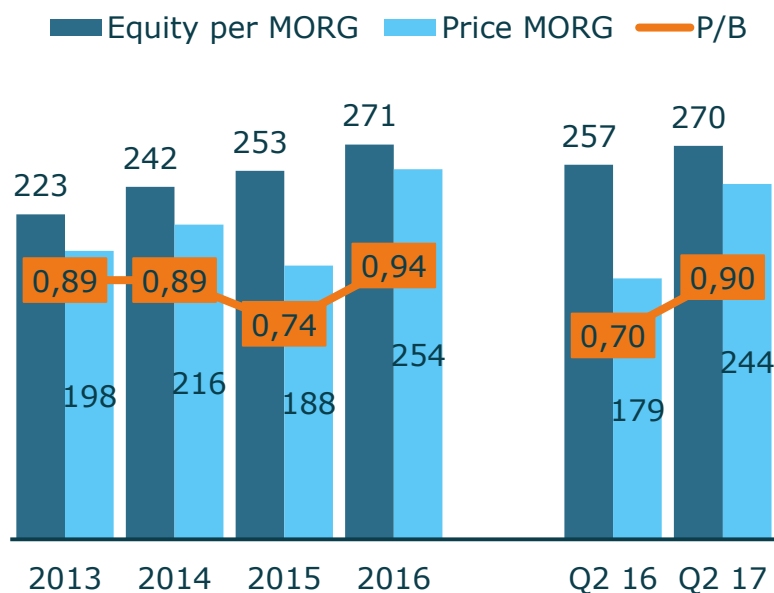
- % of risk weighted assets



- Sparebanken Møre capital targets are:
 - Total Capital: Min. 17.3 %
 - Core Capital: Min. 15.3 %
 - CET1: Min. 13.8 %
- By quarter end our CET1 stood at 14.3%, total capital at 18.9%

- The Group's Capital shall follow the announced regulatory capital escalation plan
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market

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



- Equity per MORG is calculated on Group figures

The Dividend Policy is firm and unchanged

- 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%



GOALS IN OUR STRATEGIC PLAN «MØRE 2020»

- CET1 > 13.8 %
- Cost/Income < 45%
- ROE > 10 %
- Low level of losses
- Healthy financial structure

The history shows that we achieve our goals.

FUTURE PROSPECTS

- Generally, the economic outlook for the county has stabilized and is good
- Oil Service Industries and the housing market are the two main areas of uncertainty
- Offensive steps to meet the digital shift, along with a strong local presence, make us well positioned to strengthen our market position

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