

Sparebanken Møre – the Group

Presentation 1st quarter 2020

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EVP

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Contents

- Introduction and highlights
- Sparebanken Møre and the new market situation
- Results
- Deposits and Loans
- Liquidity and Capital
- Main Targets

The largest bank in the region

Strong local presence

Our vision:

Sparebanken Møre shall be the leading contributor to creative enthusiasm in Nordvestlandet.

Every day.

The bank is expanding further and strengthening its position as market leader in our region Nordvestlandet



28

branch offices in our region
Nordvestlandet

354

man years

NOK 79

billion in total assets

Results

The first quarter results reflect the extraordinary market conditions following the covid-19 virus and the Norwegian authorities` shutdown and infection reducing measures.

Nevertheless, we have maintained good growth in the quarter and the Net Interest Margin is rising.

The bank is solid and has good liquidity.



Balance growth

Lending growth was 6.3 per cent over the last 12 months. Growth in deposits was 6.7 per cent



High and stable Net Interest Income

Growth in NOK and in percentage compared to Q1 2019



Efficiency

Cost/Income ratio at 47.2 per cent by year end – up 6.0 p.p. compared to last year



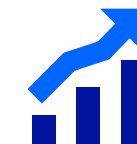
Losses

NOK 36 million in losses on loan and guarantees



Strong liquidity and solidity

Deposit to Loan ratio at 57.5 per cent, LCR at 125 and CET1 at 16.9 per cent. Leverage Ratio at 7.8 per cent



Return on Equity

Return on Equity ended at 7.1 per cent for the first quarter of 2020

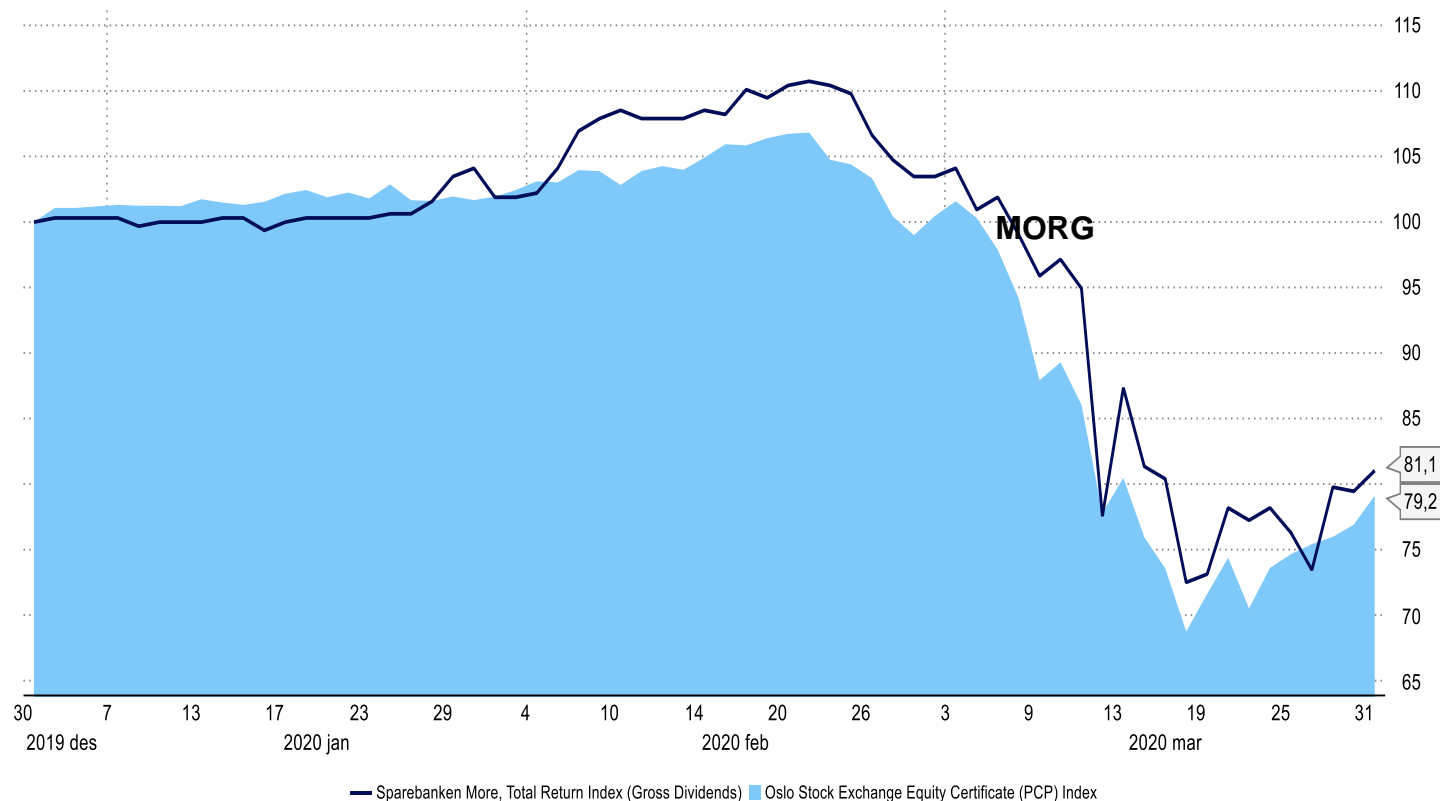
MORG – price development and rating

In Q1 the equity market was strongly affected by the market turmoil as a result of the covid-19 virus and the fall in oil prices.

As the figure shows, the MORG price fell by 19 per cent during Q1 2020, slightly better than the average price development in the equity certificate market.

The CET1-ratio ended at 16.9 per cent by quarter end.

Development at Oslo Stock Exchange (MORG vs. EC-index (YTD))

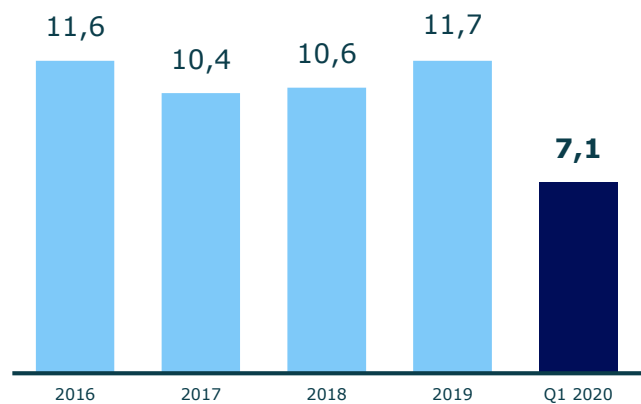


Source: Bloomberg

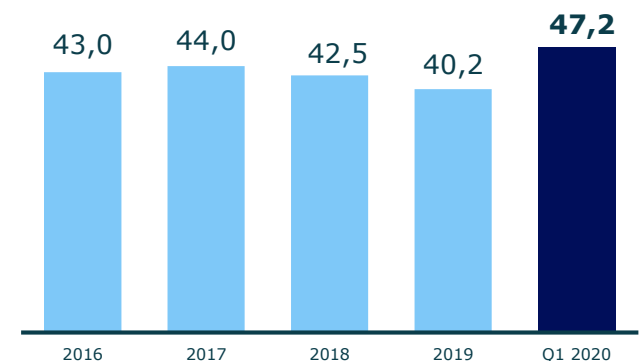
December 9 2019, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated Aaa

Key figures

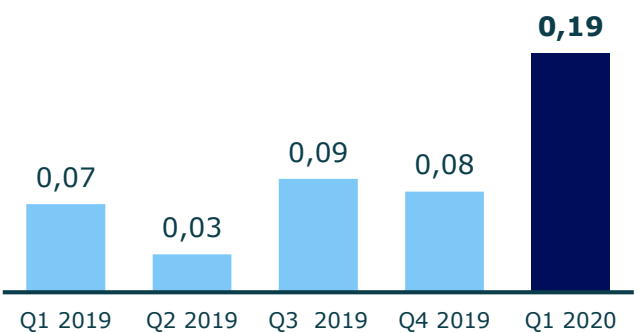
Return on Equity



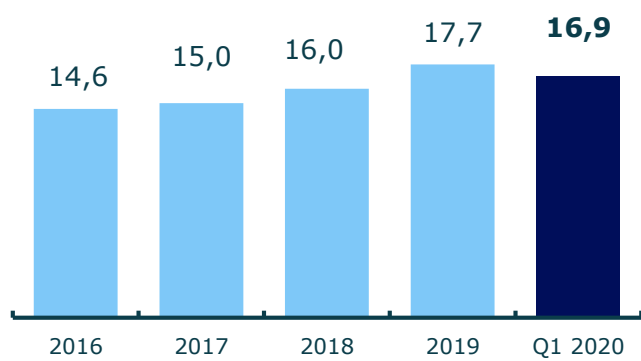
Cost/Income



Losses on Loans and Guarantees In per cent of Average Assets



Common Equity Tier 1 Capital (CET1)



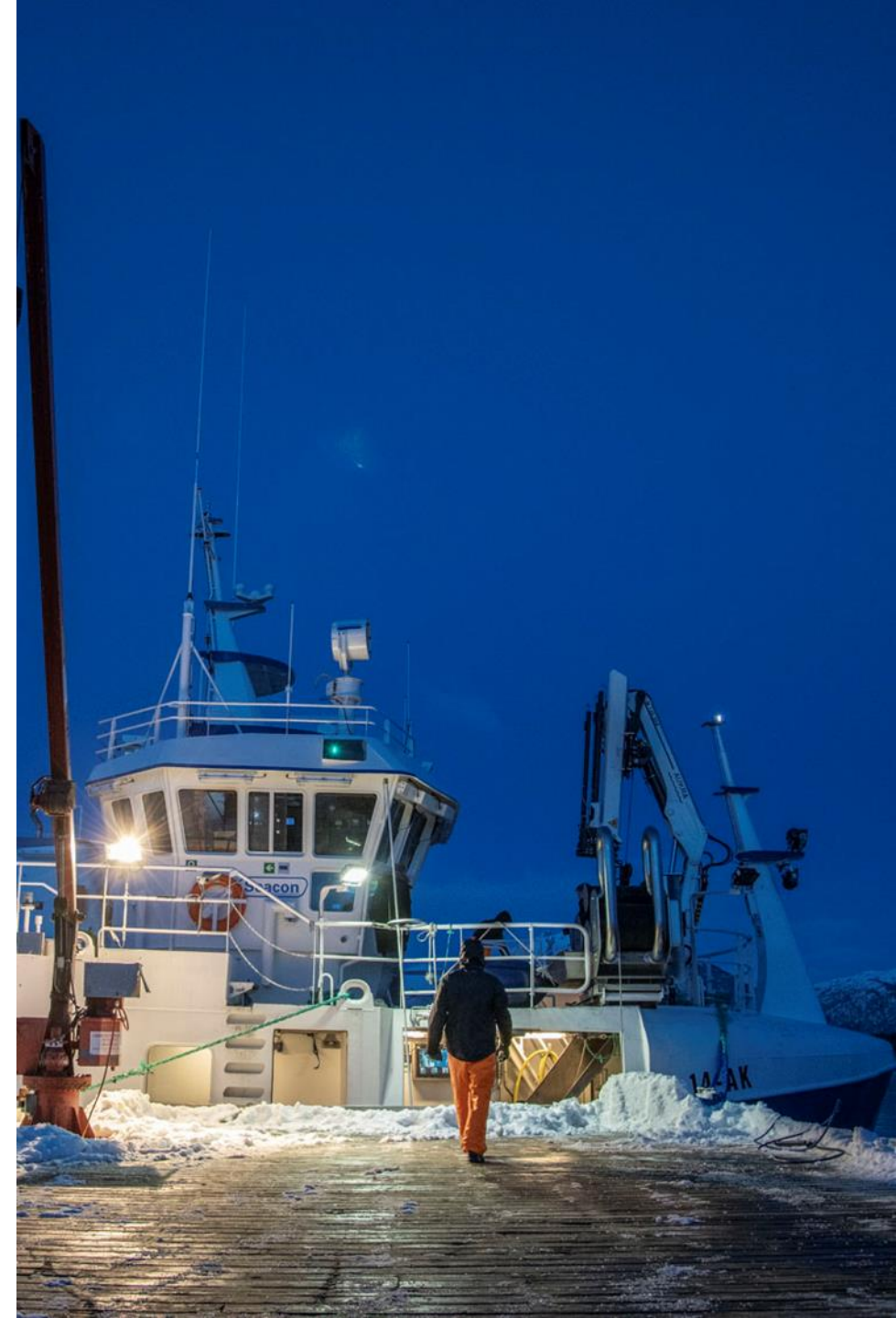
Balance sheet and key figures

	31.03.2020	31.03.2019	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	79,070	71,135	7,935	11.1
Loans to customers	65,145	61,270	3,875	6.3
Deposits from customers	37,432	35,066	2,366	6.7
Net Equity and Subordinated Loans	6,981	6,646	335	5.0

Key Figures	31.03.2020	31.03.2019	Changes p.p.	
Return on Equity	7.1	11.0	-3.9	
Cost/Income Ratio	47.2	41.2	6.0	
Total Capital	20.7	19.4	1.3	
Tier 1 Capital	18.6	17.3	1.3	
CET1	16.9	15.9	1.0	
Leverage Ratio	7.8	8.1	-0.3	
Profit per EC (NOK, the Group)	5.46	7.95	-2.49	
Profit per EC (NOK, the Bank)	14.47	14.13	0.34	

Outlook for the region and the bank

- Given the current situation, the overall output and demand in Møre og Romsdal will probably decline this year. This is due to the government's activity reducing measures aimed at countering the coronavirus, as well as the sharp fall in oil prices
- The depreciation of the Norwegian krone will be positive for exports and import-competitive activities, while it entails higher costs and reduced profitability for companies with a high import share. However, a significant part of the business sector could get back to normal once the strictest infection control measures have been lifted. In this case, activity will pick up in the second half of the year and during 2021
- Some industries will probably still be affected for a longer period. Examples of this are tourism with associated activities, trade and service industries, as well as the maritime industry. A sustained low oil price level will have a negative impact on businesses and industries in our region, Nordvestlandet
- The decline in activity levels has led to a strong increase in the number of layoffs. At the end of March, unemployment in Møre og Romsdal accounted for 10.0 per cent of the workforce. In comparison, the unemployment rate in the country as a whole was 10.7 percent. However, much of the rise in unemployment will probably be of a short-term nature
- The bank has a solid capital base and good liquidity and will continue to be a strong and committed supporter for our customers through the corona crisis. The focus is always to have good operations and profitability
- The bank's strategic objective is a ROE above 11 per cent. Given the duration and the consequences that the authorities' activity-reducing measures against the coronavirus now seem to have, it is unlikely that the bank's strategic objectives will be achieved in 2020



Covid-19: We take the situation very seriously

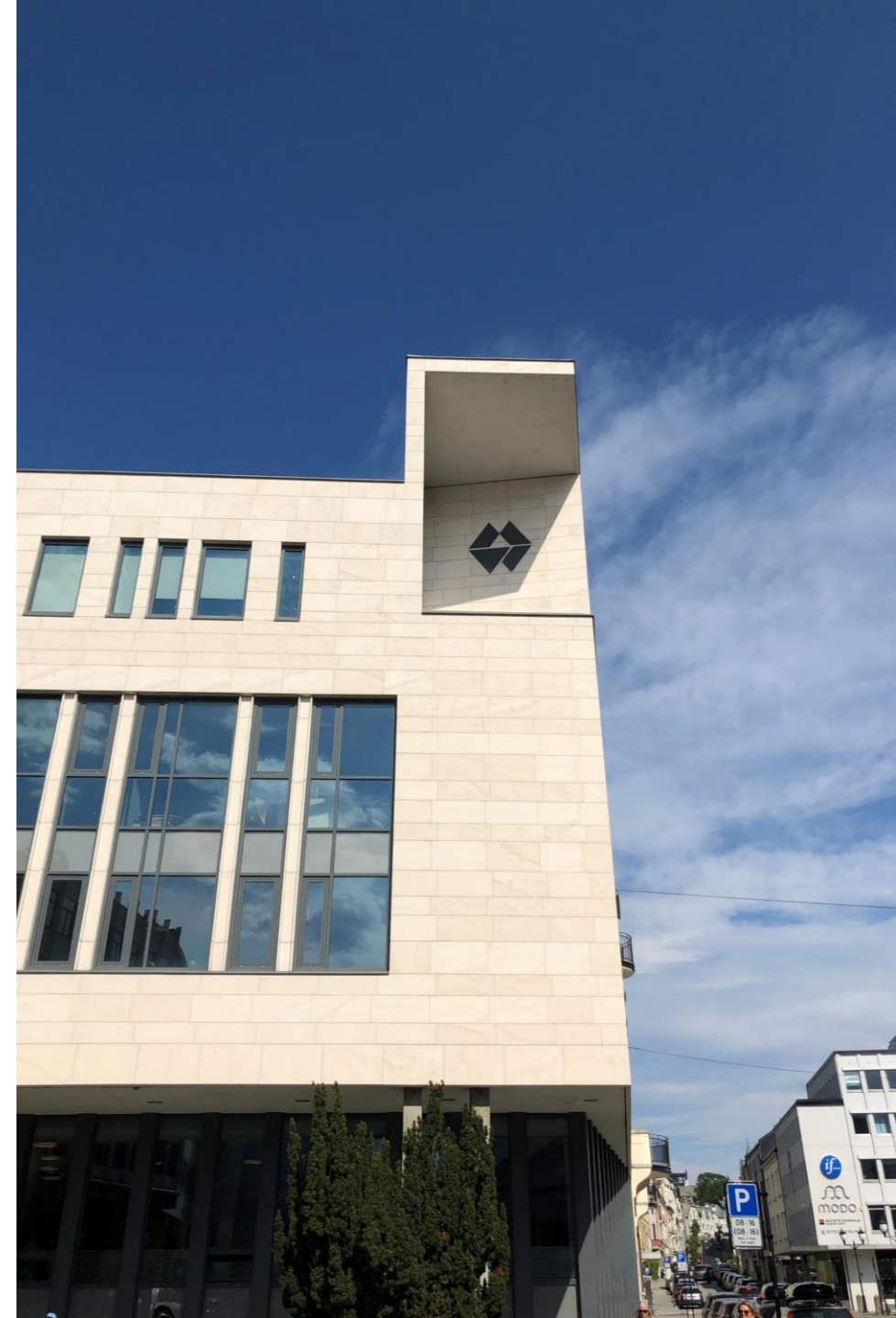
Health

- Infection protection measures were quickly implemented
- The bank has had few employees in quarantine / isolation
- Sickness absence is low and stable

Operational

- The offices closed for customers on March 13. The bank is still fully operational
- Many work from home office
- Departments that must be physically present in the office have been distributed in different locations
- We have new and upgraded technical equipment and secure technological solutions
- We have full focus on close follow-up and good advice to our customers - both one by one, but also through useful information in digital channels and newsletters

The bank is well equipped for the new market situation



Close follow-up of our customers

More than 200 advisors are close- and available to customers

- Financial advice
- Installment Postponements
- Interest rate reductions
- Temporary credits and loans
- Advising on Government measures



Support schemes for sports and voluntary organizations

- Support already granted for an event that is now canceled due to corona will not be withdrawn
- It is possible to apply for support to cover accrued costs related to the event canceled due to corona
- It is also possible for others to seek support for specific relief measures
- We will use our expertise to contribute to activity, joy and well-being in the future





Relocation to new office space in Sykkylven and Stranda in February



The bank has a high pace, and we have been able to report many positive news during the quarter



Undervisningsplan.no winner in our entrepreneur competition in March. The rating was streamed due to the corona situation



Opening of a new bank office at Digernes planned in Q3 2020



We belong here.

Sparebanken Møre has a long history, and we have long-term prospects as well.

We will strive to keep the wheels running for both customers and communities during this period.

We must also make wise and sustainable choices.

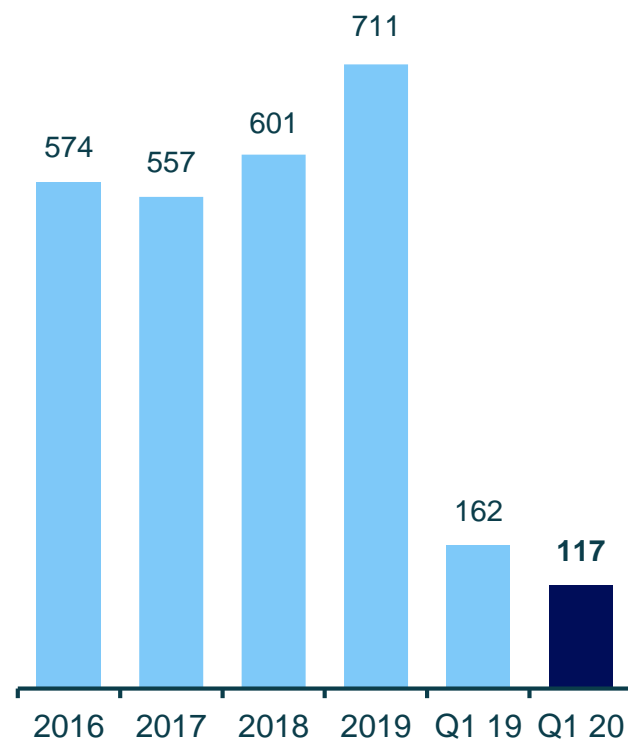
Results

Results Q1 2020

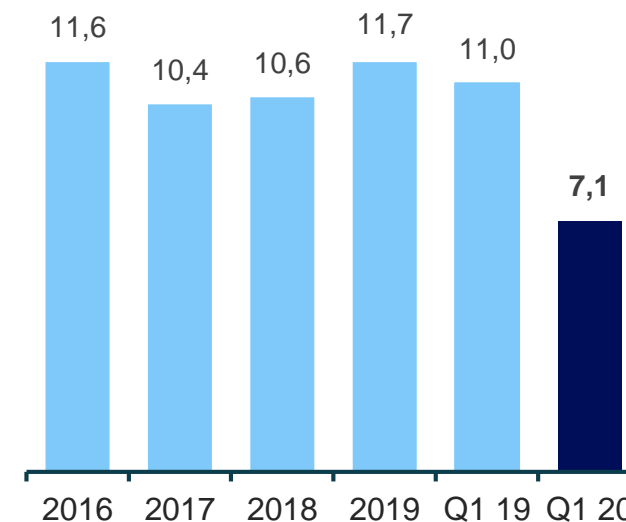
27.6 per cent weaker result compared to Q1 2019.

The bank's result is strongly influenced by a reduction in other income as well as losses due to the market turmoil

Profit after tax
- NOK million



Return on Equity (ROE)
- in percent



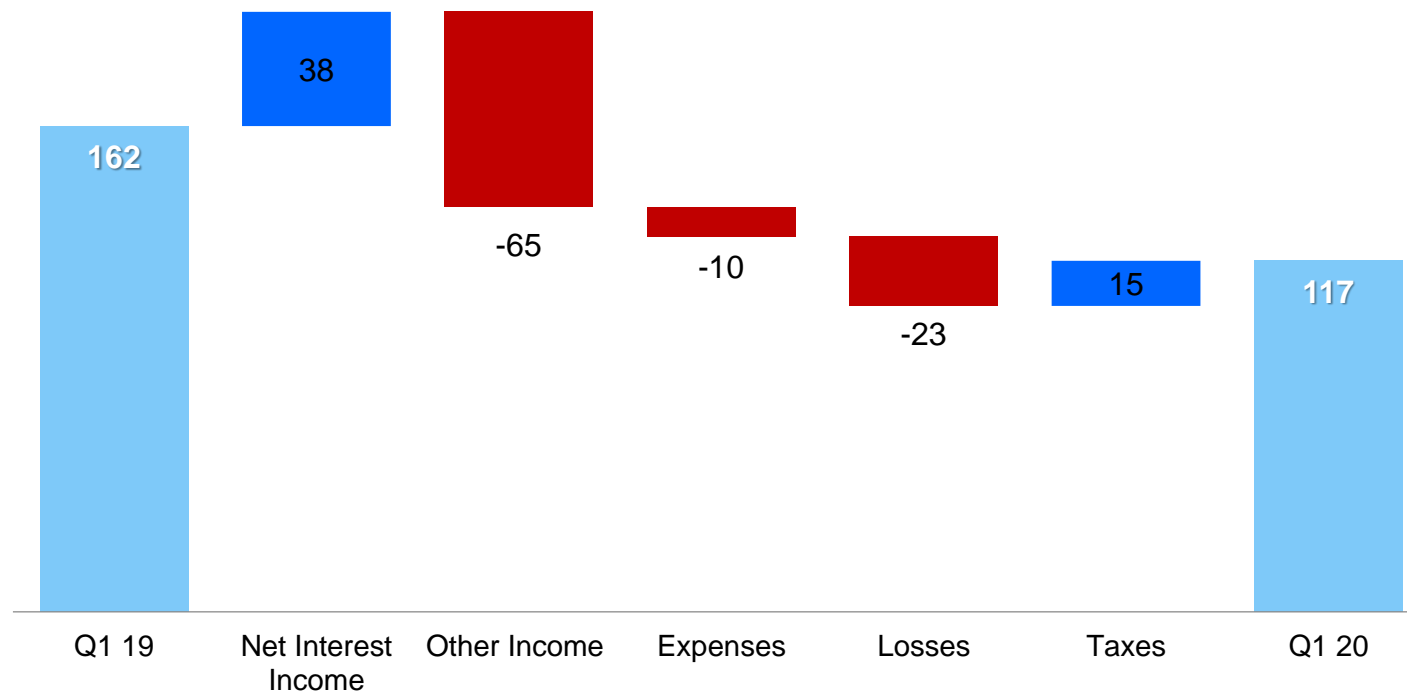
Growth in income and low losses

The bank increases its net interest income (12.5 per cent) while other income is reduced (84.4 per cent) compared to 2019

Moderate growth in expenses which is distributed with a 4.7 % increase in personnel costs and an increase of 8.3 % in other costs

Relatively low loan losses (0.19 per cent of average assets) in Q1

Results by quarter end compared to Q1 2019



Results

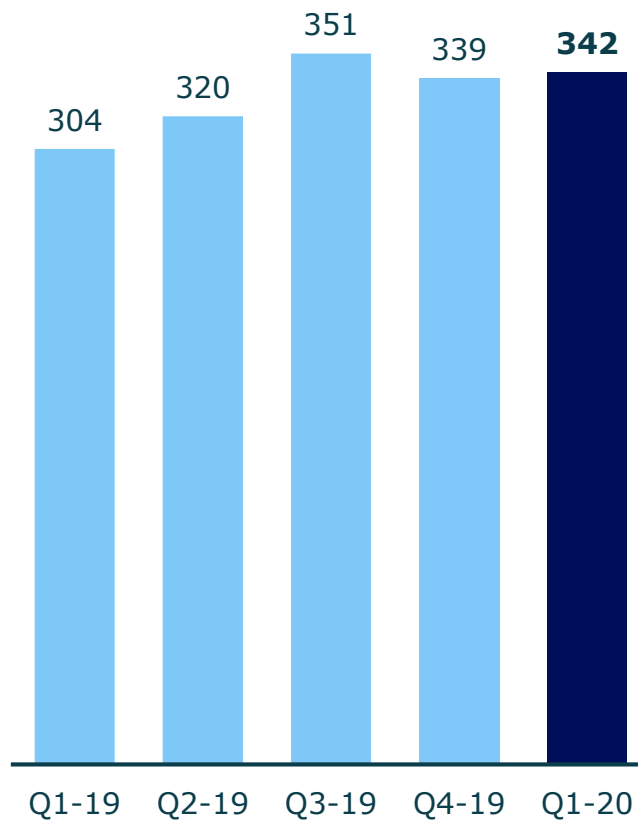
We note a stronger net interest income and a moderate growth in expenses compared to the first quarter of 2019

The bank's result in the quarter is nevertheless strongly influenced by a reduction in other income as well as losses due to the market turmoil

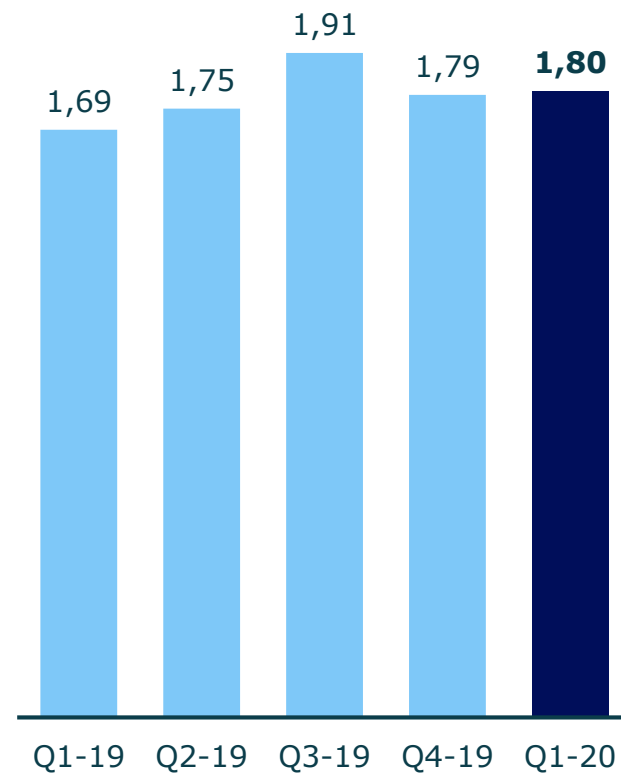
Results (NOK million and %)	Q1 2020		Q1 2019		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	342	1.80	304	1.69	38	0.11
Net Income Financial Investments	8	0.04	16	0.10	-8	-0.06
Gains/losses liquidity portfolio	-42	-0.22	6	0.03	-48	-0.25
Gains/losses on shares	-7	-0.04	6	0.03	-13	-0.07
Other Income	53	0.28	49	0.27	4	0.01
Total Other Income	12	0.06	77	0.43	-65	-0.37
Total Income	354	1.86	381	2.12	-27	-0.26
Personnel costs	89	0.47	85	0.47	4	0.00
Other costs	78	0.41	72	0.40	6	0.01
Total operating costs	167	0.88	157	0.87	10	0.01
Profit before losses	187	0.98	224	1.25	-37	-0.27
Losses on loans, guarantees etc	36	0.19	13	0.07	23	0.12
Pre tax profit	151	0.79	211	1.18	-60	-0.39
Taxes	34	0.18	49	0.26	-15	-0.08
Profit after tax	117	0.61	162	0.92	-45	-0.31

Strong Net Interest Income in Q1

Net Interest Income
- NOK million

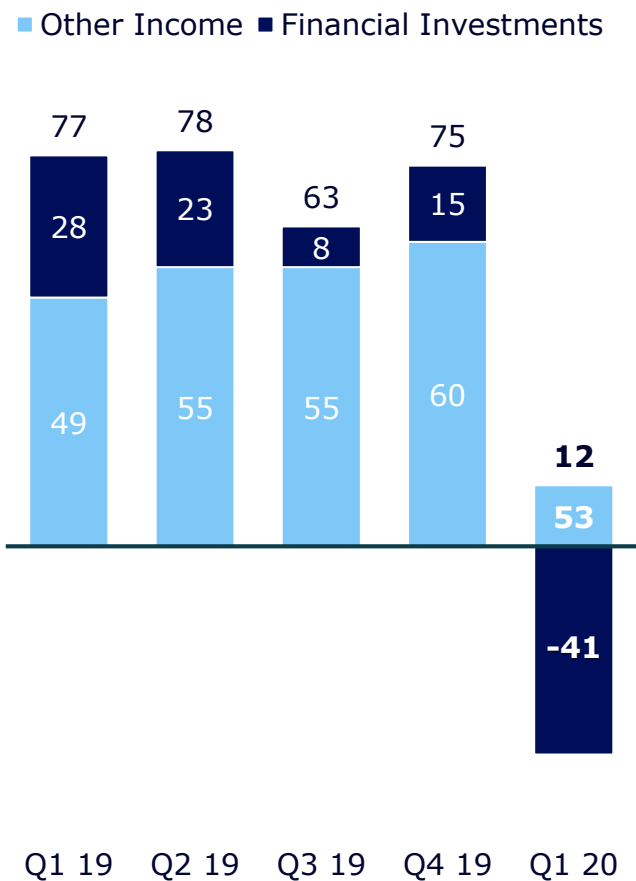


Net Interest Income
- % of Average Assets

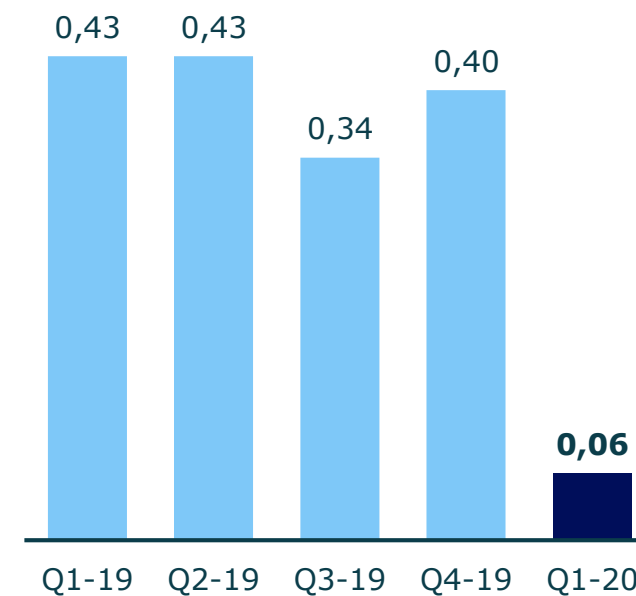


Quarterly development in Other Income

Other Income
- NOK million

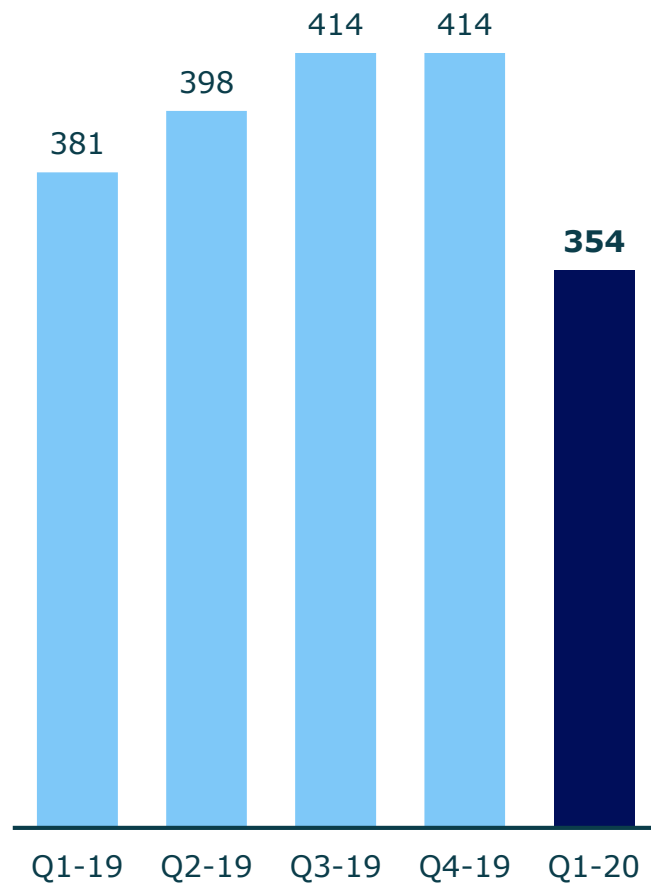


Other Income
- % of Average Assets

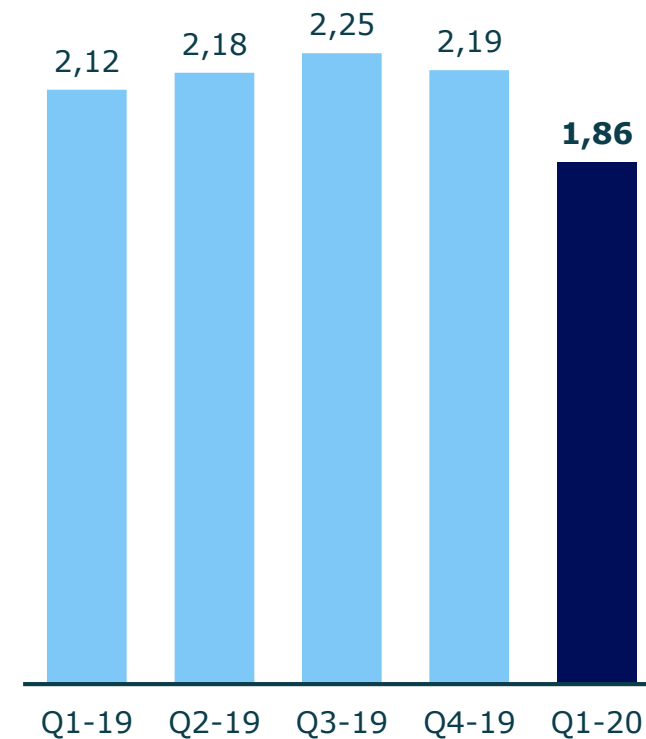


Total Income

Total income
- NOK million

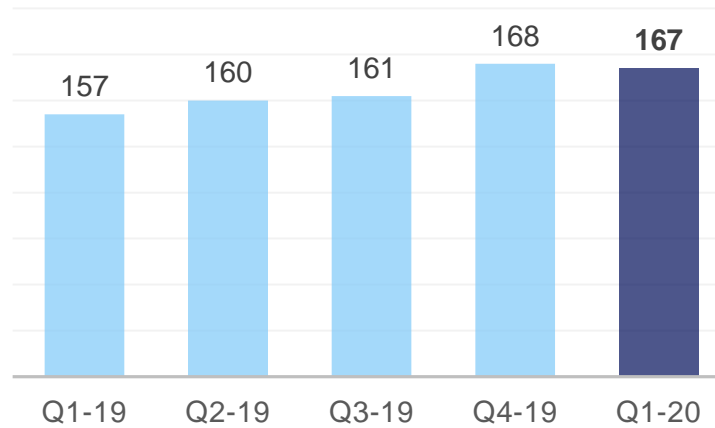


Total income
- % Average Assets

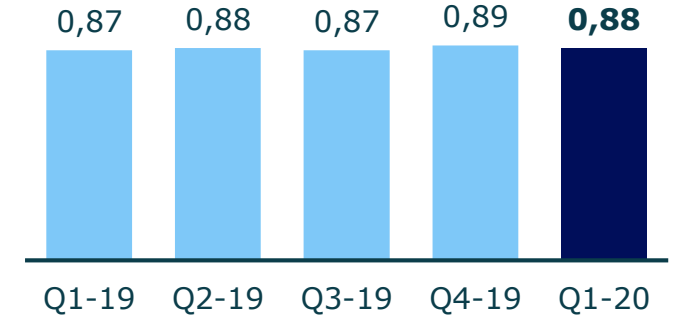


Costs

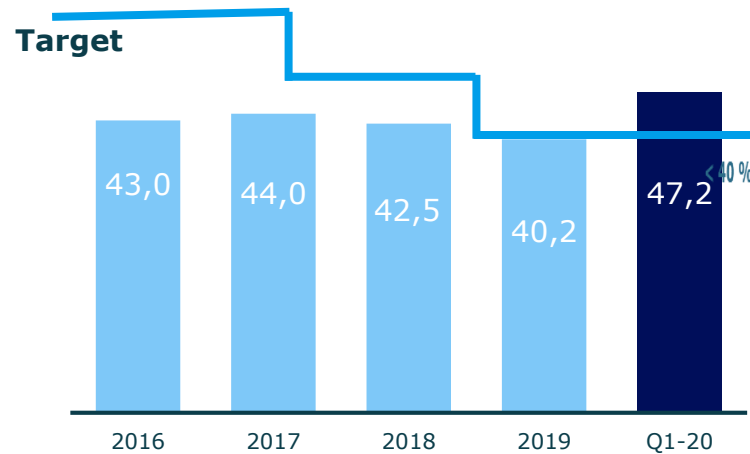
Operating Costs
- NOK million



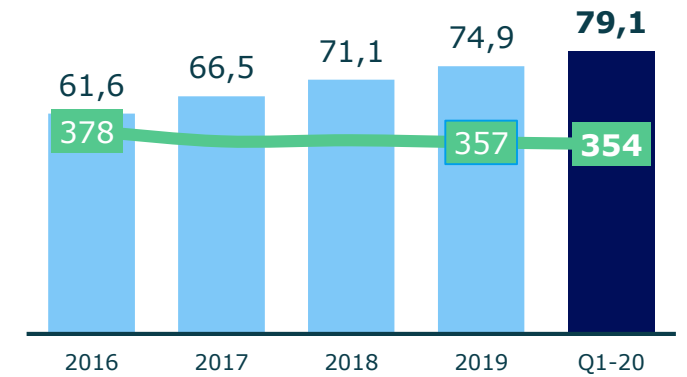
Operating Costs
- % of Average Assets



Cost/Income ratio



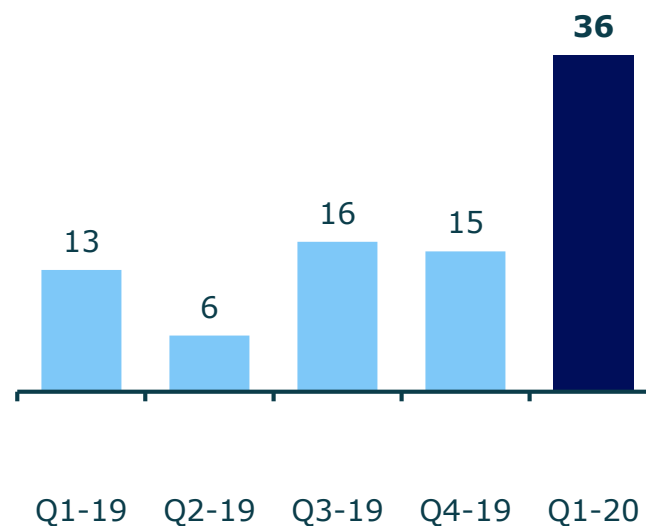
Total Assets and Man Years
- Total Assets in NOK billion



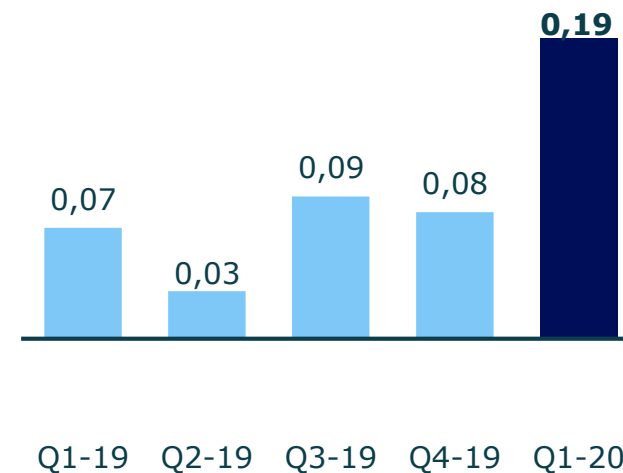
Strong underwriting

Low, albeit somewhat higher losses in Q1

Losses on loans and guarantees
- NOK million



Losses on loans and guarantees
- % of Average Assets



Losses by sector

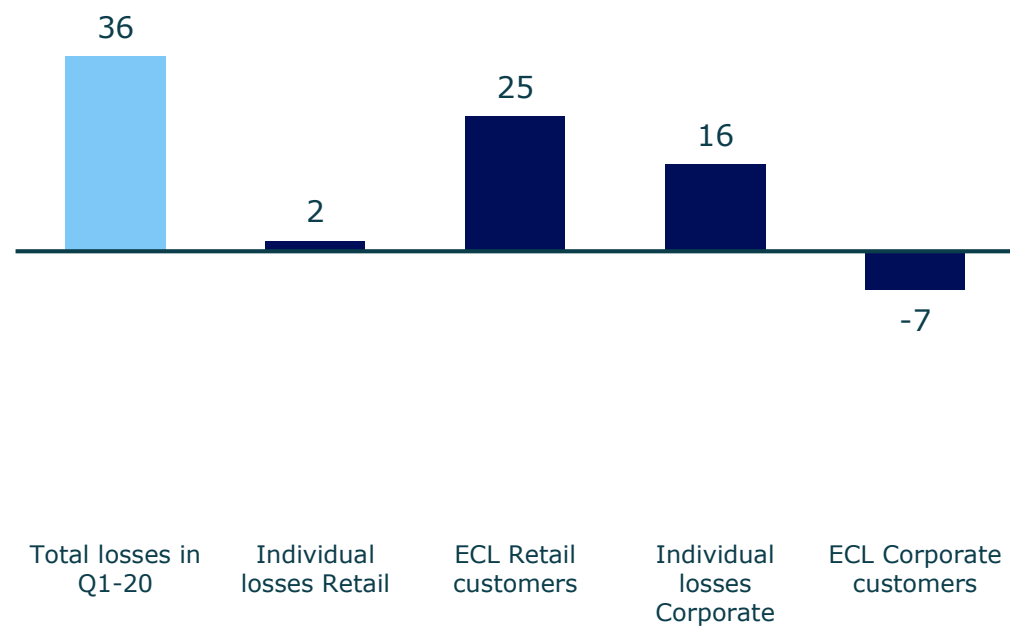
The expected credit loss (ECL) model is compliant with IFRS 9 and is used to calculate losses

Total calculated ECL by quarter end is NOK 18 million higher than by 31.12.2019

Changes in individual impairments and other losses amount to NOK 2 million for retail customers and an increase of NOK 16 million for corporate customers

Losses on loans and guarantees

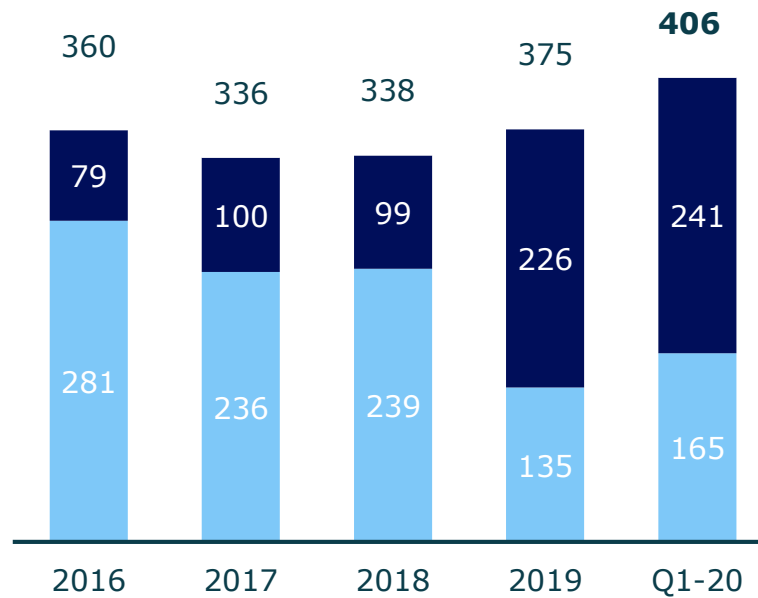
- NOK million



Impairments at comfortable levels

Impairments
- NOK million

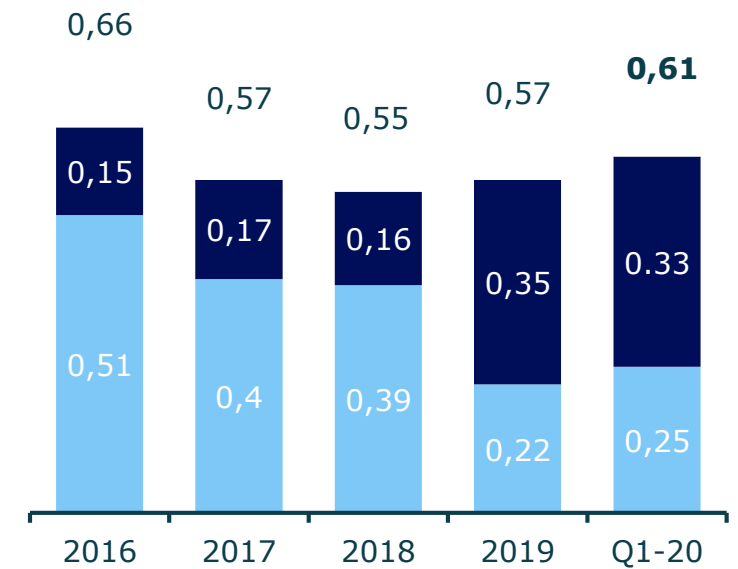
■ ECL/Group of loans
■ Individually assessed impairments



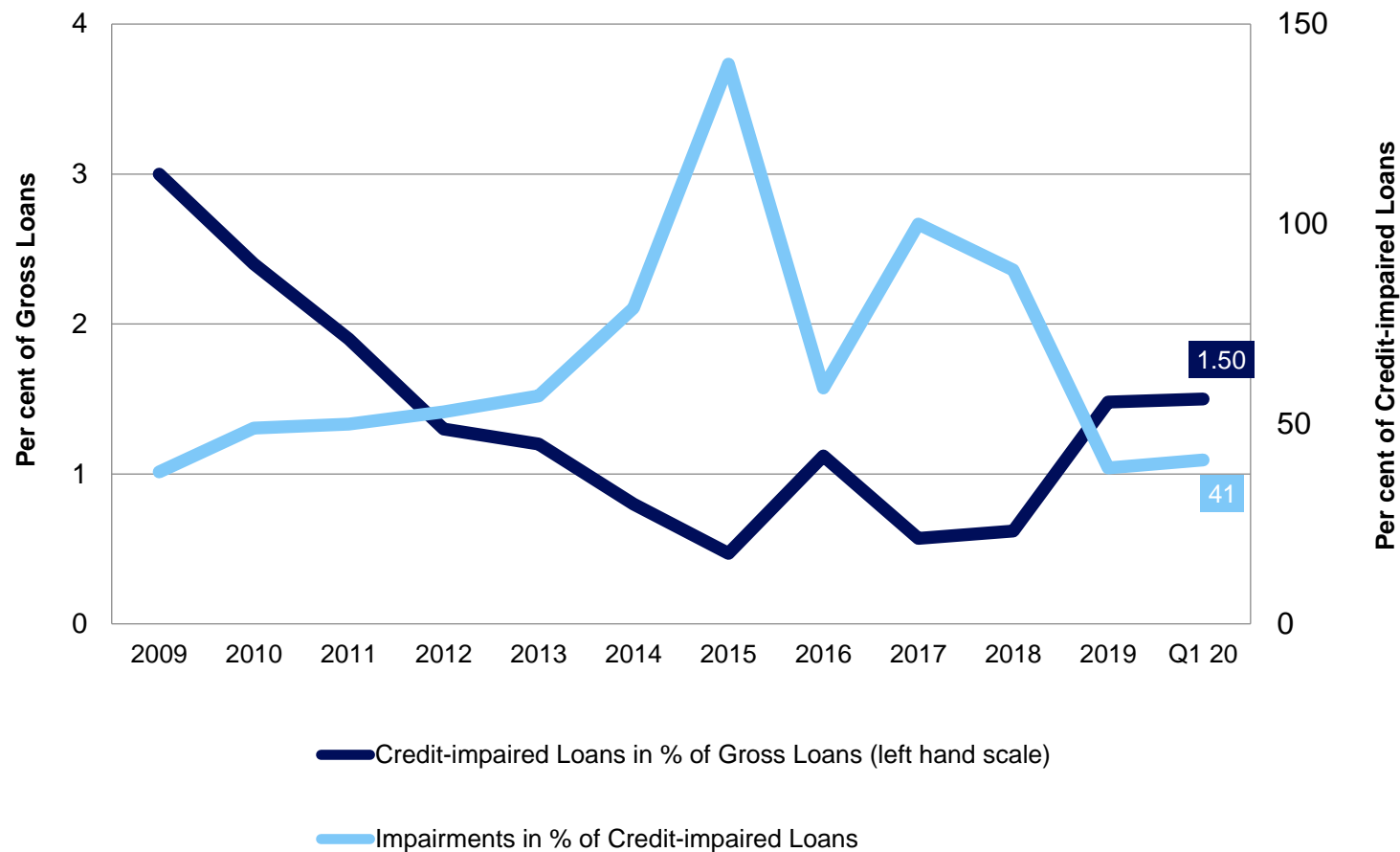
Impairments
-% of Gross Loans and guarantees

■ Individually assessed impairments

Kolonne1



Credit-impaired loans



Credit-impaired Loans are loans and guarantees more than 90 days over due and performing loans with individually assessed impairments.

Balance sheet

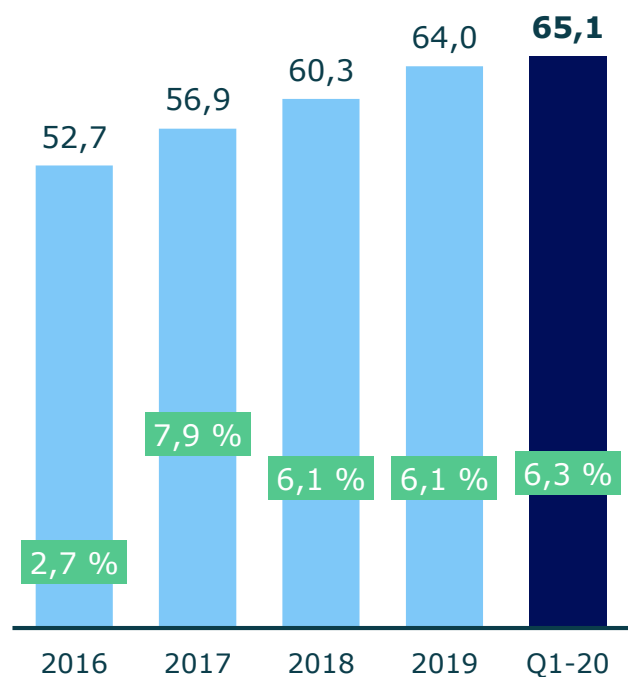
Continued good growth

The Bank is working well in the market and we are strengthening our position in our region Nordvestlandet

Good growth in lending and deposits in 2020

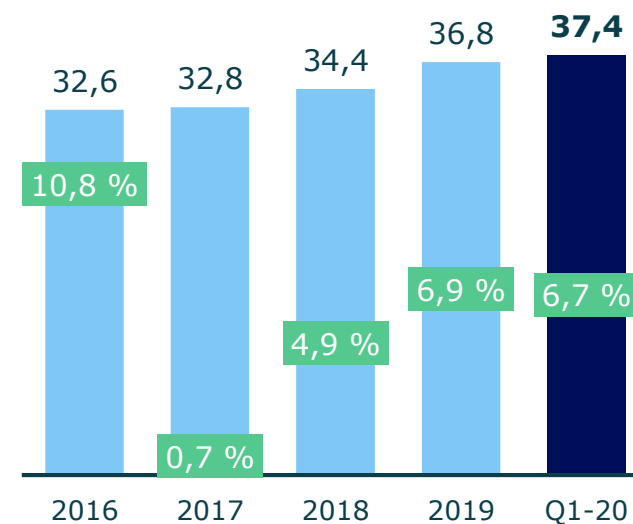
We are constantly attracting new customers and customer surveys show that our customers are well satisfied with their bank

Loans
- NOK billion and per cent (y/y)



Customer lending has increased by 6.3 % over the last 12 months.

Deposits
- NOK billion and per cent (y/y)



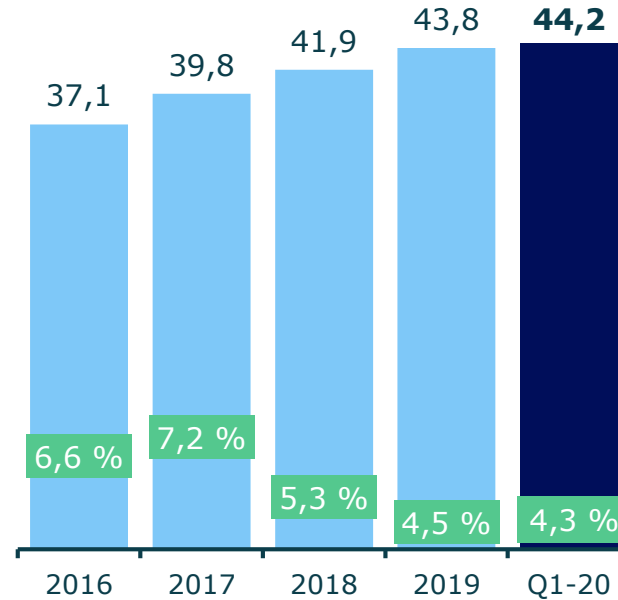
Deposit growth of 6.7 % over the last 12 months.

High deposit-to-loan ratio of 57.5 %

Lending

Lower growth in the retail – good growth in the corporate market

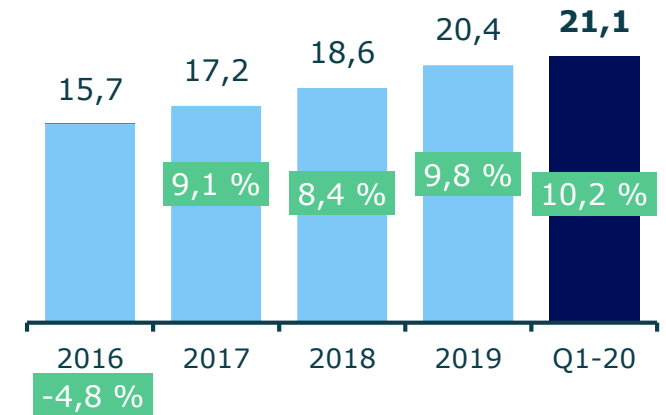
Retail market
- NOK billion and per cent y/y



Retail lending has increased by 4.3 % over the last 12 months

Loans to the retail market amount to 67.7 % of total loans

Corporate market
- NOK billion and per cent y/y

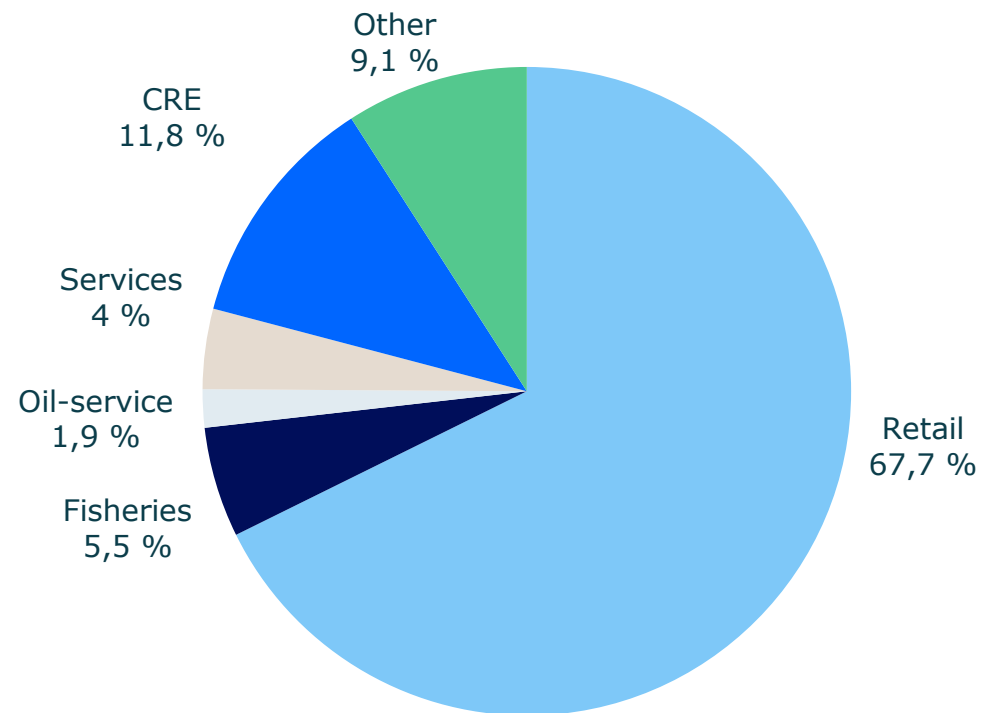


Corporate lending has increased by 10.2 % over the last 12 months

Loans to the corporate market amount to 32.3 % of total loans

Diversified loan book

Loans by sector



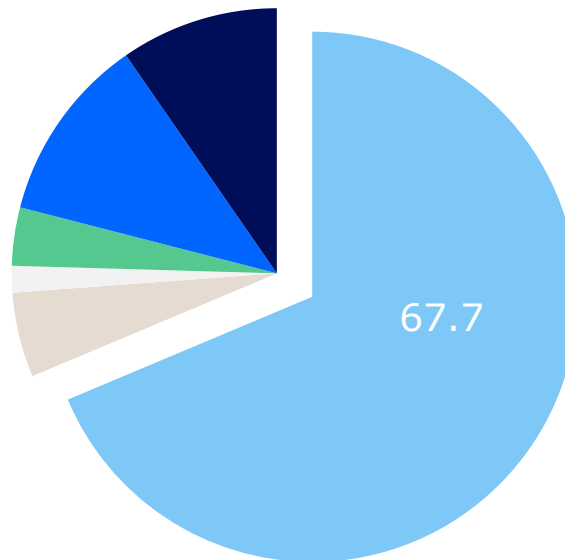
Other;

Financial services	1.5 %	Ship Yards	0.4 %
Other Industry	1.8 %	Agriculture	0.9 %
Building and Construction	1.7 %	Other	0.5 %
Retail/wholesale trade	1.1 %		
Fishing Industry	1.2 %		

Good quality in our retail portfolio

High portion of secured loans and low level of loans in default

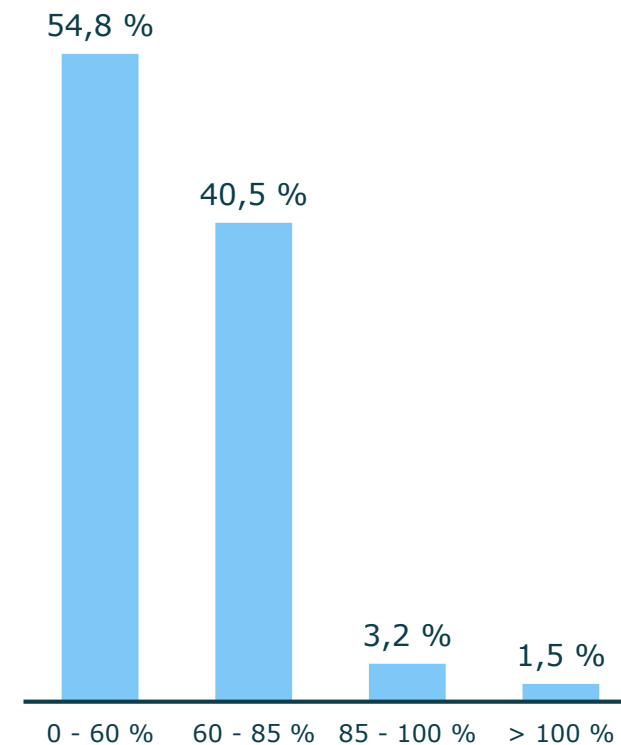
Loans to retail customers - % of total loans



The Bank complies with the lending regulations (Boliglånsforskriften)

Deviation from Boliglånsforskriften reported in the first quarter of 2020 were 7.5 % outside Oslo, and 5.8 % in Oslo

Loan to Value – retail loans



95.3 % of mortgages are within 85 % of LTV

Housing prices

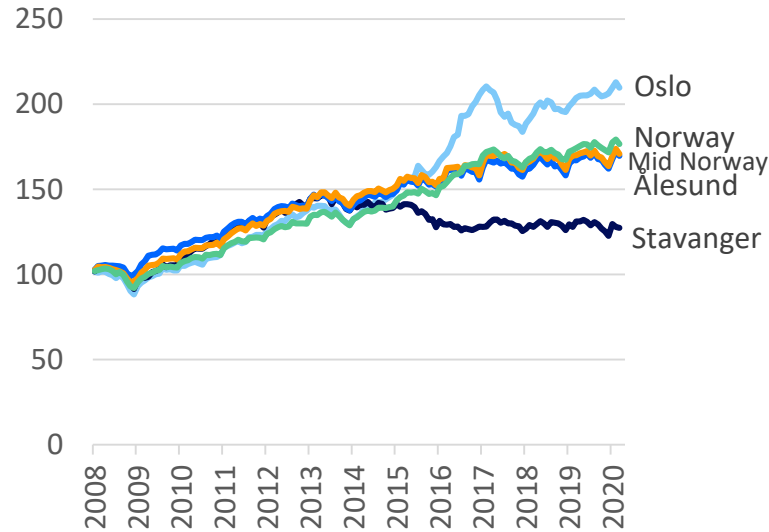
Based on pre-owned dwellings sold in March 2020, seasonal adjusted house prices declined with 1.4 per cent in Norway last month.

Last twelve months Norwegian house prices have increased in average by 1.5 per cent.

The City of Ålesund and the Mid-Norway region has experienced around national average indexed development, but below average real house prices per square meter.

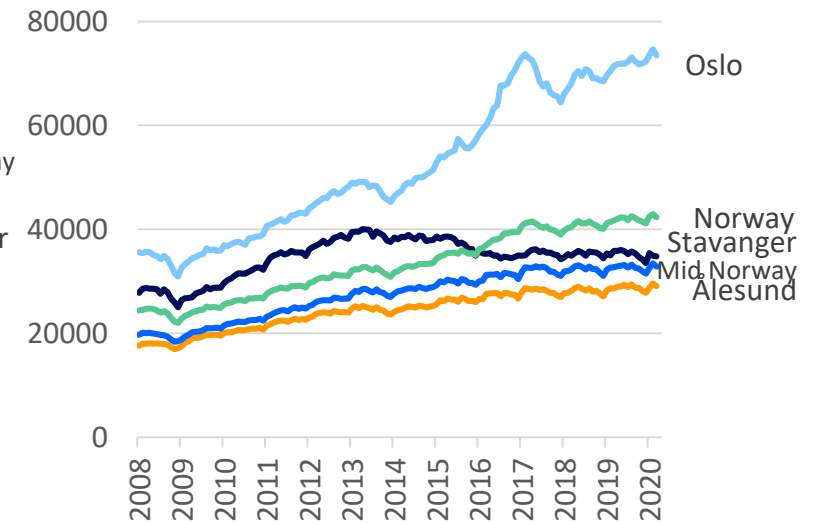
Indexed development

- January 2008 = 100



Prices per square meter

- January 2008 – March 2020



Key information

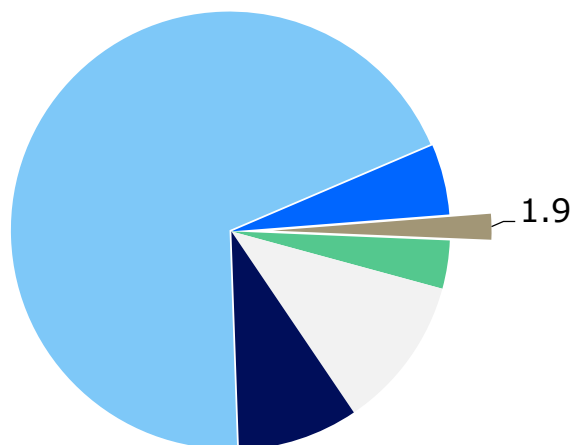
(Sold pre-owned dwellings in March 2020)

	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	-1.4 %	-1.6 %	-1.2 %	-0.8 %	-1.5 %
Development 12 months	+1.5 %	+0.4 %	+1.5 %	-2.8 %	+2.9 %
Per square meter (NOK)	42,319	32,853	29,078	34,820	73,488
Average days on market	51 days	72 days	96 days	74 days	20 days
Price median dwelling (NOK)	3,200,000	2,700,000	2,582,181	3,119,612	4,172,630

Low exposure towards Oil Service

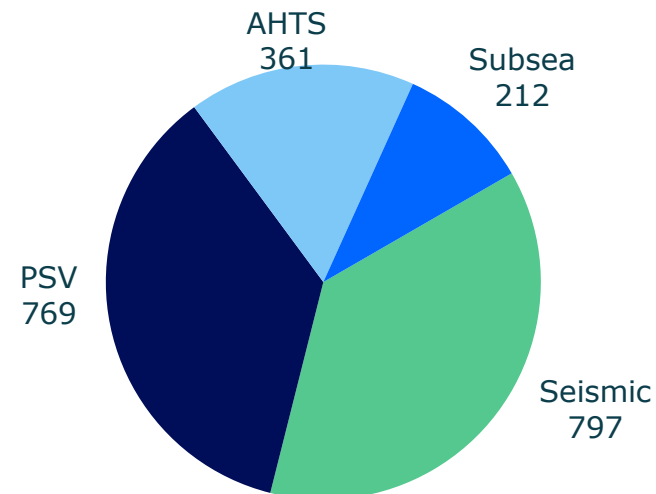
Loans to Oil Service

- In per cent of total loans



EAD by types of vessels

- In NOK million

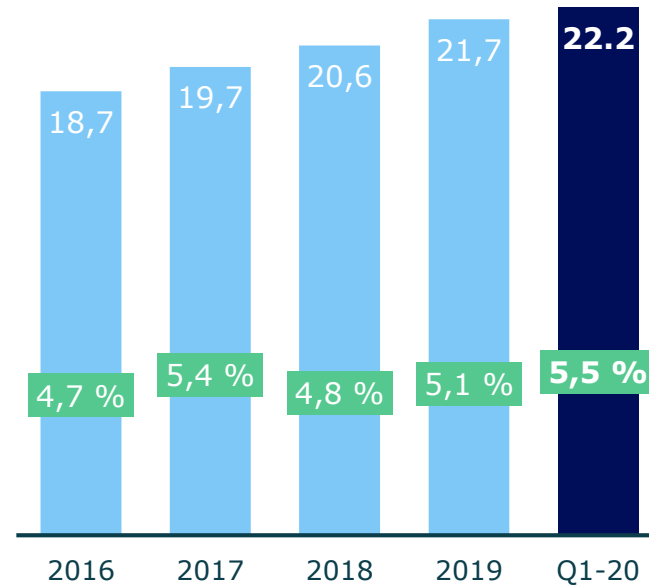


(EAD in NOK million)	Loans	Guarantees	Total EAD	ECL-IFRS 9			Per cent of EAD
				Individually assessed impairments		Total	
Low Risk (Risk Class A-C)	140	3	143	0	0.1	0.1	0.1 %
Medium Risk (Risk Class D-G)	631	208	838	0	18.8	18.8	2.2 %
High Risk (Risk Class H-M)	203	202	405	0	9.7	9.7	2.4 %
Loans and guarantees with individually assessed impairments	249	504	752	208	0	208	27.7 %
Total	1,222	917	2,138	208	28.7	236.7	11.1 %

Deposits

Retail market

- NOK billion and per cent y/y

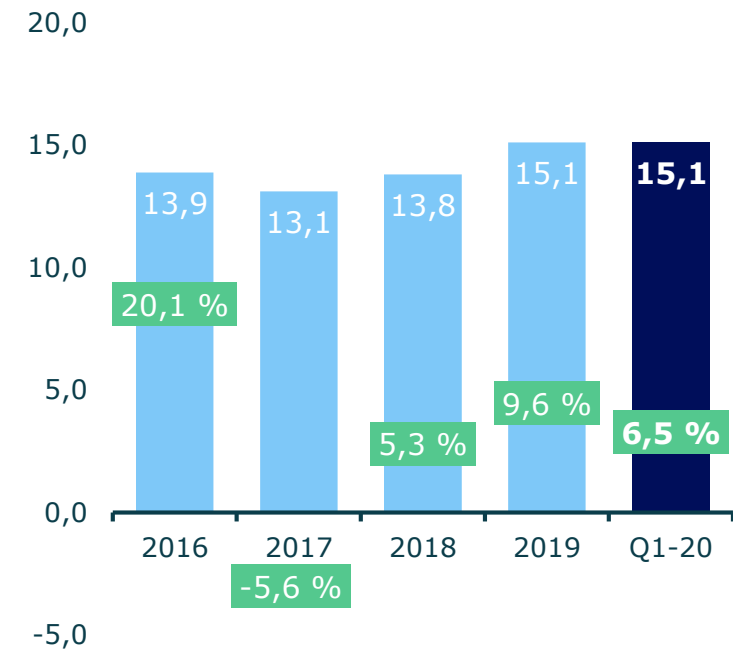


Retail deposits have increased by 6.9 % over the last 12 months

Deposits from the retail market amount to 59.5 % of total deposits

Corporate and public

- NOK billion and per cent y/y

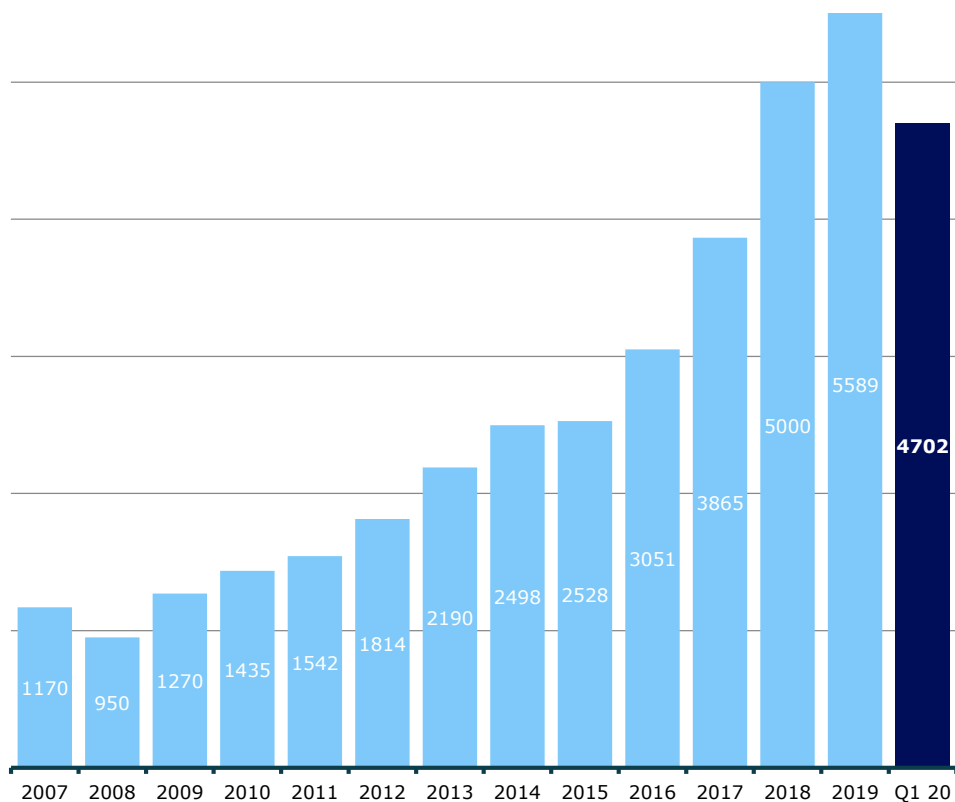


Deposits from corporate and public customers have increased by 6.7 % the last 12 months

Discretionary Portfolio Management

Sparebanken Møre - Aktiv Forvaltning

- Portfolio in NOK million



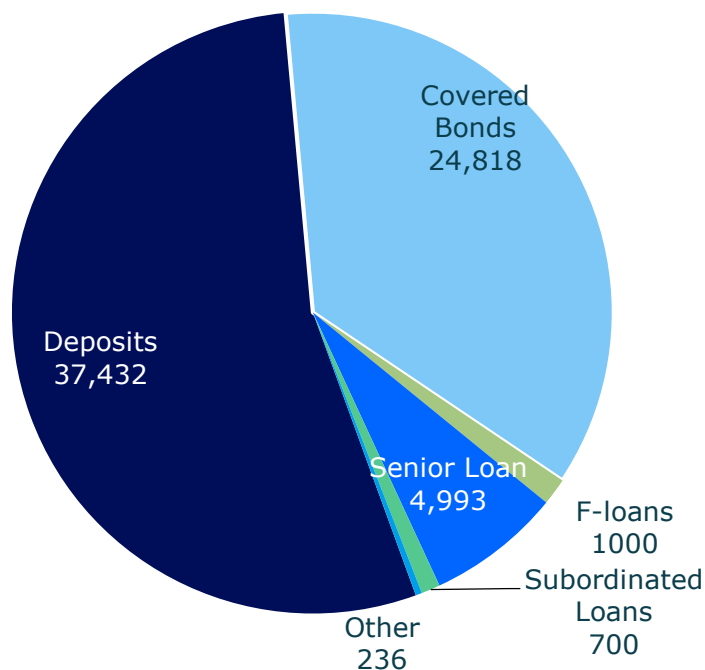
- In addition to deposits, increasingly more of Sparebanken Møre's customers also ask for other investments
- Sparebanken Møre Aktiv Forvaltning (Discretionary Portfolio Management) offers the Bank's clients professional management services
- Local Asset Managers continuously monitor our customers portfolios:
 - 5 municipalities
 - 10 foundations
 - 1 pension fund
 - 2 insurance companies
 - 180 investment companies
 - 238 wealthy private individuals



Liquidity and Capital

Deposits from customers and market funding – strong rating

Deposits are the Group's most important source of funding



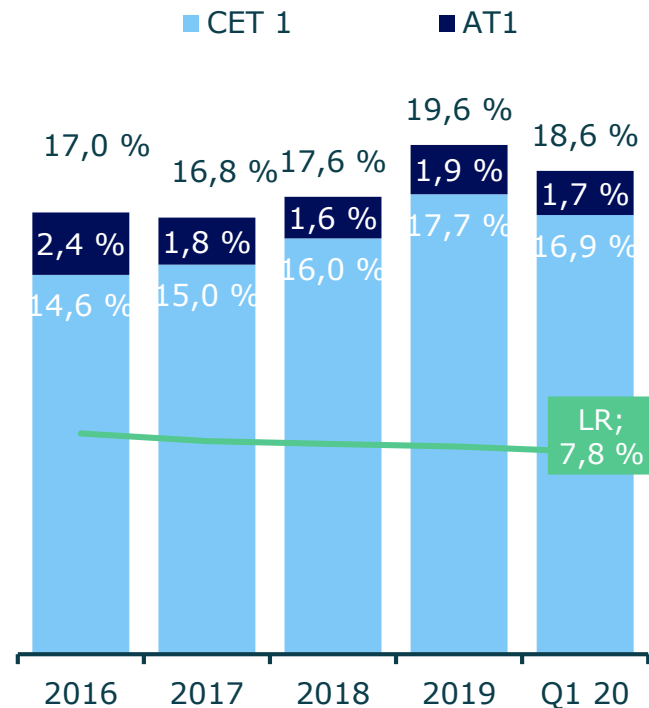
Sparebanken Møre with good access to the market – diversifying the investor base

- Our deposit-to-loan ratio stood at 57.5 per cent by quarter end
- Total net market funding ended at NOK 31.0 billion by end of the quarter – close to 85 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.31 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.80 years (FSA defined key figures)
- By quarter end Møre Boligkreditt AS had issued seven loans qualifying for Level 2A liquidity in LCR. Early October 2019, the mortgage company placed its third successful semi-benchmark Public Issue of EUR 250 million in the European market
- Sparebanken Møre has utilized the Central Bank's F-loan arrangement with a total of NOK 1 billion. The liquidity from these loans have gone to strengthen the Bank's LCR liquidity portfolio
- December 9 2019, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated

Equity and related capital

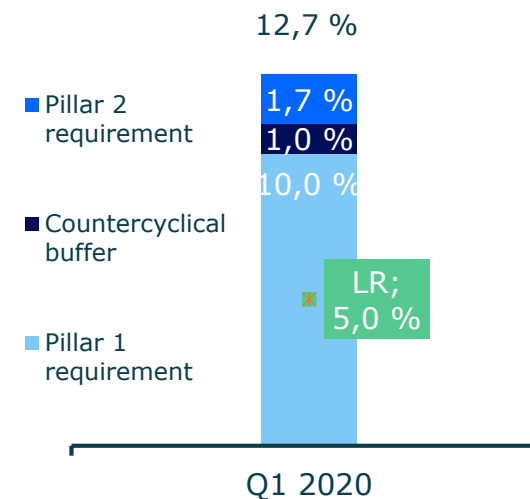
- We work continuously to maintain and strengthen Sparebanken Møre's good capital position
- CET1 and Leverage Ratio (LR) ends by quarter end well above current regulatory requirements
- Following the covid-19 crisis the Countercyclical buffer has been reduced by 1.5 p.p. to 1.0 per cent compared to year end 2019

Tier 1 capital in Sparebanken Møre - % of risk weighted assets



- By quarter end our Common Equity Tier 1 capital stood at 16.9 %, Tier 1 capital at 18.6 % and Total Capital at 20.7 %
- Sparebanken Møre's capital targets are:
 - Total Capital: Minimum 17.2 %
 - Tier 1 capital: Minimum 15.2 %
 - CET1: Minimum 13.7 %

CET1 requirement for Sparebanken Møre - % of risk weighted assets and excl. Management Buffer

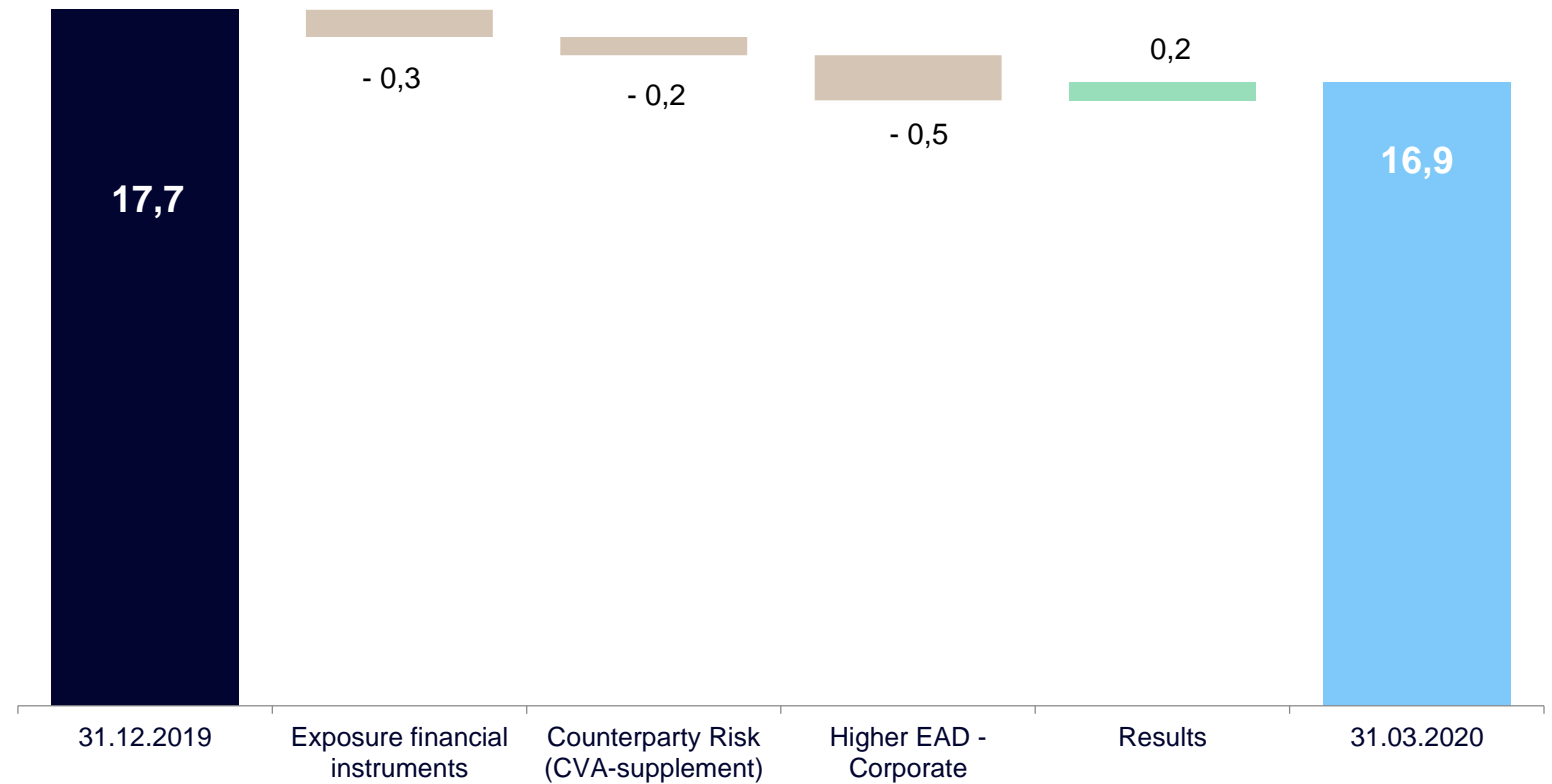


- The Group's capital adequacy ratio is well above the regulatory capital requirements
- Our capital is calculated according to the IRB Foundation Approach for corporate commitments, IRB Approach for the retail market

Development in CET1

- The calculation of CET1 is by quarter end largely influenced by the market situation
- The market conditions cause a change in the market value of financial derivatives, which lifts RWA
- The same market conditions result in increased calculated counterparty risk and thus also an increase in RWA
- Credit growth in the corporate sector increases exposure (EAD)

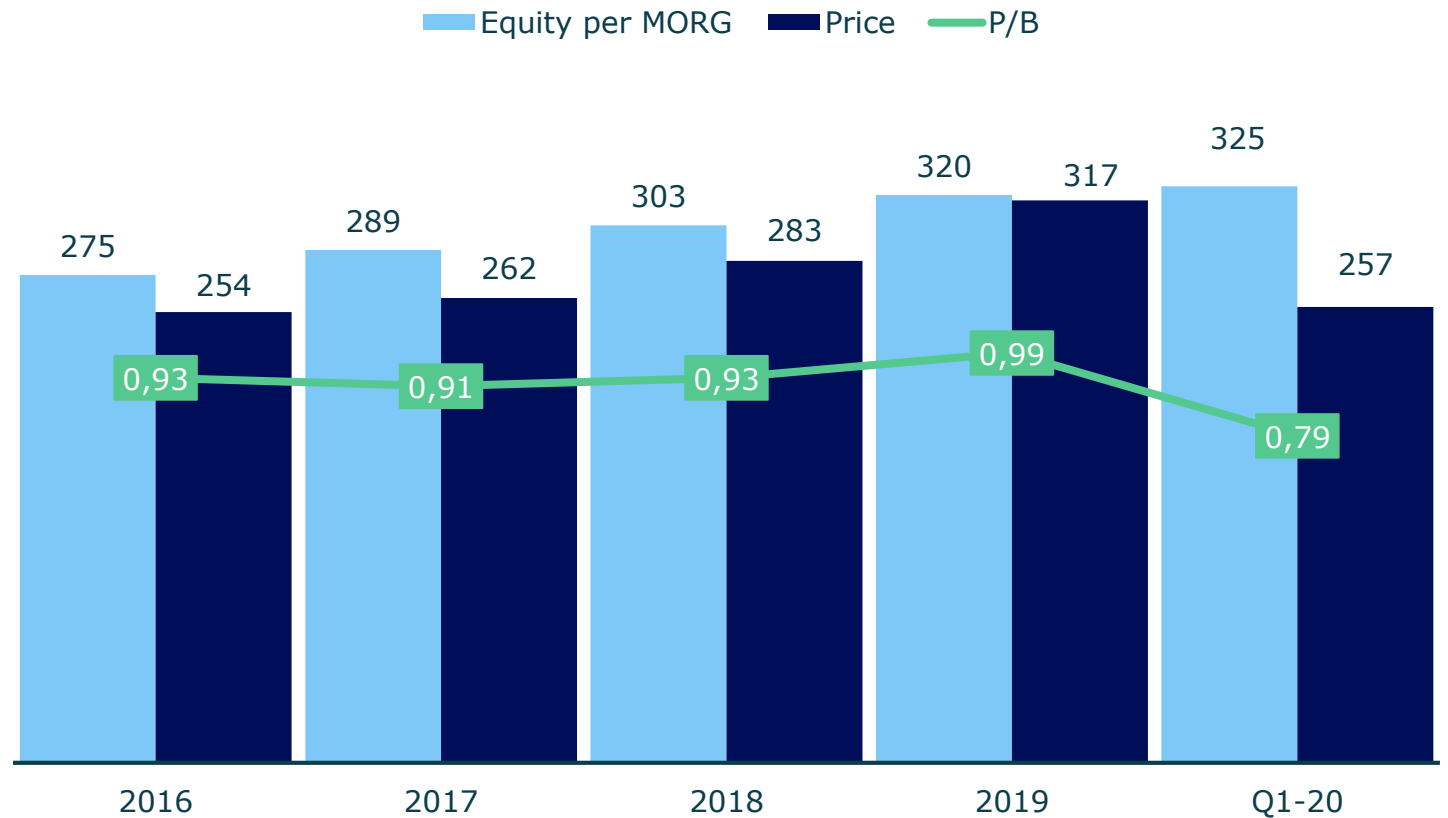
Changes in Q1



Dividend policy

- Sparebanken Møre aims to achieve financial results providing a good and stable return on the Bank's equity capital
- Sparebanken Møre's results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity
- Unless the capital strength dictates otherwise, about 50 % of the profit for the year will be distributed as dividends
- Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment

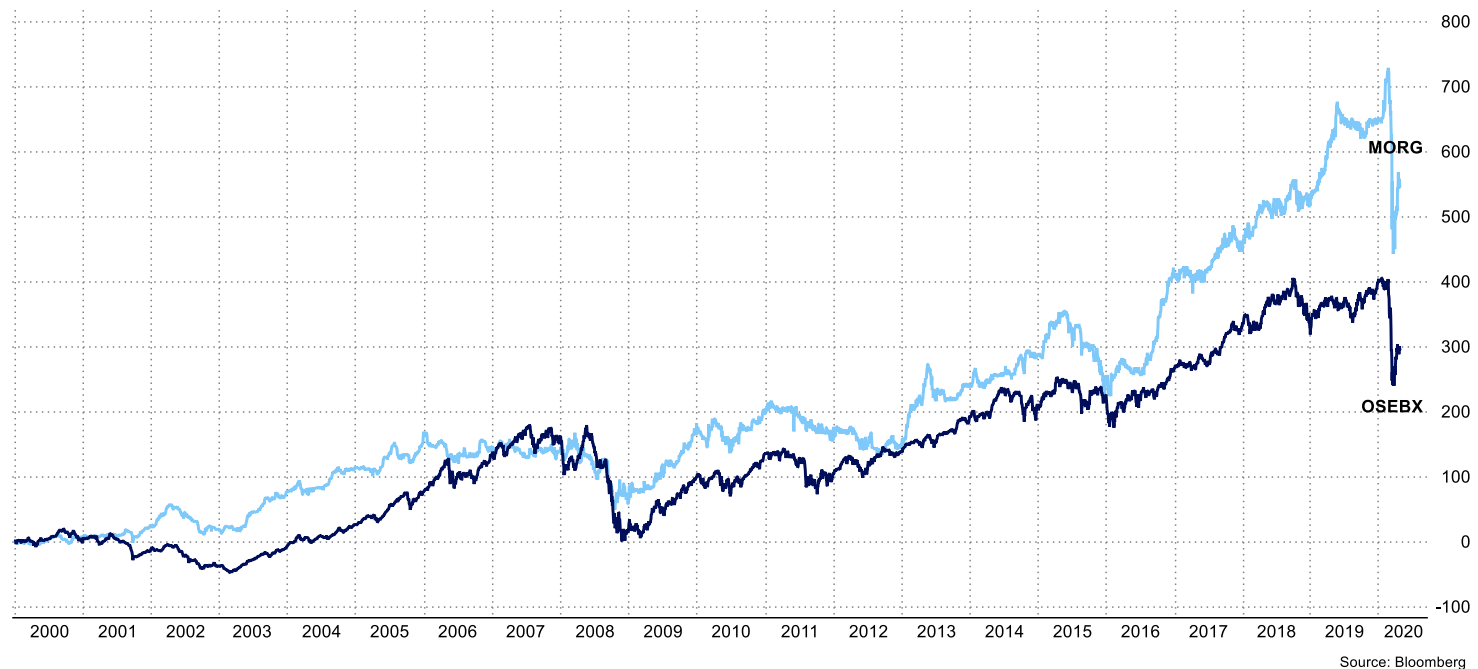
MORG – price and Price/Book (P/B) value



Equity per MORG is calculated on Group figures

Equity Capital in Sparebanken Møre

- The PCCs/ECs of Sparebanken Møre (MORG) have been listed at Oslo Stock Exchange since 1989. Sparebanken Møre was the first Norwegian savings bank to be listed at OSE
- Total EC capital NOK 989 million by March 2020
- Good Total Return



Annual dividend per EC (NOK)

1990	10	2005	20
1991	0	2006	20
1992	0	2007	23
1993	13	2008	20
1994	12	2009	12
1995	13	2010	12
1996	13	2011	8
1997	13	2012	12
1998	15	2013	8
1999	16	2014	13.50
2000	17	2015	11.50
2001	17	2016	14.00
2002	15	2017	14.00
2003	16	2018	15.50
2004	18	2019	14.00

Equity Capital in Sparebanken Møre

About equity certificates

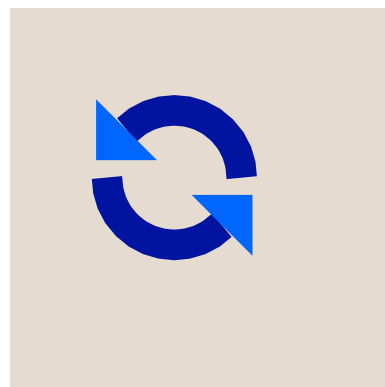
- Equity certificates are a special kind of equity instrument first introduced by savings banks in 1988. A total of 32 banks have now issued such certificates, and 19 of them are listed on the stock exchange
- Equity certificates are an important part of savings banks' capital base and confer ownership of between 14 % and 97 % of the individual bank
- A savings bank that has issued equity certificates has two types of equity. One is its primary capital, or “ownerless” equity, consisting of retained earnings built up by the bank over the years. The other is the certificate-holders' equity, consisting of equity certificate capital and related reserves (equalization reserve and premium account)
- Equity certificates have clear similarities to shares. The main difference is the owners' rights to the bank's assets and influence over the bank's governing bodies. The key principle is that profits are distributed proportionally on the basis of ownership share and the bank's other capital
- In a limited company, losses hit shareholders' equity directly. In a savings bank, losses are first absorbed by the primary capital and the equalization reserve before hitting the equity certificate capital

Source: The Norwegian Savings Bank Association <https://www.sparebankforeningen.no/en/egenkapitalbevis/about-equity-certificates/>

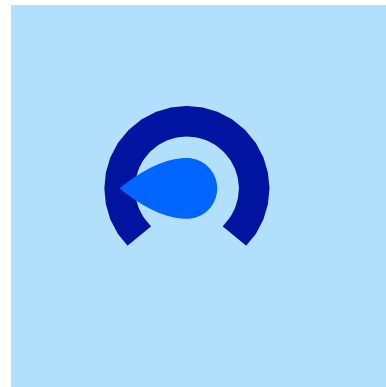
Financial targets



ROE > 11.0 per cent



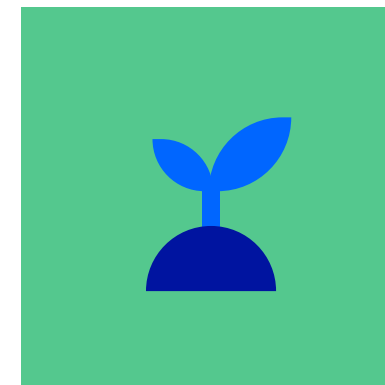
**C/I < 40.0
per cent**



**Low level
of losses**



**CET1 > 13.7
per cent**



**Healthy financial
structure**

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