

# Sparebanken Møre Group

**Presentation 1st quarter 2021**

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- Introduction and highlights
- Outlook and Main Targets
- Results
- Deposits and Loans
- Liquidity and Capital



- More than 200 authorized advisors
- 5 industry teams
- Large specialist environment
- 27 branch offices
- 343 man years



High availability and strong local knowledge

Strong dedication for small and large communities

**The leading bank in our region Nordvestlandet**

**NOK  
81.1 billion  
in Total Assets**



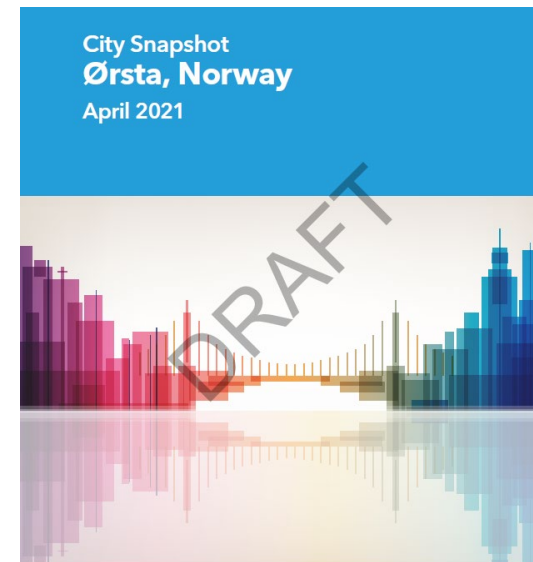


# A driving force for a sustainable region

**We provide both financial support and expertise in the transition.**

*Inter alia::*

- Pilot project with the goal of increasing the interaction between the public sector, academia and the business community in the county in order to accelerate sustainable development
- Sustainability measurement of municipalities: All municipalities in the county have been measured on a number of sustainability indicators in line with the UN program for smart and sustainable regional development. The result is available at the end of May
- Center for sustainable development within land management and biodiversity at Tingvoll Ecopark received support for a three-year project to stimulate sustainable transition and development
- Collaborative project between the bank, BRISK (work training center) and AaFK (football club) with the aim of helping young people who are not working or in education



# Q1 2021

- High activity gave a good start to the year
- Stable Net Interest income and higher Other Income in the quarter
- NOK 14 million was booked in losses in the quarter – the lowest level since before the pandemic
- The bank is solid and has good liquidity
- We can summarize the first quarter with increased profitability and cost efficiency



## Balance growth

Lending growth was 3.9 per cent over the last 12 months. Growth in deposits was 7.7 per cent



## Efficiency

Cost/Income ratio at 40.5 per cent in the quarter



## Strong liquidity and solidity

Deposit to Loan ratio at 59.3 per cent, LCR at 138 and CET1 at 16.9 per cent. Leverage Ratio at 7.7 per cent



## Net Interest Income

In NOK: 305 million  
In per cent: 1.51



## Losses

NOK 14 million in losses on loans and guarantees in Q1



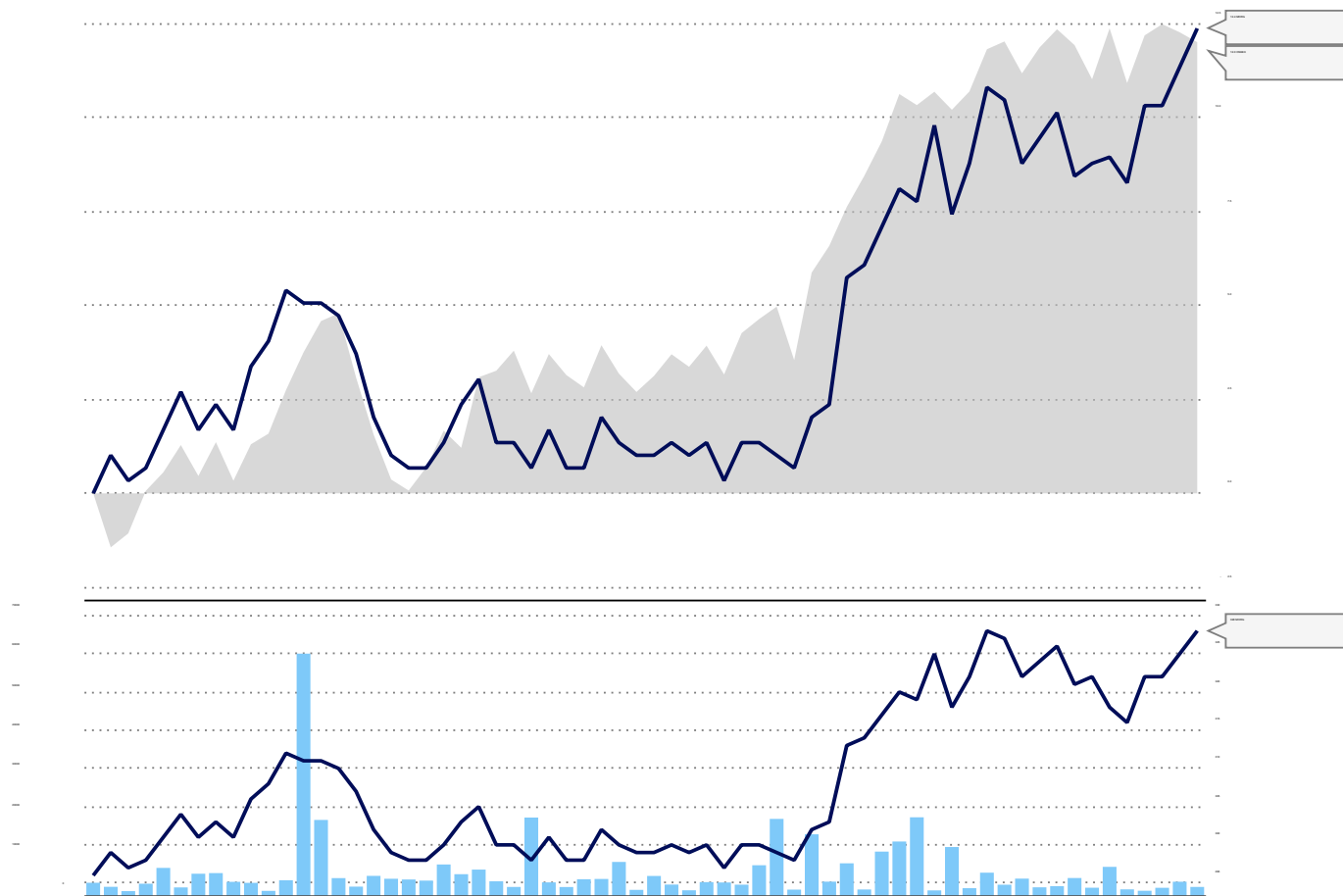
## Return on Equity

Return on Equity ended at 10.4 per cent for the first quarter of 2021

# MORG – price development

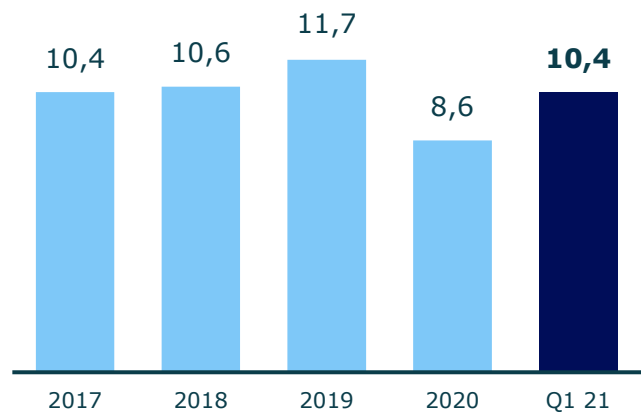
- With a MORG price of NOK 328 at the end of the quarter, the price to book ratio has increased to 0.98 from 0.89 as of 31.12.2020
- As the figure shows, the MORG price has increased by 12.4 per cent during Q1, more than the average growth (12.0 per cent) in the EC-market in the same period (Total Return for the EC-index (OSEEX))
- The CET1-ratio ended at 16.9 per cent by quarter end

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

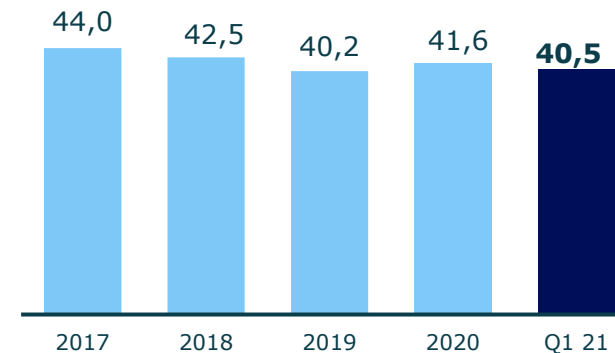


# Key figures

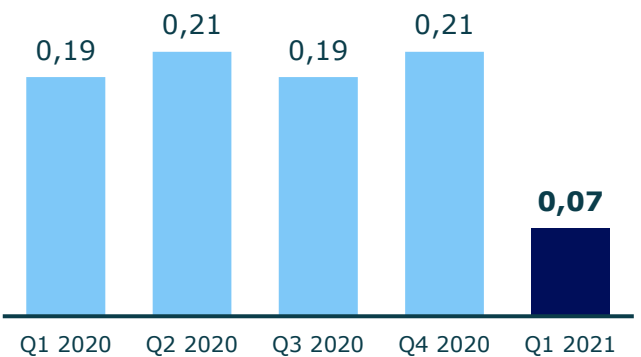
## Return on Equity



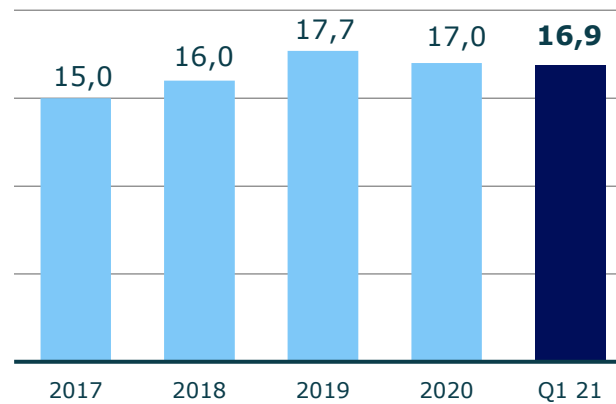
## Cost/Income



## Losses on Loans and Guarantees In per cent of Average Assets



## Common Equity Tier 1 Capital (CET1)



## Balance sheet and key figures

	Q1 2021	Q1 2020	Changes	
<b>Balance in NOK million</b>	<b>NOK</b>	<b>NOK</b>	<b>NOK</b>	<b>%</b>
Total Assets	81,072	79,070	2,002	2.5
Loans to customers	67,711	65,145	2,566	3.9
Deposits from customers	40,301	37,432	2,869	7.7
Net Equity and Subordinated Loans	7,078	6,981	97	1.4

<b>Key Figures</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>Changes p.p.</b>	
Return on Equity	10.4	7.1	3.3	
Cost/Income Ratio	40.5	47.2	-6.7	
Total Capital	20.6	20.7	-0.1	
Tier 1 Capital	18.6	18.6	0.0	
CET1	16.9	16.9	0,0	
Leverage Ratio	7.7	7.8	-0.1	
Profit per EC (NOK, the Group)	8.26	5,46	2.80	
Profit per EC (NOK, the Bank)	17.20	14.47	2.73	



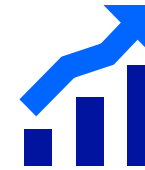
## Outlook for the region and the bank

- Developments in the labour market in Møre og Romsdal indicate that the trends in output and employment in the county were stable during the first quarter of 2021. Since the turn of the year, unemployment has fallen. At the end of March, the number of completely unemployed was 2.8 per cent of the labour force according to NAV. In comparison, the unemployment rate on a national basis was 4.2 per cent. Furthermore, in the first quarter there was a total supply of almost 7,000 new positions in the private and public sector
- In the longer term, the economic outlook has improved. This is due to extensive infection control measures, the roll-out of vaccines and ongoing financial support measures. In the business sector, the economic situation is nevertheless serious for several industries. This applies in particular to the hotel and restaurant industry, personal services, maritime industries and their suppliers as well as oil-related industries. As the financial support measures are phased out, there is therefore a risk that the number of bankruptcies will increase
- The bank has a solid capital base and good liquidity and will continue to be a strong and committed supporter for our customers. The focus is always on having good operations and profitability



## Financial targets remain unchanged

- Although Sparebanken Møre's strategic financial performance targets were not achieved in 2020 and activity-reducing measures as a result of the corona pandemic is expected to affect the market also in 2021, our targets of a return on equity of more than 11 per cent and a cost/income ratio of less than 40 per cent stand
- The bank has taken steps to achieve these targets



ROE > 11.0 per cent



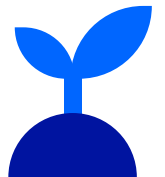
C/I < 40.0  
per cent



Low level  
of losses



CET1 > 15.2  
per cent



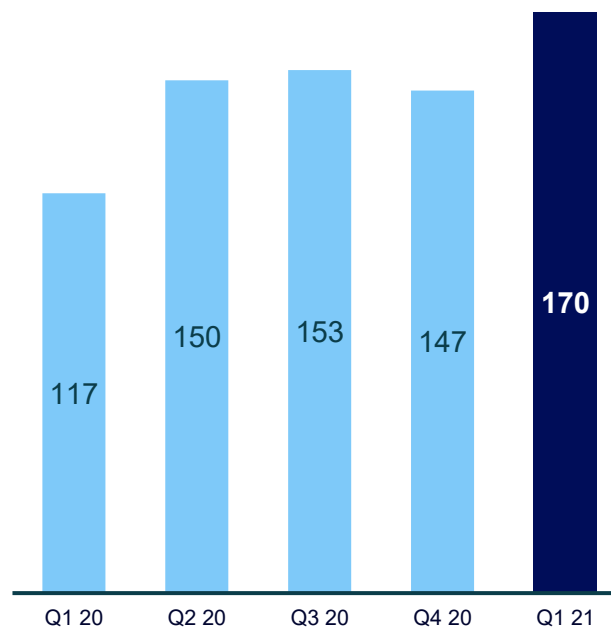
Healthy financial  
structure

# Results

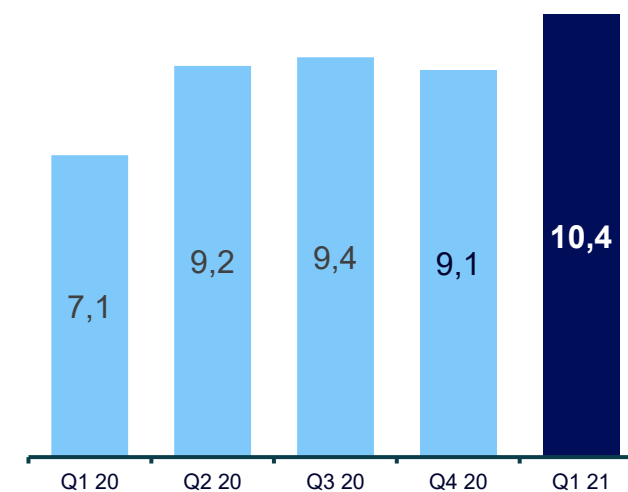
# Results 2021

- Profit after tax ended at MNOK 170 in Q1 2021
- Return on Equity was 10.4 per cent in the quarter compared to 7.1 per cent in Q1 2020

**Profit after tax**  
- NOK million



**Return on Equity (ROE)**  
- in percent



## Recovery in progress

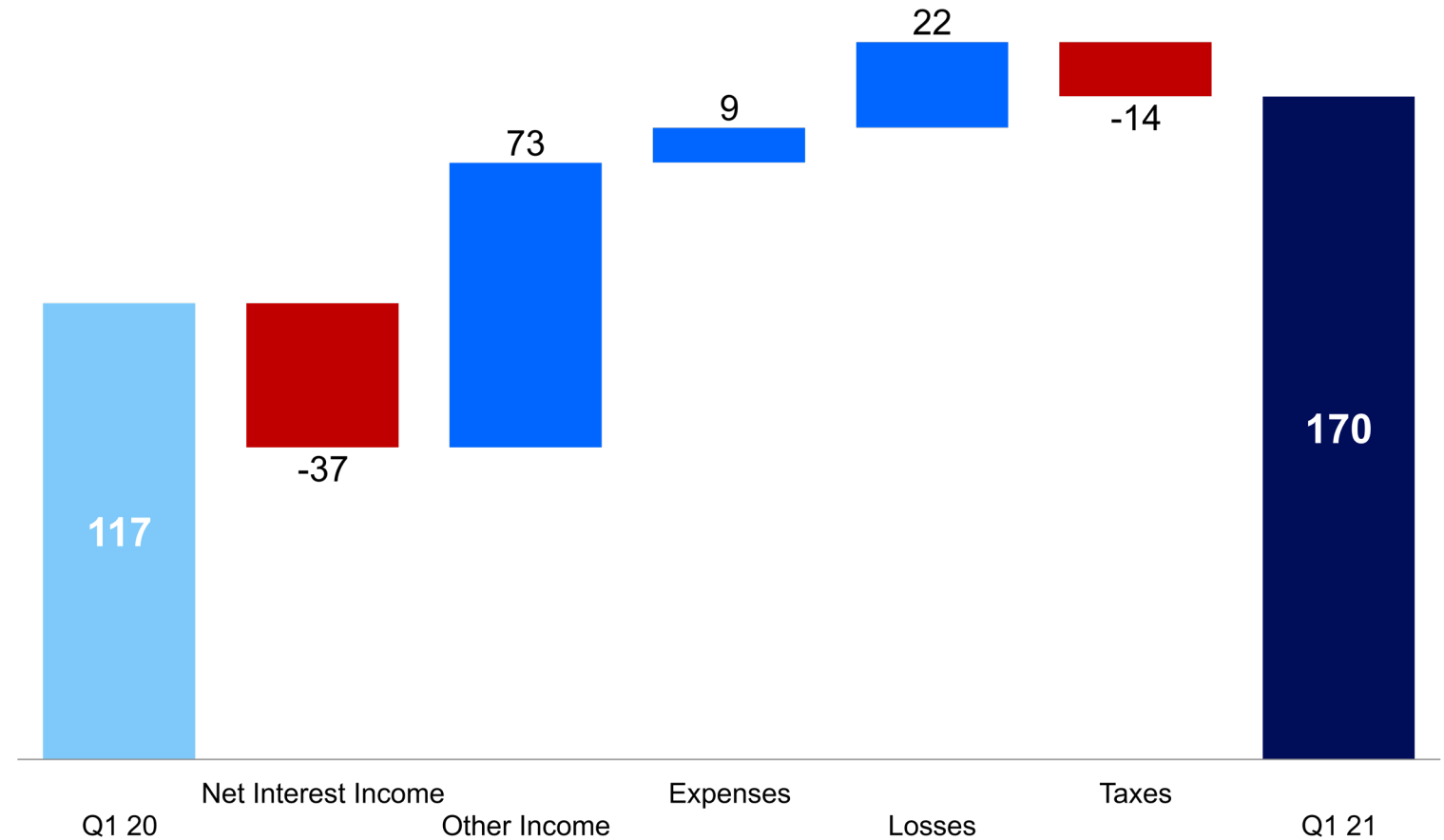
The bank's net interest income is lower than last year.

Other income was sharply up in Q1 quarter inter alia due to changes in the value of the bond- and fixed income portfolios.

Costs are NOK 9 million lower than in Q1 2020.

Losses have decreased compared to last year.

## Results Q1 2021 vs. 2020



## Results in details

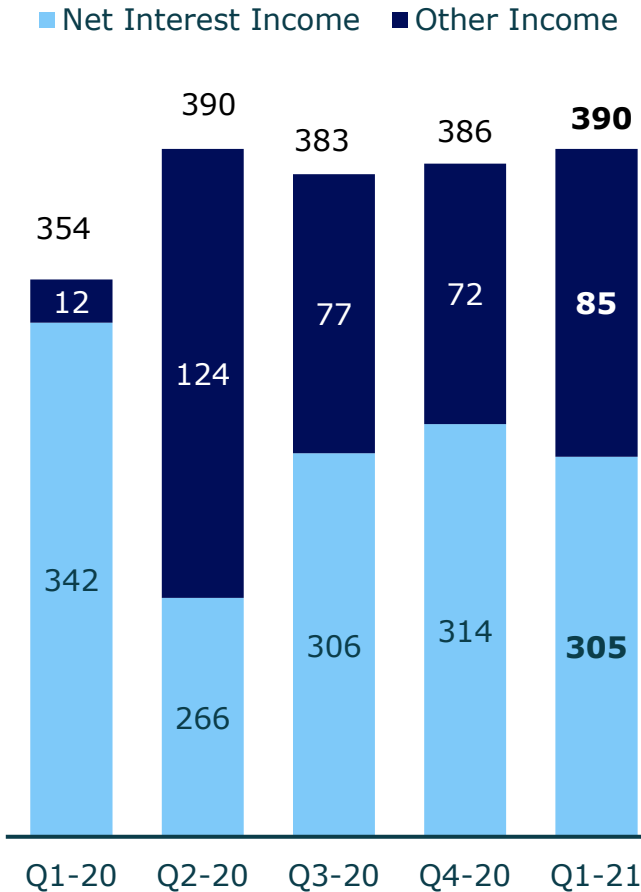
Results (NOK million and %)	Q1 2021		Q1 2020		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	305	1.51	342	1.80	-37	-0.29
Net Income Financial Instruments	16	0.08	8	0.04	8	0.04
Gains/losses liquidity portfolio	8	0.03	-42	-0.23	50	0.26
Gains/losses on shares	10	0.05	-7	-0.04	17	0.09
Other Income	51	0.26	53	0.29	-2	-0.03
<b>Total Other Income</b>	<b>85</b>	<b>0.42</b>	<b>12</b>	<b>0.06</b>	<b>73</b>	<b>0.36</b>
<b>Total Income</b>	<b>390</b>	<b>1.93</b>	<b>354</b>	<b>1.86</b>	<b>36</b>	<b>0.07</b>
Salaries and wages	83	0.41	89	0.47	-6	-0.06
Other costs	75	0.37	78	0.41	-3	-0.04
<b>Total operating costs</b>	<b>158</b>	<b>0.78</b>	<b>167</b>	<b>0.88</b>	<b>-9</b>	<b>-0.10</b>
Profit before losses	232	1.15	187	0.98	45	0.17
Losses on loans, guarantees etc	14	0.07	36	0.19	-22	-0.12
<b>Pre tax profit</b>	<b>218</b>	<b>1.08</b>	<b>151</b>	<b>0.79</b>	<b>67</b>	<b>0.29</b>
Taxes	48	0.24	34	0.18	14	0.06
<b>Profit after tax</b>	<b>170</b>	<b>0.84</b>	<b>117</b>	<b>0.61</b>	<b>53</b>	<b>0.23</b>



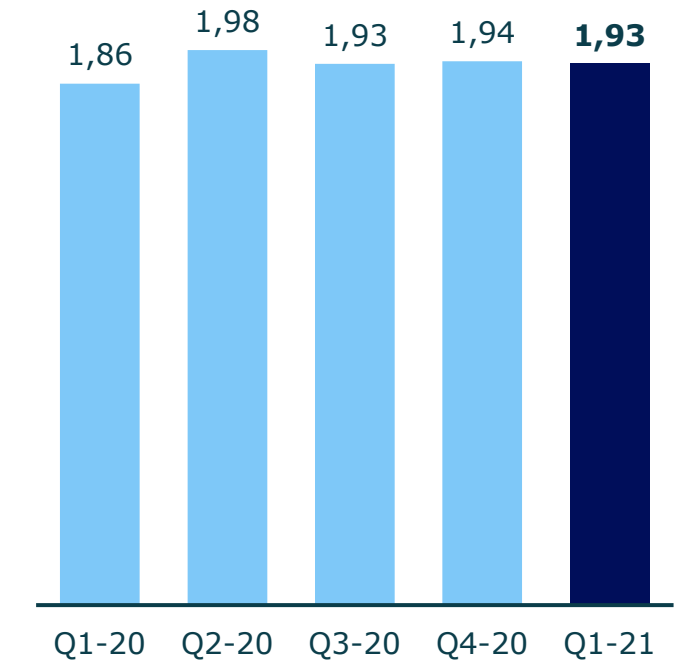
# Total Income

- Total revenues were NOK 390 million in the first quarter
- Net interest income somewhat lower than in Q4 and Q1 2020
- Other income higher than the same period last year and the previous quarters

**Total income**  
- NOK million



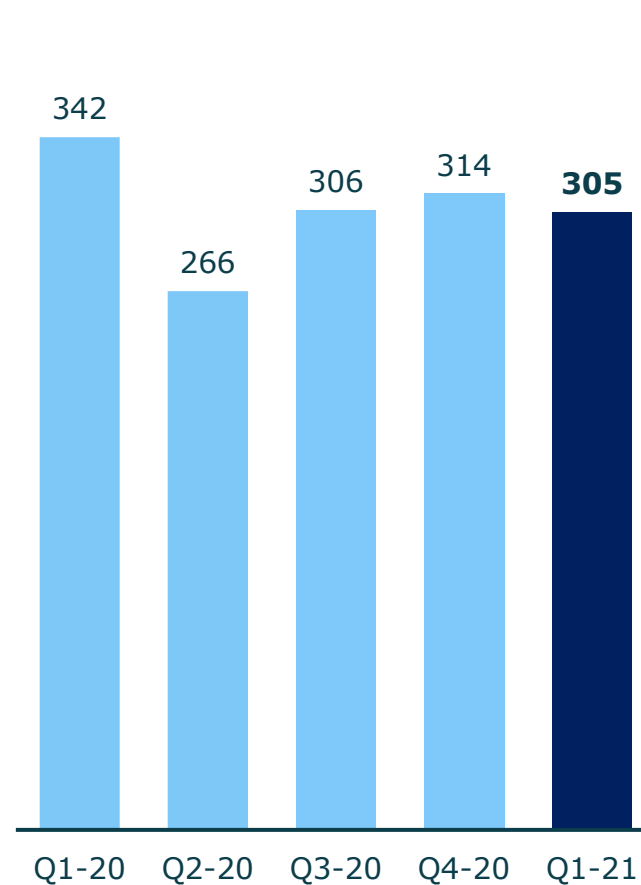
**Total income**  
- % Average Assets



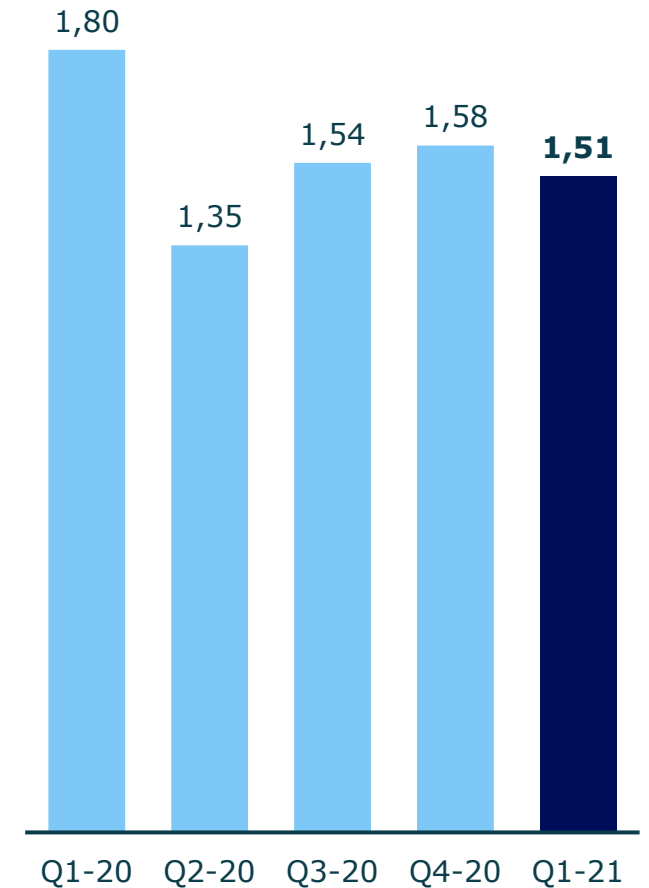
# Net Interest Income rebounds

- Net Interest Income increased in 2H 2020, the figure is generally influenced by the overall low interest rate level
  - ✓ High Deposit-to-Loan ratio
  - ✓ High Leverage ratio
  - ✓ Competition
  - ✓ Growth
  - ✓ Strong liquidity
- In Q1 2021, the somewhat lower Net Interest Income is also explained by the number of days in the quarter

**Net Interest Income**  
- NOK million



**Net Interest Income**  
- % of Average Assets

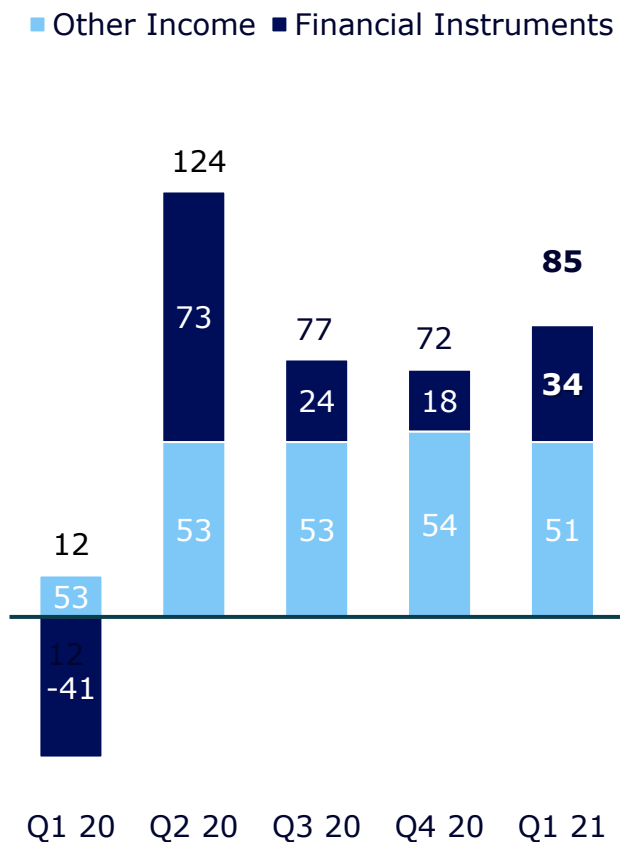


# Quarterly development in Other Income

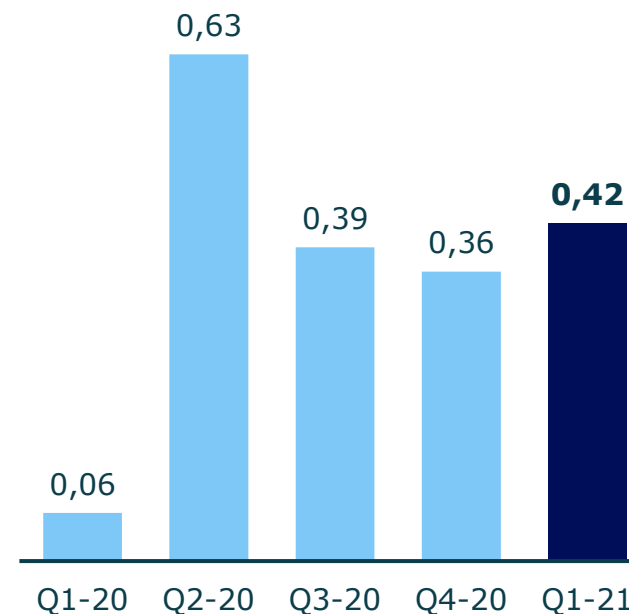
Other Income is higher in Q1 compared with the two previous quarters

- Positive development in income from financial instruments
- Higher income from guarantees and real estate brokerage activities
- Still lower income from payment services

Other Income  
- NOK million



Other Income  
- % of Average Assets

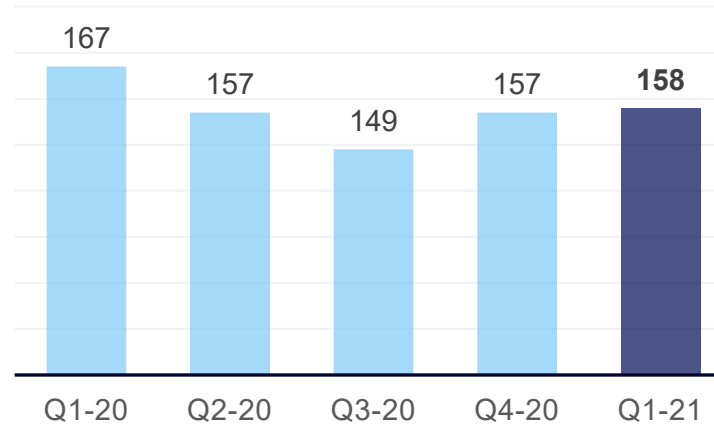


# Strong Costs control

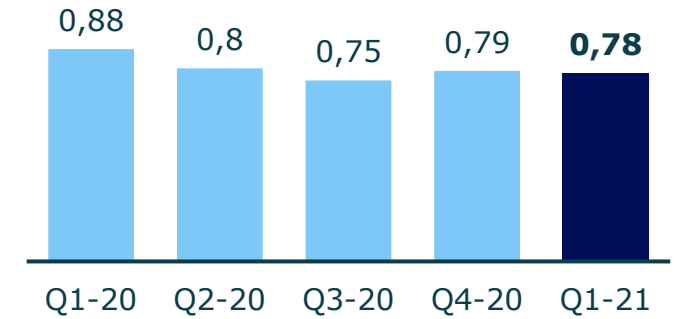
Total costs in the quarter were MNOK 158, that is MNOK 9 (5.4 per cent) lower than in the same quarter last year.

The cost/income ratio was 40.5 in Q1.

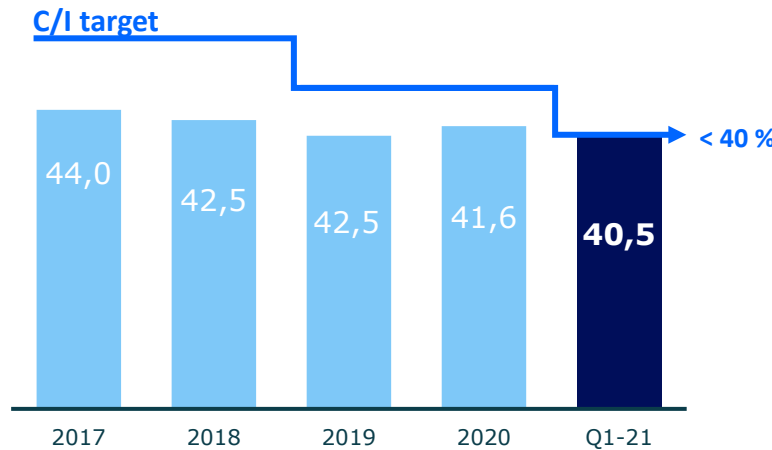
**Operating Costs**  
- NOK million



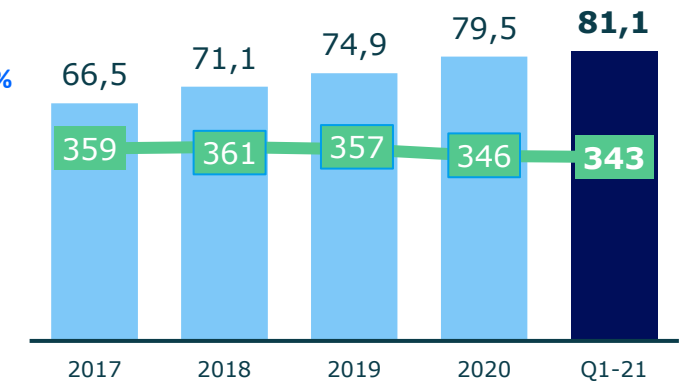
**Operating Costs**  
- % of Average Assets



**Cost/Income ratio**



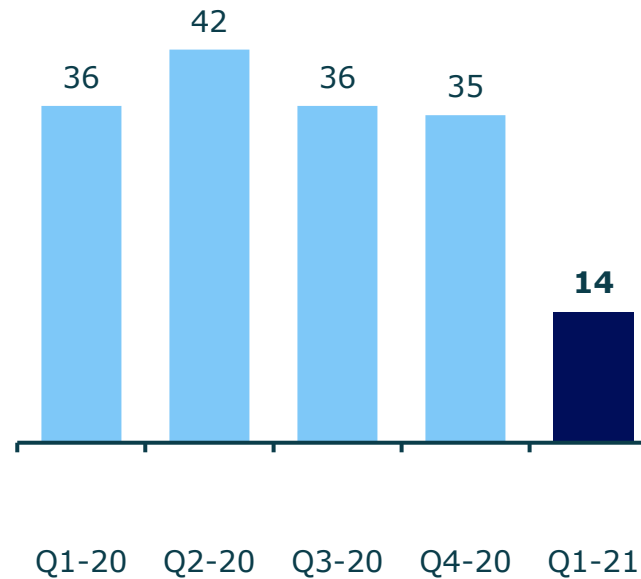
**Total Assets and Man Years**  
- Total Assets in NOK billion



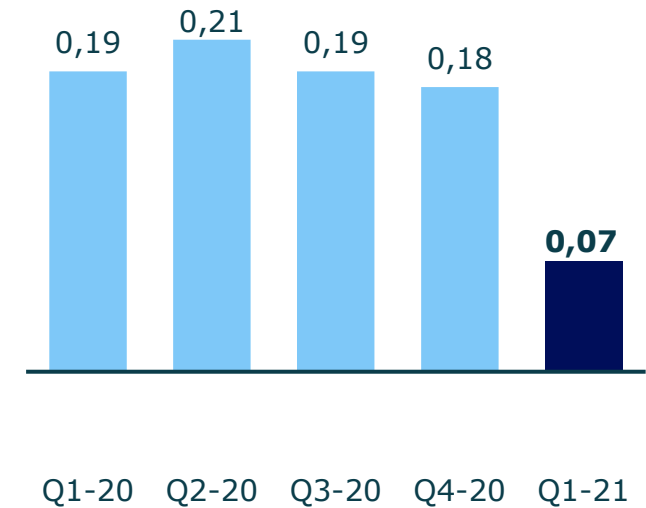
# Losses

- Losses on Loans and Guarantees were NOK 14 million in the quarter
- Total impairments were increased from NOK 326 million at the end of 2020 to NOK 339 million at the end of the quarter
- Despite the macroeconomic conditions improving and low level of default, the Covid-19 situation and the consequences of the fall in oil prices still reigns. The losses are mainly linked to oil related activity

**Losses on loans and guarantees**  
- NOK million



**Losses on loans and guarantees**  
- % of Average Assets



## Losses by sector

### Losses on loans and guarantees

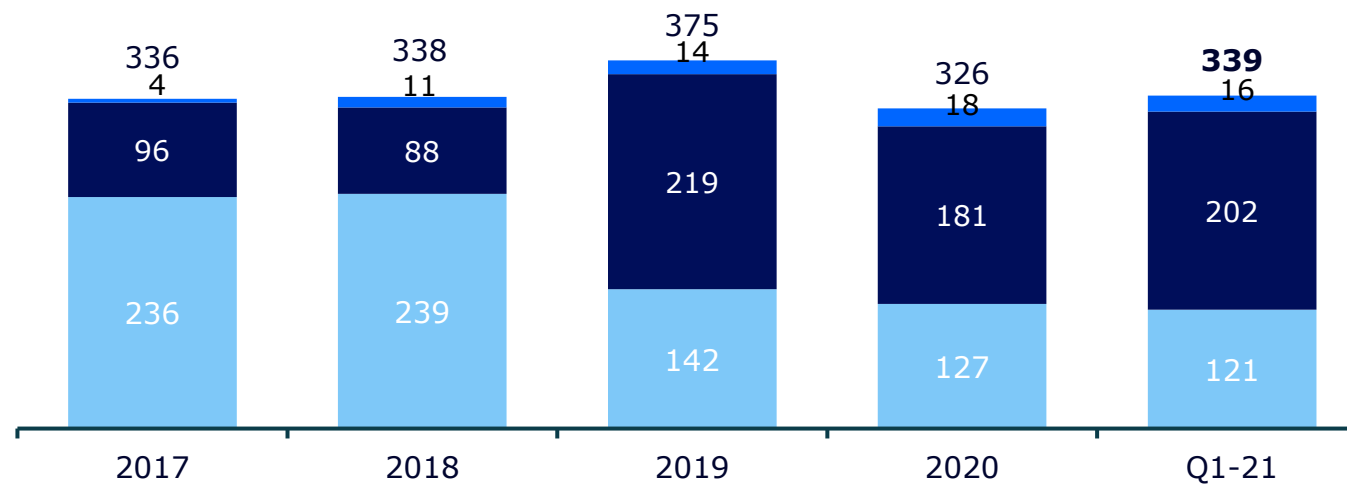
- NOK million





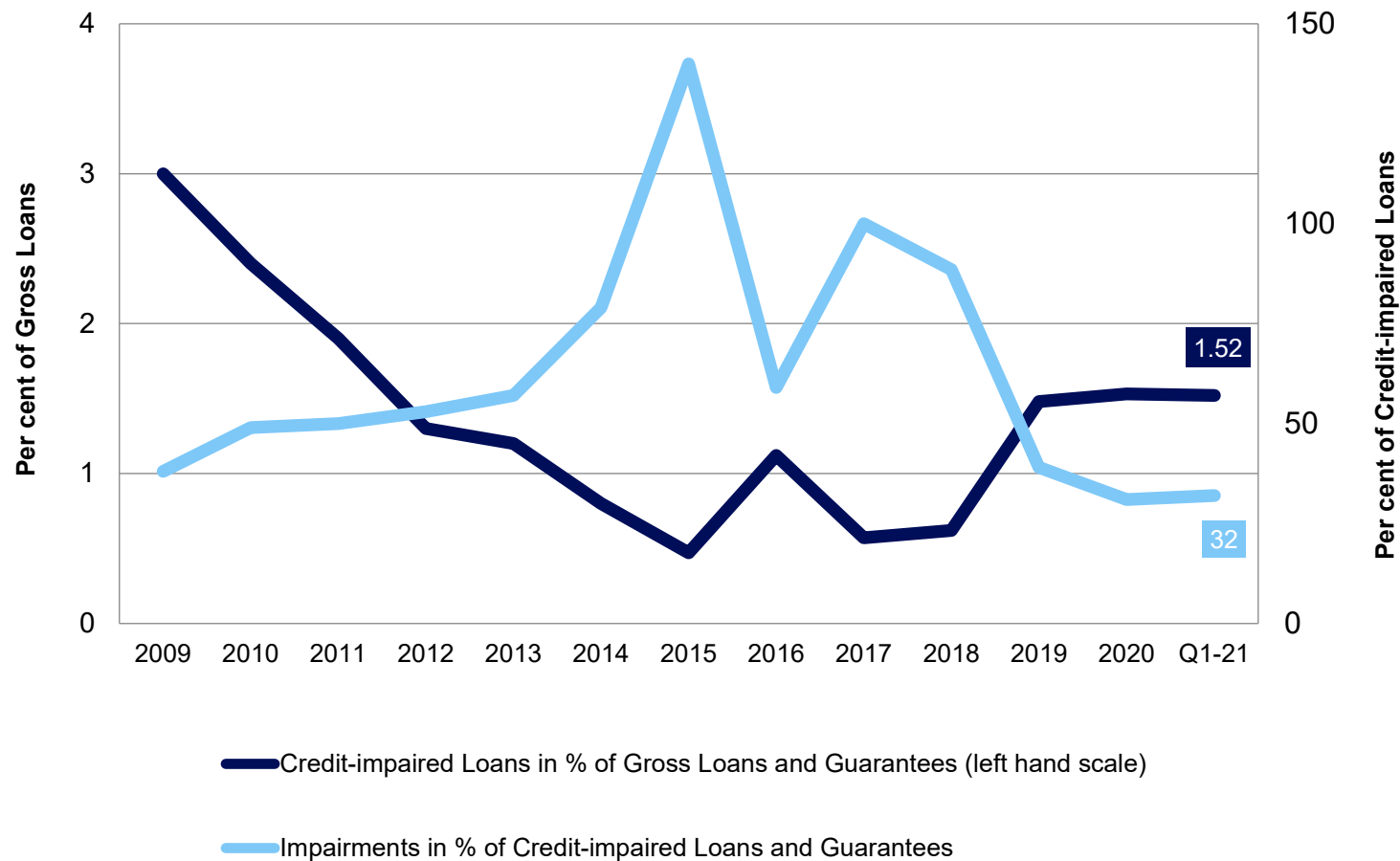
## Impairments at comfortable levels

Impairments  
- NOK million



- Individual impairments on commitments above 90 days
- Individual impairments on other credit-impaired commitments
- ECL-impairments on loans and guarantees

# Credit-impaired loans



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

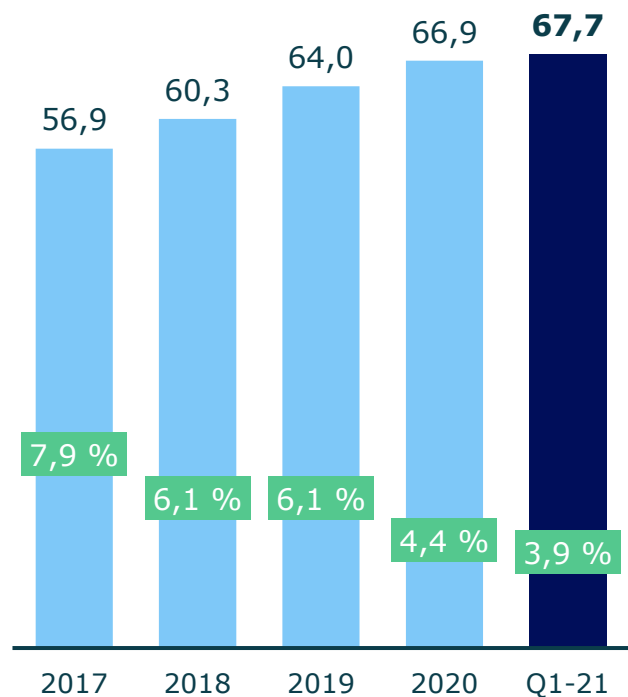
# Balance sheet

## Continued growth

- Annual growth in lending ended at 3.9 per cent by quarter end
- Deposit growth over the last 12 months ended at 7.7 per cent
- Growth has been particularly strong in priority market areas with a good increase in new customers and increasing business volume
- Experience has clearly shown that the importance of a close and local bank and its own personal adviser has strengthened over the past year
- Availability and competence are high priority areas and are valued by customers

### Loans

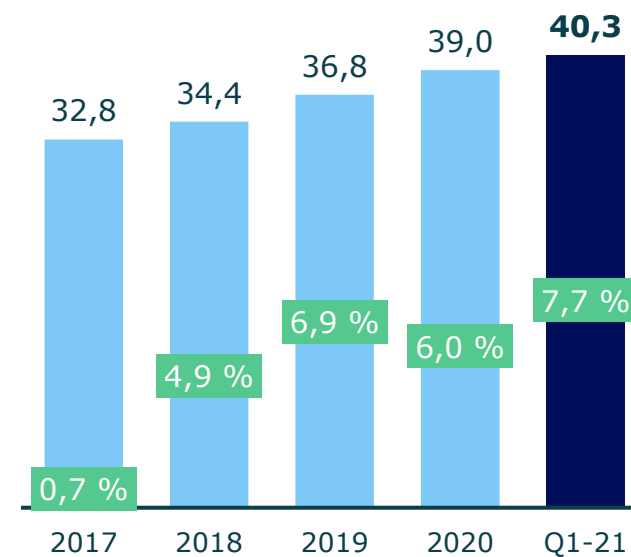
- NOK billion and per cent (y/y)



Customer lending has increased by 3.9 % over the last 12 months.

### Deposits

- NOK billion and per cent (y/y)



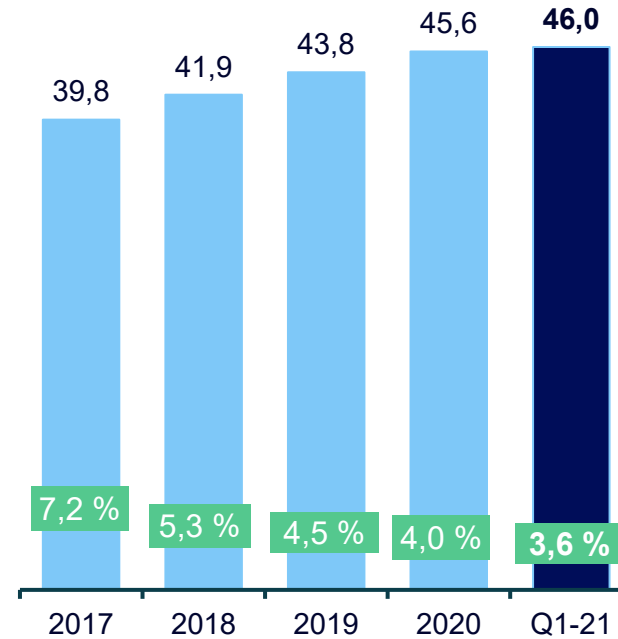
Deposit growth of 7.7 % over the last 12 months.

High deposit-to-loan ratio of 59.3 %

# Lending

- Activity in the region is high and the growth of new customers is increasing in both the retail and corporate markets
- We have good momentum into the year 2021 and expect lending growth to pick up somewhat
- Deposit growth is expected to remain high

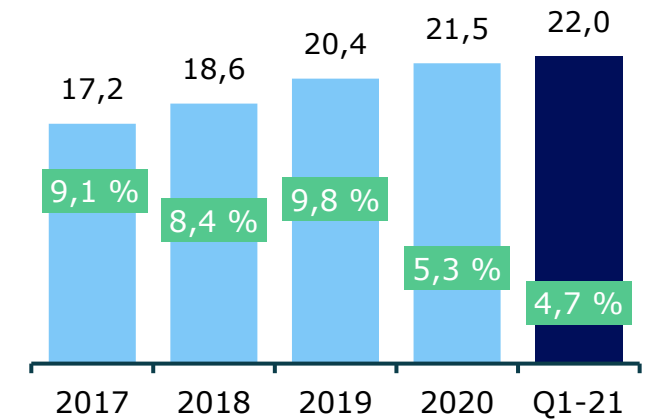
## Retail market - NOK billion and per cent y/y



Retail lending has increased by 3.6 % over the last 12 months

Loans to the retail market amount to 67.6 % of total loans

## Corporate market - NOK billion and per cent y/y



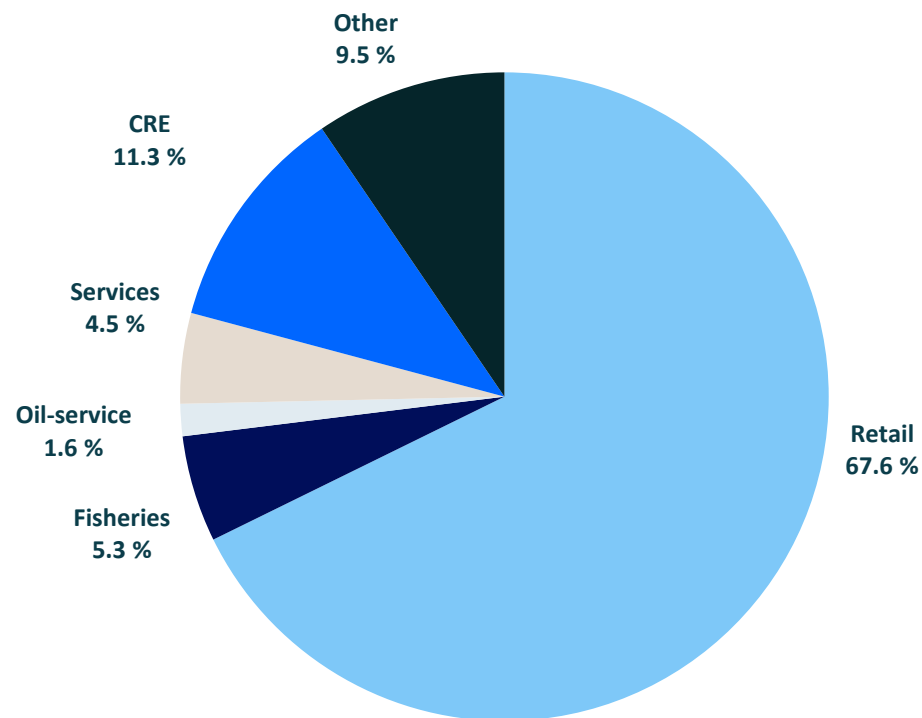
Corporate lending has increased by 4.7, % over the last 12 months

Loans to the corporate market amount to 32.4 % of total loans

## Diversified loan book

- The bank is diversified with high credit quality in the portfolio

## Loans by sector



### Other;

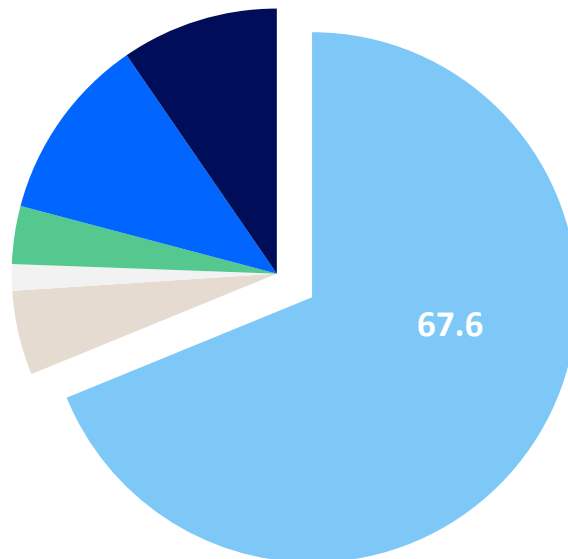
Financial services	0.8 %	Other Industry	2.2 %
Building and Construction	1.4 %	Fishing Industry	1.6 %
Retail/wholesale trade	1.4 %	Ship Yards	0.7 %
Agriculture	0.9 %	Other	0.5 %



## Good quality in our retail portfolio

- High portion of secured loans and low level of loans in default
- We are close to the customers and enter into dialogue early

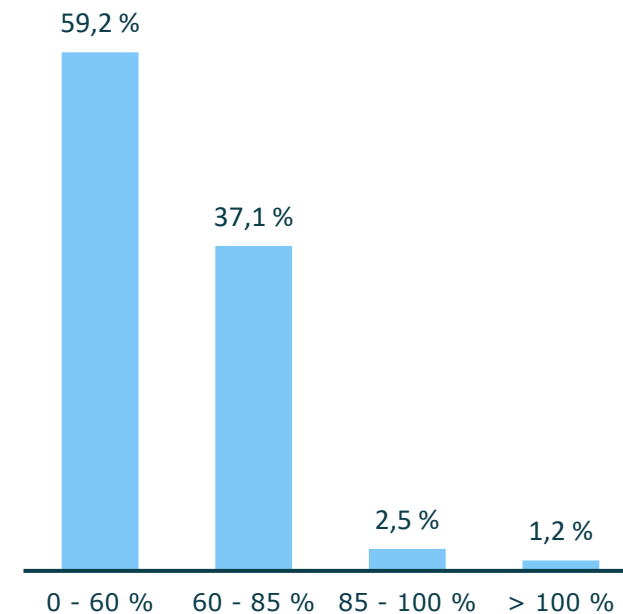
### Loans to retail customers - % of total loans



The bank complies with the lending regulations (Boliglånsforskriften)

Deviation from Boliglånsforskriften reported in the first quarter of 2021 were 9.0 % outside Oslo, and 7.0 % in Oslo

### Loan to Value – retail loans



96.3 % of mortgages are within 85 % of LTV

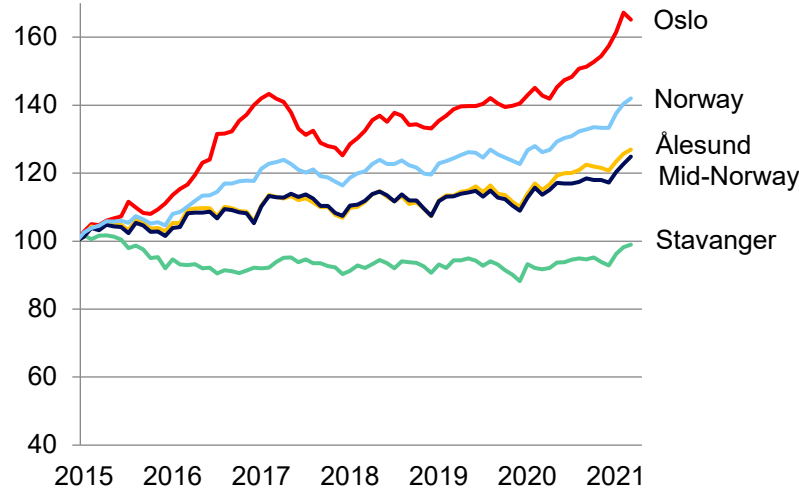
# Housing prices

Based on pre-owned dwellings sold in March 2021, Norwegian seasonal adjusted housing prices increased by 1.1 per cent in March 2021.

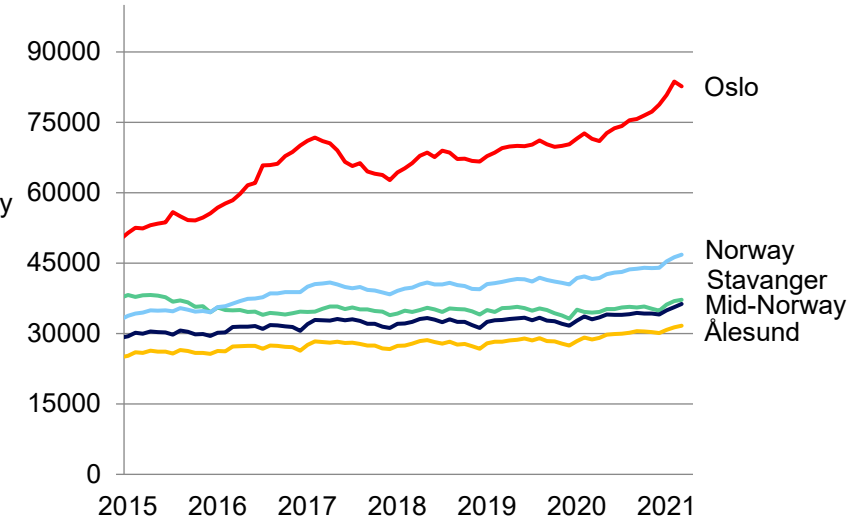
Last twelve months Norwegian housing prices have increased in average by 12.5 per cent.

The City of Ålesund and the Mid-Norway region has over time experienced moderate growth in housing prices compared to the national average, both indexed development and in price per square meter.

**Indexed development**  
- January 2015 = 100



**Price per square meter**  
- January 2015 – March 2021



**Key information**

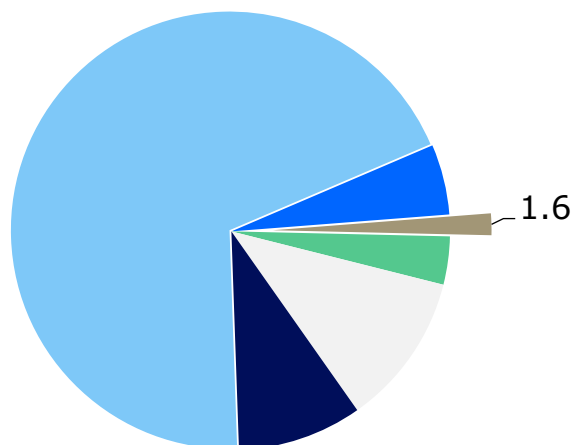
(Sold pre-owned dwellings in March 2021)

	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+1.1 %	+1.5 %	+1.0 %	+ 0.6 %	- 0.8 %
Development 12 months	+12.5 %	+9.8 %	+10.3 %	+7.9 %	+15.6 %
Per square meter (NOK)	46,830	36,277	31,656	37,174	82,663
Average days on market	43 days	65 days	68 days	57 days	14 days
Price median dwelling (NOK)	3,469,258	2,866,936	2,750,000	3,300,000	4,733,193

# Low exposure towards Oil Service

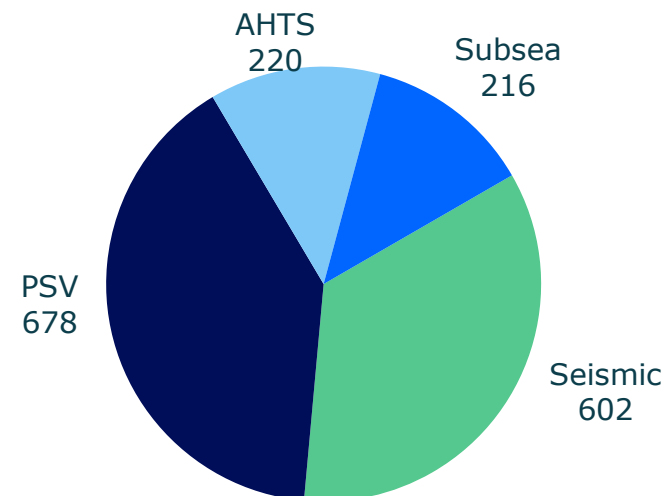
## Loans to Oil Service

- In per cent of total loans



## EAD\* by types of vessels

- In NOK million



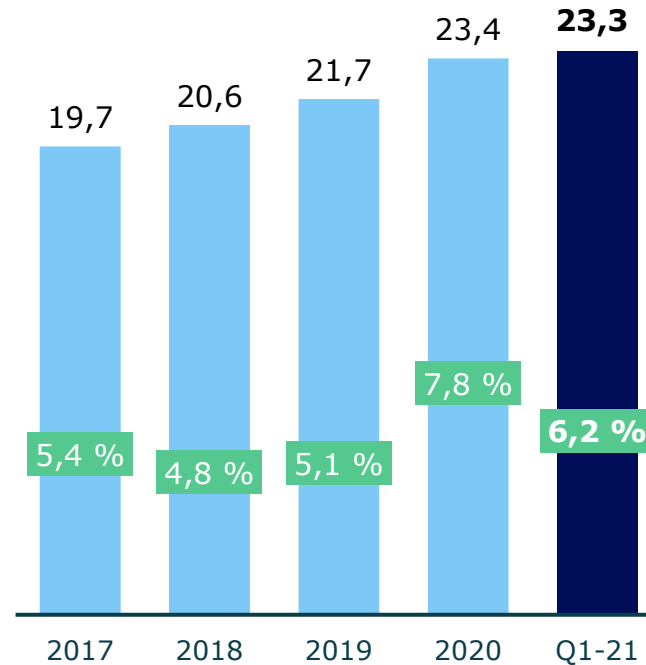
(EAD in NOK million)	Loans	Guarantees	Total EAD*	Expected Credit Losses			Per cent of EAD
				Individually assessed impairments	ECL-IFRS 9	Total	
Low Risk (Risk Class A-C)	164	102	266	0	2	2	0.9 %
Medium Risk (Risk Class D-G)	161	67	228	0	2	2	0.7 %
High Risk (Risk Class H-M)	157	202	359	0	16	16	4.4 %
Loans and guarantees with individually assessed impairments	742	137	878	185	-	185	21.1 %
<b>Total</b>	<b>1,224</b>	<b>508</b>	<b>1,731</b>	<b>185</b>	<b>20</b>	<b>205</b>	<b>11.8 %</b>

\* Sparebanken Møre's total EAD ended at MNOK 73,081 by quarter end

# Deposits

- Deposit growth for both the retail market and the corporate market is good
- We experience good access and growth from both retail customers and companies
- Deposit growth is expected to remain high

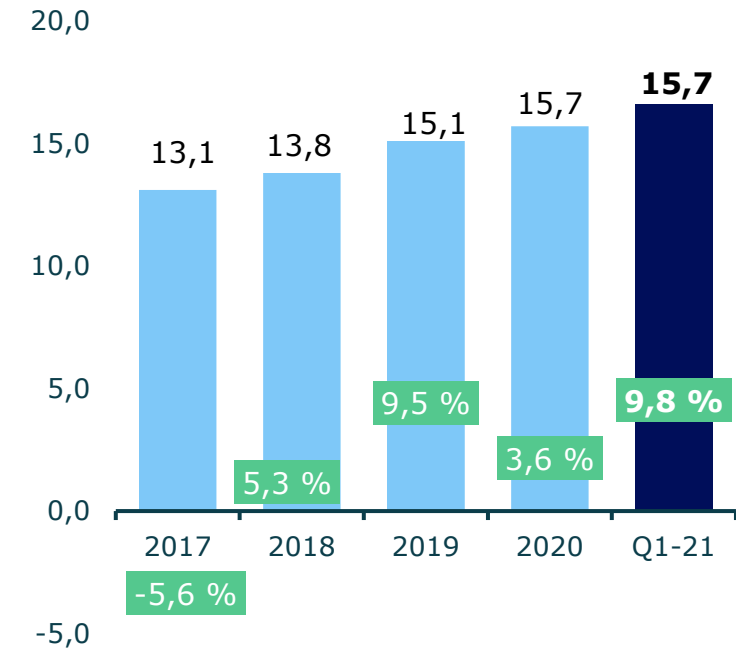
**Retail market**  
- NOK billion and per cent y/y



Retail deposits have increased by 6.2 % over the last 12 months

Deposits from the retail market amount to 58.8 % of total deposits

**Corporate and public**  
- NOK billion and per cent y/y

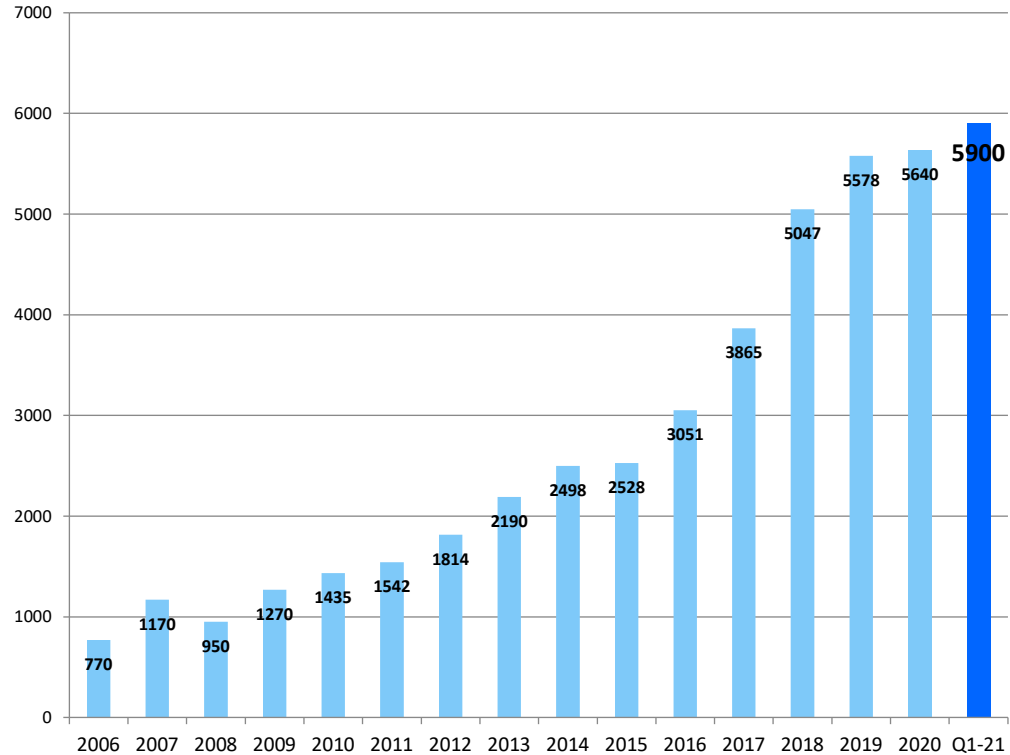


Deposits from corporate and public customers have increased by 9.8 % the last 12 months

# 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
- Despite market turmoil the last year, the number of new customers has grown very well
- Sparebanken Møre Aktiv Forvaltning (Discretionary Portfolio Management) offers the bank's clients professional management services
- Local Asset Managers continuously monitor our customers portfolios:
  - 8 municipalities
  - 10 foundations
  - 1 pension fund
  - 2 insurance companies
  - 191 investment companies
  - 279 wealthy private individuals



# Strengthens the focus on Wealth Management

## Stronger and broader services

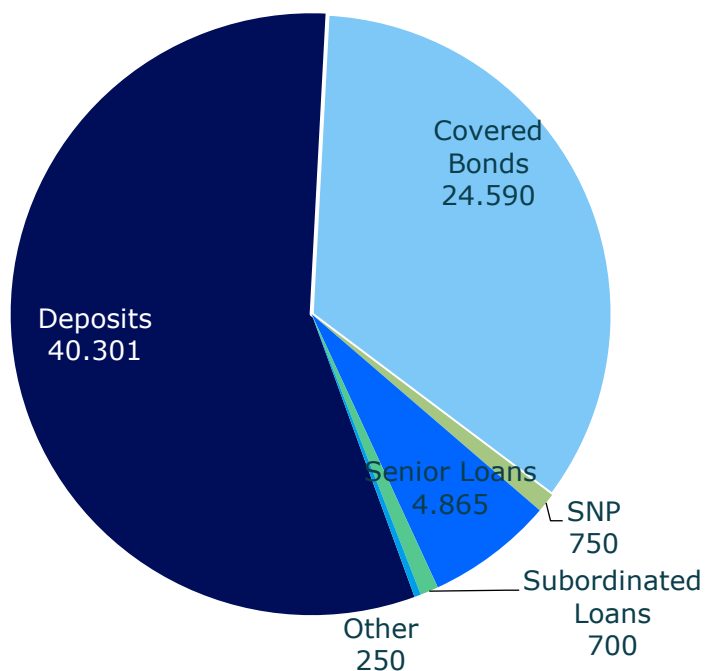
- Sparebanken Møre has the greatest environment for wealth management in our region Nordvestlandet
- The bank's Discretionary Portfolio Management department (Aktiv Forvaltning) has seen strong growth in both the number of customers and total assets in recent years
- The investment is now further strengthened by consolidating the services in a separate unit, Wealth Management
- This will strengthen the offer for both wealthy private customers, investment companies and corporates with liquidity surpluses
- We have a clear goal of development and growth in this area in the future



# 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

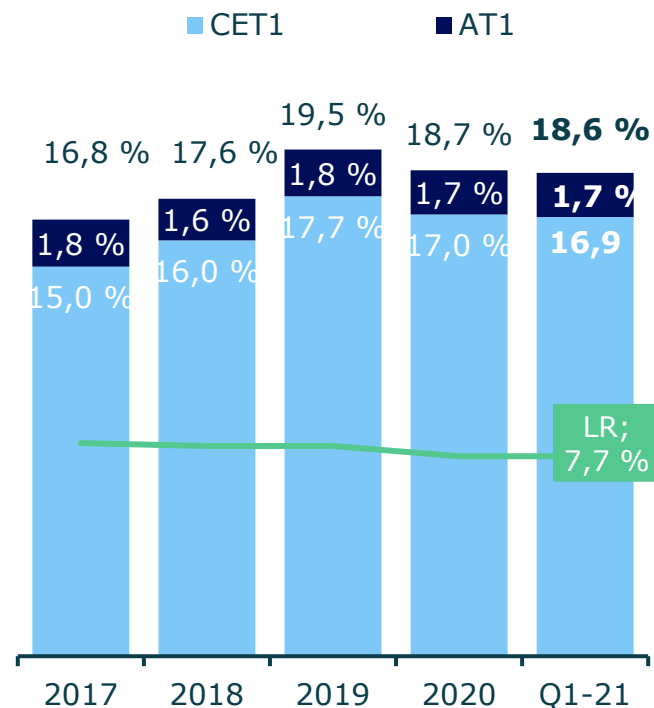
- Our deposit-to-loan ratio stood at 59.3 per cent by year end
- Total net market funding ended at NOK 31.2 billion by end of the quarter – more than 90 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.95 years (FSA defined key figures)
- Covered Bonds 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. October 2019, the mortgage company placed its third successful semi-benchmark Public Issue of EUR 250 million in the European market
- In a letter to Sparebanken Møre dated 14 December 2020, Finanstilsynet (FSA) set the bank's MREL requirement at 31.4 per cent of adjusted risk weighted assets. The bank has submitted a plan for phasing in subordinated debt to the FSA and in January issued its first SNP loan of MNOK 750
- January 2021, Moody's upgraded the bank's rating from A2- stable to A1 with stable outlook. Issuances from Møre Boligkreditt AS are rated Aaa



# Equity and related capital

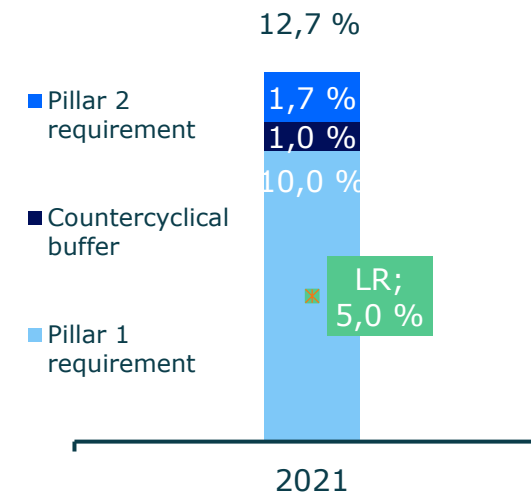
- We work continuously to maintain and strengthen Sparebanken Møre's good capital position
- CET1 and Leverage Ratio (LR) ends by quarter end well above current regulatory requirements
- The uncertain situation will persist, but the bank is equipped to withstand increasing defaults and losses and at the same time have the capacity for lending growth

## 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 20.6 %.
- Sparebanken Møre's capital targets are:
  - Total Capital: Minimum 18.7 %
  - Tier 1 capital: Minimum 16.7 %
  - CET1: Minimum 15.2 %

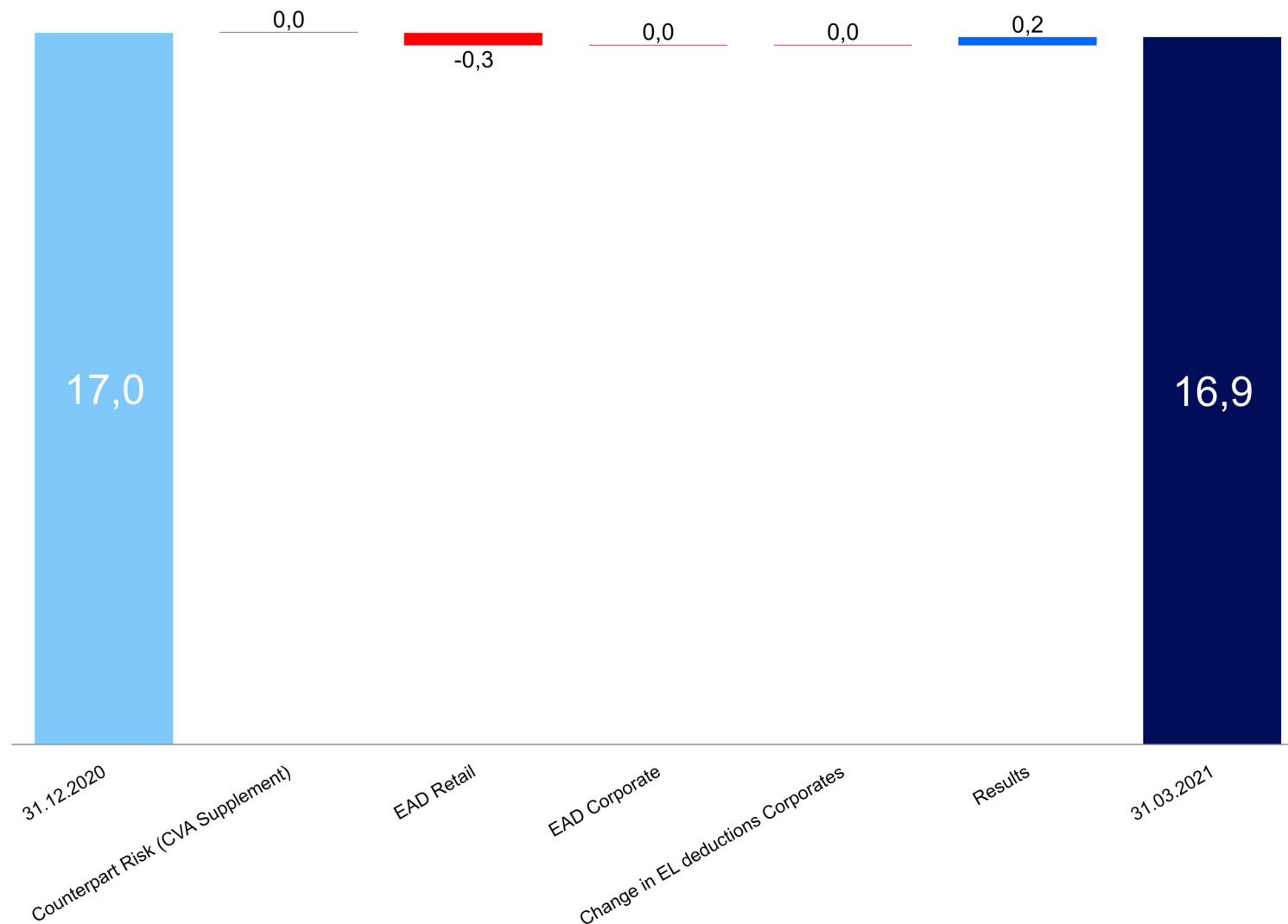
## CET1 requirement for Sparebanken Møre - % of risk weighted assets and excl. Management Buffer



- 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 and the Standardised Approach for other items

# Development in CET1

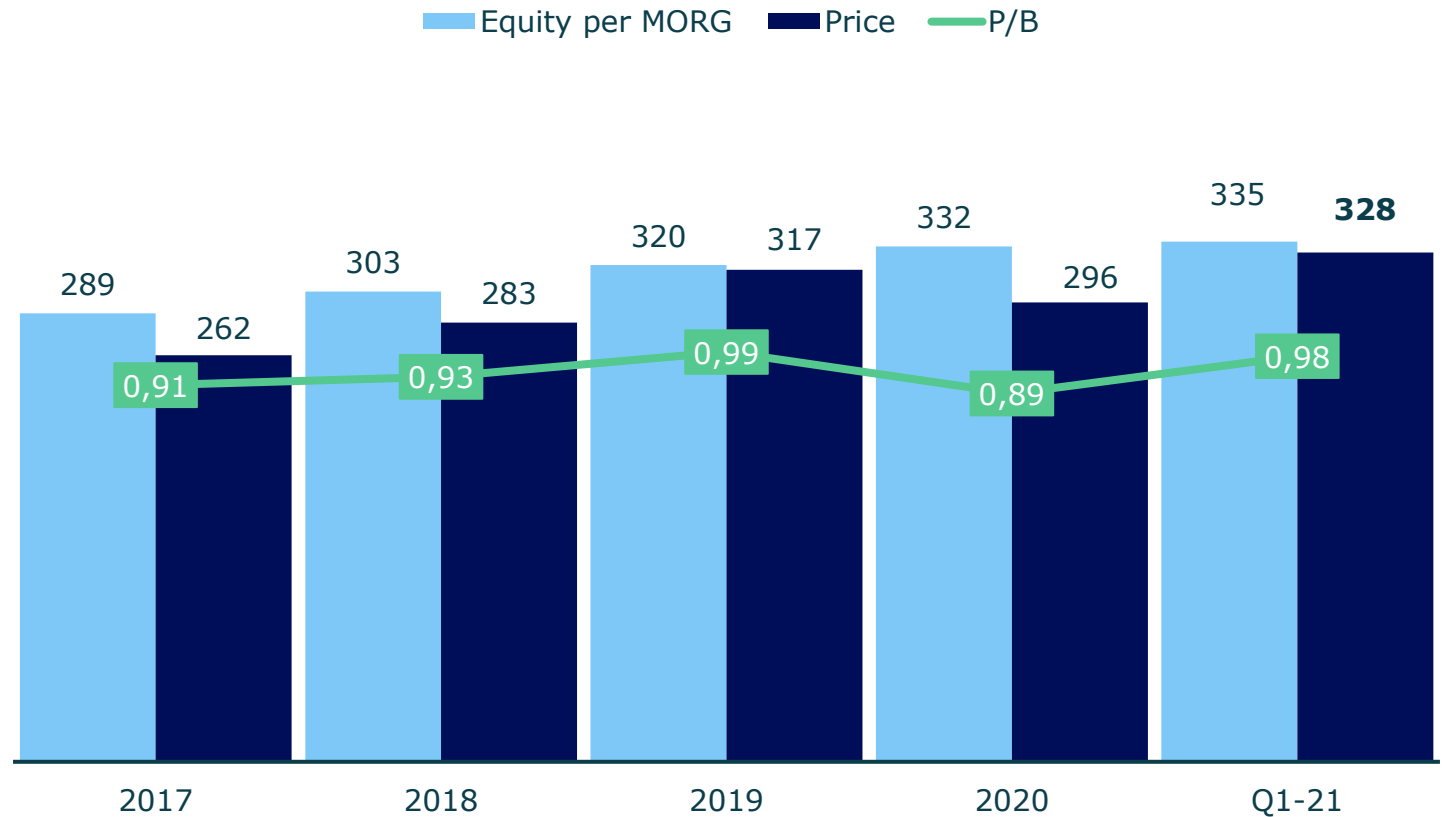
## Changes in Q1



## 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 per cent 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

## Results and dividend

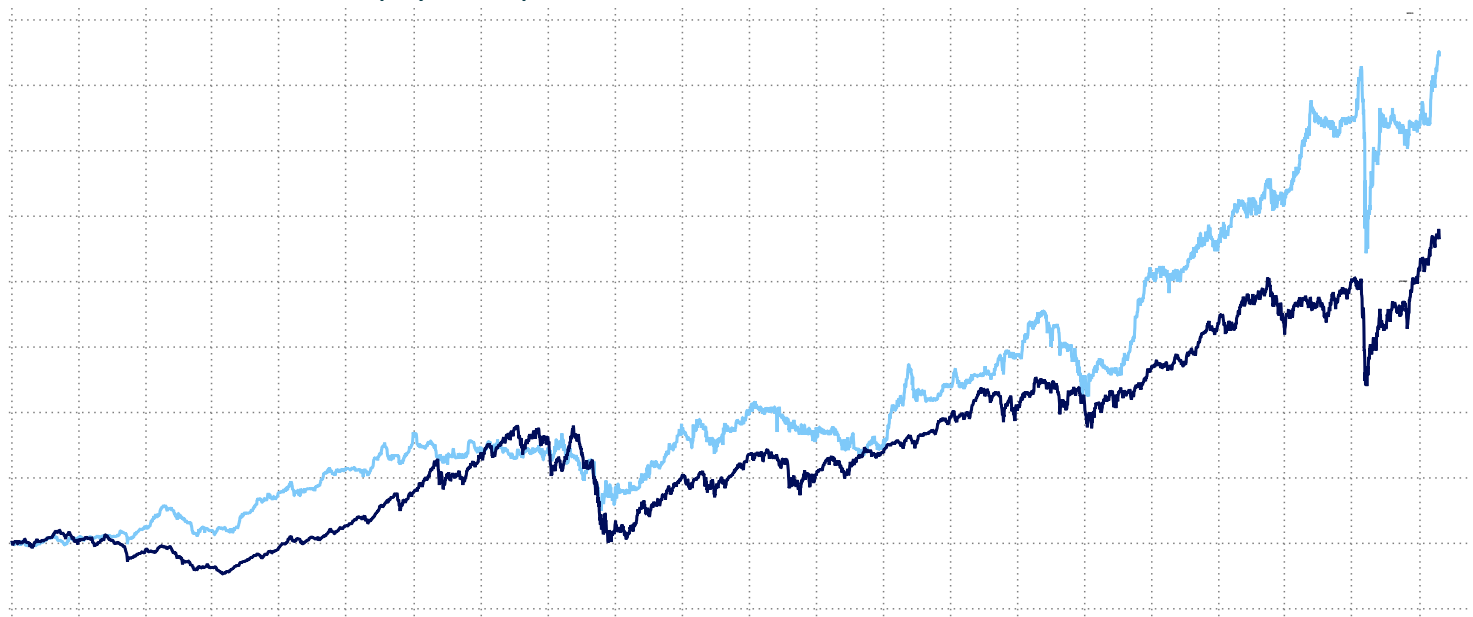
In a letter to Finanstilsynet (FSA) dated 20 January 2021, the Ministry of Finance expressed an expectation that Norwegian banks, which after a careful assessment and based on the ESRB's recommendations will find a basis for distributions, will hold total distributions within a maximum of 30 per cent of cumulative annual results for 2019 and 2020 until September 30, 2021.

## Adaptation to regulatory authorities' expectations

- The bank's dividend policy implies a cash dividend for 2020 of NOK 13.50 per equity certificate. Based on the current extraordinary situation and the authorities' expectations, the Board found it appropriate to propose to the General Meeting a cash dividend per equity certificate of NOK 4.50 for the financial year 2020. The corresponding provision for dividends to the local community amounts to NOK 45 million. The total dividend for 2019 and 2020 will thus amount to 30 per cent of the cumulative annual result for the years 2019 and 2020
- The Board also proposed to the General Meeting that the Board is issued authorisation to make an additional payout up to NOK 9.00 per EC to be distributed as a cash dividend and up to NOK 91 million set aside as dividend funds for the local community for the financial year 2020. In the event of such a further distribution, the total dividend for the financial year 2020 will thus be in line with the bank's dividend policy
- The General Meeting approved the proposals from the Board
- Based on the accounting distribution of equity in the Parent Bank between equity certificate capital and the primary capital fund, 49.6 per cent of the profit will be allocated to equity certificate holders and 50.4 per cent to the primary capital fund. The earnings per equity certificate in the Group were NOK 27.10 in 2020

# 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 was NOK 989 million by March 2021
- Good Total Return over many years
- Paid dividend per EC NOK 4.50 for the financial year 2020, note that the Board is issued authorisation further to pay out up to NOK 9.00 in Q4 2021



## 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/>

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