

Sparebanken Møre Group

Presentation 2nd quarter 2021

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Act EVP Finance

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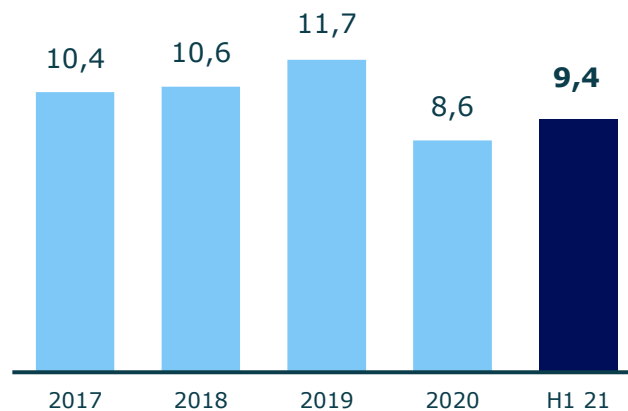
Key figures H1

The year has started well and the bank is delivering an improvement in profit after tax compared with the first half of last year.

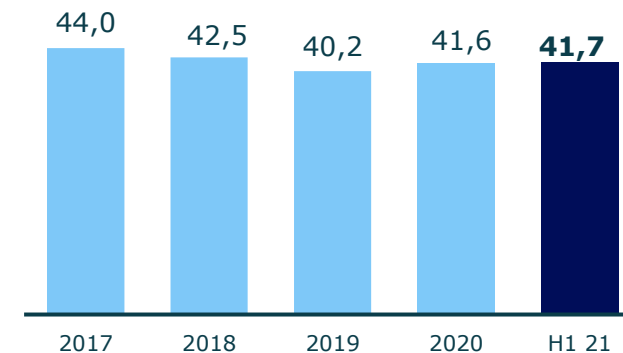
There is good activity in the bank and we are experiencing positive development in several areas.

The bank's advisers are also doing a good job and we are strengthening our market position in our market area Nordvestlandet.

Return on Equity

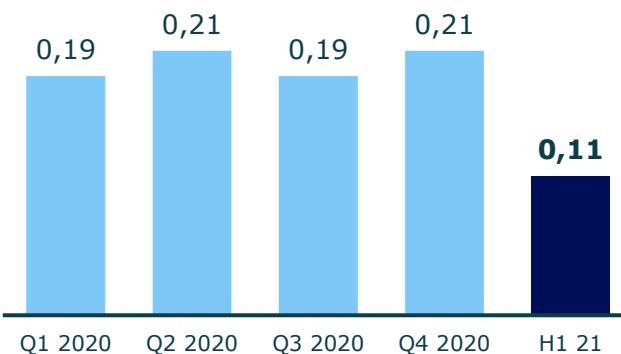


Cost/Income

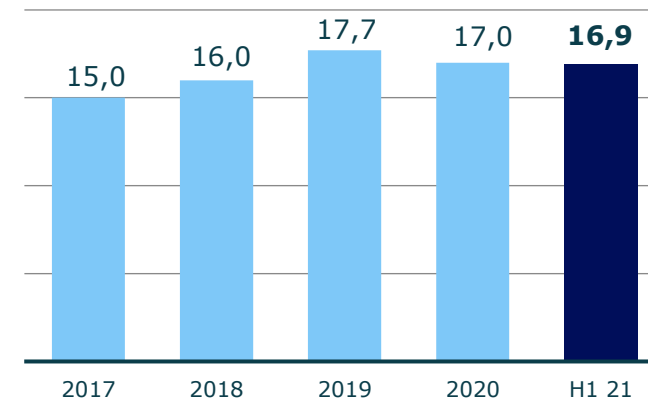


Losses on Loans and Guarantees

In per cent of Average Assets



Common Equity Tier 1 Capital (CET1)



Improved results

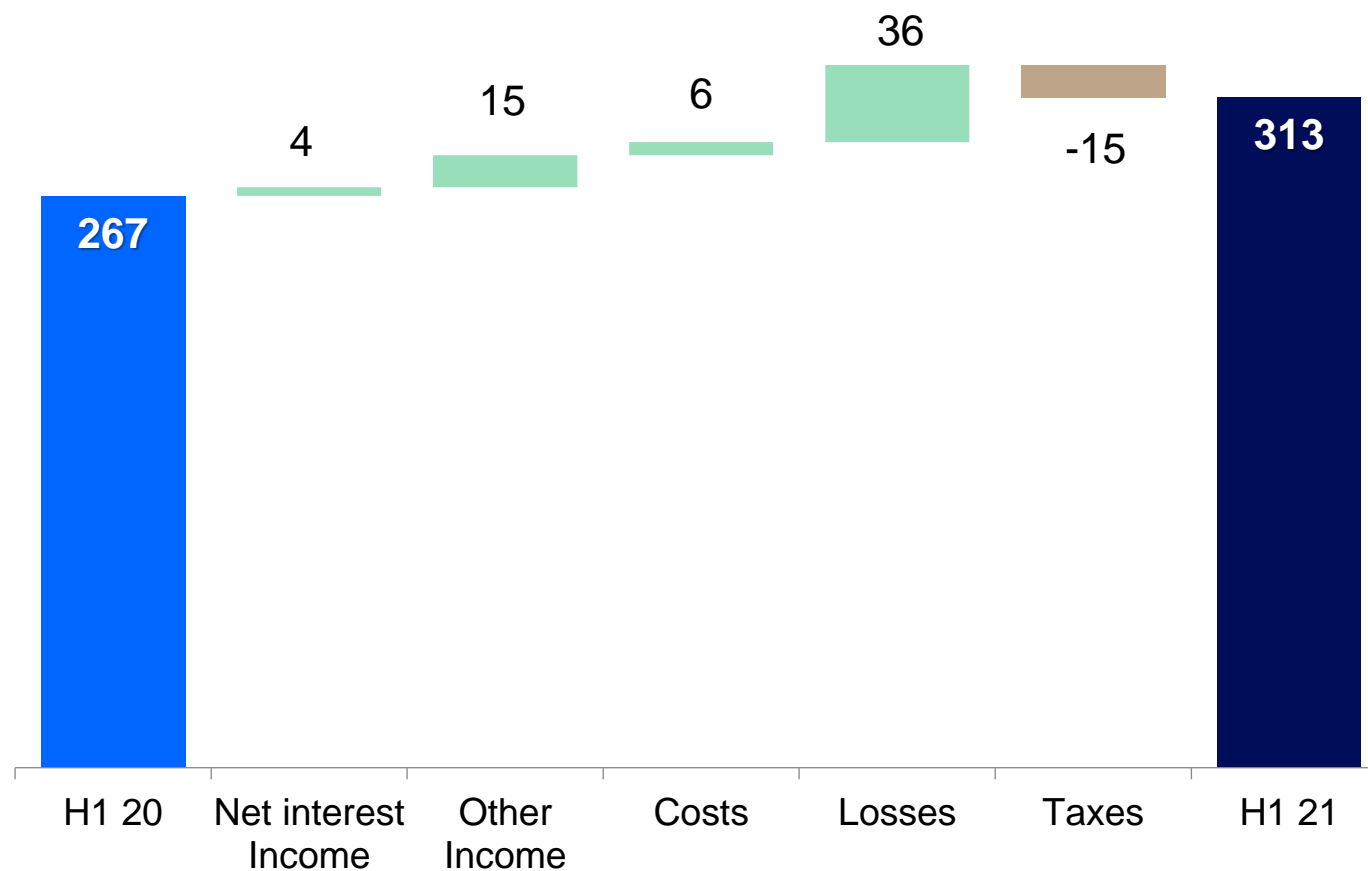
The bank's net interest income is higher than last year.

Other income was up in H1 inter alia due to changes in the value of the bond- and fixed income portfolios.

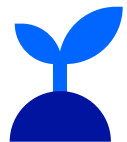
Costs are NOK 6 million lower than in H1 2021.

Losses have decreased compared to last year.

Results H1 2021 vs. 2020



Q2 2021 - highlights



Balance growth

Lending growth was 6.2 per cent over the last 12 months. Growth in deposits was also 6.2 per cent



Net Interest Income

In NOK: 307 million
In per cent: 1.53



Efficiency

Cost/Income ratio at 42.9 per cent in the quarter



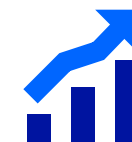
Losses

NOK 28 million in losses on loans and guarantees in Q2



Strong liquidity and solidity

Deposit-to-loan ratio at 59.7 per cent, LCR at 128 and CET1 at 16.9 per cent. Leverage Ratio at 7.6 per cent



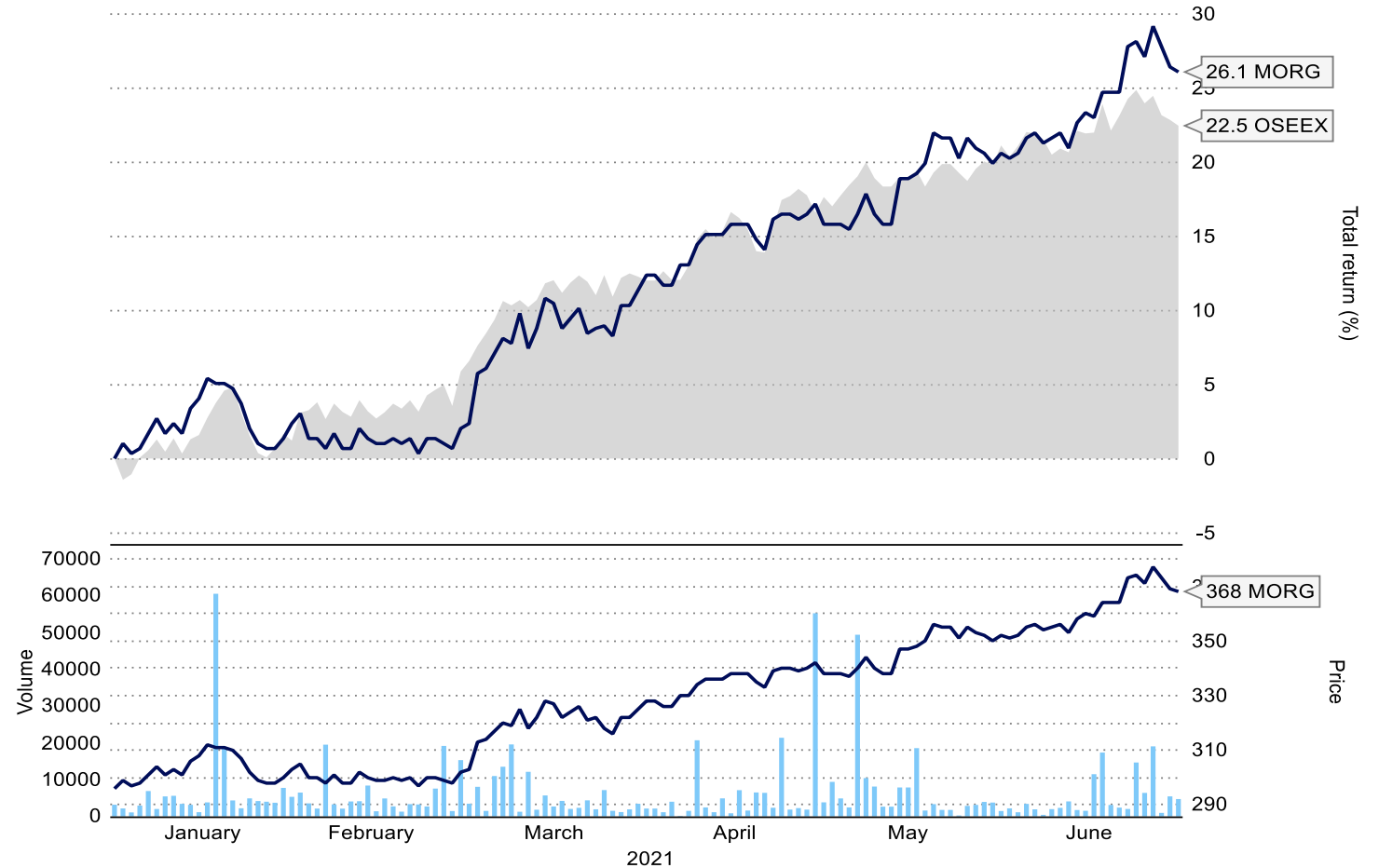
Return on Equity

Return on Equity ended at 8.5 per cent for the second quarter of 2021

MORG – strong price development

- With a MORG price of NOK 368 at the end of the quarter, the price to book ratio has increased to 1.08 from 0.89 as of 31.12.2020
- As the figure shows, the MORG price has increased by 26.1 per cent during H1, more than the average growth (22.5 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)



Source: Bloomberg

Balance sheet and key figures

	30.06.2021	30.06.2020	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	82,830	81,239	1,591	2.0
Loans to customers	69,132	65,094	4,038	6.2
Deposits from customers	41,484	39,055	2,429	6.2
Net Equity and Subordinated Loans	7,056	6,889	167	2.4

Key Figures	30.06.2021	30.06.2020	Changes p.p.	
Return on Equity	9.4	8.2	1.2	
Cost/Income Ratio	41.7	43.5	-1.8	
Total Capital	20.6	21.2	-0.8	
Tier 1 Capital	18.6	19.1	-0.7	
CET1	16.9	17.3	-0.6	
Leverage Ratio	7.6	7.7	0.0	
Profit per EC (NOK, the Group)	15.11	12.62	2.49	
Profit per EC (NOK, the Bank)	20.92	19.23	1.69	

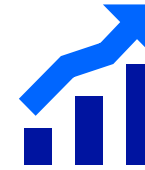
Outlook for the region and the bank

- Despite periodic shutdowns in parts of the service sector, unemployment fell in Møre og Romsdal during the second quarter. This indicates that the activity level in the county remained well up throughout the spring. At the end of June, the number of completely unemployed was 2.4 per cent of the labor force according to NAV. In comparison, unemployment on a national basis was 2.9 per cent. In recent months, there has been a clear increase in the number of vacancies advertised, including in the health sector, tourism, construction and transportation
- In the longer term, there is reason to expect a further increase in production and demand in the county. The outlook for the Norwegian and international economy has improved as a result of previously implemented infection control measures and because an increasing proportion of the population has been vaccinated. In addition, it is likely that the financial support measures for the business community will be maintained as long as this is considered necessary. However, there is a danger that the aftermath of the pandemic could lead to more bankruptcies
- 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

- Sparebanken Møre`s strategic financial performance targets are a return on equity exceeding 11 per cent and a cost income ratio below 40 per cent. The activity-reducing measures due to the coronavirus pandemic have impacted and will continue to affect the market so that the targets will not be achieved in 2021
- The Board expects an improvement in our targets figures in the second half of 2021, and steps have been taken aimed at achieving the targets in 2022



ROE > 11.0 per cent



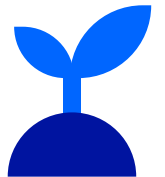
C/I < 40.0
per cent



Low level
of losses



CET1 > 15.2
per cent



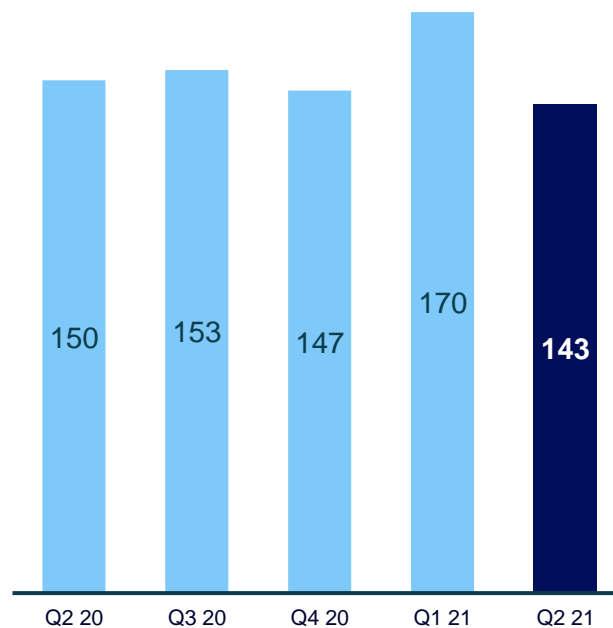
Healthy financial
structure

Results

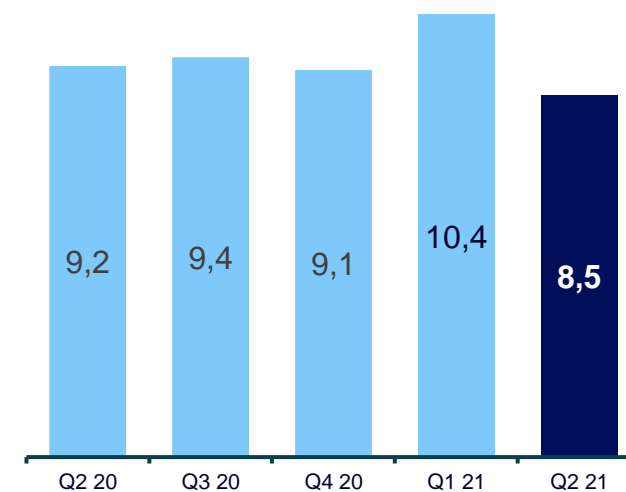
Results 2021

- Profit after tax ended at MNOK 143 in Q2 2021
- Return on Equity was 8.5 per cent in the quarter compared to 9.2 per cent in Q2 2020

Profit after tax
- NOK million



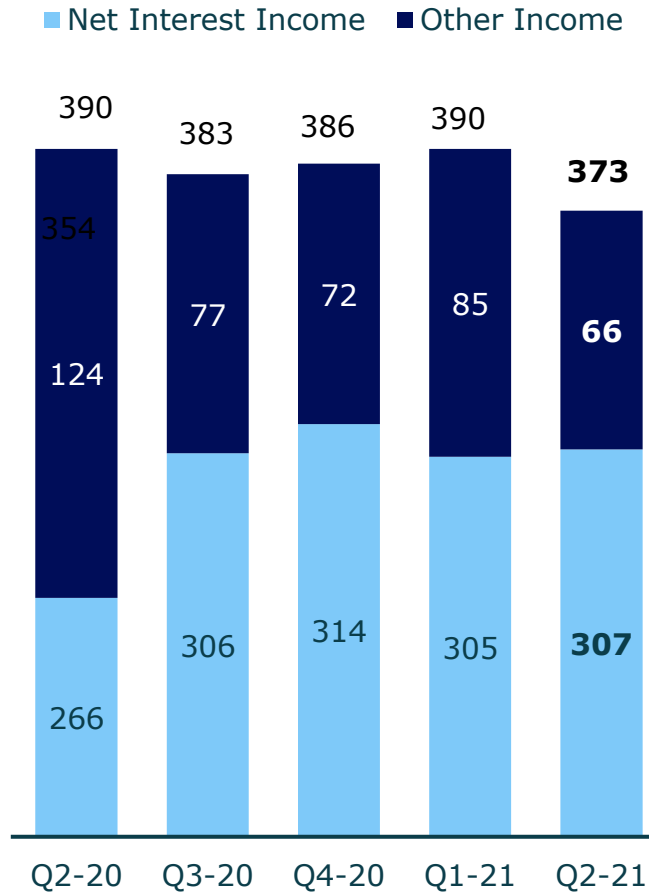
Return on Equity (ROE)
- in percent



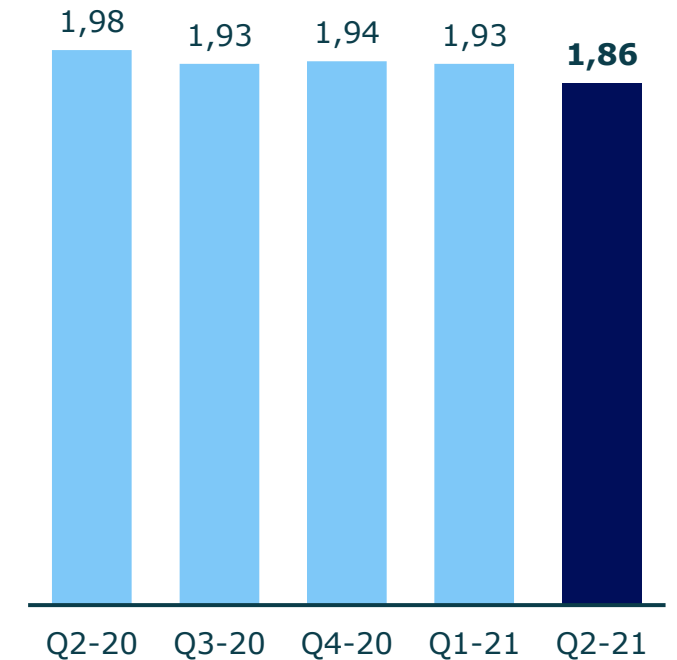
Total Income

- Total revenues were NOK 373 million in the second quarter
- Net interest income somewhat higher than in Q1 and markedly higher than in Q2 2020
- Other income lower than the same period last year and the previous quarters

Total income
- NOK million



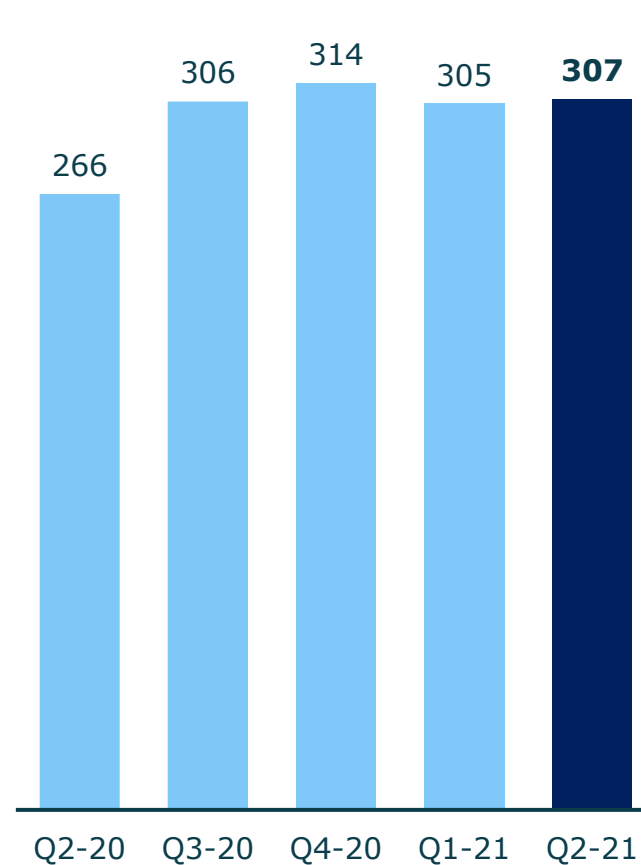
Total income
- % Average Assets



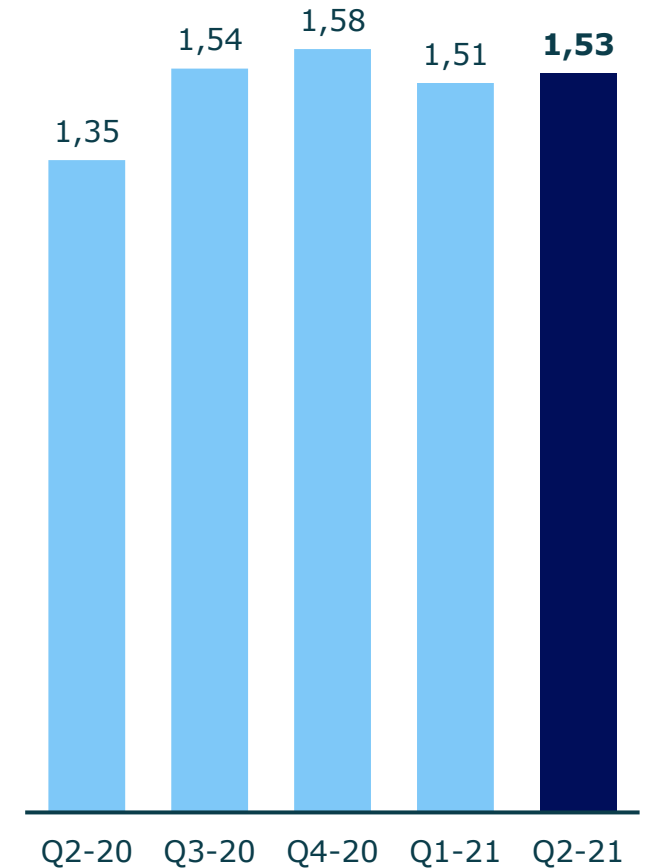
Net Interest Income rebounds

- Net Interest Income increased to MNOK 307 in Q2 – 15.4% higher than in Q2 2020
- In addition to the general low interest rate level, Net Interest Income is influenced by
 - ✓ High Deposit-to-loan ratio
 - ✓ High Leverage ratio
 - ✓ Competition
 - ✓ Growth
 - ✓ Strong liquidity
- With rising interest rates and growth, we expect an increase in net interest income going forward

Net Interest Income
- NOK million



Net Interest Income
- % of Average Assets

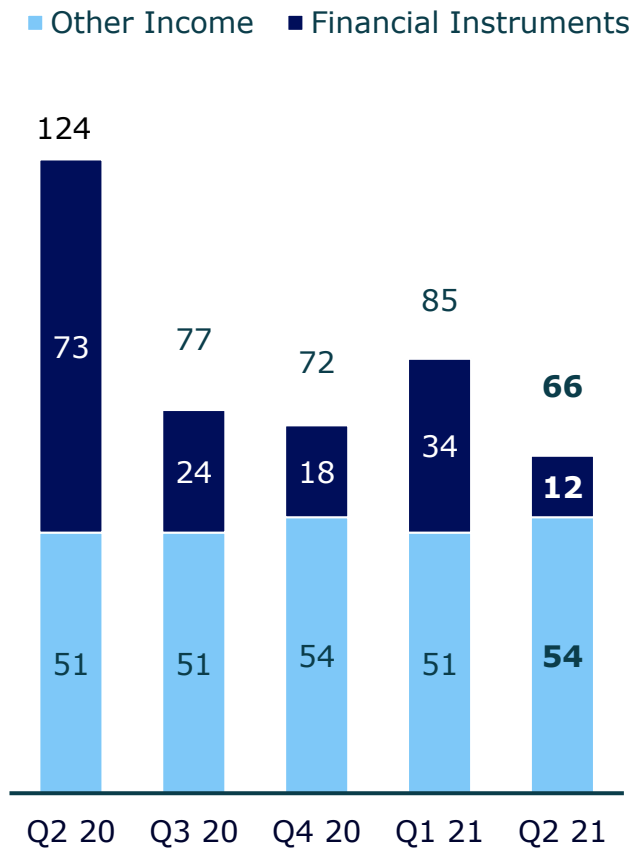


Quarterly development in Other Income

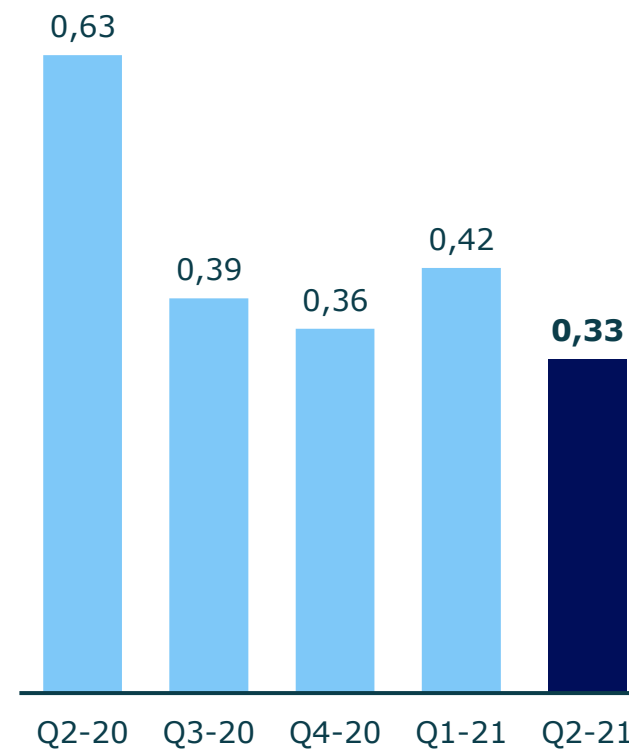
Other Income is lower in Q2 compared with the previous quarters

- Negative development in income from financial instruments and the bond portfolio
- Higher income from guarantees and real estate brokerage activities
- Still lower income from payment services

Other Income
- NOK million



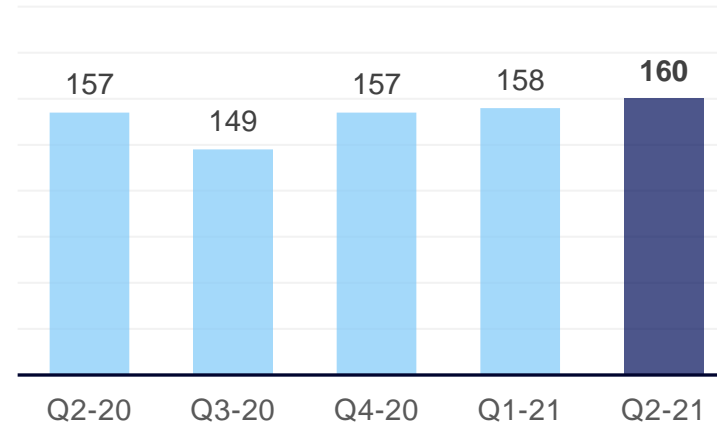
Other Income
- % of Average Assets



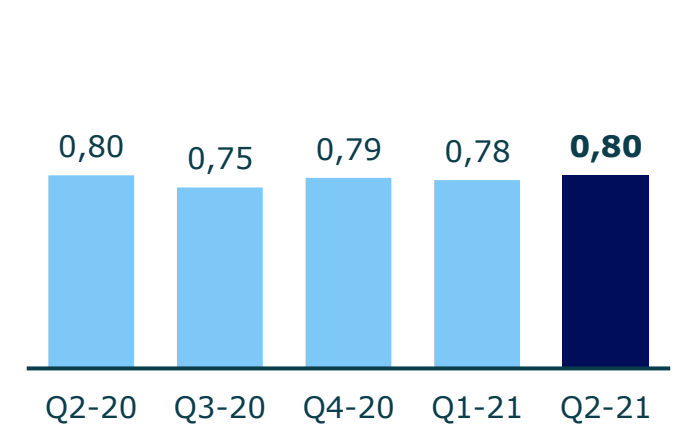
Strong Costs control

- Total costs in the quarter were MNOK 160 and the cost/income ratio was 42.9
- The cost as of the first half of 2021 is MNOK 6 (1.9%) lower than at the same time in 2020

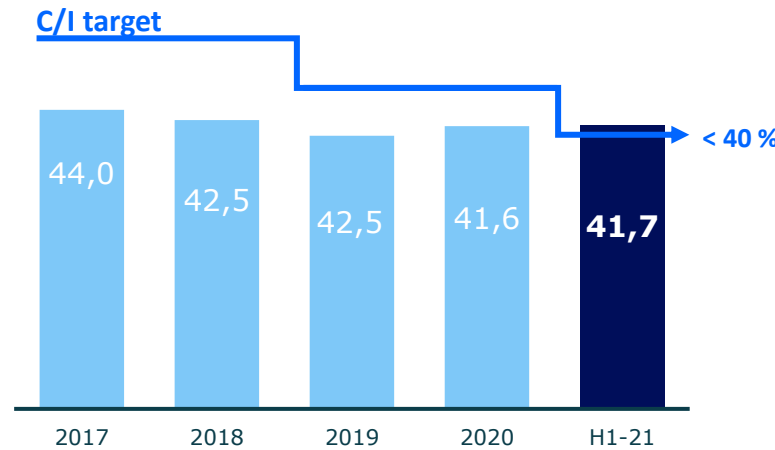
Operating Costs
- NOK million



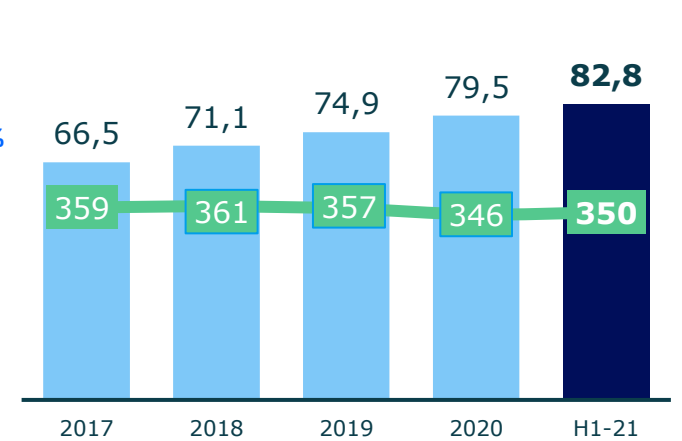
Operating Costs
- % of Average Assets



Cost/Income ratio



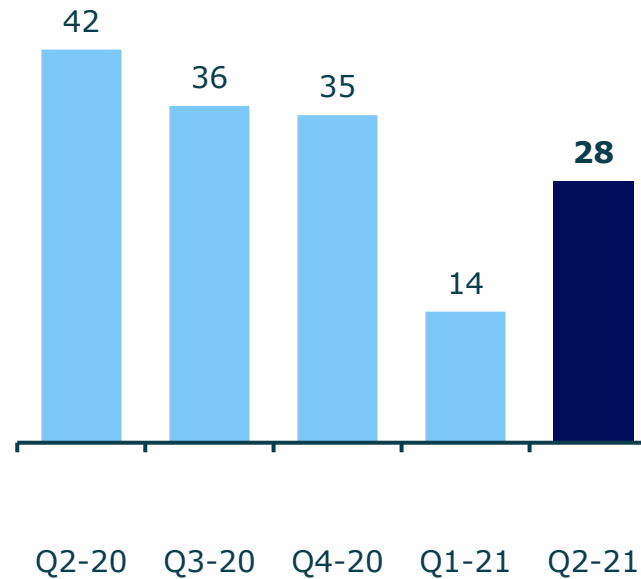
Total Assets and Man Years
- Total Assets in NOK billion



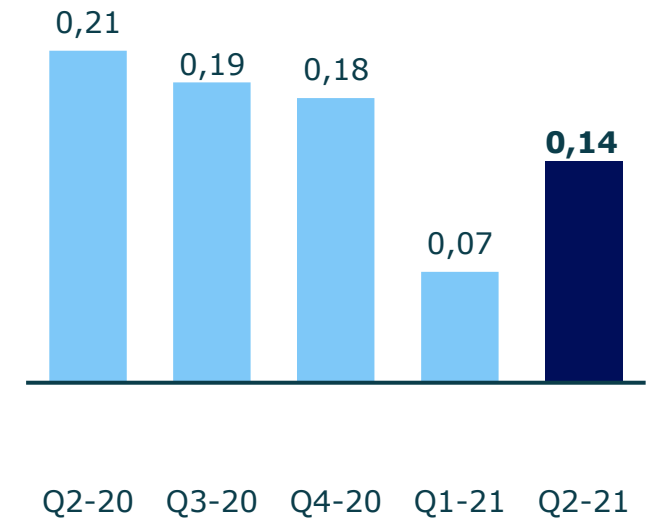
Losses

- Losses on Loans and Guarantees were NOK 28 million in the quarter
- Total impairments were increased from NOK 326 million at the end of 2020 to NOK 364 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

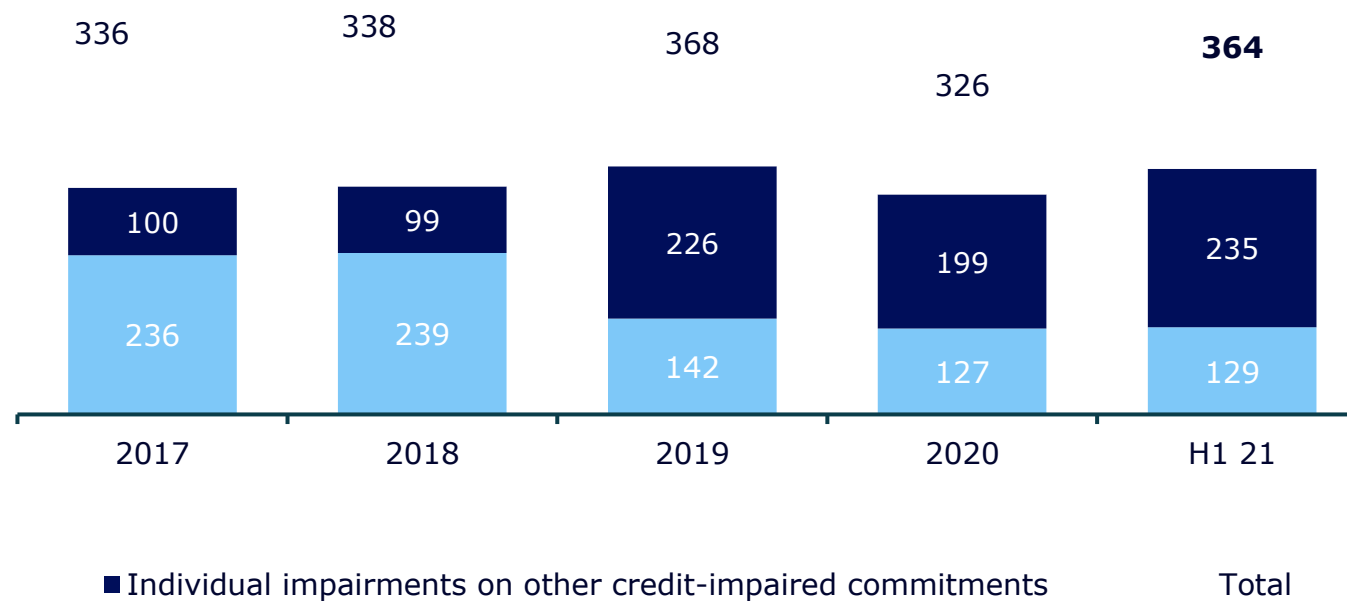
Losses on loans and guarantees

- NOK million

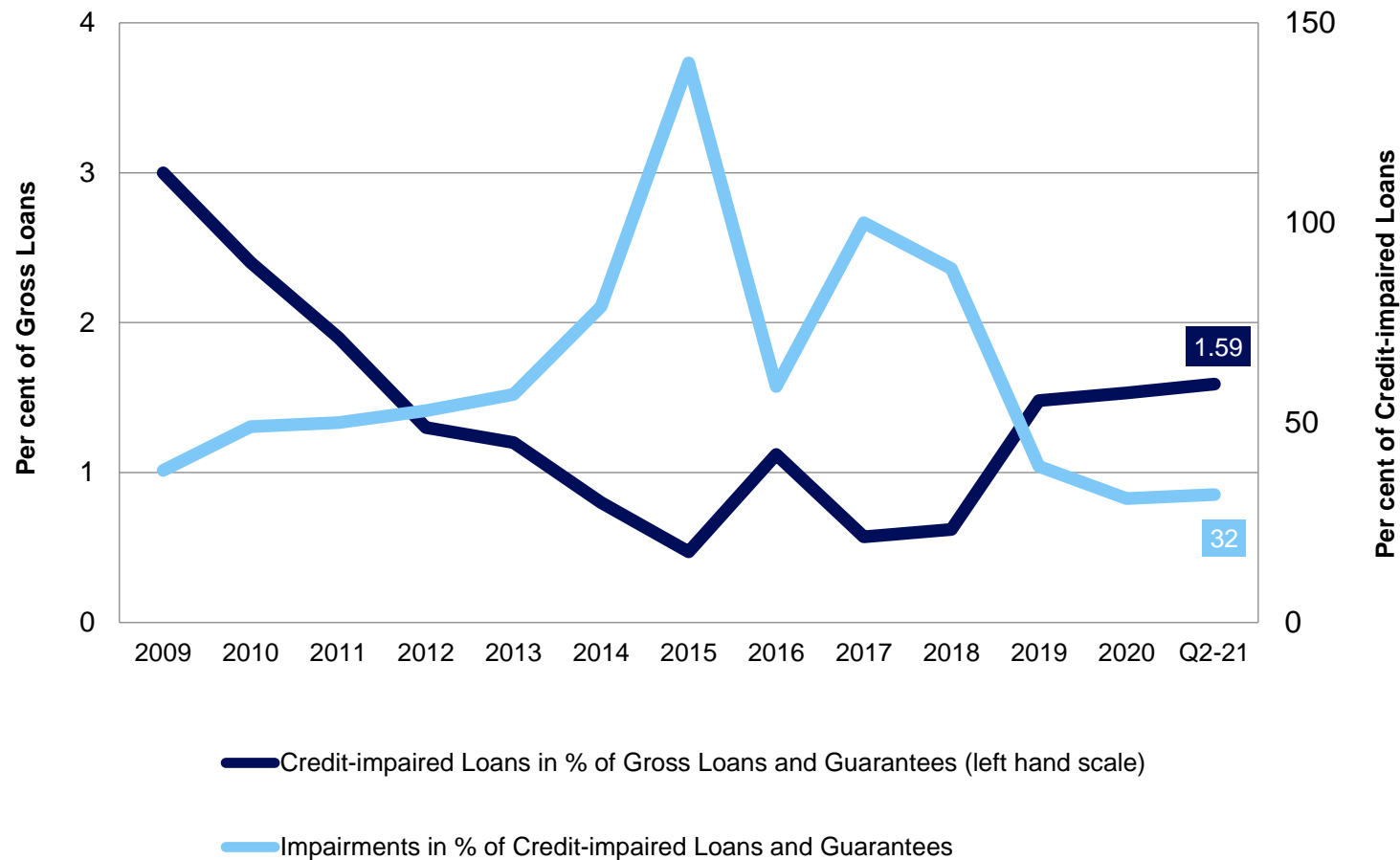


Impairments at comfortable levels

Impairments
- NOK million



Credit-impaired loans



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

Results in details

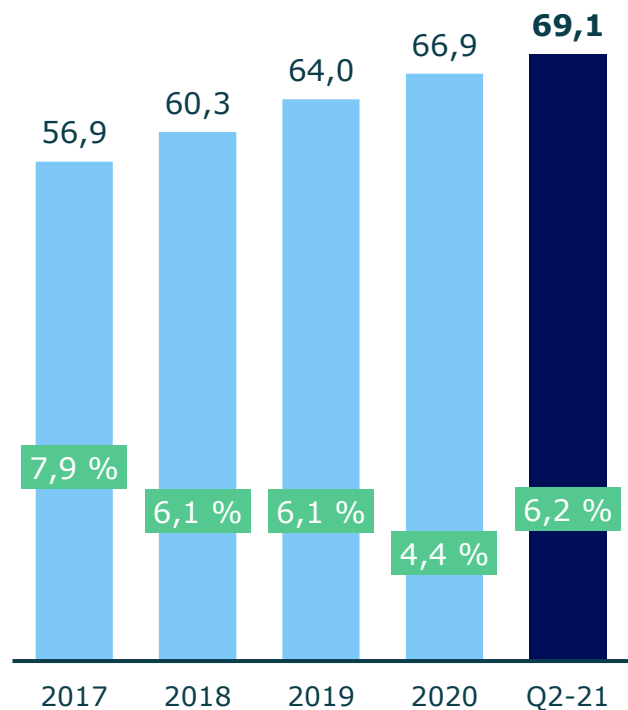
Results (NOK million and %)	H1 2021		H1 2020		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	612	1.53	608	1.57	4	-0.04
Net Income Financial Investments	3	0.01	-13	-0.04	16	0.05
Gains/losses liquidity portfolio	12	0.03	5	0.01	7	0.02
Gains/losses on shares	31	0.08	40	0.11	-9	-0.03
Other Income	105	0.26	104	0.27	1	-0.01
Total Other Income	151	0.38	136	0.35	15	0.03
Total Income	763	1.91	744	1.92	19	-0.01
Salaries and wages	170	0.42	170	0.44	0	-0.02
Other costs	148	0.38	154	0.40	-6	-0.02
Total operating costs	318	0.80	324	0.84	-6	-0.04
Profit before losses	445	1.11	420	1.08	25	0.03
Losses on loans, guarantees etc	42	0.11	78	0.20	-36	-0.09
Pre tax profit	403	1.00	342	0.88	61	0.12
Taxes	90	0.23	75	0.19	15	0.04
Profit after tax	313	0.77	267	0.69	46	0.08

Balance sheet

High activity and good growth

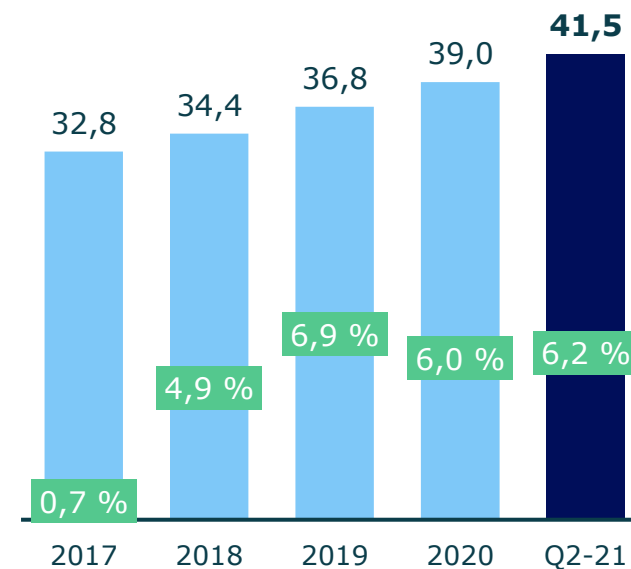
- Annual growth in lending ended at 6.2 per cent by quarter end
- Deposit growth over the last 12 months also ended at 6.2 per cent

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



Customer lending has increased by 6.2 % over the last 12 months.

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



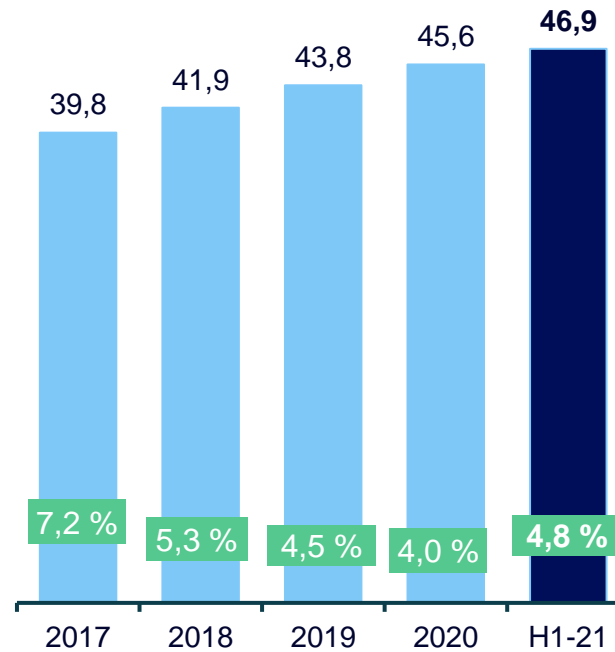
Deposit growth of 6.2 % over the last 12 months.

High deposit-to-loan ratio of 59.7%

Lending

- Activity in the region is high and the growth of new customers is increasing in both the retail and corporate markets
- Deposit growth is expected to remain high

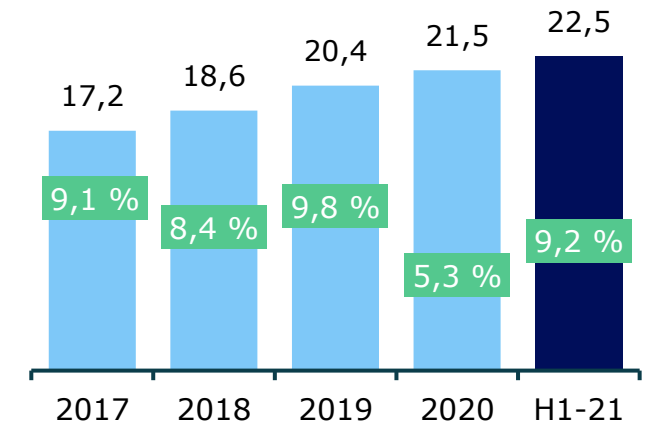
Retail market
- NOK billion and per cent y/y



Retail lending has increased by 4.8 % 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



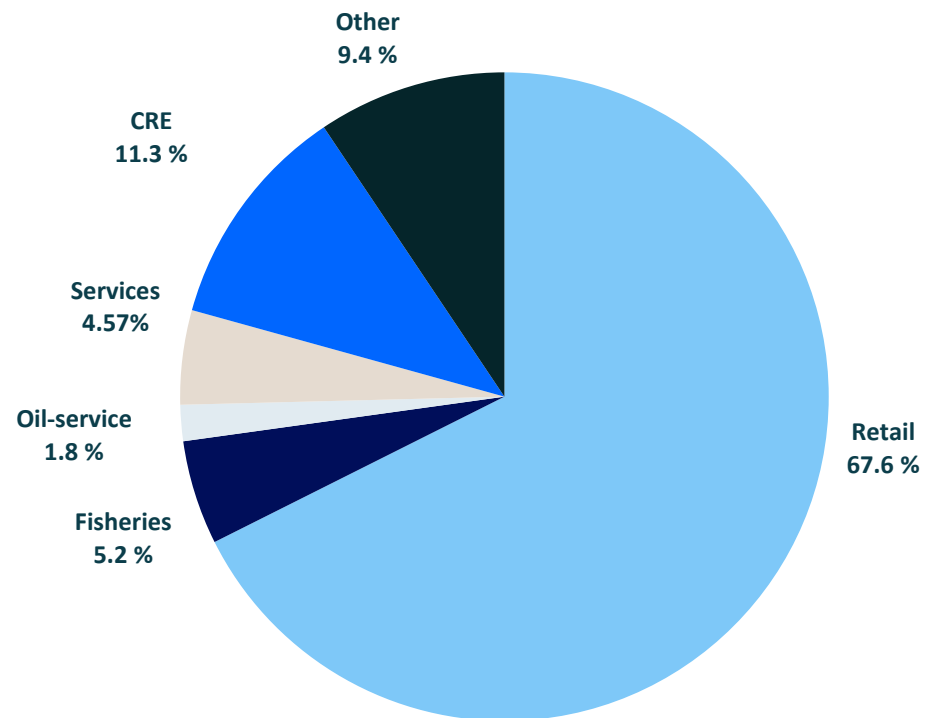
Corporate lending has increased by 9.2, % over the last 12 months

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



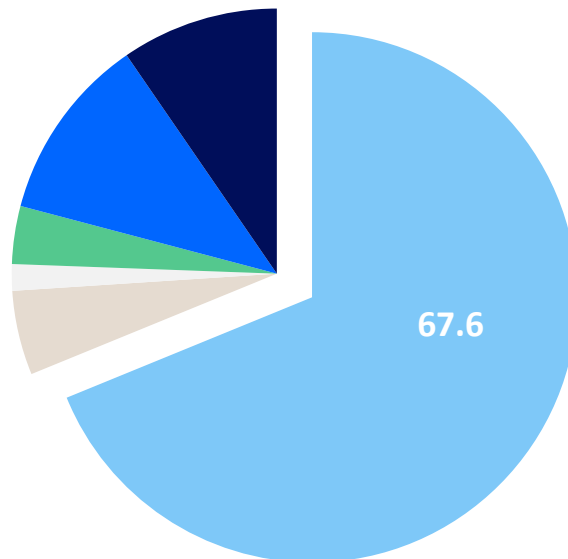
Other;

Financial services	0.7 %	Other Industry	2.2 %
Building and Construction	1.3 %	Fishing Industry	1.6 %
Retail/wholesale trade	1.6 %	Ship Yards	0.8 %
Agriculture	0.9 %	Other	0.3 %

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

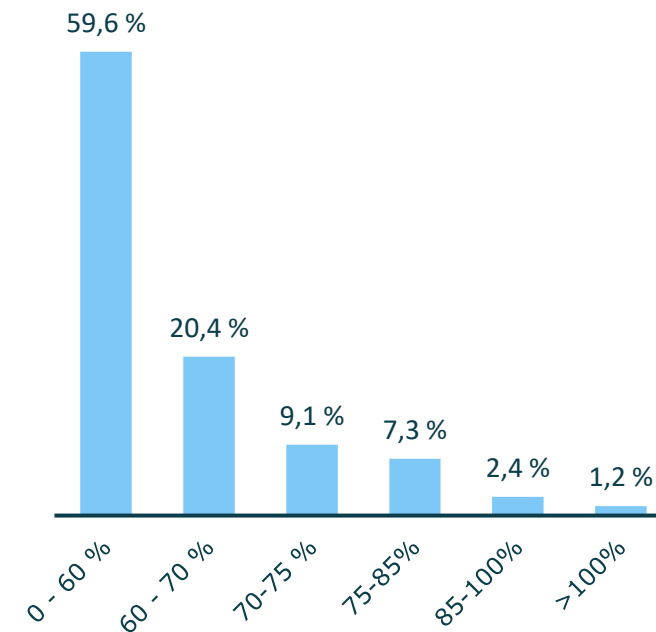
Loans to retail customers - % of total loans



The bank complies with the lending regulations (Boliglånsforskriften)

Deviation from Boliglånsforskriften reported in the second quarter of 2021 were 7.7 % outside Oslo, and 7.3 % in Oslo

Loan to Value – retail loans



96.4 % of mortgages are within 85 % of LTV

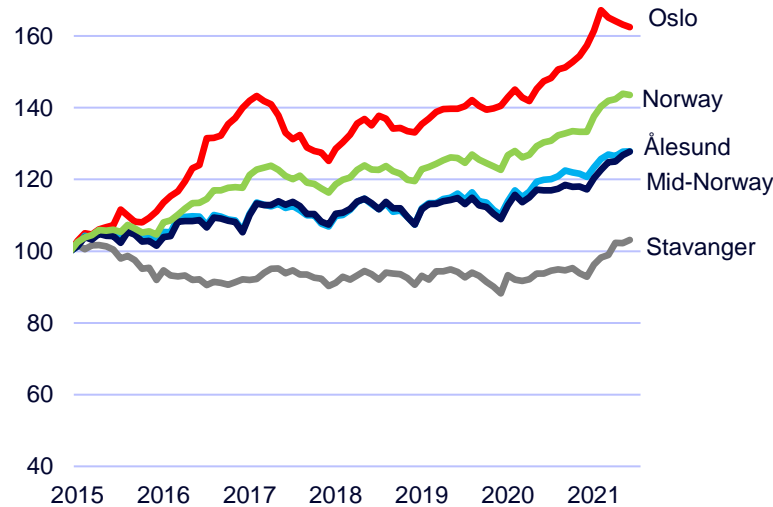
Housing prices

Based on pre-owned dwellings sold in June 2021, Norwegian seasonal adjusted housing prices increased by 0.2 per cent in June 2021.

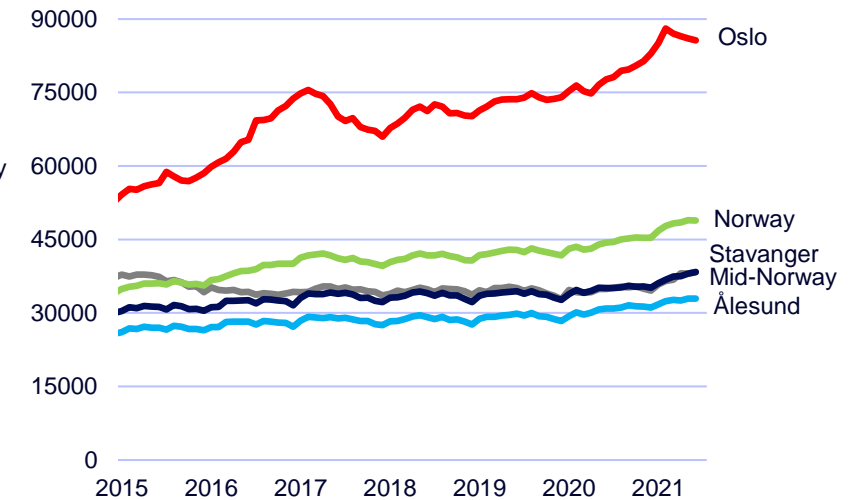
Last twelve months Norwegian housing prices have increased in average by 10.1 per cent.

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 – June 2021



Key information

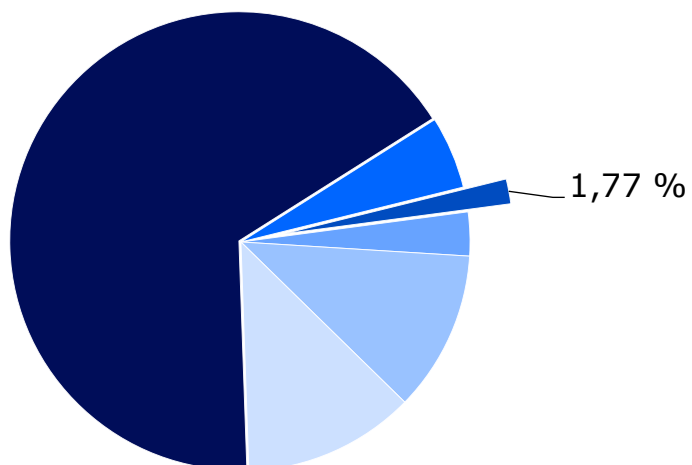
(Sold pre-owned dwellings in June 2021)

	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+0.2 %	+1.0 %	+0.2 %	+ 1.2 %	+0.1 %
Development 12 months	+10.1 %	+9.3 %	+6.6 %	+10.0 %	+10.3 %
Per square meter (NOK)	48,835	38,332	32,917	38,360	85,613
Average days on market	29 days	39 days	36 days	31 days	17 days
Price median dwelling (NOK)	3,620,000	3,000,000	2,790,000	3,450,000	4,865,609

Low exposure towards Oil Services

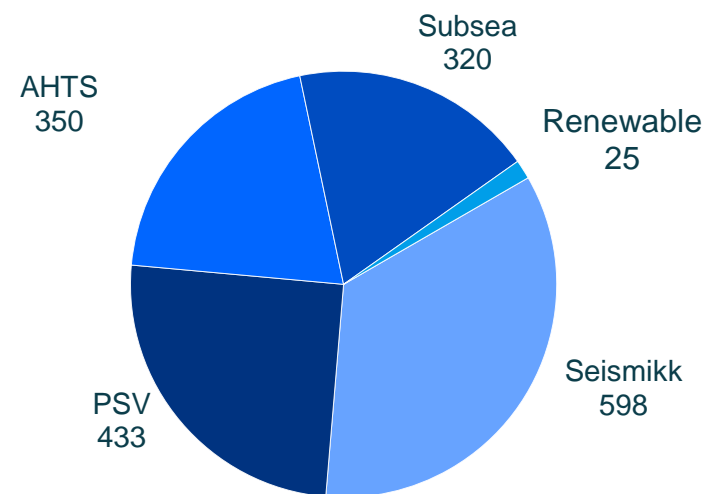
Loans to Oil Service

- In per cent of total loans



EAD* by type of vessel

- In NOK million



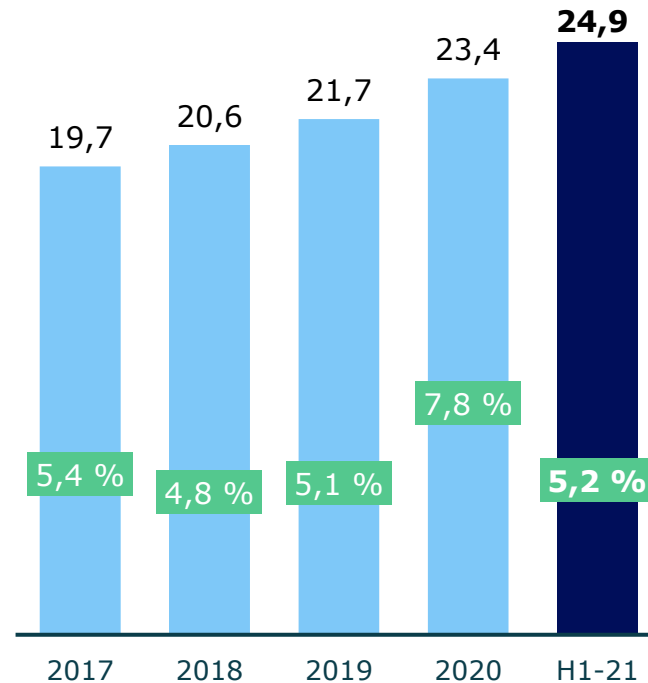
(EAD in NOK million)	Loans	Guarantees	Total EAD*	Expected Credit Losses			Per cent of EAD
				Individually assessed impairments	ECL-IFRS 9	Total	
Low Risk (Risk Class A-C)	151	199	249	0	2,3	2,3	0.9 %
Medium Risk (Risk Class D-G)	158	66	224	0	1,4	1,4	0.6 %
High Risk (Risk Class H-M)	157	205	362	0	19,1	19,1	5.3 %
Loans and guarantees with individually assessed impairments	764	127	891	195	-	195	21.9 %
Total	1,230	497	1,726	195	22,8	217,8	12.6 %

* Sparebanken Møre's total EAD ended at MNOK 72,136 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

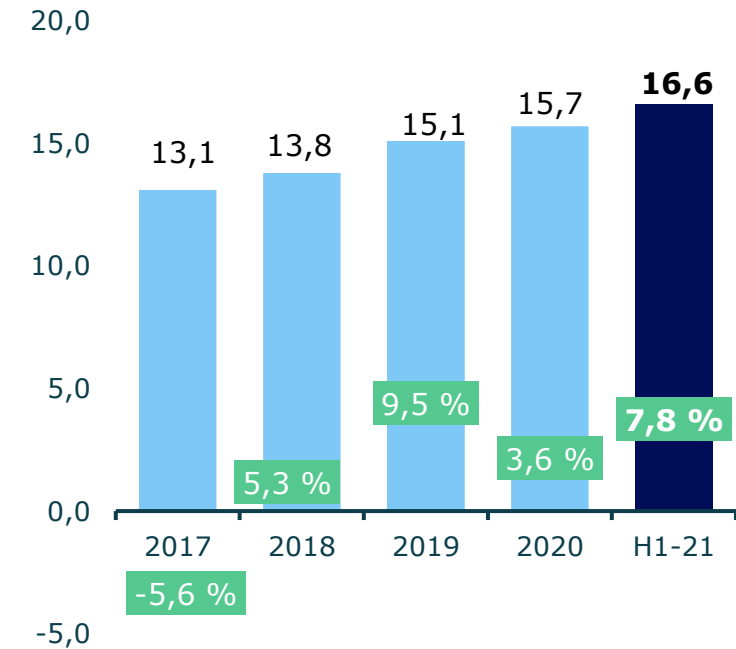
Retail market
- NOK billion and per cent y/y



Retail deposits have increased by 5.2 % over the last 12 months

Deposits from the retail market amount to 60.0 % of total deposits

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

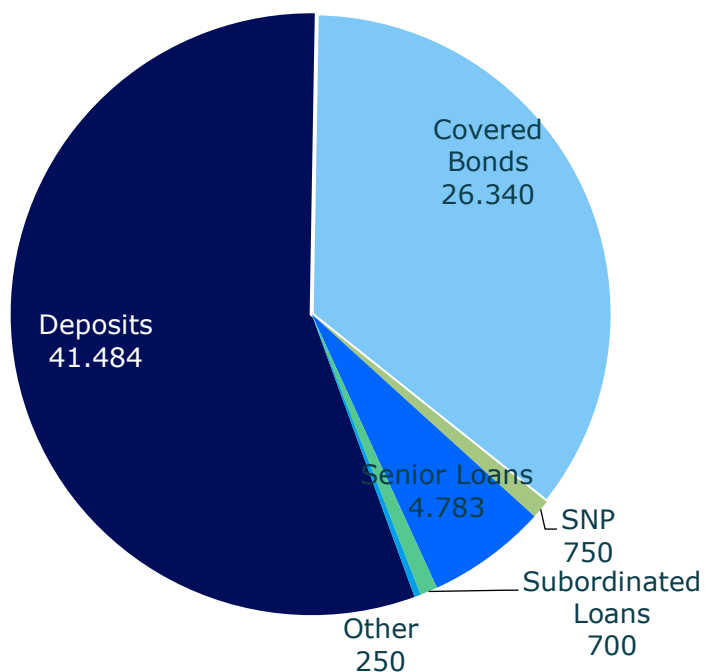


Deposits from corporate and public customers have increased by 7.8 % the last 12 months

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 59.7 per cent by half year end
- Total net market funding ended at NOK 31.1 billion by end of the quarter – more than 77 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 3.16 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.0 years (FSA defined key figures)
- By quarter end Møre Boligkreditt AS had issued seven loans qualifying for Level 2A liquidity in LCR. At the end of the second quarter of 2021, the company had bonds in the market corresponding to MNOK 26,340, of which 30 per cent is issued in a currency other than NOK
- January 2021, Moody's upgraded the banks rating from A2- stable to A1 with stable outlook. Issuances from Møre Boligkreditt AS are rated Aaa

Sparebanken Møre ESG scoring

- Rated by Sustainalytics
- Analysis conducted and finished in May 2021
- Received ESG risk rating at 20.6 resulting in medium risk – in the strong end



SUSTAINALYTICS

a Morningstar company

RATED

Sparebanken Møre

Regional Banks Norway OSL:MORG

ESG Risk Rating

20.6

Updated May 19, 2021

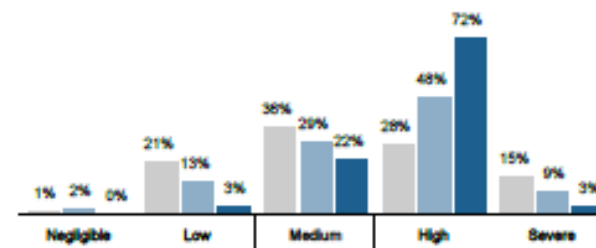
Not available

Momentum

Medium Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	3231/13774	24th
Banks INDUSTRY	168/1034	17th
Regional Banks SUBINDUSTRY	16/422	5th

First in the world to measure its sustainability

- Sparebanken Møre is also continuing to intensify its focus on sustainability, both inside and outside the bank
- Our ESG-rating is important
- Green car loans and green mortgages were recently launched to encourage customers to make sustainable choices
- The bank has also expressed its intention to be a driving force behind sustainable development in Nordvestlandet. Møre og Romsdal County Authority recently published a report showing how the county is doing in relation to the UN Sustainable Development Goals. Møre og Romsdal is the first region in the world to have measured its sustainability under the auspices of the UN, and Sparebanken Møre played an important role in this groundbreaking work

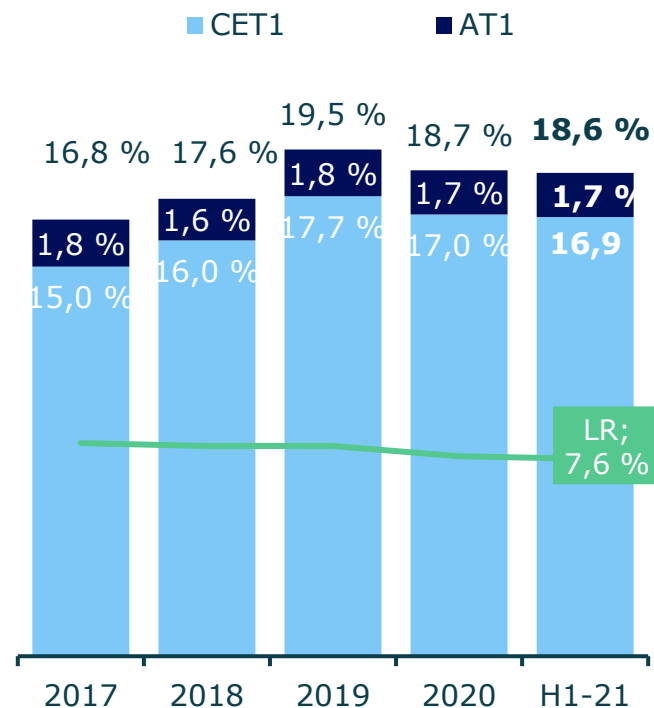


Trond Lars Nydal (CEO Sparebanken Møre), Marielle Furnes Mannseth (Head of United Future Lab Norway) and Espen Remme (Director NHO Møre og Romsdal)

Equity and related capital

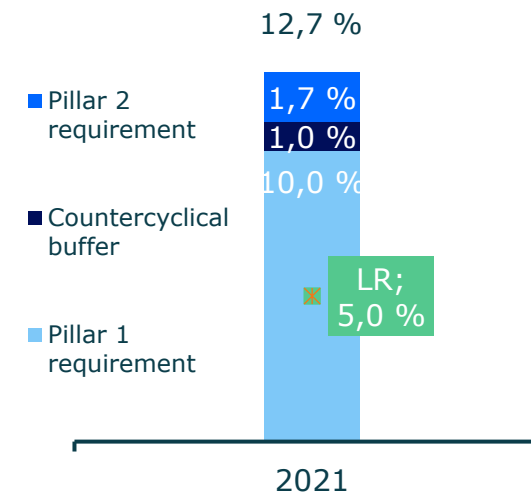
- We work continuously to maintain and strengthen Sparebanken Møre's good capital position
- CET1 and Leverage Ratio (LR) ends by quarter end well above current regulatory requirements
- The uncertain situation will persist, but the bank is equipped to withstand increasing defaults and losses and at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

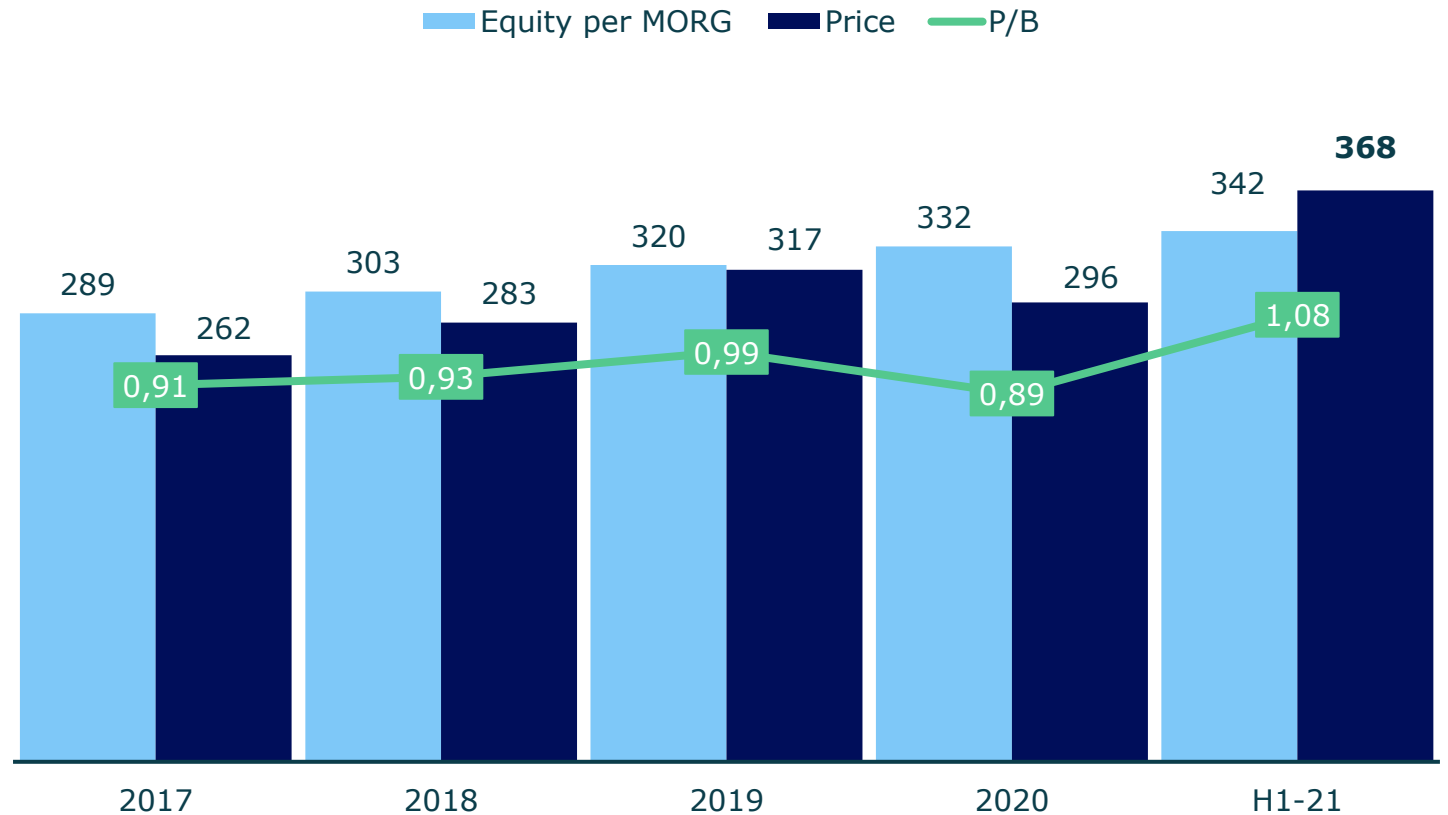
Changes in H1



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
- On 23 March 2021, the General Meeting made a decision to authorise the Board of Directors to decide on further distribution of dividends of up to NOK 9.00 per equity certificate. Such distribution will be processed and communicated in connection with the presentation of the bank's accounts for the 3rd quarter of this year

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 was NOK 989 million by June 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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