

Sparebanken Møre – the Group

Presentation 2nd quarter 2020

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EVP

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- Introduction and highlights
- Outlook and Main Targets
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We belong here – The largest bank in the region, and with 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

360

man years

NOK 81

billion in total assets

Q2 2020

- Good activity in a period of market turmoil in Q2
- Weak net interest income due to different timing of interest rate changes on loans and deposits
- Increased other income as a result of changes in the value of bonds and financial instruments
- Reduced costs
- Profitability and efficiency higher than in Q1
- The bank is building solidity and has good liquidity



Balance growth

Lending growth was 4.1 per cent over the last 12 months. Growth in deposits was 4.6 per cent



Efficiency

Cost/Income ratio at 40.3 per cent in the quarter – up 0.3 p.p. compared to last year



Strong liquidity and solidity

Deposit to Loan ratio at 60.0 per cent, LCR at 170 and CET1 at 17.3 per cent. Leverage Ratio at 7.7 per cent



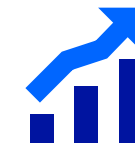
Weaker Net Interest Income

Reduction in NOK and in percentage compared to Q2 2019



Losses

NOK 42 million in losses on loans and guarantees in Q2



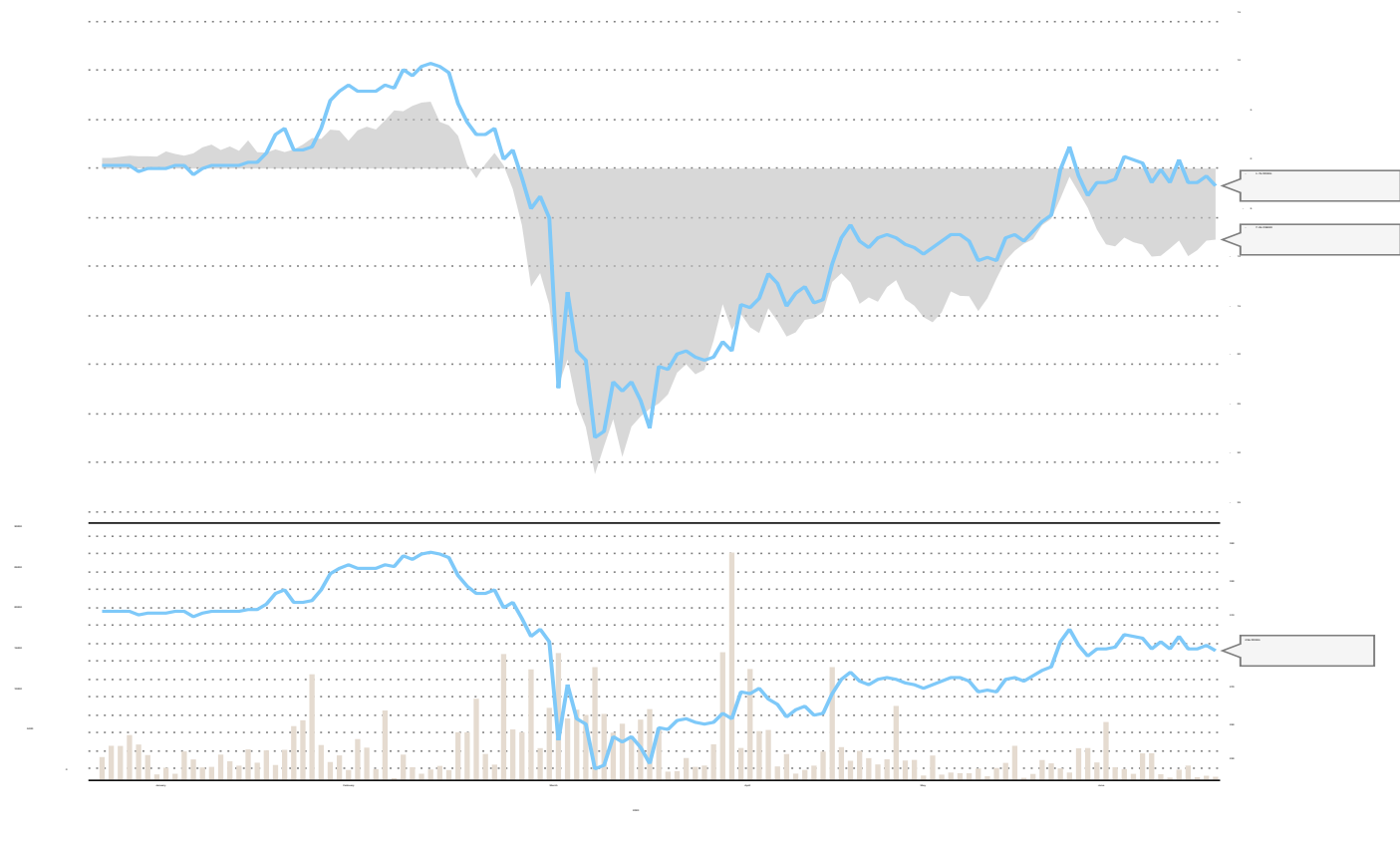
Return on Equity

Return on Equity ended at 9.2 per cent for the second quarter of 2020

MORG – price development and rating

- With a MORG price of NOK 296 at the end of the first half of 2020, the price to book ratio has been reduced to 0.93 from 0.99 as of 31.12.19
- As the figure shows, the MORG price has fallen by almost 2 per cent during the first half of 2020, less than the average decline (over 7 per cent) in the EC-market in the same period
- The CET1-ratio ended at 17.3 per cent by half year end

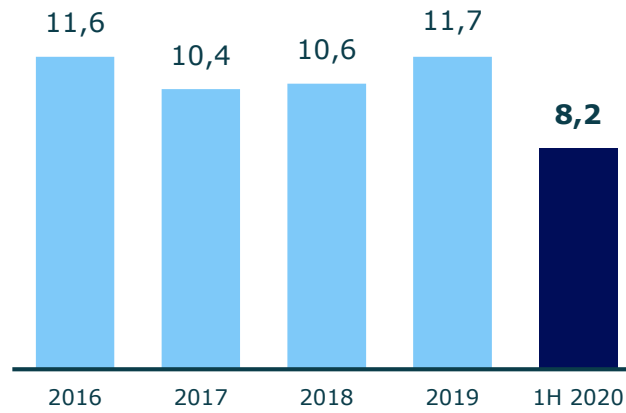
Development at Oslo Stock Exchange YTD (MORG vs. EC-index)



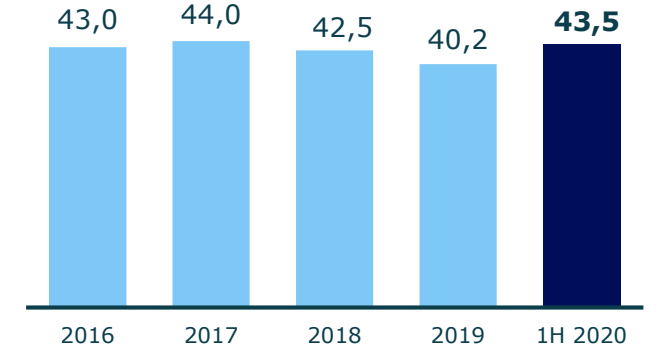
22 May 2020, Moody's confirmed the bank's A2- stable rating. Issuances from Møre Boligkreditt AS are rated Aaa

Key figures

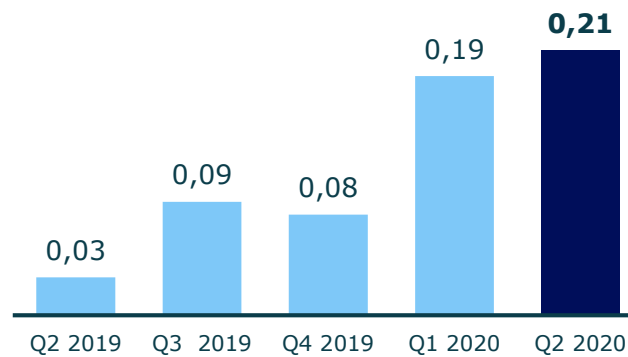
Return on Equity



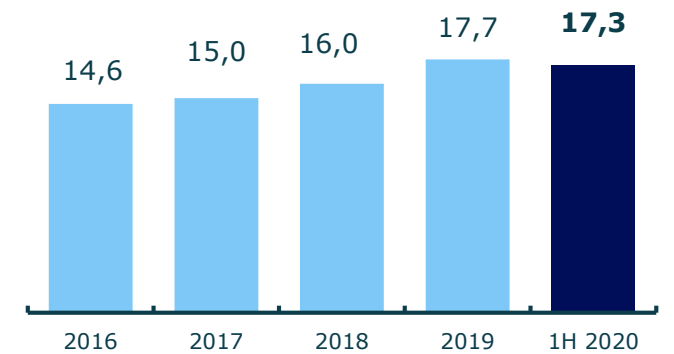
Cost/Income



Losses on Loans and Guarantees In per cent of Average Assets



Common Equity Tier 1 Capital (CET1)



Balance sheet and key figures

	30.06.2020	30.06.2019	Changes	
Balance in NOK million	NOK	NOK	NOK	%
Total Assets	81,239	74,928	6,311	8.4
Loans to customers	65,094	62,529	2,565	4.1
Deposits from customers	39,055	37,321	1,734	4.6
Net Equity and Subordinated Loans	6,889	6,699	191	2.9

Key Figures	30.06.2020	30.06.2019	Changes p.p.	
Return on Equity	8.2	11.5	-3.3	
Cost/Income Ratio	43.5	40.7	2.8	
Total Capital (incl. 50% of 1H results)	21.2	19.1	2.1	
Tier 1 Capital	19.1	17.2	1.9	
CET1	17.3	15.1	2.2	
Leverage Ratio	7.7	7.9	-0.2	
Profit per EC (NOK, the Group)	12.62	16.80	-4.18	
Profit per EC (NOK, the Bank)	19.23	20.35	-1.12	

Outlook for the region and the bank

- Key economic figures indicate that production and demand in Møre og Romsdal rose in 2Q 2020. This was due to the easing of the infection control measures. In addition, expansionary fiscal policy, lower interest rates and a weak NOK exchange rate contributed positively. Unemployment fell sharply. At the end of June, unemployment in the county was 4.1 per cent of the labor force, while national unemployment was 4.8 per cent. If there are no new periods of activity-reducing measures to prevent the spread of infection, unemployment may fall further towards the turn of the year
- In the future, however, several industries are facing prospects of declining sales. Among other things, this applies to the tourism industry and the maritime industry. In addition, oil-related industries will be adversely affected by the prospect of a sharp decline in petroleum investments over the next couple of years. Therefore, even though production growth is on the rise, unemployment in the county and in the country as a whole is likely to remain higher in the long run than it was before the corona pandemic
- 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
- Sparebanken Møre has a goal of cost-effective operation where the cost to income ratio should be below 40 per cent. The bank's strategic objective is a ROE above 11 per cent. Given the duration and consequences that the authorities' contagion measures against the coronavirus have had - and are expected to have in the future, combined with weaker net interest income as a result of established new market practices for changing lending and deposit rates, the bank's target for ROE is unlikely to be reached in 2020

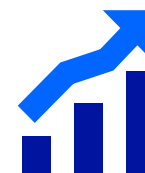


Financial targets remain unchanged

Sparebanken Møre's long term targets of a return on equity above 11 per cent and a cost income ratio below 40 per cent remain unchanged.

The duration and consequences of the government's activity reducing measures aimed at countering the coronavirus are expected to have a significant effect on the level of activity in the remainder of the year. This, combined with weaker net interest income due in part to market practices regarding changes to lending and deposit rates in spring 2020, means that it is unlikely that the Bank's strategic target for the return on equity will be achieved in 2020.

The Bank expects, however, to achieve its targets in 2021.



ROE > 11.0 per cent



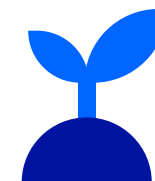
C/I < 40.0 per cent



Low level of losses



CET1 > 13.7 per cent



Healthy financial structure

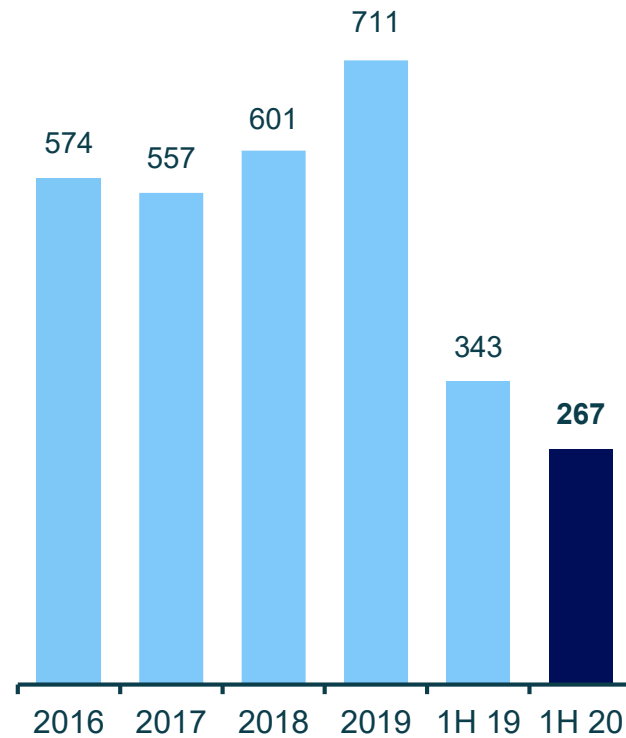
Results

Results 1H 2020

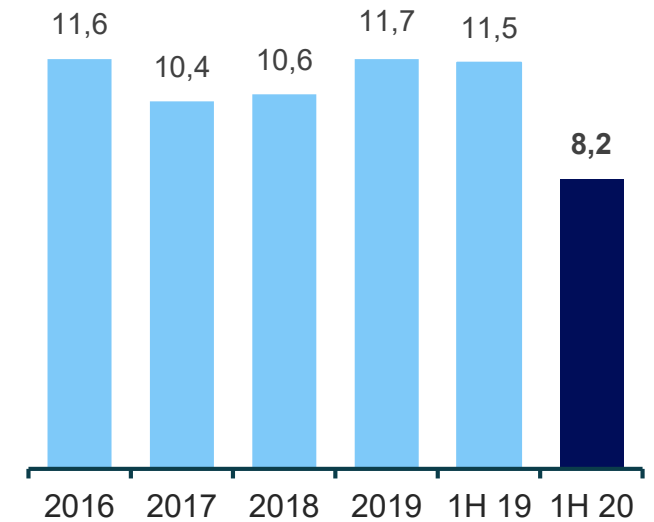
A good result in 1H considering the market turmoil.

The bank's result is influenced by the market turmoil through a reduction in net interest income, increased other income and an increase in losses.

Profit after tax
- NOK million



Return on Equity (ROE)
- in percent



Lower income

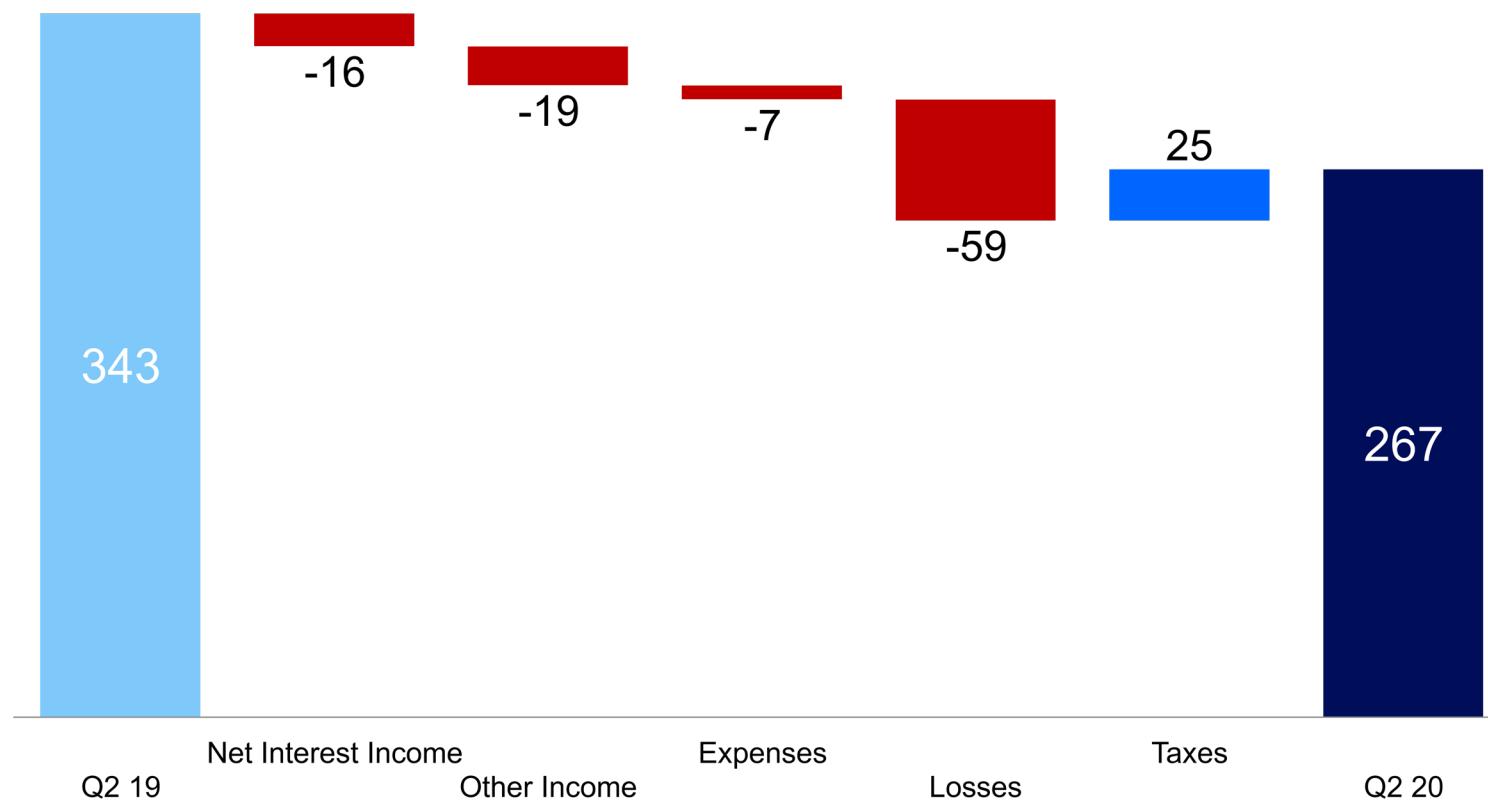
The bank's net interest income was reduced in the second quarter

Other income was sharply up in the second quarter due to changes in the value of the bond- and fixed income portfolios, but still lower than in 1H 2019

Costs are NOK 7 million higher than in the first half of 2019

Losses have increased compared to the same period last year

Results by quarter end compared to 1H 2019



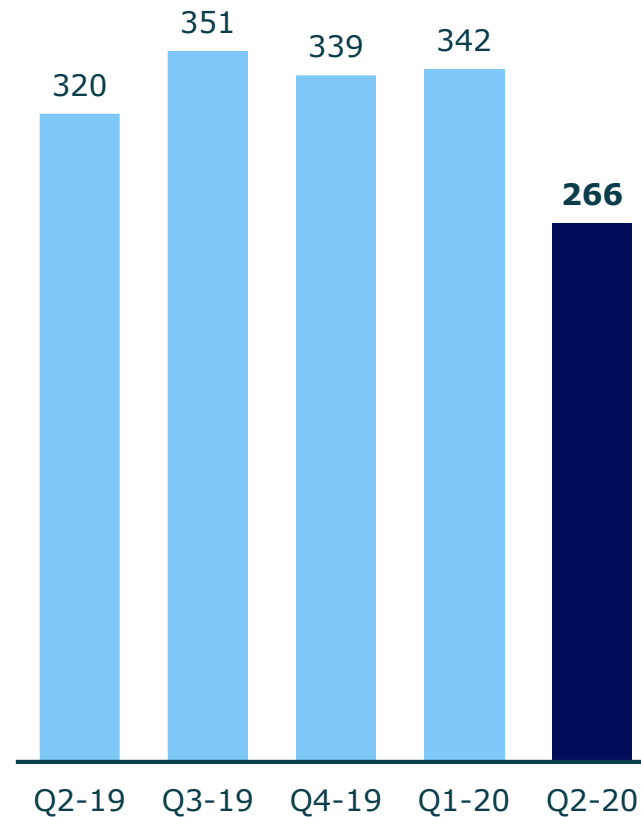
Results

Results (NOK million and %)	1H 2020		1H 2019		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	608	1.57	624	1.72	-16	-0.15
Net Income Financial Investments	41	0.11	36	0.10	5	0.01
Gains/losses liquidity portfolio	-14	-0.04	3	0.01	-17	-0.05
Gains/losses on shares	5	0.01	12	0.03	-7	-0.02
Other Income	104	0.27	104	0.29	0	0.02
Total Other Income	136	0.35	155	0.43	-19	-0.08
Total Income	744	1.92	779	2.15	-35	-0.23
Personnel costs	170	0.44	174	0.48	-4	-0.04
Other costs	154	0.40	143	0.40	11	0.00
Total operating costs	324	0.84	317	0.88	7	-0.04
Profit before losses	420	1.08	462	1.27	-42	-0.19
Losses on loans, guarantees etc	78	0.20	19	0.05	59	0.15
Pre tax profit	342	0.88	443	1.22	-101	-0.34
Taxes	75	0.19	100	0.28	-25	-0.09
Profit after tax	267	0.69	343	0.94	-76	-0.25

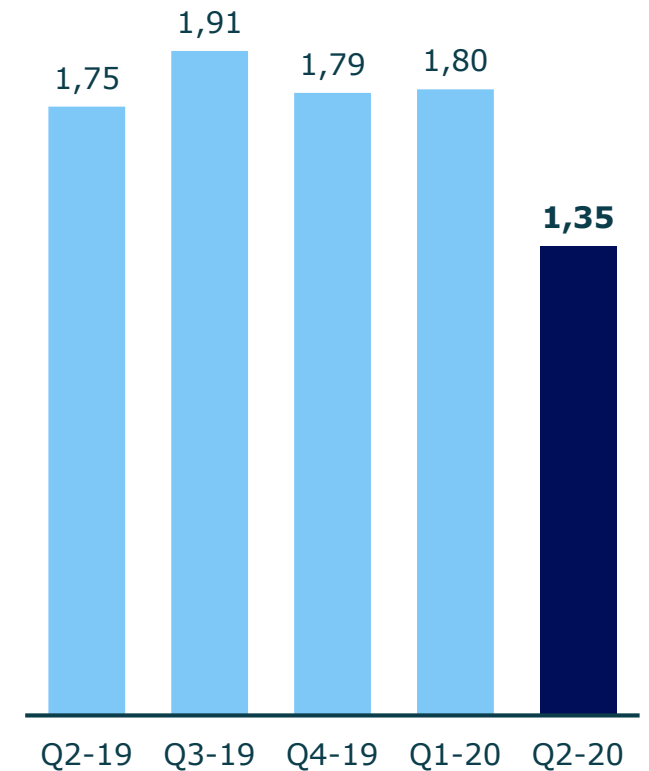
Weaker Net Interest Income in Q2

- Low net interest income for the quarter
- Interest rate changes on loans April 8 and May 27
- Interest rate change on deposits carried out on 27 May and 15 July
- Estimated negative effects of the large interest rate reductions and the early interest rate changes amount to approximately NOK 76 million in the second quarter
- The Net Interest Income is expected to strengthen in the coming quarters

Net Interest Income
- NOK million



Net Interest Income
- % of Average Assets



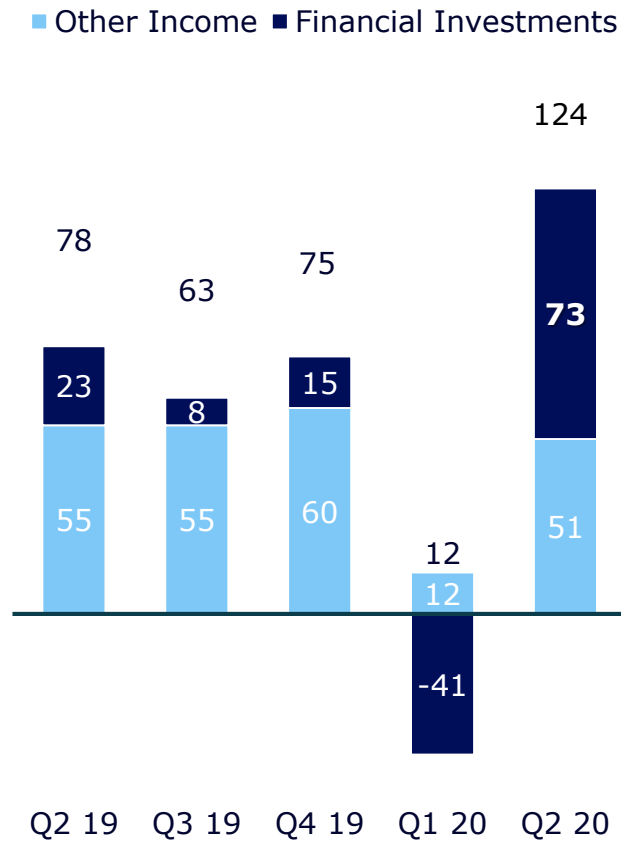
Quarterly development in Other Income

Other income increased sharply during the quarter, mainly as a result of changes in the value of bonds and financial instruments.

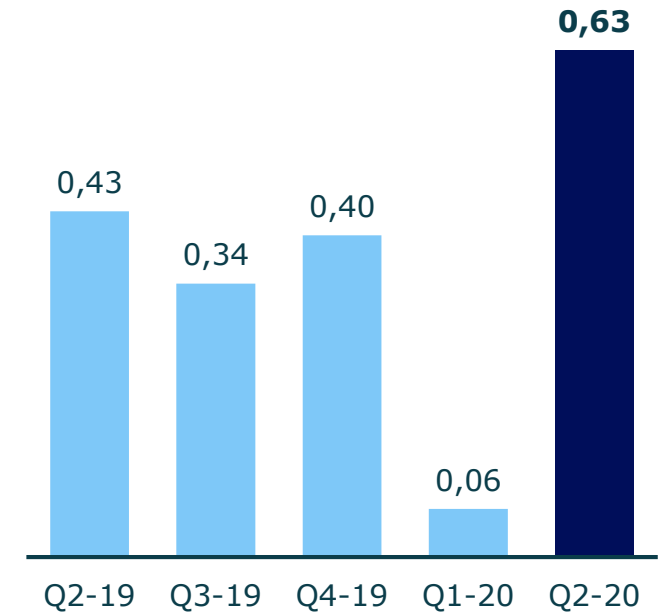
Value changes contributed positively to financial investments by NOK 73 million in the quarter.

Remaining other income ended up at NOK 51 million, showing a reduction of 7% compared to last year.

Other Income
- NOK million

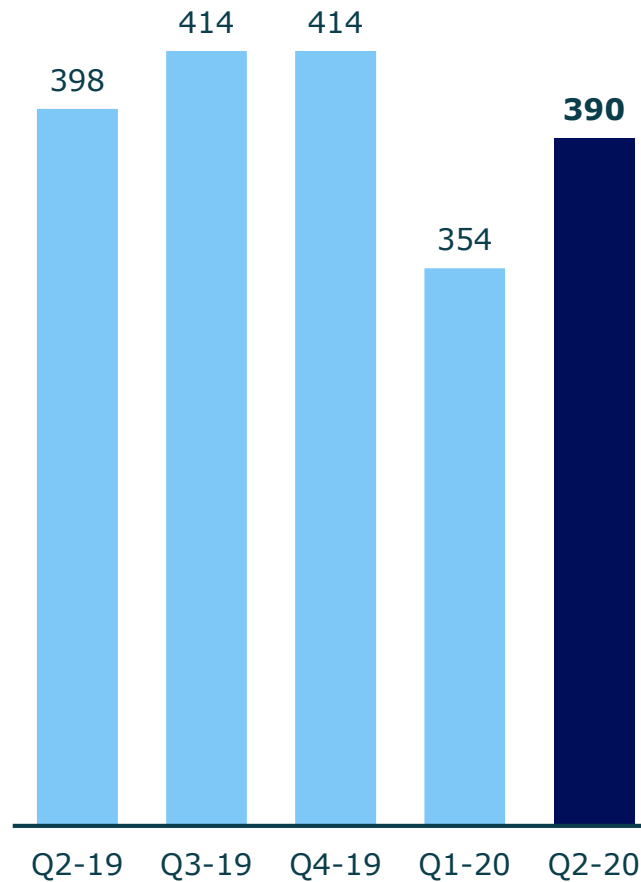


Other Income
- % of Average Assets

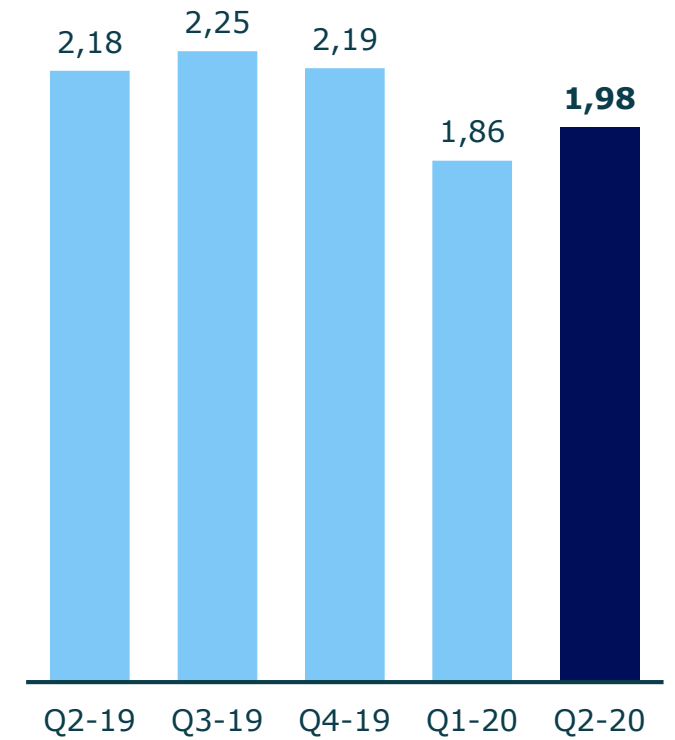


Total Income

Total income
- NOK million



Total income
- % Average Assets



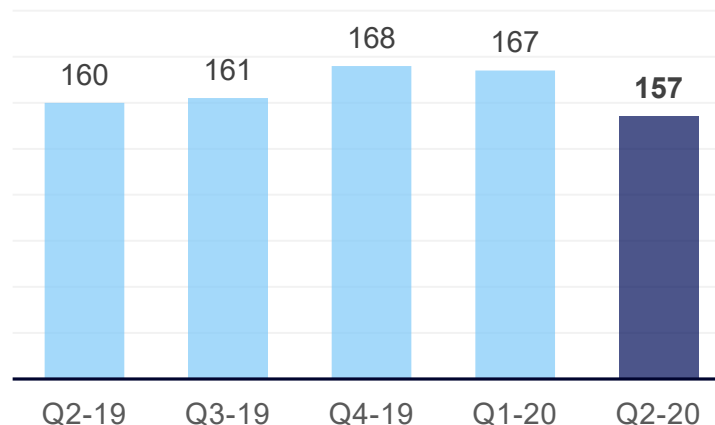
Costs

The cost to income ratio is affected by the increase in other income.

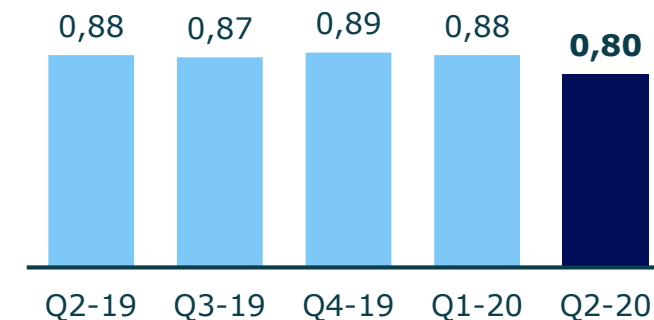
Costs in the quarter somewhat lower than in the same quarter last year.

We have expectations of a cost reduction of 2.5 percent in 2020 compared with last year.

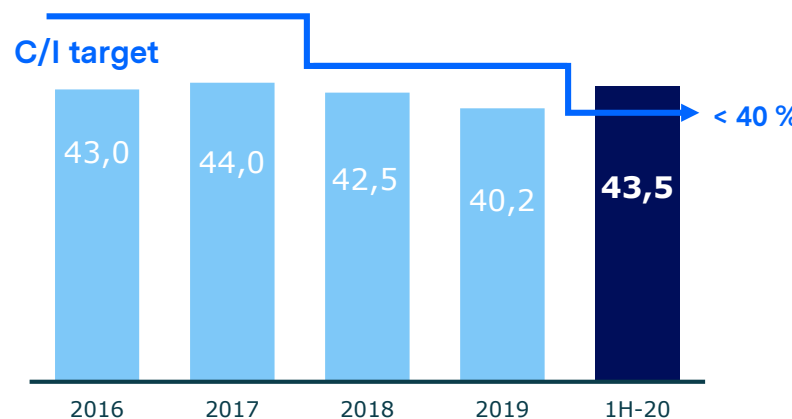
Operating Costs
- NOK million



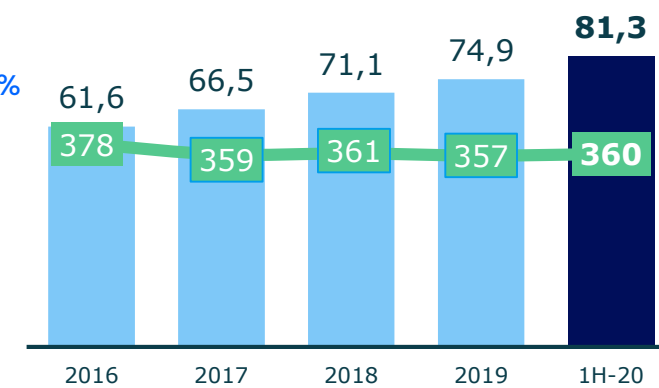
Operating Costs
- % of Average Assets



Cost/Income ratio



Total Assets and Man Years
- Total Assets in NOK billion



Strong underwriting

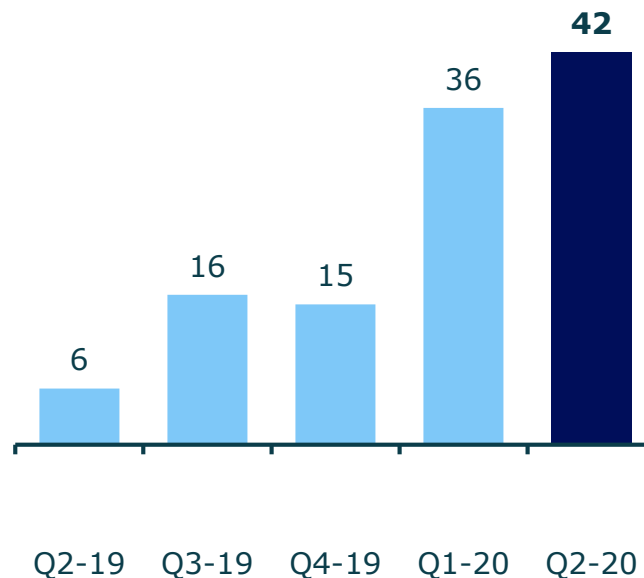
Low, albeit somewhat higher losses compared to 1H 2019.

Total impairments increased from NOK 375 million at the end of 2019 to NOK 446 million at the end of the quarter.

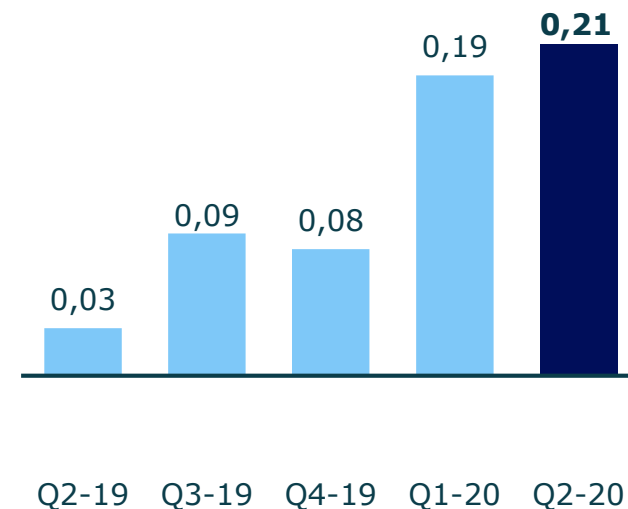
Predicting the consequences of the corona situation is challenging, but we have a solid portfolio and closely follow our commitments.

In spite of the macroeconomic condition improving and low problem loans, the Covid-19 situation and consequences of the fall in oil prices still reigns. Changes in these conditions could impact the Group's losses.

Losses on loans and guarantees
- NOK million



Losses on loans and guarantees
- % of Average Assets



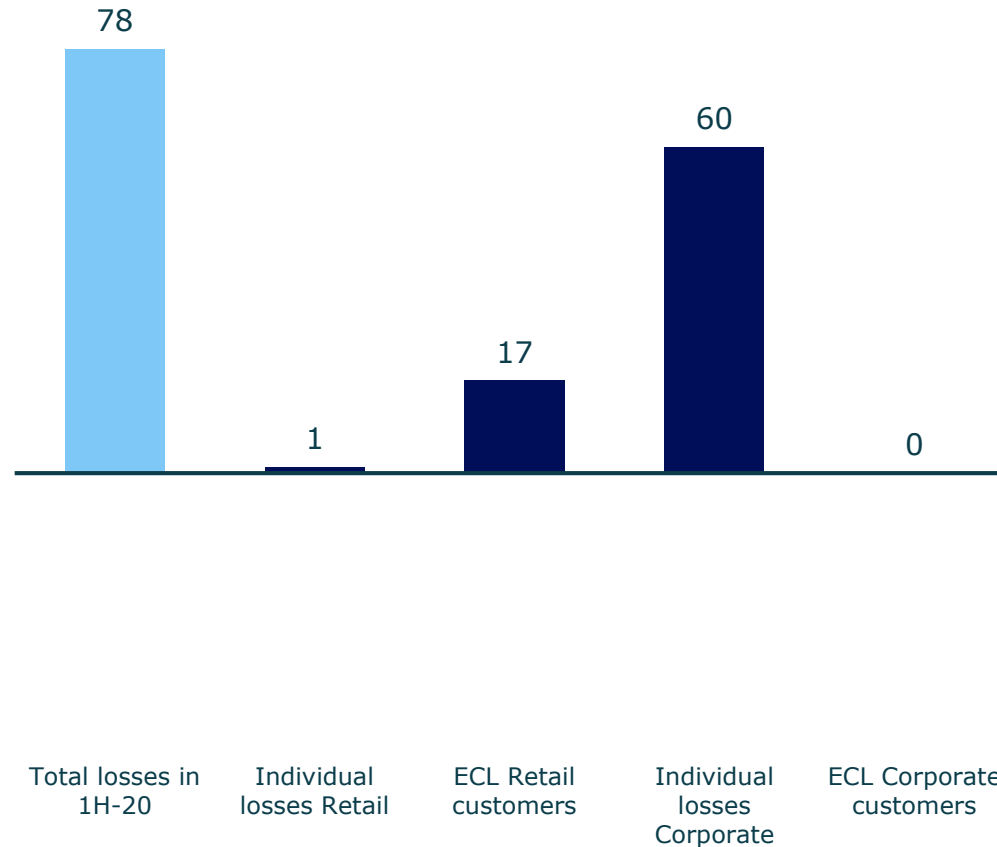
Losses by sector

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 71 million higher than by 31.12.2019

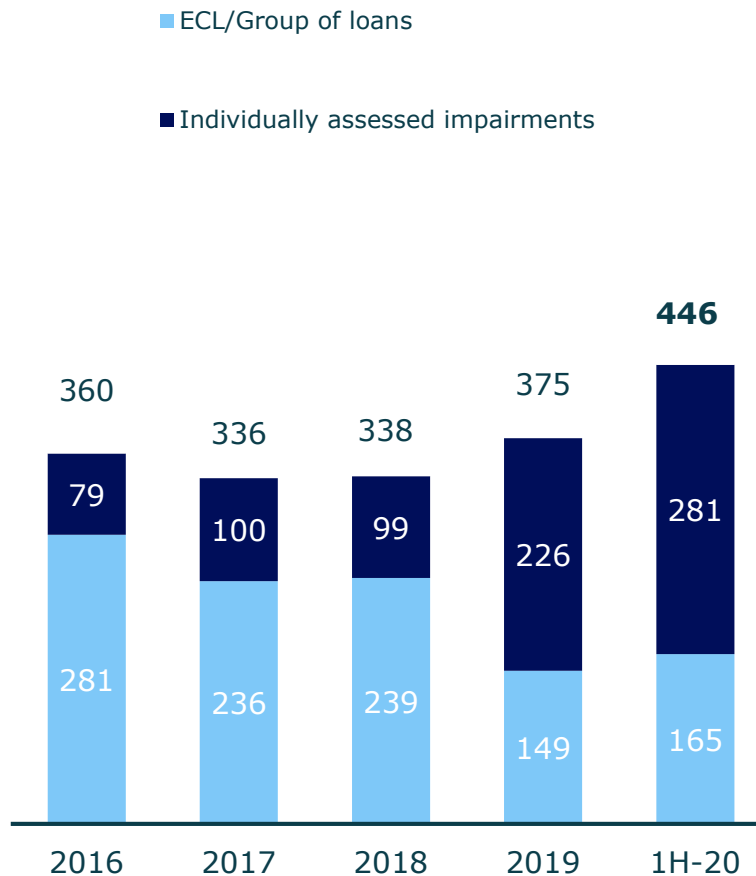
Changes in individual impairments and other losses amount to NOK 1 million for retail customers and an increase of NOK 60 million for corporate customers

Losses on loans and guarantees - NOK million

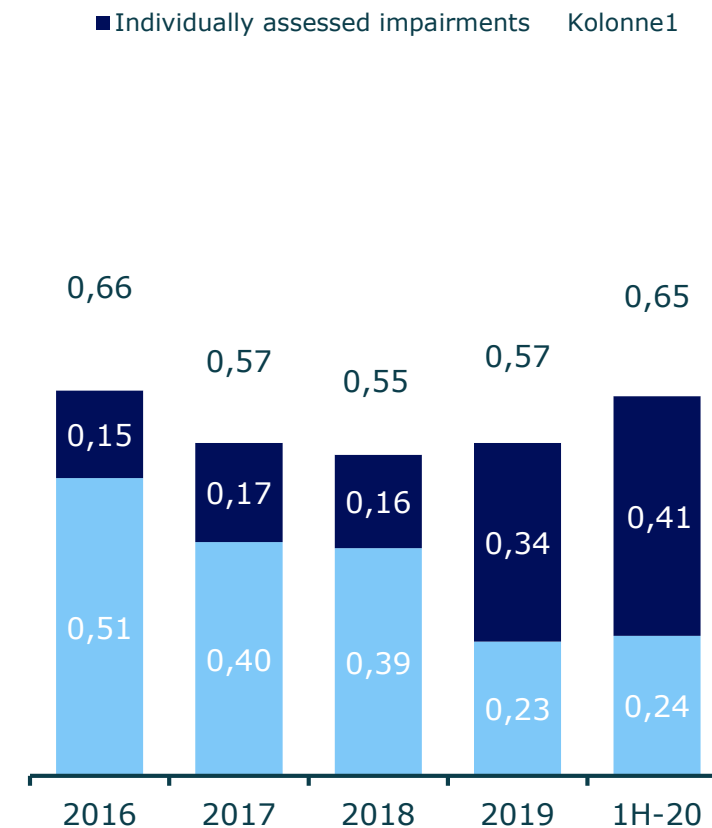


Impairments at comfortable levels

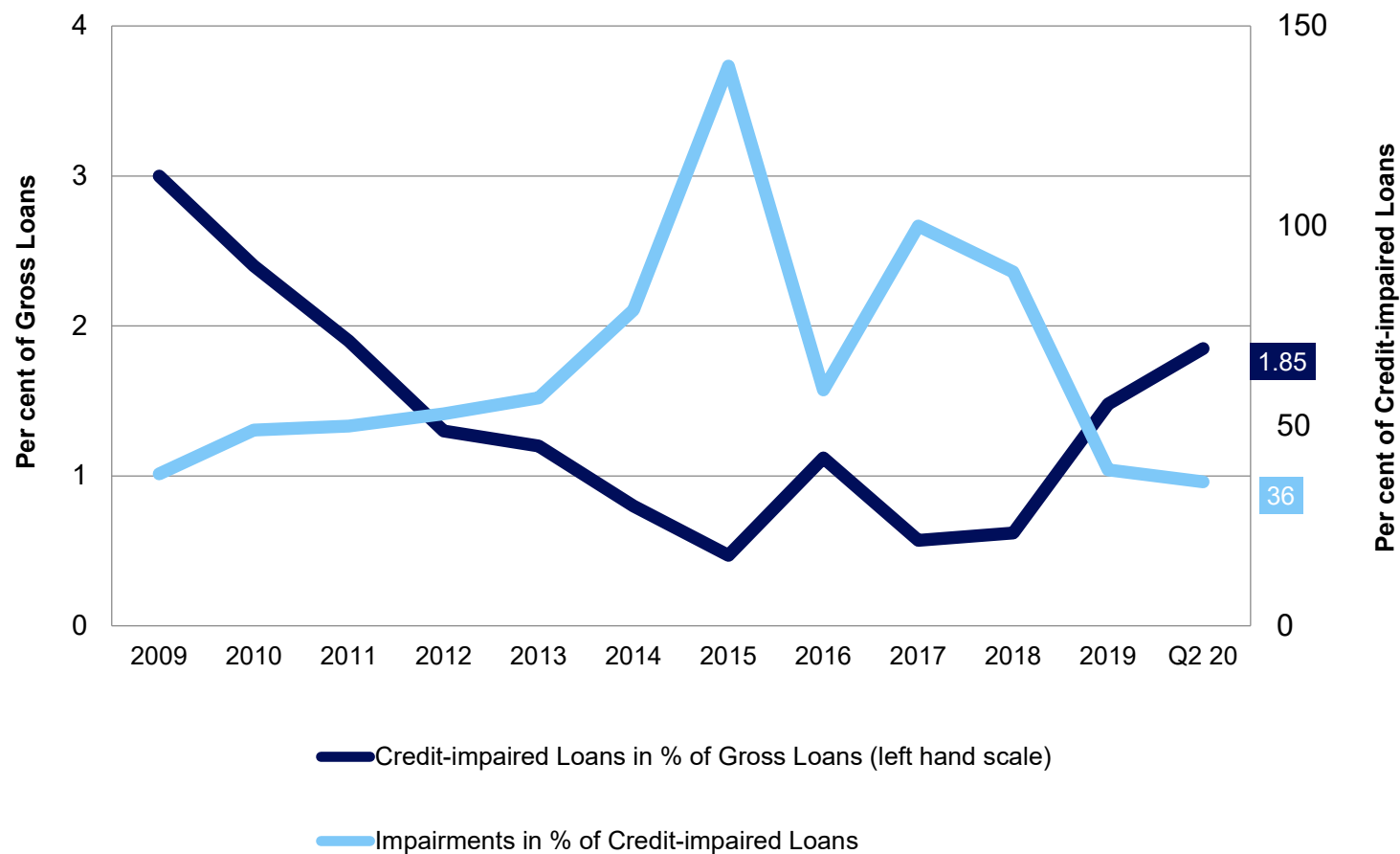
Impairments
- NOK million



Impairments
-% of Gross Loans and guarantees



Credit-impaired loans



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

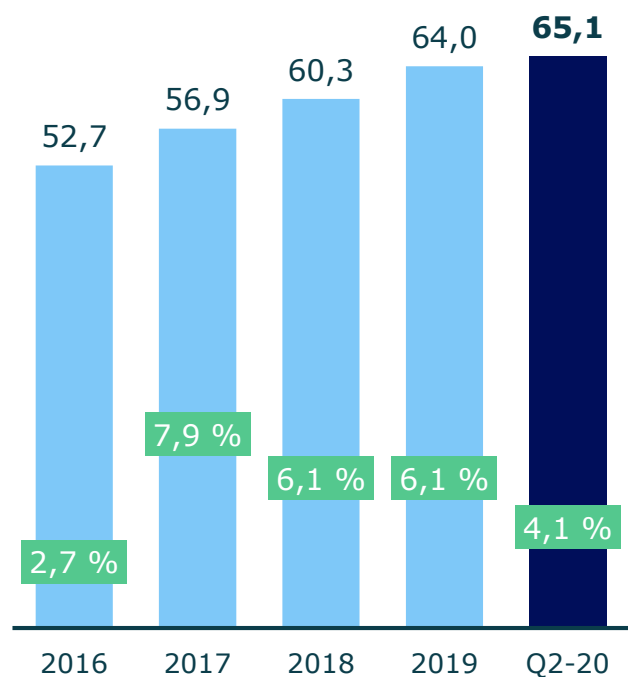
Balance sheet

Continued good growth

The bank is experiencing a balanced development with good growth in both lending and deposits.

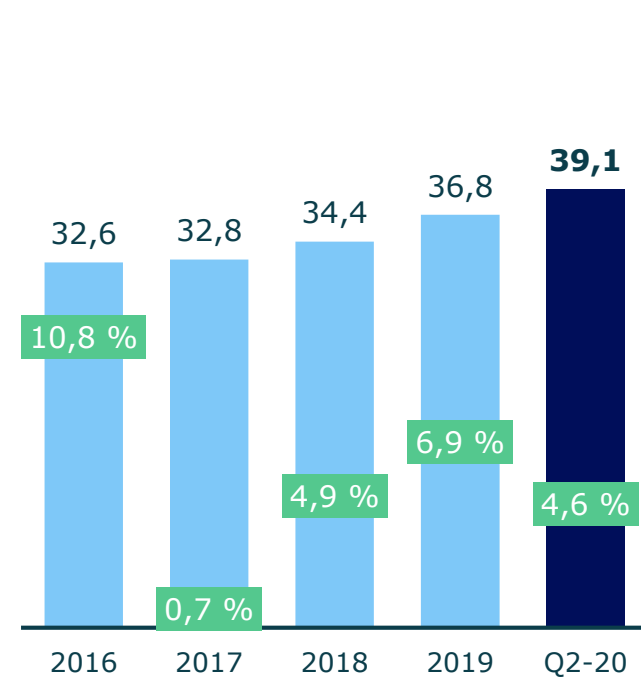
The bank maintains a stable and high deposit to loan ratio

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



Customer lending has increased by 4.1 % over the last 12 months.

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



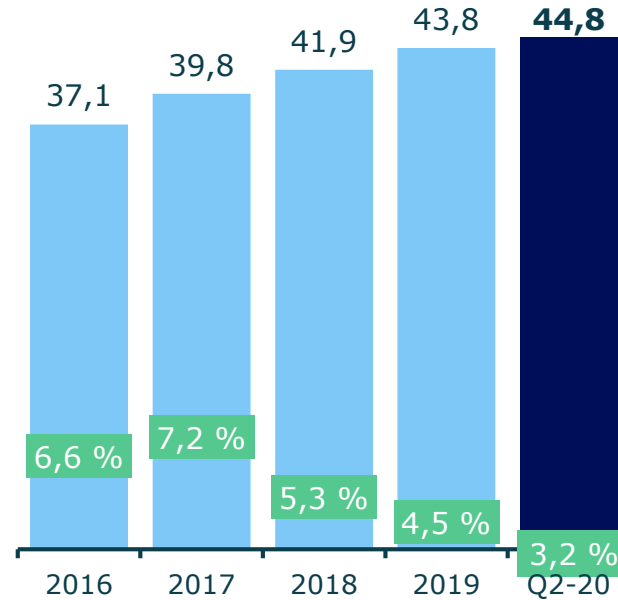
Deposit growth of 4.6 % over the last 12 months.

High deposit-to-loan ratio of 60.0 %

Lending

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

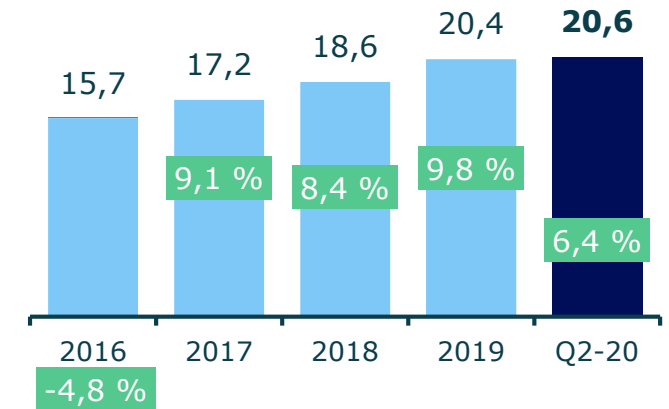
Retail market
- NOK billion and per cent y/y



Retail lending has increased by 3.3 %
over 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 6.4 %
over the last 12 months

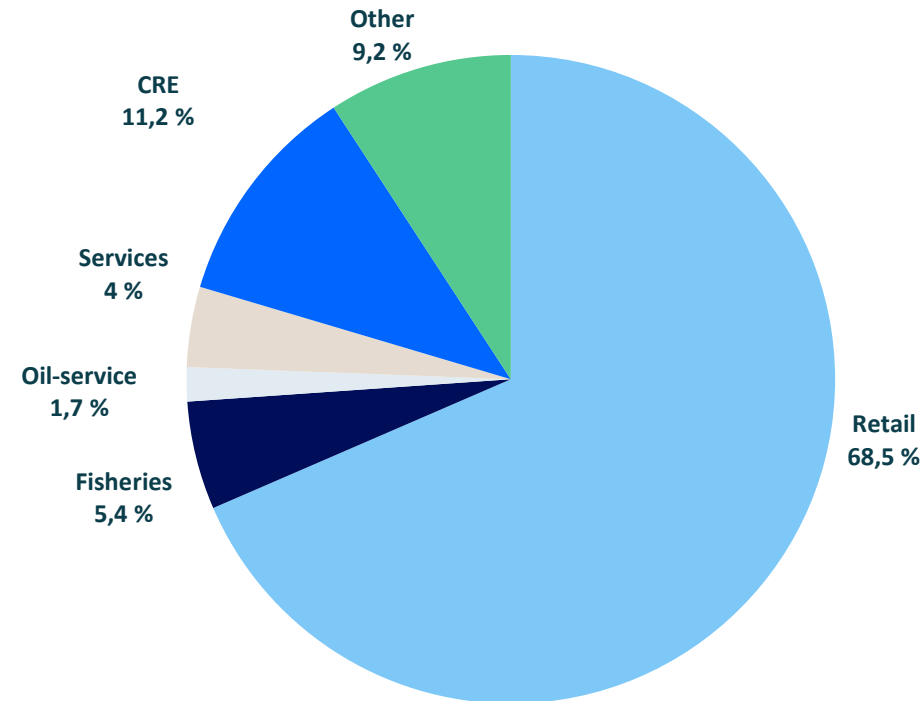
Loans to the corporate market amount
to 31.2 % of total loans

Diversified loan book

- The bank is diversified with high credit quality in the portfolio
- We are close to our customers and enter into early dialogue
- The influx of customers with liquidity problems and the need for assistance has gradually diminished and bankruptcy figures remain low
- Government measures (% of active customers)

Deferred payment: 16%
Compensation scheme: 8.4%
Government Guaranteed Loans: 0.2%

Loans by sector



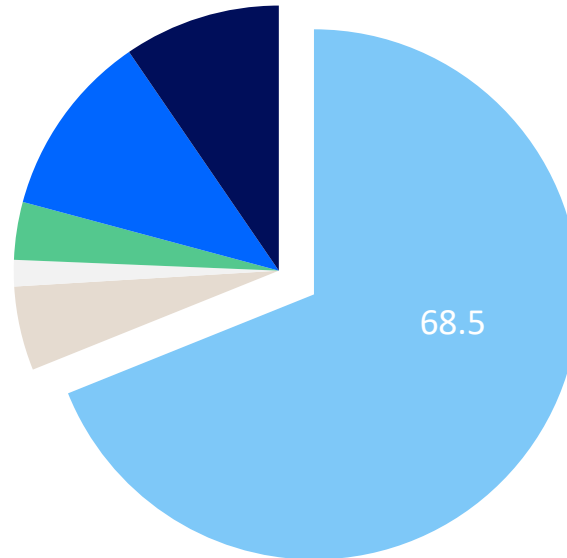
Other;

Financial services	1.4 %	Ship Yards	0.4 %
Other Industry	1.9 %	Agriculture	0.9 %
Building and Construction	1.7 %	Other	0.6 %
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
- The proportion of customers with deferred payments (volume figures) was largest in March (7.2%) and April (3.5%), and has since gradually declined. We are also now registering that more customers are increasing their installment payments
- We are close to the customers and enter into dialogue early

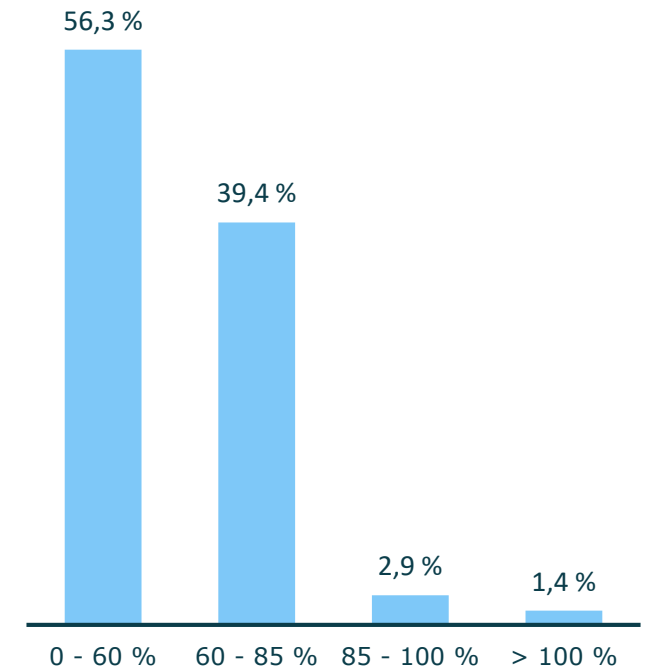
Loans to retail customers - % of total loans



The Bank complies with the lending regulations (Boliglånsforskriften)

Deviation from Boliglånsforskriften reported in the second quarter of 2020 were 10.7 % outside Oslo, and 12.2 % in Oslo

Loan to Value – retail loans



95.7 % of mortgages are within 85 % of LTV

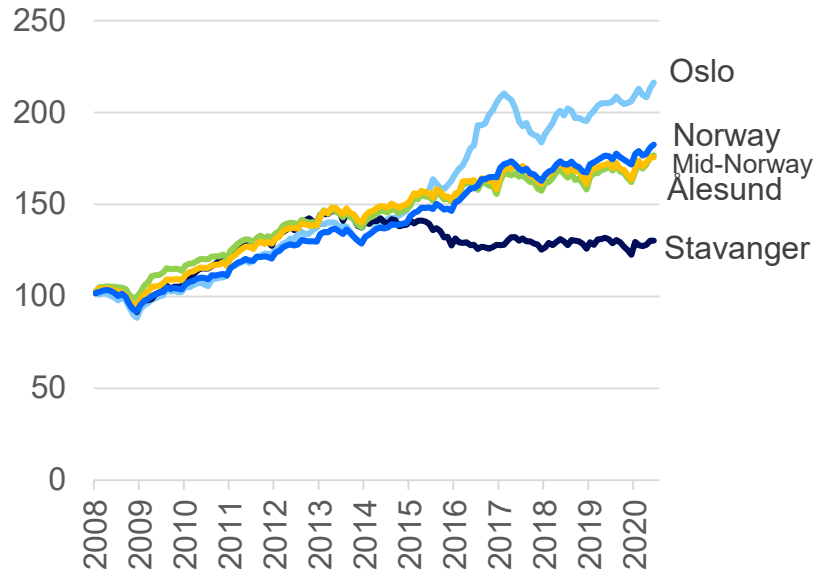
Housing prices

Based on pre-owned dwellings sold in June 2020, seasonal adjusted house prices increased by 1.0 per cent in Norway last month, from May to June.

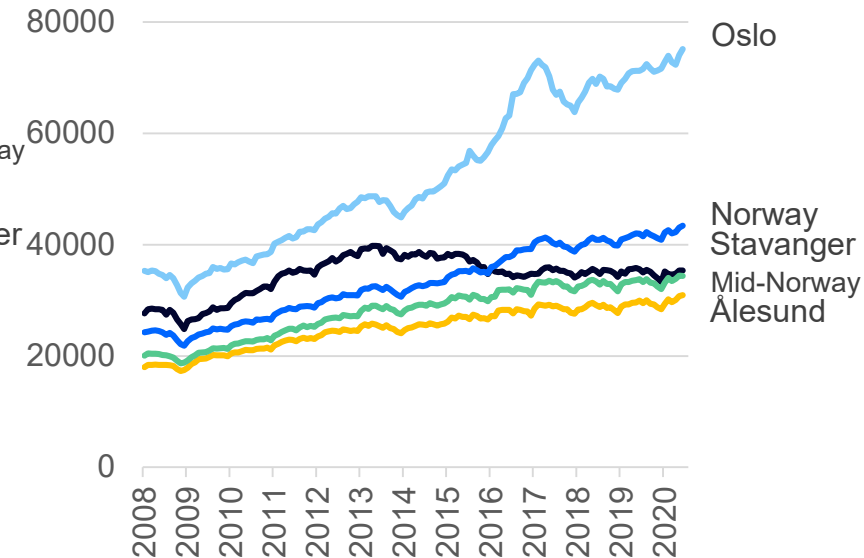
Last twelve months Norwegian house prices have increased in average by 3.5 per cent.

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



Price per square meter
- January 2008 – June 2020



Key information

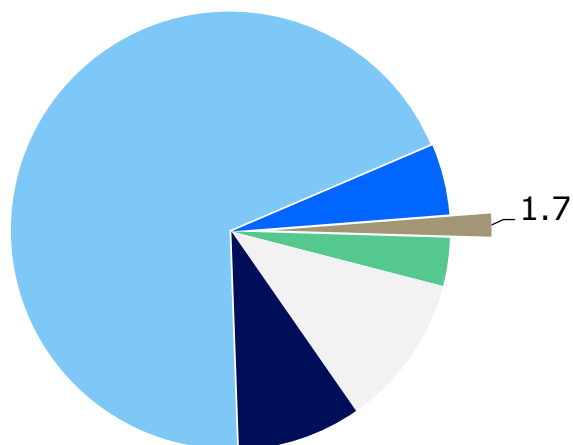
(Sold pre-owned dwellings in June 2020)

	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+1.0 %	+0.2 %	+0.6 %	+0.6 %	+1.7 %
Development 12 months	+3.5 %	+1.8 %	+3.4 %	-0.5 %	+5.4 %
Per square meter (NOK)	43,407	34,405	30,937	35,380	75,112
Average days on market	50 days	65 days	61 days	71 days	25 days
Price median dwelling (NOK)	3,300,000	2,800,000	2,750,000	3,150,000	4,296,484

Low exposure towards Oil Service

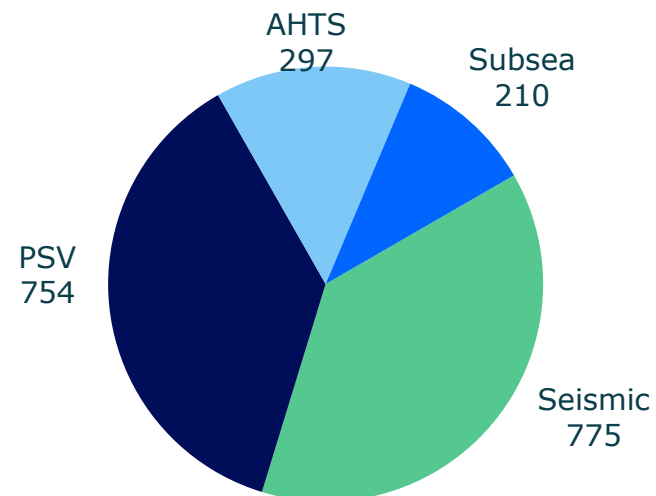
Loans to Oil Service

- In per cent of total loans



EAD by types of vessels

- In NOK million



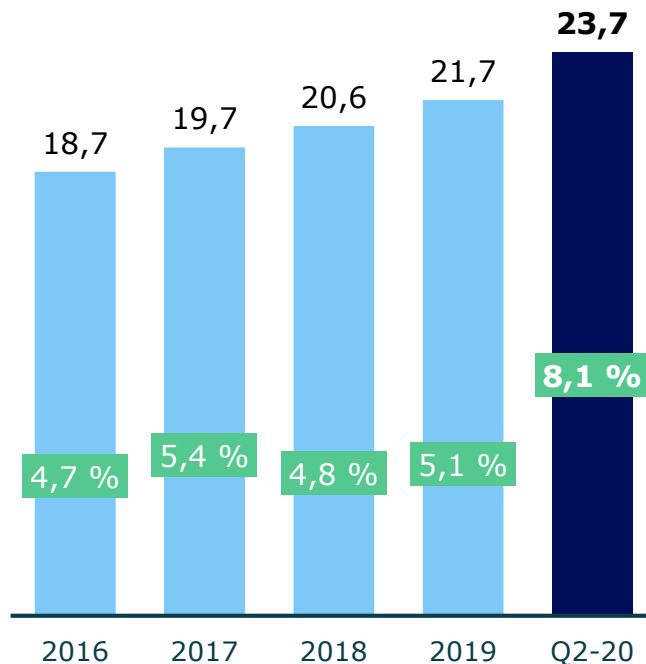
(EAD in NOK million)

	Loans	Guarantees	Total EAD	Individually assessed impairments	ECL-IFRS 9	Total	Per cent of EAD
Low Risk (Risk Class A-C)	307	118	425	0	6	6	1.3%
Medium Risk (Risk Class D-G)	74	69	143	0	1	1	0.2%
High Risk (Risk Class H-M)	203	204	407	0	17	17	4.2%
Loans and guarantees with individually assessed impairments	540	520	1060	250	-	250	23.6%
Total	1,125	911	2,036	250	23	273	13.4%

Deposits

Retail market

- NOK billion and per cent y/y

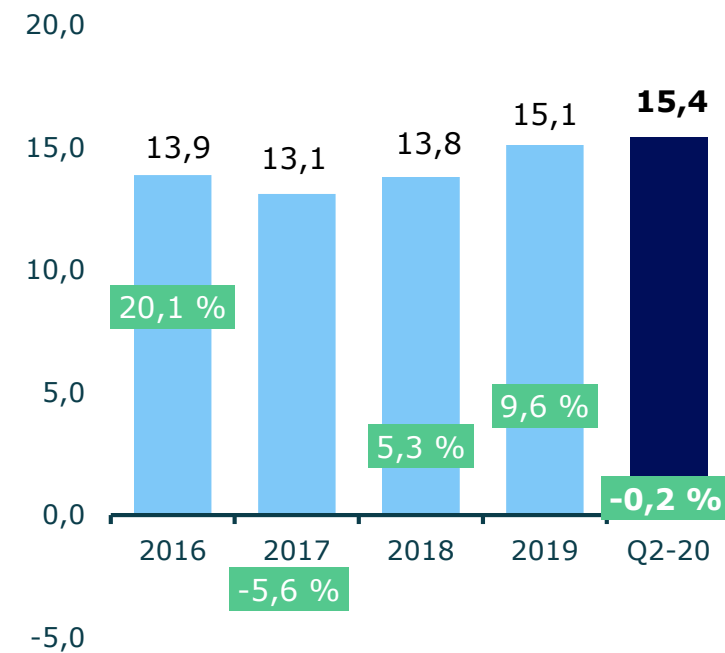


Retail deposits have increased by 8.1 % over the last 12 months

Deposits from the retail market amount to 60.6 % of total deposits

Corporate and public

- NOK billion and per cent y/y

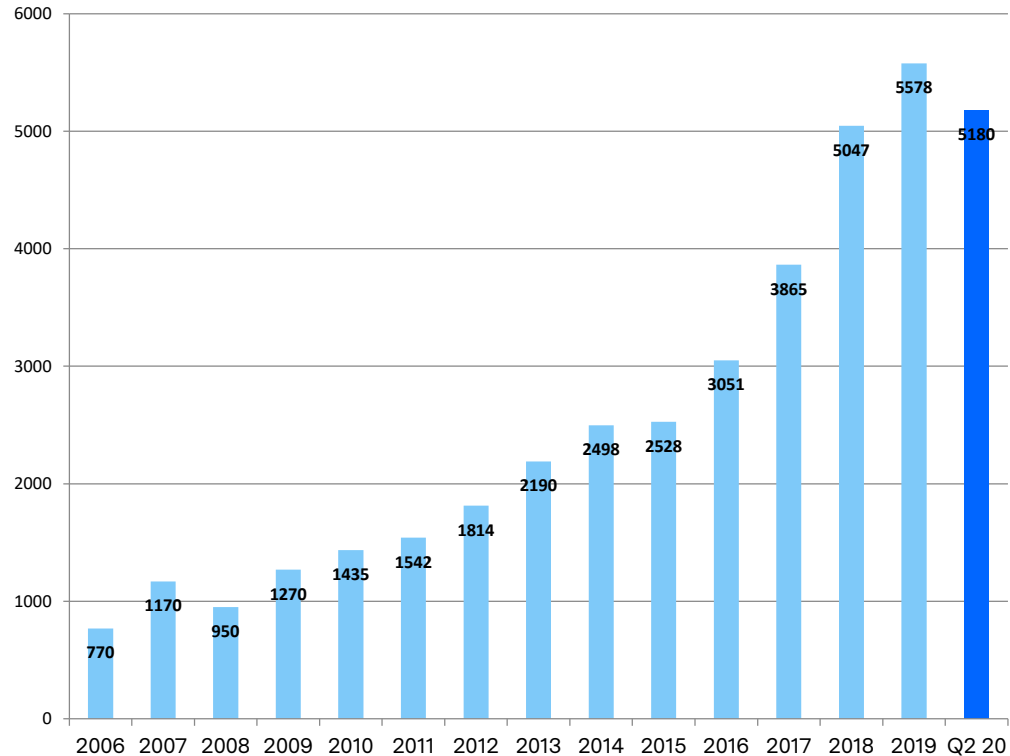


Deposits from corporate and public customers have declined by 0.2 % the last 12 months

Discretionary Portfolio Management

Sparebanken Møre - Aktiv Forvaltning

- Portfolio in NOK million



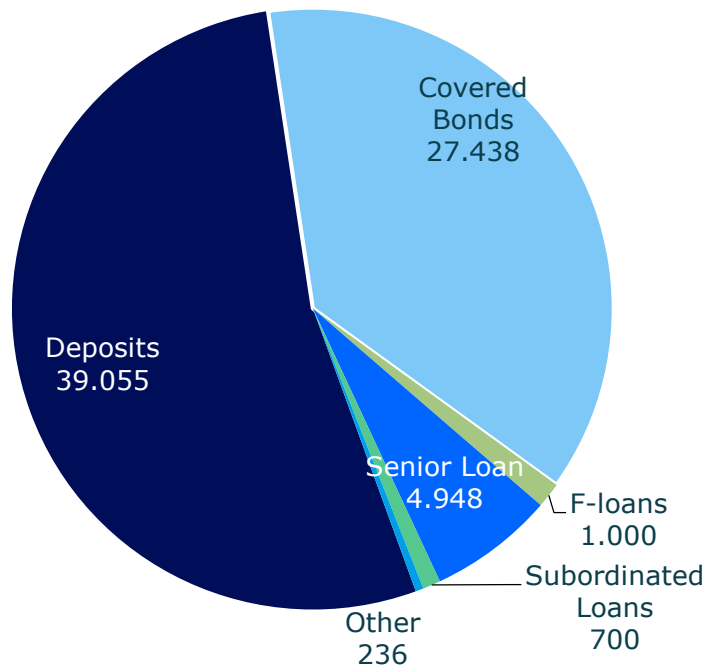
- In addition to deposits, increasingly more of Sparebanken Møre's customers also ask for other investments
- Despite market turmoil, the number of new customers has grown very well during the first half of the year
- Sparebanken Møre Aktiv Forvaltning (Discretionary Portfolio Management) offers the Bank's clients professional management services
- Local Asset Managers continuously monitor our customers portfolios:
 - 5 municipalities
 - 10 foundations
 - 1 pension fund
 - 2 insurance companies
 - 185 investment companies
 - 239 wealthy private individuals



Liquidity and Capital

Deposits from customers and market funding – strong rating

Deposits are the Group's most important source of funding



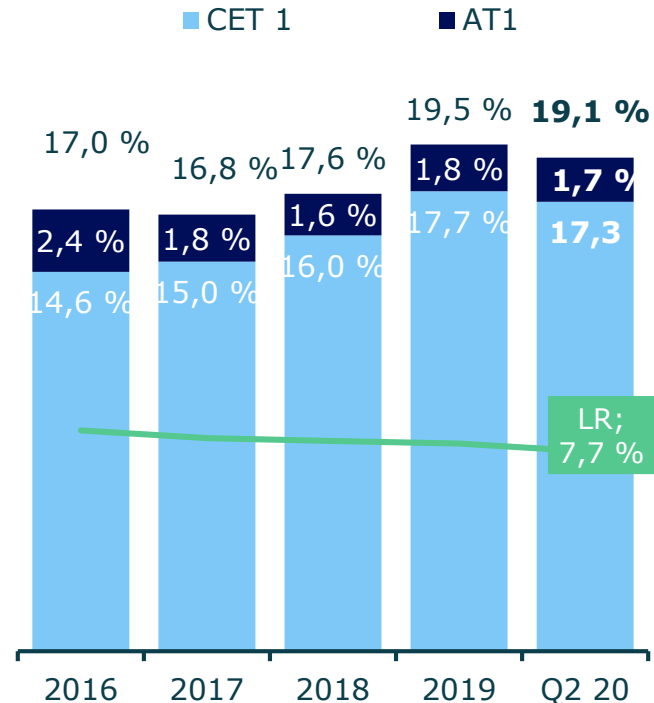
Sparebanken Møre with good access to the market – diversifying the investor base

- Our deposit-to-loan ratio stood at 60.0 per cent by quarter end
- Total net market funding ended at NOK 33.3 billion by end of the quarter – close to 88 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.58 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.77 years (FSA defined key figures)
- By quarter end Møre Boligkreditt AS had issued eight 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
- 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
- May 22 2020, Moody's confirmed the bank's A2- stable rating

Equity and related capital

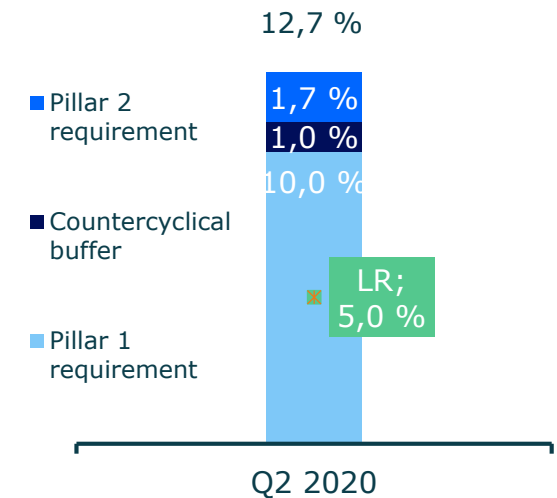
- We work continuously to maintain and strengthen Sparebanken Møre's good capital position
- CET1 and Leverage Ratio (LR) ends by quarter end well above current regulatory requirements
- The uncertain situation will persist, but the bank is equipped to withstand increasing defaults and losses and at 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 17.3 %, Tier 1 capital at 19.1 % and Total Capital at 21.2 % incl 50% of the 1H results
- Sparebanken Møre's capital targets are:
 - Total Capital: Minimum 17.2 %
 - Tier 1 capital: Minimum 15.2 %
 - CET1: Minimum 13.7 %

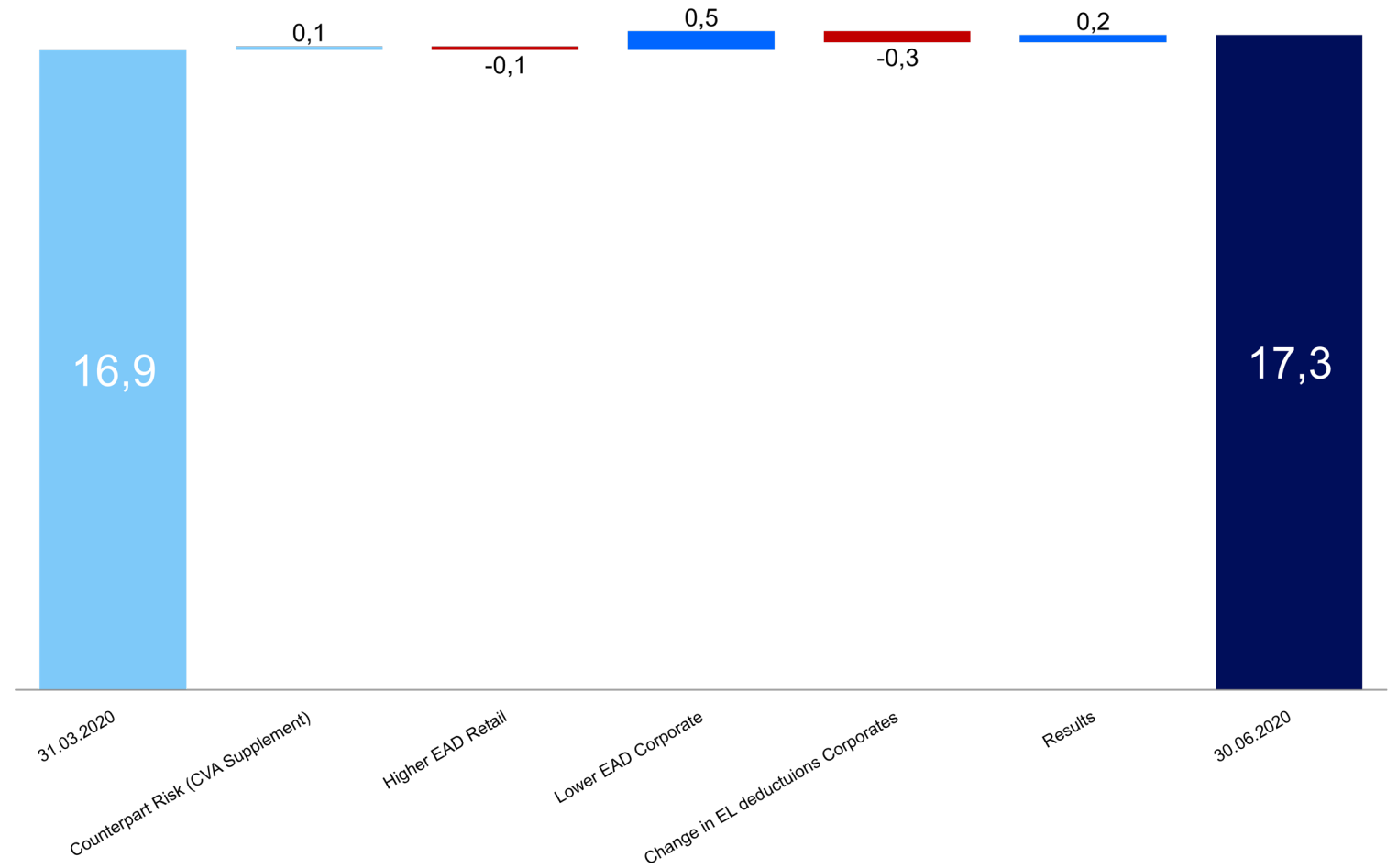
CET1 requirement for Sparebanken Møre - % of risk weighted assets and excl. Management Buffer



- 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

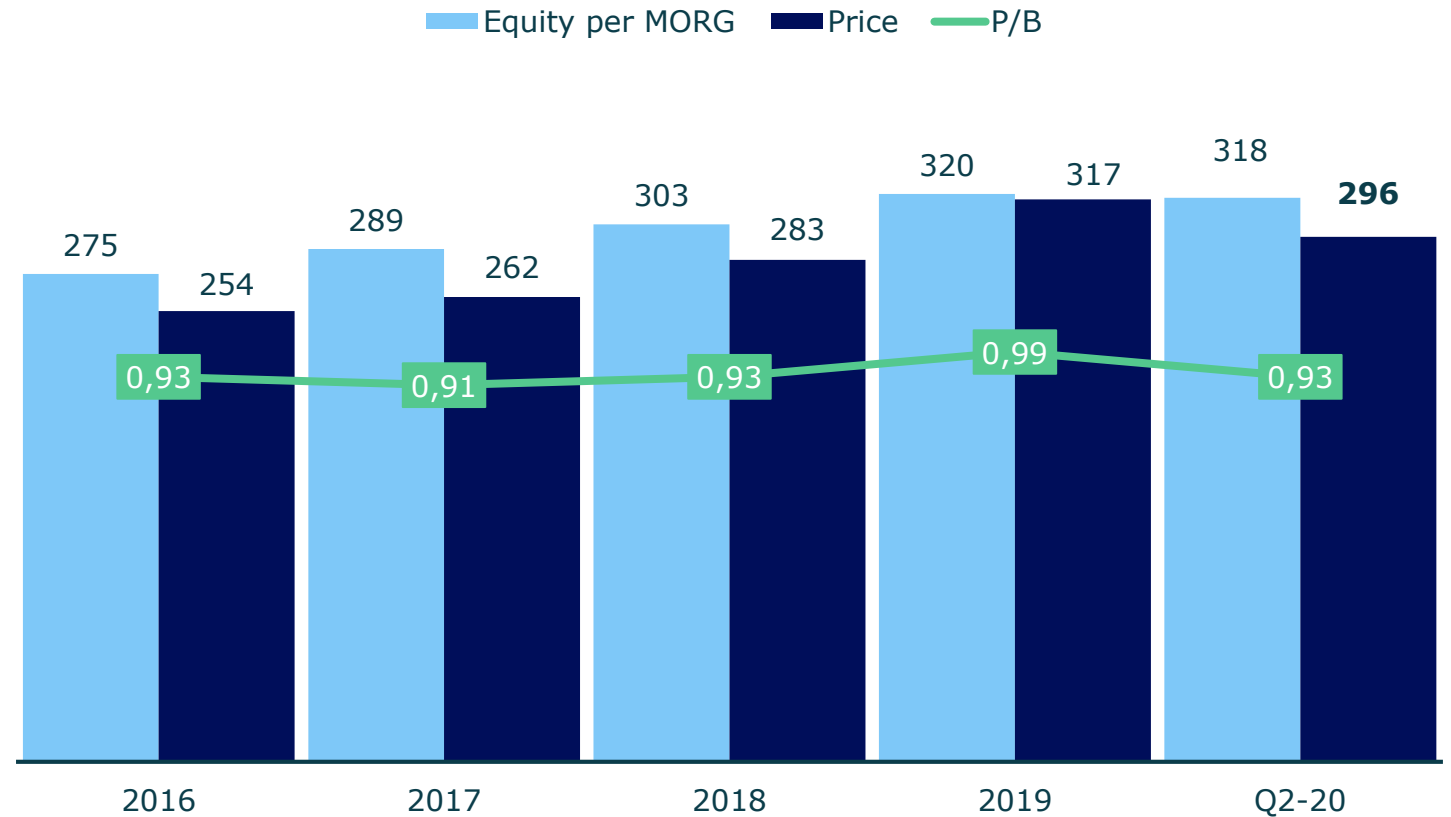
Changes in Q2



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

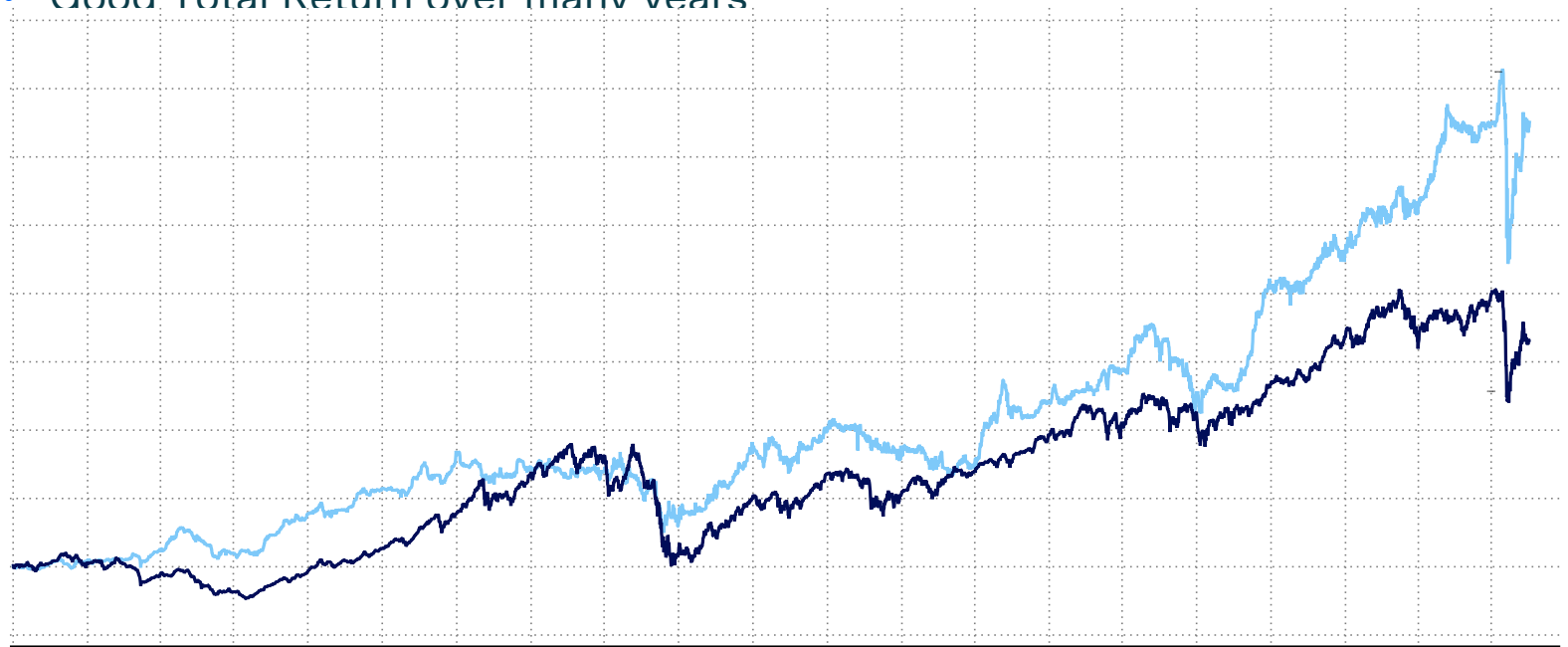
MORG – price and Price/Book (P/B) value



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 June 2020
- Good Total Return over many years



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

Sparebanken Møre Call-Center is ranked as number 1 in the category banks for the second year running



The Customer Service award is presented by SeeYou, the leading company in Norway in regards to measuring customer experience at retail and call centers.



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