

# Sparebanken Møre Group

Presentation 1st quarter 2022

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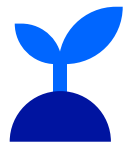
28. April 2022



# Contents

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

# Q1 2022 - highlights



## Balance growth

Lending growth was 3.9 per cent over the last 12 months. Growth in deposits was 7.9 per cent



## Net Interest Income

In NOK: 334 million  
In per cent: 1.62



## Efficiency

Cost/Income ratio at 46 per cent in the quarter



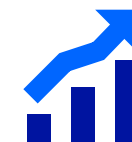
## Losses

NOK 0 million (0.00 per cent) in losses on loans and guarantees



## Strong liquidity and solidity

Deposit-to-loan ratio at 61.5 per cent, LCR at 143 and CET1 at 17.2 per cent. Leverage Ratio at 7.7 per cent



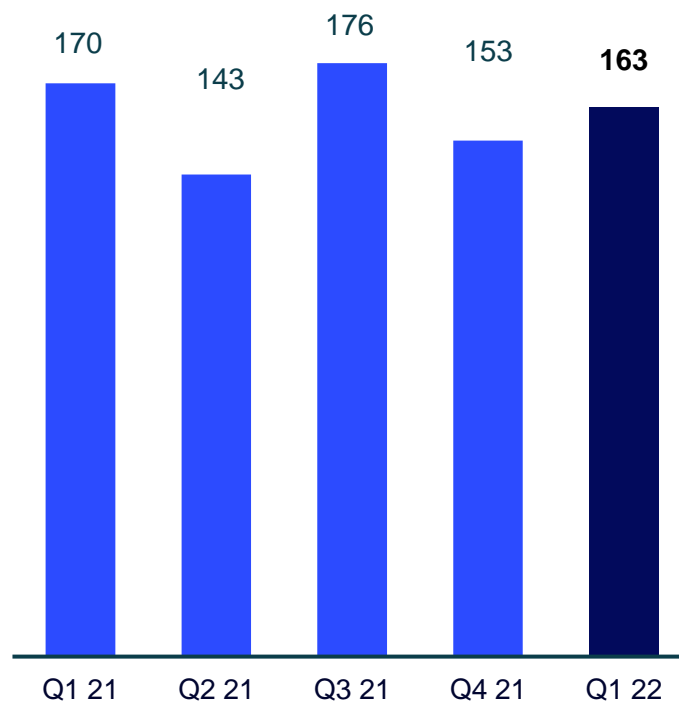
## Return on Equity

Return on Equity ended at 9.3 per cent for the first quarter of 2022

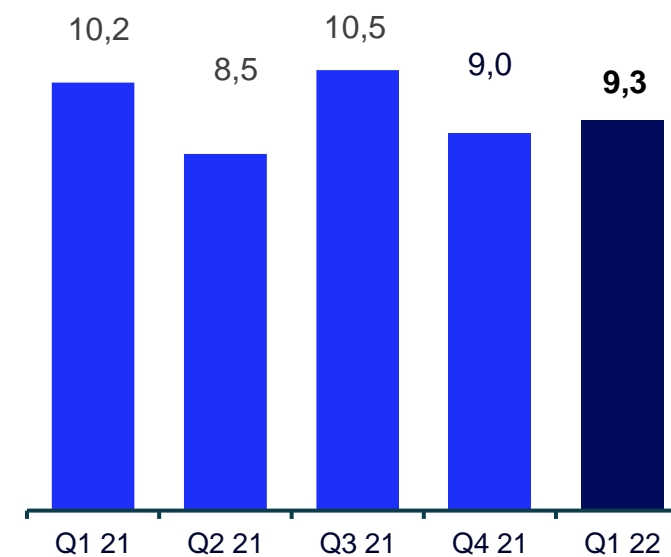
# Results in Q1

Profit per Equity Certificate in the first quarter of 2022 is NOK 7.85 (the Group) against NOK 8.26 (the Group) in the first quarter of 2021.

Profit after tax  
- NOK million



Return on Equity (ROE)  
- in per cent



## Results compared

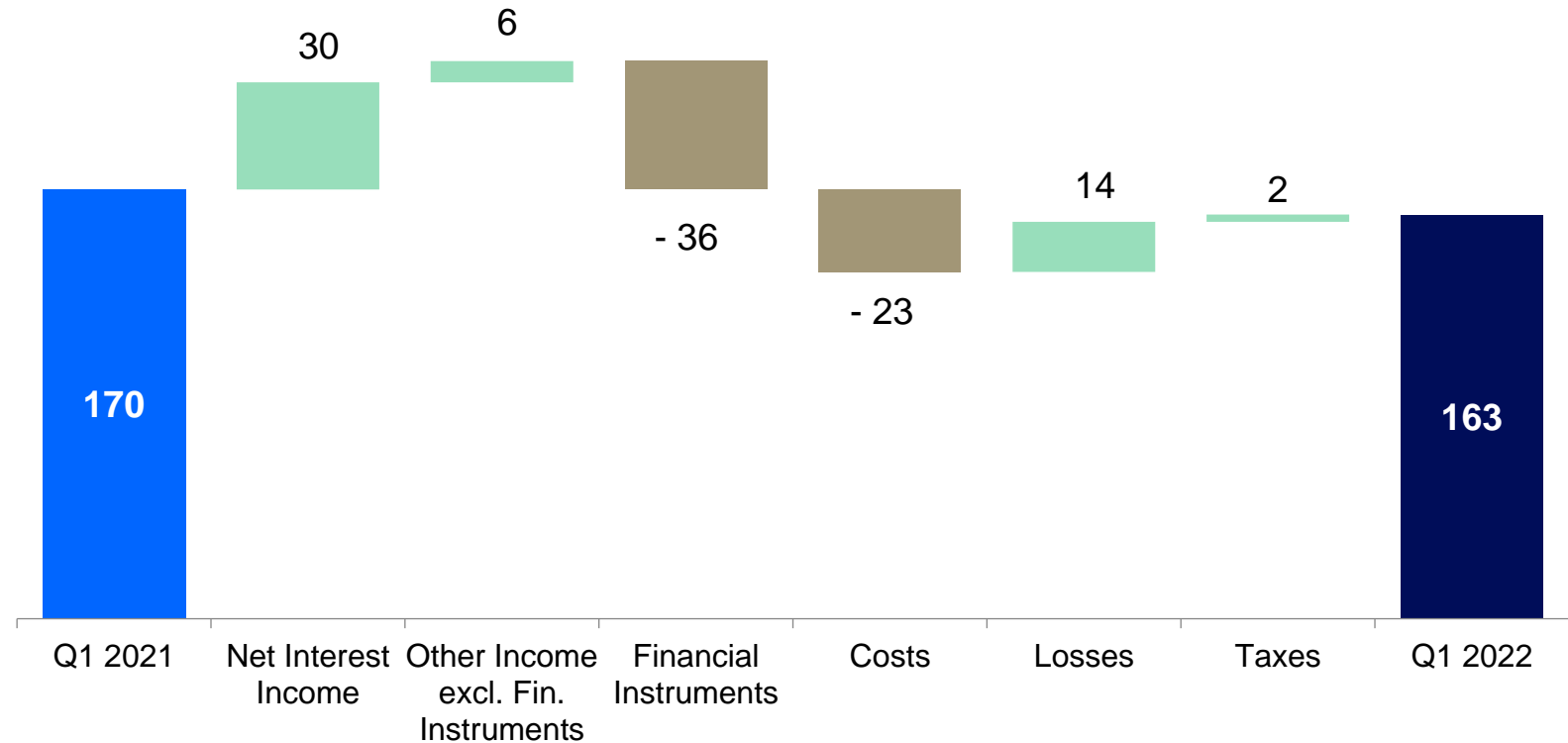
The bank's net interest income is 9.9 per cent higher than last year.

Other income reflects inter alia lower mark-to-market valuation of the bank's LCR portfolio. Customer related other income shows a positive development compared to Q1 2021.

The costs are somewhat higher compared with the same period in 2021.

NOK 0 million in losses in Q1 is NOK 14 million lower compared to last year.

## Results in Q1 2022 vs. Q1 2021





Our Investor Conference Børs & Bacalao gathered close to 500 participants

Finally we can meet!

# NÆRINGSTEFTE

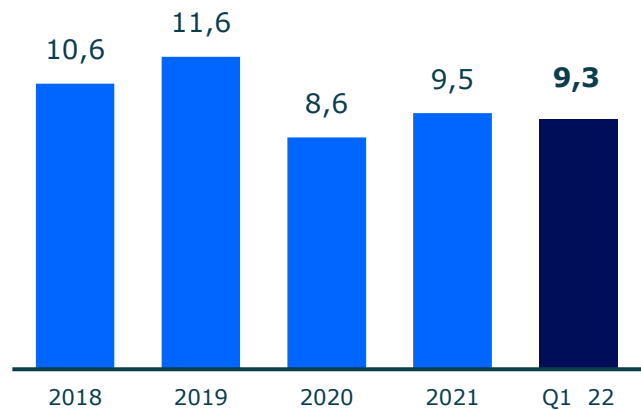


Motivic Labs won Næringstefte – a competence journey for founders

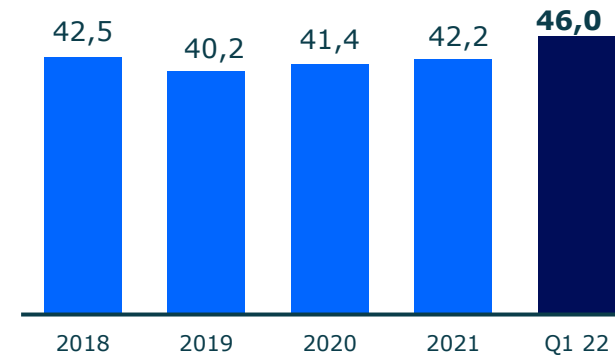


# Key figures by quarter end

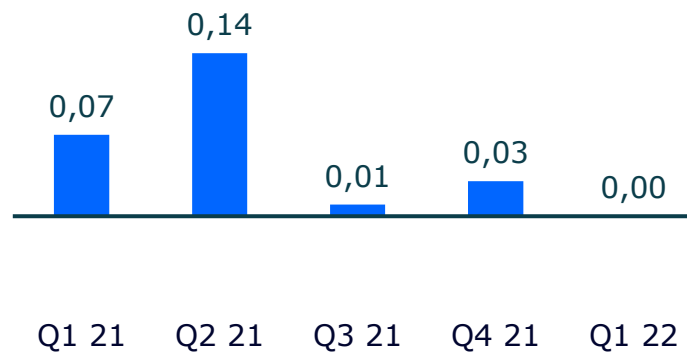
## Return on Equity



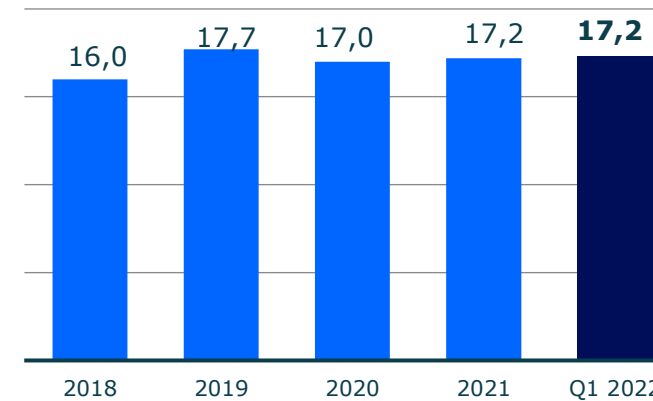
## Cost/Income



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



## Common Equity Tier 1 Capital (CET1)



## Balance sheet and key figures

	31.03.22	31.03.21	Changes	
<b>Balance in NOK million</b>			<b>NOK</b>	<b>%</b>
Total Assets	83 805	81 072	2 733	3.4
Loans to customers	70 380	67 711	2 669	3.9
Deposits from customers	43 501	40 301	3 200	7.9
Net Equity and Subordinated Loans	7 392	7 078	314	4.4

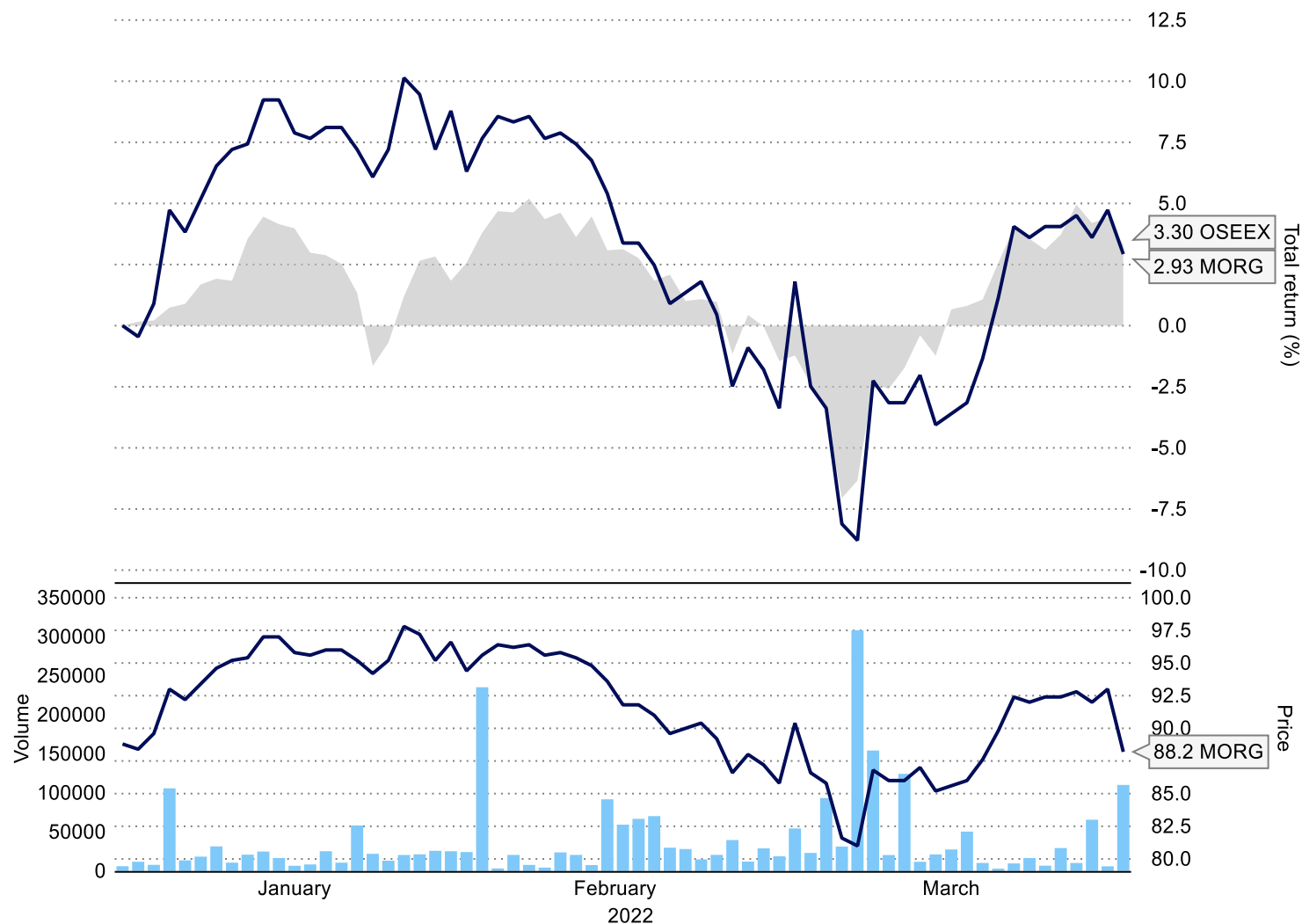
<b>Key Figures</b>	31.03.22	31.03.21	Changes p.p.	
Return on Equity	9.3	10.2	-0.9	
Cost/Income ratio	46.0	39.9	6.1	
Total Capital	20.8	20.6	0.2	
Tier 1 Capital	18.8	18.6	0.2	
CET1	17.2	16.9	0.3	
Leverage Ratio	7.7	7.7	0.0	
Profit per EC (NOK, the Group)	7.85	8.26	-0.41	
Profit per EC (NOK, the Bank)	17.34	17.20	0.14	



# MORG – very strong Total Return LYTD

- MORG increased by 55.3 per cent during 2021, more than the average growth (51.5 per cent) in the EC-market in the same period (Total Return for the EC-index (OSEEX)) consisting of the larger savings banks)
- The positive price development has continued into 2022, Total Return on MORG was 2.93 per cent in Q1 compared to 3.30 per cent for OSEEX
- The CET1-ratio ended at 17.2 per cent by quarter end

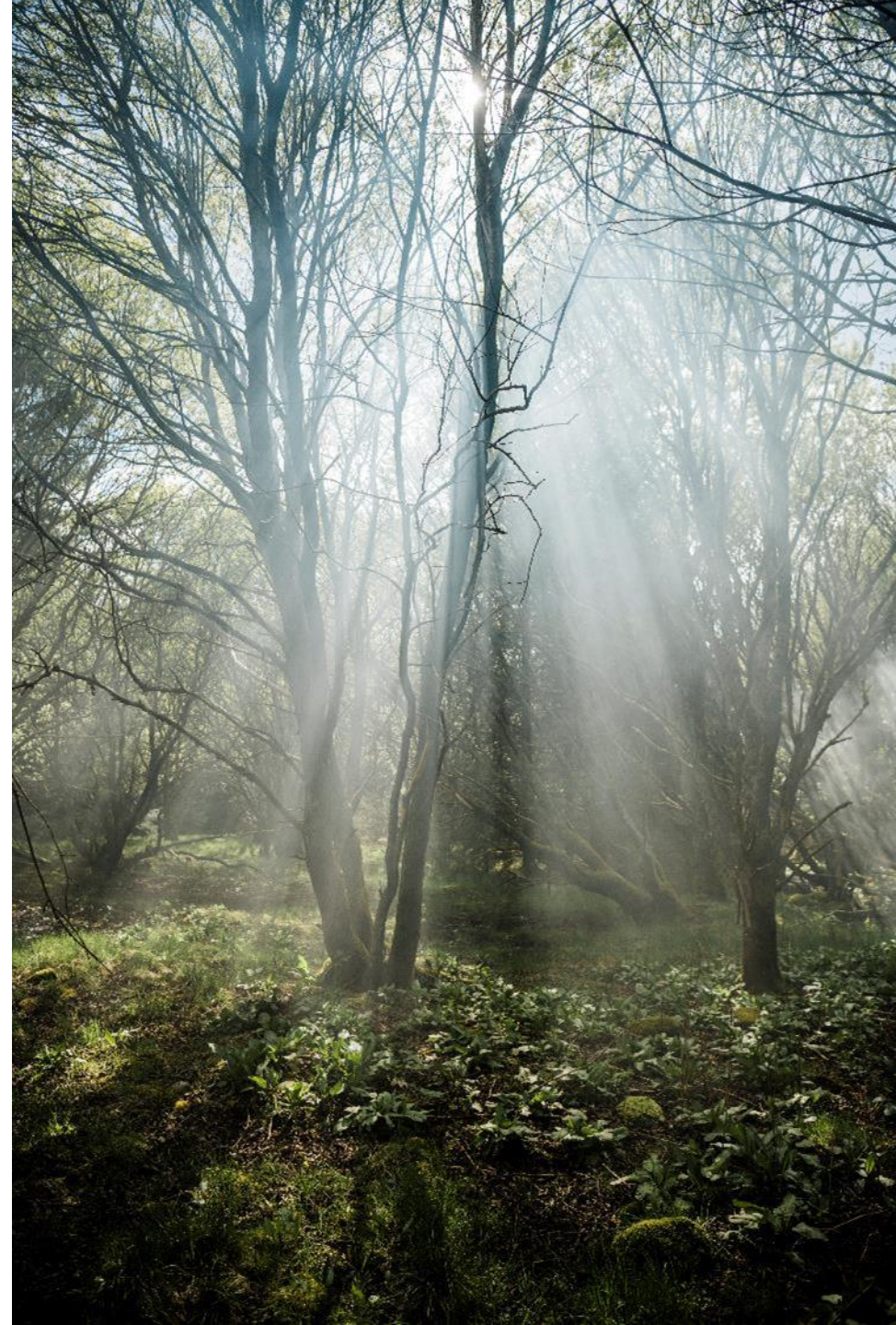
## Development at Oslo Stock Exchange YTD (MORG vs. EC-index)



Source: Bloomberg

# Outlook for the region and the bank

- The outlook for global economic growth has weakened as a result of the war between Russia and Ukraine. The adopted sanctions will lead to reduced international trade. High inflation also has a dampening effect on growth. This is because high inflation reduces households' purchasing power and increases companies' costs
- To alleviate inflationary pressures, several central banks have begun to raise key interest rates
- Norges Bank raised the key interest rate by 0.25 p.p. to 0.75 per cent in connection with the interest rate decision on 24 March. Furthermore, the interest rate path indicates another three interest rate increases this year and four interest rate hikes in 2023
- The level of activity both in Norway and in Møre og Romsdal is high. As a result, unemployment has fallen almost continuously since the first reopening of society in the spring of 2020. At the end of March, the number of completely unemployed in the county was 1.8 per cent of the labor force. The corresponding unemployment rate for the country as a whole was 2.0 per cent. Following the abolition of the infection control rules in February, production has picked up well in service industries such as transport, hotels and restaurants and tourism
- The bank has a solid capital base and strong 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 target is a return on equity exceeding 11 per cent and a cost income ratio below 40 per cent.

The Board of Directors expects the financial target figures to be achieved in 2022.



ROE > 11.0 per cent



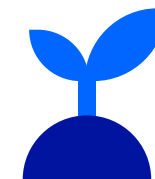
C/I < 40.0  
per cent



Low level  
of losses



CET1 > 16.45  
per cent



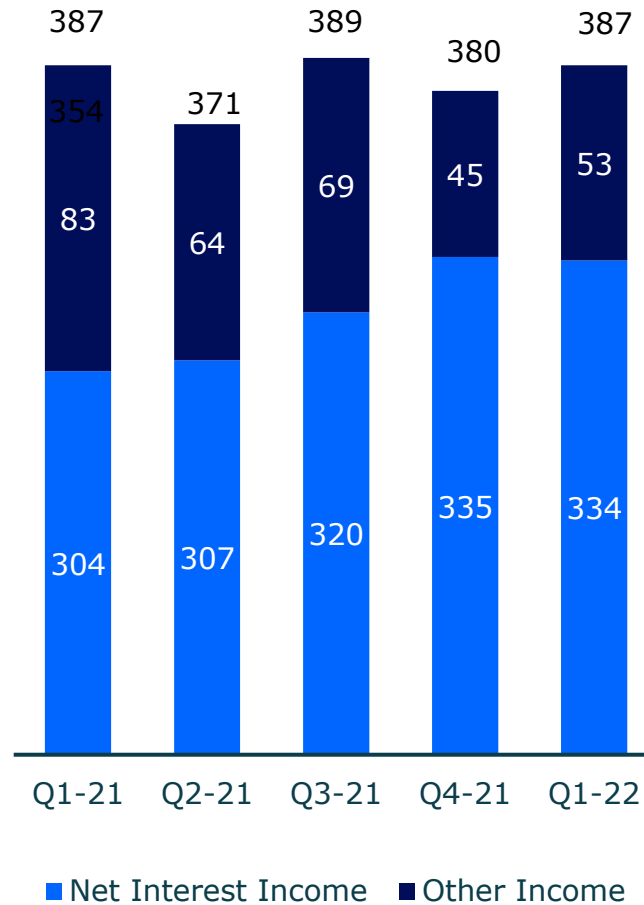
Healthy financial  
structure

# Results

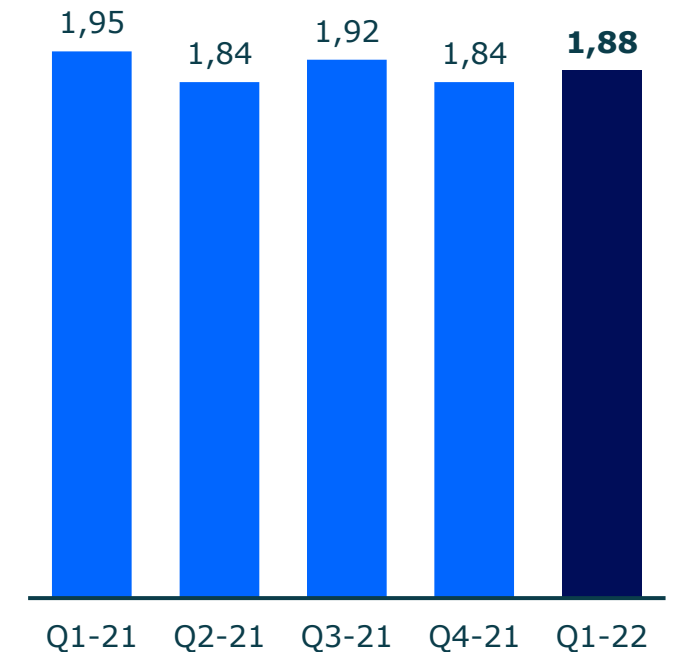
# Total Income

- We are strengthening and consolidating our role as a complete financial house in our market area Nordvestlandet, this is contributing to increased revenues
- Total revenues were NOK 387 million in the first quarter, a historical high level
- Net interest income ended at NOK 334 million in the first quarter
- Other income was lower compared with the same period last year, mainly as a result of negative mark-to-market contribution from the LCR portfolio
- Customer related other income shows a good development with over 12 per cent growth compared with Q1 2021

**Total income**  
- NOK million



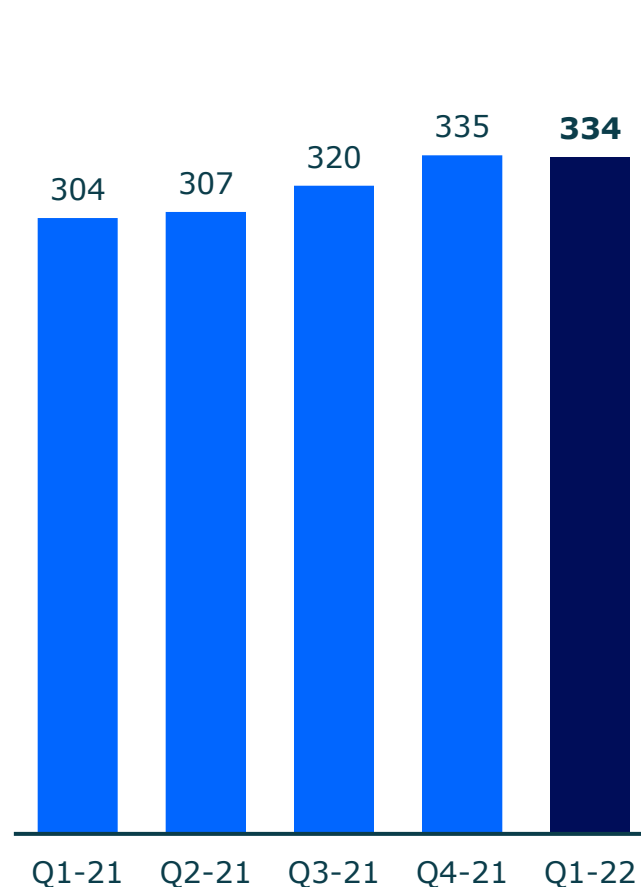
**Total income**  
- % Average Assets



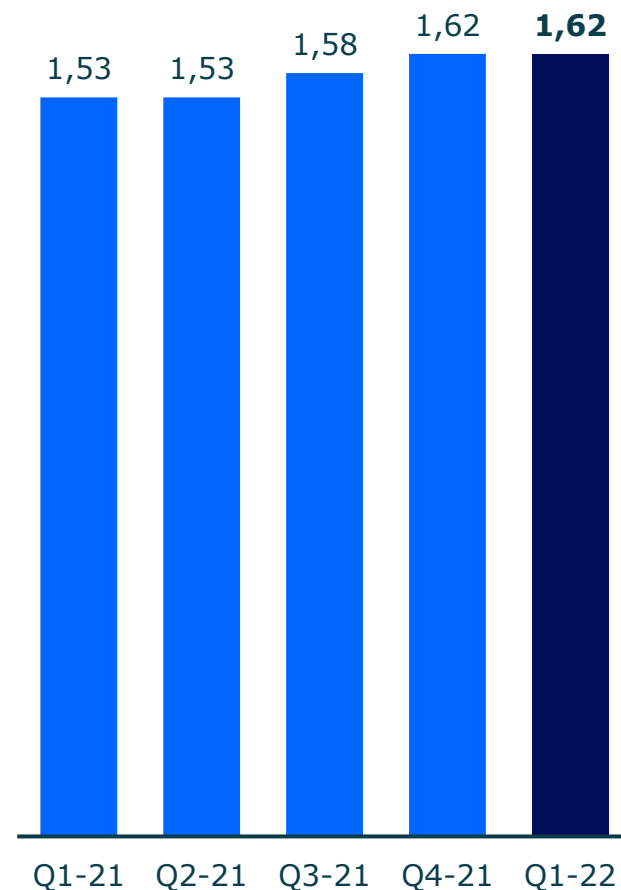
# Net Interest Income rebounds

- Net Interest Income increased to MNOK 334 in Q1, almost 10 per cent higher than in Q1 2021 albeit lower than in Q4 2021 inter alia as a result of fewer days
- The positive development in Net Interest Income continues in the first quarter
- The bank will implement an interest rate change on loans with effect from 16 May and on deposits with effect from 4 June
- We expect a further strengthening of the Net Interest Income in 2022

Net Interest Income  
- NOK million



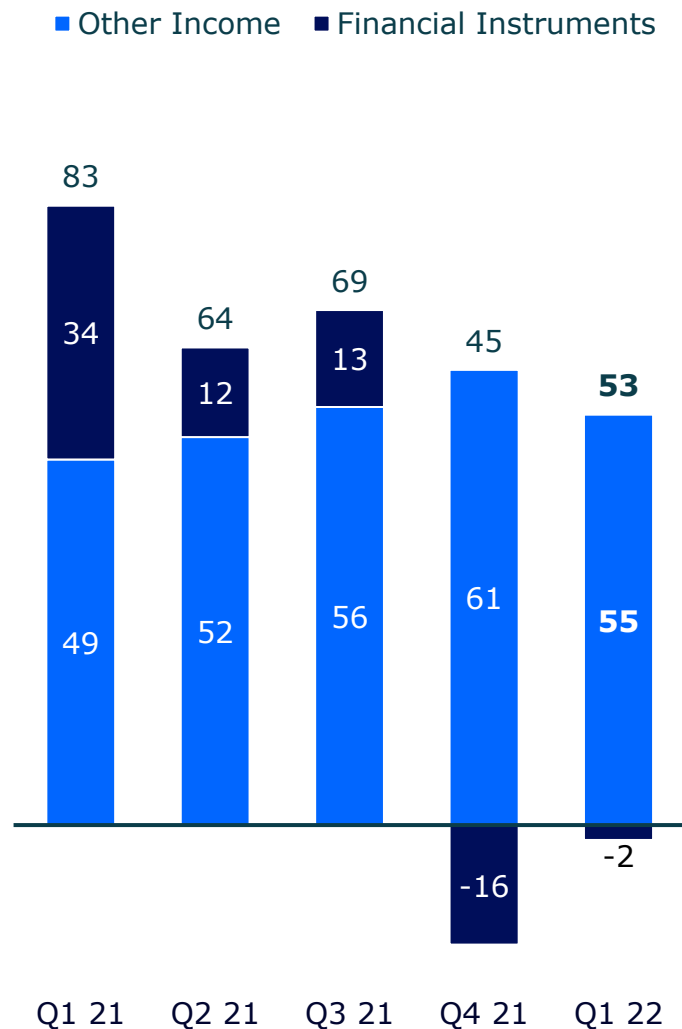
Net Interest Income  
- % of Average Assets



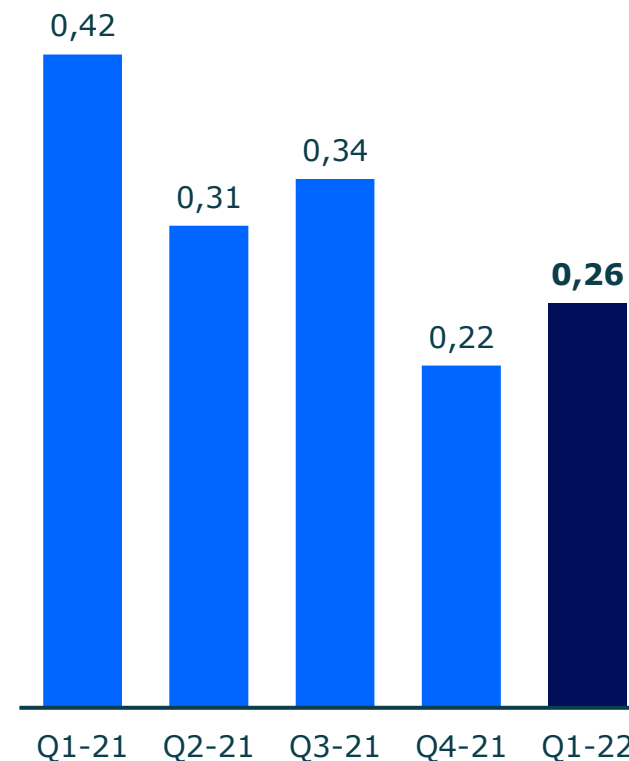
## Quarterly development in Other Income

- The development in the quarter is affected by negative value adjustments on the financial instruments
- Other income, excluding financial instruments, shows a good development and has increased by NOK 6 million (12.2 per cent) compared with the same period last year
- Skilled customer advisers and more investment in areas such as asset management and real estate brokerage are contributing to increased income. In addition, the prospects of a high level of activity in these areas are good also going forward

**Other Income**  
- NOK million



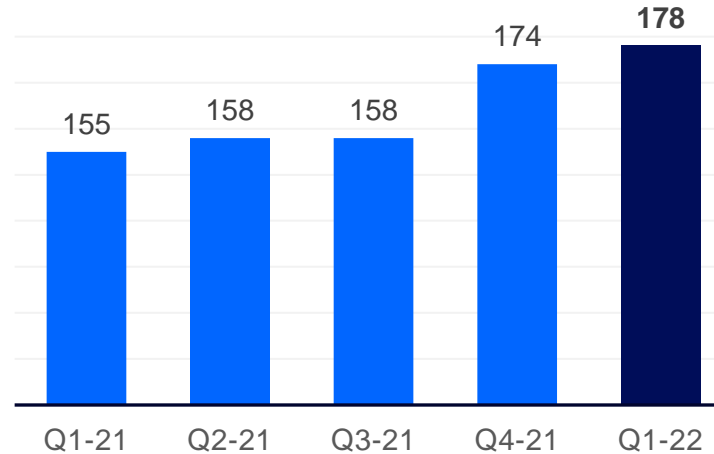
**Other Income**  
- % of Average Assets



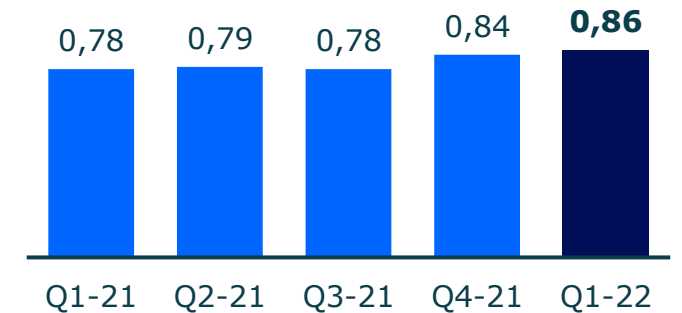
# Costs control

- Costs in the first quarter of 2022 were NOK 23 million higher than in Q1 2021
- The costs in the quarter were affected by both non-recurring costs and costs as a result of a strengthened focus on further growth
- Non-recurring costs in the quarter amount to approximately NOK 12 million
- We expect lower costs in the quarters ahead
- The target of a cost/income ratio below 40 per cent remains unchanged

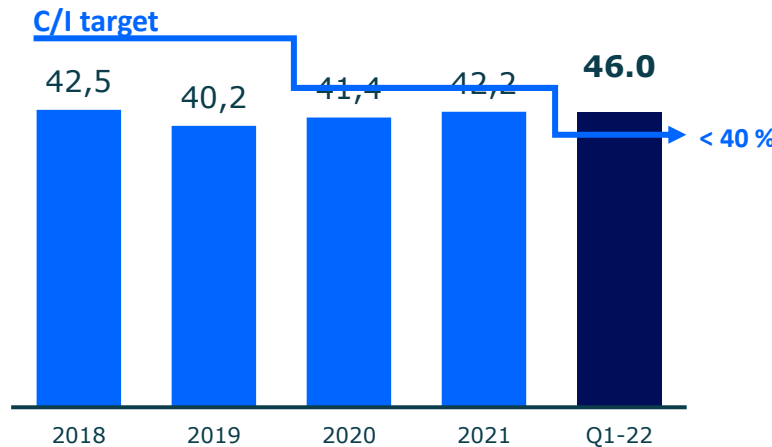
**Operating Costs**  
- NOK million



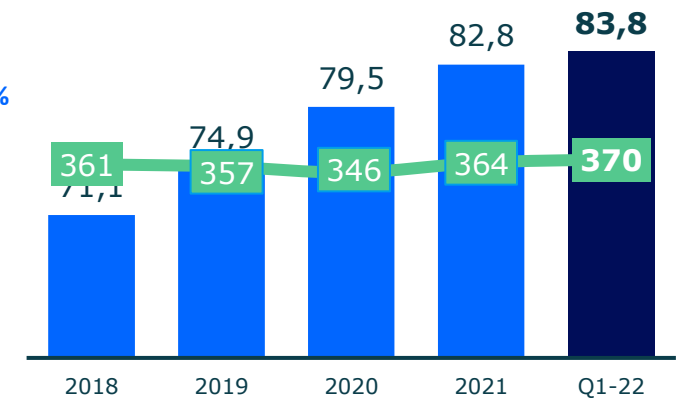
**Operating Costs**  
- % of Average Assets



**Cost/Income ratio**



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

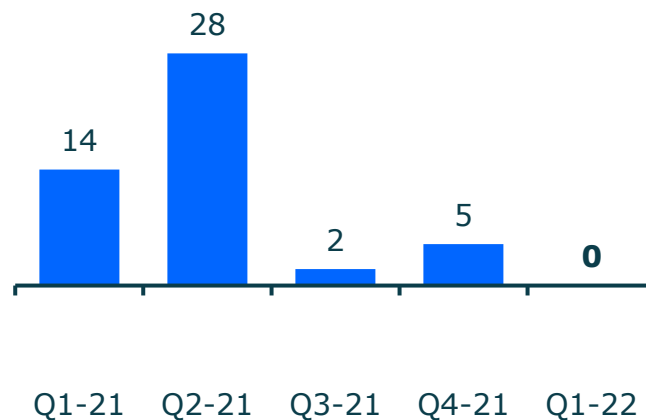




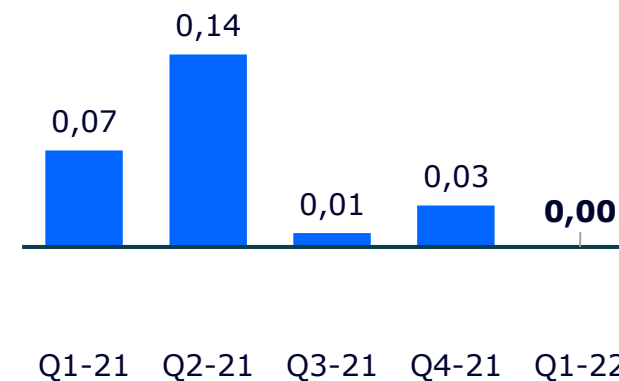
## Losses and portfolio quality

- The quarterly accounts are not charged with losses
- Positive development in credit-impaired commitments
- Close customer follow-up is a key part of our business model and clearly one of the reasons for the bank's low losses over time
- Proximity and specialist expertise are a reassurance for both customers and the bank

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



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



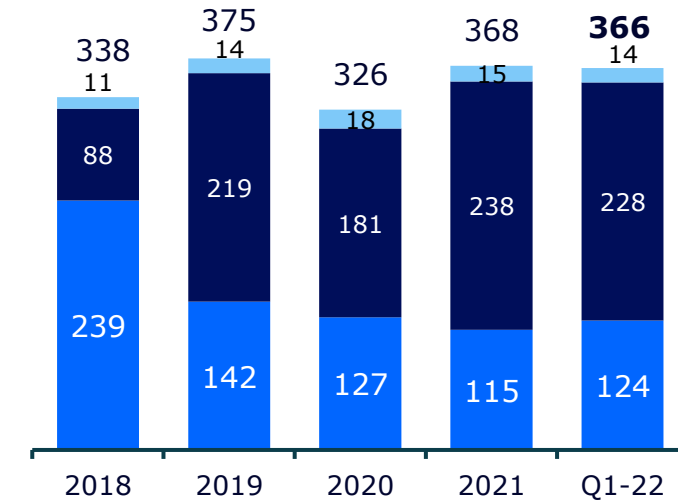
**Credit impaired commitments (net)**

-per cent of loans/guarantees



**Impairments**

- NOK million



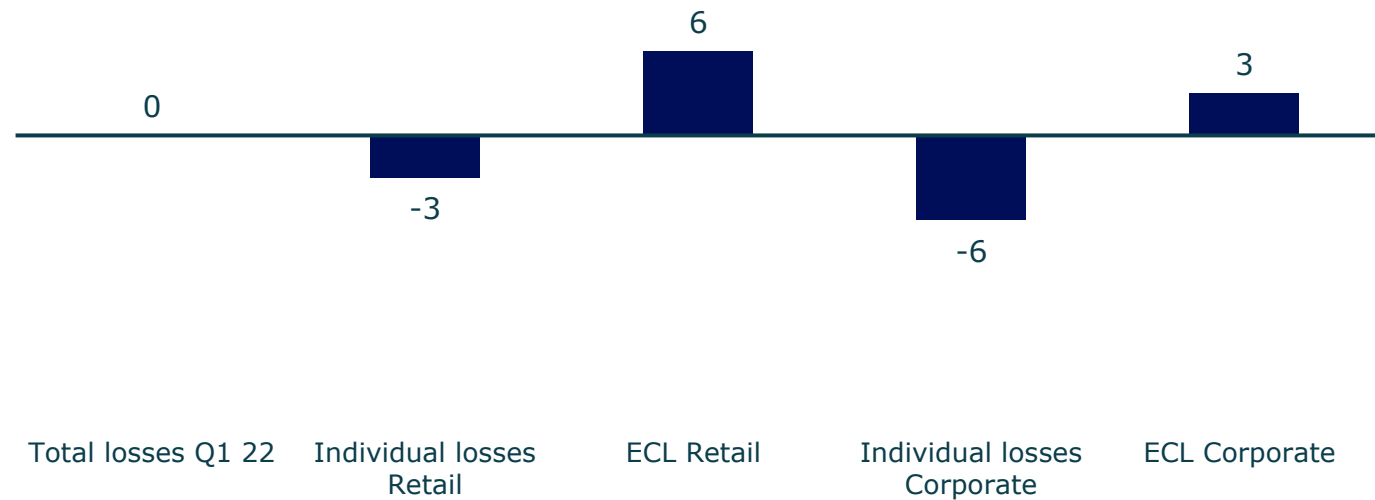
■ ECL on commitments in default above 90 days  
■ Individual impairments on other credit-impaired commitments  
■ ECL-impairments on loans and guarantees

## Losses by sector

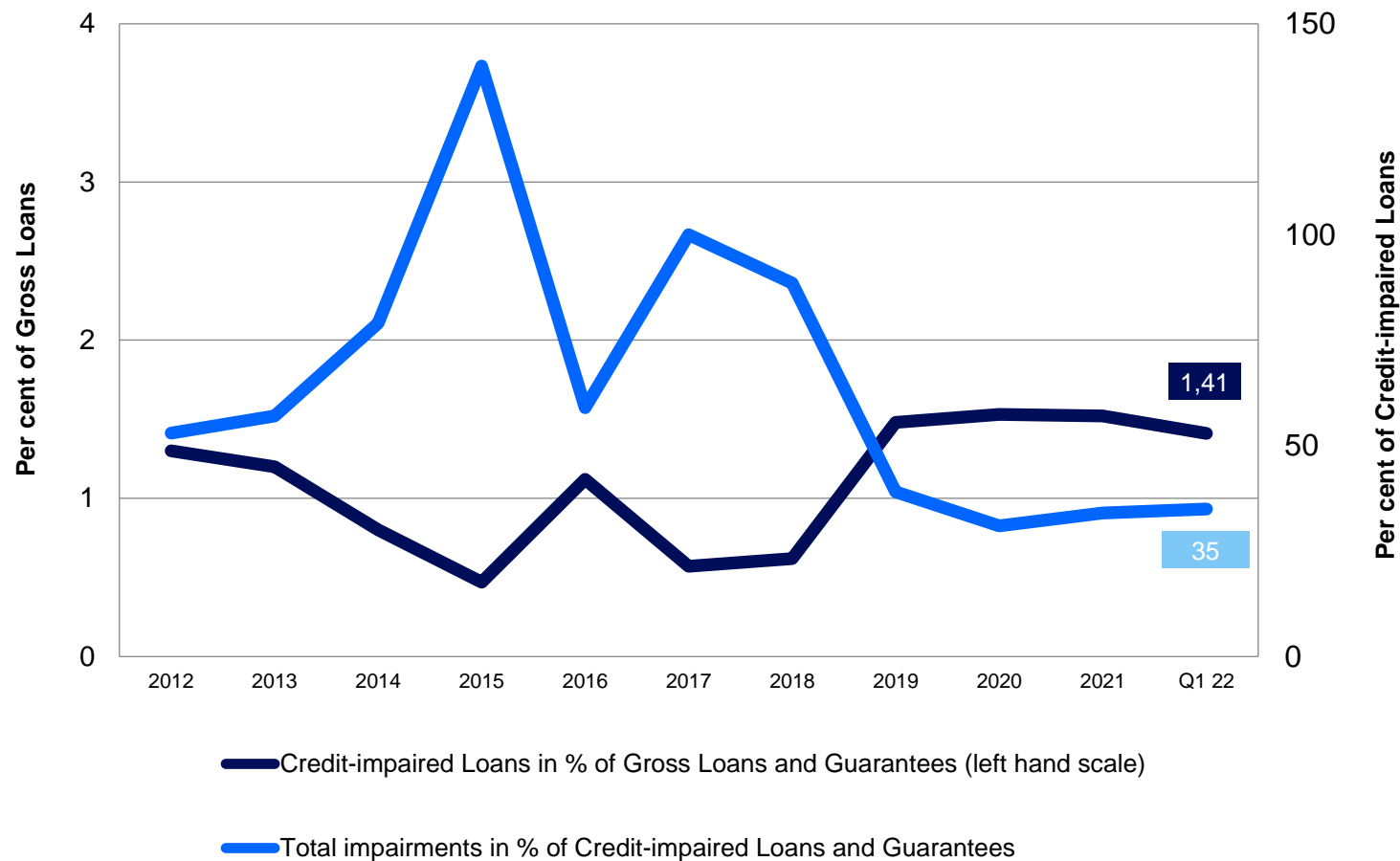
- We see net reversals on individual losses, but increased model-based provisions in Q1
- In our ECL models, the probability of a pessimistic scenario is increased from 10 per cent to 20 per cent, the base case scenario is 70 per cent and the best case scenario is reduced from 20 per cent to 10 per cent
- These changes are based on more uncertain macroeconomic conditions, i.a. following the Russian invasion of Ukraine

## Losses on loans and guarantees

- NOK million



# Credit-impaired loans



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

## Results in details

Results (NOK million and %)	Q1 2022		Q1 2021		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	334	1.62	304	1.53	30	0.09
Net Income Financial Investments	-31	-0.15	8	0.04	-39	-0.19
Gains/losses liquidity portfolio	11	0.05	10	0.05	1	0.00
Gains/losses on shares	18	0.09	16	0.09	2	0.00
Other Income	55	0.27	49	0.24	6	0.03
<b>Total Other Income</b>	<b>53</b>	<b>0.26</b>	<b>83</b>	<b>0.42</b>	<b>-30</b>	<b>-0.16</b>
<b>Total Income</b>	<b>387</b>	<b>1.88</b>	<b>387</b>	<b>1.95</b>	<b>0</b>	<b>-0.07</b>
Salaries and wages	105	0.51	86	0.43	19	0.08
Other costs	73	0.35	69	0.35	4	0.00
<b>Total operating costs</b>	<b>178</b>	<b>0.86</b>	<b>155</b>	<b>0.78</b>	<b>23</b>	<b>0.08</b>
Profit before losses	209	1.02	232	1.17	-23	-0.15
Losses on loans, guarantees etc	0	0.00	14	0.07	-14	-0.07
<b>Pre-tax profit</b>	<b>209</b>	<b>1.02</b>	<b>218</b>	<b>1.10</b>	<b>-9</b>	<b>-0.08</b>
Taxes	46	0.22	48	0.24	-2	-0.02
<b>Profit after tax</b>	<b>163</b>	<b>0.80</b>	<b>170</b>	<b>0.86</b>	<b>-7</b>	<b>-0.06</b>

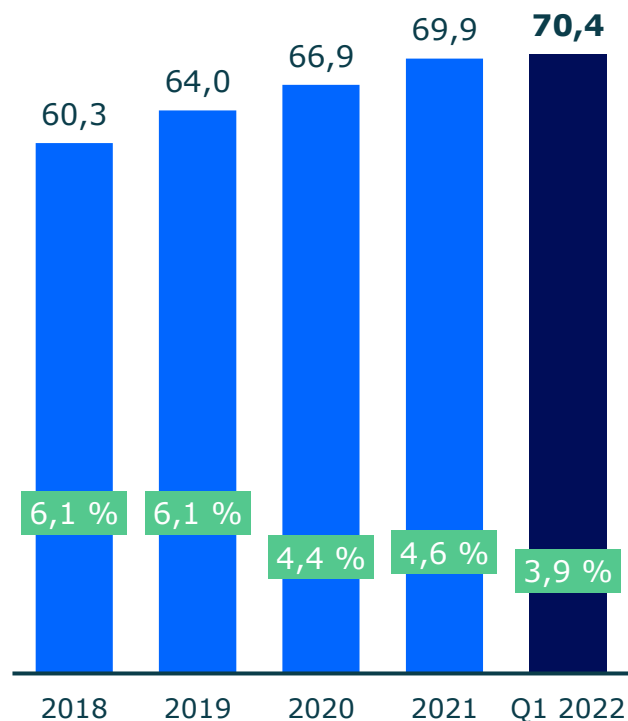
# Balance sheet

## High activity and good growth

- Over the last 12 months, there has been an increase in lending to customers of a total of NOK 2,669 million, corresponding to 3.9 per cent
- In the corporate portfolio, we periodically have larger withdrawals on construction loans, upon conversion to final financing, this will lead to volatility in the lending volume
- The high level of deposit growth has continued this year
- We see a clear potential for growth in our market area and have strengthened the offices to ensure good activity and high availability

### Loans

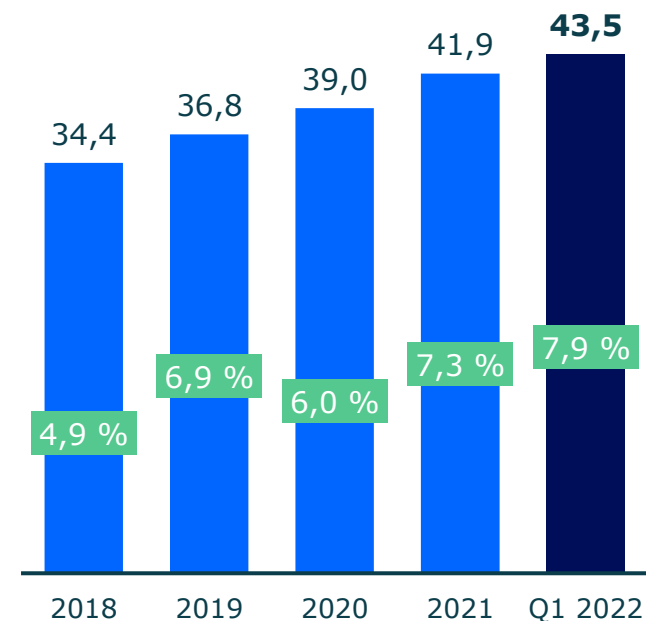
- NOK billion and per cent (y/y)



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

### Deposits

- NOK billion and per cent (y/y)



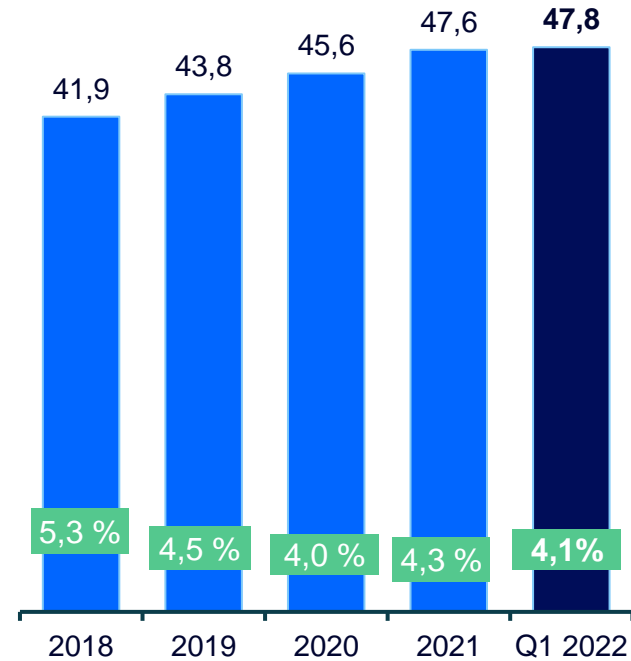
Deposit growth of 7.9 % over the last 12 months.

High deposit-to-loan ratio of 61.5 %

# Lending

- The competition in our market is high
- Lending growth ended at 3.9 per cent against 4.6 per cent at the end of 2021
- Lending growth to the retail market ended at 4.1 per cent by the end of Q1, while lending growth to the corporate market ended at 3.8 per cent
- Developments in the corporate market are affected by the closure of some major project financing in the shipbuilding industry, as well as lower withdrawals on credit facilities in the fishing industry
- The activity is high, and we expect growth both in retail – and corporate loans going forward

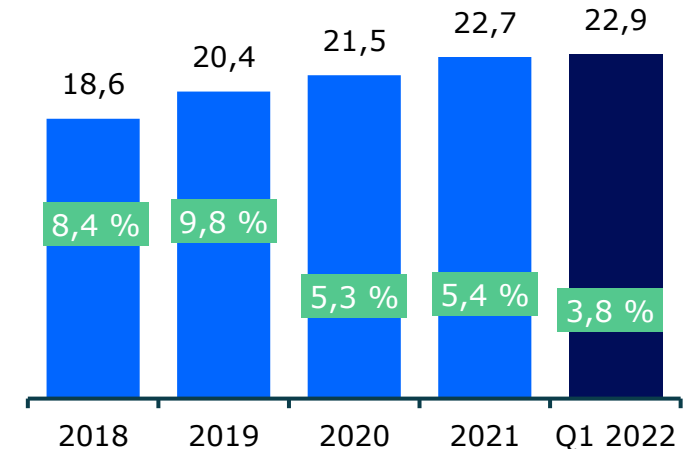
## Retail market - NOK billion and per cent y/y



Retail lending has increased by 4.1 % 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



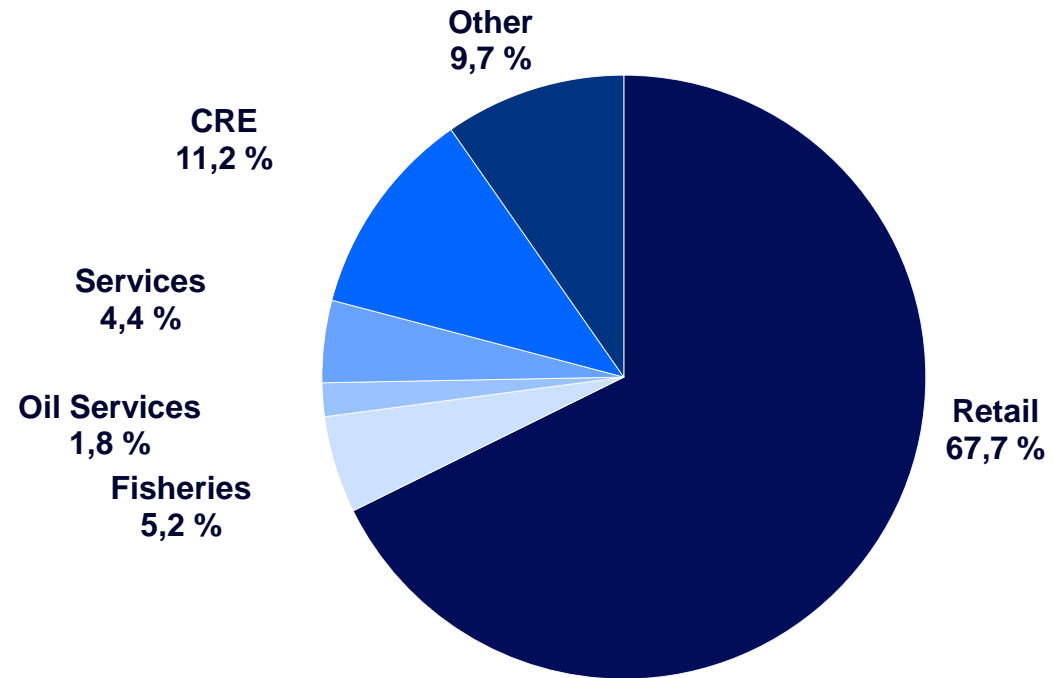
Corporate lending has increased by 3.8 % over the last 12 months

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

## Diversified loan book

- The bank has a stable share of commitments towards the corporate sector
- There is good industry risk diversification and a persistently low level of risk in the portfolio
- We see limited effect of the Ukraine situation

## Loans by sector



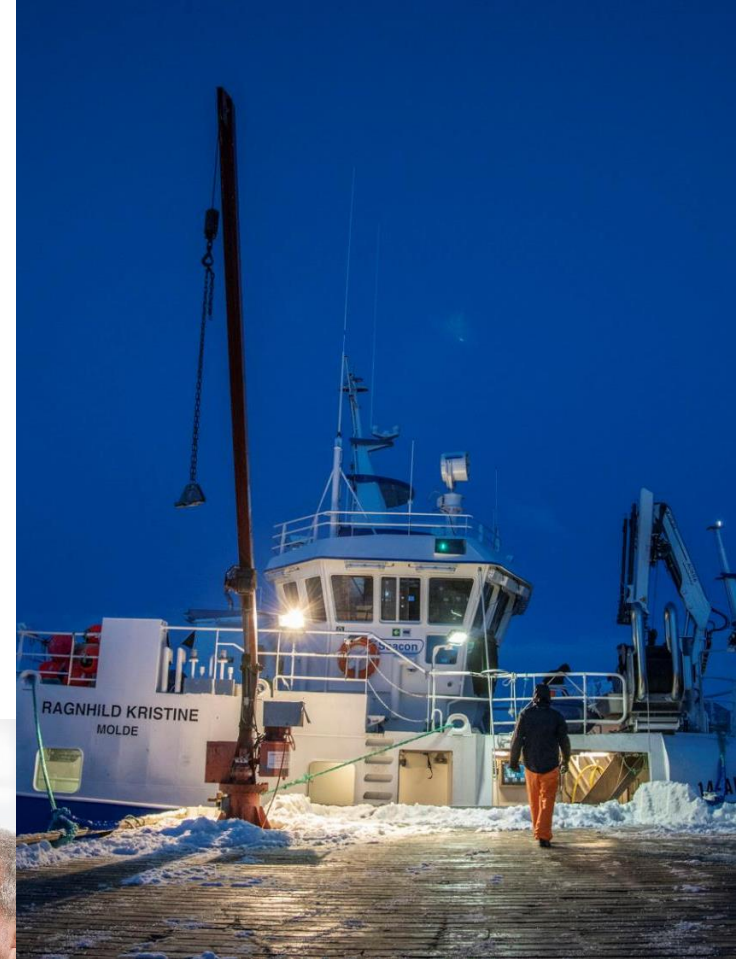
### Other;

Financial services	1.1 %	Other Industry	2.3 %
Building and Construction	1.4 %	Fishing Industry	1.2 %
Retail/wholesale trade	1.6 %	Ship Yards	0.4 %
Agriculture	0.9 %	Other	0.8 %



# Important area for seafood exports

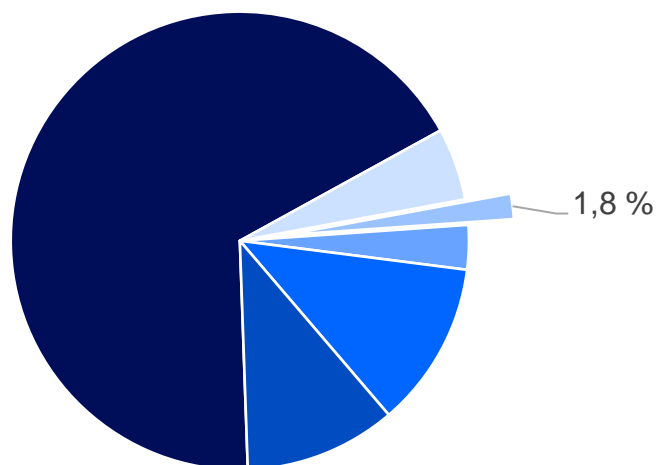
- Our county, Møre og Romsdal, accounts for almost 30 per cent of the total seafood exports from Norway
- Despite the tense global trade situation, the export value of Norwegian seafood has never been higher in a first quarter than in 2022. In the first three months of the year, Norway exported seafood to a value of NOK 34 billion. This is a growth in value of 22 per cent, or NOK 6.2 billion, measured against the first quarter last year
- 15 per cent of the bank's lending volume to corporate customers is related to fisheries
- The bank has its own industry group for Marin, staffed by authorized financial advisers with industry specialization in fisheries, the fishing industry and aquaculture



# Low exposure towards Oil Services

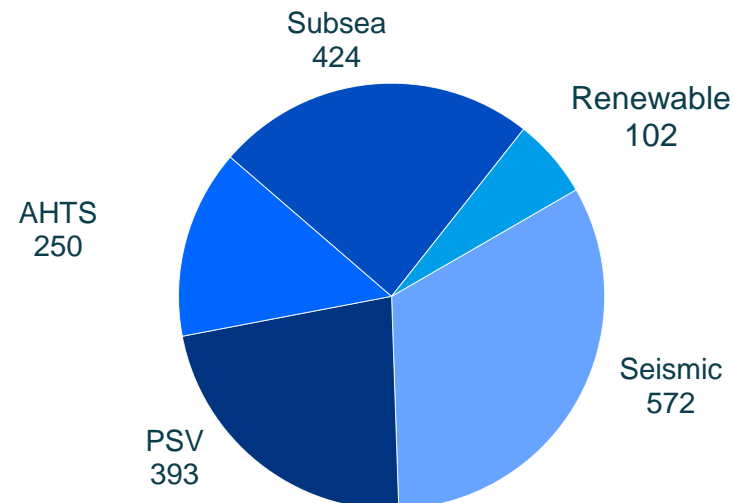
## Loans to Oil Services

- In per cent of total loans



## EAD\* by type of vessel

- In NOK million

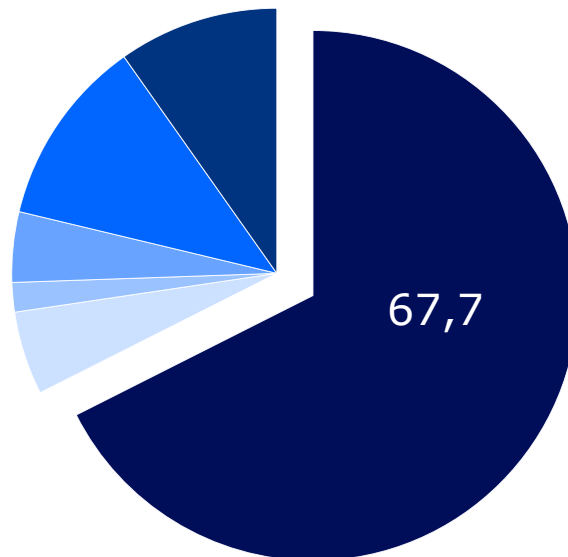


(EAD in NOK million)	Loans	Guarantees	Total EAD*	Expected Credit Losses			Per cent of EAD
				Individually assessed impairments	ECL-IFRS 9	Total	
Low Risk (Risk Class A-C)	257	57	314	0	2.5	2.5	0.8 %
Medium Risk (Risk Class D-G)	12	95	107	0	0.2	0.2	0.2 %
High Risk (Risk Class H-M)	227	169	396	0	11.2	11.2	2.8 %
Loans and guarantees with individually assessed impairments	790	105	894	215	-	215.0	24.0 %
<b>Total</b>	<b>1,285</b>	<b>426</b>	<b>1,712</b>	<b>215</b>	<b>13.9</b>	<b>228.9</b>	<b>13.4 %</b>

## Good quality in our retail portfolio

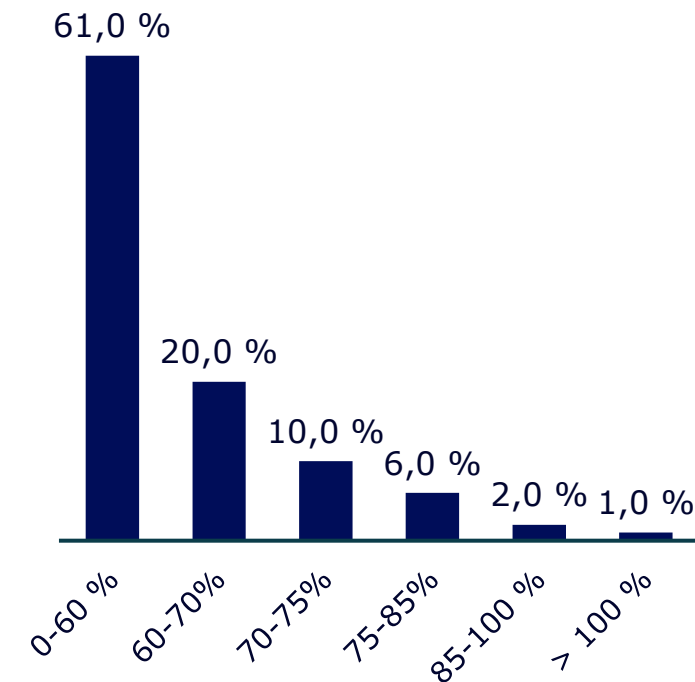
- Low risk in the portfolio with a large proportion of loans below 85 per cent loan-to-value ratio
- The proportion of customers with payment problems is low and there are few customers who request an installment exemption
- Many customers have made extraordinary repayments of their loans through the pandemic and many have also built good liquidity buffers

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



Deviation from Boliglånsforskriften reported in the first quarter of 2022 were 7.8 % ( max. 10 %) outside Oslo, and 7.9 % (8 %) in Oslo

### Loan to Value – retail loans



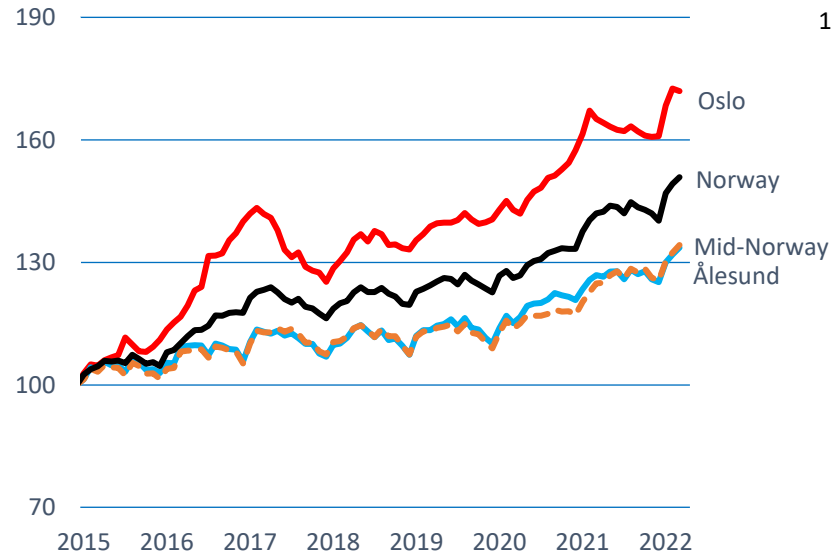
97 % of mortgages are within 85 % of LTV

# House prices

- Based on pre-owned dwellings sold in March 2022, Norwegian seasonal adjusted house prices increased by 1 per cent last month
- Last twelve months Norwegian house prices have increased in average by 6.2 per cent
- The City of Ålesund and the Mid-Norway region has over time experienced moderate growth in house prices compared to the national average, both indexed development and in price per square meter

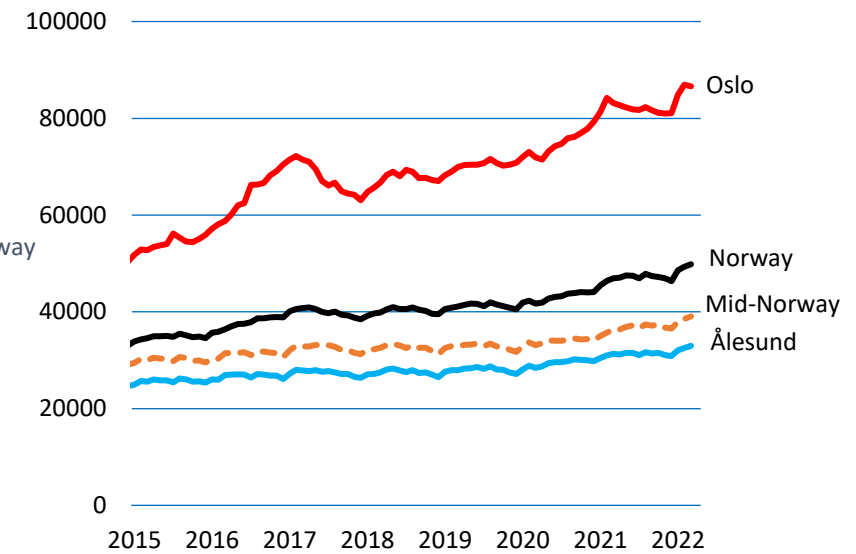
## Indexed development

- January 2015 = 100



## Price per square meter

- January 2015 – March 2022



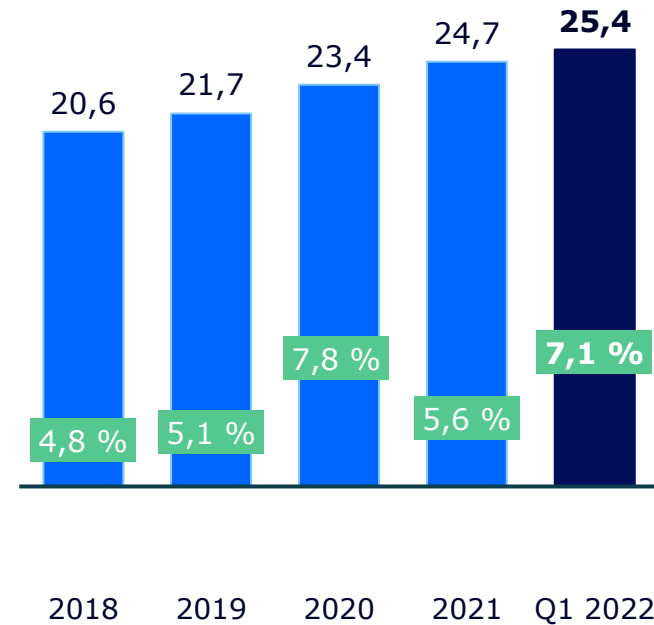
### Key information on pre-owned dwellings sold in March 2022

	Norway	Mid-Norway	Greater Ålesund	City of Oslo
Seasonal adj. development month	+1.0 %	+0.8 %	+0.8 %	+0.8 %
Development 12 months	+6.2 %	+7.6 %	+5.3 %	+4.1 %
Per square meter (NOK)	49,858	39,080	32,691	86,639
Average number of days on market	30 days	38 days	57 days	16 days
Price median dwelling (NOK)	3,643,674	3,050,000	2,900,000	4,933,500

# Deposits

- Good deposit growth in the quarter and deposits increased by 7.9 per cent y/y (MNOK 3,200)
- Strong deposit development in the corporate market with a growth of 9.1 per cent
- Growth in the retail market also strengthened during the first quarter and ended at 7.1 per cent y/y

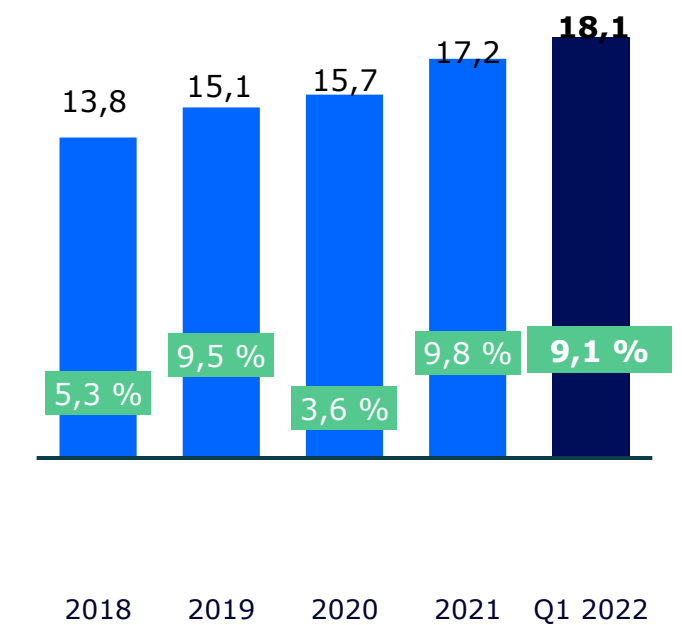
## Retail market - NOK billion and per cent y/y



Retail deposits have increased by 7.1 % over the last 12 months

Deposits from the retail market amount to 58.3 % of total deposits

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

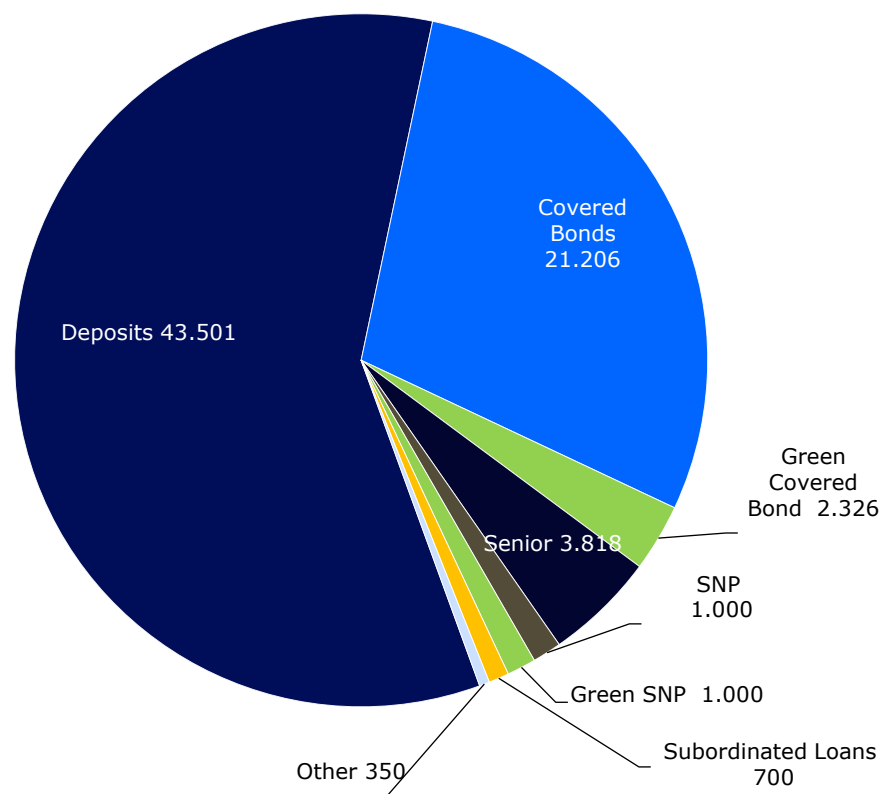


Deposits from corporate and public customers have increased by 9.1 % the last 12 months

# Liquidity and Capital

## Deposits from customers and market funding – strong rating

Deposits are the Group's most important source of funding



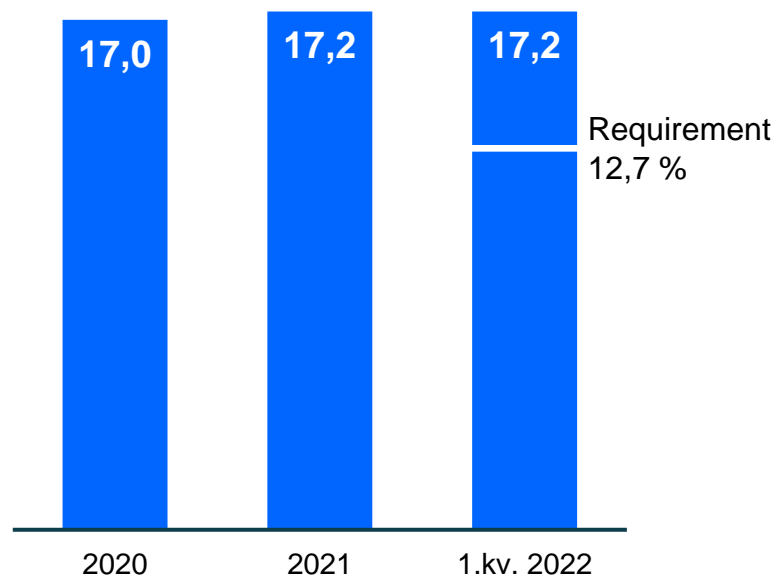
## Sparebanken Møre's strong capital provides competitive financing

- Our deposit-to-loan ratio stood at 61.5 per cent by quarter end
- Total net market funding ended at NOK 30.4 billion by end of Q1 2022 – more than 90 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.40 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 3.29 years (FSA defined key figures)
- 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
- The Group's first green market financing was established when Møre Boligkreditt AS entered the euro market on 21 September 2021 with a 5-year semi-benchmark (EUR 250 million inaugural green covered bond). The issue was very well received
- In January this year, Sparebanken Møre further issued its first green senior non preferred bond (SNP) with a first tranche of NOK 1.0 billion of a limit of NOK 1.5 billion. The loan has a maturity of 6 years. Through this issue and with a total of NOK 2.0 billion issued, the bank is well on track with the linear phasing in of the new capital class

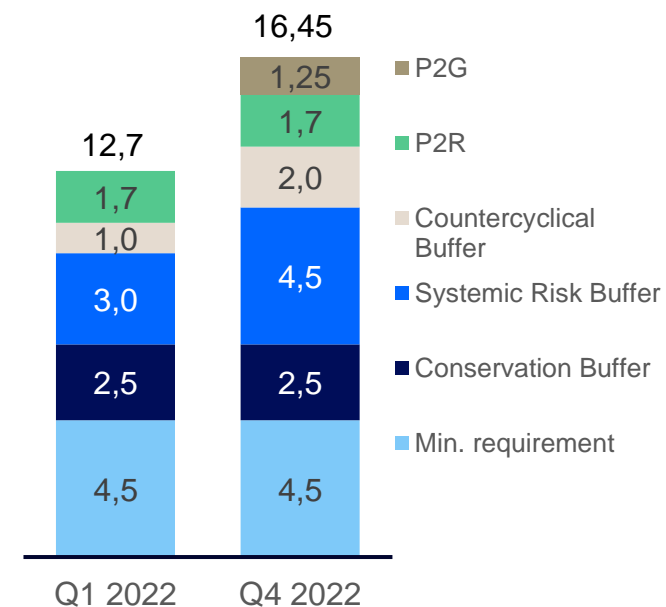
## Strong Capital

- CET1 at 17.2 per cent and Leverage Ratio (LR) at 7.7 per cent by quarter end, - the ratios are well above regulatory requirements
- In a letter from Finanstilsynet (FSA) dated 27.04.2022, the Pillar 2 requirement for Sparebanken Møre is finally set at 1.7 per cent, while FSA expects a P2G margin of minimum 1.25 per cent. The requirements must be met with CET1 capital
- Sparebanken Møre's future capital planning will be based on a CET1 ratio target that – as a minimum – will amount to the sum of Pillar 1 and Pillar 2 requirements plus the Pillar 2 Guidance

**CET1 capital in Sparebanken Møre**  
- % of risk weighted assets



**CET1 requirement for Sparebanken Møre**  
- % of risk weighted assets

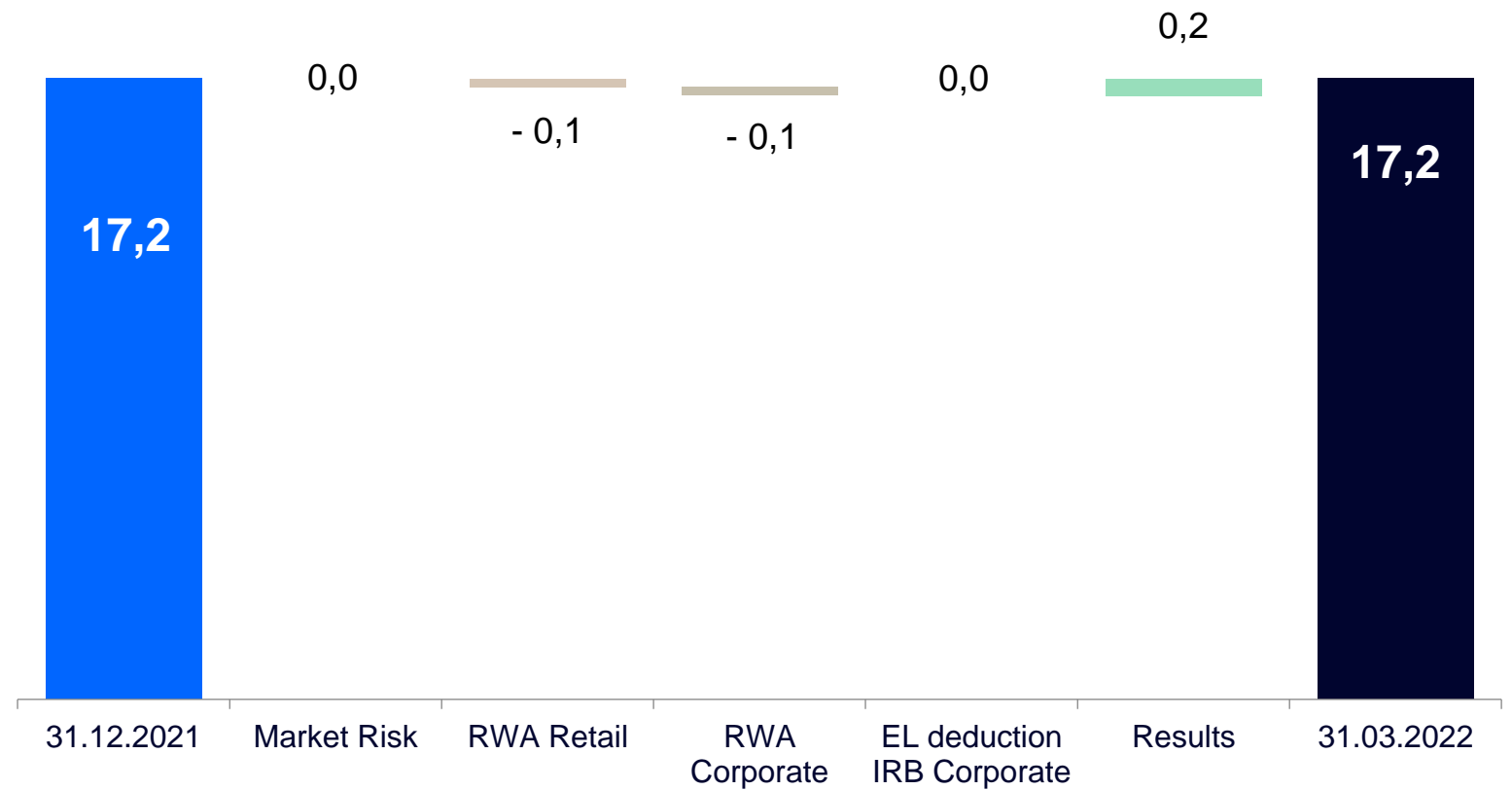


CRD V/CRR 2 is expected to have a positive effect of 1.3 p.p from 1.6.2022



# Development in CET1

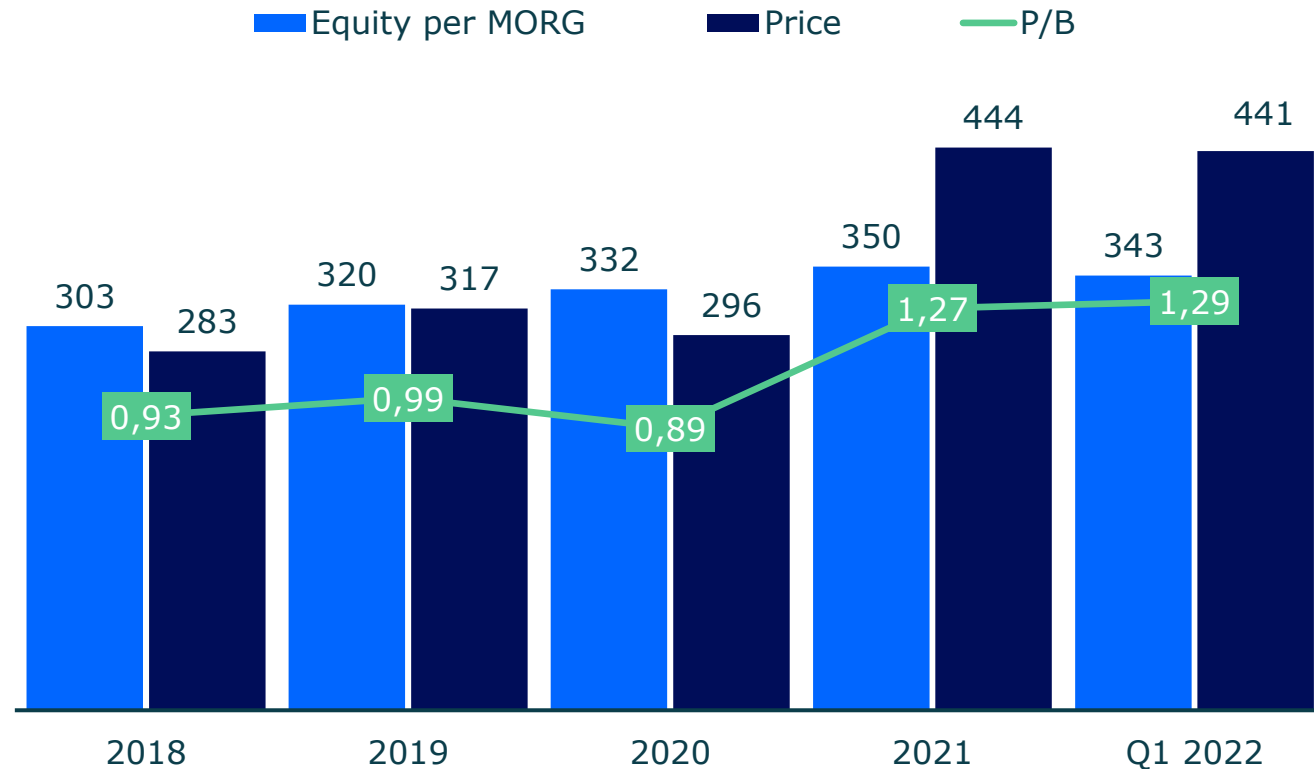
## Changes in CET1 from year end 2021



## 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

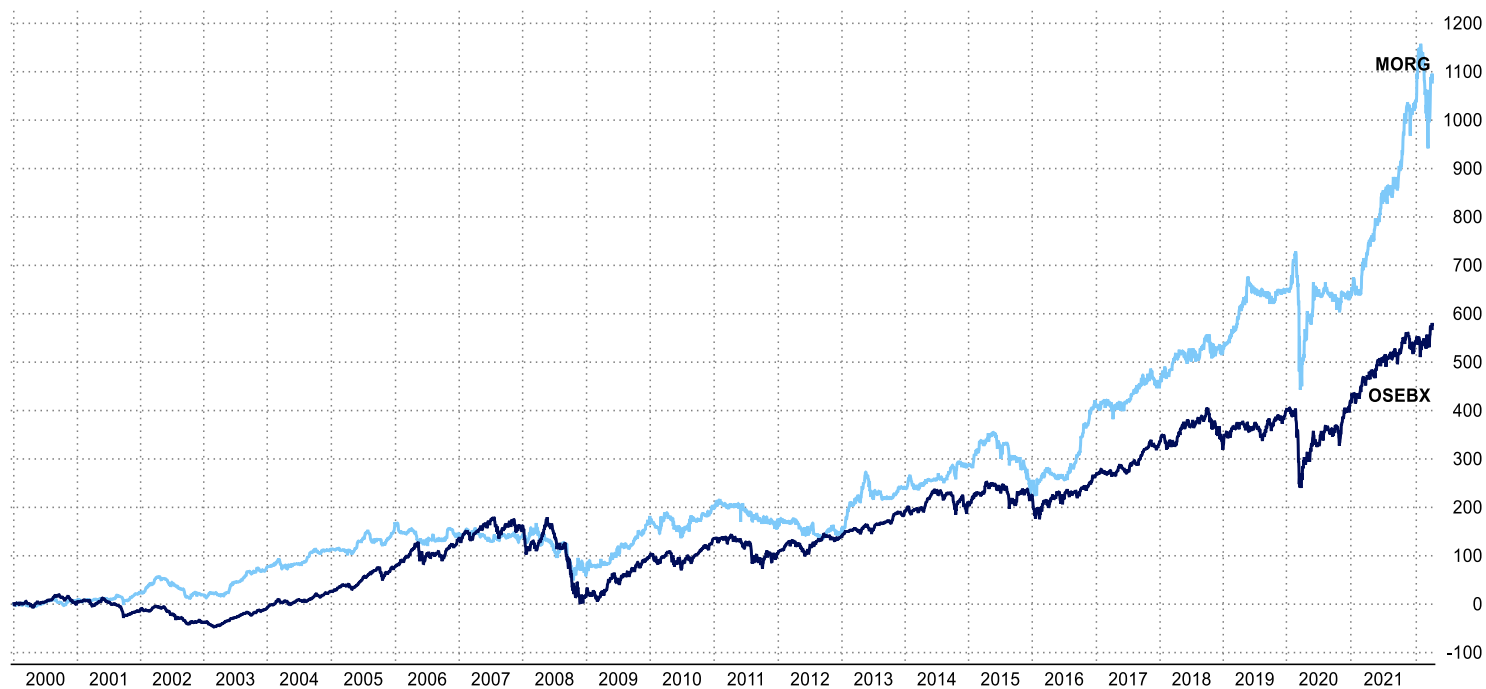
## MORG – price and Price/Book (P/B) value



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 March 2022
- Good Total Return over many years – the figure below shows Total Return on MORG vs the broad Oslo Børs index OSEBX since the beginning of 2000
- Paid dividend is NOK 16 per EC for the financial year 2021



Source: Bloomberg

## Annual dividend per EC (NOK)

1990	10	2006	20
1991	0	2007	23
1992	0	2008	20
1993	13	2009	12
1994	12	2010	12
1995	13	2011	8
1996	13	2012	12
1997	13	2013	8
1998	15	2014	13.50
1999	16	2015	11.50
2000	17	2016	14.00
2001	17	2017	14.00
2002	15	2018	15.50
2003	16	2019	14.00
2004	18	2020	3.50+9.00
2005	20	2021	16.00

# Equity Capital in Sparebanken Møre

## About equity certificates (EC)

- 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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