

# Sparebanken Møre Group

**Presentation 3rd quarter 2021**

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Acting EVP Finance

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- Results
- Deposits and Loans
- Liquidity and Capital

## Q3 2021 - highlights

- The bank continues the positive development and delivers the second best Q3 result ever
- We are leaving behind an active quarter, both in the bank and in the surroundings
- Strengthened net interest income and low losses contribute to improved profitability and cost efficiency
- The bank is solid and has good liquidity



### Balance growth

Lending growth was 6.2 per cent over the last 12 months. Growth in deposits was also 3.7 per cent



### Net Interest Income

In NOK: 320 million  
In per cent: 1.58



### Efficiency

Cost/Income ratio at 40.9 per cent in the quarter



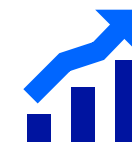
### Losses

NOK 2 million in losses on loans and guarantees in Q3



### Strong liquidity and solidity

Deposit-to-loan ratio at 58.5 per cent, LCR at 147 and CET1 at 17.1 per cent. Leverage Ratio at 7.6 per cent



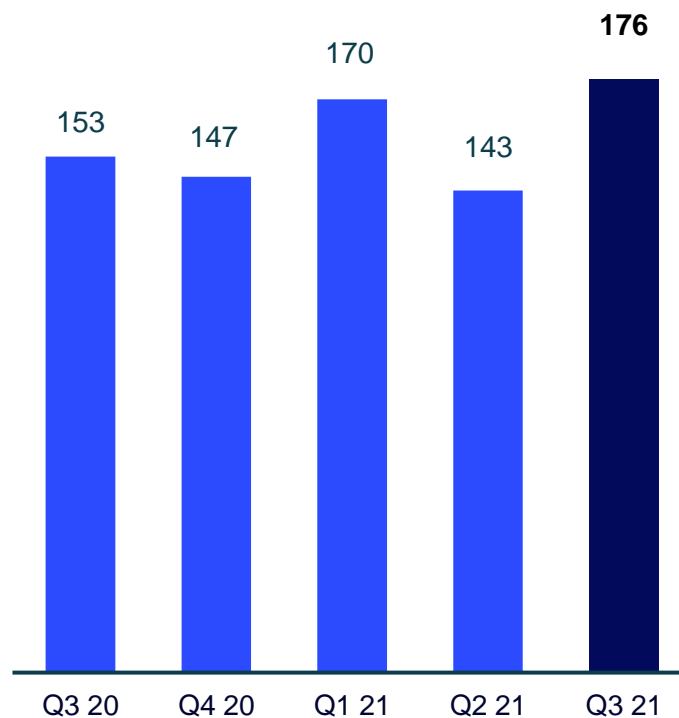
### Return on Equity

Return on Equity ended at 10.5 per cent for the third quarter of 2021

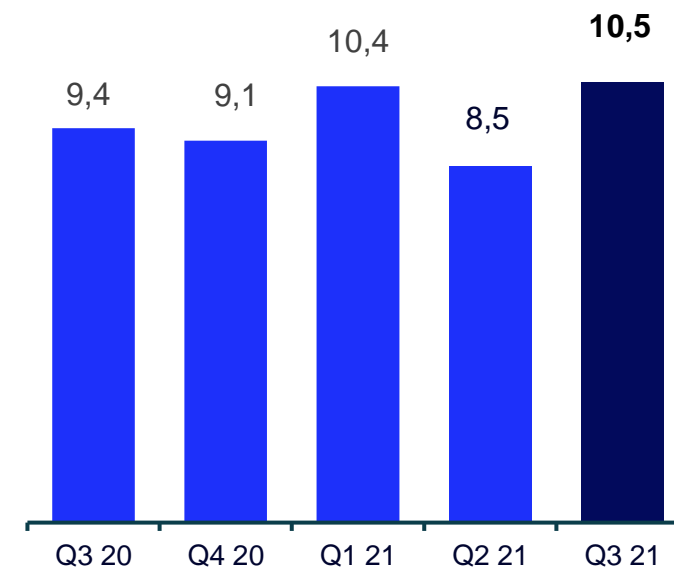
## Results in Q3

- The bank continues the positive development and delivers its second best result for the third quarter ever
- Profit after tax ended at MNOK 176 in Q3 2021
- Return on Equity was 10.5 per cent in the quarter compared to 9.4 per cent in Q3 2020

Profit after tax  
- NOK million



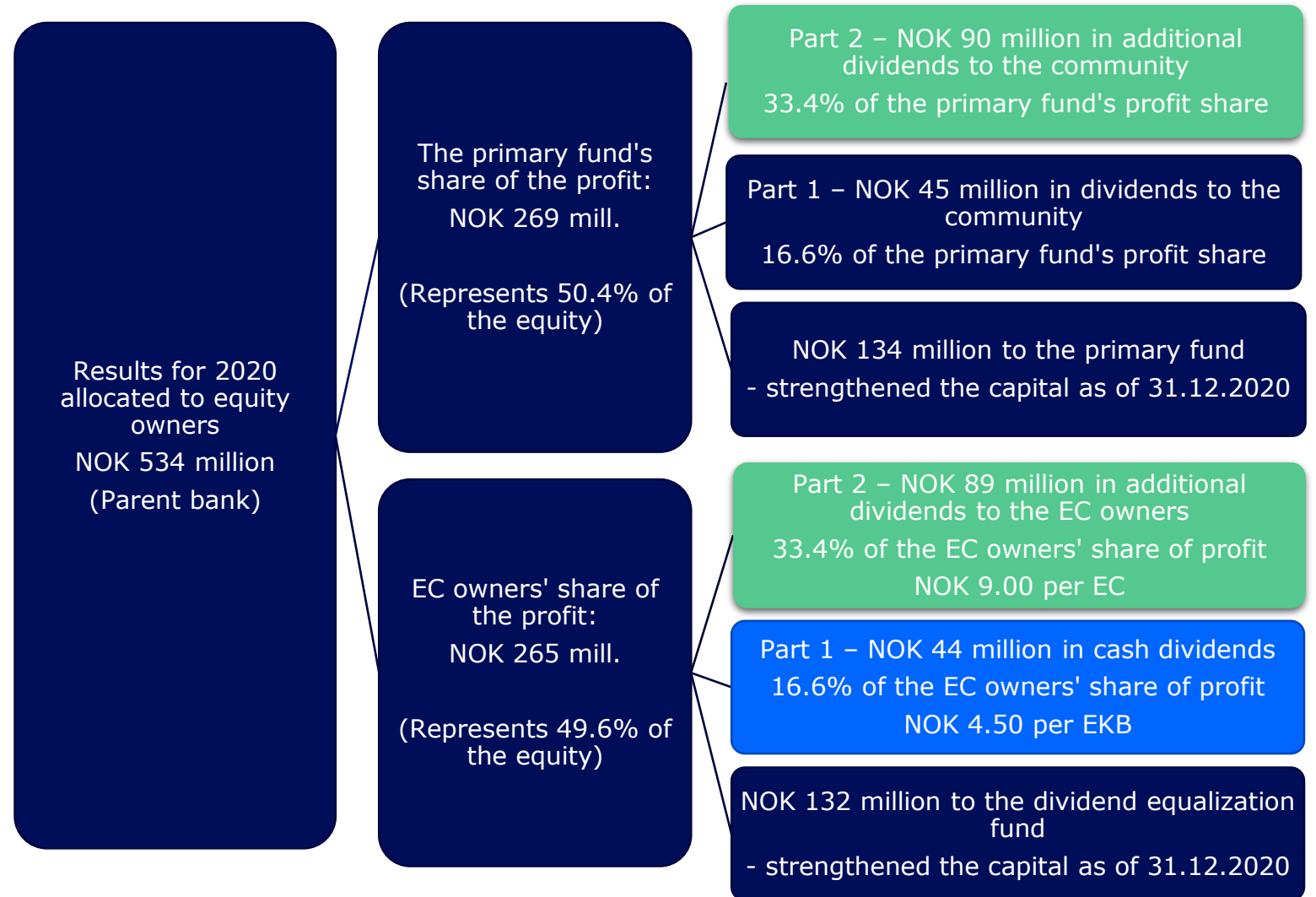
Return on Equity (ROE)  
- in per cent



## Dividend part 2 – fiscal year 2020

- The bank's dividend policy implies a cash dividend for 2020 of NOK 13.50 per equity certificate. Based on the extraordinary situation and the authorities' expectations, the General Meeting in March approved a cash dividend of NOK 4.50 per equity certificate, and NOK 45 million in dividends to the local communities. In addition, the General Meeting issued a board authorization for further distribution of dividends
- At its meeting on 25 October, the Board used its authorization and decided to distribute an additional dividend of NOK 9.00 per equity certificate, as well as the distribution of dividend funds to the local communities of NOK 90 million
- The dividend payment was taken into account as of 31 December 2020 and will thus not affect the bank's CET1 capital now

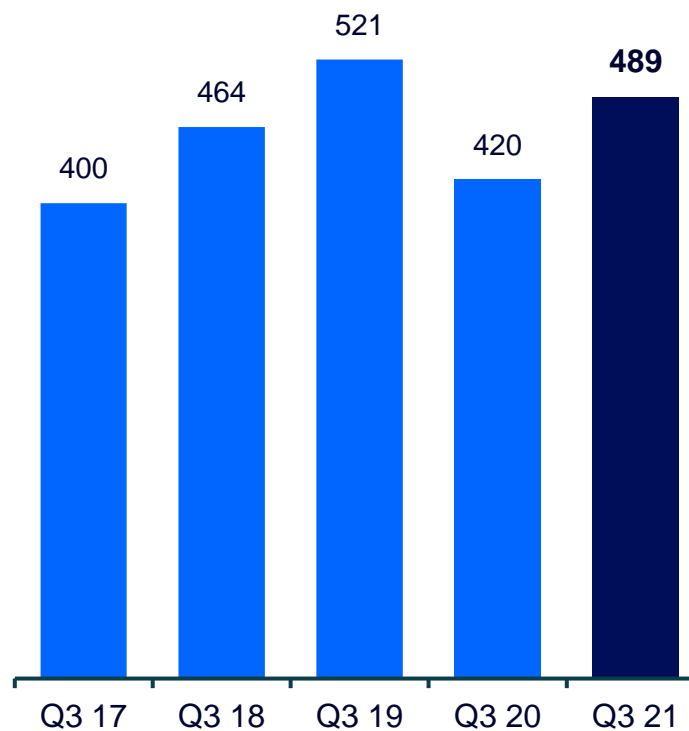
## Allocation of results for 2020 (Parent bank)



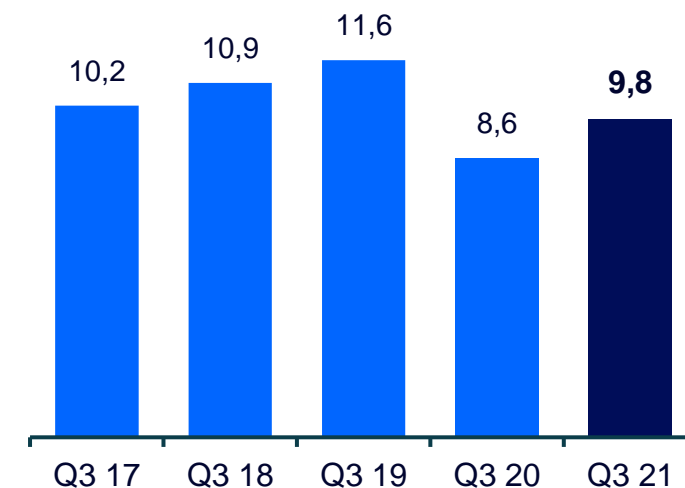
## Results by quarter end

- A good Q3 strengthens the result so far this year
- Profit after tax at the end of the quarter was NOK 489 million, corresponding to an improvement in profit of 16.5 % compared with last year
- The activity in the bank is good and we have a good momentum into the coming quarter

Profit after tax  
- NOK million



ROE  
- in per cent



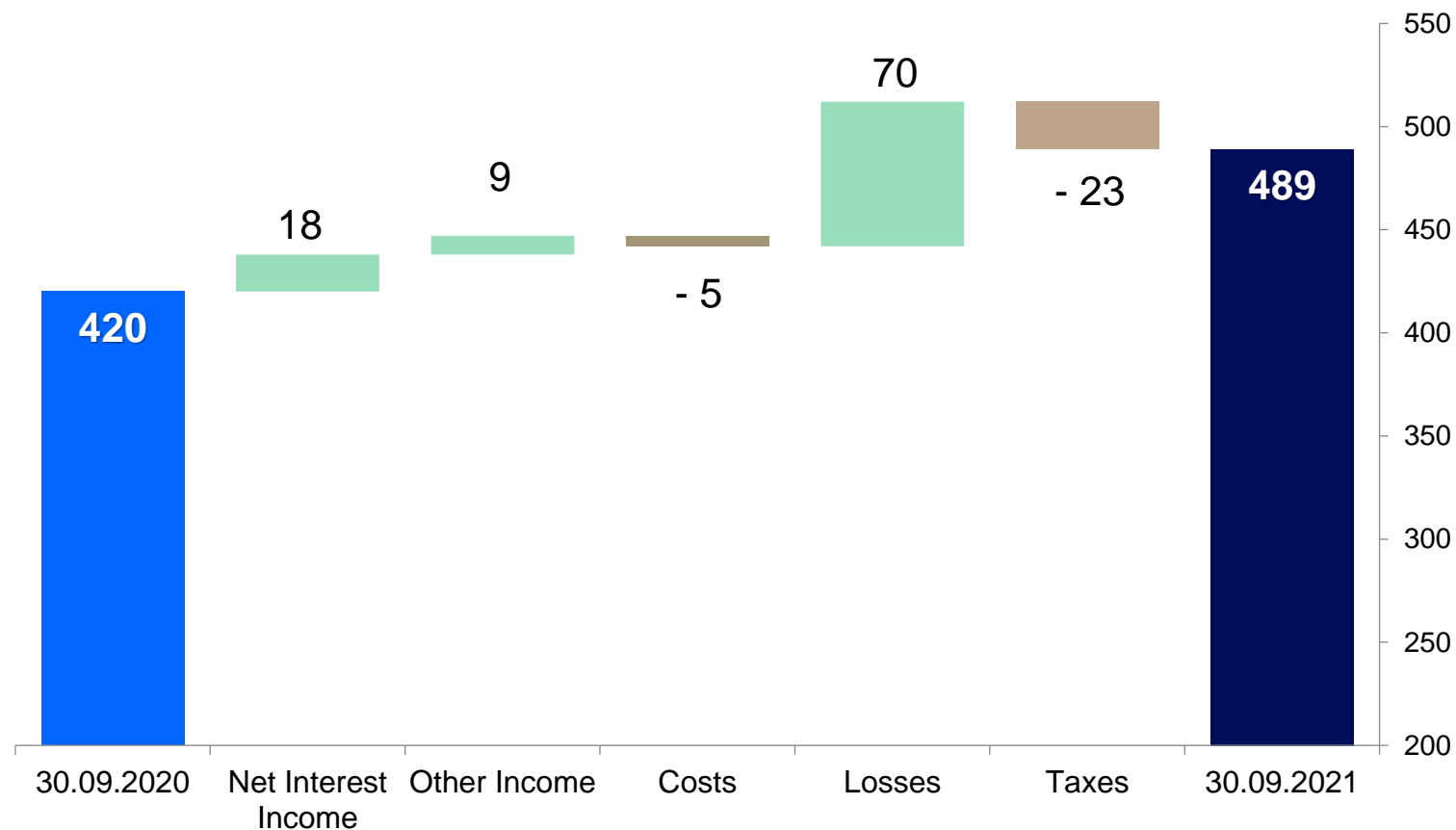
## Improved results

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

Losses have decreased compared to last year.

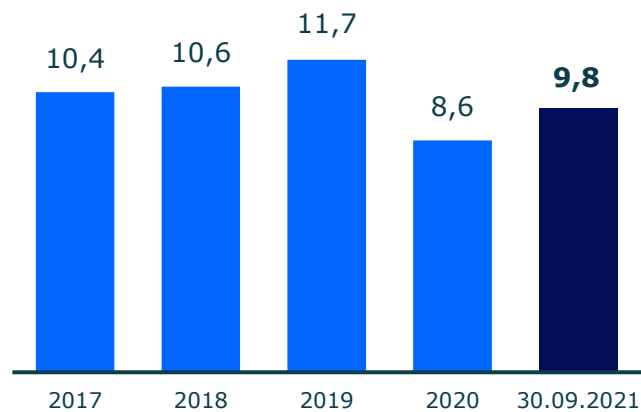
The costs are somewhat higher as a result of increased activity and increased investment in several areas

## Results by Q3 2021 vs. 2020

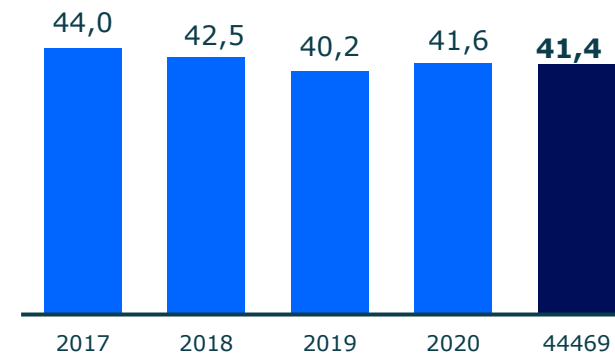


# Key figures by Q3

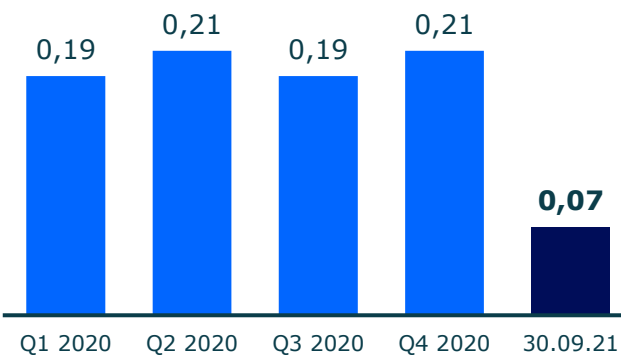
## Return on Equity



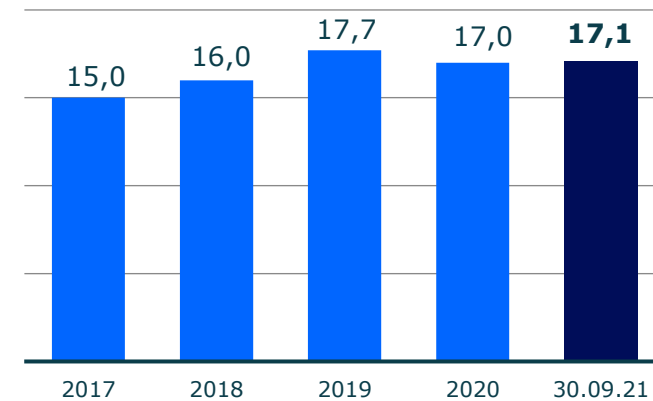
## Cost/Income



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



## Common Equity Tier 1 Capital (CET1)





## Balance sheet and key figures

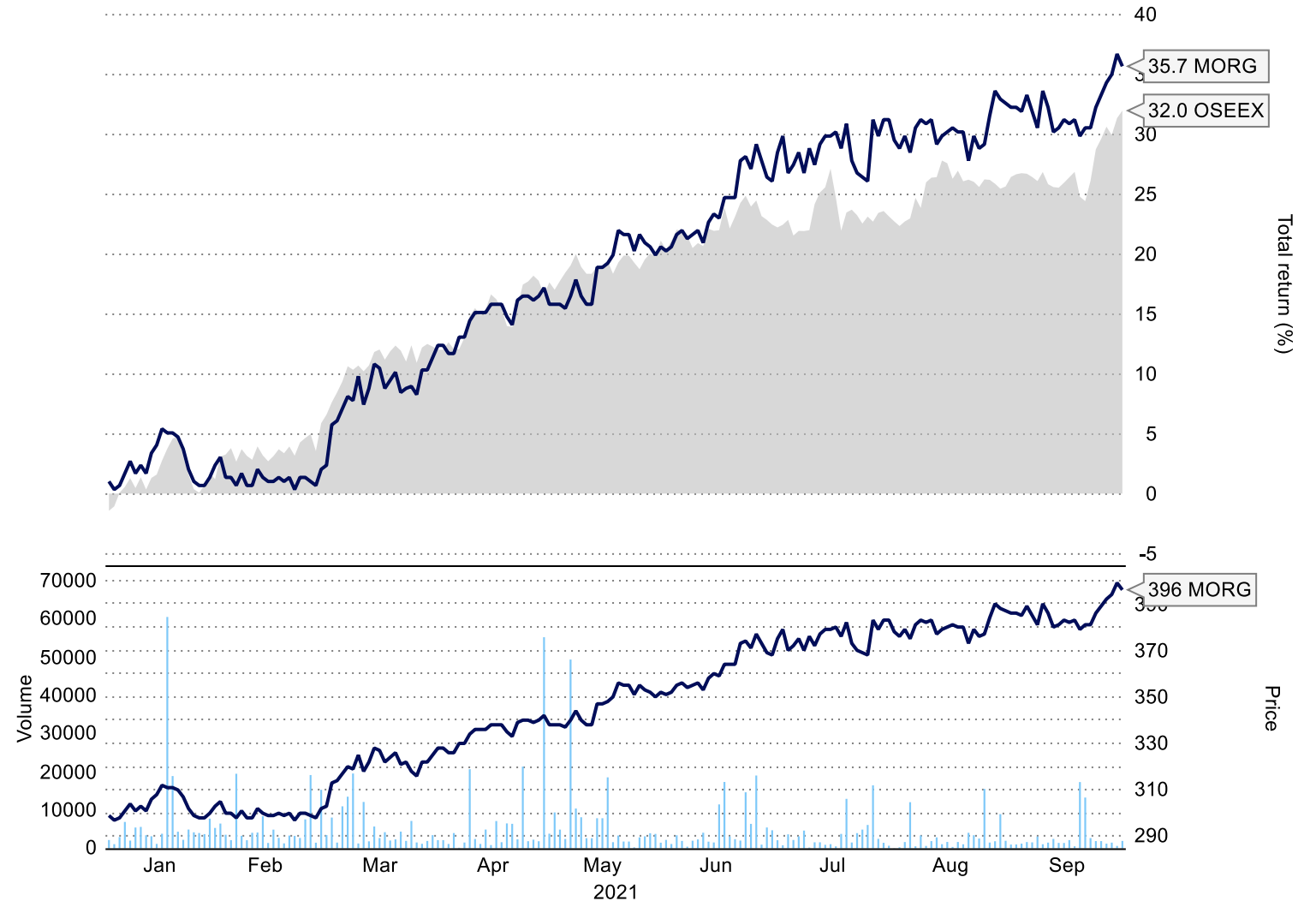
	30.09.2021	30.09.2020	Changes	
<b>Balance in NOK million</b>	<b>NOK</b>	<b>NOK</b>	<b>NOK</b>	<b>%</b>
Total Assets	84,262	80,384	3,878	4.8
Loans to customers	69,423	65,367	4,056	6.2
Deposits from customers	40,780	39,329	1,451	3.7
Net Equity and Subordinated Loans	7,050	6,921	129	1.9

<b>Key Figures</b>	<b>30.09.2021</b>	<b>30.09.2020</b>	<b>Changes p.p.</b>	
Return on Equity	9.8	8.6	1.2	
Cost/Income ratio	41.4	42.0	-0.6	
Total Capital	20.8	21.4	-0.6	
Tier 1 Capital	18.8	19.3	-0.5	
CET1	17.1	17.5	-0.4	
Leverage Ratio	7.6	7.9	-0.3	
Profit per EC (NOK, the Group)	23.71	20.00	3.71	
Profit per EC (NOK, the Bank)	25.99	22.95	3.04	

# MORG – strong price development

- With a MORG price of NOK 396 at the end of the quarter, the price to book ratio has increased from 0.89 as of 31.12.2020 to 1.13 by quarter end
- As the figure shows, the MORG price has increased by 35.7 per cent during the first three quarters of 2021, more than the average growth (32.0 per cent) in the EC-market in the same period (Total Return for the EC-index (OSEEX))
- The CET1-ratio ended at 17.1 per cent by quarter end

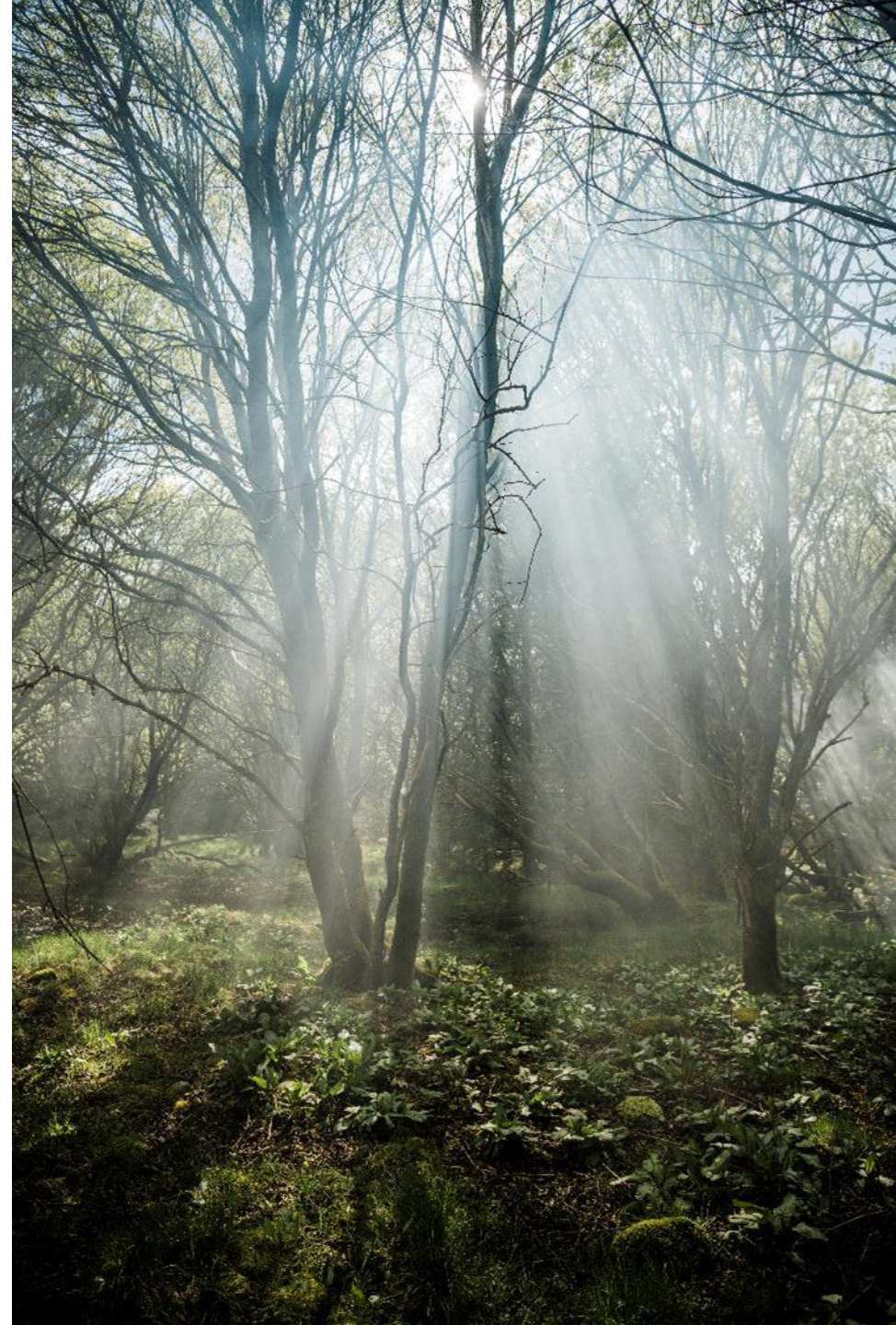
Development at Oslo Stock Exchange YTD (MORG vs. EC-index)



Source: Bloomberg

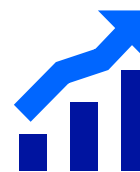
## Outlook for the region and the bank

- Unemployment in Møre og Romsdal continued to fall through the third quarter. At the end of September, the number of completely unemployed at the employment offices was 2.0 per cent of the labour force according to NAV. In comparison, unemployment on a national basis was 2.4 per cent. Unemployment is now close to the level before the shutdown of the Norwegian economy began in March 2020
- Over the autumn, there has been a clear increase in the number of advertised positions, especially in the health and care sector, industry and service professions. In addition, many positions have been advertised within shop and sales work. Several industries report that they have challenges in recruiting labour. This is also an indication that production and demand in the county are increasing
- 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 both further improvements in our targets figures in the fourth quarter, and that implemented measures will lead to achieved targets in 2022



ROE > 11.0 per cent



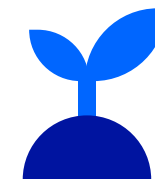
C/I < 40.0  
per cent



Low level  
of losses



CET1 > 15.2  
per cent



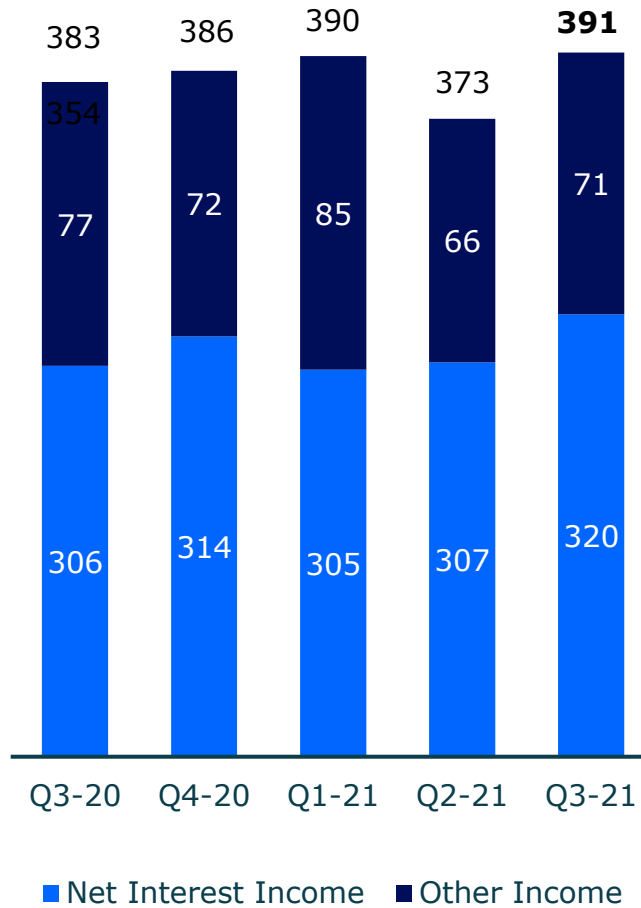
Healthy financial  
structure

# Results

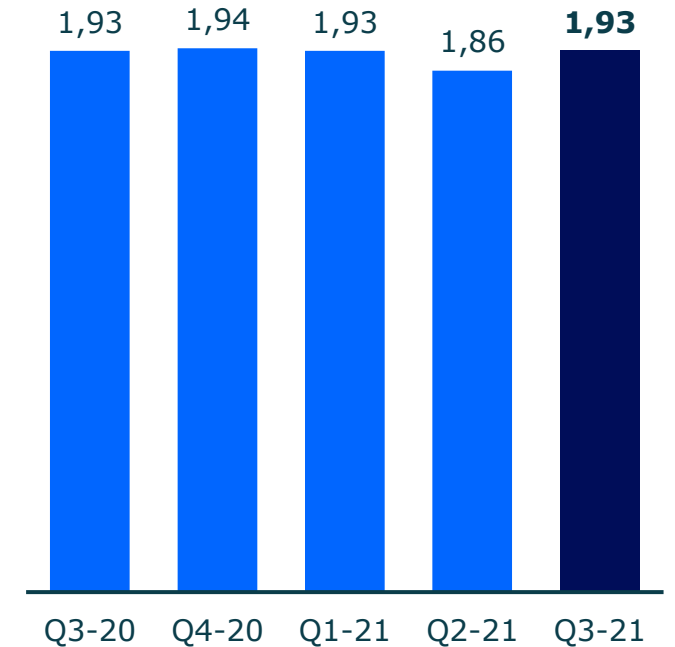
# Total Income

- Total revenues were NOK 391 million in the third quarter, higher than in the previous quarter
- Net interest income was higher than in Q2 and markedly higher than in Q3 2020
- Other income lower than the same period last year but higher than the previous quarter

**Total income**  
- NOK million



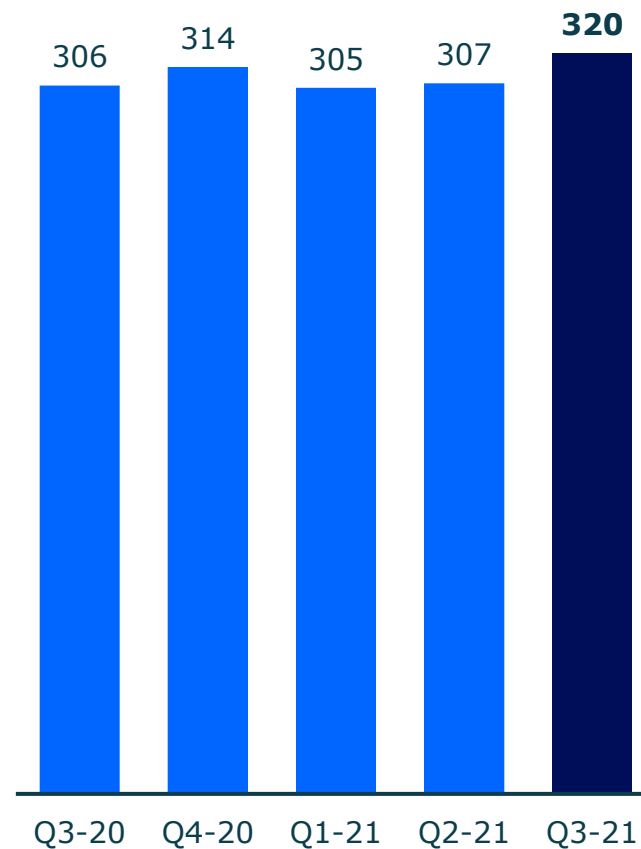
**Total income**  
- % Average Assets



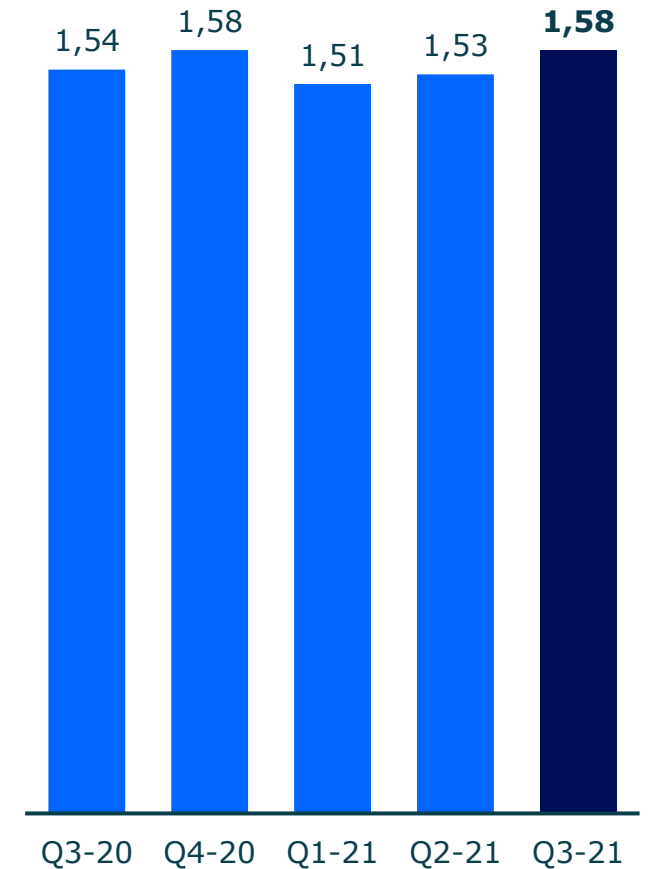
# Net Interest Income rebounds

- Net Interest Income increased to MNOK 320 in Q3, 4.6 % higher than in Q3 2020
- In the quarter, the bank has inter alia benefitted from the interest rate fixing structure on our market funding
- Going forward, we will also see a positive effect from the - in general - higher interest rate level and the repricing of loans and deposits
- The bank will implement interest rate changes on loans with effect from 10 November and on deposits with effect from 29 November

Net Interest Income  
- NOK million



Net Interest Income  
- % of Average Assets

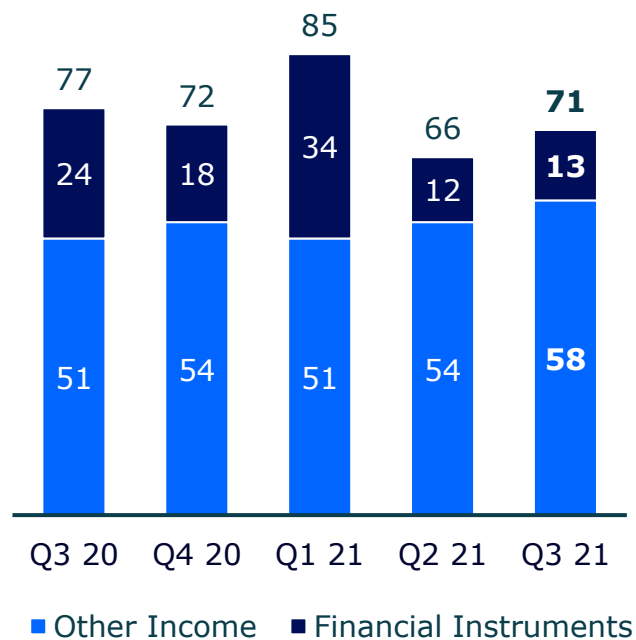




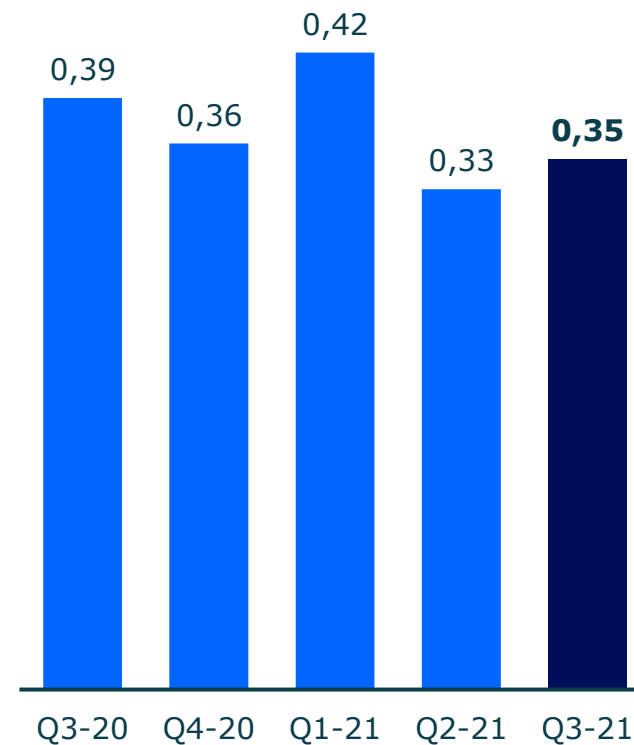
## Quarterly development in Other Income

- Increased focus and activity contribute to growth in other income
- Income from real estate, discretionary asset management, fund sales and guarantee commissions contribute to this

Other Income  
- NOK million



Other Income  
- % of Average Assets

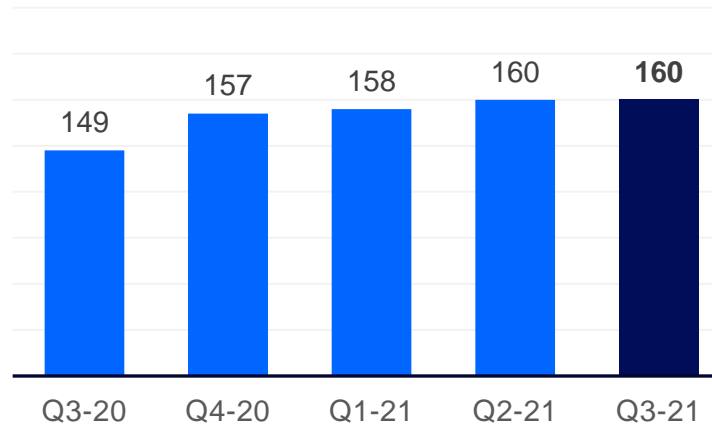




# Strong Costs control

- Total costs in the quarter were MNOK 160 and the cost/income ratio was 41,4 by quarter end
- We are implementing a number of measures to increase the quality of the customer experience and equip the bank for the future. Investments in digital customer solutions, technology, sustainability measures, expertise and resources
- The costs as of the first three quarters of 2021 is MNOK 5 (1.1%) higher than at the same time in 2020

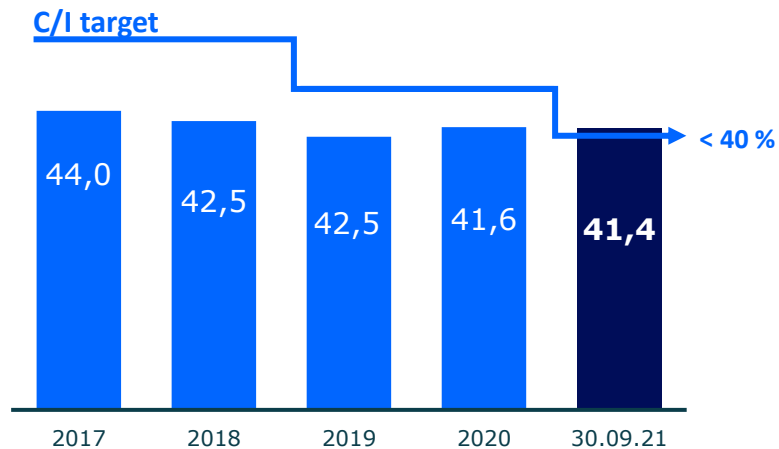
## Operating Costs - NOK million



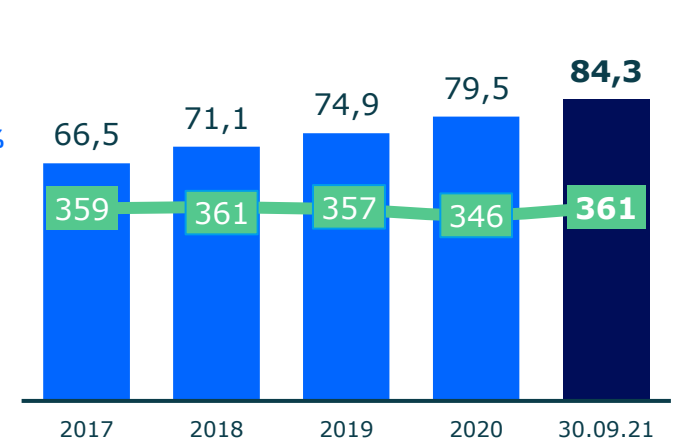
## Operating Costs - % of Average Assets



## Cost/Income ratio



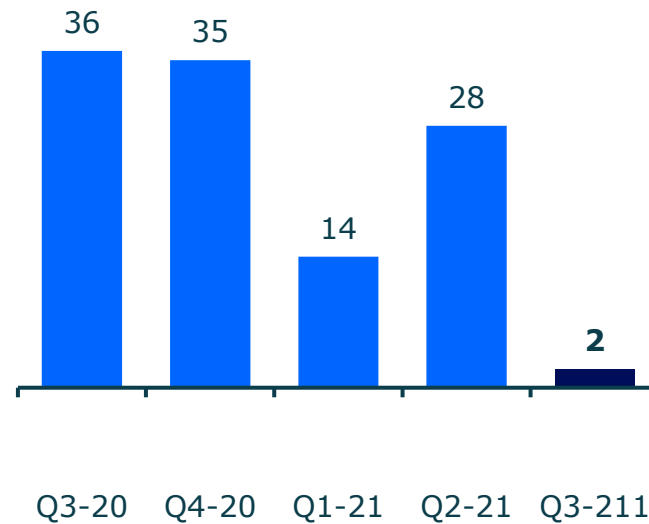
## Total Assets and Man Years - Total Assets in NOK billion



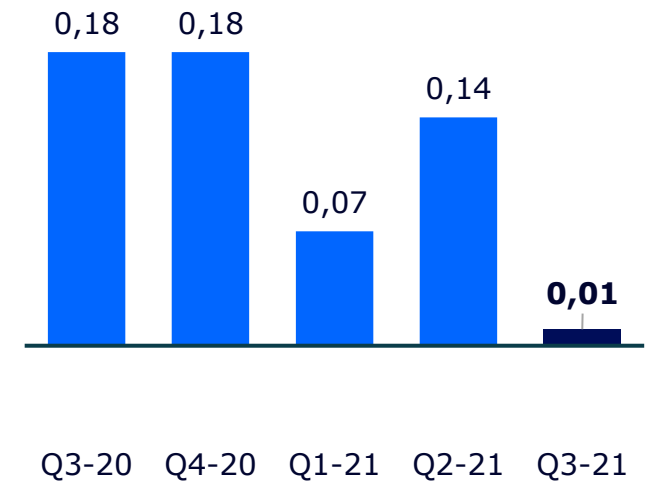
# Losses

- The quarterly accounts are charged with NOK 2 million in losses, which are distributed with NOK 9 million in the corporate market and a reduction of NOK 7 million in the retail customer segment
- Total impairments have increased from NOK 326 million at the end of 2020 to NOK 365 million at the end of the quarter

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



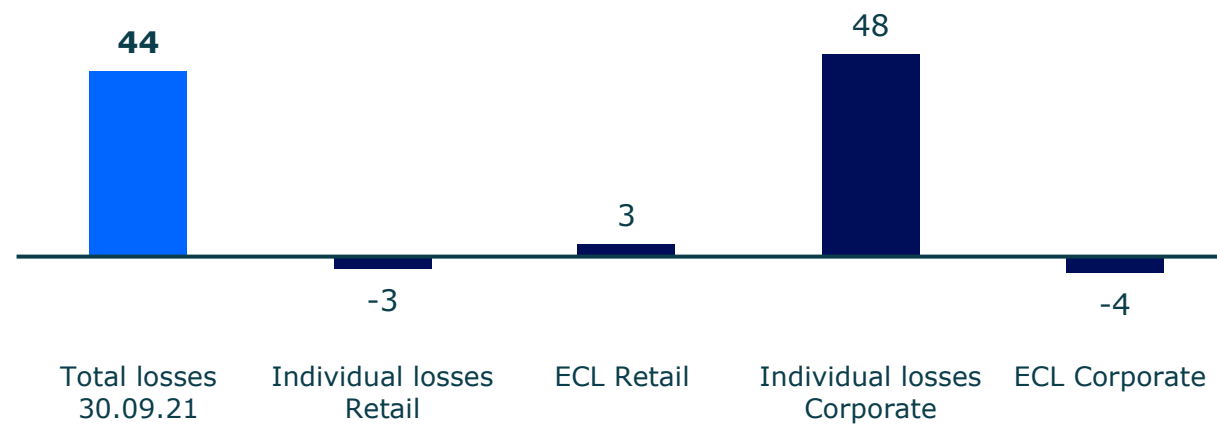
**Losses on loans and guarantees**  
- % of Average Assets



## Losses by sector

### Losses on loans and guarantees

- NOK million

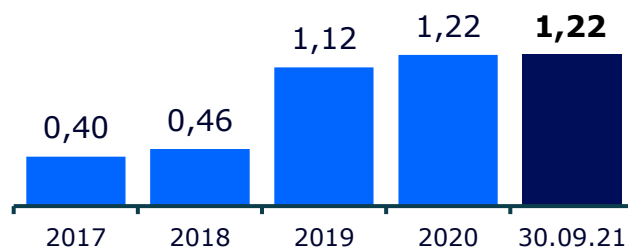


# Portfolio quality and impairments

- The level of losses is low and the quarterly accounts are charged with a loss of NOK 2 million
- The losses are distributed with NOK 9 million in the corporate market and a reduction of NOK 7 million in the retail customer segment
- Our customer portfolio is solid and well diversified. Defaults are low and there are few bankruptcies

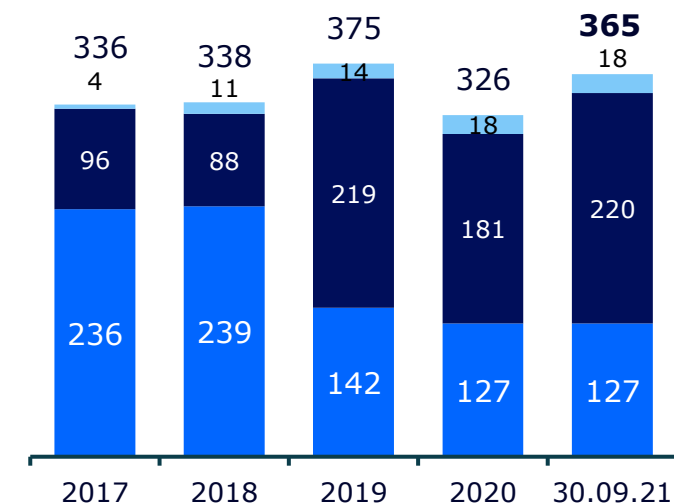
## Credit impaired committments (net)

-per cent of loans/guarantees



## Impairments

- NOK million

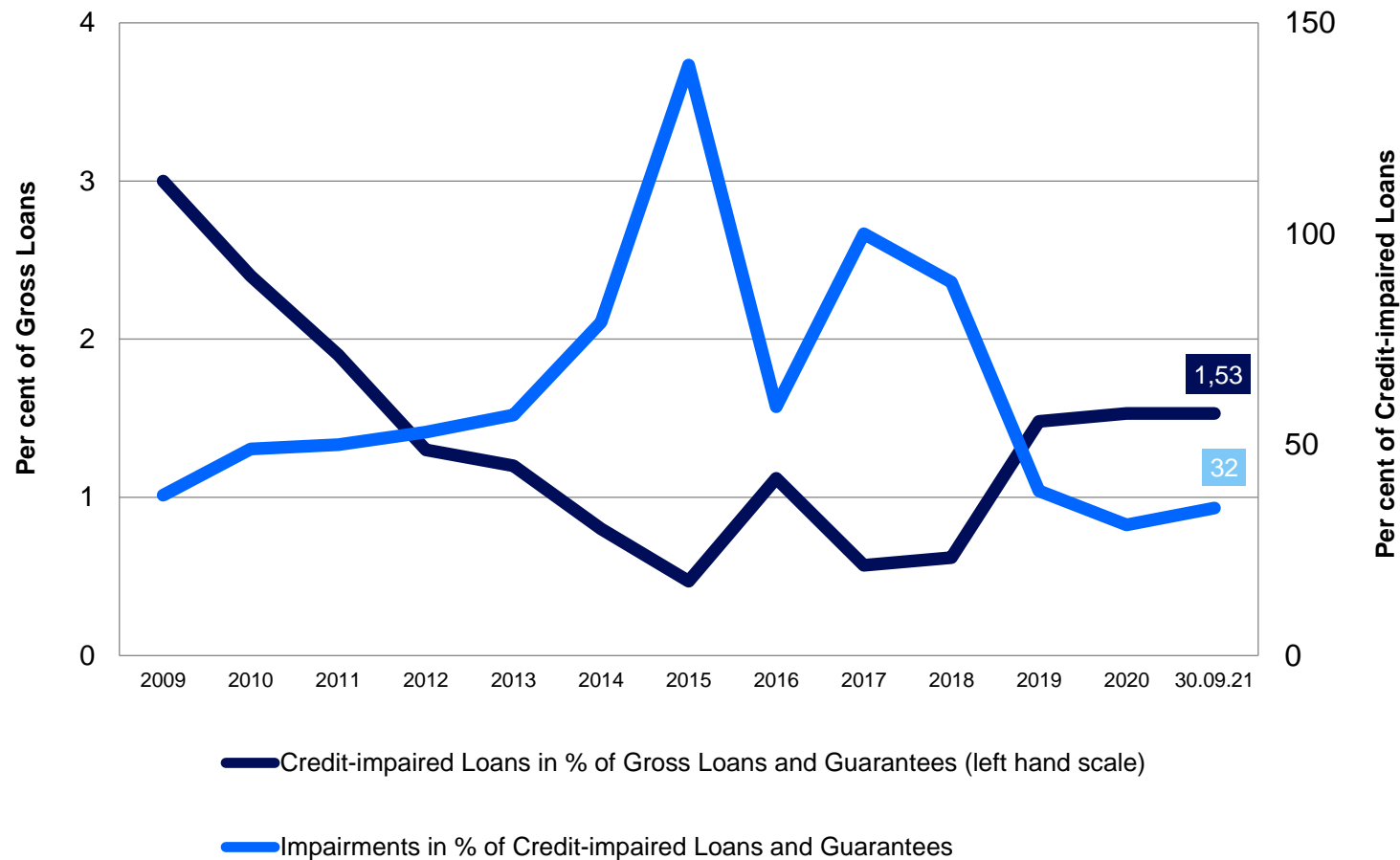


■ ECL on commitments in default above 90 days

■ Individual impairments on other credit-impaired commitments

■ ECL-impairments on loans and guarantees

# 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 %)	30.09.2021		30.09.2020		Changes	
	NOK	%	NOK	%	NOK	p.p.
Net Interest Income	932	1.55	914	1.56	18	-0.01
Net Income Financial Investments	0	0.00	-6	-0.01	6	0.01
Gains/losses liquidity portfolio	11	0.02	6	0.01	5	0.01
Gains/losses on shares	48	0.08	56	0.10	-8	-0.02
Other Income	163	0.27	157	0.26	6	0.01
<b>Total Other Income</b>	<b>222</b>	<b>0.37</b>	<b>213</b>	<b>0.36</b>	<b>9</b>	<b>0.01</b>
<b>Total Income</b>	<b>1,154</b>	<b>1.92</b>	<b>1,127</b>	<b>1.92</b>	<b>27</b>	<b>0.00</b>
Salaries and wages	257	0.42	251	0.42	6	0.00
Other costs	221	0.37	222	0.38	-1	-0.01
<b>Total operating costs</b>	<b>478</b>	<b>0.79</b>	<b>473</b>	<b>0.80</b>	<b>5</b>	<b>-0.01</b>
Profit before losses	676	1.13	654	1.12	22	0.01
Losses on loans, guarantees etc	44	0.07	114	0.19	-70	-0.12
<b>Pre-tax profit</b>	<b>632</b>	<b>1.06</b>	<b>540</b>	<b>0.93</b>	<b>92</b>	<b>0.13</b>
Taxes	143	0.24	120	0.20	23	0.04
<b>Profit after tax</b>	<b>489</b>	<b>0.82</b>	<b>420</b>	<b>0.73</b>	<b>69</b>	<b>0.09</b>

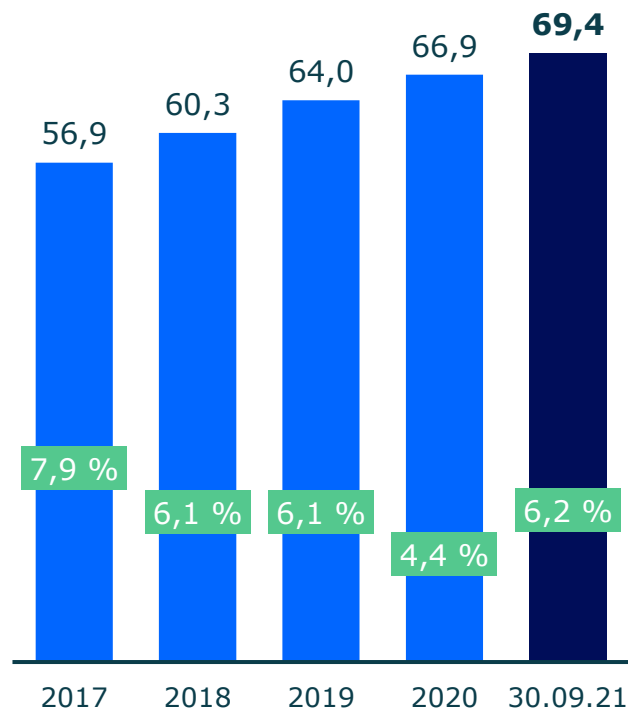
# Balance sheet

## High activity and good growth

- The bank has seen good activity so far this year with an increasing growth rate in total lending compared with the end of 2020
- Lending growth ended at 6.2 per cent against 4.4 per cent at the end of 2020
- Deposit growth over the last 12 months ended at 3.7 per cent

### Loans

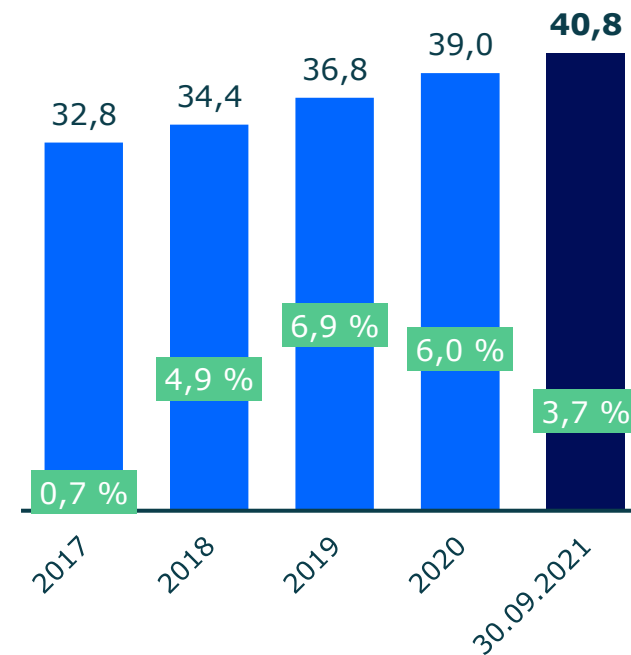
- NOK billion and per cent (y/y)



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

### Deposits

- NOK billion and per cent (y/y)



Deposit growth of 3.7 % over the last 12 months.

High deposit-to-loan ratio of 58.5%



# Top ranking in EPSI's customer survey\*

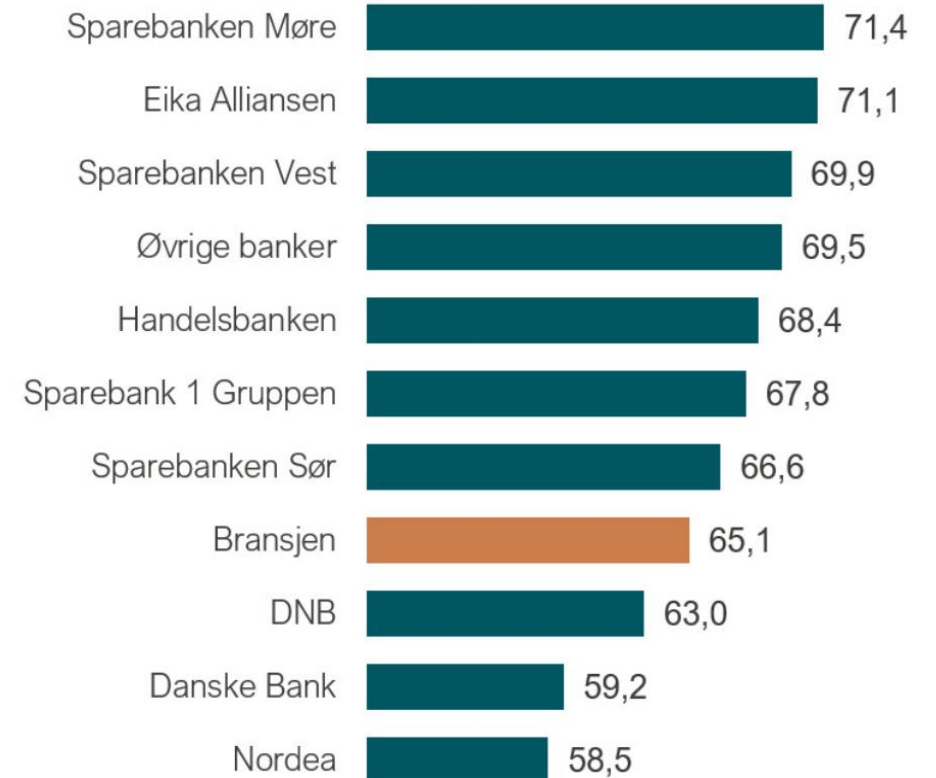
## Strong results in several areas

- The bank achieves high scores in both the retail and the corporate markets
- In the corporate market survey, the bank scores strongly in the areas of industry knowledge, proactive advice, close follow-up and social responsibility
- Sparebanken Møre is the best bank related to sustainability, both in the retail and the corporate markets

\*The EPSI Rating Group conducts market research i.a. related to banks in the Nordic region, the UK, the Netherlands, and the Baltic countries, re: [epsi-rating.com](https://epsi-rating.com)



## Ranking Corporate Market



# Our business model is local, personal and digital

## Customers appreciate the total offer

- High customer satisfaction among Sparebanken Møre's customers
- Proximity and proactive follow-up are highlighted as some of the most important drivers of customer satisfaction
- Customers prefer personal contact when complex issues are to be discussed
- The combination of personal meetings, local knowledge and digital solutions provide options and a good overall offer



27 offices

in our area Nordvestlandet

361

Man-Years

84,3 billion

In Total Assets

# Lending

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

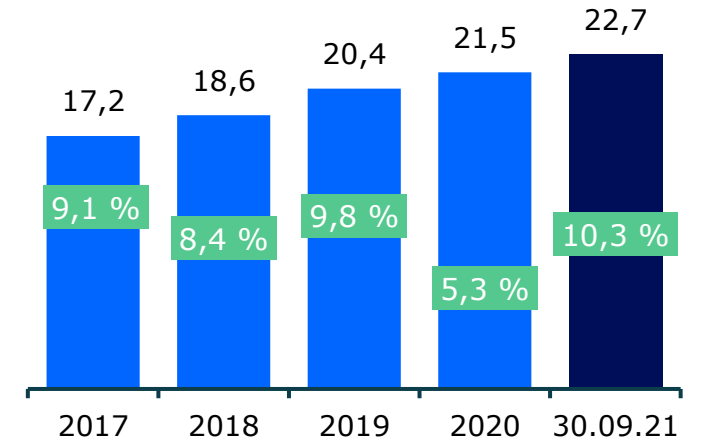
**Retail market**  
- NOK billion and per cent y/y



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

Loans to the retail market amount to 67.5 % of total loans

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



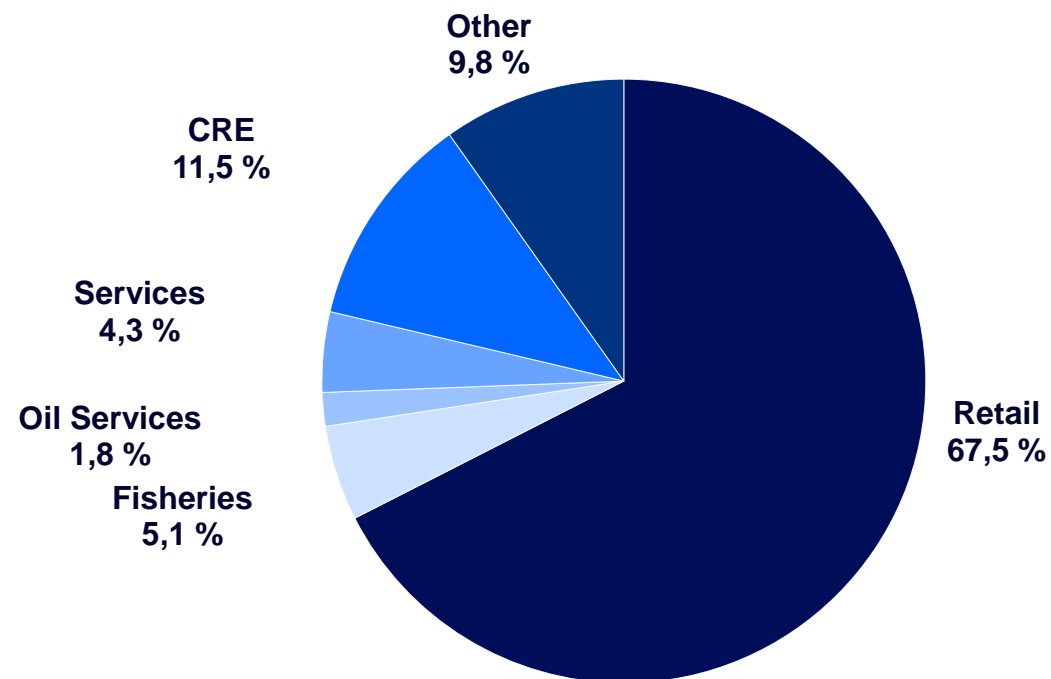
Corporate lending has increased by 10.2 % over the last 12 months

Loans to the corporate market amount to 32.5 % of total loans

## Diversified loan book

- The bank is diversified with high credit quality in the portfolio
- We are experiencing a normalization of the beconomy and good activity in several industries
- Unemployment in our market area is low and decreasing and several companies are reporting challenges in recruiting labour, which indicates increasing activity in the corporate sector

## Loans by sector



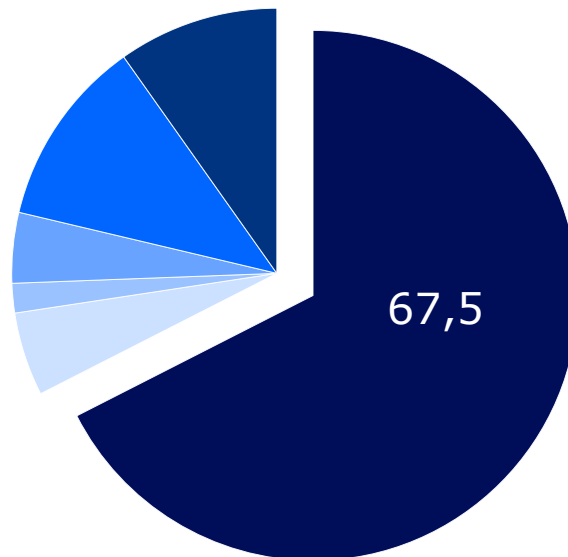
### Other;

Financial services	0.7 %	Other Industry	2.6 %
Building and Construction	1.3 %	Fishing Industry	1.6 %
Retail/wholesale trade	1.5 %	Ship Yards	0.6 %
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

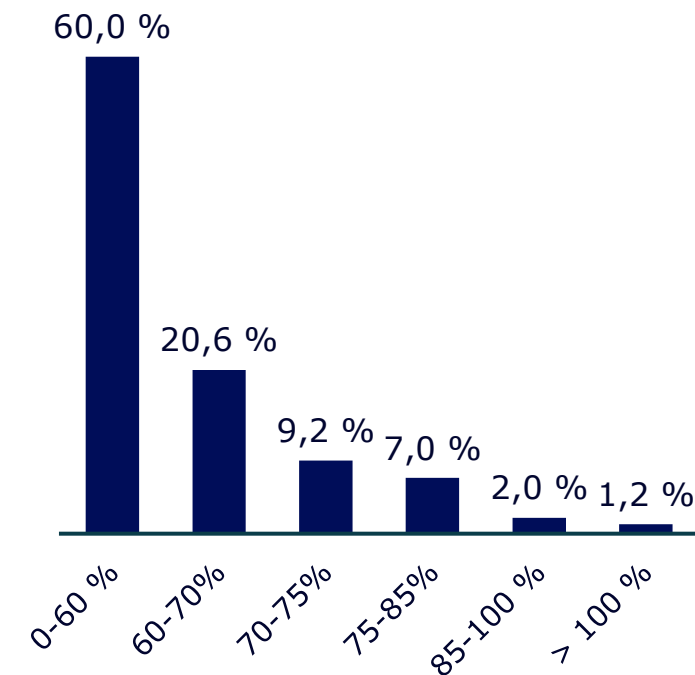
### Loans to retail customers - % of total loans



The bank complies with the lending regulations (Boliglånsforskriften)

Deviation from Boliglånsforskriften reported in the third quarter of 2021 were 7.2 % outside Oslo, and 7.6 % in Oslo

### Loan to Value – retail loans



96.8 % of mortgages are within 85 % of LTV

# House prices

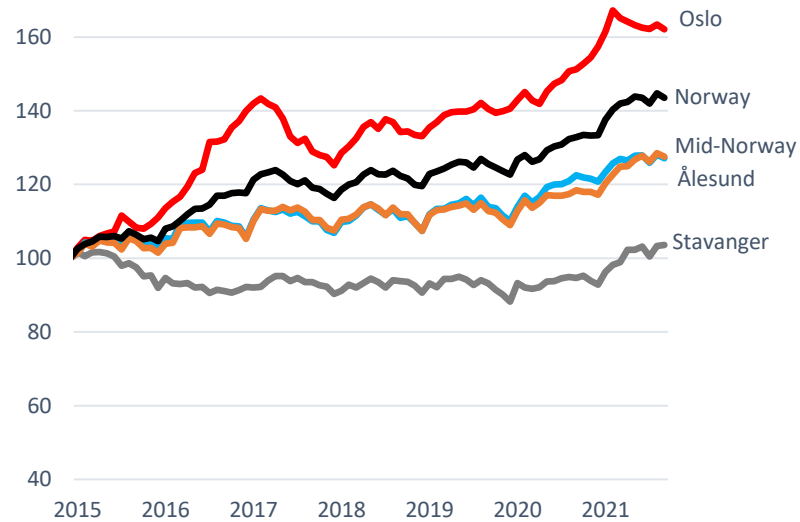
Based on pre-owned dwellings sold in June 2021, Norwegian seasonal adjusted house prices increased by 0.2 per cent in September 2021.

Last twelve months Norwegian house prices have increased in average by 8 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.

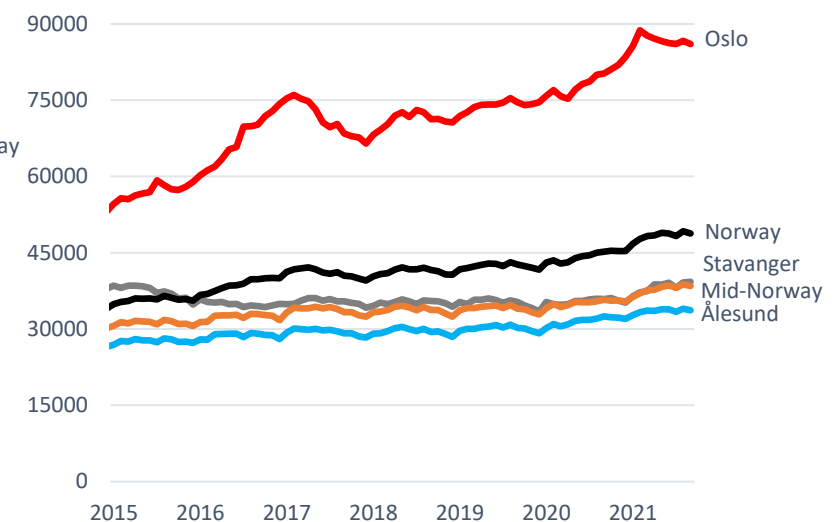
## Indexed development

- January 2015 = 100



## Price per square meter

- January 2015 – September 2021



### Key information

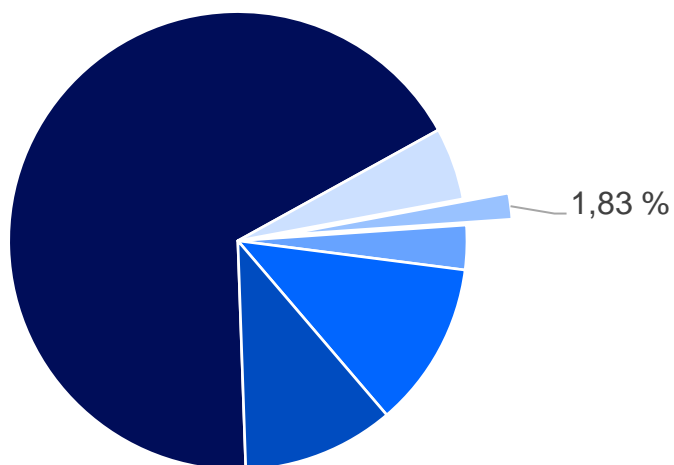
(Sold pre-owned dwellings in September 2021)

	Norway	Mid-Norway	Greater Ålesund	Greater Stavanger	City of Oslo
Seasonal adj. development month	+0.2 %	+0.4 %	+0.2 %	+ 0.7 %	+0.2 %
Development 12 months	+8.0 %	+7.7 %	+3.8 %	+9.4 %	+7.2 %
Per square meter (NOK)	48,875	38,484	33,704	39,263	86,024
Average days on market	35 days	46 days	62 days	38 days	21 days
Price median dwelling (NOK)	3,613,745	3,000,000	2,764,139	3,520,000	4,820,000

# Low exposure towards Oil Services

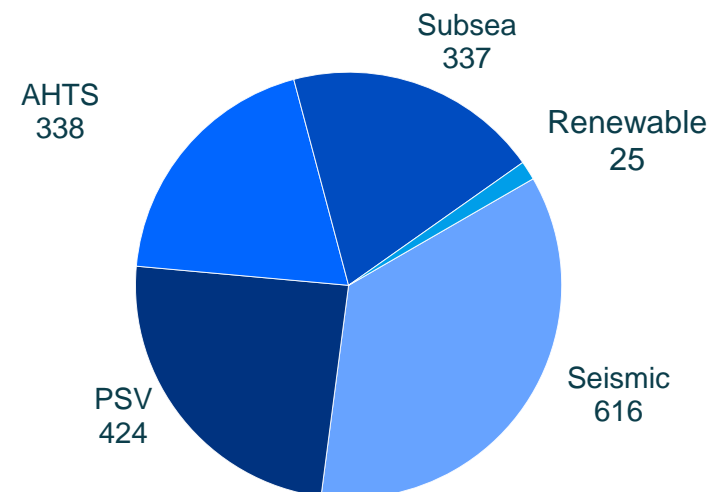
## Loans to Oil Service

- In per cent of total loans



## EAD\* by type of vessel

- In NOK million

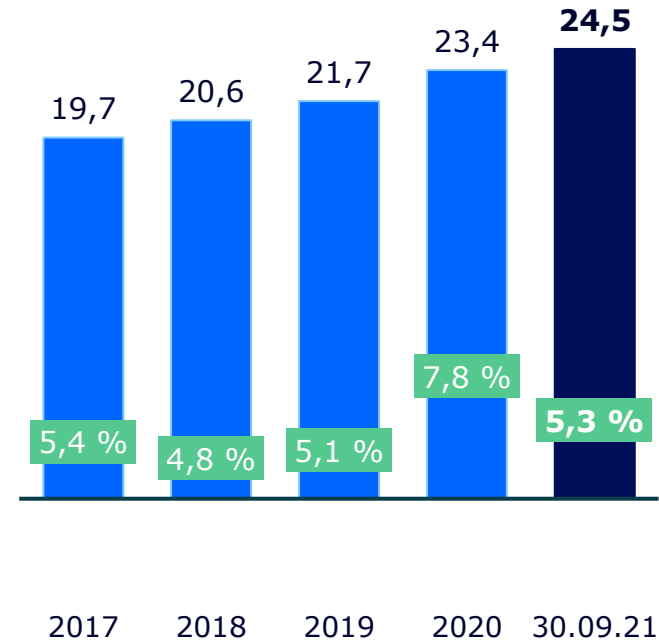


(EAD in NOK million)	Loans	Guarantees	Total EAD*	Expected Credit Losses			Per cent of EAD
				Individually assessed impairments	ECL-IFRS 9	Total	
Low Risk (Risk Class A-C)	259	78	336	0	3.0	3.0	0.9 %
Medium Risk (Risk Class D-G)	37	65	102	0	0.3	0.3	0.3 %
High Risk (Risk Class H-M)	208	201	409	0	20.4	20.4	5.0 %
Loans and guarantees with individually assessed impairments	777	116	893	200	-	200	22.4 %
<b>Total</b>	<b>1,280</b>	<b>460</b>	<b>1,740</b>	<b>200</b>	<b>23.7</b>	<b>223.7</b>	<b>12.9 %</b>

\* Sparebanken Møre's total EAD at MNOK 72,581 by quarter end

# Deposits

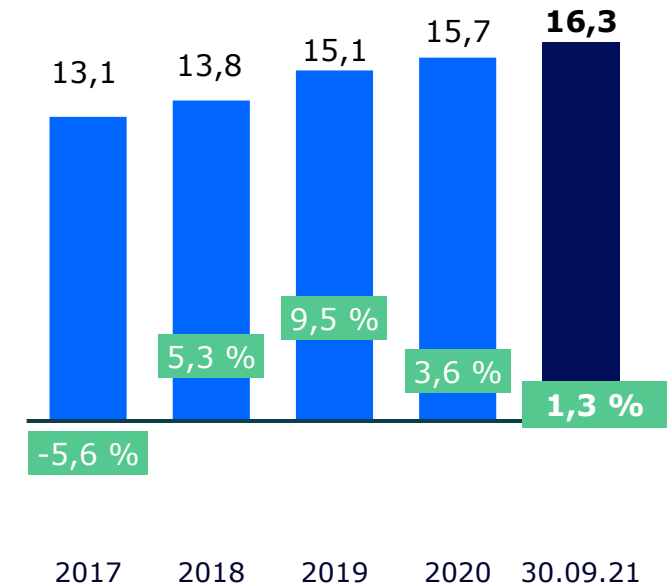
**Retail market**  
- NOK billion and per cent y/y



Retail deposits have increased by 5.3 %  
over the last 12 months

Deposits from the retail market amount to  
60.1 % of total deposits

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



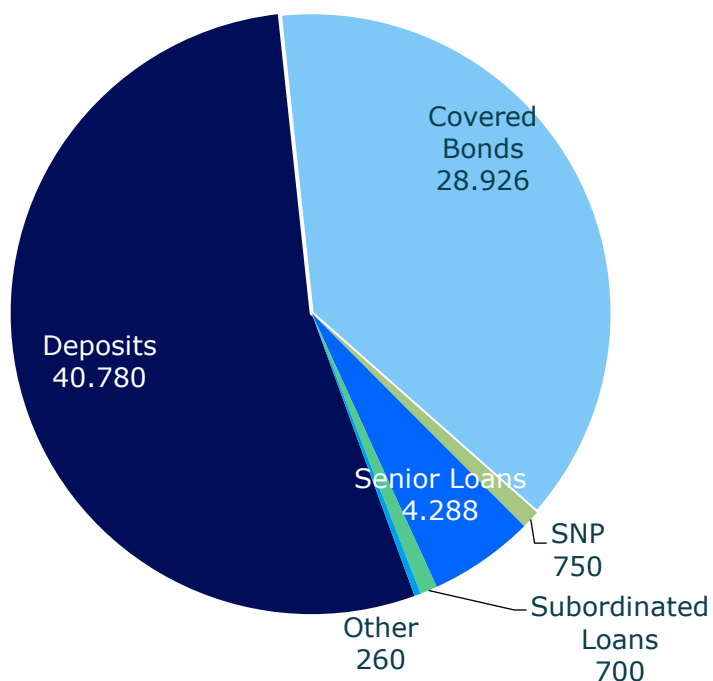
Deposits from corporate and public  
customers have increased by 2.8 %  
the last 12 months



# 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

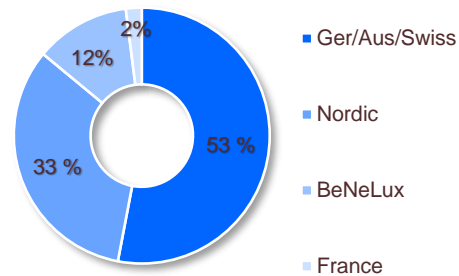
- Our deposit-to-loan ratio stood at 58.5 per cent by quarter end
- Total net market funding ended at NOK 33.1 billion by end of the quarter – more than 81 per cent with remaining maturity of more than one year
- Senior Bonds: Weighted average maturity of 2.90 years (FSA defined key figures)
- Covered Bonds issued through Møre Boligkreditt AS have a weighted average maturity of 4.35 years (FSA defined key figures)
- January 2021, Moody's upgraded the banks 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 with a 5-year semi-benchmark (EUR 250 million inaugural green covered bond). The issue was very well received

# Successful green financing

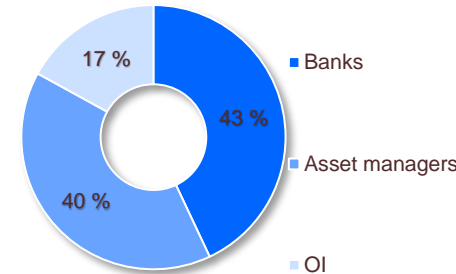
- Following the launch of the bank's Green Bond framework at the end of last year and with an ESG rating from Sustainalytics in place from May this year, Møre Boligkreditt AS has issued its first green five-year semi-benchmark covered bond of EUR 250 million. Proceeds from the Green Covered Bond issuance was fully allocated at issuance
- The issue was very well received in the market, not least due to interest from investors with green mandates
- The issue had LBBW, Santander CIB and Swedbank as Joint Lead Managers, and Swedbank as Green Bond Advisor

## Solid oversubscription and good pricing

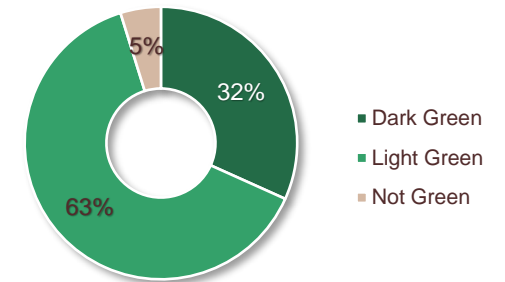
Geographical distribution



Investor types



Allocation and investor shading

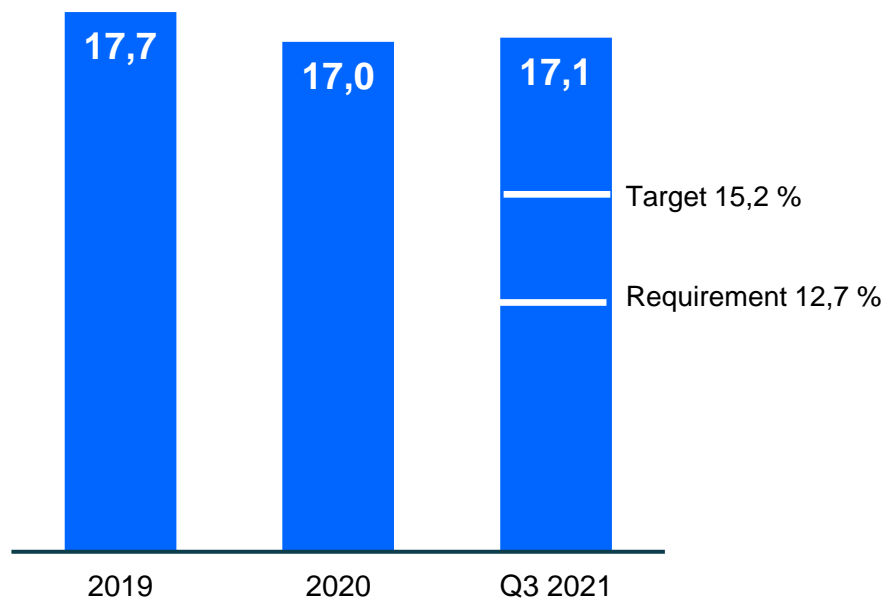


*On Tuesday 21 September Møre Boligkreditt (Møre) successfully issued a EUR 250mn no-grow 5yr inaugural green covered bond transaction at MS+6bps. The green element caught a solid investor demand and allowed Møre to tighten the price with 4bps from initial guidance. The greenium was estimated to around 2bps compared to a conventional*

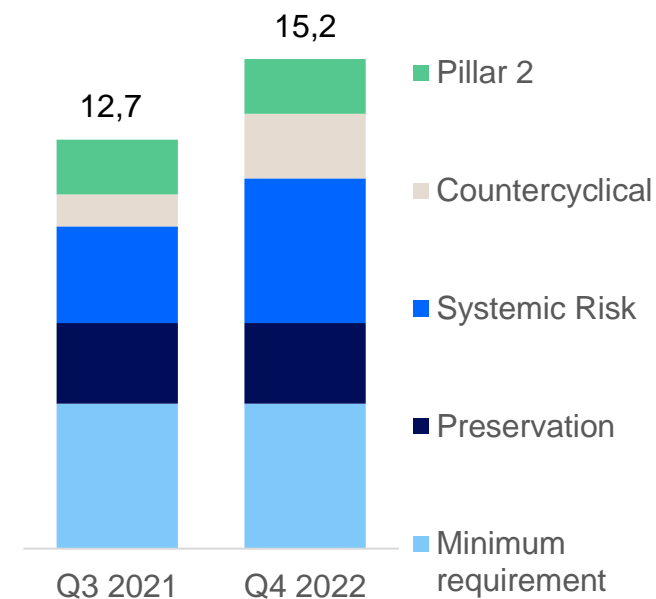
# Strong Capital (CET1)

- Countercyclical buffer will be increased to 1.5 % per 30.06.2022 and is expected further increased to 2.0 % by the end of 2022
- System risk buffer will be increased from 3.0 % to 4.5 % as of 31.12.2022
- CRD V / CRR 2 is expected to have a positive effect on the bank`s capital ratios
- The bank expects feedback from the Norwegian FSA on Pillar 2 requirements this year
- Leverage Ratio ended at 7,6 % by quarter end

## The banks Capital



## Capital requirements/buffers



## Development in CET1

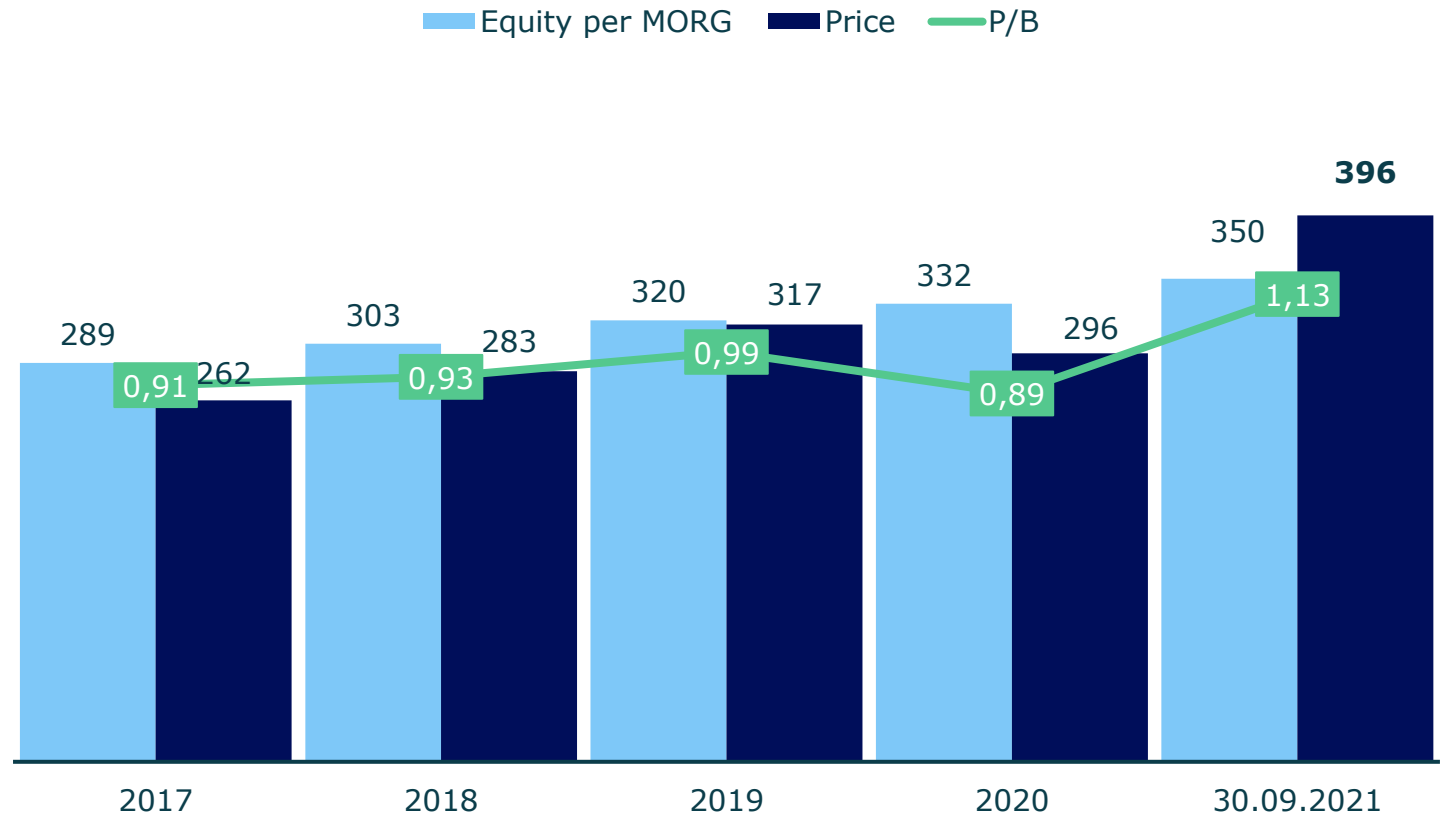
### Changes in CET1 from year end 2020



## 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 September 2021
- Good Total Return over many years
- Paid dividend per EC NOK 4.50 for the financial year 2020, note that the Board in their meeting 25.10.21 and based on authorisation decided to make an additional dividend payment of NOK 9.00



## 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		

# 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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