NEWTON MØRE

UNAUDITED INTERIM REPORT

1 QUARTER 2018

SPAREBANKEN MØRE

Financial highlights - Group

Income statement

	Q1 2018		Q1 2017		2017	
	NOK million	%	NOK million	%	NOK million	%
Net interest income	289	1.73	261	1.69	1 100	1.72
Net commission and other operating income	47	0.28	42	0.27	194	0.30
Net return from financial investments	6	0.04	24	0.16	48	0.08
Total income	342	2.05	327	2.12	1 342	2.10
Total operating costs	149	0.89	150	0.97	590	0.92
Profit before impairment on loans	193	1.16	177	1.15	752	1.18
Impairment on loans, guarantees etc.	2	0.01	2	0.01	13	0.02
Pre tax profit	191	1.15	175	1.14	739	1.16
Tax	50	0.29	44	0.28	182	0.28
Profit after tax	141	0.86	131	0.86	557	0.88

Statement of financial position

NOK million	31.03.2018	% change in Q1 2018	31.12.2017	% change during last 12 months	31.03.2017
Total assets	68 607	3.2	66 491	8.7	63 124
Average assets	66 866	4.5	64 000	8.3	61 719
Loans to and receivables from customers	58 194	2.3	56 867	9.6	53 993
Gross loans to retail customers	40 224	1.0	39 817	6.3	37 850
Gross loans to corporate and public entities	18 229	6.2	17 168	11.8	16 311
Deposits from customers	33 539	2.2	32 803	2.7	32 656
Deposits from retail customers	19 928	1.2	19 688	5.3	18 923
Deposits from corporate and public entities	13 611	3.9	13 101	-0.4	13 668

Key figures

	Q1 2018	Q1 2017	2017
Return on equity (annualized) 4)	10.1	10.1	10.4
Costs as a percentage of income	43.6	45.9	44.0
Losses as a percentage of loans 1.1/start of the period	0.01	0.01	0.02
Problem loans as a percentage of loans (prior to impairment)	0.58	0.31	0.57
Problem loans as a percentage of loans (after impairment)	0.40	0.22	0.40
Deposits to lending ratio as a percentage	57.6	60.5	57.7
Liquidity Coverage Ratio (LCR)	146	99	159
Lending growth as a percentage	7.8	5.0	7.9
Deposit growth as a percentage	2.7	9.8	0.7
Capital adequacy ratio 1) 2)	18.6	18.6	18.4
Tier 1 capital as a percentage 1) 2)	16.6	17.1	16.8
Common Equity Tier 1 capital as a percentage 1) 2)	15.1	14.9	15.0
Leverage Ratio (LR) 2)	8.1	8.6	8.2
Man-years	363	371	359

Equity Certificates (ECs)

	31.03.2018	31.03.2017	2017	2016	2015	2014
Profit per EC (Group) (NOK) 3)	7.00	6.55	27.70	28.80	25.25	31.20
Profit per EC (Parent Bank) (NOK) 3)	12.00	12.60	27.00	29.85	25.70	29.10
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	49.6	49.6
Number of ECs issued (NOK million)	988.70	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	276	237	262	254	188	216
Stock market value (NOK million)	2 729	2 343	2 590	2 511	1 859	2 136
Book value per EC (Group) (NOK)	280	263	289	275	257	244
Dividend per EC (NOK)	0.00	0.00	14.00	14.00	11.50	13.50
Price/Earnings (Group, annualized)	9.7	9.1	9.4	8.8	7.3	7.4
Price/Book value (P/B) (Group) 3)	0.99	0.90	0.91	0.93	0.73	0.89

1) Calculated according to IRB in Basel II incl. transitional rule in Basel I. IRB for mass market from 31 March 2015 and IRB Foundation for corporate commitments from 30 June 2014.

2) Incl. 50 per cent of total profit after tax.

3) Calculated using the EC-holders' share (49.6 %) of the period's profit to be allocated to equity owners.

4) Calculated using the share of the profit to be allocated to the equity owners.

Interim report from the Board of Directors

All figures relate to the Group. Figures in brackets refer to the corresponding period last year. The financial statements have been prepared in accordance with IFRS and the interim report has been prepared in conformity with IAS 34 Interim Financial Reporting.

RESULTS FOR FIRST QUARTER 2018

Profit after tax for the first quarter of 2018 amounted to NOK 141 million, or 0.86 % of average total assets, compared with NOK 131 million, or 0.86 %, for the corresponding quarter of last year.

The return on equity for the first quarter of 2018 was 10.1 %, corresponding to that of the first quarter of 2017.

The earnings per equity certificate amounted to NOK 7.00 (NOK 6.55) for the Group and NOK 12.00 (NOK 12.60) for the parent bank.

The Board of Directors is satisfied with Sparebanken Møre's result for the first quarter 2018.

Net interest income

The net interest income of NOK 289 million is NOK 28 million higher than the corresponding quarter of last year. This represents 1.73 % of total assets, which is 0.04 percentage points higher than the first quarter of 2017.

A higher lending volume, in combination with a marked lower cost of the bank's market funding, has yielded increased net interest income both in NOK and percentage compared to the first quarter of last year. This has occurred despite the fact that the generally low interest rates in the market, strong competition in terms of both lending and deposits and reduced risk have contributed to downward pressure on the interest rate margin.

Other operating income

Other operating income amounted to NOK 53 million, which is NOK 13 million lower than for the first quarter of last year. The change in the value of the bond portfolio totals NOK 3 million for the quarter, compared with NOK 16 million for the first quarter of 2017. Revenue from customer operations shows a positive trend while Net gains/losses from financial instruments are at a lower level than last year.

Costs

Operating costs for the quarter amounted to NOK 149 million, which is NOK 1 million lower than for the same quarter last year. Personnel costs were reduced by NOK 1 million compared with the corresponding period last year and amounted to NOK 84 million. Financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 3 million for the quarter. Staffing has been reduced by 8 full-time equivalent positions (FTEs) in the last 12 months to 363 FTEs. Other costs remain at the same level as last year.

The cost income ratio was 43.6 % for the first quarter of 2018, which represents a reduction of 2.3 percentage points compared with the first quarter of last year.

Impairments for losses and defaults

The quarterly accounts were charged with NOK 2 million (NOK 2 million) for losses on loans and guarantees. This amounts to 0.01 % (0.01 %) of average total assets on an annualized basis. Losses within the corporate segment have increased by NOK 2 million for the quarter, while there is no change to losses within the retail segment.

At the end of the first quarter of 2018, total expected losses amounted to NOK 341 million, equivalent to 0.57 % of lending and guarantees (NOK 335 million and 0.60 %). Based on the individually assessed commitments, NOK 2 million of the impairments involved defaults of more than 90 days (NOK 5 million), which represents 0.01 % of lending and guarantees (0.01 %). NOK 104 million is related to other commitments (NOK 49 million), corresponding to 0.17 % of gross lending and guarantees (0.09 %).

Net doubtful commitments (loans that have been in default for more than 90 days and loans that are not in default but which have been subject to an individual impairment for losses) have in the last 12 months increased by NOK 121 million. At the end of first quarter 2018, net doubtful commitments in the corporate market accounted for NOK 192 million and for the retail market NOK 50 million. In total, this represents 0.40 % of gross lending and guarantees (0.22 %).

Lending to customers
At the end of the first quarter of 2018, lending to customers amounted to NOK 58 194 million (NOK 53 993 million). Customer lending has increased by a total of NOK 4 201 million, or 7.8 %, over the last 12 months. Retail lending has increased by 6.3 %, while lending to corporate customers has increased by 11.8 %. Lending to corporate customers increased by 6.2 % in the first quarter of 2018, while lending to retail customers rose by 1.0 %. Retail lending accounted for 68.9 % of lending at the end of the first quarter of 2018 (70.0 %).

Deposits from customers
Customer deposits have increased by 2.7 % over the last 12 months. At the end of first quarter 2018, deposits amounted to NOK 33 539 million (NOK 32 656 million). Retail deposits have increased by 5.3 %, while deposits from the corporate market have increased by 1.7 % and public sector deposits have decreased by 26.6 %. The retail market's relative share of deposits amounted to 59.4 % (58.0 %), while deposits from corporate customers totalled 38.4 % (38.8 %) and from public sector customers 2.2 % (3.2 %).

The deposit to loan ratio amounted to 57.6 % at the end of the first quarter of 2018 (60.5 %).

CAPITAL ADEQUACY
The Group's capital adequacy at the end of the first quarter of 2018 was above the regulatory capital requirements and the internal minimum target set for Common Equity Tier 1 (CET1). The primary capital ratio, including 50 % of retained earnings for the year to date, amounts to 18.6 % (18.6 %), the Tier 1 capital ratio amounts to 16.6 % (17.1 %) and CET1 amounts to 15.1 % (14.9 %).

Sparebanken Møre has a capital requirement linked to the transitional scheme associated with the Basel I floor at the end of the first quarter of 2018 amounting to NOK 101 million, which corresponds to a basis for calculation (RWA) of NOK 1 265 million.

SUBSIDIARIES
The aggregate profit of the bank's three subsidiaries amounted to NOK 50 million after tax for the 1st quarter of 2018 (NOK 31 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The mortgage company's main purpose is to issue covered bonds for sale to Norwegian and international investors. At the end of the first quarter of 2018, the company had net outstanding bonds of NOK 19.8 billion in the market, about 15 % of the borrowing was in a currency other than NOK. The company contributed NOK 50 million to earnings in the first quarter of 2018 (NOK 32 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company has not made any contribution to earnings in the first quarter of 2018 (NOK -1 million in first quarter of 2017). At the end of the quarter, the company employed 14 full-time equivalents.

The purpose of Sparebankeiendom AS is to own and manage the Bank's business properties. The company has not made any contribution to earnings in the first quarter of 2018 (NOK 0 million in first quarter of 2017). The company has no employees.

EQUITY CERTIFICATES
At the end of the first quarter of 2018, there were 5 766 holders of Sparebanken Møre's equity certificates. 9 886 954 equity certificates have been issued. Equity certificate capital accounts for 49.6 % of the Bank's total equity. Note 10 includes a list of the 20 largest holders of the Bank's equity certificates.

As at 31 March 2018, the Bank owned 45 562 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market price.

FUTURE PROSPECTS
The economic outlook for Møre og Romsdal remains good. Production is high in most industries and the downturn in oil-related industries appears to be changing to a slight upturn. Stable oil prices, low interest rates, a weak NOK and good growth in the export markets are important contributors to this. It also seems that the decline in house prices is about to level out. However, the danger of increased protectionism represents a risk factor in respect of the prospects for global trade.

The upturn in production and demand has, together with significant restructuring in the labour market, led to lower unemployment. Unemployment in the county has thus dropped almost continuously since the beginning of 2017. At the end of March, registered unemployment in Møre og Romsdal was 2.6 % (figures from the Norwegian Labour and Welfare Administration). The unemployment rate for the country as a whole was 2.5 %.

The growth in credit for households and the corporate sector has declined slightly during the current year for the country as a whole.

Competition in the market remains strong, both for loans and deposits. The bank is competitive and recorded good, but still slightly declining, growth in loans to the retail market. The annual growth in loans to the corporate market is slightly higher than at the end of the fourth quarter. The deposit growth from the retail market is good and improving growth is recorded in deposits from the corporate market. The deposit to loan ratio is high. Lending growth within both the retail and corporate markets is expected to be slightly lower in 2018 compared to the growth rate at the end of 2017 . The focus is always on effective operations and increased profitability.

The Bank will remain strong and committed in supporting businesses and industries in our region, Nordvestlandet.

Sparebanken Møre is targeting cost-effective operations, with a cost income ratio target below 45 % in 2018.

Sparebanken Møre's losses are expected to be low also in 2018. Overall, good results are expected for 2018, with a return on equity above 10 %.

Ålesund, 31 March 2018
23 April 2018

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman
ROY REITE, Deputy Chairman
RAGNA BRENNE BJERKESET
HENRIK GRUNG
JILL AASEN
ANN MAGRITT BJÅSTAD VIKEBAKK
HELGE KARSTEN KNUDSEN
MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q1 2018	Q1 2017	2017
Interest income from assets assessed at amortised cost		418	383	1 612
Interest income from assets assessed at fair value		40	55	175
Interest expenses		169	177	687
Net interest income	9	289	261	1 100
Commission income and revenues from banking services		49	44	196
Commission costs and expenditure from banking services		7	7	26
Other operating income		5	5	24
Net commission and other operating income		47	42	194
Dividends		1	1	2
Net gains/losses from financial instruments	5	5	23	46
Net return from financial instruments		6	24	48
Total income		342	327	1 342
Wages, salaries etc.		84	85	335
Administration costs		38	35	128
Depreciation and impairment		7	8	31
Other operating costs		20	22	96
Total operating costs		149	150	590
Profit before impairment on loans		193	177	752
Impairment on loans, guarantees etc.	3	2	2	13
Pre tax profit		191	175	739
Taxes		50	44	182
Profit after tax		141	131	557
Allocated to equity owners		138	131	551
Allocated to owners of Additional Tier 1 capital		3	0	6
Profit per EC (NOK) 1)		7.00	6.55	27.70
Diluted earnings per EC (NOK) 1)		7.00	6.55	27.70
Distributed dividend per EC (NOK)		0.00	0.00	14.00

STATEMENT OF COMPREHENSIVE INCOME - GROUP

Amounts in NOK million	**Q1 2018**	**Q1 2017**	**2017**
Profit after tax	141	131	557
Items that may subsequently be reclassified to the income statement:			
Equities available for sale - changes in value 2)		0	27
Basisswap spreads - changes in value 3)	-5		
Tax effect of changes in value on basisswap spreads	1		
Items that will not subsequently be reclassified to the income statement:			
Pension estimate deviations	0	0	-12
Tax effect of pension estimate deviations	0	0	3
Total comprehensive income after tax	137	131	575
Allocated to equity owners	134	131	569
Allocated to owners of Additional Tier 1 capital	3	0	6

1) Calculated using the EC-holders' share (49.6 %) of the period's profit to be allocated to equity owners.

2) The category Available for sale does not exist in IFRS 9. Shares and other securities are as of 1 January 2018 assessed at fair value with any changes in value recognised in the income statement under Net gains/losses from financial instruments.

3) Changes in value on the Group's basisswaps inherent in hedging instruments, have up to 31.12.2017 been recognised in the income statement. As of 1.1.2018, changes in value on basisswaps due to changes in basisswap spreads, will be recognised in OCI as a cost of hedging.

Statement of financial position - Group

Assets

Amounts in NOK million	Note	31.03.2018	31.03.2017	31.12.2017
Cash and claims on Norges Bank	5 6 9	264	582	637
Loans to and receivables from credit institutions	5 6 9	2 366	578	1 295
Loans to and receivables from customers	2 3 4 5 7 9	58 194	53 993	56 867
Certificates, bonds and other interest-bearing securities	5 7 9	6 383	6 212	6 096
Financial derivatives	5 7	815	1 104	1 004
Shares and other securities	5 7	186	154	188
Deferred tax benefit		61	43	59
Intangible assets		39	45	42
Fixed assets		225	235	228
Other assets		74	178	75
Total assets		68 607	63 124	66 491

Liabilities and equity

Amounts in NOK million	Note	31.03.2018	31.03.2017	31.12.2017
Loans and deposits from credit institutions	5 6 9	930	1 292	569
Deposits from customers	2 5 7 9	33 539	32 656	32 803
Debt securities issued	5 6	25 975	21 207	24 488
Financial derivatives	5 7	334	531	483
Other liabilities		764	734	558
Incurred costs and prepaid income		46	51	78
Other provisions for incurred liabilities and costs		84	40	96
Additional Tier 1 capital	5 6	307	823	302
Subordinated loan capital	5 6	702	502	1 036
Total liabilities		62 681	57 836	60 413
EC capital	10	989	989	989
ECs owned by the Bank		-5	-5	-5
Share premium		355	354	355
Additional Tier 1 capital		349	0	349
Paid-in equity		1 688	1 338	1 688
Primary capital fund		2 514	2 344	2 470
Gift fund		125	125	125
Dividend equalisation fund		1 259	1 091	1 216
Value adjustment fund		0	51	78
Other equity		203	208	501
Total comprehensive income after tax		137	131	0
Retained earnings		4 238	3 950	4 390
Total equity		5 926	5 288	6 078
Total liabilities and equity		68 607	63 124	66 491

Statement of changes in equity - Group

GROUP 31.03.2018	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2017	6 078	984	355	349	2 470	125	1 216	78	501
Effect of transition to IFRS 9 as of 01.01.2018 *)	-6				44		44	-78	-15
Equity as of 01.01.2018	6 072	984	355	349	2 514	125	1 259	0	486
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Interests on issued Additional Tier 1 capital	-3								-3
Total profit for the period	137								137
Equity as at 31 March 2018	5 926	984	355	349	2 514	125	1 259	0	340

*) See note 2.6 in the Annual report 2017 for further details on the implementation effects.

GROUP 31.03.2017	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2016	5 441	986	354	0	2 346	125	1 092	51	487
Changes in own equity certificates	-5	-2			-2		-1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Total profit for the period	131								131
Equity as at 31 March 2017	5 288	984	354	0	2 344	125	1 091	51	339

GROUP 31.12.2017	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2016	5 441	986	354	0	2 346	125	1 092	51	487
Changes in own equity certificates	-3	-2	1		-2				
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Issued Additional Tier 1 capital	349			349					
Interests on issued Additional Tier 1 capital	-6								-6
Equity before allocation of profit for the year	5 502	984	355	349	2 344	125	1 092	51	202
Allocated to the primary capital fund	130				130				
Allocated to the dividend equalisation fund	128						128		
Allocated to owners of Additional Tier 1 capital	6								6
Allocated to other equity	14								14
Proposed dividend allocated for the EC holders	138								138
Proposed dividend allocated for the local community	141								141
Distributed profit for the year	557	0	0	0	130	0	128	0	299
Equities available for sale - changes in value	27							27	
Pension estimate deviations	-12				-6		-6		
Tax effect of pension estimate deviations	3				2		1		
Total other income and costs from comprehensive income	18	0	0	0	-4	0	-5	27	0
Total profit for the period	575	0	0	0	126	0	123	27	299
Equity as at 31 December 2017	6 078	984	355	349	2 470	125	1 216	78	501

Statement of cash flow - Group

Amounts in NOK million	31.03.2018	31.03.2017	31.12.2017
Cash flow from operating activities			
Interest, commission and fees received	457	437	1 905
Interest, commission and fees paid	-90	-99	-343
Dividend and group contribution received	1	1	2
Operating expenses paid	-142	-119	-525
Income taxes paid	-90	-101	-168
Changes relating to loans to and claims on other financial institutions	-1 071	70	-646
Changes relating to repayment of loans/leasing to customers	-1 037	-1 004	-3 777
Changes in utilised credit facilities	-296	-283	-321
Net change in deposits from customers	735	94	242
Net cash flow from operating activities	-1 533	-1 004	-3 631
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	25	28	106
Proceeds from the sale of certificates, bonds and other securities	505	911	4 162
Purchases of certificates, bonds and other securities	-817	-912	-4 022
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-3	-11	-24
Changes in other assets	220	2	149
Net cash flow from investing activities	-70	18	371
Cash flow from financing activities			
Interest paid on debt securities and subordinated loan capital	-92	-97	-380
Net change in deposits from Norges Bank and other financial institutions	361	634	-89
Proceeds from bond issues raised	2 401	713	7 942
Redemption of debt securities	-1 145	123	-3 841
Dividend paid	0	0	-138
Changes in other debt	-291	-105	-239
Proceeds from Additional Tier 1 capital	0	0	349
Paid interest on issued Additional Tier 1 capital	-4	0	-7
Net cash flow from financing activities	1 230	1 268	3 597
Net change in cash and cash equivalents	-373	282	337
Cash balance at 01.01	637	300	300
Cash balance at 31.03/31.12	264	582	637

Note 1

ACCOUNTING PRINCIPLES

The Group`s interim accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), implemented by the EU as at 31 March 2018. The interim report has been prepared in compliance with IAS 34 Interim Reporting and in accordance with accounting principles and methods applied in the 2017 financial statements, except for IFRS 9 entering into force as of 1 January 2018.

Accounting principles for classification in accordance with IFRS 9 are presented in Note 5. Tables showing the transition effects of the implementation of IFRS 9 are presented in Note 2.6 in the Annual report 2017. The methodology for measuring expected credit losses (ECL) in accordance with IFRS 9 is explained in the following. In addition, reference is made to the Annual report 2017 for further description of accounting principles.

The accounts are presented in Norwegian kroner (NOK), which is also the Parent Bank`s and the subsidiaries` functional currency.

Expected credit loss (ECL) according to IFRS 9

Sparebanken Møre applies a three-stage approach when assessing ECL on loans to customers, loan commitments and financial guarantees subject to the IFRS 9 impairment rules:

- At initial recognition and if there's no significant increase in credit risk, the commitment is classified in stage 1 with 12-months ECL.
- If a significant increase in credit risk since initial recognition is identified, the financial instrument is transferred to stage 2 with lifetime ECL measurement.
- An increase in credit risk reflects both customer-specific circumstances and developments in relevant macro risk drivers for the segment where the customer belongs. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops.
- If credit risk deteriorates further and the commitment is either defaulted, subject to forbearance or credit-impaired, the commitment is moved to stage 3. Credit-impaired commitments are subject to an individual assessment of losses. Commitments with forbearance or which are defaulted, are subject to a lifetime ECL measurement. As opposed to stage 1 and 2, the effective interest rate is calculated on amortised cost (gross carrying amount less loss allowance) instead of gross carrying amount.

The loan loss measurement is based on the following principles:

- The loss provision for commitments which are not credit-impaired is calculated as the present value of exposure at default (EAD) multiplied by the probability of default (PD) multiplied by loss given default (LGD). PD, LGD and EAD use the IRB framework as a starting point, but are converted into being point-in-time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. For this purpose, Sparebanken Møre's loan portfolio is divided into 7 segments based on field of operation. All customers within a segment are exposed to the same risk drivers.
- For credit-impaired financial instruments in stage 3, individual assessments are performed.

The model used for calculating ECL follows four steps: Segmentation, determination of macro adjustments, staging/migration and calculation of ECL.

Segmentation and macro adjustments

The assessment of significant increase in credit risk and the calculation of ECL incorporates past, present and forward-looking information. Segmentation of the portfolio is based on the customers' fields of operation, and each segment is subject to separate macro adjustments.

Theory of cyclical cycles has been used to model macro factors to estimate lifetime ECL in the model. A trend curve is prerequisite to show long-term GDP growth. Based on an assessment by the Chief Economist and the corporate unit managers in SBM, key indicators have been selected for the retail market and the various corporate sectors. Indicators issued by Statistics Norway (SSB) have been used to a large extent. Volatility in the indicators is taken into account when calculating the macro-factors. Standard deviations are calculated for each indicator, which entails that high/low volatility indicators will cause a higher/lower impact on the macro factor.

Calculation of expected credit loss
The determination of a significant increase in credit risk and the measurement of ECL are based on parameters already used in credit risk management and for capital adequacy calculations: PD, LGD and EAD. The parameters have been adjusted in order to give an unbiased estimate of ECL.

Probability of default (PD)
Sparebanken Møre applies several different models to determine a customer's PD. The choice of model depends on whether it is a retail or corporate customer. PD models are key components both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. These models fulfil the IFRS 9 requirement to provide an unbiased probability-weighted estimate of ECL. Sparebanken Møre has been granted permission to use internal ratings based approach (IRB) models for determining PD in capital adequacy calculations. In order to apply these PDs for IFRS 9, modifications have been made to allow that the PDs used for IFRS 9 reflect management's current view of expected cyclical changes and that all PD estimates are unbiased.

Loss given default (LGD)
LGD represents the percentage of EAD which the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, Sparebanken Møre uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs, modifications have been made to remove the margin of conservatism to produce unbiased projections rather than downturn projections as well as removing the effect of regulatory floors.

These modifications imply that the LGDs used for IFRS 9 should reflect management's current view and that all LGD estimates are unbiased.

Exposure at default (EAD)
EAD is the share of the approved credit that is expected to be drawn at the time of any future default. The EAD is adjusted to reflect contractual payments of principal and interest. The proportion of undrawn commitments expected to have been drawn at the time of default is reflected in the credit conversion factor.

Significant increase in credit risk
The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops. A significant increase in credit risk has occurred when one or more of the criteria below are met.

Quantitative criteria
A significant increase in credit risk is determined by comparing the PD at the reporting date with the PD at initial recognition. If the actual PD is higher than initial PD, an assessment is made of whether the increase is significant.

Significant increase in credit risk since initial recognition is considered to have occurred when either

- PD has increased by 100 % or more and the increase in PD is more than 0.5 percentage points, or
- PD has increased by more than 2.0 percentage points

Qualitative criteria
Qualitative information is normally reflected in the respective PD models for each group of customers.

Backstops
Backstops are used and a significant increase in credit risk has occurred if:

- the customer's contractual payments are 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough for the financial instrument to be classified as credit-impaired.

Definition of default, forbearance and credit-impaired in stage 3
A commitment is defined to be in default if a claim is more than 90 days overdue and the overdue amount exceeds NOK 1 000.

A commitment is defined to be subject to forbearance if the bank agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations, and this is assumed to significantly reduce the value of the cash flow.

A commitment is defined to be credit-impaired if the commitment, as a result of a weakening of the debtor's creditworthiness, has been subject to an individual assessment, resulting in an individual impairment. The principles and estimation techniques for credit-impaired financial instruments are not affected by IFRS 9. Please refer to the description of individual impairment in note 7 of the Annual Report 2017 for more details.

Expert credit judgement

The new rules require significant professional judgement of the input parameters in the ECL-measurement. The assessment of the macro prognoses and their impact are key judgements and Sparebanken Møre has established an advisory forum to address this. The forum's purpose is to assess if the predicted macro prognoses for each segment reflect the management's view on the expected future economic Development.

Validation

The ECL model is subject to annual validation and review.

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
Broken down according to sectors	**31.03.2018**	**31.03.2017**	**31.12.2017**
Agriculture and forestry	470	398	464
Fisheries	2 875	2 555	2 402
Manufacturing	2 555	2 587	2 030
Building and construction	608	568	562
Wholesale and retail trade, hotels	646	546	620
Oil services	806	980	882
Property management	6 708	5 750	6 672
Professional/financial services	1 227	848	1 261
Transport and private/public services	2 148	1 956	2 152
Public entities	11	9	0
Activities abroad	175	114	123
Total corporate/public entities	18 229	16 311	17 168
Retail customers	40 224	37 850	39 817
Fair value adjustment of loans	30	79	66
Accrued interest income	0	88	100
Total loans	58 483	54 328	57 151
Expected credit loss (ECL) - Stage 1	-25	-	-
Expected credit loss (ECL) - Stage 2	-44	-	-
Expected credit loss (ECL) - Stage 3	-166	-	-
Individual impairment	-54	-54	-48
Collective impairment (IAS 39)	-	-281	-236
Loans to and receivables from customers	58 194	53 993	56 867
Loans with floating interest rate (amortised cost)	54 821	49 790	53 228
Loans with fixed interest rate (fair value)	3 662	4 538	3 923

GROUP	Deposits		
Broken down according to sectors	**31.03.2018**	**31.03.2017**	**31.12.2017**
Agriculture and forestry	215	179	186
Fisheries	1 149	1 112	1 214
Manufacturing	1 607	1 913	1 806
Building and construction	561	529	636
Wholesale and retail trade, hotels	673	710	842
Property management	1 334	2 144	1 309
Transport and private/public services	5 022	4 033	4 201
Public entities	733	999	723
Activities abroad	4	5	5
Miscellaneous	2 313	2 044	2 179
Total corporate/public entities	13 611	13 668	13 101
Retail customers	19 928	18 923	19 688
Fair value adjustment of deposits	0	1	2
Accrued interest costs	0	64	12
Total deposits	33 539	32 656	32 803
Deposits with floating interest rate (amortised cost)	32 256	31 340	31 463
Deposits with fixed interest rate (fair value)	1 283	1 316	1 340

Note 3

LOSSES AND IMPAIRMENTS ON LOANS AND GUARANTEES

Specification of credit loss expense

GROUP	31.03.2018	31.03.2017	31.12.2017
Changes in collective impairment during the period (IAS 39)	-	0	-45
Changes in Expected Credit Loss (ECL) during the period - Stage 1	2	-	-
Changes in Expected Credit Loss (ECL) during the period - Stage 2	-4	-	-
Changes in Expected Credit Loss (ECL) during the period - Stage 3	-6	-	-
Increase in existing individual impairments	0	1	5
New individual impairments	12	1	65
Confirmed losses, previously impaired	5	21	25
Reversal of previous individual impairments	-6	-27	-49
Confirmed losses, not previously impaired	2	8	18
Recoveries	-3	-2	-6
Total impairment on loans and guarantees, etc	2	2	13

Commitments (exposure) divided into risk groups based on probability of default

GROUP	Stage 1	Stage 2	Stage 3	Total 31.03.2018
Low risk (0 % - < 0,5 %)	45 767	84	1 621	47 472
Medium risk (0,5 % - < 3 %)	6 078	1 475	1 805	9 358
High risk (3 % - <100 %)	796	353	477	1 626
Defaulted and doubtful commitments			348	348
Total commitments before ECL	52 641	1 912	4 251	58 804
- ECL	-25	-44	-272	-341
Net commitments *)	52 616	1 868	3 979	58 463

*) The table above is based on exposure at the reporting date, not including fixed rate loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.

Changes in ECL in the period

GROUP	Stage 1	Stage 2	Stage 3 *)	Total
Total impairments at 31.12.2017 according to IAS 39				336
Effect of transition to IFRS 9				7
ECL 1.1.2018 according to IFRS 9	24	47	272	343
New commitments	5	2	2	9
Disposal of commitments	-3	-4	-5	-12
Changes in ECL in the period for commitments which have not migrated	-2	-2	-1	-5
Migration to stage 1	1	-4	-6	-9
Migration to stage 2	0	7	0	7
Migration to stage 3	0	-2	4	2
Changes in individual impairments	-	-	6	6
ECL 31.03.2018	25	44	272	341

*) Stage 3 contains individual impairments on loans and guarantees.

Note 4

DEFAULTED AND DOUBTFUL COMMITMENTS

Total of commitments in default above 3 months and commitments subject for individual impairment without being in default

	31.03.2018			31.03.2017			31.12.2017		
GROUP	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**
Problem loans prior to individual impairment:									
Commitments in default above 3 months	58	53	5	71	54	17	62	53	9
Other doubtful commitments subject to impairment	290	7	283	104	27	77	274	8	266
Total problem loans prior to individual impairment	348	60	288	175	81	94	336	61	275
Individual impairment on:									
Commitments in default above 3 months	2	2	0	5	3	2	4	2	2
Other doubtful commitments subject to impairment	104	8	96	49	9	40	96	4	92
Total individual impairment	106	10	96	54	12	42	100	6	94
Problem loans after individual impairment:									
Commitments in default above 3 months	56	51	5	66	51	15	58	51	7
Other doubtful commitments subject to impairment	186	-1	187	55	18	37	178	4	174
Total problem loans less individual impairment	242	50	192	121	69	52	236	55	181
Total problem loans prior to individual impairment as a percentage of total loans/guarantees	0.58	0.15	1.45	0.31	0.21	0.52	0.57	0.15	1.46
Total problem loans less individual impairment as a percentage of total loans/guarantees	0.40	0.12	0.97	0.22	0.18	0.29	0.40	0.14	0.96

Note 5

CLASSIFICATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the balance sheet at the date when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the company transfers the financial asset in such a way that risk and profit potential of the financial asset is substantially transferred. Financial liabilities are derecognised from the date when the rights to the contractual provisions have been extinguished, cancelled or expired.

CLASSIFICATION AND MEASUREMENT

The Group's portfolio of financial instruments is at initial recognition classified in accordance with IFRS 9. Financial assets are classified in one of the following categories:

• Fair value with value changes through the income statement

• Amortised cost

The classification of the financial assets depends on two factors:

• The purpose of the acquisition of the financial instrument

• The contractual cash flows from the financial assets

Financial assets assessed at amortised cost

The classification of the the financial assets assumes that the following requirements are met:

• The asset is acquired to receive contractual cash flows

• The contractual cash flows consist solely of principal and interest

All lending and receivables, with the exception of fixed interest rate loans, are recorded in the accounts at amortised cost, based on expected cash flows. The difference between the issue cost and the settlement amount at maturity, is amortised over the lifetime of the loan.

Financial liabilities assessed at amortised cost

Debt securities, including debt securities included in fair value hedging, loans and deposits from credit institutions and deposits from customers without agreed maturity, are valued at amortised cost based on expected cash flows. The portfolio of own bonds is shown in the accounts as a reduction of the debt.

Financial instruments assessed at fair value, any changes in value recognised through the income statement

The Group's portfolio of bonds in the liquidity portfolio is classified at fair value through the income statement as this portfolio is managed based on fair value. The Group's portfolio of fixed interest rate loans and deposits are assessed at fair value to avoid accounting mismatch in relation to the underlying interest rate swaps.

Financial derivatives are contracts signed to mitigate an existing interest rate or currency risk incurred by the bank. Financial derivatives are recognised at fair value through the income statement and recognised gross per contract as an asset or liability.

The Group's portfolio of shares is assessed at fair value with any value changes through the income statement.

Losses and gains as a result of value changes on assets and liabilities assessed at fair value, with any value changes being recognised in the income statement, are included in the accounts during the period in which they occur.

LEVELS IN THE VALUATION HIERARCHY

Financial instruments are classified into different levels based on the quality of market data for each type of instrument.

Level 1 – Valuation based on prices in an active market
Level 1 comprises financial instruments valued by using quoted prices in active markets for identical assets or liabilities. This category includes listed shares and mutual funds, as well as bonds and certificates in LCR-level 1, traded in active markets.

Level 2 – Valuation based on observable market data
Level 2 comprises financial instruments valued by using information which is not quoted prices, but where prices are directly or indirectly observable for assets or liabilities, including quoted prices in inactive markets for identical assets or liabilities. This category mainly includes debt securities issued, derivatives and bonds which are not included in level 1.

Level 3 – Valuation based on other than observable market data
Level 3 comprises financial instruments which can not be valued based on directly or indirectly observable prices. This category mainly includes loans to and deposits from customers, as well as shares.

GROUP - 31.03.2018	Financial instruments at fair value through the income statement	Financial instruments assessed at amortised cost
Cash and claims on Norges Bank		264
Loans to and receivables from credit institutions		2 366
Loans to and receivables from customers	3 662	54 532
Certificates and bonds	6 383	
Shares and other securities	186	
Financial derivatives	815	
Total financial assets	11 046	57 162
Loans and deposits from credit institutions		930
Deposits from and liabilities to customers	1 283	32 256
Financial derivatives	334	
Debt securities		25 975
Subordinated loan capital and Additional Tier 1 capital		1 009
Total financial liabilities	1 617	60 170

GROUP - 31.03.2017	Financial instruments at fair value through the income statement		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			582	
Loans to and receivables from credit institutions			578	
Loans to and receivables from customers		4 538	49 455	
Certificates and bonds		6 212		
Shares and other securities				154
Financial derivatives	1 104			
Total financial assets	1 104	10 750	50 615	154
Loans and deposits from credit institutions			1 292	
Deposits from and liabilities to customers		1 316	31 340	
Financial derivatives	531			
Debt securities			21 207	
Subordinated loan capital and Additional Tier 1 capital			1 325	
Total financial liabilities	531	1 316	55 164	-

Net gains/losses on financial instruments

	Q1 2018	Q1 2017	31.12.2017
Certificates and bonds	3	16	23
Securities	-2	-1	-10
Foreign exchange trading (for customers)	9	9	38
Fixed income trading (for customers)	2	2	4
Financial derivatives	-7	-3	-9
Net change in value and gains/losses from financial instruments	5	23	46

Note 6

FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	31.03.2018		31.03.2017	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	264	264	582	582
Loans to and receivables from credit institutions	2 366	2 366	578	578
Loans to and receivables from customers	54 532	54 532	49 455	49 455
Total financial assets	57 162	57 162	50 615	50 615
Loans and deposits from credit institutions	930	930	1 292	1 292
Deposits from and liabilities to customers	32 256	32 256	31 340	31 340
Debt securities	26 089	25 975	21 263	21 207
Subordinated loan capital and Additional Tier 1 capital	1 039	1 009	1 364	1 325
Total financial liabilities	60 314	60 170	55 259	55 164

GROUP - 31.03.2018	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank	264			264
Loans to and receivables from credit institutions		2 366		2 366
Loans to and receivables from customers			54 532	54 532
Total financial assets	264	2 366	54 532	57 162
Loans and deposits from credit institutions		930		930
Deposits from and liabilities to customers			32 256	32 256
Debt securities		26 089		26 089
Subordinated loan capital and Additional Tier 1 capital		1 039		1 039
Total financial liabilities	-	28 058	32 256	60 314

GROUP - 31.03.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank	582			582
Loans to and receivables from credit institutions		578		578
Loans to and receivables from customers			49 455	49 455
Total financial assets	582	578	49 455	50 615
Loans and deposits from credit institutions		1 292		1 292
Deposits from and liabilities to customers			31 340	31 340
Debt securities		21 263		21 263
Subordinated loan capital and Additional Tier 1 capital		1 364		1 364
Total financial liabilities	-	23 919	31 340	55 259

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 31.03.2018	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 662	3 662
Certificates and bonds	4 698	1 685		6 383
Shares and other securities	18		168	186
Financial derivatives		815		815
Total financial assets	4 716	2 500	3 830	11 046
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 283	1 283
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		334		334
Total financial liabilities	-	334	1 283	1 617

GROUP - 31.03.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 538	4 538
Certificates and bonds	4 146	2 066		6 212
Shares and other securities	26		128	154
Financial derivatives		1 104		1 104
Total financial assets	4 172	3 170	4 666	12 008
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 316	1 316
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		531		531
Total financial liabilities	-	531	1 316	1 847

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.17	3 923	169	1 340
Purchases/additions	239		115
Sales/reduction	465		174
Transferred to Level 3			
Transferred from Level 3			
Net gains/losses in the period	-35	-1	2
Recorded value as at 31.03.18	3 662	168	1 283

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.16	4 744	128	1 254
Purchases/additions	113		213
Sales/reduction	313	2	151
Transferred to Level 3			
Transferred from Level 3			
Net gains/losses in the period	-6	2	
Recorded value as at 31.03.17	4 538	128	1 316

Note 8

OPERATING SEGMENTS

Result - Q1 2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	289	-1	110	180	0
Other operating income	53	2	24	23	4
Total income	342	1	134	203	4
Operating costs	149	20	31	94	4
Profit before impairment	193	-19	103	109	0
Impairment on loans, guarantees etc.	2	0	2	0	0
Pre tax profit	191	-19	101	109	0
Taxes	50				
Profit after tax	141				

Key figures - 31.03.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	58 194	1 148	17 605	39 441	0
Deposits from customers 1)	33 539	644	11 670	21 225	0
Guarantee liabilities	1 610	0	1 601	9	0
The deposit-to-loan ratio	57.6	56.1	66.3	53.8	0
Man-years	363	158	50	141	14

Result - Q1 2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	261	-1	102	160	0
Other operating income	66	21	21	20	4
Total income	327	20	123	180	4
Operating costs	150	23	29	93	5
Profit before impairment	177	-3	94	87	-1
Impairment on loans, guarantees etc.	2	0	3	-1	0
Pre tax profit	175	-3	91	88	-1
Taxes	44				
Profit after tax	131				

Key figures - 31.03.2017	**Group**	**Eliminations/ other**	**Corporate**	**Retail 1)**	**Real estate brokerage**
Loans to customers 1)	53 993	889	15 990	37 114	0
Deposits from customers 1)	32 656	544	11 910	20 202	0
Guarantee liabilities	1 952	0	1 941	11	0
The deposit-to-loan ratio	60.5	61.2	74.5	54.4	0.0
Man-years	371	148	55	154	14

1) The subsidiary, Møre Boligkreditt AS, is part of the Bank's Retail segment. The mortgage company's main objective is to issue covered bonds for both national and international investors, and the company is part of Sparebanken Møre's long-term financing strategy. Key figures for Møre Boligkreditt AS are displayed in a separate table.

	MØRE BOLIGKREDITT AS	
Statement of income	**31.03.2018**	**31.03.2017**
Net interest income	72	57
Other operating income	1	-5
Total income	73	52
Operating costs	10	10
Profit before impairment on loans	63	42
Impairment on loans, guarantees etc.	-2	0
Pre tax profit	65	42
Taxes	15	10
Profit after tax	50	32

Statement of financial position	**31.03.2018**	**31.03.2017**
Loans to and receivables from customers	23 245	18 534
Total equity	1 646	1 535

Note 9

TRANSACTIONS WITH RELATED PARTIES

These are transactions between the Parent Bank and wholly-owned subsidiaries which have been done at arm`s length and at arm`s length`s prices.

The most important transactions which have been eliminated in the Group accounts are as follows:

PARENT BANK	31.03.2018	31.03.2017	31.12.2017
Statement of income:			
Interest and credit commission income from subsidiaries	7	11	28
Received dividend and group contribution from subsidiaries	152	156	156
Rent paid to Sparebankeiendom AS	4	4	17
Administration fee received from Møre Boligkreditt AS	8	7	30
Statement of financial position:			
Claims on subsidiaries	1 262	1 213	1 328
Covered bonds	1 320	752	425
Liabilities to subsidiaries	419	320	102
Accumulated loan portfolio transferred to Møre Boligkreditt AS	23 265	18 539	21 164

Note 10

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.03.2018	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	985 355	9.97
Cape Invest AS	632 503	6.40
Verdipapirfond Pareto Aksje Norge	399 032	4.04
Verdipapirfond Nordea Norge Verdi	386 014	3.90
Wenaasgruppen AS	380 000	3.84
MP Pensjon	376 698	3.81
Pareto AS	305 189	3.09
Wenaas Kapital AS	230 161	2.33
FLPS - Princ All Sec	209 718	2.12
Verdipapirfondet Eika egenkapital	182 117	1.84
Beka Holding AS	150 100	1.52
Verdipapirfondet Landkreditt Utbytte	125 000	1.26
Lapas AS (Leif-Arne Langøy)	113 500	1.15
PIBCO AS	75 000	0.76
Fondsfinans Norge	73 880	0.75
Odd Slyngstad	65 215	0.66
Forsvarets personell pensjonskasse	63 660	0.64
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Stiftelsen Kjell Holm	49 850	0.50
Total 20 largest	4 907 992	49.64
Total	9 886 954	100.00

Note 11

CAPITAL ADEQUACY

	31.03.2018	31.03.2017	31.12.2017
Tier 1 capital			
EC capital	989	989	989
- ECs owned by the Bank	-5	-5	-5
Share premium	355	354	355
Additional Tier 1 capital	349	0	349
Primary capital fund	2 514	2 344	2 470
Gift fund	125	125	125
Dividend equalisation fund	1 259	1 091	1 216
Value adjustment fund	0	51	78
Proposed dividend for the EC holders	0	0	138
Proposed dividend for the local community	0	0	141
Other equity	203	208	222
Accumulated profit for the period	137	131	
Total equity	5 926	5 288	6 078
Goodwill, intangible assets and other deductions	-39	-96	-100
Value adjustments of financial instruments at fair value	-13	-14	-14
Additional Tier 1 capital	203	760	254
Expected losses exceeding ECL, IRB portfolios	-163	-71	-151
Proposed dividend for the EC holders	0	0	-138
Proposed dividend for the local community	0	0	-141
Accumulated profit for the period	-137	-131	
Total Tier 1 capital	5 777	5 736	5 788
Common Equity Tier 1 capital	5 225	4 976	5 185

Supplementary capital			
Subordinated loan capital of limited duration	702	502	530
Other supplementary capital	0	0	0
Total supplementary capital	702	502	530
Net equity and subordinated loan capital	6 479	6 238	6 318

Capital requirement by exposure classes

Exposure classes SA - credit risk	31.03.2018	31.03.2017	31.12.2017
Central governments or central banks	0	0	0
Regional governments or local authorities	13	13	14
Public sector companies	5	18	3
Institutions (banks etc)	23	44	36
Companies (corporate customers)	0	0	0
Mass marked (retail banking customers)	0	0	0
Secured by mortgage on immovable property	0	0	0
Exposures in default	0	0	0
Covered bonds	26	21	25
Equity	8	8	8
Other commitments	94	116	86
Total capital requirements - credit risk, The Standardised Approach	169	220	172

Exposure classes IRB - credit risk	31.03.2018	31.03.2017	31.12.2017
Retail - Secured by real estate	645	630	638
Retail - Other	47	50	47
SME	735	679	682
Specialised lending	528	456	549
Other corporate lending	274	296	252
IRB-F capital requirements	2 229	2 111	2 168
Total capital requirements - credit risk	2 398	2 331	2 340

Exposure classes SA - market risk	31.03.2018	31.03.2017	31.12.2017
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	23	28	29
Total capital requirements - market risk	23	28	29
Operational Risk (Basic Indicator Approach)	200	200	200
Deductions from the capital requirement	0	0	0
Total capital requirement less transitional rules	2 621	2 559	2 569
Additional capital requirements from transitional rules (Basel I)	101	152	181
Total capital requirements	2 722	2 711	2 750

Total risk-weighted assets less transitional rules	33 860	31 990	32 105
Total risk-weighted assets from transitional rules	1 265	1 896	2 265
Total risk-weighted assets (RWA)	35 125	33 886	34 370
Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 581	1 525	1 542

Buffer Requirement	**31.03.2018**	**31.03.2017**	**31.12.2017**
Capital conservation buffer (2.5 %)	878	847	859
Systemic risk buffer (3.0 %)	1 054	1 017	1 031
Countercyclical buffer (2.0%)	703	508	687
Total buffer requirements for Common Equity Tier 1 capital	2 634	2 372	2 578
Available Common Equity Tier 1 capital after buffer requirements	1 010	1 079	1 065

Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules	**31.03.2018**	**31.03.2017**	**31.12.2017**
Capital adequacy ratio	18.4	18.4	18.4
Capital adequacy ratio incl. 50 per cent of the profit for the period	18.6	18.6	
Tier 1 capital ratio	16.4	16.9	16.8
Tier 1 capital ratio incl. 50 per cent of the profit for the period	16.6	17.1	
Common Equity Tier 1 capital ratio	14.9	14.7	15.0
Common Equity Tier 1 capital ratio incl. 50 per cent of the profit for the period	15.1	14.9	

Leverage Ratio (LR)	**31.03.2018**	**31.03.2017**	**31.12.2017**
Leverage Ratio	8.0	8.5	8.2
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	8.1	8.6	

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	**Q1 2018**	**Q1 2017**	**2017**
Interest income from assets assessed at amortised cost	289	268	1 116
Interest income from assets assessed at fair value	40	53	172
Interest expenses	110	116	447
Net interest income	219	205	841
Commission income and revenues from banking services	49	44	195
Commission costs and expenditure from banking services	7	7	26
Other operating income	8	8	36
Net commission and other operating income	50	45	205
Dividends	153	156	158
Net gains/losses from financial instruments	4	29	60
Net return from financial instruments	157	185	218
Total income	426	435	1 264
Wages, salaries etc.	81	81	322
Administration costs	38	39	127
Depreciation and impairment	7	7	27
Other operating costs	20	22	95
Total operating costs	146	149	571
Profit before impairment on loans	280	286	693
Impairment on loans, guarantees etc.	4	2	16
Pre tax profit	276	284	677
Taxes	34	32	133
Profit after tax	242	252	544
Allocated to equity owners	239	252	538
Allocated to owners of Additional Tier 1 capital	3	0	6
Profit per EC (NOK) 1)	12.00	12.60	27.00
Diluted earnings per EC (NOK) 1)	12.00	12.60	27.00
Distributed dividend per EC (NOK)	0.00	0.00	14.00

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

Amounts in NOK million	**Q1 2018**	**Q1 2017**	**2017**
Profit after tax	242	252	544
Items that may subsequently be reclassified to the income statement:			
Equities available for sale - changes in value 2)		0	27
Basisswap spreads - changes in value 3)	0		
Tax effect of changes in value on basisswap spreads	0		
Items that will not subsequently be reclassified to the income statement:			
Pension estimate deviations	0	0	-12
Tax effect of pension estimate deviations	0	0	3
Total comprehensive income after tax	242	252	562
Allocated to equity owners	239	252	556
Allocated to owners of Additional Tier 1 capital	3	0	6

1) Calculated using the EC-holders' share (49.6 %) of the period's profit to be allocated to equity owners.

2) The category Available for sale does not exist in IFRS 9. Shares and other securities are as of 1 January 2018 assessed at fair value with any changes in value recognised in the income statement under Net gains/losses from financial instruments.

3) Change in value on the Group's basisswaps inherent in hedging instruments, has up to 31.12.2017 been recognised in the income statement. As of 1.1.2018, changes in value on basisswaps due to changes in basisswap spreads, will be recognised in OCI as a cost of hedging.

Statement of financial position - Parent Bank

Assets

Amounts in NOK million	31.03.2018	31.03.2017	31.12.2017
Cash and claims on Norges Bank	264	582	637
Loans to and receivables from credit institutions	1 834	1 662	2 497
Loans to and receivables from customers	35 075	35 589	35 832
Certificates, bonds and other interest-bearing securities	7 643	6 620	6 461
Financial derivatives	463	718	564
Shares and other securities	186	154	188
Equity stakes in Group companies	1 621	1 521	1 521
Deferred tax benefit	59	49	62
Intangible assets	39	45	42
Fixed assets	36	42	37
Other assets	1 739	174	72
Total assets	48 959	47 156	47 913

Liabilities and equity

Amounts in NOK million	31.03.2018	31.03.2017	31.12.2017
Loans and deposits from credit institutions	1 331	1 601	654
Deposits from customers	33 556	32 666	32 820
Debt securities issued	6 078	5 053	6 090
Financial derivatives	307	519	480
Other liabilities	721	698	500
Incurred costs and prepaid income	48	52	78
Other provisions for incurred liabilities and costs	84	40	96
Additional Tier 1 capital	307	823	302
Subordinated loan capital	702	502	1 036
Total liabilities	43 134	41 954	42 056
EC capital	989	989	989
ECs owned by the Bank	-5	-5	-5
Share premium	355	355	355
Additional Tier 1 capital	349	0	349
Paid-in equity	1 688	1 339	1 688
Primary capital fund	2 514	2 343	2 470
Gift fund	125	125	125
Dividend equalisation fund	1 259	1 091	1 216
Value adjustment fund	0	52	78
Other equity	-3	0	280
Total comprehensive income after tax	242	252	0
Retained earnings	4 137	3 863	4 169
Total equity	5 825	5 202	5 857
Total liabilities and equity	48 959	47 156	47 913

Profit performance - Group

QUARTERLY PROFIT

Amounts in NOK million	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Net interest income	289	290	281	268	261
Other operating income	53	58	55	63	66
Total operating costs	149	144	145	151	150
Profit before impairment on loans	193	204	191	180	177
Impairment on loans, guarantees etc.	2	-1	6	6	2
Pre tax profit	191	205	185	174	175
Tax	50	48	46	44	44
Profit after tax	141	157	139	130	131

As a percentage of average assets					
Net interest income	1.73	1.76	1.72	1.71	1.69
Other operating income	0.32	0.35	0.34	0.40	0.43
Total operating costs	0.89	0.88	0.89	0.96	0.97
Profit before impairment on loans	1.16	1.23	1.17	1.15	1.15
Impairment on loans, guarantees etc.	0.01	-0.01	0.04	0.03	0.01
Pre tax profit	1.15	1.24	1.13	1.12	1.14
Tax	0.29	0.29	0.28	0.28	0.28
Profit after tax	0.86	0.95	0.85	0.84	0.86

COVER PHOTO

Sparebanken Møre has financially supported the establishment of a Newtonroom at NMK on Campus in Ålesund by NOK 5 million. Newton Møre will be fully utilized by local school classes from August 2018.

The purpose of this Newtonroom, is to increase the interest in science among children and adolescents.

Photo: Havnevik AS

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