

2 quarter 2019

Unaudited
interim report



Sparebanken
Møre

Financial highlights - Group

Income statement

(Amounts in percentage of average assets)

	Q2 2019		Q2 2018		30.06.2019		30.06.2018		2018	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	320	1.75	291	1.68	624	1.72	580	1.71	1 179	1.70
Net commission and other operating income	55	0.30	52	0.30	104	0.29	99	0.29	207	0.30
Net return from financial investments	23	0.13	26	0.15	51	0.14	32	0.10	41	0.06
Total income	398	2.18	369	2.13	779	2.15	711	2.10	1 427	2.06
Total operating costs	160	0.88	150	0.87	317	0.88	299	0.88	603	0.87
Profit before impairment on loans	238	1.30	219	1.26	462	1.27	412	1.22	824	1.19
Impairment on loans, guarantees etc.	6	0.03	-5	-0.03	19	0.05	-3	-0.01	16	0.02
Pre tax profit	232	1.27	224	1.29	443	1.22	415	1.23	808	1.17
Tax	53	0.29	50	0.29	102	0.28	100	0.29	203	0.29
Profit after tax	179	0.98	174	1.00	341	0.94	315	0.94	605	0.88

Statement of financial position

(NOK million)	30.06.2019	% change YTD 2019	31.12.2018	% change during last 12 months	30.06.2018
Total assets 5)	74 928	5.4	71 074	6.2	70 578
Average assets 5)	72 386	4.3	69 373	6.4	68 033
Loans to and receivables from customers	62 529	3.6	60 346	6.2	58 874
Gross loans to retail customers	43 331	3.4	41 917	6.2	40 806
Gross loans to corporate and public entities	19 393	4.2	18 616	6.2	18 264
Deposits from customers	37 321	8.4	34 414	9.0	34 239
Deposits from retail customers	21 910	6.2	20 624	5.1	20 852
Deposits from corporate and public entities	15 411	11.8	13 790	15.1	13 387

Key figures and alternative performance measures (APMs)

	Q2 2019	Q2 2018	30.06.2019	30.06.2018	2018
Return on equity (annualised) 4) 5)	12.0	12.3	11.5	11.2	10.6
Cost income ratio 5)	40.0	40.6	40.7	42.1	42.3
Losses as a percentage of loans (annualised) 5)	0.04	-0.03	0.06	-0.01	0.03
Gross problem loans as a percentage of loans	1.56	0.57	1.56	0.57	0.62
Net problem loans as a percentage of loans	1.19	0.41	1.19	0.41	0.46
Deposit-to-loan ratio 5)	59.7	58.2	59.7	58.2	57.0
Liquidity Coverage Ratio (LCR)	156	167	156	167	158
Lending growth as a percentage 5)	3.6	3.5	6.2	5.0	6.1
Deposit growth as a percentage 5)	8.5	4.4	9.0	2.2	4.9
Capital adequacy ratio 1) 2)	19.1	19.1	19.1	19.1	19.6
Tier 1 capital ratio 1) 2)	17.1	17.1	17.1	17.1	17.6
Common Equity Tier 1 capital ratio (CET 1) 1) 2)	15.1	15.5	15.1	15.5	16.0
Leverage Ratio (LR) 2)	7.9	8.0	7.9	8.0	8.1
Man-years	358	356	358	356	361

Equity Certificates (ECs)

	30.06.2019	30.06.2018	2018	2017	2016	2015
Profit per EC (Group) (NOK) 3)	16.80	15.45	29.80	27.70	28.80	25.25
Profit per EC (Parent Bank) (NOK) 3)	20.35	18.40	28.35	27.00	29.85	25.70
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	49.6	49.6
EC capital (NOK million)	988.70	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	318	273	283	262	254	188
Stock market value (NOK million)	3 144	2 700	2 798	2 590	2 511	1 859
Book value per EC (Group) (NOK) 5)	305	288	303	289	275	257
Dividend per EC (NOK)	15.50	14.00	15.50	14.00	14.00	11.50
Price/Earnings (Group, annualised)	9.5	8.8	9.5	9.4	8.8	7.3
Price/Book value (P/B) (Group) 3) 5)	1.04	0.95	0.93	0.91	0.93	0.73

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

2) Incl. 50 per cent of 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 equity owners.

5) Defined as alternative performance measure (APM), see attachment to the quarterly report.

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 H1 2019

Sparebanken Møre's pre-tax profit after the first half of 2019 was NOK 443 million, compared to NOK 415 million after the first half of 2018.

Total income was NOK 68 million higher than for the same period in 2018. Net interest income rose by NOK 44 million and other operating income increased by NOK 24 million. Capital gains from bond holdings amounted to NOK 3 million, compared to losses of NOK 2 million in the first half of 2018. Capital gains on equities totalled NOK 12 million, compared to NOK 13 million in the first half of 2018. Income from other financial investments showed an increase of NOK 15 million compared to the first half of 2018.

Costs were NOK 18 million higher in the first half of 2019 than in 2018. Personnel costs were NOK 5 million higher than last year and financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 6 million, the same as in 2018. Other operating costs increased by NOK 13 million in the same period.

Losses on loans and guarantees amounted to NOK 19 million and were NOK 22 million higher than in the same period last year.

The cost income ratio after the first half-year was 40.7 per cent. This represents a decrease of 1.4 percentage points compared to the same period in 2018.

Profit after tax was NOK 341 million, NOK 26 million higher than for the same period in 2018. The half-year results show an annualised return on equity of 11.5 per cent, compared to 11.2 per cent after the first half of 2018.

Earnings per equity certificate amounted to NOK 16.80 (NOK 15.45) for the Group and NOK 20.35 (NOK 18.40) for the Parent Bank.

The Board of Directors is pleased with the results for the first half of 2019.

RESULTS FOR Q2 2019

The profit after tax for the second quarter of 2019 amounted to NOK 179 million, or 0.98 per cent of average total assets, compared to NOK 174 million, or 1.00 per cent, for the corresponding quarter last year.

The return on equity in the second quarter of 2019 was 12.0 per cent, compared to 12.3 per cent for the second quarter of 2018.

Earnings per equity certificate amounted to NOK 8.85 (NOK 8.50) for the Group and NOK 6.20 (NOK 6.40) for the Parent Bank.

Net interest income

The net interest income of NOK 320 million was NOK 29 million higher than in the corresponding quarter of last year. This represents 1.75 per cent of total assets, which is 0.07 percentage points higher than for the second quarter of 2018.

Rising interest rates have led to increased funding costs and reduced margins on loans, as well as higher margins on deposits, compared to the second quarter of 2018. This reduced net interest income in NOK. On the other hand, higher lending and deposit volumes, as well as better interest contributions from the Bank's equity, increased net interest income in NOK compared to the corresponding quarter last year.

Strong competition in both lending and deposits, and reduced risk in the lending portfolio, have contributed to downward pressure on net interest income in percentage.

The Bank implemented a change in interest rates with effect from 10 May in which both lending and deposit rates were increased by up to 0.25 percentage points. A similar change in interest rates has been announced and will be effective from 9 August.

Other operating income

Other operating income amounted to NOK78 million in the quarter, on a par with the second quarter last year. Other operating income apart from financial instruments showed an increase of NOK3 million compared to the second quarter of 2018. The changes in value in the bond portfolio and equities constitute capital gains of NOK4 million in the quarter, compared to capital gains of NOK10 million in the second quarter of 2018. The valuation of other financial derivatives shows an increase of NOK3 million.

Costs

Operating costs in the quarter amounted to NOK160 million, which is NOK10 million higher than in the same quarter last year. Personnel costs were NOK3 million higher than in the corresponding period last year and amounted to NOK88 million. Staffing has increased by two full-time equivalents in the last 12 months to 358 full-time equivalents. Other operating costs increased by NOK7 million from the same period last year.

The cost income ratio amounted to 40.0 per cent in the second quarter of 2019, which represents a reduction of 0.6 percentage points compared to the second quarter last year.

Problem loans

The quarterly accounts were charged NOK6 million in losses on loans and guarantees (reversal of losses of NOK5 million was recognised in the corresponding period last year). This amounts to 0.03 per cent (-0.03 per cent) of average total assets on an annualised basis. Losses in the corporate segment increased by NOK6 million in the quarter, while no losses were recognised in the retail segment.

At the end of the second quarter of 2019, total expected losses amounted to NOK355 million, equivalent to 0.55 per cent of loans and guarantees (NOK335 million and 0.55 per cent). Of the individually assessed commitments, NOK11 million of the impairments were linked to commitments in default for more than 90 days (NOK5 million), which amounts to 0.02 per cent of loans and guarantees (0.01 per cent). NOK225 million relates to other commitments (NOK93 million), which is equivalent to 0.37 per cent of gross loans and guarantees (0.15 per cent).

Net problem loans (commitments in default for more than 90 days and other problem loans which have been subject to individual impairments) have increased by NOK514 million the last 12 months due to the recognition of individual impairments for commitments previously in stage 3 in the Group's ECL model. At the end of the second quarter of 2019, the corporate market accounted for NOK700 million of net problem loans and the retail market NOK61 million. In total this represents 1.19 per cent of gross loans and guarantees (0.41 per cent).

Lending to customers

At the end of the second quarter of 2019, lending to customers amounted to NOK62,529 million (NOK58,874 million). Customer lending has increased by a total of NOK3,655 million, or 6.2 per cent, in the last 12 months. Retail lending has increased by 6.2 per cent and corporate lending has also increased by 6.2 per cent in the last 12 months. Lending to corporate customers increased by 1.7 per cent in the second quarter of 2019, while lending to retail customers rose by 2.1 per cent. Retail lending accounted for 69.3 per cent of total lending at the end of the second quarter of 2019 (69.0 per cent).

Deposits from customers

Customer deposits have increased by 9.0 per cent in the last 12 months. At the end of the second quarter of 2019, deposits amounted to NOK37,321 million (NOK34,239 million). Retail deposits have increased by 5.1 per cent in the last 12 months, while corporate deposits have increased by 15.7 per cent and public sector deposits have increased by 6.1 per cent. The retail market's relative share of deposits amounted to 58.7 per cent (60.9 per cent), while deposits from the corporate market accounted for 39.1 per cent (36.9 per cent) and from the public sector 2.2 per cent (2.2 per cent).

The deposit-to-loan ratio was 59.7 per cent at the end of the second quarter of 2019 (58.2 per cent).

CAPITAL ADEQUACY

The Group's capital adequacy at the end of the second quarter of 2019 was above the regulatory capital requirement and the internally set minimum target for Common Equity Tier 1 capital (CET1). The primary capital ratio, including 50 per cent of year-to-date profit, was 19.1 per cent (19.1 per cent), the Tier1 capital ratio was 17.1 per cent (17.1 per cent) and the CET1 ratio was 15.1 per cent (15.5 per cent). The decrease in CET1 in the quarter was mainly due to the recognition of individual impairments on commitments previously in stage 3 in the Group's ECL model.

Sparebanken Møre had no capital requirements associated with the transitional scheme for the Basel I floor at the end of the second quarter of 2019. The calculation basis of NOK 35,999 million was NOK 309 million higher than the calculated Basel I floor.

SUBSIDIARIES

The aggregate profit of the Bank's three subsidiaries amounted to NOK 99 million after tax in the first half of 2019 (NOK 92 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 second quarter of 2019, the company had net outstanding bonds of NOK 22.3 billion in the market. About 25 per cent of the borrowing was in currencies other than NOK. The company contributed NOK 97 million to the result in the first half of 2019 (NOK 90 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK 0.9 million to the result in the first half of 2019 (NOK 0.3 million). At the end of the quarter, the company employed 13 full-time equivalents.

Sparebankeiendom AS's purpose is to own and manage the Bank's commercial properties. The company contributed NOK 0.7 million to the result in the first half of 2019 (NOK 2 million). The company has no employees.

EQUITY CERTIFICATES

At the end of the second quarter of 2019, there were 5,453 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the Bank's total equity.

Note 11 includes a list of the 20 largest holders of the Bank's equity certificates. As at 30 June 2019, the Bank owned 24,832 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market prices.

FUTURE PROSPECTS

A moderate rise in output and demand is expected in the county going forward. Interest rates are still low, the exchange rate remains weak, and the upturn in oil investments has positive ripple effects for a large part of the rest of the business sector. However, geopolitical uncertainty, Brexit and the trade conflict between the US and China are contributing to a slowdown in growth in our export markets.

Unemployment in the county has dropped markedly in the last few years. This is especially true in oil-related segments. According to NAV, registered unemployment at job centres in Møre og Romsdal amounted to 2.0 per cent of the workforce at the end of June. This is lower than the national rate. Unemployment is likely to stabilise around the current level for the rest of this year.

Credit growth in Norway, both in households and the corporate sector, remains largely unchanged so far this year.

Competition in the market remains strong, both for lending and deposits.

The Bank is competitive and recorded a good, and increasing, growth rate in lending to the retail market. An increase in the growth rate for lending to the corporate market was also registered in the second quarter of 2019. Deposit growth is very good and the deposit-to-loan ratio is high, especially in the corporate market. Lending growth in both the retail market and the corporate market will be around 5-6 per cent in 2019. This implies growth on a par with or above market growth. There is a constant focus on effective operations and increased profitability.

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

Sparebanken Møre's target for cost-effective operations for the strategy period 2019-2022 is a cost income ratio of less than 40 per cent.

Sparebanken Møre's losses are also expected to be low in 2019. Overall, a good result is expected for 2019. The Bank's strategic target is for the return on equity to exceed 11 per cent in the strategy period 2019-2022.

Ålesund, 30 June 2019

13 August 2019

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 (COMPRESSED)

(NOK million)	Note	Q2 2019	Q2 2018	30.06.2019	30.06.2018	2018
Interest income from assets at amortised cost		505	441	973	859	1 769
Interest income from assets at fair value		55	40	105	80	171
Interest expenses		240	190	454	359	761
Net interest income	<u>10</u>	320	291	624	580	1 179
Commission income and revenues from banking services		55	53	105	102	208
Commission costs and charges from banking services		6	7	13	14	25
Other operating income		6	6	12	11	24
Net commission and other operating income		55	52	104	99	207
Dividends		4	2	5	3	3
Net gains/losses from financial instruments	<u>5</u>	19	24	46	29	38
Net return from financial instruments		23	26	51	32	41
Total income		398	369	779	711	1 427
Wages, salaries etc.		89	85	174	169	340
Administration costs		36	30	74	68	133
Depreciation and impairment		11	8	22	15	31
Other operating costs		24	27	47	47	99
Total operating costs		160	150	317	299	603
Profit before impairment on loans		238	219	462	412	824
Impairment on loans, guarantees etc.	<u>3</u>	6	-5	19	-3	16
Pre tax profit		232	224	443	415	808
Taxes		53	50	102	100	203
Profit after tax		179	174	341	315	605
Allocated to equity owners		176	170	335	308	594
Allocated to owners of Additional Tier 1 capital		3	4	6	7	11
Profit per EC (NOK) 1)		8.85	8.50	16.80	15.45	29.80
Diluted earnings per EC (NOK) 1)		8.85	8.50	16.80	15.45	29.80
Distributed dividend per EC (NOK)		15.50	0.00	15.50	0.00	14.00

**STATEMENT OF COMPREHENSIVE INCOME - GROUP
(COMPRESSED)**

(NOK million)	Q2 2019	Q2 2018	30.06.2019	30.06.2018	2018
Profit after tax	179	174	341	315	605
Items that may subsequently be reclassified to the income statement:					
Basisswap spreads - changes in value	7	-3	2	-8	-18
Tax effect of changes in value on basisswap spreads	-2	1	-1	2	4
Items that will not subsequently be reclassified to the income statement:					
Pension estimate deviations	0	0	0	0	12
Tax effect of pension estimate deviations	0	0	0	0	-3
Total comprehensive income after tax	184	172	342	309	600
Allocated to equity owners	181	168	336	302	589
Allocated to owners of Additional Tier 1 capital	3	4	6	7	11

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

Statement of financial position - Group

ASSETS (COMPRESSED)

(NOK million)	Note	30.06.2019	30.06.2018	31.12.2018
Cash and claims on Norges Bank	5 6 10	963	75	857
Loans to and receivables from credit institutions	5 6 10	2 861	2 751	1 288
Loans to and receivables from customers	2 3 4 5 7 10	62 529	58 874	60 346
Certificates, bonds and other interest-bearing securities	5 7 10	6 711	7 394	6 789
Financial derivatives	5 7	1 199	875	1 209
Shares and other securities	5 7	186	203	182
Deferred tax benefit		54	60	55
Intangible assets		40	37	42
Fixed assets		279	224	220
Other assets		106	85	86
Total assets		74 928	70 578	71 074

LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	Note	30.06.2019	30.06.2018	31.12.2018
Loans and deposits from credit institutions	5 6 10	1 365	756	955
Deposits from customers	2 5 7 10	37 321	34 239	34 414
Debt securities issued	5 6 8	27 178	27 374	26 980
Financial derivatives	5 7	357	375	525
Other liabilities		953	524	609
Incurred costs and prepaid income		82	62	76
Other provisions for incurred liabilities and costs		140	131	125
Additional Tier 1 capital	5 6	157	313	293
Subordinated loan capital	5 6	703	703	703
Total liabilities		68 256	64 477	64 680
EC capital	11	989	989	989
ECs owned by the Bank		-3	-5	-3
Share premium		356	355	356
Additional Tier 1 capital		599	349	349
Paid-in equity		1 941	1 688	1 691
Primary capital fund		2 649	2 513	2 649
Gift fund		125	125	125
Dividend equalisation fund		1 392	1 260	1 391
Other equity		223	206	538
Total comprehensive income after tax		342	309	0
Retained earnings		4 731	4 413	4 703
Total equity		6 672	6 101	6 394
Total liabilities and equity		74 928	70 578	71 074

Statement of changes in equity - Group

GROUP 30.06.2019	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 2018	6 394	986	356	349	2 649	125	1 391	0	538
Changes in own equity certificates	1						1		
Distributed dividend to the EC holders	-153								-153
Distributed dividend to the local community	-156								-156
Additional Tier 1 capital issued	250			250					
Interests paid on Additional Tier 1 capital issued	-6								-6
Total profit for the period	342								342
Equity as at 30 June 2019	6 672	986	356	599	2 649	125	1 392	0	565

GROUP 30.06.2018	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 *)	1				44		43	-78	-8
Equity as at 01.01.2018	6 079	984	355	349	2 514	125	1 259	0	493
Changes in own equity certificates	0				-1		1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Interests paid on Additional Tier 1 capital issued	-7								-7
Total profit for the period	309								309
Equity as at 30 June 2018	6 101	984	355	349	2 513	125	1 260	0	515

GROUP 31.12.2018	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 *)	1				44		43	-78	-8
Equity as at 01.01.2018	6 079	984	355	349	2 514	125	1 259	0	493
Changes in own equity certificates	6	2	1		2		1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Interest paid on Additional Tier 1 capital issued	-11								-11
Equity before allocation of profit for the year	5 795	986	356	349	2 516	125	1 260	0	203
Allocated to the primary capital fund	129				129				
Allocated to the dividend equalisation fund	127						127		
Allocated to owners of Additional Tier 1 capital	11								11
Allocated to other equity	29								29
Proposed dividend allocated for the EC holders	153								153
Proposed dividend allocated for the local community	156								156
Distributed profit for the year	605	0	0	0	129	0	127	0	349
Changes in value - basis swaps	-18								-18
Tax effect of changes in value - basis swaps	4								4
Pension estimate deviations	12				6		6		
Tax effect of pension estimate deviations	-3				-2		-1		
Total other income and costs from comprehensive income	-5	0	0	0	4	0	5	0	-14
Total profit for the period	600	0	0	0	133	0	132	0	335
Equity as at 31 December 2018	6 394	986	356	349	2 649	125	1 391	0	538

*) See the Annual report 2018 for further details on the implementation effects.

Statement of cash flow - Group

(NOK million)	30.06.2019	30.06.2018	31.12.2018
Cash flow from operating activities			
Interest, commission and fees received	1 137	984	2 059
Interest, commission and fees paid	-243	-171	-383
Dividend and group contribution received	5	3	3
Operating expenses paid	-247	-263	-561
Income taxes paid	-201	-202	-204
Changes relating to loans to and claims on other financial institutions	-1 573	-1 457	7
Changes relating to repayment of loans/leasing to customers	-2 056	-2 034	-3 740
Changes in utilised credit facilities	-129	79	303
Net change in deposits from customers	2 908	1 436	1 610
Net cash flow from operating activities	-399	-1 625	-906
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	64	53	112
Proceeds from the sale of certificates, bonds and other securities	5 315	1 362	9 469
Purchases of certificates, bonds and other securities	-5 746	-2 721	-10 198
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-12	-6	-23
Changes in other assets	285	162	-135
Net cash flow from investing activities	-94	-1 150	-775
Cash flow from financing activities			
Interest paid on debt securities and subordinated loan capital	-259	-202	-434
Net change in deposits from Norges Bank and other financial institutions	410	187	386
Proceeds from bond issues raised	3 797	3 868	4 603
Redemption of debt securities	-3 277	-1 246	-2 654
Dividend paid	-153	-138	-138
Changes in other debt	-161	-249	153
Proceeds from Additional Tier 1 capital issued	250	0	0
Paid interest on Additional Tier 1 capital issued	-8	-7	-15
Net cash flow from financing activities	599	2 213	1 901
Net change in cash and cash equivalents	106	-562	220
Cash balance at 01.01	857	637	637
Cash balance at 30.06/31.12	963	75	857

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 30 June 2019. The interim report has been prepared in compliance with IAS 34 Interim Reporting and in accordance with accounting principles and methods applied in the 2018 Financial statements, except for IFRS 16 entering into force as of 1 January 2019.

The accounts are presented in Norwegian kroner (NOK), which is also the Parent Bank's and subsidiaries' functional currency. All amounts are stated in NOK million unless stated otherwise.

IFRS 16 Leases was implemented 1 January 2019. This standard replaced existing IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ("lessee") and the supplier ("lessor"). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from previous requirements. Accounting requirements for lessor is unchanged.

Sparebanken Møre has chosen modified retrospective method. This implies that comparative figures for 2018 are not restated. It is primarily the Group's ordinary rental agreements that are covered by IFRS 16. The discount rate used is 2.4 per cent. Right-of-use assets are presented in the balance sheet under "Fixed assets" and lease liabilities are presented under "Other provisions for incurred liabilities and cost".

When implementing IFRS 16 as of 1 January 2019, the right-of-use assets and the associated lease liabilities were included in the balance sheet with NOK 90 million. The implementation led to a reduction in CET1 capital of 0.04 per cent.

As a consequence of the new rules, the rental expense is reduced by NOK 6.3 million in the second quarter of 2019, while interest expense has increased by NOK 0.8 million and depreciation has increased by NOK 5.7 million. The transition to IFRS 16 has given a marginal increase in cost for the Group of NOK 0.2 million in the first half of 2019.

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	30.06.2019	30.06.2018	31.12.2018
Broken down according to sectors			
Agriculture and forestry	538	486	542
Fisheries	3 270	2 998	3 206
Manufacturing	2 686	2 401	2 369
Building and construction	797	722	698
Wholesale and retail trade, hotels	646	625	676
Supply/Offshore	986	954	1 005
Property management	7 247	6 606	6 733
Professional/financial services	988	1 213	1 272
Transport and private/public services	1 980	2 068	1 867
Public entities	0	1	0
Activities abroad	255	190	248
Total corporate/public entities	19 393	18 264	18 616
Retail customers	43 331	40 806	41 917
Fair value adjustment of loans	50	35	56
Total loans (gross carrying amount)	62 774	59 105	60 589
Expected credit loss (ECL) - Stage 1	-29	-24	-25
Expected credit loss (ECL) - Stage 2	-69	-56	-60
Expected credit loss (ECL) - Stage 3	-14	-105	-111
Individual impairment	-133	-46	-47
Loans to and receivables from customers (net carrying amount)	62 529	58 874	60 346
-of which loans with floating interest rate (amortised cost)	58 703	55 289	56 535
-of which loans with fixed interest rate (fair value)	3 826	3 585	3 811

GROUP	Deposits		
	30.06.2019	30.06.2018	31.12.2018
Broken down according to sectors			
Agriculture and forestry	206	192	181
Fisheries	1 141	896	995
Manufacturing	1 603	1 646	1 559
Building and construction	752	566	661
Wholesale and retail trade, hotels	750	680	813
Property management	1 849	1 336	1 576
Transport and private/public services	6 014	5 093	5 043
Public entities	812	765	780
Activities abroad	4	3	5
Miscellaneous	2 280	2 210	2 177
Total corporate/public entities	15 411	13 387	13 790
Retail customers	21 910	20 852	20 624
Total deposits	37 321	34 239	34 414

Note 3

LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Sparebanken Møre applies a three-stage approach when assessing ECL on loans to customers and financial guarantees in accordance with IFRS 9.

Stage 1: At initial recognition and if there's no significant increase in credit risk, the commitment is classified in stage 1 with 12-months ECL.

Stage 2: If a significant increase in credit risk since initial recognition is identified, but without objective evidence of loss, the commitment is transferred to stage 2 with lifetime ECL measurement.

Stage 3: If the credit risk increases further and there's objective evidence of loss or if individual impairments have been made, the commitment is transferred to stage 3.

ECL on loans are presented in the balance sheet as a reduction to «Loans to and receivables from customers» and ECL on guarantees are recognised under «Other provisions for incurred liabilities and costs».

The methodology for measuring expected credit loss (ECL) in accordance with IFRS 9 is presented in Note 6 in the Annual Report 2018.

Specification of credit loss in the income statement

GROUP	Q2 2019	Q2 2018	30.06.2019	30.06.2018	31.12.2018
Changes in ECL during the period - Stage 1	4	-1	5	0	1
Changes in ECL during the period - Stage 2	11	13	13	11	16
Changes in ECL during the period - Stage 3	-95	-11	-138	-16	-12
Increase in existing individual impairments	2	0	8	0	2
New individual impairments	87	2	139	14	30
Confirmed losses, previously impaired	1	0	4	5	11
Reversal of previous individual impairments	-3	-10	-11	-16	-33
Confirmed losses, not previously impaired	2	0	3	2	8
Recoveries	-3	2	-4	-3	-7
Total impairment on loans and guarantees, etc	6	-5	19	-3	16

Changes in the loss provisions/ECL recognised in the balance sheet in the period

GROUP - 30.06.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	26	61	251	338
New commitments	8	6	1	14
Disposal of commitments	-3	-5	-118	-126
Changes in ECL in the period for commitments which have not migrated	0	-6	-2	-8
Migration to stage 1	1	-14	-1	-13
Migration to stage 2	-2	34	-22	10
Migration to stage 3	0	-1	5	3
Changes in individual impairments	-	-	136	136
ECL 30.06.2019	30	75	250	355
- of which expected losses on loans	29	69	147	245
- of which expected losses on guarantees	1	6	103	110

GROUP - 30.06.2018	Stage 1	Stage 2	Stage 3	Total
Total impairments at 31.12.2017 according to IAS 39				336
Effect of transition to IFRS 9				-1
ECL 01.01.2018 according to IFRS 9	25	46	264	335
New commitments	7	5	1	13
Disposal of commitments	-4	-5	-8	-17
Changes in ECL in the period for commitments which have not migrated	-4	-2	12	6
Migration to stage 1	3	-14	-5	-16
Migration to stage 2	-2	28	-19	7
Migration to stage 3	0	-1	5	4
Changes in individual impairments	-	-	-2	-2
ECL 30.06.2018	25	57	248	330
- of which expected losses on loans	24	56	151	231
- of which expected losses on guarantees	1	1	97	99

GROUP - 31.12.2018	Stage 1	Stage 2	Stage 3	Total
Total impairments at 31.12.2017 according to IAS 39				336
Effect of transition to IFRS 9				-1
ECL 01.01.2018 according to IFRS 9	25	46	264	335
New commitments	9	16	1	26
Disposal of commitments	-6	-12	-13	-30
Changes in ECL in the period for commitments which have not migrated	-2	-3	13	8
Migration to stage 1	3	-18	-8	-23
Migration to stage 2	-2	32	-11	19
Migration to stage 3	0	-1	6	5
Changes in individual impairments	-	-	-1	-1
ECL 31.12.2018	26	61	251	338
- of which expected losses on loans	25	60	158	243
- of which expected losses on guarantees	1	1	93	95

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

GROUP - 30.06.2019	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	49 156	590	-	49 746
Medium risk (0.5 % - < 3 %)	7 283	2 959	-	10 242
High risk (3 % - <100 %)	983	666	-	1 649
Problem loans	-	-	997	997
Total commitments before ECL	57 422	4 215	997	62 634
- ECL	-30	-75	-250	-355
Net commitments *)	57 392	4 140	747	62 279

GROUP - 30.06.2018	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	47 488	934	-	48 421
Medium risk (0.5 % - < 3 %)	5 762	2 969	-	8 731
High risk (3 % - <100 %)	696	460	-	1 155
Problem loans	-	-	345	345
Total commitments before ECL	53 946	4 362	345	58 653
- ECL	-25	-57	-248	-330
Net commitments *)	53 921	4 305	97	58 323

GROUP - 31.12.2018	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	48 342	833	-	49 175
Medium risk (0.5 % - < 3 %)	6 345	3 214	-	9 559
High risk (3 % - <100 %)	516	795	-	1 311
Problem loans	-	-	382	382
Total commitments before ECL	55 203	4 842	382	60 427
- ECL	-26	-61	-251	-338
Net commitments *)	55 177	4 781	131	60 089

*) The tables above are 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.

Note 4

PROBLEM LOANS

Total commitments in default above 3 months and individually impaired commitments not in default

GROUP	30.06.2019			30.06.2018			31.12.2018		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 3 months	134	56	78	60	56	4	76	55	21
Gross impaired commitments not in default	863	18	845	285	15	270	306	17	289
Gross problem loans	997	74	923	345	71	274	382	72	310
Individual impairment on commitments in default above 3 months	11	6	5	5	5	0	11	9	2
Individual impairment on commitments not in default	225	7	218	93	4	89	88	0	88
Total individual impairments	236	13	223	98	9	89	99	9	90
Net commitments in default above 3 months	123	50	73	55	51	4	65	46	19
Net impaired commitments not in default	638	11	627	192	11	181	218	17	201
Net problem loans	761	61	700	247	62	185	283	63	220
Gross problem loans as a percentage of total loans/guarantees	1.56	0.17	4.43	0.57	0.17	1.38	0.62	0.17	1.54
Net problem loans as a percentage of total loans/guarantees	1.19	0.14	3.36	0.41	0.15	0.93	0.46	0.15	1.09

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, except fixed interest rate loans, are recorded in the group 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 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, based on the business model of the bank. The portfolio is not held solely to receive principle and interest. The Group's portfolio of fixed interest rate loans 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 - 30.06.2019	Financial instruments at fair value through profit and loss	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		963	963
Loans to and receivables from credit institutions		2 861	2 861
Loans to and receivables from customers	3 826	58 703	62 529
Certificates and bonds	6 711		6 711
Shares and other securities	186		186
Financial derivatives	1 199		1 199
Total financial assets	11 922	62 527	74 449
Loans and deposits from credit institutions		1 365	1 365
Deposits from and liabilities to customers		37 321	37 321
Financial derivatives	357		357
Debt securities		27 178	27 178
Subordinated loan capital and Additional Tier 1 capital		860	860
Total financial liabilities	357	66 724	67 081

GROUP - 30.06.2018	Financial instruments at fair value through profit and loss	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		75	75
Loans to and receivables from credit institutions		2 751	2 751
Loans to and receivables from customers	3 585	55 289	58 874
Certificates and bonds	7 394		7 394
Shares and other securities	203		203
Financial derivatives	875		875
Total financial assets	12 057	58 115	70 172
Loans and deposits from credit institutions		756	756
Deposits from and liabilities to customers		34 239	34 239
Financial derivatives	375		375
Debt securities		27 374	27 374
Subordinated loan capital and Additional Tier 1 capital		1 016	1 016
Total financial liabilities	375	63 385	63 760

GROUP - 31.12.2018	Financial instruments at fair value in the income statement	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		857	857
Loans to and receivables from credit institutions		1 288	1 288
Loans to and receivables from customers	3 811	56 535	60 346
Certificates and bonds	6 789		6 789
Shares and other securities	182		182
Financial derivatives	1 209		1 209
Total financial assets	11 991	58 680	70 671
Loans and deposits from credit institutions		955	955
Deposits from customers		34 414	34 414
Financial derivatives	525		525
Debt securities issued		26 980	26 980
Subordinated loan capital and Additional Tier 1 capital		996	996
Total financial liabilities	525	63 345	63 870

Net gains/losses on financial instruments

	Q2 2019	Q2 2018	30.06.2019	30.06.2018	31.12.2018
Certificates and bonds	-3	-6	3	-3	-19
Securities	6	15	12	13	10
Foreign exchange trading (for customers)	11	10	24	19	38
Fixed income trading (for customers)	7	4	8	6	8
Financial derivatives	-2	1	-1	-6	1
Net change in value and gains/losses from financial instruments	19	24	46	29	38

Note 6

FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	30.06.2019		30.06.2018		31.12.2018	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	963	963	75	75	857	857
Loans to and receivables from credit institutions	2 861	2 861	2 751	2 751	1 288	1 288
Loans to and receivables from customers	58 703	58 703	55 289	55 289	56 535	56 535
Total financial assets	62 527	62 527	58 115	58 115	58 680	58 680
Loans and deposits from credit institutions	1 365	1 365	756	756	955	955
Deposits from and liabilities to customers	37 321	37 321	34 239	34 239	34 414	34 414
Debt securities	27 282	27 178	27 487	27 374	27 039	26 980
Subordinated loan capital and Additional Tier 1 capital	865	860	1 006	1 016	1 000	996
Total financial liabilities	66 833	66 724	63 488	63 385	63 408	63 345

GROUP - 30.06.2019	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	963		
Loans to and receivables from credit institutions		2 861		2 861
Loans to and receivables from customers			58 703	58 703
Total financial assets	963	2 861	58 703	62 527
Loans and deposits from credit institutions		1 365		1 365
Deposits from and liabilities to customers			37 321	37 321
Debt securities		27 282		27 282
Subordinated loan capital and Additional Tier 1 capital		865		865
Total financial liabilities	-	29 512	37 321	66 833

GROUP - 30.06.2018	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	75			75
Loans to and receivables from credit institutions		2 751		2 751
Loans to and receivables from customers			55 289	55 289
Total financial assets	75	2 751	55 289	58 115
Loans and deposits from credit institutions		756		756
Deposits from and liabilities to customers			34 239	34 239
Debt securities		27 487		27 487
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 006		1 006
Total financial liabilities	-	29 249	34 239	63 488

GROUP - 31.12.2018	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	857			857
Loans to and receivables from credit institutions		1 288		1 288
Loans to and receivables from customers			56 535	56 535
Total financial assets	857	1 288	56 535	58 680
Loans and deposits from credit institutions		955		955
Deposits from customers			34 414	34 414
Debt securities issued		27 039		27 039
Subordinated loan capital and Additional Tier 1 capital		1 000		1 000
Total financial liabilities	-	28 994	34 414	63 408

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 30.06.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 826	3 826
Certificates and bonds	4 499	2 212		6 711
Shares and other securities	7		179	186
Financial derivatives		1 199		1 199
Total financial assets	4 506	3 411	4 005	11 922
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		357		357
Total financial liabilities	-	357	-	357

GROUP - 30.06.2018	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 585	3 585
Certificates and bonds	4 694	2 700		7 394
Shares and other securities	21		182	203
Financial derivatives		875		875
Total financial assets	4 715	3 575	3 767	12 057
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		375		375
Total financial liabilities	-	375	-	375

GROUP - 31.12.2018	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 811	3 811
Certificates and bonds	4 696	2 093		6 789
Shares	7		175	182
Financial derivatives		1 209		1 209
Total financial assets	4 703	3 302	3 986	11 991
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives			525	525
Total financial liabilities	-	525	-	525

Reconciliation of movements in level 3 during the period

GROUP	Loans to and receivables from customers	Shares and other securities
Book value as at 31.12.18		3 811 175
Purchases/additions		341 5
Sales/reduction		-319 -9
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period		-7 15
Book value as at 30.06.19		3 826 186

GROUP	Loans to and receivables from customers	Shares and other securities
Book value as at 31.12.17		3 923 169
Purchases/additions		434 2
Sales/reduction		-741 0
Transferred to Level 3		0 0
Transferred from Level 3		0 0
Net gains/losses in the period		-31 32
Book value as at 30.06.18		3 585 203

Note 8

ISSUED COVERED BONDS

The debt securities in the Group consist of covered bonds quoted in Norwegian kroner (NOK) and Euro (EUR) issued by Møre Boligkreditt AS, in addition to certificates and bonds quoted in NOK issued by Sparebanken Møre. The table below provides an overview of the Group's covered bonds.

Covered bonds in the Group (NOK million)								
ISIN code	Currency	Nominal value 30.06.2019	Interest	Issue	Maturity	30.06.2019	30.06.2018	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 200	1 206	1 200
NO0010657232	NOK	-	3M Nibor + 0.65 %	2012	2018	-	2 500	-
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 500	2 501
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	304	284	298
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	291	285	298
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 499	2 498	2 499
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	2 999	2 999	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	987	986	987
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 002	3 003	3 002
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 463	2 380	2 502
NO0010819543	NOK	2 500	3M Nibor + 0.42 %	2018	2024	2 499	2 499	2 499
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 495	2 393	2 519
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 042	-	1 018
NO0010853096	NOK	2 500	3 mnd Nibor + 0,37 %	2019	2025	2 498	-	-
Total covered bonds issued by Møre Boligkreditt AS						22 279	23 533	22 322

As at 30.06.2019 Sparebanken Møre had no portfolio of covered bonds issued by Møre Boligkreditt AS (NOK 2 214 million). Møre Boligkreditt AS had no own holding as at 30.06.2019 (NOK 0 million).

Note 9

OPERATING SEGMENTS

Result - Q2 2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	320	3	126	191	0
Other operating income	78	13	29	30	6
Total income	398	16	155	221	6
Operating costs	160	36	28	91	5
Profit before impairment	238	-20	127	130	1
Impairment on loans, guarantees etc.	6	0	4	2	0
Pre-tax profit	232	-20	123	128	1
Taxes	53				
Profit after tax	179				

Result - 30.06.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	624	9	240	375	0
Other operating income	155	36	53	56	10
Total income	779	45	293	431	10
Operating costs	317	55	61	192	9
Profit before impairment	462	-10	232	239	1
Impairment on loans, guarantees etc.	19	0	19	0	0
Pre-tax profit	443	-10	213	239	1
Taxes	102				
Profit after tax	341				

Key figures - 30.06.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	62 529	1 255	18 686	42 588	0
Deposits from customers 1)	37 321	865	13 084	23 372	0
Guarantee liabilities	1 435	0	1 429	6	0
The deposit-to-loan ratio	59.7	68.9	70.0	54.9	0
Man-years	358	156	47	142	13

Result - Q2 2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income		291	2	113	176	0
Other operating income		78	19	26	28	5
Total income		369	21	139	204	5
Operating costs		150	34	26	85	5
Profit before impairment		219	-13	113	119	0
Impairment on loans, guarantees etc.		-5	0	-4	-1	0
Pre tax profit		224	-13	117	120	0
Taxes		50				
Profit after tax		174				

Result - 30.06.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income		580	1	223	356	0
Other operating income		131	21	50	51	9
Total income		711	22	273	407	9
Operating costs		299	54	57	179	9
Profit before impairment		412	-32	216	228	0
Impairment on loans, guarantees etc.		-3	0	-2	-1	0
Pre tax profit		415	-32	218	229	0
Taxes		100				
Profit after tax		315				

Key figures - 30.06.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Loans to customers 1)		58 869	1 161	17 634	40 074	0
Deposits from customers 1)		34 239	738	11 343	22 158	0
Guarantee liabilities		1 588	0	1 582	6	0
The deposit-to-loan ratio		58.2	63.6	64.3	55.3	0
Man-years		356	156	51	135	14

Result - 31.12.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income		1 179	-7	454	732	0
Other operating income		248	24	100	104	20
Total income		1 427	17	554	836	20
Operating costs		603	98	120	367	18
Profit before impairment		824	-81	434	469	2
Impairment on loans, guarantees etc.		16	0	14	2	0
Pre tax profit		808	-81	420	467	2
Taxes		203				
Profit after tax		605				

Key figures - 31.12.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	60 346	1 244	17 964	41 138	0
Deposits from customers 1)	34 414	588	11 804	22 022	0
Guarantee liabilities	1 418	0	1 412	6	0
Deposit-to-loan ratio	57.0	47.3	65.7	53.5	0.0
Man-years	361	159	51	138	13

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	Q2 2019	Q2 2018	31.12.2018
Net interest income	76	66	274
Other operating income	-2	-2	-1
Total income	74	64	273
Operating costs	12	11	42
Profit before impairment on loans	62	53	231
Impairment on loans, guarantees etc.	-1	2	1
Pre-tax profit	63	51	230
Taxes	14	11	56
Profit after tax	49	40	174

Statement of income	30.06.2019	30.06.2018	31.12.2018
Net interest income	146	138	274
Other operating income	-1	-1	-1
Total income	145	137	273
Operating costs	23	21	42
Profit before impairment on loans	122	116	231
Impairment on loans, guarantees etc.	-2	1	1
Pre-tax profit	124	115	230
Taxes	27	26	56
Profit after tax	97	89	174

Statement of financial position	30.06.2019	30.06.2018	31.12.2018
Loans to and receivables from customers	24 993	23 863	23 409
Total equity	2 148	1 689	1 767

Note 10

TRANSACTIONS WITH RELATED PARTIES

These are transactions between the Parent Bank and wholly-owned subsidiaries based on the arm`s length principles.

The most important transactions eliminated in the Group accounts:

PARENT BANK	30.06.2019	30.06.2018	31.12.2018
Statement of income			
Interest and credit commission income from subsidiaries	6	15	26
Received dividend from subsidiaries	172	152	152
Rent paid to Sparebankeiendom AS	17	17	34
Administration fee received from Møre Boligkreditt AS	7	9	17
Statement of financial position			
Claims on subsidiaries	1 251	1 173	1 300
Covered bonds	0	2 214	818
Liabilities to subsidiaries	166	1 104	890
Intragroup right-of-use of properties in Sparebankeiendom AS	113	-	-
Accumulated loan portfolio transferred to Møre Boligkreditt AS	25 006	23 878	23 424

Note 11

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 30.06.2019	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	907 000	9.17
Cape Invest AS	763 115	7.72
Verdipapirfond Pareto Aksje Norge	432 175	4.37
Wenaasgruppen AS	380 000	3.84
Verdipapirfond Nordea Norge Verdi	370 884	3.75
MP Pensjon	339 781	3.44
Pareto AS	302 488	3.06
Wenaas Kapital AS	250 000	2.53
FLPS - Princ All Sec	207 174	2.10
Verdipapirfondet Eika egenkapital	187 602	1.90
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	113 500	1.15
Verdipapirfondet Landkreditt Utbytte	111 184	1.12
State Street Bank	76 000	0.77
Stiftelsen Kjell Holm	76 000	0.77
PIBCO AS	75 000	0.76
Forsvarets personell pensjonskasse	63 660	0.64
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Eirik Ohr Eiendom AS	42 011	0.42
Total 20 largest EC holders	4 952 674	50.09
Total number of ECs	9 886 954	100.00

Note 12

CAPITAL ADEQUACY

Sparebanken Møre's capital adequacy is calculated in accordance with IRB Foundation for credit risk. Market risk calculations are based on the standard method and operational risk calculations on the basic method.

All capital ratio figures are based on the transitional rule (Basel I floor) stating that the capital requirement using internal methods cannot be lower than 80 per cent of the capital requirement according to the Basel I regulations.

The requirement for Common Equity Tier 1 capital (CET1) for Pillar 1 is 12.0 per cent. The requirement consists of a minimum requirement of 4.5 per cent, conservation buffer of 2.5 per cent, systemic risk buffer of 3.0 per cent and countercyclical capital buffer of 2.0 per cent. In addition, Finanstilsynet has set an individual Pillar 2 requirement of 1.7 per cent.

	30.06.2019	30.06.2018	31.12.2018
EC capital	989	989	989
- ECs owned by the Bank	-3	-5	-3
Share premium	356	355	356
Additional Tier 1 capital (AT 1)	599	349	349
Primary capital fund	2 649	2 513	2 649
Gift fund	125	125	125
Dividend equalisation fund	1 392	1 260	1 391
Proposed dividend for the EC holders	0	0	153
Proposed dividend for the local community	0	0	156
Other equity	223	199	229
Accumulated profit for the period	342	309	0
Total equity	6 672	6 094	6 394
Tier 1 capital (T 1)			
Goodwill, intangible assets and other deductions	-40	-37	-42
Value adjustments of financial instruments at fair value	-13	-13	-14
Deduction for overfunded pension liability	-18	0	-13
Additional Tier 1 capital (AT 1)	-599	-349	-349
Expected IRB-losses exceeding ECL	-407	-162	-173
Proposed dividend for the EC holders	0	0	-153
Proposed dividend for the local community	0	0	-156
Deduction for accumulated profit for the period	-342	-309	0
Total Common Equity Tier 1 capital (CET 1)	5 254	5 224	5 495
Additional Tier 1 capital - classified as equity	599	349	349
Additional Tier 1 capital - classified as debt	143	201	197
Total Tier 1 capital (T 1)	5 996	5 774	6 041
Tier 2 capital (T 2)			
Subordinated loan capital of limited duration	703	703	703
Total Tier 2 capital (T 2)	703	703	703
Net equity and subordinated loan capital	6 699	6 477	6 743

Risk weighted assets (RWA) by exposure classes

Credit risk - standardised approach	30.06.2019	30.06.2018	31.12.2018
Central governments or central banks	0	0	0
Regional governments or local authorities	315	143	150
Public sector companies	71	61	54
Institutions (banks etc)	536	226	472
Covered bonds	441	338	400
Equity	148	98	98
Other items	676	642	621
Total credit risk - standardised approach	2 187	1 508	1 795
Credit risk - IRB Foundation	30.06.2019	30.06.2018	31.12.2018
Retail - Secured by real estate	9 012	8 332	8 617
Retail - Other	662	618	620
SME	3 617	9 237	9 171
Specialised lending	6 230	6 613	6 784
Other corporate lending	11 176	3 143	3 807
Total credit risk - IRB-F	30 697	27 943	28 999
Credit value adjustment risk (CVA)	532	288	554
Operational risk	2 582	2 505	2 582
Transitional scheme	0	2 355	460
Risk weighted assets (RWA)	35 999	34 600	34 390
Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 620	1 557	1 548
Buffer Requirement	30.06.2019	30.06.2018	31.12.2018
Capital conservation buffer (2.5 %)	900	865	860
Systemic risk buffer (3.0 %)	1 080	1 038	1 032
Countercyclical buffer (2.0%)	720	692	688
Total buffer requirements	2 700	2 595	2 579
Available Common Equity Tier 1 capital after buffer requirements	934	1 072	1 368

Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules	30.06.2019	30.06.2018	31.12.2018
Capital adequacy ratio	18.6	18.7	19.6
Capital adequacy ratio incl. 50 per cent of the profit for the period	19.1	19.1	-
Tier 1 capital ratio	16.7	16.7	17.6
Tier 1 capital ratio incl. 50 per cent of the profit for the period	17.2	17.1	-
Common Equity Tier 1 capital ratio	14.6	15.1	16.0
Common Equity Tier 1 capital ratio incl. 50 per cent of the profit for the period	15.1	15.5	-

Leverage Ratio (LR)	30.06.2019	30.06.2018	31.12.2018
Leverage Ratio (LR)	7.6	7.8	8.1
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	7.9	8.0	-

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK (COMPRESSED)

(NOK million)	Q2 2019	Q2 2018	30.06.2019	30.06.2018	2018
Interest income from assets at amortised cost	341	294	651	583	1 194
Interest income from assets at fair value	51	48	105	88	186
Interest costs	147	118	277	228	472
Net interest income	245	224	479	443	908
Commission income and revenues from banking services	54	53	104	102	208
Commission costs and expenditure from banking services	6	7	13	14	25
Other operating income	9	10	18	18	36
Net commission and other operating income	57	56	109	106	219
Dividends	4	1	177	154	154
Net gains/losses from financial instruments	21	28	47	34	40
Net return from financial instruments	25	29	224	188	194
Total income	327	309	812	737	1 321
Wages, salaries etc.	85	81	167	162	327
Administration costs	36	30	74	68	132
Depreciation and impairment	13	6	26	13	27
Other operating costs	18	26	37	46	99
Total operating costs	152	143	304	289	585
Profit before impairment on loans	175	166	508	448	736
Impairment on loans, guarantees etc.	8	-4	22	2	14
Pre tax profit	167	170	486	446	722
Taxes	39	38	74	72	146
Profit after tax	128	132	412	374	576
Allocated to equity owners	125	128	406	367	565
Allocated to owners of Additional Tier 1 capital	3	4	6	7	11
Profit per EC (NOK) 1)	6.20	6.40	20.35	18.40	28.35
Diluted earnings per EC (NOK) 1)	6.20	6.40	20.35	18.40	28.35
Distributed dividend per EC (NOK)	15.50	0.00	15.50	0.00	15.50

**STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK
(COMPRESSED)**

(NOK million)	Q2 2019	Q2 2018	30.06.2018	30.06.2018	2018
Profit after tax	128	132	412	374	576
Items that may subsequently be reclassified to the income statement:					
Basisswap spreads - changes in value	0	0	0	0	0
Tax effect of changes in value on basisswap spreads	0	0	0	0	0
Items that will not subsequently be reclassified to the income statement:					
Pension estimate deviations	0	0	0	0	12
Tax effect of pension estimate deviations	0	0	0	0	-3
Total comprehensive income after tax	128	132	412	374	585
Allocated to equity owners	125	128	406	367	574
Allocated to owners of Additional Tier 1 capital	3	4	6	7	11

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

Statement of financial position-Parent Bank

ASSETS (COMPRESSED)

(NOK million)	30.06.2019	30.06.2018	31.12.2018
Cash and claims on Norges Bank	963	75	857
Loans to and receivables from credit institutions	3 990	3 801	2 330
Loans to and receivables from customers	37 657	35 138	37 059
Certificates, bonds and other interest-bearing securities	6 631	8 532	7 095
Financial derivatives	578	514	584
Shares and other securities	186	203	182
Equity stakes in Group companies	2 071	1 621	1 621
Deferred tax benefit	50	59	50
Intangible assets	39	36	42
Fixed assets	208	35	34
Other assets	350	87	83
Total assets	52 723	50 101	49 937

LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	30.06.2019	30.06.2018	31.12.2018
Loans and deposits from credit institutions	1 370	1 843	1 668
Deposits from customers	37 340	34 256	34 437
Debt securities issued	4 807	5 978	5 415
Financial derivatives	327	352	502
Other liabilities	1 283	507	550
Incurred costs and prepaid income	82	65	78
Other provisions for incurred liabilities and costs	140	131	125
Perpetual Hybrid Tier 1 capital	157	313	293
Subordinated loan capital	703	703	703
Total liabilities	46 209	44 148	43 771
EC capital	989	989	989
ECs owned by the Bank	-3	-5	-3
Share premium	356	355	356
Additional Tier 1 capital	599	349	349
Paid-in equity	1 941	1 688	1 691
Primary capital fund	2 649	2 513	2 649
Gift fund	125	125	125
Dividend equalisation fund	1 392	1 260	1 391
Other equity	-5	-7	310
Total comprehensive income after tax	412	374	0
Retained earnings	4 573	4 265	4 475
Total equity	6 514	5 953	6 166
Total liabilities and equity	52 723	50 101	49 937

Statement

Statement pursuant to section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the Bank for the period 1 January to 30 June 2019 to the best of our knowledge, have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by EU, and provides a true and fair view of the Group's and Bank's assets, liabilities, financial position and results as a whole.

We also hereby declare that the interim report provides a true and fair view of the financial performance and position of the Group and the Bank, a description of the principal risks and uncertainties facing the Group and the Bank as well as a description of major transactions with related parties.

Ålesund, 30 June 2019

13 August 2019

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

Profit performance - Group

QUARTERLY PROFIT

(NOK million)	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Net interest income	320	304	309	290	291
Other operating income	78	77	56	61	78
Total operating costs	160	157	152	152	150
Profit before impairment on loans	238	224	213	199	219
Impairment on loans, guarantees etc.	6	13	12	7	-5
Pre-tax profit	232	211	201	192	224
Tax	53	49	60	43	50
Profit after tax	179	162	141	149	174

As a percentage of average assets

Net interest income	1.75	1.69	1.76	1.63	1.68
Other operating income	0.43	0.43	0.32	0.35	0.45
Total operating costs	0.88	0.87	0.86	0.86	0.87
Profit before impairment on loans	1.30	1.25	1.22	1.12	1.26
Impairment on loans, guarantees etc.	0.03	0.07	0.07	0.04	-0.03
Pre-tax profit	1.27	1.18	1.15	1.08	1.29
Tax	0.29	0.26	0.34	0.24	0.29
Profit after tax	0.98	0.92	0.81	0.84	1.00

Alternative performance measures - APMs

Alternative performance measures

Alternative performance measure or APM is defined by ESMA (European Securities and Markets Authority) as «a financial measure of historical or future financial performance, financial position, or cash flows, other than financial measure defined or specified in the applicable financial reporting framework».

Alternative performance measures are either adjusted key figures or key figures not defined under IFRS. APMs are not intended to substitute accounting figures prepared in accordance with IFRS and are not to be assigned greater importance than these accounting figures, however, they have been included in the financial reporting in order to provide a more complete description of the Group's performance. Furthermore, APMs constitute important targets as to how the management governs the Group.

The APMs of Sparebanken Møre are used in the overview of key figures, in the report of the Board of Directors, as well as in presentations of the financial statements. All APMs are specified with corresponding comparative figures for previous periods.

Sparebanken Møre has the following APMs, which are not reflected in the financial statements with disclosures:

Total assets

Definition: The sum of all assets.

Justification: Total assets is an industry-specific designation for the sum of all assets.

Average assets

Definition: The average sum of total assets for the year, calculated as a daily average.

Justification: This key figure is used in the calculation of percentage ratios for the performance items.

Return on Equity

Definition: Profit/loss for the financial year as a percentage of the average equity for the year. Additional Tier 1 capital classified as equity is excluded from this calculation, both in profit/loss and in equity.

Justification: Return on equity is one of Sparebanken Møre's most important financial performance figures. It provides relevant information about the profitability of the Group by measuring the profitability of the operation in relation to the invested capital. The profit/loss is adjusted for interest on Additional Tier 1 capital, which pursuant to IFRS, is classified as equity, but in this context more naturally is classified as liability since the Additional Tier 1 capital bears interest and does not entitle to dividends.

Cost income ratio

Definition: Total operating costs in percentage of total income.

Justification: This key figure provides information about the relation between income and costs, and is a useful performance indicator for evaluating the cost-efficiency of the Group.

Losses as a percentage of loans

Definition: «Impairment on loans, guarantees etc.» in percentage of «Net loans to and receivables from customers» at the beginning of the accounting period.

Justification: This key figure specifies recognised impairments in relation to net lending and gives relevant information about the bank's losses compared to lending volume. This key figure is considered to be more suitable as a comparison figure to other banks than the impairments itself since this figure is viewed in context of lending volume.

Deposit-to-loan ratio

Definition: «Deposit from customers» as a percentage of «Net loans to and receivables from customers».

Justification: The deposit-to-loan ratio provides important information about how the Group finances its operations. Receivables from customers represent an important share of the financing of the Group's lending, and this key figure provides important information about the Group's dependence on market funding.

Lending growth as a percentage

Definition: The period's change in «Lending to and receivables from customers» as a percentage of «Lending to and receivables from customers» at the beginning of the period.

Justification: This key figure provides information about the activity and growth in the bank's lending.

Deposit growth as a percentage

Definition: The period's change in «Receivables from customers» as a percentage of «Receivables from customers» at the beginning of the period.

Justification: This key figure provides information about the activity and growth in deposits, which is an important part of the financing of the Group's lending.

Price/book value (P/B)

Definition: Market price on the bank's equity certificates (MORG) divided by the book value per equity certificate for the Group.

Justification: This key figure provides information about the book value per equity certificate compared to the market price at a certain time. This gives the reader the opportunity to assess whether the market price of the equity certificate is reasonable.

Book value per equity certificate

Definition: The total equity that belongs to the owners of the bank's equity certificates (equity certificate capital, share premium, dividend equalisation fund and equity certificate holders' share of other equity, including proposed dividends) divided by the number of issued equity certificates.

Justification: This key figure provides information about the value of the book equity per equity certificate. This gives the reader the opportunity to assess whether the market price of the equity certificate is reasonable. The key figure is calculated as equity certificate holders' share of the equity at the end of the period, divided by the number of equity certificates.

