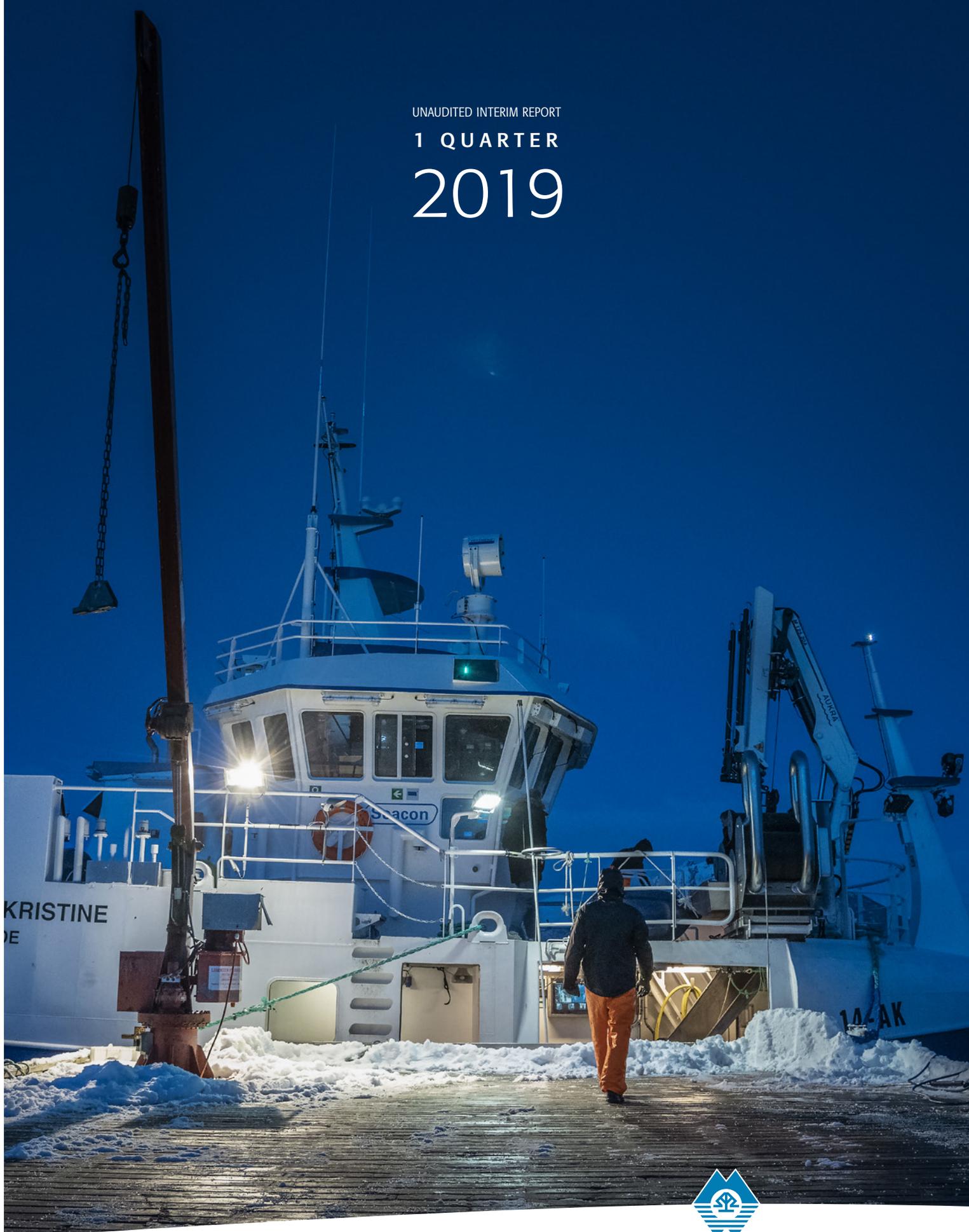


UNAUDITED INTERIM REPORT

1 QUARTER

2019



SPAREBANKEN MØRE

# Financial highlights Group

## Income statement

	Q1 2019		Q1 2018		2018	
	NOK million	%	NOK million	%	NOK million	%
Net interest income	304	1.69	289	1.73	1 179	1.70
Net commission and other operating income	49	0.27	47	0.28	207	0.30
Net return from financial investments	28	0.16	6	0.04	41	0.06
Total income	381	2.12	342	2.05	1 427	2.06
Total operating costs	157	0.87	149	0.89	603	0.87
Profit before impairment on loans	224	1.25	193	1.16	824	1.19
Impairment on loans, guarantees etc.	13	0.07	2	0.01	16	0.02
Pre-tax profit	211	1.18	191	1.15	808	1.17
Tax	49	0.26	50	0.29	203	0.29
Profit after tax	162	0.92	141	0.86	605	0.88

## Statement of financial position

NOK million	31.03.2019	% change in Q1 2019	31.12.2018	% change during last 12 months	31.03.2018
Total assets	71 135	0.1	71 074	3.6	68 660
Average assets	71 797	3.5	69 373	7.4	66 866
Loans to and receivables from customers	61 270	1.5	60 346	5.2	58 247
Gross loans to retail customers	42 424	1.2	41 917	5.5	40 224
Gross loans to corporate and public entities	19 064	2.4	18 616	4.6	18 229
Deposits from customers	35 066	1.9	34 414	4.6	33 539
Deposits from retail customers	20 852	1.1	20 624	4.6	19 928
Deposits from corporate and public entities	14 214	3.1	13 790	4.4	13 611

## Key figures

	Q1 2019	Q1 2018	2018
Return on equity (annualised) 4)	11.0	10.1	10.6
Cost income ratio	41.2	43.6	42.3
Losses as a percentage of loans (annualised)	0.09	0.01	0.03
Gross problem loans as a percentage of loans	0.88	0.58	0.62
Net problem loans as a percentage of loans	0.64	0.40	0.46
Deposit-to-loan ratio	57.2	57.6	57.0
Liquidity Coverage Ratio (LCR)	125	146	158
Lending growth as a percentage	5.2	7.8	6.1
Deposit growth as a percentage	4.6	2.7	4.9
Capital adequacy ratio 1) 2)	19.4	18.6	19.6
Tier 1 capital ratio 1) 2)	17.3	16.6	17.6
Common Equity Tier 1 capital ratio (CET1) 1) 2)	15.9	15.1	16.0
Leverage Ratio (LR) 2)	8.1	8.1	8.1
Man-years	356	363	361

## Equity Certificates (ECs)

	31.03.2019	31.03.2018	2018	2017	2016	2015
Profit per EC (Group) (NOK) 3)	7.95	7.00	29.80	27.70	28.80	25.25
Profit per EC (Parent Bank) (NOK) 3)	14.10	12.00	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)	299	276	283	262	254	188
Stock market value (NOK million)	2 956	2 729	2 798	2 590	2 511	1 859
Book value per EC (Group, incl. dividend) (NOK)	296	280	303	289	275	257
Dividend per EC (NOK)	0.00	0.00	15.50	14.00	14.00	11.50
Price/Earnings (Group, annualised)	9.4	9.7	9.5	9.4	8.8	7.3
Price/Book value (P/B) (Group) 3)	1.01	0.99	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.

# 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 Q1 2019

The profit after tax for the first quarter of 2019 amounted to NOK 162 million, or 0.92 per cent of average total assets, compared to NOK 141 million, or 0.86 per cent, for the corresponding quarter last year.

The return on equity in the first quarter of 2019 was 11.0 per cent, compared to 10.1 per cent for the first quarter of 2018.

Earnings per equity certificate amounted to NOK 7.95 (NOK 7.00) for the Group and NOK 14.10 (NOK 12.00) for the Parent Bank.

The Board of Directors is satisfied with Sparebanken Møre's results for the first quarter of 2019.

## Net interest income

The net interest income of NOK 304 million was NOK 15 million higher than in the corresponding quarter of last year. This represents 1.69 per cent of total assets, which is 0.04 percentage points lower than in the first quarter of 2018.

An increasing level of interest rate has led to increased funding costs and reduced margins on loans, but higher margins on deposits compared to the first quarter of 2018. In total 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 on both lending and deposits, and reduced risk in the lending portfolio, have contributed to downward pressure on net interest income in percentage.

## Other operating income

Other operating income amounted to NOK 77 million, which is NOK 24 million higher than in the first quarter of last year. Other income apart from financial instruments showed an increase of NOK 3 million compared to the first quarter of 2018. The changes in value of the bond portfolio and equities constitute a capital gain of NOK 12 million in the quarter, compared to a NOK 1 million gain in the first quarter of 2018. The valuation of other financial derivatives shows an increase of NOK 8 million.

## Costs

Operating costs in the quarter amounted to NOK 157 million, which is NOK 8 million higher than in the same quarter last year. Personnel costs were NOK 1 million higher than in the corresponding period last year and amounted to NOK 85 million. Financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 3 million for the quarter, the same as in 2018. Staffing has been reduced by 7 full-time equivalents in the last 12 months, to 356 FTEs. Other operating costs increased by NOK 7 million from the same period last year.

The cost income ratio amounted to 41.2 per cent in the first quarter of 2019, which represents a reduction of 2.4 percentage points compared to the first quarter last year.

## Problem loans

The quarterly accounts were charged with NOK 13 million (NOK 2 million) for losses on loans and guarantees. This amounts to 0.07 per cent (0.01 per cent) of average total assets on an annualised basis. Losses in the corporate segment increased by NOK 14 million in the quarter, while losses of NOK 1 million were recognised in the retail segment.

At the end of the first quarter of 2019, total expected losses amounted to NOK 348 million, equivalent to 0.56 per cent of loans and guarantees (NOK 334 million and 0.57 per cent). Of the individually assessed commitments, NOK 9 million of the impairments were related to commitments in default for more than 90 days (NOK 2 million), which amounts to 0.01 per cent of loans and

guarantees (0.01 per cent). NOK 139 million relates to other commitments (NOK 104 million), which is equivalent to 0.22 per cent of gross loans and guarantees (0.17 per cent).

Net problem loans (loans which have been in default for more than 90 days and loans which are not in default but which have been subject to an individual impairment) have in the last 12 months increased by NOK 162 million. At the end of the first quarter of 2019, the corporate market accounted for NOK 343 million of net problem loans, and the retail market NOK 61 million. In total this represents 0.64 per cent of gross loans and guarantees (0.40 per cent).

### **Lending to customers**

At the end of the first quarter of 2019, lending to customers amounted to NOK 61,270 million (NOK 58,247 million). Customer lending has increased by a total of NOK 3,023 million, or 5.2 per cent, in the last 12 months. Retail lending has increased by 5.5 per cent, while lending to corporate customers has increased by 4.6 per cent in the last 12 months. Lending to corporate customers increased by 2.4 per cent in the first quarter of 2019, while lending to retail customers increased by 1.2 per cent. Retail lending accounted for 69.2 per cent of total lending at the end of first quarter 2019 (68.9 per cent).

### **Deposits from customers**

Customer deposits have increased by 4.6 per cent over the last 12 months. At the end of first quarter 2019, deposits amounted to NOK 35,066 million (NOK 33,539 million). Retail deposits have increased by 4.6 per cent in the last 12 months, while corporate deposits have increased by 3.9 per cent and public sector deposits have increased by 13.4 per cent. The retail market's relative share of deposits amounted to 59.5 per cent (59.4 per cent), while deposits from corporate customers accounted for 38.2 per cent (38.4 per cent) and from public sector customers 2.3 per cent (2.2 per cent).

The deposit-to-loan ratio was 57.2 per cent at the end of the first quarter of 2019 (57.6 per cent).

### **CAPITAL ADEQUACY**

The Group's capital adequacy at the end of the first quarter of 2019 was above the regulatory capital requirements and the internally set minimum target for CET1 capital. The primary capital ratio, including 50 per cent of year-to-date retained earnings, amounted to 19.4 per cent (18.6 per cent), the Tier 1 capital ratio was 17.3 per cent (16.6 per cent) and the CET1 ratio was 15.9 per cent (15.1 per cent).

Sparebanken Møre has a capital requirement linked to the transitional scheme associated with the Basel I floor amounting to NOK 50 million at the end of first quarter 2019, corresponding to a basis for calculation of NOK 630 million.

### **SUBSIDIARIES**

The aggregate profit of the Bank's three subsidiaries amounted to NOK 48 million after tax for the first quarter of 2019 (NOK 49 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 2019, the company had net issued bonds of NOK 22.3 billion in the market. About 25 per cent of the borrowing was in a currency other than NOK. The company contributed NOK 47 million to the result in the first quarter of 2019 (NOK 49 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK 0.4 million to the result in the first quarter of 2019 (NOK 0 million). At the end of the quarter, the company employed 14 full-time equivalents.

Sparebankeiendom AS' purpose is to own and manage the Bank's commercial properties. The company contributed NOK 0.3 million to the result in the first quarter of 2019 (NOK 0.4 million). The company has no employees.

### **EQUITY CERTIFICATES**

At the end of first quarter 2019, there were 5,445 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 10 includes a list of the 20 largest holders of the Bank's equity certificates. As at 31 March 2019, the Bank owned 24,832 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market prices.

### **FUTURE PROSPECTS**

Prospects for production and demand in the county are good. The interest rate level remains relatively low, the Norwegian krone is still weak, there is growth in our export markets and activity in the public sector is still at a high level. The growth in oil investments will also have positive ripple effects, and the level of activity in the housing market is satisfactory. However, there is still uncertainty regarding the effects of the UK's withdrawal from the EU and the outcome of the trade war between the USA and

China.

The upturn in the level of activity, together with significant restructuring in the labour market in recent years, have resulted in low unemployment. At the end of March, registered unemployment in Møre og Romsdal amounted to 2.3 per cent according to the Norwegian Labour and Welfare Administration (NAV). This is marginally lower than the rate for the country as a whole. Given the prospect of moderate production growth in the county, unemployment will probably stabilise at today's level over the year.

Credit growth in Norway, both in households and the corporate sector, has increased slightly so far this year.

Sparebanken Møre is still experiencing strong competition in the market, both for lending and deposits.

The Bank is competitive and recorded a good, and slightly increasing, growth rate in lending to the retail market. A reduction in the growth rate for lending to the corporate market was registered in the first quarter of 2019. Deposit growth is good and the deposit-to-loan ratio is high, especially in the corporate market. Lending growth within both the retail market and the corporate market in 2019 is expected to be on a par with the growth rate in 2018. This implies growth on a par with or above market growth. There is a constant focus on good 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 expected to be low also in 2019. Overall, a good result is expected for 2019. The Bank's strategic target is that a return on equity above 11 per cent will be achieved in the strategy period 2019-2022.

Ålesund, 31 March 2019

24 April 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	Q1 2019	Q1 2018	2018
Interest income from assets at amortised cost		468	420	1 769
Interest income from assets at fair value		50	38	171
Interest expenses		214	169	761
Net interest income	<u>9</u>	304	289	1 179
Commission income and revenues from banking services		50	49	208
Commission costs and charges from banking services		7	7	25
Other operating income		6	5	24
Net commission and other operating income		49	47	207
Dividends		1	1	3
Net gains/losses from financial instruments	<u>5</u>	27	5	38
Net return from financial instruments		28	6	41
Total income		381	342	1 427
Wages, salaries etc.		85	84	340
Administration costs		38	38	133
Depreciation and impairment		11	7	31
Other operating costs		23	20	99
Total operating costs		157	149	603
Profit before impairment on loans		224	193	824
Impairment on loans, guarantees etc.	<u>3</u>	13	2	16
Pre-tax profit		211	191	808
Taxes		49	50	203
Profit after tax		162	141	605
Allocated to equity owners		159	138	594
Allocated to owners of Additional Tier 1 capital		3	3	11
Profit per EC (NOK) 1)		7.95	7.00	29.80
Diluted earnings per EC (NOK) 1)		7.95	7.00	29.80
Distributed dividend per EC (NOK)		0.00	0.00	14.00

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

(NOK million)	Q1 2019	Q1 2018	2018
Profit after tax	162	141	605
Items that may subsequently be reclassified to the income statement:			
Basis swap spreads - changes in value	-5	-5	-18
Tax effect of changes in value on basis swap spreads	1	1	4
Items that will not 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	158	137	600
Allocated to equity owners	155	134	589
Allocated to owners of Additional Tier 1 capital	3	3	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	31.03.2019	31.03.2018	31.12.2018
Cash and claims on Norges Bank	5 6 9	297	264	857
Loans to and receivables from credit institutions	5 6 9	561	2 366	1 288
Loans to and receivables from customers	2 3 4 5 7 9	61 270	58 247	60 346
Certificates, bonds and other interest-bearing securities	5 7 9	7 229	6 383	6 789
Financial derivatives	5 7	1 093	815	1 209
Shares and other securities	5 7	188	186	182
Deferred tax benefit		54	61	55
Intangible assets		41	39	42
Fixed assets		307	225	220
Other assets		95	74	86
<b>Total assets</b>		<b>71 135</b>	<b>68 660</b>	<b>71 074</b>

## LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	Note	31.03.2019	31.03.2018	31.12.2018
Loans and deposits from credit institutions	5 6 9	1 086	930	955
Deposits from customers	2 5 7 9	35 066	33 539	34 414
Debt securities issued	5 6	26 423	25 975	26 980
Financial derivatives	5 7	396	334	525
Other liabilities		755	764	609
Incurred costs and prepaid income		61	46	76
Other provisions for incurred liabilities and costs		107	130	125
Additional Tier 1 capital	5 6	298	307	293
Subordinated loan capital	5 6	703	702	703
<b>Total liabilities</b>		<b>64 895</b>	<b>62 727</b>	<b>64 680</b>
EC capital	10	989	989	989
ECs owned by the Bank		-3	-5	-3
Share premium		356	355	356
Additional Tier 1 capital		349	349	349
<b>Paid-in equity</b>		<b>1 691</b>	<b>1 688</b>	<b>1 691</b>
Primary capital fund		2 649	2 514	2 649
Gift fund		125	125	125
Dividend equalisation fund		1 391	1 259	1 391
Other equity		226	210	538
<b>Total comprehensive income after tax</b>		<b>158</b>	<b>137</b>	<b>0</b>
<b>Retained earnings</b>		<b>4 549</b>	<b>4 245</b>	<b>4 703</b>
<b>Total equity</b>		<b>6 240</b>	<b>5 933</b>	<b>6 394</b>
<b>Total liabilities and equity</b>		<b>71 135</b>	<b>68 660</b>	<b>71 074</b>

# Statement of changes in equity - Group

<b>GROUP 31.03.2019</b>	<b>Total equity</b>	<b>EC capital</b>	<b>Share premium</b>	<b>Additional Tier 1 capital</b>	<b>Primary capital fund</b>	<b>Gift fund</b>	<b>Dividend equalisation fund</b>	<b>Value adjustment fund</b>	<b>Other equity</b>
Equity as of 01.01.2019	6 394	986	356	349	2 649	125	1 391	0	538
Distributed dividend to the EC holders	-153								-153
Distributed dividend to the local community	-156								-156
Interests on issued Additional Tier 1 capital	-3								-3
Total profit for the period	158								158
Equity as at 31 March 2019	6 240	986	356	349	2 649	125	1 391	0	384

<b>GROUP 31.03.2018</b>	<b>Total equity</b>	<b>EC capital</b>	<b>Share premium</b>	<b>Additional Tier 1 capital</b>	<b>Primary capital fund</b>	<b>Gift fund</b>	<b>Dividend equalisation fund</b>	<b>Value adjustment fund</b>	<b>Other equity</b>
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 of 01.01.2018	6 079	984	355	349	2 514	125	1 259	0	493
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	5 933	984	355	349	2 514	125	1 259	0	347

<b>GROUP 31.12.2018</b>	<b>Total equity</b>	<b>EC capital</b>	<b>Share premium</b>	<b>Additional Tier 1 capital</b>	<b>Primary capital fund</b>	<b>Gift fund</b>	<b>Dividend equalisation fund</b>	<b>Value adjustment fund</b>	<b>Other equity</b>
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)	31.03.2019	31.03.2018	31.12.2018
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	533	457	2 059
Interest, commission and fees paid	-118	-90	-383
Dividend received	1	1	3
Operating expenses paid	-125	-142	-561
Income taxes paid	-100	-90	-204
Changes relating to loans to and claims on other financial institutions	727	-1 071	7
Changes relating to repayment of loans to customers	-657	-1 037	-3 740
Changes in utilised credit facilities	-295	-296	303
Net change in deposits from customers	652	735	1 610
Net cash flow from operating activities	618	-1 533	-906
<b>Cash flow from investing activities</b>			
Interest received on certificates, bonds and other securities	30	25	112
Proceeds from the sale of certificates, bonds and other securities	1 236	505	9 469
Purchases of certificates, bonds and other securities	-2 164	-817	-10 198
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-5	-3	-23
Changes in other assets	124	220	-135
Net cash flow from investing activities	-779	-70	-775
<b>Cash flow from financing activities</b>			
Interest paid on debt securities and subordinated loan capital	-124	-92	-434
Net change in deposits from Norges Bank and other financial institutions	131	361	386
Proceeds from bond issues raised	0	2 401	4 603
Redemption of debt securities	0	-1 145	-2 654
Dividend paid	0	0	-138
Changes in other debt	-402	-291	153
Proceeds from Additional Tier 1 capital issued	0	0	0
Paid interest on Additional Tier 1 capital issued	-4	-4	-15
Net cash flow from financing activities	-399	1 230	1 901
Net change in cash and cash equivalents	-560	-373	220
Cash balance at 01.01	857	637	637
Cash balance at 31.03/31.12	297	264	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 31 March 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 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 current requirements. Accounting requirements for lessor is unchanged.

Sparebanken Møre has chosen modified retrospective Method when implementing IFRS 16. 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 3.2 million in the first quarter of 2019, while interest expense has increased by NOK 0.4 million and depreciation has increased by NOK 2.9 million. The transition to IFRS 16 has given a marginal increase in cost for the Group of NOK 0.1 million in first quarter 2019.

## Note 2

### LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	31.03.2019	31.03.2018	31.12.2018
<b>Broken down according to sectors</b>			
Agriculture and forestry	520	470	542
Fisheries	3 196	2 875	3 206
Manufacturing	2 680	2 555	2 369
Building and construction	740	608	698
Wholesale and retail trade, hotels	630	646	676
Supply/Offshore	978	806	1 005
Property management	6 837	6 708	6 733
Professional/financial services	1 294	1 227	1 272
Transport and private/public services	1 943	2 148	1 867
Public entities	0	11	0
Activities abroad	246	175	248
Total corporate/public entities	19 064	18 229	18 616
Retail customers	42 424	40 224	41 917
Fair value adjustment of loans	52	30	56
Total loans (gross carrying amount)	61 540	58 483	60 589
Expected credit loss (ECL) - Stage 1	-26	-25	-25
Expected credit loss (ECL) - Stage 2	-62	-43	-60
Expected credit loss (ECL) - Stage 3	-87	-114	-111
Individual impairment	-95	-54	-47
Loans to and receivables from customers (carrying amount)	61 270	58 247	60 346
- of which loans with floating interest rate (amortised cost)	57 565	54 585	56 535
- of which loans with fixed interest rate (fair value)	3 705	3 662	3 811

<b>GROUP</b>	<b>Deposits</b>		
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
<b>Broken down according to sectors</b>			
Agriculture and forestry	218	215	181
Fisheries	1 030	1 149	995
Manufacturing	1 559	1 607	1 559
Building and construction	656	561	661
Wholesale and retail trade, hotels	731	673	813
Property management	1 700	1 334	1 576
Transport and private/public services	5 316	5 022	5 043
Public entities	831	733	780
Activities abroad	5	4	5
Miscellaneous	2 168	2 313	2 177
Total corporate/public entities	14 214	13 611	13 790
Retail customers	20 852	19 928	20 624
Total deposits from customers	35 066	33 539	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 expense

GROUP	Q1 2019	Q1 2018	31.12.2018
Changes in ECL during the period - Stage 1	1	1	1
Changes in ECL during the period - Stage 2	2	-2	16
Changes in ECL during the period - Stage 3	-43	-5	-12
Increase in existing individual impairments	6	0	2
New individual impairments	52	12	30
Confirmed losses, previously impaired	3	5	11
Reversal of previous individual impairments	-7	-6	-33
Confirmed losses, not previously impaired	1	2	8
Recoveries	-1	-5	-7
Total impairment on loans and guarantees, etc	13	2	16

**Changes in ECL in the period**

<b>GROUP - 31.03.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL 31.12.2018	26	61	251	338
New commitments	3	5	0	8
Disposal of commitments and transfer to individual loss assessment	-2	-3	-52	-57
Changes in ECL in the period for commitments which have not migrated	0	-1	10	9
Migration to stage 1	1	-9	-1	-9
Migration to stage 2	-1	11	-3	7
Migration to stage 3	0	-1	3	2
Changes in individual impairments	-	-	50	50
<b>ECL 31.03.2019</b>	<b>27</b>	<b>63</b>	<b>258</b>	<b>348</b>
- of which expected losses on loans	26	62	182	270
- of which expected losses on guarantees	1	1	76	78
<b>GROUP - 31.03.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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	5	2	2	9
Disposal of commitments and transfer to individual loss assessment	-3	-4	-5	-12
Changes in ECL in the period for commitments which have not migrated	-1	-2	0	-3
Migration to stage 1	1	-4	-6	-9
Migration to stage 2	-1	8	0	7
Migration to stage 3	0	-2	4	2
Changes in individual impairments	-	-	5	5
<b>ECL 31.03.2018</b>	<b>26</b>	<b>44</b>	<b>264</b>	<b>334</b>
- of which expected losses on loans	25	43	168	236
- of which expected losses on guarantees	1	1	96	98
<b>GROUP - 31.12.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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
<b>ECL 31.12.2018</b>	<b>26</b>	<b>61</b>	<b>251</b>	<b>338</b>
- 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**

<b>GROUP - 31.03.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	48 432	619	0	49 051
Medium risk (0.5 % - < 3 %)	7 095	2 610	415	10 120
High risk (3 % - <100 %)	529	945	3	1 476
Problem loans	-	-	552	552
Total commitments before ECL	56 056	4 173	970	61 199
- ECL	-27	-63	-258	-348
Net commitments *)	56 029	4 110	712	60 851

<b>GROUP - 31.03.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	46 489	187	796	47 472
Medium risk (0.5 % - < 3 %)	6 255	1 432	1 670	9 357
High risk (3 % - <100 %)	834	352	135	1 321
Problem loans	-	-	348	348
Total commitments before ECL	53 578	1 971	2 949	58 498
- ECL	-26	-44	-264	-334
Net commitments *)	53 552	1 927	2 685	58 164

<b>GROUP - 31.12.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	48 342	833	0	49 175
Medium risk (0.5 % - < 3 %)	6 345	2 533	681	9 559
High risk (3 % - <100 %)	516	607	188	1 311
Problem loans	-	-	382	382
Total commitments before ECL	55 203	3 973	1 251	60 427
- ECL	-26	-61	-251	-338
Net commitments *)	55 177	3 912	1 000	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	31.03.2019			31.03.2018			31.12.2018		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 3 months	125	53	72	58	53	5	76	55	21
Gross impaired commitments not in default	427	17	410	290	7	283	306	17	289
Gross problem loans	552	70	482	348	60	288	382	72	310
Individual impairment on commitments in default above 3 months	9	4	5	2	2	0	11	9	2
Individual impairment on commitments not in default	139	5	134	104	8	96	88	0	88
Total individual impairments	148	9	139	106	10	96	99	9	90
Net commitments in default above 3 months	116	49	67	56	51	5	65	46	19
Net impaired commitments not in default	288	12	276	186	-1	187	218	17	201
Net problem loans	404	61	343	242	50	192	283	63	220
Gross problem loans as a percentage of total loans/guarantees	0.88	0.16	2.35	0.58	0.15	1.45	0.62	0.17	1.54
Net problem loans as a percentage of total loans/guarantees	0.64	0.14	1.67	0.40	0.12	0.97	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 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 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.

<b>GROUP - 31.03.2019</b>	<b>Financial instruments at fair value through profit and loss</b>	<b>Financial instruments assessed at amortised cost</b>
Cash and claims on Norges Bank		297
Loans to and receivables from credit institutions		561
Loans to and receivables from customers	3 705	57 565
Certificates and bonds	7 229	
Shares and other securities	188	
Financial derivatives	1 093	
<b>Total financial assets</b>	<b>12 215</b>	<b>58 423</b>
Loans and deposits from credit institutions		1 086
Deposits from and liabilities to customers		35 066
Financial derivatives	396	
Debt securities		26 423
Subordinated loan capital and Additional Tier 1 capital		1 001
<b>Total financial liabilities</b>	<b>396</b>	<b>63 576</b>

<b>GROUP - 31.03.2018</b>	<b>Financial instruments at fair value through profit and loss</b>	<b>Financial instruments assessed at amortised cost</b>
Cash and claims on Norges Bank		264
Loans to and receivables from credit institutions		2 366
Loans to and receivables from customers	3 662	54 585
Certificates and bonds	6 383	
Shares and other securities	186	
Financial derivatives	815	
<b>Total financial assets</b>	<b>11 046</b>	<b>57 215</b>
Loans and deposits from credit institutions		930
Deposits from and liabilities to customers		33 539
Financial derivatives	334	
Debt securities		25 975
Subordinated loan capital and Additional Tier 1 capital		1 009
<b>Total financial liabilities</b>	<b>334</b>	<b>61 453</b>

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

#### **Net gains/losses on financial instruments**

	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>31.12.2018</b>
Certificates and bonds	6	3	-19
Securities	6	-2	10
Foreign exchange trading (for customers)	13	9	38
Fixed income trading (for customers)	1	2	8
Financial derivatives	1	-7	1
<b>Net change in value and gains/losses from financial instruments</b>	<b>27</b>	<b>5</b>	<b>38</b>

# Note 6

## FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	31.03.2019		31.03.2018		31.12.2018	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	297	297	264	264	857	857
Loans to and receivables from credit institutions	561	561	2 366	2 366	1 288	1 288
Loans to and receivables from customers	57 565	57 565	54 585	54 585	56 535	56 535
Total financial assets	58 423	58 423	57 215	57 215	58 680	58 680
Loans and deposits from credit institutions	1 086	1 086	930	930	955	955
Deposits from and liabilities to customers	35 066	35 066	33 539	33 539	34 414	34 414
Debt securities	26 516	26 423	26 089	25 975	27 039	26 980
Subordinated loan capital and Additional Tier 1 capital	1 011	1 001	1 039	1 009	1 000	996
Total financial liabilities	63 679	63 576	61 597	61 453	63 408	63 345

GROUP - 31.03.2019	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	297			297
Loans to and receivables from credit institutions		561		561
Loans to and receivables from customers			57 565	57 565
Total financial assets	297	561	57 565	58 423
Loans and deposits from credit institutions		1 086		1 086
Deposits from and liabilities to customers			35 066	35 066
Debt securities		26 516		26 516
Subordinated loan capital and Additional Tier 1 capital		1 011		1 011
Total financial liabilities	-	28 613	35 066	63 679

<b>GROUP - 31.03.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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			54 585	54 585
<b>Total financial assets</b>	<b>264</b>	<b>2 366</b>	<b>54 585</b>	<b>57 215</b>
Loans and deposits from credit institutions		930		930
Deposits from and liabilities to customers			33 539	33 539
Debt securities		26 089		26 089
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 039		1 039
<b>Total financial liabilities</b>	<b>-</b>	<b>28 058</b>	<b>33 539</b>	<b>61 597</b>

<b>GROUP - 31.12.2018</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
<b>Total financial assets</b>	<b>857</b>	<b>1 288</b>	<b>56 535</b>	<b>58 680</b>
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
<b>Total financial liabilities</b>	<b>-</b>	<b>28 994</b>	<b>34 414</b>	<b>63 408</b>

# Note 7

## FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 31.03.2019	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			3 705	3 705
Certificates and bonds	4 991	2 238		7 229
Shares and other securities	18		170	188
Financial derivatives		1 093		1 093
<b>Total financial assets</b>	<b>5 009</b>	<b>3 331</b>	<b>3 875</b>	<b>12 215</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		396		396
<b>Total financial liabilities</b>	<b>-</b>	<b>396</b>	<b>-</b>	<b>396</b>

GROUP - 31.03.2018	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			3 662	3 662
Certificates and bonds	4 698	1 685		6 383
Shares and other securities	18		168	186
Financial derivatives		815		815
<b>Total financial assets</b>	<b>4 716</b>	<b>2 500</b>	<b>3 830</b>	<b>11 046</b>
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		334		334
<b>Total financial liabilities</b>	<b>-</b>	<b>334</b>	<b>-</b>	<b>334</b>

GROUP - 31.12.2018	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			3 811	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

A change in the discount rate of 10 basis points would result in a change of approximately NOK 10 million on fixed rate loans.

#### 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		175
Purchases/additions		0
Sales/reduction		3
Transferred to Level 3		0
Transferred from Level 3		0
Net gains/losses in the period		-2
Book value as at 31.03.19		170

GROUP	Loans to and receivables from customers	Shares and other securities
Book value as at 31.12.17		169
Purchases/additions		0
Sales/reduction		0
Transferred to Level 3		0
Transferred from Level 3		0
Net gains/losses in the period		-1
Book value as at 31.03.18		168

# Note 8

## OPERATING SEGMENTS

Result - Q1 2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income		304	6	114	184	0
Other operating income		77	22	24	26	5
Total income		381	28	138	210	5
Operating costs		157	19	33	101	4
Profit before impairment		224	9	105	109	1
Impairment on loans, guarantees etc.		13	0	15	-2	0
Pre-tax profit		211	9	90	111	1
Taxes		49				
Profit after tax		162				

Key figures - 31.03.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	61 270	1 218	18 369	41 683	0
Deposits from customers 1)	35 066	745	12 040	22 281	0
Guarantee liabilities	1 410	0	1 400	10	0
The deposit-to-loan ratio	57.2	61.2	65.5	53.5	0
Man-years	356	156	48	138	14

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)	58 247	1 148	17 658	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

<b>Result - 31.12.2018</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>
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				

<b>Key figures - 31.12.2018</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>
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.

<b>MØRE BOLIGKREDITT AS</b>			
<b>Statement of income</b>	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>31.12.2018</b>
Net interest income	69	72	274
Other operating income	1	1	-1
Total income	70	73	273
Operating costs	10	10	42
Profit before impairment on loans	60	63	231
Impairment on loans, guarantees etc.	-1	-1	1
Pre-tax profit	61	64	230
Taxes	14	15	56
Profit after tax	47	49	174

<b>Statement of financial position</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Loans to and receivables from customers	23 682	23 252	23 409
Total equity	2 094	1 651	1 767

# Note 9

## 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:

<b>PARENT BANK</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
<b>Statement of income</b>			
Interest and credit commission income from subsidiaries	3	7	26
Received dividend from subsidiaries	172	152	152
Rent paid to Sparebankeiendom AS	9	8	34
Administration fee received from Møre Boligkreditt AS	3	4	17
<b>Statement of financial position</b>			
Claims on subsidiaries	1 276	1 262	1 300
Covered bonds	1 288	1 320	818
Liabilities to subsidiaries	1 350	419	890
Intragroup right-of-use of properties in Sparebankeiendom AS	114	-	-
Accumulated loan portfolio transferred to Møre Boligkreditt AS	23 696	23 265	23 424

# Note 10

## EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.03.2019	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	904 000	9.14
Cape Invest AS	749 934	7.59
Verdipapirfond Pareto Aksje Norge	421 563	4.26
Wenaasgruppen AS	380 000	3.84
Verdipapirfond Nordea Norge Verdi	371 014	3.75
MP Pensjon	339 781	3.44
Pareto AS	301 014	3.04
Wenaas Kapital AS	250 685	2.54
FLPS - Princ All Sec	207 619	2.10
Verdipapirfondet Eika egenkapital	173 000	1.75
Beka Holding AS	150 100	1.52
Verdipapirfondet Landkreditt Utbytte	115 000	1.16
Lapas AS (Leif-Arne Langøy)	113 500	1.15
State Street Bank	76 000	0.77
PIBCO AS	75 000	0.76
Stiftelsen Kjell Holm	70 200	0.71
Forsvarets personell pensjonskasse	63 660	0.64
Malme AS	55 000	0.56
Odd Slyngstad	53 337	0.54
U Aandals Eftf AS	50 000	0.51
<b>Total 20 largest EC holders</b>	<b>4 920 407</b>	<b>49.77</b>
<b>Total number of ECs</b>	<b>9 886 954</b>	<b>100.00</b>

# Note 11

## CAPITAL ADEQUACY

	31.03.2019	31.03.2018	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	349	349	349
Primary capital fund	2 649	2 514	2 649
Gift fund	125	125	125
Dividend equalisation fund	1 391	1 259	1 391
Proposed dividend for the EC holders	0	0	153
Proposed dividend for the local community	0	0	156
Other equity	226	203	229
Accumulated profit for the period	158	137	0
<b>Total equity</b>	<b>6 240</b>	<b>5 926</b>	<b>6 394</b>
Goodwill, intangible assets and other deductions	-41	-39	-42
Value adjustments of financial instruments at fair value	-13	-13	-14
Deduction for overfunded pension liability	-17	0	-13
Additional Tier 1 capital	147	203	197
Expected losses exceeding ECL, IRB portfolios	-215	-163	-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	-158	-137	0
<b>Total Tier 1 capital</b>	<b>5 943</b>	<b>5 777</b>	<b>6 041</b>
<b>Common Equity Tier 1 capital</b>	<b>5 447</b>	<b>5 225</b>	<b>5 495</b>
Subordinated loan capital of limited duration (supplementary capital)	703	702	703
<b>Net equity and subordinated loan capital</b>	<b>6 646</b>	<b>6 479</b>	<b>6 743</b>

## Capital requirement by exposure classes

<b>Exposure classes SA - credit risk</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Central governments or central banks	0	0	0
Regional governments or local authorities	18	13	12
Public sector companies	5	5	4
Institutions (banks etc)	32	23	38
Covered bonds	28	26	32
Equity	8	8	8
Other items	57	94	50
<b>Total capital requirements - credit risk, The Standardised Approach</b>	<b>148</b>	<b>169</b>	<b>144</b>
<b>Exposure classes IRB - credit risk</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Retail - Secured by real estate	703	645	689
Retail - Other	50	47	50
SME	708	735	734
Specialised lending	572	528	543
Other corporate lending	295	274	304
IRB-F capital requirements	2 328	2 229	2 320
<b>Total capital requirements - credit risk</b>	<b>2 476</b>	<b>2 398</b>	<b>2 464</b>
<b>Exposure classes SA - market risk</b>	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	40	23	44
<b>Total capital requirements - market risk</b>	<b>40</b>	<b>23</b>	<b>44</b>
Operational Risk (Basic Indicator Approach)	207	200	207
Deductions from the capital requirement	0	0	0
<b>Total capital requirement less transitional rule</b>	<b>2 723</b>	<b>2 621</b>	<b>2 715</b>
Additional capital requirements from transitional rule	50	101	37
<b>Total capital requirements</b>	<b>2 773</b>	<b>2 722</b>	<b>2 751</b>

Total risk-weighted assets less transitional rule	34 037	33 860	33 930
Total risk-weighted assets from transitional rule	630	1 265	460
Total risk-weighted assets	34 667	35 125	34 390
Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 560	1 581	1 548
<b>Buffer Requirement</b>			
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Capital conservation buffer (2.5 %)	867	878	860
Systemic risk buffer (3.0 %)	1 040	1 054	1 032
Countercyclical buffer (2.0%)	693	703	688
Total buffer requirements	2 600	2 634	2 579
Available Common Equity Tier 1 capital after buffer requirements	1 287	1 010	1 368
<b>Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules</b>			
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Capital adequacy ratio	19.2	18.4	19.6
Capital adequacy ratio incl. 50 per cent of the profit for the period	19.4	18.6	-
Tier 1 capital ratio	17.1	16.4	17.6
Tier 1 capital ratio incl. 50 per cent of the profit for the period	17.3	16.6	-
Common Equity Tier 1 capital ratio	15.7	14.9	16.0
Common Equity Tier 1 capital ratio incl. 50 per cent of the profit for the period	15.9	15.1	-
<b>Leverage Ratio (LR)</b>			
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>31.12.2018</b>
Leverage Ratio (LR)	8.0	8.0	8.1
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	8.1	8.1	-

# Profit performance

## QUARTERLY PROFIT

(NOK million)	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net interest income	304	309	290	291	289
Other operating income	77	56	61	78	53
Total operating costs	157	152	152	150	149
Profit before impairment on loans	224	213	199	219	193
Impairment on loans, guarantees etc.	13	12	7	-5	2
Pre-tax profit	211	201	192	224	191
Tax	49	60	43	50	50
Profit after tax	162	141	149	174	141

### As a percentage of average assets

Net interest income	1.69	1.76	1.63	1.68	1.73
Other operating income	0.43	0.32	0.35	0.45	0.32
Total operating costs	0.87	0.86	0.86	0.87	0.89
Profit before impairment on loans	1.25	1.22	1.12	1.26	1.16
Impairment on loans, guarantees etc.	0.07	0.07	0.04	-0.03	0.01
Pre-tax profit	1.18	1.15	1.08	1.29	1.15
Tax	0.26	0.34	0.24	0.29	0.29
Profit after tax	0.92	0.81	0.84	1.00	0.86

# Alternative performance measures

## **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.

### **Gross problem loans as a percentage of loans**

Definition: Problem loans, measured as the total of non-performing commitments exceeding 3 months, which have individual impairments, as well as other doubtful commitments subject to individual impairments without being in default, in percentage of

gross lending and guarantees (before impairments).

Justification: This key figure provides relevant information about the Group's credit risk and is considered to be useful supplementary information in addition to the loss disclosures.

#### **Net problem loans as a percentage of loans**

Definition: Problem loans, measured as the total of non-performing commitments exceeding 3 months, which have individual impairments, as well as other doubtful commitments subject to individual impairments without being in default, in percentage of net lending and guarantees (after impairments).

Justification: This key figure provides relevant information about the Group's credit risk and is considered to be useful supplementary information in addition to what follows from the loss disclosures.

#### **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.

