

# 4 quarter 2019

Unaudited  
interim report



Sparebanken  
Møre

# Financial highlights - Group

## Income statement

(Amounts in percentage of average assets)

	Q4 2019		Q4 2018		2019		2018	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	339	1.79	309	1.76	1 314	1.79	1 179	1.70
Net commission and other operating income	60	0.32	52	0.29	219	0.30	207	0.30
Net return on financial investments	15	0.08	4	0.03	74	0.10	41	0.06
Total income	414	2.19	365	2.08	1 607	2.19	1 427	2.06
Total operating costs	168	0.89	156	0.89	646	0.88	607	0.87
Profit before impairment on loans	246	1.30	209	1.19	961	1.31	820	1.19
Impairment on loans, guarantees etc.	15	0.08	12	0.07	50	0.07	16	0.02
Pre-tax profit	231	1.22	197	1.12	911	1.24	804	1.17
Tax	41	0.21	60	0.34	200	0.27	203	0.29
Profit after tax	190	1.01	137	0.78	711	0.97	601	0.88

## Statement of financial position

(NOK million)	31.12.2019	% change YTD 2019	31.12.2018
Total assets 4)	74 875	5.4	71 040
Average assets 4)	73 496	5.9	69 373
Loans to and receivables from customers	64 029	6.1	60 346
Gross loans to retail customers	43 815	4.5	41 917
Gross loans to corporate and public entities	20 441	9.8	18 616
Deposits from customers	36 803	6.9	34 414
Deposits from retail customers	21 685	5.1	20 624
Deposits from corporate and public entities	15 118	9.6	13 790

### Key figures and alternative performance measures (APMs)

	Q4 2019	Q4 2018	2019	2018
Return on equity (annualised) 3) 4)	11.8	9.5	11.7	10.6
Cost income ratio 4)	40.6	42.7	40.2	42.5
Losses as a percentage of loans, guarantees etc. (annualised) 4)	0.09	0.08	0.08	0.03
Gross problem loans as a percentage of loans, guarantees etc.	1.49	0.62	1.49	0.62
Net problem loans as a percentage of loans, guarantees etc.	1.14	0.46	1.14	0.46
Deposit-to-loan ratio 4)	57.5	57.0	57.5	57.0
Liquidity Coverage Ratio (LCR)	165	158	165	158
Lending growth as a percentage 4)	0.6	1.2	6.1	6.1
Deposit growth as a percentage 4)	1.8	-0.8	6.9	4.9
Capital adequacy ratio 1)	21.5	19.6	21.5	19.6
Tier 1 capital ratio 1)	19.3	17.6	19.3	17.6
Common Equity Tier 1 capital ratio (CET1) 1)	17.4	16.0	17.4	16.0
Leverage Ratio (LR) 1)	8.0	8.1	8.0	8.1
Man-years	357	361	357	361

### Equity Certificates (ECs)

	2019	2018	2017	2016	2015
Profit per EC (Group) (NOK) 2)	34.50	29.60	27.70	28.80	25.25
Profit per EC (Parent Bank) (NOK) 2)	32.00	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
EC capital (NOK million)	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	317	283	262	254	188
Stock market value (NOK million)	3 134	2 798	2 590	2 511	1 859
Book value per EC (Group) (NOK) 4)	320	303	289	275	257
Dividend per EC (NOK)	17.50	15.50	14.00	14.00	11.50
Price/Earnings (Group, annualised)	9.2	9.5	9.4	8.8	7.3
Price/Book value (P/B) (Group) 2) 4)	0.99	0.93	0.91	0.93	0.73

1) Incl. proposed allocations

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

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

4) 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 Q4 2019.

Profit after losses was NOK 231 million for the fourth quarter of 2019, or 1.22 per cent of average total assets, compared with NOK 197 million, or 1.12 per cent, for the corresponding quarter last year.

Profit after tax was NOK 190 million for the fourth quarter of 2019, or 1.01 per cent of average total assets, compared with NOK 137 million, or 0.78 per cent, for the corresponding quarter last year.

Return on equity was 11.8 per cent in the fourth quarter of 2019 compared with 9.5 per cent in the fourth quarter of 2018, and the cost income ratio amounted to 40.6 per cent compared with 42.7 per cent in the fourth quarter of 2018.

Earnings per equity certificate were NOK 9.00 (NOK 6.80) for the Group and NOK 6.10 (NOK 5.90) for the Parent Bank.

## Net interest income

Net interest income was NOK 339 million, which is NOK 30 million, or 9.7 per cent, higher than in the corresponding quarter of last year. This represents 1.79 per cent of total assets, which is 0.03 percentage points higher than for the fourth quarter of 2018.

The Bank implemented a change in interest rates with effect from 13 November. Both lending and deposit rates were increased up to 0.25 percentage points.

Charges for the Norwegian Resolution Fund and the Norwegian Deposit Guarantee Fund in 2019 reduced net interest income in the fourth quarter of 2019 by NOK 15 million compared with the fourth quarter of 2018. This increase was not accrued in previous quarters of 2019. See the comments on net interest income under the preliminary financial statements for 2019.

## Other operating income

Other operating income was NOK 75 million in the quarter, which is NOK 19 million higher than in the fourth quarter of last year. Other operating income, excluding financial instruments, increased by NOK 8 million compared with the fourth quarter of 2018. The changes in value in the bond portfolio and equities constitute capital losses of NOK 3 million in the quarter, compared with capital losses of NOK 14 million in the fourth quarter of 2018. Dividends were NOK 6 million higher than in the fourth quarter of 2018.

## Costs

Operating costs were NOK 168 million in the quarter, which is NOK 12 million higher than in the same quarter last year. Personnel costs were NOK 5 million higher than in the corresponding period last year and amounted to NOK 91 million. Staffing has been reduced by 4 full-time equivalents in the last 12 months, to 357 FTEs. Other operating costs increased by NOK 7 million from the same period last year.

The cost income ratio was 40.6 per cent in the fourth quarter of 2019, which represents a reduction of 2.1 percentage points compared with the fourth quarter last year.

## Problem loans

The quarterly accounts were charged NOK 15 million (NOK 12 million) in losses on loans and guarantees. This amounts to 0.08 per cent (0.07 per cent) of average total assets on an annualised basis. Losses in the corporate segment increased by NOK 13 million in the quarter and losses in the retail segment increased by NOK 2 million.

### **Lending and deposit growth**

Total assets grew to NOK 74,875 million, a 2.4 per cent change in relation to the end of the third quarter of 2019 . Lending increased by 0.6 per cent to NOK 64,029 million and deposits from customers rose by 1.8 per cent to NOK 36,803 million. Lending to corporate customers increased by 1.0 per cent in the fourth quarter of 2019, while lending to retail customers rose by 0.4 per cent. For further comments concerning volume trends in the last 12 months, please see the comments for the full year 2019.

### **PRELIMINARY FINANCIAL STATEMENTS FOR 2019**

Sparebanken Møre's profit before losses on loans and guarantees was NOK 961 million, or 1.31 per cent of average total assets, compared with NOK 820 million, or 1.19 per cent, for 2018.

Profit before tax was NOK 911 million, or 1.24 per cent of average total assets, compared with NOK 804 million, or 1.17 per cent, for 2018.

Profit after tax was NOK 711 million, or 0.97 per cent of average total assets, compared with NOK 601 million, or 0.88 per cent, for 2018. The results for 2019 represent a return on equity of 11.7 per cent, compared with 10.6 per cent in 2018.

Earnings per equity certificate in 2019 were NOK 34.50 (NOK 29.60) for the Group, and NOK 32.00 (28.35) for the Parent Bank.

### **Net interest income**

Net interest income totalled NOK 1,314 million (1,179 million) or 1.79 per cent (1.70 per cent) of average total assets. Net interest income accounted for 81.8 per cent of total income in 2019.

Over the course of the year, rising interest rates led to increased funding costs and slightly reduced margins on lending. The interest rate hikes implemented in 2019 kept the lending margin at year end 2019 at about the same level as at year end 2018. The margin for deposits increased in the same period and, overall, this improved net interest income in 2019 compared with 2018.

In addition to this, higher lending and deposit volumes, as well as better interest contributions from the Bank's equity, increased net interest income in NOK compared with 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 the retail market, the lending margin decreased and the deposit margin increased compared with 2018. The lending margin in the corporate market was unchanged, while the deposit margin has increased slightly.

### **Other operating income**

Other operating income was NOK 293 million in 2019 (0.40 per cent of average total assets). This is an increase of NOK 45 million compared with 2018.

Capital losses from bond holdings were NOK 9 million, compared with losses of NOK 19 million in 2018. Capital gains on equities were NOK 16 million, compared with NOK 10 million in 2018. Income from other financial investments increased by NOK 17 million compared with 2018.

Other operating income increased by NOK 12 million compared with 2018.

### **Costs**

Total costs were NOK 646 million, which is NOK 39 million higher than in 2018. Personnel costs increased by NOK 14 million compared with 2018 and were NOK 354 million. Financial activity tax in the form of higher employers' National Insurance contributions was NOK 15 million in 2019, NOK 1 million higher than in 2018. Staffing has been reduced by 4 full-time equivalents in the last 12 months to 357 FTEs. Other operating costs were NOK 25 million higher than in 2018.

The cost income ratio was 40.2 per cent in 2019. This represents a decrease of 2.3 percentage points compared with 2018.

### **Problem loans**

In 2019, the income statement was charged with NOK 50 million (NOK 16 million) in losses on loans and guarantees. This represents 0.07 per cent (0.02 per cent) of average total assets. At year end 2019, total expected losses were NOK 375 million, equivalent to 0.57 per cent of loans and guarantees (NOK 338 million and 0.55 per cent). Of the individually assessed commitments, NOK 14 million of the impairments were linked to commitments in default for more than 90 days (NOK 11 million), which amounts to 0.02 per cent of loans and guarantees (0.02 per cent). NOK 361 million relates to other commitments (NOK 327 million), which is equivalent to 0.55 per cent of gross loans and guarantees (0.53 per cent).

Net problems loans (loans in default for more than 90 days and other problem loans subject to individual impairments) have increased by NOK 465 million in the last 12 months. At the end of 2019, the corporate market accounted for NOK 668 million of net problems loans, and the retail market NOK 80 million. In total, this represents 1.14 per cent of gross loans and guarantees (0.46 per cent).

### **Lending to customers**

At year end 2019, lending to customers amounted to NOK 64,029 million (NOK 60,346 million). Customer lending has increased by a total of NOK 3,683 million, or 6.1 per cent, in the last 12 months. Retail lending has increased by 4.5 per cent, while corporate lending has increased by 9.8 per cent in the last 12 months. Retail lending accounted for 68.4 per cent of lending at year end 2019 (69.2 per cent).

### **Deposits from customers**

Customer deposits have increased by NOK 2,389 million, or 6.9 per cent, in the last 12 months. At year end 2019, deposits amounted to NOK 36,803 million (NOK 34,414 million). Retail deposits have increased by 5.1 per cent in the last 12 months, while corporate deposits have increased by 10.2 per cent and public sector deposits have decreased by 0.4 per cent. The retail market's relative share of deposits amounted to 58.9 per cent (59.9 per cent), while deposits from the corporate market accounted for 39.0 per cent (37.9 per cent) and from the public sector market 2.1 per cent (2.2 per cent).

The deposit-to-loan ratio was 57.5 per cent at year end 2019 (57.0 per cent).

## **CAPITAL ADEQUACY**

The EU Capital Requirements Directive CRR/CRD IV was introduced with effect from 31 December 2019.

The most important changes that apply from 31 December 2019 are that the transitional rule associated with the Basel I floor has been eliminated and an SME discount of 23.82 per cent has been introduced for SME customers with loans of up to EUR 1.5 million and an annual turnover of less than EUR 50 million.

At the same time, the countercyclical buffer has been increased from 2.0 to 2.5 per cent from 31 December 2019.

The risk weight for loans with security in residential property must be a minimum of 20 per cent and the risk weight for loans with security in commercial property must be a minimum of 35 per cent. These two requirements will be introduced from 31 December 2020 and will apply up to 31 December 2022. As at 31 December 2019, Sparebanken Møre's average risk weight for loans to the mass market with security in real property was 18.3 per cent and for loans to enterprises it was 81.8 per cent. Therefore, the minimum requirement of 20 per cent would have required an increase in the Group's basis for calculation of NOK 822 million as at 31 December 2019, which would be equivalent to a reduction in CET1 ratio of 0.43 percentage points. The minimum requirement of 35 per cent for commercial property will not affect Sparebanken Møre.

Approval has also been given to increase the systemic risk buffer requirement from 3.0 to 4.5 per cent from 31 December 2020 for advanced IRB banks. However, Sparebanken Møre uses the IRB Foundation method for credit risk and will, therefore, be subject to a systemic risk buffer requirement of 3 per cent until the 4.5 per cent requirement comes into force on 31 December 2022.

The overall requirement for Sparebanken Møre's CET1 ratio, including the countercyclical capital buffer and Pillar 2, was 14.2 per cent at year end 2019. In its assessment of Sparebanken Møre's Pillar 2 supplement in 2018, the Financial Supervisory Authority of Norway set it at 1.7 per cent, although it was made subject to a minimum of NOK 590 million with effect from 31 March 2019. This means that the effective capital requirement for the Group

as at 31 December 2019 was 14.34 per cent. The requirement is met by a good margin.

The Group's capital adequacy at year end 2019 exceeded the regulatory capital requirements and the internally set minimum target for CET1 capital. Primary capital amounted to 21.5 per cent (19.6 per cent), Tier 1 capital 19.3 per cent (17.6 per cent), and CET1 capital 17.4 per cent (16.0 per cent).

The leverage ratio (LR) at year end 2019 was 8.0 per cent, 0.1 percentage points lower than at year end 2018. The regulatory minimum requirement (3 per cent) and buffer requirement (2 per cent), 5 per cent in total, was met by a good margin.

## **SUBSIDIARIES**

The aggregate profit of the Bank's three subsidiaries was NOK 222 million after tax in 2019 (NOK 177 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The main purpose of the mortgage company is to issue covered bonds for sale to Norwegian and international investors. At year end 2019, the company had net outstanding bonds of NOK 23.1 billion in the market; almost 34 per cent of the borrowing was in a currency other than NOK. The company contributed NOK 222 million to the result in 2019 (NOK 174 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK 0.8 million to the result in 2019 (NOK 1 million). At year end, 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 -1.1 million to the result in 2019 (NOK 2 million). The company has no employees.

## **EQUITY CERTIFICATES**

At year end 2019, there were 5,526 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 31 December 2019, the Bank owned 25,251 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market prices.

## **DIVIDEND POLICY**

Sparebanken Møre's aim is to achieve financial results that provide a good, stable return on the Bank's equity capital. The results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity.

Dividends consist of cash dividends to equity certificate holders and dividends to the local communities. The proportion of profits allocated to dividends is in line with the Bank's capital strength. Unless the Bank's capital strength dictates otherwise, it will be aimed at distributing about 50 per cent of the profit.

Sparebanken Møre's allocation of earnings should ensure that all equity owners are guaranteed equal treatment.

## **PROPOSED ALLOCATION OF PROFIT FOR THE YEAR**

In line with the rules for equity certificates, etc., and in accordance with Sparebanken Møre's dividend policy, it is proposed that 50.7 per cent of the Group's profit should be allocated to cash dividends and dividends to the local communities. Based on the accounting breakdown of equity in the Parent Bank between equity certificate capital and the primary capital fund, 49.6 per cent of the profit will be allocated to equity certificate holders and 50.4 per cent to the primary capital fund. The earnings per equity certificate in the Group were NOK 34.50 in 2019. The recommendation to the General Meeting is that the cash dividend per equity certificate for the 2019 financial year should be set at NOK 17.50.

**Proposed allocation of profit (figures in NOK million):**

Profit for the year	711
Allocated to holders of AT1 capital	23

**Dividend funds (50.7 %):**

To cash dividends	173
Dividends to the local community	176 349

**Retained earnings (49.3 %):**

To the dividend equalisation fund	144
To the primary capital fund	146
To other funds	49 339
<b>Total allocated</b>	<b>711</b>

**FUTURE PROSPECTS**

The county is expected to see moderate production growth going forward. Continued low interest rates, a weak Norwegian kroner exchange rate and growth in our export markets will contribute to this. It appears that the uncertainty surrounding Brexit and the trade war between the US and China has diminished. We expect the activity in our main industries to remain high.

Unemployment in the county has fallen heavily since the beginning of 2017. 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 December. In comparison, the national unemployment rate is 2.2 per cent. With moderate production growth going forward, unemployment is likely to remain low throughout the current year.

Growth in household debt in Norway as a whole fell steadily throughout 2019 and ended up at around 5 per cent. The downward trend has been of this magnitude ever since 2012. The growth in lending in the corporate market was more stable in 2019. The total growth in lending fell slightly during the year.

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

The Bank has noted a somewhat slower pace of growth in lending to the retail market compared with the end of the third quarter. The growth rate in the corporate market remained good throughout the quarter. Deposit growth is good and the deposit-to-loan ratio is high.

Lending growth in the retail market will remain at around 5 per cent in 2020 as well. The growth in the corporate market will be somewhat lower, mainly due to the strong growth throughout 2019. There is a constant focus on good operations and increased profitability.



The Bank will remain strong and committed in supporting our customers.

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

Sparebanken Møre's losses are expected to be low also in 2020. Overall, good results are expected in 2020, with a return on equity above the Bank's strategic target of 11 per cent.

Ålesund, 31 December 2019

29 January 2020

**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 VIKERBAKK  
HELGE KARSTEN KNUDSEN  
MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

# Statement of income - Group

## STATEMENT OF INCOME - GROUP (COMPRESSED)

(NOK million)	Note	Q4 2019	Q4 2018	2019	2018
Interest income from assets at amortised cost		572	468	2 085	1 759
Interest income from assets at fair value		70	46	243	181
Interest expenses		303	205	1 014	761
Net interest income	<u>9</u>	339	309	1 314	1 179
Commission income and revenues from banking services		59	50	221	208
Commission costs and charges from banking services		7	5	26	25
Other operating income		8	7	24	24
Net commission and other operating income		60	52	219	207
Dividends		6	0	12	3
Net gains/losses on financial instruments	<u>5</u>	9	4	62	38
Net return on financial instruments		15	4	74	41
Total income		414	365	1 607	1 427
Wages, salaries etc.		91	86	354	340
Administration costs		34	34	143	133
Depreciation and impairment		17	12	50	35
Other operating costs		26	24	99	99
Total operating costs		168	156	646	607
Profit before impairment on loans		246	209	961	820
Impairment on loans, guarantees etc.	<u>3</u>	15	12	50	16
Pre-tax profit		231	197	911	804
Taxes		41	60	200	203
Profit after tax		190	137	711	601
Allocated to equity owners		179	135	688	590
Allocated to owners of Additional Tier 1 capital		11	2	23	11
Profit per EC (NOK) 1)		9.00	6.80	34.50	29.60
Diluted earnings per EC (NOK) 1)		9.00	6.80	34.50	29.60
Distributed dividend per EC (NOK)		0.00	0.00	15.50	14.00

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

(NOK million)	Q4 2019	Q4 2018	2019	2018
Profit after tax	190	137	711	601
Items that may subsequently be reclassified to the income statement:				
Basisswap spreads - changes in value	1	-8	2	-18
Tax effect of changes in value on basisswap spreads	0	2	0	4
Items that will not subsequently be reclassified to the income statement:				
Pension estimate deviations	-29	12	-29	12
Tax effect of pension estimate deviations	7	-3	7	-3
<b>Total comprehensive income after tax</b>	<b>169</b>	<b>140</b>	<b>691</b>	<b>596</b>
Allocated to equity owners	158	138	668	585
Allocated to owners of Additional Tier 1 capital	11	2	23	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	31.12.2019	31.12.2018
Cash and claims on Norges Bank	5 6 10	1 072	857
Loans to and receivables from credit institutions	<u>5 6 10</u>	1 088	1 288
Loans to and receivables from customers	<u>2 3 4 5 7 10</u>	64 029	60 346
Certificates, bonds and other interest-bearing securities	<u>5 7 10</u>	6 938	6 789
Financial derivatives	<u>5 7</u>	1 176	1 209
Shares and other securities	<u>5 7</u>	194	182
Deferred tax benefit		0	54
Intangible assets		53	42
Fixed assets		236	186
Other assets		89	87
<b>Total assets</b>		<b>74 875</b>	<b>71 040</b>

## LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	Note	31.12.2019	31.12.2018
Loans and deposits from credit institutions	<u>5 6 10</u>	817	955
Deposits from customers	<u>2 5 7 10</u>	36 803	34 414
Debt securities issued	<u>5 6 8</u>	28 271	26 980
Financial derivatives	<u>5 7</u>	288	525
Other liabilities		641	609
Incurred costs and prepaid income		86	76
Other provisions for incurred liabilities and costs		295	125
Additional Tier 1 capital	<u>5 6</u>	0	293
Subordinated loan capital	<u>5 6</u>	704	703
<b>Total liabilities</b>		<b>67 905</b>	<b>64 680</b>
EC capital	<u>11</u>	989	989
ECs owned by the Bank		-3	-3
Share premium		357	356
Additional Tier 1 capital		599	349
<b>Paid-in equity</b>		<b>1 942</b>	<b>1 691</b>
Primary capital fund		2 783	2 649
Gift fund		125	125
Dividend equalisation fund		1 525	1 391
Other equity		595	504
<b>Retained earnings</b>		<b>5 028</b>	<b>4 669</b>
<b>Total equity</b>		<b>6 970</b>	<b>6 360</b>
<b>Total liabilities and equity</b>		<b>74 875</b>	<b>71 040</b>

# Statement of changes in equity - Group

GROUP 31.12.2019	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	6 360	986	356	349	2 649	125	1 391	0	504
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	-23								-23
Equity before allocation of profit for the year	6 279	986	357	599	2 649	125	1 391	0	172
Allocated to the primary capital fund	146				146				
Allocated to the dividend equalisation fund	144						144		
Allocated to owners of Additional Tier 1 capital	23								23
Allocated to other equity	49								49
Proposed dividend allocated for the EC holders	173								173
Proposed dividend allocated for the local community	176								176
Profit for the year	711	0	0	0	146	0	144	0	421
Changes in value - basis swaps	2								2
Tax effect of changes in value - basis swaps	0								0
Pension estimate deviations	-29				-15		-14		
Tax effect of pension estimate deviations	7				4		3		
Total other income and costs from comprehensive income	-20	0	0	0	-11	0	-10	0	2
Total profit for the year	691	0	0	0	134	0	134	0	423
Equity as at 31 December 2019	6 970	986	357	599	2 783	125	1 525	0	595

<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	6 048	984	355	349	2 470	125	1 216	78	471
Effect of transition to IFRS 9 as of 01.01.2018 *)	1				44		43	-78	-8
Equity as at 01.01.2018	6 049	984	355	349	2 514	125	1 259	0	463
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	5 765	986	356	349	2 516	125	1 260	0	173
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	25								25
Proposed dividend allocated for the EC holders	153								153
Proposed dividend allocated for the local community	156								156
Profit for the year	601	0	0	0	129	0	127	0	345
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 year	596	0	0	0	133	0	132	0	331
Equity as at 31 December 2018	6 360	986	356	349	2 649	125	1 391	0	504

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

# Statement of cash flow - Group

(NOK million)	31.12.2019	31.12.2018
<b>Cash flow from operating activities</b>		
Interest, commission and fees received	2 449	2 059
Interest, commission and fees paid	-515	-383
Dividend and group contribution received	12	3
Operating expenses paid	-548	-561
Income taxes paid	-81	-204
Changes relating to loans to and claims on other financial institutions	200	7
Changes relating to repayment of loans/leasing to customers	-3 755	-3 740
Changes in utilised credit facilities	52	303
Net change in deposits from customers	2 390	1 610
<b>Net cash flow from operating activities</b>	<b>204</b>	<b>-906</b>
<b>Cash flow from investing activities</b>		
Interest received on certificates, bonds and other securities	134	112
Proceeds from the sale of certificates, bonds and other securities	8 462	9 469
Purchases of certificates, bonds and other securities	-8 649	-10 198
Proceeds from the sale of fixed assets etc.	0	0
Purchase of fixed assets etc.	-33	-23
Changes in other assets	63	-135
<b>Net cash flow from investing activities</b>	<b>-23</b>	<b>-775</b>
<b>Cash flow from financing activities</b>		
Interest paid on debt securities and subordinated loan capital	-563	-434
Net change in deposits from Norges Bank and other financial institutions	-138	386
Proceeds from bond issues raised	5 374	4 603
Redemption of debt securities	-4 317	-2 654
Dividend paid	-153	-138
Changes in other debt	-396	153
Proceeds from Additional Tier 1 capital issued	250	0
Paid interest on Additional Tier 1 capital issued	-23	-15
<b>Net cash flow from financing activities</b>	<b>34</b>	<b>1 901</b>
<b>Net change in cash and cash equivalents</b>	<b>215</b>	<b>220</b>
Cash balance at 01.01	857	637
Cash balance at 31.12	1 072	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 December 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 percentage points.

As a consequence of the new rules, the rental expense is reduced by NOK 13.6 million so far in 2019, while interest expense has increased by NOK 1.4 million and depreciation has increased by NOK 12.5 million. The transition to IFRS 16 has given a marginal increase in cost for the Group of NOK 0.3 million by 31.12.2019.



# Note 2

## Loans and deposits broken down according to sectors

GROUP	Loans	
	31.12.2019	31.12.2018
<b>Broken down according to sectors</b>		
Agriculture and forestry	568	542
Fisheries	3 502	3 206
Manufacturing	2 346	2 369
Building and construction	915	698
Wholesale and retail trade, hotels	621	676
Supply/Offshore	1 042	1 005
Property management	7 692	6 733
Professional/financial services	1 186	1 272
Transport and private/public services	2 375	1 867
Public entities	0	0
Activities abroad	194	248
Total corporate/public entities	20 441	18 616
Retail customers	43 815	41 917
Fair value adjustment of loans	32	56
<b>Total loans (gross carrying amount)</b>	<b>64 288</b>	<b>60 589</b>
Expected credit loss (ECL) - stage 1 - Corporate	-30	-20
Expected credit loss (ECL) - stage 1 - Retail	-5	-5
Expected credit loss (ECL) - stage 2 - Corporate	-58	-29
Expected credit loss (ECL) - stage 2 - Retail	-36	-31
Expected credit loss (ECL) - stage 3 - Corporate	-3	-101
Expected credit loss (ECL) - stage 3 - Retail	-11	-10
Individual impairment	-116	-47
<b>Loans to and receivables from customers (net carrying amount)</b>	<b>64 029</b>	<b>60 346</b>
-of which loans with floating interest rate (amortised cost)	59 832	56 535
-of which loans with fixed interest rate (fair value)	4 197	3 811

GROUP	Deposits	
	31.12.2019	31.12.2018
<b>Broken down according to sectors</b>		
Agriculture and forestry	187	181
Fisheries	1 252	995
Manufacturing	1 659	1 559
Building and construction	841	661
Wholesale and retail trade, hotels	839	813
Property management	1 648	1 576
Transport and private/public services	5 448	5 043
Public entities	777	780
Activities abroad	5	5
Miscellaneous	2 462	2 177
<b>Total corporate/public entities</b>	<b>15 118</b>	<b>13 790</b>
Retail customers	21 685	20 624
<b>Total deposits</b>	<b>36 803</b>	<b>34 414</b>

# Note 3

## Losses and impairments 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.

Stage allocation is done at agreement level and means that one customer can have commitments allocated to different stages.

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».

### Specification of credit loss in the income statement

GROUP	Q4 2019	Q4 2018	31.12.2019	31.12.2018
Changes in ECL during the period - Stage 1	1	1	10	1
Changes in ECL during the period - Stage 2	13	-6	37	16
Changes in ECL during the period - Stage 3	-2	3	-138	-12
Increase in existing individual impairments	-3	1	2	2
New individual impairments	3	19	155	30
Confirmed losses, previously impaired	7	6	12	11
Reversal of previous individual impairments	-7	-20	-30	-33
Confirmed losses, not previously impaired	5	11	10	8
Recoveries	-2	-3	-8	-7
Total impairments on loans and guarantees, etc	15	12	50	16

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

<b>GROUP - 31.12.2019</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	15	11	1	27
Disposal of commitments and trsf to individual impairment	-5	-12	-125	-142
Changes in ECL in the period for commitments which have not migrated	2	2	0	4
Migration to stage 1	1	-22	-1	-22
Migration to stage 2	-3	60	-21	36
Migration to stage 3	0	-1	8	7
Changes in individual impairments	-	-	127	127
<b>ECL 31.12.2019</b>	<b>36</b>	<b>99</b>	<b>240</b>	<b>375</b>
- of which expected losses on loans	35	94	130	259
- of which expected losses on guarantees	1	5	110	116

<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
<b>ECL 01.01.2018 according to IFRS 9</b>	<b>25</b>	<b>46</b>	<b>264</b>	<b>335</b>
New commitments	9	16	1	26
Disposal of commitments and trsf to individual impairment	-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 - 31.12.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	50 157	171	-	50 328
Medium risk (0.5 % - < 3 %)	7 369	2 489	-	9 858
High risk (3 % - <100 %)	1 726	1 006	-	2 732
Problem loans	-	-	974	974
<b>Total commitments before ECL</b>	<b>59 252</b>	<b>3 666</b>	<b>974</b>	<b>63 892</b>
- ECL	-36	-99	-240	-375
<b>Net commitments *)</b>	<b>59 216</b>	<b>3 567</b>	<b>734</b>	<b>63 517</b>

<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	-	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
<b>Total commitments before ECL</b>	<b>55 203</b>	<b>4 842</b>	<b>382</b>	<b>60 427</b>
- ECL	-26	-61	-251	-338
<b>Net commitments *)</b>	<b>55 177</b>	<b>4 781</b>	<b>131</b>	<b>60 089</b>

\*) The tables above are based on exposure (incl. undrawn credit facilities and guarantees) and are 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	31.12.2019			31.12.2018		
	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 3 months	162	76	86	76	55	21
Gross impaired commitments not in default	812	17	795	306	17	289
Gross problem loans	974	93	881	382	72	310
Individual impairment on commitments in default above 3 months	14	10	4	11	9	2
Individual impairment on commitments not in default	212	3	209	88	0	88
Total individual impairments	226	13	213	99	9	90
Net commitments in default above 3 months	148	66	82	65	46	19
Net impaired commitments not in default	600	14	586	218	17	201
Net problem loans	748	80	668	283	63	220
Gross problem loans as a percentage of total loans/guarantees	1.49	0.21	4.04	0.62	0.17	1.54
Net problem loans as a percentage of total loans/guarantees	1.14	0.18	3.06	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:

- Amortised cost
- Fair value with value changes through the income statement

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 cannot 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 - 31.12.2019</b>	<b>Financial instruments at fair value through profit and loss</b>	<b>Financial instruments assessed at amortised cost</b>	<b>Total book value</b>
Cash and claims on Norges Bank		1 072	1 072
Loans to and receivables from credit institutions		1 088	1 088
Loans to and receivables from customers	4 197	59 832	64 029
Certificates and bonds	6 938		6 938
Shares and other securities	194		194
Financial derivatives	1 176		1 176
<b>Total financial assets</b>	<b>12 505</b>	<b>61 992</b>	<b>74 497</b>
Loans and deposits from credit institutions		817	817
Deposits from and liabilities to customers		36 803	36 803
Financial derivatives	288		288
Debt securities		28 271	28 271
Subordinated loan capital		704	704
<b>Total financial liabilities</b>	<b>288</b>	<b>66 595</b>	<b>66 883</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>	<b>Total book value</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	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
<b>Total financial assets</b>	<b>11 991</b>	<b>58 680</b>	<b>70 671</b>
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
<b>Total financial liabilities</b>	<b>525</b>	<b>63 345</b>	<b>63 870</b>

**Net gains/losses on financial instruments**

	Q4 2019	Q4 2018	31.12.2019	31.12.2018
Certificates and bonds	-8	-8	-9	-19
Securities	4	-6	16	10
Foreign exchange trading (for customers)	11	9	41	38
Fixed income trading (for customers)	5	1	16	8
Financial derivatives	-3	8	-2	1
Net change in value and gains/losses from financial instruments	9	4	62	38

# Note 6

## Financial instruments at amortised cost

GROUP	31.12.2019		31.12.2018	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	1 072	1 072	857	857
Loans to and receivables from credit institutions	1 088	1 088	1 288	1 288
Loans to and receivables from customers	59 832	59 832	56 535	56 535
<b>Total financial assets</b>	<b>61 992</b>	<b>61 992</b>	<b>58 680</b>	<b>58 680</b>
Loans and deposits from credit institutions	817	817	955	955
Deposits from and liabilities to customers	36 803	36 803	34 414	34 414
Debt securities	28 362	28 271	27 039	26 980
Subordinated loan capital and AT1 capital	714	704	1 000	996
<b>Total financial liabilities</b>	<b>66 696</b>	<b>66 595</b>	<b>63 408</b>	<b>63 345</b>

# Note 7

## Financial instruments at fair value

A change in the discount rate of 10 basis points will have an impact of about NOK 10 million on loans with fixed interest rate.

GROUP - 31.12.2019	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			4 197	4 197
Certificates and bonds	4 741	2 197		6 938
Shares and other securities	6		188	194
Financial derivatives		1 176		1 176
<b>Total financial assets</b>	<b>4 747</b>	<b>3 373</b>	<b>4 385</b>	<b>12 505</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		288		288
<b>Total financial liabilities</b>	<b>-</b>	<b>288</b>	<b>-</b>	<b>288</b>

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
<b>Total financial assets</b>	<b>4 703</b>	<b>3 302</b>	<b>3 986</b>	<b>11 991</b>
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		525		525
<b>Total financial liabilities</b>	<b>-</b>	<b>525</b>	<b>-</b>	<b>525</b>

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	1 097	10
Sales/reduction	-687	-14
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	-24	17
Book value as at 31.12.19	4 197	188

GROUP	Loans to and receivables from customers	Shares and other securities
Book value as at 31.12.17	3 923	169
Purchases/additions	866	2
Sales/reduction	-968	-16
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	-10	20
Book value as at 31.12.18	3 811	175

# 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 31.12.2019	Interest	Issued	Maturity	Book value 31.12.2019	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 187	1 212
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 506
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	308	300
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	296	298
NO0010696990	NOK	230	3M Nibor + 0.45 %	2013	2020	231	2 507
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	3 001	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	999	1 001
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 013	3 011
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 490	2 504
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 004	2 500
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 522	2 524
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 024	1 022
NO0010853096	NOK	2 500	3M Nibor + 0.37 %	2019	2025	2 503	-
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 484	-
Total covered bonds issued by Møre Boligkreditt AS						23 062	22 384

As of 31.12.2019, Sparebanken Møre had no holding of covered bonds issued by Møre Boligkreditt AS (NOK 818 million). Møre Boligkreditt AS had no own holding as of 31.12.2019 (NOK 0 million).

# Note 9

## Operating segments

Result - Q4 2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	339	-13	136	216	0
Other operating income	75	29	25	16	5
Total income	414	16	161	232	5
Operating costs	168	41	33	88	6
Profit before impairment	246	-25	128	144	-1
Impairment on loans, guarantees etc.	15	0	13	2	0
Pre-tax profit	231	-25	115	142	-1
Taxes	41				
Profit after tax	190				

Result - 31.12.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 314	7	509	798	0
Other operating income	293	59	99	115	20
Total income	1 607	66	608	913	20
Operating costs	646	103	127	397	19
Profit before impairment	961	-37	481	516	1
Impairment on loans, guarantees etc.	50	0	40	10	0
Pre-tax profit	911	-37	441	506	1
Taxes	200				
Profit after tax	711				

Key figures - 31.12.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	64 029	1 252	19 693	43 084	0
Deposits from customers 1)	36 803	690	13 134	22 979	0
Guarantee liabilities	1 360	0	1 355	5	0
The deposit-to-loan ratio	57.5	55.1	66.7	53.3	0
Man-years	357	156	51	137	13

Result - Q4 2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	309	-9	121	197	0
Other operating income	56	-2	26	27	5
Total income	365	-11	147	224	5
Operating costs	156	24	32	95	5
Profit before impairment	209	-35	115	129	0
Impairment on loans, guarantees etc.	12	3	6	3	0
Pre-tax profit	197	-38	109	126	0
Taxes	60				
Profit after tax	137				

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	607	102	120	367	18
Profit before impairment	820	-85	434	469	2
Impairment on loans, guarantees etc.	16	0	14	2	0
Pre-tax profit	804	-85	420	467	2
Taxes	203				
Profit after tax	601				

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
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	Q4 2019	Q4 2018
Net interest income	82	70
Other operating income	-4	-1
Total income	78	69
Operating costs	12	10
Profit before impairment on loans	66	59
Impairment on loans, guarantees etc.	1	1
Pre-tax profit	65	58
Taxes	4	16
Profit after tax	61	42

Statement of income	31.12.2019	31.12.2018
Net interest income	308	274
Other operating income	-3	-1
Total income	305	273
Operating costs	45	42
Profit before impairment on loans	260	231
Impairment on loans, guarantees etc.	-11	1
Pre-tax profit	271	230
Taxes	49	56
Profit after tax	222	174

Statement of financial position	31.12.2019	31.12.2018
Loans to and receivables from customers	25 655	23 409
Total equity	2 274	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	31.12.2019	31.12.2018
<b>Statement of income</b>		
Interest and credit commission income from subsidiaries	10	26
Received dividend from subsidiaries	172	152
Administration fee received from Møre Boligkreditt AS	36	34
Rent paid to Sparebankeiendom AS	13	17
<b>Statement of financial position</b>		
Claims on subsidiaries	2 290	1 300
Covered bonds	0	818
Liabilities to subsidiaries	848	890
Intragroup right-of-use of properties in Sparebankeiendom AS	107	-
Accumulated loan portfolio transferred to Møre Boligkreditt AS	25 658	23 424

# Note 11

## EC capital

The 20 largest EC holders in Sparebanken Møre as at 31.12.2019	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	977 100	9.88
Cape Invest AS	831 270	8.41
Verdipapirfond Nordea Norge Verdi	390 343	3.95
Wenaasgruppen AS	380 000	3.84
MP Pensjon	339 781	3.44
Pareto AS	305 189	3.09
Verdipapirfond Pareto Aksje Norge	281 847	2.85
Wenaas Kapital AS	250 000	2.53
FLPS - Princ All Sec	205 121	2.07
Verdipapirfondet Eika egenkapital	199 894	2.02
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	113 500	1.15
Storebrand Norge I Verdipapirfond	95 810	0.97
State Street Bank	76 329	0.77
Stiftelsen Kjell Holm	76 000	0.77
PIBCO AS	75 000	0.76
Forsvarets personell pensjonskasse	68 960	0.70
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Mertens	40 000	0.40
J E Devold AS	40 000	0.40
Total 20 largest EC holders	5 001 244	50.58
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. As of 31.12.2019, this transitional rule is no longer applicable.

The requirement for Common Equity Tier 1 capital (CET1) for Pillar 1 is 12.5 per cent (12.0). 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 2.5 per cent (2.0). In addition, Finanstilsynet has set an individual Pillar 2 requirement of 1.7 per cent, however a minimum of NOK 590 mill.

	31.12.2019	31.12.2018
EC capital	989	989
- ECs owned by the Bank	-3	-3
Share premium	357	356
Additional Tier 1 capital (AT1)	599	349
Primary capital fund	2 783	2 649
Gift fund	125	125
Dividend equalisation fund	1 525	1 391
Proposed dividend for EC holders	173	153
Proposed dividend for the local community	176	156
Other equity	246	195
<b>Total equity</b>	<b>6 970</b>	<b>6 360</b>
<b>Tier 1 capital (T1)</b>		
Goodwill, intangible assets and other deductions	-53	-42
Value adjustments of financial instruments at fair value	-14	-14
Deduction of overfunded pension liability	0	-13
Additional Tier 1 capital (AT1)	-599	-349
Expected IRB-losses exceeding ECL	-352	-173
Deduction for proposed dividend for EC holders	-173	-153
Deduction for proposed dividend for the local community	-176	-156
<b>Total Common Equity Tier 1 capital (CET1)</b>	<b>5 603</b>	<b>5 495</b>
Additional Tier 1 capital - classified as equity	599	349
Additional Tier 1 capital - classified as debt	0	197
<b>Total Tier 1 capital (T1)</b>	<b>6 202</b>	<b>6 041</b>
<b>Tier 2 capital (T2)</b>		
Subordinated loan capital of limited duration	704	703
<b>Total Tier 2 capital (T2)</b>	<b>704</b>	<b>703</b>
<b>Net equity and subordinated loan capital</b>	<b>6 906</b>	<b>6 743</b>

**Risk weighted assets (RWA) by exposure classes**

<b>Credit risk - standardised approach</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Central governments or central banks	0	0
Regional governments or local authorities	188	150
Public sector companies	73	54
Institutions (banks etc)	342	472
Covered bonds	373	400
Equity	148	98
Other items	666	621
<b>Total credit risk - standardised approach</b>	<b>1 790</b>	<b>1 795</b>
<b>Credit risk - IRB Foundation</b>		
Retail - Secured by real estate	8 684	8 617
Retail - Other	431	620
Corporate lending	17 969	19 213
<b>Total credit risk - IRB-F</b>	<b>27 084</b>	<b>28 450</b>
Credit value adjustment risk (CVA) - market risk	535	554
Operational risk	2 735	2 582
Transitional scheme (Basel I)	0	1 009
<b>Risk weighted assets (RWA)</b>	<b>32 144</b>	<b>34 390</b>
Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 446	1 548
<b>Buffer Requirement</b>		
<b>Capital conservation buffer , 2.5 %</b>	<b>804</b>	<b>860</b>
<b>Systemic risk buffer, 3.0 %</b>	<b>964</b>	<b>1 032</b>
<b>Countercyclical buffer, 2.5 % (2.0% in 2018)</b>	<b>804</b>	<b>688</b>
<b>Total buffer requirements</b>	<b>2 572</b>	<b>2 579</b>
<b>Available Common Equity Tier 1 capital after buffer requirements</b>	<b>1 595</b>	<b>1 368</b>
<b>Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules</b>		
<b>Capital adequacy ratio</b>	<b>21.5</b>	<b>19.6</b>
<b>Tier 1 capital ratio</b>	<b>19.3</b>	<b>17.6</b>
<b>Common Equity Tier 1 capital ratio</b>	<b>17.4</b>	<b>16.0</b>
<b>Leverage Ratio (LR)</b>		
<b>Basis for calculation of leverage ratio</b>	<b>77 538</b>	<b>74 580</b>
<b>Leverage Ratio (LR)</b>	<b>8.0</b>	<b>8.1</b>

# Statement of income - Parent Bank

## STATEMENT OF INCOME - PARENT BANK (COMPRESSED)

(NOK million)	Q4 2019	Q4 2018	2019	2018
Interest income from assets at amortised cost	367	314	1 367	1 184
Interest income from assets at fair value	71	50	245	196
Interest costs	179	120	605	472
Net interest income	259	244	1 007	908
Commission income and revenues from banking services	59	55	220	208
Commission costs and expenditure from banking services	7	6	26	25
Other operating income	10	9	38	36
Net commission and other operating income	62	58	232	219
Dividends	6	0	184	154
Net gains/losses on financial instruments	13	4	65	40
Net return on financial instruments	19	4	249	194
Total income	340	306	1 488	1 321
Wages, salaries etc.	86	84	340	327
Administration costs	35	30	143	132
Depreciation and impairment	15	7	54	27
Other operating costs	21	28	80	99
Total operating costs	157	149	617	585
Profit before impairment on loans	183	157	871	736
Impairment on loans, guarantees etc.	13	9	60	14
Pre-tax profit	170	148	811	722
Taxes	37	29	150	146
Profit after tax	133	119	661	576
Allocated to equity owners	122	117	638	565
Allocated to owners of Additional Tier 1 capital	11	2	23	11
Profit per EC (NOK) 1)	6.10	5.90	32.00	28.35
Diluted earnings per EC (NOK) 1)	6.10	5.90	32.00	28.35
Distributed dividend per EC (NOK)	0.00	0.00	15.50	15.50

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

(NOK million)	Q4 2019	Q4 2018	2019	2018
Profit after tax	133	119	661	576
Items that may subsequently be reclassified to the income statement:				
Basisswap spreads - changes in value	0	0	0	0
Tax effect of changes in value on basisswap spreads	0	0	0	0
Items that will not subsequently be reclassified to the income statement:				
Pension estimate deviations	-29	0	-29	12
Tax effect of pension estimate deviations	7	0	7	-3
<b>Total comprehensive income after tax</b>	<b>111</b>	<b>119</b>	<b>639</b>	<b>585</b>
Allocated to equity owners	100	117	616	574
Allocated to owners of Additional Tier 1 capital	11	2	23	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)	31.12.2019	31.12.2018
Cash and claims on Norges Bank	1 072	857
Loans to and receivables from credit institutions	3 259	2 330
Loans to and receivables from customers	38 494	37 059
Certificates, bonds and other interest-bearing securities	6 260	7 095
Financial derivatives	586	584
Shares and other securities	194	182
Equity stakes in Group companies	2 071	1 621
Deferred tax benefit	0	50
Intangible assets	53	42
Fixed assets	198	34
Other assets	84	83
<b>Total assets</b>	<b>52 271</b>	<b>49 937</b>

## LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	31.12.2019	31.12.2018
Loans and deposits from credit institutions	1 519	1 668
Deposits from customers	36 824	34 437
Debt securities issued	5 209	5 415
Financial derivatives	242	502
Other liabilities	733	550
Incurred costs and prepaid income	86	78
Other provisions for incurred liabilities and costs	230	125
Additional Tier 1 capital	0	293
Subordinated loan capital	704	703
<b>Total liabilities</b>	<b>45 547</b>	<b>43 771</b>
EC capital	989	989
ECs owned by the Bank	-3	-3
Share premium	357	356
Additional Tier 1 capital	599	349
<b>Paid-in equity</b>	<b>1 942</b>	<b>1 691</b>
Primary capital fund	2 783	2 649
Gift fund	125	125
Dividend equalisation fund	1 525	1 391
Other equity	349	310
<b>Retained earnings</b>	<b>4 782</b>	<b>4 475</b>
<b>Total equity</b>	<b>6 724</b>	<b>6 166</b>
<b>Total liabilities and equity</b>	<b>52 271</b>	<b>49 937</b>



# Profit performance - Group

## QUARTERLY PROFIT

(NOK million)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Net interest income	339	351	320	304	309
Other operating income	75	63	78	77	56
Total operating costs	168	161	160	157	156
Profit before impairment on loans	246	253	238	224	209
Impairment on loans, guarantees etc.	15	16	6	13	12
Pre-tax profit	231	237	232	211	197
Tax	41	57	53	49	60
Profit after tax	190	180	179	162	137

## As a percentage of average assets

Net interest income	1.79	1.91	1.75	1.69	1.76
Other operating income	0.40	0.34	0.43	0.43	0.32
Total operating costs	0.89	0.87	0.88	0.87	0.89
Profit before impairment on loans	1.30	1.38	1.30	1.25	1.19
Impairment on loans, guarantees etc.	0.08	0.09	0.03	0.07	0.07
Pre-tax profit	1.22	1.29	1.27	1.18	1.12
Tax	0.21	0.31	0.29	0.26	0.34
Profit after tax	1.01	0.98	0.98	0.92	0.78

# Alternative performance measures

## Alternative performance measures

Alternative performance measure or APM 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.

