

UNAUDITED INTERIM REPORT

4 QUARTER

2017



SPAREBANKEN MØRE



# Financial highlights - Group

## Income statement

	Q4 2017		Q4 2016		2017		2016	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	290	1.76	273	1.79	1 100	1.72	1 082	1.79
Net commission and other operating income	51	0.31	45	0.30	194	0.30	182	0.30
Net return from financial investments	7	0.04	0	0.00	48	0.08	99	0.16
Total income	348	2.11	318	2.09	1 342	2.10	1 363	2.25
Total operating costs	144	0.88	143	0.94	590	0.92	586	0.97
Profit before impairment on loans	204	1.23	175	1.15	752	1.18	777	1.28
Impairment on loans, guarantees etc.	-1	-0.01	22	0.14	13	0.02	22	0.04
Pre tax profit	205	1.24	153	1.01	739	1.16	755	1.24
Tax	48	0.29	40	0.26	182	0.28	181	0.30
Profit after tax	157	0.95	113	0.75	557	0.88	574	0.94

## Statement of financial position

NOK million	31.12.2017	% change during last 12 months	31.12.2016
Total assets	66 491	8.0	61 593
Average assets	64 000	5.7	60 525
Loans to and receivables from customers	56 867	7.9	52 691
Gross loans to retail customers	39 817	7.2	37 133
Gross loans to corporate and public entities	17 168	9.1	15 734
Deposits from customers	32 803	0.7	32 562
Deposits from retail customers	19 688	5.4	18 675
Deposits from corporate and public entities	13 101	-5.6	13 877

## Key figures

	Q4 2017	Q4 2016	2017	2016
Return on equity (annualised) 4)	11.5	8.8	10.4	11.6
Costs as a percentage of income	41.7	45.1	44.0	43.0
Losses as a percentage of loans 1.1/start of the period	-0.01	0.17	0.02	0.04
Problem loans as a percentage of loans (prior to impairment)	0.57	1.16	0.57	1.12
Problem loans as a percentage of loans (after impairment)	0.40	1.01	0.40	0.98
Deposits to lending ratio as a percentage	57.7	61.8	57.7	61.8
Liquidity Coverage Ratio (LCR)	159	91	159	91
Lending growth as a percentage	0.7	1.9	7.9	2.7
Deposit growth as a percentage	-0.8	0.6	0.7	10.8
Capital adequacy ratio 1) 2)	18.4	18.6	18.4	18.6
Core capital as a percentage 1) 2)	16.8	17.0	16.8	17.0
Core Tier 1 capital as a percentage 1) 2)	15.0	14.6	15.0	14.6
Leverage Ratio (LR) 2)	8.2	8.5	8.2	8.5
Man-years	359	378	359	378

## Equity Certificates (ECs)

	2017	2016	2015	2014	2013
Profit per EC (Group) (NOK) 3)	27.70	28.80	25.25	31.20	21.65
Profit per EC (Parent Bank) (NOK) 3)	27.00	29.85	25.70	29.10	18.45
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	47.7
Number of ECs issued (NOK million)	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	262	254	188	216	198
Stock market value (NOK million)	2 590	2 511	1 859	2 136	1 958
Book value per EC (Group) (NOK)	289	275	257	244	225
Dividend per EC (NOK)	14.00	14.00	11.50	13.50	8.00
Price/Earnings (Group, annualised)	9.4	8.8	7.3	7.4	10.7
Price/Book value (P/B) (Group)	0.91	0.93	0.73	0.89	0.88

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. proposed allocations

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

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

# Interim report from the Board of Directors

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

## RESULTS FOR Q4 2017

The profit after tax for the fourth quarter of 2017 amounted to NOK 157 million, or 0.95 % of average total assets, compared to NOK 113 million, or 0.75 %, for the corresponding quarter of last year.

The return on equity in the fourth quarter of 2017 was 11.5 %, compared to 8.8 % for the corresponding quarter of 2016.

The earnings per equity certificate amounted to NOK 7.70 (NOK 5.60) for the Group and NOK 4.80 (NOK 4.15) for the Parent Bank.

## Net interest income

The net interest income of NOK 290 million was NOK 17 million higher than in the corresponding quarter of last year. This represents 1.76 % of total assets, which is 0.03 percentage points lower than in the fourth quarter of 2016.

The general low level of interest rates in the market, combined with strong competition on both loans and deposits, is influencing the development of net interest income. Lower volumes together with reduced margins due to the reduced risk in the maritime sector have also resulted in lower net interest income compared with last year. A higher lending volume resulted in higher net interest income in NOK.

## Other operating income

Other operating income amounted to NOK 58 million, which is NOK 13 million higher than in the fourth quarter of last year. Capital gains from the bond Portfolio amounted to NOK 1 million in the quarter, compared to a loss of NOK 4 million in the fourth quarter of 2016.

## Costs

Operating costs in the quarter amounted to NOK 144 million, which is NOK 1 million higher than in the same quarter last year. Personnel costs decreased by NOK 3 million compared to the corresponding period last year and amounted to NOK 82 million. Financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 3 million for the quarter. Staffing has been reduced by 19 full-time equivalents in the last 12 months, to 359 full-time equivalents. Other costs were NOK 7 million higher than at the same time last year.

The cost income ratio equalled 41.7 % in the fourth quarter of 2017, which represents a reduction of 3.4 percentage points compared to the fourth quarter last year.

## Problem loans

Reversals on losses and guarantees of NOK 1 million were posted during the quarter. This amounts to 0.01 % of average total assets on an annualised basis. The corresponding figure for the fourth quarter of 2016 was NOK 22 million (0.14 %). Collective impairments decreased by NOK 11 million in the quarter; losses of NOK 7 million were posted in the retail segment and losses on loans and guarantees amounting to NOK 3 million were recognised in the corporate segment in the fourth quarter.

## Lending and deposit growth

Total assets grew by 0.5 % during the fourth quarter of 2017 to NOK 66 491 million. Lending increased by 0.7 % to NOK 56 867 million and deposits from customers fell by 0.8 % to NOK 32 803 million. For further notes on volume trends in the last 12 months, please see the comments for the full year 2017.

## PRELIMINARY FINANCIAL STATEMENTS FOR 2017

The profit before losses on loans and guarantees amounted to NOK 752 million, or 1.18 % of average total assets, compared to NOK 777 million, or 1.28 % for 2016.

The profit before tax amounted to NOK 739 million, or 1.16 % of average total assets, compared to NOK 755 million, or 1.24 % for 2016. The profit after tax amounted to NOK 557 million, or 0.88 % of average total assets, compared to NOK 574 million and 0.94 % in 2016.

Earnings per equity certificate in 2017 amounted to NOK 27.70 (NOK 28.80) for the Group and NOK 27.50 (NOK 29.85) for the Parent Bank.

### **Net interest income**

Net interest income ended at NOK 1 100 million (1 082 million); as a proportion of average total assets, this amounted to 1.72 % (1.79 %). Net interest income accounted for 82.0 % of total income in 2017.

The general low level of interest rates in the market, combined with strong competition on both loans and deposits, is influencing the development of net interest income. Lower volumes together with reduced margins due to the reduced risk in the maritime sector have also resulted in lower net interest income compared with last year. A higher lending volume resulted in higher net interest income in NOK.

### **Other operating income**

Other operating income amounted to NOK 242 million (0.38 % of average total assets) in 2017. This is a decrease of NOK 39 million compared to 2016.

Capital gains from the bond Portfolio amounted to NOK 23 million in 2017, the same as in 2016.

Capital losses on shares recognised through profit and loss amount to NOK 10 million in 2017, compared to a capital gain of NOK 41 million in 2016. The proceeds from the VISA transaction amounted to NOK 45 million in 2016.

### **Costs**

Total costs were NOK 590 million, NOK 4 million higher than in 2016. Personnel costs are unchanged compared to 2016, at NOK 335 million. The financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 14 million in 2017. Staffing has been reduced by 19 full-time equivalents in the last 12 months, to 359 full-time equivalents. Other operating costs were NOK 4 million higher than in 2016.

The cost income ratio for 2017 was 44.0 %, which represents an increase of 1.0 percentage points compared to 2016.

### **Problem loans**

In 2017, the income statement was charged with NOK 13 million (NOK 22 million) in losses on loans and guarantees. This represents 0.02 % (0.04 %) of average total assets. The losses on loans and guarantees were due to a NOK 45 million reduction in collective impairments, a NOK 59 million increase in the corporate segment, and a NOK 1 million decrease in the retail segment.

At the end of 2017, total impairments amounted to NOK 336 million, equivalent to 0.57 % of lending and guarantees (NOK 360 million and 0.66 %). NOK 4 million of the individual impairments involved commitments in default for more than 90 days (NOK 15 million), which represents 0.01 % of lending and guarantees (0.03 %). NOK 96 million of individual impairments relate to other commitments (NOK 64 million), which is equivalent to 0.16 % of gross lending and guarantees (0.12 %). Collective impairments for losses amounted to NOK 236 million (NOK 281 million) or 0.40 % of gross lending and guarantees (0.51 %).

Net problem loans (loans that have been in default for more than 90 days and loans that are not in default but which have been subject to an individual impairment) have decreased by NOK 296 million in the last 12 months. At the end of 2017, corporate customers accounted for NOK 181 million of net problem loans, and the retail market NOK 55 million. In total this represents 0.40 % of gross lending and guarantees (0.98 %).

### **Lending to customers**

At year-end 2017, lending to customers amounted to NOK 56 867 million (NOK 52 691 million). Customer lending has increased by a total of NOK 4 176 million, or 7.9 %, in the last 12 months. Retail lending has increased by 7.2 %, while lending to corporate customers has increased by 9.1 % in the last 12 months. Lending to corporate customers decreased by 1.2 % in the fourth quarter of 2017, while lending to retail customers rose by 1.5 %. Retail lending accounted for 70.0 % of lending at the end of 2017 (70.2 %).

### **Deposits from customers**

Customer deposits have increased by 0.7 % in the last 12 months. At year-end 2017, deposits amounted to NOK 32 803 million (NOK 32 562 million). Retail deposits have increased by 5.4 % in the last 12 months, while corporate deposits have decreased by 3.1 % and public sector deposits have decreased by 33.3 %. The retail market's relative share of deposits amounted to 60.0 % (57.4 %), while deposits from corporate customers totalled 37.8 % (39.2 %) and from public sector 2.2 % (3.4 %).

The deposit to loan ratio amounted to 57.7 % at the end of 2017 (61.8 %).

### **CAPITAL ADEQUACY**

The Group's capital adequacy at the end of 2017 was above the regulatory capital requirements and the internally set minimum target for Core Tier 1 capital. Primary capital amounted to 18.4 % (18.6 %), Core capital 16.8 % (17.0 %), and Core Tier 1 Capital ended at 15.0 % (14.6 %).

Sparebanken Møre was subject to a capital requirement linked to the transitional scheme for the Basel I floor amounting to NOK 135 million at the end of 2017, which corresponds to a basis for calculation of NOK 1 688 million.

## SUBSIDIARIES

The total profit of the Bank's three subsidiaries amounted to NOK 166 million after tax in 2017 (NOK 153 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The company's main purpose is to issue covered bonds for sale to Norwegian and international investors. At the end of 2017, the company had net outstanding bonds of NOK 18.4 billion in the market. About 16 % of the borrowing was in a currency other than NOK. The company has contributed NOK 165 million to the result in 2017 (NOK 156 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company made no contribution to the overall result in 2017 (NOK -2 million in 2016). At year end, the company employed 13 full-time equivalents.

The purpose of Sparebankeiendom AS is to own and manage the Bank's business properties. The company contributed NOK 1 million to the result in 2017. The company has no employees.

## EQUITY CERTIFICATES

At year-end 2017, there were 5 698 holders of Sparebanken Møre's equity certificates. 9 886 954 equity certificates have been issued. Equity certificates and related capital accounts for 49.6 % of the Bank's total equity. Note 10 contains an overview of the 20 largest holders of the Bank's equity certificates.

As at 31 December 2017, the Bank owned 44 215 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market price.

## DIVIDEND POLICY

The aim of Sparebanken Møre is to achieve financial results providing a good and stable return on the Bank's equity. The results shall 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 for equity certificate holders and dividends to the local community. The proportion of profits allocated to dividends is adapted to the Bank's capital strength. Unless the capital strength dictates otherwise, it will be aimed at distributing 50 % of the profit.

Sparebanken Møre's allocation of earnings shall 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 50.6 % of the Group's profit should be allocated to cash dividends and dividends to the local community. Based on the accounting breakdown of equity between equity certificate capital and the primary capital fund, 49.6 % of the profit will be allocated to equity certificate holders and 50.4 % to the primary capital fund. Earnings per equity certificate amounted to NOK 27.70 in 2017. The recommendation to the General Meeting is that the cash dividend per equity certificate for the 2017 financial year should be set at NOK 14.00.

### Proposed allocation of profit (figures in NOK millions):

Profit for the year	557
Allocated to holders of Additional Tier 1 capital	6

### Dividend funds (50.6 %):

To cash dividends	138	
Dividends to the local community	141	279

### Retained earnings (49.4 %):

To the dividend equalisation fund	128	
To the primary capital fund	130	
To other funds	14	272
<b>Total allocated</b>	<b>557</b>	

## **EFFECT OF TRANSITION TO IFRS 9**

The Group's equity will at 1.1.2018 be charged with NOK 5 million after tax as a consequence of increased impairments due to the implementation of IFRS 9. The implementation of IFRS 9 will have no effect on the Group's primary capital, as expected loss according to the capital adequacy requirements already exceeds the expected losses according to IFRS 9. Sparebanken Møre will therefore have no need to apply the transitional rule.

See note 1 for further information.

## **FUTURE PROSPECTS**

The economic outlook for Møre og Romsdal looks good at the beginning of 2018. Production is high in most sectors, the decline in oil-related industries is about to turn, and there is a high level of activity in the public sector. Higher oil prices, low interest rates, a weak Norwegian krone and good export market growth are major factors behind this. Housing prices have continued to fall, however, and there is uncertainty regarding future price trends.

The upturn in production and demand within non-oil-related industries, along with significant restructurings in the labour market, have resulted in a decrease in unemployment. The average unemployment in the county is at its lowest since the spring of 2015. At the end of December, registered unemployment in Møre og Romsdal was 2.4 % according to the Norwegian Labour and Welfare Administration (NAV). This is equal to the nationwide rate.

Figures for the whole country show that lending growth to households was relatively stable through 2017, while the growth rate in loans to the corporate sector was increasing. The rate of growth in deposits has also been increasing in the last months of 2017.

We are still experiencing strong competition in the market, both for lending and deposits. The Bank is competitive and has recorded good, but slightly declining, lending growth both in the retail market and in the corporate market through 2017. Deposit growth in the retail market is good and deposit coverage is high. It is expected that lending growth within both the retail and corporate markets will be slightly lower in 2018 compared to the growth rate at the end of 2017. There is a constant focus on effective operations and increased profitability.

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

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

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

Ålesund, 31 December 2017

24 January 2018

### **THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE**

LEIF-ARNE LANGØY, Chairman

ROY REITE, Deputy Chairman

RAGNA BRENNE BJERKESET

HENRIK GRUNG

ELISABETH MARÅK STØLE

ANN MAGRITT BJÅSTAD VIKERBAKK

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

# Statement of income - Group

## STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q4 2017	Q4 2016	2017	2016
Interest income		455	448	1 787	1 783
Interest costs		165	175	687	701
Net interest income	<u>9</u>	290	273	1 100	1 082
Commission income and revenues from banking services		50	47	196	189
Commission costs and expenditure from banking services		6	6	26	27
Other operating income		7	4	24	20
Net commission and other operating income		51	45	194	182
Dividends		0	1	2	2
Net gains/losses from financial instruments	<u>5</u>	7	-1	46	97
Net return from financial instruments		7	0	48	99
Total income		348	318	1 342	1 363
Wages, salaries etc.		82	85	335	335
Administration costs		30	29	128	124
Depreciation and impairment		7	9	31	32
Other operating costs		25	20	96	95
Total operating costs		144	143	590	586
Profit before impairment on loans		204	175	752	777
Impairment on loans, guarantees etc.	<u>3</u>	-1	22	13	22
Pre tax profit		205	153	739	755
Taxes		48	40	182	181
Profit after tax		157	113	557	574
Allocated to equity owners		154	113	551	574
Allocated to owners of Additional Tier 1 capital		3	0	6	0
Profit per EC (NOK) 1)		7.70	5.60	27.70	28.80
Diluted earnings per EC (NOK) 1)		7.70	5.60	27.70	28.80
Distributed dividend per EC (NOK)		0.00	0.00	14.00	11.50



## STATEMENT OF COMPREHENSIVE INCOME - GROUP

<b>Amounts in NOK million</b>	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>2017</b>	<b>2016</b>
Profit after tax	157	113	557	574
Other income/costs reversed in ordinary profit:				
Equities available for sale - changes in value	21	10	27	-31
Other income/costs not reversed in ordinary profit:				
Pension estimate deviations	-12	-8	-12	-8
Tax effect of pension estimate deviations	3	2	3	2
Total comprehensive income after tax	169	117	575	537
Allocated to equity owners	166	117	569	537
Allocated to owners of Additional Tier 1 capital	3	0	6	0

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

Amounts in NOK million	Note	31.12.2017	31.12.2016
Cash and claims on Norges Bank	5 6 9	637	300
Loans to and receivables from credit institutions	5 6 9	1 295	649
Loans to and receivables from customers	2 3 4 5 7 9	56 867	52 691
Certificates, bonds and other interest-bearing securities	<u>5 7 9</u>	6 096	6 199
Financial derivatives	<u>5 7</u>	1 004	1 224
Shares and other securities	<u>5 7</u>	188	133
Deferred tax benefit		59	42
Intangible assets		42	47
Fixed assets		228	230
Other assets		75	78
<b>Total assets</b>		<b>66 491</b>	<b>61 593</b>

## Liabilities and equity

Amounts in NOK million	Note	31.12.2017	31.12.2016
Loans and deposits from credit institutions	<u>5 6 9</u>	569	658
Deposits from customers	<u>2 5 7 9</u>	32 803	32 562
Debt securities issued	<u>5 6</u>	24 488	20 363
Financial derivatives	<u>5 7</u>	483	580
Other liabilities		558	558
Incurred costs and prepaid income		78	73
Other provisions for incurred liabilities and costs		96	40
Perpetual Hybrid Tier 1 capital	<u>5 6</u>	302	816
Subordinated loan capital	<u>5 6</u>	1 036	502
<b>Total liabilities</b>		<b>60 413</b>	<b>56 152</b>
EC capital	<u>10</u>	989	989
ECs owned by the Bank		-5	-3
Share premium		355	354
Additional Tier 1 capital		349	0
<b>Paid-in equity</b>		<b>1 688</b>	<b>1 340</b>
Primary capital fund		2 470	2 346
Gift fund		125	125
Dividend equalisation fund		1 216	1 092
Value adjustment fund		78	51
Other equity		501	487
<b>Retained earnings</b>		<b>4 390</b>	<b>4 101</b>
<b>Total equity</b>		<b>6 078</b>	<b>5 441</b>
<b>Total liabilities and equity</b>		<b>66 491</b>	<b>61 593</b>

# Statement of changes in equity - Group

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

<b>GROUP 31.12.2016</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 2015	5 112	976	354	0	2 183	125	935	82	457
Changes in own equity certificates	21	10			7		4		
Distributed dividend to the EC holders	-114								-114
Distributed dividend to the local community	-115								-115
Equity before allocation of profit for the year	4 904	986	354	0	2 190	125	939	82	229
Allocated to the primary capital fund	159				159				
Allocated to the dividend equalisation fund	156						156		
Allocated to other equity	-21								-21
Proposed dividend allocated for the EC holders	138								138
Proposed dividend allocated for the local community	141								141
Distributed profit for the year	574	0	0	0	159	0	156	0	259
Equities available for sale - changes in value	-31								-31
Pension estimate deviations	-8				-4		-4		
Tax effect of pension estimate deviations	2				1		1		
Total other income and costs from comprehensive income	-37	0	0	0	-3	0	-3	-31	0
Total profit for the period	537	0	0	0	156	0	153	-31	259
Equity as at 31 December 2016	5 441	986	354	0	2 346	125	1 092	51	487



# Statement of cash flow - Group

Amounts in NOK million	31.12.2017	31.12.2016
<b>Cash flow from operating activities</b>		
Interest, commission and fees received	1 905	1 880
Interest, commission and fees paid	-343	-344
Dividend and group contribution received	2	2
Operating expenses paid	-525	-465
Income taxes paid	-168	-214
Changes relating to loans to and claims on other financial institutions	-646	556
Changes relating to repayment of loans/leasing to customers	-3 777	-1 845
Changes in utilised credit facilities	-321	420
Net change in deposits from customers	242	3 173
<b>Net cash flow from operating activities</b>	<b>-3 631</b>	<b>3 163</b>
<b>Cash flow from investing activities</b>		
Interest received on certificates, bonds and other securities	106	110
Proceeds from the sale of certificates, bonds and other securities	4 162	3 860
Purchases of certificates, bonds and other securities	-4 022	-5 380
Proceeds from the sale of fixed assets etc.	0	17
Purchase of fixed assets etc.	-24	-20
Changes in other assets	149	92
<b>Net cash flow from investing activities</b>	<b>371</b>	<b>-1 321</b>
<b>Cash flow from financing activities</b>		
Interest paid on debt securities	-380	-404
Net change in deposits from Norges Bank and other financial institutions	-89	-400
Proceeds from bond issues raised	7 942	1 527
Redemption of debt securities	-3 841	-2 947
Dividend paid	-138	-114
Changes in other debt	-239	-258
Proceeds from issued Additional Tier 1 capital	349	0
Interest paid on issued Additional Tier 1 capital	-7	0
<b>Net cash flow from financing activities</b>	<b>3 597</b>	<b>-2 596</b>
Net change in cash and cash equivalents	337	-754
Cash balance at 01.01	300	1 054
<b>Cash balance at 31.12</b>	<b>637</b>	<b>300</b>

# Note 1

## ACCOUNTING PRINCIPLES

The Group's interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as of 31.12.2017. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

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

The interim report is prepared in accordance with the accounting principles and measurement methods used in the annual financial statements for 2016. There have been no significant changes or new standards in 2017. Please refer to the annual report for 2016 for a more detailed description of these accounting principles.

IFRS 9 is effective from 1.1.2018. IFRS 9 introduces a business-oriented model for classification and measurement of financial assets, an expected loss model for impairments and a new general model for hedge accounting. The standard will replace the current standard IAS 39.

For the Sparebanken Møre Group, the transition to IFRS 9 will have implications for accounting of value changes on shares being classified as 'held available for sale' under IAS 39, for accounting of the Group's value changes on basis swaps, included in hedge accounting, and for the calculation of the Group's impairments.

The measurement category of 'shares held available for sale' with value changes reported through other comprehensive income ceases to exist from 1.1.2018. The Group's value changes on shares and equity instruments will be recognised in ordinary profit and loss from this date.

The value change on the Group's basis swaps, included in hedge accounting, has been recognised in ordinary profit and loss up to 31.12.2017. As of 1.1.2018, value changes on basis swaps due to changes in basis spreads will be recognised in other comprehensive income as cost of hedging.

Under IAS 39, impairments were based on objective evidence of impairment (an accrued loss model). Impairments according to IFRS 9 will as of 1.1.2018 be based on expected credit loss (ECL). Sparebanken Møre has developed an ECL model based on the Group's IRB parameters. Estimated expected losses for the Sparebanken Møre Group as of 1.1.2018 show an increase in total impairments of NOK 6 million.

The Group's equity will 1.1.2018 be charged with NOK 5 million after tax as a result of the implementation of IFRS 9.

The implementation of IFRS 9 will have no effect on the Group's primary capital, as expected loss according to the capital adequacy requirements already exceeds the expected losses according to IFRS 9. Sparebanken Møre will therefore have no need to apply the transitional rule.

A note with tables specifying transition effects as a result of the implementation of IFRS 9, including effects on both classification and measurement, will be presented in the 2017 annual report.

## Note 2

### LOSSES AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans	
	31.12.2017	31.12.2016
<b>Broken down according to sectors</b>		
Agriculture and forestry	464	390
Fisheries	2 402	2 281
Manufacturing	2 030	2 327
Building and construction	562	562
Wholesale and retail trade, hotels	620	525
Supply/Offshore	882	956
Property management	6 672	5 804
Professional/financial services	1 261	881
Transport and private/public services	2 152	1 891
Public entities	0	4
Activities abroad	123	113
Total corporate/public entities	17 168	15 734
Retail customers	39 817	37 133
Fair value adjustment of loans	66	86
Accrued interest income	100	98
Total loans	57 151	53 051
Individual impairment	-48	-79
Collective impairment	-236	-281
Loans to and receivables from customers	56 867	52 691
Loans with floating interest rate (amortised cost)	53 228	48 307
Loans with fixed interest rate (fair value)	3 923	4 744

GROUP	Deposits	
	31.12.2017	31.12.2016
<b>Broken down according to sectors</b>		
Agriculture and forestry	186	196
Fisheries	1 214	851
Manufacturing	1 806	2 080
Building and construction	636	583
Wholesale and retail trade, hotels	842	799
Property management	1 309	1 230
Professional/financial services	1 453	2 316
Transport and private/public services	2 748	2 745
Public entities	723	1 084
Activities abroad	5	10
Miscellaneous	2 179	1 983
Total corporate/public entities	13 101	13 877
Retail customers	19 688	18 675
Fair value adjustment of deposits	2	0
Accrued interest costs	12	10
Total deposits	32 803	32 562
Deposits with floating interest rate (amortised cost)	31 463	31 308
Deposits with fixed interest rate (fair value)	1 340	1 254



# Note 3

## LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

	Q4 2017	Q4 2016	31.12.2017	31.12.2016
Changes in individual impairment of loans and guarantees during the period	4	10	20	1
Changes in collective impairment during the period	-11	14	-45	19
Confirmed losses during the period where individual impairment had previously been made	0	0	25	8
Confirmed losses during the period where individual impairment had previously not been made	8	1	19	5
Recoveries	2	3	6	11
Losses on loans, guarantees etc.	-1	22	13	22

### Individual impairment on loans

	Q4 2017	Q4 2016	31.12.2017	31.12.2016
Individual impairment on loans as at 01.01/01.10	45	70	79	79
Confirmed losses during the period, where individual impairment had previously been made	0	0	25	8
Increase in individual impairment during the period	1	2	5	7
Individual impairment of new commitments during the period	9	17	13	26
Recoveries on individual impairment during the period	7	10	24	25
Individual impairment on loans at the end of the period	48	79	48	79

### Collective impairment on loans

	Q4 2017	Q4 2016	31.12.2017	31.12.2016
Collective impairment of loans as at 01.01/01.10	247	267	281	262
Changes during the period	-11	14	-45	19
Collective impairment on loans at the end of the period	236	281	236	281

### Individual impairment on guarantees

	Q4 2017	Q4 2016	31.12.2017	31.12.2016
Individual impairment as at 01.01/01.10	50	0	0	0
Individual impairment during the period	2	0	52	0
Recoveries on individual impairment during the period	0	0	0	0
Individual impairment at the end of the period	52	0	52	0

# Note 4

## DEFAULTED AND DOUBTFUL COMMITMENTS

Problem loans (total of commitments in default above 3 months and commitments subject for individual impairment without being in default)

GROUP	31.12.2017			31.12.2016		
	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:						
Commitments in default above 3 months	62	53	9	65	45	20
Other bad and doubtful commitments subject to impairment	274	8	266	546	24	522
<b>Total problem loans prior to individual impairment</b>	<b>336</b>	<b>61</b>	<b>275</b>	<b>611</b>	<b>69</b>	<b>542</b>
Individual impairment on:						
Commitments in default above 3 months	4	2	2	15	3	12
Other bad and doubtful commitments subject to impairment	96	4	92	64	10	54
<b>Total individual impairment</b>	<b>100</b>	<b>6</b>	<b>94</b>	<b>79</b>	<b>13</b>	<b>66</b>
Problem loans after individual impairment:						
Commitments in default above 3 months	58	51	7	50	42	8
Other bad and doubtful commitments subject to impairment	178	4	174	482	14	468
<b>Total problem loans less individual impairment</b>	<b>236</b>	<b>55</b>	<b>181</b>	<b>532</b>	<b>56</b>	<b>476</b>
Total problem loans prior to individual impairment as a percentage of total loans	0.57	0.15	1.46	1.12	0.19	3.10
Total problem loans less individual impairment as a percentage of total loans	0.40	0.14	0.96	0.98	0.15	2.73

# 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**

The Group's portfolio of financial instruments is at initial recognition classified in accordance with IAS 39. The bank's classes of financial instruments and the measurement basis for these are the following:

- Financial assets and derivatives held for trading (trading portfolio)
- Financial assets and liabilities assessed at fair value, any changes in value recognised through profit or loss
- Instruments held as available for sale, assessed at fair value, any changes in value recognised in other comprehensive income
- Loans and receivables
- Financial liabilities assessed at amortised cost

### **Financial assets and derivatives held for trading**

Financial derivatives are contracts signed to mitigate an existing interest rate or currency risk incurred by the bank. Financial derivatives are recognized at fair value through profit or loss and recognized gross pr. contract as an asset or liability.

The Group's criteria for classification of the trading portfolio are the following:

- Positions in financial instruments held for the Group's own account for the purpose of selling and/or financial instruments acquired by the Group in order to take advantage on a short-term basis of any actual and/or expected differences between purchase- and sale prices or any other price- and interest rate fluctuations.
- Positions held by the Group in order to hedge other parts of the trading portfolio
- Other commitments which are related to positions which form part of the trading portfolio

The Group's trading portfolio of shares is defined within this group and is assessed at fair value through profit or loss.

### **Financial assets and liabilities assessed at fair value, any changes in value recognised through profit or loss**

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

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

### **Instruments held as available for sale, assessed at fair value, any changes in value recognised in other comprehensive income**

The Group's portfolio of shares, which are not classified as held for trading, are classified as available for sale, with any value changes shown in other comprehensive income. Realised gains and losses, as well as impairment below cost, are recognised in the profit and loss account during the period in which they occur.

### **Loans and receivables**

All loans and receivables, including leasing, but with the exception of fixed interest rate loans, are assessed at amortised cost, based on expected cash flows. The difference between the issue cost of the securities 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.

### 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 traded in active markets.

#### Level 2 – Valuation based on observable market data

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

#### Level 3 – Valuation based on other than observable market data

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

GROUP - 31.12.2017	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			637	
Loans to and receivables from credit institutions			1 295	
Loans to and receivables from customers		3 923	52 944	
Certificates and bonds		6 096		
Shares and other securities				188
Financial derivatives	1 004			
Total financial assets	1 004	10 019	54 876	188
Loans and deposits from credit institutions			569	
Deposits from and liabilities to customers		1 340	31 463	
Financial derivatives	483			
Debt securities			24 488	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 338	
Total financial liabilities	483	1 340	57 858	-



<b>GROUP - 31.12.2016</b>	<b>Financial instruments at fair value through profit and loss account</b>		<b>Financial instruments assessed at amortised cost</b>	<b>Financial instruments held available for sale</b>
	<b>Trading</b>	<b>At fair value</b>		
Cash and claims on Norges Bank			300	
Loans to and receivables from credit institutions			649	
Loans to and receivables from customers		4 744	47 947	
Certificates and bonds		6 199		
Shares and other securities	2			131
Financial derivatives	1 224			
<b>Total financial assets</b>	<b>1 226</b>	<b>10 943</b>	<b>48 896</b>	<b>131</b>
Loans and deposits from credit institutions			658	
Deposits from and liabilities to customers		1 254	31 308	
Financial derivatives	580			
Debt securities			20 363	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 318	
<b>Total financial liabilities</b>	<b>580</b>	<b>1 254</b>	<b>53 647</b>	<b>-</b>

Net gains/losses on financial instruments

	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Certificates and bonds	0	-3	23	24
Securities	-1	-3	-10	41
Foreign exchange trading (for customers)	9	10	38	33
Fixed income trading (for customers)	1	2	4	11
Financial derivatives	-2	-7	-9	-12
<b>Net change in value and gains/losses from financial instruments</b>	<b>7</b>	<b>-1</b>	<b>46</b>	<b>97</b>

# Note 6

## CLASSIFICATION OF FINANCIAL INSTRUMENTS

GROUP	31.12.2017		31.12.2016	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	637	637	300	300
Loans to and receivables from credit institutions	1 295	1 295	649	649
Loans to and receivables from customers	52 944	52 944	47 947	47 947
<b>Total financial assets</b>	<b>54 876</b>	<b>54 876</b>	<b>48 896</b>	<b>48 896</b>
Loans and deposits from credit institutions	569	569	658	658
Deposits from and liabilities to customers	31 463	31 463	31 308	31 308
Debt securities	24 575	24 488	20 366	20 363
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 363	1 338	1 352	1 318
<b>Total financial liabilities</b>	<b>57 970</b>	<b>57 858</b>	<b>53 684</b>	<b>53 647</b>

GROUP - 31.12.2017	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	637			637
Loans to and receivables from credit institutions		1 295		1 295
Loans to and receivables from customers			52 944	52 944
<b>Total financial assets</b>	<b>637</b>	<b>1 295</b>	<b>52 944</b>	<b>54 876</b>
Loans and deposits from credit institutions		569		569
Deposits from and liabilities to customers			31 463	31 463
Debt securities		24 575		24 575
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 363		1 363
<b>Total financial liabilities</b>	<b>-</b>	<b>26 507</b>	<b>31 463</b>	<b>57 970</b>

GROUP - 31.12.2016	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	300			300
Loans to and receivables from credit institutions		649		649
Loans to and receivables from customers			47 947	47 947
<b>Total financial assets</b>	<b>300</b>	<b>649</b>	<b>47 947</b>	<b>48 896</b>
Loans and deposits from credit institutions		658		658
Deposits from and liabilities to customers			31 308	31 308
Debt securities		20 366		20 366
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 352		1 352
<b>Total financial liabilities</b>	<b>-</b>	<b>22 376</b>	<b>31 308</b>	<b>53 684</b>

# Note 7

## FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 31.12.2017	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			3 923	3 923
Certificates and bonds	4 261	1 835		6 096
Shares and other securities	19		169	188
Financial derivatives		1 004		1 004
<b>Total financial assets</b>	<b>4 280</b>	<b>2 839</b>	<b>4 092</b>	<b>11 211</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 340	1 340
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		483		483
<b>Total financial liabilities</b>	<b>-</b>	<b>483</b>	<b>1 340</b>	<b>1 823</b>

GROUP - 31.12.2016	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			4 744	4 744
Certificates and bonds	4 167	2 032		6 199
Shares and other securities	5		128	133
Financial derivatives		1 224		1 224
<b>Total financial assets</b>	<b>4 172</b>	<b>3 256</b>	<b>4 872</b>	<b>12 300</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 254	1 254
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		580		580
<b>Total financial liabilities</b>	<b>-</b>	<b>580</b>	<b>1 254</b>	<b>1 834</b>

<b>GROUP</b>	<b>Loans to and receivables from customers</b>	<b>Shares and other securities</b>	<b>Deposits from and liabilities to customers</b>
Book value as at 31.12.16	4 744	128	1 254
Purchases/additions	272	49	579
Sales/reduction	1 073	4	493
Transferred to Level 3			
Transferred from Level 3			
Net gains/losses in the period	-20	-4	
Book value as at 31.12.17	3 923	169	1 340

<b>GROUP</b>	<b>Loans to and receivables from customers</b>	<b>Shares and other securities</b>	<b>Deposits from and liabilities to customers</b>
Book value as at 31.12.15	5 337	161	514
Purchases/additions	522	-	895
Sales/reduction	1 021	33	155
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	-94	-	-
Book value as at 31.12.16	4 744	128	1 254

# Note 8

## OPERATING SEGMENTS

Result - Q4 2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	290	-3	107	186	0
Other operating income	58	7	24	21	6
Total income	348	4	131	207	6
Operating costs	144	19	30	90	5
Profit before impairment	204	-15	101	117	1
Impairment on loans, guarantees etc.	-1	-11	3	7	0
Pre tax profit	205	-4	98	110	1
Taxes	48				
Profit after tax	157				

Result - 31.12.2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 100	-20	422	698	0
Other operating income	242	35	93	96	18
Total income	1 342	15	515	794	18
Operating costs	590	101	113	358	18
Profit before impairment	752	-86	402	436	0
Impairment on loans, guarantees etc.	13	-5	17	1	0
Pre tax profit	739	-81	385	435	0
Taxes	182				
Profit after tax	557				

Key figures - 31.12.2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	56 867	943	16 815	39 109	0
Deposits from customers 1)	32 803	567	11 231	21 005	0
Guarantee liabilities	1 717	0	1 706	11	0
The deposit-to-loan ratio	57.7	60.1	66.8	53.7	0
Man-years	359	157	50	139	13

<b>Result - Q4 2016</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>	
Net interest income		279	-1	108	172	0
Other operating income		45	-3	23	21	4
Total income		324	-4	131	193	4
Operating costs		143	19	30	88	6
Profit before impairment		181	-23	101	105	-2
Impairment on loans, guarantees etc.		22	30	-8	0	0
Pre tax profit		159	-53	109	105	-2
Taxes		43				
Profit after tax		116				

<b>Result - 31.12.2016</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>	
Net interest income		1 082	-36	433	685	0
Other operating income		281	85	87	92	17
Total income		1 363	49	520	777	17
Operating costs		586	102	115	349	20
Profit before impairment		777	-53	405	428	-3
Impairment on loans, guarantees etc.		22	35	-9	-4	0
Pre tax profit		755	-88	414	432	-3
Taxes		181				
Profit after tax		574				

<b>Key figures - 31.12.2016</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>	
Loans to customers 1)		52 691	824	15 508	36 359	0
Deposits from customers 1)		32 562	480	12 083	19 999	0
Guarantee liabilities		1 741	0	1 733	8	0
The deposit-to-loan ratio		61.8	58.3	77.9	55.0	0.0
Man-years		378	150	55	159	14

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

**MØRE BOLIGKREDITT AS**

<b>Statement of income</b>	<b>Q4 2017</b>	<b>Q4 2016</b>
Net interest income	75	59
Other operating income	1	-6
Total income	76	53
Operating costs	10	8
Profit before impairment on loans	66	45
Impairment on loans, guarantees etc.	-3	1
Pre tax profit	69	44
Taxes	12	11
Profit after tax	57	33

<b>Statement of income</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Net interest income	261	242
Other operating income	-13	0
Total income	248	242
Operating costs	38	33
Profit before impairment on loans	210	209
Impairment on loans, guarantees etc.	-3	1
Pre tax profit	213	208
Taxes	48	52
Profit after tax	165	156

<b>Statement of financial position</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Loans to and receivables from customers	21 162	19 810
Total equity	1 667	1 509

# Note 9

## TRANSACTIONS WITH RELATED PARTIES

These are transactions between the Parent Bank and wholly-owned subsidiaries carried out at arm`s length and at arm`s length`s prices.

The most important transactions carried out and netted in the Group accounts are as follows:

<b>PARENT BANK</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Statement of income		
Interest and credit commission income from subsidiaries	28	27
Received dividend and group contribution from subsidiaries	156	176
Rent paid to Sparebankeiendom AS	17	16
Administration fee received from Møre Boligkreditt AS	30	26
Statement of financial position		
Claims on subsidiaries	1 328	1 270
Covered bonds	425	2 186
Liabilities to subsidiaries	102	284
Accumulated loan portfolio transferred to Møre Boligkreditt AS	21 164	19 815



# Note 10

## EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.12.2017	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	988 500	10.00
Cape Invest AS	633 889	6.41
Verdipapirfond Pareto Aksje Norge	393 401	3.98
Verdipapirfond Nordea Norge Verdi	386 014	3.90
Wenaasgruppen AS	380 000	3.84
MP Pensjon	376 698	3.81
Pareto AS	305 189	3.09
Wenaas Kapital AS	230 161	2.33
FLPS - Princ All Sec	214 513	2.17
Verdipapirfondet Eika egenkapital	176 707	1.79
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	113 500	1.15
Fondsfinans Norge	106 000	1.07
Verdipapirfondet Landkreditt Utbytte	100 000	1.01
PIBCO AS	75 000	0.76
Odd Slyngstad	65 215	0.66
Forsvarets personell pensjonskasse	63 660	0.64
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Stiftelsen Kjell Holm	49 850	0.50
Total 20 largest	4 913 397	49.70
Total	9 886 954	100.00

# Note 11

## CAPITAL ADEQUACY

	31.12.2017	31.12.2016
Core Capital		
EC capital	989	989
- ECs owned by the Bank	-5	-3
Share premium	355	354
Additional Tier 1 capital	349	0
Primary capital fund	2 470	2 346
Gift fund	125	125
Dividend equalisation fund	1 216	1 092
Value adjustment fund	78	51
Proposed dividend for the EC holders	138	138
Proposed dividend for the local community	141	141
Other equity	222	208
<b>Total equity</b>	<b>6 078</b>	<b>5 441</b>
Goodwill, intangible assets and other deductions	-120	-98
Value adjustments of financial instruments at fair value	-14	-14
Perpetual Hybrid Tier 1 capital	254	800
Expected losses exceeding actual losses, IRB portfolios	-151	-219
Proposed dividend for the EC holders	-138	-138
Proposed dividend for the local community	-141	-141
<b>Total core capital</b>	<b>5 768</b>	<b>5 630</b>
Common equity Tier 1 Capital	5 165	4 830
Supplementary capital		
Subordinated loan capital of limited duration	532	502
50 % deduction for equity in other financial institutions	0	0
<b>Total supplementary capital</b>	<b>532</b>	<b>502</b>
<b>Net equity and subordinated loan capital</b>	<b>6 300</b>	<b>6 132</b>

**Capital requirement by exposure classes**

<b>Exposure classes SA - credit risk</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Central governments or central banks	0	0
Regional governments or local authorities	13	14
Public sector companies	22	17
Institutions (banks etc)	42	46
Companies (corporate customers)	0	0
Mass marked (retail banking customers)	0	0
Secured by mortgage on immovable property	0	0
Exposures in default	0	0
Covered bonds	26	20
Equity	7	8
Other items	99	121
<b>Total capital requirements - credit risk, The Standardised Approach</b>	<b>209</b>	<b>226</b>

  

<b>Exposure classes IRB - credit risk</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Retail - Secured by real estate	638	602
Retail - Other	47	46
SME	682	629
Specialised lending	549	415
Other corporate lending	252	465
<b>IRB-F capital requirements</b>	<b>2 168</b>	<b>2 157</b>
<b>Total capital requirements - credit risk</b>	<b>2 377</b>	<b>2 383</b>

  

<b>Exposure classes SA - market risk</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Debt	0	0
Equity	0	0
Foreign exchange	0	0
Credit value adjustment risk (CVA)	29	29
<b>Total capital requirements - market risk</b>	<b>29</b>	<b>29</b>

  

Operational Risk (Basic Indicator Approach)	200	194
Deductions from the capital requirement	0	0
<b>Total capital requirement less transitional rules</b>	<b>2 606</b>	<b>2 606</b>
Additional capital requirements from transitional rules 1)	135	35
<b>Total capital requirements</b>	<b>2 741</b>	<b>2 641</b>

Total risk-weighted assets less transitional rules	32 582	32 553
Total risk-weighted assets from transitional rules	1 688	455
Total risk-weighted assets	34 270	33 008
Minimum requirement common equity Tier 1 capital (4.5 %)	1 542	1 483

<b>Buffer Requirement</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Capital conservation buffer (2.5 %)	857	825
Systemic risk buffer (3.0 %)	1 028	990
Countercyclical buffer (2.0%)	685	495
Total buffer requirements	2 570	2 310
Available common equity Tier 1 capital after buffer requirements	1 053	1 037

<b>Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Capital adequacy ratio	18.4	18.6
Core capital ratio	16.8	17.0
Core Tier 1 capital ratio	15.0	14.6

<b>Leverage Ratio (LR)</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Leverage Ratio	8.2	8.5

# Statement of income - Parent Bank

## STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	Q4 2017	Q4 2016	2017	2016
Interest income	321	330	1 288	1 313
Interest costs	106	116	447	470
Net interest income	215	214	841	843
Commission income and revenues from banking services	49	47	195	189
Commission costs and expenditure from banking services	6	6	26	27
Other operating income	10	7	36	28
Net commission and other operating income	53	48	205	190
Dividends	0	1	158	178
Net gains/losses from financial instruments	8	6	60	98
Net return from financial instruments	8	7	218	276
Total income	276	269	1 264	1 309
Wages, salaries etc.	78	82	322	322
Administration costs	30	28	127	123
Depreciation and impairment	7	7	27	26
Other operating costs	25	19	95	93
Total operating costs	140	136	571	564
Profit before impairment on loans	136	133	693	745
Impairment on loans, guarantees etc.	2	21	16	21
Pre tax profit	134	112	677	724
Taxes	35	29	133	129
Profit after tax	99	83	544	595
Allocated to equity owners	96	83	538	595
Allocated to owners of Additional Tier 1 capital	3	0	6	0
Profit per EC (NOK) 1)	4.80	4.15	27.00	29.85
Diluted earnings per EC (NOK) 1)	4.80	4.15	27.00	29.85
Distributed dividend per EC (NOK)	0.00	0.00	14.00	11.50

## STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

<b>Amounts in NOK million</b>	<b>Q4 2017</b>	<b>Q4 2016</b>	<b>30.06.2017</b>	<b>2016</b>
Profit after tax	99	83	544	595
Other income/costs reversed in ordinary profit:				
Equities available for sale - changes in value	21	10	27	-31
Other income/costs not reversed in ordinary profit:				
Pension estimate deviations	-12	-8	-12	-8
Tax effect of pension estimate deviations	3	2	3	2
<b>Total comprehensive income after tax</b>	<b>111</b>	<b>87</b>	<b>562</b>	<b>558</b>
Allocated to equity owners	108	87	556	558
Allocated to owners of Additional Tier 1 capital	3	0	6	0

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

Amounts in NOK million	31.12.2017	31.12.2016
Cash and claims on Norges Bank	637	300
Loans to and receivables from credit institutions	2 497	1 789
Loans to and receivables from customers	35 832	33 011
Certificates, bonds and other interest-bearing securities	6 461	7 863
Financial derivatives	564	856
Shares and other securities	188	133
Equity stakes in Group companies	1 521	1 371
Deferred tax benefit	62	49
Intangible assets	42	47
Fixed assets	37	36
Other assets	72	77
<b>Total assets</b>	<b>47 913</b>	<b>45 532</b>

## Liabilities and equity

Amounts in NOK million	31.12.2017	31.12.2016
Loans and deposits from credit institutions	654	929
Deposits from customers	32 820	32 575
Debt securities issued	6 090	4 284
Financial derivatives	480	576
Other liabilities	500	499
Incurred costs and prepaid income	78	77
Other provisions for incurred liabilities and costs	96	40
Perpetual Hybrid Tier 1 capital	302	816
Subordinated loan capital	1 036	502
<b>Total liabilities</b>	<b>42 056</b>	<b>40 298</b>
EC capital	989	989
ECs owned by the Bank	-5	-3
Share premium	355	354
Additional Tier 1 capital	349	0
<b>Paid-in equity</b>	<b>1 688</b>	<b>1 340</b>
Primary capital fund	2 470	2 346
Gift fund	125	125
Dividend equalisation fund	1 216	1 092
Value adjustment fund	78	51
Other equity	280	279
<b>Retained earnings</b>	<b>4 169</b>	<b>3 894</b>
<b>Total equity</b>	<b>5 857</b>	<b>5 234</b>
<b>Total liabilities and equity</b>	<b>47 913</b>	<b>45 532</b>

# Profit performance - Group

## QUARTERLY PROFIT

Amounts in NOK million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Net interest income	290	281	268	261	273
Other operating income	58	55	63	66	45
Total operating costs	144	145	151	150	143
Profit before impairment on loans	204	191	180	177	175
Impairment on loans, guarantees etc.	-1	6	6	2	22
Pre tax profit	205	185	174	175	153
Tax	48	46	44	44	40
Profit after tax	157	139	130	131	113

## As a percentage of average assets

Net interest income	1.76	1.72	1.71	1.69	1.79
Other operating income	0.35	0.34	0.40	0.43	0.30
Total operating costs	0.88	0.89	0.96	0.97	0.94
Profit before impairment on loans	1.23	1.17	1.15	1.15	1.15
Impairment on loans, guarantees etc.	-0.01	0.04	0.03	0.01	0.14
Pre tax profit	1.24	1.13	1.12	1.14	1.01
Tax	0.29	0.28	0.28	0.28	0.26
Profit after tax	0.95	0.85	0.84	0.86	0.75