

# 3 quarter 2019

Unaudited

interim report



Sparebanken  
Møre

# Financial highlights - Group

## Income statement

(Amounts in percentage of average assets)

	Q3 2019		Q3 2018		30.09.2019		30.09.2018		2018	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	351	1.91	290	1.63	975	1.78	870	1.68	1 179	1.70
Net commission and other operating income	55	0.30	56	0.33	159	0.30	155	0.30	207	0.30
Net return on financial investments	8	0.04	5	0.02	59	0.10	37	0.07	41	0.06
Total income	414	2.25	351	1.98	1 193	2.18	1 062	2.05	1 427	2.06
Total operating costs	161	0.87	152	0.86	478	0.87	451	0.87	603	0.87
Profit before impairment on loans	253	1.38	199	1.12	715	1.31	611	1.18	824	1.19
Impairment on loans, guarantees etc.	16	0.09	7	0.04	35	0.06	4	0.01	16	0.02
Pre-tax profit	237	1.29	192	1.08	680	1.25	607	1.17	808	1.17
Tax	57	0.31	43	0.24	159	0.29	143	0.27	203	0.29
Profit after tax	180	0.98	149	0.84	521	0.96	464	0.90	605	0.88

## Statement of financial position

(NOK million)	30.09.2019	% change YTD 2019	31.12.2018	% change during last 12 months	30.09.2018
Total assets 5)	73 144	2.9	71 074	4.7	69 876
Average assets 5)	72 815	5.0	69 373	5.5	69 037
Loans to and receivables from customers	63 647	5.5	60 346	6.7	59 624
Gross loans to retail customers	43 621	4.1	41 917	5.8	41 242
Gross loans to corporate and public entities	20 234	8.7	18 616	8.9	18 585
Deposits from customers	36 147	5.0	34 414	4.2	34 684
Deposits from retail customers	21 631	4.9	20 624	4.4	20 716
Deposits from corporate and public entities	14 516	5.3	13 790	3.9	13 968

## Key figures and alternative performance measures (APMs)

	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Return on equity (annualised) 4) 5)	11.8	10.3	11.6	10.9	10.6
Cost income ratio 5)	39.0	43.4	40.1	42.5	42.3
Losses as a percentage of loans (annualised) 5)	0.10	0.05	0.08	0.01	0.03
Gross problem loans as a percentage of loans	1.43	0.57	1.43	0.57	0.62
Net problem loans as a percentage of loans	1.07	0.42	1.07	0.42	0.46
Deposit-to-loan ratio 5)	56.8	58.2	56.8	58.2	57.0
Liquidity Coverage Ratio (LCR)	125	122	125	122	158
Lending growth as a percentage 5)	7.2	5.1	6.7	5.5	6.1
Deposit growth as a percentage 5)	-3.1	5.2	4.2	4.8	4.9
Capital adequacy ratio 1) 2)	19.0	19.4	19.0	19.4	19.6
Tier 1 capital ratio 1) 2)	17.0	17.4	17.0	17.4	17.6
Common Equity Tier 1 capital ratio (CET1) 1) 2)	15.4	15.8	15.4	15.8	16.0
Leverage Ratio (LR) 2)	8.0	8.2	8.0	8.2	8.1
Man-years	354	363	354	363	361

## Equity Certificates (ECs)

	30.09.2019	30.09.2018	2018	2017	2016	2015
Profit per EC (Group) (NOK) 3)	25.60	22.85	29.80	27.70	28.80	25.25
Profit per EC (Parent Bank) (NOK) 3)	25.90	23.30	28.35	27.00	29.85	25.70
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	49.6	49.6
EC capital (NOK million)	988.70	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	309	288	283	262	254	188
Stock market value (NOK million)	3 055	2 847	2 798	2 590	2 511	1 859
Book value per EC (Group) (NOK) 5)	313	296	303	289	275	257
Dividend per EC (NOK)	15.50	14.00	15.50	14.00	14.00	11.50
Price/Earnings (Group, annualised)	9.1	9.5	9.5	9.4	8.8	7.3
Price/Book value (P/B) (Group) 3) 5)	0.99	0.97	0.93	0.91	0.93	0.73

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

2) Incl. 50 per cent of profit after tax

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

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

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

# Interim report from the Board of Directors

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

## RESULTS AS PER Q3 2019

Sparebanken Møre's pre-tax profit for the first three quarters of 2019 was NOK 680 million, compared with NOK 607 million for the same period in 2018.

Total income was NOK 131 million higher than for the same period in 2018. Net interest income rose by NOK 105 million and other operating income increased by NOK 26 million. Capital losses from the bond portfolio amounted to NOK 1 million, compared with capital losses of NOK 11 million in the first three quarters of 2018. Capital gains on equities totalled NOK 12 million, compared with NOK 16 million at the end of the third quarter of 2018. Income from other financial investments showed an increase of NOK 16 million compared with the same period in 2018.

Costs were NOK 27 million, or 6.0 per cent higher in the first three quarters of 2019 than in 2018. Personnel costs were NOK 9 million higher than last year and financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 10 million, the same as in 2018. Other operating costs increased by NOK 18 million in the same period.

Losses on loans and guarantees amounted to NOK 35 million and were NOK 31 million higher than in the same period last year.

The cost income ratio amounted to 40.1 per cent after the third quarter this year. This represents a decrease of 2.4 percentage points compared with the same period in 2018.

Profit after tax was NOK 521 million, NOK 57 million higher than for the same period in 2018. The results at the end of the third quarter show an annualised return on equity of 11.6 per cent, compared with 10.9 per cent after the first three quarters of 2018.

Earnings per equity certificate amounted to NOK 25.60 (NOK 22.85) for the Group and NOK 25.90 (NOK 23.30) for the Parent Bank.

The Board is pleased with the results after the first three quarters of 2019.

## RESULTS FOR Q3 2019

The profit after tax for the third quarter of 2019 amounted to NOK 180 million, or 0.98 per cent of average total assets, compared with NOK 149 million, or 0.84 per cent, for the corresponding quarter last year.

The return on equity in the third quarter of 2019 was 11.8 per cent compared with 10.3 per cent in the third quarter of 2018, and the cost income ratio amounted to 39.0 per cent compared with 43.4 per cent in the third quarter of 2018.

Earnings per equity certificate amounted to NOK 8.80 (NOK 7.35) for the Group and NOK 5.30 (NOK 4.90) for the Parent Bank.

## Net interest income

Net interest income amounted to NOK 351 million, which is NOK 61 million, or 21.0 per cent, higher than in the corresponding quarter of last year. This represents 1.91 per cent of total assets, which is 0.28 percentage points higher than for the third quarter of 2018.

The Bank implemented a change in interest rates with effect from 9 August in which both lending and deposit rates were increased by up to 0.25 percentage points. A similar increase in interest rates has been announced and will become effective from 13 November 2019.

Rising interest rates have over the course of the year led to increased funding costs and reduced margins on lending. The interest rate hikes that have been implemented in 2019 have kept the lending margin at about the same level as in the third quarter of 2018. Compared with the third quarter of 2018, the margin for deposits increased and overall this improved net interest income in the third quarter of 2019 compared with the third quarter of 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 the corresponding quarter last year.

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

#### **Other operating income**

Other operating income amounted to NOK 63 million in the quarter, which is NOK 2 million higher than in the third quarter of last year. Other operating income, excluding financial instruments, decreased by NOK 1 million compared with the third quarter of 2018. The changes in value in the bond portfolio and equities constitute capital losses of NOK 4 million in the quarter, compared with capital losses of NOK 5 million in the third quarter of 2018.

#### **Costs**

Operating costs in the quarter amounted to NOK 161 million, which is NOK 9 million higher than in the same quarter last year. Personnel costs were NOK 3 million higher than in the corresponding period last year and amounted to NOK 88 million. Staffing has been reduced by 9 full-time equivalents in the last 12 months, to 354 FTEs. Other operating costs increased by NOK 6 million from the same period last year.

The cost income ratio amounted to 39.0 per cent in the third quarter of 2019, which represents a reduction of 4.4 percentage points compared with the third quarter last year.

#### **Problem loans**

The quarterly accounts were charged NOK 16 million (NOK 7 million) in losses on loans and guarantees. This amounts to 0.09 per cent (0.04 per cent) of average total assets on an annualised basis. Losses in the corporate segment increased by NOK 8 million in the quarter. Losses in the retail segment also increased by NOK 8 million.

At the end of the third quarter of 2019, total expected losses amounted to NOK 370 million, equivalent to 0.57 per cent of loans and guarantees (NOK 340 million and 0.56 per cent). Of the individually assessed commitments, NOK 18 million of the impairments were linked to commitments in default for more than 90 days (NOK 6 million), which amounts to 0.03 per cent of loans and guarantees (0.01 per cent). NOK 217 million relates to other commitments (NOK 89 million), which is equivalent to 0.33 per cent of gross loans and guarantees (0.15 per cent).

Net problem loans (commitments in default for more than 90 days and other problem loans which have been subject to individual impairments) have increased by NOK 444 million the last 12 months due to the recognition of individual impairments for commitments previously in Stage 3 in the Group's ECL model. At the end of the third quarter of 2019, the corporate market accounted for NOK 632 million of net problem loans and the retail market NOK 67 million. In total this represents 1.07 per cent of gross loans and guarantees (0.42 per cent).

#### **Lending to customers**

At the end of the third quarter of 2019, lending to customers amounted to NOK 63,647 million (NOK 59,624 million). Customer lending has increased by a total of NOK 4,023 million, or 6.7 per cent, in the last 12 months. Retail lending has increased by 5.8 per cent, while corporate lending has increased by 8.9 per cent in the last 12 months. Lending to corporate customers increased by 4.3 per cent in the third quarter of 2019, while lending to retail customers rose by 0.7 per cent. Retail lending accounted for 68.3 per cent of total lending at the end of the third quarter of 2019 (69.1 per cent).

### **Deposits from customers**

Customer deposits have increased by NOK 1,463 million, or 4.2 per cent, in the last 12 months. At the end of the third quarter of 2019, deposits amounted to NOK 36,147 million (NOK 34,684 million). Retail deposits have increased by 4.4 per cent in the last 12 months, while corporate deposits have increased by 4.6 per cent and public sector deposits have decreased by 6.3 per cent. The retail market's relative share of deposits amounted to 59.8 per cent (59.7 per cent), while deposits from the corporate market accounted for 37.9 per cent (37.8 per cent) and from the public sector market 2.3 per cent (2.5 per cent).

The deposit-to-loan ratio was 56.8 per cent at the end of the third quarter of 2019 (58.2 per cent).

### **CAPITAL ADEQUACY**

The Group's capital adequacy at the end of the third quarter of 2019 was above the regulatory capital requirement and the internally set minimum target for Common Equity Tier 1 capital (CET1). The primary capital ratio, including 50 per cent of year-to-date profit, was 19.0 per cent (19.4 per cent), the core capital ratio was 17.0 per cent (17.4 per cent) and the CET1 ratio was 15.4 per cent (15.8 per cent).

At the end of the third quarter of 2019, Sparebanken Møre's basis for calculation was NOK 2,169 million and it was subject to a capital requirement of NOK 174 million due to the transitional scheme associated with the Basel I floor. The basis for calculation including the Basel I floor amounted to NOK 36,089 million, an increase of NOK 1,635 million since the same point in 2018.

### **SUBSIDIARIES**

The aggregate profit of the Bank's three subsidiaries amounted to NOK 161 million after tax in the first three quarters of 2019 (NOK 139 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The mortgage company's main purpose is to issue covered bonds for sale to Norwegian and international investors. At the end of the third quarter of 2019, the company had net outstanding bonds of NOK 22.9 billion in the market. Around 25 per cent of the borrowing was in currencies other than NOK. The company has contributed NOK 161 million to the result so far in 2019 (NOK 135 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company has contributed NOK 1.5 million to the result so far in 2019 (NOK 1.5 million). At the end of the quarter, the company employed 14 full-time equivalents.

Sparebankeiendom AS's purpose is to own and manage the Bank's commercial properties. The company has contributed NOK -0.8 million to the result so far in 2019 (NOK 2 million). The company has no employees.

### **EQUITY CERTIFICATES**

At the end of the third quarter of 2019, there were 5,448 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the Bank's total equity.

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

### **FUTURE PROSPECTS**

The growth in output and demand in the county is expected to be moderate going forward. Continued low interest rates, a weak Norwegian krone and the rise in oil investments this year will contribute to this. Higher activity in the oil sector will also have positive ripple effects for other parts of the business sector. On the other hand, the uncertainty related to Brexit and the trade war between the US and China are contributing to a slowdown in market growth for our export companies.

Unemployment in the county has dropped markedly 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 September. In comparison, the national unemployment rate was 2.2 per cent. With moderate production growth

going forward, the unemployment rate is expected to stabilise around the current level for the remainder of the current year.

For Norway as a whole, we have seen a slight decrease in household credit growth so far this year, while lending growth in the non-financial sector is on a par with the level seen at the end of last year.

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

The Bank is competitive and enjoyed a high, albeit moderately slower, pace of growth in lending to households compared with the end of the second quarter. The growth rate in the corporate market remains high. Deposit growth is good and the deposit-to-loan ratio is high. Lending growth in both the retail market and the corporate market will be around 5-6 per cent in 2019. This implies growth on a par with or above market growth. There is a constant focus on good operations and increased profitability.

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

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

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

Ålesund, 30 September 2019

23 October 2019

**THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE**

LEIF-ARNE LANGØY, Chairman

ROY REITE, Deputy Chairman

RAGNA BRENNE BJERKESET

HENRIK GRUNG

JILL AASEN

ANN MAGRITT BJÅSTAD VIKERAKK

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO



# Statement of income - Group

## STATEMENT OF INCOME - GROUP (COMPRESSED)

(NOK million)	Note	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Interest income from assets at amortised cost		540	435	1 513	1 294	1 769
Interest income from assets at fair value		68	52	173	132	171
Interest expenses		257	197	711	556	761
Net interest income	<u>9</u>	351	290	975	870	1 179
Commission income and revenues from banking services		57	56	162	158	208
Commission costs and charges from banking services		6	6	19	20	25
Other operating income		4	6	16	17	24
Net commission and other operating income		55	56	159	155	207
Dividends		1	0	6	3	3
Net gains/losses on financial instruments	<u>5</u>	7	5	53	34	38
Net return on financial instruments		8	5	59	37	41
Total income		414	351	1 193	1 062	1 427
Wages, salaries etc.		88	85	263	254	340
Administration costs		35	31	109	99	133
Depreciation and impairment		11	8	33	23	31
Other operating costs		27	28	73	75	99
Total operating costs		161	152	478	451	603
Profit before impairment on loans		253	199	715	611	824
Impairment on loans, guarantees etc.	<u>3</u>	16	7	35	4	16
Pre-tax profit		237	192	680	607	808
Taxes		57	43	159	143	203
Profit after tax		180	149	521	464	605

Allocated to equity owners	174	147	509	455	594
Allocated to owners of Additional Tier 1 capital	6	2	12	9	11
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Profit per EC (NOK) 1)	8.80	7.35	25.60	22.85	29.80
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Diluted earnings per EC (NOK) 1)	8.80	7.35	25.60	22.85	29.80
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Distributed dividend per EC (NOK)	0.00	0.00	15.50	14.00	14.00
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**STATEMENT OF COMPREHENSIVE INCOME - GROUP  
(COMPRESSED)**

(NOK million)	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Profit after tax	180	149	521	464	605
Items that may subsequently be reclassified to the income statement:					
Basisswap spreads - changes in value	-1	0	1	-10	-18
Tax effect of changes in value on basisswap spreads	1	-2	0	2	4
Items that will not subsequently be reclassified to the income statement:					
Pension estimate deviations	0	0	0	0	12
Tax effect of pension estimate deviations	0	0	0	0	-3
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Total comprehensive income after tax	180	147	522	456	600
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Allocated to equity owners	174	145	510	447	589
Allocated to owners of Additional Tier 1 capital	6	2	12	9	11
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1) Calculated using the EC-holders' share (49.6 %) of the period's profit to be allocated to equity owners.

# Statement of financial position - Group

## ASSETS (COMPRESSED)

(NOK million)	Note	30.09.2019	30.09.2018	31.12.2018
Cash and claims on Norges Bank	5 6 10	179	630	857
Loans to and receivables from credit institutions	<u>5 6 10</u>	697	1 134	1 288
Loans to and receivables from customers	<u>2 3 4 5 7 10</u>	63 647	59 624	60 346
Certificates, bonds and other interest-bearing securities	<u>5 7 10</u>	6 584	7 108	6 789
Financial derivatives	<u>5 7</u>	1 370	776	1 209
Shares and other securities	<u>5 7</u>	190	190	182
Deferred tax benefit		54	61	54
Intangible assets		37	42	42
Fixed assets		279	221	220
Other assets		107	90	87
<b>Total assets</b>		<b>73 144</b>	<b>69 876</b>	<b>71 074</b>

## LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	Note	30.09.2019	30.09.2018	31.12.2018
Loans and deposits from credit institutions	<u>5 6 10</u>	813	720	955
Deposits from customers	<u>2 5 7 10</u>	36 147	34 684	34 414
Debt securities issued	<u>5 6 8</u>	27 208	26 115	26 980
Financial derivatives	<u>5 7</u>	450	319	525
Other liabilities		737	596	609
Incurring costs and prepaid income		92	75	76
Other provisions for incurred liabilities and costs		147	131	125
Additional Tier 1 capital	<u>5 6</u>	0	287	293
Subordinated loan capital	<u>5 6</u>	703	703	703
<b>Total liabilities</b>		<b>66 297</b>	<b>63 630</b>	<b>64 680</b>

EC capital	<u>11</u>	989	989	989
ECs owned by the Bank		-3	-5	-3
Share premium		356	355	356
Additional Tier 1 capital		599	349	349
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Paid-in equity		1 941	1 688	1 691
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Primary capital fund		2 649	2 513	2 649
Gift fund		125	125	125
Dividend equalisation fund		1 392	1 260	1 391
Other equity		217	204	538
Total comprehensive income after tax		522	456	0
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Retained earnings		4 906	4 558	4 703
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Total equity		6 847	6 246	6 394
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Total liabilities and equity		73 144	69 876	71 074
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# Statement of changes in equity - Group

GROUP 30.09.2019	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2018	6 394	986	356	349	2 649	125	1 391	0	538
Changes in own equity certificates	1						1		
Distributed dividend to the EC holders	-153								-153
Distributed dividend to the local community	-156								-156
Additional Tier 1 capital issued	250			250					
Interests paid on Additional Tier 1 capital issued	-12								-12
Total profit for the period	522								522
Equity as at 30 September 2019	6 847	986	356	599	2 649	125	1 392	0	739
<b>GROUP 30.09.2018</b>	<b>Total equity</b>	<b>EC capital</b>	<b>Share premium</b>	<b>Additional Tier 1 capital</b>	<b>Primary capital fund</b>	<b>Gift fund</b>	<b>Dividend equalisation fund</b>	<b>Value adjustment fund</b>	<b>Other equity</b>
Equity as at 31 December 2017	6 078	984	355	349	2 470	125	1 216	78	501
Effect of transition to IFRS 9 as of 01.01.2018 *)	1				44		43	-78	-8
Equity as at 01.01.2018	6 079	984	355	349	2 514	125	1 259	0	493
Changes in own equity certificates	0				-1		1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Interests paid on Additional Tier 1 capital issued	-9								-9
Total profit for the period	456								456
Equity as at 30 September 2018	6 246	984	355	349	2 513	125	1 260	0	660

GROUP 31.12.2018	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2017	6 078	984	355	349	2 470	125	1 216	78	501
Effect of transition to IFRS 9 as of 01.01.2018 *)	1				44		43	-78	-8
Equity as at 01.01.2018	6 079	984	355	349	2 514	125	1 259	0	493
Changes in own equity certificates	6	2	1		2		1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Interest paid on Additional Tier 1 capital issued	-11								-11
Equity before allocation of profit for the year	5 795	986	356	349	2 516	125	1 260	0	203
Allocated to the primary capital fund	129				129				
Allocated to the dividend equalisation fund	127						127		
Allocated to owners of Additional Tier 1 capital	11								11
Allocated to other equity	29								29
Proposed dividend allocated for the EC holders	153								153
Proposed dividend allocated for the local community	156								156
Distributed profit for the year	605	0	0	0	129	0	127	0	349

Changes in value - basis swaps	-18								-18
Tax effect of changes in value - basis swaps	4								4
Pension estimate deviations	12				6		6		
Tax effect of pension estimate deviations	-3				-2		-1		
Total other income and costs from comprehensive income	-5	0	0	0	4	0	5	0	-14
Total profit for the period	600	0	0	0	133	0	132	0	335
Equity as at 31 December 2018	6 394	986	356	349	2 649	125	1 391	0	538

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

# Statement of cash flow - Group

(NOK million)	30.09.2019	30.09.2018	31.12.2018
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	1 783	1 522	2 059
Interest, commission and fees paid	-372	-268	-383
Dividend and group contribution received	6	3	3
Operating expenses paid	-391	-405	-561
Income taxes paid	-201	-202	-204
Changes relating to loans to and claims on other financial institutions	591	161	7
Changes relating to repayment of loans/leasing to customers	-2 904	-2 404	-3 740
Changes in utilised credit facilities	-407	-310	303
Net change in deposits from customers	1 733	1 881	1 610
<b>Net cash flow from operating activities</b>	<b>-162</b>	<b>-22</b>	<b>-906</b>
<b>Cash flow from investing activities</b>			
Interest received on certificates, bonds and other securities	97	83	112
Proceeds from the sale of certificates, bonds and other securities	6 514	8 184	9 469
Purchases of certificates, bonds and other securities	-6 797	-9 268	-10 198
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-10	-16	-23
Changes in other assets	322	280	-135
<b>Net cash flow from investing activities</b>	<b>126</b>	<b>-737</b>	<b>-775</b>



<b>Cash flow from financing activities</b>			
Interest paid on debt securities and subordinated loan capital	-402	-316	-434
Net change in deposits from Norges Bank and other financial institutions	-142	151	386
Proceeds from bond issues raised	3 711	3 868	4 603
Redemption of debt securities	-3 422	-2 418	-2 654
Dividend paid	-153	-138	-138
Changes in other debt	-469	-384	153
Proceeds from Additional Tier 1 capital issued	250	0	0
Paid interest on Additional Tier 1 capital issued	-15	-11	-15
<b>Net cash flow from financing activities</b>	<b>-642</b>	<b>752</b>	<b>1 901</b>
<b>Net change in cash and cash equivalents</b>	<b>-678</b>	<b>-7</b>	<b>220</b>
Cash balance at 01.01	857	637	637
<b>Cash balance at 30.09/31.12</b>	<b>179</b>	<b>630</b>	<b>857</b>

# Note 1

## Accounting principles

The Group's interim accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), implemented by the EU as at 30 September 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 9.4 million so far in 2019, while interest expense has increased by NOK 1 million and depreciation has increased by NOK 8.6 million. The transition to IFRS 16 has given a marginal increase in cost for the Group of NOK 0.2 million by end of third quarter 2019.

# Note 2

## Loans and deposits broken down according to sectors

GROUP	Loans		
	30.09.2019	30.09.2018	31.12.2018
<b>Broken down according to sectors</b>			
Agriculture and forestry	556	505	542
Fisheries	3 375	2 964	3 206
Manufacturing	2 874	2 774	2 369
Building and construction	883	841	698
Wholesale and retail trade, hotels	604	630	676
Supply/Offshore	1 145	932	1 005
Property management	7 334	6 480	6 733
Professional/financial services	1 073	1 272	1 272
Transport and private/public services	2 135	1 978	1 867
Public entities	0	0	0
Activities abroad	255	209	248
<b>Total corporate/public entities</b>	<b>20 234</b>	<b>18 585</b>	<b>18 616</b>
Retail customers	43 621	41 242	41 917
Fair value adjustment of loans	45	39	56
<b>Total loans (gross carrying amount)</b>	<b>63 900</b>	<b>59 866</b>	<b>60 589</b>
Expected credit loss (ECL) - stage 1	-34	-24	-25
Expected credit loss (ECL) - stage 2	-80	-62	-60
Expected credit loss (ECL) - stage 3	-14	-113	-111
Individual impairment	-125	-43	-47
<b>Loans to and receivables from customers (net carrying amount)</b>	<b>63 647</b>	<b>59 624</b>	<b>60 346</b>
-of which loans with floating interest rate (amortised cost)	59 731	55 936	56 535
-of which loans with fixed interest rate (fair value)	3 916	3 688	3 811

GROUP	Deposits		
	30.09.2019	30.09.2018	31.12.2018
<b>Broken down according to sectors</b>			
Agriculture and forestry	203	183	181
Fisheries	954	857	995
Manufacturing	1 486	1 662	1 559
Building and construction	714	629	661
Wholesale and retail trade, hotels	806	763	813
Property management	1 650	1 362	1 576
Transport and private/public services	5 470	5 396	5 043
Public entities	812	867	780
Activities abroad	4	4	5
Miscellaneous	2 417	2 245	2 177
<b>Total corporate/public entities</b>	<b>14 516</b>	<b>13 968</b>	<b>13 790</b>
Retail customers	21 631	20 716	20 624
<b>Total deposits</b>	<b>36 147</b>	<b>34 684</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.

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

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

### Specification of credit loss in the income statement

GROUP	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Changes in ECL during the period - stage 1	5	0	9	0	1
Changes in ECL during the period - stage 2	10	6	24	17	16
Changes in ECL during the period - stage 3	2	5	-136	-11	-12
Increase in existing individual impairments	-3	1	5	1	2
New individual impairments	13	2	152	16	30
Confirmed losses, previously impaired	1	0	5	5	11
Reversal of previous individual impairments	-12	-6	-23	-22	-33
Confirmed losses, not previously impaired	2	1	5	3	8
Recoveries	-2	-2	-6	-5	-7
Total impairments on loans and guarantees, etc	16	7	35	4	16

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

<b>GROUP - 30.09.2019</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	13	8	0	21
Disposal of commitments	-6	-16	-122	-144
Changes in ECL in the period for commitments which have not migrated	2	4	0	6
Migration to stage 1	2	-12	-1	-11
Migration to stage 2	-2	42	-22	18
Migration to stage 3	0	-2	8	6
Changes in individual impairments	-	-	136	136
<b>ECL 30.09.2019</b>	<b>35</b>	<b>85</b>	<b>250</b>	<b>370</b>
- of which expected losses on loans	34	80	139	253
- of which expected losses on guarantees	1	5	111	117

<b>GROUP - 30.09.2018</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	8	12	2	21
Disposal of commitments	-5	-7	-9	-21
Changes in ECL in the period for commitments which have not migrated	-3	-3	17	10
Migration to stage 1	3	-17	-6	-20
Migration to stage 2	-2	34	-17	15
Migration to stage 3	0	-1	7	6
Changes in individual impairments	-	-	-6	-6
<b>ECL 30.09.2018</b>	<b>25</b>	<b>63</b>	<b>252</b>	<b>340</b>
- of which expected losses on loans	24	62	156	242
- of which expected losses on guarantees	1	1	96	98

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

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

<b>GROUP - 30.09.2019</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	50 117	457	-	50 574
Medium risk (0.5 % - < 3 %)	6 574	3 507	-	10 081
High risk (3 % - <100 %)	1 669	15	-	1 684
Problem loans	-	-	934	934
Total commitments before ECL	58 360	3 979	934	63 273
- ECL	-35	-85	-250	-370
Net commitments *)	58 325	3 894	684	62 903

<b>GROUP - 30.09.2018</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	48 193	853	-	49 047
Medium risk (0.5 % - < 3 %)	5 935	3 716	-	9 651
High risk (3 % - <100 %)	666	599	-	1 265
Problem loans	-	-	350	350
<b>Total commitments before ECL</b>	<b>54 794</b>	<b>5 168</b>	<b>350</b>	<b>60 312</b>
- ECL	-25	-63	-252	-340
<b>Net commitments *)</b>	<b>54 769</b>	<b>5 105</b>	<b>98</b>	<b>59 973</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 at the reporting date, not including fixed rate loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.



# Note 4

## Problem loans

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

GROUP	30.09.2019			30.09.2018			31.12.2018		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 3 months	152	69	83	79	60	19	76	55	21
Gross impaired commitments not in default	782	12	770	271	17	254	306	17	289
Gross problem loans	934	81	853	350	77	273	382	72	310
Individual impairment on commitments in default above 3 months	18	10	8	6	6	0	11	9	2
Individual impairment on commitments not in default	217	4	213	89	5	84	88	0	88
Total individual impairments	235	14	221	95	11	84	99	9	90
Net commitments in default above 3 months	134	59	75	73	54	19	65	46	19
Net impaired commitments not in default	565	8	557	182	12	170	218	17	201
Net problem loans	699	67	632	255	66	189	283	63	220
Gross problem loans as a percentage of total loans/guarantees	1.43	0.19	3.93	0.57	0.19	1.35	0.62	0.17	1.54
Net problem loans as a percentage of total loans/guarantees	1.07	0.15	2.91	0.42	0.16	0.94	0.46	0.15	1.09

# Note 5

## Classification of financial instruments

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

### CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

- The purpose of the acquisition of the financial instrument
- The contractual cash flows from the financial assets

#### Financial assets assessed at amortised cost

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

- The asset is acquired to receive contractual cash flows
- The contractual cash flows consist solely of principal and interest

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

#### Financial liabilities assessed at amortised cost

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

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

The Group's portfolio of bonds in the liquidity portfolio is classified at fair value through the income statement, based on the business model of the bank. The portfolio is not held solely to receive principle and interest. The Group's portfolio of fixed interest rate loans are assessed at fair value to avoid accounting mismatch in relation to the underlying interest rate swaps.

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

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

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

#### LEVELS IN THE VALUATION HIERARCHY

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

**Level 1 – Valuation based on prices in an active market**

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

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

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

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

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

<b>GROUP - 30.09.2019</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		179	179
Loans to and receivables from credit institutions		697	697
Loans to and receivables from customers	3 916	59 731	63 647
Certificates and bonds	6 584		6 584
Shares and other securities	190		190
Financial derivatives	1 370		1 370
<b>Total financial assets</b>	<b>12 060</b>	<b>60 607</b>	<b>72 667</b>
Loans and deposits from credit institutions		813	813
Deposits from and liabilities to customers		36 147	36 147
Financial derivatives	450		450
Debt securities		27 208	27 208
Subordinated loan capital		703	703
<b>Total financial liabilities</b>	<b>450</b>	<b>64 871</b>	<b>65 321</b>

<b>GROUP - 30.09.2018</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		630	630
Loans to and receivables from credit institutions		1 134	1 134
Loans to and receivables from customers	3 688	55 936	59 624
Certificates and bonds	7 108		7 108
Shares and other securities	190		190
Financial derivatives	776		776
<b>Total financial assets</b>	<b>11 762</b>	<b>57 700</b>	<b>69 462</b>
Loans and deposits from credit institutions		720	720
Deposits from and liabilities to customers		34 684	34 684
Financial derivatives	319		319
Debt securities		26 115	26 115
Subordinated loan capital and Additional Tier 1 capital		990	990
<b>Total financial liabilities</b>	<b>319</b>	<b>62 509</b>	<b>62 828</b>

GROUP - 31.12.2018	Financial instruments at fair value in the income statement	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		857	857
Loans to and receivables from credit institutions		1 288	1 288
Loans to and receivables from customers	3 811	56 535	60 346
Certificates and bonds	6 789		6 789
Shares and other securities	182		182
Financial derivatives	1 209		1 209
<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

	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Certificates and bonds	-3	-8	-1	-11	-19
Securities	-1	3	12	16	10
Foreign exchange trading (for customers)	7	10	30	29	38
Fixed income trading (for customers)	3	1	11	7	8
Financial derivatives	1	-1	1	-7	1
<b>Net change in value and gains/losses from financial instruments</b>	<b>7</b>	<b>5</b>	<b>53</b>	<b>34</b>	<b>38</b>

# Note 6

## Financial instruments at amortised cost

GROUP	30.09.2019		30.09.2018		31.12.2018	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	179	179	630	630	857	857
Loans to and receivables from credit institutions	697	697	1 134	1 134	1 288	1 288
Loans to and receivables from customers	59 731	59 731	55 936	55 936	56 535	56 535
<b>Total financial assets</b>	<b>60 607</b>	<b>60 607</b>	<b>57 700</b>	<b>57 700</b>	<b>58 680</b>	<b>58 680</b>
Loans and deposits from credit institutions	813	813	720	720	955	955
Deposits from and liabilities to customers	36 147	36 147	34 684	34 684	34 414	34 414
Debt securities	27 313	27 208	26 215	26 115	27 039	26 980
Subordinated loan capital and AT1 capital	711	703	1 004	990	1 000	996
<b>Total financial liabilities</b>	<b>64 984</b>	<b>64 871</b>	<b>62 623</b>	<b>62 509</b>	<b>63 408</b>	<b>63 345</b>

GROUP - 30.09.2019	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank	179			179
Loans to and receivables from credit institutions		697		697
Loans to and receivables from customers			59 731	59 731
<b>Total financial assets</b>	<b>179</b>	<b>697</b>	<b>59 731</b>	<b>60 607</b>
Loans and deposits from credit institutions		813		813
Deposits from and liabilities to customers			36 147	36 147
Debt securities		27 313		27 313
Subordinated loan capital and AT1 capital		711		711
<b>Total financial liabilities</b>	<b>-</b>	<b>28 837</b>	<b>36 147</b>	<b>64 984</b>

GROUP - 30.09.2018	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	630			630
Loans to and receivables from credit institutions		1 134		1 134
Loans to and receivables from customers			55 936	55 936
<b>Total financial assets</b>	<b>630</b>	<b>1 134</b>	<b>55 936</b>	<b>57 700</b>
Loans and deposits from credit institutions		720		720
Deposits from and liabilities to customers			34 684	34 684
Debt securities		26 215		26 215
Subordinated loan capital and AT1 capital		1 004		1 004
<b>Total financial liabilities</b>	<b>-</b>	<b>27 939</b>	<b>34 684</b>	<b>62 623</b>
<hr/>				
GROUP - 31.12.2018	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	857			857
Loans to and receivables from credit institutions		1 288		1 288
Loans to and receivables from customers			56 535	56 535
<b>Total financial assets</b>	<b>857</b>	<b>1 288</b>	<b>56 535</b>	<b>58 680</b>
Loans and deposits from credit institutions		955		955
Deposits from customers			34 414	34 414
Debt securities issued		27 039		27 039
Subordinated loan capital and AT1 capital		1 000		1 000
<b>Total financial liabilities</b>	<b>-</b>	<b>28 994</b>	<b>34 414</b>	<b>63 408</b>

# Note 7

## Financial instruments at fair value

A change in the discount rate of 10 basis points will have an impact of about NOK 9 million on loans with fixed interest rate.

GROUP - 30.09.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 916	3 916
Certificates and bonds	4 561	2 023		6 584
Shares and other securities	5		185	190
Financial derivatives		1 370		1 370
<b>Total financial assets</b>	<b>4 566</b>	<b>3 393</b>	<b>4 101</b>	<b>12 060</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		450		450
<b>Total financial liabilities</b>	<b>-</b>	<b>450</b>	<b>-</b>	<b>450</b>



GROUP - 30.09.2018	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 688	3 688
Certificates and bonds	5 148	1 960		7 108
Shares and other securities	14		176	190
Financial derivatives		776		776
<b>Total financial assets</b>	<b>5 162</b>	<b>2 736</b>	<b>3 864</b>	<b>11 762</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		319		319
<b>Total financial liabilities</b>	<b>-</b>	<b>319</b>	<b>-</b>	<b>319</b>

GROUP - 31.12.2018	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 811	3 811
Certificates and bonds	4 696	2 093		6 789
Shares	7		175	182
Financial derivatives		1 209		1 209
<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	605	5
Sales/reduction	-491	-9
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	-9	14
Book value as at 30.09.19	3 916	185

GROUP	Loans to and receivables from customers	Shares and other securities
Book value as at 31.12.17	3 923	169
Purchases/additions	654	2
Sales/reduction	-862	-15
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	-27	20
Book value as at 30.09.18	3 688	176

# 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 Bligkreditt AS, in addition to certificates and bonds quoted in NOK issued by Sparebanken Møre. The table below provides an overview of the Group's covered bonds.

### Covered bonds in the Group (NOK million)

ISIN code	Currency	Nominal value 30.09.2019	Interest	Issue	Maturity	Book value 30.09.2019	30.09.2018	31.12.2018
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 197	1 190	1 200
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 501	2 501
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	317	280	298
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	297	284	298
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 500	2 498	2 499
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	2 999	2 999	2 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	986	982	987
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 002	3 002	3 002
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 517	2 368	2 502
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	2 499	2 499
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 557	2 378	2 519
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 050	-	1 018
NO0010853096	NOK	2 500	3M Nibor + 0.37 %	2019	2025	2 497	-	-
Total covered bonds issued by Møre Boligkreditt AS						22 920	20 981	22 322

As at 30.09.2019 Sparebanken Møre owned a portfolio of covered bonds issued by Møre Boligkreditt AS of NOK 589 million (NOK 556 million). Møre Boligkreditt AS had no own holding as at 30.09.2019 (NOK 0 million).

# Note 9

## Operating segments

Result - Q3 2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	351	11	133	207	0
Other operating income	63	-6	21	43	5
Total income	414	5	154	250	5
Operating costs	161	7	33	117	4
Profit before impairment	253	-2	121	133	1
Impairment on loans, guarantees etc.	16	0	8	8	0
Pre-tax profit	237	-2	113	125	1
Taxes	57				
Profit after tax	180				

Result - 30.09.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	975	20	373	582	0
Other operating income	218	30	74	99	15
Total income	1 193	50	447	681	15
Operating costs	478	62	94	309	13
Profit before impairment	715	-12	353	372	2
Impairment on loans, guarantees etc.	35	0	27	8	0
Pre-tax profit	680	-12	326	364	2
Taxes	159				
Profit after tax	521				

Key figures - 30.09.2019	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	63 647	1 255	19 461	42 931	0
Deposits from customers 1)	36 147	951	12 258	22 938	0
Guarantee liabilities	1 501	0	1 494	7	0
The deposit-to-loan ratio	56.8	75.8	63.0	53.4	0
Man-years	354	155	50	135	14

Result - Q3 2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	290	1	110	179	0
Other operating income	61	5	24	26	6
Total income	351	6	134	205	6
Operating costs	152	24	31	93	4
Profit before impairment	199	-18	103	112	2
Impairment on loans, guarantees etc.	7	0	10	-3	0
Pre-tax profit	192	-18	93	115	2
Taxes	43				
Profit after tax	149				

Result - 30.09.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	870	2	333	535	0
Other operating income	192	26	74	77	15
Total income	1 062	28	407	612	15
Operating costs	451	78	88	272	13
Profit before impairment	611	-50	319	340	2
Impairment on loans, guarantees etc.	4	0	8	-4	0
Pre-tax profit	607	-50	311	344	2
Taxes	143				
Profit after tax	464				

Key figures - 30.09.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	59 624	1 187	17 920	40 517	0
Deposits from customers 1)	34 684	752	11 893	22 039	0
Guarantee liabilities	1 606	0	6	1 600	0
The deposit-to-loan ratio	58.2	63.4	66.4	54.4	0
Man-years	363	157	53	138	15

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

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

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

MØRE BOLIGKREDITT AS

Statement of income	Q3 2019	Q3 2018	31.12.2018
Net interest income	80	66	274
Other operating income	2	1	-1
Total income	82	67	273
Operating costs	10	11	42
Profit before impairment on loans	72	56	231
Impairment on loans, guarantees etc.	-10	-2	1
Pre-tax profit	82	58	230
Taxes	18	14	56
Profit after tax	64	44	174

Statement of income	30.09.2019	30.09.2018	31.12.2018
Net interest income	226	204	274
Other operating income	1	0	-1
Total income	227	204	273
Operating costs	33	32	42
Profit before impairment on loans	194	172	231
Impairment on loans, guarantees etc.	-12	-1	1
Pre-tax profit	206	173	230
Taxes	45	40	56
Profit after tax	161	133	174

Statement of financial position	30.09.2019	30.09.2018	31.12.2018
Loans to and receivables from customers	23 261	22 335	23 409
Total equity	2 212	1 732	1 767



# Note 10

## Transactions with related parties

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

The most important transactions eliminated in the Group accounts:

PARENT BANK	30.09.2019	30.09.2018	31.12.2018
<b>Statement of income</b>			
Interest and credit commission income from subsidiaries	8	24	26
Received dividend from subsidiaries	172	152	152
Rent paid to Sparebankeiendom AS	27	25	34
Administration fee received from Møre Boligkreditt AS	10	13	17
<b>Statement of financial position</b>			
Claims on subsidiaries	123	1 296	1 300
Covered bonds	589	556	818
Liabilities to subsidiaries	1 452	1 175	890
Intragroup right-of-use of properties in Sparebankeiendom AS	110	-	-
Accumulated loan portfolio transferred to Møre Boligkreditt AS	23 264	22 348	23 424

# Note 11

## EC capital

The 20 largest EC holders in Sparebanken Møre as at 30.09.2019	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	970 500	9.82
Cape Invest AS	781 270	7.90
Verdipapirfond Pareto Aksje Norge	429 575	4.34
Verdipapirfond Nordea Norge Verdi	390 611	3.95
Wenaasgruppen AS	380 000	3.84
MP Pensjon	339 781	3.44
Pareto AS	305 189	3.09
Wenaas Kapital AS	250 000	2.53
FLPS - Princ All Sec	206 383	2.09
Verdipapirfondet Eika egenkapital	191 258	1.93
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	113 500	1.15
Verdipapirfondet Landkreditt Utbytte	100 000	1.01
State Street Bank	76 000	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	5 089 127	51.47
Total number of ECs	9 886 954	100.00

# Note 12

## Capital adequacy

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

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

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

	30.09.2019	30.09.2018	31.12.2018
EC capital	989	989	989
- ECs owned by the Bank	-3	-5	-3
Share premium	356	355	356
Additional Tier 1 capital (AT1)	599	349	349
Primary capital fund	2 649	2 513	2 649
Gift fund	125	125	125
Dividend equalisation fund	1 392	1 260	1 391
Proposed dividend for the EC holders	0	0	153
Proposed dividend for the local community	0	0	156
Other equity	217	204	229
Accumulated profit for the period	522	456	0
<b>Total equity</b>	<b>6 847</b>	<b>6 246</b>	<b>6 394</b>

### Tier 1 capital (T1)

Goodwill, intangible assets and other deductions	-36	-42	-42
Value adjustments of financial instruments at fair value	-13	-14	-14
Deduction of overfunded pension liability	-18	0	-13
Additional Tier 1 capital (AT1)	-599	-349	-349
Expected IRB-losses exceeding ECL	-367	-150	-173
Proposed dividend for the EC holders	0	0	-153
Proposed dividend for the local community	0	0	-156
Deduction of accumulated profit for the period	-522	-456	0
<b>Total Common Equity Tier 1 capital (CET1)</b>	<b>5 291</b>	<b>5 228</b>	<b>5 495</b>

Additional Tier 1 capital - classified as equity	599	349	349
Additional Tier 1 capital - classified as debt	0	199	197
<b>Total Tier 1 capital (T1)</b>	<b>5 890</b>	<b>5 776</b>	<b>6 041</b>
<b>Tier 2 capital (T2)</b>			
Subordinated loan capital of limited duration	703	703	703
<b>Total Tier 2 capital (T2)</b>	<b>703</b>	<b>703</b>	<b>703</b>
<b>Net equity and subordinated loan capital</b>	<b>6 593</b>	<b>6 479</b>	<b>6 743</b>
<b>Risk weighted assets (RWA) by exposure classes</b>			
<b>Credit risk - standardised approach</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Central governments or central banks	0	0	0
Regional governments or local authorities	171	179	150
Public sector companies	76	54	54
Institutions (banks etc)	537	227	472
Covered bonds	357	339	400
Equity	148	98	98
Other items	681	641	621
<b>Total credit risk - standardised approach</b>	<b>1 970</b>	<b>1 538</b>	<b>1 795</b>
<b>Credit risk - IRB Foundation</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Retail - Secured by real estate	8 859	8 562	8 617
Retail - Other	655	626	620
Corporate lending	19 270	18 756	19 213
<b>Total credit risk - IRB-F</b>	<b>28 784</b>	<b>27 944</b>	<b>28 450</b>
Credit value adjustment risk (CVA)	584	266	554
Operational risk	2 582	2 505	2 582
Transitional scheme (Basel I) *)	2 169	2 201	1 009
<b>Risk weighted assets (RWA)</b>	<b>36 089</b>	<b>34 454</b>	<b>34 390</b>

\*) Sparebanken Møre has a capital requirement related to the transitional arrangement regarding the Basel I floor by the end of 3rd quarter 2019 of NOK 174 million.

Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 624	1 550	1 548
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<b>Buffer Requirement</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Capital conservation buffer (2.5 %)	902	861	860
Systemic risk buffer (3.0 %)	1 083	1 034	1 032
Countercyclical buffer (2.0%)	722	689	688
<b>Total buffer requirements</b>	<b>2 707</b>	<b>2 584</b>	<b>2 579</b>
Available Common Equity Tier 1 capital after buffer requirements	960	1 094	1 368

<b>Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Capital adequacy ratio	18.3	18.8	19.6
Capital adequacy ratio incl. 50 per cent of the profit for the period	19.0	19.4	-
Tier 1 capital ratio	16.3	16.8	17.6
Tier 1 capital ratio incl. 50 per cent of the profit for the period	17.0	17.4	-
Common Equity Tier 1 capital ratio	14.7	15.2	16.0
Common Equity Tier 1 capital ratio incl. 50 per cent of the profit for the period	15.4	15.8	-

<b>Leverage Ratio (LR)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>31.12.2018</b>
Leverage Ratio (LR)	7.7	7.9	8.1
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	8.0	8.2	-

# Statement of income - Parent Bank

## STATEMENT OF INCOME - PARENT BANK (COMPRESSED)

(NOK million)	Q3 2019	Q3 2018	30.09.2019	30.09.2018	2018
Interest income from assets at amortised cost	349	295	1 000	870	1 194
Interest income from assets at fair value	69	50	174	146	186
Interest costs	149	120	426	348	472
Net interest income	269	225	748	668	908
Commission income and revenues from banking services	57	55	161	157	208
Commission costs and expenditure from banking services	6	6	19	20	25
Other operating income	10	9	28	27	36
Net commission and other operating income	61	58	170	164	219
Dividends	1	0	178	154	154
Net gains/losses on financial instruments	4	4	52	38	40
Net return on financial instruments	5	4	230	192	194
Total income	335	287	1 148	1 024	1 321
Wages, salaries etc.	87	84	254	246	327
Administration costs	34	30	108	98	132
Depreciation and impairment	13	7	39	20	27
Other operating costs	22	28	59	74	99
Total operating costs	156	149	460	438	585
Profit before impairment on loans	179	138	688	586	736
Impairment on loans, guarantees etc.	24	9	47	11	14
Pre-tax profit	155	129	641	575	722
Taxes	39	29	113	101	146
Profit after tax	116	100	528	474	576

Allocated to equity owners	110	98	516	465	565
Allocated to owners of Additional Tier 1 capital	6	2	12	9	11
<hr/>					
Profit per EC (NOK) 1)	5.30	4.90	25.90	23.30	28.35
<hr/>					
Diluted earnings per EC (NOK) 1)	5.30	4.90	25.90	23.30	28.35
<hr/>					
Distributed dividend per EC (NOK)	0.00	0.00	15.50	14.00	15.50
<hr/>					

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

(NOK million)	Q3 2019	Q3 2018	30.09.2018	30.09.2018	2018
Profit after tax	116	100	528	474	576
Items that may subsequently be reclassified to the income statement:					
Basisswap spreads - changes in value	0	0	0	0	0
Tax effect of changes in value on basisswap spreads	0	0	0	0	0
Items that will not subsequently be reclassified to the income statement:					
Pension estimate deviations	0	0	0	0	12
Tax effect of pension estimate deviations	0	0	0	0	-3
<hr/>					
Total comprehensive income after tax	116	100	528	474	585
<hr/>					
Allocated to equity owners	110	98	516	465	574
Allocated to owners of Additional Tier 1 capital	6	2	12	9	11
<hr/>					

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

# Statement of financial position - Parent Bank

## ASSETS (COMPRESSED)

(NOK million)	30.09.2019	30.09.2018	31.12.2018
Cash and claims on Norges Bank	179	630	857
Loans to and receivables from credit institutions	697	2 306	2 330
Loans to and receivables from customers	40 506	37 415	37 059
Certificates, bonds and other interest-bearing securities	7 093	7 451	7 095
Financial derivatives	640	503	584
Shares and other securities	190	190	182
Equity stakes in Group companies	2 071	1 621	1 621
Deferred tax benefit	49	59	50
Intangible assets	37	42	42
Fixed assets	205	33	34
Other assets	106	91	83
<b>Total assets</b>	<b>51 773</b>	<b>50 341</b>	<b>49 937</b>

## LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	30.09.2019	30.09.2018	31.12.2018
Loans and deposits from credit institutions	2 009	1 875	1 668
Deposits from customers	36 168	34 705	34 437
Debt securities issued	4 809	5 653	5 415
Financial derivatives	422	295	502
Other liabilities	795	557	550
Incurring costs and prepaid income	94	83	78
Other provisions for incurred liabilities and costs	148	131	125
Perpetual Hybrid Tier 1 capital	0	287	293
Subordinated loan capital	703	703	703
<b>Total liabilities</b>	<b>45 148</b>	<b>44 289</b>	<b>43 771</b>



EC capital	989	989	989
ECs owned by the Bank	-3	-5	-3
Share premium	356	355	356
Additional Tier 1 capital	599	349	349
Paid-in equity	1 941	1 688	1 691
Primary capital fund	2 649	2 513	2 649
Gift fund	125	125	125
Dividend equalisation fund	1 392	1 260	1 391
Other equity	-10	-8	310
Total comprehensive income after tax	528	474	0
Retained earnings	4 684	4 364	4 475
Total equity	6 625	6 052	6 166
Total liabilities and equity	51 773	50 341	49 937

# Profit performance - Group

## QUARTERLY PROFIT

(NOK million)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net interest income	351	320	304	309	290
Other operating income	63	78	77	56	61
Total operating costs	161	160	157	152	152
Profit before impairment on loans	253	238	224	213	199
Impairment on loans, guarantees etc.	16	6	13	12	7
Pre-tax profit	237	232	211	201	192
Tax	57	53	49	60	43
Profit after tax	180	179	162	141	149

## As a percentage of average assets

Net interest income	1.91	1.75	1.69	1.76	1.63
Other operating income	0.34	0.43	0.43	0.32	0.35
Total operating costs	0.87	0.88	0.87	0.86	0.86
Profit before impairment on loans	1.38	1.30	1.25	1.22	1.12
Impairment on loans, guarantees etc.	0.09	0.03	0.07	0.07	0.04
Pre-tax profit	1.29	1.27	1.18	1.15	1.08
Tax	0.31	0.29	0.26	0.34	0.24
Profit after tax	0.98	0.98	0.92	0.81	0.84

# Alternative performance measures - APMs

## Alternative performance measures

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

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

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

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

### Total assets

Definition: The sum of all assets.

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

### Average assets

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

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

### Return on Equity

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

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

### Cost income ratio

Definition: Total operating costs in percentage of total income.

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

### Losses as a percentage of loans

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

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

**Deposit-to-loan ratio**

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

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

**Lending growth as a percentage**

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

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

**Deposit growth as a percentage**

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

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

**Price/book value (P/B)**

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

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

**Book value per equity certificate**

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

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

