



1 quarter 2020

Unaudited interim report



Sparebanken
Møre

Financial highlights - Group

Income statement

(Amounts in percentage of average assets)

	Q1 2020		Q1 2019		2019	
	NOK million	%	NOK million	%	NOK million	%
Net interest income	342	1.80	304	1.69	1 314	1.79
Net commission and other operating income	53	0.29	49	0.27	219	0.30
Net return on financial investments	-41	-0.23	28	0.16	74	0.10
Total income	354	1.86	381	2.12	1 607	2.19
Total operating costs	167	0.88	157	0.87	646	0.88
Profit before impairment on loans	187	0.98	224	1.25	961	1.31
Impairment on loans, guarantees etc.	36	0.19	13	0.07	50	0.07
Pre-tax profit	151	0.79	211	1.18	911	1.24
Tax	34	0.18	49	0.26	200	0.27
Profit after tax	117	0.61	162	0.92	711	0.97

Statement of financial position

(NOK million)	31.03.2020	% change Q1-2020	31.12.2019	% change YTD 2019	31.03.2019
Total assets 4)	79 070	5.6	74 875	11.2	71 135
Average assets 4)	76 097	3.5	73 496	6.0	71 797
Loans to and receivables from customers	65 145	1.7	64 029	6.3	61 270
Gross loans to retail customers	44 242	1.0	43 815	4.3	42 424
Gross loans to corporate and public entities	21 050	3.0	20 441	10.4	19 064
Deposits from customers	37 432	1.7	36 803	6.7	35 066
Deposits from retail customers	22 296	2.8	21 685	6.9	20 852
Deposits from corporate and public entities	15 136	0.1	15 118	6.5	14 214

Key figures and alternative performance measures (APMs)

	Q1 2020	Q1 2019	2019
Return on equity (annualised) 3) 4)	7.1	11.0	11.7
Cost income ratio 4)	47.2	41.2	40.2
Losses as a percentage of loans (annualised) 4)	0.22	0.09	0.08
Gross credit-impaired commitments as a percentage of loans/guarantees	1.50	1.55	1.48
Net credit-impaired commitments as a percentage of loans/guarantees	1.12	1.14	1.12
Deposit-to-loan ratio 4)	57.5	57.2	57.5
Liquidity Coverage Ratio (LCR)	125	125	165
Lending growth as a percentage 4)	6.3	5.2	6.1
Deposit growth as a percentage 4)	6.7	4.6	6.9
Capital adequacy ratio 1)	20.7	19.4	21.7
Tier 1 capital ratio 1)	18.6	17.3	19.5
Common Equity Tier 1 capital ratio (CET1) 1)	16.9	15.9	17.7
Leverage Ratio (LR) 1)	7.8	8.1	8.1
Man-years	354	356	357

Equity Certificates (ECs)

	31.03.2020	31.03.2019	2019	2018	2017	2016
Profit per EC (Group) (NOK) 2)	5.46	7.95	34.50	29.60	27.70	28.80
Profit per EC (Parent Bank) (NOK) 2)	14.47	14.13	32.00	28.35	27.00	29.85
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)	257	299	317	283	262	254
Stock market value (NOK million)	2 540	2 956	3 134	2 798	2 590	2 511
Book value per EC (Group) (NOK) 4)	325	296	320	303	289	275
Dividend per EC (NOK)	0.00	0.00	14.00	15.50	14.00	14.00
Price/Earnings (Group, annualised)	11.8	9.4	9.2	9.5	9.4	8.8
Price/Book value (P/B) (Group) 2) 4)	0.79	1.01	0.99	0.93	0.91	0.93

1) Incl. 50 % of the profit after tax

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

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

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

Interim report from the Board of Directors

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

RESULTS FOR Q1 2020

Profit after tax was NOK 117 million for the first quarter of 2020, or 0.61 per cent of average total assets, compared with NOK 162 million, or 0.92 per cent, for the corresponding quarter last year.

Return on equity was 7.1 per cent in the first quarter of 2020 compared with 11.0 per cent in the first quarter of 2019, and the cost income ratio amounted to 47.2 per cent compared with 41.2 per cent in the first quarter of 2019.

Earnings per equity certificate were NOK 5.46 (NOK 7.95) for the Group and NOK 14.47 (NOK 14.13) for the Parent Bank.

Given the circumstances, the Board of Directors is satisfied with Sparebanken Møre's results for the first quarter of 2020.

Net interest income

Net interest income was NOK 342 million, which is NOK 38 million, or 12.5 per cent, higher than in the corresponding quarter of last year. This represents 1.80 per cent of total assets, which is 0.11 percentage points higher than for the first quarter of 2019.

The interest rate margins for both lending and deposits were at the same level in the first quarter of 2020 as in the first quarter of 2019 in both the retail and corporate markets.

The increase in net interest income compared with the first quarter of 2019 is therefore mainly due to higher lending and deposit volumes, as well as an improved interest contribution from the Bank's equity.

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

The Bank reduced interest rates on loans by up to 0.85 percentage points from 8 April and deposit rates will be reduced at the end of May. This will result in a reduction in net interest income in the second quarter.

Other operating income

Other operating income was NOK 12 million in the quarter, which is NOK 65 million lower than in the first quarter of last year. The return on financial investments was NOK 69 million lower than in the first quarter of 2019. Capital losses from bond holdings were NOK 42 million in the quarter, compared with capital gains of NOK 6 million in the corresponding quarter last year. Capital losses on equities were NOK 7 million, compared with capital gains of NOK 6 million in the first quarter of 2019, and income from other financial investments decreased by NOK 8 million compared with the same period last year.

Other income excluding financial investments increased by NOK 4 million compared with the first quarter of 2019.

Costs

Operating costs were NOK 167 million in the quarter, which is NOK 10 million higher than in the same quarter last year. Personnel costs were NOK 4 million higher than in the corresponding period last year and amounted to NOK 89 million. Staffing has been reduced by 2 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 for the first quarter of 2020 was 47.2 per cent, 6.0 percentage points higher than in the first quarter of last year.

Credit-impaired commitments

The quarterly accounts were charged NOK 36 million (NOK 13 million) in losses on loans and guarantees. This amounts to 0.19 per cent (0.07 per cent) of average total assets on an annualised basis. Losses in the corporate segment increased by NOK 9 million in the quarter and losses in the retail segment increased by NOK 27 million.

At the end of the first quarter of 2020, total expected losses amounted to NOK 406 million, equivalent to 0.61 per cent of loans and guarantees (NOK 348 million and 0.56 per cent). Of the total expected losses, NOK 23 million are linked to a credit-impaired commitment more than 90 days past due (NOK 19 million), which amounts to 0.03 per cent of loans and guarantees (0.03 per cent). NOK 231 million relates to other credit-impaired commitments (NOK 239 million), which is equivalent to 0.35 per cent of gross loans and guarantees (0.38 per cent).

Net credit-impaired commitments (loans more than 90 days past due and other commitments in Stage 3) have increased by NOK 35 million in the last 12 months. At the end of the first quarter of 2020, the corporate market accounted for NOK 658 million of net credit-impaired commitments and the retail market NOK 89 million. In total, this represents 1.12 per cent of gross loans and guarantees (1.14 per cent).

Lending to customers

At the end of the first quarter of 2020, lending to customers amounted to NOK 65,145 million (NOK 61,270 million). Customer lending has increased by a total of NOK 3,875 million, or 6.3 per cent, in the last 12 months. Retail lending has increased by 4.3 per cent, while corporate lending has increased by 10.4 per cent in the last 12 months. Lending to corporate customers increased by 3.0 per cent in the first quarter of 2020, while lending to retail customers rose by 1.0 per cent. Retail lending accounted for 67.7 per cent of total lending at the end of the first quarter of 2020 (69.2 per cent).

Deposits from customers

Customer deposits have increased by NOK 2,366 million, or 6.7 per cent, in the last 12 months. At the end of the first quarter of 2020, deposits amounted to NOK 37,432 million (NOK 35,066 million). Retail deposits have increased by 6.9 per cent in the last 12 months, while corporate deposits have increased by 6.7 per cent and public sector deposits have increased by 2.9 per cent. The retail market's relative share of deposits amounted to 59.6 per cent (59.5 per cent), while deposits from the corporate market accounted for 38.1 per cent (38.2 per cent) and from the public sector market 2.3 per cent (2.3 per cent).

The deposit-to-loan ratio was 57.5 per cent at the end of the first quarter of 2020 (57.2 per cent).

CAPITAL ADEQUACY

Sparebanken Møre is very well capitalised. At the end of the first quarter, the Common Equity Tier 1 capital ratio was 16.9 per cent (15.9 per cent), incl. 50 per cent of the result for the year to date. This is 4.2 percentage points higher than the total regulatory minimum requirement of 12.7 per cent for the Common Equity Tier 1 capital ratio. The primary capital ratio, including 50 per cent of the result for the year to date, was 20.7 per cent (19.4 per cent), while the Tier 1 capital ratio was 18.6 per cent (17.3 per cent).

Capital adequacy is calculated in line with the EU's Capital Requirements Directive (CRD) IV and Capital Requirements Regulation (CRR), which were introduced with effect from 31 December 2019.

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

The countercyclical capital buffer was reduced from 2.5 per cent to 1.0 per cent with effect from 13 March 2020. The level is determined by the Ministry of Finance based on advice from Norges Bank.

The total regulatory minimum requirement for Sparebanken Møre's Common Equity Tier 1 capital ratio, including the Pillar 2 supplement, was 12.7 per cent at the end of the first quarter of 2020. In its assessment of Sparebanken Møre's Pillar 2 supplement in 2018, the Financial Supervisory Authority of Norway set it at 1.7 per cent, although it was made subject to a minimum of NOK 590 million with effect from 31 March 2019.

The leverage ratio (LR) at the end of the first quarter of 2020 was 7.8 per cent, 0.3 percentage points lower than at the end of the first quarter of 2019. The regulatory minimum requirement (3 per cent) and buffer requirement (2 per cent), 5 per cent in total, were met by a good margin.

SUBSIDIARIES

The aggregate profit of the Bank's three subsidiaries was NOK 48 million after tax in the first quarter of 2020 (NOK 48 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The main purpose of the mortgage company is to issue covered bonds for sale to Norwegian and international investors. At the end of the first quarter of 2020, the company had net outstanding bonds of NOK 24.8 billion in the market. Around 35 per cent of the borrowing was in currencies other than NOK. The company contributed NOK 48 million to the result in the first quarter of 2020 (NOK 47 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK -0.4 million to the result in the first quarter of 2020 (NOK 0.4 million). At the end of the quarter, the company employed 13 full-time equivalents.

Sparebankeiendom AS's purpose is to own and manage the Bank's commercial properties. The company contributed NOK 0.4 million to the result in the first quarter of 2020 (NOK 0.3 million). The company has no employees.

EQUITY CERTIFICATES

At the end of the first quarter of 2020, there were 5,671 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the Bank's total equity.

Note 11 includes a list of the 20 largest holders of the Bank's equity certificates. As at 31 March 2020, the Bank owned 22,111 of its own equity certificates. These were purchased on the Oslo Børs at market prices.

FUTURE PROSPECTS

Given the current situation, the overall output and demand in Møre og Romsdal will probably decline this year. This is due to the government's activity reducing measures aimed at countering the coronavirus, as well as the sharp fall in oil prices. The depreciation of the Norwegian krone will be positive for exports and import-competitive activities, while it entails higher costs and reduced profitability for companies with a high import share. However, a significant part of the business sector could get back to normal once the strictest infection control measures have been lifted. In this case, activity will pick up in the second half of the year and during 2021. Some industries will probably still be affected for a longer period. Examples of this are tourism with associated activities, trade and service industries, as well as the maritime industry. A sustained low oil price level will have a negative impact on businesses and industries in our region, Nordvestlandet.

The drop in economic activity has resulted in a steep rise in the number of furloughed workers. At the end of March, unemployment in Møre og Romsdal amounted to 10.0 per cent of the labour force. By comparison, the unemployment rate in Norway was 10.7 per cent. However, much of the rise in unemployment will probably be short-term in nature.

Household debt in Norway fell evenly throughout 2019 and to date in 2020, and is now at an annual rate of less than 5 per cent. The downward trend has persisted ever since 2012. The growth in lending in the corporate market was more stable in 2019, but has fallen markedly so far this year.

The Bank noted a somewhat slower pace of growth in lending to the retail market in the first quarter compared with the end of the fourth quarter. The growth rate in the corporate market remained good

throughout the quarter. Deposit growth is good and the deposit-to-loan ratio is high.

Lending growth in the retail market is expected to remain under 5 per cent in 2020. For the corporate market, the growth will fall to a similar level, in part due to strong growth throughout 2019, but also due to a lower level of investment as a result of the coronavirus crisis.

The Bank has a solid capital base and good liquidity and will remain a strong, committed supporter of our customers also throughout the coronavirus crisis. The focus will always be on good operations and profitability.

Sparebanken Møre's target for cost-effective operations is a cost income ratio of less than 40 per cent. The Bank's strategic target for return on equity is more than 11 per cent. Given what now appears to be the likely duration and impact of the government's activity reducing measures aimed at countering the coronavirus, it seems unlikely that the Bank's targets will be achieved in 2020.

Ålesund, 31 March 2020

29 April 2020

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman of the Board

RAGNA BRENNE BJERKESET, Deputy Chairman

HENRIK GRUNG

JILL AASEN

ANN MAGRITT BJÅSTAD VIKERBAKK

KÅRE ØYVIND VASSDAL

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP (COMPRESSED)

(NOK million)	Note	Q1 2020	Q1 2019	2019
Interest income from assets at amortised cost		565	465	2 085
Interest income from assets at fair value		75	53	243
Interest expenses		298	214	1 014
Net interest income	<u>9</u>	342	304	1 314
Commission income and revenues from banking services		54	50	221
Commission costs and charges from banking services		7	7	26
Other operating income		6	6	24
Net commission and other operating income		53	49	219
Dividends		6	1	12
Net gains/losses on financial instruments	<u>5</u>	-47	27	62
Net return on financial instruments		-41	28	74
Total income		354	381	1 607
Wages, salaries etc.		89	85	354
Administration costs		39	38	143
Depreciation and impairment		13	11	50
Other operating costs		26	23	99
Total operating costs		167	157	646
Profit before impairment on loans		187	224	961
Impairment on loans, guarantees etc.	<u>3</u>	36	13	50
Pre-tax profit		151	211	911
Taxes		34	49	200
Profit after tax		117	162	711
Allocated to equity owners		109	159	688
Allocated to owners of Additional Tier 1 capital		8	3	23
Profit per EC (NOK) 1		5.46	7.95	34.50
Diluted earnings per EC (NOK) 1		5.46	7.95	34.50
Distributed dividend per EC (NOK)		0.00	0.00	15.50

STATEMENT OF COMPREHENSIVE INCOME - GROUP (COMPRESSED)

(NOK million)	Q1 2020	Q1 2019	2019
Profit after tax	117	162	711
Items that may subsequently be reclassified to the income statement:			
Basisswap spreads - changes in value	6	-5	2
Tax effect of changes in value on basisswap spreads	-1	1	0
Items that will not subsequently be reclassified to the income statement:			
Pension estimate deviations	0	0	-29
Tax effect of pension estimate deviations	0	0	7
Total comprehensive income after tax	122	158	691
Allocated to equity owners	114	155	668
Allocated to owners of Additional Tier 1 capital	8	3	23

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

Statement of financial position - Group

ASSETS (COMPRESSED)

(NOK million)	Note	31.03.2020	31.03.2019	31.12.2019
Cash and claims on Norges Bank	<u>5 6 10</u>	653	297	1 072
Loans to and receivables from credit institutions	<u>5 6 10</u>	1 775	561	1 088
Loans to and receivables from customers	<u>2 3 4 5 7 10</u>	65 145	61 270	64 029
Certificates, bonds and other interest-bearing securities	<u>5 7 10</u>	7 758	7 229	6 938
Financial derivatives	<u>5 7</u>	3 149	1 093	1 176
Shares and other securities	<u>5 7</u>	181	188	194
Deferred tax benefit		0	54	0
Intangible assets		51	41	53
Fixed assets		232	307	236
Other assets		126	95	89
Total assets		79 070	71 135	74 875

LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	Note	31.03.2020	31.03.2019	31.12.2019
Loans and deposits from credit institutions	<u>5 6 10</u>	3 146	1 086	817
Deposits from customers	<u>2 5 7 10</u>	37 432	35 066	36 803
Debt securities issued	<u>5 6 8</u>	28 550	26 423	28 271
Financial derivatives	<u>5 7</u>	1 228	396	288
Other liabilities		557	755	641
Incurring costs and prepaid income		70	61	86
Other provisions for incurred liabilities and costs		298	107	295
Additional Tier 1 capital	<u>5 6</u>	0	298	0
Subordinated loan capital	<u>5 6</u>	704	703	704
Total liabilities		71 985	64 895	67 905
EC capital	<u>11</u>	989	989	989
ECs owned by the Bank		-2	-3	-3
Share premium		357	356	357
Additional Tier 1 capital		599	349	599
Paid-in equity		1 943	1 691	1 942

Primary capital fund	2 819	2 649	2 819
Gift fund	125	125	125
Dividend equalisation fund	1 559	1 391	1 559
Other equity	517	226	525
Comprehensive income for the period	122	158	0
Retained earnings	5 142	4 549	5 028
Total equity	7 085	6 240	6 970
Total liabilities and equity	79 070	71 135	74 875

Statement of changes in equity - Group

GROUP 31.03.2020	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as of 31.12.2019	6 970	986	357	599	2 819	125	1 559	525
Changes in own equity certificates	1	1						
Interests on issued Additional Tier 1 capital	-8							-8
Total profit for the period	122							122
Equity as at 31 March 2020	7 085	987	357	599	2 819	125	1 559	639

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

GROUP 31.12.2019	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31 December 2018	6 360	986	356	349	2 649	125	1 391	504
Changes in own equity certificates	1		1					
Distributed dividend to the EC holders	-153							-153
Distributed dividend to the local community	-156							-156
Additional Tier 1 capital issued	250			250				
Interests paid on Additional Tier 1 capital issued	-23							-23
Equity before allocation of profit for the year	6 279	986	357	599	2 649	125	1 391	172
Allocated to the primary capital fund	181				181			
Allocated to the dividend equalisation fund	179						179	
Allocated to owners of Additional Tier 1 capital	23							23
Allocated to other equity	49							49
Proposed dividend allocated for the EC holders	138							138
Proposed dividend allocated for the local community	141							141
Profit for the year	711	0	0	0	181	0	179	351
Changes in value - basis swaps	2							2
Tax effect of changes in value - basis swaps	0							0
Pension estimate deviations	-29				-15		-14	
Tax effect of pension estimate deviations	7				4		3	
Total other income and costs from comprehensive income	-20	0	0	0	-11	0	-11	2
Total profit for the year	691	0	0	0	170	0	168	353
Equity as at 31 December 2019	6 970	986	357	599	2 819	125	1 559	525

Statement of cash flow - Group

(NOK million)	31.03.2020	31.03.2019	31.12.2019
Cash flow from operating activities			
Interest, commission and fees received	643	533	2 449
Interest, commission and fees paid	-201	-118	-515
Dividend and group contribution received	6	1	12
Operating expenses paid	-192	-125	-548
Income taxes paid	-42	-100	-81
Changes relating to loans to and claims on other financial institutions	-687	727	200
Changes relating to repayment of loans/leasing to customers	-609	-657	-3 755
Changes in utilised credit facilities	-531	-295	52
Net change in deposits from customers	629	652	2 390
Net cash flow from operating activities	-984	618	204
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	40	30	134
Proceeds from the sale of certificates, bonds and other securities	3 027	1 236	8 462
Purchases of certificates, bonds and other securities	-4 008	-2 164	-8 649
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-4	-5	-33
Changes in other assets	157	124	63
Net cash flow from investing activities	-788	-779	-23
Cash flow from financing activities			
Interest paid on debt securities and subordinated loan capital	-161	-124	-563
Net change in deposits from Norges Bank and other financial institutions	2 329	131	-138
Proceeds from bond issues raised	0	0	5 374
Redemption of debt securities	-980	0	-4 317
Dividend paid	0	0	-153
Changes in other debt	173	-402	-396
Proceeds from Additional Tier 1 capital issued	0	0	250
Paid interest on Additional Tier 1 capital issued	-8	-4	-23
Net cash flow from financing activities	1 353	-399	34
Net change in cash and cash equivalents	-419	-560	215
Cash balance at 01.01	1 072	857	857
Cash balance at 31.03/31.12	653	297	1 072

Note 1

Accounting principles

The Group's interim accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), implemented by the EU as at 31 March 2020. The interim report has been prepared in compliance with IAS 34 Interim Reporting and in accordance with accounting principles and methods applied in the 2019 Financial statements.

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.

Note 1.5 in the Annual report 2019 discloses the use of estimates used in the preparation of the financial statements. One of the most important areas to which critical estimates and assumptions are linked is the measurement of expected credit losses (ECL) according to IFRS 9. Covid-19 has resulted in changed assumptions for the calculation of expected losses as of Q1-2020. See note 3 for further information.

Note 2

Loans and deposits broken down according to sectors

GROUP	Loans		
Broken down according to sectors	31.03.2020	31.03.2019	31.12.2019
Agriculture and forestry	558	520	568
Fisheries	3 583	3 196	3 502
Manufacturing	2 240	2 680	2 346
Building and construction	1 086	740	915
Wholesale and retail trade, hotels	718	630	621
Supply/Offshore	1 222	978	1 042
Property management	7 730	6 837	7 692
Professional/financial services	986	1 294	1 186
Transport and private/public services	2 635	1 943	2 307
Public entities	0	0	0
Activities abroad	292	246	262
Total corporate/public entities	21 050	19 064	20 441
Retail customers	44 242	42 424	43 815
Fair value adjustment of loans	136	52	32
Total loans (gross carrying amount)	65 428	61 540	64 288
Expected credit loss (ECL) - stage 1 - Corporate	-23	-21	-30
Expected credit loss (ECL) - stage 1 - Retail	-8	-5	-5
Expected credit loss (ECL) - stage 2 - Corporate	-53	-30	-58
Expected credit loss (ECL) - stage 2 - Retail	-59	-32	-36
Expected credit loss (ECL) - stage 3 - Corporate	-116	-163	-106
Expected credit loss (ECL) - stage 3 - Retail	-24	-19	-24
Loans to and receivables from customers (net carrying amount)	65 145	61 270	64 029
-of which loans with floating interest rate (amortised cost)	61 098	57 565	59 832
-of which loans with fixed interest rate (fair value)	4 047	3 705	4 197

GROUP	Deposits		
	31.03.2020	31.03.2019	31.12.2019
Broken down according to sectors			
Agriculture and forestry	231	218	187
Fisheries	1 227	1 030	1 252
Manufacturing	1 827	1 559	1 659
Building and construction	858	656	841
Wholesale and retail trade, hotels	730	731	839
Property management	1 753	1 700	1 648
Transport and private/public services	5 365	5 316	5 448
Public entities	855	831	777
Activities abroad	3	5	5
Miscellaneous	2 287	2 168	2 462
Total corporate/public entities	15 136	14 214	15 118
Retail customers	22 296	20 852	21 685
Total deposits	37 432	35 066	36 803

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 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 evidence of loss or if an individual assessment has been made, the commitment is transferred to stage 3 with lifetime ECL measurement. The commitment is considered to be credit-impaired.

Staging is performed at account level and implies that two or more accounts held by the same customer can be placed in different stages.

A commitment is defined as the total of loans, undrawn credit facilities and guarantees (undrawn credit facilities and guarantees are off-balance items).

A commitment is defined to be in default and credit-impaired (non-performing) if a claim is more than 90 days overdue and the overdue amount exceeds NOK 1 000.

A commitment is also defined to be credit-impaired (non-performing) if the commitment, as a result of a weakening of the debtor's creditworthiness, has been subject to an individual assessment, resulting in a lifetime ECL in stage 3.

A commitment is defined to be subject to forbearance (payment relief due to payment difficulties) if the bank agrees to changes in the terms and conditions as a result of the debtor having problems meeting payment obligations. Performing forbearance (not in default) is placed in stage 2 whereas non-performing (defaulted) forbearance is placed in 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».

Consequences of COVID-19 and measurement of expected credit loss (ECL) for loans and guarantees

Pursuant to the accounting rules (IAS 34), interim financial reports must provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of an entity since the last annual report. The information related to these events and transactions must take into account relevant information presented in the most recent annual report. The first interim report of 2020 has been prepared in a period when the economic outlook differs from that in the annual financial statements for 2019.

The Bank's loss provisions reflect expected credit loss (ECL) pursuant to IFRS 9. When assessing ECL, the relevant conditions at the time of reporting and expected economic developments are taken into account. COVID-19 has resulted in an extraordinary situation for the Bank's customers. Many corporate and retail customers have seen their income reduced in the short term, and the level of uncertainty associated with estimating the future cash flows and debt servicing capacity of these customers is very high.

The situation has impacted the ECL calculation at the end of the first quarter of 2020. Changes in economic

conditions have impacted macroeconomic scenarios and weightings.

Weighting at the end of Q1 2020: Weighting as at 31 December 2019:

- | | | | |
|----------|------|--------|------|
| • Best: | 10 % | Best: | 10 % |
| • Base: | 50 % | Base: | 80 % |
| • Worst: | 40 % | Worst: | 10 % |

The changes to scenario weightings are based on analyses and estimates from Norges Bank and Statistics Norway. The estimates for key macro factors have been adjusted downwards in relation to previous estimates. In addition to the external estimates, the Bank has used its best judgement to ensure that the forecasts are unbiased. On the one hand, the government's package of measures will limit expected losses. State guarantees are reflected in the Bank's LGD model (expected loss has been reduced).

In its assessments, the Bank has taken into account a significant increase in approved payment holidays. A specific, individual assessment is made of whether the payment holiday is forbearance and thus should migrate to stage 2 (performing) or stage 3 (non-performing). The migration of agreements from stage 1 to stage 2 in the first quarter of 2020 is largely a result of this review and amounts to around NOK 600 million.

This has been further supplemented with a more portfolio- or segment based (hotels, tourism, travel industry, and personal services industry) approach to assess significantly increased credit risk and migration to stage 2. This is due to the fact that the ECL model does not fully capture changes in future prospects.

In addition to COVID-19, oil prices have fallen dramatically due to high output and a substantial drop in demand. This has resulted in the overriding of relevant variables in the ECL model in order to take account of the increased uncertainty for individual commitments within the oil services industry.

Specification of credit loss in the income statement

GROUP	Q1 2020	Q1 2019	2019
Changes in ECL - Stage 1	-1	1	10
Changes in ECL - Stage 2	18	2	37
Changes in ECL - Stage 3	0	-43	-138
Increase in existing expected losses in stage 3 (individually assessed)	11	6	2
New expected losses in stage 3 (individually assessed)	12	52	155
Confirmed losses, previously impaired	4	3	12
Reversal of previous expected losses in stage 3 (individually assessed)	-9	-7	-30
Confirmed losses, not previously impaired	2	1	10
Recoveries	-1	-1	-8
Total impairments on loans and guarantees, etc	36	13	50

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

GROUP - 31.03.2020	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2019	36	99	240	375
New commitments	6	2	0	8
Disposal of commitments and transfer to stage 3 (individually assessed)	-7	-4	-3	-14
Changes in ECL in the period for commitments which have not migrated	0	-1	0	-1
Migration to stage 1	4	-13	0	-9
Migration to stage 2	-4	36	-1	31
Migration to stage 3	0	-2	4	2
Changes stage 3 (individually assessed)	-	-	14	14
ECL 31.03.2020	35	117	254	406
- of which expected losses on loans to retail customers	8	59	24	91
- of which expected losses on loans to corporate customers	23	53	116	192
- of which expected losses on guarantees	4	5	114	123

GROUP - 31.03.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	26	61	251	338
New commitments	3	5	0	8
Disposal of commitments and transfer to stage 3 (individually assessed)	-2	-3	-52	-57
Changes in ECL in the period for commitments which have not migrated	0	-1	10	9
Migration to stage 1	1	-9	-1	-9
Migration to stage 2	-1	11	-3	7
Migration to stage 3	0	-1	3	2
Changes stage 3 (individually assessed)	-	-	50	50
ECL 31.03.2019	27	63	258	348
- of which expected losses on loans to retail customers	5	32	19	56
- of which expected losses on loans to corporate customers	21	30	163	214
- of which expected losses on guarantees	1	1	76	78

GROUP - 31.12.2019	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2018	26	61	251	338
New commitments	15	11	1	27
Disposal of commitments and transfer to stage 3 (individually assessed)	-5	-12	-125	-142
Changes in ECL in the period for commitments which have not migrated	2	2	0	4
Migration to stage 1	1	-22	-1	-22
Migration to stage 2	-3	60	-21	36
Migration to stage 3	0	-1	8	7
Changes stage 3 (individually assessed)	-	-	127	127
ECL 31.12.2019	36	99	240	375
- of which expected losses on loans to retail customers	5	36	24	65
- of which expected losses on loans to corporate customers	30	58	106	194
- of which expected losses on guarantees	1	5	110	116

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

GROUP - 31.03.2020	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	50 530	506	-	51 036
Medium risk (0.5 % - < 3 %)	7 922	2 521	-	10 443
High risk (3 % - <100 %)	808	1 262	-	2 070
Credit-impaired commitments	-	-	1 001	1 001
Total commitments before ECL	59 260	4 289	1 001	64 550
- ECL	-35	-117	-254	-406
Net commitments *)	59 225	4 172	747	64 144

GROUP - 31.03.2019	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	48 432	619	-	49 051
Medium risk (0.5 % - < 3 %)	7 095	2 610	-	9 704
High risk (3 % - <100 %)	529	945	-	1 474
Credit-impaired commitments	-	-	970	970
Total commitments before ECL	56 056	4 173	970	61 199
- ECL	-27	-63	-258	-348
Net commitments *)	56 029	4 110	712	60 851

GROUP - 31.12.2019	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	50 157	171	-	50 328
Medium risk (0.5 % - < 3 %)	7 369	2 489	-	9 858
High risk (3 % - <100 %)	1 726	1 004	-	2 730
Credit-impaired commitments	-	-	976	976
Total commitments before ECL	59 252	3 664	976	63 892
- ECL	-36	-99	-240	-375
Net commitments *)	59 216	3 565	736	63 517

*) The tables above are based on exposure (incl. undrawn credit facilities and guarantees) and are not including fixed rate loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.

Note 4

Credit-impaired commitments

The table shows total commitments in default above 90 days and other credit-impaired commitments (not in default above 90 days).

GROUP	31.03.2020			31.03.2019			31.12.2019		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 90 days	170	73	97	125	53	72	162	76	86
Gross other credit-impaired commitments	831	40	791	845	29	816	814	34	780
Gross credit-impaired commitments	1 001	113	888	970	82	888	976	110	866
ECL on commitments in default above 90 days	23	15	8	19	10	9	24	19	5
ECL on other credit-impaired commitments	231	9	222	239	8	231	216	5	211
ECL on credit-impaired commitments	254	24	230	258	18	240	240	24	216
Net commitments in default above 90 days	147	58	89	106	43	63	138	57	81
Net other credit-impaired commitments	600	31	569	606	21	585	598	29	569
Net credit-impaired commitments	747	89	658	712	64	648	736	86	650
Gross credit-impaired commitments as a percentage of loans/guarantees	1.50	0.26	3.89	1.55	0.19	4.33	1.48	0.25	3.96
Net credit-impaired commitments as a percentage of loans/guarantees	1.12	0.21	2.89	1.14	0.15	3.16	1.12	0.20	2.98

Note 5

Classification of financial instruments

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

CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

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

Financial assets assessed at amortised cost

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

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

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

Financial liabilities assessed at amortised cost

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

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

The Group's portfolio of bonds in the liquidity portfolio is classified at fair value through the income statement. The portfolio is held solely for liquidity management and is traded to optimize returns within current requirements for the liquidity portfolio.

The Group's portfolio of fixed interest rate loans is assessed at fair value to avoid accounting mismatch in relation to the underlying interest rate swaps.

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

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

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

LEVELS IN THE VALUATION HIERARCHY

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

Level 1 – Valuation based on prices in an active market

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

Level 2 – Valuation based on observable market data

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

Level 3 – Valuation based on other than observable market data

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

GROUP - 31.03.2020	Financial instruments at fair value through profit and loss	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		653	653
Loans to and receivables from credit institutions		1 775	1 775
Loans to and receivables from customers	4 047	61 098	65 145
Certificates and bonds	7 758		7 758
Shares and other securities	181		181
Financial derivatives	3 149		3 149
Total financial assets	15 135	63 526	78 661
Loans and deposits from credit institutions		3 146	3 146
Deposits from and liabilities to customers		37 432	37 432
Financial derivatives	1 228		1 228
Debt securities		28 550	28 550
Subordinated loan capital		704	704
Total financial liabilities	1 228	69 832	71 060

GROUP - 31.03.2019	Financial instruments at fair value through profit and loss	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		297	297
Loans to and receivables from credit institutions		561	561
Loans to and receivables from customers	3 705	57 565	61 270
Certificates and bonds	7 229		7 229
Shares and other securities	188		188
Financial derivatives	1 093		1 093
Total financial assets	12 215	58 423	70 638
Loans and deposits from credit institutions		1 086	1 086
Deposits from and liabilities to customers		35 066	35 066
Financial derivatives	396		396
Debt securities		26 423	26 423
Subordinated loan capital		1 001	1 001
Total financial liabilities	396	63 576	63 972

GROUP - 31.12.2019	Financial instruments at fair value in the income statement	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank		1 072	1 072
Loans to and receivables from credit institutions		1 088	1 088
Loans to and receivables from customers	4 197	59 832	64 029
Certificates and bonds	6 938		6 938
Shares and other securities	194		194
Financial derivatives	1 176		1 176
Total financial assets	12 505	61 992	74 497
Loans and deposits from credit institutions		817	817
Deposits from customers		36 803	36 803
Financial derivatives	288		288
Debt securities issued		28 271	28 271
Subordinated loan capital and Additional Tier 1 capital		704	704
Total financial liabilities	288	66 595	66 883

Net gains/losses on financial instruments

	Q1 2020	Q1 2019	31.12.2019
Certificates and bonds	-42	6	-9
Securities	-7	6	16
Foreign exchange trading (for customers)	12	13	41
Fixed income trading (for customers)	6	1	16
Financial derivatives	-16	1	-2
Net change in value and gains/losses from financial instruments	-47	27	62

Note 6

Financial instruments at amortised cost

GROUP	31.03.2020		31.03.2019		31.12.2019	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	653	653	297	297	1 072	1 072
Loans to and receivables from credit institutions	1 775	1 775	561	561	1 088	1 088
Loans to and receivables from customers	61 098	61 098	57 565	57 565	59 832	59 832
Total financial assets	63 526	63 526	58 423	58 423	61 992	61 992
Loans and deposits from credit institutions	3 146	3 146	1 086	1 086	817	817
Deposits from and liabilities to customers	37 432	37 432	35 066	35 066	36 803	36 803
Debt securities	28 479	28 550	26 516	26 423	28 362	28 271
Subordinated loan capital and AT1 capital	665	704	1 011	1 001	714	704
Total financial liabilities	69 722	69 832	63 679	63 576	66 696	66 595

Note 7

Financial instruments at fair value

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

GROUP - 31.03.2020	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			4 047	4 047
Certificates and bonds	5 282	2 476		7 758
Shares and other securities	5		176	181
Financial derivatives		3 149		3 149
Total financial assets	5 287	5 625	4 223	15 135
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		1 228		1 228
Total financial liabilities	-	1 228	-	1 228

GROUP - 31.03.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 705	3 705
Certificates and bonds	4 991	2 238		7 229
Shares and other securities	18		170	188
Financial derivatives		1 093		1 093
Total financial assets	5 009	3 331	3 875	12 215
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers				-
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		396		396
Total financial liabilities	-	396	-	396

GROUP - 31.12.2019	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 197	4 197
Certificates and bonds	4 741	2 197		6 938
Shares	6		188	194
Financial derivatives		1 176		1 176
Total financial assets	4 747	3 373	4 385	12 505
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		288		288
Total financial liabilities	-	288	-	288

Reconciliation of movements in level 3 during the period

GROUP	Loans to and receivables from customers	Shares
Book value as at 31.12.19	4 197	188
Purchases/additions	258	0
Sales/reduction	-513	-8
Transferred to Level 3	0	0
Transferred from Level 3	0	0
Net gains/losses in the period	105	-4
Book value as at 31.03.20	4 047	176

GROUP	Loans to and receivables from customers	Shares
Book value as at 31.12.18	3 811	175
Purchases/additions	69	0
Sales/reduction	-171	-3
Transferred to Level 3	0	0
Transferred from Level 3	0	0
Net gains/losses in the period	-4	-2
Book value as at 31.03.19	3 705	170

Note 8

Issued covered bonds

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

Covered bonds in the Group (NOK million)

ISIN code	Currency	Nominal value 31.12.2019	Interest	Issued	Maturity	Book value 31.03.2020	31.03.2019	31.12.2019
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 262	1 225	1 187
NO0010676018	NOK	-	3M Nibor + 0.47 %	2013	2019	-	2 506	-
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	364	302	308
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	345	290	296
NO0010696990	NOK	-	3M Nibor + 0.45 %	2013	2020	-	2 508	231
NO0010720204	NOK	3 000	3M Nibor + 0.24 %	2014	2020	3 001	3 000	3 001
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 011	989	999
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 013	3 011	3 013
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 905	2 447	2 490
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 003	2 500	3 004
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 947	2 477	2 522
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 115	1 041	1 024
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	3 002	-	2 503
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 912	-	2 484
Total covered bonds issued by Møre Boligkreditt AS						24 880	22 296	23 062

As of 31.03.2020, Sparebanken Møre had a holding of NOK 823 million in covered bonds issued by Møre Boligkreditt AS (NOK 1 288 million). Møre Boligkreditt AS had no own holding as of 31.03.2020 (NOK 0 million).

Note 9

Operating segments

Result - Q1 2020	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Net interest income	342	1	22	129	190	0
Other operating income	12	-13	-35	28	28	4
Total income	354	-12	-13	157	218	4
Operating costs	167	-13	37	38	101	4
Profit before impairment	187	1	-50	119	117	0
Impairment on loans, guarantees etc.	36	0	0	9	27	0
Pre-tax profit	151	1	-50	110	90	0
Taxes	34					
Profit after tax	117					

Key figures - 31.03.2020	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	65 145	-119	1 484	20 384	43 396	0
Deposits from customers 1)	37 432	-16	786	13 089	23 573	0
Guarantee liabilities	1 762	0	0	1 756	6	0
The deposit-to-loan ratio	57.5	13.4	53.0	64.2	54.3	0
Man-years	354	0	157	50	134	13

Result - Q1 2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Net interest income	304	1	5	114	184	0
Other operating income	77	-12	34	24	26	5
Total income	381	-11	39	138	210	5
Operating costs	157	-12	31	33	101	4
Profit before impairment	224	1	8	105	109	1
Impairment on loans, guarantees etc.	13	0	0	15	-2	0
Pre-tax profit	211	1	8	90	111	1
Taxes	49					
Profit after tax	162					

Key figures - 31.03.2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	61 270	-122	1 340	18 369	41 683	0
Deposits from customers 1)	35 066	-18	763	12 040	22 281	0
Guarantee liabilities	1 410	0	0	1 400	10	0
Deposit-to-loan ratio	57.2	14.8	56.9	65.5	53.5	0
Man-years	356	0	156	48	138	14

Result - 31.12.2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 314	2	5	509	798	0
Other operating income	293	-51	110	99	115	20
Total income	1 607	-49	115	608	913	20
Operating costs	646	-50	153	127	397	19
Profit before impairment	961	1	-38	481	516	1
Impairment on loans, guarantees etc.	50	0	0	40	10	0
Pre-tax profit	911	1	-38	441	506	1
Taxes	200					
Profit after tax	711					

Key figures - 31.12.2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	64 029	-120	1 372	19 693	43 084	0
Deposits from customers 1)	36 803	-21	711	13 134	22 979	0
Guarantee liabilities	1 360	0	0	1 355	5	0
Deposit-to-loan ratio	57.5	0.0	51.8	66.7	53.3	0.0
Man-years	357	0	156	51	137	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.

2) Consists of head office activities not allocated to reporting segments, customer commitments towards employees as well as the subsidiary Sparebankeiendom AS, which manages the buildings owned by the Group.

MØRE BOLIGKREDITT AS

Statement of income	Q1 2020	Q1 2019	31.12.2019
Net interest income	81	69	308
Other operating income	-5	1	-3
Total income	76	70	305
Operating costs	12	10	45
Profit before impairment on loans	64	60	260
Impairment on loans, guarantees etc.	3	-1	-11
Pre-tax profit	61	61	271
Taxes	13	14	49
Profit after tax	48	47	222

Statement of financial position	31.03.2020	31.03.2019	31.12.2019
Loans to and receivables from customers	25 880	23 682	25 655
Total equity	2 102	2 094	2 274

Note 10

Transactions with related parties

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

The most important transactions eliminated in the Group accounts:

PARENT BANK	31.03.2020	31.03.2019	31.12.2019
Statement of income			
Interest and credit commission income from subsidiaries	5	3	10
Received dividend from subsidiaries	227	172	172
Administration fee received from Møre Boligkreditt AS	9	9	36
Rent paid to Sparebankeiendom AS	3	3	13
Statement of financial position			
Claims on subsidiaries	2 975	1 276	2 290
Covered bonds	823	1 288	0
Liabilities to subsidiaries	3 087	1 350	848
Intragroup right-of-use of properties in Sparebankeiendom AS	106	114	107
Accumulated loan portfolio transferred to Møre Boligkreditt AS	25 887	23 696	25 658

Note 11

EC capital

The 20 largest EC holders in Sparebanken Møre as at 31.03.2020	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	975 211	9.86
Cape Invest AS	884 548	8.95
Verdipapirfond Nordea Norge Verdi	390 343	3.95
Wenaasgruppen AS	380 000	3.84
MP Pensjon	339 781	3.44
Pareto AS	297 189	3.01
Verdipapirfond Pareto Aksje Norge	275 516	2.79
Wenaas Kapital AS	250 000	2.53
Verdipapirfondet Eika egenkapital	218 259	2.21
FLPS - Princ All Sec	204 903	2.07
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	123 500	1.25
State Street Bank	80 329	0.81
Stiftelsen Kjell Holm	76 000	0.77
PIBCO AS	75 000	0.76
Forsvarets personell pensjonskasse	68 960	0.70
Storebrand Norge I Verdipapirfond	59 884	0.61
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Morgan Stanley & Co. International	41 134	0.42
Total 20 largest EC holders	4 995 657	50.53
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.

The countercyclical capital buffer was reduced from 2.5 per cent to 1.0 per cent with effect from 13 March 2020. The level is set by the Ministry of Finance based on advice from Norges Bank.

The requirement for Common Equity Tier 1 capital (CET1) for Pillar 1 is 11.0 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 1.0 per cent. In addition, Finanstilsynet has set an individual Pillar 2 requirement of 1.7 per cent, however a minimum of NOK 590 mill.

The capital adequacy reported in the 2019 Annual report was based on a proposed cash dividend of NOK 17.50 per equity certificate, a total of NOK 173 million, and an allocation to dividend funds for the local community totalling NOK 176 million. The final cash dividend for 2019 was approved by the General Meeting 16 April 2020, at NOK 14.00 per equity certificate, a total of NOK 138 million, and dividend funds for the local community was set at NOK 141 million. As a result of the reduced dividends, the Group's Common Equity Tier 1 was strengthened by 0.3 p.p. from 17.4 per cent to 17.7 per cent. Correspondingly, the Tier 1 capital was increased from 19.3 per cent to 19.5 per cent and the Capital adequacy ratio increased from 21.5 per cent to 21.7 per cent.

The capital adequacy figures as of 31.12.2019 are in the interim report restated compared to the reported figures in the 2019 Annual report, thus reflecting the resolution of the General Meeting dated 16 April 2020.

	31.03.2020	31.03.2019	31.12.2019
EC capital	989	989	989
- ECs owned by the Bank	-2	-3	-3
Share premium	357	356	357
Additional Tier 1 capital (AT1)	599	349	599
Primary capital fund	2 819	2 649	2 819
Gift fund	125	125	125
Dividend equalisation fund	1 559	1 391	1 559
Proposed dividend for EC holders	138	0	138
Proposed dividend for the local community	140	0	140
Other equity	239	226	246
Accumulated profit for the period	122	158	0
Total equity	7 085	6 240	6 970

Tier 1 capital (T1)

Goodwill, intangible assets and other deductions	-51	-41	-53
Value adjustments of financial instruments at fair value	-16	-13	-14
Deduction of overfunded pension liability	-3	-17	0
Additional Tier 1 capital (AT1)	-599	-349	-599
Expected IRB-losses exceeding ECL	-338	-215	-352
Deduction for proposed dividend for EC holders	-138	0	-138
Deduction for proposed dividend for the local community	-140	0	-140
Deduction of accumulated profit for the period	-122	-158	-
Total Common Equity Tier 1 capital (CET1)	5 678	5 447	5 673
Additional Tier 1 capital - classified as equity	599	349	599
Additional Tier 1 capital - classified as debt	0	147	0
Total Tier 1 capital (T1)	6 277	5 943	6 272

Tier 2 capital (T2)

Subordinated loan capital of limited duration	704	703	704
Total Tier 2 capital (T2)	704	703	704
Net equity and subordinated loan capital	6 981	6 646	6 976

Risk weighted assets (RWA) by exposure classes

Credit risk - standardised approach	31.03.2020	31.03.2019	31.12.2019
Central governments or central banks	0	0	0
Regional governments or local authorities	269	223	188
Public sector companies	62	65	73
Institutions (banks etc)	790	401	342
Covered bonds	407	347	373
Equity	173	98	148
Other items	675	719	666
Total credit risk - standardised approach	2 376	1 853	1 790

Credit risk - IRB Foundation

Retail - Secured by real estate	8 770	8 785	8 684
Retail - Other	431	628	431
Corporate lending	18 935	19 687	17 969
Total credit risk - IRB-F	28 136	29 100	27 084

Credit value adjustment risk (CVA) - market risk	826	502	535
Operational risk (basic method)	2 735	2 582	2 735
Transitional scheme (Basel I)	0	630	0
Risk weighted assets (RWA)	34 073	34 667	32 144

Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 533	1 560	1 446
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Buffer requirements	31.03.2020	31.03.2019	31.12.2019
Capital conservation buffer , 2.5 %	852	867	804
Systemic risk buffer, 3.0 %	1 022	1 040	964
Countercyclical buffer, 1.0 % (2.0% per 31.03.2019 and 2.5 % per 31.12.2019)	341	693	804
Total buffer requirements	2 215	2 600	2 572
Available Common Equity Tier 1 capital after buffer requirements	1 930	1 287	1 655

Capital adequacy as a percentage of the risk weighted assets (RWA)	31.03.2020	31.03.2019	31.12.2019
Capital adequacy ratio	20.5	19.2	21.7
Capital adequacy ratio incl. 50 % of the result	20.7	19.4	-
Tier 1 capital ratio	18.4	17.1	19.5
Tier 1 capital ratio incl. 50 % of the result	18.6	17.3	-
Common Equity Tier 1 capital ratio	16.7	15.7	17.7
Common Equity Tier 1 capital ratio incl. 50 % of the result	16.9	15.9	-

Leverage Ratio (LR)	31.03.2020	31.03.2019	31.12.2019
Basis for calculation of leverage ratio	81 376	74 476	77 552
Leverage Ratio (LR)	7.7	8.0	8.1
Leverage Ratio (LR) incl. 50 % of the result	7.8	8.1	-

Note 13

Events after the reporting period

No events have occurred after the reporting period that will materially affect the figures presented as of 31 March 2020.

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK (COMPRESSED)

(NOK million)	Q1 2020	Q1 2019	2019
Interest income from assets at amortised cost	361	307	1 367
Interest income from assets at fair value	73	57	245
Interest costs	173	130	605
Net interest income	261	234	1 007
Commission income and revenues from banking services	54	50	220
Commission costs and expenditure from banking services	7	7	26
Other operating income	10	9	38
Net commission and other operating income	57	52	232
Dividends	233	173	184
Net gains/losses on financial instruments	-44	25	65
Net return on financial instruments	189	198	249
Total income	507	484	1 488
Wages, salaries etc.	85	82	340
Administration costs	39	38	143
Depreciation and impairment	14	13	54
Other operating costs	22	19	80
Total operating costs	160	152	617
Profit before impairment on loans	347	332	871
Impairment on loans, guarantees etc.	30	13	60
Pre-tax profit	317	319	811
Taxes	21	35	150
Profit after tax	296	284	661
Allocated to equity owners	288	281	638
Allocated to owners of Additional Tier 1 capital	8	3	23
Profit per EC (NOK) 1	14.47	14.13	32.00
Diluted earnings per EC (NOK) 1	14.47	14.13	32.00
Distributed dividend per EC (NOK)	0.00	0.00	15.50

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK (COMPRESSED)

(NOK million)	Q1 2020	Q1 2019	2019
Profit after tax	296	284	661
Items that may subsequently be reclassified to the income statement:			
Basisswap spreads - changes in value	0	0	0
Tax effect of changes in value on basisswap spreads	0	0	0
Items that will not subsequently be reclassified to the income statement:			
Pension estimate deviations	0	0	-29
Tax effect of pension estimate deviations	0	0	7
Total comprehensive income after tax	296	284	639
Allocated to equity owners	288	281	616
Allocated to owners of Additional Tier 1 capital	8	3	23

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

Statement of financial position - Parent Bank

ASSETS (COMPRESSED)

(NOK million)	31.03.2020	31.03.2019	31.12.2019
Cash and claims on Norges Bank	653	297	1 072
Loans to and receivables from credit institutions	4 630	1 711	3 259
Loans to and receivables from customers	39 384	37 710	38 494
Certificates, bonds and other interest-bearing securities	8 484	8 375	6 260
Financial derivatives	1 038	545	586
Shares and other securities	181	188	194
Equity stakes in Group companies	2 071	2 071	2 071
Deferred tax benefit	0	50	0
Intangible assets	51	41	53
Fixed assets	194	235	198
Other assets	122	94	84
Total assets	56 808	51 317	52 271

LIABILITIES AND EQUITY (COMPRESSED)

(NOK million)	31.12.2019	31.12.2019	31.12.2019
Loans and deposits from credit institutions	4 986	2 325	1 519
Deposits from customers	37 448	35 083	36 824
Debt securities issued	4 493	5 415	5 209
Financial derivatives	1 215	356	242
Other liabilities	645	826	733
Incurring costs and prepaid income	70	64	86
Other provisions for incurred liabilities and costs	233	107	230
Additional Tier 1 capital	0	298	0
Subordinated loan capital	704	704	704
Total liabilities	49 794	45 178	45 547
EC capital	989	989	989
ECs owned by the Bank	-2	-3	-3
Share premium	357	356	357
Additional Tier 1 capital	599	349	599

Paid-in equity	1 943	1 691	1 942
Primary capital fund	2 819	2 649	2 819
Gift fund	125	125	125
Dividend equalisation fund	1 559	1 391	1 559
Other equity	271	-1	279
Total comprehensive income for the period	296	284	0
Retained earnings	5 071	4 448	4 782
Total equity	7 014	6 139	6 724
Total liabilities and equity	56 808	51 317	52 271

Profit performance - Group

QUARTERLY PROFIT

(NOK million)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	342	339	351	320	304
Other operating income	12	75	63	78	77
Total operating costs	167	168	161	160	157
Profit before impairment on loans	187	246	253	238	224
Impairment on loans, guarantees etc.	36	15	16	6	13
Pre-tax profit	151	231	237	232	211
Tax	34	41	57	53	49
Profit after tax	117	190	180	179	162

As a percentage of average assets

Net interest income	1.80	1.79	1.91	1.75	1.69
Other operating income	0.06	0.40	0.34	0.43	0.43
Total operating costs	0.88	0.89	0.87	0.88	0.87
Profit before impairment on loans	0.98	1.30	1.38	1.30	1.25
Impairment on loans, guarantees etc.	0.19	0.08	0.09	0.03	0.07
Pre-tax profit	0.79	1.22	1.29	1.27	1.18
Tax	0.18	0.21	0.31	0.29	0.26
Profit after tax	0.61	1.01	0.98	0.98	0.92

Alternative performance measures

Total assets	Definition	Total assets.
	Justification	Total assets is an industry-specific designation for the sum of all assets.
	Calculation	The total 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.
	Calculation	This figures comes from daily calculations in the accounting system and cannot be directly reconciled with the balance sheet.
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.
	Calculation	$\frac{\text{Pre tax profit} - \text{interests on AT1 capital}}{(\text{OB Equity-AT1-allocated dividends-gifts} + \text{CB Equity-AT1-allocated dividends-gifts})/2}$
	Figures	31.03.2020: $(117-8)/(((6,970-599-138-141)+(7,085-599-138-141))/2*91/365)=7.1\%$ 31.03.2019: $(162-3)/(((6,394-349-153-156)+(6,240-349))/2*91/365)=11.0\%$
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.
	Calculation	$\frac{\text{Total operating costs}}{\text{Total income}}$
	Figures	31.03.2020: $167/354=47.2\%$ 31.03.2019: $157/381=41.2\%$
Losses as a percentage of loans, guarantees, etc	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.
	Calculation	$\frac{\text{Losses on loans and guarantees}}{\text{Net loans to and receivables from customers per 1.1.}}$
	Figures	31.03.2020: $36/(64,029*91/365)=0.22\%$ 31.03.2019: $13/(60,346*91/365)=0.09\%$
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.
	Calculation	$\frac{\text{Deposits from customers}}{\text{Net loans to and receivables from customers}}$
	Figures	31.03.2020: $37,432/65,145=57.5\%$ 31.03.2019: $35,066/61,270=57.2\%$
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.
	Calculation	$\frac{\text{CB Net loans to and recievables from customers} - \text{OB Net loans to and recievables from customers}}{\text{OB Net loans to and recievables from customers}}$
	Figures	31.03.2020: $(65,145-61,270)/61,270=6.3\%$ 31.03.2019: $(61,270-58,247)/58.247=5.2\%$

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.
	Calculation	$\frac{\text{CB Deposit from customers} - \text{OB Deposits from customers}}{\text{OB Deposits from customers}}$
	Figures	31.03.2020: $(37,432-35,066)/35,066=6.7\%$ 31.03.2019: $(35,066-33,539)/33,539=4.6\%$
Book value per equity certificate	Defintion	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.
	Calculation	$\frac{(\text{Total Equity} + \text{share premium} + \text{dividend equal.fund} + \text{EC holders' share of other equity, incl. proposed dividends})}{\text{Number of ECs issued}}$
	Figures	31.03.2020: $(989+357+1,559+(517+122-8-141-138)*0.496+138)/9.886954=325$ 31.03.2019: $(989+356+1,391+(226+158-3)*0.496)/9.886954=296$
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.
	Calculation	$\frac{\text{Market price per equity certificate}}{\text{Book value per equity certificate}}$
	Figures	31.03.2020: $257/325=0.79$ 31.03.2019: $299/296=1.01$

