

UNAUDITED INTERIM REPORT

2 QUARTER

2018

TEFT-lab



SPAREBANKEN MØRE



NTNU



SPAREBANKEN MØRE

Financial highlights - Group

Income statement

	Q2 2018		Q2 2017		30.06.2018		30.06.2017		2017	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	291	1.68	268	1.71	580	1.71	529	1.69	1 100	1.72
Net commission and other operating income	52	0.30	50	0.32	99	0.29	92	0.30	194	0.30
Net return from financial investments	26	0.15	13	0.08	32	0.10	37	0.12	48	0.08
Total income	369	2.13	331	2.11	711	2.10	658	2.11	1 342	2.10
Total operating costs	150	0.87	151	0.96	299	0.88	301	0.96	590	0.92
Profit before impairment on loans	219	1.26	180	1.15	412	1.22	357	1.15	752	1.18
Impairment on loans, guarantees etc.	-5	-0.03	6	0.03	-3	-0.01	8	0.03	13	0.02
Pre tax profit	224	1.29	174	1.12	415	1.23	349	1.12	739	1.16
Tax	50	0.29	44	0.28	100	0.29	88	0.27	182	0.28
Profit after tax	174	1.00	130	0.84	315	0.94	261	0.85	557	0.88

Statement of financial position

(NOK million)	30.06.2018	% change YTD 2018	31.12.2017	% change during last 12 months	30.06.2017
Total assets	70 578	6.1	66 491	7.5	65 652
Average assets	68 033	6.3	64 000	8.9	62 446
Loans to and receivables from customers	58 869	3.5	56 867	5.0	56 040
Gross loans to retail customers	40 806	2.5	39 817	5.6	38 634
Gross loans to corporate and public entities	18 264	6.4	17 168	4.2	17 524
Deposits from customers	34 239	4.4	32 803	2.2	33 514
Deposits from retail customers	20 852	5.9	19 688	3.9	20 078
Deposits from corporate and public entities	13 387	2.2	13 101	0.4	13 332

Key figures

	Q2 2018	Q2 2017	30.06.2018	30.06.2017	2017
Return on equity (annualised) 4)	12.3	10.0	11.2	10.0	10.4
Cost income ratio	40.6	45.6	42.1	45.7	44.0
Losses as a percentage of loans 1.1/start of the period	-0.03	0.04	-0.01	0.03	0.02
Problem loans as a percentage of loans (prior to impairment)	0.57	0.62	0.57	0.62	0.57
Problem loans as a percentage of loans (after impairment)	0.41	0.45	0.41	0.45	0.40
Deposits to lending ratio as a percentage	58.2	59.8	58.2	59.8	57.7
Liquidity Coverage Ratio (LCR)	167	132	167	132	159
Lending growth as a percentage	3.5	3.8	5.0	9.5	7.9
Deposit growth as a percentage	4.4	2.6	2.2	6.1	0.7
Capital adequacy ratio 1) 2)	19.1	18.9	19.1	18.9	18.4
Tier 1 capital ratio 1) 2)	17.1	16.9	17.1	16.9	16.8
Common Equity Tier 1 capital ratio (CET1) 1) 2)	15.5	14.3	15.5	14.3	15.0
Leverage Ratio (LR) 2)	8.0	8.3	8.0	8.3	8.2
Man-years	356	364	356	364	359

Equity Certificates (ECs)

	30.06.2018	30.06.2017	2017	2016	2015	2014
Profit per EC (Group) (NOK) 3)	15.45	13.10	27.70	28.80	25.25	31.20
Profit per EC (Parent Bank) (NOK) 3)	18.40	17.60	27.00	29.85	25.70	29.10
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)	273	244	262	254	188	216
Stock market value (NOK million)	2 700	2 412	2 590	2 511	1 859	2 136
Book value per EC (Group) (NOK)	288	270	289	275	257	244
Dividend per EC (NOK)	14.00	14.00	14.00	14.00	11.50	13.50
Price/Earnings (Group, annualised)	8.8	9.3	9.4	8.8	7.3	7.4
Price/Book value (P/B) (Group) 3)	0.95	0.90	0.91	0.93	0.73	0.89

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

2) Incl. 50 per cent of profit after tax

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

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

Interim report from the Board of Directors

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

RESULTS FOR H1 2018

Sparebanken Møre's pre-tax profit for the first half of 2018 was NOK 415 million, compared with NOK 349 million for the first half of 2017.

Total income was NOK 53 million higher than for the same period in 2017. Net interest income rose by NOK 51 million and other operating income rose by NOK 2 million. Capital losses from the bond portfolio amounted to NOK 3 million, compared with capital gains of NOK 22 million in the first half of 2017.

Following the formal approval of the merger between Vipps, BankAxept and BankID Norge, the valuation of Sparebanken Møre's stake in the merged company has been updated. The Bank's stake is measured in the same way as earlier, at fair value in the Bank's balance sheet. The updated valuation results in a gain of approximately NOK 10 million in the financial statements for the second quarter of 2018.

Costs were NOK 2 million lower in the first half of 2018 than in 2017. Personnel costs were NOK 1 million lower than last year and financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 6 million.

Net reversals on losses on loans and guarantees amounted to NOK 3 million, NOK 11 million lower than in the corresponding period last year.

The cost income ratio was 42.1 per cent by end of the period. This represents a decrease of 3.6 percentage points compared to the same period in 2017. In the strategic plan for 2019-2022, the Board has decided to change the Group's maximum cost income ratio target from 45 per cent to 40 per cent.

Profit after tax was NOK 315 million, NOK 54 million higher than for the same period in 2017. The half-year results show an annualised return on equity of 11.2 per cent, compared with 10.0 per cent after the first half of 2017. In the strategic plan for 2019-2022, the Board has decided to increase the minimum target for the return on equity from 10 per cent to 11 per cent.

Earnings per equity certificate amounted to NOK 15.45 (NOK 13.10) for the Group and NOK 18.40 (NOK 17.60) for the Parent Bank. The Board of Directors is pleased with the results for the first half of 2018.

RESULTS FOR Q2 2018

Profit after tax for the second quarter of 2018 amounted to NOK 174 million, or 1.00 per cent of average total assets, compared to NOK 130 million, or 0.84 per cent, for the corresponding quarter last year.

The return on equity in the second quarter of 2018 was 12.3 per cent, compared to 10.0 per cent for the second quarter of 2017.

Earnings per equity certificate amounted to NOK 8.50 (NOK 6.50) for the Group and NOK 6.40 (NOK 4.95) for the Parent Bank.

Net interest income

The net interest income of NOK 291 million was NOK 23 million higher than in the corresponding quarter of last year. This represents 1.68 per cent of total assets, which is 0.03 percentage points lower than in the second quarter of 2017.

A higher lending volume combined with increased contribution from deposits as well as the Bank's high CET1-level resulted in higher net interest income in Norwegian kroner compared with the same quarter last year. This occurred in spite of the fact that the low level of interest rates in the market, strong competition on both lending and deposits and lower risk have contributed to pressure on the net interest margin.

Other operating income

Other operating income amounted to NOK 78 million, which is NOK 15 million higher than in the second quarter of last year. The change in value in the bond portfolio amounted to NOK -6 million in the quarter, compared with NOK 6 million in the second quarter of 2017. Capital gains from equities amounted to NOK 15 million compared with capital losses of NOK 4 million in the second quarter of 2017. Approximately NOK 10 million of this was due to the change in value associated with the merger between Vipps, BankAxept and BankID Norge.

Costs

Operating costs in the quarter amounted to NOK 150 million, which is NOK 1 million lower than in the same quarter last year. Personnel costs were on a par with the corresponding period last year and amounted to NOK 85 million. Financial activity tax in the form of higher employers' National Insurance contributions amounted to NOK 3 million for the quarter. Staffing has been reduced by 8 full-time equivalents in the last 12 months to 356 full-time equivalents. Other operating costs were NOK 1 million lower than in the same period last year.

The cost income ratio was 40.6 per cent in the second quarter of 2018, a reduction of 5.0 percentage points compared with the second quarter last year.

Problem loans

NOK 5 million was recognised as net reversals on losses on loans and guarantees (costs of NOK 6 million recognised in the corresponding period last year). This amounts to -0.03 per cent (0.03 per cent) of average total assets on an annualised basis. Losses in the corporate segment were reduced by NOK 7 million in the quarter, while losses of NOK 2 million were recognised in the retail segment.

At the end of the second quarter of 2018, total expected losses amounted to NOK 335 million, equivalent to 0.55 per cent of loans and guarantees (NOK 338 million and 0.60 per cent). Of the individually assessed commitments, NOK 5 million of the impairments were linked to commitments in default for more than 90 days (NOK 5 million), which amounts to 0.01 per cent of loans and guarantees (0.01 per cent). NOK 93 million relates to other commitments (NOK 92 million), which is equivalent to 0.15 per cent of gross loans and guarantees (0.16 per cent).

Net impaired commitments (loans that have been in default for more than 90 days and loans that are not in default but which have been subject to individual impairment for losses) have decreased by NOK 13 million in the last 12 months. At the end of the second quarter of 2018, the corporate market accounted for NOK 185 million of net impaired commitments and the retail market NOK 62 million. In total, this represents 0.41 per cent of gross loans and guarantees (0.45 per cent).

Lending to customers

At the end of the second quarter of 2018, lending to customers amounted to NOK 58,869 million (NOK 56,040 million). Customer lending has increased by a total of NOK 2,829 million, or 5.0 per cent, in the last 12 months. Retail lending has increased by 5.6 per cent, while lending to corporate customers has increased by 4.2 per cent in the last 12 months. Lending to corporate customers increased by 0.2 per cent in the second quarter of 2018, while lending to retail customers rose by 1.5 per cent. Retail lending accounted for 69.0 per cent of the total lending at the end of the second quarter of 2018 (68.8 per cent).

Deposits from customers

Customer deposits have increased by 2.2 per cent over the last 12 months. At the end of the second quarter of 2018, deposits amounted to NOK 34,239 million (NOK 33,514 million). Retail deposits have increased by 3.9 per cent in the last 12 months, while corporate deposits have increased by 0.6 per cent and public sector deposits have decreased by 2.9 per cent. The retail market's relative share of deposits amounted to 60.9 per cent (59.9 per cent), while deposits from corporate customers accounted for 36.9 per cent (37.7 per cent) and from public sector customers 2.2 per cent (2.4 per cent).

The deposit-to-loan ratio was 58.2 per cent at the end of the second quarter of 2018 (59.8 per cent).

CAPITAL ADEQUACY

The Group's capital adequacy at the end of the second quarter of 2018 was above the regulatory capital requirements and the internally set minimum target for CET1. The primary capital ratio, including 50 per cent of year-to-date retained earnings, was 19.1 per cent (18.9 per cent), the Tier 1 capital ratio was 17.1 per cent (16.9 per cent) and the CET1 ratio was 15.5 per cent (14.3 per cent).

Sparebanken Møre has a capital requirement linked to the transitional scheme associated with the Basel I floor amounting to NOK 189 million at the end of the second quarter of 2018, corresponding to a basis for calculation of NOK 2,363 million.

SUBSIDIARIES

The aggregate profit of the Bank's three subsidiaries amounted to NOK 92 million after tax in the first half of 2018 (NOK 66 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 second quarter of 2018, the company had net outstanding bonds of NOK 21.3 billion in the market. About 25 per cent of the borrowing was in a currency other than NOK. The company contributed NOK 90 million to the result in the first half of 2018 (NOK 66 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK 0.3 million to the result in the first half of 2018 (NOK -1 million in the first half of 2017). 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 contributed NOK 2 million to the result in the first half of 2018 (NOK 1 million in the first half of 2017). The company has no employees.

EQUITY CERTIFICATES

At the end of the first half of 2018, there were 5,305 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the Bank's total equity. Note 10 provides an overview of the 20 largest owners of the Bank's equity certificates.

As at 30 June 2018, the Bank owned 52,184 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market price.

FUTURE PROSPECTS

The economic outlook for Møre og Romsdal remains good. Higher production and employment are expected in most industries and sectors going forward. Low interest rates, a weak NOK, satisfactory oil prices, good growth in export markets and significant restructuring in the labour market are important contributors.

The unemployment is now so low that the rate of decrease will probably start to level off relatively soon. Registered unemployment in the county in June was 2.2 per cent according to the Norwegian Labour and Welfare Administration (NAV), the same as the national unemployment rate. The risk of a significant drop in house prices appears to have decreased. Meanwhile, the risk of growth-hampering obstacles to international trade appears to have grown somewhat.

Credit growth in Norway, both in households and business, slowed during the first half of the year and is currently at its lowest growth rate so far this year.

Competition in the market remains strong, both for lending and deposits. The Bank is competitive and recorded good, but somewhat lower growth rate in loans in both the retail market and the corporate market. Deposit growth in the retail market is good and the deposit-to-loan ratio is high, especially in the corporate market. Lending growth within both the retail market and the corporate market is expected to be somewhat lower in 2018 compared with the growth rate at the end of in 2017. The focus is always on effective operations and increased profitability.

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

Sparebanken Møre's target for cost-effective operations for the strategy period 2019-2022 is a cost income ratio target below 40 per cent. Cost income ratio will be clearly lower than 45 per cent in 2018.

Sparebanken Møre's losses are also expected to be low in 2018. Overall, good results are expected in 2018 with a return on equity above 10 per cent. The Bank's strategic target for the return on equity is a minimum of 11 per cent for the strategy period 2019-2022.

Ålesund, 30 June 2018

14 August 2018

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman

ROY REITE, Deputy Chairman

RAGNA BRENNE BJERKESET

HENRIK GRUNG

JILL AASEN

ANN MAGRITT BJÅSTAD VIKERBAKK

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP

(NOK million)	Note	Q2 2018	Q2 2017	30.06.2018	30.06.2017	2017
Interest income from assets at amortised cost		441	394	859	792	1 612
Interest income from assets at fair value		40	47	80	87	175
Interest expenses		190	173	359	350	687
Net interest income	<u>9</u>	291	268	580	529	1 100
Commission income and revenues from banking services		53	50	102	94	196
Commission costs and charges from banking services		7	5	14	12	26
Other operating income		6	5	11	10	24
Net commission and other operating income		52	50	99	92	194
Dividends		2	0	3	1	2
Net gains/losses from financial instruments	<u>5</u>	24	13	29	36	46
Net return from financial instruments		26	13	32	37	48
Total income		369	331	711	658	1 342
Wages, salaries etc.		85	85	169	170	335
Administration costs		30	33	68	68	128
Depreciation and impairment		8	8	15	16	31
Other operating costs		27	25	47	47	96
Total operating costs		150	151	299	301	590
Profit before impairment on loans		219	180	412	357	752
Impairment on loans, guarantees etc.	<u>3</u>	-5	6	-3	8	13
Pre tax profit		224	174	415	349	739
Taxes		50	44	100	88	182
Profit after tax		174	130	315	261	557
Allocated to equity owners		170	130	308	261	551
Allocated to owners of Additional Tier 1 capital		4	0	7	0	6
Profit per EC (NOK) 1)		8.50	6.50	15.45	13.10	27.70
Diluted earnings per EC (NOK) 1)		8.50	6.50	15.45	13.10	27.70
Distributed dividend per EC (NOK)		0.00	14.00	0.00	14.00	14.00

STATEMENT OF COMPREHENSIVE INCOME - GROUP

(NOK million)	Q2 2018	Q2 2017	30.06.2018	30.06.2017	2017
Profit after tax	174	130	315	261	557
Items that may subsequently be reclassified to the income statement:					
Equities available for sale - changes in value 2)		6		6	27
Basisswap spreads - changes in value 3)	-3		-8		
Tax effect of changes in value on basisswap spreads	1		2		
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
Total comprehensive income after tax	172	136	309	267	575
Allocated to equity owners	168	136	302	267	569
Allocated to owners of Additional Tier 1 capital	4	0	7	0	6

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

2) The category Available for sale does not exist in IFRS 9. Shares and other securities are as of 1 January 2018 assessed at fair value with any changes in value recognised in the income statement under Net gains/losses from financial instruments.

3) Changes in value on the Group's basisswaps inherent in hedging instruments, have up to 31.12.2017 been recognised in the income statement. As of 01.01.2018, changes in value on basisswaps due to changes in basisswap spreads, will be recognised in OCI as a cost of hedging.

Statement of financial position - Group

ASSETS

(NOK million)	Note	30.06.2017	30.06.2017	31.12.2017
Cash and claims on Norges Bank	5 6 9	75	1 174	637
Loans to and receivables from credit institutions	5 6 9	2 751	643	1 295
Loans to and receivables from customers	2 3 4 5 7 9	58 869	56 040	56 867
Certificates, bonds and other interest-bearing securities	5 7 9	7 394	6 152	6 096
Financial derivatives	5 7	875	1 082	1 004
Shares and other securities	5 7	203	153	188
Deferred tax benefit		60	42	59
Intangible assets		37	44	42
Fixed assets		224	231	228
Other assets		90	91	75
Total assets		70 578	65 652	66 491

LIABILITIES AND EQUITY

(NOK million)	Note	30.06.2018	30.06.2017	31.12.2017
Loans and deposits from credit institutions	5 6 9	756	784	569
Deposits from customers	2 5 7 9	34 239	33 514	32 803
Debt securities issued	5 6	27 374	23 192	24 488
Financial derivatives	5 7	375	441	483
Other liabilities		531	438	558
Incurred costs and prepaid income		62	66	78
Other provisions for incurred liabilities and costs		131	84	96
Additional Tier 1 capital	5 6	313	658	302
Subordinated loan capital	5 6	703	702	1 036
Total liabilities		64 484	59 879	60 413
EC capital	10	989	989	989
ECs owned by the Bank		-5	-5	-5
Share premium		355	354	355
Additional Tier 1 capital		349	349	349
Paid-in equity		1 688	1 687	1 688
Primary capital fund		2 513	2 343	2 470
Gift fund		125	125	125
Dividend equalisation fund		1 260	1 092	1 216
Value adjustment fund		-	51	78
Other equity		199	208	501
Total comprehensive income after tax		309	267	0
Retained earnings		4 406	4 086	4 390
Total equity		6 094	5 773	6 078
Total liabilities and equity		70 578	65 652	66 491

Statement of changes in equity - Group

GROUP 30.06.2018	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 *)	-6				44		44	-78	-15
Equity as at 01.01.2018	6 072	984	355	349	2 514	125	1 259	0	486
Changes in own equity certificates	0				-1		1		
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Additional Tier 1 capital issued	-7								-7
Total profit for the period	309								309
Equity as at 30 June 2018	6 094	984	355	349	2 513	125	1 260	0	508

*) see note 2.6 in the Annual report 2017 for further details on the implementation effects.

GROUP 30.06.2017	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 2016	5 441	986	354	0	2 346	125	1 092	51	487
Changes in own equity certificates	-5	-2			-3				
Distributed dividend to the EC holders	-138								-138
Distributed dividend to the local community	-141								-141
Additional Tier 1 capital issued	349			349					
Total profit for the period	267								267
Equity as at 30 June 2017	5 773	984	354	349	2 343	125	1 092	51	475

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

Statement of cash flow - Group

(NOK million)	30.06.2018	30.06.2017	31.12.2017
Cash flow from operating activities			
Interest, commission and fees received	984	921	1 905
Interest, commission and fees paid	-171	-186	-343
Dividend and group contribution received	3	1	2
Operating expenses paid	-263	-249	-525
Income taxes paid	-202	-202	-168
Changes relating to loans to and claims on other financial institutions	-1 457	6	-646
Changes relating to repayment of loans/leasing to customers	-2 034	-2 953	-3 777
Changes in utilised credit facilities	79	-331	-321
Net change in deposits from customers	1 436	953	242
Net cash flow from operating activities	-1 625	-2 040	-3 631
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	53	54	106
Proceeds from the sale of certificates, bonds and other securities	1 362	2 356	4 162
Purchases of certificates, bonds and other securities	-2 721	-2 284	-4 022
Proceeds from the sale of fixed assets etc.	0	0	0
Purchase of fixed assets etc.	-6	-14	-24
Changes in other assets	162	101	149
Net cash flow from investing activities	-1 150	213	371
Cash flow from financing activities			
Interest paid on debt securities and subordinated loan capital	-202	-192	-380
Net change in deposits from Norges Bank and other financial institutions	187	126	-89
Proceeds from bond issues raised	3 868	4 761	7 942
Redemption of debt securities	-1 246	-1 973	-3 841
Dividend paid	-138	-138	-138
Changes in other debt	-249	-232	-239
Proceeds from Additional Tier 1 capital issued	0	349	349
Paid interest on Additional Tier 1 capital issued	-7	0	-7
Net cash flow from financing activities	2 213	2 701	3 597
Net change in cash and cash equivalents	-562	874	337
Cash balance at 01.01	637	300	300
Cash balance at 30.06/31.12	75	1 174	637

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 June 2018. The interim report has been prepared in compliance with IAS 34 Interim Reporting and in accordance with accounting principles and methods applied in the 2017 financial statements, except for IFRS 9 entering into force as of 1 January 2018.

Accounting principles for classification in accordance with IFRS 9 are presented in Note 5. Tables showing the transition effects of the implementation of IFRS 9 are presented in Note 2.6 in the Annual report 2017. The methodology for measuring expected credit losses (ECL) in accordance with IFRS 9 is accounted for in the interim report for 1Q. In addition, reference is made to the annual report for 2017 for further description of accounting principles.

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

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
Broken down according to sectors	30.06.2018	30.06.2017	31.12.2017
Agriculture and forestry	486	694	464
Fisheries	2 998	2 457	2 402
Manufacturing	2 401	2 562	2 030
Building and construction	722	629	562
Wholesale and retail trade, hotels	625	640	620
Supply/Offshore	954	879	882
Property management	6 606	6 469	6 672
Professional/financial services	1 213	1 345	1 261
Transport and private/public services	2 068	1 727	2 152
Public entities	1	0	0
Activities abroad	190	122	123
Total corporate/public entities	18 264	17 524	17 168
Retail customers	40 806	38 634	39 817
Fair value adjustment of loans	35	77	66
Accrued interest income	0	93	100
Total loans	59 105	56 328	57 151
Expected credit loss (ECL) - Stage 1	-24	-	-
Expected credit loss (ECL) - Stage 2	-64	-	-
Expected credit loss (ECL) - Stage 3	-102	-	-
Individual impairment	-46	-47	-48
Collective impairment (IAS 39)	-	-241	-236
Loans to and receivables from customers	58 869	56 040	56 867
Loans with floating interest rate (amortised cost) - after impairment	55 284	51 755	52 944
Loans with fixed interest rate (fair value)	3 585	4 285	3 923

GROUP	Deposits		
Broken down according to sectors	30.06.2018	30.06.2017	31.12.2017
Agriculture and forestry	192	194	186
Fisheries	896	1 630	1 214
Manufacturing	1 646	1 487	1 806
Building and construction	566	549	636
Wholesale and retail trade, hotels	680	717	842
Property management	1 336	1 245	1 309
Transport and private/public services	5 093	4 701	4 201
Public entities	765	788	723
Activities abroad	3	5	5
Miscellaneous	2 210	2 016	2 179
Total corporate/public entities	13 387	13 332	13 101
Retail customers	20 852	20 078	19 688
Fair value adjustment of deposits	0	1	2
Accrued interest costs	0	103	12
Total deposits	34 239	33 514	32 803
Deposits with floating interest rate (amortised cost)	32 892	32 214	31 463
Deposits with fixed interest rate (fair value)	1 347	1 300	1 340

Note 3

LOSSES AND IMPAIRMENTS ON LOANS AND GUARANTEES

Sparebanken Møre applies a three-stage approach when assessing ECL on loans to customers and 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 and guarantees are presented in the balance sheet as a reduction to «Loans to and receivables from credit institutions» and ECL on guarantees are recognised under «Other provisions for incurred liabilities and costs».

The methodology for measuring expected credit losses (ECL) in accordance with IFRS 9 is explained in the interim report for the 1st quarter. Tables showing the transition effects of the implementation of IFRS 9 are presented in Note 2.6 in the Annual Report 2017.

Specification of credit loss expense

GROUP	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Changes in collective impairment during the period (IAS 39)	-	-40	-	-40	-45
Changes in ECL during the period - Stage 1	-1	-	1	-	-
Changes in ECL during the period - Stage 2	20	-	17	-	-
Changes in ECL during the period - Stage 3	-17	-	-23	-	-
Increase in existing individual impairments	0	3	0	4	5
New individual impairments	2	52	14	53	65
Confirmed losses, previously impaired	0	3	5	24	25
Reversal of previous individual impairments	-9	-12	-16	-39	-49
Confirmed losses, not previously impaired	0	1	2	9	18
Recoveries	0	-1	-3	-3	-6
Total impairment on loans and guarantees, etc	-5	6	-3	8	13

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

GROUP	Stage 1	Stage 2	Stage 3	Total 30.06.2018
Low risk (0 % - < 0.5 %)	46 576	1 747	0	48 322
Medium risk (0.5 % - < 3 %)	5 577	2 078	1 258	8 913
High risk (3 % - <100 %)	663	490	107	1 260
Problem loans	0	0	345	345
Total commitments before ECL	52 816	4 314	1 710	58 841
- ECL	-25	-64	-247	-335
Net commitments *)	52 791	4 250	1 464	58 505

*) The table above is 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.

Changes in ECL in the period

GROUP	Stage 1	Stage 2	Stage 3	Total
Total impairments at 31.12.2017 according to IAS 39				336
Effect of transition to IFRS 9				7
ECL 01.01.2018 according to IFRS 9	24	47	272	343
New commitments	9	4	2	15
Disposal of commitments	-4	-6	-10	-20
Changes in ECL in the period for commitments which have not migrated	-5	-5	9	0
Migration to stage 1	3	-14	-7	-18
Migration to stage 2	-2	40	-25	13
Migration to stage 3	0	-2	6	4
Changes in individual impairments	-	-	-2	-2
ECL 30.06.2018	25	64	247	335
- of which expected losses on loans				236
- of which expected losses on guarantees				99

Note 4

PROBLEM LOANS

Problem loans (total commitments in default above 3 months and individually impaired commitments not in default)

	30.06.2018			30.06.2017			31.12.2017		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:									
Commitments in default above 3 months	60	56	4	82	57	25	62	53	9
Impaired commitments not in default	285	15	270	275	19	256	274	8	266
Total problem loans prior to individual impairment	345	71	274	357	76	281	336	61	275
Individual impairments on:									
Commitments in default above 3 months	5	5	0	5	2	3	4	2	2
Impaired commitments not in default	93	4	89	92	6	86	96	4	92
Total individual impairments	98	9	89	97	8	89	100	6	94
Problem loans after individual impairments:									
Commitments in default above 3 months	55	51	4	77	55	22	58	51	7
Impaired commitments not in default	192	11	181	183	13	170	178	4	174
Total problem loans less individual impairment	247	62	185	260	68	192	236	55	181
Total problem loans prior to individual impairment as a percentage of total loans	0.57	0.17	1.38	0.62	0.20	1.45	0.57	0.15	1.46
Total problem loans less individual impairment as a percentage of total loans	0.41	0.15	0.93	0.45	0.18	0.99	0.40	0.14	0.96

Note 5

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

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

Financial assets assessed at amortised cost

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

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

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

Financial liabilities assessed at amortised cost

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

Financial instruments assessed at 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 as this portfolio is managed based on fair value. The Group's portfolio of fixed interest rate loans and deposits 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.

GROUP - 30.06.2018	Financial instruments at fair value through profit and loss	Financial instruments assessed at amortised cost
Cash and claims on Norges Bank		75
Loans to and receivables from credit institutions		2 751
Loans to and receivables from customers	3 585	55 284
Certificates and bonds	7 394	
Shares and other securities	203	
Financial derivatives	875	
Total financial assets	12 057	58 110
Loans and deposits from credit institutions		756
Deposits from and liabilities to customers	1 347	32 892
Financial derivatives	375	
Debt securities		27 374
Subordinated loan capital and Additional Tier 1 capital		1 016
Total financial liabilities	1 722	62 038

GROUP - 30.06.2017	Financial instruments at fair value through profit and loss		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			1 174	
Loans to and receivables from credit institutions			643	
Loans to and receivables from customers		4 285	51 755	
Certificates and bonds		6 152		
Shares and other securities		-		153
Financial derivatives	1 082			
Total financial assets	1 082	10 437	53 572	153
Loans and deposits from credit institutions			784	
Deposits from and liabilities to customers		1 300	32 214	
Financial derivatives	441			
Debt securities			23 192	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 360	
Total financial liabilities	441	1 300	57 550	-

Net gains/losses on financial instruments

	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Certificates and bonds	-6	6	-3	22	23
Securities	15	-4	13	-5	-10
Foreign exchange trading (for customers)	10	11	19	20	38
Fixed income trading (for customers)	4	1	6	3	4
Financial derivatives	1	-1	-6	-4	-9
Net change in value and gains/losses from financial instruments	24	13	29	36	46

Note 6

FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	30.06.2018		30.06.2017	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	75	75	1 174	1 174
Loans to and receivables from credit institutions	2 751	2 751	643	643
Loans to and receivables from customers	55 284	55 284	51 755	51 755
Total financial assets	58 110	58 110	53 572	53 572
Loans and deposits from credit institutions	756	756	784	784
Deposits from and liabilities to customers	32 892	32 892	32 214	32 214
Debt securities	27 487	27 374	23 276	23 192
Subordinated loan capital and Additional Tier 1 capital	1 006	1 016	1 394	1 360
Total financial liabilities	62 141	62 038	57 668	57 550

GROUP - 30.06.2018	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	75			75
Loans to and receivables from credit institutions		2 751		2 751
Loans to and receivables from customers			55 284	55 284
Total financial assets	75	2 751	55 284	58 110
Loans and deposits from credit institutions		756		756
Deposits from and liabilities to customers			32 892	32 892
Debt securities		27 487		27 487
Subordinated loan capital and Additional Tier 1 capital		1 006		1 006
Total financial liabilities	-	29 249	32 892	62 141

GROUP - 30.06.2017	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	1 174			1 174
Loans to and receivables from credit institutions		643		643
Loans to and receivables from customers			51 755	51 755
Total financial assets	1 174	643	51 755	53 572
Loans and deposits from credit institutions		784		784
Deposits from and liabilities to customers			32 214	32 214
Debt securities		23 276		23 276
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 394		1 394
Total financial liabilities	-	25 454	32 214	57 668

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 30.06.2018	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			3 585	3 585
Certificates and bonds	4 694	2 700		7 394
Shares and other securities	21		182	203
Financial derivatives		875		875
Total financial assets	4 715	3 575	3 767	12 057
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 347	1 347
Debt securities				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		375		375
Total financial liabilities	-	375	1 347	1 722

GROUP - 30.06.2017	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			4 285	4 285
Certificates and bonds	4 025	2 127		6 152
Shares and other securities	21		132	153
Financial derivatives		1 082		1 082
Total financial assets	4 046	3 209	4 417	11 672
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 300	1 300
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		441		441
Total financial liabilities	-	441	1 300	1 741

Reconciliation of movements in level 3 during the period

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Book value as at 31.12.17	3 923	169	1 340
Purchases/additions	434	2	211
Sales/reduction	741		204
Transferred to Level 3			
Transferred from Level 3			
Net gains/losses in the period	-31	32	
Book value as at 30.06.18	3 585	203	1 347

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Book value as at 31.12.16	4 744	128	1 254
Purchases/additions	162	1	316
Sales/reduction	627	2	270
Transferred to Level 3			-
Transferred from Level 3	-	-	-
Net gains/losses in the period	6	5	-
Book value as at 30.06.17	4 285	132	1 300

Note 8

OPERATING SEGMENTS

Result - Q2 2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	291	2	113	176	0
Other operating income	78	19	26	28	5
Total income	369	21	139	204	5
Operating costs	150	34	26	85	5
Profit before impairment	219	-13	113	119	0
Impairment on loans, guarantees etc.	-5	0	-4	-1	0
Pre tax profit	224	-13	117	120	0
Taxes	50				
Profit after tax	174				

Result - 30.06.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	580	1	223	356	0
Other operating income	131	21	50	51	9
Total income	711	22	273	407	9
Operating costs	299	54	57	179	9
Profit before impairment	412	-32	216	228	0
Impairment on loans, guarantees etc.	-3	0	-2	-1	0
Pre tax profit	415	-32	218	229	0
Taxes	100				
Profit after tax	315				

Key figures - 30.06.2018	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	58 869	1 161	17 634	40 074	0
Deposits from customers 1)	34 239	738	11 343	22 158	0
Guarantee liabilities	1 588	0	1 582	6	0
The deposit-to-loan ratio	58.2	63.6	64.3	55.3	0
Man-years	356	156	51	135	14

Result - Q2 2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	268	-8	105	171	0
Other operating income	63	8	24	26	5
Total income	331	0	129	197	5
Operating costs	151	36	26	84	5
Profit before impairment	180	-36	103	113	0
Impairment on loans, guarantees etc.	6	0	8	-2	0
Pre tax profit	174	-36	95	115	0
Taxes	44				
Profit after tax	130				

Result - 30.06.2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	529	-9	207	331	0
Other operating income	129	29	45	46	9
Total income	658	20	252	377	9
Operating costs	301	59	55	177	10
Profit before impairment	357	-39	197	200	-1
Impairment on loans, guarantees etc.	8	0	11	-3	0
Pre tax profit	349	-39	186	203	-1
Taxes	88				
Profit after tax	261				

Key figures - 30.06.2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	56 040	935	17 223	37 882	0
Deposits from customers 1)	33 514	620	11 538	21 356	0
Guarantee liabilities	1 803	0	1 792	11	0
The deposit-to-loan ratio	59.8	66.3	67.0	56.4	0.0
Man-years	364	152	52	147	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	Q2 2018	Q2 2017
Net interest income	66	61
Other operating income	-2	-6
Total income	64	55
Operating costs	11	9
Profit before impairment on loans	53	46
Impairment on loans, guarantees etc.	1	0
Pre tax profit	52	46
Taxes	12	12
Profit after tax	40	34

Statement of income	30.06.2018	30.06.2017
Net interest income	138	118
Other operating income	-1	-11
Total income	137	107
Operating costs	21	19
Profit before impairment on loans	116	88
Impairment on loans, guarantees etc.	-1	0
Pre tax profit	117	88
Taxes	27	22
Profit after tax	90	66

Statement of financial position	30.06.2018	30.06.2017
Loans to and receivables from customers	23 856	20 535
Total equity	1 683	1 569

Note 9

TRANSACTIONS WITH RELATED PARTIES

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

The most important transactions eliminated in the Group accounts:

PARENT BANK	30.06.2018	30.06.2017	31.12.2017
Statement of income			
Interest and credit commission income from subsidiaries	15	20	28
Received dividend and group contribution from subsidiaries	152	156	156
Rent paid to Sparebankeiendom AS	9	8	17
Administration fee received from Møre Boligkreditt AS	17	15	30
Statement of financial position			
Claims on subsidiaries	1 173	1 235	1 328
Covered bonds	2 214	150	425
Liabilities to subsidiaries	1 104	162	102
Accumulated loan portfolio transferred to Møre Boligkreditt AS	23 878	20 540	21 164

Note 10

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 30.06.2018	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	980 000	9.91
Cape Invest AS	638 953	6.46
Verdipapirfond Pareto Aksje Norge	399 032	4.04
Verdipapirfond Nordea Norge Verdi	386 014	3.90
Wenaasgruppen AS	380 000	3.84
MP Pensjon	376 698	3.81
Pareto AS	305 189	3.09
Wenaas Kapital AS	230 161	2.33
FLPS - Princ All Sec	208 954	2.11
Verdipapirfondet Eika egenkapital	176 116	1.78
Beka Holding AS	150 100	1.52
Verdipapirfondet Landkreditt Utbytte	125 000	1.26
Lapas AS (Leif-Arne Langøy)	113 500	1.15
PIBCO AS	75 000	0.76
State Street Bank	72 653	0.73
Odd Slingstad	65 215	0.66
Forsvarets personell pensjonskasse	63 660	0.64
Fondsfinans Norge	60 000	0.61
Malme AS	55 000	0.56
Sparebanken Møre	52 184	0.53
Total 20 largest	4 913 429	49.70
Total	9 886 954	100.00

Note 11

CAPITAL ADEQUACY

	30.06.2018	30.06.2017	31.12.2017
EC capital	989	989	989
- ECs owned by the Bank	-5	-5	-5
Share premium	355	354	355
Additional Tier 1 capital	349	349	349
Primary capital fund	2 513	2 343	2 470
Gift fund	125	125	125
Dividend equalisation fund	1 260	1 092	1 216
Value adjustment fund		51	78
Proposed dividend for the EC holders	0	0	138
Proposed dividend for the local community	0	0	141
Other equity	199	208	222
Accumulated profit for the period	309	267	0
Total equity	6 094	5 773	6 078
Goodwill, intangible assets and other deductions	-37	-95	-100
Value adjustments of financial instruments at fair value	-13	-13	-14
Additional Tier 1 capital	201	589	254
Expected losses exceeding ECL, IRB portfolios	-162	-155	-151
Proposed dividend for the EC holders	0	0	-138
Proposed dividend for the local community	0	0	-141
Accumulated profit for the period	-309	-267	0
Total Tier 1 capital	5 774	5 832	5 788
Common Equity Tier 1 capital	5 224	4 894	5 185
Subordinated loan capital of limited duration (supplementary capital)	703	702	530
Net equity and subordinated loan capital	6 477	6 534	6 318

Capital requirement by exposure classes

Exposure classes SA - credit risk	30.06.2018	30.06.2017	31.12.2017
Central governments or central banks	0	0	0
Regional governments or local authorities	11	15	14
Public sector companies	5	20	3
Institutions (banks etc)	18	46	36
Companies (corporate customers)	0	0	0
Mass marked (retail banking customers)	0	0	0
Secured by mortgage on immovable property	0	0	0
Exposures in default	0	0	0
Covered bonds	27	18	25
Equity	8	8	8
Other items	51	116	86
Total capital requirements - credit risk, The Standardised Approach	120	223	172
Exposure classes IRB - credit risk	30.06.2018	30.06.2017	31.12.2017
Retail - Secured by real estate	667	642	638
Retail - Other	49	48	47
SME	739	670	682
Specialised lending	529	495	549
Other corporate lending	252	307	252
IRB-F capital requirements	2 236	2 162	2 168
Total capital requirements - credit risk	2 356	2 385	2 340
Exposure classes SA - market risk	30.06.2018	30.06.2017	31.12.2017
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	23	29	29
Total capital requirements - market risk	23	29	29
Operational Risk (Basic Indicator Approach)	200	200	200
Deductions from the capital requirement	0	0	0
Total capital requirement less transitional rules	2 579	2 614	2 569
Additional capital requirements from transitional rules	189	206	181
Total capital requirements	2 768	2 820	2 750

Total risk-weighted assets less transitional rules	32 245	32 678	32 105
Total risk-weighted assets from transitional rules	2 355	2 572	2 265
Total risk-weighted assets	34 600	35 250	34 370
Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 557	1 586	1 542
Buffer Requirement	30.06.2018	30.06.2017	31.12.2017
Capital conservation buffer (2.5 %)	865	881	859
Systemic risk buffer (3.0 %)	1 038	1 058	1 031
Countercyclical buffer (2.0%)	692	529	687
Total buffer requirements	2 595	2 468	2 578
Available Common Equity Tier 1 capital after buffer requirements	1 072	840	1 065
Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules	30.06.2018	30.06.2017	31.12.2017
Capital adequacy ratio	18.7	18.6	18.4
Capital adequacy ratio incl. 50 per cent of the profit for the period	19.1	18.9	-
Tier 1 capital ratio	16.7	16.6	16.8
Tier 1 capital ratio incl. 50 per cent of the profit for the period	17.1	16.9	-
Common Equity Tier 1 capital ratio	15.1	13.9	15.0
Common Equity Tier 1 capital ratio incl. 50 per cent of the profit for the period	15.5	14.3	-
Leverage Ratio (LR)	30.06.2018	30.06.2017	31.12.2017
Leverage Ratio (LR)	7.8	8.1	8.2
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	8.0	8.3	-

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK

(NOK million)	Q2 2018	Q2 2017	30.06.2018	30.06.2017	2017
Interest income from assets at amortised cost	294	281	583	549	1 116
Interest income from assets at fair value	48	42	88	95	172
Interest costs	118	115	228	231	447
Net interest income	224	208	443	413	841
Commission income and revenues from banking services	53	50	102	94	195
Commission costs and expenditure from banking services	7	5	14	12	26
Other operating income	10	7	18	15	36
Net commission and other operating income	56	52	106	97	205
Dividends	1	1	154	157	158
Net gains/losses from financial instruments	26	18	30	47	60
Net return from financial instruments	27	19	184	204	218
Total income	307	279	733	714	1 264
Wages, salaries etc.	81	82	162	163	322
Administration costs	30	29	68	68	127
Depreciation and impairment	6	6	13	13	27
Other operating costs	26	24	46	46	95
Total operating costs	143	141	289	290	571
Profit before impairment on loans	164	138	444	424	693
Impairment on loans, guarantees etc.	-6	6	-2	8	16
Pre tax profit	170	132	446	416	677
Taxes	38	34	72	66	133
Profit after tax	132	98	374	350	544
Allocated to equity owners	128	98	367	350	538
Allocated to owners of Additional Tier 1 capital	4	0	7	0	6
Profit per EC (NOK) 1)	6.40	4.95	18.40	17.60	27.00
Diluted earnings per EC (NOK) 1)	6.40	4.95	18.40	17.60	27.00
Distributed dividend per EC (NOK)	0.00	14.00	0.00	14.00	14.00

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

(NOK million)	Q2 2018	Q2 2017	30.06.2018	30.06.2017	2017
Profit after tax	132	98	374	350	544
Items that may subsequently be reclassified to the income statement:					
Equities available for sale - changes in value	-	6	0	6	27
Basisswap spreads - changes in value 3)	0		0	-	-
Tax effect of changes in value on basisswap spreads	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
Total comprehensive income after tax	132	104	374	356	562
Allocated to equity owners	128	104	367	356	556
Allocated to owners of Additional Tier 1 capital	4	0	7	0	6

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

2) The category Available for sale does not exist in IFRS 9. Shares and other securities are as of 1 January 2018 assessed at fair value with any changes in value recognised in the income statement under Net gains/losses from financial instruments.

3) Change in value on the Group's basisswaps inherent in hedging instruments, has up to 31.12.2017 been recognised in the income statement. As of 01.01.2018, changes in value on basisswaps due to changes in basisswap spreads, will be recognised in OCI as a cost of hedging.

Statement of financial position - Parent Bank

ASSETS

(NOK million)	30.06.2018	30.06.2017	31.12.2017
Cash and claims on Norges Bank	75	1 174	637
Loans to and receivables from credit institutions	3 801	1 750	2 497
Loans to and receivables from customers	35 138	35 633	35 832
Certificates, bonds and other interest-bearing securities	8 532	6 134	6 461
Financial derivatives	514	622	564
Shares and other securities	203	153	188
Equity stakes in Group companies	1 621	1 521	1 521
Deferred tax benefit	59	49	62
Intangible assets	36	44	42
Fixed assets	35	39	37
Other assets	87	85	72
Total assets	50 101	47 204	47 913

LIABILITIES AND EQUITY

(NOK million)	30.06.2018	30.06.2017	31.12.2017
Loans and deposits from credit institutions	1 843	935	654
Deposits from customers	34 256	33 525	32 820
Debt securities issued	5 978	4 727	6 090
Financial derivatives	352	434	480
Other liabilities	507	419	500
Incurred costs and prepaid income	65	66	78
Other provisions for incurred liabilities and costs	131	84	96
Perpetual Hybrid Tier 1 capital	313	658	302
Subordinated loan capital	703	702	1 036
Total liabilities	44 148	41 550	42 056
EC capital	989	989	989
ECs owned by the Bank	-5	-5	-5
Share premium	355	354	355
Additional Tier 1 capital	349	349	349
Paid-in equity	1 688	1 687	1 688
Primary capital fund	2 513	2 343	2 470
Gift fund	125	125	125
Dividend equalisation fund	1 260	1 092	1 216
Value adjustment fund		51	78
Other equity	-7	0	280
Total comprehensive income after tax	374	356	0
Retained earnings	4 265	3 967	4 169
Total equity	5 953	5 654	5 857
Total liabilities and equity	50 101	47 204	47 913

Statement

Statement pursuant to section 5-6 of the Securities Trading Act

We hereby confirm that the half-yearly financial statements for the Group and the Bank for the period 1 January to 30 June 2018 to the best of our knowledge, have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by EU, and provides a true and fair view of the Group's and Bank's assets, liabilities, financial position and results as a whole.

We also hereby declare that the interim report provides a true and fair view of the financial performance and position of the Group and the Bank, a description of the principal risks and uncertainties facing the Group and the Bank as well as a description of major transactions with related parties.

Ålesund, 30 June 2018

14 August 2018

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

Profit performance - Group

QUARTERLY PROFIT

(NOK million)	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	291	289	290	281	268
Other operating income	78	53	58	55	63
Total operating costs	150	149	144	145	151
Profit before impairment on loans	219	193	204	191	180
Impairment on loans, guarantees etc.	-5	2	-1	6	6
Pre tax profit	224	191	205	185	174
Tax	50	50	48	46	44
Profit after tax	174	141	157	139	130

As a percentage of average assets

Net interest income	1.68	1.73	1.76	1.72	1.71
Other operating income	0.45	0.32	0.35	0.34	0.40
Total operating costs	0.87	0.89	0.88	0.89	0.96
Profit before impairment on loans	1.26	1.16	1.23	1.17	1.15
Impairment on loans, guarantees etc.	-0.03	0.01	-0.01	0.04	0.03
Pre tax profit	1.29	1.15	1.24	1.13	1.12
Tax	0.29	0.29	0.29	0.28	0.28
Profit after tax	1.00	0.86	0.95	0.85	0.84

COVER PHOTO

The TEFT-lab was officially opened May 29 2018. The TEFT-lab is a collaboration between Sparebanken Møre and NTNU in Ålesund. It will contribute to research on service innovation, entrepreneurship, finance and technology.

Photo: Tone Molnes