

UNAUDITED INTERIM REPORT

1 QUARTER

2016



SPAREBANKEN MØRE

Financial highlights - Group

Income statement

	Q1 2016		Q1 2015		2015	
	NOK million	%	NOK million	%	NOK million	%
Net interest income	250	1.67	255	1.80	1 098	1.89
Net commission and other operating income	42	0.28	47	0.33	193	0.33
Net return from financial investments	14	0.09	20	0.14	12	0.02
Total income	306	2.04	322	2.27	1 303	2.24
Total operating costs	148	0.99	147	1.04	561	0.96
Profit before impairment on loans	158	1.05	175	1.23	742	1.28
Impairment on loans, guarantees etc.	-2	-0.01	8	0.06	50	0.09
Pre tax profit	160	1.06	167	1.17	692	1.19
Tax	40	0.26	45	0.32	189	0.32
Profit after tax	120	0.80	122	0.85	503	0.87

Statement of financial position

NOK million	31.03.2016	% change in Q1 2016	31.12.2015	% change during last 12 months	31.03.2015
Total assets	60 088	-0.1	60 120	3.2	58 253
Average assets	59 925	3.1	58 113	5.7	56 688
Loans to and receivables from customers	51 440	0.3	51 286	2.0	50 454
Gross loans to retail customers	35 049	0.7	34 822	6.8	32 806
Gross loans to corporate and public entities	16 439	-0.5	16 526	-6.9	17 652
Deposits from customers	29 738	1.2	29 389	4.4	28 477
Deposits from retail customers	17 742	-0.5	17 829	3.9	17 072
Deposits from corporate and public entities	11 937	3.4	11 550	5.7	11 288

Key figures

	Q1 2016	Q1 2015	2015
Return on equity (annualised)	10.0	10.5	10.7
Costs as a percentage of income	48.4	45.9	43.0
Losses as a percentage of loans 1.1/start of the period	-0.02	0.06	0.10
Problem loans as a percentage of loans (prior to impairment)	0.41	0.77	0.47
Problem loans as a percentage of loans (after impairment)	0.27	0.50	0.32
Deposits to lending ratio as a percentage	57.8	56.4	57.3
Liquidity Coverage Ratio (LCR)	93.0	131.0	123.0
Lending growth as a percentage	2.0	9.5	4.9
Deposit growth as a percentage	4.4	0.2	3.5
Capital adequacy ratio 1) 2)	18.2	17.8	18.1
Core capital as a percentage 1) 2)	16.6	16.1	16.6
Core tier 1 capital as a percentage 1) 2)	14.2	13.6	14.1
Leverage Ratio (LR)	8.0	8.0	8.0
Man-years	388	380	388
Equity Certificates:			
Profit per EC (Group) (NOK)	6.05	6.10	25.25
Profit per EC (Parent Bank) (NOK)	12.75	12.90	25.70
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6
Price at Oslo Stock Exchange (NOK)	188	229	188
Price/Book value (P/B) (Group) 3)	0.76	0.97	0.74

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) Incl. 100 per cent of profit after tax

Interim report from the Board of Directors

All figures relate to the Group. Figures in brackets refer to the corresponding period last year. Fee to the Norwegian Banks' Guarantee Fund for 2016 has been expensed in full during the first quarter of 2016. The figures for the first quarter of 2015 have been made comparable.

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 Q1 2016

The profit after tax for the first quarter of 2016 amounted to NOK 120 million, or 0.80 % of average total assets, compared with NOK 122 million, or 0.85 %, for the corresponding quarter of last year. The return on equity in the first quarter of 2016 was 10.0 %, compared to 10.5 % for the first quarter of 2015.

The Group's target is a return on equity of a minimum of 10%.

The earnings per equity certificate amounted to NOK 6.05 (NOK 6.10) for the Group and NOK 12.75 (NOK 12.90) for the Parent Bank.

The Board of Directors is satisfied with the results for the first quarter of 2016.

Net interest income

The net interest income of NOK 250 million was NOK 5 million lower than in the corresponding quarter of last year. This represents 1.67 % of total assets, which is 0.13 percentage points lower than in the first quarter of 2015. Fee to the Norwegian Banks' Guarantee Fund amounted to NOK 27 million in the first quarter of 2016 compared to NOK 24 million in the corresponding quarter of 2015.

The generally low level of interest rates in the market, combined with strong competition for both loans and deposits, is affecting the development of net interest income.

Other operating income

Other operating income amounted to NOK 56 million, which is NOK 11 million lower than in the first quarter of last year. Other operating income accounted for 0.37 % of average total assets, 0.10 percentage points lower than in the corresponding period in 2015. The reduction is primarily attributable to the reduction in income of NOK 10 million from interest hedging transactions with customers. The change in the value of the bond portfolio shows capital gains of NOK 1 million compared with capital losses of NOK 7 million at the same time last year.

Costs

Operating costs in the quarter amounted to NOK 148 million, which is NOK 1 million higher than in the first quarter of last year. Personnel costs increased by NOK 1 million compared with the corresponding period last year and amounted to NOK 82 million. The Group's total workforce increased by 8 full time equivalents in the last 12 months to 388 full time equivalents. Other operating costs remained unchanged compared to the same period last year.

The cost income ratio for the first quarter of 2016 was 48.4 %, which represents an increase of 2.5 percentage points compared with the first quarter of 2015.

Problem loans

The quarter includes a recovery of losses amounting to NOK 2 million on lending and guarantees, corresponding to -0.01% of average assets. Comparable figures for Q1 2015 were NOK 8 million (0.06 %). Collective impairment remained unchanged in the first quarter, within the retail segment there is a recovery of losses amounting to NOK 2 million and no losses were charged within the corporate segment.

At the end of the first quarter of 2016, total impairment for losses amounted to NOK 334 million, equivalent to 0.65 % of gross lending (NOK 315 million and 0.62 % of gross lending). NOK 11 million of the individual impairment involved commitments in default for more than 90 days (NOK 22 million), which represents 0.02 % of gross lending (0.04 %). NOK 61 million relates to other commitments (NOK 118 million), which is equivalent to 0.12% of gross lending (0.23%). Collective impairment amounted to NOK 262 million (NOK 176 million) or 0.51% of gross lending (0.35%).

Net problem loans (loans that have been in default for more than 90 days and loans that are not in default but which have been subject to an individual impairment for losses) have decreased by NOK 109 million in the last 12 months. At the end of the first quarter of 2016, the corporate market accounted for NOK 96 million of net problem loans and the retail market NOK 45 million. In total, net problem loans represent 0.27 % of gross lending (0.50 %).

Lending and deposit growth

At the end of the first quarter of 2016, lending to customers amounted to NOK 51 440 million (NOK 50 454 million). Customer lending has increased by NOK 986 million, or 2.0 %, in the last 12 months. Retail lending has increased by 6.8 %, while corporate lending has decreased by 7.0 % in the last 12 months. Retail lending accounted for 67.7 % of total lending at the end of the first quarter of 2016 (64.6 %).

Customer deposits have increased by 4.4 % in the last 12 months. At the end of the first quarter of 2016, deposits amounted to NOK 29 738 million (NOK 28 477 million). Retail deposits have increased by 3.9 % in the last 12 months, while corporate deposits have increased by 5.3 % and public sector deposits have increased by 11.5 %. The retail market's relative share of deposits amounted to 59.7 % (60.0 %), while deposits from corporate customers accounted for 37.3 % (37.4 %) and public sector customers 3.0 % (2.6 %).

The deposit to loan ratio amounted to 57.8 % at the end of the first quarter of 2016 (56.4 %).

CAPITAL ADEQUACY

The Group's capital adequacy at the end of the first quarter of 2016 was above the regulatory capital requirements and in line with the internally set minimum target for Core Tier 1 capital at 13.5%. Primary capital, including 50% of earnings in the year-to-date, amounts to 18.2% (17.8%), core capital amounts to 16.6% (16.1%) and Core Tier 1 capital amounts to 14.2% (13.6%).

Sparebanken Møre has a capital requirement of NOK 26 million associated with the transitional scheme for the Basel I floor at the end of the first quarter of 2016.

SUBSIDIARIES

The aggregate profit of the bank's three subsidiaries amounted to NOK 41 million after tax in Q1 2016 (NOK 55 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. To date, the company has raised NOK 15.5 billion in funding for the Group. The company contributed NOK 42 million to the result in the first quarter of 2016 (NOK 55 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company has so far experienced a loss of NOK 1 million in 2016 (NOK 0 million). At the end of the quarter, the company employed 18 full time equivalents.

Sparebankeiendom AS' purpose is to own and manage the bank's business properties. The company has made no contribution to the overall result to date in 2016 (NOK 0 million). The company has no employees.

EQUITY CERTIFICATES

At the end of the first quarter of 2016, there were 5 882 holders of Sparebanken Møre's equity certificates (ECs). 9 886 954 equity certificates have been issued. The EC holders' share of the banks' total equity amounts to 49.6%. Note 10 contains an overview of the 20 largest owners of the bank's equity certificates.

As of 31 March 2016, the bank owned 120 485 of its own equity certificates. These have been purchased via the Oslo Stock Exchange at market price.

FUTURE PROSPECTS

The economic outlook for Møre og Romsdal has not changed significantly the last months. Admittedly, growth in the international economy is expected to be somewhat lower this year than originally assumed. On the other hand, the oil price has increased this year, the Norwegian krone remains weak and The Central Bank of Norway has reduced its key interest rate to 0.50 per cent. This will contribute to a reduction in the anticipated upturn in unemployment for the remainder of the year. Production continues to fall within oil-related businesses but the fall in oil investments is expected to be reduced going forward. At the same time, there are favourable developments within fisheries, tourism and traditional exports.

The level of losses in Sparebanken Møre is anticipated to remain low this year.

In total, unemployment in the county rose during the first quarter and stood at 3.4% in March, compared with 3.3% in the country as a whole. Parts of Møre og Romsdal are affected by the activity in the oil sector. As a result, there is a certain risk that unemployment for a while will continue to increase in our county compared to the country as a whole. Low interest rates, a favorable NOK exchange rate and an expansionary fiscal policy will on the other hand reduce the increase in unemployment in Møre og Romsdal. The county has a high export share. In the long term, the weak Norwegian krone could therefore also contribute to the labour market developing better in Møre og Romsdal than in the country as a whole.

Credit growth in Norway has been declining for some time. We are experiencing further strong competition in the market for both lending and deposits, particularly within the retail market, but the bank is competitive and is still seeing strong growth in lending in this market. Competition is increasing within certain business sectors. It is anticipated that the growth in lending within the retail market will slow down to some extent during the year, while the growth in the corporate market will remain at a low level. There is a constant focus on generating growth through good commitments with an acceptable level of risk.

Sparebanken Møre focuses strongly on cost-effectiveness. This has resulted in a highly satisfactory cost income ratio. This focus will continue, and the Group's cost-effectiveness will this year remain within the internal target of 45%.

Overall, good results are expected this year, with a return on equity exceeding the target of 10 per cent.

Ålesund, 31 March 2016

20 April 2016

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman
ROY REITE, Deputy Chairman
RAGNA BRENNE BJERKESET
HENRIK GRUNG
RITA CHRISTINA SÆVIK
ANN MAGRITT BJÅSTAD VIKERAKK
HELGE KARSTEN KNUDSEN
OLAV ARNE FISKERSTRAND, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q1 2016	Q1 2015	2015
Interest income		451	524	1 994
Interest costs		201	269	896
Net interest income	<u>9</u>	250	255	1 098
Commission income and revenues from banking services		44	48	196
Commission costs and expenditure from banking services		7	7	28
Other operating income		5	6	25
Net commission and other operating income		42	47	193
Dividends		0	0	2
Net gains/losses from financial instruments	<u>5</u>	14	20	10
Net return from financial instruments		14	20	12
Total income		306	322	1 303
Wages, salaries etc.		82	81	309
Administration costs		34	36	119
Depreciation and impairment		8	6	29
Other operating costs		24	24	104
Total operating costs		148	147	561
Profit before impairment on loans		158	175	742
Impairment on loans, guarantees etc.	<u>3</u>	-2	8	50
Pre tax profit		160	167	692
Taxes		40	45	189
Profit after tax		120	122	503
Profit per EC (NOK)		6.05	6.10	25.25
Diluted earnings per EC (NOK)		6.05	6.10	25.25
Distributed dividend per EC (NOK)		11.50	0.00	13.50

STATEMENT OF COMPREHENSIVE INCOME - GROUP

Amounts in NOK million	Q1 2016	Q1 2015	2015
Profit after tax	120	122	503
Other income/costs reversed in ordinary profit:			
Equities available for sale - changes in value	-1	-2	48
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-9
Tax effect of pension estimate deviations	0	0	-2
Total comprehensive income after tax	119	120	540

Statement of financial position - Group

STATEMENT OF FINANCIAL POSITION - GROUP

Assets

Amounts in NOK million	Note	31.03.2016	31.03.2015	31.12.2015
Cash and claims on Norges Bank	5 6 9	424	126	1 054
Loans to and receivables from credit institutions	5 6 9	1 024	949	1 205
Loans to and receivables from customers	2 3 4 5 7 9	51 440	50 454	51 286
Certificates, bonds and other interest-bearing securities	5 7 9	5 187	4 627	4 735
Financial derivatives	5 7	1 351	1 009	1 234
Shares and other securities	5 7	167	123	168
Deferred tax benefit		50	31	50
Intangible assets		49	20	48
Fixed assets		239	281	259
Other assets		157	633	81
Total assets		60 088	58 253	60 120

Liabilities and equity

Amounts in NOK million	Note	31.03.2016	31.03.2015	31.12.2015
Loans and deposits from credit institutions	5 6 9	1 201	569	1 058
Deposits from customers	2 5 7 9	29 738	28 477	29 389
Debt securities issued	5 6	21 473	21 625	21 918
Financial derivatives	5 7	654	639	592
Other liabilities		577	699	590
Incurred costs and prepaid income		72	94	75
Other provisions for incurred liabilities and costs		35	69	59
Perpetual Hybrid Tier 1 capital	5 6	834	860	826
Subordinated loan capital	5 6	501	524	501
Total liabilities		55 085	53 556	55 008
EC capital	10	989	989	989
ECs owned by the Bank		-12	-11	-13
Share premium		354	354	354
Paid-in equity		1 331	1 332	1 330
Primary capital fund		2 183	2 049	2 183

Gift fund	125	125	125
Dividend equalisation fund	935	799	935
Value adjustment fund	82	34	82
Other equity	228	238	457
Total comprehensive income after tax	119	120	0
Retained earnings	3 672	3 365	3 782
Total equity	5 003	4 697	5 112
Total liabilities and equity	60 088	58 253	60 120

Statement of changes in equity - Group

GROUP 31.03.2016	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2015	5 112	976	354	2 183	125	935	82	457
Changes in own equity certificates	1	1						
Distributed dividend to the EC holders	-114							-114
Distributed dividend to the local community	-115							-115
Total profit for the period	119							119
Equity as at 31 March 2016	5 003	977	354	2 183	125	935	82	347

GROUP 31.03.2015	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2014	4 845	978	353	2 048	125	799	34	507
Changes in own equity certificates	2		1	1				
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-136							-136
Total profit for the period	120							120
Equity as at 31 March 2015	4 697	978	354	2 049	125	799	34	358

GROUP 31.12.2015	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2014	4 845	978	353	2 048	125	799	34	507
Changes in own equity certificates	-2	-2	1	-2		1		
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-136							-136
Equity before allocation of profit for the year	4 573	976	354	2 046	125	800	34	238
Allocated to the primary capital fund	142			142				
Allocated to the dividend equalisation fund	140					140		
Allocated to other equity	-9							-9
Proposed dividend allocated for the EC holders	114							114
Proposed dividend allocated for the local community	115							115
Distributed profit for the year	503	0	0	142	0	140	0	220
Equities available for sale - changes in value	48						48	
Pension estimate deviations	-9			-5		-4		
Tax effect of pension estimate deviations	-2			-1		-1		
Total other income and costs from comprehensive income	37	0	0	-6	0	-5	48	0
Total profit for the period	540	0	0	137	0	135	48	220
Equity as at 31 December 2015	5 112	976	354	2 183	125	935	82	457

Statement of cash flow - Group

Amounts in NOK million	31.03.2016	31.03.2015	31.12.2015
Cash flow from operating activities			
Interest, commission and fees received	472	555	2 109
Interest, commission and fees paid	-99	-154	-524
Dividend and group contribution received	0	0	2
Operating expenses paid	-126	-122	-532
Income taxes paid	-103	-90	-202
Changes relating to loans to and claims on other financial institutions	181	212	-44
Changes relating to repayment of loans/leasing to customers	-165	-1 080	-2 922
Changes in utilised credit facilities	18	-495	485
Net change in deposits from customers	350	88	1 000
Net cash flow from operating activities	528	-1 086	-628
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	25	28	104
Proceeds from the sale of certificates, bonds and other securities	194	422	1 483
Purchases of certificates, bonds and other securities	-643	-326	-1 512
Proceeds from the sale of fixed assets etc.	17	0	4
Purchase of fixed assets etc.	-5	-12	-43
Changes in other assets	-198	-631	-283
Net cash flow from investing activities	-610	-519	-247
Cash flow from financing activities			
Interest paid on debt securities	-105	-118	-455
Net change in deposits from Norges Bank and other financial institutions	143	21	511
Proceeds from bond issues raised	0	2 802	7 056
Redemption of debt securities	-498	-1 010	-5 107
Dividend paid	-114	0	-133
Changes in other debt	26	-42	-21
Net cash flow from financing activities	-548	1 653	1 851
Net change in cash and cash equivalents	-630	48	976
Cash balance at 01.01	1 054	78	78
Cash balance at 31.03/31.12	424	126	1 054

Note 1

ACCOUNTING PRINCIPLES

General

The Group`s interim accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), implemented by the EU as at 31 March 2016. The interim report has been prepared in compliance with IAS 34 Interim Reporting.

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

The interim report is prepared in accordance with accounting principles and methods applied in the 2015 financial statements. There have been no changes or new standards coming into force in so far in 2016.

Please see the Annual report 2015 for further description of accounting principles.

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	31.03.2016	31.03.2015	31.12.2015
Broken down according to sectors			
Agriculture and forestry	365	427	373
Fisheries	2 921	3 297	3 186
Manufacturing	1 836	2 343	1 794
Building and construction	609	660	600
Wholesale and retail trade, hotels	566	626	517
Supply/Offshore	1 127	1 232	1 189
Property management	6 006	6 251	6 133
Professional/financial services	843	985	892
Transport and private/public services	2 020	1 660	1 708
Public entities	20	44	2
Activities abroad	126	127	132
Total corporate/public entities	16 439	17 652	16 526
Retail customers	35 049	32 806	34 822
Fair value adjustment of loans	192	186	180
Accrued interest income	94	125	99
Total loans	51 774	50 769	51 627
Individual impairment	-72	-139	-79
Collective impairment	-262	-176	-262
Loans to and receivables from customers	51 440	50 454	51 286
Loans with floating interest rate (amortised cost)	46 645	45 942	46 290
Loans with fixed interest rate (fair value)	5 129	4 827	5 337

GROUP	Deposits		
	31.03.2016	31.03.2015	31.12.2015
Broken down according to sectors			
Agriculture and forestry	211	182	176
Fisheries	683	429	641
Manufacturing	985	1 057	1 122
Building and construction	477	450	470
Wholesale and retail trade, hotels	638	658	738
Supply/Offshore	651	584	503
Property management	1 324	1 593	1 370
Professional/financial services	1 880	1 372	1 720
Transport and private/public services	2 340	1 586	2 172
Public entities	842	755	898
Activities abroad	6	8	5
Miscellaneous	1 900	2 614	1 735
Total corporate/public entities	11 937	11 288	11 550
Retail customers	17 742	17 072	17 829
Fair value adjustment of deposits	1	3	2
Accrued interest costs	58	114	8
Total deposits	29 738	28 477	29 389
Deposits with floating interest rate (amortised cost)	29 071	27 961	28 875
Deposits with fixed interest rate (fair value)	667	516	514

Note 3

LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

	Q1 2016	Q1 2015	31.12.2015
Changes in individual impairment of loans and guarantees during the period	-7	-4	-60
Changes in collective impairment during the period	0	10	96
Confirmed losses during the period where individual impairment had previously been made	6	3	13
Confirmed losses during the period where individual impairment had previously not been made	1	1	13
Recoveries	2	2	12
Losses on loans, guarantees etc.	-2	8	50

Individual impairment on loans

	Q1 2016	Q1 2015	31.12.2015
Individual impairment on loans as at 01.01/01.10	79	141	141
Confirmed losses during the period, where individual impairment had previously been made	6	3	13
Increase in individual impairment during the period	0	3	9
Individual impairment of new commitments during the period	3	8	22
Recoveries on individual impairment during the period	4	10	80
Individual impairment on loans at the end of the period	72	139	79

Collective impairment on loans

	Q1 2016	Q1 2015	31.12.2015
Collective impairment of loans as at 01.01/01.10	262	166	166
Changes during the period	0	10	96
Collective impairment on loans at the end of the period	262	176	262

Individual impairment on guarantees

	Q1 2016	Q1 2015	31.12.2015
Individual impairment as at 01.01/01.10	0	2	2
Individual impairment during the period	0	0	0
Recoveries on individual impairment during the period	0	1	2
Individual impairment at the end of the period	0	1	0

Note 4

DEFAULTED AND DOUBTFUL COMMITMENTS

Problem loans

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

GROUP	31.03.2016			31.03.2015			31.12.2015		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:									
Commitments in default above 3 months	56	31	25	90	54	36	74	39	35
Other bad and doubtful commitments subject to impairment	157	27	130	300	30	270	170	28	142
Total problem loans prior to individual impairment	213	58	155	390	84	306	244	67	177
Individual impairment on:									
Commitments in default above 3 months	11	3	8	22	8	14	14	2	12
Other bad and doubtful commitments subject to impairment	61	10	51	118	13	105	65	10	55
Total individual impairment	72	13	59	140	21	119	79	12	67
Problem loans after individual impairment:									
Commitments in default above 3 months	45	28	17	68	46	22	60	37	23
Other bad and doubtful commitments subject to impairment	96	17	79	182	17	165	105	18	87
Total problem loans less individual impairment	141	45	96	250	63	187	165	55	110
Total problem loans prior to individual impairment as a percentage of total loans									
	0.41	0.17	0.94	0.77	0.26	1.71	0.47	0.19	1.07
Total problem loans less individual impairment as a percentage of total loans									
	0.27	0.13	0.58	0.50	0.19	1.05	0.32	0.15	0.67

Note 5

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION

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

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

Financial assets and derivatives held for trading

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

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

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

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

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

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

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

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

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

The Group's owner interest in Visa Norway FLI is classified as a financial asset in the category available for sale in level three in the valuation hierarchy. The change in value of this asset is recognized in other comprehensive income.

Loans and receivables

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

amortised over the lifetime of the loan.

Financial liabilities assessed at amortised cost

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

LEVELS IN THE VALUATION HIERARCHY

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

Level 1 – Valuation based on prices in an active market

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

Level 2 – Valuation based on observable market data

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

Level 3 – Valuation based on other than observable market data

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

GROUP - 31.03.2016	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			424	
Loans to and receivables from credit institutions			1 024	
Loans to and receivables from customers		5 129	46 311	
Certificates and bonds		5 187		
Shares and other securities	2			165
Financial derivatives	1 351			
Total financial assets	1 353	10 316	47 759	165
Loans and deposits from credit institutions			1 201	
Deposits from and liabilities to customers		667	29 071	
Financial derivatives	654			
Debt securities			21 473	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 335	
Total financial liabilities	654	667	53 080	-

GROUP - 31.03.2015	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			126	
Loans to and receivables from credit institutions			949	
Loans to and receivables from customers		4 827	45 627	
Certificates and bonds		4 627		
Shares and other securities	2			121
Financial derivatives	1 009			
Total financial assets	1 011	9 454	46 702	121
Loans and deposits from credit institutions			569	
Deposits from and liabilities to customers		516	27 961	
Financial derivatives	639			
Debt securities			21 625	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 384	
Total financial liabilities	639	516	51 539	-

Net gains/losses on financial instruments

	Q1 2016	Q1 2015	31.12.2015
Certificates and bonds	1	-8	-51
Securities	0	0	-2
Foreign exchange trading (for customers)	8	7	33
Fixed income trading (for customers)	1	11	26
Financial derivatives	4	10	6
Net change in value and gains/losses from financial instruments	14	20	12

Note 6

FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	31.03.2016		31.03.2015	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	424	424	126	126
Loans to and receivables from credit institutions	1 024	1 024	949	949
Loans to and receivables from customers	46 311	46 311	45 627	45 627
Total financial assets	47 759	47 759	46 702	46 702
Loans and deposits from credit institutions	1 201	1 201	569	569
Deposits from and liabilities to customers	29 071	29 071	27 961	27 961
Debt securities	21 377	21 473	21 649	21 625
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 358	1 335	1 464	1 384
Total financial liabilities	53 007	53 080	51 643	51 539

GROUP - 31.03.2016	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	424			424
Loans to and receivables from credit institutions		1 024		1 024
Loans to and receivables from customers			46 311	46 311
Total financial assets	424	1 024	46 311	47 759
Loans and deposits from credit institutions		1 201		1 201
Deposits from and liabilities to customers			29 071	29 071
Debt securities		21 377		21 377
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 358		1 358
Total financial liabilities	-	23 936	29 071	53 007

GROUP - 31.03.2015	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	126			126
Loans to and receivables from credit institutions		949		949
Loans to and receivables from customers			45 627	45 627
Total financial assets	126	949	45 627	46 702
Loans and deposits from credit institutions		569		569
Deposits from and liabilities to customers			27 961	27 961
Debt securities		21 649		21 649
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 464		1 464
Total financial liabilities	-	23 682	27 961	51 643

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 31.03.2016	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			5 129	5 129
Certificates and bonds	1 939	3 248		5 187
Shares and other securities	6		161	167
Financial derivatives		1 351		1 351
Total financial assets	1 945	4 599	5 290	11 834
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			667	667
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		654		654
Total financial liabilities	-	654	667	1 321

GROUP - 31.03.2015	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			4 827	4 827
Certificates and bonds	1 681	2 946		4 627
Shares and other securities	9		114	123
Financial derivatives		1 009		1 009
Total financial assets	1 690	3 955	4 941	10 586
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			516	516
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		639		639
Total financial liabilities	-	639	516	1 155

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.15	5 337	161	514
Purchases/additions	84	-	195
Sales/reduction	305	-	42
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	13	-	-
Recorded value as at 31.03.16	5 129	161	667

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.14	4 123	114	442
Purchases/additions	1 016	-	98
Sales/reduction	302	-	24
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	-10	-	-
Recorded value as at 31.03.15	4 827	114	516

Note 8

OPERATING SEGMENTS

Result - Q1 2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	250	-27	110	167	0
Other operating income	56	13	20	20	3
Total income	306	-14	130	187	3
Operating costs	148	23	30	91	4
Profit before impairment	158	-37	100	96	-1
Impairment on loans, guarantees etc.	-2	0	0	-2	0
Pre tax profit	160	-37	100	98	-1
Taxes	40				
Profit after tax	120				

Key figures - 31.03.2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	51 440	1 024	16 138	34 278	0
Deposits from customers 1)	29 738	840	10 000	18 898	0
Guarantee liabilities	1 693	0	1 685	8	0
The deposit-to-loan ratio	57.8	82.0	62.0	55.1	0
Man-years	388	148	56	166	18

Result - Q1 2015	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	255	-15	115	155	0
Other operating income	67	15	21	26	5
Total income	322	0	136	181	5
Operating costs	147	26	28	88	5
Profit before impairment	175	-26	108	93	0
Impairment on loans, guarantees etc.	8	10	-2	0	0
Pre tax profit	167	-36	110	93	0
Taxes	45				
Profit after tax	122				

Key figures - 31.03.2015	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	50 454	1 067	17 338	32 049	0
Deposits from customers 1)	28 477	694	9 470	18 313	0
Guarantee liabilities	1 652	0	1 643	9	0
The deposit-to-loan ratio	58.1	65.0	54.6	57.1	0
Man-years	380	150	53	161	16

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	Q1 2016	Q1 2015
Net interest income	60	75
Other operating income	4	8
Total income	64	83
Operating costs	8	7
Profit before impairment on loans	56	76
Impairment on loans, guarantees etc.	0	0
Pre tax profit	56	76
Taxes	14	21
Profit after tax	42	55

Statement of financial position	31.03.2016	31.03.2015
Loans to and receivables from customers	18 023	15 772
Total equity	1 395	1 208

Note 9

TRANSACTIONS WITH RELATED PARTIES

These are transactions between the Parent Bank and wholly-owned subsidiaries which have been done at arm`s length and at arm`s length`s prices.

The most important transactions which have been done and netted out in the Group accounts are as follows:

PARENT BANK	31.03.2016	31.03.2015	31.12.2015
Statement of income			
Interest and credit commission income from subsidiaries	4	6	19
Received dividend and group contribution from subsidiaries	176	191	191
Rent paid to Sparebankeiendom AS	4	4	18
Administration fee received from Møre Boligkreditt AS	6	6	24
Statement of financial position			
Claims on subsidiaries	2 092	1 318	1 121
Covered bonds	234	195	0
Liabilities to subsidiaries	273	582	307
Accumulated loan portfolio transferred to Møre Boligkreditt AS	18 027	15 774	16 911

Note 10

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.03.2016	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	982 000	9.93
Verdipapirfond Pareto Aksje Norge	508 923	5.15
MP Pensjon	395 282	4.00
Wenaasgruppen AS	380 000	3.84
VPF Nordea Norge Verdi	327 073	3.31
Pareto AS	305 189	3.09
FLPS - Princ All Sec	226 634	2.29
Bergen Kommunale Pensjonskasse	220 000	2.23
Beka Holding AS	150 100	1.52
VPF Fondsinans Norge	143 739	1.45
Farstad Shipping ASA	126 909	1.28
Sparebanken Møre	120 485	1.22
Lapas AS (Leif-Arne Langøy)	105 500	1.07
Verdipapirfondet Eika utbytte	102 011	1.03
Odd Slyngstad	80 528	0.81
PIBCO AS	75 000	0.76
Andvord AS	71 400	0.72
Forsvarets Personellservice	63 660	0.64
Stiftelsen Kjell Holm	60 023	0.61
Verdipapirfondet Landkreditt utbytte	59 000	0.60
Total 20 largest	4 503 456	45.55
Total	9 886 954	100.00

Note 11

CAPITAL ADEQUACY

	31.03.2016	31.03.2015	31.12.2015
EC capital	989	989	989
- ECs owned by the Bank	-12	-11	-13
Share premium	354	354	354
Dividend equalisation fund	935	799	935
Gift fund	125	125	125
Primary capital fund	2 183	2 049	2 183
Value adjustment fund	82	34	82
Proposed dividend for the EC holders	0	0	114
Proposed dividend for the local community	0	0	115
Other equity	228	238	228
Accumulated profit for the period	119	132	0
Total equity	5 003	4 709	5 112
Deferred tax, goodwill and intangible assets	-47	-20	-47
Value adjustments of financial instruments at fair value	-14	-12	-14
Value adjustment fund	-82	-34	-82
Perpetual Hybrid Tier 1 capital	808	807	808
Expected losses exceeding actual losses, IRB portfolios corporate	-152	-259	-175
Proposed dividend for the EC holders	0	0	-114
Proposed dividend for the local community	0	0	-115
Accumulated profit for the period	-119	-132	0
Total core capital	5 397	5 059	5 373
Common equity Tier 1 Capital	4 589	4 252	4 565
Supplementary capital			
Subordinated loan capital of limited duration	501	525	501
36 % addition for net unrealised gains on shares available for sale	0	0	0
50 % deduction for equity in other financial institutions	0	0	0
Total supplementary capital	501	525	501
Net equity and subordinated loan capital	5 898	5 584	5 874

Capital requirement by exposure classes

Exposure classes SA - credit risk	31.03.2016	31.03.2015	31.12.2015
Central governments or central banks	0	0	0
Regional governments or local authorities	7	5	6
Public sector companies	19	20	20
Institutions (banks etc)	54	45	52
Companies (corporate customers)	4	31	5
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	17	14	16
Equity	8	6	8
Other items	123	84	114
Total capital requirements - credit risk, The Standardised Approach	232	205	221

Exposure classes IRB - credit risk	31.03.2016	31.03.2015	31.12.2015
Retail - Secured by real estate	560	528	562
Retail - Other	46	67	46
SME	731	847	773
Specialised lending	508	490	512
Other corporate lending	285	198	252
IRB-F capital requirements	2 130	2 130	2 145
Total capital requirements - credit risk	2 362	2 335	2 366

Exposure classes SA - market risk	31.03.2016	31.03.2015	31.12.2015
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	44	20	40
Total capital requirements - market risk	44	20	40

Operational Risk (Basic Indicator Approach)	193	190	190
Deductions from the capital requirement	0	0	0
Total capital requirement less transitional rules	2 599	2 545	2 596
Additional capital requirements from transitional rules 1)	26	0	0
Total capital requirements	2 625	44 829	45 155

Risk-weighted assets (calculation basis for capital adequacy ratio)

Risk-weighted assets less transitional rules	32 810	31 787	32 455
Additional RWA from transitional rules 1)	1 476	1 430	1 460
Total risk-weighted assets	32 810	31 787	32 455
Minimum requirement common equity Tier 1 capital (4.5 %)	1 476	1 430	1 460

1) Transitional rules require that RWA can not be less than 80 per cent of the corresponding Basel I requirement.

Buffer Requirement	31.03.2016	31.03.2015	31.12.2015
Capital conservation buffer (2.5 %)	820	795	811
Systemic risk buffer (3.0 %)	984	954	974
Countercyclical buffer (1.0%)	328	318	325
Total buffer requirements	2 132	2 067	2 110
Available common equity Tier 1 capital after buffer requirements	981	755	995

Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules	31.03.2016	31.03.2015	31.12.2015
Capital adequacy ratio	18.0	17.6	18.1
Capital adequacy ratio incl. 50 per cent of the profit for the period	18.2	17.8	
Core capital ratio	16.5	15.9	16.6
Core capital ratio incl. 50 per cent of the profit for the period	16.6	16.1	
Core Tier 1 capital ratio	14.0	13.4	14.1
Core Tier 1 capital ratio incl. 50 per cent of the profit for the period	14.2	13.6	

Sparebanken Møre's capital requirements at 31st March 2016 are based on IRB-Foundation for corporate commitments and IRB-Retail for retail commitments.

Leverage Ratio (LR)	31.03.2016	31.03.2015	31.12.2015
Leverage Ratio (LR)	8.0	8.0	8.0

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	Q1 2016	Q1 2015	2015
Interest income	334	384	1 473
Interest costs	143	203	645
Net interest income	191	181	828
Commission income and revenues from banking services	44	48	197
Commission costs and expenditure from banking services	7	7	28
Other operating income	7	6	27
Net commission and other operating income	44	47	196
Dividends	176	191	193
Net gains/losses from financial instruments	10	12	9
Net return from financial instruments	186	203	202
Total income	421	431	1 226
Wages, salaries etc.	79	78	295
Administration costs	34	36	119
Depreciation and impairment	6	5	23
Other operating costs	23	23	105
Total operating costs	142	142	542
Profit before impairment on loans	279	289	684
Impairment on loans, guarantees etc.	-2	8	47
Pre tax profit	281	281	637
Taxes	26	24	125
Profit after tax	255	257	512
Profit per EC (NOK)	12.75	12.90	25.70
Diluted earnings per EC (NOK)	12.75	12.90	25.70
Distributed dividend per EC (NOK)	11.50	0.00	13.50

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

Amounts in NOK million	Q1 2016	Q1 2015	2015
Profit after tax	255	257	512
Other income/costs reversed in ordinary profit:			
Equities available for sale - changes in value	-1	-2	48
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-9
Tax effect of pension estimate deviations	0	0	-2
Total comprehensive income after tax	254	255	549

Statement of financial position - Parent Bank

STATEMENT OF FINANCIAL POSITION - PARENT BANK

Assets

Amounts in NOK million	31.03.2016	31.03.2015	31.12.2015
Cash and claims on Norges Bank	424	126	1 054
Loans to and receivables from credit institutions	2 966	2 112	2 174
Loans to and receivables from customers	33 568	34 836	34 530
Certificates, bonds and other interest-bearing securities	5 082	4 615	4 333
Financial derivatives	806	617	749
Shares and other securities	167	123	168
Equity stakes in Group companies	1 371	1 171	1 171
Deferred tax benefit	60	40	60
Intangible assets	49	20	47
Fixed assets	40	68	50
Other assets	153	627	75
Total assets	44 686	44 355	44 411

Liabilities and equity

Amounts in NOK million	31.03.2016	31.03.2015	31.12.2015
Loans and deposits from credit institutions	1 443	1 138	1 343
Deposits from customers	29 769	28 490	29 410
Debt securities issued	5 942	7 337	6 206
Financial derivatives	649	615	586
Other liabilities	530	633	521
Incurred costs and prepaid income	73	95	75
Other provisions for incurred liabilities and costs	35	69	59
Perpetual Hybrid Tier 1 capital	834	860	826
Subordinated loan capital	501	524	501
Total liabilities	39 776	39 761	39 527
EC capital	989	989	989
ECs owned by the Bank	-12	-11	-13
Share premium	354	354	354
Paid-in equity	1 331	1 332	1 330
Primary capital fund	2 183	2 049	2 183
Gift fund	125	125	125
Dividend equalisation fund	935	799	935
Value adjustment fund	82	34	82
Other equity	0	0	229
Total comprehensive income after tax	254	255	0
Retained earnings	3 579	3 262	3 554
Total equity	4 910	4 594	4 884
Total liabilities and equity	44 686	44 355	44 411

Profit performance - Group

QUARTERLY PROFIT

Amounts in NOK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	250	285	283	275	255
Other operating income	56	40	33	65	67
Total operating costs	148	124	146	144	147
Profit before impairment on loans	158	201	170	196	175
Impairment on loans, guarantees etc.	-2	25	10	7	8
Pre tax profit	160	176	160	189	167
Tax	40	52	44	48	45
Profit after tax	120	124	116	141	122

As a percentage of average assets

Net interest income	1.67	1.91	1.93	1.91	1.80
Other operating income	0.37	0.27	0.23	0.46	0.47
Total operating costs	0.99	0.83	1.00	1.01	1.04
Profit before impairment on loans	1.05	1.35	1.16	1.36	1.23
Impairment on loans, guarantees etc.	-0.01	0.17	0.07	0.05	0.06
Pre tax profit	1.06	1.18	1.09	1.31	1.17
Tax	0.26	0.35	0.30	0.33	0.32
Profit after tax	0.80	0.83	0.79	0.98	0.85