

UNAUDITED INTERIM REPORT

1 QUARTER

2015



SPAREBANKEN MØRE

Financial highlights - Group

Income statement

	Q1 2015		Q1 2014		2014	
	NOK million	In percentage	NOK million	In percentage	NOK million	In percentage
Net interest income	273	1.93	269	1.98	1 093	2.01
Net commission and other operating income	47	0.33	43	0.32	180	0.33
Net return from financial investments	20	0.14	17	0.12	135	0.25
Total income	340	2.40	329	2.42	1 408	2.59
Total operating costs	147	1.04	143	1.05	564	1.04
Profit before impairment on loans	193	1.36	186	1.37	844	1.55
Impairment on loans, guarantees etc.	8	0.06	6	0.04	22	0.04
Pre tax profit	185	1.30	180	1.33	822	1.51
Tax	50	0.35	48	0.35	199	0.36
Profit after tax	135	0.95	132	0.98	623	1.15

Statement of financial position

NOK million	31.03.2015	% change during Q1 2015	31.12.2014	% change during last 12 months	31.03.2014
Total assets	58 253	3.5	56 305	7.2	54 339
Average assets	56 688	4.1	54 455	4.2	54 422
Loans to and receivables from customers	50 454	3.2	48 884	9.5	46 072
Deposits from customers	28 477	0.3	28 389	0.2	28 434

Key figures

	Q1 2015	Q1 2014	2014
Return on equity (annualised)	11.7	12.1	14.0
Costs as a percentage of income	43.2	43.5	40.1
Losses as a percentage of loans 1.1/start of the period	0.06	0.05	0.05
Problem loans as a percentage of loans (prior to impairment)	0.77	1.21	0.80
Problem loans as a percentage of loans (after impairment)	0.50	0.84	0.51
Deposits to lending ratio as a percentage	56.4	61.5	58.1
Core capital as a percentage 1) 2)	16.1	15.8	14.4

Core tier 1 capital as a percentage 1) 2)	13.6	12.8	12.0
Man-years	380	382	383
Equity Certificates:			
Profit per EC (Group) (NOK)	6.75	6.62	31.20
Profit per EC (Parent Bank) (NOK)	13.55	11.77	29.10
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6
Price at Oslo Stock Exchange (NOK)	229	196	216
Price/Book value (P/B) (Group) 3)	0.97	0.87	0.89

1) Sparebanken Møre's capital requirements have been based on IRB-Foundation for corporate commitments from 30th June 2014 and IRB-Retail for retail commitments from 31st March 2015.

2) Incl. 50 per cent of profit after tax

3) Incl. 100 per cent of profit after tax

Interim Report from of the Board of Directors

All figures relate to the Group. Amounts and percentages 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 Q1 2015

The profit after tax for the first quarter of 2015 amounted to NOK 135 million, or 0.95 % of average total assets, compared with NOK 132 million, or 0.98 %, for the corresponding quarter last year. The return on equity in the first quarter of 2015 was 11.7 %, compared with 12.1 % for the first quarter of 2014. The Group's target is a return on equity at a minimum of 10 %.

The earnings per equity certificate amounted to NOK 6.75 (NOK 6.62) for the Group and NOK 13.55 (NOK 11.77) for the Parent Bank.

The Board of Directors is satisfied with the results for the first quarter of 2015.

NET INTEREST INCOME

The net interest income of NOK 273 million was NOK 4 million higher than in the corresponding quarter last year. This represents 1.93 % of total assets, which is 0.05 percentage points lower than in the first quarter of 2014.

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 67 million, which is NOK 7 million higher than in the first quarter last year. Other operating income amounted to 0.47 % of average total assets, 0.03 percentage points higher than in the corresponding period in 2014. The increase was primarily attributable to increased income from interest rate contracts with customers, financial derivatives, and increased income from guarantee commissions. The change in the value of the bond portfolio shows capital losses of NOK 7 million compared with capital gains of NOK 4 million at the same time last year.

COSTS

Operating costs in the quarter amounted to NOK 147 million, which is NOK 4 million higher than in the same quarter last year. The increase was linked to changes in other operating costs. Personnel costs decreased by NOK 1 million compared with the corresponding period last year and amounted to NOK 81 million. The Group's total workforce has been reduced by 2 full time equivalents in the last 12 months to 380 full time equivalents.

The cost/income ratio for the first quarter of 2015 was 43.2 %, which represents a decrease of 0.3 percentage points compared with the first quarter of 2014.

IMPAIRED COMMITMENTS

The quarter's financial statements were charged NOK 8 million in losses on loans and guarantees. This amounts to 0.06 % of average total assets on an annualised basis. The corresponding figures for the first quarter of 2014 were NOK 6 million, or 0.04 %. The losses on loans and guarantees in the first quarter of 2015 consist of a NOK 10 million increase in group write-downs and a NOK 2 million contraction in losses in the corporate segment. There were no losses in the retail segment in the quarter.

At the end of the first quarter of 2015, total write-downs for losses amounted to NOK 315 million, equivalent to 0.62 % of gross lending (NOK 310 million and 0.67 % of gross lending). NOK 22 million of the individual write-downs involved commitments in default for more than 90 days (NOK 29 million), which represents 0.04 % of gross lending (0.06 %). NOK 118 million relates to other commitments (NOK 141 million), which is equivalent to 0.23 % of gross lending (0.31 %). Group write-downs amounted to NOK 176 million (NOK 140 million) or 0.35 % of gross lending (0.30 %).

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 an individual write-down for losses) have in the last 12 months decreased by NOK 137 million. At the end of the first quarter of 2015, the corporate market accounted for NOK 187 million of net impaired commitments and the retail market NOK 63 million. In total this represents 0.50 % of gross lending (0.84 %).

LENDING AND DEPOSIT GROWTH

At the end of the first quarter of 2015, net lending to customers amounted to NOK 50 454 million (NOK 46 072 million). Net customer lending has increased by a total of NOK 4 382 million, or 9.5 %, the last 12 months. Retail lending has increased by 6.8 %, while corporate lending has increased by 14.6 % the last 12 months. Retail lending accounted for 64.6 % of lending at the end of the first quarter of 2015 (66.4 %).

Customer deposits have increased by 0.2 % in the last 12 months. At the end of the first quarter of 2015, deposits amounted to NOK 28 477 million (NOK 28 434 million). Retail deposits have increased by 5.9 % the last 12 months, while corporate deposits have decreased by 7.0 % and public sector deposits have decreased by 8.6 %. The retail market's relative share of deposits amounted to 60.0 % (58.0 %), while deposits from corporate customers accounted for 37.4 % (39.4 %) and public sector customers 2.6 % (2.6 %).

Deposits as a percentage of loans amounted to 56.4 % at the end of the first quarter of 2015 (61.7 %).

CAPITAL ADEQUACY

The Group's Core Tier 1 capital must comply with the announced regulatory plan for the escalation of capital. Sparebanken Møre has not been defined as a systemically important financial institution. Regardless of the level of the countercyclical buffer, the Group's Core Tier 1 capital shall amount to a minimum of 12 %.

Sparebanken Møre has permission from the Financial Supervisory Authority of Norway to use the IRB Foundation Approach for calculating capital requirements for corporate commitments and retail marked

As at the end of the first quarter of 2015, the Group's capital adequacy is reported according to the IRB in Basel II for retail market commitments and IRB Foundation for the corporate market for credit risk. Sparebanken Møre had no capital requirements associated with the transitional scheme for the Basel I floor at the end of the first quarter of 2015.

The Group's capital adequacy at the end of the first quarter of 2015 was above the regulatory capital requirements and in line with the internally set minimum target for core tier 1 capital. Primary capital, including 50 % of retained earnings in the year-to-date, amounts to 17.8 % (17.3 %), core capital 16.1 % (15.8 %), of which Core Tier 1 capital amounts to 13.6 % (12.8 %).

SUBSIDIARIES

The aggregate profit of the Bank's three subsidiaries after the first three months of 2015 amounted to NOK 55 million after tax (NOK 48 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 14.5 billion in long term funding for the Group. The company contributed NOK 55 million to the result in the first quarter of 2015 (NOK 48 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company has made no contribution to the overall result to date in 2015. At the end of the quarter, the company employed 16 full time equivalents.

Sparebankeiendom AS's purpose is to own and manage the Bank's business properties. The company has made no contribution to the overall result to date in 2015. The company has no employees.

EQUITY CAPITAL CERTIFICATES

At the end of the first quarter of 2015, there were 5 904 holders of Sparebanken Møre's equity capital certificates. 9 886 954 equity capital certificates have been issued. Equity capital certificates accounts for 49.6 % of the Bank's total equity. Note 10 contains an overview of the 20 largest owners of the Bank's equity capital certificates.

As at 31 March 2015, the Bank owned 104 420 of its own equity capital certificates. These were purchased via the Oslo Stock Exchange at market price.

FUTURE PROSPECTS

The general macroeconomic conditions for the county remain satisfactory. However, current conditions indicate there will be a downturn in petroleum investments during the year due to the fall in oil prices and the oil companies' focus on cutting costs. Reduced investments also gives indirect effects through the supplier chain. As a consequence of this, unemployment in the county will probably increase somewhat over the next year. Unemployment in Møre og Romsdal will however remain among the lowest in Norway. In March, the registered unemployment rate in the county was 2.5 %, compared with 3.0 % in the country as a whole.

On the other hand, the weakening of the NOK exchange rate will help improve the competitiveness of our export industries and import-competing businesses. The recent drop in customer interest rates will improve purchasing power in the household sector and reduce interest costs for business. Finally, the fall in oil prices could contribute to increased growth among our trading partners inter alia through lower costs. These factors could partly counteract the negative effects of the fall in the oil sector and oil-related activities. Sparebanken Møre's level of losses is expected to remain low and within the Bank's plans in 2015.

The competitive situation in the Bank's market area is high and has intensified. Lending growth is expected to be decreasing in 2015 both in the retail and corporate market. There is a constant focus on generating growth through good commitments with an acceptable level of risk.

Together with a number of Norwegian banks, Sparebanken Møre's official Moody's rating (A3) was set on review in the first quarter prior to a possible upgrading. The Group is enjoying good access to long-term, stable funding in the Norwegian and international funding markets. This is also due to the Group's good financial strength and good stability in results over time. Funding margins in the long-term market have fallen markedly both for the Bank and Møre Boligkreditt AS, and the Group will make greater use of this source of funding in the future. This is expected to make a positive contribution to the Group's total net interest income.

Sparebanken Møre focuses strongly on cost-effectiveness. This has resulted in a highly satisfactory level of total costs in relation to income. This focus will continue, and the Group's cost-effectiveness will this year remain well within the internal target of a maximum cost/income ratio of 50 %. Overall the year's result is expected to be good.

Ålesund, 31 March 2015

29 April 2015

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman
ROY REITE, Deputy Chairman
RAGNA BRENNE BJERKESET
HENNING SUNDET
RITA CHRISTINA SÆVIK
ANN MAGRITT BJÅSTAD VIKERBAKK
HELGE KARSTEN KNUDSEN

OLAV ARNE FISKERSTRAND, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q1 2015	Q1 2014	2014
Interest income		524	560	2 237
Interest costs		251	291	1 144
Net interest income	<u>9</u>	273	269	1 093
Commission income and revenues from banking services		48	44	178
Commission costs and expenditure from banking services		7	7	29
Other operating income		6	6	31
Net commission and other operating income		47	43	180
Dividends		0	4	7
Net gains/losses from financial instruments	<u>5</u>	20	13	128
Net return from financial instruments		20	17	135
Total income		340	329	1 408
Wages, salaries etc.		81	82	324
Administration costs		36	33	119
Depreciation and impairment		6	6	25
Other operating costs		24	22	96
Total operating costs		147	143	564
Profit before impairment on loans		193	186	844
Impairment on loans, guarantees etc.	<u>3</u>	8	6	22
Pre tax profit		185	180	822
Taxes		50	48	199
Profit after tax		135	132	623
Profit per EC (NOK)		6.75	6.62	31.20
Diluted earnings per EC (NOK)		6.75	6.62	31.20
Distributed dividend per EC (NOK)		0	0	8

STATEMENT OF COMPREHENSIVE INCOME - GROUP

Amounts in NOK million	Q1 2015	Q1 2014	2014
Profit after tax	135	132	623
Other income/costs reversed in ordinary profit:			

Equities available for sale - changes in value	-2	77	-13
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-102
Tax effect of pension estimate deviations	0	0	27
Total comprehensive income after tax	133	209	535

Statement of financial position - Group

STATEMENT OF FINANCIAL POSITION - GROUP

Assets

Amounts in NOK million	Note	31.03.2015	31.03.2014	31.12.2014
Cash and claims on Norges Bank	<u>5 6 9</u>	126	822	78
Loans to and receivables from credit institutions	<u>5 6 9</u>	949	561	1 161
Loans to and receivables from customers	<u>2 3 4 5 7 9</u>	50 454	46 072	48 884
Certificates, bonds and other interest-bearing securities	<u>5 7 9</u>	4 627	5 624	4 771
Financial derivatives	<u>5 7</u>	1 009	486	898
Shares and other securities	<u>5 7</u>	123	292	126
Deferred tax benefit		31	0	31
Intangible assets		20	19	32
Fixed assets		281	268	264
Other assets		633	195	60
Total assets		58 253	54 339	56 305

Liabilities and equity

Amounts in NOK million	Note	31.03.2015	31.03.2014	31.12.2014
Loans and deposits from credit institutions	<u>5 6 9</u>	569	329	548
Deposits from customers	<u>2 5 7 9</u>	28 477	28 434	28 389
Debt securities issued	<u>5 6</u>	21 625	18 588	19 872
Financial derivatives	<u>5 7</u>	639	262	713
Other liabilities		699	565	275
Incurred costs and prepaid income		82	76	77
Deferred tax liabilities		0	4	0
Other provisions for incurred liabilities and costs		69	32	207
Perpetual Hybrid Tier 1 capital	<u>5 6</u>	860	1 002	878
Subordinated loan capital	<u>5 6</u>	524	526	501
Total liabilities		53 544	49 818	51 460
EC capital	<u>10</u>	989	989	989
ECs owned by the Bank		-11	-10	-11
Share premium		354	353	353
Paid-in equity		1 332	1 332	1 331

Primary capital fund	2 049	1 931	2 048
Gift fund	125	125	125
Dividend equalisation fund	799	682	799
Value adjustment fund	34	47	34
Other equity	238	196	507
Total comprehensive income after tax	132	209	0
Retained earnings	3 377	3 189	3 514
Total equity	4 709	4 521	4 845
Total liabilities and equity	58 253	54 339	56 305
Guarantees	1 652	1 292	1 660

Ålesund, 31 March 2015

29 April 2015

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

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ANN MAGRITT BJÅSTAD VIKERBAKK
HELGE KARSTEN KNUDSEN

OLAV ARNE FISKERSTRAND, CEO

Statement of changes in equity - Group

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	132							132
Equity as at 31 March 2015	4 709	978	354	2 049	125	799	34	370

GROUP 31.03.2014	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2013	4 491	985	353	1 935	125	684	47	362
Changes in own equity certificates	-12	-6		-4		-2		
Distributed dividend to the EC holders	-79							-79
Distributed dividend to the local community	-87							-87
Total profit for the period	209							209
Equity as at 31 March 2014	4 521	979	353	1 931	125	682	47	405

GROUP 31.12.2014	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2013	4 491	985	353	1 935	125	684	47	362
Changes in own equity certificates	-14	-7		-6		-1		
Distributed dividend to the EC holders	-79							-79
Distributed dividend to the local community	-87							-87
Equity before allocation of profit for the year	4 311	978	353	1 929	125	683	47	196
Allocated to the primary capital fund	157			157				
Allocated to the dividend equalisation fund	154					154		
Allocated to other equity	42							42
Proposed dividend allocated for the EC holders	133							133
Proposed dividend allocated for the local	136							136

community

Distributed profit for the year	623	0	0	157	0	154	0	311
Equities available for sale - changes in value	-13						-13	
Pension estimate deviations	-102			-52		-51		
Tax effect of pension estimate deviations	27			14		13		
Total other income and costs from comprehensive income	-88	0	0	-38	0	-38	-13	0
Total profit for the period	535	0	0	119	0	116	-13	311
Equity as at 31 December 2014	4 845	978	353	2 048	125	799	34	507

Statement of cash flow - Group

Amounts in NOK million	31.03.2015	31.03.2014	31.12.2014
Cash flow from operating activities			
Interest, commission and fees received	583	800	2 262
Interest, commission and fees paid	-271	-423	-851
Dividend and group contribution received	0	4	7
Operating expenses paid	-122	-124	-513
Income taxes paid	-91	-79	-188
Changes relating to loans to and claims on other financial institutions	212	154	-446
Changes relating to repayment of loans/leasing to customers	-1 080	119	-2 223
Changes in utilised credit facilities	-495	39	-546
Net cash flow from operating activities	-1 264	490	-2 498
Cash flow from investing activities			
Proceeds from the sale of certificates, bonds and other securities	422	462	2 594
Purchases of certificates, bonds and other securities	-326	-979	-2 137
Proceeds from the sale of fixed assets etc.	0	0	1
Purchase of fixed assets etc.	-12	-3	-33
Changes in other assets	-631	190	-454
Net cash flow from investing activities	-547	-330	-29
Cash flow from financing activities			
Net change in deposits from customers	88	228	332
Net change in deposits from Norges Bank and other financial institutions	21	-778	-559
Proceeds from bond issues raised	2 802	700	6 258
Redemption of debt securities	-1 010	-561	-4 956
Dividend paid	0	0	-79
Changes in other debt	-42	-208	328
Net cash flow from financing activities	1 859	-619	1 324
Net change in cash and cash equivalents	48	-459	-1 203
Cash balance at 01.01	78	1 281	1 281
Cash balance at 31.03/31.12	126	822	78

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 2015. 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 2014 financial statements. There have been no changes or new standards coming into force in 2015.

Please see the Annual report 2014 for further description of accounting principles.

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	31.03.2015	31.03.2014	31.12.2014
Broken down according to sectors			
Agriculture and forestry	427	472	463
Fisheries	3 297	2 960	3 279
Manufacturing	2 343	1 766	2 217
Building and construction	660	685	603
Wholesale and retail trade, hotels	626	632	577
Foreign shipping/supply	1 514	1 120	1 610
Property management	6 251	5 691	5 637
Professional/financial services	985	719	787
Transport and private/public services	1 378	1 223	1 311
Public entities	44	52	38
Activities abroad	127	131	135
Miscellaneous	186	115	160
Total corporate/public entities	17 838	15 566	16 817
Retail customers	32 806	30 704	32 245
Accrued interest income	125	112	129
Total loans	50 769	46 382	49 191
Individual impairment	-139	-170	-141
Collective impairment	-176	-140	-166
Loans to and receivables from customers	50 454	46 072	48 884
Loans with floating interest rate (amortised cost)	45 780	41 872	45 250
Loans with fixed interest rate (fair value)	4 674	4 200	3 941

GROUP	Deposits		
	31.03.2015	31.03.2014	31.12.2014
Broken down according to sectors			
Agriculture and forestry	182	173	163
Fisheries	429	347	457
Manufacturing	1 057	1 255	1 138
Building and construction	450	583	484

Wholesale and retail trade, hotels	658	600	688
Foreign shipping/supply	584	673	311
Property management	1 593	1 449	1 597
Professional/financial services	1 372	1 767	1 370
Transport and private/public services	1 586	1 865	2 009
Public entities	755	826	697
Activities abroad	8	4	10
Miscellaneous	2 617	2 617	2 434
Total corporate/public entities	11 291	12 159	11 358
Retail customers	17 072	16 125	17 024
Accrued interest costs	114	150	7
Total deposits	28 477	28 434	28 389
Deposits with floating interest rate (amortised cost)	27 957	27 971	27 950
Deposits with fixed interest rate (fair value)	520	463	439

Note 3

LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

	31.03.2015	31.03.2014	31.12.2014
Changes in individual impairment of loans and guarantees during the period	-4	4	-25
Changes in collective impairment during the period	10	0	26
Confirmed losses during the period where individual impairment had previously been made	3	4	20
Confirmed losses during the period where individual impairment had previously not been made	1	1	19
Recoveries	2	3	18
Losses on loans, guarantees etc.	8	6	22

Individual impairment on loans

	31.03.2015	31.03.2014	31.12.2014
Individual impairment on loans as at 01.01	141	166	166
Confirmed losses during the period, where individual impairment had previously been made	3	4	20
Increase in individual impairment during the period	3	1	7
Individual impairment of new commitments during the period	8	11	29
Recoveries on individual impairment during the period	10	4	41
Individual impairment on loans at the end of the period	139	170	141

Collective impairment on loans

	31.03.2015	31.03.2014	31.12.2014
Collective impairment of loans as at 01.01	166	140	140
Changes during the period	10	0	26
Collective impairment on loans at the end of the period	176	140	166

Individual impairment on guarantees

	31.03.2015	31.03.2014	31.12.2014
Individual impairment as at 01.01	2	2	2
Individual impairment during the period	0	0	0
Recoveries on individual impairment during the period	1	0	0
Individual impairment at the end of the period	1	2	2

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	31.03.2015			31.03.2014			31.12.2014		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:									
Commitments in default above 3 months	90	54	36	132	66	66	86	47	39
Other bad and doubtful commitments subject to impairment	300	30	270	425	35	390	306	37	269
Total problem loans prior to individual impairment	390	84	306	557	101	456	392	84	308
Individual impairment on:									
Commitments in default above 3 months	22	8	14	29	9	20	21	8	13
Other bad and doubtful commitments subject to impairment	118	13	105	141	12	129	122	12	110
Total individual impairment	140	21	119	170	21	149	143	20	123
Problem loans after individual impairment:									
Commitments in default above 3 months	68	46	22	103	57	46	65	39	26
Other bad and doubtful commitments subject to impairment	182	17	165	284	23	261	184	25	159
Total problem loans less individual impairment	250	63	187	387	80	307	249	64	185
Total problem loans prior to individual impairment as a percentage of total loans									
	0.77	0.26	1.71	1.21	0.33	2.93	0.80	0.26	1.83
Total problem loans less individual impairment as a percentage of total loans									
	0.50	0.19	1.05	0.84	0.26	1.97	0.51	0.20	1.10

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 purposes (trading portfolio)
- Financial assets and liabilities assessed at fair value, any changes in value being recognised in the profit and loss account
- Financial instruments assessed as held available for sale at fair value, any changes in value recognised in other comprehensive income
- Loans and receivables
- Financial assets and liabilities assessed at amortised cost

Financial assets and derivatives held for trading

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

- Positions in financial instruments held for the Group's own account for the purpose of selling on 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 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 fixed interest rate loans and – deposits, and the liquidity portfolio, are classified at fair value, with any changes in value being included in the profit and loss account, since these portfolios are managed based on fair value.

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, with any value changes shown 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, are recognised in the profit and loss account during the period in which they occur.

Loans and receivables

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

Financial liabilities assessed at amortised cost

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

GROUP - Q1 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	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	-

GROUP - Q1 2014	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			822	
Loans to and receivables from credit institutions			561	
Loans to and receivables from customers		4 315	41 757	
Certificates and bonds		5 624		
Shares	2			290
Financial derivatives	486			
Total financial assets	488	9 939	43 140	290

Loans and deposits from credit institutions			329	
Deposits from and liabilities to customers		464	27 970	
Financial derivatives	262			
Debt securities		405	18 183	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 528	
Total financial liabilities	262	869	48 010	-

Net gains/losses on financial instruments

	31.03.2015	31.03.2014	31.12.2014
Certificates and bonds	-8	4	10
Securities	0	0	92
Foreign exchange trading (for customers)	7	6	27
Fixed income trading (for customers)	11	2	8
Financial derivatives	10	1	-9
Net change in value and gains/losses from financial instruments	20	13	128

Note 6

FINANCIAL INSTRUMENTS AT AMORTISIED COST

GROUP	31.03.2015		31.03.2014	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	126	126	822	822
Loans to and receivables from credit institutions	949	949	561	561
Loans to and receivables from customers	45 627	45 627	41 757	41 757
Total financial assets	46 702	46 702	43 140	43 140
Loans and deposits from credit institutions	569	569	329	329
Deposits from and liabilities to customers	27 961	27 961	27 970	27 970
Debt securities	21 649	21 625	18 344	18 183
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 464	1 384	1 625	1 528
Total financial liabilities	51 643	51 539	48 268	48 010

GROUP - Q1 2015	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information 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

GROUP - Q1 2014	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Cash and claims on Norges Bank	822			822
Loans to and receivables from credit institutions		561		561
Loans to and receivables from customers			41 757	41 757

Total financial assets	822	561	41 757	43 140
Loans and deposits from credit institutions		329		329
Deposits from and liabilities to customers			27 970	27 970
Debt securities		18 344		18 344
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 625		1 625
Total financial liabilities	-	20 298	27 970	48 268

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - Q1 2015	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
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	2		121	123
Financial derivatives		1 009		1 009
Total financial assets	1 683	3 955	4 948	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 - Q1 2014	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 315	4 315
Certificates and bonds	1 808	3 816		5 624
Shares	2		290	292
Financial derivatives		486		486
Total financial assets	1 810	4 302	4 605	10 717
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			464	464
Debt securities		405		405
Subordinated loan capital and Perpetual Hybrid Tier				-

1 capital

Financial derivatives		262		262
Total financial liabilities	-	667	464	1 131

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	312		24
Transferred to Level 3			
Transferred from Level 3			
Net gains/losses recorded in the period		7	
Recorded value as at 31.03.15	4 827	121	516

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.13	4 438	194	526
Purchases/additions	58	1	14
Sales/reduction	65	-	76
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses recorded in the period	-116	95	-
Recorded value as at 31.03.14	4 315	290	464

Note 8

OPERATING SEGMENTS

Result - Q1 2015	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	273	3	115	155	0
Other operating income	67	15	21	26	5
Total income	340	18	136	181	5
Operating costs	147	26	28	88	5
Profit before impairment	193	-8	108	93	0
Impairment on loans, guarantees etc.	8	10	-2	0	0
Pre tax profit	185	-18	110	93	0
Taxes	50				
Profit after tax	135				

Statement of financial position - 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	56.4	65.0	54.6	57.1	0
Man-years	380	150	53	161	16

Result - Q1 2014	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	269	1	116	152	0
Other operating income	60	16	18	21	5
Total income	329	17	134	173	5
Operating costs	143	23	28	87	5
Profit before impairment	186	-6	106	86	0
Impairment on loans, guarantees etc.	6	0	7	-1	0
Pre tax profit	180	-6	99	87	0
Taxes	48				

Profit after tax	132
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Statement of financial position - 31.03.2014	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	46 072	1 017	15 127	29 928	0
Deposits from customers 1)	28 434	889	10 404	17 141	0
Guarantee liabilities	1 292	0	1 283	9	0
The deposit-to-loan ratio	61.5	0.0	68.8	57.3	0
Man-years	382	148	57	161	18

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	31.03.2015	31.03.2014
Net interest income	75	76
Other operating income	8	-4
Total income	83	72
Operating costs	7	7
Profit before impairment on loans	76	65
Impairment on loans, guarantees etc.	0	0
Pre tax profit	76	65
Taxes	21	17
Profit after tax	55	48

Statement of financial position	31.03.2015	31.03.2014
Loans to and receivables from customers	15 772	14 700

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	31.03.2015	31.03.2014	31.12.2014
Statement of income			
Interest and credit commission income from subsidiaries	6	10	34
Received dividend and group contribution from subsidiaries	191	152	152
Rent paid to Sparebankeiendom AS	4	4	17
Administration fee received from Møre Boligkreditt AS	6	5	22
Statement of financial position			
Claims on subsidiaries	1 318	1 324	1 069
Covered bonds	195	10	25
Liabilities to subsidiaries	582	121	122
Accumulated loan portfolio transferred to Møre Boligkreditt AS	15 774	14 701	15 544

Note 10

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.03.2015	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	945 000	9.56
MP Pensjon	450 282	4.55
Verdipapirfond Pareto Aksje Norge	370 015	3.74
VPF Nordea Norge Verdi	327 073	3.31
Pareto AS	305 189	3.09
Wenaasgruppen AS	250 000	2.53
FLPS - Princ All Sec	239 934	2.43
Verdipapirfond Pareto Aktiv	214 838	2.17
Bergen Kommunale Pensjonskasse	200 000	2.02
VPF Fondsinans Spar	200 000	2.02
Beka Holding AS	150 100	1.52
Verdipapirfondet Eika utbytte	137 197	1.39
Farstad Shipping ASA	126 909	1.28
Lapas AS (Leif-Arne Langøy)	105 500	1.07
Sparebanken Møre	104 416	1.06
Pareto Verdi Verdipapirfond	101 786	1.03
Odd Slyngstad	84 773	0.86
Andvord AS	68 750	0.70
Stiftelsen Kjell Holm	62 354	0.63
Forsvarets Personellservice	53 960	0.55
Total 20 largest	4 498 076	45.50
Total	9 886 954	100.00

Note 11

CAPITAL ADEQUACY

	31.03.2015	31.03.2014	31.12.2014
EC capital	989	989	989
- ECs owned by the Bank	-11	-10	-11
Share premium fund	354	353	353
Dividend equalisation fund	799	682	799
Gift fund	125	125	125
Primary capital fund	2 049	1 931	2 048
Value adjustment fund	34	47	34
Proposed dividend for the EC holders	0	0	133
Proposed dividend for the local community	0	0	136
Other equity	238	196	238
Accumulated profit for the period	132	209	0
Total equity	4 709	4 521	4 844
Deferred tax, goodwill and intangible assets	-20	-19	-20
Value adjustments of financial instruments at fair value	-12	0	-12
Value adjustment fund	-34	-47	-34
50 % deduction for equity in other financial institutions	0	-14	0
Perpetual Hybrid Tier 1 capital	807	1 000	860
Deduction for overfunded pension liability	0	-70	0
Expected losses exceeding actual losses, IRB portfolios corporate	-259	0	-193
Proposed dividend for the EC holders	0	0	-133
Proposed dividend for the local community	0	0	-136
Accumulated profit for the period	-132	-209	0
Total core capital	5 059	5 162	5 176
Common equity Tier 1 Capital	4 252	4 162	4 316
Supplementary capital			
Subordinated loan capital of limited duration	525	499	501
36 % addition for net unrealised gains on shares available for sale	0	12	12
50 % deduction for equity in other financial institutions	0	0	0
Total supplementary capital	525	511	513
Net equity and subordinated loan capital	5 584	5 673	5 689

Exposure classes SA - credit risk

Central governments or central banks	0	0	0
Regional governments or local authorities	5	6	4
Public sector companies	20	22	21
Institutions (banks etc)	45	36	51
Companies (corporate customers)	31	786	33
Mass marked (retail banking customers)	-	271	26
Secured by mortgage on immovable property	-	1 245	976
Exposures in default	4	11	3
Covered bonds	14	19	13
Equity	6	6	6
Other items	84	96	81
Total capital requirements - credit risk, The Standardised Approach	209	2 498	1 214

Exposure classes IRB - credit risk

Retail - Secured by real estate	528	-	-
Retail - Other	65	-	-
SME	847	-	854
Specialised lending	490	-	440
Other corporate lending	196	-	174
IRB-F capital requirements	2 126	0	1 468
Total capital requirements - credit risk	2 335	2 498	2 682

Exposure classes SA - market risk

Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	20	0	21
Total capital requirements - market risk	20	0	21
Operational Risk (Basic Indicator Approach)	190	179	179
Deductions from the capital requirement	0	-14	-14
Total capital requirement less transitional rules	2 545	2 663	2 868
Additional capital requirements from transitional rules 1)	0	0	0
Total capital requirements	2 545	2 663	2 868

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

Risk-weighted assets less transitional rules	31 787	33 280	36 036
Additional RWA from transitional rules 1)	0	0	0
Total risk-weighted assets	31 787	33 280	36 036
Minimum requirement common equity Tier 1 capital (4.5 %)	1 430	-	1 622

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

Buffer Requirement

Capital conservation buffer (2.5 %)	795	-	900
Systemic risk buffer (3.0 %)	954	-	1 081
Total buffer requirements	1 748	-	1 981
Available common equity Tier 1 capital after buffer requirements	1 073	-	713

Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules

Capital adequacy ratio	17.6	17.0	15.8
Capital adequacy ratio incl. 50 per cent of the profit for the period	17.8	17.4	
Core capital ratio	15.9	15.5	14.4
Core capital ratio incl. 50 per cent of the profit for the period	16.1	15.8	
Core Tier 1 capital ratio	13.4	12.5	12.0
Core Tier 1 capital ratio incl. 50 per cent of the profit for the period	13.6	12.8	

Sparebanken Møre's capital requirements have been based on IRB-Foundation for corporate commitments from 30th June 2014 and IRB-Retail for retail commitments from 31st March 2015.

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	Q1 2015	Q1 2014	2014
Interest income	384	419	1 664
Interest costs	185	225	864
Net interest income	199	194	800
Commission income and revenues from banking services	48	44	179
Commission costs and expenditure from banking services	7	7	29
Other operating income	6	6	27
Net commission and other operating income	47	43	177
Dividends	191	155	159
Net gains/losses from financial instruments	12	17	136
Net return from financial instruments	203	172	295
Total income	449	409	1 272
Wages, salaries etc.	78	78	308
Administration costs	36	32	119
Depreciation and impairment	5	5	21
Other operating costs	23	23	92
Total operating costs	142	138	540
Profit before impairment on loans	307	271	732
Impairment on loans, guarantees etc.	8	6	22
Pre tax profit	299	265	710
Taxes	29	30	129
Profit after tax	270	235	581
Profit per EC (NOK)	13.55	11.77	29.10
Diluted earnings per EC (NOK)	13.55	11.77	29.10
Distributed dividend per EC (NOK)	0	0	8

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

Amounts in NOK million	Q1 2015	Q1 2014	2014
Profit after tax	270	235	581
Other income/costs reversed in ordinary profit:			

Equities available for sale - changes in value	-2	77	-13
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-102
Tax effect of pension estimate deviations	0	0	27
Total comprehensive income after tax	268	312	493

Statement of financial position - Parent Bank

STATEMENT OF FINANCIAL POSITION - PARENT BANK

Assets

Amounts in NOK million	31.03.2015	31.03.2014	31.12.2014
Cash and claims on Norges Bank	126	822	78
Loans to and receivables from credit institutions	2 112	1 728	2 076
Loans to and receivables from customers	34 836	31 507	33 495
Certificates, bonds and other interest-bearing securities	4 615	5 227	4 588
Financial derivatives	617	309	503
Shares and other securities	123	292	126
Equity stakes in Group companies	1 171	1 071	1 071
Deferred tax benefit	40	6	40
Intangible assets	20	19	31
Fixed assets	68	56	54
Other assets	627	188	53
Total assets	44 355	41 225	42 115

Liabilities and equity

Amounts in NOK million	31.03.2015	31.03.2014	31.12.2014
Loans and deposits from credit institutions	1 138	432	651
Deposits from customers	28 490	28 452	28 407
Debt securities issued	7 337	5 518	5 874
Financial derivatives	615	262	713
Other liabilities	633	497	204
Incurring costs and prepaid income	82	76	77
Other provisions for incurred liabilities and costs	69	32	202
Perpetual Hybrid Tier 1 capital	860	1 002	878
Subordinated loan capital	524	526	501
Total liabilities	39 748	36 797	37 507
EC capital	989	989	989
ECs owned by the Bank	-11	-10	-11
Share premium	354	353	353

Paid-in equity	1 332	1 332	1 331
Primary capital fund	2 049	1 931	2 048
Gift fund	125	125	125
Dividend equalisation fund	799	682	799
Value adjustment fund	34	47	34
Other equity	0	0	269
Total comprehensive income after tax	268	312	0
Retained earnings	3 275	3 096	3 276
Total equity	4 607	4 428	4 608
Total liabilities and equity	44 355	41 225	42 115
Guarantees	1 652	1 292	1 660

Profit performance - Group

QUARTERLY PROFIT

Amounts in NOK million	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	273	282	274	268	269
Other operating income	67	41	152	62	60
Total operating costs	147	136	141	144	143
Profit before impairment on loans	193	187	285	186	186
Impairment on loans, guarantees etc.	8	7	1	8	6
Pre tax profit	185	180	284	178	180
Tax	50	53	51	47	48
Profit after tax	135	127	233	131	132

As a percentage of average assets

Net interest income	1.93	2.03	2.02	2.01	1.98
Other operating income	0.47	0.29	1.12	0.46	0.44
Total operating costs	1.04	0.98	1.04	1.08	1.05
Profit before impairment on loans	1.36	1.34	2.10	1.39	1.37
Impairment on loans, guarantees etc.	0.06	0.05	0.01	0.06	0.04
Pre tax profit	1.30	1.29	2.09	1.33	1.33
Tax	0.35	0.38	0.38	0.34	0.35
Profit after tax	0.95	0.91	1.71	0.99	0.98