ANNUAL REPORT 2014

SPAREBANKEN MØRE

Prepared for the future

With the record results from 2014, we have secured the financial muscle we need to meet the new situation that now prevails in our industry with strength and execution capability.

Olav Arne Fiskerstrand
CEO

In a very competitive market with low margins, we are delighted with the results achieved last year. We have focused strongly on development and improvement over time, and it is satisfying to see that we are succeeding.

Strong financial position

In recent years we have seen a major change in the Bank's general conditions. The authorities have laid down increasingly stringent and complicated requirements for banks' capital and liquidity. We share the view that financially sound banks are both vital and positive. At the same time we know that this will not happen by itself.

In order to meet the new requirements, it has been a priority area for us to ensure that the relationship between revenues and expenses is developing in the right direction. Sparebanken Møre has been operating cost-effectively for many years, and also in 2014 we achieved our internal targets by a good margin. In addition, the levels of losses and commitments in default were record low. That we were named the most creditworthy Norwegian bank by DNB Markets in November is recognition of the good work that has been carried out at all levels. The reward is an even more secure bank, which will bring benefits to the customers, ourselves and society.

Digital revolution

However, it is not just our general conditions that have changed. Customer behaviour is also developing rapidly. We can no longer talk about the impending digital revolution; it has arrived – here and now. It is absolutely vital to our competitiveness that we identify ourselves with and adapt ourselves to the new customer requirements. Therefore during last year we implemented several measures to ensure that we can provide solutions that are future-oriented, automated and effective, both for the customers and ourselves.
Online meetings, BankID on mobile devices and the new online bank are among the solutions that have been placed on the agenda. Our work in the area of digital solutions is continuing apace this year, in order to ensure that we meet the needs of modern banking customers in the best possible way in the future as well.

Our identity

At a time when there is a strong focus on automated solutions, we have a clear strategy that Sparebanken Møre will be proficient at digital solutions – while we will also be the best at providing personal service. For us it is not a goal to be a bank that is exclusively based on self-service solutions. We can continue to provide personal advisory services through 30 branches and over 400 capable experts in the Bank. This represents a key part of our identity, and also our great strength.
It means that neither new machines nor new technical solutions can replace what is and will be our most important resource going forward, namely the employees. Competitors may in principle provide the same technological solutions that we do, but cannot match the way in which we use our knowledge. I am convinced that our strong internal culture has been the key to achieving our good financial results. We will take care of it, and develop it further in the years ahead.

Driving force for development

The local communities in which the bank operates are the largest owners of Sparebanken Møre, and it is a deeply embedded aspect of our culture that these communities should benefit from the Bank's good financial results. It is proposed that NOK 136 million be allocated to local communities for 2015.
For many this figure is so large that it may be difficult to relate to. For us as corporate citizens it means that we can continue to be a driving force behind, and a participant in, the community of which we are a part, within culture, sports, talent development, education, research and business development.
Last year we saw that a football team wearing the Sparebanken Møre logo was once again victorious in the cup final. As the main sponsor of Molde, Aalesund and Hødd we have brought the gold cup home with us to Møre og Romsdal in as many as five of the last six years since 2009! It is undoubtedly positive for the Bank to be associated with teams that perform so well. However the motivation for our involvement is based on supporting the clubs' vital social responsibilities. They make a very important contribution to the local community, in the areas of volunteer work, recreational sports and the business sector.

Continuously adapting

We live in a county in which the economic outlook remains positive. Nonetheless there is little doubt that the coming years will be demanding. The banking market is very competitive and a high level of involvement, activity and flexibility are prerequisites for success. Thanks to our competent and committed employees we have positioned ourselves in the best possible way to deliver good banking services to individuals and businesses with connections to the county in 2015 as well.
Behind our record results stands an organisation that from its inception has developed and renewed itself to tackle new challenges, new requirements and new needs. And we will continue to do so. It is a work that calls for our unflagging commitment.

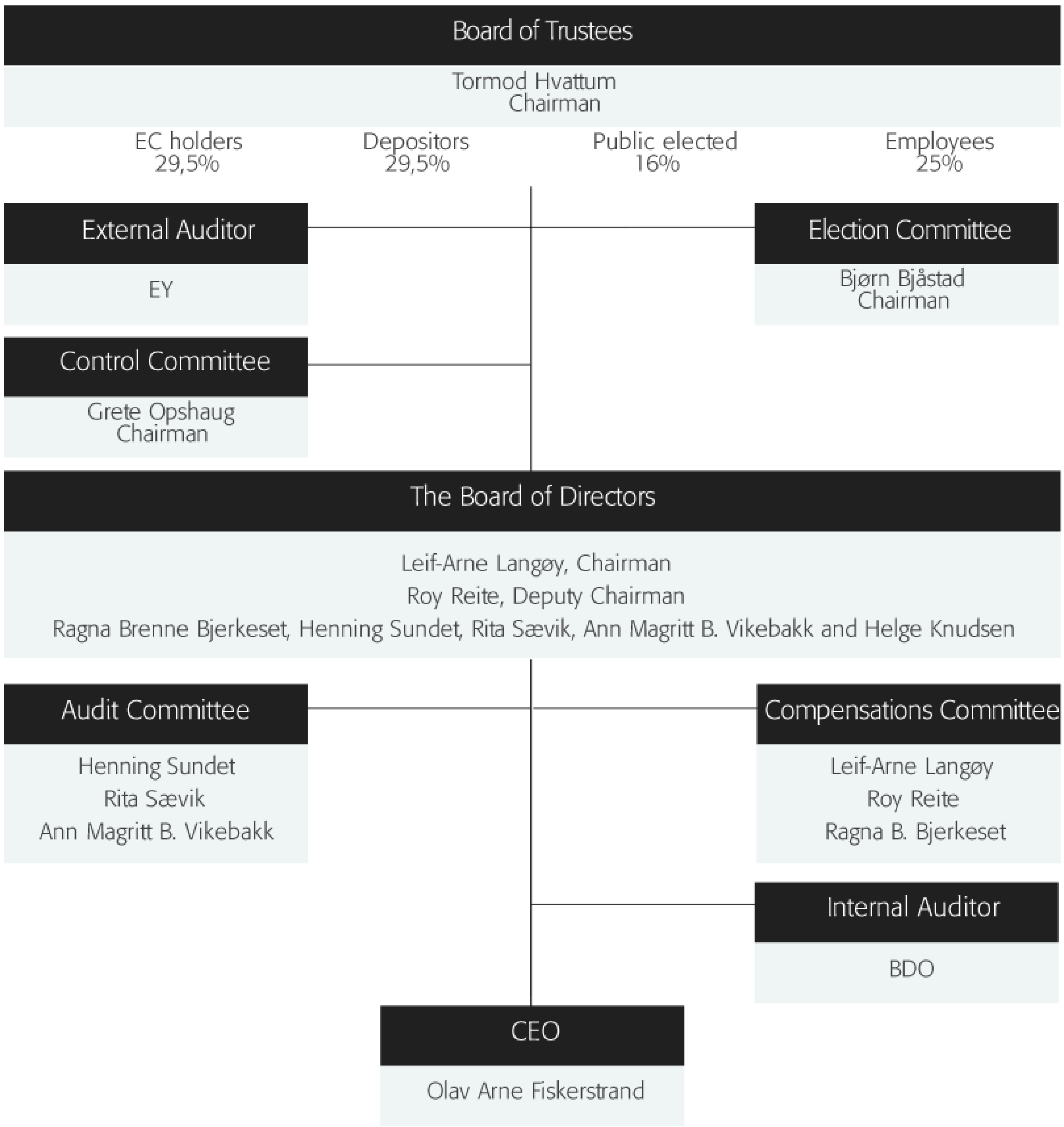
Olav Arne Fiskerstrand
CEO

Organisation and Management

The Bank's operations are concentrated within Møre og Romsdal, where the Bank has branches in 16 municipalities in Sunnmøre, 6 in Romsdal and 2 in Nordmøre. At the end of 2014 the Group employed 412 persons, corresponding to 383 full-time equivalents.

The Board of Trustees is the Bank's supreme body. The Board of Trustees' main tasks are to confirm the statement of income and the statement of financial position, to appoint a Board of Directors made up of seven members, and a Control Committee consisting of four members. Following the election in 2015, the Board of Trustees of Sparebanken Møre will comprise a total of 44 trustees with 16 deputy trustees. The Board of Trustees consists of four groups, and after the election in 2015 these groups will be represented as follows: customers by 13 trustees and 4 deputy trustees, the public sector by 7 trustees and 4 deputy trustees, equity capital holders by 13 trustees and 4 deputy trustees, and employees by 11 trustees and 4 deputy trustees.

The Sparebanken Møre Group consists of the Parent Bank and three wholly owned subsidiaries. Møre Boligkreditt AS's purpose is to provide loans secured by mortgages on residential and commercial properties. Møre Eiendomsmegling AS provides real estate brokerage services for both residential homes and commercial properties. Sparebankeiendom AS is a real estate company which owns and manages the Bank's own commercial properties.

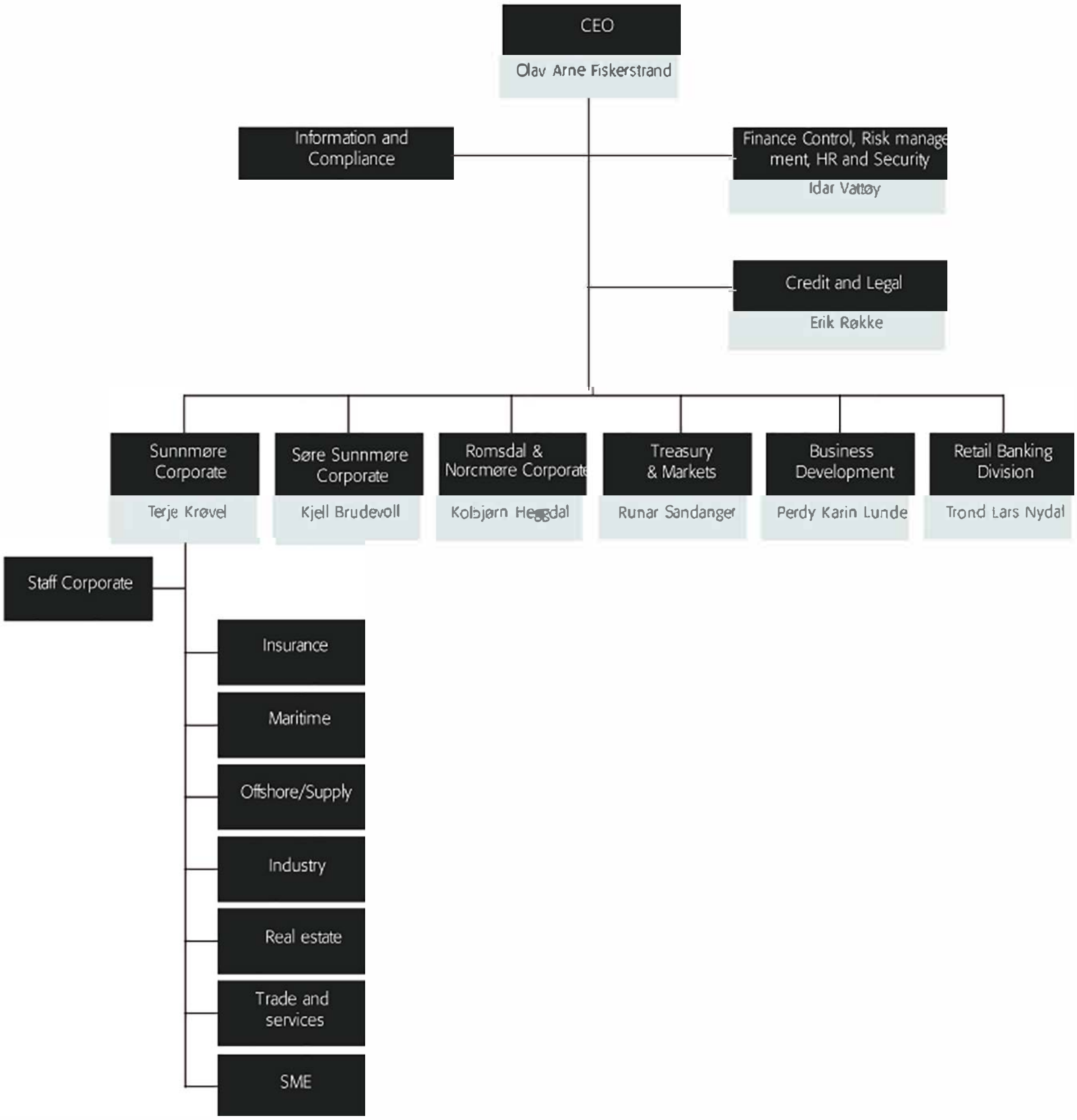


A new organisational structure was implemented during spring 2013. The changes in the organisation led to a simplification of the leadership structure, and enhanced customer focus since a larger part of the work processes and the employees have become more market-oriented. This also led to Sparebanken Møre strengthening advisory services towards the corporate sector.

Sparebanken Møre's head office is situated in Ålesund. The Bank's operations within Retail Banking are organised in the Retail Market Division. Each retail market branch is led by a bank manager who reports directly to the EVP, who in turn reports directly to the CEO. The Bank's customer-oriented activities are managed by a total of 30 branches.

The corporate activities in Sparebanken Møre are organised into three units: Sunnmøre, Søre Sunnmøre and Romsdal and Nordmøre. The EVPs of these three units report directly to the CEO. Corporate Banking Sunnmøre is organised into 6 branch departments and a insurance department, and is also responsible for developing and maintaining the Corporate Banking concept in the Bank.

In addition, the organisation consists of 5 divisions, each managed by an EVP. These also report to the CEO. In order to achieve an effective communication and decision-making process, management groups represent the foundation of Sparebanken Møre's management structure.


CEO
Olav Arne Fiskerstrand
Information and Compliance
Finance Control, Risk management, HR and Security
Idar Vattøy
Credit and Legal
Erik Røkke
Sunnmøre Corporate
Terje Krøvel
Søre Sunnmøre Corporate
Kjell Brudevoll
Romsdal & Nordmøre Corporate
Treasury & Markets
Runar Sandanger
Business Development
Perdy Karin Lunde
Retail Banking Division
Trond Lars Nydal
Staff Corporate
Insurance
Maritime
Offshore/Supply
Industry
Real estate
Trade and services
SME

Olav Arne Fiskerstrand

58 years (9 031)

CEO. Mr. Fiskerstrand is a Business School Graduate from BI (1983). Mr. Fiskerstrand first worked at the Bank during the period 1977 –1979. After acquiring his degree, he was hired by the Bank again in 1983. He was appointed as the Bank's CEOin 1997.

Erik Røkke

44 year (2 476)

EVP, Head of Credit and Legal Division. Business School Graduate from NHH in 1991-1994 and State Authorized Auditor. Employed by PWC in 1994. CEO in Ørskog Sparebank 2001-2012. Employed at Sparebanken Møre in 2012.

Idar Vattøy

55 years (2 216)

EVP, Head of Financial Control, Risk Management and Human Resources Division. A university graduate (cand.mag./M.A.) from 1984. A graduate from Møre og Romsdal Distriktshøgskole (1980-982) and Møre og Romsdal Ingeniørhøgskole (1982-1984). He joined Sparebanken Møre in 1984.

Kjell Jan Brudevoll

60 years (1 481)

EVP, Søre Sunnmøre Corporate Banking Division. Graduated from the Norwegian Banking Academy in 1985. Hired by Nordea in 1979. General Manager in Glitnir 2005–2008. General Manager at Nordea branch Fosnavåg 2008. He was appointed to his present position at Sparebanken Møre in 2011.

Kolbjørn Heggdal

50 year (232)

EVP, Romsdal & Nordmøre Corporate Banking Division. Business School Graduate from the Norwegian School of Management BI. Has also completed a number of masters programmes within management and information at BI. Bank executive in DNB dept. Nordvest 1997 - 2006. Bank executive in Handelsbanken dept. Molde 2006-2013. He has worked in Sparebanken Møre since 2013.

Perdy Karin Lunde

57 years (2 727)

EVP, Head of Business Development and Support Division. Graduate of BI in 1990. Hired by Sparebanken Møre in 1977.

Runar Sandanger

56 year (2 090)

EVP, Head of Treasury & Market Division. Cand. oecon. Degree from the University of Oslo (1983). A scholar at Norsk Utenrikspolitisk Institutt, 1982- 1983. A consultant at Norges Bank, 1983- 1986. Hired by Sparebanken Møre in 1986.

Terje Krøvel

55 year (2.011)

EVP, Sunnmøre Corporate Banking Division. Has a degree in economics and administration from Møre og Romsdal Distriktshøyskole, 1983. He started in Sparebanken Møre in 1983. His position has the overall responsibility for the implementation of the Bank's concept for the corporate market.

Trond Lars Nydal

45 year (3.312)

EVP, Retail Banking Division. Business School Graduate from NHH in 1997. Employed at Sparebanken Møre in 1997 and has held several leading positions within the Bank. His position is responsible for Bank's retail concept.

Subsidiaries

Sparebanken Møre Group consists of the Parent Bank and three wholly owned subsidiaries: Møre Boligkreditt AS, Møre Eiendomsmegling AS and Sparebankeiendom AS. Sparebankeiendom is a real estate company that owns and manages the Bank's own commercial properties.

MØRE BOLIGKREDITT AS

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company's purpose is to acquire mortgages from Sparebanken Møre and finance these through issuing covered bonds. Covered bonds are among the most actively traded private bonds on the Oslo Stock Exchange, and is, next to government bonds, considered to be one of the safest securities in the Norwegian market. Møre Boligkreditt AS is Sparebanken Møre's primary source of long-term funding, and the company has issued covered bonds in both NOK and SEK, as well as EUR. Covered bonds issued by Møre Boligkreditt AS are listed on Oslo Stock Exchange as well as London Stock Exchange. Managing Director of Møre Boligkreditt AS is Ole Andre Kjerstad.

KEY FIGURES 2014	NOK million
Net loans to customers	15 544
Debt securities issued (covered bonds)	13 698
Net interest income	616
Profit after tax	191

Aaa-rated by Moody's

MØRE EIENDOMSMEGLING AS

The company was established in 1992 and acquired by Sparebanken Møre in 2005. Møre Eiendomsmegling AS provides real estate brokerage services in the purchase and sale of homes, leisure homes, project brokering and business brokering. They are among the largest and most experienced broker communities in Møre og Romsdal and have 19 employees and offices in Molde, Ålesund and Ørsta. The company brokers around 450 properties annually. CEO of Møre Eiendomsmegling AS is Mona Helen Sørensen.

KEY FIGURES 2014	NOK million
Turnover	22,0
Profit after tax	-0,8
Equity	11,0

"Through a strong and competent team, we will gain market shares"

Leif Arne Langøy

Chairman (105 500)

Leif-Arne Langøy is a business graduate from the Norwegian School of Economics (NHH) in Bergen. He lives in the municipality of Haram and is currently the owner and general manager of Lapas AS. In the period 2003-2009 Mr. Langøy was CEO of Aker ASA, and from 2006-2009 he was also the Chairman of the Board of Directors of the company. Mr. Langøy has previously held the position of CEO of Aker Yards ASA and CEO of Aker Brattvaag, among others. Mr. Langøy holds a number of directorships, among others he is Chairman of Kværner ASA and DNV-GL AS. He was elected Chairman of the Board of Directors of Sparebanken Møre in 2011. He was also Chairman of the Bank from 1998 to 2003.

Roy Reite

Deputy Chairman (1 922)

Roy Reite graduated as an engineer from the Norwegian University of Science and Technology (NTNU) in Trondheim and has wide-ranging experience from the maritime industry. Today he is the CEO of Vard Holdings Limited, a company that is listed in Singapore and has its head office in Ålesund. The company has subsidiaries in Norway, Romania, Brazil, Singapore, Croatia, India and Vietnam. Mr. Reite has been a board member of Sparebanken Møre since 2004 and lives in the Municipality of Ålesund.

Rita Christina Sævik

Board member (0)

Rita Christina Sævik is educated in shipping, and also holds a Bachelor's degree in economics and administration from BI Norwegian Business School. She is a shareholder in and general manager of Ervik & Sævik AS, which owns and operates the multi-purpose vessel M/S Christina E. Ms. Sævik has been a member of the Board of Sparebanken Møre since 2014 and also sits on the Board of Directors of Sintef Fiskeri og Havbruk. She lives in Fosnavåg in the Municipality of Herøy.

Helge Karsten Knutsen

Board member (950)

Helge Karsten Knudsen is the senior employee representative at Sparebanken Møre and has been a board member since 2014. He was also a board member from 2001-2012. He started working at Sparebanken Møre in 1973 and has many years' experience as a customer service officer. Mr. Knudsen lives in the Municipality of Ålesund.

Ragna Brenne Bjerkeset

Board member (500)

Ragna Brenne Bjerkeset graduated as an agronomist from the Norwegian University of Life Sciences (UMB) and also holds qualifications in marketing, innovation and management. She is also an ICF certified coach and has experience from the consulting industry in Møre og Romsdal and from various management positions in TINE SA. She currently works as CEO/senior adviser in TIBE Samfunn AS. Mrs. Bjerkeset has been a member of the Board of Sparebanken Møre since 2011 and also holds several directorships in business and industry in the region. She lives in the Municipality of Fræna.

Ann Magritt B. Vikebakk

Board member (0)

Ann Magritt Bjåstad Vikebakk graduated as a lawyer from the University of Oslo, and was previously employed at the law firm Schjødt AS. In 2013 she founded Bjåstad Vikebakk Advokatfirma AS, which principally operates in the areas of taxation law, contracts and real property. Ms. Vikebakk has been a Board member of Sparebanken Møre since 2014, and holds directorships in several other companies including Hareid Elektriske AS. She has also been actively involved in the local council and the municipal executive board of Hareid for a number of years. Ms. Vikebakk lives in the Municipality of Hareid.

Henning Sundet

Board member (0)

Henning Sundet is a business graduate from the Norwegian School of Economics (NHH) in Bergen. He has long experience from the banking and finance industry, both national and international. He specialises in marine and maritime industries where he has also held a number of honorary offices. Today, he is the CFO in Borgstein AS/Island Offshore, and CEO of Island Offshore Shipping AS. Mr. Sundet has been a board member of Sparebanken Møre since 2013. He also sits on the boards of a number of companies in the Borgstein Group, as well as Bunker Oil AS. He lives in the Municipality of Ålesund.

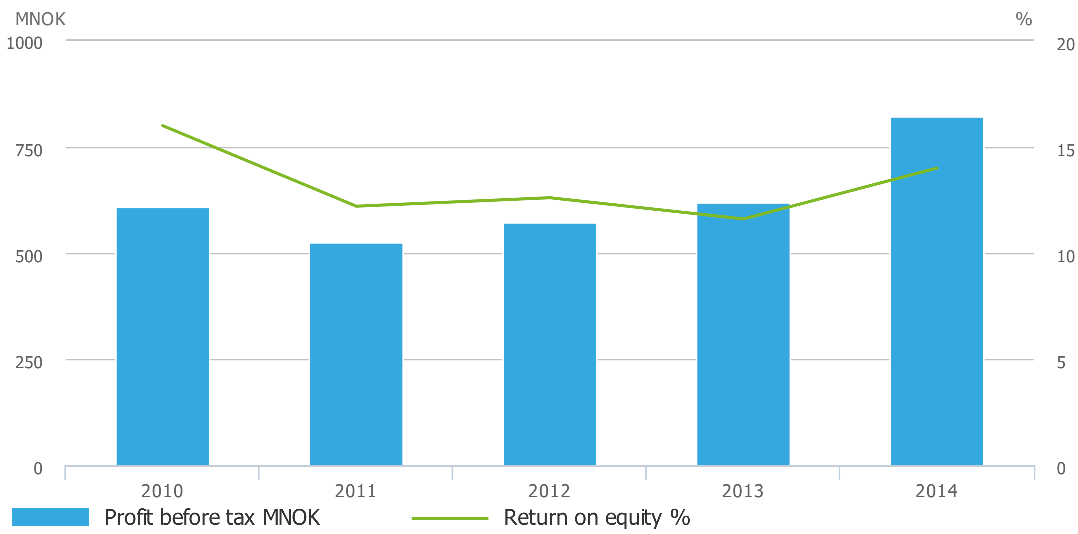
Board of Directors report 2014

The accounts have been prepared in accordance with IFRS. All figures relate to the Group. Amounts and percentages in brackets refer to the corresponding period last year.

GROUP'S KEY FIGURES

- Profit after tax for 2014 was NOK 623 million, NOK 173 million higher than in 2013
- The return on equity after tax was 14.0 %, compared with 11.6 % for 2013
- Lending volume increased by 5.7 % in 2014, while deposits grew by 1.1 %
- At year end, primary capital amounted to NOK 5.7 billion and represented 15.82 % of the risk-weighted assets, 14.40 % of which was core capital, and 12.0 % of which was pure core capital
- The Group earnings per equity certificate in 2014 amounted to NOK 31.20 compared with NOK 21.65 for 2013
- The Board of Directors is very satisfied with the results for 2014
- The Board of Directors recommends that the Board of Trustees pays a cash dividend of NOK 13.50 per equity certificate and set aside NOK 136 million for dividend funds for local communities. In total this represents 43 % of the total group profit for 2014.

Fig. 1 Profit and return on equity



AREAS OF OPERATION AND MARKETS

The Sparebanken Møre Group consists of the Parent Bank, the mortgage company Møre Boligkreditt AS, the estate agency Møre Eiendomsmegling AS and the property company Sparebankeiendom AS. Sparebanken Møre has defined its geographic area of operation as Møre og Romsdal county, in which the bank had 30 branches in 24 municipalities at year end.

The customer-oriented activities within the retail market are organised in a central unit, the Retail Market Division. All of the retail market departments (28) report to the Retail Market Division Manager. This manager reports in turn to the CEO. The corporate market is organised into three geographic units, and the three unit managers report to the CEO. The corporate market has a matrix organisation, dividing the corporate market into 6 different industries (maritime, offshore & supply, industry, real estate, trade & services, SME) as well as insurance.

The various tasks and responsibilities relating to Sparebanken Møre's day-to-day operations are allocated in such a way that the resource usage in the branch network is to a very great extent prioritised in favour of direct customer-related activities. Other tasks shall, to the greatest possible extent, be looked after by the bank's central support system, which is organised in five sections. Each of these sections is managed by a section general manager, who reports to the CEO. The Retail Market Division Manager, the individual corporate unit managers, and the section general managers form their own management groups together with their respective department heads. The Board appoints the Retail Market Division Manager, corporate unit managers and the section general managers. The CEO selects the members of the bank's senior management team.

Sparebanken Møre is a full-service provider within the following areas:

• Financing

• Deposits and other forms of investments

• Asset management

• Financial advisory services

• Payment transfers

• Foreign exchange and interest rate trading

• Insurance

• Real estate brokerage

The bank's distribution strategy covers its network of branches, digital channels, specialist functions and telephone services, which include customer service, telebanking and mobile and tablet banking. The coordination of customer services in the various distribution channels is intended to ensure that the bank's customers have options, easy access to competent staff, good advice and a high degree of service. One of the bank's aims is to further develop and maintain a high level of quality as far as these distribution channels are concerned in order to contribute to enhanced competitiveness, a high level of effectiveness and improved profitability.

The digital development within the banking industry is occurring rapidly. One of Sparebanken Møre's aims is to provide good digital solutions to its customers across a variety of platforms. Over the last several years the bank has begun offering customer dialogue via Facebook, established tablet banking and mobile banking, launched a new and improved online bank in 2014, and rolled out customer meetings via videolink in 2014. The BankID solution is now Java-free and BankID has been launched on mobile devices for mobile banking and tablet banking. In 2015 Sparebanken Møre will further digitalise day-to-day banking services for its customers. Over the course of the first half year the bank's credit processing system is due to be replaced, and this will lead to an expansion in the self-service solutions available to bank customers via the online bank. These are solutions that both the customers and the bank will benefit greatly from and enjoy.

EQUITY CERTIFICATES – MORG

The number of equity certificate holders was stable at 6 114 at the start of 2014 and 5 898 at the end of the year. Of these equity certificate holders, 3 565 were residents of the county of Møre og Romsdal, and they held 44.1 % of the equity certificate capital at the end of the year, compared with 45.7 % at the end of the previous year. The 20 largest equity certificate holders represented 46.3 % of the bank's equity certificate capital at year-end. Of these equity certificate holders, six were residents of Møre og Romsdal, with a relative ownership interest among the 20 largest of 35.4 % (40.1 %).

At the end of the year the bank owned 108 661 of its own equity certificates corresponding to a nominal amount of NOK 10.86 million. The bank's own holdings are included in the list of the 20 largest owners. These equity certificates were purchased on the Oslo Børs at market prices.

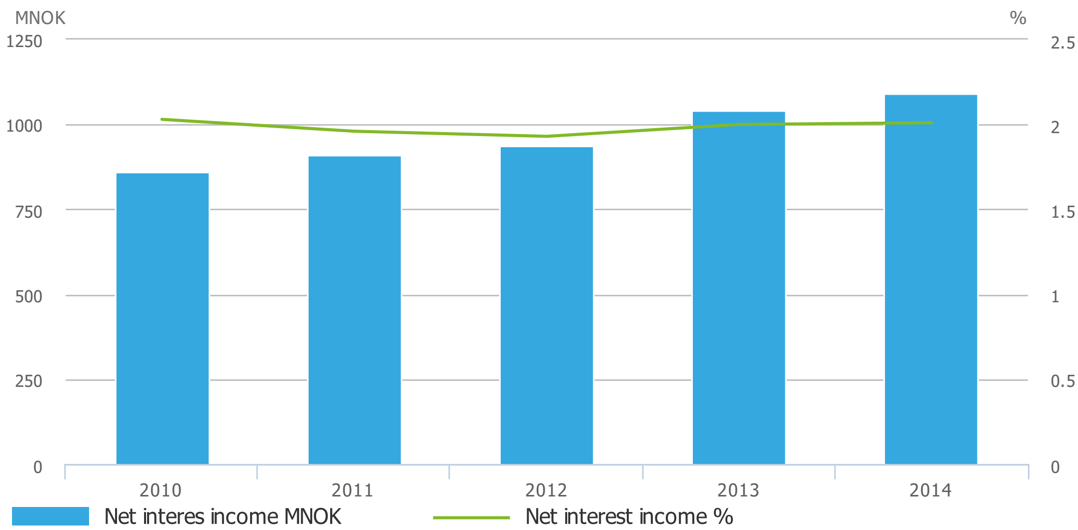
Just over 400 of the bank's employees own equity certificates in Sparebanken Møre. This constitutes a little over 250 000 equity certificates in total. Cumulatively, the bank's own employees represent the five largest owners of Sparenbanken Møre's equity certificates. The bank's senior management team owns a total of approximately 17 000 equity certificates.

The equity certificates are freely negotiable in the market.

RESULTS FOR 2014

The profit before losses on loans and guarantees amounted to NOK 844 million, or 1.55 % of average total assets, an increase of NOK 169 million or 0.25 percentage points in relation to 2013. The year's result includes NOK 94 million in profit from the sale of the shares in Nets AS. Profit after losses on loans and guarantees was NOK 822 million and 1.51 % of total assets, an increase of NOK 201 million and 0.31 percentage points. Profit after tax of NOK 623 million represents 1.15 % of total assets, compared with NOK 450 million and 0.87 % in 2013. The return on equity was 14.0 % for 2014 compared with 11.6 % in 2013. Sparebanken Møre's return on equity target is a minimum of 10 % after tax. Earnings per equity certificate were NOK 31.20, compared with NOK 21.65 in 2013 (Parent Bank).

Fig. 2 Net interest income



Net interest income

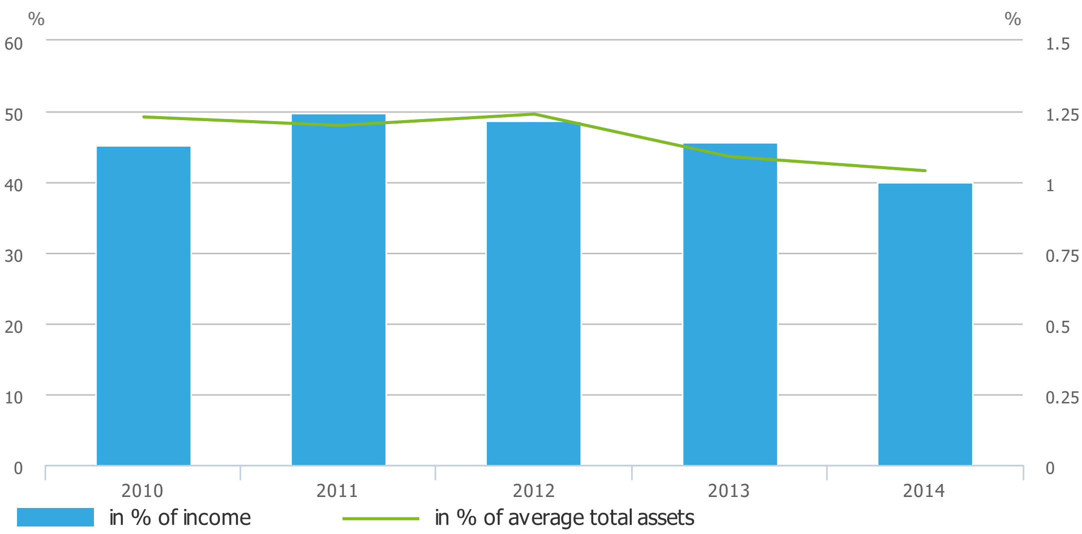
Total net interest income amounted to NOK 1 093 million in 2014 (NOK 1 042 million). In relation to average total assets, net interest income was 2.01 % (2.00 %). In relation to total income, net interest income was 77.6 % in 2014.

Fig. 3 Other income

Other operating income

Total other operating income (net commission and other income, as well as net return on financial investments) was NOK 315 million (NOK 202 million). The increase is primarily attributable to the sale of shares in Nets AS, which produced a profit of NOK 94 million, as well as capital gains on bond holdings of NOK 10 million, compared with capital losses of NOK 24 million in 2013.

Fig. 4 Costs



Costs

Total costs amounted to NOK 564 million, a reduction of NOK 5 million in relation to 2013. Personnel costs have increased by NOK 11 million and other costs were reduced by NOK 16 million in relation to 2013. The Group's total workforce was reduced by 8 full-time equivalent positions in 2014 to 383 full-time equivalents. IT costs were reduced by NOK 11 million and marketing costs were NOK 4 million lower compared with 2013. The total costs amounted to 1.04 % of average total assets in 2014, compared with 1.09 % in 2013. The cost/income ratio amounted to 40.1 % in 2014, compared with 45.7 % in 2013. Sparebanken Møre's goal is to keep the cost/income ratio below 50 %. This goal was achieved by a good margin in 2014.

Fig. 5 Losses

Losses and defaults

The profit and loss account was charged NOK 22 million for losses on loans and guarantees in 2014, while NOK 54 million was charged to the profit and loss account in 2013. This amounted to 0.04 % of average total assets in 2014, compared with 0.10 % in 2013. The losses on loans and guarantees were due to a NOK 26 million increase in group write-downs, a NOK 5 million reduction in the corporate segment, and a NOK 1 million increase in the retail market.

Total write-downs for losses at year-end 2014 amounted to NOK 307 million (NOK 306 million), which represents 0.63 % of gross lending (0.66 %). NOK 21 million of the individual specific provisions involved commitments in default for more than 90 days (NOK 35 million), which amounts to 0.04 % of gross lending (0.08 %). NOK 120 million related to other commitments (NOK 131 million), which amounts to 0.25 % of gross lending (0.28 %). Group write-downs amounted to NOK 166 million (NOK 140 million) or 0.34 % 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) show a reduction over the last 12 months of NOK 119 million. Net impaired commitments amounted to NOK 249 million (NOK 368 million), or 0.51 % (0.80 %) of gross lending: NOK 185 million (NOK 284 million) in the corporate segment and NOK 64 million (NOK 84 million) in the retail segment.

Net commitments in default for more than 3 months at the end of 2014 amounted to NOK 65 million (NOK 117 million), which represents a reduction from 0.25 % at year-end 2013 to 0.13 % at year-end 2014.

Fig. 6 Balance sheet

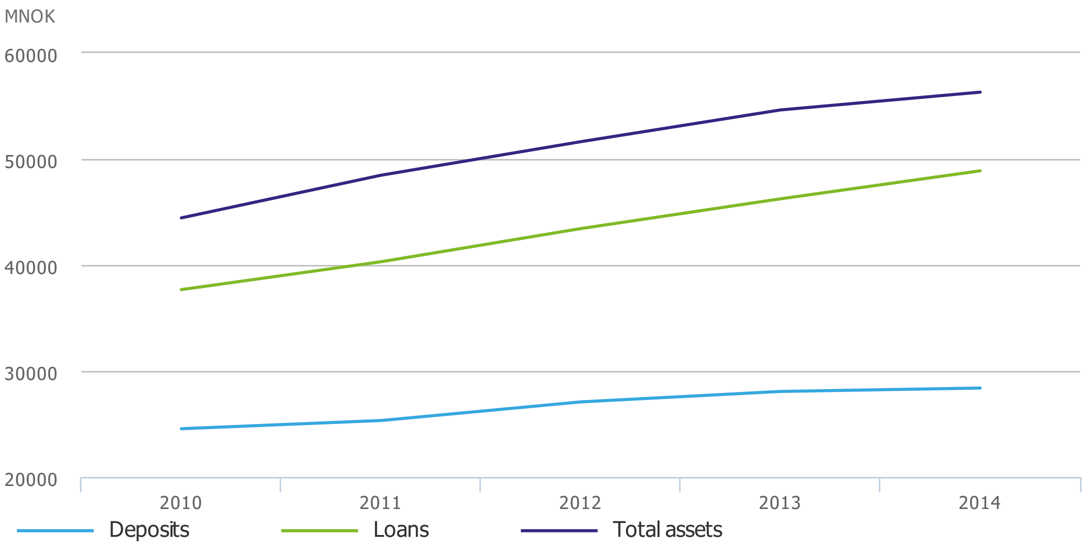
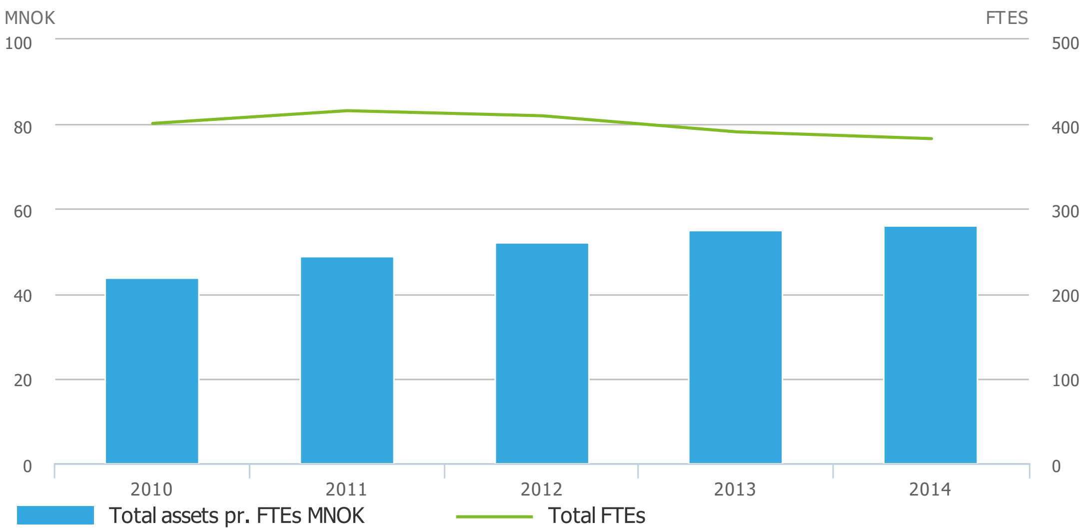


Fig. 7 Total assets pr. FTEs



Total assets

Total assets increased by NOK 1 678 million and 3.1 % to NOK 56 305 million as per 31 December 2014. The change in total assets was affected by a reduction in holdings of short-term investments in securities and a reduction in holdings in Norges Bank during the year.

Lending

Net lending was up by NOK 2 643 million and 5.7 % to NOK 48 884 million in 2014. Lending to retail customers increased by 5.9 % and retail customers accounted for 65.7 % of gross lending at year-end 2014. Corporate lending increased by 5.2 % in the preceding 12 months, and this segment accounts for 34.3 % of gross lending.

Deposits

Deposits from customers totalled NOK 28 389 million at the end of 2014, an increase of NOK 321 million and 1.1 %. Deposits from corporate customers fell by 4.9 % in 2014, while there was an increase of 6.4 % from retail customers. Deposits from public sector clients were 18.3 % lower than at year-end 2013. 37.5 % of deposits were from corporate customers, 60.0 % were from retail customers and 2.5 % were from the public sector.

The difference between the lending and deposit volumes, NOK 20 495 million, was funded via the Norwegian and international money and securities markets. Deposits in relation to loans amounted to 58.1 % at year-end.

SECURITIES

Holdings of short-term investments in securities at year-end 2014 amounted to NOK 4 771 million compared with NOK 5 117 million at year-end 2013.

There was no significant trading portfolio at year-end 2013.

The bank's hybrid tier 1 capital (NOK 878 million) consists of 3 loans. Two of which are subject to variable interest rates, and the third has a fixed interest rate. Subordinated bond loans (NOK 501 million) are subject to variable interest rates.

Subsidiaries

The aggregate profit of the bank's three subsidiaries amounted to NOK 189 million after tax (NOK 152 million).

Møre Boligkreditt AS was established as part of Sparebanken Møre'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 billion in funding for the Group. The company contributed NOK 191 million to the result in 2014 (NOK 152 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company reported a loss of NOK 1 million in 2014 (NOK 0 million). At the end of the year the company had 16 full-time equivalents.

Sparebankeiendom AS's purpose is to own and manage the bank's own commercial properties. The company reported a loss of NOK 1 million in 2014. (NOK 0 million). The company has no employees.

DIVIDEND POLICY OF SPAREBANKEN MØRE

Sparebanken Møre's dividend policy has remained unchanged for the last few years. The Group's aim is to achieve financial results which provide a good, stable return on the bank's equity. The results shall ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as dividend funds must correspond to the bank's equity situation. Sparebanken Møre must ensure that all equity owners are guaranteed equal treatment.

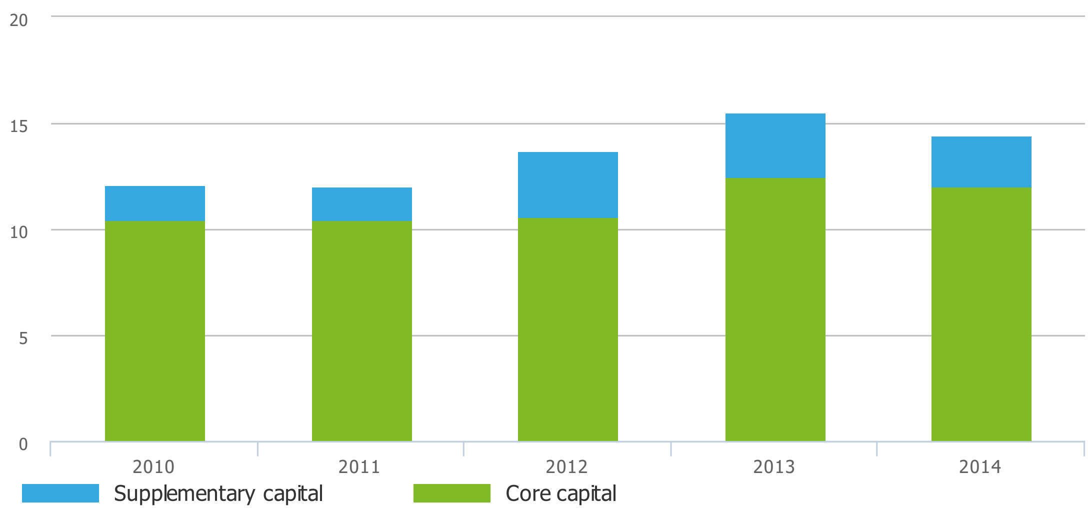
PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

In 2014 the market was informed that based on Sparebanken Møre's strategic plan and the stipulated return on equity capital, the normalised dividend ratio is expected to be in the range of 40–50 %. In line with the rules for equity certificates, etc., and in accordance with Sparebanken Møre's dividend policy, it is proposed that 43 % of the Group's profit be allocated to dividend funds (cash dividends and dividend funds for local communities). Based on the accounting breakdown of equity between equity capital and the primary capital fund, 49.6 % of the net result will be allocated to equity certificate holders and 50.4 % to the primary capital fund. Earnings per equity certificate amounted to NOK 31.20 in 2014. It has been proposed to the Board of Trustees that the cash dividend per equity certificate for the 2014 financial year be set at NOK 13.50.

Overview of proposed allocation of the profit:
(in million NOK)

Profit for the year	**623**	
Dividend funds (43 %):		
To cash dividends	133	
To social dividends **Strengthening of equity (57 %):** To	136	269
the dividend equalisation fund To the primary capital fund,		
etc. To other funds	154	
Total allocated	157	
	42	354
		623

Fig. 8 Capital adequacy



CAPITAL ADEQUACY RATIO AND APPLICABLE REGULATIONS

Through the Møre 2018 strategic process, the Board of Directors of Sparebanken Møre resolved that the Group's plan for core tier 1 capital must comply with the regulatory plan for the escalation of capital. The bank has not been defined as a systemically important financial institution. The bank's internal capital target is that 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 been authorised to use the Foundation IRB method to calculate capital requirements for corporate commitments in 2014. The Financial Supervisory Authority of Norway stipulated new requirements for IRB models for home mortgages on 1 July 2014. Sparebanken Møre has also submitted an application to use the Foundation IRB method for calculating capital requirements for the retail market. The application is still being considered by the Financial Supervisory Authority of Norway. A decision on the application is expected once the Financial Supervisory Authority of Norway has assessed the Group's documentation showing that the internal models match the assumptions on which the new requirements for home mortgage models are based.

The Group's capital adequacy is reported according to the standard method in Basel II for retail market commitments and the Foundation IRB method for the corporate market. Sparebanken Møre had no capital requirements associated with the transitional scheme for the Basel I floor at year-end 2014. Operational risk calculations are performed using the basic method.

Sparebanken Møre's capital adequacy at year-end 2014 was well above the regulatory capital requirements and also above the internally set minimum target for core tier 1 capital. Primary capital amounts to 15.8 % (17.0 %), core capital 14.4 % (15.5 %), of which core tier 1 capital amounts to 12.0 % (12.5 %). The bank repurchased part of a hybrid tier 1 capital issue with a face value of NOK 200 million in the third quarter of 2014. NOK 54 million of this is included in the reporting of the primary capital and core capital. The capital adequacy figures include the year's profit and the Board's proposed allocation of the profit. The Board's proposal concerning the allocation of profit for the year entails retaining 57 % of the Group's profit to further build up the Group's financial strength.

The internal risk management models have been developed and implemented over a number of years within the credit area for the Group. As mentioned, approval has been granted for the use of the Foundation IRB method for corporate commitments, while the application for the use of the Foundation IRB method for the retail market is still under consideration. Sparebanken Møre has already begun working on the application for use of the advanced IRB method. Work on the application will intensify during 2015.

The EU capital adequacy regulations for financial institutions and securities firms, Capital Requirements Regulation and Capital Requirements Directive IV (CRR and CRD IV), came into effect on 1 January 2014. The Norwegian authorities have stipulated national deadlines for implementing the international regulations. Sparebanken Møre is monitoring the development of the regulations closely. The analysis conducted shows that the Group satisfies the capital requirements of the new regulations. The Board continuously monitors capital adequacy in the Group and is prepared to implement measures quickly should there be a need to further strengthen capital.

RISK MANAGEMENT

Risk-taking is a fundamental element of banking operations. Risk management and risk control are two of the Board's focus areas. The overall purpose of risk management and risk control is to ensure that set targets are attained, ensure effective operations, manage risks which may prevent the attainment of commercial targets, ensure high quality internal and external reporting, and ensure that the Group's operations comply with all relevant laws, regulations and internal guidelines.

The stated goal of the Board of Sparebanken Møre is to ensure that the operations of the Group maintain a low to moderate risk profile. Earnings should be a product of customer-related activities, and not financial risk taking. Sparebanken Møre constantly strives to maintain control of the risks that exist. In those cases where the risk is deemed to exceed an acceptable level, immediate steps will be taken to reduce this risk.

The overall framework and limits for Sparebanken Møre's risk management are assessed annually by the Board in connection with the preparation of the bank's strategic plan. In August 2014, the Board adopted a new strategic plan, “Møre 2018”. The Board approves overall guidelines for management and control in the Group each year, and the Parent Bank and subsidiaries adopt individual risk policies tailored to their activities. Separate policies have been approved for each significant risk area, including credit risk, counterparty risk, market risk, concentration risk and liquidity risk. Risk strategies are approved by the Board and reassessed at least once a year, or when particular circumstances make it necessary. Sparebanken Møre's risk policies were last reviewed and approved in a revised form in December 2014.

The various policies form the framework for the Group's ICAAP. The Board actively participates in the annual process and establishes ownership of the assessments and calculations made, including through ICAAP's key role in long-term strategic planning. ICAAP has been conducted for the Group in 2014 and the feedback from this was received from the Financial Supervisory Authority of Norway in the fourth quarter of 2014. Calculations performed in connection with the ICAAP for 2014 show that the Group's capital adequacy is sufficiently robust to tolerate an economic development that is significantly more negative than the development on which the basic scenario in the long-term strategic plan is based. This is supported by both the economic calculations and simulations based on various stress tests.

Sparebanken Møre has established a follow-up and control structure that is intended to ensure compliance with the overall framework of the bank's strategic plan. The Group’s risk exposure and risk development are followed up on an overall basis through periodic reports submitted to management, the Audit and Risk Committee and the Board of Directors. One of the Audit and Risk Committee's primary purposes is to ensure that Sparebanken Møre's risk management is addressed satisfactorily.

The Board is of the opinion that Sparebanken Møre's aggregate risk exposures conform to the Group's targeted risk profile. The Board considers the Group's and bank's risk management to be satisfactory.

Credit risk

Credit risk is the risk of losses associated with customers or other counterparties being unable to fulfil their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. Included in this risk area are counterparty risk and concentration risk.

Credit risk represents Sparebanken Møre's biggest risk area. The Group has a moderate risk profile for credit risk, as this risk is defined by the Group's credit risk strategy. The strategy provides, for example, limits for concentration in industrial sectors and the size of commitments, geographic exposure, growth targets and risk levels.

Compliance with the Board's resolutions within the area of credit is monitored by the bank's risk management department as well as the Credit and Legal Services section. These are independent of the customer units. The Board receives reports on credit risk trends throughout the year in monthly risk reports. In addition, periodic reviews of the credit area are carried out by the Audit and Risk Committee. The Board receives quarterly reports on mortgage lending, in line with the guidelines of the Financial Supervisory Authority of Norway. Sparebanken Møre's internal guidelines conform to the Financial Supervisory Authority of Norway's guidelines for mortgage lending.

Sparebanken Møre has prepared its own risk classification models for classifying customers. These models make an important contribution to the in-house management of credit risk. The customers are scored on a monthly basis, and this provides the basis for ongoing monitoring of the development of Sparebanken Møre's credit risk. Specific application scoring models have also been implemented and are used in the credit approval process.

Through the Group's reporting portal, each member of staff with customer responsibility has access to reports which show the development of the credit risk in his or her portfolio. The portal has a hierarchical structure allowing managers in Sparebanken Møre to monitor performance within their respective area of responsibility. The reports are used to analyse customers, portfolios and segments, among other things. The portal also provides customer account managers with an overview of the customers' positions and limits in relation to exposure in financial instruments.

At the end of 2014 the Special Commitments Department was established under the Credit and Legal Services section. The purpose of this department is to improve the efficiency of the processes associated with losses and commitments in default, as well as increase interaction between the legal department, the safe custody department and the credit department. This will improve the quality and professionalism in handling impaired commitments, and ensures that case processing will be objective and independent. The department reports upwards in the management hierarchy independent of the line.

The Board finds that Sparebanken Møre's overall credit risk is within the Group's adopted risk tolerance. At the end of 2014 there were no breaches of targets or limits with regard to the most recently adopted credit risk strategy. Exposure to large commitments has been significantly reduced over the last several years, but follow-up and control of this area has been enhanced. The Board finds that Sparebanken Møre is well prepared to handle any increased credit risk in the loan portfolio, and that the Group has a good foundation for increasing its focus on good loan projects in Sparebanken Møre's area of operation in the future.

Market risk

Sparebanken Møre's market risk is primarily a reflection of activities which are conducted in order to support the Group's daily operations. This relates to the Group's funding, the bond portfolio which is maintained in order to maintain funding requirements and secure access to loans from Norges Bank, as well as customer generated interest rate and foreign exchange trading.

The Board stipulates limits for Group market risk in the market risk strategy. The limits are monitored by the risk management department. The limits are stipulated based on analysis of negative market movements, and the Board of Directors has stipulated that only low risk is acceptable in this area. The governing documents that deal with market risk are reviewed and renewed at least annually by the Board, most recently in December 2014. The Board of the bank receives monthly reports on the development of market risk. The limits for market risk are conservative, and on an overall basis, market risk represents a small part of the Group's aggregate risk.

The Board finds that the Group's risk exposure in the area of market risk is within the adopted risk tolerance limits.

Liquidity risk

The management of Sparebanken Møre's funding structure is incorporated into an overall funding strategy that is evaluated and approved by the Board at least once a year, most recently in December 2014. The strategy reflects the moderate risk level that is accepted for this area of risk. It describes Sparebanken Møre's targets for maintaining its financial strength. Specific limits have been defined for different areas of the Group's liquidity management. Sparebanken Møre's contingency plan for funding management includes a description of how the liquidity situation should be handled in turbulent financial markets.

Basel III introduces two new separate and supplementary requirements in the area of liquidity. LCR (Liquidity Coverage Ratio) measures institutions' ability to survive a 30-day stress period. LCR increases the importance of high quality liquid assets. NSFR (Net Stable Funding Ratio) measures the long-term sustainability of institutions' funding. NSFR means that institutions have to fund liquid assets with the aid of a greater proportion of stable and long-term funding. When LCR is fully implemented, the minimum requirement of 100% will apply for normal periods. In periods of stress, the banks are expected to be in a position to use their liquid assets and could thus fall below the minimum requirement. Liquidity coverage ratio requirements will be phased in gradually from 2015. The initial phase will commence on 1 October 2015 with a minimum requirement of 60% fulfilment. The requirement will apply in full from 1 January 2018. Sparebanken Møre is adapting to the new liquidity standards by both modifying strategies and implementing internal adaptations. The bank regularly reports trends associated with the new liquidity indicators to the supervisory authority pursuant to the reporting requirements.

In recent years, the liquidity portfolio has increased in volume and investments have been switched to LCR quality securities. The targets the Group has established for LCR comply with the regulations' escalation plan. Reporting shows that Sparebanken Møre is well within the announced requirements.

In order to ensure the Group's liquidity risk is kept at a low level, lending to customers must primarily be financed by customer deposits and long-term securities issued. The bank's deposit coverage ratio at the end of 2014 was 58.1 per cent.

Møre Boligkreditt AS provides the Group with greater diversification of funding sources. The company issues covered bonds. The bank transfers parts of its mortgage portfolio to the mortgage company, and this allows the Group to take advantage of funding opportunities, which the establishment of the mortgage company facilitated. At year-end 2014 approximately 32 per cent of the Group's total lending (around 48 per cent of lending to the retail market) has been transferred to the mortgage company. Sparebanken Møre will continue to transfer mortgages to Møre Boligkreditt AS, and the bank's refinancing needs in 2015 will be met by issuing covered bonds, according to plan.

In order to gain access to new sources of funding and seek stable access to funding from external sources, securities issued by both Sparebanken Møre and Møre Boligkreditt AS are rated by the rating agency Moody's.

Bonds issued by Møre Boligkreditt AS have been assigned the highest possible rating from Moody's, Aaa. In addition to issuing securities in Norway, the mortgage company has also issued bonds in the Swedish market. As far as the composition of the external funding is concerned, priority is given to having a relatively large share of funding with terms in excess of one year. Of the NOK 20.8 billion of external funding, NOK 14.7 billion is long-term funding (remaining term of more than 1 year) consisting of covered and senior bonds. The Parent Bank's outstanding senior bonds had a weighted remaining term of 1.9 years at year-end 2014, while covered bond funding correspondingly had a remaining term of 3.9 years.

The Board considered the bank's liquidity situation at the end of the year to be good. The Board also considered the ongoing liquidity management of the Group to be good.

Operational risk

Operational risk is defined as the risk of loss due to insufficient or failing internal processes, human or systems-related failure, or external events. This may for instance involve failures and breakdowns with regard to routines, electronic data processing systems, professional competence and the bank's subcontractors; this may also involve staff and customer breach of confidence/trust, robberies, embezzlement, etc. The Board of Sparebanken Møre has approved a low to moderate risk profile for this area of risk.

Targeted measures are necessary to prevent and reduce operational risk. Examples of risk-reducing measures include physical security measures, established contingency plans, robbery drills, insurance schemes and competence-enhancing measures.

Sparebanken Møre's external activities should centre around the customer. The bank has expended a lot of resources on the authorisation scheme for financial advisers in the last few years. By the end of 2014, 263 of the bank's employees were licensed financial advisers. 13 of them gained authorisation in 2014. In addition to AFA, most of the managers in frontline positions have completed an AFA examiner course. This has provided the managers with very good training and practice in exercising their managerial roles. In recent years, Sparebanken Møre has also organised an “approved internal credit competence” course. By the end of 2014, almost 250 of the bank's employees had passed this course. From 2014 Sparebanken Møre is also participating in the national approval scheme for non-life insurance. At the end of the year, 135 employees had been approved under this scheme. 17 of the bank's new recruits in 2014 have participated in the bank's standardised training for new employees arranged by the bank's internal “Møre Academy”. The fact that our employees possess a satisfactory level of expertise is an important contribution to reducing operational risk and at the same time ensures our customers find being a customer of our bank a good experience. The Board is delighted with the substantial skills boost that individual employees and the bank have achieved over the last several years and will continue to emphasise this work in the years ahead.

Sparebanken Møre expends a lot of resources on ensuring good ICT security. ICT threats have generally multiplied and grown in severity in recent years. Both attempts at gaining unauthorised access to the online bank and ATM skimming were registered and dealt with. No incidents of fraud or losses in connection with digital channels were registered during 2014. The cooperation within the banking and financial industry and services such as “Anti Fraud Internet Banking” from EVRY have had a positive impact. Digital channels will continue to be an area that is also vulnerable to threats in the future. During 2014 a general trend has been noted in the industry involving the banking and financial industry now becoming increasingly exposed to targeted attacks in which criminals gain unauthorised access to the organisation's IT network in order to obtain sensitive information or conduct fraudulent transactions. Work on ICT security will remain high on Sparebanken Møre's agenda in the future as well.

The Group focuses heavily on the anti-money laundering regulations. In 2014 the bank conducted new risk assessments on the area. The number of internal spot checks in the area has increased. Furthermore, employees have received new training in connection with this area, and the head of anti-money laundering in the bank has convened morning meetings with the different Retail Market departments and actively participated in Retail Market and Corporate Market meetings. Sparebanken Møre was well represented at the anti-money laundering conference which was organised under the direction of FNO, Økokrim and the Financial Supervisory Authority of Norway.

Sparebanken Møre's overall emergency preparedness plan was revised in 2014. The plan was subsequently tested in an emergency exercise in November 2014. These types of exercises are carried out annually. The experience gained from the exercises is used to supplement the emergency preparedness plan with additional details, while also providing valuable experience in being able to manage any crisis situations that could arise. The exercises also help to raise awareness and vigilance in relation to what issues may arise during a crisis.

Sparebanken Møre has established various forums and committees that actively work to manage the Group's operational risk. These include the Group's Annual Security Forum for people responsible for security, and quarterly meetings of the Group's Security Committee. The committee's members represent a wide range of people from multiple functions in the Group. The Board receives an annual report on the security situation at Sparebanken Møre, in addition to ongoing reports relating to significant deviations and events that may occur. The annual ICAAP reviews the major areas of risk for the Group, and a lot of attention is paid to operational risk in this context.

Sparebanken Møre's established, operational internal control represents an important tool for reducing operational risk, through both identification and follow-up.

Internal control

The internal control system should be designed to ensure reasonable certainty with respect to attaining goals within the areas of strategic development, goal-oriented and efficient operations, reliable reporting, and compliance with acts and regulations, including compliance with internal Group guidelines and policies. A well-functioning internal control system should also ensure that the Group's risk exposure is within adopted risk profiles and risk tolerance limits.

Sparebanken Møre's internal control processes are based on the principles of the global internal control standard, the COSO model. The processes and the internal controls should apply to the Group as a whole. This also means that risks that arise as a result of ownership and operation of subsidiaries must be handled by the Group's overall internal control processes.

At Sparebanken Møre, individual managers have a special individual responsibility to ensure that internal control within his or her area of responsibility functions and is implemented as intended. This means that managers at every level of the organisation monitor the control measures put in place in their areas of responsibility. This insight is normally achieved through personal presence, monitoring staff, spot checks, reviewing key figures and deviation measurements, etc. This principle also applies to the managers of the subsidiaries in the Group.

Internal control in connection with the financial reporting process

The purpose of internal control in connection with the financial reporting process is to ensure that the financial statements are prepared and presented free from material error, including that any errors shall be identified in time. Moreover, internal control shall ensure that external accounting requirements are met, as well as safeguard that information disseminated to analysts, supervisory authorities, investors, customers and other stakeholders is complete and provides a true and fair view of the Group's financial situation.

Responsibility for the financial reporting process itself is assigned to the Finance, Risk Management, Personnel and Security Section, but with the Finance and Accounting Department as the coordinating and leading unit. Plans clearly specifying the distribution of work and back-up lists for both tasks and personnel in this and other departments within the section have been established.

Transactions are registered in the bank's core systems, and a reconciliation is performed between these systems and the accounting system (IROS) on a daily basis. Management reports are prepared periodically and quality checked. Any deviations that are recorded are rectified on an ongoing basis. Various management reports are prepared every month: Balanced Scorecard, analyses, risk reports etc. and the reports are consolidated both monthly and quarterly. Items in the income statement, statement of financial position and note disclosures are reconciled against the system and previous reports.

Both the quarterly and annual reports are reviewed by both the bank's management group and the Audit and Risk Committee prior to final consideration by the Board.

Internal control reporting

Internal control reporting at Sparebanken Møre is decentralised and the Risk Management section is the coordinating unit.

The Board of Directors has received regular reports on the operations and risk situation throughout the year. The CEO has also submitted an annual report to the Board containing an overall assessment of the risk situation and an assessment of whether the established internal controls function satisfactorily. This report also contained assessments of subsidiaries subject to the requirements of the Risk Management and Internal Control Regulations.

Based on the reports received, the Board believes that internal control is being properly addressed at Sparebanken Møre.

Internal auditing

Internal auditing is a monitoring function which, independent of the rest of the bank's management and organisation, conducts systematic risk assessments, checks and examinations of Sparebanken Møre's internal control in order to assess whether it is working in an appropriate and reassuring manner.

The Group's internal auditing was outsourced to BDO in 2014. The internal auditing function reports to the Audit and Risk Committee and the Board. A plan has been prepared for the work of the internal auditor and approved by the Board. The Audit and Risk Committee and the Board have received regular reports from the internal auditor in 2014 in accordance with this plan.

The annual report of the internal auditor for 2014 to the Board states that the Group has corporate governance, risk management and internal control that is satisfactory, given the size and complexity of Sparebanken Møre. No material breaches of applicable acts or regulations have been identified. The internal auditor has also reviewed the bank's self-evaluation of its risk management and internal control throughout the year. This was found to be satisfactory with regard to the process, degree of detail and execution, as well as the summary report to the Board. The bank's self-evaluation was also found to be in compliance with the requirements stipulated in the Risk Management and Internal Control Regulations.

CORPORATE GOVERNANCE REPORT

Corporate Governance in Sparebanken Møre includes the aims, targets and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of owners, depositors and other groups in the Group. The Group's corporate governance should ensure prudent asset management and provide assurance that the communicated goals and strategies are attained and realised.

The Board highlights the following areas as critical to maintaining the confidence of the market:

- Capital appreciation for equity certificate holders and other investors in the bank's securities
- Competent and independent management and control
- Good internal management processes
- Compliance with laws, rules and regulations
- Openness and good communications with equity certificate holders, other investors, customers, employees and the community at large
- Equal treatment of all equity certificate holders

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance, most recently updated on 30 October 2014. Sparebanken Møre's corporate governance report is included in the annual report in a separate section.

SPAREBANKEN MØRE'S FULFILMENT OF ITS CORPORATE SOCIAL RESPONSIBILITIES

Being a savings bank in Norway involves substantial corporate social responsibilities. Savings banks have long played a role in society and have, through their work, been important players in local communities for both local businesses and the customers who live in the savings bank's market area. Sparebanken Møre both *has* and *assumes* such social responsibilities.

Sparebanken Møre was formed on 1 April 1985 by the merger of a number of banks in Møre og Romsdal. In subsequent years a number of other banks in the county have merged with Sparebanken Møre. The banking history of the merged savings banks can be traced back to 1843.

Social responsibility duties

The social responsibilities that Sparebanken Møre *has* primarily relate to human rights, employment rights and social conditions, the external environment, and combating corruption.

The Group's overall goal is to promote savings by accepting deposits from an unlimited group of depositors and managing the funds in a prudent manner and in accordance with the current statutory rules that apply to savings banks. We shall perform all ordinary banking transactions and services in accordance with the current statutory provisions, and offer investment and associated services in accordance with the provisions of the Securities Trading Act. In today's society, access to banking services is vital in order for society to function at all, and thus through our existence and day-to-day work we also contribute to the exercising of this form of social responsibility in addition to the above.

Sparebanken Møre's core values must permeate everything we do. Both the executive management team and the Group's employees must do their utmost to ensure that Sparebanken Møre is perceived as “Committed, Close, and Sound”. These core values also permeate our ethical guidelines; guidelines that provide guidance on how we should act and conduct ourselves in relation to financial crime such as fraud and the misappropriation of funds, as well as corruption, employment rights, human rights, etc.

The ethical guidelines are operationalised through, for example, the personnel handbook, employment rules, security handbook, internal anti-money laundering rules, etc. New employees of Sparebanken Møre are introduced to the Group's ethical guidelines as early as their induction programme. Every employee also has a duty to review the ethical guidelines at least once a year as part of their annual performance assessment.

External environment

Sparebanken Møre's activities do not pollute the external environment. Therefore, no special guidelines have been drawn up for this area. Nonetheless, the fact that no such guidelines have been drawn up does not mean that we do not focus on the environmental challenges the rest of society faces. Our commitment to the environment is, for example, expressed through our use of various types of consumables, purchasing plans, electricity consumption, recycling schemes, waste management, and management of scrapped electrical and electronic equipment. We strive to offer paperless services to our customers, which include signing various banking papers digitally in the online bank. When we need to communicate with customers, or vice versa, electronic channels such as email, the online bank's letterbox, and online chat via Facebook can be used. In 2014 the bank also began offering dialogue with customers via videolink. On those occasions when the bank redecorates and rebuilds existing premises, the work also takes into account additional improvements to HSE conditions as well as, for example, energy efficiency requirements for the project. There is an emphasis on reducing the overall energy consumption through upgrading lighting and heating controls.

Combating corruption and financial crime

As a player in the financial industry we are subject to a range of laws and requirements aimed at countering corruption and other types of financial crime. Sparebanken Møre shall conduct itself according to high ethical standards and shall not be associated with activities, customers or industries of dubious repute. It is important that each member of staff is aware of such situations, and this is also a priority for the Board of Sparebanken Møre. As well as focusing on the staff in this area, through internal rules and ethical guidelines, Sparebanken Møre also has both internal processes and systems that help to prevent money laundering, corruption and other financial criminal acts. The bank regularly reports unusual transactions to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) and focuses heavily on money laundering prevention when establishing new customer accounts and other contact points with our customers.

Our Group has a zero tolerance policy when it comes to internal fraud. There is also a very low threshold when it comes to reporting suspected criminal acts, e.g. suspicious transactions, to the correct authorities. The Board receives annual reports on the number of cases sent to ØKOKRIM in this area. There has been an increased internal focus on suspicious transactions as shown by more than twice as many cases being reported to Økokrim in 2014 than the previous year. Sparebanken Møre does its utmost, through systemic measures and staff training, to uncover and prevent potential corruption and financial crime at the earliest stage possible. Some of the general challenges in this area are that the ingenuity of those who wish to circumvent the rules has increased and the technological means of concealing corruption and financial crime have steadily improved. Sparebanken Møre therefore cooperates with other financial industry players in order to deal with these issues and maintains an ongoing dialogue with Finance Norway (FNO), ØKOKRIM and the police. The number of cases reported involving fraud has declined in 2014 compared with 2013.

Employees and working environment

Sparebanken Møre shall be an attractive workplace in which individuals are given independent responsibilities and an opportunity for personal development. In order to make your mark in the strong competition in the financial services market, it is necessary to adapt to the market's expectations in the long run as far as both the availability and skills of our staff are concerned. The quality and efficiency of work processes that address the market are always a priority in the skills upgrading measures that are implemented. Sparebanken Møre ensures this partly through the development programme for its advisers and partly through its recruitment policy.

No discrimination against employees based on age, gender, nationality, religion or civil status is tolerated. Employees are free to organise and join unions, and Sparebanken Møre has established a system for electing employee representatives. These rules are set forth in the personnel administrative handbook and provide a basis for the Group's recruitment procedures. The employees' elected representatives and members of the bank's executive management team meet regularly once every quarter to discuss matters of importance to both parties, such as the working environment and job satisfaction. The collaboration between management and the employees' elected representatives is good throughout Sparebanken Møre.

The Group's workforce totalled 383 full-time equivalents at year end, a reduction of eight full-time equivalents in 2014.

The average age of the bank's employees has decreased from 47.7 to 47.4. The average length of service with Sparebanken Møre of the current staff is 17.4 years.

Total sick leave was 3.59 per cent in 2014, compared with 3.51 per cent in 2013. Long-term absence due to illness was 2.23 per cent in 2014, compared with 2.20 per cent in 2013. Short-term absence due to illness was stable at 1.31 per cent in 2013 and 1.36 per cent in 2014. Those on long-term sick leave are followed up in order to help them return to work as quickly as possible. The bank has found a number of ways in which to achieve this by being part of the nationwide "Inclusive Workplace" scheme. The bank's experience of the cooperation with public sector organisations has been positive when it comes to finding individually tailored arrangements for those employees who have a need in this area. Leaves of absence in 2014 were 2.24 per cent.

The monitoring and follow-up system for health, environment and safety forms an integral part of the bank's other internal control procedures. Improvement measures within these areas are implemented whenever weaknesses are identified. In 2014 HSE courses were organised for the bank's 14 safety coordinators and members of the working environment committee, and an HSE course was arranged for 55 managers with responsibility for personnel. Exercises are also arranged at regular intervals in order to teach staff how to tackle crisis situations, such as fires, robberies and conflict management. Three incidents of threatening and adverse behaviour by customers towards the bank's employees were reported in 2014. There have also been a number of cases of false alarms, as well as one incident involving smoke emanating from a machine in the head office. With the exception of these events, no other similar incidents, damage or accidents have been registered or reported during 2014.

The distribution between women and men showed that out of the Group's total staff of 412, there were 267 women (64.8 per cent) and 145 men (35.2 per cent). There are 394 employees in the bank and 18 in the subsidiaries.

Of the Parent Bank's 394 employees, 255 are women (64.7 per cent) and 139 are men (35.3 per cent). The bank employs 60 part-time staff, all of which are women.

The percentage of women in various managerial positions was 34.9, while the percentage for men was 65.1 per cent.

The Board of Directors of the bank consists of seven members – three women and four men.

During the course of 2014, Sparebanken Møre recruited 20 new employees. Eight were women and twelve were men. Of the 20 new recruits, six joined the Group's trainee scheme. In addition to the 20 new recruits, the bank has employed two apprentices in sales and office services during the previous year. The apprenticeship programme is a collaboration with Møre og Romsdal County Council.

Staff turnover was 9.1 per cent in 2014 compared with 7 .8 per cent in 2013.

”Guiding values”, which is Sparebanken Møre's governing document for culture, values and attitudes, plays an important role in combating discrimination in the Group. No cases of discrimination were recorded in 2014. An internal guideline and a whistleblowing solution have been established in case some of the bank's staff see a need to report adverse events of importance either to themselves or some of their colleagues.

The bank's annual surveys of the internal working environment analyse different aspects of the environment and general working situation in the bank. The survey provides a concrete basis for prioritising improvement measures where they are most needed and where such measures will be of most use. The latest working environment survey shows that the staff perceive both the working and the learning environment to be good. Working environment surveys are discussed at board level in Sparebanken Møre.

Our social responsibilities - our contribution to the local communities in Møre og Romsdal

Sparebanken Møre's strategy is simple; we want to be there for customers from Møre og Romsdal. The customers who live in our county are the Group's primary market, but our strategy also involves accompanying customers when they choose to settle outside the county in other parts of the country. As a savings bank we have a statutory duty to accept deposits from those who wish to make them, including from customers outside our strategic market area.

Our savings bank has two groups of owners: EC holders and local communities. Sparebanken Møre's dividend strategy plainly states that owners must be treated equally. The local communities in Møre og Romsdal own around 50% of Sparebanken Møre. This means that half of the year's distributed profit is phased back to our county through what we have chosen to call “dividend funds for local communities”.

Funds in the order of NOK 100 million annually have been allocated to “dividend funds for local communities” in the last few years. Based on the profit after tax for 2014 it is proposed that a further NOK 136 million be allocated to good and useful projects in the local communities. Through these funds Sparebanken Møre highlights its responsibility and social commitment to the local communities in Møre og Romsdal that the bank is proud to be a part of.

Our vision and goals for the dividend funds for local communities

The funds that are allocated to publicly beneficial purposes every year are considerable. It is therefore important to Sparebanken Møre that these funds are properly managed and that we have a clear plan and strategy for which areas we want to contribute to from a social standpoint. Several years ago the bank therefore established a vision for what Sparebanken Møre should contribute to, which was formulated as follows:

“Sparebanken Møre shall help to improve opportunities for people and enterprises to live, work, develop and enjoy a good life in Møre og Romsdal.”

In order to achieve this vision, Sparebanken Møre has adopted six *main focus areas* for the dividend funds:

- Schoolchildren's interest in **businesses, new enterprises and science subjects**. We shall help to improve schoolchildren's understanding of, and interest in business, new enterprises, and science subjects. For example, we participate in Young Entrepreneurship.
- **Talent development**. We shall focus on and encourage talent within business, culture and sports. Examples of this include the GNIST Mørestipend, the Music Award, and grants to various sports groups.
- **Culture in Møre og Romsdal**. We shall help the county and local authorities in the county develop and improve the range of cultural activities in Møre og Romsdal. For example, the Opera in Kristiansund, the theatre “Teatret Vårt”, Go With the Flø, and various festivals.
- We shall help bring about good **collaboration between educational institutions** in the county. For example, the professorship we fund in international business and marketing at Aalesund University College.
- We shall contribute to the development of and/or fund qualified reports on **transport and the county's long-term**

development. Examples of this include contributions to a number of transport projects and the Business Barometer for Møre og Romsdal.

- We shall contribute to developing and reinforcing **meeting places in Møre og Romsdal** for private and public actors. For example, the Møre Conference and Scientific Conference at Aalesund University College.

Given the focus on our priority areas, Sparebanken Møre also established an overall goal in 2010 for our corporate social responsibility work:

> *"In 2020, the county will have ferry-free main communication routes, larger, more effective university college provision, a high quality symphony orchestra/theatre, an increasing share of newly established businesses, positive population growth and a net inflow of college educated labour - thanks to Sparebanken Møre's social commitment."*

By fulfilling our corporate social responsibilities, including through dividend funds for local communities, Sparebanken Møre is systematically striving to realise our primary objective. We are not saying that we will be successful in every area, but having something to aim for sometime in the future helps to ensure that we, as a local and regional savings bank, always have a goal in mind as far as our work is concerned and will be an important contributor in Møre og Romsdal. Our county should be a good place to live in - and *we* want to help with those things we are good at!

For the 2013 financial year NOK 87 million was allocated to dividend funds for local communities. During 2014 these funds have been disbursed in accordance with the bank's main focus areas. Culture and talent development have been allocated the largest share of these dividend funds during the last year. For example, Sparebanken Møre's annual GNIST Mørestipend ceremony took place in June 2014. 16 young talents within sport and music were awarded individual grants from the bank to further their talent development. During 2014 the bank has also supported a number of reports relating to new infrastructure in the county, funded several festivals that took place during the year, as well as donated to various commercial events in Møre og Romsdal.

The Board wants Sparebanken Møre's corporate social responsibility to be handled well. Therefore, in relation to the dividend funds for local communities, it reports on its plans, grants and the use of funds for publicly beneficial purposes every six months.

GOING CONCERN ASSUMPTION

The Board confirms that the prerequisites for the going concern assumption have been met, and that the annual financial statements have been prepared and presented on a going concern basis. This is based on the Group's long-term forecasts for the coming years. The Group's capital adequacy ratio exceeds the government requirements.

FUTURE OUTLOOK

The general macroeconomic conditions for Møre og Romsdal remain good. However, current conditions indicate there will be a strong downturn in petroleum investments in 2015 due to the fall in oil prices at the end of 2014 and at the beginning of the current year, and the oil companies' focus on cutting costs. The indirect effects of this through the supplier chain are also expected to be significant. Based on this, unemployment in the county is forecast to likely increase slightly during 2015. Nonetheless, the level of unemployment in the county will continue to be among the lowest in the country.

For the county's export industries and import-competing companies a weakening of the exchange rate will help to boost their competitiveness. The drop in the bank's customer interest rates, which occurred at the end of last year and at the start of 2015, will also improve purchasing power in the household sector. The fall in oil prices, mentioned in the paragraph above, will contribute to increased growth in the international economy through lower costs for business. These factors will greatly help in counteracting the negative effects in the oil sector and oil-related industries. A moderate level of losses and defaults was expected for 2014, and this expectation was fulfilled. For 2015 Sparebanken Møre also expects the level of losses in the Group's portfolios to be low and within the long-term financial plans that have been drawn up for the Group.

The competition in the bank's market area is high and the competitive situation has intensified. Lending growth is expected to be weaker in 2015 than we have seen in the last few years within the retail market. The corporate sector is expected to maintain its rate of growth. Sparebanken Møre has a constant focus on generating growth through good commitments with an acceptable level of risk.

The Group is enjoying good access to long-term, stable funding in the Norwegian and international funding markets. This is due to the Group's prolonged good, stable results and good financial strength. During the last three years the costs of funding in the long-term capital market both for the Parent Bank and Møre Boligkreditt AS have fallen markedly. The Group will make greater use of this funding source in the years ahead. Overall, this is expected to make a positive contribution to the Group's net interest income.

Sparebanken Møre focuses strongly on cost-effectiveness. At the end of 2013 the Board expected that the organisational measures that have been implemented in previous years, in conjunction with a stronger focus on costs, will be apparent in the accounts for 2014. The annual accounts for 2014 reveal that the expectations were fulfilled, with a cost efficiency well within the internal targets. The focus on the area of costs will continue, and Sparebanken Møre is expected to be able to show a cost ratio in 2015 that is below the target of a maximum cost/income ratio of 50%. At the same time the results for 2015 are expected to be good, with a favourable return on the bank's equity.

VOTE OF THANKS

The Board of Directors would like to thank all of the Group's employees and elected representatives for their good efforts in 2014. The Board of Directors would also like to thank Sparebanken Møre's customers, investors and other associates for our good partnership throughout the year.

Ålesund 31 December 2014

4 March 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 B. Vikebakk**	**Helge Karsten Knudsen**	
			Olav Arne Fiskerstrand CEO

Corporate Governance

Norwegian code of practice for corporate governance

The description below explains how Sparebanken Møre complies with the 15 points in the Norwegian Code of Practice for Corporate Governance dated 30 October 2014. The Code of Practice was drawn up by the Norwegian Corporate Governance Board (NUES) and is available from: www.nues.no.

1. STATEMENT ON CORPORATE GOVERNANCE

Sparebanken Møre complies with the Norwegian Code of Practice for Corporate Governance of 2014. There are no significant differences between the Code and how it is complied with at Sparebanken Møre. In the case of a savings bank, adaptations have been made based on the fact that a savings bank is a self-owning institution, and that the management structure and the composition of the management bodies are different to those of limited companies. In addition, it has been taken into consideration the savings banks' special relationship with the local communities, and the savings banks' corporate social responsibility. Reference is made to the Board of Directors' report for 2014 concerning further information about the bank's CSR policy.

The Group has drawn up both a code of ethics and guidelines for corporate responsibility based on its core values: "Committed, close and sound". These core values should be reflected in every point of contact Sparebanken Møre has with the market, customers and other surroundings. More detailed descriptions of the individual core values can be found on the Group's website.

Deviations from the Code: None

2. OPERATIONS

Sparebanken Møre was formed on 1 April 1985 by the merger of a number of banks in Møre og Romsdal. In subsequent years more banks in Møre og Romsdal have joined Sparebanken Møre. The banking history of the merged savings banks can be traced back to 1843.

The bank's objectives are to promote savings by accepting deposits from an indeterminate group of customers, provide financial services to the public, corporate and public sectors, and to safely manage the funds entrusted in accordance with the legal regulations which at any time apply to banks. The bank can also provide investment services and associated services in accordance with the provisions of the Securities Trading Act.

Sparebanken Møre is a one-stop provider of services in the areas of financing, deposits and investments, payment systems, financial advice, personal portfolio management, insurance and real estate brokerage.

The complete text of its articles of association can be found on the Group's website: www.sbm.no.

Sparebanken Møre carries out a comprehensive, annual strategy process that defines the Group's long-term goals and direction. Current long-term strategic plan, "Møre 2018", was adopted by the Board of Directors in August 2014, and the implementation of the work on the measures in the strategic plan is already well commenced.

The strategy and goals in the long-term strategic plan is within the framework laid down by Sparebanken Møre's articles of association. Sparebanken Møre intends to maintain its position as the number one bank for retail customers in Møre og Romsdal, as well as for small and medium-sized companies. Sparebanken Møre should also be an attractive partner for larger companies and the public sector. Sparebanken Møre shall strive for a healthy financial structure and financial strength, as well as strong profitability. Financial performance targets are presented in Sparebanken Møre's annual report and Sparebanken Møre's Pillar 3 document, which are available from the bank's website. Throughout the year, information and guidance is provided to the market and other interested parties through stock exchange notice and accounting presentations regarding the strategic objectives and the development in relation to these.

Deviations from the Code: None

3. EQUITY CAPITAL AND DIVIDENDS

Sparebanken Møre's primary capital and related capital are composed on the basis of a number of considerations. The most important considerations are the Group's size, Møre og Romsdal's internationally orientated industry and commerce, a stable market for long-term funding when needed, and the goals of the long-term strategic plan. In its annual evaluation of its management and control systems, which includes capital requirement assessments, the so-called ICAAP, the Group focuses heavily on ensuring its primary capital is suitable for its goals, strategies, risk profile and regulatory requirements. The Group`s capital situation is continuously monitored throughout the year via internal calculations and reporting.

The dividend policy of Sparebanken Møre has been constant the last years and states the following:

> *”Sparebanken Møre’s aim is to achieve financial results which provide a good and stable return on the bank’s equity. The results shall ensure that the owners of the equity receive a competitive long-term return in the form of dividends and increase in the value of the equity capital.*
>
> *The equity owners’ share of the net result being set aside as dividend funds, will be adapted to the bank’s equity capital situation. Sparebanken Møre’s allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.”*

The Board of Trustees may authorise the Board of Directors to pay dividend based on the last approved financial statement. Such an authorisation will thus be embedded in the dividend policy of Sparebanken Møre and the rationale for proposing such an authorisation specifies among other how the authorisation reflects the dividend policy.

The Board of Directors in Sparebanken Møre can be granted authorisations by the Board of Trustees to increase capital and/or buy back its own equity certificates (ECs). Board authorisations to increase capital will be restricted to defined purposes and such authorisations must be limited and last no longer than until the next ordinary meeting of the Board of Trustees. Authorisation for purchasing own equity certificates is normally renewed on the Christmas meeting of the Board of Trustees in December and is normally limited for one year at a time.

Deviations from the Code: None

4. EQUAL TREATMENT OF EC HOLDERS AND TRANSACTIONS WITH RELATED PARTIES

The bank is keen to further develop the relationship of mutual trust which has been established between Sparebanken Møre and its most important interest groups. In view of this, a great deal of emphasis is placed on openness in relation to all interested parties in the market. This includes both those who provide the bank with equity and funding, and those who need to maintain a relationship with the bank in other ways.

All EC holders shall be treated equally and have the same opportunity to influence the bank. The Board's contact with investors normally takes place via the executive management team. All ECs have the same voting rights. The bank complies with Financial Institutions Act's rules regarding ownership and voting limitations insofar as the provisions apply to savings banks with ECs. EC holders usually have preferential rights when equity is increased unless special circumstances indicate that these should be waived. Such waivers must be justified and the justification published as a stock exchange notice in connection with the capital increase.

The bank's transactions involving its own ECs usually take place via the stock exchange. ECs are bought back at the current market price.

The Group's code of ethics contains rules for how any conflict of interest shall be handled in transactions with related parties. The rules apply to officers and employees of the Group. "Instructions for the Board of Sparebanken Møre" contains special rules relating to the situations where board members themselves or their related parties, have direct or indirect interests. Board members must notify the Board also if they directly or indirectly have material interest in any agreement to be entered into by the bank.

Should material transactions take place between the Sparebanken Møre Group and EC holders, board members, executive employees or their related parties, the Board shall ensure that a valuation is obtained from an independent third party except in cases which have been discussed and voted on by the Board of Trustees.

Deviations from the Code: None

5. FREE TRADABILITY

Sparebanken Møre's ECs are listed on the Oslo Stock Exchange and are freely tradable. The articles of association contain no restrictions concerning tradability.

Deviations from the Code: None

6. GENERAL MEETING (BOARD OF TRUSTEES)

A savings bank is basically a self-owned institution and the management structure and composition of controlling bodies differ from those of private limited companies, cf. section 7 of the Savings Banks Act concerning the bodies a savings bank must have. Sparebanken Møre complies with this provision of the Savings Banks Act and this therefore represents a deviation from the Code of Practice.

After completing the election in 2015, the bank's Board of Trustees consists of 44 trustees with 16 deputy trustees. The Board of Trustees consists of four groups and will after the election in 2015 have the following distribution; customers with 13 trustees and 4 deputy trustees, the public sector with 7 trustees and 4 deputy trustees, equity certificate holders with 13 trustees and 4 deputy trustees and employees with 11 trustees and 4 deputy trustees.

Notice and agenda to the meetings of the Board of Trustees are made available to the members on the bank's website at least 21 days before the day of the meeting of the Board of Trustees. In addition, the notice and agenda will be published on the Oslo Stock Exchange. A member of the Board of Trustees, or others who by law shall receive such documents, can still demand to receive paper documents concerning matters to be discussed in the Board of Trustees.

The Board of Trustees cannot make decisions on any matters other than those which have been specifically listed in the notice convening the meetings. The proposed resolutions and supporting documentation which have been made available on the bank's website and Oslo Stock Exchange should be sufficiently detailed and comprehensive enough to allow members of the Board of Trustees to properly consider the matters which are going to be discussed and voted on.

Members of the Board of Directors, Control Committee and Nomination Committee, as well as the External Auditor shall attend the meetings of the Board of Trustees. The Chairman of the Board of Directors and the CEO is obliged to attend the meetings of the Board of Trustees. The Chairman of the Board of Trustees shall chair meetings. Alternatively in his or her absence the Deputy Chairman shall perform this task.

Deviations from the Code: Minor deviations as the governance structure and composition of governing bodies in a savings bank differs from corporations.

7. NOMINATION COMMITTEES

The different elections of elected representatives in the bank are run according to principles set forth in the bank's articles of association. The preparations necessary for these elections are made by special nomination committees for customer-elected members and EC holder-elected members. The Board of Trustees' Nomination Committee shall make the necessary preparations for the election of the Chairman and Deputy Chairman of the Board of Trustees, the Chairman, Deputy Chairman and other members and deputy members of the Board of Directors, exclusive employee representatives, election of Chairman, Deputy Chairman, members and deputy members of the Control Committee, as well as Chairman, members and deputy members of the Nomination Committee. Guidelines for the Nomination Committee of the Board of Trustees are prepared and adopted by the Board of Trustees.

The Board of Trustees shall elect a nomination committee from among the members of the Board of Trustees. After completing the election in 2015, the Board of Trustees' Nomination Committee shall consist of 4 members and 4 deputy members, and all the groups represented on the Board of Trustees shall be represented. Members are elected in terms of 2 years. The members from the Nomination Committee shall insofar it is feasible reflect the geographical distribution within the municipalities in which the savings bank works. Furthermore, the principle of independence and impartiality of the relationship between the Nomination Committee and the ones to be elected is emphasized. Information about who the members of the Nomination Committee are is available on the bank's website.

The Board of Trustees' Nomination Committee has access to the competence which is needed related to the tasks for which the committee is responsible for. The Committee has the opportunity to draw on resources in the bank, or to seek advice and recommendations from sources outside the bank. The CEO attends the Board of Trustees Nomination Committee's first meeting and otherwise upon request. The Chairman also attends a meeting with the Board of Trustees Nomination Committee during the committee work process. In the Board of Trustees' Nomination Committee process, reviews of the Boards evaluation of its own work are included.

The Nomination Committee for electing customer-elected members for the Board of Trustees shall be composed of customer-elected members of the Board of Trustees. This committee shall consist of 4 members and 4 deputy members.

The Nomination Committee for electing EC holder-elected members for the Board of Trustees shall be composed of EC holder-elected members of the Board of Trustees. This committee shall consist of 3 members and 1 deputy member. Most of the people elected members of the Board of Trustees from among EC holders are also among the bank's larger EC holders.

Each committee's recommendations are justified. The recommendations are available for a gathered Board of Trustees at least 21 days before the Board of Trustees election meeting, refer to paragraph 6.

Deviations from the Code: None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Please refer to point 6 for information about the composition of a savings bank's bodies. The Board of Directors consists of 7 members and 4 deputy members, elected by the Board of Trustees. One of the members shall be elected from among the bank's employees. All board members shall be independent of the bank's day-to-day management and important business connections. The Chairman and Deputy Chairman of the Board of Directors shall be elected by the Board of Trustees in a special election. All members shall be elected for terms of 2 years, and all deputy members for terms of 1 year. Half of the elected members retire every year. Outgoing members and deputy members may be re-elected. An elected member of the Board can not have this official duty for a continuous period longer than 12 years, or have confidence in this office for more than 20 years all together.

When selecting the board members, effort is made to achieve continuity and independence, in addition to a balanced composition. The Board's overall composition of expertise, capacity and diversity is emphasized.

The annual report contains further information about board members, including the ECs owned by each member. Sparebanken Møre does not have a programme for the purchase of ECs by board members.

Deviations from the Code: None

9. THE BOARD OF DIRECTORS' WORK

The Board of Directors shall manage the bank`s operations. The Board is responsible for the safe and prudent management of all funds controlled by the bank. The Board shall ensure that the operations of the bank are properly organised, and is responsible for ensuring the accounting and management of assets being subject to satisfactory control. The Board also stipulates the bank's rules and regulations relating to the granting of credit.

The Board of Directors' responsibilities and duties are set forth in "Instructions for the Board of Directors of Sparebanken Møre". The instructions are regularly revised. "Instructions for the CEO" have also been adopted. These instructions form the basis for the established division of responsibilities and duties between the Board and the CEO.

The Chairman of the Board shall, by the end of May each year and in consultation with the CEO, set out a proposed annual plan for the Board's work for the coming year with a particular emphasis on targets, strategy and implementation, including a meeting schedule and the main items on the agendas of board meetings for the next calendar.

Each year, the Board evaluates its own methods and professional competence to see if improvements can be made.

The Board sets out Sparebanken Møre's overall long-term financial targets. These are set forth in the Group's strategic plan. The details of this plan are carried forward in a joint process involving the Board and the bank's executive management team. In this way, the Board ensures the bank being managed in such a way that the overall agreed targets are met. Among these are the long-term, stable target of a return on equity of minimum 10 % and the aim of ensuring the bank's EC holders receive a return on their investment which corresponds to Sparebanken Møre's dividend policy. Financial strength of the Group is also significantly emphasized in this context.

For cases in which the Chairman of the Board or another board member is regarded as disqualified in relation to matters that are going to be discussed and voted on, the Chairman of the Board or other board member shall take no part in such discussions and voting. Nor shall the supporting documentation be provided to the member. For cases in which the Chairman of the Board is deemed disqualified, the discussion and voting shall be chaired by the Deputy Chairman of the Board.

Sparebanken Møre has established an Audit Committee. The committee's members are elected from among the board members, and it consists of a total of 3 people. The Audit Committee's purpose is to conduct more thorough assessments of defined focus areas and report the results to the Board. The Audit Committee shall ensure the institution has independent and effective external and internal auditors and satisfactory financial statement reporting and risk management routines that comply with all pertinent laws and regulations. The Audit Committee has brought together the expertise necessary to ensure the Committee`s responsibilities, taken into account the bank's organisation and activities. Independence is maintained in accordance with the recommendation.

Further, an own Risk Committee is established in accordance with applicable regulations. The Committee members are elected of and among the Board members, and consist of a total of 3 people. In order to achieve efficiency in the Risk Committee's tasks, and to ensure interaction and synergies with the Audit Committee, members of the two committees are the same people. The Risk Committee shall consider whether the pricing of Sparebanken Møre’s products reflects the associated risk. Where this is not the case, the Committee shall ensure that the Board is presented to proposals for improvement. Further, the Committee shall amongst other contribute to the Board monitoring and managing the bank and the Group's overall risk in a good way and contribute to the Board regularly assessing whether the bank’s governance and control arrangements are adapted to the risk level and scope of the business.

Sparebanken Møre has established a Compensation Committee. Refer to paragraph 12 for more information.

Separate board-approved instructions are prepared for the subcommittees of the Board. The instructions are revised regularly.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

Sparebanken Møre assumes an overall risk management process as the basis for its internal control. This is laid down in the bank's board approved "Risk Policy". To perform a comprehensive risk management, Sparebanken Møre uses the global standard COSO internal control model.

Board adopted "General guidelines for the management and control of Sparebanken Møre" has laid down the premise that individual managers of the Group must ensure possessing adequate knowledge of all material risks within their own area of responsibility, such that the risk can be managed in a proper financial and administrative manner. In the "Instructions for the Board of Directors of Sparebanken Møre" the Board`s role, the importance of the Board`s work, as well as form, content and implementation is defined. This also includes risk management via both its management function and its supervisory function. Special instructions have also been drawn up for the Group's Audit Committee, in addition to an own instruction for the Compensation Committee.

The Board ensures that risk management and internal control in Sparebanken Møre are adequate and systematic, and that they have been established in compliance with laws and regulations, articles of association, ethical guidelines, instructions, and external and internal guidelines. The Board shall lay down principles and guidelines for risk management and internal control for the various levels of activity pursuant to the risk bearing capacity of the Bank and the Group, and assure themselves that the strategies and guidelines are being communicated to the employees. The Board shall systematically and regularly assess the strategies and guidelines for risk management. Furthermore, the Board shall monitor and periodically assess the effectiveness of the Group's overall management and control, including taking account of internal and external influencing factors. The latter point especially applies in the case of changes in economic cycles and macroeconomic general conditions.

In order to ensure that Sparebanken Møre's risk management and internal control are carried out satisfactorily, the Board continuously receives various types of reports throughout the year from Sparebanken Møre's control bodies, including the Risk Management and Control Department, the Compliance Department, and internal and external auditors. The Board actively participates in the annual ICAAP via its implementation in the long-term strategic plan. The Board revises and approves all the bank's general risk management documents at least once a year. Every year during the 4th quarter, the CEO reports on the structure and efficiency of the Group's internal control.

Both the Board's annual report and the annual financial statements otherwise contain further information about Sparebanken Møre's risk management and internal control.

Deviations from the Code: None

11. THE BOARD OF DIRECTORS' REMUNERATION

The remuneration of the Board of Directors is determined by the Board of Trustees. The board members' remuneration is not dependent on the result, and is entirely restricted to ordinary board member remuneration, possibly additional fee for participation in the Audit Committee, Risk Committee and Compensation Committee.

Normally the board members do not have assignments for Sparebanken Møre beyond their board work. In cases where companies in which board members have connections to undertake tasks for Sparebanken Møre, the entire board is informed. Fees for such services must be approved by the Board. If remuneration has been paid in addition to normal directors' fees, such remuneration is disclosed in the notes to the annual report.

Deviations from the Code: None

12. REMUNERATION OF SENIOR EXECUTIVES

Regulations on compensation arrangements, including for banks, came into force on 1 January 2011. The regulations implement the decisions in CRD III regarding good compensation procedures to reduce excessive risk taking and promote sound and effective risk management in financial companies.

All companies with more than 50 employees or total assets exceeding NOK 5 billion must have a separate remuneration committee/ compensation committee. In companies with total assets less than NOK 100 billion, the committee may consist of all, or part of the Board of Directors. Sparebanken Møre has established such a compensation committee, elected by and among the board members. The Board is responsible for approving and maintaining the remuneration policy for Sparebanken Møre, as well as evaluate and monitor the effects of the remuneration policy. The practicing of the remuneration scheme is to be reviewed at least once a year by an independent body, and a separate report on the annual review must be prepared. In Sparebanken Møre the report of the practice of the remuneration scheme is prepared by the Group's internal auditor, BDO.

Sparebanken Møre does not have incentive based compensation (commission) for any of the bank`s employees.

There has been established a collective bonus scheme, with an equal calculation principle for all employees, truncated in relation to employment or work percentage during the year. The CEO is not included in this scheme. Size of the bonus depends on the Group's overall achievement in relation to the long-term strategic plan.

Each employee may in addition receive an extra payment based on individual achievement in relation to the employee`s individual action plan. Variable one-time remuneration of senior executives, employees with work tasks of significant importance to the bank's risk exposure, and employees with supervisory tasks shall as a general requirement be based on a combination of assessment of the employee concerned, the business unit of the employee and the bank as a whole. The basis for determining the variable one-time remuneration shall be risk-based results.

For senior executives, etc. as mentioned in the paragraph above, some hold positions that are not directly related to income generating units. For these people, fulfilment of established management agreements for the division/section, are greater emphasised. The results achieved over a period of two years are emphasised. In the assessments, as far as possible, the return on equity for the past two years is taken into account.

For senior executives, etc. who work in income generating units, the financial targets defined in Sparebanken Møre's balanced scorecard, and the fulfillment of these during the last two years, shall be greater emphasized than for people who do not work directly in result generating units. Also for these employees, fulfilment of the achievements of the individual and the division/section's established management agreements, shall be applied in the assessments beyond the financial sizes of the numbers in the balance scorecard. The balance scorecard contains several indicators which are directly related to risk related results.

Minimum 50 per cent of the general bonus to all employees is given in the form of equity certificates from Sparebanken Møre (MORG). The allocation is given from Sparebanken Møre's own holdings of Equity Certificates corresponding to market value on the settlement date. These equity certificates can not be disposed freely by the individual earlier than 1 year after the allocation (see below concerning special rules for senior executives, etc.).

For senior executives, etc. also minimum 50 per cent of the general bonus is given in the form of MORG. For these people, the equity certificates can not be disposed freely by the individual earlier than evenly over a period of three years.

Variable one-time remuneration to employees who are not senior executives etc. shall consist of 50 % MORG if the variable one-time remuneration equals NOK 50 000 or more. These equity certificates shall be kept at least 1 year before disposal.

Variable one-time remuneration to senior executives etc. shall, regardless of the amount, consist of 50 % MORG. These equity certificates can not be disposed freely by the individual earlier than evenly over a period of at least 3 years. If there are negative developments in Sparebanken Møre’s results, or separately in the senior executive employee’s business unit, the approved variable remuneration may be reduced during the subsequent three years after receiving the variable remuneration. Any severance upon termination of employment shall be adjusted according to the results achieved over time. Lack of results should not be rewarded. Senior executives etc. shall not have agreements or assurances which ensure elimination of achievement conditional remuneration.

Determination of salary for the CEO is decided by the Board of Directors in a board meeting. The Board is informed of the remuneration to the employees who report to the CEO.

Separate guidelines for the remuneration scheme of Sparebanken Møre is prepared and presented to the Board of Trustees. The Board annually presents a statement concerning salary as a separate issue for the Board of Trustees.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

Guidelines for the reporting of financial and other information are established, and these are approved by the Board of Directors.

Sparebanken Møre attaches a great deal of importance to the provision of correct, relevant and up-to-date information about the Group's development and results, which shall establish trust in relation to the investor market. Through its annual and interim reports, the bank seeks to achieve the required openness about all the most important factors relating to its development. This is done in order that all market participants may be able to form as correct a picture as possible of the bank’s situation. In addition, members of the bank’s executive management team give special presentations, both locally and in Oslo, in connection with the publication of Sparebanken Møre's annual and interim results. This information is also made available to the whole market on the bank's website, as well as publication on the Oslo Stock Exchange.

The annual and interim reports are available in English for Sparebanken Møre's international contacts. The bank’s larger banking connections abroad are kept informed on a regular basis, including through outreach in which Sparebanken Møre's financial statements and development are among the topics discussed. A special investor relations plan concerning which investors we should contact, and when and how this should be done, is drawn up every year.

Information about the bank's ECs, dividend policy and financial calendar can be found in both annual reports and on the bank's website.

Deviations from the Code: None

14. CORPORATE TAKEOVERS

Sparebanken Møre is a self-owned institution that cannot be taken over by an acquisition. Structural changes require the consent of the authorities. Permission must be sought from the FSA for acquisitions of ECs that result in ownership stakes of more than 10 per cent of the equity owner's capital.

Deviations from the Code: Because of statutory restrictions on ownership of savings banks this point represents a deviation from NUES's Code of Practice.

15. AUDITOR

The Board of Trustees chooses auditors and fixes the auditor's remuneration.

The Bank's external auditor, EY, is the auditor of both the Parent Bank and the Group's subsidiaries. The auditor draws up a schedule for the coming year's auditing work each year. The auditor presents the plan to the Audit Committee and in a board meeting. The Audit Committee's and the Board's annual plan contains an annual meeting with the auditor which the bank's executive management team does not attend. The Audit Committee/Board also meets with the auditor to discuss the auditor's views on the bank's risk areas, control routines and accounting principles. At such meetings, the external auditor would make the board members aware of any areas which would benefit from an improvement in overall quality levels, and present proposed improvements. The external auditor attends all meetings in the Audit Committee, as well as all board meetings that deal with the bank's annual report and accounts, and reviews all areas in which the board members need to be informed of any significant circumstances.

The auditor shall every year present an overview of billed/accrued fees which is split into ordinary auditing fees and other services. The Board of Trustees assess annual external auditor's fees

The Board has established guidelines for management's use of the auditor for non-audit services.

Deviations from the Code: None

Statement of income

GROUP				PARENT BANK	
2013	**2014**	**Amounts in NOK million**	**Note**	**2014**	**2013**
		Interest income from:			
53	51	Loans to and receivables from credit institutions		79	84
2 040	2 075	Loans to and receivables from customers	18 23	1 474	1 522
128	111	Certificates, bonds and other interest-bearing securities		111	162
2 221	2 237	Interest income	15	1 664	1 768
		Interest costs in respect of:			
35	9	Liabilities to credit institutions		13	40
634	610	Deposits from and liabilities to customers	18 23	610	634
391	410	Debt securities issued		126	168
89	83	Subordinated loan capital		83	89
30	32	Other interest		32	30
1 179	1 144	Interest costs	15	864	961
1 042	1 093	Net interest income	19	800	807
202	315	Other operating income	20	472	287
313	324	Wages, salaries etc.	23 24	308	297
133	119	Administration costs	21 22	119	133
446	443	Wages, salaries and general administration costs		427	430
28	25	Depreciation, impairment and changes in value of non-financial assets	21 25 26	21	24
95	96	Other operating costs	18 21 22 23	92	92
675	844	Profit before impairment on loans		732	548
54	22	Impairment on loans, guarantees etc.	4 7 8 9	22	54
621	822	Pre tax profit	19	710	494
171	199	Taxes	28	129	112
450	623	Profit after tax		581	382
87	136	Dividend funds for the local community 1)		136	87
79	133	Dividend for the EC holders 1)		133	79
113	157	Transferred to the primary capital fund		157	113
104	154	Transferred to the dividend equalisation fund		154	104
-1	0	Transferred to/from fund for unrealised gains		0	-1
68	42	Transferred to other equity capital		0	0

450	623	Proposed distribution		581	382
21.65	31.20	Result per EC (NOK) 2)	29	29.10	18.45
21.65	31.20	Diluted earnings per EC (NOK) 2)	29	29.10	18.45

1) To be transferred to other equity capital until the final resolution has been passed

2) Transfer to/from fund for unrealised gains has been excluded from the calculation

Statement of comprehensive income

GROUP				PARENT BANK	
2013	**2014**	**Amounts in NOK million**	**Note**	**2014**	**2013**
450	623	Profit after tax		581	382
		Other income/costs reversed in ordinary profit:			
7	-13	Equities available for sale - changes in value		-13	7
		Other income/costs not reversed in ordinary profit:			
-36	-102	Pension estimate deviations		-102	-36
9	27	Tax effect of pension estimate deviations	28	27	9
431	535	Total comprehensive income after tax		493	362

Statement of financial position

GROUP				PARENT BANK	
2013	**2014**	**Amounts in NOK million**	**Note**	**2014**	**2013**
1 281	78	Cash and claims on Norges Bank		78	1 281
701	1 146	Loans to and receivables from credit institutions, on a call basis		1 147	701
14	15	Loans to and receivables from credit institutions, with a fixed maturity		929	1 145
715	1 161	Loans to and receivables from credit institutions	18	2 076	1 846
46 241	48 884	Net loans to and receivables from customers	4 5 6 7 8 9 18 19 23	33 495	31 514
5 117	4 771	Certificates, bonds and other interest-bearing securities	15 17	4 588	5 584
587	898	Financial derivatives	12	503	417
2	3	Shares and other securities assessed at fair value through profit or loss		3	2
213	123	Shares and other securities available for sale		123	213
215	126	Shares and other securities	15 17	126	215
0	0	Equity stakes in financial institutions (subsidiaries)		1 050	700
0	0	Equity stakes in other Group companies		21	21
0	0	Equity stakes in Group companies	18	1 071	721
0	31	Deferred tax benefit	28	40	6
21	32	Intangible assets	26	31	21
40	32	Machinery, equipment, fixtures and fittings and vehicles		30	38
228	232	Buildings and other real estate		24	18
268	264	Fixed assets	25	54	56
54	0	Overfunded pension liability	24	0	54
128	60	Other assets	27	53	128
54 627	56 305	Total assets	11 12 15 16 17	42 115	41 843

GROUP				PARENT BANK	
2013	**2014**	**Amounts in NOK million**	**Note**	**2014**	**2013**
26	42	Loans and deposits from credit institutions, on a call basis		42	26
1 081	506	Loans and deposits from credit institutions, with a fixed maturity		609	1 611
1 107	548	Loans and deposits from credit institutions	18	651	1 637
17 881	19 229	Deposits from customers, on a call basis		19 247	17 900

10 187	9 160	Deposits from customers, with a fixed maturity		9 160	10 187
28 068	28 389	Deposits from customers	5 6 18 19 23	28 407	28 087
1 870	1 753	Certificates issued		1 753	1 870
16 572	18 119	Bonds issued		4 121	3 501
18 442	19 872	Debt securities issued	14 15 16 17	5 874	5 371
466	713	Financial derivatives	12	713	464
67	77	Incurred costs and prepaid income		77	70
30	68	Pension liabilities	24	68	30
182	205	Tax payable	28	134	121
4	0	Deferred tax liabilities	28	0	0
2	2	Specific provisioning against guarantee liabilities	8	2	2
249	207	Other liabilities	10	202	247
534	559	Provisions and other liabilities		483	470
1 018	878	Perpetual Hybrid Tier 1 capital		878	1 018
501	501	Subordinated loan capital		501	501
1 519	1 379	Subordinated loan capital	13 16	1 379	1 519
50 136	51 460	Total liabilities	11 12 14 15 16 17	37 507	37 548
989	989	EC capital	31	989	989
-4	-11	ECs owned by the Bank	31	-11	-4
353	353	Share premium		353	353
1 338	1 331	Paid-in equity		1 331	1 338
1 935	2 048	Primary capital fund		2 048	1 935
125	125	Gift fund		125	125
684	799	Dividend equalisation fund		799	684
47	34	Value adjustment fund		34	47
362	507	Other equity		269	166
3 153	3 514	Retained earnings		3 276	2 957
4 491	4 845	Total equity	30	4 608	4 295
54 627	56 305	Total liabilities and equity		42 115	41 843
1 433	1 660	Guarantees	4 5 6 8 10 19	1 660	1 433

Ålesund, 31 Desember 2014

4 March 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 B. Vikebakk

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Statement of changes in equity

GROUP 31.12.2014	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Fund for unrealised gains	Other equity
Equity as at 31 December 2013 (notes 30 og 31)	4 491	985	353	1 935	125	684	47	0	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	0	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 community	136								136
Distributed profit for the year	623	0	0	157	0	154	0	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	0
Total profit for the period	535	0	0	119	0	116	-13	0	311
Equity as at 31 December 2014 (notes 30 og 31)	4 845	978	353	2 048	125	799	34	0	507

GROUP 31.12.2013	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Fund for unrealised gains	Other equity
Equity as at 31 December 2012	3 761	775	186	1 835	0	592	40	1	332
Changes in own equity certificates	10	5	3	1		1			
Distributed dividend to the EC holders	-94								-94
Distributed dividend to the local community	-110								-110
Issues	369	205	164						
Gift fund *)	125				125				
Equity before allocation of profit for the year	4 061	985	353	1 836	125	593	40	1	128
Change in value of debt securities (FVO)	-1							-1	
Allocated to the primary capital fund	113			113					
Allocated to the dividend equalisation fund	104					104			
Allocated to other equity	68								68
Proposed dividend allocated for the EC holders	79								79
Proposed dividend allocated for the local community	87								87
Distributed profit for the year	450	0	0	113	0	104	0	-1	234
Equities available for sale - changes in value	7						7		
Pension estimate deviations	-36			-19		-17			
Tax effect of pension estimate deviations	9			5		4			
Total other income and costs from comprehensive income	-20	0	0	-14	0	-13	7	0	0
Total profit for the period	431	0	0	99	0	91	7	-1	234
Equity as at 31 December 2013 (notes 30 og 31)	4 491	985	353	1 935	125	684	47	0	362

*) According to resolution by the Board of Trustees on 4 July 2013.

PARENT BANK 31.12.2014	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Fund for unrealised gains	Other equity
Equity as at 31 December 2013 (notes 30 og 31)	4 295	985	353	1 935	125	684	47	0	166
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	4 115	978	353	1 929	125	683	47	0	0
Allocated to the primary capital fund	157			157					
Allocated to the dividend equalisation fund	154					154			
Proposed dividend allocated for the EC holders	133								133
Proposed dividend allocated for the local community	136								136
Distributed profit for the year	581	0	0	157	0	154	0	0	269
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	0
Total profit for the period	493	0	0	119	0	116	-13	0	269
Equity as at 31 December 2014 (notes 30 og 31)	4 608	978	353	2 048	125	799	34	0	269

PARENT BANK 31.12.2013	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Fund for unrealised gains	Other equity
Equity as at 31 December 2012	3 633	775	186	1 835	0	592	40	1	204
Changes in own equity certificates	10	5	3	1		1			
Distributed dividend to the EC holders	-94								-94
Distributed dividend to the local community	-110								-110
Issues	369	205	164						
Gift fund *)	125				125				
Equity before allocation of profit for the year	3 933	985	353	1 836	125	593	40	1	0
Change in value of debt securities (FVO)	-1							-1	
Allocated to the primary capital fund	113			113					
Allocated to the dividend equalisation fund	104					104			
Proposed dividend allocated for the EC holders	79								79
Proposed dividend allocated for the local community	87								87
Distributed profit for the year	382	0	0	113	0	104	0	-1	166
Equities available for sale - changes in value	7						7		
Pension estimate deviations	-36			-19		-17			
Tax effect of pension estimate deviations	9			5		4			
Total other income and costs from comprehensive income	-20	0	0	-14	0	-13	7	0	0
Total profit for the period	362	0	0	99	0	91	7	-1	166
Equity as at 31 December 2013 (notes 30 og 31)	4 295	985	353	1 935	125	684	47	0	166

*) According to resolution by the Board of Trustees on 4 July 2013.

Statement of cash flow

GROUP				PARENT BANK	
2013	**2014**	**Amounts in NOK million**	**Note**	**2014**	**2013**
		Cash flow from operating activities			
2 395	2 262	Interest, commission and fees received	20	1 728	1 927
-1 239	-851	Interest, commission and fees paid	20	-602	-1 011
10	7	Dividend and group contribution received	20	159	96
-554	-513	Operating expenses paid	21 22 23 24	-486	-532
-158	-188	Income taxes paid	28	-127	-127
-428	-446	Changes relating to loans to and claims on other financial institutions		-229	-572
-2 176	-2 223	Changes relating to repayment of loans/leasing to customers		-1 720	771
-511	-546	Changes in utilised credit facilities		-363	80
-2 661	-2 498	Net cash flow from operating activities		-1 640	632
		Cash flow from investing activities			
4 927	2 594	Proceeds from the sale of certificates, bonds and other securities		4 372	6 368
-4 486	-2 137	Purchases of certificates, bonds and other securities		-3 264	-4 486
16	1	Proceeds from the sale of fixed assets etc.	25	1	16
-13	-33	Purchase of fixed assets etc.	25	-30	-11
274	-454	Changes in other assets	26 27	-569	30
718	-29	Net cash flow from investing activities		510	1 917

		Cash flow from financing activities			
975	332	Net change in deposits from customers	23	331	969
-1 412	-559	Net change in deposits from Norges Bank and other financial institutions		-986	-1 106
7 227	6 258	Proceeds from bond issues raised	12 14	3 749	2 370
-4 219	-4 956	Redemption of debt securities	12 14	-3 375	-4 219
-94	-79	Dividend paid	31	-79	-94
-291	328	Changes in other debt	19 24	287	-226
369	0	Issues	31	0	369
2 555	1 324	Net cash flow from financing activities		-73	-1 937
612	-1 203	Net change in cash and cash equivalents		-1 203	612
669	1 281	Cash balance at 01.01		1 281	669
1 281	78	Cash balance at 31.12		78	1 281

The cash flow statement shows cash payments received and made and cash equivalents throughout the year. The statement is prepared according to the direct method.The cash flows are classified as operating activities, investing activities or financing activities. The balance sheet items have been adjusted for the impact of foreign exchange rate changes. Cash is defined as cash-in-hand and claims on Norges Bank.

Note 1

GENERAL INFORMATION

Sparebanken Møre, which is the Parent company of the Group, is a savings bank registered in Norway. The bank's Equity Certificates (ECs) are listed on the Oslo Stock Exchange. The Group consists of Sparebanken Møre (the Parent Bank) and its subsidiaries Møre Boligkreditt AS, Møre Eiendomsmegling AS and Sparebankeiendom AS.

The Sparebanken Møre Group provides banking services for retail and corporate customers, as well as leasing products and real estate brokerage through a large network of branches within Møre og Romsdal, this region being defined as the bank's geographic home market. The company's Head Office is located at Keiser Wilhelmsgt. 29/33, P.O.Box 121 Sentrum, 6001 Ålesund, Norway.

The preliminary annual accounts were approved for publication by the Board of Directors on 28 January 2015. The final annual accounts were presented by the Board of Directors on 4 March 2015.

The Group's operations are described in note 19.

Note 2

ACCOUNTING PRINCIPLES

The Group's annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been stipulated by the International Accounting Standards Board, and implemented by the EU as at 31 December 2014.

How to read the group`s accounting principles:
Sparebanken Møre describes the accounting principles in conjunction with each note. See the table below for an overview of in which note the various principles are described, as well as reference to relevant and important IFRS standards.

Accounting principle	Note	IFRS-standard
Impairment	Note 7 Losses on loans and guarantees	IAS 39, IFRS 7
Financial guarantees and uncertain liabilities	Note 10 Liabilities	IAS 39, IAS 37
Financial derivatives	Note 12.3 Financial derivatives	IAS 39, IFRS 7, IFRS 13
Hedging	Note 14 Debt securities	IAS 39, IFRS 7
Classification of financial instruments	Note 15 Classification of financial instruments	IAS 39, IFRS 7
Amortised cost	Note 16 Financial instruments at amortised cost	IAS 39, IFRS 7
Fair value	Note 17 Financial instruments at fair value	IAS 39, IFRS 13, IFRS 7
Operating segments	Note 19 Operating segments	IFRS 8
Revenue recognition	Note 20 Other operating income	IAS 18, IAS 39
Pensions	Note 24 Pension costs and liabilities	IAS 19
Fixed assets	Note 25 Fixed assets	IAS 16, IAS 36
Intangible assets	Note 26 Other intangible assets	IAS 38, IAS 36
Tax	Note 28 Tax	IAS 12
Equity	Note 31 ECs and ownership structure	IAS 1
Events after the reporting period	Note 32 Events after the reporting period	IAS 10

Consolidation principles
The consolidated financial statements comprise Sparebanken Møre and all companies in which Sparebanken Møre has control through ownership. An entity is controlled when the owner is exposed to or has rights to returns from the entity and has the opportunity to influence these returns through its influence over the entity. This applies to subsidiaries mentioned in note 18.

Companies which have been bought or sold during the year are included in the Group accounts from the time at which control is obtained and until control ceases.

The Group accounts are prepared as if the Group were one financial unit.

All transactions involving companies which form part of the Group, have been netted out when consolidating the Group accounts. Uniform accounting principles have been applied for all companies which are incorporated in the Group accounts. In the Parent Bank's accounts, investments in subsidiaries are valued at cost. The acquisition method is applied when recognizing acquired units/entities. The acquisition cost relating to an acquisition is assessed as the fair value of the items involved, such as assets, equity instruments issued and liabilities taken over. Identifiable assets bought, liabilities taken over and debt obligations are assessed at fair value at the time of the acquisition in question. The acquisition cost in excess of fair value of the Group's equity stake of identifiable net assets is, according to IFRS 3, incorporated as goodwill. Transaction costs related to acquisitions are recognized as they apply.

Temporary acquired shares in connection with securing commitments are not consolidated, but are treated as available for sale at fair value through profit or loss.

Foreign exchange
The Group presents its accounts in Norwegian kroner (NOK). The functional currency for the Parent Bank and its subsidiaries is NOK.

All monetary items in foreign currencies have been recalculated into the bank's functional currency (NOK) according to foreign exchange rates as at 31.12.2014 provided by Norges Bank. Current income and costs have been translated into NOK at the foreign exchange rates ruling at the time of the transactions in question, and changes in foreign exchange rates have been included in the profit and loss account on an ongoing basis during the accounting period.

Changes in accounting principles and presentation (classifications)
There are no material changes in accounting policies for 2014. For changes relating to presentation/classification, please see further information under the section "New standards".

New standards
The Group has implemented the following new standards in 2014:

• IAS 27 Separate Financial Statements
As a consequence of the publication of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, the IASB made amendments to IAS 27 . IAS 27 now only deals with accounting in the separate financial statements. The title of the standard was also changed in this respect. Within the EU / EEA, IFRS 11 is effective for annual periods beginning on or after 1 January 2014. The change has had no significant impact on the financial statements of Sparebanken Møre.

• IAS 32 Financial instruments – Presentation
IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off", as well as clarifying the application of the IAS 32 offsetting criteria to settlement systems, such as central clearing house systems which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014, and have had no material impact on the Group`s financial position or performance.

• IAS 39 Financial instruments – Recognition and Measurement
The IASB has issued amendments to hedge accounting rules under IFRS. The outcome of the changes is not having to discontinue hedge accounting in cases where the derivatives designated as hedging instruments must be transmitted to conduct clearing by a CCP (central counter party) as a result of legislation or other regulation, provided that specific criterias are met. The amendments are effective for annual periods beginning on or after 1 January 2014, and have not had a material impact on the Group`s financial position or performance.

• IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Parent Bank. Within the EU / EEA, IFRS 10 is effective for annual periods beginning on or after 1 January 2014.This has not resulted in changes concerning which companies to be consolidated in the Sparebanken Møre Group.

• IFRS 11 Joint Arrangements
This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures. IFRS 11 removes the ability to recognise the investment using the proportionate consolidation method. Any entity that meets the definition of joint ventures under IFRS 11 must be recognised in accordance with the equity method. Within the EU / EEA, IFRS 11 is effective for annual periods beginning on or after 1 January 2014. The changes have not had any effect on the Group`s financial position or performance.

• IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies for enterprises which have interests in subsidiaries, joint arrangements, associates or structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014. The changes have had no impact on the Group's financial position or performance.

Future standards

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, provided that the EU approves the changes prior to issuing the consolidated financial statements.

• IFRS 9 Financial instruments
IFRS 9 will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project, have been transferred into IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Standard is not yet approved by the EU. The group is now in the process of clarifying the impact of the new standard. It is too early to conclude anything exact, but at the reporting date the preliminary assessment is that the standard will not have a significant impact on the financial statements.

The following approved IFRSs with future effective dates are expected not to be of significant relevance for the Sparebanken Møre Group, thus have no impact on the financial statements:
IFRS 15 Revenues from Contracts with Customers (new)
IAS 16 Property, Plant and Equipment (amendments)
IAS 41 Agriculture (amendments)
IFRIC Interpretation 21 Levies

Annual improvements

Minor changes have been done in a number of standards during IASB`s annual improvement projects. None of these changes are considered to have significant impact on the financial position or performance of the Sparebanken Møre Group.

Judgments in applying accounting principles

Financial assets and liabilities are allocated to the different categories in IAS 39, which subsequently determine the measurement in the statement of financial position. The bank has clear procedures for the categorisation, and the process normally requires only limited use of judgment.

Use of estimates and judgment in the preparation of the annual financial statements

Preparation of the annual accounts in accordance with certain IFRS accounting standards means that in certain cases management has to use best estimates and assumptions. The assessments are based on historical experience and assumptions deemed to be reasonable and sensible by management. The estimates and assumptions on which the abovementioned preparation is based, affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and costs in the submitted annual accounts. There is a risk of the actual results later, to a certain extent, deviating from the estimates and assumptions on which the abovementioned preparation is based.

Certain accounting principles are regarded as particularly important in order to illustrate the Group's financial position, due to the fact that management is required to make difficult or subjective assessments, applying estimates which mainly relate to matters which are initially uncertain.

The executive management team makes assessments when choosing and applying accounting policies. The company's financial assets and liabilities are allocated to different categories in accordance with IAS 39. Little discretionary judgment is normally exercised in this context. Please refer to note 15 for the measurement policies.

In the opinion of the management, the most important areas which involve critical estimates and assumptions are as follows:

Impairment on loans
The Group examines the lending portfolio at least every quarter. Commitments are reviewed individually and deemed to require impairment when there is objective proof of impairment in value, or at the latest in the case of the commitment having been in default for more than 90 days. Furthermore, impairment assessments are done for groups of loans. Reference is made to note 7 for further description of principles and methodology. There are guidelines for conducting assessment of future cash flows. Significant commitments are reviewed by the central credit institutions in the bank before a final decision of impairment is made.

In connection with impairment assessments, all cash flows relating to the commitments in question shall in principle be identified, and an assessment shall be made as to which cash flows are vulnerable. Against the background of the large number of commitments which are subject to assessment both on an individual and group basis, such calculations must be done on the basis of approximation and figures from earlier experience.

Fair value of financial instruments – including derivatives
For financial instruments which are not traded in active markets, various evaluation methods are applied in order to ascertain fair value. Further information and a description of the techniques used may be found in note 17 . Reference is also made to notes 11-16, which deal with financial instruments.

Pension liabilities
The present value of pension liabilities depends on several factors which are arrived at through the use of a number of actuarial assumptions. Any change in these assumptions would affect the amount of the pension liabilities shown in the balance sheet. The rate of interest to be applied when discounting is decided on at the end of the year. This is the rate of interest which is applied in order to calculate the present value of future necessary payments to cover the pension liabilities. The discount rate is based on the Norwegian market for covered bonds, and swap rates in the interbank market for the extrapolation of the curvature over 10 years, enabling us to arrive at an approximately similar maturity as that which applies to the pension liability. Other basic assumptions for the pension liabilities are partly based on actual market conditions. Mortality and death trend assumptions are based on standardized assumptions and other demographic factors. Please refer to note 24 for additional information.

Note 3

RISK MANAGEMENT

Strategy

Sparebanken Møre’s long-term strategic development and target achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure effective operations and the handling of risks which can prevent the achievement of business related goals, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines. Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-today operations and in the Board of Directors’ ongoing focus.

Sparebanken Møre’s Board of Directors has agreed overall guidelines for management and control throughout the Group, as well as a separate risk policy. The Group shall have a low to moderate risk profile and revenue generation shall be a product of customer-related activities, not financial risk taking. In addition, the bank has introduced separate policies for each significant risk area: credit risk, counterpart risk, market risk and funding risk. The risk strategies are agreed by the Board of Directors and revised at least once a year, or when special circumstances should warrant it. The Group has established a follow-up and control structure, which shall ensure that the overall framework of the strategic plan is adhered to at all times.

Corporate culture, organisation and responsibility

The risk management process is based on the bank’s and group’s corporate culture. This includes management philosophy, management style and the people in the organisation. Staff’s integrity, value basis and ethical attitudes represent fundamental elements in a well-functioning corporate culture. Well-developed control and management measures cannot compensate for poor corporate culture. Against this background, Sparebanken Møre has established clear ethical guidelines and a clear value basis, which have been made well known throughout the organisation.

Sparebanken Møre attaches a great deal of importance to independence in the risk management. The responsibility for, and execution of risk management and control is therefore shared between the Board of Directors, management and operative units.

The Board of Directors of Sparebanken Møre bears the overall responsibility for ensuring the bank and the group have adequate primary capital based on the desired levels of risk and the group's activities, and for ensuring that Sparebanken Møre is adequately capitalized based on regulatory requirements. The Board shall also ensure that risk management and internal control is adequate and systematic, and that this is established in compliance with laws and regulations, articles of association, instructions, and external and internal guidelines. The Board also sets out the principles and guidelines for risk management and internal control for the various levels of activity, and regularly revises and adopts, at least once a year, various strategies and guidelines for risk management.

The Audit and Risk Committee is elected by and from among the members of the Board of Directors. The committee is a sub-committee of the Board. Its purpose is to carry out more thorough assessments of designated areas and report the results to the Board. The Audit and Risk Committee shall ensure that the institution has independent and effective external and internal auditors, and satisfactory financial statement reporting and risk management routines, which comply with all pertinent laws and regulations.

The CEO is responsible for ensuring the establishment of appropriate risk management and internal control on the basis of assessments, agreed principles and guidelines introduced by the Board. The CEO is responsible for ensuring that good control environments are established in all levels in the bank and shall continuously monitor changes to the bank's risks and ensure that these are properly addressed in accordance with the Board's guidelines. The CEO shall ensure that the bank's risk management and internal control is documented according to current laws, rules, regulations and statutes, and shall, at least once a year, prepare an overall assessment of the risk situation, which shall be presented to the Board for their consideration.

The Risk Management Department is responsible for preparing and designing systems, guidelines and procedures for identifying, measuring, reporting and following up the bank's most important inherent risks. The department is responsible for ensuring that the total risk exposure of Sparebanken Møre, including results of conducted stress tests, is reported to the CEO and the Board of Directors. Further, the department bears primary responsibility for the IRB process in the Group. It is also a key setter of conditions and adviser in the strategy process concerning risk assessments, risk tolerance and operationalisation of the bank's overall goals with regard to risks. The department also has responsibility for supervising the annual ICAAP work, and to coordinate the annual internal control confirmations from the operational managers. The department forms part of the Financial Control, Risk Management, HR and Security Division, which reports directly to the CEO.

Pursuant to the requirements of the Securities Act and associated regulations, Sparebanken Møre has an own compliance function. Each year, the Board of Directors of Sparebanken Møre approves compliance instructions, and an annual work and action plan is prepared for the function. The head of the department reports to Sparebanken Møre's CEO, but is organizationally subordinate to the head of the Information and Compliance Division.

Finance & Accounting is responsible for the group's total financial management/reporting and accounting, and is part of the Financial Control, Risk Management, HR and Security Division.

Sparebanken Møre`s operative managers of important business areas shall actively involve themselves in the process surrounding the assessment of whether or not the established risk management and internal control is being conducted as assumed. It is assumed that all managers at every level of the organisation are monitoring the approved control measures within their area of responsibility.

Sparebanken Møre`s Credit Committee deals with larger commitments and matters of a special nature, and shall provide an independent proposal to the person holding the power of attorney. The Credit Committee attaches special importance to the identification of risk in connection with each credit application, and makes its own assessment regarding credit risk. In addition, consideration is made whether commitments are in accordance with the Group's credit risk strategy, credit policy, credit-granting rules and regulations, and credit handling routines.

The internal auditing is a monitoring function which, independent of the rest of the bank's administration, deals with systematic risk assessments, control and examination of the Group's internal control in order to ascertain whether it works according to its purpose and in a reassuring manner. The bank`s Board approves the resources and annual plans of the internal auditing. The internal auditor should also discuss the plan and scope of the audit work with the Audit and Risk Committee. The internal audit in Sparebanken Møre is outsourced to BDO.

Reporting

Sparebanken Møre focuses on correct, complete and timely reporting of the risk and capital situation. Based on this, a number of different types of periodic reporting have been established, which are intended for the group's management group and Board, as well as reporting intended for the individual segments and departments, including customer account managers. The most important reports during the year are as follows:

ICAAP is carried out and reported at least once a year. The Board actively participates in the review and establishes ownership of the process, including through ICAAP's key role in the long-term strategic planning. Specific guidelines have been prepared for ICAAP in Sparebanken Møre. ICAAP is reviewed by the bank's management team, the Audit and Risk Committee, the Board of Directors and the Control Committee.

A balanced scorecard report is prepared every month. This illustrates the status and performance of the most important factors for Sparebanken Møre's target attainment. The report is being submitted to bank managers and the bank`s management team, and it is an integral part of the financial reporting to the Board of Directors.

A risk report is prepared every month. This is a key element of Sparebanken Møre's continuous monitoring of its risk situation. At the end of the quarter the risk report will also be expanded with supplementary comments from various disciplines within the Group, including the Chief Economist, the Corporate Market's Concept Manager, the Retail Market's Concept Manager, and the Head of the Treasury & Market Division. The report is dealt with by the bank`s management team, Audit and Risk Committee and Board of Directors, and the Control Committee also receives a copy of the quarterly risk report.

Internal control reports are produced for all business areas and regions every year. In this an assessment is made of whether or not the internal control is adequate in relation to the risk tolerance. This includes an assessment of and comments on their own work on internal control, a review of all important risk areas, an assessment of their own compliance with external and internal regulations, and suggestions for and planned improvement measures. The internal control reports are dealt with by the bank`s management team, Audit Committee and the Board of Directors, and are also presented to the bank`s Control Committee.

Compliance reports are prepared regularly and contain elements linked to an assessment of compliance risk and control, testing of compliance and the results of these tests, reassessments and plans for implementing guidelines, the follow-up of observations from external and internal auditors, the follow-up of observations from the FSA, deviation management in internal control, etc. The compliance reports are dealt with by the bank`s management team, Audit and Risk Committee and the Board of Directors, and are also presented to the bank`s Control Committee.

Reports from external and internal auditors are dealt with by the bank`s management team, the Audit and Risk Committee and the Board of Directors. Both internal and external auditors have at least annual meetings with the Audit and Risk Committee and the Control Committee.

Reports on mortgages are prepared quarterly for the bank`s Board of Directors.

A reporting portal has been established in Sparebanken Møre, in which each member of staff with customer responsibility has access to reports which show the position and development of credit risk in his or her portfolio. The portal has a hierarchical structure, allowing managers in Sparebanken Møre to monitor performance within their area of responsibility. The reports are also used to analyse customers, portfolios and different industries. The portal provides customer account managers with an overview of the customers' positions and limits in relation to exposure to financial instruments.

Finance and accounting reports are prepared monthly, and include monthly calculations of collective impairment, as well as loss reviews of portfolios with a focus on the need for individual impairment. The reports are dealt with by the bank`s management team, Audit and Risk Committee and the Board of Directors. After each quarter end, the Control Committee receives a special review of the quarterly financial statements, including the development of finance and risk related issues.

Capital structure
Sparebanken Møre’s equity and related capital is composed with regard to several considerations. The most important considerations are the Group’s size, Møre og Romsdal’s internationally orientated industry and commerce, and a stable market for long-term funding whenever external funding is required. Furthermore, the Group’s long-term strategic plan is a significant provider of conditions with regard to which capital structure Sparebanken Møre should adopt.

Assessments of risk profile, capital requirements and profitability are always based on the group's long-term strategic plan. The group's capital requirements are calculated, at least, in the annual ICAAP. The group's primary capital shall at all times fulfil the minimum requirements for capital adequacy, and comply with the group`s accepted risk tolerance. The ICAAP clarifies all the alternatives the group can implement if the group's capital adequacy is subjected to stress. The alternatives are listed in a prioritized order, with description of measures, and indication of planned implementation if necessary.

Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on equity. The results shall ensure that all equity owners receive a competitive long-term return in the form of dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as dividend funds, shall be adjusted to the equity situation. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

Capital adequacy rules and regulations

The purpose of the EU's capital adequacy directive is to strengthen the stability in the financial system through more risk-sensitive capital requirements, better risk management and control, more stringent supervision and more information provided for the market.

The capital adequacy directive is based on three pillars:

• Pillar I – Minimum requirement for equity and related capital
• Pillar II – Assessment of aggregate capital requirements and regulatory follow-up (ICAAP)
• Pillar III – Publication of information

Sparebanken Møre`s capital adequacy is calculated according to the Standard Approach for credit risk in mass market commitments and IRB Foundation approach for corporate commitments. Calculations related to market risk are based on the Standard Approach and operational risk on the Basis Approach. Sparebanken Møre's Board of Directors insists that the group must be well capitalised, both during economic downturns and periods of strong economic expansion. Capital assessments (ICAAP) are conducted every year, and the group's capital strategy is based on the risk in the group's operations, different stress scenarios having been taken into consideration.

Reference is made to note 30 concerning "Capital adequacy" for further descriptions related to Sparebanken Møre`s approval process for IRB, as well as comments related to the new regulations in Basel III.

Risk exposure and strategic risk management

Sparebanken Møre is exposed to several different types of risk. The most important risk groups are:

• Credit risk: This is the group's biggest area of risk. Credit risk is defined as the risk of loss due to customers or other counterparties being unable to meet their obligations at the agreed time, and in accordance with written agreements, and due to the collateral security held not covering the outstanding claims. Counterparty risk and concentration risk are also included in this area of risk.

• Market risk: The risk of loss involving market values relating to portfolios of financial instruments as a result of fluctuations in share prices, foreign exchange rates and interest rates.

• Funding risk: The risk of the group being unable to meet its obligations and/or fund increases in assets without incurring significant extra costs in the form of fall in prices of assets which have to be sold, or in the form of particularly expensive funding. The level of the institution`s capital is a key condition to attract necessary funding at any time.

• Operational risk: The risk of loss due to insufficient or failing internal processes and systems, or due to human error or external events.

Sparebanken Møre tries to take account of the interaction between the various risk areas when setting desired levels of exposure. Overall it is the internal conditions, general conditions, customer base, etc within the group which form the basis for setting the desired overall risk exposure.

Based on an evaluation of the risk profile, management and control, Sparebanken Møre has set the following overall levels of risk exposure for the various risk areas:

• Credit risk: A moderate to significant level of risk is accepted

• Market risk: A low level of risk is accepted

• Funding risk: A moderate level of risk is accepted

• Operational risk: A low to moderate level of risk is accepted

The group's risk is quantified partly through calculations of expected loss and the requirement for financial capital in order to be able to cover unexpected losses. Expected losses and financial capital are calculated for all main groups of risk, and for different business areas within the group. Expected losses describe the amount which in statistical context the bank must expect to lose during a 12-month period. Financial capital describes the amount of capital the group deems to be required in order to cover the actual risk which has been incurred by the group. Statistical methods for the computation of financial capital have been used as a basis. Please also refer to note 30 regarding capital adequacy for further comments concerning financial capital.

Credit risk

Credit risk represents Sparebanken Møre's biggest risk area. Included in this risk area are counterparty risk and concentration risk. The group is exposed to this type of risk through its lending and leasing products for the retail market and corporate customers, and through the activities of Sparebanken Møre's Treasury & Markets Division.

The credit risk strategy is revised and agreed each year by the Board of Directors. The strategy focuses on risk sensitive limits, which have been designed in such a way that they manage the group's risk profile within the credit area in the most appropriate and effective manner. Furthermore, limits, guidelines, and power of attorney-related rules and regulations have been established, which underpin and support Sparebanken Møre's credit risk strategy and long-term strategic plan.

The core values of Sparebanken Møre are "Dedicated, Close and Solid". These values are to be reflected in all contact with the marked, create added value for the customers and help create a positive view of Sparebanken Møre. The credit policy is intended to promote a credit culture in which creditworthiness is viewed in a long-term perspective, where general and industry economic fluctuations are taken into account. Sparebanken Møre shall conduct itself in accordance with high ethical standards, and shall not be associated with activities, customers or industries of dubious repute. The group is open to all types of customers within defined market areas, and discrimination based on the customer`s age, gender, nationality, religion or marital status shall not occur.

Sparebanken Møre's geographic core region is the county of Møre og Romsdal. However, it is allowed to financially support investments/businesses outside its core region when, from an ownership perspective, they are linked to individuals or companies in/from Møre og Romsdal. Commitments outside the group's market area will also be considered as part of the deliberate diversification of the portfolio in terms of segment and geographical exposure. In such cases the group's strategy sets clear limits for the maximum risk level for an individual commitment.

The Department for Risk Management has established monthly portfolio management reports which ensure that any discrepancies from the strategic targets incorporated in the credit risk strategy are identified. Officers responsible for the concepts relating to corporate and retail banking respectively, have independent responsibility for the ongoing monitoring of the position, in order to identify discrepancies in relation to the same strategic targets, and in order to implement measures in the case of any discrepancies having occurred.

The Board of Directors is responsible for the group's granting of loans and credits. Within certain limits, power of attorney is delegated to the bank's CEO for the operational responsibility with regard to decisions in credit matters. Within his powers of attorney, the CEO may delegate powers of attorney to other officers in the bank. The grant authorisations are personal and graded after criteria like the size of grant, the limit of the commitment (corporate customers), the customers total debt (retail customers), and class of risk. Further, the power of attorney is related to the employee`s job level.

Sparebanken Møre actively uses internal reports in order to monitor the level and development of the group's credit portfolio. Each member of staff with customer responsibility has access to reports which show the position and development in the credit risk in his or her portfolio. The reports are prepared on a hierarchical basis, enabling the bank's management to monitor the development within their own area of responsibility. The reports are also used to analyse customers, portfolios and different sectors.

The group has prepared separate risk models for the corporate and retail markets, which are used in monthly measuring and reporting of credit risk. The group has also developed application score models for the two customer segments, which are being used in the credit granting process.

There are mainly three central parameters within credit risk for which models are applied:

1. Probability of default (PD): PD is calculated per customer and states the probability of the customer defaulting on his or her outstanding commitment during the next 12 months. A separate PD is calculated for each customer, based on statistical models using variables of both external and bank-internal information, in the form of both financial key figures and non-financial criteria.

2. Degree of loss in the case of default (LGD): LGD indicates how big a part of the commitment is expected to be lost in the case of default. The assessments take into consideration the values of the collateral provided by the customer, and the costs which would be incurred in the case of the recovery/collection of commitments in default.

3. Expected exposure in the case of default (EAD): EAD indicates the level of exposure which is expected in connection with a commitment if and when it goes into default.

The abovementioned parameters form the basis for calculation of expected loss (EL), and are included in the computation of financial capital. By classifying customers according to probability of default, and by estimating the level of loss and the requirement for financial capital at customer level, the group obtains information about the level and development of the aggregate credit risk in the total portfolio. In-house migration analyses show the development of the number of customers and EAD between different risk classes during different periods.

Treasury risk
Treasury risk is part of Sparebanken Møre's total credit risk. Board adopted limits for the Group's credit exposure in this area have been defined.

Credit exposure is linked to bonds and certificates in the group's liquidity reserve portfolio, short-term lending to other banks, including accounts held in foreign banks, and exposure in connection with financial derivatives which are signed to neutralise already present interest and currency risk which the bank has assumed. The portfolio consists of reputable domestic and foreign relationships.

Sparebanken Møre's policy is that, especially in relation to placements in international banks and other debtors outside Norway, the group shall use assessments carried out by the major official ratings agencies. The credit risk shall be at a minimum, but even highly rated issuers/papers can be exposed to risk. If a counterparty's status is changed to a negative outlook or their rating falls, Sparebanken Møre carries out a new internal assessment of existing lines of credit. If necessary the line of credit, and any exposure, is reduced or eliminated.

Treasury risk is also viewed in the context of adaptations to the funding indicators LCR and NSFR, as well as the FSA`s two liquidity indicators. The LCR regulations entail a movement towards lower risk weighted counterparties, including state and state guaranteed papers and covered bonds.

The pre-classification process emphasises considering banks with which Sparebanken Møre has a mutual (reciprocity) and long business relationship. It is also necessary to have sufficient competition in products and instruments that are traded, as well as diversification in market and geography for Sparebanken Møre.

If changes occur in general conditions, the market, economic trends or Sparebanken Møre's activities that have a material effect on the group's risk positions, limits must be assessed and possibly set for investment opportunities. This involves, for example, not investing in some countries, groups of countries, individual counterparties, counterparties with certain attributes, etc.

Sparebanken Møre and Møre Boligkreditt AS require the signing of CSA (Credit Support Annex) agreement before trading of derivatives against any counterparties. This provides Sparebanken Møre with collateral in excess of any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral in relation to its counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled either daily or weekly. This will largely eliminate the counterparty risk. EMIR - European Market

Infrastructure Regulation – is a proposed regulation on infrastructure and derivatives sold on unlisted markets. EMIR will ensure the regulation and control of the market for derivatives traded outside regulated markets by requiring reporting of transactions to transaction records, and requirements for settlement (clearing) through central counterparties (CCPs). Sparebanken Møre will adapt to these regulations.

Market risk
Sparebanken Møre's market risk is managed through defined position limits for each risk area. Management of market risk is set out in Sparebanken Møre's market risk strategy. The strategy is adopted by the Board of Directors, and provides the overall guidelines for the group's activities in the capital market, including the framework for Sparebanken Møre's total exposures within currency, interest rate and shares.

The Group's market risk can be divided into the following areas:

• Interest rate risk: Consists of market risk associated with positions in interest-bearing financial instruments, including derivatives with underlying interest instruments. Interest rate risk related to the liquidity reserve portfolio, as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. See note 12.1 for the group's interest rate risk.

• Equity risk: Consists of market risk on positions in equity instruments, including derivatives with underlying equity instruments. Shares in subsidiaries are not included. Sparebanken Møre has a very limited trading portfolio. The financial risk of Sparebanken Møre in 2014 is considered to have been low and reassuring. See note 15 for the equity risk of the Group.

• Currency risk: Consists of the risk of losses when exchange rates change. All financial instruments and other positions with currency risk are included in the assessment. Currency risk on the banking book, that is, foreign exchange risk arising as a result of hedging customer trading, including lending/deposit business, is considered separately and will have its own set of risk parameters.

Sparebanken Møre`s exposure to currency risk is a result of mismatch between the underlying business and hedging transactions, as well as the necessary reserves of the group's work accounts in foreign banks. Changes in exchange prices in the market cause changes in the value of Sparebanken Møre`s currency position. The currency position also includes Sparebanken Møre`s cash holdings of notes denominated in foreign currency. Sparebanken Møre has no trading portfolio of FX contracts. Sparebanken Møre`s currency risk is low and well within the limits specified in the regulations. See note 12.2 for the group's currency risk.

• Spread risk: Defined as the risk of changes in market value of bonds and commitments as a result of general changes in credit spreads.

• Total market risk: The overall risk assessment is obtained by comparing the opinions of areas of interest rates, equities and foreign exchange. The FSA`s methodology in this area form the basis for assessing the overall market risk. Assessments are based on three risk factors:
• Exposure
• Risk spreading
• Market liquidity

Any diversification effects between asset classes are not taken into account.

Based on the recommendation from the CEO's Balance Board Committee, the Board of Directors annually approves a total budget for the market risk of Sparebanken Møre. The framework is adapted to the group's activity level and risk tolerance. If required, the overall framework may be changed more frequently than the annual review.

Total limit for market risk is defined as the maximum loss on a stress scenario where the FSA`s methodology is applied. The approved overall market risk limit is delegated to the CEO, while the head of the Treasury & Markets Division has administrative authority for the overall market risk limit. The section leader is responsible for administration of the limits within the various sub-portfolios being complied with at all times.

Treasury & Markets Division has an independent responsibility for ongoing monitoring of positions within the various portfolios and daily follow up, or with the frequency required in relation to the level of activity. The Risk Management department has primary responsibility for monitoring, reporting and control of the market risk area. Back Office is responsible for transaction control and processing of payment transactions.

SimCorp Dimension (SCD) is the principal risk management system in Sparebanken Møre within the market risk area. The system provides current status of market development. All financial instruments are recorded in the system and monitored continuously. The risk management department is responsible for good quality in valuation of financial instruments.

The risk management department monitors the compliance of the risk management framework and strategy continuously. If activities exceed the limits or strategy, written reporting instructions are specified.

Reporting of the market activity is part of Sparebanken Møre`s periodic "Risk Report" to management, Audit and Risk Committee and Board of Directors. Monthly earnings performance reports are prepared, as well as actual risk exposure within each portfolio, both individually and in aggregate. The reports are compared to maximal activity frame and overall market risk limit (stress frame). The Board is also given a quarterly record of any violation of the framework, the strategy, or law and regulations.

There is no performance-based compensation to any person working in the market risk area beyond what is included in Sparebanken Møre`s general bonus scheme which deals with, and is equal to, all employees of the Group.

Funding risk

Liquidity may be defined as the group's ability to fund increases in assets and to meet its obligations as funding requirements occur. Sparebanken Møre is liquid when it is able to repay its debt as it falls due.

Management of the group's funding risk is based on the overall financing strategy, which is evaluated and approved by the Board of Directors at least once a year. The strategy reflects the moderate risk level accepted for this risk area.

The group's funding risk requires special monitoring. This is due to the group's special position as a manager of deposits for small and non-professional actors, as well as the central role the group plays in payment systems. The group's duty to accept deposits from a non-specific base of depositors and the fact that these deposits are normally available on the same day, means that it faces considerably greater risk than other financial institutions. The authorities' loan schemes and safety net for banks are based on these precise factors. The costs of reducing funding risk must be viewed in the context of the advantages lower funding risk provides. One fundamental prerequisite for maintaining the trust of depositors and other lenders is that the institutions always have sufficient liquidity to cover current liabilities.

LCR measures institutions' ability to survive a 30-day stress period. LCR increases the importance of high quality liquid assets. NSFR measures the longevity of an institution's funding. NSFR entails institutions having to fund liquid assets with the aid of a greater proportion of stable and long-term funding. In this context, deposits are not regarded as an equally stable source of funding, which means that the quality of the deposits will increase in importance. This also means that financial institutions must, to a greater degree, fund themselves through bond issues with a higher maturity. Until the definition and calibration of the NSRF is finalized, Sparebanken Møre will use Liquidity Indicator 1.

Sparebanken Møre is adapting to the new regulations, by both modifying its internal strategies and by making actual adaptations. The group also regularly reports on the trends for new liquidity indicators to the supervisory authorities in line with the disclosure requirements.

The group's long-term strategic plan, "Møre 2018", sets out a liquidity strategy in which Sparebanken Møre shall adapt to the structure and volume of the new LCR requirement. LCR will be introduced 1 October 2015 with a minimum fulfillment of 60 per cent, and then increase by 10 per cent annually until reaching 100 per cent on 1 January 2019.

At year-end 2014, the LCR indicator was 127 per cent, the FSA`s Liquidity Indicator 1 was 101 per cent and Liquidity Indicator 2 was 111 per cent. In the composition of the external funding, priority is given to having a relatively high share of maturities over one year.

The funding section of Sparebanken Møre is organised within the Treasury & Markets Division. The division controls the funding on a day to day basis, and has the responsibility to meet the funding requirements in Sparebanken Møre, including utilization of the mortgage company Møre Boligkreditt AS.

Liquidity control management is maintained by both the Treasury & Markets Division and by the Risk Management department. In this respect there is a distinction between the overall and the daily operational cash management and control. The daily operational management responsibility is handled by the Treasury & Markets Division, while the overall risk management, including strategies and framework controls, are handled by the Risk Management department.

Upon the occurrence of abnormal situations regarding liquidity, either in the market or within Sparebanken Møre, the bank's emergency task force comes together. The group consists of the following persons:
• CEO (leader)
• EVP Treasury & Markets
• EVP Information and Compliance
• EVP Financial Control, Risk Management, HR and Security
• EVP Sunnmøre Corporate Banking
• EVP Retail Banking Division
• CEO of Møre Boligkreditt AS
• Head of Treasury

The Board receives monthly reports of the liquidity situation. This report includes several key figures, such as the deposit to loan ratio, liquidity indicator 1 and 2, LCR, NSFR, net refinancing needs, composition of the liquidity portfolio, allocation of capital markets funding on various sources, largest depositors, etc. In addition, early warning signals are reported by viewing the development of financial strength, development of balance sheet numbers and income statement, losses/defaults, the development of the cost of funds for both foreign currency and NOK.

The funding risk is attempted reduced by spreading funding on different markets, sources, instruments and maturities. In order to ensure the group's funding risk is kept at a low level, lending to customers must primarily be financed by customer deposits and long-term securities issued. There is a heavy focus on efforts to increase ordinary deposits in all customer-related activities throughout the bank. The deposit to loan ratio in Sparebanken Møre was 58.1 at year-end.

The Board shall be informed of the bank’s liquidity situation on a monthly basis, and immediately of any important events which may affect the bank’s current or future liquidity situation. The reporting tries to identify the funding situation during normal operations, identify any “early warning” signs and assess the bank’s stress capacity.

Møre Boligkreditt AS has a license from the FSA to operate as a mortgage company, and it provides the group with increased diversification of its funding sources. During 2014, the company issued covered bonds quoted in Norwegian krone (NOK). The Parent Bank has throughout the year transferred parts of the residential mortgage portfolio to the mortgage company.

Operational risk
Operational risk includes all the potential sources of losses related to Sparebanken Møre's current operations. The group has classified various types of operational risk into the following main categories:
• Internal fraud
• External fraud

• Employment conditions and safety in the workplace
• Customers, products and business practices
• Damage to assets
• Interruptions to operations and/or systems
• Settlements, delivery or other transaction processing

The Board of Directors of Sparebanken Møre has decided that a low to moderate risk profile is accepted related to operational risk. An overall risk strategy for the risk area is not established, but there are several documents which support the group’s risk management. These documents include the ICT-area, contingency plans for personnel and property, security handbooks, authorisation structures, ethical guidelines and insurance strategies. Further, there are established guidelines for compliance of:
• Money laundering Act with regulations
• Securities Trading Act with regulations
• ICT-regulation

The group's Legal Department helps to monitor and reduce operational risk. The Compliance Department has established board adopted instructions, work plans and action plans. Sparebanken Møre has established an annual Security Forum for people responsible for security in the group, and meetings of the group's Security Committee are held four times a year.

Operational responsibility for managing and controlling operational risk, and thus also the quality of Sparebanken Møre's operations, is borne by each manager involved. This responsibility follows from job descriptions and various guidelines and routines. All managers annually confirm to the CEO the quality of and compliance with internal controls within the risk areas stipulated in this document. They also suggest areas for improvement which are incorporated into special action plans. The CEO presents the report to the Audit and Risk Committee and the Board of Directors. The annual ICAAP also involves a review of the group's material risk areas in which a great deal of attention is paid to operational risk.

Beyond the annual management report and annual ICAAP, the bank’s management and Board of Directors receive reports throughout the year which includes areas that are included in operational risk; compliance reports, safety reports, reports from the Internal Auditor, reports from the External Auditor, work environment surveys, internal service quality surveys, ICT-reporting, industry analysis, as well as any reports from the authorities.

For noted items in the reporting, measures are prepared to cope with deviations, and deadlines and persons in charge are given. Monitoring of the performance level for the measures is followed by the Business Committee on a monthly basis.

The group’s established internal control routines are an important tool for reducing operational risk with regard to both identification and follow-up.

Internal control
Internal control must be designed in order to provide reasonable certainty with regard to the achievement of goals and targets within the areas of strategic development, targeted and effective operations, reliable reporting and adherence to relevant laws, rules and regulations, including compliance with group-internal guidelines and policies. Furthermore, a well-functioning internal control shall ensure that the bank’s risk exposure is kept within the agreed risk profile.

The internal control at Sparebanken Møre is organised in a decentralized manner with the Division for Financial Control, Risk Management, HR and Security as the coordinating unit in the day-to-day operations and in the annual reporting to the Audit and Risk Committee and the Board of Directors. The Compliance Department monitors how the group operationalizes relevant laws, rules and regulations in operational context, and how the group’s staff adhere to relevant rules and regulations, laws, licenses, agreements, standards for different industrial and commercial sectors, internal instructions etc. in the day-today operations. The Risk Management Department is responsible for developing systems, guidelines and procedures in order to identify, measure, report and follow up on the group’s most important inherent risks.

Reports on the group’s operations and risk situation throughout the year are submitted to the Audit and Risk Committee and the Board of Directors on an ongoing basis. The bank’s CEO submits an annual report to the Board of Directors including an overall assessment of the risk situation and an assessment confirming that the established internal control features function in a satisfactory manner. This report is based on confirmations received from managers at different levels throughout Sparebanken Møre.

Sparebanken Møre's internal auditor reports on a regular basis to the Audit and Risk Committee and the Board of Directors on the group's internal control.

Portfolio management
The group provides portfolio management for investment clients. The portfolio management is performed on behalf of clients, and related assets belong to the clients and not the group.

Financial derivatives
Sparebanken Møre utilizes financial derivatives in order to handle risk incurred as a result of the bank's ordinary operations. The bank uses financial derivatives in its own trading to a very small extent. In the case of customer claims, these shall as a main principle be immediately covered by an opposite transaction in the market.

The following derivatives are in use in Sparebanken Møre:

• Forward exchange contracts
An agreement to buy or sell a certain amount in a foreign currency, against a certain amount in another currency, at a rate agreed in advance, with payment at a certain time later than two working days after the agreement was entered into.

• Swaps
A transaction in which two parties agree to swap cash flows for an agreed amount over a certain period of time. In an interest rate swap, only the interest involved is swapped. In the case of an interest rate and currency swap, both the interest rate and currency conditions are swapped.

• FRAs
A legally binding agreement concerning a rate of interest which shall apply for a future period for a defined principal amount. Upon settlement, only the difference between the agreed interest rate and the actual market interest rate is exchanged.

• Options
A right, but not an obligation, to buy (a call option) or sell (a put option) a certain product at a rate agreed in advance (strike price). When entering into an option contract, the person or company buying a call or put option will have to pay a premium to the person or company writing the option. Options can be offered on the basis of a financial instrument or a raw material.

The risk relating to these financial instruments involves the credit risk of covering counterparts which are given prior credit clearance by the Board of Directors, as well as operational risk.

These instruments are primarily utilized to provide the bank's customers with reliable cash flows and a desired risk positions in the various markets. Limits for financial instruments involving customers are established by the staff responsible for the customers in question. The limits shall fix a maximum amount for the bank's exposure against each individual customer in relation to the customer's business volume in financial instruments and the market-related development in these. Each member of staff responsible for the customer in question, is responsible for the establishment of the limit and must make sure that such a limit has been subject to the necessary formal credit-handling procedures, and that a sufficient level of collateral and/or other security has been established to cover the limit. Furthermore, the member of staff responsible for the customer in question, together with the dealer involved, are both responsible for making sure that the credit risk as a result of the customer's exposure to financial instruments is at all times within the limits which have been agreed. In the case of all customers involved with financial instruments, a set-off agreement must be obtained. The purpose of this agreement is to reduce the bank's credit exposure to the customer by having all contracts netted out so that the bank ends up with just a net exposure towards the customer. It is the member of staff responsible for the customer in question who is responsible for establishing a set-off agreement with the customer, making sure that all customers who use this type of financial instrument are made aware of the bank's usual business terms and conditions.

The Department for Risk Management is responsible for follow-up, and for all internal reporting and reporting to the relevant authorities relating to the bank's exposure to different counterparts as a result of trading in financial instruments

Strategy
Sparebanken Møre's long-term strategic development and target achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure effective operations and the handling of risks which can prevent the achievement of business related goals, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines. Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-today operations and in the Board of Directors' ongoing focus.

Sparebanken Møre's Board of Directors has agreed overall guidelines for management and control throughout the Group, as well as a separate risk policy. The Group shall have a low to moderate risk profile and revenue generation shall be a product of customer-related activities, not financial risk taking. In addition, the bank has introduced separate policies for each significant risk area: credit risk, counterpart risk, market risk and funding risk. The risk strategies are agreed by the Board of Directors and revised at least once a year, or when special circumstances should warrant it. The Group has established a follow-up and control structure, which shall ensure that the overall framework of the strategic plan is adhered to at all times.

Corporate culture, organisation and responsibility
The risk management process is based on the bank's and group's corporate culture. This includes management philosophy, management style and the people in the organisation. Staff's integrity, value basis and ethical attitudes represent fundamental elements in a well-functioning corporate culture. Well-developed control and management measures cannot compensate for poor corporate culture. Against this background, Sparebanken Møre has established clear ethical guidelines and a clear value basis, which have been made well known throughout the organisation.

Sparebanken Møre attaches a great deal of importance to independence in the risk management. The responsibility for, and execution of risk management and control is therefore shared between the Board of Directors, management and operative units.

The Board of Directors of Sparebanken Møre bears the overall responsibility for ensuring the bank and the group have adequate primary capital based on the desired levels of risk and the group's activities, and for ensuring that Sparebanken Møre is adequately capitalized based on regulatory requirements. The Board shall also ensure that risk management and internal control is adequate and systematic, and that this is established in compliance with laws and regulations, articles of association, instructions, and external and internal guidelines. The Board also sets out the principles and guidelines for risk management and internal control for the various levels of activity, and regularly revises and adopts, at least once a year, various strategies and guidelines for risk management.

The Audit and Risk Committee is elected by and from among the members of the Board of Directors. The committee is a sub-committee of the Board. Its purpose is to carry out more thorough assessments of designated areas and report the results to the Board. The Audit and Risk Committee shall ensure that the institution has independent and effective external and internal auditors, and satisfactory financial statement reporting and risk management routines, which comply with all pertinent laws and regulations.

The CEO is responsible for ensuring the establishment of appropriate risk management and internal control on the basis of assessments, agreed principles and guidelines introduced by the Board. The CEO is responsible for ensuring that good control environments are established in all levels in the bank and shall continuously monitor changes to the bank's risks and ensure that these are properly addressed in accordance with the Board's guidelines. The CEO shall ensure that the bank's risk management and internal control is documented according to current laws, rules, regulations and statutes, and shall, at least once a year, prepare an overall assessment of the risk situation, which shall be presented to the Board for their consideration.

The Risk Management Department is responsible for preparing and designing systems, guidelines and procedures for identifying, measuring, reporting and following up the bank's most important inherent risks. The department is responsible for ensuring that the total risk exposure of Sparebanken Møre, including results of conducted stress tests, is reported to the CEO and the Board of Directors. Further, the department bears primary responsibility for the IRB process in the Group. It is also a key setter of conditions and adviser in the strategy process concerning risk assessments, risk tolerance and operationalisation of the bank's overall goals with regard to risks. The department also has responsibility for supervising the annual ICAAP work, and to coordinate the annual internal control confirmations from the operational managers. The department forms part of the Financial Control, Risk Management, HR and Security Division, which reports directly to the CEO.

Pursuant to the requirements of the Securities Act and associated regulations, Sparebanken Møre has an own compliance function. Each year, the Board of Directors of Sparebanken Møre approves compliance instructions, and an annual work and action plan is prepared for the function. The head of the department reports to Sparebanken Møre's CEO, but is organizationally subordinate to the head of the Information and Compliance Division.

Finance & Accounting is responsible for the group's total financial management/reporting and accounting, and is part of the Financial Control, Risk Management, HR and Security Division.

Sparebanken Møre`s operative managers of important business areas shall actively involve themselves in the process surrounding the assessment of whether or not the established risk management and internal control is being conducted as assumed. It is assumed that all managers at every level of the organisation are monitoring the approved control measures within their area of responsibility.

Sparebanken Møre`s Credit Committee deals with larger commitments and matters of a special nature, and shall provide an independent proposal to the person holding the power of attorney. The Credit Committee attaches special importance to the identification of risk in connection with each credit application, and makes its own assessment regarding credit risk. In addition, consideration is made whether commitments are in accordance with the Group's credit risk strategy, credit policy, credit-granting rules and regulations, and credit handling routines.

The internal auditing is a monitoring function which, independent of the rest of the bank's administration, deals with systematic risk assessments, control and examination of the Group's internal control in order to ascertain whether it works according to its purpose and in a reassuring manner. The bank`s Board approves the resources and annual plans of the internal auditing. The internal auditor should also discuss the plan and scope of the audit work with the Audit and Risk Committee. The internal audit in Sparebanken Møre is outsourced to BDO.

Reporting

Sparebanken Møre focuses on correct, complete and timely reporting of the risk and capital situation. Based on this, a number of different types of periodic reporting have been established, which are intended for the group's management group and Board, as well as reporting intended for the individual segments and departments, including customer account managers. The most important reports during the year are as follows:

ICAAP is carried out and reported at least once a year. The Board actively participates in the review and establishes ownership of the process, including through ICAAP's key role in the long-term strategic planning. Specific guidelines have been prepared for ICAAP in Sparebanken Møre. ICAAP is reviewed by the bank's management team, the Audit and Risk Committee, the Board of Directors and the Control Committee.

A balanced scorecard report is prepared every month. This illustrates the status and performance of the most important factors for Sparebanken Møre's target attainment. The report is being submitted to bank managers and the bank`s management team, and it is an integral part of the financial reporting to the Board of Directors.

A risk report is prepared every month. This is a key element of Sparebanken Møre's continuous monitoring of its risk situation. At the end of the quarter the risk report will also be expanded with supplementary comments from various disciplines within the Group, including the Chief Economist, the Corporate Market's Concept Manager, the Retail Market's Concept Manager, and the Head of the Treasury & Market Division. The report is dealt with by the bank`s management team, Audit and Risk Committee and

Board of Directors, and the Control Committee also receives a copy of the quarterly risk report.

Internal control reports are produced for all business areas and regions every year. In this an assessment is made of whether or not the internal control is adequate in relation to the risk tolerance. This includes an assessment of and comments on their own work on internal control, a review of all important risk areas, an assessment of their own compliance with external and internal regulations, and suggestions for and planned improvement measures. The internal control reports are dealt with by the bank`s management team, Audit Committee and the Board of Directors, and are also presented to the bank`s Control Committee.

Compliance reports are prepared regularly and contain elements linked to an assessment of compliance risk and control, testing of compliance and the results of these tests, reassessments and plans for implementing guidelines, the follow-up of observations from external and internal auditors, the follow-up of observations from the FSA, deviation management in internal control, etc. The compliance reports are dealt with by the bank`s management team, Audit and Risk Committee and the Board of Directors, and are also presented to the bank`s Control Committee.

Reports from external and internal auditors are dealt with by the bank`s management team, the Audit and Risk Committee and the Board of Directors. Both internal and external auditors have at least annual meetings with the Audit and Risk Committee and the Control Committee.

Reports on mortgages are prepared quarterly for the bank`s Board of Directors.

A reporting portal has been established in Sparebanken Møre, in which each member of staff with customer responsibility has access to reports which show the position and development of credit risk in his or her portfolio. The portal has a hierarchical structure, allowing managers in Sparebanken Møre to monitor performance within their area of responsibility. The reports are also used to analyse customers, portfolios and different industries. The portal provides customer account managers with an overview of the customers' positions and limits in relation to exposure to financial instruments.

Finance and accounting reports are prepared monthly, and include monthly calculations of collective impairment, as well as loss reviews of portfolios with a focus on the need for individual impairment. The reports are dealt with by the bank`s management team, Audit and Risk Committee and the Board of Directors. After each quarter end, the Control Committee receives a special review of the quarterly financial statements, including the development of finance and risk related issues.

Capital structure
Sparebanken Møre’s equity and related capital is composed with regard to several considerations. The most important considerations are the Group’s size, Møre og Romsdal’s internationally orientated industry and commerce, and a stable market for long-term funding whenever external funding is required. Furthermore, the Group’s long-term strategic plan is a significant provider of conditions with regard to which capital structure Sparebanken Møre should adopt.

Assessments of risk profile, capital requirements and profitability are always based on the group's long-term strategic plan. The group's capital requirements are calculated, at least, in the annual ICAAP. The group's primary capital shall at all times fulfil the minimum requirements for capital adequacy, and comply with the group`s accepted risk tolerance. The ICAAP clarifies all the alternatives the group can implement if the group's capital adequacy is subjected to stress. The alternatives are listed in a prioritized order, with description of measures, and indication of planned implementation if necessary.

Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on equity. The results shall ensure that all equity owners receive a competitive long-term return in the form of dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as dividend funds, shall be adjusted to the equity situation. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

Capital adequacy rules and regulations
The purpose of the EU’s capital adequacy directive is to strengthen the stability in the financial system through more risk-sensitive capital requirements, better risk management and control, more stringent supervision and more information provided for the market.

The capital adequacy directive is based on three pillars:
• Pillar I – Minimum requirement for equity and related capital
• Pillar II – Assessment of aggregate capital requirements and regulatory follow-up (ICAAP)
• Pillar III – Publication of information

Sparebanken Møre`s capital adequacy is calculated according to the Standard Approach for credit risk in mass market commitments and IRB Foundation approach for corporate commitments. Calculations related to market risk are based on the Standard Approach and operational risk on the Basis Approach. Sparebanken Møre's Board of Directors insists that the group must be well capitalised, both during economic downturns and periods of strong economic expansion. Capital assessments (ICAAP) are conducted every year, and the group's capital strategy is based on the risk in the group's operations, different stress scenarios having been taken into consideration.

Reference is made to note 30 concerning "Capital adequacy" for further descriptions related to Sparebanken Møre`s approval process for IRB, as well as comments related to the new regulations in Basel III.

Risk exposure and strategic risk management
Sparebanken Møre is exposed to several different types of risk. The most important risk groups are:

• Credit risk: This is the group's biggest area of risk. Credit risk is defined as the risk of loss due to customers or other counterparties being unable to meet their obligations at the agreed time, and in accordance with written agreements, and due to the collateral security held not covering the outstanding claims. Counterparty risk and concentration risk are also included in this area of risk.

• Market risk: The risk of loss involving market values relating to portfolios of financial instruments as a result of fluctuations in share prices, foreign exchange rates and interest rates.

• Funding risk: The risk of the group being unable to meet its obligations and/or fund increases in assets without incurring significant extra costs in the form of fall in prices of assets which have to be sold, or in the form of particularly expensive funding. The level of the institution`s capital is a key condition to attract necessary funding at any time.

• Operational risk: The risk of loss due to insufficient or failing internal processes and systems, or due to human error or external events.

Sparebanken Møre tries to take account of the interaction between the various risk areas when setting desired levels of exposure. Overall it is the internal conditions, general conditions, customer base, etc within the group which form the basis for setting the desired overall risk exposure.

Based on an evaluation of the risk profile, management and control, Sparebanken Møre has set the following overall levels of risk exposure for the various risk areas:

• Credit risk: A moderate to significant level of risk is accepted

• Market risk: A low level of risk is accepted

• Funding risk: A moderate level of risk is accepted

• Operational risk: A low to moderate level of risk is accepted

The group's risk is quantified partly through calculations of expected loss and the requirement for financial capital in order to be able to cover unexpected losses. Expected losses and financial capital are calculated for all main groups of risk, and for different business areas within the group. Expected losses describe the amount which in statistical context the bank must expect to lose during a 12-month period. Financial capital describes the amount of capital the group deems to be required in order to cover the actual risk which has been incurred by the group. Statistical methods for the computation of financial capital have been used as a basis. Please also refer to note 30 regarding capital adequacy for further comments concerning financial capital.

Credit risk

Credit risk represents Sparebanken Møre’s biggest risk area. Included in this risk area are counterparty risk and concentration risk. The group is exposed to this type of risk through its lending and leasing products for the retail market and corporate customers, and through the activities of Sparebanken Møre's Treasury & Markets Division.

The credit risk strategy is revised and agreed each year by the Board of Directors. The strategy focuses on risk sensitive limits, which have been designed in such a way that they manage the group’s risk profile within the credit area in the most appropriate and effective manner. Furthermore, limits, guidelines, and power of attorney-related rules and regulations have been established, which underpin and support Sparebanken Møre’s credit risk strategy and long-term strategic plan.

The core values of Sparebanken Møre are “Dedicated, Close and Solid”. These values are to be reflected in all contact with the marked, create added value for the customers and help create a positive view of Sparebanken Møre. The credit policy is intended to promote a credit culture in which creditworthiness is viewed in a long-term perspective, where general and industry economic fluctuations are taken into account. Sparebanken Møre shall conduct itself in accordance with high ethical standards, and shall not be associated with activities, customers or industries of dubious repute. The group is open to all types of customers within defined market areas, and discrimination based on the customer`s age, gender, nationality, religion or marital status shall not occur.

Sparebanken Møre's geographic core region is the county of Møre og Romsdal. However, it is allowed to financially support investments/businesses outside its core region when, from an ownership perspective, they are linked to individuals or companies in/from Møre og Romsdal. Commitments outside the group's market area will also be considered as part of the deliberate diversification of the portfolio in terms of segment and geographical exposure. In such cases the group's strategy sets clear limits for the maximum risk level for an individual commitment.

The Department for Risk Management has established monthly portfolio management reports which ensure that any discrepancies from the strategic targets incorporated in the credit risk strategy are identified. Officers responsible for the concepts relating to corporate and retail banking respectively, have independent responsibility for the ongoing monitoring of the position, in order to identify discrepancies in relation to the same strategic targets, and in order to implement measures in the case of any discrepancies having occurred.

The Board of Directors is responsible for the group’s granting of loans and credits. Within certain limits, power of attorney is delegated to the bank’s CEO for the operational responsibility with regard to decisions in credit matters. Within his powers of attorney, the CEO may delegate powers of attorney to other officers in the bank. The grant authorisations are personal and graded after criteria like the size of grant, the limit of the commitment (corporate customers), the customers total debt (retail customers), and class of risk. Further, the power of attorney is related to the employee`s job level.

Sparebanken Møre actively uses internal reports in order to monitor the level and development of the group’s credit portfolio. Each member of staff with customer responsibility has access to reports which show the position and development in the credit risk in his or her portfolio. The reports are prepared on a hierarchical basis, enabling the bank’s management to monitor the development within their own area of responsibility. The reports are also used to analyse customers, portfolios and different sectors.

The group has prepared separate risk models for the corporate and retail markets, which are used in monthly measuring and reporting of credit risk. The group has also developed application score models for the two customer segments, which are being used in the credit granting process.

There are mainly three central parameters within credit risk for which models are applied:

1. Probability of default (PD): PD is calculated per customer and states the probability of the customer defaulting on his or her

outstanding commitment during the next 12 months. A separate PD is calculated for each customer, based on statistical models using variables of both external and bank-internal information, in the form of both financial key figures and non-financial criteria.

2. Degree of loss in the case of default (LGD): LGD indicates how big a part of the commitment is expected to be lost in the case of default. The assessments take into consideration the values of the collateral provided by the customer, and the costs which would be incurred in the case of the recovery/collection of commitments in default.

3. Expected exposure in the case of default (EAD): EAD indicates the level of exposure which is expected in connection with a commitment if and when it goes into default.

The abovementioned parameters form the basis for calculation of expected loss (EL), and are included in the computation of financial capital. By classifying customers according to probability of default, and by estimating the level of loss and the requirement for financial capital at customer level, the group obtains information about the level and development of the aggregate credit risk in the total portfolio. In-house migration analyses show the development of the number of customers and EAD between different risk classes during different periods.

Treasury risk

Treasury risk is part of Sparebanken Møre's total credit risk. Board adopted limits for the Group's credit exposure in this area have been defined.

Credit exposure is linked to bonds and certificates in the group's liquidity reserve portfolio, short-term lending to other banks, including accounts held in foreign banks, and exposure in connection with financial derivatives which are signed to neutralise already present interest and currency risk which the bank has assumed. The portfolio consists of reputable domestic and foreign relationships.

Sparebanken Møre's policy is that, especially in relation to placements in international banks and other debtors outside Norway, the group shall use assessments carried out by the major official ratings agencies. The credit risk shall be at a minimum, but even highly rated issuers/papers can be exposed to risk. If a counterparty's status is changed to a negative outlook or their rating falls, Sparebanken Møre carries out a new internal assessment of existing lines of credit. If necessary the line of credit, and any exposure, is reduced or eliminated.

Treasury risk is also viewed in the context of adaptations to the funding indicators LCR and NSFR, as well as the FSA`s two liquidity indicators. The LCR regulations entail a movement towards lower risk weighted counterparties, including state and state guaranteed papers and covered bonds.

The pre-classification process emphasises considering banks with which Sparebanken Møre has a mutual (reciprocity) and long business relationship. It is also necessary to have sufficient competition in products and instruments that are traded, as well as diversification in market and geography for Sparebanken Møre.

If changes occur in general conditions, the market, economic trends or Sparebanken Møre's activities that have a material effect on the group's risk positions, limits must be assessed and possibly set for investment opportunities. This involves, for example, not investing in some countries, groups of countries, individual counterparties, counterparties with certain attributes, etc.

Sparebanken Møre and Møre Boligkreditt AS require the signing of CSA (Credit Support Annex) agreement before trading of derivatives against any counterparties. This provides Sparebanken Møre with collateral in excess of any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral in relation to its counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled either daily or weekly. This will largely eliminate the counterparty risk. EMIR - European Market Infrastructure Regulation – is a proposed regulation on infrastructure and derivatives sold on unlisted markets. EMIR will ensure the regulation and control of the market for derivatives traded outside regulated markets by requiring reporting of transactions to transaction records, and requirements for settlement (clearing) through central counterparties (CCPs). Sparebanken Møre will adapt to these regulations.

Market risk
Sparebanken Møre's market risk is managed through defined position limits for each risk area. Management of market risk is set out in Sparebanken Møre's market risk strategy. The strategy is adopted by the Board of Directors, and provides the overall guidelines for the group's activities in the capital market, including the framework for Sparebanken Møre's total exposures within currency, interest rate and shares.

The Group's market risk can be divided into the following areas:

• Interest rate risk: Consists of market risk associated with positions in interest-bearing financial instruments, including derivatives with underlying interest instruments. Interest rate risk related to the liquidity reserve portfolio, as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. See note 12.1 for the group's interest rate risk.

• Equity risk: Consists of market risk on positions in equity instruments, including derivatives with underlying equity instruments. Shares in subsidiaries are not included. Sparebanken Møre has a very limited trading portfolio. The financial risk of Sparebanken Møre in 2014 is considered to have been low and reassuring. See note 15 for the equity risk of the Group.

• Currency risk: Consists of the risk of losses when exchange rates change. All financial instruments and other positions with currency risk are included in the assessment. Currency risk on the banking book, that is, foreign exchange risk arising as a result of hedging customer trading, including lending/deposit business, is considered separately and will have its own set of risk parameters.

Sparebanken Møre`s exposure to currency risk is a result of mismatch between the underlying business and hedging transactions, as well as the necessary reserves of the group's work accounts in foreign banks. Changes in exchange prices in the market cause changes in the value of Sparebanken Møre`s currency position. The currency position also includes Sparebanken Møre`s cash holdings of notes denominated in foreign currency. Sparebanken Møre has no trading portfolio of FX contracts. Sparebanken Møre`s currency risk is low and well within the limits specified in the regulations. See note 12.2 for the group's currency risk.

• Spread risk: Defined as the risk of changes in market value of bonds and commitments as a result of general changes in credit spreads.

• Total market risk: The overall risk assessment is obtained by comparing the opinions of areas of interest rates, equities and foreign exchange. The FSA`s methodology in this area form the basis for assessing the overall market risk. Assessments are based on three risk factors:
• Exposure
• Risk spreading
• Market liquidity

Any diversification effects between asset classes are not taken into account.

Based on the recommendation from the CEO's Balance Board Committee, the Board of Directors annually approves a total budget for the market risk of Sparebanken Møre. The framework is adapted to the group's activity level and risk tolerance. If required, the overall framework may be changed more frequently than the annual review.

Total limit for market risk is defined as the maximum loss on a stress scenario where the FSA`s methodology is applied. The approved overall market risk limit is delegated to the CEO, while the head of the Treasury & Markets Division has administrative authority for the overall market risk limit. The section leader is responsible for administration of the limits within the various sub-portfolios being complied with at all times.

Treasury & Markets Division has an independent responsibility for ongoing monitoring of positions within the various portfolios and daily follow up, or with the frequency required in relation to the level of activity. The Risk Management department has primary responsibility for monitoring, reporting and control of the market risk area. Back Office is responsible for transaction control and processing of payment transactions.

SimCorp Dimension (SCD) is the principal risk management system in Sparebanken Møre within the market risk area. The system provides current status of market development. All financial instruments are recorded in the system and monitored continuously. The risk management department is responsible for good quality in valuation of financial instruments.

The risk management department monitors the compliance of the risk management framework and strategy continuously. If activities exceed the limits or strategy, written reporting instructions are specified.

Reporting of the market activity is part of Sparebanken Møre`s periodic "Risk Report" to management, Audit and Risk Committee and Board of Directors. Monthly earnings performance reports are prepared, as well as actual risk exposure within each portfolio, both individually and in aggregate. The reports are compared to maximal activity frame and overall market risk limit (stress frame). The Board is also given a quarterly record of any violation of the framework, the strategy, or law and regulations.

There is no performance-based compensation to any person working in the market risk area beyond what is included in Sparebanken Møre`s general bonus scheme which deals with, and is equal to, all employees of the Group.

Funding risk

Liquidity may be defined as the group's ability to fund increases in assets and to meet its obligations as funding requirements occur. Sparebanken Møre is liquid when it is able to repay its debt as it falls due.

Management of the group's funding risk is based on the overall financing strategy, which is evaluated and approved by the Board of Directors at least once a year. The strategy reflects the moderate risk level accepted for this risk area.

The group's funding risk requires special monitoring. This is due to the group's special position as a manager of deposits for small and non-professional actors, as well as the central role the group plays in payment systems. The group's duty to accept deposits from a non-specific base of depositors and the fact that these deposits are normally available on the same day, means that it faces considerably greater risk than other financial institutions. The authorities' loan schemes and safety net for banks are based on these precise factors. The costs of reducing funding risk must be viewed in the context of the advantages lower funding risk provides. One fundamental prerequisite for maintaining the trust of depositors and other lenders is that the institutions always have sufficient liquidity to cover current liabilities.

LCR measures institutions' ability to survive a 30-day stress period. LCR increases the importance of high quality liquid assets. NSFR measures the longevity of an institution's funding. NSFR entails institutions having to fund liquid assets with the aid of a greater proportion of stable and long-term funding. In this context, deposits are not regarded as an equally stable source of funding, which means that the quality of the deposits will increase in importance. This also means that financial institutions must, to a greater degree, fund themselves through bond issues with a higher maturity. Until the definition and calibration of the NSRF is finalized, Sparebanken Møre will use Liquidity Indicator 1.

Sparebanken Møre is adapting to the new regulations, by both modifying its internal strategies and by making actual adaptations. The group also regularly reports on the trends for new liquidity indicators to the supervisory authorities in line with the disclosure requirements.

The group's long-term strategic plan, "Møre 2018", sets out a liquidity strategy in which Sparebanken Møre shall adapt to the structure and volume of the new LCR requirement. LCR will be introduced 1 October 2015 with a minimum fulfillment of 60 per cent, and then increase by 10 per cent annually until reaching 100 per cent on 1 January 2019.

At year-end 2014, the LCR indicator was 127 per cent, the FSA`s Liquidity Indicator 1 was 101 per cent and Liquidity Indicator 2 was 111 per cent. In the composition of the external funding, priority is given to having a relatively high share of maturities over one year.

The funding section of Sparebanken Møre is organised within the Treasury & Markets Division. The division controls the funding on a day to day basis, and has the responsibility to meet the funding requirements in Sparebanken Møre, including utilization of the mortgage company Møre Boligkreditt AS.

Liquidity control management is maintained by both the Treasury & Markets Division and by the Risk Management department. In this respect there is a distinction between the overall and the daily operational cash management and control. The daily operational management responsibility is handled by the Treasury & Markets Division, while the overall risk management, including strategies and framework controls, are handled by the Risk Management department.

Upon the occurrence of abnormal situations regarding liquidity, either in the market or within Sparebanken Møre, the bank's emergency task force comes together. The group consists of the following persons:
• CEO (leader)
• EVP Treasury & Markets
• EVP Information and Compliance
• EVP Financial Control, Risk Management, HR and Security
• EVP Sunnmøre Corporate Banking
• EVP Retail Banking Division
• CEO of Møre Boligkreditt AS
• Head of Treasury

The Board receives monthly reports of the liquidity situation. This report includes several key figures, such as the deposit to loan ratio, liquidity indicator 1 and 2, LCR, NSFR, net refinancing needs, composition of the liquidity portfolio, allocation of capital markets funding on various sources, largest depositors, etc. In addition, early warning signals are reported by viewing the development of financial strength, development of balance sheet numbers and income statement, losses/defaults, the development of the cost of funds for both foreign currency and NOK.

The funding risk is attempted reduced by spreading funding on different markets, sources, instruments and maturities. In order to ensure the group's funding risk is kept at a low level, lending to customers must primarily be financed by customer deposits and long-term securities issued. There is a heavy focus on efforts to increase ordinary deposits in all customer-related activities throughout the bank. The deposit to loan ratio in Sparebanken Møre was 58.1 at year-end.

The Board shall be informed of the bank’s liquidity situation on a monthly basis, and immediately of any important events which may affect the bank’s current or future liquidity situation. The reporting tries to identify the funding situation during normal operations, identify any “early warning” signs and assess the bank’s stress capacity.

Møre Boligkreditt AS has a license from the FSA to operate as a mortgage company, and it provides the group with increased diversification of its funding sources. During 2014, the company issued covered bonds quoted in Norwegian krone (NOK). The Parent Bank has throughout the year transferred parts of the residential mortgage portfolio to the mortgage company.

Operational risk
Operational risk includes all the potential sources of losses related to Sparebanken Møre's current operations. The group has classified various types of operational risk into the following main categories:
• Internal fraud
• External fraud
• Employment conditions and safety in the workplace
• Customers, products and business practices

• Damage to assets
• Interruptions to operations and/or systems
• Settlements, delivery or other transaction processing

The Board of Directors of Sparebanken Møre has decided that a low to moderate risk profile is accepted related to operational risk. An overall risk strategy for the risk area is not established, but there are several documents which support the group's risk management. These documents include the ICT-area, contingency plans for personnel and property, security handbooks, authorisation structures, ethical guidelines and insurance strategies. Further, there are established guidelines for compliance of:
• Money laundering Act with regulations
• Securities Trading Act with regulations
• ICT-regulation

The group's Legal Department helps to monitor and reduce operational risk. The Compliance Department has established board adopted instructions, work plans and action plans. Sparebanken Møre has established an annual Security Forum for people responsible for security in the group, and meetings of the group's Security Committee are held four times a year.

Operational responsibility for managing and controlling operational risk, and thus also the quality of Sparebanken Møre's operations, is borne by each manager involved. This responsibility follows from job descriptions and various guidelines and routines. All managers annually confirm to the CEO the quality of and compliance with internal controls within the risk areas stipulated in this document. They also suggest areas for improvement which are incorporated into special action plans. The CEO presents the report to the Audit and Risk Committee and the Board of Directors. The annual ICAAP also involves a review of the group's material risk areas in which a great deal of attention is paid to operational risk.

Beyond the annual management report and annual ICAAP, the bank's management and Board of Directors receive reports throughout the year which includes areas that are included in operational risk; compliance reports, safety reports, reports from the Internal Auditor, reports from the External Auditor, work environment surveys, internal service quality surveys, ICT-reporting, industry analysis, as well as any reports from the authorities.

For noted items in the reporting, measures are prepared to cope with deviations, and deadlines and persons in charge are given. Monitoring of the performance level for the measures is followed by the Business Committee on a monthly basis.

The group's established internal control routines are an important tool for reducing operational risk with regard to both identification and follow-up.

Internal control

Internal control must be designed in order to provide reasonable certainty with regard to the achievement of goals and targets within the areas of strategic development, targeted and effective operations, reliable reporting and adherence to relevant laws, rules and regulations, including compliance with group-internal guidelines and policies. Furthermore, a well-functioning internal control shall ensure that the bank's risk exposure is kept within the agreed risk profile.

The internal control at Sparebanken Møre is organised in a decentralized manner with the Division for Financial Control, Risk Management, HR and Security as the coordinating unit in the day-to-day operations and in the annual reporting to the Audit and Risk Committee and the Board of Directors. The Compliance Department monitors how the group operationalizes relevant laws, rules and regulations in operational context, and how the group's staff adhere to relevant rules and regulations, laws, licenses, agreements, standards for different industrial and commercial sectors, internal instructions etc. in the day-today operations. The Risk Management Department is responsible for developing systems, guidelines and procedures in order to identify, measure, report and follow up on the group's most important inherent risks.

Reports on the group's operations and risk situation throughout the year are submitted to the Audit and Risk Committee and the Board of Directors on an ongoing basis. The bank's CEO submits an annual report to the Board of Directors including an overall assessment of the risk situation and an assessment confirming that the established internal control features function in a satisfactory manner. This report is based on confirmations received from managers at different levels throughout Sparebanken Møre.

Sparebanken Møre’s internal auditor reports on a regular basis to the Audit and Risk Committee and the Board of Directors on the group’s internal control.

Portfolio management
The group provides portfolio management for investment clients. The portfolio management is performed on behalf of clients, and related assets belong to the clients and not the group.

Financial derivatives
Sparebanken Møre utilizes financial derivatives in order to handle risk incurred as a result of the bank’s ordinary operations. The bank uses financial derivatives in its own trading to a very small extent. In the case of customer claims, these shall as a main principle be immediately covered by an opposite transaction in the market.

The following derivatives are in use in Sparebanken Møre:

• Forward exchange contracts
An agreement to buy or sell a certain amount in a foreign currency, against a certain amount in another currency, at a rate agreed in advance, with payment at a certain time later than two working days after the agreement was entered into.

• Swaps
A transaction in which two parties agree to swap cash flows for an agreed amount over a certain period of time. In an interest rate swap, only the interest involved is swapped. In the case of an interest rate and currency swap, both the interest rate and currency conditions are swapped.

• FRAs
A legally binding agreement concerning a rate of interest which shall apply for a future period for a defined principal amount. Upon settlement, only the difference between the agreed interest rate and the actual market interest rate is exchanged.

• Options
A right, but not an obligation, to buy (a call option) or sell (a put option) a certain product at a rate agreed in advance (strike price). When entering into an option contract, the person or company buying a call or put option will have to pay a premium to the person or company writing the option. Options can be offered on the basis of a financial instrument or a raw material.

The risk relating to these financial instruments involves the credit risk of covering counterparts which are given prior credit clearance by the Board of Directors, as well as operational risk.

These instruments are primarily utilized to provide the bank's customers with reliable cash flows and a desired risk positions in the various markets. Limits for financial instruments involving customers are established by the staff responsible for the customers in question. The limits shall fix a maximum amount for the bank’s exposure against each individual customer in relation to the customer’s business volume in financial instruments and the market-related development in these. Each member of staff responsible for the customer in question, is responsible for the establishment of the limit and must make sure that such a limit has been subject to the necessary formal credit-handling procedures, and that a sufficient level of collateral and/or other security has been established to cover the limit. Furthermore, the member of staff responsible for the customer in question, together with the dealer involved, are both responsible for making sure that the credit risk as a result of the customer’s exposure to financial instruments is at all times within the limits which have been agreed. In the case of all customers involved with financial instruments, a set-off agreement must be obtained. The purpose of this agreement is to reduce the bank’s credit exposure to the customer by having all contracts netted out so that the bank ends up with just a net exposure towards the customer. It is the member of staff responsible for the customer in question who is responsible for establishing a set-off agreement with the customer, making sure that all customers who use this type of financial instrument are made aware of the bank’s usual business terms and conditions.

The Department for Risk Management is responsible for follow-up, and for all internal reporting and reporting to the relevant authorities relating to the bank’s exposure to different counterparts as a result of trading in financial instruments

Note 4

CREDIT RISK

Credit risk is the Group's largest area of risk and is defined as the risk of loss relating to customers or other counterparts being unable to meet their obligations at the agreed time and in accordance with written agreements, and when the collateral held does not cover the outstanding claim. The Group is exposed to this type of risk through its lending and leasing products for the retail market and corporate customers, and through the activities of the Group's Treasury & Markets Division. Note 3 concerning Risk Management explains in more detail agreed strategies for the credit risk in the Group, as well as processes for management and control of the risk area. A central feature in this connection is the calculation of the probability of default for each individual customer and portfolio.

Credit also includes concentration risk, including risks associated with large commitments to the same customer, concentration within geographic areas or with similar industries.

Concentration risk is managed in relation to the relevant targets for sector-based percentages, the largest individual commitments and the aggregate target for large commitments. Periodic stress tests are carried out in order to assess the loss potential in the credit portfolio due to large, but not implausible, negative changes in operating conditions. Management and measurement of credit risk is further described in the report Risk and Capital Management (Pillar 3). See also note 30 where credit risk for the Group is quantified through risk-adjusted capital. As described in note 3, the probabilities of default (PD) for the commitments contained in Sparebanken Møre's credit portfolio are calculated. PD is structured in order to be in line with the Capital Requirements Directive's specifications for fundamental IRB. Calculated expected loss (PD x LGD x EAD) is used as the basis when assessing customer profitability and is taken into consideration when fixing interest rate terms and conditions.

Loans and receivables

All loans and receivables, including leasing, but with the exception of fixed interest rate loans, are assessed at fair value when first assessed, with the addition of direct transaction costs. When determining the loan's value at the time of transaction (transaction price), establishment fees are deducted and subject to accrual accounting over the lifetime of the loan as part of the loan's effective interest rate. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate at the signing time which exactly discounts estimated, future cash flows over the loan's expected lifetime, down to the net value of the loan as shown in the balance sheet. By conducting this calculation, all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration.

Purchased lending portfolios, including lending taken over by the takeover of business, have limited useful lifetimes and where excess values at the time of the transaction are recognised on the balance sheet at acquisition cost. The portfolio of purchased lending is depreciated using the effective interest rate method, divided over the expected average maturity of the portfolio (distributed by the corporate and retail market).

Based on the Bank's risk assessments, in risk context, the commitments may be put into the following groups (the figures are based on nominal principal amount):

Commitments according to risk classification based on probability of default - GROUP 2014	Gross loans	Guarantees	Drawing-rights facilities	Total exposure
Low risk (0 % - < 1 %)	41 832	976	4 400	47 208
Middle risk (1 % - < 4 %)	5 416	386	345	6 147

High risk (4 % - <100 %)	1 569	291	62	1 922
Commitments in default	374	7	11	392
Total loans before individual and collective impairment	49 191	1 660	4 818	55 669
- Impairment (individual and collective impairment)	-307	0	0	-307
Net loans to and receivables from customers 31.12.2014	48 884	1 660	4 818	55 362

Commitments according to risk classification based on probability of default - GROUP 2013	**Gross loans**	**Guarantees**	**Drawing-rights facilities**	**Total exposure**
Low risk (0 % - < 1 %)	37 719	963	3 495	42 177
Middle risk (1 % - < 4 %)	6 281	455	234	6 970
High risk (4 % - <100 %)	2 021	20	38	2 079
Commitments in default	526	5	3	534
Total loans before individual and collective impairment	46 547	1 443	3 770	51 760
- Impairment (individual and collective impairment)	-306	0	0	-306
Net loans to and receivables from customers 31.12.2014	46 241	1 443	3 770	51 454

Commitments according to risk classification based on probability of default - PARENT BANK 2014	**Gross loans**	**Guarantees**	**Drawing-rights facilities**	**Total exposure**
Low risk (0 % - < 1 %)	27 160	976	3 305	31 441
Middle risk (1 % - < 4 %)	4 862	386	337	5 585
High risk (4 % - <100 %)	1 383	291	62	1 736
Commitments in default	395	7	11	413
Total loans before individual and collective impairment	33 800	1 660	3 715	39 175
- Impairment (individual and collective impairment)	-305	0	0	-305
Net loans to and receivables from customers 31.12.2014	33 495	1 660	3 715	38 870

Commitments according to risk classification based on probability of default - PARENT BANK 2013	**Gross loans**	**Guarantees**	**Drawing-rights facilities**	**Total exposure**
Low risk (0 % - < 1 %)	23 849	963	2 730	27 542
Middle risk (1 % - < 4 %)	5 624	455	261	6 340
High risk (4 % - <100 %)	1 820	20	38	1 878
Commitments in default	526	5	3	534
Total loans before individual and collective impairment	31 819	1 443	3 032	36 294
- Impairment (individual and collective impairment)	-305	0	0	-305
Net loans to and receivables from customers 31.12.2014	31 514	1 443	3 032	35 989

Collateral and other risk reducing measures
The Group accepts different kinds of collateral in order to reduce risk depending upon the market and type of transaction involved.

The main principle for value assessment of collateral is based on the realisation value of the asset in question, and what that value is deemed to be when the Bank needs the security. With the exception of commitments against which impairment has been made, the value of the collateral is calculated on the assumption of a going concern. When assessing the value of collateral, estimated sales costs are taken into consideration.

In this year's calculations of individual impairment on loans the Bank's valuation of the security objects is considered. Additional information is presented in note 7.

The main types of collateral used are: mortgage on property (residential and commercial), guarantees, surety, charge on tangible moveable property (chattels) which can be registered, charge on goods (stocks), operating equipment and licenses, or set-off agreements. Guarantees are a small part of the Bank's risk exposure; guarantors relating to private persons (consumer guarantees), companies (professional), guarantee institutes and banks are accepted.

Collateral and other security is updated at least once every year or, in the case of the retail banking market, when a new credit proposal is dealt with. In the case of corporate customers, the security involved is updated either when a new credit proposal is dealt with or when certain commitments are followed up. Value assessment is part of the credit decision.

When calculating capital requirement for credit risk, the Bank does not apply set-off relating to exposure on, or off, the balance sheet.

Sparebanken Møre requires establishment of a CSA agreement before entering into derivatives trading with any interbank counterparty. This provides Sparebanken Møre with security for a given exposure. The agreement with the counterparty defines when the collateral is to be transferred between the parties. Sparebanken Møre practices cash collateral with their counterparties. The market value of all derivatives entered into between Sparebanken Møre and its counterparties are settled either daily or weekly.

The table below shows the percentage distribution of commitments with different levels of security. For example, the line 0 % - 60 % implies that the commitments are less than 60 % of the security object. 100 % implies that the loan amount exceeds the value of the security object. The bank's guidelines for valuation of collateral objects are utilized. This means that the security objects have been carefully considered in relation to the market value.

Level of security - 2014	**Retail customers as percentage of total**	**Corporate as percentage of total**	**Total**
0 % - 60 %	42.36	50.48	44.90
60 % - 70 %	16.31	10.55	14.51
70 % - 80 %	19.07	12.77	17.10
80 % - 90 %	6.94	6.50	6.81
90 % - 100 %	3.99	3.50	3.84
Above 100 %	10.09	13.87	11.27
Not secured	1.23	2.32	1.57
Total	100.00	100.00	100.00

Level of security - 2013	**Retail customers as percentage of total**	**Corporate as percentage of total**	**Total**
0 % - 60 %	45.20	50.60	46.90
60 % - 70 %	16.90	6.70	13.70
70 % - 80 %	16.50	13.40	15.50
80 % - 90 %	7.20	5.50	6.70
90 % - 100 %	4.10	3.20	3.80
Above 100 %	8.70	16.90	11.30
Not secured	1.40	3.70	2.10
Total	100.00	100.00	100.00

Cover pool related to covered bonds issued by Møre Boligkreditt AS	**2014**	**2013**
Pool of eligible loans	15 110	14 563
Supplementary assets	312	738
Total collateralised assets 1)	15 422	15 301
Over-collateralisation	113.2	112.7

1) NOK 417 million of total gross loans are not eligible for the cover pool as at 31 December 2014 (NOK 300 million in 2014).

Note 5

COMMITMENTS BROKEN DOWN ACCORDING TO SECTORS

In the financial statements the loan portfolio and deposits with agreed floating interest rate are measured at amortised cost. The loan portfolio and deposits with fixed interest rate are measured at fair value.

GROUP	**Loans**		**Deposits**		**Guarantees**	
Broken down according to sectors	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Agriculture and forestry	463	488	163	152	1	1
Fisheries	3 279	2 965	457	380	0	0
Manufacturing	2 217	1 840	1 138	1 194	237	409
Building and construction	603	797	484	667	114	163
Wholesale and retail trade, hotels	577	581	688	669	75	79
Foreign shipping/supply	1 610	1 568	311	535	1 111	707
Property management	5 637	5 597	1 597	1 437	36	27
Professional/financial services	787	707	1 370	1 463	0	0
Transport and private/public services	1 311	1 116	2 009	2 243	77	38
Public entities	38	32	697	853	0	0
Activities abroad	135	162	10	5	0	0
Miscellaneous	160	121	2 434	2 459	0	0
Total corporate/public entities	16 817	15 974	11 358	12 057	1 651	1 424
Retail customers	32 245	30 454	17 024	15 999	9	9
Accrued interest income	129	119	7	12	0	0
Total loans/deposits	49 191	46 547	28 389	28 068	1 660	1 433
Individual impairment	- 141	- 166				
Collective impairment	- 166	- 140				
Loans to and receivables from customers	48 884	46 241				
Loans/deposits with floating interest rate (amortised cost)	45 250	42 109	27 950	27 530		
Loans/deposits with fixed interest rate (fair value)	3 941	4 438	439	538		

PARENT BANK	**Loans**		**Deposits**		**Guarantees**	
Broken down according to sectors	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Agriculture and forestry	460	486	163	152	1	1
Fisheries	3 278	2 964	457	380	0	0
Manufacturing	2 210	1 840	1 138	1 194	237	409
Building and construction	577	774	484	667	114	163
Wholesale and retail trade, hotels	568	573	688	669	75	79
Foreign shipping/supply	1 597	1 568	311	535	1 111	707
Property management	5 528	5 568	1 608	1 447	36	27
Professional/financial services	769	695	1 370	1 463	0	0
Transport and private/public services	1 266	1 084	2 016	2 253	77	38
Public entities	41	32	697	853	0	0
Activities abroad	135	162	10	5	0	0
Miscellaneous	182	121	2 434	2 458	0	0
Total corporate/public entities	16 611	15 867	11 376	12 076	1 651	1 424
Retail customers	17 083	15 854	17 024	15 999	9	9
Accrued interest income	106	98	7	12		
Total loans/deposits	33 800	31 819	28 407	28 087	1 660	1 433
Individual impairment	- 141	- 166				
Collective impairment	- 164	- 139				
Loans to and receivables from customers	33 495	31 514				
Loans/deposits with floating interest rate (amortised cost)	29 859	27 283	27 968	27 538		
Loans/deposits with fixed interest rate (fair value)	3 941	4 438	439	538		

Note 6

COMMITMENTS BROKEN DOWN INTO GEOGRAPHICAL AREAS

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
GROUP	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Gross loans	41 446	39 643	7 547	6 680	198	224	49 191	46 547
In percentage	84.3	85.2	15.3	14.3	0.4	0.5	100.0	100.0
Deposits	22 912	22 609	5 182	5 215	295	244	28 389	28 068
In percentage	80.7	80.5	18.3	18.6	1.0	0.9	100.0	100.0
Guarantees	1 538	1 275	122	158	0	0	1 660	1 433
In percentage	92.7	89.0	7.3	11.0	0.0	0.0	100.0	100.0
PARENT BANK	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Gross loans	29 005	27 892	4 625	3 703	170	224	33 800	31 819
In percentage	85.8	87.7	13.7	11.6	0.5	0.7	100.0	100.0
Deposits	22 930	22 628	5 182	5 215	295	244	28 407	28 087
In percentage	80.7	80.5	18.3	18.6	1.0	0.9	100.0	100.0
Guarantees	1 538	1 275	122	158	0	0	1 660	1 433
In percentage	92.7	89.0	7.3	11.0	0.0	0.0	100.0	100.0

Note 7

LOSSES ON LOANS AND GUARANTEES

Impairment
Losses on loans are calculated as the difference between book value and present value of estimated, future cash flows, discounted at the effective rate of interest. Only credit losses due to loss events occurring on the balance sheet date in question are recognised.

The discounting rate for loans at floating interest rates is equal to the effective rate of interest at the time of assessment. For loans at fixed interest rates, the discounting rate is equal to the original, effective interest rate. For commitments which have altered interest rates as a result of debtors' financial problems, the effective rate of interest ruling before the commitment's interest rate was altered is applied. When estimating future cash flows, a possible takeover and sale of related collateral is taken into consideration, also including costs relating to the takeover and sale.

Impairment of commitments is recognised in the profit and loss account as losses on loans. Interest calculated on loans which have previously been impaired, is recognised as interest income. Reversal of impairment is recognised in the profit and loss account as a correction of losses. When all collateralised assets have been realised and when there is definitely no likelihood of the bank receiving any more payments relating to the outstanding commitment, the loss is confirmed. The claim against the customer will still exist and be followed up, unless the bank has agreed to debt forgiveness for the customer.

Provisions for guarantee liabilities are made if the liability involved is likely to cease and the liability can be estimated in a reliable manner. Best estimate is applied when determining the amount of the provisions to be made. Claims for recourse related to guarantees in connection with which provisions have been made are included in the balance sheet as an asset, the amount at most being equal to the provisions in question.

The impairment amount is calculated as the difference between the carrying amount (principal + accrued interest at the valuation date) and the present value of future cash flows, discounted at the effective interest method over the commitments` expected time of life. Impairment is classified in the statement of income as losses. Estimates of future cash flows from a loan should also consider the acquisition and sale of related collateral. When evaluating security coverage there should be a qualified assessment of the collateral`s nature and market value, taking into account the costs of the acquisition and sale. Realisation values for different collateral in a realizable situation are determined by the use of best judgment. Timing for liquidation of loans with impairment is based on judgment and experiences from other liquidation engagements and bankruptcies.

Individual impairment
Individual impairment for credit losses is made when there are objective indications that there has been impairment of a loan's value as a result of reduced creditworthiness. An impairment is reversed when the loss is reduced and when it can objectively be related to an event which has occurred after the time of impairment. All commitments which are regarded as significant, and a selection of other loans, are assessed in order to determine whether there is objective proof of impairment in value.

Individual commitments are subject for impairment in value if there is objective proof of:

a) The debtor having significant financial problems

b) Default of payment or other significant breaches of contract. A commitment is deemed to be in default if the borrower does not pay installments which have fallen due, or if an overdraft has not been covered, within a maximum period of 90 days.

c) Approved deferment of payment or new credit for the payment of an installment, agreed changes to the rate of interest or other terms and conditions relating to the agreement as a result of debtor's financial problems. Renegotiation of loan terms to ease the borrower's position is regarded as objective evidence of impairment.

d) A likelihood of the debtor entering into debt negotiations, other financial restructuring, or of the debtor's estate being subject to bankruptcy proceedings.

Collective impairment

Collective impairment is calculated on subgroups of loans, where objective evidence indicates that future cash flows from the commitments are impaired, where an individual review of all loans is not possible, or where information is not identifiable for each commitment. Commitments where individual impairment have been made, are not included in the basis for collective impairment. The impairment assessment is conducted on customer groups with largely similar risk- and value characteristics, and is based on risk classification and credit loss experience for the customer groups involved.

Groups of loans are written down for impairment in value if there is objective proof of:

a) Negative changes in the payment status of debtors within the group

b) Economic effects which have occurred and which, on the balance sheet day involved, have not been fully taken into consideration in the bank's risk classification system

Losses on loans and guarantees

GROUP			PARENT BANK	
2013	**2014**	**Specification of losses on loans, guarantees etc.**	**2014**	**2013**
1	-25	Changes in individual impairment of loans and guarantees during the period	-25	1
0	26	Changes in collective impairment during the period	26	0
40	20	Confirmed losses during the period where individual impairment had previously been made	20	40
24	19	Confirmed losses during the period where individual impairment had previously not been made	19	24
11	18	Recoveries	18	11
54	22	Losses on loans, guarantees etc.	22	54

Impairment on loans/guarantees broken down according to sectors

GROUP	2014			2013		
Broken down according to sectors	**Losses**	**Losses as a perc. of gross loans**	**Perc. share of gross loans**	**Losses**	**Losses as a perc. of gross loans**	**Perc. share of gross loans**
Agriculture and forestry	2	0.40	0.9	0	0.00	1.1
Fisheries	-5	-0.14	6.7	20	0.60	6.4
Manufacturing	-3	-0.16	4.5	21	1.70	2.9
Building and construction	2	0.27	1.2	3	0.45	1.7
Wholesale and retail trade, hotels	-2	-0.21	1.2	4	0.64	1.3
Foreign shipping/supply	0	0.00	3.3	-11	-0.68	3.4
Property management	-4	-0.08	11.5	14	0.25	12.1
Professional/financial services	0	0.00	1.6	0	0.00	1.5
Transport and private/public services	5	0.42	2.7	2	0.14	3.5
Public entities	0	0.00	0.1	0	0.00	0.1
Activities abroad	0	0.00	0.3	0	0.00	0.3
Miscellaneous	0	0.00	0.4	0	0.00	0.3

Total corporate/public entities	-5	-0.02	34.4	53	0.32	34.6
Retail customers	1	0.01	65.6	1	0.01	65.4
Collective impairment	26	0.06			0.00	
Total customers	22	0.05	100.0	54	0.12	100.0
Credit institutions		0.00			0.00	
Total	22	0.05	100.0	54	0.12	100.0

Impairment on loans/guarantees broken down according to sectors

PARENT BANK	2014			2013		
Broken down according to sectors	**Losses**	**Losses as a perc. of gross loans**	**Perc. share of gross loans**	**Losses**	**Losses as a perc. of gross loans**	**Perc. share of gross loans**
Agriculture and forestry	2	0.40	1.4	0	0.00	1.5
Fisheries	-5	-0.14	9.7	20	0.60	9.3
Manufacturing	-3	-0.16	6.5	21	1.72	4.2
Building and construction	2	0.27	1.7	3	0.46	2.4
Wholesale and retail trade, hotels	-2	-0.21	1.7	4	0.64	1.8
Foreign shipping/supply	0	0.00	4.7	-11	-0.68	4.9
Property management	-4	-0.08	16.4	14	0.24	17.6
Professional/financial services	0	0.00	2.3	0	0.00	2.2
Transport and private/public services	5	0.43	3.7	2	0.14	5.0
Public entities	0	0.00	0.2	0	0.00	0.1
Activities abroad	0	0.00	0.4	0	0.00	0.5
Miscellaneous	0	0.00	0.5	0	0.00	0.4
Total corporate/public entities	-5	-0.03	49.2	53	0.32	50.0
Retail customers	1	0.01	50.8	1	0.01	50.0
Collective impairment	26	0.08			0.00	
Total customers	22	0.07	100.0	54	0.16	100.0
Credit institutions		0.00			0.00	
Total	22	0.07	100.0	54	0.16	100.0

Note 8

IMPAIRMENT ON LOANS AND GUARANTEES

Individual impairment of loans

GROUP			PARENT BANK	
2013	2014		2014	2013
166	166	Individual impairment on loans as at 01.01	166	166
40	20	Confirmed losses during the period, where individual impairment had previously been made	20	40
37	7	Increase in individual impairment during the period	7	37
38	29	Individual impairment of new commitments during the period	29	38
35	41	Recoveries on individual impairment during the period	41	35
166	141	Individual impairment on loans as at 31.12	141	166

Collective impairment of loans

GROUP			PARENT BANK	
2013	2014		2014	2013
140	140	Collective impairment of loans as at 01.01	139	139
0	26	Changes during the period	25	0
140	166	Collective impairment of loans as at 31.12	164	139

Individual impairment of guarantees

GROUP			PARENT BANK	
2013	2014		2014	2013
2	2	Individual impairment as at 01.01	2	2
0	0	Individual impairment during the period	0	0
0	0	Recoveries on individual impairment during the period	0	0
2	2	Individual impairment as at 31.12	2	2

Gross loans - Impairment - Commitments in default as at 31.12.2014

GROUP	Gross loans	Ind. impair.	Coll. impair.	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	463	6		457	1	6	10	47
Fisheries	3 279	48		3 231	0	12	125	70
Manufacturing	2 217	17		2 200	237	8	33	897
Building and construction	603	5		598	114	0	8	169
Wholesale and retail trade, hotels	577	7		570	75	1	12	256
Foreign shipping/supply	1 610	0		1 610	1 111	0	0	0
Property management	5 637	30		5 607	36	10	67	239
Professional/financial services	787	0		787	0	0	0	19
Transport and private/public services	1 311	7		1 304	77	2	14	436
Public entities	38	0		38	0	0	0	23
Activities abroad	135	0		135	0	0	0	0
Miscellaneous	160	0		160	0	0	0	0
Total corporate/public entities	16 817	120	129	16 568	1 651	39	269	2 156
Retail customers	32 245	21	37	32 187	9	47	37	2 662
Accured interest income	129			129				
Total	49 191	141	166	48 884	1 660	86	306	4 818

Gross loans - Impairment - Commitments in default as at 31.12.2014

GROUP	Gross loans	Ind. impair.	Coll. impair.	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	488	5		483	1	1	11	52
Fisheries	2 965	52		2 913	0	8	205	29
Manufacturing	1 840	26		1 327	409	22	19	561
Building and construction	797	11		786	163	11	12	127
Wholesale and retail trade, hotels	581	9		572	79	3	10	232
Foreign shipping/supply	1 568	0		1 568	707	0	0	0
Property management	5 597	38		5 559	27	18	78	122
Professional/financial services	707	0		707	0	4	0	21
Transport and private/public services	1 116	5		1 598	38	19	9	170
Public entities	32	0		32	0	0	0	24
Activities abroad	162	0		162	0	0	0	0
Miscellaneous	121	0		121	0	0	0	0
Total corporate/public entities	15 974	146	107	15 721	1 424	86	344	1 338
Retail customers	30 454	20	33	30 401	9	66	38	2 432
Accured interest income	119			119				
Total	46 547	166	140	46 241	1 433	152	382	3 770

Gross loans - Impairment - Commitments in default as at 31.12.2014

PARENT BANK	Gross loans	Ind. impair.	Coll. impair.	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	460	6		454	1	6	10	47
Fisheries	3 278	48		3 230	0	12	125	70
Manufacturing	2 210	17		2 193	237	8	33	897
Building and construction	577	5		572	114	0	8	169
Wholesale and retail trade, hotels	568	7		561	75	1	12	256
Foreign shipping/supply	1 597	0		1 597	1 111	0	0	0
Property management	5 528	30		5 498	36	10	67	239
Professional/financial services	769	0		769	0	0	0	19
Transport and private/public services	1 266	7		1 259	77	2	14	436
Public entities	41	0		41	0	0	0	23
Activities abroad	135	0		135	0	0	0	0
Miscellaneous	182	0		182	0	0	0	0
Total corporate/public entities	16 611	120	129	16 362	1 651	39	269	2 156
Retail customers	17 083	21	35	17 027	9	47	37	1 559
Accured interest income	106			106				
Total	33 800	141	164	33 495	1 660	86	306	3 715

Gross loans - Impairment - Commitments in default as at 31.12.2014

PARENT BANK	Gross loans	Ind. impair.	Coll. impair.	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	486	5		481	1	1	11	52
Fisheries	2 964	52		2 912	0	8	205	29
Manufacturing	1 840	26		1 322	409	22	19	561
Building and construction	774	11		763	163	11	12	127
Wholesale and retail trade, hotels	573	9		564	79	3	10	232
Foreign shipping/supply	1 568	0		1 568	707	0	0	0
Property management	5 568	38		5 530	27	18	78	122
Professional/financial services	695	0		695	0	4	0	21
Transport and private/public services	1 084	5		1 571	38	19	9	170
Public entities	32	0		32	0	0	0	24
Activities abroad	162	0		162	0	0	0	0
Miscellaneous	121	0		121	0	0	0	0
Total corporate/public entities	15 867	146	107	15 614	1 424	86	344	1 338
Retail customers	15 854	20	32	15 802	9	66	38	1 694
Accured interest income	98			98				
Total	31 819	166	139	31 514	1 433	152	382	3 032

Note 9

DEFAULTED AND DOUBTFUL COMMITMENTS

The accounting policies on commitments in default and estimated losses are disclosed in note 7 .

The table Commitments in default shows the total of a customer's outstanding commitments broken down into the number of days past due caused by lack of ability or willingness to pay. Defaulted loans and overdrafts are continuously supervised. Impairment is assessed for commitments where a probable deterioration of customer solvency is identified.

The table Problem loans consists of total commitments in default above 3 months and other commitments subject for individual impairment without being in default.

Age analysis of commitments in default (total of all of a customer's outstanding commitments)

	2014			2013		
GROUP	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**
0-1 months	879	695	184	1 499	865	634
1-3 months	25	21	4	29	18	11
3-6 months	27	5	22	64	24	40
6-12 months	22	13	9	32	17	15
Above 12 months	37	29	8	56	25	31
Gross loans in default	990	763	227	1 680	949	731
Thereof commitments with impairment	91	47	44	158	66	92
Thereof commitments without impairment	808	716	92	1 374	883	491

PARENT BANK	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**
0-1 months	879	695	184	1 499	865	634
1-3 months	25	21	4	29	18	11
3-6 months	27	5	22	64	24	40
6-12 months	22	13	9	32	17	15
Above 12 months	37	29	8	56	25	31
Gross loans in default	990	763	227	1 680	949	731
Thereof commitments with impairment	86	47	39	159	67	92
Thereof commitments without impairment	904	716	188	1 521	882	639

Problem loans

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

	2014			2013		
GROUP	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**
Problem loans prior to individual impairment:						
Commitments in default above 3 months	86	47	39	152	66	86
Other bad and doubtful commitments subject to impairment	306	37	269	382	38	344
Total problem loans prior to individual impairment	392	84	308	534	104	430
Individual impairment on:						
Commitments in default above 3 months	21	8	13	35	6	29
Other bad and doubtful commitments subject to impairment	122	12	110	131	14	117
Total individual impairment	143	20	123	166	20	146
Problem loans after individual impairment:						
Commitments in default above 3 months	65	39	26	117	60	57
Other bad and doubtful commitments subject to impairment	184	25	159	251	24	227
Total problem loans less individual impairment	249	64	185	368	84	284
Total problem loans prior to individual impairment as a percentage of total loans	0.80	0.26	1.83	1.16	0.34	2.71
Total problem loans less individual impairment as a percentage of total loans	0.51	0.20	1.10	0.80	0.28	1.79

PARENT BANK	**Total**	**Retail**	**Corporate**	**Total**	**Retail**	**Corporate**
Problem loans prior to individual impairment:						
Commitments in default above 3 months	86	47	39	152	66	86
Other bad and doubtful commitments subject to impairment	306	37	269	382	38	344
Total problem loans prior to individual impairment	392	84	308	534	104	430
Individual impairment on:						
Commitments in default above 3 months	21	8	13	35	6	29
Other bad and doubtful commitments subject to impairment	122	12	110	131	14	117
Total individual impairment	143	20	123	166	20	146
Problem loans after individual impairment:						
Commitments in default above 3 months	65	39	26	117	60	57
Other bad and doubtful commitments subject to impairment	184	25	159	251	24	227
Total problem loans less individual impairment	249	64	185	368	84	284
Total problem loans prior to individual impairment as a percentage of total loans	1.16	0.49	1.85	1.70	0.66	2.73
Total problem loans less individual impairment as a percentage of total loans	0.74	0.37	1.11	1.17	0.53	1.80

Development last 5 years

GROUP						PARENT BANK				
2010	2011	2012	2013	2014		2014	2013	2012	2011	2010
					Problem loans prior to individual impairment:					
249	299	257	152	86	Commitments in default above 3 months	86	152	257	293	242
674	488	324	382	306	Other bad and doubtful commitments subject to impairment	306	382	324	488	667
923	787	581	534	392	Total problem loans prior to individual impairment	392	534	581	781	909
					Individual impairment on:					
39	136	71	35	21	Commitments in default above 3 months	21	35	71	131	39
227	129	95	131	122	Other bad and doubtful commitments subject to impairment	122	131	95	128	224
266	265	166	166	143	Total individual impairment	143	166	166	259	263
					Problem loans after individual impairment:					
210	163	186	117	65	Commitments in default above 3 months	65	117	186	162	203
447	359	229	251	184	Other bad and doubtful commitments subject to impairment	184	251	229	360	443
657	522	415	368	249	Total problem loans less individual impairment	249	368	415	522	646
2.45	1.95	1.34	1.16	0.80	Total problem loans prior to individual impairment as a percentage of total loans	1.16	1.70	1.81	2.46	2.86
1.74	1.30	0.96	0.80	0.51	Total problem loans less individual impairment as a percentage of total loans	0.74	1.17	1.29	1.64	2.04

Note 10

LIABILITIES

Financial guarantees

The Group issues financial guarantees as part of its ordinary operations. Credit risk is presented in note 4 and also includes financial guarantees and commitments. These guarantees are evaluated for impairment in accordance with the same principles as those applying to loans, and are referred to in note 7 .

Uncertain liabilities

These numbers are uncertain liabilities and provisions which not directly is related to the lending activities in the Bank. An item of provisioning is shown in the accounts when the group has a valid (legal or assumed) liability as a result of events which have occurred, and if it can be argued as likely (more likely than not) that a financial settlement will be made as a result of the event involved, and that the amount can be estimated in a reliable manner. Any provisions raised are reviewed on each balance sheet date in question and their value assessed on the basis of the best estimate of the liability involved. In the case of insignificant time discrepancies, the amount of provisioning raised equals the cost of getting out of the liability. When the time discrepancy is significant, the amount of provisioning raised equals the present value of future payments to be made in order to cover the liability. An increase in the amount of provisioning raised as a result of the time involved, is shown as interest costs.

An uncertain liability where it is not likely that there will be a financial settlement, is regarded as a contingent liability. A provision shall not be made for contingent liabilities. Mention has been made of significant contingent liabilities, with the exception of contingent liabilities where the likelihood of the liability is low. A contingent asset is not included in the annual accounts, but mentioned if it is likely that a benefit will accrue to the Group.

Other liabilities amounted to NOK 207 million for the Group and NOK 202 million for the Parent Bank as at 31.12.14.

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
313	233	Payment guarantees	233	313
499	296	Contract guarantees	296	499
561	1 073	Loan guarantees	1 073	561
60	58	Other guarantee liabilities	58	60
1 433	1 660	Guarantee liabilities relating to customers	1 660	1 433
0	0	Guarantee liabilites towards credit institutions	0	0
0	0	Guarantee provided for the Savings Bank's Guarantee Fund (SBGF)	0	0
1 433	1 660	Guarantee liabilities as at 31.12	1 660	1 433
3 770	4 818	Drawing rights facilities for customers	3 715	3 032

Breakdown according to different commercial, industrial and other sectors is shown in note 5.

		Assets pledged as collateral security for loans etc.		
1 274	1 110	Certificates and bonds pledged as collateral for access to loans from Norges Bank	1 110	1 274
0	0	Utilised under loan facility from Norges Bank	0	0

As at 31.12.2014, the Group is involved in one legal dispute. The Group has assessed the probability of loss to be insignificant.

Note 11

LIQUIDITY RISK

The management of Sparebanken Møre's funding structure is defined in an overall liquidity strategy which is evaluated and agreed by the Board of Directors at least once every year. In this strategy document, the bank's aims and targets relating to the maintenance of its financial strength are described, and actual limits for the bank's liquidity management within different areas are defined. Liquidity management also includes stress tests according to which the liquidity effect of different scenarios is simulated by quantifying the probability of refinancing from the various sources of funding involved. Part of the bank's strategy is to apply diversification to its funding with regard to sources, markets, financial instruments and maturities, the object being to reduce the overall risk.

To ensure the Group's liquidity risk being kept at a low level, lending to customers should primarily be funded by customer deposits and long-term debt securities. Liquidity risk is managed through both short-term limits that restrict net refinancing needs, and a long-term management target which determines the proportion of loans and other illiquid assets to be funded by stable sources such as customer deposits or loans with minimum 12-month residual maturity.

The deposit to lending ratio in the Group, calculated including transferred mortgages to Møre Boligkreditt AS, amounted to 58.1% at the end of 2014.

The average residual maturity of the portfolio of senior bonds and covered bonds were respectively 1.9 and 3.9 at the end of 2014, compared with 1.8 and 4.0 a year earlier.

The bank also has holdings of securities, which are included as part of the ongoing liquidity management. See additional information in Note 15 and 17.

The table below shows contractual undiscounted cash flows. The figures can therefore not be reconciled with the figures in the balance sheet.

Liquidity risk 2014

GROUP	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	78	0	0	0	0	78
Loans to and receivables from credit institutions	1 161	0	0	0	0	1 161
Loans to and receivables from customers	12 153	579	2 655	17 843	27 650	60 880
Certificates and bonds	116	220	305	3 327	1 178	5 146
Total assets	13 508	799	2 960	21 170	28 828	67 265

Liabilities						
Liabilities to credit institutions	44	53	0	451	0	548
Deposits from and liabilities to customers	27 973	63	371	8	0	28 415
Debt securities issued	27	1 084	4 270	14 229	1 881	21 491
Subordinated loan capital and hybrid capital	9	11	73	1 670	0	1 763
Total liabilities	28 053	1 211	4 714	16 358	1 881	52 217

Financial derivatives						
Cash flow in	17	63	339	1 026	562	2 007
Cash flow out	30	90	327	1 010	420	1 877
Total financial derivatives	-13	-27	12	16	142	130

Liquidity risk 2013

GROUP	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	1 281	0	0	0	0	1 281
Loans to and receivables from credit institutions	701	0	0	0	0	701
Loans to and receivables from customers	11 805	544	2 406	11 844	34 563	61 162
Certificates and bonds	26	135	435	4 450	1 164	6 210
Total assets	13 813	679	2 841	16 294	35 727	69 354
Liabilities						
Liabilities to credit institutions	231	708	168	0	0	1 107
Deposits from and liabilities to customers	27 559	124	403	3	0	28 089
Debt securities issued	16	636	3 602	11 940	3 923	20 117
Subordinated loan capital and hybrid capital	10	5	77	1 957	0	2 049
Total liabilities	27 816	1 473	4 250	13 900	3 923	51 362
Financial derivatives						
Cash flow in	22	62	395	1 292	486	2 257
Cash flow out	36	92	342	1 296	393	2 159
Total financial derivatives	-14	-30	53	-4	93	98

Liquidity risk 2014

PARENT BANK	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	78	0	0	0	0	78
Loans to and receivables from credit institutions	2 076	0	0	0	0	2 076
Loans to and receivables from customers	8 794	432	1 993	12 782	17 165	41 166
Certificates and bonds	116	220	301	3 133	1 178	4 948
Total assets	11 064	652	2 294	15 915	18 343	48 268
Liabilities						
Liabilities to credit institutions	147	53	0	451	0	651
Deposits from and liabilities to customers	27 991	63	371	8	0	28 433
Debt securities issued	17	28	2 669	3 336	0	6 050
Subordinated loan capital and hybrid capital	9	11	73	1 670	0	1 763
Total liabilities	28 164	155	3 113	5 465	0	36 897
Financial derivatives						
Cash flow in	16	62	274	787	207	1 346
Cash flow out	27	80	287	861	245	1 500
Total financial derivatives	-11	-18	-13	-74	-38	-154

Liquidity risk 2013

PARENT BANK	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	1 281	0	0	0	0	1 281
Loans to and receivables from credit institutions	701	0	0	0	0	701
Loans to and receivables from customers	8 625	394	1 726	8 361	22 139	41 245
Certificates and bonds	29	134	443	4 297	1 134	6 037
Total assets	10 636	528	2 169	12 658	23 273	49 264
Liabilities						
Liabilities to credit institutions	761	708	168	0	0	1 637
Deposits from and liabilities to customers	27 579	124	403	3	0	28 109
Debt securities issued	0	595	2 895	2 173	0	5 663
Subordinated loan capital and hybrid capital	10	5	77	1 957	0	2 049
Total liabilities	28 350	1 432	3 543	4 133	0	37 458

Financial derivatives						
Cash flow in	20	62	345	1 043	186	1 656
Cash flow out	32	81	300	1 079	208	1 700
Total financial derivatives	-12	-19	45	-36	-22	-44

Note 12

MARKET RISK

The bank's Board of Directors stipulates the long-term aims and targets with regard to the bank`s risk profile. These aims and targets are made operational through powers of attorney and limits which are delegated within the organisation. Sparebanken Møre manages market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on the bank's strategy documents. The strategy documents are subject to periodical reviews and are revised/agreed once every year by the bank's Board of Directors. In addition, the documents shall be passed on to, approved and understood by the operative units, the bank's control functions and administration. In order to ensure the necessary quality and independence, the development of risk management tools and the execution of the risk reporting are organised in a separate unit which is independent of the operative units.

Market risk in the Group is measured and monitored based on conservative limits that are renewed and approved by the Board at least annually.

Note 12.1

INTEREST RATE RISK

Sparebanken Møre measures interest rate risk through analyses which show the impact on the overall result of a 1-year period of a 1 percentage point parallel shift in the yield curve. In this way, it is possible to quantify the risk which has been incurred by the Bank and the effect it has on the result when interest rates in the market change. The analysis shows effective maturity for the interest-bearing part of the balance sheet. The longer funds are fixed in the case of a placement, the bigger is the potential loss or gain following an increase or a fall in the interest rates in the market. The Group has a short interest-fixing period overall and the interest rate risk is deemed to be moderate. The table below shows the potential impact on the overall result of changes in value of financial assets and liabilities of the Group by an increase in interest rates of one percentage point. The calculation is based on the current positions and market interest rates at 31 December. Potential effect of a 1-year period of an interest rate change of 1 percentage point is NOK 48 million.

GROUP - 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	-8	9	3	-10	-1	-7
Cur	0	-2	0	1	0	-1
Total	-8	7	3	-9	-1	-8

GROUP - 2013	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	-6	5	3	-14	-2	-14
Cur	0	-1	0	1	0	0
Total	-6	4	3	-13	-2	-14

PARENT BANK - 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	0	0	2	-11	-1	-10
Cur	0	1	0	1	0	2
Total	0	1	2	-10	-1	-8

PARENT BANK - 2013	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	-3	0	2	-15	-2	-18
Cur	0	1	0	1	0	2
Total	-3	1	2	-14	-2	-16

Note 12.2

FOREIGN EXCHANGE RISK

Sparebanken Møre measures foreign exchange risk on the basis of its net positions in the different currencies involved. The Bank's foreign exchange risk is incurred in connection with the Bank's operations relating to foreign exchange transactions done on behalf of customers and with other banks. It is a main principle that all transactions involving customers shall immediately be hedged by doing opposite transactions in the market so that the Bank's foreign exchange risk is reduced to a minimum level. The Bank does not trade on its own account as far as foreign currency instruments are concerned. All balance sheet items in foreign currencies are converted into Norwegian kroner at the middle rate from Norges Bank as at 31 December. For notes and coins, approximate purchase prices are applied. Current income and costs are converted into Norwegian kroner at the prices ruling when the income was accrued or the costs incurred. Net realised and unrealised gains or losses are included in the profit and loss account. Throughout the year under review, the intended foreign exchange risk has been at a minimum level.

GROUP - 2014	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	78	75	3		3			
Loans to and receivables from credit institutions	1 161	1 074	87	12	30	7	1	37
Loans to and receivables from customers	48 884	46 059	2 825	856	422	23	1 499	25
Certificates and bonds	4 771	3 999	772		772			
Other assets	1 411	1 314	97	42	32	2	9	12
Total assets	56 305	52 521	3 784	910	1 259	32	1 509	74
Liabilities to credit institutions	548	68	480	20	451			9
Deposits from and liabilities to customers	28 389	28 187	202	146	37	13	0	6
Debt securities issued	19 872	18 239	1 633		524			1 109
Other liabilities	1 272	455	817	24	791	2	0	0
Subordinated loan capital	1 379	1 379	0					
Equity	4 845	4 845	0					
Total liabilities and equity	56 305	53 173	3 132	190	1 803	15	0	1 124
Forward exchange contracts			-637	-715	546	-18	-1 504	1 054
Net exposure foreign exchange			15	5	2	-1	5	4
Effect of a 10 per cent change in price (MNOK)	2							

GROUP - 2013	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	1 281	1 278	3		3			
Loans to and receivables from credit institutions	715	577	138	62	23	9	20	24
Loans to and receivables from customers	46 122	43 040	3 082	904	618	36	1 508	16
Certificates and bonds	5 073	4 169	904		904			
Other assets	1 436	1 357	79	12	15	1	10	41
Total assets	54 627	50 421	4 206	978	1 563	46	1 538	81
Liabilities to credit institutions	1 107	700	407	33	168		205	1
Deposits from and liabilities to customers	28 056	27 787	269	176	46	21		26
Debt securities issued	18 334	16 790	1 544		449			1 095
Other liabilities	1 141	1 107	34	11	3	2		18
Subordinated loan capital	1 498	1 498						
Equity	4 491	4 491						
Total liabilities and equity	54 627	52 373	2 254	220	666	23	205	1 140
Forward exchange contracts			-1 934	-702	-943	-22	-1 331	1 064
Net exposure foreign exchange			18	56	-46	1	2	5
Effect of a 10 per cent change in price (MNOK)	2							

PARENT BANK - 2014	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	78	75	3		3			
Loans to and receivables from credit institutions	2 076	1 989	87	12	30	7	1	37
Loans to and receivables from customers	33 495	30 670	2 825	856	422	23	1 499	25
Certificates and bonds	4 588	3 816	772		772			
Other assets	1 878	1 781	97	42	32	2	9	12
Total assets	42 115	38 331	3 784	910	1 259	32	1 509	74
Liabilities to credit institutions	651	171	480	20	451			9
Deposits from and liabilities to customers	28 407	28 205	202	146	37	13	0	6
Debt securities issued	5 874	5 874	0					
Other liabilities	1 196	379	817	24	791	2	0	0
Subordinated loan capital	1 379	1 379	0					
Equity	4 608	4 608	0					
Total liabilities and equity	42 115	40 616	1 499	190	1 279	15	0	15
Forward exchange contracts			-2 270	-715	22	-18	-1 504	-55
Net exposure foreign exchange			15	5	2	-1	5	4
Effect of a 10 per cent change in price (MNOK)	2							

PARENT BANK - 2013	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	1 281	1 278	3		3			
Loans to and receivables from credit institutions	1 846	1 708	138	62	23	9	20	24
Loans to and receivables from customers	31 416	28 334	3 082	904	618	36	1 508	16
Certificates and bonds	5 540	4 636	904		904			
Other assets	1 760	1 681	79	12	15	1	10	41
Total assets	41 843	37 637	4 206	978	1 563	46	1 538	81
Liabilities to credit institutions	1 637	1 230	407	33	168		205	1
Deposits from and liabilities to customers	28 076	27 807	269	176	46	21		26
Debt securities issued	5 309	5 309						
Other liabilities	1 028	994	34	11	3	2		18
Subordinated loan capital	1 498	1 498						
Equity	4 295	4 295						
Total liabilities and equity	41 843	41 133	710	220	217	23	205	45
Forward exchange contracts			-3 478	-702	-1 392	-22	-1 331	-31
Net exposure foreign exchange			18	56	-46	1	2	5
Effect of a 10 per cent change in price (MNOK)	2							

Note 12.3

FINANCIAL DERIVATIVES

Financial derivatives are contracts which are entered into in order to hedge an already existing interest- and foreign exchange risk incurred by the bank, as well as the bank's risk by sale of structured products. Financial derivatives comprise foreign currency- and interest rate instruments, as well as financial instruments related to structured products. Financial derivatives are shown in the accounts at fair value, with value changes recognised in the profit and loss account, and are carried in the balance sheet on a gross basis per contract as assets or liabilities respectively.

The table shows the financial derivatives' nominal values and their market values. In the accounts, positive market value per contract is shown as an asset, whereas a negative market value is shown under liabilities in the balance sheet. The table includes both financial derivatives for customer transactions which are incorporated under Net gains/losses from financial instruments, and financial derivatives in the Bank's portfolio which are recognised in Net interest income.

	2014			2013		
GROUP	**Nominal value**	**Asset**	**Liability**	**Nominal value**	**Asset**	**Liability**
Interest rate related contracts						
Swaps	13 110	509	533	15 333	288	289
Foreign exchange related						
Swaps	4 195	190	60	4 042	115	64
FX forward	12 854	132	69	11 501	93	58
Earned interest		67	51		91	55
Total financial derivatives		898	713		587	466
- hereof applied in hedge accounting	3 252	268	0	3 224	181	0

	2014			2013		
PARENT BANK	**Nominal value**	**Asset**	**Liability**	**Nominal value**	**Asset**	**Liability**
Interest rate related contracts						
Swaps	12 060	293	533	14 283	213	289
Foreign exchange related						
Swaps	2 596	23	60	2 493	33	62
FX forward	12 854	132	69	11 501	93	58
Earned interest		55	51		78	55
Total financial derivatives		503	713		417	464
- hereof applied in hedge accounting	1 977	104	0	1 965	109	0

Maturity of financial derivatives, nominal value

GROUP

	2014			2013		
Maturity	**Interest rate swaps**	**Interest rate and foreign exchange swaps**	**Forward exchange contracts**	**Interest rate swaps**	**Interest rate and foreign exchange swaps**	**Forward exchange contracts**
2014				2 399	614	9 545
2015	1 495	926	10 853	1 761	669	1 157
2016	1 866	1 429	1 139	2 505	901	799
2017	3 205	735	862	2 650	798	
2018	735	121		765	118	
2019	1 005	375		968	368	
2020	757	305		403	286	
2021	1 186	79		1 196	79	
2022	821			863		
2023	390			350		
2024	137			23		
2025	1 156			1 088		
2026	150			150		
2027	207			212		
2028		225			209	
	13 110	4 195	12 854	15 333	4 042	11 501

PARENT BANK

Maturity	2014			2013		
	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts
2014				2 399	614	9 545
2015	1 495	494	10 853	1 761	243	1 157
2016	1 866	1 429	1 139	2 505	901	799
2017	3 205	63	862	2 650	135	
2018	735	121		765	118	
2019	1 005	375		968	368	
2020	757	35		403	35	
2021	1 186	79		1 196	79	
2022	821			863		
2023	390			350		
2024	137			23		
2025	106			38		
2026	150			150		
2027	207			212		
2028						
	12 060	2 596	12 854	14 283	2 493	11 501

Note 13

SUBORDINATED LOAN CAPITAL AND PERPETUAL HYBRID TIER 1 CAPITAL

GROUP AND PARENT BANK

ISIN.NR.	Issue	Maturity	Terms	2014
NO0010671928	22.02.13	22.02.23	3 months NIBOR + 2.50 / Call option 2018	501
Subordinated loan capital				501
NO0010262306	14.04.05	Perpetual	3 months NIBOR + 1.10 / First call option 2015	50
NO0010532765	10.09.09	Perpetual	11.70 % fixed / First call option 2019	320
NO0010659972	09.10.12	Perpetual	3 months NIBOR + 4.75 / First call option 2017	508
Perpetual Hybrid Tier 1 Capital				878

The loans are expressed in NOK. There is no option to convert the subordinated loan capital/perpetual hybrid tier 1 capital to EC-capital (Equity Certificates). The Group had no investments in subordinated loan capital in other enterprises (including financial institutions) at the end of 2014.

Note 14

DEBT SECURITIES

The securities debt in the parent bank consists of bonds and certificates quoted in Norwegian kroner. Møre Boligkreditt has issued covered bonds quoted in NOK, SEK and Euro.

The bank's loans at floating interest rate are assessed at amortised cost. In the case of the bank's loans at fixed interest rate fair value hedging is applied, with value changes recognised in the profit and loss account. The bank hedges the value of interest rate risk on an individual basis. There is a clear, direct and documented relationship between value changes relating to the hedging instrument and the hedged object. The relationship is documented through a test of the hedging effectiveness when entering into the transaction and through the period of the hedging relationship. Hedging gains and losses result in an adjustment of the balance sheet value of hedged loans. The hedging adjustments are amortised over the remaining period of the hedging by adjusting the loans' effective interest rate if the hedging no longer is effective, if hedging is discontinued or by other termination of hedging. By applying this principle, one establishes a correct accounting presentation which is in accordance with the bank's interest rate management and the actual financial development.

Financial instruments in fair value hedging

GROUP					PARENT BANK			
2013		2014			2014		2013	
Nominal value	Book value	Nominal value	Book value		Nominal value	Book value	Nominal value	Book value
3 214	3 391	3 228	3 672	Value secured debt securities with changes in value recognised through profit or loss	1 977	2 139	1 963	2 071
3 224	181	3 228	438	Financial derivatives applied in hedge accounting	1 977	156	1 965	109

Changes in value of financial instruments in fair value hedging recognised through profit or loss

GROUP			PARENT BANK	
2013	2014		2014	2013
95	-213	Value secured debt securities with changes in value recognised through profit or loss	-13	74
-96	213	Financial derivatives applied in hedge accounting	14	-76
-1	0	Total	1	-2

Debt securities

GROUP			PARENT BANK	
2013	2014		2014	2013
1 870	1 750	Certificate debt, nominal value	1 750	1 870
16 223	17 569	Bond debt, nominal value	4 000	3 350
101	83	Earned interest	43	58
248	470	Value adjustments	81	93
18 442	19 872	Total debt securities	5 874	5 371

Changes in debt securities

GROUP

	Balance sheet 31.12.13	Issued	Overdue/ redeemed	Other changes	Balance sheet 31.12.14
Certificate debt, nominal value	1 870	1 150	1 270		1 750
Bond debt, nominal value	16 223	4 500	3 154		17 569
Earned interest	101			-18	83
Value adjustments	248			222	470
Total debt securities	18 442	5 650	4 424	204	19 872

PARENT BANK

	Balance sheet 31.12.13	Issued	Overdue/ redeemed	Other changes	Balance sheet 31.12.14
Certificate debt, nominal value	1 870	1 150	1 270		1 750
Bond debt, nominal value	3 350	2 000	1 350		4 000
Earned interest	58			-15	43
Value adjustments	93			-12	81
Total debt securities	5 371	3 150	2 620	-27	5 874

Maturity of securities-based debt, nominal value

GROUP			PARENT BANK	
2013	**2014**	**Maturity**	**2014**	**2013**
4 558		2014		3 220
3 085	4 868	2015	2 550	300
1 827	1 828	2016	1 000	1 000
3 578	5 078	2017	2 200	700
1 500	2 000	2018		
1 250	1 250	2019		
1 044	3 044	2020		
1 050	1 050	2025		
201	201	2028		
18 093	19 319	Total	5 750	5 220

Note 15

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 - 2014	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments assessed as held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			78	
Loans to and receivables from credit institutions			1 161	
Loans to and receivables from customers		4 123	44 761	
Certificates and bonds		4 771		
Shares	3			123
Financial derivatives	898			
Total financial assets	901	8 894	46 000	123
Loans and deposits from credit institutions			548	
Deposits from and liabilities to customers		442	27 947	
Financial derivatives	713			
Debt securities			19 872	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 379	
Swap arrangement for securities			-	
Total financial liabilities	713	442	49 746	-

GROUP - 2013	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments assessed as held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			1 281	
Loans to and receivables from credit institutions			715	
Loans to and receivables from customers		4 438	41 803	
Certificates and bonds		5 117		
Shares	2			213
Financial derivatives	587			
Total financial assets	589	9 555	43 799	213
Loans and deposits from credit institutions			1 107	
Deposits from and liabilities to customers		526	27 542	
Financial derivatives	466			
Debt securities		420	18 022	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 519	
Swap arrangement for securities			634	
Total financial liabilities	466	946	48 824	-

PARENT BANK - 2014	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments assessed as held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			78	
Loans to and receivables from credit institutions			2 076	
Loans to and receivables from customers		4 123	29 372	
Certificates and bonds		4 588	-	
Shares	3			123
Financial derivatives	503			
Total financial assets	506	8 711	31 526	123
Loans and deposits from credit institutions			651	
Deposits from and liabilities to customers		442	27 965	
Financial derivatives	713			
Debt securities			5 874	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 379	
Swap arrangement for securities			-	
Total financial liabilities	713	442	35 869	-

PARENT BANK - 2013	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments assessed as held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			1 281	
Loans to and receivables from credit institutions			1 846	
Loans to and receivables from customers		4 438	27 076	
Certificates and bonds		4 908	676	
Shares	2			213
Financial derivatives	417			
Total financial assets	419	9 346	30 879	213
Loans and deposits from credit institutions			1 637	
Deposits from and liabilities to customers		526	27 561	
Financial derivatives	464			
Debt securities		408	4 963	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 519	
Swap arrangement for securities			634	
Total financial liabilities	464	934	36 314	-

Interest income is recognised as income using the effective interest rate method. This involves interest income being recognised when received plus amortisation of establishment fees. The effective interest rate is set by discounting contractual cash flows within the expected term. All fees exceeding the direct transaction costs related to interest-bearing loans and borrowings are included in the calculation of the balance sheet item's effective interest rate and are amortised over the expected term.

Recognition of interest income using the effective interest rate method is used for both balance sheet items valued at amortised cost, and balance sheet items valued at fair value through profit or loss, with the exception of the establishment fee on loans at fair value which are recognised as income when earned. Interest income on impaired loans is calculated as the effective interest rate on the impaired value. Interest income on financial instruments is included in the line item "Net interest income".

Interest income

GROUP			PARENT BANK	
2013	2014		2014	2013
248	229	Interest income on financial assets assessed at fair value	230	282
1 973	2 008	Interest income on financial assets assessed at amortised cost	1 434	1 486
2 221	2 237	Total interest income	1 664	1 768

Interest costs

GROUP			PARENT BANK	
2013	2014		2014	2013
46	13	Interest costs on financial liabilities assessed at fair value	13	46
1 133	1 131	Interest costs on financial liabilities assessed at amortised cost	851	915
1 179	1 144	Total interest costs	864	961

Note 16

FINANCIAL INSTRUMENTS AT AMORTISED COST

Loans are assessed at fair value when first assessed, with the addition of direct transaction costs. When determining the loan's value at the time of transaction (transaction price), establishment fees are deducted and subject to accrual accounting over the lifetime of the loan as part of the loan's effective interest rate. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate at the signing time which exactly discounts estimated, future cash flows over the loan's expected lifetime, down to the net value of the loan as shown in the balance sheet. By conducting this calculation, all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration.

GROUP	2014		2013	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	78	78	1 281	1 281
Loans to and receivables from credit institutions	1 161	1 161	715	715
Loans to and receivables from customers	44 761	44 761	41 803	41 803
Total financial assets	46 000	46 000	43 799	43 799
Loans and deposits from credit institutions	548	548	1 107	1 107
Deposits from and liabilities to customers	27 947	27 947	27 542	27 542
Debt securities	20 033	19 872	18 123	18 022
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 475	1 379	1 606	1 519
Swap arrangement for securities	-	-	634	634
Total financial liabilities	50 003	49 746	49 012	48 824

PARENT BANK	2014		2013	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	78	78	1 281	1 281
Loans to and receivables from credit institutions	2 076	2 076	1 846	1 846
Loans to and receivables from customers	29 372	29 372	27 076	27 076
Certificates and bonds	-	-	680	676
Total financial assets	31 526	31 526	30 883	30 879
Loans and deposits from credit institutions	651	651	1 637	1 637
Deposits from and liabilities to customers	27 965	27 965	27 561	27 561
Debt securities	5 901	5 874	4 986	4 963
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 475	1 379	1 606	1 519
Swap arrangement for securities	-	-	634	634
Total financial liabilities	35 992	35 869	36 424	36 314

GROUP - 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	78			78
Loans to and receivables from credit institutions		1 161		1 161
Loans to and receivables from customers			44 761	44 761
Total financial assets	78	1 161	44 761	46 000
Loans and deposits from credit institutions		548		548
Deposits from and liabilities to customers			27 947	27 947
Debt securities		20 033		20 033
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 475		1 475
Swap arrangement for securities		-		-
Total financial liabilities	-	22 056	27 947	50 003

GROUP - 2013	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	1 281			1 281
Loans to and receivables from credit institutions		715		715
Loans to and receivables from customers			41 803	41 803
Total financial assets	1 281	715	41 803	43 799
Loans and deposits from credit institutions		1 107		1 107
Deposits from and liabilities to customers			27 542	27 542
Debt securities		18 123		18 123
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 606		1 606
Swap arrangement for securities		634		634
Total financial liabilities	-	21 470	27 542	49 012

PARENT BANK - 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	78			78
Loans to and receivables from credit institutions		2 076		2 076
Loans to and receivables from customers			29 372	29 372
Certificates and bonds		-		-
Total financial assets	78	2 076	29 372	31 526
Loans and deposits from credit institutions		651		651
Deposits from and liabilities to customers			27 965	27 965
Debt securities		5 901		5 901
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 475		1 475
Swap arrangement for securities		-		-
Total financial liabilities	-	8 027	27 965	35 992

PARENT BANK - 2013	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	1 281			1 281
Loans to and receivables from credit institutions		1 846		1 846
Loans to and receivables from customers			27 076	27 076
Certificates and bonds		680		680
Total financial assets	1 281	2 526	27 076	30 883
Loans and deposits from credit institutions		1 637		1 637
Deposits from and liabilities to customers			27 561	27 561
Debt securities		4 986		4 986
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 606		1 606
Swap arrangement for securities		634		634
Total financial liabilities	-	8 863	27 561	36 424

Note 17

FINANCIAL INSTRUMENTS AT FAIR VALUE

Financial instruments are recognised at fair value at the time of entering into the agreement. Fair value of the instruments which are traded in active markets is based on the traded price on the balance sheet date in question. In the case of financial instruments which are not traded in an active market, the bank's own valuations are applied, based on currently applicable market conditions, or, as an alternative, value assessment provided by another player in the market. Financial instruments which are assessed at fair value, but which are not traded in an active market, are the portfolios of fixed interest rate loans, -deposits, more complex products, and unlisted shares. In the case of unlisted shares where a sufficiently reliable assessment of fair value cannot be made, the acquisition cost is applied, or the impaired value. Fair value of the portfolios of fixed interest loans and -deposits is based on contract-related cash flows discounted at market rate of interest. Transaction costs relating to financial assets and liabilities recognised at fair value with changes in value recognised through the profit and loss account, are not recognised in the balance sheet.

A change in the discount rate of 10 basis points would result in a change of approximately NOK 10.4 million on fixed rate loans and approximately NOK 0.3 million on fixed deposits.

GROUP - 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			4 123	4 123
Certificates and bonds	1 660	3 111		4 771
Shares	12		114	126
Financial derivatives		898		898
Total financial assets	1 672	4 009	4 237	9 918
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			442	442
Debt securities		-		-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		713		713
Total financial liabilities	-	713	442	1 155

GROUP - 2013	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			4 438	4 438
Certificates and bonds	1 577	3 540		5 117
Shares	21		194	215
Financial derivatives		587		587
Total financial assets	1 598	4 127	4 632	10 357
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			526	526
Debt securities		420		420
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		466		466
Total financial liabilities	-	886	526	1 412

PARENT BANK - 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			4 123	4 123
Certificates and bonds	1 660	2 928		4 588
Shares	12		114	126
Financial derivatives		503		503
Total financial assets	1 672	3 431	4 237	9 340
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			442	442
Debt securities		-		-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		713		713
Total financial liabilities	-	713	442	1 155

PARENT BANK - 2013	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			4 438	4 438
Certificates and bonds	1 577	3 331		4 908
Shares	21		194	215
Financial derivatives		417		417
Total financial assets	1 598	3 748	4 632	9 978
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			526	526
Debt securities		408		408
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		464		464
Total financial liabilities	-	872	526	1 398

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.2013	4 438	194	526
Purchases/additions	375	1	115
Sales/reduction	734	166	200
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses recorded in the period	44	85	1
Recorded value as at 31.12.2014	4 123	114	442

PARENT BANK	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.2013	4 438	194	526
Purchases/additions	375	1	115
Sales/reduction	734	166	200
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses recorded in the period	44	85	1
Recorded value as at 31.12.2014	4 123	114	442

Note 18

SUBSIDIARIES

GROUP STRUCTURE

Company	Home country	Core operations	Ownership share	Voting share
Møre Eiendomsmegling AS	Norway	Real estate broking	100%	100%
Sparebankeiendom AS	Norway	Real estate management	100%	100%
Møre Boligkreditt AS	Norway	Funding	100%	100%
The Parent Bank Sparebanken Møre	Norway	Bank		

Transactions involving subsidiaries

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. Price terms and conditions and other terms and conditions for transactions with subsidiaries are also shown in Note 19.

Settlement of financing costs and -income between the different segments is done on an ongoing basis using the Parent Bank's funding cost. The internal rate of interest for this is defined as effective 3-month NIBOR + a funding supplement for long-term financing (2.35 per cent in 2014 og 2.80 per cent in 2013).

Rent is allocated according to the floor space used for each segment in question, based on the same principles and the same prices as those applicable to the Parent Bank, at market rent.

Other services (office supplies, IT-equipment etc.) are bought by the segment involved from the Parent Bank at the same price as that which the Parent Bank obtains from external suppliers.

There are transactions between Sparebanken Møre and Møre Boligkreditt AS related to the transfer of loan portfolio to Møre Boligkreditt AS, as well as Sparebanken Møre providing loans and credits to the mortgage company. The economic conditions for the transfer of loans from Sparebanken Møre are market value. If mortgages with fixed interest rates are purchased the price will be adjusted for premium/ discount.

Sparebanken Møre is responsible for ensuring that the loans to be transferred to Møre Boligkreditt AS are properly established and in accordance with the requirements set forth in the agreement between the mortgage company and the Parent Bank. In case of violation of these requirements, the Bank will be liable for any losses that the mortgage company would experience as a result of the error. Sparebanken Møre and Møre Boligkreditt AS have formalised settlement of interest for transaction days from the date of transfer of the portfolio of loans to the timing of settlement of the consideration.

To ensure timely payment to holders of bonds (OMF) and associated derivatives, a revolving credit facility ("Revolving Credit Facility Agreement ") is established between Sparebanken Møre and Møre Boligkreditt AS. Sparebanken Møre guarantees timely coupon payments and payments linked to derivatives on outstanding bonds from Møre Boligkreditt AS, and repayment of principal on the bonds maturing in the ongoing next 12 months. In addition to the revolving credit facility, Møre Boligkreditt has a credit facility in Sparebanken Møre with an allocated limit of NOK 2 250 million.

The pricing of services provided to Møre Boligkreditt AS from Sparebanken Møre distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs in which the mortgage company must bear regardless of the activity related to the issuance of bonds, acquisition of portfolio etc. Variable costs are defined as costs related to the size of the portfolio acquired from Sparebanken Møre and the work that must be exercised by the Bank`s staff to provide adequate services given the number of customers in the portfolio.

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

PARENT BANK	**2014**	**2013**
Statement of income		
Interest and credit commission income from subsidiaries	34	64
Received dividend and group contribution from subsidiaries	152	87
Rent paid to Sparebankeiendom AS	17	17
Administration fee received from Møre Boligkreditt AS	22	19
Statement of financial position		
Claims on subsidiaries	1 069	1 292
Covered bonds	25	673
Liabilities to subsidiaries	122	550
Accumulated loan portfolio transferred to Møre Boligkreditt AS	15 544	14 884

Note 19

OPERATING SEGMENTS

The operations in the Group are divided into three strategic business areas/segments, according to type of services, customers and products involved, which also are reporting segments according to IFRS 8. The classification corresponds to the structure in the ongoing reporting to the CEO and the Board of Directors, defined as the primary decision makers. The different operating segments partly sell different products, have a somewhat different risk profile and target many of the same groups of customers.

The classification into different operating segments and financial information relating to segments are presented in the table below. Most of the income and operating costs involved apply to the Bank's different operating segments according to actual usage or according to activity-based distribution formulae. Segment profit is presented before tax. Tax is not allocated to the segments.

Transactions between different operating segments are based on market values/prices, similar to transactions with subsidiaries. Please see note 18 for additional information on terms.

The Group is divided into following three primary segments:

Primary segments	Company name	Product/operations
Corporate	Sparebanken Møre	Financing, payment transmissions, saving/placement, advisory services etc.
Retail	Sparebanken Møre	Financing, payment transmissions, saving/placement, advisory services etc.
	Møre Boligkreditt AS 1)	Financing (loans made against mortgages)
Real estate brokers	Møre Eiendomsmegling AS	Real estate brokerage services

1) Loans to housing associations from Møre Boligkreditt AS are recognised in the commercial segment.

Geographical segment

The Group's operations are mainly limited to Møre og Romsdal which is defined as the Group's home market. Less than 10 per cent of the Group's income comes from activities outside the home county. In view of this, therefore, balance sheet and profit and loss account figures are not reported for geographical segments. Activities in areas other than the home county are not different from the Group's other activities with regard to risk or return. Please see note 4 and note 6 for further information. Eliminations/other includes Sparebankeiendom AS, which handles real estate management of own properties.

Result - 2014	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 093	16	469	608	0
Other operating income	315	127	72	94	22
Total income	1 408	143	541	702	22
Operating costs	564	90	111	340	23
Profit before impairment	844	53	430	362	-1
Impairment on loans, guarantees etc.	22	26	1	-5	0
Pre tax profit	822	27	429	367	-1
Taxes	199				
Profit after tax	623				

Statement of financial position -2014	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	48 884	1 066	16 315	31 503	0
Deposits from customers 1)	28 389	480	9 606	18 303	0
Guarantee liabilities	1 660	0	1 652	8	0
The deposit-to-loan ratio	58.1	45.0	58.9	58.1	0
Man-years	383	152	53	162	16

Result - 2013	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 042	5	462	575	0
Other operating income	202	5	79	96	22
Total income	1 244	10	541	671	22
Operating costs	569	100	113	334	22
Profit before impairment	675	-90	428	337	0
Impairment on loans, guarantees etc.	54	0	53	1	0
Pre tax profit	621	-90	375	336	0
Taxes	171				
Profit after tax	450				

Statement of financial position -2013	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	46 241	1 004	15 552	29 685	0
Deposits from customers 1)	28 068	703	10 338	17 027	0
Guarantee liabilities	1 433	0	1 424	9	0
The deposit-to-loan ratio	60.8	89.2	66.5	57.4	0
Man-years	391	146	58	171	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	**2014**	**2013**
Net interest income	298	240
Other operating income	-7	-3
Total income	291	237
Operating costs	29	26
Profit before impairment on loans	262	211
Impairment on loans, guarantees etc.	1	0
Pre tax profit	261	211
Taxes	70	59
Profit after tax	191	152

Statement of financial position	2014	2013
Loans to and receivables from customers	15 544	14 884

Note 20

OTHER OPERATING INCOME

All fees receivable relating to payment transactions are included as income in the profit and loss account on an ongoing basis. Commissions and fees derived from the sale or brokerage of shares, unit trust certificates, property or similar investment objects which do not generate balance sheet items in the bank's accounts, are included as income in the profit and loss account when they have accrued. Customer transactions with financial instruments will generate revenue in the form of margins and brokerage which is booked as income once the trade in question has been completed. Margin income may have been realised when the contract has been entered into, but may also include a credit risk premium relating to the customer's ability to settle any liabilities incurred as a result of future changes in the contract's market value. If the margin incorporates a credit risk premium, this will be included in the profit and loss account as it is being accrued. Dividends from shares in companies are taken to income once the dividends have been finally adopted.

GROUP				PARENT BANK	
2013	**2014**		**Note**	**2014**	**2013**
10	7	Dividends and other income from securities with variable yields	18	159	96
32	28	Guarantee commission		28	32
21	21	Income from the sale of insurance services		21	21
21	24	Income from the sale of shares in unit trusts/securities		24	21
12	12	Various fees relating to loans		12	12
2	2	Inter-bank fees		2	2
9	10	Fees relating to cheques and giro payments		10	9
48	50	Fees from cards		50	48
10	8	Fees from international payment transmission services		8	10
19	25	Other fees and commission income		23	20
174	180	Commission income and revenues from banking services		178	175
-28	-29	Commission costs and expenditure in respect of banking services		-29	-29
-15	66	Fixed interest loans		66	-15
15	-76	Derivatives related to fixed interest loans		-76	15
102	-240	Issued bonds and certificates		-2	74
-108	230	Derivatives related to issued bonds and certificates		1	-76
-1	0	Change in credit spread FVO – securities-based debt		0	-1
4	91	Gains/losses on shares		91	4
-24	10	Gains/losses on bonds		14	-24
26	27	Trading in FX (on behalf of customers)		27	26
19	18	Other income		16	19
18	126	Net gains/losses from securities and foreign exchange	14 17	137	22

2	5	Operating revenues from real estate		0	0
22	22	Income from real estate brokerage		0	0
0	3	Gains on sale of buildings		0	0
4	1	Other operating income		27	23
28	31	Total other operating income		27	23
202	315	Total non-interest income	19	472	287

Note 21

OPERATING COSTS EXCL. PERSONNEL COSTS

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
79	68	IT-costs	68	79
5	6	Office supplies	6	5
13	12	Telephone and postage	12	13
6	5	Travel costs/car allowance on a per kilometer basis/representation	5	6
24	20	Marketing costs	20	23
6	8	Other administration costs	8	7
133	119	Total administration costs	119	133
28	25	Depreciation of fixed and intangible assets	21	24
25	29	Property costs	37	35
3	3	Fees paid to External Auditor	2	2
17	16	Costs relating to fixed assets	16	17
5	6	Capital tax	6	5
45	42	Other operating costs	31	33
95	96	Total other operating costs	92	92
256	240	Total operating costs	232	249

Note 22

RENTAL AGREEMENTS

The Group has outsourced most of the operations within the IT-area. In 2013, Sparebanken Møre entered into a new agreement with the company EVRY ASA, for delivery of the Bank`s IT services. The value of the agreement is of approximately NOK 240 million, and it lasts until 30 June 2017. Sparebanken Møre continues the cooperation of a complete range of banking solutions and operating services from EVRY.

EVRY delivers solutions that support key banking services such as deposits, financing, card and payment processing, accounting and reporting, message distribution and customer interaction services, self-service channels and solutions for branch offices. Along with this solutions EVRY delivers operation of all banking systems and infrastructure.

All of the Bank's rental agreements are operational.

Rental of business premises

The Bank rents 26 of its business premises from external lessors, as well as 4 from the Bank's wholly-owned real estate management company, Sparebankeiendom AS. Please see note 25 for further information about the business premises.

	2014	2013
Rent paid to:		
Sparebankeiendom AS	17	17
Other external lessors	16	16

Duration of rental agreements

Rental agreements with external lessors are mainly of 10 years' duration (some are for 1 year) with a 12 months' period of notice for both parties and rental at market prices. Rental agreements with the subsidiary Sparebankeiendom AS have a 1-month period of notice and are for one year at the time. The rent is market price.

Contract-related future rental costs (nominal amounts)	Within 1 year	1-5 years	Above 5 years
Sparebankeiendom AS	17	0	0
Other external lessors	16	64	80
Total	33	64	80

Note 23

SALARIES AND TRANSACTIONS WITH RELATED PARTIES

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
236	232	Wage, salary and other cash-based benefits	218	223
2	2	Fees paid to members of the Board of Directors, Board of Trustees and Control Committee	2	2
14	18	Bonus/profit sharing 1)	18	14
8	17	Pension costs (note 24)	17	8
35	38	Employers' social security contribution	37	34
17	17	Other personnel costs	16	16
313	324	Total wage and salary costs	308	297
		Manning levels		
427	412	Number of employees as at 31.12	394	410
432	419	Average number of employees	402	416
391	383	Number of man-years worked as at 31.12	367	375
400	384	Average number of man-years worked	371	383

1) Parts of staff's bonuses (about 50 per cent) for 2014 and 2013 were given in the form of ECs (MORG), which were purchased in the market at the price ruling at the Stock Exchange at the time. The total number of ECs purchased was about 47 000 in 2014 and about 39 000 in 2013.

As at 31.12.2014, the Bank had no obligations in relation to its Chief Executive Officer (CEO), the members of the Board of Directors or other employees regarding any special payment on termination or change of employment relationship or the positions involved. Furthermore, there are no accounting-related obligations relating to bonuses, profit sharing, options or similar for any of the abovementioned persons. Regarding the the bonus schemes in the Group, see the discussion in the NUES document paragraph 12. The CEO's contract includes a 6-month period of notice. Note 24 contains a description of pension schemes. All salaries and other remuneration for the Group's employees and related parties are charged to the profit and loss account at the end of the accounting year. Pension costs are an accounting-related expense for the Bank, including the payment of premiums relating to the various pension schemes.

One of the Bank`s board members, Ragna Brenne Bjerkeset, is employed as a senior adviser in TIBE Samfunn. This firm has during 2014 not billed Sparebanken Møre for services. TIBE Reklamebyrå AS, which is part of the TIBE-group, has billed the Bank for a total of NOK 730 129 in 2014. The transactions were entered into on normal commercial terms as if they were conducted between unrelated parties.

GROUP - Wages, salaries, other remuneration and pensions

Salary paid to the CEO amounted to NOK 2 235 639 kroner in 2014 (2013: NOK 2 022 011). Estimated value of benefits in kind totalled NOK 425 012 (2013: NOK 300 345). In addition, NOK 1 050 177 (2013: NOK 1 001 545) has been charged to the profit and loss account as costs relating to the CEO's pension agreement from the age of 60 years (note 24), including employer's social security contributions.The CEO's pension age is 60 years at which time he will receive an annual pension equivalent to 70 per cent of leaving salary.

Wages and salaries/fees to elected bodies

GROUP (Amounts in NOK thousand)	2014	2013
Board of Trustees	348	558
Board of Directors	1 266	988
Control Committee	268	280
Fees paid to External Auditor (including value added tax)	3 109	3 339
- hereof fee for statutory audit 1)	1 888	2 270
- hereof other attestation services	442	380
- hereof tax-related advisory services	214	221
- hereof other non-audit services	565	468

1) Of which TNOK 283 applies to simplified audit controll after Q2 2013.

All wages, salaries and other remuneration to employees in the Group and other appropriate parties have been charged to the profit and loss account as costs and have been paid at the end of the accounting year. As at 31.12.2013, the Bank had no liabilities relating to the Bank's CEO, members of the Board of Directors or other employees involving special compensation on termination of employment or changes in employment or the jobs and positions in question. Furthermore, there are no arrangements or accountsrelated liabilities relating to bonuses, profit sharing, options, subscription rights or similar for the abovementioned persons. Reference is made to note 24 for a description of benefitsrelated pension schemes for the Bank's CEO and other employees.

Loans, deposits and guarantees

GROUP	2014			2013		
	Loans	Deposits	Guarantees	Loans	Deposits	Guarantees
Board of Trustees	71	23	0	73	26	0
Board of Directors	13	7	0	2	9	0
Control Committee	2	1	0	2	1	0
Employees	916	143	0	893	132	0

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Bank's Board of Trustees, Board of Directors and Control Committee.

Interest rate subsidy relating to loans extended to the Group's staff

The total benefit in kind relating to loans provided at a rate of interest lower than that (average 3.85 per cent in 2014) which triggers a basis for taxing such benefits in kind to the Bank's staff has been estimated at NOK 735 248 compared to NOK 314 281 in 2013.

Interest income and interest costs related to the Board of Trustees, Board of Directors and Control Committee

	2014	2013
Interest income	1	1
Interest costs	3	3

Wages, salaries, other remuneration and pensions - PARENT BANK

Amounts in NOK thousand	Wages/salaries		Other remuneration		Pension costs	
	2014	2013	2014	2013	2014	2013
Board of Trustees						
Tormod Hvattum, Chairman	36	38				
Other members 3)	312	520				
Total	348	558				
Board of Directors						
Leif-Arne Langøy, Chairman	327	295	0	7		
Roy Reite, Deputy Chairman	154	133				
Ragna Brenne Bjerkeset	134	113				
Henning Sundet	175	73				
Rita Christina Sævik	90	0				
Ann Magritt Bjåstad Vikebakk	90	0				
Helge Karsten Knudsen, employees elected representative 1)	105	0				
Former board members:						
Ingvild Vartdal	52	117				
Elisabeth Maråk Støle	52	117				
Turid Håndlykken Sylte, employees elected representative 2)	87	110				
Stig Remøy	0	30				
Total	1 266	988				
CEO						
Olav Arne Fiskerstrand	2 236	2 022	425	300	1 050	1 002
Managers in 2014						
EVP, Retail Banking Division, Trond Nydal	1 436	1 295	211	171		
EVP, Sunnmøre Corporate Banking, Terje Krøvel	1 261	1 184	79	139		
EVP, Romsdal & Nordmøre Corporate Banking, Kolbjørn Heggdal	1 318	291	55	8		
EVP, Søre Sunnmøre Corporate Banking, Kjell Jan Brudevoll	1 159	1 125	84	83		
EVP, Head of Treasury & Market Division, Runar Sandanger	1 303	1 225	115	155		
EVP, Head of Financial Control, Risk Management, HR and Security, Idar Vattøy	1 198	1 099	107	149		
EVP, Head of Credit and Legal Division, Erik Røkke	1 129	941	84	41		
EVP, Head of Business Development and Support, Perdy Lunde	1 186	1 093	90	139		
Former manager	0	1 035	0	95		
Total	9 990	9 288	825	980		

Control Committee		
Grete Opshaug, Chairman	103	111
Jon Olav Slettebakk	53	53
Karl Johan Brudevoll	53	53
Kjell Martin Rønning	59	63
Total	268	280
Fees paid to External Auditor (including value added tax)		
Fees paid to External Auditor	2 083	2 272
- hereof fee for statutory audit 4)	1 500	1 783
- hereof other attestation services	0	25
- hereof tax-related advisory services	150	145
- hereof other non-audit services	433	319

1) Ordinary salary amounts to NOK 473 552.

2) Ordinary salary amounts to NOK 592 029 (2013: NOK 608 315).

3) Deputy chairman and members of the Board of Trustees are compensated with NOK 2 000 per meeting in 2014. Three meetings have been held in 2013.

4) Of which TNOK 283 applies to simplified audit controll after Q2 2013.

Loans and guarantees

Amounts in NOK thousand	2014		2013	
	Loans	Guarantees	Loans	Guarantees
Board of Trustees				
Tormod Hvattum, Chairman	1 654	0	1 738	0
Other members (51 members)	69 443	0	71 656	0
Board of Directors				
Leif-Arne Langøy, Chairman	20	0	26	0
Roy Reite, Deputy Chairman	0	0	0	0
Ragna Brenne Bjerkeset	103	0	134	0
Henning Sundet	0	0	0	0
Rita Christina Sævik	0	0	0	0
Ann Magritt Bjåstad Vikebakk	8 263	0	1 466	0
Helge Karsten Knudsen, employees elected representative	4 636	0	4 484	0
Control Committee				
Grete Opshaug, leder	905	0	911	0
Jon Olav Slettebakk	1 023	0	1 024	0
Karl Johan Brudevoll	0	0	0	0
Kjell Martin Rønning	0	0	0	0
CEO				
Olav Arne Fiskerstrand	0	0	0	0
Employees	915 867	0	893 476	0

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Bank's Board of Trustees, Board of Directors and Control Committee.

Loans to the CEO and employees elected representative are given according to staff conditions.

Note 24

PENSION COSTS AND LIABILITIES

The group has two pension plans, a defined benefit plan and a defined contribution plan. In addition, the CEO and some bank managers have early retirement agreements. The group also participates in the statutory early retirement pension (SERP) scheme.

The group`s pension plans meet the requirements in the regulations regarding pensions.

Benefit-based pension scheme in own pension fund

The Group has provided its employees with pensions defined as benefit based schemes (old age pensions). The benefit based scheme is guaranteed through payments to the bank's pension fund. The existing benefit based pension plan was closed to new members as at 31 December 2009.

Pension costs and pension liabilities relating to the defined benefit plan are recognised in accordance with IAS 19.

The pension liabilities are valued annually by an actuary, based on assumptions determined by the bank.

The pension liabilities and pension costs are determined by applying a straight line accrual formula. A straight line accrual formula spreads the accrual of future pension benefits on a straight line basis over the time of pension accruals, the accrued pension entitlements for staff during the period in question being regarded as the pension costs for the year. Net pension costs are included in personnel expenses in the financial statements.

Pension liabilities are calculated as the present value of future, probable pension payments and are based on actuarial computations and assumptions. The difference between calculated, incurred liability and the value of the pension resources is shown in the balance sheet. Actuarial gains and losses due to changed assumptions or discrepancies between expected and actual return on the pension resources, is recognized in the period they occur in other income and costs in the statement of comprehensive income.

The discount rate is based on the interest rate on corporate bonds with high credit ratings. The Norwegian covered bond market is deemed to possess the characteristics required for use as the basis for calculating the discount rate.

Expected return on pension assets is calculated using the same interest rate used for discounting pension liabilities. Return in excess of the discount rate is recognised in other income and costs in comprehensive income.

The introductions of new schemes or changes to existing schemes that have retroactive effect such that the employees have immediately earned a paid-up policy (or a change to a paid-up policy), are recognised in the profit and loss account immediately. Gains or losses linked to contractions or terminations of pension plans are recognised in the profit and loss account when they occur.

The largest portion of the Group's pension scheme is defined benefit, which entitles employees to agreed future pension benefits of 70 per cent of leaving salary for all staff who have reached their pension age of 67 years, assuming full vesting (30 years). This liability comprised 263 (298) active members and 230 (213) pensioners at the end of 2014.

Contribution based pension scheme

The Group`s contribution based pension schemes are delivered by DnB. A percentage of income is paid into the scheme depending on the individual's level of income, and the payments are expensed as they occur. The contribution based pension scheme has contribution rates of 5 % of salary in the range up to 6 times the national insurance basic amount (G) and 8 % of salary in the range from 6 to 12 G. Pension payments are expensed as they occur and are recognised in Wages, salaries etc. in the statement of income.

The bank's subsidiary Møre Eiendomsmegling AS has provided a contribution based pension scheme for its employees. The contribution represents 3 % of the employee's salary.

The group`s costs related to the contribution based pension schemes amounted to NOK 3 million in 2014 (NOK 3 million in 2013).

Pension agreements for the Bank`s CEO, senior and general managers
The retirement age for the Bank's CEO is 60 years old and for bank managers born before 31.12.1953 the retirement age is 65 years old. At this time, they will receive a pension of 70 per cent of their leaving salary up to the age of 67 years old, when they would be transferred to the Bank's pension fund. This arrangement comprised 9 senior and general managers at the end of 2014. The other bank managers have a pension age of 67 years old. Earlier the bank had an early retirement plan for bank managers appointed before 31.12.2004. This plan came to an end in 2013, and hence reduced the pension costs in 2013 by NOK 13 million. The Group also has obligations associated with salaries in excess of 12G, which have been taken account of in the actuaries' calculations.

Statutory early retirement pension (SERP)
The Group participated in the statutory early retirement pension (SERP) scheme for the financial industry, which meant that all employees with retirement age 67 years could choose to take early retirement from and including the age of 62. A decision was taken to wind up this scheme in February 2010 and it was only possible to take early retirement pursuant to the old scheme before 31 December 2010. A new SERP scheme has been established as a replacement for the old SERP scheme. Unlike the old scheme, the new SERP scheme is not an early retirement scheme, but a scheme that provides a lifelong addition to the ordinary pension. Employees covered by the new scheme, can choose to join the new SERP scheme from the age of 62, including in parallel with staying in work, and by working until 67 years old it provides additional earnings. The new SERP scheme is a defined benefit based multi-enterprise pension scheme, and is funded through premiums which are determined as a percentage of pay. The premium for 2014 was set at 2.2 per cent of total payments between 1 G (G = the national insurance basic amount) and 7.1 G to the company`s employees. For 2015 the premium is set at 2.4 per cent. The scheme does not involve the building up of a fund and the level of premiums is expected to increase in the coming years. At the moment, there is no reliable measurement and allocation of the liabilities and funds in the scheme. The scheme is treated in the financial statements as a contribution based pension scheme in which premium payments of NOK 5 million in 2014 (NOK 6 million in 2013) are recognised as costs on an ongoing basis and no provisions are made in the financial statements.

The figures in the table below are equal for the Parent Bank and the Group.

Financial and actuarial assumptions

	Liabilities		Costs	
	2014	**2013**	**2014**	**2013**
Rate of discounting	2.30	4.10	4.10	4.00
Wage and salary adjustment	2.75	3.75	3.75	3.75
Pension adjustment	-	-	-	0.20
Adjustment of the National Insurance`s basic amount	2.50	3.50	3.50	3.50
Employers` social security contribution	14.10	14.10	14.10	14.10
Table for mortality rate etc	K2013	K2013	K2013	K2013
Disability tariff	IR02	IR02	IR02	IR02

Pension costs in ordinary result

	2014	2013
Present value of pension accruals during the year including administration costs	12	13
Interest cost of incurred pension liabilities	15	14
Expected return on pension resources	-17	-17
Net pension cost for the pension fund	10	10
Change in present value of pension accruals relating to other pension schemes	-2	-14
Payments/pension costs charged to the profit and loss account, incl. payments according to the defined-contribution scheme and the statutory early retirement pension (SERP)	10	11
Total pension costs	19	8
Pension plan change including employers' social security contribution	0	0

Specification of estimate deviations in comprehensive income

	2014	2013
Change in the rate of discounting	-126	6
New table for mortality rate	0	-18
Change in other financial assumptions	22	11
Estimate deviations on pension funds	3	-35
Total estimate deviations	-102	-36

Total pension liabilities/-funds

	2014	2013
Pension liabilities	485	373
Value of pension resources	-447	-428
Net pension liabilities/-funds relating to the pension fund	39	-54
Net pension liabilities relating to members of the Bank's top team/general managers	29	29
Net pension liabilities relating to Statutory Early Retirement Pension, SERP	0	1
Total net pension liabilities/-funds	68	-25

Funded pension liabilities

	2014	2013
Pension liabilities as at 01.01	373	363
Pension accruals for the year	12	13
Pension payments	-13	-12
Interest costs	15	14
Employers' social security contribution	-2	-3
Actuarial gains/losses	100	-2
Pension liabilities as at 31.12	485	373

Funded pension resources

	2014	2013
Pension resources as at 01.01	428	445
Total amount paid in	16	19
Pensions paid out	-13	-12
Expected return	17	17
Acturial gains/losses	-1	-41
Pension resources as at 31.12	447	428

Estimated payment for 2015 amounts to NOK 21 million.

Pension liabilities - Statutory Early Retirement Pension and other pensions

	2014	2013
Pension liabilities as at 01.01	30	46
Pension accruals for the year	1	1
Pension payments	-4	-4
Interest costs	1	2
Change in present value related to pension benefits for bank managers	0	-13
Acturial gains/losses	2	-2
Pension liabilities as at 31.12	29	30

Sensitivity analysis

	Change in the rate of discounting	Effect on the liability as at 31.12.2014	Effect on the pension cost in 2014
The funded plan	0.5	-7.0	-9.1
The funded plan	-0.5	7.8	10.4
Unfunded schemes	0.5	-4.0	-4.1
Unfunded schemes	-0.5	4.3	4.4

The sensitivity analysis above is based on a change in the discount rate, given that all other factors remain constant.

Sensitivity calculations are performed using the same method as the actuarial calculation for the calculation of the pension liability in the balance sheet.

Historic development

	2014	2013	2012	2011	2010
Pension liabilities incl. emloyers' social security contribution	485	373	363	626	584
Pension resources	-447	-428	-445	-391	-376
Pension liabilities SERP and other pensions	29	30	45	56	64
Total net pension liabilities/-funds	68	-25	-37	291	272

Management of the pension fund`s resources
Sparebanken Møre has its own pension fund which manages payment of the pension benefits involved once an employee has reached the age of 67 years.

The capital shall be managed in consideration of security, the diversification of risk, return and liquidity. The pension fund shall manage the assets in such a way that the correct compliance with the insurance liabilities involved is secured and safeguarded. In particular, the management of the pension fund shall ensure security over time against the background of the pension fund's long-term liabilities.

Within the framework of appropriate security and risk diversification, the pension fund shall over time make every effort to achieve the best possible return on the assets under management.

The long-term aspect of the asset management implies that the pension fund must take on both interest rate and market risk in order to be assured of a moderate extra return in addition to a risk-free placement rate of interest.

The pension fund shall ensure that it has sufficiently good liquidity in order to make all its expected payments.

The pension fund has not invested in financial instruments issued by Sparebanken Møre or in properties owned or used by the bank.

The pension fund has a deposit of NOK 55 million (NOK 52 million in 2013) with Sparebanken Møre.

Investment profile - pension resources

	2014		2013	
	Market value	Percentage	Market value	Percentage
Bonds/certificates	335 393	72.3	378 889	84.4
Bank deposits	128 501	27.7	70 116	15.6
Total pension resources	463 894	100.0	449 005	100.0

Return on pension resources

	2014	2013
Total pension resources	3.45	4.38

Capital adequacy for the pension fund

	2014	2013
Capital adequacy	13.41	15.46

Note 25

FIXED ASSETS

Fixed assets are valued at historical cost, including direct and related costs, minus accumulated depreciation and impairment. When assets are sold, the cost price and accumulated depreciation are reversed in the accounts, and any gains or losses from the sale are shown in the profit and loss account. The cost price of fixed assets is defined as the purchase price, including levies, indirect taxes and direct acquisition costs relating to preparing the asset in question for use. Costs incurred after the bank has started to use the asset in question, including repairs and maintenance, are shown as costs in the profit and loss account.

When the acquisition cost of a component is substantial in relation to the total acquisition cost, and the time of usage involved is significantly different, in that case substantial fixed assets are broken down for depreciation purposes into separate components.

Depreciation is calculated by applying the straight-line method over the following time periods, taking into account the residual value:

Assets	Time period depreciation
Building plots and sites	Are not depreciated
Holiday properties	Are not depreciated
Buildings	50 years
Technical installations	10 years
Fixtures and fittings	8-10 years
Cars	5 years
Office machines	5 years
IT-equipment	3-5 years

In the case of each separate asset, an annual reassessment is made of remaining life and residual values. In connection with each reporting date, an assessment is made as to whether there are indications of impairment in value in the case of material assets. If there are such indications, the assets' recoverable amounts are calculated. The recoverable amount is the higher of fair market value, from which sales costs have been deducted, and the usage value. When assessing impairment in value, the fixed assets are grouped together at the lowest level it is possible to separate out independent cash flows (cash flow-generating units). A cash flow-generating unit is defined as the smallest identifiable group generating incoming cash flows, which to a very large extent is independent of other assets or groups.The amount of the asset in the balance sheet is immediately written down to the recoverable amount, if the book value is the higher.

Similarly, an assessment is made in order to ascertain whether the basis for earlier impairment still exists. If the basis for previous years' impairment no longer is present, the previous years' impairments are reversed and included in the profit and loss account. Fixed assets are thus shown at their historical value, minus accumulated depreciation and accumulated losses in the case of impairment in value.

Assets which separately are of lesser importance, for instance PCs and other office equipment, are not assessed individually for residual values, economic life or permanent impairment in value, but are assessed as groups.

Works in progress are classified as fixed assets and shown in the accounts at the incurred costs relating to the asset in question. Works in progress are not depreciated until the asset in question starts being used. Any gains or losses from the sale of fixed assets are incorporated in the profit and loss account on an ongoing basis.

With the exception of the taken over bank building in Tingvoll, buildings and plots are in their entirety incorporated in the financial statements of the Bank's subsidiary, Sparebankeiendom AS. The buildings are only intended for own use relating to the operations of the Bank, and are therefore not defined as investment properties. The buildings are located in the Group's geographical home market, the county of Møre og Romsdal. The aggregate floor space is about 13 000 square meters, of which some 1 500 square meters are rented out to external tenants. Only small parts of the premises are vacant at the present time (about 1 300 square meters), and there are only commercial premises in the buildings. The buildings are shown in the accounts at historical cost minus accumulated depreciation and impairment. There is no evidence of impairment of the Group`s buildings as at 31.12.2014.

GROUP

31.12.2014	**Total**	**Buildings, incl. tech.install. , building plots/holiday cabins**	**Cars/IT/office machines**	**Fixtures and fittings**
Acquisition cost as at 01.01	377	281	35	61
Additions	15	11	3	1
Disposals	2	1	1	0
Acquisition cost as at 31.12	390	291	37	62
Accumulated depreciation and write-downs as at 01.01	109	53	27	29
Depreciation during the year	17	6	5	6
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	126	59	32	35
Value in the accounts as at 31.12	264	232	5	27
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	23	1	16	7
Estimated residual value of fixed assets	86	86	0	0

GROUP

31.12.2013	**Total**	**Buildings, incl. tech.install. , building plots/holiday cabins**	**Cars/IT/office machines**	**Fixtures and fittings**
Acquisition cost as at 01.01	396	279	58	59
Additions	6	2	2	2
Disposals	25	0	25	0
Acquisition cost as at 31.12	377	281	35	61
Accumulated depreciation and write-downs as at 01.01	95	47	25	23
Depreciation during the year	20	6	8	6
Impairment during the year	0	0	0	0
Disposals	6	0	6	0
Accumulated depreciation and impairment as at 31.12	109	53	27	29
Value in the accounts as at 31.12	268	228	8	32
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	19	0	15	4
Estimated residual value of fixed assets	89	89	0	0

PARENT BANK

31.12.2014	**Total**	**Buildings, incl. tech.install. , building plots/holiday cabins**	**Cars/IT/office machines**	**Fixtures and fittings**
Acquisition cost as at 01.01	113	21	35	57
Additions	12	8	3	1
Disposals	1	0	1	0
Acquisition cost as at 31.12	124	29	37	58
Accumulated depreciation and write-downs as at 01.01	57	3	27	27
Depreciation during the year	13	2	5	6
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	70	5	32	33
Value in the accounts as at 31.12	54	24	5	25
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	20	0	15	5

PARENT BANK

31.12.2013	Total	Buildings, incl. tech.install. , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	133	20	58	55
Additions	5	1	2	2
Disposals	25	0	25	0
Acquisition cost as at 31.12	113	21	35	57
Accumulated depreciation and write-downs as at 01.01	48	2	25	21
Depreciation during the year	16	1	8	6
Impairment during the year	0	0	0	0
Disposals	6	0	6	0
Accumulated depreciation and impairment as at 31.12	57	3	27	27
Value in the accounts as at 31.12	56	18	8	30
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	18	0	14	4

Note 26

INTANGIBLE ASSETS

Intangible assets consist of capitalised costs relating to the acquisition and development of programme products, licences etc.

Intangible assets acquired separately are carried in the balance sheet at cost. The cost of intangible assets obtained through acquisition is included in the accounts at fair value in the Group's opening balance sheet. Intangible assets on the balance sheet are carried at cost, reduced by any depreciation and impairment. Intangible assets are depreciated over estimated life-time of use.

Amounts paid for licences and software programmes are included in the balance sheet and depreciated on a straight-line basis over the expected time of useful economic life, which is normally 5 years. Such products bought are included in the balance sheet at acquisition cost plus the costs incurred in order to prepare the product for use. Impairment assessments are conducted annually. Costs relating to maintenance of software programmes and IT-systems are charged on an ongoing basis to the profit and loss account.

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
49	55	Acquisition cost as at 01.01	54	48
0	0	Additions merger	0	0
6	19	Additions	18	6
0	0	Disposals	0	0
55	74	Acquisition cost as at 31.12	72	54
26	34	Accumulated depreciation and impairment as at 01.01	33	26
8	8	Depreciation during the year	8	8
0	0	Impairment during the year	0	0
0	0	Disposals	0	0
34	42	Accumulated depreciation and impairment as at 31.12	41	33
23	21	Value in the accounts as at 01.01	21	22
21	32	Value in the accounts as at 31.12	31	21
20	20	Straight-line depreciation rate	20	20
5	5	Economic life – number of years	5	5

Note 27

OTHER ASSETS

Repossessed assets amounts to NOK 8 million (NOK 3 million in 2013). This consists of residential properties of NOK 7 million (NOK 2 million in 2013) and plots of NOK 1 million (NOK 1 million in 2013). These properties have mainly been acquired/repossessed in order to realise the Bank's collateral security. Sparebanken Møre does not wish to remain the owner of repossessed properties. In those cases where an acceptable price has not been obtained, every effort is made to rent out the properties.

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
3	8	Repossessed assets	8	3
29	29	Capital in Sparebanken Møre`s Pension Fund	29	29
96	23	Other receivables	16	96
128	60	Total other assets	53	128

Note 28

Taxation cost consists of payable income tax and change in deferred tax.

Deferred tax/tax benefit is calculated on the basis of the temporary differences which exist between the accounts-related and tax-related value of assets and liabilities at the end of the accounting year. Temporary negative and positive differences which are reversed or which may be reversed during the same period, have been offset and included in the accounts on a net basis.

Deferred tax benefit is included in the accounts when it is likely that the Group will have sufficient tax-related profits in the future to be able to take advantage of the tax benefit. On each balance sheet day in question, the Group reviews the deferred tax benefit included in the accounts and its stated value. If applicable, the Group will reduce the amount of deferred tax benefit to the extent that the Group may no longer be able to take advantage of the deferred tax benefit.

Payable tax and deferred tax/tax benefit are shown in comprehensive income to the extent that this relates to items which are shown in comprehensive income. Calculated deferred tax related to pension estimate deviations has been recognised in comprehensive income.

Deferred tax and deferred tax benefit are calculated on the basis of the expected future tax rate applicable to the companies in the Group where temporary differences have materialised. Deferred tax and deferred tax benefit are incorporated in the accounts irrespective of when the differences are going to be reversed. Deferred tax benefit is shown at nominal value.

The rate of taxation has been changed to 27 per cent with effect from 2014, and this rate has been applied for calculation of tax payable for 2014, and deferred tax as at 31.12.2014 and 31.12.2013. When calculating the tax payable for 2013, a rate of 28 per cent was used.

The entire taxation cost is related to Norway.

Tax cost in the income statement

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
182	205	Tax payable	134	121
-11	-8	Change in deferred tax against ordinary income	-6	-9
0	1	Too much/too little set aside last year	1	0
171	199	Tax cost	129	112
27.5	24.2	Effective rate of tax (tax cost as a percentage of pre-tax result)	18.2	22.7

Tax cost in the comprehensive income statement

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
-9	-27	Change in deferred tax due to pension estimate deviations	-27	-9
-9	-27	Tax cost in comprehensive income	-27	-9

Specification of the difference between the result before tax and the income subject to tax

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
621	822	Result before tax	710	494
-9	-98	Permanent differences related to shares	-250	-96
2	19	Other permanent differences	19	2
35	16	Changes in temporary differences	18	32
649	759	Income subject to tax	497	432
182	205	Tax payable at 27 per cent (28 per cent in 2013)	134	121

Specification of temporary differences and the composition of deferred tax

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
		Temporary differences relating to:		
-53	-52	Fixed assets	-88	-91
124	134	Pension liabilities	134	124
9	6	Added value related to transferred portfolio of loans	6	9
28	-2	Other temporary differences	1	30
108	86	Net negative (-)/positive differences against profit and loss account	53	72
-99	-202	Share of net pension liability recognized against other comprehensive income	-202	-99
2	2	Limited partnerships	2	2
11	-114	Total negative (-)/positive differences	-147	-25
4	-31	Deferred tax benefit (-) or liability	-40	-6

Reconciliation of tax cost and pre-tax profit

GROUP			PARENT BANK	
2013	**2014**		**2014**	**2013**
173	222	27 per cent of pre-tax profit (28 per cent in 2013)	192	138
-3	-26	Shares 27 per cent (28 per cent)	-68	-27
1	5	Other permanent differences 27 per cent (28 per cent)	5	1
0	1	Too much/too little set aside in previous years	1	0
171	199	Total tax cost	129	112

Note 29

PROFIT/EARNINGS PER EC

The basic earnings per equity certificate (EC) is calculated as the proportion between the year's profit accruing to the Bank's EC holders according to the EC fraction as per 1 January, and the number of issued ECs at year-end, adjusted for any issues that do not provide entitlement to full dividend. The diluted earnings per EC is no different to the basic earnings per EC.

GROUP	2014	2013
Earnings per EC (NOK) 2)	31.20	21.65
Diluted earnings per EC (NOK)	31.20	21.65
Profit for the year to the Bank's EC-holders:		
Profit	623	450
EC-holders' share of the profit according to the EC-fraction 1)	309	214
Weighted number of ECs - the Bank's own portfolio	76 060	38 170
Number of own ECs as at 31.12	108 661	41 678
Number of own ECs as at 01.01	41 678	96 081
Weighted average of outstanding ECs	9 810 894	8 607 360
Number of outstanding ECs as at 31.12	9 778 293	9 845 276
Number of outstanding ECs as at 01.01	9 845 276	7 745 035
Weighted average number of ECs issued	9 886 954	8 645 530
Number of ECs as at 31.12	9 886 954	9 886 954
Number of ECs as at 01.01	9 886 954	7 841 116

1) The EC ratio has been computed on the basis of figures for the Parent Bank which provide the basis for allocation of profit to the EC holders. The fund for unrealised gains was excluded from the computation. The EC ratio was 49.6 per cent in 2014. In 2013 the EC ratio was 47.7 per cent in average. (At the end of 2013 the EC ratio was per cent.)

2) Earnings per Equity Certificate (EC) is calculated as the EC holders' proportion of the result divided by the number of issued ECs at year-end, adjusted for any issues that do not provide entitlement to full dividend.

Note 30

CAPITAL ADEQUACY

The Bank's capital adequacy is calculated according to the following methodologies: credit risk for retail, sovereign and bank exposures is based on the Standardised Approach; credit risk for corporate exposures is based on IRB Foundation; market risk is based on the Standard Method and operational risk on the Basic Indicator Approach.

According to CRD IV (Basel III) the minimum common equity requirement will be 11 percent, including a countercyclical buffer of one percentage point. This requirement will apply from July 1st 2015. There is also a proposal to introduce requirements for unweighted equity ratio, Leverage ratio. The minimum requirement is not finalised, but it is proposed that the core capital shall constitute at least 3 percent of tangible and intangible assets.

Sparebanken Møre will have a capitalization level meeting the minimum requirements for capital coverage and in line with the Groups stated risk tolerance. Furthermore, the assessment of risk profile, capital adequacy and profitability must at all times be based on the long-term strategic plan of the Group. Calculation of the capital requirements is performed annually as part of the ICAAP.

Analysis performed as part of Sparebanken Møre's 2014 ICAAP confirm that the Group meets the new capital requirements by a good margin.

Note 3 "Risk Management" provides further information about Sparebanken Møre's capital structure and the capital adequacy regulations. Further information is available in the (Norwegian-only) Pillar III document on the Group's website www.sbm.no.

Return on risk adjusted capital is calculated for every customer, and this is used for measuring profitability at all levels of the Group.

Sparebanken Møre`s ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) of Sparebanken Møre is performed annually (or whenever events require a more frequent update). This process covers all material risks, and involves both management, the Internal Auditor (BDO), and the Board of Directors.

Every risk element is assessed on the basis of probability and consequence, and what Sparebanken Møre can do to control the risk effectively. Various forms of scenario modelling and stress testing are performed during the ICAAP, including simulations of both business-as-usual and severe down-turns. No diversification risks are accepted in the ICAAP.

GROUP			PARENT BANK	
2013	2014		2014	2013
		Core capital		
989	989	EC capital	989	989
-4	-11	- Ecs owned by the Bank	-11	-4
353	353	Share premium fund	353	353
684	799	Dividend equalisation fund	799	684

125	125	Gift fund	125	125
1 935	2 048	Primary capital fund	2 048	1 935
47	34	Value adjustment fund	34	47
79	133	Proposed dividend for the EC holders	133	79
87	136	Proposed dividend for the local community	136	87
196	238	Other equity	0	0
4 491	4 844	Total equity	4 606	4 295
-41	-32	Deferred tax, goodwill and intangible assets	-31	-51
-47	-34	Value adjustment fund	-34	-47
-10	0	50 % deduction for equity in other financial institutions	0	-10
999	860	Perpetual Hybrid Tier 1 capital	860	999
-55	0	Deduction for overfunded pension liability	0	-55
	-193	Expected losses exceeding actual losses, IRB portfolios corporate	-191	
-79	-133	Proposed dividend for the EC holders	-133	-79
-87	-136	Proposed dividend for the local community	-136	-87
5 171	5 176	Total core capital	4 941	4 965
4 172	4 316	Common equity Tier 1 capital	4 081	3 966

		Supplementary capital		
499	501	Subordinated loan capital of limited duration	501	499
20	12	36 % addition for net unrealised gains on shares available for sale	12	20
-10	0	50 % deduction for equity in other financial institutions	0	-10
509	513	Total supplementary capital	513	509
5 680	5 689	Net equity and subordinated loan capital	5 454	5 474

Exposure classes SA - credit risk

0	0	Central governments or central banks	0	0
6	4	Regional governments or local authorities	4	6
22	21	Public sector companies	21	22
37	51	Institutions (banks etc)	284	275
832	33	Companies (corporate customers)	33	845
272	26	Mass marked (retail banking customers)	582	272
1 222	976	Secured by mortgage on immovable property		781
13	3	Exposures in default	3	13
15	13	Covered bonds	12	18
11	6	Equity	6	11
81	81	Other items	148	119
2 511	1 214	Total capital requirements - credit risk, The Standardised Approach	1 093	2 362

		Exposure classes IRB - credit risk		
	854	SME	837	
	440	Specialised lending	440	
	174	Other corporate lending	174	
0	1 468	IRB-F capital requirements	1 451	0
2 511	2 682	Total capital requirements - credit risk	2 544	2 362
		Exposure classes SA - marked risk		
0	0	Debt	0	0
0	0	Equity	0	0
0	0	Foreign exchange	0	4
0	21	Credit value adjustment risk (CVA)	9	0
0	21	Total capital requirements - market risk	9	4
176	180	Operational Risk (Basic Indicator Approach)	164	163
-14	0	Deductions from the capital requirement	0	-14
2 673	2 883	Total capital requirements	2 717	2 515
33 410	36 036	Risk-weighted assets	33 971	31 388
	1 622	Minimum requirement common equity Tier 1 capital (4,5%)	1 528	
		Buffer Requirement		
	900	Capital conservation buffer (2,5%)	849	
	1 081	Systemic risk buffer (3,0%)	1 019	
	1 981	Total buffer requirements	1 868	
	713	Available common equity Tier 1 capital after buffer requirement	685	
		Capital adequacy as a percentage of the weighted asset calculation basis		
17.0	15.8	Capital adequacy ratio	16.1	17.4
15.5	14.4	Core capital ratio	14.6	15.8
12.5	12.0	Core Tier 1 capital ratio	12.0	12.7
		Leverage ratio		
	7.9	Leverage Ratio	8.2	

Note 31

ECS AND OWNERSHIP STRUCTURE

Equity Certificates

At the end of 2014, Sparebanken Møre's EC capital totalled NOK 989 million, consisting of 9 886 954 Equity Certificates, each of a nominal value of NOK 100. In addition to this, the EC holders' capital consists of the dividend equalisation fund, amounting to NOK 799 million and the share premium fund, totalling NOK 353 million. According to the Bank's by-laws, there are no limitations with regard to voting rights. Furthermore, no rights/options exist according to which new ECs would have to be issued.

Own Equity Certificates (ECs)

Nominal value of own ECs is shown in the balance sheet seperately, as an reduction to issued ECs. Purchase price in excess of nominal value is shown in relation to the primary capital fund and the dividend equalisation fund in accordance to historically adopted distribution. Losses and gains from transactions involving own ECs are shown in direct relation to the primary capital fund and the dividend equalisation fund in accordance with their relation to each other.

Costs relating to equity transactions

Transaction costs relating to an equity transaction are recognised directly in equity.

Investors policy

Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on the Bank's equity. The results shall ensure that all equity owners receive a competitive long-term return in the form of dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as dividend funds shall be adapted to the Bank's equity situation. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

There are no special agreements between the Bank and its owners. The Board of Directors cannot refuse purchase or sale of ECs unless this is covered by the stipulations contained in the Companies Act.

Classification of dividends

Dividends on ECs and dividend funds for the local community are classified as equity until the Board of Directors' proposal has been agreed by the Bank's Board of Trustees.

Other equity items

The value adjustment fund consists of aggregate net value changes relating to fair value for financial instruments classified as available for sale. Realised gains and losses, as well as impairment, are incorporated in the profit and loss account during the period in which they occur. The Group does not have convertible bonds or any other financial instruments which can be converted into equity.

EC capital

Sparebanken Møre's EC capital totals NOK 988 695 400, consisting of 9 886 954 certificates, each of a nominal value of NOK 100.

The EC capital was raised through nine separate issues:

Year	Issue	Changes in EC capital	Total EC capital	Number of ECs
1988	Public issue	100.0	100.0	1 000 000
1993	Public issue	100.0	200.0	2 000 000
1994	Public issue	150.0	350.0	3 500 000
1996	Public issue	100.0	450.0	4 500 000
1996	Issue, the Bank's staff	1.7	451.7	4 516 604
1998	Public issue	100.0	551.7	5 516 604
1998	Issue, the Bank's staff	0.9	552.6	5 526 154
2008	Dividend issue	42.3	594.9	5 949 153
2009	Rights issue	58.5	653.4	6 534 264
2010	Scrip issue	130.7	784.1	7 841 116
2013	Rights issue	148.6	932.7	9 327 603
2013	Repair issue	54.1	986.8	9 868 144
2013	Issue, the Bank's staff	1.9	988.7	9 886 954

EC holders' share of the result

Earnings per equity certificate (EC) is calculated as the EC holders' proportion of the profit divided by the number of issued ECs at year-end, adjusted for any issues that do not provide entitlement to the full dividend. The EC holders' proportion of the profit corresponds to the EC capital's, the dividend equalisation fund's and the share premium fund's proportion of the Bank's total equity at the start of the year. If EC capital is expanded during the year in the form of an offering, a time-weighted proportion of the increase is included from and including the payment date.

The 20 largest EC holders in Sparebanken Møre as at 31.12.14	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	944 000	9.55
Verdipapirfond Pareto Aksje Norge	512 415	5.18
MP Pensjon	478 282	4.84
VPF Nordea Norge Verdi	327 073	3.31
Wenaasgruppen AS	250 000	2.53
FLPS - Princ All Sec	242 134	2.45
Pareto AS	229 189	2.32
Verdipapirfond Pareto Aktiv	219 941	2.22
VPF Fondsfinans Spar	181 000	1.83
Bergen Kommunale Pensjonskasse	175 000	1.77
Beka Holding AS	150 100	1.52
Farstad Shipping ASA	126 909	1.28
Verdipapirfondet Eika utbytte	124 008	1.25
Sparebanken Møre	108 661	1.10
Pareto Verdi Verdipapirfond	105 777	1.07

Lapas AS (Leif-Arne Langøy)	105 500	1.07
Odd Slyngstad	84 773	0.86
Sparebankstiftelsen Helgeland	80 000	0.81
Andvord AS	68 750	0.70
Atlantis Vest AS	65 745	0.66
Total 20 largest	4 579 257	46.32
Total	9 886 954	100.00

Key financial figures (Parent Bank)

	2014	2013	2012	2011	2010
Price at OSE	216	198	160	178	207
Number of ECs issued	9 886 954	9 886 954	7 841 116	7 841 116	7 841 116
EC capital (NOK mill.)	989	989	784	784	784
Dividend equalisation fund (NOK mill.)	799	684	592	408	292
Share premium (NOK mill.)	353	353	186	186	186
EC percentage (average in 2009 and 2013)	49.6	47.7	46.0	46.0	46.0
EC percentage 31.12	49.6	49.6	46.0	46.0	46.0
Dividend per EC, in NOK	13.50	8	12	8	12
Dividend per EC, in NOK as a % of price at OSE 31.12	6.3	4.0	7.5	4.5	5.8
Return (%)	13.1	31.3	-5.6	-8.2	14.0
Dividend in % of EC-owners share of adjusted profit 1)	46.4	43.4	43.2	34.4	49.2
Profit per EC, in NOK 1)	29.10	18.45	27.75	23.27	24.42
Book value per EC, in NOK 1) 2)	242	223	219	189	188
P/E 1)	7.4	10.7	5.8	7.7	8.5
P/BV 1)	0.89	0.89	0.73	0.94	1.10

1) Fund for unrealised gains has been excluded from the calculation.

2) Group figures, incl. proposed dividend.

Geographic distribution

Number of owners	2014	2013	2012	2011	2010
Møre og Romsdal	3 565	3 617	3 673	3 691	3 650
Others in Norway	2 244	2 398	2 350	2 408	2 540
Foreigners	89	99	83	78	65
Total	5 898	6 114	6 106	6 177	6 255

Number of ECs	2014	2013	2012	2011	2010
Møre og Romsdal	4 361 378	4 516 332	4 206 244	4 032 446	3 665 079
Others in Norway	5 076 773	4 964 767	3 368 430	3 470 693	3 903 485
Foreigners	448 803	405 855	266 442	337 977	272 552
Total	9 886 954	9 886 954	7 841 116	7 841 116	7 841 116

Distributed by numbers

Number of ECs	Number of ECs	In percentage	Number of owners	In percentage
1 - 100	90 870	0.92	1 799	30.50
101 - 1.000	1 147 811	11.61	3 008	51.00
1.001 - 10.000	2 586 437	26.16	999	16.94
10.001 - 100.000	1 781 847	18.02	76	1.29
Above 100.000	4 279 989	43.29	16	0.27
Total	9 886 954	100.00	5 898	100.00

	Number of ECs		EC capital		Share premium	
	2014	2013	2014	2013	2014	2013
Change in ECs and share premium:						
Ordinary ECs as at 01.01.	9 886 954	7 841 116	989	784	353	186
Changes	0	2 045 838	0	205	0	167
Ordinary ECs as at 31.12	9 886 954	9 886 954	989	989	353	353
Bank's own ECs:						
Own ECs as at 01.01	41 678	96 199	4	9		
Changes	66 983	-54 521	7	-5		
Own ECs as at 31.12	108 661	41 678	11	4		

Distributed and proposed dividend

	Total amount (TNOK)
Dividend paid on ECs	
NOK 12.00 per EC in 2011	94 093
NOK 8.00 per EC in 2012	62 729
NOK 12.00 per EC in 2013	94 093
NOK 8.00 per EC in 2014	79 096
Proposed dividend	
NOK 8.00 per EC in 2011	62 729
NOK 12.00 per EC in 2012	94 093
NOK 8.00 per EC in 2013	79 096
NOK 13.50 per EC in 2014 1)	133 474

1) Approved at the meeting of the Board of Trustees on 25.03.2015. Included in the accounts as other equity as at 31.12.2014.

Elected representatives of the Bank owning/representing ECs as at 31.12.2014

	Number of ECs		Number of ECs
Kjell Bakke	1 349	Sølvi Lillevold	1 585
Ragna Brenne Bjerkeset	500	Lars Martin Lunde	478 282
Bjørn Bjåstad	6 672	Lise Løseth	419
Karl Johan Brudevoll	3 504	Borghild Møller	41 352
Nils Petter Drønnen	1 340	Otto Nygård	742
Annbjørg Holmen Dyb	670	Roy Reite	1 922
Harald Jarle Eriksen	161 350	Thor Rusten	5 623
Sverre A. Farstad	138 909	Astrid-Grethe Rye	416
Iren Gullhav	673	Kjell Martin Rønning	8 000
Jens Arne Hagen	60	Jane Røsgaard	1 178
Kristin Sunde Hansen	3 650	Aadne Sandanger	723
Kjersti Kleven	60	Karianne Røsberg Slagnes	621
Helge Karsten Knudsen	950	Finn Moe Stene	948 100
Leif-Arne Langøy	105 500	Johan Sættem	50 000
Berit Larsen	117	Solfrid Teigen	1 411
Inger-Lise Larsen	37 392	Berit Ekornes Unhjem	9 264
Anders Lausund	1 481	Kaj B Westre	8 115

Note 32

EVENTS AFTER THE REPORTING PERIOD

Eventual new information about the Group's positions on the date of financial position are included in the annual accounts. Events occurring after the date of financial position, which have no impact on the Group's position on the date of financial position, but which will have an impact on the Group's position in the future, are disclosed if they are material.

No events have occurred after the reporting period that will materially effect the figures presented as of 31 December 2014.

Statement

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

We hereby confirm that the Group's and Bank's annual financial statements for the period 1 January 2014 to 31 December 2014, have been, to the best of our knowledge, prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the Group's and Bank's assets, liabilities, financial position, and results as a whole.

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

Ålesund, 31 December 2014

4 March 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 B. Vikebakk

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Auditor's report

To the Board of Trustees of Sparebanken Møre

Report on the financial statements

We have audited the accompanying financial statements of Sparebanken Møre, comprising the financial statements for the Bank and the Group. The financial statements of the Bank and the Group comprise the statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Bank and the Group.

Opinion

In our opinion, the financial statements of Sparebanken Møre have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the Board of Directors' report and on the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 4 March 2015

Ernst & Young AS

EINAR HERSVIK, State Authorised Public Accountant

Annual report 2014

Annual report 2014 from the Control Committee

During 2014, the Control Committee has supervised that the operations of Sparebanken Møre have been conducted in accordance with laws and regulations, the Bank's articles of association, the Board of Trustees' resolutions and other decisions to which the Bank is obliged to adhere.

The Control Committee has reviewed the Minutes of the Board of Directors, reports from the external and the internal auditor, the Bank's correspondence with the Financial Supervisory Authority of Norway, and otherwise conducted inspections as imposed by currently valid laws and the Control Committee's instructions.

During the period, regular committee meetings have been held at the Bank's head office. In addition, the committee has made inspection visits to the Bank's regional branches.

The comments made by the Control Committee during the period in question have been resolved with the Bank's management.

Furthermore, the Control Committee has examined the Annual Report from the Board of Directors, the Annual Accounts and Auditor's Report, and found no basis for any comments to be made.

The Control Committee recommends the Annual Report and the Annual Accounts for the 2014 accounting year to be approved.

Ålesund, 5 March 2015

CONTROL COMMITTEE OF SPAREBANKEN MØRE

Grete Opshaug CHAIRMAN	**Jon Olav Slettebakk**
Karl Johan Brudevoll	**Kjell Martin Rønning**