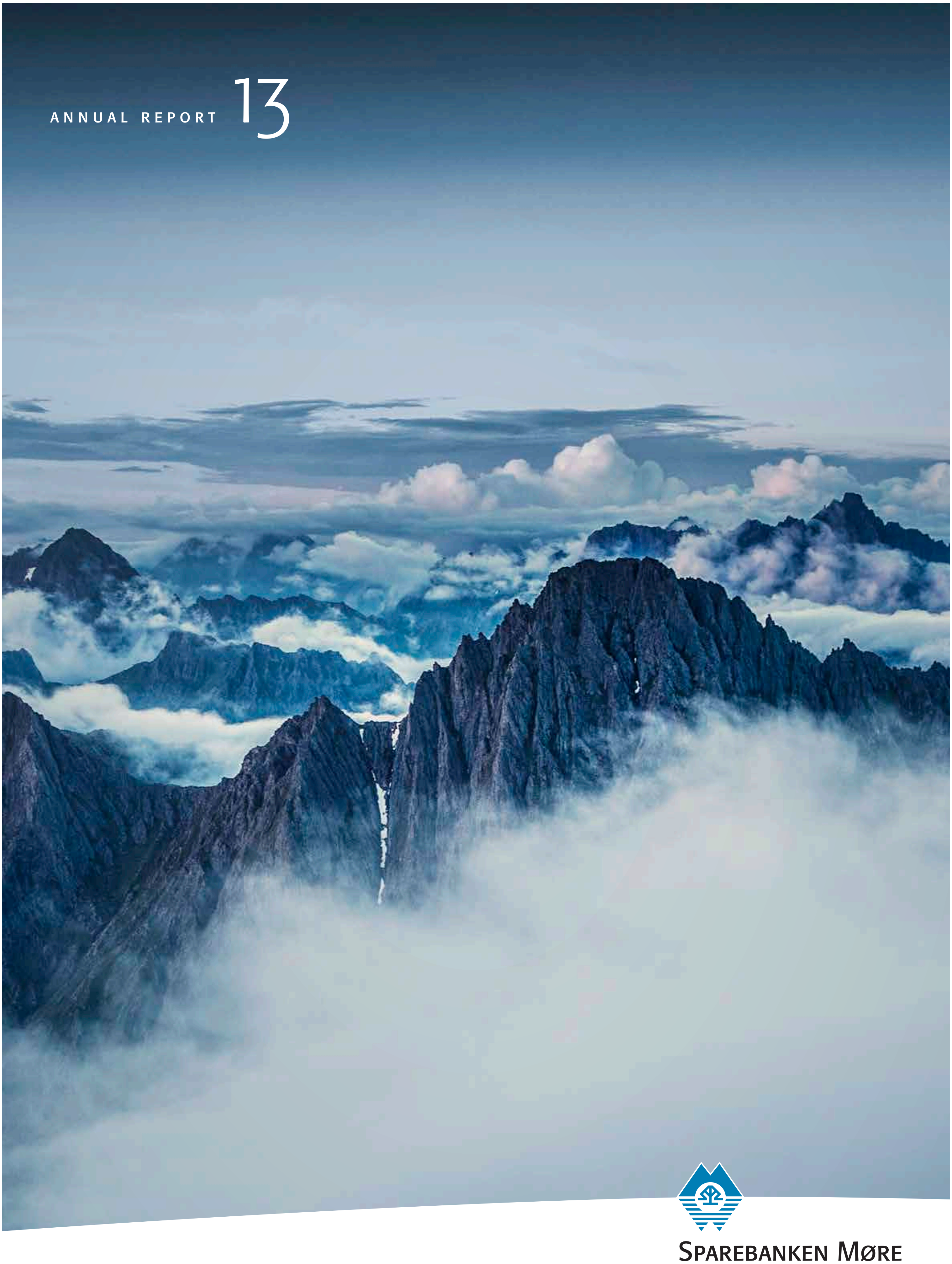


ANNUAL REPORT 13

SPAREBANKEN MØRE

Contents

LOCAL TEAM PLAYER COOPERATE INITIATIVE INDEPENDENT SAVINGS BANK INCREASED VALUE CONSUL-TING CLOSE TO THE CUSTOMERS ACTIVE AND ENGAGED EMPLOYEES TO RELY ON **DEDICATED** INDE-PENDENT CUSTOMERS EFFECTIVE THE LOCAL COMMUNITY ENGAGED IN THE COMMUNITY MOTIVATION LOCAL LISTEN HELPFUL **CLOSE** CULTURE JOB SATISFACTION CONTRIBUTOR IN THE LOCAL COMMUNITY VALUES SAFE NEAT AND RELIABLE ADDED VALUE CONTRIBUTOR **SOLID** TEAM PLAYER LOCAL COOPERATE INITIATIVE INDE-PENDENT SAVINGS BANK INCREASED VALUE CONSULTING CLOSE TO THE CUSTOMERS ACTIVE AND COMMITTED EMPLOYEES TO RELY ON DEDICATED INDEPENDENT CUSTOMERS EFFECTIVE THE LOCAL COMMUNITY ENGAGED IN THE COMMUNITY MOTIVATION LOCAL LISTEN HELPFUL CLOSE CULTURE JOB SATISFACTION CONTRIBUTOR IN THE LOCAL COMMUNITY VALUES SAFE CONTRIBUTOR SOLID NEAT AND RELIABLE ADDED VALUE

KEY FIGURES GROUP

Profit

(NOK million)	**2013**	2012	2011	2010	2009
Net interest income	**1 042**	936	909	862	802
Other operating income	**174**	180	171	170	154
Net return from financial investments	**28**	110	43	134	102
Total income	**1 244**	1 226	1 123	1 166	1 058
Operating costs	**569**	605	559	528	513
Pension plan changes		-166			
Profit before losses	**675**	787	564	638	545
Losses on loans, guarantees etc.	**54**	47	40	31	82
Pre tax profit	**621**	740	524	607	463
Taxes	**171**	210	145	149	128
Profit after tax	**450**	530	379	458	335

Statement of financial position

Total assets	**54 627**	51 632	48 468	44 441	41 391
Average assets	**52 104**	48 530	46 375	42 400	40 680
Loans to and receivables from customers	**46 122**	43 434	40 305	37 676	35 851
Deposits from and liabilities to customers	**28 056**	27 081	25 325	24 551	21 793

Key figures

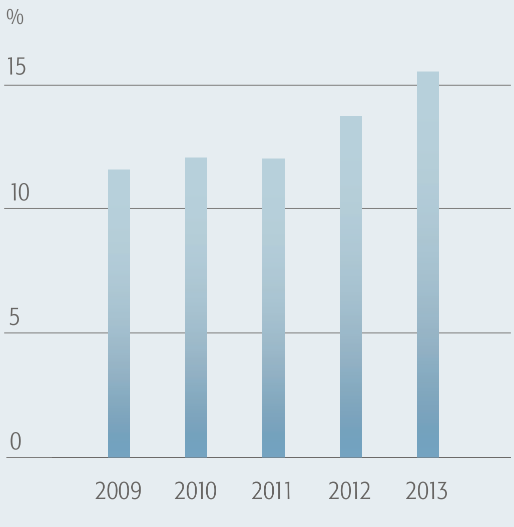
Return on equity	**11.6**	16.3	12.2	16.0	14.1
Return on equity (adjusted for pension plan changes)		12.6			
Cost as a percentage of income	**45.7**	35.4	49.8	45.3	47.2
Cost as a percentage of income (adjusted for pension plan changes)		48.8			
Losses as a percentage of loans 01.01	**0.12**	0.12	0.11	0.08	0.23
Problem loans as a percentage of loans (prior to impairment)	**1.16**	1.34	1.95	2.45	2.96
Problem loans as a percentage of loans (after impairment)	**0.80**	0.96	1.30	1.74	2.10
Deposit to lending ratio	**60.8**	62.3	62.8	65.2	60.8
Core capital as a percentage 1) 2)	**15.48**	13.68	12.00	12.03	11.55
Core tier 1 capital as a percentage 1) 2)	**12.50**	10.55	10.40	10.30	9.82
Man-years	**391**	410	416	401	412

EC (numbers refer to the Parent Bank)

Profit per EC (NOK)	**18.45**	27.75	23.27	24.42	24.35
EC fraction 01.01 as a percentage (average for 2013)	**47.7**	46.0	46.0	46.0	43.8
Price at Oslo Stock Exchange (NOK)	**198**	160	178	207	192
Price/Book value (P/B)	**0.89**	0.73	0.94	1.10	1.13
Cash dividend per EC (NOK)	**8.00**	12.00	8.00	12.00	12.00

1) Standard method in Basel II
2) Incl. proposed year end dispositions

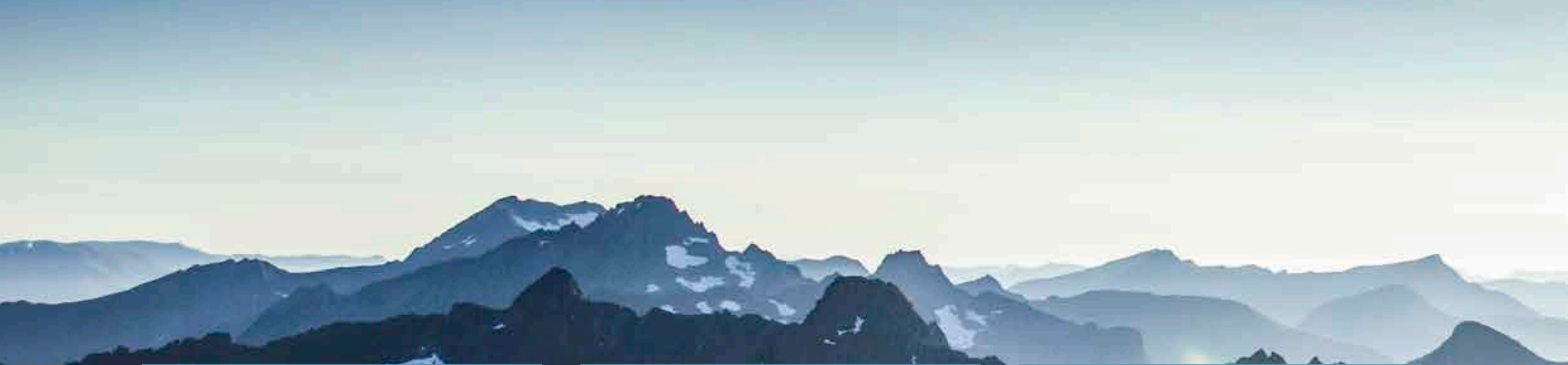
Core capital



2013 | AND FORWARD

A solid bank in a solid region

Sparebanken Møre implemented a number of strategic measures in 2013 in order to meet the new situation that now prevails in our industry. The banking industry has implemented important changes to adapt to the new regulations and new capital adequacy requirements. At the same time, it is important for us to provide our customers with the very best services, and in so doing help ensure that the positive development Møre og Romsdal has enjoyed in the last few years can continue. The measures Sparebanken Møre took in 2013 have provided a solid foundation for this work.



SOLID BANK

Sparebanken Møre made a good profit in 2013. The result demonstrates the effects of the measures we set in motion at the start of the year. We have increased net interest income, reduced costs and at the same time had very low credit losses. We also increased our financial strength significantly during 2013, both by raising new equity and simultaneously adding capital through profitable operations.

page 8

GOOD OUTLOOK

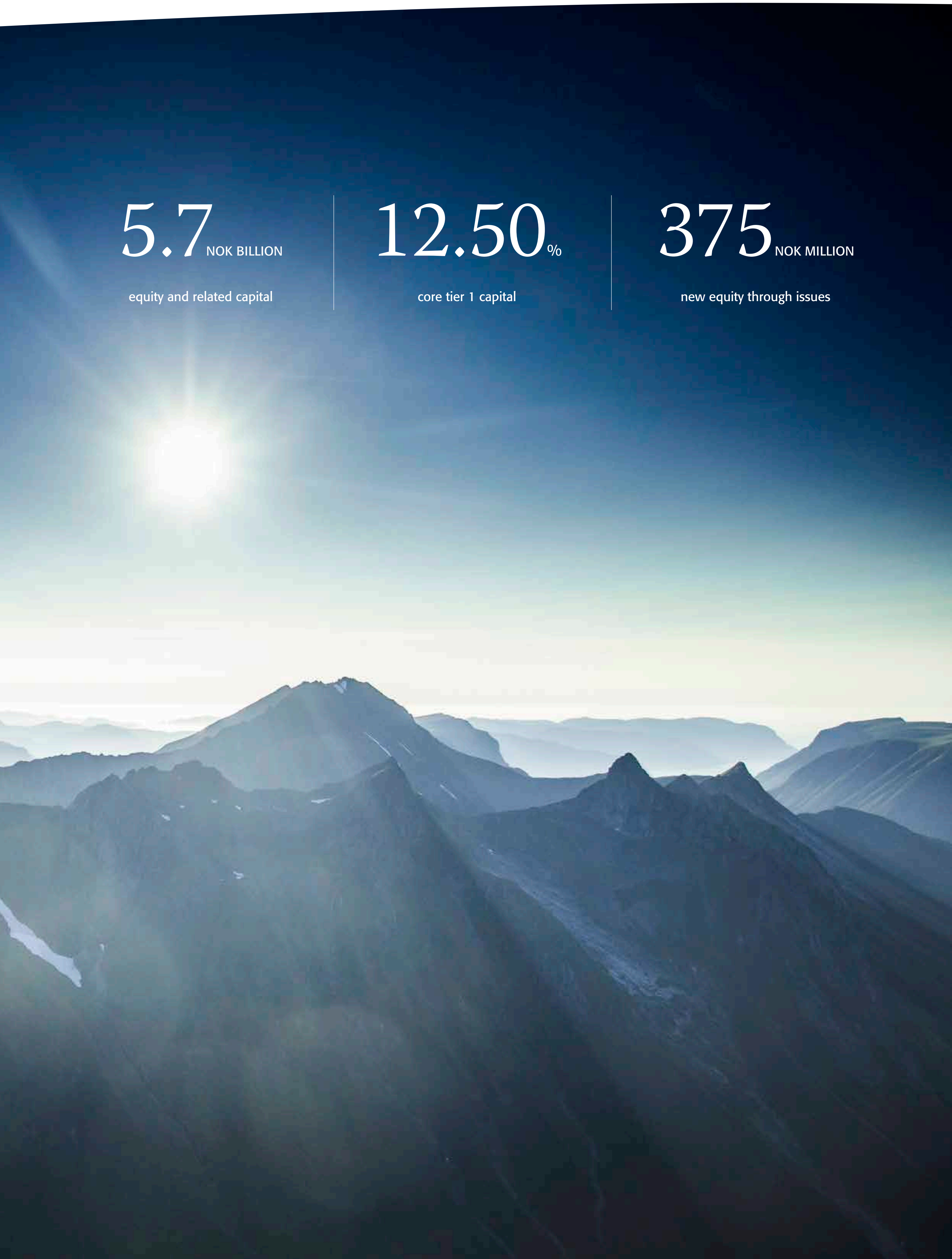
The economic outlook for Møre og Romsdal remains positive. Industrial output will increase slightly both this year and next. This is in part due to continued growth in the production of engineering products, including shipbuilding, consumer products and eventually also within the power-intensive industry.

page 10

CONFIDENCE IN THE MARKET

In the third quarter of 2013, Sparebanken Møre raised NOK 375 million in new equity through issues. Independence, financial strength, freedom of action and a greater focus on corporate customers were the Board's unanimous justifications for deciding the equity issues.

page 12



5.7 NOK BILLION

equity and related capital

12.50 %

core tier 1 capital

375 NOK MILLION

new equity through issues

SOLID BANK

OLAV ARNE FISKERSTRAND | CEO

A solid bank in a solid county

Sparebanken Møre implemented a number of strategic measures in 2013 in order to meet the new situation that now prevails in our industry. The banking industry has implemented important changes to adapt to the new regulations and new capital adequacy requirements. At the same time, it is important for us to provide customers from our county with the best services, and in so doing help ensure that the positive development Møre og Romsdal has enjoyed in the last few years can continue. The measures Sparebanken Møre took in 2013 have provided a good basis for this work.

In the start of 2013 the Group put effort into further strengthened focus towards the customer. We shortened decision chains, established new and qualified corporate sector teams, and developed our distribution concept with new technology solutions. Being close and accessible to the customers were central in this process. The streamlining process, both internally and in relation to our customers, was successful. The willingness and ability of our staff to achieve this was great - the staff want our customers to have a good experience with Sparebanken Møre.

The regulatory changes that have been made in the last few years have been an important prerequisite for us and the banking industry in general. The requirements for good financial strength and good liquidity management have steadily climbed up the agenda, and the banks have started adapting to the new requirements. We are strong believers in the idea that the regulations to which banks are subject should be predictable and harmonised among banks competing in the same market. The new requirements became clearer in 2013, but there are still some areas that will be monitored closely in the years ahead.

Stricter requirements for equity and good liquidity undoubtedly come at a price. When the prices of 'raw materials' rise, it is also natural for the end price for the customer to rise as well. At the same time, others with a vested interest must also contribute. Sparebanken Møre raised new equity in 2013 from new and existing owners through very successful equity issues. In addition to this, the Bank implemented important internal streamlining measures that have reduced costs. These measures have secured that the

«The requirements for good financial strength and good liquidity management have steadily climbed up the agenda, and the banks have started adapting to the new requirements.»

Bank is very solid at the end of 2013. We have good capital adequacy given the new equity requirements that now apply.

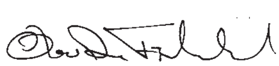
Møre og Romsdal also remains a solid county. This is in part demonstrated by Sparebanken Møre's very low credit losses in the last few years. The county has a broadly composed business sector in which engineering and the maritime segment in particular is very strong. Nonetheless, almost 70 % of the workforce in our county are in the service providing sectors. These sectors, especially the public sector, can function as a stabiliser in the event of an economic setback. At year-end 2013, Møre og Romsdal enjoyed lower unemployment than the national average, and unemployment is not expected to climb significantly in the coming year.

The adaptability of local businesses has been, and will remain, great. The county benefits from development-oriented expert business clusters. The orderbooks in the shipyards at the end of the year was good. At the same time, fish exports set new records in 2013 with a total value of more than NOK 60 billion. We are seeing increasing growth in important exportmarkets. The Norwegian krone exchange rate has also developed positively in the last year from the perspective of our export industries and competing import industries. Møre og Romsdal is a major food producing county. If any products or services are non-elastic when it comes to demand and thus help counter potential economic setbacks, it must be food production.

Sparebanken Møre made a good profit in 2013. The result demonstrates the effects of the measures that were set in motion at the start of the year. We have increased net interest income and reduced costs, and at the same time had very low credit losses. We also increased our financial strength significantly during 2013, both by raising new equity and simultaneously adding capital through profitable operations. We will continue to focus on efficient operations, utilising our banking expertise, and benefiting from our knowledge of, and proximity to, our customers.

Sparebanken Møre's social commitment is considerable. In addition to being a major job provider in the county, we contribute to culture, sports, education and talent development every year. The local communities in which the Bank operates are the largest owners of Sparebanken Møre. Therefore, they too benefit from good results and solid operations. More than half of this year's distributed profit will benefit recipients such as sports teams, talented young people, meeting places for local businesses, and knowledge enhancing projects. The dividends we distribute to local communities demonstrate that we are very grateful for the opportunity to help ensure Møre og Romsdal remains a county that is good to live in, where business can develop further, and where talent is allowed to blossom.

Kind regards



Olav Arne Fiskerstrand

CONTINUED GROWTH IN 2014

INGE FURRE | CHIEF ECONOMIST

Good outlook for Møre og Romsdal

The county's economic output is set to grow moderately in the next few years. The weakening exchange rate of the Norwegian krone is improving the export industries' competitiveness. On the other hand, household purchase and investment intentions are subdued. The economic growth will probably be strong enough to keep unemployment at a continued low level.

Møre og Romsdal is an export county. It is therefore natural to base any assessment of the outlook for the county on international economic conditions. The global economy is projected to grow by around 3.75 % in 2014. Growth will probably be a bit higher in 2015 due to the prospect of growth in the eurozone. Emerging economies, especially China and India, will also make important contribution to global growth. Growth in the USA is expected to be moderate, probably around 2.5 % this year and a bit higher next year.

The biggest risk factor in the international economy is probably China's economic growth, and whether China can avoid a banking crisis. Many people fear that banks may experience big losses due to the strong growth in house prices in China and high accumulation of debt in recent years. However, the major international forecasting institutions have so far toned down this danger, therefore, no one is basing their forecasts on this scenario. The Chinese government's output target for GDP is 7 % for 2014.

The situation in the Norwegian economy remains satisfactory. Unemployment is low and the level of activity in most sectors, including the public sector, is high. However, growth is at a lower level now than it was in 2012 when GDP growth for mainland Norway, i.e. the Norwegian economy excluding oil activities and international shipping, was 3.4 %. This year's growth will probably be around 2 %. The decline in growth since 2012 must be viewed in the context of households having become more cautious with regard to consumption and investments. This is probably due to the fact that unemployment and interest rates have risen slightly. In addition to this, there have been numerous negative media reports on the outlook for the Norwegian economy over the last year. This may have made households hesitant in terms of consumption and investing.

«Parts of the most important industries in Møre og Romsdal have clearly developed better than many other industries in Norway.»

Norwegian economic growth will most likely be a bit higher in 2015. GDP growth in mainland Norway will probably be around 2.5 %. The reason for which growth will probably grow a bit stronger over time is that the international economic situation looks like it will improve. Besides this, investment in infrastructure will probably increase. Finally the weakening exchange rate of the Norwegian krone will contribute to higher exports by improving the competitiveness of the export industry.

House prices in Norway fell in autumn last year corrected for normal seasonal variations. A further slight drop in prices appears likely going forward. There are a number of reasons for this. Prices are high and the mood in the household sector has turned more negative. The possibility that many homeowners will sell their home earlier than planned due to a fear that prices will fall further can therefore not be excluded. A collapse in prices, i.e. a fall of 20-30 %, appears improbable. Should such a situation threaten, the authorities will launch measures such as tax cuts, higher public spending or interest rate cuts. Nor is such a price scenario possible without a significant increase in unemployment. The authorities will seek to counter this to the best of their abilities.

The economic outlook for Møre og Romsdal remains positive. Industrial output will increase slightly both this year and next. This is in part due to continued growth in the production of engineering products, including shipbuilding, consumer products and eventually also within the power-intensive industry. The most important industries for the county are shipbuilding, engineering, and the production of other capital goods. The petroleum sector is also important. Parts of these industries have clearly developed better than many other industries in Norway. It is therefore likely that industrial economic output in the county will develop better than the national average going forward.

A rise in economic output and demand is also expected in private service sector in the county. Employment in this sector will probably rise. The main reason for the upturn is higher income due to higher wages and government benefits. Tax cuts will also help in the future. The importance of the private service sector in connection with oil activities is also substantial. However, in the short term these sectors in our county are also affected by the fact that households have become more cautious with regard to consumption and investing.

Statistics Norway estimates that economic output in public sector has grown by 2.3 % in 2013, both for the country as a whole and the county. Growth in 2014 and 2015 is expected to be on a par with last year or somewhat lower. Increased investment in public sector, education, health and social services is currently helping to maintain the level of investment in Møre og Romsdal. Investments in public sector are expected to develop on a par with the level in 2013 for the next two years.

The growth in economic output in the next two years will result in greater demand for labour. At the same time, the labour force will also grow. The estimated growth in the labour force and employment indicates a stable or slight increase in unemployment in Møre og Romsdal. At the start of 2014, registered unemployment in the county was 2.1 % of the labour force. Møre og Romsdal will probably continue to be among those counties in the country with the lowest unemployment.

GREAT CONFIDENCE IN THE MARKET

RUNAR SANDANGER | HEAD OF TREASURY & MARKETS

Equity issues to support financial strength and regional business

In the third quarter of 2013, Sparebanken Møre raised NOK 375 million in new equity through a number of issues of equity certificates. Independence, financial strength, freedom of action and a greater focus on corporate customers were the Board's unanimous justifications for deciding the equity issues. Bank executive Runar Sandanger was responsible for the execution of the equity issues.

- This decision was really a consequence of the Bank's strategy", says bank executive Runar Sandanger, who is responsible for the Treasury & Markets Division. He is referring to the decision that Sparebanken Møre shall be an independent, alliance-free, regional bank with the capital and expertise necessary to serve the regional market.

- That means we have to stay ahead of developments", smiles Mr. Sandanger. – We want the capital and liquidity to be masters of our own house.

- The foundation is Basel III. A trebling of the requirement for the Bank's core tier 1 capital was stricter than anyone had envisaged, and the deadline is short. In addition to this, both the political authorities and the Financial Supervisory Authority of Norway have indicated even stricter requirements for Norwegian banks. This is generally a sensible recommendation, and it is also completely in line with the requirements we have to set for ourselves as a regional bank. We would rather be out in front. Financial strength is crucial for us. We chose to act.

- Are you thinking of ratings and borrowing rates?

- Absolutely. Remember that we have a gap between deposits and lending of almost

NOK 20 billion that must be obtained in the same markets that other Norwegian and Nordic banks are borrowing in. Being a smaller bank is not an advantage here. The only thing that counts is having financial strength and a rating that means we can arrange loans on the same terms as our larger competitors. If we pay too much for the 'raw materials', we will lose our competitiveness.

WELL THOUGHT THROUGH EQUITY ISSUES

Some have claimed that Sparebanken Møre was pushing too hard. That the equity issues were large and that the Bank was paying too much. Runar Sandanger explains their size as follows:

- Basel III arrived, as I said, faster and stricter than expected, and the business sector indicated a greater need for financing. At the same time, the Bank saw good opportunities for market growth, not least for the corporate sector.

Sparebanken Møre's dividend policy is also very clear. It states that the Bank`s results shall ensure that our owners receive a competitive long-term return in the form of cash dividends and capital appreciation of their equity. We have a large number of small investors who expect annual dividends. That is a part of being a regional bank with a good history and strong local identity. Those roots are very important to us. This was also expressed in the way the equity issues were planned. NOK 275 million was raised by a rights issue, while NOK 100 million was raised by a repair issue. The local commitment was very clear to see.

BUSINESS IN THE REGION IS DOING WELL

A high level of activity and low unemployment are creating positivity, need for further development and willingness to take risk. This means greater demand for financing. If we are going to be a bank for the corporate sector in the region, we have to adapt to the market and changes in general conditions. Sparebanken Møre is now stronger than ever and we have the financial strength and ambitions to continue being a strong partner for the corporate sector in the region.

The future looks promising. The new opportunities the equity issues bring with them have given the Bank and everyone who works in the corporate sector a boost", concludes Mr. Sandanger.

Picture (from the left):
Terje Krøvel, EVP Sunnmøre Corporate Banking
Runar Sandanger, EVP Head of Treasury & Markets
Jone R. Slinning, Head of Compliance
Anne-Britt Jensen, Senior Manager Adm./ Information

FOCUS ON THE BUSINESS SECTOR

TERJE KRØVEL | EXECUTIVE VICE PRESIDENT SUNNMØRE CORPORATE BANKING

The business sector wants Sparebanken Møre with them going forward

«Money for growth, reorganisation, competence building, improved distribution, satisfied customers and more exciting tasks for employees to sink their teeth into. It's almost as if it is too much to print in an annual report.»

Terje Krøvel, who is responsible for the corporate sector and the architect behind the new corporate sector concept, gently scrutinises the writer through his glasses. Even though every word in the introduction is true, it is clear that this conversation will be about willingness to focus on businesses optimism, paired with prudence, financial strength and a strong commitment to the employees and Møre og Romsdal county.

– We have been dedicated to ensuring that our focus is comprehensive. We know which businesses we should be serving both today and tomorrow; we understand their everyday needs and need for capital and expertise. We have also arranged for good local presence and strong expert groups that address the needs of both the customers and their employees", says Terje Krøvel. – Sparebanken Møre is the overall market leader in Møre og Romsdal in terms of number of customers. We state that we want to be the number one bank in the county. We want to be the best bank, and you can just write that we are gaining market shares.

NEW WORK PROCESSES HAVE INCREASED EFFICIENCY AND EMPLOYEE SATISFACTION

When you have grown steadily and continuously over time, reviewing and revising habits and methods of operation is useful. For the corporate banking division in Sparebanken Møre this has resulted in greater expertise, standardisation of processes, better follow-up on results, and more outward looking operations.

– The feedback from both customers and employees on what we have done is good, says Terje Krøvel. – For the employees, this primarily means that processes are completed faster and more reliably, meaning that they can spend more time on skills-intensive tasks in projects and more time visiting customers at their place of business.

NEW INDUSTRY CATEGORIES, NEW EXPERTISE AND STRONGER CENTRE OF EXPERTISE

We want to be the best in maritime, industry, offshore/supply, property, trade, services/service sectors and small and medium sized companies because these are the six most important business sectors in Møre og Romsdal. This means that every customer needs to be served by specialists. The innovation in this sector is primarily that we have separated offshore/supply from industry and gained two specialised units with different cutting-edge expertise.

The Bank`s distribution of services has been changed from six regional corporate sector departments to three resource centres located in Ålesund, Molde and Ulsteinvik respectively, with corporate sector employees located in the branches. Expert groups and better representation in the field have been warmly received by both customers and employees. The transfer of expertise between expert groups and individuals has improved considerably.

Mr. Krøvel adds that the reorganisation was necessary to ensure good customer experience. We can now, with our hands on our heart, state that the hairdresser and offshore shipowner are served equally well, based on their needs and requirements. – Do not forget that in our region the two are neighbours and chat about banks over the fence.

LOCAL KNOWLEDGE IS MORE IMPORTANT THAN EVER

The writer decided to take a chance:
– You talk a lot about local knowledge, Mr. Krøvel, but honestly: hasn't the importance of that decreased over the years? It almost sounds like banks don't know the world has shrunk?

– I would say, on the contrary. What characterises our time is that everything is moving faster, and the consequences of mistakes are becoming more serious. We have 30 branches located in the local communities and understand better than anyone both the general conditions in which businesses have to operate in each industry, and also each local community. Møre og Romsdal is characterised by cyclical industries, e.g. shipbuilding, fishing and the fish processing industry. These companies are not only affected by economic cycles themselves, the ripple effects affect suppliers and local communities as well. In the same way, it is difficult to discuss the ideal location for a new shop or property project without understanding people's habits and shopping patterns.

Mr. Krøvel looks out at the wind and rain while he breathe in.
– And then there is our knowledge of the local culture. Our customers talk a lot about this. They say that it is reassuring that we share a common origin and culture. Our core values state that we are 'committed, nearby and sound'. Those words contain a lot of local understanding and obligations.

– But being local does not mean you get a free pass, he continues smiling. – The customers have criteria and demand that we match our larger competitors, both in relation to specialist knowledge and solutions. The business sector in Møre og Romsdal did not get where it is today by settling for less.

TOR
EKROLL

REAL ESTATE DEPARTMENT

METTE
KOLVIK

TRADE AND SERVICES DEPARTMENT

SVEINUNG
KLAKEGG

INDUSTRY DEPARTMENT

RUNAR
DEBESS

MARITIME DEPARTMENT

MARIANNE
KVINNESLAND

OFFSHORE AND SUPPLY DEPARTMENT

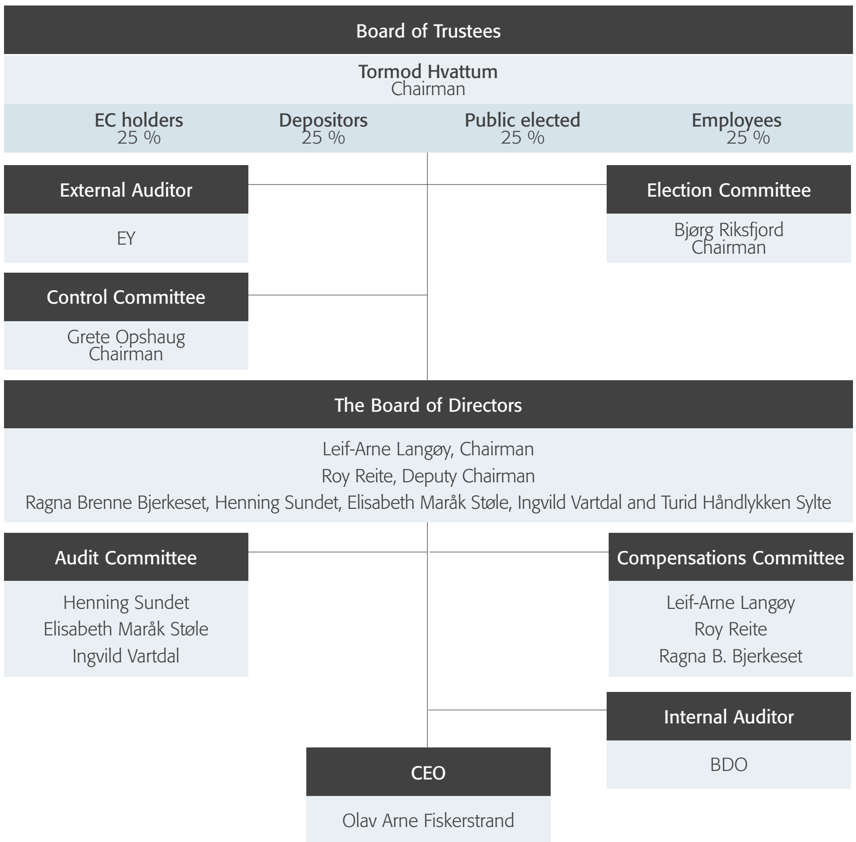
ROBERT
NERHUS

SME DEPARTMENT

Organisation and Management

The Board of Trustees is the Bank's supreme body. The Board of Trustees' main tasks are to confirm the statement of income and statement of financial position, to appoint a Board of Directors made up of seven members, and a Control Committee consisting of four members. The Board of Trustees consists of four groups, each with one fourth of the members. These are governors elected by the Bank's depositors, EC holders, the Bank's employees and the public elected. The Board of Trustees has 52 members. The public elected members are elected by the Møre og Romsdal County Council.

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 offers services within real estate brokerage for both private homes and commercial properties. Sparebankeiendom AS is a property company which own and manage the Bank's own commercial properties.



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

Sparebanken Møre's head office is located in Ålesund. The Bank's operations within Retail Banking is organized into Division for Retail Banking. Each Retail Banking branch is lead by a General Manager which reports directly to the leader of the Division, which again reports directly to the CEO. The Bank's customer related operations is handled in the Bank`s 30 branches.

The Corporate Banking operations in Sparebanken Møre is organized into three units: Sunnmøre, Søre Sunnmøre and Romsdal & Nordmøre. The managers of these three units reports directly to the CEO. Corporate Banking Sunnmøre is organized into six branch units as well as an insurance unit, and are responsible for development and maintenance of the Corporate Banking concept in the Bank.

In addition the organization consist of 5 Divisions which each is lead by a Head of Division. The Head of each division also report to the CEO.

In order to achieve effective communication and decision processes, management leader groups represent the foundation in Sparebanken Møre's management structure.

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. As at 31.12.2013, the Group employed 427 persons, equivalent to 391 man-years.

The executive Management team

Olav Arne Fiskerstrand

57 years (8 554)

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 CEO in 1997.

Terje Krøvel

54 years (1 711)

EVP, Sunnmøre Corporate Banking. 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.

Kjell Jan Brudevoll

59 years (1190)

EVP, Søre Sunnmøre Corporate Banking. 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.

Trond Lars Nydal

44 years (2 397)

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.

Idar Vattøy

54 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 (1980-1982) and Møre og Romsdal Ingeniørhøgskole (1982-1984). He joined Sparebanken Møre in 1984.

Perdy Karin Lunde

56 years (2 385)

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

Runar Sandanger
55 years (1 797)

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.

Kjetil Hauge
41 years (852)

EVP, Head of Information and Compliance Division. Business School Graduate from NHH in 1991-1995. Employed at Sparebanken Møre in 1998.

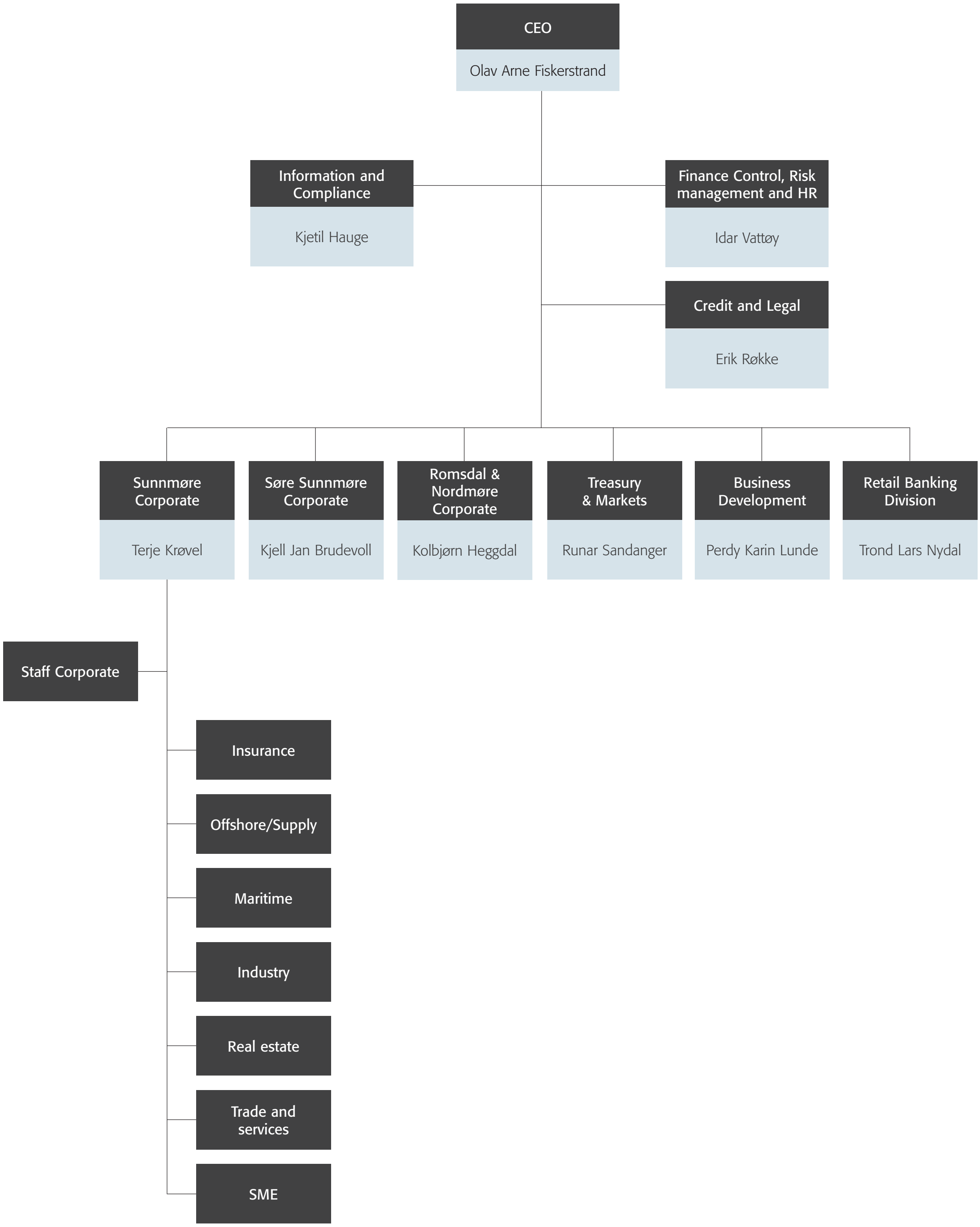
Kolbjørn Heggdal
49 years (40)

EVP, Romsdal & Nordmøre Corporate Banking. 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.

Erik Røkke
44 years (2 130)

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.

The figures in brackets after the abovementioned names indicate the number of Sparebanken Møre ECs held by each person. Any ECs owned by the closest family members and companies where the persons mentioned are either general partners or members of the Board of Directors have also been included in the bracketed figures.


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

Subsidiaries

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. CEO of Møre Boligkreditt AS is Ole Andre Kjerstad.

KEY FIGURES 2013	NOK million
Net loans to customers	14 863
Debt securities issued (covered bonds)	13 698
Net interest income	240
Profit after tax	152

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 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 have offices in Molde and Ålesund. Through cooperation with Sparebanken Møre, the company is represented at the Bank`s 30 branches around the county and brokers around 400 properties annually. CEO of Møre Eiendomsmegling AS is Mona Helen Sørensen.

KEY FIGURES 2013	NOK million
Turnover	22
Profit after tax	0
Equity	11

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

CEO Mona Helen Sørensen

Board of Directors

1. Leif-Arne Langøy
CHAIRMAN

Leif-Arne Langøy is a business graduate from the Norwegian School of Economics 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 to 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. He has various 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 in Sparebanken Møre from 1998 to 2003.

2. Roy Reite
DEPUTY CHAIRMAN

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.

3. Ragna Brenne Bjerkeset
BOARD MEMBER

Ragna Brenne Bjerkeset is Master of science in Agronomy (agronomist) from the Norwegian University of Life Sciences (NMBU) and also holds qualifications in marketing, innovation and management. She is also an ICF certified coach and has experience from from the consulting business in Møre og Romsdal, and from various management positions in Tine SA. Today she is employed as a senior adviser in TIBE PR. Mrs. Bjerkeset has been a member of the Board of Sparebanken Møre since 2011 and holds in addition several other directorships in business and industry in the region. She lives in the municipality of Fræna.

4. Henning Sundet
BOARD MEMBER

Henning Sundet graduated in business economics (Siviløkonom) from the Norwegian School of Economics and Business Administration (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 Group, and CEO of Island Offshore Shipping AS. Mr. Sundet has been a board member of Sparebanken Møre since 2013. He is also a board member of a number of companies in the Borgstein Group, as well as Bunker Oil AS. He lives in the municipality of Ålesund.

5. Ingvild Vartdal
BOARD MEMBER

Ingvild Vartdal is a master of law, with several years of experience as a business lawyer. Today she is a lawyer and partner in the law firm Adviso Advokatfirma AS, with tax and company law as the main working area. She was a co-author of the book, 'International Tax Handbook'. She is a member of the Law Committee for tax law, and is on the board of several companies. Ingvild Vartdal is domiciled in the municipality of Ålesund and has been a member of Sparebanken Møre's Board of Directors since 2008.

6. Elisabeth Maråk Støle
BOARD MEMBER

Elisabeth Maråk Støle is the CEO of Møreforsking AS, and has experience from different management positions in SafeRoad, Jotun, Telenor and SCA. Mrs. Støle has been on the board of a number of companies, and is now board member of Maritime Operasjoner AS and Møreforsking Molde AS. She has a Master of Management degree and is a business school graduate. Mrs. Støle is domiciled in the municipality of Ålesund and has been a member of Sparebanken Møre`s Board of Directors since 2008.

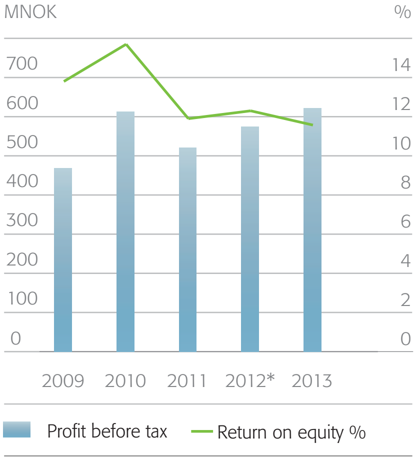
7. Turid Håndlykken Sylte
BOARD MEMBER

Turid Håndlykken Sylte is the employee representative of Sparebanken Møre and has been an employee representative in the Board of Directors since 2012. She currently works as an authorized financial advisor in the Bank`s branch in Molde. Previous experience include positions in tourism and banking. She lives in the municipality of Molde.

Annual report from the Board of Directors

The financial statements 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.

Profit and return on equity



* Adjusted for pension plan changes

GROUP`S KEY FIGURES

- Profit after tax for 2013 was NOK 450 million, NOK 80 million lower than in 2012
- Return on equity after tax was 11.6 per cent, compared with 16.3 per cent for 2012
- Lending volume increased by 6.2 per cent in 2013, while deposits grew by 3.6 per cent
- At year end, primary capital amounted to NOK 5.7 billion and represented 17.02 per cent of risk-weighted assets, 15.48 per cent of which was core capital, and 12.50 per cent was core tier 1 capital
- The Board of Directors is satisfied with the results for 2013
- The Board of Directors recommends that the Board of Trustees pay a dividend of NOK 8 per equity certificate, and transfer NOK 87 million to dividend funds for the local community. Overall, this represents 37 per cent of total consolidated profit for 2013

AREAS OF OPERATION AND MARKETS

The Sparebanken Møre Group consists of the Parent Bank, the mortgage company Møre Boligkreditt AS, the real estate brokerage firm 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.

Sparebanken Møre`s customer-oriented activities within the retail market have been organised in a central unit, the Retail Market Division, and all of the retail market departments (28) report to the Head of the Retail Market Division, who reports to the CEO. The corporate market is organised into three geographic units, and the three EVPs 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 and service, SME), as well as insurance.

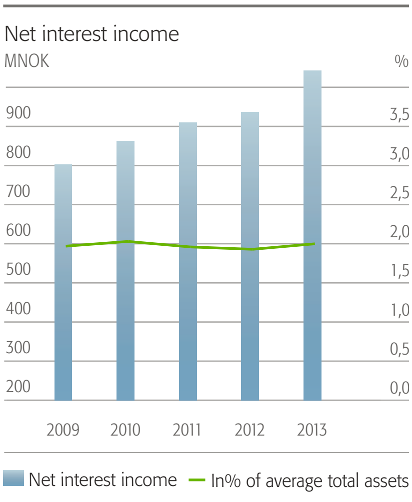
The various tasks and responsibilities relating to Sparebanken Møre's day-to-day operations are allocated in such a way that the resource usage in the branch network is to a very great extent prioritised in favour of direct customer-oriented activities. Other tasks shall, to the greatest possible extent,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

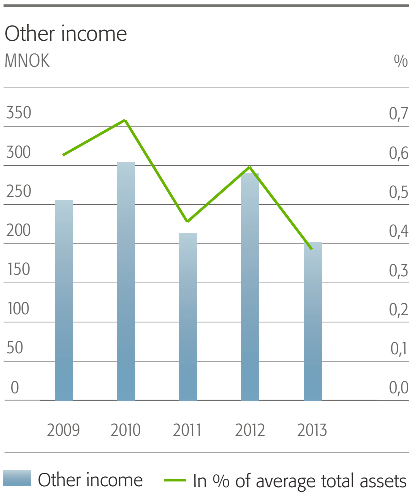
Sparebanken Møre is a full-service provider of services within the following areas:

- Financing
- Deposits and other forms of investments
- Asset management
- Financial advisory services
- Payment transfers
- Foreign exchange and interest rate hedging products
- 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 service 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.

Banking services provided on different digital medias have developed a great deal in





* Adjusted for pension plan changes

recent years, a development in which Sparebanken Møre has actively participated, to the great benefit and satisfaction of the bank's customers. Dialog via Facebook is used as a channel for communicating with the bank`s customers, and in 2014 the bank will also offer customer meetings via video link.

EQUITY CERTIFICATES – MORG

The number of equity certificate holders was stable at 6 106 at the start of 2013 and 6 114 at the end of the year. Of these equity certificate holders, 3 617 were residents of the county of Møre og Romsdal, and they held 45.7 per cent of the equity certificate capital at the end of the year, compared with 53.6 per cent at the end of the previous year. The 20 largest equity certificate holders represented 42.9 per cent 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 40.1 per cent (52.4 per cent).

At year end the bank owned 41 678 of its own equity capital certificates, corresponding to a nominal amount of NOK 4.17 million. These equity certificates were purchased on the Oslo Stock Exchange at market prices.

The equity certificates are freely negotiable in the market.

RESULTS FOR 2013

Profit before losses was NOK 675 million and 1.30 per cent of average total assets, a reduction of NOK 112 million and 0.33 percentage points over 2012. In 2012 a non-recurring effect from a pension plan change reduced costs by NOK 166 million. Profit after losses on loans and guarantees was NOK 621 million and 1.20 per cent of average total assets, a reduction of NOK 119 million and 0.33 percentage points. Profit after tax of NOK 450 million represents 0.87 per cent of total assets, compared with NOK 530 million and 1.10 per cent in 2012. The return on equity was 11.6 per cent for 2013, compared to 12.6 per cent in 2012 after adjustment for the pension plan change. The bank's target return on equity is a minimum of 6 percentage points above the long-term risk-free interest rate (the ten-year yield on Norwegian government bonds was 2.58 per cent on average in 2013). Earnings per equity certificate were NOK 18.45, compared with NOK 27.75 in 2012 (Parent Bank). Earnings per EC in 2013 is calculated including the new equity certificates from the equity issues in Q3 2013.

Net interest income

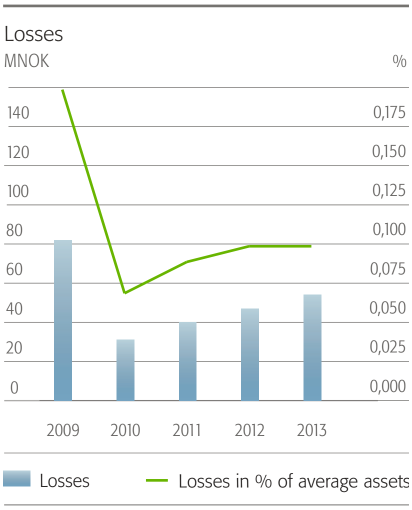
Net interest income was NOK 1 042 million in 2013 (NOK 936 million). As a percentage of average total assets, net interest income was 2.00 per cent (1.93 per cent). Net interest income accounted for 83.8 per cent of total income in 2013.

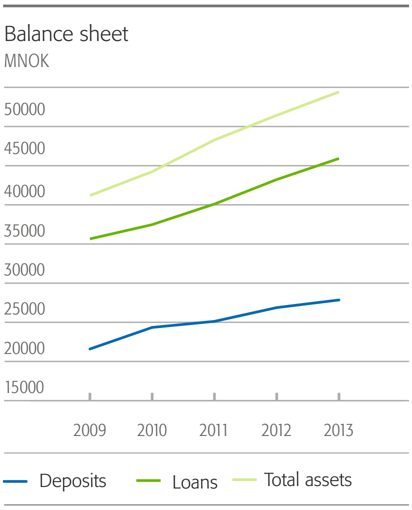
Other operating income

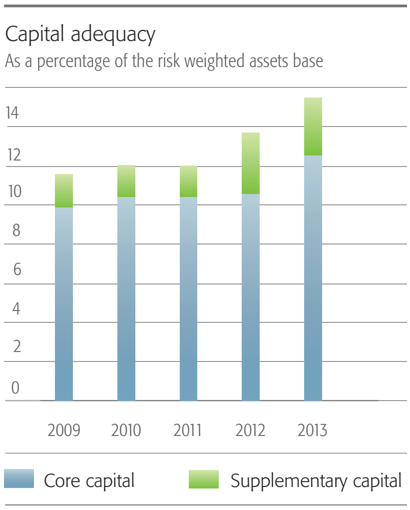
Total other operating income amounted to NOK 202 million (NOK 290 million). The reduction was primarily due to the development in the value of bond holdings, as well as the fact that the 2012 financial statements included the proceeds from the sale of buildings to buyers outside the Group.

Costs

Total costs were NOK 569 million, an increase of NOK 130 million compared to 2012. Last year's results included a cost reduction of NOK 166 million related to a pension plan change. Excluding the pension plan change, costs decreased by NOK 36 million compared to 2012. Personnel expenses were reduced by NOK 30 million compared to 2012, and other expenses were reduced by NOK 6 million. The total expenses for 2013 represent 1.09 per cent of average total assets, and 1.24 per cent for 2012 after adjustment for the pension plan change. The cost to income ratio for 2013 was 45.7 per cent, and 48.8 per cent for 2012 after adjustment for the pension plan change. The bank's target is a ratio of less than 50 per cent.







Losses and commitments in default

Write-downs for losses of NOK 54 million were charged to the profit and loss account in 2013, while NOK 47 million was charged to the profit and loss account in 2012. NOK 53 million was charged to the profit and loss account for corporate customers, while the charge for retail customers was NOK 1 million. General write-downs was unchanged compared to 2012.

Aggregate accumulated write-downs – specific write-downs and general write-downs – amounted to NOK 306 million (NOK 306 million) or 0.66 per cent of gross lending (0.70 per cent). Of the specific write-downs, NOK 35 million are related to commitments in default for more than 90 days (NOK 71 million), which represents 0.08 per cent of gross lending (0.16 per cent). NOK 131 million refers to other commitments (NOK 95 million) or 0.28 per cent of gross lending (0.22 per cent). General write-downs totalled NOK 140 million (NOK 140 million) or 0.30 per cent of gross lending (0.32 per cent).

Gross defaults for more than 90 days decreased by NOK 69 million to NOK 117 million throughout the year. Net commitments in default for more than 90 days as a percentage of gross loans were reduced from 0.43 percent by the end of 2012 to 0.25 per cent by the end of 2013. Of net commitments in default for more than 90 days, corporate customers accounted for NOK 57 million (NOK 126 million), and retail customers accounted for NOK 60 million (NOK 60 million).

Total assets

Total assets increased by NOK 2 995 million or 5.8 per cent to NOK 54 627 million as at 31 December 2013.

Lending

Net lending increased by NOK 2 688 million, or 6.2 per cent, to NOK 46 122 million in 2013. Of this amount, corporate lending accounted for 34.4 per cent, following a 0.8 per cent decrease in volume for the year. At year end, retail banking loans accounted for 65.6 per cent after annual growth of 10.1 per cent.

Deposits

Deposits from customers totalled NOK 28 056 million at the end of 2013, an increase of NOK 975 million or 3.6 per cent. Deposits from corporate and retail banking customers increased by 0.4 per cent and 5.1 per cent, respectively, in 2013. Deposits from public sector clients were 21.2 per cent higher than at the previous year end. The deposits are distributed with 39.9 per cent from corporate customers, 57.0 from retail customers and 3.1 per cent from the public sector.

The difference between the lending and deposit volumes of NOK 18 066 million was funded through the Norwegian and international money and securities markets. Deposits as a percentage of lending were 60.8 per cent at year end.

Securities

Holdings of short-term investments in securities at year-end 2013 amounted to NOK 5 073 million compared with NOK 5 542 million at year-end 2012.

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

The bank's hybrid tier 1 securities (NOK 999 million) consist of three loans. Two of these are subject to variable interest rates, the third has a fixed interest rate. Subordinated bond loans (NOK 499 million) are subject to variable interest rates.

Subsidiaries

The aggregate profit of the bank's three subsidiaries amounted to NOK 152 million after tax (NOK 88 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. So far, the company has raised NOK 13.7 billion in funding for the bank. The company has made a contribution of NOK 152 million to the Group profit in 2013 (NOK 78 million).

Møre Eiendomsmegling AS provides services in real estate brokerage both to retail and corporate customers. The company made no contribution to earnings in 2013 (NOK 2 million). At year end, the company employed 16 full-time equivalents.

The object of Sparebankeiendom AS is to own and manage the bank's own commercial properties. The company made no contribution to earnings in 2013 (NOK 8 million). The company has no staff.

SPAREBANKEN MØRE`S DIVIDEND POLICY

The bank`s dividend policy has been kept unchanged the last few years. The Group's aim is to achieve financial results which provide a good and stable return on the bank's equity capital. The results shall ensure that the equity owners 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 shall be adapted to the bank's equity capital situation. Sparebanken Møre shall ensure that all equity owners are guaranteed equal treatment.

ALLOCATION OF PROFIT FOR THE YEAR

Pursuant to the rules relating to equity certificates, etc. (Financial Institutions Act) and in accordance with the dividend policy of Sparebanken Møre, 37 per cent of the Group's profit has been set aside for dividend funds (cash dividend and dividend funds for the local community). Based on the accounting division of equity into the EC owners` capital and the primary capital fund, 47.7 per cent of net profit will be allocated to the equity certificate holders, and 52.3 per cent will be allocated to the primary capital fund. The impact of the issues in 2013 have been taken into account in the distribution. Earnings per equity certificate were NOK 18.45 in 2013 (Parent Bank). NOK 8.00 will be paid in cash dividends per equity certificate for the 2013 financial year.

Proposed allocation of the profit (Parent Bank):

Profit for the year (MNOK)		**382**
Dividend funds:		
To cash dividend	79	
To dividend funds locally	87	166
Strengthening of equity:		
To the dividend equalisation fund	104	
To the primary capital fund	113	
To other funds	-1	216
Total allocations		**382**

CAPITAL ADEQUACY RATIO AND APPLICABLE REGULATIONS

The Board of Sparebanken Møre adopted a new long-term minimum target for the Group's capital adequacy in the "Møre 2017" strategy process. The core tier 1 capital ratio must comply with the announced regulatory plan for the escalation of capital.

A process involving a total of three issues of new equity certificate capital was completed during the third quarter of 2013. A private placement with gross proceeds of up to NOK 275 million was oversubscribed. A repair issue with gross proceeds of NOK 100 million was also fully subscribed, while an employee issue with gross proceeds of NOK 3.5 million was also carried out. On 4 July 2013, the Board of Trustees approved the reallocation of NOK 125 million of the bank's previous years' allocations to dividend funds for the local community to a gift fund, and this gift fund is included in the Group's core tier 1 capital.

Sparebanken Møre uses the standard method to calculate the minimum requirements for primary capital for credit risk and market risk. Operational risk calculations are performed using the basic method. At year-end 2013, Sparebanken Møre had primary capital of 17.02 per cent (14.63 per cent) and a core capital ratio of 15.48 per cent (13.68 per cent). The corresponding figures for core tier 1 capital were 12.50 per cent (10.55 per cent). 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 63 per cent of the Group's profit to further build up the Group's financial strength.

With core tier 1 capital of 12.50 per cent at year-end 2013, the regulatory requirements concerning capital adequacy and Sparebanken Møre's internal capital target were met.

Sparebanken Møre has developed and implemented internal risk management models within the area of credit over a number of years. The Group has applied to the Financial Supervisory Authority of Norway for permission to use IRB Foundation approach pursuant to the Capital Requirements Regulations to model credit risk and is awaiting a response to its application. Upon approval as an IRB institution, external capital reporting will be based on a method that better reflects the underlying risk on the Group's balance sheet.

The new 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 chosen to introduce the capital requirements earlier than required by the implementation deadline in the international rules. This will result in a core tier 1 capital requirement from 1 July 2014 of a minimum of 10 per cent and a total capital adequacy ratio of 13.5 per cent. In addition to these capital requirements, a countercyclical buffer of 0-2.5 per cent of core tier 1 capital can be introduced under Basel III. The Norwegian authorities have decided that the level of the countercyclical capital buffer should be 1 per cent with effect from 30 June 2015.

Sparebanken Møre closely monitors both proposed and actual changes to the regulations. 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 cases where 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 2013, the Board adopted a new strategic plan, "Møre 2017". 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 funding 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 2013.

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 the ICAAP's key role in long-term strategic planning. The Group's annual ICAAP has been conducted and the feedback from this was received from the Financial Supervisory Authority of Norway in the fourth quarter of 2013. Calculations performed in connection with the ICAAP for 2013 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 followup and control structure that is intended to ensure compliance with the overall framework of the bank's strategic plan. The Group's overall risk exposure and risk development is followed up via periodic reports submitted to the management team, Audit Committee and the Board. One of the Audit 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 approved risk profile. The Board considers the risk management of the Group and the Bank 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 credit area is monitored by the bank's risk management department, which is independent of the customer units. The Board receives reports on credit risk trends throughout the year in monthly risk reports. 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 developed its own risk classification models for classifying customers, and these models make an important contribution to the in-house management of credit risk. The customers are scored monthly, 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.

The Board finds that Sparebanken Møre's overall credit risk is within the Group's adopted risk tolerance. The Group's percentage exposure to large commitments has been significantly reduced through capital-related measures in 2013. Based on these measures, the Board finds that Sparebanken Møre will be prepared to handle any increased credit risk in the loan portfolio, and that the Group will have 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, and this risk is 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 2013. The Board of Directors 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 bank’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 2013. The strategy reflects the moderate risk level that is accepted for this area of risk. Sparebanken Møre's targets for maintaining its financial strength are described here, and specific limits have been defined for different areas of the Group’s funding management. Sparebanken Møre's contingency plan for funding management includes a description of how the funding situation should be handled in turbulent financial markets. Stress test models have also been developed that deal with various scenarios other than a normal situation. The purpose of these models is to quantify the probability of obtaining funding from different sources within certain defined periods.

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 per cent 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. LCR will be introduced on 1 January 2015, albeit with a minimum requirement of 60 per cent fulfilment. Thereafter this will be increased by 10 per cent a year until 100 per cent is reached on 1 January 2019. LBI (Liquidity Buffer Indicator - the Financial Supervisory Authority of Norway's liquidity indicator) includes more liquid assets than are included in LCR. Furthermore, no account is taken of the Basel III requirement for the liquidity of securities that is included in LCR. 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 that the Group's liquidity risk is kept at a low level, lending to customers must be financed primarily by customer deposits and the issuance of long-term debt securities. There has been a strong focus on increasing ordinary deposits in recent years. The bank's deposit coverage ratio at the end of 2013 was 60.8 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 2013, almost 32 per cent of the Group's total lending (over 48 per cent of lending to the retail market) had been transferred to the mortgage company. Sparebanken Møre will continue to transfer mortgages to Møre Boligkreditt AS in 2014, and the bank's refinancing needs in 2014 will primarily be met by issuing covered bonds.

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 19.9 billion of external funding, NOK 14.5 billion is long-term funding (remaining term of more than 1 year), and this is primarily in the form of covered and senior bonds. The bank's outstanding senior bonds had a weighted remaining term of 1.8 years at year-end 2013, while covered bond funding correspondingly had a remaining term of 3.98 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 aim to centre on the customer. The bank has expended a lot of resources on the authorisation scheme for financial advisers (AFR) in the last few years. By the end of 2013, 254 of the bank's employees were licensed financial advisers. 21 of them gained authorisation in 2013. In addition to AFR, all managers in frontline positions have completed an AFR examiner course. This has provided the managers with very good training and practice in exercising their managerial roles. Sparebanken Møre also organised an "approved internal credit competence" course in 2013. By the end of 2013, 241 of the bank's employees had passed this course. 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 as a financial institution have achieved.

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 critical security events were registered in the area of ICT in 2013, but work on ICT security will remain high on the agenda in the future as well.

The Group focuses heavily on the money laundering regulations. Courses and seminars were held internally in the bank throughout 2013. Internal control in this area was further tightened as a supplement to the automatic control systems that have been established in the bank.

Emergency exercise involving managing a defined emergency situation was conducted in 2013. The exercise focused on establishing a crisis team, media management and internal information. The exercise was a collaboration with external consultants and made an important contribution by testing established contingency plans and raising awareness of the issues that could arise should a crisis occur.

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 reporting at Sparebanken Møre is decentralised and the Financial Control, Risk Management and HR Division 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 2013. The internal auditing function reports to the Audit Committee and the Board. A plan has been prepared for the work of the internal auditor and approved by the Board. The Audit Committee and the Board have received regular reports from the internal auditor in 2013 in accordance with this plan.

The annual report of the internal auditor for 2013 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. 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

Corporate governance at Sparebanken Møre includes the aims and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of the equity certificate holders, customers and other stakeholders 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 owners

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance. Please see the separate section on page 108 of the annual report for a more detailed description of the bank's corporate governance.

SPAREBANKEN MØRE`S FULFILMENT OF ITS CORPORATE SOCIAL RESPONSIBILITIES

Operating 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.

Our social responsibilities

Sparebanken Møre's social responsibilities 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 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 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, we will also start offering customers meetings via videolink.

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. We regularly report unusual transactions to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) and focus 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. We also have 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. 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.

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 391 full-time equivalents at year end, a reduction of 19 fulltime equivalents in 2013.

The average age of the bank’s employees has decreased from 48.0 to 47.7. The average length of service with Sparebanken Møre of the current staff is 18.1 years.

Total absence due to illness was 3.51 per cent in 2013, compared with 3.23 per cent in 2012. Long-term absence due to illness was 2.20 per cent in 2013, compared with 1.90 per cent in 2012. Short-term absence due to illness fell from 1.33 per cent in 2012 to 1.31 per cent in 2013. 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.

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. Exercises are arranged at regular intervals in order to teach staff how to tackle crisis situations, such as fires and robberies. In 2013 four incidents were recorded involving threatening and undesirable behaviors of customers towards the bank`s employees. With the exception of these events, no similar incidents, injuries or accidents were detected or reported during 2013.

The distribution between women and men showed that out of the Group's total staff of 427, there were 274 women (64.3 per cent) and 153 men (35.7 per cent). There are 408 employees in the bank and 19 in the subsidiaries.

Of the bank's 408 employees, 261 are women (64.1 per cent) and 147 are men (35.9 per cent). The bank employs 56 part-time staff, all are women.

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

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

During the course of 2013, 21 new employees were recruited externally, of which 17 in the Parent Bank and 4 in Møre Eiendomsmegling AS. Thirteen were women and eight were men.

Staff turnover of 7.8 per cent was registered for 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 2013. Internal guidelines 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 has a clear strategy; we want to be present in and 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 all owners must be treated equally. The local communities in Møre og Romsdal own around 50 per cent 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 the local community".

The savings banks originally started as corn stores. They were established to provide seed corn in poor years. The corn stores were later sold and the proceeds used as equity when the savings banks were founded. It is the returns on this equity, which have accumulated since 1843, that Sparebanken Møre distributes for publicly beneficial purposes in Møre og Romsdal. Funds in the order of NOK 100 million have been allocated for this purpose annually during the last few years. Our responsibility and commitment to the local communities in Møre og Romsdal is thus also demonstrated through these funds.

Our vision and goals for the dividend funds for the local community

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. To this end we have established a vision for what Sparebanken Møre should contribute to, which is as follows:

«Sparebanken Møre shall, together with other social players, 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 business, 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. An example of this is the GNIST Mørestipend, a grant scheme for talented young people.
- Culture in Møre og Romsdal. We shall help the county and local authorities in the county developing and improving the range of cultural activities in Møre og Romsdal. For example, contributing to the establishment of a theatre- and jazz house in Molde, supporting the summer festival in Giske, as well as Ålesund Symphony Orchestra.
- We shall contribute to the development of university colleges in the county. For example, we fund a professorship in international business.
- We shall contribute to the development of and/or fund qualified reports on transport and infrastructure in Møre og Romsdal. For example, our contributions to the Hafast, Halsafjordsambandet, Tresfjordbrua and Møreaksen infrastructure projects.
- We shall contribute to developing and reinforcing meeting places in Møre og Romsdal for private and public actors. For example, the Møre conference.

Given the focus on our priority areas, Sparebanken Møre established an overall goal in 2010 for our corporate social responsibility work - a big "hairy goal":

«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 "hairy goal". 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!

The Board wants Sparebanken Møre's corporate social responsibility to be handled well. Therefore, in relation to the dividend funds for the local community, plans, grants and the use of funds for publicly beneficial purposes are reported 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 longterm forecasts for the coming years. The Group's capital adequacy ratio exceeds the government requirements by a wide margin.

FUTURE PROSPECTS

Increasing growth was observed internationally during the latter part of 2013, which is positive for Norway and the internationally oriented business sector in our region. Our most important trading partners' key economic figures have generally been slightly stronger than expected. In particular, production and demand in the euro zone appear to have stabilised. The Norwegian krone was also weakened during the last months of 2013, which improved Norwegian competitiveness and is thus positive for exports and import competing industries in Møre og Romsdal.

Norges Bank has indicated that interest rates will remain low for some time. This in itself is a sign that economic prospects are moderate going forward. Norwegian economic growth has so far been weaker than expected. Pessimism has increased among households and segments of the business sector. At the same time, we have seen house prices fall nationwide during the last three months of 2013. If house prices continue to fall, this could result in reduced consumer demand and lower constructing activity.

Slightly stronger growth is expected on a national basis in 2014 than in 2013. However, this growth is dependent on the positive development of domestic demand. Low interest rates will contribute to this, together with a higher level of activity in the public sector. Important segments of our business sector are enjoying positive prospects. Based on this the county's unemployment rate is expected to remain low.

The regulatory changes in the banking industry were clarified further during 2013. As announced in late 2012, Sparebanken Møre implemented some important organisational measures during 2013 in order to satisfy the new requirements to which the banks are subject. The effects have materialised in the financial statements, through reduced costs due to reduced man-years, as well as greater financial strength through issues and profitable operations. Sparebanken Møre's objective of a cost income ratio lower than 50 per cent was achieved. The Board expects the effects of these measures to continue to manifest themselves in 2014. Our main focus will remain on stable costs development and a good return on equity, which includes keeping the level of losses and defaults moderate.

VOTE OF THANKS

The Board of Directors would like to thank all of the Group's employees and representatives for their good efforts in 2013. The Board would also like to thank the bank's customers, investors and other associates for our good partnership throughout the year.

Ålesund, 31 December 2013
5 March 2014
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Henning Sundet

Elisabeth Maråk Støle

Ingvild Vartdal

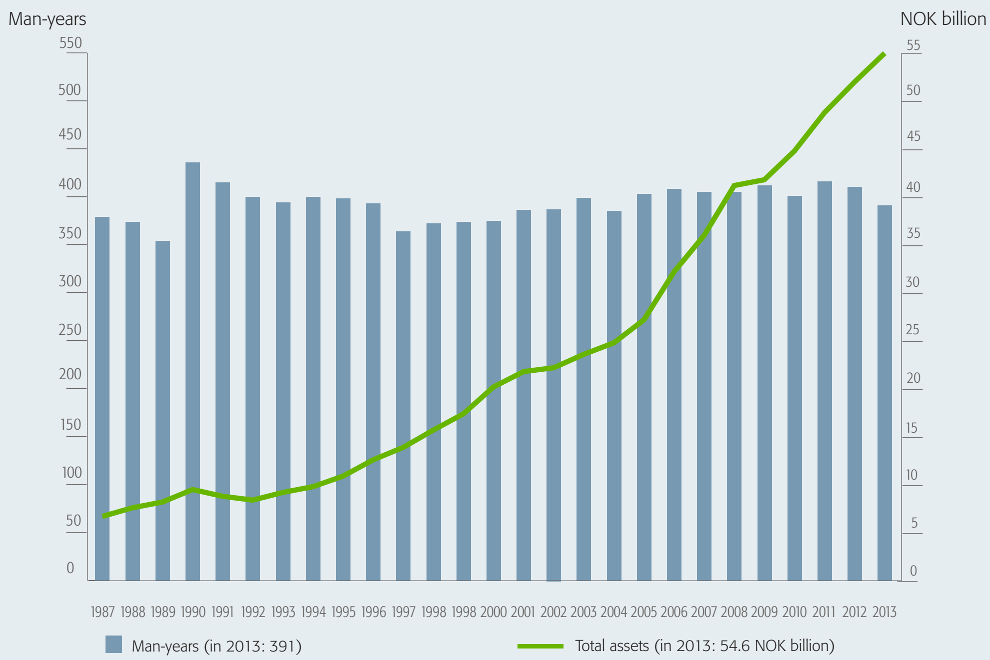
Turid Håndlykken Sylte

Olav Arne Fiskerstrand
CEO

Annual accounts

CONTENTS - ANNUAL ACCOUNTS

TOTAL ASSETS AND MAN-YEARS



STATEMENT OF INCOME

GROUP				PARENT BANK	
2012	**2013**	Amounts in NOK million	Notes	**2013**	2012
		Interest income from:			
59	**53**	Loans to and receivables from credit institutions		**84**	89
1 920	**2 040**	Loans to and receivables from customers	4.2, 11	**1 522**	1 514
267	**128**	Certificates, bonds and other interest-bearing securities		**162**	318
2 246	**2 221**	Interest income		**1 768**	1 921
		Interest costs in respect of:			
87	**35**	Liabilities to credit institutions		**40**	88
637	**634**	Deposits from and liabilities to customers	11	**634**	637
526	**391**	Debt securities issued		**168**	334
58	**89**	Subordinated loan capital		**89**	58
2	**30**	Other interest		**30**	4
1 310	**1 179**	Interest costs	5.4	**961**	1 121
936	**1 042**	Net interest income	7	**807**	800
290	**202**	Other operating income	5.4, 5.5, 8	**287**	287
177	**313**	Wages, salaries etc.	11,12	**297**	158
139	**133**	Administration costs	9, 10	**133**	138
316	**446**	Wages, salaries and general administration costs		**430**	296
31	**28**	Depreciation, impairment and changes in value of non-financial assets	9, 13, 14	**24**	22
92	**95**	Other operating costs	9, 10, 11	**92**	87
787	**675**	Profit before impairment on loans		**548**	682
47	**54**	Impairment on loans, guarantees etc.	4.1, 4.2, 4.3	**54**	42
740	**621**	Pre tax profit	7	**494**	640
210	**171**	Taxes	16	**112**	174
530	**450**	Profit after tax		**382**	466
110	**87**	Dividend funds for the local community 1)		**87**	110
94	**79**	Dividend for the EC holders 1)		**79**	94
146	**113**	Transferred to the primary capital fund		**113**	146
124	**104**	Transferred to the dividend equalisation fund		**104**	124
-8	**-1**	Transferred to/from fund for unrealised gains		**-1**	-8
64	**68**	Transferred to other equity capital		**-**	-
530	**450**	Proposed distribution		**382**	466
31.05	**21.65**	Result per EC (NOK) 2)	17	**18.45**	27.75
31.05	**21.65**	Diluted earnings per EC (NOK) 2)	17	**18.45**	27.75

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	
2012	**2013**	Amounts in NOK million		**2013**	2012
530	**450**	Profit after tax		**382**	466
		Other income/costs reversed in ordinary profit:			
8	**7**	Equities available for sale - changes in value		**7**	8
		Other income/costs not reversed in ordinary profit:			
160	**-36**	Pension estimate deviations		**-36**	160
-45	**9**	Tax effect of pension estimate deviations	16	**9**	-45
653	**431**	Total comprehensive income after tax		**362**	589

STATEMENT OF FINANCIAL POSITION

GROUP				PARENT BANK	
2012	**2013**	Amounts in NOK million	Notes	**2013**	2012
669	**1 281**	Cash and claims on Norges Bank		**1 281**	669
286	**701**	Loans to and receivables from credit institutions, on a call basis		**701**	286
2	**14**	Loans to and receivables from credit institutions, with a fixed maturity		**1 145**	989
288	**715**	Loans to and receivables from credit institutions		**1 846**	1 275
43 434	**46 122**	Net loans to and receivables from customers	4.1, 4.2, 4.3, 7, 11	**31 416**	32 267
1 101	**776**	Certificates and bonds issued by the public		**776**	1 101
4 441	**4 297**	Certificates and bonds issued by others		**4 764**	6 218
5 542	**5 073**	Certificates, bonds and other interest-bearing securities assessed at fair value through profit or loss	4.4, 5.4	**5 540**	7 319
575	**404**	Financial derivatives	5.6	**246**	504
2	**2**	Shares and other securities assessed at fair value through profit or loss		**2**	2
204	**213**	Shares and other securities available for sale		**213**	204
206	**215**	Shares and other securities	5.4	**215**	206
-	**-**	Equity stakes in financial institutions (subsidiaries)		**700**	500
-	**-**	Equity stakes in other Group companies		**21**	21
-	**-**	Equity stakes in Group companies	6	**721**	521
0	**0**	Deferred tax benefit	16	**6**	0
23	**21**	Other intangible assets	14	**21**	22
23	**21**	Intangible assets		**27**	22
69	**40**	Machinery, equipment, fixtures and fittings and vehicles		**38**	68
232	**228**	Buildings and other real estate		**18**	19
301	**268**	Fixed assets	13	**56**	87
83	**54**	Overfunded pension liability	12	**54**	83
511	**474**	Other assets	15	**441**	484
51 632	**54 627**	Total assets	5.1, 5.2, 5.3, 5.4	**41 843**	43 437

GROUP				PARENT BANK	
2012	**2013**	Amounts in NOK million	Notes	**2013**	2012
34	**26**	Loans and deposits from credit institutions, on a call basis		**26**	34
2 485	**1 081**	Loans and deposits from credit institutions, with a fixed maturity		**1 611**	2 710
2 519	**1 107**	Loans and deposits from credit institutions		**1 637**	2 744
17 158	**17 869**	Deposits from customers, on a call basis		**17 889**	17 183
9 923	**10 187**	Deposits from customers, with a fixed maturity		**10 187**	9 923
27 081	**28 056**	Deposits from customers	4.2, 7, 11	**28 076**	27 106
1 880	**1 870**	Certificates issued		**1 870**	1 880
13 728	**16 464**	Bonds issued		**3 439**	5 498
15 608	**18 334**	Debt securities issued	5.4, 5.5	**5 309**	7 378
434	**354**	Financial derivatives	5.6	**351**	428
289	**262**	Incurred costs and prepaid income		**219**	258
46	**30**	Pension liabilities	12	**30**	46
154	**182**	Tax payable	16	**121**	122
24	**4**	Deferred tax liabilities	16	**0**	12
2	**2**	Specific provisioning against guarantee liabilities	4.3	**2**	2
413	**307**	Other liabilities		**305**	407
928	**787**	Provisions and other liabilities		**677**	847
1 002	**999**	Perpetual Hybrid Tier 1 capital		**999**	1 002
299	**499**	Subordinated loan capital		**499**	299
1 301	**1 498**	Subordinated loan capital	5.7	**1 498**	1 301
47 871	**50 136**	Total liabilities	5.1, 5.2, 5.3, 5.4	**37 548**	39 804
784	**989**	EC capital	19	**989**	784
-9	**-4**	ECs owned by the Bank	19	**-4**	-9
186	**353**	Share premium		**353**	186
961	**1 338**	Paid-in equity		**1 338**	961
1 835	**1 935**	Primary capital fund		**1 935**	1 835
0	**125**	Gift fund		**125**	0
592	**684**	Dividend equalisation fund		**684**	592
40	**47**	Value adjustment fund		**47**	40
1	**0**	Fund for unrealised gains		**0**	1
332	**362**	Other equity		**166**	204
2 800	**3 153**	Retained earnings		**2 957**	2 672
3 761	**4 491**	Total equity	18	**4 295**	3 633
51 632	**54 627**	Total liabilities and equity		**41 843**	43 437
1 634	**1 433**	Guarantees	4.1, 4.2, 4.4, 7	**1 433**	1 634

Ålesund, 31 December 2013
5 March 2014
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Henning Sundet

Elisabeth Maråk Støle

Ingvild Vartdal

Turid Håndlykken Sylte

Olav Arne Fiskerstrand
CEO

STATEMENT OF CHANGES IN EQUITY – GROUP

Amounts in NOK million

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 through the income statement	-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			113		104		-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			-14		-13	7		
Total profit for the period	431			99		91	7	-1	234
Equity as at 31 December 2013 (notes 18 and 19)	4 491	985	353	1 935	125	684	47	0	362

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

2012	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 2011	3 256	782	186	1 611	0	408	32	8	229
Changes in own equity certificates	-11	-7		1		-5			
Distributed dividend to the EC holders	-63								-63
Distributed dividend to the local community	-74								-74
Merger Møre Finans 1.9.2012	0			15		13			-28
Equity before allocation of profit for the year	3 108	775	186	1 627	0	416	32	8	64
Change in value of debt securities through the income statement	-7							-7	
Allocated to the primary capital fund	146			146					
Allocated to the dividend equalisation fund	124					124			
Allocated to other equity	64								64
Proposed dividend allocated for the EC holders	94								94
Proposed dividend allocated for the local community	110								110
Distributed profit for the year	530			146		124		-7	268
Equities available for sale - changes in value	8						8		
Pension estimate deviations	160			86		74			
Tax effect of pension estimate deviations	-45			-24		-21			
Total other income and costs from comprehensive income	123			62		53	8		
Total profit for the period	653			208		177	8	-7	268
Equity as at 31 December 2012 (notes 18 and 19)	3 761	775	186	1 835	0	592	40	1	332

STATEMENT OF CHANGES IN EQUITY – PARENT BANK

Amounts in NOK million

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 through the income statement	-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			113		104		-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			-14		-13	7		
Total profit for the period	362			99		91	7	-1	166
Equity as at 31 December 2013 (notes 18 and 19)	4 295	985	353	1 935	125	684	47	0	166

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

2012	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 2011	3 164	782	186	1 611	0	408	32	8	137
Changes in own equity certificates	-11	-7		1		-5			
Distributed dividend to the EC holders	-63								-63
Distributed dividend to the local community	-74								-74
Merger Møre Finans 1.9.2012	28			15		13			
Equity before allocation of profit for the year	3 044	775	186	1 627	0	416	32	8	0
Change in value of debt securities through the income statement	-7							-7	
Allocated to the primary capital fund	146			146					
Allocated to the dividend equalisation fund	124					124			
Proposed dividend allocated for the EC holders	94								94
Proposed dividend allocated for the local community	110								110
Distributed profit for the year	466			146		124		-7	204
Equities available for sale - changes in value	8						8		
Pension estimate deviations	160			86		74			
Tax effect of pension estimate deviations	-45			-24		-21			
Total other income and costs from comprehensive income	123			62		53	8		
Total profit for the period	589			208		177	8	-7	204
Equity as at 31 December 2012 (notes 18 and 19)	3 633	775	186	1 835		592	40	1	204

STATEMENT OF CASH FLOW

GROUP				PARENT BANK	
2012	**2013**	Amounts in NOK million	Notes	**2013**	2012
		Cash flow from operating activities			
2 426	**2 395**	Interest, commission and fees received	8	**1 927**	2 066
-1 323	**-1 239**	Interest, commission and fees paid	8	**-1 011**	-1 210
7	**10**	Dividend and group contribution received	8	**96**	35
-466	**-554**	Operating expenses paid	9, 10, 11, 12	**-532**	-440
-154	**-158**	Income taxes paid	16	**-127**	-138
276	**-428**	Changes relating to loans to and claims on other financial institutions	5	**-572**	293
-1 998	**-2 176**	Changes relating to repayment of loans/leasing to customers	4	**771**	-18
-1 033	**-511**	Changes in utilised credit facilities	5	**80**	-358
-2 265	**-2 661**	Net cash flow from operating activities		**632**	230
		Cash flow from investing activities			
5 837	**4 927**	Proceeds from the sale of certificates, bonds and other securities	4, 5	**6 368**	6 366
-6 682	**-4 486**	Purchases of certificates, bonds and other securities	4, 5	**-4 486**	-6 682
35	**16**	Proceeds from the sale of fixed assets etc.	13	**16**	0
-57	**-13**	Purchase of fixed assets etc.	13	**-11**	-63
345	**274**	Changes in other assets	14, 15	**30**	451
-522	**718**	Net cash flow from investing activities		**1 917**	72
		Cash flow from financing activities			
1 757	**975**	Net change in deposits from customers	4, 5, 11	**969**	1 769
-2 222	**-1 412**	Net change in deposits from Norges Bank and other financial institutions	5	**-1 106**	-2 107
7 260	**7 227**	Proceeds from bond issues raised	5	**2 370**	3 616
-4 288	**-4 219**	Redemption of debt securities	5	**-4 219**	-3 487
-63	**-94**	Dividend paid	19	**-94**	-63
198	**-291**	Changes in other debt	5, 7, 12	**-226**	-175
0	**369**	Issues	19	**369**	0
2 642	**2 555**	Net cash flow from financing activities		**-1 937**	-447
-145	**612**	Net change in cash and cash equivalents		**612**	-145
814	**669**	Cash balance at 01.01		**669**	814
669	**1 281**	Cash balance at 31.12	5	**1 281**	669

The cash flow statement shows cash payments received and made and cash equivalents throughout the year. The statement has been 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.

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 29 January 2014. The final annual accounts were presented by the Board of Directors on 5 March 2014.

The Group's operations are described in note 7.

2 ACCOUNTING PRINCIPLES

2.1 Main 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 2013.

The consolidated financial statements are based on historical cost, with the exception of:

- financial assets available for sale
- financial assets and liabilities (including financial derivatives) measured at fair value through profit or loss

Changes in accounting principles and presentation (classifications)

The Group and the Parent Bank elected to early apply the rule changes in IAS 19R in 2012. There are no changes in accounting policies for 2013. For changes relating to presentation/classification, please see further information under the section "New standards".

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 31.12.2013 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.

New standards

The Group has implemented the following new standards in 2013:

• IAS 1 Presentation of Financial Statements
The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time (for example, net gains or losses on available-for-sale financial assets) shall be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect the presentation only and have no impact on the Group's financial position or performance.

• IFRS 7 Financial instruments – Disclosures
The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures will provide users with useful information in evaluating the effect of netting agreements on the Group's financial position. The new disclosures are required for all recognised financial instruments which are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments which are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments have no material impact on the Group's financial position or performance. The amendments are effective for annual periods beginning on or after 1 January 2013.

• IFRS 13 Fair Value Measurement
The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. Implementation of the new standard has had no material 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.

• 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 will have 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 are not expected to have 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 are not expected to have a material impact on the Group`s financial position or performance.

• IFRS 9 Financial instruments
IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39, and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

• 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 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by the Parent Bank. This is not expected to result in changes conserning which companies to be consolidated in the Sparebanken Møre Group. Within the EU / EEA, IFRS 10 is effective for annual periods beginning on or after 1 January 2014.

• IFRS 11 Joint Arrangements
This standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. 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 will not affect 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. The changes will have no impact on the Group's financial position or performance, but may increase the extent of disclosures. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

The following new standards with future effective dates are not expected to have impact on the Sparebanken Møre Group:
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.

2.2 Consolidation principles
The Group accounts comprise Sparebanken Møre and all companies of which the bank owns more than 50 per cent and/or companies where the bank has a deciding influence over operational and/or financial aspects. This applies to subsidiaries mentioned in note 6.

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 to the accounting in the case of 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.

2.3 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 expires, 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 expire.

2.3.1 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 interest-bearing securities, fixed interest rate loans and -deposits are classified at fair value, with any changes in value being included in the profit and loss account.

The portfolio of interest-bearing securities, fixed interest rate loans and -deposits are classified at fair value, with any changes in value being included in the profit and loss account, because the portfolio of these instruments is managed based on the fair value.

Financial liabilities assessed at fair value consist of debt securities with fixed interest rates. Any securities-related debt incurred before 31.12.2006 is assessed at fair value through the profit and loss account. In the case of the bank's securities-related debt incurred after 31.12.2006, fair value-related hedging is applied, with any value changes due to changes in the market rate, being recognised in the profit and loss account.

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. The portfolio of own bonds is shown in the accounts as a reduction of the debt.

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).

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.

2.3.2 Measurement

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.

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.

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 bank makes comprehensive loss assessments each quarter. Please see Note 4 for further information about credit risk and impairment on loans, as well as guarantee liabilities.

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.
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

Sparebanken Møre has developed its own model for calculating collective impairment, and calculations are conducted on a monthly basis based on input from the risk classification system, the data warehouse, as well as assessments of macro-economic factors. Changes to risk classification, deterioration of collateral values, and observed macro-economic events which effect future estimated cash flows are taken account of in the model. The model looks at both cash flow out of the bank (total borrowing and funding expenses, administration costs etc.), as well as estimated cash flow into the bank (including interest income from customers). The same model, with various adaptations, is used for both the credit portfolio of the parent bank and the portfolio transferred to the mortgage company within the Group.

2.3.3 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.

2.3.4 Hedging

In the case of the bank's loans at fixed interest rate terms and conditions entered into after 31.12.2006, 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. Fixed interest agreements entered into before 31.12.2006 are assessed at fair value, with value changes recognised in the profit and loss account.

2.4 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:

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 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.

2.5 Leasing

The Group as a lessee

As a lessee, the Group has only entered into operational leasing agreements. In the consolidated accounts, leasing payments are shown as costs in the profit and loss account, on a straight-line basis over the life of the leasing agreement, unless another systematic method better reflects the user value over time. The leasing terms and conditions include periods of between 3 and 10 years. Operational leasing agreements are mainly related to the leasing of office premises and operational agreements for IT-systems.

The Group as lessor

Financial leasing of operating equipment is included in the balance sheet as receivables equivalent to the net investment in the rental contract after deduction of annuity-based depreciation in accordance with the payment plan. Contracts incorporating guaranteed residual value are depreciated down to this amount over the life of the contract involved. The depreciation part of the annuity is deducted from the gross leasing income. Net leasing income therefore consists of the interest part of the leasing income, is recognised in interest income from loans to and receivables from customers. In tax-related context, depreciation of the leasing assets is arrived at according to the reducing balance method of depreciation.

2.6 Intangible assets

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.

Licences and software programmes

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.

2.7 Impairment in value of non-financial assets

An impairment is charged to the profit and loss account on the basis of the difference between book value and recoverable amount. 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. At each reporting, the possibilities of reversing any earlier impairment on non-financial assets are considered.

2.8 Provisions and liabilities

This description does no apply to the provisions which are mentioned under section 2.3.2 above relating to losses on loans, guarantees etc. valued at amortised cost. An item of provisioning is shown in the accounts when the company 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.

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 there is a likelihood of a benefit accruing to the Group.

2.9 Equity

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.

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.

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. The fund for unrealised gains relates to changes in credit spread FVO in connection with the Group's securities-based debt. 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.

2.10 Accounting treatment of income

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".

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.

2.11 Staff remuneration - pension

The Group has two pension plans, a defined benefit plan and a defined contribution plan.

Defined benefit plan

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. A number of amendments to IAS 19 was adopted with effect from 1 January 2013. Sparebanken Møre chose to early adopt these amendments with effect from the financial year 2012.

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 straightline accrual formula. A straightline 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 Group participated in the statutory early retirement pension (SERP) scheme for the financial industry, which meant that all employees 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 residual reserve exists for the company's own risk with regard to people who took early retirement via the old scheme.

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 can choose to join the new SERP scheme from and including the age of 62, including in parallel with staying in work. The new SERP scheme is a defined benefit based multi-enterprise pension scheme, and is funded through premiums that are determined as a percentage of pay. 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 are recognised as costs on an ongoing basis and no provisions are made in the financial statements.

The introduction 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.

Defined contribution plan

For defined contribution plans, a percentage of income is paid, depending on the employee's level of income. Pension premiums are expensed as incurred and presented under Wages, salaries etc.

2.12 Tax

Taxation cost consists of payable income tax and change in deferred tax. Deferred tax/tax benefit is calculated on the temporary differences between the accounts-related and tax-related value of assets and liabilities. Deferred tax benefit is included in the accounts as 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. 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. Payable tax and deferred tax are shown in comprehensive income to the extent that this relates to items which are shown in comprehensive income.

2.13 Operating segments

For management purposes, the Group is organised in different business areas according to type of services, customers and products involved. The classification is based on the same classification and reporting which are used for the ongoing benefit of the CEO and the Board of Directors, which according to IFRS 8 are defined as the primary decision makers. The classification forms the basis for primary segmentation reporting. The classification into different operating segments and financial information relating to segments are presented in Note 7. Most of the income and costs are allocated to the Group's different segments according to actual usage or activity-based distribution keys. Segment profit is presented before tax. Tax is not allocated to the segments.

2.14 Financial guarantees and liabilities

The Group issues financial guarantees as part of its ordinary operations. These guarantees are evaluated for impairment in accordance with the same principles as those applying to loans and which are mentioned in Note 4.4.

2.15 Events occuring after the date of financial position

Any new information about the Group's positions on the date of financial position has been taken into consideration 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 declared if deemed to be significant.

2.16 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 balance. The bank has clear procedures for the categorisation and the process normally requires only limited use of judgment.

2.17 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 judgement is normally exercised in this context. Please refer to section 2.3.2 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 4.3 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.

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.

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 Accounting principles, section 2.3. Reference is also made to notes 5.4-5.7, 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 standardised assumptions and other demographic factors. Please refer to note 12 for additional information.

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 businessrelated 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-to-day 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 see to it 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 overall responsibility for ensuring the Bank and the Group have adequate primary capital based on the desired levels of risk and Group's activities, and for ensuring that Sparebanken Møre is adequately capitalised 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 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 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 has the responsibility to ensure 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 has also had 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 and HR 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 organisationally subordinate to the head of the Information and Compliance Division.

Finance & Accounting is responsible for the Group's total financial management/reporting and accounting reporting, and is part of the Financial Control, Risk Management and HR 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 character, 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 of 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 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 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 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 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 Comitee and the Board of Directors, and are also presented to the bank`s Control Committee.

Compliance reports are prepared at regular intervals 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 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 Committee and the Board of Directors. Both internal and external auditors have (at least) annual meetings with the Audit 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 quarterly 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 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, with the addition of a buffer equal to Sparebanken Møre's accepted risk tolerances. 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. The Group's own ICAAP guidelines also stipulate quantitative limits for when the measures shall formally be assessed and possibly implemented.

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 EU's capital adequacy directive (Basel II) was implemented in Norway with effect from 1 January 2007. Its purpose 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 applies the Standard Approach in Basel II when computing capital adequacy for credit risk and market risk, and the basis method for operational risk. 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 18 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 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 in concert that 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 18 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 "Committed, Competent 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 industrial, commercial and other 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 security 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 that are signed to neutralise already present interest and currency risk 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 practises 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 during 2014 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. Investments in bond funds and money market funds are included under the interest risk assessment. Interest rate risk related to banking, that is, interest rate risk arising as a result of varying fixing of interest rate on loans and deposits, as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. See Note 5.2 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 2013 is considered to be low and reassuring. See note 5.4 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 5.3 for the Group's currency risk.
- Spread risk: Defined as the risk of changes in market value/fair value of bonds etc. and investments 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 of 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 to 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 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.

In a normal situation, Sparebanken Møre will have a liquidity buffer making the Group capable of fulfilling its liquidity liabilities for 12 months without the external supply of uncommitted capital market funding.

Sparebanken Møre has established contingency plans for managing the funding situations in times of troubled financial markets. Stress test models have also been developed, which deal with various scenarios other than a normal situation. Three different stress scenarios are defined:

1. Severe bank specific crisis
2. Mild system specific crisis
3. Severe system specific crisis

Based on the various crisis scenarios, targets are determined as for how long Sparebanken Møre should be able to handle situations on the basis of funding reserves and other implementing of measures. For further descriptions of the stress tests conducted on the funding area, reference is made to Sparebanken Møre's Pillar III-document, available on the Group's web site.

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 also 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 2017", 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 January 2015 as previously planned, but will start 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.

The Financial Supervisory Authority of Norway's (FSA`s) liquidity buffer indicator (LBI) includes more liquid assets than those included in LCR, i.e. more covered bonds with lower ratings are included, as are other papers that are deposited (but not drawn on) or that are depositable with central banks. Furthermore, no account is taken of the Basel III requirement for the liquidity of securities that is included in LCR. All level 2 assets are included, i.e. also those that are kept above the 40 per cent limit in LCR and without a 15 per cent reduction in LCR.

At year-end 2013, the LCR indicator was 118.8 per cent based on the FSA's current definition for calculations, and the liquidity buffer indicator (LBI) was 177.9 per cent. The NSFR indicator was 102.3 per cent, while Liquidity Indicator 1 was 103.33 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 and HR
- 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 60.8 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 2013, the company issued covered bonds quoted in both Norwegian krone (NOK) and in foreign currency. 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 physical 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 Committee/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 and HR as the coordinating unit in the day-to-day operations and in the reporting to the Audit Committee and the Board of Directors. The Compliance Department monitors how the Group works with all 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 working out 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 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 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 uses 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 used 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 (all names having been given prior credit clearance by the Board of Directors), as well as operational risk.

These instruments are primarily utilised 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 to 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.

4 THE CREDIT AREA

The Board of Directors determines the long-term aims and targets for the Group's credit strategy. The Group's credit policy and guidelines for the credit process shall ensure that the customer portfolio has an acceptable risk profile, providing a basis for profitability from a long-term perspective. The long-term aims and targets for the credit area are reviewed as part of the Group's annual examination of the strategic plan. The strategy process is part of the whole organisation through different guidelines, handbooks and work routines.

Sparebanken Møre has defined Møre og Romsdal as its core market area. This provides a natural framework for the Group's granting of credit. However, there are some permitted exceptions to this rule about the Group's core business area if the granting of credit involves individuals or businesses with local affiliation. As part of a deliberate diversification of the portfolio relative to industry or geographic exposure, commitments outside the Group's market area could also be considered. In such cases, the Group's strategy sets a clear framework for maximum risk on each commitment. The Group is very careful in the case of financing abroad and has also clear and restrictive guidelines relating to securities-related financing and acquisition financing. Furthermore, the Group has established limits for exposure to major commitments that limit the Group`s concentration risk. Further, limits are established for risk exposure measured by PD (risk classes), which is reported and monitored monthly. The limits are established for the corporate market overall, as well as a variety of industries that are considered to be significant and / or at risk. There are similar limits on risk exposure for the retail market, measured by PD as well.

4.1 - Credit risk

Credit risk is the Group's biggest 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. 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 18 where credit risk for the Group is quantified through risk-adjusted capital.

As described in note 3, the probability 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.

Based on the Bank's risk assessments, in risk context, the commitments may be put into the following groups:

Commitments according to risk classification 2013

GROUP					PARENT BANK			
Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure	Risk groups based on probability of default	Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure
37 602	963	3 495	42 060	Low risk (0% - < 1%)	23 758	963	2 730	27 451
6 281	455	234	6 970	Middle risk (1% - < 4%)	5 624	455	261	6 340
2 021	20	38	2 079	High risk (4% - <100%)	1 820	20	38	1 878
524	5	3	532	Commitments in default	519	5	3	528
46 428	1 443	3 770	51 641	Total loans before individual and collective impairment	31 721	1 443	3 032	36 197
-306	0	0	-306	- Impairment (individual and collective impairment)	-305	0	0	-305
46 122	1 443	3 770	51 335	Net loans to and receivables from customers 31.12.2013	31 416	1 443	3 032	35 892

1) Guarantees/Letters of Credit etc. are translated into credit equivalent-related figures.

Commitments according to risk classification 2012

GROUP					PARENT BANK			
Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure	Risk groups based on probability of default	Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure
35 070	887	3 444	39 401	Low risk (0% - < 1%)	24 749	887	2 707	28 344
6 576	405	520	7 500	Middle risk (1% - < 4%)	5 931	405	516	6 851
1 507	13	37	1 557	High risk (4% - <100%)	1 307	13	40	1 360
587	7	11	605	Commitments in default	585	7	11	602
43 740	1 312	4 012	49 063	Total loans before individual and collective impairment	32 572	1 312	3 274	37 157
-306	0	0	-306	- Impairment (individual and collective impairment)	-305	0	0	-305
43 434	1 312	4 012	48 757	Net loans to and receivables from customers 31.12.2012	32 267	1 312	3 274	36 852

1) Guarantees/Letters of Credit etc. are translated into credit equivalent-related figures.

Collateral

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 4.3.

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 licences, 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 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	Retail	Corporate	Total
0 % - 60 %	45.2 %	50.6 %	46.9 %
60 % - 70 %	16.9 %	6.7 %	13.7 %
70 % - 80 %	16.5 %	13.4 %	15.5 %
80 % - 90 %	7.2 %	5.5 %	6.7 %
90 % - 100 %	4.1 %	3.2 %	3.8 %
Above 100 %	8.7 %	16.9 %	11.3 %
Not secured	1.4 %	3.7 %	2.1 %
Total	100.0 %	100.0 %	100.0 %

The bank swapped government securities for covered bonds with the government in the government's confidence package for the banks. Sparebanken Møre has bought parts of issued bonds from Møre Boligkreditt AS, which are used as collateral for swap agreements entered into with Norges Bank. The value of the pledged collateral must exceed the value of received government securities plus a minimum security margin during the entire agreement period. Upon expiry of the agreement period, the bank is obligated to buy back the covered bonds at the original sales price. The bank receives interest from the covered bonds as if these were not sold. From an accounting perspective, the group assesses the conditions in IAS 39 for derecognition not to be fulfilled since in the swap scheme the group retains the risk associated with the development of the value of the bonds and other cash flows in the form of interest.

Cover pool related to covered bonds issued by Møre Boligkreditt AS

	2013	2012
Pool of eligible loans	14 563	11 084
Supplementary assets	738	225
Total collateralised assets 1)	15 301	11 309
Over-collateralisation	113.0 %	113.8 %

1) NOK 300 million of total gross loans are not eligible for the cover pool as at 31 December 2013 (NOK 245 million in 2012).

4.2 - Loans, deposits and guarantees towards customers by sector, industry and geographic area

GROUP	Loans		Deposits		Guarantees	
Broken down according to sectors	2013	2012	2013	2012	2013	2012
Agriculture and forestry	488	496	152	156	1	1
Fisheries	2 965	3 241	380	544	0	133
Manufacturing	1 353	1 220	1 194	1 272	409	472
Building and construction	797	716	667	486	163	144
Wholesale and retail trade, hotels	581	654	669	735	79	186
Foreign shipping/supply	1 568	1 609	923	806	707	0
Property management	5 597	5 689	1 437	1 356	27	39
Professional/financial services	707	687	1 463	2 087	0	0
Transport and private/public services	1 603	1 515	1 855	1 884	38	500
Public entities	32	20	853	704	0	0
Activities abroad	162	100	5	3	0	0
Miscellaneous	121	143	2 459	1 827	0	0
Total corporate/public entities	15 974	16 090	12 057	11 860	1 424	1 475
Retail customers	30 454	27 650	15 999	15 221	9	9
Total loans/deposits	46 428	43 740	28 056	27 081	1 433	1 484
Individual impairment	-166	-166				
Collective impairment	-140	-140				
Loans to and receivables from customers	46 122	43 434				
Loans/deposits with floating interest rate (amortised cost)	41 990	39 933	27 518	26 135		
Loans/deposits with fixed interest rate (fair value)	4 438	3 807	538	946		

PARENT BANK	Loans		Deposits		Guarantees	
Broken down according to sectors	2013	2012	2013	2012	2013	2012
Agriculture and forestry	486	494	152	156	1	1
Fisheries	2 964	3 240	380	544	0	133
Manufacturing	1 348	1 217	1 194	1 272	409	472
Building and construction	774	699	667	486	163	144
Wholesale and retail trade, hotels	573	649	669	735	79	186
Foreign shipping/supply	1 568	1 609	923	806	707	0
Property management	5 568	5 737	1 447	1 371	27	39
Professional/financial services	695	677	1 463	2 087	0	0
Transport and private/public services	1 576	1 495	1 865	1 895	38	500
Public entities	32	20	853	704	0	0
Activities abroad	162	100	5	3	0	0
Miscellaneous	121	144	2 459	1 826	0	0
Total corporate/public entities	15 867	16 081	12 077	11 885	1 424	1 475
Retail customers	15 854	16 491	15 999	15 221	9	9
Total loans/deposits	31 721	32 572	28 076	27 106	1 433	1 484
Individual impairment	-166	-166				
Collective impairment	-139	-139				
Loans to and receivables from customers	31 416	32 267				
Loans/deposits with floating interest rate (amortised cost)	27 283	28 765	27 538	26 160		
Loans/deposits with fixed interest rate (fair value)	4 438	3 807	538	946		

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.

Loans

GROUP			PARENT BANK	
2012	2013		2013	2012
547	500	Financial leasing agreements (merger Sparebanken Møre and Møre FInans AS 31.08.2012)	500	547
2 029	2 260	Overdraft- and working credit facilities	2 260	2 029
202	212	Working credits	212	202
224	264	Housing loans	264	224
690	814	Building loans	814	690
3 807	4 438	Fixed interest loans	4 438	3 807
27 400	30 586	Loans with security in buildings	15 744	16 070
5 977	4 287	Other down-payment loans	4 422	6 139
2 864	3 067	Foreign currency loans	3 067	2 864
43 740	46 428	Total gross loans to and receivables from customers	31 721	32 572
-306	-306	Individual and collective impairment	-305	-305
43 434	46 122	Net loans to and receivables from customers	31 416	32 267

Interest income

GROUP			PARENT BANK	
2012	2013		2013	2012
1 920	2 040	Interest income from loans to and receivables from customers	1 522	1 514
-139	-179	Interest income on the loan portfolio measured at fair value	-179	-139
1 781	1 861	Interest income on the loan portfolio measured at amortised cost	1 343	1 375
59	53	Interest income on loans to and receivables from credit institutions at amortised cost	84	89
0	0	Interest income on certificates, bonds and fixed income securities measured at amortised cost	34	63

Leasing volume by type of asset

GROUP		
2012	2013	
18	**14**	Office- and electronic machines
335	**317**	Industrial equipment/machines
147	**133**	Transport equipment
47	**36**	Private cars
0	**0**	Building and construction
547	**500**	Gross leasing volume
-6	**0**	Individual impairment
541	**500**	Net leasing volume
0	**0**	- of which leasing to the Parent Bank accounts for (internally netted out in the Group accounts)
		Discounted value of income from financial leasing received
167	**151**	Within 1 year
289	**266**	Within 1 - 5 years
19	**16**	After a period of more than 5 years
475	**433**	Total

Future discounted rental income is less than book value as the remaining value of contracts is not depreciated down to zero value.

Nominal income received (excluding residual value of contracts) from financial leasing amounted to NOK 160 million within 1 year, NOK 317 million between 1 and 5 years, and NOK 24 million for more than 5 years, calculated as at 31.12.2013.

Geographical specification

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
GROUP	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Gross loans	**39 524**	37 009	**6 680**	6 589	**224**	142	**46 428**	43 740
In percentage	**85.1**	84.6	**14.4**	15.1	**0.5**	0.3	**100.0**	100.0
Deposits	**22 597**	22 405	**5 215**	4 443	**244**	233	**28 056**	27 081
In percentage	**80.5**	82.7	**18.6**	16.4	**0.9**	0.9	**100.0**	100.0
Guarantees	**1 275**	1 450	**158**	34	**0**	0	**1 433**	1 484
In percentage	**89.0**	97.7	**11.0**	2.3	**0.0**	0.0	**100.0**	100.0
PARENT BANK	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Gross loans	**27 794**	28 020	**3 703**	4 410	**224**	142	**31 721**	32 572
In percentage	**87.6**	86.0	**11.7**	13.5	**0.7**	0.4	**100.0**	100.0
Deposits	**22 617**	22 430	**5 215**	4 443	**244**	233	**28 076**	27 106
In percentage	**80.5**	82.7	**18.6**	16.4	**0.9**	0.9	**100.0**	100.0
Guarantees	**1 275**	1 450	**158**	34	**0**	0	**1 433**	1 484
In percentage	**89.0**	97.7	**11.0**	2.3	**0.0**	0.0	**100.0**	100.0

4.3 - Losses on loans/commitments in default - customers

The accounting policies for commitments in default and calculation of losses are disclosed in the accounting principles in section 2.3.2 Measurement.

There have been no significant changes in the outlook for the global economy in recent months. The global economy has thus continued to grow through the 2nd half of 2013. In the Eurozone it appears that production and demand is beginning to stabilize after the long decline during the debt crisis. Both households and businesses are becoming more optimistic. In the absence of new, large and long-term international issues, equity prices have risen to record levels in the United States and in Norway. The greatest risk factor in the global economy is linked to the economic development of China, and whether the country can avoid a banking crisis. Many analysts fear that banks might experience huge losses as a result of strong growth in house prices and high debt accumulation in recent years. So far, however, the major forecasting institutions internationally have toned down this danger. No one seems to utilize this scenario in their basic forecasting. The government of China has a production target for GDP of 7 per cent for 2014. Most forecasts in the private sector are around this level.

Production and demand in Møre og Romsdal will remain high. This will help keep unemployment in the county at a low level. In December 2013 unemployment was registered at 2.1 per cent of the workforce. Industries that are not oil-related, and industries exporting to the Eurozone will have the biggest challenges. A weaker exchange rate will counteract this trend, and also contribute to the activity level remaining high. Private services will also suffer from households lack of purchasing power, at least in the short term.

Activity in the oil sector and shipbuilding seems to hold up well. The yards are reporting full order books when entering into a new year. The total order volume is about NOK 25 billion. However, there are major differences between the yards regards total orders.

The description of the macroeconomic situation cited in the paragraphs above, shows overall a relatively stable situation for Møre og Romsdal. Statistics Norway's projections are relatively positive, the outlook for the labor market is stable and the interest rate level is expected to remain low going forward. On the other hand, we note that housing prices have a negative development, and the bankruptcy rate is increasing. Estimates of economic development are substantially uncertain, and the outcome is huge.

The macro economic factors we have registered are taken into account in the bank`s model for collective impairment through macro adjustments.

Losses on loans and guarantees

GROUP			PARENT BANK	
2012	2013		2013	2012
-112	1	Changes in individual impairment of loans and guarantees during the period	1	-116
9	0	Changes in collective impairment during the period	0	9
132	40	Confirmed losses during the period where individual impairment had previously been made	40	132
34	24	Confirmed losses during the period where individual impairment had previously not been made	24	34
16	11	Recoveries	11	17
47	54	**Losses on loans, guarantees etc.**	54	42

Individual impairment of loans

GROUP			PARENT BANK	
2012	2013		2013	2012
265	166	Individual impairment on loans as at 01.01	166	259
132	40	Confirmed losses during the period, where individual impairment had previously been made	40	132
14	37	Increase in individual impairment during the period	37	14
75	38	Individual impairment of new commitments during the period	38	75
56	35	Recoveries on individual impairment during the period	35	50
166	166	**Individual impairment on loans as at 31.12**	166	166

Collective impairment of loans

GROUP			PARENT BANK	
2012	2013		2013	2012
131	140	Collective impairment of loans as at 01.01	139	130
9	0	Changes during the period	0	9
140	140	**Collective impairment of loans as at 31.12**	139	139

Individual impairment of guarantees

GROUP			PARENT BANK	
2012	2013		2013	2012
14	2	Individual impairment as at 01.01	2	14
2	0	Individual impairment during the period	0	2
14	0	Recoveries on individual impairment during the period	0	14
2	2	**Individual impairment as at 31.12**	2	2

Commitments in default (total of all of a customer's outstanding commitments) above 3 months

	2013			2012		
GROUP	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
3-6 months	64	24	40	73	19	54
6-12 months	32	17	15	107	10	97
Above 12 months	56	25	31	77	39	38
Gross loans in default	152	66	86	257	68	189
Individual impairment	35	6	29	71	8	63
Net loans in default	117	60	57	186	60	126
PARENT BANK	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
3-6 months	64	24	40	73	19	54
6-12 months	32	17	15	107	10	97
Above 12 months	56	25	31	77	39	38
Gross loans in default	152	66	86	257	68	189
Individual impairment	35	6	29	71	8	63
Net loans in default	117	60	57	186	60	126

Problem loans

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

	2013			2012		
GROUP	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
Problem loans prior to individual impairment:						
Commitments in default above 3 months	152	66	86	257	68	189
Other bad and doubtful commitments subject to impairment	382	38	344	324	45	279
Total problem loans prior to individual impairment	534	104	430	581	113	468
Individual impairment on:						
Commitments in default above 3 months	35	6	29	71	8	63
Other bad and doubtful commitments subject to impairment	131	14	117	95	15	80
Total individual impairment	166	20	146	166	23	143
Problem loans after individual impairment:						
Commitments in default above 3 months	117	60	57	186	60	126
Other bad and doubtful commitments subject to impairment	251	24	227	229	30	199
Total problem loans less individual impairment	368	84	284	415	90	325
Total problem loans prior to individual impairment as a percentage of total loans	1.16	0.34	2.71	1.34	0.41	2.91
Total problem loans less individual impairment as a percentage of total loans	0.80	0.28	1.79	0.96	0.33	2.02
PARENT BANK	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
Problem loans prior to individual impairment:						
Commitments in default above 3 months	152	66	86	257	68	189
Other bad and doubtful commitments subject to impairment	382	38	344	324	45	279
Total problem loans prior to individual impairment	534	104	430	581	113	468
Individual impairment on:						
Commitments in default above 3 months	35	6	29	71	8	63
Other bad and doubtful commitments subject to impairment	131	14	117	95	15	80
Total individual impairment	166	20	146	166	23	143
Problem loans after individual impairment:						
Commitments in default above 3 months	117	60	57	186	60	126
Other bad and doubtful commitments subject to impairment	251	24	227	229	30	199
Total problem loans less individual impairment	368	84	284	415	90	325
Total problem loans prior to individual impairment as a percentage of total loans	1.70	0.66	2.73	1.81	0.69	2.93
Total problem loans less individual impairment as a percentage of total loans	1.17	0.53	1.80	1.29	0.55	2.03

Development last 5 years

GROUP						PARENT BANK				
2009	2010	2011	2012	**2013**		**2013**	2012	2011	2010	2009
					Problem loans prior to individual impairment:					
205	249	299	257	**152**	Commitments in default above 3 months	**152**	257	293	242	205
857	674	488	324	**382**	Other bad and doubtful commitments subject to impairment	**382**	324	488	667	857
1 062	923	787	581	**534**	Total problem loans prior to individual impairment	**534**	581	781	909	1 062
					Individual impairment on:					
52	39	136	71	**35**	Commitments in default above 3 months	**35**	71	131	39	52
258	227	129	95	**131**	Other bad and doubtful commitments subject to impairment	**131**	95	128	224	254
310	266	265	166	**166**	Total individual impairment	**166**	166	259	263	306
					Problem loans after individual impairment:					
153	210	163	186	**117**	Commitments in default above 3 months	**117**	186	162	203	153
599	447	359	229	**251**	Other bad and doubtful commitments subject to impairment	**251**	229	360	443	603
752	657	522	415	**368**	Total problem loans less individual impairment	**368**	415	522	646	756
2.96	2.45	1.95	1.34	**1.16**	Total problem loans prior to individual impairment as a percentage of total loans	**1.70**	1.81	2.46	2.86	3.33
2.10	1.74	1.30	0.96	**0.80**	Total problem loans less individual impairment as a percentage of total loans	**1.17**	1.29	1.64	2.04	2.37

Impairment on loans/guarantees

GROUP	2013			2012		
Broken down according to sectors	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans
Agriculture and forestry	**0**	**0.00**	**1.1**	1	0.11	1.1
Fisheries	**20**	**0.60**	**6.4**	17	0.56	7.4
Manufacturing	**21**	**1.70**	**2.9**	18	1.46	2.8
Building and construction	**3**	**0.45**	**1.7**	8	1.18	1.6
Wholesale and retail trade, hotels	**4**	**0.64**	**1.3**	5	0.70	1.5
Foreign shipping/supply	**-11**	**-0.68**	**3.4**	-12	-0.65	3.7
Property management	**14**	**0.25**	**12.1**	15	0.28	13.0
Professional/financial services	**0**	**0.00**	**1.5**	0	0.00	1.6
Transport and private/public services	**2**	**0.14**	**3.5**	4	0.33	3.5
Public entities	**0**	**0.00**	**0.1**	0	0.00	0.0
Activities abroad	**0**	**0.00**	**0.3**	0	0.00	0.2
Miscellaneous	**0**	**0.00**	**0.3**	0	0.00	0.3
Total corporate/public entities	**53**	**0.32**	**34.4**	56	0.37	36.8
Retail customers	**1**	**0.01**	**65.6**	-3	-0.01	63.2
Collective impairment	**0**	**0.00**		9	0.02	
Total customers	**54**	**0.12**	**100.0**	62	0.16	100.0
Credit institutions	**0**	**0.00**		-15	-0.04	
Total	**54**	**0.12**	**100.0**	47	0.12	100.0

Impairment on loans/guarantees

PARENT BANK	2013			2012		
Broken down according to sectors	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans
Agriculture and forestry	0	0.00	1.5	1	0.12	1.5
Fisheries	20	0.60	9.3	17	0.56	9.9
Manufacturing	21	1.72	4.2	15	1.44	3.7
Building and construction	3	0.46	2.4	7	1.15	2.1
Wholesale and retail trade, hotels	4	0.64	1.8	5	0.75	2.0
Foreign shipping/supply	-11	-0.68	4.9	-12	-0.66	4.9
Property management	14	0.24	17.6	14	0.28	17.6
Professional/financial services	0	0.00	2.2	0	0.00	2.1
Transport and private/public services	2	0.14	5.0	4	0.34	4.6
Public entities	0	0.00	0.1	0	0.00	0.1
Activities abroad	0	0.00	0.5	0	0.00	0.3
Miscellaneous	0	0.00	0.4	0	0.00	0.4
Total corporate/public entities	53	0.32	50.0	51	0.35	49.4
Retail customers	1	0.01	50.0	-3	-0.02	50.6
Collective impairment	0	0.00		9	0.03	
Total customers	54	0.16	100.0	57	0.18	100.0
Credit institutions	0	0.00		-15	-0.05	
Total	54	0.16	100.0	42	0.13	100.0

Gross loans - Impairment - Commitments in default as at 31.12.2013

GROUP	Gross loans	Individual impairment	Collective impairment	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	1 353	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	1 603	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
Total	46 428	166	140	46 122	1 433	152	382	3 770

Gross loans - Impairment - Commitments in default as at 31.12.2012

GROUP	Gross loans	Individual impairment	Collective impairment	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	496	5		491	1	1	13	51
Fisheries	3 241	43		3 198	133	107	140	96
Manufacturing	1 220	30		1 190	472	30	15	518
Building and construction	716	7		709	144	9	14	179
Wholesale and retail trade, hotels	654	8		646	186	3	7	299
Foreign shipping/supply	1 609	11		1 598	0	4	11	1
Property management	5 689	26		5 663	39	19	58	205
Professional/financial services	687	0		687	0	0	0	56
Transport and private/public services	1 515	13		1 502	500	16	21	253
Public entities	20	0		20	0	0	0	140
Activities abroad	100	0		100	0	0	0	0
Miscellaneous	143	0		143	0	0	0	0
Total corporate/public entities	16 090	143	94	15 853	1 475	189	279	1 798
Retail customers	27 650	23	46	27 581	9	68	45	2 214
Total	43 740	166	140	43 434	1 484	257	324	4 012

Gross loans - Impairment - Commitments in default as at 31.12.2013

PARENT BANK	Gross loans	Individual impairment	Collective impairment	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	1 348	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	1 576	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
Total	31 721	166	139	31 416	1 433	152	382	3 032

Gross loans - Impairment - Commitments in default as at 31.12.2012

PARENT BANK	Gross loans	Individual impairment	Collective impairment	Net loans	Guarantees	Commitments in default above 90 days	Other problem loans	Credit facilities
Agriculture and forestry	494	5		489	1	1	13	51
Fisheries	3 240	43		3 197	133	107	140	96
Manufacturing	1 217	30		1 187	472	30	15	518
Building and construction	699	7		692	144	9	14	179
Wholesale and retail trade, hotels	649	8		641	186	3	7	299
Foreign shipping/supply	1 609	11		1 598	0	4	11	1
Property management	5 737	26		5 711	39	19	58	205
Professional/financial services	677	0		677	0	0	0	56
Transport and private/public services	1 495	13		1 482	500	16	21	253
Public entities	20	0		20	0	0	0	140
Activities abroad	100	0		100	0	0	0	0
Miscellaneous	144	0		144	0	0	0	0
Total corporate/public entities	16 081	143	94	15 844	1 475	189	279	1 798
Retail customers	16 491	23	45	16 423	9	68	45	1 476
Total	32 572	166	139	32 267	1 484	257	324	3 274

4.4 - Liabilities/contingent liabilities - guarantee liabilities

GROUP			PARENT BANK	
2012	**2013**		**2013**	2012
527	**313**	Payment guarantees	**313**	527
562	**499**	Contract guarantees	**499**	562
344	**561**	Loan guarantees	**561**	344
51	**60**	Other guarantee liabilities	**60**	51
1 484	**1 433**	Guarantee liabilities relating to customers	**1 433**	1 484
150	**0**	Guarantee liabilites towards credit institutions	**0**	150
0	**0**	Guarantee provided for the Savings Bank's Guarantee Fund (SBGF)	**0**	0
1 634	**1 433**	Guarantee liabilities as at 31.12	**1 433**	1 634
4 012	**3 770**	Drawing rights facilities for customers	**3 032**	3 274

Breakdown according to different commercial, industrial and other sectors is shown in note 4.3.

		Assets pledged as collateral security for loans etc.		
1 271	**1 274**	Certificates and bonds pledged as collateral for access to loans from Norges Bank	**1 274**	1 271
0	**0**	Utilised under loan facility from Norges Bank	**0**	0

As at 31.12.2013, the Group is involved in three legal disputes. The Group has assessed the probability of loss to be small.

5 FINANCIAL INSTRUMENTS - MARKET AND LIQUIDITY RISK

The bank's Board of Directors stipulates the long-term aims and targets withregard 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 liquidity- and market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on the bank's strategy documents, Market risk strategy, Liquidity strategy, Credit risk – counterpart risk and Trading with financial instruments on behalf of customers. 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 strategy

The purpose of this document is to define strategy and limits in relation to the market risk area. Furthermore, the document shall set the standard for organisation and responsibility, the calculation of market risk, as well as the monitoring and reporting in relation to the market risk area.

Liquidity strategy

The liquidity strategy describes the bank's targets for maintaining its financial strength. Reassuring financial strength and good financial results help to provide sufficient and secure limits for the bank's external funding.

Credit risk - counterpart risk

The document examines and emphasises the activityrelated- and risk limits for the bank's credit exposure and exposure through credit equivalent-related financial instruments for those parts of the bank's credit exposure which are related to the assets- and liabilities management and risk hedging activities taken care of by the Markets & Treasury Division.

Trading with financial instruments on behalf of customers

The document provides guidelines which apply to the bank's trading with financial instruments on behalf of customers. It defines limits for such trading, setting out routines for the monitoring of exposure and risk, including responsibilities for monitoring and follow-up.

5.1 - 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 bank also has holdings of securities, which are included as part of the ongoing liquidity management. See additional information in Note 5.4.

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

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 2012

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	669	0	0	0	0	669
Loans to and receivables from credit institutions	288	0	0	0	0	288
Loans to and receivables from customers	8 601	552	2 531	13 510	32 970	58 164
Certificates and bonds	122	219	264	4 078	1 246	5 929
Total assets	10 442	771	2 795	17 588	34 216	65 812
Liabilities						
Liabilities to credit institutions	75	6	1 071	641	0	1 793
Deposits from and liabilities to customers	26 187	265	690	3	0	27 145
Debt securities issued	24	623	4 011	12 473	2 361	19 492
Subordinated loan capital and hybrid capital	13	0	69	325	1 238	1 645
Total liabilities	26 299	894	5 841	13 442	3 599	50 075
Financial derivatives						
Cash flow in	24	83	558	1 392	665	2 722
Cash flow out	40	122	445	1 339	564	2 510
Total financial derivatives	-16	-39	113	53	101	212

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

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

Liquidity risk 2012

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	669	0	0	0	0	669
Loans to and receivables from credit institutions	1 275	0	0	0	0	1 275
Loans to and receivables from customers	8 534	417	1 916	8 127	23 735	42 729
Certificates and bonds	133	219	303	5 984	1 246	7 885
Total assets	10 611	636	2 219	14 111	24 981	52 558
Liabilities						
Liabilities to credit institutions	1 062	6	1 071	641	0	2 780
Deposits from and liabilities to customers	26 187	265	690	3	0	27 145
Debt securities issued	2	589	3 810	3 822	0	8 223
Subordinated loan capital and hybrid capital	13	0	69	325	1 238	1 645
Total liabilities	27 264	860	5 640	4 791	1 238	39 793
Financial derivatives						
Cash flow in	22	82	514	1 220	399	2 237
Cash flow out	38	116	420	1 226	429	2 229
Total financial derivatives	-16	-34	94	-6	-30	8

5.2 - 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 41 million.

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

GROUP - 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	-2	6	4	-16	-2	-10
Cur	0	1	0	0	0	1
Total	-2	7	4	-16	-2	-9

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

PARENT BANK - 2012	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
NOK	3	4	2	-17	-2	-10
Cur	0	1	0	0	0	1
Total	3	5	2	-17	-2	-9

5.3 - 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 - 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							

GROUP - 2012	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	669	665	4		3			1
Loans to and receivables from credit institutions	288	191	97	46	5	14	1	31
Loans to and receivables from customers	43 434	40 557	2 877	852	430	58	1 525	12
Certificates and bonds	5 542	4 471	1 071		1 071			
Other assets	1 699	1 662	37	11	7		9	10
Total assets	51 632	47 546	4 086	909	1 516	72	1 535	54
Liabilities to credit institutions	2 519	1 762	757	415	147		192	2
Deposits from and liabilities to customers	27 081	26 812	269	146	65	31		26
Debt securities issued	15 608	14 966	642					642
Other liabilities	1 362	1 345	17	11	4	2		
Subordinated loan capital	1 301	1 301						
Equity	3 761	3 761						
Total liabilities and equity	51 632	49 947	1 683	572	216	33	192	670
Forward exchange contracts			-2 380	-288	-1 341	-40	-1 341	630
Net exposure foreign exchange			23	49	-41	-1	2	14
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**							

PARENT BANK - 2012	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	669	665	4		3			1
Loans to and receivables from credit institutions	1 275	1 178	97	46	5	14	1	31
Loans to and receivables from customers	32 267	29 390	2 877	852	430	58	1 525	12
Certificates and bonds	7 319	6 248	1 071		1 071			
Other assets	1 907	1 870	37	11	7		9	10
Total assets	43 437	39 351	4 086	909	1 516	72	1 535	54
Liabilities to credit institutions	2 744	1 987	757	415	147		192	2
Deposits from and liabilities to customers	27 106	26 837	269	146	65	31		26
Debt securities issued	7 378	6 736	642					642
Other liabilities	1 275	1 258	17	11	4	2		
Subordinated loan capital	1 301	1 301						
Equity	3 633	3 633						
Total liabilities and equity	43 437	41 754	1 683	572	216	33	192	670
Forward exchange contracts			-2 380	-288	-1 341	-40	-1 341	630
Net exposure foreign exchange			23	49	-41	-1	2	14
Effect of a 10 per cent change in price (MNOK)	2							

5.4 - Financial assets and liabilities

The Bank's portfolio of securities chiefly comprises bonds and certificates that are part of its on-going liquidity management strategy. The liquidity portfolio is used as security for loans in Norges Bank and forms the basis for liquidity buffers to satisfy regulatory requirements. The aim of the portfolio is to reduce the costs associated with maintaining the necessary liquidity levels at all times. The strategy, authorisation limits and investment framework for the liquidity portfolio have been set out in the Group's market risk strategy, and are revised and adopted annually by the Board. This portfolio is stated at fair value with changes in fair value recognised through profit or loss. Loans to customers with floating interest rates are valued at amortised cost, adjusted for collective and individual impairment.

Financial assets

GROUP	2013		2012	
	Fair value	Book value	Fair value	Book value
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	4 438	4 438	3 807	3 807
Certificates	31	31	330	330
Bonds	5 042	5 042	5 212	5 212
Shares and other securities	2	2	2	2
Financial derivatives	404	404	575	575
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	1 281	1 281	669	669
Loans to and receivables from credit institutions	715	715	288	288
Loans to and receivables from customers	41 684	41 684	39 627	39 627
Bonds	0	0	0	0
Financial assets available for sale:				
Shares and other securities	213	213	204	204

Financial assets

PARENT BANK	2013		2012	
	Fair value	Book value	Fair value	Book value
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	4 438	4 438	3 807	3 807
Certificates	31	31	330	330
Bonds	4 836	4 836	5 212	5 212
Shares and other securities	2	2	2	2
Financial derivatives	246	246	504	504
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	1 281	1 281	669	669
Loans to and receivables from credit institutions	1 846	1 846	1 275	1 275
Loans to and receivables from customers	26 998	26 998	28 460	28 460
Bonds	677	673	1 789	1 777
Financial assets available for sale:				
Shares and other securities	213	213	204	204

Securities-based debt at fixed rates of interest incurred before 31.12.2006 is assessed at fair value through profit or loss. In the case of the Bank's securities-based debt at fixed rates of interest incurred after 31.12.2006, amortisied cost subject to hedge accounting is applied. Amortised cost is applied to securities-based debt at floating rates of interest. The difference between issue cost and the settlement amount at maturity is amortised over the life of the loan. The portfolio of own bonds is incorporated in the accounts as reduction in debt.

The subsidiary Møre Boligkreditt AS has established a Euro Medium Term Covered Note (EMTCN) programme, principally in order to issue bonds internationally. The programme has a financial limit of EUR 2 000 million. EUR 55 million, SEK 1 150 million and NOK 12 088 million of bonds have been issued under the EMTCN program as at 31 December 2013.

Financial liabilities

GROUP	2013		2012	
	Fair value	Book value	Fair value	Book value
Financial liabilities at fair value through profit or loss:				
Certificates issued	0	0	0	0
Bonds issued	408	408	417	417
Deposits from and liabilities to customers	526	526	952	952
Financial derivatives	354	354	434	434
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	3 110	3 092	4 256	4 251
Perpetual Hybrid Tier 1 capital	355	299	335	302
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	1 107	1 107	2 519	2 519
Deposits from and liabilities to customers	27 530	27 530	26 129	26 129
Certificates issued	1 870	1 870	1 883	1 880
Bonds issued	13 047	12 964	9 150	9 060
Subordinated loan capital	514	499	300	299
Perpetual Hybrid Tier 1 capital	716	700	691	700
Swap arrangement for securities	634	634	1 681	1 681

Financial liabilities

PARENT BANK	2013		2012	
	Fair value	Book value	Fair value	Book value
Financial liabilities at fair value through profit or loss:				
Certificates issued	0	0	0	0
Bonds issued	408	408	417	417
Deposits from and liabilities to customers	526	526	952	952
Financial derivatives	351	351	428	428
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	1 782	1 772	3 486	3 482
Perpetual Hybrid Tier 1 capital	355	299	335	302
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	1 637	1 637	2 743	2 743
Deposits from and liabilities to customers	27 550	27 550	26 154	26 154
Certificates issued	1 870	1 870	1 883	1 880
Bonds issued	1 272	1 259	1 608	1 599
Subordinated loan capital	514	499	300	299
Perpetual Hybrid Tier 1 capital	716	700	691	700
Swap arrangement for securities	634	634	1 681	1 681

The market value of the instruments traded on an active exchange are based on traded price on the balance sheet date. In the case of the financial instruments that are not traded on an active exchange, own in-house valuations are used which are based on current market conditions or alternatively other valuations from other market players. In the case of unlisted equities where one cannot adequately reliably measure fair value, the acquisition cost or written-down book value shall be used. There were no movements of financial instruments between the three levels of valuation groups neither in 2013 nor in 2012.

GROUP - 2013	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	0	0	4 438	4 438
Certificates	0	31	0	31
Bonds	1 560	3 482	0	5 042
Financial derivatives	0	404	0	404
Shares and other securities	2	0	0	2
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	1 281	0	0	1 281
Loans to and receivables from credit institutions	0	715	0	715
Loans to and receivables from customers	0	0	41 684	41 684
Financial assets available for sale:				
Shares and other securities	19	0	194	213
Total financial assets	2 862	4 632	46 316	53 810
Financial liabilities at fair value through profit or loss:				
Deposits from and liabilities to customers	0	0	526	526
Bonds issued	0	408	0	408
Financial derivatives	0	354	0	354
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	0	3 092	0	3 092
Perpetual Hybrid Tier 1 capital	0	299	0	299
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	0	1 107	0	1 107
Deposits from and liabilities to customers	0	0	27 530	27 530
Certificates issued	0	1 870	0	1 870
Bonds issued	0	12 964	0	12 964
Subordinated loan capital	0	499	0	499
Perpetual Hybrid Tier 1 capital	0	700	0	700
Swap arrangement for securities	0	634	0	634
Total financial liabilities	0	21 927	28 056	49 983

A change in the discount rate of 10 basis points will give an impact of about NOK 13 million on fixed rate loans and about NOK 0.5 million on fixed rate deposits.

GROUP - 2012	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	0	0	3 807	3 807
Certificates	305	25	0	330
Bonds	1 323	3 889	0	5 212
Financial derivatives	0	575	0	575
Shares and other securities	2	0	0	2
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	669	0	0	669
Loans to and receivables from credit institutions	0	288	0	288
Loans to and receivables from customers	0	0	39 627	39 627
Financial assets available for sale:				
Shares and other securities	20	0	184	204
Total financial assets	2 319	4 777	43 618	50 714
Financial liabilities at fair value through profit or loss:				
Deposits from and liabilities to customers	0	0	952	952
Bonds issued	0	417	0	417
Financial derivatives	0	434	0	434
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	0	4 251	0	4 251
Perpetual Hybrid Tier 1 capital	0	302	0	302
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	0	2 519	0	2 519
Deposits from and liabilities to customers	0	0	26 129	26 129
Certificates issued	0	1 880	0	1 880
Bonds issued	0	9 060	0	9 060
Subordinated loan capital	0	299	0	299
Perpetual Hybrid Tier 1 capital	0	700	0	700
Swap arrangement for securities	0	1 681	0	1 681
Total financial liabilities	0	21 543	27 081	48 624

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
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	0	0	4 438	4 438
Certificates	0	31	0	31
Bonds	1 560	3 276	0	4 836
Financial derivatives	0	246	0	246
Shares and other securities	2	0	0	2
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	1 281	0	0	1 281
Loans to and receivables from credit institutions	0	1 846	0	1 846
Loans to and receivables from customers	0	0	26 998	26 998
Bonds	0	673	0	673
Financial assets available for sale:				
Shares and other securities	19	0	194	213
Total financial assets	2 862	6 072	31 630	40 564
Financial liabilities at fair value through profit or loss:				
Deposits from and liabilities to customers	0	0	526	526
Bonds issued	0	408	0	408
Financial derivatives	0	351	0	351
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	0	1 772	0	1 772
Perpetual Hybrid Tier 1 capital	0	299	0	299
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	0	1 637	0	1 637
Deposits from and liabilities to customers	0	0	27 550	27 550
Certificates issued	0	1 870	0	1 870
Bonds issued	0	1 259	0	1 259
Subordinated loan capital	0	499	0	499
Perpetual Hybrid Tier 1 capital	0	700	0	700
Swap arrangement for securities	0	634	0	634
Total financial liabilities	0	9 429	28 076	37 505

A change in the discount rate of 10 basis points will give an impact of about NOK 13 million on fixed rate loans and about NOK 0.5 million on fixed rate deposits.

PARENT BANK - 2012	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Financial assets at fair value through profit or loss:				
Loans to and receivables from customers	0	0	3 807	3 807
Certificates	305	25	0	330
Bonds	1 323	3 889	0	5 212
Financial derivatives	0	504	0	504
Shares and other securities	2	0	0	2
Loans and receivables at amortised cost:				
Cash and claims on Norges Bank	669	0	0	669
Loans to and receivables from credit institutions	0	1 275	0	1 275
Loans to and receivables from customers	0	0	28 460	28 460
Bonds	0	1 777	0	1 777
Financial assets available for sale:				
Shares and other securities	20	0	184	204
Total financial assets	2 319	7 470	32 451	42 240
Financial liabilities at fair value through profit or loss:				
Deposits from and liabilities to customers	0	0	952	952
Bonds issued	0	417	0	417
Financial derivatives	0	428	0	428
Financial liabilities at amortised cost subject to hedge accounting:				
Bonds issued	0	3 482	0	3 482
Perpetual Hybrid Tier 1 capital	0	302	0	302
Financial liabilities at amortised cost:				
Loans and deposits from credit institutions	0	2 743	0	2 743
Deposits from and liabilities to customers	0	0	26 154	26 154
Certificates issued	0	1 880	0	1 880
Bonds issued	0	1 599	0	1 599
Subordinated loan capital	0	299	0	299
Perpetual Hybrid Tier 1 capital	0	700	0	700
Swap arrangement for securities	0	1 681	0	1 681
Total financial liabilities	0	13 531	27 106	40 637

Reconciliation of changes in Level 3

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.2012	3 807	184	952
Additions/purchases	0	2	0
Sales	0	0	0
New volume	942	0	178
Amortisation	296	0	608
Transferred to Level 3	0	0	0
Transferred from Level 3	0	0	0
Net gains/losses recorded in the period	-15	8	4
Recorded value as at 31.12.2013	4 438	194	526

Some items in Level 3 might be included in interest rate and currency hedging in accordance with the Bank`s risk management framework. Any related hedging contracts are located in Level 2.

Reconciliation of changes in Level 3

PARENT BANK	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.2012	3 807	184	952
Additions/purchases	0	2	0
Sales	0	0	0
New volume	942	0	178
Amortisation	296	0	608
Transferred to Level 3	0	0	0
Transferred from Level 3	0	0	0
Net gains/losses recorded in the period	-15	8	4
Recorded value as at 31.12.2013	4 438	194	526

Some items in Level 3 might be included in interest rate and currency hedging in accordance with the Bank`s risk management framework. Any related hedging contracts are located in Level 2.

	2013		2012	
	Average book value	Effective rate	Average book value	Effective rate
Certificates	**34**	**2.89**	322	2.23
Bonds	**6 409**	**2.49**	6 981	3.00

When calculating effective rate, the impact of any hedging instruments has been taken into consideration.

Interest costs

GROUP			PARENT BANK	
2012	**2013**		**2013**	2012
59	**46**	Interest costs on financial liabilities assessed at fair value	**46**	59
1 251	**1 133**	Interest costs on financial liabilities assessed at amortised cost	**915**	1 062
1 310	**1 179**	Totalt interest costs	**961**	1 121

Holdings of shares and other securities

GROUP/PARENT BANK	Number	Equity interest as a percentage	Fair value
Nets AS	1 579 080	0.86	**82**
Eksportfinans ASA	3 551	1.36	**64**
Farstad Shipping ASA	140 000	0.36	**19**
Moldekraft AS	7 061	8.67	**10**
Norvestor V LP		0.85	**9**
Norvestor IV LP		1.28	**5**
Oslo Børs VPS Hold.	83 334	0.19	**4**
Ekornes ASA	30 000	0.08	**2**
Other companies			**20**
Total			**215**

Shares

GROUP			PARENT BANK	
2012	**2013**		**2013**	2012
7	**10**	Recognised gains/losses and dividend from shares	**96**	35
8	**7**	Change in value recognised through comprehensive income (shares held available for sale)	**7**	8
40	**47**	Accumulated change in value through comprehensive income (shares held available for sale)	**47**	40
-3	**4**	Impairment recognised through the income statement	**4**	-3

	2013			2012		
PARENT BANK	Average amount	Effective rate	Interest payable	Average amount	Effective rate	Interest payable
Loans to and receivables from credit institutions, on a call basis	**354**	**1.37**	**5**	137	1.07	1
Loans to and receivables from credit institutions, with a fixed maturity	**482**	**0.88**	**4**	2 366	1.63	39
Deposits from customers, on a call basis	**17 302**	**1.99**	**344**	16 630	2.06	342
Deposits from customers, with a fixed maturity	**10 027**	**2.89**	**290**	9 131	3.23	295
Certificates issued	**3 414**	**1.97**	**67**	3 919	2.54	99
Bonds issued	**4 540**	**2.85**	**129**	5 462	3.41	186

The effective rate of interest is calculated as the sum of all interest costs (including hedging transactions) as a percentage of the average annual total.

Maturity of securities-based debt, nominal value

GROUP			PARENT BANK	
2012	**2013**	Maturity	**2013**	2012
3 735		2013		3 735
2 946	**4 558**	2014	**3 220**	1 489
3 085	**3 085**	2015	**300**	300
1 116	**1 827**	2016	**1 000**	1 000
2 461	**3 578**	2017	**700**	700
1 350	**1 500**	2018		
	1 250	2019		
	1 044	2020		
700	**1 050**	2025		
	201	2028		
15 393	**18 093**	Sum	**5 220**	7 224

The Group and Parent Bank has recognised a cost of NOK 1 million in 2013 (NOK 10 million in 2012), due to changes in credit risk on financial liabilities at fair value with value change recorded through profit or loss. The accumulated unrealised changes in value of the change in credit risk is estimated at NOK 0 million as at 31.12.2013 (NOK 1 million as at 31.12.2012).

5.5 - Hedge accounting

Financial instruments in fair value hedging

GROUP					PARENT BANK			
2012		2013			2013		2012	
Nominal value	Book value	Nominal value	Book value		Nominal value	Book value	Nominal value	Book value
4 318	4 553	**3 214**	**3 391**	Value secured debt securities with changes in value recognised through profit or loss	**1 963**	**2 071**	3 618	3 784
4 220	246	**3 224**	**181**	Financial derivatives applied in hedge accounting	**1 965**	**109**	3 520	177

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

GROUP			PARENT BANK	
2012	**2013**		**2013**	2012
-51	**95**	Value secured debt securities with changes in value recognised through profit or loss	**74**	-19
48	**-96**	Financial derivatives applied in hedge accounting	**-76**	16
-3	**-1**	Total	**-2**	-3

5.6 - Financial derivatives

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.

	2013			2012		
GROUP	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	**15 333**	**344**	**289**	18 211	445	345
Foreign exchange related						
Interest rate swaps (cur)	**1 271**	**33**	**36**	1 785	51	55
Interest rate and foreign exchange swaps	**2 771**	**82**	**29**	2 036	16	34
Total		**459**	**354**		512	434
- hereof applied in hedge accounting	**3 224**	**181**	**0**	4 220	246	0
Forward exchange contracts	**11 501**	**80**	**34**	11 082	37	17

	2013			2012		
PARENT BANK	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	**14 283**	**271**	**289**	17 511	376	345
Foreign exchange related						
Interest rate swaps (cur)	**1 271**	**33**	**36**	1 785	51	55
Interest rate and foreign exchange swaps	**1 222**	**0**	**26**	1 394	14	28
Total		**304**	**351**		441	428
- hereof applied in hedge accounting	**1 965**	**109**	**0**	3 520	177	0
Forward exchange contracts	**11 501**	**80**	**34**	11 082	37	17

Maturity of financial derivatives, nominal value

GROUP							PARENT BANK					
2012			2013				2013			2012		
Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	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
4 293	925	7 873				2013				4 293	925	7 873
2 487	411	1 400	**2 399**	**614**	**9 545**	2014	**2 399**	**614**	**9 545**	2 487	411	1 400
1 859	683	1 568	**1 761**	**669**	**1 157**	2015	**1 761**	**243**	**1 157**	1 859	298	1 568
2 041	911	81	**2 505**	**901**	**799**	2016	**2 505**	**901**	**799**	2 041	911	81
2 849	412	74	**2 650**	**798**		2017	**2 650**	**135**		2 849	155	74
330	76	37	**765**	**118**		2018	**765**	**118**		330	76	37
920	389	37	**968**	**368**		2019	**968**	**368**		920	389	37
255	13	12	**403**	**286**		2020	**403**	**35**		255	13	12
1 168			**1 196**	**79**		2021	**1 196**	**79**		1 168		
864			**863**			2022	**863**			864		
54			**350**			2023	**350**			54		
			23			2024	**23**					
724			**1 088**			2025	**38**			24		
150			**150**			2026	**150**			150		
216			**212**			2027	**212**			216		
				209		2028						
18 211	3 821	11 082	**15 333**	**4 042**	**11 501**		**14 283**	**2 493**	**11 501**	17 511	3 179	11 082

5.7 - Subordinated loan capital

GROUP AND PARENT BANK

ISIN.NR.	Issue	Maturity	Terms	**31.12.2013**
NO0010671928	22.02.13	22.02.23	3 months NIBOR + 2.50 / Call option 2018	**499**
Subordinated loan capital				**499**
NO0010262306	14.04.05	Perpetual	3 months NIBOR + 1.10 / First call option 2015	**200**
NOO010532765	10.09.09	Perpetual	11.70 % fixed / First call option 2019	**299**
NO0010659972	09.10.12	Perpetual	3 months NIBOR + 4.75 / First call option 2017	**500**
Perpetual Hybrid Tier 1 Capital				**999**

The loans are expressed in NOK. There is no option to convert the subordinated loan capital/capital bonds to EC-capital (Equity Certificates). The Group had no investments in subordinated loan capital in other enterprises (including financial institutions) at the end of 2013.

6 SUBSIDIARIES

GROUP AND PARENT BANK

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		

7 OPERATING SEGMENTS

The Group's operations are divided into three strategic business areas/segments, which also are reporting segments according to IFRS 8. The different operating segments partly sell different products, have a somewhat different risk profile and target many of the same groups of customers.

In the classification into operating segments weight has been given to products and services, as well as customer type. The "retail market" operating segment, for example, primarily consists of sector 85 000, retail customers.

Most of the income and operating costs involved apply to the Bank's different operating segments according to actual usage and/or according to activity-based distribution formulae. The reporting involved is based on the same breakdown and reporting which are provided each month for the Bank's management and Board of Directors.

Transactions between different operating segments are based on market values/prices, similar to transactions with subsidiaries. Please see note 11 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 for further information. Eliminations/other includes Sparebankeiendom AS, which handles real estate management of own properties.

Result 31.12	Group		Eliminations/other		Corporate		Retail 1)		Real estate brokerage	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Net interest income	**1 042**	936	**5**	10	**462**	419	**575**	507	**0**	0
Other operating income	**202**	290	**5**	81	**79**	87	**96**	98	**22**	24
Total income	**1 244**	1 226	**10**	91	**541**	506	**671**	605	**22**	24
Operating costs	**569**	439	**100**	-32	**113**	121	**334**	329	**22**	21
Profit before impairment	**675**	787	**-90**	123	**428**	385	**337**	276	**0**	3
Impairment on loans, guarantees etc.	**54**	47	**0**	-8	**53**	58	**1**	-3	**0**	0
Pre tax profit	**621**	740	**-90**	131	**375**	327	**336**	279	**0**	3
Taxes	**171**	210								1
Profit after tax	**450**	530								2

Statement of financial position	Group		Eliminations/other		Corporate		Retail 1)		Real estate brokerage	
	31.12.13	31.12.12	**31.12.13**	31.12.12	**31.12.13**	31.12.12	**31.12.13**	31.12.12	**31.12.13**	31.12.12
Loans to customers 1)	**46 122**	43 434	**885**	813	**15 552**	15 548	**29 685**	27 073	**0**	0
Deposits from customers 1)	**28 056**	27 081	**691**	228	**10 338**	10 610	**17 027**	16 243	**0**	0
Guarantee liabilities	**1 433**	1 634	**0**	100	**1 424**	1 525	**9**	9	**0**	0
The deposit-to-loan ratio	**60.8**	62.3	**89.2**	30.0	**66.5**	68.2	**57.4**	60.1	**0**	0
Man-years	**391**	410	**146**	158	**58**	59	**171**	179	**16**	14

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.

Statement of income	MØRE BOLIGKREDITT AS 2013	2012
Net interest income	**240**	130
Other operating income	**-3**	0
Total income	**237**	130
Operating costs	**26**	21
Profit before impairment on loans	**211**	109
Impairment on loans, guarantees etc.	**0**	0
Pre tax profit	**211**	109
Taxes	**59**	31
Profit after tax	**152**	78

Statement of financial position	2013	2012
Loans to and receivables from customers	**14 863**	11 330

8 OTHER OPERATING INCOME

GROUP 2012	GROUP 2013		Notes	PARENT BANK 2013	PARENT BANK 2012
7	**10**	Dividends and other income from securities with variable yields	5.4	**96**	35
24	**32**	Guarantee commission		**32**	24
18	**21**	Income from the sale of insurance services		**21**	18
17	**21**	Income from the sale of shares in unit trusts/securities		**21**	17
13	**12**	Various fees relating to loans		**12**	13
2	**2**	Inter-bank fees		**2**	2
9	**9**	Fees relating to cheques and giro payments		**9**	9
54	**54**	Fees from cards		**54**	54
9	**10**	Fees from international payment transmission services		**10**	9
16	**13**	Other fees and commission income		**14**	15
162	**174**	Commission income and revenues from banking services		**175**	161
-29	**-28**	Commission costs and expenditure in respect of banking services		**-29**	-29
58	**-15**	Fixed interest loans		**-15**	58
-53	**15**	Derivatives related to fixed interest loans		**15**	-53
-51	**102**	Issued bonds and certificates		**74**	-19
48	**-108**	Derivatives related to issued bonds and certificates		**-76**	16
-10	**-1**	Change in credit spread FVO – securities-based debt		**-1**	-10
-3	**4**	Gains/losses on shares		**4**	-3
69	**-24**	Gains/losses on bonds		**-24**	69
26	**26**	Trading in FX (on behalf of customers)		**26**	26
20	**19**	Other income		**19**	20
104	**18**	Net gains/losses from securities and foreign exchange	2.17, 5.4, 5.5	**22**	104
3	**2**	Operating revenues from real estate		**0**	0
24	**22**	Income from real estate brokerage		**0**	0
17	**0**	Gains on sale of buildings		**0**	0
2	**4**	Other operating income		**23**	16
46	**28**	Total other operating income		**23**	16
290	**202**	Total non-interest income		**287**	287

9 OPERATING COSTS EXCL. PERSONNEL COSTS

GROUP			PARENT BANK	
2012	**2013**		**2013**	2012
74	**79**	IT-costs	**79**	73
5	**5**	Office supplies	**5**	5
14	**13**	Telephone and postage	**13**	14
5	**6**	Travel costs/car allowance on a per kilometer basis/representation/entertainment	**6**	5
29	**24**	Marketing costs	**23**	29
12	**6**	Other administration costs	**7**	12
139	**133**	Total administration costs	**133**	138
31	**28**	Depreciation of fixed and intangible assets	**24**	22
25	**25**	Property costs	**35**	30
3	**3**	Fees paid to External Auditor	**2**	2
18	**17**	Costs relating to fixed assets	**17**	18
5	**5**	Capital tax	**5**	5
41	**45**	Other operating costs	**33**	32
92	**95**	Total other operating costs	**92**	87
262	**256**	Total operating costs	**249**	247

10 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 13 for further information about the business premises.

	2013	2012
Rent paid to:		
Sparebankeiendom AS	**17**	19
Other external lessors	**11**	10

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	11	44	55
Total	28	44	55

11 SALARIES AND TRANSACTIONS WITH RELATED PARTIES

GROUP			PARENT BANK	
2012	2013		2013	2012
232	236	Wage, salary and other cash-based benefits	223	215
2	2	Fees paid to members of the Board of Directors, Board of Trustees and Control Committee	2	2
12	14	Bonus/profit sharing 1)	14	12
38	8	Pension costs (note 12)	8	38
-166	0	Pension plan changes	0	-166
41	35	Employers' social security contribution	34	38
18	17	Other personnel costs	16	19
177	313	Total wage and salary costs	297	158
		Manning levels		
437	427	Number of employees as at 31.12	410	423
449	417	Average number of employees	400	431
410	391	Number of man-years worked as at 31.12	375	394
413	400	Average number of man-years worked	383	387

1) Parts of staff's bonuses (about 50 per cent) for 2013 and 2012 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 39 000 in 2013 and about 28 000 in 2012.

As at 31.12.2013, 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. The CEO's contract includes a 6-month period of notice.

Note 12 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 PR. This firm has during 2013 billed Sparebanken Møre for services totaling NOK 128 264. In addition, TIBE Reklamebyrå AS, which is part of the TIBE-group, has billed the Bank for at total of NOK 410 006 during 2013. The transactions were entered into on normal commercial terms as if they were conducted between unrelated parties.

Wages, salaries, other remuneration and pensions - GROUP

Salary paid to the CEO amounted to NOK 2 022 011 in 2013 (NOK 2 035 635 in 2012). Estimated value of benefits in kind totalled NOK 300 345 (NOK 227 442 in 2012). In addition, NOK 1 001 545 (NOK 556 636 in 2012) 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 12), 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)	**2013**	2012
Board of Trustees	**558**	404
Board of Directors	**988**	956
Control Committee	**280**	202
Fees paid to External Auditor (including value added tax)	**3 339**	3 560
- hereof fee for statutory audit 1)	**2 270**	1 988
- hereof other attestation services	**380**	531
- hereof tax-related advisory services	**221**	225
- hereof other non-audit services	**468**	816

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 12 for a description of benefitsrelated pension schemes for the Bank's CEO and other employees.

Loans, deposits and guarantees

GROUP		2013			2012	
	Loans	Deposits	Guarantees	Loans	Deposits	Guarantees
Board of Trustees	**73**	**26**	**0**	72	20	0
Board of Directors	**2**	**9**	**0**	2	7	0
Control Committee	**2**	**1**	**0**	2	1	0
Employees	**893**	**132**	**0**	802	131	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 2.25 per cent in 2013) which triggers a basis for taxing such benefits in kind to the Bank's staff has been estimated at NOK 314 281 as against NOK 296 154 in 2012.

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

	2013	2012
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	
	2013	2012	**2013**	2012	**2013**	2012
Board of Trustees						
Tormod Hvattum, Chairman	**38**	36				
Other members (see paige 103) 2)	**520**	368				
Total	**558**	404				
Board of Directors						
Leif-Arne Langøy, Chairman	**295**	279	**7**			
Roy Reite, Deputy Chairman	**133**	124				
Ragna Brenne Bjerkeset	**113**	107				
Ingvild Vartdal	**117**	146				
Elisabeth Maråk Støle	**117**	146				
Henning Sundet	**73**	0				
Turid Håndlykken Sylte, employees elected representative 1)	**110**	64				
Former board members:						
Stig Remøy	**30**	90				
Total	**988**	956				
CEO						
Olav Arne Fiskerstrand	**2 022**	2 036	**300**	227	**1 002**	557
Managers in 2013						
EVP, Retail Banking Division, Trond Nydal	**1 295**	1 031	**171**	230		
EVP, Sunnmøre Corporate Banking, Terje Krøvel	**1 184**	1 073	**139**	247		
EVP, Romsdal & Nordmøre Corporate Banking, Kolbjørn Heggdal	**291**	0	**8**	0		
EVP, Søre Sunnmøre Corporate Banking, Kjell Jan Brudevoll	**1 125**	1 017	**83**	70		
EVP, Head of Treasury & Market Division, Runar Sandanger	**1 225**	1 039	**155**	222		
EVP, Head of Information and Compliance, Kjetil Hauge	**1 035**	831	**95**	167		
EVP, Head of Financial Control, Risk Management and HR, Idar Vattøy	**1 099**	939	**149**	230		
EVP, Head of Credit and Legal Division, Erik Røkke	**941**	0	**41**	0		
EVP, Head of Business Development and Support, Perdy Lunde	**1 093**	927	**139**	201		
Former managers (5 persons)	**0**	4 330	**0**	973		
Total	**9 288**	11 187	**980**	2 340		
Control Committee						
Grete Opshaug, Chairman	**111**	73				
Jon Olav Slettebakk	**53**	51				
Karl Johan Brudevoll	**53**	36				
Kjell Martin Rønning	**63**	42				
Total	**280**	202				
Fees paid to External Auditor (including value added tax)						
Fees paid to External Auditor	**2 272**	2 314				
- hereof fee for statutory audit 3)	**1 783**	1 500				
- hereof other attestation services	**25**	132				
- hereof tax-related advisory services	**145**	109				
- hereof other non-audit services	**319**	573				

1) Ordinary salary amounts to NOK 608 315 (NOK 556 972 in 2012).
2) Deputy chairman and members of the Board of Trustees are compensated with NOK 2 000 per meeting in 2013. Five meetings have been held in 2013.
3) Of which TNOK 283 applies to simplified audit controll after Q2 2013.

Loans and guarantees

Amounts in NOK thousand	2013		2012	
	Loans	Guarantees	Loans	Guarantees
Board of Trustees				
Tormod Hvattum, Chairman	1 738	0	1 670	0
Other members (51 members)	71 656	0	70 015	0
Board of Directors				
Leif-Arne Langøy, Chairman	26	0	19	0
Roy Reite, Deputy Chairman	0	0	0	0
Ragna Brenne Bjerkeset	134	0	364	0
Ingvild Vartdal	0	0	0	0
Elisabeth Maråk Støle	0	0	0	0
Henning Sundet	0	0	0	0
Turid Håndlykken Sylte, employees elected representative	1 667	0	1 242	0
Control Committee				
Grete Opshaug, Chairman	911	0	894	0
Jon Olav Slettebakk	1 024	0	1 026	0
Karl Johan Brudevoll	0	0	0	0
Kjell Martin Rønning	0	0	0	0
CEO				
Olav Arne Fiskerstrand	0	0	2 000	0
Employees	893 476	0	802 325	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.

Transactions involving subsidiaries

These are transactions between the Parent Bank and wholly-owned subsidiaries (see note 6) 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 7.

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 (2.80 per cent in 2013 and 3.30 per cent in 2012).

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.

If Møre Boligkreditt AS should experience difficulty obtaining financing, there has been established a revolving guarantee from Sparebanken Møre where the purpose is to ensure timely payment to the holders of bonds and derivatives.

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	2013	2012
Statement of income		
Interest and credit commission income from subsidiaries	64	96
Received dividend and group contribution from subsidiaries	87	28
Rent paid to Sparebankeiendom AS	17	19
Leasing rental paid to Møre Finans AS (merged in 2012)	0	4
Administration fee received from Møre Boligkreditt AS	19	14
Statement of financial position		
Claims on subsidiaries	1 292	1 140
Covered bonds	673	1 776
Liabilities to subsidiaries	550	249
Accumulated loan portfolio transferred to Møre Boligkreditt AS	14 864	11 331

12 PENSION COSTS AND LIABILITIES

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

The accounting policies relating to pensions are explained in the note regarding accounting principles in paragraph 2.11.

Sparebanken Møre's pension schemes are:

Benefit-based pension scheme in own pension fund

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 scheme was closed to new members from 1 January 2010. The benefit-based scheme is identified in the Bank's own pension fund. This liability comprised 298 (331) active members and 213 (200) pensioners at the end of 2013.

Contribution-based pension scheme

The Group`s conribution-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.

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 2013 (NOK 2 million in 2012).

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 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 residual reserve exists for the company's own risk with regard to people who took early retirement via the old scheme.

A new SERP scheme has been established as a replacement for the old SERP scheme. The scheme is treated in the financial statements as a contribution-based pension scheme in which premium payments of NOK 6 million i 2013 (NOK 3 million in 2012) are recognised as costs on an ongoing basis and no provisions are made in the financial statements. The premium has been set at 1.4 per cent of total payments between 1 G (G = the national insurance basic amount) and 7.1 G to the company's employees. The scheme does not involve the building up of a fund and the level of premiums is expected to increase in the coming years.

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 11 senior and general managers at the end of 2013. 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.

Financial and actuarial assumptions

	Liabilities		Costs	
	31.12.13	31.12.12	2013	2012
Rate of discounting	4.10 %	4.00 %	4.00 %	2.80 %
Wage and salary adjustment	3.75 %	3.75 %	3.75 %	3.50 %
Pension adjustment	0.00 %	0.20 %	0.20 %	3.25 %
Adjustment of the National Insurance's basic amount	3.50 %	3.50 %	3.50 %	3.25 %
Employers' social security contribution	14.10 %	14.10 %	14.10 %	14.10 %
Table for mortality rate etc	K2013	K2005	K2005	K2005
Disability tariff	IR02	IR02	IR02	IR02

Pension costs in ordinary result

	2013	2012
Present value of pension accruals during the year including administration costs	13	24
Interest cost of incurred pension liabilities	14	16
Expected return on pension resources	-17	-11
Net pension cost for the pension fund	10	29
Change in present value of pension accruals relating to other pension schemes	-14	-10
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)	11	19
Total pension costs	8	38
Pension plan change including employers' social security contribution	0	-166

Specification of estimate deviations in comprehensive income

	2013	2012
Change in the rate of discounting	6	82
New table for mortality rate	-18	-14
Change in other financial assumptions	11	67
Estimate deviations on pension funds	-35	25
Total estimate deviations	-36	160

Total pension liabilities/-funds

	2013	2012
Pension liabilities	373	363
Value of pension resources	-428	-445
Net pension liabilities/-funds relating to the pension fund	-54	-83
Net pension liabilities relating to members of the Bank's top team/general managers	29	43
Net pension liabilities relating to Statutory Early Retirement Pension, SERP	1	3
Total net pension liabilities/-funds	-25	-37

Funded pension liabilities

	2013	2012
Pension liabilities as at 01.01	363	597
Pension accruals for the year	13	22
Pension payments	-12	-11
Interest costs	14	17
Plan change (change in pension regulations)	0	-142
Employers' social security contribution	-3	-10
Actuarial gains/losses	-2	-108
Pension liabilities as at 31.12	373	363

Funded pension resources

	2013	2012
Pension resources as at 01.01	445	391
Total amount paid in	19	30
Pensions paid out	-12	-11
Expected return	17	11
Acturial gains/losses	-41	25
Pension resources as at 31.12	428	445

Estimated payment for 2014 amounts to NOK 14 million.

Pension liabilities Statutory Early Retirement Pension and other pensions

	2013	2012
Pension liabilities as at 01.01	46	56
Pension accruals for the year	1	2
Pension payments	-4	-3
Interest costs	2	1
Plan change (change in pension regulations)	0	-3
Change in present value related to pension benefits for bank managers	-13	0
Acturial gains/losses	-2	-7
Pension liabilities as at 31.12	30	46

Sensitivity analysis

	Change in the rate of discounting	Effect on the liability as at 31.12.2013	Effect on the pension cost in 2013
The funded plan	0.5 %	-6.3 %	-8.3 %
The funded plan	-0.5 %	7.0 %	9.4 %
Unfunded schemes	0.5 %	-4.1 %	-4.5 %
Unfunded schemes	-0.5 %	4.4 %	4.9 %

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

	2013	2012	2011	2010	2009
Pension liabilities incl. emloyers' social security contribution	373	363	626	584	489
Pension resources	-428	-445	-391	-376	-348
Pension liabilities SERP and other pensions	30	45	56	64	77
Total net pension liabilities/-funds	-25	-37	291	272	218

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 capital 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 capital assets under management.

The long-term aspect of the capital asset management means 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 riskfree placement rate of interest.

The pension fund shall see to it 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 52 million (NOK 89 million in 2012) with Sparebanken Møre.

Investment profile - pension resources

	2013		2012	
	Market value	Percentage	Market value	Percentage
Shares	0	0.0 %	5 512	1.3 %
Bonds/certificates	378 889	84.4 %	316 721	73.0 %
Bank deposits	70 116	15.6 %	111 847	25.7 %
Total pension resources	449 005	100.0 %	434 080	100.0 %

Return on pension resources

	2013	2012
Total pension resources	4.38 %	5.24 %

Capital adequacy for the pension fund

	2013	2012
Capital adequacy	15.46 %	22.33 %

13 FIXED ASSETS

GROUP

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

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 31.12.2013.

GROUP

2012	Total	Buildings, incl. tech.install. , building plots/ holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	408	303	52	53
Additions	30	11	12	7
Disposals	42	35	6	1
Acquisition cost as at 31.12	396	279	58	59
Accumulated depreciation and write-downs as at 01.01	92	58	16	18
Depreciation during the year	23	7	10	6
Impairment during the year	0	0	0	0
Disposals	19	18	1	1
Accumulated depreciation and impairment as at 31.12	95	47	25	23
Value in the accounts as at 31.12	301	232	33	36
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	11	0	8	3
Estimated residual value of fixed assets	93	93	0	0

PARENT BANK

2013	Total	Buildings incl. tech.install.	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

PARENT BANK

2012	Total	Buildings incl. tech.install.	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	85	10	26	49
Additions merger (Møre Finans 31.08.12)	22	0	22	0
Additions	28	10	12	6
Disposals	2	0	2	0
Acquisition cost as at 31.12	133	20	58	55
Accumulated depreciation and write-downs as at 01.01	35	1	19	15
Depreciation during the year	14	1	7	6
Impairment during the year	0	0	0	0
Disposals	1	0	1	0
Accumulated depreciation and impairment as at 31.12	47	2	25	21
Value in the accounts as at 31.12	86	19	33	34
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use	10	0	7	3

14 OTHER INTANGIBLE ASSETS

GROUP			PARENT BANK	
2012	2013		2013	2012
35	49	Acquisition cost as at 01.01	48	35
0	0	Additions merger	0	4
14	6	Additions	6	10
0	0	Disposals	0	0
49	55	Acquisition cost as at 31.12	54	48
18	26	Accumulated depreciation and impairment as at 01.01	26	18
8	8	Depreciation during the year	8	8
0	0	Impairment during the year	0	0
0	0	Disposals	0	0
26	34	Accumulated depreciation and impairment as at 31.12	33	26
17	23	Value in the accounts as at 01.01	22	17
23	21	Value in the accounts as at 31.12	21	22
20 %	20 %	Straight-line depreciation rate	20 %	20 %
5	5	Economic life – number of years	5	5

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

15 OTHER ASSETS

GROUP			PARENT BANK	
2012	2013		2013	2012
3	3	Repossessed assets	3	3
29	29	Capital in Sparebanken Møre`s Pension Fund	29	29
136	149	Accrued interest on loans and receivables	124	117
160	129	Accrued interest on financial instruments	117	152
79	79	Unsettled items related to financial instruments	79	79
9	6	Accounts receivable related to real estate brokerage	0	0
95	79	Other receivables	89	104
511	474	Total other assets	441	484

Repossessed assets amounts to NOK 3 million (NOK 3 million in 2012). This consists of residential properties of NOK 2 million (NOK 1 million in 2012) and plots of NOK 1 million (NOK 2 million in 20112). 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.

16 TAX

A nominal rate of tax of 28 % has been applied for the calculation of tax payable in 2013. The rate of taxation has been changed to 27 % with effect from 2014, hence this rate has been applied for calculation of deffered tax as at 31.12.2013.

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 is calculated on the basis of the differences which exist between the accounting-related and tax-related values at the end of the accounting year. Realisation of deferred tax benefit is based on future results liable to tax exceeding the tax benefit in question in the case of reversal of any existing, temporary differences.

Calculated deferred tax related to pension estimate deviations has been recognised in comprehensive income.

The entire taxation cost is related to Norway.

Tax cost in the income statement

GROUP			PARENT BANK	
2012	2013		2013	2012
154	182	Tax payable	121	122
55	-11	Change in deferred tax against ordinary income	-9	53
1	0	Too much/too little set aside last year	0	-1
210	171	Tax cost	112	174
28,4	27,5	Effective rate of tax (tax cost as a percentage of pre-tax result)	22,7	27,2

Tax cost in the comprehensive income statement

GROUP			PARENT BANK	
2012	2013		2013	2012
45	-9	Change in deferred tax due to pension estimate deviations	-9	45
45	-9	Tax cost in comprehensive income	-9	45

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

GROUP			PARENT BANK	
2012	2013		2013	2012
740	621	Result before tax	494	640
-3	-9	Permanent differences related to shares	-96	-31
11	2	Other permanent differences	2	15
-198	35	Changes in temporary differences	32	-188
550	649	Income subject to tax	432	437
154	182	Tax payable at 28 per cent	121	122

Specification of temporary differences and the composition of deferred tax

GROUP			PARENT BANK	
2012	2013		2013	2012
		Temporary differences relating to:		
-34	-53	Fixed assets	-91	-77
100	124	Pension liabilities	124	100
11	9	Added value related to transferred portfolio of loans	9	11
69	28	Other temporary differences	30	70
146	108	Net negative (-)/positive differences against profit and loss account	72	104
-63	-99	Share of net pension liability recognized against other comprehensive income	-99	-63
2	2	Limited partnerships	2	2
85	11	Total negative (-)/positive differences	-25	43
24	4	Deferred tax benefit (-) or liability	-6	12

Reconciliation of tax cost and pre-tax profit

GROUP			PARENT BANK	
2012	2013		2013	2012
207	173	28 per cent of pre-tax profit	138	179
-1	-3	Shares - 28 per cent	-27	-8
3	1	Other permanent differences - 28 per cent	1	4
1	0	Too much/too little set aside in previous years	0	-1
210	171	Total tax cost	112	174

17 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	2013	2012
Earnings per EC (NOK) 2)	21.65	31.05
Diluted earnings per EC (NOK)	21.65	31.05
Profit for the year to the Bank's EC-holders:		
Profit	450	530
EC-holders' share of the profit according to the EC-fraction 1)	214	244
Weighted number of ECs - the Bank's own portfolio	38 170	36 580
Number of own ECs as at 31.12	41 678	96 081
Number of own ECs as at 01.01	96 081	19 240
Weighted average of outstanding ECs	8 607 360	7 804 536
Number of outstanding ECs as at 31.12	9 845 276	7 745 035
Number of outstanding ECs as at 01.01	7 745 035	7 821 876
Weighted average number of ECs issued	8 645 530	7 841 116
Number of ECs as at 31.12	9 886 954	7 841 116
Number of ECs as at 01.01	7 841 116	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 47.7 per cent in average for 2013 and 46.0 % in 2012. (At the end of 2013 the EC ratio was 49.6 %.)
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.

18 CAPITAL ADEQUACY

Sparebanken Møre`s capital adequacy ratio is calculated according to the standardised approach for credit risk and market risk. Calculations related to operational risk are calculated in accordance with the basic method.

During several years Sparebanken Møre has developed and implemented internal risk management models within the credit area. The Group has submitted an application to the Financial Supervisory Authority of Norway for the use of the foundation IRB method for credit risk, and is now awaiting a reply. Upon approval as an IRB institution, external reporting of the capital adequacy ratio will be based on a method that better reflects the underlying risk in the Group's balance sheet.

The Basel III framework introduces several new capital buffers that must be met with core tier 1 capital. New regulations came into force in Norway on 1 July 2013, and entail a gradual increase in the requirement for core tier 1 capital from the nine per cent which the FSA assumed that all Norwegian banks had to meet as of 1 July 2012. The minimum requirement for core tier 1 capital will as of 1 July 2014 amount to ten per cent, including conservation buffer and buffer for system risk. As of 1 July 2015, additional requirement of a countercyclical buffer of one percentage point will also be phased in, and an additional 1 percentage point for systemically important banks (SIFI). Sparebanken Møre is not defined as a SIFI bank. In 2014, reporting of Leverage ratio will also be required. Minimum requirements are not finalized yet, but suggestion has been made that the core capital must be at least three per cent of a measure of exposure which includes assets and off-balance sheet items.

Regardless of the method of calculation, Sparebanken Møre`s capital must meet the minimum capital requirements with the addition of a buffer that matches the Group`s accepted risk tolerance. It is essential that the various entities in the Group at all times have sufficient capitalization. Furthermore, the assessment of risk profile, capital adequacy and profitability must at any time be based on the long-term strategic plan of the Group. During the annual ICAAP (at least) calculation of the Group's capital needs is carried out.

Analyses conducted as part of Sparebanken Møre's 2013 ICAAP show that the Group satisfies 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. Otherwise please refer to the Group's Pillar III document, which is available on Sparebanken Møre's website.

In addition to regulatory capital, Sparebanken Møre also calculates economic capital. The level of economic capital says something about the capital reserves that must be present to cover unexpected losses for the Group. Economic capital is used in the ongoing management of Sparebanken Møre, and is the basis for business decisions. Based on the distribution of economic capital a risk-adjusted capital is calculated and distributed throughout the various segments, departments and customers. The risk-adjusted equity forms the basis for the departments` achievements related to return on equity.

Sparebanken Møre`s ICAAP

Sparebanken Møre's ICAAP is tailored to the Group's position in relation to resources, competence, models and experience. The capital requirement assessment is based on an assessment of the risk profile and an assessment of the quality of management and control. The conclusions are based on figures and professional judgement. In some cases the level of capital is based on the standard method.

Board approved guidelines are drawn up for the ICAAP. ICAAP represents an important and integral part of Sparebanken Møre's annual strategy process. The process normally has to be carried out once a year. However, events can occur that make it necessary to carry out/revise the ICAAP more frequently than once a year. The internal guidelines list the events that would require the carrying out of formal assessments in relation to this.

The ICAAP guidelines provide guidance for broad participation from different management levels in Sparebanken Møre, as well as from different departments and divisions. The Group's Board of Directors also actively participates in Sparebanken Møre's ICAAP process, through its work on strategic plans, as well as the revising of the Group's central governing documents during the year. The Board receives regular reports throughout the year on developments with respect to the Group's risk and capital situation.

All material risks are assessed in the calculation of capital requirements. The risks are assessed both individually and overall. Model simulations assume both moderate and conservative development perspectives.

An analysis of Sparebanken Møre's risk exposure provides a picture of the risk profile, which is used as a basis for assessing capital requirements. Every risk element is assessed on the basis of probability and consequences (inherent risk), and how Sparebanken Møre could manage/control this risk effectively. Risk reducing measures will reduce the inherent risk, leaving the institution with residual risk. An assessment of the probability and consequences of residual risk further entails an assessment of the amount of capital Sparebanken Møre needs to retain in order to cover unexpected losses from the individual risks. Assessing residual risk also provides a basis for taking steps to limit the risk further.

The Group's internal auditor, BDO, is involved in the Group's ICAAP. The internal auditor is kept up-to-date on the process, makes suggestions during it, and reviews the documentation sent to the Board of Directors. The internal auditor also carries out his own risk assessments throughout the year, and produces his own evaluation/report on Sparebanken Møre's ICAAP based on this. This is included as part of the documentation submitted to the FSA.

Various types of scenario models and stress tests are run in connection with the ICAAP. One method is based on an economic simulation model associated with the base alternative of a long-term strategic plan, while the second method is focused on stress testing of the credit area. In the ICAAP any diversification effects between different risk areas are not taken into account.

Sparebanken Møre's Pillar 3 document provides further descriptions of these stress tests and their effects on the Group's capital adequacy.

ICAAP 2013 has been reviewed by the FSA. Based on this year's process Sparebanken Møre appears adequately capitalised based on the risk inherent in its activities and future expectations.

GROUP			PARENT BANK	
2012	2013		2013	2012
		Core capital		
784	989	EC capital	989	784
-9	-4	- ECs owned by the Bank	-4	-9
186	353	Share premium fund	353	186
592	684	Dividend equalisation fund	684	592
0	125	Gift fund	125	0
1 835	1 935	Primary capital fund	1 935	1 835
40	47	Value adjustment fund	47	40
1	0	Fund for unrealised gains	0	1
94	79	Proposed dividend for the EC holders	79	94
110	87	Proposed dividend for the local community	87	110
128	196	Other equity	0	0
3 761	4 491	Total equity	4 295	3 633
-23	-41	Deferred tax, goodwill and intangible assets	-51	-22
-40	-47	Value adjustment fund	-47	-40
-1	0	Fund for unrealised gains	0	-1
-10	-10	50 % deduction for equity in other financial institutions	-10	-10
1 002	999	Perpetual Hybrid Tier 1 capital	999	1 002
-83	-55	Deduction for overfunded pension liability	-55	-83
-94	-79	Proposed dividend for the EC holders	-79	-94
-110	-87	Proposed dividend for the local community	-87	-110
4 402	5 171	Total core capital	4 965	4 275
		Supplementary capital		
299	499	Subordinated loan capital of limited duration	499	299
18	20	45 % addition for net unrealised gains on shares, unit trust certificates and ECs available for sale	20	18
-10	-10	50 % deduction for equity in other financial institutions	-10	-10
307	509	Total supplementary capital	509	307
4 709	5 680	Net equity and subordinated loan capital	5 474	4 582
		Capital adequacy as a percentage of the weighted asset calculation basis		
14.63	17.02	Capital adequacy ratio	17.44	14.93
13.68	15.48	Core capital ratio	15.82	13.93
10.55	12.50	Core tier 1 capital ratio	12.65	10.65
32 200	33 410	Risk-weighted assets (calculation basis for capital adequacy ratio)	31 388	30 700
		Minimum equity and related capital requirement according to Basel II calculated in accordance with the Standard Approach:		
2 622	2 673	Total minimum requirement (8 %) for equity and related capital	2 511	2 460
0	0	Commitments involving states and central banks	0	0
4	6	Commitments involving local and regional authorities	6	4
21	22	Commitments involving public sector companies	22	21
36	37	Commitments involving institutions (banks etc.)	275	212
840	832	Commitments involving companies (corporate customers)	845	853
310	272	Commitments involving mass market (retail banking customers)	272	266
1 118	1 222	Commitments involving mortgage on residential property	781	781
21	13	Commitments due for payment	13	21
15	15	Commitments involving covered bonds	18	29
93	92	Other commitments	130	116
2 458	2 511	Capital requirement – credit-/counterpart- and impairment risk	2 362	2 303
0	0	Debt	0	0
0	0	Equity	0	0
4	0	Foreign exchange	0	4
0	0	Goods	0	0
4	0	Capital requirement – position-/foreign exchange- and commercial risk	0	4
170	176	Operational risk (basis method)	163	163
-10	-14	Deductions from the capital requirement	-14	-10

19 ECS AND OWNERSHIP STRUCTURE

Equity Certificates

At the end of 2013, 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 684 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.

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.

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	Changes	Changes in EC capital	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 31.12.13	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	908 779	9.19
Verdipapirfond Pareto Aksje Norge	540 015	5.46
MP Pensjon	478 282	4.84
Wenaasgruppen AS	382 500	3.87
Pareto AS	229 189	2.32
Verdipapirfond Pareto Aktiv	227 560	2.30
FLPS - Princ All Sec	200 034	2.02
Beka Holding AS	150 100	1.52
VPF Fondsfinans Spar	150 000	1.52
Farstad Shipping ASA	126 909	1.28
Bergen Kommunale Pensjonskasse	120 000	1.21
Pareto Verdi Verdipapirfond	106 277	1.07
Lapas AS (Leif-Arne Langøy)	105 500	1.07
Stiftelsen Kjell Holm	92 268	0.93
VPF Nordea Norge Verdi	91 892	0.93
Odd Slyngstad	84 773	0.86
Sparebankstiftelsen Helgeland	80 000	0.80
Forsvarets Personellservice	59 160	0.60
Atlantis Vest AS	57 744	0.58
Awilco Invest AS	52 000	0.53
Total 20 largest	4 242 982	42.91
Total	9 886 954	100.00

Key financial figures (Parent Bank)

	2013	2012	2011	2010	2009
Price at OSE	198	160	178	207	192
Number of ECs issued	9 886 954	7 841 116	7 841 116	7 841 116	6 534 264
EC capital (NOK mill.)	989	784	784	784	648
Dividend equalisation fund (NOK mill.)	684	592	408	292	393
Share premium (NOK mill.)	353	186	186	186	187
EC percentage (average in 2009 and 2013)	47.7	46.0	46.0	46.0	43.8
EC percentage 31.12	49.6	46.0	46.0	46.0	46.0
Dividend per EC, in NOK	8	12	8	12	12
Dividend per EC, in NOK as a percentage of price at OSE 31.12	4.0	7.5	4.5	5.8	5.2
Return (%)	31.3	-5.6	-8.2	14.0	56.3
Dividend in percentage of the EC owners share of adjusted profit 1)	43.4	43.2	34.4	49.2	49.3
Profit per EC, in NOK 1)	18.45	27.75	23.27	24.42	24.35
Book value per EC, in NOK 1) 2)	223	219	189	188	170
P/E 1)	10.7	5.8	7.7	8.5	9.5
P/BV 1)	0.89	0.73	0.94	1.10	1.13

1) Fund for unrealised gains has been excluded from the calculation.
2) Group figures, incl. proposed dividend.

Geographic distribution

Number of owners/ECs	2013		2012		2011		2010		2009	
Møre og Romsdal	3 617	4 516 332	3 673	4 206 244	3 691	4 032 446	3 650	3 665 079	3 559	3 094 150
Others in Norway	2 398	4 964 767	2 350	3 368 430	2 408	3 470 693	2 540	3 903 485	2 687	3 203 395
Foreigners	99	405 855	83	266 442	78	337 977	65	272 552	68	236 719
Total	6 114	9 886 954	6 106	7 841 116	6 177	7 841 116	6 255	7 841 116	6 314	6 534 264

Distributed by numbers

Number of ECs	Number of ECs	%	Number of owners	%
1-100	96 134	0.97	1 909	31.23
101-1,000	1 148 022	11.61	3 054	49.95
1,001-10,000	2 725 846	27.57	1 048	17.14
10,001-100,000	2 191 807	22.17	90	1.47
Above 100,000	3 725 145	37.68	13	0.21
Total	9 886 954	100.00	6 114	100.00

	Number of ECs		EC capital		Share premium	
	2013	2012	2013	2012	2013	2012
Change in ECs and share premium:						
Ordinary ECs as at 01.01.	7 841 116	7 841 116	784	784	186	186
Changes	2 045 838	0	205	0	167	0
Ordinary ECs as at 31.12	9 886 954	7 841 116	989	784	353	186
Bank's own ECs:						
Own ECs as at 01.01	96 199	19 237	9	2		
Changes	54 521	76 962	-5	7		
Own ECs as at 31.12	41 678	96 199	4	9		

Distributed and proposed dividend

	Total amount (TNOK)
Dividend paid on ECs	
NOK 12.00 per EC in 2010	72 560
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
Proposed dividend	
NOK 12.00 per EC in 2010	94 093
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 1)	79 096

1) Approved at the meeting of the Board of Trustees on 26.03.2014. Included in the accounts as other equity as at 31.12.2013.

Elected representatives of the Bank owning/representing ECs as at 31.12.2013

	Number of ECs
Kjell Bakke	1 229
Ragna Brenne Bjerkeset	500
Bjørn Bjåstad	6 672
Karl Johan Brudevoll	3 504
Nils Petter Drønnen	1 242
Annbjørg Holmen Dyb	560
Harald Jarle Eriksen	161 350
Sverre A. Farstad	138 909
Svein Gjerseth	39
Iren Gullhav	561
Jens Arne Hagen	60
Kristin Sunde Hansen	3 650

	Number of ECs
Gerd Myren Hoel	223
Kjersti Kleven	60
Leif-Arne Langøy	105 500
Berit Larsen	103
Anders Lausund	1 369
Anne Dyb Liaaen	310
Sølvi Lillevold	1 465
Lise Løseth	322
Borghild Møller	38 995
Otto Nygård	621
Roy Reite	1 922
Thor Rusten	5 623

	Number of ECs
Astrid-Grethe Rye	427
Kjell Martin Rønning	8 000
Jane Røsgaard	1 052
Aadne Sandanger	612
Karianne Røsberg Slagnes	503
Finn Moe Stene	912 138
Elisabeth Maråk Støle	860
Turid Håndlykken Sylte	355
Johan Sættem	50 000
Solfrid Teigen	1 411
Berit Ekornes Unhjem	9 444
Kaj B Westre	1 797

20 EVENTS AFTER THE REPORTING PERIOD

No events have occurred after the reporting period that will materially effect the figures presented as of 31 December 2013.

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 2013 to 31 December 2013, 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 2013
5 March 2014

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Henning Sundet

Elisabeth Maråk Støle

Ingvild Vartdal

Turid Håndlykken Sylte

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 Parent Bank and the Group. The financial statements of the Parent Bank and the Group comprise the statement of financial position as at 31 December 2013, the statements of income, statement of 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 Parent 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 Parent Bank and the Group as at 31 December 2013 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 statements 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 statements 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, 5 March 2014
ERNST & YOUNG AS
Einar Hersvik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

ANNUAL REPORT 2013 FROM THE CONTROL COMMITTEE

During 2013, 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 Norwegian FSA (Finanstilsynet), 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 2013 accounting year to be approved.

Ålesund, 6 March 2014

Control Committee of Sparebanken Møre

Grete Opshaug
CHAIRMAN

Jon Olav Slettebakk

Karl Johan Brudevoll

Kjell Martin Rønning

Elected bodies

Board of Trustees

Tormod Hvattum, Chairman	Åheim
Kjersti Kleven, Deputy Chairman	Ulsteinvik

Elected by the depositors

Bjørn Bjåstad	Hareid
Kaj Bang Westre	Ålesund
Svein Gjerseth	Vatne
Jens Arne Hagen	Stranda
Gerd Myren Hoel	Valldal
Kari Hjelme	Åndalsnes
Tormod Hvattum	Åheim
Jørn Tunheim Kippersund	Volda
Merete Mikkelsen	Aukra
Trond Seth	Brattvåg
Grethe Opshaug	Ålesund
Ingrid Muriaas-Iversen	Ålesund
Tove Halse Digernes	Ørsta

Elected by the Møre og Romsdal County Council

Bjørg Riksfjord	Ålesund
Anne Dyb Liaaen	Ålesund
Kirsti Dale	Ålesund
Ole Bjørn Sandøy	Bergen
Hege Gagnat	Molde
Ina Giske	Giske
Randi Walderhaug Frisvoll	Vatne
Dag Vaagen	Gursken
Bjarne Kvalsvik	Nerlandsøy
Frank Sve	Stranda
Anja Gabrielsen	Oslo
Jan Magne Dahle	Ørsta
Petter Bjørdal	Ørsta

Elected by the EC holders

Harald J Eriksen	Oslo
Inger-Lise Larsen	Tårnåsen
Kristin Sunde Hansen	Ålesund
Lars Martin Lunde	Oslo
Kjersti Kleven	Ulsteinvik
Sverre A. Farstad	Ålesund
Borghild Møller	Ålesund
Thor Rusten	Fiskå
Kjell Martin Rønning	Valldal
Finn Moe Stene	Tingvoll
Johan Sættem	Molde
Solfrid Teigen	Volda
Berit Ekornes Unhjem	Ikornnes

Elected by the employees

Kjell Bakke	Ålesund
Nils Petter Drønnen	Ålesund
Iren Gullhav	Ålesund
Otto Nygård	Molde
Annbjørg Holmen Dyb	Giske
Berit Larsen	Ålesund
Anders Lausund	Brattvåg
Sølvi Lillevold	Ålesund
Lise Løseth	Sykkylven
Astrid-Grethe Rye	Ålesund
Jane Røsgård	Ålesund
Aadne Sandanger	Larsnes
Karianne Røsberg Slagnes	Ålesund

The Board of Directors

Leif-Arne Langøy, Chairman	Brattvåg
Roy Reite, Deputy Chairman	Ålesund
Ragna Brenne Bjerkeset	Fræna
Henning Sundet	Ålesund
Ingvild Vartdal	Ålesund
Elisabeth Maråk Støle	Ålesund
Turid Håndlykken Sylte	Molde

Control Committee

Grete Opshaug, Chairman	Ålesund
Jon Olav Slettebakk	Hareid
Karl Johan Brudevoll	Straumgjerde
Kjell Martin Rønning	Valldal

External auditor

EY AS	Ålesund

GROUP 2009 - 2013

HIGHLIGHTS

NOK million	2013	2012	2011	2010	2009
Result					
Net interest income	**1 042**	936	909	862	802
Other operating income	**202**	290	214	304	256
Operating costs	**569**	439	559	528	513
Profit before losses	**675**	787	564	638	545
Losses on loans, guarantees etc.	**54**	47	40	31	82
Pre tax profit	**621**	740	524	607	463
Taxes	**171**	210	145	149	128
Profit after tax	**450**	530	379	458	335
As a percentage of average assets					
Net interest income	**2.00**	1.93	1.96	2.03	1.97
Other operating income	**0.39**	0.60	0.47	0.72	0.63
Operating costs	**1.09**	0.90	1.20	1.24	1.26
Profit before losses	**1.30**	1.63	1.23	1.51	1.34
Losses on loans, guarantees etc.	**0.10**	0.10	0.09	0.07	0.20
Pre tax profit	**1.20**	1.53	1.14	1.44	1.14
Taxes	**0.33**	0.43	0.31	0.35	0.32
Profit after tax	**0.87**	1.10	0.83	1.09	0.82
Statement of financial position					
Cash and claims on Norges Bank	**1 281**	669	814	634	682
Loans to and receivables from credit institutions	**715**	288	564	167	83
Loans to and receivables from customers	**46 122**	43 434	40 305	37 676	35 851
Certificates, bonds and other interest-bearing securities assessed at fair value through profit or loss	**5 073**	5 542	5 226	4 496	3 381
Fixed assets	**268**	301	316	261	242
Other assets	**1 168**	1 398	1 243	1 207	1 052
Total assets	**54 627**	51 632	48 468	44 441	41 391
Loans and deposits from credit institutions	**1 107**	2 519	4 741	4 976	5 662
Deposits from customers	**28 056**	27 081	25 325	24 551	21 793
Debt securities issued	**18 334**	15 608	12 799	9 697	9 086
Other liabilities	**1 141**	1 362	1 375	1 003	953
Subordinated loan capital	**1 498**	1 301	972	961	955
Paid-in equity	**1 338**	961	968	970	835
Retained earnings	**3 153**	2 800	2 449	2 283	2 107
Total liabilities and equity	**54 627**	51 632	48 468	44 441	41 391

QUARTERLY PROFIT

NOK million	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Quarterly profit					
Net interest income	**281**	267	258	236	238
Other operating income	**56**	52	51	43	80
Pension plan changes	**0**	0	0	0	-166
Operating costs	**127**	143	145	155	159
Profit before losses	**210**	176	164	124	325
Losses on loans, guarantees etc.	**26**	15	6	7	11
Pre tax profit	**184**	161	158	117	314
Taxes	**53**	42	42	33	92
Profit after tax	**131**	119	116	84	222
As a percentage of average assets					
Net interest income	**2.10**	2.04	2.00	1.85	1.90
Other operating income	**0.42**	0.40	0.40	0.34	0.64
Pension plan changes	**0.00**	0.00	0.00	0.00	-1.32
Operating costs	**0.95**	1.09	1.13	1.21	1.26
Profit before losses	**1.57**	1.35	1.27	0.98	2.60
Losses on loans, guarantees etc.	**0.19**	0.11	0.05	0.05	0.09
Pre tax profit	**1.38**	1.24	1.22	0.93	2.51
Taxes	**0.40**	0.33	0.32	0.25	0.72
Profit after tax	**0.98**	0.91	0.90	0.68	1.79

Corporate Governance

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 23 October 2012. The Code of Practice has not been changed for the fiscal year 2013. 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 2012. 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 2013 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: "Close, comitted 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 depositors and to manage the funds controlled by the bank in a prudent manner in accordance with the current statutory rules that apply to savings banks. Sparebanken Møre can provide all the normal banking transactions and services pursuant to the Savings Banks Act and the Financial Institutions 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.

The strategy and goals abide by 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.

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 longterm 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 and risk profile. The Group`s capital situation is continuously monitored throughout the year via internal calculations and reporting.

The dividend policy of Sparebanken Møre 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 Directors in Sparebanken Møre can be granted authorisations by the Board of Trustees to increase capital and/or buy back its own equity certificates (EC). Board authorisations to increase capital are restricted to defined purposes and such authorisations must be limited and not last longer than until the next ordinary meeting of the Board of Trustees.

Deviations from the Code: None

4. EQUAL TREATMENT OF EC HOLDERS AND TRANSACTIONS WITH CLOSE 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 share capital 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 share capital 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 close parties. The rules apply to officers and employees of the Group. "Instructions for the Board of Sparebanken Møre" contains special rules relating to the treatment of cases where board members themselves or their close 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 close parties, the Board shall ensure that a valuation is obtained from an independent third party except in cases that 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.

Sparebanken Møre's Board of Trustees consists of a total of 52 trustees, and 24 deputy trustees. Each of the four groups which the Board of Trustees consists of, is equally represented: depositors, the public sector, EC holders and employees.

Notices about meetings of the Board of Trustees shall be sent to the members with at least 21 days' notice. The notice will also be made available on the bank's website and published on the Oslo Stock Exchange. 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 that are sent out should be sufficiently detailed and comprehensive enough to allow members of the Board of Trustees to properly consider the matters that 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 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. The Chairman of the Board of Directors and the CEO is obliged to attend the Board of Trustees.

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 depositor-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.

The Board of Trustees shall elect a nomination committee from among the members of the Board of Trustees. The Nomination Committee shall consist of 8 members and 4 deputy members, and all the groups represented on the Board of Trustees shall be represented. The members shall insofar as it is feasible reflect the geographical distribution within the municipalities in which the savings bank works. Members are elected in terms of 2 years.

The nomination committee for electing depositor-elected members of the Board of Trustees shall be composed of depositor-elected members of the Board of Trustees. This committee shall consist of 6 members and 6 deputy members.

The nomination committee for electing EC holder-elected members of 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.

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 reelected. 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 achive 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 are 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 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 at least 6 percentage points above the long-term yield on government bonds, 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.

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

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 in the Group must ensure they possess 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 the law 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 report 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 in 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 and Compensation Committee.

Normally the board members do not have assignments for Sparebanken Møre beyond their board work. In cases where companies such as 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. Such an extra payment is given based on an overall assessment of the employee's achievement of several aspects, such as for example the achievement of personal goals, the degree of overall achievement of all targets set in individual balanced scorecard, and any other achievements throughout the year that were not already embodied in the signed employee agreement.

Bonus is being paid in the form of allocation of a number of Equity Certificates from Sparebanken Møre`s holdings of own Equity Certificates corresponding to market value on the settlement date, plus a cash amount. Minimum 50 per cent of the bonus will be in the form of Equity Certificates. The Equity Certificates must be kept by the employee for a minimum of one year before any sale.

According to regulations, Sparebanken Møre has defined a group of senior executives. These are employees with ties to the Group's management teams. Furthermore, employees who have a significant impact on the Group's risk exposure have been identified, as well as persons responsible for supervisory tasks and employee representatives. Bonuses and one-time payments to this group of persons must be in accordance with special rules set forth in the regulations. This means that the allocated Equity Certificates must be kept for a minimum of three years before sale, or disposal of up to

1/3 per year. In the case of material adverse development in subsequent years, the bank can withdraw all or part of the bonus ("claw-back").

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.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

Guidelines for the reporting of financial and other information is 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 share 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 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 has established guidelines for management's use of the auditor for non-audit services.

Deviations from the Code: None

A committed bank in Møre og Romsdal

HEAD OFFICE
Keiser Wilhelmsgt. 29-33
P.O. Box 121
NO-6001 Ålesund
Telephone +47 70 11 30 00
Telex 42 193 spare n
Reuters Dealing: MORE
Telefax: +47 70 12 26 70
sbm.no

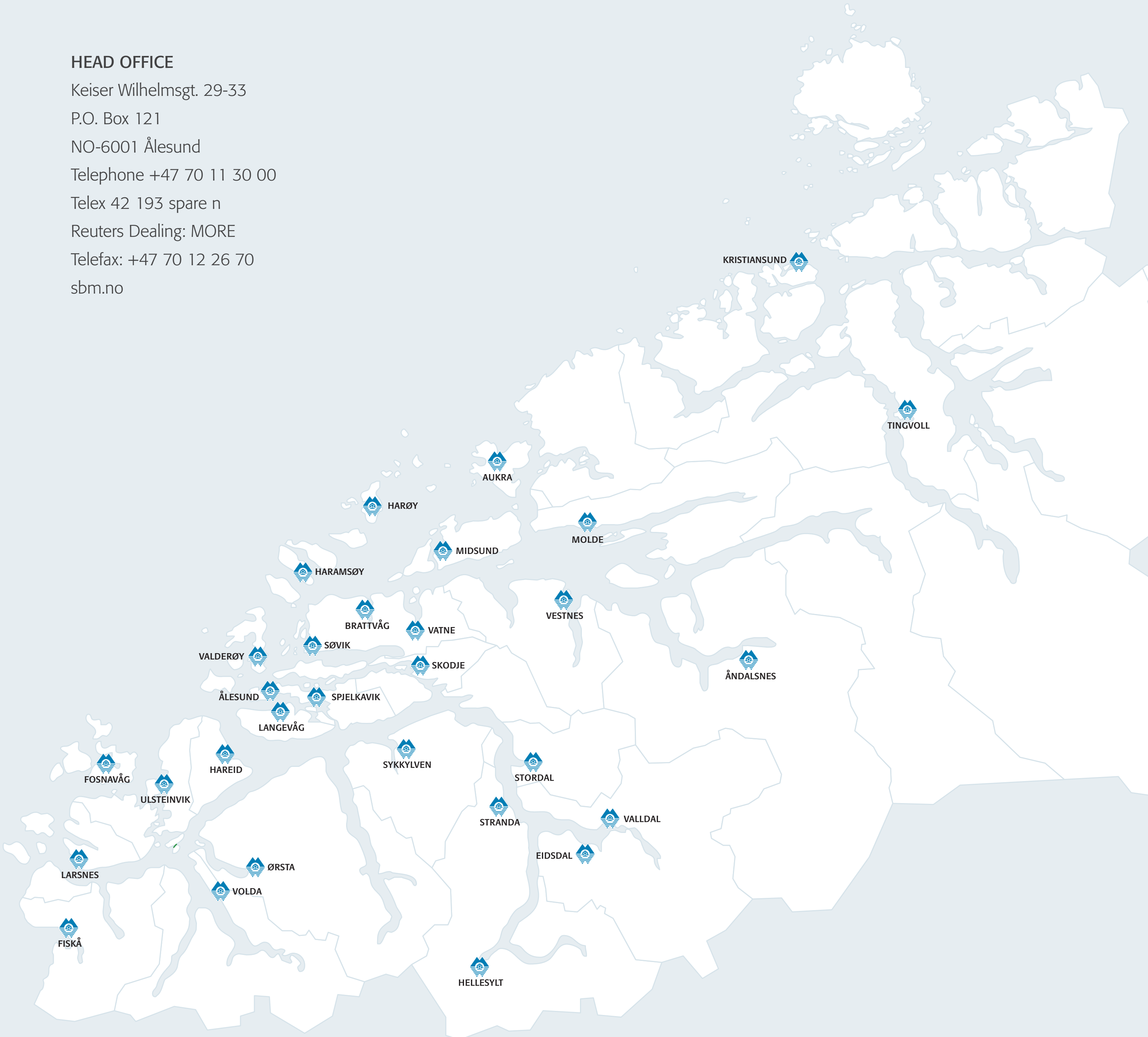


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Photo: TONY HALL

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