

UNAUDITED INTERIM REPORT

1 QUARTER

2017



SPAREBANKEN MØRE

Financial highlights - Group

Income statement

	Q1 2017		Q1 2016		2016	
	NOK million	%	NOK million	%	NOK million	%
Net interest income	261	1.69	270	1.80	1 082	1.79
Net commission and other operating income	42	0.27	42	0.28	182	0.30
Net return from financial investments	24	0.16	14	0.09	99	0.16
Total income	327	2.12	326	2.17	1 363	2.25
Total operating costs	150	0.97	148	0.99	586	0.97
Profit before impairment on loans	177	1.15	178	1.18	777	1.28
Impairment on loans, guarantees etc.	2	0.01	-2	-0.01	22	0.04
Pre tax profit	175	1.14	180	1.19	755	1.24
Tax	44	0.28	46	0.30	181	0.30
Profit after tax	131	0.86	134	0.89	574	0.94

Statement of financial position

NOK million	31.03.2017	% change in Q1 2017	31.12.2016	% change during last 12 months	31.03.2016
Total assets	63 124	2.5	61 593	5.1	60 088
Average assets	61 719	2.0	60 525	3.0	59 925
Loans to and receivables from customers	53 993	2.5	52 691	5.0	51 440
Gross loans to retail customers	37 850	1.9	37 133	8.0	35 049
Gross loans to corporate and public entities	16 311	3.7	15 734	-0.7	16 439
Deposits from customers	32 656	0.3	32 562	9.8	29 738
Deposits from retail customers	18 923	1.3	18 675	6.7	17 742
Deposits from corporate and public entities	13 668	-1.5	13 877	14.5	11 937

Key figures

	Q1 2017	Q1 2016	2016
Return on equity (annualised)	10.1	11.2	11.6
Costs as a percentage of income	45.9	45.4	43.0
Losses as a percentage of loans 1.1/start of the period	0.01	-0.02	0.04
Problem loans as a percentage of loans (prior to impairment)	0.32	0.41	1.16
Problem loans as a percentage of loans (after impairment)	0.22	0.27	1.01
Deposits to lending ratio as a percentage	60.5	57.8	61.8
Liquidity Coverage Ratio (LCR)	99	93	91
Lending growth as a percentage	5.0	2.0	2.7
Deposit growth as a percentage	9.8	4.4	10.8
Capital adequacy ratio 1) 2)	18.6	18.2	18.6
Core capital as a percentage 1) 2)	17.1	16.6	17.0
Core tier 1 capital as a percentage 1) 2)	14.9	14.2	14.6
Leverage Ratio (LR)	8.6	8.0	8.5
Man-years	371	388	378

Equity Certificates (ECs)

	31.03.2017	31.03.2016	2016	2015	2014	2013
Profit per EC (Group) (NOK)	6.55	6.80	28.80	25.25	31.20	21.65
Profit per EC (Parent Bank) (NOK)	12.60	13.60	29.85	25.70	29.10	18.45
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	49.6	47.7
Number of ECs issued (NOK million)	988.70	988.70	988.70	988.70	988.70	988.70
Price at Oslo Stock Exchange (NOK)	237	188	254	188	216	198
Stock market value (NOK million)	2 343	1 859	2 511	1 859	2 136	1 958
Book value per EC (Group) (NOK)	263	249	271	253	242	223
Dividend per EC (NOK)	0.00	11.50	14.00	11.50	13.50	8.00
Price/Earnings (Group, annualised)	9.1	6.9	8.8	7.3	7.4	10.7
Price/Book value (P/B) (Group) 3)	0.90	0.76	0.94	0.74	0.89	0.89

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

2) Incl. 50 per cent of profit after tax

3) Incl. 100 per cent of profit after tax

Interim report from the Board of Directors

All figures relate to the Group. Figures in brackets refer to the corresponding period last year. The levy for the Norwegian Banks Guarantee Fund for 2017 is distributed through 2017. The figures for the first quarter of 2016 have been made comparable.

Financial statements are prepared in accordance with IFRS and the interim report has been prepared in conformity with IAS 34 Interim Financial Reporting.

RESULTS FOR Q1 2017

The profit after tax for the first quarter of 2017 amounted to NOK 131 million, or 0.86% of average total assets, compared to NOK 134 million, or 0.89%, for the corresponding quarter last year. The return on equity in the first quarter of 2017 was 10.1%, compared to 11.2% for the first quarter of 2016.

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

The earnings per equity certificate amounted to NOK 6.55 (NOK 6.80) for the Group and NOK 12.60 (NOK 13.60) for the Parent Bank.

The Board of Directors is satisfied with Sparebanken Møre's results for the first quarter of 2017.

Net interest income

The net interest income of NOK 261 million was NOK 9 million lower than in the corresponding quarter of last year. This represents 1.69% of total assets, which is 0.11 percentage points lower than in the first quarter of 2016.

The generally low level of interest rates in the market, combined with strong competition for both lending and deposits, is affecting the development of net interest income. Lower volumes together with reduced margins due to the reduced risk in the maritime sector have also resulted in lower net interest income compared with last year.

Other operating income

Other operating income amounted to NOK 66 million, which is NOK 10 million higher than in the first quarter of last year. Other operating income amounted to 0.43% of average total assets, 0.06 percentage points higher than in the corresponding period in 2016. The change in the value of the bond portfolio shows capital gains of NOK 16 million compared with NOK 1 million at the same time last year.

Costs

Operating costs in the quarter amounted to NOK 150 million, which is NOK 2 million higher than in the first quarter of last year. Personnel costs rose by NOK 3 million compared with the corresponding period last year and amounted to NOK 85 million. The increase was due to a tax rise for the financial industry in the form of higher employers' National Insurance contributions. The Group's total workforce has been reduced by 17 full time equivalents in the last 12 months to 371 full time equivalents. Other operating costs were NOK 1 million lower than in the same period last year.

The cost income ratio for the first quarter of 2017 was 45.9%, which represents an increase of 0.5 percentage points compared with the first quarter last year.

Problem loans

Losses of NOK 2 million on lending and guarantees were recognised in the quarter. Annualised this amounts to 0.01% of average total assets. Corresponding figures for the first quarter of 2016 was a reversal of NOK 2 million (-0.01%). Collective impairments remained unchanged in the first quarter. Reversals of NOK 1 million were recognised in the retail segment, while losses of NOK 3 million were recognised in the corporate segment.

At the end of the first quarter of 2017, total impairments for losses amounted to NOK 335 million, equivalent to 0.62% of gross lending (NOK 334 million and 0.65% of gross lending). NOK 5 million of the individual impairments involved commitments in default for more than 90 days (NOK 11 million), which represents 0.01% of gross lending (0.04%). NOK 49 million relates to other

commitments (NOK 61 million), which is equivalent to 0.09% of gross lending (0.12%). Collective impairments amounted to NOK 281 million (NOK 262 million) or 0.52% of gross lending (0.51%).

Net problem loans (loans that have been in default for more than 90 days and loans that are not in default but which have been subject to an individual impairment for losses) have decreased by NOK 20 million in the last 12 months. At the end of the first quarter of 2017, the corporate market accounted for NOK 52 million of net problem loans and the retail market NOK 69 million. In total, net problem loans represent 0.22% of gross lending (0.27%).

Lending and deposit growth

At the end of the first quarter of 2017, lending to customers amounted to NOK 53,993 million (NOK 51,440 million). Customer lending has increased by NOK 2,553 million, or 5.0%, over the last 12 months. Retail lending has increased by 8.0%, while corporate lending has decreased by 0.7% in the last 12 months. Retail lending accounted for 70.0% of lending at the end of the first quarter of 2017 (67.7%).

Customer deposits have increased by 9.8% in the last 12 months. At the end of the first quarter of 2017, deposits amounted to NOK 32,656 million (NOK 29,738 million). Retail deposits have increased by 6.7% in the last 12 months, while corporate deposits have increased by 14.2%, and public sector deposits have increased by 18.6%. The retail market's relative share of deposits amounted to 58.0% (59.7%), while deposits from corporate customers accounted for 38.8% (37.3%) and from public sector customers 3.2% (3.0%).

Deposits as a percentage of loans amounted to 60.5% at the end of the first quarter of 2017 (57.8%).

CAPITAL ADEQUACY

The Group's capital adequacy ratio at the end of the first quarter of 2017 exceeded the regulatory capital requirements and the internally set minimum target for the Core Tier 1 capital ratio. The Capital ratio, including 50% of retained earnings in the year-to-date, amounts to 18.6% (18.2%), the core capital ratio amounts to 17.1% (16.6%) and the Core Tier 1 capital ratio amounts to 14.9% (14.2%).

Sparebanken Møre has a capital requirement of NOK 152 million associated with the transitional scheme for the Basel I floor at the end of the first quarter of 2017.

SUBSIDIARIES

The aggregate profit of the Bank's three subsidiaries amounted to NOK 31 million after tax in the first quarter of 2017 (NOK 41 million).

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The mortgage company's main purpose is to issue covered bonds for sale to Norwegian and international investors. At the end of the first quarter, the company had net outstanding bonds of NOK 16.1 billion in the market. The company contributed NOK 32 million to the result in the first quarter of 2017 (NOK 42 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both private and business customers. The company has so far experienced a loss of NOK 1 million in 2017 (NOK -1 million). At the end of the quarter, the company employed 14 full time equivalents.

Sparebankeiendom AS's purpose is to own and manage the Bank's business properties. The company has made no contribution to the overall result to date in 2017 (NOK 0 million). The company has no employees.

EQUITY CERTIFICATES

At the end of the first quarter of 2017, there were 5,709 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6% of the Bank's total equity. Note 10 contains an overview of the 20 largest holders of the Bank's equity certificates.

As at 31 March 2017, the Bank owned 50,851 of its own equity certificates. These were purchased on the Oslo Stock Exchange at market price.

FUTURE PROSPECTS

In line with the general development of the Norwegian economy, Møre og Romsdal's economic outlook appears to have improved during the spring. Large parts of the local corporate sector are seeing increases in activity. The most important reasons for this are the weak Norwegian krone, low level of interest rates and an expansionary fiscal policy. These factors are also contributing to the sentiment indicators for Norwegian households being at their highest levels for many years.

The rise in oil prices in the last year has also helped to reduce uncertainty for oil-related industries. The situation in this industry will, however, remain challenging in 2017. As a consequence of this, there is a risk that unemployment in the county will rise slightly in the next few months.

In March, registered unemployment in Møre og Romsdal amounted to 3.2% of the labour force, according to the Norwegian Labour and Welfare Administration (NAV). The unemployment rate for the country as a whole was 2.9%.

Sparebanken Møre's losses are expected to remain low also in 2017.

Credit growth in Norway slowed slightly in 2016, but the pace has picked up again a bit this year, both for households and for the corporate sector. The growth in total deposits has also been rising in the country seen as a whole.

We continue to experience strong competition in the market, both for lending and deposits, but the Bank is competitive and is recording good and rising lending growth in both the retail market and the corporate market. We experience good growth in deposits. It is anticipated that the growth in lending within the retail market will tail off to some extent during the year, while the pace of growth in the corporate market will increase. There is a constant focus on generating growth through good commitments with an acceptable level of risk.

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

Sparebanken Møre is targeting cost-effective operations with a cost income ratio target of less than 45% in 2017. This has resulted in a satisfactory level of costs.

Overall, good results are expected in 2017, with a return on equity reaching the target of 10%.

Ålesund, 31 March 2017

26 April 2017

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chairman

ROY REITE, Deputy Chairman

RAGNA BRENNE BJERKESET

HENRIK GRUNG

ELISABETH MARÅK STØLE

ANN MAGRITT BJÅSTAD VIKBAKK

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

Statement of income - Group

STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q1 2017	Q1 2016	2016
Interest income		438	451	1 783
Interest costs		177	181	701
Net interest income	<u>9</u>	261	270	1 082
Commission income and revenues from banking services		44	44	189
Commission costs and expenditure from banking services		7	7	27
Other operating income		5	5	20
Net commission and other operating income		42	42	182
Dividends		1	0	2
Net gains/losses from financial instruments	<u>5</u>	23	14	97
Net return from financial instruments		24	14	99
Total income		327	326	1 363
Wages, salaries etc.		85	82	335
Administration costs		35	34	124
Depreciation and impairment		8	8	32
Other operating costs		22	24	95
Total operating costs		150	148	586
Profit before impairment on loans		177	178	777
Impairment on loans, guarantees etc.	<u>3</u>	2	-2	22
Pre tax profit		175	180	755
Taxes		44	46	181
Profit after tax		131	134	574
Profit per EC (NOK)		6.55	6.80	28.80
Diluted earnings per EC (NOK)		6.55	6.80	28.80
Distributed dividend per EC (NOK)		0.00	11.50	11.50

STATEMENT OF COMPREHENSIVE INCOME - GROUP

Amounts in NOK million	Q1 2017	Q1 2016	2016
Profit after tax	131	134	574
Other income/costs reversed in ordinary profit:			
Equities available for sale - changes in value	0	-1	-31
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-8
Tax effect of pension estimate deviations	0	0	2
Total comprehensive income after tax	131	133	537

Statement of financial position - Group

STATEMENT OF FINANCIAL POSITION - GROUP

Assets

Amounts in NOK million	Note	31.03.2017	31.03.2016	31.12.2016
Cash and claims on Norges Bank	5 6 9	582	424	300
Loans to and receivables from credit institutions	5 6 9	578	1 024	649
Loans to and receivables from customers	2 3 4 5 7 9	53 993	51 440	52 691
Certificates, bonds and other interest-bearing securities	5 7 9	6 212	5 187	6 199
Financial derivatives	5 7	1 104	1 351	1 224
Shares and other securities	5 7	154	167	133
Deferred tax benefit		43	50	42
Intangible assets		45	49	47
Fixed assets		235	239	230
Other assets		178	157	78
Total assets		63 124	60 088	61 593

Liabilities and equity

Amounts in NOK million	Note	31.03.2017	31.03.2016	31.12.2016
Loans and deposits from credit institutions	5 6 9	1 292	1 201	658
Deposits from customers	2 5 7 9	32 656	29 738	32 562
Debt securities issued	5 6	21 207	21 473	20 363
Financial derivatives	5 7	531	654	580
Other liabilities		734	563	558
Incurred costs and prepaid income		51	72	73
Other provisions for incurred liabilities and costs		40	35	40
Perpetual Hybrid Tier 1 capital	5 6	823	834	816
Subordinated loan capital	5 6	502	501	502
Total liabilities		57 836	55 071	56 152
EC capital	10	989	989	989
ECs owned by the Bank		-5	-12	-3
Share premium		354	354	354
Paid-in equity		1 338	1 331	1 340
Primary capital fund		2 344	2 183	2 346
Gift fund		125	125	125
Dividend equalisation fund		1 091	935	1 092
Value adjustment fund		51	82	51
Other equity		208	228	487
Total comprehensive income after tax		131	133	0
Retained earnings		3 950	3 686	4 101
Total equity		5 288	5 017	5 441
Total liabilities and equity		63 124	60 088	61 593

Statement of changes in equity - Group

GROUP 31.03.2017	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2016	5 441	986	354	2 346	125	1 092	51	487
Changes in own equity certificates	-5	-2		-2		-1		
Distributed dividend to the EC holders	-138							-138
Distributed dividend to the local community	-141							-141
Total profit for the period	131							131
Equity as at 31 March 2017	5 288	984	354	2 344	125	1 091	51	339

GROUP 31.03.2016	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2015	5 112	976	354	2 183	125	935	82	457
Changes in own equity certificates	1	1						
Distributed dividend to the EC holders	-114							-114
Distributed dividend to the local community	-115							-115
Total profit for the period	133							133
Equity as at 31 March 2016	5 017	977	354	2 183	125	935	82	361

GROUP 31.12.2016	Total equity	EC capital	Share premium	Primary capital fund	Gift fund	Dividend equalisation fund	Value adjustment fund	Other equity
Equity as at 31 December 2015	5 112	976	354	2 183	125	935	82	457
Changes in own equity certificates	21	10		7		4		
Distributed dividend to the EC holders	-114							-114
Distributed dividend to the local community	-115							-115
Equity before allocation of profit for the year	4 904	986	354	2 190	125	939	82	229
Allocated to the primary capital fund	159			159				
Allocated to the dividend equalisation fund	156					156		
Allocated to other equity	-21							-21
Proposed dividend allocated for the EC holders	138							138
Proposed dividend allocated for the local community	141							141
Distributed profit for the year	574	0	0	159	0	156	0	259
Equities available for sale - changes in value	-31						-31	
Pension estimate deviations	-8			-4		-4		
Tax effect of pension estimate deviations	2			1		1		
Total other income and costs from comprehensive income	-37	0	0	-3	0	-3	-31	0
Total profit for the period	537	0	0	156	0	153	-31	259
Equity as at 31 December 2016	5 441	986	354	2 346	125	1 092	51	487

Statement of cash flow - Group

Amounts in NOK million	31.03.2017	31.03.2016	31.12.2016
Cash flow from operating activities			
Interest, commission and fees received	437	472	1 880
Interest, commission and fees paid	-99	-99	-344
Dividend and group contribution received	1	0	2
Operating expenses paid	-119	-126	-465
Income taxes paid	-101	-103	-214
Changes relating to loans to and claims on other financial institutions	70	181	556
Changes relating to repayment of loans/leasing to customers	-1 004	-165	-1 845
Changes in utilised credit facilities	-283	18	420
Net change in deposits from customers	94	350	3 173
Net cash flow from operating activities	-1 004	528	3 163
Cash flow from investing activities			
Interest received on certificates, bonds and other securities	28	25	110
Proceeds from the sale of certificates, bonds and other securities	911	194	3 860
Purchases of certificates, bonds and other securities	-912	-643	-5 380
Proceeds from the sale of fixed assets etc.	0	17	17
Purchase of fixed assets etc.	-11	-5	-20
Changes in other assets	2	-198	92
Net cash flow from investing activities	18	-610	-1 321
Cash flow from financing activities			
Interest paid on debt securities	-97	-105	-404
Net change in deposits from Norges Bank and other financial institutions	634	143	-400
Proceeds from bond issues raised	713	0	1 527
Redemption of debt securities	123	-498	-2 947
Dividend paid	0	-114	-114
Changes in other debt	-105	26	-258
Net cash flow from financing activities	1 268	-548	-2 596
Net change in cash and cash equivalents	282	-630	-754
Cash balance at 01.01	300	1 054	1 054
Cash balance at 31.03/31.12	582	424	300

Note 1

ACCOUNTING PRINCIPLES

General

The Group`s interim accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), implemented by the EU as at 31 March 2017. The interim report has been prepared in compliance with IAS 34 Interim Reporting.

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

The interim report is prepared in accordance with accounting principles and methods applied in the 2016 financial statements. There have been no changes or new standards coming into force in so far in 2017.

Please see the Annual report 2016 for further description of accounting principles.

Note 2

LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	31.03.2017	31.03.2016	31.12.2016
Broken down according to sectors			
Agriculture and forestry	398	365	390
Fisheries	2 555	2 921	2 281
Manufacturing	2 587	1 836	2 327
Building and construction	568	609	562
Wholesale and retail trade, hotels	546	566	525
Supply/Offshore	980	1 127	1 103
Property management	5 750	6 006	5 804
Professional/financial services	848	843	881
Transport and private/public services	1 956	2 020	1 744
Public entities	9	20	4
Activities abroad	114	126	113
Total corporate/public entities	16 311	16 439	15 734
Retail customers	37 850	35 049	37 133
Fair value adjustment of loans	79	192	86
Accrued interest income	88	94	98
Total loans	54 328	51 774	53 051
Individual impairment	-54	-72	-79
Collective impairment	-281	-262	-281
Loans to and receivables from customers	53 993	51 440	52 691
Loans with floating interest rate (amortised cost)	49 790	46 645	48 307
Loans with fixed interest rate (fair value)	4 538	5 129	4 744

GROUP	Deposits		
Broken down according to sectors	31.03.2017	31.03.2016	31.12.2016
Agriculture and forestry	179	211	196
Fisheries	1 112	683	851
Manufacturing	1 913	985	2 080
Building and construction	529	477	583
Wholesale and retail trade, hotels	710	638	799
Supply/Offshore	326	651	256
Property management	2 144	1 324	1 230
Professional/financial services	2 157	1 880	2 316
Transport and private/public services	1 550	2 340	2 489
Public entities	999	842	1 084
Activities abroad	5	6	10
Miscellaneous	2 044	1 900	1 983
Total corporate/public entities	13 668	11 937	13 877
Retail customers	18 923	17 742	18 675
Fair value adjustment of deposits	1	1	0
Accrued interest costs	64	58	10
Total deposits	32 656	29 738	32 562
Deposits with floating interest rate (amortised cost)	31 340	29 071	31 308
Deposits with fixed interest rate (fair value)	1 316	667	1 254

Note 3

LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

	Q1 2017	Q1 2016	31.12.2016
Changes in individual impairment of loans and guarantees during the period	-25	-7	1
Changes in collective impairment during the period	0	0	19
Confirmed losses during the period where individual impairment had previously been made	21	6	8
Confirmed losses during the period where individual impairment had previously not been made	8	1	5
Recoveries	2	2	11
Losses on loans, guarantees etc.	2	-2	22

Individual impairment on loans

	Q1 2017	Q1 2016	31.12.2016
Individual impairment on loans as at 01.01	79	79	79
Confirmed losses during the period, where individual impairment had previously been made	21	6	8
Increase in individual impairment during the period	1	0	7
Individual impairment of new commitments during the period	1	3	26
Recoveries on individual impairment during the period	6	4	25
Individual impairment on loans at the end of the period	54	72	79

Collective impairment on loans

	Q1 2017	Q1 2016	31.12.2016
Collective impairment of loans as at 01.01	281	262	262
Changes during the period	0	0	19
Collective impairment on loans at the end of the period	281	262	281

Individual impairment on guarantees

	Q1 2017	Q1 2016	31.12.2016
Individual impairment as at 01.01	0	0	0
Individual impairment during the period	0	0	0
Recoveries on individual impairment during the period	0	0	0
Individual impairment at the end of the period	0	0	0

Note 4

DEFAULTED AND DOUBTFUL COMMITMENTS

Problem loans

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

	31.03.2017			31.03.2016			31.12.2016		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:									
Commitments in default above 3 months	71	54	17	56	31	25	65	45	20
Other bad and doubtful commitments subject to impairment	104	27	77	157	27	130	546	24	522
Total problem loans prior to individual impairment	175	81	94	213	58	155	611	69	542
Individual impairment on:									
Commitments in default above 3 months	5	3	2	11	3	8	15	3	12
Other bad and doubtful commitments subject to impairment	49	9	40	61	10	51	64	10	54
Total individual impairment	54	12	42	72	13	59	79	13	66
Problem loans after individual impairment:									
Commitments in default above 3 months	66	51	15	45	28	17	50	42	8
Other bad and doubtful commitments subject to impairment	55	18	37	96	17	79	482	14	468
Total problem loans less individual impairment	121	69	52	141	45	96	532	56	476
Total problem loans prior to individual impairment as a percentage of total loans	0.32	0.21	0.58	0.41	0.17	0.94	1.16	0.19	3.45
Total problem loans less individual impairment as a percentage of total loans	0.22	0.18	0.32	0.27	0.13	0.58	1.01	0.15	3.03

Note 5

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

CLASSIFICATION

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

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

Financial assets and derivatives held for trading

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

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

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

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

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

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

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

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

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

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

Loans and receivables

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

Financial liabilities assessed at amortised cost

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

LEVELS IN THE VALUATION HIERARCHY

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

Level 1 – Valuation based on prices in an active market

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

Level 2 – Valuation based on observable market data

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

Level 3 – Valuation based on other than observable market data

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

GROUP - 31.03.2017	Financial instruments at fair value through profit and loss account		Financial instruments assessed at amortised cost	Financial instruments held available for sale
	Trading	At fair value		
Cash and claims on Norges Bank			582	
Loans to and receivables from credit institutions			578	
Loans to and receivables from customers		4 538	49 455	
Certificates and bonds		6 212		
Shares and other securities				154
Financial derivatives	1 104			
Total financial assets	1 104	10 750	50 615	154
Loans and deposits from credit institutions			1 292	
Deposits from and liabilities to customers		1 316	31 340	
Financial derivatives	531			
Debt securities			21 207	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 325	
Total financial liabilities	531	1 316	55 164	-

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

Net gains/losses on financial instruments

	Q1 2017	Q1 2016	31.12.2016
Certificates and bonds	16	1	24
Securities	-1	0	41
Foreign exchange trading (for customers)	9	8	33
Fixed income trading (for customers)	2	1	11
Financial derivatives	-3	4	-12
Net change in value and gains/losses from financial instruments	23	14	97

Note 6

FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	31.03.2017		31.03.2016	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	582	582	424	424
Loans to and receivables from credit institutions	578	578	1 024	1 024
Loans to and receivables from customers	49 455	49 455	46 311	46 311
Total financial assets	50 615	50 615	47 759	47 759
Loans and deposits from credit institutions	1 292	1 292	1 201	1 201
Deposits from and liabilities to customers	31 340	31 340	29 071	29 071
Debt securities	21 263	21 207	21 377	21 473
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 364	1 325	1 358	1 335
Total financial liabilities	55 259	55 164	53 007	53 080

GROUP - 31.03.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank	582			582
Loans to and receivables from credit institutions		578		578
Loans to and receivables from customers			49 455	49 455
Total financial assets	582	578	49 455	50 615
Loans and deposits from credit institutions		1 292		1 292
Deposits from and liabilities to customers			31 340	31 340
Debt securities		21 263		21 263
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 364		1 364
Total financial liabilities	-	23 919	31 340	55 259

GROUP - 31.03.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and claims on Norges Bank	424			424
Loans to and receivables from credit institutions		1 024		1 024
Loans to and receivables from customers			46 311	46 311
Total financial assets	424	1 024	46 311	47 759
Loans and deposits from credit institutions		1 201		1 201
Deposits from and liabilities to customers			29 071	29 071
Debt securities		21 377		21 377
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 358		1 358
Total financial liabilities	-	23 936	29 071	53 007

Note 7

FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 31.03.2017	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 538	4 538
Certificates and bonds	1 805	4 407		6 212
Shares and other securities	26		128	154
Financial derivatives		1 104		1 104
Total financial assets	1 831	5 511	4 666	12 008
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			1 316	1 316
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		531		531
Total financial liabilities	-	531	1 316	1 847

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

GROUP	Loans to and receivables from customers	Shares and other securities	Deposits from and liabilities to customers
Recorded value as at 31.12.16	4 744	128	1 254
Purchases/additions	113	-	213
Sales/reduction	319	2	151
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	-	2	-
Recorded value as at 31.03.17	4 538	128	1 316

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

Note 8

OPERATING SEGMENTS

Result - Q1 2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	261	-1	102	160	0
Other operating income	66	21	21	20	4
Total income	327	20	123	180	4
Operating costs	150	23	29	93	5
Profit before impairment	177	-3	94	87	-1
Impairment on loans, guarantees etc.	2	0	3	-1	0
Pre tax profit	175	-3	91	88	-1
Taxes	44				
Profit after tax	131				

Key figures - 31.03.2017	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	53 993	889	15 990	37 114	0
Deposits from customers 1)	32 656	544	11 910	20 202	0
Guarantee liabilities	1 952	0	1 941	11	0
The deposit-to-loan ratio	60.5	61.2	74.5	54.4	0
Man-years	371	148	55	154	14

Result - Q1 2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage
Net interest income	270	-7	110	167	0
Other operating income	56	13	20	20	3
Total income	326	6	130	187	3
Operating costs	148	23	30	91	4
Profit before impairment	178	-17	100	96	-1
Impairment on loans, guarantees etc.	-2	0	0	-2	0
Pre tax profit	180	-17	100	98	-1
Taxes	46				
Profit after tax	134				

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

1) The subsidiary, Møre Boligkreditt AS, is part of the Bank's Retail segment. The mortgage company's main objective is to issue covered bonds for both national and international investors, and the company is part of Sparebanken Møre's long-term financing strategy. Key figures for Møre Boligkreditt AS are displayed in a separate table.

MØRE BOLIGKREDITT AS		
Statement of income	Q1 2017	Q1 2016
Net interest income	57	60
Other operating income	-5	4
Total income	52	64
Operating costs	10	8
Profit before impairment on loans	42	56
Impairment on loans, guarantees etc.	0	0
Pre tax profit	42	56
Taxes	10	14
Profit after tax	32	42

Statement of financial position	31.03.2017	31.03.2016
Loans to and receivables from customers	18 534	18 023
Total equity	1 535	1 395

Note 9

TRANSACTIONS WITH RELATED PARTIES

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

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

PARENT BANK	31.03.2017	31.03.2016	31.12.2016
Statement of income			
Interest and credit commission income from subsidiaries	11	4	27
Received dividend and group contribution from subsidiaries	156	176	176
Rent paid to Sparebankeiendom AS	4	4	16
Administration fee received from Møre Boligkreditt AS	7	6	26
Statement of financial position			
Claims on subsidiaries	1 213	2 092	1 270
Covered bonds	752	234	2 186
Liabilities to subsidiaries	320	273	284
Accumulated loan portfolio transferred to Møre Boligkreditt AS	18 539	18 027	19 815

Note 10

EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 31.03.2017	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	988 000	9.99
Cape Invest AS	586 559	5.93
Verdipapirfond Pareto Aksje Norge	401 378	4.06
MP Pensjon	386 698	3.91
Wenaasgruppen AS	380 000	3.84
Verdipapirfond Nordea Norge Verdi	336 014	3.40
Pareto AS	305 189	3.09
FLPS - Princ All Sec	221 534	2.24
Beka Holding AS	150 100	1.52
Wenaas Kapital AS	127 500	1.29
Verdipapirfondet Eika egenkapital	127 012	1.28
Lapas AS (Leif-Arne Langøy)	105 500	1.07
Bergen Kommunale Pensjonskasse	100 000	1.01
Fondsfinans Norge	97 000	0.98
Verdipapirfondet Landkreditt Utbytte	90 000	0.91
PIBCO AS	75 000	0.76
Odd Slyngstad	65 215	0.66
Forsvarets personell pensjonskasse	63 660	0.64
Stiftelsen Kjell Holm	60 686	0.61
Malme AS	55 000	0.56
Total 20 largest	4 722 045	47.76
Total	9 886 954	100.00

Note 11

CAPITAL ADEQUACY

	31.03.2017	31.03.2016	31.12.2016
Core Capital			
EC capital	989	989	989
- ECs owned by the Bank	-5	-12	-3
Share premium	354	354	354
Dividend equalisation fund	1 091	935	1 092
Gift fund	125	125	125
Primary capital fund	2 344	2 183	2 346
Value adjustment fund	51	82	51
Proposed dividend for the EC holders	0	0	138
Proposed dividend for the local community	0	0	141
Other equity	208	228	208
Accumulated profit for the period	131	133	0
Total equity	5 288	5 017	5 441
Goodwill and intangible assets	-45	-47	-47
Value adjustments of financial instruments at fair value	-14	-14	-14
Value adjustment fund	-51	-82	-51
Perpetual Hybrid Tier 1 capital	760	808	800
Expected losses exceeding actual losses, IRB portfolios	-71	-152	-219
Proposed dividend for the EC holders	0	0	-138
Proposed dividend for the local community	0	0	-141
Accumulated profit for the period	-131	-133	0
Total core capital	5 736	5 397	5 630
Common equity Tier 1 Capital	4 976	4 589	4 830
Supplementary capital			
Subordinated loan capital of limited duration	502	501	502
36 % addition for net unrealised gains on shares available for sale	0	0	0
50 % deduction for equity in other financial institutions	0	0	0
Total supplementary capital	502	501	502
Net equity and subordinated loan capital	6 238	5 898	6 132

Capital requirement by exposure classes

Exposure classes SA - credit risk	31.03.2017	31.03.2016	31.12.2016
Central governments or central banks	0	0	0
Regional governments or local authorities	13	7	14
Public sector companies	18	19	17
Institutions (banks etc)	44	54	46
Companies (corporate customers)	0	4	0
Mass marked (retail banking customers)	0	0	0
Secured by mortgage on immovable property	0	0	0
Exposures in default	0	0	0
Covered bonds	21	17	20
Equity	8	8	8
Other items	116	123	121
Total capital requirements - credit risk, The Standardised Approach	220	232	226

Exposure classes IRB - credit risk	31.03.2017	31.03.2016	31.12.2016
Retail - Secured by real estate	630	560	602
Retail - Other	50	46	46
SME	679	731	629
Specialised lending	456	508	415
Other corporate lending	296	285	465
IRB-F capital requirements	2 111	2 130	2 157
Total capital requirements - credit risk	2 331	2 362	2 383

Exposure classes SA - market risk	31.03.2017	31.03.2016	31.12.2016
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	28	44	29
Total capital requirements - market risk	28	44	29

Operational Risk (Basic Indicator Approach)	200	193	194
Deductions from the capital requirement	0	0	0
Total capital requirement less transitional rules	2 559	2 599	2 606
Additional capital requirements from transitional rules 1)	152	26	35
Total capital requirements	2 711	2 625	2 641
Total risk-weighted assets less transitional rules	31 990	32 810	32 553
Total risk-weighted assets from transitional rules	1 896	0	455
Total risk-weighted assets	33 886	32 810	33 008
Minimum requirement common equity Tier 1 capital (4.5 %)	1 525	1 476	1 483
Buffer Requirement	31.03.2017	31.03.2016	31.12.2016
Capital conservation buffer (2.5 %)	847	820	825
Systemic risk buffer (3.0 %)	1 017	984	990
Countercyclical buffer (1.5%)	508	328	495
Total buffer requirements	2 372	2 132	2 310
Available common equity Tier 1 capital after buffer requirements	1 079	981	1 037
Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules	31.03.2017	31.03.2016	31.12.2016
Capital adequacy ratio	18.4	18.0	18.6
Capital adequacy ratio incl. 50 per cent of the profit for the period	18.6	18.2	
Core capital ratio	16.9	16.5	17.0
Core capital ratio incl. 50 per cent of the profit for the period	17.1	16.6	
Core Tier 1 capital ratio	14.7	14.0	14.6
Core Tier 1 capital ratio incl. 50 per cent of the profit for the period	14.9	14.2	
Leverage Ratio (LR)	31.03.2017	31.03.2016	31.12.2016
Leverage Ratio (LR) incl. 50 per cent of the profit for the period	8.6	8.0	8.5

Statement of income - Parent Bank

STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	Q1 2017	Q1 2016	2016
Interest income	321	334	1 313
Interest costs	116	122	470
Net interest income	205	212	843
Commission income and revenues from banking services	44	44	189
Commission costs and expenditure from banking services	7	7	27
Other operating income	8	7	28
Net commission and other operating income	45	44	190
Dividends	156	176	178
Net gains/losses from financial instruments	29	10	98
Net return from financial instruments	185	186	276
Total income	435	442	1 309
Wages, salaries etc.	81	79	322
Administration costs	39	34	123
Depreciation and impairment	7	6	26
Other operating costs	22	23	93
Total operating costs	149	142	564
Profit before impairment on loans	286	300	745
Impairment on loans, guarantees etc.	2	-2	21
Pre tax profit	284	302	724
Taxes	32	31	129
Profit after tax	252	271	595
Profit per EC (NOK)	12.60	13.60	29.85
Diluted earnings per EC (NOK)	12.60	13.60	29.85
Distributed dividend per EC (NOK)	0.00	11.50	11.50

STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

Amounts in NOK million	Q1 2017	Q1 2016	2016
Profit after tax	252	271	595
Other income/costs reversed in ordinary profit:			
Equities available for sale - changes in value	0	-1	-31
Other income/costs not reversed in ordinary profit:			
Pension estimate deviations	0	0	-8
Tax effect of pension estimate deviations	0	0	2
Total comprehensive income after tax	252	270	558

Statement of financial position - Parent Bank

STATEMENT OF FINANCIAL POSITION - PARENT BANK

Assets

Amounts in NOK million	31.03.2017	31.03.2016	31.12.2016
Cash and claims on Norges Bank	582	424	300
Loans to and receivables from credit institutions	1 662	2 966	1 789
Loans to and receivables from customers	35 589	33 568	33 011
Certificates, bonds and other interest-bearing securities	6 620	5 082	7 863
Financial derivatives	718	806	856
Shares and other securities	154	167	133
Equity stakes in Group companies	1 521	1 371	1 371
Deferred tax benefit	49	60	49
Intangible assets	45	49	47
Fixed assets	42	40	36
Other assets	174	153	77
Total assets	47 156	44 686	45 532

Liabilities and equity

Amounts in NOK million	31.03.2017	31.03.2016	31.12.2016
Loans and deposits from credit institutions	1 601	1 443	929
Deposits from customers	32 666	29 769	32 575
Debt securities issued	5 053	5 942	4 284
Financial derivatives	519	649	576
Other liabilities	698	514	499
Incurred costs and prepaid income	52	73	77
Other provisions for incurred liabilities and costs	40	35	40
Perpetual Hybrid Tier 1 capital	823	834	816
Subordinated loan capital	502	501	502
Total liabilities	41 954	39 760	40 298
EC capital	989	989	989
ECs owned by the Bank	-5	-12	-3
Share premium	355	354	354
Paid-in equity	1 339	1 331	1 340

Primary capital fund	2 343	2 183	2 346
Gift fund	125	125	125
Dividend equalisation fund	1 091	935	1 092
Value adjustment fund	52	82	51
Other equity	0	0	279
Total comprehensive income after tax	252	270	0
Retained earnings	3 863	3 595	3 894
Total equity	5 202	4 926	5 234
Total liabilities and equity	47 156	44 686	45 532

Profit performance - Group

QUARTERLY PROFIT

Amounts in NOK million	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Net interest income	261	273	271	268	270
Other operating income	66	45	74	106	56
Total operating costs	150	143	148	147	148
Profit before impairment on loans	177	175	197	227	178
Impairment on loans, guarantees etc.	2	22	5	-3	-2
Pre tax profit	175	153	192	230	180
Tax	44	40	46	49	46
Profit after tax	131	113	146	181	134

As a percentage of average assets

Net interest income	1.69	1.79	1.77	1.79	1.80
Other operating income	0.43	0.30	0.48	0.70	0.37
Total operating costs	0.97	0.94	0.97	0.98	0.99
Profit before impairment on loans	1.15	1.15	1.28	1.51	1.18
Impairment on loans, guarantees etc.	0.01	0.14	0.03	-0.02	-0.01
Pre tax profit	1.14	1.01	1.25	1.53	1.19
Tax	0.28	0.26	0.30	0.33	0.30
Profit after tax	0.86	0.75	0.95	1.20	0.89