Annual report 2021

Sparebanken Møre

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Content

Words from the CEO

Standing strong as a savings bank

As another year enters the history books, Sparebanken Møre can look back at some eventful chapters in 2021.

It was no surprise that the year was again defined by the Covid-19 pandemic. This global virus outbreak has had lasting ripple effects for private individuals, businesses, nations and the world community.

Meanwhile, another 12 months of the virus have provided us with new knowledge and more experience that makes me very optimistic about the future of both the region and our business model. From a banking perspective, I can confidently state that the role savings banks play in society is stronger than ever.

One direct phone number away

The bank experienced good growth and positive development throughout 2021. We gained a record number of new customers, seeing growth of 4.3 per cent in the retail market and 5.4 per cent in the corporate market. This indicates a good level of activity in our region, at the same time as it confirms that many people are choosing Sparebanken Møre as their bank.

It is something of a paradox that in a time of greater physical distancing, we have in many areas become closer to each other. As a bank we have witnessed a regional unity and spirit of community that has grown bigger and stronger during the period, and which has manifested itself as a genuine wish to protect local communities. More than ever before, customers have told us that they appreciate their regular adviser in the bank being only one direct phone number away. In a period of uncertainty, a strong presence, accessibility and good relationships have contributed to stability and security, both for customers and for us.

Nevertheless, there is no doubt that it has been a challenging period and at the end of 2021 many are still feeling uncertainty due to the Covid-19 pandemic. At the same time, few bankruptcies and low credit-impaired commitment figures bear witness to the solid brands, strong corporate cultures, adaptable employees and future-oriented business leaders in our region. I also feel sure that the bank has been a good supporter and sparring partner for the stakeholders around us – just like a regional savings bank should be.

It is something of a paradox that in a time of greater physical distancing, we have in many areas become closer to each other.

A stronger total offering

Because just being there is not enough. The competition for bank customers is fierce and we must really deliver the goods and add value to be the preferred choice. In 2021, we recruited a lot of new employees, and I am pleased that we continue to attract sharp minds who can contribute to our continuous work of creating good customer experiences. Throughout the year, we have taken several steps to contribute to reach this goal and already we are seeing the results.

We started the year by expanding our service provision within asset management and can now offer bespoke teams to customers who want saving and investment advice. We have also established the Næringsbasen customer centre for businesses and strengthened our focus on real estate brokerage.

Additionally, we launched a series of new digital functions in the online bank and mobile bank that simplify the everyday lives of our customers. Less physical contact due to infection control measures has made the smart use of technology more relevant than ever.

Valuable customer insights

Our development work is closely linked to the customers' needs and, here too, we are seeing the advantage of a close relationship with customers and good knowledge of the region. Developing new functions and services doesn't help much if our customers really need something totally different. Over the course of a year, we receive a lot of constructive feedback that provides useful input on what is important to both private individuals and companies in our region, and how we can further enhance, adjust or reject ideas and solutions.

In addition to an ongoing dialogue, external surveys are also important sources of insight for us. In April, Sparebanken Møre's customer centre was named Norway's best in the banking category, for the third year in a row. A few months later, EPSI found that Sparebanken Møre has the most satisfied corporate customers in its annual survey of customer satisfaction among Norwegian bank customers. We also ended up in the top tier among retail market customers and achieved the highest scores of anyone on questions related to sustainability and corporate social responsibility.

We are both pleased and proud of these results, which confirm that we are a relevant and attractive banking partner for our customers. Similarly, we are grateful for all of the constructive input that may help us improve even further. We never press the pause button on our development work.

Green transition

This attitude is also important for us when it comes to our efforts to contribute to a more sustainable society. Norway's goal is to reduce greenhouse gas emissions by 50-55 per cent by 2030 compared with the level in 1990, and the financial services industry has a key role to play in this work. There is little doubt that this will require considerable effort on the part of all of us and last year we took several steps that may help to accelerate the pace of transition.

Examples of these include launching green mortgages and car loans with favourable terms and conditions, procedures and system support for ESG assessments of corporate loans, the integration of sustainability considerations in strategies and policy documents and, not least, a substantial focus on internal professional development and awareness raising.

We have stated our ambition to be a driving force behind sustainable development in our region, and as a bank we can facilitate the coming together of funds and opportunities. This is a responsibility we take very seriously.

Profits for the region

Our corporate social responsibility is also highly relevant in our work of awarding funds to good causes. Figures from the Norwegian Savings Banks Association show that the country's savings banks and savings bank foundations distributed no less than NOK 2.3 billion to good causes in 2020. This makes the savings bank industry one of Norway's largest private contributors too sports, culture and volunteering.

The savings bank tradition of contributing to the positive development of the society of which one is a part of, stretches far back in time and is due to a share of each bank's capital belonging to its local communities. In Sparebanken Møre, this share amounts to around 50 per cent, which means that half of the bank's distributed profit is paid out to good causes in our local communities. In the last 10 years we have contributed well over NOK 1 billion to measures intended to build up Nordvestlandet.

This has been possible due to healthy banking operations, professional employees and, not least, the fact that many have chosen Sparebanken Møre as their bank. Without customers we could not create results, and without results we would have no profit to share with the local communities.

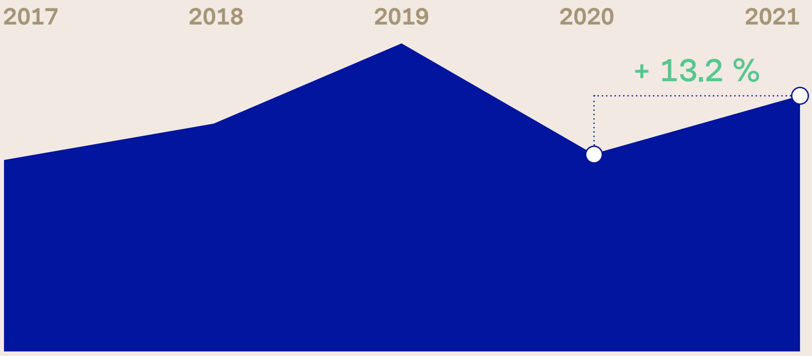
It is a strong, solid bank that is standing on the starting line of 2022 and that is ready to continue its story. Strong regional ties give us an advantage that we must cultivate, while the savings bank model creates opportunities that we intend to seize.

This makes me confident that the next chapters of our story will be filled with good content in the years to come as well.

TROND LARS NYDAL
CEO

Operations

2021 – Highlights



Profit 2021

642

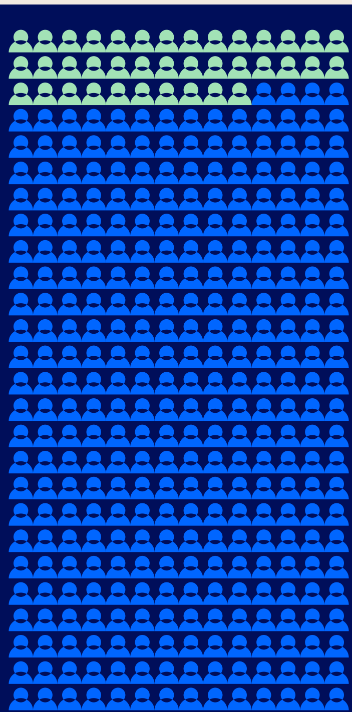
NOK million

Return on equity

9.5 %

CET1 capital ratio

17.2 %



New employees

38

number of man-years

364

Groth in other income areas

- Discretionary Portfolio Management: **16 %**
- Saving in funds/securities: **36 %**
- Insurance: **13 %**
- Real estate brokerage: **9 %**

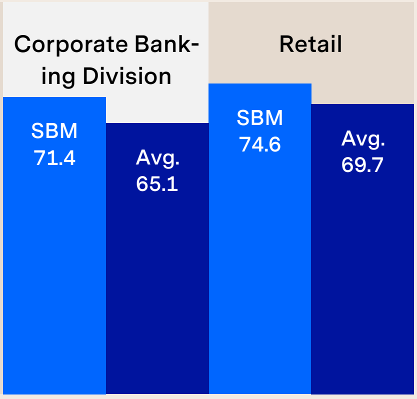
MORG price: NOK 444
Strong price growth

↑ 55.3 %

2021 – Highlights

Customer satisfaction

Norway's most satisfied corporate customers and very satisfied retail customers (EPSI, 2021)



ESG risk rating: Medium

20.6

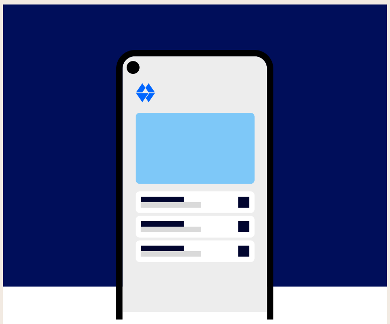
Sustainalytics ESG Risk Rating report

Sparebanken Møre delivered strong results, far above the overall average for the sector and in relation to important individual parameters.

Record numbers of new customers

Growth in lending: **4.6 %**

Growth in deposits: **7.3 %**



Third best mobile bank in Norway

Source: The major mobile bank report 'Under Lupen' (Cicero).

Customer Services – best in test 2021

Norway's best customer service in the category banking for the third year in a row. Customer service award presented by SeeYou.

Income statement

	2021		2020		2019		2018		2017	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	1 266	1.56	1 227	1.57	1 314	1.79	1 179	1.70	1 100	1.72
Net commission and other operating income	218	0.27	206	0.27	219	0.30	207	0.30	194	0.30
Net return from financial investments	43	0.05	74	0.09	74	0.10	41	0.06	48	0.08
Total income	1 527	1.88	1 507	1.93	1 607	2.19	1 427	2.06	1 342	2.10
Total operating costs	645	0.80	624	0.80	646	0.88	607	0.87	590	0.92
Profit before impairment on loans	882	1.08	883	1.13	961	1.31	820	1.19	752	1.18
Impairment on loans. guarantees etc.	49	0.06	149	0.19	50	0.07	16	0.02	13	0.02
Pre-tax profit	833	1.02	734	0.94	911	1.24	804	1.17	739	1.16
Tax	191	0.24	167	0.21	200	0.27	199	0.28	182	0.28
Profit after tax	642	0.78	567	0.73	711	0.97	605	0.89	557	0.88

Statement of financial position

(NOK million)	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Total assets 3)	82 797	79 486	74 875	71 040	66 491
Average assets 3)	80 942	78 450	73 496	69 373	64 000
Loans to and receivables from customers	69 925	66 850	64 029	60 346	56 867
Gross loans to retail customers	47 557	45 592	43 847	41 917	39 817
Gross loans to corporate and public entities	22 697	21 534	20 441	18 616	17 168
Deposits from customers	41 853	39 023	36 803	34 414	32 803
Deposits from retail customers	24 667	23 366	21 685	20 624	19 688
Deposits from corporate and public entities	17 186	15 657	15 118	13 790	13 101
Lending growth as a percentage 3)	4.6	4.4	6.1	6.1	7.9
Deposit growth as a percentage 3)	7.3	6.0	6.9	4.9	0.7

Key figures

	2021	2020	2019	2018	2017
Return on equity 1) 3)	9.5	8.6	11.7	10.6	10.4
Cost income ratio 3)	42.2	41.4	40.2	42.5	44.0
Losses as a percentage of loans as of 1.1. 3)	0.07	0.23	0.08	0.03	0.02
Gross credit-impaired commitments as a percentage of loans/guarantees	1.52	1.53	1.48	0.62	0.57
Net credit-impaired commitments as a percentage of loans/guarantees	1.16	1.22	1.12	0.42	0.40
Deposit-to-loan ratio 3)	59.6	58.1	57.2	57.0	57.7
Liquidity Coverage Ratio (LCR)	122	138	165	158	159
Capital adequacy ratio	20.9	20.8	21.7	19.6	18.4
Tier 1 capital ratio	18.9	18.7	19.5	17.6	16.8
Common Equity Tier 1 capital (CET1)	17.2	17.0	17.7	16.0	15.0
Leverage Ratio (LR)	7.7	7.7	8.1	8.1	8.2
Man-years	364	346	357	361	359
Equity Certificates:					
Profit per EC (Group) (NOK) 2)	31.10	27.10	34.50	29.60	27.70
Profit per EC (parent bank) (NOK) 2)	30.98	26.83	32.00	28.35	27.00
Dividend per EC (NOK)	16.00	13.50	14.00	15.50	14.00
EC-fraction 1.1. as a percentage (parent bank)	49.7	49.6	49.6	49.6	49.6
Price at Oslo Stock Exchange (NOK)	444	296	317	283	262
Book value per EC, in NOK (Group figure, incl. proposed dividend)	350	332	320	303	289
Price/Book value (P/B) (Group) 3)	1.27	0.89	0.99	0.93	0.91

1) Calculated using the share of the profit to be allocated to equity owners.

2) Calculated using the EC-holder's share (49.7 %) of the period's profit to be allocated to equity owners.

3) Defined as Alternative Performance Measure (APM), see attachment to the Annual eport.

Organisation and management

Sparebanken Møre's General Meeting is the bank's supreme body. The General Meeting's main duties involve approving the financial statements, and electing a board of eight members.

The General Meeting has 44 members and 14 deputy members. It is composed of four groups with the following distribution:

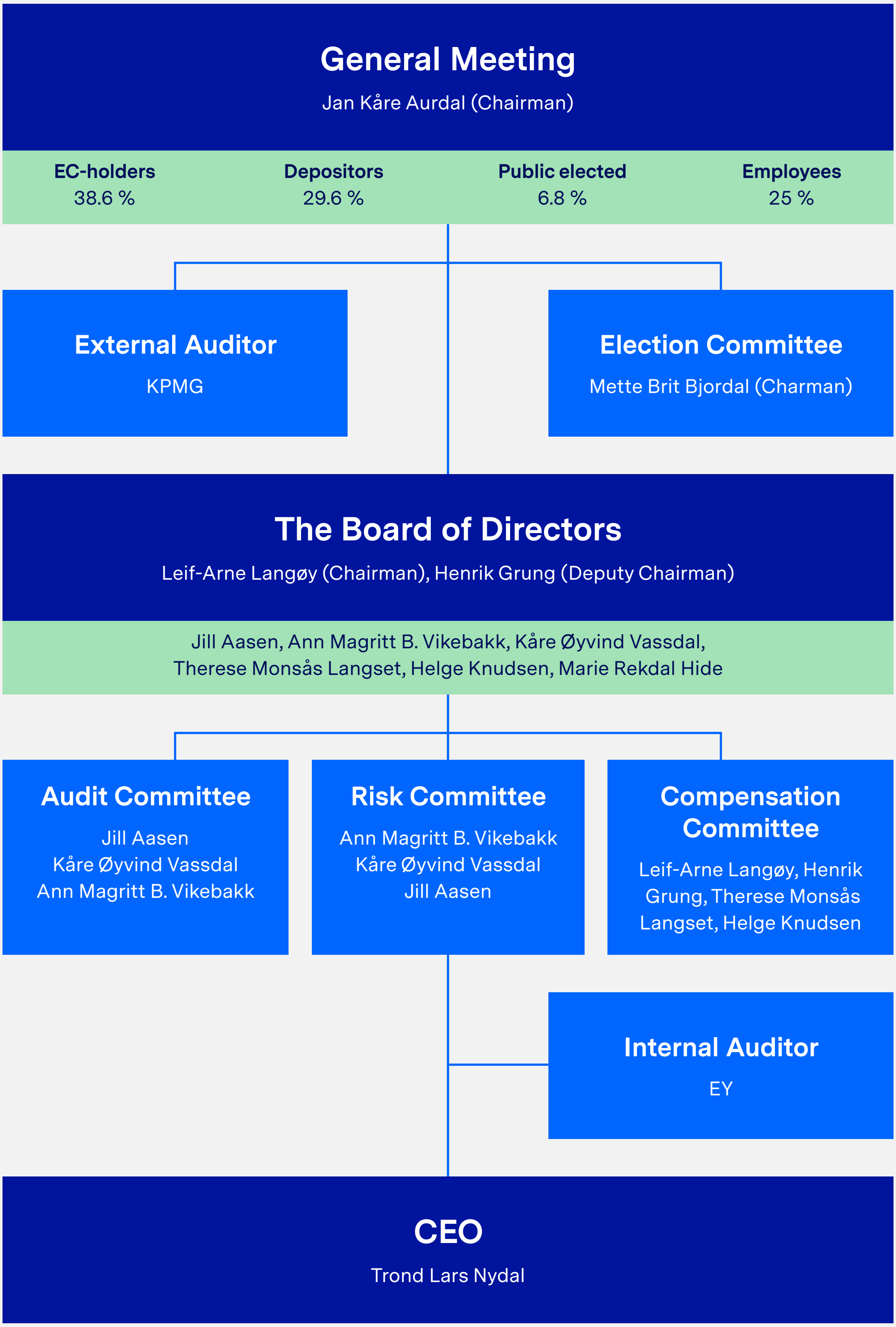
- 13 members and four deputy members are elected by and from among the bank's customers
- 17 members and four deputy members are elected by and from among the equity certificate holders
- 11 members and four deputy members are elected by and from among the employees
- three members and two deputy members are elected by the general meeting to represent the social function

The Board of Directors in Sparebanken Møre consists of 8 members and 4 deputy members. Two of the members are elected from among the employees. See the organizational chart on the next page.

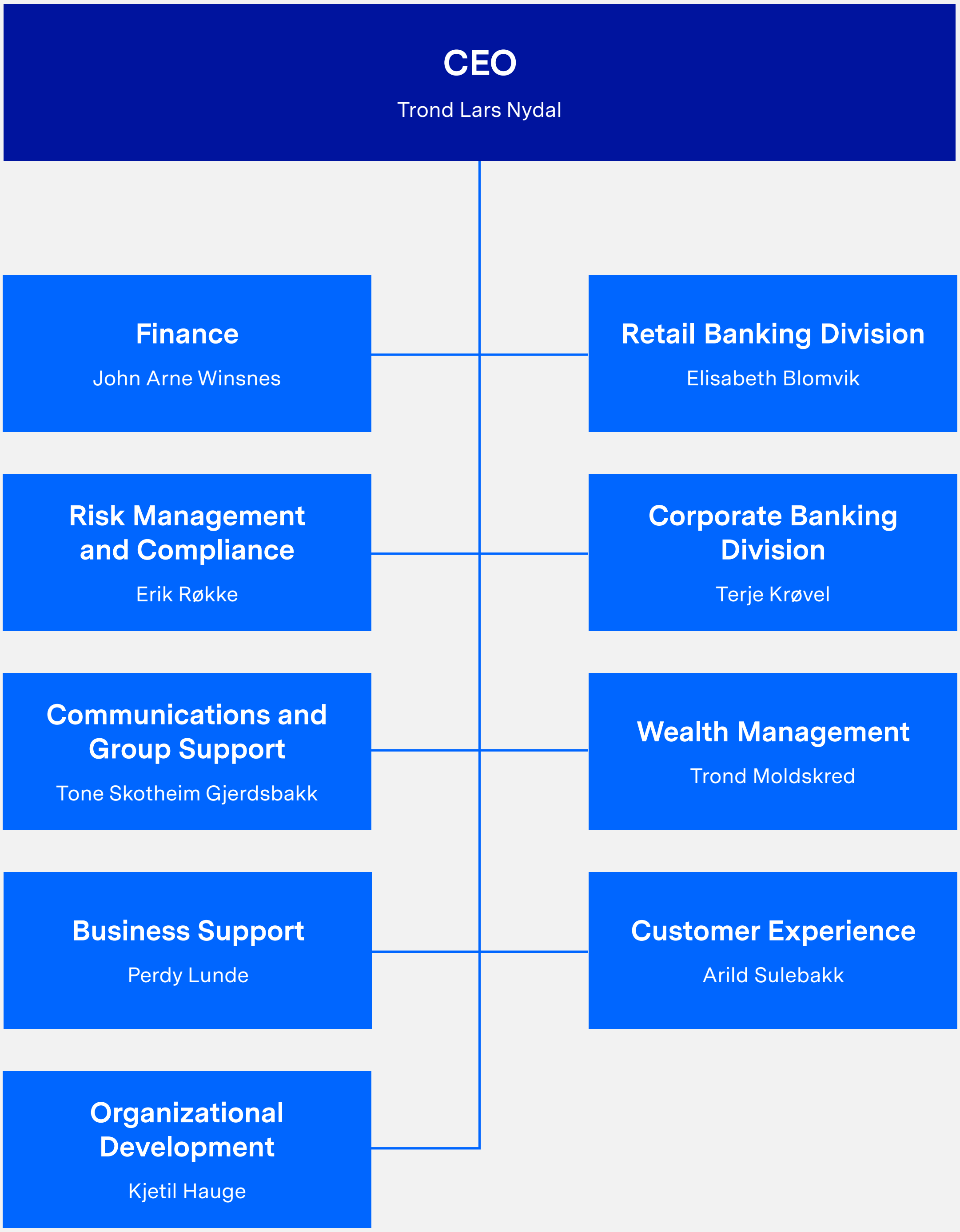
The executive management group has nine members: the CEO, the EVP Retail Banking Division, the EVP Corporate Banking Division and six heads of units. The EVP of the Wealth Management is not a member of the executive management group but does report directly to the CEO like other heads of divisions and units.

The Retail Banking Division consists of 27 departments in Nordvestlandet. The departments are headed by Senior Vice Presidents (SVPs) who report to the EVP of the division..

The Corporate Banking Division consists of the departments Corporate Banking Sunnmøre, Corporate Banking Romsdal og Nordmøre, and Corporate Banking Søre Sunnmøre. Corporate Banking Sunnmøre is in turn organised into five different industry groups (maritime, offshore and supply, industry, real estate, and trade and services). The heads of these units report to the EVP of the division.


General Meeting
Jan Kåre Aurdal (Chairman)
EC-holders
38.6 %
Depositors
29.6 %
Public elected
6.8 %
Employees
25 %
External Auditor
KPMG
Election Committee
Mette Brit Bjordal (Charman)
The Board of Directors
Leif-Arne Langøy (Chairman), Henrik Grung (Deputy Chairman)
Jill Aasen, Ann Magritt B. Vikebakk, Kåre Øyvind Vassdal,
Therese Monsås Langset, Helge Knudsen, Marie Rekdal Hide
Audit Committee
Jill Aasen
Kåre Øyvind Vassdal
Ann Magritt B. Vikebakk
Risk Committee
Ann Magritt B. Vikebakk
Kåre Øyvind Vassdal
Jill Aasen
Compensation Committee
Leif-Arne Langøy, Henrik Grung, Therese Monsås Langset, Helge Knudsen
Internal Auditor
EY
CEO
Trond Lars Nydal

Organizational chart



Board of Directors

Leif-Arne Langøy

Chair | ECs: 123,500

Leif-Arne Langøy (1956) is a business graduate from the Norwegian School of Economics (NHH) in Bergen. He lives in the municipality of Haram and is currently the owner and general manager of Lapas AS. In the period 2003-2009 Mr. Langøy was CEO of Aker ASA, and from 2006-2009 he was also the Chairman of the Board of Directors of the company. Mr. Langøy has previously held the position of CEO of Aker Yards ASA and CEO of Aker Brattvaag, among others. Mr. Langøy holds a number of directorships, among others he is Chairman of Kværner ASA and DNV-GL Group AS. He was elected Chairman of the Board of Directors of Sparebanken Møre in 2011. He was also Chairman of the bank from 1998 to 2003. Langøy attended eleven out of eleven board meetings in 2021.

Henrik Grung

Deputy Chair | ECs: 0

Henrik Grung (1970) is a partner and lawyer in the law firm, KVALE. Grung works with corporate governance, corporate strategy and industrial development with an emphasis on businesses that are in various phases of acquisition, merger, demerger and alliance processes. Grung specialises in corporate law, commercial negotiations and contracts, and works within various sectors, including industry, finance, fisheries and real estate. He holds a Cand.Jur. degree from the University of Bergen. Grung has been a board member of Sparebanken Møre since 2015. He attended eleven out of eleven board meetings in 2021.

Jill Aasen

Board member | ECs: 0

Jill Aasen (1971) is the CFO of Havila AS. She graduated as an auditor from the college in Molde, and has previously worked as an auditor in BDO in Ulsteinvik and as a controller in Tussa Kraft AS. Aasen has board experience from Havila Shipping ASA and also works voluntarily within sports and culture. She has been a deputy member of the Board of Sparebanken Møre since 2014, and a board member since 2018. Aasen lives in the municipality of Herøy. She attended eleven out of eleven board meetings in 2021.

Ann Magritt B. Vikebakk

Board member | ECs: 133

Ann Magritt Bjåstad Vikebakk (1977) is the CEO of HG International AS, a company in the Hareid Group. During 2013-2018, she had her own law firm, Bjåstad Vikebakk Advokatfirma AS, principally operating in the areas of taxation law, contracts and real estate property. Vikebakk has previously been employed at the Tax Administration of Norway and at the law firm Schjødt AS. She graduated as a lawyer from the University of Oslo. Ms. Vikebakk has been a board member of Sparebanken Møre since 2014 and holds directorships in several other companies. She lives in the municipality of Hareid. Ms. Vikebakk has attended ten out of eleven board meetings in 2021.

Kåre Øyvind Vassdal

Board member | ECs: 0

Kåre Øyvind Vassdal (1981) is the CEO of Brunvoll. He has previous experience as the CFO of the same group and has also held various positions in the Vard Group. Vassdal graduated in business economics (Siviløkonom) from the Norwegian School of Management BI Sandvika and also holds a Master of Technology Management from the Norwegian University of Science and Technology (NTNU)/Cambridge. He has board experience from Vard Promar SA and is the chair of the boards of Brunvoll Volda AS and Brunvoll Mar-El AS. Vassdal lives in Aukra Municipality. He attended eleven out of eleven board meetings in 2021.

Therese Monsås Langset

Board member | ECs: 0

Therese Monsås Langset (1980) is Chief Our People and Operational Excellence Officer (CPOO) in Axess Group. Langset works on strategy and organisational development in Axess AS, and has board experience from, among others, Axess, Reser AS and iKuben. She holds a Master of Science in product development and production and has taken further courses in maintenance and risk management. Langset lives in Molde Municipality. She has been a board member of Sparebanken Møre since 2021 and attended eight out of eight board meetings in 2021.

Marie Rekdal Hide

Board member | ECs: 341

Marie Rekdal Hide (1985) works in Sparebanken Møre as an authorised financial adviser for Corporate Banking Sunnmøre, dept. SME. Representative on the Board since March 2017. She has a Master of Business Administration from Edinburgh Business School. Joined Sparebanken Møre in 2007 and has experience from the retail market and the corporate market. She lives in the municipality of Sula. Hide attended eleven out of eleven board meetings in 2021.

Helge Karsten Knudsen

Board member | ECs: 1,344

Helge Karsten Knudsen (1954) is the senior employee representative at Sparebanken Møre and has been a board member since 2014. He was also a board member from 2001-2012. He started working at Sparebanken Møre in 1973 and has many years' experience as a customer service officer. Mr. Knudsen lives in the municipality of Ålesund. He attended eleven out of eleven board meetings in 2021.

Number of equity certificates (ECs) in Sparebanken Møre per 31.12.21, including ECs owned by immediate family and companies in which the person has decisive influence (cf. section 7-26 of the Norwegian Accounting Act).

Executive management

Trond Lars Nydal

Born: 1970 | ECs: 7,646

CEO since 2017. Previously, EVP, Retail Banking Division. Joined Sparebanken Møre in 1997. He has also held other senior positions in the bank, including regional bank manager and HR manager. Nydal has been a member of the executive management group since 2003. Business School Graduate from NHH.

Terje Krøvel

Born: 1959 | ECs: 5,489

EVP, Corporate Banking Division, since 2017. Previously, EVP, Sunnmøre Corporate Banking Division. Joined Sparebanken Møre in 1983. He has had senior positions within various industry groups in the Bank and has also been the regional bank manager, corporate banking, for the Ålesund and Sula region. Economics and administration from Møre og Romsdal Distriktshøyskole (1983).

Elisabeth Blomvik

Born: 1978 | ECs: 1,099

EVP, Retail Banking Division, since 2017. Previous experience from Nordea (2002-2017) where she worked in a number of senior positions, last as regional manager of Nordea Ålesund. Master in Management from BI Oslo and has both participated and mentored in various management development programmes.

John Arne Winsnes

Born: 1970 | ECs: 0

CFO from November 2021. Previous experience as CFO of Olympic Subsea ASA and CEO of SpareBank 1 Søre Sunnmøre. Prior to this, he has held senior positions in Aker Yards ASA, ABB Financial Services and GE Capital. He graduated in business economics from the University of Mannheim, Germany (1999).

Erik Røkke

Born: 1969 | ECs: 6,593

EVP, Risk Management and Compliance, since 2017. Previously, EVP, Credit and Legal. Joined Sparebanken Møre in 2012. Previously worked as an auditor at PWC (1994-2001) and a bank manager at Ørskog Sparebank (2001-2012). Business School Graduate from NHH (1994) and State Authorised Auditor.

Perdy Karin Lunde

Born: 1957 | ECs: 4,629

EVP, Business Support, since 2017. Previously, EVP, Business Development and Support. Joined Sparebanken Møre in 1977. She has had a number of senior positions within the area of product and business development. Business School Graduate from BI (1990).

Tone Skotheim Gjerdsbakk

Born: 1982 | ECs: 3,314

Public Information Manager and EVP, Communication and Group Support, since 2017. Previously, EVP Information and Administration. Joined Sparebanken Møre in 2014. She has experience as a journalist from NRK and as a communications adviser from a number of communications agencies. Journalist from Volda University College (2003).

Arild Robert Sulebakk

Born: 1963 | ECs: 909

EVP, Customer Experience, since 2018. Joined Sparebanken Møre in 2006. Has previously headed Møre Finans and been a regional bank manager for the inland region and head of NL staff. Previously worked at PAB Consulting and Norsk Hydro. Electrical engineer, Møre og Romsdal Ingeniørhøgskole (1985), and Business School Graduate from BI (1991).

Kjetil Hauge

Born: 1972 | ECs: 2,374

EVP, Organisational Development, since 2017. Joined Sparebanken Møre in 1998. He has had various senior positions in the Bank, including regional bank manager, head of Information and Compliance, head of Møreskolen and Managing Director of Møre Boligkreditt AS. Business School Graduate from NHH (1995).

Number of equity certificates (ECs) in Sparebanken Møre per 31.12.21, including ECs owned by immediate family and companies in which the person has decisive influence (cf. section 7-26 of the Norwegian Accounting Act).

Subsidiaries

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

CEO Bendik Tangen in Møremegling

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, as well as EUR. Covered bonds issued by Møre Boligkreditt AS are listed on Oslo Stock Exchange as well as London Stock Exchange. Managing Director of Møre Boligkreditt AS is Ole Andre Kjerstad.

Key Figures 2021 – numbers in NOK million

28 971
Net loans to customers

239
Profit after tax

360
Net interest income

25 603
Debt Securities issued (covered bonds)

Møre Eiendomsmegling AS

The company was established in 1992 and acquired by Sparebanken Møre in 2005.

Møre Eiendomsmegling's market name is Møremegling, and they provide real estate brokerage services in the purchase and sale of homes, leisure homes, project brokering and business brokering. They are among the largest and most experienced broker communities in Møre og Romsdal and have 19 employees and offices in Ålesund and Molde. The company traded 470 properties in 2021. Managing Director in Møre Eiendomsmegling AS is Bendik Tangen.

Key Figures 2021 – numbers in NOK million

27.0
Turnover

0.04
Profit after tax

11.0
Equity

Implementation and reporting on corporate governance

In the following, Sparebanken Møre provides an account of the institution's corporate governance principles and practices in relation to section 3-3b of the Norwegian Accounting Act and section 4.4 of Oslo Børs's Rule Book II.

1. Corporate governance report

Sparebanken Møre complies with the Norwegian Code of Practice for Corporate Governance of 14 October 2021 ("Code of Practice") where this is applicable to savings banks that have issued equity certificates. The Code of Practice is available on www.nues.no.

The Norwegian Financial Institutions Act applies to savings banks that have issued equity certificates. The Act contains provisions that in some cases deviate from the provisions of the Norwegian Public Limited Companies Act, which results in the Code of Practice not fully applying in relation to some points.

An account is provided below of how Sparebanken Møre has aligned itself in relation to each point in the Code of Practice. Where the Code of Practice has not been followed, the reason why is explained. Nevertheless, no material deviations between the Code of Practice and Sparebanken Møre's compliance with it exist.

In 2021, the bank also complied with the European Banking Authority's "Guidelines on Internal Governance GL 11/2017" where these are appropriate for Norwegian savings banks. The guidelines are available on www.eba.europa.eu. No further description is provided of the compliance with the guidelines.

Deviations from the Code of Practice: 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.

Sparebanken Møre's articles of association specify the types of business that may be conducted. The objective of Sparebanken Møre is to perform transactions and services that are normal or natural for a savings bank to perform, and that comply with the applicable legislative framework and licences that have been granted. This includes Sparebanken Møre performing investment services and associated services in accordance with the provisions of the Norwegian Securities Trading Act. The complete text of its articles of association can be found on Sparebanken Møre's website.

The Group is a full-service provider of financial products and services within the areas of financing, deposits and other forms of investments, payment transfers, financial advisory services, asset management, insurance, and real estate brokerage.

The Board of Sparebanken Møre ensures that the Group carries out a comprehensive strategy process every year that defines its objectives, strategies and risk profile. The current strategic plan, "Møre 2025", was approved by the Board in November 2021. This defines five strategic focus areas, of which one is that Sparebanken Møre shall be a driving force for sustainable development.

The Board has also adopted a series of different strategies and governing documents that are designed to provide a basis for good and effective internal risk management. The documents are based on the objectives of the strategic plan and set limits for risk exposure. They also provide guidelines for the general management and control of the risk areas to which Sparebanken Møre is exposed. ESG factors have been incorporated into the documents to ensure that sustainability considerations are closely integrated into the bank's operations and value creation.

The Board has adopted an overarching sustainability strategy for Sparebanken Møre that is intended to provide a basis for both strategic decisions and ongoing operational work. The Group also supports initiatives and principles that entail commitments to adapt the business strategy to the UN Sustainable Development Goals and Paris Agreement. Please refer to the dedicated chapter in the annual report for a further description of Sparebanken Møre's fulfilment of its corporate social responsibility.

The goals and strategies comply with the framework established by the business provision of Sparebanken Møre's articles of association.

Sparebanken Møre shall maintain its position as the number one choice for retail customers in Nordvestlandet, as well as for small and medium-sized businesses. Sparebanken Møre also wants to be an attractive partner for larger companies and the public sector.

It focuses on maintaining a healthy financial structure and financial strength and achieving good profitability.

Its 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. During the year, the market and other stakeholders receive information concerning the bank's strategic objectives and performance in relation to these objectives in stock exchange notices and accounts presentations.

Deviations from the Code of Practice: None

3. Equity and dividends

The composition of Sparebanken Møre's capital is determined on the basis of a number of considerations. The most important of these considerations are the Group's size, operations and risk, Møre og Romsdal's internationally-oriented industry and commerce, a stable market for long-term funding when required, and the goals of the strategy document.

In its annual evaluation of its management and control systems, which includes capital adequacy assessments (known as ICAAP), the Board focuses heavily on ensuring that its primary capital is suited to the Group's goals, strategies, risk profiles and regulatory requirements. The bank's capital situation is continuously monitored throughout the year via internal calculations and reporting.

Its capital adequacy at the end of 2021 exceeded the regulatory and internal minimum requirements for capital. Primary capital was 20.9 per cent, Tier 1 capital 18.9 per cent and Common Equity Tier 1 capital 17.2 per cent.

Sparebanken Møre's dividend policy has been published and made available on Sparebanken Møre's website. The dividend policy is as follows:

"Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on the bank's equity. The results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity.

Dividends consist of cash dividends for equity certificate holders and dividend funds for local communities. The proportion of profits allocated to dividends is in line with the bank's capital strength. Unless the bank's capital strength dictates otherwise, it is expected that about 50% of this year's surplus can be distributed as dividends.

Sparebanken Møre's allocation of earnings shall ensure that all equity certificate holders are guaranteed equal treatment."

The General Meeting can authorise the Board to increase capital for specific purposes. On 23 March 2021, the General Meeting authorised the Board to increase equity certificate capital by up to NOK 98,869,500 if the situation warrants it. The authorisation is valid until the Annual General Meeting in 2022, although for no longer than 31 March 2022. The authorisation had not been exercised at the end of the year since there had been no need to do so.

The General Meeting can also authorise the Board to buy back its own equity certificates. On 25 November 2021, the General Meeting authorised the Board to acquire/establish collateral in its own equity certificates up to an amount of NOK 24.7 million. The authorisation was approved by the Financial Supervisory Authority of Norway. Deviations from the Code of Practice: None

4. Equal treatment of equity certificate holders

All equity certificate holders shall be treated equally and have the same opportunity to influence the bank.

All equity certificates have the same voting rights.

Equity certificate holders shall have preferential rights when the 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.

A board authorisation to increase equity certificate capital such as that mentioned in point 3 above will contain a provision stating that the equity certificate holders' pre-emptive rights can be waived. Nevertheless, should it become relevant to exercise the authorisation, special grounds for waiving the pre-emptive rights must exist at the relevant time.

On 23 March 2021, the General Meeting authorised the Board to increase equity certificate capital by up to NOK 98,869,500 if the situation warrants it. The authorisation is valid until the Annual General Meeting in 2022, although for no longer than 31 March 2022. The authorisation had not been exercised at the end of the year since there had been no need to do so.

Sparebanken Møre's transactions involving its own equity certificates take place via the stock exchange. Equity certificates are bought back at the current market price.

To ensure equity certificate holders greater influence in decisions concerning the equity certificate capital, the articles of association were amended to state that specified matters of significance for the equity certificate capital cannot be approved by the General Meeting without the agreement of a two-thirds majority of the votes of the general meeting members elected by equity certificate holders. An indication of which matters this concerns is provided in the articles of association, which are available on Sparebanken Møre's website.

Deviations from the Code of Practice: None

5. Equity certificates and negotiability

Sparebanken Møre's equity certificates are listed on the Oslo Stock Exchange and are freely negotiable. The articles of association contain no restrictions concerning negotiability.

Upon acquisition of a qualifying holding in a financial institution (10% or more of the capital), the special rules regarding permission from the Financial Supervisory Authority of Norway apply, cf. chapter 6 of the Norwegian Financial Institutions Act and section 9-10 of the Norwegian Securities Trading Act.

Deviations from the Code of Practice: None, with the exception of the special rules that follow from the Norwegian Financial Institutions Act regarding the acquisition of qualifying holdings.

6. General Meeting

The equity in savings banks that have issued equity certificates consists of equity certificate capital, primary capital and retained earnings. The primary capital is own funds. Therefore, other requirements apply with regard to the composition of the General Meeting than those that apply with regard to public limited companies. The requirements are set out in the Norwegian Financial Institutions Act, chapter 8. Sparebanken Møre complies with the statutory requirements. Therefore, point 6 of the Code of Practice does not fully apply to savings banks.

The bank's supreme body is the General Meeting. Sparebanken Møre's General Meeting has 44 members and 14 deputy members, of which: 17 members and four deputy members are elected by equity certificate holders; 13 members and four deputy members are elected by and from amongst the bank's customers; 11 members and four deputy members are elected by and from amongst the employees; and three members and two deputy members are elected by the General Meeting to represent local communities.

Sparebanken Møre's articles of association set out the composition requirements. An overview of the elected members is available on Sparebanken Møre's website.

The members of the General Meeting are personally elected and cannot be represented by proxy. Elected deputy members attend in the event of absences.

Notices convening meetings and supporting documents for the General Meeting are made available on Sparebanken Møre's website at least 21 days before the meeting is scheduled to be held. Notices convening meetings and supporting documents are also published on the Oslo Børs and notice is also sent by email. Members of the General Meeting, or anyone else who, by law, must receive such documents, may nevertheless have the documents sent to them.

The supporting documents should be sufficiently accurate and comprehensive to enable members of the General Meeting to determine which matters should be considered.

Members of the Board, the Nomination Committee and the external auditor participate in General Meetings. The Chairman of the Board and the CEO are duty bound to attend the General Meeting.

The General Meeting shall elect a chair and deputy chair from among the members of the General Meeting not employed by the savings bank. General Meetings shall be chaired by the chair, or the deputy chair in the event of the chair's absence.

Deviations from the Code of Practice: Point 6 of the Code of Practice does not fully apply to savings banks that have issued equity certificates.

7. Nomination committee

Sparebanken Møre's articles of association set out provisions concerning nomination committees. The General Meeting has established instructions for the General Meeting's Nomination Committee.

The General Meeting's Nomination Committee is elected by the General Meeting and consists of four members elected from amongst the members of the General Meeting. The General Meeting shall elect the chair and deputy chair of the committee in separate elections. The General Meeting determines the committee's remuneration.

Both the Chairman of the Board and the CEO must be summoned to attend at least one meeting with the Nomination Committee. The Nomination Committee receives the Board's evaluation of its own work.

The Nomination Committee includes representatives from all groups who are represented in the General Meeting. The members shall insofar as it is feasible reflect the geographical distribution within the municipalities in which the savings bank operates. The Nomination Committee is independent of the Board and other executive persons. Neither board members nor executive persons are members of the committee. Members of nomination committees are elected for 2 years at a time and no one may serve for more than 6 consecutive years.

The General Meeting's Nomination Committee proposes candidates for local community members and deputy members of the General Meeting, the chair and deputy chair of the General Meeting, the Chairman, Deputy Chairman and other members and deputy members of the Board of Directors, as well as for the election of chair and members of the Nomination Committee.

The reasons for the Nomination Committee's recommendations must be stated.

Equity certificate holders elect their own nomination committee, which is responsible for preparing the equity certificate holders' election of members of the General Meeting. This committee has three members. Customer-elected members of the General Meeting elect their own nomination committee, which is responsible for preparing the customers' elections of members of the General Meeting. This committee has four members.

An overview of the members of the various nomination committees can be found on Sparebanken Møre's website.

Deviations from the Code of Practice: None

8. Board of Directors: composition and independence

The Board consists of eight members and four deputy members elected by the General Meeting. Two of the members are elected from among the employees.

The emphasis when electing board members must be on qualifications, capacity, independence, diversity and the Board's ability to function as a collegiate body. The Norwegian Financial Institutions Act and Securities Trading Act require board members of financial institutions and investment firms to undergo suitability assessments. The assessment must encompass qualifications, capacity, independence and suitability/character. The assessment of each board member must be reported to the Financial Supervisory Authority of Norway.

The majority of board members must be independent of executive persons, important business associates and the largest owners of equity certificates. No executive persons are members of the Board. The Chairman and Deputy Chairman of the Board are elected by the General Meeting through specific elections.

The articles of association stipulate that board members are elected for 2 years. Of the elected members, four are elected one year and the remaining four members are elected the following year. Members and deputy members who are up for election can be re-elected. An elected member of the Board cannot hold their position for a continuous period of more than 12 years, or for more than 20 years in total.

The annual report contains further information about the board members' attendance at board meetings and the number of equity certificates owned by each member.

Deviations from the Code of Practice: None

9. The work of the Board of Directors

The Board bears overall responsibility for the management of Sparebanken Møre and must, via the CEO, ensure the business is properly organised.

The Board has established instructions for the Board and day-to-day management that clearly set out the internal division of responsibilities and duties.

The instructions for the Board contain rules concerning the Board's work and procedures, including which matters the Board should deal with, the CEO's duties and obligations with respect to the Board and rules for convening meetings and meeting procedures.

The Board prepares an annual plan for its work that covers duties stipulated in Acts, Regulations, government decisions, the articles of association and resolutions of the General Meeting.

The Board sets out Sparebanken Møre's overall long-term financial targets. These are set forth in the Group's strategy document. The document is revised annually in a joint process involving the Board and the bank's executive management group. In this way, the Board ensures Sparebanken Møre is managed in such a way that the overall agreed targets are met.

The Board stays informed of Sparebanken Møre's financial position and performance through its approval of quarterly and annual reports and monthly reviews of financial position and performance.

Furthermore, the Board shall ensure that the activities are subject to satisfactory control and that the Group's capital situation is prudent given the scope of the activities and their associated risk.

The Board's responsibilities related to the reviewing and reporting of risk management and internal control are described in section 10 below.

The Norwegian Financial Institutions Acts established stricter rules regarding conflicts of interest than those that follow from the Public Limited Companies Act. The Board has in the instructions for the Board set guidelines concerning impartiality that are stricter in relation to some points than the statutory requirements.

The instructions for the Board state how the Board and the day-to-day management team shall treat agreements with close associates.

The Board ensures that board members and executive persons disclose to the bank of any material interests they may have in matters that will be considered by the Board.

The annual financial statements contain further information about transactions between close associates.

Should material transactions take place between Sparebanken Møre and equity certificates holders, board members, executive persons or close associates of these, the Board shall ensure that a valuation is obtained from an independent third party, except for matters that have been discussed and voted on by the General Meeting.

An independent valuation must also be obtained in the event of transactions between companies in the same group where there are minority shareholders. Sparebanken Møre's subsidiaries were, as at 31 December 2021, all wholly owned by the bank.

When considering important matters in which the Chairman of the Board is, or has been, actively engaged, the Board's consideration shall be chaired by the Board's Deputy Chairman or another board member.

An audit committee, risk committee and remuneration committee have been established. The committees' members are elected by and from among the members of the Board. The Audit Committee and the Risk Committee have three members, all of which are independent of the institution. The Remuneration Committee has four members, one of which is an employee-elected member.

The Board has adopted instructions for board committees describing the committees' duties and procedures.

The Remuneration Committee is discussed in more detail in point 12 below.

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

Deviations from the Code of Practice: None

10. Risk management and internal control

Sparebanken Møre uses a comprehensive risk management process as the basis for its internal control. In order to carry out comprehensive risk management within Sparebanken Møre, the global internal control standard COSO model is used.

The "Overall guidelines for management and control within Sparebanken Møre" states that, as a general rule, each manager in the Group must ensure that they possess adequate knowledge of all material risks within their area of responsibility, such that the risk can be managed in a financially and administratively prudent manner.

The "Instructions for the Board of Directors of Sparebank Møre" defines the Board's role and the importance, form, content and implementation of the Board's work. This also includes risk management via both its management function and its supervisory function. Separate instructions have also been prepared for the Group's Audit Committee and Risk Committee, along with separate instructions for the Remuneration Committee.

The Board shall ensure that risk management and internal control processes within Sparebanken Møre are adequate and systematic, and that these processes have been established in compliance with laws and regulations, articles of association, instructions and external and internal guidelines. The Board establishes 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 make sure that the strategies and guidelines are being communicated to the employees. The Board shall systematically and regularly assess 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 into account internal and external influencing factors. The latter point especially applies in the case of changes in economic cycles and macroeconomic general conditions.

To ensure that Sparebanken Møre's risk management and internal control processes are carried out satisfactorily, the Board continually receives various types of reports throughout the year from Sparebanken Møre's control bodies, including the Risk Management Department and Compliance Department, Operational Risk Department and internal and external auditors. The Board actively participates in the annual ICAAP and the Recovery Plan via its implementation in the strategy document. The Board revises and approves all the bank's general risk management documents at least once a year. Every year during the fourth quarter, the CEO reports on the structure and efficiency of the Group's internal control.

The Bank is organised into three lines of defence that contribute to the management and control of the Group's activities and a satisfactory division of responsibilities between the institution's business areas. This is intended to prevent conflicts of interest and ensure compliance with the applicable recommendations for the organisation of financial institutions.

The lines of defence report directly to the executive management group and/or the Board. Appropriate internal control procedures, mechanisms and processes must be designed, developed, maintained and evaluated within all three lines of defence.

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 of Practice: None

11. Remuneration of the Board of Directors

The remuneration of board members and members of the Board's committees shall be determined by the General Meeting based the recommendations of the Nomination Committee.

The board members' remuneration is not performance-related. Options are not issued to board members.

Provisions have been included in the instructions for the Board that state that board members, or companies to which they are connected, should not undertake any tasks for Sparebanken Møre beyond their position on the Board. However, if they do, the entire Board must be informed. Fees for such services must be approved by the Board. If remuneration has been paid in addition to the ordinary board fee, such remuneration will be specified in notes in the annual report.

Deviations from the Code of Practice: None

12. Salary and other remuneration of senior executives

The Board revises the guidelines for the salaries and remuneration of senior executives every year. The guidelines are presented to General Meeting for approval in line with the provisions of the Norwegian Public Limited Companies Act.

The Board's report on executive pay is presented to the General Meeting each year for an advisory vote.

Special rules apply to remuneration schemes in financial institutions. These are set out in the Norwegian Financial Institutions Act's chapter 15.

The Board has elected a Remuneration Committee from amongst the board members.

Salaries and other remuneration in Sparebanken Møre should contribute to the Group achieving its targets and should encourage appropriate conduct. Furthermore, salaries and other remuneration should act as a means of good management and control in relation to the Group's risk, should discourage unwanted risk-taking and should contribute to the avoidance of conflicts of interest.

The implementation of the remuneration scheme must be reviewed at least once a year by the internal auditor, who will submit a report on the review to the Board.

Sparebanken Møre has no established annual bonus scheme, although in years with good results and good target achievement the bank's Board will consider giving a bonus to all of the bank's employees, including senior executives, with the exception of the CEO. Given the general uncertainty associated with the Covid-19 pandemic, the Board decided not to pay out bonuses for the 2020 accounting year in 2021.

In addition, each employee can receive a lump-sum supplement as recognition of an extraordinary contribution. As a general requirement, lump-sum remuneration of executive persons, employees with duties of material importance to the bank's risk exposure, and employees who perform control duties must be based on a combination of an assessment of the person concerned, the person's business unit and the bank as a whole. The starting point for determining variable lump-sum remuneration shall be the risk-based result.

For those senior executives and others mentioned above who are not in positions that are directly linked to result-generating units, greater emphasis is placed on achievement of the goals of the individual's department/unit in established managerial agreements, as regards results in relation to changes in working methods and the achievement of personal and case results. These assessments are based on results achieved over a two-year period. In the assessments, emphasis is also placed on Sparebanken Møre's total return on equity capital over the previous two years, insofar as is possible.

In the case of senior executives and others who work in result-generated units, the financial key figures defined in Sparebanken Møre's balance scorecard and the fulfilment thereof over the previous two years is given greater emphasis than in the case of persons who do not work in directly result-generating units. Attainment of the goals laid down for the individual and the department/unit in established management agreements over and above the financial figures in the balance scorecard shall also be used for assessing these persons. The balance scorecard contains various indicators which are directly related to risk-related results.

Ceilings have been set for both types of variable remuneration.

At least half of the general bonus paid to all employees is given in the form of Sparebanken Møre's equity certificates. The allocation is given from Sparebanken Møre's holdings of its own equity certificates corresponding to the market value at the time of settlement. The employee may not sell the equity certificates any earlier than 1 year after allocation (see below concerning specific rules for executive persons, etc.).

Senior executives, etc. shall receive at least half of their general bonus in the form of equity certificates. These equity certificates cannot be sold by the individual any earlier than evenly distributed over a period of at least three years.

In the event of a negative trend in Sparebanken Møre's results, or in the specific results of the business unit of the employee, all or parts of the approved variable remuneration may be reclaimed over the following three years after receipt of the variable remuneration. Conduct that provides reasonable grounds for dismissal may also result in all or parts of approved variable remuneration being reclaimed.

Variable remuneration shall only be paid out if it is prudent in relation to the institution's overall financial position.

Senior executives, etc. shall not have agreements or insurance policies that provide security against the loss of performance-based remuneration.

Deviations from the Code of Practice: None

13. Information and communications

Sparebanken Møre complies with the IR recommendations issued by Oslo Børs Exchange on 1 March 2021.

The Board has established guidelines for reporting of financial and other investor information. The guidelines emphasise that correct, clear, relevant and real-time information about the Group's performance and results should engender confidence and fulfil the requirement for equal treatment of stakeholders in the securities market. The guidelines also cover the Group's contact with equity certificate holders outside the General Meeting.

An annual plan regarding which stakeholders to contact, and when and how, is drawn up each year.

Through its annual and interim reports, the bank seeks to achieve the required transparency regarding 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. The executive management group gives special presentations in connection with the publication of Sparebanken Møre's annual and interim results. The reports and presentations are made available to the market via Sparebanken Møre's website, including webcast presentations, and by publication on Oslo Børs.

English language versions of annual and quarterly reports, as well as quarterly presentations of the accounts, are produced. The bank's banking connections and investors abroad are kept informed on a regular basis, partly through outreach in which Sparebanken Møre's financial statements and development are among the topics discussed.

Information about the bank's equity certificates, dividend policy and financial calendar can be found on the bank's website.

Deviations from the Code of Practice: None

14. Corporate takeovers

The equity in savings banks that have issued equity certificates consists of equity certificate capital, primary capital and retained earnings.

Primary capital is own funds that cannot be taken over by others in the event of acquisition.

The Norwegian Financial Institutions Act requires permission from the Financial Supervisory Authority of Norway for acquisitions of stakes that represent 10 per cent of more of a financial institution's capital. The Act also requires permission from the Ministry of Finance for the merger of financial institutions, splitting up of financial institutions and disposal of all or material parts of a financial institution's business.

Deviations from the Code of Practice: Point 14 of the Code of Practice does not apply to savings banks that have issued equity certificates.

15. Auditor

The Audit Committee ensures that the auditor draws up a plan for the execution of the auditing work each year and that the auditor presents this plan to the Audit Committee.

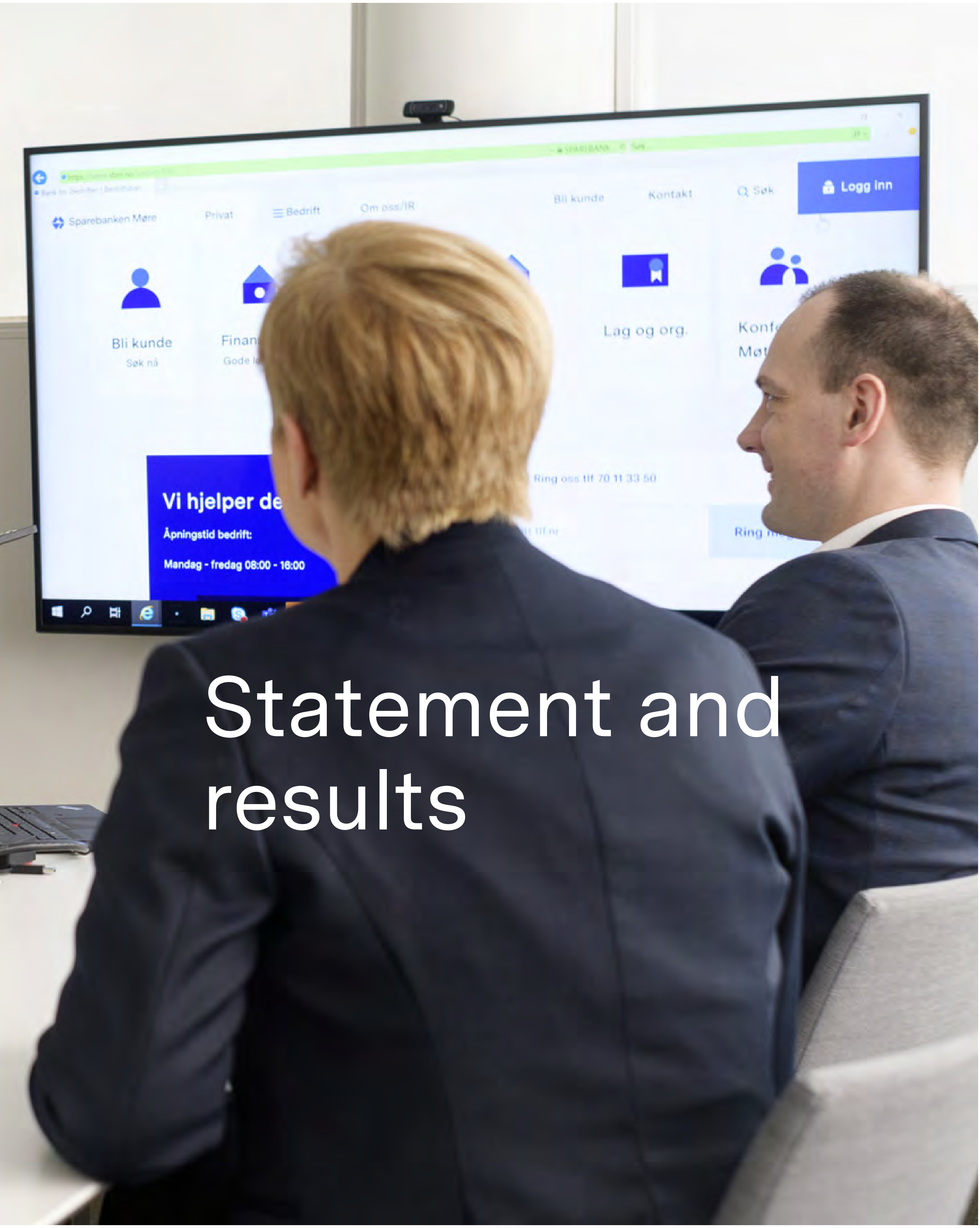
The Board and the Audit Committee summon the auditor to attend meetings at which the financial statements are considered.

At such meetings, the auditor reviews key aspects of the audit, including material situations about which the auditor and the management have disagreed. The auditor's views on the bank's risk areas, internal control routines and accounting policies are also discussed. Besides this, the auditor will make the board members aware of any areas which would benefit from an improvement in overall quality levels, and present proposed improvements where they are required.

The Board's annual plan includes an annual meeting with the auditor which the bank's executive management group does not attend.

The Board has adopted guidelines for the general management's access to use the auditor for non-audit services.

Deviations from the Code of Practice: None



Statement and results

Statement and results

Notes to the financial statements

Board of Directors' Report

The financial statements have been prepared in accordance with IFRS. All figures relate to the Group. Figures in brackets refer to the corresponding period in 2020.

Areas of operation and markets

Sparebanken Møre is an independent, listed financial services group, which consists of the parent bank, the mortgage company Møre Boligkreditt AS, the estate agency Møre Eiendomsmegling AS, and the property company Sparebankeiendom AS.

Sparebanken Møre was established in 1985 by the merger of a number of local savings banks. The oldest bank that was part of this merger was Herrøe og Røvde Sparebank, which was founded in 1843.

In the years since then, a strong local presence has been the very foundation of the bank's business, and today Sparebanken Møre is the leading financial services group in our market area, Nordvestlandet. At the end of 2021, the bank employed 364 full-time equivalents (FTEs) spread across 27 branches in Møre og Romsdal. The bank's head office is in Ålesund.

Over many years, the bank has built up a large expert environment in relation to the retail and corporate markets, as well as the equity-, interest rate- and currency markets. Together with is subsidiary Møre Eiendomsmegling AS, Sparebanken Møre is a full-service bank for people, businesses and the public sector in Nordvestlandet.

Sparebanken Møre offers a full range of financial services within the following areas:
- Funding
- Deposits and investments
- Asset management
- Financial advisory services
- Money-transfer services
- Currency and interest rate business
- Insurance
- Real estate brokerage

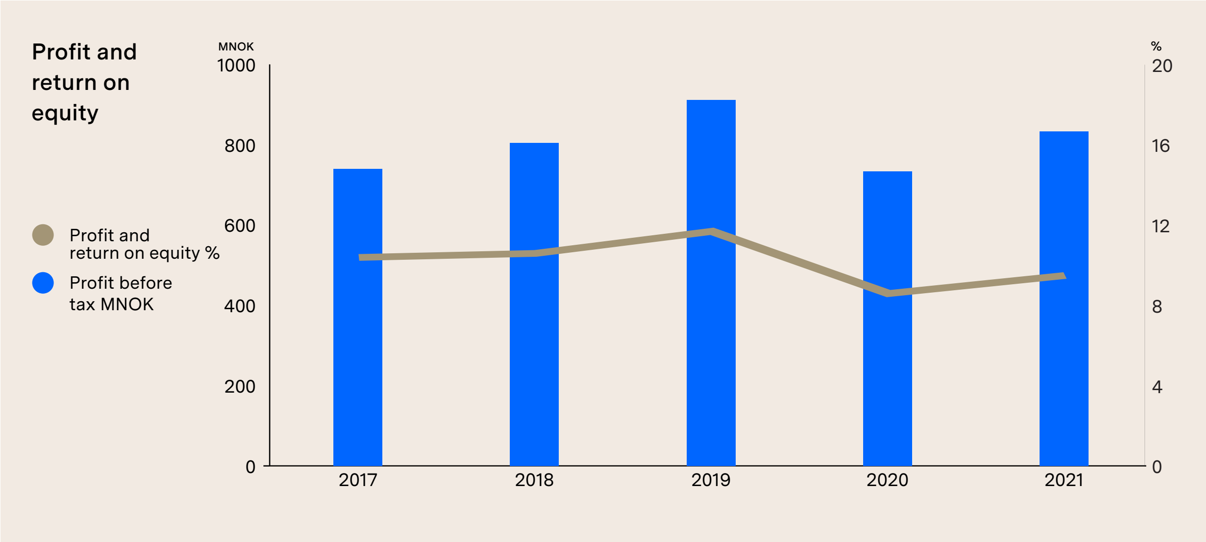
Key figures 2021

Group's key figures

- Profit after tax: NOK 642 million (NOK 567 million)
- Return on equity after tax: 9.5 per cent (8.6 per cent)
- Lending growth in the past 12 months: 4.6 per cent (4.4 per cent)
- Deposit growth in the past 12 months: 7.3 per cent (6.0 per cent)
- Primary capital amounted to 20.9 per cent (20.8 per cent) and Tier 1 capital 18.9 per cent (18.7 per cent), of which Common Equity Tier 1 capital amounted to 17.2 (17.0 per cent)
- Earnings per equity certificate: NOK 31.10 (NOK 27.10)
- The Board of Directors recommends that the Annual General Meeting pays a cash dividend of NOK 16.00 per equity certificate and sets aside NOK 160 million for dividend funds for local communities.

Parent bank's key figures

- Profit after tax: NOK 639 million (NOK 561 million)
- Primary capital amounted to 22.7 per cent (21.2 per cent) and Tier 1 capital 20.5 per cent (19.0 per cent), of which Common Equity Tier 1 capital amounted to 18.6 (17.2 per cent)
- Earnings per equity certificate: NOK 30.98 (NOK 26.83)



Strategy and goals

Vision and values

Sparebanken Møre's vision is to be the leading contributor to creative enthusiasm in Nordvestlandet. Every day.

As a regional savings bank, Sparebanken Møre has strong ties to its local communities. The development of the bank depends on the sustainable development of the region, and the region depends on a financially strong, forward-looking bank. The bank's vision reflects this interplay and means that we want to contribute to creating:

- results and profit
- good customer experiences
- sustainable development
- new and better products
- new partnerships
- new teams on the journey to the top
- Commitment and pride in Nordvestlandet

The bank's core values are: Close, committed and capable

Business model

Sparebanken Møre shall be an independent bank and the preferred choice of retail customers and small and medium-sized enterprises in Nordvestlandet. The bank shall also be an attractive partner for larger companies and the public sector.

The Group's products and services shall, in total, be competitive, sustainable and profitable, and they shall contribute to value creation in the region.

Sparebanken Møre bases its business on a contract banking model, which means that the Group can choose to operate and develop alone or together with partners/suppliers where appropriate. The Group shall collaborate with the best partners.

Sparebanken Møre shall also attract the best employees, and its corporate culture shall be characterised by cooperation, learning, job satisfaction and motivation. The attitudes and methods shall create economic, social and environmental value for both the bank and its stakeholders.

Through good interaction between the bank's branches, digital channels, specialist functions and customer service, the bank shall ensure that it provides a high-quality customer experience.

Financial objectives

The financial targets for the strategy period 2022-2025 are a return on equity above 11 per cent and a cost income ratio below 40 per cent. The bank also aims to achieve a lower level of losses than the average for Norwegian banks.

Driving force behind sustainable development

As a regional savings bank, Sparebanken Møre has a unique opportunity to ensure that those with sustainable goals find funding, and one of the bank's clear ambitions is to be a driving force behind sustainable development. A number of measures were implemented in 2021 within the areas of the environment, social conditions and governance (ESG). These are described in more detail in a chapter dedicated to sustainability and corporate social responsibility in the annual report.

Key framework conditions

Pandemic impacted cyclical development, but with prospects for new growth

The outlook for the Norwegian and global economy remains satisfactory in the longer term. The most important economic risk factors related to growth in the global economy are discussed in the section on Future prospects.

Since the reopening of society in April 2021, Mainland Norway's GDP has grown sharply. As infection control measures are phased out, domestic output and demand are expected to rise again. However, economic growth since December last year has obviously been weaker due to the reinstatement of some infection control measures.

According to figures from Statistics Norway, Mainland Norway's GDP increased by 4.2 per cent from 2020 to 2021. Many industries impacted by the pandemic are contributing to the recovery, although the upturn was also driven by less cyclical industries. With the upturn in the level of activity in 2021, unemployment fell markedly. In December, registered unemployment in Norway was at 2.2 per cent according to the Norwegian Labour and Welfare Administration (NAV).

Total credit growth in Norway (K2) was at 5.0 per cent in December 2021. The growth in credit for households was 5.0 per cent while for non-financial companies it was 4.9 per cent.

Prices for pre-owned dwellings have risen sharply since April 2020 and are at record levels. This was due to record low interest rates and good liquidity in the household sector due to the reduction in the consumption of services. However, demand for services is expected to increase as infection control measures are phased out. This will probably be at the expense of demand for housing. In addition, at least three interest rate hikes are expected in 2022. Therefore, inflation will probably be more subdued going forward. Price growth in December 2021 may be an indication that this has already started to happen. Seasonally adjusted house prices fell by 0.2 per cent during the month. In the past 12 months, prices have risen by 5.2 per cent. The price statistics are a collaboration between Real Estate Norway, Eiendomsverdi AS and Finn.no.

Key policy rate

Norges Bank raised its policy rate twice in the second half of 2021. As a result, the key policy rate reached 0.50 per cent. The central bank was very clear about the outlook for interest rates in its latest interest rate decision on 16 December. The interest rate is also intended to keep inflation down. In its press release, the bank wrote that "The upswing in the Norwegian economy has continued. Unemployment has fallen further, and capacity utilisation is estimated to be above a normal level."

Norges Bank's interest rate curve shows that if everything proceeds as expected, the policy rate will be increased again in March. The rate curve indicates a total of three rate hikes in the year, two in 2023 and in one in 2024. However, much will depend on the development of inflation and the infection pressure. If wage and price growth stagnate at a high level due to capacity problems and higher import prices, interest rates could be hiked faster than indicated by the rate curve. At the same time, any deterioration in the Covid-19 situation and new activity reducing infection control measures could result in rate hikes being postponed.

Developments in the financial markets

Deposits are the Group's most important source of funding. The deposit-to-loan ratio of 59.6 per cent as at 31 December 2021 is high and helps both reduce Sparebanken Møre's dependence on the financial markets and protect net interest income during a period of interest rate rises.

Norwegian banks have good access to market funding. Following a strong widening in margins for market loans early in the pandemic period, risk premiums contracted rapidly. Extraordinary measures implemented by central banks and other authorities contributed to the contraction. During most of 2021, the risk premiums the banks paid for long-term bond funding fell further before new uncertainty contributed to margin widening towards the end of the year.

The bank has focused on diversifying its sources of funding in the past few years. One important means of this has been Møre Boligkreditt AS's issuing of semi-benchmark covered bonds in the European market. In 2020, Sparebanken Møre also established a green framework for issuing bonds from the bank and Møre Boligkreditt AS as part of the bank's sustainability strategy. On 21 September 2021, the Group's first green funding in the market based on the framework was established when Møre Boligkreditt AS entered the euro market with a 5-year semi benchmark (EUR 250 million inaugural green covered bond). The issue was very well received in the market.

Sparebanken Møre's positive credit rating development was confirmed on 20 January 2021 when Moody's Investor Service upgraded the bank's long-term rating to A1 from A2, both with a stable outlook.

MREL

The Financial Supervisory Authority of Norway (FSA) has determined that Sparebanken Møre will be subject to a risk-weighted MREL requirement of 25.9 per cent of the adjusted risk-weighted assets based on the relevant capital requirements as at 31 December 2020. Since the Common Equity Tier 1 capital used to satisfy the risk-weighted MREL requirement cannot at the same time be used to satisfy the combined buffer requirement, the estimated actual need for primary capital and MREL is effectively 31.4 per cent of the adjusted risk-weighted assets.

Based on the above, Sparebanken Møre's effective MREL requirement will amount to NOK 9,284 million and the total subordination requirement will amount to NOK 7,658 million. The overall subordination requirement must as a minimum be phased in linearly and be met in full from 1 January 2024 onwards. From 1 January 2022, the effective subordination requirement is 20 per cent of the adjusted risk-weighted assets. For Sparebanken Møre, this will amount to NOK 5,914 million. The calculated primary capital available to meet the effective MREL requirement and overall minimum subordination requirement amounts to NOK 5,094 million. Sparebanken Møre has issued NOK 1,000 million in senior non-preferred capital (SNP) at the end of 2021.

Sustainable finance

The EU's Sustainable Finance Action Plan consists of a number of regulations designed to divert the flow of capital to sustainable investments. The plan is an important step for the EU in achieving its goal of net zero greenhouse gas emissions by 2050.

The introduction of a classification system that defines what types of activity can be called sustainable (the EU taxonomy) forms a key part of the action plan. A regulation has also been approved that sets requirements for sustainability-related disclosures in the financial services sector (EU regulation on sustainability-related disclosures in the financial services sector).

In Norway, the two regulations will be enacted via the 'Act on the disclosure of sustainability information in the financial services sector and a framework for sustainable investments' approved by the Storting in December 2021. The Act will only come into force after the regulations have been incorporated into the EEA Agreement, and the Ministry of Finance has stated that it expects this to happen in the first half of 2022.

Sparebanken Møre has implemented measures to adapt to the new legislation. More information can be found in the chapter on Sustainability and corporate social responsibility.

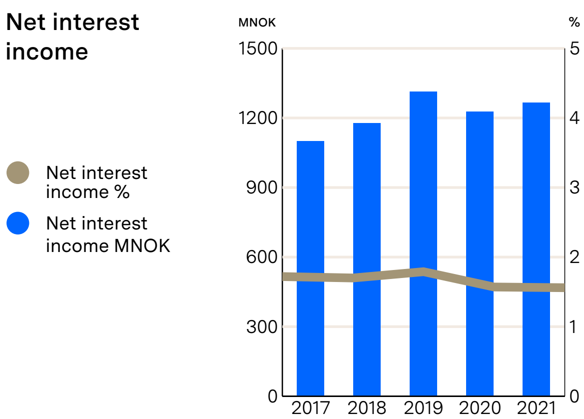
Results

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as established by the International Accounting Standards Board and approved by the EU as at 31 December 2021.

Net interest income

Net interest income totalled NOK 1,266 million (NOK 1,227 million) or 1.56 per cent (1.57 per cent) of average total assets. Net interest income accounted for 82.9 per cent of total income in 2021 (81.4 per cent).

In the retail market, the lending margin decreased while the deposit margin increased compared with 2020. In the corporate market, the interest margin for lending was on a par with 2020, while the interest margin for deposits increased slightly.



Lower interest rates in 2021 reduced funding costs, while also reducing the net interest contribution from the bank's equity. Interest rates have risen since the second quarter of 2021 and the rates for both lending and deposits were adjusted from November 2021.

Fierce competition in both lending and deposits, and reduced risk in the lending portfolio, contributed to downward pressure on net interest income, while higher lending and deposit volumes resulted in an increase in net interest income.

In 2020, the lending and deposit margins were heavily affected by the interest rate changes implemented during the second and third quarters. Lending rates were reduced before deposit rates and this significantly affected the net interest income and spreads for the year.

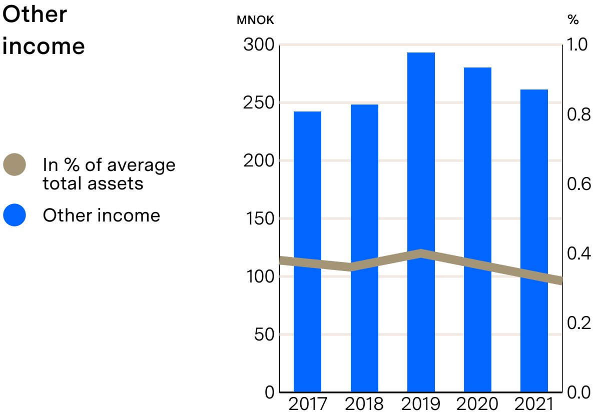
Other income

Other income was NOK 261 million in 2021 (0.32 per cent of average total assets). This is a decrease of NOK 19 million compared with 2020.

Dividends amounted to NOK 3 million, compared with NOK 22 million in 2020. Capital losses from bond holdings were NOK 23 million, compared with losses of NOK 4 million in 2020. Capital gains from equities amounted to NOK 18 million compared with capital losses of NOK 4 million in 2020. Income from other financial instruments shows a reduction of NOK 15 million compared with 2020.

Other income, excluding financial instruments, increased by NOK 12 million compared with 2020.

Other income

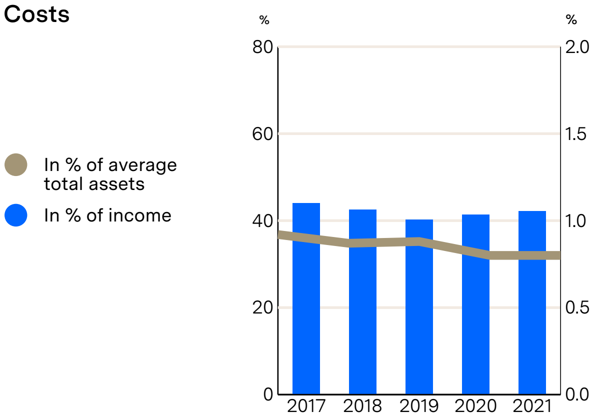


Costs

Total costs were NOK 645 million, which is NOK 21 million higher than in 2020. Personnel costs increased by NOK 23 million compared with 2020 and were NOK 360 million. Staffing has increased by 18 FTEs in the past 12 months to 364 FTEs. Other costs were NOK 2 million lower than in 2020.

The cost income ratio was 42.2 per cent in 2021. This represents an increase of 0.8 percentage points compared with 2020.

Costs



Provisions for expected credit losses and credit-impaired commitments

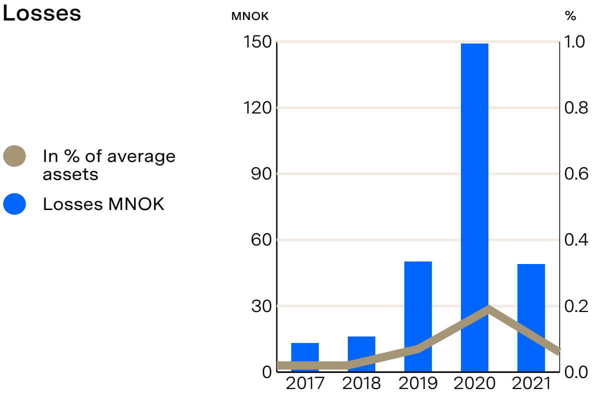
In 2021, the income statement was charged NOK 49 million (NOK 149 million) in losses on loans and guarantees. This amounts to 0.06 per cent of average total assets (0.19 per cent). Of this, confirmed losses amounted to NOK 16 million in 2021 (NOK 205 million) and recoveries on previously confirmed losses amounted to NOK 9 million (NOK 8 million).

The average estimated expected credit loss charged to the income statement (stage 1, 2 and 3) in the 4-year period 2018-2021 was NOK 9 million. Actual losses in 2021 amounted to NOK 7 million and consist of confirmed losses of NOK 16 million less recoveries on previously confirmed losses of NOK 9 million.

At the end of 2021, provisions for expected credit losses totalled NOK 368 million, equivalent to 0.51 per cent of gross loans and guarantee commitments (NOK 326 million and 0.47 per cent). Of the total provisions for expected credit losses, NOK 15 million concern credit-impaired commitments more than 90 days past due (NOK 18 million), which amounts to 0.02 per cent of gross loans and guarantee commitments (0.03 per cent). NOK 248 million concerns other credit-impaired commitments (NOK 191 million), which is equivalent to 0.34 per cent of gross loans and guarantee commitments (0.28 per cent).

Net credit-impaired commitments (commitments more than 90 days past due and other commitments in stage 3) have decreased by NOK 8 million in the past 12 months. At year end 2021, the corporate market accounted for NOK 762 million of net credit-impaired commitments and the retail market NOK 71 million. In total, this represents 1.16 per cent of gross loans and guarantee commitments (1.22 per cent).

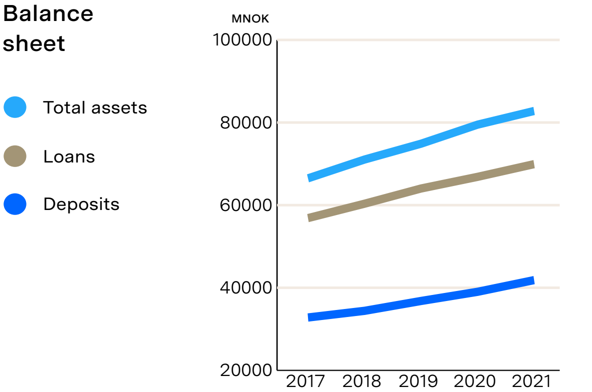
Losses



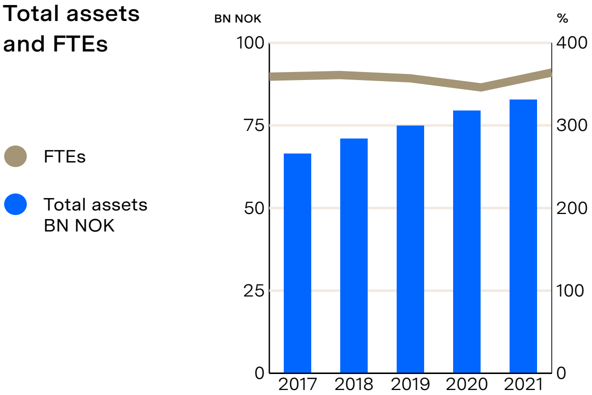
Total assets

At the end of 2021, total assets amounted to NOK 82,797 million. This represented a NOK 3,311 million or 4.2 per cent increase compared with last year. The change in total assets is primarily attributable to an increase in lending. The bank also improved its liquidity contingency in 2021 by increasing the liquidity portfolio.

Balance sheet



Total assets and FTEs



Lending to customers

At year end 2021, lending to customers amounted to NOK 69,925 million (NOK 66,850 million). In the past 12 months, customer lending has increased by a total of NOK 3,075 million, or 4.6 per cent. Retail lending has increased by 4.3 per cent and corporate lending has increased by 5.4 per cent in the past 12 months. Retail lending accounted for 67.7 per cent of lending at year end 2021 (68.2 per cent).

The changes in the risk classified portfolio (measured in terms of PD) were moderate in 2021. In the corporate market portfolio, the total share of the volume in the three best risk classes (A, B and C) increased from 49.8 per cent at the end of the year before to 50.2 per cent at the end of 2021. In the same period, the proportion in the high-risk classes (H, I and J) increased from 6.8 per cent to 10.6 per cent. For the retail customer portfolio, the proportion in the three best risk classes decreased from 95.5 per cent to 92.9 per cent. In the same period, the proportion in the high-risk classes (H, I and J) increased from 0.8 per cent to 1.0 per cent.

The proportion of credit-impaired commitments (risk classes M and N) decreased in 2021.

In the corporate market portfolio, net credit-impaired commitments as a percentage of loans/guarantee commitments decreased from 3.27 per cent at the end of 2020 to 3.12 per cent at the end of 2021. For the retail customer portfolio, net credit-impaired commitments as a percentage of loans/guarantee commitments decreased from 0.20 per cent at the end of 2020 to 0.15 per cent at the end of 2021.

Deposits from customers

Customer deposits have increased by NOK 2,830 million, or 7.3 per cent, in the past 12 months. At year end 2021, deposits amounted to NOK 41,853 million (NOK 39,023 million). Retail deposits have increased by 5.6 per cent in the past 12 months, while corporate deposits have increased by 9.5 per cent and public sector deposits by 15.1 per cent. The retail market's relative share of deposits amounted to 58.9 per cent (59.9 per cent), while deposits from the corporate market accounted for 38.8 per cent (38.0 per cent) and from the public sector market 2.3 per cent (2.1 per cent).

The deposit-to-loan ratio was 59.6 per cent at the end of 2021 (58.1 per cent).

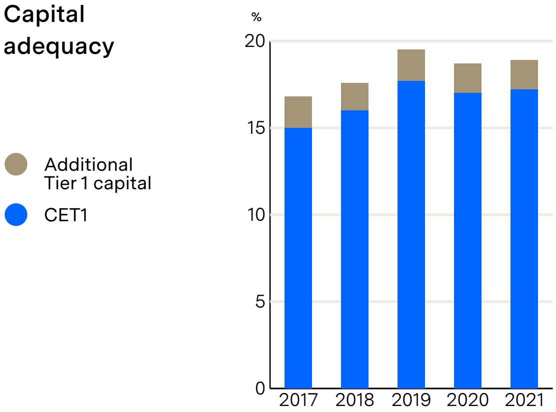
Capital adequacy

Sparebanken Møre is well capitalised. At the end of 2021, the Common Equity Tier 1 capital ratio was 17.2 per cent (17.0 per cent). This is 4.5 percentage points higher than the total regulatory minimum requirement for the Common Equity Tier 1 capital ratio of 12.7 per cent. Primary capital was 20.9 per cent (20.8 per cent) and Tier 1 capital 18.9 per cent (18.7 per cent).

The leverage ratio (LR) at year end 2021 was 7.7 per cent, the same as at year end 2020. The regulatory minimum requirement (3 per cent) and buffer requirement (2 per cent), 5 per cent in total, were met by a good margin.

Please also see the section on Risk and capital management for a more detailed account of capital adequacy.

Capital adequacy



Securities

Holdings of investments in securities (the LCR portfolio plus the surplus liquidity portfolio) at year end 2021 amounted to NOK 10,185 million compared with NOK 8,563 million at year end 2020. The volume of the portfolio is generally tailored to the LCR requirement, but also the bank's overall liquidity situation.

The bank had no trading portfolio at year end 2021.

The bank's Additional Tier 1 capital consists of two loans totalling NOK 600 million. Both loans are subject to variable rates.

Covid-19

Covid-19 has presented challenges for some of the bank's customers. After returning to more normal everyday lives in autumn 2021, the omicron variant led to a new shutdown. Although we are now on our way back to more normal everyday lives again, some uncertainty surrounding the developments expected in both Norway and the global economy remains, and the picture is constantly changing. Some industries have undergone fundamental changes due to the rapid digitalisation that has occurred during Covid-19. And there will also be further changes in the economy due to the climate issue and focus on sustainability.

While the omicron variant did result in a new shutdown, the future prospects have become more positive and clearer. Large proportions of the population are vaccinated, and macroeconomic conditions are improving. There are still very few bankruptcies and credit-impaired commitments remain low.

Changes in economic conditions have had consequences for macroeconomic scenarios and weightings in the Group's calculations for expected credit loss (ECL) in 2020 and 2021.

Proposed allocation of the profit for the year

In line with the rules for equity certificates, etc., and in accordance with Sparebanken Møre's dividend policy, the Board of Directors is proposing to the Annual General Meeting that 51.5 per cent of the Group's profit allocated to equity certificate holders be set aside for cash dividends and dividend funds for local communities.

Based on the accounting breakdown of equity in the parent bank between equity certificate capital and the primary capital fund, 49.66 per cent of the profit will be allocated to equity certificate holders and 50.34 per cent to the primary capital fund.

The Group posted earnings per equity certificate of NOK 31.10 in 2021. The Board of Directors is also proposing to the Annual General Meeting that the cash dividend per equity certificate for the 2021 financial year be set at NOK 16.00, which will come to NOK 158 million in total. The corresponding provision for dividend funds for local communities amounts to NOK 160 million.

Proposed allocation of profit (figures in NOK millions):

Profit for the year		**642**
Share allocated to AT1 instrument holders		23
Dividend funds (51.5 %)		
To cash dividends	158	
To dividend funds for local communities	160	318
Strengthening equity (48.5 %)		
To the dividend equalisation fund	148	
To the primary capital fund	150	
To other funds	3	301
Total allocated		**642**

Equity certificates and dividends

At year end 2021, there were 5,617 holders of Sparebanken Møre's equity certificates. The proportion of equity certificates owned by foreign nationals amounted to 5.28 per cent at the end of the year. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the bank's total equity.

The 20 largest equity certificate holders represented 53.6 per cent of the bank's equity certificate capital at year end. Of these equity certificate holders, nine were residents of Møre og Romsdal, with a relative ownership interest among the 20 largest of 54.2 per cent (57.3 per cent). Note 34 includes a list of the 20 largest holders of the bank's equity certificates.

Sparebanken Møre encourages all employees to own equity certificates in Sparebanken Møre and contributes to this via reward schemes. At the end of the year, employees held 240,061 equity certificates, which makes employees the tenth largest MORG owner overall.

As at 31 December 2021, the bank owned 22,111 of its own equity certificates. These were purchased on the Oslo Børs at market prices. The equity certificates are freely negotiable in the market.

Sparebanken Møre's dividend policy states that the bank's aim is to achieve financial results which provide a good and stable return on the bank's equity. The results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity.

Dividends consist of cash dividends for equity certificate holders and dividend funds for local communities. The proportion of profits allocated to dividends is in line with the bank's capital strength. Unless the bank's capital strength dictates otherwise, it is expected that about 50 per cent of this year's surplus can be distributed as dividends.

Sparebanken Møre's allocation of earnings should ensure that all equity certificate holders are guaranteed equal treatment.

Business areas

Retail Banking Division

Sparebanken Møre is a market leader in Nordvestlandet and has a strong presence with 135 authorised financial advisers in the retail market. Availability and expertise in a financially strong bank have been important to customers in what has been another extraordinary year. The bank saw record growth in new retail customers in 2021, which is good confirmation of the bank's business model. The growth was particularly strong in the bank's priority market areas.

Lending in the retail market increased by NOK 1.97 billion (4.3 per cent) and ended the year at NOK 47.6 billion. Deposit growth was strong throughout the year and increased by NOK 1.3 billion (5.6 per cent). The deposit balance showed NOK 24.7 billion for the retail market at the end of the year. The growth in other business areas such as insurance and credit cards were also strong in 2021. Both the non-life insurance and personal insurance portfolios have seen record growth in the past year. Insurance has become an integral part of the bank's advice provision and the advisers' expertise in the area has increased substantially in recent years. All advisers are also certified within non-life insurance and personal insurance.

Sparebanken Møre places great importance on availability, good customer service and skills. During periods when the opportunities to meet customers in person were limited, rapid response times via customer service, the telephone, digital meetings and email conversations were a high priority.

Use of the bank's digital solutions is increasing and in 2021 customers were given the option of applying for increases in their residential mortgages online. They can also now make changes to their loans themselves. This allows the bank to spend more time and resources on providing good advice, for which it is experiencing great demand. Many customers have had good liquidity as a result of low interest rates, and many have chosen to invest part of their savings in funds and the stock market. Many entered the market for the first time and have thus sought advice from their regular adviser. Availability and strong expert environments have therefore been competitive advantages in the year just ended.

Sparebanken Møre wants to be a driving force behind sustainable development. In the role of adviser for multiple retail customers, it is important to actively encourage customers to make sustainable choices. Green mortgages, green funds and green car loans were launched in 2021. Demand is especially high for green investment opportunities.

Expert advisers combined with products that are well-suited to meeting customers' needs made important contributions to creating good customer experiences. All employees who advise customers must complete their FinAut authorisation programmes. They must also undergo continuous refreshers in market developments, systems training and training in providing good customer advice.

In 2021, Sparebanken Møre won the 'Best in test' customer service award in the banking category – for the third year in a row. This is yet further confirmation of the bank's expertise benefiting customers.

The bank wants to have good, long-term relationships with its customers. Availability and expertise have been important focus areas for the bank for many years, and in 2021 this work produced results in the form of good feedback from existing customers, strong growth in new customers and good results in external surveys.

Corporate Banking Division

The Corporate Banking Division is Nordvestlandet's largest financial services environment for business and it also maintained its positions in both lending and investments in 2021.

Lending to the corporate market increased by just over NOK 1.2 billion to a total of NOK 22.7 billion, which represents growth of 5.4 per cent. Growth was on a par with 2020, although it was slightly lower than the lending growth seen in the 3 years before that. At the end of the year, deposits had grown by just over NOK 1.5 billion, or 9.8 per cent, and deposits from corporate customers totalled NOK 17.2 billion.

The largest individual industries measured in terms of lending were commercial real estate and fisheries. The quality of the lending portfolio is good and both credit-impaired commitments and losses remain low in most industries. The losses in 2021 were mainly related to the offshore/supply sector.

The growth in new customers continues to gather pace and after around 500 new corporate customers chose to establish active customer relationships with Sparebanken Møre in 2019, this number rose to around 600 in 2020 and almost 650 in 2021. The majority of these were companies in the SME segment.

Sparebanken Møre came out on top in EPSI's nationwide customer satisfaction survey published in autumn 2021 with a score of 71.4 compared with an industry average of 65.1. The bank did particularly well in the areas of industry knowledge, proactive advice, personal follow-up and corporate social responsibility.

The survey confirms that competent advisers are crucial with respect to customer satisfaction, and further enhancing employee expertise is an important focus area. All account managers in the Corporate Banking Division are authorised financial advisers and must pass annual tests to renew their authorisation. In order to create added value for customers based on sound expert advice, the bank is also systematically developing cutting edge, up-to-date and relevant industry expertise and knowledge of local market conditions.

Other important elements, in addition to solid expertise, are the proximity to customers and close dialogue through one-on-one customer meetings and participation in various industry arenas. 2021 was another year with strict restrictions on in-person meeting places, and customer contact largely took place through digital channels. Functionality and operational stability were good, and the bank thus managed to maintain good availability and advice functions for customers, despite the circumstances.

The pandemic has had very different consequences for different industries. Many local commercial enterprises saw very good turnover and profitability, while other sectors experienced significantly negative impacts on their framework conditions, which resulted in lower turnover and squeezed profitability. For the bank's part, it has focused heavily on assisting customers with good financial solutions. A range of government economic packages were introduced in 2020. These were continued in 2021, at the same time as new measures were introduced. The bank has advised customers on the available economic measures.

In parallel with further improving and strengthening our advisers' industrial and other technical expertise, there was a focus on digitalising and streamlining both internal processes and better self-service solutions. The aim is to simplify the self-service processes for customers with respect to setting up customer relationships and products. This also applied to efficient, digitalised, self-service credit solutions. This will help ensure that the bank's account managers can give even greater priority to direct customer contact and advice that provides added value to customers in 2022.

Capital Market

Sparebanken Møre's licence to operate as an investment firm is managed by the Finance and the Wealth Management units. In the Finance unit, the Treasury department follows up funding and management related services for the Group, while the Markets department manages the customer-oriented services such as customer business in currencies, interest rates and equities. The Portfolio Management department follows up the service related to discretionary portfolio management.

Sparebanken Møre must aim for low to moderate overall risk in the activities of the bank and the Group. Earnings should be a result of customer-related activities, and not financial risk taking, and the bank's market risk must be low.

The two units' customer-oriented services generated income of NOK 101 million in 2021, which represented just over 39 per cent of the bank's other operating income in 2021, although this was a decrease compared with 2020. Currency and fixed income business, as well as discretionary portfolio management, are the most important income areas. After deducting costs, the income is allocated to the Corporate Banking Division and the Retail Banking Division.

Subsidiaries

The aggregate profit of the bank's three subsidiaries was NOK 240 million after tax in 2021 (NOK 232 million).

Møre Boligkreditt

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The main purpose of the covered bond company is to issue covered bonds for sale to Norwegian and international investors. At year end 2021, the company had outstanding bonds of NOK 25,1 billion, of which around 41 per cent were denominated in currencies other than NOK. Of the volume of bonds issued by the company, NOK 510 million (both nominal values) was held by the parent bank at the end of 2021. Møre Boligkreditt AS contributed NOK 239 million to the Group's result in 2021 (NOK 230 million).

Møre Eiendomsmegling AS

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company did not make a profit contribution in 2021 (NOK 0.5 million). At the end of the quarter, the company employed 17 FTEs.

Sparebankeiendom AS

Sparebankeiendom AS's purpose is to own and manage the bank's commercial properties. The company contributed NOK 1 million to the result in 2021 (NOK 2 million). The company has no employees.

Research and development

The bank takes a systematic approach to various development projects where the purpose is to provide improved products and services for customers, or to help streamline and enhance the quality of internal work processes.

Some of the projects are carried out in collaboration with partners, including through TEFT lab, which is a research partnership with the Norwegian University of Science and Technology (NTNU) in Ålesund. The bank plays an active role in education, research, innovation and dissemination, at the intersection of economics and technology.

The Group does not carry out its own research activities beyond this but is a strong contributor to R&D activities in Nordvestlandet via knowledge parks and industry clusters.

Corporate governance

Corporate governance in Sparebanken Møre includes the aims, targets and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of EC-holders, customers and other groups in the Group. Good corporate governance is a prerequisite for long-term, sustainable value creation.

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance, most recently updated on 14 October 2021. Sparebanken Møre reviews the Code of Practice every year and submits a report in accordance the Code of Practice and section 3-3b of the Accounting Act.

Sparebanken Møre's corporate governance report is included in the annual report as a separate section.

Risk and capital management

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

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

The overall framework and limits for Sparebanken Møre's risk management are assessed annually by the Board as part of the preparation of the bank's strategic plan. In November 2021, the Board adopted a new strategic plan, 'Møre 2025'. The Board approves overall guidelines for management and control in the Group each year, and subsidiaries adopt individual risk strategies tailored to their activities. Separate guidelines have been approved for each significant risk area, including credit risk, counterparty risk, market risk, concentration risk, operational risk and liquidity risk.

The various guidelines 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 ILAAP process, which is the bank's assessment of liquidity and funding risk, is included as part of the ICAAP. Calculations performed in ICAAP 2021 indicate 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 economic calculations and simulations based on various stress tests.

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

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

The EU capital requirements regulations, CRR/CRD IV, have been enacted in Norway, and Sparebanken Møre reports, among other things, its capital adequacy requirements and liquidity requirements in accordance with these regulations. A revision of the regulations is expected to come into force in Norway during 2022 and will result in several changes such as the extension of the SME discount and the introduction of a minimum requirement for NSFR.

Based on the capital adequacy regulations, the minimum requirement for capital adequacy consists of a Pillar 1 requirement and a Pillar 2 requirement. The Pillar 2 supplement applies to risks that are not covered or are only partly covered by Pillar 1. The Financial Supervisory Authority of Norway (FSA) has set the bank's Pillar 2 requirement at 1.7 per cent, applicable from 31 March 2019. At the next determination of the Pillar 2 requirement(P2R), the FSA will also express an expectation of a capital requirement margin beyond the total risk-weighted capital requirement (Pillar 2 Guidance(P2G)).

Sparebanken Møre's total minimum requirement for Common Equity Tier 1 capital amounted to 12.7 per cent as at 31 December 2021. Norges Bank has decided to increase the countercyclical buffer to 1.5 per cent from 30 June 2022, and then to 2.0 per cent with effect from 31 December 2022. A further increase to 2.5 per cent from the first half of 2023 has also been announced. The Ministry of Finance has stated that the system risk buffer requirement will be increased from 3.0 per cent to 4.5 per cent with effect from 31 December 2022 for banks using the standardised approach and the IRB Foundation approach.

When CRR 2, CRD V and BRRD 2 are enacted in Norwegian regulations, probably with effect from 30 June 2022, the SME discount will be expanded. It is estimated that the effect will be an improvement in the Group's Common Equity Tier 1 capital ratio of 1.3 percentage points. On 9 June 2021, the FSA announced requirements for IRB models in circular 03/2021. An assessment has been made under the auspices of the IRB banks that the circular breaches EU regulations, which has been communicated to the Ministry of Finance. Sparebanken Møre has estimated that the effect of changes to the benchmark model for home mortgages will amount to a reduction in its Common Equity Tier 1 capital ratio of 0.4 percentage points. The effect has not been incorporated into the bank's capital reporting. Sparebanken Møre has applied to FSA for approval of changes to the IRB models and calibration framework and is awaiting a reply.

Sparebanken Møre has authorisation from the FSA to use the IRB Foundation approach for calculating capital requirements for credit commitments. Operational risk calculations are performed using the basic indicator approach.

Sparebanken Møre's capital adequacy at year end 2021 was well above the regulatory capital requirements and the internally set minimum target for Common Equity Tier 1 capital of 15.2 per cent. Primary capital amounted to 20.9 per cent (20.8 per cent) and Tier 1 capital 18.9 per cent (18.7 per cent), of which Common Equity Tier 1 capital amounted to 17.2 (17.0 per cent).

The minimum requirement for the Tier 1 leverage ratio has been set at 3 per cent. Every bank must also have a buffer of at least 2 percentage points. At year end 2021, Sparebanken Møre's Tier 1 leverage ratio was 7.7 per cent (7.7 per cent), which represents a good margin with respect to the total requirement of 5 per cent.

The Board continuously monitors capital adequacy, and the Group must have a level of capitalisation that corresponds with its accepted risk tolerance. The bank's recovery plan clarifies options that the bank can implement if the capital adequacy comes under stress. The options are listed in order of priority, with the measures described and their implementation specified should they become necessary.

Credit risk

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

Credit risk also encompasses concentration risk, including risk linked to major commitments with the same customer, concentration within geographic areas or industries or with similar groups of customers.

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

Compliance with the Board's resolutions within the area of credit is monitored by the bank's Risk Management and Compliance unit, which is independent of the customer divisions. The Board receives reports on credit risk trends throughout the year in a monthly risk report. In addition, periodic reviews of the credit area are carried out by the Audit Committee and the Risk Committee. The Board receives quarterly reports in line with the regulations for residential mortgages and the regulations for lending. Sparebanken Møre's internal guidelines conform to the Financial Supervisory Authority of Norway's guidelines for mortgage lending.

Sparebanken Møre has, as part of the IRB system, developed its own risk classification models for classifying customers:

- Probability of Default (PD) is used as an indicator of quality. Customers are classified in a risk class according to the probability of default.
- Exposure At Default (EAD) is a calculated amount which includes drawn commitments or lending, loan commitments, and a proportion of approved, undrawn facilities.
- Loss Given Default (LGD) indicates how much the Group would expect to lose if the customer defaulted on his obligations. The models take account of the collateral that the customer has pledged, future cash flows and other relevant factors.

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

Through the Group's reporting portal, each member of staff with customer responsibilities 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 reporting is 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 Special Commitments department is part of the Risk Management and Compliance unit. The purpose of this department is to improve the efficiency of the processes associated with losses and commitments in default. This will improve the quality and professionalism in handling impaired commitments and ensures that case processing will be objective and independent. The department reports upwards in the management hierarchy independent of the line.

The Board finds that Sparebanken Møre's overall credit risk is within the Group's adopted risk tolerance. Exposure to large commitments is well within the adopted limits and the follow-up and control of this area is good. The Board finds that Sparebanken Møre is well prepared to handle any increased credit risk in the loan portfolio, and that the Group has a good foundation for increasing its focus on solid lending projects in Sparebanken Møre's area of operation in the future.

Climate risk

Climate risk is the impact resulting from climate change. Climate risk will also impact the bank's credit risk. Therefore, it is vital that the bank understands how climate risk will impact business customers' business models and profitability. At the same time, the bank wants to be a driving force behind ensuring that customers do not have a negative impact on the climate, but rather choose a greener direction (low emission).

When assessing climate risk, two types of risk in particular must be assessed: physical risk and transitional risk.

Physical climate risk arises as a result of more frequent and severe episodes of drought, flooding, precipitation, storms, landslides and avalanches, as well as rising sea levels.

Transitional risk is the risk associated with changes to, and the escalation of, climate policies/regulations, the development of new technologies and changed customer preferences (consumers) and investor requirements that may result in sudden changes in the market value of financial assets and especially assets associated with carbon-intensive activities (high consumption of energy from fossil fuel: coal, oil, natural gas, oil shale and tar sands).

From the 2021 accounting year onwards, climate risk will be reported in line with the framework issued by the Task Force on Climate-related Financial Disclosures (TCFD).

Since the second quarter of 2021, all corporate customers with an exposure above a specified threshold value have had to undergo a new ESG risk analysis. The analysis assesses companies based on the three ESG dimensions, the environment, social conditions and governance, with an emphasis on the environment and climate risk. The analysis is conducted using a special ESG risk module, which returns a customer score of low, moderate or high ESG risk. The results of the analyses are reported to the Board of Directors on a quarterly basis.

In the opinion of the Board, the bank's operations are organised such that the climate risk is within the bank's risk tolerances.

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 meet funding needs and safeguard access to loans from Norges Bank, as well as customer-generated interest rate and foreign exchangebusiness.

The Board stipulates limits for Group market risk in the market risk strategy. The limits are monitored by the Risk Management and Compliance unit. The limits are established based on analyses of negative market movements. Based on an evaluation of risk profile, management and control, it is assumed that the bank accepts low risk within the market risk area. The reporting on monthly activity is included in Sparebanken Møre's periodic risk report for Group Management, the Risk Committee and the Board. Monthly performance is reported in addition to the actual risk exposure within each portfolio, individually and aggregated. The limits for market risk are conservative, and on an overall basis, market risk represents a small part of the Group's aggregate risk.

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

Funding risk

The management of Sparebanken Møre's funding structure is incorporated into an overall funding strategy. The strategy reflects the moderate risk level that is accepted for this area of risk. It describes Sparebanken Møre's targets for maintaining its financial strength. Specific limits have been defined for different areas of the Group's liquidity management. Sparebanken Møre's recovery plan includes a description of how the funding situation should be handled in turbulent financial markets.

Two key quantitative requirements have been established for liquidity:

- Requirement for liquidity coverage under stress: Liquidity Coverage Ratio (LCR)
- Requirement for long-term stable funding: net stable funding ratio (NSFR)

LCR measures an institution's 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 means that institutions have to fund illiquid assets with the aid of a greater proportion of stable and long-term funding.

The regulatory minimum LCR requirement is 100 per cent. The Group has established an internal minimum LCR target of 110 and the reporting shows that Sparebanken Møre has a good margin in relation to the requirement.

A stricter liquidity requirement generally entails a significant interest cost for the bank. It also makes the bank more vulnerable to changes in credit spreads.

To ensure that the Group's funding risk is kept at a low level, lending to customers must primarily be financed by customer deposits and issuing long-term debt securities. The bank's deposit-to-loan ratio at the end of 2021 was 59.6 per cent.

Møre Boligkreditt AS increases the diversification of the Group's sources of funding. The company issues covered bonds. The bank transfers parts of its mortgage portfolio to the mortgage company, and this facilitates access to these funding opportunities. At year end 2021, around 40 per cent of the Group's total lending (59 per cent of lending to the retail market) had been transferred to the mortgage company. Sparebanken Møre will continue to transfer loans to Møre Boligkreditt AS in accordance with the plans set out in the funding strategy. By year end, Møre Boligkreditt AS had issued eight loans that qualify for level 2A liquidity in LCR. Møre Boligkreditt AS will issue and accumulate more loans in this category going forward.

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.

In January 2021, the ratings agency Moody's upgraded Sparebanken Møre's long-term rating from A2 to A1 with a stable outlook. Bonds issued by Møre Boligkreditt AS are rated Aaa by Moody's.

As far as the composition of the external funding is concerned, priority is given to ensuring that a relatively high proportion of funding has a term in excess of one year. Total market funding ended at net NOK 31.8 billion at year end; almost 85 per cent of this funding has a remaining term of more than 1 year. The parent bank's outstanding senior bonds, with a term of more than 1 year, had a weighted remaining term of 2.55 years at year end 2021, while covered bond funding correspondingly had a remaining term of 3.53 years.

Sparebanken Møre has started reporting on liquidity to the Board in line with the reporting structure in the Financial Supervisory Authority of Norway's module for liquidity risk.

The Board receives a monthly review of the bank's liquidity status and the actual costs of market loans, development of marginal costs and average borrowing costs, as well as prognoses regarding liquidity requirements and comments on refinancing in the coming period.

The Board also receives a monthly status update on the liquidity situation via the risk report, and immediately if any important events occur that could impact the bank's current or future liquidity situation. The reporting includes several different key figures related to the development of financial strength, balance sheet performance, earnings performance, credit-impaired commitments and the development of cost of funds. The reporting tries to identify the funding situation during normal operations, identify any early 'warning signs' and assess the bank's stress capacity.

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

Operational risk

Management of Sparebanken Møre's operational risk is set out in a strategy that is evaluated and approved by the Board every year. The strategy clarifies the risk tolerance accepted for this area of risk.

Operational risk is defined as the risk of losses due to inadequate or failing internal processes or systems, human error or external events. Operational risk is a broad area of risk and includes legal risk and reputational risk in the processes, cyber/IT risk, third party risk, conduct risk, anti-money laundering, privacy and more.

The process for managing operational risk must ensure that no single incident can seriously harm Sparebanken Møre's financial position. The Board has adopted internal guidelines for the area, and risk assessments are carried out based on external and internal incidents to which the bank is exposed. There were no incidents with serious consequences in 2021.

Major changes are taking place in relation to operational risk. These are being driven by the digitalisation of society and the financial services industry. As a result of this, the risk associated with information security due to, for example, hacking is increasing, at the same time as the risk of human error can be mitigated in selected areas.

The quality and stability of digital banking services and other IT services were generally good in 2021. Good cooperation between the actors in the industry makes an important contribution to the work on reducing the consequences of targeted attacks aimed at banks and other financial institutions. Sparebanken Møre has a strong focus on information security, including amongst the bank's employees and at the bank's service providers. Mandatory e-learning courses in information security have been conducted regularly during the entire period of the Covid-19 pandemic.

The bank's business model with subsidiaries, associated companies due to the outsourcing of several critical processes and increasing regulatory requirements will have consequences for operational risk. Covid-19 has also contributed to a change in the risk picture and together this underscores the importance of managing operational risk and keeping it under control.

The bank believes that the work on anti-money laundering is very important. The anti-money laundering officer reports to the Board regularly and during the year more resources were assigned to this work in the bank.

The bank constantly works to ensure compliance with the privacy regulations in the organisation through ongoing assessments in individual cases and involvement in projects. Privacy is monitored closely, and deviations are reported to the Norwegian Data Protection Authority during the year.

The regulatory requirements and guidelines for the management and control of operational risk are increasing and the bank is in the process of professionalising this area. Although such management and control has been carried out for many years, the bank sees a need for broad input to the improvement work. The bank has started an extensive project to design and implement a management and control framework for operational risk that helps to ensure that the risk exposure is within the risk tolerance, satisfies the regulatory requirements and expectations, and contributes to continuous improvement. Operational risks to which the bank is exposed were identified and quantified through this work in 2021.

Sparebanken Møre attaches great importance to external activities that focus on customers. The employees' high level of expertise and products designed to meet the needs of customers are important contributions to reducing operational risk while ensuring good customer experiences. All employees who advise customers are authorised via FinAut's authorisation programmes. They also undergo continuous refreshers in market developments, systems training and training in providing good customer advice.

Sparebanken Møre's established, operational internal control represents an important tool for reducing operational risk, through both identification and follow-up. The Board receives a quarterly risk report that includes the risk associated with any significant deviations and incidents that might occur.

The Board believes that the bank's overall risk exposure related to operational risk is prudent.

Compliance risk

Compliance risk is the ongoing and future risk with respect to earnings and capital related to any breach of, or failure to comply with, statutory or regulatory requirements, or requirements stipulated pursuant to acts and regulations, by the Group.

Compliance risk may result in public sanctions (loss of licence or fines), civil law compensation, and/or damages for losses in the event of breaches of contract. Compliance risk can also result in loss of reputation, limit business opportunities and reduce the potential for expansion.

Sparebanken Møre's overall goal for compliance is to ensure that the Group operates in accordance with acts and regulations, and the tolerance for deviations must be low.

The main principle for compliance with the regulatory requirements to which Sparebanken Møre is exposed is the sharing of work and liability. This means that the various divisions, units, departments and business units have an independent responsibility to ensure compliance with acts and regulations in their day-to-day work.

All employees have an independent responsibility to comply with routines and guidelines established in accordance with acts and regulations, including providing feedback in the event of any discrepancies.

The Group's compliance function must ensure compliance with statutory or regulatory requirements and reports directly to the CEO and Board. The function is responsible for identifying, assessing, monitoring, reporting and advising on compliance risk.

The Board adopts annual compliance instructions and receives quarterly compliance reports. In the opinion of the Board, the bank's operations are organised such that the compliance risk is within the adopted risk tolerance.

Internal control in connection with the financial reporting process

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

Responsibility for the financial reporting process itself is assigned to the Finance unit.

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

Part of the internal control in connection with reporting the annual financial statements is the cooperation with the external auditor and their audit of the Group accounts.

The interim and annual financial statements are reviewed by the bank's management group and the Audit Committee prior to final consideration by the Board and General Meeting. The annual financial statements are also considered by the Annual General Meeting.

Internal control reporting

Internal control reporting at Sparebanken Møre is decentralised, with Compliance Management as the coordinating unit. The internal control system is reviewed and verified every year in a process that involves all managers at levels 1, 2 and 3.

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.

The Board has received regular reports on the operations and risk situation throughout the year. Based on the reports received, the Board believes that internal control is being properly addressed at Sparebanken Møre.

Sustainability and corporate social responsibility

One of Sparebanken Møre's clear ambitions is to be a driving force behind sustainable development. The Board has approved the Group's sustainability strategy, and specific action plans and measures have been established in the bank's units/divisions in order to integrate sustainability and corporate social responsibility into the Group's operations. Sustainability has also been elevated to one of the five main areas in the corporate strategy for the period 2022-2025.

Through its endorsement of the UNEP FI Principles for Responsible Banking, Sparebanken Møre has committed itself to adapting its business strategy to the UN Sustainable Development Goals, Paris Agreement and relevant national framework.

The Group issues an annual report on corporate social responsibility in line with section 3-3c of the Accounting Act. A report is also produced in line with the reporting standard the Global Reporting Initiative (GRI).

This reporting contains descriptions of the goals, status and plans for what have been defined as the main sustainability topics for Sparebanken Møre. The reporting includes information on how Sparebanken Møre addresses and fulfils its responsibilities with respect to human rights, labour rights and social conditions, the external environment and combating corruption in business strategies, day-to-day operations and in relation to stakeholders.

The bank's report on sustainability and corporate social responsibility can be found in a dedicated chapter in the annual report.

Employees and working environment

Sparebanken Møre wants to be a highly attractive employer where employees thrive, develop and contribute to a good working environment for everyone. A good working environment must be achieved through, among other things, personnel policy measures, employee involvement and developmentreflective feedback.

Employee satisfaction is measured every year and the working environment, commitment, management and communication, as well as the risk culture in Sparebanken Møre, are analysed. For 2021, the working environment committee score was 7.9 on a scale from 1-10, which reflects a very good working environment. Nevertheless, this is a slight decline from the result of 8.3 for 2020, a fact that can partly be attributed to the Covid-19 situation. The survey, including all of the employees' comments, has been carefully analysed and systemised, and has resulted in a concrete action plan.

Sparebanken Møre wants to contribute to low work-related sick leave through systematic HSE work, good management and a good working environment. Sick leave has been low over time and in 2021 it was 2.62 per cent.

Read more about the bank's work on training, as well as working conditions, equal opportunities and diversity in the chapter on Sustainability and corporate social responsibility.

Directors' and officers' liability insurance

Sparebanken Møre has taken out directors' and officers' liability insurance with the insurance company AIG. Those covered are former, current and future board members, the CEO and members of equivalent governing bodies in the Group and subsidiaries. Continuity date 1 January 2008.

Internal auditing

The internal auditing function's remit is to provide independent assessments of the quality and effectiveness of management and control, risk management and internal control and compliance with relevant laws and regulations.

The Group's internal auditing was outsourced to EY in 2021. The internal auditing function reports to the Risk Committee and the Board. A plan has been prepared for the work of the internal auditor and approved by the Board. The Risk Committee and the Board received regular reports from the internal auditor in 2021 in accordance with this plan, and no material breaches of relevant laws or regulations were identified.

Going concern assumption

In accordance with the requirements of Norwegian accounting legislation, the Board confirms that the prerequisites for the going concern assumption have been met and that the annual financial statements have been prepared and presented on a going concern basis. This is based on the Group's long-term forecasts for the coming years.

Events after the balance sheet date

No significant events have occurred after the balance sheet date that materially affect the annual financial statements as presented.

Future prospects

2021 was largely characterised by economic recovery, both in Norway and abroad. Output and demand picked up in most countries and regions as stringent infection control measures were phased out. The upturn resulted in lower unemployment and increased turnover in the business sector. The upswing was a result of the easing of numerous and, to some extent, invasive infection control measures that have been in place for a long time, a comprehensive vaccination programme, economic support measures for enterprises and households, and record low interest rates.

Output and demand also picked up in Møre og Romsdal during the year. Meanwhile, unemployment actually rose slightly in Møre og Romsdal in December as a result of more extensive infection control measures. In the middle of the month, 2.0 per cent of the labour force was completely unemployed according to NAV. The corresponding unemployment rate for the country as a whole was 2.2 per cent. Unemployment rose within service industries like hotels, restaurants, tourism and culture in particular. However, according to NAV Møre og Romsdal, the increased infection rate and stricter infection control measures did not result in a particularly large increase in unemployment. Employers are also reporting major difficulties recruiting qualified applicants.

A number of sectors saw record levels of activity last year. These include the seafood industry, building and construction and those parts of industry involved in the manufacture of goods. There was also a sharp upturn in retail sales due to periodic shutdowns of the service sector. The period up to November saw significant growth in the demand for services. As infection control measures are phased out, service production in the county will probably rise again. Unemployment will then be expected to drop back towards the level it was prior to the pandemic.

The improvement in the real economy heavily influenced developments in the financial markets. Among other things, the Oslo Børs's main index rose by no less than 23 per cent during the year. The broad S&P 500 index in the US rose by 27 per cent. The improvement in the risk appetite of investors, combined with a very sharp rise in oil prices, resulted in the Norwegian krone strengthening by almost 50 øre to around NOK 10 for EUR 1. At the same time, long-term interest rates rose on the expectation of higher policy rates.

Inflation rose sharply during the recovery. This was especially true in the US. In December 2021, consumer price inflation in the US was 7.0 per cent. This is the highest consumer price inflation rate since 1982. Norway also saw a significant increase in inflation during the year. The main reasons for the rise in inflation were high demand for goods during the pandemic, problems sourcing input factors and labour, as well as high commodity and energy prices.

It appears that the economic recovery will continue in 2022. At the same time, inflation will remain high, at least in the short-term. As a consequence of this, several central banks indicated that they will probably increase their policy rates during the year. This includes the US Federal Reserve, which has indicated that the first rate hike will probably come in March. Following this, the interest rate will probably be hiked again. Norges Bank also indicated in its 'Monetary Policy Report' for December 2021 that its policy rate will be increased by up three times this year. Expectations in the interest rate markets indicate that the risk related to the central banks' interest rate projections is on the upside.

The central banks also point out that there is considerable uncertainty about the economic outlook, including in relation to growth in the global economy due to the risk of new and extensive infection outbreaks, inflation and interest rates, as well as the property sector in China. However, the greatest economic uncertainty going forward concerns Russia's invasion of Ukraine. In the short term, we envisage major impacts on the equity-, currency- and capital markets with high volatility, falls in value, margins widening and migration from less secure assets to secure assets such as safe government bonds and safe haven currencies. Sanctions that have been imposed on Russia, which is a major energy producer, have resulted in oil and gas prices rising sharply. In 2022, these factors are likely to be major topics in the equity-, interest rate-, currency- and oil markets. Over the course of 2022, higher energy prices will reinforce inflation and could contribute to interest rates being higher than they otherwise would have been. In Norway, the chance of house prices falling, significantly higher interest rates and more bankruptcies over time as support measures are discontinued are important risk factors.

The bank registered good activity throughout 2021 with an accelerating rate of growth compared with the end of 2020. The 12-month growth rate was 4.6 per cent, compared with 4.4 per cent at the end of 2020. The 12-month growth rate for lending in the retail market amounted to 4.3 per cent at the end of the year, while the growth rate for the corporate market lending was 5.4 per cent. Deposits increased by 7.3 per cent in the past 12 months up to the end of 2021, and the deposit-to-loan ratio remains high.

The bank has a solid capital base and good liquidity and will remain a strong and committed supporter of our customers also going forward. The focus will always be on good operations and profitability.

Sparebanken Møre's strategic financial performance targets are a return on equity of above 11 per cent and a cost income ratio of under 40 per cent. The activity-dampening measures due to the Covid-19 pandemic impacted the market meaning that the targets were not achieved in 2021. The Board of Directors expects the performance figures to improve, and the measures implemented to result in the targets being achieved in 2022.

Vote of thanks

The Board of Directors would like to thank all of the Group's employees and elected representatives for their good contributions in 2021. The Board of Directors would also like to thank Sparebanken Møre's customers, investors and other associates for our good partnership throughout the year.

Ålesund, 2 March 2022

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy CHAIR OF THE BOARD	**Henrik Grung** DEPUTY CHAIR	**Jill Aasen**	**Ann Magritt Bjåstad Vikebakk**
Kåre Øyvind Vassdal	**Therese Monsås Langset**	**Helge Karsten Knudsen**	**Marie Rekdal Hide**

Trond Lars Nydal
CEO

Galten in Volda

Statement of income

GROUP				PARENT BANK	
2020	**2021**	(NOK million)	**Note**	**2021**	**2020**
1 954	1 723	Interest income		1 168	1 309
727	457	Interest expenses		261	427
1 227	1 266	Net interest income	15	907	882
210	226	Commission income and income from banking services		226	209
31	34	Commission expenses and expenses from banking services		34	31
27	26	Other operating income		45	44
206	218	Net commission and other income	16	237	222
74	43	Net gains/losses from financial instruments	17	284	303
280	261	Total other income		521	525
1 507	1 527	Total income	4	1 428	1 407
337	360	Wages, salaries etc.	18 20	340	322
46	45	Depreciation and impairment of non-financial assets	30 31 32	50	51
241	240	Other operating costs	19 29 30 35	225	223
624	645	Total operating costs		615	596
883	882	Profit before impairment on loans		813	811
149	49	Impairment on loans, guarantees etc.	9 10	50	148
734	833	Pre tax profit	4	763	663
167	191	Taxes	21	124	102
567	642	Profit after tax		639	561
540	619	Allocated to equity owners		616	534
27	23	Allocated to owners of Additional Tier 1 capital		23	27
135	160	Dividend funds to the local community 1)		160	135
133	158	Dividend to the EC-holders 1)		158	133
134	150	Transferred to the primary capital fund		150	134
132	148	Transferred to the dividend equalisation fund		148	132
6	3	Transferred to other equity capital		0	0
540	619	Proposed distribution		616	534
27.10	31.10	Result per EC (NOK) 2)	34	30.98	26.83
27.10	31.10	Diluted earnings per EC (NOK) 2)	34	30.98	26.83

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

2) Calculated using the EC-holders share (49.7 %) of the period's profit to be allocated to equity owners

STATEMENT OF COMPREHENSIVE INCOME

GROUP				PARENT BANK	
2020	**2021**	(NOK million)	**Note**	**2021**	**2020**
567	642	Profit after tax		639	561
		Other income/costs reversed in ordinary profit:			
3	3	Change in value on basis swap spreads		0	0
-1	-1	Tax effect of change in value on basis swap spreads	21	0	0
		Other income/costs not reversed in ordinary profit:			
-36	12	Pension estimate deviations	20	12	-36
9	-3	Tax effect of deviations on pension estimates	21	-3	9
542	653	Total comprehensive income after tax		648	534
515	630	Allocated to equity owners		625	507
27	23	Allocated to owners of Additional Tier 1 capital		23	27

Statement of financial position

ASSETS

GROUP				PARENT BANK	
31.12.2020	31.12.2021	(NOK million)	Note	31.12.2021	31.12.2020
542	428	Cash and receivables from Norges Bank		428	542
1 166	355	Loans to and receivables from credit institutions, on a call basis		354	1 165
0	512	Loans to and receivables from credit institutions, with a fixed maturity		3 914	4 760
1 166	867	Total loans to and receivables from credit institutions	29	4 268	5 925
66 850	69 925	Net loans to and receivables from customers	4 5 6 7 8 9 10 18 29	41 067	37 925
8 563	10 185	Certificates, bonds and other interest-bearing securities	22 24	10 030	8 950
1 793	810	Financial derivatives	25	278	677
178	204	Shares and other securities	22 24	204	178
0	0	Equity stakes in financial institutions (subsidiaries)		1 550	2 050
0	0	Equity stakes in other Group companies		21	21
0	0	Total equity stakes in Group companies	29	1 571	2 071
0	0	Deferred tax asset		9	0
56	51	Intangible assets	32	51	56
13	14	Machinery, equipment, fixtures and fittings and vehicles	31	14	13
211	190	Buildings and other real estate	30 31	142	170
224	204	Total fixed assets		156	183
114	123	Other assets	33	117	111
79 486	82 797	Total assets	11 12 13 14 22 23 24	58 179	56 618

LIABILITIES AND EQUITY

GROUP				PARENT BANK	
31.12.2020	31.12.2021	(NOK million)	Note	31.12.2021	31.12.2020
1 009	180	Loans and deposits from credit institutions, on a call basis		1 077	1 913
1 200	800	Loans and deposits from credit institutions, with a fixed maturity		800	1 200
2 209	980	Total loans and deposits from credit institutions	29	1 877	3 113
28 116	30 865	Deposits from customers, on a call basis		30 882	28 142
10 907	10 988	Deposits from customers, with a fixed maturity		10 988	10 907
39 023	41 853	Total deposits from customers	4 6 18 28 29	41 870	39 049
28 774	30 263	Bonds issued	22 23 24 26	5 174	5 286
537	336	Financial derivatives	25	264	521
78	80	Incurred costs and prepaid income		80	79
57	35	Pension liabilities	20	35	57
111	334	Tax payable	21	200	109
50	39	Provisions against guarantee liabilities	9	39	50
194	61	Deferred tax liability	21	0	65
543	543	Other liabilities	30	626	633
1 033	1 092	Total provisions and other liabilities		980	993
702	703	Subordinated loan capital	23 27	703	702
72 278	75 227	Total liabilities	11 12 13 14 22 23 24 26	50 868	49 664
989	989	EC capital	34	989	989
-2	-2	ECs owned by the bank	34	-2	-2
357	357	Share premium		357	357
599	599	Additional Tier 1 capital	27	599	599
1 943	1 943	Total paid-in equity		1 943	1 943
2 939	3 094	Primary capital fund		3 094	2 939
125	125	Gift fund		125	125
1 679	1 831	Dividend equalisation fund		1 831	1 679
522	577	Other equity		318	268
5 265	5 627	Total retained earnings		5 368	5 011
7 208	7 570	Total equity	3	7 311	6 954
79 486	82 797	Total liabilities and equity		58 179	56 618

Ålesund, 2 March 2022
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIR OF THE BOARD

Henrik Grung
DEPUTY CHAIR

Jill Aasen

Ann Magritt Bjåstad Vikebakk

Kåre Øyvind Vassdal

Therese Monsås Langset

Helge Karsten Knudsen

Marie Rekdal Hide

Trond Lars Nydal
CEO

Statement of changes in equity

GROUP 31.12.2021	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2020 (notes 3 and 34)	7 208	987	357	599	2 939	125	1 679	522
Changes in own equity certificates	0							
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-135							-135
Interest paid on issued Additional Tier 1 capital	-23							-23
Equity before allocation of profit for the year	6 917	987	357	599	2 939	125	1 679	231
Allocated to the primary capital fund	150				150			
Allocated to the dividend equalisation fund	148						148	
Allocated to the owners of Additional Tier 1 capital	23							23
Allocated to other equity	3							3
Proposed dividend allocated to the EC holders	158							158
Proposed dividend allocated to the local community	160							160
Profit for the year	642	0	0	0	150	0	148	344
Change in value on basis swap spreads	3							3
Tax effect of change in value on basis swap spreads	-1							-1
Pension estimate deviations	12				6		6	
Tax effect of pension estimate deviations	-3				-1		-2	
Total other income and costs from comprehensive income	11	0	0	0	5	0	4	2
Total profit for the period	653	0	0	0	155	0	152	346
Equity as at 31 December 2021 (notes 3 and 34)	7 570	987	357	599	3 094	125	1 831	577

GROUP 31.12.2020	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2019 (notes 3 and 34)	6 970	986	357	599	2 819	125	1 559	525
Changes in own equity certificates	2	1					1	
Distributed dividend to the EC holders	-138							-138
Distributed dividend to the local community	-141							-141
Interest paid on issued Additional Tier 1 capital	-27							-27
Equity before allocation of profit for the year	6 666	987	357	599	2 819	125	1 560	219
Allocated to the primary capital fund	134				134			
Allocated to the dividend equalisation fund	132						132	
Allocated to the owners of Additional Tier 1 capital	27							27
Allocated to other equity	6							6
Proposed dividend allocated to the EC holders	133							133
Proposed dividend allocated to the local community	135							135
Profit for the year	567	0	0	0	134	0	132	301
Change in value on basis swap spreads	3							3
Tax effect of change in value on basis swap spreads	-1							-1
Pension estimate deviations	-36				-18		-18	
Tax effect of pension estimate deviations	9				4		5	
Total other income and costs from comprehensive income	-25	0	0	0	-14	0	-13	2
Total profit for the period	542	0	0	0	120	0	119	303
Equity as at 31 December 2020 (notes 3 and 34)	7 208	987	357	599	2 939	125	1 679	522

PARENT BANK 31.12.2021	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2020 (notes 3 and 34)	6 954	987	357	599	2 939	125	1 679	268
Changes in own equity certificates	0							
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-135							-135
Interest paid on issued Additional Tier 1 capital	-23							-23
Equity before allocation of profit for the year	6 663	987	357	599	2 939	125	1 679	-23
Allocated to the primary capital fund	150				150			
Allocated to the dividend equalisation fund	148						148	
Allocated to the owners of Additional Tier 1 capital	23							23
Proposed dividend allocated to the EC holders	158							158
Proposed dividend allocated to the local community	160							160
Profit for the year	639	0	0	0	150	0	148	341
Change in value on basis swap spreads	0							
Tax effect of change in value on basis swap spreads	0							
Pension estimate deviations	12				6		6	
Tax effect of pension estimate deviations	-3				-1		-2	
Total other income and costs from comprehensive income	9	0	0	0	5	0	4	0
Total profit for the period	648	0	0	0	155	0	152	341
Equity as at 31 December 2021 (notes 3 and 34)	7 311	987	357	599	3 094	125	1 831	318

PARENT BANK 31.12.2020	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2019 (notes 3 and 34)	6 724	986	357	599	2 819	125	1 559	279
Changes in own equity certificates	2	1					1	
Distributed dividend to the EC holders	-138							-138
Distributed dividend to the local community	-141							-141
Interest paid on issued Additional Tier 1 capital	-27							-27
Equity before allocation of profit for the year	6 420	987	357	599	2 819	125	1 560	-27
Allocated to the primary capital fund	134				134			
Allocated to the dividend equalisation fund	132						132	
Allocated to the owners of Additional Tier 1 capital	27							27
Proposed dividend allocated to the EC holders	133							133
Proposed dividend allocated to the local community	135							135
Profit for the year	561	0	0	0	134	0	132	295
Change in value on basis swap spreads	0							0
Tax effect of change in value on basis swap spreads	0							0
Pension estimate deviations	-36				-18		-18	
Tax effect of pension estimate deviations	9				4		5	
Total other income and costs from comprehensive income	-27	0	0	0	-14	0	-13	0
Total profit for the period	534	0	0	0	120	0	119	295
Equity as at 31 December 2020 (notes 3 and 34)	6 954	987	357	599	2 939	125	1 679	268

Statement of cash flow

GROUP				PARENT BANK	
2020	2021	(NOK million)	Note	2021	2020
		Cash flow from operating activities			
2 069	1 884	Interest, commission and fees received	15 16	1 341	1 437
-521	-277	Interest, commission and fees paid	15 16	-280	-526
22	3	Dividend and group contribution received	17	240	249
-552	-531	Operating expenses paid	18 19 20 30	-482	-508
-99	-104	Income taxes paid	21	-109	-88
-78	299	Changes relating to loans to and claims on other financial institutions		1 657	-2 667
-2 632	-3 037	Changes relating to repayment of loans/leasing to customers		-3 045	742
-207	-90	Changes in utilised credit facilities		-144	-195
2 220	2 829	Net change in deposits from customers		2 821	2 225
222	976	Net cash flow from operating activities		1 999	669
		Cash flow from investing activities			
115	94	Interest received on certificates, bonds and other securities		100	118
7 359	6 286	Proceeds from the sale of certificates, bonds and other securities		7 404	8 882
-8 919	-10 013	Purchases of certificates, bonds and other securities		-8 655	-11 500
0	0	Proceeds from the sale of fixed assets etc.	31 32	0	0
-37	-17	Purchase of fixed assets etc.	31 32	-15	-37
-65	135	Changes in other assets	32 33	635	-73
-1 547	-3 515	Net cash flow from investing activities		-531	-2 610
		Cash flow from financing activities			
-388	-268	Interest paid on issued bonds and subordinated loan capital		-66	-82
1 392	-1 229	Net change in deposits from Norges Bank and other financial institutions		-1 235	1 593
5 821	6 346	Proceeds from bonds issued	26 27	1 000	2 500
-5 912	-2 150	Maturity of debt securities	26 27	-1 067	-2 438
-138	-133	Dividend paid	34	-133	-138
47	-118	Changes in other debt	4 20	-58	3
-27	-23	Interest paid on issued Additional Tier 1 capital	27	-23	-27
795	2 425	Net cash flow from financing activities		-1 582	1 411
-530	-114	Net change in cash and cash equivalents		-114	-530
1 072	542	Cash balance at 01.01		542	1 072
542	428	Cash balance at 31.12		428	542

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

Reference is made to note 26 and 27 for spesification of the financing activities in the Group.

Note 1

Accounting principles

1.1 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 and real estate brokerage through a large network of branches in Nordvestlandet, which is the region defined as the bank's geographic home market.

The company's Head Office is located at Keiser Wilhelmsgt. 29/33, 6003 Ålesund, Norway.

Figures are presented in MNOK unless otherwise stated.

The preliminary annual accounts were approved for publication by the Board of Directors on 26 January 2022. The final annual accounts were presented by the Board of Directors on 2 March 2022.

The Group's operations are described in note 4.

1.2 ACCOUNTING PRINCIPLES

The Group's annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been stipulated by the International Accounting Standards Board, and implemented by the EU as at 31 December 2021.

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

Accounting principle	Note	IFRS-standard
Impairments	Note 9 Losses on loans and guarantees	IFRS 9, IFRS 7
Financial derivatives	Note 25 Financial derivatives	IFRS 9, IFRS 7, IFRS 13
Hedging	Note 26 Debt securities	IFRS 9, IFRS 7
Classification of financial instruments	Note 22 Classification of financial instruments	IFRS 9, IFRS 7
Amortised cost	Note 23 Financial instruments at amortised cost	IFRS 9, IFRS 7
Fair value	Note 24 Financial instruments at fair value	IFRS 9, IFRS 13, IFRS 7
Operating segments	Note 4 Operating segments	IFRS 8
Revenue recognition	Note 16 Net commission and other income	IFRS 15, IFRS 9
Leases	Note 30 Leases	IFRS 16
Pensions	Note 20 Pension costs and liabilities	IAS 19
Fixed assets	Note 31 Fixed assets	IAS 16, IAS 36
Intangible assets	Note 32 Other intangible assets	IAS 38, IAS 36
Tax	Note 21 Tax	IAS 12
Equity	Note 34 ECs and ownership structure	IAS 1
Events after the reporting period	Note 36 Events after the reporting period	IAS 10

Calculation basis
The calculation basis for preparing the financial statements is historical cost, with the exception of the following items (AC = Amortised Cost, FVPL= Fair Value through Profit and Loss):

ASSETS	Category
Cash and claims on Norges Bank	AC
Loans to and receivables from credit institutions	AC
Loans to and receivables from customers	AC/FVPL
Certificates, bonds and other interest-bearing securities	FVPL
Financial derivatives	FVPL
Shares and other securities	FVPL

LIABILITIES	Category
Loans and deposits from credit institutions	AC
Deposits from customers	AC
Bonds issued	AC
Financial derivatives	FVPL
Subordinated loan capital	AC

Consolidation principles
The consolidated financial statements comprise Sparebanken Møre and all companies in which Sparebanken Møre has control through ownership. An entity is controlled when the owner is exposed to or has rights to returns from the entity and has the opportunity to influence these returns through its influence over the entity. This applies to subsidiaries mentioned in note 29.

Companies which are 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 is one financial unit.

All transactions between companies in the Group, have been eliminated in the consolidated financial statements. Uniform accounting principles have been applied for all companies in the Group. In the Parent Bank's accounts, investments in subsidiaries are valued at cost. The acquisition method is applied when recognising 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. Any 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 recognised in the income statement as incurred.

Changes in accounting principles and presentation (classifications)
There are no significant changes in accounting principles or presentation for 2021.

New or amended standards
The Group has not implemented any new or amended standards in 2021.

Future standards
At the time of issuance of the consolidated financial statements, no standards or interpretations, with future date of entry into force, having material impact on the financial position or the profit for the Sparebanken Møre Group, have been adopted.

Annual improvements
Minor changes have been made in several 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.

1.3 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 provided by Norges Bank as at 31.12.2021. Current income and costs have been translated into NOK at the foreign exchange rates ruling at the time of the transactions, and the effects of changes in foreign exchange rates have been included in the income statement on an ongoing basis during the accounting period.

1.4 JUDGMENTS IN APPLYING ACCOUNTING PRINCIPLES
Financial assets and liabilities are allocated to the different categories in IFRS 9, which subsequently determine the measurement in the statement of financial position. The bank has clear procedures for the categorisation, and the process normally requires only limited use of judgement. Reference is made to note 22 for measurement principles. The Group makes no significant judgement regarding to the use of accounting principles.

1.5 USE OF ESTIMATES AND JUDGMENT IN THE PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS
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.

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

Expected credit loss on loans
Measurement of ECL (Expected Credit Loss) according to IFRS 9 requires an assessment when it comes to significant increase in credit risk and determining the level of impairment, particularly with regards to estimates of amounts and timing of future cash flows and collateral. These estimates are driven by various factors, where changes can result in different levels of provisions.

Sparebanken Møre has developed an ECL-model based on IRB parameters in the Group. ECL-calculations are output from complex models with several underlying prerequisites related to the choice of variable inputs and the dependency ratio. Elements of the ECL-model containing assessments and estimates include:

- The internal credit model, which specifies PDs (PD = Probability of Default)
- The criteria assessing whether there's been a significant increase in credit risk, so that lifetime ECL is calculated
- The development of the ECL-model, including various formulas and choice of inputs
- Choice of connection between macroeconomic scenarios and economic inputs, such as unemployment level and value of collateral, and the effect on PD, exposure and LGD (Loss Given Default)
- Choice of future-oriented macro-economic scenarios and weighting of probability

Further information on the Group's ECL model, loss calculations and associated sensitivities is presented in note 9.

Fair value of financial instruments – including derivatives
For financial instruments which are not traded in active markets, various evaluation methods are applied in order to ascertain fair value. Further information and a description of the techniques used may be found in note 24. Reference is also made to notes 11-14 and 22-27, dealing with financial instruments.

Note 2

Risk management

Strategy

Sparebanken Møre's long-term strategic development and target achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure effective operations and the handling of risks which can prevent the achievement of business-related goals, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines. Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-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. 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, funding risk and operational risk. The risk strategies are agreed by the Board of Directors and revised at least once a year, or when special circumstances should warrant it. The Group has established a follow-up and control structure, which shall ensure that the overall framework of the strategic plan is adhered to.

Corporate culture, organisation and responsibility

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

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

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

The Audit and Risk Committees are elected by and amongst the members of the Board of Directors. The committees are sub-committees of the Board. Their purpose is to carry out more thorough assessments of designated areas and report the results to the Board. The Audit and Risk Committees shall ensure that the institution has independent and effective external and internal auditors, and satisfactory financial statement reporting and risk management routines, complying with pertinent laws and regulations.

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

The Risk Management department is responsible for preparing and designing systems, guidelines and procedures for identifying, measuring, reporting and following up the bank's most important inherent risks. The department is responsible for ensuring that the total risk exposure of Sparebanken Møre, including results of conducted stress tests, is reported to the CEO and the Board of Directors. Further, the department bears the 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 regards to risks. The department is also responsible for working with the ICAAP and the Recovery Plan. The department forms part of the Risk management and Compliance unit, reporting directly to the CEO.

Pursuant to the requirements in the Financial Institutions Act, 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 department is responsible for coordinating annual internal control confirmations from the operational managers. The head of Compliance reports to the CEO in Sparebanken Møre, but is organisationally subordinate to the EVP of the Risk management and Compliance unit.

The Financial Reporting and Accounting department is responsible for the Group's total financial management/reporting and accounting and is part of the Finance unit.

Sparebanken Møre`s operative managers of important business areas shall actively engage in the process assessing whether established risk management and internal control are carried out as required. It is assumed that all managers at every level of the organisation are monitoring the approved control measures within their area of responsibility.

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

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

Capital structure

Sparebanken Møre's equity and related capital is composed with regards to several considerations. The most important considerations are the Group's size, the internationally orientated industry and commerce in Nordvestlandet 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 regards 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 total capital shall comply with the Group`s accepted risk tolerance. The ICAAP clarifies all the alternatives the Group can implement if the Group's capital adequacy is subject to stress. The alternatives are listed in a prioritized order, with description of measures and indication of planned implementation if necessary.

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

Capital adequacy rules and regulations
The capital adequacy regulations aim to strengthen the stability in the financial system through more risk-sensitive capital requirements, better risk management and control, more stringent supervision and more information provided for the market.

The capital adequacy directive is based on three pillars:

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

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

Reference is also made to note 3 concerning "Capital adequacy" for further descriptions, as well as comments related to changes in the regulations.

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

- Credit risk: This is the Group's biggest area of risk. Credit risk is defined as the risk of loss due to customers or other counterparties being unable to meet their obligations at the agreed time, and in accordance with written agreements, and due to the collateral security held not covering the outstanding claims. Counterparty risk and concentration risk are also included in this area of risk.
- Market risk: The risk of loss involving market values relating to portfolios of financial instruments as a result of fluctuations in share prices, foreign exchange rates and interest rates.
- Funding risk: The risk of the Group being unable to meet its obligations and/or fund increases in assets without incurring significant extra costs in the form of fall in prices of assets which have to be sold, or in the form of particularly expensive funding. The level of the institution`s capital is a key condition to attract necessary funding at any time.
- Operational risk: The risk of loss due to insufficient or failing internal processes and systems, or due to human error or external events.

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

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

- Credit risk: A moderate 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 level of risk is accepted

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 products for the retail market and corporate customers, and through the activities of Sparebanken Møre's Finance unit.

The credit risk 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 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 "Close, Committed and Capable". These values are to be reflected in all contact with the market, create added value for the customers and contribute to creating 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 have a high ethical standard, and shall not be associated with activities, customers or industries of dubious reputation. 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 Nordvestlandet. 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 Risk Management department has established monthly portfolio management reports which ensure that any discrepancies from the strategic targets incorporated in the credit risk strategy are identified. The EVPs of the Corporate Banking Division and the Retail Banking Division 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 deviations.

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 further delegate powers of attorney. The grant authorisations are personal and graded after criteria like the size of grant, the limit of the commitment (corporate customers), the customers total debt (retail customers), and class of risk. Further, the power of attorney is related to the employee`s job level.

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

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

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

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

2. Degree of loss in the case of default (LGD): LGD indicates the propotion of the commitment that is expected to be lost in the case of default. The assessments take into consideration the values of the collateral provided by the customer, and the costs that will be incurred in recovering/collecting defaulted commitments.

3. Expected exposure in the case of default (EAD): EAD indicates the level of exposure which is expected on

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 portfolio, short-term lending to other banks, including accounts held in foreign banks, and exposure in connection with financial derivatives which are signed to neutralise already present interest and currency risk which the bank has assumed. The portfolio consists of reputable domestic and foreign relationships. Credit quality is considered high, mainly due to exposures towards issuers with high ratings and low capital weight. See note 7 for an overview of the credit quality of the Group's liquidity portfolio.

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 official ratings agencies. The credit risk shall be at a minimum, and 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 connection with the funding indicators LCR and NSFR. 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 which 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) agreements before trading of derivatives against any counterparties. CSA agreements are part of an ISDA agreement and help to regulate the counterparty risk associated with changes in market conditions. This provides Sparebanken Møre with collateral for any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral in relation to its counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled according to the different CSA-agreements and the counterparty risk will then largely be eliminated. EMIR - European Market Infrastructure Regulation –will ensure 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 has entered into an agreement with SEB as a clearing broker and clears derivatives through the London Clearing House.

Market risk

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

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

- Interest rate risk: Consists of market risk associated with positions in interest-bearing financial instruments, including derivatives with underlying interest instruments. Interest rate risk related to the liquidity portfolio, as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. See note 12 for the Group's interest rate risk.
- Equity risk: Consists of market risk on positions in equity instruments. Shares in subsidiaries are not included. Sparebanken Møre has no trading portfolios. The financial risk of Sparebanken Møre is considered to be low. See note 24 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/deposits, is considered separately and has 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 bank 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 currencies. 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 13 for the Group's currency risk.

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

· Total market risk: The overall risk assessment is obtained by comparing the assessments 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.

The Board of Directors annually approves a total limit 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. The EVP of Finance is responsible for the administration of the limits within the various sub-portfolios being in compliance at all times.

The Finance unit 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 the primary responsibility for monitoring, reporting and control of the market risk area. If activities exceed limits or strategy, written reporting instructions are to be followed. Back Office is responsible for transaction control and processing of payment transactions.

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

Reporting of the market activity is part of Sparebanken Møre`s periodic "Risk Report" to management, Risk

Committee and Board of Directors. Monthly earnings performance reports are prepared, as well as actual risk exposure within each portfolio, both individually and in aggregate. The reports are compared to maximum 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 laws 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 participants, as well as the central role the Group plays in payment systems. The banks’ 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 they face considerably greater risk than other financial institutions. The authorities' loan schemes and safety net for banks are based on these precise factors. The costs of reducing funding risk must be viewed in the context of the advantages lower funding risk provides. One fundamental prerequisite for maintaining the trust of depositors and other lenders is that the institutions always have sufficient liquidity to cover current liabilities.

LCR measures the bank's ability to survive a 30-day stress period. LCR has increased the importance of high-quality liquid assets. NSFR measures the longevity of the bank's funding and has resulted in 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 the bank to a greater extent, fund themselves through bond issues with a higher maturity.

The Group also regularly reports on the trends for liquidity indicators to the supervisory authorities in line with the disclosure requirements.

The Group's long-term strategic plan sets out a liquidity strategy protecting the structure and volume of the LCR requirement. The internal target set by Sparebanken Møre is a LCR of 110 per cent. The Authority’s requirements for LCR amounts to 100 per cent.

At year-end 2021, the LCR indicator for the Group was 122 per cent and NSFR 111 per cent. In the composition of the external funding, priority is given to having a relatively high share of maturities above one year.

The funding section of Sparebanken Møre is organised within the Finance unit. The unit 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 Finance unit 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 Finance unit, 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 group comes together. The group consists of the following persons:

- CEO
- EVP Finance

- EVP Information and Administration
- EVP Risk Management and Compliance
- Head of Risk Management

The Board receives monthly reports on the liquidity situation. This report includes several key figures. In addition, early warning signals are reported by viewing the development of financial strength, balance sheet- and income statement-development, losses/defaults and the development of cost of funds.

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 major focus on efforts to increase ordinary deposits in all customer-related activities throughout the bank. The deposit-to-loan ratio in Sparebanken Møre was 59.6 per cent 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.

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 at work
- Customers, products and business conduct
- Damage to assets
- Interruptions to operations and/or systems
- Settlements, delivery or other transaction processing

The Board of Directors of Sparebanken Møre has decided that a low risk profile is accepted related to operational risk. An overall strategy for this risk area is established, and 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.

For the Compliance department, board-adopted instructions, work schedules and action plans have been established.

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 Risk Committee and the Board of Directors. The annual ICAAP also involves a review of the Group's material risk areas, including operational risk.

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

Climate risk
Climate risk is the impact resulting from climate change. Climate risk will also affect the bank's credit risk. It is therefore crucial that the bank understands how climate risk will affect the business model and profitability of corporate customers. At the same time, the bank wants to be a driving force behind

ensuring that customers do not have a negative impact on the climate, but rather choose a greener direction (low emission).

When assessing climate risk, two types of risks in particular must be assessed: physical risk and transitional risk:

- Physical climate risk arises as a result of more frequent and severe episodes of drought, flooding, precipitation, storms, landslides and avalanches, as well as rising sea levels.
- Transitional risk is the risk associated with changes to, and escalation of, climate policy/regulations, the development of new technologies and changed customer preferences (consumers) and investor requirements that may result in sudden changes in the market value of financial assets and in especially assets associated with carbon-intensive activities (high consumption of energy from fossil fuel: coal, oil, natural gas, oil shale and tar sands).

Please refer to the Group`s report of Sustainability and social responsibility for more information regarding sustainable development.

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 adopted risk profile.

The internal control in Sparebanken Møre is organised in a decentralized manner with Risk Management and Compliance as the coordinating unit and responsible for the annual reporting to the Risk Committee and the Board of Directors. The Compliance department monitors how the Group operationalises 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-to-day operations. The Risk Management department is responsible for developing systems, guidelines and procedures in order to identify, measure, report and follow up on the Group's most important inherent risks.

Reports on the Group's operations and risk situations throughout the year are submitted to the Risk Committee and the Board of Directors on an ongoing basis. The bank's CEO annually submits an overall assessment to the Board regarding the risk situation and whether 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 regularly basis to the Risk Committee and the Board of Directors on the Group's internal control.

Discretionary 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. Discretionary Portfolio Management is organised under the Wealth Management unit.

Financial derivatives
Sparebanken Møre utilizes financial derivatives in order to handle risk incurred as a result of the bank's ordinary operations. In the case of customer transactions, these shall as a main principle immediately be covered by an opposite transaction in the market.

The following derivatives are in use in Sparebanken Møre:

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

• Swaps
A transaction in which two parties agree to swap cash flows for an agreed amount over a certain period of time. In an interest rate swap, only the interest rate 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.

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

These instruments are primarily utilized to provide the bank's customers with reliable cash flows and a desired risk position 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. For all customers trading in 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 so that the bank ends up with just a net exposure towards the customer. It is the member of staff responsible for the customer in question who is responsible for establishing a set-off agreement with the customer, making sure that all customers using this type of financial instrument are made aware of the bank's usual business terms and conditions.

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

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 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 Risk Committee and the Board of Directors.

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. The report is dealt with by the bank`s management team, the Risk Committee and the Board of Directors.

Internal control reports are prepared annually. In this, an assessment is made of whether the internal control is adequate in relation to the risk tolerance. This includes an assessment of and comments on own work on internal control, a review of all important risk areas, an assessment of 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, the Risk Committee and the Board of Directors.

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

Reports from external and internal auditors are dealt with by the bank`s management team, the Audit and Risk Committees and the Board of Directors. Both internal and external auditors have regular meetings with the committees.

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. In addition, these reports are used to analyse customers, portfolios and industries. The portal also gives information to the members of the staff with customer responsibility of the customers positions and limits in regard to exposure in financial instruments.

Financial reports are prepared monthly, including deviations against budgets and forecasts. These reports are reviewed by the bank`s management team, the audit committee, and the Board of Directors.

Note 3

Capital adequacy

Sparebanken Møre calculates and reports capital adequacy in compliance with the EU's capital requirements regulation and directive (CRR/CRD IV). The Group's capital adequacy is calculated according to IRB Foundation approach for credit risk. Calculations regarding market risk are performed using the standardised approach and for operational risk the basic indicator approach is used.

The Board of Sparebanken Møre has set a minimum target for the Group's CET1 of 15.2 per cent. It is emphasised that the various units in the Group at all times have adequate capitalisation. Moreover, assessments of the risk profile, capital requirements and profitability must always be based on the Group's long-term strategic plan. The Group's capital requirements are calculated in the annual ICAAP. Analyses conducted as part of Sparebanken Møre's 2021 ICAAP show that the Group has a very good capital situation in terms of dealing with potential stress events.

At the end of 2021, Sparebanken Møre has a capital ratio well above the regulatory requirements and the internally set minimum target for Common Equity Tier 1 capital (CET1) of 15.2 per cent. Capital adequacy ratio amounts to 20.9 per cent (20.8 per cent), Tier 1 capital 18.9 per cent (18.7 per cent), of which CET1 amounts to 17.2 per cent (17.0 per cent).The leverage ratio for Sparebanken Møre was 7.7 per cent (7.7 per cent).

The minimum requirement for the Common Equity Tier 1 capital ratio (CET1) for Pillar 1 is 11.0 per cent. The requirement consists of a minimum requirement of 4.5 per cent, a capital conservation buffer of 2.5 per cent, a systemic risk buffer of 3.0 per cent and a countercyclical capital buffer of 1.0 per cent. In addition, the FSA has set an individual Pillar 2 requirement of 1.7 per cent for Sparebanken Møre, though a minimum of NOK 590 million. The Ministry of Finance has set a minimum requirement for the leverage ratio of 3 per cent, and in addition a core capital buffer of at least 2 per cent. At the next determination of the Pillar 2 requirement (P2R), the Financial Supervisory Authority of Norway (FSA) will also express an expectation of a capital requirement margin beyond the total risk-weighted capital requirement (Pillar 2 Guidance (P2G)).

The countercyclical capital buffer requirement will be increased to 1.5 per cent effective from 30 June 2022, and a further increase to 2.0 per cent effective 31 December 2022. It is notified that there will be an increase in the requirement to 2.5 per cent in the first half of 2023. The level is set by the Ministry of Finance based on advice from Norges Bank. The Ministry of Finance has decided to increase the systemic risk buffer from 3.0 per cent to 4.5 per cent for the financial institutions using IRB Foundation approach and the standardised approach from 31 December 2022.

When CRR 2, CRD V and BRRD 2 are enacted in Norwegian regulations, probably with effect from 30 June 2022, the SME discount will be expanded. It is estimated that the effect will be an improvement in the Group's CET1 capital ratio of 1.3 percentage points. On 9 June 2021, the FSA announced requirements for IRB models in circular 03/2021. An assessment has been made under the auspices of the IRB banks that the circular breaches EU regulations, and this has been communicated to the Ministry of Finance. Sparebanken Møre has estimated that the effect of changes to the benchmark model for mortgages will amount to a reduction in CET1 capital ratio of 0.4 percentage points. The effect has not been incorporated into the bank's capital reporting. Sparebanken Møre has applied to the FSA for approval of changes to the IRB models and calibration framework and is awaiting a reply.

Sparebanken Møre calculates financial capital used in the day-to-day management of the bank and provides a basis for business decisions. A risk adjusted equity figure that is distributed across the different segments, departments and customers is calculated based on the distribution of financial capital. It is this risk adjusted equity that provides the basis for, among other things, assessing a department's performance in relation to achieving its return on equity target.

The Group's Pillar 3 document, which is available on Sparebanken Møre's website, provides further information.

MREL

The FSA has stipulated that Sparebanken Møre will be subject to a risk-weighted MREL requirement of 25.9 per cent of the adjusted risk-weighted assets based on the relevant capital requirements as at 31 December 2020. Since the Common Equity Tier 1 capital used to fulfil the risk-weighted MREL requirement cannot at the same time be used to fulfil the combined buffer requirement, the estimated actual need for primary capital and MREL is effectively 31.4 per cent of the adjusted risk-weighted assets.

Based on the above, Sparebanken Møre's effective MREL requirement will amount to NOK 9,284 million and the total subordination requirement will amount to NOK 7,658 million. The overall subordination requirement must as a minimum be phased in linearly and be met in full from 1 January 2024 onwards. From 1 January 2022, the effective subordination requirement is 20 per cent of the adjusted risk-weighted assets. For Sparebanken Møre, this will amount to NOK 5,914 million. The calculated primary capital available to meet the effective MREL-requirement and overall minimum subordination requirement amounts to NOK 5,094 million.

Sparebanken Møre had issued NOK 1,000 million in senior non-preferred debt (SNP) at the end of 2021.

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
989	989	EC capital	989	989
-2	-2	- ECs owned by the bank	-2	-2
357	357	Share premium	357	357
599	599	Additional Tier 1 capital (AT1)	599	599
1 679	1 831	Dividend equalisation fund	1 831	1 679
125	125	Gift fund	125	125
2 939	3 094	Primary capital fund	3 094	2 939
44	158	Proposed dividend	158	44
45	160	Proposed dividend for the local community	160	45
179	0	Equity that can be distributed in accordance with board authorisation	0	179
254	259	Other equity	0	0
7 208	7 570	Total equity	7 311	6 954
Tier 1 capital (T1)				
-56	-51	Goodwill, intangible assets, other deductions	-51	-56
-16	-16	Value adjustments of financial instruments at fair value	-17	-12
-599	-599	Additional Tier 1 capital (AT1)	-599	-599
-480	-498	Expected IRB-losses exceeding ECL acc. to IFRS 9	-444	-424
-44	-158	Deduction for proposed dividend	-158	-44
-45	-160	Deduction for proposed dividend for the local community	-160	-45
-179	0	Equity that can be distributed in accordance with board authorisation	0	-179
5 788	6 088	Total Common Equity Tier 1 capital (CET1)	5 882	5 595

599	599	Additional Tier 1 capital - classified as equity	599	599
0	0	Additonal Tier 1 capital - classified as debt	0	0
6 387	6 687	Total Tier 1 capital (T1)	6 481	6 194
Tier 2 capital (T2)				
702	703	Subordinated loan capital of limited duration	703	702
702	703	Total Tier 2 capital (T2)	703	702
7 089	7 390	Net equity and subordinated loan capital	7 184	6 896

RISK WEIGHTED ASSETS (RWA) BY EXPOSURE CLASSES

Credit risk - standardised approach

31.12.2020	31.12.2021		31.12.2021	31.12.2020
248	336	Regional governments or local authorities	330	248
99	195	Public sector companies	195	99
538	434	Institutions (banks etc)	1 329	3 542
0	0	Companies (corporate customers)	113	116
454	486	Covered bonds	479	498
173	173	Equity	173	173
640	655	Other items	2 184	2 617
2 152	2 279	Total credit risk - standardised approach	4 803	7 293

Credit risk - IRB Foundation

31.12.2020	31.12.2021		31.12.2021	31.12.2020
9 932	10 409	Retail - Secured by real estate	4 970	4 046
411	359	Retail - Other	359	410
18 419	19 138	Corporate lending	18 818	18 149
28 762	29 906	Total credit risk - IRB-F	24 147	22 605

396	225	Credit value adjustment risk (CVA) - market risk	13	25
2 840	2 903	Operational risk (basic method)	2 704	2 637
34 150	**35 313**	**Risk weighted assets (RWA)**	**31 667**	**32 560**
1 537	1 589	Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 425	1 465

Buffer Requirements

31.12.2020	31.12.2021		31.12.2021	31.12.2020
854	883	Capital conservation buffer, 2.5 %	792	814
1 025	1 059	Systemic risk buffer, 3.0 %	950	977
342	353	Countercyclical buffer, 1 %	317	326
2 220	2 295	Total buffer requirements	2 058	2 116
2 032	2 204	Available Common Equity Tier 1 capital after buffer requirements	2 399	2 013

Capital adequacy as a percentage of the weighted asset calculation basis

31.12.2020	31.12.2021		31.12.2021	31.12.2020
20.8	20.9	Capital adequacy ratio	22.7	21.2
18.7	18.9	Tier 1 capital ratio	20.5	19.0
17.0	17.2	Common Equity Tier 1 capital ratio	18.6	17.2

Leverage ratio(LR)

31.12.2020	31.12.2021		31.12.2021	31.12.2020
82 643	86 890	Basis for calculation of leverage ratio	65 307	82 084
7.7	7.7	Leverage Ratio	9.9	7.6

Note 4

Operating segments

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

The classification into different operating segments and financial information relating to segments are presented in the table below. Most of the income and operating costs involved apply to the bank's different operating segments according to actual usage or according to activity-based distribution formulae. Key distribution keys are FTEs, activity capital, lending, deposits, number of customers and customer transactions, which are used for example for charging the units' costs.

Customer income that is recognised as income at head office and is generated by the segments (e.g. currency gains, interest rate hedging income, income from Discretionary Portfolio Management, etc.) is allocated to the segments based on customer affiliation. This customer income is distributed across the segments net (less associated costs) and is presented under internal income. The costs remain at head office under other and contribute to a negative result.

The Group does not carry out trading on its own account, meaning that all income is a result of external customer transactions. Dividends from securities, changes in the value of shares, bonds and financial derivatives are not allocated by customer segment.

Segment profit is presented before tax. Tax is not allocated to the segments.

Transactions between different operating segments are based on market values/prices, similar to transactions with subsidiaries. Please see note 29 for additional information on terms.

The Group is divided into following three reporting segments:

Reporting 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 (mortgage loans)
Real estate brokerage	Møre Eiendomsmegling AS	Real estate brokerage services

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

Geographical segments

The Group's operations are mainly limited to Nordvestlandet which is defined as the Group's home market. In view of this, the balance sheet and income statement figures are not split into geographical segments. Activities in areas other than the home county are not different from the Group's other activities with regards to risk or return. Please see note 2 and note 6 for further information.

Result - 2021	**Group**	**Eliminations**	**Other 2)**	**Corporate**	**Retail 1)**	**Real estate brokerage**
Net interest income	1 266	2	-24	526	762	0
Other operating income	261	-64	97	98	103	27
Total income	1 527	-62	73	624	865	27
Operating costs	645	-62	149	123	408	27
Profit before impairment	882	0	-76	501	457	0
Impairment on loans, guarantees etc.	49	0	0	45	4	0
Pre-tax profit	833	0	-76	456	453	0
Taxes	191					
Profit after tax	642					

Key figures - 31.12.2021	**Group**	**Eliminations**	**Other 2)**	**Corporate**	**Retail 1)**	**Real estate brokerage**
Gross loans to customers 1)	70 254	-113	1 221	21 939	47 207	0
Expected creditt loss on loans	-329	0	0	-262	-67	0
Net loans to customers	69 925	-113	1 221	21 677	47 140	0
Deposits from customers 1)	41 853	-17	611	14 957	26 302	0
Guarantee liabilities	1 732	0	0	1 728	4	0
Expected credit loss on guarantee liabilities	39	0	0	39	0	0
Deposit-to-loan ratio	59.6	15.0	50.0	68.2	55.7	0.0
Man-years	364	0	175	40	132	17

Result - 2020	**Group**	**Eliminations**	**Other 2)**	**Corporate**	**Retail 1)**	**Real estate brokerage**
Net interest income	1 227	2	14	485	726	0
Other operating income	280	-56	110	101	102	23
Total income	1 507	-54	124	586	828	23
Operating costs	624	-55	133	128	396	22
Profit before impairment	883	1	-9	458	432	1
Impairment on loans, guarantees etc.	149	0	0	149	0	0
Pre tax profit	734	1	-9	309	432	1
Taxes	167					
Profit after tax	567					

Key figures - 31.12.2020	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Gross loans to customers 1)	67 126	-116	1 312	20 906	45 024	0
Expected creditt loss on loans	-276	0	0	-216	-60	0
Net loans to customers	66 850	-116	1 312	20 690	44 964	0
Deposits from customers 1)	39 023	-26	651	13 665	24 733	0
Guarantee liabilities	1 530	0	0	1 525	5	0
Expected credit loss on guarantee liabilities	50	0	0	50	0	0
Deposit-to-loan ratio	58.1	0.0	49.6	65.4	54.9	0.0
Man-years	346	0	156	49	130	11

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.

2) Consists of head office activities not allocated to reporting segments, customer commitments towards employees as well as the subsidiary Sparebankeiendom AS, which manages the buildings owned by the Group.

	MØRE BOLIGKREDITT AS	
Statement of income	**2021**	**2020**
Net interest income	360	345
Other operating income	-3	-1
Total income	357	344
Operating costs	51	49
Profit before impairment on loans	306	295
Impairment on loans, guarantees etc.	0	1
Pre tax profit	306	294
Taxes	67	64
Profit after tax	239	230

Statement of financial position	31.12.2021	31.12.2020
Loans to and receivables from customers	28 971	29 041
Equity	1 791	2 282

Country-by-country reporting

GROUP (NOK million)	**31.12.2021**	**31.12.2020**
Name of the company	Sparebanken Møre	Sparebanken Møre
Area of operation	Norway	Norway
Geografical location	Norway	Norway
Revenue/total income	1 527	1 507
Man-years	364	346
Pre tax profit	833	734
Taxes	191	167
Government grants/subsidies received	None received	None received

Note 5

Loans broken down according to sectors

In the financial statements, the loan portfolio with agreed floating interest rate is measured at amortised cost, while the loan portfolio with fixed-interest rate is measured at fair value. For more information about classification and measurement, see note 22.

2021	GROUP					
Sector/industry	**Gross loans assessed at amortised cost**	**ECL Stage 1**	**ECL Stage 2**	**ECL Stage 3**	**Loans assessed at fair value**	**Net loans**
Agriculture and forestry	623	0	-2	-3	53	671
Fisheries	3 480	-4	-2	-1	2	3 475
Manufacturing	3 142	-6	-2	-12	10	3 132
Building and construction	1 006	-2	-1	-3	5	1 005
Wholesale and retail trade, hotels	1 065	-1	0	-1	5	1 068
Supply/offshore	1 258	-1	-10	-181	0	1 066
Property management	7 694	-5	-2	-4	197	7 880
Professional/financial services	785	-1	-1	0	16	799
Transport and private/public services/abroad	3 319	-5	-9	-3	37	3 339
Total corporate customers	22 372	-25	-29	-208	325	22 435
Retail customers	43 925	-7	-39	-21	3 632	47 490
Loans to and receivables from customers	66 297	-32	-68	-229	3 957	69 925

2020	GROUP					
Sector/industry	**Gross loans assessed at amortised cost**	**ECL Stage 1**	**ECL Stage 2**	**ECL Stage 3**	**Loans assessed at fair value**	**Net loans**
Agriculture and forestry	569	0	-2	-1	53	619
Fisheries	3 449	-2	-2	0	3	3 448
Manufacturing	2 690	-8	-6	-7	13	2 682
Building and construction	965	-3	-6	-1	6	961
Wholesale and retail trade, hotels	686	-1	-2	-2	6	687
Supply/offshore	1 488	-3	-16	-122	0	1 347
Property management	7 516	-7	-5	-8	186	7 682
Professional/financial services	909	-1	-1	0	24	931
Transport and private/public services/abroad	2 941	-2	-3	-5	30	2 961
Total corporate customers	21 213	-27	-43	-146	321	21 318
Retail customers	41 541	-6	-34	-20	4 051	45 532
Loans to and receivables from customers	62 754	-33	-77	-166	4 372	66 850

2021	PARENT BANK					
Sector/industry	**Gross loans assessed at amortised cost**	**ECL Stage 1**	**ECL Stage 2**	**ECL Stage 3**	**Loans assessed at fair value**	**Net loans**
Agriculture and forestry	591	0	-2	-3	47	633
Fisheries	3 466	-4	-2	-1	2	3 461
Manufacturing	3 123	-6	-2	-12	7	3 110
Building and construction	938	-2	-1	-3	2	934
Wholesale and retail trade, hotels	1 019	-1	-	-1	5	1 022
Supply/offshore	1 258	-1	-10	-181	0	1 066
Property management	7 504	-5	-2	-4	95	7 588
Professional/financial services	722	-1	-1	0	6	726
Transport and private/public services/abroad	3 117	-5	-8	-3	15	3 116
Total corporate customers	21 738	-25	-28	-208	179	21 656
Retail customers	13 936	-5	-34	-21	5 535	19 411
Loans to and receivables from customers	35 674	-30	-62	-229	5 714	41 067

2020	PARENT BANK					
Sector/industry	**Gross loans assessed at amortised cost**	**ECL Stage 1**	**ECL Stage 2**	**ECL Stage 3**	**Loans assessed at fair value**	**Net loans**
Agriculture and forestry	537	0	-2	-1	53	587
Fisheries	3 434	-2	-2	0	3	3 433
Manufacturing	2 685	-8	-6	-7	13	2 677
Building and construction	901	-3	-6	-1	6	897
Wholesale and retail trade, hotels	645	-1	-2	-2	6	646
Supply/offshore	1 488	-3	-16	-122	0	1 347
Property management	7 311	-7	-5	-8	186	7 477
Professional/financial services	844	-1	-1	0	24	866
Transport and private/public services/abroad	2 707	-2	-3	-5	30	2 727
Total corporate customers	20 552	-27	-43	-146	321	20 657
Retail customers	12 578	-4	-27	-19	4 740	17 268
Loans to and receivables from customers	33 130	-31	-70	-165	5 061	37 925

Note 6

Loans and deposits broken down according to geographical areas

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
GROUP as at 31.12.	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross loans	54 988	52 584	14 950	14 182	316	359	70 254	67 125
In percentage	78.3	78.3	21.3	21.1	0.4	0.5	100.0	100.0
Deposits	33 574	31 366	7 919	7 135	360	522	41 853	39 023
In percentage	80.2	80.4	18.9	18.3	0.9	1.3	100.0	100.0

PARENT BANK as at 31.12.	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross loans	36 241	35 213	4 856	2 673	291	305	41 388	38 191
In percentage	87.6	92.2	11.7	7.0	0.7	0.8	100.0	100.0
Deposits	33 591	31 392	7 919	7 135	360	522	41 870	39 049
In percentage	80.2	80.4	18.9	18.3	0.9	1.3	100.0	100.0

Note 7

Commitments broken down according to risk classes

Commitments (EAD) broken down into risk classes (PD):

GROUP 2021	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	48 139	2 879	373	360	92	-67	51 776
Corporate customers	12 293	8 071	1 756	1 386	1 004	-301	24 209
Total commitments	60 432	10 950	2 129	1 746	1 096	-368	75 985

GROUP 2020	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	47 265	1 640	273	223	111	-60	49 452
Corporate customers	11 737	9 125	858	921	939	-266	23 314
Total commitments	59 002	10 765	1 131	1 144	1 050	-326	72 766

PARENT BANK 2021	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	20 050	1 412	199	214	92	-60	21 907
Corporate customers	12 170	7 671	1 756	1 385	1 004	-300	23 686
Total commitments	32 220	9 083	1 955	1 599	1 096	-360	45 593

PARENT BANK 2020	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	18 304	794	164	149	111	-50	19 472
Corporate customers	11 652	8 756	858	921	939	-266	22 860
Total commitments	29 956	9 550	1 022	1 070	1 050	-316	42 332

Credit quality on certificates, bonds and other interest-bearing securities

GROUP 2021	AAA	AA+	AA	AA-	A-	Total
Public sectors	2 023	752	99			2 874
Credit institutions	5 405	343		92		5 840
Other financial companies	1 420	51				1 471
Certificates, bonds and other interest-bearing securities	8 848	1 146	99	92	-	10 185

GROUP 2020	AAA	AA+	AA	AA-	A-	Total
Public sectors	1 802	877				2 679
Credit institutions	4 465	354		53		4 872
Other financial companies	960	52				1 012
Certificates, bonds and other interest-bearing securities	7 227	1 283	-	53	-	8 563

PARENT BANK 2021	AAA	AA+	AA	AA-	A-	Total
Public sectors	1 993	752	99			2 844
Credit institutions	5 280	343		92		5 715
Other financial companies	1 420	51				1 471
Certificates, bonds and other interest-bearing securities	8 693	1 146	99	92	-	10 030

PARENT BANK 2020	AAA	AA+	AA	AA-	A-	Total
Public sectors	1 756	877		53		2 686
Credit institutions	4 898	354				5 252
Other financial companies	960	52				1 012
Certificates, bonds and other interest-bearing securities	7 614	1 283	-	53	-	8 950

Total credit risk

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
475	369	Cash and receivables from Norges Bank	369	475
1 166	867	Loans to and receivables from credit institutions	4 268	5 925
66 850	69 925	Loans to and receivables from customers*	41 067	37 925
8 563	10 185	Certificates, conds and other interest-bearing securities	10 030	8 950
1 793	810	Financial derivatives	278	677
78 847	82 156	Credit risk on balance sheet items	56 012	53 952
1 480	1 693	Guarantee liabilities to customers*	1 693	1 480
4 971	5 553	Undrawn credit facilities	5 692	3 721
6 451	7 246	Total guarantee liabilities and undrawn credit facilities	7 385	5 201
85 298	89 402	Total credit risk	63 397	59 153

*The numbers are net expected credit loss

Note 8

Loans broken down into level of security

Collateral and other risk reducing measures

In addition to the assessment of debt servicing level, 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. Except of commitments where individual loss assessment has been made in stage 3, 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 calculation of expected credit loss on loans, the bank's valuation of the security objects is considered. The bank uses the IRB-system as a proxy to develop the model calculating expected credit loss (the ECL-model) according to IFRS 9. The model takes into account the internal and external costs related to follow-up of non-performing commitments and costs related to realization of collateral (LGD model). This implies, that even though a commitment is fully secured, all customers have an expected credit loss calculation.

Additional information is presented in note 9.

The main types of collateral used: mortgage on property (residential and commercial), guarantees, surety, registered moveable property (chattels), charge on goods (stocks), operating equipment and licenses or set-off agreements. Guarantees represent a minor 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 customers, 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.

In addition to an assessment of debt servicing level and future realisation value of collateral, the financial commitment terms (covenants) are included in most credit agreements for large corporate customers. These conditions are a supplement to reduce risks and to ensure proper monitoring and control of commitments.

Information regarding repossessed assets is presented in note 33.

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. Above 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 GROUP - 31.12.2021	Retail customers (NOK million)	Retail customers as percentage of total	Corporate (NOK million)	Corporate as percentage of total	Total (NOK million)	Total in percentage
0 % - 60 %	22 514	47.34	11 249	49.56	33 763	48.06
60 % - 70 %	10 362	21.79	2 694	11.87	13 056	18.58
70 % - 80 %	8 567	18.01	3 069	13.52	11 636	16.56
80 % - 90 %	2 649	5.57	1 265	5.57	3 914	5.57
90 % - 100 %	1 286	2.70	1 010	4.45	2 296	3.27
Above 100 %	1 959	4.12	2 994	13.19	4 953	7.05
Not secured	220	0.46	416	1.83	636	0.91
Total	47 557	100.00	22 697	100.00	70 254	100.00

Level of security GROUP - 31.12.2020	Retail customers (NOK million)	Retail customers as percentage of total	Corporate (NOK million)	Corporate as percentage of total	Total (NOK million)	Total in percentage
0 % - 60 %	20 101	44.09	10 498	48.75	30 599	45.58
60 % - 70 %	9 531	20.90	1 031	4.79	10 562	15.73
70 % - 80 %	8 762	19.22	4 116	19.11	12 878	19.18
80 % - 90 %	3 325	7.29	1 488	6.91	4 813	7.17
90 % - 100 %	1 413	3.10	803	3.73	2 216	3.30
Above 100 %	2 201	4.83	3 421	15.89	5 622	8.38
Not secured	259	0.57	177	0.82	436	0.65
Total	45 592	100.00	21 534	100.00	67 126	100.00

Collateralisation is a variable that indicates the level of over-collateralisation in relation to the volume of outstanding covered bonds.

Cover pool related to covered bonds issued by Møre Boligkreditt AS	31.12.2021	31.12.2020
Pool of eligible loans	28 778	28 684
Supplementary assets	1 455	903
Financial derivatives applied in hedge accounting(assets)	540	1 176
Financial derivatives applied in hedge accounting(debt)	-79	-76
Total collateralised assets 1)	30 694	30 687
Collateralisation in %	119.9	127.9

1) NOK 193 million of total gross loans are not eligible for the cover pool as at 31 December 2021 (NOK 357 million in 2020).

Note 9

Losses on loans and guarantees

Methodology for measuring expected credit loss (ECL) according to IFRS 9
Sparebanken Møre has developed an ECL-model based on the IRB-parameters in the Group, dividing the commitments into three stages when calculating expected credit loss (ECL) on loans to customers and financial guarantees in accordance with IFRS 9:

Stage 1: At initial recognition and if there's no significant increase in credit risk, the commitment is classified in stage 1 with 12-months ECL.

Stage 2: If a significant increase in credit risk since initial recognition is identified, but without evidence of loss, the commitment is transferred to stage 2 with lifetime ECL measurement.

Stage 3: If the credit risk increases further, including evidence of loss, the commitment is transferred to stage 3 with lifetime ECL measurement. The commitment is considered to be credit impaired. As opposed to stage 1 and 2, the effective interest rate in stage 3 is calculated on net impaired commitment (total commitment less expected credit loss) instead of gross commitment.

Staging is performed at account level and implies that two or more accounts held by the same customer can be placed in different stages. If the customer has one account in stage 3 (risk class M and N), all of the customer`s accounts will migrate to stage 3.

An increase in credit risk, reflects both customer-specific circumstances and development in relevant macro factors for the particular customer segment. The assessment of what is considered to be a significant increase in credit risk is based on a combination of quantitative and qualitative indicators, as well as "backstops" (see separate section regarding "backstops").

The calculation of expected credit losses is based on the following principles:

- The loss provision for commitments which are not individually assessed is calculated as the present value of EAD multiplied by the probability of default (PD) multiplied by loss given default (LGD). PD, LGD and EAD use the IRB framework as a starting point ("proxy"), but are converted into being point-in-time and forward-looking as opposed to through the cycle and conservative.

- Past, present and forward-looking information is used to estimate ECL. The bank's data warehouse has a history of observed PD and LGD on the loan portfolio. This forms the basis for creating estimates of future values for PD. In line with IFRS 9, the bank groups its lending into three stages. For this purpose, Sparebanken Møre's loan portfolio is divided into 4 segments (the retail portfolio and 3 industry specific corporate portfolios). All customers within a segment are exposed to the same risk drivers. Loans to the retail segment are mainly secured with collateral in real estate and the volume of unsecured loans is marginal.

- For commitments with evidence of loss, an individual assessment is carried out and the entire customer`s commitments are placed in stage 3.

The model used for calculating ECL follows four steps: Segmentation, staging/migration, determination of macro adjustments and calculation of ECL.

Segmentation and macro adjustments
The assessment of significant increase in credit risk and the calculation of ECL incorporates past, present and forward-looking information. Each segment is subject to separate macro adjustments.

Regression analysis of changes in the default rate on changes in relevant macro time series have been performed. Regression analyses are statistical analysis methods to describe the relationship between one or more independent variables and a dependent variable (default). It is based on the established subpopulations in the ECL model and the macro-time series used at present. The regression analyses are based on the bank's customer data base and historical observations of PD and selected macroeconomic factors published by Statistics Norway and Norges Bank.

Four macro models have been developed for use in the ECL model, one model for the retail customers and three industry models for the corporate customers. The following macroeconomic sizes have been used to develop macro factors for retail and corporate customers respectively:

Retail customers:

- Unemployment rate
- Consumer price index
- Household interest rate burden

Corporate customers:

- Money market rate
- Euro exchange rate
- Export market indicator
- Gross investment in dwellings
- Unemployment rate

Probability of default (PD)
Sparebanken Møre applies several different models to determine a customer's PD. The choice of model depends on whether it is a retail or corporate customer. PD models are key components both in calculating the ECL and in assessing whether a significant increase in credit risk has occurred since initial recognition. These models fulfil the IFRS 9 requirement to provide an unbiased probability-weighted estimate of ECL. Sparebanken Møre has been granted permission to use internal rating-based approach (IRB) models for determining PD in capital adequacy calculations. In order to apply these PDs for IFRS 9, modifications have been made to allow that the PDs used for IFRS 9 reflect management's current view of expected cyclical changes.

Loss given default (LGD)
LGD represents the percentage of exposure which the Group expects to lose if the customer fails to meet his obligations, taking the collateral provided by the customer, future cash flows and other relevant factors into consideration.

Similar to PDs, Sparebanken Møre uses IRB LGDs for capital adequacy calculations. In order to convert the IRB LGDs to IFRS LGDs, modifications have been made to remove the margin of conservatism to produce unbiased projections rather than downturn projections as well as removing the effect of regulatory floors.

These modifications imply that the LGDs used for IFRS 9 should reflect management's current view and that all LGD estimates are expectation-oriented.

Exposure
Exposure is the share of the approved credit that is expected to be drawn at the time of any future default. The exposure is adjusted to reflect contractual payments of principal and interest. The proportion of undrawn commitments expected to have been drawn at the time of default is reflected in the credit conversion factor.

Significant increase in credit risk
The assessment of a significant increase in credit risk is based on a combination of quantitative and qualitative indicators and backstops. A significant increase in credit risk has occurred when one or more of the criteria below are met:

Quantitative criteria
A significant increase in credit risk is determined by comparing the PD at the reporting date with the PD at initial recognition. If the actual PD is higher than initial PD, an assessment is made of whether the increase is significant.

Significant increase in credit risk since initial recognition is considered to have occurred when either

- PD has increased by 100 % or more and the increase in PD is more than 0.5 percentage points, or
- PD has increased by more than 2.0 percentage points

The weighted, macro-adjusted PD in year 1 compared with the PD at initial recognition is used to determine whether the risk has increased significantly.

Qualitative criteria
In addition to the quantitative assessment of changes in the PD, a qualitative assessment is made to determine whether there has been a significant increase in credit risk, for example if the commitment is subject to special monitoring.

«Backstops»
Credit risk is always considered to have increased significantly if the following events, "backstops", have occurred:

- the customer's contractual payments are more than 30 days past due
- the customer has been granted forbearance measures due to financial distress, though it is not severe enough to be individually assessed in stage 3.

Significant reduction in credit risk – recovery
An account migrates from stage 2 to stage 1:

- The criteria for migration from stage 1 to stage 2 is no longer present, **and**

- This is satisfied for at least one subsequent month (total 2 months)

An account migrates from stage 3 to stage 1 or stage 2 if the account no longer meets the conditions for migration to stage 3.
Accounts that are not subject to the migration rules above are not assumed to have significant change in credit risk and retain the stage from previous month.

Scenarios
Three scenarios must be designed: base, best and worst. For each of the scenarios, the expected values for various parameters are specified for each of the next 5 years. The expected probability of each of the three scenarios occurring is also specified. After 5 years, the scenarios are expected to converge towards a long-term stable level.

- The base scenario assumes that the Norwegian economy will develop in line with the forecasts of Statistics Norway in its 'Economic Trends' and of Norges Bank in its 'Monetary Policy Report'. Over the course of the projection period, Mainland Norway's GDP reaches the level it was at prior to the Covid-19 pandemic and rises further. Strong growth in private consumption, investments in housing and exports contribute to the growth in Mainland GDP. Unemployment (Labour Force Survey) reaches the level it was at prior to the Covid-19 pandemic towards the end of the projection period. House prices rise throughout the period, increasing by a total of around 17 per cent, while commercial property prices rise by 13 per cent. The bank's average lending rate rises by almost 1 percentage point in the base scenario. This contributes to the household interest burden reaching 6.53 per cent in 2024. The increase in the interest burden is due to higher interest rates and growth in household debt. During the projection period, the level of credit-impaired commitments (future PD) in the bank is expected to increase in the retail market, while overall a somewhat lower level of credit-impaired commitments is expected in the corporate market.
- The best case scenario assumes that the Norwegian economy develops in line with the base scenario, but that capacity problems and inflation are encountered to a lesser extent, which results in fewer rate hikes and lower market rates than in the base scenario. This results in market interest rates and

the household interest burden first decreasing and then rising to the levels in the base scenario towards the end of the projection period. Unemployment is generally expected to remain at a somewhat lower level than in the base scenario. The level of credit-impaired commitments (future PD) in the bank is expected to decrease slightly in both the retail market and the corporate market during the period.

- The worst case scenario is based on the Financial Supervisory Authority of Norway's stress test of Norwegian banks as described in 'Risk Outlook – June 2021'. It assumes that capacity problems in manufacturing and strong growth in demand result in increased inflationary pressure after the reopening of the society, both internationally and in Norway. This rise in inflation is expected to be met with rate hikes from the central banks. Rate hikes and greater uncertainty about economic developments result in a strong rise in market interest rates internationally. Inflation, policy rates and market rates therefore remain high for a prolonged period. This results in the banks' average lending rates rising significantly. The household interest burden is expected to rise to a level on a par with the interest burden during the financial crisis. High levels of debt, higher rates and weak income growth among households result in a sharp contraction in private consumption. This, combined with weak development in real investments and exports of traditional goods and service, contributes to very weak growth in economic activity in Norway and high unemployment. The level of credit-impaired commitments (future PD) in the bank is expected to rise markedly in the first 2 years, both in the retail market and the corporate market, before subsequently decreasing slightly towards the end of the period.

Changes in PD resulting from the scenarios can also affect assignment to stages.

Definition of default, credit-impaired and forbearance
The definition of default has been amended from 1 January 2021 and has been extended to include breaches of special covenants and agreed payment reliefs (forbearance). The new default definition has not changed the Group's assessment of credit risk associated with individual exposures, and there is therefore no significant effect on the Group's losses.

A commitment is defined to be in default and credit-impaired (non-performing) if a claim is more than 90 days overdue and the overdue amount exceeds the highest of 1 per cent of the exposure (loans and undrawn credits) and NOK 1,000 for the retail market and NOK 2,000 for the corporate market. Breaches of covenants can also trigger default. The definition of default is similar to the one used in the capital adequacy regulations.

A commitment is also considered to be credit-impaired (non-performing) if the commitment, as a result of a weakening of the debtor's creditworthiness, has been subject to an individual assessment, resulting in a lifetime ECL in stage 3. A financial asset is credit-impaired when one or more events that have a negative impact on the estimated future cash flows of the financial asset has taken place. Indications that a financial asset is credit-impaired include observable data on the following events:

a) the debtor having significant financial problems,
b) breaches of contract, for example default or overdue payments,

A financial asset is considered as defaulted if the borrower does not pay overdue instalments, or overdrafts are not covered, maximum within 90 days

c) when the borrower's lender, for financial or contractual reasons related to the borrower's financial difficulties, has given the borrower concessions that the lender would otherwise not have considered,
d) when it becomes likely that the borrower will go bankrupt or be subjected to another form of financial reorganization,
e) when an active market for the financial asset disappears due to financial difficulties, or
f) purchase or creation of a financial asset with a significant discount that reflects accrued credit losses.

It may not be possible to identify a single separate event - instead, the overall impact of several events may have led to a deterioration of financial assets.

Provisions for guarantee liabilities are made if the liability is likely to be settled 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 where provisions have been made are capitalized as an asset maximum equal to provisions made.

A commitment is defined to be subject to forbearance if the bank agrees to changes in the terms and conditions because the debtor is having problems meeting payment obligations. A performing (not defaulted) forbearance is placed in stage 2, whereas a non-performing forbearance (defaulted) is placed in stage 3.

As part of the process of granting payment relief, a specific, individual assessment is made of whether the application for payment relief is 'forbearance' and whether the loan should thus migrate to stage 2 (performing) or stage 3 (non-performing) in the Group's ECL model.

Sensitivity analysis

Macro factors and weighting of scenarios are important input factors in the bank's ECL model that can contribute to significant changes in the calculation of losses and subject to a large degree of judgment. A framework has been drawn up for determining macro factors and scenarios in the ECL model to satisfy the requirement to be expectation-oriented and forward-looking. Changes to PD as a result of scenarios, may also affect the staging.

Staging of the expected credit losses requires both information about intrusive events and current conditions, as well as expected events and future financial conditions. The calculations and use of forward-looking information require a high degree of judgment. Each macroeconomic scenario includes a five-year period projection.

The bank's base case scenario and macro paths, are based on forecasts from SSB (Statistics Norway)/Norges Bank, further supplemented by own forecasts.

Individually assessed commitments in stage 3 constitute a relatively large share of the total ECL. In the sensitivity analysis, individual assessments of scenarios and weightings for these commitments are made, based on the bank's best estimates. In the sensitivity analysis, macro factors and choice of scenario have impact on the migration between stages in the ECL model.

The scenarios are weighed based on our best estimate of the probability of the different outcomes represented. The estimates are updated quarterly and estimates as of 31 December 2021 were used. Both the best and the worst case are considered to occur every 25 years. "Best" and "worst" meaning the strongest and weakest economic development. The base scenario is weighted 70 per cent and assumes that no significant shutdowns occur going forward.

The accounted ECL as of 31.12.2021 is based on a 70 per cent base scenario (normal development), 10 per cent worst case and 20 per cent best case scenario. If the worst-case scenario is increased from 10 per cent to 70 per cent and the base scenario reduced to 10 per cent (negative development), this would result in an increase in the provision for losses of NOK 35 million to NOK 150 million in the ECL model. A corresponding change in the best- case scenario (positive development), would result in a reduction in the loss provisions of NOK 8 million. The losses on loans in 2021 are primarily in the oil-related industry, and the future prospects in this industry are still uncertain. For the oil-related portfolio, special assessments have been made with respect to the probability of default under different scenarios and associated realisation values.

Management override

Quarterly review meetings evaluate the basis for the accounting of ECL losses. If there are significant events that will affect an estimated loss which the model has not taken into account, relevant factors in the ECL model will be overridden.

An assessment is made of the level of long-term PD and LGD in stage 2 and stage 3 under different scenarios.

Validation

The Group continuously develops and reviews the risk management system and the credit granting process to ensure high quality over time.

An independent quantitative and qualitative validation of the Group's IRB-model and the ECL-model is carried out. The quantitative validation shall ensure that the estimates used for measuring probability of default, exposure at default and loss given default maintain a sufficiently good quality. Analyses are carried out, assessing the models' ability to rank the customers according to risk (discrimination capability), and the ability to set the correct level on the risk parameters. In addition, the stability of the estimates in the models and the cyclical sensitivity of the models are analysed. The quantitative validations will in some cases be supplemented by more qualitative assessments. This is especially true if the capture of statistical data is limited.

The results of the validation processes are included in the further development of the ECL-model.

Individual assessment in stage 3
If there is an indication that a loan is credit-impaired, an individual assessment in stage 3 is made.

In case of individual assessment in stage 3, 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 lifetime. Three weighted scenarios (best, base and worst) are utilised with expected cash flows discounted to present value.

The discounting rate for loans with floating interest rates is equal to the effective rate of interest at the time of assessment. For loans with 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 income statement as losses on loans. Reversal of impairment will result in reversal of amortised cost and is recognised as a correction of 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.

Write-off
When all collateralized assets have been realised and it is undoubtedly that the bank will receive more payments on the commitment, the loss is confirmed. The claim against the customer will, however, still exist and followed up, unless the bank has agreed to debt forgiveness for the customer.

Loans and debt securities are also written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "Impairment on loans, guarantees etc." in the Statement of income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Commitments subject to enforcement activities amount to NOK 6 million as at 31.12.2021 (NOK 13 million).

Consequences of Covid-19 and measurement of expected credit loss (ECL) for loans and guarantees
The bank's loss provisions reflect expected credit loss (ECL) pursuant to IFRS 9. When assessing ECL, the relevant conditions at the time of reporting and expected economic developments are taken into account.

Covid-19 has presented challenges for some of the bank's customers. After returning to more normal everyday lives (albeit with elevated preparedness) in autumn 2021, the omicron variant led to a new shutdown. Although we are now on our way back to more normal everyday lives again, some uncertainty surrounding the developments expected both in Norway and in the global economy remains, and the picture is constantly changing. Some industries have undergone fundamentally changes due to the rapid digitalisation that occurred during Covid-19.

In the Group's calculations of expected credit loss (ECL), the macroeconomic scenarios and the weightings have been impacted by the changes in economic conditions through 2020 and 2021.

While the omicron variant did result in a new shutdown, the future prospects have become more positive and clearer. Large proportions of the population are vaccinated, and macroeconomic conditions are improving. There are still very few bankruptcies and the level of default is low/credit-impaired commitments remain low.

The probability of a pessimistic scenario is reduced from 20 per cent to 10 per cent, the base case scenario is 70 per cent and the best-case scenario is increased from 10 per cent to 20 per cent compared to 31.12.2020.

Losses on loans and guarantees

GROUP			PARENT BANK	
2020	**2021**	**Specification of losses on loans, guarantees etc.**	**2021**	**2020**
-3	-	Changes in ECL - stage 1	-1	-3
-15	-12	Changes in ECL - stage 2	-11	-17
-3	-1	Changes in ECL - stage 3	-	-2
25	59	Increase in existing expected losses in stage 3 (individually assessed)	59	25
113	19	New expected losses in stage 3 (individually assessed)	19	113
161	9	Confirmed losses in stage 3, previously impaired (individually assessed)	9	161
-165	-23	Reversal of previous expected losses in stage 3 (individually assessed)	-23	-165
44	7	Confirmed losses, not previously impaired	7	44
-8	-9	Recoveries	-9	-8
149	49	Total impairment on loans and guarantees	50	148

Changes in ECL in the period

GROUP 2021	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2021	33	84	209	326
New commitments	13	12	0	25
Disposal of commitments and transfer to stage 3 (individually assessed)	-8	-20	-4	-32
Changes in ECL in the period for commitments which have not migrated	-5	-5	-1	-11
Migration to stage 1	1	-18	-2	-19
Migration to stage 2	-1	22	0	21
Migration to stage 3	0	-3	6	3
Changes stage 3 (individually assessed)	-	-	55	55
ECL 31.12.2021	33	72	263	368
- of which expected losses on loans to retail customers	7	39	21	67
- of which expected losses on loans to corporate customers	25	29	208	262
- of which expected losses on guarantees	1	4	34	39

GROUP 2020	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	36	99	240	375
New commitments	13	20	1	34
Disposal of commitments and transfer to stage 3 (individually assessed)	-12	-17	-6	-35
Changes in ECL in the period for commitments which have not migrated	-3	-22	-2	-27
Migration to stage 1	3	-22	0	-19
Migration to stage 2	-4	27	-1	22
Migration to stage 3	0	-1	5	4
Changes stage 3 (individually assessed)	-	-	-28	-28
ECL 31.12.2020	33	84	209	326
- of which expected losses on loans to retail customers	6	34	20	60
- of which expected losses on loans to corporate customers	27	43	146	216
- of which expected losses on guarantees	0	7	43	50

PARENT BANK 2021	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2021	32	76	208	316
New commitments	12	11	2	25
Disposal of commitments and transfer to stage 3 (individually assessed)	-8	-20	-4	-32
Changes in ECL in the period for commitments which have not migrated	-5	-3	-1	-9
Migration to stage 1	1	-15	-1	-15
Migration to stage 2	-1	19	0	18
Migration to stage 3	0	-2	4	2
Changes stage 3 (individually assessed)	-	-	55	55
ECL 31.12.2021	31	66	263	360
- of which expected losses on loans to retail customers	5	34	21	60
- of which expected losses on loans to corporate customers	25	28	208	261
- of which expected losses on guarantees	1	4	34	39

PARENT BANK 2020	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	35	93	238	366
New commitments	12	19	3	34
Disposal of commitments and transfer to stage 3 (individually assessed)	-12	-16	-6	-34
Changes in ECL in the period for commitments which have not migrated	-2	-24	-1	-27
Migration to stage 1	3	-19	0	-16
Migration to stage 2	-4	24	-1	19
Migration to stage 3	0	-1	3	2
Changes stage 3 (individually assessed)	-	-	-28	-28
ECL 31.12.2020	32	76	208	316
- of which expected losses on loans to retail customers	4	27	19	50
- of which expected losses on loans to corporate customers	27	43	146	216
- of which expected losses on guarantees	0	7	43	50

Changes in ECL in the period divided into Retail and Corporate

GROUP 2021	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
ECL 01.01.2021	6	27	34	50	20	189	326
New commitments	3	10	8	4	0	-	25
Disposal of commitments and transfer to stage 3 (individually assessed)	-2	-6	-9	-12	-4	-	-33
Changes in ECL in the period for commitments which have not migrated	0	-5	1	-7	-1	-	-12
Migration to stage 1	0	1	-8	-8	-1	-1	-17
Migration to stage 2	0	-1	16	6	-	0	21
Migration to stage 3	0	0	-3	0	6	0	3
Changes stage 3 (individually assessed)	-	-	-	-	1	54	55
ECL 31.12.2021	7	26	39	33	21	242	368

GROUP 2020	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
ECL 01.01.2020	5	31	36	63	24	216	375
New commitments	2	11	4	16	0	1	34
Disposal of commitments and transfer to stage 3 (individually assessed)	-1	-11	-10	-7	-4	-2	-35
Changes in ECL in the period for commitments which have not migrated	0	-3	0	-22	0	-2	-27
Migration to stage 1	0	3	-9	-13	0	0	-19
Migration to stage 2	0	-4	14	13	-1	0	22
Migration to stage 3	0	0	-1	0	5	0	4
Changes stage 3 (individually assessed)	-	-	-	-	-4	-24	-28
ECL 31.12.2020	6	27	34	50	20	189	326

PARENT BANK 2021	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
ECL 01.01.2021	4	27	27	50	19	189	316
New commitments	2	10	7	4	2	-	25
Disposal of commitments and transfer to stage 3 (individually assessed)	-1	-6	-8	-12	-4	-	-31
Changes in ECL in the period for commitments which have not migrated	0	-5	4	-8	-1	-	-10
Migration to stage 1	0	1	-7	-8	0	-1	-15
Migration to stage 2	0	-1	13	6	-	0	18
Migration to stage 3	0	0	-2	0	4	0	2
Changes stage 3 (individually assessed)	-	-	-	-	1	54	55
ECL 31.12.2021	5	26	34	32	21	242	360

PARENT BANK 2020	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
ECL 01.01.2020	4	31	30	63	22	216	366
New commitments	0	11	4	16	2	1	34
Disposal of commitments and transfer to stage 3 (individually assessed)	0	-12	-9	-7	-4	-2	-34
Changes in ECL in the period for commitments which have not migrated	0	-2	-2	-22	1	-2	-27
Migration to stage 1	0	3	-6	-13	0	0	-16
Migration to stage 2	0	-4	11	13	-1	0	19
Migration to stage 3	0	0	-1	0	3	0	2
Changes stage 3 (individually assessed)	-	-	-	-	-4	-24	-28
ECL 31.12.2020	4	27	27	50	19	189	316

Changes in exposure during the period

GROUP 2021	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
Commitments at 01.01.2021	43 087	20 241	1 519	2 042	111	939	67 939
New commitments	13 761	9 011	292	219	1	-	23 284
Disposal of commitments	-9 691	-4 720	-377	-697	-26	-1	-15 512
Migration to stage 1	552	577	-566	-593	-12	-10	-52
Migration to stage 2	-1 052	-552	1 013	536	-2	0	-57
Migration to stage 3	-11	0	-27	-	36	0	-2
Other changes	-721	-897	-16	-53	-16	76	-1 627
Commitments at 31.12.2021*	45 925	23 660	1 838	1 454	92	1 004	73 973

GROUP 2020	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
Commitments at 01.01.2020	41 402	19 016	1 330	2 383	110	866	65 107
New commitments	12 730	5 818	141	646	2	10	19 347
Disposal of commitments	-9 380	-3 214	-315	-701	-28	-7	-13 645
Migration to stage 1	500	1 021	-515	-1 059	-1	0	-54
Migration to stage 2	-934	-1 059	915	974	-14	0	-118
Migration to stage 3	-11	0	-14	-	25	0	0
Other changes	177	-1 341	-22	-201	17	70	-1 300
Commitments at 31.12.2020*	44 484	20 241	1 520	2 042	111	939	69 337

PARENT BANK 2021	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
Commitments at 01.01.2021	12 976	19 584	759	1 966	111	939	36 335
New commitments	5 842	8 786	246	214	11	-	15 099
Disposal of commitments	-3 812	-4 669	-204	-693	-26	-1	-9 405
Migration to stage 1	234	563	-244	-578	-9	-10	-44
Migration to stage 2	-484	-507	464	492	-2	0	-37
Migration to stage 3	-5	0	-17	0	21	0	-1
Other changes	147	-874	-13	-51	-14	76	-729
Commitments at 31.12.2021*	14 898	22 883	991	1 350	92	1 004	41 218

PARENT BANK 2020	Stage 1		Stage 2		Stage 3		
	Retail	Corporate	Retail	Corporate	Retail	Corporate	Total
Commitments at 01.01.2020	13 360	18 441	698	2 337	110	866	35 812
New commitments	4 463	5 617	71	633	19	10	10 813
Disposal of commitments	-4 149	-4 146	-191	-708	-26	-7	-9 227
Migration to stage 1	166	1 003	-172	-1 033	0	0	-36
Migration to stage 2	-385	-1 000	371	937	-8	0	-85
Migration to stage 3	-2	0	-7	0	9	0	0
Other changes	921	-329	-11	-200	7	70	458
Commitments at 31.12.2020*	14 374	19 586	759	1 966	111	939	37 735

*) The tables above are based on exposure (incl. undrawn credit facilities and guarantees) at the reporting date. The tables do not include loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.

Commitments (exposure) divided into risk groups based on probability of default

GROUP 2021	Stage 1	Stage 2	Stage 3	Total 31.12.2021
Low risk (0 % - < 0.5 %)	57 093	339	-	57 432
Medium risk (0.5 % - < 3 %)	10 186	2 024	-	12 210
High risk (3 % - <100 %)	1 974	1 261	-	3 235
Credit-impaired commitments	-	-	1 096	1 096
Total commitments before ECL	69 253	3 624	1 096	73 973
- ECL	-33	-72	-263	-368
Net commitments *)	69 220	3 552	833	73 605

GROUP 2020	Stage 1	Stage 2	Stage 3	Total 31.12.2020
Low risk (0 % - < 0.5 %)	54 498	640	-	55 138
Medium risk (0.5 % - < 3 %)	8 951	2 204	-	11 155
High risk (3 % - <100 %)	884	1 110	-	1 994
Credit-impaired commitments	-	-	1 050	1 050
Total commitments before ECL	64 333	3 954	1 050	69 337
- ECL	-33	-84	-209	-326
Net commitments *)	64 300	3 870	841	69 011

PARENT BANK 2021	Stage 1	Stage 2	Stage 3	Total 31.12.2021
Low risk (0 % - < 0.5 %)	26 588	273	-	26 861
Medium risk (0.5 % - < 3 %)	9 005	1 263	-	10 268
High risk (3 % - <100 %)	1 860	1 133	-	2 993
Credit-impaired commitments	-	-	1 096	1 096
Total commitments before ECL	37 453	2 669	1 096	41 218
- ECL	-31	-66	-263	-360
Net commitments *)	37 422	2 603	833	40 858

PARENT BANK 2020	Stage 1	Stage 2	Stage 3	Total 31.12.2020
Low risk (0 % - < 0.5 %)	24 406	578	-	24 984
Medium risk (0.5 % - < 3 %)	8 341	1 544	-	9 885
High risk (3 % - <100 %)	819	997	-	1 816
Credit-impaired commitments	-	-	1 050	1 050
Total commitments before ECL	33 566	3 119	1 050	37 735
- ECL	-32	-76	-208	-316
Net commitments *)	33 534	3 043	842	37 419

*) The tables above are based on exposure (incl. undrawn credit facilities) at the reporting date. The tables do not include loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.

Sensitivity analysis

GROUP - 2021	Scenario weights			
	Worst	Basis	Best	Calculated ECL (NOK million)
Normal development	10%	70%	20%	115
Negative development	70%	20%	10%	150
Positive development	10%	20%	70%	107

	Worst	Basis	Best	Calculated ECL (NOK million)
100 % weighting basis scenario	0%	100%	0%	113
100 % weighting worst case scenario	100%	0%	0%	169
100 % weighting best case scenario	0%	0%	100%	93

The sensitivity analysis is based on simulations of changes in stage 1 and 2.

Forbearance split into ECL stages

GROUP/PARENT BANK 2021	Stage 1	Stage 2	Stage 3	Total
Forbearance Retail	0	394	47	441
Forbearance Corporate	0	482	810	1 292
Total forbearance as at 31.12.2021	0	876	857	1 733

GROUP/PARENT BANK 2020	Stage 1	Stage 2	Stage 3	Total
Forbearance Retail	0	417	43	460
Forbearance Corporate	0	246	823	1 069
Sum forbearance 31.12.2020	0	663	866	1 529

Note 10

Credit-impaired commitments

The accounting policies regarding assessments of loans are disclosed in note 9. Defaulted loans and overdrafts are continuously supervised. Commitments, where a probable deterioration of customer solvency is identified, are considered credit-impaired and transferred to stage 3 with lifetime ECL measurement.

The table Credit-impaired commitments consists of total commitments in default for more than 3 months and other credit-impaired commitments (less than 3 months).

Credit-impaired commitments

The table shows total commitments in default for more than 90 days and other credit-impaired commitments (less than 90 days).

	31.12.2021			31.12.2020		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default for more than 90 days	46	41	5	83	72	11
Gross other credit-impaired commitments	1 050	51	999	967	39	928
Gross credit-impaired commitments	1 096	92	1 004	1 050	111	939
ECL on commitments in default for more than 90 days	15	11	4	18	12	6
ECL on other credit-impaired commitments	248	10	238	191	8	183
ECL on credit-impaired commitments	263	21	242	209	20	189
Net commitments in default for more than 90 days	31	30	1	65	60	5
Net other credit-impaired commitments	802	41	761	776	31	745
Net credit-impaired commitments	833	71	762	841	91	750
Total gross loans to customers - Group	70 254	47 557	22 697	67 126	45 592	21 534
Guarantees - Group	1 732	4	1 728	1 530	5	1 525
Gross credit-impaired commitments as a percentage of loans/guarantees	1.52	0.19	4.11	1.53	0.24	4.09
Net credit-impaired commitments as a percentage of loans/guarantees	1.16	0.15	3.12	1.22	0.20	3.27

PARENT BANK	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default for more than 90 days	44	39	5	83	72	11
Gross other credit-impaired commitments	1 045	46	999	967	39	928
Gross credit-impaired commitments	1 089	85	1 004	1 050	111	939
ECL on commitments in default for more than 90 days	15	11	4	18	12	6
ECL on other credit-impaired commitments	248	10	238	191	8	183
ECL on credit-impaired commitments	263	21	242	209	20	189
Net commitments in default for more than 90 days	29	28	1	65	60	5
Net other credit-impaired commitments	797	36	761	776	31	745
Net credit-impaired commitments	826	64	762	841	91	750
Total gross loans - parent bank	42 174	19 477	22 697	42 951	17 309	25 642
Guarantees - parent bank	1 732	4	1 728	1 530	5	1 525
Gross credit-impaired commitments as a percentage of loans/guarantees	2.48	0.44	4.11	2.36	0.64	3.46
Net credit-impaired commitments as a percentage of loans/guarantees	1.88	0.33	3.12	1.89	0.53	2.76

Quantitative information on collateral and other credit enhancements on credit-impaired commitments

GROUP/PARENT BANK

2021	Credit-impaired commitments	Provision for expected credit losses	Assessed value of collateral
Retail	92	-21	119
Corporate	1 004	-242	702
Total	1 096	-263	821

GROUP/PARENT BANK

2020	Credit-impaired commitments	Provision for expected credit losses	Assessed value of collateral
Retail	111	-20	94
Corporate	939	-189	705
Total	1 050	-209	799

Note 11

Market risk

The bank's Board of Directors stipulates the long-term targets with regards to the bank`s risk profile. These targets are made operational through powers of attorney and limits delegated within the organisation. Sparebanken Møre manages market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on board adopted strategy documents. The strategy documents are subject to periodical reviews and are revised/adopted 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, independent of the operative units.

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

Interest rate risk is presented in note 12, foreign exchange risk in note 13 and financial derivatives is described in note 25.

Note 12

Interest rate risk

Interest rate risk occurs due to the fact that the Group may have different interest rate periods on its assets and liabilities. Sparebanken Møre measures interest rate risk through analyses, showing the impact on the overall result of a 1 percentage point parallel shift in the yield curve. In this way, it is possible to quantify the risk incurred by the bank and the effect it has on the result there being changes in the interest rates in the market. 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 low. The table below shows the potential impact on the overall result of changes in value of financial assets and liabilities for 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 and confirms the bank's low risk tolerance for changes in value due to interest rate developments.

The bank also performs sensitivity calculations in an earnings perspective, and a potential effect on the profit and loss over a 1-year period of an interest rate change of 1 percentage point is NOK 33 million for the Group.

Interest rate risk

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
		Maturity		
9	8	Up to 1 month	-3	-2
2	13	1 - 3 months	15	16
11	9	3 - 12 months	7	9
-8	-7	1 - 5 years	6	2
-2	-1	Above 5 years	-	-1
12	22	Total	25	24
-13	-17	Certificates, bonds and other interest-bearing securities	-16	-13
-11	-13	Loans to and receivables from customers, with fixed interest rate	7	3
-78	-83	Other loans	-53	-48
72	82	Deposits from customers	82	72
36	50	Bonds issued	4	4
6	3	Other balance sheet items	1	6
12	22	Total	25	24

Note 13

Foreign exchange risk

Sparebanken Møre measures foreign exchange risk on the basis of its net positions in the different currencies involved. 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 based on traded price on the balance sheet date. For notes and coins, approximate purchase prices are applied. Current income and costs are converted into Norwegian kroner at the prices ruling on transaction date. Net realised and unrealised gains or losses are included in the income statement. Throughout the year, unintentional foreign exchange risk has been at a minimum level.

GROUP - 31.12.2021	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and receivables from Norges Bank	428	428	0					
Loans to and receivables from credit institutions	867	661	206	33	89	2	23	59
Loans to and receivables from customers	69 925	67 057	2 868	1 508	348	405	435	172
Certificates and bonds	10 185	9 237	948		640		101	207
Other assets	1 392	1 364	28	14	6	2	2	4
Total assets	82 797	78 747	4 050	1 555	1 083	409	561	442
Loans and deposits from credit institutions	980	969	11	8			1	2
Deposits from customers	41 853	41 382	471	130	281		5	55
Debt securities issued	30 263	19 617	10 646		10 646			
Other liabilities	1 428	1 405	23	5			18	
Subordinated loan capital	703	703	0					
Equity	7 570	7 570	0					
Total liabilities and equity	82 797	71 646	11 151	143	10 927	0	24	57
Forward exchange contracts			7 117	-1 401	9 844	-407	-536	-383
Net exposure foreign exchange			16	11	0	2	1	2
Effect of a 10 per cent change in price (MNOK)	2							

GROUP - 31.12.2020	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and receivables from Norges Bank	542	542	0					
Loans to and receivables from credit institutions	1 166	837	329	83	129	10	1	106
Loans to and receivables from customers	66 850	63 927	2 923	1 208	447	12	527	729
Certificates and bonds	8 563	7 402	1 161		687			474
Other assets	2 365	2 344	21	7	9		2	3
Total assets	79 486	75 052	4 434	1 298	1 272	22	530	1 312
Loans and deposits from credit institutions	2 209	2 199	10	8				2
Deposits from customers	39 023	38 228	795	134	549	10		102
Debt securities issued	28 774	20 116	8 658		8 658			
Other liabilities	1 570	1 564	6	2	2			2
Subordinated loan capital	702	702	0					
Equity	7 208	7 208	0					
Total liabilities and equity	79 486	70 017	9 469	144	9 209	10	0	106
Forward exchange contracts			5 049	-1 149	7 938	-12	-527	-1 201
Net exposure foreign exchange			14	5	1	0	3	5
Effect of a 10 per cent change in price (MNOK)	2							

PARENT BANK - 31.12.2021	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and receivables from Norges Bank	428	428	0					
Loans to and receivables from credit institutions	4 268	4 062	206	33	89	2	23	59
Loans to and receivables from customers	41 067	38 199	2 868	1 508	348	405	435	172
Certificates and bonds	10 030	9 082	948		640		101	207
Other assets	2 386	2 358	28	14	6	2	2	4
Total assets	58 179	54 129	4 050	1 555	1 083	409	561	442
Loans and deposits from credit institutions	1 877	1 866	11	8			1	2
Deposits from customers	41 870	41 399	471	130	281		5	55
Debt securities issued	5 174	5 174	0					
Other liabilities	1 244	1 221	23	5			18	
Subordinated loan capital	703	703	0					
Equity	7 311	7 311	0					
Total liabilities and equity	58 179	57 674	505	143	281	0	24	57
Forward exchange contracts			-3 529	-1 401	-802	-407	-536	-383
Net exposure foreign exchange			16	11	0	2	1	2
Effect of a 10 per cent change in price (MNOK)	2							

PARENT BANK - 31.12.2020	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and receivables from Norges Bank	542	542	0					
Loans to and receivables from credit institutions	5 925	5 596	329	83	129	10	1	106
Loans to and receivables from customers	37 925	35 002	2 923	1 208	447	12	527	729
Certificates and bonds	8 950	7 789	1 161		687			474
Other assets	3 276	3 255	21	7	9		2	3
Total assets	56 618	52 184	4 434	1 298	1 272	22	530	1 312
Loans and deposits from credit institutions	3 113	3 103	10	8				2
Deposits from customers	39 049	38 254	795	134	549	10		102
Debt securities issued	5 286	5 286	0					
Other liabilities	1 514	1 508	6	2	2			2
Subordinated loan capital	702	702	0					
Equity	6 954	6 954	0					
Total liabilities and equity	56 618	55 807	811	144	551	10	0	106
Forward exchange contracts			-3 609	-1 149	-720	-12	-527	-1 201
Net exposure foreign exchange			14	5	1	0	3	5

Effect of a 10 per cent change in price (MNOK)	2

Note14

Liquidity risk

The management of Sparebanken Møre's funding structure is defined in an overall financing strategy which is evaluated and agreed by the Board of Directors at least once every year. In this strategy document, the bank's 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 regards 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.

The Group`s deposit-to-loan ratio, calculated including transferred mortgages to Møre Boligkreditt AS, amounted to 59.6 per cent at the end of 2021, opposed to 58.1 per cent by the end of 2020.

The average residual maturity of the portfolio of senior bonds and covered bonds were respectively 2.6 years and 3.5 years at the end of 2021, compared with 3.2 years and 3.7 years a year earlier.

The bank also has holdings of securities, which are included as part of the ongoing liquidity management. See additional information in note 22 and 24.

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

GROUP	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and receivables from Norges Bank	428					428
Loans to and receivables from credit institutions	867					867
Loans to and receivables from customers	8 221	322	2 997	18 027	53 892	83 459
Certificates and bonds	299	600	1 475	6 969	1 118	10 461
Total assets	9 815	922	4 472	24 996	55 010	95 215
Liabilities						
Loans and deposits from credit institutions	980					980
Deposits from customers	40 567	432	843	17		41 859
Debt securities issued	10	1 042	3 465	25 077	1 620	31 214
Subordinated loan capital	3	1	210	512		726
Total liabilities	41 560	1 475	4 518	25 606	1 620	74 779
Financial derivatives						
Cash flow in	9	57	271	811	234	1 382
Cash flow out	16	96	285	900	214	1 511
Total financial derivatives	-7	-39	-14	-89	20	-129

Liquidity risk 31.12.2020

GROUP	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and receivables from Norges Bank	542	0	0	0	0	542
Loans to and receivables from credit institutions	1 166	0	0	0	0	1 166
Loans to and receivables from customers	8 504	726	2 320	15 590	51 853	78 993
Certificates and bonds	175	196	1 204	6 619	482	8 676
Total assets	10 387	922	3 524	22 209	52 335	89 377
Liabilities						
Loans and deposits from credit institutions	1 710	1	5	513	0	2 229
Deposits from customers	37 437	611	985	21	0	39 054
Debt securities issued	5	370	3 855	23 347	1 676	29 253
Subordinated loan capital	2	1	10	55	735	803
Total liabilities	39 154	983	4 855	23 936	2 411	71 339
Financial derivatives						
Cash flow in	2	49	237	791	234	1 313
Cash flow out	8	74	249	721	186	1 238
Total financial derivatives	-6	-25	-12	70	48	75

Liquidity risk 31.12.2021

PARENT BANK	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and receivables from Norges Bank	428					428
Loans to and receivables from credit institutions	4 268					4 268
Loans to and receivables from customers	4 031	228	2 501	15 476	25 900	48 136
Certificates and bonds	298	610	1 061	7 231	1 118	10 318
Total assets	9 025	838	3 562	22 707	27 018	63 150
Liabilities						
Loans and deposits from credit institutions	1 877					1 877
Deposits from customers	40 584	432	843	17		41 876
Debt securities issued	10	1	754	4 637		5 402
Subordinated loan capital	3	1	210	512		726
Total liabilities	42 474	434	1 807	5 166	0	49 881
Financial derivatives						
Cash flow in	8	37	160	478	157	840
Cash flow out	9	50	150	507	164	880
Total financial derivatives	-1	-13	10	-29	-7	-40

Liquidity risk 31.12.2020

PARENT BANK	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and receivables from Norges Bank	542	0	0	0	0	542
Loans to and receivables from credit institutions	5 925	0	0	0	0	5 925
Loans to and receivables from customers	4 263	639	1 921	13 104	24 093	44 020
Certificates and bonds	176	197	1 136	7 086	482	9 077
Total assets	10 906	836	3 057	20 190	24 575	59 564
Liabilities						
Loans and deposits from credit institutions	2 614	1	5	513	0	3 133
Deposits from customers	37 411	611	985	21	0	39 028
Debt securities issued	5	331	683	4 438	0	5 457
Subordinated loan capital	2	1	10	55	735	803
Total liabilities	40 032	944	1 683	5 027	735	48 421
Financial derivatives						
Cash flow in	2	31	131	393	124	681
Cash flow out	4	45	147	443	130	769
Total financial derivatives	-2	-14	-16	-50	-6	-88

Note 15

Net interest income

Interest income is recognised as income using the effective interest rate method. This implies 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.

Recognition of interest income using the effective interest rate method is used both for balance sheet items valued at amortised cost, and balance sheet items valued at fair value through the income statement, with the exception of establishment fees 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".

Net interest income

GROUP				PARENT BANK		
2021				2021		
Measured at fair value	Measured at amortised cost	Total		Total	Measured at amortised cost	Measured at fair value
			Interest income from:			
-	2	2	Loans to and receivables from credit institutions	33	33	-
67	1 581	1 648	Loans to and receivables from customers	1 056	1 032	24
73	-	73	Certificates, bonds and other interest-bearing securities	79	-	79
140	1 583	1 723	Total interest income	1 168	1 065	103
			Interest expenses:			
-	4	4	Liabilities to credit institutions	15	15	-
-	140	140	Deposits from and liabilities to customers	140	140	-
-	254	254	Debt securities issued	52	52	-
-	14	14	Subordinated loan capital	14	14	-
-	45	45	Other interest expenses	40	40	-
-	457	457	Total interest expenses	261	261	-
140	1 126	1 266	Net interest income	907	804	103

GROUP				PARENT BANK		
2020				2020		
Measured at fair value	Measured at amortised cost	Total		Total	Measured at amortised cost	Measured at fair value
			Interest income from:			
-	7	7	Loans to and receivables from credit institutions	32	32	-
91	1 755	1 846	Loans to and receivables from customers	1 172	1 108	64
101	-	101	Certificates, bonds and other interest-bearing securities	105	-	105
192	1 762	1 954	Total interest income	1 309	1 140	169
			Interest expenses:			
-	12	12	Liabilities to credit institutions	22	22	-
-	280	280	Deposits from and liabilities to customers	280	280	-
-	370	370	Debt securities issued	65	65	-
-	17	17	Subordinated loan capital	17	17	-
-	48	48	Other interest expenses	43	43	-
-	727	727	Total interest expenses	427	427	-
192	1 035	1 227	Net interest income	882	713	169

Note 16

Net commission and other income

Guarantee commissions are recognised as they occur, equal to interest income.

All fees related to payment transactions are recognised as income when the transaction occurs. Fees and charges from sales or brokerage of equities, equity funds, insurance, property or other investment objects that do not generate balance sheet items in the bank's accounts, are recognised as income after the income generating activity has been executed. Customer trades involving financial instruments will generate income in the form of margins and broker's commissions, which are recognised as income after the trade has been executed. Dividends on equities are recognised as income after the dividend has been finally approved.

GROUP			PARENT BANK	
2020	2021		2021	2020
36	39	Guarantee commission	39	36
23	26	Income from the sale of insurance products (non-life/personal)	26	23
11	15	Income from the sale of shares in unit trusts/securities	15	11
36	42	Income from Discretionary Portfolio Management	42	36
81	79	Income from payment transfers	79	81
23	25	Other fees and commission income	25	22
210	226	Commission income and income from banking services	226	209
-31	-34	Commission expenses and expenses from banking services	-34	-31
23	25	Income from real estate brokerage	0	0
4	1	Other operating income	45	44
27	26	Total other operating income	45	44
206	218	Net commision and other income	237	222

The following table lists commission income and costs covered by IFRS 15 broken down by the largest main items and allocated per segment.

Net commission and other income - 2021	Group	Other	Corporate	Retail	Real estate brokerage
Guarantee commission	39	3	36	0	0
Income from the sale of insurance products (non-life/personal)	26	4	2	20	0
Income from the sale of shares in unit trusts/securities	15	4	1	10	0
Income from Discretionary Portfolio Management	42	2	21	19	0
Income from payment transfers	79	9	18	52	0
Other fees and commission income	25	-1	8	18	0
Commission income and income from banking services	226	21	86	119	0
Commission expenses and expenses from banking services	-34	-9	-2	-23	0
Income from real estate brokerage	25	0	0	0	25
Other operating income	1	1	0	0	0
Total other operating income	26	1	0	0	25
Net commision and other income	218	13	84	96	25

Net commission and other income - 2020	Group	Other	Corporate	Retail	Real estate brokerage
Guarantee commission	36	0	36	0	0
Income from the sale of insurance products (non-life/personal)	23	0	2	21	0
Income from the sale of shares in unit trusts/securities	11	0	0	11	0
Income from Discretionary Portfolio Management	36	4	18	14	0
Income from payment transfers	81	13	17	51	0
Other fees and commission income	23	4	7	12	0
Commission income and income from banking services	210	21	80	109	0
Commission expenses and expenses from banking services	-31	-13	-1	-17	0
Income from real estate brokerage	23	0	0	0	23
Other operating income	4	3	1	0	0
Total other operating income	27	3	1	0	23
Net commision and other income	206	11	80	92	23

Note 17

Net gains and losses from financial instruments

GROUP				PARENT BANK	
2020	2021		Note	2021	2020
16	12	Interest hedging (for customers)		10	14
52	35	Currency hedging (for customers)		35	52
22	3	Dividend received	29	240	249
-4	18	Net gains/losses on equities		18	-4
-4	-23	Net gains/losses on bonds		-21	-2
78	-107	Change in value of fixed-rate loans	24	-40	103
-77	113	Derivatives related to fixed-rate loans		43	-104
-600	771	Change in value of issued bonds		49	-14
595	-777	Derivatives related to issued bonds		-49	12
-4	-2	Net gains/losses related to buy back of issued bonds		-1	-3
74	43	Net gains/losses from financial instruments		284	303

Changes in value of financial instruments in fair value hedging recognised in the income statement

GROUP			PARENT BANK	
2020	2021		2021	2020
-658	765	Value secured debt securities with changes in value recognised in the income statement	60	-14
664	-769	Financial derivatives applied in hedge accounting	-62	13
6	-4	Total	-2	-1

Note 18

Salaries

GROUP			PARENT BANK	
2020	**2021**	(NOK million)	**2021**	**2020**
247	260	Wages, salary and other cash-based benefits	243	233
2	2	Fees paid to members of the Board of Directors	2	2
0	0	Bonus/profit sharing	0	0
21	23	Pension costs (note 20)	23	21
39	42	Employers' social security contribution	40	38
14	14	Financial activity tax	14	14
14	19	Other personnel costs	18	14
337	360	Total wages and salary costs	340	322

2020	**2021**	Manning levels:	**2021**	**2020**
346	364	Number of man-years as at 31.12	347	335
354	355	Number of man-years employed in the financial year	340	341

As at 31.12.2021, 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 or positions, except a 6-month severance pay for the CEO. Furthermore, there are no accounting-related obligations relating to bonuses, profit sharing, options or similar for any of the abovementioned persons. Regarding the bonus schemes in the Group, see the discussion in the NUES document paragraph 12, as well a discussion in the bank's remuneration report. The CEO's contract includes a 6-month period of notice. Reference is also made to note 20, containing a description of pension schemes. All salaries and other remuneration for the Group's employees and related parties are charged to the income statement 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.

GROUP – Wages, salaries, other remuneration, pensions
Salaries to the CEO amounted to NOK 2,575,845 in 2021 (2020: NOK 2,814,493). The estimated value of benefits in kind totalled NOK 215,411 (2020: NOK 463,880). In addition, NOK 136,826 has been charged to the income statement related to the CEO's pension agreement (2020: NOK 129,550) (note 20). The CEO has a retirement age of 65 and during the period from 65 to 67 years, it will be paid an annual pension corresponding to 70 per cent of the final salary. The CEO is also included in the bank's ordinary defined contribution pension scheme.

Remuneration to the Board of Directors

GROUP (NOK thousand)	2021	2020
Board of Directors	1 766	1 896

Loans, deposits and guarantees

GROUP (NOK million)	31.12.2021		31.12.2020	
	Loans	Deposits	Loans	Deposits
Board of Directors	19	6	26	7
Employees	1 084	148	1 056	148

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Board of Directors.

No guarantees have been issued to any of the members of the Board of Directors or employees.

Interest rate subsidy of loans to the employees

The total benefit in kind relating to loans provided at a rate of interest lower than the interest rate (average 1.43 per cent in 2021) which triggers a basis for taxing such benefits in kind to the employees has been estimated at NOK 2,243,429 (2020: NOK 5,138,288).

Interest income and interest costs related to the Board of Directors

(NOK million)	2021	2020
Interest income	407	612
Interest costs	11	23

Wages, salaries and other remuneration - PARENT BANK

(NOK thousand)	Wages/salaries		Other remuneration	
	2021	**2020**	**2021**	**2020**
Board of Directors				
Leif-Arne Langøy, Board Chair	416	422		
Henrik Grung, Deputy Board Chair	230	242		
Kåre Øyvind Vassdal	191	120		
Ann Magritt Bjåstad Vikebakk	221	229		
Jill Aasen	224	242		
Therese Monsås Langset	132	-		
Helge Karsten Knudsen, employee representative 1)	182	188		
Marie Rekdal Hide, employee representative 2)	170	170		
Former members:				
Ragna Brenne Bjerkeset	-	208		
Roy Reite	-	75		
Total remuneration to the Board of Directors	1 766	1 896	0	0
CEO				
Trond Lars Nydal	2 576	2 814	215	464
Executive Management				
EVP, Corporate Banking Division, Terje Krøvel	1 447	1 419	211	321
EVP, Retail Banking Division, Elisabeth Blomvik	1 244	1 318	214	328
EVP, Finance, John Arne Winsnes 3)	325	-	2	-
EVP, Risk Management and Compliance, Erik Røkke 3)	1 147	1 189	199	289
EVP, Business Support, Perdy Lunde	1 361	1 419	199	270
EVP, Organizational Development, Kjetil Hauge	1 056	1 118	197	263
EVP, Communications and Group Support, Tone S. Gjerdsbakk	1 055	1 112	203	290
EVP, Customer Experience, Arild Sulebakk	1 068	1 130	199	282
Former members of the Executive Management:				
EVP, Treasury and Markets, Runar Sandanger	-	1 615	-	298
EVP, Finance and Facilities Management, Idar Vattøy	-	1 223	-	268
Total remuneration to the Executive Management	8 701	11 543	1 423	2 610

Other employess with tasks of significant importance for the bank's risk exposure				
Managing Director Møre Boligkreditt AS, Ole Kjerstad	1 061	1 054	23	34
Head of Treasury, Ove Ness	942	937	187	194
Head of Credit, Signe Lade Sølvik	842	841	171	166
Other employees with controller responsibilites				
Head of Compliance, Olav Heggheim	674	708	165	172
Head of Risk Management, Leif Kylling	889	883	191	205
Head of Operational Risk, Laila Hurlen	962	968	17	27

1) Ordinary salary amounts to NOK 559,733 (2020: NOK 540,196)

2) Ordinary salary amounts to NOK 614,309 (2020: NOK 607,644)

3) Employees with tasks of significant importance for the bank's risk exposure

Loans

(NOK thousand)	**Loans**	
	31.12.2021	**31.12.2020**
Board of Directors		
Leif-Arne Langøy, Board Chair	0	0
Henrik Grung, Deputy Board Chair	0	0
Kåre Øyvind Vassdal	4 051	7 173
Ann Magritt Bjåstad Vikebakk	6 551	6 999
Jill Aasen	0	0
Therese Monsås Langset	0	-
Helge Karsten Knudsen, employee representative	3 577	3 660
Marie Rekdal Hide, employee representative	5 290	5 398
Former member of the Board:		
Ragna Brenne Bjerkeset	-	2 298
CEO		
Trond Lars Nydal	2 234	2 971
Employees	1 083 603	1 056 227

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Board of Directors.

No guarantees have been issued to the members of the Board of Directors, CEO or employees.

Loans to the CEO and employee representatives are given according to staff conditions.

Note 19

Operating costs excl. personnel costs

The table gives an overview of key cost items:

GROUP			PARENT BANK	
2020	**2021**	(NOK million)	**2021**	**2020**
19	19	Operating expenses own and rented premises	15	16
9	7	Maintenance of fixed assets	7	9
118	128	IT-expenses	126	116
26	28	Marketing expenses	28	27
27	22	Purchase of external services (incl.fees to external auditor)	20	22
10	7	Expenses related to postage, telephone and newspapers etc.	7	10
4	2	Travel expenses	2	2
5	5	Capital tax	5	5
23	22	Other operating expenses	15	16
241	240	Total other operating costs	225	223

Specification of fees paid to External Auditor (including value added tax)

GROUP			PARENT BANK	
2020	**2021**	(NOK thousand)	**2021**	**2020**
1 391	1 372	Fees for statutory audit	1 054	1 022
330	304	Fees for other attestation services	18	6
221	68	Fees regarding tax consulting	10	88
636	808	Fees for other non-audit services	771	618
2 578	2 552	Fees to External Auditor (including value added tax)	1 853	1 734

Note 20

Pension costs and liabilities

The Group has two pension plans, a defined benefit plan and a defined contribution plan. The Group also participates in the statutory early retirement pension (SERP) scheme.

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

Defined benefit pension scheme in own pension fund

The existing benefit-based pension plan was closed to new members as at 31 December 2009. With effect from 31.12.2015, the benefit-based scheme was further closed by transferring all employees born in 1959 or later from the defined benefit scheme to the defined contribution scheme.

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

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

The pension liabilities are calculated as the current value of future, probable pension payments and are based on financial and actuarial calculations and assumptions. The difference between the estimated accrued liability and the value of the pension assets is recognised in the statement of financial position. Actuarial gains and losses due to changed assumptions or deviations between expected and actual return on the pension assets are recognised in Other income and cost in the statement of comprehensive income in the period in which they occur.

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 resources 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 portion of the Group’s pension scheme which is defined benefit, entitles employees to agreed future pension benefits equal to the difference between 70 per cent of final salary at vesting age of 67 years and estimated benefits from the Norwegian National Insurance Scheme, assuming full vesting (30 years). This liability comprises 20 (2020: 31) active members and 290 (2020: 285) pensioners by the end of 2021.

Contribution based pension scheme

The Group`s contribution-based pension schemes are delivered by DNB and 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 7 per cent of salary in the range up to 7.1 times the national insurance basic amount (G) and 15 per cent of salary in the range from 7.1 to 12 G. Pension payments are expensed as they occur and are recognised in Wages, salaries etc. in the income statement.

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

The Group`s costs related to the contribution-based pension schemes amounted to NOK 16 million in 2021 (NOK 14 million in 2020).

Pension agreement for the bank`s CEO

The CEO has a retirement age of 65 years and during the period between 65 to 67 years, it will be paid an annual pension amounting to 70 per cent of final salary. The CEO is also included in the bank's ordinary defined contribution pension scheme.

Statutory early retirement pension (SERP)

The SERP scheme is not an early retirement scheme, but a scheme that provides a lifelong addition to the ordinary pension. Employees covered by the scheme, and who meets the requirements, can choose to join the SERP scheme from the age of 62, including in parallel with staying in work, and by working until 67 years old it provides additional earnings. The SERP scheme is a defined benefit based multi-enterprise pension scheme and is funded through premiums which are determined as a percentage of pay. The premium for 2021 was set at 2.5 per cent of total payments between 1 G (G = the national insurance basic amount) and 7.1 G to the company`s employees between 13 and 61 years old. For 2022 the premium is set at 2.6 per cent. The scheme does not involve the building up of a fund and the level of premiums is expected to increase in the coming years. At the moment, there is no reliable measurement and allocation of the liabilities and funds in the scheme. The scheme is treated in the financial statements as a contribution-based pension scheme in which premium payments are recognised as costs on an ongoing basis and no provisions are made in the financial statements. Premium payments amount to NOK 4 million in 2021 (NOK 4 million in 2020).

The figures in the table below are equal for the parent bank and the Group.

Financial and actuarial assumptions

	Liabilities		Costs	
	31.12.2021	**31.12.2020**	**2021**	**2020**
Discount rate/expected return on pension resources	2.00	1.50	1.50	2.30
Wages and salary adjustment	2.50	2.00	2.00	2.25
Pension adjustment	0	0	0	0
Adjustment of the National Insurance`s basic amount	2.25	1.75	1.75	2.00
Employers` social security contribution	19.10	19.10	19.10	19.10
Table for mortality rate etc	K 2013BE	K 2013BE	K 2013BE	K 2013BE
Disability tariff	IR02	IR02	IR02	IR02

Pension costs in ordinary result	2021	2020
Present value of pension accruals during the year, including administration costs	2	3
Interest cost of incurred pension liabilities	5	7
Expected return on pension resources	-4	-7
Net pension cost for the pension fund	3	3
Change in present value of pension accruals relating to other pension schemes	-2	-2
Pension costs charged to the profit and loss, incl. payments to the defined-benefit- and the SERP-schemes	22	20
Total pension costs	23	21

Specification of estimate deviations in comprehensive income	2021	2020
Change in discount rate	21	-38
Change in other financial assumptions	-9	4
Estimate deviations on pension funds	0	-2
Total estimate deviations (positive figure is income, negative figure is cost)	12	-36

Total pension liabilities/-funds	31.12.2021	31.12.2020
Pension liabilities	317	342
Value of pension resources	-311	-315
Net pension liabilities/-funds relating to the pension fund	6	27
Net pension liabilities relating to members of the bank's executive management/bank managers	29	30
Total net pension liabilities/-funds	35	57

Sensitivity analysis	Change in the discount rate in %	Effect on the liability in % as at 31.12.2021	Effect on the pension cost in % in 2021
The funded plan (Pension Fund)	0.5	-5.8	-5.6
The funded plan (Pension Fund)	-0.5	6.3	6.2
Unfunded schemes (Other schemes)	0.5	-5.2	-5.4
Unfunded schemes (Other schemes)	-0.5	5.7	5.8

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 statement of financial position.

Management of the Pension Fund`s resources

Sparebanken Møre has its own pension fund managing payments of the pension benefits at a vesting age of 67 years.

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

The Pension Fund has invested in 1,950 (1,950) ECs issued by Sparebanken Møre. Beyond this, 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 10 million in Sparebanken Møre in 2021 (NOK 56 million).

Investment profile - pension resources	31.12.2021		31.12.2020	
	Fair value	%	Fair value	%
Shares	83	14.2	83	14.4
Fund shares	76	13.0	72	12.5
Bonds/certificates	387	66.2	339	58.9
Bank deposits	39	6.7	82	14.2
Total pension resources	585	100.0	576	100.0

NOK 311 million (NOK 315 million) of the total pension resources of NOK 585 million (NOK 576 million) are related to the defined benefit scheme in Sparebanken Møre. The remaining pension resources (excluding the paid-in equity of NOK 69 million in the Pension Fund) are related to issued paid-up policies, administered by Sparebanken Møre's Pension Fund.

Return on pension resources in %	31.12.2021	31.12.2020
Total pension resources	3.84	3.10

Note 21

Tax

Taxes consist of income tax payable and change in deferred tax.

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

Deferred tax asset is included in the accounts when it is likely that the Group will have sufficient tax-related profits in the future to be able to utilize it. On each balance sheet day, the Group reviews the deferred tax asset included in the accounts and its stated value. The Group will reduce the amount of the deferred tax asset to the amount that the Group may be able to utilize.

Payable tax and deferred tax/tax assets are recognised in comprehensive income to the extent that this relates to items which are recognised in comprehensive income. Temporary differences, including calculated deferred tax related to pension estimate deviations have been recognised in comprehensive income, in addition to payable tax related to changes in value on basis spreads recognised in comprehensive income.

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

Sparebanken Møre is subject to financial tax and has therefore a tax rate of 25 per cent both for 2020 and 2021. The subsidiaries, however, has a tax rate of 22 per cent both for 2020 and 2021. For the parent bank this means that both tax payable and deferred tax are calculated at a tax rate of 25 per cent for all the years, while the tax rate applied for the subsidiaries is 22 per cent.

The entire tax cost is related to Norway.

Tax expense recognised in the income statement

GROUP			PARENT BANK	
2020	**2021**		**2021**	**2020**
111	333	Tax payable on profit for the period	200	109
56	-142	Changes in deferred taxes in the income statement	-76	-7
0	0	Changes in estimates related to prior years	0	0
167	191	Taxes	124	102
22.8	22.9	Effective tax rate (tax expense as a percentage of pre tax profit)	16.3	15.4

Tax expense recognised in the comprehensive income

GROUP			PARENT BANK	
2020	**2021**		**2021**	**2020**
-9	3	Changes in deferred taxes due to pension estimate deviations	3	-9
1	1	Tax effect on tax payable related to changes in value on basis spreads	0	0
-8	4	Tax expense in comprehensive income	3	-9

Specification of the difference between the pre-tax profit and the income subject to tax

GROUP			PARENT BANK	
2020	**2021**		**2021**	**2020**
734	833	Pre tax profit	763	663
-14	-21	Non-taxable income and non-deductable costs related to shares	-258	-242
-27	-23	Deductable interests on Additional Tier 1 capital treated as equity	-23	-27
10	13	Other non-taxable income and non-deductable costs	12	11
-308	604	Changes in temporary differences	307	31
395	1 406	Taxable income	801	436
111	333	Tax payable on ordinary profit (25 % for the parent bank and 22 % for the subsidiaries)	200	109
0	1	Tax payable on comprehensive income (25 % for the parent bank and 22 % for the subsidiaries)	0	0
111	334	Tax payable	200	109

Specification of temporary differences and the computation of deferred tax

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
		Temporary differences relating to:		
-30	-24	Fixed assets	-28	-37
227	237	Pension liabilities	237	227
974	337	Other temporary differences	20	347
1 171	550	Net negative (-) / positive differences recognised in the income statement	229	537
-284	-272	Share of net pension liability recognised in other comprehensive income	-272	-284
5	6	Limited partnerships	6	5
892	284	Total negative (-) / positive differences	-37	258
-47	0	Loss carried forward	0	0
194	61	Deferred tax asset (-) or liability (25 % for the parent bank and 22 % for the subsidiaries)	-9	65

Reconciliation of tax expense and pre-tax profit

GROUP			PARENT BANK	
2020	2021		2021	2020
175	199	25 % of pre-tax profit (22 % for the subsidiaries)	191	166
-4	-5	Equities 25 % (22 %)	-65	-61
-4	-3	Other non-taxable income and non-deductable costs 25 % (22 %)	-3	-4
0	0	Changes in estimates related to prior years	0	0
167	191	Total taxes	124	102

Note 22

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 fulfilled, cancelled or expired.

CLASSIFICATION AND MEASUREMENT

The Group's portfolio of financial instruments is at initial recognition classified in accordance with IFRS 9. Financial assets are classified in one of the following categories:

- Amortised cost
- Fair value with value changes through the income statement

The classification of the financial assets depends on two factors:

- The purpose of the acquisition of the financial instrument
- The contractual cash flows from the financial assets

Financial assets measured at amortised cost

The classification of the financial assets assumes that the following requirements are met:

- The asset is acquired to receive contractual cash flows
- The contractual cash flows consist solely of principal and interest

With the exception of fixed interest rate loans, all lending and receivables are recorded in the accounts at amortised cost, based on expected cash flows. The difference between the initial cost and the settlement amount at maturity, is amortised over the lifetime of the loan.

Loans and receivables

All loans and receivables are measured in the balance sheet at fair value at first assessment, with the addition of directly attributable transaction costs for instruments which are not measured at fair value with value changes recognised in the income statement. Fair value when first assessed is normally the same as the transaction price. When determining the loan's value at the time of transaction (transaction price), direct transaction costs 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 measured 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.

Financial liabilities measured at amortised cost

Debt securities, including debt securities included in fair value hedging, loans and deposits from credit institutions and deposits from customers, 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.

Financial instruments measured at fair value, any changes in value recognised through the income statement

The Group's portfolio of bonds in the liquidity portfolio is classified at fair value with any value changes through the income statement. The portfolio is held solely for liquidity management and is traded to optimize returns within current quality requirements of the liquidity portfolio. The Group's portfolio of fixed interest rate loans is measured at fair value to avoid accounting mismatch in relation to the underlying interest rate swaps.

Financial derivatives are contracts signed to mitigate an existing interest rate or currency risk incurred by the bank. Financial derivatives are recognised at fair value, with any changes in value through the income statement, and recognised gross per contract, as either asset or liability.

The Group's portfolio of shares is measured at fair value with any value changes through the income statement.

Losses and gains as a result of value changes on assets and liabilities measured at fair value, with any value changes being recognised in the income statement, are included in the accounts during the period in which they occur.

GROUP - 31.12.2021	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments measured at amortised cost	Total book value
Cash and receivables from Norges Bank			428	428
Loans to and receivables from credit institutions			867	867
Loans to and receivables from customers	3 957		65 968	69 925
Certificates and bonds	10 185			10 185
Shares and other securities	204			204
Financial derivatives	269	541		810
Total financial assets	14 615	541	67 263	82 419
Loans and deposits from credit institutions			980	980
Deposits from customers			41 853	41 853
Financial derivatives	241	95		336
Debt securities issued			30 263	30 263
Subordinated loan capital			703	703
Total financial liabilities	241	95	73 799	74 135

GROUP - 31.12.2020	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments measured at amortised cost	Total book value
Cash and receivables from Norges Bank			542	542
Loans to and receivables from credit institutions			1 166	1 166
Loans to and receivables from customers	4 372		62 478	66 850
Certificates and bonds	8 563			8 563
Shares and other securities	178			178
Financial derivatives	589	1 204		1 793
Total financial assets	13 702	1 204	64 186	79 092
Loans and deposits from credit institutions			2 209	2 209
Deposits from customers			39 023	39 023
Financial derivatives	525	12		537
Debt securities issued			28 774	28 774
Subordinated loan capital			702	702
Total financial liabilities	525	12	70 708	71 245

PARENT BANK - 31.12.2021	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments measured at amortised cost	Total book value
Cash and receivables from Norges Bank			428	428
Loans to and receivables from credit institutions			4 268	4 268
Loans to and receivables from customers	5 714		35 353	41 067
Certificates and bonds	10 030			10 030
Shares and other securities	204			204
Financial derivatives	269	9		278
Total financial assets	16 217	9	40 049	56 275
Loans and deposits from credit institutions			1 877	1 877
Deposits from customers			41 870	41 870
Financial derivatives	221	43		264
Debt securities issued			5 174	5 174
Subordinated loan capital			703	703
Total financial liabilities	221	43	49 624	49 888

PARENT BANK - 31.12.2020	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments measured at amortised cost	Total book value
Cash and receivables from Norges Bank			542	542
Loans to and receivables from credit institutions			5 925	5 925
Loans to and receivables from customers	5 061		32 864	37 925
Certificates and bonds	8 950			8 950
Shares and other securities	178			178
Financial derivatives	648	29		677
Total financial assets	14 837	29	39 331	54 197
Loans and deposits from credit institutions			3 113	3 113
Deposits from customers			39 049	39 049
Financial derivatives	509	12		521
Debt securities issued			5 286	5 286
Subordinated loan capital			702	702
Total financial liabilities	509	12	48 150	48 671

Note 23

Financial instruments at amortised cost

Loans are measured at fair value at first assessment, with the addition of direct transaction costs. When determining the loan's value at the time of transaction (transaction price), direct transaction costs 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 measured 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. Fair value of the instruments traded in active markets is based on traded price on the balance sheet date. For those financial instruments not traded in an active market, own valuations based on current market conditions are applied, alternatively valuations from another market player.

GROUP	31.12.2021		31.12.2020	
	Fair value	Book value	Fair value	Book value
Cash and receivables from Norges Bank	428	428	542	542
Loans to and receivables from credit institutions	867	867	1 166	1 166
Loans to and receivables from customers	65 968	65 968	62 478	62 478
Total financial assets	67 263	67 263	64 186	64 186
Loans and deposits from credit institutions	980	980	2 209	2 209
Deposits from customers	41 853	41 853	39 023	39 023
Debt securities issued	30 387	30 263	28 907	28 774
Subordinated loan capital and Additional Tier 1 capital	710	703	714	702
Total financial liabilities	73 930	73 799	70 853	70 708

PARENT BANK	31.12.2021		31.12.2020	
	Fair value	Book value	Fair value	Book value
Cash and receivables from Norges Bank	428	428	542	542
Loans to and receivables from credit institutions	4 268	4 268	5 925	5 925
Loans to and receivables from customers	35 353	35 353	32 864	32 864
Total financial assets	40 049	40 049	39 331	39 331
Loans and deposits from credit institutions	1 877	1 877	3 113	3 113
Deposits from customers	41 870	41 870	39 049	39 049
Debt securities issued	5 197	5 174	5 300	5 286
Subordinated loan capital and Additional Tier 1 capital	710	703	714	702
Total financial liabilities	49 654	49 624	48 176	48 150

Note 24

Financial instruments at fair value

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 in LCR-level 1.

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 cannot be valued based on directly or indirectly observable prices. This category mainly includes loans to customers, as well as shares.

Approach to valuation of financial instruments in level 3 of the fair value hierarchy:

Fixed rate loans

There have been no significant changes in the approach to the valuation of fixed-rate loans in 2021. Fair value is calculated based on contractual cash flows discounted at a market interest rate matching the rates applicable to the corresponding fixed-rate loans at the balance sheet date. In the income statement, the change in value is presented under Net gains/losses from financial instruments. A change in the discount rate of 10 basis points would result in a change of approximately NOK 10 million on fixed rate loans.

Shares

Shares presented in level 3 of the valuation hierarchy are primarily the bank's investment in Eksportfinans ASA (NOK 78 million) and the bank's ownership interest in Vipps AS (NOK 68 million).

The tables below show financial instruments at fair value.

GROUP - 31.12.2021	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and receivables from Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			3 957	3 957
Certificates and bonds	7 082	3 103		10 185
Shares	10		194	204
Financial derivatives		810		810
Total financial assets	7 092	3 913	4 151	15 156
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		336		336
Total financial liabilities	-	336	-	336

GROUP - 31.12.2020	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Cash and receivables from Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 372	4 372
Certificates and bonds	6 121	2 442		8 563
Shares	14		164	178
Financial derivatives		1 793		1 793
Total financial assets	6 135	4 235	4 536	14 906
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		537		537
Total financial liabilities	-	537	-	537

PARENT BANK - 31.12.2021	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Cash and receivables from Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			5 714	5 714
Certificates and bonds	6 509	3 521		10 030
Shares	10		194	204
Financial derivatives		278		278
Total financial assets	6 519	3 799	5 908	16 226
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		264		264
Total financial liabilities	-	264	-	264

PARENT BANK - 31.12.2020	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Cash and receivables from Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			5 061	5 061
Certificates and bonds	6 004	2 946		8 950
Shares	14		164	178
Financial derivatives		677		677
Total financial assets	6 018	3 623	5 225	14 866
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		521		521
Total financial liabilities	-	521	-	521

GROUP - Level 3 reconciliation	Loans to and receivables from customers	Shares
Book value as at 31.12.2020	4 372	164
Purchases/additions	648	9
Sales/reduction	-1 170	-8
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	107	29
Book value as at 31.12.2021	3 957	194

PARENT BANK - Level 3 reconciliation	Loans to and receivables from customers	Shares
Book value as at 31.12.2020	5 061	164
Purchases/additions	292	9
Sales/reduction	321	-8
Transferred to Level 3		
Transferred from Level 3		
Net gains/losses in the period	40	29
Book value as at 31.12.2021	5 714	194

Shares, equity certificates and other securities

GROUP/PARENT BANK 2021	Stake	Number of shares	Acquistion cost	Book value/ market value
Eksportfinans ASA	1.35%	3 551	46	78
Vipps AS	1.13%	13 440	22	68
VN Norge AS	1.55%		-	17
Novela Kapital I AS	15.00%		11	11
Visa Norge Forvaltning AS	2.22%			6
Solstad Offshore ASA	1.29%	965 728	22	5
Sparebank 1 Nordmøre	0.42%	37 756	4	5
Sparebank 1 Søre-Sunnmøre	4.81%	48 070	5	5
Other			22	9
Total			132	204

Certificates and bonds

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
		Public sectors		
2 675	2 867	Acquistion cost	2 836	2 628
2 732	2 874	Book value	2 844	2 686
		Credit institutions		
4 732	5 824	Acquistion cost	5 692	5 159
4 819	5 840	Book value	5 715	5 252
		Other financial companies		
993	1 478	Acquistion cost	1 478	993
1 012	1 471	Book value	1 471	1 012
		Total certificates and bonds		
8 400	10 169	Acquistion cost	10 006	8 780
8 563	10 185	Book value	10 030	8 950

Note 25

Financial derivatives

Financial derivatives are contracts entered into in order to hedge an already existing interest- or foreign exchange risk incurred by the bank. Financial derivatives are recognised at fair value, with value changes recognised in the income statement, and are capitalized on a gross basis per contract as assets or liabilities respectively. Changes in value of basis swaps in hedge accounting which is caused by changes in basis spreads are recognised in other comprehensive income as a cost of hedging. The estimated fair value of financial OTC derivatives is adjusted for counterparty credit risk (CVA) or for the Group's own credit risk (DVA).

Calculation of fair value of financial derivatives is based on valuation models in which the price of underlying interest and currency are obtained in the market.

The table shows the financial derivatives' nominal values and their market values. In the accounts, financial derivatives are presented as an asset or as a liability, depending on whether the derivative has a positive or a negative value.

The table shows the value of derivative contracts, covered by set-off agreements or secured by cash under Credit Support Annex (CSA). For customer transactions, limits are established based on necessary formal credit-handling procedures where sufficient security is demanded for the limit. For banking counterparties, the counterparty risk associated with changes in market conditions is regulated through CSA agreements. Sparebanken Møre requires the signing of CSA (Credit Support Annex) agreements before trading of derivatives against any interbank counterparty. This provides Sparebanken Møre with collateral for any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral against their counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled according to the different CSA-agreements and the counterparty risk will then largely be eliminated. As at 31.12.2021, Sparebanken Møre had a cash collateral of NOK 948 million (NOK 1,166 million). The subsidiary Møre Boligkreditt AS has received a cash collateral of NOK 146 million (NOK 546 million).

	2021			2020		
GROUP	**Nominal value**	**Asset**	**Liability**	**Nominal value**	**Asset**	**Liability**
Interest rate instruments						
Interest rate swaps	11 967	137	195	11 331	188	328
Total interest rate instruments	11 967	137	195	11 331	188	328
Foreign exchange instruments						
Foreign exchange swaps	1 701	0	15	1 867	0	150
FX Forward exchange contracts	8 280	132	31	8 827	440	47
Total foreign exchange instruments	9 981	132	46	10 694	440	197
Hedging instruments						
Interest rate swaps	4 775	186	43	4 775	300	12
Foreign exchange swaps	10 107	355	52	7 782	865	0
Total hedging instruments	14 882	541	95	12 557	1 165	12
Total financial derivatives	36 830	810	336	34 582	1 793	537

	2021			2020		
PARENT BANK	**Nominal value**	**Asset**	**Liability**	**Nominal value**	**Asset**	**Liability**
Interest rate instruments						
Interest rate swaps	14 440	133	145	13 978	205	326
Total interest rate instruments	14 440	133	145	13 978	205	326
Foreign exchange instruments						
Foreign exchange swaps	1 391	4	25	1 549	3	136
FX Forward exchange contracts	8 280	132	51	8 827	440	47
Total foreign exchange instruments	9 671	136	76	10 376	443	183
Hedging instruments						
Interest rate swaps	1 725	9	43	1 725	29	12
Foreign exchange swaps	-	-	-	-	-	-
Total hedging instruments	1 725	9	43	1 725	29	12
Total financial derivatives	25 836	278	264	26 079	677	521

As of 31 December 2021, the following swaps were used in fair value hedging of interest rate risk:

GROUP - 2021	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK		1 000		2 775	1 000
Average fixed interest rate			1.5 %		2.9 %	2.8 %
Nominal amount	EUR			250	750	25
Average fixed interest rate				0.1 %	0.1 %	2.8 %

GROUP - 2020	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				3 775	1 000
Average fixed interest rate					2.5 %	2.8 %
Nominal amount	EUR				750	25
Average fixed interest rate					0.2 %	2.8 %

PARENT BANK - 2021	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				1 725	
Average fixed interest rate					1.7 %	

PARENT BANK - 2020	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				1 725	
Average fixed interest rate					1.7 %	

Maturity of financial derivatives, nominal value

GROUP	2021		2020	
Maturity	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate and foreign exchange swaps	Forward exchange contracts
2021			2 187	8 633
2022	5 109	8 185	5 199	119
2023	5 181	34	4 883	21
2024	3 853	20	3 732	11
2025	3 994	10	4 187	11
2026	4 694	11	1 200	11
2027	698	11	437	11
2028	1 788	6	1 678	7
2029	907	3	921	3
2030	1 199		1 112	
2031	776			
2032	350		219	
	28 549	8 280	25 755	8 827

PARENT BANK	2021		2020	
Maturity	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate and foreign exchange swaps	Forward exchange contracts
2021			2 187	8 633
2022	1 680	8 185	1 707	119
2023	2 747	34	2 385	21
2024	1 357	20	1 172	11
2025	2 944	10	3 137	11
2026	2 172	11	1 200	11
2027	388	11	119	11
2028	563	6	447	7
2029	907	3	921	3
2030	3 673		3 758	
2031	776			
2032	350		219	
	17 557	8 280	17 252	8 827

Note 26

Debt securities

The debt securities in the parent bank consist of bonds quoted in Norwegian kroner. Møre Boligkreditt AS has issued covered bonds quoted in NOK and EUR.

The bank's loans at floating interest rates are measured at amortised cost. Loans at fixed interest rates are measured by using fair value hedging for changes in fair value due to changes in market rates, with value changes recognised in the income statement. The bank hedges the value of interest rate and FX-risk on an individual basis. There is a clear, direct and documented connection between value changes relating to the hedging instrument and the hedged object. The connection is documented through a test of the hedging effectiveness when entering into the transaction and through the period of the hedging. Hedging gains and losses result in an adjustment of the book 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, a correct accounting presentation is established, in accordance with the bank's interest rate and FX management and the actual financial development.

Changes in debt securities

GROUP	Balance at 31.12.20	Issued	Overdue/redeemed	Other changes	Balance at 31.12.21
Bonds and certificates, nominal value	27 569	6 170	-4 066		29 673
Accrued interests	60		2		62
Value adjustments	1 145			-617	528
Total debt securities	28 774	6 170	-4 064	-617	30 263

PARENT BANK	Balance at 31.12.20	Issued	Overdue/redeemed	Other changes	Balance at 31.12.21
Bonds and certificates, nominal value	5 261	1 000	-1 066		5 195
Accrued interests	12			3	15
Value adjustments	13			-49	-36
Total debt securities	5 286	1 000	-1 066	-46	5 174

Maturity of securities-based debt, nominal value

GROUP				PARENT BANK		
NOK	Currency	Total	Maturity	NOK	Currency	Total
1 685	2 363	4 048	2022	695		695
1 000	2 375	3 375	2023	1 000		1 000
4 500	2 498	6 998	2024	1 500		1 500
7 550		7 550	2025	1 000		1 000
2 700	2 550	5 250	2026			
	321	321	2027	1 000		1 000
1 000	201	1 201	2028			
18 435	10 308	28 743	Total	5 195	-	5 195

An overview of contractual non-discounted cash flows is presented in note 14.

Note 27

Subordinated loan capital and Additional Tier 1 capital

GROUP AND PARENT BANK

ISIN	Currency	Issue	Maturity	Terms	31.12.2021
NO0010809304	NOK	31.10.2017	2023	3 mnth NIBOR + 1.55	502
NO0010791692	NOK	03.05.2017	2022	3 mnth NIBOR + 1.46	201
Subordinated loan capital					703

ISIN	Currency	Issue	Maturity	Terms	31.12.2021
NO0010796154	NOK	15.06.2017	2022	3 mnth NIBOR + 3.25	349
NO0010856495	NOK	12.06.2019	2024	3 mnth NIBOR + 3.50	250
Additional Tier 1 Capital					599

Additional Tier 1 capital NO0010796154 and Additional Tier 1 capital NO0010856495 are classified as equity in the balance sheet and are included in the Tier 1 capital. Based on the fact that the bank has a unilateral right not to pay interest or principal to investors, they do not qualify as debt according to IAS 32. The interest cost is not presented in the income statement, rather as a reduction of retained earnings. The cost is recognised by payment. Interests totalling NOK 23 million has been paid in 2021(NOK 27 million). NOK 23 million (NOK 27 million) of the profit after tax are allocated to the owners of Additional Tier 1 capital.

There is no option to convert the subordinated loan capital/Additional Tier 1 capital to equity certificate capital. The Group had no investments in subordinated loan capital in other enterprises (including credit institutions) at the end of 2021. Loan agreements are made available on the bank's website.

Changes in subordinated loan capital

GROUP AND PARENT BANK	Book value 31.12.20	Issued	Matured/redeemed	Other changes	Book value 31.12.21
Subordinated loan capital, nominal value	700				700
Accrued interest	2			1	3
Value adjustments	0				0
Total subordinated loan capital	702			1	703

Changes in Additional Tier 1 capital (classified as equity)

GROUP AND PARENT BANK	Book value 31.12.20	Issued	Matured/redeemed	Other changes	Book value 31.12.21
Additional Tier 1 capital, nominal value	600				600
Accrued interest	0				0
Value adjustments	-1				-1
Total Additional Tier 1 capital (classified as equity)	599				599

Note 28

Deposits from customers

Deposits with agreed floating interest rate and agreed fixed-interest rate are measured at amortised cost. For more information about classification and measurement, see note 22.

DEPOSITS FROM CUSTOMERS	Group		Parent bank	
Sector/industry	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
Agriculture and forestry	234	196	234	196
Fisheries	1 679	1 446	1 679	1 446
Manufacturing	2 600	2 321	2 600	2 321
Building and construction	836	909	836	909
Wholesale and retail trade, hotels	1 682	1 082	1 682	1 082
Property management	2 306	1 802	2 306	1 802
Transport and private/public services	4 400	4 773	4 417	4 799
Public entities	946	822	946	822
Activities abroad	3	2	3	2
Miscellaneous	2 500	2 304	2 500	2 304
Total corporate/public entities	17 186	15 657	17 203	15 683
Retail customers	24 667	23 366	24 667	23 366
Total deposits from customers	41 853	39 023	41 870	39 049

Note 29

Subsidiaries

GROUP STRUCTURE

Parent bank	Home country	Core operations
Sparebanken Møre	Norway	Banking

Ownerhship in credit institutions

Company	Home country	Core operations	Ownership share	Voting share	Book value 2021	Book value 2020
Møre Boligkreditt AS	Norway	Funding	100 %	100 %	1 550	2 050

Ownership in other subsidiaries

Company	Home country	Core operations	Ownership share	Voting share	Book value 2021	Book value 2020
Møre Eiendomsmegling AS	Norway	Real estate brokerage	100 %	100 %	9	9
Sparebankeiendom AS	Norway	Real estate management	100 %	100 %	12	12
				Total ownership in other subsidiaries	21	21
				Total ownerhip in subsidiaries	1 571	2 071

Transactions involving subsidiaries
These are transactions between the parent bank and wholly owned subsidiaries made at arm's length and at arm's length's prices.

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 the effective 3-month NIBOR + a funding supplement for long-term financing (1.23 per cent in 2021 and 1.46 per cent in 2020).

Rent is allocated according to the floor space used for each segment, 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 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 loans 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 date of settlement of the consideration.

To ensure timely payment to holders of covered bonds (OMF) and associated derivatives, a revolving credit facility (" Revolving Credit Facility Agreement ") is established between Sparebanken Møre and Møre Boligkreditt AS. Sparebanken Møre guarantees timely coupon payments and payments linked to derivatives on outstanding covered bonds from Møre Boligkreditt AS, and repayment of principal on the covered bonds maturing in the ongoing next 12 months. In addition to the revolving credit facility, Møre Boligkreditt AS has a credit facility in Sparebanken Møre with an allocated limit of NOK 5 billion.

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 which the mortgage company must bear, regardless of the activity related to the issuance of covered 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 that have been eliminated in the Group accounts are as follows:

PARENT BANK	2021	2020
Statement of income		
Net interest and credit commission income from subsidiaries	32	24
Received dividend from subsidiaries	237	227
Administration fee received from Møre Boligkreditt AS	44	41
Rent paid to Sparebankeiendom AS	14	14
Statement of financial position at 31.12.		
Claims on subsidiaries	3 514	4 876
Covered bonds	514	503
Liabilities to subsidiaries	1 061	1 475
Intragroup right-of-use of properties in Sparebankeiendom AS	85	96
Intragroup hedging	8	60
Accumulated loan portfolio transferred to Møre Boligkreditt AS	28 975	29 045

Note 30

Leases and rental agreements

Rental of business premises

The bank rents 26 of its business premises from external lessors, as well as 2 from the bank's wholly-owned real estate management company, Sparebankeiendom AS. Please see note 31 for further information about the business premises.

PARENT BANK	2021	2020
Rent paid to:		
Sparebankeiendom AS	16	16
Other external lessors	10	11

Duration of rental agreements

Rental agreements with external lessors are mainly of 5- and 10-years duration (some of 1 year) with a mutual 12 months' notice period and at market prices. Rental agreements with the subsidiary Sparebankeiendom AS have a 10-year duration. Rent is at market price.

Rental agreements according to IFRS 16

The Group implemented IFRS 16 Leases in 2019. The new standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from previous requirements. The standard affects the Group's accounting for lease of property.

Sparebanken Møre has taken advantage of the opportunity not to capitalise leases related to low-value assets and/or short term assets (less than 1 year). These include, for example, office machines and coffee makers. The discount rate used is equivalent to the bank's marginal loan rate and amounts to 2.04 per cent. Right-of-use assets are presented in the Statement of financial position under the accounting line "Fixed assets", while the related lease liabilities are presented under the accounting line "Other liabilities".

As a consequence of the new rules, the rental expense in the Group is reduced by NOK 12.6 million in 2021 (NOK 12.8 million), while interest expense has increased by NOK 0.9 million (NOK 1.2 million) and depreciation has increased by NOK 11.4 million (NOK 11.2 million). In the parent bank, rental expense is reduced by NOK 26.3 million in 2021 (NOK 26.4 million), while interest expense has increased by NOK 2.8 million (NOK 3.3 million) and depreciation has increased by NOK 23.8 million (NOK 23.9 million).

Right-of-use assets according to IFRS 16

GROUP			PARENT BANK	
2020	2021		2021	2020
65	53	Right-of-use assets OB	149	172
0	0	Adjustments	1	0
0	1	Additions	1	1
0	3	Disposals	3	0
12	12	Depreciations	24	24
53	39	Right-of-use assets CB	124	149

Lease liability according to IFRS 16

GROUP			PARENT BANK	
2020	**2021**		**2021**	**2020**
66	53	Lease liability OB	152	174
0	0	Adjustments	1	0
0	1	Additions	1	1
0	3	Disposals	3	0
15	13	Lease payments	26	26
2	1	Interests	2	3
53	39	Lease liabilities CB	127	152

PARENT BANK - Maturity analysis, undiscounted cash flow

	2021
Less than 1 år	26
1-2 years	23
2-3 years	21
3-4 years	20
4-5 years	18
More than 5 years	33
Total undiscounted cash flow	141

Other significant agreements

The Group has outsourced most of the operations within the IT-area. Sparebanken Møre has an agreement with TietoEVRY, for delivery of the bank`s IT services. The agreement has an annual fixed cost of NOK 67 million. The agreement was extended in December 2018 and expired in 2021, thereafter annual renewals. Sparebanken Møre continues the cooperation of a complete range of banking solutions and operating services from TietoEVRY.

TietoEVRY 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. In addition, TietoEVRY delivers operation of all banking systems and infrastructure.

Note 31

Fixed assets

Fixed assets are valued at historical cost, including direct attributable cost, less accumulated depreciation and impairment. When assets are sold or disposed of, the cost price and accumulated depreciations are reversed in the accounts, and any gains or losses from the sale are recognised in the income statement. 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 for use. Expenses incurred after the bank has started using the asset, including repairs and maintenance, are expensed.

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

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

Fixed assets	Time profile depreciation
Building plots and sites	No depreciaton
Holiday properties	No depreciaton
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

An annual reassessment is made of remaining life and residual values for each separate asset. At each reporting date, fixed assets are assessed as to whether there are indications of impairment. If there are such indications, the assets' recoverable amounts are calculated. The recoverable amount is the higher of fair value less sales costs, and the value in use. When assessing impairment, the fixed assets are grouped together at the lowest level in which it is possible to separate independent cash flows (cash generating units). A cash generating unit is defined as the smallest identifiable group generating cash flows, which to a very large extent is independent of other assets or groups. The book value of an asset is immediately impaired to the recoverable amount, if the book value is higher.

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

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

Gains or losses from sales of fixed assets are recognised through profit or loss as they occur.

Fully impaired fixed assets in use consist of fixtures and fittings and office machines.

Buildings and plots are fully owned by the bank's subsidiary, Sparebankeiendom AS. The buildings are intended for own use relating to the operations of the bank and are therefore not defined as investment properties. The buildings are also including holiday properties used by the employees. The buildings related to the operations of the bank are located in the Group's geographical home market, Nordvestlandet. The aggregate floor space is about 7.500 square meters. Only smaller parts of the premises are vacant, and there are only commercial premises in the buildings. The buildings are recognised in the accounts at historical cost less accumulated depreciation and impairment. There is no evidence of impairment of the Group`s buildings.

GROUP

31.12.2021	Total	Buildings, incl. tech.install. , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	385	288	30	67
Additions	5	4	1	0
Disposals	0	0	0	0
Acquisition cost as at 31.12	390	292	31	67
Accumulated depreciation and impairment as at 01.01	215	130	27	58
Depreciation during the year	16	11	2	3
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	231	141	28	61
Carrying amount as at 31.12	160	151	3	6
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	102	20	26	56

GROUP

31.12.2020	Total	Buildings, incl. tech.install. , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	372	280	27	65
Additions	15	8	3	4
Disposals	2	0	0	2
Acquisition cost as at 31.12	385	288	30	67
Accumulated depreciation and impairment as at 01.01	201	118	26	57
Depreciation during the year	16	12	1	3
Impairment during the year	0	0	0	0
Disposals	2	0	0	2
Accumulated depreciation and impairment as at 31.12	215	130	27	58
Carrying amount as at 31.12	171	158	3	10
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	63	0	25	38

PARENT BANK

31.12.2021	Total	Buildings, incl. tech.install. , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	136	41	29	66
Additions	2	1	1	0
Disposals	0	0	0	0
Acquisition cost as at 31.12	139	43	30	66
Accumulated depreciation and impairment as at 01.01	102	20	26	56
Depreciation during the year	9	4	2	3
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	111	24	28	59
Carrying amount as at 31.12	28	19	2	7
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	80	0	26	54

PARENT BANK

31.12.2020	Total	Buildings, incl. tech.install. , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	122	33	26	63
Additions	15	8	3	4
Disposals	2	0	0	2
Acquisition cost as at 31.12	136	41	29	66
Accumulated depreciation and impairment as at 01.01	97	17	25	56
Depreciation during the year	8	3	1	3
Impairment during the year	0	0	0	0
Disposals	2	0	0	2
Accumulated depreciation and impairment as at 31.12	103	20	26	56
Carrying amount as at 31.12	34	21	3	10
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	61	0	25	36

Note 32

Intangible assets

Intangible assets consist of capitalised costs relating to the acquisition and development of software, licenses etc.

Capitalised assets are carried at cost, reduced by any depreciation and impairment. Intangible assets are depreciated on a straight-line basis over estimated useful life. Estimated useful life is normally 5 years.

Purchased software is capitalised at acquisition cost plus the costs incurred in order to prepare the software for use. Impairment assessments are conducted annually. Expenses relating to the maintenance of software and IT-systems are expensed on an ongoing basis.

GROUP			PARENT BANK	
2020	**2021**		**2021**	**2020**
170	192	Acquisition cost as at 01.01	191	169
22	13	Additions	13	22
0	0	Disposals	0	0
192	205	Acquisition cost as at 31.12	204	191
116	135	Accumulated depreciation and impairment as at 01.01	134	115
19	19	Depreciations	18	19
0	0	Impairments	0	0
0	0	Disposals	0	0
135	154	Accumulated depreciation and impairment as at 31.12	153	134
53	56	Carrying amount as at 01.01	56	53
56	51	Carrying amount as at 31.12	51	56
20	20	Straight-line depreciation rates in per cent	20	20
5	5	Economic life – number of years	5	5

Note 33

Other assets

GROUP			PARENT BANK	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
11	8	Repossessed assets	8	11
69	69	Paid-in equity in Sparebanken Møre`s Pension Fund	69	69
34	46	Other receivables	40	31
114	123	Total other assets	117	111

In connection with the legal recovery of non-performing loans and guarantees, the bank in some cases repossesses assets which have been provided as security for such commitments. Such assets are assessed at their estimated realisation value at the time of repossession. Any deviation from the carrying amount of the non-performing or impaired commitment at the time of acquisition, is classified as impairment.

Repossessed assets amount to NOK 8 million (NOK 11 million in 2020). This consists of properties of NOK 2 million (NOK 6 million in 2020) and plots of NOK 6 million (NOK 5 million in 2020). These properties have mainly been acquired/repossessed as part of the bank's realisation of collateral security. Sparebanken Møre does not wish to remain the owner of repossessed properties. If an acceptable price is not obtained, effort is made to rent out the properties.

Capital contributions to Sparebanken Møre's Pension Fund are not included as part of the pension funds in the defined benefit scheme. This is equity that Sparebanken Møre as a sponsor has provided to satisfy the Pension Fund's financial strength requirements.

Note 34

ECs and ownership structure

The basic earnings per equity certificate (EC) is calculated as the ratio 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 entitle to full dividend. The diluted earnings per EC is no different to the basic earnings per EC.

GROUP	2021	2020
Earnings per EC (NOK) 2)	31.10	27.10
Diluted earnings per EC (NOK)	31.10	27.10
EC-holders' share of the profit:		
Profit	619	540
EC-holders' share of the profit according to the EC-fraction 1)	307	268
Weighted number of ECs - the bank's own portfolio	22 111	22 540
Number of own ECs as at 31.12	22 111	22 111
Number of own ECs as at 01.01	22 111	25 251
Weighted average of outstanding ECs	9 864 843	9 864 414
Number of outstanding ECs as at 31.12	9 864 843	9 864 843
Number of outstanding ECs as at 01.01	9 864 843	9 861 703
Weighted average number of ECs issued	9 886 954	9 886 954
Number of ECs as at 31.12	9 886 954	9 886 954
Number of ECs as at 01.01	9 886 954	9 886 954

1) The EC ratio has been computed based on figures for the parent bank which provide the basis for allocation of profit to the EC holders. The ratio is calculated as the sum of the EC capital, the share premium fund and the dividend equalisation fund, divided by the parent bank's total equity excluding Additional Tier 1 capital and proposed dividend and gift fund (other equity). The EC ratio was 49.7 per cent in 2021 and 49.6 per cent in 2020.

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 are not entitled to full dividend.

Equity Certificates (ECs)

At the end of 2021, Sparebanken Møre's EC capital totalled NOK 989 million, consisting of 9,886,954 equity certificates, each with a nominal value of NOK 100. In addition to this, the EC holders' capital consists of the dividend equalisation fund, amounting to NOK 1.831 million and the share premium fund, totalling NOK 357 million. According to the bank's by-laws, there are no limitations with regards to voting rights. Furthermore, no rights/options exist that may result in the issuance of new ECs.

Own Equity Certificates

Nominal value of own ECs is shown in the balance sheet separately, as a reduction to issued ECs. Purchase price in excess of nominal value is posted against the primary capital fund and the dividend equalisation fund in accordance to historically adopted distribution. Losses and gains from transactions involving own ECs are posted directly against the primary capital fund and the dividend equalisation fund according to their mutual relationship.

Costs relating to equity transactions
Transaction costs relating to an equity transaction are posted directly against equity.

Investor policy
Sparebanken Møre aims to achieve financial results providing 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 capital appreciation on their equity. The equity owners' proportion of profits allocated to dividends is adapted to the bank's capital strength. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

There are no special agreements between the bank and its owners. The Board of Directors cannot refuse purchase or sale of ECs unless this is covered by the stipulations contained in the Companies Act.

Classification of dividends
Dividends on ECs and dividend funds for the local community are classified as other equity until the Board of Directors' proposal has been agreed by the bank's annual General Meeting.

EC capital
Sparebanken Møre's EC capital totals NOK 988,695,400, consisting of 9,886,954 certificates, each with nominal value of NOK 100.

The EC capital was raised through nine separate issues:

Year	Issue	Changes in EC capital	Total EC capital	Number of ECs
1988	Public issue	100.0	100.0	1 000 000
1993	Public issue	100.0	200.0	2 000 000
1994	Public issue	150.0	350.0	3 500 000
1996	Public issue	100.0	450.0	4 500 000
1996	Issue, the bank's staff	1.7	451.7	4 516 604
1998	Public issue	100.0	551.7	5 516 604
1998	Issue, the bank's staff	0.9	552.6	5 526 154
2008	Dividend issue	42.3	594.9	5 949 153
2009	Rights issue	58.5	653.4	6 534 264
2010	Scrip issue	130.7	784.1	7 841 116
2013	Rights issue	148.6	932.7	9 327 603
2013	Repair issue	54.1	986.8	9 868 144
2013	Issue, the bank's staff	1.9	988.7	9 886 954

EC holders' share of the profit
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 during the year, not entitled to 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, excluding Additional Tier 1 capital and proposed dividend and gift fund (other equity), at the beginning of the year. If the 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 31.12.21	Number of ECs	Share of EC capital in %
Cape Invest AS	975 469	9.87
Sparebankstiftelsen Tingvoll	974 300	9.85
Verdipapirfondet Eika egenkapital	382 630	3.87
Wenaasgruppen AS	380 000	3.84
MP Pensjon	339 781	3.44
Pareto AS	305 189	3.09
Verdipapirfond Nordea Norge Verdi	283 012	2.86
Spesialfondet Borea utbytte	271 334	2.74
Verdipapirfond Pareto Aksje Norge	250 257	2.53
Wenaas EFTF AS	200 000	2.02
Brown Brothers Harriman & Co.	199 377	2.02
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	123 500	1.25
Kommunal Landspensjonskasse	90 751	0.92
Forsvarets personellservice	87 000	0.88
Stiftelsen Kjell Holm	80 750	0.82
BKK Pensjonskasse	70 670	0.71
U Aandahls Eftf AS	50 000	0.51
PIBCO AS	45 900	0.46
Borghild Hanna Møller	40 244	0.41
Total 20 largest EC holders	5 300 264	53.61
Total	9 886 954	100.00

Key financial figures (parent bank)

	2021	2020	2019	2018	2017
Price at OSE	444	296	317	283	262
Number of ECs issued	9 886 954	9 886 954	9 886 954	9 886 954	9 886 954
EC capital (NOK mill.)	989	989	989	989	989
EC percentage (annual average)	49.7	49.6	49.6	49.6	49.6
EC percentage 31.12	49.7	49.6	49.6	49.6	49.6
Dividend per EC, in NOK	16.00	13.50	14.00	15.50	14.00
Dividend per EC, in NOK as a % of price at OSE 31.12	3.6	4.6	4.4	5.5	5.3
Effective return (%) 3)	54.6	-2.2	17.0	13.4	8.7
Dividend in % of EC-owners share of adjusted profit 1)	51.6	50.2	43.6	54.7	51.8
Profit per EC, in NOK 1)	30.98	26.83	32.00	28.35	27.00
Book value per EC, in NOK 1) 2)	350	332	320	303	289
P/E 1) 4)	14.3	10.9	9.2	9.5	9.4
P/BV 1) 2)	1.27	0.89	0.99	0.93	0.91

1) Fund for unrealised gains has been excluded from the calculation (up to 31.12.2017)

2) Group figures, incl. proposed dividend

3) Calculated as the total of this year's change in stock price and dividend paid this year, divided by the stock price at the end of previous year.

4) Calculated based on the Group's profit

	Number of ECs		EC capital		Share premium	
	2021	2020	2021	2020	2021	2020
Change in ECs and share premium:						
Ordinary ECs as at 01.01.	9 886 954	9 886 954	989	989	357	357
Changes	0	0	0	0	0	0
Ordinary ECs as at 31.12	9 886 954	9 886 954	989	989	357	357
Bank's own ECs:						
Own ECs as at 01.01	22 111	25 251	2	3		
Changes	0	-3 140	0	-1		
Own ECs as at 31.12	22 111	22 111	2	2		

Distributed and proposed dividend

	Total amount (NOK thousand)
Dividend paid on ECs	
NOK 14.00 per EC in 2018	138 417
NOK 15.50 per EC in 2019	153 248
NOK 14.00 per EC in 2020	138 417
NOK 13.50 per EC in 2021	133 474
Proposed dividend	
NOK 15.50 per EC in 2018	153 248
NOK 14.00 per EC in 2019	138 417
NOK 13.50 per EC in 2020	133 474
NOK 16.00 per EC in 2021	158 191

Note 35

Transactions with related parties

Sparebanken Møre has not paid remuneration for work other than the directorship to the Board members in 2021.

For 2020, the Board's Deputy Chair Henrik Grung was until 1 March 2020 a Partner in the law firm SANDS DA. During this period, SANDS invoiced Sparebanken Møre for legal services totalling NOK 103.322. The transaction was entered into on ordinary market terms as if they had been carried out between independent parties.

For further information on transactions between the parent bank and subsidiaries, see note 29. For information on remuneration to executive management and elected representatives, see note 18.

Note 36

Events after the reporting date

Any new information about the Group's positions on the reporting date will be taken into account in the annual accounts. Events occurring after the reporting date, which do not affect the Group's position on the reporting date, but which will affect the Group's position in the future, are disclosed if significant.

No events have occurred after the reporting date that will materially affect the figures presented as of 31 December 2021.

Statement pursuant to section 5-5 of the Securities Trading Act

We hereby confirm that the Group's and the bank's annual financial statements for the period 1 January to 31 December 2021, 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 the 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, 2 March 2022

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIR OF THE BOARD

Henrik Grung
DEPUTY CHAIR

Jill Aasen

Ann Magritt Bjåstad Vikebakk

Kåre Øyvind Vassdal

Therese Monsås Langset

Helge Karsten Knudsen

Marie Rekdal Hide

Trond Lars Nydal
CEO

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To the General Meeting of Sparebanken Møre

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebanken Møre, which comprise:

- The financial statements of the parent company Sparebanken Møre (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Sparebanken Møre and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (EU) 537/2014 Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 21.03.2018 for the accounting year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected credit loss on loans and guarantees to the corporate market

Reference is made to note 2 Risk management, note 5 Loans broken down according to sectors, note 9 Losses on loans and guarantees, note 10 Credit-impaired commitments and Directors Report, section credit risk.

The Key Audit Matter	***How the matter was addressed in our audit***
Expected credit loss on loans and guarantees that are not credit-impaired amounts to MNOK 105 for the Group as of 31 December 2021. Expected credit loss on loans and guarantees that are credit-impaired amounts to MNOK 263 as of 31 December 2021. IFRS 9 requires that the Group recognise expected credit loss equal to 12-month expected credit losses for loans and guarantees that does not have a significant increase in credit risk (stage 1), and lifetime expected credit loss for loans and guarantees that have a significant increase in credit risk (stage 2). The Group apply models for calculating expected credit loss for stage 1 and 2. The models are complex and includes large amounts of data. At the same time, management exercise judgement, particularly related to the following parameters; • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Weighing of different forward-looking scenarios. As an IRB-bank, Sparebanken Møre has developed its own models for determining PD, LGD and EAD. Based on these approved IRB-models, the group has developed its own model for calculation of expected credit losses (ECL). For loans and guarantees where there is significant increase in credit risk and where the engagement is credit impaired (stage 3), the Group calculates the lifetime expected credit loss based on an individual assessment. Determining the expected credit loss entails a high degree of management judgement. Key factors in management's assessments are: • Identification of credit-impaired loans	We gained an understanding of the Groups definitions, methods and control activities for measuring and recognition of expected credit loss, and also controlling whether they are in compliance with the requirements of the standards. We have among other things; • assessed whether the Groups validation of IRB-models and ECL-model are carried out in a professionally sound manner, • assessed and tested if the Group's documentation of the model for calculation of expected losses is in compliance with IFRS 9, • assessed whether the ECL-model's results are a good predictor of the actual recorded losses, • tested the completeness and accuracy of data input used in the ECL-model, • Considered the weighting of different scenarios and the sensitivity of different weights, • Tested the mathematical accuracy of the ECL-model In our audit procedures on assessing validations and model documentation related to ECL stage 1 and 2, we have used our internal specialist. In order to challenge management's judgements and parameters that have been used in the calculation of the expected credit loss for stage 1 and 2, we have, among other things; • Assessed and tested management's control of the model's calculations, • Carried out analyses of key figures, • Assessed model-calculated expected credit losses against comparable banks

and guarantees • Assumptions for determining the size of expected cash flows, including valuation of collaterals. Based on the size of the gross lending, inherent credit risk, the size of the provisions and the relevant estimates, we consider the expected credit losses to be a key audit matter.	We have formed an understanding of how the Group identifies and follow up credit impaired engagements (stage 3). For a selection of credit impaired engagements we have recalculated the expected credit losses and assessed the managements assumptions of expected cashflows against external valuations. To challenged management's process for identifying credit-impaired loans and guarantees we have, based on publicly available information, formed our own view on whether there are indications of credit impaired engagement in the corporate portfolio not identified by management. We assessed whether note disclosures related to IFRS 9 and ECL was sufficient in accordance with the requirements of IFRS 7.

2. IT-systems and application controls

Reference is made to note 30 Leases and rental agreements, section Other significant agreements

The Key Audit Matter	***How the matter was addressed in our audit***
Sparebanken Møre is dependent on the IT infrastructure in the financial reporting. The Group uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting. Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses. The system calculates interest rates on borrowing and lending (application controls) and the Group's internal control systems are based on system-generated reports. Due to the importance of the IT systems for the Group's operations, the IT environment supporting the financial reporting process is considered a key audit matter.	In connection with our audit of the IT-system in the Company, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls. The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to the Group. We have assessed the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether: • standard system reports contain all relevant data, and • the application controls, including controls related to interest rate-, annuity-

	and fee calculations, is functioning as intended. We have inquired management regarding their evaluation and review of the independent auditor's attestations report, in order to evaluate if findings are sufficiently followed up. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 5967007LIEEXZX5PU005-2021-12-31-no have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 2 March 2022
KPMG

Svein Arthur Lyngroth
State Authorised Public Accountant

Alternative Performance Measures

Sparebanken Møre has prepared Alternative Performance Measures (APMs) in accordance with ESMA's guidelines for APMs. We use APMs in our reports to provide additional information to the accounts and also as important financial performance figures for the management. The APM's are not intended to substitute accounting figures prepared in accordance with IFRS nor should they be given more emphasize. The key figures are not defined under IFRS or any other legislation and are not necessarily directly comparable with similar key figures in other banks or companies.

Total assets	**Definition**	Total assets.
	Justification	Total assets is an industry-specific designation for the sum of all assets.
	Calculation	The total of all assets.
Average assets	**Definition**	The average sum of total assets for the year, calculated as a daily average.
	Justification	This key figure is used in the calculation of percentage ratios for the performance items.
	Calculation	This figure comes from daily calculations in the accounting system and cannot be directly reconciled with the balance sheet.
Return on equity	**Definition**	Profit/loss for the financial year as a percentage of the average equity for the year (the proposed dividend in line with the Group's dividend policy is deducted). Additional Tier 1 capital classified as equity is excluded from this calculation, both in profit/loss and in equity.
	Justification	Return on equity is one of Sparebanken Møre’s most important financial performance figures. It provides relevant information about the profitability of the Group by measuring the profitability of the operation in relation to the invested capital. The profit/loss is adjusted for interest on Additional Tier 1 capital, which pursuant to IFRS, is classified as equity, but in this context more naturally is classified as liability since the Additional Tier 1 capital bears interest and does not entitle to dividends.
	Calculation	$\frac{\text{Profit after tax - interests on AT1 capital}}{\text{((OB Equity-AT1-interests AT1-dividends-gifts)+(CB Equity-AT1-interests AT1-dividends-gifts))/2}}$
	Figures	31.12.2021: (642-23)*100/(((7,208-599-44-45-89-90)+(7,570-599-158-160))/2)=9.5 %
		31.12.2020: (567-27)*100/(((6,970-599-138-141)+(7,208-599-44-45))/2)=8.6 %
Cost income ratio	**Definition**	Total operating costs in percentage of total income.
	Justification	This key figure provides information about the relation between income and costs and is a useful performance indicator for evaluating the cost-efficiency of the Group.
	Calculation	$\frac{\text{Total operating costs}}{\text{Total income}}$
	Figures	31.12.2021: 645/1,527=42.2 %
		31.12.2020: 624/1,507=41.4 %

Losses as a percentage of loans, guarantees, etc	**Definition**	«Impairment on loans, guarantees etc.» in percentage of «Gross loans to and receivables from customers» at the beginning of the accounting period (annualized).
	Justification	This key figure specifies recognised impairments in relation to gross lending and gives relevant information about the bank's losses compared to lending volume. This key figure is considered to be more suitable as a comparison figure to other banks than the impairments itself since this figure is viewed in context of lending volume.
	Calculation	$\frac{\text{Losses on loans and guarantees}}{\text{Gross loans to and receivables from customers per 1.1.}}$
	Figures	31.12.2021: 49/67,126=0.07 %
		31.12.2020: 149/64,288=0.23 %
Deposit-to-loan ratio	**Definition**	«Deposit from customers» as a percentage of «Gross loans to and receivables from customers».
	Justification	The deposit-to-loan ratio provides important information about how the Group finances its operations. Receivables from customers represent an important share of the financing of the Group's lending, and this key figure provides important information about the Group's dependence on market funding.
	Calculation	$\frac{\text{Deposits from customers}}{\text{Gross loans to and receivables from customers}}$
	Figures	31.12.2021: 41,853/70,254=59.6 %
		31.12.2020: 39,023/67,126=58.1 %
Lending growth as a percentage	**Definition**	The period's change in «Lending to and receivables from customers» as a percentage of «Lending to and receivables from customers» over the last 12 months.
	Justification	This key figure provides information about the activity and growth in the Group's lending.
	Calculation	$\frac{\text{CB Net loans to and recievables from customers - OB Net loans to and recievables from customers}}{\text{OB Net loans to and recievables from customers}}$
	Figures	31.12.2021: (69,925-66,850)/66,850=4.6 %
		31.12.2020: (66,850-64,029)/64,029=4.4 %
Deposit growth as a percentage	**Definition**	The period's change in «Receivables from customers» as a percentage of «Receivables from customers» over the last 12 months.
	Justification	This key figure provides information about the activity and growth in deposits, which is an important part of the financing of the Group's lending.
	Calculation	$\frac{\text{CB Deposit from customers - OB Deposits from customers}}{\text{OB Deposits from customers}}$
	Figures	31.12.2021: (41,853-39,023)/39,023=7.3 %
		31.12.2020: (39,023-36,803)/36,803=6.0 %
	Defintion	The total equity that belongs to the owners of the bank's equity certificates (equity certificate capital, share premium, dividend equalisation fund and equity certificate holders' share of other equity, including proposed dividends) divided by the number of issued equity certificates.

Book value per equity certificate	**Justification**	This key figure provides information about the value of the book equity per equity certificate. This gives the reader the opportunity to assess the market price of the equity certificate. The key figure is calculated as equity certificate holders' share of the equity at the end of the period, divided by the number of equity certificates.
	Calculation	(Total Equity+share premium+dividend equal.fund+EC holders' share of other equity, incl.proposed dividends) / Number of ECs issued
	Figures	31.12.2021: (989+357+1,831+(577*0.4966))/9,886954=350
		31.12.2020: (989+357+1,679+(522*0.496))/9,886954=332
Price/book value (P/B)	**Definition**	Market price on the bank's equity certificates (MORG) divided by the book value per equity certificate for the Group.
	Justification	This key figure provides information about the book value per equity certificate compared to the market price at a certain time. This gives the reader the opportunity to assess the market price of the equity certificate.
	Calculation	Market price per equity certificate / Book value per equity certificate
	Figures	31.12.2021: 444/350=1.27
		31.12.2020: 296/332=0.89

Corporate social responsibility and sustainibility

Corporate social responsibility and sustainibility

A driving force for sustainable development

In the next few years, both Norway and the international community face a significant transition if we are to achieve the climate targets for 2030. As a regional savings bank, we have the power to influence, both through our banking operations and through the projects we get involved in. This presents us with responsibilities and opportunities that we take very seriously.

Sparebanken Møre was established in 1985 by the merger of a number of local savings banks. The oldest bank that was part of this merger was Herrøe og Røvde Sparebank, which was founded in 1843.

Ever since the first banks saw the light of day, they have played an important social role in their various local communities. The same is true today.

The savings bank model contains within itself both the strength and power to contribute to sustainable social development. Sparebanken Møre has also committed itself to being a driving force in this work through the bank's vision of being the leading driving force for entrepreneurial zeal in Nordvestlandet. Every day.

The vision entails us taking a leading role in developing our region. Through knowledge, engagement and returning a significant contribution back to the community, we shall create value for the benefit of people, business and society.

In 1987, the Brundtland Commission defined sustainable development as the use of resources that meets today's needs without destroying the chances of future generations to meet their needs.

As a regional actor in Nordvestlandet we are interested in sustainability, growth and development in the communities of which the bank is a part and this will be our area of focus. We will also look at the bank's sustainability work from a national and global perspective.

An integral part of the strategy

During 2021, the bank both further intensified and structured its work on sustainability. A materiality analysis was conducted in 2020 in order to focus our efforts on the areas of greatest importance for both stakeholders and the bank's long-term value creation. No changes have been made to this page. Specific goals have been formulated based on materiality analysis and these are included in an overall strategy for sustainability that has been approved by the Board of Directors.

Sustainability has also been made a priority focus area in the bank's group strategy for the period 2022-2025. The overarching objective for Sparebanken Møre is to be a driving force for sustainable development. The objective has been firmed up through special action plans and measures in all of the bank's departments and unit/divisions.

Over the year, sustainability became better integrated into the bank's governing documents and further training measures were implemented throughout the organisation. Several internal processes were also initiated to implement sustainability in the bank's operations. A more detailed description of this can be found under 'Material topics'.

Sparebanken Møre will continue this work at full steam in 2022, both inside the bank and outside. We will do our bit for our shared future by being a driving force for sustainable development in Nordvestlandet.

Reporting standards

The bank reports on its work on sustainability and corporate social responsibility (CSR) every year in connection with the annual report in line with section 3-3(c) in the Accounting Act. This stipulates requirements regarding human rights, labour rights and social conditions, the external environment and combating corruption in business strategies, day-to-day operations and in relation to stakeholders.

In order to ensure it takes a systematic and structured approach, the bank reports in line with the GRI standard 'Core' option. This also means reporting the Group's CO_2 emissions in accordance with the Greenhouse Gas Protocol Initiative (GHG Protocol). In 2022, the bank will start work on adapting to a new GRI standard and conduct a new materiality analysis in connection with this.

Having signed up to the UNEP FI Principles for Responsible Banking (PRB) in 2019, the bank will report on its status in relation to the six principles as part of its annual report from the 2021 accounting year onwards.

In 2021, we started work on reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD), and our first report on this area forms part of this sustainability report.

Sparebanken Møre will also follow the prevailing practices in the market and relevant recommendations. The reported information must be accurate, balanced, understandable, comparable, timely and reliable. The bank's sustainability reporting is included in its annual report. It will also function as a stand-alone document that is published on the bank's website.

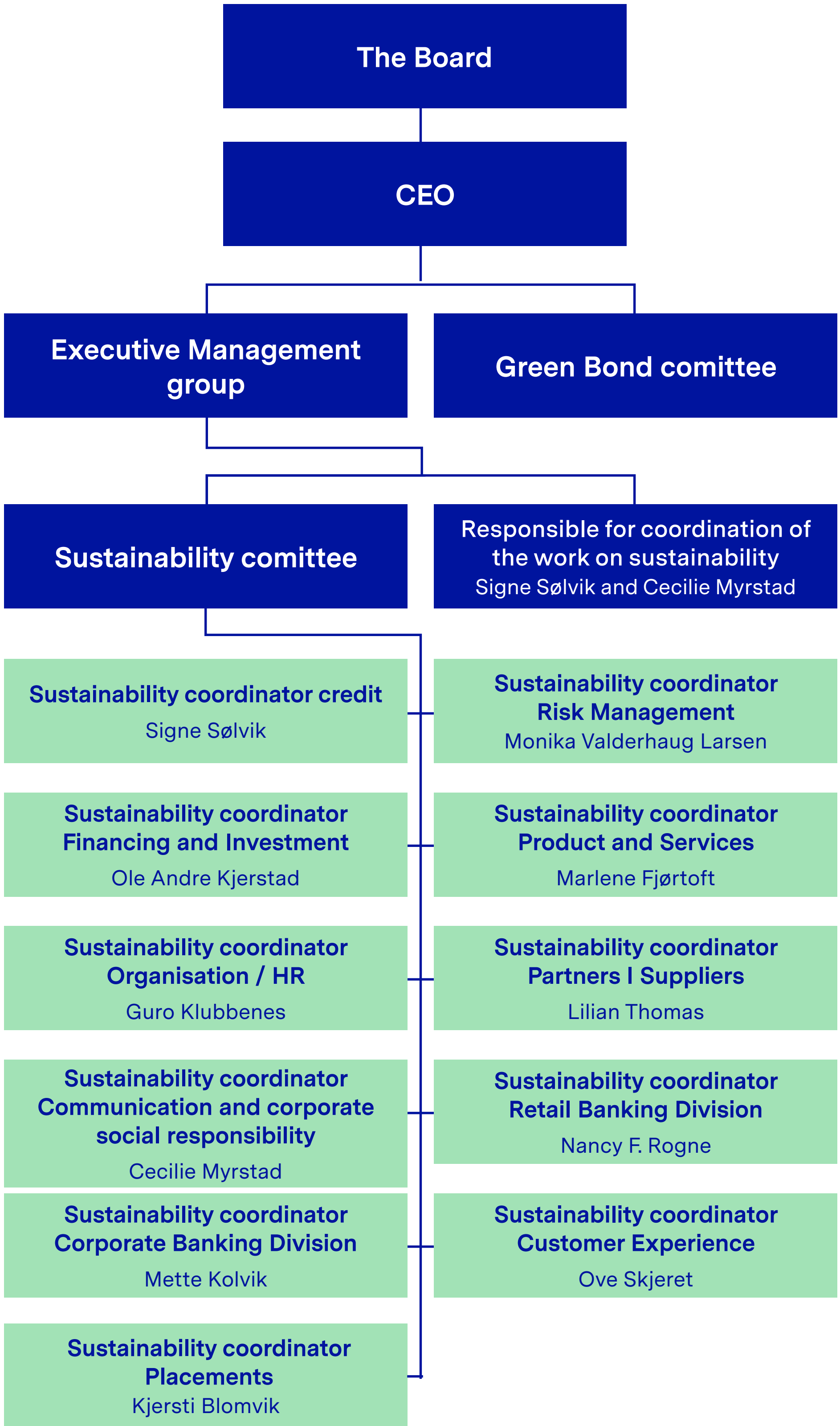
Organisation of the work

The Board is responsible for establishing guidelines and strategies for the bank's sustainability work, while the CEO is responsible for implementing the strategies.

In 2020, the bank established a dedicated sustainability committee, which consists of sustainability coordinators who represent various areas in the bank. The committee is responsible for the preparation and follow-up of the bank's sustainability strategy and reporting to the executive management group. The committee will with its multidisciplinary organisation contribute to disseminating sustainability to all employees. Minor changes were made to the composition of the committee during the year and a new area was also added.

In connection with the establishment of a green framework for the issuance of bonds, a Green Bond Committee has also been established that will ensure the follow-up of, and compliance with, the green framework.

Responsibilities



Stakeholder engagement and materiality analysis

We have a broad and complex group of stakeholders and believe that all of the groups are increasingly interested in how the bank addresses its social mission and how we can achieve the goals together.

Vi har en bred og sammensatt interessentgruppe, og opplever at alle gruppene i økende grad er opptatt av hvordan banken ivaretar samfunnsoppdraget sitt og hvordan vi sammen kan nå målene.

Our stakeholders

We have defined the following as our main stakeholders:

Employees	Customers	Capital market	Rating agencies and analytics
Suppliers	Partners	Competitors	Authorities
Clubs and organisations	Researchs and academia	Special interests	Media
Owners	Local communities	Lenders	

Materiality analysis

A materiality analysis was conducted in 2020 to identify the sustainability topics that are important to our stakeholders and at the same time important for the bank's capacity for long-term value creation.

The analysis shows how the bank can reinforce its positive impacts and where it can reduce its negative impacts within sustainability. Based on an overall assessment, the following ten topics were defined as the most important/ material ones for Sparebanken Møre's sustainability work:

Topics that ended up in the areas at the bottom and furthest to the left were eliminated from the matrix. The remaining topics are regarded as the most material and are reported on in the annual report in line with GRI.

Stakeholder engagement in 2021

Engagement with our stakeholders is a high priority in Sparebanken Møre and during 2021 we were in contact with our stakeholders in various ways. A schematic summary of the main features of the stakeholder engagement is provided below:

Stakeholder	Engagement/ meeting place	Main topic for stakeholder	Relevant measures
Customers	• Customer meetings/ customer contact • Contact with customer service • Social media • Events	• Nearby, tempo and local knowledge • User-friendly products and services • Expertise and restructuring • Contribution to business development • Engagement linked to how sustainability impacts the individual industry and customer • The banks contribution to the local community	• Establishment/further development of digital and self-service solutions • Close follow-up and financial advice due to Covid-19 • Implementation of topic meetings • Participation in Growth Guarantee Scheme • Implementation of NÆRINGSTEFT| Facilitation of the information for entrepreneurs on sbm.no • Sustainability has been incorporated into the Bank's industry analyses • ESG scoring in the credit work with corporate customers
Employees	• Working environment survey • Employee development • Management development • Employee performance and development interviews • Meetings with group employee representative committee	• Gender equality and diversity • Attractive workplace • Culture of learning and development • Labour law and working environment • Sustainability within SBM	• Participates in 6 different national authorization schemes for financial advisers (Fin Aut) • Results from the working environment survey were followed up in all departments • Communication from sustainability committee and sustainability workshops • Skills development through participation in various workshops and sustainability forums • Implementation of a number of courses through NanoLearning • Facilitation for courses and further education

Stakeholder	Engagement/ meeting place	Main topic for stakeholder	Relevant measures
Capital market, rating agencies and analysts	• Ongoing contact via telephone/video meetings • Market announcements and interim reports • General Meeting • Other events under internal or external direction	• Financial results • Open and ethical conduct • Competitive return for owners	• Focus on close monitoring, transparency and equal treatment • ESG information expanded further and made accessible in the Bank's channels in both Norwegian and English • Dialogue related to ESG risk rating • Investor meets in connection with the issuance of bondsImplementation of quarterly presentations
Suppliers	• Ongoing contact via telephone/video/in-person meetings • Regular follow-up meetings	• Open and ethical conduct • Requirements for suppliers • Expertise and restructuring • Sustainability, principles, choices of materials, transport, climate	• More partner meetings throughout the year, where sustainability is one of several topics on the agenda • Sustainability is included as an assessment criterion when new partners are assessed • Sustainability has been incorporated as a separate point in routines for procurement
Partners	• Ongoing contact via telephone/video/in-person meetings • Regular follow-up meetings	• Support for research into sustainability topics • Contribution to business development • Support for local communities • Open and ethical conduct • Expertise and adapting to sustainability • EU green deal and taxonomy • Sustainable finance	• Support for research projects with Møreforskning and NTNU • Partnership with Møre og Romsdal County Authority to map the county in line with U4SSC on sustainable regional development • Partner in United Future Lab Norway and participation in various sustainability projects • Partnership on seminars and conferences where sustainability is a recurring topic, including North West, The Next Wave, FARM, etc. • Participation and expert contributions in various networking groups • Close partnership with partners in implementation of NÆRINGSTEFT • Participated in various workshops with sustainability as a topic at partners

Stakeholder	Engagement/ meeting place	Main topic for stakeholder	Relevant measures
Competitors	• Telephone/video/in-person meetings • Email correspondence	• Expertise and restructuring • Sustainable business models • Sustainability reporting	• Partnership on development work • Sharing experiences and opportunities linked to various sustainability commitments/ initiatives • Sharing experiences and knowledge through participation in multidisciplinary reference groups under direction of Finance Norway and Sparebankforeningen.
Authorities	• Participation in various boards and committees • Telephone/video/in-person meetings	• Risk assessments from a sustainability perspective • Responsible lending • Anti-money laundering work • Preventing corruption and financial crime • Good corporate governance • Stable and secure IT solutions • Privacy and information security • Implementation of the EU's sustainability regulations	• Incorporation of ESG factors into the credit work • Obtaining of valid forms of identification and ongoing updating of customers • Reporting in line with requirements and expectations • Implementation of ICT action plan • Implementation of ESG factors in internal overarching guidelines and framework
Clubs and organisations (support through funds for good causes)	• Ongoing contact via telephone/video/in-person meetings • Event participation	• Support for local communities • Expertise and restructuring • Covid-19 consequences • Exclusion and gender equality • Diversity • Sustainability in sponsorship agreements	• Support for clubs and organisations, also including Covid-19 related support measures • Extra support for choir, music corps and musicians| Awarding of talent grants to 16 talented young people in Nordvestlandet • Environmental measures related to granulate traps in artificial turf.

Stakeholder	Engagement/ meeting place	Main topic for stakeholder	Relevant measures
Research and academia	• Ongoing contact via telephone/video/in-person meetings • Event participation • Directorships • Study programme board • Guest lectures	• Expertise and restructuring • Support for research • Sustainable business models	• Study programme board NTNU • Guest lectures at university and university colleges • Major financial contributor to research activities • Main partner for Young Entrepreneurship Møre og Romsdal (Ungt Entreprenørskap) • Support for youth and student companies • Active contributor to activities in the TEFT-lab • Summer internship in TEFT-lab • in collaboration with NTNU and the Research Council, SBM supports a doctoral fellow in industrial economics.
Industry and special interest organisations	• Ongoing contact via telephone/video/in-person meetings • Event participation • Participation in network/reference groups	• Open and ethical conduct • Expertise and restructuring • Sustainability risks • Sustainable finance	• Participation in a reference group for sustainability and climate groups under the auspices of Finance Norway • Participation in the Sustainability Group of Nordic Future Innovation and Climate group with UN future lab.
Media	• Ongoing engagement through digital and in-person meetings	• Open and ethical conduct • Expertise and restructuring • Sustainability topics • Savings • Financial advice	• Focus on openness, accessibility, precise information and fast response • Tips on relevant cases • Facilitation of relevant information • Interview with national, regional and local media

Our commitments

The bank has signed up to several national and global sustainability initiatives, objectives and frameworks, all of which provide guidelines for the bank's work within sustainability.

UN Sustainable Development Goals

Sparebanken Møre supports all 17 of the UN Sustainable Development Goals (SDGs). Based on insight work, stakeholder engagement and findings from a previously conducted materiality analysis (2020), we have chosen five SDGs (SDG profiles) that we believe the bank has a real opportunity to have an influence on. We have also identified SDGs 3, 4, 5, 13 and 14 as targets that we also want to focus on through the multiple roles we play as an employer, social actor, investor, lender, facilitator, and provider of financial services. We will work on reinforcing positive impacts and reducing negative impacts within these SDGs.

Our main goal

Our sub-goal

SDG 8: Decent work and economic growth

As a regional savings bank and the largest financial environment between Bergen and Trondheim, Sparebanken Møre is an important source of financial information and financial services for both people and businesses in Nordvestlandet. We take a systematic approach to entrepreneurship and innovation in order to reinforce value creation and employment in our region and contribute to activities that strengthen this.

SDG 9: Industry, innovation and infrastructure

In order for Nordvestlandet to be an attractive region in the future, it is important that we work actively to build solid infrastructure, promote inclusive and sustainable industrialisation, and contribute to innovation. Sparebanken Møre wants to be both a driving force for, and a supporter of, such activities.

SDG 11: Sustainable cities and communities

Since its inception in 1843, Sparebanken Møre has contributed to making cities and communities inclusive, safe, resilient and sustainable. This is vital for quality of life, innovation, population growth and value creation. Society needs strong local communities to develop and Sparebanken Møre must be a supporter of local communities going forward as well.

SDG 12: Responsible consumption and production

In order to contribute to sustainable regional development, the public sector, the business sector and individuals must change their consumption. As a society, we currently consume more than is environmentally sustainable. Sparebanken Møre wants to help reverse this by increasing knowledge and awareness, setting requirements for and providing advice to customers and suppliers, contributing to research in the area, and taking steps in our own organisation.

SDG 17: Partnerships for the goals

Good strong partnerships are needed in order to achieve the SDGs. The authorities, business and local communities must work together to achieve sustainable development. As a major regional player, Sparebanken Møre can make a difference. We want to encourage partnerships and help connect knowledge and relationships across disciplines and industries by creating and supporting various forums.

Finance Norway – 'Roadmap for Green Competitiveness in the Financial Sector'

Finance Norway has developed the 'Roadmap for Green Competitiveness in the Financial Sector'. This expresses the following vision:

"The financial sector of 2030 is profitable and sustainable. We lend, manage and insure with the climate in mind, so creating value and contributing to green competitiveness."

Sparebanken Møre supports the roadmap and will contribute to the work to achieve both national and global sustainability goals. Finance Norway also has working and reference groups related to sustainability and climate risk. Sparebanken Møre took part in these throughout 2021.

The EU's Sustainable Finance Action Plan

The EU has prepared an action plan for sustainable development in which the EU's taxonomy is one of ten instruments. In order to contribute to the target of 'net zero' greenhouse gas emissions by 2050, Sparebanken Møre will adapt to and follow up the expectations and requirements that follow from this with respect to our stakeholders. We also want to assume the role of driving force in our market area.

The EU's Sustainable Finance Action Plan reflects the fact that the financial services sector's role in the development of society will have to change in order to support the global sustainability agenda. Sparebanken Møre can and will be an important stakeholder when it comes to supporting and facilitating the sustainable development of society. This entails the incorporation of climate and environmental considerations as well as social considerations, respect for human rights and economic responsibility in business activities.

UN Principles for Responsible Banking (PRB)

The UN Environment Programme (UNEP) has a partnership with the financial services sector called the United Nations Environment Programme – Finance Initiative (UNEP FI). The programme consists of six principles that are aimed at making the banking industry capable of assuming a leadership role in achieving the UN Sustainable Development Goals and fulfilling the Paris Agreement.

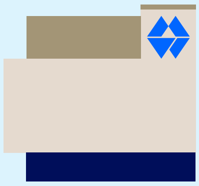
Sparebanken Møre signed up to the UNEP FI Principles for Responsible Banking in October 2019. This entails a commitment to implement and carry out measures that support the six principles in the period up to 2023. The bank published its first self-assessment report in April 2021, and the report was reviewed by an independent third party. From 2021 onwards, the reporting will be conducted in connection with the annual sustainability reporting in the annual report.

UN Guidelines for Business and Human Rights/OECD Guidelines for Multinational Enterprises

The guidelines are about the responsibility that businesses are expected to assume on behalf of people, society and the environment that are impacted by their activities. The government expects all Norwegian companies to comply with the UN Guiding Principles on Business and Human Rights (UNGP) and OECD Guidelines for Multinational Enterprises (OECD Guidelines). Sparebanken Møre is Corporate to comply with the guidelines, including through the bank's 'Code of Conduct and CSR Policy'.

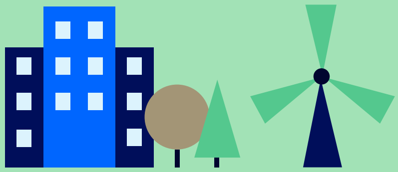
Strategic targets

Based on the bank's goal of being a driving force for sustainable development, SDGs 8, 9, 11, 12 and 17, and material identified topics, Sparebanken Møre has the following strategic goals for the strategy period:



Us:

- We are actively working to reduce our greenhouse gas emissions (CO_2) by at least 25 per cent in the period 2019 to 2025.
- We will become climate-compensated by the end of 2022 in line with the UN's Climate Neutral Now initiative.
- We are actively striving for gender equality and diversity and have a long-term ambition of achieving at least 40 per cent of each gender at all levels.
- Sustainability is an integral part of all innovation and development processes.
- We emphasise openness and transparency in our communication.

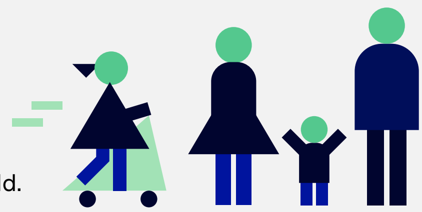


Society:

- Sustainability is an important assessment criterion for the distribution of dividend funds for local communities.
- Sustainability is included as a separate point in all sponsorship agreements.
- We take the initiative regarding, and support, good sustainability projects in Nordvestlandet.
- We actively contribute to reducing financial crime, money laundering and corruption.

Customers and suppliers:

- We offer our customers sustainable products and services.
- Employees have the expertise to advise customers on sustainable options that contribute to restructuring and potential new business opportunities.
- An ESG assessment is conducted at least once a year for corporate customers with credit exposure above a threshold. The development must be measured annually.
- We will issue green bonds.
- Our major suppliers will submit an ESG supplier statement every year.



The strategic targets cover areas within the environment (Environmental), society (Social) and governing factors (Governance). New targets are established each year that are designed to help the bank achieve the strategic goals.

Material topics

As a consequence of the materiality analysis that was conducted, our chosen SDGs and long-term strategy, ten topics have been defined as particularly important for both the bank and our stakeholders. This chapter presents the topics in more detail in accordance with the GRI standard.

The material topics are:

- ✔ Financial results
- ✔ Contribution to business development
- ✔ Supporter of the local community
- ✔ Open and ethical conduct
- ✔ Responsible lending practices
- ✔ Gender equality and diversity
- ✔ Expertise and transition
- ✔ Prevent corruption and financial crime
- ✔ Requirements for suppliers
- ✔ Climate and the environment

The descriptions of the various topics contain information about:

- Why the topic is important
- Measures implemented in 2021
- Planned measures going forward
- Measurement and evaluation
- Responsible unit(s)
- Key governing documents
- GRI indicators

Financial results

Good financial performance is a prerequisite for the bank's existence and is crucial when it comes to us being able to facilitate value creation in our area. The topic is, therefore, very important for both the bank and our stakeholders.

We have owners who expect a return on their investments, and we have lenders who lend us money based on the bank's profitability and financial strength. We also have customers who want competitive terms, at the same time as our employees are interested in having a good, reliable employer. Good financial performance is also important when it comes to us being able to support our local communities through the bank's social engagement.

The financial targets for the strategy period 2022-2025 are a return on equity of more than 11 per cent and a cost income ratio of less than 40 per cent. The goal is also to achieve a lower level of losses than the average for Norwegian banks.

There is no detailed information about the topic 'Financial results' in the bank's annual report, see the references in the GRI index.

Contribution to business development

Business development in Nordvestlandet is vital for both value creation and employment, and it is important that this is done in a sustainable manner that safeguards the region's future.

One of the bank's key tasks is to help with the creation of new businesses and jobs, and through this local communities as well. The bank is a significant contributor to regional business development and value creation. Both through social engagement (entrepreneur programme, support for meeting places and the Næringsteft concept) and through ordinary lending activities, participation in the Growth Guarantee Scheme and various skills development measures, we contribute to SDG 8 regarding economic growth, SDG 9 regarding innovation and infrastructure, and SDG 11 regarding sustainable cities and local communities.

Nordvestlandet has a competitive business sector and many of the companies are leaders within their industries. The bank's corporate advisers are locals and have specialised in individual industries. We have done this to understand their needs and to be able to be active sparring partners in a company's development. At the same time, the bank wants to create arenas where companies in different industries and specialist environments can meet. This provides motivation and a basis for developing innovation and cooperation.

Measures implemented in 2021

Sparebanken Møre has around 6,200 active corporate customers spread across three geographical units and five different branches. In 2021, our 46 corporate advisers invited to and conducted conversations with around 3000 customers. We also have a separate customer service unit, Næringsbasen, for the corporate market, which talks to the customers every day. The unit's staffing was significantly increased in 2021 in order to help start-ups and companies in their operational phase within, for example, payment transmission services, insurance, leasing and financing.

A close dialogue with the customers was also particularly important in 2021 in order for us to be there and provide support to our customers in relation to the impact of Covid-19. Even though we were able to meet and visit customers more frequently this year, much of our dialogue took place digitally and on the phone. We have kept our customers continuously up-to-date on the measures and changes in public pandemic support schemes, and it has been important for us to be a good sparring partner for those enterprises in complex situations. We have followed up our customers through one-to-one conversations and at the same time provided assistance through newsletters, articles and via sbm.no.

Sustainability needs to be a key topic in meetings with customers. Our advisers ask customers questions related to the conduct of ESG analyses. To be a driving force and an active discussion partner, we need to know even more about the specific sustainability challenges and opportunities in each individual sector. The development of tools and knowledge in this area will be intensified in 2022.

Programme for entrepreneurs
Næringsteft is a skills journey and competition organised by Sparebanken Møre for entrepreneurs in an early phase in Nordvestlandet. A total of 549 teams of entrepreneurs/companies have taken part in this programme since it started in 2017. This has created new jobs through the establishment of more companies in Nordvestlandet. In 2021, the fifth round of Næringsteft started with 65 different teams of entrepreneurs taking part. Giving these entrepreneurs access to mentors from academia, public support systems, established business and investor environments gives them opportunities to develop with greater power and speed than they might have managed alone.

The programme touches on SDG 8 regarding economic growth and SDG 9 regarding innovation and infrastructure. It also facilitates networking and collaborations across the companies in line with SDG 17 regarding partnerships. Generally, sustainability must be an integral part of the business ideas behind the companies taking part in Næringsteft.

Meeting places
Business forums are important for inspiring innovation, cooperation and sustainable transition. Meeting places become highly relevant when they are targeted at individual industries. In 2021, Sparebanken Møre contributed to the Midsund Conference – Fisheries, The Next Wave – Marine Industries, IDC – Industrial Design Conference, Byggebørsen – Real Estate, Building and Construction, the Nordmør's Conference, the 'Damene Først' women in business conference in Ålesund, the 'Kvinner Midt i' women in business conference, and Network U37. In 2021, many of these paid special attention to how the industries will be impacted by sustainability and how transition can take place going forward.

Despite many good forums, the pandemic resulted in less activity in this area in 2021 than in earlier years. It has been difficult during this period to bring many people together for in-person conferences, and the expertise enhancing programme was postponed or conducted digitally. One of the programmes we were hoping to start up in 2021 was the investor/entrepreneur programme

Angel Challenge. However, this did not start due to the pandemic and uncertainty.

Cooperation
In 2021, we worked with the NCE Blue Legasea cluster programme on three sub-projects that are contributing to the development of the marine/biomarine industry, sustainable development, increased value creation and meeting places for business.

Several workshops were conducted together with the cluster in 2021 where the theme was to develop a 'toolbox for sustainability' for the marine and biomarine industry in Møre og Romsdal.

Project 'Medvind' is a collaboration between Brisk Kompetansesenter, Ålesund Football Club and the bank. The goal of the project is to get young adults who need help into work. Excluded young adults get work experience places with Ålesund Football Club, with professional follow-up from Brisk Kompetansesenter. In 2021, 12 young adults took part in the programme, and of those 12, five are now in work and two have switched to job training schemes.

Getting the right skills in sufficient quantities is a challenge in maritime industries. In 2021, the bank started a collaboration with MAFOSS – the maritime association for Søre Sunnmøre. The main aim of the project is to secure and develop important skills within the maritime industries.

More and expanded collaboration with the professional organisations in the county has also resulted in industry-related activities. Sparebanken Møre is also involved in the associations' boards.

Innovation Norway's Growth Guarantee Scheme
Innovation Norway has been testing the Growth Guarantee Scheme in collaboration with selected banks since 2017. Sparebanken Møre was admitted to the programme in 2018, and at that time received a budget of NOK 50 million that was earmarked for growth companies in an early phase in Nordvestlandet. In 2020, Sparebanken Møre's funding was increased by NOK 125 million for the period 2020-2022. Some 30 companies have now received loans

in Sparebanken Møre through the guaranteed growth scheme since 2018.

Planned measures

The Næringsteft programme will continue, and the fifth round will end in March 2022. At that time, the three finalists and ultimate winner of NOK 1 million will be announced. Up to that point, 65 teams of entrepreneurs will take part in this skills journey. A new round of Næringsteft is scheduled to start in autumn 2022.

The bank will launch a new sustainability portal for business on the bank's website, sbm.no, in 2022. This will be a practical tool that companies can use for their work on sustainability. In the portal, which will be organised by industry, enterprises will be able to learn about the goals industries have set for themselves, useful measures, where they can find information about certifications, etc. The enterprises will be able to work on sustainability using a sustainability guide where they are taken through the steps from materiality analysis, vision and goals, to action plans and surveys, reporting and communication. We will also work on improving the portal and updating it in line with the changes that take place in this area.

In line with SDG 17, contributions to meeting places and conferences are important for the development of the region and for sharing expertise and networking both within and across industries. Support and cooperation on these conferences are important and the plan is to hold them in 2022.

Several conferences focusing on sustainability are planned for the first half of 2022. The conferences will be arranged together with partners in energy, finance, academia and local government, and take as their starting point how companies can work on sustainability in practice.

The collaboration with the cluster programme NCE Blue Legasea will continue in 2022. This is a cluster programme that is designed to promote the sustainable development of marine products in Norway. The programme is working towards SDGs 2, 3, 9, 12, 14 and 17.

The good strong collaboration with the professional organisations will be continued and expanded to include more joint activities. Among other things, a joint event in Oslo will be held as a collaboration between all three professional organisations to promote the business community in Nordvestlandet and to help recruit new employees. Sparebanken Møre is the lead partner behind this event.

The Growth Guarantee Scheme has proved to be a good offer and a good fit for growth companies. We are aiming to continue this scheme in collaboration with Innovation Norway for a new period.

Measurement and evaluation

Our events attract a lot of interest and participants. We also always evaluate them and take the feedback from participants and partners into consideration in our subsequent work. Our activities are aimed at contributing to business development in the region. More knowledge about sustainability, innovation and transition capacity have therefore been important elements of this work.

As far as Næringsteft in particular is concerned, the content is evaluated and adjusted each season based on surveys and workshops with participants, mentors and other contributors. A survey of the semi-finalists from the first 3 years showed that 31 of the 35 companies were still operating in spring 2021.

Responsible unit(s)

The Corporate Banking Division, Communications and Group Support Section, Communications and CSR Department.

Governing documents

- Møre 2025 (corporate strategy)
- Guidelines for the use of dividend funds for local communities
- Credit risk strategy

GRI indicators:

103-1, 103-2, 103-3, SBM-N1, SBM-N2

Supporter of the local community

Sparebanken Møre has been deeply involved in building attractive and sustainable local communities for many years. In addition to the bank's sponsorship agreements with hundreds of clubs in the region, Sparebanken Møre provides support for projects in the region, large and small, through its distribution of dividend funds for local communities.

The dividend funds for local communities are made possible by the bank's ownership structure. Sparebanken Møre has two groups of owners, equity certificate holders and local communities, and the bank's dividend policy stipulates that the groups should be treated equally. Since the local communities in Møre og Romsdal own about 50 per cent of Sparebanken Møre, half of the bank's profits are returned to the region through dividend funds for local communities for good causes. As a result, the bank is a significant contributor to good initiatives within culture, sports, the local environment, infrastructure, skills and business development in Nordvestlandet. The bank has chosen to divide the dividend funds for local communities into the following concepts: TEFT funds, TEFT grants and Næringsteft.

Implemented measures in 2021

The sponsorship area

Sparebanken Møre is a major sponsor in the Northwest, and we have agreements with around 120 large and small partners in sports and culture in our catchment area. All new sponsorship agreements that have been entered into have a separate section that deals with sustainability, where we emphasize sustainable financial management, measures for equality and diversity and reduction of climate and environmental emissions in our follow-up. We experience that there are differences in competence and commitment related to the area, especially at a time when the majority have had challenges as a result of covid.

TEFT funds

Teams and organisations in Møre og Romsdal can apply for TEFT funds for non-profit purposes. Every year, the bank receives around 1,200 applications for support for good causes in our region. Through this, the bank is an important support player for the development of sustainable local communities in line with sustainability goals 11. In addition, many of the projects deal with measures related to good health and quality of life, equal opportunities, good education, less inequality and exclusion.

The applications are broad, and applications are being made for support for local environmental measures such as the construction and improvement of hiking trails, the construction of gap huts and other well-being-creating measures related to hiking destinations in the region. The sports teams apply for support for maintenance and new construction of facilities and equipment, as well as for support for the implementation of events. Cultural organisations largely apply for support for the implementation of events and for the purchase of instruments, costumes and the like. The bank has previously supported organisations that engage in various forms of relief work within the county, and the bank has formalized several such major collaborations with, among others, the Church's City Mission, the Red Cross Relief Corps and the Church's SOS. We did this to help those who fall outside, as well as support those who focus on mental health and exclusion.

In 2020, several major sustainability projects were entered into that will continue in the future, and which are therefore also mentioned in the report for 2021.

Examples of sustainability projects in which Sparebanken Møre is involved:

Project support for humanitarian organisations working in the region
The Salvation Army's Warm Room, Kirkens SOS, the National Association for Relatives in Mental Health, Disabled Children's Family Association, Ålesund Municipality's investment in adapted e-sports, Suppebilen, the Hospital clowns, various help groups, Local groups of the Red Cross relief corps and similar organisations.

Reduction of shrinkage of rubber granules from artificial turf pitches
In 2021, new regulations were introduced for artificial turf pitches that will prevent rubber granules from disappearing from the artificial turf pitches and ending up in nature. Sparebanken Møre supports up to 80 per cent of the costs of implementing the necessary measures for artificial turf pitches owned by clubs with which the bank has a co-operation agreement. This project will be continued in 2022. The bank also provides support for environmentally friendly remediation of old artificial turf pitches. The projects are carried out in collaboration with Sunnmøre Football Club and Nordmøre and Romsdal Football Club, which is responsible for quality assurance and follow-up of the measures.

Sustainability measurement of municipalities with the program U4SSC
In 2020, every municipality in Møre og Romsdal was scored on a number of sustainability indicators in line with the EU programme United for Smart and Sustainable Cities (U4SSC). It is the first county in Norway in which every municipality has been surveyed in this way and this helps to form a good picture of the sustainability challenges and opportunities in the region. The final report on the survey of Møre og Romsdal County was published in May 2021. The insight and knowledge gained make it easier to prioritise the right measures to address the challenges that were identified. Sparebanken Møre supported the initiative financially so that all municipalities could participate.

In pursuit of the sustainability method
The 'Jakta på bærekraftsmetoden' [In pursuit of the sustainability method] project is an extension of the collaboration with the UN United Future Lab and KPI measurements of municipalities in Møre og Romsdal. Sparebanken Møre contributed both financially and with professional resources to this pilot project, which was carried out in Møre og Romsdal. The goal was to increase interaction between the public sector, aca-

Næringsteft kick off in Molde autumn 2021

demia and the business community in order to accelerate sustainable development. The project particularly focuses on the circular economy, equalising disparities and waste treatment, and many of the resulting projects have now transitioned to a new realisation phase. The method may also be relevant for business communities nationwide and is being made available through the UN programme United for Smart and Sustainable Cities (U4SSC).

Sparebanken Møre is a partner of United Future Lab Norway
The lab has been established in Ålesund and is the second future lab for developing sustainable cities and local communities in line with U4SSC. The first lab was established in Vienna. United Future Lab Norway has partners in a number of different industries and from different parts of Norway. The goal is for the lab to function as an ecosystem for green transition. Sparebanken Møre sits on the Future Committee with nine other partners and is involved in several projects in collaboration with other partners in the lab.

A boost for women's football in the county
Through dialogue and cooperation with Sunnmøre Fotballkrets, Nordmøre and Romsdal Fotballkrets, Molde FK and AaFK Fortuna, Sparebanken Møre has been an important conversation partner and premise setter for women's football in the county. We donated NOK 8 million to this effort for the period 2019-2021 and measures have been implemented in districts, grassroots clubs and elite clubs. The initiative is intended to equalise disparities and fulfil both SDG 5 regarding gender equality and SDG 10 regarding reduced inequalities.

Collaboration with academia and research

TEFT-lab
TEFT-lab is a research project with the Norwegian University of Science and Technology (NTNU) in Ålesund and a hub for research and development within service innovation, entrepreneurship, finances and technology. In this we are researching the opportunities the technological shift is presenting and taking an active part in education, research, innovation and dissemination in the intersection between economics and technology. TEFT-lab has brought together seven PhD candidates, one of which is a business candidate from Sparebanken Møre. In addition, 15 researchers from NTNU are linked to the research environment in TEFT-lab. In summer 2021, we organised our summer internships in collaboration with the Norwegian University of Science and Technology (NTNU) in Ålesund with four different projects, one of which involved creating a sustainability portal for business. A total of ten students were involved in the various projects.

Support for research projects at NTNU
In the period 2020-2021, Sparebanken Møre supported two research projects at NTNU Ålesund related to climate change in marine environments. The first project uses big data and machine learning to model plastic in the ocean in Møre og Romsdal, while the other project 'Microfish' has three goals. Research into pollutants and microplastics in fish is one, while opening up the university to children and young people and disseminating knowledge to them about active participation

in a real research project is the second. In addition to this, it will research what raw data children and young people can collect for analyses of pollutants and microplastics in fish.

Teaching personal finances and entrepreneurship
As Young Entrepreneurship Møre og Romsdal's main partner, we are helping to improve the personal finances skills of pupils in both primary and secondary schools. Every school year, nearly 3,000 pupils receive training through the 'Economy and Career Choices' and 'Boss of Your Life' programmes. Around 50 authorised financial advisers contribute to the teaching in schools. It was difficult to carry out the programme in 2021 due to Covid-19 and a number of sessions were cancelled or postponed, while others were conducted digitally. Sparebanken Møre also participates as a supervisor and jury in the entrepreneurship programmes of Young Entrepreneurship.

Greater interest in science
Through supporting the establishment of the Newton Room and several creator workshops, as well as the First Lego League – the world's largest technology tournament for children, we also want to contribute to the joy of learning and scientific expertise. We also regularly visit schools to give talks on both economics and macroeconomics.

Næringsteft
Næringsteft is a skills journey and competition for entrepreneurs aimed at contributing to a greater diversity of entrepreneurs and growth companies in the region. Some 65 teams of entrepreneurs took part in 2021. Otherwise, see the supplementary information about Næringsteft in the section on 'Contribution to business development'.

TEFT grants
Talented young people are good role models and through TEFT grants we give young people an opportunity to pursue their talent within the categories of sports, culture and an open class. In 2021, the grants were for NOK 50,000 and 16 young people were awarded a total of NOK 800,000. In our experience, the scholarships are very important for the recipients' development, and we maintain a close dialogue with, among others, the football, athletics and skiing milieus in the county as part of the work of the jury. The recipients themselves express delight in being seen and say that this motivates them to do work beyond the scholarship. Since its inception in 2007, more than 381 talented locals have received TEFT grants. Previous recipients include Sigrid Raabe, Karsten Warholm and Sebastian Foss Solevåg, to mention just a few.

Planned measures

Sparebanken Møre plans to continue a number of the measures mentioned above, and also constantly reviews new measures directly related to priority sustainability goals. We also give weight to projects in which multiple stakeholders are working together to achieve the goals.

One specific project for 2022 is to help improve the competence of teams/organisations within the area of sustainability. This will be done in cooperation with milieus and associations.

We will also take a closer look at projects and measures linked to social conditions in our region and collaborate with professional stakeholders for long-term and lasting results.

Responsible unit(s)

The Communications and Group Support Unit in the Communications and CSR Department is responsible for strategy, follow-up and reporting.

Measurement and evaluation

Sustainability is a topic in meetings with the bank's sponsorship recipients and at least one meeting is held each year.

Reports on dividend funds for local communities are submitted to the executive management group and the Board twice a year. As far as dividend funds for local communities are concerned, we have allocated all grants in line with the new categories from the Norwegian Savings Banks Association.

All of the projects awarded funds are subject to evaluation, both underway and prior to any extension of support. A close dialogue is maintained with the larger projects and Sparebanken Møre also participates itself in several of the projects.

Key governing documents

- Møre 2025 (Group Strategy)
- Guidelines for the use of dividend funds for local communities
- Code of Conduct and CSR Policy
- Procedures for sponsorship work

GRI indicators:

103-1,103-2,103-3,413-1, SBM-L1

Open and ethical conduct

Sparebanken Møre's activities depend on the trust of customers, public authorities and the rest of society. The bank therefore works systematically and diligently to secure this through high ethical standards and openness about its intentions, viewpoints, activities and future prospects.

Sparebanken Møre must demonstrate professionalism and capability throughout its operations. This applies to both the Group's business operations and the conduct of each individual. All employees and employee representatives must act with due diligence, integrity and objectivity, and must refrain from actions that could diminish trust in the Group. Managers and employee representatives have a particular responsibility and must act as good role models for others.

Measures implemented in 2021

Sparebanken Møre has committed itself to complying with the 'Good practices in advice and other customer service', an industry standard administered by FinAut. All employees in contact with customers have taken this and it is compulsory for new employees. It is also used for training and control purposes. The bank's strategy and 'Code of Conduct and CSR Policy' provide guidelines for how the bank's employees should conduct themselves and handle situations involving ethical judgements, human rights, labour rights, equality, social factors, the external environment, and combating money laundering and corruption. The guidelines were updated in the first quarter of 2021 and are reviewed by all employees as part of their compulsory e-learning courses.

The purpose of the guidelines for identifying and managing conflicts of interest is to describe the organisational and administrative procedures for identifying, preventing and managing conflicts of interest when financial services are offered, or other activities performed in Sparebanken Møre. The guidelines have been reviewed by all employees as part of their compulsory e-learning courses.

As a listed group, it is important for Sparebanken Møre to ensure that market participants receive correct, clear, relevant and concurrent information. The sustainability library on the bank's website, sbm.no, was expanded and updated, in both Norwegian and English, in 2021. In May, the bank received an ESG rating of 20.6 from the analytics company Sustainalytics. This is in the lower tier of the 'medium risk' category. The rating provides the bank's external capital investors with better information on which to base their investment decisions.

Sparebanken Møre was also assessed by The Governance Group in their analysis of the sustainability reporting of the 100 largest companies on the Oslo Børs. Sparebanken Møre achieved a grade of 'B' for its report in 2020, a significant improvement on its 'D' grade in 2019.

Sparebanken Møre is also a signatory to the UNEP FI Principles for Responsible Banking (PRB), which contribute to openness through regular status reporting on ESG factors. The bank published its first PRB self-assessment in April 2021. The bank met with a representative of UNEP FI in the autumn who provided good feedback and useful input for its future work.

Planned measures

In 2022, the bank will work on enhancing the bank's reporting on sustainability and corporate social responsibility further. Through the dialogue with parties such as Sustainalytics, UNEP FI, The Governance Group, Energiråd, BDO and KPMG, we have gained good input on our work that provides a basis for how the bank can further improve its reporting.

Work on updating sustainability and ESG factors in relevant working documents, policies and policy documents will continue in 2022 as part of this work.

We are also working on finalising our first impact analysis and this project will be completed by the end of March 2022. The bank will conduct a new materiality analysis in the first half of 2022 and start work on adapting to reporting in line with a new GRI standard. The bank will also report in line with Eco-Lighthouse requirements in the next annual report.

Measurement and evaluation

Every employee of Sparebanken Møre takes regular refresher courses on the bank's various policies.

Ethics is also part of the mandatory annual updating for every financial adviser in the Retail Banking Division, Corporate Banking Division and customer service who has to complete the authorisation scheme.

Responsible unit(s)

The requirement for open and ethical conduct applies to all employees of Sparebanken Møre. The Organisational Development Unit is responsible for the document 'Code of Conduct and CSR Policy in Sparebanken Møre'.

Key governing documents

- Corporate Strategy Møre 2025
- Code of Conduct and CSR Policy
- Guidelines for identifying and managing conflicts of interest
- Guidelines for reporting financial and other investor information
- Whistleblowing procedures
- Overarching sustainability strategy

GRI indicators:

103-1, 103-2, 103-3, 417-2, 417-3, 418-1

Responsible lending

Providing loans for retail and corporate customers is the bank's core activity. Our long-term profitability depends on our customers making responsible choices. As a lender, we have the influence to contribute to sustainable initiatives and solutions. ESG assessments will also be important from a risk management perspective in this work.

The bank's credit risk strategy stresses that customers' creditworthiness should be viewed from a long-term perspective. Sparebanken Møre must conduct itself in accordance with high ethical standards and shall not be associated with activities, customers or industries of dubious repute. Sparebanken Møre is open to all types of customers within defined market areas and will not discriminate against customers based on age, gender, nationality, religion or marital status.

A number of companies the bank has made loans to have operations that will have an impact on the environment. The bank's provision of credit gives it an indirect opportunity to impact the external environment. In line with the bank's credit policy, financing will not be provided to customers:

- with activities in tobacco, pornography and controversial weapons
- with significant activities aimed at extracting energy from fossil fuel: coal, oil, natural gas, shale oil and tar sands
- with a significant proportion of their activities and income linked to cryptocurrencies
- that we have reason to believe do not comply with the bank's Code of Conduct or corporate social responsibility policy or that in some other manner operate activities that conflict with general perceptions of good ethical conduct
- that have acted dishonestly in their dealings with the bank or that are known to have acted dishonestly in their dealings with other stakeholders or where it is known that the company or owners have been involved in criminal activities
- that operate in violation of public acts, regulations and mandatory environmental requirements

Measures implemented in 2021

Corporate Banking Division

Banken tilbyr også flere produkter og tjenester med Sparebanken Møre's loan portfolio is made up of approximately 70 per cent retail customers and 30 per cent corporate customers. The corporate portfolio is broadly composed within the trade/service industry, industry, marine, real estate and offshore/supply industry sectors. Although the corporate portfolio only accounts for 30 per cent of the bank's total loan portfolio, it is in relation to corporate customers that the bank can have the greatest influence with respect to sustainability/ESG.

Guidelines and requirements have been drawn up for ESG assessments in connection with granting credit to the businesses. The following concrete measures have been carried out in the credit process:

- A special analysis tool has been developed that is designed to help analyse the bank's customers in relation to ESG. The analysis tool consists of a series of questions within the three ESG dimensions where, based on the analysis, customers are scored as low, moderate or high risk with respect to ESG. The assessment must be carried out in a close dialogue with the customers. While all of the dimensions are included, the bulk of the assessment is nevertheless to do with the climate and environment. Analyses and assessments must be documented and included in the basis for making decisions when granting credit or conducting annual reviews of credit commitments. This means that the customers are scored at least annually. The scoring is followed up and reported on at a portfolio level in the bank's portfolio management system. Action plans containing specific measures that mitigate the risk associated with the customer over the long term must be established for customers with a high ESG risk.

- In addition to the above, a written analysis of the associated climate risk (including physical and transitional risk) must be produced for credit cases. This must discuss how the customer/sector is impacted by physical and transitional risk and how this is in turn impacts the bank's credit risk. It must also discuss how the customer impacts the environment in relation to the customer's operations and business model. For example, contamination of the ground, water and air, as well as the use of non-biodegradable materials/ packaging.

The owners/board of directors must also be assessed from a sustainability perspective, for example AML, compliance, transparency, equality, diversity, circular economics and code of conduct.

In connection with the new guidelines and ESG assessments in credit processes, extensive training measures have been implemented for the corporate segment in the bank.

TCFD climate risk reporting has also been conducted. Please refer to the separate reporting on this. Furthermore, the bank's industry strategies have been further refined with respect to sustainability and especially climate risk.

Retail Banking Division

The bank launched green mortgages, green car loans and green funds in 2021. Furthermore, general internal expertise within the area of sustainability was significantly boosted in 2021. Among other things, sustainable finance is a specific topic in the authorisation scheme. All advisers in the Retail Banking Division are authorised or in the process of gaining authorisation. This means all of them have to complete a sustainability module in their knowledge tests and further knowledge updates. All employees have also been provided with more training modules on sustainability related topics. Several of these have been compulsory modules.

Green loans can be granted for the following purposes:

- Homes with energy ratings 'A' and 'B'
- Purchase of zero-emission vehicles (not hybrid)

At the end of the 2021, this portfolio's total volume was around NOK 280 million, which represents 0.6 per cent of the retail market portfolio. This is only to be expected given that the offer is new. We expect the proportion of green loans to grow in the next few years.

The Retail Banking Division is focused on improving its expertise in sustainability for the benefit of customers, society and the bank through the provision of good customer advice and engagement in sustainability. The bank will work to ensure that sustainability forms a natural part of the dialogue with the customer. We have to provide customers with good advice that helps them make good, sustainable choices, whether it concerns upgrading homes or investing their funds.

The Retail Banking Division should encourage local trade, use dividend funds for local communities in a smart and sustainable manner, as well as provide training and make customers, school pupils and the rest of society more responsible. Ensuring that customers have a good overview and control of their spending is also an important task for the bank.

The bank also offers customers several products and services with a social profile.

- Student loan (consumer loan for study purposes at a lower price)
- First home mortgage
- Møre young mortgage (cheaper mortgages for customers aged 18-33)

At year end 2021, the total figures for this portfolio were just under NOK 11 billion, or around 23 per cent of the Retail Banking Division's total lending.

Customers in the Retail Banking Division also have a personal adviser who follows them up every year with general advice. Our advisers in the Retail Banking Division are authorised for the entire range of services (i.e. within investments and savings, non-life insurance, personal insurance and credit). For the customer, this means that an adviser can help them based on a comprehensive perspective.

In 2021, we issued our first green covered bond for EUR 250 million in line with the green bond framework. The green framework encompasses both Sparebanken Møre and its wholly owned subsidiary Møre Boligkreditt AS. Funds in the green framework are used to finance and/or refinance loans linked to energy efficient homes and commercial buildings, renewable energy, as well as loans to environmentally efficient and circular economy adapted products and services, and processes in the aquaculture industry. Swedbank helped to draw up the framework, Multiconsult submitted its technical report, and the framework has been independently assessed by Sustainalytics.

The Covid-19 situation and shutdown of Norway in March 2020 left many companies and retail customers in an uncertain situation. There were periods in 2021 that were challenging for some industries, while other sectors have fared well during the pandemic. There was no need for immediate measures in 2021 like there was in 2020, rather we have assisted individual customers as needed.

The bank's sustainability committee continued its targeted work in 2021. The credit environment was represented by a credit manager, the heads of Corporate Market Division staff and Retail Banking Division staff.

Planned measures

We will continue to focus on training and improving the skills of all employees who work with credit in the bank.

Corporate Banking Division

- ESG score results must be analysed further and more, and more specific, measures must be established for customers (toolbox).
- More specific limits and targets must also be set for the ESG risk in the bank's credit risk based on, among other things, ESG scores.
- The bank's corporate market portfolio requires further analysis in relation to climate risk. We need to better understand and preferably quantify the climate risk in the portfolio. We are working on various measures in an attempt to quantify this risk.
- Develop sustainability coordinators within the various sector groups.
- We will participate in projects/user groups headed by Finance Norway tasked with producing recommendations for calculating greenhouse gas emissions in lending and investment portfolios.
- Green corporate products and services will be established.

Retail Banking Division

- We will further enhance the advisers' expertise such that they can provide good customer advice and sustainable engagement. Sustainability should continue to form a natural part of the dialogue with customers, and this should be reinforced.
- Develop guidelines for sustainability in the credit process (qualitative assessment).
- Set specific targets for the development of the product portfolio.
- The Retail Banking Division should continue to encourage local trade, use dividend funds for local communities and, in a smart and sustainable manner, provide training and make customers, school pupils and the rest of society more responsible. Ensuring that customers have a good overview and vital control of their spending will remain an important task for the bank.

Measurement and evaluation

Around 80 per cent of Sparebanken Møre's retail and corporate customers have been assigned an account manager who follows them up via a chat at least once a year. Other customers receive help and advice as needed through the bank's branch network and customer service. In addition, those commitments exposed to more risk are followed up extra closely.

We also monitored commitments closely in 2021 due to Covid-19 in order to provide assistance in the ongoing unresolved situation. This has resulted in a deeper understanding of the situations of both our retail and corporate customers. This monitoring will continue in 2022.

Based on ESG scores and the work done in connection with credit processes in the corporate market, in 2022 we will examine the results in more depth and also look further at what action should be taken in both the short and long term.

The most important governing documents for responsible lending are the credit strategy and credit manual. The credit risk strategy is revised annually. The target frameworks in the strategy and status of credit risk must will be monitored, including through the bank's monthly risk reports. The credit manual is subject to constant updating/revision.

Responsible unit(s)

Risk Management and Compliance Unit in the Credit Department.

Key governing documents

- Strategy document Møre 2025
- Credit Risk Strategy
- The credit manual
- Risk reports

GRI indicators:

103-1, 103-2, 103-3, FS7, FS8

Gender equality and diversity

This section on gender equality and diversity and the subsequent section on expertise and transition together represent the bank's reporting in relation to its activity and disclosure duty.

Gender equality means equal worth, equal opportunities and equal rights. Diversity in the workplace entails us reflecting the society of which we are a part. Sparebanken Møre wants to promote equal opportunities and diversity. From an internal perspective, gender equality and diversity must be integral and natural elements of our personnel policy. Everyone should have equal opportunities and rights, and this must be reflected in our procedures for the working environment, recruitment, pay and working conditions, facilitation, development and promotions. A diverse working environment helps to improve decision-making processes, increases innovation and improves the customer experience. From an external perspective, we will exercise influence by stipulating requirements for suppliers, customers and partners in line with established policies in the area.

The bank practises zero tolerance for all forms of discrimination, including verbal, physical and sexual harassment, discrimination on the basis of gender, pregnancy, parental leave or adoption, care obligations, ethnicity, age, language, religion, life stance, gender identity, gender expression, sexual orientation or physical disability.

We are working to reduce the differences in the proportion of male and female managers and to close the gender wage gap in line with SDG 5 Gender Equality. We are also working to promote physical and psychological health among employees through a series of measures and good initiatives in line with SDG 3 Good Health and Well-being. Furthermore, we are trying to include more groups and prevent exclusion via more diverse recruitment and take an active stand to combat discrimination on the basis of gender, age, disability, sexual identity, religion and/or ethnicity, which promotes SDG 8 Decent Work and Economic Growth and SDG 10 Reduced Inequalities.

Of the total 373 employees in the bank at the end of 2021, 215 were women (57.6 per cent) and 158 were men (42.4 per cent). The following tables provide key information about Sparebanken Møre's employees (excl. Møremegling).

The table below shows the gender ratio per position level, stated as a percentage (GRI 405-1):

Gender ratios per position level	Women	Men
Level 1	0.0 %	100.0 %
Level 2	33.3 %	66.7 %
Level 3	44.8 %	55.2 %
Level 4	48.9 %	51.1 %
Level 5	70.0 %	30.0 %
Level 6	50.0 %	50.0 %
Totalt	57.6 %	42.4 %
Percentage on the Bank's board of directors	50.0 %	50.0 %

In 2021, the age composition per position level and stated in percentage was as follows (GRI 405-1).

	Under 30	30-49	50 and over
Level 1	0.0 %	0.0 %	0.3 %
Level 2	0.0 %	0.8 %	1.7 %
Level 3	0.0 %	4.5 %	11.5 %
Level 4	0.3 %	11.5 %	14.5 %
Level 5	2.5 %	21.3 %	20.7 %
Level 6	3.1 %	5.6 %	1.7 %
Totalt	5.9 %	43.7 %	50.4 %

The table below shows women's pay as a percentage of men's pay in a 100 per cent position at different position levels (GRI 405-2). For part-time employees, wages have been estimated in relation to FTEs.

	Proportion of women	Women's pay as a % of men's (average for 100 % position)
Nivå 1 AD	0.0 %	NA
Nivå 2 ADLG	33.3 %	89.2%
Nivå 3	44.8 %	97.5%
Nivå 4	48.9 %	91.2%
Nivå 5	70.0 %	91.8%
Nivå 6	50.0 %	88.4%
Total	57.6 %	84.3%*

**By comparison, women's pay as a percentage of men's pay was 82.4 per cent in 2020 (average for a 100 per cent position).*

Average salary	Share	Average salary (NOK 100% position)
Men	42.1%	707 082
Women	57.9%	596 816
Total	100.00 %	644 266

Sparebanken Møre must help ensure employees can take statutory leave and wants to promote a more balanced ratio of work and family life among parents. The table below shows the use of parental leave in total number of person-days and as a percentage of own gender (GRI 401-3).

Taken as parent leave	Total no. of person days	As of own gender
Men	450	1.07 %
Women	3 333	6.05 %
Total	3 783	3.89 %

Sparebanken Møre wants to contribute to low work-related sick leave through systematic HSE work, good management and a good working environment. We have seen a low doctor-certified sick leave rate over time, which was 2.62 per cent in 2021. The table below shows doctor-certified sick leave as the total number of person-days and as a percentage of own gender.

Sick leave	Total no. of person days	As of own gender
Men	726	1.72 %
Women	1824	3.31 %
Total	2550	2.62 %

The bank recruited 32 new employees in the bank in 2021 (GRI 401-1 a).

New employees	Under 30	30-49	50 and over
Retail Banking Division	2	13	1
Corporate Banking Divisione	0	1	1
Section	4	9	1
Total	6	23	3

28 employees left the bank in the bank in 2021 (GRI 401-1 b).

Left	Under 30	30-49	50 and over
Retail Banking Division	2	5	5
Corporate Banking Divisione	0	2	0
Section	2	4	8
Total	4	11	13

Sparebanken Møre wants to enable employees to work reduced hours if they need to for health, social or welfare reasons. In 2021, 30 out of a total pf 373 employees worked in a reduced position. The bank also had eight temporary employees. The table below shows recruitment by contract type for the bank and for Møremegling (GRI-102-8).

Employment contract/type	Parent bank	Møremegling
Permanent full-time employee	343	16
Permanent part-time employee	30	1
Total permanent employees (incl. on leave and sick leave)	373	17
Temporary employees	8	2

Measures implemented in 2021

Separate 'Guidelines for equality, diversity and anti-discrimination' were approved in 2021. The purpose of these guidelines is to ensure that Sparebanken Møre operates in accordance with the applicable rules and legislation relating to equality, diversity and anti-discrimination at all times.

They are also designed to provide guidance on how the bank should be a driving force for equality, diversity and anti-discrimination in relation to customers, suppliers and partners. For example, our customers, suppliers and partners are required to comply with relevant legislation and agreements. This includes recognised standards for corporate social responsibility and binding national and international agreements and conventions, including the UN Universal Declaration of Human Rights, ILO Conventions and the UN Sustainable Development Goals.

In connection with the stricter requirements for the activity and disclosure duty, a review was conducted in the final quarter of 2020 of all personnel policy documents and procedures in order to identify harassment and discrimination risks. The risk analysis resulted in an action plan reviewed by employee representatives. An overview of our general personnel policy procedures and some of the main measures implemented in 2021 is provided below.

Working environment

Sparebanken Møre aims to lay the groundwork for a workplace created by interested and engaged employees. We are committed to achieving a good working environment through HR policy measures, employee involvement and development, as well as considered feedback. Good feedback on this and a high level of employee satisfaction will in turn be reflected in a perception of us as an attractive employer.

We measure employee satisfaction every year and analyse the working environment, engagement, management and communication, as well as the risk culture in Sparebanken Møre. The results provide us with an understanding of what we are good at as an organisation and where we could improve. For 2021, we scored 7.9 on a scale from 1-10 in the employee satisfaction survey, which indicates an extremely good working environment. Nevertheless, this is a slight decrease compared with the result of 8.3 from 2020, which can partly be attributed to the Covid-19 situation with many people working from home, fewer in-person points of contact and challenges when it comes to building a corporate culture. Nevertheless, the survey, including all of the employees' comments, was carefully analysed and systemised, and has resulted in a concrete action plan that is anchored in the executive management group and the Board. As before, the working environment survey shows that the bank's employees were highly likely to recommend Sparebanken Møre as a place to work.

Sparebanken Møre has a tradition of involving employees in implementing the bank's strategy through the preparation of separate departmental plans with associated employee or management agreements. In 2021, all employees were also involved in the actual formulation of the bank's strategy.

Recruitment

Sparebanken Møre has designed and employs a recruitment process based on a DNV certified model. The process is intended to ensure fair and objective assessments of candidates and take account of the requirements of the Working Environment Act and Anti-discrimination Act. A target has been set of having at least 40 per cent of each gender at every level of the organisation. While the HR Department takes the lead in all recruitment processes, the standard information for the recruitment process was improved in 2021 in order to ensure that all employees involved in recruitment are informed about topics such as what sort of questions cannot be asked and the bank's recruitment strategy.

Highlighting the fact that the bank wishes to be a diverse organisation, including through the use of an inviting and inclusive tone, has been a priority in all job adverts. We emphasise that we are looking for employees with different backgrounds, experience, qualities and perspectives, and that we believe this results in better solutions for our customers. There were a number of recruitment processes in 2021 and the new employees' backgrounds are viewed as more varied than before.

Both male and female contact people are listed on the bank's career pages as standard, and we have made deliberate use of the media in an attempt to reach out to more groups of applicants. The bank has been represented at various career days, including for study programmes where English is the language of instruction.

Pay and working conditions

The levels of remuneration at Sparebanken Møre should contribute to the Group achieving its targets and should encourage appropriate conduct.

Furthermore, the levels of remuneration should act as a means of good management and control in relation to the Group's risk, should discourage unwanted risk-taking and should contribute to the avoidance of conflicts of interest. The bank's annual pay review process is intended to minimise the pay gap between women and men.

The pay of Sparebanken Møre's employees is determined by individual agreements, collective bargaining (collective agreements) or administrative decisions. Sparebanken Møre has established key principles for the Group's remuneration strategy.

The following components can be included in Sparebanken Møre's remuneration (GRI 401-2):

- Fixed salary
- Variable one-off remuneration based on delivery and performance
- Bonus
- Pension scheme
- Personal insurance, incl. health insurance
- Employee loans
- Common benefits

In the last few years, dedicated funds have been set aside for equalising larger pay differences in pay negotiations, and the funds were doubled from 2020 to 2021. An improved loan structure and better interest terms and conditions for employee loans were approved for the bank's employees in 2021.

Promotion and development opportunities

Sparebanken Møre wants to facilitate career development, with both a management and technical orientation, and will focus on both career paths. The bank's remuneration committee conducts annual reviews of substitutes and potential successors for executive persons. The principle is that lists of successors and substitutes for executive persons must include at least 40 per cent of each gender.

A minimum of four follow-up calls are made each year, one of which is an employee performance and development interview. The working environment survey showed that 91 per cent of those surveyed had employee performance and development interviews in 2021 (GRI 404-3). The information provided to employees in connection with follow-up conversations stresses that factors like family planning, sick leave, reporting harassment, ethnicity, religion, life stance and political views must not result in discrimination in connection with promotions or development opportunities.

A career portal was established in 2021 in which employees can submit career wishes to the HR Department in confidence. The purpose is to ensure that all employees are given equal career development opportunities and that career plans and talent development will be followed up more systematically and uniformly in the Group.

Facilitation and balancing work and family life

Sparebanken Møre is working to be an inclusive workplace for employees in all age groups and phases of life. The bank promotes a healthy workplace and encourages physical activity through an active corporate sports club, SMIL, as well as by support employees' own exercising. Workstations and duties must be adapted when health or other causes dictate it.

Sparebanken Møre must facilitate good occupational health services. The occupational health services provider reports on any areas requiring improvement with respect to the working situation/ergonomics once a year, at an organisational level. As a supplement to the corporate health service, Sparebanken Møre has also signed an agreement on psychologist assistance with an external party.

Sparebanken Møre wants to facilitate a good balance between work and family life. We have a flexi-time scheme and practice what we call 'flexibility both ways'. Overall, Sparebanken Møre aims for its operations to be based on limited overtime work. We have good social schemes such as a corporate sports club, good personal insurance policies and company cottages/apartments that employees with family can use.

A procedure for working from home was drawn up in 2021. The purpose of the procedure is to ensure greater flexibility in people's everyday lives and at the same time safeguard the secure and efficient operations of the bank.

Whistleblowing

Sparebanken Møre aims to facilitate an open culture of free speech. A good climate for free speech is important for the working environment, the well-being of individuals and in achieving the best possible operations. It is important that illegal situations, wrongdoing and other adverse situations are uncovered and followed up as early as possible. Sparebanken Møre focuses on making employees feel confident that addressing adverse situations is a natural element of an individual's responsibilities in the workplace.

Sparebanken Møre has good whistleblowing routines that are designed to facilitate secure and proper whistleblowing. Employees have a statutory right pursuant to the Working Environment Act to report unacceptable conditions in the workplace, and in some cases employees also have a statutory duty to report, including in case of suspected bullying, harassment or discrimination. The whistleblowing procedures are made available to all employees via the intranet. All employees also receive regular training in our whistleblowing procedures via e-learning courses. No notifications or reports of cases of discrimination were received in 2021 (GRI 406-1).

Planned measures for 2022

The overall impression from reviewing the personnel policy documents and procedures from 2020-2021 is that Sparebanken Møre has good guidelines, principles and standards that address diversity, gender equality and non-discrimination considerations. Nevertheless, the work must be continuous and will be continued in 2022 with a special focus on equalising pay and gender balances per organisational level, and measures for increasing diversity via recruitment.

A review of the 'Guidelines for equality, diversity and anti-discrimination' is planned for 2022 in order to ensure that they satisfy the requirements of the amendments to section 3-3b of the Accounting Act. Additionally, the 'Guidelines for equality, diversity and anti-discrimination', 'Code of Conduct and CSR Policy' and 'ESG Supplier Declaration' will be reviewed to ensure that they satisfy the requirements of the Transparency Act and the Act on the Disclosure of Sustainability Information in the Financial Services Sector and a Framework for Sustainable Investment.

An overview of some of the internal measures planned for 2022 is provided below.

Working environment

We want to nurture our strong collegiate community, and the target for employee satisfaction has been increased from 7.5 to 8.0 for 2022. We want to ensure that each individual member of staff is included, respected and given an opportunity to make an impact, and also want to include all employees in the bank's strategy work in 2022.

Recruitment

A proactive strategy for diverse recruitment is planned for 2022. We want to ensure that the enterprise reaches a broad range of candidates, and that the breadth of our technical and specialist positions is well known in our catchment area.

Increased participation in relevant arenas and events is planned and we want to be active on social media and share both job opportunities and stories that underscore our good, inclusive working environment. Providing managers and key personnel with awareness training on the potential inherent in greater diversity is being considered. The bank's recruitment strategy will become well known thanks to the use of external recruitment services. The principle of ensuring at least 40 per cent of each gender at every level will be continued.

Pay and working conditions
In addition to rewarding good performance, there will be a greater focus on equalising pay disparities in 2022. Consideration is being given to switching to a stepless pay system that enables more flexible distribution of the overall available pot in pay negotiations.

Promotion and development opportunities
A goal has been set for 2022 that all employees must be familiar with the different career paths in the Group, and everyone must have their own professional development plan, which can include both internal and external measures. Career paths in the Group must be illustrated and communicated, and steps must be taken to ensure that everyone has a plan for their professional development based on their role and any career preferences. The principle of ensuring that lists of successors and substitutes for executive persons include at least 40 per cent of each gender will be continued.

Facilitation and balancing work and family life
The procedure for working from home will be evaluated in 2022. All staff will be sent a questionnaire that will enable us to catch any need for changes and adjustments.

Involuntary part-time work
In line with the activity and disclosure duty, involuntary part-time work must be surveyed every second year. Involuntary part-time work was surveyed in 2020 and a new survey will therefore be conducted in the course of 2022.

Measurement and evaluation

Gender distribution and pay situation per position level, use of parental leave, sick leave, number of full-time and part-time employees, number of reports and the results of the working environment survey will be followed up every year. Equalising gender disparities per level is an important strategic objective for the bank and there will, therefore, be a greater focus on this in the annual evaluation of measures. Reporting procedures are regularly revised to ensure that they are accessible and functioning as intended.

Responsible unit(s)

Equality and diversity initiatives are initiated and followed up by the HR Department, which is part of the Organisational Development Unit. Significant changes to rights that affect the bank's employees must be approved by the executive management group and employee representatives, and possibly be considered by the remuneration committee and approved by the bank's Board.

The remuneration committee is elected by and from among the Board's members and is intended to contribute to thorough and independent consideration of matters relating to the remuneration of executive personnel, etc. in the bank. A recruitment committee has also been established in line with the main agreement between Finance Norway and the Finance Sector Union of Norway. The committee deals with pay and working conditions upon recruitment and assesses employees' pay conditions on an annual basis.

Both of the above committees must take account of gender equality, diversity and non-discrimination in relation to pay and working conditions.

Governing documents

The governing legislation is the Working Environment Act and the Equality and Anti-Discrimination Act. The employees' conditions are also governed by the main agreement between Finance Norway and the Finance Sector Union of Norway. Other important governing documents are the 'Corporate agreement between the management and employee representatives in Sparebanken Møre', the 'Employee Handbook', the 'Remuneration Policy', the 'Instructions for the Recruitment Committee', the 'Code of Conduct and CSR Policy', the 'Guidelines for equality, diversity and anti-discrimination' and the bank's 'Sustainability Strategy'.

GRI indicators:

103-1, 103-2, 13-3, 405-1, 405-2, 406-1, 401-1, 401-2, 401-3

Expertise and transition

Expertise and transition should contribute to good corporate governance, high quality advice, and the bank meeting changes in customer behaviour, regulatory changes, and changes in the competition situation in a good, effective manner.

We are working to ensure good, inclusive and fair training regardless of gender or other factors and to promote opportunities for lifelong learning through, for example, annual professional development plans and opportunities for subsidised further education in line with SDG 4 Quality Education and SDG 5 Gender Equality.

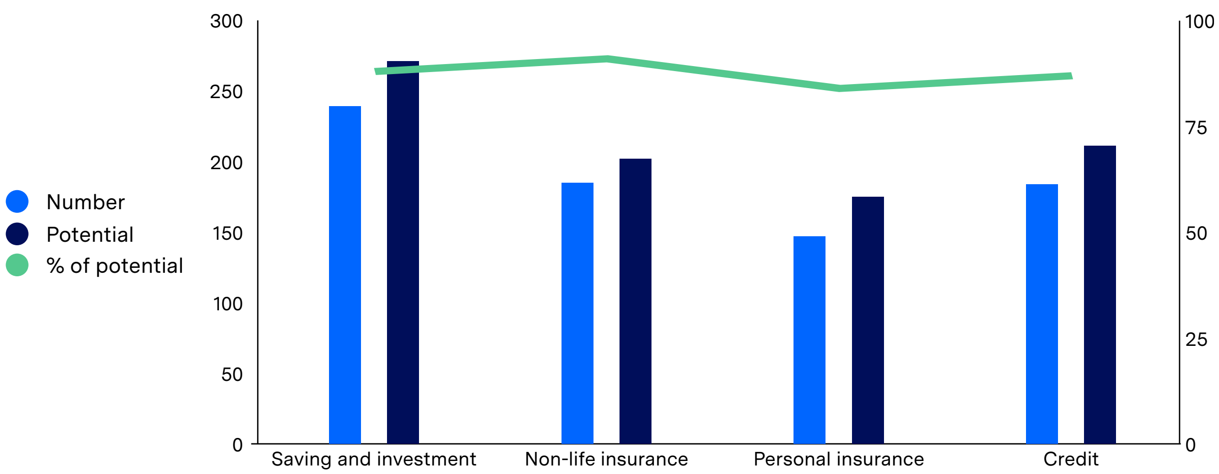
Measures implemented in 2021

Employees who advise customers are authorised within various technical areas defined by FinAut. The bank has 239 employees authorised within savings and investments, 185 authorised within non-life insurance, 184 authorised within credit and 147 authorised within personal insurance. Each authorisation is maintained through annual updating tests, and this amounted to around 900 competence updates in 2021.

Some 21 new employees started the authorisation process in 2021. The training programmes are tailored to each individual and a mentoring scheme with experienced advisers ensures new advisers get off to a good start in their role. Our onboarding programme is being enhanced with digital pre-boarding.

New competence requirements have been established for all of the bank's employees: basic skills within digitalisation, personal qualities and frameworks, as well as skills for own role and management skills. A related skills survey was conducted, and skills measures implemented, in 2021, and training is planned for 2022 based on the skills gaps identified in the survey.

Measures designed to improve the basic skills of all employees were carried out in 2021. These included courses in LinkedIn, OneNote and GTD (productivity), JTI preference tests for 41 new employees and 12 team reviews. Sustainability and AML skills were boosted. All employees took an e-learning course in sustainability plus professional seminars and workshops. A skills app was launched for the AML regulations. The app has been adapted for all target groups and is mandatory for all employees and board members. An internal workshop was held with case reviews within internal guidelines and work processes. The AML training is based on the Norwegian Money Laundering Act and a number of other frameworks and regulations, including relevant EU directives, guidance from the Financial Supervisory Authority of Norway, FATF recommendations and reports, National Risk Assessments (NRAs), risk assessments by the Financial Supervisory Authority of Norway, risk assessments by the police, indicator lists from NTAES and the Sanctions Act.



Short e-learning courses must be completed every month on information security, and employees must complete annual refresher courses on guidelines for privacy, HSE, conflicts of interest and ethics and corporate social responsibility. Two team meetings are arranged every month for all employees on professional topics related to credit, insurance, customer systems, etc. Sustainability was, not least, a recurring topic throughout 2021.

Every year, the bank has three talented young people and their management mentors in the external 'Talent Sunnmøre' network, and also participates in the 'U37 Sunnmøre' network for young managers and talented people . An internal network and forum have been established for the bank's younger employees, called 'Unge lovende' ('Young and Promising'). Four meetings will be held a year.

Skills enhancement in specialist and technical roles are systematically directed to learning arenas such as conferences, workshops and studies/further education. In the period 2014-2021, 28 employees have participated in higher education courses with support from the bank, including a PhD candidate in industrial economics and technology management, as well as a study contract for the programme 'Sustainability as a competitive advantage'. The gender distribution among those who have taken further education is 64 per cent women and 36 per cent men.

The bank has its own development programme for managers and employees involving a practical approach to their workday and what they need and want to develop in relation to. The management development programme includes topics within management and communication. Three management values have been implemented in the organisation. To achieve our objectives, we depend on managers who inspire employees to achieve their goals, develop effective teams, as well as the employees' skills and confidence, and who perform through their employees with the help of follow-up and clear feedback.

Employee development interviews were conducted for 40 new employees, along with digital follow-up seminars. A management conference was arranged for the bank's almost 70 managers at all levels where the topics were coaching co-workers, social and emotional intelligence, digital management competence, model use and the manager's toolbox. Managers have received monthly newsletters as support for their managerial duties within material topics like feedback, self-management, mastering management, LinkedIn and onboarding new employees. A digital management development programme has been established based on the skills gaps within management. This will provide managers with ongoing management training over the course of a year.

Planned measures

The skills plan for 2022 is based on the new skills requirements based on important future competencies. Onboarding new employees, management development and team development together with digital basic skills and personal qualities will be important. The same applies to specialist skills. Anti-money laundering and sustainability will remain in focus going forward. Sustainability workshops will be held for the bank's units in order to further enhance this work in more parts of the organisation. There will still be a need to improve skills within pension advice. Legislation and regulations are procedural prerequisites that must be taken into account and a new Financial Contracts Act will require training on a broad scale.

Authorisation in your own role is a requirement for new recruits, and new employees in the Retail Banking Division have to complete a programme of courses in up to four authorisation schemes. Two new authorisations have been developed within business insurance. The relevant candidates have been enrolled and have started the authorisation process. Those who are already authorised have to undergo annual skills refreshers. Authorisations will be an ongoing, priority task in 2022 as well.

Measurement and evaluation

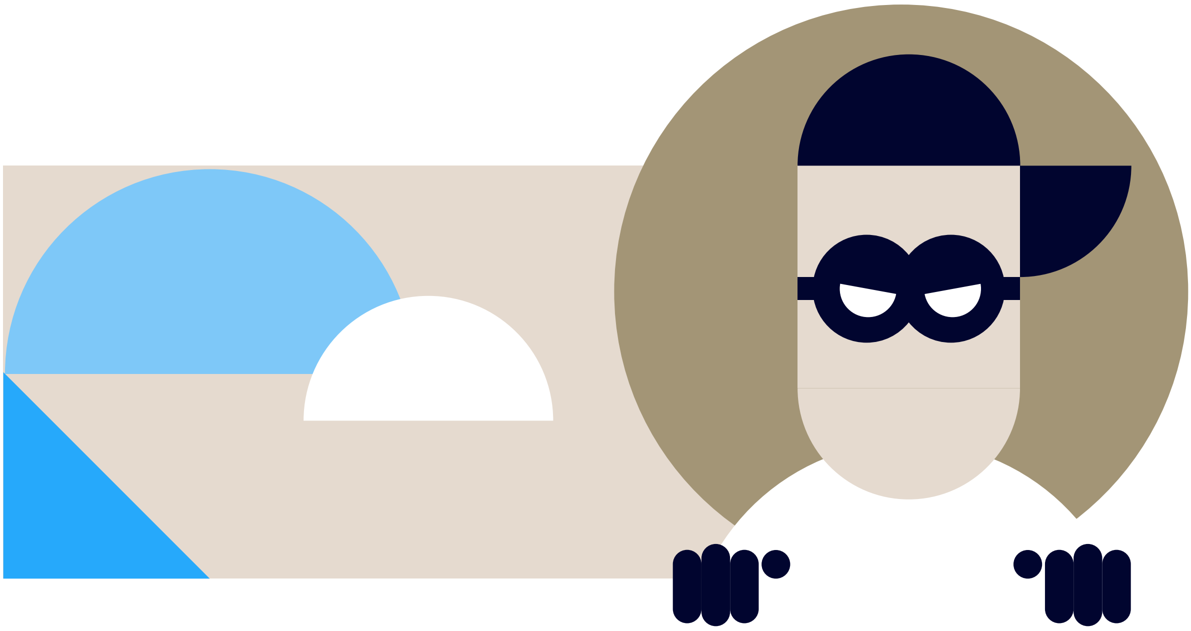
The skills work is steered by the Møre Academy's steering group through decisions on the annual skills plan and follow-up in steering group meetings. The Compliance Department conducts a review and reports to FinAut annually. The bank's training budget is discussed by the executive management team and approved by the Board.

Responsible unit(s)

Professional development is carried out under the auspices of the bank's Møre Academy, which reports to the Organisational Development Unit. The Møre Academy has a steering group that consists of senior managers who assist in the skills work and prioritise targeted skills measures.

GRI indicators:

103-1, 103-2, 103-3, 402-1, 404-1, 404-2, 404-3



Prevent corruption and financial crime

Financial crimes such as fraud, corruption, work-related crimes, terrorist financing and laundering proceeds from criminal activities are both a social problem and a threat to the welfare society. Combating them is demanding and important work.

Sparebanken Møre believes that preventing the bank and industry from being misused for financial crime is an important part of our social mission, and as a financial institution we are subject to a number of laws and requirements related to combating corruption and other types of financial crime, including laundering proceeds from criminal activities and financing terrorist activities.

The area was a high priority for Sparebanken Møre in 2021 and will remain a high priority in the future as well. Our goal is to reduce the resulting financial losses for society, the bank's customers and the bank itself. All of our stakeholders must feel confident that we have a high level of expertise, that we can prevent, identify and manage risks in the area of financial crime, and that our services are safe to use.

Sparebanken Møre must demonstrate high ethical standards and we practise a policy of zero tolerance regarding internal irregularities. We must not be associated with activities, customers or industries with questionable reputations.

Measures implemented in 2021

The work on combating financial crime requires high levels of expertise and vigilance. In 2021, all of the bank's employees underwent certification in basic knowledge of the subject and training in identifying and handling suspicious situations. Game technology supplied by Attensi was used for this. The bank's executive management team and the Board have also undergone this training.

The bank's risk assessments in the areas of money laundering, terrorist financing and information security (ICT) were conducted as planned in 2021. The measures required to manage the identified risks were formulated as part of the risk assessment. The implemented measures have led to newly established checks and updated work procedures.

The bank's risk assessments within operational risk assess the risk of internal fraud and corruption. The bank did not identify any cases of corruption in 2021.

A total of 12,591 transactions were flagged as requiring further checks for suspicious activities in 2021. After the transactions had been investigated by the bank's specialists, 271 cases were reported to the financial intelligence unit (EFE) of the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim).

Some 378 external incidents of fraud were recorded in 2021. The number of fraud cases in the bank where someone has, or has tried to, deceive customers is low, but stable. The bank assists customers who report fraud to us.

No internal incidents of fraud were recorded in 2021. Sparebanken Møre provided short monthly refresher courses on material topics within information security for our employees. We carried out our big annual campaign on information security, 'Digital Security Awareness 2021'. We also ran two employee-oriented campaigns on phishing. Greater employee awareness and vigilance are important ways of helping to combat financial crime that targets our customers in particular and society in general.

Planned measures

Preventing fraud, money laundering, financial crime and breaches of information security (ICT) is never-ending work. The bank will prioritise its work on combating money laundering and terrorist financing in line with guidance from the authorities. We will continue to work on raising employees' awareness of this vital issue, increasing internal expertise and improving accuracy in the identification of suspicious situations.

Measurement and evaluation

The work is monitored closely and reported on by employees in the first and second lines of defence, the bank's executive management group, internal and external auditors and the Financial Supervisory Authority of Norway.

Annual internal evaluations are conducted when revising guidelines and procedures, and period independent evaluations of the area's compliance with the management system conducted by auditors or supervisory authorities.

Responsible unit(s) in the bank

The Business Support Unit, via the Financial Crime Department, is responsible for relevant procedures within money laundering, terrorist financing and fraud. The Business Support Unit, via the IT Operations and Administration Department, is also responsible for the ICT work.

Key governing documents

Activities are governed by legislation, guidelines and procedures intended to prevent Sparebanken Møre being misused for corruption, money laundering and terrorist financing. The guidelines are revised at least once a year and approved at board level. The most important guidelines are the following:

- Guidelines for the work on combating money laundering and terrorist financing
- Measures against money laundering and terrorist financing when establishing and expanding customer relationships
- Code of Conduct and CSR Policy
- Information Security Policy

GRI indicators:

103-1,103-2,103-3, 205-2, 205-3

Requirements for suppliers

Sparebanken Møre is an alliance-free, independent savings bank and free to choose the partners we want. The Group's products and services shall, in total, be competitive, sustainable and contribute to the Group's profitability. This gives it the flexibility to choose to operate and develop services for itself, or together with partners where this is considered to be the best option.

As a consequence of this, Sparebanken Møre has 150 partners and suppliers, large and small. These are primarily divided into four categories:

- product partners,
- system and service providers,
- competence and network partners, and
- partners within external capital and equity, as well as risk exposure.

It is important for the bank to take a risk-based approach to monitoring our partners, which involves more frequent and extensive interactions and follow-up of the important and critical factors.

By setting requirements, following up and cooperating, we want to ensure that our suppliers and partners comply with Norwegian law and recognised norms of corporate social responsibility, as well as binding international agreements and conventions. Goods and services that are delivered to Sparebanken Møre must be produced in circumstances consistent with the requirements enshrined in the bank's Code of Conduct and corporate social responsibility.

As far as the bank's fund providers are concerned, there is a close dialogue between the bank and the various providers throughout the year. Sparebanken Møre does not manage funds itself, rather it distributes funds from its providers: Storebrand Asset Management, SKAGEN, DNB Asset Management, Alfred Berg Kapitalforvaltning and Holberg Fondsforvaltning.

Measures implemented in 2021

Sparebanken Møre intensified the focus on sustainability in the dialogue with our partners in 2021. Sustainability is an agenda item in the periodic partner meetings and several of our main partners, including TietoEvry and Eika Forsikring, have presented their work on sustainability to the bank. All new partners and suppliers are assessed in relation to sustainability as part of the procurement process.

Storebrand Asset Management and SKAGEN were launched as new fund providers in the first quarter of 2021. They have taken a targeted and systematic approach to their work on sustainability for many years, and the launch was an important contribution to the bank being able to offer customers sustainable investment fund products. Storebrand also contributed to improving the expertise of advisers and specialists within sustainable investments.

Towards the end of the year, the bank launched a new fund solution on sbm.no based on quality assured information provided by Morningstar. The solution is intended to make it easier for customers to make good, informed choices about investments and they can rank funds based on, for example, risk, Morningstar's rating, Morningstar's sustainability rating and low carbon information.

Planned measures for 2022

One of the goals for the supplier work was to finalise an ESG supplier declaration in 2021. The work will be completed in 2022 to ensure that the declaration is adapted to the new Transparency Act. The work is well underway. The bank will also incorporate sustainability as an element in the current guidelines on monitoring suppliers.

The bank has to carry out due diligence assessments of our partners and suppliers in which we survey factors such as volume, the supplier's core business, the complexity of the supplier and the extent to which the supplier is at risk of having a negative impact on the environment, social conditions and ethical business conduct. Based on the results of the due diligence assessments, we will in the course of 2022 draw up a follow-up plan based on the aforementioned factors.

Responsibility for supplier follow-up is shared between several business units and employees in the bank, depending on the type of actor. Therefore, the bank believes it is important to provide targeted training in areas within sustainability for employees with supplier-related responsibilities in order to ensure that the follow-up is implemented in a value creating and constructive way.

The bank has also drawn up sustainability criteria that must be taken account of when risk-assessing new products and services. This includes:

- Risk of a negative impact on the climate and the environment
- Risk of a negative impact on the bank's work on preventing money laundering, etc.
- Risk of breaches of basic human rights
- Whether the product/service contributes to responsible consumption and production

These criteria will be included in the bank's guidelines for product management in the first quarter of 2022.

In our experience, the expectations of customers, investors and other stakeholders are increasing when it comes to how we address sustainability. The rules concerning responsible supply chains are evolving and the entry into force of the new Transparency Act will, in particular, guide the bank's future work on suppliers and partners.

Responsible unit(s) in the bank

The Business Support Unit is responsible for product partners and the majority of the bank's system and service providers. The Accounts and Finance Unit is responsible for partners in relation to external finance and equity, and for risk coverage.

Measurement and evaluation

The guidelines are evaluated every year. The work is currently measured through dialogues with our suppliers and customers. Once we commence the described supplier monitoring, we will set specific targets for the work.

Key governing documents

- Møre 2025 (corporate strategy)
- Procedure for purchasing ICT systems.
- Partner assessments
- Code of Conduct and CSR Policy
- Product Management Policy

GRI indicators:

103-1, 103-2, 103-3, 308-1

Climate and the environment

As a financial services group, Sparebanken Møre has an active relationship with environmental and climate challenges. The Group's overarching goal for its sustainability work is to 'be a driving force for sustainable development'.

The Group is committed to contributing to the transition work society needs to do to achieve Norway's climate goals as set out in the Paris Agreement. Sparebanken Møre's goal is to become a climate-compensated for group by the end of 2022, in line with the UN Climate Neutral Now initiative. We will also stipulate requirements for customers, suppliers and partners. This will allow us to help achieve the expressed climate goals, both directly and indirectly.

In order to reduce environmental impact, we both use and invest in technology, including in order to reduce the need for travel. Employees must have the skills necessary to make eco-friendly choices and encourage our stakeholders to do the same.

Measures implemented in 2021

Sparebanken Møre prepares energy and climate accounts based on the international standard 'A Corporate Accounting and Reporting Standard' developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The climate report shows tonnes of CO_2 that are direct and indirect emissions related to the Group, and provide information about greenhouse gas emissions from, for example, from travel, waste management and energy consumption. In 2021, the bank further reinforced its sustainability work and specific targets were established for cutting greenhouse gas emissions from its own operations. One important component of this work is becoming Eco-Lighthouse certified, a process we started at the end of 2021.

In 2021, we reviewed the ESG analyses of our corporate market portfolio. This is an important tool for identifying and reducing climate risk in the existing portfolio, and for mapping which sectors and projects contribute to transition and new earning opportunities.

We have incorporated sustainability principles into all of our sponsorship agreements and one of these is about having a conscious attitude and measures for cutting greenhouse gas emissions from sports clubs' activities. At the end of 2021, 76 of our 122 agreements had included this principle in their agreements. We will follow this up with measures for improving understanding for clubs/organisations in 2022. One specific measure for sports teams is the support for granulate traps, see the more detailed description in the section on contributions to local communities.

The climate report for 2021 shows a 26.8 per cent reduction from 2020 to 2021, mainly due to Covid-19, less transport between the branches and some minor environmental measures. The Group's emissions totalled 135.5 tonnes of CO_2 equivalents (tCO_2e) in 2021. Greenhouse gas emissions were distributed as follows in 2021:

Distribution of greenhouse gas emissions in 2021

Scope 1, direct emissions:	2.2 %
Scope 2, indirect emissions:	66.4 %
Scope 3, other indirect emissions:	31.4 %

Sparebanken Møre continued upgrading and modernising branches and departments in 2021, with environmentally friendly material choices and reusing furniture in line with SDG 12 Responsible Consumption and Production and SDG 13 Climate Action being key factors.

Planned measures

The bank's climate accounts provide information about the impact of the various sources on the external environment. This provides a good, important starting point for preparing reduction plans. During the course of 2022, we will identify how we can cut our greenhouse gas emissions further and a concrete action plan will be drawn up in line with the requirements of Climate Neutral Now. We commenced a collaboration with Energiråd, which is assisting us in our work on becoming Eco-Lighthouse certified. By the end of 2022, we want our head office to have been fully certified and a plan for the certification of the branches to have been finalised.

Our work on the ESG analyses of our corporate market portfolio have taught us more about our portfolio. In 2022, we will evaluate this further and specify measures/objectives for individual sectors. We also want to set clearer ESG requirements for our suppliers and ensure that the work addresses the requirements of the Transparency Act and the Act on the Disclosure of Sustainability Information in the Financial Services Sector and a Framework for Sustainable Investments.

In 2022, we will also conduct a commuter survey among the bank's employees to analyse what measures could have an effect in this context.

Working from home and the use of digital platforms have helped increase our employees' flexibility, knowledge and experience of digital meetings. While in-person meetings are preferable in a number of contexts, this experience will help to reduce travel activity both within the county and nationally/internationally. One specific measure that will be introduced is a travel policy.

When branches are upgraded, there is a focus on re-use and eco-friendly material choices in line with SDG 12 regarding responsible consumption and production and SDG 13 regarding climate action.

Responsible unit(s)

Finance and Accounts Department, Security and Property Management Department, HR Department, and Communications and CSR Department are responsible for the bank's climate report.

The bank's sustainability committee has a joint responsibility to prepare concrete action plans to cut the bank's CO_2 emissions. The various measures must state the responsible department.

Measurement and evaluation

The climate accounts for 2021 were established in line with the Greenhouse Gas Protocol Initiative (GHG Protocol) for Sparebanken Møre. Since 2021 was also heavily affected by Covid-19 restrictions, we have used 2019 as the benchmark year when assessing measures that might help further reduce emissions.

Key governing documents

- Code of Conduct and CSR Policy
- Overarching sustainability strategy

GRI indicators:

103-1, 103-2, 103-3, 305-1, 305-2, 305-3, 305-4, 305-5, 307-1

Climate risk (TCFD)

Sparebanken Møre's climate risk work

Sparebanken Møre's climate risk report has been produced in line with the framework issued by the Task Force on Climate-related Financial Disclosures (TCFD), with a particular focus on the recommendations of Finance Norway. Sparebanken Møre bases its work on sustainability, including climate-related issues, on all of the dimensions included in the concept of ESG. This is mentioned in several places in the report. Where climate-related assessments are conducted as separate, independent pieces of work, this is elaborated on in the text. The bank also uses ESG and sustainability as two equal terms.

Governance

Describe the Board's oversight of climate-related risks and opportunities

The Board of Sparebanken Møre ensures that the Group carries out a comprehensive strategy process every year that defines its objectives, strategies and risk profile. The current strategic plan, 'Møre 2025', was approved by the Board in November 2021. This defines five strategic focus areas, of which one is that Sparebanken Møre shall be a driving force for sustainable development. The Board receives regular status updates.

The Board has also adopted a series of different strategies and governing documents that are designed to provide a basis for good and effective internal risk management. ESG factors have been incorporated into the documents to ensure that sustainability considerations are closely integrated into the bank's operations and value creation. A separate sustainability strategy has been drawn up and is used as a basis for both making strategic decisions and ongoing operational work. Climate risk has been integrated into the strategy.

A separate skills plan has been established for the Board that covers the area of sustainability in general and climate risk in particular.

ESG risk/climate risk is included in the bank's quarterly risk reports that are presented to the Board. Assessments of ESG risk are also included in the bank's assessments of risk and capital requirements in the bank's ICAAP report, which is approved by the Board. Furthermore, the Board's risk committee receives quarterly status updates in presentations by the bank's sustainability committee.

ESG factors are also included as part of the basis for considering a number of individual matters that are presented for consideration by the Board.

Describe management's role in assessing and managing climate-related risks and opportunities

The bank's executive management group drive the annual strategy process and ensure that a comprehensive plan is produced to present to the Board. Five strategic focus areas have been defined for the current strategy period, of which one is that Sparebanken Møre shall be a driving force for sustainable development. Climate-related measures are included in these. The executive management group ensures that departmental plans are drawn up that reflect the contributions of the different units, and that employee and manager agreements are drawn up with specific actions at an individual level.

The bank's management of ESG risks and opportunities is regularly discussed by the executive management group in connection with the ongoing follow-up of the bank's strategy. Relevant governing documents and sustainability strategies are also discussed and considered by the executive management group before being presented to the Board.

ESG factors are also included as part of the basis for considering a number of individual matters that are considered by the bank's executive management group.

The bank's sustainability committee provides the executive management group with quarterly updates on the status of sustainability measures implemented in different parts of the organisation. The committee consists of 11 members from different areas of the bank who have special responsibility for implementing measures within their respective areas.

The committee members from the Risk Management and Compliance Section have a particular responsibility for climate risk, and the current head of section supervises the bank's management and control within the area. For more information about the organisation of the work on sustainability, see the 'Organisation of the work' section in the report.

Quarterly risk reports are produced that include ESG risk/climate risk, and the reports are reviewed by the executive management group. In 2021, the bank started assessing the ESG and climate risk of corporate customers at an individual level and here too the executive management group receives quarterly status updates.

Over the course of the year, every employee, including the executive management group, underwent ESG training measures with a particular focus on the EU's taxonomy and assessing climate risk.

Strategy

Describe the climate-related risks and opportunities the bank has identified over the short, medium, and long term

Sparebanken Møre has surveyed and assessed climate-related threats and opportunities over the short, medium and long-term. In addition to an internal process, the bank has also surveyed climate risk together with businesses in Nordvestlandet.

In order to identify climate-related risks and opportunities, the bank has assessed how physical risk and transitional risk will affect the bank's work in the retail and corporate markets, with a particular focus on credit risk, as well as the bank's management of market, liquidity and operational risk/reputational risk. Overall, the bank believes that transitional risk will have a greater impact than physical risk in the short to medium term.

The time horizons used by the bank were set based on the bank's strategy period, as well as national and international targets set for climate cuts.

Phases used	Time horizon	Reason for choice of time horizon
Short term	**1-5 years**	**The time horizon is in line with the bank's strategy period**
Medium term	5-10 years	The time horizon is in line with the period set for Norway's goal of reducing greenhouse gas emissions by 50-55 per cent by 2030.
Long term	10-30 years	The time horizon is in line with the period set for the Paris Agreement's goal of zero emissions by 2050

Climate-related risks and opportunities in the Retail Banking Division

Physical risk
The general physical risk identified in the retail market portfolio is assessed as low. In the medium and long term, some residential areas may be exposed to acute or chronic physical climate risk. This may constitute a potential risk for valuations of homes in the bank's credit work. Furthermore, climate change may present challenges related to new diseases and less biodiversity. This may reduce the earning potential of larger or smaller groups of customers and constitute a potential risk for the bank's total exposure linked to these groups of customers.

Transitional risk
The transitional risk identified in the retail market portfolio is assessed as low. Reputational risk could arise in the short and medium term in connection with advice. Sustainability and climate risk are constantly evolving topics, new knowledge is always being developed and this entails a risk of the bank's advice, in retrospect, proving to be deficient. In the medium term, valuations of homes in the bank's credit work could be exposed to policy risk due to changes to building regulations and a pivot in demand towards more energy-efficient housing. A risk of poorer customer debt

servicing and saving capacity might also arise if the business sector in the market area is unable to adequately transition to a low emission economy.

Opportunities
The bank expects physical risk and transitional risk to influence the financial choices made by the bank's retail customers. This will present the bank with new opportunities with respect to advice and products, like including sustainability in advice for customers and green loans.

Climate-related risks and opportunities in the Corporate Banking Division

Physical risk
The physical risk identified in the bank's corporate market portfolio is assessed as low to moderate. In the short term, failure to adapt to climate change could result in some stoppages in production, capacity problems for transport or higher commodity prices. In the medium and long term, some commercial properties may be exposed to acute or chronic physical climate risk. Furthermore, climate change and less biodiversity may present challenges related to new diseases that reduce the earning potential of corporate customers in the medium and long term. For the shipbuilding industry, physical climate risk could arise in the medium term due to locations exposed to weather. Physical risk has also been identified in the fisheries sector linked to increased migration, disease and reduced fish stocks in the long term.

Transitional risk
In general for the bank's corporate market portfolio, transitional risk has been identified that is assessed as low to moderate in the short term and moderate in the medium and long term. The bank expects most industries in the bank's portfolio to face this transitional risk. The scale of the risk will depend on activities, sector and company size. Among other things, the bank believes that SMEs face particular transitional risk due to scarce resources and less opportunity to improve skills.

Customer groups subject to the taxonomy (the EU's guidelines for sustainable activities) are expected to face transitional risk to the extent that they fail to adequately adapt their business concepts to take account of new requirements and expectations. For customers in sectors not subject to the taxonomy, the bank expects a certain degree of transitional risk. In this case, the customers' competitiveness in the capital market could be weakened and impact their financial results.

Stricter energy efficiency requirements have been identified as a short-term risk for real estate, followed in the medium term by a risk of greater price differentiation between climate friendly buildings and others. There is also a risk that the Norwegian regulations with which the sector must comply will not be updated fast enough for the available transition solutions to be used. In general, risk is expected within offshore, fisheries and other transport due to higher CO_2 taxes in the short and medium term. For fisheries, risks due to stricter requirements concerning MSC certification and catching methods have been identified in the short term. In the medium term, increased risks associated with trawling as problematic catching method have been identified due to its negative impact on the climate. For offshore, risks have been identified due to reduced or more expensive oil/gas activities in the short and medium term. This industry also faces a risk of limited access to capital for transition. For the shipbuilding industry, transitional risk has been identified in the medium term due to new requirements or changes in demand.

In general, transitional risk is expected in most sectors linked to more stringent requirements and expectations concerning transition to a circular economy in the various industries.

Opportunities
The bank anticipates that its corporate customers will have to take action in relation to physical risk and transitional risk. This will present the bank with opportunities within both products and advice, although this is also expected to vary in relation to activities, sector and size. The bank's contribution to customer advice services includes the development of a sustainability portal for business. This will be improved in the coming period. The bank may be presented with new product opportunities within, for example, the real estate sector and the building and construction sector. Climate upgrades to the existing building stock could lead to growth in the sector. The bank also sees opportunities in the fisheries sector. Current trends indicate that we will see a shift in food habits from meat consumption to increased demand for fish in the medium term. This could result in growth in the sector and a greater need for the bank's products and services. For energy customers, the bank expects growth in offshore wind and other innovative energy solutions. Monitoring these changes will be important and could provide a basis for developin

Market risk

The identified physical climate risk is assessed as low in the short, medium and long term.

The identified transitional risk for liquidity is assessed as relatively low in the short, medium and long term. There is some risk associated with changed requirements for refinancing via green bonds and this could reduce the bank's access to liquidity and/or result in higher costs for liquidity. Transitional risk resulting from inadequate assessments of climate risk, poor management in the bank or poor climate management by customers has also been identified. Both of these could result in higher reputational risk and poorer or more expensive access to liquidity.

Liquidity Risk

The identified physical climate risk for liquidity is assessed as low in the short, medium and long term.

The identified transitional risk for liquidity is assessed as relatively low in the short, medium and long term. There is some risk associated with changed requirements for refinancing via green bonds and this could reduce the bank's access to liquidity and/or result in higher costs for liquidity. Transitional risk resulting from inadequate assessments of climate risk, poor management in the bank or poor climate management by customers has also been identified. Both of these could result in higher reputational risk and poorer or more expensive access to liquidity.

Similarly, an opportunity has been identified if the bank further develops its requirements for green bonds and at the same time has access to matching collateral and in this way can secure or strengthen refinancing opportunities based on green bonds. Opportunities have also been identified for greater access to liquidity or lower liquidity premiums if the bank adequately assesses and manages climate risk.

Operational risk

The identified climate risk associated with the bank's operations is assessed as low since the vast majority of the bank's operations are secured through climate-stable IT deliveries and flexible customer services and operations by the bank, independent of physical premises. The same applies to transitional risk. The bank expects low risk due to its generally low greenhouse gas emissions and its systematic work on further reducing these.

Describe the impact of climate-related risks and opportunities on the bank's businesses, strategy, and financial planning

Sparebanken Møre's identified climate risks and opportunities have affected the bank in a number of ways. In order to reduce the climate-related risk in the bank's credit work, the bank has developed and implemented ESG assessments in its credit process for corporate customers. This includes explicit assessments of the extent to which credit customers may be impacted by physical risk and transitional risk. Assessments are conducted of all corporate customers with exposures above a stipulated threshold and are updated in annual reviews of credit exposures and when assessing new credit needs. In the retail customer market, the bank offers green mortgages and car loans, and has also started including sustainability as a separate topic in the advice the bank provides to customers.

The bank has defined sustainable development as a strategic area. This includes developing green products and ESG assessments in the credit process, as well as continuing to issue green bonds and set climate targets for our own operations. The bank sets general environmental requirements for its suppliers, and these will be further reinforced during 2022 with more formal requirements.

The bank is in the process of incorporating sustainability as a risk factor into all relevant risk strategies such as market and counterparty risk, liquidity risk, operational risk and credit risk. Corresponding risk assessments have been incorporated into the bank's ICAAP. The bank has identified qualitative impacts from climate risk and opportunities for the bank's financial variables such as income, costs, assets and capital. Sparebanken Møre has not as yet included quantitative analyses in its financial planning.

Describe the resilience of the bank's strategy, taking into consideration different climate-related scenarios, including a 2°C scenario

In 2021, Sparebanken Møre conducted qualitative assessments of two scenarios and their impact on various areas of the bank. The scenarios were based on the work of the Network for Greening the Financial System (NGFS), where one looks at the effects of high physical risk and assumes that temperatures rise by 2°C or more.

The other scenario assumes high transitional risk due to strict regulations to prevent higher temperatures. In using these, the bank wants to look more closely at the assumed extremes in the scenarios.

The qualitative assessments are based on how resilient the bank's operations, strategy and financial planning would be in the event of the changes postulated in the scenarios. The bank has also assessed where weaknesses can be expected, and this will provide a basis for further assessments of the need for measures. The findings from the bank's analyses are provided in the table below.

Scenarios	Areas	Existing measures that ensure the bank's operations, strategy and financial planning are resilient.	Potential weaknesses that could weaken the resilience of the bank's operations, strategy and financial planning.
High physical risk	Retail Banking Division	The bank provides advice on sustainable finances that includes physical risk. Planned further development of green products may strengthen the bank's market position. The bank has carried out a number of training initiatives to ensure a basic understanding of the importance of physical risk in the credit process.	The bank has not conducted analyses to identify any geographic areas that are particularly exposed to physical risk and the potential consequences for the bank's collateral. The bank has not set targets for cutting greenhouse gas emissions or requirements for energy rating for its residential mortgage or car financing portfolios. The bank needs to further improve its expertise on the significance of physical risk in customer relationships.
	Corporate Banking Division	The bank conducts ESG assessments in its credit processes where the significance of physical risk is explicitly assessed. The bank's strategic goal is to continue to develop these assessments. The assessment takes place in a close dialogue with the customers. The bank's goal is to develop green products and services for corporate market customers. The bank has carried out a number of training initiatives to ensure a basic understanding of the importance of physical risk in the credit process.	The bank has not conducted analyses to identify any geographic areas that are particularly exposed to physical risk and the potential consequences for the bank's collateral. Assessments of physical risk are not currently reflected in the bank's risk pricing within credit. The bank has not set a target for cutting greenhouse gas emissions in its loan portfolio. The bank needs to improve its sector specific expertise on the significance of physical risk in customer relationships.
High transitional risk	Retail Banking Division	The bank's current provision of green loans takes account of the transition to low emission cars and energy-efficient homes. The bank provides advice on sustainable finances that includes transitional risk.	The bank has not conducted analyses to identify any areas or types of home that are particularly exposed to transitional risk and the potential consequences for the bank's collateral. The bank has not set targets for cutting greenhouse gas emissions or requirements for energy rating for its residential mortgage or car financing portfolios. The bank needs to further improve its expertise on the significance of transitional risk in customer relationships.

Scenarios	Areas	Existing measures that ensure the bank's operations, strategy and financial planning are resilient.	Potential weaknesses that could weaken the resilience of the bank's operations, strategy and financial planning.
	Corporate Banking Division	The bank conducts ESG assessments in its credit processes where the significance of transitional risk is explicitly assessed. The bank's strategic goal is to continue to develop these assessments. The assessment takes place in a close dialogue with the customers. The bank's goal is to develop green products and services for corporate market customers. The bank has carried out a number of training initiatives to ensure a basic understanding of the importance of transitional risk in the credit process.	Assessments of transitional risk are not currently reflected in the bank's risk pricing within credit. The bank has not set a target for cutting greenhouse gas emissions in its loan portfolio. The bank needs to improve its sector specific expertise on the significance of transitional risk in customer relationships.
High physical risk or high transitional risk	Market Risk, liquidity risk and operational risk	The bank's risk strategies within these areas articulate an expectation that ESG-related risk will be included in assessments and decisions. This also includes assessments of physical risk and transitional risk. The bank currently issues green bonds. Further developing green products may strengthen the bank's access to capital and reduce refinancing costs. The bank aims to be climate neutral by 31 December 2022 based on Scopes 1 and 2, as well as parts of Scope 3 in its greenhouse gas report. The bank supports the conduct of sustainability analyses (KPI analyses) of the entire region, at both municipal and county levels. The bank sets environmental/climate requirements for its suppliers. The bank has started the process of becoming Eco-Lighthouse certified and is aiming to gain certification by the end of 2022.	The bank has not defined explicit ESG criteria for its risk assessments within market and liquidity risk. The bank needs to further increase its comprehensive and general focus on sustainability. The bank should seek opportunities to systematise and automate the collection and storage of climate-relevant base data to improve its insights into its own risk situation

The bank's scenario assessments have identified strengths and potential weaknesses in the bank's strategy and operations. The bank will continue its analyses in 2022 and define appropriate goals and measures based on its assessments.

Risk Management

Describe the bank's processes for identifying and assessing climate-related risks

Sparebanken Møre har fulgt TCFD-rammeverket for en Sparebanken Møre has complied with the TCFD framework in order to comprehensively identify climate-related risk. The plan is to update this process annually. Besides this, the bank has multiple processes for identifying and assessing climate-related risk. The bank has developed a tool for assessing ESG risk, including climate risk, in the credit process for corporate customers. In this work, relevant climate-related risk factors are identified and assessed through the project's discussions with internal and external experts. A final decision is then taken by the project's steering group.

Identifying and assessing ESG and climate risk forms part of the bank's ICAAP. Explicit ESG and climate assessments are also conducted in the bank's development of services and products. Furthermore, the bank reports on ESG risk, including climate risk, on a quarterly basis in its risk reports. We have also started the process of implementing ESG risk in relevant risk strategies based on the ECB guidelines for comprehensive risk management.

The bank generally includes climate risk assessments in its ESG assessments.
The bank particularly focuses on climate risk in the ESG assessments in the credit process for corporate customers. In this assessment, climate risk must be weighted higher than the other ESG factors. The bank will also particularly focus on climate risk when it further develops its risk management based on the aforementioned ECB guidelines. Besides this, the bank regards climate risk as one of several risk factors in its strategic work.

Assessment of existing and expected climate-related regulations. The bank considers the existing climate-related regulations to be appropriate and is positive about any required changes. The guidelines combine clear signals that climate assessments should be included in the bank's work and at the same time provide room for exploring best practice. This room for manoeuvre is considered very important because the topic is seen as relatively new.

The bank expects further development of the current guidelines and requirements, which, among other things, will increase the requirements regarding the bank's risk management. Sparebanken Møre will monitor developments closely and is positive about such a development.

Describe the bank's processes for managing climate-related risks

Sparebanken Møre has several processes for mitigating, adjusting, accepting or controlling climate-related risk. The bank conducts an ESG and climate risk assessment at a customer level for corporate customers for new loans, which is followed up by annual reassessments. High ESG risk lending is escalated in credit decisions and requires special assessments and follow-up. The assessments were introduced in the first half of 2021 and the bank had conducted them for 95 per cent of all cases/credit customer by 31 December 2021.

Physical risk and transitional risk are assessed in all loan cases — please also see the description in the topic 'Responsible lending'.

Based on the assessments made in 2021, the bank's goal is to survey its ESG and climate risk at a portfolio level in 2022. The survey will be used as a basis for further developing its risk management.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the bank's overall risk management

The bank has complied with the TCFD framework for the comprehensive identification and assessment of climate-related risk. The plan is to update this process annually. The bank is also planning to base its work on the ECB guidelines for comprehensive risk management. Sustainability will be integrated into all of the bank's risk strategy areas. Climate risk is on the sustainability committee's agenda, which ensures the comprehensive management of this risk in the various areas in the bank. The bank has also secured expertise in sustainability in relevant technical areas and departments.

https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf

Metrics and targets

Disclose the metrics used by the bank to assess climate-related risks and opportunities in line with its strategy and risk management process

Corporate customers
The bank measures climate-related risks and opportunities through its ESG assessments and climate risk analyses in the credit process for corporate customers. Advisers assess each customer individually. The assessments cover physical risk and transitional risk linked to the customer's debt servicing capacity, collateral and cases/projects.

This measured in general, and also specifically for some industries:

- Property — energy classes and rehabilitation
- Building construction
- Shipyards
- Offshore
- Fisheries

A score is calculated based on the assessments and the customer is assigned a risk class. The assessments are updated when new credit cases are created. The assessment of the individual risk factors, overall score and risk class are stored in databases and used as a basis for portfolio assessments. Sparebanken Møre started conducting assessments of climate-related risk in its credit process in 2021 and is planning to measure the development of climate risk in relevant portfolios and define goals and management parameters.

The bank has also started measuring emissions in the loan portfolio with the aid of carbon-related credit exposure in relation to Statistics Norway's equivalents. The results of these measurements are shown in the table below.

Industry	Total lending to industry in Norway (NOK millions)	Total emissions to air (tCO_2e)	Emission intensity: tCO_2e per NOK million of lending	Corporate portfolio of SMEs – share of total lending in Norway	Corporate portfolio of SMEs – calculated emissions (tCO_2e thousands)
Agriculture and forestry	60734	4966	81,77	1.1%	55.11
Aquaculture and fishing	83356	900	10,80	4.6%	41.34
Mining and extraction	19234	14963	777,95	0.1%	13.23
Manufacturing*	81019	7088	87,49	2.8%	197.19
Electricity, gas, steam and hot water supply	57195	1670	29,20	1.8%	30.05
Water supply, sewerage and waste management	7100	1410	198,59	0.6%	8.54
Building and construction**	194771	2186	11,22	0.5%	11.34
Wholesale and retail trade, repair of motor vehicles	77010	1104	14,34	0.9%	9.96
Ocean transport and transport via pipelines	56217	16214	288,42	1.8%	295.34
Other transport and storage	69687	5229	75,04	2.5%	133.26
Accommodation and food service activities	19845	116	5,85	1.8%	2.14
Real estate activities	687720	85	0,12	1.2%	1.02
Other service activities	49134	338	6,88	0.3%	0.91

Table 1 Industry-specific calculation of carbon-related credit exposure.
Source; Statistics Norway - table 08116, table 09288+

** Oil refining, chemical and pharmaceutical industries are not included, as the Bank does not have loans in the industry.*

*** Development of construction projects and other construction activities are grouped in one category.*

Methods: The calculations are based on Sparebanken Møre's share of the total lending by Norwegian banks and financial institutions to different industries. The industry categories are based on Statistics Norway's table 09288. This share is then multiplied by Statistics Norway's calculation of total emissions (CO_2e) from the individual industry.

These calculations show that the bank is most exposed to climate emissions from the industries 'Manufacturing', 'Ocean transport and transport via pipelines' and 'Other transport and storage'. The calculated greenhouse gas emissions from these industries account for around 78 per cent of the total emissions in Sparebanken Møre's corporate portfolio. The bank's lending to these industries accounts for around 22 per cent of the bank's total lending to corporate customers.

Limitations of the method: The model is based on calculated total emissions for a given composition of a number of underlying industries within an industry class. The bank may be either underrepresented or overrepresented in some underlying categories of industries. The model does not take account of such variations. Nor does the model take account of any regional differences in emission intensity in the industry in general or individual differences between companies in an industry. The equivalents used express an average for the whole of Norway and may differ from average emission intensities in the bank's region. The method and data used are also encumbered with some uncertainty since the correlation between lending and greenhouse gas emissions can vary. If loans are used for specific emission reducing measures, the model does not take account of this. The model uses the total activities in the industry in its calculations. Therefore, the method makes it difficult to compare banks' actual carbon exposure. The model only provides an initial estimate of Sparebanken Møre's carbon-related credit exposure.

Retail customers

In the Retail Banking Division, two new products provide the bank with a basis for measuring climate-related opportunities and risk. Sparebanken Møre started selling green mortgages and car loans in 2021, and regularly monitors sales volumes. Comparing the development of sales of green loans with traditional car and mortgage products provides the bank with a simplified measurement method. For example, the difference between the actual and estimated development in sales in the green mortgage portfolio can be used as a metric to assess the extent of risk that might be linked to the bank's future potential for issuing green bonds.

To assess the climate-related opportunities, the bank compares, for example, the development of sales in green car loans with cars financed by traditional car loans. Looking more closely at the car models financed by these two products allows the bank to identify whether more car financing could be provided by the new product. In addition to this, the bank updates energy classes in the mortgage portfolio on a quarterly basis and this provides a basis for measurement and analysis.

Our operations

The bank measures our own greenhouse gas emissions in line with the GHG Protocol (see the separate section on our 'Climate Report'). The bank has conducted these measurements since 2019 and the figures for 2021 show a further reduction in emissions. This is a positive development, although much of it is due to the consequences of Covid-19 and some changes in duties. A plan is being drawn up to ensure further reductions in emissions in line with the long-term objective.

The bank reports our own greenhouse gas emissions (GHG emissions). The analysis is based on the international standard developed by the Greenhouse Gas Protocol Initiative. The calculations are carried out by CEMAsys (see section on 'Energy and Climate Report for 2021').

The bank currently reports on Scopes 1 and 2, and partly on Scope 3.

Describe the targets used by the bank to manage climate-related risks and opportunities and performance against targets

The bank plans to develop key target figures to strengthen its management of climate-related risks and opportunities in line with Finance Norway's guidance on KPI during 2022-2023. At the end of 2021, the status of the area was:

- Reduce own emissions by at least 25 per cent over the period 2019-2025 and become climate neutral in line with the UN's Climate Neutral Now initiative by the end of 2022.
- Of all the corporate exposures for which ESG analyses should be conducted, goal attainment as at
- 31 December 2021 was 95 per cent.
- All employees in the Corporate Banking Division (49 advisers) underwent training in assessing climate risk and the EU's taxonomy in 2021.
- An EUR 250 million green bond was issued in 2021.
- The bank is planning to define the proportion of the loan portfolio that is in line with the EU's taxonomy for sustainable activities in 2022. In addition, a more detailed analysis of the bank's loan portfolio will be conducted in relation to transitional and physical risk.

Attachments/index

GRI-index and PRB-index

The Global Reporting Initiative (GRI) is the leading standard for sustainability reporting. The GRI guidelines consist of principles, guidance and performance indicators that can be used by companies to measure and report on economic, environmental and social conditions. Since 2020, the spa bank Møre has reported in accordance with the GRI standard, «core option». More information about GRI can be found at globalreporting.org.

Sparebanken Møre signed UNEP FI, the Principles for Responsible Banking - PRB in 2019. We submitted our first self-evaluation in April 2021 and this report follows the status of the area at the end of 2021. Sparebanken Møre is actively working to realize the principles. Below is a combined GRI and PRB index. Where there is overlapping information related to GRI and PRB, this can be found in the first part, the remaining PRB indicators come at the end of the table.

General disclosures

GRI-indicator	Description	SDG and PRB	SBM's reporting	Comments/direct reporting
ORGANISATIONAL PROFILE				
102-1	Name of the organisation	PRB 1.1	Sparebanken Møre	
102-2	Activities, brands, products, and services	PRB1.1	Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' Annual Report – Corporate governance – section 'Operations'	
102-3	Location of headquarters	PRB 1.1	Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' and Note 1 'General information'	
102-4	Location of operations	PRB 1.1	Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' and Note 1 'General information'	
102-5	Ownership and legal form	PRB 1.1	Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' and Note 1 'General information' Annual Report – Corporate governance	
102-6	Markets served	PRB 1.1	Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' and Note 1 'General information'	
102-7	Scale of organisation	PRB 1.1	Annual Report – Key figures Annual Report – Board of Directors' Report 2021	
102-8	Information on employees and other workers		Annual Report – Corporate social responsibility and sustainability – Equality and diversity	The number of em-ployees per contract type has not been broken down by region.
102-9	Supply chain		Annual Report – Corporate social responsibility and sustainability – Requirements for suppliers	
102-10	Significant changes to the organisation and its supply chain			No material changes

GRI-indicator	Description	SDG and PRB	SBM's reporting	Comments/direct reporting
102-11	Precautionary Principle or approach		Annual Report – Corporate social responsibility and sustainability – 'Our commitments', 'Open and ethical business' and 'Responsible lending'	
102-12	External initiatives	SDG 17	Annual Report – Corporate social responsibility and sustainability – Our commitments	
102-13	Membership of associations	SDG 17	Annual Report – Corporate social responsibility and sustainability – Our commitments	Finance Norway
STRATEGY				
102-14	Statement from the CEO	SDG 3, 8, 11 and 17 PRB 1.2	Annual Report – «Standing strong as a savings bank»	
ETHICS AND INTEGRITY				
102-16	Values, standards, principles and norms	SDG 5, 8, 11, 12, 13, 16 and 17 PRB 5.2	Annual Report – Corporate social responsibility and sustainability – Our commitments Code of Conduct and CSR Policy on the Bank's website	
GOVERNANCE				
102-18	Governance structure	PRB 5.1	Annual Report – Corporate governance – sections 'General Meeting', 'Nomination committees', 'Board of directors: composition and independence' Annual Report – Organisation and management structure Annual Report – Corporate social responsibility and sustainability – section 'Organisation of the work'	
STAKEHOLDER ANALYSIS				
102-40	List of stakeholder groups	SDG 17 PRB 4.1	Annual Report – Stakeholder dialogue and materiality analysis	
102-41	Collective bargaining agreements	SDG 8 PRB 4.1		96.5 per cent of employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	SDG 17 PRB 4.1	Annual Report – Stakeholder dialogue and materiality analysis	
102-43	Approach to stakeholder engagement	SDG 17 PRB 4.1	Annual Report – Stakeholder dialogue and materiality analysis	
102-44	Key topics and concerns raised	SDG 17 PRB 4.1	Annual Report – Stakeholder dialogue and materiality analysis	
Reporting Practice				
102-45	Entities included in the consolidated financial statements		Annual Report – Board of Directors' Report 2021 – section 'Areas of operation and markets' and Note 1 'General information'	
102-46	Defining report content and topic Boundaries	PRB 6.1	Annual Report – Corporate social responsibility and sustainability – sections 'An integral part of the strategy', 'Reporting standards' and 'Materiality analysis'	From 2022 impact analysis will be a integral part of our materiality analysius and assessment.

GRI-indicator	Description	SDG and PRB	SBM's reporting	Comments/direct reporting
102-47	List of material topics		Annual Report – Corporate social responsibility and sustainability – Stakeholder engagement and materiality analysis – section 'Materiality analysis'	
102-48	Restatements of information			Includes TCFD
102-49	Changes in reporting			Includes TCFD
102-50	Reporting period			2021
102-51	Date of previous report			March 2020
102-52	Reporting cycle		Annual Report – Corporate social responsibility and sustainability – section 'Reporting standards'	Annually
102-53	Contact point			Cecilie Myrstad cecilie.myrstad@sbm.no
102-54	Claims of reporting in accordance with the GRI Standards			RI standard, level 'Core'
102-55	GRI content index		Annual Report – Corporate social responsibility and sustainability – GRI index	
102-56	External assurance		The report has been externally verified by KPMG.	

Specific disclosures

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/ direct reporting
Responsible lending				
103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 12, 13, 14 and 17	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
103-3	Evaluation of the management approach	PRB 5.2	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
FS7	The monetary value of products and services designed to deliver a specific social benefit for each business line by purpose.		Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
FS8	The monetary value of products and services designed to deliver a specific environmental benefit for each business line by purpose.		Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
Preventing financial crime and corruption				
103-1	Explanation of the material topic and its Boundary	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Preventing financial crime and corruption	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Preventing financial crime and corruption	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Preventing financial crime and corruption	
205-2	Communication and training in guidelines and procedures for anti-corruption.		Annual Report – Corporate social responsibility and sustainability - Material topics – Preventing financial crime and corruption	
205-3	Confirmed corruption incidents and actions		Annual Report – Corporate social responsibility and sustainability - Material topics – Preventing financial crime and corruption	
Requirements for supplier				
103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 12, 13	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/ direct reporting
308-1	New suppliers that are screened with the aid of environmental criteria		Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
Expertise and restructure				
103-1	Explanation of the material topic and its Boundary	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
103-2	The man-agement approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
402-1	Minimum period of notice regarding operational changes		Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	Complies with applicable legislation
404-1	Average hours of training per year per employee		Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
404-2	Programmes for upgrading employees' skills and transition programmes		Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
404-3	Proportion of employees receiving regular performance and career development reviews		Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
Equality and diversity				
103-1	Explanation of the material topic and its Boundary	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	
405-1	Diversity of governing bodies and employees		Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	No registration for other forms of diversity (eg minority or vulnerable groups) for employees.
405-2	Ratio between basic pay and remuneration for women to men		Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	
406-1	Incidents of discrimination and corrective actions		Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity	

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/ direct reporting
Contribution to business development				
103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development	
SBM-N1	Number of participants in the NæringsTEFT programme		Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development	
SBM-N2	Number of loans for entrepreneurs as a result of the Growth Guarantee Scheme and the available budget.		Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development	
Supporter of the local community				
103-1	Explanation of the material topic and its Boundary	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
413-1	Operations with local community engagement, impact analyses and development programmes		Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
SBM-L1	Support for min five projects that contribute to a specific sustainability issue		Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
SBM-L2	Number of applications for dividend funds for local communities		Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	
SBM-L3	The number of advisers in personal finances and the number of pupils who have participated in the programmes.		Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community	

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/ direct reporting
Climate and environment				
103-1	Explanation of the material topic and its Boundary	SDG 12, 13, 14, 17	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment	
103-3	The management approach and its components	PRB 5.1	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment	
305-1	Direct (Scope 1) GHG emissions		Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment – Appendix 'Carbon Accouting Report'	
305-2	Indirect energy (Scope 2) GHG emissions.		Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment – Appendix 'Carbon Accouting Report'	
305-3	Other indirect (Scope 3) GHG emissions.		Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment – Appendix 'Carbon Accouting Report'	
305-4	GHG emis-sion intensity – measured in relation to number of employees		Annual Report – Appendix 'Carbon Accouting Report'	
305-5	Reduction of GHG emissions.		Annual Report – Corporate social respon-sibility and sustainability - Material topics – Climate and environment – Appendix 'Carbon Accouting Report'	
307-1	Non-compliance with environ-mental laws and regulations			No reported cases of viola-tions of environ-mental laws and regulations.
Open and ethical business				
103-1	Explanation of the material topic and its Boundary	SDG 4, 16	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Open and ethical busi-ness	
103-2	The management approach and its components	PRB 5.1	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Open and ethical business	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Corporate social respon-sibility and sustainability - Material topics – Open and ethical business	

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/ direct reporting
417-2	Incidents of non-compliance regarding information about products and services and marking.			No reported cases of violations as a result of marking requirements.
417-3	Incidents of non-compliance with marketing communications.			No reported cases of violations as a result of marketing.
418-1	Explained complaints regarding breaches of privacy and loss of customer data			No violations that have resulted in consequences for the Bank.
Financial results				
103-1	Explanation of the material topic and its Boundary	SDG 8 and 9	Annual Report – Corporate social responsibility and sustainability - Material topics – 'Financial results' and 'Supporter of the local community' - Annual Report – Board of Directors' Report 2020 – sections 'Strategy and goals', 'Equity and dividends'	
103-2	Evaluation of the management approach	PRB 5.1	Annual Report – Board of Directors' Report 2020 – Risk and capital management	
103-3	Evaluation of the management approach	PRB 5.1	Annual Report – Board of Directors' Report 2020 – Risk and capital management – sections 'Internal control in connection with the financial reporting process', 'Internal control reporting' and 'Internal auditing'	
201-1	Direct financial value generated and distributed		Annual Report – Key figures group - Annual Report – Profit	
201-2	Financial consequences and other risks and opportunities as a result of climate change		Annual Report – Corporate social responsibility and sustainability –TCFD report	
203-1	Investments in infrastructure and other services		Annual Report – Corporate social responsibility and sustainability –Material topics – 'Supporter of the local community' and 'Contribution to business development' - Annual Report – Board of Directors' Report 2020 – 'Business areas' and 'Research and development'	
Employees				
401-1	New hires and employee turnover.	SDG 5 and 10	Annual Report – Corporate social responsibility and sustainability – Material topics – Equality and diversity	
401-2	Benefits given to full-time employees not given to temporary or parttime employees		Annual Report – Corporate social responsibility and sustainability – Material topics – Equality and diversity	
401-3	Parental leave		Annual Report – Corporate social responsibility and sustainability – Material topics – Equality and diversity	

Other PRB indicators (which is not addressed above)

Description	SDG and PRB	SBM reporting
Show that the bank has identified areas where the bank has the greatest opportunity for positive and negative impact through an impact analysis	PRB 2.1	Annual report - Sustainability and social responsibility - Significant topics - sections for «Open and ethical business management» and «Responsible lending»
Show that the bank has set and published a minimum of two goals that are specific, measurable, achievable, relevant and time-limited	PRB 2.2	Annual report - Sustainability and social responsibility - Section «strategic objectives»
Show that the bank has defined measures and milestones to achieve the goals. Show that the bank has put in place ways to measure and monitor progress to achieve the goals.	PRB 2.3	Annual report - Sustainability and social responsibility - Sections «strategic objectives» and «organisation of work»
Show that the bank has implemented the measures to achieve the goals.	PRB 2.4	Annual report - Sustainability and social responsibility - Sections «strategic objectives» and «organisation of work»
Provide an overview of the guidelines the bank has in place and / or plans to introduce to promote responsible relations with its customers	PRB 3.1	Annual report - Sustainability and social responsibility - Significant topics - section for «Open and ethical business management», section for «Responsible lending» section for «Partners and suppliers» and sustainability library at sbm.no, and Sustainability portal on sbm.no for companies
Describe how the bank has worked with and / or plans to work with its customers to promote sustainable practice and / or enable sustainable financial activities.	PRB 3.2	Annual report - Sustainability and social responsibility - Significant topics - section for «Open and ethical business management», section for «Responsible lending», section for «Partners and suppliers», section for «Support player for the local community» and section «Contribution to business development» and sustainability library on sbm.no, and Sustainability portal on sbm.no for small and medium-sized companies
Show that the bank has a management structure in place for the implementation of PRB	PRB 5.3	Annual report - Sustainability and social responsibility - Section «organisation of work»
Show that the bank has made progress in implementing the 6 principles over the past 12 months, and in addition to setting and implementing goals in at least two of the bank's areas. Show that your bank has assessed existing and emerging international / regional good practice that is relevant for the implementation of the 6 principles for responsible banking operations. Based on this, the bank must have made priorities and defined ambitions in order to adapt to good practice. Show that your bank has implemented / is working to implement changes in existing practices to reflect on and be in line with existing and emerging international / regional good practices and has made progress in implementing the principles.	PRB 6.1	Principle 1 - adaptation - Annual report - Sustainability and social responsibility - Sections «strategic objectives» and «organisation of work» Principle 2 - Influence and objectives - Annual report - Sustainability and social responsibility - Significant topics – section «Strategic objectives» and «Responsible lending» Principle 3 - Customers - Annual report - Sustainability and social responsibility - Significant topics - sections «Contribution to business development» and «Responsible lending» Principle 4 - Stakeholders - Annual report - Sustainability and social responsibility - Stakeholder dialogue Principle 5 - Governance and culture - Annual report - Sustainability and social responsibility - section organisation of work » Principle 6 - Transparency and accountability - Annual report - Sustainability and social responsibility - section «Open and ethical business management»

TCFD index

This index shows where in the report you will find answers to the recommendations in the TCFD framework.

Area	Disclosure	Links to where the information is available
Governance		
a)	The Board's oversight of climate-related risks and opportunities	TCFD report – section governance part one
b)	Management's role in assessing and managing climate-related risks and opportunities	TCFD report – section governance part two
Strategy		
a)	Identified climate-related risks and opportunities	TCFD report – section strategy part one
b)	Impact of climate-related risks and opportunities on operations, strategy, and financial planning	TCFD report – section strategy part two
c)	Resilience of strategy, taking into consideration different climate-related scenarios	TCFD report – section strategy part three
Risk management		
a)	Processes for identifying and assessing climate-related risks	TCFD report – section risk management part one
b)	Processes for managing climate-related risks	TCFD report – section risk management part two
c)	Integration of the aforementioned processes into the organisation's overall risk management	TCFD report – section risk management part three
Metrics and targets		
a)	Metrics used to assess climate-related risks and opportunities	TCFD report – section metrics and targets part one
b)	Scope 1, Scope 2 and Scope 3 emissions under the Greenhouse Gas Protocol and related risks	TCFD report – section metrics and targets part two
c)	Targets used to manage climate-related risks and opportunities and performance against targets	TCFD report – section metrics and targets part three

Carbon Accounting Report 2021

This report provides an overview of the organisation's greenhouse gas (GHG) emissions. which is an integrated part of the organisation's climate strategy.

Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

This report comprises the following organisational units: Sparebanken Møre The input data is based on consumption data from internal and external sources. which are converted into tonnes CO_2-equivalents (tCO_2e). The carbon footprint analysis is based on the international standard; A Corporate Accounting and Reporting Standard. developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-I.

Reporting Year Energy and GHG Emissions

Emission source	Description	Consumption	Unit	Energyi (MWh)	Emissions tCO_2e	% share
Transportation total				**14.8**	**3.0**	**2.2 %**
DIESEL (NO)		1426.0	liters	14.8	3.0	2.2 %
Petrol		-	liters	-	-	-
Stationary combustion total				**-**	**-**	**-**
Burningoil		-	liters	-	-	-
Scope 1 total				**14.8**	**3.0**	**2.2 %**
Electricity total				**2 883.4**	**89.4**	**66.0 %**
Electricity Nordic mix		2 883 359.0	kWh	2 883.4	89.4	65.8 %
District heating location total				**433.3**	**0.6**	**0.4 %**
District heating NO/Aalesund		433 300.0	kWh	433.3	0.6	0.4 %
Scope 2 total				**3 316.7**	**89.9**	**66.4 %**
Business travel total				**-**	**30.7**	**22.8 %**
Continental/Nordic. incl. RF	Norden	-	pkm	-	-	-
Continental/Nordic. incl. RF	Europa	-	pkm	-	-	-
Intercontinental. RF	Intercon-tinental	-	pkm	-	-	-
Domestic. RF	Domestic	31 448.0	pkm	-	7.7	5.7 %
Mileage all. car (NO)		173 268.0	km	-	17.0	12.6 %

Emission source	Description	Consumption	Unit	Energyi (MWh)	Emissions tCO_2e	% share
Mileage all. el car Nordic		-	km	-	-	-
Hotel nights. Europe		283.0	nights	-	6.0	4.4 %
Taxi		-	km	-	-	-
Waste total				**-**	**11.9**	**8.8 %**
Residual waste. incinerated		23 190.0	kg	-	11.6	8.6 %
Paper waste. recycled		9 629.0	kg	-	0.2	0.2 %
Glass waste. recycled		-	kg	-	-	-
Metal waste. recycled		2 900.0	kg	-	0.1	-
Organic waste. recycled		-	kg	-	-	-
Plastic waste. recycled		-	kg	-	-	-
EE waste. recycled		380.0	kg	-	-	-
Total purchase of paper				**-**	**-**	**-**
Paper waste. recycled		-	kg	-	-	-
Scope 3 total				**-**	**42.6**	**31.4 %**
Total				**3 331.5**	**135.5**	**100.0 %**
KJ				**11 993 413 176.0**		

Reporting Year Market-Based GHG Emissions

Category	Unit	2021
Electricity market-based	tCO_2e	18.7
Scope 2 market-based	tCO_2e	19.2
Total market-based	tCO_2e	64.8

Carbon Footprint

During 2021 Sparebanken Møre had a total carbon footprint of 135.5 ton CO_2 equivalents (tCO_2e). In comparison with 2020. this is a reduction of 26.8 %. The reason for this reduction mainly comes from the Covid-19 pandemic that degenerated in Norway mainly from March 2020 and throughout both 2020 and 2021. This influenced the greenhouse gas emissions of Sparebanken Møre in the form of a higher number of employees working from home and less business travel due to travel restrictions.

The carbon footprint had the following results divided into the different scopes during 2021:

- **Scope 1:** 3 tCO_2e (2.2 %)
- **Scope 2:** 89.9 tCO_2e (66.4 %)
- **Scope 3:** 42.6 tCO_2e (31.6 %)

KPI

Emissions per FTE are reduced by 27.9 % from 2020 to 2021. During the period. the number of FTEs increased by 1.1% and total emissions are reduced by 26.8 %.

Scope 1

Fuel consumption: Consumption of diesel for owned and rented company cars. The emissions from fuel consumption during 2021 was 3 tCO_2e. This is a decrease in comparison with 2020 when it was reported 6.4 tCO_2e.

Scope 2

Electricity: Consumption of electricity in owned or rented buildings. Table "Reporting Year Energy and GHG Emissions" shows the emissions from electricity consumption based on the location-based emission factor Nordic mix. The offices of the bank had an electricity consumption of 2 890 607 kWh during 2021. which resulted in emissions of 89.4 tCO_2e. Sparebanken Møre reported a total electricity consumption of 2 890 607 kWh in 2020. resulting in a total of 118.5 tCO_2e emissions from electricity. Sparebanken Møre has decreased their electricity consumption from 2020 to 2021 by 24.6%.

The emission factor used. called Electricity Nordic Mix. underwent a change in 2021. The emissions of CO_2e per kWh was reduced by 24.4%. due to an increased amount of renewable energy included in the mix from Denmark. This is contributed to the reduction of emissions from electricity. as well as a reduction in consumption. Greenhouse gas emissions based on the marked-based factor is presented in the table “Marked-based GHG emissions summary”.

The practice is to present emissions from electricity consumption with two different emission factors. This method is further explained under the headline “Methodology and Sources”. Sparebanken Møre purchased guarantees of origin (GOs/RECs) for parts of their electricity consumption in 2021. and the emissions using a market-based emission factor was 19.2 tCO_2e.

District heating: Consumption of district heating in owned or leased buildings. The bank consumed 433 300 3 kWh of district heating in their offices during 2020 which resulted in emissions of 0.6 tCO_2e. This is a reduction of 74.9% in comparison with 2020 when it was reported a total of 2.2 tCO_2e.

Scope 3

Business Travel: The total emissions from business travel activities (air travel. hotel nights and car mileage) for 2021 was 30.7 tCO_2e and decreased from a total of 45.2 tCO_2e reported in 2020. Covid-19 was a central factor for the radical decrease in business travel during 2021 due to national and international travel restrictions. Air travel: Business travel from flights. hotels and car mileage. Flights are measured in person kilometres (pkm) divided in domestic and Nordic/continental flights.

During 2021 the bank travelled 31 448 pkm domestic which is 16 498 pkm less than in 2020. Emissions from flights in 2021 were 7.7 tCO_2e. which is a reduction of 34% from the previous year.

Hotel nights: Number of hotel nights. It increased from 77 nights during 2020 to 283 nights in 2021. which led to an increase of emissions to 6 tCO_2e.

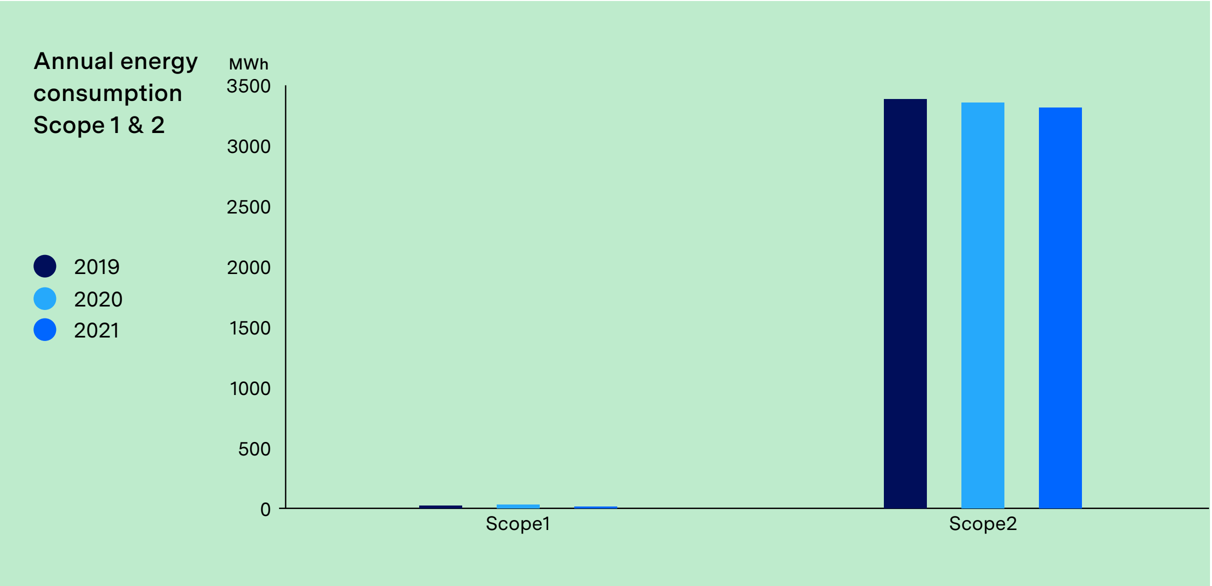
Car mileage: Usage of own cars within working hours reported in km driven. The total number of km reported in 2021 is 173 268 km. which led to a total greenhouse gas emissions of 17 tCO_2e. a reduction of 42.9% compared to 2020.

Waste: Reported waste in kg divided according to different fractions. as well as treatment method (recycled. energy recovered. deposited). Reported waste fractions during 2021 was incinerated residual waste. recycled paper waste. recycled metal waste and recycled electric waste. In total the bank reported 36 099 kg of waste during 2021. This generated total emissions of 11.9 t CO_2e and a reduction of 5.7% in comparison to 2020.

Annual GHG Emissions

Category	Description	2019	2020	2021	% change from previous year
Transportation total		**5.2**	**6.4**	**3.0**	**-53.6 %**
DIESEL (NO)		5.2	6.4	3.0	-53.6 %
Petrol		-	-	-	-
Stationary combustion total		**-**	**-**	**-**	**-**
Burning oil		-	-	-	
Scope 1 total		**5.2**	**6.4**	**3.0**	**-53.6 %**
Electricity total		**112.4**	**118.5**	**89.4**	**-24.6 %**
Electricity Nordic mix		112.4	118.5	89.4	-24.6 %
District heating location total		**6.9**	**2.2**	**0.6**	**-74.9 %**
District heating NO/Aalesund		6.9	2.2	0.6	-74.9 %
Scope 2 total		**119.3**	**120.8**	**89.9**	**-25.5 %**
Transportation total		**162.3**	**45.2**	**30.7**	**-32.1 %**

Category	Description	2019	2020	2021	% change from previous year
Continental/Nordic. incl. RF	Norden	1.1	0.7	-	-100.0 %
Continental/Nordic. incl. RF	Europa	14.5	1.3	-	-100.0 %
Intercontinental. RF	Intercontinental	-	-	-	-
Domestic. RF	Innenlands	55.9	11.7	7.7	-34.0 %
Mileage all. car (NO)		51.3	29.7	17.0	-42.9 %
Mileage all. el car Nordic		-	-	-	-
Hotel nights. Europe		39.6	1.8	6.0	227.2 %
Taxi		-	-	-	-
Waste total		**15.0**	**12.6**	**11.9**	**-5.7 %**
Residual waste. incinerated		14.7	12.2	11.6	-4.6 %
Paper waste. recycled		0.3	0.3	0.2	-35.4 %
Glass waste. recycled		-	-	-	-
Metal waste. recycled		-	0.1	0.1	3.6 %
Organic waste. recycled		-	-	-	-
Plastic waste. recycled		-	-	-	-
EE waste. recycled		-	0.1	-	-87.0 %
Total purchase of paper		**-**	**-**	**-**	**-**
Paper waste. recycled		-	-	-	-
Scope 3 total		**177.3**	**57.8**	**42.6**	**-26.4 %**
Total		**301.8**	**185.0**	**135.5**	**-26.8 %**
Percentage change		**100.0 %**	**-38.7 %**	**-26.8 %**	



Annual Market-Based GHG Emissions

Category	Unit	2019	2020	2021
Electricity market-based	tCO_2e	3.3	32.7	18.7
Scope 2 market-based	tCO_2e	10.1	34.9	19.2
Total market-based	tCO_2e	192.7	99.2	64.8
Percentage change		100.0 %	-48.5 %	-34.7 %

Annual Key Energy and Climate Performance Indicators

Name	2019	2020	2021	% change from previous year
Scope 1 + 2 emissions (tCO_2e)	124.5	127.2	92.9	-26.9 %
Total emissions (S1+S2+S3) (tCO_2e)	301.8	185.0	135.5	-26.8 %
Total energyScope 1+2 (MWh)	3 408.9	3 389.2	3 331.5	-1.7 %
Sum energy per location (MWh)	3 386.7	3 358.8	3 316.7	-1.3 %
Sum square meters (m^2)	-	-	19 437.0	-
Sum locations kWh/m^2	-	-	170.6	100.0 %
$kgCO_2e$ (S1+S2+S2) / FTE	813.4	501.4	363.3	-27.5 %
FTE (number)	371.0	369.0	373.0	1.1 %

Methodology and sources

The Greenhouse Gas Protocol initiative (GHG Protocol) was developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). This analysis is done according to A Corporate Accounting and Reporting Standard Revised edition, currently one of four GHG Protocol accounting standards on calculating and reporting GHG emissions. The reporting considers the following greenhouse gases, all converted into CO_2-equivalents: CO_2, CH4 (methane), N2O (laughing gas), SF6, HFCs, PFCs and NF3.

For corporate reporting, two distinct approaches can be used to consolidate GHG emissions: the equity share approach and the control approach. The most common consolidation approach is the control approach, which can be defined in either financial or operational terms.

The carbon inventory is divided into three main scopes of direct and indirect emissions.

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control. The electricity emission factors used in Cemasys are based on national gross electricity production mixes from the International Energy Agency's statistics (IEA Stat).

Emission factors per fuel type are based on assumptions in the IEA methodological framework. Factors for district heating/cooling are either based on actual (local) production mixes, or average IEA statistics.

In January 2015, the GHG Protocol published new guidelines for calculating emissions from electricity consumption. Primarily two methods are used to "allocate" the GHG emissions created by electricity generation to the end consumers of a given grid. These are the location-based and the market-based methods. The location-based method reflects the average emission intensity of the grids on which energy consumption occurs, while the market-based method reflects emissions from electricity that companies have purposefully chosen (or not chosen).

Organisations who report on their GHG emissions will now have to disclose both the location-based emissions from the production of electricity, and the marked-based emissions related to the potential purchase of Guarantees of Origin (GoOs) and Renewable Energy Certificates (RECs).

The purpose of this amendment in the reporting methodology is on the one hand to show the impact of energy efficiency measures, and on the other hand to display how the acquisition of GoOs or RECs affect the GHG emissions. Using both methods in the emission reporting highlights the effect of all measures regarding electricity consumption.

The location-based method: The location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period. Within this boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, and gas) result in direct GHG-emissions. These emissions are reflected in the location-based emission factor.

The market-based method: The choice of emission factors when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO_2e per kWh. However, for electricity without the GoO or REC, the emission factor is based on the remaining electricity production after all GoOs and RECs for renewable energy are sold. This is called a residual mix, which is normally substantially higher than the location-based factor. As an example, the market-based Norwegian residual mix factor is approximately 7 times higher than the location-based Nordic mix factor.

The reason for this high factor is due to Norway's large export of GoOs/RECs to foreign consumers. In a market perspective, this implies that Norwegian hydropower is largely substituted with an electricity mix including fossil fuels.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products etc.

In general, the carbon accounting should include information that users, both internal and external to the company, need for their decision making. An important aspect of relevance is the selection of an appropriate inventory boundary which reflects the substance and economic reality of the company's business relationships.

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To the readers of Sparebanken Møre's Sustainability Report 2021,

Independent auditor's assurance report for the SBM Sustainability Report 2021

We have been engaged by the Board of Directors and CEO (the management) of Sparebanken Møre ('SBM') to provide limited assurance in respect of the sustainability reporting in the 2021 Annual Report of SBM.

Included in the scope are the following sections; *A driving force for sustainable development, Stakeholder dialogue and materiality analysis, Our commitments and strategic goals and Significant topics.* The scope excludes future events or the achievability of the objectives, targets and expectations of SBM and information contained in webpages referred to in the sustainability reporting 2021 unless specified in this report.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention, to indicate that the sustainability reporting 2021 is not presented, in all material respects, in accordance with the criteria as defined in the sustainability reporting principles of SBM as presented on page 182 of the Annual Report ("Reporting standards").

Management of SBM's responsibility

The management of SBM is responsible for the preparation and presentation of the sustainability reporting 2021 in accordance with the criteria as defined in the sustainability reporting principles of SBM. It is important to view the information in the sustainability reporting 2021 in the context of these criteria.

These responsibilities include establishing such internal controls as management determines are necessary to enable the preparation of the information in the sustainability reporting 2021 that are free from material misstatement, whether due to fraud or error.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to provide a limited assurance conclusion on SBM's preparation and presentation of the sustainability reporting 2021.We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE 3000 revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform the engagement to obtain limited assurance about whether the information in the sustainability reporting 2021 is free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The procedures selected depend on our understanding of the sustainability reporting and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. Our procedures for limited assurance on the sustainability reporting 2021 included, amongst others:

- A risk analysis, including a media search, to identify relevant sustainability issues for SBM in the reporting period;
- Interviews with senior management and relevant staff at corporate level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate level responsible for providing the information, carrying out internal control procedures and consolidating the data in the sustainability reporting 2021;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the sustainability reporting 2021;
- Assessment of SBM’s sustainability reporting principles;
- Reading the sustainability reporting 2021 to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained through our assurance engagement.

Oslo, 2 March 2022
KPMG AS

Svein Arthur Lyngroth
State Authorized Public Accountant

(This is a translation from Norwegian. The translation is not required to be signed)

Sparebanken
Møre