

UNAUDITED INTERIM REPORT

1 QUARTER

2017



SPAREBANKEN MØRE



# Financial highlights - Group

## Income statement

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

## Statement of financial position

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

## Key figures

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

## Equity Certificates (ECs)

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

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

2) Incl. 50 per cent of profit after tax

3) Incl. 100 per cent of profit after tax

# Interim report from the Board of Directors

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

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

## RESULTS FOR Q1 2017

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

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

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

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

## Net interest income

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

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

## Other operating income

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

## Costs

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

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

## Problem loans

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

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

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

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

### **Lending and deposit growth**

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

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

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

### **CAPITAL ADEQUACY**

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

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

### **SUBSIDIARIES**

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

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

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

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

### **EQUITY CERTIFICATES**

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

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

### **FUTURE PROSPECTS**

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

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

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

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

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

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

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

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

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

Ålesund, 31 March 2017

26 April 2017

**THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE**

LEIF-ARNE LANGØY, Chairman

ROY REITE, Deputy Chairman

RAGNA BRENNE BJERKESET

HENRIK GRUNG

ELISABETH MARÅK STØLE

ANN MAGRITT BJÅSTAD VIKBAKK

HELGE KARSTEN KNUDSEN

MARIE REKDAL HIDE

TROND LARS NYDAL, CEO

# Statement of income - Group

## STATEMENT OF INCOME - GROUP

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

## STATEMENT OF COMPREHENSIVE INCOME - GROUP

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



# Statement of financial position - Group

## STATEMENT OF FINANCIAL POSITION - GROUP

### Assets

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

### Liabilities and equity

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

# Statement of changes in equity - Group

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

  

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

  

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

# Statement of cash flow - Group

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

# Note 1

## ACCOUNTING PRINCIPLES

### General

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

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

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

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

# Note 2

## LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

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

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



# Note 3

## LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

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

Individual impairment on loans

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

Collective impairment on loans

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

Individual impairment on guarantees

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

# Note 4

## DEFAULTED AND DOUBTFUL COMMITMENTS

### Problem loans

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

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

# Note 5

## CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

### CLASSIFICATION

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

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

### Financial assets and derivatives held for trading

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

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

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

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

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

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

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

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

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

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

### Loans and receivables

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

### Financial liabilities assessed at amortised cost

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

### LEVELS IN THE VALUATION HIERARCHY

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

#### Level 1 – Valuation based on prices in an active market

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

#### Level 2 – Valuation based on observable market data

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

#### Level 3 – Valuation based on other than observable market data

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

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

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

Net gains/losses on financial instruments

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



# Note 6

## FINANCIAL INSTRUMENTS AT AMORTISED COST

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

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

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

# Note 7

## FINANCIAL INSTRUMENTS AT FAIR VALUE

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

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

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

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

# Note 8

## OPERATING SEGMENTS

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

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

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

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

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

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

  

| <b>Statement of financial position</b>  | <b>31.03.2017</b> | <b>31.03.2016</b> |
|---|-------------------|-------------------|
| Loans to and receivables from customers | 18 534            | 18 023            |
| Total equity                            | 1 535             | 1 395             |



# Note 9

## TRANSACTIONS WITH RELATED PARTIES

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

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

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

# Note 10

## EC CAPITAL

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

# Note 11

## CAPITAL ADEQUACY

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

Capital requirement by exposure classes

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

  

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

  

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

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

# Statement of income - Parent Bank

## STATEMENT OF INCOME - PARENT BANK

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

## STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

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

# Statement of financial position - Parent Bank

## STATEMENT OF FINANCIAL POSITION - PARENT BANK

### Assets

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

### Liabilities and equity

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



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

# Profit performance - Group

## QUARTERLY PROFIT

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

## As a percentage of average assets

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