

UNAUDITED INTERIM REPORT

2 QUARTER

2016



SPAREBANKEN MØRE

# Financial highlights - Group

## Income statement

	Q2 2016		Q2 2015		30.06.2016		30.06.2015		2015	
	NOK million	%	NOK million	%	NOK million	%	NOK million	%	NOK million	%
Net interest income	275	1.86	275	1.91	525	1.75	530	1.86	1 098	1.89
Net commission and other operating income	46	0.30	51	0.36	88	0.29	98	0.33	193	0.33
Net return from financial investments	60	0.40	14	0.10	74	0.25	34	0.13	12	0.02
Total income	381	2.56	340	2.37	687	2.29	662	2.32	1 303	2.24
Total operating costs	147	0.98	144	1.01	295	0.98	291	1.02	561	0.96
Profit before impairment on loans	234	1.58	196	1.36	392	1.31	371	1.30	742	1.28
Impairment on loans, guarantees etc.	-3	-0.02	7	0.05	-5	-0.02	15	0.05	50	0.09
Pre tax profit	237	1.60	189	1.31	397	1.33	356	1.25	692	1.19
Tax	51	0.34	50	0.33	91	0.30	95	0.34	189	0.32
Profit after tax	186	1.26	139	0.98	306	1.03	261	0.91	503	0.87

## Statement of financial position

NOK million	30.06.2016	% change YTD 2016	31.12.2015	% change during last 12 months	30.06.2015
Total assets	61 712	2.6	60 120	4.8	58 902
Average assets	59 900	3.1	58 113	4.9	57 075
Loans to and receivables from customers	51 192	-0.2	51 286	1.5	50 458
Gross loans to retail customers	35 787	2.8	34 822	6.5	33 588
Gross loans to corporate and public entities	15 467	-6.4	16 526	-8.7	16 933
Deposits from customers	31 595	7.5	29 389	5.5	29 959
Deposits from retail customers	18 783	5.4	17 829	4.1	18 051
Deposits from corporate and public entities	12 706	10.0	11 550	8.5	11 706

## Key figures

	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Return on equity (annualised)	15.2	11.9	12.6	11.2	10.7
Costs as a percentage of income	38.5	42.4	42.9	44.0	43.0

Losses as a percentage of loans 1.1/start of the period	-0.02	0.06	-0.02	0.06	0.10
Problem loans as a percentage of loans (prior to impairment)	0.39	0.74	0.39	0.74	0.47
Problem loans as a percentage of loans (after impairment)	0.25	0.52	0.25	0.52	0.32
Deposits to lending ratio as a percentage	61.7	59.4	61.7	59.4	57.3
Liquidity Coverage Ratio (LCR)	126	152	126	152	123
Lending growth as a percentage	-0.5	0.0	1.5	7.9	4.9
Deposit growth as a percentage	6.2	5.2	5.5	3.0	3.5
Capital adequacy ratio 1) 2)	18.5	17.4	18.5	17.4	18.1
Core capital as a percentage 1) 2)	17.0	15.8	17.0	15.8	16.6
Core tier 1 capital as a percentage 1) 2)	14.5	13.5	14.5	13.5	14.1
Leverage Ratio (LR)	7.8	7.6	7.8	7.6	8.0
Man-years	381	385	381	385	388

#### Equity Certificates (ECs)

	30.06.2016	30.06.2015	2015	2014	2013	2012
Profit per EC (Group) (NOK)	15.40	13.10	25.25	31.20	21.65	31.05
Profit per EC (Parent Bank) (NOK)	20.10	17.70	25.70	29.10	18.45	27.75
EC fraction 1.1 as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	47.7	46.0
Number of ECs issued (NOK million)	988.70	988.70	988.70	988.70	988.70	784.11
Price at Oslo Stock Exchange (NOK)	179	226	188	216	198	160
Stock market value (NOK million)	1 770	2 234	1 859	2 136	1 958	1 255
Book value per EC (Group) (NOK)	257	242	253	242	223	219
Dividend per EC (NOK)	11.50	13.50	11.50	13.50	8.00	12.00
Price/Earnings (Group, annualised)	5.8	8.6	7.3	7.4	10.7	5.8
Price/Book value (P/B) (Group) 3)	0.70	0.93	0.74	0.89	0.89	0.73

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. 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 H1 2016

Sparebanken Møre's pre-tax profit after the first half of 2016 was NOK 397 million, compared to NOK 356 million after the first half of 2015.

Total income was NOK 25 million higher than for the same period in 2015. Net interest income fell by NOK 5 million and other operating income rose by NOK 30 million. The increase in other operating income was primarily attributable to NOK 38 million in proceeds from the Visa transaction, capital gains from bonds of NOK 10 million, compared with capital losses of NOK 9 million in the corresponding period last year, and income from interest transactions with customers being NOK 9 million lower than in the first half of 2015.

Costs were NOK 4 million higher while losses on loans and guarantees were NOK 20 million lower than in the corresponding period last year.

The cost income ratio after the first half of the year was 42.9 %. This represents a decrease of 1.1 percentage points compared with the first half of 2015. The cost income ratio for the year-to-date is well within Sparebanken Møre's target of 45 %.

The profit after tax was NOK 306 million, NOK 45 million higher than for the first half of 2015. The half-year results show an annualised return on equity of 12.6 %, compared to 11.2 % after the first half of 2015. Sparebanken Møre's strategic return on equity target is a minimum of 10 % after tax.

Earnings per equity certificate after the first half of the year amounted to NOK 15.40 (NOK 13.10) for the Group and NOK 20.10 (NOK 17.70) for the Parent Bank.

The Board of Directors is pleased with the result for the first half of 2016.

## The Visa transaction

Please refer to the information already provided in the 2015 annual report and the stock notification of 29 June 2016 on the agreement between Visa Europe Ltd and Visa Inc. concerning the sale of all of the shares in Visa Europe. Sparebanken Møre has an interest in this transaction due to its stake in Visa Norge FLI, which owns one share in Visa Europe Ltd. The transaction consists of a cash payment upon implementation, a cash payment payable after 3 years, and convertible preference shares.

On 28 June 2016, Visa Norge confirmed that Sparebanken Møre's share of the cash payment amounted to EUR 4.4 million. The effect on the pre-tax profit of this first part of the cash payment amounted to NOK 38 million in the second quarter.

## RESULTS FOR Q2 2016

The profit after tax for the second quarter of 2016 amounted to NOK 186 million, or 1.26 % of average total assets, compared to NOK 139 million, or 0.98 %, for the corresponding quarter last year. The return on equity in the second quarter of 2016 was 15.2 %, compared with 11.9 % for the second quarter of 2015.

Earnings per equity certificate amounted to NOK 9.30 (NOK 7.00) for the Group and NOK 7.30 (NOK 4.80) for the Parent Bank.

## Net interest income

Net interest income of NOK 275 million was on a par with the corresponding quarter of last year. This represents 1.86 % of total assets, which is 0.05 percentage points lower than in the second quarter of 2015.

The generally low level of interest rates in the market, combined with strong competition for both loans and deposits, is affecting the development of net interest income.



### **Other operating income**

Other operating income amounted to NOK 106 million, which is NOK 41 million higher than in the second quarter of last year. Other operating income amounted to 0.70 % of average total assets, compared with 0.46 % in the corresponding period in 2015. The effect on the pre-tax profit of the first part of the cash payment from the Visa transaction amounted to NOK 38 million in the second quarter. Capital gains on bonds amounting to NOK 8 million were also posted, compared with capital losses of NOK 2 million for the second quarter of 2015.

### **Costs**

Operating costs in the quarter amounted to NOK 147 million, which is NOK 3 million higher than in the corresponding quarter last year. The increase was attributable to a NOK 3 million rise in other operating costs. Personnel costs were on a par with the corresponding period last year and amounted to NOK 83 million. Staffing has been reduced by 4 full-time equivalents in the last 12 months to 381 full-time equivalent positions.

The cost income ratio amounted to 38.5 % in the second quarter of 2016, which represents a reduction of 3.9 percentage points compared with the second quarter last year.

### **Problem loans**

Losses on lending and guarantees was positive for the quarter and amounted to NOK 3 million. This amounts to 0.02 % of average total assets on an annualised basis. The corresponding figure for the second quarter of 2015 was a cost of NOK 7 million (0.05 %). Collective impairment remained unchanged in the second quarter: losses on loans in the retail segment were positive and amounted to NOK 2 million and losses on loans in the corporate segment was positive and amounted to NOK 1 million.

At the end of the second quarter of 2016, total impairment for losses amounted to NOK 332 million, equivalent to 0.64 % of gross lending (NOK 314 million and 0.62 % of gross lending). NOK 13 million of the individual impairment involved commitments in default for more than 90 days (NOK 18 million), which represents 0.03 % of gross lending (0.04 %). NOK 58 million relates to other commitments (NOK 95 million), which is equivalent to 0.11 % of gross lending (0.18 %). Collective impairment amounted to NOK 262 million (NOK 201 million) or 0.51 % of gross lending (0.40 %).

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 131 million in the last 12 months. At the end of the second quarter of 2016, the corporate market accounted for NOK 81 million of net problem loans and the retail market NOK 48 million. In total this represents 0.25 % of gross lending (0.52 %).

### **Lending to customers**

At the end of the second quarter of 2016, lending to customers amounted to NOK 51 192 million (NOK 50 458 million). Net customer lending has increased by a total of NOK 734 million, or 1.5 %, in the last 12 months. Retail lending has increased by 6.5 %, while corporate lending has decreased by 8.7 % in the last 12 months. Retail lending accounted for 69.8 % of lending at the end of the second quarter of 2016 (66.2 %).

### **Customer deposits**

Customer deposits have increased by 5.5 % the last 12 months. At the end of the second quarter of 2016, deposits amounted to NOK 31 595 million (NOK 29 959 million). Retail deposits have increased by 4.1 % in the last 12 months, while corporate deposits have increased by 8.4 % and public sector deposits have increased by 9.8 %. The retail market's relative share of deposits amounted to 59.4 % (60.8 %), while deposits from the corporate market accounted for 37.0 % (36.1 %) and public sector customers 3.6 % (3.1 %).

The deposit to loan ratio amounted to 61.7 % at the end of the second quarter of 2016 (59.4 %).

### **CAPITAL ADEQUACY**

The Group's capital adequacy ratio at the end of the second quarter of 2016 was above the regulatory capital requirements and in line with the internally set minimum target for the core tier 1 capital ratio.

Regardless of the level of the countercyclical buffer, the Group's core tier 1 capital ratio shall amount to a minimum of 13.0 %. The Financial Supervisory Authority of Norway will carry out a new assessment of the Group's risk and capital needs in 2016 and set an individual Pillar 2 buffer.

The primary capital ratio, including 50 % of retained earnings in the year-to-date, amounts to 18.5 % (17.4 %), the core capital ratio amounts to 17.0 % (15.8 %) and the core tier 1 capital ratio amounts to 14.5 % (13.5 %).

Sparebanken Møre was subject to a capital requirement linked to the transitional scheme associated with the Basel I floor

amounting to NOK 63 million at the end of the second quarter of 2016, which corresponds to a basis for calculation of NOK 793 million.

## **SUBSIDIARIES**

The aggregate profit of the Bank's three subsidiaries amounted to NOK 81 million after tax in the first half of 2016 (NOK 97 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 half of the year, the company had raised NOK 15.8 billion in funding for the Group. The company contributed NOK 82 million to the result in the first half of 2016 (NOK 96 million).

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company has made a negative contribution to the result so far in 2016 of NOK 1 million (NOK 1 million). At the end of the quarter, the company employed 16 full-time equivalents.

Sparebankeiendom AS' purpose is to own and manage the Bank's business properties. The company has made no contribution to the result so far in 2016. The company has no staff.

## **EQUITY CERTIFICATES**

At the end of the first half of 2016, there were 5 860 holders of Sparebanken Møre's equity certificates. 9 886 954 equity certificates have been issued. The EC holders' share of the bank's total equity amounts to 49.6 %. Note 10 contains an overview of the 20 largest owners of the Bank's equity certificates.

As at 30 June 2016, the Bank owned 125 485 of its own equity certificates. These were purchased via the Oslo Stock Exchange at market price.

## **FUTURE PROSPECTS**

The economic outlook for Møre og Romsdal has become more stable during the last few months. On the one hand, growth in the international economy will be a bit lower this year than originally estimated. On the other hand, oil prices have stabilized at a slightly higher level than by the end of Q1, the Norwegian krone remains weak, interest rates are low, and fiscal policy has been expansionary. We are in the midst of a period of significant restructuring in the Norwegian economy that, so far, appears to have been generally successful. These factors will have a positive effect on unemployment through the remaining part of the year. However, output in oil-related industries is expected to fall further. At the same time, the developments within fisheries, tourism and traditional exports of goods and services are favourable.

The level of losses in Sparebanken Møre is expected to remain low this year.

The unemployment rate in the county has fallen in the last 3 months, including when adjusted for normal seasonal variations. In June, unemployment fell to 2.9 %. This is the same rate as the nationwide rate. However, parts of Møre og Romsdal are still being affected by the decreasing level of activity in the oil sector. Therefore, there is some risk that unemployment will rise slightly going forward. Low interest rates, a weak Norwegian krone, an expansionary fiscal policy, and the aforementioned restructuring are expected to moderate a possible rise in unemployment, also in Møre og Romsdal. The county also has a high export share. In the long term, the weak Norwegian krone could therefore also contribute to the labour market developing better in Møre og Romsdal than in the country as a whole.

Credit growth in Norway has decreased slightly through the first half of the year. We are experiencing continued strong competition in the market for both lending and deposits, but the Bank is competitive and is still seeing strong growth in lending. Competition is increasing within certain business sectors. 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 the business sectors in our region, Nordvestlandet.

Sparebanken Møre focuses strongly on cost-effectiveness. This has resulted in a highly satisfactory level of costs. This focus will continue, and the Group's cost income ratio this year is expected to remain within the internal target of 45 %.

Overall, good results are expected this year, with a return on equity exceeding the target of 10 per cent.

9 August 2016

**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 VIKEBAKK

HELGE KARSTEN KNUDSEN

OLAV ARNE FISKERSTRAND, CEO

# Statement of income - Group

## STATEMENT OF INCOME - GROUP

Amounts in NOK million	Note	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Interest income		440	502	891	1 026	1 994
Interest costs		165	227	366	496	896
Net interest income	<u>9</u>	275	275	525	530	1 098
Commission income and revenues from banking services		48	51	92	99	196
Commission costs and expenditure from banking services		7	7	14	14	28
Other operating income		5	7	10	13	25
Net commission and other operating income		46	51	88	98	193
Dividends		1	1	1	1	2
Net gains/losses from financial instruments	<u>5</u>	59	13	73	33	10
Net return from financial instruments		60	14	74	34	12
Total income		381	340	687	662	1 303
Wages, salaries etc.		83	83	165	164	309
Administration costs		31	28	65	64	119
Depreciation and impairment		7	7	15	13	29
Other operating costs		26	26	50	50	104
Total operating costs		147	144	295	291	561
Profit before impairment on loans		234	196	392	371	742
Impairment on loans, guarantees etc.	<u>3</u>	-3	7	-5	15	50
Pre tax profit		237	189	397	356	692
Taxes		51	50	91	95	189
Profit after tax		186	139	306	261	503
Profit per EC (NOK)		9.30	7.00	15.40	13.10	25.25
Diluted earnings per EC (NOK)		9.30	7.00	15.40	13.10	25.25
Distributed dividend per EC (NOK)		0.00	13.50	11.50	13.50	13.50

## STATEMENT OF COMPREHENSIVE INCOME - GROUP

Amounts in NOK million	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Profit after tax	186	139	306	261	503
Other income/costs reversed in ordinary profit:					



Equities available for sale - changes in value	-37	0	-38	-2	48
Other income/costs not reversed in ordinary profit:					
Pension estimate deviations	0	0	0	0	-9
Tax effect of pension estimate deviations	0	0	0	0	-2
Total comprehensive income after tax	149	139	268	259	540

# Statement of financial position - Group

## STATEMENT OF FINANCIAL POSITION - GROUP

### Assets

Amounts in NOK million	Note	30.06.2016	30.06.2015	31.12.2015
Cash and claims on Norges Bank	<u>5 6 9</u>	1 110	1 309	1 054
Loans to and receivables from credit institutions	<u>5 6 9</u>	1 799	940	1 205
Loans to and receivables from customers	<u>2 3 4 5 7 9</u>	51 192	50 458	51 286
Certificates, bonds and other interest-bearing securities	<u>5 7 9</u>	5 678	4 680	4 735
Financial derivatives	<u>5 7</u>	1 299	892	1 234
Shares and other securities	<u>5 7</u>	130	123	168
Deferred tax benefit		50	31	50
Intangible assets		51	50	48
Fixed assets		238	262	259
Other assets		165	157	81
<b>Total assets</b>		<b>61 712</b>	<b>58 902</b>	<b>60 120</b>

### Liabilities and equity

Amounts in NOK million	Note	30.06.2016	30.06.2015	31.12.2015
Loans and deposits from credit institutions	<u>5 6 9</u>	727	1 175	1 058
Deposits from customers	<u>2 5 7 9</u>	31 595	29 959	29 389
Debt securities issued	<u>5 6</u>	21 681	20 201	21 918
Financial derivatives	<u>5 7</u>	603	541	592
Other liabilities		498	689	590
Incurred costs and prepaid income		75	100	75
Other provisions for incurred liabilities and costs		39	70	59
Perpetual Hybrid Tier 1 capital	<u>5 6</u>	840	838	826
Subordinated loan capital	<u>5 6</u>	501	502	501
<b>Total liabilities</b>		<b>56 559</b>	<b>54 075</b>	<b>55 008</b>
EC capital	<u>10</u>	989	989	989
ECs owned by the Bank		-13	-15	-13
Share premium		354	354	354
<b>Paid-in equity</b>		<b>1 330</b>	<b>1 328</b>	<b>1 330</b>
<b>Primary capital fund</b>		<b>2 183</b>	<b>2 044</b>	<b>2 183</b>

Gift fund	125	125	125
Dividend equalisation fund	936	799	935
Value adjustment fund	82	34	82
Other equity	229	238	457
Total comprehensive income after tax	268	259	0
Retained earnings	3 823	3 499	3 782
Total equity	5 153	4 827	5 112
Total liabilities and equity	61 712	58 902	60 120

# Statement of changes in equity - Group

<b>GROUP 30.06.2016</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	268							268
Equity as at 30 June 2016	5 153	976	354	2 183	125	936	82	497

<b>GROUP 30.06.2015</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 2014	4 845	978	353	2 048	125	799	34	507
Changes in own equity certificates	-8	-4	1	-4				
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-136							-136
Total profit for the period	259							259
Equity as at 30 June 2015	4 827	974	354	2 044	125	799	34	497

<b>GROUP 31.12.2015</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 2014	4 845	978	353	2 048	125	799	34	507
Changes in own equity certificates	-2	-2	1	-2		1		
Distributed dividend to the EC holders	-133							-133
Distributed dividend to the local community	-136							-136
Equity before allocation of profit for the year	4 573	976	354	2 046	125	800	34	238
Allocated to the primary capital fund	142			142				
Allocated to the dividend equalisation fund	140					140		
Allocated to other equity	-9							-9
Proposed dividend allocated for the EC holders	114							114
Proposed dividend allocated for the local	115							115

## community

Distributed profit for the year	503	0	0	142	0	140	0	220
Equities available for sale - changes in value	48						48	
Pension estimate deviations	-9			-5		-4		
Tax effect of pension estimate deviations	-2			-1		-1		
Total other income and costs from comprehensive income	37	0	0	-6	0	-5	48	0
Total profit for the period	540	0	0	137	0	135	48	220
Equity as at 31 December 2015	5 112	976	354	2 183	125	935	82	457

# Statement of cash flow - Group

Amounts in NOK million	30.06.2016	30.06.2015	31.12.2015
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	942	1 108	2 109
Interest, commission and fees paid	-171	-287	-524
Dividend and group contribution received	1	1	2
Operating expenses paid	-206	-244	-532
Income taxes paid	-227	-204	-202
Changes relating to loans to and claims on other financial institutions	-595	221	-44
Changes relating to repayment of loans/leasing to customers	-551	-1 793	-2 922
Changes in utilised credit facilities	654	211	485
Net change in deposits from customers	2 206	1 571	1 000
Net cash flow from operating activities	2 053	584	-628
<b>Cash flow from investing activities</b>			
Interest received on certificates, bonds and other securities	50	53	104
Proceeds from the sale of certificates, bonds and other securities	1 068	956	1 483
Purchases of certificates, bonds and other securities	-2 044	-939	-1 512
Proceeds from the sale of fixed assets etc.	17	0	4
Purchase of fixed assets etc.	-14	-29	-43
Changes in other assets	-115	-14	-283
Net cash flow from investing activities	-1 038	27	-247
<b>Cash flow from financing activities</b>			
Interest paid on debt securities	-204	-235	-455
Net change in deposits from Norges Bank and other financial institutions	-330	628	511
Proceeds from bond issues raised	1 510	3 569	7 056
Redemption of debt securities	-1 745	-3 142	-5 107
Dividend paid	-114	-133	-133
Changes in other debt	-76	-67	-21
Net cash flow from financing activities	-959	620	1 851
Net change in cash and cash equivalents	56	1 231	976
Cash balance at 01.01	1 054	78	78



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Cash balance at 30.06/31.12

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1 110

1 309

1 054

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# 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 30 June 2016. 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 2015 financial statements. There have been no changes or new standards coming into force in so far in 2016.

Please see the Annual report 2015 for further description of accounting principles.

## Note 2

### LOANS AND DEPOSITS BROKEN DOWN ACCORDING TO SECTORS

GROUP	Loans		
	30.06.2016	30.06.2015	31.12.2015
<b>Broken down according to sectors</b>			
Agriculture and forestry	351	406	373
Fisheries	2 687	3 247	3 186
Manufacturing	1 505	1 794	1 794
Building and construction	631	675	600
Wholesale and retail trade, hotels	529	542	517
Supply/Offshore	1 138	1 265	1 189
Property management	6 052	6 229	6 133
Professional/financial services	801	937	892
Transport and private/public services	1 651	1 710	1 708
Public entities	0	2	2
Activities abroad	122	126	132
Total corporate/public entities	15 467	16 933	16 526
Retail customers	35 787	33 588	34 822
Fair value adjustment of loans	178	144	180
Accrued interest income	92	105	99
<b>Total loans</b>	<b>51 524</b>	<b>50 770</b>	<b>51 627</b>
Individual impairment	-70	-111	-79
Collective impairment	-262	-201	-262
Loans to and receivables from customers	51 192	50 458	51 286
Loans with floating interest rate (amortised cost)	46 535	45 487	46 290
Loans with fixed interest rate (fair value)	4 989	5 283	5 337

GROUP	Deposits		
	30.06.2016	30.06.2015	31.12.2015
<b>Broken down according to sectors</b>			
Agriculture and forestry	210	195	176
Fisheries	635	461	641
Manufacturing	1 263	906	1 122
Building and construction	522	436	470

Wholesale and retail trade, hotels	693	716	738
Supply/Offshore	653	525	503
Property management	1 276	1 484	1 370
Professional/financial services	2 027	1 764	1 720
Transport and private/public services	2 438	1 607	2 172
Public entities	1 019	928	898
Activities abroad	5	4	5
Miscellaneous	1 965	2 680	1 735
Total corporate/public entities	12 706	11 706	11 550
Retail customers	18 783	18 051	17 829
Fair value adjustment of deposits	1	2	2
Accrued interest costs	105	200	8
Total deposits	31 595	29 959	29 389
Deposits with floating interest rate (amortised cost)	30 636	29 623	28 875
Deposits with fixed interest rate (fair value)	959	336	514

# Note 3

## LOSSES AND IMPAIRMENT ON LOANS AND GUARANTEES

Specification of losses on loans, guarantees etc.

	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Changes in individual impairment of loans and guarantees during the period	-2	-26	-9	-30	-60
Changes in collective impairment during the period	0	25	0	35	96
Confirmed losses during the period where individual impairment had previously been made	1	6	7	9	13
Confirmed losses during the period where individual impairment had previously not been made	2	7	3	8	13
Recoveries	4	5	6	7	12
Losses on loans, guarantees etc.	-3	7	-5	15	50

Individual impairment on loans

	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Individual impairment on loans as at 01.01/01.04	72	139	79	141	141
Confirmed losses during the period, where individual impairment had previously been made	1	6	7	9	13
Increase in individual impairment during the period	3	1	3	4	9
Individual impairment of new commitments during the period	3	8	6	16	22
Recoveries on individual impairment during the period	7	31	11	41	80
Individual impairment on loans at the end of the period	70	111	70	111	79

Collective impairment on loans

	Q2 2016	Q2 2015	30.06.2016	30.06.2015	31.12.2015
Collective impairment of loans as at 01.01/01.04	262	176	262	166	166
Changes during the period	0	25	0	35	96
Collective impairment on loans at the end of the period	262	201	262	201	262

Individual impairment on guarantees

	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Individual impairment as at 01.01/01.04	0	2	0	2	2
Individual impairment during the period	0	0	0	0	0
Recoveries on individual impairment during the period	0	0	0	0	2
Individual impairment at the end of the period	0	2	0	2	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	30.06.2016			30.06.2015			31.12.2015		
	Total	Retail	Corporate	Total	Retail	Corporate	Total	Retail	Corporate
Problem loans prior to individual impairment:									
Commitments in default above 3 months	63	33	30	65	45	20	74	39	35
Other bad and doubtful commitments subject to impairment	137	28	109	308	36	272	170	28	142
<b>Total problem loans prior to individual impairment</b>	<b>200</b>	<b>61</b>	<b>139</b>	<b>373</b>	<b>81</b>	<b>292</b>	<b>244</b>	<b>67</b>	<b>177</b>
Individual impairment on:									
Commitments in default above 3 months	13	2	11	18	8	10	14	2	12
Other bad and doubtful commitments subject to impairment	58	11	47	95	12	83	65	10	55
<b>Total individual impairment</b>	<b>71</b>	<b>13</b>	<b>58</b>	<b>113</b>	<b>20</b>	<b>93</b>	<b>79</b>	<b>12</b>	<b>67</b>
Problem loans after individual impairment:									
Commitments in default above 3 months	50	31	19	47	37	10	60	37	23
Other bad and doubtful commitments subject to impairment	79	17	62	213	24	189	105	18	87
<b>Total problem loans less individual impairment</b>	<b>129</b>	<b>48</b>	<b>81</b>	<b>260</b>	<b>61</b>	<b>199</b>	<b>165</b>	<b>55</b>	<b>110</b>
Total problem loans prior to individual impairment as a percentage of total loans									
	0.39	0.17	0.90	0.74	0.24	1.72	0.47	0.19	1.07
Total problem loans less individual impairment as a percentage of total loans									
	0.25	0.13	0.52	0.52	0.18	1.18	0.32	0.15	0.67

# 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 - 30.06.2016	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			1 110	
Loans to and receivables from credit institutions			1 799	
Loans to and receivables from customers		4 989	46 203	
Certificates and bonds		5 678		
Shares and other securities	2			128
Financial derivatives	1 299			
<b>Total financial assets</b>	<b>1 301</b>	<b>10 667</b>	<b>49 112</b>	<b>128</b>
Loans and deposits from credit institutions			727	
Deposits from and liabilities to customers		959	30 636	
Financial derivatives	603			
Debt securities			21 681	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 341	
<b>Total financial liabilities</b>	<b>603</b>	<b>959</b>	<b>54 385</b>	<b>-</b>
<b>GROUP - 30.06.2015</b>				
	<b>Trading</b>	<b>At fair</b>	<b>Financial instruments assessed at amortised cost</b>	<b>Financial instruments held available for sale</b>

**value**

Cash and claims on Norges Bank			1 309	
Loans to and receivables from credit institutions			940	
Loans to and receivables from customers	5 283		45 175	
Certificates and bonds	4 680			
Shares and other securities	3			120
Financial derivatives	892			
<b>Total financial assets</b>	<b>895</b>	<b>9 963</b>	<b>47 424</b>	<b>120</b>
Loans and deposits from credit institutions			1 175	
Deposits from and liabilities to customers		336	29 623	
Financial derivatives	541			
Debt securities			20 201	
Subordinated loan capital and Perpetual Hybrid Tier 1 capital			1 340	
<b>Total financial liabilities</b>	<b>541</b>	<b>336</b>	<b>52 339</b>	<b>-</b>

Net gains/losses on financial instruments

	<b>Q2 2016</b>	<b>Q2 2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Certificates and bonds	8	-2	10	-9	-51
Securities	37	1	37	1	-2
Foreign exchange trading (for customers)	8	8	17	15	33
Fixed income trading (for customers)	6	6	8	17	26
Financial derivatives	-3	0	1	9	4
<b>Net change in value and gains/losses from financial instruments</b>	<b>56</b>	<b>13</b>	<b>73</b>	<b>33</b>	<b>10</b>

# Note 6

## FINANCIAL INSTRUMENTS AT AMORTISED COST

GROUP	30.06.2016		30.06.2015	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	1 110	1 110	1 309	1 309
Loans to and receivables from credit institutions	1 799	1 799	940	940
Loans to and receivables from customers	46 203	46 203	45 175	45 175
Total financial assets	49 112	49 112	47 424	47 424
Loans and deposits from credit institutions	727	727	1 175	1 175
Deposits from and liabilities to customers	30 636	30 636	29 623	29 623
Debt securities	21 636	21 681	20 308	20 201
Subordinated loan capital and Perpetual Hybrid Tier 1 capital	1 361	1 341	1 419	1 340
Total financial liabilities	54 360	54 385	52 525	52 339

GROUP - 30.06.2016	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	1 110			1 110
Loans to and receivables from credit institutions		1 799		1 799
Loans to and receivables from customers			46 203	46 203
Total financial assets	1 110	1 799	46 203	49 112
Loans and deposits from credit institutions		727		727
Deposits from and liabilities to customers			30 636	30 636
Debt securities		21 636		21 636
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 361		1 361
Total financial liabilities	-	23 724	30 636	54 360

GROUP - 30.06.2015	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank	1 309			1 309
Loans to and receivables from credit institutions		940		940

Loans to and receivables from customers			45 175	45 175
Total financial assets	1 309	940	45 175	47 424
Loans and deposits from credit institutions		1 175		1 175
Deposits from and liabilities to customers			29 623	29 623
Debt securities		20 308		20 308
Subordinated loan capital and Perpetual Hybrid Tier 1 capital		1 419		1 419
Total financial liabilities	-	22 902	29 623	52 525



# Note 7

## FINANCIAL INSTRUMENTS AT FAIR VALUE

GROUP - 30.06.2016	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			4 989	4 989
Certificates and bonds	1 959	3 719		5 678
Shares and other securities	6		124	130
Financial derivatives		1 299		1 299
<b>Total financial assets</b>	<b>1 965</b>	<b>5 018</b>	<b>5 113</b>	<b>12 096</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			959	959
Debt securities				-
Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		603		603
<b>Total financial liabilities</b>	<b>-</b>	<b>603</b>	<b>959</b>	<b>1 562</b>

GROUP - 30.06.2015	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Cash and claims on Norges Bank				-
Loans to and receivables from credit institutions				-
Loans to and receivables from customers			5 283	5 283
Certificates and bonds	1 701	2 979		4 680
Shares and other securities	9		114	123
Financial derivatives		892		892
<b>Total financial assets</b>	<b>1 710</b>	<b>3 871</b>	<b>5 397</b>	<b>10 978</b>
Loans and deposits from credit institutions				-
Deposits from and liabilities to customers			336	336
Debt securities				-

Subordinated loan capital and Perpetual Hybrid Tier 1 capital				-
Financial derivatives		541		541
Total financial liabilities	-	541	336	877

<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	190	-	498
Sales/reduction	537	37	53
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	-1	-	-
Recorded value as at 30.06.16	4 989	124	959

<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 31.12.14	4 123	114	442
Purchases/additions	2 008	-	114
Sales/reduction	886	2	220
Transferred to Level 3	-	-	-
Transferred from Level 3	-	-	-
Net gains/losses in the period	38	2	-
Recorded value as at 30.06.15	5 283	114	336

# Note 8

## OPERATING SEGMENTS

Result - Q2 2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income	275	-3	108	170		0
Other operating income	106	53	23	25		5
Total income	381	50	131	195		5
Operating costs	147	34	26	82		5
Profit before impairment	234	16	105	113		0
Impairment on loans, guarantees etc.	-3	0	-1	-2		0
Pre tax profit	237	16	106	115		0
Taxes	51					
Profit after tax	186					

Result - 30.06.2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Net interest income	525	-30	218	337		0
Other operating income	162	66	43	45		8
Total income	687	36	261	382		8
Operating costs	295	57	56	173		9
Profit before impairment	392	-21	205	209		-1
Impairment on loans, guarantees etc.	-5	0	-1	-4		0
Pre tax profit	397	-21	206	213		-1
Taxes	91					
Profit after tax	306					

Key figures - 30.06.2016	Group	Eliminations/ other	Corporate	Retail 1)	Real estate brokerage	
Loans to customers 1)	51 192	990	15 207	34 995		0
Deposits from customers 1)	31 595	934	10 630	20 031		0
Guarantee liabilities	1 662	0	1 653	9		0
The deposit-to-loan ratio	61.7	94.3	69.9	57.2		0

Man-years	381	148	55	162	16
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<b>Result - Q2 2015</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>
Net interest income	275	2	116	157	0
Other operating income	65	11	24	24	6
Total income	340	13	140	181	6
Operating costs	144	28	26	85	5
Profit before impairment	196	-15	114	96	1
Impairment on loans, guarantees etc.	7	24	-16	-1	0
Pre tax profit	189	-39	130	97	1
Taxes	50				
Profit after tax	139				

<b>Result - 30.06.2015</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>
Net interest income	530	-13	231	312	0
Other operating income	132	26	45	50	11
Total income	662	13	276	362	11
Operating costs	291	54	54	173	10
Profit before impairment	371	-41	222	189	1
Impairment on loans, guarantees etc.	15	34	-18	-1	0
Pre tax profit	356	-75	240	190	1
Taxes	95				
Profit after tax	261				

<b>Key figures - 30.06.2015</b>	<b>Group</b>	<b>Eliminations/ other</b>	<b>Corporate</b>	<b>Retail 1)</b>	<b>Real estate brokerage</b>
Loans to customers 1)	50 458	1 020	16 640	32 798	0
Deposits from customers 1)	29 959	939	9 696	19 324	0
Guarantee liabilities	1 711	0	1 702	9	0
The deposit-to-loan ratio	59.4	92.1	58.3	58.9	0
Man-years	385	151	56	163	15

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>Q2 2016</b>	<b>Q2 2015</b>
Net interest income	62	67
Other operating income	1	-1
Total income	63	66
Operating costs	9	9
Profit before impairment on loans	54	57
Impairment on loans, guarantees etc.	0	2
Pre tax profit	54	55
Taxes	14	14
Profit after tax	40	41

<b>Statement of income</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
Net interest income	122	142
Other operating income	5	7
Total income	127	149
Operating costs	17	16
Profit before impairment on loans	110	133
Impairment on loans, guarantees etc.	0	2
Pre tax profit	110	131
Taxes	28	35
Profit after tax	82	96

<b>Statement of financial position</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
Loans to and receivables from customers	18 137	16 030
Total equity	1 435	1 249

# 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>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Statement of income			
Interest and credit commission income from subsidiaries	10	11	19
Received dividend and group contribution from subsidiaries	176	191	191
Rent paid to Sparebankeiendom AS	8	9	18
Administration fee received from Møre Boligkreditt AS	13	12	24
Statement of financial position			
Claims on subsidiaries	2 039	1 416	1 121
Covered bonds	25	75	0
Liabilities to subsidiaries	254	236	307
Accumulated loan portfolio transferred to Møre Boligkreditt AS	18 141	16 034	16 911



# Note 10

## EC CAPITAL

The 20 largest EC holders in Sparebanken Møre as at 30.06.2016	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	988 000	9.99
Verdipapirfond Pareto Aksje Norge	518 307	5.24
MP Pensjon	392 263	3.97
Wenaasgruppen AS	380 000	3.84
VPF Nordea Norge Verdi	343 079	3.47
Pareto AS	305 189	3.09
FLPS - Princ All Sec	226 334	2.29
Bergen Kommunale Pensjonskasse	220 000	2.23
Beka Holding AS	150 100	1.52
VPF Fondsinans Norge	138 260	1.40
Sparebanken Møre	125 485	1.27
Lapas AS (Leif-Arne Langøy)	105 500	1.07
Anders Pedersen	101 586	1.03
Verdipapirfondet Eika utbytte	98 595	1.00
Odd Slyngstad	80 528	0.81
Farstad Shipping ASA	76 909	0.78
PIBCO AS	75 000	0.76
Verdipapirfondet Landkreditt utbytte	65 000	0.66
Forsvarets Personellservice	63 660	0.64
Stiftelsen Kjell Holm	61 088	0.62
Total 20 largest	4 514 883	45.68
Total	9 886 954	100.00

# Note 11

## CAPITAL ADEQUACY

	30.06.2016	30.06.2015	31.12.2015
<b>Core Capital</b>			
EC capital	989	989	989
- ECs owned by the Bank	-13	-15	-13
Share premium	354	354	354
Dividend equalisation fund	936	799	935
Gift fund	125	125	125
Primary capital fund	2 183	2 044	2 183
Value adjustment fund	82	34	82
Proposed dividend for the EC holders	0	0	114
Proposed dividend for the local community	0	0	115
Other equity	229	238	228
Accumulated profit for the period	268	267	0
<b>Total equity</b>	<b>5 153</b>	<b>4 835</b>	<b>5 112</b>
Deferred tax, goodwill and intangible assets	-51	-50	-47
Value adjustments of financial instruments at fair value	-14	-12	-14
Value adjustment fund	-82	-34	-82
Perpetual Hybrid Tier 1 capital	807	805	808
Expected losses exceeding actual losses, IRB portfolios corporate	-121	-255	-175
Proposed dividend for the EC holders	0	0	-114
Proposed dividend for the local community	0	0	-115
Accumulated profit for the period	-268	-267	0
<b>Total core capital</b>	<b>5 423</b>	<b>5 022</b>	<b>5 373</b>
<b>Common equity Tier 1 Capital</b>	<b>4 616</b>	<b>4 217</b>	<b>4 565</b>
<b>Supplementary capital</b>			
Subordinated loan capital of limited duration	501	502	501
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>501</b>	<b>502</b>	<b>501</b>
<b>Net equity and subordinated loan capital</b>	<b>5 924</b>	<b>5 524</b>	<b>5 874</b>

Capital requirement by exposure classes

<b>Exposure classes SA - credit risk</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Central governments or central banks	0	0	0
Regional governments or local authorities	11	5	6
Public sector companies	22	21	20
Institutions (banks etc)	66	41	52
Companies (corporate customers)	3	29	5
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	18	14	16
Equity	8	8	8
Other items	119	93	114
<b>Total capital requirements - credit risk, The Standardised Approach</b>	<b>247</b>	<b>211</b>	<b>221</b>
<b>Exposure classes IRB - credit risk</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Retail - Secured by real estate	584	570	562
Retail - Other	46	52	46
SME	684	884	773
Specialised lending	500	495	512
Other corporate lending	263	185	252
IRB-F capital requirements	2 077	2 186	2 145
<b>Total capital requirements - credit risk</b>	<b>2 324</b>	<b>2 397</b>	<b>2 366</b>
<b>Exposure classes SA - market risk</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Debt	0	0	0
Equity	0	0	0
Foreign exchange	0	0	0
Credit value adjustment risk (CVA)	41	18	40
<b>Total capital requirements - market risk</b>	<b>41</b>	<b>18</b>	<b>40</b>
Operational Risk (Basic Indicator Approach)	194	190	190
Deductions from the capital requirement	0	0	0
<b>Total capital requirement less transitional rules</b>	<b>2 559</b>	<b>2 605</b>	<b>2 596</b>
Additional capital requirements from transitional rules 1)	63	0	0
<b>Total capital requirements</b>	<b>2 622</b>	<b>44 980</b>	<b>45 155</b>

Total risk-weighted assets less transitional rules	31 990	32 580	32 455
Total risk-weighted assets from transitional rules	793	0	0
Total risk-weighted assets	32 783	32 580	32 455
Minimum requirement common equity Tier 1 capital (4.5 %)	1 475	1 466	1 460

<b>Buffer Requirement</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Capital conservation buffer (2.5 %)	820	815	811
Systemic risk buffer (3.0 %)	983	977	974
Countercyclical buffer (1.0%)	492		325
Total buffer requirements	2 295	1 792	2 110
Available common equity Tier 1 capital after buffer requirements	846	959	995

<b>Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Capital adequacy ratio	18.0	17.0	18.1
Capital adequacy ratio incl. 50 per cent of the profit for the period	18.5	17.4	
Core capital ratio	16.5	15.4	16.6
Core capital ratio incl. 50 per cent of the profit for the period	17.0	15.8	
Core Tier 1 capital ratio	14.1	13.0	14.1
Core Tier 1 capital ratio incl. 50 per cent of the profit for the period	14.5	13.5	

<b>Leverage Ratio (LR)</b>	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>31.12.2015</b>
Leverage Ratio (LR)	7.8	7.6	8.0

# Statement of income - Parent Bank

## STATEMENT OF INCOME - PARENT BANK

Amounts in NOK million	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Interest income	321	372	655	756	1 473
Interest costs	108	163	251	366	645
Net interest income	213	209	404	390	828
Commission income and revenues from banking services	48	51	92	99	197
Commission costs and expenditure from banking services	7	7	14	14	28
Other operating income	7	7	14	13	27
Net commission and other operating income	48	51	92	98	196
Dividends	1	1	177	192	193
Net gains/losses from financial instruments	58	14	68	26	9
Net return from financial instruments	59	15	245	218	202
Total income	320	275	741	706	1 226
Wages, salaries etc.	79	79	158	157	295
Administration costs	31	28	65	64	119
Depreciation and impairment	7	6	13	11	23
Other operating costs	24	25	47	48	105
Total operating costs	141	138	283	280	542
Profit before impairment on loans	179	137	458	426	684
Impairment on loans, guarantees etc.	-3	5	-5	13	47
Pre tax profit	182	132	463	413	637
Taxes	37	36	63	59	125
Profit after tax	145	96	400	354	512
Profit per EC (NOK)	7.30	4.80	20.10	17.70	25.70
Diluted earnings per EC (NOK)	7.30	4.80	20.10	17.70	25.70
Distributed dividend per EC (NOK)	0.00	13.50	11.50	13.50	13.50

## STATEMENT OF COMPREHENSIVE INCOME - PARENT BANK

Amounts in NOK million	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Profit after tax	145	96	400	354	512
Other income/costs reversed in ordinary profit:					

Equities available for sale - changes in value	-37	0	-38	-2	48
Other income/costs not reversed in ordinary profit:					
Pension estimate deviations	0	0	0	0	-9
Tax effect of pension estimate deviations	0	0	0	0	-2
Total comprehensive income after tax	108	96	362	352	549

# Statement of financial position - Parent Bank

## STATEMENT OF FINANCIAL POSITION - PARENT BANK

### Assets

Amounts in NOK million	30.06.2016	30.06.2015	31.12.2015
Cash and claims on Norges Bank	1 110	1 309	1 054
Loans to and receivables from credit institutions	3 689	2 203	2 174
Loans to and receivables from customers	33 204	34 580	34 530
Certificates, bonds and other interest-bearing securities	5 332	4 548	4 333
Financial derivatives	753	549	749
Shares and other securities	130	123	168
Equity stakes in Group companies	1 371	1 171	1 171
Deferred tax benefit	59	40	60
Intangible assets	51	50	47
Fixed assets	40	49	50
Other assets	159	152	75
<b>Total assets</b>	<b>45 898</b>	<b>44 774</b>	<b>44 411</b>

### Liabilities and equity

Amounts in NOK million	30.06.2016	30.06.2015	31.12.2015
Loans and deposits from credit institutions	953	1 397	1 343
Deposits from customers	31 623	29 974	29 410
Debt securities issued	5 775	6 071	6 206
Financial derivatives	600	490	586
Other liabilities	474	649	521
Incurred costs and prepaid income	75	101	75
Other provisions for incurred liabilities and costs	39	70	59
Perpetual Hybrid Tier 1 capital	840	838	826
Subordinated loan capital	501	502	501
<b>Total liabilities</b>	<b>40 880</b>	<b>40 092</b>	<b>39 527</b>
EC capital	989	989	989
ECs owned by the Bank	-13	-15	-13
Share premium	354	354	354

Paid-in equity	1 330	1 328	1 330
Primary capital fund	2 183	2 044	2 183
Gift fund	125	125	125
Dividend equalisation fund	936	799	935
Value adjustment fund	82	34	82
Other equity	0	0	229
Total comprehensive income after tax	362	352	0
Retained earnings	3 688	3 354	3 554
Total equity	5 018	4 682	4 884
Total liabilities and equity	45 898	44 774	44 411



# Statement

## Statement pursuant to section 5-6 of the Securities Trading Act

We confirm, to the best of our knowledge, that the financial statements for the Group and the Bank for the period 1 January to 30 June 2016 have been prepared in accordance with IAS 34 – Interim Financial Reporting implemented by the EU, and give a true and fair view of the Group's and the Bank's assets, liabilities, financial position and profit or loss as a whole.

To the best of our knowledge, the interim report gives a true:

- review of important events that have occurred during the first six months of the financial year and their impact on the financial statements
- description of the principal risks and uncertainties facing the business the remaining six months of the financial year
- description of major related parties transactions.

Ålesund, 30 June 2016

9 August 2016

### **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 VIKERBAKK

HELGE KARSTEN KNUDSEN

OLAV ARNE FISKERSTRAND, CEO

# Profit performance - Group

## QUARTERLY PROFIT

<b>Amounts in NOK million</b>	<b>Q2 2016</b>	<b>Q1 2016</b>	<b>Q4 2015</b>	<b>Q3 2015</b>	<b>Q2 2015</b>
Net interest income	275	250	285	283	275
Other operating income	106	56	40	33	65
Total operating costs	147	148	124	146	144
Profit before impairment on loans	234	158	201	170	196
Impairment on loans, guarantees etc.	-3	-2	25	10	7
Pre tax profit	237	160	176	160	189
Tax	51	40	52	44	50
Profit after tax	186	120	124	116	139

## As a percentage of average assets

Net interest income	1.86	1.67	1.91	1.93	1.91
Other operating income	0.70	0.37	0.27	0.23	0.46
Total operating costs	0.98	0.99	0.83	1.00	1.01
Profit before impairment on loans	1.58	1.05	1.35	1.16	1.36
Impairment on loans, guarantees etc.	-0.02	-0.01	0.17	0.07	0.05
Pre tax profit	1.60	1.06	1.18	1.09	1.31
Tax	0.34	0.26	0.35	0.30	0.33
Profit after tax	1.26	0.80	0.83	0.79	0.98