

Annual report 2020



Sparebanken
Møre

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Key figures Group

Income statement

	2020		2019		2018		2017		2016	
	NOK million	%								
Net interest income	1 228	1.57	1 314	1.79	1 179	1.70	1 100	1.72	1 082	1.79
Net commission and other operating income	211	0.27	219	0.30	207	0.30	194	0.30	182	0.30
Net return from financial investments	74	0.09	74	0.10	41	0.06	48	0.08	99	0.16
Total income	1 513	1.93	1 607	2.19	1 427	2.06	1 342	2.10	1 363	2.25
Total operating costs	630	0.80	646	0.88	607	0.87	590	0.92	586	0.97
Profit before impairment on loans	883	1.13	961	1.31	820	1.19	752	1.18	777	1.28
Impairment on loans, guarantees etc.	149	0.19	50	0.07	16	0.02	13	0.02	22	0.04
Pre tax profit	734	0.94	911	1.24	804	1.17	739	1.16	755	1.24
Tax	167	0.21	200	0.27	199	0.28	182	0.28	181	0.30
Profit after tax	567	0.73	711	0.97	605	0.89	557	0.88	574	0.94

Statement of financial position

(NOK million)	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Total assets 3)	79 486	74 875	71 040	66 491	61 593
Average assets 3)	78 450	73 496	69 373	64 000	60 525
Loans to and receivables from customers	66 850	64 029	60 346	56 867	52 691
Gross loans to retail customers	45 592	43 847	41 917	39 817	37 133
Gross loans to corporate and public entities	21 534	20 441	18 616	17 168	15 734
Deposits from customers	39 023	36 803	34 414	32 803	32 562
Deposits from retail customers	23 366	21 685	20 624	19 688	18 675
Deposits from corporate and public entities	15 657	15 118	13 790	13 101	13 877
Lending growth as a percentage 3)	4.4	6.1	6.1	7.9	2.7
Deposit growth as a percentage 3)	6.0	6.9	4.9	0.7	10.8

Key figures

	2020	2019	2018	2017	2016
Return on equity 1) 3)	8.6	11.7	10.6	10.4	11.6
Cost income ratio 3)	41.6	40.2	42.5	44.0	43.0
Losses as a percentage of loans as of 1.1. 3)	0.23	0.08	0.03	0.02	0.04
Gross credit-impaired commitments as a percentage of loans/guarantees	1.53	1.48	0.62	0.57	1.12
Net credit-impaired commitments as a percentage of loans/guarantees	1.22	1.12	0.42	0.40	0.98
Deposit-to-loan ratio 3)	58.1	57.2	57.0	57.7	61.8
Liquidity Coverage Ratio (LCR)	138	165	158	159	91
Capital adequacy ratio	21.3	21.7	19.6	18.4	18.6
Tier 1 capital ratio	19.2	19.5	17.6	16.8	17.0
Common Equity Tier 1 capital (CET1)	17.5	17.7	16.0	15.0	14.6
Leverage Ratio (LR)	8.0	8.1	8.1	8.2	8.5
Man-years	346	357	361	359	378
Equity Certificates:					
Profit per EC (Group) (NOK) 2)	27.10	34.50	29.60	27.70	28.80
Profit per EC (Parent Bank) (NOK) 2)	26.83	32.00	28.35	27.00	29.85
Dividend per EC (NOK)	4.50	14.00	15.50	14.00	14.00
EC-fraction 1.1. as a percentage (Parent Bank)	49.6	49.6	49.6	49.6	49.6
Price at Oslo Stock Exchange (NOK)	296	317	283	262	254
Book value per EC, in NOK (Group figure, incl. proposed dividend)	332	320	303	289	275
Price/Book value (P/B) (Group) 3)	0.89	0.99	0.93	0.91	0.93

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

2) Calculated using the EC-holder's share (49.6 %) of the period's profit to be allocated to equity owners.

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



Trond Lars Nydal
CEO

Important values have been strengthened

We leave behind a year in which social stability was sorely tested. Despite 2020 being an extraordinary and challenging year, we experience that the Covid-19 crisis has also helped strengthening important values.

A year that started with good momentum, profitability and economic growth both in the bank and society, suffered an abrupt upheaval just a few weeks later. We would have to go a long way back to find a situation comparable to the one we had to deal with in 2020.

As a bank, we have an important social responsibility and in the situation that has arisen as a result of Covid-19, this has become even more important. Within a few days, people, businesses and communities had to adapt to a new way of living with closed schools and kindergartens, strict social distancing restrictions, cancelled activities, home office and isolation. Much of what we normally took for granted was suddenly subject to stringent regulations.

There is little doubt that the Covid-19 pandemic will have consequences for many in the years to come. At the same time, we believe that the situation has also resulted in new value creation and a strengthening of basic values that are important for further development of the community.

Community spirit and a shared responsibility

When Covid-19 struck, the message from the authorities was absolutely clear; the situation would require action on the part of each one of us. However, while curfews were introduced in a number of other countries, the Norwegian government instead called for a sense of community spirit and a collective effort.

We have probably never before witnessed a greater collective effort than demonstrated during 2020. Both the rhetoric and actions taken are good evidence of a culture permeated by a desire and willingness to contribute for the good of society. We experienced this close up, also in the bank.

Despite the fact that in many ways society “stood still” in March and April, the level of activity in the bank has rarely been higher. In a few days, large parts of the organisation switched over to working from home without this preventing our more than 200 advisers from providing financial advice and closely following up customers who were suddenly facing uncertain financial prospects. By being close, proactive and easily accessible we were able to implement important and effective measures for our customers. The period stands out as a good example of the value of being ‘close’ stretching far beyond its purely physical aspect.

Adaptability and business development

Local businesses were also hard hit by the Covid-19 pandemic. The past year has been very demanding for the tourism, event and culture, maritime and oil-related industries and they continue to face uncertainty and the prospect of failing earnings. However, for many parties in the wholesale and retail trade, building and construction, 2020 was a year for the history books as one of the most profitable.

The business sector in our region is used to changing and adapting. It has done so throughout history. We have grown in tailwinds and innovated in the face of headwinds. This has also been the case during Covid-19.

Sparebanken Møre has over many years developed expertise in order to be a good sparring partner for everyone from entrepreneurs and sole proprietorships to major cornerstone companies with long traditions. We are in contact with a wide range of enterprises every day and during the past year we have been highly impressed by the adaptability of the local business sector. There is little doubt that new challenges have generated new ideas. While some have established webshops or home delivery services, others have focused on new products and services due to changed customer behaviour and new needs. We have noted that few of our customers need interest-only periods and that many have managed to sustain their levels of activity during the year.

I take this as confirmation that we have an adaptable business sector, a robust customer portfolio and a strong drive to create value. Not least, it confirms the strength of the bank’s business model, which is based on being close and having local knowledge, close follow-up and a high degree of expertise.

Support for local services

In parallel with the adaptability of the business sector, we have also seen increased awareness among consumers around shopping locally. Both we and other members of the local community have implemented a series of initiatives to safeguard local offerings, whether that be shops, food outlets or various other activities.

There is no doubt that these are important assets for further community development that must be based on foundations provided by strong local communities. If we want local offerings to keep going, we also have to support them.

This is also why Sparebanken Møre made UN Sustainable Development Goal 11 Sustainable Cities and Communities one of our five priority goals. We take a systematic approach to measures aimed at making cities and rural communities in Nordvestlandet inclusive, safe, resilient and sustainable, not least through our broad social engagement. Half of the bank's distributed profit is returned to the local communities of which we are a part and every year we receive more than one thousand applications for support for good initiatives in our region. We also have around 120 long-term cooperation agreements with voluntary groups and organisations.

When Covid-19 struck and all activities were cancelled, we established comprehensive support schemes and measures aimed at mitigating its negative consequences.

A strong organisation – a strong region

When the environment changes, we have to adapt. In 2020, we tested aspects of our organisation that will also be important going forward and made ongoing adjustments to maintain business and competitiveness.

Accessibility and responsible counselling are top priorities and in November we opened a new branch at Digernes in Ålesund Municipality. Over the year, we hired a number of capable new employees who will help to developing the bank further, and we produced new digital solutions and established new digital meeting places. We worked systematically on sustainability and expertise – and, by no means least, the bank's customer service centre was named Norway's best in the banking category, for the second year in a row.

We have a strong organisation, and we operate in a strong region. These factors are interrelated. Local activity, employment and value creation are important prerequisites for an attractive region, but also when it comes to us being able to develop further as a bank.

In the fourth quarter, we launched a new recording of the famous Norwegian songwriter Jahn Teigen's 'Optimist'. The background for this was a desire to contribute to income generating work for artists, musicians, sound technicians, filmmakers and others in the cultural industry's value chain, which has been hit hard by the Covid-19 measures. The choice of song was not random; its message expresses the power and strength of will of the people of Nordvestlandet.

The year just ended was a difficult year, but we must use the experience we gained in 2020 to develop both the bank and region further. Our values and qualities make me confident that we will succeed.

Trond Lars Nydal
CEO



Organisation and management

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

The General Meeting has 44 members and 14 deputy members. It is composed of four groups with the following distribution: 17 members and four deputy members are elected by and from among the equity certificate holders, 13 members and four deputy members are elected by and from among the bank’s customers, 11 members and four deputy members are elected by and from among the employees, and three members and two deputy members are elected by the general meeting to represent the social function.

The Board of Directors in Sparebanken Møre consists of 8 members and 4 deputy members. Two of the members are elected from among the employees.



The CEO's executive management team is composed of the heads of units, Corporate Banking Division and the Retail Banking Division.

The EVP of the Retail Banking Division is responsible for developing and maintaining the bank's retail customer concept. A total of 27 branches perform the bank's customer-oriented activities. Every retail market department is headed by a bank executive who reports to the EVP of the division, who in turn reports directly to the CEO.

The EVP of the Corporate Banking Division is responsible for developing and maintaining the bank's corporate banking concept. The Corporate Banking Division consists of the Corporate Banking Sunnmøre, Corporate Banking Romsdal og Nordmøre, and Corporate Banking Søre Sunnmøre. Corporate Banking Sunnmøre is in turn organised into six different branches (maritime, oil related and supply, industry, real estate, trade and services, and SME). The heads of these departments report to the EVP of the division who in turn reports to the CEO.

The various tasks and responsibilities relating to Sparebanken Møre's day-to-day operations are allocated in such a way that the resource usage in the branch network is, to a great extent, prioritised in favour of direct customer-related activities. Other tasks shall, as far as possible, be addressed by the bank's central support system, which is organised into seven staff units. Each of these units is managed by an EVP, who reports directly to the CEO.

The executive management group forms the cornerstone of Sparebanken Møre's management structure in order to ensure efficient communications and decision-making processes. The EVP, Retail Banking Division, the EVP, Corporate Banking Division and the EVPs of the seven staff units form their own management groups together with their respective department heads.

The EVP, Retail Banking Division, the EVP, Corporate Banking Division and the EVPs of the staff units are appointed by the Board. The CEO selects the members of the bank's executive management group.



Board of Directors

Leif-Arne Langøy

Chair - ECs: 123,500

Leif-Arne Langøy (1956) is a business graduate from the Norwegian School of Economics (NHH) in Bergen. He lives in the municipality of Haram and is currently the owner and general manager of Lapas AS. In the period 2003-2009 Mr. Langøy was CEO of Aker ASA, and from 2006-2009 he was also the Chairman of the Board of Directors of the company. Mr. Langøy has previously held the position of CEO of Aker Yards ASA and CEO of Aker Brattvaag, among others. Mr. Langøy holds a number of directorships, among others he is Chairman of Kværner ASA and DNV-GL Group AS. He was elected Chairman of the Board of Directors of Sparebanken Møre in 2011. He was also Chairman of the bank from 1998 to 2003. Langøy attended eleven out of eleven board meetings in 2020.



Ragna Brenne Bjerkeset

Deputy Chair - ECs: 1,450

Ragna Brenne Bjerkeset (1962) graduated as an agronom from the Norwegian University of Life Sciences (UMB) and also holds qualifications in marketing, innovation, management and digital transformation. She has extensive experience from the consulting industry in Møre og Romsdal, from various management positions in both larger groups, SMBs and within public sector. Today she has the position as Process Manager in the innovation company ProtoMore AS. Ms Bjerkeset has been a member of the Board of Sparebanken Møre since 2011 and also holds several directorships in business and industry in the region. She lives in the municipality of Fræna. Bjerkeset attended eleven out of eleven board meetings in 2020.



Henrik Grung

Board member - ECs: 0

Henrik Grung (1970) is a partner and lawyer in the law firm, KVALE. Grung mainly works with corporate governance, corporate strategy and industrial development with an emphasis on businesses that are in various phases of acquisition, merger, demerger and alliance processes. Grung specialises in company law, commercial negotiations and contracts. He holds a Cand.Jur. degree from the University of Bergen. Grung has been a board member of Sparebanken Møre since 2015. He lives in the municipality of Ålesund. He attended ten out of eleven board meetings in 2020.



Ann Magritt B. Vikebakk

Board member - ECs: 6,805

Ann Magritt Bjåstad Vikebakk (1977) is the CEO of HG International AS, a company in the Hareid Group. During 2013-2018, she had her own law firm, Bjåstad Vikebakk Advokatfirma AS, principally operating in the areas of taxation law, contracts and real estate property. Vikebakk has previously been employed at the Tax Administration of Norway and at the law firm Schjødt AS. She graduated as a lawyer from the University of Oslo. Ms. Vikebakk has been a board member of Sparebanken Møre since 2014 and holds directorships in several other companies. She lives in the municipality of Hareid. Ms. Vikebakk has attended nine out of eleven board meetings in 2020.



Jill Aasen

Board member - ECs: 0

Jill Aasen (1971) is the CFO of Havila AS. She graduated as an auditor from the college in Molde, and has previously worked as an auditor in BDO in Ulsteinvik and as a controller in Tussa Kraft AS. Aasen has board experience from Havila Shipping ASA and also works voluntarily

within sports and culture. She has been a deputy member of the Board of Sparebanken Møre since 2014, and a board member since 2018. Aasen lives in the municipality of Herøy. She attended eleven out of eleven board meetings in 2020.



Kåre Øyvind Vassdal

Board member - ECs: 0

Kåre Øyvind Vassdal (1981) is the CEO of Brunvoll. He has previous experience as the CFO of the same group and has also held various positions in the Vard Group. Vassdal graduated in business economics (Siviløkonom) from the Norwegian School of Management BI Sandvika and also holds a Master of

Technology Management from the Norwegian University of Science and Technology (NTNU)/Cambridge. He has board experience from Vard Promar SA and is the chair of the boards of Brunvoll Volda AS and Brunvoll Mar-EI AS. Vassdal lives in Aukra Municipality. He attended seven out of eight board meetings in 2020.



Marie Rekdal Hide

Board member - ECs: 341

Marie Rekdal Hide (1985) works in Sparebanken Møre as an authorised financial adviser for Corporate Banking Sunnmøre, dept. SME. Representative on the Board since March 2017. She has a Master of Business Administration from Edinburgh Business

School. Joined Sparebanken Møre in 2007 and has experience from the retail market and the corporate market. She lives in the municipality of Sula. Hide attended eleven out of eleven board meetings in 2020.



Helge Karsten Knudsen

Board member - ECs: 1,344

Helge Karsten Knudsen (1954) is the senior employee representative at Sparebanken Møre and has been a board member since 2014. He was also a board member from 2001-2012. He started working at

Sparebanken Møre in 1973 and has many years' experience as a customer service officer. Mr. Knudsen lives in the municipality of Ålesund. He attended ten out of eleven board meetings in 2020.

Executive Management Group

Trond Lars Nydal

Born: 1970 | ECs: 7,646

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



Terje Krøvel

Born: 1959 | ECs: 5,489

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



Elisabeth Blomvik

Born: 1978 | ECs: 1,099

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



Runar Sandanger

Born: 1957 | ECs: 4,579

EVP, Treasury and Markets, since 2013. Joined Sparebanken Møre in 1986. He has had a number of senior positions within the areas of FX, capital markets, finance and economics. Previous experience from Norges Bank and the Norwegian Institute of International Affairs. Cand. Oecon. degree from the University of Oslo (1983).



Erik Røkke

Born: 1969 | ECs: 6,593

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



Perdy Karin Lunde

Born: 1957 | ECs: 4,629

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



Idar Vattøy

Born: 1959 | ECs: 5,306

EVP, Finance and Facilities Management, since 2017. Previously, EVP, Financial Control, Risk Management, Human Resources and Security. Joined Sparebanken Møre in 1984. University graduate (Cand. Mag.). Graduate of Møre og Romsdal Distriktshøgskole (1980-1982) and Møre og Romsdal Ingeniørhøgskole (1982-1984).



Tone Skotheim Gjerdsbakk

Born: 1982 | ECs: 3,314

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



Arild Sulebakk

Born: 1963 | ECs: 909

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



Kjetil Hauge

Born: 1972 | ECs: 2,374

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

Equity Certificates (ECs) show stock per EC-holder in Sparebanken Møre as of 31.12.20. ECs owned by related parties are also included (Sec.Tr.Act §2-5 nbr 1, 2 and 4).

Subsidiaries

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

Møre Boligkreditt AS



Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company's purpose is to acquire mortgages from Sparebanken Møre and finance these through issuing covered bonds. Covered bonds are among the most actively traded private bonds on the Oslo Stock Exchange, and is, next to government bonds, considered to be one of the safest securities in the Norwegian market. Møre Boligkreditt AS is Sparebanken Møre's primary source of long-term funding, and the company has issued covered bonds in both NOK, as well as EUR. Covered bonds issued by Møre Boligkreditt AS are listed on Oslo Stock Exchange as well as London Stock Exchange. Managing Director of Møre Boligkreditt AS is Ole Andre Kjerstad.

Key Figures 2020	NOK million
Net loans to customers	29,041
Debt Securities issued (covered bonds)	23,991
Net interest income	345
Profit after tax	230

Møre Eiendomsmegling AS



The company was established in 1992 and acquired by Sparebanken Møre in 2005. Møre Eiendomsmegling's market name is Møremegling, and they provide real estate brokerage services in the purchase and sale of homes, leisure homes, project brokering and business brokering. They are among the largest and most experienced broker communities in Møre og Romsdal and have 14 employees and offices in Ålesund, Molde and Ørsta. The company traded 416 properties in 2020. Managing Director in Møre Eiendomsmegling AS is Bendik Tangen from January 1 2021.

Key Figures 2020 NOK million

Turnover	22,4
Profit after tax	0.4
Equity	11.0

Corporate governance

The report below describes how Sparebanken Møre has in 2020 complied with the 15 points in the Norwegian Code of Practice for Corporate Governance dated 17 October 2018. The Code of Practice was drawn up by the Norwegian Corporate Governance Board (NUES) and is available from www.nues.no.

1. Corporate governance report

Sparebanken Møre complies with the Norwegian Code of Practice for Corporate Governance of 2018 where this is applicable to savings banks that have issued equity certificates. The bank also complies with the Guidelines on Internal Governance GL 11/2017 issued by the European Banking Authority (EBA).

The Norwegian Financial Institutions Act lays down regulations for savings banks that have issued equity certificates. In some cases these result in deviations from the Norwegian Public Limited Companies Act, and the Code of Practice not applying in full. Such deviations from the Code of Practice are described in the relevant points below. Nevertheless, there are no material deviations between the Code of Practice and how this is complied with in Sparebanken Møre.

Deviations from the Code of Practice: None

2. Operations

Sparebanken Møre was formed on 1 April 1985 by the merger of a number of banks in Møre og Romsdal. In subsequent years more banks in Møre og Romsdal have joined Sparebanken Møre. The banking history of the merged savings banks can be traced back to 1843.

Sparebanken Møre's articles of association specify the types of business to be conducted. The purpose of Sparebanken Møre is to perform business and services normal or natural for savings banks to perform, within the framework of the applicable legislation and licences that have been granted at any given time. The bank may provide investment services and associated services in accordance with the provisions of the Norwegian Securities Trading Act. The complete text of its articles of association can be found on the Group's website.

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

The Board of Sparebanken Møre ensures that the Group carries out a comprehensive strategy process every year that defines its objectives, strategies and risk profile. The current strategy document, 'Møre 2023', was adopted by the Board in August 2019, and during the year, it has been worked on a new strategy that applies from January 2021.

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

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

It focuses on maintaining a healthy financial structure and financial strength, and achieving a high level of profitability.

Its financial performance targets are presented in Sparebanken Møre's annual report and Sparebanken Møre's Pillar 3 document, which are available from the bank's website. During the year, information and guidance are given to the market and other stakeholders via stock exchange notices and accounting presentations concerning the bank's strategic objectives and developments in relation to these objectives.

The Board has adopted both a code of ethics and guidelines for corporate social responsibility based on the Group's core values: "Close, Committed and Capable". These core values must be reflected in all of the points of contact Sparebanken Møre has with the market, customers and other stakeholders. A more detailed description of the guidelines and core values can be found on the Group's website. See the separate report on corporate social responsibility and sustainability for 2020 for a more detailed account of Sparebank Møre's fulfilment of its corporate social responsibilities.

Deviations from the Code of Practice: None

3. Equity and dividends

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

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

Its capital adequacy at the end of 2020 exceeded the regulatory and internal minimum bank's requirements for capital. Primary capital was 21.3 %, Tier 1 capital 19.2 % and Common Equity Tier 1 capital 17.5 %.

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

"Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on the bank's equity. The results should ensure that the owners of the equity receive a competitive long-term return in the form of cash dividends and capital appreciation on their equity. Dividends consist of cash dividends for equity certificate holders and dividend funds for local communities. The proportion of profits allocated to dividends is in line with the bank's capital strength. Unless the bank's capital strength dictates otherwise, it is expected that about 50 % of this year's surplus can be distributed as dividends. Sparebanken Møre's allocation of earnings shall ensure that all equity certificate holders are guaranteed equal treatment."

The General Meeting can authorise the Board to increase capital for specific purposes. On 16 April 2020, the General Meeting authorised the Board to increase equity certificate capital by up to NOK 98,869,500 if the situation warrants it. The authorisation is valid until the Annual General Meeting in 2021, although for no longer than 31 March 2021. The authorisation had not been exercised at the end of the year since there had been no need to do so.

The General Meeting can also authorise the Board to buy back its own equity certificates. On 16 April 2020, the General Meeting authorised the Board to acquire/establish collateral in its own equity certificates up to an amount of NOK 98.8 million.

The authorisation requires approval from the Financial Supervisory Authority of Norway (FSA). Based on the general uncertainty concerning the consequences of the Covid-19 pandemic, the FSA has not approved the authorisation.

Deviations from the Code of Practice: None

4. Equal treatment of equity certificate holders and transactions with close associates

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

All equity certificates have the same voting rights.

Equity certificate holders shall have preferential rights when the equity share capital is increased, unless special circumstances indicate that these should be waived. Such waivers must be justified and the justification published as a stock exchange notice in connection with the capital increase.

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

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

An independent valuation must also be obtained in the event of transactions between companies in the same group where there are minority shareholders. Sparebanken Møre's subsidiaries were, as at 31 December 2020, all wholly owned by the bank.

The articles of association were amended in 2018 to ensure equity certificate holders greater influence in decisions concerning the equity certificate capital. The amendments mean that further amendments to the articles of association concerning specified matters of significance for the equity certificate capital cannot be approved by the General Meeting without the agreement of a two-thirds majority of the votes of the general meeting members elected by equity certificate holders. An indication of which matters this concerns is provided in the articles of association, which are available on the bank's website.

Deviations from the Code of Practice: None

5. Equity certificates and negotiability

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

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

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

6. General Meeting

Part of the equity of savings banks that have issued equity certificates is ownerless. As a result, different requirements apply with respect to the composition of the General Meeting in savings banks that have issued equity certificates than those that apply to public limited companies. The requirements are stipulated according to the Norwegian Financial Institutions Act, section 8. Sparebanken Møre complies with the statutory requirements. Therefore, point 6 of the Code of Practice does not fully apply to savings banks.

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

The articles of association set out the composition requirements. An overview of the elected members is available on the Group's website. The members of the General Meeting are personally elected and cannot be represented by proxy. Elected deputy members attend in the event of absences.

Notices convening meetings and supporting documents for the General Meeting are made available on the bank's website at least 21 days before the meeting is scheduled to be held. Notices convening meetings and supporting documents are also published on the Oslo Stock Exchange and notice is also sent by email.

Members of the General Meeting, or anyone else who, by law, must receive such documents, may nevertheless have the documents sent to them.

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

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

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

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

7. Nomination committee

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

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

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

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

The General Meeting's Nomination Committee proposes candidates for local community members and deputy members of the General Meeting, the chair and deputy chair of the General Meeting, the Chair, Deputy Chair and other members and deputy members of the Board of Directors, as well as for the election of chair and members of the Nomination Committee. The reasons for the Nomination Committee's recommendations must be stated.

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

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

Deviations from the Code of Practice: None

8. Board of Directors: composition and independence

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

The emphasis when electing board members must be on qualifications, capacity, independence, diversity and the Board's ability to function as a collegiate body. The Norwegian Financial Institutions Act and the Securities Trading Act requires board members of financial institutions and investment firms to undergo

suitability assessments. The assessment must encompass qualifications, capacity, independence and suitability/character. The assessment of each board member must be reported to the Financial Supervisory Authority of Norway.

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

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

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

Deviations from the Code of Practice: None

9. The work of the Board of Directors

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

The Chair of the Board shall, by the end of May and in consultation with the CEO, set out a proposed annual plan for the Board's work for the coming year with a particular emphasis on targets, strategy and implementation, including a meeting schedule and the main items on the agendas of board meetings for the next calendar.

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

The Financial Institutions Act stipulates stricter rules regarding conflicts of interest applied in financial institutions than those that follow from the Norwegian Public Limited Companies Act. The Board of Directors has established guidelines on incapacity which at some points are stricter than statutory requirements. The Board ensures that board members and senior executives disclose to the bank of any material interests they may have in matters that will be considered by the Board. When considering important matters in which the Chair of the Board is, or has been, actively engaged, the Board's consideration shall be chaired by the Board's Deputy Chair or another board member.

The Board has elected an Audit Committee, a Risk Committee and a Remuneration Committee from amongst the Board's members. The Audit Committee and the Risk Committee have three members, all of which are independent of the institution. The Remuneration Committee has four members, one of which is an employee-elected member.

The Board has also adopted instructions for board committees describing the committees' duties and procedures. The Remuneration Committee is discussed in more detail in point 12 of this report.

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

Deviations from the Code of Practice: None

10. Risk management and internal control

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

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

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

The Board shall ensure that risk management and internal control processes within Sparebanken Møre are adequate and systematic, and that these processes have been established in compliance with laws and regulations, articles of association, instructions and external and internal guidelines. The Board establishes principles and guidelines for risk management and internal control for the various levels of activity pursuant to the risk bearing capacity of the bank and the Group, and make sure that the strategies and guidelines are being communicated to the employees. The Board shall systematically and regularly assess strategies and guidelines for risk management. Furthermore, the Board shall monitor and periodically assess the effectiveness of the Group’s overall management and control, including taking into account internal and external influencing factors. The latter point especially applies in the case of changes in economic cycles and macroeconomic general conditions.

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

The Bank is organised into three lines of defence, contributing to management and control of the Group’s activities and ensuring that responsibilities are adequately distributed between the bank’s business areas thereby preventing conflicts of interest, as well as complying with current recommendations for the organisation of financial institutions.

The **lines of defence** report directly to the Management and/or the Board. Within all three lines of defence, appropriate internal control procedures, mechanism and processes shall be designed, developed, maintained and evaluated.

Both the Board’s annual report and the annual financial statements otherwise contain further information about Sparebanken Møre’s risk management and internal control.

Deviations from the Code of Practice: None

11. Remuneration of the Board of Directors

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

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

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

Deviations from the Code of Practice: None

12. Remuneration of senior executives

The Board revises the guidelines for the remuneration of senior executives every year.

The guidelines are presented to the General Meeting each for an advisory vote. Guidelines regarding the awarding, etc. of equity certificates in the bank are presented to the General Meeting for approval. As of the 2021 financial year, the Guidelines will be submitted to the General Meeting for approval in accordance with amendments to the Public Limited Companies Act which will come into force on 1 January 2021.

The Board's declaration regarding the remuneration of senior executives must be prepared as a separate supporting document for the General Meeting. From the 2021 financial year, the declaration will be replaced with a report on remuneration of senior executives submitted to the General Meeting for advisory vote in accordance with amendments to the Public Limited Companies Act which will come into force on 1 January 2021.

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

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

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

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

Sparebanken Møre has no established annual bonus scheme, although in years with good results and good target achievement the bank's Board will consider giving a bonus to all of the bank's employees, including senior executives, with the exception of the CEO. Based on the general uncertainty associated with the covid-19 pandemic, the Board decided not to make any bonus payments in 2020.

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

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

In the case of senior executives and others who work in result-generated units, the financial key figures defined in Sparebanken Møre's balance scorecard and the fulfilment thereof over the previous two years is given greater emphasis than in the case of people who do not work in directly result-generating units.

Attainment of the goals laid down for the individual and the department/unit in established management agreements over and above the financial figures in the balance scorecard shall also be used for assessing these employees. The balance scorecard contains various indicators which are directly related to risk-related results.

Ceilings have been set for both types of variable remuneration.

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

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

In the event of a negative trend in the bank's results, or in the specific results of the business units of senior executives, etc., full or partial repayment of the variable remuneration received may be demanded in the three years following its receipt. Any severance fee upon termination of employment shall be adjusted in light of the results that have been achieved over time. Poor results shall not be rewarded. Senior executives, etc. shall not have agreements or insurance policies that provide security against the loss of performance-based remuneration.

Deviations from the Code of Practice: None

13. Information and communications

The Board has established guidelines for reporting of financial and other information. Sparebanken Møre complies with the IR recommendations issued by the Oslo Stock Exchange in July 2019.

The guidelines emphasise that correct, relevant and up-to-date information about the Group's performance and results should establish trust in relation to the investor market and fulfil the requirement for equal treatment of stakeholders in the securities market.

Through its annual and interim reports, the bank seeks to achieve the required transparency regarding the most important factors relating to its development. This is done in order that all market participants may be able to form as correct a picture as possible of the bank's situation. The bank gives special presentations in connection with the publication of Sparebanken Møre's annual and interim results. The reports and presentations are made available to the entire market via the bank's website, including webcast presentations, and by publication on the Oslo Stock Exchange.

Annual and quarterly reports as well as quarterly presentations of the financial statements are available in English for Sparebanken Møre's international contacts. The bank's major banking connections abroad and investors are kept informed on a regular basis, partly through outreach in which Sparebanken Møre's financial statements and development are among the topics discussed.

A special investor relations plan regarding which investors to contact, and when and how, is drawn up each year.

Guidelines have been established for the bank's contact with equity certificate holders outside the General Meeting.

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

Deviations from the Code of Practice: None

14. Corporate takeovers

Part of the equity of a savings bank that has issued equity certificates is ownerless. This means that Sparebanken Møre cannot be taken over by an acquisition. Structural changes require the consent of the authorities. Permission must be sought from the Financial Supervisory Authority of Norway for acquisitions of equity certificates that result in ownership stakes of more than 10 % of the capital.

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

15. Auditor

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

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

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

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

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

Deviations from the Code of Practice: None

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Board of Directors' Report 2020

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

Areas of operation and markets

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

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

In the years since then, a strong local presence has been the very foundation of the bank's business, and today Sparebanken Møre is the leading financial services group in Nordvestlandet. At the end of 2020, the bank employed 346 full-time equivalents (FTEs) spread across 27 branches in Møre og Romsdal. The bank's head office is in Ålesund.

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

Sparebanken Møre offers a full range of financial services within the following areas:

- Financing
- Deposits and investments
- Asset management
- Financial advisory services
- Money-transfer services
- Currency and interest rate business
- Insurance
- Real estate brokerage

Key figures 2020

Group's key figures

(Comparable figures for 2019 in brackets)

- Profit after tax: NOK 567 million (NOK 711 million)
- Return on equity after tax: 8.6 per cent (11.7 per cent)
- Lending growth in the past 12 months: 4.4 per cent (6.1 per cent)
- Deposit growth in the past 12 months: 6.0 per cent (6.9 per cent)
- At year end, primary capital amounted to NOK 7.3 billion, or 21.3 per cent of the calculation basis. Consequently Tier 1 capital amounted to 19.2 per cent and Common Equity Tier 1 capital amounted to 17.5 per cent.
- Earnings per equity certificate: NOK 27.10 (NOK 34.50)
- The Board of Directors recommends that the Annual General Meeting pays a cash dividend of NOK 4.50 per equity certificate and sets aside NOK 45 million for dividend funds for local communities. The Board will also propose to the Annual General Meeting that the Board be issued special authorisation that allows payment of up to a further NOK 9.00 per equity certificate to be proposed as a cash

dividend and up to NOK 91 million to be allocated as dividend funds for the local community for the 2020 financial year.

Parent bank's key figures

(Comparable figures for 2019 in brackets)

- Profit after tax: NOK 561 million (NOK 661 million)
- At year end, primary capital amounted to NOK 7.0 billion, or 21.7 per cent of the calculation basis. Consequently Tier 1 capital amounted to 19.5 per cent and Common Equity Tier 1 capital amounted to 17.7 per cent.
- Earnings per equity certificate: NOK 26.83 (NOK 32.00)

Fig. 1 Profit and return on equity



Strategy and goals

Vision and values

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

As a regional savings bank, Sparebanken Møre has strong ties to its local communities. The bank's development depends on the sustainable development of the region, and the region depends on a financially strong, forward looking bank. Sparebanken Møre's vision reflects this interplay. The bank's core values are: Close, Committed and Capable.

Business model

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

The Group's products and services shall, in total, be competitive, sustainable and contribute to the Group's profitability.

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

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

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

Financial objectives

The financial targets for the strategy period 2021-2024 are a return on equity above 11 per cent and a cost income ratio below 40 per cent. The bank also aims to achieve a lower level of losses than the average for Norwegian banks.

Driving force behind sustainable development

Sparebanken Møre has signed up to the UNEP FI's Principles for Responsible Banking, which commits the bank to adapting its business strategy to the UN Sustainable Development Goals, the Paris Agreement and relevant national framework. The bank's clear objective is to be a driving force for sustainable development, and this has been made a priority area in the bank's strategic plan for 2021-2024. More information about the bank's work on sustainability and corporate social responsibility can be found in the Directors' Report under "Sustainability and corporate social responsibility", as well as in the chapter of the annual report devoted to sustainability.

Framework conditions

Economic development influenced by infection control

In 2020, the global economy and the Norwegian economy were heavily influenced by the measures aimed at limiting the Covid-19 pandemic. According to statistics produced by Statistics Norway, Mainland Norway's GDP fell by 3.0 per cent in 2020 measured against the average for 2019. This happened despite a sharp upturn in production in May to October due to less strict infection control measures. Activity particularly dropped within service industries. Unemployment fell sharply in parallel with the upturn in activity from the spring onwards. In December, registered unemployment in Norway was at 3.8 per cent according to the Norwegian Labour and Welfare Administration (NAV).

Total credit growth in Norway (K2) ended at 4.7 per cent in November 2020. The growth in credit for households was 4.8 per cent while for non-financial companies 3.8 per cent. Housing prices fell slightly from February to March last year, although the housing market was strong during the rest of the year and the country as a whole saw housing prices rise by an average of 8.7 per cent in 2020.

Key policy rate

Norges Bank reduced its key policy rate three times in the period March-May last year. The key policy rate was cut to 0.00 per cent. This is the lowest rate ever. The cuts were made in order to mitigate the negative economic effects of the infection control measures. According to the central bank's latest interest rate forecast, published in December 2020, the key policy rate will remain unchanged in 2021.

Developments in the financial markets

Deposits are the Group's most important source of financing. The deposit-to-loan ratio of 58.1 per cent as at 31 December 2020 is high and helps both reduce Sparebanken Møre's dependence on the financial markets and protect net interest income during periods of rising interest rates.

The funding markets functioned throughout 2020, although there was a marked spread widening early in the coronavirus pandemic. This widening reversed during the course of the year.

The bank has focused on diversifying its sources of funding in the past years. One important means of this has been Møre Boligkreditt AS's issuing of semi-benchmark covered bonds in the European market. In 2020, Sparebanken Møre also established a green framework for issuing bonds from the bank and Møre Boligkreditt AS as part of the bank's sustainability strategy.

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

MREL

In 2020, in line with the EU Crisis Management Directive, the Financial Supervisory Authority of Norway set a minimum requirement for own funds and eligible liabilities (MREL) for Sparebanken Møre. The requirement expresses the minimum requirement for the sum of primary capital and eligible liabilities, and was NOK 9.2 billion, or 31.40 per cent of the adjusted risk weighted assets (RWA). This resulted in a provisionally calculated need to issue senior non-preferred bonds (SNP) worth NOK 4.2 billion. The bank will submit its plan for phasing in MREL qualifying liabilities to the Financial Supervisory Authority of Norway by 31 March 2021. The calculations will be based on the anticipated adjusted risk-weighted calculation basis as at 1 January 2024. The requirement for non-preferred liabilities must be met in full by 1 January 2024. Sparebanken Møre intends to satisfy the requirement by 31 March 2021, although during a transitional period the bank may use senior bonds (Senior Preferred) with remaining maturity above 1 year to satisfy the requirement.

Sustainable finance

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

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

In October 2020, the Ministry of Finance circulated a draft 'Sustainability-related Disclosures Act' for consultation purposes. The consultation paper contained proposals regarding incorporating the two regulations into Norwegian law, with a deadline for submissions in January 2021.

Sparebanken Møre has implemented a number of measures to adapt to the new requirements in this area. More information can be found in the chapter on sustainability and corporate social responsibility.

Results

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as established by the International Accounting Standards Board and approved by the EU as at 31 December 2020.

Net interest income

Net interest income totalled NOK 1,228 million (NOK 1,314 million) or 1.57 per cent (1.79 per cent) of average total assets. Net interest income accounted for 81.2 per cent of total income in 2020 (81.8 per cent).

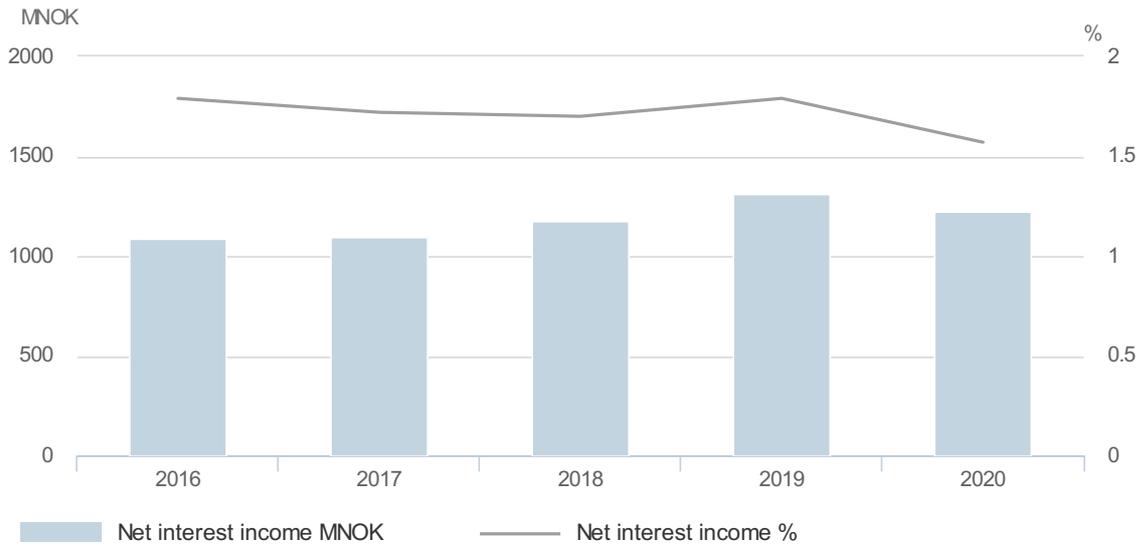
The lending and deposit margins for 2020 were heavily affected by the interest rate changes implemented during the second and third quarters. Lending rates were reduced before deposit rates and this significantly affected the net interest income and the margins for the year.

Falling interest rates reduced funding costs, but also significantly reduced the net interest contribution from the bank's equity.

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

The retail market saw a weak increase in the interest margin for lending, but there was a large reduction in the deposit margin compared with 2019. In the corporate market, the interest margin for lending was on a par with 2019, while the interest margin for deposits decreased.

Fig. 2 Net interest income



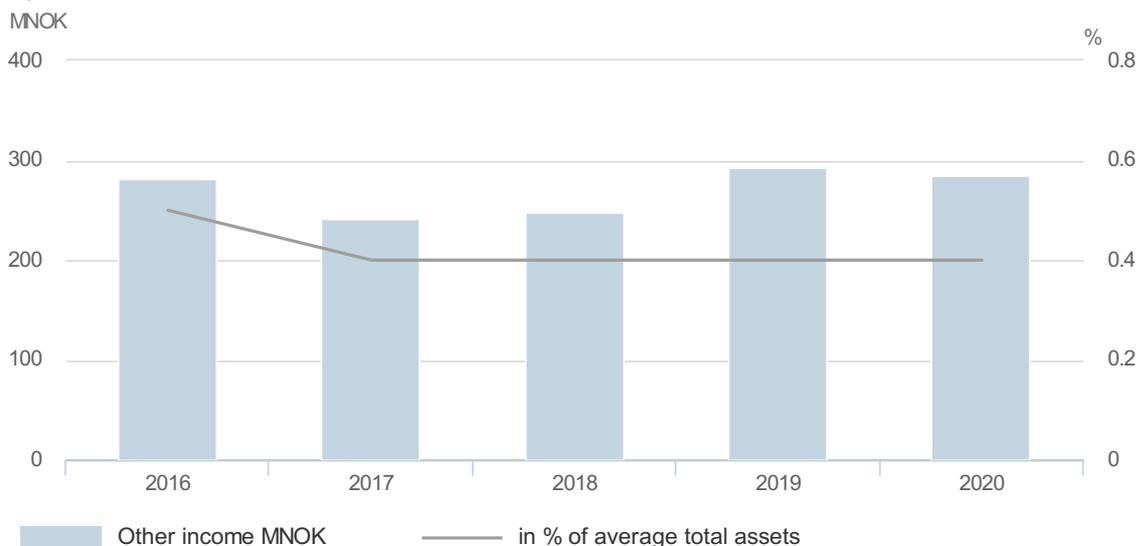
Other operating income

Other operating income was NOK 285 million in 2020 (0.36 per cent of average total assets). This is a decrease of NOK 8 million compared with 2019.

Dividends were NOK 22 million, compared with NOK 12 million in 2019. Capital losses from bond holdings were NOK 4 million, compared with losses of NOK 9 million in 2019. Capital losses on equities totalled NOK 3 million, compared with gains of NOK 16 million in 2019. Income from other financial investments increased by NOK 8 million compared with 2019.

Other operating income decreased by NOK 8 million compared with 2019, with income from money-transfer services decreasing by NOK 16 million.

Fig. 3 Other income



Costs

Total costs were NOK 630 million, which is NOK 16 million lower than in 2019. Personnel costs decreased by NOK 22 million compared with 2019 and were NOK 332 million. Staffing has been reduced by 11 FTEs in the past 12 months to 346 FTEs. Other costs were NOK 6 million higher than in 2019, primarily due to higher ICT costs.

The cost income ratio for 2020 was 41.6 per cent, which represents an increase of 1.4 percentage points compared with 2019.

Fig. 4 Costs



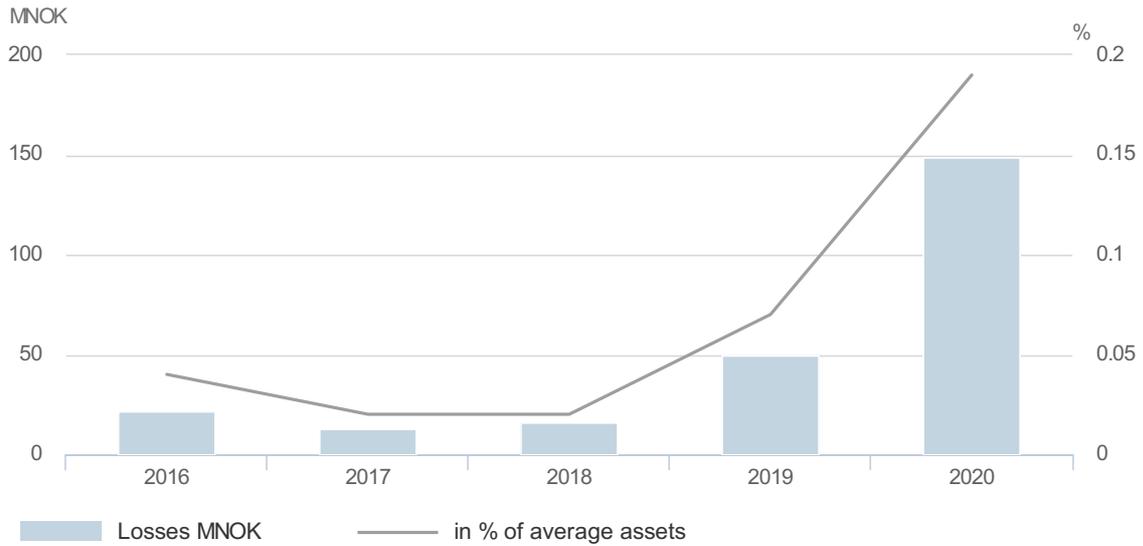
Credit-impaired commitments

In 2020, the income statement was charged with NOK 149 million (NOK 50 million) in losses on loans and guarantees. This represents 0.19 per cent (0.07 per cent) of average total assets.

At year end 2020, total expected credit losses were NOK 326 million, equivalent to 0.47 per cent of gross loans and guarantees (NOK 375 million and 0.57 per cent). Of the total expected credit losses, NOK 18 million is linked to a credit-impaired commitment more than 90 days past due (NOK 24 million), which amounts to 0.03 per cent of gross loans and guarantees (0.04 per cent). NOK 191 million relates to other credit-impaired commitments (NOK 216 million), which is equivalent to 0.28 per cent of gross loans and guarantees (0.33 per cent).

Net credit-impaired commitments (commitments more than 90 days past due and other commitments in stage 3) have increased by NOK 105 million in the past 12 months. At year end 2020, the corporate market accounted for NOK 750 million of net credit-impaired commitments and the retail market NOK 91 million. In total, this represents 1.22 per cent of gross loans and guarantees (1.12 per cent).

Fig. 5 Losses



Total assets

Total assets increased by NOK 4,611 million, or 6.2 per cent, in 2020 to NOK 79,486 million as at 31 December 2020. The change in total assets is primarily attributable to an increase in lending. The bank also improved its liquidity contingency in 2020 by increasing the liquidity portfolio.

Fig. 6 Balance sheet

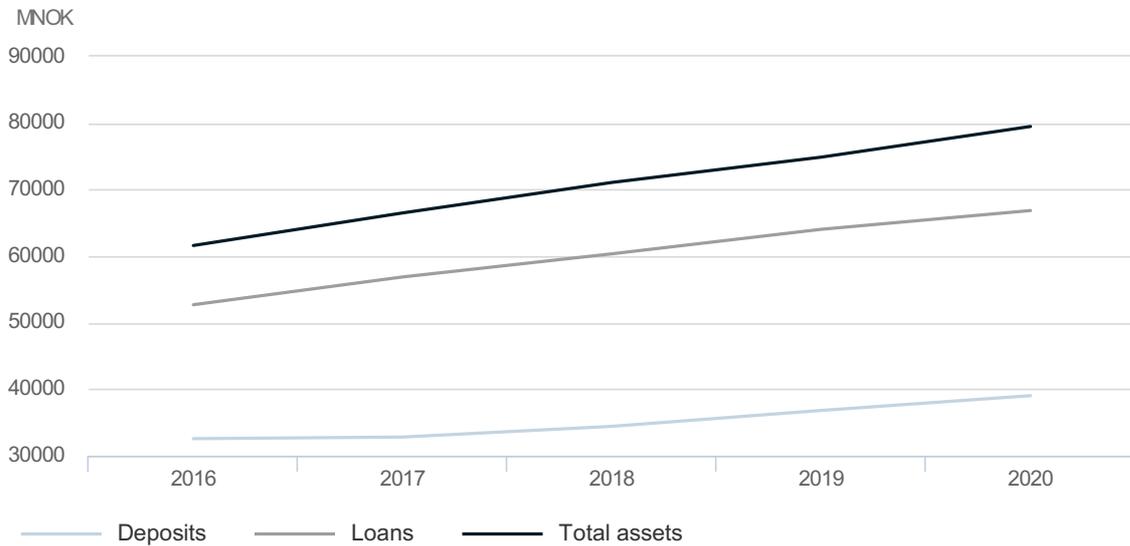
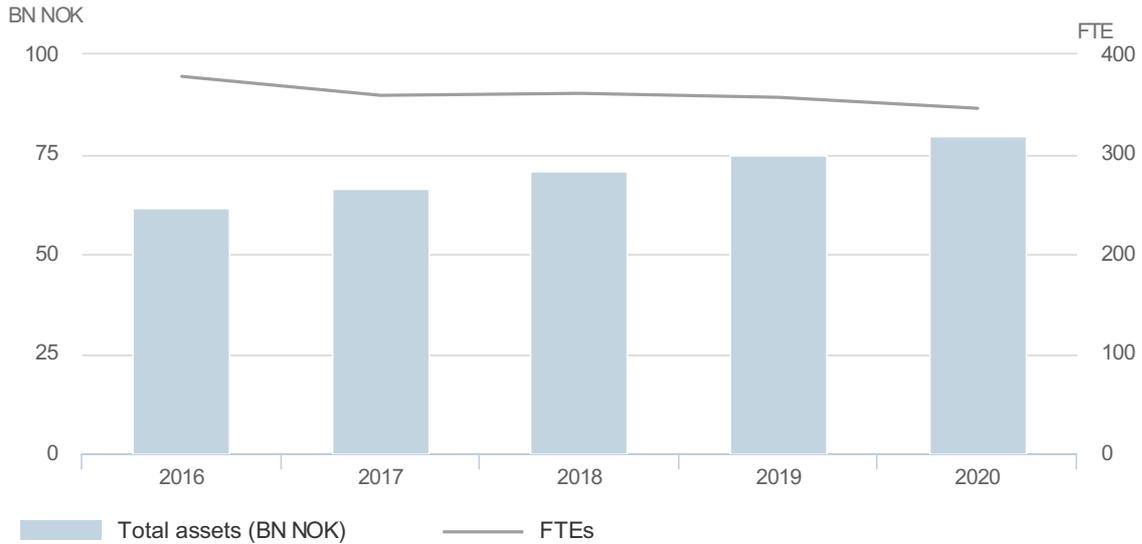


Fig. 7 Total assets and FTEs



Lending to customers

At year end 2020, lending to customers amounted to NOK 66,850 million (NOK 64,029 million). Customer lending has increased by a total of NOK 2,821 million, or 4.4 per cent, in the past 12 months. Retail lending has increased by 4.0 per cent, while corporate lending increased by 5.3 per cent, in the past 12 months.

Retail lending accounted for 68.2 per cent of lending at year end 2020 (68.4 per cent).

Deposits from customers

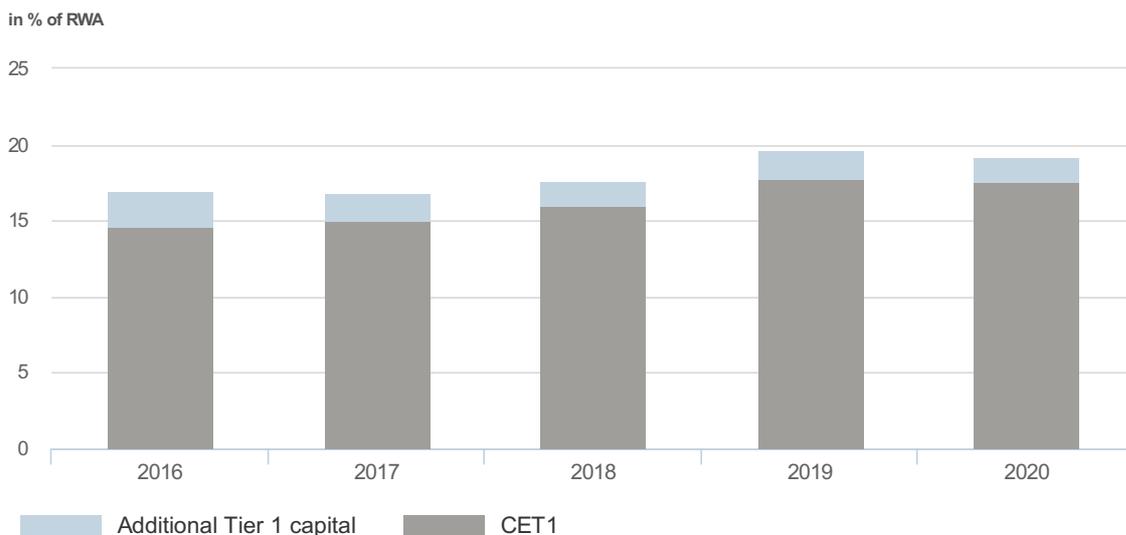
Customer deposits have increased by NOK 2,220 million, or 6.0 per cent, in the past 12 months. At year end 2020, deposits amounted to NOK 39,023 million (NOK 36,803 million). Retail deposits have increased by 7.8 per cent in the past 12 months, while corporate deposits have increased by 3.4 per cent, and public sector deposits have increased by 5.8 per cent. The retail market's relative share of deposits amounted to 59.9 per cent (58.9 per cent), while deposits from the corporate market accounted for 38.0 per cent (39.0 per cent) and from the public sector market 2.1 per cent (2.1 per cent).

The deposit-to-loan ratio was 58.1 per cent at year end 2020 (57.2 per cent).

Capital adequacy

Sparebanken Møre is very well capitalised. At year end 2020, the Common Equity Tier 1 capital ratio was 17.5 per cent (17.7 per cent), which is 4.8 percentage points higher than the total regulatory minimum requirement of 12.7 per cent for the Common Equity Tier 1 capital ratio. Primary capital amounted to 21.3 per cent (21.7 per cent) and the Tier 1 capital amounted to 19.2 per cent (19.5 per cent).

Fig. 8 Capital adequacy



Covid-19: Liquidity, funding and profit consequences

Sparebanken Møre entered the crisis with good key figures for liquidity and capital. At the end of 2019, LCR (short-term liquidity indicator) was at 165 and NSFR (long-term liquidity indicator) was at 113, while Common Equity Tier 1 capital (CET1) was at 17.7 per cent.

At year end, LCR was at 138, NSFR was at 114 and Common Equity Tier 1 capital was at 17.5 per cent.

The Group had one major maturity date in the bond market in 2020 when the gross amount of NOK 3,000 million from MOBK14 from Møre Boligkreditt AS matured on 23 September. Early repurchases had reduced MOBK14 to NOK 438 million at the time of redemption.

In addition to maturity dates for market funding, the bank's liquidity was affected by the normal seasonal variations and changes in growth rates for loans and deposits due to the current situation. The government's tax deferral measures, as well as support schemes, etc. related to Covid-19 have also affected the liquidity situation to some extent.

During the year, lending increased by NOK 600 million more than deposits. The Group's deposit-to-loan ratio increased from 57.2 per cent to 58.1 per cent.

The funding markets functioned throughout 2020, although there was a marked spread widening early in the coronavirus pandemic. This widening reversed during the course of the year. Sparebanken Møre had good access to competitive financing, not only in the form of deposits but also through the issue of senior debt and covered bonds, and the Group executed its planned funding strategy in 2020. Nevertheless, in the first quarter, the bank chose to take advantage of Norges Bank's F-loan scheme with two loans totalling NOK 1,000 million. NOK 500 million with a 6-month term to maturity and NOK 500 million with a 12-month term to maturity. The first loan matured in September 2020. The liquidity from the loans has been used to strengthen the bank's LCR liquidity portfolio correspondingly.

The bank monitors liquidity developments closely. Since March 2020, frequent meetings have been held by the contingency group for liquidity, reporting to the executive management team and Board on a very frequent basis. The status of liquidity and the development of deposits have also been regular items on the agenda in the bank's crisis management group. LCR has been continuously monitored and reported daily. We have not registered any days without robust spreads in relation to the minimum requirement.

The Group's market funding is raised at floating interest rates or by swapping the fixed-rate issues to floating rates. The funding cost of borrowing will therefore follow developments in the 3-month NIBOR with a time lag corresponding to the timing of the rate fixing. Therefore, it was not until July last year that Sparebanken Møre's funding costs for outstanding market funding were adjusted to the new lower level of market interest rates.

The above-mentioned interest rate fixing profile and the fact that lending rates to customers were reduced immediately after the central bank cut its rates, while deposit rates were not cut until 6 weeks later, markedly weakened the bank's net interest income in the second quarter of 2020. During 2020, net interest income was generally also negatively affected by lower returns on the bank's equity as well as the ability to maintain the deposit margin in a low interest rate environment. Net interest income amounted to NOK 1,228 million in 2020, compared with NOK 1,314 million in 2019. As a proportion of average total assets this represents a drop from 1.79 per cent to 1.57 per cent.

The item that had the largest negative impact on the bank's results in the first quarter was the development of the market value of the bank's LCR liquidity portfolio. This effect was largely reversed before the end of the year. The bank has no trading portfolio in equities or significant ownership stakes in product companies, which results in low volatility in relation to financial performance due to developments in the capital market.

Changes in economic conditions have had consequences for macroeconomic scenarios and weightings in the Group's calculations for expected credit loss (ECL) in 2020. In the first quarter of 2020, the probability of the pessimistic scenario occurring was increased from 10 to 40 per cent, while for the base scenario it was reduced from 80 to 50 per cent.

During the fourth quarter the outlook was more positive and clearer. The macroeconomic conditions improved. A public vaccination programme started. There were very few bankruptcies and credit-impaired commitments were relatively low. The authorities announced new stimulus packages for the hardest hit industries. Oil prices also rose markedly during the fourth quarter.

The bank granted payment relief in the first and second quarters of 2020 due to the consequences of Covid-19. Customers who applied were granted 6-month interest-only periods until the second half of 2020. Most of the customers granted interest-only periods are now paying their instalments in line with their original agreement.

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

This has been further supplemented by a more portfolio or segment based (hotels, tourism, travel industry, and personal services industry) approach to assess significantly increased credit risk and migration to stage 2. This was due to the fact that current changes in future prospects are not adequately captured by the ECL model.

The positive changes in economic conditions resulted in changes to the macroeconomic scenarios and weightings as at 31 December 2020. The probability of the pessimistic scenario occurring was reduced from 40 to 20 per cent, while for the base scenario it was increased from 50 to 70 per cent. The best scenario's weighting was kept unchanged at 10 per cent. For further information about the consequences of Covid-19 and the measurement of expected credit loss see note 9.

Proposed allocation of the profit for the year

In a letter to the Financial Supervisory Authority of Norway dated 20 January 2021, the Ministry of Finance expressed an expectation that Norwegian banks, which after a careful assessment and based on ESRB's recommendations find a basis for distributions, keep overall distributions within a maximum of 30 per cent of the cumulative annual result for the years 2019 and 2020 up to 30 September 2021.

The bank's dividend policy indicates a cash dividend for 2020 of NOK 13.50 per equity certificate. Given the current extraordinary situation and the government's expectations, the Board believes it is right to recommend to the Annual General Meeting a cash dividend per equity certificate of NOK 4.50 for the 2020 financial year.

The corresponding provision for dividend funds for the local community will amount to NOK 45 million. The total dividend for 2019 and 2020 will thus amount to 30 per cent of the cumulative annual result for the years 2019 and 2020.

The Board will also propose to the General Meeting that the Board is issued special authorisation that allows payment of up to a further NOK 9.00 per equity certificate to be proposed as a cash dividend and up to NOK 91 million to be allocated as dividend funds for the local community for the 2020 financial year. In

the event of such further distribution, the overall dividend for the 2020 financial year will thus be in line with the bank's dividend policy.

Based on the accounting breakdown of equity in the Parent Bank between equity certificate capital and the primary capital fund, 49.6 per cent of the profit will be allocated to equity certificate holders and 50.4 per cent to the primary capital fund. The Group posted earnings per equity certificate of NOK 27.10 in 2020.

Proposed allocation of profit (figures in NOK millions):

Profit for the year		567
Share allocated to AT1 instrument holders		27
Dividend funds (16.5 %):		
To cash dividends	44	
To dividend funds for local communities	45	89
Strengthening equity (83.5 %):		
To the dividend equalisation fund	221	
To the primary capital fund	224	
To other funds	6	451
Total allocated		567

Business areas

Retail Banking Division

Sparebanken Møre is a market leader in Nordvestlandet and has a strong presence with 130 authorised financial advisers in the retail market. Availability and expertise in a financially strong bank have been important to our customers in what has been an extraordinary year. The shut down of society in March and strict infection control measures during the year, affected how we work and presented both challenges and opportunities. Growth in the bank's prioritised market areas has been strong with a good increase in new customers and an increasing volume of business.

Lending in the retail market increased by NOK 1.75 billion (4 per cent) and ended the year at NOK 45.6 billion. Deposit growth was rising and at the end of the year was no less than 7.8 per cent, equal to NOK 1.68 billion. The deposit balance showed NOK 23.37 billion for the retail market at the end of the year.

Sparebanken Møre believes availability and expertise are very important. In an extraordinary year, with periodic restrictions on in-person meetings with customers, we focused on rapid response times via customer service, on the telephone and in email conversations with customers. Many customers improved their digital skills during the year. This resulted in more customers choosing to meet us in digital conferences. We have also seen a general increase in the use of the bank's digital solutions. This gives us the chance spending more time and resources on good advisory services for our customers. Demand for advice has been increasing, and in particular we have seen that customers have had to restructure their personal finances due to changes in their earnings situation. During the year, we launched a new digital tool for use in both in-person and digital customer meetings to improve the customer experience even further.

Good counselling combined with products that are well-suited to meeting customers' needs made important contributions to creating good customer experiences. All employees who advise customers must complete their FinAut authorisation programmes. They must also undergo continuous updates in market developments, systems training and training in providing good customer counselling. The bank also has a product committee that assesses new and existing products to ensure that they are suitable for the needs of customers.

The liquidity of many households and individuals significantly improved during the year due to the sharp drop in interest rates. With a key policy rate set at 0 per cent, many customers have chosen to invest parts of their savings in funds and the equity market. Many were entering the market for the first time and thus sought advice from their regular adviser. Our availability and strong competence have therefore been competitive advantages in the year just ended.

During the year, the bank worked systematically to ensure good customer experiences when customers contact us. In 2020, for the second year in a row, Sparebanken Møre was named as having the best customer services in Norway in the banking category.

Availability and expertise will remain important priority areas for the bank, and this work will be continued with full force in 2021. These are important success factors for Sparebanken Møre in the battle for customers.

Corporate Banking Division

The Corporate Banking Division is Nordvestlandet's largest financial environment for business and in 2020 maintained good growth rates for both the lending and investment markets, although they were somewhat more subdued compared with the strong volume growth in the past 3 years.

Lending to the corporate market increased by NOK 1.1 billion to a total of NOK 21.5 billion, which represents growth of 5.3 per cent. At the end of the year, deposit growth was 3.6 per cent and deposits from corporate customers totalled NOK 15.7 billion.

The largest individual industries measured in terms of lending were commercial real estate and fisheries. The quality of the lending portfolio is good and both credit-impaired commitments and losses remain low in most industries. The losses in 2020 were mainly related to the oil related/supply sector.

The growth in new customers continues to gather pace and after around 500 new corporate customers chose to establish an active customer relationship with Sparebanken Møre in 2019 this increased to more than 600 new customers in 2020. The majority of these were companies in the SME segment.

Further developing employees' competence is an important focus area. All account managers in the Corporate Banking Division are authorised financial advisers and must pass annual tests to renew their authorisation. In order to create added value for customers based on sound expert advice, the bank is also systematically working to develop cutting edge, updated and relevant industry knowledge.

Being local and knowing our customers are considered one of our most important competitive advantages. In this context, a close dialogue with the customers through individual customer meetings and a presence in various industry arenas are important elements. In a year with strict restrictions on physical meeting places, customer contact has increasingly been addressed through digital channels. Our functionality and operational stability have been good, and we have thus been able to maintain good availability and counselling for our customers.

Some industries have seen major changes in their framework conditions due to Covid-19, and we believe it is very important to assist customers in a difficult situation with good financial solutions. In 2020, a number of government packages of economic measures were introduced, and our ambition has also been to function as good advisers in relation to the economic measures available to our customers.

In parallel with further improving and strengthening our advisers' industrial and other technical expertise, focus is also on digitalising and streamlining both internal processes and better self-service solutions in order to simplify processes for customers with respect to customer and product establishment. This also applies to efficient, digitalised, self-service credit solutions. This will help ensure that the bank's account managers can give even greater priority to direct customer contact and counselling that provides added value to customers in 2021.

Capital Market

Sparebanken Møre's investment firm licence is administered by the Treasury and Markets Unit where the Treasury department follows up services related to financing and management for the Group, while the Markets department manages the customer-oriented services through customer trading in foreign exchange, interest rates and equities, as well as discretionary asset management.

Sparebanken Møre must aim for low to moderate overall risk in the activities of the bank and the Group.

Earnings should be a product of customer-related activities, and not financial risk taking, and the bank's market risk must be low.

The unit's customer-oriented services generated income of NOK 117 million in 2020, which represents just over 41 per cent of the bank's other operating income in 2020 and an increase of about 11 per cent compared with 2019. Currency and fixed income trading, as well as discretionary asset management, are the most important income areas. After deducting costs, the income is allocated to the branches and departments in the Corporate Banking Division and the Retail Banking Division.

Subsidiaries

The aggregate profit of the bank's three subsidiaries was NOK 232 million after tax in 2020 (NOK 222 million).

Møre Boligkreditt AS

Møre Boligkreditt AS was established as part of the Group's long-term funding strategy. The main purpose of the covered bond company is to issue covered bonds for sale to Norwegian and international investors. At year end 2020, the company had outstanding bonds of NOK 24 billion, of which around 35 per cent was issued in currencies other than NOK. NOK 500 billion of the volume of bonds issued by the company was held by the Parent Bank at year end 2020. Møre Boligkreditt AS contributed NOK 230 million to the Group's result in 2020 (NOK 222 million).

Møre Eiendomsmegling AS

Møre Eiendomsmegling AS provides real estate brokerage services to both retail and corporate customers. The company contributed NOK 0.5 million to the result in 2020 (NOK 0.8 million). At the end of the quarter, the company employed 11 FTEs.

Sparebankeiendom AS

Sparebankeiendom AS's purpose is to own and manage the bank's commercial properties. The company contributed NOK 2 million to the result in 2020 (NOK -1,1 million). The company has no employees.

Research and development

The bank takes a systematic approach to various development projects where the purpose is to provide improved products and services for customers, or to help streamline and enhance the quality of internal work processes. Some of the projects are carried out in collaboration with partners, including through TEFT lab, which is a research partnership with the Norwegian University of Science and Technology (NTNU) in Ålesund. In this we are researching the opportunities the technological shift is presenting and taking an active part in education, research, innovation and dissemination in the intersection between economics and technology.

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

Corporate governance report

Corporate governance in Sparebanken Møre includes the targets and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of owners, depositors and other groups in the Group. The Group's corporate governance should ensure prudent asset management and provide assurance that the communicated goals and strategies are attained and realised.

The Board highlights the following areas as critical to maintaining the confidence of the market:

- Capital appreciation for equity certificate holders and other investors in the bank's securities
- Competent and independent management and control

- Good internal management and monitoring processes
- Compliance with laws, rules and regulations
- Transparency and good communications with equity certificate holders, other investors, customers, employees and the community at large
- Equal treatment of all equity certificate holders

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance, most recently updated on 17 October 2018. Sparebanken Møre's corporate governance report is included in the annual report as a separate section.

Risk and capital management

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

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

The overall framework and limits for Sparebanken Møre's risk management are assessed annually by the Board as part of the preparation of the bank's strategic plan. In January 2021, the Board adopted a new strategic plan, 'Møre 2024'. The Board approves overall guidelines for management and control in the Group each year, and the Parent Bank and subsidiaries adopt individual risk strategies tailored to their activities. Separate guidelines have been approved for each significant risk area, including credit risk, counterparty risk, market risk, concentration risk, operational risk and liquidity risk.

The various guidelines form the framework for the Group's ICAAP. The Board actively participates in the annual process and establishes ownership of the assessments and calculations made, including through the ICAAP's key role in long-term strategic planning. The ILAAP process, which is the bank's assessment of liquidity and funding risk, is included as part of the ICAAP. Calculations performed in ICAAP 2020 indicate that the Group's capital adequacy is sufficiently robust to tolerate an economic development that is significantly more negative than the development on which the basic scenario in the long-term strategic plan is based. This is supported by both economic calculations and simulations based on various stress tests.

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

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

The EU capital requirements regulations, CRR/CRD IV, have been enacted in Norway, and Sparebanken Møre reports, among other things, its capital adequacy requirements and liquidity requirements in accordance with these regulations. A revision of the regulations is expected to come into force in Norway during 2021 and will result in several changes such as the extension of the SME discount and the introduction of a minimum requirement for NSFR.

Based on the capital adequacy regulations, the minimum requirement for capital adequacy consists of a Pillar 1 requirement and a Pillar 2 requirement. The Pillar 2 supplement applies to risks that are not covered or are only partly covered by Pillar 1.

The Financial Supervisory Authority of Norway has set the bank's Pillar 2 requirement at 1.7 per cent, applicable from 31 March 2019. The next time it sets the Pillar 2 requirement, in 2021, the Financial Supervisory Authority of Norway will also express its expectation concerning a capital requirement margin

(P2G) in excess of the total risk-weighted capital requirement.

Sparebanken Møre's total minimum requirement for Common Equity Tier 1 capital amounted to 12.7 per cent as at 31 December 2020.

Sparebanken Møre has authorisation from the Financial Supervisory Authority of Norway to use the Foundation IRB method for calculating capital requirements for credit commitments. Operational risk calculations are performed using the basic method.

Sparebanken Møre's capital adequacy at year end 2020 was well above the regulatory capital requirements and the internally set minimum target for Common Equity Tier 1 capital of 15.2 per cent. Primary capital amounted to 21.3 per cent (21.7 per cent) and Tier 1 capital 19.2 per cent (19.5 per cent), of which Common Equity Tier 1 capital amounted to 17.5 per cent (17.7 per cent).

The minimum requirement for the Tier 1 leverage ratio has been set at 3 per cent. Every bank must also have a buffer of at least 2 percentage points. At year end 2020, the Tier 1 leverage ratio for Sparebanken Møre was 8.0 per cent (8.1 per cent), which represents a good margin with respect to the total requirement of 5 per cent.

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

Credit risk

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

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

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

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

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

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

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

Through the Group's reporting portal, each member of staff with customer responsibilities has access to reports which show the development of the credit risk in his or her portfolio. The portal has a hierarchical structure allowing managers in Sparebanken Møre to monitor performance within their respective area of

responsibility. The reporting is used to analyse customers, portfolios and segments, among other things. The portal also provides customer account managers with an overview of the customers' positions and limits in relation to exposure in financial instruments.

The Special Commitments Department is part of the Risk Management & Compliance unit. The purpose of this department is to improve the efficiency of the processes associated with credit-impaired commitments. This will improve the quality and professionalism in handling impaired commitments and ensures that case processing will be objective and independent. The department reports upwards in the management hierarchy independent of the line.

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

Climate risk

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

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

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

In 2020, the bank started a project aimed at establishing guidelines and requirements for ESG assessments in connection with granting credit to the bank's corporate customers. A special assessment tool has been developed for this work, which should help to map the bank's customers in relation to ESG. Analyses and assessments must be documented and included in the basis for making decisions when granting credit or conducting annual reviews of credit commitments. All of the dimensions (ESG) will be included, although the main focus will still be on the customers' impact on the environment and climate. This work will continue in 2021.

The periodic reporting of climate risk to the Board will be further strengthened in 2021.

The Board believes that the planned measures will align the bank's operations with its the risk tolerance for climate risk.

Market risk

Sparebanken Møre's market risk is primarily a reflection of activities which are conducted in order to support the Group's daily operations. This relates to the Group's funding, the bond portfolio which is maintained in order to meet funding needs and safeguard access to loans from Norges Bank, as well as customer-generated interest rate and currency trading.

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

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

Funding risk

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

Two key quantitative requirements have been established for liquidity:

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

LCR measures an institution's ability to survive a 30-day stress period. LCR increases the importance of high-quality liquid assets. NSFR measures the longevity of an institution's funding. NSFR means that institutions have to fund liquid assets with the aid of a greater proportion of stable and long-term funding.

The minimum LCR requirement is 100 per cent. The LCR target established by the Group for complies with the regulatory requirement and the reporting shows that Sparebanken Møre has a good margin in relation to the requirement.

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

To ensure that the Group's funding risk is kept at a low level, lending to customers must primarily be financed by customer deposits and issuing long-term debt securities. The bank's deposit-to-loan ratio at the end of 2020 was 58.1 per cent.

Møre Boligkreditt AS increases the diversification of the Group's sources of funding. The company issues covered bonds. The bank transfers parts of its mortgage portfolio to the mortgage company, and this facilitates access to these funding opportunities. At year end 2020, around 42,1 per cent of the Group's total lending (62 per cent of lending to the retail market) had been transferred to the mortgage company.

Sparebanken Møre will continue to transfer loans to Møre Boligkreditt AS in accordance with the plans set out in the funding strategy. By year end, Møre Boligkreditt AS had issued seven loans that qualify for level 2A liquidity in LCR. Møre Boligkreditt AS will issue and accumulate more loans in this category going forward.

In order to gain access to new sources of financing and seek stable access to funding from external sources, securities issued by both Sparebanken Møre and Møre Boligkreditt AS are rated by the rating agency Moody's.

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

As far as the composition of the external funding is concerned, priority is given to ensuring that a relatively high proportion of funding has a maturity above one year. Total market funding ended at net NOK 30.6 billion at year end; almost 86 per cent of this funding has a remaining term of more than 1 year. The Parent bank's outstanding senior bonds, with a term of more than 1 year, had a weighted remaining term of 3.21 years at year end 2020, while covered bond funding correspondingly had a remaining term of 3.57 years.

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

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

The Board also receives a monthly status update on the liquidity situation via the risk report, and immediately if any important events occur that could impact the bank's current or future liquidity situation. The reporting includes several different key figures related to the development of financial strength,

balance sheet performance, earnings performance, credit-impaired commitments and the development of cost of funds. The reporting tries to identify the funding situation during normal operations, identify any early 'warning signs' and assess the bank's stress capacity.

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

Operational risk

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

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

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

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

The quality and stability of our digital banking services and other IT services were generally good in 2020. Good cooperation between the actors in the industry makes an important contribution to the work on reducing the consequences of targeted attacks aimed at banks and other financial institutions. Sparebanken Møre has a strong focus on information security, including amongst the bank's employees and at the bank's service providers. During the year, an extensive project was conducted to secure the bank's management system within information security. Mandatory e-learning courses in information security have also been conducted regularly ever since the start of the Covid-19 pandemic.

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

The regulatory requirements and guidelines for the management and control of operational risk are increasing and the bank has seen a need to professionalise this area. Although such management and control has been carried out for many years, the bank sees a need for broad input to the improvement work. The bank has, therefore, started an extensive project to design and implement a management and control framework for operational risk that helps to ensure that the risk exposure is within the risk tolerance, satisfies the regulatory requirements and expectations and contributes to continuous improvement.

Sparebanken Møre attaches great importance to external activities that focus on customers. Our employees' high level of expertise and products that are well-suited to meeting the needs of customers both contribute to the mitigation of operational risk and ensuring that our customers find being a customer of our bank a good experience. All employees who advise customers are authorised via FinAut's authorisation programmes. They also receive regular updates in market developments, systems training and training in providing good counselling.

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

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

Compliance risk

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

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

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

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

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

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

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

Internal control in connection with the financial reporting process

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

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

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

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

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

Internal control reporting

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

The CEO has also submitted an annual report to the Board containing an overall assessment of the risk situation and an assessment of whether the established internal controls function satisfactorily.

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

Sustainability and corporate social responsibility

During 2020, Sparebanken Møre both further intensified and structured its work on sustainability. Responsibility for sustainability has been delegated to people in all relevant fields, and together they constitute the Group's sustainability committee.

A materiality analysis has been conducted in order to focus efforts on the most important areas for both stakeholders and the bank's long-term value creation. Specific goals have been formulated based on this and these are included in an overall strategy for sustainability that is approved by the Board.

Sustainability has also been made a priority focus area in the bank's group strategy for the period 2021-2024. The overarching objective is for Sparebanken Møre to be a driving force behind sustainable development. The objective has been firmed up through special action plans and measures in all of the bank's units/divisions.

Over the year, sustainability became better integrated into the Group's governing documents and training measures have been implemented throughout the organisation. A number of internal processes have also been introduced to make sure sustainability is taken into account in the Group's operations and a green framework has been established for issuing green bonds.

Sparebanken Møre has signed up to the UNEP FI's Principles for Responsible Banking, which commits the bank to adapting its business strategy to the UN Sustainable Development Goals, Paris Agreement and relevant national framework. Sparebanken Møre has commenced this work and will publish a self-evaluation that includes the status of the process by the end of spring 2021. The information will be reviewed by an independent third party and made available on the bank's website.

Please refer to the separate section on sustainability and corporate social responsibility for information on how Sparebanken Møre addresses and fulfils its responsibilities with respect to human rights, labour rights and social conditions, the external environment and combating corruption in business strategies, day-to-day operations and in relation to stakeholders.

Employees and working environment

Sparebanken Møre wants to be an attractive employer. A good working environment must be achieved through personnel policy measures, employee involvement and development, and reflected feedback.

Employee satisfaction is measured every year and the working environment, engagement, management and communication, as well as the risk culture in Sparebanken Møre, are analysed. For 2020, the working environment committee score was 8.3 on a scale from 1-10, which reflects a very good working environment. The results also show that the bank's employees were highly likely to recommend Sparebanken Møre as a place to work.

Sparebanken Møre wants to contribute to low work-related sick leave through systematic HSE work, good management and a good working environment. Sick leave has been low over time and in 2020 it was 3.86 per cent.

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

Internal auditing

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

The Group's internal auditing was outsourced to EY in 2020. The internal auditing function reports to the Risk Committee and the Board. A plan has been prepared for the work of the internal auditor and approved by the Board. The Risk Committee and the Board received regular reports from the internal auditor in 2020 in accordance with this plan, and no material breaches of relevant laws or regulations were identified.

Equity certificates and dividends

At year end 2020, there were 5,758 holders of Sparebanken Møre's equity certificates. 9,886,954 equity certificates have been issued. Equity certificate capital accounts for 49.6 per cent of the bank's total equity.

The 20 largest equity certificate holders represented 50.7 per cent of the bank's equity certificate capital at year end. Of these equity certificate holders, nine were residents of Møre og Romsdal, with a relative ownership interest among the 20 largest of 57.3 per cent (57.7 per cent). Note 34 includes a list of the 20 largest holders of the bank's equity certificates.

Sparebanken Møre encourages all employees to own equity certificates in Sparebanken Møre and contributes to this via reward schemes. At the end of the year, employees held 269,829 equity certificates, which makes employees the eight largest MORG owner overall.

As at 31 December 2020, the bank owned 22,111 of its own equity certificates. These were purchased on the Oslo Børs at market prices. The equity certificates are freely negotiable in the market.

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

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

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

Going concern assumption

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

Events after the balance sheet date

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

Future prospects

Labour market developments in Møre og Romsdal indicate that the total output of goods and services in the county stabilised during the fourth quarter of 2020. At the end of December, registered unemployment amounted to 2.9 per cent of the workforce according to NAV. By comparison, the unemployment rate for the country as a whole was 3.8 per cent.

Meanwhile, there is a risk of some rise in unemployment and the number of bankruptcies increasing due to prolonged activity-reducing infection control measures. A number of industries are facing serious economic situations.

This is particular true for tourism-related sectors such as the hotel and restaurant industry, personal services, and the maritime industry and its suppliers. Challenges will also remain in oil-related industries.

After falling prior to June, the figures for the second half of 2020 show that the pace of growth in lending to households was increasing in the second half of the year for Norway as a whole. At year end 2020, lending growth in the corporate market was somewhat lower than at the end of the year before.

During the first three quarters of 2020, the bank noted somewhat slower growth in both lending to the retail market and lending to the corporate market compared with the annual growth rates at year end 2019. The pace of growth increased in the fourth quarter and ended the year at 4.0 per cent for the retail market, while the growth in lending to the corporate market ended 2020 at 5.3 per cent. Deposits increased by 6.0 per cent in 2020 and the deposit-to-loan ratio remains high.

Sparebanken Møre expects lending growth for the bank in 2021 to be slightly higher than the growth in 2020. Deposit growth is expected to remain high.

The bank has a solid capital base and good liquidity and will remain strong and committed in supporting our customers. The focus will always be on good operations and profitability.

Although Sparebanken Møre's strategic financial targets were not achieved in 2020 and the activity-reducing measures due to the coronavirus pandemic are expected to impact the market in 2021 as well, the targets of a return on equity in excess of 11 per cent and a cost income ratio of less than 40 per cent stand. The bank has taken steps aimed at achieving these targets.

Vote of thanks

The Board of Directors would like to thank all of the Group's employees and elected representatives for their good contributions in 2020. The Board of Directors would also like to thank Sparebanken Møre's customers, investors and other associates for our good partnership throughout the year.

Ålesund, 31 December 2020
18 February 2021

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chair of the Board
RAGNA BRENNE BJERKSET, Deputy Chair
HENRIK GRUNG
JILL AASEN
ANN MAGRITT BJÅSTAD VIKERBAKK
KÅRE ØYVIND VASSDAL
HELGE KARSTEN KNUDSEN
MARIE REKDAL HIDE
TROND LARS NYDAL, CEO

Statement of income

GROUP				PARENT BANK	
2019	2020	(NOK million)	Note	2020	2019
2 328	1 954	Interest income		1 309	1 612
1 014	726	Interest expenses		426	605
1 314	1 228	Net interest income	<u>15</u>	883	1 007
221	210	Commission income and income from banking services		209	220
26	26	Commission expenses and expenses from banking services		26	26
24	27	Other operating income		44	38
219	211	Net commission and other income	<u>16</u>	227	232
74	74	Net gains/losses from financial instruments	<u>17</u>	303	249
293	285	Total other operating income		530	481
1 607	1 513	Total income	<u>4</u>	1 413	1 488
354	332	Wages, salaries etc.	<u>18 20</u>	317	340
143	143	Administration costs	<u>19 30</u>	142	143
497	475	Total wages, salaries and general administration costs		459	483
50	46	Depreciation and impairment of non-financial assets	<u>19 30 31 32</u>	51	54
99	109	Other operating costs	<u>19 29 30 35</u>	92	80
961	883	Profit before impairment on loans		811	871
50	149	Impairment on loans, guarantees etc.	<u>9 10</u>	148	60
911	734	Pre tax profit	<u>4</u>	663	811
200	167	Taxes	<u>21</u>	102	150
711	567	Profit after tax		561	661
688	540	Allocated to equity owners		534	638
23	27	Allocated to owners of Additional Tier 1 capital		27	23
176	45	Dividend funds to the local community 1)		45	176
173	44	Dividend to the EC-holders 1)		44	173
146	224	Transferred to the primary capital fund		224	146
144	221	Transferred to the dividend equalisation fund		221	144
49	6	Transferred to other equity capital		0	0
688	540	Proposed distribution		534	638
34.50	27.10	Result per EC (NOK) 2)	<u>34</u>	26.83	32.00
34.50	27.10	Diluted earnings per EC (NOK) 2)	<u>34</u>	26.83	32.00

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

2) Calculated using the EC-holders share (49.6 %) of the period's profit to be allocated to equity owners

STATEMENT OF COMPREHENSIVE INCOME

GROUP				PARENT BANK	
2019	2020	(NOK million)	Note	2020	2019
711	567	Profit after tax		561	661
		Other income/costs reversed in ordinary profit:			
2	3	Change in value on basis swap spreads		0	0
0	-1	Tax effect of change in value on basis swap spreads	<u>21</u>	0	0
		Other income/costs not reversed in ordinary profit:			
-29	-36	Pension estimate deviations	<u>20</u>	-36	-29
7	9	Tax effect of deviations on pension estimates	<u>21</u>	9	7
691	542	Total comprehensive income after tax		534	639
668	515	Allocated to equity owners		507	616
23	27	Allocated to owners of Additional Tier 1 capital		27	23

Statement of financial position

ASSETS

GROUP				PARENT BANK	
31.12.2019	31.12.2020	(NOK million)	Note	31.12.2020	31.12.2019
1 072	542	Cash and claims on Norges Bank		542	1 072
369	1 166	Loans to and receivables from credit institutions, on a call basis		1 165	369
719	0	Loans to and receivables from credit institutions, with a fixed maturity		4 760	2 890
1 088	1 166	Total loans to and receivables from credit institutions	<u>29</u>	5 925	3 259
64 029	66 850	Net loans to and receivables from customers	<u>4 5 6 7 8 9 10 18 29</u>	37 925	38 494
6 938	8 563	Certificates, bonds and other interest-bearing securities	<u>22 24</u>	8 950	6 260
1 176	1 793	Financial derivatives	<u>25</u>	677	586
194	178	Shares and other securities	<u>22 24</u>	178	194
0	0	Equity stakes in financial institutions (subsidiaries)		2 050	2 050
0	0	Equity stakes in other Group companies		21	21
0	0	Total equity stakes in Group companies	<u>29</u>	2 071	2 071
53	56	Intangible assets	<u>32</u>	56	53
9	13	Machinery, equipment, fixtures and fittings and vehicles	<u>31</u>	13	9
227	211	Buildings and other real estate	<u>30 31</u>	170	189
236	224	Total fixed assets		183	198
89	114	Other assets	<u>33</u>	111	84
74 875	79 486	Total assets	<u>11 12 13 14 22 23 24</u>	56 618	52 271

LIABILITIES AND EQUITY

GROUP				PARENT BANK	
31.12.2019	31.12.2020	(NOK million)	Note	31.12.2020	31.12.2019
67	1 009	Loans and deposits from credit institutions, on a call basis		1 913	769
750	1 200	Loans and deposits from credit institutions, with a fixed maturity		1 200	750
817	2 209	Total loans and deposits from credit institutions	<u>29</u>	3 113	1 519
25 538	28 116	Deposits from customers, on a call basis		28 142	25 559
11 265	10 907	Deposits from customers, with a fixed maturity		10 907	11 265
36 803	39 023	Total deposits from customers	<u>4 6 18 28 29</u>	39 049	36 824

28 271	28 774	Bonds issued	<u>22 23 24 26</u>	5 286	5 209
288	537	Financial derivatives	<u>25</u>	521	242
86	78	Incurred costs and prepaid income		79	86
32	57	Pension liabilities	<u>20</u>	57	32
100	111	Tax payable	<u>21</u>	109	88
116	43	Provisions against guarantee liabilities	<u>9</u>	43	116
146	194	Deferred tax liability	<u>21</u>	65	81
542	550	Other liabilities	<u>30</u>	640	646
1 022	1 033	Total provisions and other liabilities		993	1 049
704	702	Subordinated loan capital	<u>23 27</u>	702	704
67 905	72 278	Total liabilities	<u>11 12 13 14 22</u> <u>23 24 26</u>	49 664	45 547
989	989	EC capital	<u>34</u>	989	989
-3	-2	ECs owned by the bank	<u>34</u>	-2	-3
357	357	Share premium		357	357
599	599	Additional Tier 1 capital	<u>27</u>	599	599
1 942	1 943	Total paid-in equity		1 943	1 942
2 819	3 029	Primary capital fund		3 029	2 819
125	125	Gift fund		125	125
1 559	1 768	Dividend equalisation fund		1 768	1 559
525	343	Other equity		89	279
5 028	5 265	Total retained earnings		5 011	4 782
6 970	7 208	Total equity	<u>3</u>	6 954	6 724
74 875	79 486	Total liabilities and equity		56 618	52 271

Ålesund, 31 December 2020
18 February 2021

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chair of the Board
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KÅRE ØYVIND VASSDAL
HELGE KARSTEN KNUDSEN
MARIE REKDAL HIDE
TROND LARS NYDAL, CEO

Statement of changes in equity

GROUP 31.12.2020	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2019 (notes 3 and 34)	6 970	986	357	599	2 819	125	1 559	525
Changes in own equity certificates	2	1					1	
Distributed dividend to the EC holders	-138							-138
Distributed dividend to the local community	-141							-141
Interest paid on issued Additional Tier 1 capital	-27							-27
Equity before allocation of profit for the year	6 666	987	357	599	2 819	125	1 560	219
Allocated to the primary capital fund	224				224			
Allocated to the dividend equalisation fund	221						221	
Allocated to the owners of Additional Tier 1 capital	27							27
Allocated to other equity	6							6
Proposed dividend allocated to the EC holders	44							44
Proposed dividend allocated to the local community	45							45
Profit for the year	567	0	0	0	224	0	221	122
Change in value on basis swap spreads	3							3
Tax effect of change in value on basis swap spreads	-1							-1
Pension estimate deviations	-36				-18		-18	
Tax effect of pension estimate deviations	9				4		5	
Total other income and costs from comprehensive income	-25	0	0	0	-14	0	-13	2
Total profit for the period	542	0	0	0	210	0	208	124
Equity as at 31 December 2020 (notes 3 and 34)	7 208	987	357	599	3 029	125	1 768	343

GROUP 31.12.2019	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31 December 2018 (notes 3 and 34)	6 360	986	356	349	2 649	125	1 391	504
Changes in own equity certificates	1		1					
Distributed dividend to the EC holders	-153							-153
Distributed dividend to the local community	-156							-156
Issued Additional Tier 1 capital	250			250				
Interest paid on issued Additional Tier 1 capital	-23							-23
Equity before allocation of profit for the year	6 279	986	357	599	2 649	125	1 391	172
Allocated to the primary capital fund	181				181			
Allocated to the dividend equalisation fund	179						179	
Allocated to the owners of Additional Tier 1 capital	23							23
Allocated to other equity	49							49
Proposed dividend allocated to the EC holders	138							138
Proposed dividend allocated to the local community	141							141
Profit for the year	711	0	0	0	181	0	179	351
Change in value on basis swap spreads	2							2
Tax effect of change in value on basis swap spreads	0							0
Pension estimate deviations	-29				-15		-14	
Tax effect of pension estimate deviations	7				4		3	
Total other income and costs from comprehensive income	-20	0	0	0	-11	0	-11	2
Total profit for the period	691	0	0	0	170	0	168	353
Equity as at 31 December 2019 (notes 3 and 34)	6 970	986	357	599	2 819	125	1 559	525

PARENT BANK 31.12.2020	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31.12.2019 (notes 3 and 34)	6 724	986	357	599	2 819	125	1 559	279
Changes in own equity certificates	2	1					1	
Distributed dividend to the EC holders	-138							-138
Distributed dividend to the local community	-141							-141
Interest paid on issued Additional Tier 1 capital	-27							-27
Equity before allocation of profit for the year	6 420	987	357	599	2 819	125	1 560	-27
Allocated to the primary capital fund	224				224			
Allocated to the dividend equalisation fund	221						221	
Allocated to the owners of Additional Tier 1 capital	27							27
Proposed dividend allocated to the EC holders	44							44
Proposed dividend allocated to the local community	45							45
Profit for the year	561	0	0	0	224	0	221	116
Change in value on basis swap spreads	0							0
Tax effect of change in value on basis swap spreads	0							0
Pension estimate deviations	-36				-18		-18	
Tax effect of pension estimate deviations	9				4		5	
Total other income and costs from comprehensive income	-27	0	0	0	-14	0	-13	0
Total profit for the period	534	0	0	0	210	0	208	116
Equity as at 31 December 2020 (notes 3 and 34)	6 954	987	357	599	3 029	125	1 768	89

PARENT BANK 31.12.2019	Total equity	EC capital	Share premium	Additional Tier 1 capital	Primary capital fund	Gift fund	Dividend equalisation fund	Other equity
Equity as at 31 December 2018 (notes 3 and 34)	6 166	986	356	349	2 649	125	1 391	310
Changes in own equity certificates	1		1					
Distributed dividend to the EC holders	-153							-153
Distributed dividend to the local community	-156							-156
Issued Additional Tier 1 capital	250			250				
Interest paid on issued Additional Tier 1 capital	-23							-23
Equity before allocation of profit for the year	6 085	986	357	599	2 649	125	1 391	-23
Allocated to the primary capital fund	181				181			
Allocated to the dividend equalisation fund	179						179	
Allocated to the owners of Additional Tier 1 capital	23							23
Proposed dividend allocated to the EC holders	138							138
Proposed dividend allocated to the local community	141							141
Profit for the year	662	0	0	0	181	0	179	302
Change in value on basis swap spreads	0							0
Tax effect of change in value on basis swap spreads	0							0
Pension estimate deviations	-29				-15		-14	
Tax effect of pension estimate deviations	7				4		3	
Total other income and costs from comprehensive income	-22	0	0	0	-11	0	-11	0
Total profit for the period	640	0	0	0	170	0	168	302
Equity as at 31 December 2019 (notes 3 and 34)	6 724	986	357	599	2 819	125	1 559	279

Statement of cash flow

GROUP				PARENT BANK	
2019	2020	(NOK million)	Note	2020	2019
Cash flow from operating activities					
2 449	2 069	Interest, commission and fees received	<u>15 16</u>	1 437	1 742
-515	-521	Interest, commission and fees paid	<u>15 16</u>	-526	-542
12	22	Dividend and group contribution received	<u>17</u>	249	184
-548	-552	Operating expenses paid	<u>18 19 20 30</u>	-508	-499
-81	-99	Income taxes paid	<u>21</u>	-88	-57
200	-78	Changes relating to loans to and claims on other financial institutions		-2 667	-929
-3 755	-2 632	Changes relating to repayment of loans/leasing to customers		742	-1 747
52	-207	Changes in utilised credit facilities		-195	287
2 390	2 220	Net change in deposits from customers		2 225	2 388
204	222	Net cash flow from operating activities		669	827
Cash flow from investing activities					
134	115	Interest received on certificates, bonds and other securities		118	136
8 462	7 359	Proceeds from the sale of certificates, bonds and other securities		8 882	9 996
-8 649	-8 919	Purchases of certificates, bonds and other securities		-11 500	-9 199
0	0	Proceeds from the sale of fixed assets etc.	<u>31 32</u>	0	0
-33	-37	Purchase of fixed assets etc.	<u>31 32</u>	-37	-32
63	-65	Changes in other assets	<u>32 33</u>	-73	-424
-23	-1 547	Net cash flow from investing activities		-2 610	477
Cash flow from financing activities					
-563	-388	Interest paid on issued bonds and subordinated loan capital		-82	-137
-138	1 392	Net change in deposits from Norges Bank and other financial institutions		1 593	-150
5 374	5 821	Proceeds from bonds issued	<u>26 27</u>	2 500	2 299
-4 317	-5 912	Maturity of debt securities	<u>26 27</u>	-2 438	-2 813
-153	-138	Dividend paid	<u>34</u>	-138	-153
-396	47	Changes in other debt	<u>4 20</u>	3	-362
250	0	Proceeds from issued Additional Tier 1 capital	<u>27</u>	0	250
-23	-27	Interest paid on issued Additional Tier 1 capital	<u>27</u>	-27	-23
34	795	Net cash flow from financing activities		1 411	-1 089
215	-530	Net change in cash and cash equivalents		-530	215
857	1 072	Cash balance at 01.01		1 072	857
1 072	542	Cash balance at 31.12		542	1 072

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

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

Note 1

Accounting principles

1.1 GENERAL INFORMATION

Sparebanken Møre, which is the Parent company of the Group, is a savings bank registered in Norway. The bank's Equity Certificates (ECs) are listed on the Oslo Stock Exchange.

The Group consists of Sparebanken Møre (the Parent Bank) and its subsidiaries Møre Boligkreditt AS, Møre Eiendomsmegling AS and Sparebankeiendom AS.

The Sparebanken Møre Group provides banking services for retail and corporate customers and real estate brokerage through a large network of branches in Nordvestlandet, which is the region defined as the bank's geographic home market.

The company's Head Office is located at Keiser Wilhelmsgt. 29/33, P.O.Box 121 Sentrum, 6001 Ålesund, Norway.

Figures are presented in MNOK unless otherwise stated.

The preliminary annual accounts were approved for publication by the Board of Directors on 11 February 2021. The final annual accounts were presented by the Board of Directors on 18 February 2021.

The Group's operations are described in note 4.

1.2 ACCOUNTING PRINCIPLES

The Group's annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been stipulated by the International Accounting Standards Board, and implemented by the EU as at 31 December 2020.

How to read the Group's accounting principles:

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

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

Calculation basis

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

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

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

Consolidation principles

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

Companies which are bought or sold during the year are included in the Group accounts from the time at which control is obtained and until control ceases.

The Group accounts are prepared as if the Group is one financial unit.

All transactions between companies in the Group, have been eliminated in the consolidated financial statements. Uniform accounting principles have been applied for all companies in the Group. In the Parent Bank's accounts, investments in subsidiaries are valued at cost. The acquisition method is applied when recognising acquired units/entities. The acquisition cost relating to an acquisition is assessed as the fair value of the items involved, such as assets, equity instruments issued and liabilities taken over. Identifiable assets bought, liabilities taken over and debt obligations are assessed at fair value at the time of the acquisition. Any acquisition cost in excess of fair value of the Group's equity stake of identifiable net assets is, according to IFRS 3, incorporated as goodwill. Transaction costs related to acquisitions are recognised in the income statement as incurred.

Changes in accounting principles and presentation (classifications)

There are no significant changes in accounting principles or presentation for 2020.

New or amended standards

The Group has not implemented any new or amended standards in 2020.

Future standards

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

Annual improvements

Minor changes have been made in a number of standards during IASB's annual improvement projects. None of these changes are considered to have significant impact on the financial position or performance of the Sparebanken Møre Group.

1.3 FOREIGN EXCHANGE

The Group presents its accounts in Norwegian kroner (NOK). The functional currency for the Parent Bank and its subsidiaries is NOK.

All monetary items in foreign currencies have been recalculated into the bank's functional currency (NOK) according to foreign exchange rates provided by Norges Bank as at 31.12.2020. Current income and costs have been translated into NOK at the foreign exchange rates ruling at the time of the transactions, and the effects of changes in foreign exchange rates have been included in the income statement on an ongoing basis during the accounting period.

1.4 JUDGMENTS IN APPLYING ACCOUNTING PRINCIPLES

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

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

Certain accounting principles are regarded as particularly important in order to illustrate the Group's financial position due to the fact that management is required to make difficult or subjective assessments, applying estimates which mainly relate to matters which are initially uncertain.

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

Expected credit loss on loans

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

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

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

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

Fair value of financial instruments – including derivatives

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

Note 2

Risk management

Strategy

Sparebanken Møre's long-term strategic development and target achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure effective operations and the handling of risks which can prevent the achievement of business related goals, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines. Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-to-day operations and in the Board of Directors' ongoing focus.

Sparebanken Møre's Board of Directors has agreed overall guidelines for management and control throughout the Group. The Group shall have a low to moderate risk profile and revenue generation shall be a product of customer-related activities, not financial risk taking. In addition, the bank has introduced separate policies for each significant risk area: credit risk, counterparty risk, market risk, funding risk and operational risk. The risk strategies are agreed by the Board of Directors and revised at least once a year, or when special circumstances should warrant it. The Group has established a follow-up and control structure, which shall ensure that the overall framework of the strategic plan is adhered to.

Corporate culture, organisation and responsibility

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

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

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

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

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

year, prepare an overall assessment of the risk situation, which shall be presented to the Board for their consideration.

The Risk Management department is responsible for preparing and designing systems, guidelines and procedures for identifying, measuring, reporting and following up the bank's most important inherent risks. The department is responsible for ensuring that the total risk exposure of Sparebanken Møre, including results of conducted stress tests, is reported to the CEO and the Board of Directors. Further, the department bears the primary responsibility for the IRB process in the Group. It is also a key setter of conditions and adviser in the strategy process concerning risk assessments, risk tolerance and operationalisation of the bank's overall goals with regards to risks. The department is also responsible for working with the ICAAP and the Recovery Plan. The department forms part of the Risk Management and Compliance unit, reporting directly to the CEO.

Pursuant to the requirements in the Financial Institutions Act, Sparebanken Møre has an own compliance function. Each year, the Board of Directors of Sparebanken Møre approves compliance instructions, and an annual work- and action plan is prepared for the function. The department is responsible for coordinating annual internal control confirmations from the operational managers. The head of Compliance reports to the CEO in Sparebanken Møre, but is organizationally subordinate to the EVP of the Risk management and Compliance unit.

Finance and Accounting is responsible for the Group's total financial management/reporting and accounting and is part of the unit Finance and Facilities Management.

Sparebanken Møre's operative managers of important business areas shall actively involve themselves in the process surrounding the assessment of whether or not the established risk management and internal control is being conducted as assumed. It is assumed that all managers at every level of the organisation are monitoring the approved control measures within their area of responsibility.

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

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

Capital structure

Sparebanken Møre's equity and related capital is composed with regards to several considerations. The most important considerations are the Group's size, the internationally orientated industry and commerce in Nordvestlandet and a stable market for long-term funding. Furthermore, the Group's long-term strategic plan is a significant provider of conditions with regards to which capital structure Sparebanken Møre should adopt.

Assessments of risk profile, capital requirements and profitability are always based on the Group's long-term strategic plan. The Group's capital requirements are calculated at least in the annual ICAAP. The Group's total capital shall comply with the Group's accepted risk tolerance. The ICAAP clarifies alternatives the Group can implement if the Group's capital adequacy is subject to stress. The alternatives are listed in a prioritized order, with description of measures and indication of planned implementation if necessary.

Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on equity. The results shall ensure that all equity owners receive a competitive long-term return in the form of dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as

dividend funds, shall be adjusted to the equity situation. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

Capital adequacy rules and regulations

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

The capital adequacy directive is based on three pillars:

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

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

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

Risk exposure and strategic risk management

Sparebanken Møre is exposed to several different types of risk. The most important risk groups are:

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

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

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

- Credit risk: A moderate level of risk is accepted
- Market risk: A low level of risk is accepted
- Funding risk: A moderate level of risk is accepted
- Operational risk: A low level of risk is accepted

The Group's risk is quantified partly through calculations of expected credit loss and the requirement for capital in order to be able to cover unexpected losses. Expected losses and financial capital are calculated for all main groups of risks, and for different business areas within the Group. Expected credit loss describes the amount which in statistical context the bank must expect to lose during a 12-month period.

Financial capital describes the amount of capital the Group deems to be required in order to cover the actual risk which has been incurred by the Group. Statistical methods for the computation of financial capital have been used as a basis. Please also refer to note 3 regarding capital adequacy for further comments concerning financial capital.

Credit risk

Credit risk represents Sparebanken Møre's biggest risk area. Included in this risk area are counterparty risk and concentration risk. The Group is exposed to this type of risk through its lending products for the retail market and corporate customers, and through the activities of Sparebanken Møre's Treasury and Markets unit.

The credit risk strategy is revised and agreed each year by the Board of Directors. The strategy focuses on risk sensitive limits, which have been designed in such a way that they manage the Group's risk profile within the credit area in the most appropriate and effective manner. Furthermore, limits, guidelines, and power of attorney-related rules and regulations have been established, which underpin and support Sparebanken Møre's credit risk strategy and long-term strategic plan.

The core values of Sparebanken Møre are "Close, Committed and Capable". These values are to be reflected in all contact with the market, create added value for the customers and help create a positive view of Sparebanken Møre. The credit policy is intended to promote a credit culture in which creditworthiness is viewed in a long-term perspective, where general and industry economic fluctuations are taken into account. Sparebanken Møre shall conduct itself in accordance with high ethical standards, and shall not be associated with activities, customers or industries of dubious repute. The Group is open to all types of customers within defined market areas, and discrimination based on the customer's age, gender, nationality, religion or marital status shall not occur.

Sparebanken Møre's geographic core region is Nordvestlandet. However, it is allowed to financially support investments/businesses outside its core region when, from an ownership perspective, they are linked to individuals or companies in/from Nordvestlandet. Commitments outside the Group's market area will also be considered as part of the deliberate diversification of the portfolio in terms of segment and geographical exposure. In such cases the Group's strategy sets clear limits for the maximum risk level for an individual commitment.

The Risk Management department has established monthly portfolio management reports which ensure that any discrepancies from the strategic targets incorporated in the credit risk strategy are identified. The EVPs of the Corporate Division and the Retail Division respectively, have independent responsibility for the ongoing monitoring of the position, in order to identify discrepancies in relation to the same strategic targets, and in order to implement measures in the case of any discrepancies having occurred.

The Board of Directors is responsible for the Group's granting of loans and credits. Within certain limits, power of attorney is delegated to the bank's CEO for the operational responsibility with regards to decisions in credit matters. Within his powers of attorney, the CEO may further delegate powers of attorney. The grant authorisations are personal and graded after criteria like the size of grant, the limit of the commitment (corporate customers), the customers total debt (retail customers), and class of risk. Further, the power of attorney is related to the employee's job level.

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

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

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

1. Probability of default (PD): PD is calculated per customer and states the probability of the customer defaulting on his or her outstanding commitment during the next 12 months. A separate PD is calculated for each customer, based on statistical models using variables of both external and bank-internal information, in the form of both financial key figures and non-financial criteria.
2. Degree of loss in the case of default (LGD): LGD indicates how big a part of the commitment is expected to be lost in the case of default. The assessments take into consideration the values of the collateral provided by the customer, and the costs which would be incurred in the case of the recovery/collection of commitments in default.
3. Expected exposure in the case of default (EAD): EAD indicates the level of exposure which is expected in connection with a commitment if, and when it goes into default.

The abovementioned parameters form the basis for calculation of expected loss (EL) and are included in the computation of financial capital. By classifying customers according to probability of default, and by estimating the level of loss and the requirement for financial capital at customer level, the Group obtains information about the level and development of the aggregate credit risk in the total portfolio. In-house migration analyses show the development of the number of customers and EAD between different risk classes during different periods.

Treasury risk

Treasury risk is part of Sparebanken Møre's total credit risk. Board-adopted limits for the Group's credit exposure in this area have been defined.

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

Sparebanken Møre's policy is that, especially in relation to placements in international banks and other debtors outside Norway, the Group shall use assessments carried out by the major official ratings agencies. The credit risk shall be at a minimum, and if a counterparty's status is changed to a negative outlook or their rating falls, Sparebanken Møre carries out a new internal assessment of existing lines of credit. If necessary, the line of credit, and any exposure, is reduced or eliminated.

Treasury risk is also viewed in connection with the funding indicators LCR and NSFR. The LCR regulations entail a movement towards lower risk weighted counterparties, including state and state guaranteed papers and covered bonds.

The pre-classification process emphasises considering banks with which Sparebanken Møre has a mutual (reciprocity) and long business relationship. It is also necessary to have sufficient competition in products and instruments that are traded, as well as diversification in market and geography for Sparebanken Møre.

If changes occur in general conditions, the market, economic trends or Sparebanken Møre's activities which have a material effect on the Group's risk positions, limits must be assessed and possibly set for investment opportunities. This involves, for example, not investing in some countries, groups of countries, individual counterparties, counterparties with certain attributes, etc.

Sparebanken Møre and Møre Boligkreditt AS require the signing of CSA (Credit Support Annex) agreements before trading of derivatives against any counterparties. CSA agreements are part of an ISDA agreement and help to regulate the counterparty risk associated with changes in market conditions. This provides Sparebanken Møre with collateral for any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral in relation to its counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled according to the different CSA-agreements and the counterparty risk will then largely be eliminated. EMIR - European Market Infrastructure Regulation –will ensure regulation

and control of the market for derivatives traded outside regulated markets by requiring reporting of transactions to transaction records, and requirements for settlement (clearing) through central counterparties (CCPs). Sparebanken Møre has entered into an agreement with SEB as a clearing broker and clears derivatives through the London Clearing House.

Market risk

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

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

- Interest rate risk: Consists of market risk associated with positions in interest-bearing financial instruments, including derivatives with underlying interest instruments. Interest rate risk related to the liquidity portfolio, as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. See note 12 for the Group's interest rate risk.
- Equity risk: Consists of market risk on positions in equity instruments. Shares in subsidiaries are not included. Sparebanken Møre has no trading portfolios. The financial risk of Sparebanken Møre is considered to be low. See note 24 for the equity risk of the Group.
- Currency risk: Consists of the risk of losses when exchange rates change. All financial instruments and other positions with currency risk are included in the assessment. Currency risk on the banking book, that is, foreign exchange risk arising as a result of hedging customer trading, including lending/deposit business, is considered separately and has its own set of risk parameters.

Sparebanken Møre's exposure to currency risk is a result of mismatch between the underlying business and hedging transactions, as well as the necessary reserves of the Group's bank accounts in foreign banks. Changes in exchange prices in the market cause changes in the value of Sparebanken Møre's currency position. The currency position also includes Sparebanken Møre's cash holdings of notes denominated in foreign currencies. Sparebanken Møre has no trading portfolio of FX contracts. Sparebanken Møre's currency risk is low and well within the limits specified in the regulations. See note 13 for the Group's currency risk.

- Spread risk: Defined as the risk of changes in market value of bonds and commitments as a result of general changes in credit spreads.
- Total market risk: The overall risk assessment is obtained by comparing the assessments of areas of interest rates, equities and foreign exchange. The FSA's methodology in this area form the basis for assessing the overall market risk. Assessments are based on three risk factors:
 - Exposure
 - Risk spreading
 - Market liquidity

Any diversification effects between asset classes are not taken into account.

Based on the recommendation from the CEO's Balance Board Committee, the Board of Directors annually approves a total limit for the market risk of Sparebanken Møre. The framework is adapted to the Group's activity level and risk tolerance. If required, the overall framework may be changed more frequently than the annual review.

Total limit for market risk is defined as the maximum loss on a stress scenario where the FSA's methodology is applied. The approved overall market risk limit is delegated to the CEO, while the EVP of Treasury and Markets has administrative authority for the overall market risk limit. The EVP is responsible for administration of the limits within the various sub-portfolios being in compliance at all times.

Treasury and Markets has an independent responsibility for ongoing monitoring of positions within the various portfolios and daily follow up, or with the frequency required in relation to the level of activity. The

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

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

Reporting of the market activity is part of Sparebanken Møre's periodic "Risk Report" to management, Risk Committee and Board of Directors. Monthly earnings performance reports are prepared, as well as actual risk exposure within each portfolio, both individually and in aggregate. The reports are compared to maximum activity frame and overall market risk limit (stress frame). The Board is also given a quarterly record of any violation of the framework, the strategy or laws and regulations.

There is no performance-based compensation to any person working in the market risk area beyond what is included in Sparebanken Møre's general bonus scheme which deals with, and is equal to, all employees of the Group.

Funding risk

Liquidity may be defined as the Group's ability to fund increases in assets and to meet its obligations as funding requirements occur. Sparebanken Møre is liquid when it is able to repay its debt as it falls due.

Management of the Group's funding risk is based on the overall financing strategy, which is evaluated and approved by the Board of Directors at least once a year. The strategy reflects the moderate risk level accepted for this risk area.

The Group's funding risk requires special monitoring. This is due to the Group's special position as a manager of deposits for small and non-professional participants, as well as the central role the Group plays in payment systems. The banks' duty to accept deposits from a non-specific base of depositors and the fact that these deposits are normally available on the same day, means that they face considerably greater risk than other financial institutions. The authorities' loan schemes and safety net for banks are based on these precise factors. The costs of reducing funding risk must be viewed in the context of the advantages lower funding risk provides. One fundamental prerequisite for maintaining the trust of depositors and other lenders is that the institutions always have sufficient liquidity to cover current liabilities.

LCR measures the bank's ability to survive a 30-day stress period. LCR has increased the importance of high-quality liquid assets. NSFR measures the longevity the bank's funding and has resulted in a greater proportion of stable and long-term funding. In this context, deposits are not regarded as an equally stable source of funding, which means that the quality of the deposits will increase in importance. This also means that the bank to a greater extent, fund themselves through bond issues with a higher maturity.

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

The Group's long-term strategic plan, "Møre 2024", sets out a liquidity strategy protecting the structure and volume of the LCR requirement. The Authority's requirements for LCR amounts to 100 per cent.

At year-end 2020, the LCR indicator for the Group was 138 per cent and NSFR 113 per cent. In the composition of the external funding, priority is given to having a relatively high share of maturities above one year.

The funding section of Sparebanken Møre is organised within the Treasury and Markets unit. The unit controls the funding on a day-to-day basis, and has the responsibility to meet the funding requirements in Sparebanken Møre, including utilization of the mortgage company Møre Boligkreditt AS.

Liquidity control management is maintained by both the Treasury and Markets unit and by the Risk Management department. In this respect, there is a distinction between the overall and the daily

operational cash management and control. The daily operational management responsibility is handled by the Treasury and Markets unit, while the overall risk management, including strategies and framework controls, are handled by the Risk Management department.

Upon the occurrence of abnormal situations regarding liquidity, either in the market or within Sparebanken Møre, the bank's emergency task group comes together. The group consists of the following persons:

- CEO (leader)
- EVP Treasury and Markets
- EVP Information and Administration
- EVP Finance and Facilities Management
- EVP Risk Management and Compliance
- Head of Risk Management
- Head of Finance

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

The funding risk is attempted reduced by spreading funding on different markets, sources, instruments and maturities. In order to ensure the Group's funding risk is kept at a low level, lending to customers must primarily be financed by customer deposits and long-term securities issued. There is a major focus on efforts to increase ordinary deposits in all customer-related activities throughout the bank. The deposit-to-loan ratio in Sparebanken Møre was 58,1 per cent at year-end.

The Board shall be informed of the bank's liquidity situation on a monthly basis, and immediately of any important events which may affect the bank's current or future liquidity situation. The reporting tries to identify the funding situation during normal operations, identify any "early warning" signs and assess the bank's stress capacity.

Møre Boligkreditt AS has a license from the FSA to operate as a mortgage company, and it provides the Group with increased diversification of its funding sources.

Operational risk

Operational risk includes all the potential sources of losses related to Sparebanken Møre's current operations. The Group has classified various types of operational risk into the following main categories:

- Internal fraud
- External fraud
- Employment conditions and safety at work
- Customers, products and business conduct
- Damage to assets
- Interruptions to operations and/or systems
- Settlements, delivery or other transaction processing

The Board of Directors of Sparebanken Møre has decided that a low risk profile is accepted related to operational risk. An overall strategy for this risk area is established, and there are several documents which support the Group's risk management. These documents include the ICT-area, contingency plans for personnel and property, security handbooks, authorisation structures, ethical guidelines and insurance strategies.

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

Operational responsibility for managing and controlling operational risk, and thus also the quality of Sparebanken Møre's operations, is borne by each manager involved. This responsibility follows from job descriptions and various guidelines and routines. All managers annually confirm to the CEO the quality of and compliance with internal controls within the risk areas stipulated in this document. They also suggest areas for improvement which are incorporated into special action plans. The CEO presents the report to the Risk Committee and the Board of Directors. The annual ICAAP also involves a review of the Group's material risk areas, including operational risk.

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

Climate risk

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

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

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

In 2020, the bank started a project aimed at establishing guidelines and requirements for ESG assessments in connection with granting credit to the bank's corporate customers. A special assessment tool has been developed for this work, which should help to map the bank's customers in relation to ESG. Analyses and assessments must be documented and included in the basis for making decisions when granting credit or conducting annual reviews of credit commitments. All of the dimensions (ESG) will be included, although the main focus will still be on the customers' impact on the environment and climate. This work will continue in 2021.

Internal control

Internal control must be designed in order to provide reasonable certainty with regard to the achievement of goals and targets within the areas of strategic development, targeted and effective operations, reliable reporting and adherence to relevant laws, rules and regulations, including compliance with Group-internal guidelines and policies. Furthermore, a well-functioning internal control shall ensure that the bank's risk exposure is kept within the agreed risk profile.

The internal control in Sparebanken Møre is organised in a decentralized manner with Risk Management and Compliance as the coordinating unit and responsible for the annual reporting to the Risk Committee and the Board of Directors. The Compliance department monitors how the Group operationalises relevant laws, rules and regulations in operational context, and how the Group's staff adhere to relevant rules and regulations, laws, licenses, agreements, standards for different industrial and commercial sectors, internal instructions etc. in the day-to-day operations. The Risk Management department is responsible for developing systems, guidelines and procedures in order to identify, measure, report and follow up on the Group's most important inherent risks.

Reports on the Group's operations and risk situations throughout the year are submitted to the Risk Committee and the Board of Directors on an ongoing basis. The bank's CEO annually submits an overall assessment to the Board regarding the risk situation and whether the established internal control features function in a satisfactory manner. This report is based on confirmations received from managers at

different levels throughout Sparebanken Møre.

Sparebanken Møre's Internal Auditor reports on a regularly basis to the Risk Committee and the Board of Directors on the Group's internal control.

Discretionary Asset Management

The Group provides portfolio management for investment clients. The portfolio management is performed on behalf of clients, and related assets belong to the clients and not the Group.

Financial derivatives

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

The following derivatives are in use in Sparebanken Møre:

- Forward exchange contracts

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

- Swaps

A transaction in which two parties agree to swap cash flows for an agreed amount over a certain period of time. In an interest rate swap, only the interest rate involved is swapped. In the case of an interest rate and currency swap, both the interest rate and currency conditions are swapped.

- FRAs

A legally binding agreement concerning a rate of interest which shall apply for a future period for a defined principal amount. Upon settlement, only the difference between the agreed interest rate and the actual market interest rate is exchanged.

- Options

A right, but not an obligation, to buy (a call option) or sell (a put option) a certain product at a rate agreed in advance (strike price). When entering into an option contract, the person or company buying a call or put option will have to pay a premium to the person or company writing the option. Options can be offered on the basis of a financial instrument.

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

These instruments are primarily utilized to provide the bank's customers with reliable cash flows and a desired risk position in the various markets. Limits for financial instruments involving customers are established by the staff responsible for the customers in question. The limits shall fix a maximum amount for the bank's exposure against each individual customer in relation to the customer's business volume in financial instruments and the market-related development in these. Each member of staff responsible for the customer in question, is responsible for the establishment of the limit and must make sure that such a limit has been subject to the necessary formal credit-handling procedures, and that a sufficient level of collateral and/or other security has been established to cover the limit. Furthermore, the member of staff responsible for the customer in question, together with the dealer involved, are both responsible for making sure that the credit risk as a result of the customer's exposure to financial instruments is at all times within the limits which have been agreed. For all customers trading in financial instruments, a set-off agreement must be obtained. The purpose of this agreement is to reduce the bank's credit exposure to the customer by having all contracts netted so that the bank ends up with just a net exposure towards the customer. It is the member of staff responsible for the customer in question who is responsible for establishing a set-off agreement with the customer, making sure that all customers using this type of financial instrument are made aware of the bank's usual business terms and conditions.

The Risk Management department is responsible for follow-up and for all internal reporting and reporting

to the relevant authorities relating to the bank's exposure to different counterparts as a result of trading in financial instruments.

Reporting

Sparebanken Møre focuses on correct, complete and timely reporting of the risk and capital situation. Based on this, a number of different types of periodic reporting have been established, which are intended for the Group's management and Board, as well as reporting intended for the individual segments and departments, including customer account managers. The most important reports during the year are as follows:

ICAAP is carried out and reported at least once a year. The Board actively participates in the review and establishes ownership of the process, including through ICAAP's key role in the long-term strategic planning. Specific guidelines have been prepared for ICAAP in Sparebanken Møre. ICAAP is reviewed by the bank's management team, the Risk Committee and the Board of Directors.

A balanced scorecard report is prepared every month. This illustrates the status and performance of the most important factors for Sparebanken Møre's target attainment. The report is being submitted to bank managers and the bank's management team, and it is an integral part of the financial reporting to the Board of Directors.

A risk report is prepared every month. This is a key element of Sparebanken Møre's continuous monitoring of its risk situation. At the end of the quarter the risk report will also be expanded with supplementary comments from various disciplines within the Group. The report is dealt with by the bank's management team, the Risk Committee and the Board of Directors.

Internal control reports are prepared annually. In this, an assessment is made of whether or not the internal control is adequate in relation to the risk tolerance. This includes an assessment of and comments on their own work on internal control, a review of all important risk areas, an assessment of their own compliance with external and internal regulations, and suggestions for and planned improvement measures. The internal control reports are dealt with by the bank's management team, the Risk Committee and the Board of Directors.

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

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

Reports on mortgages are prepared quarterly for the bank's Board of Directors.

A reporting portal has been established in Sparebanken Møre, in which each member of staff with customer responsibility has access to reports which show the position and development of credit risk in his or her portfolio. The portal has a hierarchical structure, allowing managers in Sparebanken Møre to monitor performance within their area of responsibility.

Note 3

Capital adequacy

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

The countercyclical capital buffer was reduced from 2.5 per cent to 1.0 per cent effective from 13 March 2020. The level is set by the Ministry of Finance based on advice from Norges Bank. The Ministry of Finance has decided to increase the system risk buffer to 4.5 per cent for the financial institutions using IRB Advanced from 31 December 2020. For other institutions, including Sparebanken Møre, the change comes into effect from 31 December 2022. At the next determination of the Pillar 2 requirement, the Financial Supervisory Authority of Norway (FSA) will also express an expectation of a capital requirement margin beyond the total risk-weighted capital requirement.

The minimum requirement for the Common Equity Tier 1 capital ratio (CET1) for Pillar 1 is 11.0 per cent. The requirement consists of a minimum requirement of 4.5 per cent, a capital conservation buffer of 2.5 per cent, a system risk buffer of 3.0 per cent and a countercyclical capital buffer of 1.0 per cent. In addition, the FSA has set an individual Pillar 2 requirement of 1.7 per cent for Sparebanken Møre, though a minimum of NOK 590 million. The Ministry of Finance has set a minimum requirement for the Leverage ratio of 3 per cent, and in addition a Tier 1 capital buffer of at least 2 per cent.

At the end of 2020, Sparebanken Møre has a capital ratio well above the regulatory requirements and the internally set minimum target for Common Equity Tier 1 capital (CET1) of 15.2 per cent. Capital adequacy ratio amounts to 21.3 per cent (21.5 per cent), Tier 1 capital 19.2 per cent (19.3 per cent), of which CET1 amounts to 17.5 per cent (17.7 per cent). At the end of 2020, the Leverage ratio for Sparebanken Møre was 8.0 per cent (8.1 per cent), which gives a good margin to the total requirement of 5 per cent.

The Board of Sparebanken Møre has set a minimum target for the Group's CET1 of 15.2 per cent. It is emphasised that the various units in the Group at all times have adequate capitalisation. Moreover, assessments of the risk profile, capital requirements and profitability must always be based on the Group's long-term strategic plan. The Group's capital requirements are calculated in the annual ICAAP.

Analyses conducted as part of Sparebanken Møre's 2020 ICAAP show that the Group has a very good capital situation in terms of dealing with potential stress events.

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

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

MREL

The FSA has in 2020 established an MREL requirement (Minimum Requirement for Own Funds and Eligible Liabilities) for Sparebanken Møre in accordance with the Crisis Management Directive (CRM). The requirement expresses the minimum requirement for the sum of subordinated capital and convertible debt, and amounts to NOK 9.2 billion, corresponding to 31.4 per cent of adjusted Risk-Weighted Assets (RWA). The requirement entails a preliminary estimated need for issuance of Senior Non-Preferred bonds (SNP) of NOK 4.2 billion. The MREL-requirement must be met in full by 1 January 2024. Sparebanken Møre must

meet the requirement by 31 March 2021, but during the transition period the bank may use Senior Preferred capital (SP) with remaining maturity above one year to fulfill the requirement. The bank will submit a plan for phasing in MREL-qualifying debt to the FSA by 31 March 2021.

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
989	989	EC capital	989	989
-3	-2	- ECs owned by the bank	-2	-3
357	357	Share premium	357	357
599	599	Additional Tier 1 capital (AT1)	599	599
1 559	1 768	Dividend equalisation fund	1 768	1 559
125	125	Gift fund	125	125
2 819	3 029	Primary capital fund	3 029	2 819
138	44	Proposed dividend	44	138
140	45	Proposed dividend for the local community	45	140
246	254	Other equity	0	0
6 970	7 208	Total equity	6 954	6 724
Tier 1 capital (T1)				
-53	-56	Goodwill, intangible assets, other deductions	-56	-53
-14	-16	Value adjustments of financial instruments at fair value	-12	-13
-599	-599	Additional Tier 1 capital (AT1)	-599	-599
-352	-480	Expected IRB-losses exceeding ECL acc. to IFRS 9	-424	-304
-138	-44	Deduction for proposed dividend	-44	-138
-140	-45	Deduction for proposed dividend for the local community	-45	-140
5 673	5 968	Total Common Equity Tier 1 capital (CET1)	5 774	5 476
599	599	Additional Tier 1 capital - classified as equity	599	599
0	0	Additional Tier 1 capital - classified as debt	0	0
6 272	6 567	Total Tier 1 capital (T1)	6 373	6 075
Tier 2 capital (T2)				
704	702	Subordinated loan capital of limited duration	702	704
704	702	Total Tier 2 capital (T2)	702	704
6 976	7 269	Net equity and subordinated loan capital	7 075	6 779

RISK WEIGHTED ASSETS (RWA) BY EXPOSURE CLASSES

Credit risk - standardised approach

31.12.2019	31.12.2020		31.12.2020	31.12.2019
0	0	Central governments or central banks	0	0
188	248	Regional governments or local authorities	248	188
73	99	Public sector companies	99	73
342	538	Institutions (banks etc)	3 542	1 504
0	0	Companies (corporate customers)	116	120
373	454	Covered bonds	498	326
148	173	Equity	173	148
666	640	Other items	2 617	2 647
1 790	2 152	Total credit risk - standardised approach	7 293	5 006

Credit risk - IRB Foundation

31.12.2019	31.12.2020		31.12.2020	31.12.2019
8 684	9 932	Retail - Secured by real estate	4 046	4 134
431	411	Retail - Other	410	431
17 969	18 419	Corporate lending	18 149	17 784
27 084	28 762	Total credit risk - IRB-F	22 605	22 349

535	396	Credit value adjustment risk (CVA) - market risk	25	83
2 735	2 840	Operational risk (basic method)	2 637	2 546
32 144	34 150	Risk weighted assets (RWA)	32 560	29 984

1 446	1 537	Minimum requirement Common Equity Tier 1 capital (4.5 %)	1 465	1 349
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Buffer Requirements

31.12.2019	31.12.2020		31.12.2020	31.12.2019
804	854	Capital conservation buffer, 2.5 %	814	750
964	1 025	Systemic risk buffer, 3.0 %	977	900
804	342	Countercyclical buffer, 1 % (2.5 % in 2019)	326	750
2 572	2 220	Total buffer requirements	2 116	2 399
1 655	2 212	Available Common Equity Tier 1 capital after buffer requirements	2 192	1 728

Capital adequacy as a percentage of the weighted asset calculation basis

31.12.2019	31.12.2020		31.12.2020	31.12.2019
21.7	21.3	Capital adequacy ratio	21.7	22.6
19.5	19.2	Tier 1 capital ratio	19.6	20.3
17.7	17.5	Common Equity Tier 1 capital ratio	17.7	18.3

Leverage ratio(LR)

31.12.2019	31.12.2020		31.12.2020	31.12.2019
77 552	82 643	Basis for calculation of leverage ratio	82 084	58 580
8.1	8.0	Leverage Ratio	7.8	10.4

Note 4

Operating segments

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

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

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

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

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

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

The Group is divided into following three reporting segments:

Reporting segments	Company name	Product/operations
Corporate	Sparebanken Møre	Financing, payment transmissions, saving/placement, advisory services etc.
Retail	Sparebanken Møre	Financing, payment transmissions, saving/placement, advisory services etc.
	Møre Boligkreditt AS 1)	Financing (mortgage loans)
Real estate brokerage	Møre Eiendomsmegling AS	Real estate brokerage services

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

Geographical segments

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

Result - 2020	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 228	2	15	485	726	0
Other operating income	285	-56	115	101	102	23
Total income	1 513	-54	130	586	828	23
Operating costs	630	-55	139	128	396	22
Profit before impairment	883	1	-9	458	432	1
Impairment on loans, guarantees etc.	149	0	0	149	0	0
Pre tax profit	734	1	-9	309	432	1
Taxes	167					
Profit after tax	567					

Key figures - 31.12.2020	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	66 850	-116	1 312	20 690	44 964	0
Deposits from customers 1)	39 023	-26	651	13 665	24 733	0
Guarantee liabilities	1 530	0	0	1 525	5	0
Deposit-to-loan ratio	58.1	0.0	49.6	66.0	55.0	0.0
Man-years	346	0	156	49	130	11

Result - 2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Net interest income	1 314	2	5	509	798	0
Other operating income	293	-51	110	99	115	20
Total income	1 607	-49	115	608	913	20
Operating costs	646	-50	153	127	397	19
Profit before impairment	961	1	-38	481	516	1
Impairment on loans, guarantees etc.	50	0	0	40	10	0
Pre tax profit	911	1	-38	441	506	1
Taxes	200					
Profit after tax	711					

Key figures - 31.12.2019	Group	Eliminations	Other 2)	Corporate	Retail 1)	Real estate brokerage
Loans to customers 1)	64 029	-120	1 372	19 693	43 084	0
Deposits from customers 1)	36 803	-21	711	13 134	22 979	0
Guarantee liabilities	1 360	0	0	1 355	5	0
Deposit-to-loan ratio	57.2	0.0	51.8	66.7	53.3	0.0
Man-years	357	0	156	51	137	13

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

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

MØRE BOLIGKREDITT AS		
Statement of income	2020	2019
Net interest income	345	308
Other operating income	-1	-3
Total income	344	305
Operating costs	49	45
Profit before impairment on loans	295	260
Impairment on loans, guarantees etc.	1	-11
Pre tax profit	294	271
Taxes	64	49
Profit after tax	230	222
Statement of financial position		
	31.12.2020	31.12.2019
Loans to and receivables from customers	29 041	25 655
Equity	2 282	2 274

Country-by-country reporting

GROUP (NOK million)	31.12.2020	31.12.2019
Name of the company	Sparebanken Møre	Sparebanken Møre
Area of operation	Norway	Norway
Geographical location	Norway	Norway
Revenue/total income	1 513	1 607
Man-years	346	357
Pre tax profit	734	911
Taxes	167	200
Government grants/subsidies received	None received	None received

Note 5

Loans broken down according to sectors

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

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

2019						
GROUP						
Sector/industry	Gross loans assessed at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans assessed at fair value	Net loans
Agriculture and forestry	515	0	-2	-2	53	564
Fisheries	3 502	-1	-1	0	0	3 500
Manufacturing	2 338	-10	-7	-8	8	2 321
Building and construction	911	-3	-5	-2	4	905
Wholesale and retail trade, hotels	618	-1	-3	-1	3	616
Supply/offshore	1 042	-1	-32	-86	0	923
Property management	7 562	-8	-6	-4	130	7 674
Professional/financial services	1 161	-1	-2	0	25	1 183
Transport and private/public services/abroad	2 542	-5	0	-3	27	2 561
Total corporate customers	20 191	-30	-58	-106	250	20 247
Retail customers	39 900	-5	-36	-24	3 947	43 782
Loans to and receivables from customers	60 091	-35	-94	-130	4 197	64 029

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

2019		PARENT BANK				
Sector/industry	Gross loans assessed at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans assessed at fair value	Net loans
Agriculture and forestry	502	0	-2	-2	53	551
Fisheries	3 487	-1	-1	0	0	3 485
Manufacturing	2 330	-10	-7	-8	8	2 313
Building and construction	860	-3	-5	-2	4	854
Wholesale and retail trade, hotels	597	-1	-3	-1	3	595
Supply/offshore	1 042	-1	-32	-86	0	923
Property management	7 435	-8	-6	-4	130	7 547
Professional/financial services	1 113	-1	-2	0	25	1 135
Transport and private/public services/abroad	2 364	-5	0	-3	27	2 383
Total corporate customers	19 730	-30	-58	-106	250	19 786
Retail customers	9 880	-4	-30	-22	8 884	18 708
Loans to and receivables from customers	29 610	-34	-88	-128	9 134	38 494

Note 6

Loans and deposits broken down according to geographical areas

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
GROUP as at 31.12.								
Gross loans	57 344	50 984	9 422	12 935	360	369	67 126	64 288
In percentage	85.4	79.3	14.1	20.1	0.5	0.6	100.0	100.0
Deposits	31 366	28 809	6 677	7 474	980	520	39 023	36 803
In percentage	80.4	78.3	17.1	20.3	2.5	1.4	100.0	100.0
PARENT BANK as at 31.12.								
Gross loans	35 213	31 330	2 673	7 114	305	300	38 191	38 744
In percentage	92.2	80.9	7.0	18.3	0.8	0.8	100.0	100.0
Deposits	31 392	28 830	6 677	7 474	980	520	39 049	36 824
In percentage	80.4	78.3	17.1	20.3	2.5	1.4	100.0	100.0

Note 7

Commitments broken down according to risk classes

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

GROUP 2020	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	47 265	1 640	273	223	83	-60	49 424
Corporate customers	11 737	9 125	858	921	967	-266	23 342
Total commitments	59 002	10 765	1 131	1 144	1 050	-326	72 766

GROUP 2019	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	44 546	2 063	370	315	162	-65	47 391
Corporate customers	11 418	8 146	1 279	1 059	814	-310	22 406
Total commitments	55 964	10 209	1 649	1 374	976	-375	69 797

PARENT BANK 2020	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	18 304	794	164	149	83	-50	19 444
Corporate customers	11 652	8 756	858	921	967	-266	22 888
Total commitments	29 956	9 550	1 022	1 070	1 050	-316	42 332

PARENT BANK 2019	0-0,5 %	0,5-2,5 %	2,5-5 %	5-99,9 %	Credit-impaired commitments	Provision for expected credit losses	Total
Retail customers	19 241	1 048	204	167	162	-56	20 766
Corporate customers	11 338	7 853	1 279	1 059	814	-310	22 033
Total commitments	30 579	8 901	1 483	1 226	976	-366	42 799

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

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

GROUP 2019	AAA	AA+	AA-	A-	Total
Public sectors	1 733	652	49	47	2 481
Credit institutions	3 540	313			3 853
Other financial companies	604				604
Certificates, bonds and other interest-bearing securities	5 877	965	49	47	6 938

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

PARENT BANK 2019	AAA	AA+	AA-	A-	Total
Public sectors	1 588	622	49	47	2 306
Credit institutions	3 113	237			3 350
Other financial companies	604				604
Certificates, bonds and other interest-bearing securities	5 305	859	49	47	6 260

Total credit risk

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
996	475	Cash and claims on Norges Bank	475	996
1 088	1 166	Loans to and receivables from credit institutions	5 925	3 259
64 029	66 850	Loans to and receivables from customers	37 925	38 494
6 938	8 563	Certificates, bonds and other interest-bearing securities	8 950	6 260
1 176	1 793	Financial derivatives	677	586
74 227	78 847	Credit risk on balance sheet items	53 952	49 595
1 360	1 530	Guarantee liabilities to customers	1 530	1 360
4 845	5 134	Undrawn credit facilities	3 654	3 470
6 205	6 664	Total guarantee liabilities and undrawn credit facilities	5 184	4 830
80 432	85 511	Total credit risk	59 136	54 425

Note 8

Loans broken down into level of security

Collateral and other risk reducing measures

In addition to the assessment of debt servicing level, the Group accepts different kinds of collateral in order to reduce risk depending upon the market and type of transaction involved.

The main principle for value assessment of collateral is based on the realisation value of the asset in question, and what that value is deemed to be when the bank needs the security. Except of commitments where individual loss assessment has been made in stage 3, the value of the collateral is calculated on the assumption of a going concern. When assessing the value of collateral, estimated sales costs are taken into consideration.

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

Additional information is presented in note 9.

The main types of collateral used: mortgage on property (residential and commercial), guarantees, surety, registered moveable property (chattels), charge on goods (stocks), operating equipment and licenses or set-off agreements. Guarantees represent a minor part of the bank's risk exposure; guarantors relating to private persons (consumer guarantees), companies (professional), guarantee institutes and banks are accepted.

Collateral and other security is updated at least once every year or, in the case of the retail customers, when a new credit proposal is dealt with. In the case of corporate customers, the security involved is updated either when a new credit proposal is dealt with or when certain commitments are followed up. Value assessment is part of the credit decision.

When calculating capital requirement for credit risk, the bank does not apply set-off relating to exposure on, or off, the balance sheet.

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

Information regarding repossessed assets are presented in note 33.

The table below shows the percentage distribution of commitments with different levels of security. For example, the line 0 % - 60 % implies that the commitments are less than 60 % of the security object. Above 100 % implies that the loan amount exceeds the value of the security object. The bank's guidelines for valuation of collateral objects are utilized. This means that the security objects have been carefully considered in relation to the market value.

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

Level of security GROUP - 31.12.2019	Retail customers (NOK million)	Retail customers as percentage of total	Corporate (NOK million)	Corporate as percentage of total	Total (NOK million)	Total in percentage
0 % - 60 %	17 181	39.18	10 138	49.60	27 318	42.49
60 % - 70 %	7 942	18.11	1 372	6.71	9 315	14.49
70 % - 80 %	9 314	21.24	1 898	9.29	11 212	17.44
80 % - 90 %	3 970	9.05	1 829	8.95	5 799	9.02
90 % - 100 %	2 019	4.61	1 990	9.74	4 009	6.24
Above 100 %	3 123	7.12	3 000	14.68	6 123	9.52
Not secured	298	0.68	214	1.05	512	0.80
Total	43 847	100.00	20 441	100.00	64 288	100.00

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

Cover pool related to covered bonds issued by Møre Boligkreditt AS	31.12.2020	31.12.2019
Pool of eligible loans	28 684	25 182
Supplementary assets	903	988
Financial derivatives applied in hedge accounting(assets)	1 176	589
Financial derivatives applied in hedge accounting(debt)	-76	-45
Total collateralised assets 1)	30 687	26 714
Collateralisation in %	127.9	115.8

1) NOK 357 million of total gross loans are not eligible for the cover pool as at 31 December 2020 (NOK 476 million in 2019).

Note 9

Losses on loans and guarantees

Methodology for measuring expected credit loss (ECL) according to IFRS 9

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

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

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

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

Staging is performed at account level and implies that two or more accounts held by the same customer can be placed in different stages.

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

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

- The loss provision for commitments which are not individually assessed is calculated as the present value of EAD multiplied by the probability of default (PD) multiplied by loss given default (LGD). PD, LGD and EAD use the IRB framework as a starting point but are converted into being point-in-time and forward-looking as opposed to through the cycle and conservative.
- Past, present and forward-looking information is used to estimate ECL. The bank's data warehouse has a history of observed PD and LGD on the loan portfolio. This forms the basis for creating estimates of future values for PD and LGS. In line with IFRS 9, the bank groups its lending into three stages. For this purpose, Sparebanken Møre's loan portfolio is divided into 4 segments (retail portfolio and 3 industry specific corporate portfolios). All customers within a segment are exposed to the same risk drivers. Loans to PM are mainly secured with collateral in real estate and the volume of unsecured loans is marginal.
- For commitments with evidence of loss, an individual assessment is carried out and the commitments are placed in stage 3.

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

Segmentation and macro adjustments

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

Regression analysis of changes in the default rate on changes in relevant macro time series have been performed. Regression analyses are statistical analysis methods to describe the relationship between one or more independent variables (e.g. wealth, arrears/overdraft, income, liquidity, etc) and a dependent

variable (default). It is based on the established subpopulations in the ECL model and the macrotime series used at present. The regression analyses are based on the bank's customer data base and historical observations of PD and selected macroeconomic factors published by Statistics Norway and Norges Bank.

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

Retail customers:

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

Corporate customers:

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

Probability of default (PD)

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

Loss given default (LGD)

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

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

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

Exposure

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

Significant increase in credit risk

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

Quantitative criteria

A significant increase in credit risk is determined by comparing the PD at the reporting date with the PD at

initial recognition. If the actual PD is higher than initial PD, an assessment is made of whether the increase is significant.

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

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

A 12-month PD is used to determine whether the risk has increased significantly.

Qualitative criteria

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

«Backstops»

Credit risk is always considered to have increased significantly if the following events, “backstops”, have occurred:

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

Significant reduction in credit risk – recovery

A customer migrates from stage 2 to stage 1 if:

- The criteria for migration from stage 1 to stage 2 is no longer present, **and**
- This is satisfied for at least one subsequent month (total 2 months)

A customer migrates from stage 3 to stage 1 or stage 2 if the customer no longer meets the conditions for migration to stage 3:

- The customer migrates to stage 2 if more than 30 days in default.
- Otherwise, the customer migrates to stage 1.

Customers who are not subject to the migration rules above are not expected to have significant change in credit risk and retain the stage from previous month.

Definition of default, credit-impaired and forbearance

A commitment is defined to be in default and credit-impaired (non-performing) if a claim is more than 90 days overdue and the overdue amount exceeds NOK 1 000. The definition of default is similar to the one used in the capital adequacy regulations.

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

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

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

c) when the borrower's lender, for financial or contractual reasons related to the borrower's financial difficulties, has given the borrower concessions that the lender would otherwise not have considered,

d) when it becomes likely that the borrower will go bankrupt or be subjected to another form of financial reorganization,

- e) when an active market for the financial asset disappears due to financial difficulties, or
- f) purchase or creation of a financial asset with a significant discount that reflects accrued credit losses.

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

Provisions for guarantee liabilities are made if the liability is likely to be settled and the liability can be estimated in a reliable manner. Best estimate is applied when determining the amount of the provisions to be made. Claims for recourse related to guarantees where provisions have been made are capitalized as an asset maximum equal to provisions made.

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

Sensitivity analysis

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

Staging of the expected credit losses requires both information about intrusive events and current conditions, as well as expected events and future financial conditions. The calculations and use of forward-looking information require a high degree of judgment. Each macroeconomic scenario includes a five-year period projection. The bank's chief economist reports quarterly on expected values of macro factors used in the ECL model for best-, base- and worst-case scenarios.

The bank uses forecasts from SSB (Statistics Norway)/Norges Bank as basis for the base case scenario and for macro-pahts, further supplemented by own forecasts.

Individually assessed commitments in stage 3 constitute a relatively large share of the total ECL. In the sensitivity analysis, individual assessments of scenarios and weightings for these commitments are made, based on the bank's best estimates. In the sensitivity analysis, macro factors and choice of scenario have no impact on the migration between stages in the ECL model.

The scenarios are weighed based on our best estimate of the probability of the different outcomes represented. The estimates are updated quarterly and estimates as of 31 December 2020 were used. Both the best and the worst case are considered to occur every 25 years. "Best" and "worst" meaning the strongest and weakest economic development. High global debt and the risk of new economic shocks mean that there is a greater risk of worst case than best case. The base scenario is weighted 70 per cent and assumes that no significant shutdowns occur going forward. Thus, the economy will continue the recovery which began early last summer. This implies a sharp recoil in the economy in 2021.

The accounted ECL as of 31.12.2020 is based on a 70 per cent base scenario, 20 per cent worst case and 10 per cent best case scenario (normal development). If the worst-case scenario is increased from 20 per cent to 80 per cent and the base scenario reduced to 10 per cent (negative development), this would result in an increase in the provision for losses of NOK 165 million. A corresponding change in the best- case scenario (positive development), would result in a reduction in the loss provisions of NOK 61 million. The losses on loans in 2020 are primarily in the oil-related industry, and the future prospects in this industry are still uncertain. Changes in scenario weightings have the greatest impact on the supply/oil-related portfolio. For the oil-related portfolio, special assessments have been made with respect to the probability of default under different scenarios and associated realisation values.

Management override

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

ECL model will be overridden.

Validation

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

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

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

Individual assessment in stage 3

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

In case of individual assessment in stage 3, the impairment amount is calculated as the difference between the carrying amount (principal + accrued interest at the valuation date) and the present value of future cash flows, discounted at the effective interest method over the commitments' expected lifetime.

The discounting rate for loans with floating interest rates is equal to the effective rate of interest at the time of assessment. For loans with fixed interest rates, the discounting rate is equal to the original, effective interest rate. For commitments which have altered interest rates as a result of debtors' financial problems, the effective rate of interest ruling before the commitment's interest rate was altered is applied. When estimating future cash flows, a possible takeover and sale of related collateral is taken into consideration, also including costs relating to the takeover and sale.

Impairment of commitments is recognised in the income statement as losses on loans. Reversal of impairment will result in reversal of amortised cost and is recognised as a correction of losses. Estimates of future cash flows from a loan should also consider the acquisition and sale of related collateral. When evaluating security coverage there should be a qualified assessment of the collateral's nature and market value, taking into account the costs of the acquisition and sale. Realisation values for different collateral in a realizable situation are determined by the use of best judgment. Timing for liquidation of loans with impairment is based on judgment and experiences from other liquidation engagements and bankruptcies.

Write-off

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

Loans and debt securities are also written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in "Impairment on loans, guarantees etc." in the Statement of income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Commitments subject to enforcement activities amount to NOK 13 million as at 31.12.2020 (NOK 15 million).

Consequences of Covid-19 and measurement of expected credit loss (ECL) for loans and guarantees

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

Covid-19 has resulted in an extraordinary situation for the bank's customers. Many corporate and retail

customers have seen their income decline in the short term, and the level of uncertainty associated with estimating the future cash flows and debt servicing capacity of these customers is high. On the other hand, other industries have seen a positive economic development in 2020.

In the group's calculations of expected credit loss (ECL), the macroeconomic scenarios and the weightings have been impacted by the changes in economic conditions through 2020. During the first quarter of 2020, the possibility of a pessimistic scenario increased from 10 to 40 per cent, while the base case scenario was reduced from 80 per cent to 50 per cent probability.

During the fourth quarter, the outlook was more positive and clearer. The macroeconomic conditions improved. A public vaccination programme started. There were very few bankruptcies and the level of default was relatively low. The authorities announced new stimulus packages aimed at the hardest hit industries. In addition, oil prices rose markedly during the fourth quarter.

The bank granted payment relief in the first and second quarters of 2020 due to the consequences of Covid-19. Customers who applied were granted 6-month interest-only periods until the second half of 2020. Most of the customers granted interest-only periods are now paying their instalments in line with their original agreement.

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

This has been further supplemented by a more portfolio- or segment based (hotels, tourism, travel industry, personal services industry) approach to assess significantly increased credit risk and migration to stage 2. This is due to the fact that changes in future prospects are not fully captured by the ECL model.

The positive changes in the economic conditions have been reflected in the macro-economic scenarios and weightings as of 31.12.2020 compared to the third quarter of 2020. The probability of a pessimistic scenario is reduced from 40 to 20 per cent, while the base case scenario is increased from 50 per cent to 70 per cent probability. Best case scenario is kept unchanged at 10 per cent.

Losses on loans and guarantees

GROUP			PARENT BANK	
2019	2020	Specification of losses on loans, guarantees etc.	2020	2019
10	-3	Changes in ECL - stage 1	-3	12
37	-15	Changes in ECL - stage 2	-17	46
-138	-3	Changes in ECL - stage 3	-2	-139
2	25	Increase in existing expected losses in stage 3 (individually assessed)	25	2
155	113	New expected losses in stage 3 (individually assessed)	113	155
12	161	Confirmed losses, previously impaired	161	12
-30	-165	Reversal of previous expected losses in stage 3 (individually assessed)	-165	-30
10	44	Confirmed losses, not previously impaired	44	10
-8	-8	Recoveries	-8	-8
50	149	Total impairment on loans and guarantees	148	60

Changes in ECL in the period

GROUP 2020	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	36	99	240	375
New commitments	13	20	1	34
Disposal of commitments and transfer to stage 3 (individually assessed)	-12	-17	-6	-35
Changes in ECL in the period for commitments which have not migrated	-3	-22	-2	-27
Migration to stage 1	3	-22	0	-19
Migration to stage 2	-4	27	-1	22
Migration to stage 3	0	-1	5	4
Changes stage 3 (individually assessed)	-	-	-28	-28
ECL 31.12.2020	33	84	209	326
- of which expected losses on loans to retail customers	6	34	20	60
- of which expected losses on loans to corporate customers	27	43	146	216
- of which expected losses on guarantees	0	7	43	50
<hr/>				
GROUP 2019	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	26	61	251	338
New commitments	15	11	1	27
Disposal of commitments and transfer to stage 3 (individually assessed)	-5	-12	-125	-142
Changes in ECL in the period for commitments which have not migrated	2	2	0	4
Migration to stage 1	1	-22	-1	-22
Migration to stage 2	-3	60	-21	36
Migration to stage 3	0	-1	8	7
Changes stage 3 (individually assessed)	-	-	127	127
ECL 31.12.2019	36	99	240	375
- of which expected losses on loans to retail customers	5	36	24	65
- of which expected losses on loans to corporate customers	30	58	106	194
- of which expected losses on guarantees	1	5	110	116

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

PARENT BANK 2019	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	23	47	250	320
New commitments	15	11	4	30
Disposal of commitments and transfer to stage 3 (individually assessed)	-4	-10	-125	-139
Changes in ECL in the period for commitments which have not migrated	2	4	0	6
Migration to stage 1	1	-14	-1	-14
Migration to stage 2	-2	56	-21	33
Migration to stage 3	0	-1	4	3
Changes stage 3 (individually assessed)	-	-	127	127
ECL 31.12.2019	35	93	238	366
- of which expected losses on loans to retail customers	4	30	22	56
- of which expected losses on loans to corporate customers	30	58	106	194
- of which expected losses on guarantees	1	5	110	116

Changes in ECL in the period divided into Retail and Corporate

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

GROUP 2019	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
ECL 01.01.2019	5	21	31	30	19	232	338
New commitments	2	13	6	5	1	0	27
Disposal of commitments and transfer to stage 3 (individually assessed)	-1	-4	-6	-6	-4	-121	-142
Changes in ECL in the period for commitments which have not migrated	-1	3	2	0	-9	9	4
Migration to stage 1	0	1	-12	-10	0	-1	-22
Migration to stage 2	0	-3	16	44	0	-21	36
Migration to stage 3	0	0	-1	0	8	0	7
Changes stage 3 (individually assessed)	-	-	-	-	9	118	127
ECL 31.12.2019	5	31	36	63	24	216	375

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

PARENT BANK 2019	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
ECL 01.01.2019	2	21	18	29	19	231	320
New commitments	2	13	6	5	4	0	30
Disposal of commitments and transfer to stage 3 (individually assessed)	0	-4	-4	-6	-8	-117	-139
Changes in ECL in the period for commitments which have not migrated	0	2	3	1	-1	1	6
Migration to stage 1	0	1	-5	-9	0	-1	-14
Migration to stage 2	0	-2	13	43	0	-21	33
Migration to stage 3	0	0	-1	0	4	0	3
Changes stage 3 (individually assessed)	-	-	-	-	4	123	127
ECL 31.12.2019	4	31	30	63	22	216	366

Changes in exposure during the period

GROUP 2020	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
Commitments at 01.01.2020	40 384	18 868	1 380	2 284	98	878	63 892
New commitments	10 401	4 596	189	757	0	10	15 953
Disposal of commitments	-9 062	-3 182	-299	-648	-27	-5	-13 223
Migration to stage 1	525	914	-524	-914	-1	0	0
Migration to stage 2	-969	-1 239	987	1 239	-18	0	0
Migration to stage 3	-13	0	-28	-	41	0	0
Other changes	743	-1 410	-50	-453	18	56	-1 096
Commitments at 31.12.2020*	42 009	18 547	1 655	2 265	111	939	65 526

GROUP 2019	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
Commitments at 01.01.2019	38 786	16 417	1 900	2 073	45	1 206	60 427
New commitments	8 831	5 740	226	461	3	1	15 262
Disposal of commitments	-7 621	-2 545	-380	-312	-15	-7	-10 880
Migration to stage 1	1 071	1 110	-1 071	-994	0	-116	0
Migration to stage 2	-689	-767	694	1 239	-5	-472	0
Migration to stage 3	-27	0	-49	-3	76	3	0
Other changes	33	-1 087	60	-180	-6	263	-917
Commitments at 31.12.2019*	40 384	18 868	1 380	2 284	98	878	63 892

PARENT BANK 2020	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
Commitments at 01.01.2020	11 732	18 269	692	2 290	58	918	33 959
New commitments	3 053	4 401	95	812	16	10	8 387
Disposal of commitments	-3 802	-3 106	-166	-648	-21	-5	-7 748
Migration to stage 1	166	896	-166	-896	0	0	0
Migration to stage 2	-371	-1 197	379	1 197	-8	0	0
Migration to stage 3	-4	0	-5	0	9	0	0
Other changes	590	-1 387	-29	-470	57	16	-1 223
Commitments at 31.12.2020*	11 364	17 876	800	2 285	111	939	33 375

PARENT BANK 2019	Stage 1		Stage 2		Stage 3		Total
	Retail	Corporate	Retail	Corporate	Retail	Corporate	
Commitments at 01.01.2019	12 038	15 937	1 089	1 980	39	1 203	32 286
New commitments	4 070	5 603	111	510	25	1	10 320
Disposal of commitments	-4 133	-2 492	-252	-277	-22	-20	-7 196
Migration to stage 1	430	1 087	-430	-971	0	-116	0
Migration to stage 2	-255	-757	258	1 229	-3	-472	0
Migration to stage 3	-4	0	-18	-3	22	3	0
Other changes	-414	-1 109	-66	-178	-3	319	-1 451
Commitments at 31.12.2019*	11 732	18 269	692	2 290	58	918	33 959

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

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

GROUP 2020	Stage 1	Stage 2	Stage 3	Total 31.12.2020
Low risk (0 % - < 0.5 %)	52 268	569	-	52 837
Medium risk (0.5 % - < 3 %)	7 532	2 239	-	9 771
High risk (3 % - <100 %)	756	1 112	-	1 868
Credit-impaired commitments	-	-	1 050	1 050
Total commitments before ECL	60 556	3 920	1 050	65 526
- ECL	-33	-84	-209	-326
Net commitments *)	60 523	3 836	841	65 200

GROUP 2019	Stage 1	Stage 2	Stage 3	Total 31.12.2019
Low risk (0 % - < 0.5 %)	50 157	171	-	50 328
Medium risk (0.5 % - < 3 %)	7 369	2 489	-	9 858
High risk (3 % - <100 %)	1 726	1 004	-	2 730
Credit-impaired commitments	-	-	976	976
Total commitments before ECL	59 252	3 664	976	63 892
- ECL	-36	-99	-240	-375
Net commitments *)	59 216	3 565	736	63 517

PARENT BANK 2020	Stage 1	Stage 2	Stage 3	Total 31.12.2020
Low risk (0 % - < 0.5 %)	21 609	544	-	22 153
Medium risk (0.5 % - < 3 %)	6 942	1 567	-	8 509
High risk (3 % - <100 %)	689	974	-	1 663
Credit-impaired commitments	-	-	1 050	1 050
Total commitments before ECL	29 240	3 085	1 050	33 375
- ECL	-32	-76	-208	-316
Net commitments *)	29 208	3 009	842	33 059

PARENT BANK 2019	Stage 1	Stage 2	Stage 3	Total 31.12.2019
Low risk (0 % - < 0.5 %)	21 951	161	-	22 112
Medium risk (0.5 % - < 3 %)	6 421	1 978	-	8 399
High risk (3 % - <100 %)	1 629	843	-	2 472
Credit-impaired commitments	-	-	976	976
Total commitments before ECL	30 001	2 982	976	33 959
- ECL	-34	-93	-238	-365
Net commitments *)	29 967	2 889	738	33 594

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

Sensitivity analysis

GROUP - 2020	Scenario weights			Calculated ECL (NOK million)
	Worst	Basis	Best	
Normal development	20%	70%	10%	326
Negative development	80%	10%	10%	491
Positive development	10%	10%	80%	265

Forbearance split into ECL stages

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

Note 10

Credit-impaired commitments

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

The table Credit-impaired commitments consists of total commitments in default above 90 days and other credit-impaired commitments (not above 90 days).

Credit-impaired commitments

The table shows total commitments in default above 90 days and other credit-impaired commitments (not above 90 days).

GROUP	31.12.2020			31.12.2019		
	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 90 days	83	72	11	162	76	86
Gross other credit-impaired commitments	967	39	928	814	34	780
Gross credit-impaired commitments	1 050	111	939	976	110	866
ECL on commitments above 90 days	18	12	6	24	19	5
ECL on other credit-impaired commitments	191	8	183	216	5	211
ECL on credit-impaired commitments	209	20	189	240	24	216
Net commitments in default above 90 days	65	60	5	138	57	81
Net other credit-impaired commitments	776	31	745	598	29	569
Net credit-impaired commitments	841	91	750	736	86	650
Gross credit-impaired commitments as a percentage of loans/guarantees	1.53	0.24	4.09	1.48	0.25	3.96
Net credit-impaired commitments as a percentage of loans/guarantees	1.22	0.20	3.27	1.12	0.20	2.98

PARENT BANK	Total	Retail	Corporate	Total	Retail	Corporate
Gross commitments in default above 90 days	83	72	11	162	76	86
Gross other credit-impaired commitments	967	39	928	814	34	780
Gross credit-impaired commitments	1 050	111	939	976	110	866
ECL on commitments above 90 days	18	12	6	24	19	5
ECL on other credit-impaired commitments	191	8	183	214	3	211
ECL on credit-impaired commitments	209	20	189	238	22	216
Net commitments in default above 90 days	65	60	5	138	57	81
Net other credit-impaired commitments	776	31	745	600	31	569
Net credit-impaired commitments	841	91	750	738	88	650
Gross credit-impaired commitments as a percentage of loans/guarantees	2.64	0.64	4.17	2.43	0.59	4.05
Net credit-impaired commitments as a percentage of loans/guarantees	2.12	0.53	3.33	1.87	0.05	3.06

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

GROUP/PARENT BANK

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

GROUP/PARENT BANK

2019	Credit-impaired commitments	Provision for expected credit losses	Assessed value of collateral
Retail	110	-24	97
Corporate	866	-216	590
Total	976	-240	687

Note 11

Market risk

The bank's Board of Directors stipulates the long-term targets with regards to the bank's risk profile. These targets are made operational through powers of attorney and limits delegated within the organisation. Sparebanken Møre manages market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on board adopted strategy documents. The strategy documents are subject to periodical reviews and are revised/adopted once every year by the bank's Board of Directors. In addition, the documents shall be passed on to, approved and understood by the operative units, the bank's control functions and administration. In order to ensure the necessary quality and independence, the development of risk management tools and the execution of the risk reporting are organised in a separate unit, independent of the operative units.

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

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

Note 12

Interest rate risk

Interest rate risk occurs due to the fact that the Group may have different interest rate periods on its assets and liabilities. Sparebanken Møre measures interest rate risk through analyses, showing the impact on the overall result of a 1 percentage point parallel shift in the yield curve. In this way, it is possible to quantify the risk incurred by the bank and the effect it has on the result there being changes in the interest rates in the market. The analysis shows effective maturity for the interest-bearing part of the balance sheet. The longer funds are fixed in the case of a placement, the bigger is the potential loss or gain following an increase or a fall in the interest rates in the market. The Group has a short interest-fixing period overall and the interest rate risk is deemed to be low. The table below shows the potential impact on the overall result of changes in value of financial assets and liabilities for the Group by an increase in interest rates of one percentage point. The calculation is based on the current positions and market interest rates at 31 December and confirms the bank's low risk tolerance for changes in value due to interest rate developments.

The bank also performs sensitivity calculations in an earnings perspective, and a potential effect on the profit and loss over a 1-year period of an interest rate change of 1 percentage point is NOK 46 million for the Group.

Interest rate risk

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
		Maturity		
9	9	Up to 1 month	-2	-1
12	2	1 - 3 months	16	18
7	11	3 - 12 months	9	6
-19	-8	1 - 5 years	2	-16
-5	-2	Above 5 years	-1	-4
4	12	Total	24	3
-10	-13	Certificates, bonds and other interest-bearing securities	-13	-9
-21	-11	Loans to and receivables from customers, with fixed interest rate	3	-21
-77	-78	Other loans	-48	-47
73	72	Deposits from customers	72	73
39	36	Bonds issued	4	7
0	6	Other balance sheet items	6	0
4	12	Total	24	3

Note 13

Foreign exchange risk

Sparebanken Møre measures foreign exchange risk on the basis of its net positions in the different currencies involved. It is a main principle that all transactions involving customers shall immediately be hedged by doing opposite transactions in the market so that the bank's foreign exchange risk is reduced to a minimum level. The bank does not trade on its own account as far as foreign currency instruments are concerned. All balance sheet items in foreign currencies are converted into Norwegian kroner at the middle rate from Norges Bank as at 31 December. For notes and coins, approximate purchase prices are applied. Current income and costs are converted into Norwegian kroner at the prices ruling on transaction date. Net realised and unrealised gains or losses are included in the income statement. Throughout the year, unintentional foreign exchange risk has been at a minimum level.

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

GROUP - 31.12.2019	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	1 072	1 072	0					
Loans to and receivables from credit institutions	1 088	919	169	78	47		12	32
Loans to and receivables from customers	64 029	60 928	3 101	1 221	440	25	791	624
Certificates and bonds	6 938	5 992	946		607			339
Other assets	1 748	1 661	87	29	47		7	4
Total assets	74 875	70 572	4 303	1 328	1 141	25	810	999
Loans and deposits from credit institutions	817	806	11	8				3
Deposits from customers	36 803	36 474	329	138	169	1		21
Debt securities issued	28 271	20 171	8 100		8 100			
Other liabilities	1 310	1 267	43	4	39			
Subordinated loan capital	704	704	0					
Equity	6 970	6 970	0					
Total liabilities and equity	74 875	66 392	8 483	150	8 308	1	0	24
Forward exchange contracts			4 196	-1 176	7 169	-24	-803	-970
Net exposure foreign exchange			16	2	2	0	7	5
Effect of a 10 per cent change in price (MNOK)	2							

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

PARENT BANK - 31.12.2019	Total	NOK	Currency	Of which: USD	EUR	JPY	CHF	Other
Cash and claims on Norges Bank	1 072	1 072	0					
Loans to and receivables from credit institutions	3 259	3 090	169	78	47		12	32
Loans to and receivables from customers	38 494	35 393	3 101	1 221	440	25	791	624
Certificates and bonds	6 260	5 314	946		607			339
Other assets	3 186	3 099	87	29	47		7	4
Total assets	52 271	47 968	4 303	1 328	1 141	25	810	999
Loans and deposits from credit institutions	1 519	1 508	11	8				3
Deposits from customers	36 824	36 495	329	138	169	1		21
Debt securities issued	5 209	5 209	0					
Other liabilities	1 291	1 248	43	4	39			
Subordinated loan capital	704	704	0					
Equity	6 724	6 724	0					
Total liabilities and equity	52 271	51 888	383	150	208	1	0	24
Forward exchange contracts			-3 904	-1 176	-931	-24	-803	-970
Net exposure foreign exchange			16	2	2	0	7	5
Effect of a 10 per cent change in price (MNOK)	2							

Note 14

Liquidity risk

The management of Sparebanken Møre's funding structure is defined in an overall liquidity strategy which is evaluated and agreed by the Board of Directors at least once every year. In this strategy document, the bank's targets relating to the maintenance of its financial strength are described, and actual limits for the bank's liquidity management within different areas are defined. Liquidity management also includes stress tests according to which the liquidity effect of different scenarios is simulated by quantifying the probability of refinancing from the various sources of funding involved. Part of the bank's strategy is to apply diversification to its funding with regards to sources, markets, financial instruments and maturities, the object being to reduce the overall risk.

To ensure the Group's liquidity risk being kept at a low level, lending to customers should primarily be funded by customer deposits and long-term debt securities. Liquidity risk is managed through both short-term limits that restrict net refinancing needs, and a long-term management target.

The Group's deposit-to-loan ratio, calculated including transferred mortgages to Møre Boligkreditt AS, amounted to 58.1 per cent at the end of 2020, opposed to 57.2 per cent by the end of 2019.

The average residual maturity of the portfolio of senior bonds and covered bonds were respectively 3.2 years and 3.7 years at the end of 2020, compared with 1.9 years and 4.0 years a year earlier.

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

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

Liquidity risk 31.12.2020

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

Liquidity risk 31.12.2019

GROUP	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	1 072	0	0	0	0	1 072
Loans to and receivables from credit institutions	1 088	0	0	0	0	1 088
Loans to and receivables from customers	11 298	235	1 678	15 862	48 431	77 504
Certificates and bonds	122	406	949	5 850	650	7 977
Total assets	13 580	641	2 627	21 712	49 081	87 641
Liabilities						
Loans and deposits from credit institutions	318	2	10	526	0	856
Deposits from customers	35 172	476	1 171	24	0	36 843
Debt securities issued	236	602	3 665	20 303	5 004	29 810
Subordinated loan capital	4	2	18	96	786	906
Total liabilities	35 730	1 082	4 864	20 949	5 790	68 415
Financial derivatives						
Cash flow in	14	62	271	941	391	1 679
Cash flow out	26	95	359	1 219	337	2 036
Total financial derivatives	-12	-33	-88	-278	54	-357

Liquidity risk 31.12.2020

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

Liquidity risk 31.12.2019

PARENT BANK	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Assets						
Cash and claims on Norges Bank	1 072	0	0	0	0	1 072
Loans to and receivables from credit institutions	3 259	0	0	0	0	3 259
Loans to and receivables from customers	7 114	235	1 601	15 550	27 346	51 846
Certificates and bonds	121	404	471	5 641	650	7 287
Total assets	11 566	639	2 072	21 191	27 996	63 464
Liabilities						
Loans and deposits from credit institutions	1 020	2	10	526	0	1 558
Deposits from customers	35 151	476	1 171	24	0	36 822
Debt securities issued	4	521	83	4 818	0	5 426
Subordinated loan capital	4	2	18	96	786	906
Total liabilities	36 179	1 001	1 282	5 464	786	44 712
Financial derivatives						
Cash flow in	14	47	174	538	202	975
Cash flow out	10	48	168	515	202	943
Total financial derivatives	4	-1	6	23	0	32

Note 15

Net interest income

Interest income is recognised as income using the effective interest rate method. This implies interest income being recognised when received plus amortisation of establishment fees. The effective interest rate is set by discounting contractual cash flows within the expected term.

Recognition of interest income using the effective interest rate method is used for both balance sheet items valued at amortised cost, and balance sheet items valued at fair value through the income statement, with the exception of establishment fees on loans at fair value which are recognised as income when earned. Interest income on impaired loans is calculated as the effective interest rate on the impaired value. Interest income on financial instruments is included in the line item "Net interest income".

Net interest income

GROUP				PARENT BANK		
2020				2020		
Assessed at fair value	Assessed at amortised cost	Total		Total	Assessed at amortised cost	Assessed at fair value
			Interest income from:			
-	7	7	Loans to and receivables from credit institutions	32	32	-
91	1 755	1 846	Loans to and receivables from customers	1 172	1 108	64
101	-	101	Certificates, bonds and other interest-bearing securities	105	-	105
192	1 762	1 954	Total interest income	1 309	1 140	169
			Interest expenses:			
-	12	12	Liabilities to credit institutions	22	22	-
-	280	280	Deposits from and liabilities to customers	280	280	-
-	370	370	Debt securities issued	65	65	-
-	17	17	Subordinated loan capital	17	17	-
-	47	47	Other interest expenses	42	42	-
-	726	726	Total interest expenses	426	426	-
192	1 036	1 228	Net interest income	883	714	169

GROUP			PARENT BANK			
2019			2019			
Assessed at fair value	Assessed at amortised cost	Total		Total	Assessed at amortised cost	Assessed at fair value
Interest income from:						
-	17	17	Loans to and receivables from credit institutions	34	34	
113	2 068	2 181	Loans to and receivables from customers	1 446	1 333	113
130	-	130	Certificates, bonds and other interest-bearing securities	132	-	132
243	2 085	2 328	Total interest income	1 612	1 367	245
Interest expenses:						
-	13	13	Liabilities to credit institutions	31	31	-
-	396	396	Deposits from and liabilities to customers	396	396	-
-	530	530	Debt securities issued	104	104	-
-	33	33	Subordinated loan capital	33	33	-
-	42	42	Other interest expenses	41	41	-
-	1 014	1 014	Total interest expenses	605	605	-
243	1 071	1 314	Net interest income	1 007	762	245

Note 16

Net commission and other income

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

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

GROUP			PARENT BANK	
2019	2020		2020	2019
28	36	Guarantee commission	36	28
22	23	Income from the sale of insurance services	23	22
11	11	Income from the sale of shares in unit trusts/securities	11	11
36	36	Income from Discretionary Asset Management	36	36
97	81	Income from payment transfers	81	97
27	23	Other fees and commission income	22	26
221	210	Commission income and income from banking services	209	220
-26	-26	Commission expenses and expenses from banking services	-26	-26
20	23	Income from real estate brokerage	0	0
4	4	Other operating income	44	38
24	27	Total other operating income	44	38
219	211	Net commission and other income	227	232

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

Result - 2020	Group	Other	Corporate	Retail	Real estate brokerage
Guarantee commission	36	0	36	0	0
Income from the sale of insurance services	23	0	2	21	0
Income from the sale of shares in unit trusts/securities	11	0	0	11	0
Income from Discretionary Asset Management	36	4	18	14	0
Income from payment transfers	81	13	17	51	0
Other fees and commission income	23	4	7	12	0
Commission income and income from banking services	210	21	80	109	0
Commission expenses and expenses from banking services	-26	-8	-1	-17	0
Income from real estate brokerage	23	0	0	0	23
Other operating income	4	3	1	0	0
Total other operating income	27	3	1	0	23
Net commission and other income	211	16	80	92	23

Result - 2019	Group	Other	Corporate	Retail	Real estate brokerage
Guarantee commission	28	0	28	0	0
Income from the sale of insurance services	22	0	1	21	0
Income from the sale of shares in unit trusts/securities	8	3	0	8	0
Income from Discretionary Asset Management	36	0	19	17	0
Income from payment transfers	86	11	16	70	0
Other fees and commission income	25	2	6	19	0
Commission income and income from banking services	205	16	70	135	0
Commission expenses and expenses from banking services	-26	0	-1	-25	0
Income from real estate brokerage	20	0	0	0	20
Other operating income	4	4	0	0	0
Total other operating income	24	4	0	0	20
Net commission and other income	219	20	69	110	20

Note 17

Net gains and losses from financial instruments

GROUP			PARENT BANK		
2019	2020		Note	2020	2019
12	22	Dividends	<u>29</u>	249	184
-24	78	Change in value on fixed interest loans	<u>24</u>	103	-24
28	-77	Derivatives related to fixed interest loans		-104	28
79	-600	Change in value of issued bonds and certificates		-14	6
-77	596	Derivatives related to issued bonds and certificates		13	-7
16	-3	Gains/losses on shares		-3	16
-17	-7	Gains/losses on bonds		-5	-10
41	52	Trading in foreign exchange (on behalf of customers)		52	41
16	15	Other income		13	15
74	74	Net gains/losses from financial instruments		303	249

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

GROUP			PARENT BANK		
2019	2020		2020	2019	
73	-658	Value secured debt securities with changes in value recognised in the income statement	-14	3	
-76	664	Financial derivatives applied in hedge accounting	13	-7	
-3	6	Total	-1	-4	

Note 18

Salaries

GROUP			PARENT BANK	
2019	2020	(NOK million)	2020	2019
248	247	Wages, salary and other cash-based benefits	233	236
3	2	Fees paid to members of the Board of Directors and the General Meeting	2	3
15	0	Bonus/profit sharing 1)	0	15
22	21	Pension costs (note 20)	21	22
38	38	Employers' social security contribution	38	38
15	14	Financial activity tax	14	15
13	10	Other personnel costs	9	11
354	332	Total wages and salary costs	317	340
2019	2020	Manning levels:	2020	2019
357	346	Number of man-years as at 31.12	335	344
358	354	Number of man-years employed in the financial year	341	345

1) Part of the bonus (about 50 per cent) for 2019 was given in the form of ECs (MORG), purchased at share price in the market. The total number of ECs purchased was about 28.000.

As at 31.12.2020, the bank had no obligations in relation to its Chief Executive Officer (CEO), the members of the Board of Directors or other employees regarding any special payment on termination or change of employment or positions, except a 6-month severance pay for the CEO. Furthermore, there are no accounting-related obligations relating to bonuses, profit sharing, options or similar for any of the abovementioned persons. Regarding the bonus schemes in the Group, see the discussion in the NUES document paragraph 12. The CEO's contract includes a 6-month period of notice. Reference is also made to note 20, containing a description of pension schemes. All salaries and other remuneration for the Group's employees and related parties are charged to the income statement at the end of the accounting year. Pension costs are an accounting-related expense for the bank, including the payment of premiums relating to the various pension schemes.

GROUP – Wages, salaries, other remuneration, pensions

Salaries to the CEO amounted to NOK 2,992,032 in 2020 (2019: NOK 2,887,144). The estimated value of benefits in kind totalled NOK 277,805 (2019: NOK 245,082). In addition, NOK 324,909 has been charged to the income statement related to the CEO's pension agreement (2019: NOK 318,812) (note 20). The CEO has a retirement age of 65 and during the period from 65 to 67 years, it will be paid an annual pension corresponding to 70 per cent of the final salary. The CEO is also included in the bank's ordinary defined contribution pension scheme.

Wages and salaries/fees to elected bodies

GROUP (NOK thousand)	2020	2019
General Meeting	180	315
Board of Directors *)	1 896	2 512

*) Payments from previous years are included in wages and salaries for 2019.

Loans, deposits and guarantees

GROUP (NOK million)	31.12.2020		31.12.2019	
	Loans	Deposits	Loans	Deposits
General Meeting	58	17	58	15
Board of Directors	26	7	20	6
Employees	1 056	148	1 037	131

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

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

Interest rate subsidy of loans to the employees

The total benefit in kind relating to loans provided at a rate of interest lower than the interest rate (average 2.17 per cent in 2020) which triggers a basis for taxing such benefits in kind to the employees has been estimated at NOK 5,138,288 compared to NOK 2,004,361 in 2019.

Interest income and interest costs related to the General Meeting and Board of Directors

(NOK million)	2020	2019
Interest income	2	2
Interest costs	0	0

Wages, salaries and other remuneration - PARENT BANK

(NOK thousand)	Wages/salaries		Other remuneration	
	2020	2019	2020	2019
General Meeting				
Jan Kåre Aurdal	54	57		
Other members 3)	126	258		
Total	180	315		
Board of Directors				
Leif-Arne Langøy, Board Chair	422	581		
Ragna Brenne Bjerkeset, Deputy Board Chair	208	294		
Henrik Grung	242	343		
Jill Aasen	242	254		
Ann Magritt Bjåstad Vikebakk	229	319		
Kåre Øyvind Vassdal	120	-		
Helge Karsten Knudsen, employee representative 1)	188	227		
Marie Rekdal Hide, employee representative 2)	170	168		
Former member				
Roy Reite	75	328		
Total 4)	1 896	2 512	0	0
CEO				
Trond Lars Nydal	2 992	2 887	278	245
Remuneration to Executive Management				
EVP, Retail Banking Division, Elisabeth Blomvik	1 485	1 462	141	130
EVP, Corporate Banking Division, Terje Krøvel	1 596	1 583	134	153
EVP, Organizational Development, Kjetil Hauge 6)	1 290	1 268	87	95
EVP, Treasury and Markets, Runar Sandanger 5)	1 792	1 613	120	154
EVP, Finance and Facilities Management, Idar Vattøy 6)	1 401	1 381	91	98
EVP, Risk Management and Compliance, Erik Røkke 5)	1 391	1 375	116	119
EVP, Business Support, Perdy Lunde	1 597	1 492	92	103
EVP, Communications and Group Support, Tone S. Gjerdsbakk	1 285	1 262	118	124
EVP, Customer Experience, Arild Sulebakk	1 308	1 276	99	104
Total remuneration to Executive Management	13 145	12 712	998	1 080

Other employees with tasks of significant importance for the bank's risk exposure				
Managing Director Møre Boligkreditt AS, Ole Kjerstad	1 054	1 036	34	40
Other employees with controller responsibilities				
Head of Compliance, Olav Heggheim	856	845	25	35
Head of Risk Management, Leif Kylling	1 040	1 031	48	48
Head of Operational Risk, Laila Hurlen	968	641	27	26
Head of HR, Anton Flåen	1 091	1 090	16	60

- 1) Ordinary salary amounts to NOK 540,196 (2019: NOK 541,957)
- 2) Ordinary salary amounts to NOK 607,644 (2019: NOK 610,492)
- 3) Deputy Board Chair and members of the General Meeting are compensated with NOK 3,000 per meeting in 2020. 1 meeting has been held in 2020.
- 4) Payments from previous years are included in wages and salaries for 2019.
- 5) Employees with tasks of significant importance for the bank's risk exposure
- 6) Employees with controller responsibility

Loans

(NOK thousand)	Loans	
	31.12.2020	31.12.2019
General Meeting		
Jan Kåre Aurdal	2 057	2 458
Other members (43 members in 2020 and 43 members in 2019)	56 173	55 919
Board of Directors		
Leif-Arne Langøy, Board Chair	0	0
Ragna Brenne Bjerkeset, Deputy Board Chair	2 298	2 877
Henrik Grung	0	0
Jill Aasen	0	0
Ann Magritt Bjåstad Vikebakk	6 999	7 645
Kåre Øyvind Vassdal	7 173	-
Helge Karsten Knudsen, employee representative	3 660	3 568
Marie Rekdal Hide, employee representative	5 398	5 515
Former member of the Board		
Roy Reite	0	0
CEO		
Trond Lars Nydal	2 971	3 722
Employees	1 056 227	1 037 279

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

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

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

Note 19

Operating costs excl. personnel costs

The table gives an overview of key cost items. Other costs are included in the line Other operating costs.

GROUP			PARENT BANK	
2019	2020	(NOK million)	2020	2019
109	118	IT-costs	118	109
24	14	Telephone/postage/office supplies/travel expenses	14	24
21	25	Marketing costs	25	21
26	22	Depreciation and impairment of fixed- and intangible assets	27	30
24	24	Depreciation and impairment - IFRS 16 (leases)	24	24
32	32	Property costs	46	46
-26	-26	Property costs IFRS 16 (leases)	-26	-26
16	9	Costs relating to fixed assets	9	16
5	5	Capital tax	5	5
61	75	Other operating costs (incl. fee to external auditor)	43	28
292	298	Total operating costs excl. personnel costs	285	277

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

GROUP			PARENT BANK	
2019	2020	(NOK thousand)	2020	2019
1 394	1 391	Fees for statutory audit	1 022	973
394	330	Fees for other attestation services	6	12
259	221	Fees regarding tax consulting	88	140
1 052	636	Fees for other non-audit services	618	1 001
3 099	2 578	Fees to External Auditor (including value added tax)	1 734	2 126

Note 20

Pension costs and liabilities

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

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

Defined benefit pension scheme in own pension fund

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

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

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

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

The discount rate is based on the interest rate on corporate bonds with high credit ratings. The Norwegian covered bond market is deemed to possess the characteristics required for use as the basis for calculating the discount rate.

Expected return on pension resources is calculated using the same interest rate used for discounting pension liabilities. Return in excess of the discount rate is recognised in Other income and costs in comprehensive income.

The portion of the Group's pension scheme which is defined benefit, entitles employees to agreed future pension benefits equal to the difference between 70 per cent of leaving salary at vesting age of 67 years and estimated benefits from the Norwegian National Insurance Scheme, assuming full vesting (30 years). This liability comprises 31 (2019: 42) active members and 285 (2019: 279) pensioners by the end of 2020.

Contribution based pension scheme

The Group's contribution-based pension schemes are delivered by DNB and a percentage of income is paid into the scheme, depending on the individual's level of income, and the payments are expensed as they occur. The contribution based pension scheme has contribution rates of 7 per cent of salary in the range up to 7.1 times the national insurance basic amount (G) and 15 per cent of salary in the range from 7.1 to 12 G. Pension payments are expensed as they occur and are recognised in Wages, salaries etc. in the income statement.

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

The Group's costs related to the contribution-based pension schemes amounted to NOK 14 million in 2020 (NOK 13 million in 2019).

Pension agreement for the bank's CEO

The CEO has a retirement age of 65 years and during the period between 65 to 67 years, it will be paid an

annual pension amounting to 70 per cent of final salary. The CEO is also included in the bank's ordinary defined contribution pension scheme.

Statutory early retirement pension (SERP)

The SERP scheme is not an early retirement scheme, but a scheme that provides a lifelong addition to the ordinary pension. Employees covered by the scheme, and who meets the requirements, can choose to join the SERP scheme from the age of 62, including in parallel with staying in work, and by working until 67 years old it provides additional earnings. The SERP scheme is a defined benefit based multi-enterprise pension scheme and is funded through premiums which are determined as a percentage of pay. The premium for 2019 was set at 2.5 per cent of total payments between 1 G (G = the national insurance basic amount) and 7.1 G to the company's employees between 13 and 61 years old. For 2021 the premium is set at 2.5 per cent. The scheme does not involve the building up of a fund and the level of premiums is expected to increase in the coming years. At the moment, there is no reliable measurement and allocation of the liabilities and funds in the scheme. The scheme is treated in the financial statements as a contribution-based pension scheme in which premium payments are recognised as costs on an ongoing basis and no provisions are made in the financial statements. Premium payments amount to NOK 4 million in 2020 (NOK 4 million in 2019).

The figures in the table below are equal for the Parent Bank and the Group.

Financial and actuarial assumptions

	Liabilities		Costs	
	31.12.2020	31.12.2019	2020	2019
Rate of discounting/expected return on pension resources	1.50	2.30	2.30	2.80
Wages and salary adjustment	2.00	2.25	2.25	2.75
Pension adjustment	0	0	0	0
Adjustment of the National Insurance's basic amount	1.75	2.00	2.00	2.50
Employers' social security contribution	19.10	19.10	19.10	19.10
Table for mortality rate etc	K 2013BE	K 2013BE	K 2013BE	K 2013BE
Disability tariff	IR02	IR02	IR02	IR02
Pension costs in ordinary result			2020	2019
Present value of pension accruals during the year including administration costs			3	5
Interest cost of incurred pension liabilities			7	8
Expected return on pension resources			-7	-9
Net pension cost for the pension fund			3	4
Change in present value of pension accruals relating to other pension schemes			-2	-1
Pension costs charged to the profit and loss, incl. payments to the defined-benefit- and the SERP-schemes			20	19
Total pension costs			21	22

Specification of estimate deviations in comprehensive income	2020	2019
Change in the rate of discounting	-38	-21
Change in other financial assumptions	4	3
Estimate deviations on pension funds	-2	-11
Total estimate deviations	-36	-29

Total pension liabilities/-funds	31.12.2020	31.12.2019
Pension liabilities	342	320
Value of pension resources	-315	-317
Net pension liabilities/-funds relating to the pension fund	27	3
Net pension liabilities relating to members of the bank's executive management/bank managers	30	29
Total net pension liabilities/-funds	57	32

Sensitivity analysis	Change in the rate of discounting in %	Effect on the liability in % as at 31.12.2020	Effect on the pension cost in % in 2020
The funded plan (Pension Fund)	0.5	-6.1	-6.0
The funded plan (Pension Fund)	-0.5	6.6	6.6
Unfunded schemes (Other schemes)	0.5	-5.2	-5.8
Unfunded schemes (Other schemes)	-0.5	5.8	6.2

The sensitivity analysis above is based on a change in the discount rate, given that all other factors remain constant.

Sensitivity calculations are performed using the same method as the actuarial calculation for the calculation of the pension liability in the statement of financial position.

Management of the Pension Fund's resources

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

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

The Pension Fund has invested in 1,950 (2,752) ECs issued by Sparebanken Møre. Beyond this, the Pension Fund has not invested in financial instruments issued by Sparebanken Møre or in properties owned or used by the bank.

The Pension Fund has a deposit of NOK 56 million in Sparebanken Møre in 2020 (NOK 21 million in 2019).

Investment profile - pension resources	31.12.2020		31.12.2019	
	Fair value	%	Fair value	%
Shares	83	14.4	91	16.0
Fund shares	72	12.5	47	8.3
Bonds/certificates	339	58.9	378	66.7
Bank deposits	82	14.2	51	9.0
Total pension resources	576	100.0	567	100.0

NOK 315 million (NOK 317 million) of the total pension resources of NOK 576 million (NOK 567 million) are related to the defined benefit scheme in Sparebanken Møre. The remaining pension resources (excluding the paid-in equity of NOK 69 million in the Pension Fund) are related to issued paid-up policies, administered by Sparebanken Møre's Pension Fund.

Return on pension resources in %	31.12.2020	31.12.2019
Total pension resources	3.10	6.92

Note 21

Tax

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

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

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

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

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

Sparebanken Møre is subject to financial tax and has therefore a tax rate of 25 per cent both for 2019 and 2020. The subsidiaries, however, has a tax rate of 22 per cent both for 2019 and 2020. For the Parent bank this means that both tax payable and deferred tax are calculated at a tax rate of 25 per cent for all the years, while the tax rate applied for the subsidiaries is 22 per cent.

The entire tax cost is related to Norway.

Tax expense recognised in the income statement

GROUP			PARENT BANK	
2019	2020		2020	2019
151	111	Tax payable on profit for the period	109	88
60	56	Changes in deferred taxes in the income statement *)	-7	65
-11	0	Changes in estimates related to prior years	0	-3
200	167	Taxes	102	150
22.0	22.8	Effective tax rate (tax expense as a percentage of pre tax profit)	15.4	18.5

*) The tax reporting for previous years was amended in 2019. This resulted in a reduction in deferred tax assets and a corresponding reduction in tax payable, of which NOK 51 million, related to the subsidiary Møre Boligkreditt AS, was still outstanding as at 31.12.2019.

Tax expense recognised in the comprehensive income

GROUP			PARENT BANK	
2019	2020		2020	2019
-7	-9	Changes in deferred taxes due to pension estimate deviations	-9	-7
0	1	Tax effect on tax payable related to changes in value on basis spreads	0	0
-7	-8	Tax expense in comprehensive income	-9	-7

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

GROUP			PARENT BANK	
2019	2020		2020	2019
911	734	Pre tax profit	663	811
-27	-14	Non-taxable income and non-deductable costs related to shares	-242	-199
-23	-27	Deductable interests on Additional Tier 1 capital treated as equity	-27	-23
14	10	Other non-taxable income and non-deductable costs	11	25
-239	-308	Changes in temporary differences *)	31	-262
636	395	Taxable income	436	352
151	111	Tax payable on ordinary profit (25 % for the Parent Bank and 22 % for the subsidiaries)	109	88
0	0	Tax payable on comprehensive income (25 % for the Parent Bank and 22 % for the subsidiaries)	0	0
151	111	Tax payable *)	109	88

*) The tax reporting for previous years was amended in 2019. This resulted in a reduction in deferred tax assets and a corresponding reduction in tax payable, of which NOK 51 million, related to the subsidiary Møre Boligkreditt AS, was still outstanding as at 31.12.2019.

Specification of temporary differences and the computation of deferred tax

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
		Temporary differences relating to:		
-40	-30	Fixed assets	-37	-52
217	227	Pension liabilities	227	217
686	974	Other temporary differences	347	402
863	1 171	Net negative (-) / positive differences recognised in the income statement	537	567
-248	-284	Share of net pension liability recognised in other comprehensive income	-284	-248
4	5	Limited partnerships	5	4
619	892	Total negative (-) / positive differences	258	323
146	-47	Loss carried forward	0	81
146	194	Deferred tax asset (-) or liability (25 per cent for the Parent Bank and 22 per cent for the subsidiaries)	65	81

Reconciliation of tax expense and pre-tax profit

GROUP			PARENT BANK	
2019	2020		2020	2019
220	175	25 % of pre-tax profit (22 % for the subsidiaries)	166	203
-7	-4	Equities 25 % (22 %)	-61	-50
-2	-4	Other non-taxable income and non-deductable costs 25 % (22 %)	-4	1
-11	0	Changes in estimates related to prior years	0	-3
200	167	Total taxes	102	150

Note 22

Classification of financial instruments

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

CLASSIFICATION AND MEASUREMENT

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

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

The classification of the financial assets depends on two factors:

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

Financial assets assessed at amortised cost

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

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

All lending and receivables are recorded in the accounts at amortised cost, based on expected cash flows. The difference between the initial cost and the settlement amount at maturity, is amortised over the lifetime of the loan.

Loans and receivables

All loans and receivables are valued in the balance sheet at fair value at first assessment, with the addition of directly attributable transaction costs for instruments which are not assessed at fair value with value changes recognised in the income statement. Fair value when first assessed is normally the same as the transaction price. When determining the loan's value at the time of transaction (transaction price), direct transaction costs are deducted and subject to accrual accounting over the lifetime of the loan as part of the loan's effective interest rate. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate at the signing time which exactly discounts estimated, future cash flows over the loan's expected lifetime, down to the net value of the loan as shown in the balance sheet. By conducting this calculation, all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration.

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, are valued at amortised cost based on expected cash flows. The portfolio of own bonds is shown in the accounts as a reduction of the debt.

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

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

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

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

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

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

GROUP - 31.12.2019	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank			1 072	1 072
Loans to and receivables from credit institutions			1 088	1 088
Loans to and receivables from customers	4 197		59 832	64 029
Certificates and bonds	6 938			6 938
Shares and other securities	194			194
Financial derivatives	683	493		1 176
Total financial assets	12 012	493	61 992	74 497
Loans and deposits from credit institutions			817	817
Deposits from customers			36 803	36 803
Financial derivatives	263	25		288
Debt securities issued			28 271	28 271
Subordinated loan capital and Additional Tier 1 capital			704	704
Total financial liabilities	263	25	66 595	66 883

PARENT BANK - 31.12.2020	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank			542	542
Loans to and receivables from credit institutions			5 925	5 925
Loans to and receivables from customers	5 061		32 864	37 925
Certificates and bonds	8 950			8 950
Shares and other securities	178			178
Financial derivatives	648	29		677
Total financial assets	14 837	29	39 331	54 197
Loans and deposits from credit institutions			3 113	3 113
Deposits from customers			39 049	39 049
Financial derivatives	509	12		521
Debt securities issued			5 286	5 286
Subordinated loan capital and Additional Tier 1 capital			702	702
Total financial liabilities	509	12	48 150	48 671

PARENT BANK - 31.12.2019	Financial instruments at fair value in the income statement	Financial derivatives in hedging	Financial instruments assessed at amortised cost	Total book value
Cash and claims on Norges Bank			1 072	1 072
Loans to and receivables from credit institutions			3 259	3 259
Loans to and receivables from customers	9 134		29 360	38 494
Certificates and bonds	6 260			6 260
Shares and other securities	194			194
Financial derivatives	586			586
Total financial assets	16 174	-	33 691	49 865
Loans and deposits from credit institutions			1 519	1 519
Deposits from customers			36 824	36 824
Financial derivatives	241	1		242
Debt securities issued			5 209	5 209
Subordinated loan capital and Additional Tier 1 capital			704	704
Total financial liabilities	241	1	44 256	44 498

Note 23

Financial instruments at amortised cost

Loans are assessed at fair value at first assessment, with the addition of direct transaction costs. When determining the loan's value at the time of transaction (transaction price), direct transaction costs are deducted and subject to accrual accounting over the lifetime of the loan as part of the loan's effective interest rate. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate at the signing time which exactly discounts estimated, future cash flows over the loan's expected lifetime, down to the net value of the loan as shown in the balance sheet. By conducting this calculation, all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration. Fair value of the instruments traded in active markets is based on traded price on the balance sheet date. For those financial instruments not traded in an active market, own valuations based on current market conditions are applied, alternatively valuations from another market player.

GROUP	31.12.2020		31.12.2019	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	542	542	1 072	1 072
Loans to and receivables from credit institutions	1 166	1 166	1 088	1 088
Loans to and receivables from customers	62 478	62 478	59 832	59 832
Total financial assets	64 186	64 186	61 992	61 992
Loans and deposits from credit institutions	2 209	2 209	817	817
Deposits from customers	39 023	39 023	36 803	36 803
Debt securities issued	28 907	28 774	28 362	28 271
Subordinated loan capital and Additional Tier 1 capital	714	702	714	704
Total financial liabilities	70 853	70 708	66 696	66 595

PARENT BANK	31.12.2020		31.12.2019	
	Fair value	Book value	Fair value	Book value
Cash and claims on Norges Bank	542	542	1 072	1 072
Loans to and receivables from credit institutions	5 925	5 925	3 259	3 259
Loans to and receivables from customers	32 864	32 864	29 360	29 360
Total financial assets	39 331	39 331	33 691	33 691
Loans and deposits from credit institutions	3 113	3 113	1 519	1 519
Deposits from customers	39 049	39 049	36 824	36 824
Debt securities issued	5 300	5 286	5 224	5 209
Subordinated loan capital and Additional Tier 1 capital	714	702	714	704
Total financial liabilities	48 176	48 150	44 281	44 256

Note 24

Financial instruments at fair value

LEVELS IN THE VALUATION HIERARCHY

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

Level 1 – Valuation based on prices in an active market

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

Level 2 – Valuation based on observable market data

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

Level 3 – Valuation based on other than observable market data

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

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

Fixed rate loans

There have been no significant changes in the approach to the valuation of fixed-rate loans in 2020. Fair value is calculated based on contractual cash flows discounted at a market interest rate matching the rates applicable to the corresponding fixed-rate loans at the balance sheet date. In the income statement, the change in value is presented under Net gains/losses from financial instruments. A change in the discount rate of 10 basis points would result in a change of approximately NOK 15 million on fixed rate loans.

Shares

Shares presented in level 3 of the valuation hierarchy are primarily the bank's investment in Eksportfinans ASA (NOK 75 million) and the bank's ownership interest in Vipps AS (NOK 47 million).

The tables below show financial instruments at fair value.

GROUP - 31.12.2020	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			4 372	4 372
Certificates and bonds	6 121	2 442		8 563
Shares	14		164	178
Financial derivatives		1 793		1 793
Total financial assets	6 135	4 235	4 536	14 906
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		537		537
Total financial liabilities	-	537	-	537

GROUP - 31.12.2019	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			4 197	4 197
Certificates and bonds	4 741	2 197		6 938
Shares	6		188	194
Financial derivatives		1 176		1 176
Total financial assets	4 747	3 373	4 385	12 505
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		288		288
Total financial liabilities	-	288	-	288

PARENT BANK - 31.12.2020	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			5 061	5 061
Certificates and bonds	6 004	2 946		8 950
Shares	14		164	178
Financial derivatives		677		677
Total financial assets	6 018	3 623	5 225	14 866
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		521		521
Total financial liabilities	-	521	-	521

PARENT BANK - 31.12.2019	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			9 134	9 134
Certificates and bonds	4 470	1 790		6 260
Shares	6		188	194
Financial derivatives		586		586
Total financial assets	4 476	2 376	9 322	16 174
Loans and deposits from credit institutions				-
Deposits from customers				-
Debt securities issued				-
Subordinated loan capital and Additional Tier 1 capital				-
Financial derivatives		242		242
Total financial liabilities	-	242	-	242

GROUP - Level 3 reconciliation	Loans to and receivables from customers	Shares
Book value as at 31.12.2019	4 197	188
Purchases/additions	1 204	4
Sales/reduction	-1 058	-17
Transferred to Level 3	0	0
Transferred from Level 3	0	0
Net gains/losses in the period	29	-11
Book value as at 31.12.2020	4 372	164

PARENT BANK - Level 3 reconciliation	Loans to and receivables from customers	Shares
Book value as at 31.12.2019	9 134	188
Purchases/additions	533	4
Sales/reduction	-4 619	-17
Transferred to Level 3	0	0
Transferred from Level 3	0	0
Net gains/losses in the period	13	-11
Book value as at 31.12.2020	5 061	164

Shares and other securities

GROUP/PARENT BANK	Stake	Number of shares	Acquisition cost	Book value/ market value
Eksportfinans ASA	1.3 %	3 551	46	75
Vipps AS	1.1 %	12 630	19	47
VN Norge AS	1.6 %		-	16
Solstad Offshore ASA	1.3 %	965 728	22	9
Visa Norge Forvaltning AS	0.3 %		-	6
Novela Kapital I AS	15.0 %		5	5
Sparebank 1 Søre-Sunnmøre	4.8 %	48 070	5	5
Sparebank 1 Nordvest	1.7 %	37 756	-	4
Other			34	11
Total			131	178

Certificates and bonds

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
		Public sectors		
2 444	2 675	Acquisition cost	2 628	2 270
2 481	2 732	Book value	2 686	2 307
		Credit institutions		
3 814	4 732	Acquisition cost	5 159	3 313
3 853	4 819	Book value	5 252	3 349
		Other financial companies		
603	993	Acquisition cost	993	603
604	1 012	Book value	1 012	604
		Total certificates and bonds		
6 861	8 400	Acquisition cost	8 780	6 186
6 938	8 563	Book value	8 950	6 260

Note 25

Financial derivatives

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

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

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

The table shows the value of derivative contracts, covered by set-off agreements or secured by cash under Credit Support Annex (CSA). For customer transactions, limits are established based on necessary formal credit-handling procedures where sufficient security is demanded for the limit. For banking counterparties, the counterparty risk associated with changes in market conditions is regulated through CSA agreements. Sparebanken Møre requires the signing of CSA (Credit Support Annex) agreements before trading of derivatives against any interbank counterparty. This provides Sparebanken Møre with collateral for any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practices cash collateral to these counterparties. The market value of all derivatives signed between Sparebanken Møre and the counterparty is settled according to the different CSA-agreements and the counterparty risk will then largely be eliminated. As at 31.12.2020, Sparebanken Møre has a cash collateral of NOK 838 million (NOK 200 million). The subsidiary Møre Boligkreditt AS has received a cash collateral of NOK 546 million (NOK 125 million).

GROUP	2020			2019		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate instruments						
Interest rate swaps	11 331	188	328	10 127	153	121
Total interest rate instruments	11 331	188	328	10 127	153	121
Foreign exchange instruments						
Foreign exchange swaps	1 867	0	150	1 664	51	93
FX Forward exchange contracts	8 827	440	47	5 459	479	49
Total financial derivatives	10 694	440	197	7 123	530	142
Hedging instruments						
Interest rate swaps	4 775	300	12	3 775	357	15
Foreign exchange swaps	7 782	865	0	7 537	136	10
Total hedging instruments	12 557	1 165	12	11 312	493	25
Total financial derivatives	34 582	1 793	537	28 562	1 176	288

PARENT BANK	2020			2019		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate instruments						
Interest rate swaps	13 978	205	326	10 127	94	125
Total interest rate instruments	13 978	205	326	10 127	94	125
Foreign exchange instruments						
Foreign exchange swaps	1 549	3	136	1 394	13	67
FX Forward exchange contracts	8 827	440	47	5 459	479	49
Total financial derivatives	10 376	443	183	6 853	492	116
Hedging instruments						
Interest rate swaps	1 725	29	12	725	0	1
Foreign exchange swaps	0	0	0	0	0	0
Total hedging instruments	1 725	29	12	725	0	1
Total financial derivatives	26 079	677	521	17 705	586	242

As of 31 December 2020, the following swaps were used in fair value hedging of interest rate risk:

GROUP - 2020	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				3 775	1 000
Average fixed interest rate					2.5 %	2.8 %
Nominal amount	EUR				7 865	262
Average fixed interest rate					0.2 %	2.8 %

GROUP - 2019	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				1 725	2 050
Average fixed interest rate					1.9 %	3.8 %
Nominal amount	EUR				5 825	1 712
Average fixed interest rate					0.2 %	0.4 %

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

PARENT BANK - 2019	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Nominal amount	NOK				725	
Average fixed interest rate					2.4 %	

Maturity of financial derivatives, nominal value

GROUP	2020		2019		
	Maturity	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate and foreign exchange swaps	Forward exchange contracts
	2020			2 084	5 196
	2021	2 187	8 633	2 258	178
	2022	5 199	119	4 999	37
	2023	4 883	21	4 342	8
	2024	3 732	11	3 409	8
	2025	4 187	11	1 665	8
	2026	1 200	11	1 198	8
	2027	437	11	62	9
	2028	1 678	7	1 614	4
	2029	921	3	992	2
	2030	1 112		250	
	2032	219		229	
		25 755	8 827	23 102	5 458

PARENT BANK	2020		2019		
	Maturity	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate and foreign exchange swaps	Forward exchange contracts
	2020			1 814	5 196
	2021	2 187	8 633	2 258	178
	2022	1 707	119	1 585	37
	2023	2 385	21	1 923	8
	2024	1 172	11	928	8
	2025	3 137	11	615	8
	2026	1 200	11	1 198	8
	2027	119	11	62	9
	2028	447	7	391	4
	2029	921	3	992	2
	2030	3 758		250	
	2032	219		229	
		17 252	8 827	12 245	5 458

Note 26

Debt securities

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

The bank's loans at floating interest rates are assessed at amortised cost. Loans at fixed interest rates are assessed by using fair value hedging for changes in fair value due to changes in market rates, with value changes recognised in the income statement. The bank hedges the value of interest rate and FX-risk on an individual basis. There is a clear, direct and documented connection between value changes relating to the hedging instrument and the hedged object. This connection is documented through a test of the hedging efficiency when entering into the transaction and through the hedging period. Hedging gains and losses result in an adjustment of the book value of hedged loans. The hedging adjustments are amortised over the remaining period of the hedging by adjusting the loans' effective interest rate if the hedging no longer is effective, if hedging is discontinued or by other termination of hedging. By applying this principle, a correct accounting presentation is established, in accordance with the bank's interest rate and FX management and the actual financial development.

Changes in debt securities

GROUP	Balance at 31.12.19	Issued	Overdue/redeemed	Other changes	Balance at 31.12.20
Bonds and certificates, nominal value	27 660	5 821	-5 912		27 569
Accrued interests	73			-13	60
Value adjustments	538			607	1 145
Total debt securities	28 271	5 821	-5 912	594	28 774

PARENT BANK	Balance at 31.12.19	Issued	Overdue/redeemed	Other changes	Balance at 31.12.20
Bonds and certificates, nominal value	5 199	2 500	-2 438		5 261
Accrued interests	13			-1	12
Value adjustments	-3			16	13
Total debt securities	5 209	2 500	-2 438	15	5 286

Maturity of securities-based debt, nominal value

GROUP				PARENT BANK		
NOK	Currency	Total	Maturity	NOK	Currency	Total
3 961		3 961	2021	961		961
1 800	2 363	4 163	2022	800		800
1 000	2 375	3 375	2023	1 000		1 000
4 500	2 498	6 998	2024	1 500		1 500
7 550		7 550	2025	1 000		1 000
		-	2026			
	321	321	2027			
1 000	201	1 201	2028			
19 811	7 758	27 569	Total	5 261	-	5 261

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

Note 27

Subordinated loan capital and Additional Tier 1 capital

GROUP AND PARENT BANK

ISIN	Currency	Issue	Maturity	Terms	31.12.2020
NO0010809304	NOK	31.10.2017	2023	3 mnth NIBOR + 1.55	502
NO0010791692	NOK	03.05.2017	2022	3 mnth NIBOR + 1.46	200
Subordinated loan capital					702

ISIN	Currency	Issue	Maturity	Terms	31.12.2020
NO0010796154	NOK	15.06.2017	2022	3 mnth NIBOR + 3.25	349
NO0010856495	NOK	12.06.2019	2024	3 mnth NIBOR + 3.50	250
Additional Tier 1 Capital					599

Additional Tier 1 capital NO0010796154 and Additional Tier 1 capital NO0010856495 are classified as equity in the balance sheet and are included in the Tier 1 capital. Based on the fact that the bank has a unilateral right not to pay interest or principal to investors, they do not qualify as debt according to IAS 32. The interest cost is not presented in the income statement, rather as a reduction of retained earnings. The cost is recognised by payment. Interests totalling NOK 27 million has been paid in 2020. NOK 27 million of the profit after tax are allocated to the owners of Additional Tier 1 capital.

There is no option to convert the subordinated loan capital/Additional Tier 1 capital to equity certificate capital. The Group had no investments in subordinated loan capital in other enterprises (including credit institutions) at the end of 2020. Loan agreements are made available on the bank's website.

Changes in subordinated loan capital

GROUP AND PARENT BANK	Book value 31.12.19	Issued	Matured/redeemed	Other changes	Book value 31.12.20
Subordinated loan capital, nominal value	700				700
Accrued interest	4			-2	2
Value adjustments	0				0
Total subordinated loan capital	704			-2	702

Changes in Additional Tier 1 capital (classified as equity)

GROUP AND PARENT BANK	Book value 31.12.19	Issued	Matured/redeemed	Other changes	Book value 31.12.20
Additional Tier 1 capital, nominal value	600				600
Accrued interest	0				0
Value adjustments	-1				-1
Total Additional Tier 1 capital (classified as equity)	599				599

Note 28

Deposits from customers

Deposits with agreed floating interest rate and agreed fixed-interest rate are measured at amortised cost. For more information about classification and measurement, see note 22.

DEPOSITS FROM CUSTOMERS	Group		Parent Bank	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sector/industry				
Agriculture and forestry	196	187	196	187
Fisheries	1 446	1 252	1 446	1 252
Manufacturing	2 321	1 659	2 321	1 659
Building and construction	909	841	909	841
Wholesale and retail trade, hotels	1 082	839	1 082	839
Property management	1 802	1 648	1 802	1 658
Transport and private/public services	4 773	5 448	4 799	5 459
Public entities	822	777	822	777
Activities abroad	2	5	2	5
Miscellaneous	2 304	2 462	2 304	2 462
Total corporate/public entities	15 657	15 118	15 683	15 139
Retail customers	23 366	21 685	23 366	21 685
Total deposits from customers	39 023	36 803	39 049	36 824

Note 29

Subsidiaries

GROUP STRUCTURE

Parent bank	Home country	Core operations
Sparebanken Møre	Norway	Banking

Ownership in credit institutions

Company	Home country	Core operations	Ownership share	Voting share	Book value 2020	Book value 2019
Møre Boligkreditt AS	Norway	Funding	100 %	100 %	2 050	2 050

Ownership in other subsidiaries

Company	Home country	Core operations	Ownership share	Voting share	Book value 2020	Book value 2019
Møre Eiendomsmegling AS	Norway	Real estate brokerage	100 %	100 %	9	9
Sparebankeiendom AS	Norway	Real estate management	100 %	100 %	12	12
Total ownership in other subsidiaries					21	21
Total ownership in subsidiaries					2 071	2 071

Transactions involving subsidiaries

These are transactions between the Parent Bank and wholly owned subsidiaries made at arm's length and at arm's length's prices.

Settlement of financing costs and -income between the different segments is done on an ongoing basis using the Parent Bank's funding cost. The internal rate of interest for this is defined as the effective 3-month NIBOR + a funding supplement for long-term financing (1.46 per cent in 2020 and 2.33 per cent in 2019).

Rent is allocated according to the floor space used for each segment, based on the same principles and the same prices as those applicable to the Parent Bank, at market rent.

Other services (office supplies, IT-equipment etc.) are bought by the segment involved from the Parent Bank at the same price as the Parent Bank obtains from external suppliers.

There are transactions between Sparebanken Møre and Møre Boligkreditt AS related to the transfer of loan portfolio to Møre Boligkreditt AS, as well as Sparebanken Møre providing loans and credits to the mortgage company. The economic conditions for the transfer of loans from Sparebanken Møre are market value. If mortgages with fixed interest rates are purchased, the price will be adjusted for premium/discount.

Sparebanken Møre is responsible for ensuring that loans transferred to Møre Boligkreditt AS are properly

established and in accordance with the requirements set forth in the agreement between the mortgage company and the Parent Bank. In case of violation of these requirements, the bank will be liable for any losses that the mortgage company would experience as a result of the error. Sparebanken Møre and Møre Boligkreditt AS have formalised settlement of interest for transaction days from the date of transfer of the portfolio of loans to the date of settlement of the consideration.

To ensure timely payment to holders of covered bonds (OMF) and associated derivatives, a revolving credit facility ("Revolving Credit Facility Agreement") is established between Sparebanken Møre and Møre Boligkreditt AS. Sparebanken Møre guarantees timely coupon payments and payments linked to derivatives on outstanding covered bonds from Møre Boligkreditt AS, and repayment of principal on the covered bonds maturing in the ongoing next 12 months. In addition to the revolving credit facility, Møre Boligkreditt AS has a credit facility in Sparebanken Møre with an allocated limit of NOK 5 billion.

The pricing of services provided to Møre Boligkreditt AS from Sparebanken Møre distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs which the mortgage company must bear, regardless of the activity related to the issuance of covered bonds, acquisition of portfolio etc. Variable costs are defined as costs related to the size of the portfolio acquired from Sparebanken Møre, and the work that must be exercised by the bank's staff to provide adequate services given the number of customers in the portfolio.

The most important transactions that have been eliminated in the Group accounts are as follows:

PARENT BANK	2020	2019
Statement of income		
Net interest and credit commission income from subsidiaries	24	10
Received dividend from subsidiaries	227	172
Administration fee received from Møre Boligkreditt AS	41	36
Rent paid to Sparebankeiendom AS	14	13
Statement of financial position at 31.12.		
Claims on subsidiaries	4 876	2 290
Covered bonds	503	0
Liabilities to subsidiaries	1 475	848
Intragroup right-of-use of properties in Sparebankeiendom AS	96	107
Intragroup hedging	60	-
Accumulated loan portfolio transferred to Møre Boligkreditt AS	29 045	25 658

Note 30

Leases and rental agreements

Rental of business premises

The bank rents 26 of its business premises from external lessors, as well as 2 from the bank's wholly-owned real estate management company, Sparebankeiendom AS. Please see note 31 for further information about the business premises.

PARENT BANK	2020	2019
Rent paid to:		
Sparebankeiendom AS	16	15
Other external lessors	11	11

Duration of rental agreements

Rental agreements with external lessors are mainly of 5- and 10-years duration (some of 1 year) with a mutual 12 months' notice period and at market prices. Rental agreements with the subsidiary Sparebankeiendom AS have a 10-year duration. Rent is at market price.

Rental agreements according to IFRS 16

The Group implemented IFRS 16 Leases in 2019. The new standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from previous requirements. The standard affects the Group's accounting for lease of property.

Sparebanken Møre has taken advantage of the opportunity not to capitalise leases related to low-value assets and/or assets with short lifetimes (less than 1 year). These include, for example, office machines and coffee makers. The discount rate used is equivalent to the bank's marginal loan rate and amounts to 2.04 per cent. Right-of-use assets are presented in the Statement of financial position under the accounting line "Fixed assets", while the related lease liabilities are presented under the accounting line "Other liabilities".

As a consequence of the new rules, the rental expense in the Group is reduced by NOK 12.8 million in 2020 (NOK 13.6 million), while interest expense has increased by NOK 1.2 million (NOK 1.4 million) and depreciation has increased by NOK 11.2 million (NOK 12.5 million). In the Parent Bank, rental expense is reduced by NOK 26.4 million in 2020 (NOK 27.0 million), while interest expense has increased by NOK 3.3 million (NOK 3.7 million) and depreciation has increased by NOK 23.9 million (NOK 24.6 million).

Right-of-use assets according to IFRS 16

GROUP			PARENT BANK	
2019	2020		2020	2019
0	65	Right-of-use assets OB	172	0
78	0	Implementation effects	0	197
0	0	Additions	1	0
13	12	Depreciations	24	25
65	53	Right-of-use assets CB	149	172

Lease liability according to IFRS 16

GROUP			PARENT BANK	
2019	2020		2020	2019
0	66	Lease liability OB	174	0
78	0	Implementation effects	0	197
0	0	Additions	1	0
14	15	Lease payments	26	27
1	2	Interests	3	4
66	53	Lease liabilities CB	152	174

PARENT BANK - Maturity analysis, undiscounted cash flow

	2020
Less than 1 år	26
1-2 years	25
2-3 years	23
3-4 years	21
4-5 years	20
More than 5 years	49
Total undiscounted cash flow	164

Other significant agreements

The Group has outsourced most of the operations within the IT-area. Sparebanken Møre has an agreement with TietoEVERY, for delivery of the bank's IT services. The agreement has an annual fixed cost of NOK 67 million. The agreement was extended in December 2018 and expires 2021. Sparebanken Møre continues the cooperation of a complete range of banking solutions and operating services from TietoEVERY.

TietoEVERY delivers solutions that support key banking services such as deposits, financing, card and payment processing, accounting and reporting, message distribution and customer interaction services, self-service channels and solutions for branch offices. In addition, TietoEVERY delivers operation of all banking systems and infrastructure.

Note 31

Fixed assets

Fixed assets are valued at historical cost, including direct attributable cost, less accumulated depreciation and impairment. When assets are sold or disposed of, the cost price and accumulated depreciations are reversed in the accounts, and any gains or losses from the sale are recognised in the income statement. The cost price of fixed assets is defined as the purchase price, including levies, indirect taxes and direct acquisition costs relating to preparing the asset for use. Expenses incurred after the bank has started using the asset, including repairs and maintenance, are expensed.

If the acquisition cost of a component is substantial in relation to the total acquisition cost, and the time of usage involved is significantly different, substantial fixed assets are broken down into separate components for depreciation purposes.

Depreciation is calculated by applying the straight-line method over the following time periods, taking into account the residual value:

Fixed assets	Time profile depreciation
Building plots and sites	No depreciaton
Holiday properties	No depreciaton
Buildings	50 years
Technical installations	10 years
Fixtures and fittings	8-10 years
Cars	5 years
Office machines	5 years
IT-equipment	3-5 years

An annual reassessment is made of remaining life and residual values for each separate asset. At each reporting date, fixed assets are assessed as to whether there are indications of impairment. If there are such indications, the assets' recoverable amounts are calculated. The recoverable amount is the higher of fair value less sales costs, and the value of use. When assessing impairment, the fixed assets are grouped together at the lowest level in which it is possible to separate independent cash flows (cash generating units). A cash generating unit is defined as the smallest identifiable group generating cash flows, which to a very large extent is independent of other assets or groups. The book value of an asset is immediately impaired to the recoverable amount, if the book value is higher.

Similarly, an assessment is made in order to ascertain whether the basis for previous impairment still exists. If the basis for previous years' impairment no longer is present, the previous years' impairments are reversed and included in the income statement. Fixed assets are thus shown at their historical value, less accumulated depreciation and accumulated losses in the case of impairment.

Assets which separately are of minor importance, for instance PCs and other office equipment, are not assessed individually for residual values, economic life or permanent impairment, rather assessed as groups.

Gains or losses from sales of fixed assets are recognised through profit or loss as they occur.

Fully impaired fixed assets in use consist of fixtures and fittings and office machines.

Buildings and plots are fully owned by the bank's subsidiary, Sparebankeiendom AS. The buildings are intended for own use relating to the operations of the bank and are therefore not defined as investment properties. The buildings are also including holiday properties used by the employees. The buildings related to the operations of the bank are located in the Group's geographical home market, Nordvestlandet. The aggregate floor space is about 7.500 square meters. Only smaller parts of the premises are vacant, and there are only commercial premises in the buildings. The buildings are recognised in the accounts at historical cost less accumulated depreciation and impairment. There is no evidence of impairment of the Group's buildings.

GROUP

31.12.2020	Total	Buildings, incl. tech.install., building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	374	280	27	67
Additions	15	8	3	4
Disposals	2	0	0	2
Acquisition cost as at 31.12	387	288	30	69
Accumulated depreciation and impairment as at 01.01	203	118	26	59
Depreciation during the year	16	12	1	3
Impairment during the year	0	0	0	0
Disposals	2	0	0	2
Accumulated depreciation and impairment as at 31.12	217	130	27	60
Carrying amount as at 31.12	171	158	3	10
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	63	0	25	38

GROUP

31.12.2019	Total	Buildings, incl. tech.install , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	372	280	27	65
Additions	2	0	0	2
Disposals	0	0	0	0
Acquisition cost as at 31.12	374	280	27	67
Accumulated depreciation and impairment as at 01.01	185	108	24	53
Depreciation during the year	18	10	2	6
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	203	118	26	59
Carrying amount as at 31.12	171	162	1	8
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	62	0	25	37

PARENT BANK

31.12.2020	Total	Buildings, incl. tech.install , building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	122	33	26	63
Additions	15	8	3	4
Disposals	2	0	0	2
Acquisition cost as at 31.12	136	41	29	66
Accumulated depreciation and impairment as at 01.01	97	17	25	56
Depreciation during the year	8	3	1	3
Impairment during the year	0	0	0	0
Disposals	2	0	0	2
Accumulated depreciation and impairment as at 31.12	103	20	26	56
Carrying amount as at 31.12	33	21	3	10
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	61	0	25	36

PARENT BANK

31.12.2019	Total	Buildings, incl. tech.install., building plots/holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	121	33	26	62
Additions	1	0	0	1
Disposals	0	0	0	0
Acquisition cost as at 31.12	122	33	26	63
Accumulated depreciation and impairment as at 01.01	87	14	23	51
Depreciation during the year	10	3	2	5
Impairment during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and impairment as at 31.12	97	17	25	56
Carrying amount as at 31.12	26	17	1	8
Straight-line depreciation period (years)		10-50	3-5	8-10
Fully depreciated fixed assets in use (acquisition cost)	60	0	25	35

Note 32

Intangible assets

Intangible assets consist of capitalised costs relating to the acquisition and development of software, licenses etc.

Capitalised assets are carried at cost, reduced by any depreciation and impairment. Intangible assets are depreciated on a straight-line basis over estimated useful life. Estimated useful life is normally 5 years.

Purchased software is capitalised at acquisition cost plus the costs incurred in order to prepare the software for use. Impairment assessments are conducted annually. Expenses relating to the maintenance of software and IT-systems are expensed on an ongoing basis.

GROUP			PARENT BANK	
2019	2020		2020	2019
139	170	Acquisition cost as at 01.01	169	138
31	22	Additions	22	31
0	0	Disposals	0	0
170	192	Acquisition cost as at 31.12	191	169
97	116	Accumulated depreciation and impairment as at 01.01	115	96
19	19	Depreciations	19	19
0	0	Impairments	0	0
0	0	Disposals	0	0
116	135	Accumulated depreciation and impairment as at 31.12	134	115
42	53	Carrying amount as at 01.01	53	42
53	56	Carrying amount as at 31.12	56	53
20	20	Straight-line depreciation rate	20	20
5	5	Economic life – number of years	5	5

Note 33

Other assets

GROUP			PARENT BANK	
31.12.2019	31.12.2020		31.12.2020	31.12.2019
10	11	Repossessed assets	11	10
59	69	Paid-in equity in Sparebanken Møre's Pension Fund	69	59
20	34	Other receivables	31	15
89	114	Total other assets	111	84

In connection with the legal recovery of non-performing loans and guarantees, the bank in some cases repossesses assets which have been provided as security for such commitments. Such assets are assessed at their estimated realisation value at the time of repossession. Any deviation from the carrying amount of the non-performing or impaired commitment at the time of acquisition, is classified as impairment.

Repossessed assets amount to NOK 11 million (NOK 10 million in 2019). This consists of residential properties of NOK 7 million (NOK 6 million in 2019) and plots of NOK 4 million (NOK 4 million in 2019). These properties have mainly been acquired/reposessed as part of the bank's realisation of collateral security. Sparebanken Møre does not wish to remain the owner of repossessed properties. In the event of not obtaining an acceptable price, effort is made to rent out the properties.

Capital contributions to Sparebanken Møre's Pension Fund are not included as part of the pension funds in the defined benefit scheme. This is equity that Sparebanken Møre as a sponsor has provided to satisfy the Pension Fund's financial strength requirements.

Note 34

ECs and ownership structure

Equity Certificates and ownership structure

The basic earnings per equity certificate (EC) is calculated as the ratio between the year's profit accruing to the bank's EC holders according to the EC fraction as per 1 January, and the number of issued ECs at year-end, adjusted for any issues that do not entitle to full dividend. The diluted earnings per EC is no different to the basic earnings per EC.

GROUP	2020	2019
Earnings per EC (NOK) 2)	27.10	34.50
Diluted earnings per EC (NOK)	27.10	34.50
EC-holders' share of the profit:		
Profit	540	688
EC-holders' share of the profit according to the EC-fraction 1)	268	341
Weighted number of ECs - the bank's own portfolio	22 540	25 440
Number of own ECs as at 31.12	22 111	25 251
Number of own ECs as at 01.01	25 251	28 183
Weighted average of outstanding ECs	9 864 414	9 861 514
Number of outstanding ECs as at 31.12	9 864 843	9 861 703
Number of outstanding ECs as at 01.01	9 861 703	9 858 774
Weighted average number of ECs issued	9 886 954	9 886 954
Number of ECs as at 31.12	9 886 954	9 886 954
Number of ECs as at 01.01	9 886 954	9 886 954

1) The EC ratio has been computed based on figures for the Parent Bank which provide the basis for allocation of profit to the EC holders. The ratio is calculated as the sum of the EC capital, the share premium fund and the dividend equalisation fund, divided by the Parent Bank's total equity excluding Additional Tier 1 capital and proposed dividend and gift fund (other equity). The EC ratio was 49.6 per cent both in 2020 and 2019.

2) Earnings per Equity Certificate (EC) is calculated as the EC holders' proportion of the result divided by the number of issued ECs at year-end, adjusted for any issues that are not entitled to full dividend.

Equity Certificates (ECs)

At the end of 2020, Sparebanken Møre's EC capital totalled NOK 989 million, consisting of 9,886,954 Equity Certificates, each with a nominal value of NOK 100. In addition to this, the EC holders' capital consists of the dividend equalisation fund, amounting to NOK 1.768 million and the share premium fund, totalling NOK 357 million. According to the bank's by-laws, there are no limitations with regards to voting rights. Furthermore, no rights/options exist that may result in the issuance of new ECs.

Own Equity Certificates

Nominal value of own ECs is shown in the balance sheet separately, as a reduction to issued ECs. Purchase price in excess of nominal value is posted against the primary capital fund and the dividend equalisation fund in accordance to historically adopted distribution. Losses and gains from transactions involving own ECs are posted directly against the primary capital fund and the dividend equalisation fund according to their mutual relationship.

Costs relating to equity transactions

Transaction costs relating to an equity transaction are posted directly against equity.

Dividend policy

Sparebanken Møre aims to achieve financial results providing a good and stable return on the bank's equity. The results shall ensure that the owners of the equity receive a competitive long-term return in the form of dividends and capital appreciation on their equity. Dividends consist of cash dividends for equity certificate holders and dividends to the local community. The proportion of profits allocated to dividends is adapted to the bank's capital strength. Sparebanken Møre's allocation of earnings shall ensure that all equity owners are guaranteed equal treatment.

There are no special agreements between the bank and its owners. The Board of Directors cannot refuse purchase or sale of ECs unless this is covered by the stipulations contained in the Companies Act.

Classification of dividends

Dividends on ECs and dividend funds for the local community are classified as other equity until the Board of Directors' proposal has been agreed by the bank's annual General Meeting.

EC capital

Sparebanken Møre's EC capital totals NOK 988,695,400, consisting of 9,886,954 certificates, each with nominal value of NOK 100.

The EC capital was raised through nine separate issues:

Year	Issue	Changes in EC capital	Total EC capital	Number of ECs
1988	Public issue	100.0	100.0	1 000 000
1993	Public issue	100.0	200.0	2 000 000
1994	Public issue	150.0	350.0	3 500 000
1996	Public issue	100.0	450.0	4 500 000
1996	Issue, the bank's staff	1.7	451.7	4 516 604
1998	Public issue	100.0	551.7	5 516 604
1998	Issue, the bank's staff	0.9	552.6	5 526 154
2008	Dividend issue	42.3	594.9	5 949 153
2009	Rights issue	58.5	653.4	6 534 264
2010	Scrip issue	130.7	784.1	7 841 116
2013	Rights issue	148.6	932.7	9 327 603
2013	Repair issue	54.1	986.8	9 868 144
2013	Issue, the bank's staff	1.9	988.7	9 886 954

EC holders' share of the profit

Earnings per equity certificate (EC) is calculated as the EC holders' proportion of the profit divided by the number of issued ECs at year-end, adjusted for any issues during the year, not entitled to full dividend. The EC holders' proportion of the profit corresponds to the EC capital's, the dividend equalisation fund's and the share premium fund's proportion of the bank's total equity, excluding Additional Tier 1 capital and proposed dividend and gift fund (other equity), at the beginning of the year. If EC capital is expanded during the year in the form of an offering, a time-weighted proportion of the increase is included from and including the payment date.

The 20 largest EC holders in Sparebanken Møre as at 31.12.20	Number of ECs	Share of EC capital in %
Sparebankstiftelsen Tingvoll	994 800	10.06
Cape Invest AS	863 813	8.74
Verdipapirfond Nordea Norge Verdi	390 343	3.95
Wenaasgruppen AS	380 000	3.84
MP Pensjon	339 781	3.44
Pareto AS	305 189	3.09
Verdipapirfond Pareto Aksje Norge	279 249	2.82
Wenaas Kapital AS	250 000	2.53
Verdipapirfondet Eika egenkapital	245 435	2.48
FLPS - Princ All Sec	204 728	2.07
Beka Holding AS	150 100	1.52
Lapas AS (Leif-Arne Langøy)	123 500	1.25
Forsvarets personell pensjonskasse	80 760	0.82
Stiftelsen Kjell Holm	79 700	0.81
PIBCO AS	75 000	0.76
BKK Pensjonskasse	58 828	0.60
Malme AS	55 000	0.56
U Aandals Eftf AS	50 000	0.51
Spesialfondet Borea utbytte	44 029	0.45
Storebrand Norge I Verdipapirfond	41 905	0.42
Total 20 largest EC holders	5 012 160	50.69
Total	9 886 954	100.00

Key financial figures (Parent Bank)

	2020	2019	2018	2017	2016
Price at OSE	296	317	283	262	254
Number of ECs issued	9 886 954	9 886 954	9 886 954	9 886 954	9 886 954
EC capital (NOK mill.)	989	989	989	989	989
EC percentage (annual average)	49.6	49.6	49.6	49.6	49.6
EC percentage 31.12	49.6	49.6	49.6	49.6	49.6
Dividend per EC, in NOK	4.50	14.00	15.50	14.00	14.00
Dividend per EC, in NOK as a % of price at OSE 31.12	1.5	4.4	5.5	5.3	5.5
Effective return (%) 3)	-5.2	17.0	13.4	8.7	41.2
Dividend in % of EC-owners share of adjusted profit 1)	16.8	43.6	54.7	51.8	48.6
Profit per EC, in NOK 1)	26.83	32.00	28.35	27.00	29.85
Book value per EC, in NOK 1) 2)	332	320	303	289	275
P/E 1) 4)	10.9	9.2	9.5	9.4	8.8
P/BV 1)	0.89	0.99	0.93	0.91	0.93

1) Fund for unrealised gains has been excluded from the calculation (up to 31.12.2017)

2) Group figures, incl. proposed dividend

3) Calculated as the total of this year's change in stock price and dividend paid this year, divided by the stock price at the end of previous year.

4) Calculated based on the Group's profit

	Number of ECs		EC capital		Share premium	
	2020	2019	2020	2019	2020	2019
Change in ECs and share premium:						
Ordinary ECs as at 01.01.	9 886 954	9 886 954	989	989	357	356
Changes	0	0	0	0	0	1
Ordinary ECs as at 31.12	9 886 954	9 886 954	989	989	357	357
Bank's own ECs:						
Own ECs as at 01.01	25 251	28 183	3	3		
Changes	-3 140	-2 932	-1	0		
Own ECs as at 31.12	22 111	25 251	2	3		

Distributed and proposed dividend

	Total amount (NOK thousand)
Dividend paid on ECs	
NOK 14.00 per EC in 2017	138 417
NOK 14.00 per EC in 2018	138 417
NOK 15.50 per EC in 2019	153 248
NOK 14.00 per EC in 2020	138 417
Proposed dividend	
NOK 14.00 per EC in 2017	138 417
NOK 15.50 per EC in 2018	153 248
NOK 14.00 per EC in 2019	138 417
NOK 4.50 per EC in 2020	44 491

Note 35

Transactions with related parties

In 2020, Sparebanken Møre has paid fees to the following companies affiliated with the bank's Board members:

Board member Ragna Brenne Bjerkeset is employed as Process Manager in ProtoMore Knowledge Park. In 2020, the company has invoiced Sparebanken Møre for its services a total of NOK 161.250 (NOK 334.103).

Board member Henrik Grung was until 1 March 2020 a Partner in the law firm SANDS DA. In this period, SANDS invoiced Sparebanken Møre for legal services of NOK 103.322 (NOK 459.058).

The transactions have been entered into on ordinary market terms as if they were carried out between independent parties.

For further information on transactions between the Parent Bank and subsidiaries, see note 29. For information on remuneration to executive management and elected representatives, see note 18.

Elected representatives of the bank owning/representing EC owners as at 31.12.2020

	No of ECs		No of ECs
Renate Austrheim	15 145	Jan Petter Larsen	251 339
Ragna Brenne Bjerkeset	1 450	Lars Martin Lunde	339 781
Mette Brit Bjordal	25 150	Christin Pedersen	863 813
Nils Petter Drønnen	1 960	Turid Sand	1 358
Randi Walderhaug Frisvoll	20	Åsmund Skår	305 389
Paulus Giørtz	9 560	Karianne Røsberg Slagnes	1 248
Linda Rafteseth Grimstad	81	Alf Sollid	1 100
Ann Magrit Grønningsæter	2 954	Finn Moe Stene	994 800
Karoline Hansen	587	Roger Lunden Strand	110
Marie Rekdal Hide	341	Linda Strømmen	620
Rolf Hjellegjerde	5 500	Svein Arild Sættem	4 003
Elisabeth Husøy	9 273	Solfrid Teigen	1 411
Ester Sørdal Klungre	278	Ole-Viggo Tynes	109
Helge Knudsen	1 344	Ann Magritt Bjåstad Vikebakk	6 805
Ruben Kvalsvik	11	Trude Wenaas	17 500
Leif-Arne Langøy	123 500	Kaj Bang Westre	13 565
Berit Larsen	229		

Note 36

Events after the reporting date

No events have occurred after the reporting period that will materially affect the figures presented as of 31 December 2020.

There is still great uncertainty associated with the Covid-19 situation. This uncertainty has been taken into account in the calculations of the expected credit losses. Reference is made to the Directors' report and information in note 9.

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

We hereby confirm that the Group's and the bank's annual financial statements for the period 1 January 2020 to 31 December 2020, have been, to the best of our knowledge, prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the Group's and the bank's assets, liabilities, financial position and results as a whole.

We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the Group and the bank, as well as a description of the principal risks and uncertainties facing the Group and the bank.

Ålesund, 31 December 2020
18 February 2021

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

LEIF-ARNE LANGØY, Chair of the Board
RAGNA BRENNE BJERKSET, Deputy Chair
HENRIK GRUNG
JILL AASEN
ANN MAGRITT BJÅSTAD VIKERBAKK
KÅRE ØYVIND VASSDAL
HELGE KARSTEN KNUDSEN
MARIE REKDAL HIDE
TROND LARS NYDAL, CEO

To the General Meeting of Sparebanken Møre

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebanken Møre, which comprise:

- The financial statements of the parent company Sparebanken Møre (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Sparebanken Møre and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. *Expected credit loss on loans and guarantees to the corporate market*

Reference is made to note 2 Risk management, note 5 Loans broken down according to sectors, note 9 Losses on loans and guarantees, note 10 Credit-impaired commitments and Directors Report, section credit risk.

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss on loans and guarantees that are not credit-impaired amounts to MNOK 117 for the Group as of 31 December 2020. Expected credit loss on loans and guarantees that are credit-impaired amounts to MNOK 209 as of 31 December 2020.</p> <p>IFRS 9 requires that the Group recognise expected credit loss equal to 12-month expected credit losses for loans and guarantees that does not have a significant increase in credit risk (stage 1), and lifetime expected credit loss for loans and guarantees that have a significant increase in credit risk (stage 2). The Group apply models for calculating expected credit loss for stage 1 and 2. The models are complex and includes large amounts of data. At the same time, management exercise judgement, particularly related to the following parameters;</p> <ul style="list-style-type: none"> • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Weighing of different forward-looking scenarios. <p>As an IRB-bank, Sparebanken Møre has developed its own models for determining PD, LGD and EAD. Based on these approved IRB-models, the group has developed its own model for calculation of expected credit losses (ECL).</p> <p>For loans and guarantees where there is significant increase in credit risk and where the engagement is credit impaired (stage 3), the Group calculates the lifetime expected credit loss based on an individual assessment. Determining the expected credit loss entails a high degree of management judgement. Key factors in management's assessments are:</p> <ul style="list-style-type: none"> • Identification of credit-impaired loans and guarantees • Assumptions for determining the size of expected cash flows, including valuation of collaterals. <p>There is an increased inherent risk when calculating ECL as of 31 December 2020 due to</p>	<p>We gained an understanding of the Groups definitions, methods and control activities for measuring and recognition of expected credit loss, and also controlling whether they are in compliance with IFRS 9.</p> <p>We have also formed an understanding of how management has assessed and handled the increased estimation uncertainty as a result of COVID-19</p> <p>We have among other things;</p> <ul style="list-style-type: none"> • assessed whether the Groups validation of IRB-models and ECL-model are carried out in a professionally sound manner, • assessed and tested if the Group's documentation of the model for calculation of expected losses is in compliance with IFRS 9, • assessed whether the ECL-model's results are a good predictor of the actual recorded losses, • tested the completeness and accuracy of data input used in the ECL-model, • Considered the weighting of different scenarios and the sensitivity of different weights, • Tested the mathematical accuracy of the ECL-model <p>In our audit procedures on assessing validations and model documentation related to ECL stage 1 and 2, we have used our internal specialist.</p> <p>In order to challenge management's judgements and parameters that have been used in the calculation of the expected credit loss for stage 1 and 2, we have, among other things;</p> <ul style="list-style-type: none"> • Assessed and tested management's control of the model's calculations, • Carried out analyses of key figures, • Assessed model-calculated expected credit losses against comparable banks • Assessed the reasonableness of management's overruns related to the COVID-19 consequences. <p>We have formed an understanding of how the Group identifies and follow up credit impaired engagements (stage 3).</p>

<p>increased estimation uncertainty as a result of COVID-19</p> <p>Based on the size of the gross lending, inherent credit risk, the size of the provisions and the relevant estimates, we consider the expected credit losses to be a key audit matter.</p>	<p>We have tested that selected key controls function as intended.</p> <p>For a selection of credit impaired engagements we have assessed the assumptions applied by management and recalculated the expected credit loss.</p> <p>To challenged management's process for identifying credit-impaired loans and guarantees we have, based on publicly available information, formed our own view on whether there are indications of credit impaired engagement in the corporate portfolio not identified by management.</p> <p>Due to the increased credit risk as a result of COVID-19, we have had separately focus on commitments in exposed industries.</p> <p>We assessed whether note disclosures related to IFRS 9 and ECL was sufficient in accordance with the requirements of IFRS 7.</p>
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2. *IT-systems and application controls*

Reference is made to note 30 Leases and rental agreements, section Other significant agreements

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>Sparebanken Møre is dependent on the IT infrastructure in the financial reporting.</p> <p>The Group uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting.</p> <p>Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses.</p> <p>The system calculates interest rates on borrowing and lending (application controls) and the Group's internal control systems are based on system-generated reports.</p> <p>Due to the importance of the IT systems for the Group's operations, the IT environment supporting the financial reporting process is considered a key audit matter.</p>	<p>In connection with our audit of the IT-system in the Company, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls.</p> <p>The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to the Group. We have assessed the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit.</p> <p>We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether:</p>

	<ul style="list-style-type: none"> • standard system reports contain all relevant data, and • the application controls, including controls related to interest rate-, annuity- and fee calculations, is functioning as intended. <p>We have inquired management regarding their evaluation and review of the independent auditor's attestations report, in order to evaluate if findings are sufficiently followed up.</p> <p>We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.</p>
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Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 February 2021
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Alternative Performance Measures

Sparebanken Møre has prepared Alternative Performance Measures (APMs) in accordance with ESMA's guidelines for APMs. We use APMs in our reports to provide additional information to the accounts and also as important financial performance figures for the management. The APMs are not intended to substitute accounting figures prepared in accordance with IFRS nor should they be given more emphasis. The key figures are not defined under IFRS or any other legislation and are not necessarily directly comparable with similar key figures in other banks or companies.

Total assets	Definition	Total assets.
	Justification	Total assets is an industry-specific designation for the sum of all assets.
	Calculation	The total of all assets.
Average assets	Definition	The average sum of total assets for the year, calculated as a daily average.
	Justification	This key figure is used in the calculation of percentage ratios for the performance items.
	Calculation	This figures comes from daily calculations in the accounting system and cannot be directly reconciled with the balance sheet.
Return on equity	Definition	Profit/loss for the financial year as a percentage of the average equity for the year. Additional Tier 1 capital classified as equity is excluded from this calculation, both in profit/loss and in equity.
	Justification	Return on equity is one of Sparebanken Møre's most important financial performance figures. It provides relevant information about the profitability of the Group by measuring the profitability of the operation in relation to the invested capital. The profit/loss is adjusted for interest on Additional Tier 1 capital, which pursuant to IFRS, is classified as equity, but in this context more naturally is classified as liability since the Additional Tier 1 capital bears interest and does not entitle to dividends.
	Calculation	$\frac{\text{Pre tax profit - interests on AT1 capital}}{((\text{OB Equity-AT1-interests AT1-dividends-gifts})+(\text{CB Equity-AT1-interests AT1-dividends-gifts}))/2}$
	Figures	31.12.2020: $(567-27)*100/(((6,970-599-0-138-141)+(7,208-599-0-44-45))/2) = 8,6 \%$ 31.12.2019: $(711-23)/(((6,360-349-0-153-156)+(6,970-599-0-138-141))/2) = 11,7 \%$
Cost income ratio	Definition	Total operating costs in percentage of total income.
	Justification	This key figure provides information about the relation between income and costs and is a useful performance indicator for evaluating the cost-efficiency of the Group.
	Calculation	$\frac{\text{Total operating costs}}{\text{Total income}}$
	Figures	31.12.2020: $630/1,513 = 41,6 \%$ 31.12.2019: $646/1,607 = 40,2 \%$
Losses as a percentage of loans, guarantees, etc	Definition	«Impairment on loans, guarantees etc.» in percentage of «Gross loans to and receivables from customers» at the beginning of the accounting period (annualized).
	Justification	This key figure specifies recognised impairments in relation to gross lending and gives relevant information about the bank's losses compared to lending volume. This key figure is considered to be more suitable as a comparison figure to other banks than the impairments itself since this figure is viewed in context of lending volume.
	Calculation	$\frac{\text{Losses on loans and guarantees}}{\text{Gross loans to and receivables from customers per 1.1.}}$
	Figures	31.12.2020: $149/64,288 = 0,23 \%$ 31.12.2019: $50/60,589 = 0,08 \%$
Deposit-to-loan ratio	Definition	«Deposit from customers» as a percentage of «Gross loans to and receivables from customers».
	Justification	The deposit-to-loan ratio provides important information about how the Group finances its operations. Receivables from customers represent an important share of the financing of the Group's lending, and this key figure provides important information about the Group's dependence on market funding.
	Calculation	$\frac{\text{Deposits from customers}}{\text{Gross loans to and receivables from customers}}$
	Figures	31.12.2020: $39,023/67,125 = 58,1 \%$ 31.12.2019: $36,803/64,288 = 57,2 \%$
Lending growth as a percentage	Definition	The period's change in «Lending to and receivables from customers» as a percentage of «Lending to and receivables from customers» over the last 12 months.
	Justification	This key figure provides information about the activity and growth in the bank's lending.
	Calculation	$\frac{\text{CB Net loans to and receivables from customers} - \text{OB Net loans to and receivables from customers}}{\text{OB Net loans to and receivables from customers}}$
	Figures	31.12.2020: $(66,850-64,029)/64,029 = 4,4 \%$ 31.12.2019: $(64,029-60,346)/60,346 = 6,1 \%$

Deposit growth as a percentage	Definition	The period's change in «Receivables from customers» as a percentage of «Receivables from customers» over the last 12 months.
	Justification	This key figure provides information about the activity and growth in deposits, which is an important part of the financing of the Group's lending.
	Calculation	$\frac{\text{CB Deposit from customers} - \text{OB Deposits from customers}}{\text{OB Deposits from customers}}$
	Figures	31.12.2020: $(39,023-36,803)/36,803 = 6.0 \%$ 31.12.2019: $(36,803-34,414)/34,414 = 6.9 \%$
Book value per equity certificate	Definition	The total equity that belongs to the owners of the bank's equity certificates (equity certificate capital, share premium, dividend equalisation fund and equity certificate holders' share of other equity, including proposed dividends) divided by the number of issued equity certificates.
	Justification	This key figure provides information about the value of the book equity per equity certificate. This gives the reader the opportunity to assess whether the market price of the equity certificate is reasonable. The key figure is calculated as equity certificate holders' share of the equity at the end of the period, divided by the number of equity certificates.
	Calculation	$\frac{(\text{Total Equity} + \text{share premium} + \text{dividend equal.fund} + \text{EC holders' share of other equity, incl. proposed dividends})}{\text{Number of ECs issued}}$
	Figures	31.12.2020: $(989+357+1,768+343*0.496)/9.886954 = 332$ 31.12.2019: $(989+357+1,525+595*0.496)/9.886954 = 320$
Price/book value (P/B)	Definition	Market price on the bank's equity certificates (MORG) divided by the book value per equity certificate for the Group.
	Justification	This key figure provides information about the book value per equity certificate compared to the market price at a certain time. This gives the reader the opportunity to assess the market price of the equity certificate.
	Calculation	$\frac{\text{Market price per equity certificate}}{\text{Book value per equity certificate}}$
	Figures	31.12.2020: $296/332 = 0.89$ 31.12.2019: $317/320 = 0.99$

Corporate social responsibility and sustainability

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A driving force for sustainable development

Both Norway and the world community urgently need to restructure in the next few years in order to achieve the climate targets for 2030. As a regional savings bank, we have the power to influence, both through banking and through the projects we get involved in. This presents us with responsibilities and opportunities that we take very seriously.

Sparebanken Møre was established in 1985 by the merger of a number of local savings banks. The oldest bank that was part of this merger was Herrøe og Røvde Sparebank, which was founded in 1843. Ever since the first banks saw the light of day, they have played an important social role in their various local communities. The same is true today.

The savings bank model contains within itself both the strength and power to contribute to sustainable social development. Sparebanken Møre has also committed itself to being a driving force in this work through **the bank's vision of being the leading contributor to creative enthusiasm in Nordvestlandet. Every day.**

The vision entails us taking a leading role in developing our region. Through knowledge, engagement and returning a significant contribution back to the community, we shall create value for the benefit of people, business and society.

In 1987, the Brundtland Commission defined sustainable development as the use of resources that meets today's needs without destroying the chances of future generations to meet their needs.

As a regional actor in Nordvestlandet we are interested in sustainability, growth and development in the communities of which the bank is a part and this will be our area of focus. We will also look at the bank's sustainability work from a national and global perspective.

An integral part of the strategy

During 2020, the bank both further intensified and structured its work on sustainability. Sustainability representatives have been defined for all relevant fields, and together they constitute the bank's sustainability committee.

A materiality analysis was conducted in order to focus our efforts on the areas of greatest importance for both stakeholders and the bank's long-term value creation. Specific goals have been formulated based on this and these are included in an overall strategy for sustainability that has been approved by the Board.

Sustainability has also been made a priority focus area in the bank's group strategy for the period 2021-2024. The overarching objective is for **Sparebanken Møre to be a driving force for sustainable development**. The objective has been firmed up through special action plans and measures in all of the bank's units/divisions. The work is in an initial phase and there will be a high level of activity within the area throughout the strategy period.

Over the year, sustainability became better integrated into the bank's governing documents and training measures were implemented throughout the organisation. Several internal processes were also initiated to implement sustainability considerations in the bank's operations. A more detailed description of this can be found under **material topics**'.

A green framework for the issuance of green bonds was also drawn up in 2020.

Sparebanken Møre will continue this work at full steam in 2021, both inside the bank and outside. We will do our bit for our shared future by being a driving force for sustainable development in Nordvestlandet.

Reporting standards

The bank reports on its work on sustainability and corporate social responsibility (CSR) every year in connection with the annual report in line with section 3-3(c) in the Accounting Act. This stipulates requirements regarding human rights, labour rights and social conditions, the external environment and combating corruption in business strategies, day-to-day operations and in relation to stakeholders.

In order to ensure it takes a systematic and structured approach, the bank reports in line with the GRI standard 'Core' option. This also means reporting the Group's CO2 emissions in accordance with the Greenhouse Gas Protocol Initiative (GHG protocol).

As a consequence of signing up to the UNEP FI Principles for Responsible Banking in 2019, in 2021 the bank is for the first time preparing a self-assessment that must be reviewed by an independent third party.

In 2021, Sparebanken Møre will start work on reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD).

Sparebanken Møre will also comply with market practices as well as relevant recommendations, including Euronext's ESG Guidelines for Issuers. The reported information must be accurate, balanced, understandable, comparable, timely and reliable.

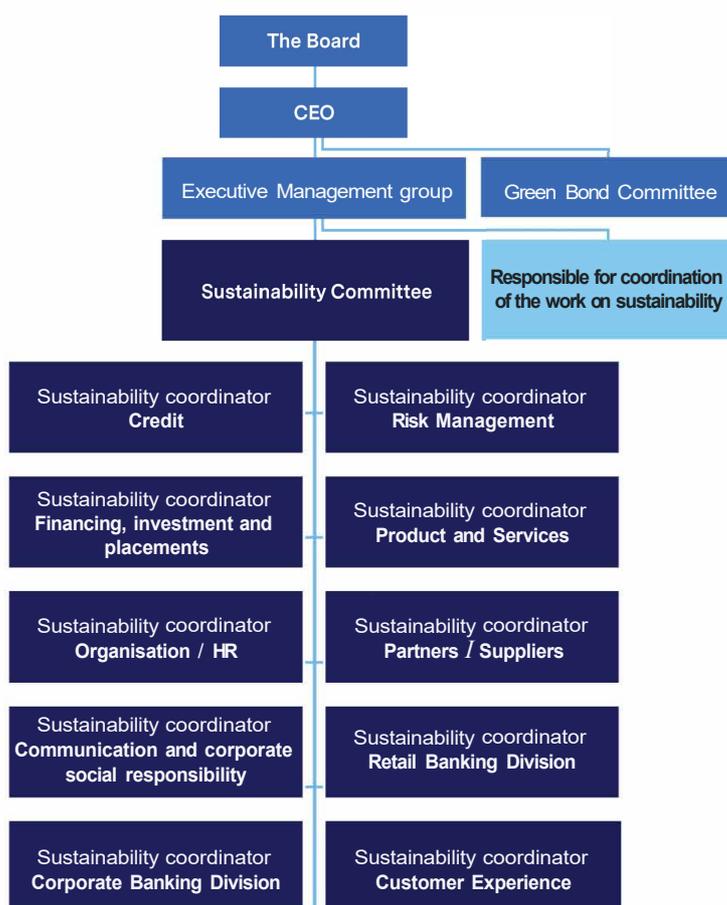
The bank's sustainability reporting is included in its annual report. It will also function as a stand-alone document that is published on the bank's website.

Organisation of the work

The Board is responsible for establishing guidelines and strategies for the bank's sustainability work, while the CEO is responsible for implementing the strategies.

In 2020, the bank established a dedicated sustainability committee, which consists of ten sustainability representatives from various areas in the bank. The committee is responsible for the preparation and follow-up of the bank's sustainability strategy and reporting to the executive management group. The committee will with its multidisciplinary organisation contribute to disseminating sustainability to all employees.

In connection with the establishment of a green framework for the issuance of bonds, a green bond committee has also been established that will ensure the follow-up of, and compliance with, the green framework.

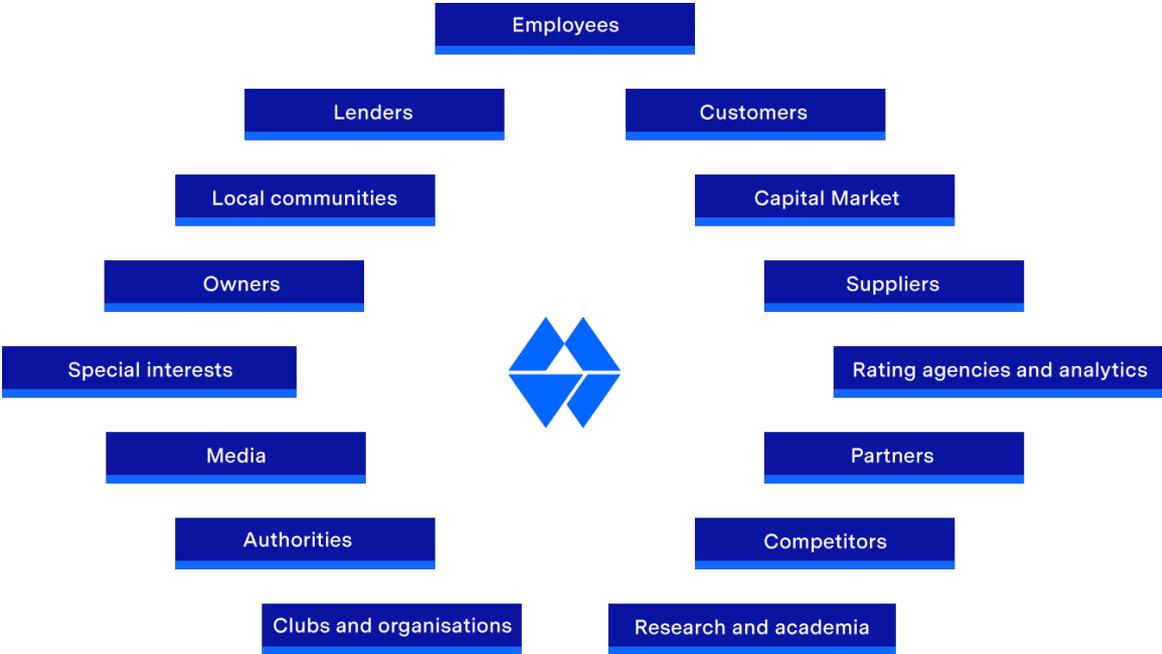


Stakeholder engagement and materiality analysis

Sparebanken Møre has chosen UN Sustainable Development Goal 17 Partnerships for the Goals as a key priority area for its work on sustainability. We have a broad and complex group of stakeholders and believe that all of the groups are increasingly interested in how the bank addresses its social mission and how we can achieve the goals together.

Our stakeholders

We have defined the following as our main stakeholders:



Materiality analysis

The bank conducted a materiality analysis in 2020 to identify the sustainability topics that are important to our stakeholders and at the same time important for the bank's capacity for long-term value creation. The analysis shows how the bank can reinforce its positive impacts and where it can reduce its negative impacts within sustainability.

A survey was produced as part of conducting the analysis in which different topics within the environmental, social conditions and governance (ESG) criteria must be ranked (important, more important, most important). Internal respondents represented the bank's various stakeholders in the survey based on their knowledge of what areas are important to the different groups. A supplementary document was produced that contained definitions of concepts to ensure that the respondents had a common understanding of the survey's various topics.

The stakeholders' answers were then viewed in the context of the bank's strategy and an assessment was made of the various topics' impacts on the capacity for long-term value creation. The topics were discussed in the bank's executive management group and were also presented to the bank's Board of Directors.

Based on an overall assessment, the following ten topics were defined as the most material for Sparebanken Møre’s sustainability work:



Topics that ended up in the areas at the bottom and furthest to the left were eliminated from the matrix. The remaining topics are regarded as the most material and are reported on in the annual report in line with GRI.

Stakeholder engagement in 2020

Engagement with our stakeholders is a high priority in Sparebanken Møre and during 2020 we were in contact with our stakeholders in various ways. A schematic summary of the main features of the stakeholder engagement is provided below:

Stakeholder	Engagement/meeting place	Main topics for stakeholder	Relevant measures
Customers	Customer meetings/customer contact Contact with customer service Social media Events	Nearby, tempo and local knowledge User-friendly products and services Expertise and restructuring Contribution to business development Engagement linked to how sustainability impacts the individual industry	Establishment/further development of digital and self-service solutions Close follow-up and financial advice in a demanding year due to Covid-19 Implementation of topic meetings Participation in Growth Guarantee Scheme Implementation of NÆRINGSTEFT with ten different technical topics Facilitation of the information for entrepreneurs on sbm.no Sustainability has been incorporated into the Bank's industry analyses
Employees	Working environment survey Employee development Management development Employee performance and development interviews Meetings with group employee representative committee	Gender equality and diversity Attractive workplace Culture of learning and development Labour law and working environment	National authorisation scheme for financial advisers (AFR) Results from the working environment survey were followed up by all heads of department Establishment of sustainability committee Skills development through participation in various workshops and sustainability forums Implementation of a number of courses through NanoLearning Facilitation for courses and further education
Capital market, rating agencies and analysts	Ongoing contact via telephone/video meetings Market announcements and interim reports General Meeting Other events under internal or external direction	Financial results Open and ethical conduct Competitive return for owners	Focus on close monitoring, transparency and equal treatment Establishment of the green framework ESG information was expanded and made more accessible in the Bank's channels Establishment of new IR pages on sbm.no Implementation of quarterly presentations
Suppliers	Ongoing contact via telephone/video/in-person meetings Regular follow-up meetings	Open and ethical conduct Requirements for suppliers Expertise and restructuring Sustainability, principles, choices of materials, transport, climate	Several partner meetings throughout the year, where sustainability is one of several topics on the agenda Sustainability is included as an assessment criterion when new partners are assessed Sustainability has been incorporated as a separate point in routines for procurement
Partners	Ongoing contact via telephone/video/in-person meetings Regular follow-up meetings	Support for research into sustainability topics Contribution to business development Support for local communities Open and ethical conduct Expertise and adapting to sustainability EU green deal and taxonomy Sustainable finance	Support for research projects with Møreforskning and NTNU Partnership with Møre og Romsdal County Authority to map the county in line with U4SSC on sustainable regional development Partner in United Future Lab Norway and participation in various sustainability projects Partnership on seminars and conferences where sustainability is a recurring topic, including North West, The Next Wave, FARM, etc. Participation and expert contributions in various networking groups Close partnership with partners in implementation of NÆRINGSTEFT Participated in various workshops with sustainability as a topic at partners
Competitors	Telephone/video/in-person meetings Email correspondence	Expertise and restructuring Sustainable business models Sustainability reporting	Partnership on development work Sharing experiences and opportunities linked to various sustainability commitments/initiatives Sharing experiences and knowledge through participation in multidisciplinary reference groups, in under direction of Finance Norway

Authorities	Participation in various boards and committees Telephone/video/in-person meetings	Risk assessments from a sustainability perspective Responsible lending Anti-money laundering work Preventing corruption and financial crime Good corporate governance Stable and secure IT solutions Privacy and information security Implementation of the EU's sustainability regulations	Incorporation of ESG factors into the credit work Obtaining of valid forms of identification and ongoing updating of customers Reporting in line with requirements and expectations Implementation of ICT action plan Implementation of ESG factors in internal overarching guidelines and framework
Clubs and organisations (support through funds for good causes)	Ongoing contact via telephone/video/in-person meetings Event participation	Support for local communities Expertise and restructuring Covid-19 consequences Exclusion and gender equality Diversity Sustainability in sponsorship agreements	Support for clubs and organisations, also including Covid-19 related support measures Behind new recording of 'Optimist' to contribute to income generating work for actors in the regional culture and music industry Awarding of talent grants to 16 talented young people in Nordvestlandet
Research and academia	Ongoing contact via telephone/video/in-person meetings Event participation Directorships Study programme board Guest lectures	Expertise and restructuring Support for research Sustainable business models	Study programme board NTNU Guest lectures at university and university colleges Major financial contributor to research activities Main partner for Young Entrepreneurship Møre og Romsdal (Ungt Entreprenørskap) Support for youth and student companies Active contributor to activities in the TEFT-lab
Industry and special interest organisations	Ongoing contact via telephone/video/in-person meetings Event participation Participation in network/reference groups	Open and ethical conduct Expertise and restructuring	Participation in a reference group for sustainability and climate groups under the auspices of Finance Norway Establishment of partnership with 'Plastfritt Hav' ('Plastics free oceans') on clean up plastics from the coast Participation in the Sustainability Group of Nordic Future Innovation.
Media	Ongoing engagement through digital and in-person meetings	Open and ethical conduct Expertise and restructuring	Focus on openness, accessibility, precise information and fast response Tips on relevant cases Facilitation of relevant information

Our commitments

The bank has signed up to several national and global sustainability initiatives, objectives and frameworks, all of which provide guidelines for the bank’s work within sustainability.

UN Sustainable Development Goals

Sparebanken Møre supports all 17 of the UN Sustainable Development Goals (SDGs). Based on insight work, stakeholder engagement and findings from a conducted materiality analysis, we have chosen five SDGs (SDG profiles) that we believe we have a real opportunity to have an influence on. These are SDGs 8, 9, 11, 12 and 17. We have also identified SDGs 3, 4, 5, 13 and 14 as targets that we also want to focus on through the multiple roles we play as an employer, social actor, investor, lender, facilitator, and provider of financial services. We will work on reinforcing positive impacts and reducing negative impacts within these SDGs.



SDG 8: Decent work and economic growth

As a regional savings bank and the largest financial environment between Bergen and Trondheim, Sparebanken Møre is an important source of financial information and financial services for both people and businesses in Nordvestlandet. We take a systematic approach to entrepreneurship and innovation in order to reinforce value creation and employment in our region.

SDG 9: Industry, innovation and infrastructure

In order for Nordvestlandet to be an attractive region in the future, it is important that we work actively to build solid infrastructure, promote inclusive and sustainable industrialisation, and contribute to innovation. Sparebanken Møre wants to be both a driving force, and a supporter of, such activities.

SDG 11: Sustainable cities and communities

Since its inception in 1843, Sparebanken Møre has contributed to making cities and communities inclusive, safe, resilient and sustainable. This is vital for quality of life, innovation, population growth and value creation. Society needs strong local communities to develop and Sparebanken Møre must be a supporter of local communities.

SDG 12: Responsible consumption and production

In order to contribute to sustainable regional development, the public sector, the business sector and individuals must change their consumption. As a society, we currently consume more than is environmentally sustainable. Sparebanken Møre wants to help reverse this by increasing knowledge and awareness, setting requirements for customers and suppliers, contributing to research in the area, and taking steps in our own organisation. If we are successful, this could result in economic growth in the long term, mitigate climate change and improve the quality of life.

SDG 17: Partnerships for the goals

Strong new partnerships are needed in order to achieve the SDGs. The authorities, business and local communities must work together to achieve sustainable development. As a major regional player, Sparebanken Møre can make a difference. We want to encourage partnerships and help connect knowledge and relationships across disciplines and industries by creating and supporting various forums.

Finance Norway – ‘Roadmap for Green Competitiveness in the Financial Sector’

Finance Norway has developed the ‘Roadmap for Green Competitiveness in the Financial Sector’. This expresses the following vision:

“The financial sector of 2030 is profitable and sustainable. We lend, manage and insure with the climate in mind, so creating value and contributing to green competitiveness.”

Sparebanken Møre supports the roadmap and will contribute to the work to achieve both national and global sustainability goals.

Finance Norway also has working and reference groups related to sustainability and climate risk. Sparebanken Møre took part in these throughout 2020.

The EU’s Sustainable Finance Action Plan

The EU has prepared an action plan for sustainable development in which the EU’s taxonomy is one of ten instruments. In order to contribute to the target of ‘net zero’ greenhouse gas emissions by 2050, Sparebanken Møre will adapt to and follow up the expectations and requirements that follow from this with respect to our stakeholders. We also want to assume the role of driving force in our market area.

The EU’s Sustainable Finance Action Plan reflects the fact that the financial services sector’s role in the development of society will have to change in order to support the global sustainability agenda. Sparebanken Møre can and will be an important stakeholder when it comes to supporting and facilitating the sustainable development of society. This entails the incorporation of climate and environmental considerations as well as social considerations, respect for human rights and economic responsibility in business activities.

UN Principles for Responsible Banking (PRB)

The UN Environment Programme (UNEP) has a partnership with the financial services sector called the United Nations Environment Programme – Finance Initiative (UNEP FI). The programme consists of six

principles that are aimed at making the banking industry capable of assuming a leadership role in achieving the UN Sustainable Development Goals and fulfilling the Paris Agreement.

Sparebanken Møre signed up to the UNEP FI Principles for Responsible Banking in October 2019. This entails a commitment to implement and carry out measures that support the six principles in the period up to 2023. The bank will publish a self-evaluation report that provides information about the status of this work in April 2021. The report will be reviewed by an independent third party.

UN Guidelines for Business and Human Rights/ OECD Guidelines for Multinational Enterprises

The guidelines are about the responsibility that businesses are expected to assume on behalf of people, society and the environment that are impacted by their activities. The government expects all Norwegian companies to comply with the UN Guidelines for Business and Human Rights (UNGP) and OECD Guidelines for Multinational Enterprises (OECD Guidelines). Sparebanken Møre is Corporate to comply with the guidelines, including through the bank's 'Code of Conduct and CSR Policy'.

Strategic targets

Based on the bank's goal of being a driving force behind sustainable development, SDGs 8, 9, 11, 12 and 17, and material topics, Sparebanken Møre has the following strategic goals for the strategy period:

Us:

- We are actively working to reduce our greenhouse gas emissions (CO₂) by at least 25 per cent in the period 2019 to 2025.
- We will become climate-compensated by the end of 2022 in line with the UN's Climate Neutral Now initiative.
- We are actively striving for gender equality and diversity and have a long-term ambition of achieving at least 40 per cent of each gender at all levels.
- Sustainability is an integral part of all innovation and development processes.
- We emphasise openness and transparency in our communication.

Customers and suppliers:

- We offer our customers sustainable products and services.
- Employees have the expertise to advise customers on sustainable options that contribute to restructuring and potential new business opportunities.
- An ESG assessment is conducted at least once a year for corporate customers with credit exposure above a threshold. The development must be measured annually.
- We will issue green bonds.
- Our major suppliers will submit an ESG supplier statement every year.

Society:

- Sustainability is an important assessment criterion for the distribution of dividend funds for local communities.
- Sustainability is included as a separate point in all sponsorship agreements.
- We take the initiative regarding, and support, good sustainability projects in Nordvestlandet.
- We actively contribute to reducing financial crime, money laundering and corruption.

The strategic targets cover areas within the environment (Environmental), society (Social) and governing factors (Governance).

Material topics

As a consequence of the materiality analysis that was conducted, our chosen SDGs and long-term strategy, ten topics have been defined as particularly important for both the bank and our stakeholders. This chapter presents the topics in more detail in accordance with the GRI standard.

The most material topics are:

- Financial results
- Contribution to business development
- Supporter of the local community
- Open and ethical business
- Responsible lending
- Equality and diversity
- Expertise and adaptability
- Preventing financial crime and corruption
- Requirements for vendor/suppliers
- Climate and environment

The descriptions of the various topics contain information about:

- Why the topic is important
- Measures implemented in 2020
- Planned measures going forward
- Measurement and evaluation
- Responsible unit(s)
- Key governing documents
- GRI indicators

Financial results

Good financial performance is a prerequisite for the bank's existence and is crucial when it comes to us being able to facilitate value creation in our area. The topic is, therefore, very important for both the bank and our stakeholders.

We have owners who expect a return on their investments, and we have lenders who lend us money based on the bank's profitability and financial strength. We also have customers who want competitive terms, at the same time as our employees are interested in having a good, reliable employer. Good financial performance is also important when it comes to us being able to support our local communities through the bank's social engagement.

The financial targets for the strategy period 2020-2024 are a return on equity of more than 11 per cent and a cost income ratio of less than 40 per cent. The goal is also to achieve a lower level of losses than the average for Norwegian banks.

There is detailed information about the topic 'Financial results' in the bank's annual report, see the references in the GRI index.

Contribution to business development

The bank is a significant contributor to regional business development and value creation. Both through social engagement (entrepreneur programme, support for meeting places and the NÆRINGSTEFT concept) and through ordinary lending activities, participation in the Growth Guarantee Scheme and various skills development measures, we contribute to SDG 8 regarding economic growth, SDG 9 regarding innovation and infrastructure, and SDG 11 regarding sustainable cities and local communities.

Nordvestlandet has a competitive business sector and many of the companies are leaders within their industries. The bank's corporate advisers are locals and have specialised in individual industries. We have done this to understand their needs and to be able to be active sparring partners in a company's development. At the same time, the bank wants to create meeting places where companies in different industries and specialist environments can meet. This provides motivation and a basis for developing innovation and cooperation.

Another important job the bank has is to contribute to the creation of new companies. Through the NÆRINGSTEFT programme, the bank is mobilising broadly to motivate spin-offs and create viable new companies. Implementation of the fourth round of NÆRINGSTEFT started in 2020 and a total of 484 companies have taken part in the programme since its inception in 2017. This has created new jobs through several companies in Nordvestlandet.

Measures implemented in 2020

Sparebanken Møre has around 6,300 active corporate customers spread across three geographical units and six different branches. In 2020, our 49 corporate advisers invited to and conducted conversations with around 3,000 customers. We also have a separate customer service unit for the corporate market, which talks to the customers every day.

A close dialogue with the customers was particularly important in 2020 in order for us to be there and provide support to our customers in relation to the impact of Covid-19. As an immediate measure for customers, we introduced a simplified application process for interest-only periods to provide relief at a phase of the crisis that was fraught with uncertainty for companies. We maintained a close dialogue with the customers and followed up their use of the measures that were established. It was important for us to be a good sparring partner for the companies while they were facing an unclear situation and we therefore worked closely with companies in the region throughout 2020, both through one-to-one conversations and also through regular newsletters, articles and webinars.

Programme for entrepreneurs, investors and growth companies

NÆRINGSTEFT is a skills journey and competition organised by Sparebanken Møre for entrepreneurs in an early phase in Nordvestlandet. Some 99 companies were part of the programme in 2019/2020. For 2020/2021, 64 companies are taking part. While this is fewer than the previous year, we are very pleased with the number of companies taking part in this year's programme, which will be a purely digital programme due to Covid-19. Giving these entrepreneurs access to mentors from academia, public support systems, established business and investor environments gives them opportunities to develop with greater power and speed than they might have managed alone. The programme touches on SDG 8 regarding economic growth and SDG 9 regarding innovation and infrastructure. It also facilitates networking and collaborations across the companies in line with SDG 17 regarding partnerships. Generally, sustainability must be an integral part of the business ideas behind the companies taking part in NÆRINGSTEFT.

Together with Innovation Norway, PIR Invest, DNB and Startup Norway, we arranged the Angel Challenge course for investors who want to invest in startups. This is a place where early phase growth companies and local investors can meet. Increasing access to capital that is not risk averse in an early phase and engaging a broader range of investors, also increases the opportunities for more companies to grow. At the same time, we are laying the groundwork that ensures a larger proportion of local capital can be

invested in local new businesses. In 2020, 12 entrepreneurial teams took part in the skills programme, which has resulted in several new partnerships. In this programme, good forces come together to contribute to the development of the region in line with SDGs 8, 9 and 17.

A Scale Up programme has also been conducted for 20 growth companies in cooperation with ProtoMore Kunnskapspark AS. This programme was largely reserved for entrepreneurs in Romsdal/ Nordmøre. The programme helps companies grow by contributing expertise and mentoring.

Meeting places

Business-related meeting places are important for inspiring innovation, cooperation and sustainable restructuring. Meeting places become highly relevant when they are targeted at individual industries. In 2020, Sparebanken Møre contributed to the Midsund Conference – fisheries, The Next Wave – marine industries, FARM – agricultural conference, IDC – industrial design conference and Byggebørsen – real estate, building and construction, to name just a few. In 2020, many of these paid extra attention to how the industries will be impacted by sustainability and how restructuring can take place. Many of them were organised differently due to Covid-19.

Innovation Norway's Growth Guarantee Scheme

Innovation Norway has been testing the Growth Guarantee Scheme in collaboration with selected banks since 2017. Sparebanken Møre was admitted to the programme in 2018, and at that time received a budget of NOK 50 million that was earmarked for growth companies in an early phase in Nordvestlandet. In 2020, Sparebanken Møre's grant was increased by NOK 125 million. Some 26 companies have received loans in Sparebanken Møre through the Growth Guarantee Scheme since 2018.

Cooperation

We also work with, among others, the cluster programme, NCE Blue Legasea. The project has three sub-projects that are contributing to the development of the marine/biomarine industry, sustainable development, increased value creation and meeting places for business. More and expanded collaboration with the business associations in the county has also resulted in industry-related activities. Sparebanken Møre is also involved in the associations' boards.

Planned measures

The NÆRINGSTEFT programme will continue and the fourth round will end in March 2021. At that time, the three finalists and ultimate winner of NOK 1 million will be announced. Until then, 64 companies will continue on their skills journey, which is a digital one this time due to Covid-19. A new round of NÆRINGSTEFT is scheduled to start in autumn 2021.

The local Angel Challenge programme will be evaluated in relation to being continued in autumn 2021. The Scale Up programme in cooperation with ProtoMore will be evaluated in relation to being continued from 2022.

In line with SDG 17, contributions to meeting places and conferences are important for the development of the region and for sharing expertise and networking both within and across industries. Support and cooperation on these conferences are important and the plan is to hold them in autumn 2021.

The collaboration with the cluster programme NCE Blue Legasea will continue in 2021. This is a cluster programme that is designed to promote the sustainable development of marine products in Norway. The programme is working towards SDGs 2, 3, 9, 12, 14 and 17.

Thematic seminars will be conducted for corporate customers within relevant topics. This will be a combination of a digital and in-person events. The good strong collaboration with the business associations will be continued and expanded to include more joint activities.

The Growth Guarantee Scheme has proved to be a good offer and a good fit for growth companies. We are aiming to continue this scheme in collaboration with Innovation Norway for a new period.

Measurement and evaluation

Our events attract a lot of interest and participants. We also always evaluate them and take the feedback from participants and partners into consideration in our subsequent work. Our activities are aimed at contributing to business development in the region. More knowledge about sustainability, innovation and restructuring capacity have therefore been important elements.

Responsible unit(s)

The Corporate Banking Division, Communications and Group Support Division, Communications and CSR Dept.

Governing documents

- Møre 2024 (Group strategy)
- Guidelines for the use of dividend funds for local communities
- Credit Risk Strategy

GRI indicators:

103-1, 103-2, 103-3, SBM-N1, SBM-N2

Supporter of the local community

Sparebanken Møre has been deeply involved in building attractive and sustainable local communities for many years. In addition to the bank's sponsorship agreements with more than hundreds teams and organisations in the region, Sparebanken Møre provides support for projects in the region, large and small, through its distribution of dividend funds for local communities.

The dividend funds for local communities are made possible by the bank's ownership structure. Sparebanken Møre has two groups of owners, equity certificate holders and local communities, and the bank's dividend policy stipulates that the groups should be treated equally. Since the local communities in Møre og Romsdal own about 50 per cent of Sparebanken Møre, half of the bank's profits are returned to the region through dividend funds for local communities for good causes. As a result, the bank is a significant contributor to good initiatives within culture, sports, the local environment, infrastructure, skills and business development in Nordvestlandet. The bank has chosen to divide the dividend funds for local communities into the following concepts: TEFT funds, TEFT grants and NÆRINGSTEFT.

Measures implemented in 2020

Sponsorships

Sparebanken Møre is a major sponsor in Nordvestlandet and has agreements with around 120 teams and organisations, large and small, within sports and culture in our market area. All new sponsorship agreements signed in 2019 and 2020 included a section devoted to sustainability in which we emphasise sustainable financial management, measures for diversity and equality, and cutting greenhouse gas and environmentally harmful emissions in our follow-up. The football clubs Aalesunds FK and Molde FK, which we extended new general partnership agreements with in 2020, have corresponding obligations. This is about cooperation on sustainability projects with other partners and the clubs' local communities. A result of the bank's focus over several years.

TEFT funds

Clubs and organisations in Møre og Romsdal can apply for TEFT funds for good causes. NOK 141 million was allocated to dividend funds for local communities for the 2020 accounting year and the bank received a total of 1,622 applications, of which 1,144 were granted (70 per cent). Around 10 per cent of these went straight to Covid-19 related projects. Even though the number of in-person events was substantially smaller in 2020 due to Covid-19, the number of applications was about the same as before. We have seen many organisers adopt digital solutions to reach out to their target groups. This makes the bank an important supporter of the development of sustainable local communities. In addition to this, many of the projects involve initiatives related to good health and quality of life, equal opportunities, good education, less inequality and exclusion.

The applications cover a wide range of goals and include support for local outdoor measures such as building and improving hiking trails, constructing temporary forest shelters for hikers made of natural materials and other measures aimed at improving hiking destinations in the region. Sports clubs apply for support for maintaining facilities or constructing new ones and buying equipment, as well as support for hosting events. Cultural organisations generally apply for support to put on events and to purchase instruments, costumes and so on. The bank has previously supported organisations involved in various forms of relief work in the county, and in 2020 we formalised several such larger partnerships with the Church City Mission, the Norwegian Red Cross Search and Rescue Corps, and the Church's SOS. We did so to help those who have been left behind and to support those who focus on physical health and exclusion.

Examples of sustainability projects that Sparebanken Møre has supported in the past year:

Scoring municipalities' sustainability performance with the U4SSC programme

During the summer and autumn of 2020, every municipality in Møre og Romsdal was scored on a number of sustainability indicators in line with the EU programme United for Smart and Sustainable Cities (U4SSC). It is the first county in Norway in which every municipality has been surveyed in this way and this helps to form a good picture of the sustainability challenges and opportunities in the region.

In pursuit of the sustainability method

The 'Jakta på bærekraftsmetoden' [In pursuit of the sustainability method] project is an extension of the collaboration with the UN United Future Lab and KPI measurements of municipalities in Møre og Romsdal. Sparebanken Møre has contributed both funds and professional resources to this project. This is a pilot project being carried out in Møre og Romsdal with the goal of increasing the interaction between the public sector, academia and the business sector in order to accelerate sustainable development. The project has particularly focused on the circular economy, equalising disparities and waste.

Sparebanken Møre is a partner of United Future Lab Norway

The lab has been established in Ålesund and is the second future lab for developing sustainable cities and local communities in line with the UN's United for Smart and Sustainable Cities (U4SSC) programme. The first lab was established in Vienna. United Future Lab Norway has partners in a number of different industries and from different parts of Norway. The goal is for the lab to function as an ecosystem for green restructuring. Sparebanken Møre is on the cooperation board with the other partners and has also been selected together with six others to make up the Future Board.

Self-initiated project – 'Plastkonto'

Sparebanken Møre supports all forms of marine waste clean-up carried out by private individuals in clubs and associations. The 'Plastkonto' concept we established in late autumn 2020 is a special scheme for cleaning up tidal areas. Everyone who filled a container with marine waste received NOK 16,000 as a contribution to the voluntary organisation that organised the various clean-up projects. A total of 5,500 kg of marine waste was collected through the Plastkonto project in 2020.

Clean up of marine waste

Roer Martin Helseth has trained young people in freediving for the purpose of cleaning up marine waste, with support from the Bank. We also continued our collaboration with the Summer Festival on Giske, which focuses on collecting ocean plastics and was started in 2019. The project involved buying festival passes with handed in ocean plastics and fulfils both the climate goals and the goal of reducing exclusion. The project gained a lot of international coverage in 2019 and inspired many others to do the same thing. In 2020, this amounted to 2,200 kg of marine waste.

NOK 15 million for a PET scanner

In April 2020, Sparebanken Møre donated NOK 15 million for the purchase of a PET scanner at Ålesund Hospital. The association "Sjukehuset Vårt" started a fundraising campaign in 2019 with the goal of raising NOK 30 million for the purpose. The target was achieved towards the end of 2020, and a total of NOK 36 million was raised from local businesses and private individuals. Sparebanken Møre's donation was a big step in realising the goal.

250 tablets computers for hospitals and 24-hour care sheltered homes

Bans on visiting nursing and care homes were introduced early on in the Covid-19 pandemic. Many seniors lost the opportunity to spend in-person time with their families for a long time. Sparebanken Møre bought 250 tablets that were distributed to nursing and care homes to strengthen family contact. This was done in cooperation with the Development Centre for Home Services and Nursing Homes in Møre og Romsdal (USHT) and the Arena for Learning about Welfare Technology (ALV), which will also carry out research into how important tablet use is for family contact.

Møre og Romsdal Red Cross

In spring 2020, Sparebanken Møre contacted Møre og Romsdal Red Cross with a wish, because of Covid-19, to support in particular the work the Red Cross Search and Rescue Corps were doing in the region. As a result of this, 13 defibrillators, four whiteboard charts for rescue missions, etc. and four tablet computers were purchased for use in their daily work.

A boost for women's football in the county

Through dialogue and cooperation with Sunnmøre Fotballkrets, Nordmøre and Romsdal Fotballkrets, Molde FK and AaFK Fortuna, Sparebanken Møre has been an important conversation partner and premise setter for women's football in the county. We donated NOK 8 million to this effort for the period 2019-2021 and measures have been implemented in districts, grassroots clubs and elite clubs. The initiative is intended to equalise disparities and fulfil both SDG 5 regarding gender equality and SDG 10 regarding reduced inequalities.

Collaboration with academia and research

TEFT-lab

TEFT-lab is a research project with the Norwegian University of Science and Technology (NTNU) in Ålesund and a hub for research and development within service innovation, entrepreneurship, finances and technology. In this we are researching the opportunities the technological shift is presenting and taking an active part in education, research, innovation and dissemination in the intersection between economics and technology. TEFT-lab has brought together seven PhD candidates, one of which is a business candidate from Sparebanken Møre. In addition, 15 researchers from NTNU are linked to the research environment in TEFT-lab.

Support for research projects at NTNU

In 2020, Sparebanken Møre supported two research projects at NTNU Ålesund related to climate change in oceans. The first project uses big data and machine learning to model plastic in the ocean in Møre og Romsdal, while the other project 'Microfish' has three goals. Research into pollutants and microplastics in fish is one, while opening up the university to children and young people and disseminating knowledge to them about active participation in a real research project is the second. In addition to this, it will research what raw data children and young people can collect for analyses of pollutants and microplastics in fish.

Teaching personal finances and entrepreneurship

As Young Entrepreneurship Møre og Romsdal's main partner, we are helping to improve the personal finances skills of pupils in both primary and secondary schools. Every school year, nearly 3,000 pupils receive training through the 'Economy and Career Choices' and 'Boss of Your Life' programmes. Around 50 authorised financial advisers contribute to the teaching in schools. As a result of Covid-19, most of the courses planned for 2020 were postponed until 2021. Sparebanken Møre also participates as a supervisor and jury in the entrepreneurship programmes of Young Entrepreneurship.

Greater interest in science

Through supporting the establishment of the Newton Room and several creator workshops, as well as the First Lego League – the world's largest technology tournament for children, we also want to contribute to the joy of learning and scientific expertise. We also regularly visit schools to give talks on both economics and macroeconomics.

NÆRINGSTEFT

NÆRINGSTEFT is a skills journey and competition for entrepreneurs aimed at contributing to a greater diversity of entrepreneurs and growth companies in the region. Some 64 teams of entrepreneurs took part

in 2020. Otherwise, see the supplementary information about NÆRINGSTEFT in the section on 'Contribution to business development'.

TEFT grants

Talented young people are good role models for the people around them and through TEFT grants we give young people an opportunity to pursue their talent within the categories of sports, culture and an open class. In 2020, the grants were for NOK 50,000 and 15 young people were awarded a total of NOK 750,000. In our experience, the scholarships are very important for the recipients' development, and we maintain a close dialogue with, among others, the districts in the county in the jury work. The recipients themselves express delight in being seen and say that this motivates them to do work beyond the scholarship. Since its inception in 2007, more than 350 talented locals have received TEFT grants. Previous recipients include Sigrid Raabe, Karsten Warholm and Sebastian Foss Solevåg.

Planned measures

Sparebanken Møre plans to continue a number of the measures mentioned above, and also constantly reviews new measures directly related to priority sustainability goals. We also give weight to projects in which multiple stakeholders are working together to achieve the goals.

Because of the cancelled classes in schools in 2020, a digital version will be established that can be implemented in 2021. This will ensure that we can make sure that the pupils will not miss out on valuable skills.

Responsible unit(s)

The Communications and Group Support Unit is responsible for strategy, follow-up and reporting.

Measurement and evaluation

Sustainability is a topic in meetings with the bank's sponsorship recipients. These are conducted at least once a year.

Reports on dividend funds for local communities are submitted to the Board twice a year. All of the projects awarded funds are subject to evaluation, both underway and prior to any extension of support. A close dialogue is maintained with the larger projects and Sparebanken Møre also participates itself in several of the projects.

Key governing documents

- Møre 2024 (Group strategy)
- Guidelines for the use of dividend funds for local communities
- Code of Conduct and CSR Policy
- Procedures for sponsorship work

GRI indicators:

103-1, 103-2, 103-3, 413-1, SBM-L1

Open and ethical business

Sparebanken Møre's activities depend on the trust of customers, public authorities and the rest of society. The bank therefore works systematically and diligently to secure this through high ethical standards and openness about its intentions, viewpoints, activities and future prospects.

Sparebanken Møre must demonstrate professionalism and capability throughout its operations. This applies to both the Group's business operations and the conduct of each individual. All employees and employee representatives must act with due diligence, integrity and objectivity, and must refrain from actions that could diminish trust in the Group. Managers and employee representatives have a particular responsibility and must act as good role models for others.

Measures implemented in 2020

Sparebanken Møre has committed itself to complying with the 'Good practices in advice and other customer service', an industry standard administered by FinAut. All employees in contact with customers have reviewed this and there will be a mandatory course for new employees. There will also be a focus on this for both training and control purposes. The bank's strategy and 'Code of Conduct and CSR Policy' provide guidelines for how the bank's employees should conduct themselves and handle situations involving ethical judgements, human rights, labour rights, equality, social factors, the external environment, and combating money laundering and corruption. The guidelines were updated in 2020. The guidelines are also gone through with all new employees.

In addition to this, 'Guidelines for identifying and managing conflicts of interest' were established. The purpose of these guidelines is to describe the organisational and administrative procedures for identifying, preventing and managing conflicts of interest when financial services are offered, or other activities performed in Sparebanken Møre.

As a listed group, it is important for Sparebanken Møre to ensure that market participants receive correct, clear, relevant and concurrent information. The bank has its own guidelines for reporting financial and other investor information, and in 2020 the bank's IR pages were improved to ensure easy access to current information regarding corporate governance, price development and financial results.

The bank's website was also updated in 2020 to ensure that it complied with the anticipated new EU universal design requirements. We have started work on upgrading the online and mobile banks to adapt to the criteria in the EU web directive. The goal of this work is to make the site more user-friendly, both for those with disabilities (vision and hearing) and for every other customer who uses our pages.

Internally, Sparebanken Møre wants to facilitate an open culture of free speech. It is important that illegal situations, wrongdoing and other adverse situations are uncovered and followed up as early as possible. Sparebanken Møre updated its 'whistleblowing procedures' in 2020 and every employee took a NanoLearning course.

Sparebanken Møre is also a signatory to the UNEP FI Principles for Responsible Banking (PRB), which contribute to openness through regular status reporting on ESG factors.

Planned measures

In 2021, the bank will work on developing the bank's reporting on sustainability and corporate social responsibility further. As a result of the bank signing up to the UNEP FI Principles for Responsible Banking, Sparebanken Møre will publish a self-evaluation including the status of the work in April. The information will be reviewed by an independent third party and made available on the bank's website.

An updated version of the 'Code of Conduct and CSR Policy' will be presented to the bank's Board in the first quarter of 2021. The document will then be reviewed by every employee via NanoLearning and published on the bank's website. In 2021, every employee will take a NanoLearning course on the 'Guidelines for identifying and managing conflicts of interest'. Reminders will be sent out to ensure as high a completion rate as possible.

Measurement and evaluation

Every employee of Sparebanken Møre takes regular ethics refresher courses. The Code of Conduct is a topic in employee performance and development interviews. Ethics is also part of the mandatory annual updating for every financial adviser in the Retail Banking Division, Corporate Banking Division and customer service who has to complete the authorisation scheme.

Responsible unit(s)

The requirement for open and ethical conduct applies to all employees of Sparebanken Møre. The Organisational Development Unit is responsible for the document 'Code of Conduct and CSR Policy in Sparebanken Møre'.

Key governing documents

- Code of Conduct and CSR Policy
- Guidelines for identifying and managing conflicts of interest
- Guidelines for reporting financial and other investor information
- Whistleblowing procedures
- Overarching sustainability strategy

GRI indicators:

103-1, 103-2, 103-3, 417-2, 417-3, 418-1

Responsible lending

Providing loans for retail and corporate customers is the bank's core activity. Our long-term profitability depends on our customers making responsible choices. As a lender, we have the influence to contribute to sustainable initiatives and solutions. ESG assessments will also be important from a risk management perspective in this work.

The bank's credit risk strategy stresses that customers' creditworthiness should be viewed from a long-term perspective. Sparebanken Møre must conduct itself in accordance with high ethical standards and shall not be associated with activities, customers or industries of dubious repute. Sparebanken Møre is open to all types of customers within defined market areas and will not discriminate against customers based

on age, gender, nationality, religion or marital status.

A number of enterprises the bank has made loans to have operations that will have an impact on the environment. The bank's provision of credit gives it an indirect opportunity to impact the external environment. Sparebanken Møre must not provide financing to customers:

- with operations within tobacco, pornography, controversial weapons or to companies with significant activities in coal and oil sands
- that we have reason to believe do not comply with the bank's Code of Conduct or that in some other manner operate activities that conflict with general perceptions of good ethical conduct
- that have acted dishonestly in their dealings with the bank or that are known to have acted dishonestly in their dealings with other stakeholders or where it is known that the company or owners have been involved in criminal activities
- that operate in violation of public acts, regulations and mandatory environmental requirements

Measures implemented in 2020

Sparebanken Møre's loan portfolio is made up of approximately 70 per cent retail customers and 30 per cent corporate customers. The corporate portfolio is broadly composed within the trade/service industry, industry, marine, real estate and offshore/supply industry sectors. Although the corporate portfolio only accounts for 30 per cent of the bank's total loan portfolio, it is in relation to corporate customers that the bank can have the greatest influence with respect to sustainability/ESG.

In 2020, we made sustainability a priority on our internal agenda in the bank with respect to granting credit to corporate customers. The year was spent improving expertise and raising awareness, and the topics has, among other things, become one of the bank's industry strategies. At the very end of the year, the bank also started a project aimed at establishing guidelines and requirements for ESG assessments in connection with granting credit to businesses. A special assessment tool has been developed for this work, which should help to map the bank's customers in relation to ESG. Analyses and assessments must be documented and included in the basis for making decisions when granting credit or conducting annual reviews of credit commitments. All of the dimensions (ESG) will be included, although the main focus will still be on our customers' impacts (positive and negative) on the environment and climate. This work will continue in 2021.

We maintain a good dialogue with our customers regarding financing such that they do not through their activities damage the environment, breach human rights or labour rights, and to ensure that they work for anti-corruption and transparency. The goal is to avoid harm to people, society and the environment. This will be further strengthened in 2021 through, among other things, implementing ESG assessments in credit ratings that will address the requirements of PRB, OECD and other frameworks.

We established our first green framework in 2020. The green framework encompasses both Sparebanken Møre and its wholly owned subsidiary Møre Boligkreditt AS. Funds in the green framework will be used to finance and/or refinance loans linked to energy efficient homes and commercial buildings, renewable

energy, as well as loans to environmentally efficient and circular economy adapted products and services, and processes in the aquaculture industry. Swedbank helped to draw up the framework, Multiconsult submitted its technical report and the framework has been independently assessed by Sustanalytics.

The Covid-19 situation and shutdown of Norway in March left many companies and retail customers in an uncertain situation. Several companies had to close their doors or experienced decreases in customer numbers, resulting in a drop in earnings and also furloughs for some. Many abruptly faced uncertain future prospects. As an immediate measure, the bank introduced web-based applications for interest-only periods for loans to customers facing such a situation. This provided rapid relief for those who needed it. Interest rate cuts were also moved up in order to make life easier for customers. The customers were followed up closely and via various measures, one-to-one interviews, newsletters, articles and webinars, we focused on providing good support in a difficult situation.

In 2020, the bank established a sustainability committee, in which the credit environment is represented by the head of credit, the head of corporate banking staff and the head of retail banking staff.

Planned measures

We will continue to focus on training and improving the skills of employees who work with credit in the bank.

Corporate Banking Division

The work on sustainability within the corporate market will be intensified in 2021. The aforementioned project in which guidelines and requirements for ESG assessment are being established will be completed and implemented during the first half of the year. The objective is to ensure that all loan customers with commitments in excess of a threshold value will be subject to an ESG assessment via a set of questions and evaluations that will be conducted in relation to the individual customer. The assessment form will have a general and an industry-specific part. Unit leaders and advisers are taking part in the preparation of the assessment form. The ESG assessment will result in a customer score and if this indicates a high risk the customer will be required to establish measures/take actions that mitigate its ESG risk. The bank will follow up these measures with the customer. The ESG assessment will be updated at least annually, with more frequent follow-up in high-risk cases. We may find that the bank's customers' levels of skills in relation to these issues vary and a good close dialogue with the customers is, therefore, important.

Further comprehensive training will be provided in connection with the implementation of ESG assessments of the bank's cooperate customers (loans). The focus will be on learning more about assessing climate-related risks.

The bank's industry strategies will also be sharpened in relation to ESG and climate risk assessments in 2021.

Retail Banking Division (RM)

For the Retail Banking Division, sustainable finance is a specific topic in the authorisation scheme. All advisers in the Retail Banking Division are authorised or in the process of gaining authorisation. This means all of them have to complete a sustainability module in their knowledge tests and further knowledge updates. More training modules will also be offered within sustainability-related topics via the Møre Academy in 2021. Several of these will be compulsory modules.

In 2021, the Retail Banking Division will focus on improving its expertise in sustainability for the benefit of customers, society and the bank through the provision of good customer advice and engagement in sustainability. We will work to ensure that sustainability forms a natural part of the dialogue with the customer. We have to provide customers with good advice that helps them make good, sustainable choices, whether it concerns upgrading homes or investing their funds. The Retail Banking Division must also offer green investment options as well as develop and launch green loans.

The Retail Banking Division should encourage local trade, use dividend funds for local communities in a smart and sustainable manner, provide training and make customers, school pupils and the rest of society more responsible. Ensuring that customers have a good overview and control of their spending is also an important task for the bank.

The bank currently offers customers several products and services with a social profile.

- Student loan (consumer loan for study purposes at a lower price)
- Deposit account
- First home mortgage
- Møre young mortgage (cheaper mortgages for customers aged 18-33)
- Mastercard young (credit card for customers aged 18-33 with a lower credit limit and stricter repayment terms)

At year end 2020, the total figures for this portfolio were just under NOK 11 billion, or around 24 per cent of the RM portfolio.

Customers in the Retail Banking Division also have a personal adviser who follows them up every year with general advice. Our advisers in the Retail Banking Division are authorised for the entire range of services (investments and savings, non-life insurance, personal insurance and credit).

Measurement and evaluation

Around 80 per cent of Sparebanken Møre's customers have been assigned an account manager who follows them up via a chat at least once a year. In addition, commitments in the Corporate Banking Division exposed to more risk are followed up extra closely.

The follow-up was close throughout 2020 due to Covid-19 in order to provide assistance in the challenging and unresolved situation that still exists. This has resulted in a deeper understanding of the situations of both our retail and corporate customers.

When we start conducting ESG assessments of corporate customers in 2021, we will be able to tell even more about their status and identify which measures should be implemented in both the short and long term.

Responsible unit(s)

Risk Management and Compliance Unit and the Credit Department.

Key governing documents

The most important governing documents for responsible lending are the credit strategy and credit manual. The credit risk strategy is revised annually. The target frameworks in the strategy and status of credit risk must will be monitored, including through the bank's monthly risk reports. The credit manual is subject to constant updating/revision.

GRI indicators:

103-1, 103-2, 103-3, FS7, FS8

Equality and diversity

This section on equality and diversity and the following section on expertise and restructuring together represent the bank's reporting in relation to its activity and disclosure duty.

Equality means equal worth, equal opportunities and equal rights. Diversity in the workplace entails us reflecting the society of which we are a part.

In Sparebanken Møre, equality and diversity must be integral and natural elements of our personnel policy. Everyone should have equal opportunities, and this must be reflected in our procedures for the working environment, recruitment, pay and working conditions, facilitation, development and promotions. A diverse working environment helps to improve decision-making processes, increases innovation and improves the customer experience. From an external perspective, we want to exercise influence by stipulating requirements for suppliers, customers and partners.

The bank practises zero tolerance for all forms of discrimination, including verbal, physical and sexual harassment, discrimination on the basis of gender, pregnancy, parental leave or adoption, care obligations, ethnicity, age, language, religion, life stance, gender identity, gender expression, sexual orientation or physical disability. We are also interested in practising good, easily accessible whistleblowing procedures.

Of the Group's total 369 employees in 2020: 223 were women (60.43 per cent) and 146 men (39.56 per cent). The table below shows the gender ratio per position level, stated as percentages (GRI 405-1):

Gender ratios per position level	Women	Men
Level 1	0.00 %	100 %
Level 2	33.33%	66.67 %
Level 3	45.45 %	54.55 %
Level 4	43.68 %	56.32 %
Level 5	72.67 %	27.33 %
Level 6	57.14 %	42.86 %
Total	60,43 %	39.57 %
Percentage on the Bank's board of directors	50.00 %	50.00 %

In 2020, the age composition per position level and stated in percentage was as follows (GRI 405-1).

	> 30 år	31-50	51 år +
Level 1	0.0 %	0.3 %	0.0 %
Level 2	0.0 %	0.8 %	1.6 %
Level 3	0.0 %	5.7 %	9.8 %
Level 4	0.0 %	11.9 %	11.9 %
Level 5	3.3 %	24.7 %	21.7 %
Level 6	3.8 %	3.0 %	1.6 %
Total	7.0 %	46.3 %	46.6 %

The table below shows women's pay as a percentage of men's pay in a 100 per cent position at different position levels (GRI 405-2).

	Proportion of women	Pay in relation to men*
Level 1 CEO	0.00 %	0.00 %
Level 2 Executive management group	33.33 %	98.27 %
Level 3	45.45 %	98.56 %
Level 4	43.68 %	86.73 %
Level 5	72.67 %	92.66 %
Level 6	57.14 %	91.88 %
Total	60.43 %	82.36%**

* Women's pay as a % of men's (average for 100 % position)

**The main reason for the difference between women's and men's total pay is the gender ratio per position level, with the largest proportion of men at levels 1-4, and the largest proportion of women at levels 5-6.

Average salary	Share	Average Salary
Men	39.57 %	678 083
Women	60.43 %	558 504
Total	100.00 %	605 817

*Average NOK in 100% position

Sparebanken Møre must help ensure employees can take statutory leave and wants to promote a more balanced ratio of work and family life among parents. The table below shows the use of parental leave in total number of person-days and as percentage of own gender (GRI 401-3).

Taken as parent leave	Total no. of person days	As of own gender
Men	401	1.03 %
Women	1 960	3.47 %
Total	2 361	2.47 %

Sparebanken Møre wants to contribute to low work-related sick leave through systematic HSE work, good management and a good working environment. We have seen a low doctor-certified sick leave rate over time, which was 3.86 per cent in 2020. The table below shows doctor-certified sick leave as the total number of person-days and as percentage of own gender.

Sick leave	Total no. of person days	As of own gender
Men	419	1.42 %
Women	3 267	6.34 %
Total	3 686	3.86 %

The bank recruited 19 new employees in 2020 (GRI 401-1 a).

New employees	> 30	30-50	50 +
Retail Banking Division	8	7	0
Corporate Banking Division	0	1	0
Section	1	1	1
Total	9	9	1

16 employees left the bank in 2020 (GRI 401-1 b).

Left	> 30	30-50	50 +
Retail Banking Division	0	5	4
Corporate Banking Division	0	1	0
Section	0	2	4
Total	0	8	8

Sparebanken Møre wants to enable employees to work reduced hours if they need to for health, social or welfare reasons. In 2020, 39 out of a total of 369 employees worked in a reduced position. The bank also had 18 temporary employees. The table below shows recruitment by contract type for the bank and for Møremegling (GRI-102-8).

Employment contract/type	Parent bank	Møremegling
Permanent full-time employee	330	11
Permanent part-time employee	39	1
Total permanent employees (incl. on leave and sick leave)	369	12
Temporary employees	18	0

Measures implemented in 2020

In connection with the stricter requirements for the activity and disclosure duty, all personnel policy documents and procedures have been reviewed in order to identify harassment and discrimination risks. Some measures have either been implemented or plans are being made to implement them in 2021. Part-

time employees have also been surveyed. None of the bank's employees reported working part-time involuntarily. An overview of our general personnel policy procedures and the measures that were implemented in 2020 is provided below.

Working environment

Sparebanken Møre wants to lay the groundwork for jobs created by interested and engaged employees. We are committed to achieving a good working environment through personnel policy measures, employee involvement and development, and well thought through feedback. Good feedback on this and a high level of employee satisfaction will in turn be reflected in a perception of us as an attractive employer.

We measure employee satisfaction every year and analyse the working environment, engagement, management and communication, as well as the risk culture in Sparebanken Møre. The results provide us with an understanding of what we are good at as an organisation and where we could improve. For 2020, we scored 8.3 on a scale from 1-10 in the employee satisfaction survey, which indicates a very good working environment. The results also show that our employees were highly likely to recommend Sparebanken Møre as a place to work.

Recruitment

Sparebanken Møre has designed and applies a recruitment process based on a DNV certified model. The process takes into account the requirements of the Working Environment Act and the Equality and Anti-Discrimination Act. This means, among other things, that it is illegal to discriminate against applicants on the basis of gender, ethnicity, religion, life stance, family planning, disabilities, sexual orientation, gender identity and gender expression. The interview templates used by the HR Department take these matters into account.

Pay and working conditions

The levels of remuneration in Sparebanken Møre should contribute to the Group's achieving its targets and encourage appropriate conduct.

Furthermore, the levels of remuneration should act as a means of good management and control in relation to the Group's risk, counter unwanted risk-taking and contribute to the avoidance of conflicts of interest.

The pay of Sparebanken Møre's employees is determined by individual agreements, collective bargaining (collective agreements) or administrative decisions. Sparebanken Møre has established key principles for the Group's remuneration strategy.

The bank's annual pay review process is intended to minimise the pay gap between women and men. In addition to rewarding good performance, the pay settlement in 2020 focused on equalising larger pay disparities. Health insurance was also introduced as standard for all employees.

The following components can be included in Sparebanken Møre's remuneration (GRI 401 -2):

- Fixed salary
- Variable one-off remuneration based on delivery and performance
- Bonus
- Pension scheme
- Personal insurance
- Common benefits

Promotion and development opportunities

Sparebanken Møre wants to facilitate career development, with both a management and technical orientation, and will focus on both career paths. Quarterly reviews are carried out of substitutes and potential successors of executive personnel. This work must take the breadth of the organisation into account. Annual reviews of the organisation with substitutes and potential successors are also conducted by the bank's remuneration committee.

A minimum of four follow-up calls are made each year, one of which is an employee performance and development interview. The working environment survey showed that 95 per cent of those surveyed had employee performance and development interviews in 2020 (GRI 404-3). The information provided to

employees in connection with employee performance and development interviews in 2020 highlighted that family planning, sick leave, reporting harassment, ethnicity, religion, life stance and political views must not result in discrimination in connection with promotions and development opportunities.

Facilitation and balancing work and family life

Sparebanken Møre is working to be an inclusive workplace for employees in all age groups and phases of life. The bank promotes a healthy workplace and encourages physical activity through an active corporate sports club, SMIL, as well as by support employees' own exercising. Workstations and duties must be adapted when health or other causes dictate it.

Sparebanken Møre must facilitate good corporate health services. The corporate health services provider reports on any areas requiring improvement with respect to the working situation/ergonomics once a year, at an organisational level. As a supplement to the corporate health service, Sparebanken Møre has also signed an agreement on psychologist assistance with an external party.

Sparebanken Møre wants to facilitate a good balance between work and family life. Employees who are on parental leave for a minimum of 5 months are entitled to rise at least one pay grade upon returning to work. The purpose of this provision is to ensure that employees who are on parental leave for a long time do not get left behind as far as pay is concerned, and to motivate people to take longer periods of leave.

We have a flexi-time scheme and practice what we call 'flexibility both ways'. Employees can also work from home when circumstances dictate. Overall, Sparebanken Møre wants its operations to be based on limited overtime work. We have good social schemes such as a corporate sports club, good personal insurance policies and company cottages/apartments that employees with family can use.

Whistleblowing

Sparebanken Møre wants to facilitate an open culture of free speech. A good climate for free speech is important for the working environment, the well-being of individuals and in achieving the best possible operations. It is important that illegal situations, wrongdoing and other adverse situations are uncovered and followed up as early as possible. Sparebanken Møre focuses on making employees feel confident that addressing adverse situations is a natural element of an individual's responsibilities in the workplace.

Sparebanken Møre has good whistleblowing routines that are designed to facilitate secure and proper whistleblowing. Employees have a statutory right pursuant to the Working Environment Act to report unacceptable conditions in the workplace, and in some cases employees also have a statutory duty to report, including in case of suspected bullying, harassment or discrimination. The whistleblowing procedures are made available to all employees via the intranet. All employees also receive regular training in our whistleblowing procedures via e-learning courses. No notifications or reports of cases of discrimination were received in 2020 (GRI 406-1).

Planned measures

The overall impression from reviewing the personnel policy documents and procedures is that Sparebanken Møre has good guidelines, principles and standards that address diversity, equality and non-discrimination considerations. Naturally, these will, therefore, continue to guide our personnel policies going forward.

We can, however, see areas where improvements are needed that will be included in the plans for next year. Sparebanken Møre currently has no specific guidelines for its work on equality and diversity, and it therefore plans to draw up specific guidelines for this in 2021. The guidelines should provide a framework for both its internal work and for its work with suppliers, customers and partners.

Working environment

Sparebanken Møre will strive to maintain the good working environment in the organisation and has set itself the goal of keeping employee satisfaction and loyalty high in 2021.

Sparebanken Møre has a tradition of involving employees in implementing the bank's strategy through the preparation of separate departmental plans with associated employee or management agreements. For 2021, it has set itself the goal of ensuring that employees are also more involved in the actual formulation of the bank's strategy.

Recruitment

The gender ratio between women and men shows that the largest proportion of women can be found at level 5 (73 per cent) while the largest proportion of men is at level 2 (67 per cent). Sparebanken Møre wants a more even gender composition and, therefore, has set itself a long-term goal of having at least 40 per cent of each gender at all levels in the bank.

It will also conduct a separate project related to diversity in the context of recruitment. The purpose will be to encourage more groups of applicants to apply for vacant positions in the bank to ensure that we can better promote inclusion and reflect the diversity of the population.

Interview templates used by the HR Department take account of the requirements of the Working Environment Act and the Anti-Discrimination Act. In 2021, we will also provide all of the bank's employees who participate in the recruitment process clearer information about the questions people cannot be asked.

Pay and working conditions

In addition to rewarding good performance, there will be a greater focus on equalising larger pay disparities in 2021.

Promotion and development opportunities

In order to achieve the equalisation of gender differences at the different levels in the bank, the bank has an ambition for each list of successors to contain at least 40 per cent of each gender. It has also been proposed in the bank's strategy that employees' career plans and the development of talented people should be followed up more systematically and uniformly in the Group.

Facilitation and balancing work and family life

In the Covid-19 survey, more than 80 per cent of the employees who have been working from home responded that they want to continue this option to increase the flexibility in their working day. In 2021, Sparebanken Møre will draw up guidelines for working from home in a normal situation. The guidelines will ensure greater flexibility in people's everyday lives and at the same time safeguard the secure and efficient operations of the Bank.

Measurement and evaluation

Gender distribution and pay situation per position level, use of parental leave, sick leave, number of full-time and part-time employees, number of reports and the results of the working environment survey will be followed up every year. Equalising gender disparities per level is an important strategic objective for the bank and there will, therefore, be a greater focus on this in the annual evaluation of measures.

Responsible unit(s)

Measures for equality and diversity are initiated and followed up by the **Organizational** Department. Significant changes to rights that affect the bank's employees must be approved by the executive management group and employee representatives, and possibly be considered by the remuneration committee and approved by the bank's Board of Directors.

The remuneration committee is elected by and from among the Board's members and is intended to contribute to thorough and independent consideration of matters relating to the remuneration of executive personnel, etc. in the bank. A recruitment committee has also been established in line with the main

agreement between Finance Norway and the Finance Sector Union of Norway. The committee deals with pay and working conditions upon recruitment and assesses employees' pay conditions on an annual basis.

Both of the above committees must take account of gender equality and non-discrimination in relation to pay and working conditions.

Governing documents

The governing legislation is the Working Environment Act and the Equality and Anti-Discrimination Act. The employees' conditions are also governed by the main agreement between Finance Norway and the Finance Sector Union of Norway. The most important governing documents are the Company Agreement signed between the executive management group and employee representatives in Sparebanken Møre, the Personnel Handbook, the guidelines for remuneration system, the Code of Conduct and CSR Policy and the bank's strategy.

GRI indicators:

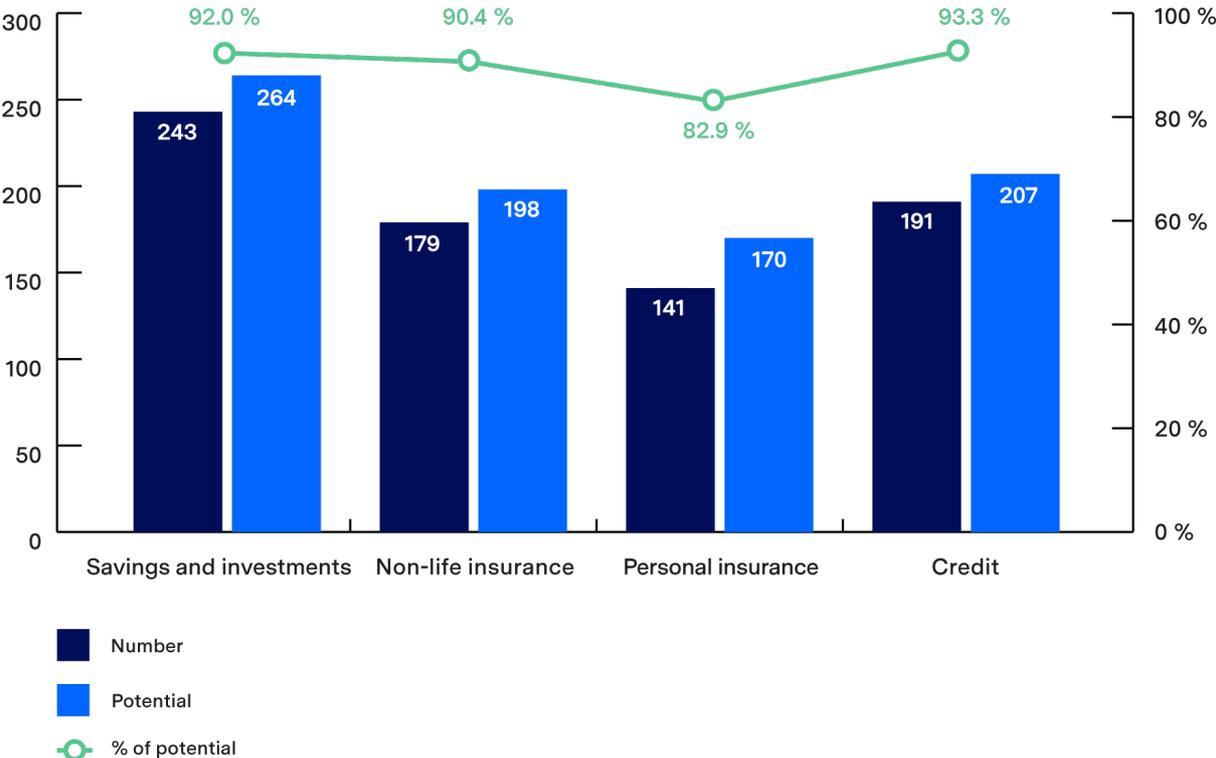
102-8, 103-1, 103-2, 103-3, 401-1, 401-2, 401-3, 405-1, 405-2, 406-1

Expertise and restructuring

Expertise and restructuring should contribute to good corporate governance, high quality advice, and the bank meeting changes in customer behaviour, regulatory changes, and changes in the competition situation in a good, effective manner.

Measures implemented in 2020

Employees who advise customers are authorised within various technical areas defined by FinAut. The bank has 243 employees authorised within savings and investments, 179 authorised within non-life insurance, 191 authorised within credit and 141 authorised within personal insurance. Knowledge is maintained through annual update tests and 900 tests were taken in 2020.



18 new employees started the authorisation process in 2020. Good mentor schemes have been established with experienced advisers, which provide employees with a good start in their role of adviser.

In 2020, 46 training measures were implemented, with 17 morning meetings via Skype to reach out to all employees in our decentralised office structure. Relevant topics included unstructured data, CRM, digital customer surfaces, personal insurance policies and sustainability. Short e-learning courses were conducted each month within information security, AML and HSE. Advisers in the Retail Banking Division have completed a training course within pensions and all employees have taken a learning module on sustainability. A communication course has been conducted involving theory and practical training with a case tailored to the employee’s specific work situation.

The bank has its own development programme for managers and employees involving a practical approach to everyone’s workday and what they need and want to develop in relation to. The programme includes topics within management and communication. Three management values have been implemented in the

organisation. To achieve our objectives, we depend on managers who inspire employees to achieve their goals, develop effective teams, as well as the employees' skills and confidence, and who perform through their employees with the help of follow-up and clear feedback.

In 2020, employee appraisal and development interviews were carried out with an in-person meeting, followed by a digital meeting. As a result of the Covid-19 pandemic, the bank's managers received specific information on managing people working from home and managing at a distance. Webinars on mental health were also conducted as provision for the entire organisation, which garnered a good response.

Skills enhancement in specialist and technical roles are systematically directed to learning arenas such as conferences, workshops and studies/further education. During a 5-year period, 24 employees have participated in higher education courses with support from the bank, including a PhD candidate in industrial economics and technology management, as well as a study contract for the programme 'Sustainability as a competitive advantage'. The gender distribution among those who have taken further education is 70 per cent women and 30 per cent men.

Planned measures

The skills plan for 2021 is based on the new skills requirements based on important future competencies. Management development, training programmes, sustainability, learning environment and teamwork will be important. Key basic competencies will be digital skills and defined personal characteristics. There will still be a need for greater skills within advice on inheritance, tax and pensions. Legislation and regulations are matters we assume we will have to take account of.

Authorisation in your own role is a requirement for new recruits, and many new employees have to complete a programme of courses in up to four authorisation schemes. Those who are already authorised have to undergo annual skills refreshers. Authorisations will be an ongoing, priority task in 2021 as well.

Measurement and evaluation

The skills work is steered by the Møre Academy's steering group through decisions on the annual skills plan and follow-up in steering group meetings. The Compliance Department conducts a review and reports to FinAut annually. The CEO's executive management group and the bank's Board of Directors evaluate and approve the skills budget and strategy within organisational development.

The skills work is highlighted and measured using the Møre Academy's annual wheel. This is a practical monitoring tool for initiating and completing skills measures. The skills work is also measured through authorisations achieved and completed skills updates, e-learning courses and other skills measures. Reports are produced on the completion of key skills measures.

Responsible unit(s)

Skills development is carried out under the auspices of the bank's own Møre Academy. It has a steering group that consists of senior managers who assist in the skills work and prioritise targeted skills measures.

Governing documents

The bank's organisational development strategy provides a framework for the focus on skills. The skills work is managed via an annual skills plan based on development needs within priority skills areas. The skills updates in the four schemes are managed by FinAut and updated subject plans every year. This is followed up by the internal company coordinator. Further education is regulated by separate study contracts.

GRI indicators:

103-1, 103-2, 103-3, 402-1, 404-1, 404-2, 404-3

Prevent financial crime and corruption

Combating financial crime, including the laundering of proceeds from criminal activities or the financing of terrorist activities, is demanding and important work. Ensuring that the industry is not exploited for illegal purposes through its services and products is part of the financial services industry's social mission, and as a financial institution we are subject to a number of laws and requirements linked to combating corruption and other types of financial crime such as fraud, work-related crime and money laundering.

This is a high priority area in Sparebanken Møre. Our goal is to reduce the financial losses suffered by society, the bank and the bank's customers, and all of our stakeholders must be confident that we have a high level of expertise and secure services and solutions.

Sparebanken Møre itself must demonstrate high ethical standards and we practise a policy of zero tolerance regarding internal irregularities. We must not be associated with activities, customers or industries with questionable reputations.

We detect fraud, crime and rapid transfers of proceeds on a daily basis. This means that we need to be vigilant in our work and monitor in order to prevent both the bank and customers being exposed to fraud and swindles.

Measures implemented in 2020

The work on combating financial crime requires a high degree of expertise and during 2020 extensive work was done on the bank's guidelines and training employees in relation to these. The training takes place in, for example, forums and departmental meetings, as well as via digital tools. The year 2020 was marked by the Covid-19 pandemic and the government's support and compensation scheme can be tempting for criminals. The bank has carried out extra checks on customers who used these schemes.

In 2020, the bank also strengthened its efforts in the area by establishing a new Financial Crime Department. The department has a comprehensive responsibility to identify and manage the risk picture. Sparebanken Møre has also appointed a dedicated anti-money laundering coordinator.

Sparebanken Møre registers instances of internal and external fraud. No instances involving internal fraud were registered in 2020, while 394 instances involving external fraud were registered. The number of fraud cases in the bank where someone has, or has tried to, deceive customers is stable. The bank assists customers who report fraud to us.

Internal risk assessments have also been carried out, including for money laundering and terrorist financing and operational risk, with associated risk mitigation measures. These are broadly anchored in the bank and result in good discussions and help to improve the employees' expertise and vigilance. The risk of internal fraud and corruption is assessed but is considered insignificant. The bank did not identify any cases of corruption in 2020.

Planned measures

The bank will prioritise its work on combating money laundering and terrorist financing in cooperation with the authorities. In connection with the establishment of our dedicated Financial Crime Department, we will further strengthen and coordinate the work on dealing with fraud. In 2021, we will continue the job of raising employee awareness about this important topic and various training measures will be continued and implemented. We are constantly working to prevent fraud and unwanted criminal activities.

Measurement and evaluation

The work is monitored closely and reported on by employees, the bank's management, internal and external auditors and the Financial Supervisory Authority of Norway.

Annual internal evaluations are conducted when revising guidelines and procedures, and period independent evaluations of the area's compliance with the management system conducted by auditors or supervisory authorities.

Responsible unit(s)

Business Support Unit, Financial Crime Department.

Key governing documents

Activities are governed by legislation, guidelines and procedures intended to prevent it from being used for corruption, money laundering, tax evasion or terrorist financing. The most important internal documents are the following:

- Guidelines for the work on combating money laundering and terrorist financing
- Measures against money laundering and terrorist financing when establishing and expanding customer relationships
- Code of Conduct and CSR Policy

GRI indicators:

103-1,103-2,103-3, 205-2, 205-3

Requirements for suppliers

Sparebanken Møre wants to be a total provider of the best financial services and have the best partners, and the bank has chosen a contract banking strategy. This gives it the flexibility to choose to operate and develop services for itself, or together with partners where this is considered to be the best option.

Overall, Sparebanken Møre has 150 regular suppliers, large and small, which means that the bank has the power to push development in the right direction by influencing how the various stakeholders take responsibility for sustainable development and value creation. Through setting requirements, following up and cooperating, we want to ensure that our suppliers and partners comply with Norwegian law and recognised norms of corporate social responsibility, as well as binding international agreements and conventions.

Goods and services that are delivered to Sparebanken Møre must be produced in circumstances consistent with the requirements enshrined in the bank's Code of Conduct and corporate social responsibility. These are followed up in dialogues with our suppliers. We want to further formalise our follow-up in this area so that customers can feel confident that the bank has control over its entire value chain, including where we use partners to deliver products and services.

As far as the bank's fund providers are concerned, there is a close dialogue between the bank and the various providers throughout the year. Sparebanken Møre does not manage funds itself, rather it provides funds to customers through its fund providers: Alfred Berg Kapitalforvaltning, DNB Asset Management and Holberg Fondsforvaltning. The bank must help fund managers encourage the various companies to deliver good long-term returns while also ensuring sustainable development. Our fund providers have signed the following commitments:

- Holberg – UN Principles for Responsible Investments (UNPRI)
- Alfred Berg – Socially Responsible Investment (SRI)
- DNB - UN PRI, UN Principles for Responsible Investments

Measures implemented in 2020

In 2020, efforts were made to incorporate requirements and attitudes related to sustainability. Procedures and guidelines have been established to ensure that sustainability is surveyed and assessed in purchasing processes for ICT solutions, and that sustainability is one of eight criteria that are applied when considering new partners.

Partner meetings have been held with all of the bank's fund providers, all of which presented the measures they have implemented and the goals they have defined for sustainable investments. We have also entered into agreements with new fund providers, Storebrand Asset Management and SKAGEN, which will be launched in the first quarter of 2021. These have worked diligently and systematically on sustainability for many years, which was a key factor in our overall assessment. They have also signed up to UN PRI.

Sustainability is high on the agenda in the follow-up of other suppliers as well. The following environmental criteria apply when purchasing physical products:

- Suppliers must, wherever possible, use products that can be reused
- Products must have a life cycle with a low environmental impact
- Unnecessary packaging must be avoided
- Suppliers must actively work to minimise their negative impact on the external environment
- Shipping options that have a low environmental impact must be chosen

Planned measures

In 2021, the bank has a clear goal of obtaining an even better overview of how our main suppliers work within various ESG areas. The bank will require suppliers of products and services to submit a self-declaration that explains their work within the environment, social conditions and corporate governance.

Methods and tools will also be developed in order to follow up suppliers from an ESG perspective.

By 2021, all of the bank's fund providers will mark their funds in line with EU requirements that define what can be marked as sustainable. Once this is in place, the bank will also mark its funds in order to enable customers to make good, informed choices for themselves and their investments.

Responsible unit(s)

The Business Support Unit is responsible for system, product and service providers. The Treasury and Markets Unit is responsible for partners for external finance and equity, including risk coverage.

Measurement and evaluation

The guidelines are subject to annual evaluation, for example the Code of Conduct and CSR Policy are undergoing revision at the start of the new year. The work is currently measured through dialogues with our suppliers and customers.

Key governing documents

- Møre 2024 (Group strategy)
- Procedure for purchasing ICT systems.
- Partners assessments
- Code of Conduct and CSR Policy

GRI indicators:

103-1, 103-2, 103-3, 308-1

Climate and the environment

As a financial services group, Sparebanken Møre has an active relationship with environmental and climate challenges. The Group’s overarching goal for its sustainability work is to ‘be a driving force behind sustainable development’. The Group is committed to contributing to the restructuring work society needs to do to achieve the climate goals for Norway that are set out in the Paris Agreement. Sparebanken Møre’s goal is to become a climate-compensated for group by the end of 2022, in line with the UN Climate Neutral Now initiative. We will also stipulate requirements for customers, suppliers and partners. This will allow us to help achieve the expressed climate goals, both directly and indirectly.

In order to reduce environmental impact, we both use and invest in technology, including in order to reduce the need for travel. Employees must have the skills necessary to make eco-friendly choices and encourage our stakeholders to do the same.

Measures implemented in 2020

Sparebanken Møre prepares energy and climate accounts based on the international standard ‘A Corporate Accounting and Reporting Standard’ developed by the Greenhouse Gas Protocol Initiative (GHG protocol). The climate accounts show tonnes of CO2 that are direct and indirect emissions related to the Group, and provide information about greenhouse gas emissions from, for example, from travel, waste management and energy consumption.

In 2020, the bank significantly intensified its sustainability work and specific targets were established for cutting greenhouse gas emissions from its own operations. Among other things, electricity agreements with guarantees of origin were signed for a majority of the bank’s branches. More recycling stations were installed in its branches during the year and this work will continue in 2021.

Sparebanken Møre modernised several of its branches in 2020 and the work has been permeated by a conscious attitude towards eco-friendly material choices and the reuse of furniture in line with SDG 12 regarding responsible consumption and production. For example, we reupholstered 36 sofas rather than buy new ones. The work was carried out by a local company (LK Hjelle) and this created ripple effects by inspiring others.

The climate accounts for 2020 show a 38.6 per cent reduction from 2019 to 2020, mainly due to Covid-19 and some minor environmental measures. The Group’s emissions totalled 185.2 tonnes of CO2 equivalents (tCO2e) in 2020. Greenhouse gas emissions were distributed as follows in 2020:

Distribution of greenhouse gas emissions in 2020	
Scope 1, direct emissions:	3.5 %
Scope 2, indirect emissions:	65.2 %
Scope 3, other direct emissions:	31.3 %

Planned measures

The bank’s climate accounts provide information about the impact of the various sources on the external environment. This provides a good, important starting point for preparing reduction plans. During the course of 2021, we will identify how we can cut our greenhouse gas emissions further and a concrete action plan will be drawn up in line with the requirements of Climate Neutral Now.

In 2021, we will also start conducting ESG assessments of our corporate portfolio. This will be an important tool for identifying and reducing climate risk in the existing portfolio, and for mapping which sectors, and projects contribute to restructuring and new earning opportunities. We will also stipulate clearer ESG requirements for our suppliers. In the longer term we will also comply with the requirements in TCFD.

We have incorporated sustainability principles into all of our sponsorship agreements and one of these is about having a conscious attitude and measures for cutting greenhouse gas emissions from sports clubs' activities. We will follow this up with measures for improving understanding for clubs/organisations in 2021 and 2022.

When we upgrade further branches, there will be a focus on reuse and eco-friendly material choices in line with SDG 12 regarding responsible consumption and production and SDG 13 regarding climate action.

Responsible unit(s)

Accounts Department, Property Management Department, HR Department, and Communications and CSR Department are responsible for the bank's climate accounts.

The bank's sustainability committee is responsible for preparing concrete action plans to cut the bank's CO2 emissions. The various measures must state the responsible department.

Measurement and evaluation

The climate accounts for 2020 were established in line with the Greenhouse Gas Protocol Initiative (GHG Protocol) for Sparebanken Møre. Given that 2020 was heavily impacted by Covid-19, we will look at the basis from 2019 when we assess measures that can help to cut greenhouse gas emissions further.

Key governing documents

- Code of Conduct and CSR Policy
- Overarching sustainability strategy

GRI indicators:

103-1, 103-2, 103-3, 305-1, 305-2, 305-3, 305-4, 305-5, 307-1

GRI-index

The Global Reporting Initiative (GRI) is the leading standard for sustainability reporting. The GRI guidelines consist of principles, guidance and performance indicators that can be used by companies to measure and report on financial, environmental and social factors.

Sparebanken Møre will report in line with the GRI standard, 'Core option', from and including the 2020 accounting year. More information about GRI can be found on globalreporting.org.

General disclosures

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/direct reporting
Organizational Profile				
102-1	Name of the organisation		Sparebanken Møre	
102-2	Activities, brands, products, and services		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' Annual Report – Corporate governance – section 'Operations'	
102-3	Location of headquarters		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' and Note 1 'General information'	
102-4	Location of operations		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' and Note 1 'General information'	
102-5	Ownership and legal form		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' and Note 1 'General information' Annual Report – Corporate governance	
102-6	Markets served		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' and Note 1 'General information'	
102-7	Scale of organisation		Annual Report – Key figures Annual Report – Board of Directors' Report 2020	

102-8	Information on employees and other workers		Annual Report – Corporate social responsibility and sustainability – Equality and diversity	The number of employees per contract type has not been broken down by region. Møremegling is included for numbers in 2020.
102-9	Supply chain		Annual Report – Corporate social responsibility and sustainability – Requirements for suppliers	
102-10	Significant changes to the organisation and its supply chain			No material changes
102-11	Precautionary Principle or approach		Annual Report – Corporate social responsibility and sustainability – ‘Our commitments’, ‘Open and ethical business’ and ‘Responsible lending’	
102-12	External initiatives	SDG 17	Annual Report – Corporate social responsibility and sustainability – Our commitments	
102-13	Membership of associations	SDG 17	Annual Report – Corporate social responsibility and sustainability – Our commitments	Finance Norway
Strategy				
102-14	Statement from the CEO	SDG 3, 8, 11 og 17	Annual Report – ‘Important values have been strengthened’	
Ethics and integrity				
102-16	Values, standards, principles and norms	SDG 5, 8, 11, 12, 13, 16 and 17	Annual Report – Corporate social responsibility and sustainability – Our commitments Code of Conduct and CSR Policy on the Bank’s website	
Governance				
102-18	Governance structure		Annual Report – Corporate governance – sections ‘General Meeting’, ‘Nomination committees’, ‘Board of directors: composition and independence’ Annual Report – Organisation and management structure Annual Report – Corporate social responsibility and sustainability – section ‘Organisation of the work’	
Stakeholder Analysis				
102-40	List of stakeholder groups	SDG 17	Annual Report – Stakeholder dialogue and materiality analysis	

102-41	Collective bargaining agreements	SDG 8		96.5 per cent of employees are covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	SDG 17	Annual Report – Stakeholder dialogue and materiality analysis	
102-43	Approach to stakeholder engagement	SDG 17	Annual Report – Stakeholder dialogue and materiality analysis	
102-44	Key topics and concerns raised	SDG 17	Annual Report – Stakeholder dialogue and materiality analysis	
Reporting Practice				
102-45	Entities included in the consolidated financial statements		Annual Report – Board of Directors' Report 2020 – section 'Areas of operation and markets' and Note 1 'General information'	
102-46	Defining report content and topic Boundaries		Annual Report – Corporate social responsibility and sustainability – sections 'An integral part of the strategy', 'Reporting standards' and 'Materiality analysis'	
102-47	List of material topics		Annual Report – Corporate social responsibility and sustainability – Stakeholder engagement and materiality analysis – section 'Materiality analysis'	
102-48	Restatements of information			Sparebanken Møre is reporting in line with GRI for the first time in the Annual Report for 2020.
102-49	Changes in reporting			Sparebanken Møre is reporting in line with GRI for the first time in the Annual Report for 2020.
102-50	Reporting period			2020
102-51	Date of previous report			March 2019
102-52	Reporting cycle		Annual Report – Corporate social responsibility and sustainability – section 'Reporting standards'	Annually
102-53	Contact point			Cecilie Myrstad cecilie.myrstad@sbm.no
102-54	Claims of reporting in accordance with the GRI Standards			GRI standard, level 'Core'
102-55	GRI content index		Annual Report – Corporate social responsibility and sustainability – GRI index	

102-56	External assurance	The report has not been externally verified.	Reporting in line with the Principles for Responsible Banking will be published in April. This will be reviewed by an independent party.
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Specific disclosures

GRI-indicator	Description	Sustainable Development Goals (SDGs)	SBM's reporting	Comments/direct reporting
Responsible lending				
103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 12, 13, 14 and 17	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
103-2	The management approach and its components	SDG 8, 9, 12, 13, 14 and 17	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
103-3	Evaluation of the management approach	SDG 8, 9, 12, 13, 14 and 17	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
FS7	The monetary value of products and services designed to deliver a specific social benefit for each business line by purpose.	SDG 8, 9, 12, 13, 14 and 17	Annual Report – Corporate social responsibility and sustainability - Material topics - Responsible lending	
FS8	The monetary value of products and services designed to deliver a specific environmental benefit for each business line by purpose.	SDG 8, 9, 12, 13, 14 and 17		Sparebanken Møre does not currently have products with environmental criteria, but these will come in 2021
Preventing financial crime and corruption				
103-1	Explanation of the material topic and its Boundary	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Prevent financial crime and corruption	
103-2	The management approach and its components	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Prevent financial crime and corruption	
103-3	Evaluation of the management approach	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Prevent financial crime and corruption	

205-2	Communication and training in guidelines and procedures for anti-corruption.	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Prevent financial crime and corruption	
205-3	Confirmed corruption incidents and actions	SDG 4, 8, 16, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Prevent financial crime and corruption	
Requirements for supplier				
103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 12, 13	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
103-2	The management approach and its components	SDG 8, 9, 12, 13	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
103-3	Evaluation of the management approach	SDG 8, 9, 12, 13	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	
308-1	New suppliers that are screened with the aid of environmental criteria	SDG 8, 9, 12, 13	Annual Report – Corporate social responsibility and sustainability - Material topics – Requirements for supplier	Two new fund providers, Storebrand Asset Management and SKAGEN.
Expertise and restructure				
103-1	Explanation of the material topic and its Boundary	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
103-2	The management approach and its components	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
103-3	Evaluation of the management approach	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	
402-1	Minimum period of notice regarding operational changes	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure	Complies with applicable legislation

404-1	Average hours of training per year per employee	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure
404-2	Programmes for upgrading employees' skills and transition programmes	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure
404-3	Proportion of employees receiving regular performance and career development reviews	SDG 4	Annual Report – Corporate social responsibility and sustainability - Material topics – Expertise and restructure

Equality and diversity

103-1	Explanation of the material topic and its Boundary	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity
103-2	The management approach and its components	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity
103-3	Evaluation of the management approach	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity
405-1	Diversity of governing bodies and employees	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity
405-2	Ratio between basic pay and remuneration for women to men	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity
406-1	Incidents of discrimination and corrective actions	SDG 1, 3, 5, 8, 10	Annual Report – Corporate social responsibility and sustainability - Material topics – Equality and diversity

Contribution to business development

103-1	Explanation of the material topic and its Boundary	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development
103-2	The management approach and its components	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development

103-3	Evaluation of the management approach	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development
SBM-N1	Number of participants in the NæringsTEFT programme	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development
SBM-N2	Number of loans for entrepreneurs as a result of the Growth Guarantee Scheme and the available budget.	SDG 8, 9, 13, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Contribution to business development

Supporter of the local community

103-1	Explanation of the material topic and its Boundary	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
103-2	The management approach and its components	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
103-3	Evaluation of the management approach	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
413-1	Operations with local community engagement, impact analyses and development programmes	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
SBM-L1	Support for my five projects that contribute to a specific sustainability issue	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
SBM-L2	Number of applications for dividend funds for local communities	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community
SBM-L3	The number of advisers in personal finances and the number of pupils who have participated in the programmes.	SDG 3, 4, 5, 6, 9, 11, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Supporter of the local community

Climate and environment

103-1	Explanation of the material topic and its Boundary	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment
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103-2	The management approach and its components	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment	
103-3	Evaluation of the management approach	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment	
305-1	Direct (Scope 1) GHG emissions	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment – Appendix ‘Carbon Accounting Report’	
305-2	Indirect energy (Scope 2) GHG emissions.	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment – Appendix ‘Carbon Accounting Report’	
305-3	Other indirect (Scope 3) GHG emissions.	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment – Appendix ‘Carbon Accounting Report’	
305-4	GHG emission intensity – measured in relation to number of employees	SDG 12, 13, 14, 17	Annual Report – Appendix ‘Carbon Accounting Report’	
305-5	Reduction of GHG emissions.	SDG 12, 13, 14, 17	Annual Report – Corporate social responsibility and sustainability - Material topics – Climate and environment – Appendix ‘Carbon Accounting Report’	
307-1	Non-compliance with environmental laws and regulations	SDG 12, 13, 14, 17		No reported cases of violations of environmental laws and regulations.
Open and ethical business				
103-1	Explanation of the material topic and its Boundary	SDG 4, 16	Annual Report – Corporate social responsibility and sustainability - Material topics – Open and ethical business	
103-2	The management approach and its components	SDG 4, 16	Annual Report – Corporate social responsibility and sustainability - Material topics – Open and ethical business	
103-3	Evaluation of the management approach	SDG 4, 16	Annual Report – Corporate social responsibility and sustainability - Material topics – Open and ethical business	
417-2	Incidents of non-compliance regarding information about products and services and marking.	SDG 4, 16		No reported cases of violations as a result of marking requirements.

417-3	Incidents of non-compliance with marketing communications.	SDG 4, 16	No reported cases of violations as a result of marketing.
418-1	Explained complaints regarding breaches of privacy and loss of customer data	SDG 4, 16	No violations that have resulted in consequences for the Bank.

Financial results

103-1	Explanation of the material topic and its Boundary	SDG 8 and 9	Annual Report – Corporate social responsibility and sustainability - Material topics – ‘Financial results’ and ‘Supporter of the local community’ - Annual Report – Board of Directors' Report 2020 – sections ‘Strategy and goals’, ‘Equity and dividends’
103-2	The management approach and its components	SDG 8 and 9	Annual Report – Board of Directors' Report 2020 – Risk and capital management
103-3	Evaluation of the management approach	SDG 8 and 9	Annual Report – Board of Directors' Report 2020 – Risk and capital management – sections ‘Internal control in connection with the financial reporting process’, ‘Internal control reporting’ and ‘Internal auditing’
201-1	Direct financial value generated and distributed	SDG 8 and 9	Annual Report – Key figures group - Annual Report – Profit
203-1	Investments in infrastructure and other services	SDG 8 and 9	Annual Report – Corporate social responsibility and sustainability –Material topics – ‘Supporter of the local community’ and ‘Contribution to business development’ - Annual Report – Board of Directors' Report 2020 – ‘Business areas’ and ‘Research and development’

Employees

401-1	New hires and employee turnover.	SDG 5 and 10	Annual Report – Corporate social responsibility and sustainability – Material topics – Equality and diversity
401-2	Benefits given to full-time employees not given to temporary or part-time employees	SDG 5 and 10	Annual Report – Corporate social responsibility and sustainability – Material topics – Equality and diversity

401-3

Parental leave

SDG 5 and 10

Annual Report – Corporate
social responsibility and
sustainability – Material
topics – Equality and
diversity

Carbon Accounting Report 2020

Sparebanken Møre

This report provides an overview of the organisation's greenhouse gas (GHG) emissions, which is an integrated part of the organisation's climate strategy. Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

This report includes the carbon footprint from the departments of Sparebanken Møre.

The input data is based on consumption data from internal and external sources, which are converted into tonnes CO₂-equivalents (tCO₂e). The carbon footprint analysis is based on the international standard; *A Corporate Accounting and Reporting Standard*, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-1.

Reporting Year Energy and GHG Emissions

Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO ₂ e	% share
Transportation total				30.4	6.4	3.5 %
Petrol		-	liters	-	-	-
Diesel (NO)		2,915.4	liters	30.4	6.4	3.5 %
Stationary combustion total				-	-	-
Burning oil		-	liters	-	-	-
Scope 1 total				30.4	6.4	3.5 %
Electricity total				2,890.6	118.5	64.0 %
Electricity Nordic mix		2,890,607.0	kWh	2,890.6	118.5	64.0 %
DH Nordic locations total				468.2	2.2	1.2 %
District heating NO/Aalesund		468,220.0	kWh	468.2	2.2	1.2 %
Scope 2 total				3,358.8	120.8	65.2 %
Waste total				-	12.8	6.9 %
Residual waste, incinerated		24,650.0	kg	-	12.4	6.7 %
Paper waste, recycled		14,909.0	kg	-	0.3	0.2 %
Glass waste, recycled		-	kg	-	-	-
Metal waste, recycled		2,800.0	kg	-	0.1	-
Organic waste, recycled		-	kg	-	-	-
Plastic waste, recycled		-	kg	-	-	-
EE waste, recycled		2,920.0	kg	-	0.1	-
Business travel total				-	45.2	24.4 %
Taxi		-	km	-	-	-
Hotel nights, Europe		77.0	nights	-	1.8	1.0 %
Mileage all. car (NO)		212,282.0	km	-	29.7	16.0 %
Mileage all. el car Nordic		-	km	-	-	-
Continental/Nordic, RF	Nordic	4,458.0	pkm	-	0.7	0.4 %
Continental/Nordic, RF	Europe	8,063.0	pkm	-	1.3	0.7 %
Intercontinental, RF	Intercontinental	-	pkm	-	-	-
Domestic, RF	Domestic	47,946.0	pkm	-	11.7	6.3 %
Total purchase of paper				-	-	-
Paper waste, recycled		-	kg	-	-	-
Scope 3 total				-	58.0	31.3 %
Total				3,389.2	185.2	100.0 %
KJ				12,201,139,684.8		

Reporting Year Market-Based GHG Emissions

Category	Unit	2020
Electricity market-based	tCO ₂ e	32.7
Scope 2 market-based	tCO ₂ e	34.9
Total market-based	tCO ₂ e	99.4

Carbon Footprint

During 2020 Sparebanken Møre had a total carbon footprint of 185.2 ton CO₂ equivalents (tCO₂e). In comparison with 2019, this is a reduction of 38.6%. The reason for this reduction mainly comes from the Covid-19 pandemic that degenerated in Norway mainly from March 2020 until the end of the year. This influenced the greenhouse gas emissions of Sparebanken Møre in the form of home offices and travel restrictions.

The carbon footprint had the following results divided into the different scopes during 2020:

Scope 1: 6,4 tCO₂e (3,5%)

Scope 2: 120,8 tCO₂e (65,2%)

Scope 3: 58 tCO₂e (31,3%)

KPI

Emissions per FTE are reduced by 38.3 % from 2019 to 2020. During the period, the number of FTEs is reduced by 0.5% and total emissions are reduced by 38.6 %.

Scope 1

Fuel consumption: Consumption of diesel for owned and rented company cars. The emissions from fuel consumption during 2020 was 6.4 tCO₂e. This is an increase by 23.1 % in comparison with the fuel consumption for 2019.

Scope 2

Electricity: Consumption of electricity in owned or rented buildings. Table "Reporting Year Energy and GHG Emissions" shows the emissions from electricity consumption based on the location-based emission factor Nordic mix. The offices of the bank had an electricity consumption of 2890.6 MWh during 2020 which resulted in emissions of 118.5 tCO₂e. During 2019 the bank had a total electricity consumption of 2881.9 MWh. Sparebanken Møre has therefore slightly increased their electricity consumption by 0.3 % from 2019 to 2020. At the same time the emission factor Nordic mix increased with 5.1 % from 2019 to 2020 which led to an increase in emissions of 5.4 %.

Greenhouse gas emissions based on the marked-based factor is presented in the table: "Marked-based GHG emissions summary". The practice is to present emissions from electricity consumption with two different emission factors. This method is further explained under the headline: "Methodology and Sources". Emissions of electricity consumption from using the marked-based method is 34.9 tCO₂e as Sparebanken Møre buys guarantees of origin.

District heating: Consumption of district heating in owned or leased buildings. The bank consumed 468.2 MWh of district heating in their offices during 2020 which resulted in emissions of 2.2 tCO₂e. This is a reduction of 68.1 % in comparison with 2019.

Scope 3

Business travel: The total emissions from business travel activities (air travel, hotel nights and car mileage) for 2020 was 45.2 tCO₂e and the total emission reduction in comparison with last year was 116.3 tCO₂e. Covid-19 was a central factor for the radical decrease in business travel during 2020.

Air travel: Business travel from flights, hotels and car mileage. Flights are measured in person kilometres (pkm) divided in domestic and Nordic/continental flights. During 2020 the bank travelled 47 946 pkm domestic which is 171 340 pkm less than in 2019. Sparebanken Møre flew 12 521 pkm Nordic/continental in 2020 which is a reduction of 85 916 pkm in comparison with 2019. The total emissions of flights during 2020 is 13.7 tCO₂e, a reduction of 80.8 % since last year.

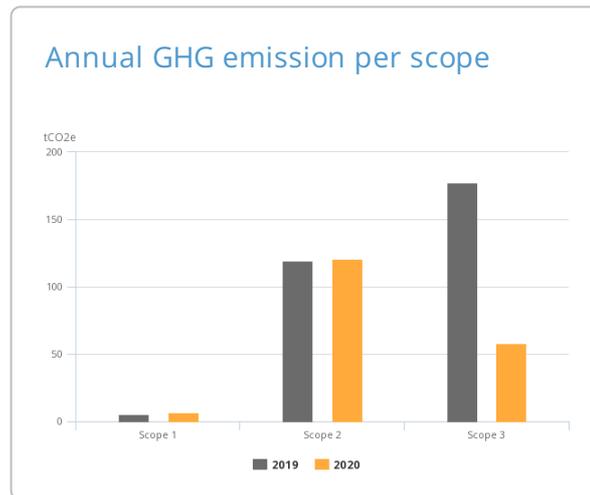
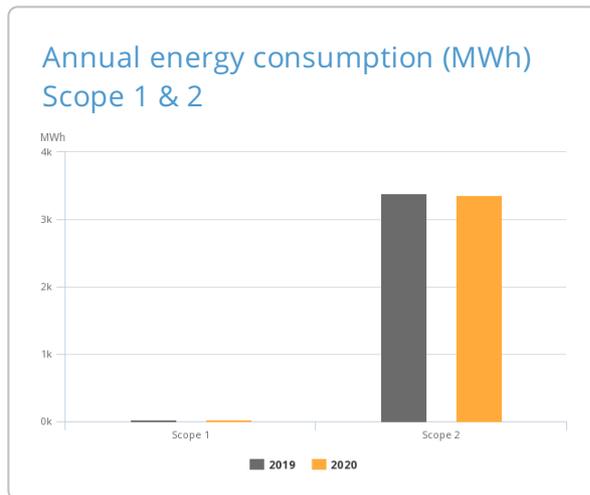
Hotel nights: Number of hotel nights. It decreased from 1670 nights during 2019 to 77 nights in 2020, which led to an emission reduction of 95.5 %.

Car mileage: Usage of own cars within working hours reported in km driven. The total greenhouse gas emissions from car mileage was 29.7 tCO₂e in 2020. Number of km decreased between 2019 and 2020 with 42 %.

Waste: Reported waste in kg divided according to different fractions, as well as treatment method (recycled, energy recovered, deposited). Reported waste fractions during 2020 was incinerated residual waste, recycled paper waste, recycled metal waste and recycled electric waste. In total the bank reported 45 279 kg of waste during 2020. This generated total emissions of 12.8 t CO₂e and a reduction of 14.7 % in comparison with 2019.

Annual GHG Emissions

Category	Description	2018	2019	2020	% change from previous year
Transportation total		-	5.2	6.4	23.6 %
Petrol		-	-	-	-
Diesel (NO)		-	5.2	6.4	23.6 %
Stationary combustion total		-	-	-	-
Burning oil		-	-	-	-
Scope 1 total		-	5.2	6.4	23.6 %
Electricity total		-	112.4	118.5	5.4 %
Electricity Nordic mix		-	112.4	118.5	5.4 %
DH Nordic locations total		-	6.9	2.2	-67.3 %
District heating NO/Aalesund		-	6.9	2.2	-67.3 %
Scope 2 total		-	119.3	120.8	1.3 %
Waste total		-	15.0	12.8	-14.7 %
Residual waste, incinerated		-	14.7	12.4	-15.7 %
Paper waste, recycled		-	0.3	0.3	17.0 %
Glass waste, recycled		-	-	-	-
Metal waste, recycled		-	-	0.1	35.9 %
Organic waste, recycled		-	-	-	-
Plastic waste, recycled		-	-	-	-
EE waste, recycled		-	-	0.1	239.5 %
Business travel total		-	162.3	45.2	-72.1 %
Taxi		-	-	-	-
Hotel nights, Europe		-	39.6	1.8	-95.4 %
Mileage all. car (NO)		-	51.3	29.7	-42.0 %
Mileage all. el car Nordic		-	-	-	-
Continental/Nordic, RF	Nordic	-	1.1	0.7	-34.6 %
Continental/Nordic, RF	Europe	-	14.5	1.3	-91.4 %
Intercontinental, RF	Intercontinental	-	-	-	-
Domestic, RF	Domestic	-	55.9	11.7	-79.0 %
Total purchase of paper		-	-	-	-
Paper waste, recycled		-	-	-	-
Scope 3 total		-	177.3	58.0	-67.3 %
Total		-	301.8	185.2	-38.6 %
Percentage change		-	100.0 %	-38.6 %	



Annual Market-Based GHG Emissions

Category	Unit	2018	2019	2020
Electricity market-based	tCO ₂ e	-	3.3	32.7
Scope 2 market-based	tCO ₂ e	-	10.1	34.9
Total market-based	tCO ₂ e	-	192.7	99.4
Percentage change		-	100.0 %	-48.4 %

Annual Key Energy and Climate Performance Indicators

Name	Unit	2018	2019	2020	% change from previous year
Scope 1 + 2 emissions (tCO ₂ e)		-	124.5	127.2	2.2 %
Total emissions (s1+s2+s3) (tCO ₂ e)		-	301.8	185.2	-38.6 %
Total energy scope 1 +2 (MWh)		-	3,408.9	3,389.2	-0.6 %
Sum energy per location (MWh)		-	3,386.7	3,358.8	-0.8 %
Sum square meters (m ²)		-	-	-	100.0 %
Sum locations kWh/m ²		-	-	-	-
kgCO ₂ e (S1+S2+S2) / Number of man-years		-	813.4	501.9	-38.3 %
FTE	Number of man-years	-	371.0	369.0	-0.5 %

Methodology and sources

The Greenhouse Gas Protocol initiative (GHG Protocol) was developed by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). This analysis is done according to *A Corporate Accounting and Reporting Standard Revised edition*, currently one of four GHG Protocol accounting standards on calculating and reporting GHG emissions. The reporting considers the following greenhouse gases, all converted into CO₂-equivalents: CO₂, CH₄ (methane), N₂O (laughing gas), SF₆, HFCs, PFCs and NF₃.

For corporate reporting, two distinct approaches can be used to consolidate GHG emissions: the equity share approach and the control approach. The most common consolidation approach is the control approach, which can be defined in either financial or operational terms.

The carbon inventory is divided into three main scopes of direct and indirect emissions.

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control. The electricity emission factors used in Cemsys are based on national gross electricity production mixes from the International Energy Agency's statistics (IEA Stat). Emission factors per fuel type are based on assumptions in the IEA methodological framework. Factors for district heating/cooling are either based on actual (local) production mixes, or average IEA statistics.

In January 2015, the GHG Protocol published new guidelines for calculating emissions from electricity consumption. Primarily two methods are used to "allocate" the GHG emissions created by electricity generation to the end consumers of a given grid. These are the location-based and the market-based methods. The location-based method reflects the average emission intensity of the grids on which energy consumption occurs, while the market-based method reflects emissions from electricity that companies have purposefully chosen (or not chosen).

Organisations who report on their GHG emissions will now have to disclose both the location-based emissions from the production of electricity, and the market-based emissions related to the potential purchase of Guarantees of Origin (GoOs) and Renewable Energy Certificates (RECs).

The purpose of this amendment in the reporting methodology is on the one hand to show the impact of energy efficiency measures, and on the other hand to display how the acquisition of GoOs or RECs affect the GHG emissions. Using both methods in the emission reporting highlights the effect of all measures regarding electricity consumption.

The location-based method: The location-based method is based on statistical emissions information and electricity output aggregated and averaged within a defined geographic boundary and during a defined time period. Within this boundary, the different energy producers utilize a mix of energy resources, where the use of fossil fuels (coal, oil, and gas) result in direct GHG-emissions. These emissions are reflected in the location-based emission factor.

The market-based method: The choice of emission factors when using this method is determined by whether the business acquires GoOs/RECs or not. When selling GoOs or RECs, the supplier certifies that the electricity is produced exclusively by renewable sources, which has an emission factor of 0 grams CO₂e per kWh. However, for electricity without the GoO or REC, the emission factor is based on the remaining electricity production after all GoOs and RECs for renewable energy are sold. This is called a residual mix, which is normally substantially higher than the location-based factor. As an example, the market-based Norwegian residual mix factor is approximately 7 times higher than the location-based Nordic mix factor. The reason for this high factor is due to Norway's large export of GoOs/RECs to foreign consumers. In a market perspective, this implies that Norwegian hydropower is largely substituted with an electricity mix including fossil fuels.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products etc.

In general, the carbon accounting should include information that users, both internal and external to the company, need for their decision making. An important aspect of relevance is the selection of an appropriate inventory boundary which reflects the substance and economic reality of the company's business relationships.

Referanser:

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The reference list above is not complete, but contains the necessary references used in CEMAsys. In addition, there will be a number of local / national sources that may be relevant, depending on which emission factors are used.

