ANNUAL REPORT 10

MØRE BOLIGKREDITT

Annual Report and Accounts 2010

Operations in 2010

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company has a licence to operate as a mortgage company and issue covered bonds. The mortgage company is linked to Sparebanken Møre's head office in Keiser Wilhelmsgate 29 – 33 in Ålesund. Møre Boligkreditt AS is Sparebanken Møre's most important source of long-term market funding and an important part of the bank's funding strategy.

In 2010, the mortgage company acquired loans from Sparebanken Møre and the mortgage company's lending portfolio amounted to NOK 5 539 million at year-end 2010. All of the loans in the mortgage company's cover pool were secured by residential mortgages within 75 percent of the property's value at the time of acquisition.

Møre Boligkreditt AS issued NOK 1 850 million worth of covered bonds in 2010. NOK 1 350 million of this came from three new issues and NOK 500 million drew on existing facilities. The company's total outstanding covered bonds amount to NOK 5 082 million. NOK 2 825 million from the company's first three issues was used by the Parent Bank in Norges Bank's swap scheme.

The mortgage company's annual financial statements

The annual financial statements of Møre Boligkreditt AS show a profit after tax amounting to NOK 31 million for 2010. Interest income amounted to NOK 191 million, while interest expenses amounted to NOK 134 million. Net interest income amounted to NOK 57 million. Costs amounted to NOK 14 million. No losses were registered or write-downs made in 2010, and the pre-tax result thus amounted to NOK 43 million. The tax cost amounted to NOK 12 million.

Total assets grew by NOK 1 951 million in 2010, and ended up at NOK 5 796 million by year-end 2010. Net lending accounted for NOK 5 539 million and bank deposits NOK 250 million. Overall, the company acquired loans from the parent bank with a value of NOK 3 860 million. The liabilities primarily consisted of bond debt amounting to NOK 5 082 million and loan in Sparebanken Møre amounting to NOK 217 million. Over-collateralisation at year-end 2010 was 111 per cent.

At the end of the fourth quarter of 2010, the company`s equity amounted to NOK 451 million, of which core capital amounted to NOK 421 million. The mortgage company's capital adequacy based on the standard method in Basel II was calculated at 19.6 per cent as at 31 December 2010. The Board of Directors considers the capital adequacy to be satisfactory in relation to the level of risk in the loan portfolio and the company`s other operations.

In the opinion of the Board of Directors, the presented profit and loss accounts, balance sheet, and notes provide correct and adequate information about the mortgage company's operations and position as per 31 December 2010.

Rating of the company's issues of covered bonds

The rating agency Moody's has given an Aaa-rating to all the covered bonds issued by Møre Boligkreditt AS.

Risks

Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations, and regulatory provisions. These regulations largely stipulate restrictions concerning the scope of the mortgage company's various risk exposures.

The Board and the CEO of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, and that this is adequate and complies with the acts and regulations. Operational risk management in the mortgage company is performed by Sparebanken Møre based on an agreement concluded between the mortgage company and Sparebanken Møre. The risk management emphasises identifying, measuring and managing the mortgage company's risk elements in a manner that ensures Møre Boligkreditt AS complies with the professional credit regulations and keeps the various risks at a low level.

Credit risk

Credit risk is defined as the risk of losses associated with customers or other counterparties being unable to fulfill their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. The credit risk strategy adopted by the mortgage company defines which loans can be acquired by the mortgage company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At year-end 2010, the loans had an average loan-to-value ratio of 51.0 per cent. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

Market risk

Market risk is the risk that will arise due to the mortgage company holding or assuming positions in lending and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must, pursuant to the law, have very low market risk and Board approved restrictions concerning its maximum exposure to market risk. The mortgage company utilises financial derivatives to keep this type of risk at a low level. A specific market strategy has been adopted for Møre Boligkreditt AS which establishes the limits for this type of risk.

The financial markets gradually improved during 2009 and were functioning more normally at the start of 2010. 2010 was characterised by increasing uncertainty regarding global macro developments and a focus on European Government debt management, and the company experienced higher and more volatile borrowing margins.

The mortgage company's investments are made in Norwegian kroner (NOK) and at fixed and variable rates. The mortgage company has no positions in foreign currency. The Board regards the total market risk as low.

Liquidity risk

Liquidity risk is the risk that the mortgage company will be unable to fulfill its obligations without substantial extra costs being incurred in the form of price falls for assets that must be realised or extra expensive funding.

The mortgage company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. The bonds issued by Møre Boligkreditt AS have a soft bullet structure in which the mortgage company has an opportunity to extend the term of its borrowing by up to 12 months should the mortgage company experience problems refinancing on the ordinary due date. The Board regards the mortgage company's liquidity risk as low.

Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures, or external events. Møre Boligkreditt AS has concluded a management agreement with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. Therefore, the operational risk lies within the bank's definition and management of this type of risk, and it is therefore the bank that bears the risk associated with any errors in the deliveries and services that should be provided.

The evaluation of the management and control of operational risk is also afforded substantial space in the group's annual

ICAAP. The operational and established internal control system in the bank and mortgage company is also an important tool for reducing operational risk with respect to both uncovering it and following it up. The Board regards the mortgage company's operational risk as low.

Going concern assumption

The Board is of the opinion that the prerequisites for the going concern assumption exist and confirms that the 2010 annual financial statements were prepared on the basis of a going concern assumption.

Employees

Møre Boligkreditt AS had no employees at year-end 2010. Two man-years from Sparebanken Møre are dedicated to the mortgage company. A number of services are also outsourced for performance by Sparebanken Møre, and these are regulated by a specific agreement between the mortgage company and the bank.

No special working environment measures have been implemented in Møre Boligkreditt AS.

Equal opportunities

The Board consists of three men and two women. The Board and management systematically and actively work to promote equality in the company.

Pollution of the external environment

Møre Boligkreditt AS' activities do not pollute the external environment.

Other factors

As far as the Board is aware, no events have occurred after the end of the financial year of material importance to the mortgage company's position and result as per 31 December 2010.

Research and development

Møre Boligkreditt AS carries out no research and development activities.

Future Prospects

Household credit growth has stabilised in the range of 6 to 6.5 % throughout the autumn. Enduring low interest rates and low unemployment will contribute to maintain the level of activity in the housing market and thus credit growth as well in 2011.

Møre Boligkreditt AS will be Sparebanken Møre's most important source of long-term market funding and forms an important part of the bank's funding strategy. Sparebanken Møre has procedures and routines that facilitate registering and preparing for transfer mortgages that qualify for transfer to Møre Boligkreditt AS. This provides opportunities for systematic portfolio building through further loan portfolio acquisitions.

Møre Boligkreditt AS is planning further acquisitions from Sparebanken Møre's loan portfolio in 2011. The mortgage company is planning to issue new covered bonds and sell them to both national and international investors.

In the fourth quarter of 2010, Møre Boligkreditt AS started work on the establishment of a Euro Medium Term Note (EMTN) programme. The EMTN programme will simplify the company's issuing of covered bonds in the future and will be completed in the first quarter of 2011. Future issues will primarily be made using the programme's documentation.

The company's bonds will be continuously rated by Moody's.

The Board of Directors stresses that significant uncertainty is normally associated with assessing future situations.

Allocations

Profit after tax amounted to NOK 31 million for 2010. The Board of Directors proposes to the Annual General Meeting that a group contribution with a tax effect of NOK 43 million be allocated. After tax this will amount to a net NOK 31 million. In addition it proposes that a group contribution amounting to NOK 20 million without tax effects be allocated through a transfer from other equity. The total group contribution amounts to NOK 51 million after tax.

Ålesund, 31 December 2010
16 February 2011

The Board of Directors of Møre Boligkreditt AS

Kjetil Hauge
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Ole Kjerstad
CEO

Profit and Loss Account

		Møre Boligkreditt AS	
Amounts in NOK Million	Notes	2010	2009
Interest and similar income from:			
Loans to and other claims on credit institutions	9	6	9
Loans to and claims on customers	2	185	99
Interest and similar income		191	108
Interest and similar costs in respect of::			
Debt owed to credit institutions	9	8	2
Securities issued for borrowing purposes	8, 9	126	71
Interest and similar costs		134	73
Net interest and credit commission income	4	57	35
Commission income and revenues from banking services		0	0
Net gains/losses from securities	7	0	0
Total other non-interest income		0	0
Wages, salaries etc.		3	2
Administration costs		1	1
Wages, salaries and general administration costs	10	4	3
Other operating costs	9, 10	10	4
Total operating costs		14	7
Result before credit losses		43	28
Losses on loans, guarantees etc.	3, 4	0	0
Result from ordinary operations before tax		43	28
Tax payable on ordinary result	11	12	8
Result from ordinary operations after tax		31	20
Result pr. share (NOK) *	14	78.14	116.82
Diluted earnings pr. share (NOK)*	14	78.14	116.82

* Prior to capital increase in January 2010. Applies only to numbers for 2009.

Extended accounts according to IAS 1

	Møre Boligkreditt AS	
MNOK	2010	2009
Result from ordinary operations after tax	31	20
Total result from ordinary operations after tax	31	20

Balance sheet

		Møre Boligkreditt AS	
MNOK	Notes	2010	2009
Assets			
Loans to and claims on credit institutions, on a call basis	4, 5, 6, 8, 9	250	235
Overdrafts, working capital- and similar facilities	2, 3, 4, 5, 6, 8	1 341	767
Instalment loans	2, 3, 4, 5, 8	4 198	2 839
Prepayments and accrued income		7	4
Total assets		5 796	3 845
Liabilities and equity capital			
Liabilities to credit institutions, on a call basis	4, 5, 6, 9	217	154
Borrowings raised through the issue of securities	4, 5, 6, 7, 8, 9	5 082	3 250
Financial derivatives	4, 5, 7	16	0
Other liabilities	11	12	8
Deferred tax liability	11	0	0
Incurred costs and prepaid income		18	13
Total liabilities		5 345	3 425
Share capital	13	398	175
Paid-in, not registered, capital increase	13	0	223
Other paid-in equity capital		0	0
Paid-in equity capital		398	398
Other equity capital		53	22
Equity capital accumulated through retained earnings		53	22
Total equity capital	12	451	420
Total liabilities and equity capital		5 796	3 845

Ålesund, 31 December 2010
16 February 2011

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Equity capital

2010				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.09	197 555	175 000	360	22 195
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Equity capital before allocations	420 555	398 000	360	22 195
Total result from ordinary operations after tax	31 100			31 100
Equity capital 31.12.10	451 656	398 000	360	53 296

Proposed group contribution with tax effect amounts to NOK 43 million and proposed group contribution without tax effect amounts to NOK 20 million as per 31 December 2010.

2009				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.08	177 113	175 000	360	1 753
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Equity capital before allocations	400 113	398 000	360	1 753
Set aside for dividend 1)	20 000			20 000
Transferred to other equity capital	443			443
Total result from ordinary operations after tax	20 443			20 443
Equity capital 31.12.09	420 555	398 000	360	22 195

1) On 10 March 2010, the Annual General Meeting voted to reduce the proposed dividend to NOK 0, and NOK 20 million will be kept in other equity.

Cash Flow Statement

	Møre Boligkreditt AS	
Amounts in NOK million	2010	2009
Cash flow from operational activities		
Interest, commission and fees received	197	121
Interest, commission and fees paid	-136	-77
Outgoings relating to operations	-14	-7
Payment of tax	-8	-1
Changes relating to loans to and claims on other financial institutions	0	0
Changes relating to instalment loans to customers	-1 359	-2 839
Changes in respect of utilised credit facilities	-574	-767
Net cash flow from operational activities	-1 894	-3 570
Cash flow from investment activities	0	0
Net cash flow from investment activities	0	0
Cash flow from funding activities		
Changes relating to deposits from Norges Bank and other financial institutions	62	154
Payments received in respect of proceeds from bond issues raised	1 831	3 250
Changes of other debt	16	0
Changes of equity due to capital increase	0	223
Net cash flow from funding activities	1 909	3 627
Net changes on cash holdings	15	57
Holdings of cash 01.01	235	178
Holdings of cash 31.12	250	235

The Cash Flow Statement shows cash payments received and made and cash equivalents throughout the year. The statement has been prepared according to the direct method and adjusted for items which do not generate cash flows, such as provisions and depreciation, as well as writedowns on loans and guarantees. The cash flows are classified as operational activities, investment activities or financial 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 Sparebanken Møre.

Notes

1 - Accounting principles

1.1 Main principles

Møre Boligkreditt AS (the company) is part of the Sparebanken Møre Group, which implemented IFRS in its consolidated financial statements from 1 January 2005. The financial statements of Møre Boligkreditt AS are presented in accordance with the Ministry of Finance's regulations relating to annual accounts, section 1-5 concerning simplified application of international financial reporting standards, hereafter referred to as IFRS Light. IFRS Light means that accounting amounts are treated in accordance with IFRS, but that the notes comply with the regulations relating to annual reports and accounts.

1.2 Income recognition

All fees related to payment transactions are recognised as income as they occur. Interest income is recognised as income using the effective interest rate method. This means that nominal interest plus amortised set-up charges less direct marginal set-up charges is recognised as income as it occurs. The recognition of interest as income pursuant to the effective interest rate method is used for balance sheet items which are stated at amortised cost.

1.3 Currency

All amounts in the financial statements and notes are stated in NOK million, unless otherwise specified. The company's functional currency and presentation currency is Norwegian kroner (NOK). Cash items in foreign currencies are converted into NOK at the exchange rates on the balance sheet date. Changes in value for such items due to changed exchange rates between the transaction date and the balance sheet date are recognised in the profit and loss account. Profit and loss account items are converted using the exchange rate at the time of the transaction.

1.4 Recognition and derecognition of assets and liabilities on the balance sheet

Assets and liabilities are recognised on the balance sheet on the date the company attains real control over the rights to the assets and assumes real obligations. Assets are derecognised from the date real risk relating to the assets is transferred and control over the rights to the assets ceases to exist or expires.

1.5 Financial instruments

1.5.1 Classification

The company's holdings of financial instruments are classified pursuant to IAS 39 according to the purpose of the financial instruments when they are first recognised in the financial statements. Møre Boligkreditt AS has the following classes of financial instruments:

- Loans and claims carried in the balance sheet at amortised cost
- Securities-related debt carried in the balance sheet at amortised cost
- Securities-related debt assessed at fair market value through the profit and loss account
- Financial derivatives classified as hedging instruments assessed at fair market value through the profit and loss account

Loans and claims carried in the balance sheet at amortised cost

All loans and claims are assessed at amortised cost based on expected cash flows.

Securities-related debt carried in the balance sheet at amortised cost

Securities-related debt with floating interest rate are measured at amortised cost. Differences between admission cost and settlement amount at maturity is amortised over the life of the loan using the effective interest method.

Securities-related debt assessed at fair market value through the profit and loss account

Fair value hedging with value changes through the profit and loss account is used for the company's securities issued on fixed rate terms. Losses and gains due to value changes in securities issued stated at fair value with value changes through the profit and loss account are recognised in the period in which they occur.

Financial derivatives classified as hedging instruments assessed at fair market value through the profit and loss account

Financial derivatives are booked at fair value with value changes through the profit and loss account, and recognised in the balance sheet at the gross amount per contract as assets or liabilities, respectively. Financial derivatives used as hedging instruments for managing interest risk are included in this category.

1.5.2 Valuation

Valuation at amortised cost

Loans are assessed at market value when first assessed, with the addition of direct transaction costs. When determining the loan’s value (transaction price), establishment fees are deducted and subject to accrual accounting over the life of the loan as part of the loan’s effective interest cost. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate which exactly discounts estimated, future cash flows over the loan’s expected life, down to the net value of the loan as shown in the balance sheet. By implementing this calculation, all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration.

Valuation at fair value

Financial instruments are recognised at fair value at the time of the contract. Upon their sale they are transferred out of the balance sheet when the risk is transferred to a new owner. Financial instruments not traded on an active exchange are stated on the basis of the company's own valuations based on current market conditions or, alternatively, other valuations from another market actor.

Write-downs

Losses from lending are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted by the effective interest rate. Account is only taken of credit losses caused by loss events that have occurred on the balance sheet date. In the case of lending subject to variable rates, the discounting rate will be equal to the effective interest rate on the valuation date. In the case of lending subject to fixed rates, the discounting rate will be equal to the original effective interest rate. In the case of lending subject to changed interest rates due to the debtor's financial problems, the effective interest rate that applied before the loan's interest rate was changed will be used. Any takeover and sale of associated collateral is taken into account when estimating future cash flows, as are expenses associated with any takeover or sale.

Write-downs for the impairment of loans are recognised in the profit and loss account as lending losses. Calculated interest from lending that was previously written down is recognised in the profit and loss account as interest income. Reversals of write-downs are recognised in the profit and loss account as corrections of losses.

A commitment is regarded as non-performing when the borrower has not paid due instalments or overdrawn amounts have not been covered within a maximum of 90 days. Commitments are reviewed individually and tested for impairment when there is objective evidence that an impairment exists or at the latest in the event of non-performance.

Individual write-downs

Write-downs for losses are made when objective indications exist that a loan is impaired due to poorer creditworthiness. A write-down is reversed when the loss has been reduced and can objectively be associated with an event that occurred after the date it was written down. All loans that is regarded as material, and a selection of others, are tested for impairment to see if objective evidence exists.

Individual loans are written down due to impairment if objective evidence exists of:

a) The debtor having material financial problems
b) Payment default or other material breaches of contract
c) The granting of a payment postponement or new credit to pay an instalment, agreed changes in the interest rate or to other agreement terms due to the debtor having financial problems
d) It is deemed likely that the debtor will enter debt settlement proceedings, other financial restructuring, or that the debtor's estate will be subject to bankruptcy proceedings

Group write-downs

Loans that are not associated with individual write-downs are assessed in groups. Loans that are tested for impairment individually, but for which we have no objective evidence, are also included in group assessments. The impairment tests look at groups of customers with almost equal risk and value properties and are based on risk classification and loss experience for the groups of customers.

Groups of loans are written-down for impairment if there is objective evidence of:

a) Negative changes in the payment status of debtors in the group of loans
b) Real economic effects having occurred that on the balance sheet date have not been fully taken into account in the group's risk classification system

1.5.3 Hedging

The company hedges the value of interest rate risk in securities with fixed interest rate on an individual basis. There is a clear, direct and documented relationship between value changes relating to the hedging instrument and the hedged object. The relationship is documented through a test of the hedging effectiveness when entering into the transaction and through the period of the hedging relationship. If the hedging relationship is discontinued or sufficient hedging effectiveness cannot be verified, the value change for the period is incorporated in the profit and loss account. By applying this principle, one establishes a correct accounting presentation which is in accordance with the company's interest rate management and the real financial development.

1.6 Presentation in balance sheet and profit and loss account

Loans to and claims on credit institutions

Cash is defined as lending to and claims on financial institutions without agreed terms.

Lending

Lending is recognised on the balance sheet, depending on the counterparty, either as loans to and claims on financial institutions or lending to customers, independent of the valuation principle.

Interest income is included on the line "Interest and similar income from loans to and claims on customers and credit institutions" using the effective interest rate method. Changes in value that can be linked to defined objective evidence of impairment on the balance sheet date are included in "Losses on loans, guarantees etc".

Liabilities to financial institutions

Liabilities to financial institutions are recognised in the profit and loss account as liabilities to financial institutions independent of the valuation principle. Interest expenses on liabilities are included in "Interest and similar costs in respect of debt owed to credit institutions" based on the effective interest rate method.

Securities issued

Securities issued includes issued bonds independent of the valuation principle. Interest expenses on the financial instruments are included in "Interest and similar costs in respect of securities issued for borrowing purposes" based on the effective interest rate method.

Tax

The tax cost consists of payable tax for the income year, any tax payable for previous years, and any changes in deferred tax. Deferred tax is calculated on the temporary differences in accordance with IAS 12 Income Taxes. A temporary difference is the difference between the carrying amount on the balance sheet of an asset or liability and the taxable value of that asset or liability. Tax increasing and tax reducing temporary differences that are reversed or could be reversed in the same period are offset and the net amount recognised. Deferred tax assets are recognised on the balance sheet to the extent that it is likely they will be able to be utilised against future taxable income. Deferred tax (tax assets) is recognised at its nominal value and reported on a separate line on the balance sheet. Tax payable and deferred tax are recognised directly in the profit and loss account against equity to the extent they relate to situations in which these are recognised directly against equity.

Provisions, contingent assets and contingent liabilities

A provision is only recognised when an obligation exists (legal or actual) as a result of a previous event, it is likely that a flow of resources that includes financial benefits out of the entity will be required to fulfil the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recognised at the amount that expresses the best estimate of the expenses required to fulfil the existing obligation on the balance sheet date. If material, account is taken of the time value of money when calculating the size of the provision. Contingent assets or contingent liabilities are not recognised.

1.7 Events occurring after the balance sheet date

New information about the mortgage company's positions on the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the mortgage company's position on the balance sheet date, but will affect the mortgage company's position in the future are disclosed if they are material.

1.8 Cash flow analysis

The cash flow analysis is prepared on the basis of net cash flows from operational, investment and financing activities. Cash flows from operational activities are defined as current interest associated with lending activities for customers, net receipts and payments from lending activities, and payments generated from costs associated with operational activities. Cash flows from other securities transactions, issuing and repaying securities issued, and equity are defined as funding activities.

1.9 Equity capital

The equity capital consists of paid-in share capital, other paid-in equity, and other equity. Møre Boligkreditt AS recognises provisions for dividends and group contributions as other equity up to the point they are approved by the company's general meeting. Transaction costs associated with an equity transaction are recognised directly against equity.

1.10 Use of estimates in the preparation of the annual accounts

Preparation of the annual accounts in accordance with certain IFRS accounting standards means that in certain cases management has to use best estimates and assumptions. The assessments are based on historical experience and assumptions deemed to be reasonable and sensible by the management. The estimates and assumptions on which the abovementioned preparation is based affect the reported amounts of assets, liabilities and off-balance sheet items, as well as income and costs in the submitted annual accounts. There is a risk of the actual results later, to a certain extent, deviating from the estimates and assumptions on which the abovementioned preparation is based.

Certain accounting principles are regarded as particularly important in order to illustrate the company'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:

Write-down on loans

The Group examines the lending portfolio at least every quarter. Commitments are reviewed individually and deemed to require writedowns when there is objective proof of impairment in value or at the latest in the case of the commitment having been in default for more than 90 days. Furthermore, write-down assessments are done for groups of loans. Reference is made to Note 3 for further description of principles and methodology. In connection with write-down assessments, all cash flows relating to the commitments in question shall in principle be identified, and an assessment shall be made as to which cash flows are vulnerable. Against the background of the large number of commitments which are subject to assessment both on an individual- and group basis, such calculations must be done on the basis of approximation and figures from earlier experience.

Fair market value of financial instruments – including financial derivatives

For financial instruments which are not traded in active markets, various evaluation methods are applied in order to ascertain fair market value. Further information and a description of the techniques used may be found in Accounting principles, under 1.5.2. Reference is also made to notes 5, 6 and 7 which deal with financial instruments.

2 - Gross loans broken down according to sectors

(MNOK)	Gross loans	
Sectors	2010	2009
Agriculture and forestry	2	2
Fisheries	2	2
Industry and mining	1	0
Building and construction	6	6
Wholesale and retail trade, hotel industry	7	7
Property management	97	102
Transport and private/public service industry	19	15
Public entities	0	0
Non-Norwegian lending	0	0
Miscellaneous	0	0
Total Corporate/Public entities	134	134
Retail customers	5 405	3 472
Total Gross loans	5 539	3 606

Geographical specification (MNOK):

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Gross loans	4 515	2 942	1 024	664	0	0	5 539	3 606
In percentage	81.5	81.6	18.5	18.4	0	0	100.0	100.0

The factors that have the greatest impact on the fair value of the company's lending portfolio are changes in interest rates and credit margins that are not reflected in borrowing rates at the time of measuring. The company has not found it feasible to state the lending portfolio at fair value based on changes in credit margins. The lending portfolio is stated at amortised cost in the annual financial statements since this is considered the best approach to fair value. The lending portfolio generated gross interest income of NOK 185 million in 2010 (NOK 99 million in 2009).

3 - Write-downs, losses and non-performance

Møre Boligkreditt AS reviews its loan portfolio every quarter. All commitments that must be assessed individually are tested to see whether or not objective evidence exists that a loss event has occurred and that the loss event reduces the loan's future cash flows. Examples of such objective evidence are material financial problems at the debtor, payment defaults, material breaches of contract, agreed changes to the interest rate or other agreement terms due to financial problems at the debtor, bankruptcy, etc.

If objective evidence of impairment exists, the loss on the loan is estimated as the difference between the carrying amount (balance + accrued interest on the date of assessment) and the present value of future cash flows. Estimates of future cash flows also take into account takeovers and sales of associated collateral, included expenses associated with such takeovers and sales.

When a future cash flow is estimated according to best judgement and this is registered, the system will calculate the new value of the loan (amortised cost) and the difference compared to the carrying amount will equal the write-down amount.

When all collateral has been realised and there is no doubt the mortgage company will not receive further payments relating to the commitment, the loss write-down will be reversed and the actual loss will be booked. Nonetheless, the claim against the customer will remain and be followed up, unless a debt forgiveness agreement is reached with the customer.

Group write-downs for impaired value are calculated for sub-groups of loans concerning which objective events indicate that future cash flows that would be used to service the commitments have weakened, where it is not possible to examine all commitments on an individual basis, or where information is not identifiable at a commitment level. Commitments against which individual write-downs for losses have been registered are not included in the basis for group write-downs.

The Sparebanken Møre Group has developed its own group write-down model and calculations are conducted each month based on input from the risk classification system, data warehouse, and assessments of macroeconomic factors. Changes to risk classification, negative developments in collateral values, and registered macroeconomic events that affect future estimated cash flows are taken into account in the model. The models looks at both cash flows out of the company (total borrowing and funding expenses, administration expenses, etc), as well as estimated cash flow into the company (including interest income from customers). The group's model for group write-downs is tailored to Møre Boligkreditt AS' assumptions and operations.

No commitments in the company's lending portfolio were identified on the balance sheet date as needing individual write-downs. Nor do the lending statistics on the balance sheet show any registered non-performance in the mortgage company's portfolio. The model used for group write-downs does not indicate any need for provisions for losses for groups of loans.

4 - Risk management

Credit risk

Credit risk represents the greatest area of risk and is defined as the risk of losses associated with customers being unable to fulfill their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. The company's credit risk strategy is revised and adopted annually by the Board and sets forth the company's risk profile in the area of credit. Monthly portfolio management reports have been established that ensure that any deviations from the strategic goals set forth in the credit risk strategy are uncovered. The risk models that have been developed to measure and report credit risk take as their starting point statistical calculations in which both external and internal bank information related to the individual customer is included in the models.

(MNOK)	Møre Boligkreditt AS			
Risk groups based on probability of default in 2010	Gross loans	Guarantees/ Letters of Credit etc.	Drawingrights facilities	Total exposure
Low risk (0 % - < 1 %)	5 183	0	449	5 632
Middle risk (1 % - < 4 %)	278	0	7	285
High risk (4 % - <100 %)	78	0	1	79
Commitments in default	0	0	0	0
Total loans before individual and group write-downs	5 539	0	457	5 996
- Write-downs (individual and group write-downs)	0	0	0	0
Net loans to and claims on customers as at 31.12.2010	5 539	0	457	5 996

(MNOK)	Møre Boligkreditt AS			
Risk groups based on probability of default in 2009	Gross loans	Guarantees/ Letters of Credit etc.	Drawingrights facilities	Total exposure
Low risk (0 % - < 1 %)	3 470	0	288	3 758
Middle risk (1 % - < 4 %)	115	0	3	118
High risk (4 % - <100 %)	21	0	0	21
Commitments in default	0	0	0	0
Total loans before individual and group write-downs	3 606	0	291	3 897
- Write-downs (individual and group write-downs)	0	0	0	0
Net loans to and claims on customers as at 31.12.2009	3 606	0	291	3 897

Market risk

Interest risk occurs in the company's portfolio in connection with its activities relating to loans and bond debt in which different interest terms apply to the company's receivables and liabilities. Depending on the relationship between the interest terms for receivables and liabilities, changes to interest rates could result in increased income or costs.

Møre Boligkreditt AS measures its interest risk with the aid of duration analysis. In this manner the risk the company has assumed, and the effect this would have on the result in the event of changes in the market interest rate, can be quantified.

The analysis states the effective term of the interest-bearing part of the balance sheet. The longer assets are tied up by an investment, the greater the potential loss/gain in the event of a increase/decrease in the market interest rate. The company`s loans to customers and its securitised debt are in floating interest rate terms and the interest risk is regarded as low.

(MNOK)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
2010	-3	2	1	1	0	1

(MNOK)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
2009	-2	1	0	0	0	-1

The tables show the potential effect on the company's result of a one percentage point increase in the level of interest rates. The calculation is based on current positions and market rates as per 31 December.

Liquidity risk

Liquidity risk is the risk that the company will be unable to fulfill its obligations without substantial extra costs being incurred in the form of price falls for assets that must be realised or extra expensive funding. A financial entity is solvent when it is able to redeem its liabilities as they fall due. A slightly wider definition of the term also takes into account that a financial entity should be able to operate normally, which requires that the company can both redeem its liabilities when they fall due and finance increases in its loans portfolio as they arise.

Pursuant to the Financial Institutions Act, a mortgage company that issues covered bonds must ensure that the cash flow from the cover pool enable the company to redeem its payment obligations to holders of covered bonds and counterparties to derivative agreements at all times.

The loans acquired by Møre Boligkreditt AS are primarily financed through the issuing of covered bonds. The company's plan is to ensure that this type of funding shall over time account for a minimum of 80 per cent of the entity's financing of acquired loans. Loans that are acquired and not included in a portfolio financed by covered bonds, and loans that serve as over-collateralisation, are financed through a credit facility the company holds in the parent bank, Sparebanken Møre.

Residual maturity as per 31.12.10

(MNOK)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans and claims on customers	19	39	180	2 272	3 036	5 546
Short-term investments in securities	0	0	0	0	0	0
Loans to and claims on credit institutions	250	0	0	0	0	250
Total	269	39	180	2 272	3 036	5 796
Liabilities to credit institutions	217	0	0	0	0	217
Borrowings raised through the issue of securities	0	0	0	2 499	2 583	5 082
Other liabilities	30	0	0	0	16	46
Total	247	0	0	2 499	2 599	5 345

Residual maturity as per 31.12.09

(MNOK)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Loans and claims on customers	18	28	130	1 449	1 985	3 610
Short-term investments in securities	0	0	0	0	0	0
Loans to and claims on credit institutions	235	0	0	0	0	235
Total	253	28	130	1 449	1 985	3 845
Liabilities to credit institutions	154	0	0	0	0	154
Borrowings raised through the issue of securities	0	0	0	750	2 500	3 250
Other liabilities	21	0	0	0	0	21
Total	175	0	0	750	2 500	3 425

Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures, or external events. Møre Boligkreditt AS has concluded a management agreement with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. Therefore, the operational risk lies within its parent bank's definition and management of this type of risk, and it is therefore the parent bank that bears the risk associated with any errors in the deliveries and services that should be provided.

The evaluation of the management and control of operational risk is also afforded substantial space in the group's annual ICAAP. The operational and established internal control system in the mortgage company is also an important tool for reducing operational risk with respect to both uncovering it and following it up. The internal control system should be designed to ensure reasonable certainty with respect to attaining goals within the areas of strategic development, goal-oriented, efficient operations, reliable reporting, and compliance with acts and regulations, including compliance with intragroup and company-specific guidelines and policies. A well-functioning internal control system should also ensure the mortgage company's risk exposure is within the adopted risk profile. Reports are submitted to the company's Board concerning operations and the risk situation throughout the year. The CEO submits an annual report to the Board containing an overall assessment of the risk situation and an assessment of whether the internal controls are functioning satisfactorily.

5 - Classification of financial instruments

All lending and receivables are stated at amortised cost based on expected cash flows. Amortised cost is used for securities issued on variable rate terms. The difference between the borrowing costs and settlement amount upon maturity is amortised over the loan's term.

Fair value hedging with value changes through the profit and loss account is used for the company's securities issued on fixed rate terms.

Financial derivatives are booked at fair value with value changes through the profit and loss account, and recognised in the balance sheet at the gross amount per contract as assets or liabilities, respectively.

Market prices are used to price lending to and receivables from financial institutions and lending to customers. The prices set include a mark-up for the relevant credit risk. Fair value is estimated as the carrying amount of the lending and receivables stated at amortised cost.

31.12.10

(MNOK)	Fair value hedged financial instruments with value changes through the profit and loss account	Financial derivatives used as hedging instruments	Financial assets and liabilities stated at amortised cost	Total
Loans to and claims on credit institutions	-	-	250	250
Loans to and claims on customers	-	-	5 539	5 539
Total financial assets	0	0	5 789	5 789
Liabilities to credit institutions	-	-	217	217
Financial derivatives	-	16	-	16
Borrowings raised through the issue of securities	484	-	4 598	5 082
Total financial liabilities	484	16	4 815	5 315

31.12.09

(MNOK)	Fair value hedged financial instruments with value changes through the profit and loss account	Financial derivatives used as hedging instruments	Financial assets and liabilities stated at amortised cost	Total
Loans to and claims on credit institutions	-	-	235	235
Loans to and claims on customers	-	-	3 606	3 606
Total financial assets	0	0	3 841	3 841
Liabilities to credit institutions	-	-	154	154
Financial derivatives	-	-	-	0
Borrowings raised through the issue of securities	-	-	3 250	3 250
Total financial liabilities	0	0	3 404	3 404

6 - Fair value of financial instruments assessed at amortised cost

(MNOK)	Booked value	Fair value	Booked value	Fair value
	31.12.2010	31.12.2010	31.12.2009	31.12.2009
Loans to and claims on credit institutions	250	250	235	235
Loans to and claims on customers	5 539	5 539	3 606	3 606
Total financial assets	5 789	5 789	3 841	3841
Liabilities to credit institutions	217	217	154	154
Borrowings raised through the issue of securities	4 598	4 599	3 250	3 254
Total financial liabilities	4 815	4 816	3 404	3 408

7 - Financial instruments stated at fair value

31.12.10

(MNOK)	Valuation based on prices in an active market	Valuation based on observed market information	Valuation based on other than observed market information
	Level 1	Level 2	Level 3
Liabilities			
Securitised debt	-	484	-
Financial derivatives	-	16	-

The company's securities issued on fixed rate terms have an excess value of NOK 16 million and financial derivatives (interest rate swaps) have a shortfall of NOK 16 million as per 31 December 2010. The net value changes and gains/losses on securities was NOK 0 million in 2010.

8 - Financial liabilities

Securities issued on variable rate terms are stated at amortised cost. Fair value hedging with value changes through the profit and loss account is used for the company's securities issued on fixed rate terms (NO0010588072).

Covered bonds (MNOK)

ISIN code	Currency	Nominal value	Interest	Issue	Maturity	31.12.2010	31.12.2009
NO0010499825	NOK	1 500	3M Nibor + 0.40 %	2009	2012	750	750
NO0010499833	NOK	1 500	3M Nibor + 0.45 %	2009	2014	1 000	1 000
NO0010499841	NOK	1 500	3M Nibor + 0.50 %	2009	2016	1 500	1 500
NO0010564982	NOK	1 500	3M Nibor + 0.40 %	2010	2015	749	-
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	599	-
NO0010588072	NOK	1 500	fixed 4.75 %	2010	2025	484	-
Borrowings raised through the issue of securities						5 082	3 250
Interest and similar costs in respect of securities issued for borrowing purposes						126	71

The bank swapped government securities for covered bonds with the government in the government's confidence package for the banks. Sparebanken Møre has bought parts of issued bonds from Møre Boligkreditt AS, which are used as collateral for swap agreements concluded with Norges Bank. The value of the pledged collateral must exceed the value of received government securities plus a minimum security margin during the entire agreement period. Upon expiry of the agreement period, the bank is obligated to buy back the covered bonds at the original sales price. The bank receives interest from the covered bonds as if these were not sold. From an accounting perspective, the bank group assesses the conditions in IAS 39 for derecognition not to be fulfilled since in the swap scheme the bank group retains the risk associated with the development of the value of the bonds and other cash flows in the form of interest.

Cover pool (MNOK)	31.12.2010	31.12.2009
Pool of eligible loans	5 391	3 533
Supplementary assets	250	235
Total collateralised assets	5 641	3 768
Over-collateralisation	111.1 %	115.9 %

9 - Transactions with related parties

These are transactions between the mortgage company and Sparebanken Møre that are conducted at arm's length and at arm's length prices. Credit and deposits in the parent company are priced on commercial terms. Other costs (rent, office supplies, IT equipment, etc) are purchased from the parent bank at market prices/ market rent.

The most important transactions are as follows:

(MNOK)	2010	2009
Result		
Interest and credit commision income from Sparebanken Møre related to deposits	6	9
Interest and credit commision income paid to Sparebanken Møre related to loan/credit facility	8	2
Interest paid to Sparebanken Møre related to securitised debt	86	68
Management fee paid to Sparebanken Møre	7	4
Balance sheet		
Deposits in Sparebanken Møre	250	235
Covered bonds	2 818	3 040
Loan/credit facility in Sparebanken Møre	217	154

10 - Wages, compensation and fees

(Amounts in NOK Thousand)		2010	2009
Wages and other cash payments		2 786	2 369
- hereof salary to present CEO from 1 September to 31 December 2010		219	-
- hereof other remuneration to present CEO		52	-
- hereof salary to former CEO from 1 January to 31 August 2010		527	744
- hereof other remuneration to former CEO		118	159
- hereof remuneration to the Board of Directors and the Control Committee		75	75
The Board of Directors	Magnar Inge Bolstad, former chairman	0	0
	Kjetil Hauge, chairman	0	0
	Sandra Kristin Myhre Helseth	0	0
	Trond Lars Nydal	0	0
	Geir Tore Hjelle	30	30
	Britt Iren Tøsse Aandal	30	30
Control Committee	Kjetil Kvammen, chairman	6	6
	Lars K. Nogva	3	3
	Thor martin Eidem	3	3
	Eva Hove	3	3
Fees paid to external auditor		369	158
- hereof auditing services		130	35
- hereof tax-related advisory services		7	3
- hereof other non-audit services, mainly fees for independent inspector according to the Financial Services Act		232	120

The company had as per 31 December 2010 no obligation to pay the CEO, chairman of the Board of Directors or other employees special remuneration upon them leaving the company or in the event of a change in their employment relationship or duties. Nor do any obligations concerning bonuses, options, or similar exist for any of the aforementioned people. All employees are formally employed by Sparebanken Møre. Two man-years from Sparebanken Møre are dedicated to the mortgage company. A number of services are also outsourced for performance by Sparebanken Møre, and these are regulated by a specific agreement between the mortgage company and the bank.

The above-mentioned pay and other cash benefits, as well as employer's national insurance contributions, are cost refunds to Sparebanken Møre. The employees are members of Sparebanken Møre's pension scheme. The scheme satisfies the current requirements for mandatory occupational pensions. None of the members of the Board of Directors or the Control Committee have loans in the mortgage company.

11 - Tax

(MNOK)	2010	2009
Result before tax	43	28
Permanent differences	0	0
Changes in temporary differences	0	0
Income subject to tax	43	28
Tax payable at 28 per cent	12	8
Change in deferred tax	0	0
Tax cost	12	8

Tax payable will be reduced to NOK 0 million when the group contribution of NOK 43 million is approved in 2011.

Specification of temporary differences and computation of deferred tax	2010	2009
Financial liability	16	0
Financial instruments	-16	0
Net negative (-)/positive differences	0	0
Deferred tax (28 per cent)	0	0

Financial instruments are valued in the financial statements at market value, while in the tax accounts handled by the realisation principle.

12 - Equity and related capital

Capital adequacy is calculated pursuant to the applicable regulations in Basel II. The purpose of the new regulations is to produce greater harmony between risk and capital requirements in the various institutions. Møre Boligkreditt AS uses the standard method for calculating the minimum requirements regarding primary capital for credit risk and market risk. Calculations associated with operational risk are calculated based on the basic method.

In its long-term strategic plan the Sparebanken Møre Group, including Møre Boligkreditt AS, has decided to apply during the period of the plan for approval from Finanstilsynet to use internal measuring methods (basic IRB pursuant to Basel II) for credit risk. This process has started and a dialogue has been established with the supervisory authorities.

The primary capital should as a minimum be 8 percent pursuant to the applicable regulations. The primary capital of the group and the mortgage company shall at all times fulfill the minimum requirements for capital adequacy with the addition of a buffer equal to Møre Boligkreditt AS' accepted risk tolerances. The assessment of the risk profile, capital requirements and profitability shall at all times be based on the group's and mortgage company's long-term strategic plan. The group's capital requirements are calculated in the annual ICAAP. Capital assessments relating to Møre Boligkreditt AS are included in these calculations. Otherwise please refer to the group's Pillar III document, which is available on Sparebanken Møre's website, as well as Note 4 - "Risk management".

The current defined long-term target for Møre Boligkreditt AS is to have primary capital of at least 12 per cent. The target for core (tier 1) capital is at least 10 per cent. The long-term profitability requirement is defined as a return on equity of 6 percentage points above the long-term yield on government bonds.

(MNOK)	**Møre Boligkreditt AS**	
Standard method (Basel II)	2010	2009
Core capital	421	400
Supplementary capital	0	0
Net equity and subordinated loan capital	421	400
Risk-weighted assets (calculation basis for capital adequacy ratio)	2 146	1 428
Capital adequacy ratio	19.60	28.01
Core capital ratio	19.60	28.01

Specification of risk-weighted assets

2010	**Booked values**								**Basis of calculation**	**Capital require-ment 8 %**
Total	0 %	10 %	20 %	35 %	50 %	75 %	100 %	Total		
Commitments involving states and central banks								-	-	-
Commitments involving local and regional authorities								-	-	-
Commitments involving public sector companies								-	-	-
Commitments involving institutions (banks etc.)			250					250	50	4
Commitments involving companies (corporate customers)								-	-	-
Commitments involving mass market (retail banking customers)								-	-	-
Commitments involving mortgage on residential property				5 988				5 988	2 017	161
Commitments involving mortgage on commercial property								-	-	-
Commitments due for payment								-	-	-
Commitments involving high risk (investment funds)								-	-	-
Commitments involving covered bonds								-	-	-
Other commitments							13	13	13	1
Capital requirement – credit-/counterpart- and impairment risk	-	-	250	5 988	-	-	13	6 251	2 081	167
Operational risk (basis method)									65	5
Deductions from the capital requirement									-	-
Risk-weighted assets (calculation basis for capital adequacy ratio)									2 146	172
Net equity and subordinated loan capital									421	
Capital adequacy ratio									19.60	

Specification of risk-weighted assets

2009	Booked values								Basis of calculation	Capital requirement 8 %
Total	0 %	10 %	20 %	35 %	50 %	75 %	100 %	Total		
Commitments involving states and central banks								-	-	-
Commitments involving local and regional authorities								-	-	-
Commitments involving public sector companies								-	-	-
Commitments involving institutions (banks etc.)			235					235	47	4
Commitments involving companies (corporate customers)								-	-	-
Commitments involving mass market (retail banking customers)								-	-	-
Commitments involving mortgage on residential property				3 892				3 892	1 312	105
Commitments involving mortgage on commercial property								-	-	-
Commitments due for payment								-	-	-
Commitments involving high risk (investment funds)								-	-	-
Commitments involving covered bonds								-	-	-
Other commitments							4	4	4	0
Capital requirement – credit-/counterpart- and impairment risk	-	-	235	3 892	-	-	4	4 131	1 363	109
Operational risk (basis method)									65	5
Deductions from the capital requirement									-	-
Risk-weighted assets (calculation basis for capital adequacy ratio)									1 428	114
Net equity and subordinated loan capital									400	
Capital adequacy ratio									28.01	

13 - Share capital

The share capital consists of 398 000 shares each with a nominal value of NOK 1 000 after the capital increase registered in the Register of Business Enterprises on 9 January 2010. All shares are owned by Sparebanken Møre. Møre Boligkreditt AS is included in the consolidated financial statements of Sparebanken Møre and information about the consolidated financial statements can be obtained by contacting one of the bank's offices or via the bank's website: www.sbm.no.

14 - Result/earnings per share

The basic result per share is calculated as the proportion between the year`s result and the number of shares issued at year-end, adjusted for any issues that do not provide entitlement to full dividend.

The diluted result per share is no different to the basic result per share. The issue in Møre Boligkreditt AS was registered on 9 January 2010.

	2010	2009
Result from ordinary operations before tax (NOK Thousand)	31 100	20 443
Weighted average number of shares issued	398 000	175 000
Weighted average number of shares issued, diluted	398 000	175 000
Result per share (NOK)	78.14	116.82
Diluted result per share (NOK)	78.14	116.82

15 - Events after the balance sheet date

No events of material significance for the financial statements for 2010 have occurred after the balance sheet date. The company is not involved in any legal proceedings.

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

We hereby confirm that the company's annual financial statements for the period 1 January 2010 to 31 December 2010, 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 fair and true picture of the company's assets, liabilities, financial position, and results as a whole.

We also hereby declare that the annual report provides a fair and true picture of the financial performance and position of the company, as well as a description of the most important risk and uncertainty factors faced by the company.

Ålesund, 31 December 2010
16 February 2011

The Board of Directors of Møre Boligkreditt AS

Kjetil Hauge
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Ole Kjerstad
CEO

Auditor`s report for 2010

To the Annual Shareholders' Meeting and the Supervisory Board of Møre Boligkreditt AS

Report on the financial statements

We have audited the accompanying financial statements of Møre Boligkreditt AS, which comprise the balance sheet as at 31 December 2010, the statements of income and comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Møre Boligkreditt AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

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 Directors' report concerning the financial statements, the going concern assumption and the proposal for the 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 the Board of Directors and Chief Executive Officer have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Ålesund, 16 February 2011
ERNST & YOUNG AS
Ivar-André Norvik
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been made for information purposes only.

Annual Report 2010 from the Control Committee

During the year of operations in 2010, the Control Committee has seen to it that the operations of Møre Boligkreditt AS have been conducted in accordance with laws and regulations, the company`s articles of association and other decisions to which Møre Boligkreditt AS is obliged to adhere.

The Control Committee has reviewed the Minutes of the Board of Directors, reports from the external and the internal auditor, reports from the independent inspector, the company's correspondence with the Norwegian FSA (Finanstilsynet), and otherwise conducted inspections as imposed by currently valid laws.

During the period, regular committee meetings have been held at the company's head office.

The comments made by the Control Committee during the period in question have been resolved with the company's management.

Furthermore, the Control Committee has examined the Annual Report from the Board of Directors, the Annual Accounts and Auditor's Report, and found no basis for any comments to be made.

The Control Committee recommends the Annual Report and the Annual Accounts for the 2010 accounting year to be approved.

Ålesund, 17 February 2011

Control Committee of Møre Boligkreditt AS

Kjetil Kvammen
CHAIRMAN

Lars K. Nogva
DEPUTY CHAIRMAN

Eva Hove

Thor Martin Eidem

Highlights

Quarterly results

MNOK	4. q. 2010	3. q. 2010	2. q. 2010	1. q. 2010	4. q. 2009
Net interest and credit commission income	16	13	14	14	12
Total other operating income	0	0	0	0	0
Total operating costs	4	3	5	3	2
Result before losses	12	10	9	11	10
Losses on loans, guarantees etc.	0	0	0	0	0
Result before tax	12	10	9	11	10
Tax payable on ordinary result	3	3	3	3	3
Result from ordinary operations after tax	9	7	6	8	7

As a percentage of average assets	4. q. 2010	3. q. 2010	2. q. 2010	1. q. 2010	4. q. 2009
Net interest and credit commission income	1.16	1.08	1.16	1.40	1.38
Total other operating income	0.01	0.00	0.00	0.00	0.00
Total operating costs	0.27	0.23	0.40	0.25	0.29
Result before losses	0.90	0.85	0.76	1.15	1.09
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.00	0.00
Result before tax	0.90	0.85	0.76	1.15	1.09
Tax payable on ordinary result	0.25	0.24	0.21	0.32	0.28
Result from ordinary operations after tax	0.65	0.61	0.55	0.83	0.81

Result

MNOK	2010	2009
Net interest and credit commission income	57	35
Total other operating income	0	0
Total operating costs	14	7
Result before losses	43	28
Losses on loans, guarantees etc.	0	0
Result before tax	43	28
Tax payable on ordinary result	12	8
Result from ordinary operations after tax	31	20

As a percentage of average assets	2010	2009
Net interest and credit commission income	1.19	1.47
Total other operating income	0.00	0.00
Total operating costs	0.29	0.30
Result before losses	0.90	1.18
Losses on loans, guarantees etc.	0.00	0.00
Result before tax	0.90	1.18
Tax payable on ordinary result	0.25	0.33
Result from ordinary operations after tax	0.65	0.85

MØRE BOLIGKREDITT

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