ANNUAL REPORT 10

SPAREBANKEN MØRE

Financial calendar for 2011

The following dates apply for the publication of the Bank`s accounts :

First quarter accounts 2011: 28.04.11

Second quarter accounts 2011: 11.08.11

Third quarter accounts 2011: 20.10.11

Please also note the following dates:

Meeting of the Board of Trusteees (Annual Accounts):	25.03.11
Meeting of the Board of Trustees (Elections):	27.04.11
EC-holder meeting (Elections):	22.03.11
Ex. dividends on ECs:	28.03.11
Payment of dividends on ECs to be made on:	06.04.11

Front page: Sandra K. Myhre Helseth

Contents

Financial highlights

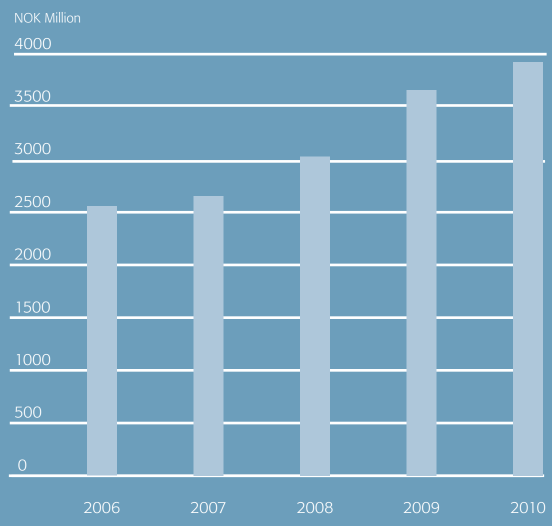
NOK million	2010	2009	2008	2007	2006
Results					
Result before losses	643	550	545	466	380
Result before losses 1)	1.52	1.35	1.44	1.40	1.32
Result before taxes	612	468	480	470	380
Result before taxes 1)	1.45	1.15	1.27	1.41	1.32
Result after taxes	458	335	338	333	272
Result after taxes 1)	1.09	0.82	0.90	1.00	0.94
Losses as a percentage of gross loans 01.01	0.08	0.23	0.21	-0.01	0.00
Return on equity, after tax 2)	16.0	14.1	12.8	15.6	13.4
Costs as a percentage of income	44.8	46.7	46.4	49.3	52.8
Balance sheet					
Total assets	44 441	41 391	40 796	35 615	31 757
Average assets	42 400	40 680	37 820	33 323	28 737
Net lending to customers	37 676	35 851	35 298	31 350	27 449
Deposits from customers	24 551	21 793	20 672	19 401	16 851
Equity Certificates (Numbers refer to the Parent Bank)					
Cash dividend per EC (NOK)	12.00	12.00	20.00	23.00	20.00
Profit per EC in NOK 3)	24.42	24.35	21.66	26.80	23.52
Diluted earnings per EC (NOK) 3)	24.42	24.35	21.66	26.80	23.52
EC fraction 1.1 as a percentage	46.0	43.3	43.2	45.5	47.6
EC fraction 31.12 as a percentage	46.0	46.0	43.3	43.2	45.5
Cash dividend as a percentage of price at OSE	5.8	5.2	12.5	9.1	7.1
Price at Oslo Stock Exchange (NOK)	207.00	192.00	133.00	212.00	234.00
Book value of equity capital per EC (NOK) 3)	170	188	174	169	165
Capital adequacy 4)					
Capital adequacy ratio as a percentage	13.72	13.35	10.81	10.62	11.68
Core capital as a percentage	12.03	11.55	9.12	9.34	10.28
Overall manning levels					
Man-years by year end	401	412	405	405	408

1) As a percentage of average assets.

2) Result after tax as a percentage of average equity.

3) The Fund for Unrealised Gains has been excluded from the calculation.

4) The Standard Approach in Basel II.


NOK Million
4000
3500
3000
2500
2000
1500
1000
500
0
2006
2007
2008
2009
2010


Rosengrens

"Solvency is built up over generations."

Norway's status at year-end 2010 was substantially better than many feared it would be at the start of the year. There was a great deal of uncertainty in many areas and, not least, one feared the consequences of a potential reduction in demand for Norwegian goods and services. The Norwegian economy clearly improved during the year and this upturn has continued into 2011. Meanwhile, major challenges still exist internationally, though the focus has switched from financial institutions to nation states. The national debt of many countries has, partly due to bailouts of financial institutions, risen so high the market fears nation states will experience serious repayment problems. This has resulted in the relevant countries having experienced problems obtaining new loans in the market and challenges refinancing national debt. The high price of lending reflects the fear of debt rescheduling. Here too Norway is in a unique position as a nation.

" Sparebanken Møre's 2010 accounting figures are among its best in an historical perspective. Local industry and commerce have managed to recover their growth rate following the challenges of the financial crisis. "

Olav Arne Fiskerstrand
CEO

Industry and commerce in Møre og Romsdal are experiencing increasing demand for the most important goods and services produced in the county. There is great demand for fish, both caught and farmed, from abroad and record salmon exports were recorded in 2010. "The maritime cluster" is also noticing a positive trend. More new offshore vessels were ordered during the year. This in turn generates work for the vessel equipment industry, which is an important component of industry and commerce in Møre og Romsdal. Yet again, local industry and commerce has, via several important knowledge-based driving forces, demonstrated an ability to find solutions to challenges. The natural spin-offs from these business environments are the most important catalysts behind this development, since they are innovative and create products and services that will be preferred by buyers because of their qualitative advantages.

Much of the focus in 2010 was on how Møre og Romsdal would make a living in the future. Some people believe we can plan our way to the answer to the question. However, history shows that it is skills advantages, creativity and the right timing that create attractiveness in the market, and then only if these are combined with an ability to exploit these commercial advantages. To achieve permanent effects from what has been achieved, it is important that politicians ensure the proper conditions exist within both infrastructure and the residential environment to attract and retain our unique competence locally. Møre og Romsdal has a number of natural factors that support the development of industry and commerce, as well as its inhabitants' quality of life. However, if one is going to ensure future attractiveness and attract young people when competing with major cities, extra value has to be created in the competition with them.

The greatest challenge and opportunities for industry, commerce and the people in the county may perhaps lie in good communications, within the county and into/out of the county. This requires cooperation across municipal boundaries and bailiwicks because the individual family members who will make up the future's population of the county need sensible commute times. Some of the work has been done and some is underway, but important road connections are lacking or are in a poor condition. Ferry-free connections between the north and south will be particularly important for the county's future development. Large portions of the general public will continue to depend on boats for many years into the future and have to make big detours to move between the major towns and villages in the county. A sensible, binding timetable for resolving these challenges would undoubtedly provide the basis for a new deal in the affected areas. Local politicians can do something about this through a joint effort, through a willingness to prioritise between the various alternatives and prioritise when they are going to be realised.

Sparebanken Møre is one of the country's soundest banks. Solvency is built up over generations as krone by krone from the annual results are placed in the Bank's own fund, the primary capital fund. This is the equity that is the local community's share of the Bank's assets. The Bank has also obtained equity from market investors in the form of equity certificates (EC) in order to be able to grow and develop in line with the borrowing needs of its customers. This part of the equity has also helped to create annual results. These results have been partly deposited in a separate fund linked to the EC. EC holders also receive an annual payment of the remaining part of the result created in the form of a cash dividend. Pursuant to the Bank's dividend policy, the own-

ers of the primary capital (the local community) shall receive the same percentage dividend as EC holders. Given that the owner of the primary capital is the local community in Sparebanken Møre's market area, the County of Møre og Romsdal, the dividends are distributed to them. The dividends are distributed in the form of financial contributions to teams and organisations in the county. This is intended to improve the quality of life and development in those local communities in which Sparebanken Møre operates.

Sparebanken Møre's distribution of dividends locally consequently helps to create long-term value that benefits the county's inhabitants. This is done by, for example, donating dividend funds to goal-oriented transport projects, establishing and maintaining specific professorships at university colleges, developing cultural activities such as bands, theatre, etc. Sparebanken Møre's dividend distribution policy is aimed at maintaining the interaction between good local communities and local industry and commerce. Without attractive local communities to live in, young people will leave, and without attractive local communities with jobs it is difficult to attract and retain established families. Without young people local communities will gradually wither and die out.

Sparebanken Møre's 2010 accounting figures are among its best in an historical perspective. Local industry and commerce have managed to recover their growth rate following the challenges of the financial crisis. The Bank is noticing this optimism in the form of increasing demand for loans, which in turn is based on increased market demand for the products and services produced in Møre og Romsdal. With good employment rates in large parts of the county, the level of activity in the retail market has been sustained well and is growing. The Bank operates within the market framework that exists at any given time, though in general it tries to ensure prudent spending in relation to income. Since the Bank limits its activities to that which is created through customer transactions, the results are characterised by stability and predictability. The good results for 2010 resulted in increased solvency and a good dividend for the owners of the equity: The local community and EC holders.

I would again this year like to thank the Bank's staff for their great efforts. A significant boost in competence has taken place in the Bank in that almost 200 of the Bank's energetic employees who deal with customers have attained, or are in the process of attaining, the title "Authorised Financial Adviser".

The many years of systematic managerial development in Sparebanken Møre was crowned on 25 January 2011 when one of the Bank's young managers, 36 year-old controller Sandra Myhre Helseth, was picked as Norway's "Young Manager of the Year" from a field of more than one hundred managerial talents throughout the country.

On behalf of all of us in the Bank, I would like to thank our customers, EC holders and officers for the past year.

Kind regards,
Olav Arne Fiskerstrand

The Board of Directors

HELGE AARSETH

CHAIRMAN

Helge Aarseth has a bachelor of law degree. He has worked in the tax department of the Ministry of Finance and at the legal faculty of the University of Oslo. He is a lawyer and partner in the law firm Larhammer & Aarseth and has been authorised to attend meetings at the High Court since 1986. Helge Aarseth was Chairman of Helse Nordmøre og Romsdal from 2006 to 2010. He is now the Deputy Chairman of Domstoladministrasjonen, a member of the Board of Directors of Havila Shipping and a representative for Den Norske Advokatforening in the international legal organisations, CCBE and IBA. He lives in the municipality of Molde and has been a member of Sparebanken Møre's Board of Directors since 2007, and Chairman since 2008.

ROY REITE

DEPUTY CHAIRMAN

Roy Reite graduated as an engineer from the Norwegian University of Science and Technology (NTNU) in Trondheim and has wide-ranging experience from the maritime industry. Today he is the CEO of STX OSV Holdings Limited, a company that is listed in Singapore and with subsidiaries in Norway, Romania, Brazil, Singapore and Vietnam. Roy Reite has been a board member of Sparebanken Møre since 2004 and lives in the municipality of Ålesund.

TORIL HOVDENAK

BOARD MEMBER

Toril Hovdenak is a business school graduate and has completed a 1-year legal university course. She has worked at Møreforskning AS, and has had several different positions at Møre og Romsdal County. Today, Toril Hovdenak is the deputy chairman of the municipality of Molde. In addition to her directorship at Sparebanken Møre, she is a member of the Board of Directors of Istad AS and Bussbygg AS, the chairman of Molde municipality's pension fund, and deputy chairman of Helse Midt-Norge. Toril Hovdenak lives in the municipality of Molde and has been a member of Sparebanken Møre's Board of Directors since 2007.

STIG REMØY

BOARD MEMBER

Stig Remøy lives in the municipality of Herøy and is the CEO and main shareholder of Olympic Shipping AS. He graduated as a sea captain from Kristiansand Maritime School, and in maritime law from Agder District College. After 15 years at sea as a captain both in Norway and abroad, he came ashore in 1995 and started his own shipping company. Stig Remøy is the chairman of the boards of a number of companies in the Olympic Group, and the vice president of the Norwegian Shipowners Association. He has been a board member of Sparebanken Møre since 2003.

INGVILD VARTDAL

BOARD MEMBER

Ingvild Vartdal is a bachelor of law, with experience from KPMG Law, both in Oslo and Ålesund, with tax and company law as her special areas of expertise. Today she is with the legal firm, Schjødt DA. She was a co-author of the book, 'International Tax Handbook', and is on the board of several companies. In addition to being a member of Sparebanken Møre's Board of Directors, she is a member of the Law Committee for tax law, a Board member of I.P. Huse AS and Chairman of the Board of Directors of Vartdal Holding AS and Vartdal Plastindustri AS. Ingvild Vartdal is domiciled in the municipality of Ålesund and has been a member of Sparebanken Møre's Board of Directors since 2008.

ELISABETH MARÅK STØLE

BOARD MEMBER

Elisabeth Maråk Støle has a Master of Management degree and is a business school graduate. Today she works as communications director in SafeRoad's group management. Previous experience includes several managerial positions within the areas of sales, marketing and communication in international companies like Jotun, Telenor and SCA (Svenska Cellulosa AB). In addition to being a member of Sparebanken Møre's Board of Directors, she is a board member of NHO Møre og Romsdal and Sunnmørsposten. Elisabeth Maråk Støle is domiciled in the municipality of Ålesund and has been a member of Sparebanken Møre's Board of Directors since 2008.

HELGE KARSTEN KNUDSEN

BOARD MEMBER

Helge Karsten Knudsen is the senior employee representative at Sparebanken Møre and has been the employees' representative on the Bank's Board of Directors since 2000 and a member of the Board of Directors since 2001. He started working at Sparebanken Møre in 1973 and has many years' experience as a customer service officer. Helge Karsten Knudsen lives in the municipality of Ålesund.

"Favourable outlook for Møre og Romsdal."

The improvement in the international economy appears set to continue in 2011. According to the latest prognoses the Eurozone's growth outlook is somewhat poorer.

> " It should be mentioned that companies in Møre og Romsdal have displayed impressive creativity and drive. This helped to reduce the effects of falling demand in its export markets. "
>
> Inge Furre
> CHIEF ECONOMIST

Demand in the American economy has been sustained in the last few months. The US's growth will probably be around 3 per cent this year. Inflationary pressures are low due to the high level of unemployment and substantial rationalisation in industry and commerce. There are no indications of any increase in interest rates before 2012 at the earliest. China's growth will probably be in the region of 8-9 per cent, which is a little lower than last year. Japan's growth has been estimated at 1.5 per cent. Growth in the Eurozone will probably be around the same level. It will be a good while before the Eurozone sees its first interest rate hike as well.

However, it should be emphasised that there is a great deal of uncertainty. Due to the debt crisis the risk with regard to growth outlooks in Europe is on the downside. Nor is it a given that the American economy will continue to grow at the same rate. The development of private consumption will probably be decisive. With a high unemployment rate and high level of household debt, there is a great risk that consumers will prioritise increased saving. This would affect both the consumer sector and housing market, which is still very weak. Nor can it be excluded that the next bubble that bursts might be debt at a state and local level.

The risk in China is linked to the prospects of the country's currency, the renminbi, strengthening. This would weaken Chinese exporters' competitiveness. The strong increase in house prices also represents a risk factor. A heavy fall in house prices will contribute to reduced demand via the wealth effect. The other risk factor that ought to be mentioned is that the likelihood of a currency war between the USA and China has increased in the last year. Finally, the strong price increases in oil, other raw materials and food could bring about faster interest rate hikes globally than what is currently on the cards.

Norway's upturn is also continuing. This has helped to keep unemployment down. Furthermore, house prices are high and credit growth is picking up. In light of this it is likely that Norges Bank will raise interest rates at least twice during 2011. As things currently stand, the normalisation of interest rates will be a slow process. This is due to low interest rates abroad, which limits Norges Bank's opportunities to raise interest rates based on national considerations. Besides this, inflation is far below the 2.5 per cent long-term inflation target. In December 2010 core inflation was 1.0 per cent.

Møre og Romsdal's economic development was better than expected throughout the year. This was due to the increased pull effects from the international economy, the fact that growth in domestic demand was stronger than expected, and the fact that the level of activity within shipbuilding did not fall heavily as many had feared. It should also be mentioned that companies in Møre og Romsdal have displayed impressive creativity and drive. This helped to reduce the effects of falling demand in its export markets.

In autumn 2010, Statistics Norway produced an analysis for Sparebanken Møre of the economic outlook for the county up to 2012. The analysis shows that this favourable trend will continue, but that there will be major differences between the various sectors. It appears the weakest development will take place within industry. Statistics Norway thus expects industrial output to increase only weakly in line with the development in

the country as a whole. Employment will nonetheless fall. This is due to productivity growth being strong around or just after a trough in the economic cycle. The need for labour will thus fall.

Private sector service providers consist of four major business segments, namely the wholesale and retail trade, business services, domestic transport, and the banking and insurance business. Growth is expected to improve in line with the economic performance of the country as a whole in both 2011 and 2012. The main reason for this is increasing employment income due to the upturn in the Norwegian economy and low interest rates. Investments will also increase within, among other things, the wholesale and retail trade, banking and insurance, and transport. Employment rates are also expected to climb due to increased private consumer demand. Statistics Norway expects the employment trend in Møre og Romsdal to be on a par with the rest of the country, or slightly weaker, in both 2011 and 2012.

Public administration is expected to experience growth in output, employment and investment during the period covered by the forecast. Forecasts indicate average annual output growth in the period 2010-2012 of around 2 per cent. Employment is expected to grow at a slightly lower rate; forecast at around 1.5 per cent on average. The average growth in investment in the period is forecast to be 2.75 per cent. Some of this is ascribed to increased investments in education. The fact that the public sector is continuing to grow is obviously due to the sitting government's priorities. There appears to be a clear desire to continue upgrading the public sector beyond the level established in connection with the financial crisis.

Statistics Norway's forecasts indicate that the total growth in output in the county in the next couple of years, including the upturn in the public sector, will probably be strong enough to prevent unemployment rising. Registered unemployment will thus remain around 2.5 per cent on average in the next couple of years. Møre og Romsdal will thus continue to be among those counties in the country with the lowest unemployment rate.

The most important risk factors in relation to economic development in our county are associated with the international economy, the Norwegian krone's exchange rate, and the oil price, which is relatively high at the moment. The domestic factors that should be mentioned include the fact that interest rates may rise faster than Norges Bank has indicated so far. In these circumstances this will first impact households and the output of private sector service providers.

The population of Møre og Romsdal rose strongly in 2009. Figures from population statistics showed an increase in inhabitants of more than 2,500 people in 2010. We have to go all the way back to 1954 to find a larger increase in the county's population. It appears that the population will continue to grow. This is due to a positive, natural population increase, the fact that the surplus in net immigration from abroad has been sustained, and at the same time the fact that net emigration to other regions in Norway appears to be rising only weakly. A larger workforce provides a basis for higher employment. In the long-term this will help increase the offer of goods and services from industry and commerce and the public sector.


Time Series Analysis

"Work is work, home is offline."

The Young Manager of the Year never answers email in her spare time, and scrupulously avoids giving the impression that she either knows or understands more than she actually does. She was both speechless and honoured when she came out on top and was named Young Manager of the Year 2010.

"The principles I live by and manage by have now been assessed by others, and the award means that I am on the right track and that all the employee and managerial development we do in Sparebanken Møre is valuable," beams financial controller Sandra Myhre Helseth. She herself does not believe she has done anything special to earn the award.

" The great thing about Sparebanken Møre is that we employees are involved in the strategy processes; everyone participates in planning the direction we are going to take in the coming years. "

Sandra Myhre Helseth
FINANCIAL CONTROLLER

"I did not enter to win, but to get constructive feedback so that I can become a better manager. I was not competing with others, only myself," she asserts. In other words, beating others was not the young manager's motivation. She is not driven by an instinct to compete, but by a desire to always be better than she was yesterday.

"I am a typical team player. Not a star player, rather the glue of the team. A football team full of individualists doesn't get far. Buying the best players doesn't help if they are unable to build a sense of team spirit together," says Sandra.

"I strongly believe in showing other people respect, in any context. In ensuring everyone feels seen. When I came to Sparebanken Møre four years ago, I listened to those with more experience. A year later I became a controller with personnel responsibility for five people who were older than me. But I have never been interested in age and gender."

She does not believe there is one single proper managerial style. People and situations are different. But in general, she believes it is important to show respect and not believe you are or try to be the world champion.

"A manager doesn't need to know everything, instead they should draw on other people's resources and ensure that everyone is pulling in the same direction," she says.

"Whether it is about the Bank's annual financial statements or clearing space for your daughters - it is about making a plan and together finding a good way to achieve the goals."

"If everyone feels they own the plan and know they have to do something, everyone will be more dedicated to achieving the goal In other words, my girls know that if they tidy their rooms there will be more time to enjoy each other's company and they won't have to put up with an annoyed, nagging mum. They learn that every action has a consequence."

There are few women managers in Norway compared with other countries, which are otherwise less equal than Norway in many ways. Some people believe this is due to class differences. In other countries "career women" can afford to pay for cleaners and childcare. Sandra does not does not believe the number of women managers has anything to do with equal opportunities.

"But in order for women and men to want management positions in the future, it must be possible to find a balance between work and family; otherwise people run themselves into the ground. Without this balance one can easily end up a workaholic, striving for some unachievable ideal, and that is not the sort of managers we want," she concludes.

Among the things she has done is draw a sharp dividing line between work and spare time, and does not have access to work email after working hours. She also manages to differentiate between what is important and what is not so important, such as the home being shipshape at all times.

"My husband and I share everything at home. Housework is teamwork. For example, all four of us help to make dinner. If I was very particular, no one else would get a look in. You have to accept that everyone does things in their own way."

Women have to let their husband wash stairs from the bottom up, to quote words heard at a women's seminar in Selje once. In Sandra's home it is almost the opposite.

"My husband is the practical one of us, so it is usually me who does things the wrong way," she laughs. From a distance it may look like she is the boss at home as well, but she calls it a brilliant synergy.

"We know each other's strengths and weaknesses and take responsibility for the areas in which we are best. And if visitors pop by, I don't worry too much about dust in the corners. I just say I couldn't be bothered to vacuum, that this is a home, not a show home."

Sandra believes her workplace helps to make her a good manager.

"The great thing about Sparebanken Møre is that we employees are involved in the strategy processes; everyone participates in planning the direction we are going to take in the coming years. That's why Sparebanken Møre is my bank; it fits perfectly with my way of thinking. Such an attitude will also be important in recruiting people in the future," she believes.

The award winner highlights the furniture manufacturer Ekornes in which the employees agreed to a collective pay cut because they identify with the employer. It was THEIR company. And they knew that in turn it was for their own common good. In the same way Sparebanken Møre is a local company that gives a lot back to the local community. A large share of the Bank's profit is namely returned to where the value was created and this social dividend benefits the entire county in culture, sports, infrastructure, education and so on.

"This is more than a workplace. Sparebanken Møre takes its corporate responsibility seriously. I am proud to work in such a bank," says Sandra Myhre Helseth, Norway's Young Manager of the Year 2010.

"We want to help make our county
a good place to live."

Sparebanken Møre is a community builder. The social dividend for 2010 alone amounted to NOK 113 million.

> " We think being able to contribute so much money back to local communities is incredibly positive. "
>
> Kjetil Hauge
> HEAD OF INFORMATION

"As a savings bank we regard ourselves as a key actor in the development of Møre og Romsdal. We are genuinely interested in our county developing into an attractive region to both live and work in," says Sparebanken Møre's head of information, Kjetil Hauge.

Social dividend

Like other companies Sparebanken Møre is dependent on creating good financial results. And like other companies that make a profit, Sparebanken Møre distributes dividends. While many companies' profit primarily goes to shareholders, a large proportion of Sparebanken Møre's profit is returned to local communities.

"We call this transfer the social dividend. These are funds that go to projects and measures intended to develop Møre og Romsdal," says Hauge.
The Bank's branch offices assess which projects, activities or organisations in their local community should receive financial support.

"It is the Bank's local staff who are closest to the action and know best where the pinch is being felt. Therefore, the Bank's branch offices are responsible for distributing a large proportion of the dividend funds. Funds for major intermunicipal projects or projects that concern the entire county are coordinated by the Information and Community Relations Department," says Hauge.

Focus on competence

Sparebanken Møre has defined six main focus areas for the social dividend:

- Developing sport and cultural talent
- Stimulating school children's interest in commercial activities, new business and science subjects
- Møre og Romsdal's cultural life
- Higher education
- Developing meetings places in the county
- Transport/infrastructure

The common denominator for several of the focus areas is the development of competence. The Bank's position is that better competence is very important vis-à-vis the desired development of the county.

"Today, the county holds a strong position within maritime industry and commerce. To maintain this position the companies require steadily greater competence for its deliveries and solutions. At the same time it is also important to ensure the county has more legs to stand on," says Hauge. "Sparebanken Møre has therefore helped to establish sponsored professorships at both Molde University College and Ålesund University College."
"We have also contributed to other knowledge development measures in the county, including Young Entrepreneurship and the Science Centre. A focus on education and competence helps to increase the diversity of new jobs and career opportunities. This is vital to both attracting and retaining the knowledge workers the county needs," says Hauge.

NOK 113 million

Sparebanken Møre's result creation generates substantial annual social dividends. In 2011, the dividend totals NOK 113 million. The year before the amount was NOK 94 million.
"In the last 2 years Sparebanken Møre has contributed more than NOK 200 million to local communities in Møre og Romsdal. We think being able to contribute so much money back to local communities is incredibly positive," says Hauge.

The social divided created depends on the Bank's financial result. "We want industry and commerce to do well and the county to be a good place to live. If Møre og Romsdal does well, then the Bank also does well," says Hauge.

Report of the Board of Directors

The financial statements have been prepared in accordance with IFRS.

All figures relate to the Group. Amounts and percentages in brackets refer to the corresponding period last year.

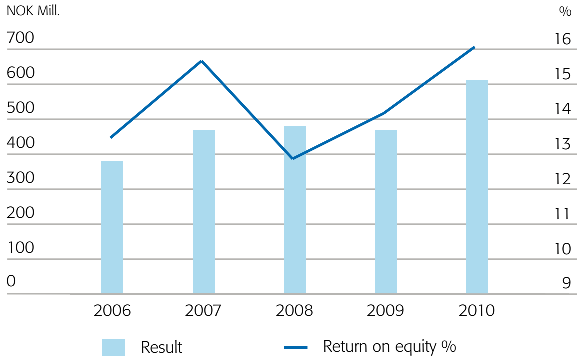
Group's key figures

- The result after tax for 2010 was NOK 458 million, NOK 123 million higher than for 2009.
- The return on equity after tax was 16.0 per cent, compared to 14.1 per cent for 2009.
- The Group`s lending volume grew by 5.1 per cent in 2010, while deposits grew by 12.7 per cent.
- At year-end 2010, the capital adequacy ratio was 13.72, hereof 12.03 percentage points was core (tier 1) capital.
- The Board of Directors is very pleased with the result for 2010.
- The Board of Directors recommends that the Board of Trustees pay a dividend of NOK 12 per equity certificate, transfer NOK 97 million to the dividend equalisation fund and transfer NOK 113 million to dividend funds for the local community.

Results for 2010

The result before losses was NOK 643 million and 1.52 per cent of average total assets, an increase of NOK 93 million and 0.17 percentage points from 2009. The result after losses on loans and guarantees was NOK 612 million and 1.45 per cent of total assets, up by NOK 144 million and 0.30 percentage points. The net result of NOK 458 million represented 1.09 per cent of total assets, compared to NOK 335 million and 0.82 per cent in 2009. The return on equity of 16.0 per cent for 2010 is above the Bank`s target of a return on equity of a minimum of 6 percentage points above the long-term risk free interest rate (the ten-year yield on Norwegian Treasury Bonds in 2010 was 3.52 per cent on average). The result per Equity Certificate was NOK 24.42, compared to NOK 24.35 in 2009.

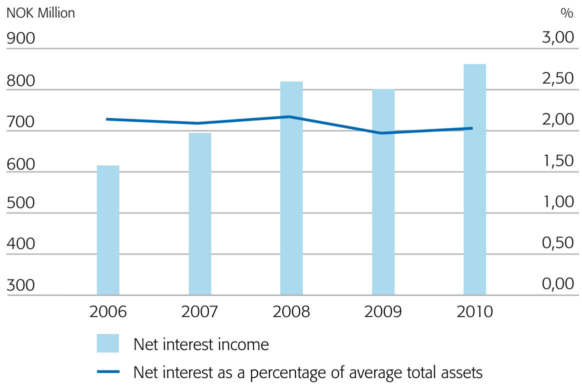
Result and return on equity



Net interest income

Net interest income and credit commission income was NOK 862 million in 2010 (NOK 802 million). In relation to average total assets, net interest income was 2.03 per cent (1.97 per cent). The increase in net interest income is primarily due to increase in the deposit to loan ratio and favorable financing through Møre Boligkreditt AS. Net interest income accounted for 74 per cent of total income in 2010 (76 per cent).

Net interest and interest income

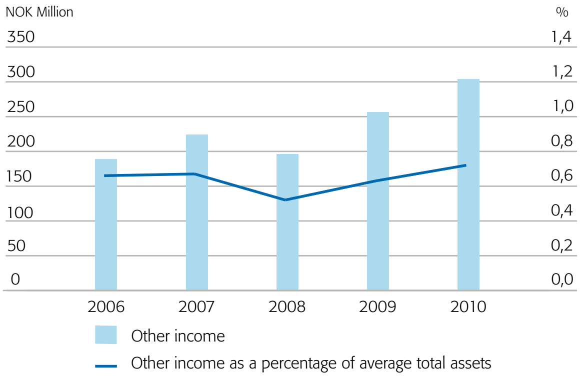


Other income

Income from gains, commissions and fees was NOK 304 million (NOK 256 million). The main reason for this increase is the gain on shares in Nordito AS of NOK 74 million. Otherwise the main items under other income are net income from payment transfers of NOK 53 million (NOK 60 million), dividends of NOK 23 million (NOK 8 million), gains on foreign exchange of NOK

21 million (NOK 28 million), guarantee commissions of NOK 20 million (NOK 14 million) and real estate brokerage of NOK 19 million (NOK 17 million). Other large items include gains on sale of buildings of NOK 10 million (NOK 4 million), gains on financial derivatives of NOK 8 million (NOK 19 million), gains on shares of NOK 7 million (NOK 5 million) and gains on bonds of NOK 1 million (NOK 43 million). Other items under other income totalled NOK 68 million (NOK 58 million).

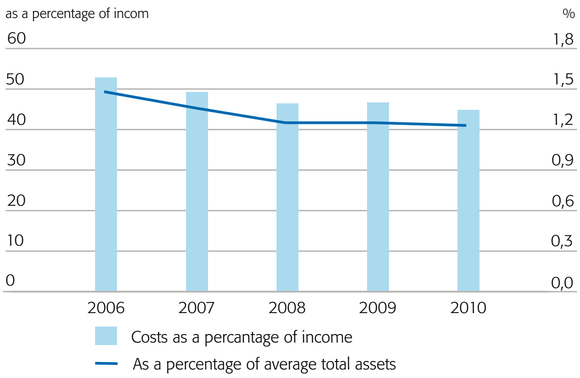
Other income



Costs

Total costs were NOK 523 million (NOK 508 million). The cost growth of NOK 15 million or 3.0 per cent is attributed to NOK 17 million in higher personnel costs, while other costs were reduced by NOK 2 million. Total costs correspond to 1.23 per cent of the average total assets (1.25 per cent). The cost to income ratio for 2010 was 44.8 per cent (46.7 per cent) and the bank's target is a ratio of less than 50 per cent. In the 4th quarter costs of NOK 18 million associated with provisions for the old contractual early retirement scheme (AFP) were reversed, and costs of NOK 13 million for the write-down of goodwill were recognised in the 4th quarter.

Costs



Losses and defaults

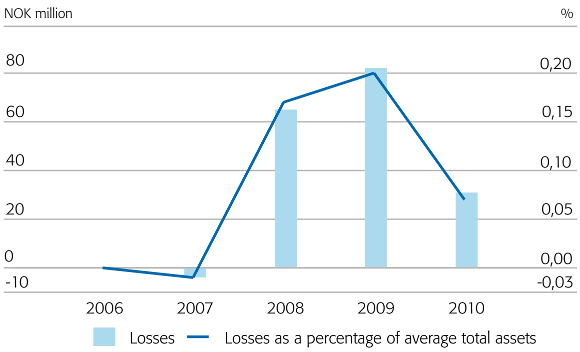
Losses and loss write-downs of NOK 31 million were charged to the profit and loss account in 2010, while NOK 82 million was charged in 2009. NOK 39 million was charged to the profit and loss account for corporate customers and NOK 3 million was charged for retail customers, while loss provisions of NOK 1 million related to Exportfinans AS were reversed and group write-downs were reduced by NOK 10 million.

Aggregate accumulated loss provisions – specific loss provisions and group write-downs – amounted to NOK 419 million (NOK 447 million) or 1.10 per cent of gross lending (1.23 per cent). Of the specific loss provisions, NOK 39 million are related to commitments in default in excess of 90 days (NOK 52 million), which represents 0.10 per cent of gross lending (0.14 per cent). NOK 254 million refers to other commitments (NOK 258 million) or 0.67 per cent of gross lending (0.71 per cent). Group write-downs totalled NOK 126 million (NOK 137 million) or 0.33 per cent of gross lending (0.38 per cent).

Gross defaults in excess of 90 days increased from NOK 205 million to NOK 249 million throughout the year. Corporate and retail commitments in default accounted for NOK 142 million (NOK 109 million) and NOK 107 million (NOK 96 million), respectively.

Net commitments in default were NOK 209 million (NOK 153 million), up from 0.44 per cent of gross lending at the end of 2009 to 0.55 per cent at the end of 2010.

Losses



Balance sheet

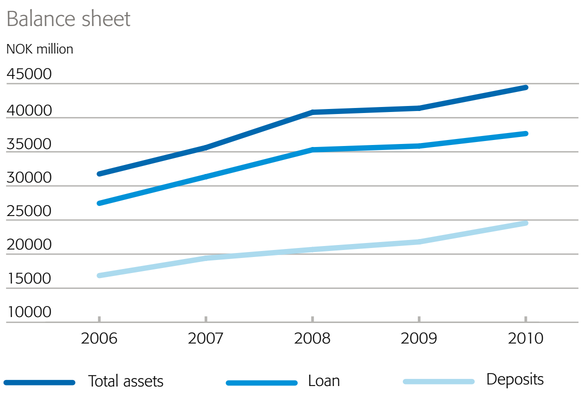
Total assets increased by NOK 3 050 million or 7.4 per cent to NOK 44 441 million as at 31 December 2010.

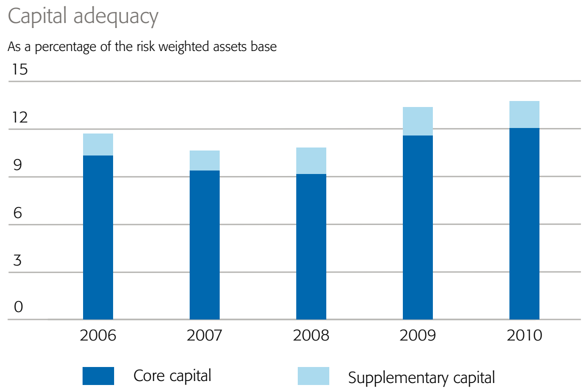
Lending

Net lending increased by NOK 1 825 million or 5.1 per cent to NOK 37 676 million in 2010. Of this amount, corporate lending accounted for 37.9 per cent following a 2.4 per cent increase in volume for the year. At year end, retail banking loans accounted for 62.1 per cent and the annual growth was 6.7 per cent.

Deposits

Deposits from customers totalled NOK 24 551 million at the end of 2010, an increase of NOK 2 758 million or 12.7 per cent. Deposits from corporate and retail customers increased by 29.6 per cent and 5.2 per cent, respectively, in 2010. Deposits from public sector clients were 7.2 per cent lower than at the previous year end. The difference between the lending and deposit volumes of NOK 13 125 million was funded through the Norwegian and international money and capital markets. Deposits as a percentage of lending was 65.8 per cent at year end.





Securities

Holdings of short-term investments in securities at year-end 2010 amounted to NOK 4 496 million compared to NOK 3 381 million at year-end 2009.

There was no material trading portfolio at year-end 2010.

Allocation of profit for the year

Pursuant to the rules relating to Equity Certificates, etc. (Financial Institutions Act) and in accordance with Sparebanken Møre's dividend policy, 50 per cent of the profit has been set aside for dividend funds (cash dividend and dividend funds for the local community). Based on the accounting breakdown of equity between the owners of Equity Certificates and the Primary Capital Fund, 46.0 per cent of the net profit will be allocated to Equity Certificate-holders and 54.0 per cent will be allocated to the Primary Capital Fund. The earnings per Equity Certificate was NOK 24.42. As a result of this distribution a cash dividend of NOK 12.00 will be paid per Equity Certificate for the 2010 financial year.

Profit for the year Parent Bank (MNOK)		415
Dividend funds:	**207**	
To cash dividend	94	
To dividend funds for the local community	113	207
Strengthening of equity:	**208**	
To Dividend Equalisation Fund	97	
To Primary Capital Fund etc.	111	208
Total allocations		**415**

Equity and related capital

The target for the bank's capital composition is the maintenance of minimum equity and related capital of 12 % with a minimum core capital of 10 %. This target for capital structure has been fixed with several factors in mind, the most important of which are the bank's size, the international orientated business and industry in Møre og Romsdal, the need to be able to raise, in a stable manner, longterm external funding capital and core capital when required, and signalled limits in conection with Basel III. The financial strength requirement takes precedence over lending growth targets. Core capital ended up at 12.03 per cent and equity and related capital was 13.72 per cent at year-end.

Equity Certificates

The Equity Certificate Capital increased by NOK 130.7 million in the 1st quarter to NOK 784.1 million through a scrip issue with a par value of NOK 100 at the ratio of one new Equity Certificate per five old certificates. The issue was carried out by transferring NOK 130.7 million from the Dividend Equalisation Fund. The number of Equity Certificates increased accordingly by 20 per cent in 2010, from 6 534 264 certificates at the start of the year to 7 841 116 certificates at year end. Due to the bank's profit, the dividend per Equity Certificate remains nevertheless unchanged for the 2010 financial year compared with the 2009 financial year at NOK 12.00 per Equity Certificate.

The number of Equity Certificate-holders remains stable – 6 314 at the start of 2010 to 6 255 at year end. A total of 58.5 per cent of the Equity Certificate-holders are domiciled in Møre og Romsdal county, and their share of the Equity Certificate Capital is 46.8 per cent. The 20 largest Equity Certificate-holders represented 39.2 per cent of the bank's Equity Certificate Capital at year end. Seven of these investors are domiciled in Møre og Romsdal county.

At year end the bank owned 3 744 of its own Equity Certificates, corresponding to a nominal amount of NOK 0.4 million. The Equity Certificates were purchased on the Oslo Stock Exchange at market prices.

The Equity Certificates are freely negotiable in the market.

Capital adequacy regulations (BASEL II)

Sparebanken Møre uses the standard method to calculate the minimum requirements for primary capital for credit risk and market risk. The Bank's operational risk calculations are based on the basic method.

Sparebanken Møre has in its long-term strategic plan decided that the Group will apply during the period of the plan for approval from Finanstilsynet to use the basic IRB method pursuant to the Capital Requirements Regulations for modelling credit risk. Measures intended to achieve this goal have been implemented and were progressing well according to the established project plan at year-end 2010.

Changes to the capital adequacy regulations (Basel III) have been announced. The proposal is to impose stricter requirements concerning the level and quality of the primary capital intended to protect depositors and others who fund banks against losses. In order for the banks to withstand a longer period of larger losses and still satisfy the minimum capital adequacy requirements, buffers must be established in good times that can be drawn on in bad times. The banks must retain more capital in periods when lending is growing strongly, which could limit lending growth. There is reason to believe that Sparebanken Møre, with its current capital and risk profile, will satisfy the new minimum requirements by a good margin.

Risk management

Risk-taking is a fundamental element of banking operations. Risk management and control is one of the Board' most important focus areas. The overall purpose of risk management and control is to ensure effective operations, handle risks which may prevent the Bank meeting its commercial targets, ensure high quality in internal and external reporting, and ensure the Group's operations comply with all relevant laws, rules, regulations and internal guidelines.

The goal of Sparebanken Møre's Board of Directors is to ensure the Group's operations 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 in connection with the preparation of the Bank's strategic plan. The Board approves overall guidelines for management and control in the Group each year, and the Parent Bank and subsidiaries adopt individual risk policies tailored to their activities. For each significant risk area, separate policies have been approved, including credit risk, counterpart risk, market risk and liquidity risk. The risk strategies are approved by the Board and reassessed at least once a year, or when particular circumstances make it necessary. The various policies 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 ICAAP's key role in long-term strategic planning.

Sparebanken Møre has established a follow-up and control structure which is intended to ensure compliance with the overall framework of the Bank's strategic plan. The Group's risk exposure and risk development shall be subject to overall follow-up through periodic reports submitted to the CEO and the Board of Directors. In 2010 it also was established a separate Audit Committee for Sparebanken Møre, whose members are elected by and amongst the members of the Board of Directors. One of the committee`s main purposes is to ensure that Sparebanken Møre`s risk management is satisfactory addressed.

The Board is of the opinion that Sparebanken Møre's aggregate risk exposures are within the Group's targeted risk profile. The Board considers the Group's and Bank's risk management to be satisfactory.

Credit risk

Credit risk is the risk of losses associated with customers or other counterparties being unable to fulfil their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. Counterparty risk and concentration risk are also included in this risk area.

Credit risk represents Sparebanken Møre's biggest risk area. The Group has a moderate risk profile as far as credit risk is concerned, as this risk is defined through the Group's credit risk strategy. The strategy provides limits for amongst other things concentration relating to commercial and industrial sectors and the size of commitments, geographic exposure, growth targets, risk levels etc. Compliance with the Board' resolutions within the area of credit is monitored by Sparebanken Møre's risk management department, which is independent of the customer units. The Board has received reports on the development of the credit risk on a monthly basis throughout the year. The Board has also the last quarters of 2010 received relevant reports on mortgages according to FSA`s guidelines.

Sparebanken Møre has prepared its own classification models for classifying customers and 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. In 2010, a great deal of work has been done in order to validate these models. In accordance with decisions made in the strategic plan, Sparebanken Møre will work towards achieving approval from the FSA for use of internal risk models in the reporting of capital adequacy.

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

Market risk

Market risk in Sparebanken Møre is mainly a reflection of activities which are conducted in order to support the Bank's operations. This relates to the Group's funding, the bond portfolio which is maintained in order to secure access to loans from Norges Bank, and customer-generated interest rate- and foreign exchange trading.

In the Market risk strategy the Board decides the limits for the Group's market risk, which is continually monitored by the Bank's department for risk management. The limits are fixed against the background of analyses of negative market movements, and the Board has set a low risk threshold for the risk associated with this area. The control and management documents which deal with market risk are reviewed and renewed at least annually by the Board. The Bank's Board receives monthly reports on the development of market risk. The limits for market risk are conservative, and on a total basis, market risk represents a small part of the Bank's aggregate risk.

Liquidity risk

The management of Sparebanken Møre's funding structure is incorporated into an overall funding strategy which is evaluated and approved by the Board at least once a year. The strategy reflects the moderate level of risk acceptable for this risk area. It describes the Bank`s goals to preserve its financial strength, and it defines specific limits for different areas of the Group`s cash management. The Bank's contingency plan for funding management includes a description of how the funding situation shall be handled in unsettled financial markets. Stress test models have also been developed which analyse the Bank's vulnerability with regard to different stress scenarios. The purpose of this models is to quantify the probability of getting access to funding from different sources within defined periods.

In order to ensure the Group's liquidity risk is kept at a low level, lending to customers must primarily be financed by customer deposits and long-term securities issued. The work on increasing ordinary deposits has been strongly focused on in recent years.

Møre Boligkreditt AS has a concession from Finanstilsynet to operate as a mortgage company. The company increases the Group's diversification with regard to funding sources. Møre Boligkreditt AS issued covered bonds in 2010 as well. During the year, the Bank transferred parts of its mortgage portfolio to the mortgage company. This enabled the Group to take advantage of the funding opportunities the establishment of Møre Boligkreditt AS opened up in 2008.

In order to gain access to further new sources of funding and at the same time stabilise access to funding from external sources, Sparebanken Møre is rated by the ratings agency Moody's (A2 neg.). Møre Boligkreditt AS's bond issues are also rated by Moody's. The mortgage company's issues have been assigned the highest achievable rating, Aaa.

Net lending increased by NOK 1 825 million and 5.1 per cent in 2010. Customer deposits increased by NOK 2 758 million and 12.7 per cent in the same period. Customer deposits covered 65.8 per cent of gross lending at year-end, as against 60.8 per cent at the end of 2009.

As far as the composition of the external funding is concerned, priority is given to having a relatively large share of funding with maturities in excess of one year. Liquidity indicator 1, which shows long-term funding as a percentage of illiquid assets, was 105.8 (102.7) at year-end 2010. The indicator is defined by Finanstilsynet and calculated by the Bank every quarter.

The Board considered the Bank's liquidity situation at year-end 2010 to be good.

Operational risk

Operational risk is defined as the risk of loss due to insufficient or failing internal processes, human or systems-related failure, or external events. This may for instance involve failures and breakdowns with regard to routines, electronic data processing systems, professional competence and the Bank's subcontractors; this may also involve staff's and customers' breach of confidence/trust, robberies, embezzlement, etc. The Board of Sparebanken Møre has approved a low to moderate risk profile for this area of risk.

Sparebanken Møre attaches great importance to establishing targeted measures in order to prevent and reduce operational risk. Ensuring the employees have a high level of competence is a prerequisite for reducing operational risk. The Board would particularly like to highlight the considerable, good work each individual and the organisation as a whole has done to satisfy the requirements of the authorisation scheme for financial advisers. These efforts will also benefit Sparebanken Møre's customers.

Sparebanken Møre has established various forums and committees that actively work to manage the Group's operational risk. These include the Group's Security Forum for people responsible for security and the quarterly meetings of the Group's Security Committee. The committee's members represent a wide range of people from multiple functions in the Group. The Board receives an annual report on the security situation in Sparebanken Møre. The annual ICAAP reviews the Group's important risk areas and in connection with this a lot of attention is paid to operational risk.

Sparebanken Møre's established, operational internal control represents an important tool as far as reducing operational risk is concerned, with respect to both identification and follow-up.

Internal control

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 guidelines and policies. A well-functioning internal control system should also ensure the Group's risk exposure is within the approved risk profile.

Sparebanken Møre's policy is that the individual manager has a special responsibility to ensure that internal control within his or her area of responsibility functions satisfactorily and is implemented as intended. This requires all managers at every level to monitor the approved control measures within their area. This insight is normally achieved through personal presence, monitoring staff, spot checks, reviewing key figures and deviation measurements, etc.

Internal control reporting in Sparebanken Møre is decentralised with the section for financial control and risk management as the coordinating unit in day-to-day operations and in the reporting to the Board. Two different departments have been established in this section: Compliance and Risk management.

Sparebanken Møre is obliged to have a compliance function pursuant to the Securities Trading Act and associated regulations. Sparebanken Møre's Board of Directors approves compliance instructions each year and an annual work and action plan is prepared for the function. The head of compliance and risk control is independent of the day-to-day line management operations, which is ensured by formal status in Sparebanken Møre and organisational location. This results in limited opportunities for conflicts of interest between compliance tasks and other tasks. The head of compliance and risk control regularly reports to the CEO and the Board.

The risk management unit is responsible for designing systems, guidelines and procedures for the purpose of identifying, measuring, reporting and following up Sparebanken Møre's most important inherent risks. The unit is also responsible for the Group's models for risk and capital management.

The Board has received regular reports on operations and the risk situation throughout the year. 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. This report also contained assessments of subsidiaries subject to the requirements of the risk management and internal control regulations.

On the basis of reports received, the Board has a satisfactory basis for confirming that the internal control is being properly addressed in Sparebanken Møre.

Internal auditing

The internal auditing is a monitoring function which, independent of the rest of the Bank's management and organisation, conducts systematic risk assessments, checks and examinations of Sparebanken Møre's internal control in order to assess whether it is working in an appropriate and reassuring manner.

The internal auditing function reports to the Board. A plan has been prepared for the work of internal auditing, agreed by the Bank's Board, which also has received regular reports during 2010 from the internal auditing function in accordance with this plan.

The Group's internal auditing was outsourced to PriceWaterhouseCoopers in 2010.

Corporate governance

Corporate Governance in Sparebanken Møre includes the aims, targets and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of owners, depositors and other groups in the Group. The Group's operational management shall ensure the proper management of assets and provide additional assurance that all communicated aims, targets and strategies are realised and achieved.

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

- Capital appreciation for EC-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
- Openness and good communications with EC-holders, customers and staff, and as far as all other relevant connections are concerned
- Equal treatment of all equity capital owners

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance. Please see the special chapter on page 102 of the annual report for a description of the Bank's corporate governance.

Areas of operation and markets

The Sparebanken Møre Group consists of the Parent Bank, the financing company Møre Finans AS, the real estate firm Møre Eiendomsmegling AS, the property company Sparebankeiendom AS and the residential mortgage company Møre Boligkreditt AS. Sparebanken Møre has defined its geographic area of operations as Møre og Romsdal county, in which the bank had 30 branches in 24 local authorities at year-end 2010.

Sparebanken Møre's customer-related activities within its network of branches are organised in 7 different regions, each headed up by a regional general manager (RGM). The various tasks and responsibilities relating to the Bank's day-to-day operations are allocated in such a way that the resource usage in the branch network is to a very great extent prioritised in favour of direct customer-related activities. Other tasks shall, to the greatest possible extent, be looked after by the Bank's central support system, which is organised in 4 sections. Each of these is headed up by a sectional general manager (SGM). Each RGM and SGM forms their own management groups together with their respective department heads. RGMs and SGMs are appointed by the Board. The CEO selects the members of the Bank's senior management team.

Sparebanken Møre is a supplier of all services within the following areas:

- Financing
- Deposits and other forms of placement
- Payments transmission
- Personal portfolio management
- Financial advisory services
- Insurance
- Real estate brokerage

The Bank's distribution strategy covers its network of branches, online bank/online services, specialist functions and telephone services, which include customer services, telebanking and mobile banking. The coordination of customer services in the various distribution channels is intended to ensure the Bank's customers options, easy access to competence staff, good advice and a high degree of service. One of the Bank's aims is to further develop and maintain a high level of quality as far as these distribution channels are concerned in order to contribute to enhanced competitiveness, a high level of effectiveness and improved profitability.

Mobile phone banking services have developed strongly in recent years and in 2010 the Bank launched a new mobile bank and new text messaging services. The Bank was also one of the first banks in Norway to launch a mobile bank application specifically for iPhones.

The Bank's specialist units consist of Møre Investment Management, the Insurance Centre and Finance/Currency, as well as the Bank's subsidiaries Møre Finans and Møre Eiendomsmegling. The Bank offers both share trading and capital management advice through Møre Investment Management. In collaboration with advisers in its network of branches, retail customers, companies, institutions and the public sector are offered investment advice tailored to the individual's customer's needs. Møre Investment Management delivered a good result, which has resulted in more demand for investment advice.

In 2010, the Bank supplemented its range of insurance products by offering insurance to companies as well. The Bank already sold P&C insurance and personal insurance to private individuals.

Subsidiaries

The Bank`s four subsidiaries` aggregate result in 2010 amounted to NOK 47 million after tax (NOK 28 million).

Møre Finans AS sells leasing products, partly direct, but mostly through the Bank's distribution network. The company has a diversified portfolio, amounting to about NOK 600 million, of customers from all parts of Møre og Romsdal. Møre Finans AS made a NOK 7 million (NOK 9 million) contribution to the result in 2010. At year-end 2010, the work done in the company was equivalent to 7 full time equivalent positions.

Møre Eiendomsmegling AS provides services within the real estate brokerage area both to retail and corporate customers. The company made a NOK -1 million contribution to the result in 2010 (NOK -1 million). At year-end 2010, the work done in the company was equivalent to 14 full time equivalent positions.

Sparebankeiendom AS's purpose is to own and manage the Bank's business properties. The company delivered a result of NOK 10 million (NOK 0 million) in 2010. The improvement in the result since last year was due to gains from the sale of buildings. The company has no staff. The two subsidiaries Møre Bankbygg AS and Storgata 41-45 Molde AS were amalgamated into Sparebankeiendom AS with effect from 1 January 2010.

Møre Boligkreditt AS was established as part of Sparebanken Møre's long-term funding strategy. The mortgage company's main purpose is to issue covered bonds for sale to Norwegian and international investors. The company's contribution to the result was NOK 31 million in 2010 (NOK 20 million). The work done in the company was equivalent to two full time equivalent positions.

Personnel and working environment

The Bank's core values – close to the customer, competent and financially strong – also represent the framework for all the Bank's activities within the area of personnel. In order to live up to these core values it is vitally important that the Bank's personnel policy ensures the maintenance and further development of employees' competence, in addition to targeted recruitment of new staff.

Quality and effectiveness in the work processes involving the market are continually focused on through the competence enhancing measures which are implemented. Success in the work involving the market is dependent upon being able to reach the customers with a satisfactory degree of service. In order to make one's mark in the strong competition in the financial services market, it is necessary to adapt to the market-related expectations in the long run as far as both availability and competence are concerned.

Sparebanken Møre participates in the national authorisation scheme for financial advisers, which formally comes into force on 1 April 2011. This means that all of the Bank's employees who deal with customers (bank managers, customer account managers, and customer service staff) in the retail market, as well as specialists within investment advice, must be authorised financial advisers. As per 31 December 2010, 160 employees had passed the theory test and 84 of these had also completed the practical test. These people are therefore entitled to use the title "Authorised Financial Adviser (AFA)". The Board is very pleased with this. Around 200 employees will be fully authorised by the 1 April deadline in 2011. It is very satisfying to hear that customer service people who have completed the AFA programme themselves experience that they can have a better dialogue with customers than before.

Sparebanken Møre has initiated equivalent training for all employees within the corporate area. Around 50 employees will take the theory test in 2011 in this area. Their training is well underway.

In the autumn of 2010, the Bank entered 6 candidates in the Norwegian "Young Manager of the Year" programme. All 6 candidates received good feedback from their participation. One of the Bank's young managers, Sandra Myhre Helseth, was named Norway's "Young Manager of the Year 2010". The fact that the Bank's young managers received such a positive appraisal shows that the Bank's managerial development programme is producing good results.

The Group's total workforce at year-end represented 401 full time equivalent positions. This represents a reduction of 11 full time equivalent positions during 2010.

The average age of the Bank's employees remained largely unchanged from the previous year, just slightly up from 48.4 to 48.5 years. The average length of service with Sparebanken Møre of the current staff is 18.4 years.

The Bank conducts annual surveys of the internal environment of the workplace, including a survey of various aspects of the work environment and the overall employment situation in the Bank. The survey provides an concrete basis on which to be able to prioritise improvement measures where they are most needed and where such measures are going to be of most use. The survey in 2010 showed that Sparebanken Møre's employees enjoy their workplace and that there is a good working environment in Sparebanken Møre.

The employees' elected representatives and members of the Bank's management meet once every quarter, discussing matters of importance to both parties, such as working environment and job satisfaction. Cooperation between management and the employees' elected representatives is good throughout the Group.

Total sick leave was 3.9 per cent in 2010, compared to 4.3 per cent in 2009. Long-term sick leave was reduced from 2.8 per cent in 2009 to 2.5 per cent in 2010. Short-term sick leave was reduced from 1.5 per cent in 2009 to 1.4 per cent in 2010. Those on long-term sick leave are followed up in order to help them return to work as quickly as possible. The Bank has found a number of ways in which to achieve this by being part of the nationwide "Inclusive Workplace" scheme. The Bank's experience of the cooperation with public sector organisations has been positive when it comes to finding individually tailored arrangements for those employees who have a need in this area.

The monitoring and follow-up system for health, environment and safety forms an integral part of the Bank's other internal control procedures. Improvement measures within these areas are implemented whenever weaknesses are identified. Exercises are arranged at regular intervals in order to teach staff how to tackle crisis situations, such as fires and robberies. There were no robberies or any other similar incidents of significant nature at any of the Bank's branches and offices in 2010.

Sparebanken Møre's operations do not produce any pollution of the external environment.

Equal opportunities

Women and men accounted for 269 (62.0 per cent) and 165 (38.0 per cent) respectively of the Group's total staff of 434. 412 staff were employed by the Bank and 22 by its subsidiaries, Møre Eiendomsmegling (13), Møre Finans (7) and Møre Boligkreditt (2).

Of the Bank's 412 employees, the distribution is 259 women and 153 men. These are equivalent to 380 (390) full time equivalent positions with women and men accounting for 62.6 and 37.4 per cent respectively. The Bank employs 69 part-time staff, 64 of whom are women and 5 men.

The percentage of women in various managerial positions was 33.8, while the percentage for men was 66.2.
The Bank's Board of Directors consists of 7 members – 3 women and 4 men.
During the course of 2010, 9 new employees were recruited externally, 6 women and 3 men.
Staff turnover was 2.3 per cent in 2010 compared to 2.6 per cent in 2009.

The Bank strives to maintain an objective employment and pay policy. However, in view of the fact that there are too few women in managerial positions compared to men, the Bank is trying to encourage women to apply for vacant managerial positions. Nonetheless, positions are always offered to the candidate with the best qualifications.

Discrimination

No instances of discrimination were registered in Sparebanken Møre in 2010.

Going concern assumption

The annual financial statements have been prepared and presented on basis of a going concern assumption. This is based on the Bank's long-term prognoses for the coming years. The Bank's capital adequacy ratio exceeds the statutory requirement by a wide margin.

Future prospects

The Board of Directors expects a positive and stable development for most of the businesses in Møre og Romsdal county in the coming years. There is a good demand for the most important goods and services that are manufactured in the county. A significant improvement in the order situation has been observed in the maritime sector, and the demand for both wild and farmed fish is very good. The demand for manpower is also increasing, and this ensures thus a good employment situation in Møre og Romsdal county.

Sparebanken Møre has always been committed to help local business and industry develop in pace with the demands of the market, and at the same time to facilitate the efforts of the county of Møre og Romsdal to become even more attractive to live in and move to. The good financial results achieved by the bank and the financial strength this creates give the bank a greater opportunity to contribute increasing the attractiveness of the region. The Board of Directors would like to point out that the bank's various contributions to create prosperity and a good local community to live in is a very important element in the bank's long-term strategy to ensure good general conditions for the local business community.

Vote of thanks

The Board would like to thank all of the Group's employees for their great efforts on behalf of the Group in 2010. The Board would also like to thank the Bank's customers, investors and other connections for our good partnership through the year.

Ålesund, 31 December 2010
9 March 2011
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Helge Aarseth
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Toril Hovdenak

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

"The region`s future depends on a more efficient infrastructure."

An efficient infrastructure, which simplifies the everyday lives of people and industry and commerce is, in the opinion of the Mayor of Midsund, Helge Orten, a prerequisite for the positive development of Møre og Romsdal.

> " An efficient infrastructure is one of the elements that will play a crucial role in the recruitment of competence."
>
> Helge Orten
> MAYOR OF MIDSUND

"A more efficient infrastructure is absolutely vital for the region's development. Our topography means we are divided by mountains and fjords, but nonetheless we must be able to move freely without having to rely on ferries," says the Mayor of Midsund, Helge Orten.

Transport is one of Sparebanken Møre's focus areas and the Bank is supporting major transport projects, including a ferry-free infrastructure in the county.

Need better links

Moving around Møre og Romsdal can be a laborious affair today. Relatively short distances take a long time to cover because one is dependent on ferries. This restricts the freedom of both people and industry and commerce. If, for example, one wants to travel from Ålesund to Ulsteinvik, a distance of only 45 kilometres, one has to reckon on a travelling time of 1 hour and 20 minutes. The trip between Ålesund and Molde, which is 69 kilometres, takes around 1 hour and 45 minutes. These are distances covered by thousands of commuters every day. "Transport steals far too much time. In order for the region to develop and be attractive, we are absolutely dependent on better links," says Orten.

Ferry-free fjord crossings would make it easier to live in Søre-Sunnmøre and work in Ålesund, and vice versa. Or one could commute between Molde and Ålesund in around an hour, in other words almost half the travelling time."

"A ferry-free road network would open up great potential. There would be more alternatives, industry and commerce would become more efficient and the region would become more attractive," says Orten.

The fight for competence

Meanwhile, efficient transport arteries without ferries are about much more than efficient commutes and more choice. They are also about the fact that closer ties make the region appear large and competent.

"This will be important with regard to attracting the best competence. The fight for competence is really tough today and we are fighting for the smartest people with Stavanger, Bergen and Trondheim. If we are going to win this fight, we will have to lay the right groundwork. Efficient transport arteries with a ferry-free infrastructure have an absolutely central role to play in this," says Orten.

It is important to industry and commerce in many ways. First of all, the region's industry and commerce is largely export driven, and these companies rely on efficient and easy access to their markets.

"Industry and commerce also depend on competence to develop. Efficient infrastructure is one of the elements that will be crucial in the recruitment of competence," says Orten.

Another and very important element is that better infrastructure also helps to facilitate increased interaction between the various industrial and commercial actors in the county. Cooperation is one of the keys to innovation and development.

"As I see it, a good infrastructure will help to facilitate better cooperation between companies. This will in turn help to create new jobs in the county," says Orten.

Major boost

However, a ferry-free infrastructure will not be free. Many billions of krone will have to be spent. Nonetheless, Orten believes that in the space of 10 to 15 years the county will have better links meaning one will be able to live in one place and work in another without having to spend a disproportionate amount of time travelling.

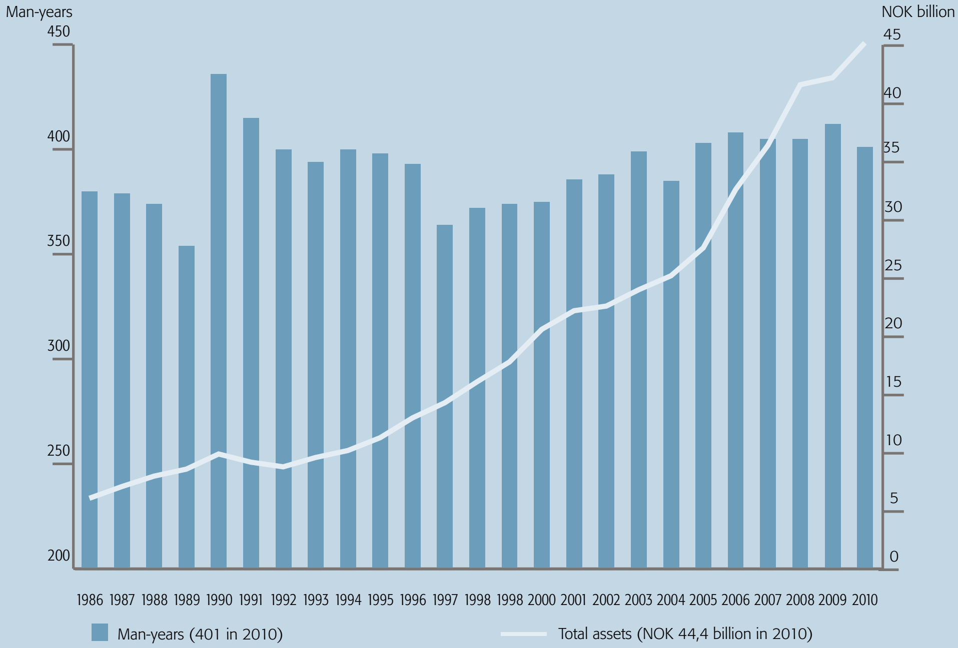
"I think that within 10 to 15 years we will see the contours of a ferry-free E39," says Orten.

He believes that to realise underwater tunnels and bridges that will require billions in transport investment, one will have to look at new, untraditional means of funding. One example of such a model is a combination of low interest rate loans and toll money.

"There are funding models, and calculations have been made that show it is possible to achieve this. However, we are reliant on the political will of central authorities. So far a willingness to make decisions about such major transport projects has been lacking. Nonetheless, I have noticed some movement in this political environment; more people are willing to consider alternative funding models. The problem is that it is taking too long. We need a change of tempo, and we need it now," says Orten.

Contents - Annual Accounts according to IFRS

TOTAL ASSETS AND MAN-YEARS



Profit and Loss Account

Group				Parent Bank	
2009	2010	Amounts in NOK million	Notes	2010	2009
		Interest and similar income from:			
93	78	Loans to and other claims on credit institutions		100	111
1 772	1 839	Loans to and claims on customers	13	1 630	1 646
89	110	Certificates, bonds and other interest-bearing securities		195	157
1 954	2 027	Interest and similar income		1 925	1 914
		Interest and similar costs in respect of:			
157	155	Debt owed to credit institutions		160	166
553	510	Deposits from and liabilities to customers	13	511	554
383	422	Securities issued for borrowing purposes	5.5	383	380
35	51	Subordinated loan capital and bonds		51	35
24	27	Other interest		27	24
1 152	1 165	Interest and similar costs		1 132	1 159
802	862	Net interest and credit commission income	9	793	755
256	304	Other operating income	10	268	241
276	293	Wages, salaries etc.	13, 14	273	259
128	116	Administration costs	11, 12	116	128
404	409	Wages, salaries and general administration costs		389	387
23	36	Total write-downs and changes in value in non-financial assets	8, 11, 15, 16	14	13
81	77	Other operating costs	11, 12, 13	79	81
550	643	Result before credit losses		579	515
82	31	Losses on loans, guarantees etc.	4.1, 4.2, 4.3	28	80
468	612	Result before tax	9	551	435
133	154	Tax payable on ordinary result	18	136	122
335	458	Result from ordinary operations after tax		415	313
94	113	Dividend funds for the local community 1)		113	94
73	94	Interest payable on ECs 1)		94	73
95	112	Transferred to the Primary Capital Fund		112	95
75	97	Transferred to the Dividend Equalisation Fund		97	75
-23	-1	Transferred to Fund for Unrealised Gains		-1	-23
22	42	Transferred to Other Equity		-	-
335	458	Total amount available for allocation		415	313
25.95	26.90	Result pr. EC's (NOK) 2)	19	24.42	24.35
25.95	26.90	Diluted earnings per EC's (NOK) 2)	19	24.42	24.35

1) To be transferred to Other equity capital until the final resolution has been passed
2) Transfer to/from Fund for Unrealised Gains has been excluded from the calculation

Extended accounts according to IAS 1

Group				Parent Bank	
2009	2010	Amounts in NOK million	Notes	2010	2009
335	458	Result from ordinary operations after tax		415	313
13	7	Equities available for sale - changes in value (after tax)	5.4	7	13
348	465	Total result from ordinary operations after tax		422	326

Balance

Group				Parent Bank	
2009	2010	Amounts in NOK million	Notes	2010	2009
682	634	Cash and claims on central banks	5.1	634	682
80	153	Loans to and claims on credit institutions, on a call basis		153	74
3	14	Loans to and claims on credit institutions, with a fixed maturity		663	603
83	167	Loans to and claims on credit institutions		816	677
573	576	Financial leasing agreements		0	0
5 113	5 169	Overdrafts, working capital- and similar facilities		3 829	4 350
631	801	Building loans		846	634
29 934	31 537	Repayment loans	13	27 461	27 270
36 252	38 083	Gross loans to and claims on customers		32 136	32 254
264	281	- Specific loss provisions		276	260
137	126	- Non-specific loss provisions		126	136
35 851	37 676	Net loans to and claims on customers	4.1, 4.2, 4.3	31 734	31 858
1 163	1 560	Certificates and bonds issued by the public		1 560	1 163
2 218	2 936	Certificates and bonds issued by others		5 754	5 258
3 381	4 496	Certificates, bonds and other interest-bearing securities assessed at market value through the profit and loss account	4.4, 5.4	7 314	6 421
2	3	Shares and other securities assessed at actual value with changes in value over the result		3	2
129	204	Shares and other securities available for sale		204	129
131	207	Shares and other securities with a variable yield	5.4	207	131
-	-	Equity stakes in financial institutions (subsidiaries)		523	523
-	-	Equity stakes in other Group companies		21	28
-	-	Equity stakes in Group companies	6	544	551
19	10	Deferred tax benefit	18	13	17
13	0	Goodwill	8	0	0
13	15	Other intangible assets	16	15	13
45	25	Intangible assets		28	30
56	55	Machinery, equipment, fixtures and fittings and vehicles		25	32
186	206	Buildings and other real estate		10	10
242	261	Fixed assets	15	35	42
313	344	Financial derivatives	5.6	344	313
159	161	Other assets	17	161	155
472	505	Total other assets		505	468
504	470	Prepayments and accrued income		458	490
41 391	44 441	Total assets	5.1, 5.2, 5.3, 9	42 275	41 350

Balance

Group				Parent Bank	
2009	2010	Amounts in NOK million	Notes	2010	2009
292	13	Loans and deposits from credit institutions, on a call basis		264	292
5 370	4 963	Loans and deposits from credit institutions, with a fixed maturity		4 962	5 605
5 662	4 976	Debt owed to credit institutions	5.5	5 226	5 897
14 443	16 047	Deposits from and liabilities to customers, on a call basis		16 072	14 470
7 350	8 504	Deposits from and liabilities to customers, with a fixed maturity		8 504	7 350
21 793	24 551	Deposits from and liabilities to customers	4.2, 5.5, 13	24 576	21 820
200	0	Certificates and other short-term borrowings		0	200
8 886	9 697	Bond debt		7 434	8 676
9 086	9 697	Borrowings raised through the issue of securities	5.5	7 434	8 876
163	188	Financial derivatives	5.6	172	163
332	415	Other liabilities	18	363	308
495	603	Total other liabilities		535	471
347	329	Incurred costs and prepaid income		329	346
65	59	Pension commitments etc.	14	59	65
46	12	Specific provisioning against guarantee liabilities	4.3	12	46
111	71	Provisioning in respect of liabilities and costs		71	111
476	482	Perpetual Hybrid Tier 1 Capital		482	476
479	479	Other subordinated loan capital		479	479
955	961	Subordinated loan capital	5.5, 5.7	961	955
38 449	41 188	Total liabilities	5.1, 5.2, 5.3, 9	39 132	38 476
653	784	EC capital	21	784	653
-5	0	ECs owned by the Bank	21	0	-5
187	186	Proceeds from EC issue, priced at a premium over par		186	187
835	970	Paid-in equity capital	20, 21	970	835
1 443	1 560	Primary Capital Fund		1 560	1 443
393	362	Dividend Equalisation Fund		362	393
25	33	Value Adjustment Fund		33	25
12	11	Fund for Unrealised Gains		11	12
234	317	Other equity capital		207	166
2 107	2 283	Equity capital accumulated through retained earnings		2 173	2 039
2 942	3 253	Total equity capital	20, 21	3 143	2 874
41 391	44 441	Total liabilities and equity capital		42 275	41 350
1 385	1 323	Guarantee liabilities	4.4	1 323	1 385

Ålesund, 31 December 2010
9 March 2011
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Helge Aarseth
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Toril Hovdenak

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Equity capital – Group

Amounts in NOK million

2010	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjust-ment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.09	2 942	648	187	1 443	393	25	12	234
Changes in own Equity Certificates	13	5		5	3			
Scrip issue	-1	131	-1		-131			
Distributed dividend to the EC holders	-72							-72
Distributed dividend funds for the local community	-94							-94
Equity capital before allocation of profit for the year	2 788	784	186	1 448	265	25	12	68
Change in credit spread FVO	-1						-1	
Transferred to the Primary Capital Fund	112			112				
Transferred to the Dividend Equalisation Fund	97				97			
Transferred to other equity capital	42							42
Set aside for dividend to the EC holders	94							94
Set aside dividend funds for the local community	113							113
Equities available for sale - changes in value	7					7		
Total result from ordinary operations after tax	465			112	97	7	-1	249
Equity capital 31.12.10	3 253	784	186	1 560	362	33	11	317

2009	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjust-ment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.08	2 625	587	123	1 347	317	11	35	204
Changes in own Equity Certificates	4	2		1	1			
Distributed dividend to the EC holders	-119							-119
Distributed dividend funds for the local community	-39							-39
Equity increase due to the acquisition of Tingvoll Sparebank	123	59	64					
Equity capital before allocation of profit for the year	2 594	648	187	1 348	318	11	35	46
Change in credit spread FVO	-23						-23	
Transferred to the Primary Capital Fund	95			95				
Transferred to the Dividend Equalisation Fund	75				75			
Transferred to other equity capital	22							22
Set aside for dividend to the EC holders	72							72
Set aside dividend funds for the local community	94							94
Equities available for sale - changes in value	13					13		
Total result from ordinary operations after tax	348	0	0	95	75	13	-23	188
Equity capital 31.12.09	2 942	648	187	1 443	393	25	12	234

Equity capital – Parent Bank

2010	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjust-ment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.09	2 874	648	187	1 443	393	25	12	166
Changes in own Equity Certificates	13	5		5	3			
Scrip issue	-1	131	-1		-131			
Distributed dividend to the EC holders	-72							-72
Distributed dividend funds for the local community	-94							-94
Equity capital before allocation of profit for the year	2 720	784	186	1 448	265	25	12	0
Change in credit spread FVO	-1						-1	
Transferred to the Primary Capital Fund	112			112				
Transferred to the Dividend Equalisation Fund	97				97			
Set aside for dividend to the EC holders	94							94
Set aside dividend funds for the local community	113							113
Equities available for sale - changes in value	7					7		
Total result from ordinary operations after tax	422			112	97	7	-1	207
Equity capital 31.12.10	3 143	784	186	1 560	362	33	11	207

2009	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjust-ment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.08	2 578	587	123	1 347	317	11	35	158
Changes in own Equity Certificates	4	2		1	1			
Distributed dividend to the EC holders	-119							-119
Distributed dividend funds for the local community	-39							-39
Equity increase due to the acquisition of Tingvoll Sparebank	123	59	64					
Equity capital before allocation of profit for the year	2 547	648	187	1 348	318	11	35	0
Change in credit spread FVO	-23						-23	
Transferred to the Primary Capital Fund	95			95				
Transferred to the Dividend Equalisation Fund	75				75			
Set aside for dividend to the EC holders	72							72
Set aside dividend funds for the local community	94							94
Equities available for sale - changes in value	13					13		
Total result from ordinary operations after tax	326	0	0	95	75	13	-23	166
Equity capital 31.12.09	2 874	648	187	1 443	393	25	12	166

Cash Flow Statement

Group			Parent Bank	
2009	2010	Amounts in NOK million	2010	2009
		Cash flow from operational activities		
2 139	2 210	Interest, commission and fees received	2 080	2 072
-1 096	-1 189	Interest, commission and fees paid	-1 159	-1 112
8	23	Dividend	23	18
-391	-376	Outgoings relating to operations	-364	-374
-131	-127	Payment of tax	-119	-123
14	-83	Changes relating to loans to and claims on other financial institutions	-139	-89
-752	-1 606	Changes relating to repayment loans/leasing to customers	-191	2 024
160	-226	Changes in respect of utilised credit facilities	309	933
-49	-1 374	Net cash flow from operational activities	440	3 349
		Cash flow from investment activities		
-11	-68	Changes in respect of investment in other securities with short maturities	-68	-11
-1 193	-1 115	Changes in respect of sale of certificates and bonds	-893	-4 234
-26	-41	Changes in respect of additions of fixed assets	-10	-22
291	-20	Changes of various assets etc.	-13	77
-939	-1 244	Net cash flow from investment activities	-984	-4 190
		Cash flow from funding activities		
1 121	2 757	Changes relating to deposits from customers	2 755	1 140
2 346	-687	Changes relating to deposits from Norges Bank and other financial institutions	-671	2 403
-3 341	612	Payments received in respect of proceeds from bond issues raised	-1 442	-3 551
-119	-73	Payment of dividend	-73	-119
160	-38	Changes of other debt	-72	147
122	-1	Changes in equity due to the acquisition of Tingvoll Sparebank	-1	122
289	2 570	Net cash flow from funding activities	496	142
-699	-48	Net changes on cash holdings	-48	-699
1 378	682	Holdings of cash 01.01	682	1 378
3	-	Increase of cash due to the acquisition of Tingvoll Sparebank	-	3
682	634	Holdings of cash 31.12	634	682

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 write-downs 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 Norges Bank.

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 Finans AS, Møre Eiendomsmegling AS, Sparebankeiendom AS and Møre Boligkreditt AS.

The Sparebanken Møre Group provides banking services for retail and corporate customers, as well as leasing products and real estate brokerage through a large network of branches within Møre og Romsdal, this region being 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.

The preliminary annual accounts were approved for publication by the Board of Directors on 2 February 2011. The final annual accounts were presented by the Board of Directors on 9 March 2011.

The Group's operations are described in note 9 in Notes to the Accounts.

2 - Accounting principles

2.1 Main 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 2010.

Fair market value has been applied, with the exception of:

- Fixed assets, intangible assets, other assets and other liabilities assessed at historical cost
- Loans to and deposits from customers, excluding fixed interest rate agreements, assessed at amortised cost
- Securities-related debt at floating rates of interest valued at amortised cost

Changes in accounting principles and presentation (classifications)

There were no changes to the accounting principles in 2010.

Foreign exchange

The Group presents its accounts in Norwegian kroner (NOK), which is also the Group's functional currency.

All balance sheet items in foreign currencies have been recalculated into the Bank's functional currency (NOK) according to foreign exchange rates as at 31.12.2010 provided by Norges Bank. Current income and costs have been translated into NOK at the foreign exchange rates ruling at the time of the transactions in question, and changes in foreign exchange rates have been included in the profit and loss account on an ongoing basis during the accounting period. Please see Note 5.3 for foreign exchange rates in 2010.

New standards

The Group has implemented the following new standards in 2010:

IFRS 3 (revised) - Business Combinations:

In relation to the previous IFRS 3, the revised standard involved certain changes and additional explanations with regard to the application of the acquisition method. Concrete factors affected by this include goodwill through gradual acquisition, minority interests, and conditional remuneration. Acquisition costs in excess of issues and borrowing costs shall be recognised as they are incurred. The revised standard provides two methods for the recognition of goodwill and non-controlling interests. If any new acquisitions, the Group will decide on which method to use.Revised IFRS 3 came into force on 1 July 2009. The Group applied IFRS 3 (R) from 1 January 2010.

IAS 27 (revised) - Consolidated and Separate Financial Statements:

In relation to the previous IAS 27, the revised standard provides more guidance relating to how a changed ownership interest in a subsidiary and a removal of a subsidiary are treated in the financial statements. The introduction of the revised standard means that when the Group looses control of a subsidiary any remaining ownership interest in the former subsidiary shall be measured at fair value, and gains and losses recognised in the profit and loss account. Furthermore, previous rules and regulations relating to the way in which losses are divided between majority and minority interests are changed such that losses shall be charged to the non-controlling interests (minority interests) even if the carrying amount of the minority interests becomes negative. IAS 27 (revised) came into force on 1 July 2009. The Group applied IAS 27 (R) from 1 January 2010.

Change in IAS 39 Financial instruments – inclusion and measuring –

Eligible Hedged Items:

The changes in IAS 39 involved a clarification of the rules with regard to where a financial instrument (hedging object) is hedged as far as certain risks or components of cash flows are concerned. The agreed changes primarily provide further guidelines for hedging of unilateral risk (hedging through options) and hedging of inflation risk, but also clarify the guidelines according to which the selected risks and cash flows must be identifiable and reliably measurable. The changes in IAS 39 came into force on 1 July 2009. The Group applied the changes in IAS 39 from 1 January 2010.

IFRIC 17 Distributions of Non-cash Assets to Owners:

The interpretation deals with the recognition in the financial statements of distributions to owners that are settled with assets other than cash. The interpretation came into effect on 1 November 2009. The Group applied IFRIC 17 from 1 January 2010.

The implementation of new standards in 2010 did not cause changes in comparable figures, and had no effect on equity as per 1 January 2010.

Future standards

We have mentioned below new/revised/additions to standards and interpretations, which are expected to possibly have an impact on the Bank's accounting preparations, which have been published, but which have not come into force for the 2010 accounting year (1 January – 31 December), and which have therefore not been implemented in the Group:

Changes to IFRS 7 Financial Instruments - Disclosures:

The changes concern the notes requirements in connection with the transfer of financial assets in which the company retains some involvement. The changes are intended to provide users with a better picture of the exposure of the company transferring the financial assets. IFRS 7 is planned to come into force on 1 July 2011, but the standard has yet to be approved by the EU. The Group expects to apply the changed standard from and including 1 January 2012.

IFRS 9 Financial instruments:

IFRS 9 replaces the classifications and measurement rules in IAS 39 Financial Instruments – Recognition and Measurement. Pursuant to IFRS 9 financial assets that contain ordinary loan terms shall be recognised at amortised cost unless one chooses to recognise them at fair value, while other financial assets shall be recognised at fair value. Classification and measurement rules for financial liabilities in IAS 39 is continued, with the exception of financial liabilities designated at fair value with changes through profit or loss (fair value option), where the value changes related to own credit risk is separated out and posted over other income and cost. IFRS 9 is planned to come into force on 1 January 2013, but the standard has yet to be approved by the EU. The Group expects to apply the standard from 1 January 2013.

IAS 24 (revised) Related Party Disclosures:

In relation to the currently valid IAS 24, the revised standard clarifies and simplifies the definition of related parties. The revised standard also provides some relief with respect to the requirements for additional disclosures for public enterprises. IAS 24 (revised) will come into force on 1 January 2011. The Group expects to apply the revised IAS 24 from 1 January 2011.

IASB's annual improvement project 2010

IASB has adopted changes to a number of standards in its annual improvement project. These changes came into effect from 1 July 2010 and later. The changes have yet to be approved by the EU. The Group is planning to apply the changes from and including 1 January 2011.

IFRS 3 Business Combinations:

A clarification is being introduced that states that the changes to IFRS 7, IAS 32 and IAS 39 which eliminate the exception for conditional remuneration does not apply to conditional remuneration in connection with business combinations in which the acquisition date is earlier than the application of IFRS 3 (revised in 2008).

Furthermore, a limitation has also been introduced concerning the scope of measuring alternatives for components of non-controlling ownership interests (minority interests).

Changes have also been made to IFRS 3 to clarify the rules for posting share-based remuneration arrangements in acquired companies that the taking over company is going to replace with a new arrangement. Options arrangements are recognised in financial statements at fair value on the acquisition date and the equity element linked to the new options arrangements are classified as non-controlling ownership interests.

IFRS 7 Financial Instruments - Disclosures:

Changes have been made to the standard that emphasise the interaction between quantitative and qualitative information and the nature and scope of the risk associated with financial instruments. Changes have also been made to the notes requirements pertaining to quantitative information and information about credit risk. The Group is planning to apply the changes from and including 1 January 2011.

IAS 27 Consolidated and Separate Financial Statements:

A clarification is being introduced that states that the changes to IAS 21, IAS 28, and IAS 31 which followed from the changes to IAS 27 shall be applied prospectively to accounting periods that start on or after 1 July 2009, or earlier if IAS 27 is applied early.

IAS 1 Presentation of Financial Statements:

A clarification is being introduced that an analysis shall be presented of each individual component of other income and costs for each individual component of equity, either in the statement of changes in equity or in notes to the financial statements.

IAS 34 Interim Financial Reporting:

Guidance is being provided concerning the application of the disclosure requirements in IAS 34, and further disclosure requirements will be issued concerning circumstances that will affect the fair value of financial instruments and their classification, transfers between different categories of financial instruments in the fair value hierarchy, changes in classification of financial assets, and changes in conditional liabilities and assets.

2.2 Consolidation principles

The Group accounts comprise Sparebanken Møre and all companies of which the Bank owns more than 50 per cent and/or companies where the Bank has a deciding influence over operational and/or financial aspects. This applies to subsidiaries mentioned in note 6.

Companies which have been 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 were one financial unit.

All transactions, internal profit and intra-group balances involving companies which form part of the Group have been completed at market values and have been netted out when consolidating the Group accounts. Uniform accounting principles have been applied for all companies which are incorporated in the Group accounts. In the Parent Bank's accounts, investments in subsidiaries are valued according to the cost method. The acquisition method is applied to the accounting in the case of acquired units/entities. The acquisition cost relating to an acquisition is assessed as the market value of the items involved, such as assets, equity capital instruments issued and liabilities taken over. Identifiable assets bought, liabilities taken over and debt obligations are assessed at market value at the time of the acquisition in question. The acquisition cost in excess of the market value of the Group's equity stake of identifiable net assets is, according to previous IFRS 3, incorporated as goodwill. Sparebanken Møre has no companies involving equity stakes of between 20 and 49.9 per cent of a long-term and strategic character with significant influence as far as operational and financial decisions (associated company) are concerned, or companies defined as joint-venture operations. Parts of companies temporarily acquired in order to secure an outstanding commitment to the Bank, are not consolidated. Repossessed assets are treated in the accounts as held available for sale with value change through the profit and loss account.

2.3 Financial instruments

2.3.1 Classification

The Group's portfolio of financial instruments is classified at its first inclusion in the accounts in accordance with IAS 39 in one of the following categories depending upon the purpose of the investment:

- Financial assets held for trading purposes (trading portfolio)
- Other financial assets and liabilities assessed at market value, any value changes to be included in the profit and loss account
- Financial instruments which are held as available for sale assessed at market value, any value changes presented as Other Comprehensive Income
- Financial derivatives classified as hedging instruments assessed at fair market value, any value changes to be included in the profit and loss account
- Loans and claims carried in the balance sheet at amortised cost
- Securities-related debt is carried in the balance sheet at amortised cost
- Securities-related debt is assessed at fair market value through the profit and loss account

According to the risk management which has been agreed, the Bank does not have any financial instruments which either separately or on a portfolio-related basis would create a potential, substantial exposure.

Financial assets in the trading portfolio

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

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

The Group's trading portfolio is defined within this group and is assessed at market value.

Financial assets and liabilities assessed at market value, any value changes being included in the profit and loss account

The Group's portfolio of interest-bearing securities, fixed interest rate loans and -deposits are classified at market value, with any value changes being included in the profit and loss account.

Financial liabilities are classified as securities-related debt. Any securities-related debt incurred before 31.12.2006 is assessed at market value through the profit and loss account. In the case of the Bank's securitiesrelated debt incurred after 31.12.2006, actual value-related hedging is applied, with any value changes being included in the profit and loss account.

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

Instruments held as available for sale, assessed at market value, with any value changes shown as Other Comprehensive Income

The Group's portfolio of shares, which are not classified as held for trading, are classified as available for sale, with any value changes shown as Other Comprehensive Income. Realised gains and losses as well as writedowns are included in the profit and loss account during the period in which they occur.

Financial assets and liabilities carried in the balance sheet at amortised cost

All loans and claims, including leasing, but with the exception of fixed interest rate loans, are valued at amortised cost, based on expected cash flows. Securities-related debt at floating rates of interest is included at amortised cost. The difference between the issue cost of the securities and the settlement amount at maturity is amortised over the life of the loan. The portfolio of own bonds is shown in the accounts as a reduction of the debt.

2.3.2 Value assessment

Market value

Financial instruments are shown in the accounts at market value at the time of entering into the agreement. When sold, the financial instruments are removed from the balance sheet once the risk has been transferred to a new owner. The market value of the instruments which are traded in active markets is based on the traded price on the balance sheet date in question. In the case of financial instruments which are not traded in an active market, the Bank's own valuations are applied, based on currently applicable market conditions, or, as an alternative, value assessment provided by another player in the market. Financial instruments which are assessed at market value, but which are not traded in an active market, are the portfolios of fixed interest rate loans, -deposits, more complex products, and unlisted shares. In the case of unlisted shares where a sufficiently reliable assessment of market value cannot be made, the acquisition cost is applied, or the written-down book value. In the case of the portfolios of fixed interest loans and -deposits, market value is based on contract-related cash flows discounted at market rate of interest. Transaction costs relating to financial assets and liabilities shown in the accounts at market value with value changes incorporated through the profit and loss account are not included in the balance sheet.

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.

Purchased portfolios of lending, including lending taken over by the takeover of business, have limited usable lifetimes and are recognised on the balance sheet at acquisition cost less depreciation. The portfolio of purchased lending is depreciated using the effective interest rate method divided over the expected average maturity of the portfolio (distributed by the corporate and retail market).

Write-downs

Losses on loans are calculated as the difference between book value and present value of estimated, future cash flows, discounted at the effective rate of interest. Only credit losses due to loss events occurring on the balance sheet date in question are taken into consideration. In the case of loans at floating rates of interest, the discounting rate of interest is equal to the effective rate of interest at the time of assessment. For loans at fixed rates of interest, the discounting rate of interest is equal to the original, effective rate of interest. For loans with a changed rate of interest as a result of a debtor's financial problems, the effective rate of interest ruling before the loan's interest was changed is applied. When estimating future cash flows, a possible takeover and sale of related collateral security are taken into con sideration, also including costs relating to the takeover and sale. Write-down for impairment in value of loans is charged to the profit and loss account as losses on loans. Interest calculated on loans which have previously been written down in value is credited to the profit and loss account as interest income. Reversal of other write-down is incorporated in the profit and loss account as a correction of loss. Provisions for guarantee liabilities are made if the liability involved is likely to cease 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 in connection with which provisions have been made are included in the balance sheet as an asset, the amount at most being equal to the provisions in question. A commitment is deemed to be in default if the borrower does not pay installments which have fallen due, or if an overdraft has not been covered, within a maximum period of 90 days. Commitments are reviewed individually and deemed to require write-down when objective proof of impairment in value exists or, at the latest, when default has occurred. The Bank makes comprehensive loss assessments each quarter. Please see Note 4 for further information about credit risk and write-down of losses on loans and groups of loans, and guarantee liabilities.

Individual write-downs

Individual write-down for credit losses is made when there are objective indications that there has been impairment of a loan's value as a result of reduced creditworthiness. A write-down is reversed when the loss is reduced and when it can objectively be related to an event which has occurred after the time of write-down. All loans which are regarded as significant, and a selection of other loans, are assessed in order to determine whether there is objective proof of impairment in value.

Individual loans are written down for impairment in value if there is

objective proof of:

a) Significant financial problems in the case of the debtor in question

b) Default of payment or other significant breaches of contract

c) Approved deferment of payment or new credit for the payment of an installment, agreed changes to the rate of interest or other terms and conditions relating to the agreement as a result of debtor's financial problems

d) A likelihood of the debtor entering into debt negotiations, other financial restructuring, or of the debtor's estate being subject to bankruptcy proceedings

Collective write-downs

Loans which have not been subject to individual assessment for impairment in value are evaluated in groups. Loans which are individually assessed for write-down, but where there is no objective proof, are also included in the collective assessment. The assessment of the need for write-down is made for customer groups with largely similar risk- and value characteristics and is based on risk classification and credit loss experience for the customer groups involved.

Notes Amounts in NOK million

Groups of loans are written down for impairment in value if there is objective proof of:

a) Negative changes in the payment status of debtors within the loan group in question

b) Economic effects which have occurred and which on the balance sheet day involved have not been fully taken into consideration in the Bank's risk classification system

The Bank has attempted to take account of macro-economic tendencies that have been registered in its group write-down model through mark-ups in macro-adjustments.

2.3.3 Financial derivatives

Financial derivatives are contracts which are entered into in order to hedge an already existing interest- and foreign exchange risk incurred by the Bank. Financial derivatives comprise foreign currency- and interest rate instruments as well as financial instruments related to structured products. Financial derivatives are shown in the accounts at market value, with value changes incorporated in the profit and loss account, and are carried in the balance sheet on a gross basis per contract as assets or liabilities respectively.

2.3.4 Hedging

In the case of the Bank's loans at fixed interest rate terms and conditions entered into after 31.12.2006, actual value hedging is applied, with value changes incorporated in the profit and loss account. The Bank hedges the value of interest rate risk 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 Bank's interest rate management and the real financial development. Fixed interest agreements entered into before 31.12.2006 are assessed at market value, with value changes incorporated in the profit and loss account.

2.4 Fixed assets

Fixed assets are evaluated at historical cost price including direct, related costs, minus accumulated depreciation and write-downs. When assets are sold, the cost price and accumulated depreciation are reversed in the accounts, and any gains or losses from the sale are shown in the profit and loss account. 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 in question for use. Costs incurred after the Bank has started to use the asset in question, including repairs and maintenance, are shown as costs in the profit and loss account.

When the acquisition cost of a component is substantial in relation to the total acquisition cost and the time of usage involved is significantly different, in that case substantial fixed assets are broken down for depreciation purposes into separate components.

Depreciation is calculated by applying the straight-line method over the following time periods:

Building plots and sites	Are not depreciated
Holiday properties	Are not depreciated
Buildings	50 years
Fixtures and fittings	8-10 years
Cars	5 years
Office machines	5 years
IT-equipment	3-5 years

In the case of each separate asset, an annual reassessment is made of remaining life and residual values. In connection with each reporting date, an assessment is made as to whether there are indications of impairment in value in the case of material assets. If there are such indications, the assets' recoverable amounts are calculated. The amount of the asset in the balance sheet is immediately written down to the recoverable amount, if the book value is the higher. Similarly, an assessment is made in order to ascertain whether the basis for earlier write-downs still exists. Fixed assets are therefore shown at their historical value, minus accumulated depreciation and accumulated losses in the case of impairment in value. Assets which separately are of lesser importance, for instance PCs and other office equipment, are not assessed individually for residual values, economic life or permanent impairment in value, but are assessed as groups. Works in progress are classified as fixed assets and shown in the accounts at the incurred costs relating to the asset in question. Works in progress are not depreciated until the asset in question starts being used. Any gains or losses from the sale of fixed assets are incorporated in the profit and loss account on an ongoing basis.

2.5 Leasing

The Group as a lessee

The Parent Bank has entered into leasing agreements for the Bank's cars and office equipment with its subsidiary, Møre Finans AS, which is responsible for the leasing of assets to the Bank's customers. See note 15 for fixed assets for a more detailed description of amounts. Internal leasing agreements have been netted out in the Group accounts.

As a lessee, the Group has only entered into operational leasing agreements. In the consolidated accounts, leasing payments are shown as costs in the profit and loss account, on a straight-line basis over the life of the leasing agreement unless another systematic method better reflects the user value over time. The leasing terms and conditions include periods of between 3 and 10 years. Operational leasing agreements are mainly related to the leasing of office premises and operational agreements for IT-systems.

The Group as lessor

Financial leasing of operating equipment is included in the balance sheet as claims equivalent to the net investment in the rental contract after deduction of annuity-based depreciation in accordance with the payment plan. Contracts incorporating guaranteed residual value are depreciated down to this amount over the life of the contract involved. The depreciation part of the annuity is deducted from the gross leasing income. Net leasing income therefore consists of the interest part of the leasing income. In tax-related context, depreciation of the leasing assets is arrived at according to the reducing balance method of depreciation.

2.6 Intangible assets

Intangible assets acquired separately are carried in the balance sheet at cost. The cost of intangible assets obtained through acquisition is included in the accounts at fair market value in the Group's opening balance sheet. Intangible assets on the balance sheet are carried at cost, reduced by any depreciation and write-down.

Economic life is either specific or non-specific. Intangible assets with a certain economic life are depreciated over their economic life and are

. **Benefit-based pension sche**

tested for write-down in the case of any indications of impairment in value. Depreciation method and -period are assessed at least once a year. Any changes in depreciation and/or -period are treated as a change in estimates.

Intangible assets with non-specific economic life are tested for write-down at least once a year, either individually or on the basis of cash-flow-generating units. A cash-flow-generating unit is the smallest identifiable group generating incoming cash flow which to a very large extent is independent upon other assets or groups. Intangible assets with a non-specific economic life are not depreciated.

Goodwill

The difference between acquisition cost and fair market value of net identifiable assets at the time of acquisition is in accordance with former IFRS 3 classified as goodwill.

Goodwill is shown in the balance sheet at acquisition cost, minus any accumulated write-downs. Goodwill is not written down, but is tested at least once a year for any impairment in value according to IAS 36. Goodwill is then allocated to the cash-generating units in question. If there should be indications of write-down needs in between the annual assessments, another assessment is made to ascertain whether the discounted cash flow related to goodwill exceeds the book value of goodwill. If the discounted cash flow is lower than the book value, goodwill will be written down to fair market value.

Licences and software programmes

Amounts paid for licences and software programmes are included in the balance sheet and depreciated on a straight-line basis over the expected time of useful economic life, which is normally 5 years. Such products bought are included in the balance sheet at acquisition cost plus the costs incurred in order to prepare the product for use. Identifiable costs relating to internally-developed products, which are controlled by the Group and where the financial advantages are likely to cover the development costs at the time of the balance sheet entry, are included in the accounts as intangible assets. Direct costs include costs relating to staff directly involved in the development of the software programme, as well as any material used and a share of the relevant overhead costs. Costs relating to maintenance of software programmes and IT-systems are charged on an ongoing basis to the profit and loss account. Software programme costs included in the balance sheet are depreciated over expected economic life, which is normally 5 years. When assessing the need for write-down, the same principles as those which have been described under Other fixed assets are applied.

2.7 Impairment in value of non-financial assets

A write-down is charged to the profit and loss account on the basis of the difference between book value and recoverable amount. The recoverable amount is the higher of fair market value, from which sales costs have been deducted, and the usage value. When assessing impairment in value, the fixed assets are grouped together at the lowest level it is possible to separate out independent cash flows (cash flow-generating units). A cash flow-generating unit is defined as the smallest identifiable group generating incoming cash flow, which to a very large extent is independent of other assets or groups. At each reporting, the possibilities of reversing any earlier write-downs on non-financial assets (except goodwill) are considered.

2.8 Depreciation and liabilities

This description does no apply to the provisions which are mentioned under 2.3.2 above relating to losses on loans, guarantees etc. valued at amortised cost. An item of provisioning is shown in the accounts when the Company has a valid (legal or assumed) liability as a result of events which have occurred, and if it can be argued as likely (more likely than not) that a financial settlement will be made as a result of the event involved, and that the amount can be estimated in a reliable manner. Any provisions raised are reviewed on each balance sheet date in question and their value assessed on the basis of the best estimate of the liability involved. In the case of insignificant time discrepancies the amount of provisioning raised equals the cost of getting out of the liability. When the time discrepancy is significant the amount of provisioning raised equals the present value of future payments to be made in order to cover the liability. An increase in the amount of provisioning raised as a result of the time involved is shown as interest costs. The Group had no provisions relating to restructuring at the end of 2010.

Mention has been made of significant contingent liabilities, with the exception of contingent liabilities where the likelihood of the liability is low. A contingent asset is not included in the annual accounts, but mentioned if there is a likelihood of a benefit accruing to the Group.

2.9 Equity capital

Dividends on ECs and dividend funds for the local community are classified as equity capital until the Board of Directors' proposal has been

agreed by the Bank's Board of Trustees.

Own Equity Certificates (ECs)

Nominal value of own ECs is shown in the balance sheet as a negative capi-

tal element. Purchase price in excess of nominal value is shown in relati
on to the Primary Capital Fund and Dividend Equalisation Fund in accordan
ce with their relation to each other. Losses and gains from transactions involving own ECs are shown in direct relation to the Primary Capital Fund a nd Dividend Equalisation Fund in accordance with their relation to each other

. **Costs relating to equity capital transactio**

ns Transaction costs relating to equity capital transactions are shown in dire ct relation to the equity capita

l. **Other equity capital ite**

ms The Value Adjustment Fund consists of aggregate net value changes relating to fair market value for financial instruments classified as available f or sale. The Fund for Unrealised Gains relates to changes in credit spre ad FVO in connection with the Group's securities-based debt. Realised gai ns and losses, coupled with write-downs, are incorporated in the profit a nd loss account during the period in which they occur. The Group does n ot have convertible bonds or any other financial instruments which can be converted into equity capital

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2.10 Accounting treatment of inco

me All fees receivable relating to payment transactions are included as inco me in the profit and loss account on an ongoing basis. All fees which exce ed direct transaction costs relating to interest-bearing funding loans and loa ns made are included in the computation of the effective rate of interest f or the balance sheet item in question and are amortised over the expected life in question. Commissions and fees derived from the sale or brokerage of shares, unit trust certificates, property or similar investment objec ts which do not generate balance sheet items in the Bank's accounts, a re included as income in the profit and loss account when they have accrue d. Customer transactions with financial instruments will generate revenue in the form of margins and brokerage which is booked as income once t he trade in question has been completed. Margin income may have be en realised when the contract has been entered into but may also include a credit risk premium relating to the customer's ability to settle any liabiliti es incurred as a result of future changes in the contract's market value. If t he margin incorporates a credit risk premium this will be included in the profit and loss account as it is being accrued. Dividends from shares in companies are taken to income once the dividends have been finally receive

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. **2.11 Staff remuneration - pensi**

on All wages, salaries and other remuneration paid to the Bank's Chi ef Executive Officer, members of the Board of Directors, staff employed by the Group and other appropriate parties had been paid and incorporated in the profit and loss account at the end of the accounting year. Plea se see note 13 for a description of the benefits paid to the Bank's C EO and appropriate parties, involving wages, salaries, other remuneratio n, pensions, loans and guarantees

. Benefit-based pension sche

The Group has provided its employees with pensions defined as benefit-based schemes (old age pensions). The benefit-based scheme is guaranteed through payments to the Bank's pension fund. The existing benefit-based pension scheme was closed to new members as at 31 December 2009.

The pension liabilities are evaluated every year by an actuary. The pension liabilities and pension costs are determined by applying a straightline accrual formula. A straightline accrual formula spreads the accrual of future pension benefits on a straight-line basis over the time of pension accruals, the accrued pension entitlements for staff during the period in question being regarded as the pension costs for the year.

Actuarial gains or losses are amortised over the remaining average accrual period if the discrepancy in question amounts to 10 per cent or more of the higher of the aggregate pension liabilities and the total pension resources at the beginning of the year. The pension liabilities are computed on the basis of the present value of future cash flows. The discount rate is based on the yield on 10-year government bonds, plus a mark-up for the pension liabilities' duration in excess of 10 years, including the difference between the 10-year and 30-year Euro interest rates.

All the Group's employees participate in the statutory early retirement pension (SERP) scheme for the financial industry, which means all employees can choose to take early retirement from and including the age of 62. A decision was taken to wind up this scheme in February 2010 and it will only be possible to take early retirement pursuant to the old scheme until 31 December 2010. The gains from winding up the arrangement were recognised as income in 2010 and presented as a reduction in payroll costs. A residual reserve exists for the company's liabilities with regard to people who take early retirement via the old scheme.

A new SERP scheme has been established as a replacement for the old SERP scheme. Unlike the old scheme the new SERP scheme is not an early retirement scheme, but a scheme that provides a lifelong addition to the ordinary pension. Employees can choose to join the new SERP scheme from and including the age of 62, including in parallel with staying in work which would provide further earnings from work up to the age of 67. The new SERP scheme is a defined benefit based multi-enterprise pension scheme and is funded through premiums that are determined as a percentage of pay. 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.

Any introduction of a new benefit plan or an improvement to the current benefit plan would result in changes to the pension liabilities. This will be recognised as a cost on a straight-line basis until the effect of the change has been earned. The introduction of new schemes or changes to existing schemes that have retroactive affect such that the employees have immediately earned a paid-up policy (or a change to a paid-up policy) are recognised in the profit and loss account immediately. Gains or losses linked to contractions or terminations of pension plans are recognised in the profit and loss account when they occur.

Contributory pension scheme

In December 2009, the Parent Bank adopted a voluntary transition arrangement from a benefit-based pensions scheme to a contribution-based pensions scheme. Those employees who chose to transfer were enrolled in a contribution-based pensions scheme with effect from 1 January 2010. The new defined contribution scheme has contribution rates of 5 per cent for salaries up in the interval up to 6 times the National Insurance Scheme's basic amount (G) and 8 per cent for salaries in the interval 6G to 12G.

The Bank's subsidiary, Møre Eiendomsmegling AS, provides a contributory pension scheme for its employees. The contribution represents 2 per cent of each employee's salary, and the company's liability is fully discharged by the payment of this contribution. The contribution is shown in the accounts as the pension cost for the period.

Pension premiums relating to defined contribution plans are expensed when incurred.

2.12 Tax

Taxation cost consists of payable income tax, wealth tax and change in deferred tax. Deferred tax/tax benefit is calculated on the temporary differences between the accounts-related and tax-related value of assets and liabilities, as the Group decides when the temporary differences will be reversed and as this is expected to occur in the foreseeable future. Deferred tax is included in the accounts as it is likely that the Group will have sufficient tax-related profits to be able to take advantage of the tax benefit. On each balance sheet day in question, the Group reviews the deferred tax benefit included in the accounts and its stated value. If applicable, the Group will reduce the amount of deferred tax benefit to the extent that the Group may no longer be able to take advantage of the deferred tax benefit. Deferred tax and deferred tax benefit are calculated on the basis of the expected future tax rate applicable to the companies in the Group where temporary differences have materialised. Deferred tax and deferred tax benefit are incorporated in the accounts irrespective of when the differences are going to be reversed. Deferred tax benefit is shown at nominal value and reported separately in the balance sheet. Payable tax and deferred tax are shown directly against the equity capital in the accounts, to the extent that this relates to items which are shown directly against the equity capital in the accounts.

2.13 Operating segments

For management purposes, the Group is organised in different business areas according to the type of services, customers and products involved. The classification is based on the same classification and reporting which are used for the ongoing benefit of the Bank's management and Board of Directors. The classification forms the basis for primary segmentation reporting. The classification into different operating segments and financial information relating to segments are presented in Note 9. Most of the income and costs is allotted to the Group's different segments according to actual usage or activity-based distribution keys.

2.14 Financial guarantees and liabilities

The Group issues financial guarantees as part of its ordinary operations. These guarantees are evaluated in loss context in accordance with the same principles as those applying to loans and are mentioned in Note 4.4.

2.15 Events occurring after the balance sheet date

Any new information about the company's positions on the balance sheet date in question has been taken into consideration in the annual accounts. Events occurring after the balance sheet date which have no impact on the company's position on the balance sheet date, but which will have an impact on the company's position in the future, are declared if this is deemed to be significant.

2.16 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 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 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:

Write-down on loans

The Group examines the lending portfolio at least every quarter. Commitments are reviewed individually and deemed to require writedown 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 4.3 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.

Goodwill

The Group's goodwill shown in the balance sheet is assessed for write-down on an annual basis. Recoverable amounts from cash flow-generating units are arrived at through calculations of usage value. Such calculations require the use of estimates and assumptions of future development as far as income and costs are concerned. Reference is made to Note 8.

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 2.3. Reference is also made to notes 5.4-5.7, which deal with financial instruments.

Securities-related debt

Securities-related debt with fixed rates of interest incurred before 31.12.2006 is assessed at fair market value through the profit and loss account. For this portfolio, changes in credit spreads have been taken into consideration when the value is assessed. In connection with the value assessment, the Bank uses value assessments which are based on assumptions which it would expect the market to use as a basis. Reference is made to note 5.5 for further information.

Pension liabilities

The present value of pension liabilities depends on several factors which are arrived at through the use of a number of actuarial assumptions. Any change in these assumptions would affect the amount of the pension liabilities shown in the balance sheet. The rate of interest to be applied when discounting is decided on at the end of the year. This is the rate of interest which is applied in order to calculate the present value of future necessary payments to cover the pension liabilities. The discount rate is based on the yield on 10-year government bonds, plus a mark-up for the pension liabilities' duration in excess of 10 years, including the difference between the 10-year and 30-year Euro interest rates, enabling us to arrive at an approximately similar maturity as that which applies to the pension liability. Other basic assumptions for the pension liabilities are partly based on actual market conditions. Mortality and death trend assumptions are based on standardised assumptions and other demographic factors. Please refer to note 14 for additional information.

3 - Risk management

Strategy

Sparebanken Møre's long-term strategic development and target achievement are supported by good risk- and capital management. The overall purpose of risk management and -control is 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, as well as a separate risk policy. The Group shall have a low to moderate risk profile and revenue generation shall be a product of customer-related activities, not financial risk-tasking. In addition, the Bank has introduced separate policies for each significant risk area: credit risk, counterpart risk, market risk and funding 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 see to it that the overall framework of the strategic plan is adhered to at all times.

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 bad 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 overall responsibility for ensuring the Bank and the Group have adequate primary capital based on the desired levels of risk and Group's activities, and for ensuring that Sparebanken Møre is adequately capitalised 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 Committee is elected by and from among the members of the Board. The committee is a subcommittee of the Board. Its purpose is to carry out more thorough assessments of designated areas and report the results to the Board. The Audit Committee shall ensure the institution has independent and effective external and internal auditors and satisfactory financial statement reporting and risk management routines that comply with all pertinent laws and regulations.

The CEO is responsible for ensuring the establishment of appropriate risk management and internal control on the basis of assessments, agreed principles and guidelines introduced by the Board. The CEO is responsible for ensuring that good control environments are established in all levels in 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 satisfactorily documented, 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 bears primary responsibility for developing the Bank's risk management models within the area of credit such that the institution qualifies to apply for approval as an IRB institution. 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 regard to risks. The department forms part of the Financial Control & Risk Management Section which reports directly to the CEO.

The Department for Compliance & Risk Control also forms part of Financial Control & Risk Management. Sparebanken Møre is obliged to have such a function pursuant to the Securities Trading Act and associated regulations. Sparebanken Møre's Board approves compliance instructions each year and an annual work and action plan is prepared for the function. The head of the department reports to Sparebanken Møre's senior management, but is organisationally subordinate to the head of Financial Control & Risk Management. The department is also responsible for heading the annual ICAAP work and coordinating annual internal control confirmations from the operative managers.

Finance & Accounting is responsible for the Group's total financial management/reporting and accounting reporting.

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 will monitor the approved control measures within their area of responsibility.

Sparebanken Møre's credit committees deal with larger commitments and matters of a special character, and shall provide an independent proposal to the person holding the power of attorney. Sparebanken Møre has regional credit committees, which are headed up by a regional general manager (RGM), in addition to the CEO's credit committee. The credit committees attach special importance to the identification of risk in connection with each credit application and make their own assessments of credit risk, in addition to deciding whether the commitment discussed is 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 Committee. Sparebanken Møre's internal auditing is done by an external provider, PriceWaterhouseCoopers.

Reporting

Sparebanken Møre focuses on the 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 that are intended for the Group's management group and Board, as well as reporting that is intended for the individual regions and departments, including customer account managers. The most important reports during the year are as follows:

ICAAP (Internal Capital Adequacy Assessment Process) is carried out and reported at least once a year. The process is headed by the department for Compliance and Risk Control. 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 Board of Directors and the Control Committee.

A balanced target management 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, regional 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. The risk report after the interim reporting period will also be expanded with supplementary comments from various disciplines in the Group, including the Chief Finance Officer, the Corporate Market's Concept Manager, the Retail Market's Concept Manager, and the Bank's Finance and Currency Manager. The report is dealt with by the Bank`s management team and Board of Directors, and the Audit Committee also receives a copy of the quarterly risk report.

Internal control reports are produced for all business areas and regions every year. 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 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 controls report are dealt with by the Bank`s management team and the Board of Directors, and are also presented to the Bank`s Control Committee.

Compliance reports are prepared at regular intervals 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 Finanstilsynet, deviation management in internal control, etc. The compliance reports are dealt with by the Bank`s management team and the Board of Directors, and are also presented to the Bank`s Control Committee.

Reports from external and internal auditors are dealt with by the Bank`s management team, the Audit Committee and the Board of Directors. Both internal and external auditors have (at least) annual meetings with the Control Committee.

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 in the 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. The reports are also used to analyse customers, portfolios and different industrial, commercial and other sectors. The portal provides customer account managers with an overview of the customers' positions and limits in relation to exposure to financial instruments.

Finance and accounting reports are prepared monthly (and include monthly calculations of group write-downs, as well as quarterly loss reviews of portfolios with a focus on the need for individual write-downs). The reports are dealt with by the Bank`s management team and the Board of Directors. After each quarter end the Control Committee receives a special review of the quarterly financial statements, including the development of finance and risk related issues.

Capital structure

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

The instability in the financial markets in the last few years has highlighted the need for robust primary capital, including good capital adequacy. The market's expectations concerning a financial institution's capital adequacy have also changed and higher capital adequacy has been focused on. This means depositors, funding counterparties, rating agencies, and supervisory authorities are very important setters of conditions.

Assessments of risk profiles, capital requirements and profitability are always based on the Group's long-term strategic plan. The Group's capital requirements (minimum) are calculated in the annual ICAAP. The Group's primary capital shall at all times fulfil the minimum requirements for capital adequacy with the addition of a buffer equal to Sparebanken Møre's accepted risk tolerances. The ICAAP clarifies all the alternatives the Group can implement if the Group's capital adequacy is subjected to stress. A prioritised list of measures that can be implemented in stress situations is drawn up. The Group's own ICAAP guidelines also stipulate quantitative limits for when the measures shall formally be assessed and possibly implemented.

Sparebanken Møre's should have minimum primary capital of 12 per cent. The core (tier 1) capital should as a minimum be 10 per cent. The long-term profitability requirement is defined as a return on equity of 6 percentage points over the long-term yield on government bonds.

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 capital owners receive a competitive long-term return in the form of dividends and capital appreciation on the equity capital. The equity capital 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 capital owners are guaranteed equal treatment.

Capital adequacy rules and regulations

The EU's capital adequacy directive (Basel II) was implemented in Norway with effect from 1 January 2007. Its purpose is 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:

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

Sparebanken Møre applies the Standard Approach in Basel II when computing capital adequacy for credit risk and market risk, and the basis method for operational risk. 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 done every year, and the Group's capital strategy is based on the risk in the Group's operations, different stress scenarios having been taken into consideration.

Sparebanken Møre has in its long-term strategic plan 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.

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 counterparts being unable to meet their obligations at the agreed time in accordance with the written agreements in question, and due to the collateral security held not covering the outstanding claims.
- 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 Bank being unable to meet its obligations and/or fund increases in assets without incurring significant extra costs in the form of falls in prices of assets which have to be sold, or in the form of particularly expensive funding.
- Operational risk: The risk of loss due to insufficient or failing internal processes and systems, or due human error or external events.

Sparebanken Møre tries to take account of the interaction between the various risk areas by setting desired levels of exposure. Overall it is the internal conditions, general conditions, customer base, etc in concert that 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 to significant level of risk is accepted
- Market risk: A low level of risk is accepted
- Liquidity risk: A moderate level of risk is accepted
- Operational risk: A low to moderate level of risk is accepted

The Group's risk is quantified partly through calculations of expected loss and the requirement for financial capital in order to be able to cover unexpected losses. Expected losses and financial capital are calculated for all main groups of risk, and for different business areas within the Group. Expected losses describe 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, but the calculations nevertheless assume that qualitative assessments are applied in certain cases. Please also refer to note 20 about capital adequacy for further comments concerning financial capital.

The return on financial capital is one of the most important strategic result measurements in the internal management at Sparebanken Møre. The different business areas are charged capital in relation to the calculated risk involved. Follow-up of the return on each area's allotted capital share is done on an ongoing basis, and the calculation makes it possible to compare risk across the various risk groups and business areas.

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 and leasing products for the retail market and corporate customers, and through the activities of Sparebanken Møre's International Business and Treasury Division.

The credit risk strategy is revised and agreed each year by the Board. 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 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 occure.

Sparebanken Møre's geographic core region is Møre og Romsdal. However, it is allowed to financially support investments/businesses outside its core region when, from an ownership perspective, they are linked to individuals or companies in/from Møre og Romsdal. The Group also has a strategic focus within the "small energy" sector and the Group can, with respect to this sector, deal with customers outside its defined core region.

The Department for Risk Management has established monthly portfolio management reports which ensure that any discrepancies from the strategic targets incorporated in the credit risk strategy are identified. Officers responsible for the concepts relating to corporate and retail banking 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 regard to decisions in credit matters. Within his powers of attorney, the CEO may delegate powers of attorney to other officers in the Bank. The credit-related powers of attorney are related to the commitment's size, the level of collateral security held, and to the likelihood of default.

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 industrial, commercial and other sectors.

The Group has prepared separate risk models for the corporate and retail banking markets which are used in monthly measuring and reporting of credit risk. It has also been developed own application score models for the two customer segments, which are in use 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 security 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 Bank's credit exposure in this area have been defined. The exposure is linked to bonds and certificates in the Group's liquidity portfolio, short-term lending to other banks, and exposure in connection with financial derivatives that are signed to neutralise already present interest and currency risk Sparebanken Møre has incurred. The portfolio consists of reputable domestic and foreign relationships.

Sparebanken Møre can assume exposure to four main groups: (1) Norwegian banks, (2) international banks, (3) Norwegian banks without explicit credit limits, and (4) international banks without explicit credit limits.

The preclassification process emphasises considering banks with which Sparebanken Møre has a mutual (reciprocity) and long business relationship. Sparebanken Møre, especially in relation to placements in international banks (and other debtors outside Norway), uses the major official rating agencies: Standard & Poor, Moodys and Fitch. If a counterparty's status is changed to "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.

CSA (Credit Support Annex) agreements are established with some counterparties. This provides Sparebanken Møre with collateral in excess of any given exposure. The agreements with counterparties define when the collateral shall be transferred between the parties. Sparebanken Møre practises cash collateral in relation to its counterparties, which is then set off against positions in financial instruments. This means that the market value of all derivatives signed between Sparebanken Møre and the counterparty is settled either daily or weekly. This will largely eliminate the counterparty risk.

Market risk

The concept of market risk can be divided into two components, general market risk and spesific market risk.

General market risk arises as a result of investments made or positions taken by the Bank and where the values at all times are determined by the prices in the market. This particularly involves currency positions, equities and other equity instruments, fixed income securities and other financial instruments in which the values are affected by price performance.

Specific market risk comprises changes as mentioned above, for instance relating to changes in borrowers' or issuers' creditworthiness, changed degree of marketability of a certain type of securities, local events etc. Market risk is calculated on the basis of the investments made and positions taken by the Bank at all times, coupled with the biggest changes which in the opinion of the Bank's management could possibly occur as far as relevant market prices are concerned. The Bank's calculation system for market risk is used as the initial basis for deciding on risk limits relating to the different financial instruments. The reporting focuses on the impact on overall results the Bank may experience if all market prices rates are subject to an unfavourable swing within 'normal' price and rate movements.

Within each of the market risk areas, the Bank's exposure is broken down into sub-portfolios, defined according to purpose. Separate limits have been established for each sub-portfolio.

Interest rate risk

Interest rate risk is incurred in connection with the Bank's operations in the Norwegian and international capital markets, and as a result of customers' wishes as far as the fixing of interest rates relating to loans and deposits is concerned. Risk exposure arises as a result of the fact that the interest rate fixing periods for the Bank's assets and liabilities are different. Depending upon the composition of assets and liabilities, a change in interest rates can lead to increased income or costs. In order to eliminate the risk relating to such changes, the Board of Directors fixes maximum limits for the Bank's interest rate risk. Within this limit the Board of Directors has fixed sub-limits for the Bank`s interest rate risk related to the Bank`s portfolio of liquidity reserves and the Bank`s foreign exchange positions. The exposure must be monitored continually in order to make sure that operations are conducted within the agreed limits. The Bank calculates interest rate risk by applying a duration analysis. In this way, the Bank is able to quantify the risk which has been incurred and the impact thereof on the result following changes in market interest rates in the form of a parallel shift in the yield curve.

Foreign exchange risk

Foreign exchange risk is incurred as a result of claims and liabilities in foreign currencies being in imbalance over a period of time. Sparebanken Møre measures foreign exchange risk on the basis of net positions in the different currencies involved, and each year the Board of Directors agrees limits for the foreign exchange position inside which the Bank must stay. Limits for maximum aggregate foreign exchange position and maximum position in the different currencies involved are also defined. Sparebanken Møre's foreign exchange risk is low and well within those limits which are mentioned in the relevant rules and regulations. Reference is made to note 5.3 for specification of the Group`s foreign exchange risk.

Equity capital risk

Equity capital risk is incurred when the Bank owns shares, ECs or other equity capital instruments whose value is decided by market developments. The holdings are divided into portfolios according to the purpose of the investment, and every year the Board of Directors agrees limits for total investment and individual investment in the different portfolios.

Market risk at Sparebanken Møre occurs as a result of operations which are carried out in order to support the Bank's business. This relates to the Bank's funding, the bond portfolio which is maintained to ensure access to borrowing from Norges Bank, and to customer-generated interest rate- and foreign currency trading. The limits for market risk are conservative, and on an aggregate basis, market risk only accounts for a small part of the Bank's total risk. In the case of the Bank's international operations and the capital market, as moderate a risk profile as possible has been maintained. All transactions involving credit risk must have been cleared and approved, and limits must have been agreed by the units in the Bank which are responsible for the commitment in question. Unintentional currency risk was at a minimum during the year, and interest risk was low throughout the whole of 2010.

The Board stipulates limits for the Bank's market risk in the market risk strategy and these are continually monitored by the Department for Risk Management. The limits are fixed against the background of analyses of negative market movements. The market risk strategy is reviewed and renewed at least once a year by the Board, which receives monthly reports on the development relating to market risk.

Sparebanken Møre has a very limited trading portfolio. The Bank's financial risk in 2010 is deemed to have been low and satisfactory. Please refer to note 5.4 when it comes to the Group's factors linked to market risk.

Funding risk

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

The management of Sparebanken Møre's funding structure is incorporated into an overall funding strategy which is evaluated and approved by the Board at least once a year. The strategy reflects the moderate risk level that is accepted for this risk area. We shall here describe those targets the Bank has in order to maintain its financial strength, and actual limits have been defined for different areas of the Bank's funding management. The Bank's contingency plan for funding management includes a description of how the funding situation should be handled in turbulent financial markets. Stress test models have also been developed that deal with various scenarios other than a normal situation. The purpose of these models is to quantify the probability of obtaining funding from different sources within certain defined periods.

The Funding and Foreign Exchange Section is responsible for the operational funding management, whereas the Department for Risk Management is responsible for monitoring and reporting of the utilisation of limits according to the Bank's funding strategy. The Bank tries to reduce the overall funding risk by spreading the funding loans with regard to different markets, sources, financial instruments and maturities.

In order to ensure the Group's liquidity 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 heavy focus on efforts to increase ordinary deposits in all customer-related activities throughout the Bank.

As far as the composition of the external funding is concerned, priority is given to having a relatively large share of funding with maturities in excess of one year. The Board of Directors has agreed targets for a liquidity indicator which measures the ratio between the Bank's long-term funding and illiquid assets. Liquidity indicator 1, which shows long-term funding as a percentage of illiquid assets, was 105.8 (102.7) at year-end 2010. The indicator is defined by Finanstilsynet and calculated by the Bank every quarter. The Bank's deposit-to-loan ratio, deposits from customers in relation to lending to customers, was 65.8 per cent (60.8 per cent) at year-end 2010.

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 was established in 2008 and has a concession from Finanstilsynet to operate as a mortgage company. The establishment of the company will provide the Group with increased diversification of its funding sources. In 2009 and 2010, the company issued covered bonds quoted in Norwegian krone (NOK). During these two years the Bank transferred parts of the residential mortgage portfolio to the mortgage company and thus gained access to the measures initiated by the government. These measures provided Norwegian banks with an opportunity to swap well secured residential bonds for government paper, which in turn could be traded in the ordinary financial market.

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 in the workplace
- Customers, products and business practices
- Damage to physical assets
- Interruptions to operations and/or systems
- Settlements, delivery or other transaction processing

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 above. They also suggest areas for improvement which are incorporated into special action plans. The CEO presents the report to the Board. The annual ICAAP also involves a review of the Group's material risk areas in which a great deal of attention is paid to operational risk.

The Group attaches a great deal of importance to goal-oriented measures aimed at preventing and reducing operational risk. This includes, for example, preparing ICT strategies, contingency plans for personnel and property, security handbooks, authorisation structures, ethical guidelines and insurance strategies. Sparebanken Møre has established an annual Security Forum for people responsible for security in the Group, and meetings of the Group's Security Committee are held four times a year.

In 2010, Sparebanken Møre also allocated substantial resources to enhancing the competence of its employees, especially through a programme of internal courses and instruction, training and testing linked to the authorisation scheme for financial advisers. The Group has started working with an external consultancy firm on the updating of contingency plans. This work includes focusing on robbery drills and media management in the event of crisis situations.

The Group's Legal Department helps to monitor and reduce operational risk, while at the same time the Group's Compliance Department is fully operational. Compliance particularly focuses on compliance with the Securities Trading Act and the requirements that have been specifically stipulated to ensure customers receive good and correct investment advice. The compliance officer regularly reports to the CEO, who in turn reports to the Group's Board.

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

Internal control

Internal control shall 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 at Sparebanken Møre is organised in a decentralised manner with the Section for Financial Control and Risk Management as the coordinating unit in the day-to-day operations and in the reporting to the Board of Directors. Under this section, two different departments have been established – Compliance and Risk Management. The Compliance Department monitors how the Group works with all relevant laws, rules and regulations in operational context, and how the Group's staff adhere to relevant rules and regulations, laws, licences, agreements, standards for different industrial and commercial sectors, internal instructions etc. in the day-to-day operations. Risk Management is responsible for working out systems, guidelines and procedures in order to identify, measure, report and follow up the Group's most important inherent risks.

Reports on the Group's operations and risk situation throughout the year are submitted to the Board of Directors on an ongoing basis.

The Bank's CEO submits an annual report to the Board of Directors including an overall assessment of the risk situation and an assessment confirming that 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 regular basis to the Board of Directors on the Group's internal control.

Portfolio management

The Group provides portfolio management for investment clients. The assets which are managed are not consolidated into the Bank's accounts.

Financial derivatives

Sparebanken Møre uses financial derivatives in order to handle risk incurred as a result of the Bank's ordinary operations. The Bank uses financial derivatives in its own trading to a very small extent. In the case of customer claims, these shall as a main principle be immediately covered by an opposite transaction in the market.

The following derivatives are used 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 according to which two parties agree to swap cash flows for an agreed amount over a certain period. In an interest rate swap, only the interest 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 or a raw material.

- Futures

Standardised contracts for receipt/delivery of specific instruments on spesific dates at an agreed price.

The risk relating to these financial instruments involves the credit risk of covering counterparts (all names having been given prior credit clearance by the Board) as well as operational risk.

These instruments are primarily utilised to provide the Bank's customers with reliable cash flows and a desired risk positions 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. In the case of all customers involved with 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 out so that the Bank ends up with just a net exposure to 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 who use this type of financial instrument are made aware of the Bank's usual business terms and conditions.

The Department for Risk Management 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.

4 - The credit area

The Board of Directors determines the long-term aims and targets for the Bank's credit strategy. The Bank's credit policy and guidelines for the credit process shall ensure that the customer portfolio has an acceptable risk profile, providing a basis for profitability from a long-term perspective. The long-term aims and targets for the credit area are reviewed as part of the Group's annual examination of the strategic plan. The strategy process is part of the whole organisation through different guidelines, handbooks and work routines.

Sparebanken Møre has defined Møre og Romsdal as its core market area. This provides a natural framework for the Bank's granting of credit. However, there are some permitted exceptions to this rule about the Bank's core business area if the granting of credit involves individuals or businesses with local affiliation. In addition, Sparebanken Møre has strategic focus within the "small-power" industry, and is for this sector open to deal with customers outside the Group`s defined core area. The Group is very careful in the case of financing abroad and has clear and restrictive guidelines relating to securities-related financing and acquisition financing. Furthermore, the Group has established limits for exposure to major commitments that limit the Group`s concentration risk.

4.1 - Credit risk

Credit risk is the Group's biggest area of risk and is defined as the risk of loss relating to customers or other counterparts being unable to meet their obligations at the agreed time and in accordance with written agreements, and when the collateral and/or other security held does not cover the outstanding claim. The Group is exposed to this type of risk through its lending and leasing products for the retail market and corporate customers, and through the activities of the Group's Department of Finance and Currency.

Note 3 on Risk Management explains in more detail about agreed strategies for the credit risk in the Group, and about processes for management and control of the risk area. A central feature in this connection is the calculation of the probability of default for each individual customer and portfolio. Concentration risk is managed in relation to the relevant targets for sector-based percentages, the largest individual commitments and the aggregate target for large commitments. Periodic stress tests are carried out in order to assess the loss potential in the credit portfolio due to large, but not implausible, negative changes in operating conditions.

As described in Note 3, the probability of default (PD) for the commitments contained in Sparebanken Møre's credit portfolio are calculated (PD is structured in order to be in line with the Capital Requirements Directive's specifications for fundamental IRB). Calculated expected loss (PD x LGD x EAD) is used as the basis when assessing customer profitability and is taken into consideration when fixing interest rate terms and conditions.

Based on the Bank's risk assessments, in risk context, the commitments may be put into the following groups:

Commitments according to risk classification 2010

Group					Parent Bank			
Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure	**Risk groups based on probability of default**	Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure
27 213	726	2 629	30 568	Low risk (0% - < 1%)	21 890	776	2 658	25 324
6 678	265	530	7 472	Middle risk (1% - < 4%)	6 207	265	523	6 995
3 290	111	154	3 554	High risk (4% - <100%)	3 144	111	153	3 408
902	7	12	921	Commitments in default	895	7	12	914
38 083	1 109	3 325	42 515	Total loans before individual and collective write-downs	32 136	1 159	3 346	36 641
407			407	- Provisions (specific and non-specific loss provisions)	402			402
37 676	1 109	3 325	42 108	Net loans to and claims on customers as at 31.12.2010	31 734	1 159	3 346	36 239

1) Guarantees/Letters of Credit etc. are translated into credit equivalent-related figures.

Commitments according to risk classification 2009

Group					Parent Bank			
Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure	**Risk groups based on probability of default**	Gross loans	Guarantees/ Letters of Credit etc.1)	Drawing-rights facilities	Total exposure
23 681	804	2 390	26 875	Low risk (0% - < 1%)	19 927	853	2 539	20 322
5 878	60	390	6 328	Middle risk (1% - < 4%)	5 680	60	387	11 034
5 740	157	140	6 037	High risk (4% - <100%)	5 706	158	172	4 159
953	65	76	1 094	Commitments in default	941	65	76	1 049
36 252	1 086	2 997	40 334	Total loans before individual and collective write-downs	32 254	1 136	3 174	36 564
401			401	- Provisions (specific and non-specific loss provisions)	396			396
35 851	1 086	2 997	39 933	Net loans to and claims on customers as at 31.12.2009	31 858	1 136	3 174	36 168

The calculation of loss level is based on the probability of a loss occurring (default frequency), estimated exposure and the size of estimated loss (the extent of loss). Normalised (expected) credit losses at the end of 2010 has been calculated at 0.16 per cent of that part of the portfolio which is not in default according to the capital adequacy rules. The period of strong economic expansion in recent years and its beneficial impact on interest rates and bankruptcy rates has been producing lower levels of credit losses than under normal economic conditions.

Loss level represented by EL (expected loss)

Group			Parent Bank	
2009	2010		2010	2009
0.27	0.16	Estimated expected loss as a percentage of gross commitments as at 31.12	0.16	0.27

Collateral and other security

The Group accepts different kinds of collateral and other security in order to reduce risk depending upon the market and type of transaction involved.

The main principle for value assessment of collateral security 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. With the exception of commitments against which write-down has been made, the value of the collateral security is calculated on the assumption of a going concern. When assessing the value of collateral security, estimated sales costs are taken into consideration. The main types of collateral and other security used are: mortgage on property (residential and commercial), guarantees, surety, charge on tangible moveable property (chattels) which can be registered, charge on goods (stocks), operating equipment and licences, or set-off agreements. Guarantees are a small 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 banking market, 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. The Bank does not apply set-off relating to exposure on or off the balance sheet by calculating capital requirement for credit risk.

Notes Amounts in NOK million

4.2 - Gross loans, deposits and guarantees to customers by sector, industry and geographic area

Group	Gross loans		Deposits		Guarantees	
Broken down according to sectors	2010	2009	2010	2009	2010	2009
Agriculture and forestry	484	477	155	140	1	2
Fisheries	3 192	2 844	390	353	105	0
Industry and mining	1 238	1 454	1 515	1 082	350	286
Building and construction	678	698	364	369	121	135
Wholesale and retail trade, hotel industry	770	765	693	697	70	84
Foreign shipping/supply	1 981	2 097	531	375	426	467
Property management	3 966	3 756	1 094	1 015	93	70
Professional/financial service	698	613	1 402	1 411	6	5
Transport and private/public service industry	1 362	1 336	1 695	1 434	39	225
Public entities	12	14	1 531	1 650	0	0
Non-Norwegian lending	11	22	2	2	0	0
Miscellaneous	44	21	1 905	645	0	0
Total Corporate/Public entities	14 436	14 097	11 277	9 173	1 211	1 274
Retail customers	23 647	22 155	13 274	12 620	12	11
Total Gross loans/Deposits	38 083	36 252	24 551	21 793	1 223	1 285
Specific loss provisions	-281	-264				
Non-specific loss provisions	-126	-137				
Net loans	37 676	35 851				
Loans/deposits with floating interest rate	35 865	33 842	23 840	21 511		
Loans/deposits with fixed interest rate	2 218	2 410	711	282		

Parent Bank	Gross loans		Deposits		Guarantees	
Broken down according to sectors	2010	2009	2010	2009	2010	2009
Agriculture and forestry	448	439	155	140	1	2
Fisheries	3 170	2 815	390	353	105	0
Industry and mining	1 030	1 268	1 515	1 082	350	286
Building and construction	551	558	364	369	121	135
Wholesale and retail trade, hotel industry	709	711	693	697	70	84
Foreign shipping/supply	1 956	2 070	531	375	426	467
Property management	4 011	3 801	1 112	1 037	93	70
Professional/financial service	675	613	1 402	1 411	6	5
Transport and private/public service industry	1 291	1 250	1 702	1 439	39	225
Public entities	4	6	1 531	1 650	0	0
Non-Norwegian lending	11	22	2	2	0	0
Miscellaneous	41	21	1 905	645	0	0
Total Corporate/Public entities	13 897	13 574	11 302	9 200	1 211	1 274
Retail customers	18 239	18 680	13 274	12 620	12	11
Total Gross loans/Deposits	32 136	32 254	24 576	21 820	1 223	1 285
Specific loss provisions	-276	-260				
Non-specific loss provisions	-126	-136				
Net loans	31 734	31 858				
Loans/deposits with floating interest rate	29 918	29 844	23 865	21 538		
Loans/deposits with fixed interest rate	2 218	2 410	711	282		

Changes in the levels of interest rates and credit margins not reflected in the interest rates for loans at the time of measuring represent the factors which have the biggest impact on the actual value of the Group's lending portfolio. The Group has not found it possible to implement measurement of the actual value of the lending portfolio based on changes in credit margins. In the annual accounts, the lending protfolio assessed at amortised cost is deemed to be the best approximation to the actual value. Fixed interest loans and deposits are assessed at actual value.

Group			Parent Bank	
2009	2010	Gross loans by type	2010	2009
573	576	Financial leasing agreements	0	0
1 936	1 502	Overdraft- and working credit facilities	1 502	1 939
203	206	Working credits	206	203
125	165	Housing loans	165	125
502	636	Building loans	681	505
2 410	2 218	Fixed interest loans	2 218	2 410
22 070	23 561	Loans with security in buildings	18 122	18 465
8 393	9 178	Other down-payment loans	9 201	8 567
40	41	Other loans	41	40
36 252	38 083	Total gross loans to and claims on customers	32 136	32 254
401	407	Specific and non-specific loss provisions	402	396
35 851	37 676	Net loans to and claims on customers	31 734	31 858

Group		
2009	2010	Leasingvolum fordelt på type anleggsmiddel
11	11	Office- and electronic machines
336	349	Industrial equipment/machines
108	102	Transport equipment
74	71	Private cars
67	69	Other
596	602	Gross leasing volume
5	5	Specific write-downs
591	597	Net leasing volume
24	26	- of which leasing to the Parent Bank accounts for (internally netted out in the Group accounts)
		Present value of income from financial leasing received
168	171	Within 1 year
295	283	Within 1 - 5 years
26	24	After a period of more than 5 years
489	478	Total

Future discounted rental income is less than the book value as the remaining value of contracts is not depreciated down to zero value.
Nominal income received (excluding residual value of contracts) from financial leasing amounted to NOK 179 million within 1 year, NOK 328 million between 1 and 5 years, and NOK 34 million for more than 5 years, calculated as at 31.12.2010.

Geografic spesification

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
Group	2010	2009	2010	2009	2010	2009	2010	2009
Gross loans	31 730	30 436	6 278	5 723	75	93	38 083	36 252
In percentage	83.3	84.0	16.5	15.8	0.2	0.2	100.0	100.0
Deposits	21 085	19 995	3 285	1 616	181	182	24 551	21 793
In percentage	85.9	91.8	13.4	7.4	0.7	0.8	100.0	100.0
Guarantees	1 099	1 274	124	11	0	0	1 223	1 285
In percentage	89.9	99.1	10.1	0.9	0.0	0.0	100.0	100.0

Parent Bank	2010	2009	2010	2009	2010	2009	2010	2009
Gross loans	26 889	27 108	5 172	5 066	75	80	32 136	32 254
In percentage	83.7	84.0	16.1	15.8	0.2	0.2	100.0	100.0
Deposits	21 110	20 022	3 285	1 616	181	182	24 576	21 820
In percentage	85.9	91.8	13.4	7.4	0.7	0.8	100.0	100.0
Guarantees	1 099	1 274	124	11	0	0	1 223	1 285
In percentage	89.9	99.1	10.1	0.9	0.0	0.0	100.0	100.0

4.3 - Losses on loans/commitments in default - customers

Sparebanken Møre reviews its loan portfolio each quarter. In the case of all commitments which are to be assessed individually, a valuation shall be made as to whether there is objective proof of a loss event having occurred, and whether the loss event reduces the loan's future cash flows. Examples of such objective proof are significant financial problems for the debtor, payments having been defaulted on, significant breach of contract, agreed changes in the applicable rate of interest or other terms and conditions relating to the agreement, as a result of financial problems experienced by the debtor, bankruptcy etc.

If there is objective proof of impairment in value, loss on loans is calculated as the difference between the value shown in the balance sheet (balance plus accrued interest at the time of assessment) and the present value of future cash flows. Estimates of future cash flows also take into account repossession and sale of related collateralised assets, and the costs incurred in that connection.

When the future cash flow has been estimated to the best of one's ability and when this has been registered, the system will calculate a new value for the loan (amortised cost) and the difference in relation to the value incorporated in the balance sheet will correspond to the amount of write-down which has been applied.

When all collateralised assets have been realised and when there is definitely no likelihood of the Bank receiving any more payments relating to the outstanding commitment, the loss write-down becomes confirmed. The claim against the customer will still exist and be followed up, unless the Bank has agreed to debt forgiveness for the customer.

Collective write-down is calculated on sub-groups of loans in connection with which objective events have shown that the future cash flows earmarked for servicing the commitments in questions have become impaired, in cases where it is not possible to examine all the commitments on an individual basis, or where the information is not identifiable at commitment level. Commitments against which individual write-downs have been registered do not form part of the basis for collective writedown. Sparebanken Møre's model for collective write-down factors in any change in risk classification, negative development of collateralised asset values and registered macroeconomic events with an impact on future estimated cash flows.

Sparebanken Møre 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 effect future estimated cash flows are taken account of in the model. The models looks at both cash flows out of the Bank (total borrowing and funding expenses, administration expenses, etc), as well as estimated cash flow into the Bank (including interest income from customers). The same model with various adaptations is used for all companies in the Group exposed to credit risk.

Notes Amounts in NOK million

The last few years have been characterised by financial instability internationally, and to some extent nationally. The international financial situation is still unstable and, among other things, there is a lot of concern about some countries' national debt. The macroeconomic picture for Norway still appears more positive with expectations of low interest rates in the coming years, low inflationary pressures, stable unemployment and expectations of a moderate upturn in the economy in 2011 and 2012.

Analyses carried out by Statistics Norway indicate that overall GDP for 2010 for primary industries in Møre og Romsdal will develop positively. The forecast upturn in the fish farming industry could contribute to continued growth in GDP in primary industries in the county in the next 2 years as well. Industry recorded a slight downturn in gross output in Møre og Romsdal in 2010. Vessel and platform production made the largest negative contribution, though the engineering industry also saw weaker growth. Investments in industry are expected to change little or rise only slightly in 2011 and 2012, but from a lower level after 2 years of heavy downturns. The output of private sector service providers is expected to increase towards 2012 with most industries and commerce expected to see output growth. Public administration in Møre og Romsdal is expected to increase on a par with the national average towards 2012.

Employment growth in Møre og Romsdal is expected to be moderate next year with a possible weak upturn slightly below employment growth in the country as a whole. Employment growth in primary industries is projected to continue pulling this down a bit. The forecasts for 2011 and 2012 indicate continued weak industrial employment growth. A slight improvement in building and construction output is expected to result in employment growth in this sector next year and especially in 2012. Employment growth within private sector service providers may increase somewhat next year and in 2012. Public administration employment is projected to continue to grow somewhat, as in the rest of the country in 2011 and 2012, though at a somewhat more moderate pace than in 2010.

House price statistics from the Norwegian Association of Real Estate Agents (NEF) for Møre og Romsdal indicate continued growth in the Bank's core region, with both an increase in prices per square metre and faster turnover.

The Bank has attempted to take account of recorded macroeconomic trends in its group write-down model through mark-ups in macro-adjustments.

Losses on loans and guarantees

Group			Parent Bank	
2009	2010		2010	2009
46	-10	Changes in specific loss provisioning and guarantees during the period	-13	44
-8	-10	Changes in non-specific loss provisioning during the period	-10	-8
31	43	Confirmed losses during the period where specific provisioning had previously been made	43	31
20	14	Confirmed losses during the period where specific provisioning had previously not been made	14	20
7	6	Recoveries	6	7
82	31	Losses on loans, guarantees etc.	28	80

Specific provisions in respect of loans

Group			Parent Bank	
2009	2010		2010	2009
217	264	Specific loss provisions on loans 01.01	260	215
31	43	Confirmed losses on loans during the period, where specific provisioning had previously been made	43	31
29	20	Changes in specific provisioning during the period	20	27
109	149	Specific provisioning during the period	148	109
1	0	Provision from the acquisition of Tingvoll Sparebank	0	1
61	109	Recoveries on specific provisioning during the period	109	61
264	281	Specific provisions against losses on loans 31.12	276	260

Non-specific write-down on loans

Group			Parent Bank	
2009	2010		2010	2009
145	137	Non-specific write-down on loans 01.01	136	144
1	-	Provision from the acquisition of Tingvoll Sparebank	-	1
-9	-11	Changes during the period	-10	-9
137	126	Non-specific write-down on loans 31.12	126	136

Specific provisioning in respect of guarantees

Group			Parent Bank	
2009	2010		2010	2009
46	46	Specific provisioning 01.01	46	46
23	0	Specific provisioning during the period	0	23
23	34	Recoveries on specific provisioning during the period	34	23
46	12	Specific provisions 31.12	12	46

Commitments in default (total of all of a customer's outstanding commitments) in excess of 1 month

Group	2010			2009		
Intervals	Total	Retail	Corporate	Total	Retail	Corporate
1-3 months	67	52	15	331	229	102
3-6 months	82	36	46	101	43	58
6-12 months	71	35	36	56	15	41
Over 12 months	92	36	56	56	38	18
Gross loans in default	312	159	153	544	325	219
Specific write-downs	53	19	34	52	13	39
Net loans in default	259	140	119	492	312	180

Parent Bank	2010			2009		
Intervals	Total	Retail	Corporate	Total	Retail	Corporate
1-3 months	67	52	15	331	229	102
3-6 months	79	36	43	93	43	50
6-12 months	71	35	36	56	15	41
Over 12 months	92	36	56	56	38	18
Gross loans in default	309	159	150	536	325	211
Specific write-downs	52	19	33	52	13	39
Net loans in default	257	140	117	484	312	172

Other bad and doubtful commitments (with specific write-downs)

Group	2010			2009		
	Total	Retail	Corporate	Total	Retail	Corporate
Gross lending volume	674	93	581	857	106	751
Specific write-downs	227	22	205	258	25	233
Net lending volume	447	71	376	599	81	518

Parent Bank	2010			2009		
	Total	Retail	Corporate	Total	Retail	Corporate
Gross lending volume	667	93	574	857	106	751
Specific write-downs	224	22	202	254	25	229
Net lending volume	443	71	372	603	81	522

Last five years

Commitments in default in excess of 3 months

Group						**Parent Bank**				
2006	2007	2008	2009	2010		2010	2009	2008	2007	2006
122	118	168	205	249	Gross loans in default	242	205	168	118	122
18	11	26	52	39	Specific write-downs	39	52	26	11	18
104	107	142	153	210	Net loans in default	203	153	142	107	104
0.4	0.3	0.4	0.4	0.5	Net lending volume in default as a percentage of gross lending volume	0.6	0.5	0.4	0.3	0.4

Other bad and doubtful commitments (with specific write-downs)

Group						**Parent Bank**				
2006	2007	2008	2009	2010		2010	2009	2008	2007	2006
591	857	780	857	674	Gross loans in default	667	857	772	857	591
214	209	237	258	227	Specific write-downs	224	254	235	209	214
377	648	543	599	447	Net loans in default	443	603	537	648	377
1.4	2.0	1.5	1.6	1.2	Net lending volume in default as a percentage of gross lending volume	1.4	1.9	1.5	2.1	1.4

Notes Amounts in NOK million

Specific write-downs on loans/guarantees

Group	2010			2009		
Broken down according to sectors	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans
Agriculture and forestry	4	0.76	1.3	0	0.00	1.3
Fisheries	1	0.05	8.4	10	0.35	7.8
Industry and mining	-55	-3.80	3.3	30	2.15	4.0
Building and construction	10	1.43	1.8	12	1.47	1.9
Wholesale and retail trade, hotel industry	19	2.50	2.0	13	1.35	2.1
Foreign shipping/supply	51	2.49	5.2	0	0.00	5.8
Property management	1	0.03	10.4	2	0.04	10.4
Professional/financial service	0	0.00	1.8	0	0.00	0.0
Transport and private/public service industry	8	0.58	3.6	38	2.75	5.4
Public entities	0	0.00	0.0	0	0.00	0.0
Non-Norwegian lending	0	0.00	0.0	0	0.00	0.1
Miscellaneous	0	0.00	0.1	0	0.00	0.1
Total commercial and industrial sectors	39	0.28	37.9	105	0.73	38.9
Retail customers	4	0.02	62.1	8	0.04	61.1
Non specific write-downs	-11	-0.03		-9	-0.03	
Total customers	32	0.09	100.0	104	0.29	100.0
Credit institutions	-1	0.00		-22	-0.06	
Total	31	0.09		82	0.23	

Specific write-downs on loans/guarantees

Parent Bank	2010			2009		
Broken down according to sectors	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans	Losses	Losses as a perc. of gross loans 01.01	Perc. share of gross loans
Agriculture and forestry	4	0.82	1.4	0	0.00	1.4
Fisheries	1	0.05	9.9	10	0.34	8.7
Industry and mining	-55	-4.44	3.2	29	2.28	3.9
Building and construction	8	1.52	1.7	11	1.75	1.7
Wholesale and retail trade, hotel industry	19	2.69	2.2	13	1.45	2.2
Foreign shipping/supply	51	2.52	6.1	0	0.00	6.4
Property management	1	0.03	12.5	2	0.05	11.8
Professional/financial service	0	0.00	2.1	0	0.00	0.0
Transport and private/public service industry	7	0.58	4.0	38	2.12	5.8
Public entities	0	0.00	0.0	0	0.00	0.0
Non-Norwegian lending	0	0.00	0.0	0	0.00	0.1
Miscellaneous	0	0.00	0.1	0	0.00	0.1
Total commercial and industrial sectors	36	0.27	43.2	103	0.74	42.1
Retail customers	3	0.02	56.8	8	0.04	57.9
Non specific write-downs	-10	-0.03		-9	-0.03	
Total customers	29	0.09	100.0	102	0.29	100.0
Credit institutions	-1	0.00		-22	-0.06	
Total	28	0.09		80	0.23	

Not recognised interest on impaired loans

Group			Parent Bank	
2009	2010		2010	2009
10	17	Accured interest on loans shown in the balance sheet 01.01, not yet booked as income	17	10
1	2	Previous periods' interest on loans, booked as income during the period	2	1
2	5	Accured interest on loans which are no longer shown in the balance sheet, not yet booked as income	5	2
10	11	Accured - during the period - interest on loans, identified as losses, not yet booked as income	11	10
17	21	Accured interest on loans shown in the balance sheet 31.12, not yet booked as income	21	17

Gross loans - losses - Commitments in default 31.12.2010

Group	Gross loans	Specific provisions	Non-specific provisions	Net loans	Guarantees	Commitments in default in excess of 30 days	Other bad loans	Credit facility
Agriculture and forestry	484	6		478	1	7	32	61
Fisheries	3 192	47		3 145	105	19	139	95
Industry and mining	1 238	50		1 188	350	27	69	365
Building and construction	678	17		661	121	44	25	147
Wholesale and retail trade, hotel industry	770	7		763	70	9	15	296
Foreign shipping/supply	1 981	45		1 936	426	0	139	1
Property management	3 966	10		3 956	93	30	34	163
Professional/financial service	698	0		698	6	0	0	21
Transport and private/public service industry	1 362	58		1 304	39	21	121	219
Public entities	12	0		12	0	0	0	170
Non-Norwegian lending	11	0		11	0	0	0	0
Miscellaneous	44	0		44	0	0	0	0
Total Commercial/Public entities	14 436	240	83	14 113	1 211	157	574	1 538
Retail customers	23 647	41	43	23 563	12	159	93	1 787
Total	38 083	281	126	37 676	1 223	316	667	3 325

Gross loans - losses - Commitments in default 31.12.2009

Group	Gross loans	Specific provisions	Non-specific provisions	Net loans	Guarantees	Commitments in default in excess of 30 days	Other bad loans	Credit facility
Agriculture and forestry	477	2		475	2	9	7	45
Fisheries	2 844	47		2 797	0	70	134	45
Industry and mining	1 454	77		1 377	286	23	423	320
Building and construction	698	14		684	135	15	26	107
Wholesale and retail trade, hotel industry	765	19		746	84	23	12	297
Foreign shipping/supply	2 097	0		2 097	467	0	0	4
Property management	3 756	10		3 746	70	38	29	155
Professional/financial service	613	0		613	5	0	0	11
Transport and private/public service industry	1 336	56		1 280	225	41	120	228
Public entities	14	0		14	0	0	0	157
Non-Norwegian lending	22	0		22	0	0	0	8
Miscellaneous	21	0		21	0	0	0	5
Total Commercial/Public entities	14 097	225	36	13 872	1 274	219	751	1 382
Retail customers	22 155	39	101	22 116	11	325	106	1 615
Total	36 252	264	137	35 851	1 285	544	857	2 997

Notes Amounts in NOK million

Gross loans - losses - Commitments in default 31.12.2010

Parent Bank	Gross loans	Specific provisions	Non-specific provisions	Net loans	Guarantees	Commitments in default in excess of 30 days	Other bad loans	Credit facility
Agriculture and forestry	448	6		442	1	5	32	61
Fisheries	3 170	47		3 123	105	19	139	95
Industry and mining	1 030	46		984	350	26	69	365
Building and construction	551	16		535	121	42	25	147
Wholesale and retail trade, hotel industry	709	7		702	70	9	15	296
Foreign shipping/supply	1 956	45		1 911	426	0	139	1
Property management	4 011	10		4 001	93	30	34	184
Professional/financial service	675	0		675	6	0	0	21
Transport and private/public service industry	1 291	58		1 233	39	16	121	219
Public entities	4	0		4	0	0	0	170
Non-Norwegian lending	11	0		11	0	0	0	0
Miscellaneous	41	0		41	0	0	0	0
Total Commercial/Public entities	13 897	235	83	13 579	1 211	150	574	1 559
Retail customers	18 239	41	43	18 155	12	159	93	1 787
Total	32 136	276	126	31 734	1 223	309	667	3 346

Gross loans - losses - Commitments in default 31.12.2009

Parent Bank	Gross loans	Specific provisions	Non-specific provisions	Net loans	Guarantees	Commitments in default in excess of 30 days	Other bad loans	Credit facility
Agriculture and forestry	439	1		438	2	6	7	45
Fisheries	2 815	47		2 768	0	70	134	45
Industry and mining	1 268	76		1 192	286	22	423	320
Building and construction	558	14		544	135	14	26	107
Wholesale and retail trade, hotel industry	711	19		692	84	23	12	297
Foreign shipping/supply	2 070	0		2 070	467	0	0	4
Property management	3 801	10		3 791	70	38	29	189
Professional/financial service	613	0		613	5	0	0	11
Transport and private/public service industry	1 250	54		1 196	225	38	120	228
Public entities	6	0		6	0	0	0	157
Non-Norwegian lending	22	0		22	0	0	0	8
Miscellaneous	21	0		21	0	0	0	148
Total Commercial/Public entities	13 574	221	35	13 353	1 274	211	751	1 559
Retail customers	18 680	39	101	18 641	11	325	106	1 615
Total	32 254	260	136	31 858	1 285	536	857	3 174

4.4 - Liabilities/contingent liabilities - guarantee liabilities

Group			Parent Bank	
2009	2010	Guarantee liabilities	2010	2009
287	455	Payment guarantees	455	287
570	375	Contract guarantees	375	570
383	351	Loan guarantees	351	383
45	42	Other guarantee liabilities	42	45
1 285	1 223	Guarantee liabilities relating to customers	1 223	1 285
100	100	Guarantee - credit institutions	100	100
0	0	Guarantee provided for the Savings Bank's Guarantee Fund (SBGF)	0	0
1 385	1 323	Guarantee liabilities 31.12	1 323	1 385
2 997	3 325	Drawing rights facilities for customers	3 346	3 174
		Breakdown according to different commercial, industrial and other sectors is shown in note 4.3.		
		Assets pledged as collateral security for loans etc.		
1 924	2 075	Bonds pledged as collateral security for access to loans from Norges Bank	2 075	1 924
860	860	Utilised under loan facility from Norges Bank	860	860
13	6	Letters of credit 1)	6	13

1) Confirmed letters of credit which are not to be entered into the accounts, according to the guidelines of The Financial Supervisory Authority of Norway.

Legal disputes

As at 31.12.2010, the Group is involved in 3 legal disputes. The Group has assessed the probability of loss to be small.

5 - Financial instruments - market- and funding risk

The Bank's Board of Directors stipulates the long-term aims and targets withregard to its risk profile. These aims and targets are made operational through powers of attorney and limits which are delegated within the organisation. Sparebanken Møre manages funding- and market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on the Bank's strategy documents, Market Risk Strategy, Funding Strategy, Credit Risk – counterpart risk and Trading with financial instruments on behalf of customers. The strategy documents are subject to periodical reviews and are revised/agreed 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 which is independent of the operative units.

Market risk strategy

The purpose of this document is to define strategy and limits in relation to the market risk area. Furthermore, the document shall set the standard for organisation and responsibility, the calculation of market risk, as well as the monitoring and reporting in relation to the market risk area.

Funding strategy

The funding strategy shall describe the Bank's targets for maintaining its financial strength. Reassuring financial strength and good financial results help to provide sufficient and secure limits for the Bank's external funding.

Credit risk - counterpart risk

The document examines and emphasises the activity-related- and risk limits for the Bank's credit exposure and exposure through credit equivalent-related financial instruments for those parts of the Bank's credit exposure which are related to the assets- and liabilities management and risk hedging activities taken care of by the Financing and Foreign Exchange Section.

Trading with financial instruments on behalf of customers

The document provides guidelines which apply to the Bank's trading with financial instruments on behalf of customers. It defines limits for such trading, setting out routines for the monitoring of exposure and risk, including the division of responsibility for monitoring and follow-up.

Notes Amounts in NOK million

5.1 - Liquidity and funding risk

The management of Sparebanken Møre's funding structure is defined in an overall funding strategy which is evaluated and agreed by the Board of Directors at least once every year. In this strategy document, the Bank's aims and targets relating to the maintenance of its financial strength are described, and actual limits for the Bank's funding management within different areas are defined. Funding management also includes stress tests according to which the funding 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 loans with regard to sources, markets, financial instruments and maturities, the object being to reduce the overall risk.

Customer deposits are the Bank's most important source of funding, but it is also dependent upon other funding sources in order to finance customers' demand for loans. In the table below, the remaining terms to maturity are shown for the different funding sources involved.

Group

2010	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	534					97	631
on central banks	Cur	3						3
Loans to and claims	NOK	101						101
on credit institutions	Cur	66						66
Loans and claims	NOK	5 436	283	1 333	6 848	20 484	-407	33 977
on customers	Cur	3 699						3 699
Certificates, bonds and	NOK	55	168	1 353	1 933	329		3 838
other interest-bearing sec.	Cur		23		592	43		658
Other	NOK						1 415	1 415
assets	Cur						53	53
Total assets		9 894	474	2 686	9 373	20 856	1 158	44 441
Debt to	NOK	377	87	46	3 540			4 050
credit institutions	Cur	1	182		743			926
Deposits from and	NOK	24 286		54				24 340
liabilities to customers	Cur	211						211
Borrowings raised through	NOK		707	676	6 519	1 795		9 697
the issue of securities	Cur							0
Other	NOK	30					955	985
liabilities	Cur						18	18
Subordinated loan	NOK					961		961
capital	Cur							0
Equity capital	NOK						3 253	3 253
Total liabilities and equity capital		24 905	976	776	10 802	2 756	4 226	44 441
Net total for all items		-15 011	-502	1 910	-1 429	18 100	-3 068	

Group

2009	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	575					102	677
on central banks	Cur	5						5
Loans to and claims	NOK	58						58
on credit institutions	Cur	25						25
Loans and claims	NOK	6 700	257	1 115	5 109	19 450	-396	32 235
on customers	Cur	3 616						3 616
Certificates, bonds and	NOK		55	1 455	1 393	165		3 068
other interest-bearing sec.	Cur		25		288			313
Other	NOK						1 207	1 207
assets	Cur						187	187
Total assets		10 979	337	2 570	6 790	19 615	1 100	41 391
Debt to	NOK	409	114	12	3 530			4 065
credit institutions	Cur	4	64	694	835			1 597
Deposits from and	NOK	21 459		65	90			21 614
liabilities to customers	Cur	179						179
Borrowings raised through	NOK		688	839	6 669	890		9 086
the issue of securities	Cur							0
Other	NOK						864	864
liabilities	Cur						89	89
Subordinated loan	NOK					955		955
capital	Cur							0
Equity capital	NOK						2 942	2 942
Total liabilities and equity capital		22 051	866	1 610	11 124	1 845	3 895	41 391
Net total for all items		-11 072	-529	960	-4 334	17 770	-2 795	

Parent Bank

2010	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	534					97	631
on central banks	Cur	3						3
Loans to and claims	NOK	750						750
on credit institutions	Cur	66						66
Loans and claims	NOK	5 417	245	1 017	4 335	17 423	-402	28 035
on customers	Cur	3 699						3 699
Certificates, bonds and	NOK	55	168	1 353	3 372	1 708		6 656
other interest-bearing sec.	Cur		23		592	43		658
Other	NOK						1 724	1 724
assets	Cur						53	53
Total assets		10 524	436	2 370	8 299	19 174	1 472	42 275
Debt to	NOK	627	87	46	3 540			4 300
credit institutions	Cur	1	182		743			926
Deposits from and	NOK	24 310		55				24 365
liabilities to customers	Cur	211						211
Borrowings raised through	NOK		707	676	5 460	591		7 434
the issue of securities	Cur							0
Other	NOK						917	917
liabilities	Cur						18	18
Subordinated loan	NOK					961		961
capital	Cur							0
Equity capital	NOK						3 143	3 143
Total liabilities and equity capital		25 149	976	777	9 743	1 552	4 078	42 275
Net total for all items		-14 625	-540	1 593	-1 444	17 622	-2 606	

Parent Bank

2009	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	575					102	677
on central banks	Cur	5						5
Loans to and claims	NOK	652						652
on credit institutions	Cur	25						25
Loans and claims	NOK	5 920	229	984	4 427	17 078	-396	28 242
on customers	Cur	3 616						3 616
Certificates, bonds and	NOK		55	1 455	1 933	2 665		6 108
other interest-bearing sec.	Cur		25		288			313
Other	NOK						1 525	1 525
assets	Cur						187	187
Total assets		10 793	309	2 439	6 648	19 743	1 418	41 350
Debt to	NOK	644	114	12	3 530			4 300
credit institutions	Cur	4	64	694	835			1 597
Deposits from and	NOK	21 486		65	90			21 641
liabilities to customers	Cur	179						179
Borrowings raised through	NOK		688	839	6 459	890		8 876
the issue of securities	Cur							0
Other	NOK						839	839
liabilities	Cur						89	89
Subordinated loan	NOK					955		955
capital	Cur							0
Equity capital	NOK						2 874	2 874
Total liabilities and equity capital		22 313	866	1 610	10 914	1 845	3 802	41 350
Net total for all items		-11 520	-557	829	-4 266	17 898	-2 384	

5.2 - Interest rate risk

Sparebanken Møre measures interest rate risk through analyses which show the impact on the overall result of a 1 percentage point parallel shift in the yield curve. In this way, one can quantify the risk which has been incurred by the Bank and the effect it has on the result when interest rates in the market change.

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 moderate.

Notes Amounts in NOK million

Parent Bank

2010	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
NOK	1	5	4	-2	-1	7
Cur	1	-2	-1	-1	1	-2
Total	2	3	3	-3	0	5

2009	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
NOK	1	5	0	-4	0	2
Cur	1	-1	0	-1	0	-1
Total	2	4	0	-5	0	1

The table above shows the potential impact on the overall result for the Parent Bank if the level of interest rates increases by 1 percentage point. The calculation has been made on the basis of applicable positions and interest rates in the market at year-end.

The tables below show the agreed date for changes to interest rate conditions for the main items on the balance sheet.

Group

2010	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	534					97	631
on central banks	Cur	3						3
Loans to and claims	NOK	101						101
on credit institutions	Cur	66						66
Loans and claims	NOK		32 248	111	1 591	434	-407	33 977
on customers	Cur		3 699					3 699
Certificates, bonds and	NOK	284	132	1 813	1 308	301		3 838
other interest-bearing sec.	Cur	172	81		362	43		658
Other	NOK						1 415	1 415
assets	Cur						53	53
Total assets		1 160	36 160	1 924	3 261	778	1 158	44 441
Debt to	NOK	12	1 367	1 167	1 504			4 050
credit institutions	Cur	1	925					926
Deposits from and	NOK	23 766	135	413	26			24 340
liabilities to customers	Cur	211						211
Borrowings raised through	NOK	968	1 519	566	6 052	592		9 697
the issue of securities	Cur							0
Other	NOK						985	985
liabilities	Cur						18	18
Subordinated loan	NOK			278	482	201		961
capital	Cur							0
Equity capital	NOK						3 253	3 253
Total liabilities and equity capital		24 958	3 946	2 424	8 064	793	4 256	44 441
Net total for all items		-23 798	32 214	-500	-4 803	-15	-3 098	

Group

2009	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	575					102	677
on central banks	Cur	5						5
Loans to and claims	NOK	58						58
on credit institutions	Cur	25						25
Loans and claims	NOK		30 271	100	1 813	447	-396	32 235
on customers	Cur		3 416	200				3 616
Certificates, bonds and	NOK	184	97	1 453	1 120	214		3 068
other interest-bearing sec.	Cur	160	84		69			313
Other	NOK						1 207	1 207
assets	Cur						187	187
Total assets		1 007	33 868	1 753	3 002	661	1 100	41 391
Debt to	NOK	923	2 509	633				4 065
credit institutions	Cur	4	1 302	291				1 597
Deposits from and	NOK	21 151	31	322	110			21 614
liabilities to customers	Cur	179						179
Borrowings raised through	NOK		200	634	7 362	890		9 086
the issue of securities	Cur							0
Other	NOK						864	864
liabilities	Cur						89	89
Subordinated loan	NOK			277	678			955
capital	Cur							0
Equity capital	NOK						2 942	2 942
Total liabilities and equity capital		22 257	4 042	2 157	8 150	890	3 895	41 391
Net total for all items		-21 250	29 826	-404	-5 148	-229	-2 795	

Parent Bank

2010	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	534					97	631
on central banks	Cur	3						3
Loans to and claims	NOK	750						750
on credit institutions	Cur	66						66
Loans and claims	NOK		26 301	111	1 591	434	-402	28 035
on customers	Cur		3 699					3 699
Certificates, bonds and	NOK	284	132	1 813	4 126	301		6 656
other interest-bearing sec.	Cur	172	81		362	43		658
Other	NOK						1 724	1 724
assets	Cur						53	53
Total assets		1 809	30 213	1 924	6 079	778	1 472	42 275
Debt to	NOK	263	1 367	1 167	1 504			4 301
credit institutions	Cur	1	925					926
Deposits from and	NOK	23 790	135	413	26			24 364
liabilities to customers	Cur	211						211
Borrowings raised through	NOK		707	82	6 052	592		7 433
the issue of securities	Cur							0
Other	NOK						917	917
liabilities	Cur						18	18
Subordinated loan	NOK			279	482	201		962
capital	Cur							0
Equity capital	NOK						3 143	3 143
Total liabilities and equity capital		24 265	3 134	1 941	8 064	793	4 078	42 275
Net total for all items		-22 456	27 079	-17	-1 985	-15	-2 606	

Parent Bank

2009	Currency	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No remaining period	Total
Cash in hands and claims	NOK	575					102	677
on central banks	Cur	5						5
Loans to and claims	NOK	652						652
on credit institutions	Cur	25						25
Loans and claims	NOK		26 278	100	1 813	447	-396	28 242
on customers	Cur		3 416	200				3 616
Certificates, bonds and	NOK	184	97	4 494	1 119	214		6 108
other interest-bearing sec.	Cur	160	84		69			313
Other	NOK						1 525	1 525
assets	Cur						187	187
Total assets		1 601	29 875	4 794	3 001	661	1 418	41 350
Debt to	NOK	1 158	2 509	633				4 300
credit institutions	Cur	4	1 302	291				1 597
Deposits from and	NOK	21 178	31	322	110			21 641
liabilities to customers	Cur	179						179
Borrowings raised through	NOK		200	634	7 152	890		8 876
the issue of securities	Cur							0
Other	NOK						839	839
liabilities	Cur						89	89
Subordinated loan	NOK			277	678			955
capital	Cur							0
Equity capital	NOK						2 874	2 874
Total liabilities and equity capital		22 519	4 042	2 157	7 940	890	3 802	41 350
Net total for all items		-20 918	25 833	2 637	-4 939	-229	-2 384	

Notes Amounts in NOK million

5.3 - Foreign exchange risk

Sparebanken Møre measures foreign exchange risk on the basis of its net positions in the different currencies involved. The Bank's foreign exchange risk is incurred in connection with the Bank's operations relating to foreign exchange transactions done on behalf of customers and with other banks. 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 when the income was accrued or the costs incurred. Net realised gains or losses are included in the profit and loss account. Throughout the year under review, the intended foreign exchange risk has been at a minimum level. The Bank's subsidiaries do not have any foreign exchange positions.

Group

2010	Total	NOK	Currency	USD	EUR	JPY	CHF	Other
Cash in hands and claims on central banks	634	631	3	1	2			
Loans to and claims on credit institutions	167	101	66	17	18	6	12	13
Loans to and claims on customers	37 676	33 977	3 699	1 316	353	110	1 888	32
Certificates, bonds and other interest-bearing sec.	4 496	3 838	658		658			
Other assets	1 468	1 415	53	17	8	3	21	4
Total assets	44 441	39 962	4 479	1 351	1 039	119	1 921	49
Debt owed to credit institutions	4 976	4 050	926	58	743		125	
Deposits from and liabilities to customers	24 551	24 340	211	114	75	4	1	17
Borrowings raised through the issue of securities	9 697	9 697						
Other liabilities	1 003	985	18	5	4	3	4	2
Subordinated loan capital	961	961						
Equity capital	3 253	3 253						
Total liabilities and equity capital	44 441	43 286	1 155	177	822	7	130	19
Forward exchange contracts			-3 303	-1 167	-196	-111	-1 788	-41
Net exposure foreign exchange			21	7	21	1	3	-11

Effect of a 10 per cent change in price	2

	Exchange rate 31.12.2010	Exchange rate 31.12.2009
USD	5.857	5.759
EUR	7.820	8.305
JPY	7.199	6.244
CHF	625.390	558.870
SEK	87.130	80.850
GBP	9.075	9.283

Group

2009	Total	NOK	Currency	USD	EUR	JPY	CHF	Other
Cash in hands and claims on central banks	682	677	5	1	3			1
Loans to and claims on credit institutions	83	58	25	8	1	3	2	11
Loans to and claims on customers	35 851	32 235	3 616	1 214	500	102	1 778	22
Certificates, bonds and other interest-bearing sec.	3 381	3 068	313		313			
Other assets	1 394	1 207	187	51	80	7	44	5
Total assets	41 391	37 245	4 146	1 274	897	112	1 824	39
Debt owed to credit institutions	5 662	4 065	1 597	514	1 081			2
Deposits from and liabilities to customers	21 793	21 614	179	94	64	6	1	14
Borrowings raised through the issue of securities	9 086	9 086						
Other liabilities	953	864	89	24	33	8	21	3
Subordinated loan capital	955	955						
Equity capital	2 942	2 942						
Total liabilities and equity capital	41 391	39 526	1 865	632	1 178	14	22	19
Forward exchange contracts			-2 265	-611	245	-96	-1 787	-16
Net exposure foreign exchange			16	31	-36	2	15	4

Effect of a 10 per cent change in price	2

5.4 - Financial assets

The Bank's portfolio of financial assets consists mainly of bonds and certificates held in order to ensure access to borrowing from Norges Bank. The portfolio is assessed at fair market value with value changes through the profit and loss account.

Parent Bank and Group	2010		2009		
	Acquisition cost	Market value	Acquisition cost	Market value	Risk weighting
Financial instruments assessed at actual value with changes shown through the profit and loss account					
Certificates					
Government certificates	1 050	1 051	871	871	0%
Credit institutions	10	10	0	0	20%
Others	80	80	0	0	20%
Others	180	180	80	80	100%
Total certificates	1 320	1 321	951	951	
Bonds					
Government	284	278	227	225	0%
Government-guaranteed	20	20	0	0	10%
Credit institutions	3 929	3 914	3 240	3 240	10%
Credit institutions	1 063	1 058	1 340	1 357	20%
Others	181	181	256	256	20%
Others	546	542	391	392	100%
Total bonds	6 023	5 993	5 454	5 470	
Total certificates and bonds	7 343	7 314	6 405	6 421	
Fixed rate		2 190		1 308	
Floating rate		5 124		5 113	
Shares and ECs (trading portfolio)					
Shares - quoted on exchange	1	3	1	2	
Total shares and ECs	1	3	1	2	
Total financial instruments at actual value	7 344	7 317	6 406	6 423	
Quoted on exchange	7 344	7 317	6 406	6 423	
- hereof covered bonds eliminated in the Group accounts	2 826	2 818	3 040	3 040	
Financial instruments available for sale with changes shown over the Total result					
Shares and ECs					
Shares - quoted on exchange	8	26	8	20	
Shares - unquoted	184	178	116	109	
Total shares and ECs	192	204	124	129	
Total financial instruments available for sale	192	204	124	129	

	2010		2009	
	Group	Parent Bank	Group	Parent Bank
Gains/losses and dividends from shares incorporated in the profit and loss account during the year	105	97	13	23
Year`s value change recognised through Total result	7	7	13	13
Accumulated value change recognised through Total result	33	33	25	25
Year`s write-down recognised through the Result	0	0	0	0

Notes Amounts in NOK million

The market value of the instruments traded on an active exchange are based on traded price on the balance sheet date. In the case of the financial instruments that are not traded on an active exchange, own valuations are used which are based on current market conditions or alternatively other valuations from another market player. In the case of unlisted equities where one cannot adequately reliably measure fair value, the acquisition cost or written-down book value shall be used.

Financial instruments assessed at actual value, changes shown through the Result	Market value	
	2010	2009
Based on prices in an active market	1 332	1 098
Observed market information	5 985	5 325
Other than observed market information	0	0
Total financial instruments at actual value	7 317	6 423

There were no movements of financial instruments between the three levels of valuation groups neither in 2009 nor in 2010.

Financial instruments available for sale, changes in value shown through the Total result	Market value	
	2010	2009
Based on prices in an active market	26	20
Observed market information	0	0
Other than observed market information 1)	178	109
Total financial instruments available for sale	204	129

1) Changes through the year	2010	2009
Balance 01.01	109	96
Purchased	76	10
Sale, including previously recognised changes in value	19	0
Increase in value	12	3
Written down	0	0
Balance 31.12	178	109

	2010		2009	
Effective rate on certificates and bonds	Average book value	Effective rate	Average book value	Effective rate
Certificates	817	2.57	556	2.33
Bonds	5 754	2.93	4 618	3.07

When calculating effective rate, the impact of any hedging instruments has been taken into consideration.

Holdings of shares and other securities	Number	Equity interest as a percentage	Market value
Nets Holding AS	1 579 080	0.85	72
Eksportfinans ASA	3 551	1.35	55
Farstad Shipping ASA	140 000	0.36	24
Norvestor IV	7 493 000	1.28	9
Moldekraft AS	7 061	9.51	8
Nordito Property AS	191 178	0.90	7
Oslo Børs VPS Hold.	83 334	0.19	5
Ekornes ASA	30 000	0.08	5
Norvestor V	7 088 000	0.85	5
Other companies			17
Total			207

5.5 - Financial liabilities

Securities-based debt at fixed rates of interest incurred before 31.12.2006 is assessed at fair market value through the profit and loss account. In the case of the Bank's securities-based debt at fixed rates of interest incurred after 31.12.2006, fair market value hedging with value changes through the profit and loss account is applied. Amortised cost is applied to securities-based debt at floating rates of interest. The difference between issue cost and the settlement amount at maturity is amortised over the life of the loan. The portfolio of own bonds is incorporated in the accounts as reduction in debt.

Group	2010		2009	
	Nominal value	Market value	Nominal value	Market value
Securitised debt assessed at fair value through the profit and loss account:				
Issued sertificates assessed at fair value	0	0	200	200
Issued bonds assessed at fair value	1 664	1 697	1 950	1 964
Value secured dept capital (securities), changes in value shown through the profit and loss account:				
Issued bonds assessed at fair value	4 405	4 546	3 967	4 106
Securitised debt assessed at amortised cost				
Issued bonds assessed at amortised cost	3 450	3 454	2 819	2 816
Issued subordinated loan capital assessed at actual value	479	479	479	479
Issued perpetual hybrid tier 1 capital assessed at actual value	477	482	477	476
Lending from credit institutions				
The swap arrangement for securities	2 670	2 670	2 670	2 670
F-loans	860	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	46	46	58	58

Parent Bank	2010		2009	
	Nominal value	Market value	Nominal value	Market value
Securitised debt assessed at fair value through the profit and loss account:				
Issued sertificates assessed at fair value	0	0	200	200
Issued bonds assessed at fair value	1 664	1 697	1 950	1 964
Value secured dept capital (securities), changes in value shown through the profit and loss account:				
Issued bonds assessed at fair value	3 905	4 062	3 967	4 106
Securitised debt assessed at amortised cost				
Issued bonds assessed at amortised cost	1 676	1 674	2 609	2 606
Issued subordinated loan capital assessed at actual value	479	479	479	479
Issued perpetual hybrid tier 1 capital assessed at actual value	477	482	477	476
Lending from credit institutions				
The swap arrangement for securities	2 670	2 670	2 670	2 670
F-loans	860	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	46	46	58	58

Parent Bank	2010			2009		
	Average amount	Effective rate	Interest payable	Average amount	Effective rate	Interest payable
Loans and deposits from credit institutions, on a call basis	295	2.06	6	319	2.04	7
Loans and deposits from credit institutions, with a fixed maturity	2 730	2.68	73	1 047	3.09	32
Deposits from and liabilities to customers, on a call basis	15 241	1.90	289	13 286	2.17	288
Deposits from and liabilities to customers, with a fixed maturity	7 727	2.83	218	7 385	3.57	263
Certificates and other short-term borrowings	3 946	2.17	86	4 486	3.17	142
Bond debt	7 622	3.21	245	9 043	3.51	317

The effective rate of interest is calculated as the sum of all interest costs (including hedging transactions) as a percentage of the average annual total.

Notes Amounts in NOK million

Group			Parent Bank	
2009	2010	Maturity of securities-based debt, nominal value	2010	2009
1 526		2010		1 526
1 376	1 376	2011	1 376	1 376
1 665	1 851	2012	1 625	1 665
2 650	2 445	2013	2 445	2 459
800	981	2014	900	800
319	1 050	2015	300	300
	116	2016		
600	1 200	2017	600	600
		2018		
	500	2025		
8 936	9 519	Sum	7 246	8 726

Collateral

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 had not been sold. From an accounting perspective, the bank group believes that the conditions in IAS 39 for derecognition are not 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 related to bonds issued by Møre Boligkreditt AS	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 %

5.6 - Financial derivatives

The table shows the financial derivatives' nominal values and their market values. In the accounts, positive market value per contract is shown as an asset, whereas a negative market value is shown under liabilities in the balance sheet. The table includes both financial derivatives for customer transactions which are incorporated under Net value changes in the accounts, and gains/losses on securities and foreign exchange, and financial derivatives in the Bank's portfolio which are shown under Net interest- and credit commission income.

Group	2010			2009		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps	15 678	274	109	15 498	251	77
Interest rate corridor	30	0	0	70	0	0
Foreign exchange related						
Interest rate swaps	2 461	74	76	2 639	83	84
Interest rate and foregin exchange swaps	1 243	16	3	1 290	5	1
Total		364	188		339	162
- hereof used for hedge accounting	4 660	197	0	4 244	195	3
Forward exchange contracts	13 486	53	0	13 768	186	0

Parent Bank	2010			2009		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps	15 178	274	93	15 498	251	77
Interest rate corridor	30	0	0	70	0	0
Foreign exchange related						
Interest rate swaps	2 461	74	76	2 639	83	84
Interest rate and foregin exchange swaps	1 243	16	3	1 290	5	1
Total		364	172		339	162
- hereof used for hedge accounting	4 160	197	0	4 244	195	3
Forward exchange contracts	13 486	53	0	13 768	186	0

5.7 - Subordinated loan capital

Group and Parent Bank

ISIN.NR.	Borrowing	Maturity	Conditions	Amount
NO0010354640	26.02.2007	27.02.2017	3 months NIBOR + 0.40 / Call option 2012	180
NO0010408644	25.01.2008	25.01.2018	3 months NIBOR + 1.25 / Call option 2013	300
Subordinated loan capital				480
NO0010262306	14.04.2005	Perpetual	3 months NIBOR + 1.10 / First call option 2015	200
NOO010532765	10.09.2009	Perpetual	11.70 % fixed / First call option 2019	277
Perpetual Hybrid Tier 1 Capital				477

The loans are expressed in NOK. Costs relating to subordinated loan capital amount to NOK 165 000 per year. There is no option to convert the subordinated loan capital/capital bonds to EC-capital (Equity Certificates). The Group had no investments in subordinated loan capital in other enterprises (including financial institutions) at the end of 2010.

6 - Subsidiaries

The following subsidiaries are included in the Group:

Subsidiaries	Home country	Core operations	Ownership share	Voting share
Møre Eiendomsmegling AS	Norway	Real estate brokers	100 %	100 %
Møre Finans AS	Norway	Leasing	100 %	100 %
Sparebankeiendom AS 1)	Norway	Real estate management	100 %	100 %
Møre Boligkreditt AS	Norway	Funding	100 %	100 %
The Parent Bank Sparebanken Møre	Norway	Bank		

1) The subsidiaries Sparebankeiendom AS, Møre Bankbygg AS and Storgata 41-45 Molde AS were merged in 2010. All companies were 100 % owned by Sparebanken Møre.

7 - Changes in the Group's structure – acquisitions

In a decision dated 30 September 2009, the Ministry of Finance granted a licence for Sparebank Møre to acquire Tingvoll Sparebank, and with effect from 1 November 2009, the Tingvoll branch of Sparebanken Møre was a fact. Tingvoll Sparebank had total assets amounting to NOK 1.1 billion, and a result after tax of NOK 8 million on the time of transfer.

Sparebanken Møre paid NOK 122 million for acquiring Tingvoll Sparebank. Payment took the form of ECs that Sparebanken Møre issued for the purchase price.

In addition to the settlement in ECs, Sparebanken Møre made a NOK 20 million donation to Sparebankstiftelsen Tingvoll. The donation was classified as a pure donation, and had no effect on the accounted compensation and relating acquisition analysis.

Acquisition analysis	01.11.09
Compensation in issued Equity Certificates	122
Transaction costs	1
Total compensation	123
Net booked value of transferred assets and commitments according to the table above (01.11.2009)	110
Excess value related to transferred customer portfolio	20
Excess value related to transferred building	2
Deficient value related to transferred pension commitments	-4
Net deferred tax related to identified excess/deficient value	-5
Net value of transferred assets and commitments	123

In the result for 2009 Tingvoll was included only as from the acquisition on 1 November, i.e. with effect on earnings from the last two months of the year. The result for this period was NOK 2 million before tax. In 2010 the business from Tingvoll is included for the entire year. Amortisation of identified excess values is carried out in 2010.

The Ministry of Finance decided that the takeover of business in Tingvoll Sparebank should be carried out with tax-related continuity, and tax-related positions in Tingvoll Sparebank were continued in Sparebanken Møre with effect from the financial year 2009.

Notes Amounts in NOK million

8 - Intangible assets of unspecified economic life

Intangible assets of unspecified economic life
Intangible assets of unspecified economic life are in their entirety related to goodwill in connection with the acquisition of the real estate brokerage firm, Krogsveen og Raknes AS on 1 July 2005. Sparebanken Møre acquired Krogsveen Raknes AS and Paulsen og Bakke AS. The name of the new company is Møre Eiendomsmegling AS.

Testing for impairment in value
Goodwill is not subject to depreciation. However, a write-down test is done once every year in order to ascertain whether the fair market value is lower than book value.

The assessment unit	31.12.10	31.12.09
Møre Eiendomsmegling AS	0	13
Total goodwill	0	13

Fair market value is calculated by discounting future expected cash flows. The present value computation is done on the basis of expected future cash flows for the cash flow-generating unit, Møre Eiendomsmegling AS. The estimate for future cash flows has been prepared on the basis of the 2011 budget approved by the Board of Directors, and prognoses up to and including 2015 based on the unit's strategy plans. Cash flow for the years after that has been done through a projection equivalent to the cash flow in 2015, due to the fact that the unit is expected not to have a limited economic life. The projection has been done without any addition for price inflation or any other form of growth in the cash flows.

In view of the fact that write-down indicators have been identified as far as the cash flow- generating unit is concerned, a test of impairment in value has been completed, using the company's weighted capital cost (WACC) as an estimate for the rate of interest to be applied for the discounting (= yield requirement for the total capital). The WACC-rate which is used in order to discount future cash flows is based on risk-free interest rates, market risk premium, beta and funding premium for small companies.

The most important assumptions are related to the estimates for operating income, operating margin and yield requirements. A yield requirement of 16 per cent before tax has been applied.

The completed value impairment test in 2010 concluded that there was a need for writedown of goodwill with unspecified economic life in the Group at the end of 2010. The book value of goodwill was accordingly written down by NOK 13 million in the 2010 Group accounts, from a book value of NOK 13 million as at 31.12.2009 to NOK 0 million as at 31.12.2010.

9 - Operating segments

The Group's operations are divided into four strategic business areas/ segments. The different operating segments partly sell different products, have a somewhat different risk profile and target many of the same groups of customers.

In the classification into operating segments weight has been given to products and services, as well as customer type. The "retail market" operating segment, for example, primarily consists of sector 810, retail customers.

Most of the income and operating costs involved apply to the Bank's different operating segments according to actual usage and/or according to activity-based distribution formulae. The reporting involved is based on the same breakdown and reporting which are provided each month for the Bank's management and Board of Directors.

The measurement principle applied in segment reporting is good accounting practice in Norway. This constitutes an immaterial deviation from IFRS within the various items in the financial statements.

Transactions between different operating segments are based on market values:
Settlement of financing costs/-income between the different segments involved is done on an ongoing basis at the Parent Bank's funding cost. The internal rate of interest for this is defined as effective 3 months' NIBOR + addition for long-term funding (3.20 per cent in 2010 and 3.70 per cent in 2009).

Rent is allocated according to the floor space used for each segment in question, based on the same principles and the same prices as those applicable to the Parent Bank, at market rent.

Other services (office supplies, leasing, IT-equipment etc.) are bought by the segment involved from the Parent Bank at the same price as that which the Parent Bank obtains from external suppliers.

The Group is divided into following four primary segments:

Primary 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	Financing (loans made against mortgages on residential and commercial property). Is a part of the Corporate and Retail segments
Real estate brokers	Møre Eiendomsmegling AS	Real estate brokerage services
Leasing	Møre Finans AS	Leasing/financing for corporate customers
Investment activities/other	Sparebankeiendom AS	Real estate management

Geographical secondary segment

The Group's operations are mainly limited to Møre og Romsdal which is defined as the Group's home market.

Less than 10 per cent of the Group's income comes from activities outside the home county. In view of this, therefore, balance sheet and profit and loss account figures are only reported for primary segments.

Activities in areas other than the home county are not different from the Group's other activities with regard to risk or return. Please see note 4 for further information.

Result 31.12	Group		Eliminations/Other		Corporate		Retail		Real estate brokerage		Leasing	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Net interest and credit commission income	862	802	15	24	415	347	415	410	0	0	17	21
Other operating income	304	256	121	76	72	67	89	94	19	17	3	2
Total income	1 166	1 058	136	100	487	414	504	504	19	17	20	23
Operating costs 1)	523	508	86	79	106	105	304	298	20	19	7	7
Result before losses	643	550	50	21	381	309	200	206	-1	-2	13	16
Losses on loans, guarantees etc.	31	82	-12	-28	36	99	4	8	0	0	3	3
Result before tax 1)	612	468	62	49	345	210	196	198	-1	-2	10	13
Tax payable on ordinary result	154	133										
Result from ordinary operations after tax	458	335										

1) Impairment of goodwill of NOK 13 million related to Real estate brokerage is presented in the Eliminations/Other column.

Balance sheet	Group		Eliminations/Other		Corporate		Retail		Real estate brokerage		Leasing	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Loans to customers	37 676	35 851	583	483	13 414	13 115	23 082	21 662	-	-	597	591
Deposits from customers	24 551	21 793	298	285	10 087	8 062	14 166	13 446	-	-	-	-
Guarantee liabilities	1 323	1 385	100	100	1 211	1 275	12	10	-	-	-	-
The deposit-to-loan ratio	65.2	60.8	51.1	59.0	75.2	61.5	61.4	62.1	-	-	-	-
Man-years	401	412	127	128	57	59	196	203	13	15	7	7

Notes Amounts in NOK million

10 - Other operating income

Group				Parent Bank	
2009	2010		Notes	2010	2009
8	23	Dividends and other income from securities with variable yields	5.4	23	18
14	20	Guarantee commission		20	14
12	15	Income from the sale of insurance services		15	12
14	18	Income from the sale of shares in unit trusts/securities		18	14
14	14	Various fees relating to loans		14	14
5	5	Inter-bank fees		5	5
10	9	Fees relating to cheques and giro payments		9	10
57	54	Fees from cards		54	57
9	7	Fees from international payment transmission services		7	9
20	23	Other fees and commission income		22	19
155	165	Commission income and revenues from banking services		164	154
-29	-30	Commission costs and expenditure in respect of banking services		-30	-29
-26	22	Fixed interest loans		22	-26
26	-20	Derivatives related to fixed interest loans		-20	26
268	-44	Issued bonds and sertificates		-28	268
-227	41	Derivatives related to issued bonds and sertificates		25	-227
-33	-1	Change in credit spread FVO – securities-based debt		-1	-33
5	82	Gains/losses on shares		74	5
43	1	Gains/losses on bonds		1	43
28	21	Trading in FX (on behalf of customers)		21	28
10	9	Other income		9	10
94	111	Net gains/losses from securities and foreign exchange	2.16, 5.3, 5.4, 5.5	103	94
6	5	Operating revenues from real estate		0	0
17	19	Income from real estate brokerage		0	0
4	10	Gains on sale of buildings		0	0
1	1	Other operating income		8	4
28	35	Total other operating income		8	4
256	304	Total non-interest income		268	241

11 - Operating costs

Group			Parent Bank	
2009	2010		2010	2009
62	60	IT-costs	60	62
5	7	Office supplies	7	5
16	14	Telephone and postage	14	16
6	4	Travel costs/car allowance on a per kilometer basis/representation/entertainment	4	6
31	24	Marketing costs	24	31
8	7	Other administration costs	7	8
128	116	Total administration costs	116	128
23	23	Depreciation of fixed and intangible assets	14	13
0	13	Impairment of goodwill	0	0
19	17	Property costs	31	29
3	3	Fees paid to External Auditor	2	2
14	15	Costs relating to fixed assets	15	14
45	42	Other operating costs	31	36
81	77	Total other operating costs	79	81
232	229	Total operating costs	209	222

12 - Rental agreements

The Group has outsourced most of the operations within the IT-area. In 2005, an operating agreement was entered into with the company, EDB Business Partners ASA, for the period 2005-2009. The agreement comprises operations and maintenance of the Bank's customers' and subsidiary ledgers as well as the Group's infrastructure within IT-systems. The overall cost limit for operations and maintenance is approximately NOK 50 million, of which the rental cost accounts for NOK 32 million. The agreement is regulated annually according to changes in activity volumes and the consumer price index. The agreement expired in 2009, but was renewed for 2 years. Other rental agreements (leasing of cars and the rental of premises) have mainly been entered into with Group companies and are netted out in the Group accounts. All the Bank's rental agreements are operational.

Leasing/other rental agreements

Rental agreements (not included in the balance sheet) comprise leasing of the Bank's cars and parts of its office machinery (printers, copying machines etc.) from the subsidiary, Møre Finans AS. The Bank rents its 30 business premises from the Bank's wholly-owned real estate management company, Sparebankeiendom AS, and from external lessors.

Leasing

	2010	2009
Annual rental	6	6
Leasing volume (not included in the balance sheet)	26	24
Duration in years:		
Cars	3 years	3 years
Office machinery	5 years	5 years

Rental of business premises

	2010	2009
Rent paid to:		
Sparebankeiendom AS	16	19
Other external lessors	8	5

Duration of rental agreements

Rental agreements with external lessors are mainly of 10 years' duration (some are for 1 year) with a 12 months' period of notice for both parties. Rental agreements with the subsidiary Sparebankeiendom AS have a 1-month period of notice and are for one year at the time. The rent is market price.

Contract-related future rental costs (nominal amounts)	Within 1 year	1-5 years	Over 5 years
Sparebankeiendom AS	15		
Other external lessors	8	31	39
Total	23	31	39

Number of branches

	2010	2009
Rented from Sparebankeiendom AS	11	16
Rented from others	19	14
Total	30	30

The branches are located in the Group's geographical home market, Møre og Romsdal county, and most of the buildings are located at Sunnmøre. The total floor space of premises owned by the Group is about 17 000 square meters, of which some 2 400 square meters are rented out to external tenants. Only smaller parts of the premises are vacant at the moment (about 600 square meters) and there are only commercial premises in the buildings. During 2010 the Group has sold the buildings at Sykkylven, Valldal, Hellesylt, Stranda and Skodje.

Notes Amounts in NOK million

13 - Salaries and transactions with close parties

Group			Parent Bank	
2009	2010		2010	2009
191	205	Wage-, salary- and other cash-based benefits	187	176
2	2	Fees paid to members of the Board of Directors, Board of Trustees and Control Committee	2	2
8	11	Bonus/profit sharing 1)	11	8
28	21	Pension cost relating to benefit schemes (note 14)	21	28
36	37	Employers' social security contribution	35	34
11	17	Other personnel costs	17	11
276	293	Total wage- and salary costs	273	259
		Manning levels		
454	434	Number of employees as at 31.12	412	430
450	442	Average number of employees	422	425
412	401	Number of man-years worked as at 31.12	380	390
404	407	Average number of man-years worked	385	381

1) Parts of staff's bonuses (about 50 per cent) for 2010 and 2009 were given in the form of ECs, which were purchased in the market at the price ruling at the Stock Exchange at the time. The total number of ECs purchased was about 47 000 in 2010 and about 18 650 in 2009.

As at 31.12.2010, the Bank had no obligations in relation to its Chief Executive Officer (CEO), Board of Directors or other employees regarding any special payment on termination or change of employment relationship or the positions involved. Furthermore, there are no accounting-related obligations relating to bonuses, profit sharing, options or similar for any of the abovementioned persons. The CEO's contract includes a 6-month period of notice. Note 14 contains a description of pension schemes. All salaries and other remuneration for the Group's employees and close parties are charged to the profit and loss account 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.

Transactions involving subsidiaries

These are transactions between the Parent Bank and wholly-owned subsidiaries (see Note 6) which have been done at arm's length and at arm's length's prices. Price terms and conditions and other terms and conditions for transactions with subsidiaries are also shown in Note 9.

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 effective 3-month NIBOR + a funding supplement for long-term financing (3.20 per cent in 2010 and 3.70 per cent in 2009).

Rent is allocated according to the floor space used for each segment in question, based on the same principles and the same prices as those applicable to the Parent Bank, at market rent.

Other services (office supplies, leasing, IT-equipment etc.) are bought by the segment involved from the Parent Bank at the same price as that which the Parent Bank obtains from external suppliers.

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

Parent Bank

Result	2010	2009
Interest and credit commission income from subsidiaries	107	84
Received dividend from subsidiaries	0	10
Rent paid to Sparebankeiendom AS	16	19
Leasing rental paid to Møre Finans AS	6	6
Administration fee received from Møre Boligkreditt AS	7	4
Balance sheet		
Claims on subsidiaries	835	786
Covered bonds	2 818	3 040
Liabilities to subsidiaries	275	262

Wages, salaries, other remuneration and pensions - Group

Salary paid to the CEO amounted to NOK 1 809 000 in 2010 (NOK 1 725 000 in 2009). Estimated value of benefits in kind totalled NOK 198 000 (NOK 224 000 in 2009). In addition, NOK 1 213 000 (NOK 1 108 000 in 2009) has been charged to the profit and loss account as costs relating to the CEO's pension agreement from the age of 60 years (note 14), including employer's social security contributions. The CEO's pension age is 60 years at which time he will receive an annual pension equivalent to 70 per cent of leaving salary.

Group

Wages and salaries/fees (amounts in NOK thousand)	2010	2009
Board of Trustees	460	611
Board of Directors	919	901
Control Committee	277	281
Fees paid to External Auditor (including value added tax)		
Auditing services	2 131	2 265
Tax-related advisory services	264	160
Other non-audit services	475	431

All wages, salaries and other remuneration to employees in the Group and other appropriate parties have been charged to the profit and loss account as costs and have been paid at the end of the accounting year. As at 31.12.2010, the Bank had no liabilities relating to the Bank's CEO, members of the Board of Directors or other employees involving special compensation on termination of employment or changes in employment or the jobs and positions in question. Furthermore, there are no arrangements or accounts-related liabilities relating to bonuses, profit sharing, options, subscription rights or similar for the abovementioned persons. Reference is made to note 14 for a description of benefitsrelated pension schemes for the Bank's CEO and other employees.

Group

Loans, deposits and guarantees	2010			2009		
	Loans	Deposits	Guarantees	Loans	Deposits	Guarantees
Board of Trustees	56	39	0	60	47	0
Board of Directors	3	3	0	5	4	0
Control Committee	1	3	0	1	5	0
Employees	675	112	0	602	106	0

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Bank's Board of Trustees, Board of Directors and Control Committee.

Interest rate subsidy relating to loans extended to the Group's staff

The total benefit in kind relating to loans provided at a rate of interest lower than that (average 2.45 per cent in 2010) which triggers a basis for taxing such benefits in kind to the Bank's staff has been estimated at NOK 968 000 as against NOK 1 753 000 in 2009.

Board of Trustees, Board of Directors, Control Committee	2010	2009
Interest income	1	2
Interest costs	2	3

Parent Bank

Wages, salaries, other remuneration and pensions

Amounts in NOK thousand	Wages/salaries		Other remuneration		Pension costs	
	2010	2009	2010	2009	2010	2009
Board of Trustees						
Tormod Hvattum, Chairman	32	30				
Other members	458	581				
Total	490	611				
Board of Directors						
Helge Aarseth, Chairman	190	190				
Roy Reite, Deputy Chairman	100	100				
Toril Hovdenak	90	90				
Stig Remøy	90	90				
Ingvild Vartdal	90	90				
Elisabeth Maråk Støle	90	90				
Helge Knudsen, employees elected representative	90	90				
Total	740	740				
CEO						
Olav Arne Fiskerstrand	1 809	1 725	198	224	1 213	1 108
Control Committee						
Kjetil Kvammen, Chairman	107	107				
Lars K. Nogva	56	56				
Thor Martin Eidem	58	62				
Eva Hove	56	56				
Total	277	281				
Fees paid to External Auditor (including value added tax)						
Auditing services	1 560	1 783				
Tax-related advisory services	162	102				
Other non-audit services	191	274				

Loans and guarantees	2010		2009	
Amounts in NOK thousand	Loans	Guarantees	Loans	Guarantees
Board of Trustees				
Tormod Hvattum, Chairman	1 823	0	1 900	0
Other members (51 members)	55 319	0	58 000	0
Board of Directors				
Helge Aarseth, Chairman	540	0	589	0
Roy Reite, Deputy Chairman	0	0	0	0
Toril Hovdenak	0	0	0	0
Stig Remøy	0	0	0	0
Ingvild Vartdal	0	0	0	0
Elisabeth Maråk Støle	0	0	0	0
Helge Knudsen, employees elected representative	2 060	0	1 940	0
Control Committee				
Kjetil Kvammen, Chairman	0	0	0	0
Lars K. Nogva	500	0	500	0
Thor Martin Eidem	0	0	0	0
Eva Hove	0	0	0	0
CEO				
Olav Arne Fiskerstrand	2 000	0	3 845	0

Ordinary customer terms and conditions have been applied to loans and other commercial services provided for members of the Bank's Board of Trustees, Board of Directors and Control Committee. Loans to the CEO and employees elected representative are given according to staff conditions

Employees	675 000	0	602 000	0

Interest rate subsidy relating to loans extended to the Group's staff

The total benefit relating to loans provided at a rate of interest lower than that (average 2.45 per cent in 2010) which triggers a basis for benefit taxation to the Bank's staff has been estimated at NOK 968 000 as against NOK 1 753 000 in 2009.

14 - Pension costs and liabilities

The largest portion of the Group's pension scheme is defined-benefit, which entitles employees to agreed future pension benefits. This scheme was closed to new members from 1 January 2010. 57 employees had volunteered to switch to a contribution-based pension scheme with effect from 1 January 2010. Actuaries calculated the net cost reduction at NOK 3 million, taking into account the write-down of the proportion of estimate discrepancies. The defined-benefit scheme had up to 31 December 2009 covered retirement, disability, spouse and child's pensions. From 1 January 2010 spouse and child's pensions were removed, as were paid-up policy earnings for disability pensions. Actuaries calculated the net cost reduction at NOK 13 million, taking into account the writedown of the proportion of estimate discrepancies. The benefit-based scheme is identified in the Bank's own pension fund. Sparebanken Møre has its own pension fund which provides a pension benefit of 70 per cent of leaving salary for all staff who have reached their pension age of 67 years. As far as the contribution-based scheme is concerned an agreement has been signed with Vital and the premiums are recognised as costs as they are incurred.

Pension costs and pension liabilities linked to the benefit-based scheme are recognised in the financial statements in accordance with IAS 19. Net pension costs are included as part of the personnel costs in the accounts. Pension liabilities are calculated as the present value of future, probable pension payments and are based on actuarial computations and assumptions. The difference between calculated, incurred liability and the value of the pension resources is shown in the balance sheet. Actuarial gains and losses due to changed assumptions or discrepancies between expected and actual return on the pension resources are assessed on an aggregate basis against the amount of the highest value of the total pension liabilities and total pension resources at the beginning of the accounting year. If the aggregate changes and discrepancies at the end of the accounting year exceed 10 per cent of this basis, the excess amount is subject to accrual accounting in the profit and loss account over the average remaining pension accruals period.

The calculation of pension costs is based on a straight-line allocation of pensions accruals in relation to the probable, accumulated liability at the time of the start of pension payments. The assumptions that form the basis for the calculation of the pension liabilities are revalued each year.

Disability pensions linked to both pension schemes are risk coverage without paid-up policy earnings. The annual premium related to this coverage is included in the pension costs.

Sparebanken Møre's pension schemes are:

Benefit-based pension scheme in own pension fund

Sparebanken Møre has its own pension fund which provides a pension benefit of 70 per cent of leaving salary for all staff who have reached their pension age of 67 years assuming full vesting (30 years). This liability comprised 382 (405) active members and 180 (173) pensioners at the end of 2010. Actuarial calculations are made each year on the basis of information provided by the Bank.

Contribution-based pension scheme

In the case of the defined-contribution scheme a percentage of income is paid depending on the individual's level of income. NOK 1 million was recognized in 2010.

Statutory early retirement pension (SERP)

The Group participates in the statutory early retirement pension (SERP) scheme for the financial industry, which means all employees can choose to take early retirement from and including the age of 62. A decision was taken to wind up this scheme in February 2010 and it will only be possible to take early retirement pursuant to the old scheme until 31 December 2010. The gain of NOK 17 million from winding up the arrangement was recognised as income in 2010 and presented as a reduction in payroll costs. A residual reserve exists for the company's own risk with regard to people who take early retirement via the old scheme.

A new SERP scheme has been established as a replacement for the old SERP scheme. Unlike the old scheme the new SERP scheme is not an early retirement scheme, but a scheme that provides a lifelong addition to the ordinary pension. Employees can choose to join the new SERP scheme from and including the age of 62, including in parallel with staying in work which would provide further earnings from work up to the age of 67. The new SERP scheme is a defined benefit based multi-enterprise pension scheme and is funded through premiums that are determined as a percentage of pay. 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. No premiums will be paid in the new scheme before 2011, and the premium then has been set at 1.4 per cent of total payments between 1 G (G = the national insurance basic amount) and 7.1 G to the company's employees. The scheme does not involve the building up of a fund and the level of premiums is expected to increase in the coming years.

Pension agreements for the Bank's CEO, senior and general managers

The retirement age for the Bank's CEO is 60 years old and for bank managers appointed before 31 December 2004 it is 65 years old. At this time, they will receive a pension of 70 per cent of their leaving salary up to the age of 67 years old, when they would be transferred to the Bank's pension fund. This arrangement comprised 40 senior and general managers at the end of 2010. Bank managers appointed from and including 2005 have a pension age of 67 years old. The Group also has obligations associated with salaries in excess of 12G, which have been taken account of in the actuaries' calculations.

	Liabilities		Costs	
Financial and actuarial assumptions	31.12.2010	31.12.2009	2010	2009
Rate of discounting	3.5 %	4.4 %	4.4 %	4.0 %
Expected return on pension resources	5.6 %	5.8 %	5.8 %	5.4 %
Wage- and salary adjustment	4.0 %	4.25 %	4.25 %	4.0 %
Pension adjustment	3.75 %	4.0 %	4.0 %	3.25 %
Adjustment of the National Insurance's basic amount	3.75 %	4.0 %	4.0 %	3.75 %
Employers' social security contribution	14.1 %	14.1 %	14.1 %	14.1 %
Propensity to opt for statutory Early Retirement Pension	-	30.0 %	-	30.0 %
Table for mortality rate etc	K2005	K2005	K2005	K2005
Disability tariff	IR02	IR02	IR02	IR02

The discount rate is set at equal to the yield on 10-year government bonds, plus a mark-up for the pension liabilities' duration in excess of 10 years, including the difference between the 10-year and 30-year Euro interest rates.

Notes Amounts in NOK million

Total pension costs	2010	2009
Present value of pension accruals during the year	19	23
Interest cost of incurred pension liabilities	21	19
Expected return on pension resources	-20	-19
Change due to discontinuance of child-/ spouse-/ disability pension	0	-43
Change in net commitment due to transfer to defined-contribution scheme	0	-7
Booked discrepancy related to changes in the pension plan and the transfer to a defined-contribution scheme	0	33
Amortisation of estimate discrepancies not included in the profit and loss account	9	6
Net pension cost for the period	28	13
Pension cost for the pension fund	28	13
Change in present value of pension accruals relating to other pension schemes	3	2
Gain on liquidation of the old SERP pension scheme	-17	0
Other changes	0	8
Payments/pension costs charged to the profit and loss account, incl. payments according to the defined-contribution scheme	7	5
Total pension costs	21	28

Total pension liabilities	2010	2009
Pension liabilities	558	471
Value of pension resources	-376	-348
Estimate discrepancies not included in the profit and loss account	-212	-153
Emloyers' social security contribution	26	17
Net pension liabilities relating to the pension fund	-4	-13
Net pension liabilities relating to members of the Bank's top team/general managers	49	44
Net pension liabilities relating to Statutory Early Retirement Pension, SERP	15	33
Total net pension liabilities	60	65

Funded pension liabilities	2010	2009
Pension liabilities as at 01.01	471	466
Pension accruals for the year	19	23
Pension payments	-10	-9
Interest costs	21	19
Transferred liability due to acquisition of Tingvoll Sparebank	0	14
Change due to discontinuance of child-/ spouse-/ disability pension	0	-73
Transfer to defined-contribution scheme	0	-10
Actuarial gains/losses	57	41
Pension liabilities as at 31.12	558	471

Funded pension resources	2010	2009
Pension resources as at 01.01	348	324
Total amount paid in	20	36
Pensions paid out	-10	-9
Expected return	20	19
Transferred pension resources due to acquisition of Tingvoll Sparebank	0	10
Change due to discontinuance of child-/ spouse-/ disability pension	0	-36
Transfer to defined-contribution scheme	0	-4
Acturial gains/losses	-2	8
Pension resources as at 31.12	376	348

Estimated payment for 2010 amount to NOK 25 million.

Pension liabilities Statutory Early Retirement Pension and other pensions	2010	2009
Pension liabilities as at 01.01	77	67
Pension accruals for the year	2	4
Pension payments	-5	-5
Interest costs	3	3
Transferred liability due to acquisition of Tingvoll Sparebank	0	1
Acturial gains/losses	4	1
Gain on liquidation of the old SERP pension scheme	-17	0
Other changes	0	8
Pension liabilities as at 31.12	64	77

Historic development	2010	2009	2008	2007	2006
Pension liabilities incl. emloyers' social security contribution	584	489	486	394	322
Pension resources	-376	-348	-324	-311	-281
Estimate discrepancies not included in the profit and loss account	-212	-153	-155	-63	-12
Pension liabilities SERP and other pensions	64	77	67	63	62
Total net pension liabilities	60	65	74	84	91

Management of the pension fund`s resources

Sparebanken Møre has its own pension fund which manages payment of the pension benefits involved once an employee has reached the 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 capital 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. Within the framework of appropriate security and risk diversification, the pension fund shall over time make every effort to achieve the best possible return on the capital assets under management. The long-term aspect of the capital asset management means that the pension fund must take on both interest rate- and market risk in order to be assured of a moderate extra return in addition to a risk-free placement rate of interest.

The pension fund shall see to it that it has sufficiently good liquidity in order to make all its expected payments.

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 72 million with Sparebanken Møre.

Investment profile - pension resources	2010	2009
Shares	10.0 %	12.5 %
Bonds/certificates	65.9 %	60.1 %
Bank deposits	24.1 %	27.4 %
Total pension resources	100.0 %	100.0 %

Return on pension resources	2010	2009
Total pension resources	5.66 %	10.13 %

Capital adequacy for the pension fund	2010	2009
Capital adequacy	14.12 %	11.24 %

15 - Fixed assets

Group

2010	Total	Cars/IT/office-machines	Fixtures and fittings	Buildings 1)	Building plots/ Holiday cabins
Acquisition cost as at 01.01	419	118	42	245	14
Additions 2)	54	12	2	40	0
Disposals	39	3	6	30	1
Acquisition cost as at 31.12	434	127	38	255	13
Accumulated depreciation and write-downs as at 01.01	177	72	32	72	0
Depreciation during the year	18	12	1	4	0
Write-downs during the year	0	0	0	0	0
Disposals	21	2	5	15	0
Accumulated depreciation and write-downs as at 31.12	173	83	27	62	0
Value in the accounts as at 31.12	261	44	11	193	13
Straight-line depreciation period (years)		3 - 5	8 - 10	50	-
Fully written-down fixed assets in use	17	12	5	0	0
Estimated residual value of fixed assets	86	0	0	73	13
Financially leased equipment (netted out in the Group accounts)	26	26			
Change in depreciation period	0				
Write-down	0				

1) With the exception of the taken over bank building in Tingvoll, these are in their entirety buildings incorporated in the financial statements of the Bank's subsidiary, Sparebankeiendom AS. The buildings are only intended for own use relating to the operations of the Bank, and are therefore not defined as investment properties. The buildings are located in the Group's geographical home market, the county of Møre og Romsdal, and most of them in the Sunnmøre region. The aggregate floor space is about 17 000 square meters, of which some 2 400 square meters are rented out to external tenants. Only small parts of the premises are vacant at the present time (about 600 square meters), and there are only commercial premises in the buildings. The buildings are shown in the accounts at historical cost minus accumulated depreciation and write-downs. It is more likely than not that the buildings' market value exceeds their book value. In 2010, the Group sold the bank buildings in Sykkylven, Valldal, Hellesylt, Stranda and Skodje. The sales provided a gain of NOK 10 million.

2) The Group has recognised NOK 2 million in construction loan interests (NIBOR + 0.8 %)

Notes Amounts in NOK million

2009	Total	Cars/IT/office-machines	Fixtures and fittings	Buildings 1)	Building plots/ Holiday cabins
Acquisition cost as at 01.01	409	111	40	244	14
Additions	25	11	1	13	0
Addition due to the acqusition of Tingvoll Sparebank	11	0	1	10	0
Disposals	26	4	0	22	0
Acquisition cost as at 31.12	419	118	42	245	14
Accumulated depreciation and write-downs as at 01.01	172	65	30	77	0
Depreciation during the year	17	12	2	3	0
Write-downs during the year	2	0	0	2	0
Disposals	14	4	0	10	0
Accumulated depreciation and write-downs as at 31.12	177	72	32	72	0
Value in the accounts as at 31.12	242	46	10	173	14
Straight-line depreciation period (years)		3 - 5	8 - 10	50	-
Fully written-down fixed assets in use	15	9	6	0	0
Estimated residual value of fixed assets	76	0	0	63	14
Financially leased equipment (netted out in the Group accounts)	24	24			
Change in depreciation period	0				
Write-down	2				

Parent Bank

2010	Total	Buildings	Cars/IT/office-machines	Fixtures and fittings
Acquisition cost as at 01.01	132	10	80	42
Additions	2	0	1	1
Disposals	0	0	0	0
Acquisition cost as at 31.12	134	10	81	43
Accumulated depreciation and write-downs as at 01.01	90	0	59	31
Depreciation during the year	9	0	8	1
Write-downs during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and write-downs as at 31.12	99	0	67	32
Value in the accounts as at 31.12	35	10	14	11
Straight-line depreciation period (years)		50	3 - 5	8 - 10
Fully written-down fixed assets in use	17	0	12	5
Change in depreciation period	0			
Write-down	0			

2009	Total	Buildings	Cars/IT/office-machines	Fixtures and fittings
Acquisition cost as at 01.01	112	0	72	40
Additions	9	0	8	1
Addition due to the acqusition of Tingvoll Sparebank	11	10	0	1
Disposals	0	0	0	0
Acquisition cost as at 31.12	132	10	80	42
Accumulated depreciation and write-downs as at 01.01	81	0	51	30
Depreciation during the year	9	0	8	1
Write-downs during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and write-downs as at 31.12	90	0	59	31
Value in the accounts as at 31.12	42	10	21	11
Straight-line depreciation period (years)		50	3 - 5	8 - 10
Fully written-down fixed assets in use	15	0	9	6
Change in depreciation period	0			
Write-down	0			

16 - Other intangible assets

Group			Parent Bank	
2009	2010		2010	2009
18	20	Acquisition cost as at 01.01	20	18
1	7	Additions	7	1
1	-	Addition due to the acqusition of Tingvoll Sparebank	-	1
0	0	Disposals	0	0
20	27	Acquisition cost as at 31.12	27	20
3	7	Accumulated depreciation and write-downs as at 01.01	7	3
4	5	Depreciation during the year	5	4
0	0	Write-downs during the year	0	0
0	0	Disposals	0	0
7	12	Accumulated depreciation and write-downs as at 31.12	12	7
15	13	Value in the accounts as at 01.01	13	15
13	15	Value in the accounts as at 31.12	15	13
20 %	20 %	Straight-line depreciation rate	20 %	20 %
5	5	Economic life – number of years	5	5
0	0	Fully written-down other intangible assets in use	0	0
0	0	Change in depreciation period	0	0
0	0	Write-down	0	0

Intangible assets consist of capitalised costs relating to the acquisition and development of programme products, licences etc.

17 - Repossessed assets

	2010	2009	2008	2007	2006
Value in the accounts as at 01.01	11	1	1	1	1
Additions	0	10	0	0	0
Disposals	0	0	0	0	0
Value in the accounts as at 31.12	11	11	1	1	1

Holdings of repossessed assets

	Booked value
Buildings	1
Building plots	10
Total repossessed assets	11

The abovementioned properties have mainly been acquired/repossessed in order to realise the Bank's collateral security. Sparebanken Møre does not wish to remain the owner of repossessed properties. In those cases where an acceptable price has not been obtained, every effort is made to rent out the properties.

18 - Tax

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 is calculated on the basis of the differences which exist between the accounting-related and tax-related values at the end of the accounting year. A tax rate of 28 per cent is applied. The entire taxation cost is related to Norway.

Specification of the difference between the Result before tax and the income subject to tax

Group			Parent Bank	
2009	2010		2010	2009
468	612	Result before tax	551	435
		Permanent differences relating to:		
-12	-100	Shares	-93	-22
4	22	Other permanent differences	9	7
-36	-27	Changes in temporary differences	-12	-23
0	0	Use of losses which may be carried forward	0	0
424	507	Income subject to tax	455	397
119	143	Tax payable at 28 per cent	127	111
-	2	Reduction in payable tax relating to Group contributions made	0	0
119	141	Payable tax due	127	111

Notes Amounts in NOK million

Group			Parent Bank	
2009	2010	Specification of temporary differences and computation of deferred tax	2010	2009
		Temporary differences relating to:		
-4	10	Fixed assets	1	2
-65	-60	Pension liabilities	-60	-65
20	17	Added value related to transferred portfolio of loans	17	20
-16	-4	Other temporary differences	-5	-16
-2	0	Tax-related losses which may be carried forward	0	0
-67	-37	Net negative (-)/positive differences	-47	-59
19	10	Deferred tax benefit - 28 per cent	13	17
-4	-	- hereof due to acquisition of Tingvoll Sparebank	-	-4
		Tax cost in the profit and loss account		
119	141	Tax payable	127	111
9	9	Change in deferred tax	4	6
5	5	Wealth tax	5	5
0	0	Too much/too little set aside last year	0	0
133	154	Tax cost	136	122
28.4	25.2	Effective rate of tax (tax cost as a percentage of pre-tax result)	24.7	28.1

The nominal rate of tax, 28 per cent, is based on currently valid tax rates applicable to capital income. Realisation of deferred tax benefit is based on future results liable to tax, based on empirical experience and prognoses, exceeding the tax benefit in question in the case of reversal of any existing, temporary differences.

No temporary differences exist in relation to items recognised against the expanded result or directly against equity. All deferred tax relates to items recognised in the result for the accounting year.

Group			Parent Bank	
2009	2010	Reconciliation between tax cost and account-related result	2010	2009
131	171	28 per cent of pre-tax result	154	122
-3	-28	Shares - 28 per cent	-26	-6
1	6	Other permanent differences - 28 per cent	3	2
5	5	Wealth tax	5	5
0	0	Too much/too little set aside in previous years	0	0
133	154	Total tax cost	136	122

19 - Result/earnings per EC

The basic result per equity certificate (EC) is calculated as the proportion between the year's result accruing to the Bank's EC holders according to the EC fraction as per 1 January, and the number of issued EC at year-end, adjusted for any issues, that do not provide entitlement to the full dividend. The diluted result per EC is no different to the basic result per EC.

Equity share capital increased by NOK 130.7 million in the 1st quarter of 2010 to NOK 784.1 million through a scrip issue with a par value of NOK 100 at the ratio of one new EC per five old certificates. The issue was carried out by transferring NOK 130.7 million from the Dividend Equalisation Fund. The number of ECs consequently increased by 20 per cent in 2010 from 6 534 264 at the start of the year to 7 841 116 at the end of the year.

Group	2010	2009
Earnings per EC (NOK) 2)	26.90	25.95
Diluted earnings per EC's (NOK)	26.90	25.95
Profit for the year to the Bank's EC-holders:		
Result	458	335
EC-holders' share of the profit according to the EC-fraction 1)	211	157
Weighted number of ECs - the Bank's own portfolio	65 240	59 150
Number of own ECs as at 31.12	3 744	57 320
Number of own ECs as at 01.01	57 320	75 970
Weighted average of outstanding ECs	7 457 220	5 987 520
Number of outstanding ECs as at 31.12	7 837 372	6 476 944
Number of outstanding ECs as at 01.01	6 476 944	5 873 183
Weighted average number of ECs issued	7 522 460	6 046 671
Number of ECs as at 31.12	7 841 116	6 534 264
Number of ECs as at 01.01	6 534 264	5 949 153

1) The EC ratio has been computed on the basis of figures for the Parent Bank which provide the basis for allocation of profit to the EC holders. The Fund for Unrealised Gains was excluded from the computation. The EC ratio was 46.0 per cent in 2010 and 43.8 per cent in 2009.
2) Earnings per Equity Certificate (EC) are calculated as the EC holders' proportion of the result divided by the number of issued EC at year-end, adjusted for any issues that do not provide entitlement to the full dividend.

Own ECs

Purchase or sale of own ECs is done with a view to increased liquidity. The ECs have been purchased/sold at market price.

20 - Capital adequacy

Capital adequacy is calculated pursuant to the applicable regulations in Basel II, which were introduced with effect from 1 January 2007. The purpose of the new regulations is to produce greater harmony between risk and capital requirements in the various institutions. Sparebanken Møre 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.

Sparebanken Møre has in its long-term strategic plan 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 shall at all times fulfil the minimum requirements for capital adequacy with the addition of a buffer equal to Sparebanken Møre's accepted risk tolerances. The assessment of the risk profile, capital requirements and profitability shall at all times be based on the Group's long-term strategic plan. The Group's capital requirements (minimum) are calculated in the annual ICAAP.

The current defined long-term target for Sparebanken Møre 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 over the long-term yield on government bonds.

Note 3 Risk Management provides further information about Sparebanken Møre's capital structure and relationship to the capital adequacy regulations. Otherwise please refer to the Group's Pillar III document, which is available on Sparebanken Møre's website.

Even though Sparebanken Møre prices in expected loss costs, the Group must have capital reserves to cover unexpected losses. Therefore, the Group calculates financial capital on the basis of the rules in the Capital Requirements Regulations §15. The regulations require Sparebanken Møre to maintain capital to cover 99.9 per cent of all loss scenarios (avoid insolvency in 999 out of 1 000 years), while the Group itself has chosen to maintain a confidence level of 99.97 per cent (avoid insolvency in 9 997 out of 10 000 years).

Financial capital is used in the day-to-day management of Sparebanken Møre and is a capital concept that also 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.

Sparebanken Møre's ICAAP

Sparebanken Møre's ICAAP is tailored to the Group's position in relation to resources, competence, models and experience. The capital requirement assessment is based on an assessment of the risk profile and an assessment of the quality of management and control. The conclusions are based on figures and professional judgement. In some cases the level of capital is based on the standard method.

Board approved guidelines are drawn up for the ICAAP. These guidelines provide guidance for broad participation from different management levels in Sparebanken Møre, as well as from different departments and sections. The Group's Board also actively participates in Sparebanken Møre's ICAAP.

All material risks are assessed in the calculation of capital requirements. The risks are assessed individually and overall. In model simulations assume both moderate and conservative development perspectives.

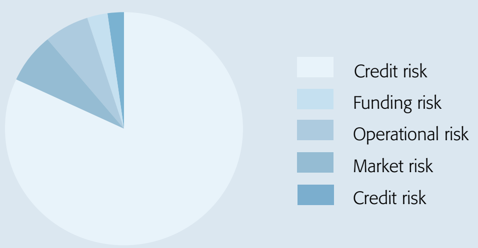
An analysis of Sparebanken Møre's risk exposure provides a picture of the risk profile, which is used as a basis for judging capital requirements. Every risk element is assessed on the basis of probability and consequences (inherent risk) and how Sparebanken Møre could manage/control this risk effectively. Risk reducing measures will reduce the inherent risk, leaving the institution with residual risk. An assessment of the probability and consequences of residual risk also entails an assessment of the capital Sparebanken Møre needs to retain in order to cover unexpected losses from the individual risks. Assessing residual risk also provides a basis for taking steps to limit the risk further.

The Group's internal auditor, PriceWaterhouseCoopers, is involved in the Group's ICAAP. The internal auditor is kept up-to-date on the process, makes suggestions during it, and reviews the documentation sent to the Board. The internal auditor also carries out his own risk assessments throughout the year and has, as part of this, established a collaboration with the Compliance and Risk Control Department regarding risk assessments and coordinating control and monitoring work. The internal auditor produces his own evaluation/report on Sparebanken Møre's ICAAP based on this. This is included as part of the documentation submitted to Finanstilsynet.

Various types of scenario models and stress tests are run in connection with the ICAAP. These include both financial simulation models and stress testing based on the Norwegian Computer Centre's total risk model. Sparebanken Møre's Pillar 3 document provides further descriptions of these stress tests and their effects on the Group's capital adequacy.

ICAAP 2010 has been submitted to and reviewed by Finanstilsynet. Based on this year's process Sparebanken Møre appears adequately capitalised based on the risk inherent in its activities and future expectations.

The 2010 ICAAP showed the following distribution of capital between the various risk areas:



Notes Amounts in NOK million

Group			Parent Bank	
2009	2010		2010	2009
		Core capital		
653	784	EC capital	784	653
-5	0	- ECs owned by the Bank	0	-5
187	186	Premium Fund	186	187
393	362	Dividend Equalisation Fund	362	393
1 443	1 560	Primary Capital Fund	1 560	1 443
25	33	Value Adjustment Fund	33	25
12	11	Fund for Unrealised Gains	11	12
72	94	Set aside for cash dividend	94	72
94	113	Set aside dividend funds for the local community	113	94
68	110	Other equity capital	0	-
2 942	3 253	Total equity	3 143	2 874
-27	-31	Deferred tax, goodwill and intangible assets	-29	-27
-25	-33	Value Adjustment Fund	-33	-25
-12	-11	Fund for Unrealised Gains	-11	-12
-10	-11	50 % deduction for equity capital in other financial institutions	-11	-10
476	482	Capital bonds	482	476
-10	0	Deduction bonds (beyond 15 per cent of core capital)	0	-10
-72	-94	Set aside for cash dividend	-94	-72
-94	-113	Set aside dividend funds for the local community	-113	-94
3 168	3 442	Total core capital	3 334	3 100
		Supplementary capital		
479	479	Subordinated loan capital of limited duration	479	479
10	0	Addition bonds (beyond 15 per cent of core capital)	0	10
11	14	45% addition for net unrealised gains on shares, unit trust certificates and ECs available for sale	14	11
-10	-10	50% deduction for equity capital in other financial institutions	-10	-10
490	483	Total supplementary capital	483	490
3 658	3 925	Net equity and subordinated loan capital	3 817	3 590
1 466	1 636	Discrepancy relating to net equity and related capital – minimum requirement 8 %	1 646	1 482
		Capital adequacy as a percentage of the weighted asset calculation basis		
13.35	13.72	Capital adequacy ratio	14.06	13.62
11.55	12.03	Core capital ratio	12.28	11.76
27 400	28 615	Risk-weighted assets (calculation basis for capital adequacy ratio)	27 140	26 355
		Minimum equity and related capital requirement according to Basel II calculated in accordance with the Standard Approach		
2 192	2 289	Total minimum requirement (8 %) for equity and related capital	2 171	2 108
0	0	Commitments involving states and central banks	0	0
4	3	Commitments involving local and regional authorities	3	4
9	15	Commitments involving public sector companies	15	9
34	52	Commitments involving institutions (banks etc.)	41	41
769	783	Commitments involving companies (corporate customers)	752	737
314	320	Commitments involving mass market (retail banking customers)	319	314
561	575	Commitments involving mortgage on residential property	451	460
265	279	Commitments involving mortgage on commercial property	279	265
17	22	Commitments due for payment	22	17
2	0	Commitments involving high risk (investment funds)	0	2
2	7	Commitments involving covered bonds	29	26
88	97	Other commitments	123	112
2 065	2 153	Capital requirement – credit-/counterpart- and impairment risk	2 034	1 987
0	0	Debt	0	0
0	0	Equity	0	0
4	0	Foreign exchange	0	4
0	0	Goods	0	0
4	0	Capital requirement – position-/foreign exchange- and commercial risk	0	4
137	150	Operational risk (basis method)	151	131
-14	-14	Deductions from the capital requirement	-14	-14

21 - ECs and ownership structure

Equity Certificates

At the end of 2010, Sparebanken Møre's EC capital totalled NOK 784 million, consisting of 7 841 116 Equity Certificates, each of a nominal value of NOK 100. In addition to this, the EC holders' capital consists of the Dividend Equalisation Fund, amounting to NOK 362 million, and the Premium Fund, totalling NOK 186 million. According to the Bank's by-laws, there are no limitations with regard to voting rights. Furthermore, no rights/options exist according to which new ECs would have to be issued.

Investors policy

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

EC capital

Sparebanken Møre's EC capital totals NOK 784 111 600, consisting of 7 841 116 certificates, each of a nominal value of NOK 100.
The EC capital was raised through eight separate issues:

Year	Changes	Changes in EC capital	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

EC holders' share of the result

Earnings per equity certificate (EC) are calculated as the EC holders' proportion of the result divided by the number of issued EC at yearend, adjusted for any issues that do not provide entitlement to the full dividend. The EC holders' proportion of the result corresponds to the EC capital's, equalisation fund's and share premium reserve's proportion of the Bank's total equity at the start 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 31.12.10	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	796 400	10.16
Pareto Aksje Norge	445 427	5.68
MP Pensjon	338 796	4.32
Protector Eiendom AS	303 864	3.88
Pareto Aktiv	200 975	2.56
Beka Holding AS	133 462	1.70
Farstad Shipping ASA	112 909	1.44
Brown Brothers Harriman & Co	92 008	1.17
Pareto Verdi VPF	88 467	1.13
Stiftelsen Kjell Holm	88 018	1.12
Odd Slyngstad	84 703	1.08
Tonsenhagen Forretningssentrum AS	52 050	0.66
Nordea Bank Norge AS	51 000	0.65
Leif Arne Langøy	50 000	0.64
U Aandahls Eftf. AS	48 000	0.61
Forsvarets Personellservice	40 560	0.52
Terra utbytte VPF	38 782	0.49
J.E. Devold AS	37 558	0.48
Sparebankstiftelsen DnB NOR	37 392	0.48
Sparebanken Hedmark	29 999	0.38
Total 20 largest	3 070 370	39.16
Total	7 841 116	100.00

Key financial figures (Parent Bank)	2010	2009	2008	2007	2006
Price at OSE	207.00	192.00	133.00	212.00	234.00
Number of ECs	7 841 116	6 534 264	5 949 153	5 526 154	5 526 154
EC capital (NOK mill.)	784	648	587	547	548
Dividend Equalisation Fund (NOK mill.)	362	393	317	306	284
Proceeds from EC issue, priced at a primium over par (NOK million)	186	187	123	80	80
EC percentage (average for 2009/2008)	46.0	43.8	44.7	45.5	47.6
EC percentage 31.12	46.0	46.0	43.2	43.2	45.5
Dividend per EC, in NOK	12.00	12.00	20.00	23.00	20.00
Dividend per EC, in NOK as a percentage of price at OSE 31.12	5.8	5.2	12.5	9.1	7.1
Return (%) 1)	14.0	56.3	-28.0	-2.5	-7.4
Dividend in percentage of the EC owners share of adjusted result 1)	49.2	49.3	92.3	85.8	86.3
Profit per EC, in NOK 1)	24.42	24.35	21.66	26.80	23.52
Book value per EC, in NOK 1)	170	188	174	169	165
P/E 1)	8.5	9.5	7.4	9.5	12.12
P/BV 1)	1.2	1.2	0.9	1.50	1.65

1) The Fund for Unrealised Gains has been excluded from the calculation.

Notes Amounts in NOK million

Geographic distribution

Number of owners/ECs	2010		2009		2008		2007		2006	
Møre og Romsdal	3 650	3 665 079	3 559	3 094 150	3 423	2 607 233	3 426	2 356 352	3 460	2 239 043
Others in Norway	2 540	3 903 485	2 687	3 203 395	2 628	3 125 722	2 519	2 961 523	3 308	3 026 814
Foreigners	65	272 552	68	236 719	70	216 198	69	208 279	63	260 297
Total	6 255	7 841 116	6 314	6 534 264	6 121	5 949 153	6 014	5 526 154	6 831	5 526 154

Distributed by numbers 31.12.2010

Number of ECs	Number of ECs	%	Number of owners	%
1-100	106 210	1.35	2 018	32.26
101-1.000	1 103 274	14.07	3 151	50.38
1.001-10.000	2 670 281	34.06	1 007	16.10
10.001-100.000	1 629 518	20.78	72	1.15
Over 100.000	2 331 833	29.74	7	0.11
Total	7 841 116	100.00	6 255	100.00

	Number of ECs		EC capital		Above par value	
	2010	2009	2010	2009	2010	2009
Change in ECs and premium/above par value:						
Ordinary ECs as at 01.01	6 534 264	5 949 153	653	595	187	123
Changes	1 306 852	585 111	131	58	-1	64
Ordinary ECs as at 31.12	7 841 116	6 534 264	784	653	186	187
Bank's own ECs:						
Own ECs as at 01.01	57 320	75 970	5	8		
Changes	-53 576	-18 650	-5	-3		
Own ECs as at 31.12	3 744	57 320	0	5		

	Total amount
Dividend paid on ECs	
NOK 23.00 pr EC in 2008	127 102
NOK 20.00 pr EC in 2009	118 983
NOK 12.00 pr EC in 2010	72 560
Proposed dividend	
NOK 20.00 pr EC in 2008	118 983
NOK 12.00 pr EC in 2009	72 560
NOK 12.00 pr EC in 2010 1)	94 093

1) Approved at Board of Trustees meeting on 25.03.2011. Included in the accounts as other equity capital as at 31.12.2010

Elected representatives of the Bank owning/representing ECs as at 31.12.2010

	Number
Tove A. Berge	704
Tove Lunde Bjørge	148
Bjørn Bjåstad	6 672
Sonja Dimmen	281
Nils Petter Drønnen	987
Annbjørg Holmen Dyb	311
Thor Martin Eidem	480
Svein Garberg	338 796
Iren Gullhav	308
Kristin Sunde Hansen	3 600
Egil Hansen	80
Hans August Hansen	37 392
Eldar Kåre Helseth	380
Rolf Hjellegjerde	2 400
Gerd Myren Hoel	199
Toril Hovdenak	120
Turi Indergaard	446
Kjersti Kleven	180
Helge Karsten Knudsen	501
Kjetil Kvammen	787
Leif Arne Langøy	50 000
Berit Larsen	113
Anders Lausund	574
Sølvi Lillevold	580
Borghild Møller	39 044
Richard Nergaard	960
Bjarne Nerland	80
Lars K. Nogva	562
Per Emil Orvik	12
Roy Reite	266
Kristen Ringdal	1 267
Thor Johan Rusten	5 003
Mette Ryste	260
Kjell Martin Rønning	7 580
Aadne Sandanger	188
Karsten Skaar	6 000
Odd Slyngstad	86 037
Finn Moe Stene	796 864
Elisabeth Maråk Støle	360
Turid Håndlykken Sylte	80
Johan Sættem	48 000
Per Robert Tafjord	376
Bjørn Gunnar Tafjord	1 945
Solfrid Teigen	1 256
Berit Ekornes Unhjem	8 153
Anne Hilde Øvrebust	80
Ann Kristin Aaland	64

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

We hereby confirm that the Group's and Bank'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 Group's and Bank'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 Group and the Bank, as well as a description of the most important risk and uncertainty factors faced by the Group and the Bank.

Ålesund, 31 December 2010
9 March 2011
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Helge Aarseth
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Toril Hovdenak

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Auditor's report for 2010

To the Board of Trustees of Sparebanken Møre

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sparebanken Møre, comprising the financial statements for the Parent Bank and the Group. The financial statements for the Parent Bank and the Group comprise the balance sheet as at 31 December 2010, the statements of income and comprehensive income, cash flows and changes in equity for the year then ended as well as 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 International Financial Reporting Standards as adopted by the EU, 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 on the financial statements for the Parent Bank and the Group.

Opinion

In our opinion, the financial statements of Sparebanken Møre have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Bank and the Group as of 31 December 2010 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

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 Bank's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Ålesund, 9 March 2011
ERNST & YOUNG AS

(sign.)
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 Bank's operations have been conducted in accordance with laws and regulations, the Bank's by-laws, the Board of Trustees' resolutions and other decisions to which the Bank is obliged to adhere.

The Control Committee has reviewed the Minutes of the Board of Directors, reports from the External and the Internal Auditor the Bank's correspondence with FSAN, and otherwise examined everything according to currently valid laws and the Control Committee's instructions.

During the period, regular committee meetings have been held at the Bank's head office. In addition, the committee has made inspection visits to the Bank's regional branches.

The comments made by the Control Committee during the period in question have been resolved with the Bank'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 would like to recommend that the Annual Report and Annual Accounts for the 2010 accounting year are approved.

Ålesund, 9 March 2011

Control Committee of Sparebanken Møre

Kjetil Kvammen
Chaiman

Lars K. Nogva

Eva Hove

Thor Martin Eidem

"Good teamwork between industry and commerce and the public sector provides a good starting point for regional development."

Terje Krøvel knows what he is talking about when he asserts that one important prerequisite for maintaining and developing an environment for business development is meeting places. Both professional and interdisciplinary. 27 years' experience with the Bank's business customers makes him worth listening to. Today he is the head of a region that represents the major sectors in the county.

But why are meeting places important? "In the last few years municipalities, counties and regions have discussed and researched the prerequisites for developing and maintaining an attractive environment for business development. Global competition is intensifying and to a large extent 'forcing' businesses into clusters and networks to maintain and develop their competitiveness. In short - meeting places are important for sharing knowledge, for getting new inspiration, for thinking new ideas and, not least, for networking," says Terje Krøvel.

The research findings to which he is referring include the fact that what characterises regions with positive business development is that they have succeeded in initiating and maintaining a virtuous circle with mutually dependent processes.

This starts with someone establishing a successful business, which in turn attracts people to the region. The conditions for continuing to perform well improve in places where many talented people gather. However, this also requires an entrepreneurship-tolerant culture and supportive institutions and politicians. The conditions for initiating and maintaining a virtuous circle improve in places where different spheres of knowledge meet and which are open to different perspectives. This requires meeting places, long-term thinking, perseverance and stable, predictable ground rules.

One example mentioned in this context is the maritime cluster. "The Møre region has a unique concentration of maritime companies and specialised research and educational institutions, which represent the maritime cluster in Møre. The cluster is one of the very few complete clusters in the world and consists of design companies, shipyards, equipment suppliers and shipping companies."

"Cooperation is important," continues Terje Krøvel. "Good teamwork between industry and commerce and the public sector provides a good starting point for regional development. We largely have the same interests. One example of such cooperation is the Møre Conference. Møre og Romsdal County Council, Sparebanken Møre and Innovation Norway are behind the Møre Conference. The conference aims to create a central meeting place for networking, information, and sharing knowledge and opinions."

This year the conference was attended by well over 300 participants and the mixture between business, government and educational institutions was better than ever. The Møre Conference has gained a good reputation and is an important meeting place for regional development. In the future it will be important to further develop the good work that has been done in relation to choosing topics that are important to the region.

Group 2006 - 2010

Highlights

Result

NOK million	2010	2009	2008	2007	2006
Net interest and credit commission income	862	802	820	695	616
Total other operating income	304	256	196	224	189
Total operating costs	523	508	471	453	425
Result before losses	**643**	**550**	**545**	**466**	**380**
Losses on loans, guarantees etc.	31	82	65	-4	0
Result before tax	**612**	**468**	**480**	**470**	**380**
Tax payable on ordinary result	154	133	142	137	108
Result from ordinary operations after tax	**458**	**335**	**338**	**333**	**272**

As a percentage of average assets

	2010	2009	2008	2007	2006
Net interest and credit commission income	2.03	1.97	2.17	2.09	2.14
Total other operating income	0.72	0.63	0.52	0.67	0.66
Total operating costs	1.23	1.25	1.25	1.36	1.48
Result before losses	**1.52**	**1.35**	**1.44**	**1.40**	**1.32**
Losses on loans, guarantees etc.	0.07	0.20	0.17	-0.01	0.00
Result before tax	**1.45**	**1.15**	**1.27**	**1.41**	**1.32**
Tax payable on ordinary result	0.36	0.33	0.37	0.41	0.38
Result from ordinary operations after tax	**1.09**	**0.82**	**0.90**	**1.00**	**0.94**

Balance sheet

NOK million	2010	2009	2008	2007	2006
Cash in hand and claims on central banks	634	682	1 378	1 374	1 040
Net loans to and claims on credit institutions	167	83	98	67	197
Gross loans to customers	38 083	36 252	35 660	31 699	27 811
Specific write-downs	281	264	217	212	206
Non-specific write-downs	126	137	145	137	156
Net loans to customers	37 676	35 851	35 298	31 350	27 449
Securities	4 496	3 381	2 295	1 880	2 047
Fixed assets	261	242	237	234	215
Other assets	1 207	1 052	1 490	711	808
Total assets	**44 441**	**41 391**	**40 796**	**35 615**	**31 757**
Debt owed to credit institutions	4 976	5 662	3 316	3 147	2 917
Deposits from customers	24 551	21 793	20 672	19 401	16 851
Borrowings raised through the issue of securities	9 697	9 086	12 427	9 193	8 293
Other liabilities	1 003	953	1 077	941	974
Subordinated loan capital/capital bonds	961	955	679	530	530
Paid-in equity capital	970	835	710	626	627
Equity capital accumulated through retained earnings	2 283	2 107	1 915	1 777	1 565
Total liabilities and equity capital	**44 441**	**41 391**	**40 796**	**35 615**	**31 757**

Results - development

Quarterly results

NOK million	4. q. 2010	3. q. 2010	2. q. 2010	1. q. 2010	4. q. 2009
Net interest and credit commission income	228	212	210	212	219
Total other operating income	45	67	134	58	56
Total operating costs	127	130	134	132	131
Result before losses	**146**	**149**	**210**	**138**	**144**
Losses on loans, guarantees etc.	-4	8	15	12	20
Result before tax	**150**	**141**	**195**	**126**	**124**
Tax payable on ordinary result	44	37	38	36	32
Result from ordinary operations after tax	**106**	**104**	**157**	**90**	**92**

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	2.10	2.01	1.99	2.03	2.11
Total other operating income	0.41	0.64	1.27	0.56	0.54
Total operating costs	1.17	1.23	1.27	1.26	1.26
Result before losses	**1.34**	**1.42**	**1.99**	**1.33**	**1.39**
Losses on loans, guarantees etc.	-0.04	0.08	0.14	0.11	0.19
Result before tax	**1.38**	**1.34**	**1.85**	**1.22**	**1.20**
Tax payable on ordinary result	0.41	0.35	0.35	0.34	0.31
Result from ordinary operations after tax	**0.97**	**0.99**	**1.50**	**0.88**	**0.89**

Julie Heiervang Johnsen

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"As a key institution in our county, the Bank has important social responsibilities."

The availability of jobs used to decide where people settled. Today, the expectations of young people in relation to both work and where they live differ from those of previous generations. Work is still a crucial factor, but good housing, the availability of services, closeness to family and a sense of belonging to a place are also important.

A varied range of leisure activities such as sports and culture, as well as access to good city centre functions, is important.

Local initiatives are a prerequisite when it comes to creating attractive local communities. Our county is known for its good sense of community and local enthusiasts have given many local communities a boost. As a key institution in our county, the Bank has important social responsibilities. We want to be an active contributor to the local community of which we are a part. By returning funds to the areas in which the capital was built up, we are making a contribution in our own way and we may perhaps be making the enthusiasts' valuable efforts a bit easier. By prioritising measures in local communities that help to ensure good conditions for children and young people to grow up in, we are helping to ensure a positive future.

The dividend funds the Bank contributes benefit many people in Møre og Romsdal in that a wide-range of recipients receives funds: from purely humanitarian contributions and dividend funds for non-profit groups, to larger transport projects and contributions to an increased range of education provision. In addition to this, Sparebanken Møre provides support to teams and organisations in the form of sponsorship agreements, meaning they are able to maintain their level of activity.

The goal of the Bank's social engagement is to help ensure that Møre og Romsdal becomes an even better place for people and enterprises to call home, work in, develop in and enjoy a good life. This gives being a customer of Sparebanken Møre an extra dimension!

Corporate Governance

Norwegian Code of Practice for Corporate Governance

The description below explains how Sparebanken Møre complies with the 15 points in the Norwegian Code of Practice for Corporate Governance dated 21 October 2010. The Code of Practice was drawn up by the Norwegian Corporate Governance Board (NUES) and is available from: www.nues.no.

1. Statement on Corporate Governance

Sparebanken Møre complies with the Norwegian Code of Practice for Corporate Governance of 2010. In the case of a savings bank, adaptations have been made based on the fact that a savings bank is a self owning institution, and that the management structure and the composition of the management bodies are different to those of limited companies. In addition, it has been taken into consideration the savings banks' special relationship with the local communities, and the savings banks' corporate social responsibility.

The Group has drawn up both a code of ethics and guidelines for corporate responsibility based on its core values: "Close, competent and sound". These core values should be reflected in all contact with the market. More detailed descriptions of the individual core values can be found on the Group's website.

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.

The Bank's objectives are to promote savings by accepting deposits from an indeterminate group of depositors and to manage the funds controlled by the Bank in a prudent manner in accordance with the current statutory rules that apply to savings banks. The Bank can provide all the normal banking transactions and services pursuant to the Savings Banks Act and the Financial Institutions Act. Sparebanken Møre is a one-stop provider of services in the areas of financing, deposits and investments, payment systems, financial advice, personal portfolio management, insurance and estate agency.

The complete text of its articles of association can be found on the Group's website: www.sbm.no.

Sparebanken Møre carries out a comprehensive, annual strategy process that defines the Group's long-term goals and direction. These strategies and goals abide by the framework laid down by Sparebanken Møre's articles of association. Sparebanken Møre intends to maintain its position as the number one bank in Møre og Romsdal and strive for good solvency and 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.

3. Equity share capital and dividends

Sparebanken Møre's primary capital and related capital are composed on the basis of a number of considerations. The most important considerations are the Group's size, Møre og Romsdal's internationally orientated industry and commerce, a stable market for long-term funding as needed, and the goals of the long-term strategic plan. In its annual evaluation of its management and control systems, which includes capital requirement assessments, the so-called ICAAP, the Group focuses heavily on ensuring its primary capital is suitable for its goals, strategies and risk profile. Its capital situation is continuously monitored throughout the year via internal calculations and reporting.

The dividend policy of Sparebanken Møre states the following:
"Sparebanken Møre's aim is to achieve financial results which provide a good and stable return on the Bank's equity capital. The results shall ensure that the owners of the equity capital receive a competitive long-term return in the form of dividends and increase in the value of the equity capital.

The equity capital owners' share of the net result being set aside as dividend funds, will be adapted to the Bank's equity capital situation.

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

The Board of Sparebanken Møre can be granted authorisations by the Board of Trustees to increase capital and/or buy back its equity certificates (EC). Board authorisations to increase capital are restricted to defined purposes and such authorisations must be limited and not last longer than until the next ordinary meeting of the Board of Trustees.

4. Equal treatment of EC holders and transactions with close associates

The Bank is keen to further develop the relationship of mutual trust which has been established between Sparebanken Møre and its most important interest groups. In view of this, a great deal of emphasis is placed on openness in relation to all interested parties in the market. This includes both those who provide the Bank with equity share capital and funding, and those who need to maintain a relationship with the Bank in other ways.

All EC holders shall be treated equally and have the same opportunity to influence the Bank. The Board's contact with investors normally takes place via the executive management team. All EC have the same voting rights. The Bank complies with Financial Institutions Act's rules regarding ownership and voting limitations insofar as the provisions apply to savings banks with EC. EC holders usually have preferential rights when 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 EC usually take place via the stock exchange. EC are bought back at the current market price.

The Group's code of ethics contains rules for how any conflict of interest shall be handled in transactions with close associates. The rules apply to officers and employees of the Group.

Should material transactions take place between the Sparebanken Møre Group and EC holders, board members, executive employees or their close associates, the Board shall ensure that a valuation is obtained from an independent third party except in cases that have been discussed and voted on by the Board of Trustees.

5. Free tradability

Sparebanken Møre's ECs are listed on the Oslo Stock Exchange and are freely tradable. The articles of association contain no restrictions concerning tradability.

6. General meeting (Board of Trustees)

A savings bank is basically a self-owned institution and the management structure and composition of controlling bodies differ from those of private limited companies, cf. section 7 of the Savings Banks Act concerning the bodies a savings bank must have. Sparebanken Møre complies with this provision of the Savings Banks Act and this therefore represents a deviation from the Code of Practice.

Sparebanken Møre's Board of Trustees consists of a total of 52 trustees, and 24 deputy trustees. Each of the four groups the Board of Trustees consists of is equally represented: depositors, the public sector, EC holders and employees.

Notices about meetings of the Board of Trustees shall be sent to the members with at least 21 days' notice. The Board of Trustees cannot make decisions on any matters other than those which have been specifically listed in the notice convening the meetings. The aim of this is to ensure that the proposed resolutions and supporting documentation that are sent out are sufficiently detailed and comprehensive enough to allow members of the Board of Trustees to properly consider the matters that are going to be discussed and voted on. Members of the Board, Control Committee and Nomination Committee shall attend meetings of the Board of Trustees. The Chairman of the Board of Trustees shall chair meetings. Alternatively in his or her absence the Deputy Chairman shall perform this task.

7. Nomination committees

The different elections of elected representatives in the Bank are run according to principles set forth in the Bank's articles of association. The preparations necessary for these elections are made by special nomination committees for depositor-elected members and EC holder-elected members. The Board of Trustees' Nomination Committee shall make the necessary preparations for the election of the Chairman and Deputy Chairman of the Board of Trustees, the Chairman, Deputy Chairman and other members and deputy members of the Board, the members of the Control Committee, and the members of the Nomination Committee.

The Board of Trustees shall elect a nomination committee from among the members of the Board of Trustees. The Nomination Committee shall consist of 8 members and 4 deputy members, and all the groups represented on the Board of Trustees shall be represented. The members shall insofar as it is feasible reflect the geographical distribution within the municipalities in which the savings bank works. Members are elected terms of 2 years.

The nomination committee for electing depositor-elected members of the Board of Trustees shall be composed of depositor-elected members of the Board of Trustees. This committee shall consist of 6 members and 6 deputy members.

The nomination committee for electing EC holder-elected members of the Board of Trustees shall be composed of EC holder-elected members of the Board of Trustees. This committee shall consist of 3 members and 1 deputy member. Most of the people elected members of the Board of Trustees from among EC holders are also among the Bank's larger EC holders.

8. Corporate assembly and Board, composition and independence

Please refer to point 6 for information about the composition of a savings bank's bodies. The Board consists of 7 members and 4 deputy members elected by the Board of Trustees. One of the members shall be elected from among the Bank's employees.

All board members shall be independent of the Bank's day-to-day management and important business connections. The Chairman and Deputy Chairman of the Board shall be elected by the Board of Trustees in a special election. All members shall be elected for terms of 2 years and all deputy members for terms of 1 year.

The annual report contains further information about board members, including the ECs owned by each member. Sparebanken Møre does not have a programme for the purchase of ECs by board members.

9. The Board's work

The Board of Directors shall manage the operations of the Bank in accordance with the law, articles of association and other pertinent further regulations issued by the Board of Trustees. The Board is responsible for the safe and prudent management of all funds controlled by the Bank. The Board shall ensure that the operations of the Bank are properly organised, and is responsible for ensuring the accounting and management of assets are subject to satisfactory control. The Board also stipulates the Bank's rules and regulations relating to the granting of credit.

The Board's responsibilities and tasks are set forth in a separate document which is discussed and revised by the Board at regular intervals. This also contains the division of responsibilities and tasks between the Board and CEO. Each year, the Board evaluates its own methods and professional competence to see if improvements can be made.

The Board sets out Sparebanken Møre's overall long-term financial targets. These are set forth in the Group's strategic plan. The details of this plan are carried forward 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. Among these are the long-term, stable target of a return on equity share capital of at least 6 percentage points above the long-term yield on government bonds, and the aim of ensuring the Bank's EC holders receive a return on their investment which corresponds to the Bank's dividend policy.

A plan is prepared each year for the Board's work during the coming year. Special attention is paid in this plan to areas involving follow-up in order to meet the strategic targets that have been set.

In those cases in which the Chairman of the Board or another board member is regarded as disqualified in relation to matters that are going to be discussed and voted on, the Chairman of the Board or other board member shall take no part in such discussions and voting. Nor shall the supporting documentation be provided to the member. In those cases in which the Chairman of the Board is deemed disqualified, the discussion and voting shall be chaired by the Deputy Chairman of the Board.

Sparebanken Møre has established a special audit committee. The committee's members are elected from among the board members and it consists of a total of 3 people. The Audit Committee's purpose is to conduct more thorough assessments of defined focus areas and report the results to the Board. The Audit Committee shall ensure the institution has independent and effective external and internal auditors and satisfactory financial statement reporting and risk management routines that comply with all pertinent laws and regulations.

10. Risk management and internal control

The starting point for Sparebanken Møre's comprehensive risk management process is that each manager in the Group must ensure they possess adequate knowledge of all material risks within their own area of responsibility such that the risk can be managed in a proper financial and administrative manner.

The Board's guidelines for its own work in Sparebanken Møre define 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. Special instructions have also been drawn up for the Group's Audit Committee.

The Board shall ensure risk management and internal control are adequate and systematic, and that they have been established in compliance with the law and regulations, articles of association, instructions, and external and internal guidelines. The Board shall lay down 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 assure themselves that the strategies and guidelines are being communicated to the employees. The Board shall systematically and regularly assess the 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 account of internal and external influencing factors. The latter point especially applies in the case of changes in economic cycles and macroeconomic general conditions.

In order to ensure that Sparebanken Møre's risk management and internal control are carried out satisfactorily, the Board continuously receives various types of report throughout the year from Sparebanken Møre's control bodies, including the

Risk Management Department, Compliance and Risk Control Department, and internal and external auditors. The Board actively participates in the annual ICAAP via its implementation in the long-term strategic plan. The Board revises and approves all the Bank's general risk management documents at least once a year. Every year in the 4th quarter, the CEO reports on the structure and efficiency of the Group's internal control.

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

11. The Board's remuneration

The remuneration of the Board is determined by the Board of Trustees. The board members' remuneration is not dependent on the result, and is entirely restricted to ordinary board member remuneration. No board members elected by the Board of Trustees perform tasks for Sparebanken Møre other than their board work. If they do, the entire Board is informed. The fees for such services must also be approved by the Board.

Please refer to the notes in the annual report concerning the amount of the Board's remuneration.

12. Remuneration of executive employees

Sparebanken Møre has no special agreements, option arrangements or other forms of individual pay schemes for managers or other employees beyond a general bonus scheme that is the same for all the Bank's employees, with the exception of the CEO who is not covered by it. The CEO's salary is fixed by the Board in a board meeting. The Board is informed of the salaries and other remuneration paid to those members of staff who report to the CEO.

13. Information and communication

Sparebanken Møre attaches a great deal of importance to the provision of correct, relevant and up-to-date information about the Group's development and results, which shall establish trust in relation to the investor market. Through its annual and interim reports, the Bank seeks to achieve the required openness about all 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. In addition, members of the Bank's executive management team give special presentations, both locally and in Oslo, in connection with the publication of Sparebanken Møre's annual and interim results. This information is also made available to the whole market on the Bank's website. The annual and interim reports are available in English for Sparebanken Møre's international contacts. The Bank's larger banking connections abroad are kept informed on a regular basis, including through outreach in which Sparebanken Møre's financial statements and development are among the topics discussed. A special investor relations plan concerning which investors we should contact, and when and how this should be done, is drawn up every year.

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

14. Corporate takeovers

Sparebanken Møre is a self-owned institution that cannot be taken over by an acquisition. Structural changes require the consent of the authorities. Permission must be sought from Finanstilsynet for acquisitions of EC that result in ownership stakes of more than 10 per cent of the equity share capital. Because of this statutory restriction on ownership, this point represents a deviation from NUES's Code of Practice.

15. Auditor

The Board of Trustees chooses auditors and fixes the auditor's remuneration.

The Bank's external auditor, Ernst & Young, is the auditor of both the parent bank and the Group's subsidiaries. The auditor draws up a schedule for the coming year's auditing work each year. The auditor presents the plan to the Audit Committee and in a board meeting. The Board's and Audit Committee's annual plan contains an annual meeting with the auditor which the Bank's executive management team does not attend. The Audit Committee/Board also meets with the auditor to discuss the auditor's views on the Bank's risk areas, control routines and accounting principles. At such meetings, the external auditor would make the board members aware of any areas which would benefit from an improvement in overall quality levels, and present proposed improvements. The external auditor attends all board meetings that deal with the Bank's annual report and accounts, and reviews all areas in which the board members need to be informed of any significant circumstances. The auditor shall every year present an overview of billed/accrued fees which is split into ordinary auditing fees and other services.

Organisation and Management as at 31.12.2010

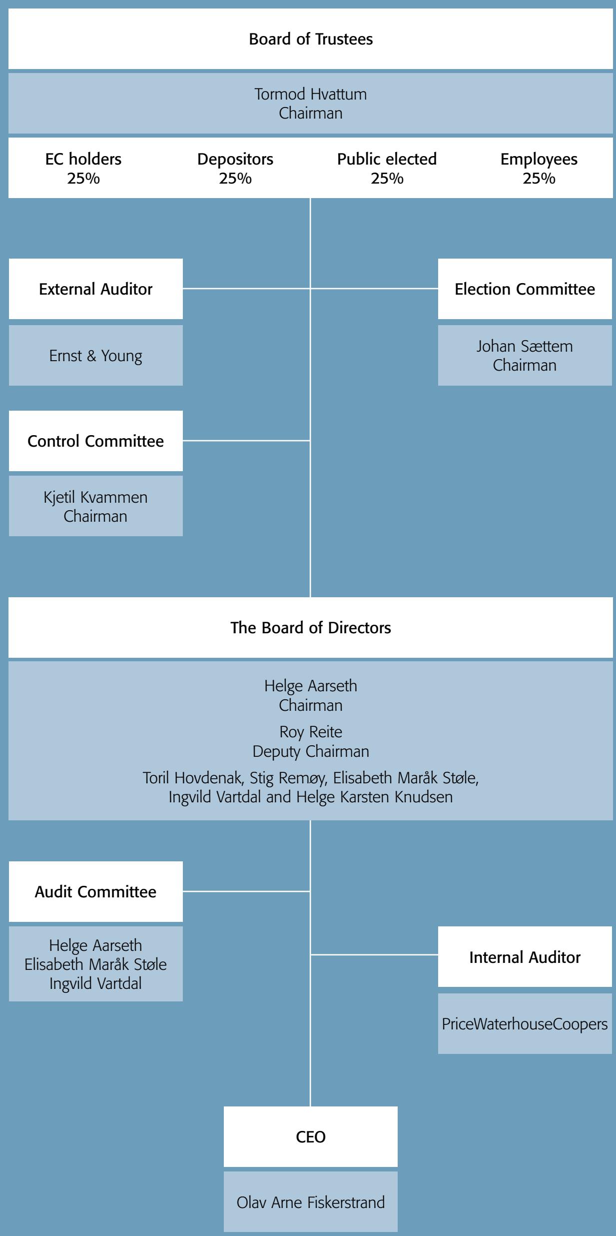
The Board of Trustees is the Bank's most senior body. The Board of Trustees' main tasks are to confirm the profit and loss account and balance sheet, and to appoint a Board of Directors made up of seven members, and a Control Committee consisting of four members. The Board of Trustees consists of four groups, each representing one fourth of the total members: members elected from the Bank's depositors, EC holders, the public sector and the Bank's employees.

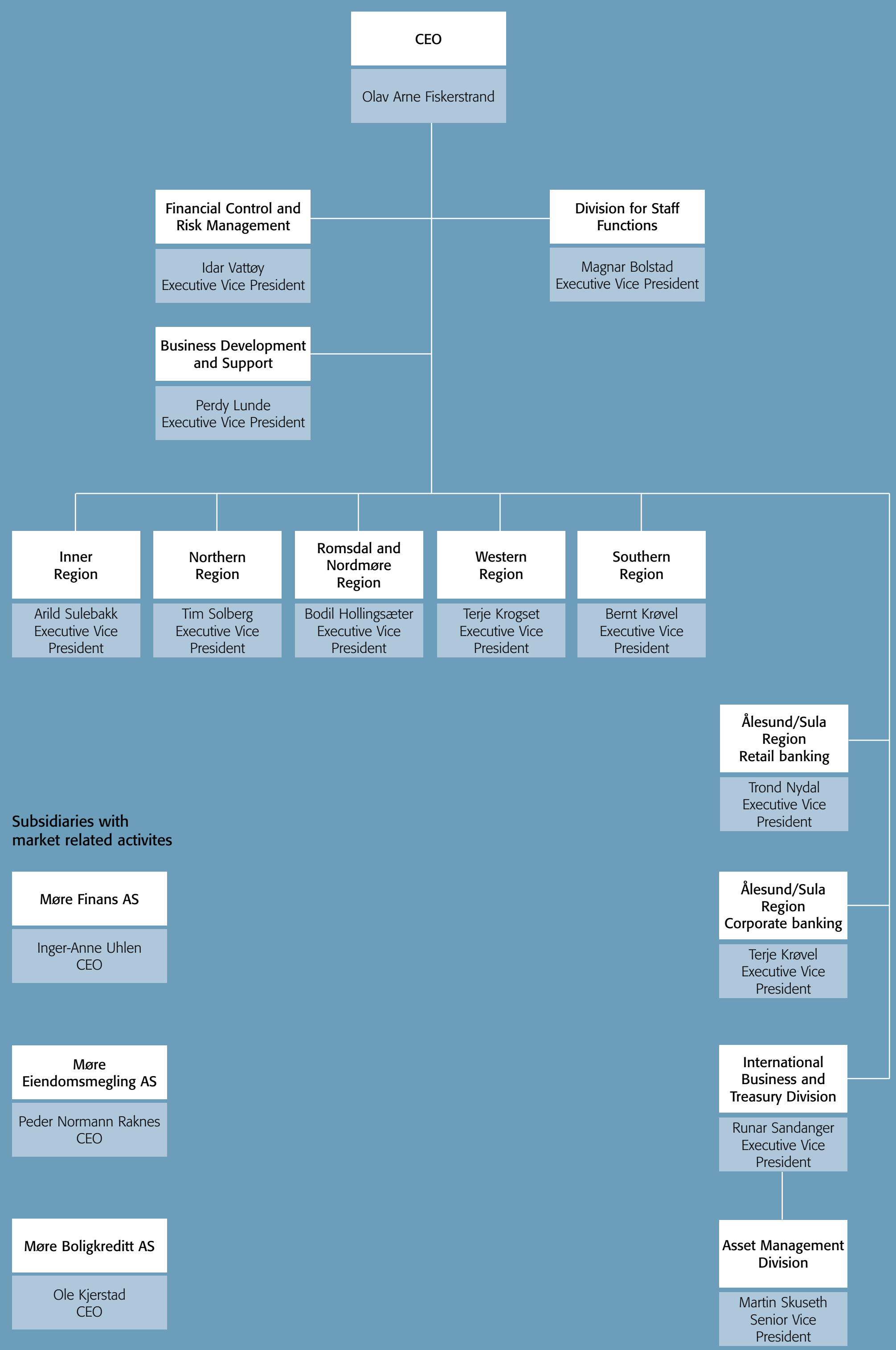
The Board of Trustees has 52 members. The public sector members are elected by the Møre og Romsdal County Council. The Sparebanken Møre Group consists of the Parent Bank and four wholly-owned subsidiaries. Møre Finans AS provides leasingservices. Sparebankeiendom AS is a property company which own and manage the Bank's own commercial properties. Møre Boligkreditt AS`s purpose is to provide loans secured by mortgages on residential- and commercial properties. Møre Eiendomsmegling AS offers services within real estate brokerage for both private homes and commercial properties.

Sparebanken Møre's head office is located in Ålesund. The Bank is administratively organised in seven different regions, and four different sections. Each region is headed up by a Regional General Manager, and each section is headed up by a Sectional General Manager. The Regional General Managers and the Sectional General Managers all report to the Bank's CEO. In addition to Ålesund/Sula, Retail Banking Region, and Ålesund/ Sula, Corporate Region, the Bank has 22 branches, each headed up by a Senior General Manager, Retail Banking Market. The corporate branches in the regions are headed up by Senior General Managers, Corporate Banking. The Bank's customer-related operations are taken care of by a total of 30 branches. The Branch Managers for both Retail Banking and Corporate Banking, report to the respective Regional General Managers.

In order to achieve effective communication- and decision processes, management groups represent the basic element in Sparebanken Møre's management structure. Decentralisation, coupled with a clear division into various areas of responsibility, provides the best basis for making the most of the local market potential within the Bank's various business areas and geographical markets.

The Bank's operations are concentrated within Møre og Romsdal, where the Bank has branches in 16 municipalities in Sunnmøre, 6 in Romsdal and 2 in Nordmøre. As at 31.12.2010, the Group employed 434 permanent staff, equivalent to 401 man-years.


Board of Trustees
Tormod Hvattum
Chairman
EC holders
25%
Depositors
25%
Public elected
25%
Employees
25%
External Auditor
Ernst & Young
Election Committee
Johan Sættem
Chairman
Control Committee
Kjetil Kvammen
Chairman
The Board of Directors
Helge Aarseth
Chairman
Roy Reite
Deputy Chairman
Toril Hovdenak, Stig Remøy, Elisabeth Maråk Støle,
Ingvild Vartdal and Helge Karsten Knudsen
Audit Committee
Helge Aarseth
Elisabeth Maråk Støle
Ingvild Vartdal
Internal Auditor
PriceWaterhouseCoopers
CEO
Olav Arne Fiskerstrand


CEO
Olav Arne Fiskerstrand
Financial Control and Risk Management
Idar Vattøy
Executive Vice President
Division for Staff Functions
Magnar Bolstad
Executive Vice President
Business Development and Support
Perdy Lunde
Executive Vice President
Inner Region
Arild Sulebakk
Executive Vice President
Northern Region
Tim Solberg
Executive Vice President
Romsdal and Nordmøre Region
Bodil Hollingsæter
Executive Vice President
Western Region
Terje Krogset
Executive Vice President
Southern Region
Bernt Krøvel
Executive Vice President
Ålesund/Sula Region Retail banking
Trond Nydal
Executive Vice President
Ålesund/Sula Region Corporate banking
Terje Krøvel
Executive Vice President
International Business and Treasury Division
Runar Sandanger
Executive Vice President
Asset Management Division
Martin Skuseth
Senior Vice President
Subsidiaries with market related activites
Møre Finans AS
Inger-Anne Uhlen
CEO
Møre Eiendomsmegling AS
Peder Normann Raknes
CEO
Møre Boligkreditt AS
Ole Kjerstad
CEO

The CEO's management group

Olav Arne Fiskerstrand, 54 years (6 205)
CEO. He is a Business School Graduate from BI (1983). Fiskerstrand first worked at the Bank during the period 1977 – 1979. After acquiring his degree, he was hired by the Bank again, this time as Department Manager, Financial Control. He was appointed as the Bank's CEO in 1997.

Arild Sulebakk, 47 years (279)
Executive Vice President, Inner Region. Graduated as an engineer from Møre og Romsdal Ingeniørhøgskole in 1984. A Business School Graduate from BI in 1987. He worked at Norsk Hydro during the period 1985-2001, and as a Marketing Director and Senior Adviser at PAB Consulting AS during the period 2001- 2006. He was appointed General Manager of Møre Finans AS in 2006 and has been in his present position since 2007.

Tim Solberg, 56 years (368)
Executive Vice President, Northern Region. Graduated from the Norwegian Banking Academy in 1984. Started at the Bank in 1977 as a bank assistant. He has been in his present position since 1992.

Bodil Hollingsæter, 52 years (820)
Executive Vice President, Romsdal og Nordmøre Region. Business School Graduate from NHH in 1983 and an Authorised Financial Analyst (AFA) since 1990. She has been a Financial Consultant in the Kværner Group, a Portfolio Manager at Uni Storebrand, Financial Controller at the Møre og Romsdal County Municipality, and a Senior Vice President at Romsdals Fellesbank. She was appointed Senior Vice President at Sparebanken Møre in 2005 and has been in her present position since 2006.

Terje Krogset, 65 years (1 374)
Executive Vice President, Western Region. Graduated from the Norwegian Banking Academy in 1973. Studied law at Bergen University. Employed at Oslo Nye Sparebank, 1966 – 1972, as cashier/secretary. Appointed General Manager at Sparebanken Møre in 1972. He has been in his present position since 2003.

Terje Krøvel, 51 years (501)
Executive Vice President, Ålesund and Sula Region Corporate Banking. Has a degree in economics and administration from Møre og Romsdal Distriktshøyskole, 1983. He started as an assistant at Sparebanken Møre in 1983 and in his present position in 2001. His position has the overall responsibility for the implementation of the Bank's strategy for the corporate market.

Trond Nydal, 41 years (368)
Executive Vice President, Ålesund and Sula Region Retail Banking. Business School Graduate from NHH in 1997. Employed at Sparebanken Møre in 1997 as a Sales Consultant. He has held several leading positions within the Bank, and was appointed to his present position in 2008. His position has the overall responsibility for the implementation of the Bank's strategy for the retail market.

Bernt Krøvel, 52 years (254)
Executive Vice President, Southern Region. He worked as a Financial Controller at Siem Rovde AS and has previous, varied experience, including the position as Head of Corporate Department at Sparebanken Volda Ørsta at Volda. He was educated at Møre og Romsdal Distriktshøgskole (1980-1983). He was appointed to his present position at Sparebanken Møre on 1 January 2007.

Magnar Bolstad, 64 years (5 205)
Executive Vice President, Head of Staff Section. Business School Graduate from NHH 1975. Graduated from the Norwegian Banking Academy in 1988. Teacher at Florø and Stryn senior colleges, 1975-1981. Financial consultant at the municipality of Stryn 1981-1983. Appointed a Deputy Manager at Sparebanken Møre in 1984. Has been in his present position since 1992.

Idar Vattøy, 51 years (701)
Executive Vice President, Head of Financial Control and Risk Management Division. A university graduate (cand.mag./M.A.) from 1984. A graduate from Møre og Romsdal Distriktshøgskole (1980-1982) and Møre og Romsdal Ingeniørhøgskole (1982-1984). He joined Sparebanken Møre as a Financial Consultant in 1984 and has been in his present position since 2007.

Runar Sandanger, 53 years (648)
Executive Vice President, Head of International Business and Treasury Division. Cand. oecon. degree from the University of Oslo (1983). A scholar at Norsk Utenrikspolitisk Institutt, 1982- 1983. A consultant at Norges Bank, 1983-1986. Appointed as a financial consultant at Sparebanken Møre in 1986. Has been in his present position since 2001.

Perdy Lunde, 53 years (921)
Executive Vice President, Head of Business Development and Support Division. Graduate of BI in 1990. Started at the Bank in 1977 as a bank assistant. Has been in her present position since 2002.

Kjetil Hauge, 38 years (368)
Executive Vice President. Head of the Department of Information and Public Relations. Business School Graduate from NHH in 1995. Employed at Sparebanken Møre in 1998 as Head of International Payments and Settlements. He was appointed to his present position at Sparebanken Møre in 2010.

The figures in brackets after the abovementioned names indicate the number of Sparebanken Møre ECs held by each person. Any ECs owned by the closest family members and companies where the persons mentioned are either general partners or members of the Board of Directors have also been included in the bracketed figures.

Elected officers

Board of Trustees

Tormod Hvattum, Chairman	Åheim
Kjersti Kleven, Deputy Chairman	Ulsteinvik

Elected by the depositors:

Bjørn Bjåstad	Hareid
Rolf Fiskerstrand	Fiskerstrand
Svein Gjerseth	Vatne
Jens Arne Hagen	Stranda
Gerd Myren Hoel	Valldal
Tormod Hvattum	Åheim
Jørund Stig Knardal	Volda
Jan-Erik O. Larsen	Kristiansund
Merete Mikkelsen	Aukra
Kristin Mork	Ørsta
Grethe Opshaug	Ålesund
Per Orvik	Vatne
Asbjørn Tryggestad	Langevåg

Elected by the Møre og Romsdal county council:

Frøydis Austigard	Molde
Ina B. Blindheimsvik	Valderøy
Jan Magne Dahle	Ørsta
Roar Dyb-Sandnes	Godøy
Anja Gabrielsen	Ikornnes
Oskar Grimstad	Hareid
Grethe Hjelvik Hansen	Ålesund
Oddrun Eidem Kleppe	Gurskøy
Helge Orten	Midsund
Bjørg Riksfjord	Ålesund
Frank Sve	Stranda
Bjørn Ola Wennesberg	Ålesund
Randi Aarset	Volda

Elected by the EC holders:

Svein Garberg	Oslo
Kristin Sunde Hansen	Ålesund
Hans August Hanssen	Melsomvik
Kjersti Kleven	Ulsteinvik
Leif-Arne Langøy	Brattvåg
Borghild Møller	Ålesund
Thor Rusten	Fiskå
Kjell Martin Rønning	Valldal
Karsten Skaar	Langevåg
Odd Slyngstad	Ålesund
Finn Moe Stene	Tingvoll
Johan Sættem	Molde
Berit Ekornes Unhjem	Ikornnes

Elected by the employees:

Tove Andersen Berge	Ålesund
Tove Lunde Bjørge	Ålesund
Nils Petter Drønnen	Ålesund
Iren Gullhav	Ålesund
Egil Hansen	Ålesund
Turi Indergaard	Ålesund
Berit Larsen	Ålesund
Anders Lausund	Brattvåg
Sølvi Lillevold	Ålesund
Aadne Sandanger	Larsnes
Per Robert Tafjord	Sykkylven
Annbjørg Windstad	Aukra

The Board of Directors

Helge Aarseth, Chairman	Molde
Roy Reite, Deputy Chairman	Ålesund
Toril Hovdenak	Molde
Stig Remøy	Fosnavåg
Ingvild Vartdal	Ålesund
Elisabeth Maråk Støle	Ålesund
Helge Karsten Knudsen	Ålesund

Control Committee

Kjetil Kvammen, Chairman	Sykkylven
Lars K. Nogva	Longva
Eva Hove	Stordal
Thor Martin Eidem	Ulsteinvik

External Auditor

Ernst & Young AS	Ålesund

International Business and Treasury Division - Contact persons

Head office

Keiser Wilhelmsgt. 29-33
P.O.Box 121
6001 Ålesund
Norway

SWIFT: SPARNO22
Reuters Dealing: MORE
Tel. +47 70 11 30 00

Telefax:	General Management	+ 47 70 12 26 70
	Corporate Division	+ 47 70 12 44 67
	Retail Customers Division	+ 47 70 12 98 85
	Treasury/FX	+ 47 70 12 13 01
	International payments	+ 47 70 12 99 12

International Business and Treasury Division

Head of Division

Runar Sandanger, Executive Vice President and CFO	runar.sandanger@sbm.no	+ 47 70 11 31 73

Chief Economist

Inge Furre	inge.furre@sbm.no	+ 47 70 11 31 44

Foreign Exchange

Aud Janne Myklebust, Vice President	aud.janne@sbm.no	+ 47 70 11 31 75
Hilde Sveen	hilde.sveen@sbm.no	+ 47 70 11 32 80
Roger Lervik	roger.lervik@sbm.no	+ 47 70 11 31 77
Trond Hugo Stenseth	trond.hugo.stenseth@sbm.no	+ 47 70 11 31 76

Treasury and Risk Management

Ove T. Ness, Vice President	ove.ness@sbm.no	+ 47 70 11 31 74
Louis Helge Nordstrand	louis.nordstrand@sbm.no	+ 47 70 11 31 55
Kristin Eriksen	kristin.eriksen@sbm.no	+ 47 70 11 31 61

International Payments and Settlements

Karl Otto Hessen, Assistant Vice President	karl.otto.hessen@sbm.no	+ 47 40 20 09 54
Aage Skauvik	aage.skauvik@sbm.no	+ 47 70 11 32 92
Elin Sperre	elin.sperre@sbm.no	+ 47 70 11 32 74
Solbjørg Lunheim	solbjorg.lunheim@sbm.no	+ 47 99 22 73 35
Else Tomren	else.tomren@sbm.no	+ 47 70 11 33 02
Anne Grete Fjørtoft	annegrete.fjortoft@sbm.no	+ 47 48 07 77 74
Astrid-Grethe Rye	astrid-grethe.rye@sbm.no	+ 47 95 02 41 80
Kristin Aarset	kristin.aarset@sbm.no	+ 47 70 11 32 82
Karin Hauge Krogen	karin.krogen@sbm.no	+ 47 41 57 46 35
Iren Gullhav	iren.gullhav@sbm.no	+ 47 90 96 47 56

Møre Boligkreditt AS

Kjetil Hauge, CEO	kjetil.hauge@sbm.no	+ 47 90 02 50 11

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