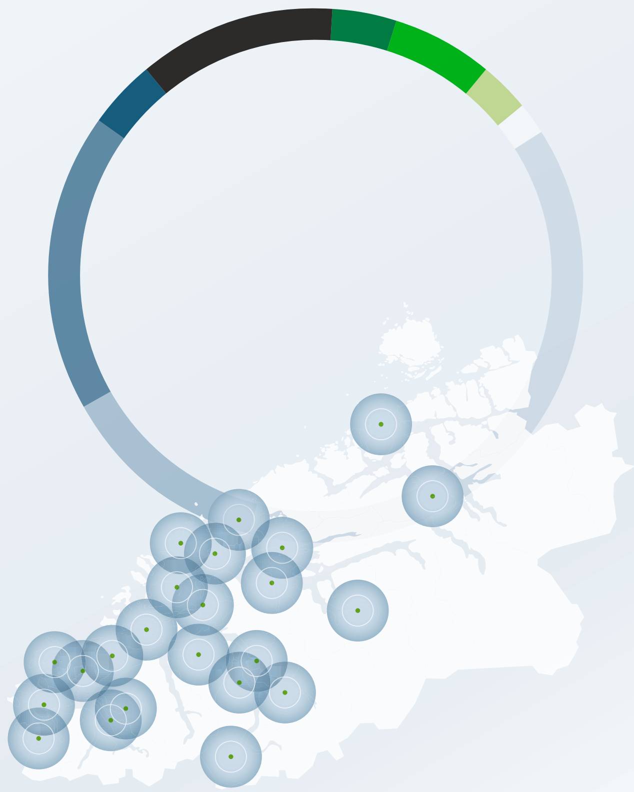
ANNUAL REPORT 11

SPAREBANKEN MØRE

Contents

LOCAL BANK

WE WANT TO BE AN ACTIVE CONTRIBUTOR TO THE LOCAL COMMUNITY OF WHICH WE ARE A PART



FINANCIAL HIGHLIGHTS

NOK million	2011	2010	2009	2008	2007
Results					
Result before losses	**561**	638	545	541	462
Result before losses 1)	**1.21**	1.51	1.34	1.43	1.41
Result before taxes	**521**	607	463	476	466
Result before taxes 1)	**1.12**	1.44	1.14	1.26	1.40
Result after taxes	**377**	458	335	338	333
Result after taxes 1)	**0.81**	1.09	0.82	0.90	1.02
Losses as a percentage of gross loans 01.01	**0.11**	0.08	0.23	0.21	-0.01
Return on equity, after tax 2)	**12.2**	16.0	14.1	12.8	15.6
Costs as a percentage of income	**49.8**	45.3	47.2	46.8	49.7
Balance sheet					
Total assets	**48 406**	44 441	41 391	40 796	35 615
Average assets	**46 375**	42 400	40 680	37 820	33 323
Net lending to customers	**40 305**	37 676	35 851	35 298	31 350
Deposits from customers	**25 325**	24 551	21 793	20 672	19 401
Equity Certificates (Numbers refer to the Parent Bank)					
Cash dividend per EC (NOK)	**8.00**	12.00	12.00	20.00	23.00
Profit per EC in NOK 3)	**23.27**	24.42	24.35	21.66	26.80
Diluted earnings per EC (NOK) 3)	**23.27**	24.42	24.35	21.66	26.80
EC fraction 01.01 as a percentage	**46.0**	46.0	43.3	43.2	45.5
EC fraction 31.12 as a percentage	**46.0**	46.0	46.0	43.3	43.2
Cash dividend as a percentage of price at OSE	**4.5**	5.8	5.2	12.5	9.1
Price at Oslo Stock Exchange (NOK)	**178.00**	207.00	192.00	133.00	212.00
Book value of equity capital per EC (NOK) 3)	**185**	170	188	174	169
Capital adequacy 4)					
Capital adequacy ratio as a percentage	**13.57**	13.72	13.35	10.81	10.62
Core capital as a percentage	**12.00**	12.03	11.55	9.12	9.34
Overall manning levels					
Man-years by year end	**416**	401	412	405	405

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.


Core capital
%
12
9
6
3
0
2007
2008
2009
2010
2011
Core capital

OLAV ARNE FISKERSTRAND | CEO

Provides good results

We enter 2012 with Norway in a financially unique position among European countries. This applies not least to critical areas such as the countries' debt situation and unemployment.

WHILE DEBT has a stranglehold on growth in those countries that are most affected, and unemployment – not least among the young – creates social unrest and dejectedness, Norway has net international assets and a scarcity of labour. However, Norway is dependent on a well-functioning international market for our goods and services. With a very open Norwegian economy, it is thus the export-based industries that first are affected by a downturn in the international economy.

MUCH OF TRADE AND INDUSTRY in Møre og Romsdal competes on the global market. This applies to both the maritime and marine industries. These sectors are directly and indirectly important for income and employment in the county. A number of highly-developed and well-operated companies that currently have virtually full employment belong to this category.

MANY OF THESE companies benefit from the skill they have demonstrated over time to develop in time with the challenges in their business sector. Several of these have taken the step from purely industrial production, via specialization, to currently competing on the production and sale of advanced services on the international market. The high wage levels in Norway make this a prerequisite to maintain competitive ability and profitability.

AT THE START OF 2012 we can conclude that 2011 was a good year for large sections of trade and industry in Møre og Romsdal. Historically large catches of fish were landed, which were traded at good prices, and demand for maritime-related products and services was good. The ripple effect of this is a good employment situation throughout the county. Much indicates that the product range of much of trade and industry in Møre og Romsdal will not be greatly affected if the international economic decline continues for some time ahead. The boom in the petroleum industry with increased exploration in both the North Sea and the Barents Sea creates demand in maritime-based industry. Demand for fish is on the increase both domestically and internationally, regardless of the economic situation, and the resource situation for fishing is better than in many years.

2011 ended with the worst storms for twenty years along the Norwegian coast. Møre og Romsdal was the county that bore the brunt of the storms. The storms twenty years ago were stronger, but did not have the same impact in economical and practical terms. The major difference is in the areas of energy supply and communications. Now we experienced the vulnerability of local communities. Both the electricity supply, telecommunications and physical accessibility

«For Sparebanken Møre it is also important to ensure that the capital base also allows for participation in growth in Møre og Romsdal.»

proved to have serious deficiencies. With a well-developed and decentralized industrial structure, there is a need for continuous communication with the outside world. The status following the storms showed that the need for improvement and interaction is substantial. New storms are inevitable, and there is no guarantee that they will not come in 2012!

RESULTS FOR SPAREBANKEN MØRE were good for yet another year. The targets set by the Bank in terms of earnings and financial strength have been achieved. Growth in lending is good, and the Bank is active in the tough competition between banks for deposits. The level of defaults and losses is low, and as always, the Bank has a strong focus on efficient operation. At the same time, Sparebanken Møre is capable of playing its role as a local bank for Møre og Romsdal in all areas of local society. Growth and endorsement of the Bank is good, and it is with great pleasure that the Bank allocates funds to help and support local measures to promote well-being and a broad range of services to the county's inhabitants.

IN ADDITION to the pleasure of contributing financially to the range of the diverse cultural life in Møre og Romsdal, it has of course been a great and historic event that the county's two top league football clubs, who both have Sparebanken Møre as their main sponsor, won the major prizes in 2011. It should also be emphasized that both clubs have coaches that were raised – in terms of football too – in Møre og Romsdal, and who have competed and made an impact on both the domestic and international stage!

WITH TOUGHER REQUIREMENTS from authorities in relation to solidity in the financial sector, Sparebanken Møre has also been challenged to establish increased buffers to face more difficult times. These are measures in order to withstand the ripple effect of any escalated international unrest on the Norwegian financial sector. Sparebanken Møre is up to speed in relation to the new requirements the authorities have imposed in terms of the financial strength of banks in mid-2012. However, the banks currently do not know which requirements that will apply to financial strength in the years ahead. For Sparebanken Møre it is also important to ensure that the capital base also allows for participation in growth in Møre og Romsdal. Sparebanken Møre's dividend policy is designed such that the level of cash dividends may be adjusted in accordance with the Bank's equity situation. The dividend policy calls for equal treatment of the Bank's equity owners. Subsequently, an equal amount of disposable income is reserved for Equity Certificate holders as for the Primary Capital Fund.

EMPLOYEE EFFORTS have once again been impressive. Efforts have been particularly strong in terms of competence, in addition to day-to-day operations. In order to meet existing and future requirements among customers in the best possible way, all associates with customer responsibility within both the private and business markets have completed training and passed tests to reach the competence level of Authorized Financial Consultant. Twelve trainees who started in August have also participated in this scheme from day one. I would like to thank all associates for a great effort in 2011.

ON BEHALF OF the Sparebanken Møre Group, I would like to thank all customers, Equity Certificate owners, employee representatives and other partners for their cooperation over the past year.

Kind regards,
Olav Arne Fiskerstrand

JØRGEN RØNNESTAD
One of the many children and youths in Taekwon-Do clubs in the county who receives grant.

MIKHAEL PASKALEV
One of 50 young talents who received the Gnist grant in 2011.

INGRUNN BREIVIK
One of 32 participants who take part in dancing every week at Harøy Seniordans.

2011

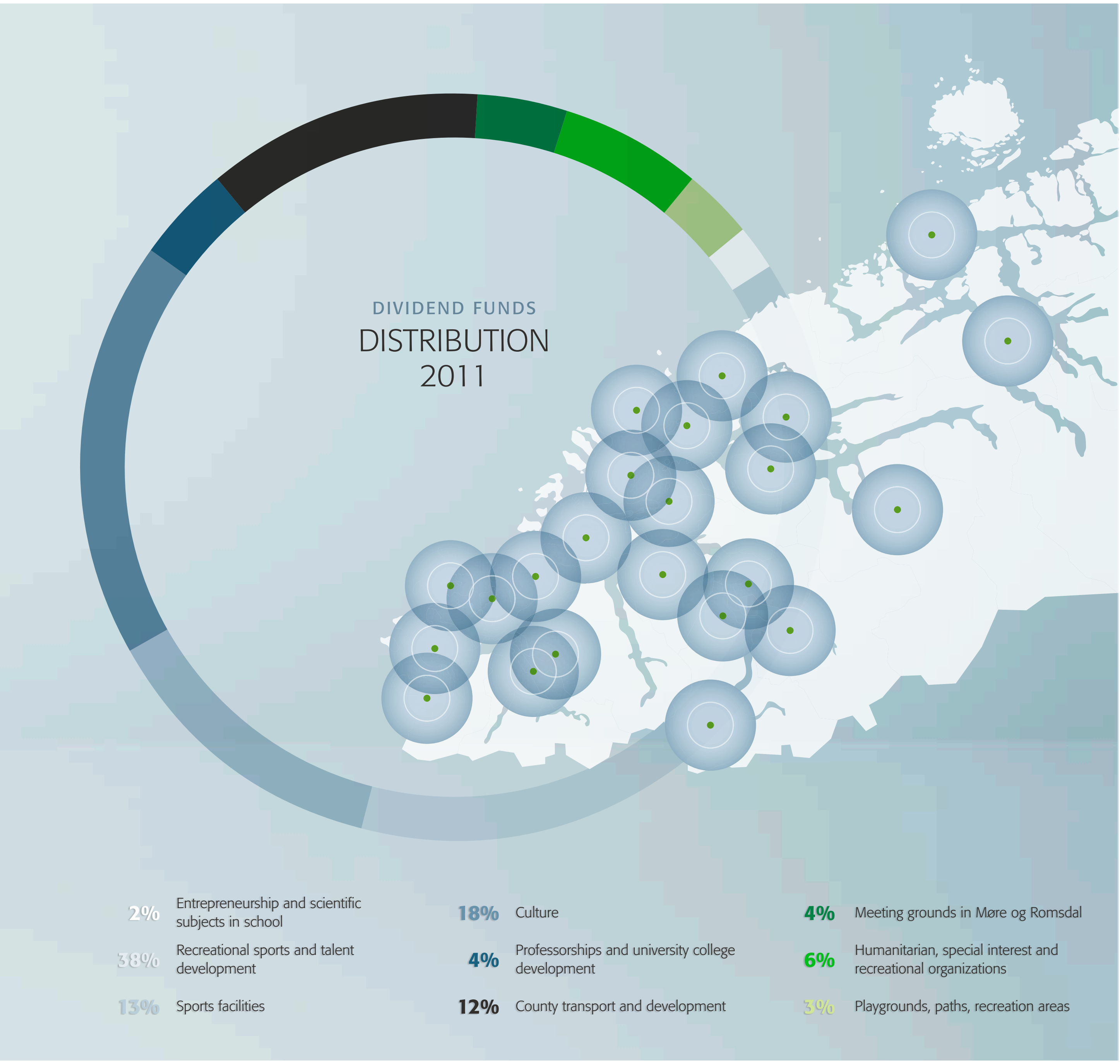
LOCAL BANK

WE WANT TO BE AN ACTIVE CONTRIBUTOR TO THE LOCAL COMMUNITY OF WHICH WE ARE A PART

FEBRUARY

ECONOMY AND CAREER CHOICES

Sparebanken Møre has a five-year agreement with Ungt Entreprenørskap Møre og Romsdal. This agreement includes the economy and career choice programme, as well as youth and student businesses. In 2011 a huge 1 223 secondary school pupils were taught economics by Sparebanken Møre employees. The goal is to provide the pupils better insight and a basis for making informed career choices.



APRIL

STORFJORD-SAMBANDET

A bridge symphony with the "World's longest span" is the formula for planning Storfjordbrua. The goal is a ferry-free link across Storfjorden, and Sparebanken Møre has provided NOK 1 million towards this work. A road connection across the fjord will connect a region with a significant population and industrial basis, and will have positive ripple effects for the entire county.

APRIL

NØRVESTUA BECOMES A STUDENT HALL

The Sunnmøre student union has realized its dream of a student hall by buying Nørvestua. Sparebanken Møre has given half of the property's valuation as a gift to the student union. Everyone is happy that Nørvestua has been given a new lease of life and that an important meeting ground for the students is now available. This will make Ålesund a more attractive city for young people.

MAY

THE SCHOOL ATHLETICS CUP

Møre og Romsdal athletics district organized the School cup for pupils from the 6th to 10th grade. 350 students were summoned for semi-finals based on results from gym classes. Pupils from Stranda and Tingvoll upper secondary schools organized the semi-finals with the help of the district, and the final was held at Molde Idrettspark in May. Additionally, an athletics course was held for gym teachers, and 6 lucky schools received an athletics equipment package.

JUNE

HIGHASAKITE FLIES HIGH

HighasaKite, with Ålesund resident and Gnist recipient Ingrid Helene Håvik at the forefront, won the Music Award at Giske in 2011. The first album has critics surpassing one another with superlatives! "Cancel the rest of the music year" says Dagbladet, who gives it six out of six. The music award is a collaboration between Sparebanken Møre, Ocean Sound Recordings and Momentium. The prize is a recording and a performance at the Giske Summer Festival.

JUNE

MØRE UNG LAUNCHED

When you are between the ages of 18 and 33, you make some of the most important decisions of your life: Move, study, work, buy a car and a home and perhaps start a family. In all of these choices it is important to have someone who knows you and your economy. Against this backdrop we have developed a benefit programme for our customers aged 18 to 33.

JUNE

MONSIADEN 2011

Monsiaden is unparalleled sports enjoyment. Monsiaden is a sports event for the disabled, where participants compete in races, darts, throwing and boccia. Participants come from 7 municipalities from Søre Sunnmøre. In the evening there was a gathering at the sports hall, where music was provided by the band Merkesteinane, which is famous from the film of the same name. Monsiaden war held for the 16th year running in 2011.

JUNE

SIMON SPRINTS WITH POWELL AND BOLT

The sprinter Simon Sandvik received a Gnist grant of NOK 100 000. Now he is in Kingston, Jamaica to train with Usain Bolt and Asafa Powell. He is to spend six months there to train full-time for the European Championships. In addition to sprinting, Simon plays the piano, violin, viola and guitar, and he sings in his own amateur band in his spare time. Some may also recognize Simon from Moldebadet where he worked as a lifeguard.

JUNE

SENIOR DANCING AT HARØY

Senior dancing is a resource for the 55+ age group. This is a dancing tradition that is in use all over Europe, and everyone learns the same dances in the same way. In Møre og Romsdal there are numerous local chapters, among them is Harøy Seniordans. There, 32 people attend every Thursday for a dance and a get-together. Sparebanken Møre has provided funds to train instructors.

JUNE

A MODERN BANK

On Monday 27 June the doors opened to a new and modern bank in Keiser Wilhelmsgate in Ålesund. With a new machine area, the bank is accessible 24 hours a day for both deposits and withdrawals of cash. As a result of changes in the ways customers use the bank, machine areas with ATMs and deposit machines have been established in most of the bank's 30 branches.

JUNE

KAROLINE DREAMS OF THE OLYMPICS

Wrestler Karoline Løvik dreams of standing on an Olympic rostrum, and warmed up by coming 7th in the Youth Olympics in Singapore. Karoline boasts 8 Norwegian championships, a silver in the Nordic event, and in 2011 she was both youth and junior champion. She wrestles with the Norwegian cadet team, and during the European Championships in Warsaw she came fifth. At the Nordvest Cup Karoline was awarded NOK 50 000 as a Gnist grant.

JULY

THE DREAM HOLIDAY WAS REALIZED

The Red Cross offers families with limited means a holiday to Hauglandsenter in Sogn og Fjordane through the Red Cross service "Holidays for everyone". This year a total of 79 children and adults got a summer holiday they will never forget. Canoeing, boat trips, bows and arrows and horse-drawn wagon rides thrilled children and adults alike. "This is the first time we as a family have been on holiday together," says a grateful family member.

JULY

MIKHAEL OF THE YEAR

Jean Mikhael Skaaden, or Mikhael Paskalev as he is also known, received the Gnist grant in 2011. He has previously won the Music Award at Giske and is currently recording his first record at Ocean Sound Recordings. It looks like 2012 will be Mikhael Paskalev's year. He has already been named Årets Urørt by NRK P3 and has been booked for by:Larm, Hove, Jugendfest, Øya and several other major music festivals this summer.

AUGUST

HEDVIG`S PROGRESSIVE GUITAR JAZZ ROCK

Electric guitarist, composer, record debutante and by:Larm artist Hedvig is described as one of the country's biggest guitar talents. She has been spoken of as central Norway's biggest jazz talent and has toured with Jarle Bernhoft, Hilde Marie Kjersem, Jon Eberson and Trondheim Jazzorkester. Hedvig has hosted numerous seminars directed at young musicians and is one of the idealists behind Ungjazz in Ålesund. During the Jugendfest Hedvig was awarded NOK 50 000 as a Gnist grant.

AUGUST

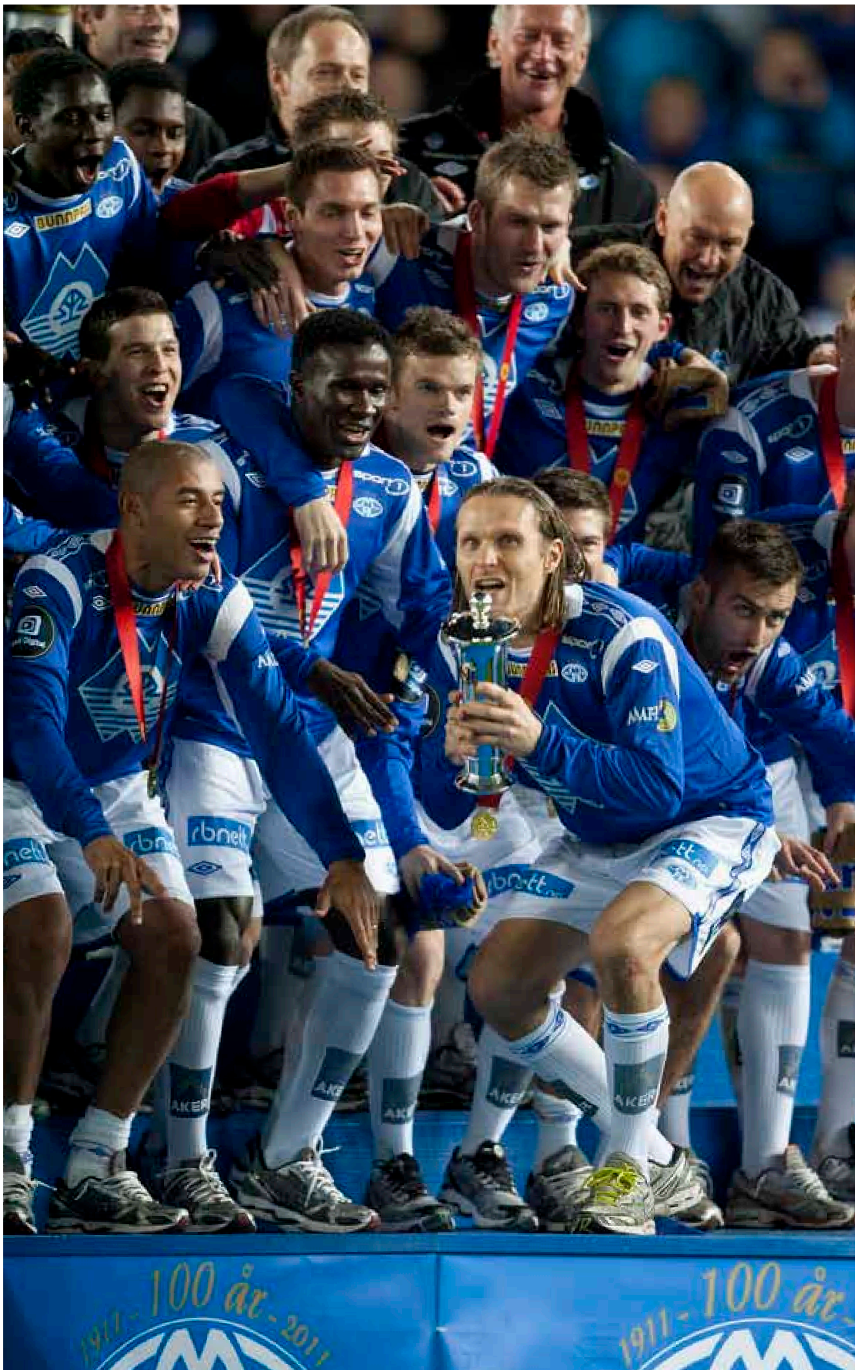
BOAT HOUSE FOR KNARREN

Sparebanken Møre has supported the Knarrbygg project, in cooperation with the Kjell Holm Foundation. The Sunnmøre Museum Foundation will build a protective and informational building for Borgundknarren and the other copies of prehistoric vessels. The building will be erected in connection with the existing boat house. Around 900 school pupils travel with Borgundknarren annually, and the boat is an important part of the informational service to visitors and residents.

AUGUST

KRISTINE ROALD SANDØY

Kristine creates large, delicate lines and motion sculptures from metal. She has recently completed her degree at the Oslo National Academy of the Arts and has earned great respect in her field. She has participated with work at the Norwegian sculpture biennale at the Vigeland museum and has also been awarded the Anders Jahre's young artist grant. With NOK 100 000 as a Gnist grant, Sparebanken Møre wants to contribute to realizing Kristine's goal of establishing her own studio at Vigra.



SEPTEMBER

NEW MOBIL BANK LAUNCHED

The mobile phone has become a natural part of everyone's lives, and tablets and smartphones have made their way into both homes and businesses. A new version of Sparebanken Møre's mobile bank with drag-and-drop functionality and a separate app for Android phones was launched in September. The number of users of the mobile bank trebled by the end of the year, and developments have continued into the new year.

OCTOBER

MOLDE WINS THE LEAGUE IN 2011

In the course of its 100 years of exisitence, Molde Football Club has finished second seven times, third three times and won the cup twice. In October 2011 it could finally celebrate its first win after heading the table for most of the season. This was the first season the former Manchester United player, Ole Gunnar Solskjær, managed the team. Molde Fotballklubb celebrated its 100th anniversary in June.

OCTOBER

FISHING BOAT WITH CINEMA

The 60 metre long and 14 metre wide vessel has its own gym, cinema and processing plant on board. Its name is Frøyanes, and it cost NOK 175 million. Frøyanes will fish for white fish in the Barents Sea, and will process the fish into finished products in an on-board factory. Previously fish was frozen on board before being sold, and was often sent to China for processing. Now finished products are made on board.

PHOTO: MIKAEL RUUD

PHOTO: ØIVIND LEREN

NOVEMBER

AAFK WINS THE CUP IN 2011

Aalesund Football Club won its second cup after beating Brann 2-1 in the cup final. The man of the match was Michael Barrantes, who scored both of Aalesund's goals. Some 15 000 lively Aalesund supporters visited the capital for the weekend, and they created a lively atmosphere for the event.

NOVEMBER

ACCOUNTING IN 1-2-3

A lot of people find setting up accounts and budgets for their personal economy boring and difficult, but not any more. A new online bank service was launched in November. By investing a little time initially, "Min økonomi" provides customers with an overview of their own consumption and an easy way of setting up a budget. Accounts are updated automatically so that you are always in complete control.

NOVEMBER

GOLD MEDAL TO KRAFTKAR

In competition with 2 500 other cheeses from all over the world, the Kraftkar blue cheese from Tingvollost won the gold medal in its class at the end of November. Previously in 2011, Tingvollost won the gold medal at both the Norwegian and Nordic events. Since starting up in 2003, Tingvollost has won more than 20 different awards.

DECEMBER

A BIG PUSH FOR MARCHING BANDS

In 2011 the marching bands in Møre og Romsdal were awarded NOK 2.3 million. The funds are distributed around the county and have been spent on instruments, uniforms and training/instruction. Sparebanken Møre is of the opinion that it is important to support the bands, who give people of all ages a positive experience, no matter whether they are participators or spectators. It is a hobby without a substitute bench, and one depends on one another to achieve a satisfactory musical result.

DECEMBER

THE HEARTBEAT CAMPAIGN

Up unto 31 December associations and organizations could apply to Sparebanken Møre to get a defibrillator. 20 defibrillators were purchased through the Red Cross in Møre og Romsdal, and the defibrillators included a 5-hour course in first aid and use of the defibrillator. Up to ten people from each organization could participate on the course, and no organizations will be given the defibrillator before completing the course.

DECEMBER

THE KLIPPFISK ACADEMY

Sparebanken Møre is an important contributor to the Klippfisk Academy, a training and event kitchen for chefs and waiters in the seafood and food sector. The Academy is also intended to be a meeting ground for the food industry, a display case for seafood for visitors and tourism, schools and kindergartens, and to recruit youths to the chef and waiter professions. In addition, food experiences are provided for social events for businesses.

DECEMBER

BREAKTHROUGH IN 2011 WORLD CHAMPION 2012

In 2010 the talented biathlon athlete from Tingvoll received a NOK 100 000 Gnist grant. She had then recently been picked for the national biathlon team. Synnøve Solemdal had her international breakthrough with a 4th place on the sprint in Østersund in December 2011. A week later she completed an amazing third stage for Norway's relay team that won in Hochfilzen. On Thursday 1 March this year she iced the cake by becoming world champion in the mixed relay in Ruhpolding.

DECEMBER

PUTTI PLUTTI POTT

Jugendteateret is one of Norway's largest municipal children and youth theatres and has students in the 7 - 19 age group. In 2011 it was the 20th time Putti Plutti Pott was staged in Ålesund. The Putti Plutti Pott fairytale was written by Per Asplin and tells the story of the gnome Putti Plutti Pott who travels to his Uncle Per, Petter and Caroline with Santa Clause's magic beard. 150 children and youths take part in the production.

DECEMBER

MONA IN THE TOP TEN

Mona Helen Fornes was named one of Norway's ten best young managers by HR company Assessit. This is the second year in a row that a manager from the Sparebanken Møre group achieves such a prestigious position. Mona is an MNEF estate agent, and has versatile experience as an estate agent. She has also worked as a consultant at the banks branch in Aukra. Since 2011 she has been CEO of Møre Eiendomsmegling, which is a subsidiary of Sparebanken Møre.

THE ECONOMIC OUTLOOK FOR 2012

INGE FURRE | CHIEF ECONOMIST

Continued high level of activity in Møre og Romsdal

The level of activity in Møre og Romsdal will remain high in 2012. However, developments will differ between sectors. The outlook for industry is relatively weak, while production in private services and the public sector will increase. However, the combined growth will hardly be enough to prevent a slight increase in unemployment.

MØRE OG ROMSDAL is one of the most export-oriented counties in the country. In an analysis of the financial outlook for the county, it is therefore only natural to look toward the global economic framework conditions. According to the major international forecasting institutions, growth of around three per cent is expected in the global economy. There will however be major regional differences. With respect to the United States, growth is estimated at 2.5 per cent, while most expect that the GNP of the Euro zone will drop by 0.5 per cent. Further, growth in Japan is estimated at 1.75 per cent. Finally, most expect that growth in China will remain in the 8-9 per cent range.

THE RISK in most growth estimates is however still on the downside. Budget cuts combined with tax and duty increases, high unemployment and a somewhat dispirited mood among households and businesses will contribute to keep growth in demand in the industrialized world low. With respect to China, the situation in the housing market may be taking a turn for the worse. The risk of a slump in housing prices has increased according to most who follow the market on a regular basis.

WEAK GROWTH in large parts of the world entails that unemployment will remain high. **IN THE USA** unemployment will likely remain around 8-9 per cent this year, while unemployment in the Euro zone is estimated at 10.5 per cent. Growth in production probably has to increase to 2.5 per cent to stabilize unemployment. This is due to rationalization measures in businesses. This reduces the need for labour.

IT MUST PARTICULARLY be emphasized that the situation in the Euro zone is unclear. New unrest may emerge if doubt arises as to whether Greece intends to or is capable of complying with terms in order to receive further funds from the IMF and the European Central Bank. In this case, it cannot be ruled out that Greece may have to step out of the Euro. There is also the risk that the crisis may spread to other countries. If so, doubt on the future of the Euro zone will be reinforced. However, at the moment of writing it appears as though the political will to deal with the issues is still present.

WHILE SEVERAL OF OUR most important trading partners are struggling with high debt and low demand, the outlook for the Norwegian economy is still good. Statistics Norway's latest estimate, which was presented in the middle of February, indicates a growth in GDP for both 2012 and 2013 of

«Many of the same internal forces that drive the Norwegian economy also have a stimulating effect in our county. As a result of the relatively high share of exports, it may nevertheless not be ruled out that developments in production in Møre og Romsdal in total are somewhat weaker than for the country in general.»

2.75 per cent for onshore Norway. The main reason for the increase is continued growth within private and public service provision. The bureau also expects that activities in the petroleum sector will remain very high. This will benefit numerous subcontractors.

IT MUST nevertheless be emphasized that we are not unaffected by what is going on in the world. The export industries will be afflicted by lower market growth, a high cost level and most likely a strong Norwegian krone. The travel industry may also notice lower demand from abroad. The decline may also spread to more sheltered sectors such as the housing market and retail. However, should Norway be hit harder than expected, extraordinary measures could quickly be implemented. Monetary and financial policy could not least quickly move in a more expansive direction.

FAVOURABLE DEVELOPMENTS in Norway are reflected in the labour market. Unemployment, measured in Statistics Norway's labour survey (AKU), is expected to increase by 0.3 percentage points to 3.6 per cent in 2012. In 2013 unemployment is expected to be 3.7 per cent. Unemployment as measured by AKU, which is a survey, is somewhat higher than that registered by the labour offices.

IN THE AUTUMN OF 2011 Statistics Norway produced an analysis for Sparebanken Møre of the economic outlook for the county up to 2013. The analysis indicates that activity levels will remain high in the time ahead. Many of the same internal forces that drive the Norwegian economy also have a stimulating effect in our county. As a result of the relatively high share of exports, it may nevertheless not be ruled out that developments in production in Møre og Romsdal in total are somewhat weaker than for the country in general.

ESTIMATES SHOW that there are great differences in the economic outlook for different sectors. Industrial output will most likely only increase slightly in the years ahead. The primary cause of this is reduced growth in export markets and a high cost level. The most important contributions to growth will probably come from the production of consumer goods, inputs and investment products, chemical raw materials and metals. Output in shipbuilding and the engineering industry is also expected to remain high.

FOR PRIVATE SERVICE PROVISION the overall picture is more positive. 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. Estimates entail a distinct increase in output in the years ahead, in line with developments in the country in general. The main cause is strong growth in household incomes and low interest rates. These companies also provide substantial services to the petroleum sector. Employment will also pick up, including in retail and business-related services.

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 2011-2013 of around 2.5 per cent. Employment is expected to grow at a slightly lower rate; forecast at around 2 per cent on average. Increased investment in education and health and social services is currently contributing to maintaining investments in Møre og Romsdal. In the next two years developments in the combined investments in public administration in Møre og Romsdal are expected to be in line with developments in the country in general.

GROWTH IN OUTPUT in the county will probably not be sufficient to prevent a slight increase in unemployment. Møre og Romsdal will nevertheless remain among the counties with the lowest unemployment rate.

2012

CLOSE, COMPETENT AND SOUND

BANKING IS ABOUT TRUST, AND TRUST IS ESTABLISHED THROUGH GOOD RELATIONS

APRIL

STRONG FOCUS ON COMPETENCE

Sparebanken Møre is one of the banks that has had the greatest focus on improving competence in the savings and investment area. In 2009 the Bank initiated comprehensive work to authorize all consultants in the private market and specialist positions. The positive effect this has had on the organization led to the Bank deciding that regional bank managers and business consultants should be authorized as well. This target will be achieved in April 2012.

MAY

INTERNATIONAL BANKING SEMINAR

For the 12th year in a row, Sparebanken Møre invites representatives from cooperating banks, domestic and international, to a banking seminar in Ålesund. This is a popular seminar that attracts between 50 and 70 participants. Participants experience high quality lectures, visit local businesses, have a taste of our stunning landscape, and not least establish useful relationships.

APRIL AND SEPTEMBER

BANKING AND BACALAO

It's a fact of life that many young people leave the county to study or work. A large share of these end up in either Bergen or Oslo. Much to the pleasure of Sparebanken Møre, most of them stick with their bank. For the Bank it is important to establish relations with customers who live outside of the county. We therefore have the pleasure of organizing the "Banking and Bacalao event" in Bergen in April and in Oslo in September.

FINANCIAL CALENDER FOR 2012:

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

26.04.12: First quarter accounts 2012
09.08.12: Second quarter accounts 2012
25.10.12: Third quarter accounts 2012

Please also note the following dates:

Meeting of the Board of Trustees
23.03.12: Annual Accounts
25.04.12: Elections
30.11.12: Christmas meeting

ECs
21.03.12: EC-holder meeting (Elections)
26.03.12: Ex. dividends on ECs
11.04.12: Payment of dividends on ECs

Organisation and Management

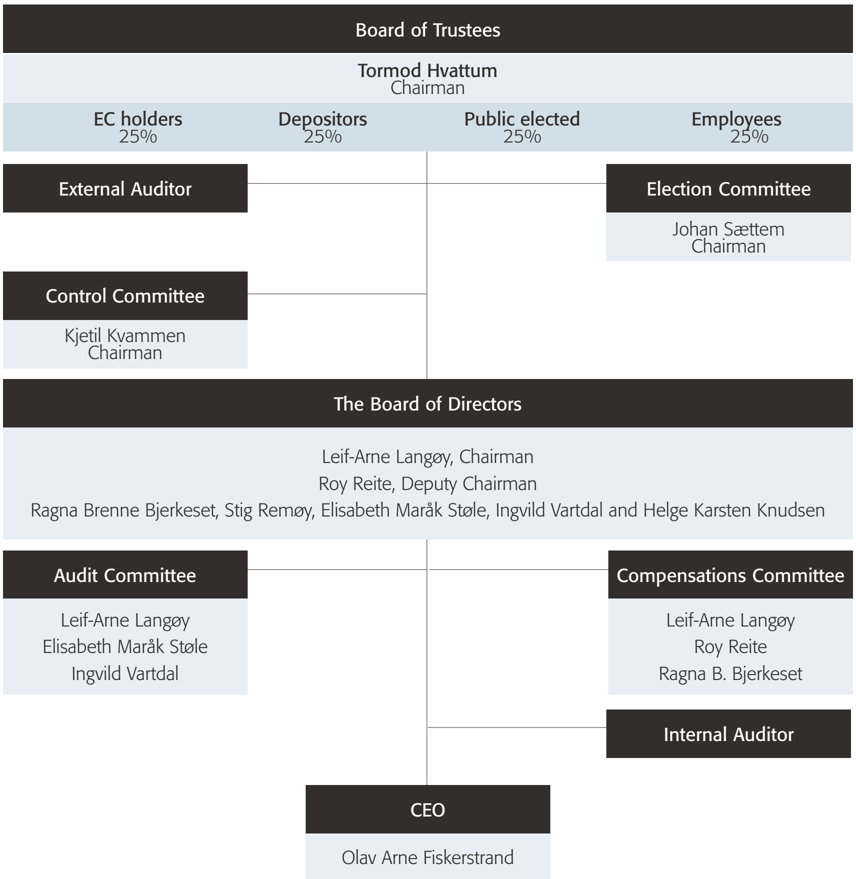
AS AT 01.03.2012

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 leasing-services. 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 31.12.2011, the Group employed 461 permanent staff, equivalent to 416 man-years.

The CEO's management group

Olav Arne Fiskerstrand

55 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,

48 years (351)

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

57 years (440)

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.

Sigrid Gjendem Fjørtoft

53 years (272)

Acting Executive Vice President, Romsdal og Nordmøre Region. Auditors study and Management studies from BI. Worked in private audit during 1983-1988, was a teacher at Fræna VG Skole until 1990. Sous Manager at Romsdals Fellesbank until 2005, General Manager in Sparebank1 SMN until 2007. Hired by Sparebanken Møre in 2007. She was appointed to her present position in 2012.

Kjell Jan Brudevoll

57 years (48)

Executive Vice President, Western Region. Graduated from the Norwegian Banking Academy in 1985. Hired by Nordea in 1979. General Manager in Glitnir 2005–2008. General Manager at Nordea branch Fosnavåg 2008-2011. He was appointed to his present position at Sparebanken Møre in 2011.

Terje Krøvel

52 years (573)

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
42 years (440)

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
53 years (326)

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 in January 2007.

Idar Vattøy
52 years (773)

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.

Magnar Bolstad
65 years (5 722)

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.

Runar Sandanger
54 years (720)

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
54 years (993)

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
39 years (440)

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.

- **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** – Sigrid G. Fjørtoft, Acting Executive Vice President
  - **Western Region** – Kjell Jan Brudevoll, 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 activities

- **Møre Finans AS** – Inger-Anne Uhlen, CEO
- **Møre Eiendomsmegling AS** – Mona Helen Fornes, CEO
- **Møre Boligkreditt AS** – Ole Kjerstad, CEO

Subsidiaries

MØRE FINANS

Møre Finans AS was established in 1996 and is the only locally-owned finance company in Møre og Romsdal that offers leasing as a product. The company offers lease financing of equipment, machinery and vehicles to both the private and public sectors. Cooperation with Sparebanken Møre is the company's most important channel of distribution. The company has 7 employees and offices in Molde and in Ålesund. In 2011 Møre Finans AS had total assets of NOK 587.8 million and an operating result of NOK 13 million. Inger-Anne Uhlen is the CEO of Møre Finans AS.

MØRE BOLIGKREDITT

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company's purpose is to acquire mortgages from Sparebanken Møre and finance these through the issue of covered bonds (OmF). Møre Boligkreditt AS is Sparebanken Møre's primary source of long-term financing and an important part of the Bank's financing strategy. Møre Boligkreditt AS' goal is to contribute to a further expansion of the Bank's financing platform. Ole Andre Kjerstad is the CEO of Møre Boligkreditt AS.

MØRE EIENDOMSMEGLING

The company was established in 1992 and acquired by Sparebanken Møre in 2005. Møre Eiendomsmegling AS provides brokerage services in the purchase and sale of homes, leisure homes, project brokering and business brokering. They are among the largest and most experienced broker communities in Møre og Romsdal and have 14 employees and offices in Molde and in Ålesund. Through cooperation with Sparebanken Møre, the company is represented at 30 offices around the county and brokers between 400 and 500 properties annually. Mona Helen Fornes is the CEO of Møre Eiendomsmegling AS.

KEY FIGURES

KEY FIGURES	NOK million
Leasing portfolio	576
Leasing income	31
Result after tax	8
Total equity	157
Capital adequacy/core capital ratio	26.5 %

KEY FIGURES

KEY FIGURES	NOK million
Net loans to customers	8 148
Borrowings raised through the issue of securities	7 137
Net interest and credit commission income	61
Result after tax	28
Total equity	531
Capital adequacy/core capital ratio	16.7 %

Aaa-rated by Moody's

KEY FIGURES

KEY FIGURES	NOK million
Turnover	22
Result after tax	1
Total equity	11

– The goal is to ensure that Møre Eiendomsmegling remains the most highly competent environment within real estate brokerage

CEO Mona Helen Fornes

The Board of Directors

1. Leif-Arne Langøy
CHAIRMAN

Leif-Arne Langøy is a business graduate from the Norwegian School of Economics in Bergen. He lives in the municipality of Haram and is currently the owner and general manager of Lapas AS. In the period 2003-2009, Langøy was CEO of Aker ASA, and from 2006 to 2009 he was also the Chairman of the Board of Directors of the company. Langøy has previously held the position of CEO of Aker Yards ASA and CEO of Aker Brattvaag, among others. He has held various directorships and was elected Chairman of the Board of Directors of Sparebanken Møre in 2011. He was also the Chairman of the bank's Board of Directors from 1998 to 2003.

2. 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.

3. Ragna Brenne Bjerkeset
BOARD MEMBER

Ragna Brenne Bjerkeset is an agronomist (sivilagronom) from the Norwegian University of Life Sciences (UMB) and also holds qualifications in marketing, innovation and management. She is currently the marketing manager of Tine Rådgiving and works as an ICF certified coach. Among other things, Bjerkeset has experience as a consultant in Møre og Romsdal and from various management positions in Tine SA. She has been a member of the Board of Sparebanken Møre since 2011 and holds several other directorships in business and industry in the region. Bjerkeset lives in the municipality of Fræna.

4. 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.

5. Ingvild Vartdal
BOARD MEMBER

Ingvild Vartdal is a master of law, with experience from KPMG Law, both in Oslo and Ålesund. Today she is a partner with the legal firm, Schjødt DA, with tax and company law as her special areas of expertise. She was a coauthor of the book, 'International Tax Handbook', and is on the board of several companies. 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.

6. Elisabeth Maråk Støle
BOARD MEMBER

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

7. 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.

Annual report from 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.

Result and return on equity

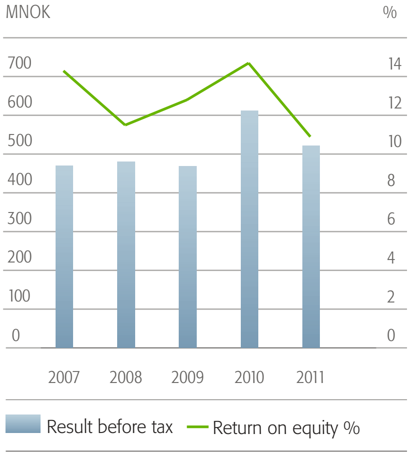


FIG 1

GROUP`S KEY FIGURES

- The result after tax for 2011 was NOK 377 million, NOK 81 million lower than for 2010.
- The return on equity after tax was 12.2 per cent, compared to 16.0 per cent for 2010.
- The Group`s lending volume grew by 7.0 per cent in 2011, while deposits grew by 3.2 per cent.
- At year-end 2011 equity and related capital amounted to NOK 4.2 billion. The capital adequacy ratio was 13.60, hereof 12.00 percentage points was core capital.
- The Board of Directors is pleased with the result for 2011.
- The Board of Directors recommends that the Board of Trustees pay a dividend of NOK 8 per Equity Certificate, transfer NOK 120 million to the Dividend Equalisation Fund and transfer NOK 74 million to dividend funds for the local community.

Results for 2011

The profit before losses amounted to NOK 561 million and 1.21 per cent of average total assets, a reduction of NOK 77 million and 0.30 percentage points compared to 2010. In 2010, NOK 84 million was recognised as capital gains on shares, hereof NOK 74 million in Nordito AS. The profit after losses on loans, guarantees and securities was NOK 521 million and 1.12 per cent of total assets, a reduction of NOK 86 million and 0.32 percentage points. The net result of NOK 377 million represented 0.81 per cent of total assets, compared to NOK 458 million and 1.09 per cent in 2010. The return on equity of 12.2 per cent for 2011 was 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 2011 was 3.14 per cent on average). The profit per Equity Certificate (Parent Bank) was NOK 23.27 compared to NOK 24.42 in 2010.

FIG 1

NET INTEREST INCOME

Net interest income and credit commission income was NOK 909 million in 2011 (NOK 862 million). In relation to average assets, net interest income was 1.96 per cent (2.03 per cent). The relative fall in net interest income was primarily due to more expensive funding. Net interest income accounted for 81 per cent of total income in 2011.

FIG 2

OTHER OPERATING INCOME

Income from gains, commissions and fees was NOK 214 million (NOK 304 million). The main explanation for the reduction was the capital gains in 2010, amounting to NOK 84 million. The main items within other operating income are net income from payment systems amounting to NOK 85 million (NOK 83 million), dividends of NOK 20 million (NOK 23 million), capital gains on foreign exchange of NOK 28 million (NOK 21 million), underwriting commission of NOK 24 million (NOK 20 million), and real estate brokerage of NOK 22 million (NOK 19 million). Other items are gains from sales of buildings of NOK 6 million (NOK 10 million), gains from financial derivatives of NOK 19 million (NOK 8 million), losses on shares of NOK 3 million (gains of NOK 81 million) and losses on bonds of NOK 18 million (gains of NOK 1 million). Other elements of other operating income amounted to NOK 31 million (NOK 38 million).

FIG 3

COSTS

Total costs were NOK 562 million (NOK 528 million). The increase in costs of NOK 34 million and 6.4 per cent was due to NOK 24 million in higher payroll expenses and NOK 10 million in increased other costs. Total costs amounted to 1.21 per cent of average total assets (1.24 per cent). The cost income ratio for 2011 was 49.8 per cent (45.3 per cent); the Bank's target is to be below 50 per cent.

FIG 4

LOSSES AND COMMITMENTS IN DEFAULT

Write-downs for losses of NOK 40 million were charged to the profit and loss account in 2011, while NOK 31 million was charged to the profit and loss account in 2010. NOK 31 million of this was due to corporate customers, NOK 2 million was due to retail customers, NOK 2 million was due to Eksportfinans AS, and collective write-downs increased by NOK 5 million.

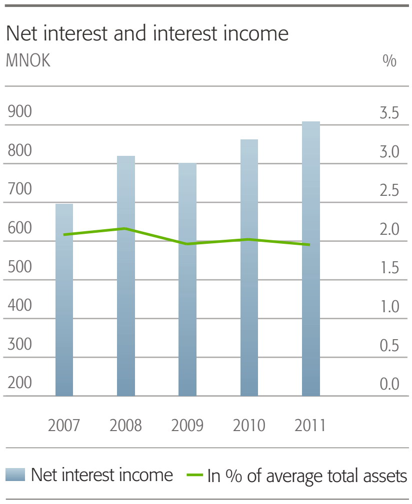


FIG 2

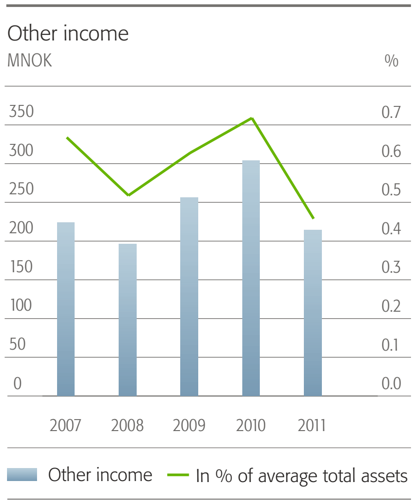


FIG 3

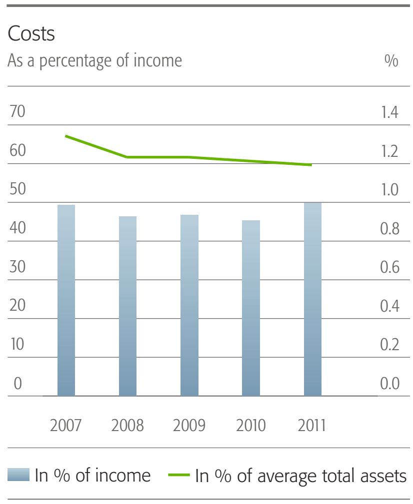


FIG 4

Aggregate accumulated loss provisions - individual loss provisions and collective write-downs - amounted to NOK 396 million (NOK 407 million) and 0.97 per cent of gross lending (1.07 per cent). NOK 136 million of the individual loss provisions involved commitments in default for more than 30 days (NOK 53 million), which amounts to 0.33 per cent of gross lending (0.14 per cent). NOK 129 million related to other commitments (NOK 227 million), which amounts to 0.32 per cent of gross lending (0.59 per cent). Collective write-downs amounted to NOK 131 million (NOK 126 million), which amounts to 0.32 per cent of gross lending (0.33 per cent).

An increase in gross commitments in default for more than 90 days was recorded during the last year from NOK 312 million to NOK 384 million. Corporate and retail commitments in default accounted for NOK 268 million (NOK 153 million) and NOK 116 million (NOK 159 million), respectively.

Net commitments in default were NOK 248 million (NOK 259 million), down from 0.68 per cent of gross lending at the end of 2010 to 0.61 per cent at the end of 2011.

FIG 5

BALANCE SHEET

Total assets increased by NOK 3 965 million and 8.9 per cent to NOK 48 406 million as per 31.12.11.

LENDING

Net lending was up by NOK 2 629 million and 7.0 per cent to NOK 40 305 million in 2011. Of this amount, corporate lending accounted for 37.2 per cent following a 7.0 per cent increase in volumes for the year. At year-end, retail loans accounted for 62.8 per cent after annual growth of 7.0 per cent.

DEPOSITS

Deposits from customers totalled NOK 25 325 million at the end of 2011, an increase of NOK 774 million and 3.2 per cent. Deposits from corporate and retail customers increased by 5.8 per cent and 7.8 per cent respectively, in 2011. Deposits from public sector clients were 54.7 per cent lower than at the previous year-end. The difference between the amounts of lending and deposits, NOK 14 980 million, was funded in the Norwegian and international money and securities markets. Deposits in relation to loans amounted to 62.8 per cent at year-end.

FIG 6

SECURITIES

Holdings of short-term investments in securities at year-end 2011 amounted to NOK 5 226 million compared to NOK 4 496 million at year-end 2010.

There was no material trading portfolio at year-end 2011.

The Bank's hybrid capital (NOK 493 million) and subordinated loan capital (NOK 479 million) are issued at floating rate.

Allocation of profit for the year

Pursuant to the rules relating to Equity Certificates (ECs) etc. (Financial Institutions Act), and in accordance with the dividend policy of Sparebanken Møre (see below), 35 per cent of the Parent Bank's profit has been set aside for dividend funds (cash dividend and dividends for the local community). Based on the accounting breakdown of equity between the EC holders` capital and the Primary Capital Fund, 46.0 per cent of the net result will be allocated to EC holders and 54.0 per cent to the Primary Capital Fund. The profit per Equity Certificate was NOK 23.27. NOK 8.00 is proposed to be paid in cash dividends per Equity Certificate for the 2011 accounting year.

Profit for the year Parent Bank (MNOK)		
Dividend funds:		
To cash dividends	63	
To dividend funds locally	74	137
Strengthening of equity:		
To the Dividend Equalisation Fund	120	
To the Primary Capital Fund, etc	136	256
Total allocations		**393**

Losses
MNOK %

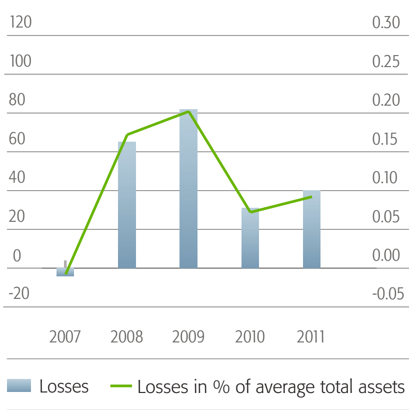


FIG 5

Balance sheet
MNOK

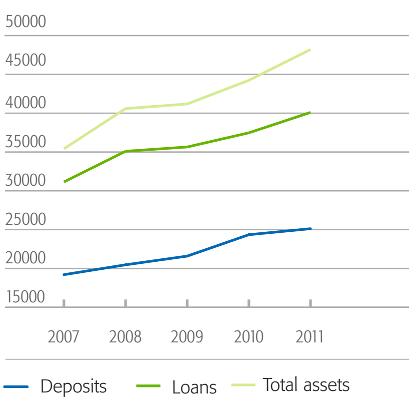


FIG 6

Capital adequacy
As a percentage of the risk weighted assets base

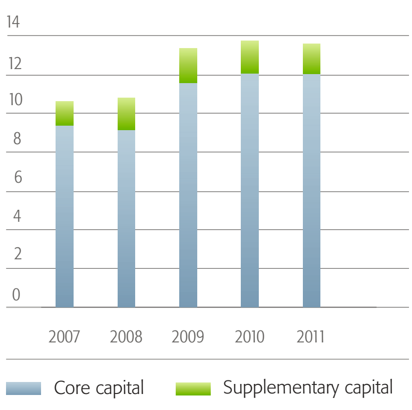


FIG 7

Sparebanken Møre`s dividend 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 the owners receive a competitive longterm return in the form of cash dividends and capital appreciation on the equity. The equity owners' share of the annual profits set aside as dividend funds shall be adapted to the Bank's equity capital situation. Sparebanken Møre shall ensure that all owners are guaranteed equal treatment.

Capital adequacy

The target for the Bank's capital composition is to maintain a minimum core capital of 11 per cent. This target for the capital level has been fixed with several factors in mind, the most important of which are the Bank's size, the international-orientation of business and industry in Møre og Romsdal, the need to be able to raise, in a stable manner, long-term external funding capital and core capital whenever necessary, and covering the indicated requirements linked to Basel III. The requirement for capital strength takes precedence over lending growth targets. Core capital amounts to NOK 3 690 million, and the core capital ratio amounts to 12.00 at year end 2011. Equity and related capital amounts to NOK 4 173 million, equivalent to 13.60 per cent of risk weighted assets. The core capital ratio and the capital adequacy ratio are calculated pursuant to the standard approach in Basel II. Application for use of the basic IRB approach was sent 20 December 2011 (for further information please see the section "Capital adequacy regulations (BASEL II and III)").

FIG 7

Equity Certificates

The number of EC holders was stable at 6 255 at the beginning of 2011 and 6 177 at year-end. 3 691 of the EC holders are residents of the county of Møre og Romsdal, and these own 51.4 per cent of the equity share capital at year-end 2011, compared to 46.8 per cent at year-end 2010. The 20 largest EC holders represented 40.4 per cent of the Bank's EC capital at year-end. Eight of these investors are residents of the county of Møre og Romsdal, with a relative holding among the 20 largest of 48.2 per cent (36.9 per cent).

At the end of the year the Bank owned 19 237 of its own ECs, corresponding to a nominal amount of NOK 1.9 million. The ECs were purchased on the Oslo Stock Exchange at market prices.

The ECs are freely negotiable in the market.

Capital adequacy regulations (BASEL II and III)

Sparebanken Møre currently applies the standard method to calculate the minimum requirements for primary capital for credit risk and market risk. Calculations relating to operational risk are performed using the basic method.

Over a number of years, Sparebanken Møre has developed and implemented internal risk management models within the credit area. In 2010 a resolution was made in the strategic plan, that by the end of 2011 the Group would send an application to the Financial Supervisory Authority of Norway (FSA) requesting the use of the IRB basic method pursuant to the requirements in the Capital Requirements Regulations for modelling credit risk. The application was sent to the FSA in the fourth quarter of 2011. Depending upon the time that the FSA uses to process the application, from 2013 and onwards the Group aims to be able to implement Pillar 1 - reporting capital adequacy in accordance with the IRB method. The external reporting will thereby be based on a method that better reflects the underlying risk in the Group's balance sheet. Regardless of the calculation method, Sparebanken Møre's capital shall fulfil the minimum requirements for capital adequacy with the addition of a buffer equal to Sparebanken Møre's accepted risk tolerance. There is an emphasis on the various units in the Group being adequately capitalised at all times.

Basel III introduces a number of new requirements connected to capital adequacy and liquidity, amongst other areas. The new regulations will be phased in gradually over a number of years. With regard to capital adequacy, Basel III establishes higher requirements for minimum levels and stricter requirements for the quality of permitted primary capital/core capital, among other requirements. The FSA sent identical letters to a number of market participants including savings banks in December 2011 in which it pointed out the necessity of further bolstering the solvency of Norwegian banks. Initially, the FSA is assuming that all Norwegian banks and finance companies will have, and fulfil, the target of 9 per cent core capital by 30 June 2012. Analyses conducted in 2011 demonstrate that Sparebanken Møre satisfies the capital requirements in the new regulations with a good margin. The Board monitors capital adequacy in the Group on an on-going basis and is prepared to rapidly deploy measures if there is a need to further strengthen capital balances.

Risk management

Risk-taking is a fundamental element of banking operations. Risk management and control are focus areas for the Board of Directors in Sparebanken Møre. The overall purpose of risk management and control is to ensure that goals are achieved, 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 that 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, market risk, concentration 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 are subject to overall follow-up through periodic reports submitted to the CEO and the Board of Directors. Sparebanken Møre has established a separate Audit Committee. 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 good.

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 Board has also decided to maintain a moderat risk profil in this area. 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's 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 received relevant reports on mortgages quarterly according to FSA`s guidelines. Sparebanken Møre has changed its internal policies in accordance with the Financial Services Authority's new circular on mortgages from December 2011.

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.

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 that managers in Sparebanken Møre can monitor performance within their own 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 daily operations. This relates to the Group's funding, the bond portfolio which is maintained in order to meet liquidity requirements and 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 analysis of negative market movements, and the Board has set a low risk threshold for the risk associated with this area. The control and management policy 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.

FUNDING

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 Board has approved a moderate risk profile for this area of risk. The strategy describes Sparebanken Møre's goals for preserving its financial strength, and specific limits are defined for the various areas of the Group's liquidity management. Sparebanken Møre's contingency plan for funding management includes a description of how the liquidity 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.

Basel III introduces two new separate and supplementary requirements in the area of liquidity. The first goal is to strengthen banks' short-term liquidity profiles by ensuring they have sufficient holdings of high quality liquid assets to cope with a stress scenario that lasts for one month (Liquidity Coverage Ratio (LCR)). The second goal is to strengthen the liquidity profile over a longer period of time by motivating the banks to fund their activities through more stable funding sources on a lasting basis (Net Stable Funding Ratio (NSFR)). Sparebanken Møre is actively adapting to the new liquidity standards, both by modifying internal strategies and through internal adaptations. The Bank regularly reports trends associated with the new liquidity indicators to the supervisory authority pursuant to the reporting requirements.

LCR will be introduced from 2015. The proposed regulations appears to be demanding, and Sparebanken Møre has had to increase its liquidity portfolio and make higher quality investments to meet the funding requirements. Part of the increase in the liquidity portfolio is linked to the general development of the Bank's balance sheet. In the last five years the Bank's liquidity portfolio has increased by almost NOK 3 billion to NOK 5.2 billion. This is approaching the volume the reporting indicates Sparebanken Møre requires to cope with one month's market stress. A NOK 3 billion larger liquidity portfolio with LCR quality costs the Bank close to NOK 58 million in today's market.

It has been proposed that NSFR will be introduced from 2018. Reporting based on the proposed regulations shows that the Bank lies well within the requirement.

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 has been a strong focus on increasing ordinary deposits in recent years.

Møre Boligkreditt AS was established in 2008 and has a licence from Finanstilsynet to operate as a mortgage company. The mortgage company provides the Group with greater diversification of funding sources. The company issued covered bonds in 2011 as well. The Bank transferred parts of its mortgage portfolio to the mortgage company throughout 2011, and this has provided the Group with access to take advantage of funding opportunities, which the establishment of the mortgage company facilitated. At year-end 2011 around 20 per cent of the Group's total lending (32 per cent of lending to the retail market) had been transferred to the mortgage company. Sparebanken Møre will continue to transfer mortgages to Møre Boligkreditt AS in 2012, and the Bank's refunding needs in 2012 can primarily be met by issuing covered bonds.

In order to increase the access to new funding sources, and to seek stable access to funding from external sources, both Sparebanken Møre and securities issued by Møre Boligkreditt AS are rated by the rating agency Moody's. The Bank is rated A2 (neg.), while securities issued by the mortgage company has been assigned the highest possible rating, Aaa. As well as issuing securities in Norway, Møre Boligkreditt AS last year issued two bonds in the Swedish market totalling SEK 1 050 million. The last bond worth SEK 300 million was issued as part of the company's EMTCN programme ("Euro Medium Term Covered Note").

As far as the composition of the external funding is concerned, priority is given to having a relatively large share of funding with terms in excess of one year. NOK 12 913 million of the external funding of NOK 17 188 million is long-term funding (remaining term of more than 1 year), and this is primarily covered by covered bonds and senior bonds. Around NOK 1 300 million of the remaining and short-term funding of NOK 4 273 million is separate funding of corporate lending, while almost NOK 2 200 million is lending that will be refinanced in the first quarter. The Bank's outstanding senior bonds had at year-end 2011 a weighted remaining term of 1.85 years, while covered bonds funding correspondingly had a remaining term of 5.32 years.

The Board considered the Bank's liquidity situation at year-end 2011 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 adequate level of competence is a prerequisite for reducing operational risk. The Board would also for 2011 like to commend the great efforts that individual employees and the organisation have laid down in order to satisfy the requirements of the authorization scheme for financial advisers.

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 various functions in the Group. Annually disaster exercises are conducted within ICT and the liquidity area amongst other things. The Board receives an annual report on the security situation in Sparebanken Møre, in addition to reports relating to significant deviations that may occur. The annual ICAAP reviews the Group's important risk areas and in connection with this a lot of attention is paid to operational risk.

The Board has noticed the challenges that the Bank's principal supplier, EDB Ergo Group, has been exposed to during 2011. Measures to manage increased operational risk within this important area have been highlighted during the previous year, and will also be prioritised by the Board in coming years. The Board continuously monitors the measures that have been established, and which have also been reported to the Financial Supervisory Authority of Norway in the fourth quarter of 2011.

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 and 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 of financial control and risk management as the coordinating unit in day-to-day operations. The compliance and risk control function and the risk management function are a parts of this section.

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.

Based on the reports received, the Board believes 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 Group's internal auditing was outsourced to PriceWaterhouseCoopers in 2011. The internal auditing function reports to the Audit Committee and the Board. A plan has been prepared for the work of internal auditing, agreed by the Bank's Board. The Board and the Audit Committee have received regular reports during 2011 from the internal auditing function in accordance with this plan.

Sparebanken Møre conducted a tendering process in the fourth quarter of 2011 in connection with outsourcing the internal auditing function. As a result of this process, the Board decided that BDO will be assigned the responsibility for this function. The new agreement for internal auditing services runs from 1 February 2012.

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 104 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 leasing company Møre Finans AS, the real estate brokerage firm Møre Eiendomsmegling AS, the property company Sparebankeiendom AS and the 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 2011.

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.

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

• Financing
• Deposits and other forms of investments
• Personal portfolio management
• Financial advisory services
• Payments
• 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.

During 2011, the cash management in the offices have been automated through the introduction of automatic zones where customers have access to ATMs and deposit machines around the clock.

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 new version of mobile banking, launched in 2011, really set the speed in the use of mobile services.

The Bank's specialist units consist of Møre Investment Management, the Insurance Centre and International Business and Treasury Division, 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 is experiencing increased demand for investment advice.

The Bank's product range within insurance includes both damage and personal insurance for businesses and individuals.

SUBSIDIARIES

The aggregate profit of the Bank's four subsidiaries amounted to NOK 38 million after tax (NOK 47 million).

Møre Finans AS sells leasing products, partly direct, but mostly through the Bank's distribution network. The company has a differentiated portfolio of around NOK 570 million. Møre Finans AS made a profit of NOK 7 million (NOK 7 million) in 2011. At year-end, the company' staff was equivalent to 7 man-years.

Møre Eiendomsmegling AS provides services within the real estate brokerage area both to retail and corporate customers. The company made a profit of NOK 2 million (NOK -1 million) in 2011. At year-end, the company' staff was equivalent to 14 man-years.

The object of Sparebankeiendom AS is to own and manage the Bank's own commercial properties. The company made a profit of NOK 2 million (NOK 10 million) in 2011. The company has no staff.

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 made a profit of NOK 28 million (NOK 31 million) in 2011. The work done in the company was equivalent to two man-years.

Personnel and working environment

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. Quality and effectiveness in the work processes involving the market are continually focused on through the competence enhancing measures which are implemented. The Bank makes sure of this partly through the development programme for its advisers and through its recruitment policy.

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, as well as conducting a recruitment that enables the Bank through its employees to create the results needed to achieve the long-term goals.

Sparebanken Møre participates in the national authorisation scheme for financial advisers, which came into force on 1 April 2011. The authorisation scheme means that all the Bank's employees who deal with customers in the retail market - regional bank managers, division bank managers, advisers and customer service staff

- as well as the specialists within investment advice, must be authorised as financial advisers. As per 31 December 2011, 277 employees have passed the theory test, while 191 employees have also completed the practical test, i.e. passed the AFA. These employees are therefore entitled to use the title "Authorised Financial Adviser (AFA)". It is very satisfying to note that the advisers who have completed the AFA programme feel that they are providing better customer advisory services than before. This is also confirmed through the Bank's customer surveys. In addition to AFA, all managers in customer service positions have completed an examiner course for AFA. This has given the managers very good training and practice in exercising their managerial roles. The Board is delighted with the substantial rise in competence that individual employees and the Bank as an organisation have implemented over the last two years.

During the last year, Sparebanken Møre has initiated equivalent training for all employees within the corporate area. Here most staff have completed the theory test by the end of last year, and by 1 April 2012 about 50 business consultants will have completed the practical test and therefore have passed the AFA. Currently business consultants are not required to be certified, but Sparebanken Møre has nonetheless chosen to implement this type of programme, as experience has shown us that good and practical use of expertise has a significant influence on the quality of the service provision to our customers.

Based on this good experience, Sparebanken Møre has decided to conduct similar programmes within the credit area, and certify all the employees in customer service to "AFA credit" in the same way. The work of identifying our current competencies is already well under way, and the project for completion has been established.

An important part of the work of raising competence levels is recruiting and developing new employees. Sparebanken Møre established a new trainee programme in 2011, where the Bank employed 12 well-qualified and recent graduates. These undergo an 18-month internal training programme in Sparebanken Møre, where each person attends courses and gains practical experience in several of the Bank's professional areas by working in different locations in Sparebanken Møre's network of offices. The Board considers it to be important to emphasise recruitment of competent, young employees who possess the ability and capacity to succeed. This is part of developing the organisation as a whole.

One of the Bank's managers was voted "Young manager of the year" in 2011 (a national collaboration between Adecco Select and Assessit). 3 candidates were also registered this year from Sparebanken Møre. One of these was voted among the 10 best young managers in Norway, demonstrating that the Bank's management development programme is yielding good results.

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 2011 is the best ever, which shows that Sparebanken Møre's employees are happy at 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 regularly 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 Sparebanken Møre.

The Group's total workforce at year-end represented 416 full time equivalent positions. This represents an increase of 16 full time equivalent positions during 2011, whereof 12 are related to the new trainees.

The average age of the Bank's employees is reduced from 48.5 years to 47.4 years. The average length of service with Sparebanken Møre of the current staff is 17.5 years.

Total sick leave was 3.82 per cent in 2011, compared to 3.93 per cent in 2010. Long-term sick leave was reduced from 2.53 per cent in 2010 to 2.46 per cent in 2011. Short-term sick leave was reduced from 1.40 per cent in 2010 to 1.36 per cent in 2011. 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 2011.

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

Equal opportunities

Women and men accounted for 300 (65.1 per cent) and 161 (34.9 per cent) respectively of the Group's total staff of 461. 438 staff were employed by the Bank and 23 by its subsidiaries.

Of the Bank's 438 employees, the distribution is 288 women and 150 men. These are equivalent to 393 (380) full time equivalent positions with women and men accounting for 65.8 and 34.2 per cent respectively. The Bank employs 71 part-time staff, 65 of whom are women and 6 men.

The percentage of women in various managerial positions was 33.3, while the percentage for men was 66.7.

The Bank's Board of Directors consists of 7 members – 3 women and 4 men.

During the course of 2011, 33 new employees were recruited externally, 27 women and 6 men.

Staff turnover was 5.2 per cent in 2011.

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.

Discrimination

"Guiding values", which is Sparebanken Møre's governing document within culture, values and attitudes, is an important part of combating discrimination in the organisation. Though there have not been any recorded cases of discrimination in 2011.

Going concern assumption

The Board confirms that the going concern assumption is present, and that 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 situation for business and employment in Møre og Romsdal is good at the beginning of 2012.

The Board of Sparebanken Møre expects Norwegian companies to face international market challenges in the next few years, especially in the European market. The national economic problems affecting a number of countries in Europe might produce negative ripple effects through reduced demand for goods and services internationally.

Parts of the business sector in Møre og Romsdal is export oriented and competes to sell its goods and services in the global market, or in competition with foreign companies on the domestic market. Since Sparebanken Møre's business activities are largely linked to customers in Møre og Romsdal, trends in local business and employment naturally form the framework for the Group's operations going forward.

Nonetheless, the Board expects stable growth for large parts of the business sector in Møre og Romsdal in the coming year. This as a result of expected good demand for the most important goods and services produced in the county. The order situation in the maritime industry is satisfactory for 2012. The resource situation for the fishing industry is good, and demand for Norwegian fish is good and stable. Møre og Romsdal is one of the two biggest food industry counties in Norway. In addition, the growth in private services is expected to be solid, and the activity in public sector and construction is expected to increase. The level of employment in Møre og Romsdal is expected to remain at a good level during the year.

Based on these observations, the Board expects that loss and default levels in Sparebanken Møre will be moderate going forward. The Bank is experiencing good growth.

The international market turmoil has also had an impact on Sparebanken Møre`s financing costs. The Board expects continued high costs associated with obtaining new financing for the Bank. Sparebanken Møre`s solvency and liquidity is good, and the Board will still have a strong focus on these areas in the future. The Bank presents a cost income ratio that is lower than the target of 50 per cent. This target will remain a key management objective.

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 2011. The Board would also like to thank the Bank's customers, investors and other partners for our good partnership through the year.

Ålesund, 31 December 2011
7 March 2012
THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Annual accounts

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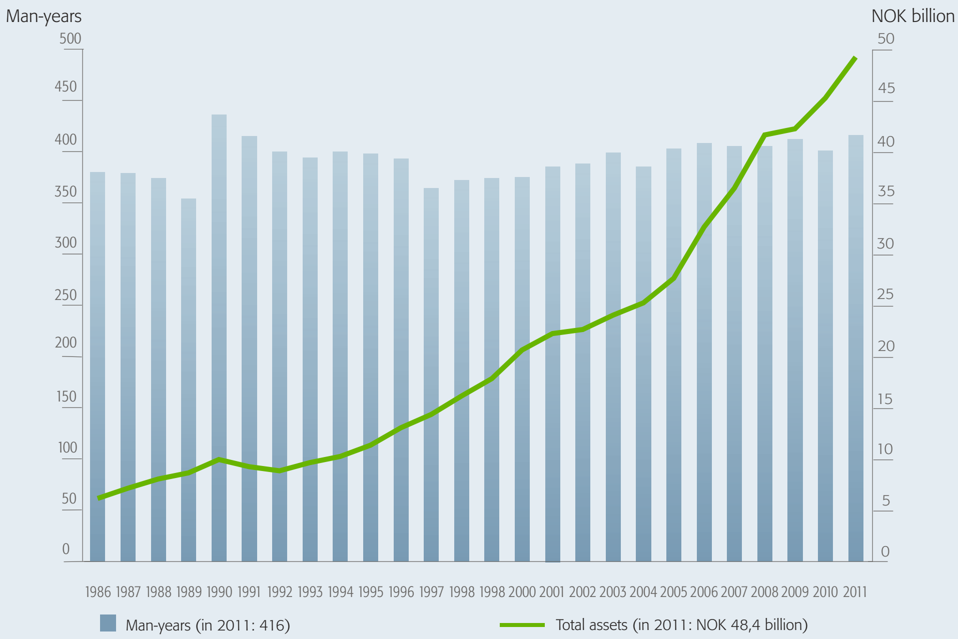
TOTAL ASSETS AND MAN-YEARS



STATEMENT OF INCOME

GROUP				PARENT BANK	
2010	2011	Amounts in NOK million	Notes	2011	2010
		Interest and similar income from:			
78	78	Loans to and deposits with credit institutions		107	100
1 839	1 983	Loans to and other lending to customers	4.2, 12	1 676	1 630
110	174	Certificates, bonds and other interest-bearing securities		256	195
2 027	2 235	Interest and similar income	8	2 039	1 925
		Interest and similar costs in respect of:			
155	151	Debt owed to credit institutions		158	160
510	630	Deposits from and liabilities to customers	12	631	511
422	491	Securities issued for borrowing purposes	5.5	359	383
51	54	Subordinated loan capital and bonds		54	51
27	0	Other interest		0	27
1 165	1 326	Interest and similar costs	5.5, 8	1 202	1 132
862	909	Net interest and credit commission income	8	837	793
304	214	Other operating income	9	266	268
293	317	Wages, salaries etc.	12, 13	296	273
116	129	Administration costs	10, 11	129	116
409	446	Wages, salaries and general administration costs		425	389
36	26	Depreciation, write-downs and changes in value in non-financial assets	7, 10, 14, 15	17	14
82	90	Other operating costs	10, 11, 12	88	84
638	561	Result before credit losses		573	574
31	40	Losses on loans, guarantees etc.	4.1, 4.2, 4.3	37	28
607	521	Result from ordinary operations before tax	8	536	546
149	144	Tax payable on ordinary result	17	143	131
458	377	Result from ordinary operations after tax		393	415
113	74	Dividend funds for the local community 1)		74	113
94	63	Interest payable on ECs 1)		63	94
112	140	Transferred to the Primary Capital Fund		140	112
97	120	Transferred to the Dividend Equalisation Fund		120	97
-1	-3	Transferred to Fund for Unrealised Gains		-3	-1
42	-17	Transferred to Other Equity capital		-	-
458	377	Total amount available for allocation		393	415
26.90	22.10	Result per EC (NOK) 2)	18	23.27	24.42
26.90	22.10	Diluted earnings per EC (NOK) 2)	18	23.27	24.42

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

Statement of comprehensive income

GROUP				PARENT BANK	
2010	2011	Amounts in NOK Million	Notes	2011	2010
458	377	Result from ordinary operations after tax		393	415
7	-1	Equities available for sale - changes in value (after tax)		-1	7
465	376	Total result from ordinary operations after tax		392	422

BALANCE SHEET

- STATEMENT OF FINANCIAL POSITION AS AT THE END OF THE PERIOD

GROUP				PARENT BANK	
2010	2011	Amounts in NOK million	Notes	2011	2010
634	814	Cash and claims on central banks	5.1	814	634
153	187	Loans to and claims on credit institutions, on a call basis		187	153
14	377	Loans to and claims on credit institutions, with a fixed maturity		1 380	663
167	564	Loans to and claims on credit institutions	5.1, 5.2, 5.3	1 567	816
37 676	40 305	Net loans to and claims on customers	4.1, 4.2, 4.3	31 800	31 734
1 560	1 264	Certificates and bonds issued by the public		1 264	1 560
2 936	3 962	Certificates and bonds issued by others		6 264	5 754
4 496	5 226	Certificates, bonds and other interest-bearing securities assessed at market value through the profit and loss account	4.4, 5.4	7 528	7 314
344	437	Financial derivatives	5.6	393	344
3	2	Shares and other securities assessed at actual value with changes in value over the result		2	3
204	199	Shares and other securities available for sale		199	204
207	201	Shares and other securities with a variable yield	5.4	201	207
-	-	Equity stakes in financial institutions (subsidiaries)		625	523
-	-	Equity stakes in other Group companies		21	21
-	-	Equity stakes in Group companies	6	646	544
10	14	Deferred tax benefit	17	17	13
15	17	Other intangible assets	15	17	15
25	31	Intangible assets		34	28
55	72	Machinery, equipment, fixtures and fittings and vehicles		44	25
206	244	Buildings and other real estate		9	10
261	316	Fixed assets	14	53	35
161	156	Other assets	16	144	161
470	356	Prepayments and accrued income	5.1, 5.2, 5.3	333	458
631	512	Total other assets		477	619
44 441	48 406	Total assets	5.1, 5.2, 5.3, 8	43 513	42 275

GROUP				PARENT BANK	
2010	**2011**	Amounts in NOK million	Notes	**2011**	2010
13	**20**	Loans and deposits from credit institutions, on a call basis		**130**	264
4 963	**4 721**	Loans and deposits from credit institutions, with a fixed maturity		**4 721**	4 962
4 976	**4 741**	Liabilities to credit institutions	5.5	**4 851**	5 226
16 047	**16 538**	Deposits from and liabilities to customers, on a call basis		**16 551**	16 072
8 504	**8 787**	Deposits from and liabilities to customers, with a fixed maturity		**8 787**	8 504
24 551	**25 325**	Deposits from and liabilities to customers	4.2, 5.5, 12	**25 338**	24 576
0	**1 298**	Certificates and other short-term borrowings		**1 298**	0
9 697	**11 501**	Bond debt		**6 666**	7 434
9 697	**12 799**	Borrowings raised through the issue of securities	5.5	**7 964**	7 434
188	**272**	Financial derivatives	5.6	**263**	172
415	**480**	Other liabilities	17	**427**	363
603	**752**	Total other liabilities and financial derivatives		**690**	535
329	**317**	Incurred costs and prepaid income		**290**	329
59	**68**	Pension commitments etc.	13	**68**	59
12	**15**	Specific provisioning against guarantee liabilities	4.3	**15**	12
71	**83**	Provisioning in respect of liabilities and costs	5.1, 5.2, 5.3, 8	**83**	71
482	**493**	Perpetual Hybrid Tier 1 Capital		**493**	482
479	**479**	Subordinated loan capital		**479**	479
961	**972**	Subordinated loan capital	5.5, 5.7	**972**	961
41 188	**44 989**	Total liabilities		**40 188**	39 132
784	**784**	EC capital	20	**784**	784
0	**-2**	ECs owned by the Bank	20	**-2**	0
186	**186**	Proceeds from EC issue, priced at a premium over par		**186**	186
970	**968**	Paid-in equity capital	19, 20	**968**	970
1 560	**1 698**	Primary Capital Fund		**1 698**	1 560
362	**482**	Dividend Equalisation Fund		**482**	362
33	**32**	Value Adjustment Fund		**32**	33
11	**8**	Fund for Unrealised Gains		**8**	11
317	**229**	Other equity capital		**137**	207
2 283	**2 449**	Equity capital accumulated through retained earnings		**2 357**	2 173
3 253	**3 417**	Total equity capital	19, 20	**3 325**	3 143
44 441	**48 406**	Total liabilities and equity capital		**43 513**	42 275
1 323	**1 242**	Guarantee liabilities	4.4	**1 242**	1 323

Ålesund, 31 December 2011

7 March 2012

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

STATEMENT OF CHANGES IN EQUITY – GROUP

Amounts in NOK million

2011	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjustment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.10	**3 253**	**784**	**186**	**1 560**	**362**	**33**	**11**	**317**
Changes in own Equity Certificates	**-4**	**-2**		**-2**				
Distributed dividend to the EC holders	**-94**							**-94**
Distributed dividend funds to the local community	**-113**							**-113**
Equity capital before allocation of profit for the year	**3 042**	**782**	**186**	**1 558**	**362**	**33**	**11**	**110**
Change in credit spread FVO	**-3**						**-3**	
Transferred to the Primary Capital Fund	**140**			**140**				
Transferred to the Dividend Equalisation Fund	**120**				**120**			
Transferred to other equity capital	**-17**							**-17**
Set aside dividend for the EC holders	**63**							**63**
Set aside dividend funds for the local community	**74**							**74**
Total allocations	**377**			**140**	**120**		**-3**	**120**
Equities available for sale - changes in value	**-1**					**-1**		
Other income and costs from comprehensive income	**-1**					**-1**		
Total comprehensive income from ordinary operations after tax	**376**			**140**	**120**	**-1**	**-3**	**120**
Equity capital 31.12.11 (Notes 19 and 20)	**3 417**	**782**	**186**	**1 698**	**482**	**32**	**8**	**229**

2010	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjustment 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 to 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 dividend for the EC holders	94							94
Set aside dividend funds for the local community	113							113
Total allocations	458			112	97		-1	249
Equities available for sale - changes in value	7					7		
Other income and costs from comprehensive income	7					7		
Total comprehensive income from ordinary operations after tax	465			112	97	7	-1	249
Equity capital 31.12.10 (Notes 19 and 20)	3 253	784	186	1 560	362	33	11	317

STATEMENT OF CHANGES IN EQUITY – PARENT BANK

Amounts in NOK million

2011	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjustment Fund	Fund for Unrealised Gains	Other equity capital
Equity capital 31.12.10	**3 143**	**784**	**186**	**1 560**	**362**	**33**	**11**	**207**
Changes in own Equity Certificates	**-4**	**-2**		**-2**				
Distributed dividend to the EC holders	**-94**							**-94**
Distributed dividend funds to the local community	**-113**							**-113**
Equity capital before allocation of profit for the year	**2 932**	**782**	**186**	**1 558**	**362**	**33**	**11**	**0**
Change in credit spread FVO	**-3**						**-3**	
Transferred to the Primary Capital Fund	**140**			**140**				
Transferred to the Dividend Equalisation Fund	**120**				**120**			
Set aside dividend for the EC holders	**63**							**63**
Set aside dividend funds for the local community	**74**							**74**
Total allocations	**393**			**140**	**120**		**-3**	**137**
Equities available for sale - changes in value	**-1**					**-1**		
Other income and costs from comprehensive income	**-1**					**-1**		
Total comprehensive income from ordinary operations after tax	**392**			**140**	**120**	**-1**	**-3**	**137**
Equity capital 31.12.11 (Notes 19 and 20)	**3 325**	**782**	**186**	**1 698**	**482**	**32**	**8**	**137**

2010	Equity capital	EC capital	Proceeds from EC issue, priced at a premium over par	Primary Capital Fund	Dividend Equalisation Fund	Value Adjustment 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 to 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 dividend for the EC holders	94							94
Set aside dividend funds for the local community	113							113
Total allocations	415			112	97		-1	207
Equities available for sale - changes in value	7					7		
Other income and costs from comprehensive income	7					7		
Total comprehensive income from ordinary operations after tax	422			112	97	7	-1	207
Equity capital 31.12.10 (Notes 19 and 20)	3 143	784	186	1 560	362	33	11	207

CASH FLOW STATEMENT

GROUP				PARENT BANK	
2010	**2011**	Amounts in NOK million	Notes	**2011**	2010
		Cash flow from operational activities			
2 210	**2 428**	Interest, commission and fees received	8	**2 183**	2 080
-1 189	**-1 288**	Interest, commission and fees paid	8	**-1 147**	-1 159
23	**20**	Dividend received	9	**91**	23
-376	**-508**	Paid operating expenses	10, 11, 12, 13	**-483**	-364
-127	**-146**	Payment of tax	17	**-146**	-119
-83	**-394**	Changes relating to loans to and claims on other financial institutions	5	**-751**	-139
-1 606	**-2 297**	Changes relating to repayment loans/leasing to customers	4	**-267**	-191
-226	**-325**	Changes in respect of utilised credit facilities	5	**214**	309
-1 374	**-2 510**	Net cash flow from operational activities		**-306**	440
		Cash flow from investment activities			
6 393	**6 644**	Proceeds from sale of certificates, bonds and other securities	4, 5	**7 170**	6 607
-7 526	**-7 366**	Purchases of certificates, bonds and other securities	4, 5	**-7 366**	-7 526
27	**17**	Proceeds from sale of fixed assets etc.	14	**0**	0
-68	**-100**	Purchases of fixed assets etc.	14	**-36**	-10
-70	**-96**	Changes of various assets etc.	15, 16	**-151**	-55
-1 244	**-901**	Net cash flow from investment activities		**-383**	-984
		Cash flow from funding activities			
2 757	**773**	Changes relating to deposits from customers	4, 5 ,12	**762**	2 755
-687	**-234**	Changes relating to deposits from Norges Bank and other financial institutions	5	**-375**	-671
2 322	**5 476**	Net payments received in respect of proceeds from bond issues raised	5	**2 327**	258
-1 734	**-2 403**	Payment on redemption of debt securities	5	**1 791**	-1 734
-73	**-94**	Payment of dividend	20	**-94**	-73
-14	**73**	Changes of other debt	5, 8, 13	**40**	-38
-1	**0**	Changes in equity due to scrip issue	20	**0**	-1
2 570	**3 591**	Net cash flow from funding activities		**869**	496
-48	**180**	Net changes on cash holdings		**180**	-48
682	**634**	Holdings of cash 01.01		**634**	682
634	**814**	Holdings of cash 31.12	5	**814**	634

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. 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.

Notes Amounts in NOK million

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 1 February 2012. The final annual accounts were presented by the Board of Directors on 7 March 2012.

The Group's operations are described in note 8 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 2011.

The consolidated financial statements are based on historical cost, with the exception of:
- financial assets available for sale
- financial assets and liabilities (including financial derivatives) measured at fair value through profit or loss
- financial instruments that are recorded as fair value hedges, where fair value changes due to changes in market interest rates are recognised through profit or loss

Changes in accounting principles and presentation (classifications)

There were no changes to accounting principles in 2011.

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 31.12.2011 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 2011.

New standards

The Group has implemented the following new standards in 2011:
IAS 24 Related Party Disclosures:
The definition of related parties has been clarified and simplified in IAS 24.

IASB's annual improvements project 2010
The IASB has issued amendments in several standards through the annual improvements project:

IFRS 3 Business Combinations:
Emphasizes that the amendments in IFRS 7, IAS 32 and IAS 39 which eliminates the exception for contingent consideration, is not applicable for contingent considerations in connection with business combinations in which the acquisition date was before the application date of the revised IFRS 3 (2008).

Furthermore, a limitation has been introduced in the scope for measurement choices for components of non-controlling interest. The measurement choices are now only applicable for the parts of the non-controlling interests that relates to existing interests. Remaining parts of the non-controlling interests should be measured at fair value at the acquisition date.

Amendments have also been made in IFRS 3 to clarify how to account for share-based payments awards in the acquired business that ceases to exist due to the acquisition, which the acquirer is replacing with a new award. Such awards shall be accounted for as salary compensation in the period after the business combination.

IFRS 7 Financial instruments - Disclosure:
It is no longer required to disclose the maximum exposure to credit risk for the financial instruments whose carrying amount best represents the maximum exposure to credit risk, as such a disclosure is only required for financial instruments whose carrying amount does not represent the maximum exposure to credit risk.

Furthermore, it is no longer required to disclose the carrying amount for financial assets where the terms have been renegotiated and otherwise would be past due or impaired unless the renegotiation had taken place.

It is now emphasized that an entity shall disclose a description of collateral held as security and of other credit enhancements, and their financial effect (e.g. a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (deficits in one arrangement cannot be netted with an excess in another arrangement).

The requirement to disclose obtained collateral held as security has been changed to only include obtained collateral held by the reporting entity at the reporting date.

The requirement to provide a description of collateral held by the entity as security and other credit enhancements for financial instruments that are past due at the end of the reporting period but not impaired, and for financial instruments that are individually determined to be impaired, has been deleted. Furthermore, there is no longer a requirement to estimate the fair value of the collateral of these financial instruments.

IAS 1 Presentation of Financial Statements:
IAS 1 now emphasizes that for each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.

The Group has implemented the changes from 1 January 2011. The implementation of new standards in 2011 did not cause changes in comparable figures, and had no effect on equity as per 1 January 2011.

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 2011 accounting year (1 January – 31 December), and which have therefore not been implemented in the Group:

Changes to IFRS 7 Financial instruments - Disclosures (amendment):
The amendment relates to disclosure requirements for financial assets that are derecognised in their entirety, but where the entity has a continuing involvement. The amendments will assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amended IFRS 7 is effective for annual periods beginning on or after 1 July 2011. The Group expects to implement the amended IFRS 7 as of 1 January 2012.

Changes to IFRS 7 Financial instruments - Disclosures:
The changes mean that the company is obligated to provide a number of quantitative disclosures linked to offsetting financial assets and financial liabilities. The disclosure requirements apply to all recognised financial instruments that are offset in accordance with IAS 32. The changes will come into effect in the financial year commencing 1 January 2013 or later, but have not yet been adopted by the EU. Prior application is permitted if the EU adopts the standard. The Group expects to apply the changed standard from 1 January 2013 and onwards.

IFRS 9 Financial instruments:
IFRS 9 as issued reflects the first phase of the IASBs work on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (fair value option), where change in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2015.

IFRS 10 Consolidated Financial Statements:
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 10 as of 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities:
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 12 as of 1 January 2013.

IFRS 13 Fair Value Measurement:
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 13 as of 1 January 2013.

IAS 1 Financial Statement Presentation (amendment):
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012, but is not yet approved by the EU. The Group expects to apply the amended IAS 1 as of 1 January 2013.

Changes to IAS 19 Employee benefits:
Pursuant to the changes in 2011, IAS 19 does not permit "the corridor method" to be used for recognition of actuarial gains and losses. Actuarial gains and losses must now be recognised in their entirety in the statement of comprehensive income in the period in which they arise. Moreover, the change means that the pension cost is split between profit or loss and comprehensive income. The expected return on pension plan assets is determined using a discount rate calculated on gross pension liabilities. Accrued pension entitlements and net interest expense for the period are presented under net income, whereas remeasurements such as actuarial gains and losses are disclosed under other income and expenses in comprehensive income. Furthermore, the disclosure requirements related to defined benefit based pension schemes have been changed. The changes will come into effect for the financial year commencing 1 January 2013 or later, but the EU has not adopted the changes. Prior application is permitted, if the EU adopts the changes. The Group expects to apply the changed standard from 1 January 2013 and onwards.

IAS 27 Separate Financial Statements (as revised in 2011):
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IAS 27 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013, but the revised standard has not yet been approved by the EU. The Group expects to implement the revised IAS 27 as of 1 January 2013.

IAS 32 Financial Instruments - Presentation (amendment):
The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneously. The amended IAS 32 is effective for annual periods beginning on or after 1 January 2014, but the amendment has not yet been approved by the EU. Earlier application is allowed if EU approves the changes and the changes in IFRS 7 which requires information regarding offsetting of financial instruments also are fulfilled. The Group expects to implement the amended IAS 32 as of 1 January 2014.

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, unrealized 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. Transaction costs in connection with acquisitions are recognized as they apply.

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 jointventure 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
Financial assets and financial liabilities are recognised in the balance sheet at the date when the Group becomes a party to the contractual provisions of the instrument. They are derecognised from the date when the rights to the contractual provisions have been extinguished, cancelled or expire.

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. The Bank's classes of financial instruments and the measurement basis for these:

- 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
- Loans and deposits from credit institutions carried in the balance sheet at amortised cost
- Deposits from customers with floating rate carried in the balance sheet at amortised cost
- Deposits from customers with fixed rate assessed at market value, any value changes to be included in the profit and loss account
- 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
- Other financial liabilities carried in the balance sheet at amortised cost

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 securitiesrelated 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 due to changes in the market rate, 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, deposits from customers and loans from credit institutions at floating interest rates, in addition to loans at fixed interest rates secured at market value is carried 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 at the time of transaction (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 were added value at the time of transaction are recognised on the balance sheet at cost. 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.

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 macroeconomic 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, as well as the Bank's risk by sale of structured products. 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. Hedging gains and losses result in an adjustment of the balance sheet value of secured loans. The hedging adjustments are amortised over the remaining period of the hedging by adjusting the loans' effective interest rate if the hedging no longer is effective, if hedging is discontinued or by other termination of hedging. By applying this principle, 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. If the basis for previous years' write-downs no longer is present, the previous years' write-downs are reversed and included in the profit and loss account. 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 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 2011.

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

Costs relating to equity capital transactions

Transaction costs relating to equity capital transactions are shown in direct relation to the equity capital.

Other equity capital items

The Value Adjustment Fund consists of aggregate net value changes relating to fair market value for financial instruments classified as available for sale. The Fund for Unrealised Gains relates to changes in credit spread FVO in connection with the Group's securities-based debt. Realised gains and losses, coupled with write-downs, are incorporated in the profit and loss account during the period in which they occur. The Group does not have convertible bonds or any other financial instruments which can be converted into equity capital.

2.10 Accounting treatment of income

Interest income is recognised as income using the effective interest rate method. This involves interest income being recognised when received plus amortisation of establishment fees. The effective interest rate is set by discounting contractual cash flows within the expected term. All fees exceeding the direct transaction costs related to interest-bearing loans and borrowings are included in the calculation of the balance sheet item's effective interest rate and are amortised over the expected term.

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

All fees receivable relating to payment transactions are included as income in the profit and loss account on an ongoing basis. Commissions and fees derived from the sale or brokerage of shares, unit trust certificates, property or similar investment objects which do not generate balance sheet items in the Bank's accounts, are included as income in the profit and loss account when they have accrued. Customer transactions with financial instruments will generate revenue in the form of margins and brokerage which is booked as income once the trade in question has been completed. Margin income may have been 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 liabilities incurred as a result of future changes in the contract's market value. If the 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 received.

2.11 Staff remuneration - pension

All wages, salaries and other remuneration paid to the Bank's Chief 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. Please see note 12 for a description of the benefits paid to the Bank's CEO and appropriate parties, involving wages, salaries, other remuneration, pensions, loans and guarantees.

Benefit-based pension scheme

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 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. 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 8. 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.

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, and swap rates in the interbank market for the extrapolation of the curvature over 10 years, 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 13 for additional information.

3 RISK MANAGEMENT

Strategy

Sparebanken Møre's long-term strategic development and target achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, to ensure effective operations and the handling of risks which can prevent the achievement of businessrelated 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 documented according to current laws, rules, regulations and statutes, and shall, at least once a year, prepare an overall assessment of the risk situation, which shall be presented to the Board for their consideration.

The Risk Management Department is responsible for preparing and designing systems, guidelines and procedures for identifying, measuring, reporting and following up the Bank's most important inherent risks. The department has the responsibility to ensure that the total risk exposure of Sparebanken Møre, including results of conducted stress tests, is reported to the CEO and the Board. Further the department bears primary responsibility for the IRB process in the Group. It is also a key setter of conditions and adviser in the strategy process concerning risk assessments, risk tolerance and operationalisation of the Bank's overall goals with 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 CEO, 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, consideration is made whether commitments are in accordance with the Group's credit risk strategy, credit policy, credit-granting rules and regulations, and credit-handling routines.

The internal auditing is a monitoring function which, independent of the rest of the Bank's administration, deals with systematic risk assessments, control and examination of the Group's internal control in order to ascertain whether it works according to its purpose and in a reassuring manner. The Bank`s Board approves the resources and annual plans of the internal auditing. The internal auditor should also discuss the plan and scope of the audit work with the Audit Committee. Sparebanken Møre's internal auditing was provided by PWC in 2011. With effect from 1 February 2012, BDO will be the provider of internal audit services to Sparebanken Møre.

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 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. At the end of the quarter the risk report 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, Audit Committee and Board of Directors, and the Control 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, Audit Comittee 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, Audit Committee 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 Audit Committee and 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, Audit Committee 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.

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. The alternatives are listed in a prioritized order, with description of measures, and indication of planned implementation if necessary. The Group's own ICAAP guidelines also stipulate quantitative limits for when the measures shall formally be assessed and possibly implemented.

In 2011 Sparebanken Møre changed its internal target for capital adequacy. Current long-term defined goal is core capital ratio (tier 1) of minimum 11 per cent, an increase from previous 10 per cent. The basis for the goal is the economic scenarios and frameworks implemented in the long-term strategic plan of the Group, amongst other things. 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 applied to the FSA for approval for the use of IRB Basic method for credit risk. See note 19 regarding "Capital adequacy" for further details regarding the IRB process, as well as comments related to the new regulations in Basel III.

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. Counterparty risk and concentration risk are also included in this area of risk.
- **Market risk:** The risk of loss involving market values relating to portfolios of financial instruments as a result of fluctuations in share prices, foreign exchange rates and interest rates.
- **Funding risk:** The risk of the 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. The level of the institution`s capital is a key condition to attract necessary funding at any time.
- **Operational risk:** The risk of loss due to insufficient or failing internal processes and systems, or due human error or external events.

Sparebanken Møre tries to take account of the interaction between the various risk areas when setting desired levels of exposure. Overall it is the internal conditions, general conditions, customer base, etc 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 19 regarding capital adequacy for further comments concerning financial capital.

Credit risk

Credit risk represents Sparebanken Møre's biggest risk area. Included in this risk area are counterparty risk and concentration risk. The Group is exposed to this type of risk through its lending 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 Groups's risk profile within the credit area in the most appropriate and effective manner. Furthermore, limits, guidelines, and power of attorney-related rules and regulations have been established which underpin and support Sparebanken Møre's credit risk strategy and long-term strategic plan.

The core values of Sparebanken Møre are "Close, Competent and Solid". The values are to be reflected in all contact with the marked, create added value for the customers and help create a positive view of Sparebanken Møre. The credit policy is intended to promote a credit culture in which creditworthiness is viewed in a long-term perspective, where general and industry economic fluctuations are taken into account. Sparebanken Møre shall conduct itself in accordance with high ethical standards and shall not be associated with activities, customers or industries of dubious repute. The Group is open to all types of customers within defined market areas, and discrimination based on the customer`s age, gender, nationality, religion or marital status shall not 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 grant authorisations are personal and graded after criterias like the size of grant, the limit of the commitment (corporate customers), the customers total debt (retail customers), and class of risk. Further, the power of attorney is related to the job level.

Sparebanken Møre actively uses internal reports in order to monitor the level and development of the Group's credit portfolio. Each member of staff with customer responsibility has access to reports which show the position and development in the credit risk in his or her portfolio. The reports are prepared on a hierarchical basis, enabling the Bank's management to monitor the development within their own area of responsibility. The reports are also used to analyse customers, portfolios and different 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
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. It is also necessary to have sufficient competition in products and instruments that are traded, as well as diversification in market and geography for Sparebanken Møre.

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

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

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

- **Interest rate risk:** Consists of market risk associated with positions in interest-bearing financial instruments, including derivatives with underlying interest instruments. Investments in bond funds and money market funds are included under the interest risk assessment. Interest rate risk related to banking, that is, interest rate risk arising as a result of varying fixing of interest rate on loans and deposits as well as hedging transactions related to it, are considered separately and will have its own set of risk parameters. Exposure is measured as potential loss from a change in interest rates of 1 percentage point. See Note 5.2 for the Group's interest rate risk.

- **Equity risk:** Consists of market risk on positions in equity instruments, including derivatives with underlying equity instruments. Investments in mutual funds and combination funds are included in the equity risk assessment. Shares in subsidiaries are not included.

Sparebanken Møre`s holdings of equity instruments are grouped into five portfolios:

- **Subsidiarie**s - ownership positions in companies where there is a group relationship, that is, in a company where the Bank can exercise influence, are intended for permanent ownership or falls naturally under the Group's operations. The purpose of the investment is of strategic commercial nature.
- **Business strategic** - long-term ownership of subcontractors and business partners to further develop and ensure delivery of good quality infrastructure and products to the Bank's business. The purpose of the shareholdings is to contribute to influence the development of industry infrastructure, and product deliveries, and thus indirectly creating added value for the Bank's business.

- **Market strategic** - investments in locally-owned establishments that have a socially useful purpose within infrastructure, economic development, culture, sports and general social development.
- **Restructuring** - investments in equity that are carried out in connection with the restructuring of loan commitments.
- **Trading portfolio** - investments with the aim to create added value in parts of Sparebanken Møre`s surplus capital.

Sparebanken Møre has a very limited trading portfolio. Sparebanken Møre`s financial risk in 2011 is considered to have been low and reassuring. See Note 5.4 for the Group's equity risk.

- **Currency risk:** Consists of the risk of losses when exchange rates change. All financial instruments and other positions with currency risk are included in the assessment. Currency risk on the banking book, that is, foreign exchange risk arising as a result of hedging customer trading, including lending / deposit business, is considered separately and will have its own set of risk parameters.

  Sparebanken Møre`s exposure to currency risk is a result of mismatch between the underlying business and hedging transactions, and the necessary reserves of the Group's work accounts in foreign banks. Changes in exchange prices in the market cause changes in the value of Sparebanken Møre`s currency position. The currency position also includes Sparebanken Møre`s cash holdings of notes denominated in foreign currency. Sparebanken Møre has no trading portfolio of FX contracts. Sparebanken Møre`s currency risk is low and well within the limits specified in the regulations. See Note 5.3 for the Group's currency risk.

- **Spread risk:** Defined as the risk of changes in market value / real value of bonds etc. and investments as a result of general changes in credit spreads.

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

Total limit for market risk is defined as the maximum loss on a stress scenario where the FSA`s methodology is applied. The approved overall market risk limit is delegated to the CEO, while the head of the Finance & Currency division has administrative authority for the overall market risk limit.

Section Finance & Currency has an independent responsibility for ongoing monitoring of positions within the various portfolios and daily follow up, or with the frequency required in relation to the level of activity. The Risk Management department has primary responsibility for monitoring, reporting and control of the market risk area. Back office is responsible for transaction control and processing of payment transactions.

SimCorp Dimension (SCD) is the principal risk management system in Sparebanken Møre related to the market risk area. The system provides current status of market development via real-time prices from Reuters. All financial instruments are recorded in the system and monitored continuously. The risk management department is responsible for good quality in valuation of financial instruments. The department monitors the compliance of the risk management framework and strategy continuously. If activities exceed the limits or strategy, written reporting instructions are specified.

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

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

Funding risk

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

The management of the Group’s funding risk is based on the overall financing 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.

Sparebanken Møre has established contingency plans for managing the funding situations in times of troubled financial markets. Stress test models have also been developed that deal with various scenarios other than a normal situation. 3 different stress scenarios are defined:

1. Severe bank specific crisis
2. Mild system specific crisis
3. Severe system specific crisis

Based on the various crisis scenarios targets are determined as for how long Sparebanken Møre should be able to handle situations on the basis of funding reserves and other implementing of measures. For further descriptions of the stress tests conducted on the funding area, reference is made to Sparebanken Møre’s Pilar III – document, available on the Group’s web site.

The funding section in Sparebanken Møre is organised within The Funding and Foreign Exchange Section. The section controls the funding on a day to day basis and has the responsibility to meet the funding requirements in Sparebanken Møre, including utilization of the mortgage company Møre Boligkreditt AS.

Liquidity control management is maintained by both the Finance & Currency section and the Risk Management department. In this respect there is a distinction between the overall and the daily operational cash management and control. The daily operational management responsibility is handled by the Finance & Currency department, while the overall risk management, including strategies and framework controls, are handled by the Risk Management department.

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

- CEO
- Executive Vice President International Business and Treasury Division
- Chief Information Officer
- Executive Vice President Financial Control and Risk Management
- Executive Vice President Ålesund/Sula Region Corporate banking
- Executive Vice President Ålesund/Sula Region Retail banking
- CEO Møre Boligkreditt AS
- Vice President Foreign Exchange
- Vice President Treasury and Risk Management

The Board receives monthly reports of the liquidity situation. This report includes several key figures, such as the deposit to loan ratio, liquidity indicator 1 and 2, LCR, NSFR, proportion of long-term foreign currency financing, capital market instruments by maturity, liquidity development, 10 largest depositors, etc. In addition, early warning signals are reported by viewing the development of financial strength, balance sheet numbers, losses/defaults, the development of the cost of funds for both foreign currency and NOK.

The funding risk is attempted reduced by spreading funding on different markets, sources, 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 101.5 (105.8) at year-end 2011. 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 62.8 per cent (65.8 per cent) at year-end 2011.

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 licence from the FSA to operate as a mortgage company. The establishment of the company provides the Group with increased diversification of its funding sources. In 2011, the company issued covered bonds quoted in Norwegian krone (NOK) and Sweden krone (SEK). The Parent Bank has throughout the year transferred parts of the residential mortgage portfolio to the mortgage company.

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

The Board of Sparebanken Møre has decided that a low to moderat risk profile is accepted related to operational risk. An overall risk strategy for the risk area is not established, but there are several documents that support the Group's risk management. These documents include the ICT-area, contingency plans for personnel and property, security handbooks, authorisation structures, ethical guidelines and insurance strategies. Further, there are established guidelines for compliance of:

- Money laundering Act with regulations
- Securities Trading Act with regulations
- ICT-regulation

The Group's Legal Department helps to monitor and reduce operational risk. Also, the Compliance Department has increased staffing during the past year and there are established Board adopted instructions, work plans and action plans for this department. 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.

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

Beyond the annual management report and annual ICAAP, the Bank's management and Board receive reports throughout the year which includes areas that are included in operational risk; compliance reports, safety reports, reports from the Internal Auditor, reports from the External Auditor, work environment surveys, internal service quality surveys, ICT – reporting, industry analysis, as well as any reports from the authorities.

For noted items in the reporting, measures are prepared to cope with deviations, and deadlines and persons in charge are given. Monitoring of the performance level for the measures is followed by the Business Committee on a monthly basis.

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 decentralized 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 Audit Committee and 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 Audit Committee and 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 Audit Committee and 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 specific 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 whithin 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 2011

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
31 910	740	3 539	36 189	Low risk (0% - < 1%)	24 040	740	3 066	27 818
6 088	319	527	6 934	Middle risk (1% - < 4%)	5 580	319	527	7 480
1 897	28	93	2 018	High risk (4% - <100%)	1 771	28	93	1 892
806	5	8	819	Commitments in default	798	5	8	811
40 701	1 092	4 167	45 960	Total loans before individual and collective write-downs	32 189	1 092	3 694	38 001
-396	0	0	-396	- Provisions (specific and non-specific loss provisions)	-389	0	0	-389
40 305	1 092	4 167	45 564	Net loans to and claims on customers as at 31.12.2011	31 800	1 092	3 694	37 612

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

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	0	0	407	- Provisions (specific and non-specific loss provisions)	402	0	0	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.

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 2011 has been calculated at 0.17 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 during the next 12 months)

GROUP			PARENT BANK	
2010	2011		2011	2010
0.16	**0.17**	Estimated expected loss as a percentage of gross commitments as at 31.12	**0.17**	0.16

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.

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	**2011**	2010	**2011**	2010	**2011**	2010
Agriculture and forestry	**471**	484	**160**	155	**1**	1
Fisheries	**3 127**	3 192	**571**	390	**28**	105
Industry and mining	**1 251**	1 238	**1 536**	1 515	**321**	350
Building and construction	**726**	678	**418**	364	**126**	121
Wholesale and retail trade, hotel industry	**773**	770	**817**	693	**68**	70
Foreign shipping/supply	**1 817**	1 981	**513**	531	**427**	426
Property management	**5 144**	3 966	**1 213**	1 094	**74**	93
Professional/financial service	**634**	698	**1 813**	1 402	**0**	6
Transport and private/public service industry	**1 371**	1 362	**1 762**	1 695	**37**	39
Public entities	**11**	12	**693**	1 531	**0**	0
Non-Norwegian lending	**8**	11	**2**	2	**0**	0
Miscellaneous	**73**	44	**1 520**	1 905	**0**	0
Total Corporate/Public entities	**15 406**	14 436	**11 018**	11 277	**1 082**	1 211
Retail customers	**25 295**	23 647	**14 307**	13 274	**10**	12
Total Gross loans/Deposits	**40 701**	38 083	**25 325**	24 551	**1 092**	1 223
Specific loss provisions	**-265**	-281				
Non-specific loss provisions	**-131**	-126				
Net loans	**40 305**	37 676				
Loans/deposits with floating interest rate	**37 996**	35 865	**24 365**	23 840		
Loans/deposits with fixed interest rate	**2 705**	2 218	**960**	711		

Parent Bank	Gross loans		Deposits		Guarantees	
Broken down according to sectors	2011	2010	2011	2010	2011	2010
Agriculture and forestry	438	448	160	155	1	1
Fisheries	3 110	3 170	571	390	28	105
Industry and mining	1 043	1 030	1 536	1 515	321	350
Building and construction	602	551	418	364	126	121
Wholesale and retail trade, hotel industry	718	709	817	693	68	70
Foreign shipping/supply	1 794	1 956	513	531	427	426
Property management	5 154	4 011	1 217	1 112	74	93
Professional/financial service	612	675	1 813	1 402	0	6
Transport and private/public service industry	1 297	1 291	1 771	1 702	37	39
Public entities	2	4	693	1 531	0	0
Non-Norwegian lending	8	11	2	2	0	0
Miscellaneous	73	41	1 520	1 905	0	0
Total Corporate/Public entities	14 851	13 897	11 031	11 302	1 082	1 211
Retail customers	17 338	18 239	14 307	13 274	10	12
Total Gross loans/Deposits	32 189	32 136	25 338	24 576	1 092	1 223
Specific loss provisions	-259	-276				
Non-specific loss provisions	-130	-126				
Net loans	31 800	31 734				
Loans/deposits with floating interest rate	29 484	29 918	24 378	23 865		
Loans/deposits with fixed interest rate	2 705	2 218	960	711		

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 portfolio and deposits with floating interest rates are assessed at amortised cost. Fixed interest loans and deposits are assessed at actual value.

GROUP			PARENT BANK	
2010	2011	Gross loans by type	2011	2010
576	553	Financial leasing agreements	0	0
1 502	1 432	Overdraft- and working credit facilities	1 432	1 502
206	196	Working credits	196	206
165	208	Housing loans	208	165
636	525	Building loans	570	681
2 218	2 705	Fixed interest loans	2 705	2 218
23 561	25 290	Loans with security in buildings	17 142	18 122
9 178	6 131	Other down-payment loans	6 276	9 201
41	3 661	Other loans	3 661	41
38 083	40 701	Total gross loans to and claims on customers	32 189	32 136
-407	-396	Specific and non-specific loss provisions	-389	-402
37 676	40 305	Net loans to and claims on customers	31 800	31 734

GROUP			PARENT BANK	
2010	2011	Interest income	2011	2010
1 839	1 983	Interest income from loans to and claims on customers	1 676	1 630
-115	-108	Interest income on the loan portfolio measured at fair value	-108	-115
1 724	1 875	Interest income on the loan portfolio measured at amortised cost	1 568	1 515

GROUP		
2010	2011	Leasing volume by type of asset
10	8	Office- and electronic machines
324	306	Industrial equipment/machines
172	168	Transport equipment
76	79	Private cars
16	15	Building and construction
598	576	Gross leasing volume
-5	-6	Specific write-downs
593	570	Net leasing volume
25	23	- of which leasing to the Parent Bank accounts for (internally netted out in the Group accounts)
		Present value of income from financial leasing received
171	166	Within 1 year
283	279	Within 1 - 5 years
24	22	After a period of more than 5 years
478	467	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 175 million within 1 year, NOK 326 million between 1 and 5 years, and NOK 29 million for more than 5 years, calculated as at 31.12.2011.

Geographical specification

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
GROUP	2011	2010	2011	2010	2011	2010	2011	2010
Gross loans	34 728	31 730	5 894	6 278	79	75	40 701	38 083
In percentage	85.3	83.3	14.5	16.5	0.2	0.2	100.0	100.0
Deposits	21 550	21 085	3 575	3 285	200	181	25 325	24 551
In percentage	85.1	85.9	14.1	13.4	0.8	0.7	100.0	100.0
Guarantees	1 204	1 099	38	124	0	0	1 242	1 223
In percentage	96.9	89.9	3.1	10.1	0.0	0.0	100.0	100.0
PARENT BANK	2011	2010	2011	2010	2011	2010	2011	2010
Gross loans	27 730	26 889	4 399	5 172	60	75	32 189	32 136
In percentage	86.1	83.7	13.7	16.1	0.2	0.2	100.0	100.0
Deposits	21 550	21 110	3 588	3 285	200	181	25 338	24 576
In percentage	85.1	85.9	14.2	13.4	0.8	0.7	100.0	100.0
Guarantees	1 204	1 099	38	124	0	0	1 242	1 223
In percentage	96.9	89.9	3.1	10.1	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 writedown 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 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 model looks at both total borrowing and funding expenses, administration costs 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.

The last few years have been characterised by international economic instability. There has been, and continues to be, substantial uncertainty surrounding various countries' national debt. The macroeconomic picture for Norway appears to be 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 2012 and 2013. Nevertheless the situation at the end of 2011 is more uncertain than it was previously, and there are a wide range of possible outcomes. If the debt problems in Europe fail to be resolved in a satisfactory manner, they may cause a recession, and this would result in a weaker economic outlook for Norway than expected in the main scenario.

Based on analyses performed by Statistics Norway the outlook for Møre og Romsdal is expected to be bright in the coming years. Nonetheless the performance of the different sectors will vary, and there is a downside risk. We forecast mild growth with downside risk for industry and tourism in the county. Private sector service providers are forecast to deliver strong growth performance, and the public sector is also expected to see increased levels of activity. The building and construction industry will increase production, and the high activity levels in the areas of energy supply, shipbuilding and the oil industry will be sustained. The most obvious elements of risk, according to Statistics Norway's forecasts for Møre og Romsdal, will be developments in the international economy, the oil price, the exchange rate of the Norwegian kroner, the Norwegian property market and sentiment in the household sector. Sentiment in the household sector is also expected to be affected by changes in interest rates in the retail banking market. Despite expectations that Norges Bank's key interest rate will remain low in the future, the interest rate for bank customers may nonetheless increase as a result of higher financing costs for the banking industry.

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. Nevertheless an important consideration is that house price trends may be affected by the level of household interest rates and income development.

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	
2010	2011		2011	2010
-10	-13	Changes in specific loss provisioning and guarantees during the period	-13	-13
-10	5	Changes in non-specific loss provisioning during the period	4	-10
43	44	Confirmed losses during the period where specific provisioning had previously been made	43	43
14	11	Confirmed losses during the period where specific provisioning had previously not been made	10	14
6	7	Recoveries	7	6
31	40	**Losses on loans, guarantees etc.**	37	28

Specific provisions in respect of loans

GROUP			PARENT BANK	
2010	2011		2011	2010
264	281	Specific loss provisions on loans 01.01	276	260
43	44	Confirmed losses on loans during the period, where specific provisioning had previously been made	43	43
20	64	Changes in specific provisioning during the period	63	20
149	41	Specific provisioning during the period	40	148
109	77	Recoveries on specific provisioning during the period	77	109
281	265	**Specific provisions against losses on loans 31.12**	259	276

Non-specific write-down on loans

GROUP			PARENT BANK	
2010	2011		2011	2010
137	126	Non-specific write-down on loans 01.01	126	136
-11	5	Changes during the period	4	-10
126	131	**Non-specific write-down on loans 31.12**	130	126

Specific provisioning in respect of guarantees

GROUP			PARENT BANK	
2010	2011		2011	2010
46	12	Specific provisioning 01.01	12	46
0	2	Specific provisioning during the period	2	0
34	0	Recoveries on specific provisioning during the period	0	34
12	14	**Specific provisions 31.12**	14	12

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

	2011			2010		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate
1-3 months	**85**	**33**	**52**	67	52	15
3-6 months	**40**	**14**	**26**	82	36	46
6-12 months	**181**	**24**	**157**	71	35	36
Over 12 months	**78**	**45**	**33**	92	36	56
Gross loans in default	**384**	**116**	**268**	312	159	153
Specific write-downs	**136**	**13**	**123**	53	19	34
Net loans in default	**248**	**103**	**145**	259	140	119
PARENT BANK	Total	Retail	Corporate	Total	Retail	Corporate
1-3 months	**85**	**33**	**52**	67	52	15
3-6 months	**40**	**14**	**26**	79	36	43
6-12 months	**175**	**24**	**151**	71	35	36
Over 12 months	**78**	**45**	**33**	92	36	56
Gross loans in default	**378**	**116**	**262**	309	159	150
Specific write-downs	**131**	**13**	**118**	52	19	33
Net loans in default	**247**	**103**	**144**	257	140	117

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

	2011			2010		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate
Gross lending volume	**488**	**75**	**413**	674	93	581
Specific write-downs	**129**	**17**	**112**	227	22	205
Net lending volume	**359**	**58**	**301**	447	71	376
PARENT BANK	Total	Retail	Corporate	Total	Retail	Corporate
Gross lending volume	**488**	**75**	**413**	667	93	574
Specific write-downs	**128**	**17**	**111**	224	22	202
Net lending volume	**360**	**58**	**302**	443	71	372

Development last five years

Commitments in default in excess of 3 months

GROUP						PARENT BANK				
2007	2008	2009	2010	**2011**		**2011**	2010	2009	2008	2007
118	168	205	249	**299**	Gross loans in default	**293**	242	205	168	118
11	26	52	39	**130**	Specific write-downs	**125**	39	52	26	11
107	142	153	210	**169**	Net loans in default	**168**	203	153	142	107
0.3	0.4	0.4	0.5	**0.4**	Net lending volume in default as a percentage of gross lending volume	**0.5**	0.6	0.5	0.4	0.3

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

GROUP						PARENT BANK				
2007	2008	2009	2010	**2011**		**2011**	2010	2009	2008	2007
857	780	857	674	**488**	Gross loans in default	**488**	667	857	772	857
209	237	258	227	**129**	Specific write-downs	**128**	224	254	235	209
648	543	599	447	**359**	Net loans in default	**360**	443	603	537	648
2.0	1.5	1.6	1.2	**0.9**	Net lending volume of other bad and doubtful commitments as a percentage of gross lending volume	**1.1**	1.4	1.9	1.5	2.1

Write-downs on loans/guarantees

GROUP	2011			2010		
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	-1	-0.25	1.2	4	0.76	1.3
Fisheries	-5	-0.16	7.7	1	0.05	8.4
Industry and mining	-18	-1.52	3.1	-55	-3.80	3.3
Building and construction	5	0.75	1.8	10	1.43	1.8
Wholesale and retail trade, hotel industry	5	0.59	1.9	19	2.50	2.0
Foreign shipping/supply	30	1.51	4.5	51	2.49	5.2
Property management	15	0.39	12.6	1	0.03	10.4
Professional/financial service	0	0.00	1.6	0	0.00	1.8
Transport and private/public service industry	0	0.00	3.4	8	0.58	3.6
Public entities	0	0.00	0.0	0	0.00	0.0
Non-Norwegian lending	0	0.00	0.0	0	0.00	0.0
Miscellaneous	0	0.00	0.2	0	0.00	0.1
Total commercial and industrial sectors	31	0.22	37.9	39	0.28	37.9
Retail customers	2	0.01	62.1	4	0.02	62.1
Non specific write-downs	5	0.01		-11	-0.03	
Total customers	38	0.10	100.0	32	0.09	100.0
Credit institutions	2	0.01		-1	0.00	
Total	40	0.11		31	0.09	

PARENT BANK	2011			2010		
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	-1	-0.27	1.4	4	0.82	1.4
Fisheries	-5	-0.16	9.7	1	0.05	9.9
Industry and mining	-20	-1.99	3.2	-55	-4.44	3.2
Building and construction	5	0.93	1.9	8	1.52	1.7
Wholesale and retail trade, hotel industry	5	0.64	2.2	19	2.69	2.2
Foreign shipping/supply	30	1.53	5.6	51	2.52	6.1
Property management	15	0.39	16.0	1	0.03	12.5
Professional/financial service	0	0.00	1.9	0	0.00	2.1
Transport and private/public service industry	0	0.00	4.0	7	0.58	4.0
Public entities	0	0.00	0.0	0	0.00	0.0
Non-Norwegian lending	0	0.00	0.0	0	0.00	0.0
Miscellaneous	0	0.00	0.2	0	0.00	0.1
Total commercial and industrial sectors	29	0.21	46.1	36	0.27	43.2
Retail customers	2	0.01	53.9	3	0.02	56.8
Non specific write-downs	4	0.01		-10	-0.03	
Total customers	35	0.11	100.0	29	0.09	100.0
Credit institutions	2	0.01		-1	0.00	
Total	37	0.12		28	0.09	

Not recognised interest on impaired loans

GROUP			PARENT BANK	
2010	2011		2011	2010
17	21	Accured interest on loans shown in the balance sheet 01.01, not yet booked as income	21	17
2	1	Previous periods' interest on loans, booked as income during the period	1	2
5	9	Accured interest on loans which are no longer shown in the balance sheet, not yet booked as income	9	5
11	13	Accured - during the period - interest on loans, identified as losses, not yet booked as income	13	11
21	24	Accured interest on loans shown in the balance sheet 31.12, not yet booked as income	24	21

Gross loans - losses - Commitments in default 31.12.2011

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	471	5		466	1	4	16	53
Fisheries	3 127	27		3 100	28	13	128	87
Industry and mining	1 251	24		1 227	321	26	51	679
Building and construction	726	18		708	126	49	8	171
Wholesale and retail trade, hotel industry	773	7		766	68	6	6	276
Foreign shipping/supply	1 817	30		1 787	427	0	124	1
Property management	5 144	23		5 121	74	66	54	388
Professional/financial service	634	0		634	0	0	0	59
Transport and private/public service industry	1 371	90		1 281	37	104	26	261
Public entities	11	0		11	0	0	0	170
Non-Norwegian lending	8	0		8	0	0	0	0
Miscellaneous	73	0		73	0	0	0	0
Total Commercial/Public entities	15 406	224	80	15 102	1 082	268	413	2 145
Retail customers	25 295	41	51	25 203	10	116	75	2 022
Total	40 701	265	131	40 305	1 092	384	488	4 167

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	24	76	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	153	581	1 538
Retail customers	23 647	41	43	23 563	12	159	93	1 787
Total	38 083	281	126	37 676	1 223	312	674	3 325

Gross loans - losses - Commitments in default 31.12.2011

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	438	5		433	1	4	16	53
Fisheries	3 110	27		3 083	28	13	128	87
Industry and mining	1 043	19		1 024	321	21	51	679
Building and construction	602	18		584	126	49	8	171
Wholesale and retail trade, hotel industry	718	7		711	68	6	6	276
Foreign shipping/supply	1 794	30		1 764	427	0	124	1
Property management	5 154	23		5 131	74	66	54	418
Professional/financial service	612	0		612	0	0	0	59
Transport and private/public service industry	1 297	89		1 208	37	103	26	261
Public entities	2	0		2	0	0	0	170
Non-Norwegian lending	8	0		8	0	0	0	0
Miscellaneous	73	0		73	0	0	0	0
Total Commercial/Public entities	14 851	218	80	14 553	1 082	262	413	2 175
Retail customers	17 338	41	50	17 247	10	116	75	1 519
Total	32 189	259	130	31 800	1 092	378	488	3 694

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

4.4 - Liabilities/contingent liabilities - guarantee liabilities

GROUP			PARENT BANK	
2010	2011		2011	2010
455	371	Payment guarantees	371	455
375	353	Contract guarantees	353	375
351	314	Loan guarantees	314	351
42	54	Other guarantee liabilities	54	42
1 223	1 092	Guarantee liabilities relating to customers	1 092	1 223
100	150	Guarantee - credit institutions	150	100
0	0	Guarantee provided for the Savings Bank's Guarantee Fund (SBGF)	0	0
1 323	1 242	Guarantee liabilities 31.12	1 242	1 323
3 325	4 167	Drawing rights facilities for customers	3 694	3 346
		Breakdown according to different commercial, industrial and other sectors is shown in note 4.3.		
		Assets pledged as collateral security for loans etc.		
2 075	2 657	Sertificates and bonds pledged as collateral security for access to loans from Norges Bank	2 657	2 075
860	860	Utilised under loan facility from Norges Bank	860	860
6	9	Letters of credit 1)	9	6

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 31.12.2011, the Group is involved in 1 legal dispute. 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.

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 - 2011	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	717					94	811
on central banks	Cur	3						3
Loans to and claims	NOK	526						525
on credit institutions	Cur	39						39
Loans and claims	NOK	6 218	270	1 226	7 521	21 928	-396	36 768
on customers	Cur	3 537						3 537
Certificates, bonds and	NOK	145	88	781	2 585	558		4 157
other interest-bearing sec.	Cur		86	54	834	95		1 069
Other	NOK						1 228	1 228
assets	Cur						269	269
Total assets		11 184	444	2 061	10 941	22 582	1 195	48 406
Debt to	NOK	496	1 463		2 176			4 136
credit institutions	Cur	319	130		156			606
Deposits from and	NOK	24 998						24 998
liabilities to customers	Cur	327						327
Borrowings raised through	NOK	197	1 136	1 689	7 322	2 456		12 799
the issue of securities	Cur							0
Other	NOK						898	898
liabilities	Cur						253	253
Subordinated loan	NOK					972		972
capital	Cur							0
Equity capital	NOK						3 418	3 418
Total liabilities and equity capital		26 337	2 730	1 689	9 653	3 428	4 569	48 406
Net total for all items		-15 153	-2 286	372	1 288	19 154	-3 374	

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	

PARENT BANK - 2011	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	717					94	811
on central banks	Cur	3						3
Loans to and claims	NOK	1 528						1 528
on credit institutions	Cur	39						39
Loans and claims	NOK	6 197	226	1 019	4 231	16 979	-389	28 263
on customers	Cur	3 539						3 537
Certificates, bonds and	NOK	145	88	789	3 505	1 932		6 459
other interest-bearing sec.	Cur		86	54	834	95		1 069
Other	NOK						1 535	1 535
assets	Cur						269	269
Total assets		12 166	400	1 862	8 570	19 006	1 509	43 513
Debt to	NOK	606	1 463		2 176			4 245
credit institutions	Cur	319	130		156			606
Deposits from and	NOK	25 011						25 011
liabilities to customers	Cur	327						327
Borrowings raised through	NOK	197	1 136	1 698	4 341	592		7 964
the issue of securities	Cur							0
Other	NOK						811	811
liabilities	Cur						253	253
Subordinated loan	NOK					972		972
capital	Cur							0
Equity capital	NOK						3 325	3 325
Total liabilities and equity capital		26 459	2 730	1 698	6 672	1 565	4 389	43 513
Net total for all items		-14 294	-2 330	165	1 898	17 442	-2 880	

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	

5.2 - Interest rate risk

Sparebanken Møre measures interest rate risk through analyses which show the impact on the overall result of a 1-year period 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.

GROUP - 2011	Up to 1 month	1 - 3 months.	3 - 12 months.	1 - 5 years	Over 5 years	Total
NOK	-1	5	0	-3	-2	-1
Cur	0	2	4	-7	0	-1
Total	-1	7	4	-10	-2	-2

GROUP - 2010	Up to 1 month	1 - 3 months.	3 - 12 months.	1 - 5 years	Over 5 years	Total
NOK	-2	7	5	-1	0	9
Cur	1	-2	-2	-1	0	-4
Total	-1	5	3	-2	0	5

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.

PARENT BANK - 2011	Up to 1 month	1 - 3 months.	3 - 12 months.	1 - 5 years	Over 5 years	Total
NOK	3	4	-1	-4	-2	0
Cur	0	2	4	-7	0	-1
Total	3	6	3	-11	-2	-1

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

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.

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 and unrealised 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 - 2011	Total	NOK	Currency	USD	EUR	JPY	CHF	Other
Cash in hands and claims on central banks	814	811	3		2			
Loans to and claims on credit institutions	564	525	39	9	3	11	1	16
Loans to and claims on customers	40 305	36 768	3 537	1 048	442	120	1 898	28
Certificates, bonds and other interest-bearing sec.	5 226	4 157	1 069		1 069			
Other assets	1 497	1 228	269	231	18	1	16	4
Total assets	48 406	43 489	4 917	1 288	1 534	132	1 915	48
Debt owed to credit institutions	4 741	4 135	606	67	250		288	
Deposits from and liabilities to customers	25 325	24 998	327	210	79	9		29
Borrowings raised through the issue of securities	12 799	12 799						
Other liabilities	1 152	899	253	218	12	16	7	1
Subordinated loan capital	972	972						
Equity capital	3 417	3 417						
Total liabilities and equity capital	48 406	47 220	1 186	495	341	25	295	30
Forward exchange contracts			-3 714	-788	-1 182	-106	-1 624	-14
Net exposure foreign exchange			17	5	11	1	-4	4
Effect of a 10 per cent change in price (MNOK)	2							

	Exchange rate 31.12.2011	Exchange rate 31.12.2010
USD	6.016	5.857
EUR	7.786	7.820
JPY	7.775	7.199
CHF	639.870	625.390
SEK	87.230	87.130
GBP	9.296	9.075

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 (MNOK)	2							

5.4 - Financial assets – securities

The Bank's portfolio of securities chiefly comprises bonds and certificates that are part of its on-going liquidity management strategy. The liquidity portfolio is used as security for loans in Norges Bank and forms the basis for liquidity buffers to satisfy regulatory requirements. The aim of the portfolio is to reduce the costs associated with maintaining the necessary liquidity levels at all times. The strategy, authorisation limits and investment framework for the liquidity portfolio have been set out in the Group's market risk strategy, and are revised and adopted annually by the Board. This portfolio is stated at fair value with changes in fair value recognised in profit or loss.

PARENT BANK AND GROUP	2011			2010			
	Acquisition cost	Market value	Book value	Acquisition cost	Market value	Book value	Risk weighting
Financial instruments assessed at actual value with changes shown through the profit and loss account							
Certificates							
Government certificates	552	554	554	1 050	1 051	1 051	0%
Credit institutions	0	0	0	10	10	10	20%
Others	50	50	50	80	80	80	20%
Others	60	60	60	180	180	180	100%
Total certificates	662	664	664	1 320	1 321	1 321	
Bonds							
Government certificates	800	797	797	304	298	298	0%
Credit institutions	4 563	4 532	4 543	3 929	3 914	3 914	10%
Credit institutions	787	782	782	1 063	1 058	1 058	20%
Others	81	82	82	181	181	181	20%
Others	662	660	660	546	542	542	100%
Total bonds	6 893	6 853	6 864	6 023	5 993	5 993	
Total certificates and bonds	7 555	7 517	7 528	7 343	7 314	7 314	
Fixed rate		1 929	1 929		2 190	2 190	
Floating rate		5 588	5 599		5 124	5 124	
Shares and ECs (trading portfolio)							
Shares - quoted on exchange	1	2	2	1	3	3	
Total shares and ECs	1	2	2	1	3	3	
Total financial instruments at actual value	7 556	7 519	7 530	7 344	7 317	7 317	
- hereof covered bonds eliminated in the Group accounts	2 301	2 291	2 302	2 818	2 818	2 818	
Financial instruments available for sale with changes shown over the Total result							
Shares and ECs							
Shares - quoted on exchange	8	22	22	8	26	26	
Shares - unquoted	183	177	177	184	178	178	
Total shares and ECs	191	199	199	192	204	204	
Total financial instruments available for sale	191	199	199	192	204	204	

GROUP			PARENT BANK	
2010	2011		2011	2010
105	20	Gains/losses and dividends from shares incorporated in the profit and loss account during the year	91	97
7	-1	Year`s value change recognised through Total result	-1	7
33	32	Accumulated value change recognised through Total result	32	33
0	-3	Year`s write-down recognised through the Result	-3	0

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	
	2011	2010
Based on prices in an active market	1 352	1 332
Observed market information	6 167	5 985
Other than observed market information	0	0
Total financial instruments at actual value	7 519	7 317

There were no movements of financial instruments between the three levels of valuation groups neither in 2010 nor in 2011.

Financial instruments available for sale, changes in value shown through the Total result	MARKET VALUE	
	2011	2010
Based on prices in an active market	24	26
Observed market information	0	0
Other than observed market information 1)	175	178
Total financial instruments available for sale	199	204

1) Changes through the year	MARKET VALUE	
	2011	2010
Balance 01.01	178	109
Purchased	2	76
Sale, including previously recognised changes in value	0	19
Increase in value	9	12
Written down	8	0
Repayment of equity	6	0
Balance 31.12	175	178

Effective rate on certificates and bonds	2011		2010	
	Average book value	Effective rate	Average book value	Effective rate
Certificates	878	3.11	817	2.57
Bonds	6 770	3.34	5 754	2.93

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	50
Farstad Shipping ASA	140 000	0.36	21
Moldekraft AS	7 061	9.51	16
Norvestor V		0.85	8
Nordito Property AS	191 178	0.90	7
Oslo Børs VPS Hold.	83 334	0.19	5
Norvestor IV		1.28	3
Ekornes ASA	30 000	0.08	3
Other companies			16
Total			201

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.

The subsidiary Møre Boligkreditt AS established a Euro Medium Term Covered Note (EMTCN) programme principally in order to issue bonds internationally. The programme has a financial limit of EUR 2 000 million. SEK 300 million of bonds have been issued in the fourth quarter of 2011, and represents the company's first issuance under the EMTCN programme.

GROUP	2011			2010		
	Nominal value	Market value	Book value	Nominal value	Market value	Book value
Securitised debt assessed at fair value through the profit and loss account:						
Issued bonds assessed at fair value	1 128	1 149	1 149	1 664	1 697	1 697
Value secured dept capital (securities), changes in value shown through the profit and loss account:						
Issued bonds assessed at amortised cost	4 316	4 486	4 512	4 405	4 546	4 554
Issued perpetual hybrid tier 1 capital assessed at amortised cost	277	337	293	277	339	282
Securitised debt assessed at amortised cost						
Issued sertificates assessed at amortised cost	1 298	1 299	1 298	0	0	0
Issued bonds assessed at amortised cost	5 847	5 824	5 840	3 450	3 454	3 446
Issued subordinated loan capital assessed at amortised cost	480	474	479	479	479	479
Issued perpetual hybrid tier 1 capital assessed at amortised cost	200	180	200	200	180	200
Lending from credit institutions						
The swap arrangement for securities	2 176	2 176	2 176	2 670	2 670	2 670
F-loans	860	860	860	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	10	10	10	46	46	10

PARENT BANK	2011			2010		
	Nominal value	Market value	Book value	Nominal value	Market value	Book value
Securitised debt assessed at fair value through the profit and loss account:						
Issued bonds assessed at fair value	1 128	1 149	1 149	1 664	1 697	1 697
Value secured dept capital (securities), changes in value shown through the profit and loss account:						
Issued bonds assessed at amortised cost	3 616	3 765	3 776	3 905	4 062	4 062
Issued perpetual hybrid tier 1 capital assessed at amortised cost	277	337	293	277	339	282
Securitised debt assessed at amortised cost						
Issued sertificates assessed at amortised cost	1 298	1 299	1 298	0	0	0
Issued bonds assessed at amortised cost	1 742	1 745	1 741	1 676	1 674	1 675
Issued subordinated loan capital assessed at amortised cost	480	474	479	479	479	479
Issued perpetual hybrid tier 1 capital assessed at amortised cost	200	180	200	200	180	200
Lending from credit institutions						
The swap arrangement for securities	2 176	2 176	2 176	2 670	2 670	2 670
F-loans	860	860	860	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	10	10	10	46	46	46

GROUP			PARENT BANK	
2010	2011	Interest and similar costs	2011	2010
1 165	1 326	Interest and similar costs	1 202	1 132
-101	-81	Interest cost on financial liabilities measured at fair value	-81	-101
1 064	1 245	Interest and similar costs measured at amortised cost	1 121	1 031

PARENT BANK	2011 Average amount	2011 Effective rate	2011 Interest payable	2010 Average amount	2010 Effective rate	2010 Interest payable
Loans and deposits from credit institutions, on a call basis	233	2.15	5	295	2.06	6
Loans and deposits from credit institutions, with a fixed maturity	3 172	2.80	89	2 730	2.68	73
Deposits from and liabilities to customers, on a call basis	16 095	2.14	345	15 241	1.90	289
Deposits from and liabilities to customers, with a fixed maturity	9 015	3.13	282	7 727	2.83	218
Certificates and other short-term borrowings	3 686	2.79	103	3 946	2.17	86
Bond debt	6 636	3.65	242	7 622	3.21	245

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.

GROUP 2010	GROUP 2011	Maturity of securities-based debt, nominal value	PARENT BANK 2011	PARENT BANK 2010
1 376		2011		1 376
1 851	2 981	2012	2 840	1 625
2 445	2 445	2013	2 445	2 445
981	2 282	2014	1 600	900
1 050	1 805	2015	300	300
116	777	2016		
1 200	1 600	2017	600	600
500	700	2025		
9 519	12 590	Sum	7 785	7 246

Financial commitments assessed at actual value, changes shown through the Result	MARKET VALUE 2011	MARKET VALUE 2010
Based on prices in an active market	0	0
Observed market information	1 149	1 697
Other than observed market information	0	0
Total financial instruments at actual value	1 149	1 697

There were no movements of financial instruments between the three levels of valuation groups neither in 2010 nor in 2011.

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	31.12.11	31.12.10
Pool of eligible loans	7 973	5 391
Supplementary assets	110	250
Total collateralised assets 1)	8 083	5 641
Over-collateralisation	113.3 %	111.1 %

1) NOK 175 million of total gross loans at the balance sheet date are not eligible for the cover pool.

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	2011			2010		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	18 121	336	178	15 678	274	109
Interest rate corridor	0	0	0	30	0	0
Foreign exchange related						
Interest rate swaps (cur)	2 065	61	64	2 461	74	76
Interest rate and foreign exchange swaps	2 110	31	30	1 243	16	3
Total		428	272		364	188
- hereof used for hedge accounting	4 585	225	0	4 660	196	16
Forward exchange contracts	12 211	268	253	13 486	53	0

PARENT BANK	2011			2010		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	17 421	298	178	15 178	274	93
Interest rate corridor	0	0	0	30	0	0
Foreign exchange related						
Interest rate swaps (cur)	2 065	61	64	2 461	74	76
Interest rate and foreign exchange swaps	1 196	25	21	1 243	16	3
Total		384	263		364	172
- hereof used for hedge accounting	3 885	189	0	4 160	196	0
Forward exchange contracts	12 211	268	253	13 486	53	0

Maturity of financial derivatives, nominal value

GROUP							PARENT BANK					
2010			2011				2011			2010		
Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	Maturity	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts	Interest rate swaps	Interest rate and foreign exchange swaps	Forward exchange contracts
1 570	532	10 571				2011				1 570	532	10 571
3 353	649	1 343	3 766	220	9 212	2012	3 766	220	9 212	3 353	649	1 343
4 606	1 898	800	4 596	1 260	1 092	2013	4 596	1 260	1 092	4 606	1 898	800
2 292	248	328	2 475	302	1 036	2014	2 475	302	1 036	2 292	248	328
751	184	360	971	522	514	2015	971	261	514	751	184	360
230	72	0	1 689	1 662	171	2016	1 689	1 010	171	230	72	0
851	121	84	901	117	83	2017	901	117	83	851	121	84
371			332	78	78	2018	332	78	78	371		
762			722		0	2019	722		0	762		
222			238	13	25	2020	238	13	25	222		
170			1 117			2021	1 117			170		
			248			2022	248					
						2023						
						2024						
500			700			2025						
			150			2026	150					
			216			2027	216					
15 678	3 704	13 486	18 121	4 174	12 211		17 421	3 261	12 211	15 178	3 704	13 486

5.7 - Subordinated loan capital

GROUP AND PARENT BANK

ISIN.NR.	Issue	Maturity	Conditions	Amount
NO0010354640 1)	26.02.07	27.02.17	3 months NIBOR + 0.40 / Call option 2012	180
NO0010408644	25.01.08	25.01.18	3 months NIBOR + 1.25 / Call option 2013	300
Subordinated loan capital				480
NO0010262306	14.04.05	Perpetual	3 months NIBOR + 1.10 / First call option 2015	200
NOO010532765	10.09.09	Perpetual	11.70 % fixed / First call option 2019	277
Perpetual Hybrid Tier 1 Capital				477

The loans are expressed in NOK. 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 2011.

1) Sparebanken Møre exercises the right to redeem subordinated bond issues marked with ISIN0010354640 prior to maturity ("call") at par (100 %). The outstanding volume of the loan is NOK 180 million. The call date is 27 February 2012.

5.8 - Hedge accounting

GROUP					PARENT BANK			
2010		**2011**			**2011**		2010	
Nominal value	Book value	Nominal value	Book value		Nominal value	Book value	Nominal value	Book value
4 682	4 836	**4 593**	**4 805**	Value secured debt securities with changes in value shown through profit or loss	**3 893**	**4 069**	4 182	4 344
4 660	180	**4 585**	**225**	Financial derivatives used in hedge accounting	**3 885**	**189**	4 160	196

6 SUBSIDIARIES

GROUP AND PARENT BANK

Subsidiaries	Home country	Core operations	Ownership share	Voting share
Møre Eiendomsmegling AS	Norway	Real estate brokers	100 %	100 %
Møre Finans AS 2)	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.

2) At the Board meeting on 1 February 2012 the Board of Directors resolved to commence the work of merging the Parent Bank and the wholly owned leasing company Møre Finans AS. When the Board makes its final decision on the merger, the merger will be conducted with effect from 1 January 2012 for accounting purposes. The Parent Bank's balance sheet and income statement will not be materially affected by the merger.

7 INTANGIBLE ASSETS WITH INDEFINITE LIVES

Intangible assets with indefinite lives

Intangible assets with indefinite lives were entirely related to goodwill arising from acquisition of the estate agency firm Krogsveen og Raknes AS on 1 July 2005. At that time Sparebanken Møre acquired Krogsveen Raknes AS and Paulsen og Bakke AS. The name of the new company was Møre Eiendomsmegling AS. Goodwill was not amortised. However the goodwill was tested annually to determine whether its fair value was less than the carrying amount. The impairment test conducted in 2010 concluded that it was necessary to write-down the value of goodwill with an indefinite life in the Group. The carrying value of goodwill was then written down by NOK 13 million in the consolidated financial statements for 2010 from a carrying value of NOK 13 million on 31 December 2009 to NOK 0 on 31 December 2010.

8 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 (GRS). Transactions between different operating segments are based on market values/prices:

- 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 (3.64 % in 2011 and 3.20 % in 2010).
- 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 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 not reported for geographical 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 IFRS		IFRS-adjustments		Group GRS		Eliminations/ other		Corporate		Retail		Real estate brokerage		Leasing	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Net interest and credit commission income	**909**	862	**0**	0	**909**	862	**37**	15	**430**	415	**425**	415	**0**	0	**17**	17
Other operating income 1)	**214**	304	**2**	1	**212**	303	**9**	120	**83**	72	**95**	89	**22**	19	**3**	3
Total income	**1123**	1166	**2**	1	**1121**	1165	**46**	135	**513**	487	**520**	504	**22**	19	**20**	20
Operating costs 2)	**562**	528	**-2**	12	**564**	516	**108**	79	**113**	106	**316**	304	**20**	20	**7**	7
Result before losses	**561**	638	**4**	-11	**557**	649	**-62**	56	**400**	381	**204**	200	**2**	-1	**13**	13
Losses on loans, guarantees etc.	**40**	31	**0**	0	**40**	31	**6**	-12	**29**	36	**2**	4	**0**	0	**3**	3
Result before tax	**521**	607	**4**	-11	**517**	618	**-68**	68	**371**	345	**202**	196	**2**	-1	**10**	10
Tax payable on ordinary result	**144**	149			**144**	149										
Result from ordinary operations after tax	**377**	458			**373**	469										

Balance sheet	Group IFRS		IFRS-adjustments		Group GRS		Eliminations/ other		Corporate		Retail		Real estate brokerage		Leasing	
	31.12.11	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10	**31.12.11**	31.12.10
Loans to customers 1)	**40305**	37676	**73**	41	**40232**	37676	**600**	542	**14336**	13414	**24726**	23082	**-**	-	**570**	597
Deposits from customers 1)	**25325**	24551	**2**	3	**25323**	24551	**223**	295	**9739**	10087	**15361**	14166	**-**	-	**-**	-
Guarantee liabilities	**1 242**	1 323	**-**	-	**1 242**	1 323	**150**	100	**1131**	1211	**11**	12	**-**	-	**-**	-
The deposit-to-loan ratio	**62.8**	65.2	**-**	-	**62.8**	65.2	**37.2**	51.1	**67.9**	75.2	**62.1**	61.4	**-**	-	**-**	-
Man-years	**416**	401	**-**	-	**416**	401	**144**	127	**63**	57	**188**	196	**14**	14	**7**	7

1) Fixed rate loans and fixed rate deposits are assessed at fair value. In addition, fixed rate debt securities issued prior to 1 January 2006 are measured at fair value through profit or loss.
2) The write-down of goodwill in 2010, and the difference between the depreciation policies concerning buildings.

9 OTHER OPERATING INCOME

GROUP 2010	GROUP 2011		Notes	PARENT BANK 2011	PARENT BANK 2010
23	20	Dividends and other income from securities with variable yields	5.4	91	23
20	24	Guarantee commission		24	20
15	16	Income from the sale of insurance services		16	15
18	20	Income from the sale of shares in unit trusts/securities		20	18
14	14	Various fees relating to loans		14	14
5	5	Inter-bank fees		5	5
9	9	Fees relating to cheques and giro payments		9	9
54	56	Fees from cards		56	54
7	8	Fees from international payment transmission services		8	7
23	20	Other fees and commission income		19	22
165	172	Commission income and revenues from banking services		171	164
-30	-33	Commission costs and expenditure in respect of banking services		-33	-30
22	32	Fixed interest loans		32	22
-20	-19	Derivatives related to fixed interest loans		-19	-20
-44	-47	Issued bonds and sertificates		7	-28
41	40	Derivatives related to issued bonds and sertificates		-12	25
-1	-4	Change in credit spread FVO – securities-based debt		-4	-1
82	-3	Gains/losses on shares		-3	74
1	-17	Gains/losses on bonds		-17	1
21	28	Trading in FX (on behalf of customers)		28	21
9	13	Other income		13	9
111	23	Net gains/losses from securities and foreign exchange	2.16, 5.3, 5.4, 5.5	25	103
5	3	Operating revenues from real estate		0	0
19	22	Income from real estate brokerage		0	0
10	6	Gains on sale of buildings		0	0
1	1	Other operating income		12	8
35	32	Total other operating income		12	8
304	214	Total non-interest income		266	268

10 OPERATING COSTS

GROUP 2010	GROUP 2011		PARENT BANK 2011	PARENT BANK 2010
60	65	IT-costs	64	60
7	5	Office supplies	5	7
14	15	Telephone and postage	15	14
4	6	Travel costs/car allowance on a per kilometer basis/representation/entertainment	6	4
24	28	Marketing costs	28	24
7	10	Other administration costs	11	7
116	129	Total administration costs	129	116
23	26	Depreciation of fixed and intangible assets	17	14
13	0	Impairment of goodwill	0	0
25	25	Property costs	31	31
3	3	Fees paid to External Auditor	2	2
15	15	Costs relating to fixed assets	15	15
40	48	Other operating costs	40	36
82	90	Total other operating costs	88	84
234	245	Total operating costs	234	214

11 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 in 2009, and another 2 years in 2011. 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	2011	2010
Annual lease rental with Møre Finans	6	6
Duration in years:		
Cars	3 years	3 years
Office machinery	5 years	5 years

Rental of business premises	2011	2010
Rent paid to:		
Sparebankeiendom AS	13	16
Other external lessors	9	8

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	14	0	0
Other external lessors	9	36	45
Total	23	36	45

Number of branches	2011	2010
Rented from Sparebankeiendom AS	7	11
Rented from others	23	19
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 1 600 square meters are rented out to external tenants. Only smaller parts of the premises are vacant at the moment (about 1 700 square meters) and there are only commercial premises in the buildings. During 2011 the Group has sold the buildings at Åndalsnes, Vatne, Haramsøy, Fjørtoft, Langevåg and Nørvestua.

12 SALARIES AND TRANSACTIONS WITH CLOSE PARTIES

GROUP			PARENT BANK	
2010	2011		2011	2010
205	210	Wage-, salary- and other cash-based benefits	192	187
2	2	Fees paid to members of the Board of Directors, Board of Trustees and Control Committee	2	2
11	10	Bonus/profit sharing 1)	10	11
21	39	Pension cost relating to benefit schemes (note 14)	39	21
37	37	Employers' social security contribution	34	35
17	19	Other personnel costs	19	17
293	317	Total wage- and salary costs	296	273
		Manning levels		
434	461	Number of employees as at 31.12	438	412
442	448	Average number of employees	427	422
401	416	Number of man-years worked as at 31.12	395	380
407	406	Average number of man-years worked	383	385

1) Parts of staff's bonuses (about 50 per cent) for 2011 and 2010 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 28 000 in 2011 and about 47 000 in 2010.

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 13 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.

One of the Bank's board members, Ingvild Vartdal, is a partner with the law firm Schjødt AS, Kongensgate 23, NO 6001 Ålesund. The firm has supplied a large proportion of the Bank's purchase of legal services in 2011, mainly due to legal concerns about agreements with customers. In addition, it has been provided assistance related to a few tax questions and assessments relating to subsidiaries. The transactions were entered into on normal commercial terms as if they were conducted between unrelated parties.

The law firm has provided services for NOK 833 562 including VAT during 2011.

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 8.

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 (3.64 per cent in 2011 and 3.20 per cent in 2010).

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.

There are transactions between Sparebanken Møre and Møre Boligkreditt AS related to the transfer of loan portfolio to Møre Boligkreditt AS, as well as Sparebanken Møre providing loans and credits to the mortgage company. The economic conditions for the transfer of loans from Sparebanken Møre are market value. If mortgages with fixed interest rates are purchased the price will be adjusted for premium/discount.

Sparebanken Møre is responsible for ensuring that the loans to be transferred to Møre Boligkreditt AS are properly established and in accordance with the requirements set forth in the agreement between the mortgage company and the Parent Bank. In case of violation of these requirements, the Bank will be liable for any losses that the mortgage company would experience as a result of the error. Sparebanken Møre and Møre Boligkreditt AS have formalised settlement of interest for transaction days from the date of transfer of the portfolio of loans to the timing of settlement of the consideration.

If Møre Boligkreditt AS should experience difficulty obtaining financing, there have been established a revolving guarantee from Sparebanken Møre where the purpose is to ensure timely payment to the holders of bonds and derivatives.

The pricing of services provided to Møre Boligkreditt AS from Sparebanken Møre distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs in which the mortgage company must bear regardless of the activity related to the issuance of bonds, acquisition of portfolio etc. Variable costs are defined as costs related to the size of the portfolio acquired from Sparebanken Møre and the work that must be exercised by the Bank`s staff to provide adequate services given the number of customers in the portfolio.

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

PARENT BANK

	2011	2010
Result		
Interest and credit commission income from subsidiaries	117	107
Received dividend and group contribution from subsidiaries	71	0
Rent paid to Sparebankeiendom AS	13	16
Leasing rental paid to Møre Finans AS	6	6
Administration fee received from Møre Boligkreditt AS	10	7
Balance sheet		
Claims on subsidiaries	1 208	835
Covered bonds	2 302	2 818
Liabilities to subsidiaries	122	275
Transferred loan portfolio to Møre Boligkreditt AS during the period	5 703	3 861

Wages, salaries, other remuneration and pensions - Group

Salary paid to the CEO amounted to NOK 1 946 000 in 2011 (NOK 1 809 000 in 2010). Estimated value of benefits in kind totalled NOK 242 000 (NOK 198 000 in 2010). In addition, NOK 1 111 000 (NOK 1 213 000 in 2010) 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 13), 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)	2011	2010
Board of Trustees	404	460
Board of Directors	903	919
Control Committee	275	277
Fees paid to External Auditor (including value added tax)		
Auditing services	2 374	2 131
Tax-related advisory services	212	264
Attestation services	713	372
Other non-audit services	151	103

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 31.12.2011, 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 13 for a description of benefitsrelated pension schemes for the Bank's CEO and other employees.

GROUP	2011			2010		
Loans, deposits and guarantees	Loans	Deposits	Guarantees	Loans	Deposits	Guarantees
Board of Trustees	47	24	0	56	39	0
Board of Directors	4	12	0	3	3	0
Control Committee	1	3	0	1	3	0
Employees	739	122	0	675	112	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 2.75 per cent in 2011) which triggers a basis for taxing such benefits in kind to the Bank's staff has been estimated at NOK 1 097 000 as against NOK 968 000 in 2010.

Interest income and interest costs related to the Board of Trustees, Board of Directors and Control Committeee

	2011	2010
Interest income	2	1
Interest costs	2	2

PARENT BANK
Wages, salaries, other remuneration and pensions

Amounts in NOK thousand	Wages/salaries		Other remuneration		Pension costs	
	2011	2010	2011	2010	2011	2010
Board of Trustees						
Tormod Hvattum, Chairman	30	32				
Other members	374	458				
Total	404	490				
Board of Directors						
Leif-Arne Langøy, Chairman	156					
Roy Reite, Deputy Chairman	100	100				
Ragna Brenne Bjerkeset	60					
Stig Remøy	90	90				
Ingvild Vartdal	90	90				
Elisabeth Maråk Støle	90	90				
Helge Knudsen, employees elected representative 1)	90	90				
Former board members:						
Helge Aarseth	63	190				
Torill Hovdenak	30	90				
Total	769	740				
CEO						
Olav Arne Fiskerstrand	1 946	1 809	242	198	1 111	1 213
Control Committee						
Kjetil Kvammen, Chairman	107	107				
Lars K. Nogva	56	56				
Thor Martin Eidem	56	58				
Eva Hove	56	56				
Total	275	277				
Fees paid to External Auditor (including value added tax)						
Auditing services	1 583	1 560				
Tax-related advisory services	124	162				
Attestation services	63	138				
Other non-audit services	62	53				

1) Ordinary salary amounts to NOK 464 000.

Loans and guarantees	2011		2010	
Amounts in NOK thousand	Loans	Guarantees	Loans	Guarantees
Board of Trustees				
Tormod Hvattum, Chairman	1 744	0	1 823	0
Other members (51 members)	45 480	0	55 319	0
Board of Directors				
Leif-Arne Langøy, Chairman	0	0	0	0
Roy Reite, Deputy Chairman	0	0	0	0
Ragna Brenne Bjerkeset	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	4 420	0	2 060	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	2 000	0
Employees	739 000	0	675 000	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.

13 PENSION COSTS AND LIABILITIES

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

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. 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 357 (382) active members and 186 (180) pensioners at the end of 2011.

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 2 million was recognized in 2011.

Statutory early retirement pension (SERP)

The Group participated in the statutory early retirement pension (SERP) scheme for the financial industry, which meant that all employees could 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 was only possible to take early retirement pursuant to the old scheme before 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 took 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. 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. The premium 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 2011. 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	**31.12.11**	31.12.10	**2011**	2010
Rate of discounting	**2.80 %**	3.50 %	**3.50 %**	4.40 %
Expected return on pension resources	**5.00 %**	5.60 %	**5.60 %**	5.80 %
Wage- and salary adjustment	**3.50 %**	4.00 %	**4.00 %**	4.25 %
Pension adjustment	**3.25 %**	3.75 %	**3.75 %**	4.00 %
Adjustment of the National Insurance's basic amount	**3.25 %**	3.75 %	**3.75 %**	4.00 %
Employers' social security contribution	**14.10 %**	14.10 %	**14.10 %**	14.10 %
Propensity to opt for statutory Early Retirement Pension	**-**	-	**-**	-
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.

Total pension costs	2011	2010
Present value of pension accruals during the year	22	19
Interest cost of incurred pension liabilities	19	21
Expected return on pension resources	-21	-20
Amortisation of estimate discrepancies not included in the profit and loss account	14	9
Net pension cost for the pension fund	33	28
Change in present value of pension accruals relating to other pension schemes	-6	3
Gain on liquidation of the old SERP pension scheme	0	-17
Payments/pension costs charged to the profit and loss account, incl. payments according to the defined-contribution scheme	11	7
Total pension costs	38	21

Total pension liabilities	2011	2010
Pension liabilities	597	558
Value of pension resources	-391	-376
Estimate discrepancies not included in the profit and loss account	-223	-212
Emloyers' social security contribution	29	26
Net pension liabilities relating to the pension fund	11	-4
Net pension liabilities relating to members of the Bank's top team/general managers	51	49
Net pension liabilities relating to Statutory Early Retirement Pension, SERP	7	15
Total net pension liabilities	68	60

Funded pension liabilities	2011	2010
Pension liabilities as at 01.01	558	471
Pension accruals for the year	22	19
Pension payments	-11	-10
Interest costs	19	21
Actuarial gains/losses	8	57
Pension liabilities as at 31.12	597	558

Funded pension resources	2011	2010
Pension resources as at 01.01	376	348
Total amount paid in	19	20
Pensions paid out	-11	-10
Expected return	21	20
Acturial gains/losses	-14	-2
Pension resources as at 31.12	391	376
Estimated payment for 2012 amount to NOK 20 million.		

Pension liabilities Statutory Early Retirement Pension and other pensions	2011	2010
Pension liabilities as at 01.01	64	77
Pension accruals for the year	2	2
Pension payments	-8	-5
Interest costs	2	3
Acturial gains/losses	-2	4
Gain on liquidation of the old SERP pension scheme	0	-17
Pension liabilities as at 31.12	58	64

Historic development	2011	2010	2009	2008	2007
Pension liabilities incl. emloyers' social security contribution	624	584	489	486	394
Pension resources	-391	-376	-348	-324	-311
Estimate discrepancies not included in the profit and loss account	-223	-212	-153	-155	-63
Pension liabilities SERP and other pensions	58	64	77	67	63
Total net pension liabilities	68	60	65	74	84

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 riskfree 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 67 million with Sparebanken Møre.

Investment profile - pension resources	2011	2010
Shares	9.3 %	10.0 %
Bonds/certificates	67.9 %	65.9 %
Bank deposits	22.8 %	24.1 %
Total pension resources	100.0 %	100.0 %

Return on pension resources	2011	2010
Total pension resources	4.33 %	5.66 %

Capital adequacy for the pension fund	2011	2010
Capital adequacy	14.17 %	14.12 %

14 FIXED ASSETS

Group

2011	Total	Buildings 1) building plots/ holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01 3)	428	268	103	57
Additions 2)	93	55	18	20
Disposals	24	20	4	0
Acquisition cost as at 31.12	496	303	116	77
Accumulated depreciation and write-downs as at 01.01	172	62	72	38
Depreciation during the year	20	5	10	4
Write-downs during the year	0	0	0	0
Disposals	11	9	2	0
Accumulated depreciation and write-downs as at 31.12	180	58	80	42
Value in the accounts as at 31.12	316	244	36	35
Straight-line depreciation period (years)		50	3-5	8-10
Fully written-down fixed assets in use	16	0	11	5
Estimated residual value of fixed assets				
Financially leased equipment (netted out in the Group accounts)	23		23	
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 1 600 square meters are rented out to external tenants. Only small parts of the premises are vacant at the present time (about 1 700 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 2011, the Group sold the bank buildings in Åndalsnes, Vatne, Haramsøy, Fjørtoft, Langevåg and Nørvestua. The sales provided a gain of NOK 6 million.

2) The Group has recognised NOK 2 million in construction loan interests during 2011, and NOK 2 million during 2010 (NIBOR + 1.0 %)

3) The Group has made a re-allocation between the groups in 2011. Comparative figures are not changed.

2010	Total	Buildings 1) building plots/ holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	419	259	118	42
Additions 2)	54	40	12	2
Disposals	39	31	3	6
Acquisition cost as at 31.12	434	268	127	38
Accumulated depreciation and write-downs as at 01.01	177	72	72	32
Depreciation during the year	18	4	12	1
Write-downs during the year	0	0	0	0
Disposals	21	15	2	5
Accumulated depreciation and write-downs as at 31.12	173	62	83	27
Value in the accounts as at 31.12	261	206	44	11
Straight-line depreciation period (years)		50	3-5	8-10
Fully written-down fixed assets in use	17	0	12	5
Estimated residual value of fixed assets	86	86	0	0
Financially leased equipment (netted out in the Group accounts)	26		26	
Change in depreciation period	0			
Write-down	0			

PARENT BANK

2011	Total	Buildings	Cars/IT/officemachines	Fixtures and fittings
Acquisition cost as at 01.01	134	10	71	53
Additions	28	0	8	20
Disposals	1	0	1	0
Acquisition cost as at 31.12	161	10	78	73
Accumulated depreciation and write-downs as at 01.01	99	0	64	35
Depreciation during the year	10	1	5	4
Write-downs during the year	0	0	0	0
Disposals	0	0	0	0
Accumulated depreciation and write-downs as at 31.12	109	1	69	39
Value in the accounts as at 31.12	53	9	9	34
Straight-line depreciation period (years)		50	3-5	8-10
Fully written-down fixed assets in use	16	0	11	5
Change in depreciation period	0			
Write-down	0			

2010	Total	Buildings	Cars/IT/officemachines	Fixtures and fittings
Acquisition cost as at 01.01	132	10	69	53
Additions	2	0	2	0
Disposals	0	0	0	0
Acquisition cost as at 31.12	134	10	71	53
Accumulated depreciation and write-downs as at 01.01	90	0	59	31
Depreciation during the year	9	0	5	4
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	64	35
Value in the accounts as at 31.12	35	10	7	18
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			

15 OTHER INTANGIBLE ASSETS

GROUP			PARENT BANK	
2010	2011		2011	2010
20	27	Acquisition cost as at 01.01	27	20
7	8	Additions	8	7
0	0	Disposals	0	0
27	35	Acquisition cost as at 31.12	35	27
7	12	Accumulated depreciation and write-downs as at 01.01	12	7
5	6	Depreciation during the year	6	5
0	0	Write-downs during the year	0	0
0	0	Disposals	0	0
12	18	Accumulated depreciation and write-downs as at 31.12	18	12
13	15	Value in the accounts as at 01.01	15	13
15	17	Value in the accounts as at 31.12	17	15
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.

16 REPOSSESSED ASSETS

GROUP

	2011	2010	2009	2008	2007
Value in the accounts as at 01.01	**11**	11	1	1	1
Additions	**0**	0	10	0	0
Disposals	**0**	0	0	0	0
Value in the accounts as at 31.12	**11**	11	11	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.

17 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	
2010	**2011**		**2011**	2010
607	**521**	Result before tax	**536**	546
		Permanent differences relating to:		
-100	**-17**	Shares	**-17**	-93
27	**13**	Other permanent differences	**15**	14
-27	**15**	Changes in temporary differences	**14**	-12
0	**0**	Received group contribution without tax effect	**-21**	0
507	**532**	Income subject to tax	**527**	455
141	**149**	Tax payable at 28 per cent	**148**	127
0	**0**	Paid tax related to taxable group contribution	**-14**	0
141	**149**	Payable tax due	**134**	127

GROUP 2010	GROUP 2011		PARENT BANK 2011	PARENT BANK 2010
		Temporary differences relating to:		
10	12	Fixed assets	3	1
-60	-68	Pension liabilities	-68	-60
17	14	Added value related to transferred portfolio of loans	14	17
-4	-10	Other temporary differences	-11	-5
0	0	Tax-related losses which may be carried forward	0	0
-37	-52	Net negative (-)/positive differences	-62	-47
10	14	Deferred tax benefit - 28 per cent	17	13
		Tax cost in the profit and loss account:		
141	149	Tax payable	134	127
9	-4	Change in deferred tax	-4	4
0	0	Paid tax related to taxable group contribution	14	0
0	-1	Too much/too little set aside last year	-1	0
149	144	Tax cost	143	131
24.6	27.6	Effective rate of tax (tax cost as a percentage of pre-tax result)	26.7	24.0

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 comprehensive income or directly against equity. All deferred tax relates to items recognised in the result for the accounting year.

GROUP 2010	GROUP 2011		PARENT BANK 2011	PARENT BANK 2010
170	146	28 per cent of pre-tax result	150	153
-28	-5	Shares - 28 per cent	-5	-26
7	4	Other permanent differences - 28 per cent	4	4
0	0	Received group contribution without tax effect	-6	0
0	-1	Too much/too little set aside in previous years	-1	0
149	144	Total tax cost	143	131

18 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.

GROUP	2011	2010
Earnings per EC (NOK) 2)	22.10	26.90
Diluted earnings per EC's (NOK)	22.10	26.90
Profit for the year to the Bank's EC-holders:		
Result	377	458
EC-holders' share of the profit according to the EC-fraction 1)	173	211
Weighted number of ECs - the Bank's own portfolio	24 750	65 240
Number of own ECs as at 31.12	19 240	3 744
Number of own ECs as at 01.01	3 744	57 320
Weighted average of outstanding ECs	7 816 366	7 457 220
Number of outstanding ECs as at 31.12	7 821 876	7 837 372
Number of outstanding ECs as at 01.01	7 837 372	6 476 944
Weighted average number of ECs issued	7 841 116	7 522 460
Number of ECs as at 31.12	7 841 116	7 841 116
Number of ECs as at 01.01	7 841 116	6 534 264

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 both in 2011 and in 2010.

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.

19 CAPITAL ADEQUACY

Calculation of capital adequacy is made under the current rules in Basel II, which was introduced with effect from 1 January 2007. The purpose of the new regulations is to create greater consistency between risk and capital requirements in the various institutions. Sparebanken Møre`s capital ratio is calculated according to the standardised approach for credit risk and market risk. Calculations related to operational risk are calculated in accordance with the basic method.

During several years Sparebanken Møre has developed and implemented internal risk management models within the credit area. In 2010, it was decided in the strategic plan that the Group, by the end of 2011, was to apply to the FSA for the use of the IRB basic method in accordance with the capital adequacy regulations for the modeling of credit risk. The application was submitted to the FSA in the fourth quarter of 2011. Depending on the FSA's processing of the application, the goal is that the Group from 2013 will carry out Pillar 1 capital adequacy reporting in accordance with the IRB approach. The external reporting will thus be based on a method that better reflects the underlying risk in the consolidated balance sheet.

According to current regulations the capital adequacy ratio must amount to a minimum of 8 %. Regardless of the method of calculation Sparebanken Møre`s capital must meet the minimum capital requirements with the addition of a buffer that matches the Group`s accepted risk tolerance. It is essential that the various entities in the Group at all times have sufficient capitalization. Furthermore, the assessment of risk profile, capital adequacy and profitability must at any time be based on the long-term strategic plan of the Group. During the annual ICAAP (at least) calculation of the Group's capital needs is carried out.

Basel III introduces a number of new regulations relating to capitalization and liquidity. The phasing in of the new rules will go on for a long period of time. With regard to capital adequacy Basel III includes higher minimum levels and more stringent requirements for quality of eligible capital / core capital. The FSA sent identical letters to the savings banks in December 2011 where they point out that it is necessary to increase the financial strength of Norwegian banks even further. Initially the FSA assumes that all Norwegian banks and financial institutions should have, and will fulfill the goal of 9 % pure core capital by 30 June 2012. Analyses conducted in 2011 show that Sparebanken Møre meets the capital requirements of the new legislation by a wide margin.

The current capital target for Sparebanken Møre is to have a core capital of at least 11 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.

In addition to regulatory capital Sparebanken Møre also calculates economic capital. The level of economic capital says something about the capital reserves that must be present to cover unexpected losses for the Group. Economic capital is used in the ongoing management of Sparebanken Møre, and is the basis for business decisions. Based on the distribution of economic capital a risk-adjusted capital is calculated and distributed throughout the various segments, departments and customers. The risk-adjusted equity forms the basis for the departments` achievements related to return on equity.

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 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. Sparebanken Møre's Pillar 3 document provides further descriptions of these stress tests and their effects on the Group's capital adequacy.

ICAAP 2011 has been 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 2011 ICAAP showed the following distribution of capital between the various risk areas:

GROUP 2010	GROUP 2011		PARENT BANK 2011	PARENT BANK 2010
		Core capital		
784	784	EC capital	784	784
0	-2	- ECs owned by the Bank	-2	0
186	186	Premium Fund	186	186
362	482	Dividend Equalisation Fund	482	362
1 560	1 698	Primary Capital Fund	1 698	1 560
33	32	Value Adjustment Fund	32	33
11	8	Fund for Unrealised Gains	8	11
94	63	Set aside for dividend for the EC holders	63	94
113	74	Set aside for dividend funds for the local community	74	113
110	92	Other equity capital	0	0
3 253	3 417	Total equity	3 325	3 143
-31	-33	Deferred tax, goodwill and intangible assets, other	-33	-29
-33	-32	Value Adjustment Fund	-32	-33
-11	-8	Fund for Unrealised Gains	-8	-11
-11	-10	50 % deduction for equity capital in other financial institutions	-10	-11
482	493	Capital bonds	493	482
0	0	Deduction bonds (beyond 15 per cent of core capital)	0	0
-94	-63	Set aside for dividend for the EC holders	-63	-94
-113	-74	Set aside for dividend funds for the local community	-74	-113
3 442	3 690	Total core capital	3 598	3 334
		Supplementary capital		
479	479	Subordinated loan capital of limited duration	479	479
0	0	Addition bonds (beyond 15 per cent of core capital)	0	0
14	14	45 % addition for net unrealised gains on shares, unit trust certificates and ECs available for sale	14	14
-10	-10	50 % deduction for equity capital in other financial institutions	-10	-10
483	483	Total supplementary capital	483	483
3 925	4 173	Net equity and subordinated loan capital	4 081	3 817
1 636	1 714	Discrepancy relating to net equity and related capital - minimum requirement 8 per cent	1 718	1 646
		Capital adequacy as a percentage of the weighted asset calculation basis		
13.72	13.57	Capital adequacy ratio	13.82	14.06
12.03	12.00	Core capital ratio	12.18	12.28
28 615	30 750	Risk-weighted assets (calculation basis for capital adequacy ratio)	29 540	27 140
		Minimum equity and related capital requirement according to Basel II calculated in accordance with the Standard Approach:		
2 289	2 460	Total minimum requirement (8 %) for equity and related capital	2 363	2 171
0	0	Commitments involving states and central banks	0	0
3	3	Commitments involving local and regional authorities	3	3
15	16	Commitments involving public sector companies	16	15
52	35	Commitments involving institutions (banks etc.)	165	41
783	892	Commitments involving companies (corporate customers)	864	752
320	287	Commitments involving mass market (retail banking customers)	301	319
854	947	Commitments involving mortgage on residential property	697	730
22	18	Commitments due for payment	18	22
0	0	Commitments involving high risk (investment funds)	0	0
7	13	Commitments involving covered bonds	31	29
97	95	Other commitments	122	123
2 153	2 306	Capital requirement – credit-/counterpart- and impairment risk	2 217	2 034
0	0	Debt	0	0
0	0	Equity	0	0
0	0	Foreign exchange	0	0
0	0	Goods	0	0
0	0	Capital requirement – position-/foreign exchange- and commercial risk	0	0
150	167	Operational risk (basis method)	159	151
-14	-14	Deductions from the capital requirement	-13	-14

20 ECS AND OWNERSHIP STRUCTURE

Equity Certificates

At the end of 2011, 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 482 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 year-end, 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 31.12.11	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	805 090	10.27
Pareto Aksje Norge	456 755	5.83
MP Pensjon	363 796	4.64
Wenaasgruppen AS	300 000	3.83
Pareto Aktiv	210 265	2.68
Beka Holding AS	133 462	1.7
Farstad Shipping ASA	112 909	1.44
Pareto Verdi VPF	110 941	1.41
Fidelity Low-Priced	92 008	1.17
Stiftelsen Kjell Holm	88 671	1.13
Odd Slyngstad	83 703	1.07
Terra utbytte VPF	59 828	0.76
Tonsenhagen Forretningssentrum AS	52 050	0.66
Nordea Bank Norge AS	50 972	0.65
Leif-Arne Langøy	50 000	0.64
U Aandals Eftf AS	48 000	0.61
Forsvarets Personellservice	40 760	0.52
J E Devold AS	37 558	0.48
Sparebankstiftelsen DnB NOR	37 392	0.48
Sparebanken Hedmark	29 999	0.38
Total 20 largest	3 164 159	40.35
Total	7 841 116	100.00

Key financial figures (Parent Bank)	2011	2010	2009	2008	2007
Price at OSE	**178**	207	192	133	212
Number of ECs	**7 841 116**	7 841 116	6 534 264	5 949 153	5 526 154
EC capital (NOK mill.)	**784**	784	648	587	547
Dividend Equalisation Fund (NOK mill.)	**482**	362	393	317	306
Proceeds from EC issue, priced at a primium over par (NOK million)	**186**	186	187	123	80
EC percentage (average for 2009/2008)	**46.0**	46.0	43.8	44.7	45.5
EC percentage 31.12	**46.0**	46.0	46.0	43.2	43.2
Dividend per EC, in NOK	**8**	12	12	20	23
Dividend per EC, in NOK as a percentage of price at OSE 31.12	**4.5**	5.8	5.2	12.5	9.1
Return (%) 1)	**-8.2**	14.0	56.3	-28.0	-2.5
Dividend in percentage of the EC owners share of adjusted result 1)	**34.4**	49.2	49.3	92.3	85.8
Profit per EC, in NOK 1)	**23.27**	24.42	24.35	21.66	26.8
Book value per EC, in NOK 1)	**185**	170	188	174	169
P/E 1)	**7.7**	8.5	9.5	7.4	9.5
P/BV 1)	**0.96**	1.2	1.2	0.9	1.5

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

Geographic distribution

Number of owners/ECs	2011		2010		2009		2008		2007	
Møre og Romsdal	**3 691**	**4 032 446**	3 650	3 665 079	3 559	3 094 150	3 423	2 607 233	3 426	2 356 352
Others in Norway	**2 408**	**3 470 693**	2 540	3 903 485	2 687	3 203 395	2 628	3 125 722	2 519	2 961 523
Foreigners	**78**	**337 977**	65	272 552	68	236 719	70	216 198	69	208 279
Total	**6 177**	**7 841 116**	6 255	7 841 116	6 314	6 534 264	6 121	5 949 153	6 014	5 526 154

Distributed by numbers 31.12.2011

Number of ECs	Number of ECs	%	Number of owners	%
1-100	102 475	1.31	1 979	32.04
101-1 000	1 121 422	14.30	3 133	50.72
1 001-10 000	2 588 673	33.01	989	16.01
10 001-100 000	1 535 328	19.58	68	1.10
Above 100 000	2 493 218	31.80	8	0.13
Total	7 841 116	100.00	6 177	100.00

	Number of ECs		EC capital		Above par value	
	2011	2010	**2011**	2010	**2011**	2010
Change in ECs and premium/above par value:						
Ordinary ECs as at 01.01	**7 841 116**	6 534 264	**784**	653	**186**	187
Changes	**0**	1 306 852	**0**	131	**0**	-1
Ordinary ECs as at 31.12	**7 841 116**	7 841 116	**784**	784	**186**	186
Bank's own ECs:						
Own ECs as at 01.01	**3 744**	57 320	**0**	5		
Changes	**15 493**	-53 576	**2**	-5		
Own ECs as at 31.12	**19 237**	3 744	**2**	0		

	Total amount (TNOK)
Dividend paid on ECs	
NOK 20.00 pr EC in 2009	118 983
NOK 12.00 pr EC in 2010	72 560
NOK 12.00 pr EC in 2011	94 093
Proposed dividend	
NOK 12.00 pr EC in 2009	72 560
NOK 12.00 pr EC in 2010	94 093
NOK 8.00 pr EC in 2011 1)	62 729

1) Approved at Board of Trustees meeting on 23.03.2012. Included in the accounts as other equity capital as at 31.12.2011.

Elected representatives of the Bank owning/representing ECs as at 31.12.2011

	Number of ECs		Number of ECs		Number of ECs
Tove A. Berge	848	Gerd Myren Hoel	199	Per Orvik	12
Bjørn Bjåstad	6 672	Turi Indergaard	518	Roy Reite	266
Nils Petter Drønnen	1 458	Kjersti Kleven	60	Thor Johan Rusten	5 003
Thor Martin Eidem	480	Helge Karsten Knudsen	573	Kjell Martin Rønning	7 580
Harald J. Eriksen	143 462	Kjetil Kvammen	847	Jane Røsgård	453
Svein Garberg	363 796	Leif-Arne Langøy	50 000	Aadne Sandanger	260
Iren Gullhav	380	Berit Larsen	96	Ingrid Sandøy	838
Jens Arne Hagen	60	Anders Lausund	646	Finn Moe Stene	805 090
Egil Hansen	152	Sølvi Lillevold	672	Elisabeth Maråk Støle	360
Hans August Hansen	37 392	Lise Løseth	152	Turid Håndlykken Sylte	152
Kristin Sunde Hansen	3 600	Borghild Møller	39 178	Johan Sættem	48 000
Eldar Kåre Helseth	452	Lars K. Nogva	562	Solfrid Teigen	1 256
Rolf Hjellegjerde	2 400	Odd Olsen	122	Berit Ekornes Unhjem	8 253

21 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

At its meeting on 1 February 2012 the Board of Directors of Sparebanken Møre decided to start working towards a merger of the Parent Bank and its wholly-owned leasing company Møre Finans AS. When the Board makes any final decision on the merger, the merger will be implemented with effect from 1 January 2012. The Parent Bank's balance sheet and income statement will not be significantly affected by the merger.

None other subsequent events of a material nature have encountered since the balance sheet date.

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 2011 to 31 December 2011, 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 2011
7 March 2012

THE BOARD OF DIRECTORS OF SPAREBANKEN MØRE

Leif-Arne Langøy
CHAIRMAN

Roy Reite
DEPUTY CHAIRMAN

Ragna Brenne Bjerkeset

Stig Remøy

Elisabeth Maråk Støle

Ingvild Vartdal

Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

AUDITOR'S REPORT 2011

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 of the Parent Bank and the Group comprise the statement of financial position as at 31 December 2011, the statement of income, statement of comprehensive income, cash flow statement and statement of 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 Managing Director's responsibility for the financial statements

The Board of Directors and Managing Director 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 Managing Director 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 at 31 December 2011 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 and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance 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 Managing Director have fulfilled their duty to ensure that the Bank's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Ålesund, 7 March 2012
ERNST & YOUNG AS

(Sign.)
Ivar-André Norvik
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

ANNUAL REPORT 2011 FROM THE CONTROL COMMITTEE

During the year of operations in 2011, the Control Committee has seen to it that the Bank's operations have been conducted in accordance with laws and regulations, the Bank's bylaws, 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 2011 accounting year are approved.

Due to disqualification factors, deputy member Jon Olav Slettebakk has replaced Thor Martin Eidem in 2012.

Ålesund, 8 March 2012

Control Committee of Sparebanken Møre

Kjetil Kvammen
Chairman

Lars K. Nogva

Eva Hove

Jon Olav Slettebakk

Elected bodies

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
Kari Hjelme	Åndalsnes
Tormod Hvattum	Åheim
Jørn Tunheim Kippersund	Volda
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. Giske	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

Harald J Eriksen	Oslo
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
Finn Moe Stene	Tingvoll
Johan Sættem	Molde
Solfrid Teigen	Volda
Berit Ekornes Unhjem	Ikornnes

* Resigned 27 April 2011 due to new duty as Chairman of the Board of Directors

Elected by the employees

Tove Andersen Berge	Ålesund
Nils Petter Drønnen	Ålesund
Iren Gullhav	Ålesund
Egil Hansen	Ålesund
Turi Indergaard	Ålesund
Berit Larsen	Ålesund
Anders Lausund	Brattvåg
Sølvi Lillevold	Ålesund
Lise Løseth	Sykkylven
Odd Olsen	Ålesund
Jane Røsgård	Ålesund
Aadne Sandanger	Larsnes
Turid Håndlykken Sylte	Molde

The Board of Directors

Leif-Arne Langøy, Chairman	Brattvåg
Roy Reite, Deputy Chairman	Ålesund
Ragna Brenne Bjerkeset	Fræna
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

Highlights

GROUP 2007 - 2011

NOK million	2011	2010	2009	2008	2007
Result					
Net interest and credit commission income	**909**	862	802	820	695
Total other operating income	**214**	304	256	196	224
Total operating costs	**562**	528	513	475	457
Result before losses	**561**	638	545	541	462
Losses on loans, guarantees etc.	**40**	31	82	65	-4
Result before tax	**521**	607	463	476	466
Tax payable on ordinary result	**144**	149	128	138	133
Result from ordinary operations after tax	**377**	458	335	338	333
As a percentage of average assets					
Net interest and credit commission income	**1.96**	2.03	1.97	2.17	2.09
Total other operating income	**0.46**	0.72	0.63	0.52	0.67
Total operating costs	**1.21**	1.24	1.26	1.26	1.35
Result before losses	**1.21**	1.51	1.34	1.43	1.41
Losses on loans, guarantees etc.	**0.09**	0.07	0.20	0.17	-0.01
Result before tax	**1.12**	1.44	1.14	1.26	1.42
Tax payable on ordinary result	**0.31**	0.35	0.32	0.36	0.40
Result from ordinary operations after tax	**0.81**	1.09	0.82	0.90	1.02
Balance sheet					
Cash in hand and claims on central banks	**814**	634	682	1 378	1 374
Net loans to and claims on credit institutions	**564**	167	83	98	67
Gross loans to customers	**40 701**	38 083	36 252	35 660	31 699
Specific write-downs	**265**	281	264	217	212
Non-specific write-downs	**131**	126	137	145	137
Net loans to customers	**40 305**	37 676	35 851	35 298	31 350
Securities	**5 226**	4 496	3 381	2 295	1 880
Fixed assets	**316**	261	242	237	234
Other assets	**1 181**	1 207	1 052	1 490	711
Total assets	**48 406**	44 441	41 391	40 796	35 615
Debt owed to credit institutions	**4 741**	4 976	5 662	3 316	3 147
Deposits from customers	**25 325**	24 551	21 793	20 672	19 401
Borrowings raised through the issue of securities	**12 799**	9 697	9 086	12 427	9 193
Other liabilities	**1 152**	1 003	953	1 077	941
Subordinated loan capital/capital bonds	**972**	961	955	679	530
Paid-in equity capital	**968**	970	835	710	626
Equity capital accumulated through retained earnings	**2 449**	2 283	2 107	1 915	1 777
Total liabilities and equity capital	**48 406**	44 441	41 391	40 796	35 615

DEVELOPMENT

NOK million	**4. q. 2011**	3. q. 2011	2. q. 2011	1. q. 2011	4. q. 2010
Quarterly results					
Net interest and credit commission income	**231**	235	221	222	228
Total other operating income	**54**	37	74	49	45
Total operating costs	**145**	137	140	140	128
Result before losses	**140**	135	155	131	145
Losses on loans, guarantees etc.	**27**	14	-6	5	-4
Result before tax	**113**	121	161	126	149
Tax payable on ordinary result	**30**	34	44	36	43
Result from ordinary operations after tax	**83**	87	117	90	106
As a percentage of average assets					
Net interest and credit commission income	**1.90**	2.02	1.93	1.99	2.10
Total other operating income	**0.45**	0.32	0.65	0.44	0.41
Total operating costs	**1.19**	1.18	1.23	1.25	1.18
Result before losses	**1.16**	1.16	1.35	1.18	1.33
Losses on loans, guarantees etc.	**0.22**	0.12	-0.05	0.04	-0.04
Result before tax	**0.94**	1.04	1.40	1.14	1.37
Tax payable on ordinary result	**0.26**	0.29	0.39	0.32	0.40
Result from ordinary operations after tax	**0.68**	0.75	1.01	0.82	0.97

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, with associated changes in the recommendation of 20 October 2011. 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 2011. There are no significant differences between the Code and how it is complied with at Sparebanken Møre. 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 every point of contact Sparebanken Møre has with the market, customers and other surroundings. More detailed descriptions of the individual core values can be found on the Group's website.

Deviations from the Code: None

2. OPERATIONS

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

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.

The strategy 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 a healthy financial structure and financial strength, as well as strong 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.

Deviations from the Code: None

3. EQUITY 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.

Deviations from the Code: None

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.

Deviations from the Code: None

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.

Deviations from the Code: None

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.

Deviations from the Code: Minor deviations as the governance structure and composition of governing bodies in a savings bank differs from corporations.

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, exclusive employee representatives, election of Chairman, Deputy Chairman, members and deputy members of the Control Committee, as well as Chairman, members and deputy 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 depositorelected 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 holderelected 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. Each committee's recommendations are justified.

Deviations from the Code: None

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. Half of the elected members retire every year. Outgoing members and deputy members may be reelected. An elected member of the board can not have this official duty for a continuous period longer than 12 years, or have confidence in this office for more than 20 years all together.

When selecting the board members, effort is made to achive continuity and independence, in addition to a balanced composition.

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.

Deviations from the Code: None

9. THE BOARD'S WORK

The Board of Directors shall manage the Bank`s operations. 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. The Audit Committee has brought together the expertise necessary to ensure the Committee`s responsibilities, taken into account the Bank's organisation and activities. All members of the Audit Committee in Sparebanken Møre are independent with regards to the Bank`s operations.

Sparebanken Møre has established a Compensation Committee. Refer to paragraph 12 for more information.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

Sparebanken Møre assumes an overall risk management process as the basis for its internal control. This is laid down in the Bank's Board approved "Risk Policy". To perform a comprehensive risk management, Sparebanken Møre uses the global standard COSO internal control model.

Board adopted "General guidelines for the management and control of Sparebanken Møre" has laid down the premise that individual managers 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 "Guidelines for the Board of Directors of Sparebanken Møre" defines the Board`s role and the importance of the Board`s work, as well as form, content and implementation. 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 ensures that 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.

The responsibility for the Group's financial reporting has been assigned the Financial Control and Risk Management section which reports directly to the CEO. The section has the overall responsibility for ensuring that the Group's principles of accounting and financial control are identified, monitored and evaluated. Responsibility for the preparation of financial statements for subsidiaries and the preparation of consolidated financial statements are also assigned this section. This organization ensures proximity, gives a good overview and provide a reasonable assurance of the reliability of financial reporting.

The Group's overall strategy, internal control principles, a simple and clear organizational structure, coupled with the Group's culture and values provides a strong control environment.

In the continuously financial reporting overlap has been established, as well as written procedures in critical areas, key controls and reporting of financial objectives at all levels in the Group. This ensures a close and accurate monitoring of the financial reporting and increase the chance for risks to be detected at an early stage. Line managers have the primary responsibility for risk management associated with the units' operational and financial reporting and the basis for the quality of financial reporting being satisfactory.

The internal control and risk assessment of financial reporting is one of the key priorities in the annual confirmation of the quality of and compliance with internal controls. The Internal Auditor and the External Auditor have a important roles in the monitoring of internal controls related to financial reporting.

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

Deviations from the Code: None

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.

Normally the board members do not have assignments for Sparebanken Møre beyond their board work. In cases where companies such as board members have connections to undertake tasks for Sparebanken Møre, the entire board is informed. Fees for such services must be approved by the Board.

Please refer to the notes in the annual report concerning the amounts of the remunerations.

Deviations from the Code: None

12. GREMUNERATION OF SENIOR EXECUTIVES

Regulations on compensation arrangements, including for banks, came into force on 1 January 2011. The regulations implement the decisions in CRD III regarding good compensation procedures to reduce excessive risk taking and promote sound and effective risk management in financial companies.

All companies with more than 50 employees or total assets exceeding NOK 5 billion must have a separate remuneration committee. In companies with assets less than NOK 100 billion the committee may consist of all or part of the Board. Sparebanken Møre has established such a remuneration committee, elected by and among the board members. The Board is responsible for approving and maintaining the remuneration policy for Sparebanken Møre, as well as evaluate and monitor the effects of the remuneration policy. The practicing of the remuneration scheme is to be reviewed at least once a year by an independent body, and a separate report on the annual review must be prepared.

Sparebanken Møre does not have incentive-based compensation (commission) for any of the Bank`s employees. There has been established a collective bonus scheme, with an equal amount for all employees, or truncated in relation to employment or work percentage during the year. The CEO is not included in this scheme. Size of the bonus depends on the Group's overall achievement in relation to the long-term strategic plan. Each employee may in addition receive an extra payment based on individual achievement in relation to the employee`s individual action plan.

Bonus is being paid in the form of allocation of a number of Equity Certificates from Sparebanken Møre`s holdings of own Equity Certificates corresponding to market value on the settlement date, plus a cash amount. Minimum 50 per cent of the bonus will be in the form of Equity Certificates. The Equity Certificates must be kept by the employee for a minimum of one year before any sale.

Under the new regulations, Sparebanken Møre has defined a group of senior executives. These are employees with ties to the Group's management teams. Furthermore, employees who have a significant impact on the Group's risk exposure have been identified, as well as persons responsible for supervisory tasks and employee representatives. Bonuses and one-time payments to this group of persons must be in accordance with special rules set forth in the regulations. This means that the allocated Equity Certificates must be kept for a minimum of three years before sale, or disposal of up to 1/3 per year.

Determination of salary for the CEO is decided by the Board in a board meeting. The Board is informed of the remuneration to the employees who report to the CEO.

Separate guidelines for the remuneration scheme of Sparebanken Møre is prepared and presented to the Board of Trustees.

Deviations from the Code: None

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.

Deviations from the Code: There are no written overview of the policies related to the various reporting of financial and other information. Deviations will be corrected in 2012.

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.

Deviations from the Code: Because of statutory restrictions on ownership of savings banks, 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 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 meetings in the Audit Committee, as well as 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.

Deviations from the Code: Specific written guidelines for the daily management`s use of services other than auditing from the External Auditor has not been set. The deviation will be corrected in 2012.

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

International Payments and Settlements

Karl Otto Hessen, 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

Møre Boligkreditt AS

Ole A. Kjerstad, CEO	ole.kjerstad@sbm.no	+ 47 41 40 09 53

HAVNEVIK

sbm.no