ANNUAL REPORT 12

SPAREBANKEN MØRE

Contents

LOCAL TEAM PLAYER
INDEPENDENT SAVINGS BANK
CLOSE TO THE CUSTOMERS
LOCAL COMMUNITY
ACTIVE AND COMMITTED
EMPLOYEES **SOUND & SOLID**
CULTURE TEAMWORK
ADVICE CUSTOMERS
TAKES AN INTEREST IN SOCIETY
CONTRIBUTOR INDEPENDENT
CLOSE & LOCAL LISTENS
INITIATIVE SECURE
HELPFUL CONTRIBUTORS
TO THE LOCAL COMMUNITY
FINANCES **COMMITTED** VALUES
THAT CAN BE TRUSTED
ADDED VALUE INCREASED
VALUE STRUCTURED AND
RELIABLE EFFICIENT PARTNER
JOB SATISFACTION MOTIVATED

KEY FIGURES GROUP

Result

NOK MILLION	2012	2011	2010	2009	2008
Net interest and credit commission income	**936**	909	862	802	820
Net provisions and other income	**180**	171	170	154	165
Net return from financial investments	**110**	43	134	102	31
Total income	**1 226**	1 123	1 166	1 058	1 016
Total operating cost	**605**	559	528	513	475
Pension plan changes	**-166**				
Result before credit losses	**787**	564	638	545	541
Losses on loans, guarantees etc.	**47**	40	31	82	65
Result before tax	**740**	524	607	463	476
Tax payable on ordinary result	**210**	145	149	128	138
Result from ordinary operations after tax	**530**	379	458	335	338

Balancesheet

Total assets	**51 632**	48 468	44 441	41 391	40 796
Average assets	**48 530**	46 375	42 400	40 680	37 820
Lending to customers	**43 434**	40 305	37 676	35 851	35 298
Deposits from customers	**27 081**	25 325	24 551	21 793	20 672

Key figures

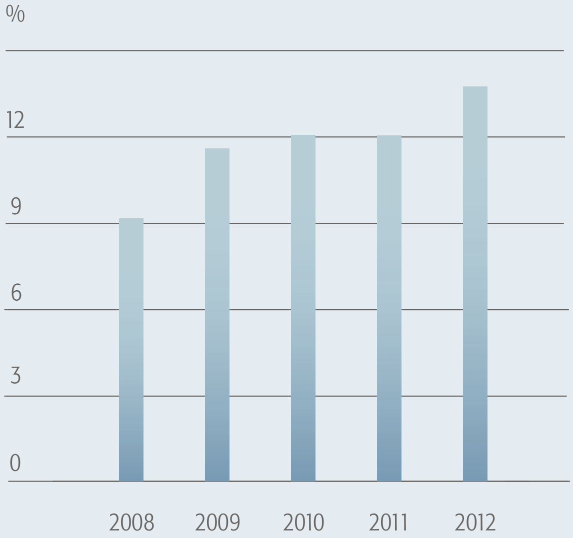
Return on equity	**16.3**	12.2	16.0	14.1	12.8
Return on equity (adjusted for pension plan changes)	**12.6**				
Cost as a percentage of income	**35.4**	49.8	45.3	47.2	46.8
Cost as a percentage of income (adjusted for pension plan changes)	**48.8**				
Losses as a percentage of loans 1.1/start of the period	**0.12**	0.11	0.08	0.23	0.21
Problem loans as a percentage of loans (prior to loss provisions)	**1.34**	1.95	2.45	2.96	2.69
Problem loans as a percentage of loans (after loss provisions)	**0.96**	1.30	1.74	2.10	1.94
Deposit to lending ratio as a percentage	**62.3**	62.8	65.2	60.8	58.6
Core capital as a percentage 1) 2)	**13.70**	12.00	12.03	11.55	9.12
Pure core capital as a percentage 1) 2)	**10.65**	10.40	10.30	9.82	8.40
Man-years	**410**	416	401	412	405

EC (numbers refer to the Parent Bank)

Profit per EC (Parent Bank) (NOK)	**27.75**	23.27	24.42	24.35	21.66
EC fraction 1.1 as a percentage (Parent Bank)	**46.0**	46.0	46.0	43.8	44.7
Price at Oslo Stock Exchange (NOK)	**160**	178	207	192	133
Price/Book value (P/B)	**0.80**	0.96	1.20	1.20	0.90
Cash dividend per EC (NOK)	**12.00**	8.00	12.00	12.00	20.00

1) Standard method in Basel II
2) Incl. proposed end adjustments

Core capital



OLAV ARNE FISKERSTRAND | CEO

Have never been better prepared

At the end of 2012, the outlook for the Norwegian economy and the regional economic trends in Møre og Romsdal was good. In relation to the rest of Europe, there has been a relative improvement over the last year. Unemployment, both overall for the country and for Møre og Romsdal, is at a low level. In addition, there was a high level of activity in business and industry, and the levels of inflation and interest rates are low. The reason for this strong growth in Norway can be attributed to growth in world trade, high oil prices, an expansive finance policy and a solid financial services industry.

MØRE OG ROMSDAL is a county with both small and large industries. It is expected that industrial growth will be moderate in the future. Our large export industries in particular are facing strong competition on the international market. A strong Norwegian krone combined with a high cost level will place high demands on this part of our regional business and industry. The development of the global economy will also be a risk factor. In order for enterprises to distinguish themselves, and to maintain or increase their market shares, it is important to focus on the development of technology, creativity and innovation. Long-term investment in competence development is probably one of the most important factors for success for Norway, and especially for Møre og Romsdal. Contributing to strengthening the entrepreneurial spirit of the job creators of the future is important. Ungt Entreprenørskap, an organisation that Sparebanken Møre collaborates with, is a non-profit organisation that seeks to develop the creativity, joy of creating and self-confidence of children and young people in cooperation with schools, business and industry and other actors. By supporting this work, and by active participation in the projects, we contribute to a focus on competence development from an early age for those who will be driving the development of our county in the future.

TRANSPORT AND INFRASTRUCTURE are important to society and thus important to Sparebanken Møre, and this is reflected in the Bank's contributions to the study of various transport projects. In 2012 there were several events in the transport sector in Møre og Romsdal. These have resulted in an expansion of the labour market and settlement areas. Better transport connections also lay the foundation for increased interaction and further business development for Møre og Romsdal. For example, construction work has started on the time-consuming and accident-prone stretch of road between Vestnes and Måndalen. The "export road" between Ålesund and Dombås is a step closer to being a safe two-lane road, with a reduction of transport time to the markets on the continent and the rest of Norway. The planning of several other transport projects in the county has come a long

«To invest in long-term competence development is probably one of the most important success factors of Norway, and not at least of Møre og Romsdal.»

way. The realisation of these projects will be important contributions to the county being more closely linked together when it comes to transport in the coming years.

MØRE OG ROMSDAL aims to be a county that provides people and enterprises decent opportunities for living, working and development. Sparebanken Møre contributes to this through cultural life, sports events, education and the development of talent. Having good local services and offerings for children and young people is an essential prerequisite for maintaining population growth. Sparebanken Møre should therefore be involved in local communities, and this involvement should be based on our proximity to those who live here, and on the financial strength that the Bank has built up through the years.

THROUGH GOOD RESULTS in 2012, Sparebanken Møre has further strengthened its financial solidity. The financial targets that the bank set at the start of the year were achieved. Lending growth in our portfolio was moderate, and there was stiff competition in the market for deposits Sparebanken Møre is competitive in these areas. We are experiencing low losses and a low level of defaults, which is a consequence of good times for business and industry in Møre og Romsdal, not to mention the excellent banking services provided by our employees. We will still focus on maintaining a healthy cost level in 2013.

SPAREBANKEN MØRE operates in an industry where regulatory changes are frequent, and at times have major consequences for the industry. There is still uncertainty within the industry as to the consequences of the new capital adequacy rules and regulations. We are concerned about fair competition and that the regulations are harmonised and transparent among the various actors. Our capital adequacy is good measured in accordance with current capital requirements, and both the issuance of hybrid Tier 1 bonds and transfers from operations have further reinforced our capital adequacy in 2012.

WE WILL CONTINUE TO STRIVE FOR IMPROVEMENT IN 2013. A new organisational structure, in which the aim is to focus more on customers, has been adopted as part of this improvement effort. These changes will be implemented in the second quarter of 2013, and the aim is to improve the efficiency of the organisation and to increase resources related to advisory services and our proximity to customers. We will reinforce the industry competence of our employees, and thus provide better advice to our customers. A flatter organisation, and greater responsibility given to our local bank managers, will also benefit our customers through faster decision-making.

The results that Sparebanken Møre are reporting for 2012 are a consequence of good teamwork internally within the bank. Everyone, regardless of where they work in the organisation, has made an important contribution to the final results through their own action plans.

OUR GOOD CAPITAL ADEQUACY and our capable employees contribute to Sparebanken Møre having never been better prepared to meet future challenges. Our goal is to be able to say the same one year from now.

Kind regards,
Olav Arne Fiskerstrand

THE ECONOMIC OUTLOOK FOR 2013

INGE FURRE | CHIEF ECONOMIST

Continued high production output growth in Møre og Romsdal

Production and employment in the county will probably also rise in the next two years. This rise will be evident within a broad range of industries and sectors. This applies in particular to the public and private service sectors, including oil-related activities. As a result of the weak development of our export markets, there is a risk that unemployment may increase somewhat.

The NORWEGIAN ECONOMY, and business and industry in Møre og Romsdal, have managed very well throughout the financial debt crisis. There are several reasons for this. First of all, we had a good starting point with low unemployment and a raw material-based export structure that allowed business and industry to benefit from the strong growth of emerging economies. In addition, monetary and finance policy in Norway has been expansive in order to counteract the effects of the international economic downturn, and the crisis in the euro zone in particular. Substantial support measures were also implemented in order to ensure necessary funding for the banks. In addition, strong investment growth on the continental shelf has resulted in strong growth impulses.

THE BIG QUESTION is of course to what extent the production growth in the county will continue. Møre og Romsdal was Norway's largest export county in 2011, if we exclude refined fuel products. It is therefore natural to use what is expected to happen in our export markets as our point of departure.

The OUTLOOK for the global economy appears to have stabilised during the winter. This, combined with a less negative focus on the problems in the euro zone, have contributed to a reduction in the level of nervousness in the financial markets. It appears that growth in the global economy will be around 3.5 per cent in 2013. Most of this growth will come from the emerging economies, China and India in particular. Growth in the USA is expected to be moderate, at around 2 per cent, while the growth outlook for Europe is weak. Zero growth can be expected at best in 2013. As a result of the prevailing uncertainty, particularly in the euro zone, and high sovereign debt in many countries, there is a risk that global growth may be somewhat lower than estimated.

RETRENCHMENT in the public sector, combined with higher taxation, will contribute to low growth in the industrialised world for several years to come. Unemployment will therefore remain high. Consequently, the average unemployment in the USA is estimated at 7.5 per cent in 2013, while unemployment in the euro zone will probably be around 12 per cent. In addition, unemployment in the euro zone is rising.

FOR OUR DOMESTIC ECONOMY, however, the outlook is good. Statistics Norway's last estimate for the Norwegian economy, which was published in December 2012, shows that the GNP growth in 2013 will be

«The production growth in the next two years will lead to increased demand for labour. At the same time the work force will grow as a result of new groups wanting to enter the labor market.»

just under 3 per cent for mainland Norway. Growth must be seen in the context of a continued rise in private and public consumption and investments. In particular, Statistics Norway expects that the level of activity in the petroleum sector will remain high. The export industries will, however, be affected by lower market growth, a high cost level and most likely a strong Norwegian krone. As a result of this, Statistics Norway estimates zero growth for the traditional export of goods.

UNEMPLOYMENT, as measured in Statistics Norway's labour survey (AKU), is expected to range from 3.1 to 3.3 per cent during the period from 2012 to 2015. Unemployment as measured by the labour survey, which is a questionnaire survey, is somewhat higher than the registered unemployment at the employment offices.

STATISTICS NORWAY prepared an analysis of the economic outlook for Møre og Romsdal up to 2014 on behalf of Sparebanken Møre in the autumn of 2012. The analysis was based on information published as of 6 September. The analysis suggested that there will be a broad rise in production and employment in the county. Industrial production will increase in both 2013 and 2014. This is associated with expectations of a continued rise in the production of engineering products, including the construction of vessels and platforms, consumer products and power-intensive industry. In addition, the supplier industry will benefit from strong demand from oil and gas activities. As a result of weak developments in our trading partners, the level of activity within the export industry in the county will, however, probably be somewhat lower than Statistics Norway has assumed in its analysis.

PRIVATE SECTOR SERVICES consist primarily of distributive trades, business services, domestic transport, and banking and insurance. Estimates are for a clear increase in production output, in line with developments in the country as a whole. The main reason for this is strong income growth in the household sector as a result of significant real wage growth and a strong increase in public benefits. Employment will also rise, particularly in business services, distributive trades and domestic transport.

PUBLIC ADMINISTRATION in Møre og Romsdal is also expected to experience growth in production output, employment and investments during the period covered by the forecast. The estimates show production output growth of 2.0 per cent in 2013, and 2.75 per cent in 2014. Employment growth is estimated to be 1.5 and 2.0 per cent, respectively. Increased investments in administration, education, and health and social services contribute to maintaining the level of public investments for this year. For the next two years, the development of investments in public administration in the county is expected to be somewhat stronger than in 2012, with somewhat stronger growth than the national average this year.

GROWTH IN PRODUCTION OUTPUT for the next two years will entail an increased demand for labour. The work force will also grow as a result of new groups desiring to enter the labour market. Statistics Norway assumes that employment in the county will increase approximately as much as the increase in the workforce in 2013 and 2014. Thus unemployment will change little during the next two years, according to Statistics Norway. Møre og Romsdal will thus remain among the counties with the lowest unemployment in Norway. As a result of the weak development of our export markets, there is, however, a risk that unemployment may increase somewhat. In 2012, registered unemployment in the county was 1.9 per cent of the workforce.

COMMITTED AND ENTHUSIASTIC

As active and committed employees, we are the bank's most important resource in the work of achieving our goal of being 'the Number 1 bank in Møre og Romsdal'. Together, we create a culture that promotes development through day-to-day work.

CLOSE AND LOCAL

We are a local and independent savings bank that makes decisions locally. We are close to our customers and the local community through our presence and accessibility. We care about our customers and the local community that we are a part of.

SOUND AND SOLID

We have sound expertise and a sound financial foundation, which means that we are a safe and secure manager of our customers' assets. We belong here and have a long-term perspective.

A committed bank

The roots of Sparebanken Møre are in Møre og Romsdal county. The bank was established in 1985 through a merger of several local savings banks. The oldest of these savings banks was established in 1843. Today we have offices in 24 out of 36 municipalities in Møre og Romsdal, and we are the only major bank that has a head office in the county.

THIS STRONG IDENTIFICATION with the people and the environment along the coast and in the fjords means that we are always concerned about and dependent on the development of local communities. We have eyes for what is new, and a conscience for what has been. And not least, we have funds for the realisation of projects and plans that can contribute to making local communities a sustainable home for people and businesses. This is through both the Bank's ordinary operations, and through our social involvement. Through dividend funds we donate several million Norwegian krone to communities every year.

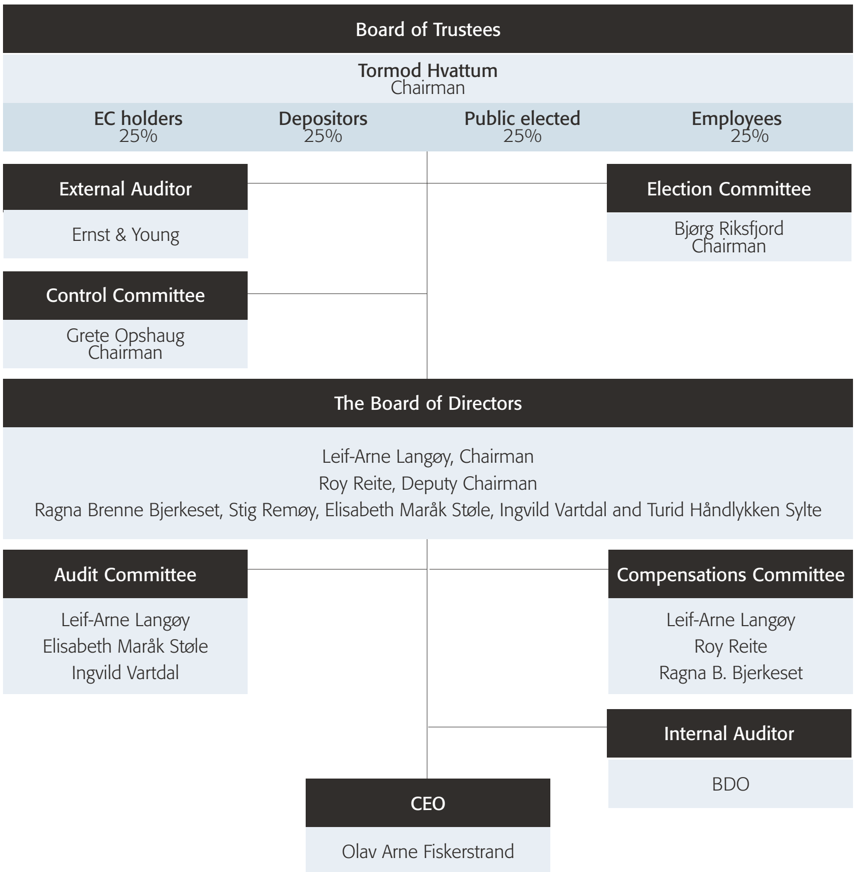
IN A MARKET with strong competition and actors who provide nearly identical products at relatively equal prices, it is our employees who make the greatest difference. It is therefore essential that everyone at Sparebanken Møre tries to do things a little bit better. The fact that we are actually quite successful can be seen from the feedback we receive through our customer satisfaction surveys, among other things. We have satisfied customers, and isn't that what it is really all about?

THROUGHOUT THESE 170 YEARS Sparebanken Møre has left its mark. This creates impressions of the Bank, and expectations of how we will act in the future. These impressions are created in part by the products and services we deliver, in part through our communications and behaviour, as well as in the way in which we solve our tasks. Therefore we work every day in accordance with a set of values that are to result in these expectations being met.

COMMITTED, CLOSE TO THE CUSTOMER, AND FINANCIALLY SOLID are the Bank's core values. They express the values that are important to us and form the basis for the Bank's identity. Core values should not just be nice words in our "Guiding Values", we are bound by them in our daily work.

Organisation and Management

AS AT 08.01.2013



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 with one fourth of the members. These are governors elected by the Bank's depositors, EC holders, the Bank's employees and the public elected. 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 three wholly-owned subsidiaries. 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.

A new organizational structure will be implemented during spring 2013. The changes in the organization leads to a simplification of the leadership structure, and the customer will be more in focus since an larger part of the work processes and the staffing resources will be market oriented.

Sparebanken Møre's head office is located in Ålesund. The Bank's operations within Retail Banking is organized into Division for Retail Banking. Each Retail Banking branch is lead by a General Manager which reports directly to the leader of the Division, which again reports directly to the CEO. The Bank's customer-related operations are taken care of by a total of 30 branches.

The Corporate Banking operations in Sparebanken Møre is organized into three units: Sunnmøre, Søre Sunnmøre og Romsdal & Nordmøre. The managers of these three units reports directly to the CEO. Corporate Banking Sunnmøre is organized into five branch units and an insurance unit, and also has responsibility for development and maintenance of the Corporate Banking concepts in the Bank. In addition the organization consist of 5 sections which each is lead by an Section General Manager. The Section General Managers also reports to the CEO.

In order to achieve effective communication- and decision processes, management groups represent the basic element in Sparebanken Møre's management structure.

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 31.12.2012, the Group employed 437 permanent staff, equivalent to 410 man-years.

The CEO's management group

Olav Arne Fiskerstrand
56 years (6 760)

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 in 1983.He was appointed as the Bank's CEO in 1997.

Terje Krøvel
53 år (1 150)

Executive Vice President, Sunnmøre Corporate Banking. Has a degree in economics and administration from Møre og Romsdal Distriktshøyskole, 1983. He started in Sparebanken Møre in 1983. His position has the overall responsibility for the implementation of the Bank's concept for the corporate market.

Kjell Jan Brudevoll
58 years (398)

Executive Vice President, Søre Sunnmøre Corporate Banking. 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. He was appointed to his present position at Sparebanken Møre in 2011.

Trond Nydal
43 years (1 010)

Executive Vice President, Retail Banking Division. Business School Graduate from NHH in 1997. Employed at Sparebanken Møre in 1997 and has held several leading positions within the Bank. His position is responsible for Bank's retail concept.

Idar Vattøy
53 years (1 190)

Executive Vice President, Head of Financial Control, Risk Management Division and Human Resources. 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 in 1984.

Perdy Lunde
55 years (1 340)

Executive Vice President, Head of Business Development and Support Division. Graduate of BI in 1990. Hired by Sparebanken Møre in 1977.

Runar Sandanger
55 years (720)

Executive Vice President, Head of Treasury and Market 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. Hired by Sparebanken Møre in 1986.

Kjetil Hauge
40 years (558)

Executive Vice President. Head of the Department of Information and Compliance. Business School Graduate from NHH in 1991-1995. Employed at Sparebanken Møre in 1998.

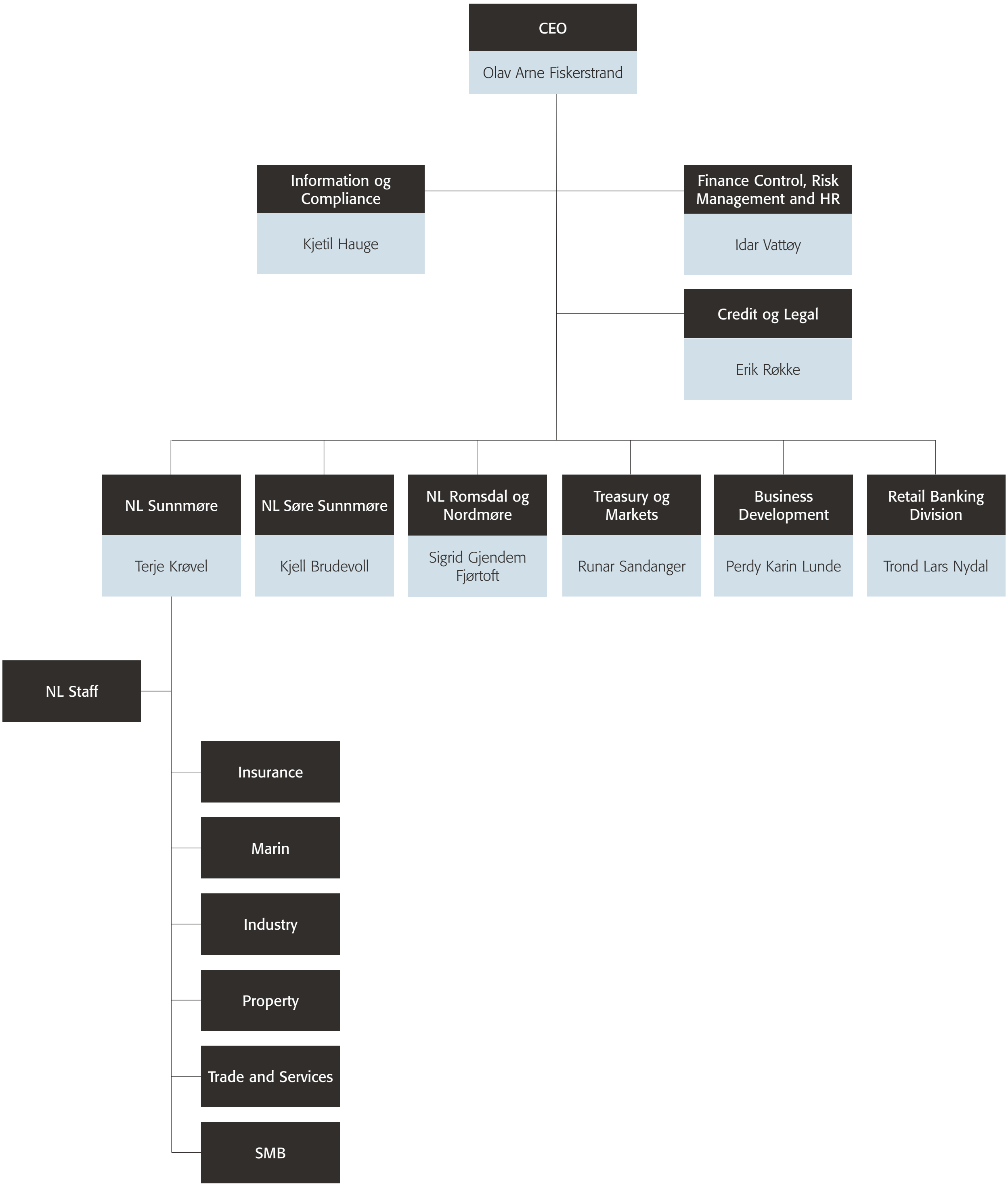
Sigrid Gjendem Fjørtoft
54 years (399)

Executive Vice President, constituted Head of Romsdal and Nordmøre Corporate Banking. 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 and General Manager in Sparebank1 SMN until 2007. Hired by Sparebanken Møre in 2007.

Erik Røkke
43 år (82)

Executive Vice President. Constituted Head of Credit and Legal Division. Business School Graduate from NHH in 1991-1994 and state authorized auditors. Employed by PWC in 1994. General Manager in Ørskog Sparebank 2001-2012. Employed at Sparebanken Møre in 2012.

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
Information og Compliance
Kjetil Hauge
Finance Control, Risk Management and HR
Idar Vattøy
Credit og Legal
Erik Røkke
NL Sunnmøre
Terje Krøvel
NL Søre Sunnmøre
Kjell Brudevoll
NL Romsdal og Nordmøre
Sigrid Gjendem Fjørtoft
Treasury og Markets
Runar Sandanger
Business Development
Perdy Karin Lunde
Retail Banking Division
Trond Lars Nydal
NL Staff
Insurance
Marin
Industry
Property
Trade and Services
SMB

Subsidiaries

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.

KEY FIGURES	NOK million
Net loans to customers	11 330
Borrowings raised through the issue of securities	10 006
Net interest and credit commission income	130
Result after tax	78
Total equity	503
Capital adequacy/core capital ratio	11.54 %

Aaa-ratet by Moody's

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 17 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 around 500 properties annually. Mona Helen Fornes is the CEO of Møre Eiendomsmegling AS.

KEY FIGURES	NOK million
Turnover	24
Result after tax	2
Total equity	11

– The aim is to ensure that Møre Eiendomsmegling remains the best agency for real estate transactions.

Manager Mona Helen Sørensen

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 anagronomist (sivilagronom) from the Norwegian University of LifeSciences (UMB) and also holds qualifications in marketing, innovation and management. She is also an ICF certified coach and has experience from from the consulting business in Møre og Romsdal, and from various management positions in Tine SA. Today she is employed as a senior adviser in TIBE PR. Bjerkeset has been a member of the Board of Sparebanken Møre since 2011 and holds in addition several other directorships in business and industry in the region. She 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 several years of experience as a business lawyer. Today she is a lawyer in the law firm Adviso AS, with tax and company law as the main working area. 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

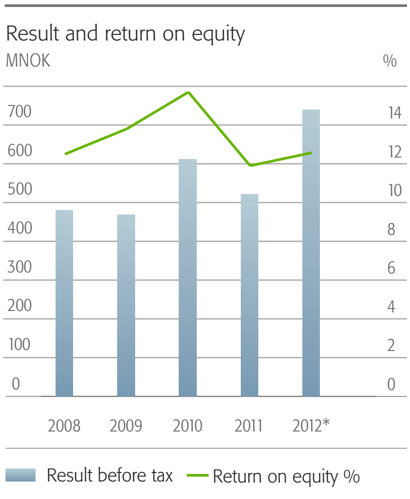
Elisabeth Maråk Støle has a Master of Management degree and is a business school graduate. She is a Director in SafeRoad`s group management, with the responsibility for Corporate Development. Previous experience includes several managerial positions within the areas of sales, marketing and communication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

7. Turid Håndlykken Sylte
BOARD MEMBER

Turid Håndlykken Sylte is the employee representative of Sparebanken Møre and has been an employee representative in the Board since 1.4.2012. She currently works as an authorized financial advisor by the department in Molde. Previous experience include tourism and banking. She lives in the municipality of Molde.

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.



GROUP`S KEY FIGURES

- Profit after tax for 2012 was NOK 530 million, NOK 151 million higher than in 2011.
- Return on equity after tax was 16.3 per cent, compared with 12.2 per cent for 2011.
- Lending volume increased by 7.8 per cent in 2012, while deposits grew by 6.9 per cent.
- At year end, primary capital amounted to NOK 4.8 billion and represented 14.63 per cent of the risk-weighted assets, 13.70 per cent of which was core capital, and 10.65 per cent of which was pure core capital.
- The Board of Directors is satisfied with the results for 2012.
- The Board of Directors recommends that the Board of Trustees pay a dividend of NOK 12 per equity certificate, transfer NOK 124 million to the equalisation reserve, and transfer NOK 110 million to dividend funds for the local community.

CHANGE IN DEFINED-BENEFIT PENSIONS

Sparebanken Møre has employed delayed-recognition accounting (the corridor method) for the recognition of pension liabilities in previous years.

As a result of the new rules in the IAS 19R accounting standard, the option to use this accounting method has been eliminated as of 1 January 2013.

The bank has decided on early adoption of the new pension rules, which entail that the actuarial gains or losses on the balance sheet as at 1 January 2012 have been eliminated, thus reducing equity by NOK 161 million after tax.

The Board of Trustees of the Bank has also resolved to change the pension plan so that annual pension benefit payments will be adjusted in accordance with the pensioners' share of the profit reserve.

The financial consequences of this entail the recognition of income (reduction in personnel expenses) in the amount of NOK 166 million before tax in the fourth quarter of 2012.

In accordance with IAS 19, the discount rate on the date of the balance sheet should be set at the interest rate for corporate bonds with a high credit rating, or at the government bond rate if there is no deep market for corporate bonds with a high credit rating.

The Norwegian covered bond market is considered to possess the characteristics required for use as the basis for calculation of the discount rate.

The financial consequences of this entail the recognition of income under other comprehensive income (total comprehensive income) in the amount of NOK 143 million before tax.

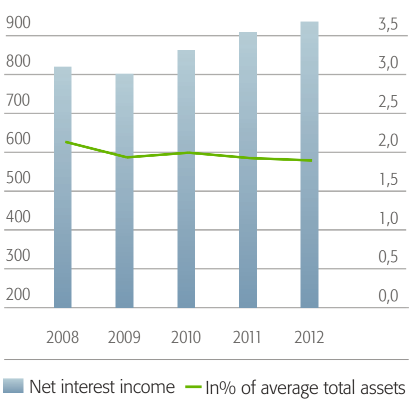
Results for 2012

Profit before losses was NOK 787 million and 1.63 per cent of average total assets, an increase of NOK 223 million and 0.40 percentage points over 2011. The non-recurring effect of the pension plan change was NOK 166 million. Profit after losses on loans, guarantees and securities was NOK 740 million and 1.53 per cent of average total assets, an increase of NOK 216 million and 0.39 percentage points. Profit after tax of NOK 530 million represents 1.10 per cent of total assets, compared with NOK 379 million and 0.83 per cent in 2011. The return on equity was 16.3 per cent for 2012, or 12.6 per cent after adjustment for the pension plan change. The bank's target return on equity is a minimum of 6 percentage points above the long-term risk-free interest rate (the ten-year yield on Norwegian government bonds was 2.10 per cent on average in 2012). Earnings per equity certificate were NOK 27.75, compared with NOK 23.27 in 2011 (Parent Bank).

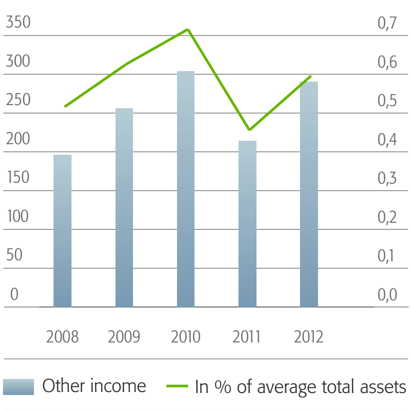
NET INTEREST INCOME

Net interest and credit commission income was NOK 936 million in 2012 (NOK 909 million). As a percentage of average total assets, net

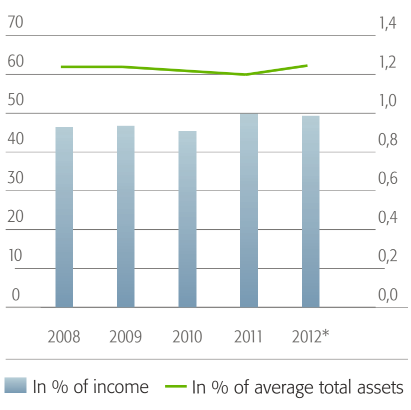
Net interest and interest income
MNOK %



Other income
MNOK %



Costs
As a perentage of income %



* Adjusted for changes in pension plan

interest income was 1.93 per cent (1.96 per cent). The relative fall in net interest income was primarily due to more expensive funding. Net interest income accounted for 76 per cent of total income in 2012.

OTHER OPERATING INCOME

Other operating income totalled NOK 290 million (NOK 214 million). This increase was attributed primarily to the NOK 69 million higher return on financial investments. Net commission and other income increased by NOK 7 million.

COSTS

Total costs were NOK 439 million, and NOK 605 million after adjustment for the pension plan change (NOK 559 million). Excluding the pension plan change, costs showed an increase of NOK 29 million and 9.2 per cent for personnel expenses, and NOK 17 million and 6.9 per cent for other expenses. NOK 15 million of the increase in personnel expenses was attributed to a package of measures in connection with a new organisational structure for Sparebanken Møre. The total expenses represent 0.90 per cent of the average total assets, and 1.24 per cent after adjustment for the pension plan change. The cost to income ratio was 35.8 per cent, and 48.8 per cent after adjustment for the pension plan change for 2012 (49.5 per cent), and the bank's target is a ratio of less than 50 per cent.

LOSSES AND COMMITMENTS IN DEFAULT

Write-downs for losses of NOK 47 million were charged to the profit and loss account in 2012, while NOK 40 million was charged to the profit and loss account in 2011. NOK 56 million was charged to the profit and loss account for corporate customers, while there was a reversal of NOK 3 million for retail customers, and a reversal of NOK 15 million related to Exportfinans AS. Group write-downs increased by NOK 9 million.

Aggregate accumulated loss provisions – specific loss provisions and group write-downs – amounted to NOK 306 million (NOK 396 million) or 0.70 per cent of gross lending (0.97 per cent). Of the specific loss provisions, NOK 71 million are related to commitments in default for more than 90 days (NOK 136 million), which represents 0.16 per cent of gross lending (0.33 per cent). NOK 95 million refers to other commitments (NOK 129 million) or 0.22 per cent of gross lending (0.32 per cent). Group write-downs totalled NOK 140 million (NOK 131 million) or 0.32 per cent of gross lending (0.32 per cent).

Gross defaults for more than 90 days decreased from NOK 299 million to NOK 257 million throughout the year. Corporate and retail banking commitments in default accounted for NOK 189 million (NOK 216 million) and NOK 68 million (NOK 83 million) for retail customers, respectively.

Net commitments in default were NOK 186 million (NOK 163 million), up from 0.40 per cent of gross lending at the end of 2011 to 0.43 per cent at the end of 2012.

BALANCE SHEET

Total assets increased by NOK 3,164 million or 6.5 per cent to NOK 51,632 million as at 31 December 2012.

LENDING

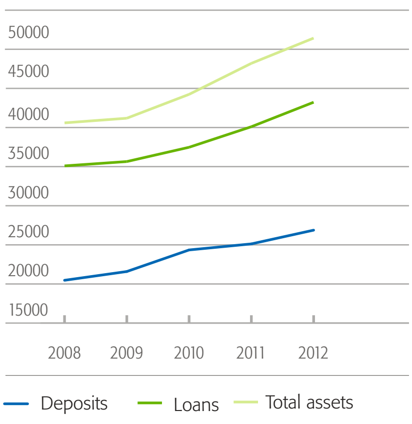
Net lending increased by NOK 3,129 million, or 7.8 per cent, to NOK 43,434 million in 2012. Of this amount, corporate lending accounted for 36.8 per cent, following a 4.4 per cent increase in volume for the year. At year end, retail banking loans accounted for 63.2 per cent after annual growth of 9.3 per cent.

DEPOSITS

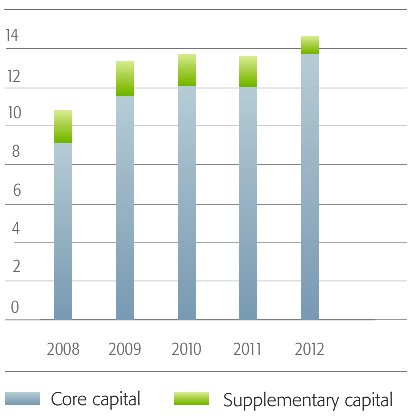
Deposits from customers totalled NOK 27,081 million at the end of 2012, an increase of NOK 1,756 million or 6.9 per cent. Deposits from corporate and retail banking customers increased by 8.0 per cent and 6.4 per cent, respectively, in 2012. Deposits from public sector clients were 1.6 per cent higher than at the previous year end. The difference between the lending and deposit volumes of NOK 16,353 million was funded through the Norwegian and international money and securities markets. Deposits as a percentage of lending were 62.4 per cent at year end.

Losses
MNOK %

Balance sheet
MNOK



Capital adequacy
As a percentage of the risk weighted assets base



SECURITIES

Holdings of short-term investments in securities at year-end 2012 amounted to NOK 5,542 million compared with NOK 5,226 million at year-end 2011.

There was no significant trading portfolio at year-end 2012.

The Bank's hybrid tier 1 securities (NOK 1,002 million) and subordinated bond loans (NOK 299 million) are subject to variable interest rates.

Allocation of profit for the year

Pursuant to the rules relating to equity certificates, etc. (Financial Institutions Act) and in accordance with the dividend policy of Sparebanken Møre, 43 per cent of the Parent Bank's profit has been set aside for dividend funds (cash dividend and dividend funds for the local community). Based on the accounting division of equity into equity capital and the primary capital fund, 46.0 per cent of net profit will be allocated to equity certificate holders, and 54.0 per cent will be allocated to the primary capital fund. Earnings per equity certificate were thus NOK 27.75. NOK 12.00 will be paid in cash dividends per equity certificate for the 2012 financial year.

Profit for the year Parent Bank (MNOK)		466
Dividend funds:		
To cash dividends	94	
To dividend funds locally	110	204
Strengthening of equity:		
To the Dividend Equalisation Fund	124	
To the Primary Capital Fund, etc	146	270
Fund for unrealised gains		**-8**
Total allocations		**466**

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 equity certificate holders receive a competitive long-term return in the form of cash dividends and capital appreciation on the certificates. The equity certificate holders' 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 equity certificate holders 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, of which pure core capital should be at least 9 per cent. The target has been set on the basis of a number of considerations, the most important of which are:

- Size of the Bank
- Internationally-oriented business and industry in Møre og Romsdal
- The need to be able to raise long-term external funding and core (tier 1) capital in a stable manner whenever necessary
- To meet the indicated requirements linked to Basel III.

The requirements for capital strength take precedence over growth targets for lending.

Primary capital was 14.63 per cent, core capital was 13.70 per cent and pure core capital was 10.65 per cent at the end of 2012 – calculated using the standard method. The Board's proposal for the allocation of profit for the year entails that 56 per cent of Parent Bank profit will be retained to strengthen the Group's capital adequacy.

In addition to the transfer from the profit for the year, the Group's core capital was also strengthened in 2012 by the issuance NOK 500 million in hybrid Tier 1 bonds. The interest rate on this loan was set at the 3-month NIBOR + 475 basis points, and it was well received in the market.

At the end of 2012, Sparebanken Møre's internal capital target and that of the Financial Supervisory Authority of Norway of a minimum requirement of 9 per cent for pure core capital were met.

Equity Certificates

The number of equity certificate holders was stable at 6,177 at the start of 2012 and 6,106 at the end of the year. Of these equity certificate holders, 3,673 were residents of the county of Møre og Romsdal, and they held 53.6 per cent of the equity certificate capital at the end of the year, compared with 51.4 per cent at the end of the previous year. The 20 largest equity certificate holders represented 40.5 per cent of the Bank's equity certificate capital at year end. Of these equity certificate holders, nine were residents of Møre og Romsdal, with a relative ownership interest among the 20 largest of 52.4 per cent (48.2 per cent).

At year end the Bank owned 96,199 of its own equity capital certificates, corresponding to a nominal amount of NOK 9.6 million. These equity certificates were purchased on the Oslo Stock Exchange at market prices.

The equity certificates are freely negotiable in the market.

Capital adequacy regulations (BASEL II 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 submit an application to the Financial Supervisory Authority of Norway requesting the use of the IRB basic method pursuant to the requirements in the Capital Requirements Regulations for modelling credit risk. The application was submitted to the Financial Supervisory Authority of Norway on 20 December 2011. The Financial Supervisory Authority of Norway conducted an IRB audit at Sparebanken Møre in the fourth quarter of 2012 in connection with the application process. A decision on the application is expected in the first part of 2013. If approval as an IRB institution is granted, external capital reporting will be based on a method that will better reflect the underlying risk in the Group's balance sheet.

Regardless of the calculation method, Sparebanken Møre's capital must satisfy the minimum capital adequacy requirements plus a buffer that corresponds 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 related to the capital adequacy, liquidity, etc. of banks. 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 regulations are also subject to national adaptations. In December 2012, the Ministry of Finance requested that the Financial Supervisory Authority of Norway prepare a draft consultation memorandum and regulatory rules that sharpen the risk-weighting for home mortgage loans under the IRB method, including a proposal for a risk-weighting of home mortgage loans under the IRB Method of at least 35 per cent, as in the standard method. Sparebanken Møre closely follows both proposed and actual changes to the regulations. Analysis conducted in 2012 shows that the Group satisfies the capital requirements of the new regulations. 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 risk control are two of the Board's focus areas. The overall purpose of risk management and risk control is to ensure that set targets are attained, ensure effective operations, manage risks which may prevent the attainment of commercial targets, ensure high quality internal and external reporting, and ensure that the Group's operations comply with all relevant laws, regulations and internal guidelines.

The stated goal of the Board of Sparebanken Møre is to ensure that the operations of the Group maintain a low to moderate risk profile. Earnings should be a product of customer-related activities, and not financial risk taking. Sparebanken Møre constantly strives to maintain control of the risks that exist. In cases where 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. In August 2012, the Board adopted a new strategic plan, "Møre 2016". 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. Separate policies have been approved for each significant risk area, including credit risk, counterparty risk, market risk, concentration risk and funding risk. Risk strategies are approved by the Board and reassessed at least once a year, or when particular circumstances make it necessary. Sparebanken Møre's risk policies were last reviewed and approved in a revised form in December 2012.

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 the ICAAP's key role in long-term strategic planning. The Group's annual ICAAP has been conducted and the feedback from this was received from the Financial Supervisory Authority of Norway in the third quarter of 2012. Calculations performed in connection with the ICAAP for 2012 show that the Group's capital adequacy is sufficiently robust to tolerate an economic development that is significantly more negative than the development on which the basic scenario in the long-term strategic plan is based. This is supported by both the economic calculations and simulations based on various stress tests.

Sparebanken Møre has established a follow-up and control structure that is intended to ensure compliance with the overall framework of the Bank's strategic plan. The Group's overall risk exposure and risk development is followed up via periodic reports submitted to the management team, Audit Committee and the Board. One of the Audit Committee's primary purposes is to ensure that Sparebanken Møre's risk management is addressed satisfactorily.

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

CREDIT RISK

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

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

Compliance with the Board's resolutions within the credit area is monitored by the Bank's risk management department, which is independent of the customer units. The Board receives reports on credit risk trends throughout the year in monthly risk reports. The Board receives quarterly reports on mortgage lending, in line with the guidelines of the Financial Supervisory Authority of Norway. Sparebanken Møre's internal guidelines conform to the Financial Supervisory Authority of Norway's latest guidelines for mortgage lending published in a circular in December 2011.

Sparebanken Møre has prepared its own risk classification models for classifying customers, and these models make an important contribution to the in-house management of credit risk. The customers are scored monthly, and this provides the basis for ongoing monitoring of the development of Sparebanken Møre's credit risk. Specific application scoring models have also been implemented and are used in the credit approval process.

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 allowing managers in Sparebanken Møre to monitor performance within their respective 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.

The Board finds that Sparebanken Møre's overall credit risk is within the Group's adopted risk tolerance. The Group's exposure to large commitments has been significantly reduced through capital-related measures in 2012. Based on these measures, for example, the Board finds that Sparebanken Møre will be prepared to handle any increased credit risk in the loan portfolio, and that the Group will have a good foundation for increasing its focus on good loan projects in Sparebanken Møre's area of operation in the future.

MARKET RISK

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

The Board stipulates limits for Group market risk in the market risk strategy, and this risk is monitored by the risk management department. The limits are stipulated based on analysis of negative market movements, and the Board of Directors has stipulated that only low risk is acceptable in this area. The governing documents that deal with market risk are reviewed and renewed at least annually by the Board, most recently in December 2012. The Board of the Bank receives monthly reports on the development of market risk. The limits for market risk are conservative, and on an overall basis, market risk represents a small part of the Bank’s aggregate risk.

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

FUNDING RISK

The management of Sparebanken Møre's funding structure is incorporated into an overall funding strategy that is evaluated and approved by the Board at least once a year, most recently in December 2012. The strategy reflects the moderate risk level that is accepted for this area of risk. Sparebanken Møre's targets for maintaining its financial strength are described here, and specific limits have been defined for different areas of the Group’s funding management. Sparebanken Møre's contingency plan for funding management includes a description of how the funding situation should be handled in turbulent financial markets. Stress test models have also been developed that deal with various scenarios other than a normal situation. The purpose of these models is to quantify the probability of obtaining funding from different sources within certain defined periods.

Basel III introduces two new separate and supplementary requirements in the area of liquidity. The first goal is to strengthen the banks' short-term liquidity profiles by ensuring they have sufficient holdings of high quality liquid assets to withstand an acute 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.

The final LCR regulations are still under preparation internationally. Originally, the requirement of a minimum LCR of 100 per cent was to be introduced in 2015. On 6 January 2013, the Basel Committee presented a number of changes to their LCR recommendation from 2010, including a delayed introduction of the 100 per cent requirement. In 2015, the LCR should be at a minimum of 60 per cent, with an annual 10 percentage point increase toward full effect in 2019. In addition, some easing with regard to how the LCR should be calculated has been proposed. Sparebanken Møre is monitoring the development of the regulations closely, and it will undertake an ongoing adaptation of the Group's liquidity portfolio in accordance with current regulations. In accordance with the regulations, investments in the liquidity portfolio should be of high quality.

Part of the increase in the liquidity portfolio in recent years was due to the general development of the Bank's balance sheet. During the last five years, the Bank's liquidity portfolio has increased by over NOK 3 billion to more than NOK 5 billion. This is close to the volume indicated by the reports that Sparebanken Møre must have in order to comply with the established LCR escalation plan. An increase of NOK 3 billion in the liquidity portfolio with LCR quality, costs the Bank almost NOK 45 million annually in the current market, as a result of the lower expected yield on such securities. In addition to the LCR escalation plan, the Bank has also established a NSFR target in accordance with the current proposal for the regulations. Reports show that Sparebanken Møre is well within the proposed requirements here.

In order to ensure that the Group's funding risk is kept at a low level, lending to customers must be financed primarily by customer deposits and the issuance of long-term debt securities. There has been a strong focus on increasing ordinary deposits in recent years. The Bank's deposit coverage ratio at the end of 2012 was 62.4 per cent.

Møre Boligkreditt AS was established in 2008, and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company. The mortgage company provides the Group with greater diversification of funding sources. The company issues covered bonds. The Bank transfers parts of its mortgage portfolio to the mortgage company, and this allows the Group to take advantage of funding opportunities, which the establishment of the mortgage company facilitated. At year-end 2012, almost 26 per cent of the Group's total lending (over 40 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 2013, but the Bank's refinancing needs in 2013 will primarily be met by issuing covered bonds and senior bonds, according to plan.

In order to gain access to new sources of funding and seek stable access to funding from external sources, securities issued by both Sparebanken Møre and Møre Boligkreditt AS are rated by the rating agency Moody's. Sparebanken Møre was placed on review for a possible downgrade on 9 March 2012, and notice was given for up to two notches on Moody's rating scale. On 6 December 2012, Sparebanken Møre was downgraded by one notch, from A2 (neg.) to A3 (stable).

Bonds issued by Møre Boligkreditt AS have been assigned the highest possible rating from Moody's, Aaa. In addition to issuing securities in Norway, the mortgage company has also issued bonds in the Swedish market. 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. Of the NOK 18.1 billion of external funding, NOK 13.6 billion is long-term funding (remaining term of more than 1 year), and this is primarily in the form of covered and senior bonds. Of the remaining and short-term funding of NOK 4.5 billion, NOK 1.8 billion is separate funding of corporate lending, while just under NOK 2.9 billion is lending that will be refinanced. The Bank's outstanding senior bonds had a weighted remaining term of 2.03 years at year-end 2012, while covered bond funding correspondingly had a remaining term of 3.90 years.

The Board considered the Bank's liquidity situation at the end of the year to be good. The Board also considered the ongoing liquidity management of the Group 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 and customer 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.

Targeted measures are necessary to prevent and reduce operational risk. Examples of risk-reducing measures include physical security measures, established contingency plans, robbery drills, insurance schemes and competence-enhancing measures.

The customer is in focus for outward-oriented activities at Sparebanken Møre, and the Bank has invested a great deal of resources in recent years in connection with the authorisation scheme for financial advisors. At the end of 2012, 250 of the Bank's employees are licensed advisors. Our employees having an adequate level of competence is an important contribution to reducing the operational risk.

Sparebanken Møre registered a number of ICT-related fraud attempts in 2012. There has been a great deal of focus on so-called trojan attacks, with a view to handling and reducing the risk of such fraudulent activities. Sparebanken Møre seeks to ensure that the Bank's services are secure and user-friendly, and therefore significant resources have been devoted internally within the organisation and externally to our customers, through distributing information on safe Internet use and implementing ICT-related security measures.

In the fourth quarter of 2012 there were skimming attempts at some of the Group's branch offices. These attempts were reported to the police. The Board is satisfied that these incidents were handled in accordance with the current guidelines and that none of the Bank's customers suffered as a result of these fraudulent attempts.

In 2012 an expanded emergency exercise related to the handling of a defined emergency situation was conducted. The focus of this exercise was on crisis and information management, among other things. The exercise was conducted in cooperation with external consultants, and it was a significant contribution to testing established contingency plans.

Sparebanken Møre has established various forums and committees that actively work to manage the Group's operational risk. These include the Group's Annual Security Forum for people responsible for security, and quarterly meetings of the Group's Security Committee. The committee's members represent a wide range of people from multiple functions in the Group. The Board receives an annual report on the security situation at Sparebanken Møre, in addition to ongoing reports relating to significant deviations and events that may occur. The annual ICAAP reviews the major areas of risk for the Group, and a lot of attention is paid to operational risk in this context.

Sparebanken Møre's established, operational internal control represents an important tool for reducing operational risk, through 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 internal Group guidelines and policies. A well-functioning internal control system should also ensure that the Group's risk exposure is within adopted risk profiles and risk tolerance limits.

Sparebanken Møre's internal control processes are based on the principles of the global internal control standard, the COSO model. The processes and the internal controls should apply to the Group as a whole. This also means that risks that arise as a result of ownership and operation of subsidiaries must be handled by the Group's overall internal control processes.

At Sparebanken Møre, individual managers have a special individual responsibility to ensure that internal control within his or her area of responsibility functions and is implemented as intended. This means that managers at every level of the organisation monitor the control measures put in place in their areas of responsibility. This insight is normally achieved through personal presence, monitoring staff, spot checks, reviewing key figures and deviation measurements, etc. This principle also applies to the managers of the subsidiaries in the Group.

Internal control reporting at Sparebanken Møre is decentralised and the Financial Control and Risk Management section is the coordinating unit. The compliance and risk control function and the risk management function have been a part of this section in 2012.

The Board of Directors has received regular reports on the operations and 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 internal control is being properly addressed at Sparebanken Møre.

INTERNAL AUDITING

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 BDO in 2012. The internal auditing function reports to the Audit Committee and the Board. A plan has been prepared for the work of the internal auditor and approved by the Board. The Audit Committee and the Board have received regular reports from the internal auditor in 2012 in accordance with this plan.

The annual report of the internal auditor for 2012 to the Board states that the Group has corporate governance, risk management and internal control that is satisfactory, given the size and complexity of Sparebanken Møre. The internal auditor has also reviewed the Bank's self-evaluation of its risk management and internal control throughout the year. This was found to be satisfactory with regard to the process, degree of detail and execution, as well as the summary report to the Board. The Bank's self-evaluation was also found to be in compliance with the requirements stipulated in the Risk Management and Internal Control Regulations.

Corporate governance

Corporate Governance at Sparebanken Møre includes the aims and overall principles in accordance with which the Group is managed and controlled for the purpose of safeguarding the interests of the equity certificate holders, customers and other stakeholders in the Group. The Group's corporate governance should ensure prudent asset management and provide assurance that the communicated goals and strategies are attained and realised.

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

- Capital appreciation for equity certificate holders and other investors in the Bank's securities
- Competent and independent management and control
- Good internal management processes
- Compliance with laws, rules and regulations
- Openness and good communications with equity certificate holders, other investors, customers, employees and the community at large
- Equal treatment of all equity certificate holders

The Group's corporate governance is based on the Norwegian Code of Practice for Corporate Governance. Please see the separate section on page 99 of the annual report for a more detailed description of the Bank's corporate governance.

AREAS OF OPERATION AND MARKETS

The Sparebanken Møre Group consists of the Parent Bank, 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 operation as Møre og Romsdal county, in which the bank had 30 branches in 24 municipalities at year end.

Sparebanken Møre's customer-oriented activities within its network of branches have thus far been organised into seven different regions, each headed by a regional general manager (RGM). Starting at the beginning of 2013, the customer-oriented activities within the retail market have been organised in a central unit, the Retail Market Division, and all of the retail market departments (28) report to the Retail Market Division Manager, who reports to the CEO. The corporate market is organised into three geographic units, and the three unit managers report to the CEO. 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-oriented activities. Other tasks shall, to the greatest possible extent, be looked after by the Bank's central support system, which is organised in five sections (currently four sections). Each of these sections is managed by a section general manager, who reports to the CEO. The Retail Market Division Manager, the individual corporate unit managers, and the section general managers form their own management groups together with their respective department heads. The Board appoints the Retail Market Division Manager, corporate unit managers and the section general managers. The CEO selects the members of the Bank's senior management team.

Sparebanken Møre is a full-service provider of services within the following areas:

- Financing
- Deposits and other forms of investments
- Asset management
- Financial advisory services
- Payment transfers
- Insurance
- Real estate brokerage

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

Mobile phone banking services have developed a great deal in recent years, a development in which Sparebanken Møre has actively participated, to the great benefit and satisfaction of the Bank's customers. The Bank's customer service centre has also started to use Facebook for contact with customers.

SUBSIDIARIES

The aggregate profit of the Bank's four subsidiaries amounted to NOK 91 million after tax (NOK 38 million).

Møre Finans AS was merged with Sparebanken Møre with accounting effect as of 1 September 2012, and ceased to be a separate company from this date. During a period of eight months, Møre Finans AS has contributed NOK 3 million to the Group's overall earnings.

Møre Eiendomsmegling AS provides services in real estate brokerage both to retail and corporate customers. The company made a contribution to earnings of NOK 2 million in 2012. At the end of the quarter, the company employed 14 full-time equivalents.

The object of Sparebankeiendom AS is to own and manage the Bank's own commercial properties. The company made a contribution to earnings of NOK 8 million in 2012. 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. So far, the company has raised NOK 10 billion in funding for the Bank. The company has made a contribution of NOK 78 million to the Group profit in 2012 (NOK 28 million). The company employees two full-time equivalents.

PERSONNEL AND WORKING ENVIRONMENT

Success in work involving the market depends on being able to reach 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 market-related expectations in the long run as far as both availability and competence are concerned. Quality and effectiveness in work processes involving the market are continually focused on through the competence-enhancing measures which are implemented. The bank ensures this through development programmes for its advisors and through its recruitment policy, among other things.

The Bank's core values – committed, close to the customer and financially strong – also represent the framework for all of 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 ensure the maintenance and further development of employee competence, as well as carry out new 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 (AFA), which came into effect on 1 April 2011. All of the Bank's frontline employees in the retail market, corporate market, regional bank managers, retail market division bank managers, corporate market bank managers, advisers and customer service staff – as well as the specialists within investment advice – must be authorised as financial advisers. As at 31 December 2012, 250 employees have passed the theory test and completed the practical test, i.e. passed the AFA programme. 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 frontline 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 achieved.

Based on this good experience with the AFA programme, Sparebanken Møre has decided to establish a similar programme for the credit area, and correspondingly certify all the employees in customer service as having ”Approved Internal Credit Competence”. The competence of all the employees with credit authority will be tested in the first half of 2013. The results of the test will show who will require additional professional competence in the credit area.

The Bank's annual surveys of the internal working environment identify different aspects of the environment, and the general working situation at the Bank. The survey provides a specific starting point for the prioritisation of improvement measures, where they are most needed and where such measures are going to be of most use.

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

The Group’s workforce totalled 410 full-time equivalents at year end, a reduction of six full-time equivalents in 2012.

The average age of the Bank’s employees has increased from 47.4 to 48.0. The average length of service with Sparebanken Møre of the current staff is 18.1 years.

Total absence due to illness was 3.23 per cent in 2012, compared with 3.82 per cent in 2011. Long-term absence due to illness was 1.90 per cent in 2012, compared with 2.46 per cent in 2011. Short-term absence due to illness fell from 1.36 per cent in 2011 to 1.33 per cent in 2012. 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 a significant nature at any of the Bank's branches and offices in 2012.

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

EQUAL OPPORTUNITIES

The distribution between women and men showed that out of the Group's total staff of 437, there were 277 women (63.4 per cent) and 160 men (36.6 per cent). There are 423 employees in the Bank and 14 in the subsidiaries.

Of the Bank's 423 employees, 268 are women and 155 are men. They represent 394 full-time equivalents (395), where the percentage of women is 61.7 per cent and the percentage of men is 38.3 per cent. The Bank employs 62 part-time staff, 54 of whom are women and 8 are men. The percentage of women in various managerial positions was 30.6 per cent, while the percentage for men was 69.4 per cent.

The Board of Directors of the Bank consists of seven members – four women and three men.

During the course of 2012, 18 new employees were recruited externally, seven women and eleven men. Staff turnover of 6.6 per cent was registered for 2012.

The Bank strives to maintain an objective employment and pay policy.

DISCRIMINATION

”Guiding values”, which is Sparebanken Møre's governing document for culture, values and attitudes, is an important part of combating discrimination in the organisation. There have not been any recorded cases of discrimination in 2012 either.

Going concern assumption

The Board confirms that the prerequisites for the going concern assumption have been met, and that the annual financial statements have been prepared and presented on a going concern basis. This is based on the Bank's long-term forecasts for the coming years. The Bank's capital adequacy ratio exceeds the government requirements by a wide margin.

Future prospects

The Board of Sparebanken Møre expects that the international market will also be challenging in the coming year. Enduring national economic problems in a number of countries in Europe will contribute to holding back international demand, and a number of Norwegian exporters may increasingly feel a sense of stagnation.

The situation for business and industry and overall employment in Møre og Romsdal is, however, good at the start of 2013, even through there are greater differences between the various industries than at the start of 2012.

The parts of business and industry in the county that are still experiencing a very good market situation are in particular companies that are directly or indirectly associated with the maritime environment, where oil and gas is a catalyst for development. The order situation is good for shipyards over the next few years, and it appears that the maritime environment in the county has a solid foundation for further development based on the political signals given concerning the exploration and recovery of oil and gas. This sector is showing positive developments for deliveries based on the development of equipment for the maritime industry, and for the construction and outfitting of offshore vessels. The local maritime industry's high level of technology creates competitive advantages internationally, and national and international demand for its products and services is good. A number of local offshore shipowning companies that are performing well complete this positive picture.

The companies with the greatest challenges are those associated with the delivery of products in which manual labour represents a significant portion of the final product, where demand and prices are falling internationally. The exchange rate for the Norwegian krone is also generally an important element affecting the profitability of export industries.

The Board is nevertheless expecting a continued stable development for a large section of business and industry in Møre og Romsdal in the coming year, and expects that demand for the most important goods and services that are manufactured in the county will be maintained at the current level. Marine products have in general acquired a greater market share with regard to people's eating habits. The resource situation for fisheries is good, and there is increasing demand for Norwegian fish. However, the good resource situation means that the supply, particularly of cod, is higher than the demand. This will present challenges to both fishermen and the sales channel in the future, as the natural consequence of this is a drop in price. A good level of activity is expected for private sector services, the public sector, and in building and construction.

Based on these development trends, the Board expects that the Bank's losses and the level of defaults will also be moderate in the near future.

In connection with the strategy document "Møre 2016", Sparebanken Møre has conducted a thorough review of its organisation, and this has resulted in a new organisational structure that was ultimately adopted by the Bank's Board on 8 January 2013. The purpose of the new structure is to establish a more efficient and market-oriented organisation in which the focus is on the customer. Both in the retail and the corporate markets, customers will experience a flatter organisational structure, while at the same time the Bank's advisory competence for business and industry will be reinforced through a more clearly industry-oriented organisation. The Board expects that the new organisational structure will contribute to a reduction in full-time equivalents in 2013.

Good earnings and capital adequacy at the start of 2013 give Sparebanken Møre a foundation for further growth and the acquisition of market shares in Møre og Romsdal. With a stronger organisation, this will be given priority, and the Board will also focus strongly on maintaining a cost level consistent with the target of less than 50 per cent relative to income.

Vote of thanks

The Board of Directors would like to thank all of the Group's employees for their good efforts in 2012. The Board would also like to thank the Bank's customers, investors and other associates for our good partnership throughout the year.

Ålesund, 31 December 2012
6 March 2013
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

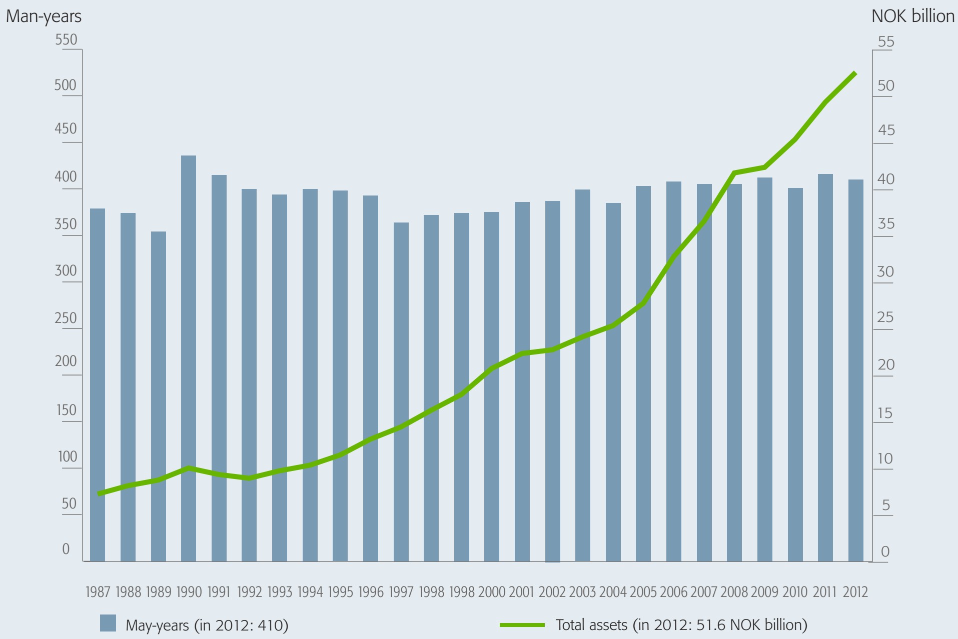
Helge Karsten Knudsen

Olav Arne Fiskerstrand
CEO

Annual accounts

CONTENTS - ANNUAL ACCOUNTS ACCORDING TO IFRS

TOTAL ASSETS AND MAN-YEARS



STATEMENT OF INCOME

GROUP				PARENT BANK	
2011	2012	Amounts in NOK million	Notes	2012	2011
		Interest and similar income from:			
78	59	Loans to and deposits with credit institutions		89	107
1 983	1 920	Loans to and other lending to customers	4.2, 12	1 514	1 676
174	267	Certificates, bonds and other interest-bearing securities		318	256
2 235	2 246	Interest and similar income	8	1 921	2 039
		Interest and similar costs in respect of:			
151	87	Debt owed to credit institutions		88	158
630	637	Deposits from and liabilities to customers	12	637	631
491	526	Securities issued for borrowing purposes	5.5	334	359
54	58	Subordinated loan capital and bonds		58	54
0	2	Other interest		4	0
1 326	1 310	Interest and similar costs	5.5, 8	1 121	1 202
909	936	Net interest and credit commission income	8	800	837
214	290	Other operating income	9	287	266
314	177	Wages, salaries etc.	12, 13	158	293
129	139	Administration costs	10, 11	138	129
443	316	Wages, salaries and general administration costs		296	422
26	31	Depreciation, write-downs and changes in value in non-financial assets	7, 10, 14, 15	22	17
90	92	Other operating costs	10, 11, 12	87	88
564	787	Result before credit losses		682	576
40	47	Losses on loans, guarantees etc.	4.1, 4.2, 4.3	42	37
524	740	Result from ordinary operations before tax	8	640	539
145	210	Tax payable on ordinary result	17	174	144
379	530	Result from ordinary operations after tax		466	395
74	110	Dividend funds for the local community 1)		110	74
63	94	Interest payable on ECs 1)		94	63
141	146	Transferred to the Primary Capital Fund		146	141
121	124	Transferred to the Dividend Equalisation Fund		124	121
-3	-8	Transferred to Fund for Unrealised Gains		-8	-3
-17	64	Transferred to Other Equity capital		-	-
379	530	Total amount available for allocation		466	395
22.20	31.05	Result per EC (NOK) 2)	18	27.75	23.27
22.20	31.05	Diluted earnings per EC (NOK) 2)	18	27.75	23.27

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	
2011	2012	Amounts in NOK Million	2012	2011
379	530	Result from ordinary operations after tax	466	395
-1	8	Equities available for sale - changes in value (after tax)	8	-1
-13	160	Pension estimate discrepancies included in the profit and loss accounts	160	-13
4	-45	Tax effect of pension estimate discrepanies included in the profit and loss accounts	-45	4
369	653	Total result from ordinary operations after tax	589	385

BALANCE SHEET

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

GROUP					PARENT BANK		
1.1.2011	2011	**2012**	Amounts in NOK million	Notes	**2012**	2011	1.1.2011
634	814	**669**	Cash and claims on central banks	5.1	**669**	814	634
153	187	**286**	Loans to and claims on credit institutions, on a call basis		**286**	187	153
14	377	**2**	Loans to and claims on credit institutions, with a fixed maturity		**989**	1 380	663
167	564	**288**	Loans to and claims on credit institutions	5.1, 5.2, 5.3	**1 275**	1 567	816
37 676	40 305	**43 434**	Net loans to and claims on customers	4.1, 4.2, 4.3	**32 267**	31 800	31 734
1 560	1 264	**1 101**	Certificates and bonds issued by the public		**1 101**	1 264	1 560
2 936	3 962	**4 441**	Certificates and bonds issued by others		**6 218**	6 264	5 754
4 496	5 226	**5 542**	Certificates, bonds and other interest-bearing securities assessed at market value through the profit and loss account	4.4, 5.4	**7 319**	7 528	7 314
344	437	**575**	Financial derivatives	5.6	**504**	393	344
3	2	**2**	Shares and other securities assessed at actual value with changes in value over the result		**2**	2	3
204	199	**204**	Shares and other securities available for sale		**204**	199	204
207	201	**206**	Shares and other securities with a variable yield	5.4	**206**	201	207
-	-	**-**	Equity stakes in financial institutions (subsidiaries)		**500**	625	523
-	-	**-**	Equity stakes in other Group companies		**21**	21	21
-	-	**-**	Equity stakes in Group companies	6	**521**	646	544
70	76	**0**	Deferred tax benefit	17	**0**	79	73
15	17	**23**	Other intangible assets	15	**22**	17	15
85	93	**23**	Intangible assets		**22**	96	88
55	72	**69**	Machinery, equipment, fixtures and fittings and vehicles		**68**	44	25
206	244	**232**	Buildings and other real estate		**19**	9	10
261	316	**301**	Fixed assets	14	**87**	53	35
0	0	**83**	Overfunded pension liability		**83**	0	0
161	156	**217**	Other assets	16	**216**	144	161
470	356	**294**	Prepayments and accrued income	5.1, 5.2, 5.3	**268**	333	458
631	512	**594**	Total other assets		**567**	477	619
44 501	48 468	**51 632**	Total assets	5.1, 5.2, 5.3, 8	**43 437**	43 575	42 335

GROUP					PARENT BANK		
1.1.2011	2011	**2012**	Amounts in NOK million	Notes	**2012**	2011	1.1.2011
13	20	**34**	Loans and deposits from credit institutions, on a call basis		**34**	130	264
4 963	4 721	**2 485**	Loans and deposits from credit institutions, with a fixed maturity		**2 710**	4 721	4 962
4 976	4 741	**2 519**	Liabilities to credit institutions	5.5	**2 744**	4 851	5 226
16 047	16 538	**17 158**	Deposits from and liabilities to customers, on a call basis		**17 183**	16 551	16 072
8 504	8 787	**9 923**	Deposits from and liabilities to customers, with a fixed maturity		**9 923**	8 787	8 504
24 551	25 325	**27 081**	Deposits from and liabilities to customers	4.2, 5.5, 12	**27 106**	25 338	24 576
0	1 298	**1 880**	Certificates and other short-term borrowings		**1 880**	1 298	0
9 697	11 501	**13 728**	Bond debt		**5 498**	6 666	7 434
9 697	12 799	**15 608**	Borrowings raised through the issue of securities	5.5	**7 378**	7 964	7 434
188	272	**434**	Financial derivatives	5.6	**428**	263	172
415	480	**567**	Other liabilities	17	**529**	427	363
603	752	**1 001**	Total other liabilities and financial derivatives		**957**	690	535
329	317	**289**	Incurred costs and prepaid income		**258**	290	329
272	291	**46**	Pension commitments etc.	13	**46**	291	272
0	0	**24**	Deferred tax liabilities		**12**	0	0
12	15	**2**	Specific provisioning against guarantee liabilities	4.3	**2**	15	12
284	306	**72**	Provisioning in respect of liabilities and costs	5.1, 5.2, 5.3,8	**60**	306	284
482	493	**1 002**	Perpetual Hybrid Tier 1 Capital		**1 002**	493	482
479	479	**299**	Subordinated loan capital		**299**	479	479
961	972	**1 301**	Subordinated loan capital	5.5, 5.7	**1 301**	972	961
41 401	45 212	**47 871**	Total liabilities		**39 804**	40 411	39 345
784	784	**784**	EC capital	20	**784**	784	784
0	-2	**-9**	ECs owned by the Bank	20	**-9**	-2	0
186	186	**186**	Proceeds from EC issue, priced at a premium over par		**186**	186	186
970	968	**961**	Paid-in equity capital	19, 20	**961**	968	970
1 477	1 611	**1 835**	Primary Capital Fund		**1 835**	1 611	1 477
292	408	**592**	Dividend Equalisation Fund		**592**	408	292
33	32	**40**	Value Adjustment Fund		**40**	32	33
11	8	**1**	Fund for Unrealised Gains		**1**	8	11
317	229	**332**	Other equity capital		**204**	137	207
2 130	2 288	**2 800**	Equity capital accumulated through retained earnings		**2 672**	2 196	2 020
3 100	3 256	**3 761**	Total equity capital	19, 20	**3 633**	3 164	2 990
44 501	48 468	**51 632**	Total liabilities and equity capital		**43 437**	43 575	42 335
1 323	1 242	**1 634**	Guarantee	4.4	**1 634**	1 242	1 323

Ålesund, 31 December 2012

6 March 2013

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

2012	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 31.12.11	**3 256**	**782**	**186**	**1 611**	**408**	**32**	**8**	**229**
Changes in own Equity Certificates	-11	-7		1	-5			
Distributed dividend to the EC holders	-63							-63
Distributed dividend funds to the local community	-74							-74
Merger Møre Finans 01.09.2012	0			15	13			-28
Equity capital before allocation of profit for the year	**3 108**	**775**	**186**	**1 627**	**416**	**32**	**8**	**64**
Change in credit spread FVO	-7						-7	
Transferred to the Primary Capital Fund	146			146				
Transferred to the Dividend Equalisation Fund	124				124			
Transferred to other equity capital	64							64
Set aside dividend for the EC holders	94							94
Set aside dividend funds for the local community	110							110
Total allocations	**530**			**146**	**124**		**-7**	**268**
Equities available for sale - changes in value	8					8		
Pension estimate discrepancies included in the profit and loss accounts	160			86	74			
Tax effect of pension estimate discrepanies included in the profit and loss accounts	-45			-24	-21			
Other income and costs from comprehensive income	123			62	53	8		
Total comprehensive income from ordinary operations after tax	**653**			**208**	**177**	**8**	**-7**	**268**
Equity capital 31.12.12 (Notes 19 and 20)	**3 761**	**775**	**186**	**1 835**	**592**	**40**	**1**	**332**

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 01.01.11 before changes in accounting principles	3 253	784	186	1 560	362	33	11	317
Changes inn accounting principles early implementation of IAS 19 R	-153			-83	-70			
Equity capital 01.01.11 after changes in accounting principles	3 100	784	186	1 477	292	33	11	317
Changes in own Equity Certificates	-5	-2		-2	-1			
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	2 889	782	186	1 475	291	33	11	110
Change in credit spread FVO	-3						-3	
Transferred to the Primary Capital Fund	141			141				
Transferred to the Dividend Equalisation Fund	121				121			
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	379			141	121		-3	120
Equities available for sale - changes in value	-1					-1		
Pension estimate discrepancies included in the profit and loss accounts	-13			-7	-6			
Tax effect of pension estimate discrepanies included in the profit and loss accounts	4			-2	2			
Other income and costs from comprehensive income	-10			-5	-4	-1		
Total comprehensive income from ordinary operations after tax	369			136	117	-1	-3	120
Equity capital 31.12.11 (Notes 19 and 20)	3 256	782	186	1 611	408	32	8	229

STATEMENT OF CHANGES IN EQUITY – PARENT BANK

Amounts in NOK million

2012	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 31.12.11	3 164	782	186	1 611	408	32	8	137
Changes in own Equity Certificates	-11	-7		1	-5			
Distributed dividend to the EC holders	-63							-63
Distributed dividens funds to the local community	-74							-74
Merger Møre Finans 01.09.2012	28			15	13			
Equity capital before allocation of profit for the year	3 044	775	186	1 627	416	32	8	0
Change in credit spread FVO	-7						-7	
Transferred to the Primary Capital Fund	146			146				
Transferred to the Dividend Equalisation Fund	124				124			
Set aside dividend for the EC holders	94							94
Set aside dividend funds for the local community	110							110
Total allocations	466			146	124		-7	204
Equities available for sale - changes in value	8					8		
Pension estimate discrepancies included in the profit and loss accounts	160			86	74			
Tax effect of pension estimate discrepanies included in the profit and loss accounts	-45			-24	-21			
Other income and costs from comprehensive income	123			62	53	8		
Total comprehensive income from ordinary operations after tax	589			208	177	8	-7	204
Equity capital 31.12.12 (Notes 19 and 20)	3 633	775	186	1 835	592	40	1	204

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 01.01.11 before changes in accounting principles	3 143	784	186	1 560	362	33	11	207
Changes in own Equity Certificates	-153			-83	-70			
Changes inn accounting principles early implementation of IAS 19 R	2 990	784	186	1 477	292	33	11	207
Equity capital 01.01.11 after changes in accounting principles	-5	-2		-2	-1			
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	2 778	782	186	1 475	291	33	11	0
Change in credit spread FVO	-3						-3	
Transferred to the Primary Capital Fund	141			141				
Transferred to the Dividend Equalisation Fund	121				121			
Set aside dividend for the EC holders	63							63
Set aside dividend funds for the local community	74							74
Total allocations	395			141	121		-3	137
Equities available for sale - changes in value	-1					-1		
Pension estimate discrepancies included in the profit and loss accounts	-13			-7	-6			
Tax effect of pension estimate discrepanies included in the profit and loss accounts	4			2	2			
Other income and costs from comprehensive income	-10			-5	-4	-1		
Total comprehensive income from ordinary operations after tax	385			136	117	-1	-3	137
Equity capital 31.12.11 (Notes 19 and 20)	3 164	782	186	1 611	408	32	8	137

CASH FLOW STATEMENT

GROUP				PARENT BANK	
2011	**2012**	Amounts in NOK million	Notes	**2012**	2011
		Cash flow from operational activities			
2 428	**2 426**	Interest, commission and fees received	8	**2 066**	2 183
-1 288	**-1 323**	Interest, commission and fees paid	8	**-1 210**	-1 147
20	**7**	Dividend received	9	**35**	91
-508	**-466**	Paid operating expenses	10, 11, 12, 13	**-440**	-483
-146	**-154**	Payment of tax	17	**-138**	-146
-394	**276**	Changes relating to loans to and claims on other financial institutions	5	**293**	-751
-2 297	**-1 998**	Changes relating to repayment loans/leasing to customers	4	**-18**	-267
-325	**-1 033**	Changes in respect of utilised credit facilities	5	**-358**	214
-2 510	**-2 265**	Net cash flow from operational activities		**230**	-306
		Cash flow from investment activities			
6 644	**5 837**	Proceeds from sale of certificates, bonds and other securities	4, 5	**6 366**	7 170
-7 366	**-6 682**	Purchases of certificates, bonds and other securities	4, 5	**-6 682**	-7 366
17	**35**	Proceeds from sale of fixed assets etc.	14	**0**	0
-100	**-57**	Purchases of fixed assets etc.	14	**-63**	-36
-96	**345**	Changes of various assets etc.	15, 16	**451**	-151
-901	**-522**	Net cash flow from investment activities		**72**	-383
		Cash flow from funding activities			
773	**1 757**	Changes relating to deposits from customers	4, 5 ,12	**1 769**	762
-234	**-2 222**	Changes relating to deposits from Norges Bank and other financial institutions	5	**-2 107**	-375
5 476	**7 260**	Net payments received in respect of proceeds from bond issues raised	5	**3 616**	2 327
-2 403	**-4 288**	Payment on redemption of debt securities	5	**-3 487**	1 791
-94	**-63**	Payment of dividend	20	**-63**	-94
73	**198**	Changes of other debt	5, 8, 13	**-175**	40
0	**0**	Changes in equity due to scrip issue	20	**0**	0
3 591	**2 642**	Net cash flow from funding activities		**-447**	869
180	**-145**	Net changes on cash holdings		**-145**	180
634	**814**	Holdings of cash 01.01		**814**	634
814	**669**	Holdings of cash 31.12	5	**669**	814

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.

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.

Sparebanken Møre has merged with Møre Finans AS with accounting effect of 31 August 2012 and tax effect as of 1 January 2012.

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 31 January 2013. The final annual accounts were presented by the Board of Directors on 6 March 2012.

The Group's operations are described in note 7 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 2012.

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)

The Group and the Parent Bank has elected to early apply the rule changes in IAS 19R in 2012. See additional discussion under "Amendments to IAS 19 Employee Benefits" section on new standards. There are no other changes in accounting policies for 2012.

Parent-subsidiary merger

Parent-subsidiary merger is accounted by the group continuity principle. Balance sheet values in the Group of the subsidiary's assets and liabilities are recognized in the parent bank. The difference between the net value of assets acquired and liabilities and the carrying amount of the investment in the Parent Bank are recognized directly in the equity, distributed between the primary capital fund and the dividend equalisation fund according to the equity capital fraction January 1st.

The merger will be accounted on the time of execution and there will be no changes in comparable numbers.

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 31.12.2012 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 2012.

New standards

The Group has implemented the following new standards in 2012:

• Amendment to IFRS 7 Financial Instruments
The change concerns disclosures for transferred financial assets that are not derecognised in their entirety and transferred financial assets that are derecognised in their entirety, but in which the financial institution has some continuing involvement in the financial assets.

• Amendments to IAS 19 Employee Benefits
The IASB has adopted a number of amendments to IAS 19. Some of the amendments are fundamental in nature, such as the corridor method no longer being permitted and the conceptual changes to expected returns on pension assets, while others are simpler nature such as pure clarifications and reformulations. The elimination of the corridor method means actuarial gains and losses must be recognised in other operating income and costs in other comprehensive income (OCI) in the period in which they occur. The amendment to IAS 19 will also affect net pension costs due to expected returns on pension assets having to be calculated using the same interest rate used to discount pension liabilities.

The amendments come into force for the accounting year that starts on 1 January 2013 or later, although Sparebanken Møre has decided to apply the amended rules early with effect for the 2012 accounting year. The amendments have resulted in previously calculated estimate discrepancies being transported to pension liabilities, and have resulted in pension liabilities increasing by NOK 213 million and equity decreasing by NOK 153 million after tax in the balance sheet as of 1 January 2011. Comparable balance sheet figures as of 1 January 2011 are presented as the third balance sheet in the annual financial statements for 2012. The Group has reduced payroll costs by NOK 3 million in the ordinary income statement and recognised estimate discrepancies of NOK 11 million after tax as costs in other comprehensive income in the comparable result figures for 2011. Cumulatively, equity has been reduced by NOK 161 million after tax as of 1 January 2012. Please see note 12 on pension costs and liabilities for further information and explanation.

Future standards

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IAS 1 Presentation of Financial Statements
The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 32 Financial Instruments: Presentation
IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and 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 simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments: Disclosures
The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial

instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

IFRS 9 Financial Instruments:
Classification and Measurement
IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

IFRS 10 Consolidated Financial Statements,
IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and 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. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27.

The concept of control has changed slightly from IAS 27. The existence of control is crucial in determining whether or not companies should be consolidated under IFRS 10. Control exists when the investor has power over the investment object; is exposed to, or has rights to, variable returns from the investment object; and the ability to use power to control the activities of the investment object that affect the return to a substantial degree. IFRS 10 shall apply within the EU/EEA with effect from the accounting year starting 1 January 2014 or later.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement
The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. We do not expect significant effects in the financial statements as a result of the implementation of the new standard

Annual Improvements
• IAS 1 Presentation of Financial Statements
The amendments to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the presentation of the previous period's comparative information will meet the minimum requirements. The amendments have no impact on the Group's financial position or performance and are effective for annual periods beginning on or after 1 January 2013, but the EU has not yet approved the amendments.

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. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or the company transfers the financial asset in such a way that risk and profit potential of the financial asset is substantially transferred. 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)
- 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 asssets and liabilities valued at amortised cost

Financial assets and derivatives 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.

The 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, because the portfolio of these instruments is controlled based on the fair value.

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.

Purchased lending portfolios, including lending taken over by the takeover of business, have limited useful lifetimes and where excess values at the time of the transaction are recognised on the balance sheet at acquisition 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).

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. 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.

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 macro-economic tendencies that have been registered in its group write-down model through mark-ups in macro-adjustments.

2.3.3 Financial derivatives

Financial derivatives are contracts which are entered into in order to hedge an already existing interest- and foreign exchange risk incurred by the Bank, 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 10 rental agreements and note 13 for fixed assets for a more detailed description of amounts. Internal leasing agreements have been netted out in the Group accounts. The rental agreements ceased upon completion with merger of Møre Finans AS as at 31.08.2012.

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.

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 seperately, as an reduction to issued ECs. Purchase price in excess of nominal value is shown in relation to the Primary Capital Fund and Dividend Equalisation Fund in accordance to historically adopted distribution. 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 recognised in other operating income and costs in other comprehensive income in the period in which they occur. The pension liabilities are computed on the basis of the present value of future cash flows. The discount rate is based on the interest rate for corporate bonds with high creditworthiness. The Norwegian covered bond market is deemed to possess the characteristics required for use as the basis for calculating the discount rate.

Expected returns on pension assets are calculated using the same interest rate used to discount pension liabilities. Returns in excess of the discount rate are recognised in other operating income and costs in other comprehensive income. Net interest costs from gross pension liabilities and assets are presented as payroll costs.

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. 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 3 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.

The executive management team makes assessments when choosing and applying accounting policies. The company's financial assets and liabilities are allocated to different categories in accordance with IAS 39. Little discretionary judgement is normally exercised in this context. Please refer to 2.3.2 for the measurement policies.

Sparebanken Møre has also chosen to apply the amendments to the rules in IAS 19 R early with effect from the 2012 accounting year. This has resulted in substantial changes in calculated and recognised net pension liabilities, deferred tax and equity, see the section under new standards in point 2.1 and note 12 for further information.

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 5.4-5.8, 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 Norwegian market for covered 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 12 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. 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. The internal audit in Sparebanken Møre is outsourced to BDO.

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 segments and departments, including customer account managers. The most important reports during the year are as follows:

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

Current long-term defined goal in Sparebanken Møre is core capital ratio of minimum 11 per cent, and pure core capital ratio of minimum 9 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.

Also refer to note 18 of "Capital adequacy" for further descriptions related to Sparebanken Møre approval process for IRB, as well as comments related to the new regulations through 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. Please also refer to note 18 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 "Comitted, 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. Commitments outside the Group's market area will also be considered as part of the deliberate diversification of the portfolio in terms of segment and geographical exposure. In such cases the Group's strategy sets clear limits for the maximum risk level for an individual commitment.

The 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.

Credit exposure is linked to commercial paper and bonds in the Group's liquidity reserve portfolio, short-term lending to other banks, including accounts held in foreign banks, and exposure in connection with financial derivatives that are signed to neutralise already present interest and currency risk the Bank has assumed. The portfolio consists of reputable domestic and foreign relationships.

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

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

Sparebanken Møre can assume exposure to four main groups:
1. Norwegian banks
2. International banks

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.

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

Sparebanken Møre og Møre Boligkreditt require the signing of CSA (Credit Support Annex) agreement before trading of derivatives against any 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. 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 has a very limited trading portfolio. The financial risk of Sparebanken Møre in 2012 is considered to be low and reassuring. See note 5.4 for the share risk of the Group.
- **Currency risk:** Consists of the risk of losses when exchange rates change. All financial instruments and other positions with currency risk are included in the assessment. Currency risk on the banking book, that is, foreign exchange risk arising as a result of hedging customer trading, including lending / deposit business, is considered separately and 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.
- **Total market risk:** The overall risk assessment is obtained by comparing the opinions of areas from interest rates, equities and foreign exchange. Finanstilsynets methodology in this area form the basis for assessing the overall market risk. Assessments are based on three risk factors:
- Exposure
- Risk spreading
- Marketliquidity

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

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. The section leader is responsible for that administration of the limits within the various sub-portfolios are complied with at all times.

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.

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

In a normal situation, Sparebanken Møre will have a liquidity buffer that means the Group is capable of fulfilling its liquidity liabilities for 12 months without the external supply of uncommitted capital market funding.

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.

LCR measures institutions' ability to survive a 30-day stress period. LCR increases the importance of high quality liquid assets. NSFR measures the longevity of an institution's funding. NSFR entails institutions having to fund liquid assets with the aid of a greater proportion of stable and long-term funding. In this context deposits are not regarded as an equally stable source of funding, which means that the quality of the deposits will increase in importance. This also means that financial institutions must to a greater degree fund themselves through longer bond issues.

Sparebanken Møre has started adapting to the new regulations by both modifying its internal strategies and by making actual adaptations. The Group also regularly reports on the trends for new liquidity indicators to the supervisory authorities in line with the disclosure requirements.

The Group's long-term strategic plan, "Møre 2016", sets out a liquidity strategy in which Sparebanken Møre shall adapt to the structure and volume of the new LCR requirement. The adaptation will take place over time with a gradual increase in the LCR indicator. The internal target figure for 2012 was set at an LCR level of a minimum of 80%.

The Financial Supervisory Authority of Norway's liquidity buffer indicator (LBI) includes more liquid assets than those included in LCR, i.e. more covered bonds with lower ratings and self-issued paper are included, as are other papers that are deposited (but not drawn on) or that are depositable with central banks. Furthermore, no account is taken of the Basel III requirement for the liquidity of securities that is included in LCR. All level 2 assets are included, i.e. also those that are kept above the 40% limit in LCR and without a 15% of reduction in LCR.

At year-end 2012, the LCR indicator was 87.7% based on the Financial Supervisory Authority of Norway's current definition for calculations. The NSFR indicator was 105.9%, while the Financial Supervisory Authority of Norway's liquidity buffer indicator (LBI) was 136.2%.

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 (leader)
- 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, net refinancing needs, composition of the liquidity portfolio, allocation of capital markets funding on various sources, largest depositors, etc. In addition, early warning signals are reported by viewing the development of financial strength, developement of balance sheet numbers and income statement, 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 the liquidity indicator of Finanstilsynet 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 101.4 (101.5) at year-end 2012. The Bank's deposit-to-loan ratio, deposits from customers in relation to lending to customers, was 61.9 per cent (62.8 per cent) at year-end 2012.

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 2012, 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. The Compliance Department has in 2012 consisted of two man-years 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 portfolio management is performed on behalf of clients and related assets belongs to the clients and not the Group.

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. As part of a deliberate diversification of the portfolio relative to industry or geographic exposure commitments outside the Group's market area could also be considered. In such cases, the Group's strategy set a clear framework for maximum risk on each commitment. 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 2012

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
35 070	887	3 444	39 401	Low risk (0% - < 1%)	24 749	887	2 707	28 344
6 576	405	520	7 500	Middle risk (1% - < 4%)	5 931	405	516	6 851
1 507	13	37	1 557	High risk (4% - <100%)	1 307	13	40	1 360
587	7	11	605	Commitments in default	585	7	11	602
43 740	1 312	4 012	49 063	Total loans before individual and collective write-downs	32 572	1 312	3 274	37 157
-306	0	0	-306	- Provisions (specific and non-specific loss provisions)	-305	0	0	-305
43 434	1 312	4 012	48 757	Net loans to and claims on customers as at 31.12.2012	32 267	1 312	3 274	36 852

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

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.

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 2012 has been calculated at 0.20 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	
2011	2012		2012	2011
0.17	**0.20**	Estimated expected loss as a percentage of gross commitments as at 31.12	**0.2**	0.17

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.

In this year's calculations of individual impairment on loans the bank's valuation of the security objects is considered. Additional information is presented in note 4.3.

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	**2012**	2011	**2012**	2011	**2012**	2011
Agriculture and forestry	**496**	471	**156**	160	**1**	1
Fisheries	**3 241**	3 127	**544**	571	**133**	28
Industry and mining	**1 220**	1 251	**1 272**	1 536	**472**	321
Building and construction	**716**	726	**486**	418	**144**	126
Wholesale and retail trade, hotel industry	**654**	773	**735**	817	**186**	68
Foreign shipping/supply	**1 609**	1 817	**806**	513	**0**	427
Property management	**5 689**	5 144	**1 356**	1 213	**39**	74
Professional/financial service	**687**	634	**2 087**	1 813	**0**	0
Transport and private/public service industry	**1 515**	1 371	**1 884**	1 762	**500**	37
Public entities	**20**	11	**704**	693	**0**	0
Non-Norwegian lending	**100**	8	**3**	2	**0**	0
Miscellaneous	**143**	73	**1 827**	1 520	**0**	0
Total Corporate/Public entities	**16 090**	15 406	**11 860**	11 018	**1 475**	1 082
Retail customers	**27 650**	25 295	**15 221**	14 307	**9**	10
Total Gross loans/Deposits	**43 740**	40 701	**27 081**	25 325	**1 484**	1 092
Specific loss provisions	**-166**	-265				
Non-specific loss provisions	**-140**	-131				
Net loans	**43 434**	40 305				
Loans/deposits with floating interest rate	**40 065**	37 996	**26 135**	24 365		
Loans/deposits with fixed interest rate	**3 675**	2 705	**946**	960		

Parent Bank	Gross loans		Deposits		Guarantees	
Broken down according to sectors	**2012**	2011	**2012**	2011	**2012**	2011
Agriculture and forestry	**494**	438	**156**	160	**1**	1
Fisheries	**3 240**	3 110	**544**	571	**133**	28
Industry and mining	**1 217**	1 043	**1 272**	1 536	**472**	321
Building and construction	**699**	602	**486**	418	**144**	126
Wholesale and retail trade, hotel industry	**649**	718	**735**	817	**186**	68
Foreign shipping/supply	**1 609**	1 794	**806**	513	**0**	427
Property management	**5 737**	5 154	**1 371**	1 217	**39**	74
Professional/financial service	**677**	612	**2 087**	1 813	**0**	0
Transport and private/public service industry	**1 495**	1 297	**1 895**	1 771	**500**	37
Public entities	**20**	2	**704**	693	**0**	0
Non-Norwegian lending	**100**	8	**3**	2	**0**	0
Miscellaneous	**144**	73	**1 826**	1 520	**0**	0
Total Corporate/Public entities	**16 081**	14 851	**11 885**	11 031	**1 475**	1 082
Retail customers	**16 491**	17 338	**15 221**	14 307	**9**	10
Total Gross loans/Deposits	**32 572**	32 189	**27 106**	25 338	**1 484**	1 092
Specific loss provisions	**-166**	-259				
Non-specific loss provisions	**-139**	-130				
Net loans	**32 267**	31 800				
Loans/deposits with floating interest rate	**28 897**	29 484	**26 160**	24 378		
Loans/deposits with fixed interest rate	**3 675**	2 705	**946**	960		

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	
2011	**2012**	Gross loans by type	**2012**	2011
553	**547**	Financial leasing agreements (Merger Sparebanken Møre and Møre Finans AS 31.08.2012)	**547**	0
1 432	**2 029**	Overdraft- and working credit facilities	**2 029**	1 432
196	**202**	Working credits	**202**	196
208	**224**	Housing loans	**224**	208
525	**690**	Building loans	**690**	570
2 705	**3 675**	Fixed interest loans (with security in buildings)	**3 675**	2 705
25 290	**27 400**	Loans with security in buildings	**16 070**	17 142
6 131	**5 979**	Other down-payment loans	**6 140**	6 276
3 588	**2 864**	Foreign currency loans	**2 864**	3 588
73	**130**	Other loans	**131**	73
40 701	**43 740**	Total gross loans to and claims on customers	**32 572**	32 189
-396	**-306**	Specific and non-specific loss provisions	**-305**	-389
40 305	**43 434**	Net loans to and claims on customers	**32 267**	31 800

GROUP			PARENT BANK	
2011	**2012**	Interest income	**2012**	2011
1 983	**1 920**	Interest income from loans to and claims on customers	**1 514**	1 676
-108	**-139**	Interest income on the loan portfolio measured at fair value	**-139**	-108
1 875	**1 781**	Interest income on the loan portfolio measured at amortised cost	**1 375**	1 568
78	**59**	Interest income on loans and claims to credit institutions at amortized cost	**89**	107
0	**0**	Interest income on certificates, bonds and fixed income securities measured at amortized cost	**63**	89

GROUP		
2011	2012	Leasing volume by type of asset
8	18	Office- and electronic machines
306	335	Industrial equipment/machines
168	147	Transport equipment
79	47	Private cars
15		Building and construction
576	547	Gross leasing volume
-6	-6	Specific write-downs
570	541	Net leasing volume
23	0	- of which leasing to the Parent Bank accounts for (internally netted out in the Group accounts)
		Present value of income from financial leasing received
166	167	Within 1 year
279	289	Within 1 - 5 years
22	19	After a period of more than 5 years
467	475	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 176 million within 1 year, NOK 343 million between 1 and 5 years, and NOK 26 million for more than 5 years, calculated as at 31.12.2012.

Geographical specification

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
GROUP	2012	2011	2012	2011	2012	2011	2012	2011
Gross loans	37 009	34 728	6 589	5 894	142	79	43 740	40 701
In percentage	84.6	85.3	15.1	14.5	0.3	0.2	100.0	100.0
Deposits	22 405	21 550	4 443	3 575	233	200	27 081	25 325
In percentage	82.7	85.1	16.4	14.1	0.9	0.8	100.0	100.0
Guarantees	1 450	1 204	34	38	0	0	1 484	1 242
In percentage	97.7	96.9	2.3	3.1	0.0	0.0	100.0	100.0

PARENT BANK	2012	2011	2012	2011	2012	2011	2012	2011
Gross loans	28 020	27 730	4 410	4 399	142	60	32 572	32 189
In percentage	86.0	86.1	13.5	13.7	0.4	0.2	100.0	100.0
Deposits	22 430	21 550	4 443	3 588	233	200	27 106	25 338
In percentage	82.7	85.1	16.4	14.2	0.9	0.8	100.0	100.0
Guarantees	1 450	1 204	34	38	0	0	1 484	1 242
In percentage	97.7	96.9	2.3	3.1	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 writedown 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 cash flow out of the bank (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 both the credit portfolio of the parent bank and the portfolio transferred to the mortgage company within the Group.

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 2013 and 2014. The outcome at the end of 2012 is still uncertain. If the debt problems in Europe and the budget problems in the USA fails 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 it is expected that the economic developement for Møre og Romsdal will be characterized by, as the rest of the country, a moderate recovery. Nonetheless the performance of the different sectors will vary, and there is a downside risk.

The industrial production for the country as a whole is expected to go up in 2013, also in Møre og Romsdal. The construction activity in the county is holding up well. Production in the private services is expected to increase more than in 2012, while production in the public sector increases less than in 2012 and less than the economy at large.

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 and increased regulatory capital requirements 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	
2011	**2012**		**2012**	2011
-13	**-112**	Changes in specific loss provisioning and guarantees during the period	**-116**	-13
5	**9**	Changes in non-specific loss provisioning during the period	**9**	4
44	**132**	Confirmed losses during the period where specific provisioning had previously been made	**132**	43
11	**34**	Confirmed losses during the period where specific provisioning had previously not been made	**34**	10
7	**16**	Recoveries	**17**	7
40	**47**	**Losses on loans, guarantees etc.**	**42**	37

Specific provisions in respect of loans

GROUP			PARENT BANK	
2011	**2012**		**2012**	**2011**
281	**265**	Specific loss provisions on loans 01.01	**259**	276
44	**132**	Confirmed losses on loans during the period, where specific provisioning had previously been made	**132**	43
64	**14**	Changes in specific provisioning during the period	**14**	63
41	**75**	Specific provisioning during the period	**75**	40
77	**56**	Recoveries on specific provisioning during the period	**50**	77
265	**166**	**Specific provisions against losses on loans 31.12**	**166**	259

Non-specific write-down on loans

GROUP			PARENT BANK	
2011	**2012**		**2012**	2011
126	**131**	Non-specific write-down on loans 01.01	**130**	126
5	**9**	Changes during the period	**9**	4
131	**140**	**Non-specific write-down on loans 31.12**	**139**	130

Specific provisioning in respect of guarantees

GROUP			PARENT BANK	
2011	**2012**		**2012**	2011
12	**14**	Specific provisioning 01.01	**14**	12
2	**2**	Specific provisioning during the period	**2**	2
0	**14**	Recoveries on specific provisioning during the period	**14**	0
14	**2**	**Specific provisions 31.12**	**2**	14

Commitments in default (total of all of a customer's outstanding commitments) over 3 montha

	2012			2011		
GROUP	Total	Retail	Corporate	Total	Retail	Corporate
3-6 months	73	19	54	40	14	26
6-12 months	107	10	97	181	24	157
Over 12 months	77	39	38	78	45	33
Gross loans in default	257	68	189	299	83	216
Specific write-downs	71	8	63	136	13	123
Net loans in default	186	60	126	163	70	93

PARENT BANK	Total	Retail	Corporate	Total	Retail	Corporate
3-6 months	73	19	54	40	14	26
6-12 months	107	10	97	175	24	151
Over 12 months	77	39	38	78	45	33
Gross loans in default	257	68	189	293	83	210
Specific write-downs	71	8	63	131	13	118
Net loans in default	186	60	126	162	70	92

GROUP	2012			2011		
Problem loans	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
Problem loans prior to specific provisions:						
Commitments in default over 3 months	257	68	189	299	83	216
Other bad and doubtful commitments with loss provisions	324	45	279	488	75	413
Total problem loans prior to specific provisions	581	113	468	787	158	629
Specific provisjons on:						
Commitments in default over 3 months	71	8	63	136	13	123
Other bad and doubtful commitments with loss provisions	95	15	80	129	17	112
Total specific provisions	166	23	143	265	30	235
Problem loans after specific provisions:						
Commitments in default over 3 months	186	60	126	163	70	93
Other bad and doubtful commitments with loss provisions	229	30	199	359	58	301
Total problem loans after specific provisions	415	90	325	522	128	394
Total problem loans prior to spesific provisions as a percentage of total loans	1.34	0.41	2.91	1.95	0.62	4.08
Total problem loans after spesific provisions as a percentage of total loans	0.96	0.33	2.02	1.30	0.52	2.56

PARENT BANK	2012			2011		
Problem loans	**Total**	**Retail**	**Corporate**	Total	Retail	Corporate
Problem loans prior to specific provisions:						
Commitments in default over 3 months	257	68	189	293	83	210
Other bad and doubtful commitments with loss provisions	324	45	279	488	75	413
Total problem loans prior to specific provisions	581	113	468	781	158	623
Specific provisjons on:						
Commitments in default over 3 months	71	8	63	131	13	118
Other bad and doubtful commitments with loss provisions	95	15	80	128	17	111
Total specific provisions	166	23	143	259	30	229
Problem loans after specific provisions:						
Commitments in default over 3 months	186	60	126	162	70	92
Other bad and doubtful commitments with loss provisions	229	30	199	360	58	302
Total problem loans after specific provisions	415	90	325	522	128	394
Total problem loans prior to spesific provisions as a percentage of total loans	1.81	0.69	2.93	2.46	0.90	4.20
Total problem loans after spesific provisions as a percentage of total loans	1.29	0.55	2.03	1.64	0.74	2.65

Write-downs on loans/guarantees

GROUP	2012			2011		
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	0,11	1,1	-1	-0,25	1,2
Fisheries	17	0,56	7,4	-5	-0,16	7,7
Industry and mining	18	1,46	2,8	-18	-1,52	3,1
Building and construction	8	1,18	1,6	5	0,75	1,8
Wholesale and retail trade, hotel industry	5	0,70	1,5	5	0,59	1,9
Foreign shipping/supply	-12	-0,65	3,7	30	1,51	4,5
Property management	15	0,28	13,0	15	0,39	12,6
Professional/financial service	0	0,00	1,6	0	0,00	1,6
Transport and private/public service industry	4	0,33	3,5	0	0,00	3,4
Public entities	0	0,00	0,0	0	0,00	0,0
Non-Norwegian lending	0	0,00	0,2	0	0,00	0,0
Miscellaneous	0	0,00	0,3	0	0,00	0,2
Total commercial and industrial sectors	56	0,37	36,8	31	0,22	37,9
Retail customers	-3	-0,01	63,2	2	0,01	62,1
Non specific write-downs	9	0,02		5	0,01	
Total customers	62	0,16	100,0	38	0,10	100,0
Credit institutions	-15	-0,04		2	0,01	
Total	47	0,12	100,0	40	0,11	

PARENT BANK	2012			2011		
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	0,12	1,5	-1	-0,27	1,4
Fisheries	17	0,56	9,9	-5	-0,16	9,7
Industry and mining	15	1,44	3,7	-20	-1,99	3,2
Building and construction	7	1,15	2,1	5	0,93	1,9
Wholesale and retail trade, hotel industry	5	0,75	2,0	5	0,64	2,2
Foreign shipping/supply	-12	-0,66	4,9	30	1,53	5,6
Property management	14	0,28	17,6	15	0,39	16,0
Professional/financial service	0	0,00	2,1	0	0,00	1,9
Transport and private/public service industry	4	0,34	4,6	0	0,00	4,0
Public entities	0	0,00	0,1	0	0,00	0,0
Non-Norwegian lending	0	0,00	0,3	0	0,00	0,0
Miscellaneous	0	0,00	0,4	0	0,00	0,2
Total commercial and industrial sectors	51	0,35	49,4	29	0,21	46,1
Retail customers	-3	-0,02	50,6	2	0,01	53,9
Non specific write-downs	9	0,03		4	0,01	
Total customers	57	0,18	100,0	35	0,11	100,0
Credit institutions	-15	-0,05		2	0,01	
Total	42	0,13	100,0	37	0,12	

Not recognised interest on impaired loans

GROUP			PARENT BANK	
2011	2012		2012	2011
21	24	Accured interest on loans shown in the balance sheet 01.01, not yet booked as income	24	21
1	0	Previous periods' interest on loans, booked as income during the period	0	1
9	26	Accured interest on loans which are no longer shown in the balance sheet, not yet booked as income	26	9
13	14	Accured - during the period - interest on loans, identified as losses, not yet booked as income	14	13
24	12	Accured interest on loans shown in the balance sheet 31.12, not yet booked as income	12	24

Gross loans - losses - Commitments in default 31.12.2012

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	496	5		491	1	1	13	51
Fisheries	3 241	43		3 198	133	107	140	96
Industry and mining	1 220	30		1 190	472	30	15	518
Building and construction	716	7		709	144	9	14	179
Wholesale and retail trade, hotel industry	654	8		646	186	3	7	299
Foreign shipping/supply	1 609	11		1 598	0	4	11	1
Property management	5 689	26		5 663	39	19	58	205
Professional/financial service	687	0		687	0	0	0	56
Transport and private/public service industry	1 515	13		1 502	500	16	21	253
Public entities	20	0		20	0	0	0	140
Non-Norwegian lending	100	0		100	0	0	0	0
Miscellaneous	143	0		143	0	0	0	0
Total Commercial/Public entities	16 090	143	94	15 853	1 475	189	279	1 798
Retail customers	27 650	23	46	27 581	9	68	45	2 214
Total	43 740	166	140	43 434	1 484	257	324	4 012

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 31.12.2012

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	494	5		489	1	1	13	51
Fisheries	3 240	43		3 197	133	107	140	96
Industry and mining	1 217	30		1 187	472	30	15	518
Building and construction	699	7		692	144	9	14	179
Wholesale and retail trade, hotel industry	649	8		641	186	3	7	299
Foreign shipping/supply	1 609	11		1 598	0	4	11	1
Property management	5 737	26		5 711	39	19	58	205
Professional/financial service	677	0		677	0	0	0	56
Transport and private/public service industry	1 495	13		1 482	500	16	21	253
Public entities	20	0		20	0	0	0	140
Non-Norwegian lending	100	0		100	0	0	0	0
Miscellaneous	144	0		144	0	0	0	0
Total Commercial/Public entities	16 081	143	94	15 844	1 475	189	279	1 798
Retail customers	16 491	23	45	16 423	9	68	45	1 476
Total	32 572	166	139	32 267	1 484	257	324	3 274

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

DEVELOPMENT OVER THE LAST FIVE YEARS
Commitments in default over 3 months

GROUP						PARENT BANK				
2008	2009	2010	2011	**2012**		**2012**	2011	2010	2009	2008
168	205	249	299	**257**	Gross commitments	**257**	293	242	205	168
26	52	39	136	**71**	Specific write-downs	**71**	131	39	52	26
142	153	210	163	**186**	Net commitments	**186**	162	203	153	142
0.4	0.4	0.5	0.4	**0.4**	Net loans in default in % of gross loans	**0.6**	0.5	0.6	0.5	0.4

Other doubtful loans (with spesific write-downs)

GROUP						PARENT BANK				
2008	2009	2010	2011	**2012**		**2012**	2011	2010	2009	2008
780	857	674	488	**324**	Gross commitments	**324**	488	667	857	772
237	258	227	129	**95**	Specific write-downs	**95**	128	224	254	235
543	599	447	359	**229**	Net commitments	**229**	360	443	603	537
1.5	1.6	1.2	0.9	**0.5**	Net loans in default in % of gross loans	**0.7**	1.1	1.4	1.9	1.5

4.4 - Liabilities/contingent liabilities - guarantee liabilities

GROUP			PARENT BANK	
2011	2012		2012	2011
371	527	Payment guarantees	527	371
353	562	Contract guarantees	562	353
314	344	Loan guarantees	344	314
54	51	Other guarantee liabilities	51	54
1 092	1 484	Guarantee liabilities relating to customers	1 484	1 092
150	150	Guarantee - credit institutions	150	150
0	0	Guarantee provided for the Savings Bank's Guarantee Fund (SBGF)	0	0
1 242	1 634	Guarantee liabilities 31.12	1 634	1 242
4 167	4 012	Drawing rights facilities for customers	3 274	3 694
		Breakdown according to different commercial, industrial and other sectors is shown in note 4.3.		
		Assets pledged as collateral security for loans etc.		
2 657	1 271	Sertificates and bonds pledged as collateral security for access to loans from Norges Bank	1 271	2 657
860	0	Utilised under loan facility from Norges Bank	0	860
9	78	Letters of credit 1)	78	9

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 31.12.2012, the Group is involved in two legal disputes. The Group has assessed the probability of loss to be small.

5 FINANCIAL INSTRUMENTS – MARKET AND FUNDING RISK

The Bank's Board of Directors stipulates the long-term aims and targets withregard to its risk profile. These aims and targets are made operational through powers of attorney and limits which are delegated within the organisation. Sparebanken Møre manages funding- and market risk and handles powers of attorney, limits and guidelines relating to financial instruments based on the Bank's strategy documents, Market Risk Strategy, Funding Strategy, Credit Risk – counterpart risk and Trading with financial instruments on behalf of customers. The strategy documents are subject to periodical reviews and are revised/agreed once every year by the Bank's Board of Directors. In addition, the documents shall be passed on to, approved and understood by the operative units, the Bank's control functions and administration. In order to ensure the necessary quality and independence, the development of risk management tools and the execution of the risk reporting are organised in a separate unit which is independent of the operative units.

Market risk strategy

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

Funding strategy

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

Credit risk - counterpart risk

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

Trading with financial instruments on behalf of customers

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

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.

The bank also has holdings of securities, which are included as part of the ongoing liquidity management. See additional information in Note 5.4.

In the table below, contractual undiscounted cash flows are shown. The figures can thus not be reconciled with the balance.

Funding risk 2012

GROUP	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash in hands and claims on central banks	669	0	0	0	0	669
Loans to and claims on credit institutions	288	0	0	0	0	288
Loans and claims on customers	8 601	552	2 531	13 510	32 970	58 164
Certificates and bonds	122	219	264	4 078	1 246	5 929
Total assets	10 442	771	2 795	17 588	34 216	65 812
Debt						
Debt to credit institutions	75	6	1 071	641	0	1 793
Deposits from and liabilities to customers	26 187	265	690	3	0	27 145
Debt securities	24	623	4 011	12 473	2 361	19 492
Subordinated loan capital and hybrid capital	13	00	69	325	1 238	1 645
Total debt	26 299	894	5 841	13 442	3 599	50 075
Financial derivatives						
Cash flows in	24	83	558	1 392	665	2 722
Cash flows out	40	122	445	1 339	564	2 510
Total financial derivatives	-16	-39	113	53	101	212

Funding risk 2011

GROUP	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash in hands and claims on central banks	814	0	0	0	0	814
Loans to and claims on credit institutions	564	0	0	0	0	564
Loans and claims on customers	9 903	520	2 323	12 167	29 060	53 973
Certificates and bonds	130	304	553	3 737	2 195	6 919
Total assets	12 304	824	2 876	15 904	31 255	63 163
Debt						
Debt to credit institutions	334	905	897	1 718	0	3 854
Deposits from and liabilities to customers	24 409	263	677	35	0	25 383
Debt securities	34	1 182	2 817	13 408	3 313	20 754
Subordinated loan capital and hybrid capital	6	2	46	326	1 498	1 878
Total debt	24 783	2 352	4 437	15 487	4 811	51 869
Financial derivatives						
Cash flows in	29	164	605	1 811	886	3 495
Cash flows out	41	160	500	1 716	762	3 179
Total financial derivatives	-12	4	105	95	124	316

Funding risk 2012

PARENT BANK	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash in hands and claims on central banks	669	0	0	0	0	669
Loans to and claims on credit institutions	1 275	0	0	0	0	1 275
Loans and claims on customers	8 534	417	1 916	8 127	23 735	42 729
Certificates and bonds	133	219	303	5 984	1 246	7 885
Total assets	10 611	636	2 219	14 111	24 981	52 558
Debt						
Debt to credit institutions	1 062	6	1 071	641	0	2 780
Deposits from and liabilities to customers	26 187	265	690	3	0	27 145
Debt securities	2	589	3 810	3 822	0	8 223
Subordinated loan capital and hybrid capital	13	0	69	325	1 238	1 645
Total debt	27 264	860	5 640	4 791	1 238	39 793
Financial derivatives						
Cash flows in	22	82	514	1 220	399	2 237
Cash flows out	38	116	420	1 226	429	2 229
Total financial derivatives	-16	-34	94	-6	-30	8

Funding risk 2011

PARENT BANK	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash in hands and claims on central banks	814	0	0	0	0	814
Loans to and claims on credit institutions	1 567	0	0	0	0	1 567
Loans and claims on customers	9 851	413	1 838	8 073	22 530	42 705
Certificates and bonds	151	304	695	4 292	3 596	9 038
Total assets	12 383	717	2 533	12 365	26 126	54 124
Debt						
Debt to credit institutions	928	905	897	1 718	0	4 448
Deposits from and liabilities to customers	24 409	263	677	35	0	25 383
Debt securities	3	1 154	2 500	7 110	739	11 506
Subordinated loan capital and hybrid capital	6	2	46	326	1 498	1 878
Total debt	25 346	2 324	4 120	9 189	2 237	43 215
Financial derivatives						
Cash flows in	27	158	565	1 651	587	2 988
Cash flows out	39	147	479	1 619	609	2 893
Total financial derivatives	-12	11	86	32	-22	95

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.

The table below shows the potential impact on the overall result of changes in value of financial assets and liabilities of the Group by an increase in interest rates of one percentage point. The calculation is made based on the current positions and market interest rates at 31 December. Potential effect of a 1-year period of an interest rate change of 1 percentage point is NOK 34 million.

GROUP - 2012	Up to 1 month	1 - 3 months.	3 - 12 months.	1 - 5 years	Over 5 years	Total
NOK	**-2**	**6**	**4**	**-16**	**-2**	**-10**
Cur	**0**	**1**	**0**	**0**	**0**	**1**
Total	**-2**	**7**	**4**	**-16**	**-2**	**-9**

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

PARENT BANK - 2012	Up to 1 month	1 - 3 months.	3 - 12 months.	1 - 5 years	Over 5 years	Total
NOK	**3**	**4**	**2**	**-17**	**-2**	**-10**
Cur	**0**	**1**	**0**	**0**	**0**	**1**
Total	**3**	**5**	**2**	**-17**	**-2**	**-9**

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

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 - 2012	Total	NOK	Currency	USD	EUR	JPY	CHF	Other
Cash in hands and claims on central banks	669	665	4		3			1
Loans to and claims on credit institutions	288	191	97	46	5	14	1	31
Loans to and claims on customers	43 434	40 557	2 877	852	430	58	1 525	12
Certificates, bonds and other interest-bearing sec.	5 542	4 471	1 071		1 071			
Other assets	1 699	1 662	37	11	7		9	10
Total assets	51 632	47 546	4 086	909	1 516	72	1 535	54
Debt owed to credit institutions	2 519	1 762	757	415	147		192	2
Deposits from and liabilities to customers	27 081	26 812	269	146	65	31		26
Borrowings raised through the issue of securities	15 608	14 966	642					642
Other liabilities	1 362	1 345	17	11	4	2		
Subordinated loan capital	1 301	1 301						
Equity capital	3 761	3 761						
Total liabilities and equity capital	51 632	49 947	1 683	572	216	33	192	670
Forward exchange contracts			-2 380	-288	-1 341	-40	-1 341	630
Net exposure foreign exchange			23	49	-41	-1	2	14
Effect of a 10 per cent change in price (MNOK)	2							

		Exchange rate 31.12.2012	Exchange rate 31.12.2011
Dollar	USD	5.5829	6.016
Euro	EUR	7.3665	7.786
Japanske yen	JPY	6.4854	7.775
Sveitsiske franc	CHF	610.07	639.870
Svenske kroner	SEK	85.72	87.230
Britiske pund	GBP	9.0259	9.296

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	1 559	1 290	269	231	18	1	16	4
Total assets	48 468	43 551	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	11 887	912					912
Other liabilities	1 375	1 122	253	218	12	16	7	1
Subordinated loan capital	972	972						
Equity capital	3 256	3 256						
Total liabilities and equity capital	48 468	46 370	2 098	495	341	25	295	942
Forward exchange contracts			-2 798	-788	-1 182	-106	-1 624	902
Net exposure foreign exchange			21	5	11	1	-4	8
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	2012			2011			
	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	307	305	305	552	554	554	0%
Credit institutions	0	0	0	0	0	0	20%
Others (20 % weight in the calculation of capital adequacy)	25	25	25	50	50	50	20%
Others (100 % weight in the calculation of capital adequacy)	0	0	0	60	60	60	100%
Total certificates	332	330	330	662	664	664	
Bonds							
Government certificates	1 317	1 323	1 323	800	797	797	0%
Credit institutions	4 464	4 470	4 457	4 563	4 532	4 543	10%
Credit institutions	289	285	285	787	782	782	20%
Others (20 % weight in the calculation of capital adequacy)	236	236	236	81	82	82	20%
Others (100 % weight in the calculation of capital adequacy)	692	687	687	662	660	660	100%
Total bonds	6 999	7 001	6 989	6 893	6 853	6 864	
Total certificates and bonds	7 328	7 331	7 319	7 555	7 517	7 528	
Fixed rate		1 882	1 882		1 929	1 929	
Floating rate		5 450	5 437		5 588	5 599	
Shares and ECs (trading portfolio)							
Shares - quoted on exchange	1	2	2	1	2	2	
Total shares and ECs	1	2	2	1	2	2	
Total financial instruments at actual value	7 329	7 333	7 321	7 556	7 519	7 530	
- hereof covered bonds eliminated in the Group accounts	1 777	1 789	1 777	2 301	2 291	2 302	
Financial instruments available for sale with changes shown over the Total result							
Shares and ECs							
Shares - quoted on exchange	8	20	20	8	22	22	
Shares - unquoted	185	184	184	183	177	177	
Total shares and ECs	193	204	204	191	199	199	
Total financial instruments available for sale	193	204	204	191	199	199	

GROUP			PARENT BANK	
2011	2012		2012	2011
20	7	Gains/losses and dividends from shares incorporated in the profit and loss account during the year	35	91
-1	8	Year`s value change recognised through Total result (shares kept available for sale)	8	-1
32	40	Accumulated value change recognised through Total result (shares kept available for sale)	40	32
-3	-4	Year`s write-down recognised through the Result	-4	-3

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	
	2012	2011
Based on prices in an active market	1 628	1 352
Observed market information	5 705	6 167
Other than observed market information	0	0
Total financial instruments at actual value	7 333	7 519

There were no movements of financial instruments between the three levels of valuation groups neither in 2011 nor in 2012.

Financial instruments available for sale, changes in value shown through the Total result	MARKET VALUE	
	2012	2011
Based on prices in an active market	20	24
Observed market information	0	0
Other than observed market information 1)	184	175
Total financial instruments available for sale	204	199

1) Changes through the year	MARKET VALUE	
	2012	2011
Balance 01.01	175	178
Purchased	3	2
Sale, including previously recognised changes in value	0	0
Increase in value	9	9
Written down	4	8
Repayment of equity	1	6
Balance 31.12	184	175

Effective rate on certificates and bonds	2012		2011	
	Average book value	Effective rate	Average book value	Effective rate
Certificates	322	2,23	878	3,11
Bonds	6 981	3,00	6 770	3,34

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	0.86	71
Eksportfinans ASA	3 551	1.35	64
Farstad Shipping ASA	140 000	0.36	19
Moldekraft AS	7 061	8.67	12
Norvestor V LP		0.85	7
Nordito Property AS	191 178	1.88	6
Norvestor IV LP		1.28	4
Oslo Børs VPS Hold.	83 334	0.19	4
Ekornes ASA	30 000	0.08	3
Other companies			16
Total			206

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, amortisied cost subject to hedge accounting 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 750 million and NOK 1 350 million of bonds have been issued under the EMTCN program as at 31 December 2012.

GROUP	2012			2011		
	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	402	417	417	1 128	1 149	1 149
Securitised debt at amortisied cost subject to hedge accounting						
Issued bonds assessed at amortised cost	4 041	4 256	4 251	4 316	4 486	4 512
Issued perpetual hybrid tier 1 capital assessed at amortised cost	277	335	302	277	337	293
Securitised debt assessed at amortised cost						
Issued sertificates assessed at amortised cost	1 880	1 883	1 880	1 298	1 299	1 298
Issued bonds assessed at amortised cost	9 069	9 150	9 060	5 847	5 824	5 840
Issued subordinated loan capital assessed at amortised cost	300	300	299	480	474	479
Issued perpetual hybrid tier 1 capital assessed at amortised cost	700	691	700	200	180	200
Lending from credit institutions						
The swap arrangement for securities	1 681	1 681	1 681	2 176	2 176	2 176
F-loans	0	0	0	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	0	0	0	10	10	10

PARENT BANK	2012			2011		
	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	402	417	417	1 128	1 149	1 149
Securitised debt at amortisied cost subject to hedge accounting						
Issued bonds assessed at amortised cost	3 341	3 486	3 482	3 616	3 765	3 776
Issued perpetual hybrid tier 1 capital assessed at amortised cost	277	335	302	277	337	293
Securitised debt assessed at amortised cost						
Issued sertificates assessed at amortised cost	1 880	1 883	1 880	1 298	1 299	1 298
Issued bonds assessed at amortised cost	1 600	1 608	1 599	1 742	1 745	1 741
Issued subordinated loan capital assessed at amortised cost	300	300	299	480	474	479
Issued perpetual hybrid tier 1 capital assessed at amortised cost	700	691	700	200	180	200
Lending from credit institutions						
The swap arrangement for securities	1 681	1 681	1 681	2 176	2 176	2 176
F-loans	0	0	0	860	860	860
Kredittforeningen for sparebanker (Credit Association for Saving Banks)	0	0	0	10	10	10

GROUP			PARENT BANK	
2011	**2012**	Interest and similar costs	**2012**	2011
1 326	**1 310**	Interest and similar costs	**1 121**	1 202
-81	**-96**	Interest cost on financial liabilities measured at fair value	**-96**	-81
1 245	**1 214**	Interest and similar costs measured at amortised cost	**1 025**	1 121

PARENT BANK	2012 Average amount	2012 Effective rate	2012 Interest payable	2011 Average amount	2011 Effective rate	2011 Interest payable
Loans and deposits from credit institutions, on a call basis	137	1.07	1	233	2.15	5
Loans and deposits from credit institutions, with a fixed maturity	2 366	1.63	39	3 172	2.80	89
Deposits from and liabilities to customers, on a call basis	16 630	2.06	342	16 095	2.14	345
Deposits from and liabilities to customers, with a fixed maturity	9 131	3.23	295	9 015	3.13	282
Certificates and other short-term borrowings	3 919	2.54	99	3 686	2.79	103
Bond debt	5 462	3.41	186	6 636	3.65	242

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 2011	GROUP 2012	Maturity of securities-based debt, nominal value	PARENT BANK 2012	PARENT BANK 2011
2 981		2012		2 840
2 445	3 735	2013	3 735	2 445
2 282	2 946	2014	1 489	1 600
1 805	3 085	2015	300	300
777	1 116	2016	1 000	
1 600	2 461	2017	700	600
	1 350	2018		
700	700	2025		
12 590	15 393	Sum	7 224	7 785

Financial commitments assessed at actual value, changes shown through the Result	MARKET VALUE 2012	MARKET VALUE 2011
Based on prices in an active market	0	0
Observed market information	417	1 149
Other than observed market information	0	0
Total financial instruments at actual value	417	1 149

There were no movements of financial instruments between the three levels of valuation groups neither in 2011 nor in 2012.

The Group and Parent Bank has recognized a cost of NOK 10 million in 2012 (NOK 4 million in 2011), due to changes in credit risk on financial liabilities at fair value with value change included in the profit or loss account. The accumulated unrealized changes in value of the change in credit risk is estimated at NOK 1 million per 31.12.2012 (NOK 11 million per 31.12.2011).

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	31.12.12	31.12.11
Pool of eligible loans	11 084	7 973
Supplementary assets	225	110
Total collateralised assets 1)	11 309	8 083
Over-collateralisation	113.0 %	113.3 %

1) NOK 245 million of total gross loans at the balance sheet date are not eligible for the cover pool (NOK 175 million in 2011)

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	2012			2011		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	**18 211**	**445**	**345**	18 121	336	178
Foreign exchange related						
Interest rate swaps (cur)	**1 785**	**51**	**55**	2 065	61	64
Interest rate and foreign exchange swaps	**2 036**	**16**	**34**	2 110	31	30
Total		**512**	**434**		428	272
- hereof used for hedge accounting	**4 220**	**246**	**0**	4 585	225	0
Forward exchange contracts	**11 082**	**37**	**17**	12 211	268	253

PARENT BANK	2012			2011		
	Nominal value	Asset	Liability	Nominal value	Asset	Liability
Interest rate related						
Interest rate swaps (NOK)	**17 511**	**376**	**345**	17 421	298	178
Foreign exchange related						
Interest rate swaps (cur)	**1 785**	**51**	**55**	2 065	61	64
Interest rate and foreign exchange swaps	**1 394**	**14**	**28**	1 196	25	21
Total		**441**	**428**		384	263
- hereof used for hedge accounting	**3 520**	**177**	**0**	3 885	189	0
Forward exchange contracts	**11 082**	**37**	**17**	12 211	268	253

Maturity of financial derivatives, nominal value

GROUP							PARENT BANK					
2011			2012				2012			2011		
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
3 766	220	9 212				2012				3 766	220	9 212
4 596	1 260	1 092	**4 293**	**925**	**7 873**	2013	**4 293**	**925**	**7 873**	4 596	1 260	1 092
2 475	302	1 036	**2 487**	**411**	**1 400**	2014	**2 487**	**411**	**1 400**	2 475	302	1 036
971	522	514	**1 859**	**683**	**1 568**	2015	**1 859**	**298**	**1 568**	971	261	514
1 689	1 662	171	**2 041**	**911**	**81**	2016	**2 041**	**911**	**81**	1 689	1 010	171
901	117	83	**2 849**	**412**	**74**	2017	**2 849**	**155**	**74**	901	117	83
332	78	78	**330**	**76**	**37**	2018	**330**	**76**	**37**	332	78	78
722		0	**920**	**389**	**37**	2019	**920**	**389**	**37**	722		0
238	13	25	**255**	**13**	**12**	2020	**255**	**13**	**12**	238	13	25
1 117			**1 168**			2021	**1 168**			1 117		
248			**864**			2022	**864**			248		
			54			2023	**54**					
						2024						
700			**724**			2025	**24**					
150			**150**			2026	**150**			150		
216			**216**			2027	**216**			216		
18 121	4 174	12 211	**18 211**	**3 821**	**11 082**		**17 511**	**3 179**	**11 082**	17 421	3 261	12 211

5.7 - Subordinated loan capital

GROUP AND PARENT BANK

ISIN.NR.	Issue	Maturity	Conditions	Amount
NO0010408644 1)	25.01.08	25.01.18	3 months NIBOR + 1,25 / Call opsjon 2013	300
Subordinated loan capital				300
NO0010262306	14.04.05	Perpetual	3 months NIBOR + 1.10 / First call option 2015	200
NOO010532765	10.09.09	Perpetual	11.70 % fast / irst call option 2019	277
NO0010659972	09.10.12	Perpetual	3 months NIBOR + 4.75 / irst call option 2017	500
Perpetual Hybrid Tier 1 Capital				977

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 2012.

1) Sparebanken Møre exercises the right to redeem subordinated bond issues marked with ISIN001048644 prior to maturity ("call") at par (100 %). The outstanding volume of the loan is NOK 300 million. The call date is 25 January 2013.

5.8 - Hedge accounting

GROUP					PARENT BANK			
2011		**2012**			**2012**		2011	
Nominal value	Book value	Nominal value	Book value	Financial instruments in fair value hedging	Nominal value	Book value	Nominal value	Book value
4 593	4 805	**4 318**	**4 553**	Value secured debt securities with changes in value shown through profit or loss	**3 618**	**3 784**	3 893	4 069
4 585	225	**4 220**	**246**	Financial derivatives used in hedge accounting	**3 520**	**177**	3 885	189

GROUP			PARENT BANK	
2011	**2012**	Changes in value of financial instruments in fair value hedging recognised through profit or loss	**2012**	2011
-47	**-51**	Value secured debt securities with changes in value shown through profit or loss	**-19**	7
40	**48**	Financial derivatives used in hedge accounting	**16**	-12
-7	**-3**	Total	**-3**	-5

6 SUBSIDIARIES

GROUP AND PARENT BANK

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

1) The Parent Company Sparebanken Møre and the wholly-owned subsidiary Møre Finans AS were merged in 2012 with accounting effect from 31.08.2012 and tax effect from 01.01.2012.

MØRE FINANS AS	**31.08.2012**	31.12.2011
Resultat:		
Net interest and credit commission income	**10**	14
Other operating income	**4**	6
Other operating costs	**5**	7
Result before credit losses	**9**	13
Losses on loans	**5**	3
Result from ordinary operations before tax	**4**	10

MØRE FINANS AS	**31.08.2012**	31.12.2011
Balance:		
Net lease financing	**546**	570
Equity capital	**153**	156
Interest-bearing debt	**522**	409

7 OPERATING SEGMENTS

The Group's operations are divided into three strategic business areas/segments, which also are reporting segments according to IFRS 8. 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 85 000, 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 (3.30 % in 2012 and 3.64 % in 2011).
- 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 1)	Financing (loans made against mortgages)
Real estate brokers	Møre Eiendomsmegling AS	Real estate brokerage services

1) Loans to housing associations from Møre Boligkreditt is recognized in the commercial segment

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. Eliminations/other include Sparebankeiendom, which handles real estate management of own properties.

Result 31.12	Group IFRS		IFRS-adjustments		Group GRS		Eliminations/ other		Corporate		Retail		Real estate brokerage	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Net interest and credit commission income	**936**	909	**0**	0	**936**	909	**10**	37	**419**	447	**507**	425	**0**	0
Other operating income 1)	**290**	214	**0**	2	**290**	212	**81**	9	**87**	86	**98**	95	**24**	22
Total income	**1 226**	1 123	**0**	2	**1 226**	1 121	**91**	46	**506**	533	**605**	520	**24**	22
Operating costs 2)	**439**	559	**-1**	-2	**440**	561	**-31**	105	**121**	120	**329**	316	**21**	20
Result before losses	**787**	564	**1**	4	**786**	560	**122**	-59	**385**	413	**276**	204	**3**	2
Losses on loans, guarantees etc.	**47**	40	**0**	0	**47**	40	**-8**	6	**58**	32	**-3**	2	**0**	0
Result before tax	**740**	524	**1**	4	**739**	520	**130**	-65	**327**	381	**279**	202	**3**	2
Tax payable on ordinary result	**210**	145	**0**	1	**210**	144							**1**	1
Result from ordinary operations after tax	**530**	379	**1**	3	**529**	376							**2**	1

Balance sheet	Group IFRS		IFRS-adjustments		Group GRS		Eliminations/ other		Corporate		Retail		Real estate brokerage	
	31.12.12	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11	**31.12.12**	31.12.11
Loans to customers 1)	**43 434**	40 305	**131**	73	**43 303**	40 232	**682**	600	**15 548**	14 906	**27 073**	24 726	**0**	-
Deposits from customers 1)	**27 081**	25 325	**7**	2	**27 074**	25 323	**221**	223	**10 610**	9 739	**16 243**	15 361	**0**	-
Guarantee liabilities	**1 634**	1 242	**-**	-	**1 634**	1 242	**100**	150	**1 525**	1 131	**9**	11	**0**	-
The deposit-to-loan ratio	**62.3**	62.8	**-**	-	**62.5**	62.8	**30.0**	37.2	**68.2**	67.9	**60.1**	62.1	**0**	-
Man-years	**410**	416	**-**	-	**410**	416	**158**	144	**59**	70	**179**	188	**14**	14

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) Difference between the depreciation policies concerning buildings.

8 OTHER OPERATING INCOME

GROUP				PARENT BANK	
2011	2012		Notes	2012	2011
20	7	Dividends and other income from securities with variable yields	5.4	35	91
24	24	Guarantee commission		24	24
16	18	Income from the sale of insurance services		18	16
20	17	Income from the sale of shares in unit trusts/securities		17	20
14	13	Various fees relating to loans		13	14
5	2	Inter-bank fees		2	5
9	9	Fees relating to cheques and giro payments		9	9
56	54	Fees from cards		54	56
8	9	Fees from international payment transmission services		9	8
20	16	Other fees and commission income		15	19
172	162	Commission income and revenues from banking services		161	171
-33	-29	Commission costs and expenditure in respect of banking services		-29	-33
32	58	Fixed interest loans		58	32
-19	-53	Derivatives related to fixed interest loans		-53	-19
-47	-51	Issued bonds and sertificates		-19	7
40	48	Derivatives related to issued bonds and sertificates		16	-12
-4	-10	Change in credit spread FVO – securities-based debt		-10	-4
-3	-3	Gains/losses on shares		-3	-3
-17	69	Gains/losses on bonds		69	-17
28	26	Trading in FX (on behalf of customers)		26	28
13	20	Other income		20	13
23	104	Net gains/losses from securities and foreign exchange	2.16, 5.3, 5.4, 5.5, 5.8	104	25
3	3	Operating revenues from real estate		0	0
22	24	Income from real estate brokerage		0	0
6	17	Gains on sale of buildings		0	0
1	2	Other operating income		16	12
32	46	Total other operating income		16	12
214	290	Total non-interest income		287	266

9 OPERATING COSTS

GROUP			PARENT BANK	
2011	2012		2012	2011
65	74	IT-costs	73	64
5	5	Office supplies	5	5
15	14	Telephone and postage	14	15
6	5	Travel costs/car allowance on a per kilometer basis/representation/entertainment	5	6
28	29	Marketing costs	29	28
10	12	Other administration costs	12	11
129	139	Total administration costs	138	129
26	31	Depreciation of fixed and intangible assets	22	17
25	25	Property costs	30	31
3	3	Fees paid to External Auditor	2	2
15	18	Costs relating to fixed assets	18	15
5	5	Capital tax	5	5
42	41	Other operating costs	32	35
90	92	Total other operating costs	87	88
245	262	Total operating costs	247	234

10 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, EVRY ASA, for the period 2005-2009. The agreement expired in 2009, was extended by two years in 2009, and was extended by a further two years in 2011. 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 65 million, of which the rental cost accounts for NOK 38 million. The agreement is regulated annually according to changes in activity volumes and the consumer price index. 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. Rent in 2012 relates to the periode from 1 January to 31 August 2012 (completion date of the merger). The Bank rents its 30 business premises from the Bank's wholly-owned real estate management company, Sparebankeiendom AS, and from external lessors.

Leasing	2012	2011
Annual lease rental with Møre Finans	4	6
Duration in years:		
Cars	terminated by merger	3 years
Office machinery	terminated by merger	5 years

Rental of business premises	2012	2011
Rent paid to:		
Sparebankeiendom AS	19	13
Other external lessors	10	9

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	19	0	0
Other external lessors	10	40	50
Total	29	40	50

Number of branches	2012	2011
Rented from Sparebankeiendom AS	4	7
Rented from others	26	23
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 13 000 square meters, of which some 1 500 square meters are rented out to external tenants. Only smaller parts of the premises are vacant at the moment (about 1 300 square meters) and there are only commercial premises in the buildings. During 2012 the Group has sold the buildings at Storgata 33 in Molde, Spjelkavik and Midsund.

11 SALARIES AND TRANSACTIONS WITH CLOSE PARTIES

GROUP			PARENT BANK	
2011	2012		2012	2011
210	232	Wage-, salary- and other cash-based benefits	215	192
2	2	Fees paid to members of the Board of Directors, Board of Trustees and Control Committee	2	2
10	12	Bonus/profit sharing 1)	12	10
36	38	Pension cost relating to benefit schemes (note 14)	38	36
0	-166	Pension plan changes	-166	0
37	41	Employers' social security contribution	38	34
19	18	Other personnel costs	19	19
314	177	Total wage- and salary costs	158	293
		Manning levels		
461	437	Number of employees as at 31.12	423	438
448	449	Average number of employees	431	427
416	410	Number of man-years worked as at 31.12	394	395
406	413	Average number of man-years worked	387	383

1) Parts of staff's bonuses (about 50 per cent) for 2012 and 2011 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 2012 and about 28 000 in 2011.

As at 31.12.2012, 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 12 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, was the partner with the law firm Schjødt AS, Kongensgate 23, NO 6001 Ålesund, forward to starting her own law practice in late 2012. Schjødt AS has supplied a large proportion of the Bank's purchase of legal services in 2012, 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 1 484 233 including VAT during 2012.

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 7.

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 (3.30 per cent in 2012 and 3.64 per cent in 2011).

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

	2012	2011
Result		
Interest and credit commission income from subsidiaries	96	117
Received dividend and group contribution from subsidiaries	28	71
Rent paid to Sparebankeiendom AS	19	13
Leasing rental paid to Møre Finans AS (merged in 2012)	4	6
Administration fee received from Møre Boligkreditt AS	14	10
Balance sheet		
Claims on subsidiaries	1 140	1 208
Covered bonds	1 776	2 302
Liabilities to subsidiaries	249	122
Transferred loan portfolio to Møre Boligkreditt AS during the period	6 649	5 703

Wages, salaries, other remuneration and pensions - Group

Salary paid to the CEO amounted to NOK 2 035 635 in 2012 (NOK 1 946 000 in 2011). Estimated value of benefits in kind totalled NOK 227 442 (NOK 242 000 in 2011). In addition, NOK 2 750 000 (NOK 1 111 000 in 2011) 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 12), 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)	2012	2011
Board of Trustees	404	404
Board of Directors	956	903
Control Committee	202	275
Fees paid to External Auditor (including value added tax)		
Auditing services	2 753	2 374
Tax-related advisory services	225	212
Attestation services	531	713
Other non-audit services	51	151

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

GROUP	2012			2011		
Loans, deposits and guarantees	Loans	Deposits	Guarantees	Loans	Deposits	Guarantees
Board of Trustees	72	20	0	47	24	0
Board of Directors	2	7	0	4	12	0
Control Committee	2	1	0	1	3	0
Employees	802	131	0	739	122	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 2.42 per cent in 2012) which triggers a basis for taxing such benefits in kind to the Bank's staff has been estimated at NOK 296 154 as against NOK 1 097 000 in 2011.

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

	2012	2011
Interest income	1	2
Interest costs	3	2

PARENT BANK
Wages, salaries, other remuneration and pensions

Amounts in NOK thousand	Wages/salaries		Other remuneration		Pension costs	
	2012	2011	**2012**	2011	**2012**	2011
Board of Trustees						
Tormod Hvattum, Chairman	**36**	30				
Other members (see page 105) 3)	**368**	374				
Total	**404**	404				
Board of Directors						
Leif-Arne Langøy, Chairman	**279**	156				
Roy Reite, Deputy Chairman	**124**	100				
Ragna Brenne Bjerkeset	**107**	60				
Stig Remøy	**90**	90				
Ingvild Vartdal	**146**	90				
Elisabeth Maråk Støle	**146**	90				
Turid Håndlykken Sylte, employees elected representative1)	**64**					
Former board members:						
Helge Aarseth		63				
Torill Hovdenak		30				
Helge Knudsen, employees elected representative2)		90				
Total	**956**	769				
CEO						
Olav Arne Fiskerstrand	**2 036**	1 946	**227**	242	**-2 750**	1 111
Managers in 2012						
Regional executive vice president Arild Sulebakk	**866**	899	**150**	45		
Regional executive vice president Tim Solberg	**894**	960	**195**	180		
Constituted regional executive vice president Sigrid Gjendem Fjørtoft	**835**	704	**152**	155		
Regional executive vice president Kjell Jan Brudevoll	**1 017**	572	**70**	27		
Regional executive vice president Terje Krøvel	**1 073**	1 121	**247**	175		
Regional executive vice president Trond Nydal	**1 031**	1 028	**230**	158		
Regional executive vice president Bernt Krøvel	**783**	805	**159**	166		
Executive vice president Finance and Finance Control Idar Vattøy	**939**	924	**230**	172		
Executive vice president Staff Magnar Bolstad	**952**	1 069	**317**	180		
Executive vice president Development and Support Division Perdy Lunde	**927**	911	**201**	154		
Executive vice president Information and Public Relation Kjetil Hauge	**831**	849	**167**	177		
Executive vice president Finance and Foreign Exchange Runar Sandanger	**1 039**	1 017	**222**	167		
Sum	**11 187**	10 859	**2 340**	1 756		
Control Committee						
Grete Opshaug, Chairman	**73**					
Jon Olav Slettebakk	**51**					
Karl Johan Brudevoll	**36**					
Kjell Martin Rønning	**42**					
Former board members:						
Kjetil Kvammen, Chairman		107				
Lars K. Nogva		56				
Thor Martin Eidem		56				
Eva Hove		56				
Total	**202**	275				
Fees paid to External Auditor (including value added tax)						
Auditing services	**2 039**	1 583				
Tax-related advisory services	**109**	124				
Attestation services	**132**	63				
Other non-audit services	**34**	62				

1) Ordinary salary amounts to NOK 556 972. 2) Ordinary salary amounts to NOK 464 000 in 2011. 3) Deputy chairman and members of the Board of Trustees is compensated with NOK 2 000 per meeting in 2012. Three meetings have been held in 2012.

Loans and guarantees	2012		2011	
Amounts in NOK thousand	Loans	Guarantees	Loans	Guarantees
Board of Trustees				
Tormod Hvattum, Chairman	1 670	0	1 744	0
Other members (51 members)	70 015	0	45 480	0
Board of Directors				
Leif-Arne Langøy, Chairman	19	0	0	0
Roy Reite, Deputy Chairman	0	0	0	0
Ragna Brenne Bjerkeset	364	0	0	0
Stig Remøy	0	0	0	0
Ingvild Vartdal	0	0	0	0
Elisabeth Maråk Støle	0	0	0	0
Turid Håndlykken Sylte, employees elected representative	1 242	0		
Former members:				
Helge Knudsen, former employees elected representative			4 420	0
Control Committee				
Grete Opshaug, Chairman	894	0		
Jon Olav Slettebakk	1 026	0		
Karl Johan Brudevoll	0	0		
Kjell Martin Rønning	0	0		
Former members:				
Kjetil Kvammen, Chairman			0	0
Lars K. Nogva			500	0
Thor Martin Eidem			0	0
Eva Hove			0	0
CEO				
Olav Arne Fiskerstrand	2 000	0	2 000	0
Employees	802 000	0	739 000	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.

12 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. A number of amendments to IAS 19 have been adopted with effect from and including 1 January 2013. Some of the amendments are fundamental in nature, such as the corridor method no longer being permitted and the conceptual changes to expected returns on pension assets. Sparebanken Møre has decided to apply the rules changes early with effect from the 2012 accounting year. This has resulted in changes to the comparable figures for 2011 and changed the opening balance as of 1 January 2011.

The amendments have resulted in previously calculated estimate discrepancies being transported to pension liabilities, net pension liabilities increasing by NOK 213 million and equity decreasing by NOK 153 million after tax in the balance sheets of the Group and parent bank as of 1 January 2011. The tax effect of NOK 60 million has increased the deferred tax asset by the same amount as of 1 January 2011. The Group and the parent bank changed payroll costs by a net NOK -3 million in the ordinary income statement and a net NOK 9 million after tax was recognised as costs in other comprehensive income in the comparable figures for 2011.

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, is recognized in the period they occur in other income and cost in the statement of comprehensive income.

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 331 (357) active members and 200 (186) pensioners at the end of 2012.

Actuarial calculations are made each year on the basis of information provided by the Bank.

Previously the selected discount rate was 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. The parent bank and the Group have as of 31 December 2012 amended this so that the discount rate is based on the interest rate for corporate bonds with high creditworthiness. For the current year, the difference amounts to an income of NOK 143 million before tax in other comprehensive income (NOK 103 million after tax).

IAS 19 stipulates that the discount rate that shall be used is the interest rate on corporate bonds with high creditworthiness or the yield on government bonds if no deep market exists for corporate bonds. In general, a market will be considered a high quality market if there is a wide range of bonds from various issuers and a deep market if it is possible to trade large volumes without affecting the price.

The Norwegian market for covered bonds has grown strongly in the last few years and a substantial proportion of the issuers in this market have an AA or better rating. A similar development has occurred in the Swedish market and here the equivalent interest rate is used for discounting pension liabilities pursuant to IAS 19. The Norwegian covered bond market is deemed to possess the characteristics required for use as the basis for calculating the discount rate.

Expected returns on pension assets are calculated using the same interest rate used for discounting pension liabilities. Returns in excess of the discount rate amounting to NOK 10 million in 2012 and NOK 9 million in 2011 are recognised net together with the year's calculated estimate discrepancies in other operating income and costs in other comprehensive income.

The Board of Trustees of the Bank resolved to change the pension plan so that annual pension benefit payments will be adjusted in accordance with the pensioners' share of the profit reserve. The financial and accounting consequences of this are income recognition (reduction in payroll costs) of NOK 166 million in 2012.

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 (NOK 2 million in 2011) was recognized in 2012.

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. 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 of NOK 3 million i 2012 (NOK 2 million in 2011) 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 36 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.

Financial and actuarial assumptions	Liabilities 31.12.12	Liabilities 31.12.11	Costs 2012	Costs 2011
Rate of discounting	4.00 %	2.80 %	2.80 %	3.50 %
Expected return on pension resources	4.30 %	5.00 %	5.00 %	5.60 %
Wage- and salary adjustment	3.75 %	3.50 %	3.50 %	4.00 %
Pension adjustment	0.20 %	3.25 %	3.25 %	3.75 %
Adjustment of the National Insurance's basic amount	3.50 %	3.25 %	3.25 %	3.75 %
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
Disability tariff		IR02		IR02

Pension costs in ordinary result	2012	2011
Present value of pension accruals during the year including administration costs	24	23
Interest cost of incurred pension liabilities	16	19
Expected return on pension resources	-11	-12
Net pension cost for the pension fund	29	30
Change in present value of pension accruals relating to other pension schemes	-10	-8
Payments/pension costs charged to the profit and loss account, incl. payments according to the defined-contribution scheme and the statutory early retirement pension (SERP)	19	14
Total pension costs	38	36
Pension plan change including employers' social security contribution	-166	0

Total pension liabilities/-funds	2012	2011
Pension liabilities	373	597
Value of pension resources	-446	-391
Employers' social security contribution	-10	29
Net pension liabilities/-funds relating to the pension fund	-83	235
Net pension liabilities relating to members of the Bank's top team/general managers	43	51
Net pension liabilities relating to Statutory Early Retirement Pension, SERP	3	5
Total net pension liabilities/-funds	-37	291

Funded pension liabilities	2012	2011
Pension liabilities as at 01.01	597	558
Pension accruals for the year	22	22
Pension payments	-11	-11
Interest costs	16	19
Plan change (change in pension regulations)	-143	0
Actuarial gains/losses	-108	8
Pension liabilities as at 31.12	373	597

Funded pension resources	2012	2011
Pension resources as at 01.01	391	376
Total amount paid in	30	19
Pensions paid out	-11	-11
Expected return	11	12
Acturial gains/losses	25	-5
Pension resources as at 31.12	446	391
Estimated payment for 2013 amount to NOK 30 million.		

Pension liabilities Statutory Early Retirement Pension and other pensions	2012	2011
Pension liabilities as at 01.01	56	64
Pension accruals for the year	2	2
Pension payments	-3	-8
Interest costs	1	2
Plan change (change in pension regulations)	-3	0
Acturial gains/losses	-7	-4
Pension liabilities as at 31.12	46	56

Historic development	2012	2011	2010	2009	2008
Pension liabilities incl. emloyers' social security contribution	373	626	584	489	486
Pension resources	-456	-391	-376	-348	-324
Pension liabilities SERP and other pensions	46	56	64	77	67
Total net pension liabilities/-funds	-37	291	272	218	229

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 89 million (NOK 67 million in 2011) with Sparebanken Møre.

Investment profile - pension resources	2012	2011
Shares	1.3 %	9.3 %
Bonds/certificates	73.0 %	67.9 %
Bank deposits	25.7 %	22.8 %
Total pension resources	100.0 %	100.0 %

Return on pension resources	2012	2010
Total pension resources	5.24 %	4.07 %

Capital adequacy for the pension fund	2012	2010
Capital adequacy	22.33 %	14.09 %

13 FIXED ASSETS

GROUP

2012	Total	Buildings 1) building plots/ holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	496	303	116	77
Additions 2)	30	11	12	7
Disposals	37	35	6	1
Acquisition cost as at 31.12	484	279	122	83
Accumulated depreciation and write-downs as at 01.01	181	58	80	42
Depreciation during the year	23	7	10	6
Write-downs during the year	0	0	0	0
Disposals	19	18	1	1
Accumulated depreciation and write-downs as at 31.12	184	47	89	47
Value in the accounts as at 31.12	301	232	33	36
Straight-line depreciation period (years)		50	3-5	8-10
Fully written-down fixed assets in use	11	0	8	3
Estimated residual value of fixed assets	93	93	-	-
Change in depreciation period	-	-	-	-
Write-down	0	0	0	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 13 000 square meters, of which some 1 500 square meters are rented out to external tenants. Only small parts of the premises are vacant at the present time (about 1 300 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 2012, the Group sold the bank buildings in Storgata 33 in Molde, Spjelkavik og Midsund. The sales provided a gain of NOK 17 million.

2) The Group has recognised NOK 0 million in construction loan interests during 2012, and NOK 2 million during 2011 (NIBOR + 1.0 %)

2011	Total	Buildings 1) building plots/ holiday cabins	Cars/IT/office machines	Fixtures and fittings
Acquisition cost as at 01.01	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	103	103	-	-
Financially leased equipment (netted out in the Group accounts)	23	0	23	0
Change in depreciation period	-	-	-	-
Write-down	0	0	0	0

PARENT BANK

2012	Total	Buildings	Cars/IT/officemachines	Fixtures and fittings
Acquisition cost as at 01.01	161	10	78	73
Additions merger (Møre Finans 31.08.12)	22	0	22	0
Additions	28	10	12	6
Disposals	2	0	2	0
Acquisition cost as at 31.12	209	20	110	79
Accumulated depreciation and write-downs as at 01.01	109	1	69	39
Depreciation during the year	14	1	7	6
Write-downs during the year	0	0	0	0
Disposals	1	0	1	0
Accumulated depreciation and write-downs as at 31.12	122	2	76	45
Value in the accounts as at 31.12	87	19	34	34
Straight-line depreciation period (years)		50	3-5	8-10
Fully written-down fixed assets in use	10	0	7	3
Change in depreciation period	-	-	-	-
Write-down	0	0	0	0

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	-	-	-	-
Write-down	0	0	0	0

14 OTHER INTANGIBLE ASSETS

GROUP			PARENT BANK	
2011	2012		2012	2011
27	35	Acquisition cost as at 01.01	35	27
0	0	Additions merger	4	0
8	14	Additions	10	8
0	0	Disposals	0	0
35	49	Acquisition cost as at 31.12	48	35
12	18	Accumulated depreciation and write-downs as at 01.01	18	12
6	8	Depreciation during the year	8	6
0	0	Write-downs during the year	0	0
0	0	Disposals	0	0
18	26	Accumulated depreciation and write-downs as at 31.12	26	18
15	17	Value in the accounts as at 01.01	17	15
17	23	Value in the accounts as at 31.12	22	17
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.

15 REPOSSESSED ASSETS

GROUP

	2012	2011	2010	2009	2008
Value in the accounts as at 01.01	11	11	11	1	1
Additions	0	0	0	10	0
Disposals	8	0	0	0	0
Value in the accounts as at 31.12	3	11	11	11	1

Holdings of repossessed assets	Booked value
Buildings	1
Building plots	2
Total repossessed assets	3

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.

16 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.

Comparable figures for the Parent Bank and Group have been adjusted with NOK 223 million due to pension rule change. Deferred tax assets increased from NOK 17 million to NOK 79 million in the comparable figure in the Parent Bank and from NOK 14 million to NOK 76 million in the Group.

Sparebanken Møre og Finans AS merged with tax effect from 1 January 2012. Due to this the Parent Bank has taken over tax positions of net minus of NOK 22 million (deferred tax assets NOK 6 million) 1 January 2012.

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

GROUP			PARENT BANK	
2011	**2012**		**2012**	2011
524	**740**	Result before tax	**640**	539
		Permanent differences relating to:		
-17	**-3**	Shares	**-31**	-17
13	**11**	Other permanent differences	**15**	15
12	**-198**	Changes in temporary differences	**-188**	11
0	**0**	Received group contribution without tax effect	**0**	-21
532	**550**	Income subject to tax	**437**	527
149	**154**	Tax payable at 28 per cent	**122**	148
0	**0**	Paid tax related to taxable group contribution	**0**	-14
149	**154**	Payable tax due	**122**	134

GROUP			PARENT BANK	
2011	**2012**		**2012**	2011
		Temporary differences relating to:		
12	**-34**	Fixed assets	**-77**	3
-68	**100**	Pension liabilities	**100**	-68
14	**11**	Added value related to transferred portfolio of loans	**11**	14
-10	**69**	Other temporary differences	**70**	-11
0	**0**	Tax-related losses which may be carried forward	**0**	0
-52	**146**	Net negative (-)/positive differences against profit and loss account	**104**	-62
-223	**-63**	Share of net pension liability recognized against other comprehensive income	**-63**	-223
2	**2**	Limited partnerships	**2**	2
-273	**85**	Total negative (-)/positive differences	**43**	-283
-76	**24**	Deferred tax benefit or liability - 28 per cent	**12**	-79
		Tax cost in the profit and loss account:		
149	**154**	Tax payable	**122**	134
-3	**55**	Change in deferred tax against ordinary income	**53**	-3
0	**0**	Paid tax related to taxable group contribution	**0**	14
-1	**1**	Too much/too little set aside last year	**-1**	-1
145	**210**	Tax cost	**174**	144
27.6	**28.4**	Effective rate of tax (tax cost as a percentage of pre-tax result)	**27.2**	26.7
		Tax cost recognized against other comprehensive income		
-4	**45**	Change in deffered tax liability recognized against other comprehensive income	**45**	-4

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 directly against equity.

GROUP			PARENT BANK	
2011	2012		2012	2011
147	207	28 per cent of pre-tax result	179	151
-5	-1	Shares - 28 per cent	-8	-5
4	3	Other permanent differences - 28 per cent	4	4
0	0	Received group contribution without tax effect	0	-6
-1	1	Too much/too little set aside in previous years	-1	-1
145	210	Total tax cost	174	144

17 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	2012	2011
Earnings per EC (NOK) 2)	31.05	22.20
Diluted earnings per EC's (NOK)	31.05	22.20
Profit for the year to the Bank's EC-holders:		
Result	530	379
EC-holders' share of the profit according to the EC-fraction 1)	244	174
Weighted number of ECs - the Bank's own portfolio	36 580	24 750
Number of own ECs as at 31.12	96 199	19 240
Number of own ECs as at 01.01	19 240	3 744
Weighted average of outstanding ECs	7 804 536	7 816 366
Number of outstanding ECs as at 31.12	7 745 036	7 821 876
Number of outstanding ECs as at 01.01	7 821 876	7 837 372
Weighted average number of ECs issued	7 841 116	7 841 116
Number of ECs as at 31.12	7 841 116	7 841 116
Number of ECs as at 01.01	7 841 116	7 841 116

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.

18 CAPITAL ADEQUACY

Calculation of capital adequacy is made under the current rules in Basel II, which was introduced with effect from 1 January 2007. 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 December 2011, the Group submitted an application to the Financial Supervisory Authority of Norway to use the foundation IRB method for credit risk. The Group also carried out parallel reporting for the capital adequacy ratio to the supervisory authorities in 2012. In the fourth quarter of 2012 the Financial Supervisory Authority of Norway carried out an IRB audit at Sparebanken Møre. No feedback had been received from the Financial Supervisory Authority of Norway as of year-end 2012. Upon approval as an IRB institution, external reporting of the capital adequacy ratio will be based on a method that better reflects the underlying risk in the Group's balance sheet.

According to current regulations the capital adequacy ratio must amount to a minimum of 8 % in relation to risk-weighted assets. From 1 July 2012 the requirement is that all Norwegian banks and financial institutions should maintain a pure core capital ratio of at least 9%. 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.

In 2011, the European Commission published its proposed new regulations for financial institutions and securities undertakings, CRD IV, based on the Basel Committee's proposal for new, stricter capital and liquidity standards, Basel III. CRD IV is meant to apply to all banks and securities undertakings within the EEA. The regulations establish higher requirements for minimum levels and stricter requirements for the quality of permitted primary capital/ core capital, among other requirements. The new proposal requires core equity tier 1 capital of 4.5% and a capital conservation buffer of 2.5%. They also introduce a countercyclical capital element and further capital buffer requirements for systemically important financial institutions. An unweighted capital requirement, Leverage Ratio, has also been proposed as a supplement to the risk weighted capital requirements.

Analyses conducted as part of Sparebanken Møre's 2012 ICAAP show that the Group satisfied the new capital requirements by a good margin.

Sparebanken Møre's internal core capital target is a minimum of 11%. A minimum target of 9% has also been adopted for core equity tier 1 capital. The long-term profitability requirement is defined as a return on equity of 6 percentage points above 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. ICAAP represents an important and integral part of Sparebanken Møre's annual strategy process. The process normally has to be carried out once a year. However, events can occur that make it necessary to carry out/revise the ICAAP more frequently than once a year. The internal guidelines list the events that would require the carrying out of formal assessments in relation to this.

The ICAAP 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 process, including through its work on strategic plans and revising the Group's central governing documents during the year. The Board receives regular reports throughout the year on developments with respect to the Group's risk and capital situation.

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, BDO, 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. One method is based on an economic simulation model associated with the base alternative of a long-term strategic plan, while the second method is focused on stress testing of the credit area. In the ICAAP any diversification effects between different risk areas is not taken into account.

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

ICAAP 2012 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.

Comparative figures have not changed with the consequences of changes in the accounting for pension.

The 2012 ICAAP showed the following distribution of capital between the various risk areas:

GROUP			PARENT BANK	
2011	2012		2012	2011
		Core capital		
784	784	EC capital	784	784
-2	-9	- ECs owned by the Bank	-9	-2
186	186	Premium Fund	186	186
482	592	Dividend Equalisation Fund	592	482
1 698	1 835	Primary Capital Fund	1 835	1 698
32	40	Value Adjustment Fund	40	32
8	1	Fund for Unrealised Gains	1	8
63	94	Set aside for dividend for the EC holders	94	63
74	110	Set aside for dividend funds for the local community	110	74
92	128	Other equity capital	0	0
3 417	3 761	Total equity	3 633	3 325
-33	-23	Deferred tax, goodwill and intangible assets, other	-22	-33
-32	-40	Value Adjustment Fund	-40	-32
-8	-1	Fund for Unrealised Gains	-1	-8
-10	-10	50 % deduction for equity capital in other financial institutions	-10	-10
493	1 002	Capital bonds	1 002	493
-63	-94	Set aside for dividend for the EC holders	-94	-63
-74	-110	Set aside for dividend funds for the local community	-110	-74
3 690	4 485	Total core capital	4 358	3 598
		Supplementary capital		
479	299	Subordinated loan capital of limited duration	299	479
0	0	Addition bonds (beyond 15 per cent of core capital)	0	0
14	12	45 % addition for net unrealised gains on shares, unit trust certificates and ECs available for sale	12	14
-10	-10	50 % deduction for equity capital in other financial institutions	-10	-10
483	301	Total supplementary capital	301	483
4 173	4 786	Net equity and subordinated loan capital	4 659	4 081
1 714	2 164	Discrepancy relating to net equity and related capital - minimum requirement 8 per cent	2 155	1 718
1 405	1 838	Discrepancy relating to net equity and related capital - requirement 8 per cent from Finanstilsynet 1. juli 2012	1 847	1 422
		Capital adequacy as a percentage of the weighted asset calculation basis		
13.57	14.63	Capital adequacy ratio	14.91	13.82
10.40	10.65	Pure core capital ratio	10.75	10.50
12.00	13.70	Core capital ratio	13.95	12.18
30 750	32 750	Risk-weighted assets (calculation basis for capital adequacy ratio)	31 250	29 540
		Minimum equity and related capital requirement according to Basel II calculated in accordance with the Standard Approach:		
2 460	2 622	Total minimum requirement (8 %) for equity and related capital	2 504	2 363
0	0	Commitments involving states and central banks	0	0
3	4	Commitments involving local and regional authorities	4	3
16	21	Commitments involving public sector companies	21	16
35	36	Commitments involving institutions (banks etc.)	212	165
892	840	Commitments involving companies (corporate customers)	853	864
287	310	Commitments involving mass market (retail banking customers)	310	301
947	1 118	Commitments involving mortgage on residential property	781	697
18	21	Commitments due for payment	21	18
0	0	Commitments involving high risk (investment funds)	0	0
13	15	Commitments involving covered bonds	29	31
95	93	Other commitments	116	122
2 306	2 458	Capital requirement – credit-/counterpart- and impairment risk	2 347	2 217
0	0	Debt	0	0
0	0	Equity	0	0
0	4	Foreign exchange	4	0
0	0	Goods	0	0
0	4	Capital requirement – position-/foreign exchange- and commercial risk	4	0
167	170	Operational risk (basis method)	163	159
-14	-10	Deductions from the capital requirement	-10	-13

19 ECS AND OWNERSHIP STRUCTURE

Equity Certificates

At the end of 2012, 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 592 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 31.12.12	Number of ECs	Percentage share of EC capital
Sparebankstiftelsen Tingvoll	824 163	10.51
Pareto Aksje Norge	433 887	5.53
MP Pensjon	363 796	4.64
Wenaasgruppen AS	300 000	3.83
Pareto Aktiv	184 476	2.35
Beka Holding AS	133 462	1.70
Farstad Shipping ASA	112 909	1.44
Pareto Verdi VPF	98 946	1.26
Sparebanken Møre	96 199	1.23
Stiftelsen Kjell Holm	88 671	1.13
Odd Slyngstad	83 703	1.07
FLPS - Princ All Sec Stock Sub	80 000	1.02
Leif Arne Langøy	70 000	0.89
Tonsenhagen Forretningssentrum AS	52 050	0.66
Terra utbytte VPF	50 374	0.64
U Aandals Eftf AS	50 000	0.64
Forsvarets Personellservice	40 760	0.52
J E Devold AS	37 558	0.48
Sparebankstiftelsen DnB NOR	37 392	0.48
Brage Invest AS	37 065	0.47
Total 20 largest	3 175 411	40.50
Total	7 841 116	100,00

Key financial figures (Parent Bank)	2012	2011	2010	2009	2008
Price at OSE	160	178	207	192	133
Number of ECs	7 841 116	7 841 116	7 841 116	6 534 264	5 949 153
EC capital (NOK mill.)	784	784	784	648	587
Dividend Equalisation Fund (NOK mill.)	592	408	362	393	317
Proceeds from EC issue, priced at a primium over par (NOK million)	186	186	186	187	123
EC percentage (average in 2008 and 2009)	46.0	46.0	46.0	43.8	44.7
EC percentage 31.12	46.0	46.0	46.0	46.0	43.2
Dividend per EC, in NOK	12	8	12	12	20
Dividend per EC, in NOK as a percentage of price at OSE 31.12	7.5	4.5	5.8	5.2	12.5
Return (%)	-5.6	-8.2	14.0	56.3	-28.0
Dividend in percentage of the EC owners share of adjusted result 1)	43.2	34.4	49.2	49.3	92.3
Resulat per EC, in NOK 1)	27.75	23.27	24.42	24.35	21.66
Book value per EC, in NOK 1)	199	185	170	188	174
P/E 1)	5.8	7.7	8.5	9.5	7.4
P/BV 1)	0.80	0.96	1.2	1.2	0.9

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

Geographic distribution

Number of owners/ECs	2012		2011		2010		2009		2008	
Møre og Romsdal	3 673	4 206 244	3 691	4 032 446	3 650	3 665 079	3 559	3 094 150	3 423	2 607 233
Others in Norway	2 350	3 368 430	2 408	3 470 693	2 540	3 903 485	2 687	3 203 395	2 628	3 125 722
Foreigners	83	266 442	78	337 977	65	272 552	68	236 719	70	216 198
Total	6 106	7 841 116	6 177	7 841 116	6 255	7 841 116	6 314	6 534 264	6 121	5 949 153

Distributed by numbers

Number of ECs	Number of ECs	%	Number of owners	%
1-100	100 941	1.29	1 939	31.76
101-1 000	1 142 710	14.57	3 111	50.95
1 001-10 000	2 516 694	32.10	980	16.05
10 001-100 000	1 728 078	22.04	69	1.13
Above 100 000	2 352 693	30.00	7	0.11
Total	7 841 116	100.00	6 106	100.00

	Number of ECs		EC capital		Above par value	
	2012	2011	2012	2011	2012	2011
Change in ECs and premium/above par value:						
Ordinary ECs as at 01.01	7 841 116	7 841 116	784	784	186	186
Changes	0	0	0	0	0	0
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	19 237	3 744	2	0		
Changes	76 962	15 493	7	2		
Own ECs as at 31.12	96 199	19 237	9	2		

	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
NOK 8.00 pr EC in 2012	**62 729**
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	62 729
NOK 12.00 pr EC in 2012 1)	**94 093**

1) Approved at Board of Trustees meeting on 22.03.2013. Included in the accounts as other equity capital as at 31.12.2012.

Elected representatives of the Bank owning/representing ECs as at 31.12.2012

	Number of ECs		Number of ECs		Number of ECs
Tove Andersen Berge	446	Hans August Hanssen	37 392	Roy Reite	1 266
Bjørn Bjåstad	6 672	Gerd Myren Hoel	199	Thor Rusten	5 003
Karl Johan Brudevoll	2 480	Turi Indergaard	602	Kjell Martin Rønning	7 580
Nils Petter Drønnen	946	Kjersti Kleven	60	Jane Røsgaard	594
Harald Jarle Eriksen	143 462	Leif-Arne Langøy	70 000	Aadne Sandanger	445
Sverre A. Farstad	124 909	Berit Larsen	89	Finn Moe Stene	826 063
Svein Garberg	363 796	Anders Lausund	1 072	Elisabeth Maråk Støle	360
Svein Gjerseth	39	Sølvi Lillevold	765	Turid Håndlykken Sylte	246
Iren Gullhav	465	Lise Løseth	226	Johan Sættem	50 000
Jens Arne Hagen	60	Borghild Møller	38 977	Solfrid Teigen	1 256
Egil Hansen	170	Odd Olsen	137	Berit Ekornes Unhjem	8 253
Kristin Sunde Hansen	3 600	Per Orvik	12		

20 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that will materially affect the figures presented as of 31 December 2012.

In connection with the strategy document "Møre 2016", Sparebanken Møre has conducted a thorough review of its organisation, and this has resulted in a new organisational structure that was ultimately adopted by the Bank's Board on 8 January 2013. The purpose of the new structure is to establish a more efficient and market-oriented organisation in which the focus is on the customer. Both in the retail and the corporate markets, customers will experience a flatter organisational structure, while at the same time the Bank's advisory competence for business and industry will be reinforced through a more clearly industry-oriented organisation. The Board expects that the new organisational structure will contribute to a reduction in full-time equivalents in 2013. NOK 15 million of the increase in personnel expenses was attributed to a package of measures in connection with a new organisational structure for Sparebanken Møre.

On 7 February 2013, Sparebanken Møre carried out the successful issue of a new NOK 500 million subordinated loan. The interest terms for the loan were set at 3-month NIBOR + 250 base points. DNB Markets and SEB Markets facilitated the process. The new loan must also be viewed in the context of the earlier redemption of an older subordinated loan and represents an instrument in the ongoing adaptation of the Bank's capital structure.

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 2012
6 March 2013

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

Turid Håndlykken Sylte

Olav Arne Fiskerstrand
CEO

AUDITOR'S REPORT 2012

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 2012, 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, 6 March 2013
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 2012 FROM THE CONTROL COMMITTEE

During the year of operations in 2012, the Control Committee has seen to it that the Bank's operations have been conducted in accordance with laws and regulations, the Bank's by-laws, the Board of Trustees' resolutions and other decisions to which the Bank is obliged to adhere.

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

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

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

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

The Control Committee would like to recommend that the Annual Report and Annual Accounts for the 2012 accounting year are approved.

Ålesund, 7. mars 2013

Control Committee of Sparebanken Møre

Grete Opshaug
CHAIRMAN

Jon Olav Slettebakk
DEPUTY CHAIRMAN

Karl Johan Brudevoll

Kjell Martin Rønning

Elected bodies

Board of Trustees

Tormod Hvattum, Chairman	Åheim
Kjersti Kleven, Deputy Chairman	Ulsteinvik

Elected by the depositors

Bjørn Bjåstad	Hareid
Kaj Bang Westre	Ålesund
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

Bjørg Riksfjord	Ålesund
Anne Dyb Liaaen	Ålesund
Kirsti Dale	Ålesund
Ole Bjørn Sandøy	Bergen
Hege Gagnat	Molde
Ina Giske	Giske
Randi Walderhaug Frisvoll	Vatne
Dag Vaagen	Gursken
Bjarne Kvalsvik	Nerlandsøy
Frank Sve	Stranda
Anja Gabrielsen	Oslo
Jan Magne Dahle	Ørsta
Petter Bjørdal	Ørsta

Elected by the EC holders

Harald J Eriksen	Oslo
Svein Garberg	Oslo
Kristin Sunde Hansen	Ålesund
Hans August Hanssen	Melsomvik
Kjersti Kleven	Ulsteinvik
Sverre A. Farstad	Ålesund
Borghild Møller	Ålesund
Thor Rusten	Fiskå
Kjell Martin Rønning	Valldal
Finn Moe Stene	Tingvoll
Johan Sættem	Molde
Solfrid Teigen	Volda
Berit Ekornes Unhjem	Ikornnes

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
Turid Håndlykken Sylte	Molde

Control Committee

Grete Opshaug, leder	Ålesund
Jon Olav Slettebakk	Hareid
Karl Johan Brudevoll	Straumgjerde
Kjell Martin Rønning	Valldal

External auditor

Ernst & Young AS	Ålesund

GROUP 2008 - 2012

HIGHLIGHTS

NOK million	2012	2011	2010	2009	2008
Result					
Net interest and credit commission income	**936**	909	862	802	820
Total other operating income	**290**	214	304	256	196
Total operating costs	**439**	559	528	513	475
Result before losses	**787**	564	638	545	541
Losses on loans, guarantees etc.	**47**	40	31	82	65
Result before tax	**740**	524	607	463	476
Tax payable on ordinary result	**210**	145	149	128	138
Result from ordinary operations after tax	**530**	379	458	335	338
As a percentage of average assets					
Net interest and credit commission income	**1.93**	1.96	2.03	1.97	2.17
Total other operating income	**0.60**	0.47	0.72	0.63	0.52
Total operating costs	**0.90**	1.20	1.24	1.26	1.26
Result before losses	**1.63**	1.23	1.51	1.34	1.43
Losses on loans, guarantees etc.	**0.10**	0.09	0.07	0.20	0.17
Result before tax	**1.53**	1.14	1.44	1.14	1.26
Tax payable on ordinary result	**0.43**	0.31	0.35	0.32	0.36
Result from ordinary operations after tax	**1.10**	0.83	1.09	0.82	0.90
Balance sheet					
Cash in hand and claims on central banks	**669**	814	634	682	1 378
Net loans to and claims on credit institutions	**288**	564	167	83	98
Net loans to customers	**43 434**	40 305	37 676	35 851	35 298
Securities	**5 542**	5 226	4 496	3 381	2 295
Fixed assets	**301**	316	261	242	237
Other assets	**1 398**	1 243	1 207	1 052	1 490
Total assets	**51 632**	48 468	44 441	41 391	40 796
Debt owed to credit institutions	**2 519**	4 741	4 976	5 662	3 316
Deposits from customers	**27 081**	25 325	24 551	21 793	20 672
Borrowings raised through the issue of securities	**15 608**	12 799	9 697	9 086	12 427
Other liabilities	**1 362**	1 375	1 003	953	1 077
Subordinated loan capital/capital bonds	**1 301**	972	961	955	679
Paid-in equity capital	**961**	968	970	835	710
Equity capital accumulated through retained earnings	**2 800**	2 449	2 283	2 107	1 915
Total liabilities and equity capital	**51 632**	48 468	44 441	41 391	40 796

DEVELOPMENT

NOK million	**4. q. 2012**	3. q. 2012	2. q. 2012	1. q. 2012	4. q. 2011
Quarterly results					
Net interest and credit commission income	**238**	240	236	222	231
Total other operating income	**80**	73	76	61	54
Total operating costs	**-7**	148	150	148	142
Result before losses	**325**	165	162	135	143
Losses on loans, guarantees etc.	**11**	17	9	10	27
Result before tax	**314**	148	153	125	116
Tax payable on ordinary result	**92**	40	43	35	30
Result from ordinary operations after tax	**222**	108	110	90	86
As a percentage of average assets					
Net interest and credit commission income	**1.90**	1.96	1.98	1.87	1.90
Total other operating income	**0.64**	0.60	0.64	0.51	0.45
Total operating costs	**-0.06**	1.21	1.26	1.25	1.19
Result before losses	**2.60**	1.35	1.37	1.12	1.16
Losses on loans, guarantees etc.	**0.09**	0.14	0.08	0.08	0.22
Result before tax	**2.51**	1.21	1.29	1.04	0.94
Tax payable on ordinary result	**0.73**	0.33	0.36	0.29	0.26
Result from ordinary operations after tax	**1.77**	0.88	0.93	0.75	0.68

Corporate Governance

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 23 October 2012. 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, comitted 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 for retail customers in Møre og Romsdal, in addition small and medium-sized companies and public sector. Sparebanken Møre should also be an attractive partner for larger companies. Sparebanken Møre shall 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.

"Instructions for the Board of Sparebanken Møre" contains special rules relating to the treatment of cases where board members themselves or their close associates, have direct or indirect interests. Board members must notify the Board also if they directly or indirectly have material interest in any agreement to be entered into by the bank.

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 proposed resolutions and supporting documentation that are sent out should be 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. The Chairman of the Board and the CEO is obliged to attend the Board of Trustees.

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 of Directors' responsibilities and duties are set forth in "Instructions for the Board of Directors of Sparebanken Møre". The instructions are regularly revised. "Instructions for the CEO" have also been adopted. These instructions form the basis for the established division of responsibilities and duties between the Board and CEO.

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

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 Sparebanken Møre's dividend policy.

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. Independence is maintained in accordance with the recommendation.

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.

In the "Instructions for the Board of Directors of Sparebanken Møre" the Board`s role, the importance of the Board`s work, as well as form, content and implementation is defined. 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, in addition to an own instruction for the Compensation 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, ethical guidelines, 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, possibly additional fee for participation in the audit committee and compensation committee.

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/ compensation 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 compensation 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. In Sparebanken Møre the report of the practice of the remuneration scheme is prepared by the Group's internal auditor, BDO.

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 calculation principle for all employees, 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

Rules adopted guidelines for reporting financial and other information is developed.

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, as well as publication on the Oslo Stock Exchange.

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: None

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

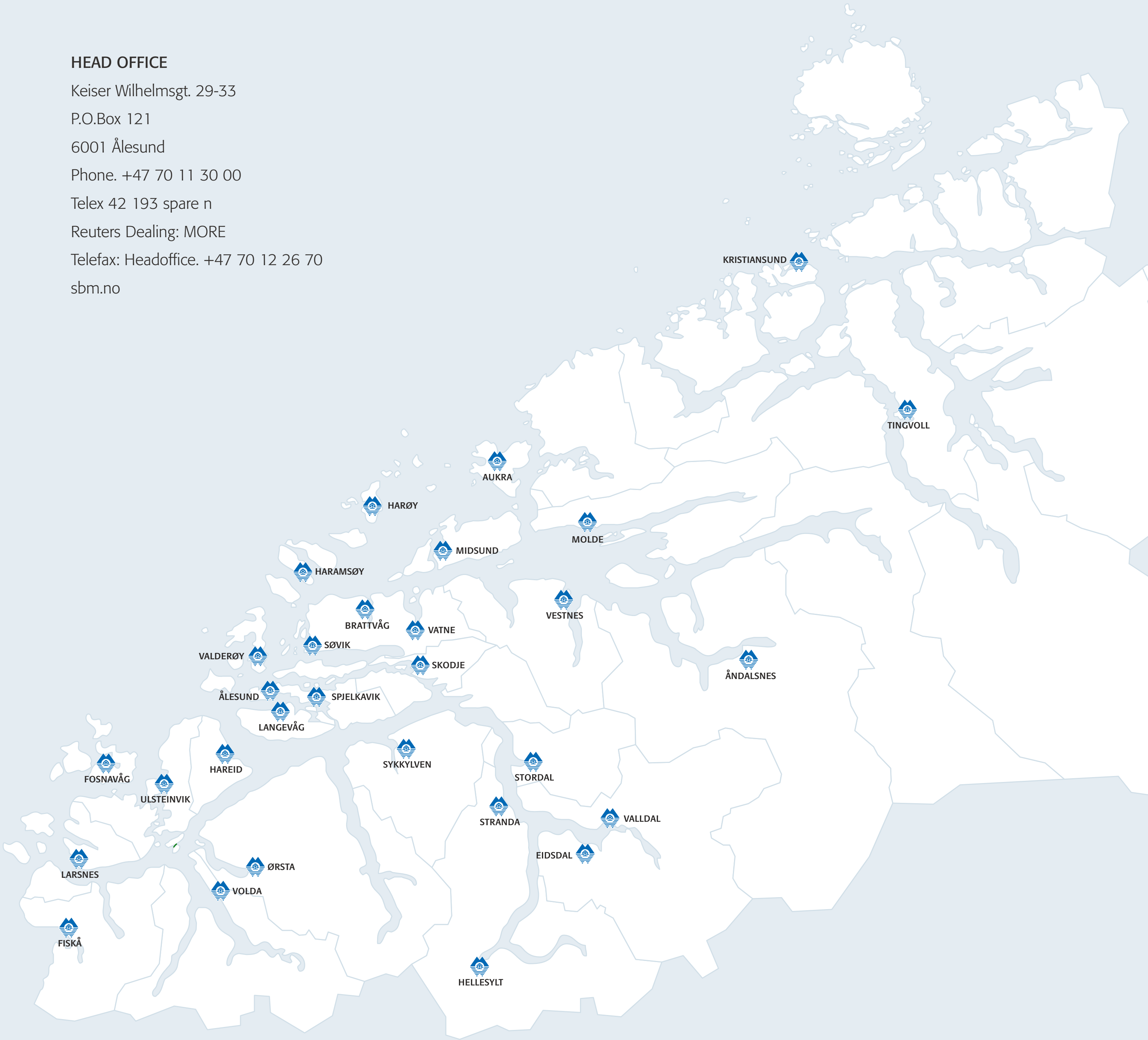
The Board of Trustees chooses auditors and fixes the auditor's remuneration.

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. The Board has established guidelines for management's use of the auditor for non-audit services.

Deviations from the Code: None

A committed bank in Møre og Romsdal

HEAD OFFICE
Keiser Wilhelmsgt. 29-33
P.O.Box 121
6001 Ålesund
Phone. +47 70 11 30 00
Telex 42 193 spare n
Reuters Dealing: MORE
Telefax: Headoffice. +47 70 12 26 70
sbm.no



Design: HAVNEVIK AS
Photo: TONY HALL

HAVNEVIK

sbm.no