MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns Aaa rating to More Boligkreditt's mortgage covered bonds

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Frankfurt am Main, November 02, 2010 -- Moody's Investors Service assigns definitive long-term rating of Aaa to the mortgage covered bonds (obligasjoner med fortrinnsrett or covered bonds) issued by Møre Boligkreditt (issuer), which are governed by the Norwegian covered bond legislation.

RATINGS RATIONALE

A covered bond benefits from (i) a promise to pay by the issuer; and (ii) in the event of default of the bank supporting the covered bonds, the economic benefit from a pool of collateral (the cover pool). The ratings of the covered bonds take into account the following factors:

(i) The credit strength of Sparebanken Møre (rated A2). The covered bond rating is linked to the credit strength of the issuer's parent company, mainly because Sparebanken Møre has established a revolving credit facility for the benefit for the issuer. The covered bonds are full recourse to the issuer and the issuer is a wholly owned subsidiary of Sparebanken Møre.

(ii) The credit quality of the assets securing the payment obligations of the issuer under the covered bonds. As of 31 May 2010 the vast majority of the cover assets are Norwegian residential mortgages. The remaining part of the cover pool (around 3%) are substitute assets (for example claims against Norwegian financial institutions).

(iii) The strength of the Norwegian legal framework. Pursuant to the terms of the Norwegian covered bond legislation, the issuer is regulated and supervised by the Financial Supervisory Authority of Norway. Covered bondholder and eligible swap counterparties will have the benefit of a priority right in respect of the cover pool on a pari passu basis.

(iv) The minimum over-collateralisation level that is consistent with the Aaa rating target is 7.0%. The total level of over-collateralisation currently in the cover pool is 18.4% (as of 31 May 2010).

For Møre Boligkreditt's covered bonds, Moody's has assigned a TPI of "High".

The Aaa rating assigned to the existing covered bonds is expected to be assigned to all subsequent covered bonds issued by the issuer under this programme and any future rating actions are expected to affect all such covered bonds. Should there be any exceptions to this, Moody's will in each case publish details in a separate press release.

The rating assigned by Moody's addresses the expected loss posed to investors. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

KEY RATING ASSUMPTIONS/FACTORS

Covered bond ratings are determined after applying a two-step process: expected loss analysis and TPI framework analysis.

EXPECTED LOSS: Moody's determines a rating based on the expected loss on the bond. The primary model used is Moody's Covered Bond Model (COBOL) which determines expected loss as a function of the issuer's probability of default, measured by the issuer's rating (not published), and the stressed losses on the cover pool assets following issuer default.

The Cover Pool Losses for this programme are 9.7%. This is an estimate of the losses Moody's currently models in the event of issuer default. Cover Pool Losses can be split between Market Risk of 6.2% and Collateral Risk of 3.5%. Market Risk measures losses as a result of refinancing risk and risks related to interest rate and currency mismatches (these losses may also include certain legal risks). Collateral Risk measures losses resulting directly from the credit quality of the assets in the cover pool. Collateral Risk is derived from the Collateral Score which for this programme is currently 5.3%.

TPI FRAMEWORK: Moody's assigns a "timely payment indicator" (TPI) which indicates the likelihood that timely payment will be made to covered bondholders following issuer default. The effect of the TPI framework is to limit the covered bond rating to a certain number of notches above the issuer's rating.

SENSITIVITY ANALYSIS

The robustness of a covered bond rating largely depends on the credit strength of the issuer.

The number of notches by which the issuer's rating may be downgraded before the covered bonds are downgraded under the TPI framework is measured by the TPI Leeway. Based on the current TPI of High the TPI Leeway for this programme is 2 notches, meaning the rating of Sparebanken More would need to be downgraded to Baa2 before the covered bonds are downgraded, all other things being equal.

A multiple notch downgrade of the covered bonds might occur in certain limited circumstances. Some examples might be (a) a sovereign downgrade negatively affecting both the issuer's senior unsecured rating and the TPI; (b) a multiple notch downgrade of the issuer; or (c) a material reduction of the value of the cover pool.

For further details on Cover Pool Losses, Collateral Risk, Market Risk, Collateral Score and TPI Leeway across all covered bond programmes rated by Moody's please refer to "Moody's EMEA Covered Bonds Monitoring Overview", published quarterly. These figures are based on the initial rating assessment published by Moody's and are subject to change over time.

RATING METHODOLOGY

The principal methodology used in this rating was Moody's Rating Approach to Covered Bonds published in March 2010.

In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

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