

INTERIM REPORT  
1 QUARTER  
UNAUDITED

14



MØRE BOLIGKREDITT

# Contents

---

<b>3</b>	First quarter report from the Board of Directors
<b>5</b>	Statement of income
<b>6</b>	Statement of financial position
<b>7</b>	Statement of changes in equity
<b>8</b>	Statement of cash flow
<b>9</b>	Notes to the Accounts
<b>14</b>	Profit performance

---

# Interim report from the Board of Directors

## About the company

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company is licensed to operate as a mortgage company, issuing covered bonds. Møre Boligkreditt AS is Sparebanken Møre's most important source of market funding and an important part of the parent bank's long-term funding strategy.

The accounts have been prepared in accordance with IFRS.

## Profit and balance sheet performance

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 65 million in first quarter 2014, compared to NOK 40 million in first quarter 2013. Interest income amounted to NOK 157 million, compared to NOK 118 million for the same period last year, while interest expenses first quarter 2014 amounted to NOK 81 million, compared to NOK 72 million in first quarter 2013. Costs amounted to NOK 7 million first quarter 2014, compared with NOK 6 million in the corresponding period 2013.

Møre Boligkreditt AS has no established losses or impairment for individual losses in first quarter 2014. Nor has the company changed its collective impairment in first quarter 2014. The amount allocated for collective impairment was NOK 1 million. Profit after tax amounted to NOK 48 million in first quarter 2014, compared to NOK 29 million for the corresponding period in 2013. Tax amounted to NOK 17 million in the first quarter of 2014, compared to NOK 11 million in first quarter 2013. Total assets at the end of first quarter 2014 amounted to

NOK 15 411 million compared to NOK 11 910 million at the end of the corresponding quarter 2013. Net lending amounted to NOK 14 700 million, compared with NOK 11 554 million for the same period last year. By the end of first quarter 2014, the company's substitute assets included in the cover pool amounted to NOK 510 million, including receivables from credit institutions of NOK 104 million, compared to NOK 226 million by of first quarter 2013.

Møre Boligkreditt AS experienced a net lending decline in first quarter 2014 of NOK 163 million. Møre Boligkreditt AS did not issue new covered bond loan volume in first quarter 2014, and made a partly early redemption of NOK 673 million in a bond loan maturing in April 2016. Møre Boligkreditt AS had fifteen bond loans outstanding by end of first quarter 2014 with total bond loan debt of NOK 13 021 million.

## Rating of the company's issues of covered bonds

The ratings agency Moody's has assigned Aaa-rating to all covered bonds issued by Møre Boligkreditt AS.

## Capital strength

In first quarter 2014 Møre Boligkreditt AS has increased its equity by NOK 350 million. The capital increase was fully paid in by Sparebanken Møre as the owner of all 700 000 shares in Møre Boligkreditt AS. Paid-in equity and other equity amounted to NOK 1 053 million by end of first quarter 2014, compared to NOK 503 million by end of first quarter 2013. This corresponds to a capital adequacy/core capital ratio of 18.37 per cent.

Risk-weighted assets amounted to NOK 5 727 million by end of first quarter 2014. The capital adequacy ratio has been calculated using the standard approach in the Basel II regulations. The Board regards the company's interest bearing capacity as satisfactory.

## Risks

Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations and regulatory provisions. These regulations largely stipulate restrictions concerning the scope of the company's various risk exposures. The Board and the CEO of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, and that such risk management is adequate and complies with current laws and regulations. Operational risk management in Møre Boligkreditt AS is maintained by Sparebanken Møre according to a service agreement concluded between Møre Boligkreditt AS and Sparebanken Møre. Risk management emphasizes identifying, measuring and managing the company's risk elements in a manner that ensures that Møre Boligkreditt AS complies with the professional credit regulations and keeps the various risks at a low level.

## Credit risk

Credit risk is defined as the risk of losses associated with customers or other counterparties being unable to fulfill their obligations at the agreed time and pursuant to written agreements, and that the received collateral is not covering outstanding claims. The credit risk strategy adopted by the company defines which loans that can be acquired by the company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At end of first quarter

2014, the mortgages in the cover pool had an average loan-to-value ratio of 55 per cent, calculated as mortgage amount relative to the value of the property used as collateral. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

### Market risk

Market risk is the risk that will arise due to the mortgage company's holding or assuming positions in lending and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must, pursuant to the Financial Institution Act, have very low market risk and Board approved restrictions concerning its maximum exposure to market risk. The company utilizes financial derivatives to keep this type of risk at a low level. A specific market strategy has been adopted for Møre Boligkreditt AS which establishes the limits for this type of risk. The company's positions in fixed interest and foreign currencies are hedged with financial derivatives. The Board considers the overall market risk as low.

### Liquidity risk

Liquidity risk is the risk that Møre Boligkreditt AS will be unable to fulfill its obligations without substantial extra costs being incurred in the form of decline in asset values, forced sales or more expensive funding. The company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. Bonds issued by Møre Boligkreditt AS have a soft bullet structure in which the company has the opportunity to extend the term of its borrowing by up to 12 months. The Board regards the company's liquidity risk as low.

### Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures or external events. Møre Boligkreditt AS has entered into a management agreement with Sparebanken Møre. The services covered by this agreement include administration, production, IT operations, and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependent of Sparebanken Møre's ability to manage this type of risk, Møre Boligkreditt AS independently bear risk associated with errors in the deliveries and services provided by Sparebanken Møre. The evaluation of the management and control of operational risk is also afforded considerable space in the Group's annual ICAAP. The operational and established yearly internal control report, both within Sparebanken Møre and by the CEO of Møre Boligkreditt AS, is an important tool for reducing operational risk. The internal control reports will help identifying any operational risk, and enable action to be taken. The Board regards the company's operational risk as low.

### Outlook

The Norwegian economy is still solid, but with somewhat slower growth than previous quarters, which also is reflected in the trends in Møre og Romsdal county. A strong household sector, due to factors such as low interest rates and low unemployment, together with a solid public sector will contribute to good levels of activity in several sectors. Should the Norwegian economy be hit harder than expected, monetary and financial policy could quickly be moved in a more expansive direction.

The development of house prices, together with growth in debt, is probably the most important risk factors for Norwegian households. Both signs of improvement in the economic situation of the Euro area, and the weakening of the NOK exchange rate are positive for the competitiveness of the local export industry. Important risk factors going forward are oil prices, development in export markets, as well as the NOK exchange rate. The possibility of a somewhat weaker growth in private consumption is also a risk factor to consider.

The activity in Møre og Romsdal county will remain high also in 2014, particularly in public services and the oil-related sectors. As a result of the poor performance in the export markets, and the possibility of somewhat slower growth also in the Norwegian economy, it is likely that unemployment will increase slightly both nationally and in Møre og Romsdal.

In March 2014, the registered unemployment rate in Norway was 2.9 per cent, and registered unemployment rate in Møre og Romsdal was 2.2 per cent.

The Board believes that the relatively good climate for businesses and industry in the county, combined with low interest rates and increase in household income, will contribute to further mortgage loan growth in Sparebanken Møre. This will position Møre Boligkreditt AS to acquire more of the parent bank's mortgage loan portfolio, and we will see a further growth in outstanding bond loans in 2014.

Ålesund, 6 May 2014

The Board of Directors of Møre Boligkreditt AS

Kjetil Hauge  
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Ole Kjerstad  
CEO

## STATEMENT OF INCOME

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	Q1 2014	Q1 2013	2013
Interest income	2	157	118	527
Interest expenses	2	81	72	287
Net interest income	2, 6	76	46	240
Net change in value of debt securities issued and related derivatives		-4	0	-3
Wages, salaries and general administration costs		1	1	3
Other operating costs	6	6	5	23
Total operating costs		7	6	26
Profit before impairment on loans and taxes		65	40	211
Impairment on loans	3	0	0	0
Pre tax profit		65	40	211
Taxes		17	11	59
Profit after tax		48	29	152

## STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	Q1 2014	Q1 2013	2013
Profit after tax		48	29	152
Other comprehensive income		0	0	0
Total comprehensive income after tax		48	29	152

## STATEMENT OF FINANCIAL POSITION

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	31.03.14	31.03.13	31.12.13
<b>Assets</b>				
Loans to and receivables from credit institutions	2, 4, 5, 6	104	226	531
Loans to and receivables from customers	2, 3, 4	14 700	11 554	14 863
Certificates and bonds	4, 5	406	0	207
Financial derivatives	4, 5	150	95	157
Deferred tax asset		1	0	1
Prepayments and accrued income		50	35	33
<b>Total assets</b>	7	<b>15 411</b>	11 910	15 792
<b>Liabilities and equity</b>				
Loans from credit institutions	4, 6	1 167	1 261	1 131
Debt securities issued	4, 5, 6	13 021	10 036	13 698
Financial derivatives	4, 5	1	0	3
Tax payable		62	36	60
Accrued liabilities and deferred income		59	45	45
<b>Total liabilities</b>		<b>14 310</b>	11 378	14 937
Share capital		875	500	700
Share premium		175	0	0
Other paid-in equity		0	0	0
<b>Paid-in equity</b>		<b>1 050</b>	500	700
Other equity		3	3	155
Profit for the period		48	29	0
Retained earnings		51	32	155
<b>Total equity</b>		<b>1 101</b>	532	855
<b>Total liabilities and equity</b>	7	<b>15 411</b>	11 910	15 792



## STATEMENT OF CHANGES IN EQUITY

31.03.2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2013	855	700	0	0	155
Total comprehensive income for the period	48				48
Issue of share capital and premium	350	175	175		
Dividends	-152				-152
Equity as at 31 March 2014	1 101	875	175	0	51

The share capital is distributed over 700 000 shares at NOK 1 250, a total of NOK 875 million. All shares are owned by Sparebanken Møre. The issue of share capital and premium of NOK 350 million was approved by the Financial Supervisory Authority of Norway 3 March 2014, and updated certificate of registration and articles of association were registered 14 March 2014.

31.03.2013

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2012	581	500	0	0	81
Total comprehensive income for the period	29				29
Dividends	-78				-78
Equity as at 31 March 2013	532	500	0	0	32

2013

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2012	581	500	0	0	81
Total comprehensive income for the period	152				152
Issue of share capital	200	200			
Dividends	-78				-78
Equity as at 31 December 2013	855	700	0	0	155

Proposed dividend amounts to NOK 152 million as per 31 December 2013.

## CASH FLOW STATEMENT

(MNOK)	MØRE BOLIGKREDITT AS		
	31.03.14	31.03.13	2013
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	171	125	534
Interest, commission and fees paid	-97	-83	-297
Operating expenses paid	-7	-6	-29
Income taxes paid	-15	-6	-30
Payment for acquiring loans from the Parent Bank	-887	-1 101	-7 468
Payment related to instalment loans and credit lines to customers	1 050	876	3 933
Net cash flow from operating activities	215	-195	-3 357
<b>Cash flow from investing activities</b>			
Purchases of certificates, bonds and other securities	-199	0	-207
Changes in other assets	-4	0	1
Net cash flow from investing activities	-203	0	-206
<b>Cash flow from financing activities</b>			
Net change in loans from credit institutions	36	273	144
Proceeds from bond issues	0	0	4 139
Redemption of debt securities	-679	0	-515
Dividend and group contribution paid	-152	-78	-78
Changes in other debt	6	1	-21
Issue of share capital and premium	350	0	200
Net cash flow from financing activities	-439	196	3 869
Net change in cash and cash equivalents	-427	1	306
Cash balance at 01.01	531	225	225
Cash balance at 31.03/31.12	104	226	531



**Notes** Amounts in NOK million

## 1 ACCOUNTING PRINCIPLES

Møre Boligkreditt AS' interim report is prepared in accordance with IAS 34 Interim Financial Reporting (compressed).

The accounts are prepared using the same principles,

and with the same methodology as the annual accounts for 2013. The principles are outlined in the annual report for 2013. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2013.

The interim financial statements are not audited.

All amounts are stated in NOK million unless stated otherwise.

## 2 OPERATING SEGMENTS

Møre Boligkreditt AS has only one segment in its business and here the customers derive mainly from

the retail banking market. The following tables contain details of loans to customers by sector, business

activity and geographical area.

(MNOK)	LOANS		
	31.03.14	31.03.13	2013
Sectors			
Agriculture and forestry	2	2	2
Fisheries	0	0	1
Manufacturing	7	5	5
Building and construction	23	16	23
Wholesale and retail trade, hotels	11	4	8
Property management	265	113	188
Transport and private/public services	37	29	38
Public entities	0	0	0
Activities abroad	0	0	0
Miscellaneous	0	0	0
Total corporate/public entities	345	169	265
Retail customers	14 356	11 386	14 599
Loans, nominal amount	14 701	11 555	14 864
Collective impairment	-1	-1	-1
Loans to and receivables from customers	14 700	11 554	14 863

(MNOK)	NET INTEREST INCOME		
	31.03.14	31.03.13	2013
Interest income from:			
Loans to and receivables from credit institutions	3	1	5
Loans to and receivables from customers	154	117	522
Interest income	157	118	527
Interest expenses in respect of:			
Loans from credit institutions	8	9	30
Debt securities issued	73	63	257
Interest expenses	81	72	287
Net interest income	76	46	240

### 3 IMPAIRMENT, LOSSES AND NON-PERFORMANCE

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

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

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

Collective impairments are calculated for subgroups of loans when objective events indicate that future cash flows that would be used to service the commitments have weakened, where it is not possible to examine all commitments on an individual basis, or where information is not identifiable at a commitment level. Commitments for which individual impairments have been registered are not included in the basis for collective impairment.

The Sparebanken Møre Group has developed its own collective impairment model and calculations are conducted each month based on input from the risk classification system, data warehouse, and assessments of macroeconomic factors. Changes to risk classification, negative developments in collateral values, and registered macroeconomic events that affect future estimated cash flows are taken into account in the model. The Group's model for collective impairment is tailored to Møre Boligkredit AS' assumptions and operations.

No exposures in the company's lending portfolio were identified on the date of the financial position needing individual impairments. Nor do the lending statistics on this date show any registered non-performance in the mortgage company's portfolio. Total impairment amounts to NOK 1 million as at 31 March 2014.

### 4 FINANCIAL ASSETS AND LIABILITIES

All lending and receivables are recorded at amortised cost. Amortised cost is also used for floating rate securities issued.

The company's debt securities issued with fixed interest rates are accounted for using fair value hedging. Losses and gains, resulting from changes in value due to changes in market interest, of debt securities with fixed interest are recognised in the income statement in the period they arise.

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

There are no major differences between the book value and the fair value of loans to credit institutions and customers, and liabilities to credit institutions

agreed at variable rates and recognised at amortised cost. Fair value of debt securities is calculated allowing for change in the market interest rates and change in the credit margin.

Financial derivatives related to the company's debt securities issued are carried at fair value through profit or loss, and recognised gross per contract, as either asset or debt.

FINANCIAL ASSETS	31.03.2014		31.03.2013		31.12.2013	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
(MNOK)						
<b>Financial assets at fair value through profit or loss:</b>						
Certificates	199	199	0	0	0	0
Bonds	207	207	0	0	207	207
Financial derivatives	150	150	95	95	157	157
<b>Loans and receivables (at amortised cost):</b>						
Loans to and receivables from credit institutions	104	104	226	226	531	531
Loans to and receivables from customers	14 700	14 700	11 554	11 554	14 863	14 863
<b>FINANCIAL LIABILITIES</b>	<b>31.03.2014</b>		<b>31.03.2013</b>		<b>31.12.2013</b>	
(MNOK)	Fair value	Book value	Fair value	Book value	Fair value	Book value
<b>Financial liabilities at fair value through profit or loss:</b>						
Financial derivatives	1	1	0	0	3	3
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>						
Debt securities issued	1 373	1 349	765	763	1 328	1 320
<b>Other financial liabilities (at amortised cost):</b>						
Loans from credit institutions	1 167	1 167	1 261	1 261	1 131	1 131
Debt securities issued	11 756	11 672	9 271	9 347	12 452	12 378

Financial instruments not traded in an active market are valued in-house by the use of appropriate valuation techniques and current market conditions, or valued based on quotes or input from other market players.

31.03.14	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Certificates	199	0	0	199
Bonds	0	207	0	207
Financial derivatives	0	150	0	150
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	104	0	104
Loans to and receivables from customers	0	0	14 700	14 700
Total financial assets	199	461	14 700	15 360
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	1	0	1
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 349	0	1 349
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 167	0	1 167
Debt securities issued	0	11 672	0	11 672
Total financial liabilities	0	14 189	0	14 189
<hr/>				
31.03.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	0	0	0
Financial derivatives	0	95	0	95
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	226	0	226
Loans to and receivables from customers	0	0	11 554	11 554
Total financial assets	0	321	11 554	11 875
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	0	0	0
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	763	0	763
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 261	0	1 261
Debt securities issued	0	9 347	0	9 347
Total financial liabilities	0	11 371	0	11 371
<hr/>				
31.12.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	207	0	207
Financial derivatives	0	157	0	157
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	531	0	531
Loans to and receivables from customers	0	0	14 863	14 863
Total financial assets	0	895	14 863	15 758
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	3	0	3
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 320	0	1 320
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 131	0	1 131
Debt securities issued	0	12 378	0	12 378
Total financial liabilities	0	14 832	0	14 832

## 5 ISSUED COVERED BONDS

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

COVERED BONDS (MNOK)								
ISIN code	Currency	Nominal value 31.03.2014	Interest	Issue	Maturity	31.03.2014	31.03.2013	31.12.2013
NO0010499833	NOK	488	3M Nibor + 0.45 %	2009	2014	488	1 000	488
NO0010499841	NOK	828	3M Nibor + 0.50 %	2009	2016	828	1 500	1 500
NO0010564982	NOK	1 250	3M Nibor + 0.40 %	2010	2015	1 249	1 249	1 249
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 495	1 493	1 494
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 145	765	1 122
NO0010625833	NOK	850	3M Nibor + 0.40 %	2011	2014	850	850	850
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	416	406	428
NO0010635873	NOK	1 150	3M Nibor + 0.49 %	2012	2015	1 151	1 152	1 151
NO0010657232	NOK	1 500	3M Nibor + 0.65 %	2012	2018	1 502	1 351	1 502
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	649	270	668
NO0010676018	NOK	1 250	3M Nibor + 0.47 %	2013	2019	1 249	0	1 249
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	204	0	198
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	247	0	251
NO0010696990	NOK	800	3M Nibor + 0.45 %	2013	2020	799	0	799
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	749	0	749
Total securities issued						13 021	10 036	13 698
Financial derivatives to hedge securities (liabilities)						1	0	3
Financial derivatives to hedge securities (assets)						-150	-95	-157
Total borrowings raised through the issue of securities						12 872	9 941	13 544

COVER POOL (MNOK)	31.03.2014	31.03.2013	31.12.2013
Pool of eligible loans 1)	14 412	11 304	14 563
Supplementary assets	510	226	738
Total collateralised assets	14 922	11 530	15 301
Over-collateralisation	115.9 %	114.9 %	113.0 %

1) NOK 288 million of total gross loans are not eligible for the cover pool as at 31.03.14.

## 6 TRANSACTIONS WITH RELATED PARTIES

In order to conduct normal business, Møre Boligkreditt AS purchases services from Sparebanken Møre. There will also be transactions between the parties related to the acquisition of loan portfolio, and the fact that Sparebanken Møre provides loans and credits to the mortgage company.

Loans from Sparebanken Møre are transferred at market value. If the purchased mortgage loans have fixed interest rates the price is adjusted for the value above / below par. 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 specified in the agreement between the mortgage company and the Parent Bank. In case of a violation of these requirements, the Parent 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 the settlement of interest for transaction days from date of transfer of loan portfolio to date of settlement of the consideration.

If Møre Boligkreditt AS should have difficulty in obtaining financing, there is established a revolving guarantee from Sparebanken Møre where the purpose is to ensure timely payments to owners of bonds and derivative counterparties.

The pricing of the services provided to Møre Boligkreditt AS by Sparebanken Møre distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs the mortgage company must bear regardless of the activity related to the issuance of covered bonds, the 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 employees to deliver satisfactory services given the number of customers in the portfolio.

Møre Boligkreditt AS is billed for costs related to the lease of premises at Sparebanken Møre. It is assumed that regardless of operations, a certain area

of the bank attributable to the mortgage company is utilised during the year. Regardless of the extent of the activity and the loan portfolio acquired by Møre Boligkreditt AS, charges related to accounting, financial reporting, risk management, cash management, financing, governance and general legal services will incur.

Sparebanken Møre bills the mortgage company based on actual salary costs, including social security contribution, pension costs and other social costs. Parts of the mortgage company's expenses related to services provided by Sparebanken Møre relates to the size of the portfolio acquired from Sparebanken Møre. Management fee is calculated and billed monthly, in which the month's average portfolio size form the basis of billing.

The interest rate of the mortgage company's deposit and credit limit in Sparebanken Møre is based on 3 months NIBOR + a premium.

The most important transactions are as follows:

(MNOK)	31.03.2014	31.03.2013	31.12.2013
<b>Income statement</b>			
Interest and credit commission income from Sparebanken Møre related to deposits	3	1	5
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	8	9	30
Interest paid to Sparebanken Møre related to bonded debt	3	10	34
Management fee paid to Sparebanken Møre	5	4	19
<b>Statement of financial position</b>			
Deposits in Sparebanken Møre	104	226	531
Covered bonds	10	1 776	673
Loan/credit facility in Sparebanken Møre	1 167	1 261	1 131
Accumulated transferred loan portfolio from Sparebanken Møre	14 701	11 555	14 864

## 7 EQUITY AND RELATED CAPITAL

(MNOK)	MØRE BOLIGKREDITT AS		
	31.03.2014	31.03.2013	31.12.2013
Standard method (Basel II)			
Core capital	1 052	503	703
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 052	503	703
Risk-weighted assets (calculation basis for capital adequacy ratio)	5 727	4 506	5 737
Capital adequacy ratio	18.37	11.17	12.25
Core capital ratio	18.37	11.17	12.25

# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest income	76	73	64	57	46
Total other operating income	-4	-2	-1	0	0
Total operating costs	7	7	6	7	6
Profit before impairment on loans and taxes	65	64	57	50	40
Impairment on loans	0	0	0	0	0
Pre tax profit	65	64	57	50	40
Taxes	17	18	16	14	11
Profit after tax	48	46	41	36	29

AS A PERCENTAGE OF AVERAGE ASSETS	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net interest income	1.92	1.94	2.00	1.86	1.59
Total other operating income	0.09	-0.05	-0.02	0.00	0.00
Total operating costs	0.17	0.18	0.18	0.25	0.19
Profit before impairment on loans and taxes	1.66	1.71	1.80	1.61	1.39
Impairment on loans	0.00	0.00	0.00	0.00	0.00
Pre tax profit	1.66	1.71	1.80	1.61	1.39
Taxes	0.44	0.48	0.48	0.45	0.38
Profit after tax	1.22	1.23	1.32	1.16	1.01
Average total assets (MNOK)	15 805	14 840	12 909	12 123	11 666

## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	31.03.2014	31.03.2013	31.12.2013
Net interest income	76	46	240
Total other operating income	-4	0	-3
Total operating costs	7	6	26
Profit before impairment on loans and taxes	65	40	211
Impairment on loans	0	0	0
Pre tax profit	65	40	211
Taxes	17	11	59
Profit after tax	48	29	152

AS A PERCENTAGE OF AVERAGE ASSETS	31.03.2014	31.03.2013	31.12.2013
Net interest income	1.92	1.59	1.86
Total other operating income	-0.09	0.00	-0.02
Total operating costs	0.17	0.19	0.20
Profit before impairment on loans and taxes	1.66	1.39	1.64
Impairment on loans	0.00	0.00	0.00
Pre tax profit	1.66	1.39	1.64
Taxes	0.44	0.38	0.46
Profit after tax	1.22	1.01	1.18
Average total assets (MNOK)	15 805	11 666	12 885



## MØRE BOLIGKREDITT

Keiser Wilhelms gate 29/33  
P.O.Box 121 Sentrum, NO-6001 Ålesund  
Telephone +47 70 11 30 00  
Telefax +47 70 12 26 70



sbm.no