

INTERIM REPORT  
1 QUARTER  
UNAUDITED

15



MØRE BOLIGKREDITT

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# 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.

## First quarter results

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 76 million in first quarter 2015, compared to NOK 65 million in first quarter 2014. Net interest income amounted to NOK 75 million, compared to NOK 76 million for the same period last year. Costs amounted to NOK 7 million in first quarter 2015, compared with NOK 7 million in the corresponding quarter in 2014.

Net gain in value of debt securities issued and related derivatives was NOK 8 million at first quarter end 2015, compared to net loss of NOK 4 million at first quarter end 2014.

Møre Boligkreditt AS has established no individual losses or individual impairment for losses in first quarter 2015, and no changes in the collective impairment has been made. The amount allocated for collective impairment is NOK 2 million at first quarter end 2015 compared to NOK 1 million at first quarter end 2014. Tax amounted to NOK 21 million in the first quarter of 2015, compared to NOK 17 million in first

quarter 2014. Profit after tax amounted to NOK 55 million in first quarter 2015, compared to NOK 48 million in the corresponding quarter 2014.

Møre Boligkreditt AS drew NOK 750 million on an existing floating rate bond loan, and issued one new NOK 750 million fixed rate bond loan. One bond loan matured and was fully repaid with NOK 1 008 million in first quarter of 2015. Møre Boligkreditt AS have fourteen bond loans outstanding by 31 March 2015, with a total bond loan debt of NOK 14 483 million, compared to NOK 13 080 million by 31 March 2014.

Total assets at first quarter end 2015 amounts to NOK 16 941 million compared to NOK 15 411 million at first quarter end 2014. Møre Boligkreditt AS' net lending increased with NOK 228 million in first quarter 2015. Net lending amounts to NOK 15 772 million at first quarter end 2015, compared with NOK 14 722 million at first quarter end 2014. At first quarter end 2015, the company's substitute assets included in the cover pool amounts to NOK 777 million, including receivables from credit institutions of NOK 569 million, compared to NOK 104 million at first quarter end 2014.

## Rating

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

## Capital strength

In first quarter 2015 Møre Boligkreditt AS has increased its equity by NOK 100 million by issuing 80 000 shares á NOK 1 250. The

capital increase was fully paid in by Sparebanken Møre as the owner of all 780 000 shares in Møre Boligkreditt AS. Paid-in equity and other equity amounts to NOK 1 153 million by end of first quarter 2015, compared to NOK 1 053 million by end of first quarter 2014. This corresponds to a capital adequacy/core capital ratio of 15.92 per cent. Risk-weighted assets amounts to NOK 7 022 million by end of first quarter 2015. The Financial Supervisory Authority of Norway has approved Sparebanken Møre Group for the use of internal rating based (IRB) models to calculate capital requirements for credit risk. 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 managing director 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 2015, the mortgages in the cover pool had an average loan-to-value ratio of 53 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. A 12 months rolling revolving credit facility guarantee from Sparebanken Møre ensures timely payments to derivative counterparties and owners of bonds issued by Møre Boligkreditt AS. Furthermore the bonds 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

managing director 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 remains strong, but will probably experience somewhat lower growth in the coming quarters. The slowdown in growth is mainly due to the recent fall in oil price together with the expected decline in petroleum investments. A strong household sector due to low interest rates and low unemployment, together with a solid public sector will however keep the production levels high in several sectors. The weak NOK following the fall in oil price is positive for the competitiveness of the export industry and tourism.

Should the Norwegian economy be hit harder than expected, monetary and financial policy could quickly be moved in an even more expansive direction. The development of house prices, together with growth in debt, is probably the most important risk factors to Norwegian households. Important risk factors going forward are also the oil price, economic growth in export markets and development of the NOK exchange rate.

The economic outlook in the county of Møre og Romsdal has not changed significantly so far in 2015. There will probably be a slight growth in unemployment the first couple of years, both in Norway as well as in Møre og Romsdal. The registered unemployment rate in Norway was 3.0 per cent in March,

compared to 2.5 per cent in the county of Møre og Romsdal. The unemployment rate in the county is expected to remain below national levels also going forward.

The Board believes that the still relatively good economic outlook in Norway, and in the county of Møre og Romsdal, combined with low interest rates and increase in disposable household income, will contribute to further mortgage loan growth in

Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to acquire further mortgage loan portfolios from the parent bank, and further increase the volume of outstanding bond loans from Møre Boligkreditt AS.

Ålesund, 29 April 2015

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

MANAGING DIRECTOR

## STATEMENT OF INCOME

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	Q1 2015	Q1 2014	2014
Interest income	2	147	157	616
Interest expenses	2	72	81	318
Net interest income	2, 6	75	76	298
Commission income		0	0	1
Net change in value of debt securities issued and related derivatives		8	-4	-8
Wages, salaries and general administration costs		1	1	2
Other operating costs	6	6	6	27
Total operating costs		7	7	29
Profit before impairment on loans and taxes		76	65	262
Impairment on loans	3	0	0	1
Pre tax profit		76	65	261
Taxes		21	17	70
Profit after tax		55	48	191

## STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	Q1 2015	Q1 2014	2014
Profit after tax		55	48	191
Other comprehensive income		0	0	0
Total comprehensive income after tax		55	48	191

## STATEMENT OF FINANCIAL POSITION

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	31.03.15	31.03.14	31.12.14
<b>Assets</b>				
Loans to and receivables from credit institutions	2, 4, 5, 6	569	104	104
Loans to and receivables from customers	2, 3, 4	15 772	14 722	15 544
Certificates and bonds	4, 5	208	407	208
Financial derivatives	4, 5	391	177	395
Deferred tax asset		1	1	1
Total assets	7	16 941	15 411	16 252
<b>Liabilities and equity</b>				
Loans from credit institutions	4, 6	1 164	1 167	915
Debt securities issued	4, 5, 6	14 483	13 080	14 023
Financial derivatives	4, 5	24	1	0
Tax payable		62	62	70
Total liabilities		15 733	14 310	15 008
Share capital		975	875	875
Share premium		175	175	175
Other paid-in equity		0	0	0
Paid-in equity		1 150	1 050	1 050
Other equity		3	3	194
Profit for the period		55	48	0
Retained earnings		58	51	194
Total equity		1 208	1 101	1 244
Total liabilities and equity	7	16 941	15 411	16 252



## STATEMENT OF CHANGES IN EQUITY

31.03.2015

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2014	1 244	875	175	194
Total comprehensive income for the period	55			55
Issue of share capital	100	100		
Dividends	-191			-191
Equity as at 31 March 2015	1 208	975	175	58

The share capital consists of 780 000 shares at NOK 1 250, a total of NOK 975 million. All shares are owned by Sparebanken Møre. The issue of share capital of NOK 100 million was approved by the Financial Supervisory Authority of Norway 19 March 2015, and updated certificate of registration and articles of association were registered 30 March 2015.

31.03.2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2013	855	700	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	51

The share capital consists of 700 000 shares at NOK 1 250, a total of NOK 875 million. All shares are owned by Sparebanken Møre.

2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2013	855	700	0	155
Total comprehensive income for the period	191			191
Issue of share capital and premium	350	175	175	
Dividends	-152			-152
Equity as at 31 December 2014	1 244	875	175	194

The share capital consists of 700 000 shares at NOK 1 250, a total of NOK 875 million. All shares are owned by Sparebanken Møre. Proposed dividend as of 31 December amounts to NOK 191 million.



## CASH FLOW STATEMENT

(MNOK)	MØRE BOLIGKREDITT AS		
	31.03.15	31.03.14	2014
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	147	171	572
Interest, commission and fees paid	-72	-97	-285
Operating expenses paid	-7	-7	-29
Income taxes paid	-29	-15	-60
Payment for acquiring loans from the Parent Bank	-1 730	-887	-5 043
Payment related to instalment loans and credit lines to customers	1 502	1 050	4 362
Net cash flow from operating activities	-189	215	-483
<b>Cash flow from investing activities</b>			
Proceeds from the sale of certificates, bonds and other securities	0	0	245
Purchases of certificates, bonds and other securities	0	-199	-244
Changes in other assets	8	-4	-10
Net cash flow from investing activities	8	-203	-9
<b>Cash flow from financing activities</b>			
Net change in loans from credit institutions	249	36	-217
Proceeds from bond issues	1 508	0	2 509
Redemption of debt securities	- 1 008	-679	-2 460
Dividend and group contribution paid	-191	-152	-152
Changes in other debt	- 12	6	35
Issue of share capital and premium	100	350	350
Net cash flow from financing activities	646	-439	65
Net change in cash and cash equivalents	465	-427	-427
Cash balance at 01.01	104	531	531
Cash balance at 31.12/31.03	569	104	104

## 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 2014. The principles are outlined in the annual report for 2014. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2014.

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		
	31.03.15	31.03.14	2014
Sectors			
Agriculture and forestry	3	2	3
Fisheries	0	0	1
Manufacturing	6	7	7
Building and construction	30	23	26
Wholesale and retail trade, hotels	9	11	9
Property management	258	265	264
Transport and private/public services	62	37	55
Public entities	0	0	0
Activities abroad	0	0	0
Miscellaneous	0	0	0
Total corporate/public entities	368	345	365
Retail customers	15 382	14 356	15 160
Accrued interest income	24	22	21
Loans, nominal amount	15 774	14 723	15 546
Collective impairment	-2	-1	-2
Loans to and receivables from customers	15 772	14 722	15 544

(MNOK)	NET INTEREST INCOME		
	31.03.15	31.03.14	2014
Interest income from:			
Loans to and receivables from credit institutions	1	3	5
Loans to and receivables from customers	146	154	611
Interest income	147	157	616
Interest expenses in respect of:			
Loans from credit institutions	5	8	29
Debt securities issued	67	73	289
Interest expenses	72	81	318
Net interest income	75	76	298

### 3 IMPAIRMENT, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt 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 Boligkreditt 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 2 million as at 31 March 2015.

### 4 FINANCIAL INSTRUMENTS

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.

CLASSIFICATION OF FINANCIAL INSTRUMENTS	Financial instruments at fair value through profit or loss		Financial assets and liabilities carried at amortised cost	
	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Loans to and receivables from credit institutions	0	0	569	104
Loans to and receivables from customers	0	0	15 772	14 722
Certificates and bonds	208	407	0	0
Financial derivatives	391	177	0	0
<b>Total assets</b>	<b>599</b>	<b>584</b>	<b>16 341</b>	<b>14 826</b>
Loans from credit institutions	0	0	1 164	1 167
Debt securities issued	0	0	14 483	13 080
Financial derivatives	24	1	0	0
<b>Total liabilities</b>	<b>24</b>	<b>1</b>	<b>15 647</b>	<b>14 247</b>

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	31.03.2015		31.03.2014	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	569	569	104	104
Loans to and receivables from customers	15 772	15 772	14 722	14 722
<b>Total assets</b>	<b>16 341</b>	<b>16 341</b>	<b>14 826</b>	<b>14 826</b>
Loans from credit institutions	1 164	1 164	1 167	1 167
Debt securities issued	14 580	14 483	13 188	13 080
<b>Total liabilities</b>	<b>15 744</b>	<b>15 647</b>	<b>14 355</b>	<b>14 247</b>

FINANCIAL INSTRUMENTS AT AMORTISED COST	Based on prices in an active market		Observable market information		Other than observable market information		Total	
	Level 1		Level 2		Level 3			
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Loans to and receivables from credit institutions	0	0	569	104	0	0	569	104
Loans to and receivables from customers	0	0	0	0	15 772	14 722	15 772	14 722
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>569</b>	<b>104</b>	<b>15 772</b>	<b>14 722</b>	<b>16 341</b>	<b>14 826</b>
Loans from credit institutions	0	0	1 164	1 167	0	0	1 164	1 167
Debt securities issued	0	0	14 483	13 080	0	0	14 483	13 080
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>15 647</b>	<b>14 247</b>	<b>0</b>	<b>0</b>	<b>15 647</b>	<b>14 247</b>

FINANCIAL INSTRUMENTS AT FAIR VALUE	Based on prices in an active market		Observable market information		Other than observable market information		Total	
	Level 1		Level 2		Level 3			
	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014	31.03.2015	31.03.2014
Certificates and bonds	0	0	208	407	0	0	208	407
Financial derivatives	0	0	391	177	0	0	391	177
<b>Total assets</b>	<b>0</b>	<b>0</b>	<b>599</b>	<b>584</b>	<b>0</b>	<b>0</b>	<b>599</b>	<b>584</b>
Financial derivatives	0	0	24	1	0	0	24	1
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>24</b>	<b>1</b>

## 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 31.03.2015	Interest	Issue	Maturity	31.03.2015	31.03.2014	31.12.2014
NO0010499833	NOK	0	3M Nibor + 0.45 %	2009	2014	0	488	0
NO0010499841	NOK	828	3M Nibor + 0.50 %	2009	2016	828	828	828
NO0010564982	NOK	0	3M Nibor + 0.40 %	2010	2015	0	1 249	1 008
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 496	1 495	1 495
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 269	1 145	1 266
NO0010625833	NOK	0	3M Nibor + 0.40 %	2011	2014	0	850	0
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	423	416	432
NO0010635873	NOK	950	3M Nibor + 0.49 %	2012	2015	950	1 151	950
NO0010657232	NOK	2 000	3M Nibor + 0.65 %	2012	2018	2 010	1 502	2 010
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	660	649	675
NO0010676018	NOK	2 000	3M Nibor + 0.47 %	2013	2019	2 007	1 249	1 249
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	254	204	252
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	261	247	270
NO0010696990	NOK	800	3M Nibor + 0.45 %	2013	2020	799	799	799
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	749	749	750
NO0010720204	NOK	2 000	3M Nibor + 0.24 %	2014	2020	1 999	0	1 999
NO0010730187	NOK	750	fixed NOK 1.50 %	2015	2022	726	0	0
Total securities issued						14 431	13 021	13 983
Accrued interest						52	59	40
Financial derivatives to hedge securities (liabilities)						24	1	0
Financial derivatives to hedge securities (assets)						-391	-177	-395
Total borrowings raised through the issue of securities						14 116	12 904	13 628

COVER POOL (MNOK)	31.03.2015	31.03.2014	31.12.2014
Pool of eligible loans 1)	15 414	14 412	15 110
Supplementary assets	777	510	312
Total collateralised assets	16 191	14 922	15 422
Collateralisation	114.7 %	115.6 %	113.2 %

1) NOK 358 million of total gross loans are not eligible for the cover pool as at 31.03.15

## 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)	31.03.2015	31.03.2014	31.12.2014
<b>Income statement</b>			
Interest and credit commission income from Sparebanken Møre related to deposits	1	3	5
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	5	8	28
Interest paid to Sparebanken Møre related to bonded debt	1	3	6
Management fee paid to Sparebanken Møre	6	5	22
<b>Statement of financial position</b>			
Deposits in Sparebanken Møre	569	104	104
Covered bonds	195	10	25
Loan/credit facility in Sparebanken Møre	1 164	1 167	915
Accumulated transferred loan portfolio from Sparebanken Møre	15 774	14 701	15 544

## 7 EQUITY AND RELATED CAPITAL

(MNOK)	MØRE BOLIGKREDITT AS		
IRB approach (Basel II)	31.03.2015	31.03.2014	31.12.2014
Core capital	1 118	1 052	1 052
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 118	1 052	1 052
Risk-weighted assets (calculation basis for capital adequacy ratio)	7 022	5 727	6 817
Capital adequacy ratio	15.92	18.37	15.43
Core capital ratio	15.92	18.37	15.43

Internal rating based (IRB) models have been used to calculate capital adequacy in the retail portfolio as of 31.03.2015, and in the corporate portfolio from 30.06.2014.



# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Net interest income	75	77	72	73	76
Total other operating income	8	-5	1	1	-4
Total operating costs	7	8	6	8	7
Profit before impairment on loans and taxes	76	64	67	66	65
Impairment on loans	0	0	0	1	0
Pre tax profit	76	64	67	65	65
Taxes	21	17	18	18	17
Profit after tax	55	47	49	47	48
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>Q1 2015</b>	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>
Net interest income	1.84	1.90	1.90	1.99	1.92
Total other operating income	0.20	-0.13	0.03	0.02	-0.09
Total operating costs	0.18	0.18	0.17	0.22	0.17
Profit before impairment on loans and taxes	1.86	1.59	1.76	1.79	1.66
Impairment on loans	0.00	0.00	0.00	0.02	0.00
Pre tax profit	1.86	1.59	1.76	1.77	1.66
Taxes	0.50	0.43	0.47	0.48	0.44
Profit after tax	1.36	1.16	1.29	1.29	1.22
Average total assets (MNOK)	16 312	16 138	15 144	14 820	15 805

## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	31.03.2015	31.03.2014	31.12.2014
Net interest income	75	76	298
Total other operating income	8	-4	-7
Total operating costs	7	7	29
Profit before impairment on loans and taxes	76	65	262
Impairment on loans	0	0	1
Pre tax profit	76	65	261
Taxes	21	17	70
Profit after tax	55	48	191
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>31.03.2015</b>	<b>31.03.2014</b>	<b>31.12.2014</b>
Net interest income	1.84	1.92	1.93
Total other operating income	0.20	-0.09	-0.05
Total operating costs	0.18	0.17	0.19
Profit before impairment on loans and taxes	1.86	1.66	1.69
Impairment on loans	0.00	0.00	0.00
Pre tax profit	1.86	1.66	1.69
Taxes	0.50	0.44	0.46
Profit after tax	1.36	1.22	1.23
Average total assets (MNOK)	16 312	15 805	15 445

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