

INTERIM REPORT  
3 QUARTER  
NOT AUDITED

12



MØRE BOLIGKREDITT

# Contents

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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 has a licence to operate as a mortgage company and issue covered bonds. Møre Boligkreditt AS is Sparebanken Møre's most important source of market funding and an important part of the 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 73 million for Q3 2012, compared with NOK 30 million for the corresponding period in 2011. Interest income amounted to NOK 294 million, compared with NOK 208 million for the same period last year, while interest expenses totalled NOK 207 million, compared with NOK 162 million for the same period last year. Costs amounted to NOK 15 million, compared with NOK 14 million for the corresponding period in 2011.

Møre Boligkreditt AS had no established losses and allocated no provisions for individual losses in Q3 2012. Nor has the company changed its provisions for collective write-downs in Q3 2012. The amount allocated for collective write-downs was NOK 1 million. Profit after tax amounted to NOK 52 million, compared with NOK 22 million for the same period last year. Tax amounted to NOK 21 million, compared with NOK 8 million for the same period last year. Total assets at the end of the quarter amounted to NOK 10 824 million compared to NOK 7 905 million at the end of the same quar-

ter last year. Net lending amounted to NOK 10 621 million, compared with NOK 7 750 million for the same period last year, and bank deposits amounted to NOK 111 million, compared with NOK 101 million for the same period in 2011. Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in Q3 2012 and the company's net lending growth amounted to NOK 1 452 million. The company issued two new bonds, one SEK 300 mill and one NOK 1 000 mill. The company also drew a total of SEK 150 million on existing bond loans in Q3 2012. Both the loans and expansions were issued under the EMTCN programme. Møre Boligkreditt AS has a total of ten bond loans. The total bond loan debt at the end of the third quarter of 2012 was NOK 9 309 million.

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

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

## Capital strength

Møre Boligkreditt AS' equity and subordinated loan capital amounted to NOK 502 million at the end of Q3 2012, compared with NOK 401 million at the end of Q3 2011. This corresponds to a capital adequacy/core capital ratio of 12.36 per cent. The risk-weighted balance sheet amounted to NOK 4 069 million at the end of Q3 2012. 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

Its licence as a mortgage company means

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 mortgage company's various risk exposures. The Board and CEO of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, and that this is adequate and complies with the acts and regulations. Operational risk management in the mortgage company is performed by Sparebanken Møre, based on an agreement between the mortgage company and Sparebanken Møre. The risk management emphasizes identifying, measuring and managing the mortgage company's risk elements in a manner that ensures 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 the received collateral not covering outstanding claims. The credit risk strategy adopted by the mortgage company defines which loans can be acquired by the mortgage company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At the end of Q3 2012, the loans had an average debt to asset ratio of 51.6 per cent. 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 holding or assuming positions in lending and financial instru-

ments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must by law have very low market risk and Board approved restrictions with regard to maximum exposure to market risk. The mortgage company utilises 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 fixed income and foreign currency positions are hedged by financial derivatives, and the Board considers the overall market risk to be low.

#### **LIQUIDITY RISK**

Liquidity risk is the risk that the mortgage company will be unable to fulfill its obligations without substantial extra costs being incurred in the form of price falls for assets that must be realised or extra expensive funding. The mortgage company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. The bonds issued by Møre Boligkreditt AS have a soft bullet structure and the mortgage company has an opportunity to extend the term of its borrowing by up to 12 months. The Board also regards the mortgage 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 concluded a management agreement with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. Therefore, the operational risk lies within the bank's definition and management of this type of risk, and it is therefore the bank that bears the risk associated with any errors in the deliveries and services that should be provided. The Board regards the mortgage company's operational risk as low.

#### **Outlook**

The Norwegian economy is solid and the trends in our county reflect this. A strong household sector, due to factors such as low interest rates and low unemployment, and a solid public sector will contribute to good levels of activity in several sectors. Should Norway be hit harder than expected, monetary and financial policy could quickly be moved in a more expansive direction. The development of house prices and growth in debt are probably the most important risk factors for Norwegian households.

The European debt crisis and weak economic development of our trade partners are sources of uncertainty in the local export industry. Otherwise, the most important risk factors going forward are the development of oil prices and the NOK exchange rate.

Nonetheless, shipyards and other companies in the maritime sector in Møre og Romsdal have seen orders grow strongly so far in 2012. This is also producing positive ripple effects and stimulating growth in large parts of the rest of local business and industry. The unemployment rate is generally very low in the county and there is particularly strong demand for employees with an engineering background.

The Board believes that the good trend for business and industry in the county, combined with low interest rates and increases in household incomes, will contribute to further growth in business volumes in Sparebanken Møre. This will position Møre Boligkreditt AS to acquire more of the parent bank's loan portfolio, and that the volume of bonds will grow for the remainder of 2012.

Ålesund, 24 October 2012  
The Board of Directors of Møre Boligkreditt AS

Kjetil Hauge  
STYRELEDER

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Ole Kjerstad  
CEO

## STATEMENT OF INCOME

MØRE BOLIGKREDITT AS						
(MNOK)	Notes	30.09.12	30.09.11	Q3 12	Q3 11	2011
Interest income	2	294	208	100	77	294
Interest costs	2	207	162	67	62	233
Net interest and credit commission income	2, 8	87	46	33	15	61
Net change in value of debt securities and related derivatives		1	-2	1	-3	-2
Wages, salaries and general administration costs		2	3	0	1	3
Other operating costs	8	13	11	4	3	16
Total operating costs		15	14	4	4	19
Result before credit losses		73	30	30	8	40
Losses on loans, guarantees etc.	3	0	0	0	0	1
Result from ordinary operations before tax		73	30	30	8	39
Tax payable on ordinary result		21	8	9	2	11
Result from ordinary operations after tax		52	22	21	6	28
Result pr. share (NOK)		103,96	54,60	41,36	13,89	68,41
Diluted earnings pr. share (NOK)		103,96	54,60	41,36	13,89	68,41

## STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS						
(MNOK)	Notes	30.09.12	30.09.11	Q3 12	Q3 11	2011
Result from ordinary operations after tax		52	22	21	6	28
Total comprehensive income from ordinary operations after tax		52	22	21	6	28

## BALANCE SHEET

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

(MNOK)	Notes	MØRE BOLIGKREDITT AS		
		30.09.12	31.12.11	30.09.11
<b>Assets</b>				
Loans to and deposits with credit institutions, on a call basis	2, 4, 5, 8	111	110	101
Net loans to and claims on customers	2, 3, 4, 5	10 621	8 148	7 750
Financial derivatives	4, 5, 6	75	44	37
Prepayments and accrued income		17	22	17
<b>Total assets</b>	9	<b>10 824</b>	<b>8 324</b>	<b>7 905</b>
<b>Liabilities and equity capital</b>				
Liabilities to credit institutions, on a call basis	4, 5, 8	875	594	563
Borrowings raised through the issue of securities	4, 5, 7, 8	9 309	7 137	6 862
Financial derivatives	4, 5, 6	0	9	22
Other liabilities		20	11	8
Accrued liabilities and deferred income		65	42	28
<b>Total liabilities</b>		<b>10 269</b>	<b>7 793</b>	<b>7 483</b>
Share capital		500	500	398
Other paid-in equity capital		0	0	0
<b>Paid-in equity capital</b>		<b>500</b>	<b>500</b>	<b>398</b>
Other equity capital		2	30	2
Result from ordinary operations after tax		52	-	22
Equity capital accumulated through retained earnings		54	30	24
<b>Total equity capital</b>		<b>555</b>	<b>531</b>	<b>422</b>
<b>Total liabilities and equity capital</b>	9	<b>10 824</b>	<b>8 324</b>	<b>7 905</b>

## STATEMENT OF CHANGES IN EQUITY

**30.09.12**

Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital as at 31.12.11	530 818	500 000	360	30 458
Distributed dividend	-28 000			-28 000
Total comprehensive income from ordinary operations after tax	51 980			51 980
Equity capital as at 30.09.12	554 798	500 000	360	54 438

The share capital is distributed over 500 000 shares at NOK 1 000, a total of NOK 500 million. All shares are owned by Sparebanken Møre.

**30.09.11**

Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital as at 31.12.10	451 656	398 000	360	53 296
Group contributions paid after tax	-51 000			-51 000
Total comprehensive income from ordinary operations after tax	21 731			21 731
Equity capital as at 30.09.11	422 387	398 000	360	24 027

**2011**

Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital as at 31.12.10	451 656	398 000	360	53 296
Group contributions paid after tax	-51 000			-51 000
Capital increase	102 000	102 000		
Equity capital before allocations	502 656	500 000	360	2 296
Total comprehensive income from ordinary operations after tax	28 162			28 162
Equity capital as at 31.12.11	530 818	500 000	360	30 458

## CASH FLOW STATEMENT

	MØRE BOLIGKREDITT AS		
(MNOK)	30.09.12	30.09.11	2011
Cash flow from operational activities			
Interest, commission and fees received	317	218	318
Interest, commission and fees paid	-201	-165	-249
Paid operating expenses	-15	-16	-22
Payment of tax	-11	-8	-0
Payment for transferred loans from the Parent Bank	-5 004	-4 114	-5 703
Payments from customers related to installment loans and credit lines	2 531	1 903	3 094
Net cash flow from operational activities	-2 383	-2 182	-2 562
Cash flow from investment activities	0	0	0
Net cash flow from investment activities	0	0	0
Cash flow from funding activities			
Changes relating to deposits from financial institutions	281	347	378
Payments received in respect of proceeds from bond issues raised	2 942	2 359	2 616
Payment on redemption of debt securities	-801	-611	-604
Payment of dividend and group contribution	-28	-63	-63
Changes of other debt	-10	1	-7
Changes of equity due to capital increase	0	0	102
Net cash flow from funding activities	2 384	2 033	2 422
Net changes on cash holdings	1	-149	-140
Holdings of cash 01.01	110	250	250
Holdings of cash 30.09/31.12	111	101	110

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 princi-

ples, and with the same methodology as the annual accounts for 2011. The principles are outlined in the annual report for 2011. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2011.

The interim financial statement is not audited.

All amounts are stated in NOK million unless stated otherwise.

## 2 SEGMENTS

Møre Boligkreditt AS has only one segment in its business where loans are provided against collateral in

the form of property, 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)	GROSS LOANS		
	30.09.12	30.09.11	2011
Sectors			
Agriculture and forestry	2	2	1
Fisheries	2	2	1
Industry and mining	1	1	1
Building and construction	13	7	7
Wholesale and retail trade, hotel industry	3	6	4
Property management	115	162	157
Transport and private service industry	27	25	27
Public entities	0	0	0
Non-Norwegian lending	0	0	0
Miscellaneous	0	0	0
Total Corporate/Public entities	163	205	198
Retail customers	10 459	7 545	7 951
Total gross loans	10 622	7 750	8 149
Non-specific loss provisions	-1	0	-1
Net loans	10 621	7 750	8 148

### Net interest income (MNOK)

	30.09.12	30.09.11	2011
Interest and similar income from:			
Loans to and deposits with credit institutions	1	5	6
Loans to and other lendings to customers	293	203	288
Other interest income	0	0	0
Interest and similar income	294	208	294
Interest and similar costs in respect of:			
Debt owed to credit institutions	16	9	12
Securities issued for borrowing purposes	191	153	221
Interest and similar cost	207	162	233
Net interest and credit commission income	87	46	61

### 3 WRITE-DOWNS, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt AS reviews its loan portfolio every quarter. All commitments that must be assessed individually 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 loss on the loan 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 a future cash flow is estimated according to best judgement and this is registered, the system will

calculate the new value of the loan (amortised cost) and the difference compared to the carrying amount will equal the write-down amount.

When all collateral has been realised and there is no doubt the mortgage company will not receive further payments relating to the commitment, the loss written down 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 forgiveness agreement is reached with the customer.

Collective write-downs for impaired value are calculated for subgroups of loans concerning which 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 against which individual writedowns for losses have been registered are not included in the basis for collective write-downs.

The Sparebanken Møre Group has developed its own collective 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 affect future estimated cash flows are taken into account in the model. The group's model for collective writedowns is tailored to Møre Boligkreditt AS' assumptions and operations.

No exposures in the company's lending portfolio were identified on the balance sheet date as needing individual write-downs. Nor do the lending statistics on the balance sheet show any registered nonperformance in the mortgage company's portfolio. Write-down of group of loans amounts to NOK 1 million as at 30.09.2012.

### 4 CLASSIFICATION OF FINANCIAL INSTRUMENTS

All lending and receivables are stated at amortised cost based on expected cash flows. Amortised cost is used for securities issued on variable rate terms. The difference between the borrowing costs and settlement amount upon maturity is amortised over

the loan's term.

Fair value hedging with value changes through the profit and loss account is used for the company's securities issued on fixed rate terms, see note 5 and 7.

Financial derivatives related to the company's debt securities are carried at fair value through profit or loss, and recognised gross per contract, as either asset or debt, see note 5 and 6.

30.09.12

(MNOK)	Hedged financial liabilities	Financial derivatives used as hedging instruments	Financial assets and liabilities stated at amortised cost	Financial derivatives stated at fair value	Total
Loans to and deposits with credit institutions	0	0	111	0	111
Loans to and claims on customers	0	0	10 622	0	10 622
Financial derivatives	0	65	0	10	75
Total financial assets	0	65	10 733	10	10 808
Liabilities to credit institutions	0	0	875	0	875
Financial derivatives	0	0	0	0	0
Borrowings raised through the issue of securities	765	0	8 544	0	9 309
Total financial debt	765	0	9 419	0	10 184

## 30.09.11

(MNOK)	Hedged financial liabilities	Financial derivatives used as hedging instruments	Financial assets and liabilities stated at amortised cost	Financial derivatives stated at fair value	Total
Loans to and deposits with credit institutions	0	0	101	0	101
Loans to and claims on customers	0	0	7 750	0	7 750
Financial derivatives	0	37	0	0	37
Total financial assets	0	37	7 851	0	7 888
Liabilities to credit institutions	0	0	563	0	563
Financial derivatives	0	0	0	22	22
Borrowings raised through the issue of securities	737	0	6 125	0	6 862
Total financial debt	737	0	6 688	22	7 447

## 31.12.11

(MNOK)	Hedged financial liabilities	Financial derivatives used as hedging instruments	Financial assets and liabilities stated at amortised cost	Financial derivatives stated at fair value	Total
Loans to and deposits with credit institutions	0	0	110	0	110
Loans to and claims on customers	0	0	8 149	0	8 149
Financial derivatives	0	38	0	6	44
Total financial assets	0	38	8 259	6	8 303
Liabilities to credit institutions	0	0	594	0	594
Financial derivatives	0	0	0	9	9
Borrowings raised through the issue of securities	737	0	6 400	0	7 137
Total financial debt	737	0	6 994	9	7 740

## 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Debt securities issued with floating interest rate are measured at amortised cost. Differences between admission cost and settlement amount at maturity is amortised over the life of the loan using the effective interest method.

The company's debt securities with fixed interest

rates are assessed by using fair value hedging with changes in value shown over the profit and loss account. Losses and gains, resulting from changes in value due to changes in market interest, of debt securities with fixed interest are recognised through profit or loss 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.

(MNOK)	Booked value	Fair value	Booked value	Fair value	Booked value	Fair value
	30.09.2012	30.09.2012	30.09.2011	30.09.2011	31.12.2011	31.12.2011
Loans to and deposits with credit institutions	111	111	101	101	110	110
Loans to and claims on customers	10 621	10 621	7 750	7 750	8 148	8 148
Financial derivatives	75	75	37	37	44	44
<b>Total financial assets</b>	<b>10 807</b>	<b>10 807</b>	<b>7 888</b>	<b>7 888</b>	<b>8 302</b>	<b>8 302</b>
Liabilities to credit institutions	875	875	563	563	594	594
Financial liabilities measured at amortised cost	8 544	8 584	6 125	6 233	6 400	6 370
Hedged financial liabilities with changes in value, due to changes in market interest rates, recognised in the income statement	765	759	737	711	737	721
Financial derivatives	0	0	22	22	9	9
<b>Total financial liabilities</b>	<b>10 184</b>	<b>10 218</b>	<b>7 447</b>	<b>7 529</b>	<b>7 740</b>	<b>7 694</b>

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 entered at amortised cost. It is assumed that the book values provide the best approximation to the fair value. Fair value of

securities is calculated allowing for change in the market interest rates and change in the credit margin.

## 6 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Financial instruments not traded in an active market are valued based on own value judgments on the basis of current market conditions, or valuation from other market players.

### 30.09.12

(MNOK)	Valuation based on prices in an active market Level 1	Valuation based on observed market information Level 2	Valuation based on other than observed market information Level 3
Assets			
Financial derivatives	-	75	-
Debt			
Financial derivatives	-	-	-

The company's securities issued on fixed rate terms, or that are denominated in foreign currency, have a shortfall of NOK 72 million, and financial derivatives (interest rate and currency swaps) have an excess

value of NOK 75 million as per 30.09.12. The net change in value of debt securities and related derivatives was NOK 3 million as per 30.09.12.

### 30.09.11

(MNOK)	Valuation based on prices in an active market Level 1	Valuation based on observed market information Level 2	Valuation based on other than observed market information Level 3
Assets			
Financial derivatives	-	37	-
Debt			
Financial derivatives	-	22	-

### 31.12.11

(MNOK)	Valuation based on prices in an active market Level 1	Valuation based on observed market information Level 2	Valuation based on other than observed market information Level 3
Assets			
Financial derivatives	-	44	-
Debt			
Financial derivatives	-	9	-

## 7 ISSUED COVERED BONDS

Securities issued on variable rate terms are stated at amortised cost. Fair value hedging with value changes through the profit and loss account is used for the company's securities issued on fixed rate terms (NO0010588072).

### Covered bonds (MNOK)

ISIN code	Currency	Nominal value 30.09.2012	Interest	Issue	Maturity	30.09.2012	31.12.2011	30.09.2011
NO0010499825	NOK	-	3M Nibor + 0.40 %	2009	2012	-	141	141
NO0010499833	NOK	1 000	3M Nibor + 0.45 %	2009	2014	1 000	1 000	1 000
NO0010499841	NOK	1 500	3M Nibor + 0.50 %	2009	2016	1 500	1 500	1 500
NO0010564982	NOK	1 250	3M Nibor + 0.40 %	2010	2015	1 248	1 248	1 248
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 492	999	999
NO0010588072	NOK	700	fixed 4.75 %	2010	2025	765	738	737
NO0010601396	SEK	-	3M Stibor + 0.85 %	2011	2016	-	651	638
NO0010625833	NOK	850	3M Nibor + 0.40 %	2011	2014	850	599	599
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	393	261	-
NO0010635873	NOK	800	3M Nibor + 0,49 %	2012	2015	800	-	-
NO0010657232	NOK	1000	3M Nibor + 0,65 %	2012	2018	999	-	-
XS0828616457	SEK	300	3M Stibor + 0,70 %	2012	2017	261	-	-
Total borrowings raised through the issue of securities						9 309	7 137	6 862

Cover pool (MNOK)	30.09.2012	31.12.2011	30.09.2011
Pool of eligible loans 1)	10 395	7 973	7 452
Supplementary assets	111	110	101
Total collateralised assets	10 506	8 083	7 553
Over-collateralisation	112,9 %	113,3 %	111,8 %

1) NOK 227 million of total gross loans are not eligible for the cover pool as at 30.09.12.

## 8 TRANSACTIONS WITH RELATED PARTIES

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

The economic conditions for the transfer of loans from Sparebanken Møre are 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 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 obtaining financing, there is established a revolving guarantee from Sparebanken Møre whose purpose is to ensure timely payments to owners of bonds and derivatives.

The pricing of the services provided to Møre Boligkreditt AS by Sparebanken Møre distinguish 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 lease of premises at Sparebanken Møre. It is assumed that regardless of the operation a certain area of the Bank

that is attributable to the mortgage company is seized during the year. Regardless of the size 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 employers' 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)	30.09.12	30.09.11	2011
Result			
Interest and credit commission income from Sparebanken Møre related to deposits	1	5	6
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	16	9	12
Interest paid to Sparebanken Møre related to securitised debt	52	68	89
Management fee paid to Sparebanken Møre	10	7	10
Balance sheet			
Deposits in Sparebanken Møre	111	101	110
Covered bonds	1 776	2 296	2 302
Loan/credit facility in Sparebanken Møre	875	563	594
Accumulated transferred loan portfolio from Sparebanken Møre	10 622	7 750	8 149

## 9 EQUITY AND RELATED CAPITAL

(MNOK)	Møre Boligkreditt AS		
	30.09.12	30.09.11	2011
Standard method (Basel II)			
Core capital	502	401	531
Supplementary capital	0	0	0
Net equity and subordinated loan capital	502	401	531
Risk-weighted assets (calculation basis for capital adequacy ratio)	4 069	3 017	3 187
Capital adequacy ratio	12,36	13,28	16,65
Core capital ratio	12,36	13,28	16,65

# Highlights

## QUARTERLY RESULTS

(MNOK)	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Net interest and credit commission income	33	31	23	15	15
Total other operating income	1	-1	1	0	-3
Total operating costs	4	6	5	5	4
Result before losses	30	24	19	10	8
Losses on loans, guarantees etc.	0	0	0	1	0
Result before tax	30	24	19	9	8
Tax payable on ordinary result	9	7	5	3	2
Result from ordinary operations after tax	21	17	14	6	6

As a percentage of average assets	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Net interest and credit commission income	1.40	1.38	1.14	0.79	0.85
Total other operating income	0.03	0.00	0.03	-0.02	-0.15
Total operating costs	0.21	0.26	0.25	0.26	0.26
Result before losses	1.22	1.12	0.92	0.51	0.43
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.04	0.00
Result before tax	1.22	1.12	0.92	0.47	0.43
Tax payable on ordinary result	0.34	0.32	0.25	0.14	0.12
Result from ordinary operations after tax	0.88	0.80	0.67	0.33	0.32

## RESULT

(MNOK)	30.09.12	30.09.11	2011
Net interest and credit commission income	87	46	61
Total other operating income	1	-2	-2
Total operating costs	15	14	19
Result before losses	73	30	40
Losses on loans, guarantees etc.	0	0	1
Result before tax	73	30	39
Tax payable on ordinary result	21	8	11
Result from ordinary operations after tax	52	22	28
As a percentage of average assets	30.09.12	30.09.11	2011
Net interest and credit commission income	1.31	0.94	0.90
Total other operating income	0.02	-0.04	-0.03
Total operating costs	0.24	0.29	0.28
Result before losses	1.09	0.62	0.59
Losses on loans, guarantees etc.	0.00	0.00	0.01
Result before tax	1.09	0.62	0.58
Tax payable on ordinary result	0.31	0.17	0.16
Result from ordinary operations after tax	0.78	0.44	0.42

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## 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