

INTERM REPORT 3 QUARTER
NOT AUDITED

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MØRE BOLIGKREDITT

Quarterly 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, IAS 34 (compressed).

Profit and balance sheet performance

The financial statements of Møre Boligkreditt AS show a profit after tax of NOK 22 million per Q3 2011, the same as for the corresponding period in 2010. Interest income amounted to NOK 208 million, compared with NOK 133 million for the same period last year, while interest expenses totalled NOK 162 million, compared with NOK 92 million for the same period last year. Costs amounted to NOK 14 million, compared with NOK 10 million for the corresponding period in 2010.

No losses were registered or write-downs made in Q3 2011. Profit before tax was NOK 30 million, compared with NOK 31 million for the same period last year. The tax expense amounted to NOK 8 million, compared with NOK 9 million for the same period last year. Total assets amounted to NOK 7 905 million at the end of the quarter, compared with NOK 5 484 million at the end of the same quarter last year. Net lending amounted to NOK 7 750 million, compared with NOK 5 380 million for the corresponding period last year, while bank deposits totalled NOK 101 million, compared with NOK 99 million for the same period last year.

In Q3 2011 the company issued one new covered bond loan with a limit of NOK 1 500 million, with the first tranche amounting to NOK 600 million. The loan is listed on the stock exchange in Oslo, Oslo Børs, and is the eighth covered bond loan issued by Møre Boligkreditt AS. In addition, new tranches were drawn for two existing bond loans, raising a total of NOK 600 million. The company has furthermore carried out an early redemption on bond loan with ISIN NO0010499825 for a total of NOK 609 million. The total bond loan debt increased by NOK 591 million to NOK 6 852 million in total at the end of Q3 2011.

Rating of the company's issues of covered bonds

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

Financial strength

Møre Boligkreditt AS's equity and subordinated loan capital amounted to NOK 401 million at the end of Q3 2011,

compared with NOK 421 million at the end of Q3 2010. This corresponds to a capital adequacy/core (tier 1) capital ratio of 13.28 per cent. The risk-weighted balance sheet amounted to NOK 3 017 million at the end of Q3 2011. The capital adequacy ratio has been calculated using the standard approach in the Basel II rules and regulations.

The Board of Directors considers the company's risk-bearing capacity as satisfactory.

Risks

Its licence as a mortgage company means that 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 of Directors 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 concluded between the mortgage company and Sparebanken Møre. The risk management emphasises 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 fulfil their obligations at the agreed time and pursuant to written agreements, and the collateral received 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 2011 total lending had an average debt to asset ratio of 53.7 per cent. The Board of Directors considers the quality of the loan portfolio to be very good and the credit risk to be low.

Market risk

Market risk is the risk that will arise due to the mortgage company's holding or assuming positions in loans and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must pursuant to the law have very low market risk and Board approved restrictions concerning its 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.

Funding risk

Liquidity risk is the risk that the mortgage company will be unable to fulfil 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, in which the mortgage company has an opportunity to extend the term of its borrowing by up to 12 months should the mortgage company experience problems refinancing on the ordinary due date. The Board of Directors considers the mortgage company's funding risk to be low.

Operational risk

Operational risk is the risk of loss due to inadequate or failing internal processes, human error or system failure, 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 of Directors considers the mortgage company's operational risk to be low.

Future prospects

The outlook for the Norwegian economy is good. This is in spite of the fact that the growth outlook for our trading partners has become significantly more negative throughout the summer. Enduring low interest rates and low unemployment will probably contribute to maintaining the level of activity in the housing market and thus credit growth as well for the remainder of the year. Household credit growth has stabilised in the range of 6–7 per cent since January 2009.

Møre Boligkreditt AS is planning further acquisitions from the parent bank's loan portfolio, as well as growth in the issued bond volume for the remainder of 2011.

Ålesund, 18 October 2011
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				
Amounts in NOK million	Notes	30.09.11	30.09.10	3. q. 11	3. q. 10	2010
Interest income		208	133	77	49	191
Interest costs		162	92	62	36	134
Net interest and credit commission income	5	46	41	15	13	57
Net change in value of debt securities and related derivatives		-2	0	-3	0	0
Wages, salaries and general administration costs		3	3	1	1	4
Other operating costs	5	11	7	3	2	10
Total operating costs		14	10	4	3	14
Result before credit losses		30	31	8	10	43
Losses on loans, guarantees etc.	3	0	0	0	0	0
Result from ordinary operations before tax		30	31	8	10	43
Tax payable on ordinary result		8	9	2	3	12
Result from ordinary operations after tax		22	22	6	7	31
Result pr. share (NOK)		54.60	55.76	13.89	18.75	78.14
Diluted earnings pr. share (NOK)		54.60	55.76	13.89	18.75	78.14

Statement of comprehensive income

		Møre Boligkreditt AS				
Amounts in NOK million		30.09.11	30.09.10	3. q. 11	3. q. 10	2010
Result from ordinary operations after tax		22	22	6	7	31
Total comprehensive income from ordinary operations after tax		22	22	6	7	31

Balance sheet

- Statement of financial position as at the end of the period

Amounts in NOK million	Notes	Møre Boligkreditt AS		
		30.09.11	31.12.10	30.09.10
Assets				
Loans to and deposits with credit institutions, on a call basis	2, 4, 5	101	250	99
Flexible loans to customers	2, 3, 4	1 754	1 341	1 227
Instalment loans to customers	2, 3, 4	5 996	4 198	4 152
Financial derivatives		37	0	0
Other assets		8	0	0
Prepayments and accrued income		9	13	6
Total assets		7 905	5 802	5 484
Liabilities and equity capital				
Liabilities to credit institutions, on a call basis	5	563	217	667
Borrowings raised through the issue of securities	4, 5	6 862	5 082	4 348
Financial derivatives		22	16	0
Other liabilities		8	12	9
Accrued liabilities and deferred income		28	24	17
Total liabilities		7 483	5 351	5 041
Share capital				
Share capital		398	398	398
Other paid-in equity capital		0	0	0
Paid-in equity capital		398	398	398
Other equity capital				
Other equity capital		2	53	22
Result from ordinary operations after tax		22	-	22
Equity capital accumulated through retained earnings		24	53	44
Total equity capital		422	451	443
Total liabilities and equity capital		7 905	5 802	5 484

Statement of changes in equity

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

The share capital is distributed over 398 000 shares at NOK 1 000, a total of NOK 398 million. All shares are owned by Sparebanken Møre.

30.09.10				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital as at 31.12.09	197 556	175 000	360	22 196
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Total comprehensive income from ordinary operations after tax	22 193			22 193
Equity capital as at 30.09.10	442 748	398 000	360	44 388

2010				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital as at 31.12.09	197 556	175 000	360	22 196
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Equity capital before allocations	420 556	398 000	360	22 196
Total comprehensive income from ordinary operations after tax	31 100			31 100
Equity capital as at 31.12.10	451 656	398 000	360	53 296

Suggested group contribution amounts to NOK 51 million after tax

Cash Flow Statement

Amounts in NOK million	Møre Boligkreditt AS		
	30.09.11	30.09.10	2010
Cash flow from operational activities			
Interest, commission and fees received	218	139	197
Interest, commission and fees paid	-165	-94	-136
Paid operating expenses	-16	-10	-14
Payment of tax	-8	-8	-8
Net changes relating to instalment loans to customers	-1 797	-1 312	-1 359
Net changes in respect of utilised credit facilities	-414	-460	-574
Net cash flow from operational activities	-2 182	-1 746	-1 894
Cash flow from investment activities	0	0	0
Net cash flow from investment activities	0	0	0
Cash flow from funding activities			
Net changes relating to deposits from Norges Bank and other financial institutions	347	513	62
Net payments received in respect of proceeds from bond issues raised	1 780	1 098	1 831
Payment of dividend and group contribution	-63	0	0
Changes in other debt	-31	0	16
Net cash flow from funding activities	2 033	1 610	1 909
Net changes on cash holdings	-149	-136	15
Holdings of cash 01.01	250	235	235
Holdings of cash 30.09/31.12	101	99	250

1 - Accounting principles

Møre Boligkreditt AS' interim report is prepared in accordance with adopted international accounting standards, International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board and implemented by the EU at 30 September 2011. The interim financial statements have been 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 interim accounts for 1 quarter of 2011.

The principles are outlined in the interim report for 1 quarter of 2011. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 March 2011.

The interim financial statement is not audited.

All amounts are stated in NOK million unless stated otherwise.

2 - Gross loans broken down according to sectors

Amounts in NOK million	Gross loans		
	30.09.11	30.09.10	2010
Sectors			
Agriculture and forestry	2	2	2
Fisheries	2	2	2
Industry and mining	1	1	1
Building and construction	7	8	6
Wholesale and retail trade, hotel industry	6	5	7
Property management	162	100	97
Transport and private service industry	25	21	19
Public entities	0	0	0
Non-Norwegian lending	0	0	0
Miscellaneous	0	0	0
Total Corporate/Public entities	205	139	134
Retail customers	7 545	5 240	5 403
Total Gross loans	7 750	5 379	5 537

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 write-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 sub-groups of loans concerning which objective events indicate that future cash flows that would be used to service the commitments have

Notes

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 models looks at both cash flows out of the company (total borrowing and funding expenses, administration expenses, etc), as well as estimated cash flow into the company (including interest income from customers). The group's model for collective write-downs 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. The company has found no need to make provisions for losses on groups of loans.

4 - Financial liabilities

Securitised debt is classified as being valued at amortised cost.

Covered bonds (Amounts in NOK million)

ISIN code	Currency	Nominal value 30.09.2011	Interest	Issue	Maturity	30.09.2011	31.12.2010	30.09.2010
NO0010499825	NOK	141	3M Nibor + 0.40 %	2009	2012	141	750	750
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	749	499
NO0010575079	NOK	1 000	3M Nibor + 0.55 %	2010	2017	999	599	599
NO0010588072	NOK	700	fixed 4.75 %	2010	2025	737	484	-
NO0010601396	SEK	750	3M Stibor + 0.85 %	2011	2016	638	-	-
NO0010625833	NOK	600	3M Nibor + 0.44 %	2011	2014	599	-	-
Total borrowings raised through the issue of securities						6 862	5 082	4 348

Coverpool (Amounts in NOK million)	30.09.11	31.12.2010	30.09.2010
Pool of eligible loans 1)	7 452	5 391	5 279
Supplementary assets	101	250	99
Total collateralised assets	7 553	5 641	5 378
Over-collateralisation	111.8 %	111.1 %	123.8 %

1) NOK 191 million of total gross loans at the balance sheet date do not qualify for the coverpool.

5 - 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.

Møre Boligkreditt AS and Sparebanken Møre have entered into a "Transfer and Servicing Agreement", and the transactions between the two companies are on commercial terms.

The most important transactions are as follows:

(Amounts in NOK million)	30.09.11	30.09.10	2010
Transferred loan portfolio during the period	4 114	3 862	3 861
Result			
Interest and credit commission income from Sparebanken Møre related to deposits	5	5	6
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	9	6	8
Interest paid to Sparebanken Møre related to securitised debt	68	65	86
Management fee paid to Sparebanken Møre	7	5	7
Balance sheet			
Deposits in Sparebanken Møre	101	99	250
Covered bonds	2 296	2 825	2 818
Loan/credit facility in Sparebanken Møre	563	667	217

6 - Equity and related capital

(Amounts in NOK million)	Møre Boligkreditt AS		
	30.09.11	30.09.10	2010
Standard method (Basel II)			
Core capital	401	421	421
Supplementary capital	0	0	0
Net equity and subordinated loan capital	401	421	421
Risk-weighted assets (calculation basis for capital adequacy ratio)	3 017	2 050	2 146
Capital adequacy ratio	13.28	20.51	19.60
Core capital ratio	13.28	20.51	19.60

Highlights

Quarterly results

(Amounts in NOK million)	3. q. 2011	2. q. 2011	1. q. 2011	4. q. 2010	3. q. 2010
Net interest and credit commission income	15	15	16	16	13
Total other operating income	-3	1	0	0	0
Total operating costs	4	6	4	4	3
Result before losses	8	10	12	12	10
Losses on loans, guarantees etc.	0	0	0	0	0
Result before tax	8	10	12	12	10
Tax payable on ordinary result	2	3	3	3	3
Result from ordinary operations after tax	6	7	9	9	7

As a percentage of average assets	3. q. 2011	2. q. 2011	1. q. 2011	4. q. 2010	3. q. 2010
Net interest and credit commission income	0.85	0.91	1.09	1.16	1.08
Total other operating income	-0.15	0.06	0.00	0.01	0.00
Total operating costs	0.26	0.35	0.24	0.27	0.23
Result before losses	0.43	0.61	0.85	0.90	0.85
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.00	0.00
Result before tax	0.43	0.61	0.85	0.90	0.85
Tax payable on ordinary result	0.12	0.17	0.23	0.25	0.24
Result from ordinary operations after tax	0.32	0.44	0.62	0.65	0.61

Result

(Amounts in NOK million)	30.09.11	30.09.10	2010
Net interest and credit commission income	46	41	57
Total other operating income	-2	0	0
Total operating costs	14	10	14
Result before losses	30	31	43
Losses on loans, guarantees etc.	0	0	0
Result before tax	30	31	43
Tax payable on ordinary result	8	9	12
Result from ordinary operations after tax	22	22	31

As a percentage of average assets	30.09.11	30.09.10	2010
Net interest and credit commission income	0.94	1.20	1.19
Total other operating income	-0.04	0.00	0.00
Total operating costs	0.29	0.30	0.29
Result before losses	0.62	0.90	0.90
Losses on loans, guarantees etc.	0.00	0.00	0.00
Result before tax	0.62	0.90	0.90
Tax payable on ordinary result	0.17	0.25	0.25
Result from ordinary operations after tax	0.44	0.65	0.65



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