

INTERIM REPORT 2 QUARTER
NOT AUDITED

10



MØRE BOLIGKREDITT

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.

Development of the result and balance sheet

The financial statement of Møre Boligkreditt AS shows a profit after tax amounting to TNOK 14 731 for the first half of 2010 compared to TNOK 7 618 for the same period in 2009. Interest income amounted to TNOK 83 802 compared to TNOK 43 439 in the same period last year, while interest expenses amounted to TNOK 56 261 compared to TNOK 30 223 in the same period last year.

Costs amounted to TNOK 7 166 compared to TNOK 2 623 in the same period in 2009. No losses were registered or write-downs made in the first half of 2010. The pre-tax profit thus amounted to TNOK 20 431 compared to TNOK 10 618 for the same time last year. Tax amounted to TNOK 5 700 compared

to TNOK 3 000 in the same period last year.

Total assets at the end of the quarter amounted to NOK 5 082 million compared to NOK 3 453 million at the end of the same period last year. Net lending accounted for NOK 4 800 million compared to NOK 3 151 million in the same period last year, and bank deposits NOK 277 million compared to NOK 299 million for the same period last year.

During the second quarter 2010, Møre Boligkreditt AS acquired NOK 1 311 million of mortgages from Sparebanken Møre.

The company issued NOK 1.5 billion of new covered bonds in Q2 2010, with the first tranche amounting to NOK 600 million. The covered bonds are listed on the Oslo Stock Exchange. This issue was the fifth conducted by Møre Boligkreditt AS.

Rating of the company's issues of covered bonds

In Q2, Møre Boligkreditt AS received a rating for its issues for the first time. The recognised rating agency Moody's has assigned an Aaa-rating to all covered bonds issued by Møre Boligkreditt AS.

Financial strength

Møre Boligkreditt AS' equity and related capital amounted to NOK 421 million at the end of Q2 2010 compared to NOK 177 million at the end of Q2 2009. This corresponds to a capital adequacy/core (tier 1) capital ratio of 22.46 %. The risk-weighted balance sheet amounted to NOK 1 872 million at the end of Q2 2010. The capital adequacy ratio has been calculated using the standard approach in the Basel II rules and regulations. The Board regards the company's risk-bearing capacity as satisfactory.

Risks

As a mortgage company Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations, and regulatory provisions. The company has established guidelines and limits for managing and controlling the various forms of risks.

The credit risk strategy adopted by the mortgage company defines which loans can be acquired by the mortgage company. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

The mortgage company's investments and loans are made in Norwegian kroner (NOK) and at variable rates. The mortgage company had no positions in foreign currency at the end of the

first half of 2010. The Board regards the total market risk as low. The Board also regards the mortgage company's liquidity risk as low.

A management agreement has been signed with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. The Board regards the mortgage company's operational risk as low.

The Board regards the total market risk exposure in the company as low.

Outlook

Household credit growth has stabilised in the range of 6-7 per cent in the last year. We do not expect any major changes during the remainder of the current year. Factors such as low interest rates and low unemployment will help to sustain the level of activity in the housing market.

Møre Boligkreditt AS is planning further acquisitions of loan portfolios from Sparebanken Møre in 2010, and the mortgage company also plans to issue new covered bonds and sell these to domestic and international investors. The mortgage company's covered bonds will be continuously rated by Moody's.

Ålesund, 9 August 2010

The Board of Directors of Møre Boligkreditt AS

Magnar Bolstad
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Kjetil Hauge
CEO

Profit and Loss Account

		Møre Boligkreditt AS				
Amounts in NOK Thousand	Notes	30.06.10	30.06.09	2. q. 10	2. q. 09	2009
Interest and similar income from:						
Loans to and other claims on credit institutions	6	3 134	5 997	2 118	2 879	8 722
Loans to and claims on customers		80 668	37 442	43 484	28 690	99 811
Interest and similar income		83 802	43 439	45 602	31 569	108 533
Interest and similar costs in respect of:						
Debt owed to credit institutions	6	4 529	1 373	3 359	207	2 322
Securities issued for borrowing purposes	6	51 732	28 849	28 693	23 482	70 631
Interest and similar costs		56 261	30 223	32 052	23 689	72 953
Net interest and credit commission income		27 541	13 217	13 550	7 880	35 581
Commission income and revenues from banking services		56	24	36	21	63
Other operating income		56	24	36	21	63
Wages, salaries etc.		1 403	907	702	680	2 369
Administration costs		272	254	133	128	515
Wages, salaries and general administration costs		1 675	1 161	835	808	2 884
Other operating costs	6	5 491	1 462	3 822	1 064	4 367
Total operating costs		7 166	2 623	4 657	1 872	7 251
Result before credit losses		20 431	10 618	8 929	6 029	28 392
Losses on loans, guarantees etc.	4	0	0	0	0	0
Result from ordinary operations before tax		20 431	10 618	8 929	6 029	28 392
Tax payable on ordinary result		5 700	3 000	2 500	1 500	7 950
Result from ordinary operations after tax		14 731	7 618	6 429	4 529	20 443
Result pr. share (NOK) *		37.01	43.53	16.15	25.88	116.82
Diluted earnings pr. share (NOK)*		37.01	43.53	16.15	25.88	116.82

* Prior to capital increase in January 2009 and January 2010

Extended accounts according to IAS 1

		Møre Boligkreditt AS				
		30.06.10	30.06.09	2. q. 10	2. q. 09	2009
Result from ordinary operations after tax		14 731	7 618	6 429	4 529	20 443
Total result from ordinary operations after tax		14 731	7 618	6 429	4 529	20 443

Balance sheet

Amounts in NOK Thousand	Notes	Møre Boligkreditt AS		
		30.06.10	31.12.09	30.06.09
Assets				
Loans to and claims on credit institutions, on a call basis	3, 5, 6	276 617	234 937	298 942
Overdrafts, working capital- and similar facilities	3, 4, 5	1 058 163	766 579	664 971
Instalment loans	3, 4, 5	3 741 777	2 839 280	2 485 735
Prepayments and accrued income		5 164	4 039	3 816
Total assets		5 081 721	3 844 835	3 453 464
Liabilities and equity capital				
Liabilities to credit institutions, on a call basis	6	276 134	154 100	0
Borrowings raised through the issue of securities	5, 6	4 348 028	3 250 254	3 250 540
Other liabilities		5 700	7 950	3 000
Incurred costs and prepaid income		16 573	11 974	15 193
Total liabilities		4 646 435	3 424 279	3 268 733
Share capital				
Paid-in, not registered, capital increase		0	223 000	0
Other paid-in equity capital		360	360	360
Paid-in equity capital		398 360	398 360	175 360
Other equity capital				
Result from ordinary operations after tax		14 731	0	7 618
Equity capital accumulated through retained earnings		36 926	22 195	9 371
Total equity capital		435 286	420 555	184 731
Total liabilities and equity capital		5 081 721	3 844 835	3 453 464

Equity capital

30.06.10				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.09	420 555	398 000	360	22 195
Total result from ordinary operations after tax	14 731			14 731
Equity capital 30.06.10	435 286	398 000	360	36 926

30.06.09				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.08	177 113	175 000	360	1 753
Total result from ordinary operations after tax	7 618			7 618
Equity capital 30.06.09	184 731	175 000	360	9 371

2009				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.08	177 113	175 000	360	1 753
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Equity capital before allocations	400 113	398 000	360	1 753
Suggested set aside for dividend 1)	20 000			20 000
Transferred to other equity capital	443			443
Total result from ordinary operations after tax	20 443			20 443
Equity capital 31.12.09	420 555	398 000	360	22 195

1) The General Meeting decided 10 March 2010 to reduce the proposed dividends to NOK 0. Hence, NOK 20 million is maintained as other equity capital.

Cash Flow Statement

Amounts in NOK Thousand	Møre Boligkreditt AS		
	30.06.10	30.06.09	2009
Cash flow from operational activities			
Interest, commission and fees received	88 457	58 656	120 570
Interest, commission and fees paid	-57 386	-34 038	-76 992
Outgoings relating to operations	-7 166	-2 623	-7 251
Payment of tax	-7 950	-760	-760
Changes relating to loans to and claims on other financial institutions	0	0	0
Changes relating to instalment loans to customers	-902 499	-2 485 735	-2 839 278
Changes in respect of utilised credit facilities	-291 584	-664 971	-766 579
Net cash flow from operational activities	-1 178 128	-3 129 471	-3 570 290
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 Norges Bank and other financial institutions	122 034	0	154 100
Payments received in respect of proceeds from bond issues raised	1 097 774	3 250 540	3 250 254
Changes of equity due to capital increase	0	0	223 000
Net cash flow from funding activities	1 219 808	3 250 540	3 627 354
Net changes on cash holdings	41 680	121 069	57 064
Holdings of cash 01.01	234 937	177 873	177 873
Holdings of cash 30.06/31.12	276 617	298 942	234 937

1 - Accounting principles

The company's interim financial statements are prepared in accordance with Norwegian accounting law and the Ministry of Finance's accounting regulations. Møre Boligkreditt AS uses simplified IFRS. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements are presented in Norwegian kroner (NOK), which is also the company's functional currency. All amounts are

stated in NOK '000s, unless otherwise specified.

Please refer to the annual report for 2009 for a more detailed description of these accounting principles. The interim report was prepared in accordance with the accounting principles and measurement methods used in the annual financial statements.

The interim financial statement is not audited.

2 - Important accounting estimates and assessments based on judgement

The preparation of Møre Boligkreditt AS' financial statement requires the management in some cases to make estimates and assumptions based on their best judgement. The estimates and assumptions used affect the reported amounts for assets, liabilities, income, and costs in the financial statements. A risk exists that the actual results may at a

later time differ to some degree from the estimates and assumptions used. The most important estimates and assumptions which represent a risk of material changes in carrying amounts are write-downs of loans, both individual and group.

3 - Gross loans broken down according to sectors

Amounts in NOK thousand	Gross loans		
	30.06.10	30.06.09	2009
Sectors			
Agriculture and forestry	1 631	1 723	1 686
Fisheries	1 901	1 623	1 604
Industry and mining	0	0	0
Building and construction	8 273	4 450	6 525
Wholesale and retail trade, hotel industry	4 845	6 603	6 563
Property management	100 392	8 360	102 520
Transport and private service industry	17 631	16 546	14 820
Public entities	0	0	0
Non-Norwegian lending	0	0	0
Miscellaneous	0	0	0
Total Corporate/Public entities	134 673	39 305	133 718
Retail customers	4 665 267	3 111 401	3 472 144
Total Gross loans	4 799 940	3 150 706	3 605 859

4 - 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.

Group 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 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 write-downs for losses have been registered are not included in the basis for group write-downs.

The Sparebanken Møre Group has developed its own group write-down 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 model 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 group write-downs is tailored to Møre Boligkreditt AS' assumptions and operations.

No commitments 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 non-performance in the mortgage company's portfolio. The model used for group write-downs does not indicate any need for provisions for losses for groups of loans.

5 - Financial liabilities

Securitised debt is classified as being valued at amortised cost.

Covered bonds (Amounts in NOK thousand)

ISIN code	Currency	Nominal value	Interest	Issue	Maturity	30.06.2010
NO0010499841	NOK	1 500 000	3M Nibor + 0.50 %	2009	2016	1 500 294
NO0010499825	NOK	1 500 000	3M Nibor + 0.40 %	2009	2012	749 948
NO0010499833	NOK	1 500 000	3M Nibor + 0.45 %	2009	2014	1 000 000
NO0010564982	NOK	1 500 000	3M Nibor + 0.40 %	2010	2015	499 293
NO0010575079	NOK	1 500 000	3M Nibor + 0.55 %	2010	2017	598 493
						4 348 028

Cover pool (Amounts in NOK thousand)	30.06.10	30.06.09	31.12.2009
Pool of eligible loans	4 660 881	3 085 886	3 532 655
Supplementary assets	276 617	298 942	234 937
Total collateralised assets	4 937 498	3 384 828	3 767 592
Over-collateralisation	113.6 %	104.2 %	115.9 %

6 - Transactions with related parties

These are transactions between the mortgage company and Sparebanken Møre that are conducted at arm's length and at arm's length prices. Credit and deposits in the parent company are priced

on commercial terms. Other costs (rent, office supplies, IT equipment, etc) are purchased from the parent bank at market prices/market rent.

The most important transactions are as follows:

(Amounts in NOK thousand)	30.06.10	30.06.09	2009
Result			
Interest and credit commission income from Sparebanken Møre related to deposits	3 134	5 997	8 722
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	4 529	1 373	2 322
Interest paid to Sparebanken Møre related to securitised debt	41 982	28 385	67 957
Management fee paid to Sparebanken Møre	3 025	1 130	3 661
Balance sheet			
Deposits in Sparebanken Møre	276 617	298 942	234 937
Covered bonds	3 004 410	3 059 500	3 040 367
Loan/credit facility in Sparebanken Møre	276 134	0	154 100

7 - Equity and related capital

(Amounts in NOK million)	Møre Boligkreditt AS		
Standard method (Basel II)	30.06.10	30.06.09	2009
Core capital	421	177	400
Supplementary capital	0	0	0
Net equity and subordinated loan capital	421	177	400
Risk-weighted assets (calculation basis for capital adequacy ratio)	1 872	1 277	1 428
Capital adequacy ratio	22.46	13.86	28.01
Core capital ratio	22.46	13.86	28.01

Highlights

Quarterly results

Amounts in NOK thousand	2. q. 2010	1. q. 2010	4. q. 2009	3. q. 2009	2. q. 2009
Net interest and credit commission income	13 550	13 991	12 197	10 167	7 880
Total other operating income	36	20	21	18	21
Total operating costs	4 657	2 509	2 551	2 077	1 872
Result before losses	8 929	11 502	9 667	8 108	6 029
Losses on loans, guarantees etc.	0	0	0	0	0
Result before tax	8 929	11 502	9 667	8 108	6 029
Tax payable on ordinary result	2 500	3 200	2 450	2 500	1 500
Result from ordinary operations after tax	6 429	8 302	7 217	5 608	4 529

As a percentage of average assets	2. q. 2010	1. q. 2010	4. q. 2009	3. q. 2009	2. q. 2009
Net interest and credit commission income	1.20	1.42	1.38	1.35	1.28
Total other operating income	0.00	0.00	0.00	0.00	0.00
Total operating costs	0.41	0.25	0.29	0.28	0.30
Result before losses	0.79	1.17	1.09	1.08	0.98
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.00	0.00
Result before tax	0.79	1.17	1.09	1.08	0.98
Tax payable on ordinary result	0.22	0.32	0.28	0.33	0.24
Result from ordinary operations after tax	0.57	0.85	0.81	0.75	0.74

Result

Amounts in NOK thousand	30.06.10	30.06.09	2009
Net interest and credit commission income	27 541	13 217	35 581
Total other operating income	56	24	63
Total operating costs	7 166	2 623	7 251
Result before losses	20 431	10 618	28 392
Losses on loans, guarantees etc.	0	0	0
Result before tax	20 431	10 618	28 392
Tax payable on ordinary result	5 700	3 000	7 950
Result from ordinary operations after tax	14 731	7 618	20 443

As a percentage of average assets	30.06.10	30.06.09	2009
Net interest and credit commission income	1.30	1.70	1.47
Total other operating income	0.00	0.00	0.00
Total operating costs	0.34	0.34	0.30
Result before losses	0.96	2.04	1.18
Losses on loans, guarantees etc.	0.00	0.00	0.00
Result before tax	0.96	2.04	1.18
Tax payable on ordinary result	0.27	0.39	0.33
Result from ordinary operations after tax	0.69	1.65	0.85

Statement pursuant to section 5-6 of the Securities Trading Act

We confirm, to the best of our knowledge, that the financial statement for the company for the period 1 January to 30 June 2010 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and give a true and fair view of the company's assets, liabilities, financial position and profit or loss as a whole.

We also confirm, to the best of our knowledge, that the interim management report includes:

- a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statement
- a description of the principal risks and uncertainties for the remaining six months of the financial year
- a description of major related parties transactions

Ålesund, 9 August 2010
The Board of Directors of Møre Boligkreditt AS

Magnar Bolstad
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Kjetil Hauge
CEO



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