

INTERIM REPORT 1 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.

Møre Boligkreditt AS acquired its first loan portfolio from Sparebanken Møre in March 2009. The figures for Q1 2009 are therefore not fully comparable with the figures presented for Q1 2010.

Development of the result and balance sheet

The financial statements of Møre Boligkreditt AS show a profit after tax amounting to TNOK 8 302 for Q1 2010 compared to TNOK 3 089 for the same period in 2009. Interest income amounted to TNOK 38 200 compared to TNOK 11 870 in the same period last year, while interest expenses amounted to TNOK 24 209 compared to TNOK 6 533 in the same period last year.

Costs amounted to TNOK 2 509 compared to TNOK 751 in the same period in 2009. No losses were registered or write-downs made in Q1 2010. The pre-tax profit thus amounted to TNOK 11 502 compared to TNOK 4 589 for the same time last year. Tax amounted to TNOK 3 200 compared to TNOK 1 500 in the same period last year.

Total assets at the end of the quarter amounted to NOK 4 203 million compared to NOK 2 838 million at the end of the same quarter last year. Net lending accounted for NOK 3 967 million compared to NOK 2 509 million in the same period last year, and bank deposits NOK 231 million compared to NOK 324 million for the same period last year.

In the Q1 2010, Møre Boligkreditt AS acquired NOK 744 million of mortgages from Sparebanken Møre. The company issued NOK 1.5 billion of new covered bonds in Q1 2010, with the first tranche amounting to NOK 500 million. This issue was the mortgage company's first listing on the Oslo Stock Exchange.

Financial strength

Møre Boligkreditt AS' equity and related capital amounted to NOK 421 million at the end of Q1 2010 compared to NOK 177 million at the end of Q1 2009. This corresponds to a capital adequacy/core (tier 1) capital ratio of 26,94 per cent. The risk-weighted

balance sheet amounted to NOK 1 561 million at the end of Q1 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

Its licence as a mortgage company means 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 risk.

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 Q1 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

Households' demand for credit increased towards the end of 2009. This demand will probably be maintained during 2010 as well due to the outlook of low unemployment and low interest rates.

The growth in the number of covered bond issuers increased strongly in the last year. There is reason to believe that government's measures will contribute to increase the growth in the issuing of covered bonds in 2010.

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 plans to have its issues rated.

Ålesund, 21 April 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	31.03.2010	31.03.2009	2009
Interest and similar income from:				
Loans to and other claims on credit institutions	6	1 016	3 118	8 722
Loans to and claims on customers		37 184	8 752	99 811
Interest and similar income		38 200	11 870	108 533
Interest and similar costs in respect of:				
Debt owed to credit institutions	6	1 170	1 166	2 322
Securities issued for borrowing purposes	6	23 039	5 367	70 631
Interest and similar costs		24 209	6 533	72 953
Net interest and credit commission income		13 991	5 337	35 581
Commission income and revenues from banking services		20	3	63
Other operating income		20	3	63
Wages, salaries etc.		701	227	2 369
Administration costs		139	126	515
Wages, salaries and general administration costs		840	353	2 884
Other operating costs	6	1 669	398	4 367
Total operating costs		2 509	751	7 251
Result before credit losses		11 502	4 589	28 392
Losses on loans, guarantees etc.	4	0	0	0
Result from ordinary operations before tax		11 502	4 589	28 392
Tax payable on ordinary result		3 200	1 500	7 950
Result from ordinary operations after tax		8 302	3 089	20 443
Result pr. share (NOK) *		20.86	17.65	116.82
Diluted earnings pr. share (NOK)*		20.86	17.65	116.82

* Prior to capital increase in January 2009 and January 2010

Extended accounts according to IAS 1

		Møre Boligkreditt AS		
		31.03.2010	31.03.2009	2009
Result from ordinary operations after tax		8 302	3 089	20 443
Total result from ordinary operations after tax		8 302	3 089	20 443

Balance sheet

Amounts in NOK Thousand	Notes	Møre Boligkreditt AS		
		31.03.2010	31.12.2009	31.03.2009
Assets				
Loans to and claims on credit institutions, on a call basis	3, 5, 6	231 073	234 937	324 278
Overdrafts, working capital- and similar facilities	3, 4, 5	894 576	766 579	532 344
Instalment loans	3, 4, 5	3 072 622	2 839 280	1 976 827
Prepayments and accrued income		4 741	4 039	4 834
Total assets		4 203 012	3 844 835	2 838 283
Liabilities and equity capital				
Liabilities to credit institutions, on a call basis	6	0	154 100	0
Borrowings raised through the issue of securities	5, 6	3 749 510	3 250 254	2 650 000
Other liabilities		10 770	7 950	2 230
Incurred costs and prepaid income		13 875	11 974	5 851
Total liabilities		3 774 155	3 424 279	2 658 081
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		8 302	0	3 089
Equity capital accumulated through retained earnings		30 497	22 195	4 842
Total equity capital		428 857	420 555	180 202
Total liabilities and equity capital		4 203 012	3 844 835	2 838 283

Equity capital

31.03.10				
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	8 302			8 302
Equity capital 31.03.10	428 857	398 000	360	30 497

31.03.09				
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	3 089			3 089
Equity capital 31.03.09	180 202	175 000	360	4 842

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		
	31.03.10	31.03.09	2009
Cash flow from operational activities			
Interest, commission and fees received	40 121	17 725	120 570
Interest, commission and fees paid	-24 911	-11 367	-76 992
Outgoings relating to operations	-2 509	-751	-7 251
Payment of tax	-380	-31	-760
Changes relating to loans to and claims on other financial institutions	0	0	0
Changes relating to instalment loans to customers	-233 344	-1 976 827	-2 839 278
Changes in respect of utilised credit facilities	-127 997	-532 344	-766 579
Net cash flow from operational activities	-349 020	-2 503 595	-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	-154 100	0	154 100
Payments received in respect of proceeds from bond issues raised	499 256	2 650 000	3 250 254
Changes of equity due to capital increase	0	0	223 000
Net cash flow from funding activities	345 156	2 650 000	3 627 354
Net changes on cash holdings	-3 864	146 405	57 064
Holdings of cash 01.01	234 937	177 873	177 873
Holdings of cash 31.03/31.12	231 073	324 278	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 statements are not audited.

2 - Important accounting estimates and assessments based on judgement

The preparation of Møre Boligkreditt AS' financial statements 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		
	31.03.10	31.03.09	2009
Sectors			
Agriculture and forestry	1 668	976	1 686
Fisheries	1 582	949	1 604
Industry and mining	0	0	0
Building and construction	7 885	3 331	6 525
Wholesale and retail trade, hotel industry	5 046	3 443	6 563
Property management	100 709	4 975	102 520
Investment	7 213	3 154	5 134
Transport and private service industry	8 809	11 471	9 686
Public entities	0	0	0
Non-Norwegian lending	0	0	0
Miscellaneous	0	0	0
Total Corporate/Public entities	132 912	28 299	133 718
Retail customers	3 834 286	2 480 872	3 472 144
Total Gross loans	3 967 198	2 509 171	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	31.03.2010
NO0010499841	NOK	1 500 000	3M Nibor + 0.50 %	2009	2016	1 500 305
NO0010499825	NOK	1 500 000	3M Nibor + 0.40 %	2009	2012	749 943
NO0010499833	NOK	1 500 000	3M Nibor + 0.45 %	2009	2014	1 000 000
NO0010564982	NOK	1 500 000	3M Nibor + 0.50 %/0.40 %	2010	2015	499 262
						3 749 510

Cover pool (Amounts in NOK thousand)	31.03.10	31.12.2009
Pool of eligible loans	3 840 414	3 532 655
Supplementary assets	231 073	234 937
Total collateralised assets	4 071 487	3 767 592
Over-collateralisation	108.6 %	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)	31.03.10	31.03.09	2009
Result			
Interest and credit commission income from Sparebanken Møre related to deposits	1 016	3 118	8 722
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	1 170	1 166	2 322
Interest paid to Sparebanken Møre related to securitised debt	20 263	5 102	67 957
Management fee paid to Sparebanken Møre	1 335	830	3 661
Balance sheet			
Deposits in Sparebanken Møre	231 073	324 278	234 937
Covered bonds	3 040 420	2 650 000	3 040 367
Loan/credit facility in Sparebanken Møre	0	0	154 100

7 - Equity and related capital

(Amounts in NOK million)	Møre Boligkreditt AS		
Standard method (Basel II)	31.03.10	31.03.09	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)	1 561	1 052	1 428
Capital adequacy ratio	26.94	16.83	28.01
Core capital ratio	26.94	16.83	28.01

Highlights

Quarterly results

Amounts in NOK thousand	1. q. 2010	4. q. 2009	3. q. 2009	2. q. 2009	1. q. 2009
Net interest and credit commission income	13 991	12 197	10 167	7 880	5 337
Total other operating income	20	21	18	21	3
Total operating costs	2 509	2 551	2 077	1 872	751
Result before losses	11 502	9 667	8 108	6 029	4 589
Losses on loans, guarantees etc.	0	0	0	0	0
Result before tax	11 502	9 667	8 108	6 029	4 589
Tax payable on ordinary result	3 200	2 450	2 500	1 500	1 500
Result from ordinary operations after tax	8 302	7 217	5 608	4 529	3 089

As a percentage of average assets	1. q. 2010	4. q. 2009	3. q. 2009	2. q. 2009	1. q. 2009
Net interest and credit commission income	1.42	1.38	1.35	1.28	3.35
Total other operating income	0.00	0.00	0.00	0.00	0.00
Total operating costs	0.25	0.29	0.28	0.30	0.47
Result before losses	1.17	1.09	1.08	0.98	2.89
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.00	0.00
Result before tax	1.17	1.09	1.08	0.98	2.89
Tax payable on ordinary result	0.32	0.28	0.33	0.24	0.94
Result from ordinary operations after tax	0.85	0.81	0.75	0.74	1.95

Result

Amounts in NOK thousand	31.03.10	31.03.09	2009
Net interest and credit commission income	13 991	5 337	35 581
Total other operating income	20	3	63
Total operating costs	2 509	751	7 251
Result before losses	11 502	4 589	28 392
Losses on loans, guarantees etc.	0	0	0
Result before tax	11 502	4 589	28 392
Tax payable on ordinary result	3 200	1 500	7 950
Result from ordinary operations after tax	8 302	3 089	20 443

As a percentage of average assets	31.03.10	31.03.09	2009
Net interest and credit commission income	1.42	3.35	1.47
Total other operating income	0.00	0.00	0.00
Total operating costs	0.25	0.47	0.30
Result before losses	1.17	2.89	1.18
Losses on loans, guarantees etc.	0.00	0.00	0.00
Result before tax	1.17	2.89	1.18
Tax payable on ordinary result	0.32	0.94	0.33
Result from ordinary operations after tax	0.85	1.95	0.85

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