



MØRE BOLIGKREDITT

Møre Boligkreditt AS

Investor Presentation

Q1 2016



Summary

Norway

- The Norwegian mainland economy has grown since late 2009, but GDP growth is slowing down
- Large government budget surplus and still strong household sector despite increase in unemployment
- Ability and willingness to move monetary and financial policy in more expansive direction if needed
- Well managed petroleum wealth, value of government pension fund well above Norway's GDP
- Still good labour market performance with low unemployment and high participation

Møre og Romsdal county

- Population in the county of 265 060 in January 2016
- Dominant industrial and commercial sectors are fisheries, tourism, maritime- and oil related industry
- Count for approximately 1/3 of Norway's total export of food, mainly fish and fishery products
- Registered unemployment in February is 3.4 per cent, just above national average level of 3.3 per cent
- Below-average national housing prices and above-average disposable household income levels

Sparebanken Møre

- Eighth largest savings bank in Norway - good financial performance - total assets of NOK 60.1 billion
- Strong position in the banks main market, the county of Møre og Romsdal
- Close to 68 per cent of lending is to retail customers, of which more than 95 per cent are mortgages
- Strong capitalization reflected by Core Capital of 16.6 per cent and Core Tier 1 of 14.2 per cent
- The Bank is rated A2 (stable outlook) by Moody's

Møre Boligkreditt AS

- Wholly owned subsidiary of Sparebanken Møre
- Sparebanken Møre's most important source of long term market funding
- Sparebanken Møre is the only source for mortgages transferred to the Cover Pool
- 12 Covered Bond loans with a total outstanding of NOK 15.2 billion
- All Covered Bond loans issued by Møre Boligkreditt AS have been rated Aaa by Moody's



Type of collateral	100 % residential properties
Number of loans	15 334
Type of mortgages (based on loan balance)	80 % Repayment Loans 20 % Flexible Loans
Fixed and floating rate loans	All loans are currently floating rate
Average loan balance (NOK 1000)	1 162
WA indexed LTV	54.75 % (Based on Loan-balance) 55.78 % (Based on Loan-limit)
WA remaing terms (months)	203
WA seasoning (months)	36
Loans in default (90 days past due)	No loans in default or with write-downs
Eligible value of the loan-portfolio (NOK mill)	17 816
Supplementary assets (NOK mill)	581
Cover pool (NOK mill)	18 397
Outstanding covered bonds (NOK mill)	15 225
Over-Collateralisation (%)	20,8 % (reported) 3,0 % (Moody's Aaa target) 10,5 % (Committed)

Outstanding Covered Bonds Loans

Bond loans		Currency / Interest rate (margin)	Issuance in 2015				Outstanding Amount	Held by Group	Initial tenor	Final Maturity Date ***
(NOK millions)			Q1	Q2	Q3	Q4				
<1Y	NO 0010499841	NOK / +0,50 %					828	224	7Y	27.04.2016
<5Y	NO 0010575079	NOK / +0,55 %					1 500	10	7Y	29.05.2017
	XS 0828616457	SEK / +0,70 %					700		5Y	13.09.2017
	NO 0010699028	NOK / +0,37 %					750		4Y	12.12.2017
	NO 0010657232	NOK / +0,65 %			500		2 500		6Y	06.09.2018
	NO 0010676018	NOK / +0,47 %	750				2 000		6Y	10.05.2019
	NO 0010696990	NOK / +0,45 %			1 200		2 000		7Y	16.01.2020
	NO 0010720204	NOK / +0,24 %		500			2 500		6Y	23.09.2020
	XS 0968459361	EUR / +0,20 %					30		7Y	22.10.2020
<10Y	NO 0010730187*	NOK / 1,50 %	750	250			1 000		7Y	10.02.2022
	NO 0010588072*	NOK / 4,75 %					1 050		15Y	29.09.2025
>10Y	XS 0984191873*	EUR / 2,81 %					25		15Y	04.09.2028

* Fixed interest loans

** Sparebanken Møre Group

*** All issues by Møre Boligkreditt AS have an option of 12 month Soft-Call, or 12 month extendable maturity

Exposures in the form of covered bonds

Møre Boligkreditt AS confirms that covered bond issued by Møre Boligkreditt AS are compliant with the CRD-requirement set forth in the Eurosystem guidelines.

Møre Boligkreditt AS confirms that information required in Regulation (EU) No 575/2013 (CRR) Article 129 (7) is made available to investors in accordance with Article 129 (7b).

Covered bonds issued by Møre Boligkreditt AS are eligible for preferential treatment set out in CRR Article 129 (4)



Ratings

Sparebanken Møre Issuer Rating

A2

Last published Credit Opinion:

10 April 2016

- Adjusted Baseline Credit Assessment (BCA):

Baa1

- Bank deposit:

A2 / Prime-1

- Rating outlook:

Stable

Møre Boligkreditt AS Covered Bond Programme

Aaa

Last published Performance Overview:

18 February 2016

- Timely Payment Indicator (TPI):

High

- TPI Leeway:

4 notch(es)

- OC level consistent with current rating :

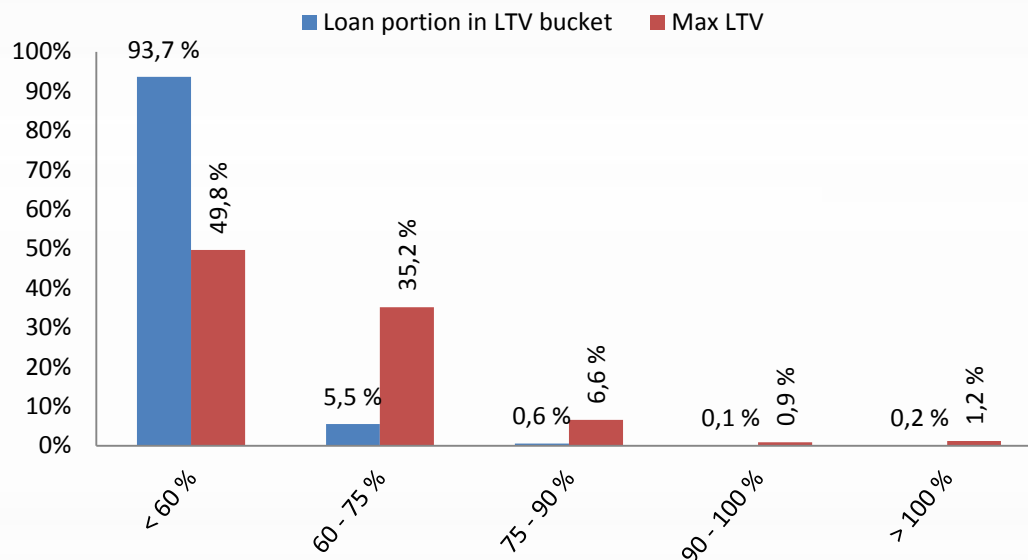
3.0 %

- Collateral Score:

5.0 %

Portfolio and LTV distribution

LTV-Distribution



Property valuations by external appraiser, selling price or certified valuation assessment

The value of the residential properties serving as collateral for the portfolio of mortgages are updated quarterly using the models of AVM company, Eiendomsverdi AS

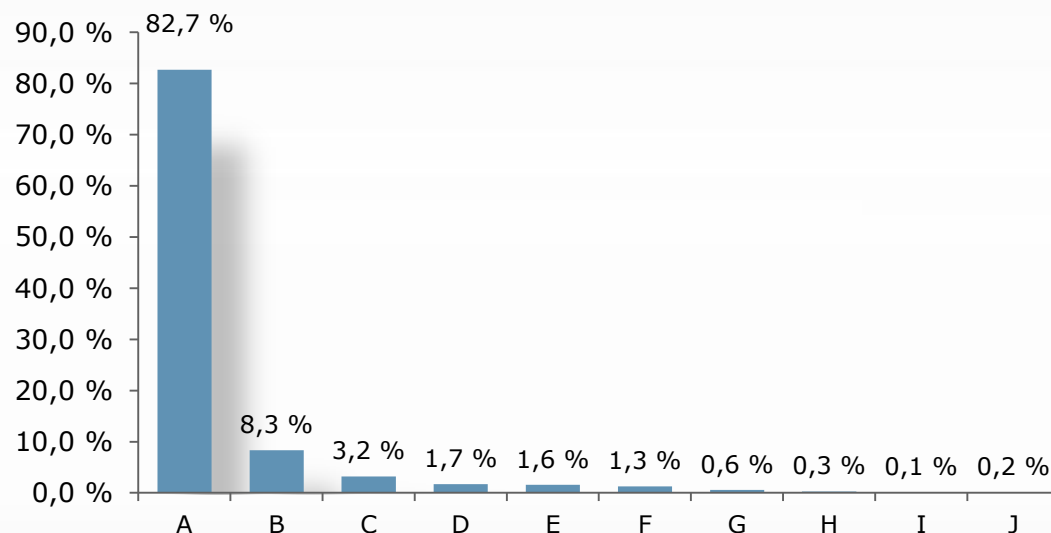
If a mortgage after a quarterly update exceeds 75 per cent LTV, only the portion below 75 per cent will be included in the cover pool

The value of the residential properties serving as collateral for the portfolio of mortgages are quarterly stressed for fall in housing-prices

Stressed fall in housing-prices	WA indexed LTV	Over-collateralisation (OC)	OC with Management Action
0 %	54,7	20,8 %	22,9 %
10 %	59,4	18,6 %	20,6 %
15 %	62,9	16,5 %	18,5 %
30 %	76,3	6,4 %	8,5 %

*Management Action do not involve transferring of additional mortgages from parent bank.

Risk category distribution



99.4 %* of loan-volume in the cover pool are in low risk category A-H **

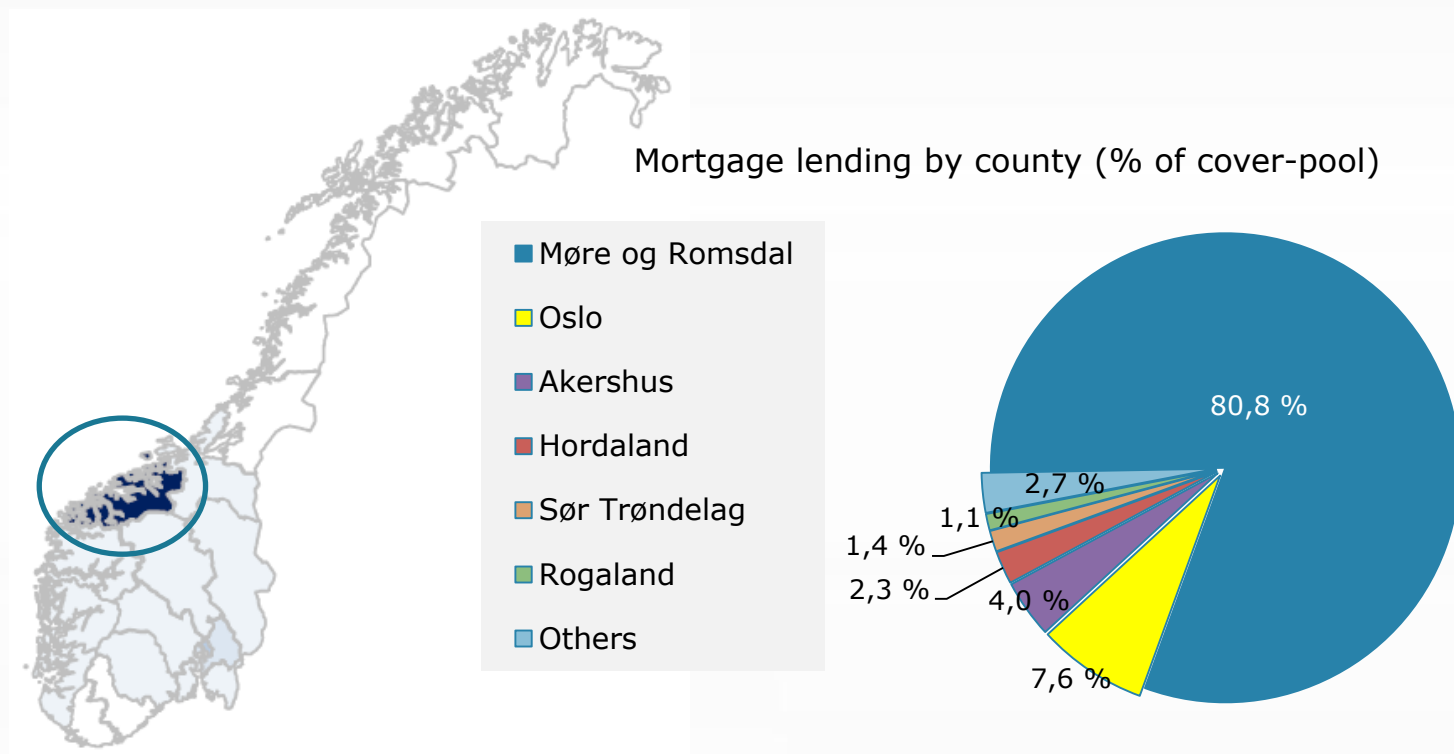
Risk category target

* Based on Sparebanken Møre's internal risk scoring models on PD (probability of default)

** Cover pool target: Minimum 90 % of all loans in the PD-range 0 – 5 %, category A - H

Risk category	A	B	C	D	E	F	G	H	I	J
pd RANGE (%)	0.00-0.10	0.10-0.25	0.25-0.50	0.50-0.75	0.75-1.25	1.25-2.00	2.00-3.00	3.00-5.00	5.00-8.00	8.00-

Geographical location of the cover pool



The highest regional concentration is in Sparebanken Møre's main market, Møre og Romsdal county, and mainly in centralized areas with well functioning real estate markets

Key characteristics

Home ownership

- Among the highest in the world – around 80% of households own their own home
- Limited buy-to-let market

Mortgage lending requirements

- LTV shall not exceed 85%
- Min. amortization of 2.5% per year or max. 30 year repayment if LTV exceed 70%
- Debt-service ability should be stressed for a 5 % increase in customer interest rate

Personal Liability

- Borrowers are personally liable for their debt – also after foreclosure / forced sale
- Transparent and reliable information about borrowers available to the lenders

Mortgage lending

- More than 95% of all mortgage lending is granted by banks / mortgage companies
- Approximately 90% of residential mortgages are floating rate loans
- The interest rate on floating rate mortgages can be increased with six weeks notice
- Typical residential mortgage maturity is 25-30 years

Social benefits

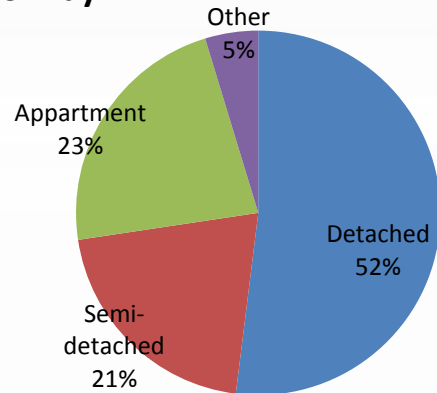
- According to OECD, Norway has the best unemployment benefits
- On average about 60% of previous salary paid benefit for 104 weeks minimum

Tax incentives

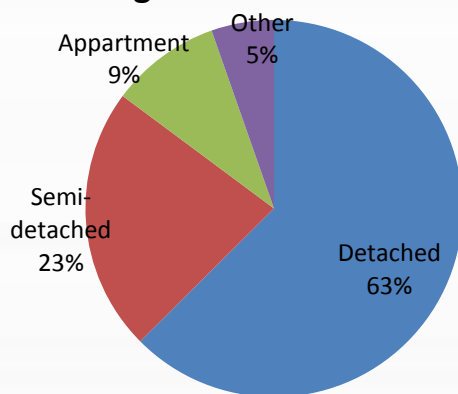
- All interest expenses are tax deductible at capital gains tax rate (27%)
- Property is given preferential treatment when calculating wealth tax
- Capital gain on dwellings is tax free under certain circumstances

Differences in housing types and prices

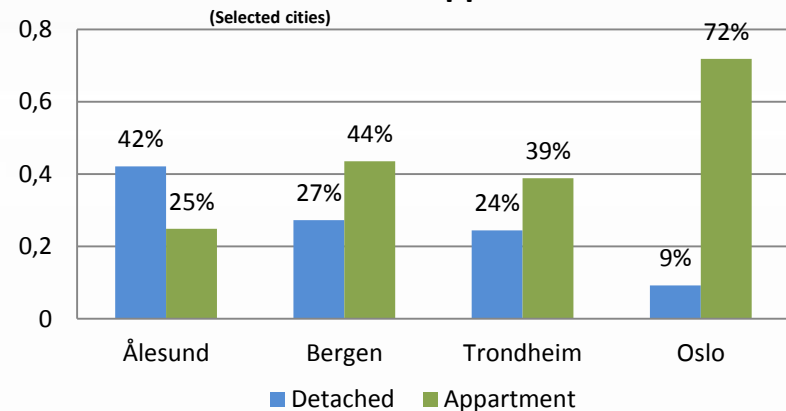
**Household housing type distribution
- Norway**



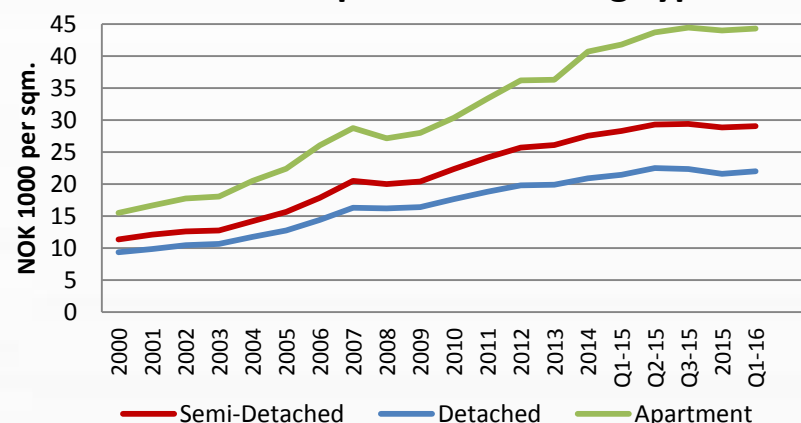
**Household housing type distribution
- Møre og Romsdal**



**Housing type distribution
- Detached vs apartment
(Selected cities)**



Price development / housing types



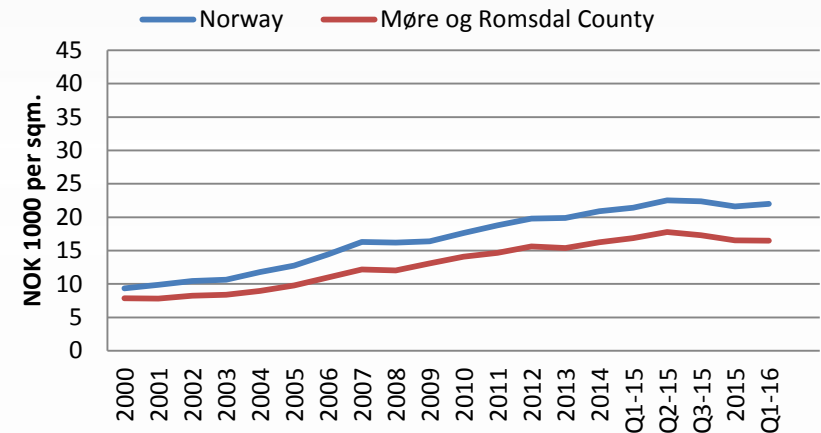
In Møre og Romsdal county detached and semi-detached housing are more common.

Differences in development of housing prices

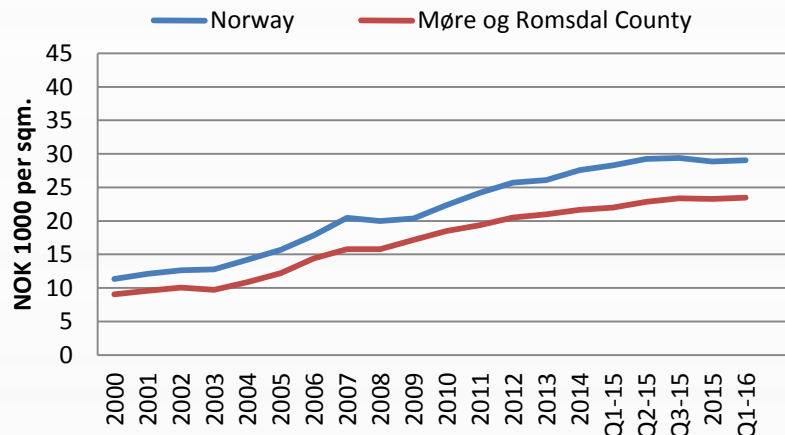
Year-over-year average growth in Norwegian housing prices by March 2016 is 5.6 per cent, compared to 2.2 per cent in Møre og Romsdal.

The average national price per square meter in Norway is higher than the average price per square meter in the county of Møre og Romsdal.

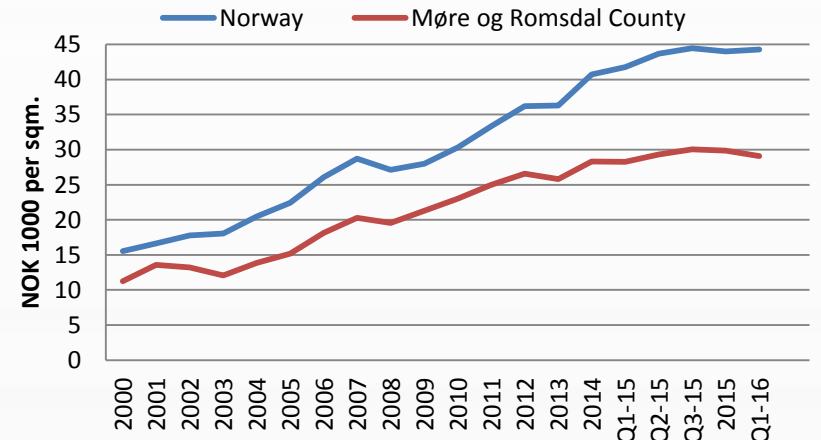
Detached



Semi-detached



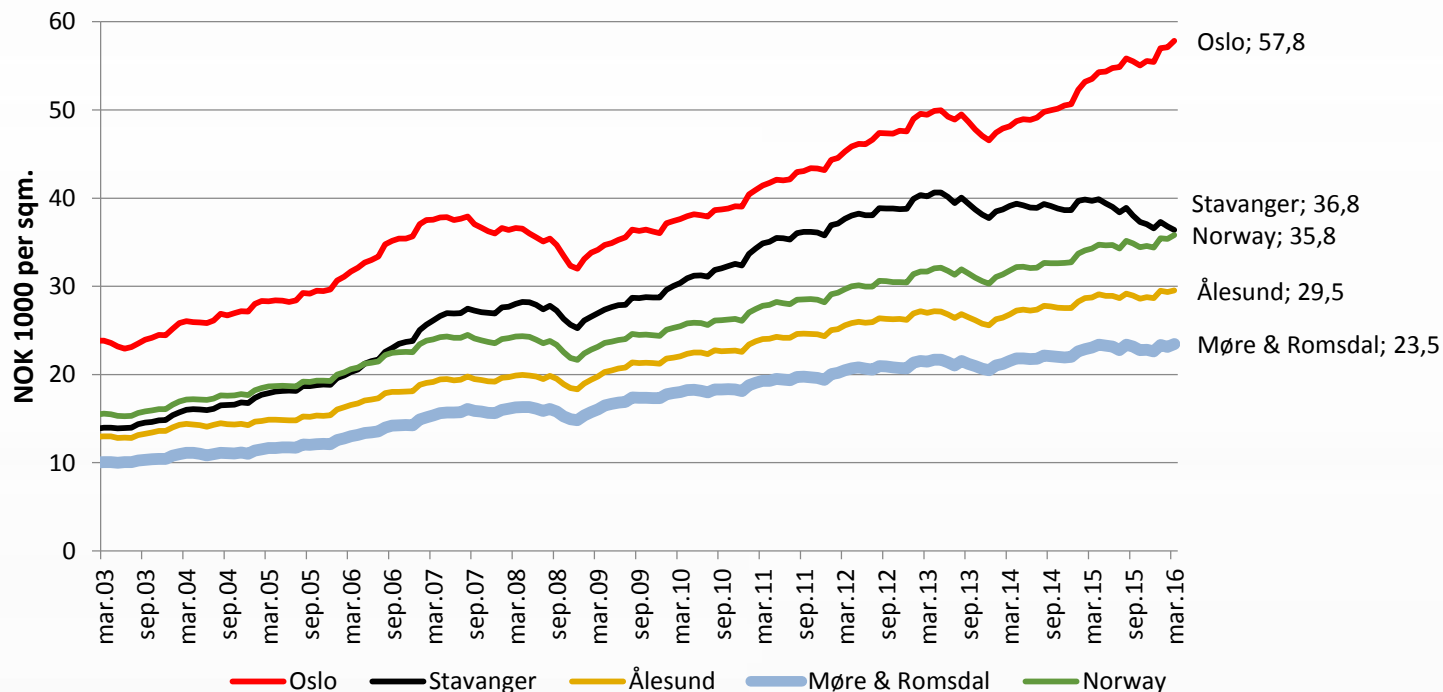
Apartment



Differences in house price

Development in average house prices

- NOK 1000 per square meter



The average median house price in Norway is NOK 2.7 million, compared to NOK 2.4 million in the county of Møre og Romsdal.

In Oslo the average median house price is NOK 3.3 million, compared to NOK 3.1 million in Stavanger and NOK 2.4 million in the city of Ålesund.



Appendix



STATEMENT OF INCOME

Amounts in NOK million	Note	Q1 2016	Q1 2015	2015
Interest income		124	147	551
Interest expenses		64	72	278
Net interest income	<u>9</u>	60	75	273
Commission income		0	0	0
Net change in value of debt securities issued and related derivatives		4	8	1
Wages, salaries and general administration costs		1	1	2
Other operating costs		7	6	29
Total operating costs		8	7	31
Profit before impairment on loans and taxes		56	76	243
Impairment on loans	<u>3</u>	0	0	2
Pre tax profit		56	76	241
Taxes		14	21	65
Profit after tax		42	55	176



STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q1 2016	Q1 2015	2015
Profit after tax	42	55	176
Other comprehensive income	0	0	0
Total comprehensive income after tax	42	55	176

Assets

Amounts in NOK million	Note	31.03.2016	31.03.2015	31.12.2015
Loans to and receivables from credit institutions	5 6 9	242	569	285
Loans to and receivables from customers	2 3 4 5 7 9	18 023	15 772	16 907
Certificates and bonds	5 7 9	339	208	403
Financial derivatives	5 7	546	391	485
Deferred tax asset		0	1	0
Total assets		19 150	16 941	18 080



Liabilities and equity

Amounts in NOK million	Note	31.03.2016	31.03.2015	31.12.2015
Loans from credit institutions	<u>5 6 9</u>	1 942	1 164	970
Debt securities issued	<u>5 6</u>	15 765	14 483	15 711
Financial derivatives	<u>5 7</u>	5	24	6
Tax payable		42	62	63
Deferred tax liability	<u>5 6</u>	1	0	1
Total liabilities		17 755	15 733	16 751
Share capital	<u>10</u>	975	975	975
Share premium		175	175	175
Not inscribed capital increase		200	0	0
Paid-in equity		1 350	1 150	1 150
Other equity		3	3	179
Profit for the period		42	55	0
Retained earnings		45	58	179
Total equity		1 395	1 208	1 329
Total liabilities and equity		19 150	16 941	18 080

In Norway covered bonds are issued by single-purpose mortgage credit entities. These entities are owned by parent banks and take direct ownership of the mortgage collateral backing the covered bond issuance.

Mortgage credit entities are supervised by The Financial Supervisory Authority of Norway - Finanstilsynet - and are subject to the ordinary Norwegian regulation of credit institutions which is in line with the corresponding EU rules.

According to laws and regulations, the cover pool may consist of the following assets:

- Mortgage assets (residential < 75 % LTV, commercial < 60 % LTV)
- Public assets
- Substitution assets (maximum 20 % of the cover pool)

Organisation and regulation

Møre Boligkreditt AS is wholly owned by Sparebanken Møre, established in October 2008, and received its license from the Norwegian FSA 6th of November 2008

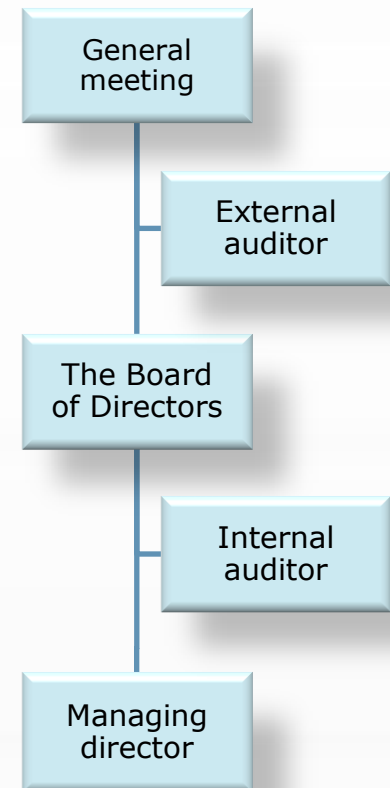
9th March 2009 the first transaction between Sparebanken Møre and Møre Boligkreditt AS took place

Sparebanken Møre is Møre Boligkreditt AS' only source for transferring mortgages to the Cover Pool, and Sparebanken Møre's most important source of long term market funding

A "Revolving Credit Facility" in Sparebanken Møre is covering payment obligations for the next rolling 12 months

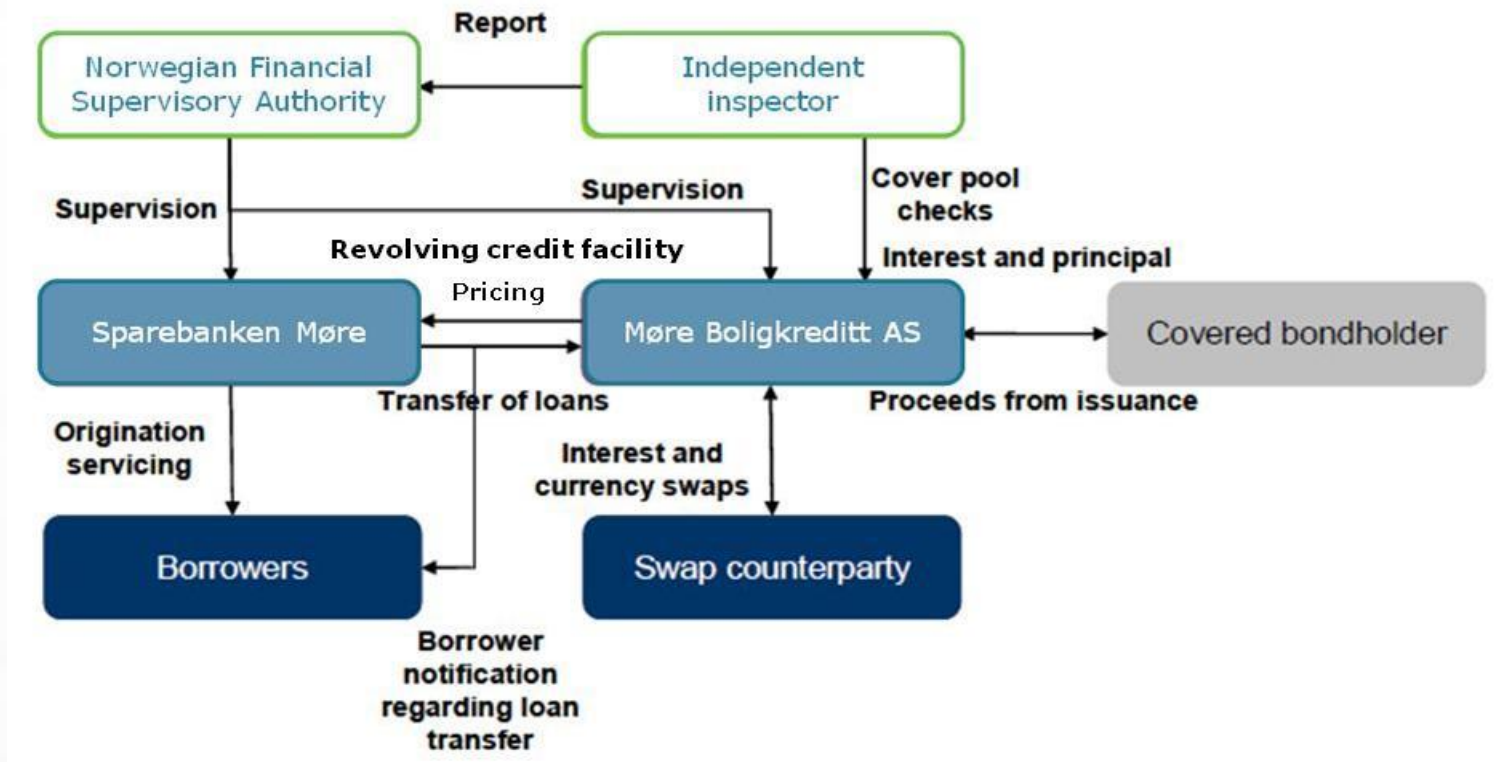
Covered bonds issues with fixed rate or in other currencies than NOK, are swapped to 3MNibor by approved counterparties

Møre Boligkreditt AS has entered into an "Transfer and Service Agreement" (TSA) and an "Internal pricing agreement" with Sparebanken Møre, and outsourced a number of services connected into the management of the portfolio



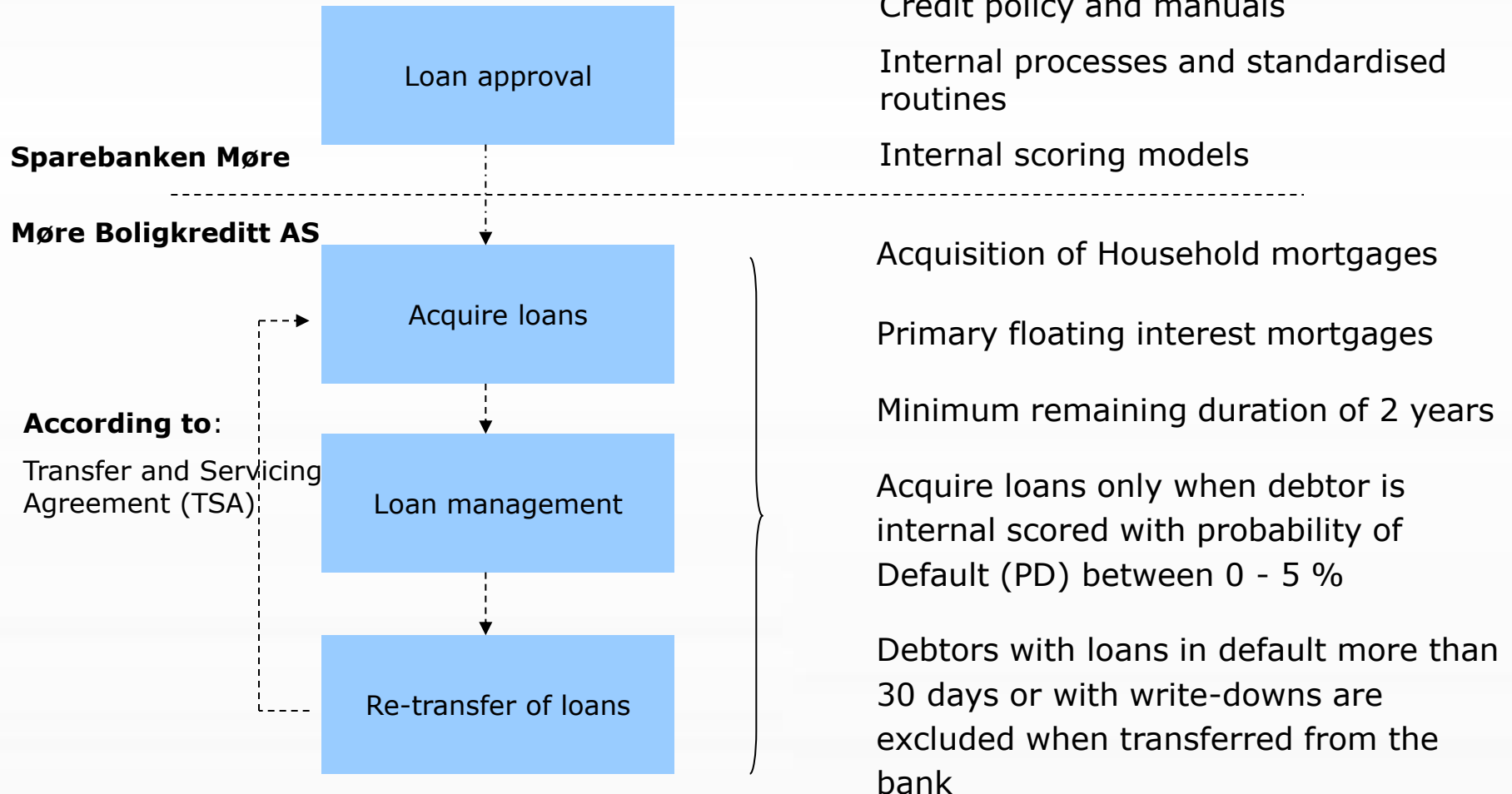
Programme set-up

The following chart illustrates the organizational framework behind, -and the roles of the parties involved in the issuance of Covered Bonds in Møre Boligkreditt AS.



The revolving credit facility in Sparebanken Møre secures Møre Boligkreditt AS' payment obligations to bondholders for the next 12 months

Credit process and selection criteria



Eligibility criteria

Origination	<ul style="list-style-type: none">• Mortgage loans solely originated by Sparebanken Møre• Loan-by-loan origination
Customer criteria	<ul style="list-style-type: none">• Norwegian residents (Retail and self-employed individuals)• Cooperative housing associations
Credit criteria	<ul style="list-style-type: none">• Probability of default maximum 5%• Not in arrears,• Not delinquent above 30 days, and with no customer write downs
Collateral criteria	<ul style="list-style-type: none">• LTV \leq 75% at time of origination• Recent valuation, within 6 months from time of origination• Quarterly valuation by independent AVM provider, documented
Property type	<ul style="list-style-type: none">• Residential dwelling mortgages• Cooperative housing residential mortgages
Type of products	<ul style="list-style-type: none">• Principal repayment loans• Revolving credits (flexi-loans)• Fixed and floating interest rate loans (Currently all loans are floating rate loans)

Property valuation method

Upon inclusion of loans in the cover pool, a prudent market value shall be set. Market value for a property shall be set individually by an independent and competent person. The valuation shall be documented. However, valuation of residential properties may be based on general price levels

Predominantly, residential properties in Norway are sold in an open auction in the market. Hence the actual selling price in principle reflects the market value and a recent sales contract may serve as documentation of the market value of a property

The mortgage credit institution shall establish systems for monitoring subsequent price developments. Should property prices later fall, that part of a mortgage that exceeds the relevant LTV limit is still part of the cover pool and protects the holders of preferential claims. However, that part of a loan that exceeds the LTV limit is not taken into account when calculating the value of the cover pool compared with outstanding covered bonds. The same principle applies to loans that are in default, i.e. more than 90 days in arrears

Loan to value ratios (LTV) and monitoring are fixed by the Regulation, in accordance with the EU Directive 2006/48/EC. For residential mortgages the loan to value ratio (LTV) is 75 %, and for other mortgages 60 %. The mortgage credit institution shall monitor the development of the LTV of the individual asset as well as the market of the underlying assets, according to the Act, and in accordance with the said directive

Automated valuation method (AVM)

Møre Boligkreditt AS and Sparebanken Møre make use of the services of the independent Norwegian AVM, **Eiendomsverdi AS**, in valuation of residential property:

- Eiendomsverdi AS receives information on more than 90 % of all housing sales in Norway, and uses statistical models for calculating residential property values
- Each mortgage will be assessed according to the value of the related property received from the models of Eiendomsverdi AS, and will only qualify to Møre Boligkreditt AS if the mortgage is below 75 % LTV
- Eiendomsverdi AS categorises the estimates according to 7 accuracy levels. In order to reduce the overestimation, the estimate can be downgraded up to 40 % depending on level of accuracy.
- The value of the residential properties serving as collateral for the portfolio of mortgages are updated quarterly using the models of Eiendomsverdi AS. If a mortgage on a later stage exceeds 75 % LTV, only the portion of the mortgage below 75 % will be included in the cover pool
- We do not allow additional information to be put into the valuation model unless this information is documented

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