

INTERIM REPORT  
4 QUARTER  
UNAUDITED

14



MØRE BOLIGKREDITT

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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 is licensed to operate as a mortgage company, issuing covered bonds. Møre Boligkreditt AS is Sparebanken Møre's most important source of market funding and an important part of the parent bank's long-term funding strategy.

The accounts have been prepared in accordance with IFRS.

## Fourth quarter results

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 64 million in fourth quarter 2014, compared to NOK 64 million in fourth quarter 2013. Net interest income amounted to NOK 77 million, compared to NOK 73 million for the same period last year. Costs amounted to NOK 8 million in fourth quarter 2014, compared with NOK 7 million in the corresponding quarter in 2013.

Møre Boligkreditt AS has not established losses or impairment for individual losses in fourth quarter 2014, or made changes in the collective impairment. Tax amounted to NOK 17 million in the fourth quarter of 2014, compared to NOK 18 million in fourth quarter 2013. Profit after tax amounted to NOK 47 million in fourth quarter 2014, compared to NOK 46 million in the corresponding quarter 2013.

Møre Boligkreditt AS' net lending was reduced by NOK 597 million in fourth quarter 2014. Møre Boligkreditt AS drew NOK 500 million on an existing bond loan. One bond loan matured and was fully repaid

by NOK 850 million, and Møre Boligkreditt AS made partial early redemptions of NOK 442 million in two bond loans maturing in first half of 2015.

## Fourth quarter end results

By end of fourth quarter 2014 the financial statements show a profit before tax of NOK 261 million, compared to NOK 211 million by fourth quarter end 2013. Net interest income amounts to NOK 298 million by fourth quarter end 2014, compared to NOK 240 million by end of same period last year. Costs in the period ending 31 December 2014 amounts to NOK 29 million, compared with NOK 26 million for the corresponding period 2013.

The amount allocated for collective impairment is NOK 2 million by fourth quarter end 2014, compared to NOK 1 million by fourth quarter end 2013. Profit after tax amounts to NOK 191 million by fourth quarter end 2014, compared to NOK 152 million by fourth quarter end 2013. Tax amounts to NOK 70 million in 2014, compared to NOK 59 million in 2013.

Total assets by fourth quarter end 2014 amounts to NOK 16 252 million compared to NOK 15 792 million by fourth quarter end 2013. Net lending amounts to NOK 15 544 million by fourth quarter end 2014, compared with NOK 14 884 million by fourth quarter end 2013. By fourth quarter end 2014, the company's substitute assets included in the cover pool amounts to NOK 312 million, including receivables from credit institutions of NOK 104 million, compared to NOK 738 million by fourth quarter end 2013. Møre Boligkreditt

AS have fourteen bond loans outstanding by 31 December 2014, with a total bond loan debt of NOK 13 983 million compared to NOK 13 698 million by 31 December 2013.

## Rating

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

## Capital strength

Paid-in equity and other equity amounts to NOK 1 053 million by end of fourth quarter 2014, compared to NOK 703 million by end of fourth quarter 2013. This corresponds to a capital adequacy/core capital ratio of 15.43 per cent. Risk-weighted assets amount to NOK 6 817 million by end of fourth quarter 2014. The Financial Supervisory Authority of Norway has approved Sparebanken Møre Group for the use of internal rating based (IRB) models to calculate capital requirements for credit risk in the corporate portfolios. Until further notice, the Group still has to use the standard approach in the Basel II regulations for calculating capital adequacy in the retail portfolios. The Board regards the company's interest bearing capacity as satisfactory.

## Risks

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 company's various risk exposures. The Board and the CEO of Møre Boligkreditt AS are responsible for ensuring that proper risk management is estab-

lished, and that such risk management is adequate and complies with current laws and regulations. Operational risk management in Møre Boligkreditt AS is maintained by Sparebanken Møre according to a service agreement concluded between Møre Boligkreditt AS and Sparebanken Møre. Risk management emphasizes identifying, measuring and managing the company's risk elements in a manner that ensures that 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 that the received collateral is not covering outstanding claims. The credit risk strategy adopted by the company defines which loans that can be acquired by the company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At end of fourth quarter 2014, the mortgages in the cover pool had an average loan-to-value ratio of 55 per cent, calculated as mortgage amount relative to the value of the property used as collateral. 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's holding or assuming positions in lending and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must, pursuant to the Finan-

cial Institution Act, have very low market risk and Board approved restrictions concerning its maximum exposure to market risk. The company utilizes 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 positions in fixed interest and foreign currencies are hedged with financial derivatives. The Board considers the overall market risk as low.

## Liquidity risk

Liquidity risk is the risk that Møre Boligkreditt AS will be unable to fulfill its obligations without substantial extra costs being incurred in the form of decline in asset values, forced sales or more expensive funding. The company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. A 12 months rolling revolving credit facility guarantee from Sparebanken Møre ensures timely payments to derivative counterparties and owners of bonds issued by Møre Boligkreditt AS. Furthermore the bonds have a soft bullet structure in which the company has the opportunity to extend the term of its borrowing by up to 12 months. The Board regards the 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 entered into a management agreement with Sparebanken Møre. The services covered by this agreement include administration, produc-

tion, IT operations, and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependent of Sparebanken Møre's ability to manage this type of risk, Møre Boligkreditt AS independently bear risk associated with errors in the deliveries and services provided by Sparebanken Møre. The evaluation of the management and control of operational risk is also afforded considerable space in the Group's annual ICAAP. The operational and established yearly internal control report, both within Sparebanken Møre and by the CEO of Møre Boligkreditt AS, is an important tool for reducing operational risk. The internal control reports will help identifying any operational risk, and enable action to be taken. The Board regards the company's operational risk as low.

## Outlook

The Norwegian economy remains strong, but will probably experience somewhat lower growth in the coming quarters. This is due to the fall in oil price, and the expected decline in petroleum investments in 2015. A strong household sector due to low interest rates and low unemployment, together with a solid public sector will keep the production levels high in several sectors. The weak NOK is positive for the competitiveness of the export industry, and for the tourist industry.

Should the Norwegian economy be hit harder than expected, monetary and financial policy could quickly be moved in an even more expansive direction. The development of house prices, together with growth in debt, is probably the most important risk factors to Norwegian households.

Important risk factors going forward are also the oil price, growth on export markets and the NOK exchange rate.

The activity level of businesses located in Møre og Romsdal County will most likely remain high despite the expected decline in the petroleum investments. However, the growth in production will probably not be strong enough to prevent unemploy-

ment from rising somewhat. The registered unemployment rate in Norway was 2.7 per cent in December, compared to 2.1 per cent in the county of Møre og Romsdal. We expect unemployment in the county to remain below national levels also during 2015.

The Board believes that the still relatively good climate for businesses and industry

in Norway, and in the county of Møre og Romsdal, combined with low interest rates and increase in household income, will contribute to further mortgage loan growth in Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to acquire further mortgage loan portfolios from the parent bank, and also to further increase volume of outstanding bond loans.

Ålesund, 28 January 2015

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					
(MNOK)	Notes	Q4 2014	Q4 2013	2014	2013
Interest income	2	157	150	616	527
Interest expenses	2	80	77	318	287
Net interest income	2, 6	77	73	298	240
Net change in value of debt securities issued and related derivatives		-5	-2	-7	-3
Wages, salaries and general administration costs		1	1	2	3
Other operating costs	6	7	6	27	23
Total operating costs		8	7	29	26
Profit before impairment on loans and taxes		64	64	262	211
Impairment on loans	3	0	0	1	0
Pre tax profit		64	64	261	211
Taxes		17	18	70	59
Profit after tax		47	46	191	152

## STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS					
(MNOK)	Notes	Q4 2014	Q4 2013	2014	2013
Profit after tax		47	46	191	152
Other comprehensive income		0	0	0	0
Total comprehensive income after tax		47	46	191	152



## STATEMENT OF FINANCIAL POSITION

MØRE BOLIGKREDITT AS			
(MNOK)	Notes	31.12.14	31.12.13
<b>Assets</b>			
Loans to and receivables from credit institutions	2, 4, 5, 6	104	531
Loans to and receivables from customers	2, 3, 4	15 544	14 884
Certificates and bonds	4, 5	208	207
Financial derivatives	4, 5	395	169
Deferred tax asset		1	1
Total assets	7	16 252	15 792
<b>Liabilities and equity</b>			
Loans from credit institutions	4, 6	915	1 131
Debt securities issued	4, 5, 6	14 023	13 744
Financial derivatives	4, 5	0	2
Tax payable		70	60
Total liabilities		15 008	14 937
Share capital		875	700
Share premium		175	0
Other paid-in equity		0	0
Paid-in equity		1 050	700
Other equity		194	155
Retained earnings		194	155
Total equity		1 244	855
Total liabilities and equity	7	16 252	15 792

## STATEMENT OF CHANGES IN EQUITY

### 2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2013	855	700	0	0	155
Total comprehensive income for the period	191				191
Issue of share capital and premium	350	175	175		
Dividends	-152				-152
Equity as at 31 December 2014	1 244	875	175	0	194

The share capital is distributed over 700 000 shares at NOK 1 250, a total of NOK 875 million. All shares are owned by Sparebanken Møre.  
Proposed dividend amounts to NOK 191 million as per 31 December 2014.

### 2013

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2012	581	500	0	0	81
Total comprehensive income for the period	152				152
Issue of share capital	200	200			
Dividends	-78				-78
Equity as at 31 December 2013	855	700	0	0	155

Proposed dividend amounts to NOK 152 million as per 31 December 2013.



## CASH FLOW STATEMENT

	MØRE BOLIGKREDITT AS	
(MNOK)	2014	2013
<b>Cash flow from operating activities</b>		
Interest, commission and fees received	572	534
Interest, commission and fees paid	-285	-297
Operating expenses paid	-29	-29
Income taxes paid	-60	-30
Payment for acquiring loans from the Parent Bank	-5 043	-7 468
Payment related to instalment loans and credit lines to customers	4 362	3 933
Net cash flow from operating activities	-483	-3 357
<b>Cash flow from investing activities</b>		
Proceeds from the sale of certificates, bonds and other securities	245	0
Purchases of certificates, bonds and other securities	-244	-207
Changes in other assets	-10	1
Net cash flow from investing activities	-9	-206
<b>Cash flow from financing activities</b>		
Net change in loans from credit institutions	-217	144
Proceeds from bond issues	2 509	4 139
Redemption of debt securities	-2 460	-515
Dividend and group contribution paid	-152	-78
Changes in other debt	35	-21
Issue of share capital and premium	350	200
Net cash flow from financing activities	65	3 869
Net change in cash and cash equivalents	-427	306
Cash balance at 01.01	531	225
Cash balance at 31.12	104	531

## 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 principles,

and with the same methodology as the annual accounts for 2013. The principles are outlined in the annual report for 2013. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2013.

The interim financial statements are not audited.

All amounts are stated in NOK million unless stated otherwise.

## 2 OPERATING SEGMENTS

Møre Boligkreditt AS has only one segment in its business 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)	LOANS	
Sectors	2014	2013
Agriculture and forestry	3	2
Fisheries	1	1
Manufacturing	7	5
Building and construction	26	23
Wholesale and retail trade, hotels	9	8
Property management	264	188
Transport and private/public services	55	38
Public entities	0	0
Activities abroad	0	0
Miscellaneous	0	0
Total corporate/public entities	365	265
Retail customers	15 160	14 599
Accrued interest income	21	21
Loans, nominal amount	15 546	14 885
Collective impairment	-2	-1
Loans to and receivables from customers	15 544	14 884

(MNOK)	NET INTEREST INCOME	
	2014	2013
Interest income from:		
Loans to and receivables from credit institutions	5	5
Loans to and receivables from customers	611	522
Interest income	616	527
Interest expenses in respect of:		
Loans from credit institutions	29	30
Debt securities issued	289	257
Interest expenses	318	287
Net interest income	298	240

### 3 IMPAIRMENT, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt AS reviews its loan portfolio every quarter. Commitments 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 impairment 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 all collateral has been liquidated and there is no doubt that the mortgage company will not receive further payments relating to the commitment, the impairment 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 cancellation agreement is reached with the customer.

Collective impairments are calculated for subgroups of loans when 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 for which individual impairments have been registered are not included in the basis for collective impairment.

The Sparebanken Møre Group has developed its own collective impairment 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 impairment is tailored to Møre Boligkreditt AS' assumptions and operations.

No exposures in the company's lending portfolio were identified on the date of the financial position needing individual impairments. Nor do the lending statistics on this date show any registered non-performance in the mortgage company's portfolio. Total impairment amounts to NOK 2 million as at 31 December 2014.

### 4 FINANCIAL ASSETS AND LIABILITIES

All lending and receivables are recorded at amortised cost. Amortised cost is also used for floating rate securities issued.

The company's debt securities issued with fixed interest rates are accounted for using fair value hedging. Losses and gains, resulting from changes in value due to changes in market interest, of debt securities with fixed interest are recognised in the income statement 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 after deducting impairment.

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 recognised at amortised cost. Fair value of debt securities is calculated allowing for change in the market interest rates and change in the credit margin.

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

FINANCIAL ASSETS	31.12.2014		31.12.2013	
	Fair value	Book value	Fair value	Book value
(MNOK)				
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	208	208	207	207
Financial derivatives	395	395	169	169
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	104	104	531	531
Loans to and receivables from customers	15 544	15 544	14 884	14 884

FINANCIAL LIABILITIES	31.12.2014		31.12.2013	
(MNOK)	Fair value	Book value	Fair value	Book value
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	0	2	2
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	1 572	1 533	1 343	1 335
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	915	915	1 131	1 131
Debt securities issued	12 585	12 490	12 483	12 409

Financial instruments not traded in an active market are valued in-house by the use of appropriate valuation techniques and current market conditions, or valued based on quotes or input from other market players.

31.12.14	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	208	0	208
Financial derivatives	0	395	0	395
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	104	0	104
Loans to and receivables from customers	0	0	15 544	15 544
Total financial assets	0	707	15 544	16 251
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	0	0	0
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 533	0	1 533
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	915	0	915
Debt securities issued	0	12 490	0	12 490
Total financial liabilities	0	14 938	0	14 938

31.12.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	207	0	207
Financial derivatives	0	169	0	169
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	531	0	531
Loans to and receivables from customers	0	0	14 884	14 884
Total financial assets	0	907	14 884	15 791
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	2	0	2
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 335	0	1 335
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 131	0	1 131
Debt securities issued	0	12 409	0	12 409
Total financial liabilities	0	14 877	0	14 877

## 5 ISSUED COVERED BONDS

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

COVERED BONDS (MNOK)							
ISIN code	Currency	Nominal value 31.12.2014	Interest	Issue	Maturity	31.12.2014	31.12.2013
NO0010499833	NOK	0	3M Nibor + 0.45 %	2009	2014	0	488
NO0010499841	NOK	828	3M Nibor + 0.50 %	2009	2016	828	1 500
NO0010564982	NOK	1 008	3M Nibor + 0.40 %	2010	2015	1 008	1 249
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 495	1 494
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 266	1 122
NO0010625833	NOK	0	3M Nibor + 0.40 %	2011	2014	0	850
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	432	428
NO0010635873	NOK	950	3M Nibor + 0.49 %	2012	2015	950	1 151
NO0010657232	NOK	2 000	3M Nibor + 0.65 %	2012	2018	2 010	1 502
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	675	668
NO0010676018	NOK	1 250	3M Nibor + 0.47 %	2013	2019	1 249	1 249
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	252	198
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	270	251
NO0010696990	NOK	800	3M Nibor + 0.45 %	2013	2020	799	799
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	750	749
NO0010720204	NOK	2 000	3M Nibor + 0.24 %	2014	2020	1 999	0
Total securities issued						13 983	13 698
Accrued interest						40	46
Financial derivatives to hedge securities (liabilities)						0	2
Financial derivatives to hedge securities (assets)						-395	-169
Total borrowings raised through the issue of securities						13 628	13 577

  

COVER POOL (MNOK)		31.12.2014	31.12.2013
Pool of eligible loans 1)		15 110	14 563
Supplementary assets		312	738
Total collateralised assets		15 422	15 301
Collateralisation		13.4 %	13.0 %

1) NOK 417 million of total gross loans are not eligible for the cover pool as at 31.12.14.

## 6 TRANSACTIONS WITH RELATED PARTIES

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

Loans from Sparebanken Møre are transferred at 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 a 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 in obtaining financing, there is established a revolving guarantee from Sparebanken Møre where the purpose is to ensure timely payments to owners of bonds and derivative counterparties.

The pricing of the services provided to Møre Boligkreditt AS by Sparebanken Møre distinguishes 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 the lease of premises at Sparebanken Møre. It is assumed that regardless of operations, a certain area of the bank attributable to the mortgage company is utilised during the year. Regardless

of the extent 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 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)	31.12.2014	31.12.2013
<b>Income statement</b>		
Interest and credit commission income from Sparebanken Møre related to deposits	5	5
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	29	30
Interest paid to Sparebanken Møre related to bonded debt	6	34
Management fee paid to Sparebanken Møre	22	19
<b>Statement of financial position</b>		
Deposits in Sparebanken Møre	104	531
Covered bonds	25	673
Loan/credit facility in Sparebanken Møre	915	1 131
Accumulated transferred loan portfolio from Sparebanken Møre	15 544	14 884



## 7 EQUITY AND RELATED CAPITAL

(MNOK)	MØRE BOLIGKREDITT AS	
IRB approach (Basel II)	31.12.2014	31.12.2013
Core capital	1 052	703
Supplementary capital	0	0
Net equity and subordinated loan capital	1 052	703
Risk-weighted assets (calculation basis for capital adequacy ratio)	6 817	–
Capital adequacy ratio	15.43	–
Core capital ratio	15.43	–

The Financial Supervisory Authority of Norway has approved Sparebanken Møre Group for the use of internal rating based (IRB) models to calculate capital requirements for credit risk in the corporate portfolios. Until further notice, the Group still has to use the standard approach in the Basel II regulations for calculating capital adequacy in the retail portfolios.

Due to transitional rules, the minimum capital requirement for the fourth quarter of 2014 cannot be reduced below 80 per cent in relation to the requirements according to Basel I rules. Capital adequacy for the fourth quarter is reported according to the transitional rules.

The schedule below shows capital adequacy according to Basel II without regard to the rules of transition:

(MNOK)	MØRE BOLIGKREDITT AS	
IRB approach (Basel II)	31.12.2014	31.12.2013
Risk-weighted assets (calculation basis for capital adequacy ratio)	6 736	5 737
Capital adequacy ratio	15.62	12.25
Core capital ratio	15.62	12.25

# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Net interest income	77	72	73	76	73
Total other operating income	-5	1	1	-4	-2
Total operating costs	8	6	8	7	7
Profit before impairment on loans and taxes	64	67	66	65	64
Impairment on loans	0	0	1	0	0
Pre tax profit	64	67	65	65	64
Taxes	17	18	18	17	18
Profit after tax	47	49	47	48	46
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>Q4 2014</b>	<b>Q3 2014</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>
Net interest income	1.90	1.90	1.99	1.92	1.94
Total other operating income	-0.13	0.03	0.02	-0.09	-0.05
Total operating costs	0.18	0.17	0.22	0.17	0.18
Profit before impairment on loans and taxes	1.59	1.76	1.79	1.66	1.71
Impairment on loans	0.00	0.00	0.02	0.00	0.00
Pre tax profit	1.59	1.76	1.77	1.66	1.71
Taxes	0.43	0.47	0.48	0.44	0.48
Profit after tax	1.16	1.29	1.29	1.22	1.23
Average total assets (MNOK)	16 138	15 144	14 820	15 805	14 840

## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	2014	2013
Net interest income	298	240
Total other operating income	-7	-3
Total operating costs	29	26
Profit before impairment on loans and taxes	262	211
Impairment on loans	1	0
Pre tax profit	261	211
Taxes	70	59
Profit after tax	191	152
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>2014</b>	<b>2013</b>
Net interest income	1.93	1.86
Total other operating income	-0.05	-0.02
Total operating costs	0.19	0.20
Profit before impairment on loans and taxes	1.69	1.64
Impairment on loans	0.00	0.00
Pre tax profit	1.69	1.64
Taxes	0.46	0.46
Profit after tax	1.23	1.18
Average total assets (MNOK)	15 445	12 885



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