

INTERIM REPORT
3 QUARTER
UNAUDITED

15



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.

Third quarter results

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 56 million in third quarter 2015, compared to NOK 67 million in third quarter 2014. Net interest income amounted to NOK 66 million, compared to NOK 72 million for the same period last year. Costs amounted to NOK 7 million in third quarter 2015, compared to NOK 6 million in the corresponding quarter in 2014.

Møre Boligkreditt AS has not established losses or impairment for individual losses in third quarter 2015, nor made any changes to the collective impairment. Tax amounted to NOK 15 million in third quarter of 2015, compared to NOK 18 million in third quarter 2014. Profit after tax amounted to NOK 41 million in third quarter 2015, compared to NOK 49 million in the corresponding quarter 2014.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre, and the company's net lending growth amounted to NOK 910 million in third quarter 2015. Møre Boligkreditt AS drew a total of NOK 1 700

million on two existing floating rate bond loans in third quarter 2015.

Third quarter end results

By third quarter end 2015 the financial statements show a profit before tax of NOK 187 million, compared to NOK 197 million by third quarter end 2014. Net interest income amounted to NOK 208 million by third quarter end 2015, compared to NOK 221 million by end of same period last year. Costs in the period ending 30 September 2015 amounted to NOK 23 million, compared to NOK 21 million for the corresponding period 2014.

The amount allocated for collective impairment was NOK 4 million at third quarter end 2015 compared to NOK 2 million at third quarter end 2014. Profit after tax amounted to NOK 137 million by third quarter end 2015, compared to NOK 144 million by third quarter end 2014. Tax amounted to NOK 50 million in the first nine months of 2015, compared to NOK 53 million the first nine months of 2014.

Total assets at third quarter end 2015 amounted to NOK 18 924 million compared to NOK 16 747 million at third quarter end 2014. Net lending amounted to NOK 16 940 million at third quarter end 2015, compared to NOK 16 141 million at third quarter end 2014. At third quarter end 2015, the company's substitute assets included in the cover pool amounted to NOK 1 478 million, including receivables from credit institutions of NOK 1 074 million, compared to NOK 416 million at third quarter end 2014. Møre Boligkreditt AS had thirteen bond loans outstanding at 30 Sep-

tember 2015 with a total bond loan debt of NOK 16 079 million compared to fifteen bond loans with NOK 14 555 million outstanding at 30 September 2014.

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 amounted to NOK 1 153 million by end of third quarter 2015, compared to NOK 1 053 million by end of third quarter 2014. This corresponds to a capital adequacy/core capital ratio of 14.5 per cent. Risk-weighted assets amounted to NOK 7 727 million by end of third quarter 2015. Møre Boligkreditt AS use internal rating based (IRB) models to calculate capital requirements for credit risk. 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 managing director of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, 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 third quarter 2015, the mortgages in the cover pool had an average loan-to-value ratio of 53 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 Financial 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 com-

pany'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, production, 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 managing director 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 will experience relatively low growth in the coming quarters. The slowdown in growth is mainly due to the low oil price together with the decline in petroleum investments and potential secondary effects. The household sector is supported by low interest rates and low unemployment. A solid public sector will however keep the activity levels high in several sectors. The weak NOK exchange rate is positive for the competitiveness of the export industry and for tourism.

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, economic growth in export markets and development of the NOK exchange rate.

The economic outlook in the county of Møre og Romsdal has not changed significantly in third quarter 2015. There will

be a moderate growth in unemployment also the next quarters, both in Norway as well as in Møre og Romsdal, due to the slowdown of the economy. The registered unemployment rate in Norway was 2.9 per cent in September, up from 2.7 per cent in September 2014, compared to 2.6 per cent in the county of Møre og Romsdal in September 2015. The growth in unemployment in the county of Møre og Romsdal last

twelve months is somewhat higher than the national average growth, up from 2.1 per cent since September 2014.

Retail lending has so far been good, with a growth rate for the Sparebanken Møre Group of 2.1 per cent in third quarter 2015, and 8.7 per cent the last twelve months.

The Board believes that despite the slow-

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

Ålesund, 30 September 2015
19 October 2015

The Board of Directors of Møre Boligkreditt AS

Kjetil Hauge
CHAIRMAN

Geir Tore Hjelle

Britt Iren Tøsse Aandal

Sandra Myhre Helseth

Trond Nydal

Ole Kjerstad
MANAGING DIRECTOR

STATEMENT OF INCOME

MØRE BOLIGKREDITT AS						
(MNOK)	Notes	Q3 2015	Q3 2014	30.09.15	30.09.14	2014
Interest income	2	134	152	420	459	616
Interest expenses	2	68	80	212	238	318
Net interest income	2, 6	66	72	208	221	298
Commission income		0	0	0	0	1
Net change in value of debt securities issued and related derivatives		-3	1	4	-2	-8
Wages, salaries and general administration costs		1	0	2	1	2
Other operating costs	6	6	6	21	20	27
Total operating costs		7	6	23	21	29
Profit before impairment on loans and taxes		56	67	189	198	262
Impairment on loans	3	0	0	2	1	1
Pre tax profit		56	67	187	197	261
Taxes		15	18	50	53	70
Profit after tax		41	49	137	144	191

STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS						
(MNOK)	Notes	Q3 2015	Q3 2014	30.09.15	30.09.14	2014
Profit after tax		41	49	137	144	191
Other comprehensive income		0	0	0	0	0
Total comprehensive income after tax		41	49	137	144	191

STATEMENT OF FINANCIAL POSITION

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	30.09.15	30.09.14	31.12.14
Assets				
Loans to and receivables from credit institutions	2, 4, 5, 6	1 074	209	104
Loans to and receivables from customers	2, 3, 4	16 940	16 141	15 544
Certificates and bonds	4, 5	404	207	208
Financial derivatives	4, 5	505	189	395
Deferred tax asset		1	1	1
Total assets	7	18 924	16 747	16 252
Liabilities and equity				
Loans from credit institutions	4, 6	1 460	897	915
Debt securities issued	4, 5, 6	16 112	14 586	14 023
Financial derivatives	4, 5	12	14	0
Tax payable		50	53	70
Total liabilities		17 634	15 550	15 008
Share capital		975	875	875
Share premium		175	175	175
Other paid-in equity		0	0	0
Paid-in equity		1 150	1 050	1 050
Other equity		3	3	194
Profit for the period		137	144	0
Retained earnings		140	147	194
Total equity		1 290	1 197	1 244
Total liabilities and equity	7	18 924	16 747	16 252

STATEMENT OF CHANGES IN EQUITY

30.09.2015

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2014	1 244	875	175	194
Total comprehensive income for the period	137			137
Issue of share capital	100	100		
Dividends	-191			-191
Equity as at 30 September 2015	1 290	975	175	140

The share capital consists of 780 000 shares at NOK 1 250, a total of NOK 975 million. All shares are owned by Sparebanken Møre. The issue of share capital of NOK 100 million was approved by the Financial Supervisory Authority of Norway 19 March 2015, and updated certificate of registration and articles of association were registered 30 March 2015.

30.09.2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2013	855	700	0	155
Total comprehensive income for the period	144			144
Issue of share capital and premium	350	175	175	
Dividends	-152			-152
Equity as at 30 September 2014	1 197	875	175	147

The share capital consists of 700 000 shares at NOK 1 250, a total of NOK 875 million. All shares are owned by Sparebanken Møre.

2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2013	855	700	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	194

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

CASH FLOW STATEMENT

	MØRE BOLIGKREDITT AS		
(MNOK)	30.09.15	30.09.14	2014
Cash flow from operating activities			
Interest, commission and fees received	421	445	572
Interest, commission and fees paid	-215	-227	-285
Operating expenses paid	-23	-21	-29
Income taxes paid	-71	-59	-60
Payment for acquiring loans from the Parent Bank	-5 640	-4 455	-5 043
Payment related to instalment loans and credit lines to customers	4 242	3 198	4 362
Net cash flow from operating activities	-1 286	-1 119	-483
Cash flow from investing activities			
Proceeds from the sale of certificates, bonds and other securities	35	199	245
Purchases of certificates, bonds and other securities	-234	-198	-244
Changes in other assets	7	-4	-10
Net cash flow from investing activities	-192	-3	-9
Cash flow from financing activities			
Net change in loans from credit institutions	545	-235	-217
Proceeds from bond issues	3 966	1 999	2 509
Redemption of debt securities	-1 958	-1 166	-2 460
Dividend and group contribution paid	-191	-152	-152
Changes in other debt	-14	4	35
Issue of share capital and premium	100	350	350
Net cash flow from financing activities	2 448	800	65
Net change in cash and cash equivalents	970	-322	-427
Cash balance at 01.01	104	531	531
Cash balance at 30.09/31.12	1 074	209	104

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 2014. The principles are outlined in the annual report for 2014. There have been no changes in standards that affect the financial statements of

Møre Boligkreditt AS from 31 December 2014. 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		
	30.09.15	30.09.14	2014
Sectors			
Agriculture and forestry	3	3	3
Fisheries	0	1	1
Manufacturing	9	7	7
Building and construction	28	25	26
Wholesale and retail trade, hotels	8	9	9
Property management	253	266	264
Transport and private/public services	50	54	55
Public entities	0	0	0
Activities abroad	0	0	0
Miscellaneous	0	0	0
Total corporate/public entities	351	365	365
Retail customers	16 572	15 757	15 160
Accrued interest income	21	21	21
Loans, nominal amount	16 944	16 143	15 546
Collective impairment	-4	-2	-2
Loans to and receivables from customers	16 940	16 141	15 544

(MNOK)	NET INTEREST INCOME		
	30.09.15	30.09.14	2014
Interest income from:			
Loans to and receivables from credit institutions	4	3	5
Loans to and receivables from customers	416	456	611
Interest income	420	459	616
Interest expenses in respect of:			
Loans from credit institutions	15	23	29
Debt securities issued	197	215	289
Interest expenses	212	238	318
Net interest income	208	221	298

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 4 million as at 30 September 2015.

4 FINANCIAL INSTRUMENTS

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.

CLASSIFICATION OF FINANCIAL INSTRUMENTS	Financial instruments at fair value through profit and loss		Financial assets and liabilities carried at amortised cost	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Loans to and receivables from credit institutions	0	0	1 074	209
Loans to and receivables from customers	0	0	16 940	16 141
Certificates and bonds	404	207	0	0
Financial derivatives	505	189	0	0
Total assets	909	396	18 014	16 350
Loans from credit institutions	0	0	1 460	897
Debt securities issued	0	0	16 112	14 586
Financial derivatives	12	14	0	0
Total liability	12	14	17 572	15 483

Continues

4 FINANCIAL INSTRUMENTS, CONT.

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	30.09.2015		30.09.2014	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 074	1 074	209	209
Loans to and receivables from customers	16 940	16 940	16 141	16 141
Total assets	18 014	18 014	16 350	16 350
Loans from credit institutions	1 460	1 460	897	897
Debt securities issued	16 046	16 112	14 735	14 586
Total liability	17 506	17 572	15 632	15 483

FINANCIAL INSTRUMENTS AT AMORTISED COST	Based on prices in an active market		Observable market information		Other than observable market information			
	Level 1		Level 2		Level 3		Total	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Loans to and receivables from credit institutions	0	0	1 074	209	0	0	1 074	209
Loans to and receivables from customers	0	0	0	0	16 940	16 141	16 940	16 141
Total assets	0	0	1 074	209	16 940	16 141	18 014	16 350
Loans from credit institutions	0	0	1 460	897	0	0	1 460	897
Debt securities issued	0	0	16 112	14 586	0	0	16 112	14 586
Total liability	0	0	17 572	15 483	0	0	17 572	15 483

FINANCIAL INSTRUMENTS AT FAIR VALUE	Based on prices in an active market		Observable market information		Other than observable market information			
	Level 1		Level 2		Level 3		Total	
	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014	30.09.2015	30.09.2014
Certificates and bonds	0	0	404	207	0	0	404	207
Financial derivatives	0	0	505	189	0	0	505	189
Total assets	0	0	909	396	0	0	909	396
Financial derivatives	0	0	12	14	0	0	12	14
Total liability	0	0	12	14	0	0	12	14

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 30.09.2015	Interest	Issue	Maturity	30.09.2015	30.09.2014	31.12.2014
NO0010499841	NOK	828	3M Nibor + 0.50 %	2009	2016	828	828	828
NO0010564982	NOK	0	3M Nibor + 0.40 %	2010	2015	0	1 249	1 008
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 496	1 495	1 495
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 270	1 200	1 266
NO0010625833	NOK	0	3M Nibor + 0.40 %	2011	2014	0	850	0
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	455	400	432
NO0010635873	NOK	0	3M Nibor + 0.49 %	2012	2015	0	1 151	950
NO0010657232	NOK	2 500	3M Nibor + 0.65 %	2012	2018	2 513	1 502	2 010
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	710	624	675
NO0010676018	NOK	2 000	3M Nibor + 0.47 %	2013	2019	2 006	1 249	1 249
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	286	218	252
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	285	243	270
NO0010696990	NOK	2 000	3M Nibor + 0.45 %	2013	2020	1 998	799	799
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	750	749	750
NO0010720204	NOK	2 500	3M Nibor + 0.24 %	2014	2020	2 497	1 998	1 999
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	985	0	0
Total securities issued						16 079	14 555	13 983
Accrued interest						33	31	40
Financial derivatives to hedge securities (liabilities)						12	14	0
Financial derivatives to hedge securities (assets)						-505	-189	-395
Total borrowings raised through the issue of securities						15 619	14 411	13 628

COVER POOL (MNOK)	30.09.2015	30.09.2014	31.12.2014
Pool of eligible loans 1)	16 610	15 807	15 110
Supplementary assets	1 478	416	312
Total collateralised assets	18 088	16 223	15 422
Collateralisation	115.8 %	112.8 %	113.2 %

1) NOK 316 million of total gross loans are not eligible for the cover pool as at 30.09.15

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)	30.09.2015	30.09.2014	31.12.2014
Income statement			
Interest and credit commission income from Sparebanken Møre related to deposits	4	3	5
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	15	23	28
Interest paid to Sparebanken Møre related to bonded debt	1	4	6
Management fee paid to Sparebanken Møre	18	17	22
Statement of financial position			
Deposits in Sparebanken Møre	1 074	209	104
Covered bonds	238	1 083	25
Loan/credit facility in Sparebanken Møre	1 460	897	915
Accumulated transferred loan portfolio from Sparebanken Møre	16 944	16 143	15 546

7 EQUITY AND RELATED CAPITAL

(MNOK)	MØRE BOLIGKREDITT AS		
	30.09.2015	30.09.2014	31.12.2014
IRB approach (Basel II)			
Core capital	1 152	1 053	1 053
Expected losses exceeding actual losses, IRB portfolios corporate	-35	-1	-1
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 117	1 052	1 052
Capital requirement by exposure classes			
Exposure classes SA - credit risk			
Institutions (banks etc)	30	0	12
Secured by mortgages on immovable property	0	458	442
Covered bonds	3	2	2
Other items	2	2	3
Total capital requirements - credit risk, The Standardised Approach	35	462	459
Exposure classes IRB - credit risk			
Retail - Secured by real estate	268	0	0
Retail - Other	0	0	0
SME	16	16	17
Specialised lending	0	0	0
Other corporate lending	0	0	0
IRB-F capital requirements	284	16	17
Total capital requirements - credit risk	319	478	476
Exposure classes SA - market risk			
Credit value adjustment risk (CVA)	35	22	42
Operational Risk (Basic Indicator Approach)	33	21	21
Total capital requirement less transitional rules	387	521	539
Additional capital requirements from transitional rules 1)	231	41	6
Total capital requirements	618	562	545
Risk-weighted assets (calculation basis for capital adequacy ratio)			
Risk-weighted assets less transitional rules	4 840	6 518	6 736
Additional RWA from transitional rules 1)	2 887	514	81
Total risk-weighted assets	7 727	7 032	6 817
Minimum requirement common equity Tier 1 capital (4.5 %)	348	293	303
1) Transitional rules require that RWA can not be less than 80 per cent of the corresponding Basel I requirement.			
Capital adequacy as a percentage of the weighted asset calculation basis incl. transitional rules			
Capital adequacy ratio	14,5	15,0	15,4
Core capital ratio	14,5	15,0	15,4
Core Tier 1 capital ratio	14,5	15,0	15,4

Møre Boligkredit's capital requirements at 30th September 2015 are based on IRB-Foundation for corporate commitments and IRB-Retail for retail commitments.

Profit performance

QUARTERLY PROFIT

(MNOK)	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net interest income	66	67	75	77	72
Total other operating income	-3	-1	8	-5	1
Total operating costs	7	9	7	8	6
Profit before impairment on loans and taxes	56	57	76	64	67
Impairment on loans	0	2	0	0	0
Pre tax profit	56	55	76	64	67
Taxes	15	14	21	17	18
Profit after tax	41	41	55	47	49

AS A PERCENTAGE OF AVERAGE ASSETS	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net interest income	1.52	1.61	1.84	1.90	1.90
Total other operating income	-0.06	-0.01	0.20	-0.13	0.03
Total operating costs	0.17	0.20	0.18	0.18	0.17
Profit before impairment on loans and taxes	1.29	1.40	1.86	1.59	1.76
Impairment on loans	0.00	0.06	0.00	0.00	0.00
Pre tax profit	1.29	1.34	1.86	1.59	1.76
Taxes	0.35	0.36	0.50	0.43	0.47
Profit after tax	0.94	0.98	1.36	1.16	1.29

Average total assets (MNOK)	17 492	16 578	16 312	16 138	15 144
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ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	30.09.2015	30.09.2014	31.12.2014
Net interest income	208	221	298
Total other operating income	4	-2	-7
Total operating costs	23	21	29
Profit before impairment on loans and taxes	189	198	262
Impairment on loans	2	1	1
Pre tax profit	187	197	261
Taxes	50	53	70
Profit after tax	137	144	191

AS A PERCENTAGE OF AVERAGE ASSETS	30.09.2015	30.09.2014	31.12.2014
Net interest income	1.65	1.94	1.93
Total other operating income	0.04	-0.02	-0.05
Total operating costs	0.18	0.19	0.19
Profit before impairment on loans and taxes	1.51	1.73	1.69
Impairment on loans	0.02	0.01	0.00
Pre tax profit	1.49	1.72	1.69
Taxes	0.40	0.47	0.46
Profit after tax	1.09	1.25	1.23

Average total assets (MNOK)	16 794	15 214	15 445
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