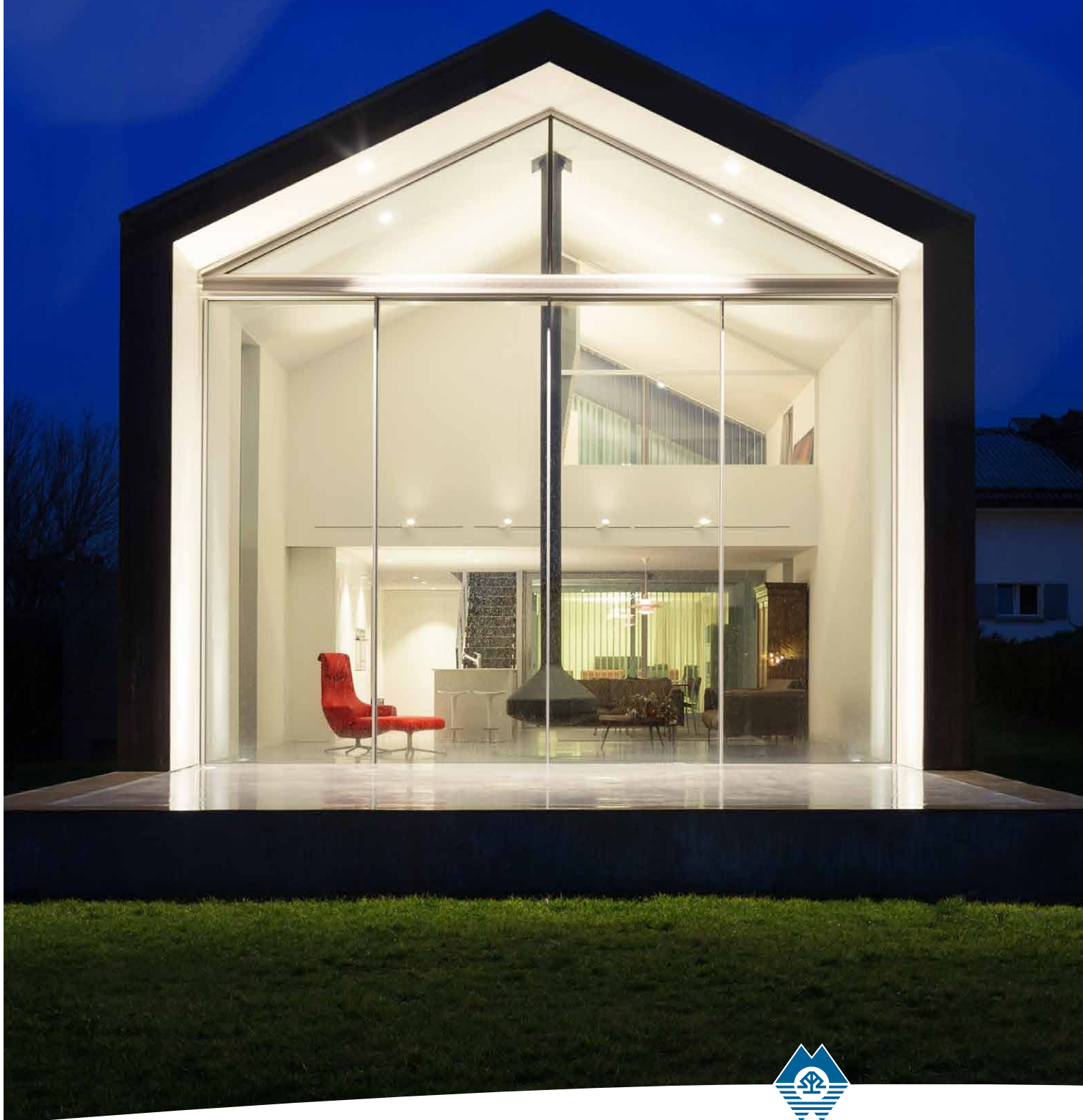


INTERIM REPORT
3 QUARTER
UNAUDITED

16



MØRE BOLIGKREDITT

Interim report from the Board of Directors

About the company

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The purpose of the company is to issue covered bonds backed by mortgages acquired from the owner. 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 pre-tax profit of NOK 54 million in third quarter 2016, compared to NOK 56 million in third quarter 2015. Net interest income amounted to NOK 61 million, compared to NOK 66 million for the same period last year. Costs amounted to NOK 8 million in third quarter 2016, compared with NOK 7 million in the corresponding quarter in 2015. Net change in value of debt securities issued and related derivatives was NOK 1 million in third quarter 2016.

Møre Boligkreditt AS has not established losses or impairment for individual losses in third quarter 2016, nor made any changes to the collective impairment. Profit after tax amounted to NOK 41 million in third quarter 2016, the same as in the corresponding quarter in 2015.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in the third quarter of 2016, but net lending was reduced with NOK 132 million.

No new bond loan volume was issued, and no outstanding bond loans matured in third quarter 2016.

Third quarter end results

By third quarter end 2016 the financial statements show a pre-tax profit of NOK 164 million, compared to NOK 187 million by third quarter end 2015. Net interest income amounted to NOK 183 million by third quarter end 2016, compared to NOK 208 million by the end of same period last year. Costs in the period ending 30 September 2016 amounted to NOK 25 million, compared with NOK 23 million for the corresponding period in 2015.

The amount allocated for collective impairment was NOK 4 million at third quarter end 2016, the same as at third quarter end 2015. Profit after tax amounted to NOK 123 million by third quarter end 2016, compared to NOK 137 million by third quarter end 2015. Tax amounted to NOK 41 million in the first nine months of 2016, compared to NOK 50 million the first nine months of 2015.

Møre Boligkreditt AS had eleven bond loans outstanding at 30 September 2016 with a total bond loan debt of NOK 15 805 million, compared to thirteen bond loans with NOK 16 112 million outstanding at 30 September 2015.

Total assets at third quarter end 2016 amounted to NOK 18 817 million compared to NOK 18 924 million at third quarter end 2015. Net lending amounted to NOK 18 005 million at third quarter end 2016, compared with NOK 16 940 million at third quarter end 2015.

At third quarter end 2016, the company's substitute assets included in the cover pool amounted to NOK 20 million, compared to NOK 1 478 million in substitute assets at third quarter end 2015.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 373 million at 30 September 2016.

Rating

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

Capital strength

Net equity and subordinated loan capital amounted to NOK 1 315 million by end of third quarter 2016, compared to NOK 1 117 million by end of third quarter 2015. This corresponds to a capital adequacy/core capital ratio of 16.4 per cent. Risk-weighted

assets amounted to NOK 8 007 million by end of third quarter 2016.

Møre Boligkreditt AS uses 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 fulfil 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 2016, the mortgages in the cover pool had an average loan-to-value ratio of 54 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 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 fulfil 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 month's 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. Møre Boligkreditt AS reports LCR of 180 per cent by third quarter end 2016. 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 attention 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 is showing signs of somewhat stronger growth and higher capacity utilisation. New national accounts figures also show that growth in the Norwegian economy in second quarter 2016 has been slightly higher than expected. Inflation expectations remain well anchored and close to the target, and Norges Bank at its September meeting decided to keep the key policy rate unchanged at 0.50 %. The unemployment rate in Norway is falling, and the total number of unemployed has probably peaked.

Growth in house prices has accelerated and is higher than projected, particularly in Oslo and surrounding areas. Household debt growth has remained stable, but continued high growth in house prices may lead to even higher debt accumulation and increased household vulnerabilities. A still strong household sector, due to record low interest rates, relative low unemployment levels,

together with a solid public sector will keep the production levels high in several sectors. Despite of the recent strengthening of the NOK, the still relative weak NOK against EUR and USD is positive for the competitiveness of the export industry and also tourism.

The development of house prices, together with growth in debt, is the most important risk factors to Norwegian households. Important risk factors going forward are also the oil price development, macroeconomic growth in export markets and the NOK exchange rate.

The combined activity of businesses, especially export oriented and tourist related, located in Møre og Romsdal County remains high despite the decline in the petroleum related industries. The registered unemployment rate in Norway was down 0.2 per cent from last month to 2.8 per cent in September 2016. In the county of Møre og Romsdal the similar figure was down 0.1 per cent to 3.0 per cent. We expect the unemployment rate in the county on, or just above, national average levels in the coming quarters.

The retail lending growth in Sparebanken Møre Group was 6.2 per cent the last twelve months. The Board believes that the low interest rates and high disposable household income, will contribute to further mortgage loan growth in Sparebanken Møre and position Møre Boligkreditt AS to acquire mortgage loan portfolios from the parent bank.

Ålesund, 30 September 2016

19 October 2016

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, Managing Director

Statement of income

STATEMENT OF INCOME

Amounts in NOK million	Note	Q3 2016	Q3 2015	30.09.2016	30.09.2015	2015
Interest income	<u>2</u>	124	134	373	420	551
Interest expenses	<u>2</u>	63	68	190	212	278
Net interest income	<u>2 6</u>	61	66	183	208	273
Commission income		0	0	0	0	0
Net change in value of debt securities issued and related derivatives		1	-3	6	4	1
Wages, salaries and general administration costs		1	1	2	2	2
Other operating costs	<u>6</u>	7	6	23	21	29
Total operating costs		8	7	25	23	31
Profit before impairment on loans and taxes		54	56	164	189	243
Impairment on loans	<u>3</u>	0	0	0	2	2
Pre tax profit		54	56	164	187	241
Taxes		13	15	41	50	65
Profit after tax		41	41	123	137	176

STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q3 2016	Q3 2015	30.09.2016	30.09.2015	2015
Profit after tax	41	41	123	137	176
Other comprehensive income	0	0	0	0	0
Total comprehensive income after tax	41	41	123	137	176

Statement of financial position

Assets

Amounts in NOK million	Note	30.09.2016	30.09.2015	31.12.2015
Loans to and receivables from credit institutions	<u>2 4 5 6</u>	20	1 074	285
Loans to and receivables from customers	<u>2 3 4</u>	18 005	16 940	16 907
Certificates and bonds	<u>4 5</u>	373	404	403
Financial derivatives	<u>4 5</u>	419	505	485
Deferred tax asset		0	1	0
Total assets	<u>7</u>	18 817	18 924	18 080

Liabilities and equity

Amounts in NOK million	Note	30.09.2016	30.09.2015	31.12.2015
Loans from credit institutions	<u>4 6</u>	1 498	1 460	970
Debt securities issued	<u>4 5 6</u>	15 805	16 112	15 711
Financial derivatives	<u>4 5</u>	4	12	6
Tax payable		33	50	63
Deferred tax liability		1	0	1
Total liabilities		17 341	17 634	16 751
Share capital		1 175	975	975
Share premium		175	175	175
Paid-in equity		1 350	1 150	1 150
Other equity		3	3	179
Profit for the period		123	137	0
Retained earnings		126	140	179
Total equity		1 476	1 290	1 329
Total liabilities and equity	<u>7</u>	18 817	18 924	18 080

Statement of changes in equity

30.09.2016	Total equity	Share capital	Share premium	Other equity
Equity as at 31 December 2015	1 329	975	175	179
Total comprehensive income for the period	123			123
Issue of share capital	200	200		
Dividends	-176			-176
Equity as at 30 September 2016	1 476	1 175	175	126

The share capital consists of 940 000 shares at NOK 1 250, a total of NOK 1 175 million. All shares are owned by Sparebanken Møre. The issue of share capital of NOK 200 million was fully paid in 8 March 2016, approved by the Norwegian FSA 7 April 2016, and registered in The Brønnøysund Register Centre 12 April 2016.

30.09.2015	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 consisted of 780 000 shares at NOK 1 250, a total of NOK 975 million. All shares were owned by Sparebanken Møre.

31.12.2015	Total equity	EC capital	Share premium	Other equity
Equity as at 31 December 2014	1 244	875	175	194
Total comprehensive income for the period	176			176
Issue of share capital	100	100		
Dividends	-191			-191
Equity as at 31 December 2015	1 329	975	175	179

The share capital consisted of 780 000 shares at NOK 1 250, a total of NOK 975 million. All shares were owned by Sparebanken Møre. Dividend as of 31 December 2015 amounted to NOK 176 million.

Statement of cash flow

Amounts in NOK million	30.09.2016	30.09.2015	31.12.2015
Cash flow from operating activities			
Interest, commission and fees received	369	418	547
Interest, commission and fees paid	-15	-18	-22
Operating expenses paid	-25	-23	-31
Income taxes paid	-71	-71	-70
Payment for acquiring loans from the Parent Bank	-4 686	-5 640	-6 964
Payment related to instalment loans and credit lines to customers	3 588	4 242	5 598
Net cash flow from operating activities	-840	-1 092	-942
Cash flow from investing activities			
Received interest, commission and fees related to certificates, bonds and other securities	4	3	5
Proceeds from the sale of certificates, bonds and other securities	94	35	65
Purchases of certificates, bonds and other securities	-61	-234	-264
Changes in other assets	4	7	5
Net cash flow from investing activities	41	-189	-189
Cash flow from financing activities			
Paid interest, commission and fees related to issued bonds	-175	-197	-258
Net change in loans from credit institutions	528	545	55
Proceeds from bond issues raised	995	3 966	3 965
Redemption of debt securities	-828	-1 958	-2 343
Dividend paid	-176	-191	-191
Changes in other debt	-10	-14	-16
Issue of share capital and premium	200	100	100
Net cash flow from financing activities	534	2 251	1 312
Net change in cash and cash equivalents	-265	970	181
Cash balance at 01.01	285	104	104
Cash balance at 30.09/31.12	20	1 074	285

Note 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 2015. The principles are outlined in the annual report for 2015. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2015.

The interim financial statements are not audited.

All amounts are stated in NOK million unless stated otherwise.

Note 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.

(MNOK)	Loans		
Broken down according to sectors	30.09.2016	30.09.2015	31.12.2015
Commercial sector	373	351	351
Retail customers	17 617	16 572	16 544
Accrued interest income	19	21	16
Loans, nominal amount	18 009	16 944	16 911
Collective impairment	-4	-4	-4
Loans to and receivables from customers	18 005	16 940	16 907

(MNOK)	Net interest income		
	30.09.2016	30.09.2015	31.12.2015
Interest income from:			
Loans to and receivables from credit institutions	2	4	6
Loans to and receivables from customers	367	413	541
Certificates, bonds and other interest-bearing securities	4	3	4
Interest income	373	420	551
Interest expenses in respect of:			
Loans from credit institutions	15	15	20
Debt securities issued	175	197	258
Interest expenses	190	212	278
Net interest income	183	208	273

Note 3

IMPAIRMENT, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt AS reviews its loan portfolio continuously. If there is objective evidence that a loan is impaired, the impairment loss is calculated quarterly as the difference between the carrying value of the loan and the estimated present value of future cash flows. Loans and loan commitments are assessed to see whether or not objective evidence exists that a loss event has occurred at the reporting date that have a negative impact on future cash flows. Examples of such objective evidence are significant financial problems at the borrower, payment defaults, significant breaches of contract, amendments to terms as a result of the borrower's financial difficulties, bankruptcy, etc.

If objective evidence of impairment exists, the impairment is estimated as the difference between the carrying amount and the present value of future cash flows. Estimates of future cash flows also take into account takeovers and sales of associated collateral, including expenses associated with such takeovers and sales.

When all collateral has been realised and there is no doubt that the mortgage company will not receive further payments relating to the loan, 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 forgiveness agreement is reached with the customer.

Assets for which no objective evidence of impairment is observed on an individual instrument basis are grouped based on similar credit risk characteristics and assessed on a collective basis. Collective impairments are recognised for sub-groups of loans or loan commitments when there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of loans or loan commitments since the initial recognition, while the decrease cannot yet be identified with the individual financial assets in the group.

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 objective evidence of loss events requiring impairment on an individual loan or loan commitment basis was observed at the reporting date. Nor do the lending statistics on this date show any registered non-performance in the mortgage company's portfolio. The collective impairment model on this date indicates no increase in collective impairments for the mortgage company's portfolio. Total impairment amounts to NOK 4 million as at 30 September 2016.

Note 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 or loss		Financial assets and liabilities carried at amortised cost	
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
Loans to and receivables from credit institutions			20	1 074
Loans to and receivables from customers			18 005	16 940
Certificates and bonds	373	404		
Financial derivatives	419	505		
Total assets	792	909	18 025	18 014
Loans from credit institutions			1 498	1 460
Debt securities issued			15 805	16 112
Financial derivatives	4	12		
Total liabilities	4	12	17 303	17 572

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	30.09.2016		30.09.2015	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	20	20	1 074	1 074
Loans to and receivables from customers	18 005	18 005	16 940	16 940
Total assets	18 025	18 025	18 014	18 014
Loans from credit institutions	1 498	1 498	1 460	1 460
Debt securities issued	15 807	15 805	16 046	16 112

Total liabilities		17 305	17 303	17 506	17 572
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FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.09.2016	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions	-	20	-	20
Loans to and receivables from customers	-	-	18 005	18 005
Total assets	-	20	18 005	18 025
Loans from credit institutions	-	1 498	-	1 498
Debt securities issued	-	15 807	-	15 807
Total liabilities	-	17 305	-	17 305

FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.09.2015	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions	-	1 074	-	1 074
Loans to and receivables from customers	-	-	16 940	16 940
Total assets	-	1 074	16 940	18 014
Loans from credit institutions	-	1 460	-	1 460
Debt securities issued	-	16 046	-	16 046
Total liabilities	-	17 506	-	17 506

FINANCIAL INSTRUMENTS AT FAIR VALUE - 30.09.2016	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	373	-	373
Financial derivatives	-	419	-	419
Total assets	-	792	-	792
Financial derivatives	-	4	-	4
Total liabilities	-	4	-	4

FINANCIAL INSTRUMENTS AT FAIR VALUE - 30.09.2015	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total

Certificates and bonds	-	404	-	404
Financial derivatives	-	505	-	505
Total assets	-	909	-	909
Financial derivatives	-	12	-	12
Total liabilities	-	12	-	12

Note 5

ISSUED COVERED BONDS

Securities issued at floating interest rates are measured at amortised cost. Securities issued at fixed interest rates are measured at amortised cost as well, and fair value hedge accounting with changes in fair value (due to the hedged risk) recognised in profit and loss is used for the company's securities issued at fixed rate terms.

COVERED BONDS (MNOK)								
ISIN code	Currency	Nominal value 30.09.2016	Interest	Issue	Maturity	30.09.2016	30.09.2015	31.12.2015
NO0010499841	NOK	-	3M Nibor + 0.50 %	2009	2016	-	828	827
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 498	1 496	1 497
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 302	1 270	1 272
XS0685790585	SEK	-	3M Stibor + 0.75 %	2011	2015	-	455	-
NO0010657232	NOK	2 500	3M Nibor + 0.65 %	2012	2018	2 509	2 513	2 512
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	655	710	736
NO0010676018	NOK	2 500	3M Nibor + 0.47 %	2013	2019	2 503	2 006	2 006
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	293	286	289
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	270	285	288
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 495	1 998	1 999
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	750	750	750
NO0010720204	NOK	2 500	3M Nibor + 0.24 %	2014	2020	2 497	2 497	2 497
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 003	985	989
Total securities issued						15 775	16 079	15 662
Accrued interest						30	33	49
Financial derivatives to hedge securities (liabilities)						4	12	6
Financial derivatives to hedge securities (assets)						-419	-505	-485
Total borrowings raised through the issue of securities						15 390	15 619	15 232

COVER POOL (MNOK)	30.09.2016	30.09.2015	31.12.2015
Pool of eligible loans 1)	17 774	16 610	16 648
Supplementary assets	20	1 478	688
Total collateralised assets	17 794	18 088	17 336
Collateralisation in %	115,5	115,8	113,8

1) NOK 231 million of total gross loans are not eligible for the cover pool as at 30.09.16.

Note 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)	30.09.2016	30.09.2015	31.12.2015
Statement of income			
Interest and credit commission income from Sparebanken Møre related to deposits	2	4	6
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	15	15	20
Interest paid to Sparebanken Møre related to bonded debt	1	1	2
Management fee paid to Sparebanken Møre	20	18	24
Statement of financial position			

Deposits in Sparebanken Møre	20	1 074	285
Covered bonds	159	238	0
Loan/credit facility in Sparebanken Møre	1 498	1 460	970
Accumulated transferred loan portfolio from Sparebanken Møre	18 009	16 944	16 911

Note 7

EQUITY AND RELATED CAPITAL

Core capital and supplementary capital	30.09.2016	30.09.2015	31.12.2015
Share capital and share premium	1 350	1 150	1 150
Retained earnings	3	2	179
Total equity	1 353	1 152	1 329
Dividends	0	0	-176
Expected losses exceeding actual losses, IRB portfolios	-38	-35	-32
Common Equity Tier 1 capital	1 315	1 117	1 121
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 315	1 117	1 121

Risk-weighted assets (calculation basis for capital adequacy ratio)

Credit risk loans and receivables (Standardised Approach)	202	443	301
Credit risk loans and receivables (Internal ratings based Approach)	3 657	3 554	3 345
Operational Risk (Basic indicator Approach)	501	411	411
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	365	432	444
Risk-weighted assets less transitional rules	4 725	4 840	4 500
Additional RWA from transitional rules 1)	3 282	2 887	3 108
Total risk-weighted assets	8 007	7 727	7 608
Minimum requirement common equity Tier 1 capital (4,5%)	360	348	342

1) Transitional rules require that RWA can not be less than 80 per cent of the corresponding Basel I requirement

Buffer Requirement

Countercyclical buffer (1.0%)	80	77	76
Capital conservation buffer (2.5%)	200	193	190
Systemic risk buffer (3.0%)	240	232	228
Total buffer requirements	520	502	495
Available common equity Tier 1 capital after buffer requirements	434	267	285

Capital adequacy as a percentage of the weighted asset calculation basis

Capital adequacy ratio	16,4 %	14,5 %	14,7 %
Core capital ratio	16,4 %	14,5 %	14,7 %
Core tier 1 capital ratio	16,4 %	14,5 %	14,7 %

Leverage ratio

Leverage ratio	6,6 %	5,5 %	5,8 %
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Liquidity Coverage Ratio

Liquidity Coverage Ratio	180%	0%	0%
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Møre Boligkreditt AS' capital requirements at 30th September 2016 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments

Profit performance

QUARTERLY PROFIT

(MNOK)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net interest income	61	62	60	65	66
Other operating income	1	1	4	-3	-3
Total operating costs	8	9	8	8	7
Profit before impairment on loans	54	54	56	54	56
Impairment on loans	0	0	0	0	0
Pre tax profit	54	54	56	54	56
Tax	13	14	14	15	15
Profit after tax	41	40	42	39	41

As a percentage of average assets

Net interest income	1,34	1,40	1,35	1,58	1,52
Other operating income	0,03	0,01	0,11	-0,09	-0,06
Total operating costs	0,17	0,21	0,18	0,18	0,17
Profit before impairment on loans	1,20	1,20	1,28	1,31	1,29
Impairment on loans	0,00	0,00	0,00	0,00	0,00
Pre tax profit	1,20	1,20	1,28	1,31	1,29
Tax	0,30	0,30	0,32	0,35	0,35
Profit after tax	0,90	0,90	0,96	0,96	0,94

Average total assets (MNOK)	18 003	18 046	17 615	16 626	17 492
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ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	30.09.2016	30.09.2015	31.12.2015
Net interest income	183	208	273
Other operating income	6	4	1
Total operating costs	25	23	31
Profit before impairment on loans	164	189	243
Impairment on loans	0	2	2
Pre tax profit	164	187	241
Tax	41	50	65

Profit after tax	123	137	176
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As a percentage of average assets

Net interest income	1,37	1,65	1,63
Other operating income	0,05	0,04	0,01
Total operating costs	0,19	0,18	0,18
Profit before impairment on loans	1,23	1,51	1,46
Impairment on loans	0,00	0,02	0,01
Pre tax profit	1,23	1,49	1,45
Tax	0,31	0,40	0,39
Profit after tax	0,92	1,09	1,06

Average total assets (MNOK)	17 888	16 794	16 752
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