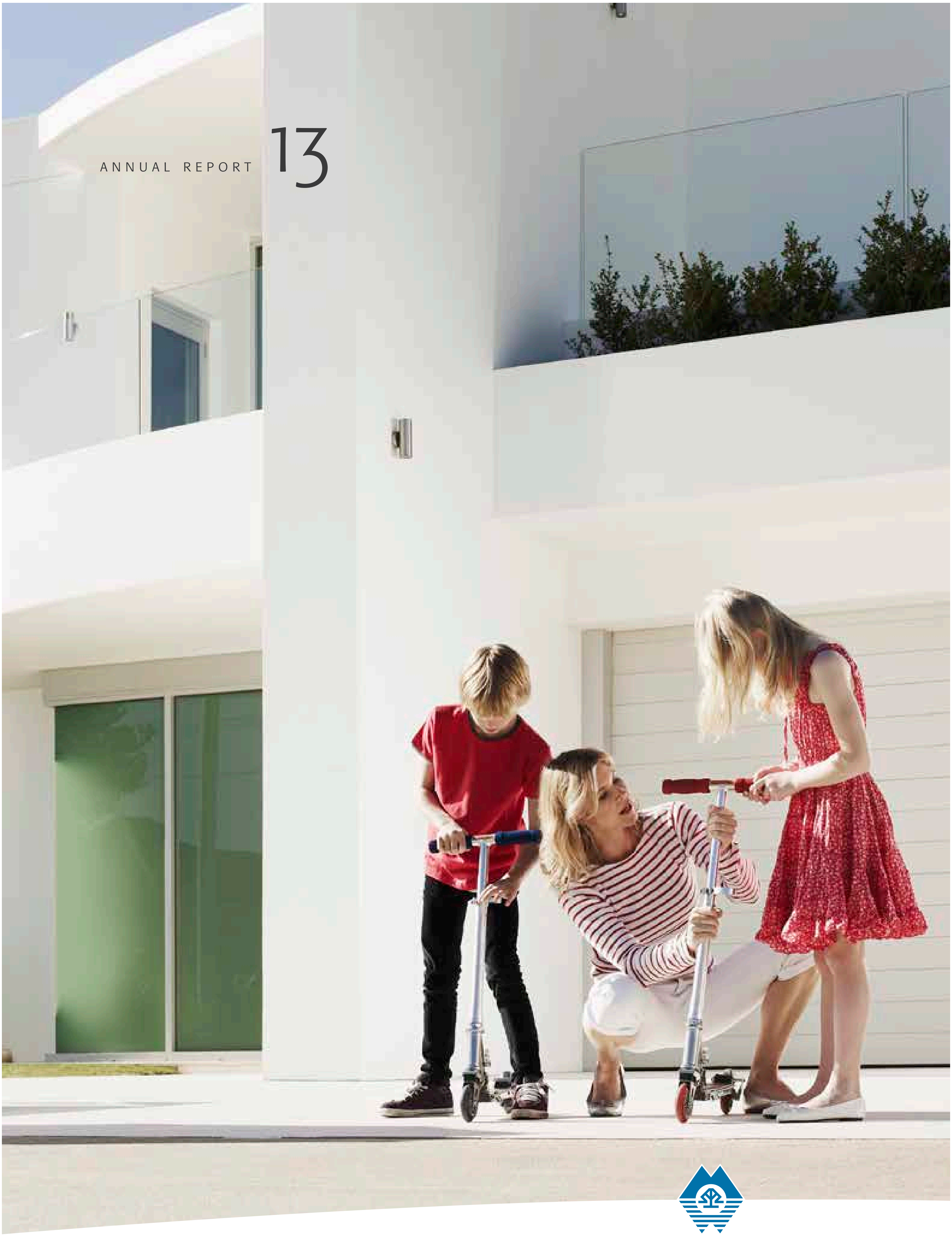
ANNUAL REPORT 13



Møre Boligkreditt

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Report from the Board of Directors 2013

Operations in 2013

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The company is licensed to operate as a mortgage company and to issue covered bonds. The company is located at Sparebanken Møre's headquarter in Keiser Wilhelmsgate 29 – 33, in the city of Ålesund. Møre Boligkreditt AS is Sparebanken Møre's most important source of long term market funding and an important part of the parent bank's funding strategy.

During 2013, Møre Boligkreditt AS acquired loans from Sparebanken Møre totalling NOK 3 533 million, and the company's lending portfolio amounted to NOK 14 864 million at year-end 2013. Mortgages in the company's cover pool are secured by residential properties, all at the time of acquisition within 75 per cent of the property's estimated value.

In 2013 Møre Boligkreditt AS issued five new bonds with a total value of NOK 3 261 million, and also tapped NOK 879 million on existing bonds. Furthermore Møre Boligkreditt AS redeemed NOK 513 million of existing bonds. In 2013 the company's net growth in outstanding bond loan is NOK 3 692 million. Total outstanding covered bonds issued by Møre Boligkreditt AS amount to NOK 13 698 million, of which NOK 634 million are used by the parent bank in the Norwegian Central Bank's swap scheme.

Rating of the company`s issues of covered bonds

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

The mortgage company`s annual financial statements

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 211 million in 2013, compared with NOK 109 million in 2012. Interest income amounted to NOK 527 million, compared with NOK 393 million in 2012, while interest expenses totalled NOK 287 million, compared with NOK 263 million in 2012. Total operating costs amounted to NOK 26 million, compared with NOK 21 million in 2012.

Møre Boligkreditt AS had no final losses and allocated no provisions for individual impairment in 2013. Nor has the company changed its provisions for collective impairment in 2013. The amount allocated for collective impairment was NOK 1 million by year end 2013. Profit after tax amounted to NOK 152 million, compared with NOK 78 million in 2012. Taxes amounted to NOK 59 million, compared with NOK 31 million in 2012. Total assets at the end of 2013 amounted to NOK 15 792 million compared with NOK 11 649 million at the end of 2012. Loans and receivables from customers amounted to NOK 14 863 million, compared with NOK 11 330 million by the end of 2012.

By the end of 2013, the company's liquid assets amounted to NOK 738 million, including receivables from credit institutions of NOK 531 million, compared with NOK 225 million by end the of 2012. New in 2013 is the introduction of liquidity placed in low risk Aaa-covered bonds from Norwegian issuers amounting to NOK 207 million.

Paid-in equity capital and other equity capital consists entirely of Tier-1 capital, and amounted to NOK 703 million by year-end 2013, compared with NOK 503 million by the end of 2012. This corresponds to a capital adequacy/core capital ratio of 12.25 per cent. Risk-weighted assets amounted to NOK 5 737 million by the end of 2013. The capital adequacy ratio has been calculated using the standard approach in the Basel II regulations. Plans have been made to strengthen the company's risk bearing capacity.

It is the opinion of the Board of Directors that the presented financial statements provide correct and adequate information about the company's operations and status as at 31 December 2013.

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 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 year-end 2013, 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 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 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. Bonds issued by Møre Boligkreditt AS 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 dependant 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.

Corporate governance statement

Møre Boligkreditt AS complies with the 2012 Norwegian Code of Practice for Corporate Governance. Møre Boligkreditt AS was established as part of Sparebanken Møre's long-term funding strategy with the purpose of funding the bank through issuing covered bonds. Møre Boligkreditt AS helps ensure that the Sparebanken Møre Group properly manages its assets, as well as providing additional assurance that goals and strategies are achieved and realized.

The Board ensures that risk management and internal control are adequate and systematic, and that they have been established in compliance with the law and regulations, articles of association, ethical guidelines, instructions, and external and internal guidelines. The Board shall lay down principles and guidelines for risk management and internal control for the various levels of activity pursuant to the company's risk bearing capacity, and assure themselves that the strategies and guidelines are being followed. The Board shall systematically and regularly assess the strategies and guidelines for risk management.

In order to ensure that Møre Boligkreditt AS' risk management and internal control are carried out satisfactorily, the Board continuously receives various types of reports throughout the year from Sparebanken Møre's control bodies, as well as from internal and external auditors. The Board actively participates in the annual implementation of the long-term strategic plan. The Board revises and approves all the company's general risk management documents at least once a year. Every year in the 4th quarter, the CEO of Møre Boligkreditt AS reports on the structure and efficiency of the company's internal control.

The overall responsibility for ensuring that principles of accounting and financial control are identified, monitored and evaluated is outsourced to the Finance, Risk and HR Division in Sparebanken Møre. The responsibility for the preparation of financial statements, and the reporting of these to the CEO in Møre Boligkreditt AS, is also assigned to this division in the parent bank.

The Board of Directors (the Board) is elected by the Supervisory Board, and shall consist of four to six members elected for a period of two years. The Chairman of the Board is elected by the Supervisory Board. After one year, at least half of the elected members shall step down, based on the drawing of lots, while the remainder shall step down after one more year. Board members can be re-elected. The Supervisory Board consists of six members and two deputy members elected by the general meeting for a period of two years.

The chairman of the board in Møre Boligkreditt AS' shall, by the end of October and in consultation with the CEO, set out a proposed annual plan for the board's work for the coming year and the main items on the agendas of board meetings for the next calendar. Each year, the board evaluates its own methods and professional competence to see if improvements can be made.

The Chairman of the Board shall ensure that the Board of Directors convenes at least once every quarter and otherwise as often as is called for by the nature of the company's activities, or when requested by a board member. A valid Board resolution is passed by at least three board members voting in favour of the resolution.

The annual general meeting shall be held each year before the end of June and is convened by the chairman of the Supervisory Board.

The company's share capital is NOK 700 000 000 divided into 700 000 shares of NOK 1 000 fully paid up. With the consent of the Financial Supervisory Authority of Norway, the general meeting may raise additional share capital, subordinated loan capital and guarantee capital.

Internal control

The CEO of Møre Boligkreditt AS is responsible for establishing proper risk management and internal control based on the guidelines decided by the Board, making sure that these are adhered to, and providing the Board with information about developments within the various areas. The CEO reports on structure and efficiency of the company's internal control in the fourth quarter every year.

Møre Boligkreditt AS bases its internal control on an overall risk management process. This is set out in various documents included in the company's Risk Policy. The Board has decided guidelines for establishing proper risk management and internal control, and ensures that risk management and internal control in Møre Boligkreditt AS are adequate and systematic, and that the processes have been established in compliance with the law and regulations, articles of association, instructions, and external and internal guidelines. The Board systematically and regularly assesses the strategies and guidelines for risk management.

In the financial reports, written procedures relating to critical areas within the company, as well as the level of achievement of both the company's financial goals, and the qualitative goals relating to risk managing are presented. This ensures a close and accurate monitoring of the financial reporting and increases the possibility of early risk detection. The CEO of Møre Boligkreditt AS has the primary responsibility for managing risk associated with the company's operational and financial reporting, which is the foundation for satisfactory quality in the financial reporting.

The internal control and risk assessment of the financial reporting is one of the areas of focus in the CEO's annual confirmation on the quality of, and the compliance with internal controls. The internal auditor has an important role in the monitoring of internal controls related to financial reporting.

The financial statements provide additional information about the risk management and internal control of Møre Boligkreditt AS.

Profit distribution policy

Møre Boligkreditt AS' profit distribution policy states the following:

"The company shall make a maximum payment from the profit generated in the fiscal year, either in the form of a dividend or as a group contribution. Such payments, however, shall not conflict with the requirement for liquidity and financial strength of the company, and shall in any case abide by what is considered good and prudent business and accounting practice."

General meeting, supervisory board and company board

The General Meeting is the supreme body of Møre Boligkreditt AS. The General Meeting of Møre Boligkreditt AS consists of the Board of Directors of Sparebanken Møre, Sparebanken Møre being the sole owner of the company. All board members of Sparebanken Møre are independent of the bank's day-to-day management and important business connections.

The Supervisory Board consists of six members and two deputy members elected by the General Meeting for a period of two years. The Supervisory Board shall be broadly based, with representatives from the various districts, interest groups and industries affected by the company's activities. Board members, observers and the CEO cannot be members of the Supervisory Board.

The Supervisory Board shall elect its chairman and deputy chairman each year.

The Board shall consist of four to six members elected by the Supervisory Board for a period of two years. The Chairman of the Board is elected by the Supervisory Board.

In electing the members of the Board, the goal is to meet the need for continuity and independence, as well as ensuring a balanced composition of the Board.

The Board's responsibilities and tasks are set forth in a separate document which is discussed and revised by the Board regularly. The document contains the dividing of responsibilities and tasks between the Board and CEO of the company. Each year, the Board evaluates its own methods and professional competence.

Going concern assumption

The Board is of the opinion that the prerequisites for the going concern assumption exist, and the Board confirms that the 2013 annual financial statements were prepared on the basis of the going concern assumption.

Employees

Møre Boligkreditt AS had no employees at year-end 2013. One man-year from Sparebanken Møre is dedicated full time to the mortgage company. A number of services are also outsourced to Sparebanken Møre, regulated by a specific agreement between the mortgage company and the bank.

No special work environment measures have been implemented in Møre Boligkreditt AS.

Equal opportunities

The Sparebanken Møre Group strives for gender-neutral employment – and wage policy. The Board and management in Sparebanken Møre systematically and actively work to promote equality. The Board of Møre Boligkreditt AS consists of three men and two women.

Pollution of the external environment

The activities of Møre Boligkreditt AS do not pollute the external environment.

Other factors

As far as the Board is aware, no events have occurred after the end of the financial year 2013 of material importance to the position and result of Møre Boligkreditt AS.

Research and development

Møre Boligkreditt AS has no research and development activities.

Corporate social responsibility

For information on corporate social responsibility, Møre Boligkreditt AS being a wholly owned subsidiary of Sparebanken Møre, we refer to Sparebanken Møre Group's Annual Report.

Future prospects

The Norwegian economy is still sound, but with somewhat slower growth than previous quarters, which is also reflected in the trends in our county, Møre og Romsdal. The growth in production in our county is likely to be subdued the coming years. The depreciation of the Norwegian krone will contribute on the positive side to the competitiveness of the export industry. The households' appetite for spending and investing is also more subdued than in most parts of 2013.

Growth in household indebtedness and development in house prices are probably the most important risk factors influencing Norwegian households.

The production of, and demand for, goods and services in the county of Møre og Romsdal will stay high, and contribute to continued low unemployment also in 2014. In December 2013, the registered unemployment rate in Møre og Romsdal amounted to 2.1 per cent of the workforce. Non-oil related industry exporting to the Euro-area will experience challenges, but the depreciation of the Norwegian krone has had a positive impact. The activity in the oil-related and shipbuilding industry is still good, while the private service industry probably will be influenced negatively, in the short run, by the weakening sentiment of the households.

The Board believes that the relatively good trend for businesses and industry in the county, combined with low interest rates and increase in household income, will contribute to further loan growth in Sparebanken Møre. This will position Møre Boligkreditt AS to acquire more of the parent bank's mortgage loan portfolio, and we will see a further growth in outstanding bond loans also in 2014.

Møre Boligkreditt AS will continue to be Sparebanken Møre's most important source of long term market funding and an important part of the bank's funding strategy. Sparebanken Møre has procedures and routines that facilitate the qualifying of mortgages to be transferred to Møre Boligkreditt AS.

Møre Boligkreditt AS is planning further acquisitions of loans from Sparebanken Møre in 2014. The company plans further issues of covered bonds both domestic and internationally. The company's future bonds will continuously be rated by Moody's.

The Board stresses that significant uncertainty is normally associated with assessing future situations.

Distributions

Profit after tax amounted to NOK 152 million in 2013. In line with Møre Boligkreditt AS' distribution policy, the Board of Directors proposes to the annual General Meeting to pay out the entire profit after tax as dividend.

Ålesund, 10 February 2014
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	**2013**	2012
Interest income from:			
Loans to and receivables from credit institutions	8	**5**	1
Loans to and receivables from customers	2	**522**	392
Interest income		**527**	393
Interest expenses in respect of:			
Loans from credit institutions	8	**30**	20
Debt securities issued	6, 7, 8	**257**	243
Interest expenses	7	**287**	263
Net interest income	4	**240**	130
Net change in value of debt securities issued and related derivatives	7	**-3**	0
Wages, salaries and general administration costs		**3**	3
Other operating costs		**23**	18
Total operating costs	9	**26**	21
Profit before impairment on loans and taxes		**211**	109
Impairment on loans	3, 4.1	**0**	0
Pre tax profit		**211**	109
Taxes	10	**59**	31
Profit after tax		**152**	78
Proposed distribution:			
Proposed dividends		**152**	78
Total		**152**	78

STATEMENT OF COMPREHENSIVE INCOME

		MØRE BOLIGKREDITT AS	
(MNOK)	Notes	**2013**	2012
Profit after tax		**152**	78
Other comprehensive income		**0**	0
Total comprehensive income after tax		**152**	78

STATEMENT OF FINANCIAL POSITION

		MØRE BOLIGKREDITT AS	
(MNOK)	Notes	**31 Dec 2013**	31 Dec 2012
Assets			
Loans to and receivables from credit institutions	4, 5, 6, 8	**531**	225
Loans to and receivables from customers	2, 3, 4, 5, 6	**14 863**	11 330
Certificates and bonds	4, 5, 6	**207**	0
Financial derivatives	4, 5, 7	**157**	71
Deferred tax assets	10	**1**	0
Prepayments and accrued income	4	**33**	23
Total assets		**15 792**	11 649
Liabilities and equity			
Loans from credit institutions	4, 5, 8	**1 131**	987
Debt securities issued	4, 5, 6, 8	**13 698**	10 006
Financial derivatives	4, 5, 7	**3**	6
Tax payable	10	**60**	31
Accrued liabilities and deferred income	6	**45**	38
Total liabilities		**14 937**	11 068
Share capital	12	**700**	500
Other paid-in equity		**0**	0
Paid-in equity		**700**	500
Retained earnings		**155**	81
Total equity	11	**855**	581
Total liabilities and equity		**15 792**	11 649

Ålesund, 31 December 2013
10 February 2014
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 CHANGES IN EQUITY

2013

Amounts in MNOK	Notes	Total equity	Share capital	Other paid-in capital	Other equity
Equity as at 31 December 2012		**581**	**500**	**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	11, 12	**855**	**700**	**0**	**155**

The share capital consists of 700 000 shares at NOK 1 000, a total of NOK 700 million. All shares are owned by Sparebanken Møre.
Proposed dividend as of 31 December 2013 amounts to NOK 152 million.

2012

Amounts in MNOK	Notes	Total equity	Share capital	Other paid-in capital	Other equity
Equity as at 31 December 2011		531	500	0	31
Total comprehensive income for the period		78			78
Dividends		-28	0	0	-28
Equity as at 31 December 2012	11, 12	581	500	0	81

The share capital consists of 500 000 shares at NOK 1 000, a total of NOK 500 million. All shares are owned by Sparebanken Møre.
Proposed dividend as of 31 December 2012 amounts to NOK 78 million.

STATEMENT OF CASH FLOW

		MØRE BOLIGKREDITT AS	
(MNOK)	Notes	2013	2012
Cash flow from operating activities			
Interest, commission and fees received		534	402
Interest, commission and fees paid		-297	-276
Operating expenses paid		-29	-22
Income taxes paid		-30	-11
Payment for acquiring loans from the Parent Bank		-7 468	-6 649
Payment related to instalment loans and credit lines to customers		3 933	3 467
Net cash flow from operating activities	4, 9	-3 357	-3 089
Cash flow from investing activities			
Purchases of certificates, bonds and other securities		-207	0
Changes in other assets		1	0
Net cash flow from investing activities	4, 5, 6	-206	0
Cash flow from financing activities			
Net change in loans from credit institutions		144	393
Proceeds from bonds issued		4 139	3 642
Redemption of debt securities		-515	-801
Dividend and group contribution paid		-78	-28
Changes in other debt		-21	-2
Issue of share capital		200	0
Net cash flow from financing activities	6, 12	3 869	3 204
Net change in cash and cash equivalents		306	115
Cash balance at 01.01		225	110
Cash balance at 31.12	4.3	531	225

The cash flow statement shows cash payments received and made, and cash equivalents throughout the year. The statement has been prepared according to the direct method. The cash flows are classified as operating activities, investing activities or financing activities. Financial position line items have been adjusted for the impact of foreign exchange rate changes.

Cash and cash equivalents are defined as loans to and receivables from credit institutions with no agreed period of notice. Loans to and receivables from credit institutions are entirely to Sparebanken Møre.

1 ACCOUNTING POLICIES

1.1 Main policies

Møre Boligkreditt AS (the company) is part of the Sparebanken Møre Group. The company`s financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been issued by the International Accounting Standards Board, and approved by the EU as at 31 December 2013.

Changes in accounting policies and presentation
There were no changes to the accounting policies in 2013.

New or revised standards applicable for 2013
The mortgage company has implemented the following new or revised standards in 2013:

• IFRS 13 Fair Value Measurement:
As of January 1, 2013 the company applies IFRS 13 Fair Value Measurement. The implementation of IFRS 13 does not change the fair value calculation methods or principles, but the standard provides additional guidance and requires additional disclosures and detailed information about fair value.

• IFRS 7 Financial Instruments – New disclosure requirements on offsetting and netting arrangements:
The company also applies the amendments to the IFRS 7 Financial Instruments with respect to offsetting disclosures and the effect of netting arrangements on the company's financial position.

None of the new or revised standards listed above, have had a significant impact on the financial position of the company, but the standards have led to additional disclosures. Furthermore the implementation of new or revised standards in 2013 did not lead to changes in comparable figures, and had no effect on equity as of 1 January 2013. No other changes in IFRS, applicable for the financial year 2013, have had any significant impact on the financial statements, including amendments from the IASB annual improvements.

Approved IFRSs and IFRICs with future effective dates
Standards and interpretations that are issued up to the date of issuance of the financial statements, but not yet effective, are disclosed below. The company's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the financial statements are issued.

• IAS 27 Separate Financial Statements:
The standard is changed due to the issuance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. IAS 27 now only deals with the separate financial statements. The title of the standard is amended accordingly. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014. The amended standard will not have significant impact on the financial statements of the company.

• IAS 32 Financial Instruments: Presentation
IAS 32 is amended in order to clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014. The amendment will not have significant impact on the financial statements of the company.

• IAS 39 Financial Instruments: Recognition and Measurement
IAS 39 is amended to provide relief from discontinuing hedge accounting when a derivative designated as a hedging instrument is novated to provide clearing with a central counterparty as a result of law or other regulation, when certain criteria are met. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments will not have significant impact on the financial statements of the company.

• IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the two first phases of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. Third and last phase of this project will address amortised cost measurement and impairment of financial assets. The mandatory effective date of IFRS 9 has been removed to allow sufficient time for entities to prepare to apply the new Standard. The IASB have decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. The company will evaluate potential effects of IFRS 9 as soon as the final standard, including all phases, is issued.

The following approved IFRSs with future effective dates are expected not to be relevant for the company, thus have no impact on the financial statements of the company:

IAS 28 Investment in Associates and Joint Ventures

IAS 36 Impairment of Assets

IFRS 10 Consolidated Financial Statements

Amendments to IFRS 10, IAS 27 and IFRS 12 related to Investment Entities

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IFRIC Interpretation 21 Levies

1.2 Revenue recognition

All fees related to payment transactions are recognised as income as they occur. Interest income is recognised as income using the effective interest rate method, including loan related fees and charges.

1.3 Currency

All amounts in the financial statements and notes are stated in NOK million, unless otherwise specified. The company's functional currency and presentation currency is Norwegian kroner (NOK). Cash items in foreign currencies are converted into NOK at the exchange rates on the date of the statement of financial position. Changes in value for such items due to exchange rates differences between the transaction date and the date of the statement of financial position, are recognised in the income statement. Income statement items are converted using the exchange rate at the time of the transaction.

1.4 Recognition and derecognition of assets and liabilities

Financial assets and financial liabilities are recognised on the statement of financial position when the company becomes a party to the contractual provisions of the instruments. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the company transfers the financial asset in such a way that the potential of risk and earnings of the asset largely is transferred. A financial liability is derecognised when the financial liability is fulfilled, cancelled or expired.

1.5 Financial instruments

1.5.1 Categorisation

The company's holdings of financial instruments are classified pursuant to IAS 39 according to the purpose of the financial instruments when they are first recognised in the financial statements. Møre Boligkreditt AS has the following categories of financial instruments:

- Financial assets held for trading. This category includes derivatives, including derivatives designated as hedging instruments.
- Financial assets designated to fair value through profit or loss. This category includes the company's holding of covered bonds.
- Loans and receivables (at amortised cost). The category includes loans and receivables from customers and receivables from the parent bank.
- Other financial liabilities. This category includes securities-related debt recorded in the statement of financial position at amortised cost.

1.5.2 Measurement

Measurement at amortised cost
Loans are assessed at market value when first

assessed, with the addition of establishment fees and other commissions. Fees and commissions are amortised over the life of the loan as part of the loan's effective interest cost. Loans are subsequently assessed at amortised cost by applying the effective interest rate method. The effective rate of interest is the rate which exactly discounts estimated, future cash flows over the loan's expected life, to the value of the loan as shown in the statement of financial position. In this process all cash flows are estimated, and all contract-related terms and conditions relating to the loan are taken into consideration.

Measurement at fair value
Møre Boligkreditt AS has covered bonds and financial derivatives (interest rate swaps and currency swaps) valued at fair value. Fair value is the amount the instruments can be traded for, or a liability could be settled in, in a transaction between independent parties. The financial derivatives are valued respectively at bid and ask prices. Furthermore, the financial instruments are classified in the following categories:

• Financial instruments traded in an active market
For financial instruments traded in an active market, the quoted price obtained from either an exchange, a broker or a pricing agency is used. The market is active if it is possible to obtain external observable prices, exchange rates or interest rates and those prices represent actual and frequent market transactions. None of the financial instruments of the company are quoted in an active market.

• Financial instruments not traded in an active market
Financial instruments not traded in active markets are valued based on various valuation techniques and are divided into two categories:

1) Valuation based on observable market data:
- Recently observed transactions in the current instrument between informed, willing and unrelated parties
- Instruments traded in an active market, which are substantially similar to the instruments that are valued

2) Valuation based on other than observable market data:
- Estimated cash flows
- Models where material parameters are not based on observable market data

Impairment
At each date of financial position, Møre Boligkreditt AS assesses whether there is objective evidence that the financial assets have been exposed to loss events that have negative effects on the cash flow. A financial asset or group of financial assets are impaired if there is objective evidence of credit losses. See note 3 for further description. Impairment of loans is recognised in the income statement.

Individual impairment
Individual impairments for credit losses are made when there is objective evidence that the value of the loan or commitment is reduced. Examples of objective evidence are:

a) Significant financial problems in the case of the debtor in question
b) Default of payment or other significant breaches of contract. An engagement is considered to be in default if the borrower fails to pay overdue instalments, or overdrawn amounts are not repaid, within a maximum of 90 days
c) Approved deferment of payment or new credit for the payment of an instalment, agreed changes to the rate of interest or other terms and conditions relating to the agreement as a result of debtor's financial problems
d) A likelihood that the debtor enters into debt negotiations, other financial restructuring, or that the debtor's estate is subject to bankruptcy proceedings

An impairment loss is reversed if the loss is reduced and can be related objectively to an event occurring after the impairment date. If objective evidence of impairment can be identified, estimated impairment losses are calculated as the difference between book value in the balance sheet and the present value of estimated future cash flows discounted using the effective interest rate. In accordance with IAS 39 the best estimate is basis for the assessment of future cash flows. The effective interest rate used is the effective interest rate related to the loan before objective evidence of impairment was identified. The effective interest rate used for discounting is not adjusted due to changes in the loan's credit risk or loan terms because objective evidence of impairment is identified. Individual impairments on loans reduce the commitments` value recognised in the statement of financial position. Changes in assessed value for the loans are recorded under "Impairment on loans" . Interest income calculated using the effective interest method on the impaired loan value, is included in "Net interest income".

Collective impairment
Collective impairments are calculated for sub-groups of loans for which objective events indicate that future cash flows that would have been used to service the commitments, have weakened, where it is not possible to examine all commitments on an individual basis, or where information is not identifiable at a commitment level. Commitments against which individual impairments for losses have been registered are not included in the basis for collective impairments.

The impairment tests look at groups of customers with almost equal risk and value properties and are based on risk classification and loss experience for the groups of customers.

Groups of loans are impaired if there is objective evidence of:
a) Negative changes in the payment status of debtors in the group of loans
b) Real economic effects having occurred that on the date of the statement of financial position, have not been fully taken into account in the group's risk classification system

1.5.3 Hedge accounting
The company applies hedge accounting and hedges interest rate risk and foreign exchange rate risk on debt securities issued with fixed interest rate or foreign currency denomination.

Hedging requires a clear, direct and proven correlation between fluctuations in value of the hedged item arising from the hedged risk and fluctuations in value of the financial derivative (hedging instrument).

At the origination of the hedge, the relationship between the hedging instrument and the object is documented. In addition the objectives and the strategy for the hedging transaction are documented. Changes in fair value related to the hedged risk of the hedged item and the hedging instrument are evaluated periodically to ensure the effective hedges. Hedging instruments are carried at fair value and are recorded under "Net change in value of debt securities and related derivatives".

For the hedged item, changes in fair value due to the hedged risk are recognised as an adjustment to the carrying value of the debt securities, and are recorded under "Net change in value of debt securities and related derivatives".

1.6 Presentation in the statement of financial position and income statement

Lending
Lending is presented in the statement of financial position, depending on the counterparty, either as "Loans to and receivables from credit institutions" or "Loans to and receivables from customers". Interest income is recognised in the line "Interest income from loans to and receivables from customers and credit institutions" using the effective interest rate method. Impairments are recognised in "Impairment on loans".

Liabilities to financial institutions
Liabilities to financial institutions are recognised in the statement of financial position as "Loans from credit institutions". Interest expenses on liabilities are

included in "Interest expenses in respect of loans from credit institutions" based on the effective interest rate method.

Debt securities issued

Debt securities issued include issued bonds. Interest expenses on the financial instruments are included in "Interest expenses in respect of debt securities" based on the effective interest rate method.

1.7 Tax

The tax cost consists of payable tax for the income year, any tax payable for previous years, and any changes in deferred tax. Deferred tax is calculated on the temporary differences in accordance with IAS 12 Income Taxes. A temporary difference is the difference between the carrying amount of an asset or liability and the taxable value of that asset or liability. Tax increasing and tax reducing temporary differences that are reversed or could be reversed in the same period are offset and the net amount recognised. Deferred tax assets are recognised in the statement of financial position to the extent that it is likely they will be able to be utilised against future taxable income. Deferred tax (tax assets) is recognised at its nominal value and reported on a separate line on the statement of financial position.

1.8 Provisions, contingent assets and contingent liabilities

A provision is only recognised when an obligation exists (legal or constructive) as a result of a previous event, and it is likely that an outflow of financial resources will be required to fulfil the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recognised at the amount that expresses the best estimate of the expenses required to fulfil the existing obligation. If material the time value of money is taken into account when calculating the size of the provision. Contingent assets or contingent liabilities are not recognised.

1.9 Events occurring after the date of financial position

New information about the mortgage company's positions on the date of the statement of financial position is taken into account in the annual financial statements. Events after the date of the statement of financial position that do not affect the mortgage company's position at that date, but will affect the mortgage company's financial position in the future, are disclosed if they are material.

1.10 Statement of cash flow

The cash flow analysis is prepared on the basis of the direct method with cash flows attributable to operational, investment and financing activities. Cash flows from operational activities are defined as current interest associated with lending activities for customers, net receipts and payments from lending activities, and payments generated from costs associated with operational activities. Cash flows from other securities transactions, issuing and repaying securities issued, and equity are defined as funding activities.

1.11 Equity

The equity consists of paid-in share capital, other paid-in equity, and other equity. Møre Boligkreditt AS recognises proposed dividends and group contributions as other equity until approved by the company's general meeting. Transaction costs associated with an equity transaction are recognised directly against equity.

1.12 Use of estimates in the preparation of the annual financial statements

In the preparation of the financial statements, management makes estimates and assumptions that affect the financial statements and the reported amounts of assets and liabilities, income and costs. The assessments are based on historical experience and assumptions deemed to be reasonable and sensible by the management. There is a risk that the actual outcomes will deviate from the estimated outcomes.

The financial assets and liabilities of the company are allocated to different categories according to IAS 39 by the management. Normally this process requires limited judgement.

In the opinion of the management, the most important areas which involve critical estimates and assumptions are as follows:

Impairment on loans

The company examines the lending portfolio at least every quarter. Commitments are reviewed individually and deemed to require impairment when there is objective evidence of impairment, or at the latest in the case the commitment have been in default for more than 90 days. Furthermore, impairment assessments are done for groups of loans. In connection with impairment assessments, all cash flows relating to the commitments in question are identified and assessed. In this process management relies on approximation and prior experience.

Fair value assessments

For financial instruments which are not traded in active markets, various methods are applied in order to ascertain fair market value. Further information and a description of the techniques used, is stated above. Financial instruments not traded in an active market are valued based on in-house value judgments on the basis of current market conditions, or valuations from other market players.

2 OPERATING SEGMENTS

Møre Boligkreditt AS has only one segment in its business and 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	**2013**	2012
Agriculture and forestry	**2**	2
Fisheries	**1**	1
Manufacturing	**5**	3
Building and construction	**23**	17
Wholesale and retail trade, hotels	**8**	5
Property management	**188**	114
Transport and private/public services	**38**	30
Public entities	**0**	0
Activities abroad	**0**	0
Miscellaneous	**0**	0
Total corporate/public entities	**265**	172
Retail customers	**14 599**	11 159
Loans, nominal amount	**14 864**	11 331
Collective impairment	**-1**	-1
Loans to and receivables from customers	**14 863**	11 330

GEOGRAPHICAL SPECIFICATION

	Møre og Romsdal		Remaining parts of Norway		Foreign countries		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Loans, nominal amount	**11 730**	8 990	**3 104**	2 312	**30**	29	**14 864**	11 331
In percentage	**79.0**	79.3	**20.8**	20.4	**0.2**	0.3	**100.0**	100.0
Interest income	**396**	311	**130**	81	**1**	1	**527**	393
In percentage	**75.1**	79.2	**24.7**	20.5	**0.2**	0.3	**100.0**	100.0

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, including 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 for losses 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 1 million as at 31 December 2013.

4 RISK MANAGEMENT

Strategy

The Sparebanken Møre Group`s, and thereby Møre Boligkreditt AS', long-term strategic development and goal achievement are supported by high quality risk- and capital management. The overall purpose of risk management and -control is to ensure that goals are achieved, effective operations and risk reductions preventing the achievement of business related goals, to ensure internal and external reporting of high quality, and to make sure that the Group operates in accordance with relevant laws, rules, regulations and internal guidelines.

Risk-taking is a fundamental aspect of banking operations, which is why risk management is a central area in the day-to-day operations as well as in the Board of Directors' ongoing focus. Sparebanken Møre's Board of Directors has agreed overall guidelines for management and control throughout the Group. The Board of Directors of Møre Boligkreditt AS has agreed a separate risk policy for the company.

Møre Boligkreditt AS shall have a low risk profile and revenue generation shall be a product of customer-related activities related to the company`s operations and purpose, not financial risk-taking. In addition, the company has introduced separate policies for each significant risk area: credit risk, market risk, funding risk and counterparty risk. The risk strategies are adopted by the Board of Directors and revised at least once a year or when special circumstances should warrant it. The approved risk policies operationalize the business strategy set forth in the company's overall strategic plan. The company has established a follow-up and control structure which shall ensure that the overall framework of the strategic plan is adhered to at all times.

Reporting

Møre Boligkreditt AS focuses on correct, complete and timely reporting of the risk and capital situation. Based on this, a number of different types of periodic reporting have been established that are intended for the Board. The most important reports during the year are as follows:

ICAAP (Internal Capital Adequacy Assessment Process) is carried out and reported at least once a year. Møre Boligkreditt is included in the assessments of overall ICAAP for the Sparebanken Møre Group, and CEO of Møre Boligkreditt AS is involved in the process. The process is led by the department for Risk Management in Sparebanken Møre. Specific guidelines have been prepared for ICAAP in Sparebanken Møre. ICAAP is reviewed by the bank's management team, the Board of Directors and the Control Committee.

A performance management report is prepared every month. The report presents the status and performance of the most important aspects of goal achievement at Møre Boligkreditt AS. The report is an integral part of the reporting to the Board of Directors.

A risk report is prepared every quarter. This is a key element of Møre Boligkreditt AS's continuous monitoring of its risk position. The risk report is reviewed by the Board of Directors in quarterly board meetings. The Control Committee also receives a copy of the quarterly risk report.

Each quarter, a liquidity forecast with a 5-year horizon is prepared, contributing to a continuous control of the liquidity situation and the refinancing needs of the mortgage company.

Internal control reports are produced every year. In the report an assessment is made of whether or not the internal control is adequate in relation to the risk tolerance. This includes an assessment and comments on internal control work performed, a review of all important risk areas, an assessment of compliance with external and internal regulations, and suggestions for and planned improvement measures. The internal control report is discussed by the Board of Directors, and is also presented to the Control Committee. Møre Boligkreditt AS`s internal control report is consolidated in the Group`s total internal control reporting.

Reports from external and internal auditors are reviewed by the Board of Directors, as well as the Audit Committee of Sparebanken Møre. The external auditor has (at least) annual meetings with the Control Committee.

A reporting portal has been established in the Sparebanken Møre Group, and customer relationship employees have access to reports which show the position and development in the credit risk in his or her portfolio. The portal has a hierarchical structure allowing managers in Sparebanken Møre and Møre Boligkreditt AS to monitor performance within their area of responsibility. The reports are also used to analyse customers, portfolios and different industrial, commercial and other sectors.

Finance and accounting reports are prepared monthly (and include quarterly calculations of collective impairment, as well as quarterly loss reviews of portfolios with a focus on the need for individual impairment). The reports are reviewed by the Board of Directors. Every six months the Control Committee receives a special review of the financial statements, including the development of finance and risk related issues.

Capital management

Møre Boligkreditt AS acquires mortgages from Sparebanken Møre of which minimum 80 per cent are funded through the issue of covered bonds. The funding of the mortgage company in excess of issues of covered bonds is done by equity and established credit facility in the Parent Bank.

Capital adequacy rules and regulations

The EU's capital adequacy directive (Basel II) was implemented in Norway with effect from 1 January 2007. Its purpose is to strengthen the stability in the financial system through more risk-sensitive capital requirements, better risk management and control, more stringent supervision and more information provided for the market. The capital adequacy directive is based on three pillars:

- Pilar I – Minimum requirement for equity and related capital
- Pilar II – Assessment of aggregate capital requirements and regulatory follow-up (ICAAP)
- Pilar III – Publication of information

Møre Boligkreditt AS applies the Standard Approach in Basel II when calculating capital adequacy for credit risk and market risk, and the base method for operational risk. Møre Boligkreditt AS' Board of Directors ensures that plans for the capitalization of the company are in place, both during economic downturns and periods of strong economic expansion. Capital assessments (ICAAP) are done every year, and the company's capital strategy is based on the risk in the company's operations, having taken into consideration different stress scenarios.

Basel III introduces several additional capital buffers of Tier-1 capital. The new capital regime in Norway was enforced on 1 July 2013, and Tier-1 capital target will gradually increase from the 9 per cent which the Norwegian FSA introduced as capital target on 1 July 2012. Minimum Tier-1 from 1 July 2014 going forward is 10 per cent including a conservation buffer and a systemic risk buffer. As of 1 July 2015 a counter-cyclical buffer of 1 per cent will apply, and an additional 1 per cent Tier-1 buffer will apply for Systemic Important Financial Institutions (SIFI) in Norway. Neither Sparebanken Møre nor Møre Boligkreditt AS is defined as SIFI.

For several years, Sparebanken Møre has developed and implemented internal risk management models within the credit area. The Group applied to the Norwegian FSA for the use of the IRB basic method in accordance with the capital adequacy regulations for the modelling of credit risk. This application also includes Møre Boligkreditt AS. Depending on the Financial Authority's processing of the application, the Group is to carry out capital adequacy reporting in accordance with the IRB approach. Møre Boligkreditt AS shall meet minimum capital requirements.

Risk exposure and strategic risk management

Møre Boligkreditt AS is exposed to several different types of risk. The most important risk groups are:

Credit risk:
This is the company's most significant risk area. Credit risk is defined as the risk of loss due to customers or other counterparts being unable to meet their obligations at the agreed time in accordance with the written agreements, or that collateral held is not covering the outstanding claims. Included in the credit risk is also concentration risk, defined as the risk of loss resulting from the concentration of large individual clients, specific industries, geographical areas, collateral with the same risk characteristics, counterparties in interbank operations or trading in financial derivatives.

Møre Boligkreditt's majority of credit risk is related to loans to customers with collateral security in residential property and housing associations. Møre Boligkreditt acquires the loans from Sparebanken Møre, originally granted to customers by Sparebanken Møre, based on group policies and limits. At the time of the transfer of loan portfolios, only loans that qualify as collateral for the issue of covered bonds according to the Financial Institutions Act, are accepted by Møre Boligkreditt AS. For all these mortgage loans, the value of the loan balance should not exceed 75 per cent of the total value of the property. The collateral value is monitored on an ongoing basis.

Møre Boligkreditt has adopted the credit risk policies as set by the Sparebanken Møre Group. The group manages and controls credit risk by setting limits on the amount of risk, and by monitoring exposures in relation to such limits. Collateral is taken to manage credit risk in the loan portfolios. According to the agreement relating to the transfer of loans between Sparebanken Møre and Møre Boligkreditt, the day-to-day monitoring of the loans are managed by Sparebanken Møre on behalf of Møre Boligkreditt. Sparebanken Møre`s risk classification system is based on the probability of default (PD), which estimates the likelihood of a customer defaulting on its contractual obligations.

Sparebanken Møre`s risk classification system is divided into ten risk classes, and the weighted PD in Møre Boligkreditt AS loan portfolio as of 31.12.2013 is 0.23 per cent.

Market risk:
The risk of loss involving market values relating to portfolios of financial instruments as a result of fluctuations in share prices, foreign exchange rates and interest rates.

Møre Boligkreditt minimize currency risk through swap agreements with eligible counterparties.

The Board of Directors sets risk limits, positions are monitored on a daily basis, and quarterly exposure reports are prepared for the management and for The Board of Directors.

Fixed interest on the company's funding is managed through interest rate swaps with eligible counterparties.

Liquidity risk:
The risk that the company is unable to meet its obligations and/or fund increases in assets without incurring significant extra costs in the form of falls in prices of assets which have to be sold, or in the form of particularly expensive funding.

The Board of Directors sets annual limits for the company's liquidity risk, which means preparing liquidity risk limits, contingency plans, forecasts, stress tests, routines for monitoring limit utilisation and compliance with guidelines, management reporting and monitoring of management and control systems.

In a stress scenario where the mortgage company faces difficulties in refinancing its covered bonds through normal funding sources, Møre Boligkreditt AS can rely on a revolving credit facility in Sparebanken Møre covering the mortgage company's payment obligations for the next 12 months, and a 12 month soft-call, or 12 month extendable maturity on covered bonds issued.

Møre Boligkreditt`s liquidity situation at year-end is considered to be sound.

Operational risk:

The risk of loss due to insufficient or failing internal processes and systems, or due to human error or external events. Møre Boligkreditt has outsourced parts of its daily operations to Sparebanken Møre. Operational risk in the mortgage company is, in all material respects, depending on the internal processes of the Parent Bank. The mortgage company shall still have an overview and understanding of the risks that directly affect the mortgage company's operations.

Møre Boligkreditt AS tries to take account of the interaction between the various risk areas by setting desired levels of exposure. Overall, it is the internal conditions, general conditions, customer base etc. in the Group that form the basis for setting the desired overall risk exposure.

Based on an evaluation of the risk profile, management and control, Møre Boligkreditt AS has set the following overall levels of risk exposure for the various risk areas:

- Credit risk: A low level of risk is accepted
- Market risk: A low level of risk is accepted
- Liquidity risk: A low level of risk is accepted
- Operational risk: The acceptable risk level is low to moderate

Møre Boligkreditt AS' risk is quantified partly through calculations of expected loss and the requirement for financial capital in order to be able to cover unexpected losses. Expected losses and financial capital are calculated for all main groups of risk. Expected losses describe the amount which in statistical context the company must expect to lose during a 12 month period. Financial capital describes the amount of capital the company deems to be required in order to cover the actual risk which has been incurred by the company. Statistical methods for the computation of financial capital have been used as a basis, but the calculations nevertheless assume that qualitative assessments are applied in certain cases.

4.1 - Credit risk

Credit risk represents the greatest area of risk and is defined as the risk of losses associated with customers being unable to fulfill their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. The company's credit risk strategy is revised and approved annually by the Board and sets forth the company's risk profile in the area of credit. Monthly portfolio management reports have been established that ensure that any deviations from the strategic goals set forth in the credit risk strategy are uncovered. The risk models that have been developed to measure and report credit risk take as their starting point statistical calculations in which both external and internal bank information related to the individual customer is included in the models.

RISK GROUPS BASED ON PROBABILITY OF DEFAULT IN 2013	Loans, nominal value	Drawingrights/ facilities	Total exposure
Low risk (0 % - < 1 %)	**14 161**	**937**	**15 098**
Medium risk (1 % - < 4 %)	**582**	**4**	**586**
High risk (4 % - < 100 %)	**121**	**0**	**121**
Commitments in default	**0**	**0**	**0**
Total loans, nominal value	**14 864**	**940**	**15 805**
- Impairment (individual and collective)	**-1**	**0**	**-1**
Loans to and receivables from customers as at 31 December 2013	**14 863**	**940**	**15 804**

RISK GROUPS BASED ON PROBABILITY OF DEFAULT IN 2012	Loans, nominal value	Drawingrights/ facilities	Total exposure
Low risk (0 % - < 1 %)	10 800	734	11 534
Medium risk (1 % - < 4 %)	411	4	415
High risk (4 % - < 100 %)	120	0	120
Commitments in default	0	0	0
Total loans, nominal value	11 331	738	12 069
- Impairment (individual and collective)	-1	0	-1
Loans to and receivables from customers as at 31 December 2012	11 330	738	12 068

Collateral

The company requires collateral in residential property to reduce the risk associated with customers' willingness and ability to serve their obligation. At the time of granting of loans there is an objective valuation of residential properties. Factors are also taken into account, that may affect the collateral's value, such as licensing conditions or easements.

Møre Boligkreditt is the legal and beneficial owner of each loan in the portfolio and is secured rights to the collateral that is associated with each loan. Proper transfer of loans are handled through a separate agreement between the company and the Parent Bank. For cases where the collateral secures loans for both the company and the Parent Bank, it is agreed that Møre Boligkreditt AS ranks first.

All loans in the cover pool had mortgages within 75 per cent of property value at the time of acquisition. The mortgage company had mortgages with loan balance exceeding 75 per cent of property value of a total of NOK 300 million as at 31 December 2013, see note 6.

4.2 - Market risk

Møre Boligkreditt AS has funding in foreign currency. Currency risk associated with these positions are eliminated through currency swaps. Through its regular operations, the company is exposed to interest rate risk. Interest rate risk occurs in the company's portfolio in connection with its activities relating to loans and bond debt in which different interest terms apply to the company's receivables and liabilities. Depending on the relationship between the interest terms for receivables and liabilities, changes to interest rates could result in increased income or expenses.

Møre Boligkreditt AS measures its interest rate risk with different risk management measures and techniques. In this manner the risk the company has assumed, and the effect this would have on the result in the event of changes in the market interest rate, can be quantified.

The longer assets are tied up by an investment, the greater the potential loss/gain in the event of a increase/decrease in the market interest rate. Møre Boligkreditt AS uses interest rate and currency swaps as part of its risk management to manage interest rate and currency risk. Interest flows related to the company's borrowings in fixed rate are swapped to interest rates with short fixing, and the interest rate risk is considered low.

The tables show the potential effect of the change in value of financial assets and liabilities of the company due to an one percentage point increase in the level of interest rates. The calculation is based on current positions and market rates as of 31 December.

(MNOK)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
2013	**-4**	**3**	**1**	**1**	**0**	**1**

(MNOK)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
2012	-4	2	1	0	0	-1

4.3 - 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. A financial entity is solvent when it is able to redeem its liabilities as they fall due, and finance increases in its loan portfolio as it arises.

The Board of Møre Boligkreditt AS annually sets limits for management of liquidity risk in the company.

Pursuant to the Financial Institutions Act, a mortgage company that issues covered bonds must ensure that the cash flow from the cover pool enable the company to redeem its payment obligations to holders of covered bonds and counterparties to derivative agreements at all times.

The loans acquired by Møre Boligkreditt AS are primarily financed through the issuing of covered bonds. The company's plan is to ensure that this type of funding shall over time account for a minimum of 80 per cent of the entity's financing of acquired loans. Loans that are acquired and not included in a portfolio financed by covered bonds, and loans that serve as over-collateralisation, are financed through a facility the company holds in the parent bank, Sparebanken Møre. The long-term overdraft facility in Sparebanken Møre has a total limit of NOK 2.25 billion.

Receivables from credit institutions and investments in covered bonds are used as part of the cover pool.

RESIDUAL MATURITY AS PER 31.12.13	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
Assets						
Loans to and receivables from credit institutions	531	0	0	0	0	531
Loans to and receivables from customers	89	173	784	6 847	12 635	20 528
Certificates and bonds	0	0	3	189	31	223
Total assets	620	173	787	7 036	12 666	21 282
Liabilities						
Loans from credit institutions	1 131	0	0	0	0	1 131
Debt securities issued	19	43	740	10 465	4 064	15 331
Total liability	1 150	43	740	10 465	4 064	16 462
Financial derivatives						
Cash flow in	2	3	72	268	410	755
Cash flow out	3	9	42	183	220	457
Total financial derivatives	-1	-6	30	85	190	298

Cash flows from nominal interest payments are included for "Loans to and receivables from customers", for "Certificates and bonds" and for "Debt securities issued".

RESIDUAL MATURITY AS PER 31.12.12	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Above 5 years	Total
Assets						
Loans to and receivables from credit institutions	225	0	0	0	0	225
Loans to and receivables from customers	67	135	615	5 383	9 235	15 435
Total assets	292	135	615	5 383	9 235	15 660
Liabilities						
Loans from credit institutions	987	0	0	0	0	987
Debt securities issued	22	34	201	8 651	2 361	11 269
Total liability	1 009	34	201	8 651	2 361	12 256
Financial derivatives						
Cash flow in	2	1	44	172	266	485
Cash flow out	2	6	25	113	135	281
Total financial derivatives	0	-5	19	59	131	204

Cash flows from nominal interest payments are included for "Loans to and receivables from customers" and for "Debt securities issued".

4.4 - 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 concluded a management agreement with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependant 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 substantial space in the group's annual ICAAP. The operational and established internal control system in the mortgage company is also an important tool for reducing operational risk with respect to both uncovering it and following it up.

The internal control system should be designed to ensure reasonable certainty with respect to attaining goals within the areas of strategic development, goal-oriented, efficient operations, reliable reporting, and compliance with acts and regulations, including compliance with intragroup and company-specific guidelines and policies. A wellfunctioning internal control system should also ensure the mortgage company's risk exposure is within the adopted risk profile. Reports are submitted to the company's Board concerning operations and the risk situation throughout the year. The CEO submits an annual report to the Board containing an overall assessment of the risk situation and an assessment of whether the internal controls are functioning satisfactorily.

5 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 issued 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	31.12.2013		31.12.2012	
(MNOK)	Fair value	Book value	Fair value	Book value
Financial assets at fair value through profit or loss:				
Bonds	**207**	**207**	0	0
Financial derivatives	**157**	**157**	71	71
Loans and receivables (at amortised cost):				
Loans to and receivables from credit institutions	**531**	**531**	225	225
Loans to and receivables from customers	**14 863**	**14 863**	11 330	11 330

FINANCIAL LIABILITIES	31.12.2013		31.12.2012	
(MNOK)	Fair value	Book value	Fair value	Book value
Financial liabilities at fair value through profit or loss:				
Financial derivatives	**3**	**3**	6	6
Debt securities issued (at amortised cost subject to hedge accounting):				
Debt securities issued	**1 328**	**1 320**	770	769
Other financial liabilities (at amortised cost):				
Loans from credit institutions	**1 131**	**1 131**	987	987
Debt securities issued	**12 452**	**12 378**	9 318	9 237

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.

31.12.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Financial assets at fair value through profit or loss:				
Bonds	0	207	0	207
Financial derivatives	0	157	0	157
Loans and receivables (at amortised cost):				
Loans to and receivables from credit institutions	0	531	0	531
Loans to and receivables from customers	0	0	14 863	14 863
Total financial assets	0	895	14 863	15 758
Financial liabilities at fair value through profit or loss:				
Financial derivatives	0	3	0	3
Debt securities issued (at amortised cost subject to hedge accounting):				
Debt securities issued	0	1 320	0	1 320
Other financial liabilities (at amortised cost):				
Loans from credit institutions	0	1 131	0	1 131
Debt securities issued	0	12 378	0	12 378
Total financial liabilities	0	14 832	0	14 832

31.12.12	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
Financial assets at fair value through profit or loss:				
Bonds	0	0	0	0
Financial derivatives	0	71	0	71
Loans and receivables (at amortised cost):				
Loans to and receivables from credit institutions	0	225	0	225
Loans to and receivables from customers	0	0	11 330	11 330
Total financial assets	0	296	11 330	11 626
Financial liabilities at fair value through profit or loss:				
Financial derivatives	0	6	0	6
Debt securities issued (at amortised cost subject to hedge accounting):				
Debt securities issued	0	770	0	770
Other financial liabilities (at amortised cost):				
Loans from credit institutions	0	987	0	987
Debt securities issued	0	9 318	0	9 318
Total financial liabilities	0	11 081	0	11 081

6 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 31.12.2013	Interest	Issue	Maturity	31.12.2013	31.12.2012
NO0010499833	NOK	488	3M Nibor + 0.45 %	2009	2014	488	1 000
NO0010499841	NOK	1 500	3M Nibor + 0.50 %	2009	2016	1 500	1 500
NO0010564982	NOK	1 250	3M Nibor + 0.40 %	2010	2015	1 249	1 248
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 494	1 493
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 122	769
NO0010625833	NOK	850	3M Nibor + 0.40 %	2011	2014	850	850
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	428	386
NO0010635873	NOK	1 150	3M Nibor + 0.49 %	2012	2015	1 151	1 152
NO0010657232	NOK	1 500	3M Nibor + 0.65 %	2012	2018	1 502	1 351
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	668	257
NO0010676018	NOK	1 250	3M Nibor + 0.47 %	2013	2019	1 249	0
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	198	0
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	251	0
NO0010696990	NOK	800	3M Nibor + 0.45 %	2013	2020	799	0
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	749	0
Total securities issued						13 698	10 006
Financial derivatives to hedge securities (liabilities)						3	6
Financial derivatives to hedge securities (assets)						-157	-71
Total borrowings raised through the issue of securities						13 544	9 941

COVER POOL (MNOK)	31.12.2013	31.12.2012
Pool of eligible loans 1)	14 563	11 084
Supplementary assets	738	225
Total collateralised assets	15 301	11 309
Over-collateralisation	113.0 %	113.8 %

1) NOK 300 million of total gross loans are not eligible for the cover pool as at 31.12.13.

The bank swapped government securities for covered bonds with the government in the government's confidence package for the banks. Sparebanken Møre has bought parts of issued bonds from Møre Boligkreditt AS, which are used as collateral for swap agreements entered into with Norges Bank. The value of the pledged collateral must exceed the value of received government securities plus a minimum security margin during the entire agreement period. Upon expiry of the agreement period, the bank is obligated to buy back the covered bonds at the original sales price. The bank receives interest from the covered bonds as if these were not sold. From an accounting perspective, the bank group assesses the conditions in IAS 39 for derecognition not to be fulfilled since in the swap scheme the bank group retains the risk associated with the development of the value of the bonds and other cash flows in the form of interest.

7 HEDGING OF INTEREST RATE AND CURRENCY EXPOSURE

HEDGE ACCOUNTING FOR FINANCIAL LIABILITIES WITH FIXED RATE	31.12.2013	31.12.2012
Changes in value of derivatives established to hedge changes in market interest rates	+ 34	+ 68
Change in value due to changes in market interest rates on financial liabilities with fixed interest	- 37	- 68

HEDGE ACCOUNTING FOR FINANCIAL LIABILITIES IN FOREIGN CURRENCY	31.12.2013	31.12.2012
Changes in value of derivatives established to hedge currency exposure on financial liabilities	+ 92	- 4
Changes in value due to changes in the exchange rate on financial liabilities	- 93	+ 4

8 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)	2013	2012
Income statement		
Interest and credit commision income from Sparebanken Møre related to deposits	5	1
Interest and credit commision income paid to Sparebanken Møre related to loan/credit facility	30	20
Interest paid to Sparebanken Møre related to bonded debt	34	63
Management fee paid to Sparebanken Møre	19	14
Statement of financial position		
Deposits in Sparebanken Møre	531	225
Covered bonds	673	1 776
Loan/credit facility in Sparebanken Møre	1 131	987
Accumulated transferred loan portfolio from Sparebanken Møre	14 864	11 331

9 WAGES, COMPENSATIONS AND FEES

(Amounts in NOK Thousand)		2013	2012
Total wages and other cash payments		2 101	2 688
- hereof salary to the CEO		804	681
- hereof other remuneration to the CEO		98	162
- hereof refunded premium regarding the pension plan for the CEO		63	55
- hereof remuneration to the Board of Directors and the Control Committee		75	75
The Board of Directors	Kjetil Hauge, chairman	0	0
	Sandra Myhre Helseth	0	0
	Trond Lars Nydal	0	0
	Geir Tore Hjelle	30	30
	Britt Iren Tøsse Aandal	30	30
Control Committee	Grete Opshaug, chairman	6	6
	Jon Olav Slettebakk, vice chairman	3	3
	Karl Johan Brudevold	3	3
	Kjell Martin Rønning	3	3
Total fees paid to external auditor		873	769
- hereof auditing services		372	373
- hereof tax-related advisory services		25	12
- hereof other non-audit services, mainly fees for independent inspector according to the Financial Institution Act		475	384

Møre Boligkreditt AS has no employees at the end of 2013. Two man-years from Sparebanken Møre are through a written agreement with the bank dedicated to work for the mortgage company. A number of services are also outsourced for performance by Sparebanken Møre, and these are regulated by a specific agreement between the mortgage company and the bank. The above-mentioned pay and other cash benefits, as well as employer's national insurance contributions, are cost refunds to Sparebanken Møre. The employees are members of Sparebanken Møre's pension scheme. The scheme satisfies the current requirements for mandatory occupational pensions.

The company had as per 31 December 2013 no obligation to pay the CEO, chairman of the Board of Directors or other employees special remuneration upon them leaving the company or in the event of a change in their employment relationship or duties. Nor do any obligations concerning bonuses, options, or similar exist for any of the aforementioned people.

LOANS AND GUARANTEES	2013		2012	
(Amounts in NOK Thousand)	LOANS	GUARANTEES	LOANS	GUARANTEES
Board of Directors				
Kjetil Hauge, chairman	3 029	0	2 606	0
Sandra Myhre Helseth	2 745	0	2 550	0
Trond Lars Nydal	647	0	1 320	0
Geir Tore Hjelle	0	0	0	0
Britt Iren Tøsse Aandal	0	0	0	0
Control Committee				
Grete Opshaug, chairman	911	0	893	0
Jon Olav Slettebakk, vice chairman	1 024	0	1 026	0
Karl Johan Brudevold	0	0	0	0
Kjell Martin Rønning	0	0	0	0
CEO				
Ole Kjerstad	4 171	0	3 629	0

Ordinary customer terms and conditions have been applied to loans provided for members of the Board of Directors and Control Committee. Loans to the CEO and employees in Sparebanken Møre are given according to staff conditions.

10 TAX

Temporary negative and positive differences which are reversed or which may be reversed during the same period, have been offset and included in the accounts on a net basis. Deferred tax is calculated on the basis of the differences which exist between the accounting-related and tax-related values at the end of the accounting year. The entire taxation cost is related to Norway.

	2013	2012
Result before tax	211	109
Permanent differences	0	0
Changes in temporary differences	2	-1
Income subject to tax	213	108
Tax payable at 28 per cent	60	31
Change in deferred tax	-1	0
Total tax cost	59	31

SPECIFICATION OF TEMPORARY DIFFERENCES AND COMPUTATION OF DEFERRED TAX	2013	2012
Financial liabilities	- 130	- 64
Financial instruments	127	63
Net negative (-)/positive differences	-3	-1
Deferred tax as at 31 December	1	0

Financial instruments are valued in the financial statements at market value, while in the tax accounts handled by the realisation principle.

A tax rate of 28 per cent is used as the prevailing tax rate in 2013. As of 2014 the corporate tax rate has changed to 27 per cent, which has limited effect on the company since the temporary differences are insignificant.

Realisation of deferred tax asset is based on future results liable to tax, based on empirical experience and prognoses, exceeding the tax benefit in question in the case of reversal of any existing, temporary differences.

No temporary differences exist in relation to items recognised against comprehensive income or directly against equity. All deferred tax relates to items recognised in the income statement for the financial year.

RECONCILIATION BETWEEN TAX COST AND ACCOUNT-RELATED RESULT	2013	2012
28 per cent of pre-tax income	59	31
Other permanent differences	0	0
Total tax cost	59	31

11 EQUITY AND RELATED CAPITAL

Capital adequacy is calculated pursuant to the applicable regulations in Basel II. Møre Boligkreditt AS uses the standard method for calculating the minimum requirements regarding primary capital for credit risk and market risk. Calculations associated with operational risk are calculated based on the basic method.

The Sparebanken Møre group has applied to the Norwegian FSA for the use of the IRB basic method in accordance with the capital adequacy regulations for the modeling of credit risk. This application also includes Møre Boligkreditt AS. Depending on the Financial Authority's processing of the application, the Group is to carry out capital adequacy reporting in accordance with the IRB approach. Møre Boligkreditt AS shall meet minimum capital requirements.

Otherwise we refer to the group's Pillar III document, which is available on Sparebanken Møre's website, as well as Note 4 - "Risk management".

The European Commission published in 2011 its proposals for new regulations for credit institutions and investment firms, CRD IV, based on the proposals from the Basel Committee on new and stricter capital - and liquidity standards, Basel III. CRD IV is intended to apply to all banks and investment firms within the EEA. The regulation will lead to stricter demands to minimum levels, and also stricter demands to the quality of capital adequacy/ core capital. Basel III introduces several additional capital buffers of Tier-1 capital. The new capital regime in Norway was enforced 1 July 2013, and Tier-1 capital target will gradually increase from the 9 per cent which the Norwegian FSA introduced as capital target 1. July 2012. Minimum Tier-1 from 1 July 2014 going forward is 10 per cent including a conservation-buffer and a systemic-risk-buffer. As of 1 July 2015 a counter-cyclical buffer of 1 per cent will apply, and an additional 1 per cent Tier-1 buffer will apply for Systemic Important Financial Institutions (SIFI) in Norway. Neither Sparebanken Møre nor Møre Boligkreditt AS is defined as SIFI. There are also proposals for an unweighted capital, Leverage Ratio, as a supplement to the risk-weighted capital requirements.

The prevailing policy under Norwegian regulation requires the company to have an equity Tier 1 capital ratio of minimum 9.0 per Cent, and a total capital adequacy ratio of 12.5 per cent. The current defined long-term target for Møre Boligkreditt AS is to meet minimum capital requirements. Møre Boligkreditt AS has as of 31.12.2013 capital adequacy/core capital ratio of 12.25 per cent. Plans have been made to strengthen the Company's risk bearing capacity. The company is expected to deliver a return on equity above the level corresponding to long-term yield on Norwegian government bonds.

(MNOK)	MØRE BOLIGKREDITT AS	
Standard method (Basel II)	**2013**	2012
Share capital	**700**	500
Other equity	**155**	81
Total equity	**855**	581
Deduction for dividends	**152**	78
Core capital	**703**	503
Supplementary capital	**0**	0
Net equity and subordinated loan capital	**703**	503
Risk-weighted assets (calculation basis for capital adequacy ratio)	**5 737**	4 359
Capital adequacy ratio	**12.25**	11.54
Core capital ratio	**12.25**	11.54
Discrepancy relating to net equity and related capital - minimum requirement 8 per cent	**244**	154
Total minimum requirement (8 per cent) for equity and related capital according to the Standard method in Basel II:	**459**	349
Commitments involving institutions (banks etc.)	**8**	3
Commitments involving mass market (retail customers)	**8**	14
Commitments involving mortgage on residential property	**426**	321
Other commitments	**5**	2
Capital requirement – credit-/counterpart- and impairment risk	**447**	340
Capital requirement – position-/foreign exchange- and commercial risk	**0**	0
Operational risk (basis method)	**12**	9
Deductions from the capital requirement	**0**	0

12 SHARE CAPITAL

The share capital consists of 700 000 shares each with a nominal value of NOK 1 000. All shares are owned by Sparebanken Møre. Møre Boligkreditt AS is included in the consolidated financial statements of Sparebanken Møre and information about the consolidated financial statements can be obtained by contacting one of the bank's offices or via the bank's website: www.sbm.no.

	2013	2012
Total number of shares 1 January	**500 000**	500 000
Issue of new shares	**200 000**	0
Total number of shares 31 December	**700 000**	500 000

The Board of Directors has proposed a dividend of NOK 152 million as at 31 December 2013.

13 EVENTS AFTER THE REPORTING PERIOD

No events of material significance for the financial statements for 2013 have occurred after the reporting period. The company is not involved in any legal proceedings.

STATEMENT PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the company's annual financial statements for the period 1 January 2013 to 31 December 2013, have been, to the best of our knowledge, prepared in accordance with applicable accounting standards and that the information in the financial statements provides a true and fair view of the company's assets, liabilities, financial position, and results as a whole.

We also hereby declare that the annual report provides a true and fair view of the financial performance and position of the company, as well as a description of the principal risks and uncertainties facing the company.

Ålesund, 10 February 2014
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

AUDITOR'S REPORT 2013

To the Annual Shareholders' Meeting in Møre Boligkreditt AS

Report on the financial statements

We have audited the accompanying financial statements of Møre Boligkreditt AS, which comprise the statement of financial position as at 31 December 2013, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended, a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements of Møre Boligkreditt AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

OPINION ON THE BOARD OF DIRECTORS' REPORT

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

OPINION ON REGISTRATION AND DOCUMENTATION

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 10 February 2014
ERNST & YOUNG AS

Einar Hersvik
State Authorised Public Accountant
(Norway)

ANNUAL REPORT 2013 FROM THE CONTROL COMMITTEE

During 2013, the Control Committee has supervised that the operations of Møre Boligkreditt AS have been conducted in accordance with laws and regulations, the company`s articles of association and other decisions to which Møre Boligkreditt AS is obliged to adhere.

The Control Committee has reviewed the Minutes of the Board of Directors, reports from the external and the internal auditor, reports from the independent inspector, the company's correspondence with the Norwegian FSA (Finanstilsynet), and otherwise conducted inspections as imposed by currently valid laws.

During the period, regular committee meetings have been held at the company's head office.

The comments made by the Control Committee during the period in question have been resolved with the company's management.

Furthermore, the Control Committee has examined the Annual Report from the Board of Directors, the Annual Accounts and Auditor's Report, and found no basis for any comments to be made.

The Control Committee recommends the Annual Report and the Annual Accounts for the 2013 accounting year to be approved.

Ålesund, 13 February 2014
Control Committee of Møre Boligkreditt AS

Grete Opshaug
CHAIRMAN

Jon Olav Slettebakk
DEPUTY CHAIRMAN

Karl Johan Brudevoll

Kjell Martin Rønning

Design: Havnevik as
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