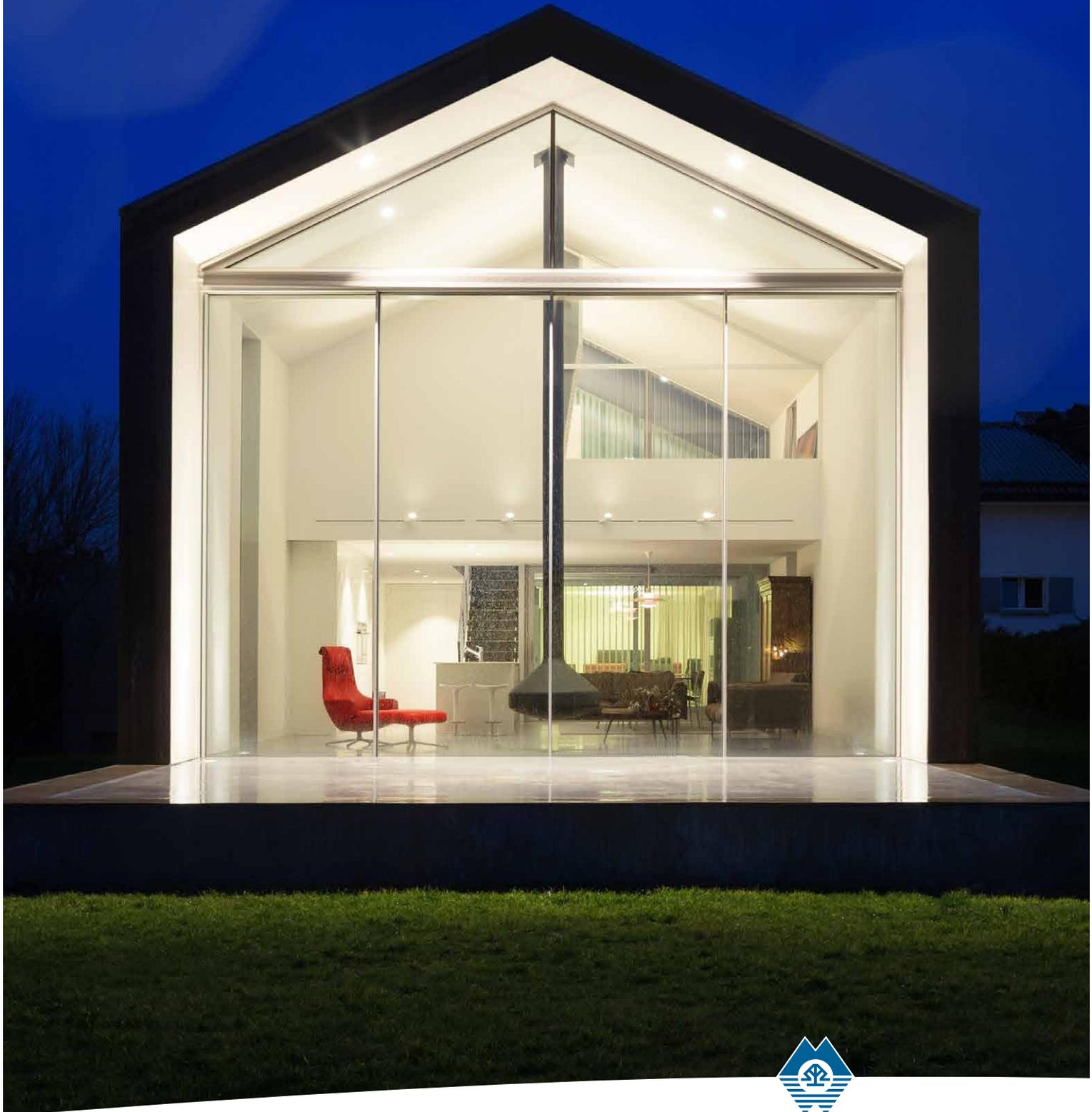


INTERIM REPORT  
2 QUARTER  
UNAUDITED

16



MØRE BOLIGKREDITT

# Interim report from the Board of Directors

## About the company

Møre Boligkreditt AS is a wholly owned subsidiary of Sparebanken Møre. The purpose of the company is to issue covered bonds backed by mortgages acquired from the owner. Møre Boligkreditt AS is Sparebanken Møre's most important source of market funding and an important part of the parent bank's long-term funding strategy.

The accounts have been prepared in accordance with IFRS.

## Second quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 54 million in second quarter 2016, compared to NOK 55 million in second quarter 2015. Net interest income amounted to NOK 62 million, compared to NOK 67 million for the same period last year. Costs amounted to NOK 9 million in second quarter 2016, compared with NOK 9 million in the corresponding quarter in 2015. Net gain in value of debt securities issued and related derivatives was NOK 5 million at second quarter end 2016, compared to NOK 7 million at second quarter end 2015.

Møre Boligkreditt AS has not established losses or impairment for individual losses in second quarter 2016, nor made any changes to the collective impairment. Profit after tax amounted to NOK 40 million in second quarter 2016, compared to NOK 41 million in the corresponding quarter 2015.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in the second quarter of 2016, and net lending increased by NOK 114 million.

Møre Boligkreditt AS drew a total of NOK 1 000 million on two existing bond loans, and one bond loan with NOK 828 million outstanding matured in second quarter 2016.

## Half year end results

By half year end 2016 the financial statements show a profit before tax of NOK 110 million, compared to NOK 131 million by half year end 2015. Net interest income amounted to NOK 122 million by half year end 2016, compared to NOK 142 million by end of same period last year. Costs in the period ending 30 June 2016 amounted to NOK 17 million, compared with NOK 16 million for the corresponding period 2015.

The amount allocated for collective impairment was NOK 4 million at half year end 2016 compared to NOK 4 million at half year end 2015. Profit after tax amounted to NOK 82 million by half year end 2016, compared to NOK 96 million by half year end 2015. Tax amounted to NOK 28 million in the first six months of 2016, compared to NOK 35 million the first six months of 2015.

Møre Boligkreditt AS had eleven bond loans outstanding at 30 June 2016 with a total bond loan debt of NOK 15 931 million, compared to thirteen bond loans with NOK 14 205 million outstanding at 30 June 2015.

Total assets at second quarter end 2016 amounted to NOK 19 280 million compared to NOK 16 803 million at second quarter end 2015. Net lending amounted to NOK 18 137 million at second quarter end 2016, compared with NOK 16 030 million at second quarter end 2015.

At second quarter end 2016, the company's substitute assets included in the cover pool amounted to NOK 226 million, compared to NOK 429 million in substitute assets at second quarter end 2015. Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 371 million at 30 June 2016.

## Rating

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

## Capital strength

Paid-in equity and other equity amounted to NOK 1 353 million by end of second quarter 2016, compared to NOK 1 153 million by end of second quarter 2015. This corresponds to a capital adequacy/core capital ratio of 16.0 per cent. Risk-weighted assets

amounted to NOK 8 183 million by end of second quarter 2016.

Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk. The Board regards the company's interest bearing capacity as satisfactory.

### **Risks**

Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations and regulatory provisions. These regulations largely stipulate restrictions concerning the scope of the company's various risk exposures. The Board and the managing director of Møre Boligkreditt AS are responsible for ensuring that proper risk management is established, and that such risk management is adequate and complies with current laws and regulations. Operational risk management in Møre Boligkreditt AS is maintained by Sparebanken Møre according to a service agreement concluded between Møre Boligkreditt AS and Sparebanken Møre. Risk management emphasizes identifying, measuring and managing the company's risk elements in a manner that ensures that Møre Boligkreditt AS complies with the professional credit regulations and keeps the various risks at a low level.

### **Credit risk**

Credit risk is defined as the risk of losses associated with customers or other counterparties being unable to fulfill their obligations at the agreed time and pursuant to written agreements, and that the received collateral is not covering outstanding claims. The credit risk strategy adopted by the company defines which loans that can be acquired by the company. The strategy stipulates criteria for both borrowers and the collateral for the loans that can be acquired. At end of second quarter 2016, the mortgages in the cover pool had an average loan-to-value ratio of 54 per cent, calculated as mortgage amount relative to the value of the property used as collateral. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

### **Market risk**

Market risk is the risk that will arise due to the mortgage company's holding or assuming positions in lending and financial instruments in which the values over time will be affected by changes in market prices. Møre Boligkreditt AS must, pursuant to the Financial Institution Act, have very low market risk and Board approved restrictions concerning its maximum exposure to market risk. The company utilizes financial derivatives to keep this type of risk at a low level. A specific market strategy has been adopted for Møre Boligkreditt AS which establishes the limits for this type of risk. The company's positions in fixed interest and foreign currencies are hedged with financial derivatives. The Board considers the overall market risk as low.

### **Liquidity risk**

Liquidity risk is the risk that Møre Boligkreditt AS will be unable to fulfill its obligations without substantial extra costs being incurred in the form of decline in asset values, forced sales or more expensive funding. The company has adopted a liquidity risk strategy and established limits for long-term funding and short-term liquidity risk limits. A 12 months rolling revolving credit facility guarantee from Sparebanken Møre ensures timely payments to derivative counterparties and owners of bonds issued by Møre Boligkreditt AS. Furthermore the bonds have a soft bullet structure in which the company has the opportunity to extend the term of its borrowing by up to 12 months. Møre Boligkreditt AS reports LCR of 355 per cent by half year end 2016. The Board regards the company's liquidity risk as low.

### **Operational risk**

Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures or external events. Møre Boligkreditt AS has entered into a management agreement with Sparebanken Møre. The services covered by this agreement include administration, production, IT operations, and financial and risk management. Although the operational risk of Møre Boligkreditt AS is dependent of Sparebanken Møre's ability to manage this type of risk, Møre Boligkreditt AS independently bear risk associated with errors in the deliveries and services provided by Sparebanken Møre. The evaluation of the management and control of operational risk is also afforded considerable space in the Group's annual ICAAP. The operational and established yearly internal control report, both within Sparebanken Møre and by the managing director of Møre Boligkreditt AS, is an important tool for reducing operational risk. The internal control reports will help identifying any operational risk, and enable action to be taken. The Board regards the company's operational risk as low.

### **Outlook**

The Norwegian economy, and especially the oil related part of the economy have experienced a slowdown in 2016, and we will experience lower and selective growth also in the coming quarters. This is mainly due to the low oil price and the decline in petroleum related investments. A strong household sector due to record low interest rates, still relative low unemployment levels, together with a solid public sector will however keep the production levels high in several sectors. The weak NOK is positive for the competitiveness of the export industry, and for the tourist industry.

Should the Norwegian economy be hit harder than expected, monetary and financial policy will be moved in an even more expansive direction. The development of house prices, together with growth in debt, is the most important risk factors to Norwegian households. Important risk factors going forward are also the oil price development, macro-economic growth in

export markets and the NOK exchange rate.

The combined activity of businesses located in Møre og Romsdal County remains high despite the decline in the petroleum related industries, and the growth in unemployment is somewhat reversed or at least levelling out in second quarter 2016. The registered unemployment rate in Norway was 2.9 per cent in June 2016, the same unemployment rate as in the county of Møre og Romsdal in June 2016. We expect unemployment in the county to stay on or just above national average levels in 2016.

Retail lending growth in Sparebanken Møre Group is 6.5 per cent the last twelve months, but in line with weaker national growth in household debt, we also see the Group retail lending growth rate slowing down somewhat in second quarter 2016.

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

Ålesund, 30 June 2016

9 August 2016

**THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS**

KJETIL HAUGE, Chairman

BRITT IREN TØSSE AANDAL

TROND NYDAL

GEIR TORE HJELLE

SANDRA MYHRE HELSETH

OLE KJERSTAD, Managing Director

# Statement of income

## STATEMENT OF INCOME

Amounts in NOK million	Note	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Interest income	<u>2</u>	125	139	249	286	551
Interest expenses	<u>2</u>	63	72	127	144	278
Net interest income	<u>2,6</u>	62	67	122	142	273
Commission income		0	0	0	0	0
Net change in value of debt securities issued and related derivatives		1	-1	5	7	1
Wages, salaries and general administration costs		0	0	1	1	2
Other operating costs	<u>6</u>	9	9	16	15	29
Total operating costs		9	9	17	16	31
Profit before impairment on loans and taxes		54	57	110	133	243
Impairment on loans	<u>3</u>	0	2	0	2	2
Pre tax profit		54	55	110	131	241
Taxes		14	14	28	35	65
Profit after tax		40	41	82	96	176

## STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q2 2016	Q2 2015	30.06.2016	30.06.2015	2015
Profit after tax	40	41	82	96	176
Other comprehensive income	0	0	0	0	0
Total comprehensive income after tax	40	41	82	96	176

# Statement of financial position

## Assets

Amounts in NOK million	Note	30.06.2016	30.06.2015	31.12.2015
Loans to and receivables from credit institutions	<u>2 4 5 6</u>	226	222	285
Loans to and receivables from customers	<u>2 3 4</u>	18 137	16 030	16 907
Certificates and bonds	<u>4 5</u>	371	207	403
Financial derivatives	<u>4 5</u>	546	343	485
Deferred tax asset		0	1	0
<b>Total assets</b>	<u>7</u>	<b>19 280</b>	<b>16 803</b>	<b>18 080</b>

## Liabilities and equity

Amounts in NOK million	Note	30.06.2016	30.06.2015	31.12.2015
Loans from credit institutions	<u>4 6</u>	1 889	1 263	970
Debt securities issued	<u>4 5 6</u>	15 931	14 205	15 711
Financial derivatives	<u>4 5</u>	4	51	6
Tax payable		20	35	63
Deferred tax liability		1	0	1
<b>Total liabilities</b>		<b>17 845</b>	<b>15 554</b>	<b>16 751</b>
Share capital		1 175	975	975
Share premium		175	175	175
Paid-in equity		1 350	1 150	1 150
Other equity		3	3	179
Profit for the period		82	96	0
Retained earnings		85	99	179
<b>Total equity</b>		<b>1 435</b>	<b>1 249</b>	<b>1 329</b>
<b>Total liabilities and equity</b>	<u>7</u>	<b>19 280</b>	<b>16 803</b>	<b>18 080</b>

# Statement of changes in equity

<b>30.06.2016</b>	<b>Total equity</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other equity</b>
Equity as at 31 December 2015	1 329	975	175	179
Total comprehensive income for the period	82			82
Issue of share capital	200	200		
Dividends	-176			-176
Equity as at 30 June 2016	1 435	1 175	175	85

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

<b>30.06.2015</b>	<b>Total equity</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other equity</b>
Equity as at 31 December 2014	1 244	875	175	194
Total comprehensive income for the period	96			96
Issue of share capital	100	100		
Dividends	-191			-191
Equity as at 30 June 2015	1 249	975	175	99

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

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

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

# Statement of cash flow

Amounts in NOK million	30.06.2016	30.06.2015	31.12.2015
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	247	284	547
Interest, commission and fees paid	-10	-13	-22
Operating expenses paid	-17	-16	-31
Income taxes paid	-71	-71	-70
Payment for acquiring loans from the Parent Bank	-3 606	-3 498	-6 964
Payment related to instalment loans and credit lines to customers	2 376	3 009	5 598
Net cash flow from operating activities	-1 081	-305	-942
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	3	2	5
Proceeds from the sale of certificates, bonds and other securities	94	0	65
Purchases of certificates, bonds and other securities	-61	0	-264
Changes in other assets	3	8	5
Net cash flow from investing activities	39	10	-189
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-118	-133	-258
Net change in loans from credit institutions	920	349	55
Proceeds from bond issues raised	996	2 258	3 965
Redemption of debt securities	-828	-1 958	-2 343
Dividend paid	-176	-191	-191
Changes in other debt	-11	-12	-16
Issue of share capital and premium	200	100	100
Net cash flow from financing activities	983	413	1 312
Net change in cash and cash equivalents	-59	118	181
Cash balance at 01.01	285	104	104
Cash balance at 30.06/31.12	226	222	285

# Note 1

## **ACCOUNTING PRINCIPLES**

Møre Boligkreditt AS' interim report is prepared in accordance with IAS 34 Interim Financial Reporting (compressed).

The accounts are prepared using the same principles, and with the same methodology as the annual accounts for 2015. The principles are outlined in the annual report for 2015. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2015.

The interim financial statements are not audited.

All amounts are stated in NOK million unless stated otherwise.

## Note 2

### OPERATING SEGMENTS

Møre Boligkreditt AS has only one segment in its business and here the customers derive mainly from the retail banking market. The following tables contain details of loans to customers by sector, business activity and geographical area.

(MNOK)	Loans		
	30.06.2016	30.06.2015	31.12.2015
<b>Broken down according to sectors</b>			
Agriculture and forestry	1	3	1
Fisheries	0	0	0
Manufacturing	9	7	9
Building and construction	24	26	26
Wholesale and retail trade, hotels	8	7	6
Property management	261	247	250
Transport and private/public services	58	55	59
Public entities	0	0	0
Activities abroad	0	0	0
Miscellaneous	0	0	0
Total corporate/public entities	361	345	351
Retail customers	17 760	15 668	16 544
Accrued interest income	20	21	16
Loans, nominal amount	18 141	16 034	16 911
Collective impairment	-4	-4	-4
Loans to and receivables from customers	18 137	16 030	16 907

(MNOK)	Net interest income		
	30.06.2016	30.06.2015	31.12.2015
Interest income from:			
Loans to and receivables from credit institutions	1	2	6
Loans to and receivables from customers	245	282	541
Certificates, bonds and other interest-bearing securities	3	2	4
Interest income	249	286	551
Interest expenses in respect of:			
Loans from credit institutions	10	11	20

Debt securities issued	117	133	258
Interest expenses	127	144	278
Net interest income	122	142	273

## Note 3

### **IMPAIRMENT, LOSSES AND NON-PERFORMANCE**

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

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

When all collateral has been realised and there is no doubt that the mortgage company will not receive further payments relating to the loan, the impairment will be reversed and the actual loss will be booked. Nonetheless, the claim against the customer will remain and be followed up, unless a debt forgiveness agreement is reached with the customer.

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

The Sparebanken Møre Group has developed its own collective impairment model and calculations are conducted each month based on input from the risk classification system, data warehouse, and assessments of macroeconomic factors. Changes to risk classification, negative developments in collateral values, and registered macroeconomic events that affect future estimated cash flows are taken into account in the model. The Group's model for collective impairment is tailored to Møre Boligkreditt AS' assumptions and operations.

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

# Note 4

## FINANCIAL INSTRUMENTS

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

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

Market prices are used to price lending to and receivables from financial institutions and lending to customers. The prices set include a mark-up for the relevant credit risk. Fair value is estimated as the carrying amount of the lending and receivables stated at amortised cost after deducting impairment.

There are no major differences between the book value and the fair value of loans to credit institutions and customers, and liabilities to credit institutions agreed at variable rates and recognised at amortised cost. Fair value of debt securities is calculated allowing for change in the market interest rates and change in the credit margin.

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

CLASSIFICATION OF FINANCIAL INSTRUMENTS	Financial instruments at fair value through profit or loss		Financial assets and liabilities carried at amortised cost	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Loans to and receivables from credit institutions			226	222
Loans to and receivables from customers			18 137	16 030
Certificates and bonds	371	207		
Financial derivatives	546	343		
<b>Total assets</b>	<b>917</b>	<b>550</b>	<b>18 363</b>	<b>16 252</b>
Loans from credit institutions			1 889	1 263
Debt securities issued			15 931	14 205
Financial derivatives	4	51		
<b>Total liabilities</b>	<b>4</b>	<b>51</b>	<b>17 820</b>	<b>15 468</b>

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	30.06.2016		30.06.2015	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	226	226	222	222
Loans to and receivables from customers	18 137	18 137	16 030	16 030
<b>Total assets</b>	<b>18 363</b>	<b>18 363</b>	<b>16 252</b>	<b>16 252</b>
Loans from credit institutions	1 889	1 889	1 263	1 263
Debt securities issued	15 875	15 931	14 289	14 205

Total liabilities		17 764	17 820	15 552	15 468
-------------------	--	--------	--------	--------	--------

<b>FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.06.2016</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to and receivables from credit institutions	-	226	-	226
Loans to and receivables from customers	-	-	18 137	18 137
Total assets	-	226	18 137	18 363
Loans from credit institutions	-	1 889	-	1 889
Debt securities issued	-	15 931	-	15 931
Total liabilities	-	17 820	-	17 820

<b>FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.06.2015</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Loans to and receivables from credit institutions	-	222	-	222
Loans to and receivables from customers	-	-	16 030	16 030
Total assets	-	222	16 030	16 252
Loans from credit institutions	-	1 263	-	1 263
Debt securities issued	-	14 205	-	14 205
Total liabilities	-	15 468	-	15 468

<b>FINANCIAL INSTRUMENTS AT FAIR VALUE - 30.06.2016</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Certificates and bonds	-	371	-	371
Financial derivatives	-	546	-	546
Total assets	-	917	-	917
Financial derivatives	-	4	-	4
Total liabilities	-	4	-	4

<b>FINANCIAL INSTRUMENTS AT FAIR VALUE - 30.06.2015</b>	<b>Based on prices in an active market</b>	<b>Observable market information</b>	<b>Other than observable market information</b>	
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>

Certificates and bonds	-	207	-	207
Financial derivatives	-	343	-	343
Total assets	-	550	-	550
Financial derivatives	-	51	-	51
Total liabilities	-	51	-	51

# Note 5

## ISSUED COVERED BONDS

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

COVERED BONDS (MNOK)								
ISIN code	Currency	Nominal value 30.06.2016	Interest	Issue	Maturity	30.06.2016	30.06.2015	31.12.2015
NO0010499841	NOK	-	3M Nibor + 0.50 %	2009	2016	-	828	827
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 497	1 496	1 497
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 322	1 211	1 272
XS0685790585	SEK	-	3M Stibor + 0.75 %	2011	2015	-	428	-
NO0010657232	NOK	2 500	3M Nibor + 0.65 %	2012	2018	2 510	2 009	2 512
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	693	669	736
NO0010676018	NOK	2 500	3M Nibor + 0.47 %	2013	2019	2 503	2 007	2 006
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	300	236	289
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	279	263	288
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 495	799	1 999
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	750	750	750
NO0010720204	NOK	2 500	3M Nibor + 0.24 %	2014	2020	2 497	2 497	2 497
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 017	944	989
Total securities issued						15 863	14 137	15 662
Accrued interest						68	68	49
Financial derivatives to hedge securities (liabilities)						4	51	6
Financial derivatives to hedge securities (assets)						-546	-343	-485
Total borrowings raised through the issue of securities						15 389	13 913	15 232

COVER POOL (MNOK)	30.06.2016	30.06.2015	31.12.2015
Pool of eligible loans 1)	17 933	15 612	16 648
Supplementary assets	226	429	688
Total collateralised assets	18 159	16 041	17 336
Collateralisation in %	118,0	115,3	113,8

1) NOK 192 million of total gross loans are not eligible for the cover pool as at 30.06.16.

# Note 6

## TRANSACTIONS WITH RELATED PARTIES

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

Loans from Sparebanken Møre are transferred at market value. If the purchased mortgage loans have fixed interest rates the price is adjusted for the value above / below par. Sparebanken Møre is responsible for ensuring that the loans to be transferred to Møre Boligkreditt AS are properly established and in accordance with the requirements specified in the agreement between the mortgage company and the Parent Bank. In case of a violation of these requirements, the Parent Bank will be liable for any losses that the mortgage company would experience as a result of the error. Sparebanken Møre and Møre Boligkreditt AS have formalised the settlement of interest for transaction days from date of transfer of loan portfolio to date of settlement of the consideration.

If Møre Boligkreditt AS should have difficulty in obtaining financing, there is established a revolving guarantee from Sparebanken Møre where the purpose is to ensure timely payments to owners of bonds and derivative counterparties.

The pricing of the services provided to Møre Boligkreditt AS by Sparebanken Møre distinguishes between fixed and variable costs for the mortgage company. Fixed costs are defined as costs the mortgage company must bear regardless of the activity related to the issuance of covered bonds, the acquisition of portfolio, etc. Variable costs are defined as costs related to the size of the portfolio acquired from Sparebanken Møre and the work that must be exercised by the Bank's employees to deliver satisfactory services given the number of customers in the portfolio.

Møre Boligkreditt AS is billed for costs related to the lease of premises at Sparebanken Møre. It is assumed that regardless of operations, a certain area of the bank attributable to the mortgage company is utilised during the year. Regardless of the extent of the activity and the loan portfolio acquired by Møre Boligkreditt AS, charges related to accounting, financial reporting, risk management, cash management, financing, governance and general legal services will incur.

Sparebanken Møre bills the mortgage company based on actual salary costs, including social security contribution, pension costs and other social costs. Parts of the mortgage company's expenses related to services provided by Sparebanken Møre relates to the size of the portfolio acquired from Sparebanken Møre. Management fee is calculated and billed monthly, in which the month's average portfolio size form the basis of billing.

The interest rate of the mortgage company's deposit and credit limit in Sparebanken Møre is based on 3 months NIBOR + a Premium.

The most important transactions are as follows:

(MNOK)	30.06.2016	30.06.2015	31.12.2015
Statement of income			
Interest and credit commission income from Sparebanken Møre related to deposits	1	2	6
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	10	11	20
Interest paid to Sparebanken Møre related to bonded debt	0	1	2
Management fee paid to Sparebanken Møre	13	12	24
Statement of financial position			

Deposits in Sparebanken Møre	226	222	285
Covered bonds	25	75	0
Loan/credit facility in Sparebanken Møre	1 889	1 263	970
Accumulated transferred loan portfolio from Sparebanken Møre	18 141	16 034	16 911

---

# Note 7

## EQUITY AND RELATED CAPITAL

<b>Core capital and supplementary capital</b>	30.06.2016	30.06.2015	31.12.2015
Share capital and share premium	1 350	1 150	1 150
Retained earnings	3	2	179
<b>Total equity</b>	<b>1 353</b>	<b>1 152</b>	<b>1 329</b>
Dividends	0	0	-176
Expected losses exceeding actual losses, IRB portfolios corporate	-39	-32	-32
<b>Common Equity Tier 1 capital</b>	<b>1 314</b>	<b>1 120</b>	<b>1 121</b>
Supplementary capital	0	0	0
<b>Net equity and subordinated loan capital</b>	<b>1 314</b>	<b>1 120</b>	<b>1 121</b>

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

Credit risk loans and receivables (Standardised Approach)	319	210	301
Credit risk loans and receivables (Internal ratings based Approach)	3 708	3 290	3 345
Operational Risk (Basic indicator Approach)	501	411	411
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	455	327	444
<b>Risk-weighted assets less transitional rules</b>	<b>4 983</b>	<b>4 238</b>	<b>4 500</b>
Additional RWA from transitional rules 1)	3 200	2 799	3 108
<b>Total risk-weighted assets</b>	<b>8 183</b>	<b>7 037</b>	<b>7 608</b>
Minimum requirement common equity Tier 1 capital (4,5%)	368	317	342

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

### Buffer Requirement

Countercyclical buffer (1.0%)	82	70	76
Capital conservation buffer (2.5%)	205	176	190
Systemic risk buffer (3.0%)	245	211	228
<b>Total buffer requirements</b>	<b>532</b>	<b>457</b>	<b>495</b>
Available common equity Tier 1 capital after buffer requirements	414	346	285

### Capital adequacy as a percentage of the weighted asset calculation basis

Capital adequacy ratio	16,0 %	15,9 %	14,7 %
Core capital ratio	16,0 %	15,9 %	14,7 %
Core tier 1 capital ratio	16,0 %	15,9 %	14,7 %

---

**Leverage ratio**

Leverage ratio	6,4 %	6,2 %	5,8 %
----------------	-------	-------	-------

---

**Liquidity Coverage Ratio**

Liquidity Coverage Ratio	355%	0%	0%
--------------------------	------	----	----

Møre Boligkreditt AS' capital requirements at 30th June 2016 are based on IRB-Foundation for corporate commitments and IRB-Retail for retail commitments

# Statement

## Statement pursuant to section 5-6 of the Securities Trading Act

We hereby confirm that the company's financial statement for the period 1 January 2016 to 30 June 2016, has been, to the best of our knowledge, prepared in accordance with IAS 34 - Interim Financial Reporting, 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 interim report provides:

- a true and fair view of important events that have occurred during the first six months of the financial year, and their impact on the financial statement
- a description of the principal risks and uncertainties for the remaining six months of the financial year
- a description of major related parties transactions.

Ålesund, 30 June 2016

9 August 2016

### **THE BOARD OF DIRECTORS OF MØRE BOLIGKREDITT AS**

KJETIL HAUGE, Chairman

BRITT IREN TØSSE AANDAL

TROND NYDAL

GEIR TORE HJELLE

SANDRA MY HRE HELSETH

OLE KJERSTAD, Managing Director

# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Net interest income	62	60	65	66	67
Other operating income	1	4	-3	-3	-1
Total operating costs	9	8	8	7	9
Profit before impairment on loans	54	56	54	56	57
Impairment on loans	0	0	0	0	2
Pre tax profit	54	56	54	56	55
Tax	14	14	15	15	14
Profit after tax	40	42	39	41	41

## As a percentage of average assets

Net interest income	1,40	1,35	1,58	1,52	1,61
Other operating income	0,01	0,11	-0,09	-0,06	-0,01
Total operating costs	0,21	0,18	0,18	0,17	0,20
Profit before impairment on loans	1,20	1,28	1,31	1,29	1,40
Impairment on loans	0,00	0,00	0,00	0,00	0,06
Pre tax profit	1,20	1,28	1,31	1,29	1,34
Tax	0,30	0,32	0,35	0,35	0,36
Profit after tax	0,90	0,96	0,96	0,94	0,98

Average total assets (MNOK)	18 046	17 615	16 626	17 492	16 578
-----------------------------	--------	--------	--------	--------	--------

## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	30.06.2016	30.06.2015	31.12.2015
Net interest income	122	142	273
Other operating income	5	7	1
Total operating costs	17	16	31
Profit before impairment on loans	110	133	243
Impairment on loans	0	2	2
Pre tax profit	110	131	241
Tax	28	35	65

Profit after tax	82	96	176
------------------	----	----	-----

**As a percentage of average assets**

Net interest income	1,37	1,72	1,63
Other operating income	0,06	0,09	0,01
Total operating costs	0,19	0,19	0,18
Profit before impairment on loans	1,24	1,62	1,46
Impairment on loans	0,00	0,03	0,01
Pre tax profit	1,24	1,59	1,45
Tax	0,31	0,43	0,39
Profit after tax	0,93	1,16	1,06

Average total assets (MNOK)	17 830	16 445	16 752
-----------------------------	--------	--------	--------