

INTERIM REPORT  
2 QUARTER  
UNAUDITED

14



MØRE BOLIGKREDITT

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# Interim report from the Board of Directors

## About the company

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

The accounts have been prepared in accordance with IFRS.

## Second quarter results

The financial statements of Møre Boligkreditt AS show a profit before tax of NOK 65 million in second quarter 2014, compared to NOK 50 million in second quarter 2013. Net interest income amounted to NOK 73 million, compared to NOK 57 million for the same period last year. Costs amounted to NOK 8 million second quarter 2014, compared with NOK 7 million in the corresponding quarter in 2013.

Møre Boligkreditt AS has not established losses or impairment for individual losses in second quarter 2014, but has increased the collective impairment with NOK 1 million. Tax amounted to NOK 18 million in the second quarter of 2014, compared to NOK 14 million in second quarter 2013. Profit after tax amounted to NOK 47 million in second quarter 2014, compared to NOK 36 million in the corresponding quarter 2013.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre, and the company's net lending growth amounted to NOK 425 million in second quarter 2014. Møre Boligkreditt AS did not issue any new cov-

ered bond loan volume in second quarter 2014, and outstanding bond loan volume was reduced by NOK 673 million with one bond loan maturing 28 April 2014.

## Half year end results

By half year end 2014 the financial statements show a profit before tax of NOK 130 million, compared to NOK 90 million by half year end 2013. Net interest income amounted to NOK 149 million by half year end 2014, compared to NOK 103 million by end of same period last year. Costs in the period ending 30 June 2014 amounted to NOK 15 million, compared to NOK 13 million for the corresponding period 2013.

The amount allocated for collective impairment was NOK 2 million by half year end 2014, compared to NOK 1 million by half year end 2013. Profit after tax amounted to NOK 95 million by half year end 2014, compared to NOK 65 million by half year end 2013. Tax amounted to NOK 35 million in the first six months of 2014, compared to NOK 25 million the first six months of 2013.

Total assets by half year end 2014 amounted to NOK 15 687 million, compared to NOK 13 041 million by half year end 2013. Net lending amounted to NOK 15 125 million by half year end 2014, compared with NOK 12 667 million by half year end 2013. By half year end 2014, the company's substitute assets included in the cover pool amounted to NOK 301 million, including receivables from credit institutions of NOK 94 million, compared to NOK 241 million by half year end 2013. Møre Boligkreditt AS had fourteen bond

loans outstanding by 30 June 2014 with a total bond loan debt of NOK 12 579 million compared to NOK 11 029 million by 30 June 2013.

## Rating

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

## Capital strength

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

Paid-in equity and other equity amounted to NOK 1 053 million by end of second quarter 2014, compared to NOK 703 million by end of second quarter 2013. This corresponds to a capital adequacy/core capital ratio of 17.54 per cent. Risk-weighted assets amounted to NOK 5 984 million by end of second quarter 2014. According to transitional rules in Basel I, risk weighted assets amount to NOK 6 627 million, which corresponds to a capital adequacy/core capital ratio of 15.87. 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 concern-

ing 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 end of second quarter 2014, 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 assum-

ing 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. 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 Spare-

banken 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 CEO of Møre Boligkreditt AS, is an important tool for reducing operational risk. The internal control reports will help identifying any operational risk, and enable action to be taken. The Board regards the company's operational risk as low.

### Outlook

The Norwegian economy is still solid, but experience somewhat slower growth than in previous quarters. A strong household sector, due to factors such as low interest rates and low unemployment, together with a solid public sector will contribute to good levels of activity in several sectors. Should the Norwegian economy be hit harder than expected, monetary and financial policy could quickly be moved in a more expansive direction. The development of house prices, together with growth in debt, are probably the most important risk factors for Norwegian households. The moderate economic upswing among Norway's trading partners is continuing. Both signs of improvement in the economic situation of the Euro area, and the weakening of the NOK exchange rate

are positive for the competitiveness of the local export industry. Important risk factors going forward is the oil price, expectations of lower oil investments going forward, the economic development in export markets, as well as the NOK exchange rate.

The possibility of a somewhat weaker growth in private consumption is also a risk factor to consider. The activity in Møre og Romsdal county will remain high also in second half of 2014, despite the lower growth outlook in 2014 and 2015 for the

petroleum investments. As a result of the continued poor performance in the main export markets, and the possibility of somewhat slower growth also in the county of Møre og Romsdal going forward, it is likely that unemployment will increase slightly both nationally and in Møre og Romsdal. The registered unemployment rate in Norway was 2.7 per cent, which is above the registered unemployment rate of 2.1 per cent in Møre og Romsdal, both in June 2014.

The Board believes that the relatively good climate for businesses and industry in Norway, and the county of Møre og Romsdal in particular, combined with low interest rates and continued increase in household income, will contribute to further mortgage loan growth in Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to acquire further mortgage loan portfolios from the parent bank, and also to increase volume of outstanding bond loans in second half of 2014.

Ålesund, 6 August 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	Q2 2014	Q2 2013	30.06.14	30.06.13	2013
Interest income	2	150	131	307	249	527
Interest expenses	2	77	74	158	146	287
Net interest income	2, 6	73	57	149	103	240
Net change in value of debt securities issued and related derivatives		1	0	-3	0	-3
Wages, salaries and general administration costs		1	1	1	1	3
Other operating costs	6	7	6	14	12	23
Total operating costs		8	7	15	13	26
Profit before impairment on loans and taxes		66	50	131	90	211
Impairment on loans	3	1	0	1	0	0
Pre tax profit		65	50	130	90	211
Taxes		18	14	35	25	59
Profit after tax		47	36	95	65	152

## STATEMENT OF COMPREHENSIVE INCOME

MØRE BOLIGKREDITT AS						
(MNOK)	Notes	Q2 2014	Q2 2013	30.06.14	30.06.13	2013
Profit after tax		47	36	95	65	152
Other comprehensive income		0	0	0	0	0
Total comprehensive income after tax		47	36	95	65	152

## STATEMENT OF FINANCIAL POSITION

MØRE BOLIGKREDITT AS				
(MNOK)	Notes	30.06.14	30.06.13	31.12.13
<b>Assets</b>				
Loans to and receivables from credit institutions	2, 4, 5, 6	94	241	531
Loans to and receivables from customers	2, 3, 4	15 125	12 667	14 863
Certificates and bonds	4, 5	207	0	207
Financial derivatives	4, 5	198	88	157
Deferred tax asset		1	0	1
Prepayments and accrued income		62	45	33
Total assets	7	15 687	13 041	15 792
<b>Liabilities and equity</b>				
Loans from credit institutions	4, 6	1 849	1 164	1 131
Debt securities issued	4, 5, 6	12 579	11 029	13 698
Financial derivatives	4, 5	2	0	3
Tax payable		36	25	60
Accrued liabilities and deferred income		73	55	45
Total liabilities		14 539	12 273	14 937
Share capital		875	700	700
Share premium		175	0	0
Other paid-in equity		0	0	0
Paid-in equity		1 050	700	700
Other equity		3	3	155
Profit for the period		95	65	0
Retained earnings		98	68	155
Total equity		1 148	768	855
Total liabilities and equity	7	15 687	13 041	15 792

## STATEMENT OF CHANGES IN EQUITY

30.06.2014

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2013	855	700	0	0	155
Total comprehensive income for the period	95				95
Issue of share capital and premium	350	175	175		
Dividends	-152				-152
Equity as at 30 June 2014	1 148	875	175	0	98

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

30.06.2013

Amounts in MNOK	Total equity	Share capital	Share premium	Other paid-in equity	Other equity
Equity as at 31 December 2012	581	500	0	0	81
Capital increase	200	200			
Total comprehensive income for the period	65				65
Dividends	-78				-78
Equity as at 30 June 2013	768	700	0	0	68

2013

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

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

## CASH FLOW STATEMENT

	MØRE BOLIGKREDITT AS		
(MNOK)	30.06.14	30.06.13	2013
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	336	267	534
Interest, commission and fees paid	-188	-167	-297
Operating expenses paid	-15	-14	-29
Income taxes paid	-60	-30	-30
Payment for acquiring loans from the Parent Bank	-2 389	-3 259	-7 468
Payment related to instalment loans and credit lines to customers	2 127	1 921	3 933
Net cash flow from operating activities	-189	-1 282	-3 357
<b>Cash flow from investing activities</b>			
Proceeds from the sale of certificates, bonds and other securities	199	0	0
Purchases of certificates, bonds and other securities	-199	0	-207
Changes in other assets	-4	0	1
Net cash flow from investing activities	-4	0	-206
<b>Cash flow from financing activities</b>			
Net change in loans from credit institutions	718	177	144
Proceeds from bond issues	0	992	4 139
Redemption of debt securities	-1 166	0	-515
Dividend and group contribution paid	-152	-78	-78
Changes in other debt	6	7	-21
Issue of share capital and premium	350	200	200
Net cash flow from financing activities	-244	1 298	3 869
Net change in cash and cash equivalents	-437	16	306
Cash balance at 01.01	531	225	225
Cash balance at 30.06/31.12	94	241	531

## Notes Amounts in NOK million

## 1 ACCOUNTING PRINCIPLES

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

The accounts are prepared using the same principles,

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

The interim financial statements are not audited.

All amounts are stated in NOK million unless stated otherwise.

## 2 OPERATING SEGMENTS

Møre Boligkreditt AS has only one segment in its business and here the customers derive mainly from

the retail banking market. The following tables contain details of loans to customers by sector,

business activity and geographical area.

(MNOK)	LOANS		
	30.06.14	30.06.13	2013
Sectors			
Agriculture and forestry	3	2	2
Fisheries	0	1	1
Manufacturing	7	5	5
Building and construction	23	19	23
Wholesale and retail trade, hotels	9	5	8
Property management	261	191	188
Transport and private/public services	28	34	38
Public entities	0	0	0
Activities abroad	0	0	0
Miscellaneous	0	0	0
Total corporate/public entities	341	257	265
Retail customers	14 786	12 411	14 599
Loans, nominal amount	15 127	12 668	14 864
Collective impairment	-2	-1	-1
Loans to and receivables from customers	15 125	12 667	14 863

(MNOK)	NET INTEREST INCOME		
	30.06.14	30.06.13	2013
Interest income from:			
Loans to and receivables from credit institutions	3	2	5
Loans to and receivables from customers	304	247	522
Interest income	307	249	527
Interest expenses in respect of:			
Loans from credit institutions	15	17	30
Debt securities issued	143	129	257
Interest expenses	158	146	287
Net interest income	149	103	240

### 3 IMPAIRMENT, LOSSES AND NON-PERFORMANCE

Møre Boligkreditt AS reviews its loan portfolio every quarter. Commitments are tested to see whether or not objective evidence exists that a loss event has occurred and that the loss event reduces the loan's future cash flows. Examples of such objective evidence are material financial problems at the debtor, payment defaults, material breaches of contract, agreed changes to the interest rate or other agreement terms due to financial problems at the debtor, bankruptcy, etc.

If objective evidence of impairment exists, the impairment is estimated as the difference between the carrying amount (balance + accrued interest on the date of assessment) and the present value of future cash flows. Estimates of future cash flows also take into account takeovers and sales of associated collateral, included expenses associated with such takeovers and sales.

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

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

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

No exposures in the company's lending portfolio were identified on the date of the financial position needing individual impairments. Nor do the lending statistics on this date show any registered non-performance in the mortgage company's portfolio. Total impairment amounts to NOK 2 million as at 30 June 2014.

### 4 FINANCIAL ASSETS AND LIABILITIES

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

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

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

There are no major differences between the book value and the fair value of loans to credit institutions and customers, and liabilities to credit institutions

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

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

FINANCIAL ASSETS	30.06.2014		30.06.2013		31.12.2013	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
(MNOK)						
<b>Financial assets at fair value through profit or loss:</b>						
Certificates	0	0	0	0	0	0
Bonds	207	207	0	0	207	207
Financial derivatives	198	198	88	88	157	157
<b>Loans and receivables (at amortised cost):</b>						
Loans to and receivables from credit institutions	94	94	241	241	531	531
Loans to and receivables from customers	15 125	15 125	12 667	12 667	14 863	14 863

FINANCIAL LIABILITIES (MNOK)	30.06.2014		30.06.2013		31.12.2013	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
<b>Financial liabilities at fair value through profit or loss:</b>						
Financial derivatives	2	2	0	0	3	3
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>						
Debt securities issued	1 425	1 397	765	761	1 328	1 320
<b>Other financial liabilities (at amortised cost):</b>						
Loans from credit institutions	1 849	1 849	1 164	1 164	1 131	1 131
Debt securities issued	11 279	11 182	10 349	10 268	12 452	12 378

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.

30.06.14	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Certificates	0	0	0	0
Bonds	0	207	0	207
Financial derivatives	0	198	0	198
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	94	0	94
Loans to and receivables from customers	0	0	15 125	15 125
Total financial assets	0	499	15 125	15 624
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	2	0	2
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 397	0	1 397
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 849	0	1 849
Debt securities issued	0	11 182	0	11 182
Total financial liabilities	0	14 430	0	14 430

30.06.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	0	0	0
Financial derivatives	0	88	0	88
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	241	0	241
Loans to and receivables from customers	0	0	12 667	12 667
Total financial assets	0	329	12 667	12 996
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	761	0	761
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	0	0	0
<b>Other financial liabilities (at amortised cost):</b>				
Loans from credit institutions	0	1 164	0	1 164
Debt securities issued	0	10 268	0	10 268
Total financial liabilities	0	12 193	0	12 193
<hr/>				
31.12.13	Based on prices in an active market Level 1	Observable market information Level 2	Other than observable market information Level 3	Total
<b>Financial assets at fair value through profit or loss:</b>				
Bonds	0	207	0	207
Financial derivatives	0	157	0	157
<b>Loans and receivables (at amortised cost):</b>				
Loans to and receivables from credit institutions	0	531	0	531
Loans to and receivables from customers	0	0	14 863	14 863
Total financial assets	0	895	14 863	15 758
<b>Financial liabilities at fair value through profit or loss:</b>				
Financial derivatives	0	3	0	3
<b>Debt securities issued (at amortised cost subject to hedge accounting):</b>				
Debt securities issued	0	1 320	0	1 320
<b>Other financial liabilities (at amortised cost):</b>				
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

## 5 ISSUED COVERED BONDS

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

### COVERED BONDS (MNOK)

ISIN code	Currency	Nominal value 30.06.2014	Interest	Issue	Maturity	30.06.2014	30.06.2013	31.12.2013
NO0010499833	NOK	0	3M Nibor + 0.45 %	2009	2014	0	1 000	488
NO0010499841	NOK	828	3M Nibor + 0.50 %	2009	2016	828	1 500	1 500
NO0010564982	NOK	1 250	3M Nibor + 0.40 %	2010	2015	1 249	1 249	1 249
NO0010575079	NOK	1 500	3M Nibor + 0.55 %	2010	2017	1 495	1 493	1 494
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 180	761	1 122
NO0010625833	NOK	850	3M Nibor + 0.40 %	2011	2014	850	850	850
XS0685790585	SEK	450	3M Stibor + 0.75 %	2011	2015	413	405	428
NO0010635873	NOK	1 150	3M Nibor + 0.49 %	2012	2015	1 151	1 152	1 151
NO0010657232	NOK	1 500	3M Nibor + 0.65 %	2012	2018	1 502	1 351	1 502
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	645	269	668
NO0010676018	NOK	1 250	3M Nibor + 0.47 %	2013	2019	1 249	999	1 249
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	218	0	198
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	251	0	251
NO0010696990	NOK	800	3M Nibor + 0.45 %	2013	2020	799	0	799
NO0010699028	NOK	750	3M Nibor + 0.37 %	2013	2017	749	0	749
Total securities issued						12 579	11 029	13 698
Financial derivatives to hedge securities (liabilities)						2	0	3
Financial derivatives to hedge securities (assets)						-198	-88	-157
Total borrowings raised through the issue of securities						12 383	10 941	13 544

### COVER POOL (MNOK)

	30.06.2014	30.06.2013	31.12.2013
Pool of eligible loans 1)	14 812	12 429	14 563
Supplementary assets	301	241	738
Total collateralised assets	15 113	12 670	15 301
Collateralisation	122.1 %	115.8 %	113.0 %

1) NOK 313 million of total gross loans are not eligible for the cover pool as at 30.06.14.

## 6 TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

Møre Boligkreditt AS is billed for costs related to the lease of premises at Sparebanken Møre. It is assumed that regardless of operations, a certain area of the bank attributable to the mortgage company is utilised during the year. Regardless

of the extent of the activity and the loan portfolio acquired by Møre Boligkreditt AS, charges related to accounting, financial reporting, risk management, cash management, financing, governance and general legal services will incur.

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

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

The most important transactions are as follows:

(MNOK)	30.06.2014	30.06.2013	31.12.2013
<b>Income statement</b>			
Interest and credit commission income from Sparebanken Møre related to deposits	3	2	5
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	15	17	30
Interest paid to Sparebanken Møre related to bonded debt	3	20	34
Management fee paid to Sparebanken Møre	11	9	19
<b>Statement of financial position</b>			
Deposits in Sparebanken Møre	94	241	531
Covered bonds	0	1 276	673
Loan/credit facility in Sparebanken Møre	1 849	1 164	1 131
Accumulated transferred loan portfolio from Sparebanken Møre	15 127	12 668	14 864

## 7 EQUITY AND RELATED CAPITAL

(MNOK)	MØRE BOLIGKREDITT AS		
	30.06.2014	30.06.2013	31.12.2013
IRB approach (Basel II)			
Core capital	1 052	703	703
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 052	703	703
Risk-weighted assets (calculation basis for capital adequacy ratio)	6 627	4 861	5 737
Capital adequacy ratio	15.87	14.46	12.25
Core capital ratio	15.87	14.46	12.25

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

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

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

(MNOK)	MØRE BOLIGKREDITT AS		
	30.06.2014	30.06.2013	31.12.2013
IRB approach (Basel II)			
Risk-weighted assets (calculation basis for capital adequacy ratio)	5 984	4 861	5 737
Capital adequacy ratio	17.54	14.46	12.25
Core capital ratio	17.54	14.46	12.25

## 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 2014 to 30 June 2014, 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 2014  
6 August 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

# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
Net interest income	73	76	73	64	57
Total other operating income	1	-4	-2	-1	0
Total operating costs	8	7	7	6	7
Profit before impairment on loans and taxes	66	65	64	57	50
Impairment on loans	1	0	0	0	0
Pre tax profit	65	65	64	57	50
Taxes	18	17	18	16	14
Profit after tax	47	48	46	41	36
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q4 2013</b>	<b>Q3 2013</b>	<b>Q2 2013</b>
Net interest income	1.99	1.92	1.94	2.00	1.86
Total other operating income	0.02	-0.09	-0.05	-0.02	0.00
Total operating costs	0.22	0.17	0.18	0.18	0.25
Profit before impairment on loans and taxes	1.79	1.66	1.71	1.80	1.61
Impairment on loans	0.02	0.00	0.00	0.00	0.00
Pre tax profit	1.77	1.66	1.71	1.80	1.61
Taxes	0.48	0.44	0.48	0.48	0.45
Profit after tax	1.29	1.22	1.23	1.32	1.16
Average total assets (MNOK)	14 820	15 805	14 840	12 909	12 123

## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	30.06.2014	30.06.2013	31.12.2013
Net interest income	149	103	240
Total other operating income	-3	0	-3
Total operating costs	15	13	26
Profit before impairment on loans and taxes	131	90	211
Impairment on loans	1	0	0
Pre tax profit	130	90	211
Taxes	35	25	59
Profit after tax	95	65	152
<b>AS A PERCENTAGE OF AVERAGE ASSETS</b>	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>31.12.2013</b>
Net interest income	1.96	1.73	1.86
Total other operating income	-0.04	-0.01	-0.02
Total operating costs	0.20	0.22	0.20
Profit before impairment on loans and taxes	1.72	1.50	1.64
Impairment on loans	0.01	0.00	0.00
Pre tax profit	1.71	1.50	1.64
Taxes	0.46	0.42	0.46
Profit after tax	1.25	1.08	1.18
Average total assets (MNOK)	15 250	11 895	12 885

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