

INTERIM REPORT 3 QUARTER
NOT AUDITED

10



MØRE BOLIGKREDITT

Interim report from the Board of Directors

About the company

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

Development of the result and balance sheet

The financial statement of Møre Boligkreditt AS shows a profit after tax amounting to TNOK 22 193 for Q3 2010 compared to TNOK 13 226 for the same period in 2009. Interest income amounted to TNOK 132 584 compared to TNOK 74 772 in the same period last year, while interest expenses amounted to TNOK 91 884 compared to TNOK 51 388 in the same period last year.

Costs amounted to TNOK 10 006 compared to TNOK 4 700 in the same period in 2009. No losses were registered or write-downs made in Q3 2010. The pre-tax profit thus amounted to TNOK 30 793 compared to TNOK 18 726 for the same time

last year. Tax amounted to TNOK 8 600 compared to TNOK 5 500 in the same period last year.

Total assets at the end of the quarter amounted to NOK 5 484 million compared to NOK 3 695 million at the end of the same quarter last year. Net lending accounted for NOK 5 378 million compared to NOK 3 676 million in the same period last year, and bank deposits NOK 99 million compared to NOK 14 million for the same period last year.

In the Q3 2010, Møre Boligkreditt AS acquired NOK 1 081 million of mortgages from Sparebanken Møre.

Rating of the company's issues of covered bonds

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

Financial strength

Møre Boligkreditt AS' equity and related capital amounted to NOK 421 million at the end of Q3 2010 compared to NOK 177 million at the end of Q3 2009. This corresponds to

an increase in capital adequacy/core (tier 1) capital ratio of 20.51 per cent. The risk-weighted balance sheet amounted to NOK 2 050 million at the end of Q3 2010. The capital adequacy ratio has been calculated using the standard approach in the Basel II rules and regulations. The Board regards the company's interest-bearing capacity as satisfactory.

Risks

Its licence as a mortgage company means Møre Boligkreditt AS is subject to a number of acts, regulations, recommendations, and regulatory provisions. The company has established guidelines and limits for managing and controlling the various forms of risk.

The credit risk strategy adopted by the mortgage company defines which loans can be acquired by the mortgage company. The Board regards the quality of the loan portfolio as very good and the credit risk as low.

The mortgage company's investments and loans are made in Norwegian kroner (NOK) at fixed or variable rates. The mortgage company had no positions in foreign currency at the end of Q3 2010. The Board regards the total market risk as low. The

Board also regards the mortgage company's liquidity risk as low.

A management agreement has been signed with Sparebanken Møre. The services covered by this include administration, production, IT operations, and financial and risk management. The Board regards the mortgage company's operational risk as low.

The Board regards the total market risk exposure in the company as low.

Outlook

Household credit growth has stabilised in the range of 6-7 per cent in the last year. We do not expect any major changes during the remainder of the current year. Factors such as low interest rates and low unemployment will help to sustain the level of activity in the housing market.

Møre Boligkreditt AS is planning further acquisitions of loan portfolios from Sparebanken Møre before the end of 2010, and the mortgage company also plans to issue new covered bonds and sell these to domestic and international investors. The mortgage company's covered bonds are continuously rated by Moody's.

Ålesund, 20 October 2010

The Board of Directors of Møre Boligkreditt AS

Magnar Bolstad
CHAIRMAN

Britt Iren Tøsse Aandal

Trond Nydal

Geir Tore Hjelle

Sandra Myhre Helseth

Ole Kjerstad
CEO

Profit and Loss Account

		Møre Boligkreditt AS				
Amounts in NOK Thousand	Notes	30.09.10	30.09.09	3. q. 10	3. q. 09	2009
Interest and similar income from:						
Loans to and other claims on credit institutions	6	5 303	8 083	2 169	2 086	8 722
Loans to and claims on customers		127 281	66 689	46 613	29 247	99 811
Interest and similar income		132 584	74 772	48 782	31 333	108 533
Interest and similar costs in respect of:						
Debt owed to credit institutions	6	5 865	1 399	1 336	26	2 322
Securities issued for borrowing purposes	6	86 019	49 989	34 287	21 140	70 631
Interest and similar costs		91 884	51 388	35 623	21 166	72 953
Net interest and credit commission income		40 700	23 384	13 159	10 167	35 581
Commission income and revenues from banking services		99	42	43	18	63
Other operating income		99	42	43	18	63
Wages, salaries etc.		2 099	1 587	696	680	2 369
Administration costs		406	382	134	128	515
Wages, salaries and general administration costs		2 505	1 969	830	808	2 884
Other operating costs	6	7 501	2 731	2 010	1 269	4 367
Total operating costs		10 006	4 700	2 840	2 077	7 251
Result before credit losses		30 793	18 726	10 362	8 108	28 392
Losses on loans, guarantees etc.	4	0	0	0	0	0
Result from ordinary operations before tax		30 793	18 726	10 362	8 108	28 392
Tax payable on ordinary result		8 600	5 500	2 900	2 500	7 950
Result from ordinary operations after tax		22 193	13 226	7 462	5 608	20 443
Result pr. share (NOK) *		55.76	75.58	18.75	32.05	116.82
Diluted earnings pr. share (NOK)*		55.76	75.58	18.75	32.05	116.82

* Prior to capital increase in January 2009 and January 2010

Extended accounts according to IAS 1

		Møre Boligkreditt AS				
		30.09.10	30.09.09	3. q. 10	3. q. 09	2009
Result from ordinary operations after tax		22 193	13 226	7 462	5 608	20 443
Total result from ordinary operations after tax		22 193	13 226	7 462	5 608	20 443

Balance sheet

Amounts in NOK Thousand	Notes	Møre Boligkreditt AS		
		30.09.10	31.12.09	30.09.09
Assets				
Loans to and claims on credit institutions, on a call basis	3, 5, 6	99 441	234 937	14 034
Overdrafts, working capital- and similar facilities	3, 4, 5	1 226 750	766 579	788 911
Instalment loans	3, 4, 5	4 151 664	2 839 280	2 887 953
Prepayments and accrued income		6 150	4 039	3 645
Total assets		5 484 005	3 844 835	3 694 543
Liabilities and equity capital				
Liabilities to credit institutions, on a call basis	6	666 741	154 100	237 489
Borrowings raised through the issue of securities	5, 6	4 348 102	3 250 254	3 250 261
Other liabilities		8 600	7 950	5 500
Incurred costs and prepaid income		17 814	11 974	10 954
Total liabilities		5 041 257	3 424 279	3 504 204
Share capital				
Paid-in, not registered, capital increase		0	223 000	0
Other paid-in equity capital		360	360	360
Paid-in equity capital		398 360	398 360	175 360
Other equity capital				
Result from ordinary operations after tax		22 193	0	13 226
Equity capital accumulated through retained earnings		44 388	22 195	14 979
Total equity capital		442 748	420 555	190 339
Total liabilities and equity capital		5 484 005	3 844 835	3 694 543

Equity capital

30.09.10				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.09	420 555	398 000	360	22 195
Total result from ordinary operations after tax	22 193			22 193
Equity capital 30.09.10	442 748	398 000	360	44 388

30.09.09				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.08	177 113	175 000	360	1 753
Total result from ordinary operations after tax	13 226			13 226
Equity capital 30.09.09	190 339	175 000	360	14 979

2009				
Amounts in NOK Thousand	Equity capital	Share capital	Other paid-in equity capital	Other equity capital
Equity capital 31.12.08	177 113	175 000	360	1 753
Capital increase registered in the Register of Business Enterprises on 9 January 2010	223 000	223 000		
Equity capital before allocations	400 113	398 000	360	1 753
Suggested set aside for dividend 1)	20 000			20 000
Transferred to other equity capital	443			443
Total result from ordinary operations after tax	20 443			20 443
Equity capital 31.12.09	420 555	398 000	360	22 195

1) The General Meeting decided 10 March 2010 to reduce the proposed dividends to NOK 0. Hence, NOK 20 million is maintained as other equity capital.

Cash Flow Statement

Amounts in NOK Thousand	Møre Boligkreditt AS		
	30.09.10	30.09.09	2009
Cash flow from operational activities			
Interest, commission and fees received	138 523	85 768	120 570
Interest, commission and fees paid	-93 995	-55 033	-76 992
Outgoings relating to operations	-10 006	-4 700	-7 251
Payment of tax	-7 950	-760	-760
Changes relating to loans to and claims on other financial institutions	0	0	0
Changes relating to instalment loans to customers	-1 312 386	-2 887 953	-2 839 278
Changes in respect of utilised credit facilities	-460 171	-788 911	-766 579
Net cash flow from operational activities	-1 745 985	-3 651 589	-3 570 290
Cash flow from investment activities	0	0	0
Net cash flow from investment activities	0	0	0
Cash flow from funding activities			
Changes relating to deposits from Norges Bank and other financial institutions	512 641	237 489	154 100
Payments received in respect of proceeds from bond issues raised	1 097 848	3 250 261	3 250 254
Changes of equity due to capital increase	0	0	223 000
Net cash flow from funding activities	1 610 489	1 219 808	3 627 354
Net changes on cash holdings	-135 496	-163 839	57 064
Holdings of cash 01.01	234 937	177 873	177 873
Holdings of cash 30.06/31.12	99 441	14 034	234 937

1 - Accounting principles

The company's interim financial statements are prepared in accordance with Norwegian accounting law and the Ministry of Finance's accounting regulations. Møre Boligkreditt AS uses simplified IFRS. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements are presented in Norwegian kroner (NOK), which is also the company's functional currency. All amounts are

stated in NOK '000s, unless otherwise specified.

Please refer to the annual report for 2009 for a more detailed description of these accounting principles. The interim report was prepared in accordance with the accounting principles and measurement methods used in the annual financial statements.

The interim financial statement is not audited.

2 - Important accounting estimates and assessments based on judgement

The preparation of Møre Boligkreditt AS' financial statement requires the management in some cases to make estimates and assumptions based on their best judgement. The estimates and assumptions used affect the reported amounts for assets, liabilities, income, and costs in the financial statements. A risk exists that the actual results may at a

later time differ to some degree from the estimates and assumptions used. The most important estimates and assumptions which represent a risk of material changes in carrying amounts are write-downs of loans, both individual and group.

3 - Gross loans broken down according to sectors

Amounts in NOK thousand	Gross loans		
	30.09.10	30.09.09	2009
Sectors			
Agriculture and forestry	1 634	1 703	1 686
Fisheries	1 572	1 626	1 604
Industry and mining	1 226	0	0
Building and construction	8 220	6 808	6 525
Wholesale and retail trade, hotel industry	5 393	6 536	6 563
Property management	100 010	6 879	102 520
Transport and private service industry	20 589	17 863	14 820
Public entities	0	0	0
Non-Norwegian lending	0	0	0
Miscellaneous	0	0	0
Total Corporate/Public entities	138 644	41 415	133 718
Retail customers	5 239 770	3 635 449	3 472 144
Total Gross loans	5 378 414	3 676 864	3 605 859

4 - Write-downs, losses and non-performance

Møre Boligkreditt AS reviews its loan portfolio every quarter. All commitments that must be assessed individually 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 loss on the loan 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 a future cash flow is estimated according to best judgement and this is registered, the system will calculate the new value of the loan (amortised cost) and the difference compared to the carrying amount will equal the write-down amount.

When all collateral has been realised and there is no doubt the mortgage company will not receive further payments relating to the commitment, the loss write-down 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.

Group write-downs for impaired value are calculated for sub-groups of loans concerning which 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 against which individual write-downs for losses have been registered are not included in the basis for group write-downs.

The Sparebanken Møre Group has developed its own group write-down 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 model looks at both cash flows out of the company (total borrowing and funding expenses, administration expenses, etc), as well as estimated cash flow into the company (including interest income from customers). The group's model for group write-downs is tailored to Møre Boligkreditt AS' assumptions and operations.

No commitments in the company's lending portfolio were identified on the balance sheet date as needing individual write-downs. Nor do the lending statistics on the balance sheet show any registered non-performance in the mortgage company's portfolio. The model used for group write-downs does not indicate any need for provisions for losses for groups of loans.

5 - Financial liabilities

Securitised debt is classified as being valued at amortised cost.

Covered bonds (Amounts in NOK thousand)

ISIN code	Currency	Nominal value	Interest	Issue	Maturity	30.09.2010
NO0010499841	NOK	1 500 000	3M Nibor + 0.50 %	2009	2016	1 500 284
NO0010499825	NOK	1 500 000	3M Nibor + 0.40 %	2009	2012	749 952
NO0010499833	NOK	1 500 000	3M Nibor + 0.45 %	2009	2014	1 000 000
NO0010564982	NOK	1 500 000	3M Nibor + 0.40 %	2010	2015	499 325
NO0010575079	NOK	1 500 000	3M Nibor + 0.55 %	2010	2017	598 541
						4 348 102

Cover pool (Amounts in NOK thousand)	30.09.10	30.09.09	31.12.2009
Pool of eligible loans	5 278 991	3 592 861	3 532 655
Supplementary assets	99 441	14 034	234 937
Total collateralised assets	5 378 432	3 606 895	3 767 592
Over-collateralisation	123.8 %	111.2 %	115.9 %

6 - Transactions with related parties

These are transactions between the mortgage company and Sparebanken Møre that are conducted at arm's length and at arm's length prices. Credit and deposits in the parent company are priced

on commercial terms. Other costs (rent, office supplies, IT equipment, etc) are purchased from the parent bank at market prices/market rent.

The most important transactions are as follows:

(Amounts in NOK thousand)	30.09.10	30.09.09	2009
Result			
Interest and credit commission income from Sparebanken Møre related to deposits	5 303	8 083	8 722
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	5 865	1 399	2 322
Interest paid to Sparebanken Møre related to securitised debt	64 585	48 591	67 957
Management fee paid to Sparebanken Møre	4 807	2 298	3 661
Balance sheet			
Deposits in Sparebanken Møre	99 441	14 034	234 937
Covered bonds	2 824 853	3 039 598	3 040 367
Loan/credit facility in Sparebanken Møre	666 741	237 489	154 100

7 - Equity and related capital

(Amounts in NOK million)	Møre Boligkreditt AS		
Standard method (Basel II)	30.09.10	30.09.09	2009
Core capital	421	177	400
Supplementary capital	0	0	0
Net equity and subordinated loan capital	421	177	400
Risk-weighted assets (calculation basis for capital adequacy ratio)	2 050	1 393	1 428
Capital adequacy ratio	20.51	12.90	28.01
Core capital ratio	20.51	12.90	28.01

Highlights

Quarterly results

Amounts in NOK thousand	3. q. 2010	2. q. 2010	1. q. 2010	4. q. 2009	3. q. 2009
Net interest and credit commission income	13 159	13 550	13 991	12 197	10 167
Total other operating income	43	36	20	21	18
Total operating costs	2 840	4 657	2 509	2 551	2 077
Result before losses	10 362	8 929	11 502	9 667	8 108
Losses on loans, guarantees etc.	0	0	0	0	0
Result before tax	10 362	8 929	11 502	9 667	8 108
Tax payable on ordinary result	2 900	2 500	3 200	2 450	2 500
Result from ordinary operations after tax	7 462	6 429	8 302	7 217	5 608

As a percentage of average assets	3. q. 2010	2. q. 2010	1. q. 2010	4. q. 2009	3. q. 2009
Net interest and credit commission income	1.08	1.16	1.40	1.38	1.35
Total other operating income	0.00	0.00	0.00	0.00	0.00
Total operating costs	0.23	0.40	0.25	0.29	0.28
Result before losses	0.85	0.76	1.15	1.09	1.08
Losses on loans, guarantees etc.	0.00	0.00	0.00	0.00	0.00
Result before tax	0.85	0.76	1.15	1.09	1.08
Tax payable on ordinary result	0.24	0.21	0.32	0.28	0.33
Result from ordinary operations after tax	0.61	0.55	0.83	0.81	0.75

Result

Amounts in NOK thousand	30.09.10	30.09.09	2009
Net interest and credit commission income	40 700	23 384	35 581
Total other operating income	99	42	63
Total operating costs	10 006	4 700	7 251
Result before losses	30 793	18 726	28 392
Losses on loans, guarantees etc.	0	0	0
Result before tax	30 793	18 726	28 392
Tax payable on ordinary result	8 600	5 500	7 950
Result from ordinary operations after tax	22 193	13 226	20 443

As a percentage of average assets	30.09.10	30.09.09	2009
Net interest and credit commission income	1.20	1.30	1.47
Total other operating income	0.00	0.00	0.00
Total operating costs	0.30	0.26	0.30
Result before losses	0.90	1.04	1.18
Losses on loans, guarantees etc.	0.00	0.00	0.00
Result before tax	0.90	1.04	1.18
Tax payable on ordinary result	0.25	0.30	0.33
Result from ordinary operations after tax	0.65	0.74	0.85

Design: Havnevik as
Photo: iStock Photo



MØRE BOLIGKREDITT

Keiser Wilhelms gate 29/33
Pb. 121 Sentrum, 6001 Ålesund
Telephone +47 70 11 30 00
Telefax +47 70 12 26 70

sbm.no