

INTERIM REPORT  
2 QUARTER  
UNAUDITED 17



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 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 pre tax profit of NOK 46 million in second quarter 2017, compared to NOK 54 million in second quarter 2016. Net interest income amounted to NOK 61 million, compared to NOK 62 million for the same period last year. Costs amounted to NOK 9 million in second quarter 2017, compared with NOK 9 million in the corresponding quarter in 2016. Net gain in value of debt securities issued and related derivatives was NOK -6 million at second quarter 2017, compared to NOK 1 million at second quarter 2016.

Møre Boligkreditt AS has not established losses or impairment for individual losses in second quarter 2017, nor made any changes to the collective impairment. Profit after tax amounted to NOK 34 million in second quarter 2017, compared to NOK 40 million in the corresponding quarter 2016.

Møre Boligkreditt AS acquired mortgages from Sparebanken Møre in the second quarter of 2017, and net lending increased by NOK 2 001 million.

A partly early redemption of NOK 600 million was made in second quarter 2017 in one covered bond loan maturing in December 2017, and one covered bond loan with NOK 131 million remaining outstanding matured in second quarter 2017. Møre Boligkreditt AS issued one new EUR 250 million covered bond loan in second quarter 2017.

## Half year end results

By half year end 2017 the financial statements show a profit before tax of NOK 88 million, compared to NOK 110 million by half year end 2016. Net interest income amounted to NOK 118 million by half year end 2017, compared to NOK 122 million by end of same period last year. Costs in the period ending 30 June 2017 amounted to NOK 19 million, compared with NOK 17 million for the corresponding period 2016.

The amount allocated for collective impairment was NOK 5 million at half year end 2017 compared to NOK 4 million at half year end 2016. Profit after tax amounted to NOK 66 million by half year end 2017, compared to NOK 82 million by half year end 2016. Tax amounted to NOK 22 million in the first six months of 2017, compared to NOK 28 million the first six months of 2016.

Møre Boligkreditt AS had twelve covered bond loans outstanding at 30 June 2017 with a total bond loan debt of NOK 18 615 million, compared to eleven covered bond loans with NOK 15 931 million outstanding at 30 June 2016.

Total assets at second quarter end 2017 amounted to NOK 21 315 million compared to NOK 19 280 million at second quarter end 2016. Net lending amounted to NOK 20 535 million at second quarter end 2017, compared with NOK 18 137 million at second quarter end 2016. At end of second quarter 2017, 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.

At second quarter end 2017, the company's substitute assets included in the cover pool amounted to NOK 270 million, compared to NOK 226 million at second quarter end 2016. Over-collateralisation, calculated as the value of the coverpool relative to the value of outstanding covered bond loan debt was 13.4 per cent as at 30. June 2017, compared to 18.0 per cent as at 30. June 2016.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 50 million at 30 June 2017, reporting LCR of 156 per cent by second quarter end 2017.

## 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 1 503 million by end of second quarter 2017, compared to NOK 1 353 million by end of second quarter 2016. Risk weighted assets amounted to NOK 9 044 million by end of second quarter 2017. Net equity and subordinated loan capital amounted to NOK 1 465 million by the end of second quarter 2017, compared to NOK 1 314 million by end of second quarter 2016. This corresponds to a capital adequacy/core capital ratio of 16.2 per cent by the end of second quarter 2017. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

## Outlook

The Norwegian economy, and especially the oil related part of the economy, has experienced a slowdown also in 2017, and we will see 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, 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 reversed by second quarter 2017. The registered unemployment rate in Norway was 2.6 per cent in June 2017. The unemployment rate in the county of Møre og Romsdal in June 2017 was 2.7 per cent. We expect unemployment in the county of Møre og Romsdal to stay on or just above national average levels in 2017.

Retail lending growth in Sparebanken Møre Group is 8.0 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 2017.

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 2017

9 August 2017

### **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

# Statement of income

## STATEMENT OF INCOME

Amounts in NOK million	Notes	Q2 2017	Q2 2016	30.06.2017	30.06.2016	2016
Interest income	2	129	125	258	249	502
Interest expenses	2	68	63	140	127	260
Net interest income	2 6	61	62	118	122	242
Commission income		0	0	0	0	0
Net change in value of securities and related derivatives		-6	1	-11	5	0
Wages, salaries and general administration costs		0	0	1	1	2
Other operating costs	6	9	9	18	16	31
Total operating costs		9	9	19	17	33
Profit before impairment on loans and taxes		46	54	88	110	209
Impairment on loans	3	0	0	0	0	1
Pre tax profit		46	54	88	110	208
Taxes		12	14	22	28	52
Profit after tax		34	40	66	82	156

## STATEMENT OF COMPREHENSIVE INCOME

Amounts in NOK million	Q2 2017	Q2 2016	30.06.2017	30.06.2016	2016
Profit after tax	34	40	66	82	156
Other comprehensive income	0	0	0	0	0
Total comprehensive income after tax	34	40	66	82	156

# Statement of financial position

## Assets

Amounts in NOK million	Notes	30.06.2017	30.06.2016	31.12.2016
Loans to and receivables from credit institutions	2 4 5 6	152	226	271
Loans to and receivables from customers	2 3 4	20 535	18 137	19 810
Certificates and bonds	4 5	168	371	522
Financial derivatives	4 5	460	546	368
<b>Total assets</b>		<b>21 315</b>	<b>19 280</b>	<b>20 972</b>

## Liabilities and equity

Amounts in NOK million	Notes	30.06.2017	30.06.2016	31.12.2016
Loans from credit institutions	4 6	1 107	1 889	1 141
Debt securities issued	4 5 6	18 615	15 931	18 265
Financial derivatives	4 5	7	4	4
Tax payable		17	20	54
Deferred tax liability		0	1	0
<b>Total liabilities</b>		<b>19 746</b>	<b>17 845</b>	<b>19 463</b>
Share capital		1 325	1 175	1 175
Share premium		175	175	175
<b>Paid-in equity</b>		<b>1 500</b>	<b>1 350</b>	<b>1 350</b>
Other equity		3	3	159
Profit for the period		66	82	0
Retained earnings		69	85	159
<b>Total equity</b>	7	<b>1 569</b>	<b>1 435</b>	<b>1 509</b>
<b>Total liabilities and equity</b>		<b>21 315</b>	<b>19 280</b>	<b>20 972</b>

# Statement of changes in equity

## 30.06.2017

Amounts in NOK million	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2016	1 509	1 175	175	159
Total comprehensive income for the period	66			66
Issue of share capital	150	150		
Dividends	-156			-156
Equity as at 30 June 2017	1 569	1 325	175	69

The share capital consists of 1 060 000 shares at NOK 1 250, a total of NOK 1 325 million. All shares are owned by Sparebanken Møre. The issue of share capital of NOK 150 million was fully paid in 27 February 2017, approved by the Norwegian FSA 20 March 2017, and registered in the Norwegian Register of Business Enterprises 4 April 2017.

## 30.06.2016

Amounts in NOK million	Total equity	Share capital	Share premium	Retained earnings
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 consisted of 940 000 shares at NOK 1 250, a total of NOK 1 175 million. All shares were owned by Sparebanken Møre.

## 31.12.2016

Amounts in NOK million	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2015	1 329	975	175	179
Total comprehensive income for the period	156			156
Issue of share capital	200	200		
Dividends	-176			-176
Equity as at 31 December 2016	1 509	1 175	175	159

The share capital consisted of 940 000 shares at NOK 1 250, a total of NOK 1 175 million. All shares were owned by Sparebanken Møre. Dividend as of 31 December 2016 amounted to NOK 156 million.

# Statement of cash flow

Amounts in NOK million	30.06.2017	30.06.2016	31.12.2016
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	256	247	496
Interest, commission and fees paid	-10	-10	-19
Operating expenses paid	-19	-17	-33
Income taxes paid	-58	-71	-63
Payment for acquiring loans from the Parent Bank	-3 332	-3 606	-7 838
Payment related to instalment loans and credit lines to customers	2 606	2 376	4 934
Net cash flow from operating activities	-557	-1 081	-2 523
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	2	3	6
Proceeds from the sale of certificates, bonds and other securities	433	94	114
Purchases of certificates, bonds and other securities	-78	-61	-231
Changes in other assets	-11	3	-3
Net cash flow from investing activities	346	39	-114
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-130	-118	-242
Net change in loans from credit institutions	-34	920	171
Proceeds from bonds issued	2 344	996	3 494
Maturity of debt securities	-2 104	-828	-828
Dividend paid	-156	-176	-176
Changes in other debt	22	-11	4
Issue of share capital and premium	150	200	200
Net cash flow from financing activities	92	983	2 623
Net change in cash and cash equivalents	-119	-59	-14
Cash balance at 01.01	271	285	285
Cash balance at 30.06/31.12	152	226	271

# 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 2016. The principles are outlined in the annual report for 2016. There have been no changes in standards that affect the financial statements of Møre Boligkreditt AS from 31 December 2016.

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

(MNOK)	Loans		
	30.06.2017	30.06.2016	31.12.2016
<b>Broken down according to sectors</b>			
Commercial sector	378	361	366
Retail customers	20 141	17 760	19 426
Accrued interest income	21	20	23
Loans, nominal amount	20 540	18 141	19 815
Collective impairment	-5	-4	-5
Loans to and receivables from customers	20 535	18 137	19 810

(MNOK)	Net interest income		
	30.06.2017	30.06.2016	31.12.2016
Interest income from:			
Loans to and receivables from credit institutions	1	1	2
Loans to and receivables from customers	255	245	494
Certificates, bonds and other interest-bearing securities	2	3	6
Interest income	258	249	502
Interest expenses in respect of:			
Loans from credit institutions	10	10	18
Debt securities issued	130	117	242
Interest expenses	140	127	260
Net interest income	118	122	242

# 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. The collective impairment model on this date indicates no increase in collective impairments for the mortgage company's portfolio. Total impairment amounts to NOK 5 million as at 30 June 2017.

# Note 4

## FINANCIAL INSTRUMENTS

All lending and receivables are recorded at amortised cost. Amortised cost is also used for fixed and 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	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Loans to and receivables from credit institutions			152	226
Loans to and receivables from customers			20 535	18 137
Certificates and bonds	168	371		
Financial derivatives	460	546		
<b>Total assets</b>	<b>628</b>	<b>917</b>	<b>20 687</b>	<b>18 363</b>
Loans from credit institutions			1 107	1 889
Debt securities issued			18 615	15 931
Financial derivatives	7	4		
<b>Total liabilities</b>	<b>7</b>	<b>4</b>	<b>19 722</b>	<b>17 820</b>

FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST	30.06.2017		30.06.2016	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	152	152	226	226
Loans to and receivables from customers	20 535	20 535	18 137	18 137
<b>Total assets</b>	<b>20 687</b>	<b>20 687</b>	<b>18 363</b>	<b>18 363</b>
Loans from credit institutions	1 107	1 107	1 889	1 889
Debt securities issued	18 680	18 615	15 875	15 931
<b>Total liabilities</b>	<b>19 787</b>	<b>19 722</b>	<b>17 764</b>	<b>17 820</b>

FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.06.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions	-	152	-	152
Loans to and receivables from customers	-	-	20 535	20 535
Total assets	-	152	20 535	20 687
Loans from credit institutions	-	1 107	-	1 107
Debt securities issued	-	18 680	-	18 680
Total liabilities	-	19 787	-	19 787

FINANCIAL INSTRUMENTS AT AMORTISED COST - 30.06.2016	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Loans to and receivables from credit institutions	-	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	-	15 875	-	15 875
Total liabilities	-	17 764	-	17 764

FINANCIAL INSTRUMENTS AT FAIR VALUE - 30.06.2017	Based on prices in an active market	Observable market information	Other than observable market information	
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	168	-	168
Financial derivatives	-	460	-	460
Total assets	-	628	-	628
Financial derivatives	-	7	-	7
Total liabilities	-	7	-	7

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

# 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 30.06.2017	Interest	Issue	Maturity	30.06.2017	30.06.2016	31.12.2016
NO0010575079	NOK		3M Nibor + 0.55 %	2010	2017	-	1 497	1 498
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 243	1 322	1 251
NO0010657232	NOK	2 500	3M Nibor + 0.65 %	2012	2018	2 505	2 510	2 508
XS0828616457	SEK	700	3M Stibor + 0.70 %	2012	2017	694	693	666
NO0010676018	NOK	2 500	3M Nibor + 0.47 %	2013	2019	2 502	2 503	2 503
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	289	300	282
XS0984191873	EUR	30	6M Euribor + 0.20 %	2013	2020	287	279	272
NO0010696990	NOK	2 500	3M Nibor + 0.45 %	2013	2020	2 496	2 495	2 496
NO0010699028	NOK	150	3M Nibor + 0.37 %	2013	2017	150	750	750
NO0010720204	NOK	2 500	3M Nibor + 0.24 %	2014	2020	2 498	2 497	2 498
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	992	1 017	987
NO0010777584	NOK	2 500	3M Nibor + 0.58 %	2016	2021	2 499	-	2 498
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 389	-	-
Total securities issued						18 544	15 863	18 209
Accrued interest						71	68	56
Financial derivatives to hedge issued securities (liabilities)						7	4	4
Financial derivatives to hedge issued securities (assets)						-460	-546	-368
Total borrowings raised through the issue of securities						18 162	15 389	17 901

COVER POOL (MNOK)	30.06.2017	30.06.2016	31.12.2016
Pool of eligible loans 1)	20 320	17 933	19 430
Supplementary assets	270	226	743
Total collateralised assets	20 590	18 159	20 173
Collateralisation in %	113.4	118.0	112.7

1) NOK 215 million of total gross loans are not eligible for the cover pool as at 30.06.17.

# 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)	30.06.2017	30.06.2016	31.12.2016
Statement of income			
Interest and credit commission income from Sparebanken Møre related to deposits	1	1	2
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	10	10	18
Interest paid to Sparebanken Møre related to bonded debt	10	0	8
Management fee paid to Sparebanken Møre	15	13	26
Statement of financial position			
Deposits in Sparebanken Møre	152	226	271
Covered bonds held by Sparebanken Møre as assets	150	25	2 186
Loan/credit facility in Sparebanken Møre	1 107	1 889	1 141
Accumulated transferred loan portfolio from Sparebanken Møre	20 540	18 141	19 815

# Note 7

## EQUITY AND RELATED CAPITAL

Core capital and supplementary capital	30.06.2017	30.06.2016	31.12.2016
Share capital and share premium	1 500	1 350	1 350
Retained earnings	3	3	159
Total equity	1 503	1 353	1 509
Dividends	0	0	-156
Expected losses exceeding actual losses, IRB portfolios	-38	-39	-39
Common Equity Tier 1 capital	1 465	1 314	1 313
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 465	1 314	1 313

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

Credit risk loans and receivables (Standardised Approach)	243	319	250
Credit risk loans and receivables (Internal ratings based Approach)	3 976	3 708	4 083
Operational Risk (Basic indicator Approach)	505	501	501
Total risk exposure amount for credit valuation adjustment (CVA) (SA)	307	455	300
Risk-weighted assets less transitional rules	5 031	4 983	5 134
Additional RWA from transitional rules 1)	4 013	3 200	3 587
Total risk-weighted assets	9 044	8 183	8 722
Minimum requirement common equity Tier 1 capital (4.5%)	407	368	392

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

### Buffer Requirement

Countercyclical buffer (1.5%)	136	82	87
Capital conservation buffer (2.5%)	226	205	218
Systemic risk buffer (3.0%)	271	245	262
Total buffer requirements	633	532	567
Available common equity Tier 1 capital after buffer requirements	425	414	354

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

Capital adequacy ratio	16.2 %	16.0 %	15.1 %
Core capital ratio	16.2 %	16.0 %	15.1 %
Core tier 1 capital ratio	16.2 %	16.0 %	15.1 %

**Leverage ratio**

Leverage ratio	6.7 %	6.4 %	6.1 %
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**Liquidity Coverage Ratio**

Liquidity Coverage Ratio	156%	355%	119%
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Møre Boligkreditt AS' capital requirements at 30th June 2017 are based on IRB-Foundation for commercial 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 2017 to 30 June 2017, 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 2017

9 August 2017

**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

# Profit performance

## QUARTERLY PROFIT

(MNOK)	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net interest income	61	57	59	61	62
Other operating income	-6	-5	-6	1	1
Total operating costs	9	10	8	8	9
Profit before impairment on loans	46	42	45	54	54
Impairment on loans	0	0	1	0	0
Pre tax profit	46	42	44	54	54
Tax	12	10	11	13	14
Profit after tax	34	32	33	41	40

## As a percentage of average assets

Net interest income	1.23	1.15	1.23	1.34	1.40
Other operating income	-0.11	-0.11	-0.14	0.03	0.01
Total operating costs	0.20	0.19	0.18	0.17	0.21
Profit before impairment on loans	0.92	0.85	0.91	1.20	1.20
Impairment on loans	0.00	0.00	0.02	0.00	0.00
Pre tax profit	0.92	0.85	0.89	1.20	1.20
Tax	0.23	0.21	0.23	0.30	0.30
Profit after tax	0.69	0.64	0.66	0.90	0.90

Average total assets (MNOK)	19 545	19 876	19 164	18 003	18 046
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## ACCUMULATED PROFIT FOR THE YEAR

(MNOK)	30.06.2017	30.06.2016	31.12.2016
Net interest income	118	122	242
Other operating income	-11	5	0
Total operating costs	19	17	33
Profit before impairment on loans	88	110	209
Impairment on loans	0	0	1
Pre tax profit	88	110	208
Tax	22	28	52
Profit after tax	66	82	156

**As a percentage of average assets**

Net interest income	1.19	1.37	1.33
Other operating income	-0.11	0.06	0.00
Total operating costs	0.19	0.19	0.18
Profit before impairment on loans	0.89	1.24	1.15
Impairment on loans	0.00	0.00	0.01
Pre tax profit	0.89	1.24	1.14
Tax	0.22	0.31	0.29
Profit after tax	0.67	0.93	0.85
Average total assets (MNOK)	19 710	17 830	18 207