

# Møre Boligkreditt AS

A company in the Sparebanken Møre Group

## 2 quarter 2021

### Unaudited interim report



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 by the Norwegian FSA to operate as a mortgage company and issue 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 79 million in the second quarter of 2021, compared to NOK 59 million in the second quarter of 2020. Net interest income amounts to NOK 90 million, compared to NOK 69 million in the same quarter last year. Costs amounts to NOK 14 million in the second quarter of 2021, same as for the corresponding quarter in 2020.

Calculations of expected credit loss (ECL) for Møre Boligkreditt AS resulted in no expense recognition neither in the second quarter of 2021, nor in the corresponding quarter of 2020.

Net gains from financial instruments in second quarter 2021 is NOK 3 million, compared to NOK 4 million in the corresponding quarter of 2020.

Møre Boligkreditt AS acquired mortgages in the amount of NOK 2,452 million from Sparebanken Møre in the second quarter of 2021. Net loans to and receivables from customers increased by NOK 337 million in the second quarter of 2021. No bond loans matured in the second quarter of 2021, and no new bond loans were placed in the market.

Profit after tax amounts to NOK 62 million in the second quarter of 2021, compared to NOK 46 million in the corresponding quarter of 2020. Taxes amounts to NOK 17 million in the second quarter of 2021, compared to NOK 13 million in the corresponding quarter in 2020.

## Half year end results

By half year end 2021 the financial statements show a pre-tax profit of NOK 155 million, compared to NOK 120 million by half year end 2020. Net interest income amounts to NOK 178 million by half year end 2021, compared to NOK 150 million by end of same period last year. Costs in the period ending 30 June 2021 amounts to NOK 27 million, compared with NOK 26 million for the corresponding period in 2020.

Net gains from financial instruments is NOK 4 million at half year end 2021, compared to a loss of NOK 1 million at half year end 2020.

Profit after tax amounts to NOK 121 million in the first six months of 2021, compared to NOK 94 million in the corresponding period in 2020. Taxes amounts to NOK 34 million in the first six months of 2021 compared to NOK 26 million in the first six months of 2020.

Changes in value of basis swap spreads are charged to other comprehensive income (OCI) with NOK 9 million after tax by half year end 2021, compared to no change in value by half year end 2020.

## Financial position

Møre Boligkreditt AS has thirteen bond loans outstanding at 30 June 2021 with total debt securities issued of NOK 26,408 million, compared to thirteen bond loans and NOK 27,438 million outstanding at 30 June 2020.

Total assets at half year end 2021 amounts to NOK 32,465 million compared to NOK 33,282 million at half

year end 2020. Net lending amounts to NOK 29,535 million at half year end 2021, compared to NOK 28,736 million at half year end 2020. ECL model calculations as at 30 June 2021 shows expected credit loss of NOK 4.8 million for Møre Boligkreditt AS, compared with NOK 6.5 million as at 30 June 2020.

At half year end 2021, the mortgages in the cover pool has an average loan-to-value ratio of 53 per cent, calculated as mortgage amount relative to the value of the property used as collateral.

At half year end 2021, substitute assets and derivatives included in the cover pool amounts to NOK 2,472 million, compared to NOK 3,585 million at half year end 2020. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt is 20.4 per cent as at 30 June 2021, compared to 16.1 per cent as at 30 June 2020.

Møre Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounts to NOK 116 million at 30 June 2021, reporting total LCR of 521 per cent by half year end 2021.

### **Rating**

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

### **Capital strength**

Paid in equity and retained earnings amounts to NOK 2,162 million by end of half year 2021, compared to NOK 2,144 million by end of half year 2020. Risk weighted assets amounts to NOK 7,930 million by end of half year 2021. Net equity and subordinated loan capital amounts to NOK 1,984 million by end of half year 2021, compared to NOK 2,001 million by end of half year 2020. This corresponds to a Common Equity Tier 1 capital ratio of 25.0 per cent as at 30 June 2021. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

A capital reduction of up to NOK 500,000,000 was approved by the Norwegian FSA 11 June 2021. The Norwegian register of business enterprises was notified 15 June 2021, triggering a six week creditor notice period. The six week creditor notice period ended 27 July 2021 without any creditors objecting. The approved capital reduction of up to NOK 500,000,000 will be completed in the third quarter of 2021. The calculated effect on CET1 of the capital reduction is 6.3 per cent.

### **Outlook**

The economic outlook has continued improving in the last quarter. The handling of Covid-19 and the effectiveness in the vaccine rollout will be important going forward, and there is still some uncertainty related to the vaccine's effect on mutated virus together with any possible side effects. The most important financial risk factors are still related to the possibility of increased unemployment, increase in bankruptcies, fall in housing prices and a correction in the stock market.

Seasonally adjusted volume growth for GDP mainland Norway was up 1.8 per cent in May 2021 according to Statistics Norway, and projected change to GDP from 2020 to 2021 is 3.1 per cent.

In June, the national level of registered unemployment was reported at 2.9 per cent, and 2.4 per cent in the county of Møre og Romsdal. Central eastern parts of Norway still report somewhat higher levels of unemployment, with 4.0 per cent in Oslo, due to both higher concentration of service sector employment combined with stricter and longer lasting local Covid-19 restrictions.

Norges Bank kept the key policy rate unchanged at zero in their meeting in June, but the rate path was lifted. Norges Bank tilts towards faster normalisation indicating that the policy rate most likely will be hiked with 0.25 percentage point each quarter until June 2022, to 1 per cent, starting in September 2021. Furthermore, the Ministry of Finance decided to hike the countercyclical buffer from 1 per cent to 1.5 per cent effective from 30 June 2022.

Housing prices increased by 10.1 per cent as a national average the last twelve months by end of June 2021. Growth in housing prices are expected to slow down due to expectations of increase in mortgage interest rates.

We expect unemployment levels to further decline as the grown population of Norway according to plans all will be offered a Covid-19 vaccine by end of October. Most of the temporarily laid off are likely to come back to work in 2021, but we expect to see unemployment levels slightly higher than before Covid-19.

The Board believes that the low level of unemployment in the county together with the still low interest rate level will contribute to further mortgage loan growth in Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to acquire mortgage loan portfolios from Sparebanken Møre and increase the volume of outstanding bond loans from Møre Boligkreditt AS.

Ålesund, 30 June 2021

11 August 2021

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

KJETIL HAUGE, Chairman

ELISABETH BLOMVIK

GEIR TORE HJELLE

SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

# Statement of income

## STATEMENT OF INCOME

(NOK million)	Note	Q2 2021	Q2 2020	30.06.2021	30.06.2020	2020
Interest income from assets assessed at amortised cost	<u>3</u>	140	161	277	374	661
Interest income from assets assessed at fair value	<u>3</u>	11	8	22	10	30
Interest expenses	<u>3</u>	61	100	121	234	346
Net interest income	<u>37</u>	90	69	178	150	345
Net gains/losses from financial instruments		3	4	4	-1	-1
Total income		93	73	182	149	344
Wages, salaries and general administration costs		0	1	1	2	3
Other operating costs	<u>7</u>	14	13	26	24	46
Total operating costs		14	14	27	26	49
Profit before impairment on loans		79	59	155	123	295
Impairment on loans	<u>4</u>	0	0	0	3	1
Pre-tax profit		79	59	155	120	294
Taxes		17	13	34	26	64
Profit after tax		62	46	121	94	230

## STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Q2 2021	Q2 2020	30.06.2021	30.06.2020	2020
Profit after tax	62	46	121	94	230
Items that may subsequently be reclassified to the income statement:					
Basis swap spreads - changes in value	-2	-6	-11	0	3
Tax effect of basis swap spreads	0	1	2	0	-1
Total comprehensive income for the period	60	42	112	94	232

# Statement of financial position

## ASSETS - compressed

(NOK million)	Note	30.06.2021	30.06.2020	31.12.2020
Loans to and receivables from credit institutions 1)	<u>5 7</u>	1 986	2 732	1 450
Loans to and receivables from customers	<u>3 4 5</u>	29 535	28 736	29 041
Certificates and bonds	<u>5 6</u>	116	106	116
Financial derivatives	<u>5 6</u>	828	1 705	1 176
Other assets		0	3	
<b>Total assets</b>		<b>32 465</b>	<b>33 282</b>	<b>31 783</b>

1) NOK 282 million out of total NOK 1,986 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

## LIABILITIES AND EQUITY - compressed

(NOK million)	Note	30.06.2021	30.06.2020	31.12.2020
Loans from credit institutions 2)	<u>5 7</u>	3 674	3 498	5 306
Debt securities issued	<u>5 6 7</u>	26 408	27 438	23 991
Financial derivatives	<u>5 6</u>	60	101	76
Tax payable		31	39	0
Incurring costs and prepaid income		2	0	0
Deferred tax		128	62	128
<b>Total liabilities</b>		<b>30 303</b>	<b>31 138</b>	<b>29 501</b>
Share capital		1 875	1 875	1 875
Share premium		175	175	175
<b>Paid-in equity</b>		<b>2 050</b>	<b>2 050</b>	<b>2 050</b>
Other equity		0	0	232
Total comprehensive income for the period		112	94	0
Retained earnings		112	94	232
<b>Total equity</b>	<u>2</u>	<b>2 162</b>	<b>2 144</b>	<b>2 282</b>
<b>Total liabilities and equity</b>		<b>32 465</b>	<b>33 282</b>	<b>31 783</b>

2) NOK 282 million out of total NOK 3,674 million in Loans from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA

# Statement of changes in equity

30.06.2021

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2020	2 282	1 875	175	232
Dividend paid	-232			-232
Total comprehensive income for the period	112			112
Equity as at 30 June 2021	2 162	1 875	175	112

The share capital consists of 1 500 000 shares at NOK 1 250, a total of NOK 1 875 million. All shares are owned by Sparebanken Møre.

30.06.2020

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2019	2 274	1 875	175	224
Dividend paid	-224			-224
Total comprehensive income for the period	94			94
Equity as at 30 June 2020	2 144	1 875	175	94

The share capital consists of 1 500 000 shares at NOK 1 250, a total of NOK 1 875 million. All shares are owned by Sparebanken Møre.

31.12.2020

(NOK million)	Total equity	Share capital	Share premium	Retained earnings
Equity as at 31 December 2019	2 274	1 875	175	224
Dividend paid	-224			-224
Total comprehensive income for the period	232			232
Equity as at 31 December 2020	2 282	1 875	175	232

The share capital consists of 1 500 000 shares at NOK 1 250, a total of NOK 1 875 million. All shares are owned by Sparebanken Møre.

Proposed dividend as of 31 December 2020 amounted to NOK 232 million.

# Statement of cash flow

(NOK million)	30.06.2021	30.06.2020	31.12.2020
<b>Cash flow from operating activities</b>			
Interest, commission and fees received	301	381	687
Interest, commission and fees paid	-18	-22	-34
Operating expenses paid	-27	-25	-49
Income taxes paid	0	-11	-9
Payment for acquiring loans from the Parent Bank	-3 898	-6 742	-10 933
Payment related to installment loans and credit lines to customers	3 403	3 658	7 545
Net cash flow from operating activities	-239	-2 761	-2 793
<b>Cash flow from investing activities</b>			
Received interest, commission and fees related to certificates, bonds and other securities	1	3	4
Proceeds from the sale and settlement of certificates, bonds and other securities	70	600	1 043
Purchases of certificates, bonds and other securities	-70	0	-483
Changes in other assets	-8	-30	4
Net cash flow from investing activities	-7	573	568
<b>Cash flow from financing activities</b>			
Paid interest, commission and fees related to issued bonds	-103	-219	-313
Net change in loans from credit institutions	-1 368	452	2 464
Proceeds from issued covered bonds	2 774	3 496	3 821
Redemption of issued covered bonds	0	-230	-3 474
Dividend paid	-232	-224	-224
Changes in other debt	-25	68	28
Issued share capital and premium	0	0	0
Net cash flow from financing activities	1 046	3 343	2 302
Net change in cash and cash equivalents	800	1 155	77
Cash balance at 01.01	904	827	827
Cash balance at 30.06 / 31.12 1)	1 704	1 982	904

1) NOK 282 million out of total NOK 1,986 million in Loans to and receivables from credit institutions is the margin call balance on financial derivatives paid in by counterparties according to CSA, and thus should not be included as cash balance at 30.06.2021 (NOK 750 million as at 30.06.2020 and NOK 546 million as at 31.12.20).



# Note 1

## Accounting principles

Møre Boligkreditt AS' interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU as of 30 June 2021. The interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounts are prepared using the same principles and with the same methodology as the annual accounts for 2020.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.

# Note 2

## Equity and related capital

Tier 1 capital and supplementary capital	30.06.2021	30.06.2020	31.12.2020
Share capital and share premium	2 050	2 050	2 050
Retained earnings	112	94	232
Total equity	2 162	2 144	2 282
Value adjustments of financial instruments at fair value	-4	-4	-4
Expected IRB-losses exceeding ECL	-62	-45	-50
Dividends	0	0	-232
Deductions for total comprehensive income for the period	-112	-94	-
Common Equity Tier 1 capital	1 984	2 001	1 996
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 984	2 001	1 996

### Risk-Weighted Assets (RWA) by exposure classes

Credit risk - standardised approach	30.06.2021	30.06.2020	31.12.2020
Institutions (banks etc)	583	699	527
Covered bonds	7	6	7
Other items	49	56	51
Total credit risk - standardised approach	639	761	585

### Credit risk - IRB Foundation

Retail - Secured by real estate	6 136	5 029	6 021
Retail - Other	1	1	1
Corporate lending	312	191	270
Total credit risk - IRB-F	6 449	5 221	6 292

Credit valuation adjustment risk (CVA) - market risk	265	532	370
Operational risk (Basic indicator Approach)	577	516	577
<b>Risk weighted assets (RWA)</b>	<b>7 930</b>	<b>7 030</b>	<b>7 824</b>

Minimum requirement Common Equity Tier 1 capital (4.5 %)	357	316	352
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<b>Buffer Requirement</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Countercyclical buffer (1.0 %)	79	70	78
Capital conservation buffer (2.5 %)	198	176	196
Systemic risk buffer (3.0 %)	238	211	235
<b>Total buffer requirements</b>	<b>515</b>	<b>457</b>	<b>509</b>
Available Common Equity Tier 1 capital after buffer requirements	1 112	1 228	1 135

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Capital adequacy ratio	25.0 %	28.5 %	25.5 %
Tier 1 capital ratio	25.0 %	28.5 %	25.5 %
Common Equity Tier 1 capital ratio	25.0 %	28.5 %	25.5 %

<b>Leverage ratio</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Leverage ratio	6.0 %	6.1 %	6.2 %

Møre Boligkreditt AS' capital requirements at 30 June 2021 are based on IRB-Foundation for commercial commitments and IRB-Retail for retail commitments.

# Note 3

## Operating segments

Møre Boligkreditt AS' business mainly comprises operations within the retail banking market. Møre Boligkreditt AS has only one operating segment.

### Loans to and receivables from customers

30.06.2021	Gross loans assessed at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans assessed at fair value	Net loans to and receivables from customers
Loans to and receivables from customers	26 642	-1	-4	0	2 898	29 535

30.06.2020	Gross loans assessed at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans assessed at fair value	Net loans to and receivables from customers
Loans to and receivables from customers	26 453	-1	-5	0	2 289	28 736

31.12.2020	Gross loans assessed at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans assessed at fair value	Net loans to and receivables from customers
Loans to and receivables from customers	26 327	-1	-3	0	2 718	29 041

### Net interest income

(NOK million)	30.06.2021	30.06.2020	31.12.2020
Interest income from:			
Loans to and receivables from credit institutions	5	4	11
Loans to and receivables from customers	293	377	676
Certificates, bonds and other interest-bearing securities	1	3	4
Interest income	299	384	691
Interest expenses in respect of:			
Loans from credit institutions	15	13	25
Debt securities issued	103	219	313
Other interest expenses	3	2	8
Interest expenses	121	234	346
Net interest income	178	150	345

# Note 4

## Impairment, losses and non-performance

Møre Boligkreditt AS applies a three-stage approach when assessing ECL on loans to customers in accordance with IFRS 9.

- Stage 1: At initial recognition and if there's no significant increase in credit risk, the commitment is classified in stage 1 with 12-months ECL.
- Stage 2: If a significant increase in credit risk since initial recognition is identified, but without evidence of loss, the commitment is transferred to stage 2 with lifetime ECL measurement.
- Stage 3: If the credit risk increases further and there's evidence of loss, the commitment is transferred to stage 3.

Staging is performed at account level and implies that two or more accounts held by the same customer can be placed in different stages.

Specification of credit loss expense (NOK thousand)	Q2 2021	Q2 2020	30.06.2021	30.06.2020	2020
Changes in Expected Credit Loss (ECL) in stage 1	266	99	133	336	326
Changes in Expected Credit Loss (ECL) in stage 2	275	-338	334	2 744	604
Changes in Expected Credit Loss (ECL) in stage 3	0	0	0	0	0
Total impairment on loans in the period	541	-239	467	3 080	930

Changes in ECL in the period (NOK thousand) - 30.06.2021	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2020	866	3 453	0	4 319
New loans	181	571	0	752
Disposal of loans	-75	-191	0	-266
Changes in ECL in the period for loans which have not migrated	76	-215	0	-139
Migration to stage 1	21	-931	0	-910
Migration to stage 2	-70	1 105	0	1 035
Migration to stage 3	0	0	0	0
Other changes	1	-6	0	-5
ECL 30.06.2021	1 000	3 786	0	4 786

<b>Changes in ECL in the period (NOK thousand) - 30.06.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL 31.12.2019	540	2 849	0	3 389
New loans	109	372	0	481
Disposal of loans	-76	-243	0	-319
Changes in ECL in the period for loans which have not migrated	277	1 079	0	1 356
Migration to stage 1	94	-627	0	-533
Migration to stage 2	-66	2 183	0	2 117
Migration to stage 3	0	0	0	0
Other changes	-3	-20	0	-23
<b>ECL 30.06.2020</b>	<b>876</b>	<b>5 593</b>	<b>0</b>	<b>6 469</b>

<b>Changes in ECL in the period (NOK thousand) - 31.12.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL 31.12.2019	540	2 849	0	3 389
New loans	195	445	0	640
Disposal of loans	-111	-406	0	-517
Changes in ECL in the period for loans which have not migrated	231	432	0	663
Migration to stage 1	81	-1 148	0	-1 067
Migration to stage 2	-66	1 298	0	1 232
Migration to stage 3	0	0	0	0
Other changes	-4	-17	0	-21
<b>ECL 31.12.2020</b>	<b>866</b>	<b>3 453</b>	<b>0</b>	<b>4 319</b>

**Commitments (exposure) divided into risk groups based on probability of default (NOK million)**

<b>30.06.2021</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	26 776	1	0	26 777
Medium risk (0.5 % - < 3 %)	546	758	0	1 304
High risk (3 % - <100 %)	45	128	0	173
<b>Total commitments before ECL</b>	<b>27 367</b>	<b>887</b>	<b>0</b>	<b>28 254</b>
- ECL	-1	-4	0	-5
<b>Loans to and receivables from customers 30.06.2021 *)</b>	<b>27 366</b>	<b>883</b>	<b>0</b>	<b>28 249</b>

Commitments (exposure) divided into risk groups based on probability of default (NOK million)

<b>30.06.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	26 628	0	0	26 628
Medium risk (0.5 % - < 3 %)	789	407	0	1 196
High risk (3 % - <100 %)	94	157	0	251
Total commitments before ECL	27 511	564	0	28 075
- ECL	-1	-5	0	-6
Loans to and receivables from customers 30.06.2020 *)	27 510	559	0	28 069

Commitments (exposure) divided into risk groups based on probability of default (NOK million)

<b>31.12.2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	26 559	0	0	26 559
Medium risk (0.5 % - < 3 %)	466	634	0	1 100
High risk (3 % - <100 %)	51	87	0	138
Total commitments before ECL	27 076	721	0	27 797
- ECL	-1	-3	0	-4
Loans to and receivables from customers 31.12.2020 *)	27 075	718	0	27 793

\*) The tables above show exposures (incl. undrawn credit facilities) and are not including fixed rate loans assessed at fair value. The figures are thus not reconcilable against balances in the statement of financial position.

# Note 5

## Financial instruments

### CLASSIFICATION AND MEASUREMENT

The company's portfolio of financial instruments is at initial recognition classified in accordance with IFRS 9. Financial assets are classified in one of the following categories:

- Amortised cost
- Fair value with any changes in value through the income statement

The classification of the financial assets depends on two factors:

- The purpose of the acquisition of the financial instrument
- The contractual cash flows from the financial assets

### Financial assets assessed at amortised cost

The classification of the financial assets assumes that the following requirements are met:

- The asset is acquired to receive contractual cash flows
- The contractual cash flows consist solely of principal and interest

With the exception of fixed rate loans, all lending and receivables are recorded in the accounts at amortised cost, based on expected cash flows. The difference between the issue cost and the settlement amount at maturity, is amortised over the lifetime of the loan.

### Financial liabilities assessed at amortised cost

Debt securities, including debt securities included in fair value hedging and loans and deposits from credit institutions, are assessed at amortised cost based on expected cash flows.

### Financial instruments assessed at fair value, any changes in value recognised through the income statement

The company's portfolio of bonds in the liquidity portfolio is classified at fair value with any value changes through the income statement, based on the business model of the company.

The portfolio of fixed interest rate loans is assessed at fair value to avoid accounting mismatch in relation to the underlying interest rate swaps.

Financial derivatives are instruments used to mitigate any interest- or currency risk incurred by the company. Financial derivatives are recorded at fair value, with any changes in value through the income statement, and recognised gross per contract, as either asset or debt.

Changes in basis swaps effects for swaps included in fair value hedging are recognised in OCI.

Losses and gains as a result of value changes on assets and liabilities assessed at fair value with any value changes being recognised in the income statement, are included in the accounts during the period in which they occur.

### LEVELS IN THE VALUATION HIERARCHY

Financial instruments at fair value are classified into different levels based on the quality of market data for each type of instrument.

#### Level 1 – Valuation based on prices in an active market

Level 1 comprises financial instruments valued by using quoted prices in active markets for identical assets



or liabilities. This category includes bonds and certificates in LCR-level 1, traded in active markets.

### Level 2 – Valuation based on observable market data

Level 2 comprises financial instruments valued by using information which is not quoted prices, but where prices are directly or indirectly observable for assets or liabilities, including quoted prices in inactive markets for identical assets or liabilities. This category mainly includes derivatives and bonds which are not included in level 1.

### Level 3 – Valuation based on other than observable market data

Level 3 comprises financial instruments which cannot be valued based on directly or indirectly observable prices. Loans to customers are included in this category.

A change of 10 basis points in the discount rate will have an effect of approximately NOK 7 million on the valuation of the fixed rate loans as at 30.06.2021.

Classification of financial instruments	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	30.06.2021	30.06.2020	31.12.2020	30.06.2021	30.06.2020	31.12.2020
Loans to and receivables from credit institutions				1 986	2 732	1 450
Loans to and receivables from customers	2 898	2 289	2 718	26 637	26 447	26 323
Certificates and bonds	116	106	116			
Financial derivatives	828	1 705	1 176			
<b>Total financial assets</b>	<b>3 842</b>	<b>4 100</b>	<b>4 010</b>	<b>28 623</b>	<b>29 179</b>	<b>27 773</b>
Loans from credit institutions				3 674	3 498	5 306
Debt securities issued				26 408	27 438	23 991
Financial derivatives	60	101	76			
<b>Total financial liabilities</b>	<b>60</b>	<b>101</b>	<b>76</b>	<b>30 082</b>	<b>30 936</b>	<b>29 297</b>

Fair value of financial instruments at amortised cost	30.06.2021		30.06.2020		31.12.2020	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 986	1 986	2 732	2 732	1 450	1 450
Loans to and receivables from customers	26 637	26 637	26 447	26 447	26 323	26 323
<b>Total financial assets</b>	<b>28 623</b>	<b>28 623</b>	<b>29 179</b>	<b>29 179</b>	<b>27 773</b>	<b>27 773</b>
Loans from credit institutions	3 674	3 674	3 498	3 498	5 306	5 306
Debt securities issued	26 544	26 408	27 512	27 438	24 110	23 991
<b>Total financial liabilities</b>	<b>30 218</b>	<b>30 082</b>	<b>31 010</b>	<b>30 936</b>	<b>29 416</b>	<b>29 297</b>

Financial instruments at fair value - 30.06.2021	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers			2 898	2 898
Certificates and bonds	116			116
Financial derivatives		828		828
Total financial assets	116	828	2 898	3 842
Financial derivatives		60		60
Total financial liabilities	-	60	-	60

Financial instruments at fair value - 30.06.2020	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers			2 289	2 289
Certificates and bonds	76	30		106
Financial derivatives		1 705		1 705
Total financial assets	76	1 735	2 289	4 100
Financial derivatives		101		101
Total financial liabilities	-	101	-	101

Financial instruments at fair value - 31.12.2020	Based on prices in an active market	Observable market information	Other than observable market information	Total
	Level 1	Level 2	Level 3	
Loans to and receivables from customers			2 718	2 718
Certificates and bonds	116			116
Financial derivatives		1 176		1 176
Total financial assets	116	1 176	2 718	4 010
Financial derivatives		76		76
Total financial liabilities	-	76	-	76

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Book value as at 31.12.2020	2 718
Purchase/increase	481
Sales/reduction	-267
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	-34
Book value as at 30.06.2021	2 898

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Book value as at 31.12.2019	0
Purchase/increase	2 286
Sales/reduction	0
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	3
Book value as at 30.06.2020	2 289

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Book value as at 31.12.2019	0
Purchase/increase	3 156
Sales/reduction	-454
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	16
Book value as at 31.12.2020	2 718

# Note 6

## Issued covered bonds

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

### Covered bonds (NOK million)

ISIN code	Currency	Nominal value 30.06.2021	Interest	Issued	Maturity	30.06.2021	30.06.2020	31.12.2020
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 208	1 278	1 221
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	314	350	330
XS0984191873	EUR		6M Euribor + 0.20 %	2013	2020	-	327	-
NO0010720204	NOK		3M Nibor + 0.24 %	2014	2020	-	3 000	-
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 010	1 018	1 022
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 005	3 006	3 006
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 560	2 757	2 647
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 002	3 002	3 002
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 585	2 793	2 684
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 065	1 134	1 086
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	2 998	2 998	2 998
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 576	2 777	2 670
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	2 998	2 998	2 998
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	316	-	327
NO0010951544	NOK	2 700	3M Nibor + 0.75 %	2021	2026	2 771	-	-
Total borrowings raised through the issue of securities (incl. accrued interest)						26 408	27 438	23 991

Cover pool (NOK million)	30.06.2021	30.06.2020	31.12.2020
Pool of eligible loans 1)	29 310	28 261	28 684
Substitute assets	1 704	1 981	903
Financial derivatives to hedge issued securities (assets)	828	1 705	1 176
Financial derivatives to hedge issued securities (liabilities)	-60	-101	-76
Total collateralised assets	31 782	31 846	30 687

1) NOK 225 million of total gross loans are not eligible for the cover pool as at 30.06.2021 (NOK 481 million as at 30.06.2020)

<b>Covered bonds issued (NOK million)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Covered bonds (nominal) 2)	25 508	25 731	22 808
Accrued interest	75	77	48
Premium/discount	825	1 630	1 135
<b>Total covered bonds</b>	<b>26 408</b>	<b>27 438</b>	<b>23 991</b>
Own holding (covered bonds)	0	0	0
<b>Debt securities issued</b>	<b>26 408</b>	<b>27 438</b>	<b>23 991</b>

2) Swap exchange rates are applied for outstanding debt in currencies other than NOK

<b>Collateralisation (in %)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Total collateralised assets / debt securitised issued	120.4	116.1	127.9

<b>Liquidity Coverage Ratio (LCR)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Liquidity buffer	111	100	111
Net liquidity outflow next 30 days	21	21	20
LCR ratio - Total	521%	477%	566%
LCR ratio - NOK	521%	477%	566%
LCR ratio - EUR	0%	0%	0%

<b>Net Stable Funding Ratio (NSFR)</b>	<b>30.06.2021</b>	<b>30.06.2020</b>	<b>31.12.2020</b>
Available amount of stable funding	26 934	28 796	29 208
Required amount of stable funding	30 417	31 061	28 971
NSFR ratio	89%	93%	101%

# Note 7

## Transactions with related parties

Møre Boligkreditt AS purchases services from Sparebanken Møre. There are also 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 purchase price is adjusted according to 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 difficulties obtaining financing, a revolving guarantee from Sparebanken Møre is established with the purpose of ensuring timely payments to owners of bonds and derivative counterparties.

The pricing of the services provided by Sparebanken Møre to Møre Boligkreditt AS 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 forms 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:

(NOK million)	30.06.2021	30.06.2020	31.12.2020
<b>Statement of income:</b>			
Interest and credit commission income from Sparebanken Møre related to deposits	5	4	11
Interest and credit commission income paid to Sparebanken Møre related to loan/credit facility	15	13	25
Interest paid to Sparebanken Møre related to bonded debt	5	4	8
Management fee paid to Sparebanken Møre	22	20	41
<b>Statement of financial position:</b>			
Deposits in Sparebanken Møre 1)	1 986	2 732	1 450
Covered bonds held by Sparebanken Møre as assets	1 741	2 137	503
Loan/credit facility in Sparebanken Møre	3 392	2 747	4 760
Intragroup hedging	24	80	60
Accumulated transferred loan portfolio from Sparebanken Møre	29 540	28 742	29 045

1) NOK 282 million out of total NOK 1,986 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA.

# Note 8

## Events after the reporting date

No events of material significance for the financial statements for Q2-2021 have occurred after the reporting date. The company is not involved in any legal proceedings.

A capital reduction of up to NOK 500,000,000 was approved by the Norwegian FSA 11 June 2021. The Norwegian register of business enterprises was notified 15 June 2021, triggering a six week creditor notice period. The six week creditor notice period ended 27 July 2021 without any creditors objecting. The approved capital reduction of up to NOK 500,000,000 will be completed in the third quarter of 2021. The calculated effect on CET1 of the capital reduction is 6.3 per cent.



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

We hereby confirm that the company's financial statements for the period 1 January 2021 to 30 June 2021 to the best of our knowledge, have been prepared in accordance with IAS 34 - Interim Financial Reporting, and provide 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 the financial performance and position of the company, as well as a description of the principal risks and uncertainties facing the company.

Ålesund, 30 June 2021

11 August 2021

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

KJETIL HAUGE, Chairman

ELISABETH BLOMVIK

GEIR TORE HJELLE

SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

# Profit performance

QUARTERLY PROFIT (NOK million)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Net interest income	90	88	95	101	69
Other operating income	3	1	0	0	4
Total operating costs	14	13	12	12	14
Profit before impairment on loans	79	76	83	89	59
Impairment on loans	0	0	-1	-1	0
Pre tax profit	79	76	84	90	59
Tax	17	17	18	20	13
Profit after tax	62	59	66	70	46

As a percentage of average assets:

Net interest income	1.16	1.16	1.31	1.32	0.93
Other operating income	0.03	0.02	0.00	0.00	0.05
Total operating costs	0.17	0.18	0.17	0.16	0.18
Profit before impairment on loans	1.02	1.00	1.14	1.16	0.80
Impairment on loans	0.01	0.00	-0.02	-0.01	0.00
Pre tax profit	1.01	1.00	1.16	1.17	0.80
Tax	0.22	0.22	0.26	0.26	0.17
Profit after tax	0.79	0.78	0.90	0.91	0.63

Average total assets (NOK million)	31 230	30 249	29 043	30 443	29 473
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	30.06.2021	30.06.2020	31.12.2020
Net interest income	178	150	345
Other operating income	4	-1	-1
Total operating costs	27	26	49
Profit before impairment on loans	155	123	295
Impairment on loans	0	3	1
Pre tax profit	155	120	294
Tax	34	26	64
Profit after tax	121	94	230

As a percentage of average assets:

Net interest income	1.16	1.07	1.20
Other operating income	0.02	-0.01	0.00
Total operating costs	0.17	0.18	0.17
Profit before impairment on loans	1.01	0.88	1.03
Impairment on loans	0.00	0.02	0.00
Pre tax profit	1.01	0.86	1.03
Tax	0.22	0.19	0.22
Profit after tax	0.79	0.67	0.81

Average total assets (NOK million)	30 740	27 883	28 813
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## Alternative performance measures

<b>Average assets</b>	<b>Definition</b>	The average sum of total assets for the year, calculated as a daily average.
	<b>Justification</b>	This key figure is used in the calculation of percentage ratios for the performance items.
	<b>Calculation</b>	Average sum of total assets*
<b>LTV (Loan to value)</b>	<b>Definition</b>	A customer's loan amount as a percentage of market value** of the collateral.
	<b>Justification</b>	This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.
	<b>Calculation</b>	Weighted average LTV is calculated by weighting each LTV by the respective loan amount, and then dividing the sum of the weighted LTVs by the total loan amount.
<b>Over-collateralisation</b>	<b>Definition</b>	Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt.
	<b>Justification</b>	This key figure provides information about the ratio between outstanding bond loans and the underlying collateralised assets.
	<b>Calculation</b>	$\frac{\text{Total collateralised assets}}{\text{Debt securitites issued}}$
	<b>Figures</b>	30.06.2021: $31,782/26,408 = 120.4 \%$ 30.06.2020: $31,846/27,438 = 116.1 \%$ 31.12.2020: $30,687/23,991 = 127.9 \%$

\*This figure is based on daily calculations in the accounting system, and is not directly reconcilable against the Statement of financial position.

\*\*Market value is obtained from external AVM company (Eiendomsverdi AS).

**Møre Boligkreditt AS**

P.O.Box 121, sentrum  
NO-6001 Ålesund

Visiting address:  
Keiser Wilhelmsgate 29-33, Ålesund

[www.sbm.no/mbk](http://www.sbm.no/mbk)

