

# Interim report

# 4

2022 Unaudited



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. Figures in brackets refer to the corresponding period last year.

## Fourth quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 20 million in the fourth quarter of 2022 (NOK 62 million). Net interest income amounted to NOK 56 million (NOK 86 million) and costs ended at NOK 13 million (NOK 12 million).

The quarterly accounts were charged with NOK 1 million in model-based losses on loans (ECL) (NOK 0 million). In the fourth quarter, losses from financial instruments are charged with NOK 22 million (NOK 12 million).

Profit after tax in the fourth quarter amounts to NOK 16 million (NOK 49 million).

Net loans to and receivables from customers increased by NOK 2,300 million in the fourth quarter of 2022.

## Fourth quarter end results

By fourth quarter end 2022, the financial statements show a pre-tax profit of NOK 177 million (NOK 306 million). Net interest income amounts to NOK 263 million by fourth quarter end 2022 (NOK 360 million). Costs by year-end 2022, amounted to NOK 51 million (NOK 51 million). Net loss from financial instruments ended at NOK 29 million (NOK 3 million).

As at 31 December 2022, taxes amount to NOK 39 million (NOK 67 million), and profit after tax amounts to NOK 138 million (NOK 239 million).

Changes in value of basis swap spreads are added to other comprehensive income (OCI) with NOK 24 million after tax (NOK 2 million).

## Financial position

Møre Boligkreditt AS issued a EUR 250 million green covered bond premium in the fourth quarter of 2022. No bond loan matured in the fourth quarter. Møre Boligkreditt AS has twelve bond loans outstanding at 31 December 2022 with total debt securities issued of NOK 26,807 million (NOK 25,603 million). Møre Boligkreditt AS reported Net Stable Funding Ratio (NSFR) of 110 per cent as at 31 December 2022.

Total assets at year-end 2022 amounted to NOK 32,714 million (NOK 31,223 million). The ECL calculation 31 December 2022 shows expected credit losses of NOK 10 million for Møre Boligkreditt AS (NOK 4 million).

At year-end 2022, the average loan-to-value ratio is 53.2 per cent, calculated as mortgage amount relative to the value of the property used as collateral (54 per cent).

The company's substitute assets included in the cover pool amount to NOK 1,503 million at the end of 2022 (NOK 1,455 million). Over-collateralisation, calculated as the nominal value of the cover pool relative to the nominal value of outstanding covered bond loan debt is 20.1 per cent as at 31 December 2022 (20.7 per cent).

Møre Boligkreditt AS' Liquidity Coverage Ratio (LCR) eligible assets amount to NOK 113 million as of 31

December 2022, reporting total LCR of 436 per cent by fourth quarter end 2022.

### **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 amount to NOK 1,712 million by fourth quarter end 2022 (NOK 1,791 million). Risk weighted assets amount to NOK 7,845 million (NOK 7,686 million). Net equity and subordinated loan capital amount to NOK 1,515 million (NOK 1,489). This corresponds to a Common Equity Tier 1 capital ratio of 19.3 per cent as at 31 December 2022 (19.4 per cent). Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

### **Regulatory changes**

The EU directive 2019/2162 (The Covered Bonds Directive) came into force 8 July 2022. Only premium European covered bonds that satisfy the guidelines and meet the requirements of Article 129 of the CRR will benefit from preferential regulatory treatment.

The Norwegian Financial Supervisory Authority has approved Møre Boligkreditt AS' European Covered Bond Premium Program.

Covered bonds issued by Møre Boligkreditt AS that complied under existing legislations before 8 July 2022 will be grandfathered and eligible for preferential treatment to maturity.

### **Outlook**

The war in Ukraine contributes to increased uncertainty and upward pressure on energy and commodity prices. The inflation level is elevated, and the annual CPI rate in Norway in December 2022 was 5.9 per cent. Adjusted for tax changes and excluding energy products, the CPI was 5.8 per cent in December, both well above Norges Bank's aim to stabilize inflation around 2 per cent.

In December 2022, the national level of unemployment was reported at 1.6 per cent, compared with 1.5 per cent in Sparebanken Møre's main market of operation, the county of Møre og Romsdal. The low unemployment level and tight labour market put further upward pressure on wages and prices.

Norges Bank delivered rate-hikes in both their November- and December meetings, both of 0.25 percentage points to a policy rate of 2.75 per cent at year-end. The published policy rate path from Norges Bank indicates one more hike, probably in their March 2023 meeting, and a policy rate of 3 per cent by the end of 2023.

Twelve-months national growth in household loan debt is declining and growth is reported at 4.1 per cent by November 2022. National housing prices have increased by 0.2 per cent in December 2022, seasonally adjusted, and are up 1.5 per cent in 2022. We expect to see a moderate decline in house prices in 2023. Growth in household debt is expected to further dampen due to the increase in mortgage interest rate levels and increase in household costs.

We expect unemployment levels, both on national level and in the county of Møre og Romsdal, to increase somewhat in the coming quarters, but still stay at low levels.

The Board believes that despite the increase in interest rates on mortgages and an increase in household costs, the low level of unemployment and still high disposable household income, will contribute to further mortgage loan growth in Sparebanken Møre. This mortgage growth will position Møre Boligkreditt AS to further acquire mortgage loan portfolios from Sparebanken Møre and increase the volume of outstanding bond loans from Møre Boligkreditt AS.

Ålesund, 31 December 2022

25 January 2023

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

KJETIL HAUGE, Chair

ELISABETH BLOMVIK

KRISTIAN TAFJORD

SANDRA MYHRE HELSETH

OLE ANDRE KJERSTAD, Managing Director

# Statement of income

## STATEMENT OF INCOME

(NOK million)	Note	Q4 2022	Q4 2021	2022	2021
Interest income from assets assessed at amortised cost	<u>3</u>	269	144	788	562
Interest income from assets assessed at fair value	<u>3</u>	27	15	82	47
Interest expenses	<u>3</u>	240	73	607	249
Net interest income	<u>3</u> <u>7</u>	56	86	263	360
Net gains/losses from financial instruments		-22	-12	-29	-3
Total income		34	74	234	357
Wages, salaries and general administration costs		0	0	2	2
Other operating costs	<u>7</u>	13	12	49	49
Total operating costs		13	12	51	51
Profit before impairment on loans		21	62	183	306
Impairment on loans	<u>4</u>	1	0	6	0
Pre-tax profit		20	62	177	306
Taxes		4	13	39	67
Profit after tax		16	49	138	239

## STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Q4 2022	Q4 2021	2022	2021
Profit after tax	16	49	138	239
Items that may subsequently be reclassified to the income statement:				
Basis swap spreads - changes in value	-28	8	30	3
Tax effect of basis swap spreads	6	-2	-6	-1
Total comprehensive income for the period	-6	55	162	241

# Statement of financial position

## ASSETS - compressed

(NOK million)	Note	31.12.2022	31.12.2021
Loans to and receivables from credit institutions 1)	<u>5 7</u>	1 660	1 044
Loans to and receivables from customers	<u>3 4 5</u>	30 464	28 971
Certificates and bonds	<u>5 6</u>	121	668
Financial derivatives	<u>5 6</u>	469	540
<b>Total assets</b>		<b>32 714</b>	<b>31 223</b>

1) NOK 278 million out of total NOK 1,660 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	31.12.2022	31.12.2021
Loans from credit institutions 2)	<u>5 7</u>	3 782	3 548
Debt securities issued	<u>5 6 7</u>	26 807	25 603
Financial derivatives	<u>5 6</u>	298	79
Tax payable		27	132
Deferred tax		88	70
<b>Total liabilities</b>		<b>31 002</b>	<b>29 432</b>
Share capital		1 375	1 375
Share premium		175	175
Paid-in equity		1 550	1 550
Liability credit reserve		16	-8
Retained earnings		146	249
<b>Total equity</b>	<u>2</u>	<b>1 712</b>	<b>1 791</b>
<b>Total liabilities and equity</b>		<b>32 714</b>	<b>31 223</b>

2) NOK 278 million out of total NOK 3,782 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

31.12.2022

(NOK million)	Total equity	Share capital	Share premium	Liability credit reserve	Retained earnings
Equity as at 31 December 2021	1 791	1 375	175	-8	249
Dividend paid	-241				-241
Total comprehensive income for the period	162			24	138
Equity as at 31 December 2022	1 712	1 375	175	16	146

The share capital consists of 1 100 000 shares at NOK 1 250, a total of NOK 1 375 million. All shares are owned by Sparebanken Møre.

Proposed dividend as of 31 December 2022 amounts to NOK 146 million.

31.12.2021

(NOK million)	Total equity	Share capital	Share premium	Liability credit reserve	Retained earnings
Equity as at 31 December 2020	2 282	1 875	175	-10	242
Dividend paid	-232				-232
Share capital reduction	-500	-500			
Total comprehensive income for the period	241			2	239
Equity as at 31 December 2021	1 791	1 375	175	-8	249

The share capital consisted of 1 100 000 shares at NOK 1 250, a total of NOK 1 375 million. All shares were owned by Sparebanken Møre. A share capital reduction of NOK 500 million was approved by the Norwegian FSA 11 June 2021, and registered in the Norwegian Register of Business Enterprises 12 August 2021.

Dividend as of 31 December 2021 amounted to NOK 241 million.

# Statement of cash flow

(NOK million)	31.12.2022	31.12.2021
<b>Cash flow from operating activities</b>		
Interest, commission and fees received	862	606
Interest, commission and fees paid	-91	-38
Received interest, commission and fees related to certificates, bonds and other securities	9	4
Operating expenses paid	-51	-51
Income taxes paid/received	-132	6
Payment for acquiring loans from the parent bank	-10 102	-8 194
Payment related to installment loans and credit lines to customers	8 603	8 264
Proceeds from the sale and settlement of certificates, bonds and other securities	4 128	802
Purchases of certificates, bonds and other securities	-3 584	-1 357
Changes in other assets	3	3
<b>Net cash flow from operating activities</b>	<b>-355</b>	<b>45</b>
<b>Cash flow from financing activities</b>		
Paid interest, commission and fees related to issued bonds	-522	-212
Net change in loans from credit institutions	103	-1 358
Proceeds from issued covered bonds	4 919	5 346
Redemption of issued covered bonds	-3 363	-3 004
Dividend paid	-241	-232
Changes in other debt	-57	-91
Increase/reduction of share capital and premium	0	-500
<b>Net cash flow from financing activities</b>	<b>839</b>	<b>-51</b>
<b>Net change in cash and cash equivalents</b>	<b>484</b>	<b>-6</b>
Cash balance at 01.01	898	904
<b>Cash balance at 31.12 1)</b>	<b>1 382</b>	<b>898</b>

1) NOK 278 million out of total NOK 1,660 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 31.12.2022 (NOK 146 million as at 31.12.2021).



# 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 31 December 2022. 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 2021.

All amounts are stated in NOK million unless stated otherwise.

The interim financial statements are not audited.

# Note 2

## Equity and related capital

<b>Tier 1 capital and supplementary capital</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Share capital and share premium	1 550	1 550
Liability credit reserve	16	-8
Retained earnings	146	249
<b>Total equity</b>	<b>1 712</b>	<b>1 791</b>
Value adjustments of financial instruments at fair value	-3	-4
Expected IRB-losses exceeding ECL	-48	-57
Dividends	-146	-241
<b>Common Equity Tier 1 capital</b>	<b>1 515</b>	<b>1 489</b>
Supplementary capital	0	0
<b>Net equity and subordinated loan capital</b>	<b>1 515</b>	<b>1 489</b>

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

<b>Credit risk - standardised approach</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Regional governments or local authorities	0	6
Institutions (banks etc)	453	427
Covered bonds	7	59
Other items	42	40
<b>Total credit risk - standardised approach</b>	<b>502</b>	<b>532</b>

### Credit risk - IRB Foundation

Retail - Secured by real estate	6 334	5 993
Retail - Other	0	0
Corporate lending 1)	248	319
<b>Total credit risk - IRB-F</b>	<b>6 582</b>	<b>6 312</b>

Credit valuation adjustment risk (CVA) - market risk	176	213
Operational risk (Basic indicator Approach)	585	629
<b>Risk weighted assets (RWA)</b>	<b>7 845</b>	<b>7 686</b>

Minimum requirement Common Equity Tier 1 capital (4.5 %)	353	346
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<b>Buffer Requirement</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Countercyclical buffer (2.0 % at 31.12.2022, 1.0 % at 31.12.2021)	157	77
Capital conservation buffer (2.5 %)	196	192
Systemic risk buffer (3.0 %)	235	231
<b>Total buffer requirements</b>	<b>588</b>	<b>500</b>
Available Common Equity Tier 1 capital after buffer requirements	574	644

<b>Capital adequacy as a percentage of the weighted asset calculation basis</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Capital adequacy ratio	19.3 %	19.4 %
Tier 1 capital ratio	19.3 %	19.4 %
Common Equity Tier 1 capital ratio	19.3 %	19.4 %

<b>Leverage ratio</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Leverage ratio	4.6 %	4.6 %

1) Corporate lending in MBK consists of lending to housing associations.

Møre Boligkreditt AS' capital requirements at 31 December 2022 are based on IRB-Foundation.

# 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

31.12.2022	Gross loans measured at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans measured at fair value	Net loans to and receivables from customers
Loans to and receivables from customers	28 028	-2	-8	0	2 446	30 464

31.12.2021	Gross loans measured at amortised cost	ECL Stage 1	ECL Stage 2	ECL Stage 3	Loans measured at fair value	Net loans to and receivables from customers
Loans to and receivables from customers	26 378	-1	-3	0	2 597	28 971

### Net interest income

(NOK million)	31.12.2022	31.12.2021
Interest income from:		
Loans to and receivables from credit institutions	21	11
Loans to and receivables from customers	840	594
Certificates, bonds and other interest-bearing securities	9	4
Interest income	870	609
Interest expenses in respect of:		
Loans from credit institutions	79	31
Debt securities issued	522	211
Other interest expenses	6	7
Interest expenses	607	249
Net interest income	263	360

# 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.

The increase in IFRS expected loan losses from 4 million as of 31.12.2021 to 10 million as of 31.12.2022 is model-based due to changes made in the macroeconomic factors, specifically related to expectations of higher mortgage rate levels. No actual loan losses have occurred.

Specification of credit loss expense (NOK million)	Q4 2022	Q4 2021	2022	2021
Changes in Expected Credit Loss (ECL) in stage 1	1	0	1	0
Changes in Expected Credit Loss (ECL) in stage 2	0	0	5	0
Changes in Expected Credit Loss (ECL) in stage 3	0	0	0	0
Total impairments on loans in the period	1	0	6	0

Changes in ECL in the period (NOK million) - 31.12.2022	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2021	1	3	0	4
New loans	1	1	0	2
Disposal of loans	0	-1	0	-1
Changes in ECL in the period for loans which have not migrated	0	0	0	0
Migration to stage 1	0	0	0	0
Migration to stage 2	0	5	0	5
Migration to stage 3	0	0	0	0
Other changes	0	0	0	0
ECL 31.12.2022	2	8	0	10

<b>Changes in ECL in the period (NOK million) - 31.12.2021</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
ECL 31.12.2020	1	3	0	4
New loans	0	1	0	1
Disposal of loans	0	-1	0	-1
Changes in ECL in the period for loans which have not migrated	0	0	0	0
Migration to stage 1	0	-1	0	-1
Migration to stage 2	0	1	0	1
Migration to stage 3	0	0	0	0
Other changes	0	0	0	0
ECL 31.12.2021	1	3	0	4

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

<b>31.12.2022</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	24 644	2 637	0	27 281
Medium risk (0.5 % - < 3 %)	225	1 811	0	2 036
High risk (3 % - <100 %)	4	298	10	312
Total commitments before ECL	24 873	4 746	10	29 629
- ECL	-2	-8	0	-10
Loans to and receivables from customers 31.12.2022 *)	24 871	4 738	10	29 619

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

<b>31.12.2021</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Low risk (0 % - < 0.5 %)	25 819	59	0	25 878
Medium risk (0.5 % - < 3 %)	1 007	691	0	1 698
High risk (3 % - <100 %)	109	126	0	235
Total commitments before ECL	26 935	876	0	27 811
- ECL	-1	-3	0	-4
Loans to and receivables from customers 31.12.2021 1)	26 934	873	0	27 807

1) 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 measured 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 measured at amortised cost

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

### Financial instruments measured 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 measured 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 measured 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 7.1 million on the valuation of the fixed rate loans as at 31.12.2022.

Classification of financial instruments	Financial instruments at fair value through profit or loss		Financial instruments carried at amortised cost	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Loans to and receivables from credit institutions			1 660	1 044
Loans to and receivables from customers	2 446	2 597	28 018	26 374
Certificates and bonds	121	668		
Financial derivatives	469	540		
<b>Total financial assets</b>	<b>3 036</b>	<b>3 805</b>	<b>29 678</b>	<b>27 418</b>
Loans from credit institutions			3 782	3 548
Debt securities issued			26 807	25 603
Financial derivatives	298	79		
<b>Total financial liabilities</b>	<b>298</b>	<b>79</b>	<b>30 589</b>	<b>29 151</b>

Fair value of financial instruments at amortised cost	31.12.2022		31.12.2021	
	Fair value	Book value	Fair value	Book value
Loans to and receivables from credit institutions	1 660	1 660	1 044	1 044
Loans to and receivables from customers	28 018	28 018	26 374	26 374
<b>Total financial assets</b>	<b>29 678</b>	<b>29 678</b>	<b>27 418</b>	<b>27 418</b>
Loans from credit institutions	3 782	3 782	3 548	3 548
Debt securities issued	26 811	26 807	25 704	25 603
<b>Total financial liabilities</b>	<b>30 593</b>	<b>30 589</b>	<b>29 252</b>	<b>29 151</b>



Financial instruments at fair value - 31.12.2022	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			2 446	2 446
Certificates and bonds	121			121
Financial derivatives		469		469
Total financial assets	121	469	2 446	3 036
Financial derivatives		298		298
Total financial liabilities	-	298	-	298

Financial instruments at fair value - 31.12.2021	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			2 597	2 597
Certificates and bonds	668			668
Financial derivatives		540		540
Total financial assets	668	540	2 597	3 805
Financial derivatives		79		79
Total financial liabilities	-	79	-	79

Reconciliation of movements in Level 3 during the period	Loans to and receivables from customers
Book value as at 31.12.2021	2 597
Purchase/increase	326
Sales/reduction	-401
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	-76
Book value as at 31.12.2022	2 446

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	449
Sales/reduction	-637
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	67
Book value as at 31.12.2021	2 597

# 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 31.12.2022	Interest	Issued	Maturity	31.12.2022	31.12.2021
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 087	1 153
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	261	297
NO0010730187	NOK		fixed NOK 1.50 %	2015	2022		1 014
XS1626109968	EUR		fixed EUR 0.125 %	2017	2022		2 503
NO0010819543	NOK	3 000	3M Nibor + 0.42 %	2018	2024	3 004	3 002
XS1839386577	EUR	250	fixed EUR 0.375 %	2018	2023	2 606	2 526
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	957	1 028
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	3 010	3 001
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 481	2 505
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	3 004	2 999
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	324	309
NO0010951544	NOK	5 000	3M Nibor + 0.75 %	2021	2026	5 094	2 766
XS2389402905	EUR	250	fixed EUR 0.01 %	2021	2026	2 341	2 500
XS2556223233	EUR	250	fixed EUR 3.125 %	2022	2027	2 638	-
Total borrowings raised through the issue of securities (incl. accrued interest)						26 807	25 603

### Cover pool (NOK million)

	31.12.2022	31.12.2021
Eligible mortgages (nominal) 1)	30 431	28 778
Substitute assets	1 503	1 455
Market value adjustment fixed rate mortgages	-93	-3
Financial derivatives to hedge issued securities (assets)	469	540
Financial derivatives to hedge issued securities (liabilities)	-298	-79
Net gains and losses on basis swaps	30	3
Total collateralised assets	32 042	30 694

1) NOK 91 million of total gross mortgages are not eligible for the cover pool as at 31.12.2022 (NOK 193 million as at 31.12.2021)

<b>Covered bonds issued (NOK million)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Covered bonds (nominal) 2)	26 582	25 058
Premium/discount	164	504
Total covered bonds	26 746	25 562
-of which own holding (covered bonds)	0	0

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

<b>Over-collateralisation (in %) (Nominal calculation)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
(Eligible mortgages + Substitute assets-Covered bonds) / Covered bonds	20.1	20.7

<b>Over-collateralisation (in %) (Market value calculation)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Total collateralised assets / Total covered bonds	19.8	20.1

<b>Liquidity Coverage Ration (LCR)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Liquid Assets	113	104
Net liquidity outflow next 30 days	26	20
LCR ratio -Total	436%	525%
LCR ratio - NOK	436%	525%
LCR ratio - EUR	N/A	N/A

<b>180-day Cover Pool Liquidity Buffer</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Liquid Assets	1 503	N/A
Net liquidity outflow next 180 days	485	N/A
180-day cover pool liquidity buffer ratio	310%	N/A

<b>Net Stable Funding Ratio (NSFR)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Available amount of stable funding	29 163	26 950
Required amount of stable funding	26 425	29 384
NSFR ratio	110%	92%

# 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)	31.12.2022	31.12.2021
<b>Statement of income:</b>		
Interest and credit commission income from Sparebanken Møre related to deposits	21	11
Interest and credit commission paid to Sparebanken Møre related to loan/credit facility	79	31
Interest paid to Sparebanken Møre related to bonded debt	5	10
Management fee paid to Sparebanken Møre	43	44
<b>Statement of financial position:</b>		
Deposits in Sparebanken Møre 1)	1 660	1 044
Covered bonds held by Sparebanken Møre as assets	0	514
Loan/credit facility in Sparebanken Møre	3 504	3 402
Intragroup hedging	125	8
Accumulated transferred loan portfolio from Sparebanken Møre	30 474	28 975

1) NOK 278 million out of total NOK 1,660 million of deposits in Sparebanken Møre is the margin call balance on financial derivatives paid in by counterparties according to CSA as at 31.12.2022

## **Note 8**

### **Events after the reporting date**

No events of material significance for the financial statements for Q4-2022 have occurred after the reporting date. The company is not involved in any legal proceedings.

# Profit performance

QUARTERLY PROFIT (NOK million)	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Net interest income	56	66	65	76	86
Other operating income	-22	-5	-5	3	-12
Total operating costs	13	11	14	13	12
Profit before impairment on loans	21	50	46	66	62
Impairment on loans	1	0	4	1	0
Pre tax profit	20	50	42	65	62
Tax	4	11	10	14	13
Profit after tax	16	39	32	51	49

As a percentage of average assets:

Net interest income	0.73	0.90	0.83	1.01	1.11
Other operating income	-0.29	-0.06	-0.06	0.03	-0.15
Total operating costs	0.17	0.15	0.18	0.17	0.16
Profit before impairment on loans	0.27	0.69	0.59	0.87	0.80
Impairment on loans	0.00	0.00	0.06	0.01	0.00
Pre tax profit	0.27	0.69	0.53	0.86	0.80
Tax	0.07	0.15	0.12	0.19	0.18
Profit after tax	0.20	0.54	0.41	0.67	0.62

Average total assets (NOK million)	30 654	29 263	31 520	30 204	30 766
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<b>ACCUMULATED PROFIT FOR THE YEAR (NOK million)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Net interest income	263	360
Other operating income	-29	-3
Total operating costs	51	51
Profit before impairment on loans	183	306
Impairment on loans	6	0
Pre tax profit	177	306
Tax	39	67
Profit after tax	138	239

As a percentage of average assets:

Net interest income	0.87	1.16
Other operating income	-0.10	-0.01
Total operating costs	0.17	0.17
Profit before impairment on loans	0.60	0.99
Impairment on loans	0.02	0.00
Pre tax profit	0.58	0.99
Tax	0.13	0.22
Profit after tax	0.45	0.77

Average total assets (NOK million)	30 410	30 922
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## Alternative Performance Measures (APMs)

Average assets	Definition	The average sum of total assets for the year, calculated as a daily average.
	Justification	This key figure is used in the calculation of percentage ratios for the performance items.
	Calculation	Average sum of total assets*
LTV (Loan to value)	Definition	A customer's loan amount as a percentage of market value** of the collateral.
	Justification	This key figure provides information about the asset ratio in the lending portfolio and is relevant for evaluating the risk of loss.
	Calculation	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.

*\*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**

A company in the Sparebanken Møre Group

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