

Møre Boligkreditt AS

A company in the Sparebanken Møre Group

3 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.

Third quarter results

The financial statements of Møre Boligkreditt AS show a pre-tax profit of NOK 89 million in the third quarter of 2021, compared to NOK 90 million in the third quarter of 2020. Net interest income amounts to NOK 96 million, compared to NOK 100 million in the same quarter last year. Costs amount to NOK 12 million in the third quarter of 2021, compared to NOK 11 million in the corresponding quarter in 2020.

Expected credit loss (ECL) for Møre Boligkreditt AS is unchanged in the third quarter of 2021 compared to a reduction in ECL with NOK 1 million in the corresponding quarter in 2020.

Net gain from financial instruments in the third quarter of 2021 is NOK 5 million, compared to losses of NOK 1 million in the corresponding quarter of 2020.

Møre Boligkreditt AS acquired mortgages in the amount of NOK 2,070 million from Sparebanken Møre in the third quarter of 2021. Net loans to and receivables from customers were reduced by NOK 4 million in the third quarter of 2021.

21 September Møre Boligkreditt AS successfully issued a EUR 250 million inaugural green covered bond transaction, and the green element caught a solid investor demand. No bond loan matured in the third quarter of 2021.

Profit after tax amounts to NOK 69 million in the third quarter of 2021, compared to NOK 70 million in the third quarter of 2020. Taxes amount to NOK 20 million in the third quarter of 2021, the same amount as in the corresponding quarter in 2020.

Third quarter end results

By third quarter end 2021 the financial statements show a pre-tax profit of NOK 244 million, compared to NOK 210 million by third quarter end 2020. Net interest income amounts to NOK 274 million by third quarter end 2021, compared to NOK 250 million by end of the same period last year. Costs in the period ending 30 September 2021 amount to NOK 39 million, compared to NOK 37 million for the corresponding period in 2020.

Net gain from financial instruments is NOK 9 million at third quarter end 2021, compared to a loss of NOK 2 million at third quarter end 2020.

Profit after tax amounts to NOK 190 million in the first nine months of 2021, compared to NOK 164 million in the corresponding period of 2020. Taxes amount to NOK 54 million in the first nine months of 2021 compared to NOK 46 million in the first nine months of 2020.

Changes in value of basis swap spreads are charged to other comprehensive income (OCI) with NOK 4 million after tax by third quarter end in 2021, compared to being charged with NOK 6 million by third quarter end in 2020.

Financial position

Møre Boligkreditt AS has fourteen bond loans outstanding at 30 September 2021 with total debt securities issued of NOK 28,926 million, compared to NOK 24,871 million outstanding at 30 September 2020.

Total assets at third quarter end 2021 amount to NOK 32,757 million compared to NOK 30,871 million at third quarter end 2020. Net lending amounts to NOK 29,531 million at third quarter end 2021, compared to NOK 26,724 million at third quarter end 2020. ECL model calculations as at 30 September 2021 show expected credit loss of NOK 4 million for Møre Boligkreditt AS, compared to NOK 5 million as at 30 September 2020.

At third quarter end 2021, the mortgages in the cover pool show 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 third quarter end 2021, substitute assets and derivatives included in the cover pool amount to NOK 2,906 million, compared to NOK 2,620 million at third quarter end 2020. Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt is 11.5 per cent as at 30 September 2021, compared to 16.2 per cent as at 30 September 2020.

Assets held to calculate the liquidity coverage ratio (LCR) amount to NOK 45 million, reporting total LCR of 211 per cent by the end of third quarter 2021. Additional high-quality liquid assets included as substitute assets at third quarter end amount to NOK 640 million.

Rating

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

Capital strength

A share capital reduction of NOK 500,000,000 was approved by the Norwegian FSA 11 June 2021. The capital reduction was registered in the Norwegian register of business enterprises 12 August 2021 and NOK 500,000,000 was subsequently paid back to the sole owner of Møre Boligkreditt AS, Sparebanken Møre.

Paid in equity and retained earnings amount to NOK 1,736 million by end of third quarter 2021, compared to NOK 2,208 million by end of third quarter 2020. Risk weighted assets amount to NOK 7,927 million by end of third quarter 2021. Net equity and subordinated loan capital amount to NOK 1,483 million by end of third quarter 2021, compared to NOK 2,001 million by end of third quarter 2020. This corresponds to a Common Equity Tier 1 capital ratio of 18.7 per cent as at 30 September 2021. Møre Boligkreditt AS uses internal rating based (IRB) models to calculate capital requirements for credit risk.

Outlook

The economic outlook has continued improving in the last quarter. The handling of Covid-19 and the effectiveness of the vaccine will be important going forward. The most important financial risk factors are still related to the possibility of increased unemployment, increase in bankruptcies, fall in house prices and a correction in the stock market.

Mainland GDP rose by 1.1 per cent in August, slightly above Norges Banks forecast of 1.0 per cent. Norges Bank increased the key policy rate to 0.25 per cent in their September meeting, and tilts towards faster normalisation indicating that the policy rate most likely will be hiked again in December 2021.

In September, the national level of registered unemployment was reported further down to 2.4 per cent, and 2.0 per cent in the county of Møre og Romsdal. Central eastern parts of Norway still report somewhat higher levels of unemployment, with 3.1 per cent in Oslo.

House prices increased by 8.0 per cent as a national average the last twelve months by end of September 2021. Growth in house prices is expected to slow down due to expectations of increase in mortgage interest rates.

We expect unemployment levels to further decline as most of the temporarily laid off are likely to come back to work in 2021, and we expect to see unemployment at levels seen before Covid-19.

The Board believes that the low level of unemployment in the county of Møre og Romsdal, 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 going forward.

Ålesund, 30 September 2021
25 October 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	Q3 2021	Q3 2020	30.09.2021	30.09.2020	2020
Interest income from assets assessed at amortised cost	<u>3</u>	141	148	418	522	661
Interest income from assets assessed at fair value	<u>3</u>	10	10	32	20	30
Interest expenses	<u>3</u>	55	58	176	292	346
Net interest income	<u>3 7</u>	96	100	274	250	345
Commission income		0	1	0	1	0
Net gains/losses from financial instruments		5	-1	9	-2	-1
Total income		101	100	283	249	344
Wages, salaries and general administration costs		1	0	2	2	3
Other operating costs	<u>7</u>	11	11	37	35	46
Total operating costs		12	11	39	37	49
Profit before impairment on loans		89	89	244	212	295
Impairment on loans	<u>4</u>	0	-1	0	2	1
Pre-tax profit		89	90	244	210	294
Taxes		20	20	54	46	64
Profit after tax		69	70	190	164	230

STATEMENT OF COMPREHENSIVE INCOME

(NOK million)	Q3 2021	Q3 2020	30.09.2021	30.09.2020	2020
Profit after tax	69	70	190	164	230
Items that may subsequently be reclassified to the income statement:					
Basis swap spreads - changes in value	6	-7	-5	-7	3
Tax effect of basis swap spreads	-1	1	1	1	-1
Total comprehensive income for the period	74	64	186	158	232

Statement of financial position

ASSETS - compressed

(NOK million)	Note	30.09.2021	30.09.2020	31.12.2020
Loans to and receivables from credit institutions 1)	<u>5.7</u>	1 738	1 800	1 450
Loans to and receivables from customers	<u>3.4.5</u>	29 531	26 724	29 041
Certificates and bonds	<u>5.6</u>	685	529	116
Financial derivatives	<u>5.6</u>	801	1 816	1 176
Other assets		2	2	0
Total assets		32 757	30 871	31 783

1) NOK 240 million out of total NOK 1,738 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	30.09.2021	30.09.2020	31.12.2020
Loans from credit institutions 2)	<u>5.7</u>	1 882	3 526	5 306
Debt securities issued	<u>5.6.7</u>	28 926	24 871	23 991
Financial derivatives	<u>5.6</u>	33	103	76
Tax payable		52	84	0
Incurring costs and prepaid income		0	16	0
Deferred tax		128	63	128
Total liabilities		31 021	28 663	29 501
Share capital		1 375	1 875	1 875
Share premium		175	175	175
Paid-in equity		1 550	2 050	2 050
Other equity		0	0	232
Total comprehensive income for the period		186	158	0
Retained earnings		186	158	232
Total equity	<u>2</u>	1 736	2 208	2 282
Total liabilities and equity		32 757	30 871	31 783

2) NOK 240 million out of total NOK 1,882 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

30.09.2021

(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
Share capital reduction	-500	-500		
Total comprehensive income for the period	186			186
Equity as at 30 September 2021	1 736	1 375	175	186

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. 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.

30.09.2020

(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	158			158
Equity as at 30 September 2020	2 208	1 875	175	158

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)	30.09.2021	30.09.2020	31.12.2020
Cash flow from operating activities			
Interest, commission and fees received	449	539	687
Interest, commission and fees paid	-28	-28	-34
Operating expenses paid	-39	-37	-49
Income taxes paid	0	30	-9
Payment for acquiring loans from the Parent Bank	-6 400	-6 742	-10 933
Payment related to installment loans and credit lines to customers	5 910	5 671	7 545
Net cash flow from operating activities	-108	-567	-2 793
Cash flow from investing activities			
Received interest, commission and fees related to certificates, bonds and other securities	1	4	4
Proceeds from the sale and settlement of certificates, bonds and other securities	115	630	1 043
Purchases of certificates, bonds and other securities	-685	-483	-483
Changes in other assets	4	-7	4
Net cash flow from investing activities	-565	144	568
Cash flow from financing activities			
Paid interest, commission and fees related to issued bonds	-150	-269	-313
Net change in loans from credit institutions	-3 118	339	2 464
Proceeds from issued covered bonds	5 346	3 829	3 821
Redemption of issued covered bonds	0	-3 233	-3 474
Dividend paid	-232	-224	-224
Changes in other debt	-79	62	28
Increased/reduction of share capital and premium	-500	0	0
Net cash flow from financing activities	1 267	504	2 302
Net change in cash and cash equivalents	594	81	77
Cash balance at 01.01	904	827	827
Cash balance at 30.09 / 31.12 1)	1 498	908	904

1) NOK 240 million out of total NOK 1,738 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 30.09.2021 (NOK 892 million as at 30.09.2020 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 September 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	30.09.2021	30.09.2020	31.12.2020
Share capital and share premium	1 550	2 050	2 050
Retained earnings	186	158	232
Total equity	1 736	2 208	2 282
Value adjustments of financial instruments at fair value	-4	-4	-4
Expected IRB-losses exceeding ECL	-63	-45	-50
Dividends	0	0	-232
Deductions for total comprehensive income for the period	-186	-158	-
Common Equity Tier 1 capital	1 483	2 001	1 996
Supplementary capital	0	0	0
Net equity and subordinated loan capital	1 483	2 001	1 996

Risk-Weighted Assets (RWA) by exposure classes

Credit risk - standardised approach	30.09.2021	30.09.2020	31.12.2020
Institutions (banks etc)	540	493	527
Covered bonds	64	33	7
Other items	55	61	51
Total credit risk - standardised approach	659	587	585

Credit risk - IRB Foundation

Retail - Secured by real estate	6 144	4 917	6 021
Retail - Other	1	0	1
Corporate lending	312	190	270
Total credit risk - IRB-F	6 457	5 107	6 292

Credit valuation adjustment risk (CVA) - market risk	234	499	370
Operational risk (Basic indicator Approach)	577	516	577
Risk weighted assets (RWA)	7 927	6 709	7 824

Minimum requirement Common Equity Tier 1 capital (4.5 %)	357	302	352
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Buffer Requirement	30.09.2021	30.09.2020	31.12.2020
Countercyclical buffer (1.0 %)	79	67	78
Capital conservation buffer (2.5 %)	198	168	196
Systemic risk buffer (3.0 %)	238	201	235
Total buffer requirements	515	436	509
Available Common Equity Tier 1 capital after buffer requirements	611	1 263	1 135

Capital adequacy as a percentage of the weighted asset calculation basis	30.09.2021	30.09.2020	31.12.2020
Capital adequacy ratio	18.7 %	29.8 %	25.5 %
Tier 1 capital ratio	18.7 %	29.8 %	25.5 %
Common Equity Tier 1 capital ratio	18.7 %	29.8 %	25.5 %

Leverage ratio	30.09.2021	30.09.2020	31.12.2020
Leverage ratio	4.4 %	6.7 %	6.2 %

Møre Boligkreditt AS' capital requirements at 30 September 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

30.09.2021	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	26 777	-1	-3	0	2 758	29 531

30.09.2020	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	24 458	-1	-4	0	2 271	26 724

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)	30.09.2021	30.09.2020	31.12.2020
Interest income from:			
Loans to and receivables from credit institutions	8	9	11
Loans to and receivables from customers	441	529	676
Certificates, bonds and other interest-bearing securities	1	4	4
Interest income	450	542	691
Interest expenses in respect of:			
Loans from credit institutions	21	18	25
Debt securities issued	150	269	313
Other interest expenses	5	5	8
Interest expenses	176	292	346
Net interest income	274	250	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)	Q3 2021	Q3 2020	30.09.2021	30.09.2020	2020
Changes in Expected Credit Loss (ECL) in stage 1	-61	-84	72	252	326
Changes in Expected Credit Loss (ECL) in stage 2	-243	-934	91	1 810	604
Changes in Expected Credit Loss (ECL) in stage 3	0	0	0	0	0
Total impairment on loans in the period	-304	-1 018	163	2 062	930

Changes in ECL in the period (NOK thousand) - 30.09.2021	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2020	866	3 453	0	4 319
New loans	262	355	0	617
Disposal of loans	-109	-540	0	-649
Changes in ECL in the period for loans which have not migrated	-26	-517	0	-543
Migration to stage 1	23	-884	0	-861
Migration to stage 2	-77	1 683	0	1 606
Migration to stage 3	0	0	0	0
Other changes	-1	-6	0	-7
ECL 30.09.2021	938	3 544	0	4 482

Changes in ECL in the period (NOK thousand) - 30.09.2020	Stage 1	Stage 2	Stage 3	Total
ECL 31.12.2019	541	2 849	0	3 390
New loans	127	456	0	583
Disposal of loans	-96	-361	0	-457
Changes in ECL in the period for loans which have not migrated	241	586	0	827
Migration to stage 1	46	-755	0	-709
Migration to stage 2	-62	1 921	0	1 859
Migration to stage 3	0	0	0	0
Other changes	-4	-37	0	-41
ECL 30.09.2020	793	4 659	0	5 452

Changes in ECL in the period (NOK thousand) - 31.12.2020	Stage 1	Stage 2	Stage 3	Total
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
ECL 31.12.2020	866	3 453	0	4 319

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

30.09.2021	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	26 675	1	0	26 676
Medium risk (0.5 % - < 3 %)	640	809	0	1 449
High risk (3 % - <100 %)	46	159	0	205
Total commitments before ECL	27 361	969	0	28 330
- ECL	-1	-3	0	-4
Loans to and receivables from customers 30.09.2021 *)	27 360	966	0	28 326

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

30.09.2020	Stage 1	Stage 2	Stage 3	Total
Low risk (0 % - < 0.5 %)	24 655	0	0	24 655
Medium risk (0.5 % - < 3 %)	687	419	0	1 106
High risk (3 % - <100 %)	56	113	0	169
Total commitments before ECL	25 398	532	0	25 930
- ECL	-1	-4	0	-5
Loans to and receivables from customers 30.09.2020 *)	25 397	528	0	25 925

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

31.12.2020	Stage 1	Stage 2	Stage 3	Total
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 30.09.2021.

Classification of financial instruments	Financial instruments at fair value through profit or loss			Financial instruments carried at amortised cost		
	30.09.2021	30.09.2020	31.12.2020	30.09.2021	30.09.2020	31.12.2020
Loans to and receivables from credit institutions				1 738	1 800	1 450
Loans to and receivables from customers	2 758	2 271	2 718	26 773	24 453	26 323
Certificates and bonds	685	529	116			
Financial derivatives	801	1 816	1 176			
Total financial assets	4 244	4 616	4 010	28 511	26 253	27 773
Loans from credit institutions				1 882	3 526	5 306
Debt securities issued				28 926	24 871	23 991
Financial derivatives	33	103	76			
Total financial liabilities	33	103	76	30 808	28 397	29 297

Financial instruments at fair value - 30.09.2021	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 customers			2 758	2 758
Certificates and bonds	685			685
Financial derivatives		801		801
Total financial assets	685	801	2 758	4 244
Financial derivatives		33		33
Total financial liabilities	-	33	-	33

Financial instruments at fair value - 30.09.2020	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 customers			2 271	2 271
Certificates and bonds	424	105		529
Financial derivatives		1 816		1 816
Total financial assets	424	1 921	2 271	4 616
Financial derivatives		103		103
Total financial liabilities	-	103	-	103

Financial instruments at fair value - 31.12.2020	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 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	593
Sales/reduction	-501
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	-52
Book value as at 30.09.2021	2 758

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	2 591
Sales/reduction	-315
Transferred to Level 3	0
Transferred out of Level 3	0
Gains/losses during the period	-5
Book value as at 30.09.2020	2 271

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 30.09.2021	Interest	Issued	Maturity	30.09.2021	30.09.2020	31.12.2020
NO0010588072	NOK	1 050	fixed NOK 4.75 %	2010	2025	1 153	1 234	1 221
XS0968459361	EUR	25	fixed EUR 2.81 %	2013	2028	307	348	330
XS0984191873	EUR	-	6M Euribor + 0.20 %	2013	2020	-	332	-
NO0010730187	NOK	1 000	fixed NOK 1.50 %	2015	2022	1 011	1 021	1 022
NO0010777584	NOK	3 000	3M Nibor + 0.58 %	2016	2021	3 004	3 005	3 006
XS1626109968	EUR	250	fixed EUR 0.125 %	2017	2022	2 562	2 795	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	2 588	2 834	2 684
NO0010836489	NOK	1 000	fixed NOK 2.75 %	2018	2028	1 056	1 140	1 086
NO0010853096	NOK	3 000	3M Nibor + 0.37 %	2019	2025	2 999	2 998	2 998
XS2063496546	EUR	250	fixed EUR 0.01 %	2019	2024	2 578	2 819	2 670
NO0010884950	NOK	3 000	3M Nibor + 0.42 %	2020	2025	2 999	2 998	2 998
XS2233150890	EUR	30	3M Euribor +0.75 %	2020	2027	317	345	327
NO0010951544	NOK	2 700	3M Nibor + 0.75 %	2021	2026	2 769	-	-
XS2389402905	EUR	250	fixed EUR 0.01 %	2021	2026	2 581	-	-
Total borrowings raised through the issue of securities (incl. accrued interest)						28 926	24 871	23 991

Cover pool (NOK million)	30.09.2021	30.09.2020	31.12.2020
Pool of eligible loans 1)	29 355	26 282	28 684
Substitute assets	2 138	907	903
Financial derivatives to hedge issued securities (assets)	801	1 816	1 176
Financial derivatives to hedge issued securities (liabilities)	-33	-103	-76
Total collateralised assets	32 261	28 902	30 687

1) NOK 175 million of total gross loans are not eligible for the cover pool as at 30.09.2021 (NOK 892 million as at 30.09.2020)

Covered bonds issued (NOK million)	30.09.2021	30.09.2020	31.12.2020
Covered bonds (nominal) 2)	28 058	23 033	22 808
Accrued interest	48	46	48
Premium/discount	820	1 792	1 135
Total covered bonds	28 926	24 871	23 991
Own holding (covered bonds)	0	0	0
Debt securities issued	28 926	24 871	23 991

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

Collateralisation (in %)	30.09.2021	30.09.2020	31.12.2020
Total collateralised assets / debt securitised issued	111.5	116.2	127.9

Liquidity Coverage Ratio (LCR)	30.09.2021	30.09.2020	31.12.2020
Liquidity buffer	45	497	111
Net liquidity outflow next 30 days	22	315	20
LCR ratio - Total	211%	158%	566%
LCR ratio - NOK	211%	158%	566%
LCR ratio - EUR	0%	0%	0%

Net Stable Funding Ratio (NSFR)	30.09.2021	30.09.2020	31.12.2020
Available amount of stable funding	26 727	29 137	29 208
Required amount of stable funding	31 617	28 264	28 971
NSFR ratio	85%	103%	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)	30.09.2021	30.09.2020	31.12.2020
Statement of income:			
Interest and credit commission income from Sparebanken Møre related to deposits	8	9	11
Interest and credit commission paid to Sparebanken Møre related to loan/credit facility	21	18	25
Interest paid to Sparebanken Møre related to bonded debt	9	7	8
Management fee paid to Sparebanken Møre	33	30	41
Statement of financial position:			
Deposits in Sparebanken Møre 1)	1 738	1 800	1 450
Covered bonds held by Sparebanken Møre as assets	2 352	498	503
Loan/credit facility in Sparebanken Møre	1 642	2 634	4 760
Intragroup hedging	3	76	60
Accumulated transferred loan portfolio from Sparebanken Møre	29 535	26 730	29 045

1) NOK 240 million out of total NOK 1,738 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 Q3-2021 have occurred after the reporting date. The company is not involved in any legal proceedings.

Profit performance

QUARTERLY PROFIT (NOK million)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Net interest income	96	90	88	95	100
Other operating income	5	3	1	0	0
Total operating costs	12	14	13	12	11
Profit before impairment on loans	89	79	76	83	89
Impairment on loans	0	0	0	-1	-1
Pre tax profit	89	79	76	84	90
Tax	20	17	17	18	20
Profit after tax	69	62	59	66	70

As a percentage of average assets:

Net interest income	1.22	1.16	1.16	1.31	1.32
Other operating income	0.07	0.03	0.02	0.00	0.00
Total operating costs	0.16	0.17	0.18	0.17	0.16
Profit before impairment on loans	1.13	1.02	1.00	1.14	1.16
Impairment on loans	0.00	0.01	0.00	-0.02	-0.01
Pre tax profit	1.13	1.01	1.00	1.16	1.17
Tax	0.25	0.22	0.22	0.26	0.26
Profit after tax	0.88	0.79	0.78	0.90	0.91

Average total assets (NOK million)	31 444	31 230	30 249	29 043	30 443
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ACCUMULATED PROFIT FOR THE YEAR (NOK million)	30.09.2021	30.09.2020	31.12.2020
Net interest income	274	250	345
Other operating income	9	-1	-1
Total operating costs	39	37	49
Profit before impairment on loans	244	212	295
Impairment on loans	0	2	1
Pre tax profit	244	210	294
Tax	54	46	64
Profit after tax	190	164	230

As a percentage of average assets:

Net interest income	1.18	1.16	1.20
Other operating income	0.04	-0.01	0.00
Total operating costs	0.17	0.17	0.17
Profit before impairment on loans	1.05	0.98	1.03
Impairment on loans	0.00	0.01	0.00
Pre tax profit	1.05	0.97	1.03
Tax	0.23	0.21	0.22
Profit after tax	0.82	0.76	0.81
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Average total assets (NOK million)	30 974	28 736	28 813

Alternative performance measures

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.
Over-collateralisation	Definition	Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt.
	Justification	This key figure provides information about the ratio between outstanding bond loans and the underlying collateralised assets.
	Calculation	$\frac{\text{Total collateralised assets}}{\text{Debt securitites issued}}$
	Figures	30.09.2021: $32,261/28,926 = 111.5\%$ 30.09.2020: $28,902/24,871 = 116.2\%$ 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

